China Development Financial Holding Corporation and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2016 and 2015 and Independent Auditors' Report

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2016 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard 10 “Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we have not prepared a separate set of consolidated financial statements of affiliates.

Very truly yours,

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION

By

March 27, 2017

Deloitte.

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INDEPENDENT AUDITORS' REPORT

The Board of Directors and shareholders
China Development Financial Holding Corporation

Opinion

We have audited the accompanying consolidated financial statements of China Development Financial Holding Corporation (the Corporation) and its subsidiaries (collectively, the Group), which comprise the consolidated balance sheets as of December 31, 2016 and 2015, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance 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, the guidelines issued by the authority and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2016. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of Discounts, Loans and Receivables

As stated in Note 5, to determine the impairment loss of discounts, loans and receivables, the management should 1) judge whether there is any objective evidence of impairment, 2) estimate the expected future cash flow based on historical loss on assets with similar credit risk, and 3) review periodically the methodology and assumptions adopted for both expected future cash flow and its timing to decrease the difference between estimated and actual amount of impairment. The methodology and assumptions adopted for the assessment of objective evidence of impairment and the amount and timing of future cash flows (e.g. impairment occurrence rate and recovery rate) require the exercise of critical judgments and estimates; therefore, the impairment of discounts, loans and receivables is deemed to be a key audit matter for the year ended December 31, 2016.

Refer to Notes 4, 5 and 53 for the critical accounting policy, judgment, estimation uncertainty and related disclosure of the impairment for discounts, loans and receivables.

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

Impairment of Financial Assets Measured at Cost

When objective evidence indicates that financial assets measured at cost are impaired, the amount of the loss has to be recognized. CDIB Capital Group (formerly China Development Industrial Bank) and subsidiaries determines occurrence of the impairment by the calculation of the valuation models. The valuation models and conditions of the assumptions are critical estimates of the management; therefore, the impairment of financial assets measured at cost is identified as a key audit matter for the year ended December 31, 2016.

Refer to Notes 4, 5 and 53 for the critical accounting policy, estimation uncertainty and related disclosure of the impairment of financial assets measured at cost.

We understood and assessed CDIB Capital Group's internal control related to the impairment of financial assets measured at cost and its operation effectiveness. We entrusted our firm's internal valuation specialist with the task of sampling from the financial assets measured at cost then valuating the appropriateness of the parameters used in the valuation models of the sample by re-performing the selection of comparable companies and testing the reasonability of the multiplier. Finally, we assessed the reasonability of the impairment loss recognized resulting from the existence of objective evidence.

Other Matter

We also audited the parent company only financial statements of the Corporation as of and for the years ended December 31, 2016 and 2015 on which we have issued an unmodified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with 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, the guidelines issued by the authority and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including the audit committee, are responsible for overseeing the Group’s financial reporting process.

Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2016 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 27, 2017

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

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

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

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars)

	2016		2015	
ASSETS	**Amount**	**%**	**Amount**	**%**
CASH AND CASH EQUIVALENTS (Notes 4, 6 and 47)	$ 28,312,347	3	$ 25,090,329	3
DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS (Notes 4, 47 and 48)	71,884,564	8	87,125,284	10
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 8, 9, 47 and 48)	159,280,102	18	157,780,085	18
AVAILABLE-FOR-SALE FINANCIAL ASSETS (Notes 4, 10 and 48)	106,359,065	12	70,643,015	8
SECURITIES PURCHASED UNDER RESELL AGREEMENTS (Notes 4 and 11)	29,883,158	3	52,622,253	6
RECEIVABLES, NET (Notes 4, 12, 47, 48 and 53)	92,190,214	10	100,754,149	12
CURRENT TAX ASSETS (Note 4)	855,145	-	990,101	-
DISCOUNT AND LOANS, NET (Notes 4, 13, 47 and 53)	252,376,992	28	217,780,328	25
HELD-TO-MATURITY FINANCIAL ASSETS, NET (Note 4)	300,000	-	402,564	-
INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD, NET (Notes 4, 14 and 15)	12,675,804	2	10,775,665	1
RESTRICTED ASSETS (Notes 16, 48 and 49)	27,933,924	3	29,776,730	3
FINANCIAL ASSETS MEASURED AT COST (Notes 4, 15 and 17)	19,491,762	2	21,095,274	2
OTHER FINANCIAL ASSETS (Notes 18, 47 and 48)	44,793,314	5	38,773,821	5
INVESTMENT PROPERTY, NET (Notes 4, 19 and 48)	2,179,356	-	2,048,311	-
PROPERTY AND EQUIPMENT, NET (Notes 4, 20 and 48)	14,512,916	2	14,717,160	2
INTANGIBLE ASSETS, NET (Notes 4 and 21)	7,948,378	1	8,584,490	1
DEFERRED TAX ASSETS (Notes 4 and 44)	4,912,053	1	5,561,925	1
OTHER ASSETS, NET (Notes 4, 22 and 48)	16,308,415	2	22,197,691	3
TOTAL	$ 892,197,509	100	$ 866,719,175	100
LIABILITIES AND EQUITY				
LIABILITIES				
Deposits from the Central Bank and banks (Notes 23 and 47)	$ 31,078,769	4	$ 10,024,399	1
Financial liabilities at fair value through profit or loss (Notes 4, 8 and 47)	51,565,266	6	39,898,179	5
Notes and bonds issued under repurchase agreements (Notes 4, 8, 10, 24 and 47)	119,560,443	13	119,611,868	14
Commercial paper payable, net (Notes 25 and 48)	17,549,797	2	13,139,202	1
Payables (Notes 4, 26 and 47)	60,337,328	7	57,152,044	7
Current tax liabilities (Note 4)	826,620	-	911,029	-
Deposits and remittances (Notes 27 and 47)	315,451,964	35	325,312,132	38
Bonds payable (Notes 28 and 47)	27,684,236	3	28,618,692	3
Other borrowings (Notes 29, 47 and 48)	19,878,458	2	21,809,459	3
Provisions (Notes 4, 30 and 31)	1,373,667	-	1,419,454	-
Principal received on structured notes	26,299,389	3	34,375,733	4
Customers' equity accounts - futures (Notes 4 and 47)	36,066,932	4	30,698,500	4
Other financial liabilities (Note 49)	387,509	-	400,851	-
Deferred tax liabilities (Notes 4 and 44)	1,487,885	-	1,460,166	-
Other liabilities (Notes 4 and 32)	15,552,208	2	13,116,729	1
Total liabilities	725,100,471	81	697,948,437	81
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT (Notes 4, 33 and 34)				
Capital				
Common stock	149,744,203	17	151,124,071	17
Advance receipts for capital stock	10	-	1,370	-
Capital surplus	1,104,521	-	654,803	-
Retained earnings				
Legal reserve	5,014,298	1	4,161,475	-
Special reserve	3,228,296	-	765,041	-
Unappropriated earnings	8,556,188	1	13,580,644	2
Other				
Exchange differences on translation of foreign financial statements	494,377	-	1,741,670	-
Unrealized losses on available-for-sale financial assets	(2,255,818)	-	(4,456,314)	-
Others	(21,211)	-	(32,187)	-
Treasury shares	(2,376,747)	(1)	(2,376,747)	-
Total equity attributable to owners of the parent	163,488,117	18	165,163,826	19
NON-CONTROLLING INTERESTS (Note 33)	3,608,921	1	3,606,912	-
Total equity	167,097,038	19	168,770,738	19
TOTAL	$ 892,197,509	100	$ 866,719,175	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
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2016		2015		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
INTEREST REVENUE (Notes 4, 35 and 47)	$ 11,391,971	42	$ 14,245,989	48	(20)
INTEREST EXPENSE (Notes 4, 35 and 47)	(4,332,469)	(16)	(5,138,176)	(17)	(16)
INTEREST PROFIT, NET	7,059,502	26	9,107,813	31	(22)
NONINTEREST PROFITS AND GAINS, NET					
Service fee and commission, net (Notes 4, 36 and 47)	7,507,892	28	8,966,809	30	(16)
Gain on financial assets or liabilities measured at fair value through profit or loss, net (Notes 4 and 37)	4,915,778	18	4,508,034	15	9
Realized gain on available-for-sale financial assets, net (Notes 4 and 38)	2,114,743	8	3,769,306	13	(44)
Foreign exchange gain (loss), net	624,713	2	(1,109,121)	(4)	156
Impairment loss on assets, net (Notes 4 and 39)	(1,221,155)	(4)	(983,978)	(3)	24
Share of the profit of associates and joint ventures (Notes 4 and 40)	378,606	1	439,558	1	(14)
Gain on financial assets measured at cost, net (Note 40)	2,407,290	9	2,462,248	8	(2)
Consulting service revenue (Note 47)	1,189,120	4	1,092,892	4	9
Others (Notes 41 and 47)	2,151,239	8	1,455,050	5	48
Total noninterest profits and gains, net	20,068,226	74	20,600,798	69	(3)
TOTAL NET REVENUES	27,127,728	100	29,708,611	100	(9)
REVERSAL OF ALLOWANCE (ALLOWANCE) FOR BAD DEBTS AND LOSSES ON GUARANTEES, NET	(751,478)	(3)	329,789	1	(328)

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CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2016		2015		Percentage Increase (Decrease)
	Amount	**%**	**Amount**	**%**	**%**
OPERATING EXPENSES (Notes 4, 31, 42, 43 and 47)					
Employee benefits	$ (11,414,576)	(42)	$ (12,522,077)	(42)	(9)
Depreciation and amortization	(1,472,993)	(5)	(1,432,844)	(5)	3
Other general and administrative expenses	(6,377,852)	(24)	(6,640,492)	(22)	(4)
Total operating expenses	(19,265,421)	(71)	(20,595,413)	(69)	(6)
NET PROFIT BEFORE INCOME TAX	7,110,829	26	9,442,987	32	(25)
INCOME TAX EXPENSE (Notes 4 and 44)	(1,123,925)	(4)	(827,812)	(3)	36
NET PROFIT FOR THE YEAR	5,986,904	22	8,615,175	29	(31)
OTHER COMPREHENSIVE INCOME (LOSS) (Note 4)					
Items that will not be reclassified subsequently to profit or loss, net of income tax					
Remeasurement of defined benefit plans (Notes 4 and 31)	(149,661)	-	(457,275)	(1)	(67)
Share of the other comprehensive gain (loss) of associates and joint ventures (Notes 4 and 14)	222	-	(3,300)	-	107
Income tax relating to the items that will not be reclassified subsequently to profit or loss (Notes 4 and 44)	9,497	-	64,980	-	(85)
Items that will be reclassified subsequently to profit or loss, net of income tax					
Exchange differences on translation of foreign financial statements	(1,169,101)	(5)	1,463,992	5	(180)
Unrealized gain (loss) on available-for-sale financial assets	1,865,097	7	(4,072,080)	(14)	146

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CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2016		2015		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
Unrealized gain on cash flow hedges	$ -	-	$ 20,659	-	(100)
Share of the other comprehensive income (loss) of associates and joint ventures (Notes 4 and 14)	249,796	1	(132,581)	-	288
Income tax relating to items that may be reclassified subsequently to profit or loss (Notes 4 and 44)	(3,805)	-	(858)	-	343
Other comprehensive income for the year, net of income tax	802,045	3	(3,116,463)	(10)	126
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 6,788,949	25	$ 5,498,712	19	23
NET PROFIT ATTRIBUTABLE TO:					
Owners of parent	$ 5,923,081	22	$ 8,528,231	29	(31)
Non-controlling interests	63,823	-	86,944	-	(27)
	$ 5,986,904	22	$ 8,615,175	29	(31)
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:					
Owners of parent	$ 6,736,201	25	$ 5,415,879	18	24
Non-controlling interests	52,748	-	82,833	1	(36)
	$ 6,788,949	25	$ 5,498,712	19	23
EARNINGS PER SHARE (Note 45)					
Basic	$0.40		$0.58		
Diluted	$0.40		$0.57		

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
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)

	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	$ 15,275,884	$ 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 the equity method	-	-	74	-	-	-	-	-	-	-	-	74	-	74
Net profit for the year ended December 31, 2015	-	-	-	-	-	8,528,231	-	-	-	-	-	8,528,231	86,944	8,615,175
Other comprehensive income (loss) for the year ended December 31, 2015, net of income tax	-	-	-	-	-	(394,917)	1,540,291	(4,278,385)	20,659	-	-	(3,112,352)	(4,111)	(3,116,463)
Total comprehensive income for the year ended December 31, 2015	-	-	-	-	-	8,133,314	1,540,291	(4,278,385)	20,659	-	-	5,415,879	82,833	5,498,712
Buyback of ordinary shares	-	-	-	-	-	-	-	-	-	-	(1,461,046)	(1,461,046)	-	(1,461,046)
Cancellation of treasury shares	(2,425,650)	-	42,642	-	-	-	-	-	-	-	2,383,008	-	-	-
Share-based payments	111,228	(4,599)	21,164	-	-	(5,076)	-	-	-	(5,231)	-	117,486	-	117,486
Changes in non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	(2,309,522)	(2,309,522)
BALANCE AT DECEMBER 31, 2015	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 changes in capital surplus	-	-	161,616	-	-	-	-	-	-	-	-	161,616	-	161,616
Net profit for the year ended December 31, 2016	-	-	-	-	-	5,923,081	-	-	-	-	-	5,923,081	63,823	5,986,904
Other comprehensive income (loss) for the year ended December 31, 2016, net of income tax	-	-	-	-	-	(140,083)	(1,247,293)	2,200,496	-	-	-	813,120	(11,075)	802,045
Total comprehensive income (loss) for the year ended December 31, 2016	-	-	-	-	-	5,782,998	(1,247,293)	2,200,496	-	-	-	6,736,201	52,748	6,788,949
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	50,232	(1,360)	8,442	-	-	(4,370)	-	-	-	10,976	-	63,920	-	63,920
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(50,739)	(50,739)
BALANCE AT DECEMBER 31, 2016	$ 149,744,203	$ 10	$ 1,104,521	$ 5,014,298	$ 3,228,296	$ 8,556,188	$ 494,377	$ (2,255,818)	$ -	$ (21,211)	$ (2,376,747)	$ 163,488,117	$ 3,608,921	$ 167,097,038

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

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit before income tax	$ 7,110,829	$ 9,442,987
Adjustments to reconcile net profit		
Depreciation expenses	611,406	565,972
Amortization expenses	861,587	866,872
Allowance (reversal of allowance) for bad debts and losses on guarantees, net	751,478	(329,789)
Interest expense	4,332,469	5,138,176
Interest income	(11,391,971)	(14,245,989)
Dividend income	(2,065,858)	(2,337,235)
Share of profit of associates and joint ventures	(331,612)	(435,855)
Gain on disposal of investments	(2,236,142)	(2,390,902)
Loss on financial asset impairment	1,209,986	959,324
Loss on nonfinancial asset impairment	11,169	24,654
Others	59,765	329,821
Changes in operating assets and liabilities		
Due from the Central Bank and call loans to banks	(16,049,616)	(6,777,108)
Financial assets at fair value through profit or loss	(1,500,017)	(6,602,272)
Available-for-sale financial assets	(34,665,406)	(46,514,008)
Held to maturity financial assets	-	18,600,000
Securities purchased under resell agreements	8,383,369	(7,557,179)
Receivables	8,440,596	29,588,752
Discount and loans	(34,717,956)	8,630,578
Other financial assets	(6,718,352)	3,028,465
Other assets	7,739,957	(16,405,473)
Deposits from the Central Bank and banks	21,054,370	(2,656,379)
Financial liabilities at fair value through profit or loss	11,667,087	4,815,872
Notes and bonds issued under repurchase agreements	(51,425)	(13,214,738)
Payables	(265,630)	(3,113,832)
Deposits and remittances	(9,860,168)	20,736,158
Other financial liabilities	(612,823)	(41,228,391)
Other liabilities	2,573,815	9,110,030
Cash used in operations	(45,659,093)	(51,971,489)
Interest received	11,913,532	16,349,497
Dividend received	2,467,243	2,544,116
Interest paid	(3,962,446)	(5,401,226)
Income tax paid	(401,824)	(1,955,475)
Net cash used in operating activities	(35,642,588)	(40,434,577)

(Continued)

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars)

	2016	2015
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of available-for-sale financial assets	$ (759,781)	$ (22,201,876)
Proceeds on sale of available-for-sale financial assets	1,747,754	135,568,226
Acquisition of debt investment with no active market	(358,350)	-
Proceeds on sale of debt investments with no active market	941,171	999,992
Acquisition of held-to-maturity financial assets	-	(402,564)
Proceeds from repayment of held-to-maturity financial assets	102,564	190,000
Acquisition of financial assets measured at cost	(2,144,792)	(1,803,767)
Proceeds on sale of financial assets measured at cost	3,599,320	9,481,566
Proceeds from capital return on financial assets measured at cost	617,303	184,438
Acquisition of equity-method investments	(1,934,003)	(1,849,914)
Acquisition of subsidiaries less cash received	(149,740)	49,184
Proceeds from capital return on equity method investments	10,012	1,821,464
Acquisition of property and equipment	(515,995)	(828,564)
Proceeds on sale of investment property	6,198	261,578
Others	(200,065)	657,773
Net cash generated from investing activities	961,596	122,127,536
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term borrowings	(2,963,850)	(11,752,792)
Increase (decrease) in commercial paper payable	4,410,595	(785,843)
Proceeds from issue of corporate bonds	-	15,000,000
Repayments of corporate bonds	(1,006,520)	(11,100,000)
Repayments of bank debentures	-	(10,000,000)
Proceeds of long-term borrowings	4,359,250	-
Repayments of long-term borrowings	(3,326,401)	(1,642,395)
Cash dividends paid	(7,487,006)	(9,098,673)
Purchase of treasury shares	(1,150,440)	(1,461,046)
Changes in non-controlling interests	(18,472)	(198,142)
Others	17,903	(166,175)
Net cash used in financing activities	(7,164,941)	(31,205,066)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(578,112)	298,982
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(42,424,045)	50,786,875
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	135,637,871	84,850,996
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 93,213,826	$ 135,637,871

(Continued)

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars)

Reconciliation of the amounts in the consolidated statements of cash flows with the equivalent items reported in the consolidated balance sheets as of December 31, 2016 and 2015:

	December 31	
	2016	2015
Cash and cash equivalents in consolidated balance sheets	$ 28,312,347	$ 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	35,018,321	66,308,658
Securities purchased under agreements to resell which qualify as cash and cash equivalents as defined of in IAS 7	29,883,158	44,238,884
Cash and cash equivalents in consolidated statements of cash flows	$ 93,213,826	$ 135,637,871

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 YEARS ENDED DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

The Corporation was established by CDIB Capital Group through a share swap on December 28, 2001 made under the Financial Holding Company Act and related regulations. CDIB Capital Group 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 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 shareholders 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 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 Capital Group was incorporated under the Company Act and relevant regulations and started operations on May 14, 1959. Effective January 1, 1999, CDIB Capital Group was converted from a trust corporation into an industrial bank under government approval.

On March 2 and April 13, 2015, CDIB Capital Group's board of the directors of CDIB Capital Group approved the transfer to KGI Bank of (a) all assets and liabilities associated with the commercial banking business of CDIB Capital Group and (b) CDIB Capital Group's holdings of shares in CDIB Capital Group'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 with Official Letter 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 Capital Group's industrial banking operations included certain deposit-taking, lending, investment, bank debenture issuing, securities underwriting, domestic and foreign 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 Capital Group's industrial banking operations included securities investment, investment, financial related business, venture capital and other activities approved by the authorities.

On January 19, 2017, under the approval of the board of directors who had been authorized to exercise the rights on behalf of the shareholders' meeting, China Development Industrial Bank was converted and the name became CDIB Capital Group. The date of conversion was March 15, 2017, and the CDIB Capital Group will continue to expand its assets management business. The FSC approved the conversion on March 10, 2017 with Official Letter No. 1600025880.

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 December 31, 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 December 31, 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 8 (attached).

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were reported to the board of directors and issue on March 27, 2017.

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

a. Amendments to the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) endorsed by the FSC for application starting from 2017

   Order No. 10610000830 and Order No. 1050026834 issued by the FSC stipulated that starting January 1, 2017, the Group should apply the amendments to the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies and the IFRS, IAS, IFRIC and SIC (collectively, the IFRSs) issued by the IASB and endorsed by the FSC for application starting from 2017.

New, Amended or Revised Standards and Interpretations (the New IFRSs)	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016 (Note 3)
Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception"	January 1, 2016
Amendment to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"	January 1, 2016
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016
Amendment to IAS 1 "Disclosure Initiative"	January 1, 2016
Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"	January 1, 2016
Amendments to IAS 16 and IAS 41 "Agriculture: Bearer Plants"	January 1, 2016
Amendment to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014
Amendment to IAS 36 "Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets"	January 1, 2014
Amendment to IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014
IFRIC 21 "Levies"	January 1, 2014

Note 1: Unless stated otherwise, the above New 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.

The initial application in 2017 of the above IFRSs and related amendments to the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies would not have any material impact on the Group's accounting policies, except for the following:

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 in 2017.

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 Group 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 8 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. The amendment will be applied prospectively to acquisitions of investment property on or after January 1, 2017.

5) Amendments to the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies

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

The amendments stipulate that other companies or institutions of which the chairman of the board of directors or president serves as the chairman of the board of directors or the president, or is the spouse or second immediate family of the chairman of the board of directors or president of the Group are deemed to have a substantive related party relationship, unless it can be demonstrated that no control, joint control, or significant influence exists. Furthermore, the amendments require the disclosure of the names of the related parties and the relationship with whom the Group has significant transaction.

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

The disclosures of related party transactions and impairment of goodwill will be enhanced when the above amendments are retrospectively applied in 2017.

Except for the above impacts, as of the date the consolidated financial statements were authorized for issue, the Group continues assessing other possible impacts that application of the aforementioned amendments and the related amendments to the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies will have on the Group's financial position and financial performance, and will disclose these other impacts when the assessment is completed. The above new, amended and revised standards or interpretations have no significant impact on the Group.

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

The Group have not applied the following IFRSs issued by the IASB but not yet endorsed by the FSC.

The FSC announced that the Group should apply IFRS 9 and 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)**
Annual Improvements to IFRSs 2014-2016 Cycle	Note 2
Amendment to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date of IFRS 9 and Transition Disclosures"	January 1, 2018
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 3)
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendments to IFRS 15 "Clarifications to IFRS 15 Revenue from Contracts with Customers"	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
Amendments to IAS 40 "Transfers of investment property"	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

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

Note 2: The amendment to IFRS 12 is retrospectively applied for annual periods beginning on or after January 1, 2017; the amendment to IAS 28 is retrospectively applied for annual periods beginning on or after January 1, 2018.

Note 3: In June 2015, IASB has decided to postpone the application of IFRS 10 and IAS 28 which issued in September 2014. Early 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 Group’s 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 Group 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 Group 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.

Transition

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

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 Group 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 Group 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 Group 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 Group’s share of the gain or loss is eliminated. Also, when the Group 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 Group’s 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”.

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 Group 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 Group 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 Group 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 Group as lessor.

When IFRS 16 becomes effective, the Group 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 Group 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 Group 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 Group’s assets for more than their carrying amount if there is sufficient evidence that it is probable that the Group will achieve this, and that the estimate for future taxable profit should exclude tax deductions resulting from the reversal of deductible temporary differences.

6) Annual Improvements to IFRSs 2014-2016 Cycle

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

The amendment to IFRS 12 clarified that when an entity’s interest in a subsidiary, a joint venture or an associate is classified as held for sale or is included in a disposal group that is classified as held for sale, the entity is not required to disclose summarized financial information of that subsidiary, joint venture or associate in accordance with IFRS 12.

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

Furthermore, the amendment to IAS 28 clarified that when the Group (non-investment entity) applies the equity method to account for investment in an associate or a joint venture that is an investment entity, the Group may elect to retain the fair value of the investment in subsidiaries of the investment entity associate or joint venture. The election should be made separately for each investment entity associate or joint venture, at the later of the date (a) the investment entity associate or joint venture is initially recognized, (b) the associate or joint venture becomes an investment entity, or (c) the investment entity associate or joint venture first becomes a parent.

The Group shall apply the aforementioned amendments retrospectively.

7) Amendments to IAS 40 “Transfers of Investment Property”

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

The Group may elect to apply the amendments prospectively and reclassify the property as required to reflect the conditions that exist at the date of initial application. Any adjustment to the carrying amount upon reclassification is recognized in the opening balance of investment property’s book value at that date. The Group is also required to disclose the reclassified amounts and such amounts should be included in the reconciliation of the carrying amount of investment property. Alternatively, the Group may elect to apply the amendments retrospectively if, and only if, that is possible without the use of hindsight.

8) IFRIC 22 “Foreign Currency Transactions and Advance Consideration”

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

The Group shall apply IFRIC 22 either retrospectively or prospectively to all assets, expenses and income in the scope of the Interpretation initially recognized on or after (a) the beginning of the reporting period in which the entity first applies IFRIC 22, or (b) the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies IFRIC 22.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

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

Basis of Preparation

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

The operating cycle in the banking industry cannot be reasonably identified; thus, asset and liability accounts included in the consolidated financial statements of CDIB Capital Group and KGI Bank were not classified as current or noncurrent. Nevertheless, these accounts were properly categorized in accordance with the nature of each account and sequenced according to their liquidity. Except as stated above, unrestricted cash and cash equivalents and other assets to be converted into cash or consumed within one year are classified as current. Properties, intangible assets and other noncurrent assets are classified as noncurrent. Liabilities to be liquidated or settled within one year are classified as current. All other liabilities are classified as noncurrent. The banking industry accounts, however, make up a large portion of the consolidated financial statements. Thus, all the consolidated accounts were categorized according to the nature of each account and sequenced by their liquidity rather than classified as current or noncurrent assets/liabilities.

Principles for Preparing Consolidated Financial Statements

The consolidated financial report includes the financial reports of the Group, and the accounting policies are applied consistently. All significant intra-group transactions, balances, income and expenses are eliminated in full upon consolidation.

The functional currency of the Corporation is the New Taiwan dollar, and the consolidated financial statements are presented in New Taiwan dollars.

As of December 31, 2016 and 2015, the consolidated entities included in the consolidated financial statements included 70 and 73 companies, respectively (please refer to the attached Tables 8).

Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date (i.e., the day when the Group obtains control) fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree, the excess are recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

Foreign Currencies

The Group recognizes at the rates of exchange prevailing at the dates of the transactions.

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

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

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

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

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation are reclassified to profit or loss.

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

Cash and Cash Equivalents

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

Investments in Associates

An associate is an entity over which the Group has significant influence and that is not a subsidiary.

The Group uses the equity method to account for their investments in associates.

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

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

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

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

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

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

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

Financial Instruments

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

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

a. Financial assets and liabilities

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

1) Measurement category

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

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

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

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

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

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

Financial assets or liabilities at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset. Other financial liabilities are measured at amortized cost using the effective interest method. Fair value is determined in the manner described in Note 52.

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

b) Held-to-maturity financial assets

Non-derivative financial assets with fixed or determinable payments and the Group has a positive intent and ability to hold to maturity are classified as held-to-maturity financial assets. Subsequent to initial measurement, held-to-maturity financial assets are recorded at amortized cost less impairment.

c) Available-for-sale financial assets

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

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

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

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

d) Loans and receivables

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

2) Margin loans and stock loans

"Receivable amount for margin loans" is the margin loans extended to the customers to buy securities. The securities bought by the customers are held as pledges on the loan provided, and these securities are recorded as "securities deposited by customers" using memo entries.

The securities refinance customer loans from securities finance companies, and the related amount is recorded as "refinancing borrowings" and is pledged with the underlying securities bought by the customers.

The subsidiaries of the Corporation provide financing to customers for the short sale of pledged securities from margin loans or short sale of securities borrowed from securities finance companies. The proceeds from short sale of securities borrowed by customers, net of commissions and securities transaction tax, are retained by the subsidiaries and recorded as "deposit payable for securities financing." In addition, the Securities and Futures Bureau (SFB), Financial Supervisory Commission, Executive Yuan, ROC requires that customers should make a guarantee deposit to the subsidiaries or provide securities in lieu of cash deposit, which are recorded as "securities financing guarantee deposit."

3) Guarantee deposits received on futures contracts and customers' equity accounts - futures

Margin deposit received from client is debited to "guarantee deposits received on futures contracts" and credited to "customers' equity accounts - futures" for futures transactions as required by the regulations. Margin deposit balances are calculated daily by marking to market the open positions of each customer and determining the required margin levels. The debit balance of "customers' equity accounts - futures" which results from losses on futures transactions in excess of the margin deposit, is recorded as "accounts receivable - futures guarantee deposits." Customer's equity accounts - futures cannot be offset unless these accounts pertain to the same customers.

