China Development Financial Holding Corporation and Subsidiaries

Consolidated Financial Statements for the Nine Months Ended September 30, 2016 and 2015 and Independent Auditors' Review Report

Deloitte.

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INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Stockholders
China Development Financial Holding Corporation

We have reviewed the accompanying consolidated balance sheets of China Development Financial Holding Corporation (the "Corporation") and subsidiaries as of September 30, 2016 and 2015, and the related consolidated statements of comprehensive income for the three and nine months ended September 30, 2016 and 2015, changes in equity and cash flows for the nine months then ended. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to issue a report on these consolidated financial statements based on our reviews.

We conducted our reviews in accordance with Statement of Auditing Standards No. 36 - "Review of Financial Statements" issued by the Auditing Standards Committee of Accounting Research and Development Foundation of the Republic of China. A review of financial statements consists primarily of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the consolidated financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the consolidated financial statements of China Development Financial Holding Corporation and subsidiaries referred to above for them to be in conformity with the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies, Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms, Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Accounting Standard 34 "Interim Financial Reporting" endorsed by the Financial Supervisory Commission of the Republic of China.

Deloitte & Touche

November 21, 2016

<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 review such consolidated financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' review 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' review report and consolidated financial statements shall prevail.

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

	September 30, 2016 (Reviewed)		December 31, 2015 (Audited)		September 30, 2015 (Reviewed)	
ASSETS	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
CASH AND CASH EQUIVALENTS (Notes 6 and 47)	$ 24,817,551	3	$ 25,090,329	3	$ 40,049,356	4
DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS (Notes 7, 47 and 48)	73,456,853	8	87,125,284	10	66,493,430	7
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 8, 9, 47 and 48)	196,165,123	21	157,780,085	18	160,572,710	18
AVAILABLE-FOR-SALE FINANCIAL ASSETS (Notes 10 and 48)	94,498,811	10	70,643,015	8	91,878,205	10
SECURITIES PURCHASED UNDER RESELL AGREEMENTS (Note 11)	24,069,199	3	52,622,253	6	66,396,944	7
RECEIVABLES, NET (Notes 12, 47, 48 and 53)	93,625,848	10	100,754,149	12	111,257,479	12
CURRENT TAX ASSETS (Note 4)	844,310	-	990,101	-	1,000,577	-
DISCOUNT AND LOANS, NET (Notes 13, 47 and 53)	251,897,396	28	217,780,328	25	223,684,373	24
HELD-TO-MATURITY FINANCIAL ASSETS, NET	300,000	-	402,564	-	102,564	-
INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD, NET (Notes 14, 15 and 48)	12,567,714	1	10,775,665	1	10,334,917	1
RESTRICTED ASSETS (Notes 16, 48 and 49)	29,068,117	3	29,776,730	3	32,881,460	4
FINANCIAL ASSETS MEASURED AT COST (Notes 15 and 17)	19,853,355	2	21,095,274	2	22,553,823	2
OTHER FINANCIAL ASSETS (Notes 18, 47 and 48)	43,738,099	5	38,773,821	5	37,280,045	4
INVESTMENT PROPERTY, NET (Notes 19 and 48)	2,092,022	-	2,048,311	-	2,059,928	-
PROPERTY AND EQUIPMENT, NET (Notes 20 and 48)	14,629,597	2	14,717,160	2	14,470,847	2
INTANGIBLE ASSETS, NET (Note 21)	8,102,461	1	8,584,490	1	8,728,501	1
DEFERRED TAX ASSETS (Notes 4 and 44)	5,271,901	1	5,561,925	1	5,672,234	1
OTHER ASSETS, NET (Notes 22 and 48)	17,032,476	2	22,197,691	3	22,824,626	3
TOTAL	$ 912,030,833	100	$ 866,719,175	100	$ 918,242,019	100
LIABILITIES AND EQUITY						
LIABILITIES						
Deposits from the Central Bank and banks (Notes 23 and 47)	$ 23,349,332	3	$ 10,024,399	1	$ 20,377,407	2
Financial liabilities at fair value through profit or loss (Notes 8 and 47)	51,036,281	6	39,898,179	5	49,623,463	5
Notes and bonds issued under repurchase agreements (Notes 8, 10, 24 and 47)	139,222,803	15	119,611,868	14	124,086,674	14
Commercial paper payable, net (Notes 25 and 48)	20,828,387	2	13,139,202	1	15,442,066	2
Payables (Notes 26 and 47)	71,714,660	8	57,152,044	7	69,325,090	8
Current tax liabilities (Note 4)	808,509	-	911,029	-	823,649	-
Deposits and remittances (Notes 27 and 47)	311,361,040	34	325,312,132	38	319,690,978	35
Bonds payable (Notes 28 and 47)	28,605,062	3	28,618,692	3	28,637,537	3
Other borrowings (Notes 29, 47 and 48)	17,904,915	2	21,809,459	3	41,532,070	5
Provisions (Notes 4, 30 and 31)	1,442,859	-	1,419,454	-	994,526	-
Principal received on structured notes	26,319,810	3	34,375,733	4	37,478,533	4
Customers' equity accounts - futures (Note 47)	34,272,805	4	30,698,500	4	31,113,371	3
Other financial liabilities (Note 49)	377,503	-	400,851	-	402,678	-
Deferred tax liabilities (Notes 4 and 44)	1,455,306	-	1,460,166	-	1,567,954	-
Other liabilities (Note 32)	18,394,196	2	13,116,729	1	10,034,880	1
Total liabilities	747,093,468	82	697,948,437	81	751,130,876	82
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT (Notes 33 and 34)						
Capital						
Common stock	149,740,122	16	151,124,071	17	151,644,553	16
Advance receipts for capital stock	1,644	-	1,370	-	16,288	-
Capital surplus	1,101,779	-	654,803	-	602,750	-
Retained earnings						
Legal reserve	5,014,298	1	4,161,475	-	4,161,475	1
Special reserve	3,228,296	-	765,041	-	765,041	-
Unappropriated earnings	7,214,823	1	13,580,644	2	11,532,832	1
Other						
Exchange differences on translation of foreign financial statements	(450,038)	-	1,741,670	-	1,893,058	-
Unrealized losses on available-for-sale financial assets	(2,109,850)	-	(4,456,314)	-	(4,638,493)	-
Others	(31,941)	-	(32,187)	-	(46,378)	-
Treasury shares	(2,376,747)	-	(2,376,747)	-	(2,395,508)	-
Total equity attributable to owners of the parent	161,332,386	18	165,163,826	19	163,535,618	18
NON-CONTROLLING INTERESTS (Note 33)	3,604,979	-	3,606,912	-	3,575,525	-
Total equity	164,937,365	18	168,770,738	19	167,111,143	18
TOTAL	$ 912,030,833	100	$ 866,719,175	100	$ 918,242,019	100

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

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2016		2015		2016		2015	
	Amount	%	Amount	%	Amount	%	Amount	%
INTEREST REVENUE (Notes 35 and 47)	$ 2,787,406	33	$ 3,475,114	64	$ 8,427,498	42	$ 11,225,128	53
INTEREST EXPENSE (Notes 35 and 47)	(1,029,285)	(12)	(1,232,787)	(23)	(3,249,577)	(16)	(4,003,910)	(19)
INTEREST PROFIT, NET	1,758,121	21	2,242,327	41	5,177,921	26	7,221,218	34
NONINTEREST PROFITS AND GAINS, NET								
Service fee and commission, net (Notes 36 and 47)	1,921,070	22	2,107,666	39	5,534,189	27	6,803,908	32
Gain (loss) on financial assets or liabilities measured at fair value through profit or loss, net (Note 37)	2,055,943	24	(111,314)	(2)	3,606,478	18	2,788,694	13
Realized gain on available-for-sale financial assets, net (Note 38)	932,509	11	1,532,455	28	1,890,728	9	2,788,858	13
Foreign exchange gain (loss), net	169,224	2	(1,223,145)	(22)	304,688	2	(978,127)	(4)
Impairment loss on assets, net (Note 39)	(338,148)	(4)	(358,174)	(7)	(903,847)	(4)	(516,248)	(2)
Share of the profit (loss) of associates and joint ventures	223,356	3	(104,194)	(2)	521,142	3	201,026	1
Gain on financial assets measured at cost, net (Note 40)	622,543	7	775,822	14	1,497,936	7	1,100,453	5
Consulting service revenue (Note 47)	313,452	4	267,156	5	891,817	4	828,137	4
Others (Notes 41 and 47)	830,662	10	314,091	6	1,647,790	8	903,577	4
Total noninterest profits and gains, net	6,730,611	79	3,200,363	59	14,990,921	74	13,920,278	66
TOTAL NET REVENUES	8,488,732	100	5,442,690	100	20,168,842	100	21,141,496	100
REVERSAL OF ALLOWANCE (ALLOWANCE) FOR BAD DEBTS AND LOSSES ON GUARANTEES, NET	(242,059)	(3)	300,605	6	(614,601)	(3)	891,008	4
OPERATING EXPENSES (Notes 4, 31, 42, 43 and 47)								
Employee benefits	(3,176,973)	(38)	(3,006,634)	(55)	(8,659,056)	(43)	(9,544,606)	(45)
Depreciation and amortization	(374,075)	(4)	(351,197)	(7)	(1,103,038)	(6)	(1,054,702)	(5)
Other general and administrative expenses	(1,695,151)	(20)	(1,527,271)	(28)	(4,670,066)	(23)	(4,643,666)	(22)
Total operating expenses	(5,246,199)	(62)	(4,885,102)	(90)	(14,432,160)	(72)	(15,242,974)	(72)
NET PROFIT BEFORE INCOME TAX	3,000,474	35	858,193	16	5,122,081	25	6,789,530	32
INCOME TAX (EXPENSE) BENEFIT (Notes 4 and 44)	(440,455)	(5)	134,532	2	(618,781)	(3)	(640,485)	(3)
NET PROFIT FOR THE PERIOD	2,560,019	30	992,725	18	4,503,300	22	6,149,045	29

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CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2016		2015		2016		2015	
	Amount	%	Amount	%	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)								
Items that will not be reclassified subsequently to profit or loss, net of income tax								
Share of the other comprehensive loss of associates and joint ventures	$ -	-	$ (1,929)	-	$ -	-	$ (3,016)	-
Items that will be reclassified subsequently to profit or loss, net of income tax								
Exchange differences on translation of foreign financial statements	(1,050,895)	(12)	2,434,162	45	(2,015,582)	(10)	1,622,112	8
Unrealized gain (loss) on available-for-sale financial assets	1,636,503	19	(2,918,274)	(54)	2,112,980	11	(4,010,551)	(19)
Unrealized gain on cash flow hedges	-	-	-	-	-	-	20,659	-
Share of the other comprehensive income (loss) of associates and joint ventures	39,000	1	(335,227)	(6)	53,008	-	(380,289)	(2)
Income tax relating to items that may be reclassified subsequently to profit or loss (Notes 4 and 44)	(685)	-	(901)	-	(1,550)	-	(1,238)	-
Other comprehensive income for the period, net of income tax	623,923	8	(822,169)	(15)	148,856	1	(2,752,323)	(13)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	$ 3,183,942	38	$ 170,556	3	$ 4,652,156	23	$ 3,396,722	16
NET PROFIT ATTRIBUTABLE TO:								
Owners of parent	$ 2,553,475	30	$ 996,261	18	$ 4,441,633	22	$ 6,088,518	29
Non-controlling interests	6,544	-	(3,536)	-	61,667	-	60,527	-
	$ 2,560,019	30	$ 992,725	18	$ 4,503,300	22	$ 6,149,045	29
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:								
Owners of parent	$ 3,179,693	38	$ 173,662	3	$ 4,596,389	23	$ 3,337,276	16
Non-controlling interests	4,249	-	(3,106)	-	55,767	-	59,446	-
	$ 3,183,942	38	$ 170,556	3	$ 4,652,156	23	$ 3,396,722	16
EARNINGS PER SHARE (Note 45)								
Basic	$ 0.17		$ 0.07		$ 0.30		$ 0.41	
Diluted	$ 0.17		$ 0.07		$ 0.30		$ 0.41	

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

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)
(Reviewed, Not Audited)

	Equity Attributable to Owners of the Parent													
	Capital			Retained Earnings			Other Equity							
	Common Stock	Advance Receipts for Capital Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of Foreign Financial Statements	Unrealized Gains (Losses) on Available-for-sale Financial Assets	Unrealized Gains (Losses) on Cash Flow Hedges	Others	Treasury Shares	Total Equity Attributable to Owners of the Parent	Non-controlling Interests	Total Equity
BALANCE AT JANUARY 1, 2015	$ 153,438,493	$ 5,969	$ 590,923	$ 3,077,853	$ 1,123,858	$ 15,378,140	$ 205,176	$ (177,929)	$ (20,659)	$ (26,956)	$ (3,298,709)	$ 170,296,159	$ 3,617,754	$ 173,913,913
Effect of retrospective application and retrospective restatement	-	-	-	-	-	(102,256)	(3,797)	-	-	-	-	(106,053)	2,215,847	2,109,794
BALANCE AT JANUARY 1, 2015 AS RESTATED	153,438,493	5,969	590,923	3,077,853	1,123,858	15,275,884	201,379	(177,929)	(20,659)	(26,956)	(3,298,709)	170,190,106	5,833,601	176,023,707
Appropriation of the 2014 earnings														
Legal reserve	-	-	-	1,083,622	-	(1,083,622)	-	-	-	-	-	-	-	-
Cash dividends - NT$0.6 per share	-	-	-	-	-	(9,098,673)	-	-	-	-	-	(9,098,673)	-	(9,098,673)
Special reserve reversed	-	-	-	-	(358,817)	358,817	-	-	-	-	-	-	-	-
	-	-	-	1,083,622	(358,817)	(9,823,478)	-	-	-	-	-	(9,098,673)	-	(9,098,673)
Change in capital surplus from investments in associates and joint ventures accounted for by using equity method	-	-	391	-	-	-	-	-	-	-	-	391	-	391
Net profit for the nine months ended September 30, 2015	-	-	-	-	-	6,088,518	-	-	-	-	-	6,088,518	60,527	6,149,045
Other comprehensive income (loss) for the nine months ended September 30, 2015, net of income tax	-	-	-	-	-	(3,016)	1,691,679	(4,460,564)	20,659	-	-	(2,751,242)	(1,081)	(2,752,323)
Total comprehensive income for the nine months ended September 30, 2015	-	-	-	-	-	6,085,502	1,691,679	(4,460,564)	20,659	-	-	3,337,276	59,446	3,396,722
Buyback of ordinary shares	-	-	-	-	-	-	-	-	-	-	(991,669)	(991,669)	-	(991,669)
Cancellation of treasury shares	(1,888,880)	-	(5,990)	-	-	-	-	-	-	-	1,894,870	-	-	-
Share-based payments	94,940	10,319	17,426	-	-	(5,076)	-	-	-	(19,422)	-	98,187	-	98,187
Changes in non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	(2,317,522)	(2,317,522)
BALANCE AT SEPTEMBER 30, 2015	$ 151,644,553	$ 16,288	$ 602,750	$ 4,161,475	$ 765,041	$ 11,532,832	$ 1,893,058	$ (4,638,493)	$ -	$ (46,378)	$ (2,395,508)	$ 163,535,618	$ 3,575,525	$ 167,111,143
BALANCE AT JANUARY 1, 2016	$ 151,124,071	$ 1,370	$ 654,803	$ 4,161,475	$ 765,041	$ 13,580,644	$ 1,741,670	$ (4,456,314)	$ -	$ (32,187)	$ (2,376,747)	$ 165,163,826	$ 3,606,912	$ 168,770,738
Appropriation of the 2015 earnings														
Legal reserve	-	-	-	852,823	-	(852,823)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	-	2,463,255	(2,463,255)	-	-	-	-	-	-	-	-
Cash dividends - NT$0.5 per share	-	-	-	-	-	(7,487,006)	-	-	-	-	-	(7,487,006)	-	(7,487,006)
	-	-	-	852,823	2,463,255	(10,803,084)	-	-	-	-	-	(7,487,006)	-	(7,487,006)
Other change in capital surplus	-	-	161,616	-	-	-	-	-	-	-	-	161,616	-	161,616
Net profit for the nine months ended September 30, 2016	-	-	-	-	-	4,441,633	-	-	-	-	-	4,441,633	61,667	4,503,300
Other comprehensive income (loss) for the nine months ended September 30, 2016, net of income tax	-	-	-	-	-	-	(2,191,708)	2,346,464	-	-	-	154,756	(5,900)	148,856
Total comprehensive income (loss) for the nine months ended September 30, 2016	-	-	-	-	-	4,441,633	(2,191,708)	2,346,464	-	-	-	4,596,389	55,767	4,652,156
Buyback of ordinary shares	-	-	-	-	-	-	-	-	-	-	(1,150,440)	(1,150,440)	-	(1,150,440)
Cancellation of treasury shares	(1,430,100)	-	279,660	-	-	-	-	-	-	-	1,150,440	-	-	-
Share-based payments	46,151	274	5,700	-	-	(4,370)	-	-	-	246	-	48,001	-	48,001
Change in non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	(57,700)	(57,700)
BALANCE AT SEPTEMBER 30, 2016	$ 149,740,122	$ 1,644	$ 1,101,779	$ 5,014,298	$ 3,228,296	$ 7,214,823	$ (450,038)	$ (2,109,850)	$ -	$ (31,941)	$ (2,376,747)	$ 161,332,386	$ 3,604,979	$ 164,937,365

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

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit before income tax	$ 5,122,081	$ 6,789,530
Adjustments to reconcile net profit		
Depreciation expenses	454,948	395,133
Amortization expenses	648,090	659,569
Allowance (reversal of allowance) for bad debts and losses on guarantees, net	614,601	(891,008)
Interest expense	3,249,577	4,003,910
Interest income	(8,427,498)	(11,225,128)
Dividend income	(1,747,469)	(2,001,321)
Share of profit of associates and joint ventures	(479,282)	(174,606)
Gain on disposal of investments	(1,667,148)	(1,152,886)
Loss on financial asset impairment	889,988	500,491
Loss on nonfinancial asset impairment	13,859	15,757
Others	58,842	190,244
Changes in operating assets and liabilities		
Due from the Central Bank and call loans to banks	(21,029,711)	(7,207,181)
Financial assets at fair value through profit or loss	(38,385,038)	(9,394,897)
Available-for-sale financial assets	(22,409,545)	(66,718,953)
Securities purchased under resell agreements	1,153,060	(13,785,890)
Receivables	6,917,097	21,029,978
Discount and loans	(34,267,106)	2,839,399
Held to maturity financial assets	-	18,600,000
Other financial assets	(5,640,840)	4,209,050
Other assets	5,467,333	(20,299,146)
Deposits from the Central Bank and banks	13,324,933	7,696,629
Financial liabilities at fair value through profit or loss	11,138,102	14,541,156
Notes and bonds issued under repurchase agreements	19,610,935	(8,739,932)
Payables	3,555,715	(26,152)
Deposits and remittances	(13,951,092)	15,133,008
Other financial liabilities	8,081,101	(31,035,688)
Other liabilities	3,152,690	8,121,883
Interest received	8,853,339	13,301,654
Dividend received	1,659,036	2,004,489
Interest paid	(3,065,965)	(4,321,507)
Income tax paid	(326,809)	(1,812,349)
Net cash used in operating activities	(57,432,176)	(58,754,764)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of available-for-sale financial assets	(362,502)	(22,216,844)
Proceeds on sale of available-for-sale financial assets	1,335,165	133,916,279

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CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2016	**2015**
Acquisition of debt investments with no active market	$ (360,353)	$ -
Proceeds on sale of debt investments with no active market	946,432	999,992
Acquisition of held-to-maturity financial assets	-	(102,564)
Proceeds on sale of held-to-maturity financial assets	102,564	190,000
Acquisition of financial assets measured at cost	(1,676,495)	(1,649,096)
Proceeds on financial assets measured at cost	2,546,701	7,493,660
Proceeds from capital return on financial assets measured at cost	143,397	124,971
Acquisition of equity-method investments	(1,927,861)	(1,220,224)
Acquisition of subsidiaries less cash received	(148,615)	49,184
Proceeds from capital return on equity method investments	10,012	1,086,522
Acquisition of property and equipment	(383,040)	(449,926)
Proceeds on sale of investment property	4,828	246,622
Others	350,932	361,723
Net cash generated from investing activities	581,165	118,830,299
CASH FLOWS FROM FINANCING ACTIVITIES		
(Decrease) Increase in short-term borrowings	(1,332,924)	7,514,194
Increase in commercial paper payable	7,689,185	1,517,021
Proceeds from issue of corporate bonds	-	15,000,000
Repayments of corporate bonds	-	(11,100,000)
Repayments of bank debentures	-	(10,000,000)
Proceeds of long-term borrowings	998,933	-
Repayments of long-term borrowings	(3,326,401)	(1,186,770)
Cash dividends paid	(7,487,006)	(9,098,673)
Purchase of treasury shares	(1,150,440)	(991,669)
Changes in non-controlling interests	(59,476)	(101,675)
Others	4,025	(225,964)
Net cash used in financing activities	(4,664,104)	(8,673,536)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(855,801)	827,956
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(62,370,916)	52,229,955
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	135,637,871	84,850,996
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	$ 73,266,955	$ 137,080,951

(Continued)

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

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

	September 30	
	2016	**2015**
Cash and cash equivalents in consolidated balance sheets	$ 24,817,551	$ 40,049,356
Due from the Central Bank and call loans to banks which qualify as cash and cash equivalents as defined of in IAS 7	31,610,514	45,246,731
Securities purchased under agreements to resell which qualify as cash and cash equivalents as defined of in IAS 7	16,838,890	51,784,864
Cash and cash equivalents in consolidated statements of cash flows	$ 73,266,955	$ 137,080,951

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

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015
(In thousands of New Taiwan Dollars, Unless Stated Otherwise)
(Reviewed, Not Audited)

1. GENERAL INFORMATION

China Development Financial Holding Corporation (the "Corporation") was established by China Development Industrial Bank (CDIB) through a share swap on December 28, 2001 made under the Financial Holding Company Act and related regulations. CDIB became a wholly owned subsidiary of the Corporation after the share swap.

The Corporation acquired First Taiwan Securities Corporation ("First Taiwan") and Grand Cathay Securities Corporation ("Grand Cathay") through a share swap on November 8, 2002. The effective date of the merger between Grand Cathay and First Taiwan was December 31, 2003. Grand Cathay was the survivor company after the merger.

On April 30, 2012, the Corporation's board of the directors approved the acquisition of 100% shares of KGI Securities Co., Ltd. (KGI Securities) through a tender offer. The Corporation acquired 81.73% of KGI Securities' shares (totaling 2,672,420 thousand shares) during the public tender offer period. On September 28, 2012, the Corporation's stockholders resolved to acquire KGI Securities' remaining 18.27% shares through a share swap and completed on January 18, 2013. Thus, KGI Securities is a 100% subsidiary of the Corporation. The effective date of the merger between KGI Securities and Grand Cathay was June 22, 2013. KGI Securities was the survivor company after the merger.

On April 8, 2014, the Corporation's shareholders resolved to acquire KGI Bank Co., Ltd. ("KGI Bank") through a share swap. Each KGI Bank share was exchanged for 0.2 share of the newly issued common stock of the Corporation plus NT$13.4 cash of KGI Bank's stock price on September 15, 2014. Thus, KGI Bank became the Corporation's wholly owned subsidiary.

The Corporation invests in and manages the businesses of finance-related institutions and investees.

The Corporation's shares have been listed on the Taiwan Stock Exchange (TSE).

CDIB was incorporated under the Company Act and relevant regulations and started operations on May 14, 1959. Effective January 1, 1999, CDIB was converted from a trust corporation into an industrial bank under government approval.

On March 2 and April 13, 2015, CDIB's board of the directors of CDIB approved the transfer to KGI Bank of (a) all assets and liabilities associated with the commercial banking business of CDIB and (b) CDIB's holdings of shares in CDIB's leasing subsidiaries and in the Taiwan Financial Asset Service Corporation in accordance with Article 185 of Company Act and Article 27 of Business Mergers and Acquisitions Act. On April 16, 2015, the transaction was approved by the Financial Supervisory Commission in accordance with Rule No. 10400053521, and the chairman was authorized by the board of directors to approve May 1, 2015 as the date of business transfer.

Before the transfer of business, CDIB's industrial banking operations included certain deposit-taking, lending, investment, bank debenture issuing, securities underwriting, domestic exchange, guarantee provision, letter of credit issuing, receivable acquisition, government bond purchasing, trust operations, offshore banking, transacting derivative financial instruments and other activities under the authority approval. After the transfer of business, CDIB's industrial banking operations included securities investment, investment, financial related business, venture capital and other activities approved by the authorities.

KGI Securities was established on September 14, 1988. It merged with Jen-Hsin Securities Co., Ltd., Ta Ya Securities Co., Ltd., and Feng Yuan Securities Co., Ltd. in 2002; with Tai-Yu Securities Co., Ltd. in 2003, with Taishin Securities Co., Ltd. in 2009 and with Grand Cathay in 2013. The survivor entity in all these mergers was KGI Securities. As of September 30, 2016, KGI Securities had a head office and 83 branches which included head office.

KGI Securities operates as a securities underwriter, dealer, broker, future trading, future dealer, trust, wealth management, offshore securities and other related business as approved by authorities.

KGI Bank was established on January 14, 1992. As of September 30, 2016, KGI Bank had a main office, international banking department, a trust department, various business departments, an offshore banking unit (OBU), and 51 domestic branches.

KGI Bank engages in banking operations are regulated under the banking Act.

For more information on the organization and business of the consolidated entities, please refer to Table 7 (attached).

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were reported to the board of directors and issue on November 21, 2016.

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

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

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

New, Amended or Revised Standards and Interpretations (the "New IFRSs")	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016 (Note 3)
Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception"	January 1, 2016
Amendment to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"	January 1, 2016
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016

(Continued)

New, Amended or Revised Standards and Interpretations (the "New IFRSs")	Effective Date Announced by IASB (Note 1)
Amendment to IAS 1 "Disclosure Initiative"	January 1, 2016
Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"	January 1, 2016
Amendments to IAS 16 and IAS 41 "Agriculture: Bearer Plants"	January 1, 2016
Amendment to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014
Amendment to IAS 36 "Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets"	January 1, 2014
Amendment to IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014
IFRIC 21 "Levies"	January 1, 2014

(Concluded)

Note 1: Unless stated otherwise, the above New or amended IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The amendment to IFRS 2 applies to share-based payment transactions with grant date on or after July 1, 2014; the amendment to IFRS 3 applies to business combinations with acquisition date on or after July 1, 2014; the amendment to IFRS 13 is effective immediately; the remaining amendments are effective for annual periods beginning on or after July 1, 2014.

Note 3: The amendment to IFRS 5 is applied prospectively to changes in a method of disposal that occur in annual periods beginning on or after January 1, 2016; the remaining amendments are effective for annual periods beginning on or after January 1, 2016.

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

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

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

2) IFRIC 21 "Levies"

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

3) Annual Improvements to IFRSs: 2010-2012 Cycle

The amended IFRS 8 requires an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have “similar economic characteristics”. The amendment also clarifies that a reconciliation of the total of the reportable segments’ assets to the entity’s assets should only be provided if the segments’ assets are regularly provided to the chief operating decision-maker. When the amended IFRS 13 becomes effective in 2017, the Group will elect to measure the fair value of those contracts on a net basis retrospectively.

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

4) Annual Improvements to IFRSs: 2011-2013 Cycle

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

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

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

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

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

The FSC announced that the Corporation and its subsidiaries should apply IFRS 15 starting January 1, 2018. As of the date the consolidated financial statements were authorized for issue, the FSC has not announced the effective dates of other new IFRSs.

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendment to IFRS 2 “Classification and Measurement of Share-based Payment Transactions”	January 1, 2018
Amendments to IFRS 4 “Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts”	January 1, 2018
IFRS 9 “Financial Instruments”	January 1, 2018
Amendments to IFRS 9 and IFRS 7 “Mandatory Effective Date of IFRS 9 and Transition Disclosures”	January 1, 2018
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB (Note 2)
IFRS 15 “Revenue from Contracts with Customers”	January 1, 2018

(Continued)

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendment to IFRS 15 “Clarification to IFRS 15”	January 1, 2018
IFRS 16 “Leases”	January 1, 2019
Amendment to IAS 7 “Disclosure Initiative”	January 1, 2017
Amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”	January 1, 2017

(Concluded)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The postponement in June 2015 applies to changes introduced by the IASB in September 2014 through narrow-scope amendments to IFRS 10 and IAS 28. Earlier application is permitted.

1) IFRS 9 “Financial Instruments”

Recognition and measurement of financial assets

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

For the Corporation 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 the collecting of contractual cash flows and the selling of 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 or 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 Corporation and subsidiaries may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss. No subsequent impairment assessment is required, and the cumulative gain or loss previously recognized in other comprehensive income cannot be reclassified from equity to profit or loss.

The impairment of financial assets

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

For purchased or originated credit-impaired financial assets, the Corporation and subsidiaries takes into account the expected credit losses on initial recognition in calculating the credit-adjusted effective interest rate. Subsequently, any changes in expected losses are recognized as a loss allowance with a corresponding gain or loss recognized in profit or loss.

2) 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 Corporation and subsidiaries sells or contributes assets that constitute a business (as defined in IFRS 3) to an associate, the gain or loss resulting from the transaction is recognized in full. Also, when the Corporation 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 Corporation and subsidiaries sells or contributes assets that do not constitute a business to an associate, the gain or loss resulting from the transaction is recognized only to the extent of the unrelated investors' interest in the associate, i.e. the Corporation and subsidiaries' share of the gain or loss is eliminated. Also, when the Corporation and subsidiaries loses control of a subsidiary that does not contain a business but retains significant influence or joint control in an associate, the gain or loss resulting from the transaction is recognized only to the extent of the unrelated investors' interest in the associate, i.e. the Corporation and subsidiaries' share of the gain or loss is eliminated.

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 from January 1, 2017.

When applying IFRS 15, an entity shall recognize revenue by applying the following steps:

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

When IFRS 15 is effective, an entity may elect to apply this Standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying this Standard recognized at the date of initial application.

4) IFRS 16 "Leases"

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

Under IFRS 16, if the Corporation 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 Corporation 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 Corporation 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 Corporation and subsidiaries as lessor.

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

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

The amendment clarifies that the difference between the carrying amount of the debt instrument measured at fair value and its tax base gives rise to a temporary difference, even though there are unrealized losses on that asset, irrespective of whether the Corporation and subsidiaries expects 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 Corporation 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 Corporation and subsidiaries' assets for more than their carrying amount if there is sufficient evidence that it is probable that the Corporation and subsidiaries will achieve this, and that the estimate for future taxable profit should exclude tax deductions resulting from the reversal of deductible temporary differences.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Corporation and subsidiaries is continuously assessing the possible impact that the application of other standards and interpretations will have on the Corporation 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 same accounting policies of these consolidated financial statements have been followed as were applied in the preparation of the Corporation and subsidiaries consolidated financial statements for the year ended December 31, 2015, except for those described below.

Statement of Compliance

The accompanying consolidated financial statements have been prepared in conformity with Regulations Governing the Preparation of Financial Reports by Financial Holding Companies, Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms, Regulations Governing the Preparation of Financial Reporting by Futures Commission Merchants, Regulations Governing the Preparation of Financial Reports by Securities Issuers, IAS 34 "Interim Financial Reporting" as endorsed by the FSC. Disclosure information included in interim financial report is less than disclosures required in a full set of annual financial reports.

Basis of Preparation

As of September 30, 2016, December 31, 2015 and September 30, 2015, the consolidated entities included in the consolidated financial statements included 71, 73 and 80 companies, respectively (please refer to the attached Table 7 for details).

Retirement Benefit Costs

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

Taxation

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

6. CASH AND CASH EQUIVALENTS

	September 30, 2016	December 31, 2015	September 30, 2015
Cash in banks	$ 12,727,078	$ 8,219,176	$ 30,075,030
Due from banks	6,525,589	6,600,587	3,182,452
Short-term transactions instruments with maturities of up to three months	2,482,014	7,295,388	3,599,851
Cash on hand	1,323,806	1,281,441	1,353,345
Future excess margin	1,378,635	1,352,806	1,145,251
Others	380,429	340,931	693,427
	$ 24,817,551	$ 25,090,329	$ 40,049,356

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

	December 31, 2015
Cash and cash equivalents in consolidated balance sheet	$ 25,090,329
Due from the Central Bank and call loans to banks which qualify as cash and cash equivalents as defined of in IAS 7	66,308,658
Securities purchased under agreements to resell which qualify as cash and cash equivalents as defined of in IAS 7	44,238,884
Cash and cash equivalents in consolidated statement of cash flow	$ 135,637,871

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

	September 30, 2016	December 31, 2015	September 30, 2015
Due from the Central Bank	$ 43,175,000	$ 44,020,000	$ 38,635,000
Call loans to banks	20,645,002	32,785,506	12,302,198
Deposit reserve - demand accounts	7,196,924	6,675,432	7,618,734
Deposit reserve - checking accounts	2,110,760	2,791,414	7,603,436
Due from the Central Bank - interbank settlement funds	184,883	700,828	181,673
Deposit reserve - foreign currencies	144,284	152,104	152,389
	$ 73,456,853	$ 87,125,284	$ 66,493,430

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

In addition, separate foreign-currency deposit reserves are determined at prescribed rates based on balances of foreign-currency deposits. These reserves may be withdrawn anytime at no interest.

For the certificates of deposit issued by the Central Bank of the ROC and pledged as collateral for day-term overdraft, please refer to Note 48.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	September 30, 2016	December 31, 2015	September 30, 2015
Financial assets held for trading			
Derivative instrument			
Currency swap contracts	$ 10,754,808	$ 11,267,269	$ 18,968,502
Interest rate swap contracts	8,889,084	5,450,351	5,254,298
Option and futures contracts	5,970,628	4,739,031	5,126,036
Others	1,241,434	818,022	845,212
Non-derivative financial assets			
Operating securities (Note 9)	90,137,939	69,315,807	72,552,864
Bank debentures	20,491,889	33,176,658	34,893,336
Mutual funds	5,649,661	6,673,779	6,781,680
Commercial papers	2,998,583	-	-
Convertible (exchangeable) corporate bonds	2,949,042	2,184,662	1,542,965
Government bonds	2,020,501	1,033,332	2,310,476
Corporate bonds	1,938,035	2,370,073	2,389,489
Others	319,111	406,224	541,362
	153,360,715	137,435,208	151,206,220
Financial assets designated as at FVTPL			
Government bonds	40,776,616	19,299,321	8,296,489
Others	2,027,792	1,045,556	1,070,001
	42,804,408	20,344,877	9,366,490
Financial assets at FVTPL	$ 196,165,123	$ 157,780,085	$ 160,572,710
Financial liabilities held for trading			
Derivative instrument			
Currency swap contracts	$ 10,756,283	$ 11,379,184	$ 17,643,622
Interest rate swap contracts	8,916,672	5,856,509	6,245,466
Option and futures contracts	8,107,127	5,812,809	5,178,034
Structure products	448,415	2,192,369	1,526,743
Others	1,907,038	1,318,336	2,263,650
Non-derivative financial liabilities			
Borrowed securities payable	7,305,248	6,167,626	8,171,842
Securities financing	1,883,641	652,471	2,265,726
	39,324,424	33,379,304	43,295,083
Financial liabilities designated as at FVTPL			
Bank debentures payable	10,381,985	4,352,498	4,417,110
Structured products	1,329,872	2,166,377	1,911,270
	11,711,857	6,518,875	6,328,380
Financial liabilities at FVTPL	$ 51,036,281	$ 39,898,179	$ 49,623,463

The Corporation and subsidiaries' trust contract of stock of Capital Securities Corporation. Please refer to Note 10.

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

Bank Debenture Number	September 30, 2016	December 31, 2015	September 30, 2015	Issuance Period	Method of Paying Principles and Interests	Interest Rate
04 KGIB 1	$ -	$ 1,050,000	$ 1,050,000	May 18, 2006 - May 18, 2016	Principal due on maturity; interest payable annually	2.15%
15 KGIB 1	3,324,796	3,504,996	3,511,568	March 24, 2015 - March 24, 2045 (Note 1)	Principal due on maturity	0.00%
P16KGIB 1	3,450,260	-	-	May 3, 2016 - May 3, 2046 (Note 2)	Principal due on maturity	0.00%
P16KGIB 2	3,450,260	-	-	May 27, 2016 - May 27, 2046 (Note 2)	Principal due on maturity	0.00%
	10,225,316	4,554,996	4,561,568			
Valuation adjustments	156,669	(202,498)	(144,458)			
	$ 10,381,985	$ 4,352,498	$ 4,417,110			

Note 1: Base on 100% of the carry value of each bond principal plus the interest shall be payable early redemption since the expiration of two year from the issue date (inclusive).

Note 2: Base on 100% of the carry value of each bond principal plus the interest shall be payable early redemption since the expiration of one year from the issue date (inclusive).

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

	September 30, 2016	December 31, 2015	September 30, 2015
Currency swap contracts	$ 1,160,911,562	$ 1,167,714,201	$ 938,312,313
Interest rate swap contracts	838,095,141	711,778,113	697,058,515
Option and Futures contracts	328,245,482	359,829,956	491,343,756
Forward exchange contracts	161,423,175	121,868,073	68,704,647
Cross-currency swap contracts	29,167,240	8,830,876	9,632,662
Assets swap contracts	12,275,850	13,520,064	13,586,172
Structured note contracts	9,050,646	16,194,507	12,788,992
Credit default swap contracts	3,252,971	4,014,286	2,105,407
Non-deliverable forward contracts	1,459,656	1,609,868	5,578,296
Equity derivative financial contracts	257,772	292,546	2,539,478
Commodity swap	190,102	1,143,416	1,729,354

As of September 30, 2016, December 31, 2015 and September 30, 2015, financial assets held for trading with aggregate carrying values of $111,554,666 thousand, $94,464,703 thousand and $94,588,794 thousand, respectively, had been sold under repurchase agreements (recognized as notes and bonds issued under repurchase agreements).

For the information on financial instruments at fair value through profit or loss pledged as collateral for the Corporation and subsidiaries, please refer to Note 48.

9. OPERATING SECURITIES

	September 30, 2016	December 31, 2015	September 30, 2015
Dealing			
Government bonds	$ 32,833,056	$ 23,270,235	$ 21,162,705
Oversea securities	26,413,940	16,811,666	17,890,769
Corporate bonds	17,554,295	15,273,953	19,323,871
Listed, OTC and emerging market stocks	8,041,896	7,601,755	8,055,928
Others	210,285	988,365	79,165
	85,053,472	63,945,974	66,512,438
Underwriting			
Listed and OTC stocks	1,038,372	863,517	1,089,757
Corporate bonds	304,686	677,226	671,093
Oversea securities	-	-	777,014
Others	65,520	-	75,000
	1,408,578	1,540,743	2,612,864
Hedge positions			
Listed and OTC stocks	3,011,750	2,715,104	2,572,001
Oversea securities	655,287	1,085,737	626,497
Listed and OTC warrant	8,852	28,249	229,064
	3,675,889	3,829,090	3,427,562
	$ 90,137,939	$ 69,315,807	$ 72,552,864

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	September 30, 2016	December 31, 2015	September 30, 2015
Government bonds	$ 51,792,880	$ 20,017,935	$ 46,574,742
Listed, OTC and emerging market stocks	21,848,903	20,055,988	19,655,856
Bank debentures	14,149,574	20,955,028	16,297,655
Corporate bonds	6,368,408	9,091,039	8,827,496
Others	339,046	523,025	522,456
	$ 94,498,811	$ 70,643,015	$ 91,878,205

As of September 30, 2016, December 31, 2015 and September 30, 2015, available-for-sale financial assets, with aggregate carrying values of $27,359,731 thousand, $25,014,339 thousand and $27,382,079 thousand, respectively, had been sold under repurchase agreements (recognized as notes and bonds issued under repurchase agreements).

The Corporation and subsidiaries signed a trust contract with China Trust Commercial Bank (CTBC) in August 2015. The Capital Securities Corporation shares held by the Corporation and subsidiaries trust to the CTBC. The trustee deal with the shares in accordance with the contract agreed within the contract period.

For the information on available-for-sale financial assets pledged as collateral for the Corporation and subsidiaries, please refer to Note 48.

11. SECURITIES PURCHASED UNDER RESELL AGREEMENTS

	September 30, 2016	December 31, 2015	September 30, 2015
Bank debentures	$ 11,616,955	$ 3,882,273	$ 5,839,780
Corporate bonds	7,443,045	2,813,252	5,089,058
Government bonds	4,609,303	10,512,947	10,822,367
Commercial paper	399,896	35,413,781	44,645,739
	$ 24,069,199	$ 52,622,253	$ 66,396,944
Resold amounts	$ 24,015,809	$ 52,622,018	$ 66,387,326
Last maturity date	November 2016	March 2016	December 2015

12. RECEIVABLES

	September 30, 2016	December 31, 2015	September 30, 2015
Receivables on margin loans, refinancing margin and refinancing deposits receivable	$ 29,358,088	$ 36,440,846	$ 35,543,366
Receivable accounts for settlement	28,391,946	13,879,169	28,182,312
Accounts receivable - forfeiting	11,252,516	26,685,120	23,996,590
Lease receivables	5,906,363	7,462,931	8,001,222
Trading securities receivable	5,618,725	2,728,739	1,997,691
Settlement price	2,749,923	3,026,676	2,927,149
Interest receivable	2,659,027	2,553,165	2,388,261
Credit card receivables	2,532,978	2,707,234	2,884,525
Accounts receivable factoring without recourse	2,451,065	1,234,873	685,112
Acquired loans	1,966,082	2,116,953	2,166,091
Others	3,846,775	5,446,634	5,916,200
	96,733,488	104,282,340	114,688,519
Less: Unrealized interest revenue	(362,254)	(521,616)	(598,904)
Allowance for bad debts	(2,745,386)	(3,006,575)	(2,832,136)
	$ 93,625,848	$ 100,754,149	$ 111,257,479

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

	For the Nine Months Ended September 30	
	2016	2015
Balance, January 1	$ 3,006,575	$ 3,085,451
Reversal	(28,427)	(160,083)
Loans reclassified to nonperforming loans	(1,520)	(1,759)
Write-off	(180,581)	(125,964)
Effect of exchange rate changes	(50,661)	34,491
Balance, September 30	$ 2,745,386	$ 2,832,136

For the information on impairment loss analysis of receivables, please refer to Note 53.

The amount of receivables pledged as collateral for the Corporation and subsidiaries please refer to Note 48.

13. DISCOUNTS AND LOANS

	September 30, 2016	December 31, 2015	September 30, 2015
Short-term loans	$ 62,944,143	$ 45,337,996	$ 44,433,545
Medium-term loans	151,046,971	132,596,923	134,520,185
Long-term loans	40,813,102	41,698,553	46,388,735
Loans reclassified to nonperforming loans	494,324	541,860	541,913
Export negotiations	35,241	750,976	759,407
	255,333,781	220,926,308	226,643,785
Less: Allowance for bad debts	(3,367,721)	(3,115,696)	(2,918,444)
Less: Discounts on loans	(68,664)	(30,284)	(40,968)
	$ 251,897,396	$ 217,780,328	$ 223,684,373

The Corporation and subsidiaries' changes in allowance for bad debts of discounts and loans were as follows:

	For the Nine Months Ended September 30	
	2016	2015
Balance, January 1	$ 3,115,696	$ 3,447,239
Allowance (reversal)	150,038	(757,272)
Recovery of written-off credits	612,847	921,962
Write-off	(451,840)	(705,179)
Reduction and exemption	(22,589)	(14,983)
Effects of exchange rate changes	(36,431)	26,677
Balance, September 30	$ 3,367,721	$ 2,918,444

For the information on impairment loss analysis of discounts and loans, please refer to Note 53.

14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Associates that are not individually material:

	September 30, 2016		December 31, 2015		September 30, 2015	
	Carrying Amount	%	Carrying Amount	%	Carrying Amount	%
CDIB & Partners Investment Holding Corporation	$ 4,781,761	34	$ 4,765,852	34	$ 4,477,692	34
CDIB Capital Asia Partners L.P.	2,307,975	-	1,314,206	-	1,185,474	-
KGI Securities (Thailand) Public Company Limited	2,034,924	35	2,059,804	35	1,995,828	35
CPEC Huachuang Private Equity Management (Fujian) Enterprise (Limited Partnership)	1,180,763	-	667,550	-	699,147	-
CPEC Huachuang Private Management Equity (Kunshan) Enterprise (Limited Partnership)	971,420	-	585,700	-	606,744	-
CDIB Biomedical Venture Capital Corporation	578,645	34	584,514	34	587,162	34
CDIB CME Fund Ltd.	573,972	40	576,143	40	578,983	40
Others	138,254		221,896		203,887	
	$ 12,567,714		$ 10,775,665		$ 10,334,917	

Investments accounted for using the equity method and the Corporation and subsidiaries' share of earnings and other comprehensive income of CDIB & Partners Investment Holding Corporation and KGI Securities (Thailand) Public Company Limited are calculated based on reviewed financial statements; those of other affiliates are calculated based on unreviewed financial statements. Management believes that the financial statements of these investees had not been audited, there would have been no significant effect on the consolidated financial statements.

Please refer to Note 48 for investments under equity method pledged as collateral.

15. INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES

a. Investment in private equity fund

The Corporation's subsidiaries have the equities of structured entities which the Corporation's subsidiaries do not have significant influence and have rights and obligations in accordance to the contract.

	September 30, 2016	December 31, 2015	September 30, 2015
Investment in private equity fund			
Financial assets measured at cost	$ 6,192,782	$ 6,891,768	$ 7,356,508
Maximum exposure	$ 6,192,782	$ 6,891,768	$ 7,356,508

b. Management on private equity fund

The Corporation's subsidiaries have the equities of structured entities as well as the obligations to their investment and management. The Corporation's subsidiaries have significant influence over the above investments.

The funds of unconsolidated structured entities are from the Corporation and its subsidiaries and external third parties.

	September 30, 2016	December 31, 2015	September 30, 2015
Management on private equity fund			
Total assets	$ 16,252,117	$ 9,351,364	$ 9,004,001
Total liabilities	233,135	101,340	63,299
Investments accounted for using equity method	4,460,158	2,567,456	2,491,365
Maximum exposure	4,460,158	2,567,456	2,491,365

16. RESTRICTED ASSETS

	September 30, 2016	December 31, 2015	September 30, 2015
Restricted demand deposits	$ 28,641,189	$ 29,345,180	$ 32,394,286
Stocks	149,392	149,392	149,392
Accounts receivables	119,304	105,447	105,984
Checking accounts - restricted for agent's stock transfer purposes	62,759	83,390	109,077
Impound account	46,030	49,178	78,816
Accrued revenue	35,880	30,287	30,288
Due from banks	13,563	13,856	13,617
	$ 29,068,117	$ 29,776,730	$ 32,881,460

The above restricted demand deposits refer to amounts received from clients for the securities brokerage business and the deposit guarantee for engaging in derivatives transactions from the Corporation's subsidiaries in oversea.

After the filing of a certain civil action against Morgan Stanley & Co. International PLC (Morgan Stanley) (Note 49), CDIB could not access the following funds in connection with transactions made with Morgan Stanley because of its unauthorized disposition: Accounts receivable, deposits, cash security on CDS contracts, available-for-sale stock investments and the related accrued revenue. Because of the inaccessibility of these funds, these financial assets reclassified as "restricted assets".

For the information on restricted assets pledged as collateral for the Corporation and subsidiaries, please refer to Note 48.

