China Development Financial Holding Corporation and Subsidiaries

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

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The 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, 2015 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard 10 "Consolidated Financial Statements". Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we have not prepared a separate set of consolidated financial statements of affiliates.

Very truly yours,

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION

By

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March 28, 2016

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
China Development Financial Holding Corporation

We have audited the accompanying consolidated balance sheets of China Development Financial Holding Corporation (the "Corporation") and its subsidiaries as of December 31, 2015 and 2014, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants, Regulations Governing Auditing and Attestation of Financial Statements of Financial Institutions by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those regulations and standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Corporation and its subsidiaries as of December 31, 2015 and 2014, and their consolidated financial performance and its consolidated cash flows for the years ended December 31, 2015 and 2014, in conformity with the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies, Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms, Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, Regulations Governing the Preparation of Financial Reports by Securities Issuers, 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.

March 28, 2016

<u>Notice to Readers</u>

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally 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, 2015 AND 2014
(In Thousands of New Taiwan Dollars)

	2015		2014 (After Restated)	
ASSETS	**Amount**	**%**	**Amount**	**%**
CASH AND CASH EQUIVALENTS (Notes 4, 6 and 49)	$ 25,090,329	3	$ 25,228,480	3
DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS (Notes 7, 49 and 50)	87,125,284	10	41,616,681	4
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 8, 9, 10, 49 and 50)	157,780,085	18	151,177,813	16
AVAILABLE-FOR-SALE FINANCIAL ASSETS (Notes 4, 10 and 50)	70,643,015	8	139,610,600	15
SECURITIES PURCHASED UNDER RESELL AGREEMENTS (Notes 4 and 11)	52,622,253	6	32,871,543	4
RECEIVABLES, NET (Notes 4, 12, 49, 50 and 56)	100,754,149	12	131,789,029	14
CURRENT TAX ASSETS (Note 4)	990,101	-	720,044	-
DISCOUNT AND LOANS, NET (Notes 4, 13, 49 and 56)	217,780,328	25	225,777,475	25
HELD-TO-MATURITY FINANCIAL ASSETS, NET (Notes 4 and 14)	402,564	-	18,790,000	2
INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD, NET (Notes 4, 15, 16 and 50)	10,775,665	1	8,562,987	1
RESTRICTED ASSETS (Notes 17, 50 and 51)	29,776,730	3	24,425,207	3
FINANCIAL ASSETS MEASURED AT COST (Notes 4 and 18)	21,095,274	2	31,962,391	3
OTHER FINANCIAL ASSETS (Notes 19, 49 and 50)	38,773,821	5	41,792,876	5
INVESTMENT PROPERTY, NET (Notes 4, 20 and 50)	2,048,311	-	2,070,706	-
PROPERTY AND EQUIPMENT, NET (Notes 4, 21 and 50)	14,717,160	2	14,393,809	2
INTANGIBLE ASSETS, NET (Notes 4 and 22)	8,584,490	1	8,896,357	1
DEFERRED TAX ASSETS (Notes 4 and 46)	5,561,925	1	5,834,810	1
OTHER ASSETS, NET (Notes 4, 23 and 50)	22,197,691	3	14,180,410	1
TOTAL	$ 866,719,175	100	$ 919,701,218	100
LIABILITIES AND EQUITY				
LIABILITIES				
Deposits from the Central Bank and banks (Note 24)	$ 10,024,399	1	$ 12,680,778	1
Financial liabilities at fair value through profit or loss (Notes 4, 8 and 49)	39,898,179	5	35,082,307	4