4) Impairment of financial assets

a) Financial assets measured at amortized cost

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

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

Based on the Regulatory Governing the procedures for Banking Industry to evaluate Assets and Deal with Non-performing/Non-annual loans issued by the Ministry of Finance (MOF), credit assets classified as normal (this balance should be net of the balance of borrowings by ROC government agencies from the Corporation), special mention, substandard, with doubtful collectability and uncollectable or loss incurring are evaluated on the basis of the borrowers'/clients' financial condition and delinquency record on interest payments.

The assets mentioned above have allowances at 1%, 2%, 10% and 50%, respectively, of outstanding credit. The minimum allowance for doubtful accounts and guarantees is equal to the book value of the above listed. The doubtful accounts of credit cards receivables are evaluated on the basis of Regulations Governing Institutions Engaging In Credit Card Business.

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

Credits from CDIB Capital Group and KGI Bank deemed uncollectable which is estimated by possibility of collection and collateral value may be written off under the approval of the board of directors.

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

b) Available-for-sale financial asset

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

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

c) Financial assets measured at cost

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

5) Derecognition of financial assets or liabilities

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

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

b. Derivative financial instruments

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

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

Hedge Accounting

Derivatives designated as hedging instruments are measured at their fair values, and changes in fair values are recognized as either income (loss) for the current year or other comprehensive income, depending on the nature of the risks being hedged.

Use of derivatives instruments primarily as cash flow hedge, i.e., as risk management tools for hedging interest rate. At the start of the hedge, there must be formal designation and documentation of the hedging relationship, goals of risk management, strategy for undertaking the hedge, the hedging instrument, the hedged items, overall risk management objectives and strategies and a description of how the Group will assess the hedging instrument effectiveness.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss and is included in the other gains and losses line item.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains or losses that were recognized in other comprehensive income are reclassified from equity to profit or loss as a reclassification adjustment in the same period or periods during which the hedged forecast cash flows affect profit or loss. If a hedge of a forecast transaction subsequently results in the recognition of a nonfinancial asset or a nonfinancial liability, the associated gains and losses that were recognized in other comprehensive income are removed and are included in the initial cost of the nonfinancial asset or nonfinancial liability.

Hedge accounting is discontinued prospectively when the Corporation revokes the designated hedging relationship, or when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer meets the criteria for hedge accounting. The cumulative gain or loss on the hedging instrument that has been previously recognized in other comprehensive income from the period when the hedge was effective remains separately in equity until the forecast transaction occurs. When the forecast transaction is ultimately recognized in profit or loss, the associated gains or losses that were recognized in other comprehensive income are reclassified from equity to profit or loss or are included in the initial cost of the nonfinancial asset or nonfinancial liability. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

Securities Purchased and Sold Under Resell and Repurchase Agreements

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

Property and Equipment

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

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

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

Investment Properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties also include land held for a currently undetermined future use.

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

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

Collaterals Assumed

Collaterals assumed (recognized as other assets) are recorded at cost, which includes the price and the expenditure for placing the collateral in a position to be sold, and are evaluated at their fair value as of the end of the period. An impairment loss is recognized when the cost of collaterals exceeds the fair value.

Intangible Assets

a. Intangible assets acquired separately

   Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period. The residual value of an intangible asset with a finite useful life shall be assumed to be zero unless the Group expects to dispose of the intangible asset before the end of its economic life. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

b. Intangible assets acquired in a business combination

   Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, they are measured on the same basis as intangible assets that are acquired separately.

c. Derecognition of intangible assets

   On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset are recognized in profit or loss.

Nonfinancial Asset Impairment

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

A cash-generating unit ("CGU"), which goodwill has been allocated is tested for impairment annually at the same time, irrespective of whether there is any indication of impairment. If an impairment loss is to be recognized, it is first allocated to reduce the carrying amount of any goodwill, then to the other assets of CGU pro rata on the basis of the carrying amount of each asset in the unit (group of units). Impairment losses relating to goodwill cannot be reversed in future periods for any reason.

Provisions, Contingent Liabilities and Contingent Assets

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

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

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

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

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the control of the entity. The Group does not recognize contingent assets but disclose them in accordance with related rules when the inflow of economic benefits is probable.

Employee Benefits

a. Short-term employee benefits

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

b. Retirement benefits

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

   Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost) and net interest on the net defined benefit liability (asset) are recognized as employee benefits expense in the period they occur. Remeasurement, comprising actuarial gains and losses, (the effect of the changes to the asset ceiling) and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liability (asset) represents the actual deficit (surplus) in the Group's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

c. Other long-term benefits

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

Taxation

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

a. Current tax

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

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

The Corporation and its eligible subsidiaries use the linked-tax system in the filing of tax returns. The accounting treatment applied by the Group to the income tax is to adjust in the Corporation's and its subsidiaries' book by a prorated share amount the difference between the combined current/deferred taxes and the total of each Group member's current/deferred taxes. Related payables and receivables are recorded in each of the Group members' books.

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

b. Deferred tax

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

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

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

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

c. Current and deferred tax for the year

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

Revenue Recognition

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

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

Revenue from rendering services - brokerage and underwriting commissions and fees, stock transaction agent fees, futures trading commissions and fees - is recognized on the basis of the stage of completion of related services as of the balance sheet dates.

Leasing

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

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

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

Share-based Payment Arrangements

Restricted shares for employees are measured at fair value on the date of grant, with a corresponding increase in capital surplus - restricted shares for employees.

The fair value determined at the grant date of the employee share options is expensed on a straight-line basis over the vesting period, based on the Group’s estimate of employee share options that will eventually vest, with a corresponding increase in capital surplus - employee share options.

When the share-based payment awards held by the employees of an acquiree (acquiree awards) are replaced by the Group's share-based payment awards (replacement awards), both the acquiree awards and the replacement awards are measured in accordance with the market-based measure at the acquisition date. The portion of the replacement awards that is included in measuring the consideration transferred in a business combination equals the market-based measure of the acquiree awards multiplied by the ratio of the portion of the vesting period completed to the greater of the total vesting period or the original vesting period of the acquiree award.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

a. Impairment loss on loans and receivables

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

b. Impairment of financial assets measured at cost

When financial assets with no active market and financial assets measured at cost are assessed based on indication of impairment, their impairment losses are calculated by the difference between the book value and estimated recoverable amount. Under such circumstances, the recoverable amount depends on the estimation of observable data and appropriate assumption; in the meantime, the management considers related market and industry situation to determine the reasonability of the assumption.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2016	**2015**
Cash in banks	$ 18,662,103	$ 8,695,163
Due from banks	4,386,202	6,124,600
Short-term transactions instruments with maturities of up to three months	2,352,369	7,295,388
Cash on hand	1,247,909	1,281,441
Future excess margin	1,044,184	1,352,806
Others	619,580	340,931
	$ 28,312,347	$ 25,090,329

Cash and cash equivalents as of December 31, 2016 and 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.

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

	December 31	
	2016	2015
Due from the Central Bank	$ 37,130,000	$ 44,020,000
Call loans to banks	13,568,474	32,785,506
Deposit reserve - checking accounts	12,358,953	2,791,414
Deposit reserve - demand accounts	8,078,055	6,675,432
Due from the Central Bank - interbank settlement funds	600,599	700,828
Deposit reserve - foreign currencies	148,483	152,104
	$ 71,884,564	$ 87,125,284

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

	December 31	
	2016	2015
Financial assets held for trading		
Derivative instrument		
Currency swap contracts	$ 11,634,089	$ 11,267,269
Interest rate swap contracts	10,239,924	5,450,351
Option and futures contracts	4,184,386	4,739,031
Others	2,161,953	818,022
Non-derivative financial assets		
Operating securities (Note 9)	55,752,957	69,315,807
Bank debentures	20,819,329	33,176,658
Convertible (exchangeable) corporate bonds	3,121,853	2,184,662
Commercial papers	2,797,870	-
Mutual funds	2,522,042	6,673,779
Government bonds	2,370,197	1,033,332
Corporate bonds	1,979,093	2,370,073
Others	159,338	406,224
	117,743,031	137,435,208

(Continued)

	December 31	
	2016	2015
Financial assets designated as at FVTPL		
Government bonds	$ 39,174,578	$ 19,299,321
Others	2,362,493	1,045,556
	41,537,071	20,344,877
Financial assets at FVTPL	$ 159,280,102	$ 157,780,085
Financial liabilities held for trading		
Derivative instrument		
Currency swap contracts	$ 11,275,914	$ 11,379,184
Interest rate swap contracts	10,947,600	5,856,509
Option and futures contracts	5,769,857	5,812,809
Structure products	451,452	2,192,369
Others	2,278,179	1,318,336
Non-derivative financial liabilities		
Borrowed securities payable	5,484,802	6,167,626
Others	2,361,581	652,471
	38,569,385	33,379,304
Financial liabilities designated as at FVTPL		
Bank debentures payable	11,892,012	4,352,498
Structured products	1,103,869	2,166,377
	12,995,881	6,518,875
Financial liabilities at FVTPL	$ 51,565,266	$ 39,898,179

(Concluded)

The Group’s trust contract of stock of Capital Securities Corporation. Please refer to Note 10.

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

Bank Debenture Number	December 31 2016	December 31 2015	Issuance Period	Method of Paying Principles and Interests	Interest Rate
04 KGIB 1	$ -	$ 1,050,000	May 18, 2006 - May 18, 2016	Principal due on maturity; interest payable annually	2.15%
15 KGIB 1	3,421,574	3,504,996	March 24, 2015 - March 24, 2045 (Note 1)	Principal due on maturity	0.00%
P16KGIB 1	3,550,690	-	May 3, 2016 - May 3, 2046 (Note 2)	Principal due on maturity	0.00%
P16KGIB 2	3,550,690	-	May 27, 2016 - May 27, 2046 (Note 2)	Principal due on maturity	0.00%
P16KGIB 3	2,582,320	-	November 8, 2016 - November 8, 2046 (Note 1)	Principal due on maturity	0.00%
	13,105,274	4,554,996			
Valuation adjustments	(1,213,262)	(202,498)			
	$ 11,892,012	$ 4,352,498			

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 Group's outstanding derivative financial instruments as of December 31, 2016 and 2015 are summarized as follows:

	December 31	
	2016	**2015**
Currency swap contracts	$ 1,240,148,072	$ 1,167,714,201
Interest rate swap contracts	1,020,801,145	711,778,113
Option and Futures contracts	286,325,519	359,829,956
Forward exchange contracts	119,730,494	121,868,073
Cross-currency swap contracts	23,941,077	8,830,876
Assets swap contracts	12,387,775	13,520,064
Structured note contracts	11,537,615	16,194,507
Credit default swap contracts	5,679,224	4,014,286
Non-deliverable forward contracts	852,483	1,609,868
Commodity swap	104,891	1,143,416
Equity derivative financial contracts	21,471	292,546

As of December 31, 2016 and 2015, financial assets held for trading with aggregate carrying values of $90,931,440 thousand and $94,464,703 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 Group, please refer to Note 48.

9. OPERATING SECURITIES

	December 31	
	2016	**2015**
Dealing		
Oversea securities	$ 22,465,807	$ 16,811,666
Corporate bonds	12,777,415	15,273,953
Listed, OTC and emerging market stocks	7,441,187	7,601,755
Government bonds	6,718,872	23,270,235
Others	209,542	988,365
	49,612,823	63,945,974
Underwriting		
Listed and OTC stocks	1,226,436	863,517
Corporate bonds	292,668	677,226
Others	149,705	-
	1,668,809	1,540,743
Hedge positions		
Listed and OTC stocks	3,875,537	2,715,104
Oversea securities	592,084	1,085,737
Listed and OTC warrant	3,704	28,249
	4,471,325	3,829,090
	$ 55,752,957	$ 69,315,807

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31	
	2016	2015
Government bonds	$ 65,878,067	$ 20,017,935
Listed, OTC and emerging market stocks	21,758,314	20,055,988
Bank debentures	13,051,597	20,955,028
Corporate bonds	5,161,140	9,091,039
Others	509,947	523,025
	$ 106,359,065	$ 70,643,015

As of December 31, 2016 and 2015, available-for-sale financial assets, with aggregate carrying values of $28,629,003 thousand and $25,014,339 thousand, respectively, had been sold under repurchase agreements (recognized as notes and bonds issued under repurchase agreements).

The Group signed a trust contract with China Trust Commercial Bank (CTBC) in August 2015, entrusting shares of Capital Securities Corporation to them. The trustee deals with the shares in accordance with the contract during the contract period.

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

11. SECURITIES PURCHASED UNDER RESELL AGREEMENTS

	December 31	
	2016	2015
Bank debentures	$ 15,151,082	$ 3,882,273
Government bonds	9,135,147	10,512,947
Corporate bonds	4,851,085	2,813,252
Commercial papers	745,844	35,413,781
	$ 29,883,158	$ 52,622,253
Resold amounts	$ 29,910,667	$ 52,622,018
Last maturity date	February 2017	March 2016

12. RECEIVABLES

	December 31	
	2016	2015
Receivables on margin loans, refinancing margin and refinancing deposits receivable	$ 28,686,768	$ 36,440,846
Receivable accounts for settlement	17,058,010	13,879,169
Accounts receivable factoring without recourse	9,590,021	1,234,873
Accounts receivable - forfeiting	7,912,584	26,685,120

(Continued)

	December 31	
	2016	2015
Trading securities receivable	$ 6,901,611	$ 2,728,739
Settlement price	6,798,639	3,026,676
Lease receivables	6,424,942	7,462,931
Others	12,113,019	12,823,986
	95,485,594	104,282,340
Less: Unrealized interest revenue	(378,214)	(521,616)
Allowance for bad debts	(2,917,166)	(3,006,575)
	$ 92,190,214	$ 100,754,149

(Concluded)

The Group's changes in allowance for bad debts of receivables were as follows:

	For the Year Ended December 31	
	2016	2015
Balance, January 1	$ 3,006,575	$ 3,085,451
Allowance	132,148	165,672
Loans reclassified to nonperforming loans	(1,790)	(1,759)
Write-off	(183,720)	(271,447)
Effect of exchange rate changes	(36,047)	28,658
Balance, December 31	$ 2,917,166	$ 3,006,575

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

The amount of receivables pledged as collateral for the Group please refer to Note 48.

13. DISCOUNTS AND LOANS

	December 31	
	2016	2015
Short-term loans	$ 60,824,456	$ 45,337,996
Medium-term loans	152,145,653	132,596,923
Long-term loans	42,061,948	41,698,553
Loans reclassified to nonperforming loans	708,046	541,860
Export negotiations	139,441	750,976
	255,879,544	220,926,308
Less: Allowance for bad debts	(3,429,672)	(3,115,696)
Less: Discounts on loans	(72,880)	(30,284)
	$ 252,376,992	$ 217,780,328

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

	For the Year Ended December 31	
	2016	2015
Balance, January 1	$ 3,115,696	$ 3,447,239
Allowance (reversal)	121,292	(655,675)
Recovery of written-off credits	802,286	1,137,538
Write-off	(563,785)	(829,902)
Reduction and exemption	(31,610)	(20,932)
Effects of exchange rate changes	(14,207)	37,428
Balance, December 31	$ 3,429,672	$ 3,115,696

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:

	December 31			
	2016		2015	
	Carrying Amount	%	Carrying Amount	%
CDIB & Partners Investment Holding Corporation	$ 4,988,044	34	$ 4,765,852	34
KGI Securities (Thailand) Public Company Limited	2,160,555	35	2,059,804	35
CDIB Capital Asia Partners L.P.	2,109,639	-	1,314,206	-
CPEC Huachuang Private Equity Management (Fujian) Enterprise (Limited Partnership)	1,165,320	-	667,550	-
CPEC Huachuang Private Management Equity (Kunshan) Enterprise (Limited Partnership)	960,603	-	585,700	-
CDIB Biomedical Venture Capital Corporation	582,599	34	584,514	34
CDIB CME Fund Ltd.	568,380	40	576,143	40
Others	140,664		221,896	
	$ 12,675,804		$ 10,775,665	

Summarized financial information in respect of the not individually material associates was set out below:

	For the Year Ended December 31	
	2016	2015
The Group's share of:		
Net profit for the year	$ 331,826	$ 444,114
Other comprehensive income (loss)	250,018	(135,881)
Total comprehensive income for the year	$ 581,844	$ 308,233

The investments accounted for by using the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2016 and 2015 were based on the associates' financial statements audited by the auditors.

There are no any investments under equity method was 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 but rights and obligations in accordance with the contract.

	December 31	
	2016	**2015**
Investment in private equity fund		
Financial assets measured at cost	$ 6,135,403	$ 6,891,768
Maximum exposure	$ 6,135,403	$ 6,891,768

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's subsidiaries and external third parties.

	December 31	
	2016	**2015**
Management on private equity fund		
Total assets	$ 15,250,696	$ 9,351,364
Total liabilities	17,840	101,340
Investments accounted for using equity method	4,235,562	2,567,456
Maximum exposure	4,235,562	2,567,456

16. RESTRICTED ASSETS

	December 31	
	2016	**2015**
Restricted demand deposits	$ 27,519,235	$ 29,345,180
Stocks	149,392	149,392
Accounts receivables	105,831	105,447
Checking accounts - restricted for agent's stock transfer purposes	62,566	83,390
Impound account	48,012	49,178
Accrued revenue	35,879	30,287
Due from banks	13,009	13,856
	$ 27,933,924	$ 29,776,730

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 overseas.

After the filing of a certain civil action against Morgan Stanley & Co. International PLC (Morgan Stanley) (Note 49), CDIB Capital Group 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 Group, please refer to Note 48.

17. FINANCIAL ASSETS MEASURED AT COST

	December 31	
	2016	2015
Unlisted stocks - common stock	$ 7,818,874	$ 8,022,763
Unlisted overseas partnership fund	6,135,403	6,891,768
Others	5,537,485	6,180,743
	$ 19,491,762	$ 21,095,274
Classified according to financial asset measurement categories		
Available-for-sale financial assets	$ 18,043,472	$ 19,749,728
Financial assets at FVTPL	1,448,290	1,345,546
	$ 19,491,762	$ 21,095,274

CDIB Capital Group and subsidiaries disposed of certain financial assets measured at cost with carrying amount of $2,107,720 thousand and $7,551,693 thousand during the years ended December 31, 2016 and 2015, respectively, recognizing disposal gain of $1,521,450 thousand and $1,929,873 thousand, respectively.

18. OTHER FINANCIAL ASSETS

	December 31	
	2016	2015
Guarantee deposits received on futures contracts	$ 36,201,863	$ 31,506,459
Time deposits with original maturities over three months	5,573,703	4,567,104
Debt instruments with no active market	2,083,503	1,619,702
Pledged time deposit	744,223	629,344
Others	190,022	451,212
	$ 44,793,314	$ 38,773,821

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

19. INVESTMENT PROPERTY

	December 31	
	2016	2015
Land	$ 1,879,859	$ 1,779,276
Buildings and facilities	299,497	269,035
	$ 2,179,356	$ 2,048,311

The changes in the Group's investment properties were as follows:

	For the Year Ended December 31	
	2016	2015
Cost		
Beginning balance	$ 2,682,688	$ 2,698,832
Additions	31,152	-
Disposal	(3,863)	(11,527)
Reclassification	128,029	(4,617)
Ending balance	2,838,006	2,682,688
Accumulated depreciation		
Beginning balance	(134,095)	(126,765)
Depreciation	(8,166)	(8,577)
Disposal	415	963
Reclassification	(18,269)	284
Ending balance	(160,115)	(134,095)
Accumulated impairment		
Beginning balance	(500,282)	(501,361)
Reversal of impairment	1,747	1,079
Ending balance	(498,535)	(500,282)
Carrying amount	$ 2,179,356	$ 2,048,311

The above items of investment property were depreciated on a straight-line basis at economics 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	5 years

The fair values of the Group's investment property as of December 31, 2016 and 2015 were $4,147,015 thousand and $3,622,323 thousand, respectively. Investment property was categorized into Level 3.

KGI Bank and subsidiaries, as well as CDIB Capital Group 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 subsidiaries' management other than KGI Bank and CDIB Capital Group of the Group apply valuation models which often used in markets as common practice in evaluating the remaining investment property; however, they 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 Group's investment property were held under freehold interests. The carrying amount of the investment properties that had been pledged by the Group to secure borrowings were reflected in Note 48.

20. PROPERTY AND EQUIPMENT

	December 31	
	2016	2015
Land	$ 8,831,716	$ 8,915,396
Buildings and facilities	4,368,108	4,554,334
Computer equipment	525,987	488,401
Transportation equipment	3,363	21,424
Other equipment	236,998	256,935
Leasehold improvements	302,598	247,471
Leased assets	240,303	231,352
	14,509,073	14,715,313
Prepayments for acquisition of properties	3,843	1,847
	$ 14,512,916	$ 14,717,160

The changes in the Group's property and equipment were as follows:

	Land	Buildings and Facilities	Computer Equipment	Transportation Equipment	Other Equipment	Leasehold Improvements	Leased Assets	Prepayments for Acquisition of Properties	Total
Cost									
Balance at January 1, 2015	$ 8,918,315	$ 6,672,839	$ 2,208,253	$ 152,589	$ 2,184,723	$ 464,278	$ 149,728	$ 26,829	$ 20,777,554
Additions	-	43,657	280,415	13,016	46,138	175,435	206,938	62,965	828,564
Disposals	-	(25,740)	(1,183,348)	(113,684)	(444,980)	(30,790)	(72,519)	(13,914)	(1,884,975)
Reclassification	1,338	26,074	42,751	-	20,201	46,004	(15,216)	(74,033)	47,119
Effects of changes on consolidated subsidiaries	-	-	28,707	-	5,475	4,407	-	-	38,589
Effect of exchange rate changes	-	-	5,002	1,240	24,727	11,441	-	-	42,410
Balance at December 31, 2015	8,919,653	6,716,830	1,381,780	53,161	1,836,284	670,775	268,931	1,847	19,849,261
Accumulated depreciation and impairment									
Balance at January 1, 2015	(4,257)	(2,029,502)	(1,894,032)	(134,664)	(1,913,806)	(334,607)	(72,877)	-	(6,383,745)
Additions	-	(157,508)	(157,844)	(7,268)	(92,686)	(100,394)	(41,695)	-	(557,395)
Disposals	-	24,799	1,180,709	110,995	444,677	27,106	65,605	-	1,853,891
Reclassification	-	(285)	(17,862)	-	5,614	(7,342)	11,388	-	(8,487)
Effects of exchange rate changes	-	-	(4,350)	(800)	(23,148)	(8,067)	-	-	(36,365)
Balance at December 31, 2015	(4,257)	(2,162,496)	(893,379)	(31,737)	(1,579,349)	(423,304)	(37,579)	-	(5,132,101)
Balance at December 31, 2015, net	$ 8,915,396	$ 4,554,334	$ 488,401	$ 21,424	$ 256,935	$ 247,471	$ 231,352	$ 1,847	$ 14,717,160
Cost									
Balance at January 1, 2016	$ 8,919,653	$ 6,716,830	$ 1,381,780	$ 53,161	$ 1,836,284	$ 670,775	$ 268,931	$ 1,847	$ 19,849,261
Additions	-	10,412	196,294	4,966	69,877	128,981	80,826	24,639	515,995
Disposals	-	(64,244)	(301,644)	(17,048)	(111,355)	(96,769)	(23,798)	(788)	(615,646)
Reclassification	(81,846)	(45,692)	45,578	(21,656)	(9,024)	30,981	(2,883)	(21,742)	(106,284)
Effects of changes on consolidated subsidiaries	-	-	-	1,416	2,366	-	-	-	3,782
Effect of exchange rate changes	-	-	(12,100)	(103)	(17,776)	(10,801)	-	(113)	(40,893)
Balance at December 31, 2016	8,837,807	6,617,306	1,309,908	20,736	1,770,372	723,167	323,076	3,843	19,606,215
Accumulated depreciation and impairment									
Balance at January 1, 2016	(4,257)	(2,162,496)	(893,379)	(31,737)	(1,579,349)	(423,304)	(37,579)	-	(5,132,101)
Additions	(1,834)	(165,167)	(189,473)	(5,525)	(87,517)	(98,362)	(55,362)	-	(603,240)
Disposals	-	63,952	299,669	13,200	109,936	95,678	8,064	-	590,499
Reclassification	-	14,513	(5,621)	6,893	8,451	(1,690)	2,104	-	24,650
Effects of changes on consolidated subsidiaries	-	-	-	(236)	(396)	-	-	-	(632)
Effect of exchange rate changes	-	-	4,883	32	15,501	7,109	-	-	27,525
Balance at December 31, 2016	(6,091)	(2,249,198)	(783,921)	(17,373)	(1,533,374)	(420,569)	(82,773)	-	(5,093,299)
Balance at December 31, 2016, net	$ 8,831,716	$ 4,368,108	$ 525,987	$ 3,363	$ 236,998	$ 302,598	$ 240,303	$ 3,843	$ 14,512,916

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 for the Group, please refer to Note 48.

21. INTANGIBLE ASSETS

	December 31	
	2016	2015
Operation rights	$ 5,527,201	$ 6,202,496
Goodwill	1,895,744	1,892,627
Computer software	489,037	452,971
Others	36,396	36,396
	$ 7,948,378	$ 8,584,490

The changes in the Group's intangible assets were as follows:

	Operation Rights	Goodwill	Computer Software	Others	Total
Cost					
Balance at January 1, 2015	$ 8,542,562	$ 1,509,125	$ 946,684	$ 51,994	$ 11,050,365
Additions	-	-	129,072	-	129,072
Disposals	-	-	(281,796)	-	(281,796)
Reclassification	-	-	28,903	-	28,903
Effects of changes on consolidated subsidiaries	-	372,878	-	-	372,878
Effects of exchange rate changes	-	10,624	(157)	-	10,467
Balance at December 31, 2015	8,542,562	1,892,627	822,706	51,994	11,309,889
Accumulated amortization and impairment					
Balance at January 1, 2015	(1,657,926)	-	(480,484)	(15,598)	(2,154,008)
Amortization	(682,140)	-	(170,128)	-	(852,268)
Disposals	-	-	281,083	-	281,083
Reclassification	-	-	(229)	-	(229)
Effects of exchange rate changes	-	-	23	-	23
Balance at December 31, 2015	(2,340,066)	-	(369,735)	(15,598)	(2,725,399)
Balance at December 31, 2015, net	$ 6,202,496	$ 1,892,627	$ 452,971	$ 36,396	$ 8,584,490

(Continued)

	Operation Rights	Goodwill	Computer Software	Others	Total
Cost					
Balance at January 1, 2016	$ 8,542,562	$ 1,892,627	$ 822,706	$ 51,994	$ 11,309,889
Additions	-	76,975	199,448	-	276,423
Disposals	-	(12,502)	(77,736)	-	(90,238)
Reclassification	-	-	8,001	-	8,001
Effects of exchange rate changes	-	(61,356)	(1,133)	-	(62,489)
Balance at December 31, 2016	8,542,562	1,895,744	951,286	51,994	11,441,586
Accumulated amortization and impairment					
Balance at January 1, 2016	(2,340,066)	-	(369,735)	(15,598)	(2,725,399)
Amortization	(675,295)	-	(170,438)	-	(845,733)
Disposals	-	-	77,547	-	77,547
Effects of exchange rate changes	-	-	377	-	377
Balance at December 31, 2016	(3,015,361)	-	(462,249)	(15,598)	(3,493,208)
Balance at December 31, 2016, net	$ 5,527,201	$ 1,895,744	$ 489,037	$ 36,396	$ 7,948,378

(Concluded)

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

	December 31	
	2016	2015
Guarantee deposits paid	$ 9,401,359	$ 9,798,152
Security borrowing margins	2,810,965	6,563,279
Operating guarantee deposits	1,417,056	1,447,740
Prepaid expense	987,651	698,528
Settlement funds	527,293	560,724
Competitive bid transactions guarantee	419,426	323,027
Collaterals assumed	149,650	153,005
Collected for underwriting payment of shares	123,770	2,115,341
Others	471,245	537,895
	$ 16,308,415	$ 22,197,691

As of December 31, 2016 and 2015, the above collaterals were net of accumulated impairment losses of $59,242 thousand and $58,674 thousand, respectively.