17. FINANCIAL ASSETS MEASURED AT COST

	September 30, 2016	December 31, 2015	September 30, 2015
Unlisted stocks - common stock	$ 7,628,226	$ 8,022,763	$ 8,708,121
Unlisted overseas partnership fund	6,192,782	6,891,768	7,356,508
Others	6,032,347	6,180,743	6,489,194
	$ 19,853,355	$ 21,095,274	$ 22,553,823
Classified according to financial asset measurement categories			
Available-for-sale financial assets	$ 18,385,659	$ 19,749,728	$ 21,209,491
Financial assets at FVTPL	1,467,696	1,345,546	1,344,332
	$ 19,853,355	$ 21,095,274	$ 22,553,823

CDIB and subsidiaries disposed of certain financial assets measured at cost with carrying amount of $723,846 thousand, $1,621,241 thousand, $1,586,564 thousand and $6,805,929 thousand during the three and nine months ended September 30, 2016 and 2015, respectively, recognizing disposal gain of $369,340 thousand, $545,544 thousand, $1,053,038 thousand and $687,731 thousand, respectively.

18. OTHER FINANCIAL ASSETS

	September 30, 2016	December 31, 2015	September 30, 2015
Guarantee deposits received on futures contracts	$ 34,569,377	$ 31,506,459	$ 32,140,282
Time deposits with original maturities over three months	6,705,714	4,567,104	2,264,785
Debt instruments with no active market	1,470,123	1,619,702	1,622,068
Pledged time deposit	743,610	629,344	849,536
Others	249,275	451,212	403,374
	$ 43,738,099	$ 38,773,821	$ 37,280,045

For the information on other financial assets pledged as collateral for loans, please refer to Note 48.

19. INVESTMENT PROPERTY

	September 30, 2016	December 31, 2015	September 30, 2015
Land	$ 1,817,326	$ 1,779,276	$ 1,786,160
Buildings and facilities	274,696	269,035	273,768
	$ 2,092,022	$ 2,048,311	$ 2,059,928

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

The above items of investment property were depreciated on a straight-line basis at the following rates per annum:

Buildings and facilities	
Main building and parking spaces	20-60 years
Lifting equipment	15 years
Air-conditioning and electrical equipment	5-10 years
Fire and monitoring equipment	5 years

The fair values of the Corporation and subsidiaries' investment property as of September 30, 2016, December 31, 2015 and September 30, 2015 were $3,948,976 thousand, $3,622,323 thousand and $3,282,832 thousand, respectively. Investment property categorized into Level 3.

KGI Bank and subsidiaries, as well as CDIB and subsidiaries, arrived at the fair value of their investment property by using reports of external appraisers that are not identified as related parties, and instead of evaluating by independent professional, the management apply valuation models which often used in markets as common practice in evaluating the remaining investment property; however, management of the Corporation and subsidiaries used the models that market participants would use in determining the fair value. Sales comparison approach compares a subject property's characteristics with those of comparable properties which have recently sold in the similar transaction; Income approach takes the net operating income of the rent collected and divides it by the capitalization rate.

All of the Corporation and subsidiaries' investment property were held under freehold interests. The carrying amount of the investment properties that had been pledged by the Corporation and subsidiaries to secure borrowings were reflected in Note 48.

20. PROPERTY AND EQUIPMENT

	September 30, 2016	December 31, 2015	September 30, 2015
Land	$ 8,896,380	$ 8,915,396	$ 8,915,396
Buildings and facilities	4,429,172	4,554,334	4,569,762
Computer equipment	530,695	488,401	415,422
Transportation equipment	7,555	21,424	18,723
Other equipment	236,929	256,935	234,679
Leasehold improvements	303,845	247,471	163,700
Leased assets	218,236	231,352	129,907
	14,622,812	14,715,313	14,447,589
Prepayments for acquisition of properties	6,785	1,847	23,258
	$ 14,629,597	$ 14,717,160	$ 14,470,847

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

The above items of property and equipment were depreciated on a straight-line basis at economic lives estimated as follows:

Buildings and facilities	
Main building and parking spaces	20-60 years
Lifting equipment	15 years
Air-conditioning and electrical equipment	5-10 years
Fire and monitoring equipment	4-5 years
Computer equipment	1-8 years
Transportation equipment	2-15 years
Other equipment	
Office furniture and equipment	2-10 years
Others	10 years
Leasehold improvements	1-10 years
Leased assets	1-10 years

For the information on property and equipment pledged as collateral, please refer to Note 48.

21. INTANGIBLE ASSETS

	September 30, 2016	December 31, 2015	September 30, 2015
Operation rights	$ 5,695,118	$ 6,202,496	$ 6,373,030
Goodwill	1,905,672	1,892,627	1,888,269
Computer software	465,275	452,971	430,806
Others	36,396	36,396	36,396
	$ 8,102,461	$ 8,584,490	$ 8,728,501

Except for amortization recognized, the Corporation and subsidiaries' had no significant addition, disposal and impairment of intangible assets during the three and nine months ended September 30, 2016 and 2015.

The above items of intangible assets were amortized on a straight-line basis at economic lives estimated as follows:

Operation rights	7-20 years
Computer software	3-6 years

22. OTHER ASSETS

	September 30, 2016	December 31, 2015	September 30, 2015
Guarantee deposits paid	$ 6,557,041	$ 9,798,152	$ 10,361,188
Security borrowing margins	5,113,559	6,563,279	8,313,690
Prepaid expense	1,510,508	698,528	1,151,709
Operating guarantee deposits	1,417,228	1,447,740	1,457,910
Collected for underwriting payment of shares	573,207	2,115,341	1,706
Settlement funds	522,285	560,724	562,408
Competitive bid transactions guarantee	400,000	323,027	384,182
Collaterals assumed	150,664	153,005	158,426
Others	787,984	537,895	433,407
	$ 17,032,476	$ 22,197,691	$ 22,824,626

As of September 30, 2016, December 31, 2015 and September 30, 2015, the above collaterals were net of accumulated impairment losses of $58,317 thousand, $58,674 thousand and $56,509 thousand, respectively.

For the information on other assets pledged as collateral, please refer to Note 48.

23. DEPOSITS FROM THE CENTRAL BANK AND BANKS

	September 30, 2016	December 31, 2015	September 30, 2015
Call loans from banks	$ 22,128,294	$ 8,797,670	$ 19,147,605
Deposits from Chunghwa Post Co., Ltd.	1,221,038	1,226,729	1,229,802
	$ 23,349,332	$ 10,024,399	$ 20,377,407

24. NOTES AND BONDS ISSUED UNDER REPURCHASE AGREEMENTS

	September 30, 2016	December 31, 2015	September 30, 2015
Bank debentures	$ 54,943,264	$ 58,098,148	$ 56,588,558
Government bonds	51,675,930	32,897,800	30,446,572
Corporate bonds	32,603,609	28,615,920	37,051,544
	$ 139,222,803	$ 119,611,868	$ 124,086,674
Repurchased amounts	$ 139,652,694	$ 119,734,729	$ 124,265,656
Last maturity date	December 2016	March 2016	December 2015

25. COMMERCIAL PAPER PAYABLE

	September 30, 2016	December 31, 2015	September 30, 2015
Commercial paper payable	$ 20,835,394	$ 13,149,834	$ 15,452,632
Less: Unamortized discount	(7,007)	(10,632)	(10,566)
	$ 20,828,387	$ 13,139,202	$ 15,442,066
Rate	0.31%-2.02%	0.43%-2.02%	0.50%-1.54%
Last maturity date	June 2017	November 2016	September 2016

As of September 30, 2016, Mega Bills Finance Corporation, International Bills Finance Corporation, Far Eastern International Bank, Mega Bank, Ta Chong Bank, Da Ching Finance Corporation, China Bills Finance Corporation, Taiwan Finance Corporation, Grand Bill Finance Corporation, Da Chang Bills Finance Corporation guaranteed the above commercial paper. However, some commercial paper issued by the Corporation and subsidiaries, which amounted to $12,845,014 thousand, had no guarantee.

As of December 31, 2015, Bank of Taipei, Dah Chang Bills Finance Corporation, Ta Ching Finance Corporation, Mega Bank, Sunny Bank, Shanghai Commercial Bank, Taiwan Business Bank, Ta Chong Bank, Syndicated Loans issued by China Bills Finance Corporation, Mega Bills Finance Corporation, China Bills Finance Corporation, International Bills Finance Corporation, Taiwan Finance Corporation, Grand Bills Finance Corporation and Union Bills Finance Corporation guaranteed the above commercial paper. However, some commercial paper issued by the Corporation and subsidiaries, which amounted to $9,595,100 thousand, had no guarantee.

As of September 30, 2015, Bank of Taipei, Dah Chang Bills Finance Corporation, Taishin International Bank, Mega Bills Finance Corporation, China Bills Finance Corporation, International Bills Finance Corporation, Taiwan Finance Corporation, Mega Bank, Taichung Bank, Ta Chong Bank, Grand Bills Finance Corporation and Ta Ching Bank guaranteed the above commercial paper. However, some commercial paper issued by the Corporation and subsidiaries, which amounted to $13,723,748 thousand, had no guarantee.

26. PAYABLES

	September 30, 2016	December 31, 2015	September 30, 2015
Accounts payable for settlement	$ 43,491,229	$ 29,449,576	$ 37,879,797
Guaranteed price deposits received from securities borrowers	12,936,054	13,780,419	15,584,590
Settlement proceeds	5,144,419	1,863,332	3,266,219
Accrued expenses	2,994,138	3,742,613	3,129,795
Securities financing guarantee deposits	2,921,111	3,377,214	4,085,845
Others	4,227,709	4,938,890	5,378,844
	$ 71,714,660	$ 57,152,044	$ 69,325,090

27. DEPOSITS AND REMITTANCES

	September 30, 2016	December 31, 2015	September 30, 2015
Time deposits	$ 182,263,231	$ 211,950,211	$ 204,277,080
Saving deposits	98,186,567	88,713,219	87,645,613
Demand deposits	27,485,996	23,496,448	25,076,531
Checking deposits	2,473,972	1,040,422	2,514,704
Negotiable CDs	896,000	100,700	106,100
Inward remittance	55,274	11,132	70,950
	$ 311,361,040	$ 325,312,132	$ 319,690,978

28. BONDS PAYABLE

	September 30, 2016	December 31, 2015	September 30, 2015
Corporate bonds payable	$ 25,938,940	$ 26,006,520	$ 26,043,480
Bank debentures payable	2,666,122	2,612,172	2,594,057
	$ 28,605,062	$ 28,618,692	$ 28,637,537

Corporate Bonds Payable

	September 30, 2016	December 31, 2015	September 30, 2015
1st corporate bonds in 2009 - the Corporation	$ 1,000,000	$ 1,000,000	$ 1,000,000
1st corporate bonds in 2011 - the Corporation	6,000,000	6,000,000	6,000,000
1st corporate bonds in 2013 - the Corporation	3,000,000	3,000,000	3,000,000
1st corporate bonds in 2014 - the Corporation	6,000,000	6,000,000	6,000,000
1st corporate bonds in 2015 - the Corporation	2,000,000	2,000,000	2,000,000
1st corporate bonds in 2014 - KGI Securities	938,940	1,006,520	1,043,480
1st corporate bonds in 2015 - KGI Securities	7,000,000	7,000,000	7,000,000
	$ 25,938,940	$ 26,006,520	$ 26,043,480
Fair value	$ 26,300,737	$ 26,469,816	$ 26,392,862

In March 2010, the Corporation issued $6,000,000 thousand of 1st unsecured corporate bonds in 2009 with par value of $1,000 thousand. The bond terms were as follows:

a. Issue period:

Bond A: Five years.
Bond B: Seven years.

b. Issue coupon/interest rate:

Bond A: 1.80% fixed annual interest rate.
Bond B: 2.00% fixed annual interest rate.

c. Method of paying principal and interest:

   Principal due on maturity; simple interest payable annually.

d. Pledged: Negative.

   Bond A will mature in March 2015 and Bond B will mature in March 2017.

In March 2012, the Corporation issued $6,000,000 thousand of 1st unsecured corporate bonds in 2011 with par value of $1,000 thousand. The bond terms were as follows:

a. Issue period:

   Bond A: Five years.
   Bond B: Seven years.

b. Issue coupon/interest rate:

   Bond A: 1.32% fixed annual interest rate.
   Bond B: 1.42% fixed annual interest rate.

c. Method of paying principal and interest:

   Principal due on maturity; simple interest payable annually.

d. Pledged: Negative.

   Bond A will mature in March 2017 and Bond B will mature in March 2019.

In May 2013, the Corporation issued $3,000,000 thousand of 1st unsecured corporate bonds in 2013 with par value of $1,000 thousand. The bond terms were as follows:

a. Issue period: Five years.

b. Issue coupon/interest rate: 1.37% fixed annual interest rate.

c. Method of paying principal and interests:

   Principal due on maturity; simple interest payable annually.

d. Pledged: Negative.

   The bonds will mature in May 2018.

In March 2015, the Corporation issued $6,000,000 thousand of 1st unsecured corporate bonds in 2014 with par value of $1,000 thousand. The bond terms were as follows:

a. Issue period: Five years.

b. Issue coupon/interest rate: 1.42% fixed annual interest rate.

c. Method of paying principal and interests:

   Principal due on maturity; simple interest payable annually.

d. Pledged: Negative.

   The bonds will mature in March 2020.

In September 2015, the Corporation issued $2,000,000 thousand of 1st unsecured corporate bonds in 2015 with par value of $1,000 thousand. The bond terms were as follows:

a. Issue period: Five years.

b. Issue coupon/interest rate: 1.37% fixed annual interest rate.

c. Method of paying principal and interests:

   Principal due on maturity; simple interest payable annually.

d. Pledged: Negative.

   The bonds will mature in September 2020.

In November 2014, KGI Securities issued RMB200,000 thousand of 1st unsecured corporate bonds in 2014 with par value of RMB1,000 thousand. The bond terms were as follows:

a. Issue period: Two years.

b. Issue coupon/interest rate: 3.50% fixed annual interest rate.

c. Method of paying principal and interests:

   Principal due on maturity; simple interest payable annually.

d. Pledged: Negative.

   The bonds will mature in November 2016.

In June 2015, KGI Securities issued $7,000,000 thousand of 1st unsecured corporate bonds in 2015 with par value of $10,000 thousand. The bond terms were as follows:

a. Issue period:

   Bond A: Three years.
   Bond B: Five years.

b. Issue coupon/interest rate:
   Bond A: 1.20% fixed annual interest rate.
   Bond B: 1.42% fixed annual interest rate.

c. Method of paying principal and interest:

   Principal due on maturity; simple interest payable annually.

d. Pledged: Negative.

   Bond A will mature in June 2018 and Bond B will mature in June 2020.

Bank Debentures Payable

Name	September 30, 2016	December 31, 2015	September 30, 2015	Issue Year	Repayment Year	Interest Rate
04 KGIB2	$ 2,750,000	$ 2,750,000	$ 2,750,000	2008.01.09-2017.12.13	Principal due on maturity	0.00%
Unamortized discount	(83,878)	(137,828)	(155,943)			
Net amount	$ 2,666,122	$ 2,612,172	$ 2,594,057			
Fair value	$ 2,652,235	$ 2,592,759	$ 2,573,136			

29. OTHER BORROWINGS

	September 30, 2016	December 31, 2015	September 30, 2015
Short-term credit borrowings	$ 10,091,696	$ 11,848,307	$ 27,474,982
Short-term secured borrowings	6,151,243	5,727,556	9,158,986
Note issuance facility	1,449,645	3,899,189	4,398,867
Long-term credit borrowings	212,331	334,407	497,135
Long-term secured borrowings	-	-	2,100
	$ 17,904,915	$ 21,809,459	$ 41,532,070
Rate	0.53%-6.90%	0.45%-6.64%	0.28%-7.09%
Last maturity date	July 2019	July 2018	July 2018

30. PROVISIONS

	September 30, 2016	December 31, 2015	September 30, 2015
Provisions for employee benefits	$ 1,011,710	$ 1,037,014	$ 689,548
Provisions for guarantee liabilities	102,488	104,564	117,017
Others	328,661	277,876	187,961
	$ 1,442,859	$ 1,419,454	$ 994,526

31. RETIREMENT BENEFIT PLANS

The Corporation and subsidiaries' retirement benefit plans include defined contribution and defined benefit plans. For defined benefit plans, KGI Bank's employee benefit expenses was calculated using the actuarially determined pension cost discount rate as of June 30, 2015 and December 31, 2014, and recognized in the period from January 1, 2015 to September 30; the others were calculated using the actuarially determined pension cost discount rate as of December 31, 2015 and 2014, and recognized in their respective periods.

The Corporation recognized its contributions under defined benefit plans as pension expenses (recognized as employee benefits) amounting to $23,299 thousand, $8,843 thousand, $43,876 thousand and $24,734 thousand, respectively and recognized pension expenses (recognized as employee benefits) under defined contribution plans amounting to $97,540 thousand, $89,298 thousand, $287,076 thousand and $256,219 thousand, respectively for the three and nine months ended September 30, 2016 and 2015.

32. OTHER LIABILITIES

	September 30, 2016	December 31, 2015	September 30, 2015
Guarantee deposits received	$ 14,227,329	$ 7,435,318	$ 7,168,116
Collections for others	2,165,605	1,007,866	1,541,431
Temporary receipts and suspense accounts	1,259,700	562,163	760,002
Advance receipts	212,899	322,221	425,644
Collections for underwriting stock value	-	3,641,600	-
Others	528,663	147,561	139,687
	$ 18,394,196	$ 13,116,729	$ 10,034,880

33. EQUITY

a. Share capital

Common stock

	September 30, 2016	December 31, 2015	September 30, 2015
Numbers of shares authorized (in thousands)	20,000,000	20,000,000	20,000,000
Shares authorized	$ 200,000,000	$ 200,000,000	$ 200,000,000
Number of shares issued and fully paid (in thousands)	14,974,177	15,112,544	15,166,084
Shares issued	$ 149,741,766	$ 151,125,441	$ 151,660,841

b. Capital surplus

	September 30, 2016	December 31, 2015	September 30, 2015
Arising from treasury stock transactions	$ 821,193	$ 379,850	$ 331,218
Difference between consideration and carrying amounts adjusted arising from changes in percentage of ownership in subsidiaries	182,755	182,755	183,071
Share-based payments awards	78,653	74,681	70,929
Arising from share of changes in capital surplus of associates	13,728	13,728	13,728
Capital surplus-issue of stock in excess	5,450	3,789	3,804
	$ 1,101,779	$ 654,803	$ 602,750

The premium from shares issued in excess of par (share premium from issuance of common shares, treasury share transactions and excess of 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 Corporation has no deficit, such capital surplus may be distributed as cash dividends or transferred to capital limited to a certain percentage of the Corporation's capital surplus and once a year.

The capital surplus from long-term investments may not be used for any purpose.

Under Rule No. 10200017220 issued by the Financial Supervisory Commission (FSC), if the capital surplus obtained by a financial holding company through a stock conversion came from its subsidiaries' unappropriated earnings net of legal reserve and special reserve, they may be distributed as cash dividends or transferred to capital in the period of conversion, and the distribution is exempted from the appropriation restrictions of Article 41 of the Securities and Exchange Act and Article 8 of the Securities and Exchange Act Enforcement Rules.

c. Special revenue

According to Rule No. 10010000440 issued by the FSC, Rule No. 09900738571 issued by FSC and Rule No. 10000002891 issued under Regulations Governing Securities Firms, CDIB**,** Grand Cathay and GCFC reclassified the default reserve and the trading loss reserve that had been set up until December 31, 2010 to special reserve. The Corporation also recognized $461,314 thousand as special reserve.

This special reserve should be used only to offset a deficit or when the legal reserve has reached 50% of the Corporation's paid-in capital, up to 50% thereof may be transferred to paid-in capital.

Under a directive issued by the SFB, whenever the components of stockholders' equity which includes unrealized gains or losses on financial instruments and cumulative translation adjustment but not treasury stock have debit balances, a special reserve equal to the total debit balance should be appropriated from the current year's earnings and unappropriated earnings generated in the prior years. Any special reserve appropriated may be reversed to the extent of the decrease in the net debit balance.

Under Rule No. 1010012865 issued by the FSC on April 6, 2012 and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", when transitioning to IFRSs, a company should appropriate to a special reserve of an amount that was the same as these of unrealized revaluation increment and cumulative translation differences (gains) transferred to retained earnings as a result of the Corporation's use of exemptions under IFRS 1. However, if the increase in retained earnings that resulted from all IFRSs adjustments is not enough for this appropriation, only the increase in retained earnings that resulted from all IFRSs adjustments will be appropriated to special reserve. The special reserve appropriated as above may be reversed to retained earnings in proportion to the usage, disposal or reclassification of the related assets and thereafter distributed.

The increase in retained earnings that resulted from all IFRSs adjustments was not enough for this appropriation; therefore, the Corporation appropriated for special reserve an amount of $287,933 thousand, the increase in retained earnings that resulted from all IFRSs adjustments on transitions to IFRSs.

d. Appropriation of earnings

To continually expand the Corporation's operations and increase its profitability as well as comply with the Corporation Act and relevant regulations, the Corporation adopts the residual dividend policy. The Corporation decides the conditions for time and amount of dividend allocation based on regulations and the Company's Articles of Incorporation. Taking the Corporation's business plan into account, the Corporation would pay dividends in the form of stock. In any case the cash dividends should not be less than 10% of total dividends distributed.

The board of director revised the proposal of the remaining net income and unappropriated accumulated earnings can cover previous years' accumulated losses and related taxes, if any, are sequenced as follows legal reserve on the current year's net income, followed by a special reserve or reversal defined by laws and plus the final remainder of the earnings as dividends to shareholders and the distribution for bonus with 30% to 100% of distribution given the unappropriated earnings at the beginning of the period, as proposed by the board of directors and approved in the shareholders' meeting.

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to shareholders and do not include employees. The consequential amendments to the Company's Articles of Incorporation had been proposed by the Corporation's shareholders meeting on May 16, 2016. For information about the accrual basis of the employees' compensation and remuneration to directors and supervisors and the actual appropriations, please refer to Note 42.

Legal reserve should be appropriated from earnings until the legal reserve equals the Corporation's paid-in capital. Legal reserve may be used to offset deficit. If the Corporation has no deficit and the legal reserve has exceeded 25% of the Corporation's paid-in capital, the excess may be transferred to capital or distributed in cash.

Under the Integrated Income Tax System, resident stockholders are allowed tax credits, based on the balance of the Imputation Credit Account (ICA) on the dividend distribution date, for the income tax paid by the Corporation on earnings generated since 1998.

The appropriation of earnings should be resolved by the stockholders in the following year and given effect to in the financial statements of that year.

On May 16, 2016 and June 12, 2015, the board of the stockholders approved the resolution on the appropriations from the earnings of 2015 and 2014, respectively, including bonus to employees and remuneration to directors and supervisors, as follows:

	Earnings Appropriation		**Dividends Per Share (NT$)**	
	2015	**2014**	**2015**	**2014**
Legal reserve	$ 852,823	$ 1,083,622		
Special reserve (reversed)	2,463,255	(358,817)		
Cash dividends	7,487,006	9,098,673	$ 0.5	$ 0.6

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

e. Non-controlling interests

	For the Nine Months Ended September 30	
	2016	**2015**
Balance at January 1	$ 3,606,912	$ 5,833,601
Attributable to non-controlling interests		
Share of profit for the period	61,667	60,527
Exchange difference on translation of foreign financial statements	(4,462)	983
Unrealized losses on available-for-sale financial assets	(1,438)	(2,064)
Payment of cash dividends	(59,476)	(101,675)
Effect of change in consolidated subsidiaries	1,776	(2,215,847)
Balance at September 30	$ 3,604,979	$ 3,575,525

34. TREASURY SHARES

Reason for Repurchase	Shares at Beginning of the Period (In thousands)	Share Increase During the Period (In thousands)	Share Decrease During the Period (In thousands)	Shares at End of the Period (In thousands)
For the nine months ended September 30, 2016				
Reclassification of the Corporation's stock held by subsidiaries and recognized as long-term investment	323,232	-	-	323,232
Held by the Corporation to maintain its credit and stockholders' equity	-	143,010	143,010	-
	323,232	143,010	143,010	323,232
For the nine months ended September 30, 2015				
Reclassification of the Corporation's stock held by subsidiaries and recognized as long-term investment	323,232	-	-	323,232
Held by the Corporation to maintain its credit and stockholders' equity	93,405	97,623	188,888	2,140
	416,637	97,623	188,888	325,372

The Corporation's shares held by subsidiaries are regarded as treasury stock. The Corporation's shares held by KGI Securities, calculated at the Corporation's stockholding percentage of book value on the completion day of acquisition and share swap date respectively, were treated as treasury stock. The market prices of the shares were $2,420,686 thousand and $2,677,884 thousand on September 30, 2016 and 2015, respectively. The Corporation's shares held by CDIB are also treated as treasury stock and recognized book value on the swap date. The market prices of the shares were $165,169 thousand and $182,718 thousand on September 30, 2016 and 2015.

On November 24, 2014, the board of directors resolved to buy back 200,000 thousand of the Corporation's shares between November 25, 2014 and January 23, 2015 under the regulations of Article 28-2 of the Securities and Exchange Act. The purpose of this buyback was to maintain the Corporation's reputation and the stockholders' equity; the buyback price was set at NT$9.81 to NT$11.08 per share and the buyback would be continued even when the stock price went down below the lower bound of the price interval set, in compliance with Article 2 of Regulations Governing Share Repurchase by Exchange-Listed and OTC-Listed Companies. The Corporation had repurchased 188,888 thousand shares at an average price of NT$10.03 per share and retired all the treasury stocks on May 18, 2015.

On January 25, 2016, the board of directors resolved to buy back 150,000 thousand of the Corporation's shares between January 26, 2016 and March 25, 2016 under the regulations of Article 28-2 of the Securities and Exchange Act. The purpose of this buyback was to maintain the Corporation's reputation and the stockholders' equity; the buyback price was set at NT$7.27 to NT$10.00 per share and the buyback would be continued even when the stock price went down below the lower bound of the price interval set, in compliance with Article 2 of Regulations Governing Share Repurchase by Exchange-Listed and OTC-Listed Companies. The Corporation had repurchased 143,010 thousand shares at an average price of NT$8.04 per share and retired all the treasury stocks on June 27, 2016.

Under the Securities and Exchange Act, the Corporation should not acquire treasury stock in excess of 10% of its total shares outstanding. In addition, the Corporation should not spend more than the aggregate amount of the retained earnings, paid-in capital in excess of par value, and realized capital surplus arising from gains on disposal of properties and donated capital. The Corporation should not use treasury shares to secure any of its obligations and should not exercise any stockholders' rights on those shares.

35. NET INTEREST PROFIT

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2016	2015	2016	2015
Interest revenues				
Discounts and loans	$ 1,663,297	$ 1,827,499	$ 4,892,846	$ 5,631,330
Margin loans and refinancing margin	443,905	583,395	1,389,752	2,087,356
Securities	233,557	412,496	767,349	1,310,588
Due from and call loans to banks	155,424	130,903	417,360	497,206
Account receivable - forfeiting	47,533	220,933	239,569	803,862
Others	243,690	299,888	720,622	894,786
	2,787,406	3,475,114	8,427,498	11,225,128
Interest expenses				
Deposits	544,814	733,205	1,800,874	2,342,406
Notes and bonds issued under repurchase agreements	192,798	148,781	565,715	468,253
Corporate bonds	96,186	91,022	286,936	255,039
Borrowing interest expense	68,008	122,109	254,631	407,509
Structured products	30,206	50,542	100,633	149,354
Others	97,273	87,128	240,788	381,349
	1,029,285	1,232,787	3,249,577	4,003,910
Interest revenues, net	$ 1,758,121	$ 2,242,327	$ 5,177,921	$ 7,221,218

36. NET SERVICE FEE REVENUE AND COMMISSION INCOME

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2016	2015	2016	2015
Service fee revenue and commission income				
Brokerage	$ 1,770,317	$ 2,031,319	$ 5,379,712	$ 6,847,951
Commission income - insurance	325,244	247,567	845,092	652,876
Trust	106,351	129,707	250,758	525,411
Others	269,405	138,685	778,422	520,643
	2,471,317	2,547,278	7,253,984	8,546,881
Service fee expense and commission expense				
Brokerage	308,685	176,457	954,985	931,819
Consignment settlement and delivery	63,165	72,460	192,502	178,762
Dealing handling fee	30,413	45,121	119,677	128,083
Agency	35,556	36,670	104,101	119,260
Commission expense - other	41,071	68,260	130,022	151,477
Others	71,357	40,644	218,508	233,572
	550,247	439,612	1,719,795	1,742,973
Service fee, net	$ 1,921,070	$ 2,107,666	$ 5,534,189	$ 6,803,908

37. GAIN ON FINANCIAL ASSETS OR LIABILITIES MEASURED AT FVTPL

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2016	2015	2016	2015
Operating securities	$ 1,164,092	$ (3,137,923)	$ 1,510,401	$ (689,055)
Stocks	624,689	1,002,985	576,456	1,092,567
Derivatives	334,834	1,648,267	286,601	495,684
Bonds	(30,431)	371,631	1,264,191	1,282,229
Call (put) warrants	40,881	308,152	358,824	550,792
Mutual funds	(29,407)	(281,134)	(426,552)	43,535
Others	(48,715)	(23,292)	36,557	12,942
	$ 2,055,943	$ (111,314)	$ 3,606,478	$ 2,788,694

For the three and nine months ended September 30, 2016 and 2015, the Corporation and subsidiaries' financial assets and liabilities at fair value through profit or loss included interest revenue of $535,516 thousand, $458,640 thousand, $1,669,940 thousand and $1,274,563 thousand, respectively, dividend income of $536,931 thousand, $498,068 thousand, $603,978 thousand and $578,516 thousand, respectively and interest expense of $109,466 thousand, $43,911 thousand, $232,792 thousand and $94,275 thousand, respectively.

38. REALIZED GAIN ON AVAILABLE-FOR-SALE FINANCIAL ASSETS

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2016	2015	2016	2015
Dividend income	$ 678,269	$ 846,409	$ 768,883	$ 980,043
Gain on bond disposal	112,813	549,236	605,306	854,849
Gain on stock disposal	130,131	116,537	502,548	930,731
Others	11,296	20,273	13,991	23,235
	$ 932,509	$ 1,532,455	$ 1,890,728	$ 2,788,858

39. IMPAIRMENT LOSS ON ASSETS

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2016	2015	2016	2015
Financial assets measured at cost	$ 130,242	$ 318,034	$ 520,140	$ 394,528
Available-for-sale financial assets	195,618	33,624	369,848	34,100
Debts investment without active market	-	-	-	71,863
Others	12,288	6,516	13,859	15,757
	$ 338,148	$ 358,174	$ 903,847	$ 516,248

40. GAIN ON FINANCIAL ASSETS MEASURED AT COST

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2016	2015	2016	2015
Gain on security disposal	$ 384,050	$ 511,529	$ 1,123,018	$ 650,811
Dividend income	187,450	207,031	319,812	340,474
Distributions of fund capital gain	51,688	53,865	54,796	102,288
Others	(645)	3,397	310	6,880
	$ 622,543	$ 775,822	$ 1,497,936	$ 1,100,453

41. NET OTHER NONINTEREST PROFIT AND GAIN

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2016	2015	2016	2015
Revenue from underwriting	$ 384,256	$ 145,786	$ 646,118	$ 404,833
Gain on debts investment without active market	226,918	-	408,907	-
Gain on sale of nonperforming loans	60,494	57,009	123,757	151,683
Revenue from providing agency service for stock affairs	37,874	40,820	105,101	109,068
Rental income	27,941	19,348	84,530	71,373
Others	93,179	51,128	279,377	166,620
	$ 830,662	$ 314,091	$1,647,790	$ 903,577

42. EMPLOYEE BENEFITS, DEPRECIATION AND AMORTIZATION EXPENSES

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2016	2015	2016	2015
Employee benefit expense				
Salaries and wages	$ 2,756,962	$ 2,560,025	$ 7,394,553	$ 8,285,872
Employee insurance	141,545	139,824	455,277	449,038
Pension	120,839	98,141	330,952	280,953
Others	157,627	208,644	478,274	528,743
	$ 3,176,973	$ 3,006,634	$ 8,659,056	$ 9,544,606
Depreciation and amortization expenses	$ 374,075	$ 351,197	$ 1,103,038	$ 1,054,702

The Company's Articles of Incorporation provide that annual net income should be appropriated after deducting any accumulated losses and taxes and providing legal and special reserves and reversing special reserve. The remaining earnings will be used to pay the employee bonus and the remuneration to directors should not be less than 1% and more than 1%, respectively. For the nine months ended September 30, 2015, the bonus to employees and the remuneration to directors and supervisors were $107,510 thousand. The bonus to employees and remuneration to directors and supervisors, which were estimated on the basis of the Company's Articles of Incorporation and past experience.

To be in compliance with the Company Act as amended in May 2015, the proposed amended Articles of Incorporation of the Corporation stipulate to distribute employees' compensation and remuneration to directors and supervisors at the rates no less than 1% and no higher than 1%, respectively, of net profit before income tax, employees' compensation, and remuneration to directors and supervisors. For the nine months ended September 30, 2016, the employees' compensation and the remuneration to directors and supervisors were 88,934. The bonus to employees and remunerations to directors and supervisors, which were estimated on the basis of past experience.

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

If the Corporation's board of directors approved issuing stocks as employees' compensation, the basis of share calculation would be the closing price the day before the board's meeting considering the effect of cash and stock dividends.

The employees' compensation bonus of employees and remuneration to directors and supervisors for 2016 and 2015 which have been approved in the shareholders' meetings on March 28, 2016 and June 12, 2015, respectively, were as follows. The employees' compensation bonus and remuneration of directors and supervisors were reported on the shareholders meeting on May 16, 2016.

	For the Nine Months Ended September 30	
	2015	2014
Employees' compensation bonus to employees	$ 87,000	$ 102,000
Remuneration of directors and supervisors	75,000	75,000

There was no difference between the amounts recognized in the financial statements for the years ended December 31, 2015 and 2014.

The information on the proposed and approved bonuses to employees and the compensations to directors and supervisor is available on the Market Observation Post System (M.O.P.S.) website of the Taiwan Stock Exchange (http://emops.tse.com.tw).

43. OTHER GENERAL ADMINISTRATIVE EXPENSES

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2016	2015	2016	2015
Taxation	$ 390,735	$ 392,370	$ 1,083,604	$ 1,189,774
Rental	259,280	243,498	775,487	722,966
Professional services	188,475	128,756	492,701	479,751
Computer information	169,787	245,891	529,300	430,221
Borrow security expenses	88,718	45,243	215,791	130,308
Postage	84,399	97,616	253,971	333,929
Repair	62,403	69,488	170,060	180,522
Others	451,354	304,409	1,149,152	1,176,195
	$ 1,695,151	$ 1,527,271	$ 4,670,066	$ 4,643,666

44. INCOME TAX

Under Rule No. 910458039 issued by the Ministry of Finance on February 12, 2003, a financial holding company and its domestic subsidiaries holding over 90% of shares issued by the financial holding company for 12 months within the same tax year may choose to adopt the linked-tax system for income tax filings in accordance with Article 49 of Financial Holding Company Act and Article 40 of Business Mergers and Acquisitions Act. Thus, the Corporation adopted the linked-tax system for income tax filing with its eligible subsidiaries, income tax and unappropriated earnings tax filings.

The accounting treatment applied to linked-tax system for income tax filings is to adjust the difference between the consolidated current/deferred taxes and the individual current/deferred taxes of the Corporation and subsidiaries, and allocate income tax expense/benefit to the Corporation and each subsidiary's pro rata; related amounts are recognized as current tax assets or current tax liabilities.

a. Income tax expense (benefit) recognized in profit or loss

The major components of tax expense (benefit) were as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2016	**2015**	**2016**	**2015**
Current income tax				
Current year	$ 108,092	$ 34,311	$ 440,235	$ 471,546
Prior years	68,685	(184,947)	(102,424)	(131,221)
	176,777	(150,636)	337,811	340,325
Deferred income tax	263,678	16,104	280,970	300,160
Income tax expense (benefit) recognized in profit or loss	$ 440,455	$ (134,532)	$ 618,781	$ 640,485

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2016	**2015**	**2016**	**2015**
Deferred income tax				
Unrealized gain on available-for-sale financial assets	$ 685	$ 901	$ 1,550	$ 1,238

c. Integrated income tax

	September 30, 2016	**December 31, 2015**	**September 30, 2015**
Imputation credits accounts - the Corporation	$ 397,353	$ 1,101,373	$ 1,101,373

The Corporation's creditable tax ratio for the distribution of earnings of 2015 and 2014 were 12.51% and 17.32%, respectively.

Under the Income Tax Law, for distribution of earnings generated after January 1, 1998, the imputation credits allocated to ROC resident stockholders of the Corporation was calculated based on the creditable ratio as of the date of dividend distribution.

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

d. Income tax assessments

The Corporation's income tax returns through 2010 had been examined by the tax authorities. The Corporation disagreed with the tax authorities' assessments of its 2010 tax returns and thus filed tax appeals.

CDIB's income tax returns through 2010 had been examined by the tax authorities. However, CDIB disagreed with the tax authorities' assessments of its 2010 tax returns and thus filed tax appeals.

Income tax returns of CDIB Capital Management Inc., China Development Asset Management Corp., CHG3, CHG4, Development Industrial Bank Asset Management Corp., formerly R.O.C. Strategic Company Ltd. and China Venture Management Inc., through 2014 had been examined by the tax authorities. Income tax returns of CDIB Venture Capital Corp. through 2012 and 2014 had been examined by the tax authorities. Income tax of formerly CDIB Strategic Venture Fund Ltd. through 2013 had been examined by the tax authorities.

The income tax returns of formerly Grand Cathay through 2010 had been examined by the tax authorities. Formerly Grand Cathay disagreed with the tax authorities' assessments of its 2008 tax returns and thus filed tax appeals.

The income tax returns of KGI Securities for the years through 2011 and 2013 had been examined by the tax authorities. KGI Securities disagreed with the tax authorities' rejection of the tax withheld from interest income earned by predecessors, respective operating costs and other tax-exempt income of 2006 through 2011 and 2013. As a result, KGI filed tax appeals.

Income tax returns of KGI Insurance Brokers Co., KGI Securities Investment Advisory Co., Ltd., GSFC, KGI Securities Investment Trust Co., Ltd., KGI Venture Capital Co., Ltd. through 2014 had been examined by the tax authorities. Income tax returns of KGI Futures Co., Ltd. through 2013 had been examined by the ax authorities.

Income tax returns of KGI Bank, KGI Bank Insurance Brokerage Company, CDIB Management Consulting Corporation, and CDC Finance & Leasing Corp. for the years through 2014 had been examined by the tax authorities.

45. EARNINGS PER SHARE

(New Taiwan Dollars)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2016	**2015**	**2016**	**2015**
Basic EPS	$ 0.17	$ 0.07	$ 0.30	$ 0.41
Diluted EPS	$ 0.17	$ 0.07	$ 0.30	$ 0.41

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

Net Profit for the Period

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2016	**2015**	**2016**	**2015**
Earnings used in the computation of EPS	$ 2,553,475	$ 996,261	$ 4,441,633	$ 6,088,518

Weighted Average Number of Common Shares Outstanding (In thousand Shares)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2016	**2015**	**2016**	**2015**
Weighted average number of common shares outstanding in computation of basic EPS	14,640,460	14,830,382	14,669,099	14,833,988
Effect of potentially dilutive common shares:				
Restricted shares	6,443	6,957	6,872	6,990
Employee share options	1,079	14,735	1,092	15,026
Weighted average number of common shares outstanding in computation of diluted EPS	14,647,982	14,852,074	14,677,063	14,856,004

46. SHARE-BASED PAYMENT ARRANGEMENTS

a. Employee share option plan of the Corporation

The Corporation acquired 100% of KGI Bank share through a share swap. In accordance with this contract, the Corporation granted options to replace KGI Bank's options granted in May and August 2011. Qualified employees of KGI Bank were granted 30,862 options and 11,088 on conversion date. Each option entitles the holder to subscribe for one common share of the Company. The options granted are valid for 6.64 and 6.96 years and exercisable at certain percentages from now.

Besides, the Corporation granted 44,850 thousand employee stock options in October 2014. Each option entitles the holder to subscribe for one common share of the Company. The options granted are valid for 7 years and exercisable 2 years after the issuance date.

For any subsequent changes in the Corporation's capital surplus, the exercise price is adjusted accordingly.

Information on employee share options was as follows:

	For the Nine Months Ended September 30			
	2016		**2015**	
	Number of Options (In thousands)	**Weighted-average Exercise Price (NT$)**	**Number of Options (In thousands)**	**Weighted-average Exercise Price (NT$)**
Balance at January 1	74,320	$ 9.01	83,231	$ 9.48
Options exercised	(165)	6.81	(4,826)	8.93
Options invalid	(849)	8.86	(3,523)	9.56
Balance at September 30	73,306	8.42	74,882	9.01
Options exercisable, end of period	29,916	8.35	31,042	8.93
Weighted-average remaining contractual life (years)	4.88		5.88	

The weighted-average share prices at the date of exercise of share options from January 1 to September 30, 2016 and 2015 were $7.63 and $10.52.

Options granted on conversion date were priced using the trinomial trees model and the inputs to the model were as follows:

Grant-date share price	$9.54-$10
Exercise price	$7.68-$9.99
Expected volatility	14.94%-15.45%
Expected life	6.64-7 years
Expected dividend yield	1.50%
Risk-free interest rate	1.5647%-1.6283%
Early exercise of the multiplier	1.63

Expected volatility was based on the historical share price volatility over the past 1 year.

Compensation costs for the three and nine months ended September 30, 2016 and 2015 were $4,077 thousand, $4,150 thousand, $12,556 thousand and $12,956 thousand.

b. Issue restricted share plan

The board of directors of the Corporation has decided to issue restricted shares plan which is $40,597 thousand in total, and $10 per face value totaled 4,060 thousand shares with issue price of $0 (free issuance) at August 19, 2013. Further, the board of directors made August 26, 2013 as the base-date for capital increase. Fair value on the payment day of the stock was $8.15.

The board of directors of the Corporation has decided to issue restricted shares plan which is $60,833 thousand in total, and $10 per face value totaled 6,083 thousand shares with issue price of $0 (free issuance) at January 27, 2014. Further, the board of directors made January 27, 2014 as the base-date for capital increase. Fair value on the payment day of the stock was $8.84.

The board of directors of the Corporation has decided to issue restricted shares plan which is $56,997 thousand in total, and $10 per face value totaled 5,700 thousand shares with issue price of $0 (free issuance) at February 9, 2015. Further, the board of directors made February 13, 2015 as the base-date for capital increase. Fair value on the payment day of the stock was $10.80.

The board of directors of the Corporation has decided to issue restricted shares plan which is $44,780 thousand in total, and $10 per face value totaled 4,478 thousand shares with issue price of $0 (free issuance) at February 1, 2016. Further, the board of directors made February 4, 2016 as the base-date for capital increase. Fair value on the payment day of the stock was $7.61.

The vesting portion of shares is summarized and managed year by year, and the vesting rate of the shares is 40%, 30% and 30% for 1-year, 2-year and 3-year respectively. Employees who have not met the vesting conditions cannot sell, pledge, transfer, donate, asking the Corporation to buy them back or in any other way dispose of these shares except inheritance. Besides, employees don’t have preemptive rights when capital increase but do share the same rights of issued common stock (which includes but not confined to cash dividend, stock dividend, capital decrease, capital surplus cash (stock) or any rights that was originated from legal subject such as consolidation, split or stock-exchange which we called “allocated rights” thereafter). Allocated rights have to be in the trust before meeting the vesting conditions.

After the restricted shares are allocated to employees, the Corporation will retrieve and cancel the stocks with no reimbursement if the vesting conditions are not met. The Corporation will also retrieve the allocated rights at the rate of shares of vesting conditions not met divided by shares allocated, with no reimbursement. If it is stocks that are retrieved, they shall be cancelled in each year of the vesting period.

For the three and nine months ended September 30, 2016 and 2015, the Corporation recognized $11,005 thousand, $14,604 thousand, $34,324 thousand and $42,134 thousand as compensation cost.

47. RELATED-PARTY TRANSACTIONS

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

a. Related parties

Related Party	Relationship with the Corporation and Subsidiaries
Others	Other related parties

b. Significant transactions with related-parties

1) Cash in banks (recognized as cash and cash equivalents)

	Amount	%
September 30, 2016	$ 682,844	3
December 31, 2015	166,736	1
September 30, 2015	9,026	-

For the three and nine months ended September 30, 2016 and 2015, the interest revenues from cash in bank were $1,581 thousand, $13 thousand, $3,193 thousand and $135 thousand, respectively.

2) Due from banks (recognized as cash and cash equivalents)

	Amount	%
September 30, 2016	$ 287,710	1
December 31, 2015	71,436	-
September 30, 2015	154,580	-

For the three and nine months ended September 30, 2016 and 2015, the interest revenues from due from banks were $0 thousand.

3) Call loans to banks (recognized as due from the central bank and call loans to banks)

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

For the three and nine months ended September 30, 2016 and 2015, the interest revenues from call loans to banks were $40 thousand, $0 thousand, $901 thousand and $2,023 thousand, respectively.

4) Purchase funds managed by related parties (recognized as financial assets at fair value through profit or loss)

	Amount	%
September 30, 2016	$ 47,756	-
December 31, 2015	26,574	-
September 30, 2015	36,079	-

5) Purchase and sale of bonds

	Purchase of Bonds	Sale of Bonds
<u>For the nine months ended September 30, 2016</u>		
Other related parties	$ 49,950	$ 1,689,580
<u>For the nine months ended September 30, 2015</u>		
Other related parties	1,559,085	5,372,364

6) Revenue receivable (recognized as receivables, net)

	Amount	%
September 30, 2016	$ 64,780	-
December 31, 2015	67,745	-
September 30, 2015	399,718	-

7) Receivable on margin loans (recognized as receivables, net)

	Amount	%
September 30, 2016	$ 11,001	-
December 31, 2015	15,503	-
September 30, 2015	11,490	-

8) Credit card receivable (recognized as receivables, net)

	Amount	%
September 30, 2016	$ 14,591	-
December 31, 2015	27,612	-
September 30, 2015	23,527	-

9) Other receivables (recognized as receivables, net)

	Amount	%
September 30, 2016	$ 6,199	-
December 31, 2015	16,921	-
September 30, 2015	32,522	-

10) Discounts and loans, net

	Amount	%	Interest Rate (%)
September 30, 2016	$ 890,774	-	1.54-15.00
December 31, 2015	999,266	-	1.43-18.25
September 30, 2015	1,081,239	-	1.47-18.25

For the three and nine months ended September 30, 2016 and 2015, the interest revenues from discounts and loans were $3,419 thousand, $4,593 thousand, $11,717 thousand and $11,935 thousand, respectively.