Derivative financial liabilities for hedging (Notes 4 and 25)	-	-	20,659	-
Notes and bonds issued under repurchase agreements (Notes 4, 8, 10, 26 and 49)	119,611,868	14	132,826,606	14
Commercial paper payable, net (Notes 27 and 50)	13,139,202	1	13,925,045	2
Payables (Notes 4, 28 and 49)	57,152,044	7	58,243,555	6
Current tax liabilities (Note 4)	911,029	-	1,994,883	-
Deposits and remittances (Notes 29 and 49)	325,312,132	38	304,557,970	33
Bonds payable (Notes 30 and 49)	28,618,692	3	34,660,984	4
Other borrowings (Notes 31, 49 and 50)	21,809,459	3	35,204,646	4
Provisions (Notes 4, 32 and 33)	1,419,454	-	1,215,264	-
Principal received on structured notes	34,375,733	4	74,150,578	8
Customers' equity accounts - futures (Notes 4 and 49)	30,698,500	4	23,754,390	3
Other financial liabilities (Note 8)	400,851	-	392,027	-
Deferred tax liabilities (Notes 4 and 46)	1,460,166	-	1,423,785	-
Other liabilities (Notes 4 and 34)	13,116,729	1	13,544,034	2
Total liabilities	697,948,437	81	743,677,511	81
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT (Notes 4, 35 and 36)				
Capital				
Common stock	151,124,071	17	153,438,493	17
Advance receipts for capital stock	1,370	-	5,969	-
Capital surplus	654,803	-	590,923	-
Retained earnings				
Legal reserve	4,161,475	-	3,077,853	-
Special reserve	765,041	-	1,123,858	-
Unappropriated earnings	13,580,644	2	15,275,884	2
Other				
Exchange differences on translation of foreign financial statements	1,741,670	-	201,379	-
Unrealized losses on available-for-sale financial assets	(4,456,314)	-	(177,929)	-
Unrealized losses on cash flow hedges	-	-	(20,659)	-
Others	(32,187)	-	(26,956)	-
Treasury shares	(2,376,747)	-	(3,298,709)	(1)
Total equity attributable to owners of the parent	165,163,826	19	170,190,106	18
NON-CONTROLLING INTERESTS	3,606,912	-	5,833,601	1
Total equity	168,770,738	19	176,023,707	19
TOTAL	$ 866,719,175	100	$ 919,701,218	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, 2015 AND 2014
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2015		2014 (After Restated)	
	Amount	**%**	**Amount**	**%**
INTEREST REVENUE (Notes 4, 37 and 49)	$ 14,245,989	47	$ 12,811,017	45
INTEREST EXPENSE (Notes 4, 37 and 49)	(5,138,176)	(17)	(4,398,754)	(16)
INTEREST PROFIT, NET	9,107,813	30	8,412,263	29
NONINTEREST PROFITS AND GAINS, NET				
Service fee and commission, net (Notes 4, 38 and 49)	9,571,233	31	7,519,286	26
Gain on financial assets or liabilities measured at fair value through profit or loss, net (Notes 4, 39 and 49)	4,508,034	15	3,413,804	12
Realized gain on available-for-sale financial assets, net (Notes 4 and 40)	3,769,306	12	6,420,698	22
Foreign exchange loss, net	(1,109,121)	(4)	(870,164)	(3)
Impairment loss on assets, net (Notes 4 and 41)	(983,978)	(3)	(1,277,209)	(4)
Share of profit of associates and joint ventures	439,558	1	486,371	2
Gain on financial assets measured at cost, net (Note 42)	2,462,248	8	2,498,617	9
Consulting service revenue (Note 49)	1,092,892	4	694,183	2
Others (Notes 43 and 49)	1,664,537	6	1,324,138	5
Total noninterest profits and gains, net	21,414,709	70	20,209,724	71
TOTAL NET REVENUES	30,522,522	100	28,621,987	100
REVERSAL OF ALLOWANCE (ALLOWANCE) FOR BAD DEBTS AND LOSSES ON GUARANTEES, NET	329,789	1	(13,707)	-
OPERATING EXPENSES (Notes 4, 33, 44, 45 and 49)				
Employee benefits	(12,562,364)	(41)	(10,083,169)	(35)
Depreciation and amortization	(1,432,844)	(5)	(1,229,923)	(5)
Other general and administrative expenses	(7,414,116)	(24)	(5,516,555)	(19)
Total operating expenses	(21,409,324)	(70)	(16,829,647)	(59)
NET PROFIT BEFORE INCOME TAX	9,442,987	31	11,778,633	41
INCOME TAX EXPENSE (Notes 4 and 46)	(827,812)	(3)	(941,302)	(3)
NET PROFIT FOR THE YEAR	8,615,175	28	10,837,331	38