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

23. DEPOSITS FROM THE CENTRAL BANK AND BANKS

	December 31	
	2016	2015
Call loans from banks	$ 29,863,422	$ 8,797,670
Deposits from Chunghwa Post Co., Ltd.	1,215,347	1,226,729
	$ 31,078,769	$ 10,024,399

24. NOTES AND BONDS ISSUED UNDER REPURCHASE AGREEMENTS

	December 31	
	2016	2015
Bank debentures	$ 51,255,621	$ 58,098,148
Government bonds	44,361,659	32,897,800
Corporate bonds	23,943,163	28,615,920
	$ 119,560,443	$ 119,611,868
Repurchased amounts	$ 119,817,493	$ 119,734,729
Last maturity date	March 2017	March 2016

25. COMMERCIAL PAPER PAYABLE

	December 31	
	2016	2015
Commercial paper payable	$ 17,558,460	$ 13,149,834
Less: Unamortized discount	(8,663)	(10,632)
	$ 17,549,797	$ 13,139,202
Rate	0.48%-1.87%	0.43%-2.02%
Last maturity date	October 2017	November 2016

As of December 31, 2016, China Bills Finance Corporation, Grand Bills Finance Corporation, Mega Bills Finance Corporation, Dah Chang Bills Finance Corporation, International Bills Finance Corporation, Far Eastern International Bank, Mega Bank, Taipei Star Bank, Ta Chong Bank, Taiwan Finance Corporation, Syndicated Loans issued by China Bills Finance Corporation, Ta Ching Finance Corporation, Union Bank of Taiwan, Taishin International Bank, Hua Nan Commercial Bank, Taiwan Business Bank, Sunny Bank, Taiwan Cooperative Bank, Shanghai Commercial Bank and Union Bills Finance Corporation guaranteed the above commercial paper. However, some commercial paper issued by the Group, which amounted to $8,185,474 thousand, had no guarantee.

As of December 31, 2015, Taipei Star Bank, 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 Group, which amounted to $9,595,100 thousand, had no guarantee.

26. PAYABLES

	December 31	
	2016	2015
Accounts payable for settlement	$ 35,954,518	$ 29,449,576
Guaranteed price deposits received from securities borrowers	10,869,488	13,780,419
Accrued expenses	3,528,890	3,742,613
Settlement proceeds	2,875,364	1,863,332
Securities financing guarantee deposits	2,681,255	3,377,214
Others	4,427,813	4,938,890
	$ 60,337,328	$ 57,152,044

27. DEPOSITS AND REMITTANCES

	December 31	
	2016	2015
Time deposits	$ 182,288,180	$ 211,950,211
Saving deposits	98,220,082	88,713,219
Demand deposits	29,969,608	23,496,448
Checking deposits	2,853,653	1,040,422
Negotiable CDs	1,896,300	100,700
Inward remittance	224,141	11,132
	$ 315,451,964	$ 325,312,132

28. BONDS PAYABLE

	December 31	
	2016	2015
Corporate bonds payable	$ 25,000,000	$ 26,006,520
Bank debentures payable	2,684,236	2,612,172
	$ 27,684,236	$ 28,618,692

Corporate Bonds Payable

	December 31	
	2016	2015
1st corporate bonds in 2009 - the Corporation	$ 1,000,000	$ 1,000,000
1st corporate bonds in 2011 - the Corporation	6,000,000	6,000,000
1st corporate bonds in 2013 - the Corporation	3,000,000	3,000,000
1st corporate bonds in 2014 - the Corporation	6,000,000	6,000,000
1st corporate bonds in 2015 - the Corporation	2,000,000	2,000,000
1st corporate bonds in 2014 - KGI Securities	-	1,006,520
1st corporate bonds in 2015 - KGI Securities	7,000,000	7,000,000
	$ 25,000,000	$ 26,006,520
Fair value	$ 25,314,561	$ 26,469,816

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	December 31 2016	December 31 2015	Issue Year	Repayment Year	Interest Rate
04 KGIB2	$ 2,750,000	$ 2,750,000	2008.01.09-2017.12.13	Principal due on maturity	0.00%
Unamortized discount	(65,764)	(137,828)			
Net amount	$ 2,684,236	$ 2,612,172			
Fair value	$ 2,672,291	$ 2,592,759			

29. OTHER BORROWINGS

	December 31 2016	December 31 2015
Short-term credit borrowings	$ 9,575,993	$ 11,848,307
Short-term secured borrowings	5,036,020	5,727,556
Note issuance facility	4,799,568	3,899,189
Long-term credit borrowings	466,877	334,407
	$ 19,878,458	$ 21,809,459
Rate	0.65%-9.45%	0.45%-6.64%
Last maturity date	December 2019	July 2018

30. PROVISIONS

	December 31	
	2016	2015
Provisions for employee benefits	$ 931,377	$ 1,037,014
Provisions for guarantee liabilities	97,555	104,564
Others	344,735	277,876
	$ 1,373,667	$ 1,419,454

31. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Corporation and domestic subsidiaries adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan. Under the LPA, the Corporation makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages. The total expenses recognized in profit or loss were $375,308 thousand in 2016 and $343,669 thousand in 2015, respectively.

The Corporation's foreign subsidiaries recognized their contributions as pension expenses in accordance with their local laws and regulation and amounting to $14,687 thousand and $12,382 thousand for the years ended December 31, 2016 and 2015, respectively.

b. Defined benefit plans

The Corporation and domestic subsidiaries adopted a defined benefit pension plan for all formal employees based on the Labor Standards Act. Benefit payments are based on service periods and basic salaries and wages at the time of retirement.

Under the defined benefit plan, CDIB Capital Group has made monthly contributions at 13% of salaries and wages to a pension fund. In February 2006, CDIB Capital Group changed the contribution rate from 13% to 4.5% and then further adjusted the contribution rate from 4.5% to 3.14% in November 2008. The fund is managed by the Employees' Pension Reserve Supervisory Committee and deposited in the Bank of Taiwan in the committee's name. Before the end of each year, CDIB Capital Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, CDIB Capital Group is required to fund the difference in one appropriation that should be made before the end of March of the next year.

KGI Securities and domestic subsidiaries contributes monthly an amount equal to 2% of the monthly salaries to a defined benefit pension fund and to the employees' individual defined contribution pension funds. The funds are managed by the Employees' Pension Reserve Supervisory Committee and deposited in the Bank of Taiwan in the committee's name. Before the end of each year, KGI assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, KGI is required to fund the difference in one appropriation that should be made before the end of March of the next year.

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

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

	December 31	
	2016	**2015**
Present value of defined benefit obligation	$ 2,749,772	$ 2,618,343
Fair value of plan assets	(1,952,036)	(1,737,265)
Net defined benefit liability	$ 797,736	$ 881,078

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

The Group

	Present Value of the Defined Benefit Obligation	**Fair Value of the Plan Assets**	**Net Defined Benefit Liability (Asset)**
Balance at January 1, 2015	$ 2,235,147	$ (1,803,677)	$ 431,470
Service cost			
Current service cost	24,934	-	24,934
Past service cost and loss on settlements	5,497	-	5,497
Net interest expense (income)	43,122	(35,014)	8,108
Others	821	-	821
Recognized in profit or loss	74,374	(35,014)	39,360
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(4,129)	(4,129)
Actuarial gain - changes in demographic assumptions	(31,740)	-	(31,740)
Actuarial loss - changes in financial assumptions	174,129	-	174,129
Actuarial (gain) loss - experience adjustments	320,471	(1,456)	319,015
Recognized in other comprehensive income	462,860	(5,585)	457,275
Contributions from the employer	-	(47,027)	(47,027)
Benefits paid	(154,038)	154,038	-
Balance at December 31, 2015	2,618,343	(1,737,265)	881,078
Service cost			
Current service cost	28,646	-	28,646
Net interest expense (income)	38,374	(26,142)	12,232
Recognized in profit or loss	67,020	(26,142)	40,878

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability (Asset)
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	$ -	$ 9,398	$ 9,398
Actuarial gain - changes in demographic assumptions	24,376	-	24,376
Actuarial gain - changes in financial assumptions	23,612	-	23,612
Actuarial gain - experience adjustments	87,758	4,517	92,275
Recognized in other comprehensive income	135,746	13,915	149,661
Contributions from the employer	-	(273,881)	(273,881)
Benefits paid	(71,337)	71,337	-
Balance at December 31, 2016	$ 2,749,772	$ (1,952,036)	$ 797,736

(Concluded)

Through the defined benefit plans under the Labor Standards Law, the Group is exposed to the following risks:

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

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

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

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

The Corporation

	Valuation at December 31	
	2016	2015
Discount rates	1.35%	1.20%
Expected rates of salary increase	2.50%	2.50%

CDIB Capital Group and subsidiaries

	Valuation at December 31	
	2016	**2015**
Discount rates	1.35%	1.20%
Expected rates of salary increase	2.50%	2.50%

KGI and subsidiaries

	Valuation at December 31	
	2016	**2015**
Discount rates	1.50%-1.60%	1.50%
Expected rates of salary increase	2.00%	2.00%

KGI Bank and subsidiaries

	Valuation at December 31	
	2016	**2015**
Discount rates	1.35%-1.38%	1.20%-1.63%
Expected rates of salary increase	2.50%-3.00%	2.50%-3.00%

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

	December 31	
	2016	**2015**
Discount rate(s)		
0.25-0.50% increase	$ (120,685)	$ (122,642)
0.25-0.50% decrease	$ 138,108	$ 133,294
Expected rate(s) of salary increase		
0.25-0.50% increase	$ 134,632	$ 129,900
0.25-0.50% decrease	$ (118,725)	$ (120,486)

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

	December 31	
	2016	**2015**
The expected contributions to the plan for the next year	$ 94,466	$ 65,898
The average duration of the defined benefit obligation	4.2-20.7 years	4.64-18.70 years

32. OTHER LIABILITIES

	December 31	
	2016	2015
Guarantee deposits received	$ 12,851,266	$ 7,435,318
Collections for others	1,808,971	1,007,866
Temporary receipts and suspense accounts	453,673	562,163
Advance receipts	197,049	322,221
Collections for underwriting stock value	-	3,641,600
Others	241,249	147,561
	$ 15,552,208	$ 13,116,729

33. EQUITY

a. Share capital

Common stock

	December 31	
	2016	2015
Numbers of shares authorized (in thousands)	20,000,000	20,000,000
Shares authorized	$ 200,000,000	$ 200,000,000
Number of shares issued and fully paid (in thousands)	14,974,421	15,112,544
Shares issued	$ 149,744,213	$ 151,125,441

b. Capital surplus

	December 31	
	2016	2015
Arising from treasury stock transactions	$ 821,193	$ 379,850
Difference between consideration and carrying amounts adjusted arising from changes in percentage of ownership in subsidiaries	182,755	182,755
Share-based payments awards	81,539	74,681
Arising from share of changes in capital surplus of associates	13,728	13,728
Capital surplus-issue of stock in excess	5,306	3,789
	$ 1,104,521	$ 654,803

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 Order No. 10200017220 issued by the Financial Supervisory Commission (FSC), if the capital surplus obtained by a financial holding company through a stock conversion comes from its subsidiaries' unappropriated earnings net of legal reserve and special reserve, the surplus 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 Capital Group**,** 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 Group also recognizes special revenue according to the percentage of holdings by the Group to subsidiaries directly and indirectly.

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 shareholders' 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.

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 shareholders 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 shareholders 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 shareholders 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

The appropriation of earnings of 2016 has not yet been approved by the board of directors as of the issuance date of auditors' report.

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 Year Ended December 31	
	2016	**2015**
Balance at January 1	$ 3,606,912	$ 5,833,601
Attributable to non-controlling interests		
Share of profit for the year	63,823	86,944
Exchange difference on translation of foreign financial statements	(5,156)	(1,088)
Unrealized losses on available-for-sale financial assets	(6,061)	(2,343)
Actual gains (losses) arising from defined benefit plans	142	(680)
Effect of change in consolidated subsidiaries	8,737	(2,207,847)
Payment of cash dividends by subsidiaries	(59,476)	(101,675)
Balance at December 31	$ 3,608,921	$ 3,606,912

34. TREASURY SHARES

Reason for Repurchase	Shares at Beginning of the Year (In Thousands)	Share Increase During the Year (In Thousands)	Share Decrease During the Year (In Thousands)	Shares at End of the Year (In Thousands)
For the year ended December 31, 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 shareholders’ equity	-	143,010	143,010	-
	323,232	143,010	143,010	323,232
For the year ended December 31, 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 shareholders’ equity	93,405	149,160	242,565	-
	416,637	149,160	242,565	323,232

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 $2,438,842 thousand and $2,490,281 thousand on December 31, 2016 and 2015, respectively. The Corporation’s shares held by CDIB Capital Group are also treated as treasury stock and recognized book value on the swap date. The market prices of the shares were $166,408 thousand and $169,918 thousand on December 31, 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 shareholders’ 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 shareholders' 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 shareholders' rights on those shares.

35. INTEREST PROFIT, NET

	For the Year Ended December 31	
	2016	2015
Interest revenues		
Discounts and loans	$ 6,703,391	$ 7,346,179
Margin loans and refinancing margin	1,829,691	2,638,629
Securities	1,021,522	1,594,424
Due from and call loans to banks	630,631	645,934
Deposits	430,434	451,901
Account receivable - forfeiting	275,956	941,838
Others	500,346	627,084
	11,391,971	14,245,989
Interest expenses		
Deposits	2,353,664	3,004,950
Notes and bonds issued under repurchase agreements	802,220	627,549
Borrowing interest expense	326,311	424,975
Corporate bonds	378,335	351,718
Structured products	130,518	185,410
Others	341,421	543,574
	4,332,469	5,138,176
Interest profit, net	$ 7,059,502	$ 9,107,813

36. SERVICE FEE AND COMMISSION, NET

	For the Year Ended December 31	
	2016	2015
Service fee revenue and commission income		
Brokerage	$ 7,067,626	$ 8,959,469
Commission income - insurance	1,250,448	1,004,970
Security lending	404,304	274,393

(Continued)

	For the Year Ended December 31	
	2016	2015
Trust	$ 334,793	$ 402,449
Others	707,025	663,647
	9,764,196	11,304,928
Service fee expense and commission expense		
Brokerage	1,249,320	1,281,705
Consignment settlement and delivery	250,569	243,760
Agency	147,866	139,868
Dealing handling fee	137,270	155,292
Commission expense - other	270,041	197,857
Others	201,238	319,637
	2,256,304	2,338,119
Service fee and commission, net	$ 7,507,892	$ 8,966,809

(Concluded)

37. GAIN ON FINANCIAL ASSETS OR LIABILITIES MEASURED AT FVTPL

	For the Year Ended December 31	
	2016	2015
Operating securities	$ 2,180,515	$ 137,572
Bonds	1,455,007	2,314,794
Derivatives	832,292	702,501
Stocks	602,185	529,886
Call (put) warrants	486,426	732,335
Mutual funds	(438,902)	115,993
Others	(201,745)	(25,047)
	$ 4,915,778	$ 4,508,034

For the years ended December 31, 2016 and 2015, the Group’s financial assets and liabilities at fair value through profit or loss included interest revenue of $2,217,615 thousand and $2,124,766 thousand, respectively, dividend income of $616,151 thousand and $634,587 thousand, respectively and interest expense of $371,070 thousand and $160,945 thousand, respectively.

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

	For the Year Ended December 31	
	2016	2015
Dividend income	$ 782,942	$ 996,458
Gain on stock disposal	709,595	1,161,677
Gain on bond disposal	607,504	1,598,719
Others	14,702	12,452
	$ 2,114,743	$ 3,769,306

39. IMPAIRMENT LOSS ON ASSETS, NET

	For the Year Ended December 31	
	2016	2015
Available-for-sale financial assets	$ 646,561	$ 34,278
Financial assets measured at cost	559,205	853,183
Debts investment without active market	-	71,863
Others	15,389	24,654
	$ 1,221,155	$ 983,978

40. GAIN ON FINANCIAL ASSETS MEASURED AT COST

	For the Year Ended December 31	
	2016	2015
Gain on security disposal	$ 1,600,017	$ 1,915,341
Dividend income	358,727	390,075
Distributions of fund capital gain	308,038	109,026
Others	140,508	47,806
	$ 2,407,290	$ 2,462,248

41. NET OTHER NONINTEREST PROFIT AND GAIN

	For the Year Ended December 31	
	2016	2015
Revenue from underwriting	$ 877,749	$ 497,087
Gain on debts investment without active market	406,634	328,230
Gain on sale of nonperforming loans	150,105	190,688
Revenue from providing agency service for stock affairs	138,599	141,195
Rental income	114,509	97,054
Others	463,643	200,796
	$ 2,151,239	$ 1,455,050

42. EMPLOYEE BENEFITS, DEPRECIATION AND AMORTIZATION EXPENSES

	For the Year Ended December 31	
	2016	2015
Employee benefit expense		
Salaries and wages	$ 9,780,543	$ 10,804,656
Employee insurance	594,286	602,151
Pension	443,951	395,411
Others	595,796	719,859
	$ 11,414,576	$ 12,522,077
Depreciation and amortization expenses	$ 1,472,993	$ 1,432,844

a. Employees' compensation and remuneration to directors and supervisors for 2016 and 2015

To comply with the Company Act as amended in May 2015, the proposed amended Articles of Incorporation of the Corporation stipulate to distribute the compensation of employees and remuneration of directors and supervisors at the rates no less than 1% and no higher than 1%, respectively, of net profit before paying income tax and the compensation of employees.

The disposal of compensation of employees and remuneration have been reported to shareholders' meeting held on May 16, 2016.

The compensation of employees and remuneration of directors and supervisors for 2016 and 2015 which have been approved by the board of directors on March 27, 2017 and March 28, 2016, respectively, were as follows:

	For the Year Ended December 31	
	2016	**2015**
Employees' compensation to employees	$ 59,000	$ 87,000
Remuneration of directors and supervisors	58,000	75,000

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

If the Corporation's board of directors approves to issue stocks as compensation of employees, the basis of share calculation will be the closing price on the day before the board's meeting for considering the effect of cash and stock dividends.

There was no difference between the amounts recognized in the financial statements for the years ended December 31, 2016 and 2015.

The information on the proposed and approved compensation to employees and 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).

b. Bonus to employees and remuneration to directors and supervisors for 2014

The employees' compensation bonus and remuneration of directors and supervisors which have been approved in the shareholders meeting on June 12, 2015, were as follows.

	For the Year Ended December 31, 2014
Employees' bonus to employees	$ 102,000
Remuneration of directors and supervisors	75,000

There was no difference between the amounts recognized in the financial statements for the years ended December 31, 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 Year Ended December 31	
	2016	2015
Taxation	$ 1,478,633	$ 1,598,161
Rental	1,037,631	978,050
Professional services	725,678	841,475
Computer information	705,947	658,848
Postage	338,696	398,582
Repair	232,823	263,865
Others	1,858,444	1,901,511
	$ 6,377,852	$ 6,640,492

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 Group, 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 recognized in profit or loss

The major components of tax expense were as follows:

	For the Year Ended December 31	
	2016	2015
Current income tax		
Current year	$ 513,397	$ 547,108
Prior years	(110,347)	(158,277)
	403,050	388,831
Deferred income tax	720,875	438,981
Income tax expense recognized in profit or loss	$ 1,123,925	$ 827,812

b. The reconciliation of accounting income and current income tax expense adjustments were as follows:

	For the Year Ended December 31	
	2016	2015
Income tax expenses at the statutory rate	$ 2,599,751	$ 3,598,069
Permanent differences	(2,100,655)	(3,051,980)
Unrecognized temporary differences	(120,810)	(68,600)
Loss carryforwards	300,000	-

(Continued)

	For the Year Ended December 31	
	2016	2015
Prior year's adjustments	$ (110,347)	$ (158,277)
Additional income tax under the Alternative Minimum Tax Act	426,362	351,450
Tax on unappropriated earnings	-	111,783
Others	129,624	45,367
Income tax expenses	$ 1,123,925	$ 827,812

(Concluded)

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

As the status of 2017 appropriations of earnings is uncertain, the potential income tax consequences of 10% of 2016 unappropriated earnings are not reliably determinable.

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

	For the Year Ended December 31	
	2016	2015
Deferred income tax		
Unrealized gain (loss) on available-for-sale financial assets	$ 3,805	$ 858
Actuarial gain (loss) on defined benefit plans	(9,497)	(64,980)
	$ (5,692)	$ (64,122)

d. Deferred tax assets and liabilities

	December 31	
	2016	2015
Deferred tax assets		
Loss carryforwards	$ 4,078,274	$ 4,641,966
Allowance for bad debts	554,725	553,529
Defined benefit obligation	125,801	150,001
Collaterals assumed	64,134	63,841
Others	89,119	152,588
	$ 4,912,053	$ 5,561,925
Deferred tax liabilities		
Goodwill	$ 909,342	$ 909,342
Land value increment tax	406,642	406,642
Defined benefit plans	58,708	38,703
Others	113,193	105,479
	$ 1,487,885	$ 1,460,166

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

The Corporation

	December 31 2016	December 31 2015
Loss carryforwards		
Expiry in 2018	$ -	$ 503,243
Expiry in 2019	792,798	765,047
Expiry in 2021	411,369	438,846
	$ 1,204,167	$ 1,707,136

CDIB Capital Group

	December 31 2016	December 31 2015
Loss carryforwards		
Expiry in 2018	$ -	$ 1,100,330
Expiry in 2019	46,525	591,520
Expiry in 2021	422,212	487,389
	$ 468,737	$ 2,179,239

KGI Bank

	December 31 2016	December 31 2015
Loss carryforwards		
Expiry in 2017	$ 2,186,453	$ -
Expiry in 2018	7,424,143	5,494,558
Expiry in 2019	1,136,463	3,487,795
	$ 10,747,059	$ 8,982,353

f. Information about unused investment credits, unused carryforward and tax-exemption as of December 31, 2016, investment tax credits comprised:

KGI Bank

Remaining Creditable Amount	Expiry Year
$ 5,677,790	2017
13,762,127	2018
10,187,530	2019
2,624,589	2020
1,240,412	2021
$ 33,492,448	

g. Integrated income tax

	December 31	
	2016	2015
Imputation credits accounts - the Corporation	$ 406,208	$ 1,101,373

The Corporation's creditable tax ratio for the distribution of earnings of 2016 and 2015 were 4.33% (estimated) and 12.51%, respectively.

Under the Income Tax Law, for distribution of earnings generated after January 1, 1998, the imputation credits allocated to ROC resident shareholders of the Corporation was calculated based on the creditable ratio as of the date of dividend distribution. The actual imputation credits allocated to shareholders of the Corporation was based on the balance of the Imputation Credit Accounts (ICA) as of the date of dividend distribution. Therefore, the expected creditable ratio for the 2016 earnings may differ from the actual creditable ratio to be used in allocating imputation credits to the shareholders.

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

h. Income tax assessments

The Corporation's income tax returns through 2011 had been examined by the tax authorities. The Corporation disagreed with the tax authorities' assessments of its 2011 and 2010 tax returns and thus filed tax appeals.

CDIB Capital Group's income tax returns through 2011 had been examined by the tax authorities. However, CDIB Capital Group 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., formerly CDIB Strategic Venture Fund Ltd. and formerly China Venture Management Inc., through 2014 had been examined by the tax authorities. Income tax returns of CDIB Venture Capital Corp. through 2012 had been examined by the tax authorities.

The income tax returns of formerly Grand Cathay through 2011 had been examined by the tax authorities. Formerly Grand Cathay disagreed with the tax authorities' assessments of its 2011 tax returns and thus filed tax appeals.

The income tax returns of KGI Securities for the years through 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 2013. As a result, KGI filed tax appeals.

Income tax returns of KGI Insurance Brokers Co., and KGI Securities Investment Advisory Co., Ltd., through 2015 had been examined by the tax authoress. Income tax returns of GSFC, KGI Securities Investment Trust Co., Ltd., KGI Futures Co., Ltd. and KGI Venture Capital Co., Ltd. through 2014 had been examined by the tax authorities.

Income tax returns of KGI Bank, formerly 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 Year Ended December 31	
	2016	**2015**
Basic EPS	$ 0.40	$ 0.58
Diluted EPS	$ 0.40	$ 0.57

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

Net Profit for the Year

	For the Year Ended December 31	
	2016	**2015**
Earnings used in the computation of EPS	$ 5,923,081	$ 8,528,231

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

	For the Year Ended December 31	
	2016	**2015**
Weighted average number of common shares outstanding in computation of basic EPS	14,662,151	14,822,514
Effect of potentially dilutive common shares:		
Restricted shares	7,913	7,968
Employee share options	1,137	10,827
Weighted average number of common shares outstanding in computation of diluted EPS	14,671,201	14,841,309

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 and 11,088 thousand options 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 Year Ended December 31			
	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	(410)	6.81	(4,963)	8.88
Options invalid	(699)	8.86	(3,948)	9.55
Balance at December 31	73,211	8.43	74,320	9.01
Options exercisable, end of year	34,594	8.38	30,530	8.93
Weighted-average remaining contractual life (years)	4.63		5.63	

The weighted-average share prices at the date of exercise of share options from January 1 to December 31, 2016 and 2015 were $7.83 and $10.45.

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 years ended December 31, 2016 and 2015 were $16,077 thousand and $17,064 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 years ended December 31, 2016 and 2015, the Corporation recognized $45,054 thousand and $56,326 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 Group
Others	Other related parties

b. Significant transactions with related-parties

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

	Amount	%
December 31, 2016	$ 10,582	-
December 31, 2015	166,736	1

For the years ended December 31, 2016 and 2015, the interest revenues from cash in bank were $3,363 thousand and $202 thousand, respectively.

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

	Amount	%
December 31, 2016	$ 240,836	1
December 31, 2015	71,436	-

For the years ended December 31, 2016 and 2015, the interest revenues from due from banks were both 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 years ended December 31, 2016 and 2015, the interest revenues from call loans to banks were $970 thousand and $2,268 thousand, respectively.

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

	Amount	%
December 31, 2016	$ 31,609	-
December 31, 2015	26,574	-

5) Purchase and sale of bonds

	Purchase of Bonds	Sale of Bonds
For the year ended December 31, 2016		
Other related parties	$ 97,143	$ 1,689,580
For the year ended December 31, 2015		
Other related parties	1,709,013	6,274,423

6) Purchase and sale of securities

	Purchase of Securities
For the year ended December 31, 2016	
Other related parties	$ 50,700

7) Revenue receivable (recognized as receivables, net)

	Amount	%
December 31, 2016	$ 131,210	-
December 31, 2015	67,745	-

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

	Amount	%
December 31, 2016	$ 12,245	-
December 31, 2015	15,503	-

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

	Amount	%
December 31, 2016	$ 16,619	-
December 31, 2015	27,612	-

10) Other receivables (recognized as receivables, net)

	Amount	%
December 31, 2016	$ 14,584	-
December 31, 2015	16,921	-

11) Discounts and loans, net

	Amount	%	Interest Rate (%)
December 31, 2016	$ 912,472	-	1.54-15.00
December 31, 2015	999,266	-	1.43-18.25

For the years ended December 31, 2016 and 2015, the interest revenues from discounts and loans were $15,293 thousand and $16,502 thousand, respectively.

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

Balance as of 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	$ -	None	Yes
Residential mortgage loans	60	1,145,950	974,484	974,484	-	Real estate	Yes
Others	7	113,608	8,468	8,468	-	Deposit/real estate	Yes

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

	December 31, 2016	
	Amount	%
Other related parties	$ 4,322,790	14

For the years ended December 31, 2016 and 2015, the interest expenses from call loans from banks were $5,891 thousand and $6,285 thousand, respectively.

13) Notes and bonds issued under repurchase agreements

	Amount	%
December 31, 2016	$ 715,372	1
December 31, 2015	50,000	-

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

	Amount	%
December 31, 2016	$ 47,186	-
December 31, 2015	45,987	-

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

	Amount	%
December 31, 2016	$ 52,173	-
December 31, 2015	45,825	-

16) Other payables (recognized as payables)

	Amount	%
December 31, 2016	$ 20,113	-
December 31, 2015	1,842	-

17) Deposits and remittances

	Amount	%	Interest Rate (%)
December 31, 2016	$ 866,299	-	0-5.8
December 31, 2015	801,873	-	0-6.5

For the years ended December 31, 2016 and 2015, the interest expenses from deposits and remittances were $7,967 thousand and $8,372 thousand, respectively.

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

	Amount	%
December 31, 2015	$ 223,396	1

For the years ended December 31, 2016 and 2015, the interest expenses from short-term borrowings were $3,432 thousand and $18,336 thousand, respectively.

19) Customers' equity accounts - futures

	Amount	%
December 31, 2016	$ 45,184	-
December 31, 2015	57,965	-

20) Brokerage service fee revenue (recognized as service fee and commission, net)

	For the Year Ended December 31	
	Amount	%
2016	$ 19,833	-
2015	25,814	-

21) Other noninterest profit and gain

	For the Year Ended December 31	
	Amount	%
2016	$ 13,799	1
2015	17,595	1

22) Consulting service revenue

	For the Year Ended December 31			
	2016		2015	
	Amount	%	Amount	%
Other related parties	$ 487,166	41	$ 576,302	53

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

	For the Year Ended December 31	
	Amount	%
2016	$ 77,000	1
2015	61,000	1

24) Outstanding derivative financial instruments

KGI Bank

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

25) Compensation of key management personnel

	For the Year Ended December 31	
	2016	2015
Salary and short-term benefits	$ 270,041	$ 327,511
Share-based payment	34,369	52,377
Post-employment benefits	15,193	4,270
	$ 319,603	$ 384,158

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 Capital Group and KGI Bank.