Balance as of September 30, 2016

(In thousands of New Taiwan Dollars)

Category	Account Volume or Name of Related Party	Highest Balance	Ending Balance	Normal	Overdue	Type of Collateral	Is the Transaction at Arm's Length Commercial Term
Consumer loans	42	$ 32,488	$ 17,536	$ 17,536	$ -	-	Yes
Residential mortgage loans	75	1,191,998	860,215	860,215	-	Real estate	Yes
Others	13	28,940	13,023	13,023	-	Real estate/ deposit	Yes

Balance as of December 31, 2015

(In thousands of New Taiwan Dollars)

Category	Account Volume or Name of Related Party	Highest Balance	Ending Balance	Normal	Overdue	Type of Collateral	Is the Transaction at Arm's Length Commercial Term
Consumer loans	34	$ 24,394	$ 16,314	$ 16,314	$ -	-	Yes
Residential mortgage loans	60	1,145,950	974,484	974,484	-	Real estate	Yes
Others	7	113,608	8,468	8,468	-	Real estate/ deposit	Yes

Balance as of September 30, 2015

(In thousands of New Taiwan Dollars)

Category	Account Volume or Name of Related Party	Highest Balance	Ending Balance	Normal	Overdue	Type of Collateral	Is the Transaction at Arm's Length Commercial Term
Consumer loans	30	$ 20,965	$ 15,885	$ 15,885	$ -	-	Yes
Residential mortgage loans	53	1,040,560	958,178	958,178	-	Real estate	Yes
Others	6	112,812	107,176	107,176	-	Real estate/ deposit	Yes

11) Guarantee deposits received in futures contracts (recognized as other financial assets)

	Amount	%
September 30, 2015	$ 58,948	-

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

	September 30			
	2016		2015	
	Amount	%	Amount	%
Other related parties	$ 1,254,640	5	$ 3,809,720	19

For the three and nine months ended September 30, 2016 and 2015, the interest expenses from call loans from banks were $1,331 thousand, $2,441 thousand, $2,246 thousand and $4,005 thousand, respectively.

13) Notes and bonds issued under repurchase agreements

	Amount	%
September 30, 2016	$ 245,151	-
December 31, 2015	50,000	-

14) Guaranteed price deposits received from securities borrowers (recognized as payables)

	Amount	%
September 30, 2016	$ 64,658	-
December 31, 2015	45,987	-
September 30, 2015	38,140	-

15) Deposits payable for securities financing (recognized as payables)

	Amount	%
September 30, 2016	$ 71,495	-
December 31, 2015	45,825	-
September 30, 2015	35,524	-

16) Other payables (recognized as payables)

	Amount	%
September 30, 2016	$ 19,526	-
December 31, 2015	1,842	-
September 30, 2015	224	-

17) Deposits and remittances

	Amount	%	Interest Rate (%)
September 30, 2016	$ 817,674	-	0-5.8
December 31, 2015	801,873	-	0-6.5
September 30, 2015	748,789	-	0-6.5

For the three and nine months ended September 30, 2016 and 2015, the interest expenses from deposits and remittances were $1,560 thousand, $2,064 thousand, $6,070 thousand and $6,349 thousand, respectively.

18) Short-term borrowings (recognized as other borrowings)

	Amount	%
September 30, 2016	$ 20,000	-
December 31, 2015	223,396	1
September 30, 2015	406,187	1

For the three and nine months ended September 30, 2016 and 2015, the interest expenses from short-term borrowings were $607 thousand, $5,221 thousand, $3,228 thousand and $11,268 thousand, respectively.

19) Customers' equity accounts - futures

	Amount	%
September 30, 2016	$ 35,193	-
December 31, 2015	57,965	-
September 30, 2015	58,498	-

20) Brokerage service fee revenue (recognized as net service fee revenue)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	Amount	**%**	**Amount**	**%**
2016	$ 8,194	-	$ 15,332	-
2015	7,115	-	16,843	-

21) Net other noninterest profit and gain

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	Amount	**%**	**Amount**	**%**
2016	$ 2,143	-	$ 12,908	1
2015	6,711	2	13,712	2

22) Consulting service revenue

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	Amount	**%**	**Amount**	**%**
2016				
Other related parties	$ 114,086	36	$ 369,650	41
2015				
Other related parties	127,231	49	445,995	54

23) Donation (recognized as other operating and administrative expenses)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	Amount	**%**	**Amount**	**%**
2016	$ -	-	$ 30,000	1
2015	-	-	30,000	1

24) Other operating expense (recognized as other operating and administrative expense)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	Amount	%	Amount	%
2016	$ 11,464	1	$ 14,553	-
2015	9,371	1	13,913	-

25) Outstanding derivative financial instruments

KGIB

September 30, 2016

(In thousands of New Taiwan Dollars)

Related Party	Contract Type	Contract Period	Contract Amount	Valuation Gain (Loss)	Balance Sheet	
					Account	Balance
Other related parties	Currency swap contracts	November 13, 2015 - November 17, 2016	$ 324,440	$ 23,040	Financial assets at FVTPL	$ 11,144

December 31, 2015

(In thousands of New Taiwan Dollars)

Related Party	Contract Type	Contract Period	Contract Amount	Valuation Gain (Loss)	Balance Sheet	
					Account	Balance
Other related parties	Currency swap contracts	April 10, 2015 - November 17, 2016	$ 1,913,574	$ 415,513	Financial assets at FVTPL	$ 18,890
					Financial liabilities at FVTPL	30,786

September 30, 2015

(In thousands of New Taiwan Dollars)

Related Party	Contract Type	Contract Period	Contract Amount	Valuation Gain (Loss)	Balance Sheet	
					Account	Balance
Other related parties	Currency swap contracts	April 10, 2015 - July 13, 2016	$ 1,600,722	$ 470,817	Financial assets at FVTPL	$ 64,267
					Financial liabilities at FVTPL	20,860

26) Compensation of key management personnel

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2016	2015	2016	2015
Salary and short-term benefits	$ 84,256	$ 102,673	$ 226,121	$ 282,788
Share-based payment	9,351	12,057	29,316	40,556
Post-employment benefits	524	1,001	1,603	3,168
	$ 94,131	$ 115,731	$ 257,040	$ 326,512

The terms of the transactions with related parties were similar to those for third parties, except for certain preferential interest rates for employees' savings in and borrowings from CDIB and KGI Bank.

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

c. Related-party transactions were at costs or prices of at least NT$100 million

The significant transactions and relationship of the Corporation's subsidiaries with related parties were summarized below:

CDIB and subsidiaries

Related Party	Relationship with the Bank and Subsidiaries
China Development Financial Holding Corporation	Parent company
KGI Securities Co., Ltd.	Subsidiary of the parent company
KGI Bank	Subsidiary of the parent company
Others	Other related parties (Note)

Note: CDC Financial & Leasing Corporation was no longer the subsidiary of the CDIB after the transfer date of May 1, 2015.

1) Cash in banks (recognized as cash and cash equivalents)

	September 30, 2016		December 31, 2015		September 30, 2015	
	Amount	%	Amount	%	Amount	%
Subsidiary of the parent company	$ 7,037,876	25	$ 10,607,534	38	$ 8,717,639	39

2) Due from banks (recognized as cash and cash equivalents)

	September 30, 2016		December 31, 2015		September 30, 2015	
	Amount	%	Amount	%	Amount	%
Subsidiary of the parent company	$ 18,313,148	66	$ 12,613,249	45	$ 8,248,657	37

3) Purchase and sale of bonds

	Purchase of Bonds	Sale of Bonds
For the nine months ended September 30, 2015		
Subsidiary of the parent company	$ 1,583,244	$ 2,211,662

4) Revenue receivable (recognized as receivable, net)

	September 30, 2015	
	Amount	%
Other related parties	$ 398,172	8

5) Receivables from parent (recognized as current tax assets)

	September 30, 2016		December 31, 2015		September 30, 2015	
	Amount	%	Amount	%	Amount	%
Parent company	$ 621,947	98	$ 690,918	99	$ 715,994	97

The receivables resulted from CDFH and its eligible subsidiaries' adopting the linked-tax system in the filing of tax returns since 2003.

6) Discounts and loans, net

Balance as of December 31, 2015

(In thousands of New Taiwan Dollars)

Category	Account Volume or Name of Related Party	Highest Balance	Ending Balance	Normal	Overdue	Type of Collateral	Is the Transaction at Arm's Length Commercial Term
Others	Other related parties	$ 100,000	$ -	$ -	$ -	-	Yes

Balance as of September 30, 2015

(In thousands of New Taiwan Dollars)

Category	Account Volume or Name of Related Party	Highest Balance	Ending Balance	Normal	Overdue	Type of Collateral	Is the Transaction at Arm's Length Commercial Term
Others	Other related parties	$ 100,000	$ -	$ -	$ -	-	Yes

7) Securities holding (recognized as available-for-sale financial assets)

	September 30, 2016		December 31, 2015		September 30, 2015	
	Amount	%	Amount	%	Amount	%
Stock						
Parent company	$ 165,169	2	$ 169,918	2	$ 182,718	2

8) Payables to parent (recognized as current tax liabilities)

	September 30, 2016		December 31, 2015		September 30, 2015	
	Amount	%	Amount	%	Amount	%
Stock						
Parent company	$ 340,462	93	$ 248,526	62	$ 181,439	54

The payables resulted from CDFH and its eligible subsidiaries' adopting the linked-tax system in the filing of tax returns since 2003.

9) Consulting service revenue

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	Amount	%	Amount	%
2016				
Other related parties	$ 63,242	48	$ 194,403	50
2015				
Other related parties	78,005	55	283,838	64

KGI Securities and subsidiaries

Related Party	Relationship with the KGI Securities and Subsidiaries
China Development Financial Holding Corporation	Parent company
China Development Industrial Bank Inc.	Subsidiary of the parent company
KGI Commercial Bank Co., Ltd.	Subsidiary of the parent company
Others	Other related parties

1) Cash in banks (recognized as cash and cash equivalents)

	September 30, 2016		December 31, 2015		September 30, 2015	
	Amount	%	Amount	%	Amount	%
Subsidiary of the parent company	$ 3,666,725	21	$ 393,854	3	$ 146,656	-
Other related parties	681,135	4	165,644	1	-	-

2) Available-for-sale financial assets - current

	September 30, 2016		December 31, 2015		September 30, 2015	
	Amount	%	Amount	%	Amount	%
Stock						
Parent company	$ 2,420,686	28	$ 2,490,281	34	$ 2,677,884	35

3) Purchase and sale of bonds

	Purchase of Bonds	Sale of Bonds
For the nine months ended September 30, 2016		
Subsidiary of the parent company	$ 1,475,421	$ 5,211,167
Other related parties	49,950	1,689,580
For the nine months ended September 30, 2015		
Subsidiary of the parent company	7,093,142	3,772,227
Other related parties	1,559,085	5,372,364

4) Guarantee deposits received in futures contracts

	September 30, 2016		December 31, 2015	
	Amount	%	Amount	%
Subsidiary of the parent company	$ 803,715	2	$ 177,650	1

5) Current tax assets

	December 31, 2015		September 30, 2015	
	Amount	%	Amount	%
Parent company	$ 122,581	21	$ 122,581	21

6) Restricted assets (recognized as other assets)

	September 30, 2016		December 31, 2015		September 30, 2015	
	Amount	%	Amount	%	Amount	%
Subsidiary of the parent company	$ 1,350,432	4	$ 829,941	2	$ 1,249,958	4

7) Amounts held for settlement (recognized as other current assets)

	December 31, 2015	
	Amount	%
Subsidiary of the parent company	$ 1,531,123	4

8) Short-term borrowings

	December 31, 2015		September 30, 2015	
	Amount	%	Amount	%
Other related parties	$ 198,396	1	$ 265,024	1

9) Notes and bonds issued under repurchase agreement

	September 30, 2016	
	Amount	%
Other related parties	$ 245,151	-

10) Current tax liabilities

	September 30, 2016		December 31, 2015		September 30, 2015	
	Amount	%	Amount	%	Amount	%
Parent company	$ 378,219	45	$ 506,024	48	$ 502,326	46

11) Outstanding derivative financial instruments

a) Interest rate swap contracts

	September 30, 2016
	Contract Amount (Principal)
Subsidiary of the parent company	$ 162,500

b) Asset swap option contracts - call

	September 30, 2016
	Contract Amount (Principal)
Subsidiary of the parent company	$ 162,500

c) Equity option contracts

	September 30, 2015
	Contract Amount (Principal)
Subsidiary of the parent company	$ 2,500,000

KGI Bank and subsidiaries

Related Party	Relationship with the Bank and Subsidiaries
China Development Financial Holding Corporation	Parent company
China Development Industrial Bank Inc.	Subsidiary of the parent company
KGI Securities Co., Ltd.	Subsidiary of the parent company
Others	Other related parties

1) Due from banks (recognized as cash and cash equivalents)

	September 30			
	2016		2015	
	Amount	%	Amount	%
Other related parties	$ 281,418	3	$ 148,288	3

2) Call loans to banks (recognized as due from the central bank and call loans to banks)

	December 31, 2015	
	Amount	%
Other related parties	$ 4,629,240	5

3) Receivables from securities sale (recognized as receivables)

	Amount	%
December 31, 2015	$ 117,459	-

4) Purchase and sale of bonds

	Purchase of Bonds	Sale of Bonds
For the nine months ended September 30, 2016		
Subsidiary of the parent company	$ 5,211,167	$ 1,475,421
For the nine months ended September 30, 2015		
Subsidiary of the parent company	2,188,983	4,881,480

5) Discounts and loans, net

	Amount	%	Interest Rate (%)
September 30, 2015			
Other related parties	$ 100,000	-	1.47-1.52

Balance as of September 30, 2015

(In thousands of New Taiwan Dollars)

Category	Account Volume or Name of Related Party	Highest Balance	Ending Balance	Normal	Overdue	Type of Collateral	Is the Transaction at Arm's Length Commercial Term
Others	Other related parties	$ 100,000	$ 100,000	$ 100,000	$ -	-	Yes

6) Call loans from other banks (recognized as deposits from the Central Bank and banks)

	September 30			
	2016		2015	
	Amount	%	Amount	%
Other related parties	$ 1,254,640	6	$ 3,809,720	19

7) Deposits and remittances

	Amount	%	Interest Rate (%)
September 30, 2016			
Parent company	$ 1,470,880	-	0-0.35
Subsidiary of the parent company	31,185,587	9	0-1.20
December 31, 2015			
Parent company	2,646,445	1	0-0.17
Subsidiary of the parent company	26,153,352	7	0-1.35
September 30, 2015			
Parent company	3,062,580	1	0-0.17
Subsidiary of the parent company	18,362,910	5	0-1.35

8) Short-term borrowings

	September 30, 2015	
	Amount	%
Other related parties	$ 116,163	2

9) Payable on securities purchased (recognized as payables)

	Amount	%
December 31, 2015	$ 193,325	5

10) Payable on parent (recognized as current tax liabilities)

	September 30			
	2016		2015	
	Amount	%	Amount	%
Parent company	$ 304,648	98	$ 181,150	97

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

11) Outstanding derivative financial instrument

September 30, 2016

(In thousands of New Taiwan Dollars)

Related Party	Contract Type	Contract Period	Contract Amount	Valuation Gain (Loss)	Balance Sheet	
					Account	Balance
Other related parties	Currency swap contracts	November 13, 2015 - November 17, 2016	$ 324,440	$ 23,040	Financial assets at FVTPL	$ 11,144
Subsidiaries of the parent company	Asset swap - Interest rate swap contracts	January 5 2016 - June 3, 2019	162,500	5,877	Financial assets at FVTPL	6,336
	Asset swap - option	January 5 2016 - May 20, 2019	162,500	(2,044)	Financial liabilities at FVTPL	9,145

December 31, 2015

(In thousands of New Taiwan Dollars)

Related Party	Contract Type	Contract Period	Contract Amount	Valuation Gain (Loss)	Balance Sheet	
					Account	Balance
Other related parties	Currency swap contracts	April 10, 2015 - November 17, 2016	$ 1,913,574	$ 415,513	Financial assets at FVTPL	$ 18,890
					Financial liabilities at FVTPL	30,786

September 30, 2015

(In thousands of New Taiwan Dollars)

Related Party	Contract Type	Contract Period	Contract Amount	Valuation Gain (Loss)	Balance Sheet	
					Account	Balance
Other related parties	Currency swap contracts	April 10, 2015 - July 13, 2016	$ 1,600,722	$ 470,817	Financial assets at FVTPL	$ 64,267
					Financial liabilities at FVTPL	20,860
Subsidiaries of the parent company	Equity option contracts	October 1, 2014 - October 27, 2015	2,500,000	(698,312)	Financial assets at FVTPL	320,714

48. PLEDGED ASSETS

The following assets had been (a) pledged to various financial institutions as guarantees and collaterals for short-term loans, commercial papers payable, long-term loans, and overdraft; (b) pledged with GreTai Securities Market for the government bond bidding; (c) required by the Central Bank for posting a bid bond and as a guarantee deposit for the bills business; (d) pledged as part of the requirements for filing a petition for tax reassessment; (e) pledged as compensation reserve; (f) pledged as guarantee deposit for oversees bonds sold with repurchase agreement; (g) pledged as foreign exchange margin trading; and (h) derivative transactions security deposit.

	September 30, 2016	December 31, 2015	September 30, 2015
Due from the Central Bank and call loans to banks	$ 22,330,000	$ 10,075,000	$ 8,300,000
Property and equipment, net	4,746,919	4,773,042	4,781,749
Lease receivables	3,076,752	3,424,754	3,375,510
Available-for-sale financial assets - bonds and stocks	2,728,840	2,427,634	2,393,677
Operating guarantee deposits	1,417,228	1,447,740	1,457,910
Other financial assets - pledged time deposits	743,610	629,344	849,536
Financial assets at fair value through profit or loss - bonds and stocks	609,793	50,443	50,610
Competitive bid transactions guarantee	400,000	323,027	384,182
Investment property, net	374,059	376,936	377,896
Guarantee deposit paid	187,476	532,456	544,616
Checking accounts - restricted for agent's stock transfer purposes	62,759	83,390	109,077
Restricted assets - impound account	46,030	49,178	78,816
Investments accounted for using the equity method	-	-	1,717,736

49. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACTUAL COMMITMENTS

Commitments and contingencies of the Corporation and subsidiaries, except for those disclosed in Notes 52 and 53 were summarized as follows:

a. In April 2007, CDIB and Morgan Stanley entered into a CDS contract that was tied to a synthetic collateralized debt obligation on residential mortgage-backed securities. The representations made to CDIB by Morgan Stanley during the solicitation process were materially false and misleading and therefore caused significant losses to CDIB. On July 15, 2010, CDIB initiated action against Morgan Stanley & Co. International PLC ("Morgan Stanley") et al. to recover losses CDIB suffered as a result of its investment in a Morgan Stanley's credit default swap (CDS) product that had been tied to a synthetic collateralized debt obligation on residential mortgage-backed securities; the representations made to CDIB by Morgan Stanley during the solicitation process were materially false and misleading and therefore caused significant financial losses to CDIB. As of December 31, 2010, the underlying asset pools on the CDS had been liquidated, and CDIB had recognized all gains and losses from the transaction. The balance of US$11,978 thousand (NT$375,696 thousand based on the exchange rate of September 30, 2016) was reclassified to "other financial liabilities". The litigation had not yet been concluded as of September 30, 2016. In addition, Morgan Stanley overlooked CDIB's efforts and terminated interest rate swap (IRS) contracts (nominal principal amount: KRW24,000,000 thousand) and CDS contracts (nominal principal amount: JPY586,510 thousand), CDIB reserves the right of legal proceedings.

b. Securities and Futures Investors Protection Center sued Grand Cathay (KGI Securities as the survivor company after merging on June 22, 2013) and claimed that due to the fact that KGI Securities was the lead underwriter of Taiwan Kolin Co., Ltd. 2nd convertible bonds, KGI Securities must have but not performed sufficient audits on the contents disclosed in the prospectus of Taiwan Kolin Co., Ltd. 2nd convertible corporate bonds, which against the Article 20 and 32 of Securities and Exchange Act and the Article 184 and 185 of Civil Code. The plaintiffs sued KGI Securities and Taiwan Kolin Co., Ltd. with jointly liability amounted to $133,308 thousand plus 5% interest. The lawsuit is currently proceeded by the Taipei District Court. However, Taiwan Kolin Co., Ltd. is under the procedure of reorganization, this lawsuit is withdrawn now.

c. Plaintiffs, Digital Imaging Solution Global Ltd. ("Digital") and Minda Consulting Ltd. ("Minda"), advocated that GT based on stock pledge generated from loans of HK$10,000 thousand with Minda and Minda transferred its pledge right on Digital to GT, GT transferred a pledge right of 35,000 thousand shares of eCyberChina to Minda in exchange. However, GT and its fund managers, including KGI Limited, disposed the 2,000 thousand shares of eCyberChina without Minda's approval and thus violated the pledge agreement. Therefore, Digital and Minda filed a lawsuit to the GT in November 2007 and requested for compensation of HK$119,130 thousand and related expenses and interest. In February 2008, Digital and Minda added KGI Limited as a defendant. On July 21, 2008, the appeal was dismissed by courts of Hong Kong and the plaintiffs appealed to a higher court. In December 2008, the courts of appeals dismissed the appeal by Digital while the appeal by Minda is still pending in the courts of appeals. According to the loan contract signed on May 9, 2000, Global Treasure Investments Limited (GT) loaned HK$10,000 thousand to Minda. Because Minda broke the contract by not making loan repayments, GT filed a lawsuit against Minda on October 31, 2002, and requested the return of HK$9,192 thousand plus interest. The case is still pending in the courts of Hong Kong.

d. Securities and Futures Investors Protection Center sued CDIB Capital Management Corporation and claimed that due to the fact that CDIB Capital Management Corporation is the corporate director of Powercom Ltd., CDIB Capital Management Corporation have but not performed sufficient audits on the contents disclosed in the financial statements which failed to comply the obligation of being a good administrator. Therefore, the plaintiff demanded compensation of $592,648 thousand and related interests from CDIB Capital Management Corporation and Powercom Ltd. CDIB Capital Management Corporation and Powercom Ltd. could not estimate the related possible loss because the case was currently pending with the Taipei District Court and the final outcome of the court is uncertain.

e. In February 2008, during a financial crisis involving Far Eastern Air Transport Limited (FEAT), nine people, including Hu, Tsui and Chen, were sued by a state prosecutor after they were investigated. Hu, CDIB's former designated representative to FEAT's board of directors, was charged by the state prosecutor of dereliction of duty as an FEAT board member, resulting in financial loss to FEAT. FEAT also initiated a civil action against Hu and CDIB, claiming that they were jointly liable for damages of $677,199 thousand plus interest. The criminal case brought by FEAT against Hu and CDIB was adjudicated on September 28, 2012, and both defendants were acquitted of the charge brought against them; thus, the civil lawsuit was also dismissed by the criminal court. FEAT disagreed with this judgment and filed for appeal of the court's decision on CDIB and Hu's criminal and civil cases, claiming that these two defendants were jointly liable for damages of $660,000 thousand plus interest. The lawsuit was adjudicated on January 28, 2016, and both defendants, Hu and CDIB, were acquitted of the charge brought against them again; the civil lawsuit was also dismissed by the criminal court of the Taiwan High Court. However, since the manner of execution of the two judgements was uncertain, CDIB could not ascertain the final outcome of the lawsuit. In July 2013, FEAT sued Yageo Corporation Limited, Feng Dan Bai Lu Corporation Limited, Yong Chun Corporation Limited and CDIB for failing to discharge its obligations as a good administrator, resulting in embezzlement FEAT, for which FEAT demanded the payment of $100,000 thousand and interests. FEAT lost the lawsuit on December 30, 2014 claimed by the Taipei District Court and decided to appeal to Taiwan High Court. CDIB won the lawsuit on April 14, 2016 claimed by the Taiwan High Court. However, FEAT filed appeal, CDIB could not estimate the related possible loss because the final outcome of the lawsuit is uncertain.

f. The case KGI Bank acted vigorously in regards to Prince Motors' overdue debt. 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. The Taiwan District Court has judged that KGI Bank lost the lawsuit and has to return the amount received of $1,786,318 thousand for re-allocation. KGI Bank has entrusted a lawyer. KGI Bank has appealed for second trial on March 10, 2014. On August 2, 2016, the lawyer judged that the case has ethical conflicts and insufficient evidence to support the judgment of the court. KGI Bank has a high possibility of winning the case, and the case is currently under the trial of the high court.

g. In response to the rapid business development and IT demands for innovative products, KGI Bank plans to outsource its IT operations to improve IT service levels and to rapidly respond to the business development and changes in external regulations. The board of directors' meeting held on October 30, 2012 approved the plan for outsourcing the IT operations to International Business Machines Corp., Taiwan (IBM Taiwan) for the next 10 years, starting from October 31, 2012. According to the IT outsource contract, besides extra services being charged according to professional rates, KGI Bank has to pay a total of $909,795 thousand for the basic framework, support service, IT application service and integration and transformation of server and so on as annual services fees in the future contract periods, starting from September 30, 2016.

50. BUSINESS COMBINATION

a. KGI Fraser Securities Pte. Ltd.

KGI Asia (Holdings) Pte. Ltd., which is a subsidiary of KGI Securities, for the purpose of expanding foreign business, had acquired 100% of the voting rights of KGI Fraser Securities Pte. Ltd.'s (KGI Fraser) on January 30, 2015. KGI Fraser is a non-listed company located in Singapore specialized in the futures related business.

1) The fair value of KGI Fraser's identifiable assets and liabilities on the acquisition date were as follows:

	Fair Value on Acquisition Date
Assets	
Financial assets (include cash and cash equivalent $1,040,544)	$ 3,227,104
Other assets	38,986
Assets subtotal	3,266,090
Liabilities	
Financial liabilities	(2,647,608)
Identifiable net assets	$ 618,482

2) KGI Fraser's goodwill, $372,878 thousand, was resulted from the difference between consideration of the acquisition (cash transaction cost of acquisition) of $991,360 thousand and the fair value of identifiable net assets of $618,482 thousand.

3) Effects of results of operations caused by business combination

From the acquisition date to September 30, 2015, net revenue and net loss from acquiree were $212,526 thousand and $151,986 thousand. Should the acquisition occur on the beginning of the accounting period, the pro-forma net revenue and net profit of the Company and subsidiaries for the nine months ended would be $21,241,022 thousand and $6,130,305 thousand, respectively. The above amount could not reflect the results of operations and revenues from the Company and subsidiaries if the acquisition were completed on the beginning of the accounting period, and therefore it should not be used to predict future operation outcome.

b. PT KGI Sekuritas Indonesia

To extend the scale of overseas operation and enhance group's regional distribution, KGI Securities' board of directors approved a 99% investment in PT Hasta Dana Sekuritas Indonesia by KGI Capital Asia Ltd. on August 31, 2016. The unlisted company was established in Indonesia and specializing in securities related business.

1) Assets acquired and liabilities assumed on the acquisition date were as follows:

	Fair Value on Acquisition Date
Assets	
Financial assets (include cash and cash equivalent $47,450)	$ 226,818
Other assets	3,094
Assets subtotal	229,912
Liabilities	
Financial liabilities	(108,462)
Other liabilities	(21)
Liabilities subtotal	(108,483)
Identifiable net assets	$ 121,429

2) KGI Indonesia's goodwill, $75,850 thousand, was resulted from the consideration of the acquisition (cash transaction cost of acquisition) of $196,065 thousand plus fair value of non-controlling interests of $1,214 thousand and deduct fair value of identifiable net assets of $121,429 thousand.

3) Effects of results of operations caused by business combination

From the acquisition date to September 30, 2016, net revenue and net loss from acquiree were $4,870 thousand and $1,133 thousand. Should the acquisition occur on the beginning of the accounting period, the pro-forma net revenue and net profit of the Company and subsidiaries for the nine months ended would be $20,194,426 thousand and $4,502,769 thousand, respectively. The above amount could not reflect the results of operations and revenues from the Company and subsidiaries if the acquisition were completed on the beginning of the accounting period, and therefore it should not be used to predict future operation outcome.

51. INDIVIDUAL PROFITABILITY AND CONSOLIDATED PROFIT ABILITIES OF CDFH, CDIB, KGI SECURITIES AND KGI BANK

Consolidated Profitability

(%)

Items		September 30, 2016	September 30, 2015
Return on total assets	Before income tax	0.77	0.99
	After income tax	0.68	0.89
Return on net worth	Before income tax	4.09	5.28
	After income tax	3.60	4.78
Profit margin		22.33	29.09

Profitability of CDFH

(%)

Items		September 30, 2016	September 30, 2015
Return on total assets	Before income tax	3.15	4.45
	After income tax	3.23	4.33
Return on net worth	Before income tax	3.51	4.96
	After income tax	3.63	4.87
Profit margin		89.09	88.81

Profitability of CDIB

(%)

Items		September 30, 2016	September 30, 2015
Return on total assets	Before income tax	2.24	1.72
	After income tax	2.18	1.82
Return on net worth	Before income tax	2.29	5.09
	After income tax	2.23	5.39
Profit margin		69.11	83.35

Profitability of KGI Securities

(%)

Items		September 30, 2016	September 30, 2015
Return on total assets	Before income tax	1.37	1.53
	After income tax	1.28	1.47
Return on net worth	Before income tax	4.32	4.66
	After income tax	4.04	4.47
Profit margin		24.89	32.52

Profitability of KGI Bank

(%)

Items		**September 30, 2016**	**September 30, 2015 (Note)**
Return on total assets	Before income tax	0.84	1.11
	After income tax	0.72	0.98
Return on net worth	Before income tax	7.87	11.00
	After income tax	6.73	9.72
Profit margin		40.09	54.57

Note: The above information includes prior interests under joint control.

52. FINANCIAL INSTRUMENTS

a. The definitions of each hierarchy are 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, quoted price arrived from pricing models that use inputs such as in interest rates and volatility rates, which are derived from or can be corroborated with observable market data.

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

b. Fair value

1) The fair value hierarchy of financial instruments were as follows:

<u>September 30, 2016</u>

(In thousands of New Taiwan Dollars)

	Level I	**Level II**	**Level III**	**Total**
<u>Nonderivative financial instruments</u>				
Financial assets				
Financial assets at FVTPL				
Financial assets held for trading				
Stock investments	$ 15,482,842	$ -	$ -	$ 15,482,842
Bond investments	50,223,015	46,750,231	-	96,973,246
Others	130,071	13,918,602	-	14,048,673
Financial assets designated as at FVTPL	13,254,916	29,387,098	162,394	42,804,408
Available-for-sale financial assets				
Stock investments	21,696,589	157,615	333,745	22,187,949
Bond investments	33,464,757	38,535,054	311,051	72,310,862
Financial liabilities				
Financial liabilities at FVTPL				
Financial liabilities held for trading	5,314,253	3,874,636	-	9,188,889
Financial liabilities designated as at FVTPL	-	10,381,985	-	10,381,985

(Continued)

	Level I	Level II	Level III	Total
Derivative financial instruments				
Financial assets				
Financial assets at FVTPL				
Financial assets held for trading	$ 723,869	$ 25,949,603	$ 182,482	$ 26,855,954
Financial liabilities				
Financial liabilities at FVTPL				
Financial liabilities held for trading	636,036	29,210,179	289,320	30,135,535
Financial liabilities designated as at FVTPL	-	1,329,872	-	1,329,872

(Concluded)

December 31, 2015

(In thousands of New Taiwan Dollars)

	Level I	Level II	Level III	Total
Nonderivative financial instruments				
Financial assets				
Financial assets at FVTPL				
Financial assets held for trading				
Stock investments	$ 14,037,985	$ -	$ -	$ 14,037,985
Bond investments	55,316,866	37,364,773	-	92,681,639
Others	290,178	8,150,733	-	8,440,911
Financial assets designated as at FVTPL	234,787	19,921,689	188,401	20,344,877
Available-for-sale financial assets				
Stock investments	20,055,988	523,025	-	20,579,013
Bond investments	38,963,312	10,772,965	327,725	50,064,002
Financial liabilities				
Financial liabilities at FVTPL				
Financial liabilities held for trading	3,493,208	3,326,889	-	6,820,097
Financial liabilities designated as at FVTPL	-	4,352,498	-	4,352,498
Derivative financial instruments				
Financial assets				
Financial assets at FVTPL	450,041	18,893,330	2,931,302	22,274,673
Financial liabilities				
Financial liabilities at FVTPL				
Financial liabilities held for trading	456,154	23,031,691	3,071,362	26,559,207
Financial liabilities designated as at FVTPL	-	2,166,377	-	2,166,377

September 30, 2015

(In thousands of New Taiwan Dollars)

	Level I	Level II	Level III	Total
Nonderivative financial instruments				
Financial assets				
Financial assets at FVTPL				
Financial assets held for trading				
Stock investments	$ 15,157,648	$ -	$ -	$ 15,157,648
Bond investments	58,839,377	38,572,468	-	97,411,845
Others	462,397	7,980,282	-	8,442,679
Financial assets designated as at FVTPL	987,382	8,176,244	202,864	9,366,490
Available-for-sale financial assets				
Stock investments	19,652,525	514,616	-	20,167,141
Bond investments	27,064,635	44,307,953	327,305	71,699,893
Others	11,171	-	-	11,171
Financial liabilities				
Financial liabilities at FVTPL				
Financial liabilities held for trading	5,834,967	4,602,601	-	10,437,568
Financial liabilities designated as at FVTPL	-	4,417,110	-	4,417,110

(Continued)

	Level I	Level II	Level III	Total
Derivative financial instruments				
Financial assets				
Financial assets at FVTPL				
Financial assets held for trading	$ 1,064,299	$ 27,025,168	$ 2,104,581	$ 30,194,048
Financial liabilities				
Financial liabilities at FVTPL				
Financial liabilities held for trading	933,560	29,339,297	2,584,658	32,857,515
Financial liabilities designated as at FVTPL	-	1,911,270	-	1,911,270

(Concluded)

2) Evaluation technology at fair value

For financial assets and liabilities at fair value through profit or loss, available-for-sale financial assets, and derivative financial assets for hedging, fair value is determined at quoted market prices. When market prices of the Corporation and subsidiaries' various financial instruments are not readily available, fair values are estimated by using appropriate valuation models or other banks' transaction prices. The information the Corporation and subsidiaries use for fair value estimation is consistent with that generally used in the market; the basis of the theory are commonly recognized by the industry. The type of relevant methodology can roughly divided into analytical solution model (for example: Black-school model) and numerical method model (for example Monet Carlo simulation).

3) Reconciliation of fair value

a) The limitation of valuation techniques and uncertain inputs

Valuation techniques incorporate assumptions are dependent on the instrument type and available market data. However, certain model inputs may be less readily determinable from valuation techniques. In these circumstances, valuation model would adopt additional parameters and/or model assumptions such as model risk or Liquidity Risk and so on, to make fair value adjustment. According to our policies of Valuation management and relevant control procedure, the Corporation's management considers that Valuation adjustments are necessary and appropriate. To accept approaches and principles for the making the appropriate adjustments, all parameters and price information should be evaluated thoroughly and make reference from market situation.

b) Credit risk valuation adjustments

Credit risk valuation adjustments are classify into Credit value adjustments and Debit value adjustments, and definitions are on the following:

- 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 Corporation and subsidiaries calculate their debit valuation adjustment on the basis of their internal assessment of a counterparty's probability of default ("PD"), which is subject to standard supervisory parameters, take loss given default ("LGD") into consideration and multiplied by their estimates of the counterparty's exposure at default ("EAD").

The Corporation and subsidiaries calculate the counterparty's EAD with OTC derivative's market to market value and the counterparty's LGD, which is 60 percentage of EAD based on Taiwan Stock Exchange ("TWSE") guidance.

The Corporation and subsidiaries take Credit risk valuation adjustments for determining the fair value of financial instruments and reflect counterparty's credit risk and the Corporation's credit quality.

4) Transfer between the first level and the second level

	For the Nine Months Ended September 30			
	2016		2015	
	Level One Converted Into Level Two	Level Two Converted Into Level One	Level One Converted Into Level Two	Level Two Converted Into Level One
Financial assets at FVTPL - bond investments	$ 233,394	$ -	$ 408,413	$ -
Available-for-sale financial assets - bond investments	4,378,939	-	1,633,608	-
Available-for-sale financial assets - stock investments	-	377,621	-	-

Because of changes in market liquidity, evaluation sources applied by some NTD treasury bill will change. It makes the applicable level of bond's fair value change from level one into level two or level two into level one, and stock investment has open-market quotes, it makes the applicable level of bond's fair value change from level two into level one.

5) Reconciliation of Level III items of financial instruments

The movements of financial assets with Level III fair value were as follows:

For the Nine Months Ended September 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	
Financial assets at FVTPL							
Financial assets held for trading	$ 2,931,302	$ (753,910)	$ 413,155	$ -	$ (432,334)	$ (1,975,731)	$ 182,482
Financial assets designated as at FVTPL	188,401	(41,709)	15,702	-	-	-	162,394
Available-for-sale financial assets	327,725	(244)	317,315	-	-	-	644,796

For the Nine Months Ended September 30, 2015

(In thousands of New Taiwan Dollars)

Items	Beginning Balance	Valuation Gains (Losses) Recognized as Current Income (Loss) or Other Comprehensive Income	Amount of Increase		Amount of Decrease		Ending Balance
			Purchase or Issue	Transfer to Level III	Sale, Disposal or Settlement	Transfer from Level III	
Financial assets at FVTPL							
Financial assets held for trading	$ 974,985	$ 1,687,479	$ 91,190	$ 1,819	$ (650,892)	$ -	$ 2,104,581
Financial assets designated as at FVTPL	233,686	(30,822)	-	-	-	-	202,864
Available-for-sale financial assets	311,154	16,151	-	-	-	-	327,305

The movements of financial liabilities with Level III fair value were as follows:

For the Nine Months Ended September 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	
Financial liabilities at FVTPL							
Financial liabilities held for trading	$ 3,071,362	$ (893,091)	$ 539,622	$ -	$ (446,531)	$ (1,982,042)	$ 289,320

For the Nine Months Ended September 30, 2015

(In thousands of New Taiwan Dollars)

Items	Beginning Balance	Valuation Gains (Losses) Recognized as Current Income (Loss) or Other Comprehensive Income	Amount of Increase		Amount of Decrease		Ending Balance
			Purchase or Issue	Transfer to Level III	Sale, Disposal or Settlement	Transfer from Level III	
Financial liabilities at FVTPL							
Financial liabilities held for trading	$ 2,114,151	$ 1,326,818	$ 200,990	$ 2,234	$ (1,059,535)	$ -	$ 2,584,658
Financial liabilities designated as at FVTPL	1,966,485	(24,710)	888,400	-	(933,575)	(1,896,600)	-
Derivative financial liabilities for hedging	20,659	(20,659)	-	-	-	-	-

Note: For parts of financial assets at FVTPL, the Corporation's subsidiaries change their evaluation source from sell's quote to observable market parameters, causing the applicable level of fair value of the financial assets at FVTPL change level three to level two.

The total gains or losses for the three and nine months ended September 30, 2016 and 2015 included a gain of $228,165 thousand, a loss of $94,160 thousand, a gain of $50,173 thousand and a loss of $280,389 thousand relating to assets and liabilities measured at fair value on Level III fair value measurement and held at the end of reporting date.

6) Quantitative information about significant unobservable inputs (Level 3)

<u>CDIB and subsidiaries</u>

Equity securities are classified fair value Level 3 financial asset by CDIB and subsidiaries. Quantitative information about the significant unobservable inputs is set out below:

	Fair Value at September 30, 2016	Valuation Technique(s)	Significant Unobservable Inputs	Range	The Relationship Between Inputs and Fair Value
Repetitive basis to fair value measurement items					
Non-derivative financial assets					
Financial assets at FVTPL					
Convertible bond	$ 146,711	Market approach	Income multiplier lack of liquidity discount	3.75 15%	When the higher income multiplier, the higher of fair value; when the higher lack of liquidity discount, the lower of fair value.
Others	15,683	Recent strike price	-	-	-
Available-for-sale financial assets	279,316	Market approach Discounted cash-flow method	Income multiplier WACC lack of liquidity discount	4.7 11.7% 20%	When the higher income multiplier, the higher of fair value; when the higher lack of liquidity discount, the lower of fair value; when the higher WACC, the lower of fair value.
		Recent strike price	-	-	-
Derivative financial assets					
Others	9,546	Recent strike price	-	-	-

	Fair Value at December 31, 2015	Valuation Technique(s)	Significant Unobservable Inputs	Range	The Relationship Between Inputs and Fair Value
Repetitive basis to fair value measurement items					
Non-derivative financial assets					
Financial assets at FVTPL	$ 188,401	Market approach	Income multiplier lack of liquidity discount	3.75 15%	When the higher income multiplier, the higher of fair value; when the higher lack of liquidity discount, the lower of fair value.

	Fair Value at September 30, 2015	Valuation Technique(s)	Significant Unobservable Inputs	Range	The Relationship Between Inputs and Fair Value
Repetitive basis to fair value measurement items					
Non-derivative financial assets					
Financial assets at FVTPL	$ 202,864	Market approach	Income multiplier lack of liquidity discount	3.75 15%	When the higher income multiplier, the higher of fair value; when the higher lack of liquidity discount, the lower of fair value.

KGI Securities and subsidiaries

The explanation of quantitative information about significant unobservable inputs in fair value measurement and sensitivity analysis significant unobservable inputs used by repetitive basis to fair value Level 3 financial asset of KGI Securities and subsidiaries were as follows:

September 30, 2016

	Valuation Techniques	Significant Unobservable Inputs	Quantification Information	The Relationship Between Inputs and Fair Value
Financial assets				
Non-derivative financial assets				
Available-for-sale financial assets	Fair value from counter-party	-	-	-
Derivative instruments				
Structured products - option	Martingale pricing technique	History volatility	14.88%-68.74%	According to condition of contract, fair value of asset may be higher or lower.
Equity derivatives instruments - premium - equity option (call option)	Martingale pricing technique	History volatility	20.82%-20.82%	According to condition of contract, fair value of asset may be higher or lower.
Financial liabilities				
Derivative instruments				
Structured products - option	Martingale pricing technique	History volatility	13.40%-39.10%	According to condition of contract, fair value of liabilities may be higher or lower.
Equity derivatives - premium - equity option (put option)	Martingale pricing technique	History volatility	19.14%-36.03%	According to condition of contract, fair value of liabilities may be higher or lower.

December 31, 2015

	Valuation Techniques	Significant Unobservable Inputs	Quantification Information	The Relationship Between Inputs and Fair Value
Financial assets				
Derivative instruments				
Structured products - option	Martingale pricing technique	History volatility	16.11%-62.20%	According to condition of contract, fair value of asset may be higher or lower.
Financial liabilities				
Derivative instruments				
Structured products - option	Martingale pricing technique	History volatility	10.53%-66.72%	According to condition of contract, fair value of liabilities may be higher or lower.
Equity derivatives - premium - equity option (put option)	Martingale pricing technique	History volatility	28.09%-71.56%	According to condition of contract, fair value of liabilities may be higher or lower.

September 30, 2015

	Valuation Techniques	Significant Unobservable Inputs	Quantification Information	The Relationship Between Inputs and Fair Value
Financial assets				
Derivative instruments				
Structured products - option	Martingale Pricing Technique	History Volatility	30.68%-53.37%	According to condition of contract, fair value of asset may be higher or lower.
Equity derivatives instruments - premium - equity option (call option)	Martingale Pricing Technique	History Volatility	18.74%-26.17%	According to condition of contract, fair value of asset may be higher or lower.

(Continued)

Financial liabilities	Valuation Techniques	Significant Unobservable Inputs	Quantification Information	The Relationship Between Inputs and Fair Value
Derivative instruments				
Structured products - option	Martingale Pricing Technique	History Volatility	10.32%-67.75%	According to condition of contract, fair value of liabilities may be higher or lower.
Equity derivatives - premium - equity option (put option)	Martingale Pricing Technique	History Volatility	18.54%-42.03%	According to condition of contract, fair value of liabilities may be higher or lower.

(Concluded)

History volatility used by martingale pricing technique in KGI Securities depends on moving weighted average method, and sampling period refer to maturity in initial contract; if maturity is less than 6 months, sampling period is between 20 to 180 days; if maturity is between 6 months to 12 months, sampling period is between 20 to 360 days; if maturity is more than 12 months, sampling period is between 20 to initial maturity days.

In addition to modify the evaluation technology of the credit linked structured commodity in the third quarter of 2015, pricing techniques and significant unobservable inputs used in KGI Securities and subsidiaries on September 30, 2016 are the same compare with it used on September 30, 2015.

KGI Securities and subsidiaries adopts pricing model and pricing parameters cautiously, producing reasonable fair value measurement, however, different pricing model or parameters may lead to different outcome. To those financial assets and liabilities categorized into Level 3, effects of current period net income or loss affected by changes in pricing parameters were as follows:

September 30, 2016

	Sensitivity Analysis of Relationship Between Inputs and Fair Value		Recognized to Profit or Loss	
	Inputs	Positive/ Negative Change	Positive Impact	Negative Impact
Financial assets				
Non-derivative instruments				
Available-for-sale financial assets	Not applicable	Not applicable	Not applicable	Not applicable
Derivative instruments				
Structured notes - options	History volatility	+25%/-25%	$ 256	$ 133
Equity derivative instruments - premium - options (call options)	History volatility	-25%/+25%	22	19
			$ 278	$ 152
Financial liabilities				
Derivative instruments				
Structured notes - options	History volatility	-25%/+25%	$ 6	$ 0.64
Equity derivative instruments - premium - options (put options)	History volatility	-25%/+25%	0.14	0.12
			$ 6.14	$ 0.76

December 31, 2015

	Sensitivity Analysis of Relationship Between Inputs and Fair Value		Recognized to Profit or Loss	
	Inputs	**Positive/ Negative Change**	**Positive Impact**	**Negative Impact**
Financial assets				
Derivative instruments				
Structured notes - options	History volatility	+25%/-25%	$ 249	$ 170
Equity derivative instruments - premium - options (call options)	History volatility	+25%/-25%	-	-
			$ 249	$ 170
Financial liabilities				
Derivative instruments				
Structured notes - options	History volatility	-25%/+25%	$ 19	$ 44
Equity derivative instruments - premium - options (put options)	History volatility	-25%/+25%	674	763
			$ 693	$ 807

September 30, 2015

	Sensitivity Analysis of Relationship Between Inputs and Fair Value		Recognized to Profit or Loss	
	Inputs	**Positive/ Negative Change**	**Positive Impact**	**Negative Impact**
Financial assets				
Derivative instruments				
Structured notes - options	History volatility	+ 25%/-25%	$ 1,239	$ 1,477
Equity derivative instruments - premium - options (call options)	History volatility	+ 25%/-25%	8	7
			$ 1,247	$ 1,484
Financial liabilities				
Derivative instruments				
Structured notes - options	History volatility	- 25%/+25%	$ 42	$ 151
Equity derivative instruments - premium - options (put options)	History volatility	- 25%/+25%	1	1
			$ 43	$ 152

KGI Bank and subsidiaries

The table below lists quantitative unobservable inputs of Level 3 financial instruments:

	Fair Value at September 30, 2016	Valuation Technique(s)	Significant Unobservable Inputs	Range	The Relationship Between Inputs and Fair Value
Repetitive basis to fair value measurement items					
Non-derivative financial assets					
Available-for-sale financial assets - bond investment	$ 311,051	Discounted cash flow	Credit Spread	Inapplicable	Yield rate is proportional to Credit Spread; fair value is inversely proportional to Credit Spread.
Derivative financial assets					
Financial assets at FVTPL	159,708	HullWhite, Libor Market Model, discounted cash flow	Quanlity/Factor/ FREQ/Simulate Method	Inapplicable	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 KGI Bank and subsidiaries select the applicable one according to the analysis.
Derivative financial liabilities					
Financial liabilities at FVTPL	213,662	HullWhite, Libor Market Model, discounted cash flow	Quanlity/Factor/ FREQ/Simulate Method	Inapplicable	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 KGI Bank and subsidiaries select the applicable one according to the analysis.