(Continued)

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

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

	2015		2014 (After Restated)	
	Amount	%	Amount	%
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	$ (457,275)	(1)	$ 134,807	-
Share of other comprehensive income (loss) of associates and joint ventures	(3,300)	-	578	-
Income tax relating to the items that will not be reclassified subsequently to profit or loss	64,980	-	(30,930)	-
Items that will be reclassified subsequently to profit or loss, net of income tax				
Exchange differences on translation of foreign financial statements	1,463,992	5	1,941,691	7
Unrealized loss on available-for-sale financial assets	(4,072,080)	(13)	(1,757,152)	(6)
Unrealized gain on cash flow hedges	20,659	-	24,088	-
Share of other comprehensive income (loss) of associates and joint ventures	(132,581)	(1)	182,221	-
Income tax relating to the items that may be reclassified subsequently to profit or loss	(858)	-	257,096	1
Other comprehensive income (loss) for the year, net of income tax	(3,116,463)	(10)	752,399	2
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 5,498,712	18	$ 11,589,730	40
NET PROFIT ATTRIBUTABLE TO:				
Owners of the parent	$ 8,528,231	28	$ 10,752,042	38
Non-controlling interests	86,944	-	85,289	-
	$ 8,615,175	28	$ 10,837,331	38
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the parent	$ 5,415,879	18	$ 11,506,549	40
Non-controlling interests	82,833	-	83,181	-
	$ 5,498,712	18	$ 11,589,730	40

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CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

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

	2015		2014 (After Restated)	
	Amount	**%**	**Amount**	**%**
EARNINGS PER SHARE (Note 47)				
Basic	$0.58		$0.73	
Diluted	$0.57		$0.73	

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, 2015 AND 2014
(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, 2014	$ 150,308,833	$ -	$ 535,087	$ 2,247,453	$ 3,609,815	$ 8,799,179	$ (1,945,718)	$ 1,343,715	$ (44,747)	$ (24,126)	$ (2,170,286)	$ 162,659,205	$ 6,443,449	$ 169,102,654
Effect of retrospective application and retrospective restatement	-	-	-	-	-	(18,069)	-	-	-	-	-	(18,069)	-	(18,069)
BALANCE AT JANUARY 1, 2014 AS RESTATED	150,308,833	-	535,087	2,247,453	3,609,815	8,781,110	(1,945,718)	1,343,715	(44,747)	(24,126)	(2,170,286)	162,641,136	6,443,449	169,084,585
Appropriation of the 2013 earnings														
Legal reserve	-	-	-	830,400	-	(830,400)	-	-	-	-	-	-	-	-
Cash dividends - NT$0.4 per share	-	-	-	-	-	(6,014,787)	-	-	-	-	-	(6,014,787)	-	(6,014,787)
Special reserve reversed	-	-	-	-	(2,485,957)	2,485,957	-	-	-	-	-	-	-	-
	-	-	-	830,400	(2,485,957)	(4,359,230)	-	-	-	-	-	(6,014,787)	-	(6,014,787)
Net profit for the year ended December 31, 2014 as restated	-	-	-	-	-	10,752,042	-	-	-	-	-	10,752,042	85,289	10,837,331
Other comprehensive income (loss) for the year ended December 31, 2014 as restated, net of income tax	-	-	-	-	-	104,966	2,147,097	(1,521,644)	24,088	-	-	754,507	(2,108)	752,399
Total comprehensive income (loss) for the year ended December 31, 2014 as restated	-	-	-	-	-	10,857,008	2,147,097	(1,521,644)	24,088	-	-	11,506,549	83,181	11,589,730
Issuance of common stock for acquisition of ownership in subsidiaries	3,061,467	-	-	-	-	-	-	-	-	-	-	3,061,467	-	3,061,467
Buyback of ordinary shares	-	-	-	-	-	-	-	-	-	-	(921,962)	(921,962)	-	(921,962)
Shares purchased by subsidiaries from parent company is deemed as treasury shares	-	-	-	-	-	-	-	-	-	-	(206,461)	(206,461)	-	(206,461)
Difference between consideration and carrying amount adjusted arising from changes in percentage of ownership in subsidiaries	-	-	(9,023)	-	-	-	-	-	-	-	-	(9,023)	-	(9,023)
Share-based payments	68,193	5,969	64,859	-	-	(3,004)	-	-	-	(2,830)	-	133,187	-	133,187
Changes in non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	(693,029)	(693,029)
BALANCE AT DECEMBER 31, 2014 AS RESTATED	153,438,493	5,969	590,923	3,077,853	1,123,858	15,275,884	201,379	(177,929)	(20,659)	(26,956)	(3,298,709)	170,190,106	5,833,601	176,023,707
Appropriation of the 2014 earnings														
Legal reserve	-	-	-	1,083,622	-	(1,083,622)	-	-	-	-	-	-	-	-
Cash dividends - NT$0.6 per share	-	-	-	-	-	(9,098,673)	-	-	-	-	-	(9,098,673)	-	(9,098,673)
Special reserve reversed	-	-	-	-	(358,817)	358,817	-	-	-	-	-	-	-	-
	-	-	-	1,083,622	(358,817)	(9,823,478)	-	-	-	-	-	(9,098,673)	-	(9,098,673)
Change in capital surplus from investments in associates and joint ventures accounted for 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 (loss) 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