Based on the Banking Act 32 and 33, except for consumer loans and government loans, credits extended by CDIB Capital Group 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 Capital Group and subsidiaries

Related Party	Relationship with the Bank and Subsidiaries
The Corporation	Parent company
KGI Securities	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 Capital Group after the transfer date of May 1, 2015.

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

	December 31			
	2016		2015	
	Amount	%	Amount	%
Subsidiary of the parent company	$ 1,897,892	6	$ 10,607,534	38

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

	December 31			
	2016		2015	
	Amount	%	Amount	%
Subsidiary of the parent company	$ 19,723,431	67	$ 12,613,249	45

3) Purchase and sale of bonds

	Purchase of Bonds	Sale of Bonds
For the year ended December 31, 2015		
Subsidiary of the parent company	$ 1,583,244	$ 2,211,662

4) Revenue receivable (recognized as receivable, net)

	December 31, 2016	
	Amount	%
Other related parties	$ 128,793	8

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

	December 31			
	2016		2015	
	Amount	%	Amount	%
Parent company	$ 461,986	99	$ 690,918	99

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

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

	December 31			
	2016		2015	
	Amount	%	Amount	%
Parent company	$ 166,408	2	$ 169,918	2

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

	December 31			
	2016		2015	
	Amount	%	Amount	%
Parent company	$ 386,864	98	$ 248,526	62

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

	December 31					
	2016			2015		
	Amount		%	Amount		%
Other related parties	$	257,763	22	$	461,524	73

KGI Securities and subsidiaries

Related Party	Relationship with the KGI Securities and Subsidiaries
The Corporation	Parent company
CDIB Capital Group	Subsidiary of the parent company
KGI Bank	Subsidiary of the parent company
Others	Other related parties

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

	December 31					
	2016			2015		
	Amount		%	Amount		%
Subsidiary of the parent company	$	2,663,508	16	$	393,854	3
Other related parties		-	-		165,644	1

2) Available-for-sale financial assets - current

	December 31					
	2016			2015		
	Amount		%	Amount		%
Parent company	$	2,438,842	26	$	2,490,281	34

3) Purchase and sale of bonds

	Purchase of Bonds	Sale of Bonds
For the year ended December 31, 2016		
Subsidiary of the parent company	$ 1,523,921	$ 6,817,931
Other related parties	97,143	1,689,580
For the year ended December 31, 2015		
Subsidiary of the parent company	9,488,960	6,070,655
Other related parties	1,709,013	6,274,423

4) Guarantee deposits received in futures contracts

	December 31			
	2016		2015	
	Amount	%	Amount	%
Subsidiary of the parent company	$ 846,673	2	$ 177,650	1

5) Current tax assets

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

6) Restricted assets (recognized as other assets)

	December 31			
	2016		2015	
	Amount	%	Amount	%
Subsidiary of the parent company	$ 1,427,905	5	$ 829,941	2

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	
	Amount	%
Other related parties	$ 198,396	1

9) Notes and bonds issued under repurchase agreement

	December 31, 2016	
	Amount	%
Other related parties	$ 715,372	1

10) Current tax liabilities

	December 31			
	2016		2015	
	Amount	%	Amount	%
Parent company	$ 275,787	39	$ 506,024	48

11) Outstanding derivative financial instruments

a) Interest rate swap contracts

	December 31, 2016
	Contract Amount (Principal)
Subsidiary of the parent company	$ 114,000

b) Asset swap option contracts - call

	December 31, 2016
	Contract Amount (Principal)
Subsidiary of the parent company	$ 114,000

c) Interest rate swap contracts

	December 31, 2016
	Contract Amount (Principal)
Subsidiary of the parent company	$ 710,138

KGI Bank and subsidiaries

Related Party	Relationship with the Bank and Subsidiaries
The Corporation	Parent company
CDIB Capital Group	Subsidiary of the parent company
KGI Securities	Subsidiary of the parent company
Others	Other related parties

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

	December 31, 2016	
	Amount	%
Other related parties	$ 234,544	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
<u>For the year ended December 31, 2016</u>		
Subsidiary of the parent company	$ 6,817,930	$ 1,523,921
<u>For the year ended December 31, 2015</u>		
Subsidiary of the parent company	4,487,411	7,277,298

5) Discounts and loans, net

	Amount	%	Interest Rate (%)
December 31, 2016	$ 912,472	-	1.54-15.00
December 31, 2015	999,266	-	1.43-18.25

Balance as of December 31, 2016

(In Thousands of New Taiwan Dollars)

Category	Number of Accounts or Name of Related Party	Highest Balance	Ending Balance	Normal	Overdue	Type of Collateral	Was the Transaction Conducted at Arm's Length
Consumer loans	42	$ 32,490	$ 16,502	$ 16,502	$ -	None	Yes
Residential mortgage loans	78	1,227,071	883,732	883,732	-	Real estate	Yes
Others	14	30,505	12,238	12,238	-	Deposit/real estate	Yes

Balance as of December 31, 2015

(In Thousands of New Taiwan Dollars)

Category	Number of Accounts or Name of Related Party	Highest Balance	Ending Balance	Normal	Overdue	Type of Collateral	Was the Transaction Conducted at Arm's Length
Consumer loans	34	$ 24,394	$ 16,314	$ 16,314	$ -	None	Yes
Residential mortgage loans	60	1,145,950	974,484	974,484	-	Real estate	Yes
Others	7	113,608	8,468	8,468	-	Deposit/real estate	Yes

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

	December 31, 2016	
	Amount	%
Other related parties	$ 4,322,790	14

7) Deposits and remittances

	Amount	%	Interest Rate (%)
December 31, 2016			
Parent company	$ 1,385,671	-	0-0.35
Subsidiary of the parent company	26,602,012	8	0-1.21
December 31, 2015			
Parent company	2,646,445	1	0-0.17
Subsidiary of the parent company	26,153,352	7	0-1.35

8) Payable on securities purchased (recognized as payables)

	Amount	%
December 31, 2015	$ 193,325	5

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

	December 31			
	2016		2015	
	Amount	%	Amount	%
Parent company	$ 379,060	100	$ 181,150	97

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

10) Outstanding derivative financial instrument

December 31, 2016

(In Thousands of New Taiwan Dollars)

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

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

48. PLEDGED ASSETS

The following assets have 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 Taipei Exchange Securities Market for settlement reserve, (c) required by the Central Bank for day-term overdraft, (d) required by government for bidding of government bonds, (e) pledged as part of the requirements for filing a petition for tax reassessment, (f) pledged as operating guarantee, compensation reserve and wealth management compensation, (g) pledged as guarantee deposit for oversees bonds sold with repurchase agreement, and (h) derivative transactions security deposit.

	December 31	
	2016	2015
Due from the Central Bank and call loans to banks	$ 21,230,000	$ 10,075,000
Property and equipment, net	4,862,154	4,773,042
Available-for-sale financial assets - bonds and stocks	3,015,063	2,427,634
Lease receivables	2,983,362	3,424,754
Operating guarantee deposits	1,417,056	1,447,740
Other financial assets - pledged time deposits	744,223	629,344
Competitive bid transactions guarantee	419,426	323,027
Guarantee deposit paid	389,585	532,456
Investment property, net	353,477	170,336
Financial assets at fair value through profit or loss - bonds and stocks	251,947	50,443
Checking accounts - restricted for agent’s stock transfer purposes	62,566	83,390
Restricted assets - impound account	48,012	49,178

49. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACTUAL COMMITMENTS

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

a. In April 2007, CDIB Capital Group 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 Capital Group by Morgan Stanley during the solicitation process were materially false and misleading and therefore caused significant losses to CDIB Capital Group. On July 15, 2010, CDIB Capital Group initiated action against Morgan Stanley & Co. International PLC (“Morgan Stanley”) et al. to recover losses CDIB Capital Group 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 Capital Group by Morgan Stanley during the solicitation process were materially false and misleading and therefore caused significant financial losses to CDIB Capital Group. As of December 31, 2010, the underlying asset pools on the CDS had been liquidated, and CDIB Capital Group had recognized all gains and losses from the transaction. The balance of US$11,978 thousand (NT$386,632 thousand based on the exchange rate of December 31, 2016) was reclassified to “other financial liabilities”. The litigation had not yet been concluded as of December 31, 2016. In addition, Morgan Stanley overlooked CDIB Capital Group’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 Capital Group 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 which issued on November 7, 2007, 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 Capital Group'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 Capital Group, claiming that they were jointly liable for damages of $677,199 thousand plus interest. The criminal case brought by FEAT against Hu and CDIB Capital Group 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 Capital Group 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 Capital Group 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 Capital Group 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 Capital Group 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 the Taiwan High Court. CDIB won the lawsuit on April 14, 2016 claimed by the Taiwan High Court. Although FEAT filed appeal to the Supreme Court of the ROC, the Supreme Court dismissed the appeal on November 30, 2016. Thus, the decision was certain. CDIB Capital Group was not liable for the damages.

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 March 6, 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 $872,238 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 December 31, 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 December 31, 2015, net revenue and net loss from acquiree were $300,445 thousand and $298,275 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 year ended would be $29,808,137 thousand and $8,596,435 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, $76,975 thousand, was resulted from the consideration of the acquisition (cash transaction cost of acquisition) of $197,190 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 December 31, 2016, net revenue and net loss from acquiree were $22,108 thousand and $372 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 year ended would be $27,156,877 thousand and $5,986,381 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 CAPITAL GROUP, KGI SECURITIES AND KGI BANK

Consolidated Profitability

(%)

Items		December 31, 2016	December 31, 2015
Return on total assets	Before income tax	0.81	1.06
	After income tax	0.68	0.96
Return on net worth	Before income tax	4.23	5.48
	After income tax	3.57	5.00
Profit margin		22.07	29.00

Profitability of CDFH

(%)

Items		December 31, 2016	December 31, 2015
Return on total assets	Before income tax	3.15	4.55
	After income tax	3.21	4.52
Return on net worth	Before income tax	3.50	5.09
	After income tax	3.60	5.09
Profit margin		90.41	91.46

Profitability of CDIB Capital Group

(%)

Items		December 31, 2016	December 31, 2015
Return on total assets	Before income tax	2.17	1.76
	After income tax	2.06	1.80
Return on net worth	Before income tax	2.22	5.20
	After income tax	2.10	5.32
Profit margin		69.52	82.65

Profitability of KGI Securities

(%)

Items		December 31, 2016	December 31, 2015
Return on total assets	Before income tax	1.50	1.51
	After income tax	1.43	1.43
Return on net worth	Before income tax	4.30	4.39
	After income tax	4.09	4.17
Profit margin		25.28	28.93

Profitability of KGI Bank

(%)

Items		**December 31, 2016**	**December 31, 2015 (Note)**
Return on total assets	Before income tax	0.87	1.07
	After income tax	0.69	0.95
Return on net worth	Before income tax	8.24	10.42
	After income tax	6.58	9.21
Profit margin		37.35	49.63

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>December 31, 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	$ 14,729,281	$ -	$ -	$ 14,729,281
Bond investments	45,690,252	17,938,947	-	63,629,199
Others	79,948	11,084,251	-	11,164,199
Financial assets designated as at FVTPL	191,269	41,171,537	174,265	41,537,071
Available-for-sale financial assets				
Stock investments	21,758,314	143,902	366,045	22,268,261
Bond investments	37,878,390	46,212,414	-	84,090,804
Financial liabilities				
Financial liabilities at FVTPL				
Financial liabilities held for trading	4,982,114	2,864,269	-	7,846,383
Financial liabilities designated as at FVTPL	-	11,892,012	-	11,892,012

(Continued)

	Level I	Level II	Level III	Total
Derivative financial instruments				
Financial assets				
Financial assets at FVTPL				
Financial assets held for trading	$ 640,495	$ 27,338,473	$ 241,384	$ 28,220,352
Financial liabilities				
Financial liabilities at FVTPL				
Financial liabilities held for trading	438,904	30,046,248	237,850	30,723,002
Financial liabilities designated as at FVTPL	-	1,103,869	-	1,103,869

(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

2) Evaluation technology at fair value

For financial assets and liabilities at fair value through profit or loss and available-for-sale financial assets, fair value is determined at quoted market prices. When market prices of the Group's various financial instruments are not readily available, fair values are estimated by using appropriate valuation models or other banks' transaction prices. The information the Group uses 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 Group calculates 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 Group calculates 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 Group takes 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 Year Ended December 31, 2016		For the Year Ended December 31, 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	$ 226,823	$ -	$ 410,851	$ 234,787
Available-for-sale financial assets - stock investments	-	394,954	-	-
Available-for-sale financial assets - bond investments	5,366,996	351,565	1,694,599	-

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 Year Ended December 31, 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	$ (878,412)	$ 629,937	$ -	$ (600,098)	$ (1,841,345)	$ 241,384
Financial assets designated as at FVTPL	188,401	(29,838)	15,702	-	-	-	174,265
Available-for-sale financial assets	327,725	28,359	329,890	-	(319,929)	-	366,045

For the Year Ended December 31, 2015

(In Thousands of New Taiwan Dollars)

Items	Beginning Balance	Valuation Gains (Losses) Recognized as Current Income (Loss) or Other Comprehensive Income	Amount of Increase		Amount of Decrease		Ending Balance
			Purchase or Issue	Transfer to Level III	Sale, Disposal or Settlement	Transfer from Level III	
Financial assets at FVTPL							
Financial assets held for trading	$ 974,985	$ 2,829,871	$ 4,210,972	$ 1,819	$ (5,086,345)	$ -	$ 2,931,302
Financial assets designated as at FVTPL	233,686	(45,285)	-	-	-	-	188,401
Available-for-sale financial assets	311,154	16,571	-	-	-	-	327,725

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

For the Year Ended December 31, 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	$ (968,451)	$ 658,308	$ -	$ (675,764)	$ (1,847,605)	$ 237,850

For the Year Ended December 31, 2015

(In Thousands of New Taiwan Dollars)

Items	Beginning Balance	Valuation Gains (Losses) Recognized as Current Income (Loss) or Other Comprehensive Income	Amount of Increase		Amount of Decrease		Ending Balance
			Purchase or Issue	Transfer to Level III	Sale, Disposal or Settlement	Transfer from Level III	
Financial liabilities at FVTPL							
Financial liabilities held for trading	$ 2,114,151	$ 2,304,315	$ 257,282	$ 2,234	$ (1,606,620)	$ -	$ 3,071,362
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 years ended December 31, 2016 and 2015 included a loss of $23,630 thousand and a gain of $488,665 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)

CDIB Capital Group and subsidiaries

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

	Fair Value at December 31, 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	$ 158,126	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	16,139	Recent strike price	-	-	-
Available-for-sale financial assets	307,895	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	9,824	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.

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:

December 31, 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	Fair value from counter-party	Fair value from counter-party	Fair value from counter-party.
Derivative instruments				
Structured products - option	Martingale pricing technique	History volatility	13.72%-53.10%	According to condition of contract, fair value of asset may be higher or lower.
Credit derivatives instruments - CDS	ISDA Standard Upfront Modal	Recovery rate	0.4%	According to ISDA Standard Upfront Modal, recovery rate is set from the category of targets' debts.
Financial liabilities				
Derivative instruments				
Structured products - option	Martingale pricing technique	History volatility	13.52%-29.19%	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	16.13%-31.40%	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.

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.

The recovery rate adopted by KGI Securities in the ISDA CDS Standard Model is set based on the ISDA Standard CDS Converter Specification. If the underlying debt is senior unsecured debt, the recovery rate is set to be 0.4. If the underlying debt is subordinated debt, the recovery rate is set to be 0.2. If the debt is from emerging markets (including senior and subordinated debt), the recovery rate is set to be 0.25. KGI Securities set the recovery rate base on the types of the debts. Therefore, the recovery rate is not changed.

In addition to modify the evaluation technology of the credit linked structured commodity in the year of 2015, pricing techniques and significant unobservable inputs used in KGI Securities and subsidiaries on December 31, 2016 are the same compare with it used on December 31, 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:

December 31, 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%	$ 1,662	$ 1,476
Financial liabilities				
Derivative instruments				
Structured notes - options	History volatility	-25%/+25%	$ -	$ -
Equity derivative instruments - premium - options (put options)	History volatility	-25%/+25%	-	-
			$ -	$ -

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
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

KGI Bank and subsidiaries

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

	Fair Value at December 31, 2016	Valuation Technique(s)	Significant Unobservable Inputs	Range	The Relationship Between Inputs and Fair Value
Repetitive basis to fair value measurement items					
Derivative financial assets					
Financial assets at FVTPL	$ 177,705	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	234,417	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	Hull White, 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	Hull White, 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

CDIB Capital Group and subsidiaries

The valuation method and parameters adopted by CDIB Capital Group 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 Capital Group and subsidiaries based on Financial Supervisory Commission's declaration of valuation method and parameters or committed to appraisers to make valuation.

KGI Securities and subsidiaries

When KGI Securities 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, and the outcomes of the valuation will be recorded in the book by treasury department.

KGI Bank and subsidiaries

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

1) Fair value information

Assets and liabilities measured at cost, excluding investment accounted for using equity method - unlisted stocks, financial assets measured at cost, debt instruments with no active market 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 and the fair value cannot be reliably measured 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; thus, the Group does 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.

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

December 31, 2016

(In Thousands of New Taiwan Dollars)

	Level I	Level II	Level III	Total
Financial assets				
Investments accounted for using the equity method	$ 2,448,105	$ -	$ -	$ 2,448,105
Debt instrument with no active market	-	-	581,022	581,022
Non-financial assets				
Investment property, net	-	-	4,147,015	4,147,015
Financial liabilities				
Bank debentures payable	-	2,672,291	-	2,672,291

December 31, 2015

(In Thousands of New Taiwan Dollars)

	Level I	Level II	Level III	Total
Financial assets				
Investments accounted for using the equity method	$ 2,182,797	$ -	$ -	$ 2,182,797
Non-financial assets				
Investment property, net	-	-	3,622,323	3,622,323
Financial liabilities				
Bank debentures payable	-	2,592,759	-	2,592,759

3) Measurement technique

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

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

c) The base rate (floating rate) is usually adopted as the loan rate because it can reflect the market rate. Thus, using its carrying amount for considering the probability of repossession and estimating its fair value is reasonable.

d) The value of the debt instrument with no active market is referred to the estimated fair value from the counter party.

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

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

53. FINANCIAL RISK MANAGEMENT

a. Risk management policies and framework

<u>The Corporation</u>

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.

<u>CDIB Capital Group and subsidiaries</u>

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

CDIB Capital Group and subsidiaries

CDIB Capital Group 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 shareholder value and to ensure degree of risk tolerance, CDIB Capital Group'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	
December 31, 2016	$ -	$ -	$ -	$ -	$ -	$ 2,233,477	$ 2,233,477	$ 123,934	$ 989,598	$ 1,119,945
December 31, 2015	-	-	-	-	-	2,404,132	2,404,132	194,780	968,605	1,240,747

b) Credit quality analysis for marketable securities

December 31, 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	$ 158,798	$ -	$ -	$ 158,798	$ -	$ -	$ 158,798	$ -	$ 158,798

Note 1: Available-for-sale financial assets other than the above investment in bonds have an initial cost of $13,019,570 thousand, loss on valuation of $3,698,010 thousand and accumulated impairment of $110,308 thousand.

Note 2: Financial assets measured at cost have an initial cost of $19,425,997 thousand and accumulated impairments of $2,360,258 thousand.

Note 3: Debt instruments with no active markets have initial costs of $1,720,516 thousand and accumulated impairments of $218,035 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.

2) CDIB Capital Group and Subsidiaries' impairment of receivables

Items		Receivables		Allowance for Bad Debts	
		December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
With objective evidence of impairment	Assessment of individual impairment	$ 1,090,485	$ 1,263,179	$ 123,934	$ 194,780
With no objective evidence of impairment	Assessment of collective impairment	1,142,992	1,140,953	989,598	968,605

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

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

4) Management policies of collaterals assumed

CDIB Capital Group and subsidiaries' collaterals assumed were mainly land and buildings. As of December 31, 2016 and 2015, the carrying amounts of the collaterals were $115,449 thousand and $118,804 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

KGI Securities and subsidiaries

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

<u>December 31, 2016</u>

(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	$ 16,401,449	$ 17,900	$ 30,871	$ -	$ -	$ -	$ -	$ 16,450,220
Financial assets measured at FVTPL - current	43,109,950	447,192	2,886,469	-	-	-	-	46,443,611
Available-for-sale financial assets - current	11,307	-	-	-	-	-	-	11,307
Bonds purchased under resell agreements	26,142,100	2,945,208	-	-	-	-	-	29,087,308
Receivables	49,815,491	10,580,853	446,369	4,129	-	-	-	60,846,842
Customers' margin accounts - futures	37,066,541	-	-	-	-	-	-	37,066,541
Stock borrowing collateral price and guarantee deposits - borrowed securities	2,376,961	623,726	-	-	-	-	-	3,000,687
Other financial assets - current	2,498,770	29,100	-	-	-	-	-	2,527,870
Other current assets	30,477,056	-	-	-	-	-	-	30,477,056
Financial assets measured at FVTPL - noncurrent	50,033	-	-	-				50,033
Held to maturity Financial assets - noncurrent	-	-	300,000	-	-	-	-	300,000
Others noncurrent assets	3,443,492	-	50,702	-	-	-	-	3,494,194
Total	$ 211,393,150	$ 14,643,979	$ 3,714,411	$ 4,129	$ -	$ -	$ -	$ 229,755,669
Percentage	92.01%	6.37%	1.62%	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%

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.

KGI Bank and subsidiaries

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 collectability or a long period of duration, including methods for increasing appropriate collaterals with good liquidity, or transferring to credit guarantee institutions such as the Small and Medium Credit Guarantee Fund to maximize the collateral. For determining the value of foreclosed collaterals, liquid securities will be evaluated at their market value; other collaterals will be subject to field surveys by appraisal firms for their fair value assessment, which will be used as a basis for demanding additional collaterals or adjusting the credit amount to ensure that risks are within 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:

	December 31	
	2016	**2015**
Irrevocable loan commitments, guarantees and letters of credit	$ 102,215,434	$ 95,728,457

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 (e.g.: Machinery), rights certificates and securities (e.g.: Certificates of deposit, stocks), notes receivable arose from borrowing of business transactions, deposits guaranteed by authorities of treasury department of government, banks or guarantee institutions authorized by government (e.g.: SME credit guarantee fund and letter of credit guaranteed) and mortgages set in accordance with the laws including registration of land rights. Financial assets held by 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	December 31, 2016		December 31, 2015	
	Amount	%	Amount	%
Public and private enterprise	$ 173,659,505	67.87	$ 144,211,746	65.28
Natural person	81,877,228	32.00	76,343,186	34.56
Non-profit organization	342,811	0.13	371,376	0.16
Total	$ 255,879,544	100.00	$ 220,926,308	100.00

b) By region

Region	December 31, 2016		December 31, 2015	
	Amount	%	Amount	%
Domestic	$ 199,963,503	78.15	$ 178,752,940	80.91
Overseas	55,916,041	21.85	42,173,368	19.09
Total	$ 255,879,544	100.00	$ 220,926,308	100.00

c) By collateral

Collateral	December 31, 2016		December 31, 2015	
	Amount	%	Amount	%
Non-collateral	$ 159,432,165	62.31	$ 137,464,454	62.22
Collateral				
Financial collateral	5,533,267	2.16	6,047,359	2.74
Property	69,541,082	27.18	58,966,463	26.69
Guarantee	15,837,714	6.19	13,689,559	6.20
Other	5,535,316	2.16	4,758,473	2.15
Total	$ 255,879,544	100.00	$ 220,926,308	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

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

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

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

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

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

December 31, 2016	Neither Overdue Nor Impaired				
	Excellent	Good	Normal	No Ratings	Total (A)
Credit card and credit business					
- credit card business	$ 802,014	$ 561,693	$ 730,325	$ 418,963	$ 2,512,995
- forfeiting	1,205,206	3,471,384	-	3,235,994	7,912,584
- accounts receivable factoring - no recourse	6,479,896	2,963,430	-	146,658	9,589,984
- acceptances	-	64,383	107,058	-	171,441
Total	$ 8,487,116	$ 7,060,890	$ 837,383	$ 3,801,615	$ 20,187,004

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

c) Securities investment credit quality analysis

December 31, 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	$ 83,920,699	$ -	$ -	$ 83,920,699	$ -	$ -	$ 83,920,699	$ -	$ 83,920,699
Debt instrument with no active market	581,022	-	-	581,022	-	-	581,022	-	581,022

Note 1: Available-for-sale financial assets other than the above investment in bonds have an initial cost of $5,556,000 thousand, loss on valuation of $754,653 thousand and accumulated impairment of $0 thousand.

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

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.