	Fair Value at December 31, 2015	Valuation Technique(s)	Significant Unobservable Inputs	Range	The Relationship Between Inputs and Fair Value
Repetitive basis to fair value measurement items					
Non-derivative financial assets					
Available-for-sale financial assets - bond investment	$ 327,725	Discounted cash flow	Credit Spread	Inapplicable	Yield rate is proportional to Credit Spread; fair value is inversely proportional to Credit Spread.
Derivative financial assets					
Financial assets at FVTPL	2,919,020	HullWhite, Libor Market Model, discounted cash flow	Quanlity/Factor/ FREQ/Simulate /Method	Inapplicable	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 KGI Bank and subsidiaries select the applicable one according to the analysis
Derivative financial liabilities					
Financial liabilities at FVTPL	3,043,322	HullWhite, Libor Market Model, discounted cash flow	Quanlity/Factor/ FREQ/Simulate /Method	Inapplicable	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 KGI Bank and subsidiaries select the applicable one according to the analysis

	Fair Value at September 30, 2015	Valuation Technique(s)	Significant Unobservable Inputs	Range	The Relationship Between Inputs and Fair Value
Repetitive basis to fair value measurement items					
Non-derivative financial assets					
Available-for-sale financial assets - Bond investment	$ 327,305	Discounted cash flow	3 months USD Libor	Inapplicable	Changes of 3 months USD Libor do not affect fair value apparently.
Derivative financial assets					
Financial assets at FVTPL	2,420,718	HullWhite, Libor Market Model, Discounted cash flow	Quanlity/Factor/ FREQ/Simulate Method	Inapplicable	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 KGI Bank and subsidiaries select the applicable one according to the analysis
Derivative financial liabilities					
Financial liabilities at FVTPL	2,570,501	HullWhite, Libor Market Model, Discounted cash flow	Quanlity/Factor/ FREQ/Simulate Method	Inapplicable	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 KGI Bank and subsidiaries select the applicable one according to the analysis

7) Pricing process of Level III fair value

<u>CDIB and subsidiaries</u>

The valuation method and parameters adopted by CDIB and subsidiaries conform to the general market practice which the theoretical basis is generally identified by the industry. Besides, the department exams and adjusts inputs that pricing model needed periodically to insure outcomes are reasonable. Investment Property is valued by CDIB and subsidiaries based on Financial Supervisory Commission's declaration of valuation method and parameters or committed to appraisers to make valuation.

<u>KGI Securities and subsidiaries</u>

When KGI Securities Co. has those derivatives that their fair value are hard to reach or they are categorized to financial assets no active market, reasonability of fair value of those financial assets are assessed by risk management department according to the Guidelines of Asset Valuation Operation set by KGI Securities Co., and the outcomes of the valuation will be recorded in the book by treasury department.

<u>KGI Bank and subsidiaries</u>

KGI 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 financial instruments not carried at fair value

Assets and liabilities measured at cost, excluding investment accounted for using equity method – unlisted stocks, financial assets measured at cost, investment properties, bank debentures payable, have carrying amounts that are reasonably close to their fair value; thus, their fair values are not disclosed.

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

For fair value measurement of investment property, please refer to Note 19.

Bank debentures payable with quoted price in an active market are using market price as fair value; bond payable with no quoted price in an active market are estimated by valuation methods or opponent's price.

53. FINANCIAL RISK MANAGEMENT

a. Risk management policies and framework

The Corporation

The Corporation has established its risk management policies, which combine business management and risk management to form a corporate culture and business strategies that place a fundamental importance on risk management. The results of quantified and qualified risk management measures serve as a reference for formulating business strategies. The board of directors has approved the documentation of both overall and specific risk management policies, including market, credit, operational and liquidity risks.

The Corporation has established a risk management committee supervising the implementation of risk management policies, inspecting risk control reports and dealing with related issues. The Corporation also has a risk management department to plan and manage the risk management system, supervise the implementation of risk management of subsidiaries and provide related information to the management and the board of directors.

CDIB and subsidiaries

CDIB has established its risk management policies, which combine business management and risk management to form a corporate culture and business strategies that place a fundamental importance on risk management. The results of quantified and qualified risk management measures serve as a reference for formulating business strategies. The board of directors has approved the documentation of both overall and specific risk management policies, including business, operational and liquidity risks.

CDIB has established a risk management committee supervising the implementation of risk management policies, inspecting risk control reports and dealing with related issues. CDIB also has a risk management department to plan and manage the risk management system and provide related information to the management and the board of directors.

KGI Securities and subsidiaries

1) Financial risk management objectives

The KGI Securities' Board of Director and senior management attach great importance to risk management, and continuously to raise risk management mechanism and aimed to strengthen the competitiveness of KGI Securities and subsidiaries. To reach the goal of risk management, controlling the expected or unexpected loss in operating is a passive way and in a positive way is to raise Risk Adjusted Return on Capital. In order to use the capital more efficiently, KGI Securities uses risk appetite as a base according to venture capital allocation. While setting risk appetite, KGI Securities takes the amount of liquid capital and financial and operational goal into consideration.

2) Risk management organization

KGI Securities' risk management organization framework, which monitors, plans, and executes related risk management affairs, includes board of directors, risk management department, business department and other related departments. KGI Securities' business departments and back offices should comply with risk management regulations and reports all anomalies and their effects to Risk Management Committee (RMC) and Investment Review Committee (IRC) in time. Risk management organizations' functions and responsibilities are as follows:

Board of directors is the highest decisive department in KGI Securities, and it also bears ultimate responsibility while monitoring the execution of overall risk management system.

Functions and responsibilities of committees: RMS executes risk management decisions made by board of directors, which include reviewing KGI Securities' every department's risk-based budget, risk-based limit and their management system, reviewing guidelines regarding risk management, and inspecting related countermeasures according to risk reports submitted by departments; IRC examines underwriting of securities, assisting of business projects and general long-term investments; and Merchandise Review Committee (MRC) sets up the reviewing system of evaluating commodities and assessing the government examinations of commodities being traded on the market.

Business department is responsible for setting risk management systems, managing and reporting daily risks which belong to its department and executing internal controls effectively which correspond to the government regulations and risk management policies.

Risk management department's functions and responsibilities are ensuring the execution of policies approved by board of directors, making risk management rules and guidelines, controlling the measuring, monitoring and evaluating of daily risk, producing periodic (daily, weekly or monthly) risk management reports and submitting them to management, and developing or assisting the exploitation and maintenance of risk management information system.

Legal affair department's functions and responsibilities are providing legal consultations, drafting, reviewing and taking custody of major contracts and monitoring litigation and non-litigation cases.

Legal compliance department's functions and responsibilities are conveying laws, providing legal consultation, negotiating and facilitating communications. It is also responsible to make sure that all operations and management guidelines are updated accordingly as related regulations are amended. It also supervises as all units conduct an overview of the feasibility of legal compliance.

Fund dispatching department is responsible for KGI Securities' dispatching and usage of capital, setting up and maintaining finance credits with financial institution, lowering capital costs and managing liquidity risks.

Internal audit department's function and responsibilities are auditing execution of regulations and business operations, proposing amendments in time, and tracing improving progresses after reporting defects and anomalies to the board of directors.

Finance department, settlement department, information department and other related department should understand the risk facing in its industry thoroughly on the basis of risk management related regulations, take necessary risk control measures into consideration while setting up operating management guidelines to assist in completing the whole cooperation's various risk management tasks, and monitor transaction processes regarding valuation, confirmation of price information, preparation of income statement, processing and confirming of transaction, settling, verifying of accounts, asset control, information safety and maintenance of information.

3) Risk management system

KGI Securities has planned proper risk management system regarding market risk, credit risk, operating risk, liquidity risk and other risks related to the operation of company as a basis of following risk management procedures.

The risk management policies, various risk management standards and operation of merchandise guidelines are established by competent unit. The competent unit makes a draft and asks the related department for advices and opinions, and it will be conducted following the Cooperation's established guidelines and related standards after approving by RMC.

4) Risk management mechanism

The process of various risk managements include risk identification, risk measurement, risk monitoring and control and risk reports. The evaluation and strategies of important risk are explained as follows:

a) Market risk

KGI Securities restricts the risk level to which it is exposed to an acceptable level through structuring risk management system, enacting market risk management policies, and formulating merchandise operation guidelines. It also restraint risk through allocating venture capital, subject to management strategies and risk appetite, setting various risk-based limits, and conducting risk monitoring on a daily basis.

KGI Securities implemented the MSCI Risk Manager in June 2013, a market risk management system, as a quantitative management instrument. The system integrates all holding positions and provides in a daily basis various analyzing metrics and comprehensive computation results, including equity risk, interest rate risk, exchange rate risk, etc., as well as adjustment and application of diverse derivatives models. Also, the risk management department controls risk-based limits by business units on a daily basis to enforce venture capital allocation.

To establish reliability of value at risk (VaR) model, risk management department conducts back testing periodically. Additionally, it builds various scenarios for stress testing and scenario analysis, to understand the risk tolerance level of KGI Securities.

b) Credit risk

The risk management department applies for credit risk capital toward Board of Directors annually. Establish proper credit risk expected loss limitation amount relating to the firms, single credit valuation level. Also, set different risk limitation amount including countries, industries, groups, high-risk industries/groups, etc. Routinely examine KGI Securities' credit risk exposure and the use of various credit risk limitation amount.

KGI Securities sets proper credit limits by considering capital risk, KGI Securities' net value, risk measurement and concentration of risk, and by taking into account the credit rating of issuers or counterparties, the traits of transactions, and the characters of instruments, etc. KGI Securities would periodically inspect the credit records of counterparties, holding positions, and collaterals, then report the use of various credit risk limits to key management as well as related departments.

c) Liquidity risk

The liquidity risk could be divided into two categories: Market liquidity risk and fund liquidity risk. The measurement of market liquidity risk is the trading volume of holding position of KGI Securities and serves as the basis of information disclosure. The fund liquidity risk management has established independent fund transfer unit, considering the timing and net cash flow of need by various departments, to effectively control the fund liquidity risk.

The fund transfer unit routinely examines relative financial ratio to ensure the liquidity of assets and liabilities. Also, KGI Securities established fund-flow simulation analysis mechanism according to the anticipation of the future cash need and the fund transferring ability of KGI Securities made by fund transfer unit. The unit would also set proper fund safety inventory and emergency response measure to fulfill the future probable fund need.

d) Operating risk and other risks

All units conduct operation risk management respectively by their own business. This management contains authorization related to operation risk, process, operation content, plan following the division of front and back desk operation and principle of segregation of duties. Operation risk controls include information security and maintenance, clearing, trade confirmation, statements preparation, segregation of duties, relating party trade control as well as the internal control, etc.

The operation risk of each unit's business is examined and controlled by relative back desk unit such as clearing unit and the information department. In addition to the compliance of law and regulation, the internal audit department would implement control by the regulation and procedure of internal control system to ensure the effectiveness of risk management.

5) Risk hedge and mitigation strategy

KGI Securities has set up hedge instruments and risk mitigation measures in all operations based on KGI Securities' capital scale and risk tolerance. Such measures include: Risk acceptance, risk adverse, risk transfer and risk control. Reasonable risk avoidance mechanisms can effectively limit a company's risk within a pre-approved range. The actual execution of hedge, depending on the market dynamics, business strategies, product characteristics and risk management regulations, utilizes previously approved financial instruments to adjust the risk structure and risk level of the total exposure to an acceptable level.

<u>KGI Bank and subsidiaries</u>

KGI Bank has planned proper risk management system regarding market risk, credit risk, and operating risk related to the operation of company as a basis of following risk management procedures.

KGI Bank also planned the mechanism of analysis, monitoring, and report related to overall risk management. Further, it reports to senior management, and committee or board of directors with risk management function; KGI bank keeps related information updated in response to the actual risks encountering significant changes in macroeconomics or financial market to monitor and response effectively.

KGI Bank's risk management not only focuses on individual department but consider the comprehensive effects from an overall corporation perspective.

KGI Bank undertakes risk identification with consistent asset portfolio classification as well as correlation between each other, and establishes a consistent measure according to the different types of exposure.

KGI Bank's risk management divisions are as follows:

1) Board of directors

The KGI Bank's Board of Director supervises the establishment of risk management structure and culture, ensures efficiency of operation in risk management, reviews important risk control report and bear the ultimate responsibility of risk management.

2) Risk management committee

KGI Bank has established a risk management committee supervising the implementation of risk management policies, inspecting risk control reports and dealing with related issues.

3) Business and management departments

The department is responsible for ensuring compliance of risk management regulations while conducting the operations to practice the control of daily risk.

4) Risk management department

KGI Bank establishes a risk management department which is independent from operating departments to take charge of planning and managing of risk management system and to provide overall risk management information to senior management and the board of directors.

5) Internal audit department

The department takes charge of establishment of all risk mechanisms and audit the compliance and implementation of mechanism.

Risk management is a joint duty to all KGI Bank's department including business, legal, compliance of law, finance, accounting, administration, operating, audit departments and so on, should all practice it actively, and through coordination of intra-departments to carry out the overall risk management.

b. Credit risk

<u>CDIB and subsidiaries</u>

CDIB is exposed to credit risk due to default on contracts by borrowers, debtors or counter-parties and changes in credit quality. The maximum exposure to credit risk is equal to the book value.

For the objectives to enhance stockholder value and to ensure degree of risk tolerance, CDIB's credit risk strategy focuses on superior credit quality assets.

1) Credit analysis of financial assets were as follows:

Some financial assets such as cash and cash equivalents, financial assets at fair value through profit or loss, some receivables (like as receivables from securities sale, bond receivables and interest receivables from certificate deposit) and refundable deposits are regarded as having very low credit risk because of the good credit rating of counter-parties.

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

a) Credit quality analysis for receivables

Date	Neither Past Due Nor Impaired				Overdue But Not Yet Impaired (B)	Impaired Amount (C)	Total (A)+(B)+(C)	Loss Recognized (D)		Net Total (A)+(B)+(C)-(D)
	Good/Moderate	Substandard	Unrated	Subtotal (A)				With Objective Evidence of Impairment	With No Objective Evidence of Impairment	
September 30, 2016	$ -	$ -	$ -	$ -	$ -	$ 2,246,411	$ 2,246,411	$ 121,378	$ 992,414	$ 1,132,619
December 31, 2015	-	-	-	-	-	2,404,132	2,404,132	194,780	968,605	1,240,747
September 30, 2015	-	-	-	-	-	2,448,437	2,448,437	216,427	969,026	1,262,984

b) Credit quality analysis for marketable securities

September 30, 2016	Neither Past Due Nor Impaired				Overdue But Not Yet Impaired (B)	Impaired Amount (C)	Total (A)+(B)+(C)	Impairment Loss Recognized (D)	Net Total (A)+(B)+(C)-(D)
	Good/Moderate	Substandard	Unrated	Subtotal (A)					
Available-for-sale financial assets									
Investment in bonds	$ 161,803	$ -	$ -	$ 161,803	$ -	$ -	$ 161,803	$ -	$ 161,803

Note 1: Available-for-sale financial assets other than the above investment in bonds have an initial cost of $13,595,444 thousand, loss on valuation of $3,913,866 thousand and accumulated impairment of $379,274 thousand.

Note 2: Financial assets measured at cost have an initial cost of $19,509,971 thousand and accumulated impairments of $2,151,143 thousand.

Note 3: Debt instruments with no active markets have initial costs of $1,688,157 thousand and accumulated impairments of $218,034 thousand.

December 31, 2015	Neither Past Due Nor Impaired				Overdue But Not Yet Impaired (B)	Impaired Amount (C)	Total (A)+(B)+(C)	Impairment Loss Recognized (D)	Net Total (A)+(B)+(C)-(D)
	Good/Moderate	Substandard	Unrated	Subtotal (A)					
Available-for-sale financial assets									
Investment in bonds	$ 161,308	$ -	$ -	$ 161,308	$ -	$ -	$ 161,308	$ -	$ 161,308

Note 1: Available-for-sale financial assets other than the above investment in bonds have an initial cost of $13,923,194 thousand, loss on valuation of $4,867,019 thousand and accumulated impairment of $35,154 thousand.

Note 2: Financial assets measured at cost have an initial cost of $20,996,006 thousand and accumulated impairments of $2,125,405 thousand.

Note 3: Debt instruments with no active markets have initial costs of $1,837,737 thousand and accumulated impairments of $218,035 thousand.

Note 4: Held-to-maturity financial assets measured at cost have an initial cost of $102,564 thousand.

September 30, 2015	Neither Past Due Nor Impaired				Overdue But Not Yet Impaired (B)	Impaired Amount (C)	Total (A)+(B)+(C)	Impairment Loss Recognized (D)	Net Total (A)+(B)+(C)-(D)
	Good/Moderate	Substandard	Unrated	Subtotal (A)					
Available-for-sale financial assets									
Investment in bonds	$ 159,647	$ -	$ -	$ 159,647	$ -	$ -	$ 159,647	$ -	$ 159,647

Note 1: Available-for-sale financial assets other than the above investment in bonds have an initial cost of $14,495,671 thousand, loss on valuation of $5,403,605 thousand and accumulated impairment of $99,798 thousand.

Note 2: Financial assets measured at cost have an initial cost of $22,185,670 thousand and accumulated impairments of $1,969,619 thousand.

Note 3: Debt instruments with no active markets have initial costs of $1,840,102 thousand and accumulated impairments of $218,034 thousand.

Note 4: Held-to-maturity financial assets measured at cost have an initial cost of $102,564 thousand.

2) CDIB and Subsidiaries' impairment of receivables

Items		Receivables			Allowance for Bad Debts		
		September 30, 2016	December 31, 2015	September 30, 2015	September 30, 2016	December 31, 2015	September 30, 2015
With objective evidence of impairment	Assessment of individual impairment	$ 1,101,807	$ 1,263,179	$ 1,309,551	$ 121,378	$ 194,780	$ 216,427
With no objective evidence of impairment	Assessment of collective impairment	1,144,604	1,140,953	1,138,886	992,414	968,605	969,026

Note: The amounts of receivables do not include the amounts of allowance and adjustments for discounts (premiums).

3) CDIB and subsidiaries had no overdue but not yet impaired financial assets.

4) Management policies of collaterals assumed

CDIB and subsidiaries' collaterals assumed were mainly land and buildings. As of September 30, 2016, December 31, 2015 and September 30, 2015, the carrying amounts of the collaterals were $116,463 thousand, $118,804 thousand and $124,225 thousand, respectively. Collaterals assumed are classified as other assets in the consolidated balance sheets.

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

a) Asset quality of overdue loans and receivables: None

b) Excluded overdue loans and receivables: None

c) Concentration of credit risk: None

<u>KGI Securities and subsidiaries</u>

1) Source of credit risk

The credit risks that KGI Securities and subsidiaries/formerly Grand Cathay and subsidiaries are exposed to during financial transactions include issuer's credit risk, counterparty credit risk and underlying assets credit risk.

a) Issuer's credit risk refers to the risk of financial loss that KGI Securities and subsidiaries face while possessing financial debt instruments or deposits in banks when an issuer (or guarantor) or a bank defaults, files for bankruptcy or liquidates assets and in turn cannot honor the stipulations and fulfill the obligation of paying back (or fulfilling a guarantee).

b) Counterparty credit risk refers to the risk of financial loss that KGI Securities and subsidiaries face when a counterparty in derivative financial instrument transactions or other counterparties do not complete a transaction or fulfill a payment obligation on the appointed date.

2) Internal risk rating

KGI Securities and subsidiaries classify the credit risk of financial Assets into four levels; the definition of each level is listed as follows:

a) Low risk: A debt issuer/counterparty who has a stronger capability to fulfill its financial commitment and is mostly able to repay the principal and interest on the appointed dates in the contract. This counterparty is capable of creating cash flow and is ranked as low risk to KGI Securities.

b) Medium-low risk: A debt issuer/counterparty who has a good capability to fulfill its financial commitment related to the debt with a sound financial structure but its ability to repay on time might be affected by poor economic conditions or changes in the environment. A debt issuer/counterparty like this is ranked as medium-low risk to KGI Securities.

c) Medium risk: A debt issuer/counterparty who has an acceptable capability to fulfill its financial commitment related to the debt but its ability to do so might be affected by poor business operations, financial or economic conditions. An issuer/counterparty like this is ranked as medium risk to KGI Securities.

d) High risk: A debt issuer/counterparty who has a poor capability to fulfill its financial commitment related to the debt and its ability to do so solely depends on its business operation and the stability of the economic environment. A debt issuer/counterparty like this is ranked as high risk to KGI Securities.

The internal credit risk ratings used inside KGI Securities and subsidiaries is not related to external credit ratings. The chart below shows the similarities of the credit quality in KGI Securities' internal rating system and external rating system.

Interior Risk Rating of KGI Securities and Subsidiaries	**Taiwan Ratings**
Low risk	twAAA - twAA
Medium-low risk	twAA- - twA
Medium risk	twA- - twBBB-
High risk	twBB+ - under twC

3) Quality and past due of financial assets

September 30, 2016

(In thousands of New Taiwan Dollars)

Financial Assets	Positions That are Neither Past Due Nor Impaired				Past Due But Unimpaired	Impaired	Impaired Reserve	Total
	Low	Medium-low	Medium	High				
Cash and cash equivalents	$ 17,279,185	$ 2,900	$ 254,939	$ -	$ -	$ -	$ -	$ 17,537,024
Financial assets measured at FVTPL - current	82,494,431	152,818	3,356,732	-	-	-	-	86,003,981
Available-for-sale financial assets - current	11,816	-	-	-	-	-	-	11,816
Bonds purchased under resell agreements	23,169,069	-	-	-	-	-	-	23,169,069
Receivables	54,595,962	11,037,532	726,499	11,398	-	-	-	66,371,391
Customers' margin accounts - futures	35,391,096	-	-	-	-	-	-	35,391,096
Stock borrowing collateral price and guarantee deposits - borrowed securities	4,193,126	1,085,021	-	-	-	-	-	5,278,147
Other financial assets - current	2,652,340	44,100	-	-	-	-	-	2,696,440
Other current assets	31,876,189	-	-	-	-	-	-	31,876,189
Financial assets measured at FVTPL - noncurrent	50,131	-	-	-	-	-	-	50,131
Held to maturity Financial assets - noncurrent	-	-	300,000	-	-	-	-	300,000
Others noncurrent assets	3,242,481	-	50,722	-	-	-	-	3,293,203
Total	$ 254,955,826	$ 12,322,371	$ 4,688,892	$ 11,398	$ -	$ -	$ -	$ 271,978,487
Percentage	93.74%	4.53%	1.73%	0.00%	0.00%	0.00%	0.00%	100.00%

December 31, 2015

(In thousands of New Taiwan Dollars)

Financial Assets	Positions That are Neither Past Due Nor Impaired				Past Due But Unimpaired	Impaired	Impaired Reserve	Total
	Low	Medium-low	Medium	High				
Cash and cash equivalents	$ 12,352,511	$ 92,000	$ 7,066	$ -	$ -	$ -	$ -	$ 12,451,577
Financial assets measured at FVTPL - current	58,964,090	335,963	4,344,217	-	-	-	-	63,644,270
Available-for-sale financial assets - current	58,849	-	-	-	-	-	-	58,849
Bonds purchased under resell agreements	15,144,686	1,300,743	-	-	-	-	-	16,445,429
Receivables	45,570,769	10,540,052	720,553	5,584	-	-	-	56,836,958
Customers' margin accounts - futures	31,684,109	-	-	-	-	-	-	31,684,109
Stock borrowing collateral price and guarantee deposits - borrowed securities	4,706,715	2,302,991	-	-	-	-	-	7,009,706
Other financial assets - current	4,503,104	63,700	-	-	-	-	-	4,566,804
Other current assets	34,706,980	-	-	-	-	-	-	34,706,980
Financial assets measured at FVTPL - noncurrent	50,443	-	-	-	-	-	-	50,443
Available-for-sale financial assets - noncurrent	-	-	30,403	-	-	-	-	30,403
Held to maturity financial assets - noncurrent	-	-	300,000	-	-	-	-	300,000
Others noncurrent assets	3,549,546	-	200,169	-	-	-	-	3,749,715
Total	$ 211,291,802	$ 14,635,449	$ 5,602,408	$ 5,584	$ -	$ -	$ -	$ 231,535,243
Percentage	91.26%	6.32%	2.42%	0.00%	-	-	-	100.00%

September 30, 2015

(In thousands of New Taiwan Dollars)

Financial Assets	Positions That are Neither Past Due Nor Impaired				Past Due But Unimpaired	Impaired	Impaired Reserve	Total
	Low	Medium-low	Medium	High				
Cash and cash equivalents	$ 28,965,567	$ 166,279	$ 204,464	$ -	$ -	$ -	$ -	$ 29,336,310
Financial assets measured at FVTPL - current	61,641,761	370,932	4,409,692	-	-	-	-	66,422,385
Available-for-sale financial assets - current	58,419	-	-	-	-	-	-	58,419
Bonds purchased under resell agreements	18,154,986	300,419	-	-	-	-	-	18,455,405
Receivables	51,857,963	9,778,105	1,195,351	1,339,596	-	-	-	64,171,015
Customers' margin accounts - futures	32,157,713	-	-	-	-	-	-	32,157,713
Stock borrowing collateral price and guarantee deposits - borrowed securities	5,009,859	3,707,205	-	-	-	-	-	8,717,064
Other financial assets - current	2,195,985	68,800	-	-	-	-	-	2,264,785
Other current assets	34,746,858	26,100	-	-	-	-	-	34,772,958
Financial assets measured at FVTPL - noncurrent	50,610	-	-	-	-	-	-	50,610
Available-for-sale financial assets - noncurrent	-	-	30,297	-	-	-	-	30,297
Others noncurrent assets	3,379,181	-	50,000	-	-	-	-	3,429,181
Total	$ 238,218,902	$ 14,417,840	$ 5,889,804	$ 1,339,596	$ -	$ -	$ -	$ 259,866,142
Percentage	91.67%	5.55%	2.27%	0.51%	-	-	-	100.00%

Financial assets for KGI Securities and subsidiaries are divided into the following three categories based on their credit quality: Positions that are neither past due nor impaired, past due but unimpaired, and impaired.

a) Cash and cash equivalents

Cash and cash equivalents of KGI Securities mainly are the securities deposit for futures transactions which is stored in a specific account. KGI Securities related department will evaluate financial, operating and credit risk situations periodically and take it as reference to management of credit risks. However, assessment results show that just few credit rating of futures companies are middle risk degree. Because the percentage of middle risk rating is low, the credit risk is believed on the Company's controllable range.

b) Financial assets measured at fair value through profit or loss - current

Medium risk financial assets refer to the unsecured corporate bonds, convertible (exchangeable) corporate bonds and CB asset swap that KGI Securities has. Issuers of unsecured corporate bonds are listed/OTC companies or financial institutions. Issuers of convertible (exchangeable) corporate bonds are listed/OTC companies in Taiwan and partial of them are secured by bank; the other unsecured, most of the issuers' risk is medium. KGI Securities conducts CB asset swap and issues credit linked note to transfer risk and lower the credit risk exposure of it. KGI Securities also reviews the risk exposure of the position periodically and therefore the credit risk is effectively under control.

c) Receivables

Receivables are the amount of margin loan receivables and trading securities receivable that KGI Securities and subsidiaries shall collect from clients in credit transactions. If clients' risk ranked as medium (the collateral maintenance ratio from 140% to 130%) or high (the collateral maintenance ratio below 130%) collateral main risk, KGI Securities and subsidiaries will closely monitor market fluctuations and counterparties credit history, and also enforces related control measures to minimize the credit risk it faces.

d) Available-for-sale financial assets - noncurrent and Held to maturity financial assets - noncurrent

It refers to the principal and discounted value of coupon rate listed in unsecured subordinated debentures issued by Hwatai Bank and Sunny Bank that KGI Securities' subsidiary, GSFC, holds. This issuer is ranked as medium risk.

e) Other assets - noncurrent

The medium risk financial assets under this category include KGI Securities' guarantee deposits-out. KGI Securities evaluates all counterparties based on the amounted materiality. The result shows that only certain counterparties are ranked as medium risk. As for the rest of the counterparties, they have low withdrawal amount and credit risk is diversified and therefore, the risk is low.

<u>KGI Bank and subsidiaries</u>

1) The source and definition of credit risk

Credit risk is the risk of financial loss to KGI Bank if a creditor, debtor or counterparty fails to meet its contractual obligations or changes credit quality. Credit risk management should be adopted in all operating activities that involved in credit risk, including loans, call loans to banks, investment in banking book, financial derivatives, transactions in repurchase agreement and other operating activities in relation to the credit risk.

2) Management policy of credit risk

KGI Bank has set standard control procedures on credit risk identification, measurement, and information on disclosures and reports to conduct rational identification, measurement, disclosures and effective control on credit risk. KGI Bank also deliberates the fluctuation in economics and adjusts the credit risk structure accordingly to control the risks in credit portfolio within the risk appetite. These procedures include criteria for targeted client, credit investigation, credit approval or rejection, approval on exceptions, risk control and management, credit review, management on non-performing loans and requests and control of all related documents and information. Based on the risk management policies, the illustration of management process carried out by the competent authority is as follows:

a) Credit investigation

With respect to the criteria for targeted client, KGI Bank should ask for all necessary documents from the clients in order to filter client accurately and control credit portfolio within the acceptable range.

b) Credit approval

Cases that have passed through the credit investigation are reviewed by the credit authority of each level. The credit authorities authorize credits in compliance with the credit limitation structure and authorization policies of KGI Bank. The credit limitation structure and authorization policies of KGI Bank are not only based on banking act and the rules stipulated by the authority, concerning the credit extended to same person or same affiliated enterprises/groups, stock collateral, industry and country, but also based on the professionalism of the credit authorities and the quality of asset control. The amounts of credit authorized are reviewed by the credit authorities on occasional basis.

c) Post-lending loan review mechanisms

The corporate banking business of KGI Bank strengthens the tracking control of the financial and business conditions on creditors, carry out risk assessment report of credit asset portfolio on a regular basis, set-up warning system and adjust business development strategy to cope with economic conditions and changes in asset quality through the account management scheme and regular reassessment system. As regards to delinquent loans, KGI Bank uses concentration management method, together with information systems and analysis model to conduct regular review to improve the performance on overdue to 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 the director of risk management, general manager, risk committee and board of directors.

3) Mitigation or hedging of risk

Considering the asset hedge market and liquidity, KGI Bank takes the necessary risk reduction strategies, mainly on loan objects and hedge transactions involving assets with doubtful collectibility 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 KGI Bank's tolerance range.

If clients are found to have bad credit features, KGI 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 addition, KGI 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 credit risk

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

	September 30, 2016	December 31, 2015	September 30, 2015
Irrevocable loan commitments, guarantees and letters of credit	$ 103,187,961	$ 95,728,457	$ 93,841,939

KGI Bank believe the adopting stringent selection processes and conducting regular review afterwards are the reasons why they can continuously control and minimize the credit risk exposure of their off-balance sheet items.

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

5) Concentrations 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 credit, loan and deposits, call loan to banks, investment, receivables and derivatives. KGI Bank maintains a diversified portfolio, limits its exposure on a continuous basis. KGI Bank's most significant concentrations of credit risk are summarized as follows:

a) By object

Object	September 30, 2016		December 31, 2015		September 30, 2015	
	Amount	%	Amount	%	Amount	%
Public and private enterprise	$ 176,203,019	69.01	$ 144,211,746	65.28	$ 150,676,275	66.48
Natural person	78,677,509	30.81	76,343,186	34.56	75,422,161	33.28
Non-profit organization	453,253	0.18	371,376	0.16	545,349	0.24
Total	$ 255,333,781	100.00	$ 220,926,308	100.00	$ 226,643,785	100.00

b) By region

Region	September 30, 2016		December 31, 2015		September 30, 2015	
	Amount	%	Amount	%	Amount	%
Domestic	$ 203,664,224	79.76	$ 178,752,940	80.91	$ 178,005,732	78.54
Overseas	51,669,557	20.24	42,173,368	19.09	48,638,053	21.46
Total	$ 255,333,781	100.00	$ 220,926,308	100.00	$ 226,643,785	100.00

c) By collateral

Collateral	September 30, 2016		December 31, 2015		September 30, 2015	
	Amount	%	Amount	%	Amount	%
Non-collateral	$ 165,012,102	64.63	$ 137,464,454	62.22	$ 138,978,978	61.32
Collateral						
Financial collateral	7,190,845	2.82	6,047,359	2.74	6,051,510	2.67
Property	64,784,231	25.37	58,966,463	26.69	58,591,641	25.85
Guarantee	14,643,374	5.73	13,689,559	6.20	18,315,358	8.08
Other	3,703,229	1.45	4,758,473	2.15	4,706,298	2.08
Total	$ 255,333,781	100.00	$ 220,926,308	100.00	$ 226,643,785	100.00

6) The analysis of financial assets credit quality and impairment of overdue credit

Some financial assets such as cash and cash equivalents, due from Central Bank and call loan to banks, securities purchased under resell agreements, part of receivable and other financial assets, refundable deposits, operation guarantee deposits and clearing and settlement fund are regarded as very low credit risk owing to the good credit rating of counterparties.

Apart from the abovementioned, the analysis of remaining financial assets quality is as follows:

a) Discount, loans and receivables

September 30, 2016	Neither Overdue Nor Impaired Amount (A)	Overdue But Not Impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Loss Recognized (D)		Net Amount (A)+(B)+(C)-(D)
					With Objective Evidence of Impairment	Without Objective Evidence of Impairment	
Receivables							
- credit card and credit business	$ 16,397,545	$ 42,266	$ 67,292	$ 16,507,103	$ 40,421	$ 217,720	$ 16,248,962
- other	7,810,953	67,655	1,947,126	9,825,734	1,211,204	73,396	8,541,134
Discount and loans	252,189,137	1,998,756	1,145,888	255,333,781	488,199	2,879,522	251,966,060

December 31, 2015	Neither Overdue Nor Impaired Amount (A)	Overdue But Not Impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Loss Recognized (D)		Net Amount (A)+(B)+(C)-(D)
					With Objective Evidence of Impairment	Without Objective Evidence of Impairment	
Receivables							
- credit card and credit business	$ 31,474,699	$ 54,359	$ 82,095	$ 31,611,153	$ 44,059	$ 441,654	$ 31,125,440
- other	9,003,149	5,637	1,890,064	10,898,850	1,178,715	84,500	9,635,635
Discount and loans	218,352,917	1,578,720	994,671	220,926,308	517,140	2,598,556	217,810,612

September 30, 2015	Neither Overdue Nor Impaired Amount (A)	Overdue But Not Impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Loss Recognized (D)		Net Amount (A)+(B)+(C)-(D)
					With Objective Evidence of Impairment	Without Objective Evidence of Impairment	
Receivables							
- credit card and credit business	$ 28,231,952	$ 61,830	$ 72,561	$ 28,366,343	$ 41,024	$ 316,856	$ 28,008,463
- other	11,872,095	7,228	2,194,088	14,073,411	1,103,430	88,205	12,881,776
Discount and loans	221,719,282	3,915,998	1,008,505	226,643,785	486,197	2,432,247	223,725,341

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

b) When the discount and loan of KGI Bank incurs no overdue nor impaired, the analysis is based on the credit quality of the client

September 30, 2016	Neither Overdue Nor Impaired				
	Excellent	Good	Normal	No Ratings	Total (A)
Consumer banking					
- mortgage loans	$ 19,572,768	$ 7,465,216	$ 61,268	$ -	$ 27,099,252
- cash card	8,396,370	2,640,572	583,493	2,862,975	14,483,410
- micro credit loans	15,949,469	1,974,806	138,762	81,423	18,144,460
- other-secured	14,243,689	1,299,475	87,844	44,081	15,675,089
- other - unsecured	50,246	-	-	-	50,246
Corporate banking					
- secured	13,001,027	21,111,298	11,388,893	1,332,439	46,833,657
- unsecured	31,153,495	70,642,055	24,069,822	4,037,651	129,903,023
Total	$ 102,367,064	$ 105,133,422	$ 36,330,082	$ 8,358,569	$ 252,189,137

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

September 30, 2015	Neither Overdue Nor Impaired				
	Excellent	Good	Normal	No Ratings	Total (A)
Consumer banking					
- mortgage loans	$ 17,406,696	$ 8,074,500	$ 16,583	$ -	$ 25,497,779
- cash card	8,591,654	2,544,738	650,824	3,388,031	15,175,247
- small-scale credit loans	14,129,385	1,923,158	83,366	90,403	16,226,312
- other-secured	12,002,507	1,205,445	104,761	55,391	13,368,104
- other-unsecured	56,878	-	-	5,319	62,197
Corporate banking					
- secured	19,541,279	21,151,945	11,271,411	3,310,480	55,275,115
- unsecured	21,861,636	53,882,482	16,528,002	3,842,408	96,114,528
Total	$ 93,590,035	$ 88,782,268	$ 28,654,947	$ 10,692,032	$ 221,719,282

September 30, 2016	Neither Overdue Nor Impaired				
	Excellent	Good	Normal	No Ratings	Total (A)
Credit card and credit business					
- credit card business	$ 723,464	$ 564,337	$ 762,592	$ 336,058	$ 2,386,451
- forfeiting	4,056,486	4,868,211	-	2,327,819	11,252,516
- accounts receivable factoring - no recourse	24,173	543,956	-	1,881,476	2,449,605
- acceptances	2,339	217,409	89,225	-	308,973
Total	$ 4,806,462	$ 6,193,913	$ 851,817	$ 4,545,353	$ 16,397,545

December 31, 2015	Neither Overdue Nor Impaired				
	Excellent	Good	Normal	No Ratings	Total (A)
Credit card and credit business					
- credit card business	$ 772,327	$ 565,877	$ 801,291	$ 422,276	$ 2,561,771
- forfeiting	14,699,335	9,825,446	-	2,160,340	26,685,121
- accounts receivable factoring - no recourse	43,968	499,491	6,454	684,919	1,234,832
- acceptances	54,073	917,910	20,992	-	992,975
Total	$ 15,569,703	$ 11,808,724	$ 828,737	$ 3,267,535	$ 31,474,699

September 30, 2015	Neither Overdue Nor Impaired				
	Excellent	Good	Normal	No Ratings	Total (A)
Credit card and credit business					
- credit card business	$ 891,237	$ 648,451	$ 852,730	$ 332,564	$ 2,724,982
- forfeiting	12,529,137	10,554,444	-	913,009	23,996,590
- accounts receivable factoring - no recourse	26,911	586,427	-	71,752	685,090
- acceptances	-	810,527	14,763	-	825,290
Total	$ 13,447,285	$ 12,599,849	$ 867,493	$ 1,317,325	$ 28,231,952

c) Securities investment credit quality analysis

September 30, 2016	Neither Overdue Nor Impaired				Overdue but Not 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	$ 72,137,243	$ -	$ -	$ 72,137,243	$ -	$ -	$ 72,137,243	$ -	$ 72,137,243

Note 1: Available-for-sale financial assets other than the above investment in bonds have an initial cost of $6,243,520 thousand, loss on valuation of $530,743 thousand and accumulated impairment of $0 thousand.

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

December 31, 2015	Neither Overdue Nor Impaired				Overdue but Not Impaired Amount (B)	Impaired Amount (C)	Total (A)+(B)+(C)	Loss Recognized (D)	Net Amount (A)+(B)+ (C)-(D)
	Excellent	Good	Normal	Total (A)					
Available-for-sale financial assets - investment in bonds	$ 49,813,442	$ -	$ -	$ 49,813,442	$ -	$ -	$ 49,813,442	$ -	$ 49,813,442

Note 1: Available-for-sale financial assets other than the above investment in bonds have an initial cost of $6,574,790 thousand, loss on valuation of $1,137,565 thousand and accumulated impairment of $0 thousand.

Note 2: Financial assets measured at cost have an initial cost of $303,683 thousand and accumulated impairments of $40,764 thousand.

September 30, 2015	Neither Overdue Nor Impaired				Overdue but Not 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	$ 71,451,530	$ -	$ -	$ 71,451,530	$ -	$ -	$ 71,451,530	$ -	$ 71,451,530

Note 1: Available-for-sale financial assets other than the above investment in bonds have an initial cost of $6,422,147 thousand, loss on valuation of $1,039,949 thousand and accumulated impairment of $0 thousand.

Note 2: Financial assets measured at cost have an initial cost of $306,308 thousand and accumulated impairments of $43,389 thousand.

7) Aging analysis of financial assets overdue but not yet impaired

Delays in processing payments by borrowers and other administrative reasons could result in financial assets overdue but not yet impaired. According to KGI Bank's credit regulations, financial assets overdue within 90 days are not considered as impairment, unless other evidence supported.

The aging analysis of financial assets overdue but not yet impaired is as follows:

	September 30, 2016		
	1 Month	**Over 1 Month - 3 Months**	**Total**
Credit card business	$ 24,119	$ 18,147	$ 42,266
Discount and loans			
Consumer banking			
- mortgage loans	327,164	31,821	358,985
- cash card	326,730	71,263	397,993
- small-scale credit loans	887,161	72,740	959,901
- other - secured	171,640	13,621	185,261
- other - unsecured	472	-	472
Corporate banking			
- secured	72,948	3,823	76,771
- unsecured	17,364	2,009	19,373

	December 31, 2015		
	1 Month	**Over 1 Month - 3 Months**	**Total**
Credit card business	$ 29,346	$ 25,013	$ 54,359
Discount and loans			
Consumer banking			
- mortgage loans	265,087	58,556	323,643
- cash card	287,792	71,877	359,669
- small-scale credit loans	481,712	68,717	550,429
- other - secured	240,793	25,445	266,238
- other - unsecured	1,361	-	1,361
Corporate banking			
- secured	50,367	22,141	72,508
- unsecured	2,258	2,614	4,872

	September 30, 2015		
	1 Month	**Over 1 Month - 3 Months**	**Total**
Credit card business	$ 35,363	$ 26,467	$ 61,830
Discount and loans			
Consumer banking			
- mortgage loans	720,833	29,989	750,822
- cash card	438,643	88,684	527,327
- small-scale credit loans	1,936,826	63,758	2,000,584
- other - secured	287,454	10,800	298,254
- other - unsecured	1,407	-	1,407
Corporate banking			
- secured	265,769	11,798	277,567
- unsecured	55,799	4,238	60,037

8) Analysis of impairment for financial assets

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

Items		Discounts and Loans			Allowance for Bad Debts		
		September 30, 2016	December 31, 2015	September 30, 2015	September 30, 2016	December 31, 2015	September 30, 2015
With objective evidence of impairment	Assessment of individual impairment	$ 352,586	$ 209,879	$ 202,135	$ 45,755	$ 84,667	$ 48,732
	Assessment of collective impairment	793,302	784,792	806,370	442,444	432,473	437,465
Without objective evidence of impairment	Assessment of collective impairment	254,187,893	219,931,637	225,635,280	2,879,522	2,598,556	2,432,247
Total		255,333,781	220,926,308	226,643,785	3,367,721	3,115,696	2,918,444

Items		Receivables			Allowance for Bad Debts		
		September 30, 2016	December 31, 2015	September 30, 2015	September 30, 2016	December 31, 2015	September 30, 2015
With objective evidence of impairment	Assessment of individual impairment	$ 1,934,440	$ 1,884,175	$ 2,180,692	$ 1,200,760	$ 1,169,447	$ 1,090,394
	Assessment of collective impairment	79,978	87,984	85,957	50,865	53,327	54,060
Without objective evidence of impairment	Assessment of collective impairment	24,318,419	40,537,844	40,173,105	291,116	526,154	405,061
Total		26,332,837	42,510,003	42,439,754	1,542,741	1,748,928	1,549,515

9) Management of foreclosed collateral

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

The foreclosed collateral includes securities, land and property. As of September 30, 2016, December 31, 2015 and September 30, 2015, the carrying amounts of the collaterals both were $0 thousand. The foreclosed collateral recognized as other assets in balance sheet.

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

a) Asset quality of nonperforming loan and overdue credits

Item			September 30, 2016				
			Nonperforming Loan (NPL) (Note 1)	Total Loans	NPL Ratio (Note 2)	Loan Loss Reserves (LLR)	Coverage Ratio (Note 3)
Corporate loan	Secured		$ 308,312	$ 47,091,584	0.65%	$ 546,388	177.22%
	Unsecured		184,702	130,223,917	0.14%	1,529,964	828.34%
Consumer loan	Mortgage (Note 4)		32,269	27,504,464	0.12%	366,497	1,135.74%
	Cash card		181,026	15,248,895	1.19%	431,990	238.63%
	Micro credit (Note 5)		139,767	19,344,821	0.72%	280,790	200.90%
	Other (Note 6)	Secured	4,371	15,868,174	0.03%	211,400	4,836.28%
		Unsecured	2,459	51,926	4.74%	692	28.14%
Total			852,906	255,333,781	0.33%	3,367,721	394.85%
			Overdue Receivable	Account Receivable	Delinquency Ratio	Allowance for Credit Losses	Coverage Ratio
Credit card			$ 29,134	$ 2,493,444	1.17%	$ 52,849	181.40%
Account receivable - factored without recourse (Note 7)			41	2,451,101	0.00%	31,950	78,164.91%

Item			September 30, 2015				
			Nonperforming Loan (NPL) (Note 1)	Total Loans	NPL Ratio (Note 2)	Loan Loss Reserves (LLR)	Coverage Ratio (Note 3)
Corporate loan	Secured		$ 173,675	$ 54,950,830	0.32%	$ 621,471	357.83%
	Unsecured		146,498	97,082,299	0.15%	1,117,943	763.11%
Consumer loan	Mortgage (Note 4)		65,566	26,324,635	0.25%	301,285	459.52%
	Cash card		218,497	16,102,247	1.36%	472,227	216.12%
	Micro credit (Note 5)		122,101	18,438,029	0.66%	248,166	203.25%
	Other (Note 6)	Secured	13,941	13,680,538	0.10%	156,606	1,123.33%
		Unsecured	2,752	65,207	4.22%	746	27.12%
Total			743,030	226,643,785	0.33%	2,918,444	392.78%
			Overdue Receivable	Account Receivable	Delinquency Ratio	Allowance for Credit Losses	Coverage Ratio
Credit card			$ 36,171	$ 2,859,292	1.27%	$ 53,666	148.37%
Account receivable - factored without recourse (Note 7)			60	685,172	0.01%	8,003	13,439.09%

Note 1: Nonperforming loans are reported to the authorities and disclosed to the public, as required by the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/Non-accrued Loans.”

Nonperforming credit card receivables are reported to the authorities and disclosed to the public, as required by the Banking Bureau’s letter dated July 6, 2005 (Ref. No. 0944000378).

Note 2: For loan business: NPL ratio = Nonperforming loans ÷ Total loan balance.

For credit card business: Delinquency ratio = Overdue credit card receivables ÷ Credit card receivables balance.

Note 3: Coverage ratio of loans: Allowance for possible losses for loans ÷ Nonperforming loans.

Coverage ratio of credit card receivables: Allowance for possible losses for credit card receivables ÷ Overdue credit card receivables.

Note 4: The mortgage loan is for house purchase or renovation and is fully secured by housing that is purchased (owned) by the borrower or the spouse or the minor children of the borrower.

Note 5: Based on the Banking Bureau’s letter dated December 19, 2005 (Ref. No. 09440010950), small-scale credit loans are unsecured, involve small amounts, and exclude credit cards and cash cards.