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, 2015 AND 2014
(In Thousands of New Taiwan Dollars)

	2015	2014 (After Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit before income tax	$ 9,442,987	$ 11,778,633
Adjustments to reconcile net profit (loss)		
Depreciation expenses	565,972	451,704
Amortization expenses	866,872	778,219
Allowance (reversal of allowance) for bad debts and losses on guarantees, net	(329,789)	13,707
Interest expense	5,166,039	4,436,123
Interest income	(16,062,398)	(14,172,239)
Dividend income	(2,337,235)	(2,227,986)
Share of profit of associates and joint ventures	(435,855)	(495,507)
Gain on disposal of investment property	(16,003)	(102,926)
Gain on disposal of investments	(2,390,902)	(6,987,019)
Loss on financial asset impairment	959,324	1,151,674
Loss on nonfinancial asset impairment	24,654	125,535
Others	345,824	(459,995)
Changes in operating assets and liabilities		
Due from the Central Bank and call loans to banks	(6,777,108)	(7,967,395)
Financial assets at fair value through profit or loss	(6,602,272)	(53,005,322)
Available-for-sale financial assets	(46,514,008)	380,981
Held to maturity financial assets	18,600,000	1,300,000
Securities purchased under resell agreements	(7,557,179)	2,893,576
Receivables	31,405,161	10,155,343
Discount and loans	8,630,578	(19,608,044)
Other financial assets	3,028,465	(4,348,371)
Other assets	(15,534,205)	(6,624,768)
Deposits from the Central Bank and banks	(2,656,379)	4,545,761
Financial liabilities at fair value through profit or loss	4,815,872	12,482,184
Notes and bonds issued under repurchase agreements	(13,214,738)	15,322,988
Payables	(3,141,695)	2,343,610
Deposits and remittances	20,736,158	31,912,977
Other financial liabilities	(41,228,391)	3,373,282
Other liabilities	9,013,563	(403,008)
Interest received	16,349,497	13,524,778
Dividend received	2,544,116	2,319,087
Interest paid	(5,401,226)	(4,480,508)
Income tax paid	(1,955,475)	(1,273,481)
Net cash used in operating activities	(39,659,776)	(2,866,407)