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:

	December 31, 2016		
	1 Month	**Over 1 Month - 3 Months**	**Total**
Credit card business	$ 23,777	$ 24,949	$ 48,726
Discount and loans			
Consumer banking			
- mortgage loans	269,849	32,498	302,347
- cash card	258,200	72,214	330,414
- small-scale credit loans	306,991	69,996	376,987
- other - secured	132,069	16,131	148,200
- other - unsecured	236	-	236
Corporate banking			
- secured	25,493	229,889	255,382
- unsecured	618	1,021	1,639

	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

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	
		December 31, 2016	**December 31, 2015**	**December 31, 2016**	**December 31, 2015**
With objective evidence of impairment	Assessment of individual impairment	$ 376,736	$ 209,879	$ 72,202	$ 84,667
	Assessment of collective impairment	766,935	784,792	451,508	432,473
Without objective evidence of impairment	Assessment of collective impairment	254,735,873	219,931,637	2,905,962	2,598,556
Total		255,879,544	220,926,308	3,429,672	3,115,696

Items		Receivables		Allowance for Bad Debts	
		December 31, 2016	**December 31, 2015**	**December 31, 2016**	**December 31, 2015**
With objective evidence of impairment	Assessment of individual impairment	$ 1,900,712	$ 1,884,175	$ 1,315,493	$ 1,169,447
	Assessment of collective impairment	76,569	87,984	49,452	53,327
Without objective evidence of impairment	Assessment of collective impairment	28,242,686	40,537,844	349,635	526,154
Total		30,219,967	42,510,003	1,714,580	1,748,928

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 December 31, 2016 and 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			December 31, 2016 Nonperforming Loan (NPL) (Note 1)	Total Loans	NPL Ratio (Note 2)	Loan Loss Reserves (LLR)	Coverage Ratio (Note 3)
Corporate loan	Secured		$ 153,513	$ 50,916,170	0.30%	$ 605,608	394.50%
	Unsecured		324,861	124,754,280	0.26%	1,505,056	463.29%
Consumer loan	Mortgage (Note 4)		39,967	28,859,486	0.14%	384,928	963.12%
	Cash card		175,281	14,985,877	1.17%	417,765	238.34%
	Micro credit (Note 5)		160,697	19,434,610	0.83%	290,606	180.84%
	Other (Note 6)	Secured	6,479	16,881,472	0.04%	225,073	3,473.86%
		Unsecured	2,389	47,649	5.02%	636	26.59%
Total			863,187	255,879,544	0.34%	3,429,672	397.33%
			Overdue Receivable	Account Receivable	Delinquency Ratio	Allowance for Credit Losses	Coverage Ratio
Credit card			25,200	2,621,513	0.96%	50,580	200.72%
Account receivable - factored without recourse (Note 7)			46	9,590,067	0.00%	138,798	303,013.14%

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

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	December 31, 2016		December 31, 2015	
	Discounts and Loans	**Accounts Receivable**	**Discounts and Loans**	**Accounts Receivable**
Amounts of executed contracts on negotiated debts not reported (Note 1)	$ 36,467	$ 182	$ 53,096	$ 216
Amounts of executed debt settlement program and rehabilitation program not reported (Note 2)	29,330	3,928	37,718	4,831
Total	$ 65,797	$ 4,110	$ 90,814	$ 5,047

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

December 31, 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	$ 6,208,240	10.57
2	B Group - 012711 computer manufacturing	4,165,657	7.09
3	C Group - 015100 civil aviation transportation	4,025,770	6.86
4	D Group - 014510 merchandise brokers	3,227,900	5.50
5	E Group - 012641 LCD and related components manufacturing	3,064,630	5.22
6	F Group - 011599 other paper produces not elsewhere classified manufacturing	3,055,979	5.20
7	G Group - 012740 data storage media	2,950,000	5.02
8	H Group - 016700 real estate brokerage	2,779,993	4.73
9	I Group - 012611 integrated circuits manufacturing	2,628,808	4.48
10	J Group - 016811 real estate activities for sale and rental	2,628,185	4.48

December 31, 2015

(In Thousands of New Taiwan Dollars, %)

Top 10 Ranking	Group (Industry Category)	Total Credit	Percentage of Net Worth
1	A Group - 016100 Telecommunication industry	$ 5,881,320	10.20
2	B Group - 016700 Real estate brokerage	4,265,522	7.39
3	C Group - 012711 Computer manufacturing	3,914,028	6.79
4	D Group - 012740 Data storage media	3,650,000	6.33
5	E Group - 015100 Civil Aviation Transportation	3,148,506	5.46
6	F Group - 012641 LCD and related components manufacturing	3,084,530	5.35
7	G Group - 017112 Engineering activities and related technical consultancy	2,965,947	5.14
8	H Group - 012630 Printed Circuit Boards Manufacturing	2,896,983	5.02
9	I Group - 012413 Iron and Steel Rolls over Extends and Crowding	2,656,132	4.61
10	J Group - 012641 LCD and related components manufacturing	2,547,683	4.42

c. Liquidity risk

CDIB Capital Group

1) Source and definition of liquidity risk

Liquidity risk is defined as CDIB Capital Group 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 Capital Group 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 deconcentrating of capital sources, to assure CDIB Capital Group 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 Capital Group 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 Capital Group'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)

December 31, 2016	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	$ -	$ -	$ -	$ -	$ -	$ -
Notes and bonds issued under repurchase agreements	-	-	-	-	-	-
Payables	-	-	-	-	-	-
Deposits and remittances	-	-	-	-	-	-
Bank debentures payable	-	-	-	-	-	-
Other capital outflow on maturity	96,178	99,241	2,406	173,114	855,535	1,226,474
Subtotal	$ 96,178	$ 99,241	$ 2,406	$ 173,114	$ 855,535	$ 1,226,474

(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 U.S. Dollars)

December 31, 2016	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	$ -	$ -	$ -	$ -	$ -	$ -
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

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 Capital Group

(In Thousands of New Taiwan Dollars)

December 31, 2016	0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Cash inflow	$ 694,599	$ 14,854,367	$ 2,196,688	$ 229,701	$ 491,241	$ 50,667,627	$ 69,134,223
Cash outflow	42,238	53,940	99,241	2,406	173,114	70,905,362	71,276,301
Gap	652,361	14,800,427	2,097,447	227,295	318,127	(20,237,735)	(2,142,078)

(In Thousands of New Taiwan Dollars)

December 31, 2015	0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Cash inflow	$ 884,933	$ 713,673	$ 12,205,182	$ 513,495	$ 1,109,081	$ 55,552,135	$ 70,978,499
Cash outflow	50,626	7,532	166,209	4,956	6,660	69,400,808	69,636,791
Gap	834,307	706,141	12,038,973	508,539	1,102,421	(13,848,673)	1,341,708

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

(In Thousands of U.S. Dollars)

December 31, 2016	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Cash inflow	$ 34	$ -	$ 75,398	$ -	$ 1,208	$ 76,640
Cash outflow	-	-	-	-	13,855	13,855
Gap	34	-	75,398	-	(12,647)	62,785

(In Thousands of U.S. Dollars)

December 31, 2015	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Cash inflow	$ 34	$ -	$ -	$ -	$ 1,208	$ 1,242
Cash outflow	-	-	-	-	45,467	45,467
Gap	34	-	-	-	(44,259)	(44,225)

KGI Securities and subsidiaries

1) Cash flow analysis

Statement of Cash Flow Analysis for Financial Assets

(In Thousands of New Taiwan Dollars)

December 31, 2016	Collection Period					Total
	Spot	In 3 Months	3 Months-12 Months	Over 1 Year-5 Years	Over 5 Years	
Cash and cash equivalents	$ 6,009,351	$ 10,440,869	$ -	$ -	$ -	$ 16,450,220
Financial assets measured at FVTPL - current	50,073,606	3,543,039	7,114,717	424,822	169,399	61,325,583
Financial assets at cost - current	1,090,749	-	-	-	-	1,090,749
Available-for-sale financial assets - current	9,246,926	-	-	-	-	9,246,926
Securities purchased under resell agreement	-	29,114,724	-	-	-	29,114,724
Receivable	35,547,141	4,864,635	15,087,392	5,347,674	-	60,846,842
Customers' margin accounts	37,066,541	-	-	-	-	37,066,541
Stock borrowing collateral price and guarantee deposits - borrowed securities	2,092,300	466,917	441,470	-	-	3,000,687
Other financial assets - current	-	-	2,527,870	-	-	2,527,870
Current tax assets	-	-	17,500	13,394	422,825	453,719
Other current assets	29,675,416	163,028	638,612	-	-	30,477,056
Financial assets measured at FVTPL - noncurrent	-	-	50,313	-	-	50,313
Financial assets at cost - noncurrent	-	-	-	415	917,899	918,314
Available-for-sale financial assets - noncurrent	-	-	-	142,975	282,584	425,559
Held-to-maturity financial assets - noncurrent	-	-	-	-	300,000	300,000
Investments accounted for using the equity method	-	-	-	-	2,186,633	2,186,633
Others noncurrent assets	220,000	-	100,000	376,804	2,834,601	3,531,405
Total	$ 171,022,030	$ 48,593,212	$ 25,977,874	$ 6,306,084	$ 7,113,941	$ 259,013,141
Percentage	66.03%	18.76%	10.03%	2.43%	2.75%	100.00%

Statement of Cash Flow Analysis for Financial Liabilities

(In Thousands of New Taiwan Dollars)

December 31, 2016	Payment Period					Total
	Spot	In 3 Months	3 Months-12 Months	Over 1 Year-5 Years	Over 5 Years	
Short-term borrowings	$ -	$ 12,777,858	$ -	$ -	$ -	$ 12,777,858
Commercial papers payable, net	-	10,293,033	-	-	-	10,293,033
Financial liabilities measured at FVTPL - current	3,657,874	4,716,941	2,942,584	922,739	169,399	12,409,537
Bonds issued under repurchase agreements	-	57,598,541	-	-	-	57,598,541
Payables	46,896,855	861,531	4,829,585	149,960	-	52,737,931
Guarantee deposits - borrowed securities	-	4,414,965	6,920,988	-	-	11,335,953
Futures customers' equity	36,084,937	-	-	-	-	36,084,937
Other current liabilities	535,836	871,919	2,505,228	110	-	3,913,093
Other financial liabilities - current	-	4,426,111	-	-	-	4,426,111
Current tax liabilities	-	-	88,753	198,492	411,192	698,437
Bonds payable	-	-	-	7,000,000	-	7,000,000
Provisions - noncurrent	-	-	-	23,248	201,660	224,908
Others noncurrent liabilities	-	-	822	640,197	72,375	713,394
Total	$ 87,175,502	$ 95,960,899	$ 17,287,960	$ 8,934,746	$ 854,626	$ 210,213,733
Percentage	41.47%	45.65%	8.22%	4.25%	0.41%	100.00%

Statement of Capital Liquidation Gap

(In Thousands of New Taiwan Dollars)

December 31, 2016	Collection Period					Total
	Spot	In 3 Months	3 Months-12 Months	Over 1 Year-5 Years	Over 5 Years	
Cash inflow	$ 171,022,030	$ 48,593,212	$ 25,977,874	$ 6,306,084	$ 7,113,941	$ 259,013,141
Cash outflow	87,175,502	95,960,899	17,287,960	8,934,746	854,626	210,213,733
Amount of cash flow gap	$ 83,846,528	$ (47,367,687)	$ 8,689,914	$ (2,628,662)	$ 6,259,315	$ 48,799,408

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					Total
	Spot	In 3 Months	3 Months-12 Months	Over 1 Year-5 Years	Over 5 Years	
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					Total
	Spot	In 3 Months	3 Months-12 Months	Over 1 Year-5 Years	Over 5 Years	
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

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 December 31, 2016 and 2015, show that the sums from deducting cash outflow from cash inflow are $48,799,408 thousand and $49,388,135 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 66.03% 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 December 31, 2016 and 2015, net cash inflow calculated from net spot financial assets are respectively $83,846,528 thousand and $100,706,931 thousand, which are sufficient to cover the net cash outflows of $49,996,349 thousand and $69,167,625 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.

<u>KGI Bank and subsidiaries</u>

1) The source and definition of liquidity risk

Liquidity risk of the Bank refers to the risks of bearing financial loss because of the inability to liquidate assets or obtain financing to provide funds to meet the financial obligation, such as early termination of deposits, deteriorating of the source and condition of financing from banks influenced by specific market, abnormal recover of funds due to default from borrowers, inability to liquidate financial instruments and early exertion of rights of rescission of interest sensitive product by the assured. The aforementioned situation may reduce cash source of loan, transactions and investment. In some extreme cases, the lack of liquidity may result in a decrease in the overall position of the balance sheet, sale of assets and failure to perform loan commitments.

2) Management 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)

December 31, 2016	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	$ 23,484,126	$ 460,583	$ 253,739	$ 416,899	$ -	$ 24,615,347
Notes and bonds issued under repurchase agreement	21,868,872	459,685	-	-	-	22,328,557
Deposits and remittances	73,974,018	40,709,082	45,443,242	59,670,662	22,038,891	241,835,895
Bank debentures payable	-	-	-	2,750,000	-	2,750,000
Other capital outflow on maturity	1,634,569	616,498	282,125	404,150	483,030	3,420,372
Total	$ 120,961,585	$ 42,245,848	$ 45,979,106	$ 63,241,711	$ 22,521,921	$ 294,950,171

(In Thousands of New Taiwan Dollars)

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 U.S. Dollars)

December 31, 2016	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	$ 133,000	$ 30,000	$ -	$ -	$ -	$ 163,000
Notes and bonds issued under repurchase agreement	554,336	678,966	-	-	-	1,233,302
Deposits and remittances	783,074	543,615	501,747	942,410	26,490	2,797,336
Bank debentures payable	-	-	-	-	368,413	368,413
Other capital outflow on maturity	22,947	15,779	3,121	1,884	42,700	86,431
Total	$ 1,493,357	$ 1,268,360	$ 504,868	$ 944,294	$ 437,603	$ 4,648,482

(In Thousands of U.S. Dollars)

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

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)

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

(In Thousands of New Taiwan Dollars)

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 U.S. Dollars)

December 31, 2016	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial instruments at fair value through profit or loss						
Foreign exchange derivatives instruments						
Cash outflow	$ (5,801,671)	$ (7,928,173)	$ (5,383,285)	$ (1,081,788)	$ (149,201)	$ (20,344,118)
Cash inflow	6,155,681	7,902,248	5,527,944	928,621	174,935	20,689,429
Interest rate derivatives instruments						
Cash outflow	(19,852)	(33,865)	(30,342)	(1,006)	(20,264)	(105,329)
Cash inflow	13,143	33,962	29,726	689	-	77,520
Others						
Cash outflow	(744)	-	-	-	-	(744)
Cash inflow	275	-	-	-	-	275
Cash outflow subtotal	(5,822,267)	(7,962,038)	(5,413,627)	(1,082,794)	(169,465)	(20,450,191)
Cash inflow subtotal	6,169,099	7,936,210	5,557,670	929,310	174,935	20,767,224
Net cash flow	$ 346,832	$ (25,828)	$ 144,043	$ (153,484)	$ 5,470	$ 317,033

(In Thousands of U.S. Dollars)

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

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)

December 31, 2016	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Irrevocable loan commitments guarantees and letters of credit	$ 6,402,878	$ 11,356,859	$ 11,247,994	$ 29,457,826	$ 43,749,877	$ 102,215,434

(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

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)

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

(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

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)

December 31, 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	$ 149,978,483	$ 187,766,579	$ 273,928,025	$ 188,006,146	$ 58,519,345	$ 96,361,544	$ 954,560,122
Main capital outflow on maturity	138,288,017	186,969,792	335,677,721	259,116,285	111,646,052	132,880,819	1,164,578,686
Gap	11,690,466	796,787	(61,749,696)	(71,110,139)	(53,126,707)	(36,519,275)	(210,018,564)

(In Thousands of New Taiwan Dollars)

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

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

(In Thousands of U.S. Dollars)

December 31, 2016	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Main capital inflow on maturity	$ 7,791,191	$ 8,779,663	$ 5,933,975	$ 1,350,339	$ 1,585,732	$ 25,440,900
Main capital outflow on maturity	8,209,945	11,019,043	7,209,512	2,031,887	659,533	29,129,920
Gap	(418,754)	(2,239,380)	(1,275,537)	(681,548)	926,199	(3,689,020)

(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
Main capital inflow on maturity	$ 10,051,229	$ 7,117,708	$ 5,277,364	$ 1,372,405	$ 622,496	$ 24,441,202
Main capital outflow on maturity	11,105,526	8,622,456	5,122,254	1,894,680	418,621	27,163,537
Gap	(1,054,297)	(1,504,748)	155,110	(522,275)	203,875	(2,722,335)

d. Market risk

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

The risk management unit of CDIB Capital Group 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 CDIB Capital Group and subsidiaries were as follows:

(In Thousands of Foreign Currencies/New Taiwan Dollars)

	December 31, 2016		
	Foreign Currencies	**Exchange Rate**	**New Taiwan Dollars**
Financial assets			
Monetary items			
USD	$ 245,665	32.279	$ 7,929,817
HKD	114,029	4.162	474,611
RMB	60,969	4.622	281,794
KRW	7,363,850	0.027	197,506
JPY	429,029	0.276	118,283

(Continued)

	December 31, 2016		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Investment accounted for using the equity method			
USD	$ 65,502	32.279	$ 2,114,355
RMB	459,967	4.622	2,125,923
Financial liabilities			
Monetary items			
USD	18,733	32.279	604,671

(Concluded)

(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

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)

December 31, 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	$ 17,303,349	$ -	$ -	$ 158,798	$ 17,462,147
Interest rate-sensitive liabilities	-	-	-	-	-
Interest rate sensitivity gap	17,303,349	-	-	158,798	17,462,147
Net worth					70,049,827
Ratio of interest rate-sensitive assets to liabilities (%)					-
Ratio of interest rate-sensitive gap to net worth (%)					25

December 31, 2015

(In Thousands of New Taiwan Dollars, %)

Item	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	$ 12,623,859	$ -	$ -	$ 161,308	$ 12,785,167
Interest rate-sensitive liabilities	-	-	-	-	-
Interest rate sensitivity gap	12,623,859	-	-	161,308	12,785,167
Net worth					68,478,629
Ratio of interest rate-sensitive assets to liabilities (%)					-
Ratio of interest rate-sensitive gap to net worth (%)					19

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)

December 31, 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	$ 34	$ 75,389	$ -	$ -	$ 75,423
Interest rate-sensitive liabilities	-	-	-	-	-
Interest rate sensitivity gap	34	75,389	-	-	75,423
Net worth					-
Ratio of interest rate-sensitive assets to liabilities (%)					-
Ratio of interest rate-sensitive gap to net worth (%)					-

December 31, 2015

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

Item	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	$ 34	$ -	$ -	$ -	$ 34
Interest rate-sensitive liabilities	-	-	-	-	-
Interest rate sensitivity gap	34	-	-	-	34
Net worth					31,612
Ratio of interest rate-sensitive assets to liabilities (%)					-
Ratio of interest rate-sensitive gap to net worth (%)					-

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 Capital Group and subsidiaries were exposed to equity price risk through its investments in principal investment business. CDIB Capital Group 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 years ended December 31, 2016 and 2015 would increase/decrease by $92,118 thousand and $90,210 thousand, respectively, as a result of the changes in fair value of available-for-sale shares.

<u>KGI Securities and subsidiaries</u>

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	December 31, 2016	December 31, 2015
Interest rate risk	$ 2,321	$ 12,186
Equity securities risk	18,656,595	15,566,569
Exchange rate risk	1,416,056	589,868
Commodity risk	(2,051)	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 Year Ended December 31, 2016			December 31, 2016
	Average VAR	Minimum VAR	Maximum VAR	Ending VAR
Equity securities	$ 406,843	$ 248,091	$ 733,544	$ 529,293
Interest rate	75,275	31,612	155,833	69,226
Exchange rate	19,930	2,031	97,630	9,294
Commodity	6,619	58	49,537	29,399

	For the Year Ended December 31, 2015			December 31, 2015
	Average VAR	Minimum VAR	Maximum VAR	Ending VAR
Equity securities	$ 485,026	$ 169,082	$ 1,034,615	$ 329,128
Interest rate	82,291	41,766	152,689	71,769
Exchange rate	13,417	2,825	45,515	6,310
Commodity	2,018	-	5,174	1,228

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)

	December 31, 2016		
	Foreign Currencies	**Exchange Rate**	**New Taiwan Dollars**
<u>Financial assets</u>			
Monetary items			
USD	$ 2,336,758	32.21	$ 75,259,143
JPY	8,724,871	0.28	2,404,829
EUR	33,751	33.92	1,144,684
RMB	244,837	4.62	1,131,607
HKD	127,231	4.16	529,229
SGD	9,014	22.31	201,095
AUD	4,373	23.30	101,903
Nonmonetary items			
USD	761,214	32.28	24,571,228
RMB	412,573	4.62	1,906,873
AUD	4,529	22.30	105,539
Investments accounted for using the equity method			
USD	67,639	32.28	2,183,329
<u>Financial liabilities</u>			
Monetary items			
USD	3,678,462	32.28	118,729,246
JPY	8,413,574	0.28	2,319,492
RMB	300,806	4.62	1,390,287
EUR	31,848	33.92	1,080,125
HKD	79,633	4.16	331,116
SGD	8,768	22.31	195,616
Nonmonetary items			
USD	196,950	32.28	6,357,340
RMB	39,941	4.62	184,602
AUD	4,529	23.30	105,539

	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

KGI Bank 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

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 Year Ended December 31, 2016			**For the Year Ended December 31, 2015**		
	Average	**Highest**	**Lowest**	**Average**	**Highest**	**Lowest**
Interest rate risk	$ 33,310	$ 74,214	$ 17,157	$ 47,779	$ 118,218	$ 11,394
Equity risk	5,951	12,389	2,336	15,831	28,568	7,542
Exchange rate risk	36,105	80,973	6,133	8,539	27,412	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 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)

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

	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

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)

December 31, 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	$ 212,961,639	$ 14,406,478	$ 4,879,123	$ 108,803,232	$ 341,050,472
Interest rate-sensitive liabilities	151,925,098	94,329,388	36,692,575	4,274,816	287,221,877
Interest rate sensitivity gap	61,036,541	(79,922,910)	(31,813,452)	104,528,416	53,828,595
Net worth					57,022,065
Ratio of interest rate-sensitive assets to liabilities (%)					118.74
Ratio of interest rate-sensitive gap to net worth (%)					94.40

December 31, 2015

(In Thousands of New Taiwan Dollars, %)

Item	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	$ 250,256,425	$ 9,228,268	$ 3,692,381	$ 50,790,267	$ 313,967,341
Interest rate-sensitive liabilities	114,720,285	80,048,442	40,511,307	7,387,827	242,667,861
Interest rate sensitivity gap	135,536,140	(70,820,174)	(36,818,926)	43,402,440	71,299,480
Net worth					56,366,901
Ratio of interest rate-sensitive assets to liabilities (%)					129.38
Ratio of interest rate-sensitive gap to net worth (%)					126.49

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)

December 31, 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	$ 2,375,210	$ 225,241	$ 449,089	$ 1,219,782	$ 4,269,322
Interest rate-sensitive liabilities	2,988,749	440,418	737,981	394,903	4,562,051
Interest rate sensitivity gap	(613,539)	(215,177)	(288,892)	824,879	(292,729)
Net worth					52,465
Ratio of interest rate-sensitive assets to liabilities (%)					93.58
Ratio of interest rate-sensitive gap to net worth (%)					(557.95)

December 31, 2015

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

Item	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	$ 2,312,571	$ 233,877	$ 333,663	$ 1,936,818	$ 4,816,929
Interest rate-sensitive liabilities	4,292,300	488,931	221,621	113,833	5,116,685
Interest rate sensitivity gap	(1,979,729)	(255,054)	112,042	1,822,985	(299,756)
Net worth					38,963
Ratio of interest rate-sensitive assets to liabilities (%)					94.14
Ratio of interest rate-sensitive gap to net worth (%)					(769.34)

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, 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:

December 31, 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	$ 56,923,804	$ 57,422,129	$ 56,923,804	$ 57,422,129	$ (498,325)
Transaction - borrowed securities	46,749	65,449	46,749	65,449	(18,700)

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)

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:

December 31, 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	$ 10,229,100	$ 610,676	$ 610,676	$ -	$ 610,676

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

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.

December 31, 2016						
Types of Continuing Involvement	Spot	3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
Call option	$ 4,568,600	$ 990,100	$ 3,106,700	$ 1,563,700	$ -	$ 10,229,100

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

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.

December 31, 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	$ (41,236)	$ 611,220	$ 569,984

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)

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:

December 31, 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	$ 35,227,572	$ 33,509,311	$ 35,227,572	$ 33,509,311	$ 1,718,261
Available-for-sale financial assets	30,023,890	28,629,003	30,023,890	28,629,003	1,394,887

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

f. Offsetting financial assets and financial liabilities

KGI Securities and subsidiaries

KGI Securities and subsidiaries' 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:

December 31, 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	$ 2,163,243	$ -	$ 2,163,243	$ -	$ 132,559	$ 2,030,684
Securities purchased under resell agreements	29,087,308	-	29,087,308	29,087,308	-	-
Total	$ 31,250,551	$ -	$ 31,250,551	$ 29,087,308	$ 132,559	$ 2,030,684

December 31, 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	$ 2,845,225	$ -	$ 2,845,225	$ -	$ 465,985	$ 2,379,240
Notes and bonds issued under repurchase agreements	57,422,129	-	57,422,129	57,422,129	-	-
Total	$ 60,267,354	$ -	$ 60,267,354	$ 57,422,129	$ 465,985	$ 2,379,240

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

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:

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

December 31, 2016						
Financial Liabilities 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	$ 62,138,314	$ -	$ 62,138,314	$ 61,725,136	$ 413,178	$ -
Derivative financial instruments	27,516,130	-	27,516,130	7,171,127	6,655,765	13,689,238
Total	$ 89,654,444	$ -	$ 89,654,444	$ 68,896,263	$ 7,068,943	$ 13,689,238

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

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

54. CAPITAL MANAGEMENT

a. Group's capital adequacy ratio (CAR)

(In Thousands of New Taiwan Dollars; %)

Items / Company	December 31, 2015		
	% of Ownership	Group's Eligible Capital	Group's Legal Capital Demand
The Corporation		$ 163,482,476	$ 188,137,891
CDIB Capital Group	100.00	20,910,410	1,215,027
KGI	100.00	17,895,797	8,151,174
KGI Bank	100.00	53,986,254	35,206,376
Deduct items		186,391,735	186,391,735
Subtotal		69,883,202 (A)	46,318,733 (B)
Group's CAR (C)=(A)÷(B)			150.87 (C)

(In Thousands of New Taiwan Dollars; %)

Items / Company	December 31, 2015		
	% of Ownership	Group's Eligible Capital	Group's Legal Capital Demand
The Corporation		165,157,125	188,455,852
CDIB Capital Group	100.00	14,497,173	1,067,612
KGI	100.00	20,503,870	9,042,459
KGI Bank	100.00	53,303,814	28,497,462
Deduct items		186,684,329	186,684,329
Subtotal		66,777,653 (A)	40,379,056 (B)
Group's CAR (C)=(A)÷(B)			165.38 (C)

Note: Group's capital adequacy ratio = Group's eligible capital, net/Group's legal capital demand.

b. Financial holding companies’ net eligible capital

(In Thousands of New Taiwan Dollars)

	December 31	
	2016	**2015**
Common stock	$ 149,744,203	$ 151,124,071
Capital instruments of comply with Tier 1 capital requirement	-	-
Other preferred stock and subordinated bonds	-	-
Reserve for raising capital	10	1,370
Capital surplus	1,104,521	654,803
Legal reserve	5,014,298	4,161,475
Special reserve	3,228,296	765,041
Retained earnings	8,556,188	13,580,644
Equity adjustment	(1,782,652)	(2,746,831)
Deduction: Capital items	(2,382,388)	(2,383,448)
	$ 163,482,476	$ 165,157,125

The Group’s CARs were 150.87% and 165.38% as of December 31, 2016 and 2015, respectively. Since the Financial Holding Company Act and related regulations require, the Group’s CAR should be at least 100%, the Group’s CARs met its requirement.

CDIB Capital Group and subsidiaries

a. Objectives

CDIB Capital Group’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 Capital Group’s capital as well as meet the regulatory authorities’ minimum requirements, CDIB Capital Group follows the principle "Capital bears risk as well as requires compensation", thus, under an effective capital management framework, CDIB Capital Group balances risk control and business development and achieves the business objective of maximizing shareholder value.

b. Capital management procedures

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

c. Capital adequacy ratio

Items		Year	December 31, 2016	December 31, 2015
Eligible capital	Common shareholders' equity		$ 20,910,410	$ 14,497,173
	Other Tier 1 capital		-	-
	Tier 2 capital		-	-
	Eligible capital		20,910,410	14,497,173
Risk-weighted assets	Credit risk	Standardized approach	5,938,428	4,880,609
		Internal rating-based approach	NA	NA
		Securitization	-	-
	Operational risk	Basic indicator approach (Note 4)	5,669,725	6,668,563
		Standardized approach/alternative standardized approach	NA	NA
		Advanced measurement approach	NA	NA
	Market risk	Standardized approach	2,479,113	1,795,975
		Internal model approach	NA	NA
	Total risk-weighted assets		14,087,266	13,345,147
Capital adequacy ratio			148.43%	108.63%
Ratio of common shareholders' equity to risk-weighted assets			148.43%	108.63%
Ratio of Tier 1 capital to risk-weighted assets			148.43%	108.63%
Leverage ratio			92.95%	89.92%

Note 1: The above table was filled in accordance with the "Regulations Governing the Capital Adequacy Ratio of Banks" and related calculation tables.

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

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

1) Eligible capital = Common shareholder's equity + Other Tier 1 capital + Tier 2 capital.

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

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

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

5) Ratio of Tier 1 capital to risk-weighted assets = (Shareholders' equity + Other Tier 1 capital)/Total risk-weighted assets.

6) Leverage ratio = Tier 1 capital/Total exposure.

Note 4: Included the amount of change from transfer of business.

<u>KGI and subsidiaries</u>

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".

c. Capital adequacy ratio

Items		Year	December 31, 2016	December 31, 2015
Eligible capital	Common shareholders' equity		$ 53,944,546	$ 53,124,545
	Other Tier 1 capital		-	-
	Tier 2 capital		41,708	179,269
	Eligible capital		53,986,254	53,303,814
Risk-weighted assets	Credit risk	Standardized approach	335,603,806	296,938,821
		Internal rating-based approach	NA	NA
		Securitization	-	-
	Operational risk	Basic indicator approach	17,971,561	18,407,174
		Standardized approach/alternative standardized approach	NA	NA
		Advanced measurement approach	NA	NA
	Market risk	Standardized approach	54,614,500	40,872,275
		Internal model approach	NA	NA
	Total risk-weighted assets		408,189,867	356,218,270
Capital adequacy ratio			13.23%	14.96%
Ratio of common shareholders' equity to risk-weighted assets			13.22%	14.91%
Ratio of Tier 1 capital to risk-weighted assets			13.22%	14.91%
Leverage ratio			8.85%	9.28%

Note 1: The above table was filled in accordance with the "Regulations Governing the Capital Adequacy Ratio of Banks" and related calculation tables.

Note 2: The formulas used in calculating the above table entries were as follows:

1) Eligible capital = Common shareholder's equity + Other Tier 1 capital + Tier 2 capital.

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

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

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

5) Ratio of Tier 1 capital to risk-weighted assets = (Shareholders’ equity + Other Tier 1 capital)/Total risk-weighted assets.

6) Leverage ratio = Tier 1 capital/Total exposure.