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

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

b) Exemption of nonperforming loans and overdue receivables

Items	September 30, 2016		September 30, 2015	
	Discounts and Loans	Accounts Receivable	Discounts and Loans	Accounts Receivable
Amounts of executed contracts on negotiated debts not reported (Note 1)	$ 40,416	$ 180	$ 59,821	$ 240
Amounts of executed debt settlement program and rehabilitation program not reported (Note 2)	30,801	4,474	38,710	4,111
Total	$ 71,217	$ 4,654	$ 98,531	$ 4,351

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

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

c) Concentration of credit extensions

September 30, 2016

(In thousands of New Taiwan Dollars, %)

Top 10 Ranking	Group (Industry Category)	Total Credit	Percentage of Net Worth
1	A Group - 016102 telecommunication industry	$ 7,315,105	12.35
2	B Group - 015100 civil aviation transportation	4,165,249	7.03
3	C Group - 012740 data storage media	3,960,486	6.69
4	D Group - 012711 computer manufacturing	3,841,353	6.48
5	E Group - 012411 iron and steel smelting	3,788,041	6.39
6	F Group - 012641 LCD and related components manufacturing	3,778,694	6.38
7	G Group - 012641 LCD and related components manufacturing	3,526,480	5.95
8	H Group - 016700 real estate brokerage	2,779,993	4.69
9	I Group - 012630 printed circuit boards manufacturing	2,657,208	4.49
10	J Group - 010850 dairy industry	2,644,000	4.46

September 30, 2015

(In thousands of New Taiwan Dollars, %)

Top 10 Ranking	Group (Industry Category)	Total Credit	Percentage of Net Worth
1	E Group - 011700 petroleum and coal products manufacturing	$ 7,981,172	13.87
2	A Group - 016100 telecommunication industry	5,020,000	8.72
3	H Group - 016700 real estate brokerage	4,265,522	7.41
4	K Group - 016022 cable and other pay programs broadcasting	4,210,594	7.32
5	D Group - 012711 computer manufacturing	4,064,524	7.06
6	L Group - 017112 engineering activities and related technical consultancy	4,027,898	7.00
7	F Group - 012712 monitor and display terminal manufacturing	3,433,965	5.97
8	G Group - 012641 LCD and related components manufacturing	3,233,980	5.62
9	C Group - 012740 data storage media	3,100,000	5.39
10	M Group - 012611 IC manufacturing	2,423,186	4.21

c. Liquidity risk

CDIB

1) Source and definition of liquidity risk

Liquidity risk is defined as CDIB is unable to meet its obligation for the asset funding within a reasonable time, which causes the risk of earnings or economic capital loss.

2) Management policies

Pursuant to liquidity risk control, CDIB calculates the maximum cumulative cash outflow (maximum cumulative outflows, or MCO) to monitor daily funding gap by each major currency. There were various measures such as valuating possible future capital requirements and deconcentration of capital sources, to assure the Bank could acquire capital at any time and have the ability to pay liabilities when due, and to maintain adequate liquidity at best cost to volume.

3) Maturity gap analysis of financial assets and nonderivative financial liabilities held for liquidity purpose

a) Financial assets held for liquidity management

CDIB holds cash and highly liquid and high grade carry assets to pay off obligations and meet the potential emergency funding events. That is the assets held for liquidity management include cash and cash equivalents, financial assets at fair value through profit or loss, and available-for-sale financial assets.

b) Nonderivative financial liabilities

The following tables show the cash outflows of CDIB's nonderivative financial liabilities based on the duration of contract maturities. The amounts disclosed were based on contractual cash flows; therefore, some of them will not relatively match with those shown on the consolidated balance sheets.

(In thousands of New Taiwan Dollars)

September 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	$ -	$ -	$ -	$ -	$ -	$ -
Notes and bonds issued under repurchase agreements	-	-	-	-	-	-
Payables	-	-	-	-	-	-
Deposits and remittances	-	-	-	-	-	-
Bank debentures payable	-	-	-	-	-	-
Other capital outflow on maturity	5,264	3,552	169,788	4,955	962,844	1,146,403
Subtotal	$ 5,264	$ 3,552	$ 169,788	$ 4,955	$ 962,844	$ 1,146,403

(In thousands of New Taiwan Dollars)

December 31, 2015	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	$ -	$ -	$ -	$ -	$ -	$ -
Notes and bonds issued under repurchase agreements	-	-	-	-	-	-
Payables	-	-	-	-	-	-
Deposits and remittances	-	-	-	-	-	-
Bank debentures payable	-	-	-	-	-	-
Other capital outflow on maturity	58,158	166,209	4,956	6,660	922,179	1,158,162
Subtotal	$ 58,158	$ 166,209	$ 4,956	$ 6,660	$ 922,179	$ 1,158,162

(In thousands of New Taiwan Dollars)

September 30, 2015	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	$ -	$ -	$ -	$ -	$ -	$ -
Notes and bonds issued under repurchase agreements	-	-	-	-	-	-
Payables	-	-	-	-	-	-
Deposits and remittances	-	-	-	-	-	-
Bank debentures payable	-	-	-	-	-	-
Other capital outflow on maturity	8,979	2,097	184,761	5,490	839,632	1,040,959
Subtotal	$ 8,979	$ 2,097	$ 184,761	$ 5,490	$ 839,632	$ 1,040,959

(In thousands of U.S. Dollars)

September 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	$ -	$ -	$ -	$ -	$ -	$ -
Notes and bonds issued under repurchase agreements	-	-	-	-	-	-
Payables	-	-	-	-	-	-
Deposits and remittances	-	-	-	-	-	-
Other capital outflow on maturity	-	-	-	-	13,855	13,855
Subtotal	$ -	$ -	$ -	$ -	$ 13,855	$ 13,855

(In thousands of U.S. Dollars)

December 31, 2015	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	$ -	$ -	$ -	$ -	$ -	$ -
Notes and bonds issued under repurchase agreements	-	-	-	-	-	-
Payables	-	-	-	-	-	-
Deposits and remittances	-	-	-	-	-	-
Other capital outflow on maturity	-	-	-	-	13,855	13,855
Subtotal	$ -	$ -	$ -	$ -	$ 13,855	$ 13,855

(In thousands of U.S. Dollars)

September 30, 2015	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	$ -	$ -	$ -	$ -	$ -	$ -
Notes and bonds issued under repurchase agreements	-	-	-	-	-	-
Payables	-	-	-	-	-	-
Deposits and remittances	-	-	-	-	-	-
Other capital outflow on maturity	-	-	-	2	13,855	13,857
Subtotal	$ -	$ -	$ -	$ 2	$ 13,855	$ 13,857

4) Regulations Governing the Preparation of Financial Reports by Public Banks, and the required disclosures are summarized as follows:

a) Maturity analysis of New Taiwan dollars of CDIB

(In thousands of New Taiwan Dollars)

September 30, 2016	0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Cash inflow	$ 2,717,371	$ 114,140	$ 12,907,045	$ 5,922	$ -	$ 51,157,689	$ 66,902,167
Cash outflow	1,067	4,197	3,552	169,788	4,955	69,906,201	70,089,760
Gap	2,716,304	109,943	12,903,493	(163,866)	(4,955)	(18,748,512)	(3,187,593)

(In thousands of New Taiwan Dollars)

September 30, 2015	0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Cash inflow	$ 8,728,691	$ 309,552	$ 1,573,501	$ 2,968	$ 1,912	$ 58,434,741	$ 69,051,365
Cash outflow	4,036	4,943	2,097	184,761	5,490	67,500,006	67,701,333
Gap	8,724,655	304,609	1,571,404	(181,793)	(3,578)	(9,065,265)	1,350,032

b) Maturity analysis of U.S. dollars of CDIB

(In thousands of U.S. Dollars)

September 30, 2016	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Cash inflow	$ 34	$ 110,262	$ -	$ -	$ 1,208	$ 111,504
Cash outflow	-	-	-	-	13,855	13,855
Gap	34	110,262	-	-	(12,647)	97,649

(In thousands of U.S. Dollars)

September 30, 2015	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Cash inflow	$ 49	$ -	$ -	$ -	$ 1,208	$ 1,257
Cash outflow	-	-	-	2	45,779	45,781
Gap	49	-	-	(2)	(44,571)	(44,524)

KGI Securities and subsidiaries

1) Cash flow analysis

Statement of Cash Flow Analysis for Financial Assets

(In thousands of New Taiwan Dollars)

September 30, 2016	Collection Period					Total
	Spot	In 3 Months	3 Months-12 Months	Over 1 Year-5 Years	Over 5 Years	
Cash and cash equivalents	$ 6,527,122	$ 11,009,902	$ -	$ -	$ -	$ 17,537,024
Financial assets measured at FVTPL - current	82,423,078	6,231,535	12,211,153	480,167	211,302	101,557,235
Financial assets at cost - current	1,116,229	-	-	-	-	1,116,229
Available-for-sale financial assets - current	8,535,281	-	-	-	-	8,535,281
Securities purchased under resell agreement	-	23,115,567	-	-	-	23,115,567
Receivable	42,078,753	3,531,679	16,495,553	4,265,406	-	66,371,391
Customers' margin accounts	35,391,096	-	-	-	-	35,391,096
Stock borrowing collateral price and guarantee deposits - borrowed securities	3,066,063	663,782	1,548,302	-	-	5,278,147
Other financial assets - current	-	-	2,696,440	-	-	2,696,440
Current tax assets	-	-	1,361	434,274	-	435,635
Other current assets	31,056,239	177,909	642,041	-	-	31,876,189
Financial assets measured at FVTPL - noncurrent	-	-	50,313	-	-	50,313
Financial assets at cost - noncurrent	-	-	-	415	960,625	961,040
Available-for-sale financial assets - noncurrent	-	-	-	-	224,956	224,956
Held-to-maturity financial assets - noncurrent	-	-	-	-	300,000	300,000
Investments accounted for using the equity method	-	-	-	-	2,064,281	2,064,281
Others noncurrent assets	-	-	-	673,470	2,619,732	3,293,202
Total	$ 210,193,861	$ 44,730,374	$ 33,645,163	$ 5,853,732	$ 6,380,896	$ 300,804,026
Percentage	69.88%	14.87%	11.18%	1.95%	2.12%	100.00%

Statement of Cash Flow Analysis for Financial Liabilities

(In thousands of New Taiwan Dollars)

September 30, 2016	Payment Period					Total
	Spot	In 3 Months	3 Months-12 Months	Over 1 Year-5 Years	Over 5 Years	
Short-term borrowings	$ -	$ 15,368,574	$ -	$ -	$ -	$ 15,368,574
Commercial papers payable, net	-	10,486,028	-	-	-	10,486,028
Financial liabilities measured at FVTPL - current	4,516,823	4,636,829	6,820,513	821,734	211,302	17,007,201
Bonds issued under repurchase agreements	-	81,679,356	-	-	-	81,679,356
Payables	57,609,473	241,821	5,925,199	173,753	-	63,950,246
Guarantee deposits - borrowed securities	-	2,647,376	9,685,774	-	-	12,333,150
Futures customers' equity	34,290,809	-	-	-	-	34,290,809
Other current liabilities	1,307,241	812,989	2,289,117	29	-	4,409,376
Other financial liabilities - current	-	5,316,321	17,655	-	-	5,333,976
Current tax liabilities	-	-	125,888	717,616	-	843,504
Long-term liabilities - current portion	-	938,940	-	-	-	938,940
Bonds payable	-	-	-	7,000,000	-	7,000,000
Provisions - noncurrent	-	-	-	23,249	184,235	207,484
Others noncurrent liabilities	-	-	1,097	613,219	69,161	683,477
Total	$ 97,724,346	$ 122,128,234	$ 24,865,243	$ 9,349,600	$ 464,698	$ 254,532,121
Percentage	38.40%	47.98%	9.77%	3.67%	0.18%	100.00%

Statement of Capital Liquidation Gap

(In thousands of New Taiwan Dollars)

September 30, 2016	Collection Period					Total
	Spot	In 3 Months	3 Months-12 Months	Over 1 Year-5 Years	Over 5 Years	
Cash inflow	$ 210,193,861	$ 44,730,374	$ 33,645,163	$ 5,853,732	$ 6,380,896	$ 300,804,026
Cash outflow	97,724,346	122,128,234	24,865,243	9,349,600	464,698	254,532,121
Amount of cash flow gap	$ 112,469,515	$ (77,397,860)	$ 8,779,920	$ (3,495,868)	$ 5,916,198	$ 46,271,905

Statement of Cash Flow Analysis for Financial Assets

(In thousands of New Taiwan Dollars)

December 31, 2015	Collection Period					Total
	Spot	In 3 Months	3 Months-12 Months	Over 1 Year-5 Years	Over 5 Years	
Cash and cash equivalents	$ 5,839,696	$ 6,611,881	$ -	$ -	$ -	$ 12,451,577
Financial assets measured at FVTPL - current	62,155,405	9,365,078	6,510,869	416,553	212,593	78,660,498
Financial assets at cost - current	891,740	-	-	-	-	891,740
Available-for-sale financial assets - current	7,361,442	-	-	-	-	7,361,442
Securities purchased under resell agreement	-	16,432,569	-	-	-	16,432,569
Receivable	33,383,882	3,647,879	16,383,520	3,421,677	-	56,836,958
Customers' margin accounts	31,684,109	-	-	-	-	31,684,109
Stock borrowing collateral price and guarantee deposits - borrowed securities	5,349,578	608,916	1,051,212	-	-	7,009,706
Other financial assets - current	-	-	4,566,804	-	-	4,566,804
Current tax assets	-	-	11,114	6	562,305	573,425
Other current assets	33,972,455	375,795	358,730	-	-	34,706,980
Financial assets measured at FVTPL - noncurrent	-	-	51,000	-	-	51,000
Financial assets at cost - noncurrent	-	-	-	415	917,684	918,099
Available-for-sale financial assets - noncurrent	-	30,403	-	-	251,401	281,804
Held-to-maturity financial assets - noncurrent	-	-	-	-	300,000	300,000
Investments accounted for using the equity method	-	-	-	-	2,102,991	2,102,991
Others noncurrent assets	-	-	-	231,589	3,555,338	3,786,927
Total	$ 180,638,307	$ 37,072,521	$ 28,933,249	$ 4,070,240	$ 7,902,312	$ 258,616,629
Percentage	69.85%	14.33%	11.19%	1.57%	3.06%	100.00%

Statement of Cash Flow Analysis for Financial Liabilities

(In thousands of New Taiwan Dollars)

December 31, 2015	Payment Period: Spot	In 3 Months	3 Months-12 Months	Over 1 Year-5 Years	Over 5 Years	Total
Short-term borrowings	$ -	$ 15,800,326	$ -	$ -	$ -	$ 15,800,326
Commercial papers payable, net	-	5,102,353	-	-	-	5,102,353
Financial liabilities measured at FVTPL - current	3,613,207	3,456,835	5,013,474	1,744,111	211,648	14,039,275
Bonds issued under repurchase agreements	-	58,659,345	-	-	-	58,659,345
Payables	41,587,463	1,560,608	5,265,050	340,386	-	48,753,507
Guarantee deposits - borrowed securities	-	1,757,169	4,906,343	-	-	6,663,512
Futures customers' equity	30,716,503	-	-	-	-	30,716,503
Other current liabilities	4,014,203	1,317,802	2,172,534	106	-	7,504,645
Other financial liability - current	-	12,079,347	2,609	-	-	12,081,956
Current tax liabilities	-	-	197,482	852,172	-	1,049,654
Long-term liabilities - current portion	-	-	1,006,520	-	-	1,006,520
Bonds payable	-	-	-	7,000,000	-	7,000,000
Provisions - noncurrent	-	-	-	23,248	132,326	155,574
Others noncurrent liabilities	-	-	-	616,578	78,746	695,324
Total	$ 79,931,376	$ 99,733,785	$ 18,564,012	$ 10,576,601	$ 422,720	$ 209,228,494
Percentage	38.20%	47.67%	8.87%	5.06%	0.20%	100.00%

Statement of Capital Liquidation Gap

(In thousands of New Taiwan Dollars)

December 31, 2015	Collection Period: Spot	In 3 Months	3 Months-12 Months	Over 1 Year-5 Years	Over 5 Years	Total
Cash inflow	$ 180,638,307	$ 37,072,521	$ 28,933,249	$ 4,070,240	$ 7,902,312	$ 258,616,629
Cash outflow	79,931,376	99,733,785	18,564,012	10,576,601	422,720	209,228,494
Amount of cash flow gap	$ 100,706,931	$ (62,661,264)	$ 10,369,237	$ (6,506,361)	$ 7,479,592	$ 49,388,135

Statement of Cash Flow Analysis for Financial Assets

(In thousands of New Taiwan Dollars)

September 30, 2015	Collection Period: Spot	In 3 Months	3 Months-12 Months	Over 1 Year-5 Years	Over 5 Years	Total
Cash and cash equivalents	$ 25,871,193	$ 3,465,117	$ -	$ -	$ -	$ 29,336,310
Financial assets measured at FVTPL - current	63,151,080	10,106,594	9,270,869	489,944	253,325	83,271,812
Financial assets at cost - current	889,942	-	-	-	-	889,942
Available-for-sale financial assets - current	7,500,969	-	-	-	-	7,500,969
Securities purchased under resell agreement	-	18,421,664	-	-	-	18,421,664
Receivable	43,124,064	4,111,443	13,600,329	3,335,179	-	64,171,015
Customers' margin accounts	32,157,713	-	-	-	-	32,157,713
Stock borrowing collateral price and guarantee deposits - borrowed securities	7,378,207	369,428	969,429	-	-	8,717,064
Other financial assets - current	-	200,000	2,064,785	-	-	2,264,785
Current tax assets	-	-	9,806	768	562,259	572,833
Other current assets	33,836,116	561,250	375,592	-	-	34,772,958
Financial assets measured at FVTPL - noncurrent	-	-	51,000	-	-	51,000
Financial assets at cost - noncurrent	-	-	-	415	1,026,405	1,026,820
Available-for-sale financial assets - noncurrent	-	-	30,297	-	110,071	140,368
Investments accounted for using the equity method	-	-	-	-	2,038,799	2,038,799
Others noncurrent assets	-	-	-	81,420	3,384,535	3,465,955
Total	$ 213,909,284	$ 37,235,496	$ 26,372,107	$ 3,907,726	$ 7,375,394	$ 288,800,007
Percentage	74.07%	12.89%	9.13%	1.35%	2.56%	100.00%

Statement of Cash Flow Analysis for Financial Liabilities

(In thousands of New Taiwan Dollars)

September 30, 2015	Payment Period					Total
	Spot	In 3 Months	3 Months-12 Months	Over 1 Year-5 Years	Over 5 Years	
Short-term borrowings	$ -	$ 34,885,691	$ -	$ -	$ -	$ 34,885,691
Commercial papers payable, net	-	8,074,722	-	-	-	8,074,722
Financial liabilities measured at FVTPL - current	4,292,076	4,503,624	7,148,159	1,679,040	254,912	17,877,811
Bonds issued under repurchase agreements	-	57,805,607	-	-	-	57,805,607
Payables	52,309,646	138,175	7,285,416	425,769	-	60,159,006
Guarantee deposits - borrowed securities	-	1,021,092	5,378,158	-	-	6,399,250
Futures customers' equity	31,131,372	-	-	-	-	31,131,372
Other current liabilities	412,183	2,626,193	979,610	106	-	4,018,092
Other financial liability - current	-	9,705,862	2,705	-	-	9,708,567
Current tax liabilities	-	-	259,583	803,938	39,648	1,103,169
Bonds payable	-	-	-	8,043,480	-	8,043,480
Provisions - noncurrent	-	-	-	-	160,256	160,256
Others noncurrent liabilities	-	-	-	365,805	47,955	413,760
Total	$ 88,145,277	$ 118,760,966	$ 21,053,631	$ 11,318,138	$ 502,771	$ 239,780,783
Percentage	36.76%	49.53%	8.78%	4.72%	0.21%	100.00%

Statement of Capital Liquidation Gap

(In thousands of New Taiwan Dollars)

September 30, 2015	Collection Period					Total
	Spot	In 3 Months	3 Months-12 Months	Over 1 Year-5 Years	Over 5 Years	
Cash inflow	$ 213,909,284	$ 37,235,496	$ 26,372,107	$ 3,907,726	$ 7,375,394	$ 288,800,007
Cash outflow	88,145,277	118,760,966	21,053,631	11,318,138	502,771	239,780,783
Amount of cash flow gap	$ 125,764,007	$ (81,525,470)	$ 5,318,476	$ (7,410,412)	$ 6,872,623	$ 49,019,224

KGI Securities has established statement of capital liquidation gap to estimate how all financial assets and liabilities in future cash flows can affect KGI Securities and subsidiaries when it comes to fund dispatching. Cash flow gap statement from September 30, 2016, December 31, 2015 and September 30, 2015, show that the sums from deducting cash outflow from cash inflow are $46,271,905 thousand, $49,388,135 thousand and $49,019,224 thousand, respectively, all indicating sufficient fund liquidity.

An observation of fund inflow and outflow in different periods of time shows that current and receivable items contribute to the most of the financial assets of KGI Securities and subsidiaries, taking up to nearly 69.88% of the entire financial assets. This shows that most of these financial assets can be liquidated immediately and therefore have high liquidity. As for financial liabilities, there is no particular period with a high number of due payments which will put stress on fund dispatching.

Although an analysis of funds gap shows that the cash outflow exceeded cash inflow within 3 months period and 1 to 5 years period, the main differentiating factor is that the financial assets of KGI Securities and subsidiaries have high liquidity, which causes financial assets and liabilities to have different impacts during different cash flow periods. On September 30, 2016, December 31, 2015 and September 30, 2015, net cash inflow calculated from net spot financial assets are respectively $112,469,515 thousand, $100,706,931 thousand and $125,764,007 thousand, which are sufficient to cover the net cash outflows of $80,893,728 thousand, $69,167,625 thousand and $88,935,882 thousand from the 3 months and 1-5 years period, an indicator of sufficient fund liquidity.

2) Control mechanism of capital liquidity risk

The independent fund-dispatching department established by KGI Securities takes into consideration the needs of net cash flow and their timings from various departments and predicts future cash flows based on the requests submitted by departments with a need for funds. The department has also established a simulation analysis mechanism for capital flows after considering short-term capital dispatching in Taiwan as well as international or cross-market transactions in order to better predict futures needs of funds and set up contingency measures. KGI Securities also offers suggestions over a secure amount of reserve fund and reports it to the RMC. The department reviews the standard amount of reserve capital and will take the following action if available capitals are below 120% of the safe reserve amount:

a) Except all due payments and those whose use of capital cannot be restricted due to the nature of their business, all the requests for capitals from all business departments need to be approved by the fund-dispatching department in order to maintain a safe amount of reserve capital.

b) Fund-dispatching department will propose contingency measures to the RMC, which includes disposal of low yield or unnecessary assets, expanding repurchase agreements with the Central Bank of Taiwan, financing from securities finance corporations or exploring other fund-raising methods that will increase available funds to KGI Securities.

KGI Bank and subsidiaries

1) The source and definition of liquidity risk

Liquidity risk of KGI 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 policy of liquidity risk

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

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

a) Financial assets held for liquidity management

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

b) Non-derivative financial liabilities

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

September 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	$ 15,885,978	$ 468,450	$ 318,009	$ 398,601	$ -	$ 17,071,038
Notes and bonds issued under repurchase agreement	8,645,638	544,894	-	-	-	9,190,532
Deposits and remittances	40,474,820	70,821,818	43,906,622	61,250,935	22,000,318	238,454,513
Bank debentures payable	-	-	-	-	2,750,000	2,750,000
Other capital outflow on maturity	2,346,450	309,481	799,164	334,747	568,414	4,358,256
Total	$ 67,352,886	$ 72,144,643	$ 45,023,795	$ 61,984,283	$ 25,318,732	$ 271,824,339

(In thousands of New Taiwan Dollars)

December 31, 2015	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	$ 1,184,126	$ 233,883	$ 259,430	$ 649,290	$ -	$ 2,326,729
Notes and bonds issued under repurchase agreement	3,555,537	439,228	-	-	-	3,994,765
Deposits and remittances	38,936,723	74,633,425	38,705,271	62,391,930	19,763,994	234,431,343
Bank debentures payable	-	-	1,056,148	-	2,750,000	3,806,148
Other capital outflow on maturity	1,149,059	626,503	329,557	210,316	993,105	3,308,540
Total	$ 44,825,445	$ 75,933,039	$ 40,350,406	$ 63,251,536	$ 23,507,099	$ 247,867,525

(In thousands of New Taiwan Dollars)

September 30, 2015	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	$ 10,039,050	$ 468,450	$ 318,009	$ 404,293	$ -	$ 11,229,802
Notes and bonds issued under repurchase agreement	5,219,023	80,000	-	-	-	5,299,023
Deposits and remittances	57,453,954	43,204,045	47,817,473	60,977,483	22,263,024	231,715,979
Bank debentures payable	-	-	-	1,060,085	2,750,000	3,810,085
Other capital outflow on maturity	2,062,719	352,764	833,083	88,102	1,200,474	4,537,142
Total	$ 74,774,746	$ 44,105,259	$ 48,968,565	$ 62,529,963	$ 26,213,498	$ 256,592,031

(In thousands of U.S. Dollars)

September 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	$ 65,000	$ 50,000	$ -	$ -	$ -	$ 115,000
Notes and bonds issued under repurchase agreement	1,230,423	322,889	-	-	-	1,553,312
Deposits and remittances	1,001,281	663,290	582,006	748,327	26,489	3,021,393
Bank debentures payable	-	-	-	-	330,995	330,995
Other capital outflow on maturity	20,134	15,332	2,348	1,167	58,474	97,455
Total	$ 2,316,838	$ 1,051,511	$ 584,354	$ 749,494	$ 415,958	$ 5,118,155

(In thousands of U.S. Dollars)

December 31, 2015	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	$ 72,000	$ 129,000	$ -	$ -	$ -	$ 201,000
Notes and bonds issued under repurchase agreement	1,326,354	397,933	-	-	-	1,724,287
Deposits and remittances	1,615,814	562,184	532,550	367,017	14,143	3,091,708
Bank debentures payable	-	-	-	-	99,690	99,690
Other capital outflow on maturity	4,570	7,355	2,647	446	9,713	24,731
Total	$ 3,018,738	$ 1,096,472	$ 535,197	$ 367,463	$ 123,546	$ 5,141,416

(In thousands of U.S. Dollars)

September 30, 2015	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	$ 120,000	$ 115,000	$ -	$ -	$ -	$ 235,000
Notes and bonds issued under repurchase agreement	840,066	1,003,805	-	-	-	1,843,871
Deposits and remittances	1,586,593	658,875	287,913	361,213	560	2,895,154
Bank debentures payable	-	-	-	-	101,335	101,335
Other capital outflow on maturity	6,643	4,832	4,457	1,696	8,485	26,113
Total	$ 2,553,302	$ 1,782,512	$ 292,370	$ 362,909	$ 110,380	$ 5,101,473

4) Maturity analysis of derivative financial instruments

The valuation of the maturity of the contracts is essential for presenting the financial instruments on the balance sheet. The amount disclosed in the balance sheet is prepared based on the cash flows of the contract. Thus, a part of the amount disclosed deviates from the balance sheet. The maturity analysis of financial instruments is as follows:

(In thousands of New Taiwan Dollars)

September 30, 2016	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial instruments at fair value through profit or loss						
Foreign exchange derivatives instruments						
Cash outflow	$ (167,995,318)	$ (229,960,433)	$ (136,078,730)	$ (30,904,326)	$ (327,000)	$ (565,265,807)
Cash inflow	163,683,768	209,185,549	146,900,559	26,505,178	-	546,275,054
Interest rate derivatives instruments						
Cash outflow	(191,180)	(427,502)	(1,519,829)	(4,669)	(15,433,989)	(17,577,169)
Cash inflow	169,511	402,803	15,846	-	-	588,160
Cash outflow subtotal	(168,186,498)	(230,387,935)	(137,598,559)	(30,908,995)	(15,760,989)	(582,842,976)
Cash inflow subtotal	163,853,279	209,588,352	146,916,405	26,505,178	-	546,863,214
Net cash flow	$ (4,333,219)	$ (20,799,583)	$ 9,317,846	$ (4,403,817)	$ (15,760,989)	$ (35,979,762)

(In thousands of New Taiwan Dollars)

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

(In thousands of New Taiwan Dollars)

September 30, 2015	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial instruments at fair value through profit or loss						
Foreign exchange derivatives instruments						
Cash outflow	$ (131,351,500)	$ (158,082,858)	$ (119,865,041)	$ (12,733,858)	$ (460,500)	$ (422,493,757)
Cash inflow	113,420,998	171,690,987	79,781,899	23,027,876	789,200	388,710,960
Interest rate derivatives instruments						
Cash outflow	(3,989,533)	(475,206)	(822,092)	(13,864)	(18,430,012)	(23,730,707)
Cash inflow	190,729	428,716	11,532	22,637	49,851	703,465
Others						
Cash outflow	(311,617)	-	-	-	-	(311,617)
Cash inflow	311,622	-	-	-	-	311,622
Cash outflow subtotal	(135,652,650)	(158,558,064)	(120,687,133)	(12,747,722)	(18,890,512)	(446,536,081)
Cash inflow subtotal	113,923,349	172,119,703	79,793,431	23,050,513	839,051	389,726,047
Net cash flow	$ (21,729,301)	$ 13,561,639	$ (40,893,702)	$ 10,302,791	$ (18,051,461)	$ (56,810,034)

(In thousands of U.S. Dollars)

September 30, 2016	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial instruments at fair value through profit or loss						
Foreign exchange derivatives instruments						
Cash outflow	$ (6,282,617)	$ (7,104,619)	$ (4,879,659)	$ (1,231,218)	$ (149,147)	$ (19,647,260)
Cash inflow	6,546,808	7,766,356	4,552,139	1,348,432	174,935	20,388,670
Interest rate derivatives instruments						
Cash outflow	(14,120)	(51,786)	(17,920)	(906)	(15,090)	(99,822)
Cash inflow	13,865	32,721	10,533	996	-	58,115
Others						
Cash outflow	(552)	-	-	-	-	(552)
Cash inflow	483	-	-	-	-	483
Cash outflow subtotal	(6,297,289)	(7,156,405)	(4,897,579)	(1,232,124)	(164,237)	(19,747,634)
Cash inflow subtotal	6,561,156	7,799,077	4,562,672	1,349,428	174,935	20,447,268
Net cash flow	$ 263,867	$ 642,672	$ (334,907)	$ 117,304	$ 10,698	$ 699,634

(In thousands of U.S. Dollars)

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

(In thousands of U.S. Dollars)

September 30, 2015	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial instruments at fair value through profit or loss						
Foreign exchange derivatives instruments						
Cash outflow	$ (4,549,767)	$ (5,783,018)	$ (2,772,708)	$ (970,461)	$ (72,708)	$ (14,148,662)
Cash inflow	5,111,154	5,364,091	3,967,982	629,118	61,864	15,134,209
Interest rate derivatives instruments						
Cash outflow	(8,426)	(17,814)	(6,334)	(2,763)	(98,990)	(134,327)
Cash inflow	9,169	17,501	1,346	2,644	-	30,660
Others						
Cash outflow	(349)	-	-	-	-	(349)
Cash inflow	350	-	-	-	-	350
Cash outflow subtotal	(4,558,542)	(5,800,832)	(2,779,042)	(973,224)	(171,698)	(14,283,338)
Cash inflow subtotal	5,120,673	5,381,592	3,969,328	631,762	61,864	15,165,219
Net cash flow	$ 562,131	$ (419,240)	$ 1,190,286	$ (341,462)	$ (109,834)	$ 881,881

5) Maturity analysis of off-balance sheet items

The table below shows the maturity analysis of the off-balance sheet items based on the remaining time between the reporting date and the contractual period. For the issued financial guarantee contracts, the maximum guaranteed amount included in the guarantee may be required to be fulfilled in the earliest period. The disclosures in the table below are prepared based on the contractual cash flows. Therefore, the partial accounts illustrated below may not match with the corresponding accounts on the balance sheets.

(In thousands of New Taiwan Dollars)

September 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	$ 6,028,530	$ 11,571,598	$ 10,543,239	$ 28,222,140	$ 46,822,454	$ 103,187,961

(In thousands of New Taiwan Dollars)

December 31, 2015	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Irrevocable loan commitments guarantees and letters of credit	$ 3,955,556	$ 7,293,085	$ 8,414,438	$ 29,975,155	$ 46,090,223	$ 95,728,457

(In thousands of New Taiwan Dollars)

September 30, 2015	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Irrevocable loan commitments guarantees, and letters of credit	$ 4,855,637	$ 6,405,906	$ 8,502,159	$ 29,351,893	$ 44,726,344	$ 93,841,939

6) The maturity analysis of lease agreement

The lease contracts of KGI Bank are operating lease and financial lease. Operating lease commitment is the future minimum rental payment under irrevocable operating lease condition. Financial lease means net future lease payments under finance lease condition.

The maturity analysis of lease commitments were as follows:

(In thousands of New Taiwan Dollars)

September 30, 2016	Less Than 1 Year	1-5 Years	Over 5 Years	Total
Lease agreement				
Financial lease gross income (lessor)	$ 3,455,703	$ 2,450,660	$ -	$ 5,906,363
Financial lease present value income (lessor)	3,240,665	2,303,444	-	5,544,109
Operating lease payment (lessee)	255,099	495,949	1,441	752,489
Operating lease income (lessor)	12,181	31,136	-	43,317
Present value of financial lease payment (lessee)	1,773	33	-	1,806

(In thousands of New Taiwan Dollars)

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

(In thousands of New Taiwan Dollars)

September 30, 2015	Less Than 1 Year	1-5 Years	Over 5 Years	Total
Lease agreement				
Financial lease gross income (lessor)	$ 4,071,570	$ 3,929,652	$ -	$ 8,001,222
Financial lease present value income (lessor)	3,713,994	3,688,324	-	7,402,318
Operating lease payment (lessee)	249,197	485,355	4,620	739,172
Operating lease income (lessor)	16,376	42,466	-	58,842
Present value of financial lease payment (lessee)	4,070	1,807	-	5,877

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

a) Maturity analysis of assets and liabilities in New Taiwan dollars

(In thousands of New Taiwan Dollars)

September 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	$ 105,755,398	$ 215,230,732	$ 253,588,642	$ 174,786,895	$ 61,588,688	$ 97,351,235	$ 908,301,590
Main capital outflow on maturity	94,050,681	166,987,789	352,708,141	221,571,673	119,963,212	137,257,374	1,092,538,870
Gap	11,704,717	48,242,943	(99,119,499)	(46,784,778)	(58,374,524)	(39,906,139)	(184,237,280)

(In thousands of New Taiwan Dollars)

September 30, 2015	0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Main capital inflow on maturity	$ 115,588,686	$ 170,560,451	$ 212,801,161	$ 104,375,250	$ 57,136,313	$ 91,028,544	$ 751,490,405
Main capital outflow on maturity	98,840,771	136,684,742	251,668,497	208,299,097	102,320,279	138,457,915	936,271,301
Gap	16,747,915	33,875,709	(38,867,336)	(103,923,847)	(45,183,966)	(47,429,371)	(184,780,896)

b) Maturity analysis of assets and liabilities in U.S. dollars

(In thousands of U.S. Dollars)

September 30, 2016	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Main capital inflow on maturity	$ 8,716,801	$ 8,529,545	$ 4,876,740	$ 1,765,509	$ 1,326,402	$ 25,214,997
Main capital outflow on maturity	9,746,090	10,471,844	7,122,872	1,984,376	649,734	29,974,916
Gap	(1,029,289)	(1,942,299)	(2,246,132)	(218,867)	676,668	(4,759,919)

(In thousands of U.S. Dollars)

September 30, 2015	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Main capital inflow on maturity	$ 7,114,515	$ 6,293,771	$ 4,509,444	$ 1,202,911	$ 583,804	$ 19,704,445
Main capital outflow on maturity	7,645,497	8,650,655	3,865,229	1,337,443	320,281	21,819,105
Gap	(530,982)	(2,356,884)	644,215	(134,532)	263,523	(2,114,660)

d. Market risk

CDIB and subsidiaries

1) Source and definition of market risk

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

2) Risk management policies

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

3) The procedure of market risk measuring, monitoring, and reporting

Risk factors analyzed through CDIB’s risk measurement systems are sufficient to determine all market risks of trading positions on balance sheet, including interest rates risk, foreign exchange risk, equity risk and commodity risk, as well as volatility risks which arise out of the option transactions.

CDIB’s market risk report includes limits usage, and trading portfolio risk assessment.

The risk management unit of CDIB independently performs daily market risk limit controls, disclosures of positions held, information of price, information of net income (loss), and monthly reports to the authority.

4) Foreign currency rate risk information

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

(In thousands of Foreign Currencies/New Taiwan Dollars)

	September 30, 2016		
	Foreign Currencies	**Exchange Rate**	**New Taiwan Dollars**
Financial assets			
Monetary items			
USD	$ 286,383	31.366	$ 8,982,685
HKD	147,211	4.045	595,453
RMB	60,448	4.695	283,786
KRW	7,039,526	0.028	200,352
JPY	427,496	0.311	132,866
Investment accounted for using the equity method			
USD	73,721	31.366	2,312,337
RMB	458,428	4.695	2,152,183
Financial liabilities			
Monetary items			
USD	17,262	31.366	541,445

(In thousands of Foreign Currencies/New Taiwan Dollars)

	December 31, 2015		
	Foreign Currencies	**Exchange Rate**	**New Taiwan Dollars**
Financial assets			
Monetary items			
USD	$ 277,091	33.066	$ 9,162,288
HKD	128,796	4.266	549,495
RMB	46,867	5.033	238,862
KRW	6,146,111	0.028	172,816
Investment accounted for using the equity method			
USD	39,808	33.066	1,316,305
RMB	252,073	5.033	1,266,917
Financial liabilities			
Monetary items			
USD	20,256	33.066	669,786

	September 30, 2015		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets			
Monetary items			
USD	$ 255,344	33.128	$ 8,459,048
HKD	144,193	4.275	616,368
RMB	41,677	5.217	217,444
KRW	5,988,393	0.028	167,531
JPY	427,500	0.276	118,033
Investment accounted for using the equity method			
RMB	250,295	5.217	1,305,891
USD	35,947	33.128	1,190,862
Financial liabilities			
Monetary items			
USD	15,029	33.128	497,875

5) 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)

September 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	$ 14,962,261	$ -	$ -	$ 161,803	$ 15,124,064
Interest rate-sensitive liabilities	-	-	-	-	-
Interest rate sensitivity gap	14,962,261	-	-	161,803	15,124,064
Net worth					68,943,357
Ratio of interest rate-sensitive assets to liabilities (%)					-
Ratio of interest rate-sensitive gap to net worth (%)					21.94

September 30, 2015

(In thousands of New Taiwan Dollars, %)

Item	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	$ 8,398,514	$ -	$ -	$ 518,086	$ 8,916,600
Interest rate-sensitive liabilities	-	-	-	-	-
Interest rate sensitivity gap	8,398,514	-	-	518,086	8,916,600
Net worth					66,660,373
Ratio of interest rate-sensitive assets to liabilities (%)					-
Ratio of interest rate-sensitive gap to net worth (%)					13.38

Note 1: The above amounts included only New Taiwan dollar amounts held in the domestic and overseas branches (excluding foreign currencies).

Note 2: Interest rate-sensitive assets and liabilities refer to interest-earning assets and interest-bearing liabilities with revenues or costs affected by interest rate changes.

Note 3: Interest rate sensitivity gap = Interest rate-sensitive assets - Interest rate-sensitive liabilities.

Note 4: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets/Interest rate-sensitive liabilities (interest rate-sensitive assets and interest rate-sensitive liabilities are in New Taiwan dollars).

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

September 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	$ 110,207	$ -	$ -	$ -	$ 110,207
Interest rate-sensitive liabilities	-	-	-	-	-
Interest rate sensitivity gap	110,207	-	-	-	110,207
Net worth					-
Ratio of interest rate-sensitive assets to liabilities (%)					-
Ratio of interest rate-sensitive gap to net worth (%)					-

September 30, 2015

(In thousands of U.S. Dollars, %)

Item	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	$ 49	$ -	$ -	$ -	$ 49
Interest rate-sensitive liabilities	-	-	-	-	-
Interest rate sensitivity gap	49	-	-	-	49
Net worth					31,924
Ratio of interest rate-sensitive assets to liabilities (%)					-
Ratio of interest rate-sensitive gap to net worth (%)					0.15

Note 1: The above amounts included only U.S. dollar amounts held in the domestic and overseas branches and OBU (excluding contingency assets and 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 are in U.S. dollars).

6) Other price risk

CDIB and subsidiaries were exposed to equity price risk through its investments in principal investment business. CDIB manages this exposure by setting risk acceptance limitation concerning industry, country, affiliated groups, and the same group.

If equity prices had been 1% higher/lower, the post-tax other comprehensive income for the nine months ended September 30, 2016 and 2015 would increase/decrease by $93,023 thousand and $89,923 thousand, respectively, as a result of the changes in fair value of available-for-sale shares.

KGI Securities and subsidiaries

Market risk is the risk of potential loss or change in valuation for securities or financial products that KGI Securities and subsidiaries hold due to the fluctuations of the market risk factors. Such factors include interest rates (including credit spread) and risk of equity securities and exchange rates and commodity risk.

KGI Securities utilize risk factor sensitivity and value at risk to measure and contain market risks. KGI Securities also holds regular stress test to help the management understand the extent to which KGI Securities can handle stress in this dire economic environment.

1) Risk factor sensitivity

Using product identification and analysis procedure held by KGI Securities, the corresponding market risk factor can be determined. Individual risk factor's entire exposure can be measured by observing how the value of a financial instrument changes as each risk factor changes. KGI Securities and subsidiaries monitor the following risk factor sensitivities:

a) Interest rate risk sensitivity: Measured by the change of present value of future cash flows of the measured holding with each yield curve or credit spread moved 0.01% horizontally.

b) Equity securities risk sensitivity: Measured by the change of the value of investment portfolio with the price of the underlying assets linked to the equity securities (as the potential loss amount given that the TAIEX and stock of respective companies drop 1%).

c) Exchange rate risk sensitivity: Measured by the change of present values of corresponding holdings of currencies with exchange rate for each currency (as the potential loss amount given that the foreign currencies depreciate 1% against NTD).

d) Commodity risk sensitivity: Measured by the change of present values of corresponding holdings of currencies with commodity for each currency (as the potential loss amount given that commodity currencies depreciate 1% against NTD).

The risk sensitivities in the portfolio held by KGI Securities and subsidiaries are as follows:

Comparisons of Risk Sensitive Factors

(In thousands of New Taiwan Dollars)

Risk Sensitivity	September 30, 2016	December 31, 2015	September 30, 2015
Interest rate risk	$ 9,214	$ 12,186	$ 9,606
Equity securities risk	17,851,624	15,566,569	15,190,602
Exchange rate risk	1,193,471	589,868	2,731,071
Commodity risk	4,179	4,465	-

2) Value at risk

Value at risk ("VAR") is a statistical measurement used to measure the maximum potential loss of a portfolio in a certain future time horizon and confidence level. KGI Securities and subsidiaries uses parametric in estimating a value at risk at 99% of confidence interval at duration of 1 day. This means that among 100 trading days, 1 trading day might see the loss of the positions exceeding the value at risk estimated the day before. KGI Securities and subsidiaries continue to conduct back testing daily to ensure the effectiveness of the estimations made by the risk value model.

The comparison of risk value in the trading portfolio held by KGI Securities and subsidiaries are as follows:

	For the Nine Months Ended September 30, 2016			September 30, 2016
	Average VAR	Minimum VAR	Maximum VAR	Ending VAR
Equity securities	$ 389,700	$ 248,840	$ 630,721	$ 429,385
Interest rate	74,620	36,259	154,960	51,046
Exchange rate	21,364	2,145	97,034	1,252
Commodity	3,859	58	18,399	769

	For the Nine Months Ended September 30, 2015			September 30, 2015
	Average VAR	Minimum VAR	Maximum VAR	Ending VAR
Equity securities	$ 487,697	$ 169,099	$ 1,034,748	$ 669,987
Interest rate	81,970	41,769	134,906	94,241
Exchange rate	7,927	1,264	16,892	16,714

3) Stress test

Stress test is one of the tools for risk management. It mainly evaluates the effects extreme changes in market risk factors in an investment portfolio to help a company's board of directors and management understand how potential extreme incidents can affect the market risk sensitivity and the profit/loss of an investment portfolio.

The main methods of stress test are historic analysis and hypothetical scenarios analysis. The results will be regularly reported to the risk management committee and the board of directors of KGI Securities.

4) Foreign currency exchange rate of financial assets and liabilities information

(In thousands of Foreign Currencies/New Taiwan Dollars)

	September 30, 2016		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets			
Monetary items			
USD	$ 2,632,921	31.37	$ 82,582,820
RMB	759,537	4.69	3,565,797
JPY	10,645,111	0.31	3,308,781
HKD	130,409	4.04	527,428
THB	485,830	0.90	439,093
EUR	6,417	35.08	225,105
SGD	5,619	22.96	129,026
Nonmonetary items			
USD	1,068,456	31.37	33,513,188
RMB	460,364	4.69	2,161,272
AUD	20,162	23.84	480,726
HKD	59,382	4.04	240,195
NZD	5,184	22.76	117,973

(Continued)

	September 30, 2016		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Investments accounted for using the equity method			
USD	$ 65,717	31.37	$ 2,061,274
Financial liabilities			
Monetary items			
USD	4,109,916	31.37	128,910,258
RMB	919,130	4.69	4,315,036
JPY	10,398,904	0.31	3,232,260
THB	486,567	0.90	439,759
HKD	75,855	4.04	306,764
EUR	4,661	35.08	163,502
AUD	5,810	23.84	138,522
SGD	5,530	22.96	126,988
Nonmonetary items			
USD	328,607	31.37	10,307,073
AUD	11,114	23.84	264,994
RMB	37,092	4.69	174,134
NZD	5,184	22.76	117,973

(Concluded)

	December 31, 2015		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets			
Monetary items			
USD	$ 1,986,796	33.07	$ 65,631,077
JPY	3,174,913	0.27	867,667
RMB	142,098	5.03	715,099
HKD	42,428	4.26	180,852
EUR	4,387	35.89	157,479
Nonmonetary items			
USD	678,354	33.07	22,430,463
RMB	569,182	5.03	2,864,465
Investments accounted for using the equity method			
USD	63,490	33.07	2,099,349
Financial liabilities			
Monetary items			
USD	3,019,284	33.07	99,771,345
RMB	239,563	5.03	1,205,603
JPY	3,084,976	0.27	842,970
EUR	4,159	35.88	149,214
Nonmonetary items			
USD	208,276	33.07	6,886,852
RMB	468,906	5.03	2,359,815

	September 30, 2015		
	Foreign Currencies	**Exchange Rate**	**New Taiwan Dollars**
<u>Financial assets</u>			
Monetary items			
USD	$ 2,823,622	33.13	$ 93,489,006
JPY	2,493,177	0.27	683,152
HKD	44,028	4.27	187,969
RMB	29,038	5.22	151,489
Nonmonetary items			
USD	692,375	33.13	22,936,996
RMB	932,761	5.22	4,866,588
AUD	9,453	23.21	219,436
HKD	39,185	4.27	167,500
Investments accounted for using the equity method			
USD	61,453	33.13	2,035,810
<u>Financial liabilities</u>			
Monetary items			
USD	3,513,192	33.13	116,333,121
RMB	767,706	5.22	4,005,417
JPY	2,367,450	0.27	648,445
Nonmonetary items			
USD	287,561	33.13	9,526,335
RMB	179,507	5.22	936,558
AUD	5,962	23.21	138,389

<u>KGI Bank and subsidiaries</u>

1) Source and definition 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 KGI Bank has developed “Market Risk Policy” based on Regulations Governing the Capital Adequacy Ratio of Banks and on market risk calculation tables announced by 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 KGI Bank related market risk calculation tables and the KGI Bank’s book management approach to financial instrument handling.

Following the “Market Risk Policy”, the KGI Bank sets up the “Market Risk Management Procedure to Trading Activities” to manage market risk throughout the Firm. This procedure includes risk identification and assessment, risk measurement, risk monitoring and response, risk reporting and contingency management processes.

3) The procedure of market risk measuring, monitoring, and reporting

The KGI Bank's market risk limits include position sensitivities, stop-loss limits, Value-at-Risk (VaR).