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CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

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

	2015	2014 (After Restated)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of available-for-sale financial assets	$ (22,201,876)	$ (64,295,782)
Proceeds on sale of available-for-sale financial assets	134,696,958	55,788,096
Proceeds on sale of debt investments with no active market	999,992	57,723
Acquisition of held-to-maturity financial assets	(402,564)	-
Proceeds on sale of held-to-maturity financial assets	190,000	190,000
Acquisition of financial assets measured at cost	(1,803,767)	(2,356,162)
Proceeds on sale of financial assets measured at cost	9,481,566	4,548,859
Proceeds from capital return on financial assets measured at cost	184,438	372,501
Acquisition of investments accounted for using the equity method	(1,849,914)	(1,034,575)
Proceeds on sale of investments accounted for using the equity method	3,482	157,196
Net cash inflow on acquisition of subsidiaries	-	6,749,398
Proceeds from capital return on investments accounted for using the equity method	1,821,464	293,385
Acquisition of property and equipment	(828,564)	(291,242)
Proceeds on sale of investment property	261,578	334,414
Others	703,475	347,643
Net cash generated from investing activities	121,256,268	861,454
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term borrowings	(11,752,792)	13,091,788
Increase (decrease) in commercial paper payable	(785,843)	3,808,820
Proceeds from issue of corporate bonds	15,000,000	1,020,680
Repayments of corporate bonds	(11,100,000)	-
Repayments of bank debentures	(10,000,000)	(3,500,000)
Proceeds of long-term borrowings	-	4,099,668
Repayments of long-term borrowings	(1,642,395)	(838,702)
Cash dividends paid	(9,098,673)	(6,014,787)
Purchase of treasury shares	(1,461,046)	(921,962)
Acquisition of equity interest in subsidiaries	-	(111,150)
Changes in non-controlling interests	(101,675)	(595,753)
Others	(166,175)	86,787
Net cash generated from (used in) financing activities	(31,108,599)	10,125,389
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	298,982	822,759

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CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

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

	2015	2014 (After Restated)
NET INCREASE IN CASH AND CASH EQUIVALENTS	$ 50,786,875	$ 8,943,195
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	84,850,996	75,907,801
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 135,637,871	$ 84,850,996

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

	2015	2014 (After Restated)
Cash and cash equivalents in consolidated balance sheets	$ 25,090,329	$ 25,228,480
Due from the Central Bank and call loans to banks which qualify as cash and cash equivalents as defined of in IAS 7	66,308,658	27,577,163
Securities purchased under agreements to resell which qualify as cash and cash equivalents as defined of in IAS 7	44,238,884	32,045,353
Cash and cash equivalents in consolidated statements of cash flows	$ 135,637,871	$ 84,850,996

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, 2015 AND 2014
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

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

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

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

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

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

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

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

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

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

KGI Securities was established on September 14, 1988. It merged with Jen-Hsin Securities Co., Ltd., Ta Ya Securities Co., Ltd., and Feng Yuan Securities Co., Ltd. in 2002; with Tai-Yu Securities Co., Ltd. in 2003, with Taishin Securities Co., Ltd. in 2009 and with Grand Cathay in 2013. The survivor entity in all these mergers was KGI Securities. As of December 31, 2015, 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, 2015, 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 28, 2016.

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

a. Initial application of the amendment to the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies, Regulations Governing the Preparation of Financial Reports by Public Banks, Regulation Governing the Preparation of Financial Reports by Securities Firms, Regulation Governing the Preparation of Financial Reporting by Futures Commission Merchants, Regulations Governing the Preparation of Financial Reports by Securities Issuers and the 2013 version of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) endorsed by the FSC.

   Rule No. 10310006010, No. 10300346801 and No. 1030010325 issued by the FSC, stipulated that the Corporation and subsidiaries should apply the 2013 version of IFRS, IAS, IFRIC, SIC (collectively, the "IFRSs") and 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 issued by the IASB and endorsed by the FSC starting January 1, 2015.