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 Capital Group were as follows:

CDIB Capital Group 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
December 31, 2016 and 2015

(In Thousands of New Taiwan Dollars)

Trust Assets	2016	2015	Trust Liabilities	2016	2015
Bank deposits	$ 809,142	$ 876,118	Payables	$ 16,097	$ 30,124
Financial assets	22,988,241	22,837,422	Trust capital	23,786,620	23,578,392
Receivables	72,988	99,904	Reserves and retained earnings	67,654	204,928
Total	$ 23,870,371	$ 23,813,444	Total	$ 23,870,371	$ 23,813,444

Income Statements of Trust Accounts

(In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2016	**2015**
Trust income	$ 2,077,401	$ 2,136,357
Trust expenses	(2,712,400)	(2,327,314)
Income before income tax	$ (634,999)	$ (190,957)

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

Trust Property Accounts

(In Thousands of New Taiwan Dollars)

	December 31	
Investment Portfolio	**2016**	**2015**
Bank deposits	$ 809,142	$ 876,118
Stocks	13,755,119	15,470,397
Funds	9,227,067	7,320,525
Structured notes	6,055	46,500
Receivables	72,988	99,904
Total	$ 23,870,371	$ 23,813,444

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	**2016**	**2015**	**Trust Liabilities**	**2016**	**2015**
Bank deposits	$ 310,897	$ 654,161	Payables	$ 153,951	$ 154,615
Short-term investment	30,860,207	31,338,483	Payables on securities under custody	1,909,451	-
Financial assets at FVTPL	2,660,355	3,697,006	Other liabilities	30,906	1,336,311
Receivables	26,191	51,927	Trust capital	34,693,769	37,805,193
Payments for others	-	1,166,813	Accumulated earnings	1,067,910	795,758
Financial assets measured at cost	687,150	1,401,010			
Real estate, net	417,202	797,943			
Intangible assets - surface rights	984,534	984,534			
Securities under custody	1,909,451	-			
Other assets					
Total	$ 37,855,987	$ 40,091,877	Total	$ 37,855,987	$ 40,091,877

Income Statements of Trust Accounts

(In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2016	**2015**
Trust income and gains		
Profit income	$ 86,041	$ 157,838
Interest income	1,385,573	1,624,518
Rental income	30,624	30,922
Gain or loss on financial assets at FVTPL, net	480,409	190,454
Other income	23,470	915
Total trust income and gains	2,006,117	2,004,647
Property transaction losses	(1,461,127)	(1,576,080)
Trust expenses		
Administrative expenses	(24,329)	(36,612)
Interest expenses	(39,754)	(45,650)
Other expenses	(30,303)	(12,445)
Total trust expenses	(94,386)	(94,707)
Net income	$ 450,604	$ 333,860

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

Trust Property Accounts

(In Thousands of New Taiwan Dollars)

	December 31	
Investment Portfolio	**2016**	**2015**
Bank deposits	$ 310,897	$ 654,161
Short-term investments		
Funds	29,104,043	29,808,756
Bonds	1,468,806	1,113,036
Common shares	78,300	81,400
Structured notes	93,766	215,507
ETF	115,292	119,784
Financial assets at FVTPL	2,660,355	3,697,006
Payment for others	-	1,166,813
Financial assets measured at cost	687,150	1,401,010
Real estate, net	417,202	797,943
Intangible assets - surface right	984,534	984,534
Securities under custody	1,909,451	-
Other assets	26,191	51,927
Total	$ 37,855,987	$ 40,091,877

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

Please refer to Table 9 (attached).

57. CONDENSED INDIVIDUAL BALANCE SHEETS AND STATEMENTS OF COMPREHENSIVE INCOME OF GROUP

Please refer to Table 10 (attached).

58. ALLOCATION OF REVENUE, COST AND EXPENSE RESULTING FROM COOPERATION AND RESOURCES SHARING IN THE GROUP

For the resources sharing in the Group, 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	December 31 2016 Formula	2016 %	December 31 2015 Formula	2015 %	Standard	Meet Standard
17	Equities / Total liabilities minus customers' equity accounts	$1,784,471 / $394,084	=4.53	$1,965,939 / $407,338	=4.83	≧1	Yes
17	Current assets / Current liabilities	$2,133,932 / $166,579	=12.81	$2,320,730 / $238,942	=9.71	≧1	Yes
22	Equities / Capital stock	$1,784,471 / $400,000	=446.12%	$1,965,939 / $400,000	=491.48%	≧60% ≧40%	Yes
22	Adjusted net capital / Client and proprietary account	$1,322,873 / $281,618	=469.74%	$1,417,650 / $215,941	=656.50%	≧20% ≧15%	Yes

b. KGI Futures Corp.

Rule No.	Formula	December 31 2016 Formula	2016 %	December 31 2015 Formula	2015 %	Standard	Meet Standard
17	Equities / Total liabilities minus customers' equity accounts	$2,735,161 / $298,763	=9.15	$2,624,668 / $372,168	=7.05	≧1	Yes
17	Current assets / Current liabilities	$22,820,898 / $20,694,894	=1.10	$20,589,705 / $18,589,073	=1.11	≧1	Yes
22	Equities / Capital stock	$2,735,161 / $760,000	=359.89%	$2,624,668 / $760,000	=345.35%	≧60% ≧40%	Yes
22	Adjusted net capital / Client and proprietary account	$2,338,562 / $3,376,756	=69.25%	$2,221,296 / $3,662,040	=60.66%	≧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 December 31, 2016 and 2015 were as follows:

	December 31			
	2016		2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
KGI Securities and subsidiaries				
Available-for-sale financial assets	$ 5,363,359	$ 5,363,359	$ 4,358,869	$ 4,358,869

The gains or losses recorded for the reclassified financial assets (excluding those that had been derecognized before December 31, 2016 and 2015) for the years ended December 31, 2016 and 2015 and the pro forma gains or losses assuming no reclassifications had been made were as follows:

	For the Year Ended December 31			
	2016		2015	
	Gains (Losses) Recorded	Pro Forma Losses	Gains (Losses) Recorded	Pro Forma Gains
KGI Securities and subsidiaries				
Available-for-sale financial assets	$ -	$ 1,004,489	$ -	$ (88,944)

64. DISCLOSURES REQUIRED BY THE FINANCIAL SUPERVISORY COMMISSION

KGI's investments in foreign enterprises are registered in a country whose securities and futures market regulators are not members of the International Organization of Securities Commissions (IOSCO), and these companies have no Multilateral Memorandum of Understanding (MMOU) members or didn't get the securities or futures licenses signed by the IOSCO. Thus, KGI disclose their foreign investees' business conditions and information on related-party transactions as follows:

a. Balance sheet: Tables 13-1 to 13-4 (attached).

b. Income statement: Tables 14-1 to 14-4 (attached).

c. Securities held: None.

d. Derivative instruments and related capital resources: None.

e. Asset management revenues, service and litigation matters: Note 49(c).

f. Related party transactions or dealings among foreign enterprises: None.

65. ADDITIONAL DISCLOSURES

a. and b. following are the additional disclosures required for the Group:

1) Financing provided: Not applicable to the Corporation, CDIB Capital Group and KGI Bank. For other subsidiaries' information: Please refer to Table 1 (attached).

2) Collaterals/guarantees provided: Not applicable to the Corporation, CDIB Capital Group and KGI Bank. For other subsidiaries' information: Please refer to Table 2 (attached).

3) Marketable securities held: Not applicable to the Corporation, CDIB Capital Group, 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 Capital Group 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 Group's information: None.

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

7) Discount on service fees received from related parties amounting to NT$5 million: For the Group's 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 7 (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: Please refer to Table 6 (attached).

13) Derivative transactions of the Group: Please refer to Notes 8, 52 and 53 to the consolidated financial statements.

c. Subsidiaries investment in Mainland China: Please refer to Table 11 (attached).

d. Business relationships and significant transactions among the Group: Please refer to Table 12 (attached).

66. 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 Group's operating revenue and results by reportable segment:

	Industrial Banking	Securities	Commercial Banking	Other	Total
For the year ended December 31, 2016					
Interest profit (loss), net	$ 61,228	$ 1,720,087	$ 5,881,614	$ (603,427)	$ 7,059,502
Noninterest profit, net	2,840,575	12,223,572	4,949,024	55,055	20,068,226
Net profit (loss)	2,901,803	13,943,659	10,830,638	(548,372)	27,127,728
Reversal of allowance (allowance) for bad debts and losses on guarantees, net	42,757	(535,491)	(258,744)	-	(751,478)
Operating expenses	(1,529,421)	(10,881,734)	(5,569,586)	(1,284,680)	(19,265,421)
Income (loss) before income tax	1,415,139	2,526,434	5,002,308	(1,833,052)	7,110,829
Income tax benefit (expense)	(125,488)	(250,695)	(927,070)	179,328	(1,123,925)
Net income (loss)	$ 1,289,651	$ 2,275,739	$ 4,075,238	$ (1,653,724)	$ 5,986,904
For the year ended December 31, 2015					
Interest profit (loss), net	$ 1,416,871	$ 2,248,502	$ 6,177,117	$ (734,677)	$ 9,107,813
Noninterest profit (loss), net	4,493,955	13,006,858	3,033,731	66,254	20,600,798
Net profit (loss)	5,910,826	15,255,360	9,210,848	(668,423)	29,708,611
Reversal of allowance (allowance) for bad debts and losses on guarantees, net	205,757	(205,017)	329,049	-	329,789
Operating expenses	(2,256,695)	(12,165,031)	(4,886,071)	(1,287,616)	(20,595,413)
Income (loss) before income tax	3,859,888	2,885,312	4,653,826	(1,956,039)	9,442,987
Income tax benefit (expense)	33,574	(327,330)	(528,379)	(5,677)	(827,812)
Net income (loss)	$ 3,893,462	$ 2,557,982	$ 4,125,447	$ (1,961,716)	$ 8,615,175

b. Segment assets and liabilities

	Industrial Banking	Securities	Commercial Banking	Other	Total
December 31, 2016					
Assets	$ 50,846,244	$ 264,790,087	$ 574,393,912	$ 2,167,266	$ 892,197,509
Liabilities	$ 2,679,674	$ 210,476,569	$ 484,824,170	$ 27,120,058	$ 725,100,471
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

c. Geographical information

The Group's revenue from external customers by location of operations and information about its non-current assets by location of assets are detailed below:

	Revenue from External Customers	
	For the Year Ended December 31	
	2016	2015
Taiwan	$ 21,239,678	$ 21,313,249
Hong Kong	4,152,461	5,895,999
British Virgin Islands	567,842	1,224,025
Malaysia	548,229	483,605
China	265,304	308,492
Grand Cayman	249,392	395,164
Others	104,822	88,077
	$ 27,127,728	$ 29,708,611

d. Information about major customers

No single customer contributed 10% or more to the Group's revenue in 2016 and 2015.

TABLE 1

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

FINANCINGS PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 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	$ 7,101,380	$ 3,873,480	$ 3,615,248	Floating	Short-term financing	$ -	Working capital	$ -	-	$ -	$ 14,536,477 (Note 1)	$ 14,536,477 (Note 1)
		KGI International Holdings Limited	Receivables, net	Yes	5,487,430	5,487,430	-	Floating	Short-term financing	-	Working capital	-	-	-	14,536,477	
		KGI Investment Advisory (Shanghai) Company Limited	Receivables, net	Yes	25,823	25,823	-	Floating	Short-term financing	-	Working capital	-	-	-	14,536,477	
2	KGI International Holdings Limited	KGI Asia Limited	Receivables, net	Yes	1,613,950	1,613,950	-	Floating	Short-term financing	-	Working capital	-	-	-	15,592,650 (Note 2)	15,592,650 (Note 2)
		KGI International Finance Limited	Receivables, net	Yes	4,841,850	-	-	Floating	Short-term financing	-	Working capital	-	-	-	15,592,650	
		KGI Futures (Singapore) Pte. Ltd. (formerly KGI Ong Capital Pte. Ltd.)	Receivables, net	Yes	115,373	-	-	Floating	Short-term financing	-	Working capital	-	-	-	15,592,650	
		PT KGI Sekuritas Indonesia	Receivables, net	Yes	322,790	322,790	64,558	Floating	Short-term financing	-	Working capital				15,592,650	

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.

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

COLLATERALS/GUARANTEE PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 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	KGI Securities (Singapore) Pte. Ltd. (formerly KGI Fraser Securities Pte. Ltd.)	Note 1	$ 6,024,405	$ 1,200,876	$ 1,115,500	$ 1,115,500	$ -	1.85%	$ 24,097,619 (Note 2)	No	No	No
		KGI Futures (Singapore) Pte. Ltd. (formerly KGI Ong Capital Pte. Ltd.)	Note 1	6,024,405	1,200,876	1,115,500	1,115,500	-	1.85%		No	No	No
2	KGI International Holdings Limited	KGI Asia Limited	Note 1	15,592,650	2,754,742	2,754,742	974,276	-	17.67%	15,592,650 (Note 3)	No	No	No
		KGI International Finance Limited	Note 1	15,592,650	3,034,226	1,743,066	232,230	-	11.18%		No	No	No
		KGI Futures (Hong Kong) Limited	Note 1	15,592,650	209,814	209,814	-	-	1.35%		No	No	No
		KGI Finance Limited	Note 1	15,592,650	138,800	138,800	-	-	0.89%		No	No	No
		KGI International (Hong Kong) Limited	Note 1	15,592,650	2,001,298	2,001,298	-	-	12.83%		No	No	No
		KGI Futures (Singapore) Pte. Ltd. (formerly KGI Ong Capital Pte. Ltd.)	Note 1	15,592,650	645,580	645,580	-	-	4.14%		No	No	No
		KGI Asia (Holdings) Pte. Limited	Note 1	15,592,650	1,080,770	1,003,978	-	-	6.44%		No	No	No
3	KGI Investments Holdings Limited	PT KGI Sekuritas Indonesia	Note 1	11,771,912	96,837	96,837	32,279	-	0.82%	11,771,912 (Note 4)	No	No	No
4	KGI Futures (Singapore) Pte. Ltd. (formerly KGI Ong Capital Pte. Ltd.)	PT KGI Sekuritas Indonesia	Note 1	834,334	96,837	96,837	-	-	11.61%	834,334 (Note 5)	No	No	No
5	CDIB Management Consulting Corporation	CDIB International Leasing Corp.	Note 1	6,015,245	3,643,871	1,642,573	1,226,602	-	136.53%	6,015,245 (Note 6)	No	No	Yes

Note 1: The Group owns directly or indirectly over 50% ownership of the investee company.

Note 2: The limit of maximum guarantee provided by KGI Securities 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 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 4: 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 5: The limit of maximum guarantee provided by KGI Futures (Singapore) Pte. Ltd. (formerly KGI Ong Capital Pte. Ltd.) 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 6: 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 7: The above companies which are the subsidiaries of the Corporation were eliminated from the consolidated financial statements.

TABLE 3

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 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	December 31, 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	$ 72,600	0.41	$ 72,600	
	Aten International Co., Ltd.	-	Available-for-sale financial assets	65,660	5,266	0.05	5,266	
	Powertech Industrial Co., Ltd.	-	Available-for-sale financial assets	199,229	2,490	0.18	2,490	
	Victory Circuit Co., Ltd.	-	Available-for-sale financial assets	101,240	1,689	0.14	1,689	
	Pili International Multimedia Co., Ltd.	-	Available-for-sale financial assets	300,000	26,160	0.67	26,160	
	Initio Corporation	-	Financial assets measured at cost	93,285	684	0.52	557	
	Arcoa Communication Co., Ltd.	-	Financial assets measured at cost	783,000	7,493	0.58	14,886	
	Beyond Innovation Technology Co., Ltd.	-	Financial assets measured at cost	235,474	4,485	0.70	1,606	
	EVA Technologies Co., Ltd.	-	Financial assets measured at cost	744,058	12,060	1.44	6,241	
	Luminous Town Electric Co., Ltd.	-	Financial assets measured at cost	1,442,883	13,645	2.16	17,676	
	MCM Stamping Co., Ltd.	-	Financial assets measured at cost	70,000	2,100	0.22	402	
	CDIB Private Equity (Hong Kong) Corporation Limited	Subsidiary	Investments accounted for using the equity method	51,900,000	243,651	100.00	243,651	
	CDIB CME Fund Ltd.	Associate	Investments accounted for using the equity method	1,500,000	14,281	1.00	14,281	
	CDIB Biomedical Venture Capital Corporation	Associate	Investments accounted for using the equity method	1,750,000	17,089	1.00	17,089	
	CDIB Innovation Advisors Corporation Limited	Subsidiary	Investments accounted for using the equity method	1,200,000	11,106	60.00	11,106	
CDIB Private Equity (Hong Kong) Corporation Limited	Stocks							
	CDIB Private Equity Management Corporation	Subsidiary	Investments accounted for using the equity method	-	HK$ 41,054	100.00	HK$ 41,054	
	CPEC Huachuang Private Equity (Kunshan) Co, Ltd.	Subsidiary	Investments accounted for using the equity method	-	HK$ 3,546	27.08	HK$ 3,546	
	CPEC Huachuang Private Management (Kushan) Enterprise (Limited Partnership)	Subsidiary	Investments accounted for using the equity method	-	HK$ 7,649	56.00	HK$ 7,649	
	CPEC Huachung Private Equity Management (Fujian) Enterprise (Limited Partnership)	Subsidiary	Investments accounted for using the equity method	-				
CPEC Huachuang Private Equity (Kunshan) Co, Ltd.	Stocks				RMB 6,793	65.00	RMB 6,793	
	CPEC Huachuang Private Management (Kushan) Enterprise (Limited Partnership)	Subsidiary	Investments accounted for using the equity method	-				
CPEC Huachuang Private Management (Kushan) Enterprise (Limited Partnership)	Fund				RMB 6,879	58.33	RMB 6,879	
	CPEC Huachuang Private Equity (Kunshan) Enterprise (Limited Partnership)	Associate	Investments accounted for using the equity method	-				
CPEC Huachuang Private Equity Management (Fujian) Enterprise (Limited Partnership)	Fund				RMB 6,954	-	RMB 6,954	
	CPEC Huachung Private Equity (Fujian) Enterprise (Limited Partnership)	Associate	Investments accounted for using the equity method	-				
CDIB Venture Capital Corporation	Stocks				RMB 7,143	-	RMB 7,143	
	Aten International Co., Ltd.	-	Available-for-sale financial assets	2,283,567	183,142	1.91	183,142	
	Anpec Electronics Corporation	-	Available-for-sale financial assets	3,709,011	121,285	3.62	121,285	
	Macroblock, Inc.	-	Available-for-sale financial assets	250,000	17,825	0.75	17,825	
	Taihan Precision Technology Co., Ltd.	-	Available-for-sale financial assets	3,455,158	30,060	5.51	30,060	
	Dynamic Electronics Co., Ltd.	-	Available-for-sale financial assets	3,285,131	28,843	1.17	28,843	
	Formosa Advanced Technologies Co., Ltd.	-	Available-for-sale financial assets	100,000	2,355	0.02	2,355	
	Chicony Power Technology Co., Ltd.	-	Available-for-sale financial assets	3,228,366	161,418	0.86	161,418	
	Solartech Energy Corp.	-	Available-for-sale financial assets	5,215,328	77,351	1.41	77,351	
	Neo Solar Power Corp.	-	Available-for-sale financial assets	4,555,307	67,102	0.44	67,102	
	Lextar Electronics Corp.	-	Available-for-sale financial assets	2,608,065	34,426	0.46	34,426	
	Gallant Precision Machine Co., Ltd.	-	Available-for-sale financial assets	1,247,499	26,197	0.76	26,197	
	Shin Zu Shing Co., Ltd.	-	Available-for-sale financial assets	613,462	50,672	0.34	50,672	
	Sunfun Info Co., Ltd.	-	Available-for-sale financial assets	810,000	23,004	5.71	23,004	

(Continued)

Holding Company	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	December 31, 2016				Note
				Shares/Face Value/Units	Carrying Value (Note 2)	Percentage of Ownership	Market Value or Net Asset Value (Note 3)	
	ASRock Inc.	-	Available-for-sale financial assets	424,462	$ 15,854	0.37	$ 15,854	
	Share Hope Medicine Co., Ltd.	-	Available-for-sale financial assets	223,663	7,783	0.30	7,783	
	Hotron Precision Electronic Industrial Co., Ltd.	-	Available-for-sale financial assets	1,167,000	38,161	1.84	38,161	
	Global Sweeteners Holdings Ltd.	-	Available-for-sale financial assets	6,400,000	6,260	0.42	6,260	
	Topoint Technology Co., Ltd.	-	Available-for-sale financial assets	2,513,383	49,262	1.58	49,262	
	Aces Connectors Co., Ltd.	-	Available-for-sale financial assets	2,850,421	70,263	2.31	70,263	
	China Communications Media Group Co., Ltd.	-	Available-for-sale financial assets	1,110,000	17,927	2.93	17,927	
	FocalTech Corporation, Ltd.	-	Available-for-sale financial assets	495,352	17,436	0.17	17,436	
	Sino-American Silicon Products Inc.	-	Available-for-sale financial assets	2,594,562	86,658	0.45	86,658	
	Enterex International Limited	-	Available-for-sale financial assets	1,751,000	93,503	1.74	93,503	
	Trea Xtal Technology Corp.	-	Available-for-sale financial assets	4,250,961	7,822	2.23	7,822	
	HIM International Music Inc.	-	Available-for-sale financial assets	1,116,960	130,684	2.61	130,684	
	Capital Securities Corporation	-	Available-for-sale financial assets	884,887	8,575	0.04	8,575	
	Andes Technologies Co., Ltd.	-	Available-for-sale financial assets	958,296	67,742	2.58	67,742	
	Newmax Technology Co., Ltd.	-	Available-for-sale financial assets	743,847	15,621	0.73	15,621	
	Victory Circuit Co., Ltd.	-	Available-for-sale financial assets	202,480	12,804	0.29	12,804	
	Strong LED Lighting Systems (Cayman) Co., Ltd.	-	Available-for-sale financial assets	1,281,000	31,769	3.46	31,769	
	Shane Global Holding Inc.	-	Available-for-sale financial assets	1,715,700	144,545	1.72	144,545	
	Dyaco Co., Ltd.	-	Available-for-sale financial assets	5,575,500	227,759	6.00	227,759	
	Interactive Digital Technologies Inc.	-	Available-for-sale financial assets	2,881,000	108,038	6.24	108,038	
	4Gamers Entertainment Inc.	-	Available-for-sale financial assets	24,000	12,912	20.00	12,912	
	Dee Van Enterprise Co., Ltd.	-	Financial assets measured at cost	1,408,659	35,751	2.01	27,469	
	Yenyo Technology Co., Ltd.	-	Financial assets measured at cost	500,000	5,250	1.24	4,986	
	Chain Yarn Co., Ltd.	-	Financial assets measured at cost	843,653	11,504	0.55	5,568	
	Top Green Technologies Inc.	-	Financial assets measured at cost	1,111,111	16,667	0.89	5,505	
	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	103,640	
	Jochu Technology Co., Ltd.	-	Financial assets measured at cost	3,725,007	107,176	4.48	52,485	
	STL Technology Co., Ltd.	-	Financial assets measured at cost	7,002,053	255,605	9.96	66,529	
	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	188,158	
	Hartec Asia Pte. Ltd.	-	Financial assets measured at cost	2,800,000	99,603	10.23	56,724	
	GSD Technologies Co., Ltd.	-	Financial assets measured at cost	5,841,702	108,946	19.47	177,703	
	Shengzhuang Holding Limited	-	Financial assets measured at cost	610,590	151,150	6.11	155,666	
	Fukuta Co., Ltd.	-	Financial assets measured at cost	1,400,000	119,000	4.91	133,731	
	DL-tek Co., Ltd.	-	Financial assets measured at cost	3,772,331	51,100	1.03	47,994	
	Cvie Therapeutics Limited	-	Financial assets measured at cost	846,351	40,262	4.15	71,940	
	Zentera Systems, Inc. - preferred stock	-	Financial assets measured at cost	1,324,503	61,900	39.35	75,852	(Note 4)
	Greenvines Biotech Co., Ltd.	-	Financial assets measured at cost	136,363	12,000	13.11	17,700	
	AMPAK Technology Inc.	-	Financial assets measured at cost	1,208,650	24,795	1.44	15,833	
	Azotek Co., Ltd.	-	Financial assets measured at cost	824,500	27,645	1.65	10,136	
	Pai Lung Machinery Mill Co., Ltd.	-	Financial assets measured at cost	1,500,000	33,000	4.22	35,169	
	Beyond Innovation Technology Co., Ltd.	-	Financial assets measured at cost	630,518	8,995	1.87	4,301	
	Greatland Electronics Taiwan Ltd.	-	Financial assets measured at cost	1,920,000	6,720	5.50	30,544	
	CBA Sports International Ltd.	-	Financial assets measured at cost	514,821	78,046	0.69	16,422	
	Chipsip Technology Co., Ltd.	-	Financial assets measured at cost	428,928	1,759	1.02	756	
	Derbysoft Holdings Limited-preferred stock A	-	Financial assets measured at cost	28,000,000	91,938	45.78	276,455	(Note 4)
	Derbysoft Holdings Limited-preferred stock B	-	Financial assets measured at cost	4,643,469	15,297	9.26	45,847	(Note 4)
	Cvie Therapeutics Company Limited	-	Financial assets measured at cost	560,000	21,708	4.15	39,337	
	Regal Holding Co., Ltd.	-	Financial assets measured at cost	2,200,000	182,600	6.49	268,400	
	Handa Pharmaceuticals Inc. - preferred stock	-	Financial assets measured at cost	2,850,000	91,200	2.73	299,250	
	Sum Max Tech. Limited	-	Financial assets measured at cost	2,340,000	108,000	14.52	226,980	
	iCHEF Co., Ltd. - preferred stock	-	Financial assets measured at cost	11,167,513	73,874	40.74	78,786	(Note 4)
	FUNP Co., Ltd. - preferred stock	-	Financial assets measured at cost	400,000	48,283	20.00	58,093	(Note 4)
	Fiiser Inc. - preferred stock	-	Financial assets measured at cost	878,029	48,585	100.00	40,503	(Note 4)
	Viscovery (Cayman) Holding Company Limited - preferred stock	-	Financial assets at fair value through profit or loss	304,878	16,139	2.46	16,139	(Note 4)
	CDIB Venture Capital (Hong Kong) Corporation Limited	Subsidiary	Investments accounted for using the equity method	650,000,000	2,435,332	100.00	2,435,332	

(Continued)

Holding Company	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	December 31, 2016 Shares/Face Value/Units	Carrying Value (Note 2)	Percentage of Ownership	Market Value or Net Asset Value (Note 3)	Note
	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	-	158,126	-	76,638	
CDIB Venture Capital (Hong Kong) Corporation Limited	Stocks							
	CPEC Huakai Private Equity (Fujian) Co., Ltd.	Subsidiary	Investments accounted for using the equity method	-	HK$ 17,262	70.00	HK$ 17,262	
	Fund							
	CPEC Huachuang Private Equity (Fujian) Enterprise (Limited Partnership)	Associate	Investments accounted for using the equity method	-	HK$ 272,045	-	HK$ 272,045	
	CPEC Huachuang Private Equity (Kunshan) Enterprise (Limited Partnership)	Associate	Investments accounted for using the equity method	-	HK$ 226,654	-	HK$ 226,654	
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 2,460	20.00	RMB 2,460	
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$ 4,538	4.74	US$ 4,538	
	Global Sweeteners Holdings Ltd.	-	Available-for-sale financial assets	24,298,000	US$ 736	1.59	US$ 736	
	CCAP Best Logistics Holdings Limited	-	Available-for-sale financial assets	1,000	US$ 4,661	11.11	US$ 4,661	
	BP SCI, LLC	-	Financial assets measured at cost	30,000	US$ 3,000	18.61	US$ 4,144	
	BP SCI, LLC - preferred stock	-	Financial assets measured at cost	12,000	US$ 12,000	18.61	US$ 16,575	(Note 4)
	Great Team Backend Foundry Inc. - preferred stock	-	Financial assets measured at cost	1,636,800	US$ 818	1.91	US$ 1,062	(Note 4)
	Touch Media International Holdings - preferred stock - B	-	Financial assets measured at cost	8,097,973	US$ 906	60.44	US$ 23	(Note 4)
	Rock Mobile (Cayman) Co. - preferred stock - C	-	Financial assets measured at cost	840,336	US$ 1,000	3.26	US$ 530	(Note 4)
	Chewy, Inc.	-	Financial assets measured at cost	12,368	US$ 11,699	2.17	US$ 11,699	
	Fund							
	CDIB Capital Asia Partners L.P.	Associate	Investments accounted for using the equity method	-	US$ 65,356	-	US$ 65,356	
	Carlyle Asia Partners II, L.P.	-	Financial assets measured at cost	-	US$ 4,231	-	US$ 1,284	
	Ripley Cable Holdings I, L.P.	-	Financial assets measured at cost	-	US$ 540		US$ 9,886	
	MSD Sports Partners, L.P.	-	Financial assets measured at cost	-	US$ 8,060		US$ 8,060	
	Option							
	Garden Fresh (HK) Fruit & Vegetable Beverage Co., Ltd.	-	Financial assets measured at cost	-	US$ 1,785	-	US$ 12,849	
	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$ 4,023	
	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$ 6,513	
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$ 2,058	0.72	US$ 2,058	
	Great Rich Technologies Limited		Available-for-sale financial assets	1,660,000	US$ 6,218	2.46	US$ 6,218	
	Indostar Capital	-	Financial assets measured at cost	992,674	US$ 9,927	4.53	US$ 19,423	
	Indostar Everstone - preferred stock	-	Financial assets measured at cost	992,332	US$ 9,923	9.37	US$ 19,324	(Note 4)
	CBA Sports International Ltd.	-	Financial assets measured at cost	508,929	US$ 2,733	0.89	US$ 503	
	Option							
	CBA Sports International Ltd.	-	Financial assets measured at cost	-	US$ 4,867	-	US$ 2,347	