Risk factors analyzed through the KGI Bank's risk measurement systems are sufficient to determine all market risks of trading positions on balance sheet, including interest rates risk, foreign exchange risk, equity risk and commodity risk, as well as volatility risks which arise out of the option transactions.

The KGI Bank's market risk report includes profit or loss on trading positions, limits usage, stress testing, trading portfolio risk assessment, as well as significant exception if any.

The risk management unit of the KGI Bank independently performs daily market risk limit controls, and monthly reports to both the Risk Management Committee and CDFH's Risk Management Committee. Besides, the above reports are regularly presented to the Board for reference.

4) Mitigation of risks or hedging of market risk

The KGI Bank's market risk positions or hedging positions are marked to market on a daily base through techniques such as model evaluation. 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 revaluation results.

5) Valuation techniques of market risk

The KGI Bank uses the VaR model and/or stress testing to evaluate the potential and/or extreme risk of trading portfolios. Through variations of the assumptions on market conditions, these techniques can be 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 Nine Months Ended September 30, 2016			**For the Year Ended December 31, 2015**			**For the Nine Months Ended September 30, 2015**		
	Average	**Highest**	**Lowest**	**Average**	**Highest**	**Lowest**	**Average**	**Highest**	**Lowest**
Interest rate risk	$ 30,269	$ 53,221	$ 17,157	$ 47,779	$ 118,218	$ 11,394	$ 54,278	$ 118,218	$ 11,394
Equity risk	5,785	12,389	2,336	15,831	28,568	7,542	16,656	28,568	11,664
Exchange rate risk	41,558	80,973	18,915	8,539	27,412	1,514	7,103	22,763	1,514

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 KGI 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 involving the banking book include risk identification, risk measurement, risk control, risk monitor and others. The unit monitoring the banking book interest rate risk reports interest rate risk exposures regularly to ALMCO, and adjust the structure of assets and liabilities according to the report, lowering the amount of exposure. For risk monitoring, the asset and liability management system outputs an analysis report, which is provided to the interest rate risk execution unit and top management. If risk missing or excess of limit occurred from monitor, written notices will be passed to interest rate risk implementation units to adjust and improve the program reported to ALMCO.

8) Concentration of currency risk information

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

(In thousands of New Taiwan Dollars/Foreign Currencies)

	September 30, 2016		
	Foreign Currencies	**Exchange Rate**	**New Taiwan Dollars**
Financial assets			
Monetary items			
USD	$ 5,454,975	31.37	$ 171,100,739
RMB	2,826,919	4.69	13,271,536
HKD	764,886	4.04	3,093,887
JPY	8,928,766	0.31	2,775,061
EUR	68,968	35.08	2,419,477
ZAR	523,659	2.24	1,173,520
SGD	30,458	22.96	699,443
AUD	10,703	23.84	255,200
NZD	8,153	22.76	185,562
THD	201,040	0.90	181,700
GBP	3,824	40.62	155,301
Nonmonetary items			
HKD	512,772	4.04	2,074,110
Financial liabilities			
Monetary items			
USD	5,981,790	31.37	187,624,829
RMB	2,363,700	4.69	11,096,864
ZAR	1,689,675	2.24	3,786,562
HKD	868,277	4.04	3,512,095
EUR	44,853	35.08	1,573,486
JPY	3,734,868	0.31	1,160,797
AUD	47,959	23.84	1,143,490
NZD	23,787	22.76	541,364
SGD	15,462	22.96	355,059
GBP	6,324	40.62	256,849

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

	September 30, 2015		
	Foreign Currencies	**Exchange Rate**	**New Taiwan Dollars**
Financial assets			
Monetary items			
USD	$ 5,315,007	33.13	$ 176,075,565
RMB	2,407,748	5.22	12,562,184
EUR	53,762	37.21	2,000,536
HKD	286,768	4.28	1,225,816
ZAR	450,460	2.39	1,078,221
JPY	3,844,893	0.28	1,061,575
AUD	19,027	23.21	441,670
Nonmonetary items			
HKD	380,164	4.28	1,625,049
Financial liabilities			
Monetary items			
USD	6,098,238	33.13	202,022,414
RMB	2,285,505	5.22	11,924,396
ZAR	1,038,665	2.39	2,486,147

(Continued)

	September 30, 2015		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
AUD	$ 63,803	23.21	$ 1,481,055
HKD	288,104	4.28	1,231,529
JPY	4,246,803	0.28	1,172,542
EUR	29,107	37.21	1,083,105
NZD	20,262	21.14	428,279
KRW	5,771,441	0.03	161,427

(Concluded)

9) Disclosure 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)

September 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	$ 228,129,951	$ 12,056,733	$ 4,268,826	$ 94,840,977	$ 339,296,487
Interest rate-sensitive liabilities	127,882,531	91,480,210	36,796,277	7,460,257	263,619,275
Interest rate sensitivity gap	100,247,420	(79,423,477)	(32,527,451)	87,380,720	75,677,212
Net worth					57,056,857
Ratio of interest rate-sensitive assets to liabilities (%)					128.71
Ratio of interest rate-sensitive gap to net worth (%)					132.63

September 30, 2015

(In thousands of New Taiwan Dollars, %)

Item	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	$ 255,185,917	$ 10,978,001	$ 2,114,373	$ 64,827,967	$ 333,106,258
Interest rate-sensitive liabilities	167,324,872	35,406,397	37,571,097	7,976,127	248,278,493
Interest rate sensitivity gap	87,861,045	(24,428,396)	(35,456,724)	56,851,840	84,827,765
Net worth					56,290,955
Ratio of interest rate-sensitive assets to liabilities (%)					134.17
Ratio of interest rate-sensitive gap to net worth (%)					150.70

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

Note 2: Interest rate-sensitive assets and liabilities are 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 (in New Taiwan dollars).

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

September 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	$ 2,503,733	$ 219,915	$ 417,226	$ 1,291,064	$ 4,431,938
Interest rate-sensitive liabilities	3,640,495	511,018	511,703	357,484	5,020,700
Interest rate sensitivity gap	(1,136,762)	(291,103)	(94,477)	933,580	(588,762)
Net worth					69,538
Ratio of interest rate-sensitive assets to liabilities (%)					88.27
Ratio of interest rate-sensitive gap to net worth (%)					(846.68)

September 30, 2015

(In thousands of U.S. Dollars, %)

Item	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	$ 1,818,293	$ 149,869	$ 320,530	$ 1,867,588	$ 4,156,280
Interest rate-sensitive liabilities	4,542,807	237,497	193,161	101,895	5,075,360
Interest rate sensitivity gap	(2,724,514)	(87,628)	127,369	1,765,693	(919,080)
Net worth					38,204
Ratio of interest rate-sensitive assets to liabilities (%)					81.89
Ratio of interest rate-sensitive gap to net worth (%)					(2,405.72)

Note 1: The above amounts included only U.S. dollars amounts held by KGI Bank, excluded contingent assets and contingent liabilities.

Note 2: Interest rate-sensitive assets and liabilities are 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 (in U.S. dollars).

e. Transfers of financial assets

KGI Securities and subsidiaries

1) Transferred financial assets not qualifying for full derecognition

Among daily operations of KGI Securities and subsidiaries (KGI Securities), most of the transactions of transferred financial assets not qualifying for full derecognition are debt securities held by counterparties as collateral under repurchase agreements or equity securities lent under securities lending agreements. As the substance of these transactions is secured borrowing, securities that has transferred to counterparties during the transaction causes KGI Securities' right to receive cash flows of the financial assets transferred to the counterparties; KGI Securities only recognized related liabilities reflecting the obligation to repurchase the transferred financial assets at a fixed price in the future, and the transferred financial assets cannot be used, sold or pledged in the duration of the transaction. KGI Securities does not derecognize it entirely because KGI Securities remains exposed to interest rate risk, credit risk and market risk on these pledged instruments.

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

September 30, 2016					
Category	**Carrying Amount of Transferred Financial Assets**	**Carrying Amount of Related Financial Liabilities**	**Fair Value of Transferred Financial Assets**	**Fair Value of Related Financial Liabilities**	**Net Position of Fair Value**
Financial assets at FVTPL					
Transactions with agreements	$ 80,717,280	$ 81,311,101	$80,717,280	$ 81,311,101	$ (593,821)
Transaction - borrowed securities	135,103	189,144	135,103	189,144	(54,041)

December 31, 2015					
Category	**Carrying Amount of Transferred Financial Assets**	**Carrying Amount of Related Financial Liabilities**	**Fair Value of Transferred Financial Assets**	**Fair Value of Related Financial Liabilities**	**Net Position of Fair Value**
Financial assets at FVTPL					
Transactions with agreements	$ 58,663,263	$ 58,601,838	$ 58,663,263	$ 58,601,838	$ 61,425
Transaction - borrowed securities	54,860	76,804	54,860	76,804	(21,944)

September 30, 2015					
Category	**Carrying Amount of Transferred Financial Assets**	**Carrying Amount of Related Financial Liabilities**	**Fair Value of Transferred Financial Assets**	**Fair Value of Related Financial Liabilities**	**Net Position of Fair Value**
Financial assets at FVTPL					
Transactions with agreements	$ 57,853,173	$ 57,703,884	$ 57,853,173	$ 57,703,884	$ 149,289
Transaction - borrowed securities	9,307	13,030	9,307	13,030	(3,723)

2) Transferred financial assets qualifying for full derecognition

KGI Securities uses convertible bonds acquired by an underwriter or dealer as the trading object of the asset swap transaction, then KGI Securities receives consideration by selling it, and exchange interests arise from convertible bonds for compensation interests according to the contracts, meanwhile acquire the right to redeem the bonds at any time before the maturity date. KGI Securities does not retain the control over the transferred assets and derecognized them since counterparties have the ability to sell financial assets to third party and no restrictions will be made when counterparties differs. KGI Securities still retain the call option of the object, and the maximum exposure of the loss is the book value of the pledged instruments. Related information of transferred financial assets and liabilities qualifying for full derecognition are as follows:

September 30, 2016					
Types of Continuing Involvement	**Outflows of Repurchased Transferred Financial Assets (Derecognized)**	**Book Value of Continuing Involvement in the Balance Sheet**	**Fair Value of Continuing Involvement**		**Maximum of Loss Exposure**
		Financial Assets at FVTPL	**Assets**	**Liabilities**	
Call option	$ 9,977,300	$ 659,917	$ 659,917	$ -	$ 659,917

December 31, 2015					
Types of Continuing Involvement	Outflows of Repurchased Transferred Financial Assets (Derecognized)	Book Value of Continuing Involvement in the Balance Sheet	Fair Value of Continuing Involvement		Maximum of Loss Exposure
		Financial Assets at FVTPL	Assets	Liabilities	
Call option	$ 11,345,800	$ 447,128	$ 447,128	$ -	$ 447,128

September 30, 2015					
Types of Continuing Involvement	Outflows of Repurchased Transferred Financial Assets (Derecognized)	Book Value of Continuing Involvement in the Balance Sheet	Fair Value of Continuing Involvement		Maximum of Loss Exposure
		Financial Assets at FVTPL	Assets	Liabilities	
Call option	$ 11,332,200	$ 385,583	$ 385,583	$ -	$ 385,583

The following table is repurchased transferred financial assets' undiscounted cash flow maturity analysis. Information of cash flow is disclosed according to the circumstances of every balance sheet day.

September 30, 2016						
Types of Continuing Involvement	Spot	3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
Call option	$ -	$ 1,233,600	$ 4,195,000	$ 4,548,700	$ -	$ 9,977,300

December 31, 2015						
Types of Continuing Involvement	Spot	3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
Call option	$ -	$ 835,600	$ 3,293,700	$ 7,216,500	$ -	$ 11,345,800

September 30, 2015						
Types of Continuing Involvement	Spot	3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
Call option	$ -	$ 561,400	$ 3,008,600	$ 7,762,200	$ -	$ 11,332,200

The following table shows gains or losses recognized from continuing involvement - call option at the assets transferred day, continuing involvement of derecognized financial assets until balance sheet day and revenues and expenses recognized during the period.

September 30, 2016			
Types of Continuing Involvement	**Gains Or Losses Recognized at Balance Sheet Day**	**Revenues or Expenses Recognized from Continuing Involvement of Derecognized Financial Assets Until Balance Sheet Day**	**Revenues or Expenses Recognized During the Period**
Call option	$ (280,847)	$ 221,010	$ (59,837)

December 31, 2015			
Types of Continuing Involvement	**Gains Or Losses Recognized at Balance Sheet Day**	**Revenues or Expenses Recognized from Continuing Involvement of Derecognized Financial Assets Until Balance Sheet Day**	**Revenues or Expenses Recognized During the Period**
Call option	$ (176,259)	$ (257,532)	$ (433,791)

September 30, 2015			
Types of Continuing Involvement	**Gains Or Losses Recognized at Balance Sheet Day**	**Revenues or Expenses Recognized from Continuing Involvement of Derecognized Financial Assets Until Balance Sheet Day**	**Revenues or Expenses Recognized During the Period**
Call option	$ (171,261)	$ (342,185)	$ (513,446)

KGI Bank and subsidiaries

Transferred financial assets not qualifying for full derecognition

Among daily operations of KGI Bank, most of the transactions of transferred financial assets not qualifying for full derecognition are debt securities under repurchase agreements. As KGI 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. KGI Bank does not derecognize it entirely because KGI 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:

September 30, 2016					
Category	**Carrying Amount of Transferred Financial Assets**	**Carrying Amount of Related Financial Liabilities**	**Fair Value of Transferred Financial Assets**	**Fair Value of Related Financial Liabilities**	**Fair Value of Net Position**
Notes and bonds issued under repurchase agreements					
Financial assets at FVTPL	$ 32,032,128	$ 30,243,565	$ 32,032,128	$ 30,243,565	$ 1,788,563
Available-for-sale financial assets	28,817,364	27,359,731	28,817,364	27,359,731	1,457,633

December 31, 2015					
Category	**Carrying Amount of Transferred Financial Assets**	**Carrying Amount of Related Financial Liabilities**	**Fair Value of Transferred Financial Assets**	**Fair Value of Related Financial Liabilities**	**Fair Value of Net Position**
Notes and bonds issued under repurchase agreements					
Financial assets at FVTPL	$ 37,960,373	$ 35,862,865	$ 37,960,373	$ 35,862,865	$ 2,097,508
Available-for-sale financial assets	26,418,401	25,014,339	26,418,401	25,014,339	1,404,062

September 30, 2015					
Category	**Carrying Amount of Transferred Financial Assets**	**Carrying Amount of Related Financial Liabilities**	**Fair Value of Transferred Financial Assets**	**Fair Value of Related Financial Liabilities**	**Fair Value of Net Position**
Notes and bonds issued under repurchase agreements					
Financial assets at FVTPL	$ 38,231,099	$ 36,884,910	$ 38,231,099	$ 36,884,910	$ 1,346,189
Available-for-sale financial assets	28,718,561	27,382,079	28,718,561	27,382,079	1,336,482

f. Offsetting financial assets and financial liabilities

KGI Securities and subsidiaries

KGI Securities and subsidiaries' (KGI Securities) transactions of derivative assets and liabilities do not correspond to the provisions of IAS, only in the circumstances of default, insolvency or bankruptcy will KGI Securities have the rights to offset derivative assets and liabilities.

KGI Securities has signed securities repurchase contracts with counterparties, and the agreements stating that KGI Securities to provide securities as collateral, meanwhile KGI Securities signed securities resell contracts with counterparties and receive securities as collateral which do not recognized in the balance sheet. Such contracts do not correspond to the provisions of IAS and bear the right to offset only in the circumstances of default, insolvency or bankruptcy, therefore, related securities sell with repurchase agreements and securities purchased with resell agreement are presented in the balance sheet respectively.

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

September 30, 2016						
Financial Assets Subject to Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Types of Financial Instruments	**Gross Amounts of Recognized Financial Assets (a)**	**Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheet (b)**	**Net Amounts of Financial Assets Presented in the Balance Sheet (c)=(a)-(b)**	**Amounts not Offset in the Balance Sheet (d)**		**Net Amount (e)=(c)-(d)**
				Financial Instruments (Note)	**Cash Collateral Received**	
Derivative financial instruments	$ 4,762,114	$ -	$ 4,762,114	$ -	$ 66,352	$ 4,695,762
Securities purchased under resell agreements	23,169,069	-	23,169,069	23,169,069	-	-
Total	$ 27,931,183	$ -	$ 27,931,183	$ 23,169,069	$ 66,352	$ 4,695,762

September 30, 2016						
Financial Liabilities Subject to Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Types of Financial Instruments	**Gross Amounts of Recognized Financial Liabilities (a)**	**Gross Amounts of Recognized Financial Assets Offset in the Balance Sheet (b)**	**Net Amounts of Financial Liabilities Presented in the Balance Sheet (c)=(a)-(b)**	**Amounts not Offset in the Balance Sheet (d)**		**Net Amount (e)=(c)-(d)**
				Financial Instruments (Note)	**Cash Collateral Received**	
Derivative financial instruments	$ 5,762,405	$ -	$ 5,762,405	$ -	$ 372,004	$ 5,390,401
Notes and bonds issued under repurchase agreements	81,311,101	-	81,311,101	81,311,101	-	-
Total	$ 87,073,506	$ -	$ 87,073,506	$ 81,311,101	$ 372,004	$ 5,390,401

December 31, 2015						
Financial Assets Subject to Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Types of Financial Instruments	**Gross Amounts of Recognized Financial Assets (a)**	**Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheet (b)**	**Net Amounts of Financial Assets Presented in the Balance Sheet (c)=(a)-(b)**	**Amounts not Offset in the Balance Sheet (d)**		**Net Amount (e)=(c)-(d)**
				Financial Instruments (Note)	**Cash Collateral Received**	
Derivative financial instruments	$ 1,857,035	$ -	$ 1,857,035	$ -	$ 76,126	$ 1,780,909
Securities purchased under resell agreements	16,445,429	-	16,445,429	16,445,429	-	-
Total	$ 18,302,464	$ -	$ 18,302,464	$ 16,445,429	$ 76,126	$ 1,780,909

December 31, 2015						
Financial Liabilities Subject to Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Types of Financial Instruments	**Gross Amounts of Recognized Financial Liabilities (a)**	**Gross Amounts of Recognized Financial Assets Offset in the Balance Sheet (b)**	**Net Amounts of Financial Liabilities Presented in the Balance Sheet (c)=(a)-(b)**	**Amounts not Offset in the Balance Sheet (d)**		**Net Amount (e)=(c)-(d)**
				Financial Instruments (Note)	**Cash Collateral Received**	
Derivative financial instruments	$ 4,284,302	$ -	$ 4,284,302	$ -	$ 656,140	$ 3,628,162
Notes and bonds issued under repurchase agreements	58,601,838	-	58,601,838	58,601,838	-	-
Total	$ 62,886,140	$ -	$ 62,886,140	$ 58,601,838	$ 656,140	$ 3,628,162

September 30, 2015						
Financial Assets Subject to Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Types of Financial Instruments	**Gross Amounts of Recognized Financial Assets (a)**	**Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheet (b)**	**Net Amounts of Financial Assets Presented in the Balance Sheet (c)=(a)-(b)**	**Amounts not Offset in the Balance Sheet (d)**		**Net Amount (e)=(c)-(d)**
				Financial Instruments (Note)	**Cash Collateral Received**	
Derivative financial instruments	$ 2,773,099	$ -	$ 2,773,099	$ -	$ 68,517	$ 2,704,582
Securities purchased under resell agreements	18,455,405	-	18,455,405	18,455,405	-	-
Total	$ 21,228,504	$ -	$ 21,228,504	$ 18,455,405	$ 68,517	$ 2,704,582

September 30, 2015						
Financial Liabilities Subject to Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Types of Financial Instruments	**Gross Amounts of Recognized Financial Liabilities (a)**	**Gross Amounts of Recognized Financial Assets Offset in the Balance Sheet (b)**	**Net Amounts of Financial Liabilities Presented in the Balance Sheet (c)=(a)-(b)**	**Amounts not Offset in the Balance Sheet (d)**		**Net Amount (e)=(c)-(d)**
				Financial Instruments (Note)	**Cash Collateral Received**	
Derivative financial instruments	$ 4,300,287	$ -	$ 4,300,287	$ -	$ 1,788,604	$ 2,511,683
Notes and bonds issued under repurchase agreements	57,703,884	-	57,703,884	57,703,884	-	-
Total	62,004,171	$ -	$ 62,004,171	$ 57,703,884	$ 1,788,604	$ 2,511,683

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

<u>KGI Bank and subsidiaries</u>

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

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

September 30, 2016						
Financial Assets Subject to Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Types of Financial Instruments	**Gross Amounts of Recognized Financial Assets (a)**	**Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheet (b)**	**Net Amounts of Financial Assets Presented in the Balance Sheet (c)=(a)-(b)**	**Amounts not Offset in the Balance Sheet (d)**		**Net Amount (e)=(c)-(d)**
				Financial Instruments (Note)	**Cash Collateral Received**	
Securities purchased under resell agreements	$ 900,130	$ -	$ 900,130	$ 900,130	$ -	$ -
Derivative financial instruments	21,437,748	-	21,437,748	7,810,380	1,635,052	11,992,316
Total	$ 22,337,878	$ -	$ 22,337,878	$ 8,710,510	$ 1,635,052	$ 11,992,316

September 30, 2016						
Financial Liabilities Subject to Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Types of Financial Instruments	**Gross Amounts of Recognized Financial Liabilities (a)**	**Gross Amounts of Recognized Financial Assets Offset in the Balance Sheet (b)**	**Net Amounts of Financial Liabilities Presented in the Balance Sheet (c)=(a)-(b)**	**Amounts not Offset in the Balance Sheet (d)**		**Net Amount (e)=(c)-(d)**
				Financial Instruments (Note)	**Cash Collateral Received**	
Notes and bonds issued under repurchase agreements	$ 57,911,702	$ -	$ 57,911,702	$ 57,740,455	$ 171,247	$ -
Derivative financial instruments	23,809,202	-	23,809,202	7,810,380	4,644,831	11,353,991
Total	$ 81,720,904	$ -	$ 81,720,904	$ 65,550,835	$ 4,816,078	$ 11,353,991

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

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

September 30, 2015						
Financial Assets Subject to Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Types of Financial Instruments	Gross Amounts of Recognized Financial Assets (a)	Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheet (b)	Net Amounts of Financial Assets Presented in the Balance Sheet (c)=(a)-(b)	Amounts not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note)	Cash Collateral Received	
Securities purchased under resell agreements	$ 47,941,539	$ -	$ 47,941,539	$ 47,941,539	$ -	$ -
Derivative financial instruments	26,989,996	-	26,989,996	8,399,960	512,643	18,077,393
Total	$ 74,931,535	$ -	$ 74,931,535	$ 56,341,499	$ 512,643	$ 18,077,393

September 30, 2015						
Financial Liabilities Subject to Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Types of Financial Instruments	Gross Amounts of Recognized Financial Liabilities (a)	Gross Amounts of Recognized Financial Assets Offset in the Balance Sheet (b)	Net Amounts of Financial Liabilities Presented in the Balance Sheet (c)=(a)-(b)	Amounts not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note)	Cash Collateral Received	
Notes and bonds issued under repurchase agreements	$ 66,382,790	$ -	$ 66,382,790	$ 66,382,790	$ -	$ -
Derivative financial instruments	27,963,202	-	27,963,202	8,399,960	8,686,113	10,877,129
Total	$ 94,345,992	$ -	$ 94,345,992	$ 74,782,750	$ 8,686,113	$ 10,877,129

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

54. CAPITAL MANAGEMENT

CDIB and subsidiaries

a. Objectives

CDIB’s eligible capital should be higher than statutorily required capital and should meet the authorities’ minimum requirements for capital adequacy ratio. This is the fundamental principle of capital management.

Capital is needed to cover any future losses. Capital management is the main tool of financial institutions to developing business and risk strategies. To effectively manage CDIB’s capital as well as meet the regulatory authorities’ minimum requirements, CDIB follows the principle "Capital bears risk as well as requires compensation", thus, under an effective capital management framework, CDIB balances risk control and business development and achieves the business objective of maximizing stockholder value.

b. Capital management procedures

CDIB had met the authorities’ minimum requirements for capital adequacy ratio and reported to the authority quarterly. Eligible capital is calculated according with the “Regulations Governing the Capital Adequacy and Capital Category of Banks”.

KGI and subsidiaries

The main objective of KGI and subsidiaries in capital management is to maintain a healthy credit rating and capital ratio to support the Corporation’s operation and maximize shareholders’ interests. KGI and subsidiaries will manage and adjust the capital structure based on the economic situation, possibly by adjusting dividends, returning capital or issuing new shares.

KGI Bank and subsidiaries

a. Objectives

The calculation of self-owned capital should be conducted according to the regulations of the 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, KGI 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

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

55. TRUST BUSINESS OPERATIONS UNDER THE TRUST ENTERPRISES ACT

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

CDIB will not engage in trust operations from the date of transfer of business on May 1, 2015.

Income Statements of Trust Accounts

(In thousands of New Taiwan Dollars)

	For the Four Months Ended April 30, 2015
Trust income and gains	
Gain on financial assets at FVTPL, net	$ 225,466
Interest income	15,721
Rental income	1,025
Total trust income and gains	242,212
Trust expenses	
Interest expense	19,635
Trust administrative expense	188
Other expenses	34
Total trust expenses	19,857
Net income before income tax	$ 222,355

b. The balance sheets and income statements of the trust accounts and trust property accounts of KGI Securities were as follows:

Balance Sheets of Trust Accounts

(In thousands of New Taiwan Dollars)

Trust Assets	September 30, 2016	December 31, 2015	September 30, 2015	Trust Liabilities	September 30, 2016	December 31, 2015	September 30, 2015
Bank deposits	$ 942,434	$ 876,118	$ 843,425	Payables	$ 27,485	$ 30,124	$ 22,890
Financial assets	21,409,094	22,837,422	16,454,334	Trust capital	21,820,187	23,578,392	17,805,629
Receivables	80,945	99,904	113,550	Reserves and retained earnings	584,801	204,928	(417,210)
Total	$ 22,432,473	$ 23,813,444	$ 17,411,309	Total	$ 22,432,473	$ 23,813,444	$ 17,411,309

Income Statements of Trust Accounts

(In thousands of New Taiwan Dollars)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2016	2015	2016	2015
Trust income	$ 488,154	$ (281,960)	$ 2,006,846	$ 1,515,240
Trust expenses	19,585	1,128,875	2,158,801	2,365,842
Income before income tax	$ 468,569	$ (1,410,835)	$ (151,955)	$ (850,602)

The above income from trust operations were excluded from KGI Securities' income.

Trust Property Accounts

(In thousands of New Taiwan Dollars)

Investment Portfolio	September 30, 2016	December 31, 2015	September 30, 2015
Bank deposits	$ 942,434	$ 876,118	$ 843,425
Stocks	12,685,749	15,470,397	9,477,088
Funds	8,711,914	7,320,525	6,905,760
Structured notes	11,431	46,500	71,486
Receivables	80,945	99,904	113,550
Total	$ 22,432,473	$ 23,813,444	$ 17,411,309

c. The balance sheets and income statements of the trust accounts and trust property accounts of KGI Bank were as follows:

Balance Sheets of Trust Accounts

(In thousands of New Taiwan Dollars)

Trust Assets	September 30, 2016	December 31, 2015	September 30, 2015	Trust Liabilities	September 30, 2016	December 31, 2015	September 30, 2015
Bank deposits	$ 329,837	$ 654,161	$ 833,204	Payables	$ 153,184	$ 154,615	$ 153,853
Short-term investment	30,433,330	31,338,483	32,821,674	Payables on securities under custody	1,813,829	-	-
Receivables	34,703	51,927	62,610	Other liabilities	37,576	1,336,311	1,343,765
Payments for others	36,042	1,166,813	1,166,833	Trust capital	34,483,489	37,805,193	39,492,003
Financial assets at FVTPL	2,461,736	3,697,006	3,606,382	Accumulated earnings	1,106,042	795,758	688,366
Financial assets measured at cost	1,401,426	1,401,010	1,400,000				
Real estate, net	98,151	797,943	797,943				
Intangible assets - surface rights	984,534	984,534	984,534				
Securities under custody	1,813,829	-	-				
Other assets	532	-	4,807				
Total	$ 37,594,120	$ 40,091,877	$ 41,677,987	Total	$ 37,594,120	$ 40,091,877	$ 41,677,987

Income Statements of Trust Accounts

(In thousands of New Taiwan Dollars)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2016	2015	2016	2015
Trust income and gains				
Profit income	$ 16,275	$ 104,709	$ 82,317	$ 156,294
Interest income	329,844	401,136	991,699	1,237,355
Rental income	7,645	8,299	22,702	23,938
Gain or loss on financial assets at FVTPL, net	208,904	(536,116)	495,698	269,905
Other income	2,467	1,533	23,574	2,225
Total trust income and gains	565,135	(20,439)	1,615,990	1,689,717
Property transaction losses	(152,864)	(498,911)	(1,284,038)	(910,907)
Trust expenses				
Interest expenses	7,110	16,320	39,752	48,960
Administrative expenses	6,276	11,627	18,002	28,000
Service fee	469	-	592	-
Other expenses	7,622	1,768	17,359	4,254
Total trust expenses	21,477	29,715	75,705	81,214
Net income	$ 390,794	$ (549,065)	$ 256,247	$ 697,596

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

Trust Property Accounts

(In thousands of New Taiwan Dollars)

Investment Portfolio	September 30, 2016	December 31, 2015	September 30, 2015
Bank deposits	$ 329,837	$ 654,161	$ 833,204
Short-term investments			
Funds	28,717,275	29,808,756	31,513,849
Bonds	1,425,076	1,113,036	958,245
Common shares	78,300	81,400	82,400
Structured notes	93,766	215,507	215,731
ETF	118,913	119,784	51,449
Financial assets at FVTPL	2,461,736	3,697,006	3,606,382
Payment for others	36,042	1,166,813	1,166,833
Financial assets measured at cost	1,401,426	1,401,010	1,400,000
Real estate, net	98,151	797,943	797,943
Intangible assets - surface right	984,534	984,534	984,534
Securities under custody	1,813,829	-	-
Other assets	35,235	51,927	67,417
Total	$ 37,594,120	$ 40,091,877	$ 41,677,987

56. DISCLOSURE REQUIRED UNDER ARTICLE 46 OF THE FINANCIAL HOLDING COMPANY ACT

Please refer to Table 8 (attached).

57. CONDENSED INDIVIDUAL BALANCE SHEETS AND STATEMENTS OF COMPREHENSIVE INCOME OF THE CORPORATION AND ITS SUBSIDIARIES

Please refer to Table 9 (attached).

58. ALLOCATION OF REVENUE, COST AND EXPENSE RESULTING FROM COOPERATION AND RESOURCE SHARING BETWEEN THE CORPORATION AND SUBSIDIARIES

For the resource sharing between the Corporation and subsidiaries, please refer to Note 47 to the consolidated financial statements.

59. CONTINGENCIES AND COMMITMENT, DISASTROUS DAMAGES AND SUBSEQUENT EVENTS OF SUBSIDIARIES

Please refer to Note 49 to the consolidated financial statements. Information on disaster damages: None.

60. SUBSIDIARIES' ASSET QUALITY, MANAGEMENT, PROFITABILITY, LIQUIDITY AND SENSITIVITY TO MARKET RISK

Please refer to Notes 51 and 53 to the consolidated financial statements.

61. SPECIFIC RISK FROM FUTURES DEALING

The futures dealer needs to maintain adequate liquidity in case of its clients fail to fulfill the contracts in the futures transactions with the features of low financial leverage nature and unpredictable market fluctuation. If the dealing business fails to maintain the amount of margin, the open contracts may be closed. Thus, the margin may be lost entirely and may require further payment of deficiency.

62. FINANCIAL RATIOS OF FUTURES-DEALING SUBSIDIARY

The following financial ratios of KGI Securities' futures department and KGI Futures Corp. in compliance with the requirements of the Rules Governing Futures Commission Merchants.

a. KGI Securities' futures department

Rule No.	Formula	September 30, 2016 Formula	September 30, 2016 %	December 31, 2015 Formula	December 31, 2015 %	September 30, 2015 Formula	September 30, 2015 %	Standard	Meet Standard
17	Equities / Total liabilities minus customers' equity accounts	$1,779,173 / $564,222	=3.15	$1,965,939 / $407,338	=4.83	$1,807,220 / $578,084	=3.13	≧1	Yes
17	Current assets / Current liabilities	$2,299,221 / $381,698	=6.02	$2,320,730 / $238,942	=9.71	$2,333,033 / $425,791	=5.48	≧1	Yes
22	Equities / Capital stock	$1,779,173 / $400,000	=444.79%	$1,965,939 / $400,000	=491.48%	$1,807,220 / $400,000	=451.81%	≧60% ≧40%	Yes
22	Adjusted net capital / Client and proprietary account	$1,220,172 / $343,639	=355.07%	$1,417,650 / $215,941	=656.50%	$1,059,610 / $258,726	=409.55%	≧20% ≧15%	Yes

b. KGI Futures Corp.

Rule No.	Formula	September 30, 2016 Formula	September 30, 2016 %	December 31, 2015 Formula	December 31, 2015 %	September 30, 2015 Formula	September 30, 2015 %	Standard	Meet Standard
17	Equities / Total liabilities minus customers' equity accounts	$2,605,994 / $330,886	=7.88	$2,624,668 / $372,168	=7.05	$2,533,359 / $286,255	=8.85	≧1	Yes
17	Current assets / Current liabilities	$21,986,134 / $19,976,456	=1.10	$20,589,705 / $18,589,073	=1.11	$19,993,629 / $18,058,083	=1.11	≧1	Yes
22	Equities / Capital stock	$2,605,994 / $760,000	=342.89%	$2,624,668 / $760,000	=345.35%	$2,533,359 / $760,000	=333.34%	≧60% ≧40%	Yes
22	Adjusted net capital / Client and proprietary account	$2,195,681 / $3,301,995	=66.50%	$2,221,296 / $3,662,040	=60.66%	$2,183,406 / $3,545,101	=61.59%	≧20% ≧15%	Yes

63. ACCOUNT RECLASSIFICATION

KGI Securities did not intend to sell the following financial assets held for trading within the short term because of economic instability and deterioration of the world's financial markets in 2008. Thus, under the newly amended Statement of Financial Accounting Standards No. 34 - "Financial Instruments: Recognition and Measurement," KGI Securities reclassified its financial assets held-for-trading financial assets to available-for-sale financial assets. The fair values at the reclassification date were as follows:

	Before Reclassification	After Reclassification
KGI Securities		
Financial assets at FVTPL - held for trading	$ 3,831,236	$ -
Available-for-sale financial assets	-	3,831,236
	$ 3,831,236	$ 3,831,236

The carrying amounts and fair values of the reclassified financial assets as of September 30, 2016, December 31, 2015 and September 30, 2015 were as follows:

	September 30, 2016		December 31, 2015		September 30, 2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
KGI Securities and subsidiaries						
Available-for-sale financial assets	$ 4,905,157	$ 4,905,157	$ 4,358,869	$ 4,358,869	$ 4,413,444	$ 4,413,444

The gains or losses recorded for the reclassified financial assets (excluding those that had been derecognized before September 30, 2016 and 2015) for the three and nine months ended September 30, 2016 and 2015 and the pro forma gains or losses assuming no reclassifications had been made were as follows:

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2016		2015		2016		2015	
	Gains (Losses) Recorded	Pro Forma Losses	Gains (Losses) Recorded	Pro Forma Gains	Gains (Losses) Recorded	Pro Forma Losses	Gains (Losses) Recorded	Pro Forma Gains
KGI Securities and subsidiaries								
Available-for-sale financial assets	$ -	$ 654,903	$ -	$ (871,243)	$ -	$ 546,288	$ -	$ (35,369)

64. ADDITIONAL DISCLOSURES

a. and b. following are the additional disclosures required for the Corporation and subsidiaries:

1) Financing provided: Not applicable to the Corporation, CDIB and KGI Bank. For other subsidiaries' information: Please refer to Table 1 (attached).

2) Collaterals/guarantees provided: Not applicable to the Corporation, CDIB and KGI Bank. For other subsidiaries' information: Please refer to Table 2 (attached).

3) Marketable securities held: Not applicable to the Corporation, CDIB, KGI Bank, and KGI Securities and subsidiaries. For other subsidiaries' information: Please refer to Table 3 (attached).

4) Subsidiaries were acquired and disposed of, at cost or price of at least NT$300 million or 10% of the issued capital (subsidiaries acquired and disposed of marketable securities, at cost or price of at least NT$300 million or 10% of the issued capital): For the KGI Bank and subsidiaries' information: None. Not applicable to KGI Securities and subsidiaries. For the Corporation, CDIB and other subsidiaries' information: Please refer to Table 4 (attached).

5) Acquisition of individual real estate at cost of at least NT$300 million or 10% of the issued capital: For the Corporation and other subsidiaries' information: None.

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

7) Discount on service fees received from related parties amounting to NT$5 million: For the Corporation and other subsidiaries' information: None.

8) Receivables from related parties amounting to NT$300 million or 10% of the issued capital: Please refer to Note 47 and Table 5 (attached).

9) Sold nonperforming loans: Please refer to Table 6 (attached).

10) For related information on the subsidiaries' securitization products approved under the Regulation on Financial Asset Securitization: None.

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

12) The information of investees: None.

13) Derivative transactions of the Corporation and subsidiaries: Please refer to Notes 8, 52 and 53 to the consolidated financial statements.

c. Subsidiaries investment in Mainland China: Please refer to Table 10 (attached).

d. Business relationships and significant transactions among the Corporation and its subsidiaries: Please refer to Table 11 (attached).

65. SEGMENT INFORMATION

The reportable segments of the Corporation are Industrial banking, Securities and Commercial banking. Under the Regulations Governing the Establishment Criteria and Administration of Industrial Banks and relevant regulations, Industrial Banking engaged in principal investment business, global financial market business and corporate banking business. Under the Securities and Exchange Act and relevant regulations, Securities engaged in wealth management business, trading business and investment banking business. Under The Banking Act of The Republic of China and relevant regulations, Commercial banking engaged in consumer banking, corporate banking and global market and financial institution.

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

a. Segment revenues and results

Following is an analysis of the Corporation and subsidiaries' operating revenue and results by reportable segment:

	Industrial Banking	Securities	Commercial Banking	Other	Total
For the three months ended September 30, 2016					
Interest profit (loss), net	$ 20,259	$ 426,266	$ 1,463,792	$ (152,196)	$ 1,758,121
Noninterest profit, net	1,095,591	4,195,891	1,378,134	60,995	6,730,611
Net profit (loss)	1,115,850	4,622,157	2,841,926	(91,201)	8,488,732
Reversal of allowance (allowance) for bad debts and losses on guarantees, net	8,049	(134,466)	(115,642)	-	(242,059)
Operating expenses	(554,185)	(2,850,793)	(1,406,493)	(434,728)	(5,246,199)
Income (loss) before income tax	569,714	1,636,898	1,319,791	(525,929)	3,000,474
Income tax benefit (expense)	(42,330)	(88,830)	(342,359)	33,064	(440,455)
Net income (loss)	$ 527,384	$ 1,548,068	$ 977,432	$ (492,865)	$ 2,560,019
For the three months ended September 30, 2015					
Interest profit (loss), net	$ 82,444	$ 496,237	$ 1,835,205	$ (171,559)	$ 2,242,327
Noninterest profit (loss), net	899,672	1,787,238	427,553	85,900	3,200,363
Net profit (loss)	982,116	2,283,475	2,262,758	(85,659)	5,442,690
Reversal of allowance (allowance) for bad debts and losses on guarantees, net	90,327	(35,744)	246,022	-	300,605
Operating expenses	(394,057)	(2,832,259)	(1,317,357)	(341,429)	(4,885,102)
Income (loss) before income tax	678,386	(584,528)	1,191,423	(427,088)	858,193
Income tax benefit (expense)	(20,955)	173,971	(65,789)	47,305	134,532
Net income (loss)	$ 657,431	$ (410,557)	$ 1,125,634	$ (379,783)	$ 992,725
For the nine months ended September 30, 2016					
Interest profit (loss), net	$ 44,947	$ 1,285,000	$ 4,297,026	$ (449,052)	$ 5,177,921
Noninterest profit (loss), net	2,157,315	9,295,108	3,481,305	57,193	14,990,921
Net profit (loss)	2,202,262	10,580,108	7,778,331	(391,859)	20,168,842
Reversal of allowance (allowance) for bad debts and losses on guarantees, net	42,746	(518,762)	(138,585)	-	(614,601)
Operating expenses	(1,159,177)	(8,195,712)	(4,029,506)	(1,047,765)	(14,432,160)
Income (loss) before income tax	1,085,831	1,865,634	3,610,240	(1,439,624)	5,122,081
Income tax benefit (expense)	(62,346)	(229,057)	(472,943)	145,565	(618,781)
Net income (loss)	$ 1,023,485	$ 1,636,577	$ 3,137,297	$ (1,294,059)	$ 4,503,300
For the nine months ended September 30, 2015					
Interest profit (loss), net	$ 1,397,474	$ 1,757,767	$ 4,624,974	$ (558,997)	$ 7,221,218
Noninterest profit (loss), net	2,692,514	9,703,633	1,454,822	69,309	13,920,278
Net profit (loss)	4,089,988	11,461,400	6,079,796	(489,688)	21,141,496
Reversal of allowance (allowance) for bad debts and losses on guarantees, net	178,429	(56,480)	769,059	-	891,008
Operating expenses	(1,664,750)	(9,126,568)	(3,435,310)	(1,016,346)	(15,242,974)
Income (loss) before income tax	2,603,667	2,278,352	3,413,545	(1,506,034)	6,789,530
Income tax expense	134,572	(233,070)	(417,339)	(124,648)	(640,485)
Net income (loss)	$ 2,738,239	$ 2,045,282	$ 2,996,206	$ (1,630,682)	$ 6,149,045

b. Segment assets and liabilities

	Industrial Banking	Securities	Commercial Banking	Other	Total
September 30, 2016					
Assets	$ 45,761,921	$ 306,543,881	$ 557,747,749	$ 1,977,282	$ 912,030,833
Liabilities	$ 2,674,658	$ 254,598,054	$ 462,975,689	$ 26,845,067	$ 747,093,468
December 31, 2015					
Assets	$ 48,569,509	$ 267,093,626	$ 548,775,549	$ 2,280,491	$ 866,719,175
Liabilities	$ 2,885,387	$ 209,307,827	$ 459,034,084	$ 26,721,139	$ 697,948,437
September 30, 2015					
Assets	$ 52,780,509	$ 298,846,908	$ 564,352,569	$ 2,262,033	$ 918,242,019
Liabilities	$ 2,686,868	$ 239,500,756	$ 482,510,523	$ 26,432,729	$ 751,130,876

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

FINANCINGS PROVIDED
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Financier	Counter-party	Financial Statement Account	Related-party	Maximum Balance for the Period	Ending Balance	Actual Amount Drawn Down	Interest Rate	Nature of Financing Provided	Transaction Amount	Financing Reasons	Allowance for Bad Debt	Collateral		Financial Limit for Each Borrowing Company	Limit on Financier's Total Financing
													Item	Value		
1	Richpoint Company Limited	KG Investments Holdings Limited	Receivables, net	Yes	$ 6,900,520	$ 3,763,920	$ 3,512,992	Floating	Short-term financing	$ -	Working capital	$ -	-	$ -	$ 14,219,689 (Note 1)	$ 14,219,689 (Note 1)
		KGI International Holdings Limited	Receivables, net	Yes	5,332,220	5,332,220	-	Floating	Short-term financing	-	Working capital	-	-	-	14,219,689	
		KGI Investment Advisory (Shanghai) Company Limited	Receivables, net	Yes	25,093	25,093	-	Floating	Short-term financing	-	Working capital	-	-	-	14,219,689	
2	KGI International Holdings Limited	KGI Asia Limited	Receivables, net	Yes	1,568,300	1,568,300	-	Floating	Short-term financing	-	Working capital	-	-	-	15,248,282 (Note 2)	15,248,282 (Note 2)
		KGI International Finance Limited	Receivables, net	Yes	4,704,900	4,704,900	882,169	Floating	Short-term financing	-	Working capital	-	-	-	15,248,282	
		KGI Ong Capital Pte. Ltd	Receivables, net	Yes	112,110	-	-	Floating	Short-term financing	-	Working capital	-	-	-	15,248,282	
		PT KGI Sekuritas Indonesia	Receivables, net	Yes	313,660	313,660	62,732	Floating	Short-term financing	-	Working capital				15,248,282	

Note 1: Richpoint Company Limited's financing limit is based on the "Loan of Funds Making Guideline". The guideline states that, for each and for all of the borrowing companies, the total amount available for financing should not exceed the net worth of the financing company.

Note 2: KGI International Holdings Limited's financing limit is based on the "Loan of Funds Making Guideline". The guideline states that, for each and for all of the borrowing companies, the total amount available for financing should not exceed the net worth of the financing company.

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

TABLE 2

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

COLLATERALS/GUARANTEE PROVIDED
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Collaterals/Guarantee Provider	Counter-party		Limits on Each Counter-party's Collateral/ Guarantee Amounts	Maximum Balance for the Period	Ending Balance	Actual Amount Drawn Down	Carrying Value (as of Balance Sheet Date) of Properties Guaranteed by Collateral	Ratio of Accumulated Amount of Collateral to Net Asset Value of the Latest Financial Statement	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	KGI Securities Co., Ltd.	KGI Fraser Securities Pte. Ltd.	Note 1	$ 5,853,872	$ 1,166,909	$ 1,148,200	$ 1,148,200	$ -	1.96%	$ 23,415,487 (Note 2)	No	No	No
		KGI Ong Capital Pte. Ltd.	Note 1	5,853,872	1,166,909	1,148,200	1,148,200	-	1.96%		No	No	No
2	KGI Investments Holdings Limited	PT KGI Sekuritas Indonesia	Note 1	11,546,552	94,098	94,098	31,366	-	0.81%	11,546,552 (Note 3)	No	No	No
3	KGI International Holdings Limited	KGI Asia Limited	Note 1	15,248,282	1,735,908	1,735,908	55,225	-	11.38%	15,248,282 (Note 4)	No	No	No
		KGI International Finance Limited	Note 1	15,248,282	2,948,404	2,634,744	209,721	-	17.28%		No	No	No
		KGI Futures (Hong Kong) Limited	Note 1	15,248,282	203,879	203,879	-	-	1.34%		No	No	No
		KGI Finance Limited	Note 1	15,248,282	134,874	134,874	-	-	0.88%		No	No	No
		KGI International (Hong Kong) Limited	Note 1	15,248,282	1,944,692	1,944,692	-	-	12.75%		No	No	No
		KGI Ong Capital Pte. Ltd.	Note 1	15,248,282	627,320	627,320	-	-	4.11%		No	No	No
		KGI Asia (Holdings) Pte. Limited	Note 1	15,248,282	1,050,201	1,033,363	-	-	6.78%		No	No	No
4	CDIB Management Consulting Corporation	CDIB International Leasing Corp.	Note 1	6,454,880	3,371,335	2,524,453	1,317,372	-	195.55%	6,454,880 (Note 5)	No	No	Yes

Note 1: The Corporation and subsidiary owns directly or indirectly over 50% ownership of the investee company.

Note 2: The limit of maximum guarantee provided by KGI Securities Co., Ltd.'s is based on "Corporate Endorsement, Guarantee Making Guideline". For each company, the amount of guarantee should not exceed 10% of the guarantee provider's net asset value. The total amount available for collaterals or guarantee should not exceed 40% of the guarantee provider's net asset value.

Note 3: The limit of maximum guarantee provided by KGI Investments Holdings Limited is based on the "Corporate Endorsement, Guarantee Making Guideline". For each and all company, the amount of guarantee provided should not exceed the guarantee provider's net asset value.

Note 4: The limit of maximum guarantee provided by KGI International Holdings Limited is based on the "Corporate Endorsement, Guarantee Making Guideline". For each and all company, the amount of guarantee provided should not exceed the guarantee provider's net asset value.

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

Note 6: The above companies which are the subsidiaries of the Corporation were eliminated from the consolidated financial statements.

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
SEPTEMBER 30, 2016
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	September 30, 2016				Note
				Shares/Face Value/Units	Carrying Value (Note 2)	Percentage of Ownership	Market Value or Net Asset Value (Note 3)	
CDIB Capital Management Inc.	Stocks							
	Tong Hsing Electronic Industries, Ltd.	-	Available-for-sale financial assets	660,000	$ 78,210	0.41	$ 78,210	
	Aten International Co., Ltd.	-	Available-for-sale financial assets	65,660	5,246	0.05	5,246	
	Powertech Industrial Co., Ltd.	-	Available-for-sale financial assets	199,229	2,710	0.18	2,710	
	Victory Circuit Co., Ltd.	-	Available-for-sale financial assets	101,240	1,186	0.14	1,186	
	Pili International Multimedia Co., Ltd.	-	Available-for-sale financial assets	300,000	29,340	0.68	29,340	
	Initio Corporation	-	Financial assets measured at cost	93,285	684	0.52	891	
	Arcoa Communication Co., Ltd.	-	Financial assets measured at cost	783,000	7,493	0.58	18,627	
	Beyond Innovation Technology Co., Ltd.	-	Financial assets measured at cost	235,474	4,485	0.70	1,615	
	EVA Technologies Co., Ltd.	-	Financial assets measured at cost	744,058	12,060	1.44	6,263	
	Luminous Town Electric Co., Ltd.	-	Financial assets measured at cost	1,442,883	13,645	2.16	17,200	
	MCM Stamping Co., Ltd.	-	Financial assets measured at cost	70,000	2,100	0.22	460	
	CDIB Private Equity (Hong Kong) Corporation Limited	Subsidiary	Investments accounted for using the equity method	51,900,000	238,063	100.00	238,063	
	CDIB CME Fund Ltd.	Associate	Investments accounted for using the equity method	1,500,000	14,436	1.00	14,436	
	CDIB Biomedical Venture Capital Corporation	Associate	Investments accounted for using the equity method	1,750,000	16,877	1.00	16,877	
	CDIB Innovation Advisors Corporation Limited	Subsidiary	Investments accounted for using the equity method	1,200,000	11,689	60.00	11,689	
CDIB Private Equity (Hong Kong) Corporation Limited	Stocks							
	CDIB Private Equity Management Corporation	Subsidiary	Investments accounted for using the equity method	-	HK$ 15,808	100.00	HK$ 15,808	
	CPEC Huachuang Private Equity (Kunshan) Co, Ltd.	Subsidiary	Investments accounted for using the equity method	-	HK$ 7,506	65.00	HK$ 7,506	
	CPEC Huachuang Private Management (Kushan) Enterprise (Limited Partnership)	Subsidiary	Investments accounted for using the equity method	-	HK$ 366	4.33	HK$ 366	
	CPEC Huachung Private Equity Management (Fujian) Enterprise (Limited Partnership)	Subsidiary	Investments accounted for using the equity method	-	HK$ 8,000	56.00	HK$ 8,000	
CPEC Huachuang Private Equity (Kunshan) Co, Ltd.	Stocks							
	CPEC Huachuang Private Management (Kushan) Enterprise (Limited Partnership)	Subsidiary	Investments accounted for using the equity method	-	RMB 6,789	93.34	RMB 6,789	
CPEC Huachuang Private Management (Kushan) Enterprise (Limited Partnership)	Fund							
	CPEC Huachuang Private Equity (Kunshan) Enterprise (Limited Partnership)	Associate	Investments accounted for using the equity method	-	RMB 6,922	-	RMB 6,922	
CPEC Huachuang Private Equity Management (Fujian) Enterprise (Limited Partnership)	Fund							
	CPEC Huachung Private Equity (Fujian) Enterprise (Limited Partnership)	Associate	Investments accounted for using the equity method	-	RMB 7,125	-	RMB 7,125	
CDIB Venture Capital Corporation	Stocks							
	Aten International Co., Ltd.	-	Available-for-sale financial assets	2,283,567	182,457	1.91	182,457	
	Anpec Electronics Corporation	-	Available-for-sale financial assets	3,709,011	109,230	3.66	109,230	
	Macroblock, Inc.	-	Available-for-sale financial assets	250,000	16,675	0.75	16,675	
	Taihan Precision Technology Co., Ltd.	-	Available-for-sale financial assets	3,503,158	32,404	5.58	32,404	
	Dynamic Electronics Co., Ltd.	-	Available-for-sale financial assets	3,285,131	32,818	1.17	32,818	
	Formosa Advanced Technologies Co., Ltd.	-	Available-for-sale financial assets	100,000	2,260	0.02	2,260	
	Chicony Power Technology Co., Ltd.	-	Available-for-sale financial assets	4,028,366	173,018	1.07	173,018	
	Solartech Energy Corp.	-	Available-for-sale financial assets	5,215,328	77,381	1.41	77,381	
	Neo Solar Power Corp.	-	Available-for-sale financial assets	4,555,307	71,074	0.44	71,074	
	Lextar Electronics Corp.	-	Available-for-sale financial assets	2,608,065	37,295	0.46	37,295	
	Gallant Precision Machine Co., Ltd.	-	Available-for-sale financial assets	1,247,499	27,071	0.76	27,071	
	Shin Zu Shing Co., Ltd.	-	Available-for-sale financial assets	613,462	63,493	0.34	63,493	
	Sunfun Info Co., Ltd.	-	Available-for-sale financial assets	810,000	26,244	5.71	26,244	

(Continued)

Holding Company	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	September 30, 2016				Note
				Shares/Face Value/Units	Carrying Value (Note 2)	Percentage of Ownership	Market Value or Net Asset Value (Note 3)	
CDIB Venture Capital Corporation	Stocks							
	ASRock Inc.	-	Available-for-sale financial assets	424,462	$ 16,490	0.37	$ 16,490	
	Share Hope Medicine Co., Ltd.	-	Available-for-sale financial assets	223,663	8,007	0.30	8,007	
	Hotron Precision Electronic Industrial Co., Ltd.	-	Available-for-sale financial assets	1,167,000	41,837	1.84	41,837	
	ADDA Corp.	-	Available-for-sale financial assets	607,000	4,583	0.42	4,583	
	Topoint Technology Co., Ltd.	-	Available-for-sale financial assets	2,513,383	50,645	1.58	50,645	
	Aces Connectors Co., Ltd.	-	Available-for-sale financial assets	2,850,421	69,550	2.31	69,550	
	China Communications Media Group Co., Ltd.	-	Available-for-sale financial assets	1,110,000	18,260	2.93	18,260	
	FocalTech Corporation, Ltd.	-	Available-for-sale financial assets	495,352	18,675	0.17	18,675	
	Sino-American Silicon Products Inc.	-	Available-for-sale financial assets	2,594,562	85,102	0.45	85,102	
	Enterex International Limited	-	Available-for-sale financial assets	1,935,000	105,651	1.93	105,651	
	Trea Xtal Technology Corp.	-	Available-for-sale financial assets	4,250,961	7,864	2.23	7,864	
	HIM International Music Inc.	-	Available-for-sale financial assets	1,136,960	133,024	2.66	133,024	
	Capital Securities Corporation	-	Available-for-sale financial assets	884,887	7,221	0.04	7,221	
	Andes Technologies Co., Ltd.	-	Available-for-sale financial assets	958,296	62,098	2.58	62,098	
	Newmax Technology Co., Ltd.	-	Available-for-sale financial assets	743,847	15,063	0.73	15,063	
	Global Sweeteners Holdings Ltd.	-	Available-for-sale financial assets	6,400,000	5,980	0.42	5,980	
	Victory Circuit Co., Ltd.	-	Available-for-sale financial assets	202,480	2,373	0.29	2,373	
	Strong LED Lighting Systems (Cayman) Co., Ltd.	-	Available-for-sale financial assets	2,550,000	67,703	6.89	67,703	
	Shane Global Holding Inc.	-	Available-for-sale financial assets	1,715,700	127,003	1.72	127,003	
	Dyaco Co., Ltd.	-	Available-for-sale financial assets	5,575,500	263,721	6.00	263,721	
	Interactive Digital Technologies Inc.	-	Available-for-sale financial assets	2,881,000	122,010	6.24	122,010	
	Dee Van Enterprise Co., Ltd.	-	Financial assets measured at cost	1,408,659	35,751	2.01	28,483	
	Yenyo Technology Co., Ltd.	-	Financial assets measured at cost	500,000	5,250	1.24	5,055	
	Chain Yarn Co., Ltd.	-	Financial assets measured at cost	843,653	11,504	0.55	5,737	
	Top Green Technologies Inc.	-	Financial assets measured at cost	1,111,111	16,667	0.89	11,540	
	Biodenta Corporation	-	Financial assets measured at cost	1,299,999	32,500	3.10	13,000	
	M2Communication, Inc.	-	Financial assets measured at cost	6,477,527	96,810	16.73	100,297	
	Jochu Technology Co., Ltd.	-	Financial assets measured at cost	3,725,007	107,176	4.48	48,164	
	STL Technology Co., Ltd.	-	Financial assets measured at cost	7,002,053	255,605	9.96	67,898	
	Luxtaltek Corporation	-	Financial assets measured at cost	124,474	2,197	0.20	522	
	Excelsior Medical Co., Ltd.	-	Financial assets measured at cost	33,000	146,075	4.81	190,081	
	Hartec Asia Pte. Ltd.	-	Financial assets measured at cost	2,800,000	99,603	10.23	105,501	
	GSD Technologies Co., Ltd.	-	Financial assets measured at cost	5,841,702	108,946	19.47	247,273	
	Shengzhuang Holding Limited	-	Financial assets measured at cost	610,590	151,150	5.44	266,110	
	Fukuta Co., Ltd.	-	Financial assets measured at cost	1,400,000	119,000	4.91	154,940	
	DL-tek Co., Ltd.	-	Financial assets measured at cost	3,697,639	51,100	1.04	59,590	
	Cvie Therapeutics Limited	-	Financial assets measured at cost	846,351	40,262	4.15	52,567	
	Zentera Systems, Inc. - preferred stock	-	Financial assets measured at cost	1,324,503	61,900	39.35	85,959	(Note 4)
	Greenvines Biotech Co., Ltd.	-	Financial assets measured at cost	136,363	12,000	13.11	12,058	
	AMPAK Technology Inc.	-	Financial assets measured at cost	1,208,650	24,795	1.44	17,163	
	Azotek Co., Ltd.	-	Financial assets measured at cost	824,500	27,645	1.65	17,935	
	Pai Lung Machinery Mill Co., Ltd.	-	Financial assets measured at cost	1,500,000	33,000	3.47	30,300	
	Beyond Innovation Technology Co., Ltd.	-	Financial assets measured at cost	630,518	8,995	1.87	4,325	
	Greatland Electronics Taiwan Ltd.	-	Financial assets measured at cost	1,920,000	6,720	5.50	40,408	
	CBA Sports International Ltd.	-	Financial assets measured at cost	514,821	78,046	0.69	34,088	
	Chipsip Technology Co., Ltd.	-	Financial assets measured at cost	428,928	1,759	1.02	1,655	
	Derbysoft Holdings Limited-preferred stock A	-	Financial assets measured at cost	28,000,000	91,938	45.78	225,441	(Note 4)
	Derbysoft Holdings Limited-preferred stock B	-	Financial assets measured at cost	4,643,469	15,297	9.26	37,387	(Note 4)
	Crown Bioscience, International	-	Financial assets measured at cost	651,886	18,861	0.50	44,263	
	Cvie Therapeutics Company Limited	-	Financial assets measured at cost	560,000	21,708	4.15	35,649	
	Sun Max Tech Limited	-	Financial assets measured at cost	2,340,000	108,000	14.52	140,400	
	Regal Holding Co., Ltd.	-	Financial assets measured at cost	2,200,000	182,600	6.88	182,600	
	Handa Pharmaceuticals Inc.	-	Financial assets measured at cost	3,000,000	96,000	2.90	96,000	
	iCHEF Co., Ltd. - preferred stock	-	Financial assets measured at cost	11,167,513	73,874	40.74	64,966	(Note 4)
	FUNP Co., Ltd. - preferred stock	-	Financial assets measured at cost	400,000	48,283	20.00	56,450	(Note 4)
	Fiiser Inc. - preferred stock	-	Financial assets measured at cost	878,029	48,585	100.00	49,371	(Note 4)
	Viscovery (Cayman) Holding Company Limited - preferred stock	-	Financial assets at fair value through profit or loss	304,878	15,683	2.46	15,683	(Note 4)
	CDIB Venture Capital (Hong Kong) Corporation Limited	Subsidiary	Investments accounted for using the equity method	650,000,000	2,451,988	100.00	2,451,988	

(Continued)

Holding Company	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	September 30, 2016				Note
				Shares/Face Value/Units	Carrying Value (Note 2)	Percentage of Ownership	Market Value or Net Asset Value (Note 3)	
CDIB Venture Capital Corporation	Option							
	CBA Sports International Limited	-	Financial assets measured at cost	-	$ 142,819	-	$ 159,079	
	Convertible (exchangeable) corporate bond							
	Capital Excel Investment Limited	-	Financial assets at fair value through profit or loss	-	146,711	-	146,711	
CDIB Venture Capital (Hong Kong) Corporation Limited	Stocks							
	CPEC Huakai Private Equity (Fujian) Co., Ltd.	Subsidiary	Investments accounted for using the equity method	-	HK$ 17,807	70.00	HK$ 17,807	
	Fund							
	CPEC Huachuang Private Equity (Fujian) Enterprise (Limited Partnership)	Associate	Investments accounted for using the equity method	-	HK$ 283,645	-	HK$ 283,645	
	CPEC Huachuang Private Equity (Kunshan) Enterprise (Limited Partnership)	Associate	Investments accounted for using the equity method	-	HK$ 235,813	-	HK$ 235,813	
CPEC Huakai Private Equity (Fujian) Co., Ltd.	Stocks							
	CPEC Huachuang Private Equity Management (Fujian) Enterprise (Limited Partnership)	Subsidiary	Investments accounted for using the equity method	-	RMB 2,462	20.00	RMB 2,462	
CDIB Capital Investment I Limited	Stocks							
	Subicvest Inc.	Subsidiary	Investments accounted for using the equity method	200,000	US$ 80	100.00	US$ 80	
	Da Chan Food (Asia) Ltd.	-	Available-for-sale financial assets	48,210,000	US$ 4,601	4.74	US$ 4,601	
	Global Sweeteners Holdings Ltd.	-	Available-for-sale financial assets	24,298,000	US$ 724	1.59	US$ 724	
	CCAP Best Logistics Holdings Limited	-	Available-for-sale financial assets	1,000	US$ 4,856	11.11	US$ 4,856	
	BP SCI, LLC	-	Financial assets measured at cost	30,000	US$ 3,000	13.29	US$ 4,730	
	BP SCI, LLC - preferred stock	-	Financial assets measured at cost	12,000	US$ 12,000	18.61	US$ 18,921	(Note 4)
	Great Team Backend Foundry Inc. - preferred stock	-	Financial assets measured at cost	1,636,800	US$ 818	1.91	US$ 941	(Note 4)
	Touch Media International Holdings - preferred stock - B	-	Financial assets measured at cost	8,097,973	US$ 906	60.44	US$ 4,775	(Note 4)
	Rock Mobile (Cayman) Co. - preferred stock - C	-	Financial assets measured at cost	840,336	US$ 1,000	3.26	US$ 1,121	(Note 4)
	Chewy, Inc.	-	Financial assets measured at cost	12,368	US$ 11,699	0.92	US$ 11,699	
	Fund							
	CDIB Capital Asia Partners L.P.	Associate	Investments accounted for using the equity method	-	US$ 73,582	-	US$ 73,582	
	Carlyle Asia Partners II, L.P.	-	Financial assets measured at cost	-	US$ 5,459	-	US$ 2,757	
	Ripley Cable Holdings I, L.P.	-	Financial assets measured at cost	-	US$ 540	-	US$ 9,606	
	Option							
	Garden Fresh (HK) Fruit & Vegetable Beverage Co., Ltd.	-	Financial assets measured at cost	-	US$ 1,785	-	US$ 10,616	
	Mestay Cayman Islands Limited	-	Financial assets at fair value through profit or loss	-	US$ 304	-	US$ 304	
	Convertible (exchangeable) corporate bond							
	Garden Fresh (HK) Fruit & Vegetable Beverage Co., Ltd.	-	Debt instruments with no active markets	-	US$ 4,368	-	US$ 4,205	
	Mestay Cayman Islands Limited	-	Debt instruments with no active markets	-	US$ 4,696	-	US$ 4,696	
	Corporate bond							
	Garden Fresh (HK) Fruit & Vegetable Beverage Co., Ltd.	-	Debt instruments with no active markets	-	US$ 6,398	-	US$ 6,807	
Subicvest, Inc.	Stocks							
	SPEC Protertices, Inc.	-	Financial assets measured at cost	242,683	PHP 2,590	3.44	PHP 2,590	
CDIB Capital Investment II Limited	Stocks							
	Neo-neon Holdings Ltd.	-	Available-for-sale financial assets	14,000,000	US$ 2,185	0.72	US$ 2,185	
	Indostar Capital	-	Financial assets measured at cost	992,674	US$ 9,927	4.53	US$ 22,436	
	Indostar Everstone - preferred stock	-	Financial assets measured at cost	992,332	US$ 9,923	9.37	US$ 22,322	(Note 4)
	CBA Sports International Ltd.	-	Financial assets measured at cost	508,929	US$ 2,733	0.89	US$ 1,074	
	Option							
	CBA Sports International Ltd.	-	Financial assets measured at cost	-	US$ 4,867	-	US$ 5,014	
	Fund							
	Miare Asset Partners Private Equity Fund VII	-	Financial assets measured at cost	-	US$ 18,531	-	US$ 53,616	

(Continued)

Holding Company	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	September 30, 2016				Note
				Shares/Face Value/Units	Carrying Value (Note 2)	Percentage of Ownership	Market Value or Net Asset Value (Note 3)	
CDIB Global Markets Limited	Stocks							
	Light Sciences Oncology, Inc.	-	Financial assets measured at cost	250,000	US$ 6	0.28	US$ -	
	Sonics, Inc. - preferred stock-B	-	Financial assets measured at cost	114,359	US$ 333	14.74	US$ 399	(Note 4)
	Microfabrica, Inc. - Preferred Series B	-	Financial assets measured at cost	13,091	US$ 27	0.12	US$ 26	(Note 4)
	Microfabrica, Inc. - Preferred Series AC	-	Financial assets measured at cost	7,749	US$ 13	0.48	US$ 15	(Note 4)
	Optoplex Corporation - preferred stock-A	-	Financial assets measured at cost	7,956	US$ 23	0.42	US$ 4	(Note 4)
	Optoplex Corporation - preferred stock-B	-	Financial assets measured at cost	20,602	US$ 31	0.75	US$ 10	(Note 4)
	Optoplex Corporation - common stock		Financial assets measured at cost	55	US$ -	-	US$ -	
	GoPro Inc.	-	Available-for-sale financial assets	51,878	US$ 865	0.04	US$ 865	
	Flemingo International (BVI) Ltd. - preferred stock	-	Debt instruments with no active markets	834	US$ 19,980	39.94	US$ 34,073	(Note 4)
	Fund							
	Tenaya Capital V, L.P.	-	Financial assets measured at cost	-	US$ 5,460	-	US$ 4,526	
	THL Equity Fund VI Investors (Ceridian), L.P.	-	Financial assets measured at cost	-	US$ 3,679	-	US$ 4,005	
	Platinum Equity Capital Partners II, L.P.	-	Financial assets measured at cost	-	US$ 7,481	-	US$ 6,135	
	THL Equity Fund VI Investors (Clear Channel), L.P.	-	Financial assets measured at cost	-	US$ 12,476	-	US$ 3,119	
	Platinum Equity Capital Partners III, L.P.	-	Financial assets measured at cost	-	US$ 5,788	-	US$ 6,628	
	Tenaya Capital VI, L.P.	-	Financial assets measured at cost	-	US$ 6,143	-	US$ 6,007	
	GS TDN Investors Offshore, L.P.	-	Financial assets measured at cost	-	US$ 21,000	-	US$ 12,216	
	CX Partners Fund Alpha Limited	-	Financial assets measured at cost	-	US$ 8,351	-	US$ 9,867	
	Carlyle Asia Partners III, L.P.	-	Financial assets measured at cost	-	US$ 6,915	-	US$ 8,967	
	Riverwood Capital Partners, L.P.	-	Financial assets measured at cost	-	US$ 7,591	-	US$ 7,009	
	ECP II (Cayman) Ltd. A	-	Financial assets measured at cost	-	US$ 6,825	-	US$ 7,530	
	Sino-Century China Private Equity II L.P.	-	Financial assets measured at cost	-	US$ 520	-	US$ 384	
	KKR Asian Fund II L.P.	-	Financial assets measured at cost	-	US$ 3,758	-	US$ 5,316	
	Carlyle Giovanna Partners, L.P.	-	Financial assets measured at cost	-	US$ 14,750	-	US$ 69,748	
	Industry Ventures Fund VI, L.P.	-	Financial assets measured at cost	-	US$ 4,284	-	US$ 4,985	
	Formation8 Partners Fund I, L.P.	-	Financial assets measured at cost	-	US$ 2,383	-	US$ 5,898	
	Carlyle Asia Partners IV, L.P.	-	Financial assets measured at cost	-	US$ 10,090	-	US$ 13,491	
	Blue Point Capital Partners III, L.P.	-	Financial assets measured at cost	-	US$ 4,299	-	US$ 5,146	
	Riverwood Capital Partners II, L.P.	-	Financial assets measured at cost	-	US$ 5,924	-	US$ 5,072	
	Huaxing Capital Partners II, L.P.	-	Financial assets measured at cost	-	US$ 3,688	-	US$ 3,647	
	THL Equity Fund VI Investors (Ceridian) L.P.	-	Financial assets measured at cost	-	US$ 5,000	-	US$ 5,000	
CDIB Capital International Corporation	Stocks							
	CDIB Capital International (Hong Kong) Corporation Limited	Subsidiary	Investments accounted for using the equity method	15,400,000	US$ 5,891	100.00	US$ 5,891	
	CDIB Capital International (Korea) Corporation	Subsidiary	Investments accounted for using the equity method	1,848,000	US$ 5,604	100.00	US$ 5,604	
	CDIB Capital International (USA) Corporation	Subsidiary	Investments accounted for using the equity method	8,000,000	US$ 1,549	100.00	US$ 1,549	
	CDIB Capital Asia Partners Limited	Subsidiary	Investments accounted for using the equity method	-	US$ (38)	100.00	US$ (38)	
China Development Asset Management Corp.	Stocks							
	Development Industrial Bank Asset Management Corp.	Subsidiary	Investments accounted for using the equity method	2,000,000	111,770	100.00	111,770	
	Chung Hwa Growth 3 Asset Management Corp.	Subsidiary	Investments accounted for using the equity method	226,000,000	2,529,334	100.00	2,529,334	
	Chung Hwa Growth 4 Asset Management Corp.	Subsidiary	Investments accounted for using the equity method	19,000,000	199,101	100.00	199,101	
	Pine Street Asset Management Corp.	-	Financial assets measured at cost	3,886,190	46,031	12.25	46,883	
	Waterland Securities Co., Ltd.	-	Financial assets measured at cost	9,748,769	8,672	1.07	105,395	
CDIB Management Consulting Corp.	Stocks							
	CDC Finance & Leasing Corp.	Subsidiary	Investments accounted for using the equity method	58,328,460	631,122	76.04	631,122	
	CDIB International Leasing Corp.	Subsidiary	Investments accounted for using the equity method	-	530,348	100.00	530,348	
CDC Finance & Leasing Corp.	Stocks							
	Hwahong Corporation	Associate	Investments accounted for using the equity method	23,750	817	19.00	817	
	First Financial Holding Co., Ltd.	-	Available-for-sale financial assets	822,268	13,691	0.01	13,691	

(Continued)

Holding Company	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	September 30, 2016				Note
				Shares/Face Value/Units	Carrying Value (Note 2)	Percentage of Ownership	Market Value or Net Asset Value (Note 3)	
Global Securities Finance Corporation	Stocks							
	Capital SZSE SME Price Index Exchange Traded Fund	-	Financial assets at fair value through profit or loss	99,000	$ 1,468	-	$ 1,468	
	W.I.S.E. Yuanta/P-shares CSI 300 ETF	-	Financial assets at fair value through profit or loss	300,000	4,761	-	4,761	
	MediaTek Inc.	-	Financial assets at fair value through profit or loss	25,000	5,987	-	5,987	
	Aerospace Industrial Development Corporation	-	Financial assets at fair value through profit or loss	50,000	2,153	-	2,153	
	Ultra Chips, Inc.	-	Financial assets at fair value through profit or loss	170,000	7,208	-	7,208	
	Innolux Corporation	-	Financial assets at fair value through profit or loss	300,000	3,180	-	3,180	
	United Qxthopedic Corporation	-	Financial assets at fair value through profit or loss	140,000	10,458	-	10,458	
	VHQ Media Holding Ltd.	-	Financial assets at fair value through profit or loss	35,000	6,598	-	6,598	
	Zhan Ding Technology Holding Limited	-	Financial assets at fair value through profit or loss	219,000	15,045	-	15,045	
	Dadi Early-Childhood Education Group Ltd.	-	Financial assets at fair value through profit or loss	15,000	2,850	-	2,850	
	Macauto Industrial Co., Ltd.	-	Financial assets at fair value through profit or loss	24,000	4,968	-	4,968	
	Honpang Venture Capital Corp.	-	Financial assets measured at cost- noncurrent	751,000	415	6.25	1,486	
	Operating securities							
	KGI Economic Moat TWD	The fund of KGI's manager	Financial assets at fair value through profit or loss	180,000	1,966	-	1,966	
	KGI Silver Age TWD	The fund of KGI's manager	Financial assets at fair value through profit or loss	3,000,000	29,460	-	29,460	
	FSITC China Century Fund TWD	-	Financial assets at fair value through profit or loss	494,000	5,054	-	5,054	
	Hua Nan Stratege Return Fund TWD	-	Financial assets at fair value through profit or loss	500,000	4,975	-	4,975	
	Prudential Financial Global Bio-Health Fund TWD	-	Financial assets at fair value through profit or loss	152,000	4,848	-	4,848	
	PineBridge Global Multi-Strategy High Yield Bond Fund A TWD	-	Financial assets at fair value through profit or loss	401,000	5,167	-	5,167	
	Bank debentures							
	Bank SinoPac Third Subordinated Bank Debentures issued in 2011	-	Other financial assets	150,000,000	151,328	-	151,243	
	E.SUN Bank 1st Subordinate Financial Debentures-A issue in 2014	-	Other financial assets	50,000,000	50,000	-	50,200	
	Sunny Bank Second Subordinated Bank Debentures issued in 2015	-	Held-to-maturity financial assets	200,000,000	200,000	-	199,994	
	Hwatai Commercial Bank 2nd Subordinate Financial Debentures issue in 2015	-	Held-to-maturity financial assets	100,000,000	100,000	-	99,994	

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

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

Note 3: Market prices of listed and OTC stocks were calculated at the closing prices of September 30, 2016. The net assets values of unlisted stocks, on which the Bank recognized its investment incomes in the current year, were calculated on the basis of audited financial statements of the same period of the holding company or the net assets values of the investees, market values of emerging stocks, the cost of acquiring an investee's newly issued shares or book value of the investees. However, the net asset values of investees do not represent the value of unlisted stocks on the balance sheet date.

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

Note 5: No securities were treated as collaterals or warrants.

Note 6: The above companies which are the subsidiaries of the Corporation were eliminated from the consolidated financial statements.

(Concluded)

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT$300 MILLION OR 10% OF THE PAID-IN CAPITAL
(THE BANK'S SUBSIDIARIES AMOUNTING TO NT$300 MILLION OR 10% OF THE ISSUED CAPITAL)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares/Face Value/Units	Amount	Shares/Face Value/Units	Amount	Shares/Face Value/Units	Amount	Carrying Value	Gain (Loss) on Disposal	Shares/Face Value/Units	Amount
The Company	Stock													
	KGI Securities Co., Ltd.	Investment accounted for using the equity method	-	-	3,798,812,320	$ 56,955,321	-	$ -	300,000,000	$ -	$ 2,972,574 (Note 1)	$ -	3,498,812,320	$ 53,982,747
China Development Industrial Bank	Stock													
	CDIB Venture Capital Corporation	Investment accounted for using the equity method	-	-	822,790,915	7,754,037	100,000,000	1,119,130 (Note 2)	-	-	-	-	922,790,915	8,873,167
	China Development Asset Management Corp.	Investment accounted for using the equity method	-	-	400,000,000	4,509,009	-	-	200,000,000	-	2,112,136 (Note 3)	-	200,000,000	2,396,873
	CDIB Capital Management Corporation	Investment accounted for using the equity method	-	-	73,093,889	989,009	-	-	40,000,000	-	381,055 (Note 4)	-	33,093,889	607,954
	Transcend Information Inc.	Available-for-sale financial assets			5,314,287	274,322	-	-	4,002,287	371,293	206,597	164,696	1,312,000	67,725
China Development Asset Management Corp.	Stock													
	Development Industrial Bank Asset Management Corp.	Investment accounted for using the equity method	-	-	120,000,000	1,389,860	-	-	118,000,000	-	1,278,090 (Note 5)	-	2,000,000	111,770
	Chung Hwa Growth 3 Asset Management Corp.	Investment accounted for using the equity method	-	-	300,000,000	3,347,955	-	-	74,000,000	-	818,621 (Note 6)	-	226,000,000	2,529,334
CDIB Venture Capital Corporation	Stock													
	CDIB Venture Capital (Hong Kong) Corporation Limited	Investment accounted for using the equity method	-	-	420,000,000	1,582,533	230,000,000	869,455 (Note 7)	-	-	-	-	650,000,000	2,451,988
CDIB Venture Capital (Hong Kong) Corporation Limited	Fund													
	CPEC Huachuang Private Equity (Fujian) Enterprise (Limited Partnership)	Investment accounted for using the equity method	-	-	-	HK$ 152,034	-	HK$ 131,611 (Note 8)	-	-	-	-	-	HK$ 283,645
	CPEC Huachuang Private Equity (Kunshan) Enterprise (Limited Partnership)	Investment accounted for using the equity method	-	-	-	HK$ 136,235	-	HK$ 99,578 (Note 9)	-	-	-	-	-	HK$ 235,813
CDIB Capital Investment I Limited	Fund													
	Calera XV, LLC	Financial assets measured at cost	-	-	-	US$ 15,173	-	US$ 84	-	US$ 23,262	US$ 15,257	US$ 8,005	-	-
	CDIB Capital Asia Partner Fund	Investment accounted for using the equity method	-	-	-	US$ 39,745	-	US$ 33,837 (Note 10)	-	-	-	-	-	US$ 73,582
	Stock													
	B&M Holdings, Inc.	Financial assets measured at cost	-	-	199,999	US$ 8,828	-	-	199,999	US$ 10,000	US$ 8,828	US$ 1,172	-	-
	Chewy, Inc.	Financial assets measured at cost	-	-	-	-	12,368	US$ 11,699	-	-	-	-	12,368	US$ 11,699
CDIB Capital Investment II Limited	Bond													
	Sungjoo Design Tech & Distribution Inc.	Debt instruments with no active markets/financial assets measured at cost	-	-	3,334	US$ 13,379	-	-	3,334	US$ 20,431 (Note 11)	US$ 13,379	US$ 7,052	-	-

Note 1: Consists of reduction of the Corporation capital of $3,000,000 thousand, cash dividends of $1,626,449 thousand, exchange loss on translating foreign operations of $696,248 thousand, investment gain $1,366,679 thousand, unrealized gain on available-for-sale financial assets of $830,095 thousand, additional paid-in capital increase $3,600 thousand and other adjustment $149,749 thousand.

Note 2: Consists of $1,000,000 thousand from new issue, cash dividends of $40,676 thousand, exchange loss on translating foreign operations of $156,399 thousand, investment gain $80,871 thousand, unrealized gain on available-for-sale financial assets of $235,244 thousand and additional paid-in capital increase $90 thousand.

Note 3: Consists of reduction of the Corporation's capital of $2,000,000 thousand, cash dividends of $196,937 thousand, investment gain $84,770 thousand and additional paid-in capital increase $31 thousand.

Note 4: Consists of reduction of the Corporation's capital of $400,000 thousand, cash dividends of $74,689 thousand, investment gain $54,921 thousand, exchange loss on translating foreign operations of $18,951 thousand, unrealized gain on available-for-sale financial assets of $33,547 thousand and additional paid-in capital increase $24,117 thousand.

(Continued)

Note 5: Consists of reduction of the Corporation's capital of $1,180,000 thousand, cash dividends of $11,409 thousand, cash dividends granted by legal reserve of $90,000 thousand and investment gain $3,319 thousand.

Note 6: Consists of reduction of the Corporation's capital of $740,000 thousand, cash dividends of $167,713 thousand and investment gain $89,092 thousand.

Note 7: Consists of $972,000 thousand from new issue, exchange loss on translating foreign operations of $156,398 thousand and investment gain $53,853 thousand.

Note 8: Consists of HK$122,451 thousand from new issue, exchange loss on translating foreign operations of HK$5,670 thousand and investment gain HK$14,830 thousand.

Note 9: Consists of HK$102,560 thousand from new issue, exchange loss on translating foreign operations of HK$2,504 thousand and investment loss HK$478 thousand.

Note 10: Consists of US$29,458 thousand from new issue, and investment gain US$4,379 thousand.

Note 11: The total amount of the transaction in this case was KRW26.5 billion - KRW31.3 billion and the amount for which issuer appealed was KRW23 billion recognized temporarily as the gain on disposal of investment. The income will be adjusted by court's final judgment.

Note 12: The above companies which are the subsidiaries of the Corporation were eliminated from the consolidated financial statements.

(Concluded)

TABLE 5

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO NT$300 MILLION OR 10% OF THE PAID-IN CAPITAL
SEPTEMBER 30, 2016
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Year	Allowance for Bad Debts
					Amount	Action Taken		
China Development Industrial Bank	China Development Financial Holding Corporation (the "Corporation")	Parent company	$ 621,947	-	$ -	-	$ -	$ -
The Corporation	China Development Industrial Bank	Subsidiary	340,462	-	-	-	-	-
	KGI Securities Co., Ltd.	Subsidiary	378,219	-	-	-	-	-
	KGI Bank Co., Ltd.	Subsidiary	304,648	-	-	-	-	-

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

TABLE 6

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

SOLD NONPERFORMING LOANS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016
(In Thousands of New Taiwan Dollars)

1. Summary of sold nonperforming loans

Transaction Date	Counter Party	Type of Loans	Carrying Value (Note 1)	Selling Price	Disposal Gain (Loss) (Note 2)	Other Condition	Relationship of Counter-party with the Subsidiaries
2016.02.19	A	Unsecured loans	$ 1,601	$ 10,500	$ 8,899	-	-
2016.02.19	B	Unsecured loans	864	1,500	636	-	-
2016.02.19	C	Real estate mortgages	3,071	3,684	613	-	-
2016.03.14	D	Real estate mortgages	1,479	2,100	621	-	-
2016.03.14	E	Real estate mortgages	-	300	300	-	-
2016.04.27	F	Real estate mortgages	9,080	13,500	4,420	-	-
2016.07.14	G	Real estate mortgages	-	10,000	10,000	-	-
2016.08.16	H	Real estate mortgages	2,512	2,750	238	-	-
2016.08.23	I	Real estate mortgages	39	7,000	6,961	-	-

Note 1: Carrying value = Original amount - Allowance for bad debts

Note 2: Disposal gain (loss) is including the gain on reversal of allowance for bad debts.

2. Sale of nonperforming loans exceeding NT$1 billion (excluding related-party transactions): For the Corporation and subsidiaries: None.

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

SUBSIDIARIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

Consolidated entities

Investor Company	Subsidiaries	Main Business and Products	Percentage of Ownership			Note
			September 30, 2016	December 31, 2015	September 30, 2015	
China Development Financial Holding Corporation (the "Corporation")	China Development Industrial Bank	Industrial bank	100.00	100.00	100.00	
	KGI Securities Co., Ltd.	Financial service	100.00	100.00	100.00	
	KGI Bank	Commercial bank	100.00	100.00	100.00	
China Development Industrial Bank	China Venture Management Inc.	Management company of venture fund	-	-	100.00	
	R.O.C. Strategic Company Ltd.	Venture fund	-	-	100.00	
	CDIB Capital Management Corporation	Management company of venture fund	100.00	100.00	100.00	
	CDIB Venture Capital Corporation	Venture fund	100.00	100.00	100.00	
	CDIB Strategic Venture Fund Ltd.	Venture fund	-	-	100.00	
	China Development Asset Management Corp.	Trading and management of nonperforming loans of financial institutions	100.00	100.00	100.00	
	CDIB Global Markets I Limited	Venture fund	-	100.00	100.00	
	CDIB Global Markets Limited (formerly named CDIB Global Markets II Limited)	Venture fund	100.00	100.00	100.00	
	CDIB Global Markets III Limited	Venture fund	-	100.00	100.00	
	CDIB Capital Investment I Limited	Venture fund	100.00	100.00	100.00	
	CDIB Capital Investment II Limited	Venture fund	100.00	100.00	100.00	
	CDIB Capital International Corporation	Management company of venture fund	100.00	100.00	100.00	
China Development Asset Management Corp.	Development Industrial Bank Asset Management Corp.	Trading and management of nonperforming loans of financial institutions	100.00	100.00	100.00	
	Chung Hwa Growth 3 Asset Management Corp.	Trading and management of nonperforming loans of financial institutions	100.00	100.00	100.00	
	Chung Hwa Growth 4 Asset Management Corp.	Trading and management of nonperforming loans of financial institutions	100.00	100.00	100.00	
CDIB Capital International Corporation	CDIB Capital International (Hong Kong) Corporation Limited	Management company of venture fund	100.00	100.00	100.00	
	CDIB Capital International (USA) Corporation	Management company of venture fund	100.00	100.00	100.00	
	CDIB Capital International (Korea) Corporation	Management company of venture fund	100.00	100.00	100.00	
	CDIB Capital Asia Partners Limited	Management of private equity fund	100.00	100.00	100.00	(Note 1)
CDIB Venture Capital Corporation	CDIB Venture Capital (Hong Kong) Corporation Limited	Venture fund	100.00	100.00	100.00	

(Continued)

Investor Company	Subsidiaries	Main Business and Products	Percentage of Ownership September 30, 2016	December 31, 2015	September 30, 2015	Note
CDIB Venture Capital (Hong Kong) Corporation Limited	CDIB Private Equity Management Corporation	Management and consulting	-	100.00	100.00	
	CPEC Huakai Private Equity (Fujian) Co., Ltd.	Management and consulting	70.00	70.00	70.00	
	CPEC Huachuang Private Equity Management (Fujian) Enterprise (Limited Partnership)	Management and consulting	-	56.00	56.00	
CPEC Huakai Private Equity (Fujian) Co., Ltd.	CPEC Huachuang Private Equity Management (Fujian) Enterprise (Limited Partnership)	Management and consulting	20.00	20.00	20.00	
CDIB Capital Management Corporation	CDIB Private Equity (Hong Kong) Corporation Limited	Management and consulting	100.00	100.00	100.00	
	CDIB Innovative Advisors Corporation Limited	Management and consulting	60.00	60.00	-	
CDIB Private Equity (Hong Kong) Corporation Limited	CPEC Huachuang Private Equity (Kunshan) Co, Ltd.	Management and consulting	65.00	65.00	65.00	
	CPEC Huachuang Private Equity Management (Kunshan) Enterprise (Limited Partnership)	Management and consulting	4.33	4.53	4.53	
	CDIB Private Equity Management Corporation	Management and consulting	100.00	-	-	
	CPEC Huachuang Private Equity Management (Fujian) Enterprise (Limited Partnership)	Management and consulting	56.00	-	-	
CPEC Huachuang Private Equity (Kunshan) Co, Ltd.	CPEC Huachuang Private Equity Management (Kunshan) Enterprise (Limited Partnership)	Management and consulting	93.34	93.02	93.02	
KGI Securities Co., Ltd.	Richpoint Company Limited	Investment holdings	100.00	100.00	100.00	
	KGI Securities Investment Advisory Co., Ltd.	Security investment consulting	100.00	100.00	100.00	
	KGI Insurance Brokers Co., Ltd.	Life/property insurance brokers	100.00	100.00	100.00	
	KGI Venture Capital Co., Ltd.	Venture capital	100.00	100.00	100.00	
	KGI Securities Investment Trust Co., Ltd.	Nominee services, discretionary investment services	99.99	99.99	99.99	
	KGI Futures Co., Ltd.	Futures investment services	99.61	99.61	99.61	
	Global Securities Finance Corporation	Stock loans and financing purchase of securities	21.99	21.99	21.99	(Note 2)
KGI Futures Co., Ltd.	KGI Information Technology Co., Ltd.	Management and consulting software services, data processing digital information supply services	100.00	100.00	-	
KGI Information Technology Co., Ltd.	KGI Information Technology (Shanghai) Co., Ltd.	Information service	100.00	-	-	(Note 3)
Richpoint Company Limited	KG Investments Holdings Limited	Investment holdings	100.00	100.00	100.00	
	KGI Investment Advisory (Shanghai) Co., Ltd.	Investment and consulting service	100.00	100.00	-	
KG Investments Holdings Limited	KGI International Holdings Limited	Investment holdings	100.00	100.00	100.00	
	ANEW Holdings Limited	Investment holdings	100.00	100.00	100.00	
KGI International Holdings Limited	KG Investments Pacific Limited	Investment services	-	-	100.00	
	KG Investments Asset Management (International) Limited	Investment services	100.00	100.00	100.00	
	Pacific Glory Finance One Limited	Investment services	-	-	100.00	
	KGI Limited	Investment holdings	100.00	100.00	100.00	

(Continued)

Investor Company	Subsidiaries	Main Business and Products	Percentage of Ownership September 30, 2016	December 31, 2015	September 30, 2015	Note
KGI International Holdings Limited	Supersonic Services Inc.	Investment holdings	100.00	100.00	100.00	
	KGI International Limited	Investment holdings	100.00	100.00	100.00	
	Bauhinia 88 Ltd.	Investment holdings	100.00	100.00	100.00	
ANEW Holdings Limited	KGI Capital (Hong Kong) Limited	Securities investment	100.00	100.00	100.00	
	KGI Wealth Management Limited	Securities investment	-	-	100.00	
	KGI Nominees (Hong Kong) Limited	Trust agent	-	-	100.00	
KGI Limited	KGI Securities (Hong Kong) Limited	Securities investment	100.00	100.00	100.00	
	KGI Futures (Hong Kong) Limited	Futures and options investment and settlement services	100.00	100.00	100.00	
	Global Treasure Investments Limited	Investment services	100.00	100.00	100.00	
	KGI Investments Management Limited	Insurance brokerage	100.00	100.00	100.00	
	KGI International Finance Limited	Investment and financing services	100.00	100.00	100.00	
	KGI Nominees Limited	Trust agent	-	-	100.00	
	KGI Hong Kong Limited	Management services	100.00	100.00	100.00	
	KGI Asia Limited	Securities investment	100.00	100.00	100.00	
	KGI Capital Asia Limited	Securities investment	100.00	100.00	100.00	
	Bauhinia 8 Fund	Fund company	-	-	100.00	
	KGI Global Asset Management Limited	Asset management	-	-	100.00	
	Grand Cathay Securities (Hong Kong) Limited	Securities investment	100.00	100.00	100.00	
	KGI Asset Management Limited	Asset Management	100.00	100.00	100.00	
	TG Holborn (HK) Limited	Insurance brokerage	100.00	100.00	100.00	
	KGI Wealth Management Limited	Securities investment	100.00	100.00	-	
	KGI Nominees (Hong Kong) Limited	Trust agent	100.00	100.00	-	
Supersonic Services Inc.	KGI Korea Limited	Investment holdings	100.00	100.00	100.00	
KGI International Limited	KGI Asia (Holdings) Pte. Ltd.	Investment holdings	100.00	100.00	100.00	
	KGI Capital (Singapore) Pte. Ltd.	Futures investment services	100.00	100.00	100.00	(Note 4)
	Jubilant Dynasty Limited	Investment services	-	-	100.00	
KGI Capital Asia Limited	KGI Alliance Corporation	Investment services	100.00	100.00	100.00	
	KGI International (Hong Kong) Limited	Derivative product services	100.00	100.00	100.00	
	KGI Finance Limited	Investment and financing services	100.00	100.00	100.00	
	KGI Investment advisory (Shanghai) Co., Ltd.	Investment consultancy	-	-	100.00	
	PT KGI Sekuritas Indonesia	Securities investment	99.00	-	-	(Note 5)
Grand Cathay Securities (Hong Kong) Limited	Grand Cathay Capital (Hong Kong) Limited	Investment services	100.00	100.00	100.00	
KGI Asia (Holdings) Pte. Ltd.	KGI Ong Capital Pte. Ltd.	Futures investment and foreign - currency services	100.00	100.00	100.00	
	KGI Fraser Securities Pte. Ltd.	Securities investment	100.00	100.00	100.00	
KGI Bank	Cosmos Insurance Brokers Co., Ltd.	Life and property insurance Brokers	-	100.00	100.00	
	CDIB Management Consulting Corporation	Management and consulting	100.00	100.00	100.00	
CDIB Management Consulting Corporation	CDC Finance & Leasing Corp.	Leasing	76.04	76.04	76.04	
	CDIB International Leasing Corp.	Leasing	100.00	100.00	100.00	

(Continued)

Note 1: CDIB Capital Asia Partners Limited conducted registration of establishment on March 21, 2014, however, CDIB had not invested any capital as of September 30, 2016.

Note 2: KGI Securities Co., Ltd. jointly held 21.99% of the shares of Global Securities Finance Corporation (GSFC) and obtained more than half of the seats in the board of director, therefore, GSFC should be included in the consolidated financial statements.

Note 3: KGI Information Technology (Shanghai) Co., Ltd. conducted registration of establishment on May 30, 2016, however, KGI had not invested any capital as of September 30, 2016.

Note 4: KGI Capital (Singapore) Pte. Ltd. has been suspended operations.

Note 5: KTI Capital Asia Limited invested by KGI Securities Co., Ltd., Acquired PT KGI Securities Indonesia, which was approved by authorities of Taiwan and Indonesia and completed the acquisition on August 31, 2016. PT KGI Securities Indonesia was renamed PT KGI Sekuritas Indonesia, which was approved by No. Financial-Supervisory-Securities-Firms-1050005075 on February 25, 2016, and has been incorporated into the consolidated financial statements of the Company since 2016.