(Continued)

Holding Company	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	December 31, 2016				Note
				Shares/Face Value/Units	Carrying Value (Note 2)	Percentage of Ownership	Market Value or Net Asset Value (Note 3)	
	<u>Fund</u>							
	Miare Asset Partners Private Equity Fund VII	-	Financial assets measured at cost		US$ 4,232	-	US$ 6,535	
CDIB Global Markets Limited	<u>Stocks</u>							
	Light Sciences Oncology, Inc.	-	Financial assets measured at cost	250,000	US$ 6	0.28	US$ 42	
	Sonics, Inc. - preferred stock-B	-	Financial assets measured at cost	114,359	US$ 333	14.74	US$ 446	(Note 4)
	Microfabrica, Inc. - Preferred Series B	-	Financial assets measured at cost	13,091	US$ 27	0.12	US$ 22	(Note 4)
	Microfabrica, Inc. - Preferred Series AC	-	Financial assets measured at cost	7,749	US$ 13	0.48	US$ 13	(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$ 452	0.04	US$ 452	
	Flemingo International (BVI) Ltd. - preferred stock	-	Debt instruments with no active markets	834	US$ 19,980	39.94	US$ 33,590	(Note 4)
	<u>Fund</u>							
	Tenaya Capital V, L.P.	-	Financial assets measured at cost	-	US$ 5,460	-	US$ 4,611	
	THL Equity Fund VI Investors (Ceridian), L.P.	-	Financial assets measured at cost	-	US$ 3,523	-	US$ 3,265	
	Platinum Equity Capital Partners II, L.P.	-	Financial assets measured at cost	-	US$ 7,475	-	US$ 6,807	
	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$ 7,002	-	US$ 7,811	
	Tenaya Capital VI, L.P.	-	Financial assets measured at cost	-	US$ 6,143	-	US$ 6,006	
	GS TDN Investors Offshore, L.P.	-	Financial assets measured at cost	-	US$ 21,000	-	US$ 11,197	
	CX Partners Fund Alpha Limited	-	Financial assets measured at cost	-	US$ 8,351	-	US$ 10,580	
	Carlyle Asia Partners III, L.P.	-	Financial assets measured at cost	-	US$ 6,620	-	US$ 7,920	
	Riverwood Capital Partners, L.P.	-	Financial assets measured at cost	-	US$ 6,954	-	US$ 7,870	
	ECP II (Cayman) Ltd. A	-	Financial assets measured at cost	-	US$ 6,727	-	US$ 8,480	
	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$ 4,235	-	US$ 6,246	
	Carlyle Giovanna Partners, L.P.	-	Financial assets measured at cost	-	US$ 14,773	-	US$ 63,121	
	Industry Ventures Fund VI, L.P.	-	Financial assets measured at cost	-	US$ 4,067	-	US$ 4,559	
	Formation8 Partners Fund I, L.P.	-	Financial assets measured at cost	-	US$ 2,383	-	US$ 6,149	
	Carlyle Asia Partners IV, L.P.	-	Financial assets measured at cost	-	US$ 11,408	-	US$ 11,716	
	Blue Point Capital Partners III, L.P.	-	Financial assets measured at cost	-	US$ 4,077	-	US$ 4,557	
	Riverwood Capital Partners II, L.P.	-	Financial assets measured at cost	-	US$ 5,924	-	US$ 5,421	
	Huaxing Capital Partners II, L.P.	-	Financial assets measured at cost	-	US$ 3,688	-	US$ 3,783	
	THL Equity Fund VI Investors (Ceridian), L.P.	-	Financial assets measured at cost	-	US$ 5,006	-	US$ 7,950	
CDIB Capital International Corporation	<u>Stocks</u>							
	CDIB Capital International (Hong Kong) Corporation Limited	Subsidiary	Investments accounted for using the equity method	15,400,000	US$ 6,151	100.00	US$ 6,151	
	CDIB Capital International (Korea) Corporation	Subsidiary	Investments accounted for using the equity method	1,848,000	US$ 5,364	100.00	US$ 5,364	
	CDIB Capital International (USA) Corporation	Subsidiary	Investments accounted for using the equity method	8,000,000	US$ 1,581	100.00	US$ 1,581	
	CDIB Capital Asia Partners Limited	Subsidiary	Investments accounted for using the equity method	-	US$ (45)	100.00	US$ (45)	
China Development Asset Management Corp.	<u>Stocks</u>							
	Development Industrial Bank Asset Management Corp.	Subsidiary	Investments accounted for using the equity method	2,000,000	112,598	100.00	112,598	
	Chung Hwa Growth 3 Asset Management Corp.	Subsidiary	Investments accounted for using the equity method	226,000,000	2,530,059	100.00	2,530,059	
	Chung Hwa Growth 4 Asset Management Corp.	Subsidiary	Investments accounted for using the equity method	19,000,000	198,529	100.00	198,529	
	Pine Street Asset Management Corp.	-	Financial assets measured at cost	3,886,190	46,031	12.25	46,093	
	Waterland Securities Co., Ltd.	-	Financial assets measured at cost	9,748,769	8,672	1.07	106,551	
CDIB Management Consulting Corp.	<u>Stocks</u>							
	CDC Finance & Leasing Corp.	Subsidiary	Investments accounted for using the equity method	58,328,460	619,862	76.04	619,862	
	CDIB International Leasing Corp.	Subsidiary	Investments accounted for using the equity method	-	426,521	100.00	426,521	
CDC Finance & Leasing Corp.	<u>Stocks</u>							
	Hwahong Corporation	Associate	Investments accounted for using the equity method	23,750	736	19.00	736	

(Continued)

Holding Company	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	December 31, 2016 Shares/Face Value/Units	Carrying Value (Note 2)	Percentage of Ownership	Market Value or Net Asset Value (Note 3)	Note
Global Securities Finance Corporation	<u>Stocks</u>							
	Chunghwa Telecom Co., Ltd.	-	Available-for-sale financial assets- noncurrent	950,000	$ 96,425	-	$ 96,425	
	Fubon Financial Holding Co., Ltd. - preferred stock	-	Available-for-sale financial assets- noncurrent	500,000	30,950	-	30,950	
	Taiwan Mobile Co., Ltd.	-	Available-for-sale financial assets- noncurrent	150,000	15,600	-	15,600	
	Honpang Venture Capital Corp.	-	Financial assets measured at cost- noncurrent	751,000	415	6.25	1,483	
	<u>Operating securities</u>							
	KGI Economic Moat TWD	The fund manage by KGI Securities Investment Trust Co., Ltd.	Financial assets at fair value through profit or loss	180,000	2,029	-	2,029	
	KGI Silver Age TWD	The fund manage by KGI Securities Investment Trust Co., Ltd.	Financial assets at fair value through profit or loss	3,000,000	29,580	-	29,580	
	<u>Bank debentures</u>							
	Bank SinoPac Third Subordinated Bank Debentures issued in 2011	-	Other financial assets	150,000,000	151,157	-	151,096	
	E.SUN Bank 1st Subordinate Financial Debentures-A issue in 2014	-	Other financial assets	50,000,000	50,000	-	50,190	
	Sunny Bank Second Subordinated Bank Debentures issued in 2015	-	Held-to-maturity financial assets	200,000,000	200,000	-	199,993	
	Hwatai Commercial Bank 2nd Subordinate Financial Debentures issue in 2015	-	Held-to-maturity financial assets	100,000,000	100,000	-	99,999	
	<u>Bond</u>							
	A05113	-	Other financial assets	100,000,000	99,426	-	98,559	

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 December 31, 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)

TABLE 4

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 PAID-IN CAPITAL)
FOR THE YEAR ENDED DECEMBER 31, 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	Investment accounted for using the equity method	-	-	3,798,812,320	$ 56,955,321	-	$ -	300,000,000	$ -	$ 1,386,543 (Note 1)	$ -	3,498,812,320	$ 55,568,778
CDIB Capital Group	Stock													
	CDIB Venture Capital Corporation	Investment accounted for using the equity method	-	-	822,790,915	7,754,037	100,000,000	1,110,658 (Note 2)	-	-	-	-	922,790,915	8,864,695
	China Development Asset Management Corp.	Investment accounted for using the equity method	-	-	400,000,000	4,509,009	-	-	200,000,000	-	2,112,054 (Note 3)	-	200,000,000	2,396,955
	CDIB Capital Management Corporation	Investment accounted for using the equity method	-	-	73,093,889	989,009	-	-	40,000,000	-	387,081 (Note 4)	-	33,093,889	601,928
	Transcend Information Inc.	Available-for-sale financial assets			5,314,287	274,322	-	-	4,860,287	447,557	250,887	196,670	454,000	23,435 (Note 5)
	JHL Biotech, Inc.	Financial assets measured at cost			23,915,844	413,228	-	-	11,021,000	765,397	190,425	574,972	12,894,844	222,803
										-				
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	-	1,277,262 (Note 6)	-	2,000,000	112,598
	Chung Hwa Growth 3 Asset Management Corp.	Investment accounted for using the equity method	-	-	300,000,000	3,347,955	-	-	74,000,000	-	817,896 (Note 7)	-	226,000,000	2,530,059
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	852,799 (Note 8)	-	-	-	-	650,000,000	2,435,332
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$ 120,011 (Note 9)	-	-	-	-	-	HK$ 272,045
	CPEC Huachuang Private Equity (Kunshan) Enterprise (Limited Partnership)	Investment accounted for using the equity method	-	-	-	HK$ 136,235	-	HK$ 90,419 (Note 10)	-	-	-	-	-	HK$ 226,654
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$ 25,611 (Note 11)	-	-	-	-	-	US$ 65,356
	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													
	Mirae Asset PEF VII - Fund	Financial assets measured at cost			-	US$ 19,971	-	-	-	US$ 15,739	US$ 15,739	-	-	US$ 4,232
	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 12)	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 $352,564 thousand, investment gain $1,932,930 thousand, unrealized gain on available-for-sale financial assets of $1,542,006 thousand, additional paid-in capital increase $4,399 thousand and other adjustment $113,135 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 $180,880 thousand, investment gain $145,723 thousand and unrealized gain on available-for-sale financial assets of $186,491 thousand.

Note 3: Consists of reduction of the Corporation's capital of $2,000,000 thousand, cash dividends of $196,937 thousand, actuarial gain on defined benefit plans of $1,276 thousand, investment gain $83,569 thousand and additional paid-in capital increase $38 thousand.

(Continued)

Note 4: Consists of reduction of the Corporation's capital of $400,000 thousand, cash dividends of $74,689 thousand, actuarial gain on defined benefit plans of $621 thousand, investment gain $57,648 thousand, exchange loss on translating foreign operations of $19,978 thousand, unrealized gain on available-for-sale financial assets of $24,981 thousand and additional paid-in capital increase $24,336 thousand.

Note 5: Cost of the initial investment.

Note 6: 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 $4,147 thousand.

Note 7: Consists of reduction of the Corporation's capital of $740,000 thousand, cash dividends of $167,713 thousand and investment gain $89,817 thousand.

Note 8: Consists of $972,000 thousand from new issue, exchange loss on translating foreign operations of $180,880 thousand and investment gain $61,679 thousand.

Note 9: Consists of HK$122,451 thousand from new issue, exchange loss on translating foreign operations of HK$17,826 thousand and investment gain HK$15,386 thousand.

Note 10: Consists of HK$102,560 thousand from new issue, exchange loss on translating foreign operations of HK$12,768 thousand and investment gain HK$627 thousand.

Note 11: Consists of US$29,983 thousand from new issue, and investment loss US$4,372 thousand.

Note 12: 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 13: 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
DECEMBER 31, 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		
CDIB Capital Group	The Corporation	Parent company	$ 461,986	-	$ -	-	$ -	$ -
The Corporation	CDIB Capital Group	Subsidiary	386,864	-	-	-	-	-
	KGI Bank	Subsidiary	379,060	-	-	-	-	-

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

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTED ENTERPRISES
DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company (Note 1)	Location	Main Business	Percentage of Ownership, End of Period	Carrying Value, End of Period (Note 3)	Investment Gain (Loss)	Consolidated Investment (Note 1)				Note
							Present Shares	Virtual Shares (Note 2)	Total		
									Shares	Percentage of Ownership	
The Corporation	CDIB Capital Group	Taiwan	Industrial bank	100.00	$ 69,863,440	$ 1,459,611	2,060,399,410	-	2,060,399,410	100.00	
	KGI Securities	Taiwan	Financial service	100.00	55,568,778	1,932,930	3,498,812,320	-	3,498,812,320	100.00	
	KGI Bank	Taiwan	Commercial bank	100.00	60,959,517	3,393,777	4,606,162,291	-	4,606,162,291	100.00	

Note 1: All present shares and virtual shares of investee company held by the Company, directors, supervisors, the Corporation's managers and affiliates should be included.

Note 2: a. The virtual shares are those shares obtained through a transfer, on the assumption of share transfer, from equity securities purchased or derivative instrument contracts signed and linked to investee company's equity based on agreed transaction terms and undertaking intention, and for the purpose of investing in company under the provisions of Article 36, Item 2 and Article 37 of the Company Act.

b. The equity securities mentioned above are specified as those securities under the provision of Article 11, Item 1 of the bylaws to the ROC Securities and Exchange Act, for example, convertible bond and warrant.

c. The derivative instrument contracts mentioned above are specified as those derivative instruments defined by the IAS 39, for example, stock option.

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

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

SOLD NONPERFORMING LOANS
FOR THE YEAR ENDED DECEMBER 31, 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 Group: None.

TABLE 8

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

SUBSIDIARIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016

Consolidated entities

Investor Company	Subsidiaries	Main Business and Products	Percentage of Ownership		Note
			December 31, 2016	December 31, 2015	
The Corporation	CDIB Capital Group	Industrial bank	100.00	100.00	
	KGI Securities	Financial service	100.00	100.00	
	KGI Bank	Commercial bank	100.00	100.00	
CDIB Capital Group	CDIB Capital Management Corporation	Management company of venture fund	100.00	100.00	
	CDIB Venture Capital Corporation	Venture fund	100.00	100.00	
	China Development Asset Management Corp.	Trading and management of nonperforming loans of financial institutions	100.00	100.00	
	CDIB Global Markets I Limited	Venture fund	-	100.00	
	CDIB Global Markets Limited (formerly named CDIB Global Markets II Limited)	Venture fund	100.00	100.00	
	CDIB Global Markets III Limited	Venture fund	-	100.00	
	CDIB Capital Investment I Limited	Venture fund	100.00	100.00	
	CDIB Capital Investment II Limited	Venture fund	100.00	100.00	
	CDIB Capital International Corporation	Management company of venture fund	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	
	Chung Hwa Growth 3 Asset Management Corp.	Trading and management of nonperforming loans of financial institutions	100.00	100.00	
	Chung Hwa Growth 4 Asset Management Corp.	Trading and management of nonperforming loans of financial institutions	100.00	100.00	
CDIB Capital International Corporation	CDIB Capital International (Hong Kong) Corporation Limited	Management company of venture fund	100.00	100.00	
	CDIB Capital International (USA) Corporation	Management company of venture fund	100.00	100.00	
	CDIB Capital International (Korea) Corporation	Management company of venture fund	100.00	100.00	
	CDIB Capital Asia Partners Limited	Management of private equity fund	100.00	100.00	(Note 1)
CDIB Venture Capital Corporation	CDIB Venture Capital (Hong Kong) Corporation Limited	Venture fund	100.00	100.00	
CDIB Venture Capital (Hong Kong) Corporation Limited	CDIB Private Equity Management Corporation	Management and consulting	-	100.00	
	CPEC Huakai Private Equity (Fujian) Co., Ltd.	Management and consulting	70.00	70.00	
	CPEC Huachuang Private Equity Management (Fujian) Enterprise (Limited Partnership)	Management and consulting	-	56.00	

(Continued)

Investor Company	Subsidiaries	Main Business and Products	Percentage of Ownership		Note
			December 31, 2016	December 31, 2015	
CPEC Huakai Private Equity (Fujian) Co., Ltd.	CPEC Huachuang Private Equity Management (Fujian) Enterprise (Limited Partnership)	Management and consulting	20.00	20.00	
CDIB Capital Management Corporation	CDIB Private Equity (Hong Kong) Corporation Limited	Management and consulting	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 Management (Kunshan) Enterprise (Limited Partnership)	Management and consulting	4.33	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	-	
CDIB Private Equity Management Corporation	CPEC Huachuang Private Equity (Kunshan) Co, Ltd.	Management and consulting	65.00	-	
CPEC Huachuang Private Equity (Kunshan) Co, Ltd.	CPEC Huachuang Private Equity Management (Kunshan) Enterprise (Limited Partnership)	Management and consulting	93.34	93.02	
KGI Securities	Richpoint Company Limited	Investment holdings	100.00	100.00	
	KGI Securities Investment Advisory Co., Ltd.	Security investment consulting	100.00	100.00	
	KGI Insurance Brokers Co., Ltd.	Life/property insurance brokers	100.00	100.00	
	KGI Venture Capital Co., Ltd.	Venture capital	100.00	100.00	
	KGI Securities Investment Trust Co., Ltd.	Nominee services, discretionary investment services	99.99	99.99	
	KGI Futures Co., Ltd.	Futures investment services	99.61	99.61	
	Global Securities Finance Corporation	Stock loans and financing purchase of securities	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	
	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	
	ANEW Holdings Limited	Investment holdings	100.00	100.00	
KGI International Holdings Limited	KG Investments Asset Management (International) Limited	Investment services	100.00	100.00	
	KGI Limited	Investment holdings	100.00	100.00	
	Supersonic Services Inc.	Investment holdings	100.00	100.00	
	KGI International Limited	Investment holdings	100.00	100.00	
	Bauhinia 88 Ltd.	Investment holdings	100.00	100.00	
ANEW Holdings Limited	KGI Capital (Hong Kong) Limited	Securities investment	-	100.00	
KGI Limited	KGI Securities (Hong Kong) Limited	Securities investment	100.00	100.00	
	KGI Futures (Hong Kong) Limited	Futures and options investment and settlement services	100.00	100.00	
	Global Treasure Investments Limited	Investment services	100.00	100.00	
	KGI Investments Management Limited	Insurance brokerage	100.00	100.00	

(Continued)

Investor Company	Subsidiaries	Main Business and Products	Percentage of Ownership December 31, 2016	Percentage of Ownership December 31, 2015	Note
	KGI International Finance Limited	Investment and financing services	100.00	100.00	
	KGI Hong Kong Limited	Management services	100.00	100.00	
	KGI Asia Limited	Securities investment	100.00	100.00	
	KGI Capital Asia Limited	Securities investment	100.00	100.00	
	Grand Cathay Securities (Hong Kong) Limited	Securities investment	100.00	100.00	
	KGI Asset Management Limited	Asset Management	100.00	100.00	
	TG Holborn (HK) Limited	Insurance brokerage	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	
KGI International Limited	KGI Asia (Holdings) Pte. Ltd.	Investment holdings	100.00	100.00	
	KGI Capital (Singapore) Pte. Ltd.	Futures investment services	100.00	100.00	(Note 4)
KGI Capital Asia Limited	KGI Alliance Corporation	Investment services	100.00	100.00	
	KGI International (Hong Kong) Limited	Derivative product services	100.00	100.00	
	KGI Finance Limited	Investment and financing services	100.00	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	
KGI Asia (Holdings) Pte. Ltd.	KGI Futures (Singapore) Pte. Ltd. (formerly KGI Ong Capital Pte. Ltd.)	Futures investment and foreign - currency services	100.00	100.00	
	KGI Securities (Singapore) Pte. Ltd. (formerly KGI Fraser Securities Pte. Ltd.)	Securities investment	100.00	100.00	
KGI Bank	Cosmos Insurance Brokers Co., Ltd.	Life and property insurance Brokers	-	100.00	
	CDIB Management Consulting Corporation	Management and consulting	100.00	100.00	
CDIB Management Consulting Corporation	CDC Finance & Leasing Corp.	Leasing	76.04	76.04	
	CDIB International Leasing Corp.	Leasing	100.00	100.00	

Note 1: CDIB Capital Asia Partners Limited conducted registration of establishment on March 21, 2014, however, CDIB Capital International Corporation had not invested any capital as of December 31, 2016.

Note 2: KGI Securities 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 Information Technology Co., Ltd. had not invested any capital as of December 31, 2016.

Note 4: KGI Capital (Singapore) Pte. Ltd. has been suspended operations.

Note 5: KTI Capital Asia Limited invested by KGI Securities, 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.

(Continued)

Unconsolidated subsidiaries

Investor Company	Subsidiaries	Main Business and Products	Percentage of Ownership		Note
			December 31, 2016	December 31, 2015	
CDIB Capital Group	CDIB Biotech USA Investment Co., Ltd.	Venture fund	50.00	50.00	As of December 31, 2016, CDIB Capital Group's investment in CDIB Biotech USA Investment Co., Ltd. of CDIB Capital Group 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	As of December 31, 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	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)

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

DECLARATION OF SUBSIDIARIES' CREDITS, ENDORSEMENTS OR OTHER TRANSACTIONS WITH THE SAME PERSON, RELATED PARTY OR AFFILIATE
DECEMBER 31, 2016
(In Millions of New Taiwan Dollars; %)

The Corporation

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.	$ 111,656	68.30
KG Investment Holdings Limited	12,208	7.47
United States of America	9,660	5.91
Taipower Corporation	8,251	5.05
Bank of America Corp.	6,740	4.12
CHAILEASE	5,652	3.46
CDIB & Partners Investment Holding Corporation	4,994	3.05
Mizuho Bank, Ltd.	4,891	2.99
China Life Insurance Company Limited	4,644	2.84
Citi Group Inc.	4,440	2.72
JP Morgan Chase & Co	4,027	2.46
Bank of Jiangsu Co., Ltd.	3,236	1.98
Sumitomo Mitsui Banking Corporation	3,191	1.95
Qisda Corporation	3,051	1.87
Total	$ 186,641	114.16
2. The same group		
Far Eastern Group	$ 9,803	6.00
BenQ Group	6,802	4.16
Foxconn Technology Group	4,969	3.04
Qsan Technology Group	4,182	2.56
Evergreen Group	4,038	2.47
YFY Group	3,424	2.09
Ju Teng Group	3,228	1.97
Total	$ 36,446	22.29

TABLE 10

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

CONDENSED BALANCE SHEETS AND STATEMENTS OF INCOME FOR THE YEAR ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars)

The Corporation

1. Balance sheets

(In Thousands of New Taiwan Dollars)

	December 31	
Assets	**2016**	**2015**
Cash and cash equivalents	$ 1,357,441	$ 2,665,707
Available-for-sale financial assets	1,199,734	1,226,972
Receivables, net	115	139
Current tax assets	1,436,182	1,438,314
Investments accounted for using the equity method, net	186,391,735	186,684,329
Other financial assets	300	300
Property and equipment, net	9,906	10,094
Other assets, net	541,742	540,719
Total	$ 190,937,155	$ 192,566,574
Liabilities and Equity		
Commercial paper payable	$ 3,999,774	$ 5,099,745
Payables	554,345	649,830
Current tax liabilities	857,328	1,021,390
Bonds payable	18,000,000	18,000,000
Other borrowings	3,999,892	2,599,847
Provisions	37,290	31,627
Other liabilities	409	309
Total liabilities	27,449,038	27,402,748
Equity		
Capital		
Common stock	149,744,203	151,124,071
Advance receipts for capital stock	10	1,370
Capital surplus	1,104,521	654,803
Retained earnings		
Legal reserve	5,014,298	4,161,475
Special reserve	3,228,296	765,041
Unappropriated earnings	8,556,188	13,580,644
Other		
Exchange differences on translation of foreign financial statements	494,377	1,741,670
Unrealized losses on available-for-sale financial assets	(2,255,818)	(4,456,314)
Others	(21,211)	(32,187)
Treasury shares	(2,376,747)	(2,376,747)
Total equity	163,488,117	165,163,826
Total	$ 190,937,155	$ 192,566,574

(Continued)

2. Statements of comprehensive income

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Year Ended December 31	
	2016	**2015**
REVENUES		
Share of profit of subsidiaries, associates and joint ventures	$ 6,787,470	$ 9,590,588
Others	68,441	79,871
Total revenues	6,855,911	9,670,459
EXPENSES AND LOSSES		
Operating expenses	(807,444)	(790,869)
Others	(304,713)	(345,682)
Total expenses and losses	(1,112,157)	(1,136,551)
NET PROFIT BEFORE INCOME TAX	5,743,754	8,533,908
INCOME TAX BENEFIT (EXPENSE)	179,327	(5,677)
NET PROFIT FOR THE YEAR	5,923,081	8,528,231
OTHER COMPREHENSIVE INCOME (LOSS)		
Items that will not be reclassified subsequently to profit or loss, net of income tax		
Remeasurement of defined benefit plan	(3,323)	(5,241)
Share of the other comprehensive income (loss) of subsidiaries, associates and joint ventures	(146,266)	(454,637)
Income tax relating to the items that will not be reclassified subsequently to profit or loss	9,506	64,960
Items that will be reclassified subsequently to profit or loss, net of income tax		
Unrealized loss on available-for-sale financial assets	(27,239)	(66,858)
Unrealized gain on cash flow hedges	-	20,659
Share of other comprehensive income (loss) of subsidiaries, associates and joint ventures	984,232	(2,670,380)
Income tax relating to the items that may be reclassified subsequently to profit or loss	(3,790)	(855)
Other comprehensive income (loss) for the year, net of income tax	813,120	(3,112,352)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 6,736,201	$ 5,415,879
BASIC EARNINGS PER SHARE	$0.40	$0.58
DILUTED EARNINGS PER SHARE	$0.40	$0.57

(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	$ 15,275,884	$ 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	-	-	74	-	-	-	-	-	-	-	-	74
Net profit for the year ended December 31, 2015	-	-	-	-	-	8,528,231	-	-	-	-	-	8,528,231
Other comprehensive income (loss) for the year ended December 31, 2015, net of income tax	-	-	-	-	-	(394,917)	1,540,291	(4,278,385)	20,659	-	-	(3,112,352)
Total comprehensive income (loss) for the year ended December 31, 2015	-	-	-	-	-	8,133,314	1,540,291	(4,278,385)	20,659	-	-	5,415,879
Buyback of ordinary shares	-	-	-	-	-	-	-	-	-	-	(1,461,046)	(1,461,046)
Cancellation of treasury stock	(2,425,650)	-	42,642	-	-	-	-	-	-	-	2,383,008	-
Share-based payments	111,228	(4,599)	21,164	-	-	(5,076)	-	-	-	(5,231)	-	117,486
BALANCE AT DECEMBER 31, 2015	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 year ended December 31, 2016	-	-	-	-	-	5,923,081	-	-	-	-	-	5,923,081
Other comprehensive income (loss) for the year ended December 31, 2016, net of income tax	-	-	-	-	-	(140,083)	(1,247,293)	2,200,496	-	-	-	813,120
Total comprehensive income (loss) for the year ended December 31, 2016	-	-	-	-	-	5,782,998	(1,247,293)	2,200,496	-	-	-	6,736,201
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	50,232	(1,360)	8,442	-	-	(4,370)	-	-	-	10,976	-	63,920
BALANCE AT DECEMBER 31, 2016	$ 149,744,203	$ 10	$ 1,104,521	$ 5,014,298	$ 3,228,296	$ 8,556,188	$ 494,377	$ (2,255,818)	$ -	$ (21,211)	$ (2,376,747)	$ 163,488,117

(Continued)