Unconsolidated subsidiaries

Investor Company	**Subsidiaries**	**Main Business and Products**	**Percentage of Ownership**			**Note**
			September 30, 2016	**December 31, 2015**	**September 30, 2015**	
China Development Industrial Bank	CDIB Biotech USA Investment Co., Ltd.	Venture fund	50.00	50.00	50.00	As of September 30, 2016, CDIB's investment in CDIB Biotech USA Investment Co., Ltd. of CDIB had amounted to $0 thousand; CDIB Biotech USA Investment Co., Ltd. was approbated to liquidate by the Board of Director on April 20, 2008, therefore, CDIB Biotech USA Investment Co., Ltd. was not included in the consolidated financial statement.
CDIB Capital Investment I Limited	Subicvest Inc.	Leasing	100.00	100.00	100.00	As of September 30, 2016, CDIB Capital Investment I Limited's investment in Subicvest Inc. of CDIB Capital Investment I Limited had amounted to US$80 thousand; Subicvest Inc. was approbated to liquidate by the Board of Director on May 24, 2016, therefore, Subicvest was not included in the consolidated financial statement.
KGI Securities Co., Ltd.	Grand Cathay Holding Limited	Holding company	-	-	-	Grand Cathay Holding Limited was approbated to liquidate by the board of directors on December 27, 2013, therefore, Grand Cathy Holding Limited was not included in the consolidated financial statement.

(Concluded)

TABLE 8

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

DECLARATION OF SUBSIDIARIES' CREDITS, ENDORSEMENTS OR OTHER TRANSACTIONS WITH THE SAME PERSON, RELATED PARTY OR AFFILIATE
JUNE 30, 2016
(In Millions of New Taiwan Dollars; %)

China Development Financial Holding Corporation (CDFH)

Counter-party	Total Amounts of Credits, Endorsements and Other Transactions	Ratio to Net Asset Value of the Corporation (%)
1. The same customer		
Ministry of Finance, R.O.C.	$ 105,198	66.52
KG Investment Holdings Limited	12,339	7.80
Taipower Corporation	10,309	6.52
Bank of America Corp.	6,557	4.15
China Development Bank	6,412	4.05
The Shanghai Commercial & Saving Bank, Ltd.	5,943	3.76
Mizuho Bank, LTD., Tokyo Japan	5,086	3.22
Farglory Land Development Co., Ltd	4,757	3.01
CDIB & Partners Investment Holding Corporation	4,573	2.89
China Life Insurance Company Limited	4,246	2.69
Netronix, INC.	3,750	2.37
Citi Group Inc.	3,424	2.17
CTCI Corporation	3,319	2.10
Ping An Bank Co., Ltd.	3,128	1.98
JP Morgan Chase & Co	3,068	1.94
Qisda Corporation	3,047	1.93
Total	$ 185,156	117.09
2. The same group		
Far Eastern Group	$ 6,606	4.18
Foxconn Technology Group	5,604	3.54
BenQ Group	5,424	3.43
Farglory Group	4,759	3.01
Evergreen Group	4,625	2.92
Formosa Plastic Group	3,992	2.52
YFY Group	3,791	2.40
Qsan Technology Group	3,752	2.37
Netronix Group	3,750	2.37
CTCI Group	3,674	2.32
UMC Group	3,128	1.98
PECOS Group	3,085	1.95
Total	$ 52,190	33.00

TABLE 9

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

CONDENSED BALANCE SHEETS AND STATEMENTS OF INCOME
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015
(In Thousands of New Taiwan Dollars)

China Development Financial Holding Corporation

1. Balance sheets

(In Thousands of New Taiwan Dollars)

Assets	**September 30, 2016**	**December 31, 2015**	**September 30, 2015**
Cash and cash equivalents	$ 1,427,419	$ 2,665,707	$ 3,158,740
Available-for-sale financial assets	1,010,302	1,226,972	1,111,827
Receivables, net	115	139	165
Current tax assets	1,417,796	1,438,314	1,201,615
Investments accounted for using the equity method, net	184,276,497	186,684,329	184,608,108
Other financial assets	300	300	300
Property and equipment, net	8,277	10,094	9,637
Other assets, net	526,835	540,719	584,654
Total	$ 188,667,541	$ 192,566,574	$ 190,675,046
Liabilities and Equity			
Commercial paper payable	$ 7,249,737	$ 5,099,745	$ 4,999,428
Payables	518,076	649,830	600,856
Current tax liabilities	933,590	1,021,390	903,827
Bonds payable	18,000,000	18,000,000	18,000,000
Other borrowings	599,856	2,599,847	2,599,427
Provisions	33,410	31,627	25,859
Other liabilities	486	309	10,031
Total liabilities	27,335,155	27,402,748	27,139,428
Equity			
Capital			
Common stock	149,740,122	151,124,071	151,644,553
Advance receipts for capital stock	1,644	1,370	16,288
Capital surplus	1,101,779	654,803	602,750
Retained earnings			
Legal reserve	5,014,298	4,161,475	4,161,475
Special reserve	3,228,296	765,041	765,041
Unappropriated earnings	7,214,823	13,580,644	11,532,832
Other			
Exchange differences on translation of foreign financial statements	(450,038)	1,741,670	1,893,058
Unrealized losses on available-for-sale financial assets	(2,109,850)	(4,456,314)	(4,638,493)
Others	(31,941)	(32,187)	(46,378)
Treasury shares	(2,376,747)	(2,376,747)	(2,395,508)
Total equity	161,332,386	165,163,826	163,535,618
Total	$ 188,667,541	$ 192,566,574	$ 190,675,046

(Continued)

2. Statements of comprehensive income

(In Thousands of New Taiwan Dollars, Except Per Share Amount)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2016	**2015**	**2016**	**2015**
REVENUES				
Share of profit of subsidiaries, associates and joint ventures	$ 2,852,648	$ 1,172,534	$ 5,145,984	$ 7,045,090
Others	60,818	74,686	67,967	77,968
Total revenues	2,913,466	1,247,220	5,213,951	7,123,058
EXPENSES AND LOSSES				
Operating expenses	(317,073)	(224,197)	(689,576)	(642,772)
Others	(75,982)	(74,068)	(228,307)	(267,121)
Total expenses and losses	(393,055)	(298,265)	(917,883)	(909,893)
NET PROFIT BEFORE INCOME TAX	2,520,411	948,955	4,296,068	6,213,165
INCOME TAX BENEFIT (EXPENSE)	33,064	47,306	145,565	(124,647)
NET PROFIT FOR THE PERIOD	2,553,475	996,261	4,441,633	6,088,518
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss, net of income tax				
Share of the other comprehensive income (loss) of subsidiaries,associates and joint ventures	-	(1,929)	-	(3,016)
Items that will be reclassified subsequently to profit or loss, net of income tax				
Unrealized loss on available-for-sale financial assets	(7,429)	(125,050)	(216,670)	(182,003)
Unrealized gain on cash flow hedges	-	-	-	20,659
Share of other comprehensive income (loss) of subsidiaries, associates and joint ventures	634,328	(694,722)	372,969	(2,585,648)
Income tax relating to the items that may be reclassified subsequently to profit or loss	(681)	(898)	(1,543)	(1,234)
Other comprehensive income (loss) for the period, net of income tax	626,218	(822,599)	154,756	(2,751,242)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	$ 3,179,693	$ 173,662	$ 4,596,389	$ 3,337,276
BASIC EARNINGS PER SHARE	$0.17	$0.07	$0.30	$0.41
DILUTED EARNINGS PER SHARE	$0.17	$0.07	$0.30	$0.41

(Continued)

3. Statements of changes in equity

(In Thousands of New Taiwan Dollars, Except Per Share Amount)

	Capital			Retained Earnings			Other Equity					
	Common Stock	Advance Receipts for Capital Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Financial Statements	Unrealized Gains (Losses) on Available-for-sale Financial Assets	Unrealized Gains (Losses) on Cash Flow Hedges	Others	Treasury Shares	Total Equity
BALANCE AT JANUARY 1, 2015	$ 153,438,493	$ 5,969	$ 590,923	$ 3,077,853	$ 1,123,858	$ 15,378,140	$ 205,176	$ (177,929)	$ (20,659)	$ (26,956)	$ (3,298,709)	$ 170,296,159
Effect of retrospective application and retrospective restatement	-	-	-	-	-	(102,256)	(3,797)	-	-	-	-	(106,053)
BALANCE AT JANUARY 1, 2015 AS RESTATED	153,438,493	5,969	590,923	3,077,853	1,123,858	15,275,884	201,379	(177,929)	(20,659)	(26,956)	(3,298,709)	170,190,106
Appropriation of 2014 earnings												
Legal reserve	-	-	-	1,083,622	-	(1,083,622)	-	-	-	-	-	-
Cash dividends - NT$0.6 per share	-	-	-	-	-	(9,098,673)	-	-	-	-	-	(9,098,673)
Reversal of special reserve	-	-	-	-	(358,817)	358,817	-	-	-	-	-	-
	-	-	-	1,083,622	(358,817)	(9,823,478)	-	-	-	-	-	(9,098,673)
Change in capital surplus from investments in associates and joint ventures accounted for using the equity method	-	-	391	-	-	-	-	-	-	-	-	391
Net profit for the nine months ended September 30, 2015	-	-	-	-	-	6,088,518	-	-	-	-	-	6,088,518
Other comprehensive income (loss) for the nine months ended September 30, 2015, net of income tax	-	-	-	-	-	(3,016)	1,691,679	(4,460,564)	20,659	-	-	(2,751,242)
Total comprehensive income (loss) for the nine months ended September 30, 2015	-	-	-	-	-	6,085,502	1,691,679	(4,460,564)	20,659	-	-	3,337,276
Buyback of ordinary shares	-	-	-	-	-	-	-	-	-	-	(991,669)	(991,669)
Cancellation of treasury stock	(1,888,880)	-	(5,990)	-	-	-	-	-	-	-	1,894,870	-
Share-based payments	94,940	10,319	17,426	-	-	(5,076)	-	-	-	(19,422)	-	98,187
BALANCE AT SEPTEMBER 30, 2015	$ 151,644,553	$ 16,288	$ 602,750	$ 4,161,475	$ 765,041	$ 11,532,832	$ 1,893,058	$ (4,638,493)	$ -	$ (46,378)	$ (2,395,508)	$ 163,535,618
BALANCE AT JANUARY 1, 2016	$ 151,124,071	$ 1,370	$ 654,803	$ 4,161,475	$ 765,041	$ 13,580,644	$ 1,741,670	$ (4,456,314)	$ -	$ (32,187)	$ (2,376,747)	$ 165,163,826
Appropriation of 2015 earnings												
Legal reserve	-	-	-	852,823	-	(852,823)	-	-	-	-	-	-
Special reserve	-	-	-	-	2,463,255	(2,463,255)	-	-	-	-	-	-
Cash dividends - NT$0.5 per share	-	-	-	-	-	(7,487,006)	-	-	-	-	-	(7,487,006)
	-	-	-	852,823	2,463,255	(10,803,084)	-	-	-	-	-	(7,487,006)
Other change in change in capital surplus	-	-	161,616	-	-	-	-	-	-	-	-	161,616
Net profit for the nine months ended September 30, 2016	-	-	-	-	-	4,441,633	-	-	-	-	-	4,441,633
Other comprehensive income (loss) for the nine months ended September 30, 2016, net of income tax	-	-	-	-	-	-	(2,191,708)	2,346,464	-	-	-	154,756
Total comprehensive income (loss) for the nine months ended September 30, 2016	-	-	-	-	-	4,441,633	(2,191,708)	2,346,464	-	-	-	4,596,389
Buyback of ordinary shares	-	-	-	-	-	-	-	-	-	-	(1,150,440)	(1,150,440)
Cancellation of treasury shares	(1,430,100)	-	279,660	-	-	-	-	-	-	-	1,150,440	-
Share-based payments	46,151	274	5,700	-	-	(4,370)	-	-	-	246	-	48,001
BALANCE AT SEPTEMBER 30, 2016	$ 149,740,122	$ 1,644	$ 1,101,779	$ 5,014,298	$ 3,228,296	$ 7,214,823	$ (450,038)	$ (2,109,850)	$ -	$ (31,941)	$ (2,376,747)	$ 161,332,386

(Continued)

4. Statements of cash flows

(In Thousands of New Taiwan Dollars)

	For the Nine Months Ended September 30	
	2016	**2015**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit before income tax	$ 4,296,068	$ 6,213,165
Adjustments for:		
Depreciation and amortization expenses	3,623	3,615
Interest expense	213,347	247,625
Interest income	(6,522)	(756)
Dividend income	(60,668)	(74,287)
Share-based payment compensation cost	39,698	47,530
Share of profit of subsidiaries, associates and joint ventures	(5,145,120)	(7,044,225)
Others	38	474
Changes in operating assets and liabilities		
Receivables	192,774	(10)
Other assets	13,202	(41,120)
Payables	(289,751)	(276,574)
Provision	-	1,698
Other liabilities	1,961	9,823
Dividend received	5,153,844	10,131,808
Interest paid	(278,284)	(371,102)
Interest received	6,523	756
Income tax returned (paid)	108,466	(99,867)
Net cash generated from operating activities	4,249,199	8,748,553
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds of capital return on investments accounted for using the equity method	3,000,000	36,000,000
Purchase of equity investment under equity method	-	(38,000,000)
Capital reserve be distributable as dividend shares by cash on investments accounted for using the equity method	-	4,000,000
Acquisition of property and equipment	(1,162)	(794)
Net cash generated from investing activities	2,998,838	1,999,206
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in commercial paper payable	2,149,992	1,999,559
Proceeds from issue of corporate bonds	-	8,000,000
Repayments of corporate bonds	-	(8,000,000)
Decrease in other borrowings	(1,999,991)	(1,000,146)
Cash dividend paid	(7,487,006)	(9,098,673)
Exercise of employee share options	1,120	43,098
Buyback of ordinary shares	(1,150,440)	(991,669)
Net cash used in financing activities	(8,486,325)	(9,047,831)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,238,288)	1,699,928
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	2,665,707	1,458,812
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	$ 1,427,419	$ 3,158,740

(Continued)

China Development Industrial Bank

1. Condensed balance sheets

(In Thousands of New Taiwan Dollars)

Assets	**September 30, 2016**	**December 31, 2015**	**September 30, 2015**
Cash and cash equivalents	$ 18,499,363	$ 12,674,958	$ 8,399,010
Financial assets at fair value through profit or loss	91,570	111,208	100,772
Receivables, net	65,234	483,174	102,296
Current tax assets	621,947	690,918	715,994
Available-for-sale financial assets	6,848,151	7,163,974	6,925,598
Investments accounted for using the equity method, net	34,103,970	39,227,506	41,553,162
Restricted assets	318,139	298,982	299,281
Financial assets measured at cost	7,666,154	8,256,971	8,877,733
Other financial assets	358,439	358,439	358,439
Property and equipment, net	1,234,139	1,193,686	1,212,486
Investment property, net	570,057	649,142	620,564
Other assets, net	57,849	69,236	73,670
Total assets	$ 70,435,012	$ 71,178,194	$ 69,239,005
Payables	$ 397,571	$ 444,989	$ 408,942
Current tax liabilities	340,462	348,635	281,092
Other financial liabilities	375,696	396,059	396,801
Provisions	151,488	156,440	96,917
Deferred tax liabilities	241,555	241,555	241,555
Other liabilities	47,525	38,271	34,869
Total liabilities	1,554,297	1,625,949	1,460,176
Common stock	20,603,994	20,603,994	20,603,994
Capital surplus	24,702,407	24,700,436	24,700,079
Retained earnings	27,292,136	27,800,173	26,663,708
Exchange differences on translation of foreign financial statements	(632,719)	657,557	763,690
Unrealized losses on available-for-sale financial assets	(3,085,103)	(4,209,915)	(4,952,642)
Total equity	68,880,715	69,552,245	67,778,829
Total liabilities and equity	$ 70,435,012	$ 71,178,194	$ 69,239,005

(Continued)

2. Condensed statements of comprehensive income

(In Thousands of New Taiwan Dollars, Except Per Share Amount)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2016	**2015**	**2016**	**2015**
Interest revenue	$ 16,686	$ 71,441	$ 49,129	$ 2,034,959
Interest expense	(50)	(12,771)	(203)	(884,181)
Interest profit, net	16,636	58,670	48,926	1,150,778
Noninterest profits and gains, net	780,635	835,045	1,624,957	3,249,607
Total net revenues	797,271	893,715	1,673,883	4,400,385
Reversal of allowance for bad debts and losses on guarantees, net	-	1,410	-	109,633
Operating expenses	(202,421)	(212,440)	(484,326)	(1,044,865)
Net profit before income tax	594,850	682,685	1,189,557	3,465,153
Income tax benefit (expense)	(27,446)	2,294	(32,689)	202,766
Net profit for the period	567,404	684,979	1,156,868	3,667,919
Other comprehensive income (loss) for the period, net of income tax	171,380	(610,273)	(165,464)	(3,670,020)
Total comprehensive income for the period	$ 738,784	$ 74,706	$ 991,404	$ (2,101)
Basic earnings per share	$0.28	$0.33	$0.56	$1.00

(Continued)

KGI Securities Co., Ltd.

1. Condensed balance sheets

(In Thousands of New Taiwan Dollars)

Assets	**September 30, 2016**	**December 31, 2015**	**September 30, 2015**
Current assets	$ 170,578,088	$ 135,469,806	$ 152,221,147
Noncurrent assets	34,438,764	36,468,292	36,370,936
Total assets	$ 205,016,852	$ 171,938,098	$ 188,592,083
Current liabilities	$ 137,681,912	$ 101,850,410	$ 117,943,133
Noncurrent liabilities	8,796,222	8,804,980	9,583,502
Total liabilities	146,478,134	110,655,390	127,526,635
Common stock	34,988,123	37,988,123	37,988,123
Capital surplus	8,643,323	8,639,723	8,638,580
Retained earnings	13,723,840	13,534,139	13,258,245
Others	1,183,432	1,120,723	1,180,500
Total equity	58,538,718	61,282,708	61,065,448
Total liabilities and equity	$ 205,016,852	$ 171,938,098	$ 188,592,083

2. Condensed statements of comprehensive income

(In Thousands of New Taiwan Dollars, Except Per Share Amount)

	For the Three Months Ended September 30		**For the Nine Months Ended September 30**	
	2016	**2015**	**2016**	**2015**
Operating revenues	$ 3,411,167	$ 1,402,364	$ 7,297,859	$ 6,305,021
Operating expenses	(2,164,118)	(2,204,421)	(5,976,459)	(6,277,551)
Profit (loss) from operations	1,247,049	(802,057)	1,321,400	27,470
Share of profit (loss) of subsidiaries, associates and joint ventures	138,065	(42,447)	(197,723)	1,125,469
Other income and loss	238,930	339,777	815,770	985,182
Total non-operating income or loss	376,995	297,330	618,047	2,110,651
Net profit (loss) before income tax	1,624,044	(504,727)	1,939,447	2,138,121
Income tax benefit (expense)	(59,542)	135,661	(123,296)	(87,500)
Net profit (loss) for the period	1,564,502	(369,066)	1,816,151	2,050,621
Other comprehensive income (loss)	626,623	(871,566)	62,709	229,025
Total comprehensive income for the period	$ 2,191,125	$ (1,240,632)	$ 1,878,860	$ 2,279,646
Basic earnings per share	$0.45	$(0.10)	$0.49	$0.54

(Continued)

KGI Bank

1. Condensed balance sheets

(In Thousands of New Taiwan Dollars)

Assets	**September 30, 2016**	**December 31, 2015 (After Restated)**	**September 30, 2015 (After Restated)**
Cash and cash equivalents, due from the Central Bank and call loans to banks	$ 81,563,067	$ 94,801,809	$ 71,448,233
Financial assets at fair value through profit or loss	94,436,013	79,062,398	77,550,508
Securities purchased under resell agreements	900,130	36,176,824	47,941,539
Receivables, net	19,747,319	34,359,108	33,946,338
Current tax assets	-	31,273	66,499
Assets held for sale, net	12,290	-	-
Discount and loans, net	251,897,396	217,780,328	223,684,373
Available-for-sale financial assets	77,836,329	55,238,628	76,821,925
Investments accounted for using the equity method, net	1,906,309	2,081,685	2,213,938
Other financial assets, net	4,349,621	267,404	262,919
Property and equipment, net	5,625,879	5,641,055	5,593,233
Investment property, net	622,076	600,574	601,227
Deferred tax assets	4,678,839	4,922,153	5,077,570
Other assets, net	5,937,427	8,574,700	9,481,786
Total assets	$ 549,512,695	$ 539,537,939	$ 554,690,088
Deposits from the Central Bank and banks	$ 22,376,986	$ 9,561,475	$ 19,549,207
Financial liabilities at fair value through profit or loss	34,191,171	26,184,655	32,380,312
Notes and bonds issued under repurchase agreements	57,911,702	61,010,030	66,382,790
Payables	4,423,789	4,199,248	5,356,785
Current tax liabilities	311,750	187,682	57,816
Deposits and remittances	344,055,471	354,189,588	341,205,171
Bank debentures payable	2,666,122	2,612,172	2,594,057
Principal received on structured notes	20,987,311	22,300,825	27,773,694
Other financial liabilities	1,806	4,792	5,877
Provisions	347,643	358,360	275,505
Deferred tax liabilities	59,741	58,580	180,755
Other liabilities	2,943,537	1,185,992	1,371,697
Total liabilities	490,277,029	481,853,399	497,133,666
Common stock	46,061,623	46,061,623	46,061,623
Capital surplus	7,248,890	7,247,278	7,246,754
Retained earnings	5,934,986	4,785,309	3,796,140
Others	(9,833)	(409,670)	451,905
Total equity	59,235,666	57,684,540	57,556,422
Total liabilities and equity	$ 549,512,695	$ 539,537,939	$ 554,690,088

(Continued)

2. Condensed statements of comprehensive income

(In Thousands of New Taiwan Dollars, Except Per Share Amount)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2016	**2015 (After Restated)**	**2016**	**2015 (After Restated)**
Interest revenue	$ 2,128,822	$ 2,639,828	$ 6,423,777	$ 8,425,648
Interest expense	(749,802)	(900,521)	(2,410,942)	(2,877,034)
Interest profit, net	1,379,020	1,739,307	4,012,835	5,548,614
Noninterest profits and gains, net	1,309,132	427,899	3,349,977	1,967,335
Total net revenues	2,688,152	2,167,206	7,362,812	7,515,949
Reversal of allowance (allowance) for bad debts and losses on guarantees, net	(23,891)	318,485	48,862	970,898
Operating expenses	(1,387,494)	(1,287,523)	(3,962,066)	(3,846,934)
Net profit before income tax	1,276,767	1,198,168	3,449,608	4,639,913
Income tax expense	(349,678)	(105,036)	(498,110)	(538,351)
Net profit for the period	927,089	1,093,132	2,951,498	4,101,562
Other comprehensive income (loss) for the period net of income tax	(90,013)	(136,920)	399,837	360,077
Total comprehensive income for the period	$ 837,076	$ 956,212	$ 3,351,335	$ 4,461,639
Net profit attributable to				
Owners of the parent company	$ 927,089	$ 1,093,132	$2,951,498	$ 2,935,652
Prior interest under common control	-	-	-	1,165,910
	$ 927,089	$ 1,093,132	$ 2,951,498	$ 4,101,562
Total comprehensive income attributed to				
Owners of the parent company	$ 837,076	$ 956,212	$ 3,351,335	$ 2,479,890
Prior interest under common control	-	-	-	1,981,749
	$ 837,076	$ 956,212	$ 3,351,335	$ 4,461,639
Basic earnings per share	$0.20	$0.24	$0.64	$0.89

(Concluded)

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENT IN MAINLAND CHINA
SEPTEMBER 30, 2016
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company Name	Main Businesses and Products	Total Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2016	Investment Flows		Accumulated Outflow of Investment from Taiwan as of September 30, 2016 (Note 4)	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain	Carrying Value as of September 30, 2016	Accumulated Inward Remittance of Earnings as of September 30, 2016
					Outflow	Inflow						
China Healthcare Multi-services, Inc.	Third party medical services under emergency	RMB 41,192 thousand	Note 1,b,1)	US$ 1,871 thousand	$ -	US$ 1,871 thousand	$ -	(Note 3)	-	$ -	$ -	$ -
China Peptides (Wuhan) Co., Ltd.	Sale and R&D protein drugs	US$ 15,000 thousand	Note 1,b,2)	US$ 2,988 thousand	-	US$ 2,988 thousand	-	(Note 3)	-	-	-	-
JHL Biotech, Inc. (Wuhan)	R&D protein drugs	RMB 50,000 thousand	Note 1,b,2)	US$ 734 thousand	-	US$ 734 thousand	-	(Note 3)	-	-	-	-
Beauty Essential International Ltd.	Sale and R&D the cosmetic	US$ 2,000 thousand	Note 1,b,3)	US$ 2,262 thousand	-	-	US$ 2,262 thousand	(Note 3)	8.86	-	67,521	-
Derby Software (Shanghai) Co., Ltd.	The next-generation electronic distribution channel operator serving China's hotel industry	US$ 10,000 thousand	Note 1,b,4)	US$ 2,800 thousand	-	-	US$ 2,800 thousand	(Note 3)	41.69 (Note 6)	-	91,938	-
	The next-generation electronic distribution channel operator serving China's hotel industry	US$ 10,000 thousand	Note 1,b,4)	US$ 464 thousand	-	-	US$ 464 thousand	(Note 3)	9.26 (Note 6)	-	15,297	-
Triplex International Biosciences (Fujian)	Manufacture, sale and R&D medical diagnostic reagents and instruments	US$ 35,200 thousand	Note 1,b,5)	US$ 1,400 thousand	-	-	US$ 1,400 thousand	(Note 3)	1.66	-	45,003	-
Solar PV Corp.	Solar cell manufacture and sell	US$ 79,940 thousand	Note 1,b,6)	US$ 11,400 thousand	-	-	US$ 11,400 thousand	(Note 3)	9.14	-	339,711	-
Hartec Technology (Kunshan) Co., Ltd.	NB EMI sputtering	US$ 17,130 thousand	Note 1,b,7)	US$ 3,000 thousand	-	-	US$ 3,000 thousand	(Note 3)	10.23	-	99,603	-
Unifun Computer (Shanghai) Co., Ltd.	Internet service provider	US$ 8,000 thousand	Note 1,b,8)	US$ 1	-	-	US$ 1	(Note 3)	6.75	-	-	-
Great Team Backend Foundry (Dongguan) Ltd.	Analog IC testing and packaging	US$ 87,070 thousand	Note 1,b,9)	US$ 228 thousand	-	-	US$ 228 thousand	(Note 3)	1.79	-	7,151	-
Touch Equipment Leasing (Shanghai) Co., Ltd.	Mobile interactive LCD equipment leasing	US$ 8,000 thousand	Note 1,b,9)	US$ 669 thousand	-	-	US$ 669 thousand	(Note 3)	9.61	-	20,984	-
Touch Multimedia Technology (Shanghai) Co., Ltd.	Multimedia technology, network technology, computer software development, design production and sales	RMB 114,660 thousand	Note 1,b,9)	US$ 1,080 thousand	-	-	US$ 1,080 thousand	(Note 3)	9.61	-	33,875	-
MCM (Beijing) Commercial Co., Ltd.	Apparel, jewelry, watches, perfumes, cosmetics, glasses, bags, leather goods wholesale and retail; import and export of goods	EUR 4,460 thousand	Note 1,b,10)	EUR 140 thousand	-	-	EUR 140 thousand	(Note 3)	5.00	-	4,911	-
Chengdu Le Me Shi Jia Trading Co., Ltd.	Furniture wholesale, metal building materials wholesale and transport service	US$ 25,000 thousand	Note 1,b,9)	US$ 882 thousand	-	-	US$ 882 thousand	(Note 3)	2.16	-	6,830	-

(Continued)

Investee Company Name	Main Businesses and Products	Total Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2016	Investment Flows		Accumulated Outflow of Investment from Taiwan as of September 30, 2016 (Note 4)	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain	Carrying Value as of September 30, 2016	Accumulated Inward Remittance of Earnings as of September 30, 2016
					Outflow	Inflow						
Chengdu Le Me Shi Jia Information Technology Co., Ltd.	Furniture wholesale, metal building materials wholesale and transport service	US$ 1,400 thousand	Note 1,b,9)	US$ 33 thousand	$ -	$ -	US$ 33 thousand	(Note 3)	2.16	$ -	$ 256	$ -
Tianjin Mei Wei Information Technology Co., Ltd.	Computer IT consulting and technical services; computer hardware and software development; furniture, building materials, daily commodities, hardware wholesale	RMB 104,222 thousand	Note 1,b,9)	RMB 1,016 thousand	-	-	RMB 1,016 thousand	(Note 3)	2.16	-	1,178	-
Tianjin Mu Yuan Household Trading Co., Ltd.	Household items; furniture, building materials, daily commodities, hardware wholesale	US$ 500 thousand	Note 1,b,9)	US$ 42 thousand	-	-	US$ 42 thousand	(Note 3)	2.16	-	332	-
CDIB Private Equity Management Corporation	Management and consulting	US$ 4,000 thousand	Note 1,b,12)	US$ 4,000 thousand	-	-	US$ 4,000 thousand	10,607	100.00	10,607	63,943	-
CPEC Huakai Private Equity (Fujian) Co., Ltd.	Management and consulting	RMB 10,000 thousand	Note 1,b,11)	RMB 7,000 thousand	-	-	RMB 7,000 thousand	18,179	70.00	12,725	72,029	-
CPEC Huachuang Private Equity Management (Fujian) Enterprise (Limited Partnership)	Management and consulting	RMB 12,000 thousand	Note 1,b,11),12)	RMB 6,720 thousand	-	-	RMB 6,720 thousand	2,002	70.00	1,401	40,448	-
CPEC Huachuang Private Equity (Fujian) Enterprise (Limited Partnership)	Equity investment	RMB 700,000 thousand	Note 1,b,11),12)	RMB 141,200 thousand	RMB 105,900 thousand	-	RMB 247,100 thousand	180,894	-	63,313	1,180,763	-
CPEC Huachuang Private Equity (Kunshan) Co, Ltd.	Management and consulting	RMB 7,000 thousand	Note 1,b,12)	RMB 4,550 thousand	-	-	RMB 4,550 Thousand	12,487	65.00	8,116	30,359	-
CPEC Huachuang Private Equity Management (Kushan) Enterprise (Limited Partnership)	Management and consulting	RMB 7,500 thousand	Note 1,b,12)	RMB 195 thousand	RMB 130 thousand	-	RMB 325 thousand	(192)	65.00	(125)	22,197	-
CPEC Huachuang Private Equity (Kushan) Enterprise (Limited Partnership)	Equity investment	RMB 700,000 thousand	Note 1,b,11),12)	RMB 121,400 thousand	RMB 91,050 thousand	-	RMB 212,450 thousand	(7,064)	-	(2,119)	971,420	-
Focus Multimedia Technology (Shanghai) Co., Ltd.	Multimedia network information systems software R&D; multimedia network engineering design consultancy; market research and intermediary service; sales of self-produced products	US$ 38,000 thousand	Note 1,b,13)	US$ 16,612 thousand	-	-	US$ 16,612 thousand	(Note 3)	0.94	-	521,059	-

(Continued)

Investee Company Name	Main Businesses and Products	Total Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2016	Investment Flows		Accumulated Outflow of Investment from Taiwan as of September 30, 2016 (Note 4)	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain	Carrying Value as of September 30, 2016	Accumulated Inward Remittance of Earnings as of September 30, 2016
					Outflow	Inflow						
Focus (China) Information Technology Co., Ltd.	LCD advertising, software and hardware of computers manufacture and sale, and network technology design and development; computer integrated design, debugging and maintenance; self-developed technological achievement transfer; related technologies consultancy and technical service	US$ 10,000 thousand	Note 1,b,13)	US$ 4,371 thousand	$ -	$ -	US$ 4,371 thousand	(Note 3)	0.94	$ -	$ 137,106	$ -
Chi Zhong Information Technology (Shanghai) Co., Ltd.	LCD advertising, software and hardware of computers manufacture and sale, and network technology design and development; computer integrated design, debugging and maintenance; self-developed technological achievement transfer; related technologies consultancy and technical service	US$ 10,000 thousand	Note 1,b,13)	US$ 875 thousand	-	-	US$ 875 thousand	(Note 3)	0.94	-	27,435	-
Shanghai OOH Advertising Co., Ltd.	Domestic and foreign advertisement design, production, releases and agent	US$ 400 thousand	Note 1,b,13)	US$ 174 thousand	-	-	US$ 174 thousand	(Note 3)	0.94	-	5,459	-
GSD Industrial Co., Ltd.	Pumps manufacture and sale	US$ 50,000 thousand	Note 1,b,14)	US$ 2,235 thousand	-	-	US$ 2,235 thousand	(Note 3)	19.86	-	68,353	-
Shengzhuang Co., Ltd.	Cosmetics sales	RMB 54,300 thousand	Note 1,b,15)	US$ 5,000 thousand	-	-	US$ 5,000 thousand	(Note 3)	5.44	-	151,150	-
Lightel Technologies Inc.	Fiber optic components, fiber optic equipment and instruments and LED lamps	US$ 3,100 thousand	Note 1,b,16)	US$ 337 thousand	-	-	US$ 337 thousand	(Note 3)	13.48	-	10,076	-
Guohui (China) Co., Ltd.	Manufacturing and sale sport apparel, footwear and accessories	HK$ 313,432 thousand	Note 1,b,10),17)	US$ 1,750 thousand	-	-	US$ 1,750 thousand	(Note 3)	7.73	-	54,892	-
Fujian Guohui Footwear Co., Ltd.	Manufacturing and sale sport apparel, footwear and accessories	HK$ 195,686 thousand	Note 1,b,10),17)	US$ 1,357 thousand	-	-	US$ 1,357 thousand	(Note 3)	7.73	-	42,563	-
Stonehenge Industrial Holding Ltd.	Business in research, development and manufacture of electro optic technology, process on TFT-LCD optical, functional film material, and production and marketing of other plastic product	HK$ 452,805 thousand	Note 1,b,9)	-	US$ 1,485 thousand	-	US$ 1,485 thousand	(Note 3)	4.05	-	46,579	-
Hangzhou Huatong Industries Inc.	Business in sofa manufacture and sale; slipcover and leather products; the clothing; fur products; plush products; toys sale and doing wholesale and import business in furniture	US$ 32,000 thousand	Note 1,b,9),18)	-	US$ 3,545 thousand	US$ 343 thousand	US$ 3,202 thousand	(Note 3)	1.66	-	105,678	11,074
Hangzhou Rilong Leather Co., Ltd.	Business in toys sale and doing wholesale and import business in furniture	US$ 1,000 thousand	Note 1,b,9),18)	-	US$ 10	-	US$ 10	(Note 3)	1.72	-	-	-

(Continued)

Investee Company Name	Main Businesses and Products	Total Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2016	Investment Flows		Accumulated Outflow of Investment from Taiwan as of September 30, 2016 (Note 4)	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain	Carrying Value as of September 30, 2016	Accumulated Inward Remittance of Earnings as of September 30, 2016
					Outflow	Inflow						
Power Logic Tech. (DongGuan) Inc.	Production and sale of computer cooling fan, radiator, computer peripheral products, LED electric lamps, LED electric driver, computer multimedia speaker, plastic mold, plastic components	HK$ 21,000 thousand	Note 1,b,19)	-	US$ 2,590 thousand	$ -	US$ 2,590 thousand	(Note 3)	14.52	$ -	$ 82,879	$ -
Dongguan TaiYi Electronics Co., Ltd	Engaged in computer radiator, electronic products wholesale, commission agency (except auction), import and export and related business	RMB 3,000 thousand	Note 1,b,19)	-	US$ 427 thousand	-	US$ 427 thousand	(Note 3)	14.52	-	13,673	-
Tutwo (Xiamen) Outdoor Co., Ltd.	Business in wholesale and retail of outdoor sports products, sporting goods, clothing, shoes and hats, wholesale, retail and manufacture of textile and hosiery, leather garments, leather manufacturing, retail of kitchenware and daily groceries	RMB 350,379 thousand	Note 1,b,20)	-	RMB 49,335 thousand	-	RMB 49,335 thousand	(Note 3)	2.67	-	231,613	-
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	$ (135,594)	100.00	(135,594)	530,348	-
KGI Investment advisory (Shanghai) Co., Ltd.	Investment consultancy	US$ 4,000 thousand	Note 1,b,21)	US$ 2,000 thousand	US$ 2,000 thousand	-	US$ 4,000 thousand	(12,772)	100.00	(12,772)	66,324	-

Accumulated Investment in Mainland China as of September 30, 2016	Investment Amounts Authorized by Investment Commission, MOEA	Limit on Investment
$6,457,661	US$332,447 thousand	$92,584,783

Note 1: The investment types are as follows:

a. Direct investments.

b. Reinvested through a third place by:

1) China Healthcare Multi-Service, Inc.
2) JHL Biotech, Inc.
3) Beauty Essentials International Ltd.
4) Derbysoft Holdings Limited.
5) Capital Excel Investments Limited.
6) Solar PV Corporation.
7) Hartec Asia Pte Ltd.
8) Sunfun Info Co., Ltd.
9) CDIB Capital Investment I Limited.
10) CDIB Capital Investment II Limited.
11) CDIB Venture Capital (Hong Kong) Corporation Limited.
12) CDIB Private Equity (Hong Kong) Corporation Limited.
13) CDIB Global Markets Limited.
14) GSD Technologies Co., Ltd.
15) Shengzhuang Holdings Limited.
16) Lightel Technologies, Inc.
17) CBA Sport International Limited.
18) Shane Global Holding Inc.
19) Sun Max Tech Limited.
20) CCAP Tutwo Holdings (Hong Kong) Limited.
21) Richpoint Company Limited.

(Continued)

c. Other.

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

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

b. Income recognition was based on the:

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

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

Note 3: Investee Company was not significantly influenced by the Company, therefore the Corporation cannot acquire the related financial information.

Note 4: Investment amount authorized or soon authorized by Investment Commission, MOEA.

Note 5: The Corporation indirectly invested in Changshu Everbright Material Technology Co., Ltd. through its subsidiary's investment in Ferro China on which the Corporation fully impaired and recognized an impairment loss in 2008.

Note 6: The ratios of investees' preferred stock A or B held by subsidiaries was calculated by dividing the number of held preferred shares by the number of preferred shares outstanding.

Note 7: The Corporation formerly indirectly invested in Wuxi Paiho Testiles Co., Ltd. and Dongguan Paihong Corporation Ltd. through its subsidiary's investment in Paiho Shih Holdings Corporation. Because Paiho Shih Holdings Corporation has been listed on the Taiwan Stock Exchange on August 17, 2011, refer to its financial report for the information.

Note 8: The Corporation formerly indirectly invested in Focal Tech System Co., Ltd. through its subsidiary's investment in Focal Tech Corporation Ltd. has been listed on the Taiwan Stock Exchange on November 8, 2013, refer to its financial report for the information.

Note 9: The Corporation formerly indirectly invested in Kunshan Xinkuangtai Photoelectric Technology Co., Ltd. and Taizhou Kuangli Photoelectric Technology Co., Ltd. through its subsidiary's investment in Kuangli Photoelectric Technology Co., Ltd. has been listed on the Taiwan Stock Exchange on October 31, 2014, refer to its financial report for the information.

Note 10: The Corporation formerly indirectly invested in Yangzhou Enteres Auto Parts Manufacturing Co., Ltd., Yanghou Enteres Industrial Co., Ltd., Yangzhou Enterex Automotive Air-Conditioning Industrial Co., Ltd. and Yangzhou Enterex Auto Parts Distribution Co., Ltd. through its subsidiary investment in Enteres International Limited has been listed on the Taiwan Stock Exchange on October 16, 2014, refer to its financial report for the information.

Note 11: The Corporation formerly indirectly invested in Jinjiang Chandra Shoes Industry Co., Ltd. through its subsidiary's investment in Victory New Materials limited company has been listed on the Taiwan Stock Exchange on January 14, 2014, refer to its financial report for the information.

Note 12: The Corporation formerly indirectly invested in Strong LED Lighting Systems (Suzhou) Corporation through its subsidiary's investment in Strong LED Lighting Systems (Cayman) Co., Ltd. has been listed on the Taipei Exchange on June 30, 2016, refer to its financial report for the information.

Note 13: The Corporation's subsidiary, CDIB Private Equity (Hong Kong) Corporation Limited, spent US$1,313 thousand of equity fund acquiring 100% stock right of CDIB Private Equity Management Corporation formerly invested by its subsidiary, CDIB Venture Capital (Hong Kong) Corporation Limited, and the acquiring price become the newly authorized amount.

The Corporation's subsidiary, CDIB Private Equity (Hong Kong) Corporation Limited, spent US$1,059 thousand of equity fund acquiring 56% stock right of CPEC Huachuang Private Equity (Fujian) Enterprise (Limited Partnership) formerly invested by its subsidiary, CDIB Venture Capital (Hong Kong) Corporation Limited, and the acquiring price become the newly authorized amount.

(Concluded)

TABLE 11

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

BUSINESS RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016
(In Thousands of New Taiwan Dollars)

No. (Note 1)	Trader Company	Related Party	Flow of Transactions (Note 2)	Financial Statement Accounts	Amounts	Trading Terms	Transaction Amount/Total Consolidated Revenue or Total Consolidated Assets (Note 3)
0	The Corporation	China Development Industrial Bank	1	Current tax assets	$ 340,462	Note 4	0.04%
1	China Development Industrial Bank	The Corporation	2	Current tax liabilities	340,462	Note 4	0.04%
0	The Corporation	China Development Industrial Bank	1	Current tax liabilities	621,947	Note 4	0.07%
1	China Development Industrial Bank	The Corporation	2	Current tax assets	621,947	Note 4	0.07%
0	The Corporation	KGI Bank Co., Ltd.	1	Cash and cash equivalents	1,470,880	Note 4	0.16%
2	KGI Bank Co., Ltd.	The Corporation	2	Deposit and remittances	1,470,880	Note 4	0.16%
0	The Corporation	KGI Bank Co., Ltd.	1	Current tax assets	304,648	Note 4	0.03%
2	KGI Bank Co., Ltd.	The Corporation	2	Current tax liabilities	304,648	Note 4	0.03%
0	The Corporation	KGI Securities Co., Ltd.	1	Current tax assets	378,219	Note 4	0.04%
3	KGI Securities Co., Ltd.	The Corporation	2	Current tax liabilities	378,219	Note 4	0.04%
1	China Development Industrial Bank	KGI Bank Co., Ltd.	3	Cash and cash equivalents	18,313,148	Note 4	2.01%
2	KGI Bank Co., Ltd.	China Development Industrial Bank	3	Deposit and remittances	18,313,148	Note 4	2.01%
2	KGI Bank Co., Ltd.	KGI Securities Co., Ltd. and its subsidiaries	3	Deposit and remittances	3,666,725	Note 4	0.40%
3	KGI Securities Co., Ltd. and its subsidiaries	KGI Bank Co., Ltd.	3	Cash and cash equivalents	3,666,725	Note 4	0.40%
2	KGI Bank Co., Ltd.	KGI Securities Co., Ltd.	3	Deposit and remittances	1,350,432	Note 4	0.15%
3	KGI Securities Co., Ltd.	KGI Bank Co., Ltd.	3	Restricted assets	1,350,432	Note 4	0.15%
2	KGI Bank Co., Ltd.	KGI Securities Co., Ltd.	3	Deposit and remittances	803,715	Note 4	0.09%
3	KGI Securities Co., Ltd.	KGI Bank Co., Ltd.	3	Other financial assets	803,715	Note 4	0.09%

(Continued)

No. (Note 1)	Trader Company	Related Party	Flow of Transactions (Note 2)	Financial Statement Accounts	Amounts	Trading Terms	Transaction Amount/Total Consolidated Revenue or Total Consolidated Assets (Note 3)
2	KGI Bank Co., Ltd.	CDIB Capital Investment II Limited	3	Deposit and remittances	$ 906,342	Note 4	0.10%
4	CDIB Capital Investment II Limited	KGI Bank Co., Ltd.	3	Cash and cash equivalents	906,342	Note 4	0.10%
2	KGI Bank Co., Ltd.	CDIB Global Markets Limited	3	Deposit and remittances	1,959,979	Note 4	0.21%
5	CDIB Global Markets Limited	KGI Bank Co., Ltd.	3	Cash and cash equivalents	1,959,979	Note 4	0.21%
2	KGI Bank Co., Ltd.	CDIB Venture Capital Corp.	3	Deposit and remittances	1,777,750	Note 4	0.19%
6	CDIB Venture Capital Corp.	KGI Bank Co., Ltd.	3	Cash and cash equivalents	1,777,750	Note 4	0.19%
2	KGI Bank Co., Ltd.	CDIB Capital Investment I Limited and its subsidiaries	3	Deposit and remittances	1,904,251	Note 4	0.21%
7	CDIB Capital Investment I Limited and its subsidiaries	KGI Bank Co., Ltd.	3	Cash and cash equivalents	1,904,251	Note 4	0.21%
2	KGI Bank Co., Ltd.	CDIB Capital International Corporation	3	Deposit and remittances	489,555	Note 4	0.05%
8	CDIB Capital International Corporation	KGI Bank Co., Ltd.	3	Cash and cash equivalents	489,555	Note 4	0.05%
3	KGI Securities Co., Ltd.	KGI Futures Co., Ltd.	3	Service fee and commission, net	190,379	Note 4	0.94%
9	KGI Futures Co., Ltd.	KGI Securities Co., Ltd.	3	Service fee and commission, net	190,379	Note 4	0.94%
3	KGI Securities Co., Ltd.	KGI Insurance Brokers Co., Ltd.	3	Net other noninterest profit	207,833	Note 4	1.03%
10	KGI Insurance Brokers Co., Ltd.	KGI Securities Co., Ltd.	3	Net other noninterest profit	207,833	Note 4	1.03%
3	KGI Securities Co., Ltd.	KGI Futures Co., Ltd.	3	Financial assets at fair value through profit or loss	583,131	Note 4	0.06%
9	KGI Futures Co., Ltd.	KGI Securities Co., Ltd.	3	Customers’ equity accounts - futures	583,131	Note 4	0.06%
3	KGI Securities Co., Ltd.	KGI Securities Investment Advisory Co., Ltd.	3	Other operating and administrative expense	120,000	Note 4	0.59%
11	KGI Securities Investment Advisory Co., Ltd.	KGI Securities Co., Ltd.	3	Consulting service revenue	120,000	Note 4	0.59%
3	KGI Securities Co., Ltd.	KGI Asia Limited	3	Receivables, net	150,656	Note 4	0.02%
12	KGI Asia Limited	KGI Securities Co., Ltd.	3	Payables	150,656	Note 4	0.02%
5	CDIB Global Markets Limited	CDIB Capital International Corporation	3	Other operating and administrative expense	149,938	Note 4	0.74%
8	CDIB Capital International Corporation	CDIB Global Markets Limited	3	Consulting service revenue	149,938	Note 4	0.74%

(Continued)

No. (Note 1)	Trader Company	Related Party	Flow of Transactions (Note 2)	Financial Statement Accounts	Amounts	Trading Terms	Transaction Amount/Total Consolidated Revenue or Total Consolidated Assets (Note 3)
8	CDIB Capital International Corporation	CDIB Capital International (Hong Kong) Corporation Limited	3	Other operating and administrative expense	$ 179,920	Note 4	0.89%
13	CDIB Capital International (Hong Kong) Corporation Limited	CDIB Capital International Corporation	3	Consulting service revenue	179,920	Note 4	0.89%
9	KGI Futures Co., Ltd.	KGI Ong Capital Pte. Ltd.	3	Other financial assets	1,355,592	Note 4	0.15%
14	KGI Ong Capital Pte. Ltd.	KGI Futures Co., Ltd.	3	Customers' equity accounts - futures	1,355,592	Note 4	0.15%
15	Richpoint Company Limited (BVI Holding Co.)	KG Investments Holdings Limited	3	Receivables, net	3,515,605	Note 4	0.39%
16	KG Investments Holdings Limited	Richpoint Company Limited (BVI Holding Co.)	3	Other borrowings	3,515,605	Note 4	0.39%

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 midterm/Total consolidated net profit.

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

Note 5: Transactions each amounted to at least NT$100 million.

(Concluded)