4. Statements of cash flows

(In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2016	**2015**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit before income tax	$ 5,743,754	$ 8,533,908
Adjustments for:		
Depreciation and amortization expenses	4,840	4,806
Interest expense	287,220	319,590
Interest income	(6,968)	(2,426)
Dividend income	(60,668)	(74,287)
Share-based payment compensation cost	52,166	63,489
Share of profit of subsidiaries, associates and joint ventures	(6,786,318)	(9,589,436)
Others	46	477
Changes in operating assets and liabilities		
Other assets	289,591	2,387
Payables	(475,375)	(292,287)
Provision	2,341	2,224
Other liabilities	100	100
Dividend received	5,153,844	10,131,808
Interest paid	(290,128)	(378,380)
Interest received	6,968	2,426
Income tax returned (paid)	108,423	(100,033)
Net cash generated from operating activities	4,029,836	8,624,366
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equity investment under equity method	-	(38,000,000)
Proceeds of capital return on investments accounted for using the equity method	3,000,000	36,000,000
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	(3,519)	(1,999)
Net cash generated from investing activities	2,996,481	1,998,001
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in commercial paper payable	(1,099,971)	2,099,876
Proceeds from issue of corporate bonds	-	8,000,000
Repayments of corporate bonds	-	(8,000,000)
Increase (decrease) in other borrowings	1,400,045	(999,726)
Cash dividend paid	(7,487,006)	(9,098,673)
Exercise of employee share options	2,789	44,097
Buyback of ordinary shares	(1,150,440)	(1,461,046)
Net cash used in financing activities	(8,334,583)	(9,415,472)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,308,266)	1,206,895
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	2,665,707	1,458,812
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 1,357,441	$ 2,665,707

(Continued)

CDIB Capital Group

1. Condensed balance sheets

(In Thousands of New Taiwan Dollars)

Assets	December 31 2016	December 31 2015
Cash and cash equivalents	$ 19,781,653	$ 12,674,958
Financial assets at fair value through profit or loss	108,740	111,208
Receivables, net	30,892	483,174
Current tax assets	461,986	690,918
Available-for-sale financial assets	6,673,803	7,163,974
Investments accounted for using the equity method, net	34,674,783	39,227,506
Restricted assets	304,111	298,982
Financial assets measured at cost	7,382,411	8,256,971
Other financial assets	358,439	358,439
Property and equipment, net	1,221,722	1,193,686
Investment property, net	568,005	649,142
Other assets, net	52,388	69,236
Total assets	$ 71,618,933	$ 71,178,194
Payables	$ 367,323	$ 444,989
Current tax liabilities	386,864	348,635
Other financial liabilities	386,632	396,059
Provisions	162,245	156,440
Deferred tax liabilities	241,555	241,555
Other liabilities	41,172	38,271
Total liabilities	1,585,791	1,625,949
Common stock	20,603,994	20,603,994
Capital surplus	24,703,001	24,700,436
Retained earnings	27,592,053	27,800,173
Exchange differences on translation of foreign financial statements	(98,320)	657,557
Unrealized losses on available-for-sale financial assets	(2,767,586)	(4,209,915)
Total equity	70,033,142	69,552,245
Total liabilities and equity	$ 71,618,933	$ 71,178,194

(Continued)

2. Condensed statements of comprehensive income

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Year Ended December 31	
	2016	**2015**
Interest revenue	$ 67,464	$ 2,048,507
Interest expense	(304)	(883,910)
Interest profit, net	67,160	1,164,597
Noninterest profits and gains, net	2,044,269	4,730,747
Total net revenues	2,111,429	5,895,344
Reversal of allowance for bad debts and losses on guarantees, net	-	109,591
Operating expenses	(560,829)	(1,239,611)
Net profit before income tax	1,550,600	4,765,324
Income tax benefit (expense)	(82,705)	107,171
Net profit for the year	1,467,895	4,872,495
Other comprehensive income (loss) for the year, net of income tax	675,342	(3,101,537)
Total comprehensive income for the year	$ 2,143,237	$ 1,770,958
Basic earnings per share	$0.71	$1.49

(Continued)

KGI Securities

1. Condensed balance sheets

(In Thousands of New Taiwan Dollars)

	December 31	
Assets	**2016**	**2015**
Current assets	$ 140,174,696	$ 135,469,806
Noncurrent assets	35,049,534	36,468,292
Total assets	$ 175,224,230	$ 171,938,098
Current liabilities	$ 106,141,192	$ 101,850,410
Noncurrent liabilities	8,838,991	8,804,980
Total liabilities	114,980,183	110,655,390
Common stock	34,988,123	37,988,123
Capital surplus	8,644,122	8,639,723
Retained earnings	14,356,868	13,534,139
Others	2,254,934	1,120,723
Total equity	60,244,047	61,282,708
Total liabilities and equity	$ 175,224,230	$ 171,938,098

2. Condensed statements of comprehensive income

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Year Ended December 31	
	2016	**2015**
Operating revenues	$ 9,825,639	$ 8,822,805
Operating expenses	(7,822,997)	(8,467,453)
Profit from operations	2,002,642	355,352
Share of profit (loss) of subsidiaries, associates and joint ventures	(53,362)	1,215,914
Other income and loss	662,704	1,116,956
Total non-operating income or loss	609,342	2,332,870
Net profit before income tax	2,611,984	2,688,222
Income tax expense	(128,438)	(135,811)
Net profit for the year	2,483,546	2,552,411
Other comprehensive income (loss)	1,099,844	(56,648)
Total comprehensive income for the year	$ 3,583,390	$ 2,495,763
Basic earnings per share	$0.68	$0.67

(Continued)

KGI Bank

1. Condensed balance sheets

(In Thousands of New Taiwan Dollars)

Assets	December 31 2016	December 31 2015 (After Restated)
Cash and cash equivalents, due from the Central Bank and call loans to banks	$ 78,234,125	$ 94,801,809
Financial assets at fair value through profit or loss	97,833,395	79,062,398
Securities purchased under resell agreements	795,850	36,176,824
Receivables, net	23,040,675	34,359,108
Current tax assets	-	31,273
Assets held for sale, net	12,290	-
Discount and loans, net	252,376,992	217,780,328
Available-for-sale financial assets	88,722,046	55,238,628
Investments accounted for using the equity method, net	1,823,461	2,081,685
Other financial assets, net	3,882,514	267,404
Property and equipment, net	5,536,616	5,641,055
Investment property, net	712,146	600,574
Deferred tax assets	4,302,232	4,922,153
Other assets, net	8,535,898	8,574,700
Total assets	$ 565,808,240	$ 539,537,939
Deposits from the Central Bank and banks	$ 30,917,374	$ 9,561,475
Financial liabilities at fair value through profit or loss	39,408,142	26,184,655
Notes and bonds issued under repurchase agreements	62,138,314	61,010,030
Payables	4,087,128	4,199,248
Current tax liabilities	379,060	187,682
Deposits and remittances	343,497,464	354,189,588
Bank debentures payable	2,684,236	2,612,172
Principal received on structured notes	21,875,414	22,300,825
Other financial liabilities	877	4,792
Provisions	220,615	358,360
Deferred tax liabilities	78,585	58,580
Other liabilities	1,795,742	1,185,992
Total liabilities	507,082,951	481,853,399
Common stock	46,061,623	46,061,623
Capital surplus	7,249,280	7,247,278
Retained earnings	6,719,227	4,785,309
Others	(1,304,841)	(409,670)
Total equity	58,725,289	57,684,540
Total liabilities and equity	$ 565,808,240	$ 539,537,939

(Continued)

2. Condensed statements of comprehensive income

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Year Ended December 31	
	2016	**2015 (After Restated)**
Interest revenue	$ 8,721,110	$ 10,728,523
Interest expense	(3,197,731)	(3,725,154)
Interest profit, net	5,523,379	7,003,369
Noninterest profits and gains, net	4,721,647	3,440,193
Total net revenues	10,245,026	10,443,562
Reversal of allowance (allowance) for bad debts and losses on guarantees, net	37,498	692,262
Operating expenses	(5,485,672)	(5,268,622)
Net profit before income tax	4,796,852	5,867,202
Income tax expense	(969,829)	(683,817)
Net profit for the year	3,827,023	5,183,385
Other comprehensive income (loss) for the year net of income tax	(986,455)	(594,152)
Total comprehensive income for the year	$ 2,840,568	$ 4,589,233
Net profit attributable to		
Owners of the parent company	$ 3,827,023	$ 4,017,475
Prior interest under common control	-	1,165,910
	$ 3,827,023	$ 5,183,385
Total comprehensive income attributed to		
Owners of the parent company	$ 2,840,568	$ 2,607,484
Prior interest under common control	-	1,981,749
	$ 2,840,568	$ 4,589,233
Basic earnings per share	$0.83	$1.13

(Concluded)

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENT IN MAINLAND CHINA
DECEMBER 31, 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 December 31, 2016 (Note 4)	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain	Carrying Value as of December 31, 2016	Accumulated Inward Remittance of Earnings as of December 31, 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$ 65,000 thousand	Note 1,b,2)	US$ 2,988 thousand	US$ 9,215 thousand	US$ 2,988 thousand	US$ 9,215 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	-	7,360	-
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	-	21,595	-
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	-	34,861	-
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)	US$ 182 thousand	-	-	US$ 182 thousand	(Note 3)	5.00	-	5,875	-
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	-	7,033	-

(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 December 31, 2016 (Note 4)	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain	Carrying Value as of December 31, 2016	Accumulated Inward Remittance of Earnings as of December 31, 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	$ -	$ 263	$ -
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	-	1,159	-
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$ 7,000 thousand	Note 1,b,12)	US$ 4,000 thousand	US$ 3,000 thousand	-	US$ 7,000 thousand	16,352	100.00	16,352	170,878	-
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	19,312	70.00	13,518	71,848	-
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	1,932	70.00	1,353	39,794	-
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	186,790	-	65,376	1,165,320	-
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	14,737	65.00	9,579	31,397	-
CPEC Huachuang Private Equity Management (Kushan) Enterprise (Limited Partnership)	Management and consulting	RMB 12,000 thousand	Note 1,b,12)	RMB 195 thousand	RMB 3,055 thousand	-	RMB 3,250 thousand	(100)	65.00	(65)	35,427	-
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	8,560	-	2,568	960,603	-
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	-	536,226	-
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	-	141,097	-

(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 December 31, 2016 (Note 4)	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain	Carrying Value as of December 31, 2016	Accumulated Inward Remittance of Earnings as of December 31, 2016
					Outflow	Inflow						
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	$ -	$ 28,234	$ -
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	-	5,618	-
GSD Industrial Co., Ltd.	Pumps manufacture and sale	RMB 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$ 2,311 thousand	-	-	US$ 2,311 thousand	(Note 3)	7.73	-	74,597	-
Fujian Guohui Footwear Co., Ltd.	Manufacturing and sale sport apparel, footwear and accessories	HK$ 195,686 thousand	Note 1,b,10,17)	US$ 1,677 thousand	-	-	US$ 1,677 thousand	(Note 3)	7.73	-	54,132	-
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$ 494,706 thousand	Note 1,b,9)	-	US$ 1,485 thousand	-	US$ 1,485 thousand	(Note 3)	4.05	-	11,835	-
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	-	-	-
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	-

(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 December 31, 2016 (Note 4)	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain	Carrying Value as of December 31, 2016	Accumulated Inward Remittance of Earnings as of December 31, 2016
					Outflow	Inflow						
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)	$ -	US$ 7,417 thousand	$ -	US$ 7,417 thousand	(Note 3)	2.67	$ -	$ 59,111	$ -
Best Logistics Technology Co., Ltd.	Business in research, development, technical services, computer information, network logistics technology and wholesale and retail of general labor supplies, household appliances and building materials	US$ 133,000 thousand	Note 1,b,21)	-	US$ 211 thousand	-	US$ 211 thousand	(Note 3)	0.42	-	6,827	-
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	(233,948)	100.00	(233,948)	426,521	-
KGI Investment advisory (Shanghai) Co., Ltd.	Investment consultancy	US$ 4,000 thousand	Note 1,b,22)	US$ 2,000 thousand	US$ 2,000 thousand	-	US$ 4,000 thousand	(2,581)	100.00	(2,581)	75,059	-

Accumulated Investment in Mainland China as of December 31, 2016	Investment Amounts Authorized by Investment Commission, MOEA	Limit on Investment
$7,061,219	US$337,899 thousand	$94,447,804

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 Pet 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) Best Logistics.
22) Richpoint Company Limited.

c. Other.

(Continued)

Note 2: The financial statements were audited by international CPA firms having a corporative relation with CPA firms in the Republic of China

Note 3: Investee Company was not significantly influenced by the Company, therefore the Group cannot acquire the related financial information.

Note 4: Investment amount authorized or soon authorized by Investment Commission, MOEA.

Note 5: Subsidiary of the Corporation indirectly invested in Changshu Everbright Material Technology Co., Ltd. through its subsidiary's investment in Ferro China on which subsidiary of 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: Subsidiary of 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: Subsidiary of 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: Subsidiary of 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: Subsidiary of 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: Subsidiary of 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: Subsidiary of 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)

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

BUSINESS RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 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	CDIB Capital Group	1	Current tax assets	$ 386,864	Note 4	0.04%
1	CDIB Capital Group	The Corporation	2	Current tax liabilities	386,864	Note 4	0.04%
0	The Corporation	CDIB Capital Group	1	Current tax liabilities	461,986	Note 4	0.05%
1	CDIB Capital Group	The Corporation	2	Current tax assets	461,986	Note 4	0.05%
0	The Corporation	KGI Bank	1	Cash and cash equivalents	1,385,671	Note 4	0.16%
2	KGI Bank	The Corporation	2	Deposit and remittances	1,385,671	Note 4	0.16%
0	The Corporation	KGI Bank	1	Current tax assets	379,060	Note 4	0.04%
2	KGI Bank	The Corporation	2	Current tax liabilities	379,060	Note 4	0.04%
0	The Corporation	KGI Securities	1	Current tax assets	275,787	Note 4	0.03%
3	KGI Securities	The Corporation	2	Current tax liabilities	275,787	Note 4	0.03%
1	CDIB Capital Group	KGI Bank	3	Cash and cash equivalents	19,723,431	Note 4	2.21%
2	KGI Bank	CDIB Capital Group	3	Deposit and remittances	19,723,431	Note 4	2.21%
2	KGI Bank	KGI Securities and its subsidiaries	3	Deposit and remittances	2,663,508	Note 4	0.30%
3	KGI Securities and its subsidiaries	KGI Bank	3	Cash and cash equivalents	2,663,508	Note 4	0.30%

(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	KGI Securities	3	Deposit and remittances	$ 1,427,905	Note 4	0.16%
3	KGI Securities	KGI Bank	3	Restricted assets	1,427,905	Note 4	0.16%
2	KGI Bank	KGI Securities	3	Deposit and remittances	846,673	Note 4	0.09%
3	KGI Securities	KGI Bank	3	Other financial assets	846,673	Note 4	0.09%
2	KGI Bank	CDIB Capital Investment II Limited	3	Deposit and remittances	194,759	Note 4	0.02%
4	CDIB Capital Investment II Limited	KGI Bank	3	Cash and cash equivalents	194,759	Note 4	0.02%
2	KGI Bank	CDIB Global Markets Limited	3	Deposit and remittances	226,940	Note 4	0.03%
5	CDIB Global Markets Limited	KGI Bank	3	Cash and cash equivalents	226,940	Note 4	0.03%
2	KGI Bank	CDIB Venture Capital Corp.	3	Deposit and remittances	891,956	Note 4	0.10%
6	CDIB Venture Capital Corp.	KGI Bank	3	Cash and cash equivalents	891,956	Note 4	0.10%
2	KGI Bank	CDIB Capital Investment I Limited and its subsidiaries	3	Deposit and remittances	584,238	Note 4	0.07%
7	CDIB Capital Investment I Limited and its subsidiaries	KGI Bank	3	Cash and cash equivalents	584,238	Note 4	0.07%
3	KGI Securities	KGI Futures Co., Ltd.	3	Service fee and commission, net	250,730	Note 4	0.92%
8	KGI Futures Co., Ltd.	KGI Securities	3	Service fee and commission, net	250,730	Note 4	0.92%
3	KGI Securities	KGI Insurance Brokers Co., Ltd.	3	Net other noninterest profit	329,250	Note 4	1.21%
9	KGI Insurance Brokers Co., Ltd.	KGI Securities	3	Net other noninterest profit	329,250	Note 4	1.21%
3	KGI Securities	KGI Futures Co., Ltd.	3	Financial assets at fair value through profit or loss	474,867	Note 4	0.05%
8	KGI Futures Co., Ltd.	KGI Securities	3	Customers’ equity accounts - futures	474,867	Note 4	0.05%
3	KGI Securities	KGI Securities Investment Advisory Co., Ltd.	3	Other operating and administrative expense	150,286	Note 4	0.55%
10	KGI Securities Investment Advisory Co., Ltd.	KGI Securities	3	Consulting service revenue	150,286	Note 4	0.55%
3	KGI Securities	KGI Asia Limited	3	Receivables, net	103,649	Note 4	0.01%
11	KGI Asia Limited	KGI Securities	3	Payables	103,649	Note 4	0.01%

(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)
6	CDIB Venture Capital Corp.	CDIB Capital Management Corporation	3	Other operating and administrative expense	$ 101,563	Note 4	0.37%
12	CDIB Capital Management Corporation	CDIB Venture Capital Corp.	3	Consulting service revenue	101,563	Note 4	0.37%
5	CDIB Global Markets Limited	CDIB Capital International Corporation	3	Other operating and administrative expense	198,806	Note 4	0.73%
13	CDIB Capital International Corporation	CDIB Global Markets Limited	3	Consulting service revenue	198,806	Note 4	0.73%
13	CDIB Capital International Corporation	CDIB Capital International (Hong Kong) Corporation Limited	3	Other operating and administrative expense	245,153	Note 4	0.90%
14	CDIB Capital International (Hong Kong) Corporation Limited	CDIB Capital International Corporation	3	Consulting service revenue	245,153	Note 4	0.90%
8	KGI Futures Co., Ltd.	KGI Futures (Singapore) Pte. Ltd. (formerly KGI Ong Capital Pte. Ltd.)	3	Other financial assets	951,509	Note 4	0.11%
15	KGI Futures (Singapore) Pte. Ltd. (formerly KGI Ong Capital Pte. Ltd.)	KGI Futures Co., Ltd.	3	Customers’ equity accounts - futures	951,509	Note 4	0.11%
16	Richpoint Company Limited (BVI Holding Co.)	KG Investments Holdings Limited	3	Receivables, net	3,619,388	Note 4	0.41%
17	KG Investments Holdings Limited	Richpoint Company Limited (BVI Holding Co.)	3	Other borrowings	3,619,388	Note 4	0.41%
8	KGI Futures Co., Ltd.	KGI Futures (Hong Kong) Limited	3	Other financial assets	253,992	Note 4	0.03%
18	KGI Futures (Hong Kong) Limited	KGI Futures Co., Ltd.	3	Customers’ equity account - futures	253,992	Note 4	0.03%

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)

BALANCE SHEETS
DECEMBER 31, 2016
(Expressed in U.S. Dollars/RMB)

ASSETS	Richpoint Company Limited	KG Investments Holdings Limited	KGI International Holdings Limited	ANEW Holdings Limited	KGI Investment Advisory (Shanghai) Co., Ltd.
CURRENT ASSETS					
Cash and cash equivalents	$ 160,831	$ 26,509	$ 19,914	$ 159	$ 13,480,945
Receivables, net	-	-	2,000,000	-	2,500,000
Other receivable - related parties	112,000,000	-	110,921,738	62,340,580	-
Other current assets	402,116	1,003,588	-	-	143,638
Total current assets	112,562,947	1,030,097	112,941,652	62,340,739	16,124,583
NONCURRENT ASSETS					
Financial assets measured at cost - noncurrent	940,858	-	-	-	-
Investments accounted for using the equity method	382,101,707	546,362,981	499,998,319	-	-
Property and equipment	-	-	-	-	16,970
Other noncurrent assets	-	-	-	-	218,213
Total noncurrent assets	383,042,565	546,362,981	499,998,319	-	235,183
TOTAL	$ 495,605,512	$ 547,393,078	$ 612,939,971	$ 62,340,739	$ 16,359,766
LIABILITIES AND EQUITY					
CURRENT LIABILITIES					
Short-term borrowings	$ 45,250,000	$ 112,000,000	$ -	$ -	$ -
Commercial paper payable	-	-	129,672,559	-	-
Other payable	16,994	128,273	208,754	-	47,963
Other payable - related parties	-	70,572,218	-	-	-
Total current liabilities	45,266,994	182,700,491	129,881,313	-	47,963
NONCURRENT LIABILITIES					
Other noncurrent liabilities	-	-	-	-	152,000
Total liabilities	45,266,994	182,700,491	129,881,313	-	199,963
EQUITY					
Common stock	229,751,070	156,864,163	209,248,261	55,924,236	25,278,600
Capital reserve	861,236	66,667	54,651,374	-	10,007
Special reserve	-	9,759,135	387,913	-	-
Retained earnings	220,305,629	198,375,991	219,144,479	6,416,503	(9,128,804)
Other equity	(579,417)	(373,369)	(373,369)	-	-
Total equity	450,338,518	364,692,587	483,058,658	62,340,739	16,159,803
TOTAL	$ 495,605,512	$ 547,393,078	$ 612,939,971	$ 62,340,739	$ 16,359,766

TABLE 13-2

BALANCE SHEETS
DECEMBER 31, 2016
(Expressed in U.S. Dollars)

ASSETS	KG Investments Asset Management (International) Limited	KGI Limited	Supersonic Service Inc.	KGI International Limited
CURRENT ASSETS				
Cash and cash equivalents	$ -	$ -	$ -	$ 500
NONCURRENT ASSETS				
Investments accounted for using the equity method	-	362,734,794	-	72,743,596
TOTAL	$ -	$ 362,734,794	$ -	$ 72,744,096
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Other payable - related parties	$ -	$ 81,598,551	$ -	$ 1,061,060
Total liabilities	-	81,598,551	-	1,061,060
EQUITY				
Common stock	10,000	308,341,129	100	81,511,716
Accumulated deficit	(10,000)	(27,204,886)	(100)	(9,828,680)
Total equity	-	281,136,243	-	71,683,036
TOTAL	$ -	$ 362,734,794	$ -	$ 72,744,096

BALANCE SHEETS
DECEMBER 31, 2016
(Expressed in U.S. Dollars)

ASSETS	Bauhinia 88 Ltd.	KGI Capital (Hong Kong) Limited	Global Treasure Investments Limited	KGI Hong Kong Limited
CURRENT ASSETS				
Cash and cash equivalents	$ -	$ -	$ -	$ 1,266,049
Prepayments	-	-	-	1,005,549
Other current assets	-	-	-	2,111,446
Total current assets	-	-	-	4,383,044
NONCURRENT ASSETS				
Property and equipment	-	-	-	4,203,241
TOTAL	$ -	$ -	$ -	$ 8,586,285
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Other payable	$ -	$ -	$ -	$ 10,548,221
Other payable - related parties	-	-	-	18,803,851
Total current liabilities	-	-	-	29,352,072
NONCURRENT LIABILITIES				
Other noncurrent liabilities	-	-	-	1,700,392
Total liabilities	-	-	-	31,052,464
EQUITY				
Common stock	2	-	-	15,000
Special reserve	-	-	-	48,123
Accumulated deficit	(2)	-	-	(22,529,302)
Total equity	-	-	-	(22,466,179)
TOTAL	$ -	$ -	$ -	$ 8,586,285

TABLE 13-4

BALANCE SHEETS
DECEMBER 31, 2016
(Expressed in U.S. Dollars)

ASSETS	KGI Nominees (Hong Kong) Limited.	KGI Korea Limited	KGI Asia (Holdings) Pte. Ltd.	KGI Capital (Singapore) Pte. Ltd.
CURRENT ASSETS				
Cash and cash equivalents	$ -	$ -	$ 30,349	$ 4,677
Other receivable - related parties	1	72,750	-	3,460,978
Derivative asset	-	-	459,265	-
Prepayments	-	-	-	185
Total current assets	1	72,750	489,614	3,465,840
NONCURRENT ASSETS				
Investments accounted for using the equity method	-	-	191,709,229	-
TOTAL	$ 1	$ 72,750	$ 192,198,843	$ 3,465,840
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Other payable	$ -	$ -	$ 15,958	$ 8,854
Other payable - related parties	-	-	120,206,293	-
Total current liabilities	-	-	120,222,251	8,854
Total liabilities	-	-	120,222,251	8,854
EQUITY				
Common stock	1	10,000	75,749,306	5,738,175
Retained earnings (accumulated deficit)	-	62,750	744,206	(1,777,696)
Other equity	-	-	(4,516,920)	(503,493)
Total equity	1	72,750	71,976,592	3,456,986
TOTAL	$ 1	$ 72,750	$ 192,198,843	$ 3,465,840

TABLE 14-1

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2016
(In U.S. Dollars/RMB)

	Richpoint Company Limited	KG Investments Holdings Limited	KGI International Holdings Limited	ANEW Holdings Limited	KGI Investment Advisory (Shanghai) Co., Ltd.
REVENUES					
Operating revenue	$ -	$ -	$ -	$ -	$ 4,288,341
Interest revenue	-	3,596	821,686	-	-
Total revenues	-	3,596	821,686	-	4,288,341
COSTS AND EXPENSES					
Financial cost	446,517	1,273,306	1,781,357	-	-
Other operating expenses	26,458	96,790	2,818,269	-	5,648,141
Total costs and expenses	472,975	1,370,096	4,599,626	-	5,648,141
LOSS FROM OPERATIONS	(472,975)	(1,366,500)	(3,777,940)	-	(1,359,800)
SHARE OF PROFIT OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES	(23,156,458)	(21,718,600)	(20,047,353)	-	-
OTHER PROFITS (LOSSES)	1,427,204	8,479	2,129,157	(22,464)	829,286
NON-OPERATING REVENUE AND EXPENSE	(21,729,254)	(21,710,121)	(17,918,196)	(22,464)	829,286
NET LOSS FOR THE YEAR	(22,202,229)	(23,076,621)	(21,696,136)	(22,464)	(530,514)
OTHER COMPREHENSIVE INCOME	435,329	587,895	587,895	-	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	$(21,766,900)	$(22,488,726)	$(21,108,241)	$ (22,464)	$ (530,514)

TABLE 14-2

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2016
(In U.S. Dollars)

	KG Investments Asset Management (International) Limited	KGI Limited	Supersonic Services Inc.	KGI International Limited
PROFIT FROM OPERATIONS	$ -	$ -	$ -	$ -
OTHER PROFITS	17,391	774	-	1,572,477
NON-OPERATING REVENUE AND EXPENSE	17,391	774	-	1,572,477
NET PROFIT FOR THE YEAR	17,391	774	-	1,572,477
OTHER COMPREHENSIVE INCOME	-	-	-	-
TOTAL COMPREHENSIVE INCOME (LOSSES) FOR THE YEAR	$ 17,391	$ 774	$ -	$ 1,572,477

TABLE 14-3

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2016
(In U.S. Dollars)

	Bauhinia 88 Ltd.	KGI Capital (Hong Kong) Limited	Global Treasure Investments Limited	KGI Hong Kong Limited
REVENUES				
Interest revenue	$ -	$ -	$ -	$ 170
Other income revenue	-	-	-	76,654,973
Total revenues	-	-	-	76,655,143
COSTS AND EXPENSES				
Employee benefits	-	-	-	54,402,147
Depreciation and amortization	-	-	-	1,982,251
Other operating expenses	-	-	-	19,209,402
Total costs and expenses	-	-	-	75,593,800
PROFIT FROM OPERATIONS	-	-	-	1,061,343
OTHER REVENUE AND EXPENSE	-	-	-	(568,966)
NON-OPERATING REVENUE AND EXPENSE	-	-	-	(568,966)
NET PROFIT FOR THE YEAR	-	-	-	492,377
OTHER COMPREHENSIVE INCOME	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ -	$ -	$ -	$ 492,377

TABLE 14-4

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2016
(In U.S. Dollars)

	KGI Nominees (Hong Kong) Limited	KGI Korea Limited	KGI Asia (Holdings) Pte. Ltd.	KGI Capital (Singapore) Pte. Ltd.
REVENUES				
Derivative assets	$ -	$ -	$ 30,171	$ -
COSTS AND EXPENSES				
Financial cost	-	-	487,543	-
Other operating expenses	-	-	575,518	60,180
Total costs and expenses	-	-	1,063,061	60,180
LOSS FROM OPERATIONS	-	-	(1,032,890)	(60,180)
OTHER REVENUE AND EXPENSE	-	128	3,379,406	(70,412)
NON-OPERATING REVENUE AND EXPENSE	-	128	3,379,406	(70,412)
NET PROFIT (LOSS) FOR THE YEAR	-	128	2,346,516	(130,592)
OTHER COMPREHENSIVE LOSS	-	-	(1,910,247)	(80,994)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	$ -	$ 128	$ 436,269	$ (211,586)