Except for the following, whenever applied, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the 2013 IFRSs version would not have any material impact on the Corporation and subsidiaries' accounting policies:

1) IFRS 10 "Consolidated Financial Statements"

IFRS 10 replaces IAS 27 "Consolidated and Separate Financial Statements" and SIC 12 "Consolidation - Special Purpose Entities". The Corporation and subsidiaries consider whether it have control over other entities for consolidation. The Corporation and subsidiaries have control over an investee if and only if it has i) power over the investee; ii) exposure, or rights, to variable returns from its involvement with the investee and iii) the ability to use its power over the investee to affect the amount of its returns. Additional guidance has been included in IFRS 10 to explain when an investor has control over an investee.

Under IFRS 10, the Corporation and subsidiaries recognize control over CDIB Capital Asia Partners L.P. since the acquisition date. Prior to the application of IFRS 10, the subsidiary of the Companies' ownership interest in CDIB Capital Asia Partners L.P. is treated as an investment in associate and thus accounted for this investment using the equity method.

The anticipated impact of the initial application of IFRS 10 is detailed as follows:

Impact on Assets, Liabilities and Equity	**Carrying Amount**	**Adjustments Arising from Initial Application**	**Adjusted Carrying Amount**
<u>December 31, 2014</u>			
Cash and cash equivalents	$ 25,130,691	$ 97,789	$ 25,228,480
Receivables, net	131,858,663	(69,634)	131,789,029
Investment accounted for using equity method, net	10,637,078	(2,074,091)	8,562,987
Financial assets measured at cost	27,778,085	4,184,306	31,962,391
Payables	58,230,976	12,579	58,243,555
Retained earnings	19,579,851	(86,259)	19,493,592
Exchange differences on translation of foreign financial statements	205,176	(3,797)	201,379
Non-controlling interests	3,617,754	2,215,847	5,833,601

Impact on Total Comprehensive Income	**Carrying Amount**	**Adjustments Arising from Initial Application**	**Adjusted Carrying Amount**
<u>For the year ended December 31, 2014</u>			
Noninterest profits and gains, net			
Share of profit of associates and joint ventures	426,688	59,683	486,371
Gain on financial assets measured at cost, net	2,584,876	(86,259)	2,498,617
Consulting service revenue	787,453	(93,270)	694,183

(Continued)

Impact on Total Comprehensive Income	Carrying Amount	Adjustments Arising from Initial Application	Adjusted Carrying Amount
Operating expenses	$ (16,803,832)	$ (27,887)	$ (16,831,719)
Other profits and gains, net	23,987,807	-	23,987,807
Total effect on net profit for the year ended December 31, 2014	10,982,992	(147,733)	10,835,259
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign financial statements	1,945,488	$ (3,797)	1,941,691
Other comprehensive income, net	(1,189,292)	-	(1,189,292)
Total effect on other comprehensive income for the year ended December 31, 2014	$ 11,739,188	$ (151,530)	$ 11,587,658
Impact on net profit attributable to:			
Owners of the parent	$ 10,836,229	$ (86,259)	$ 10,749,970
Non-controlling interests	146,763	(61,474)	85,289
	$ 10,982,992	$ (147,733)	$ 10,835,259
Impact on total comprehensive income attributable to:			
Owners of the parent	$ 11,594,533	$ (90,056)	$ 11,504,477
Non-controlling interests	144,655	(61,474)	83,181
	$ 11,739,188	$ (151,530)	$ 11,587,658
Impact on earnings per share			
Basic earnings per share	$ 0.73	$ -	$ 0.73
Diluted earnings per share	$ 0.73	$ -	$ 0.73

(Concluded)

Impact on Cash Flows	Carrying Amount	Adjustments Arising from Initial Application	Adjusted Carrying Amount
For the year ended December 31, 2014			
Net cash outflow from operating activities	$ (2,827,464)	$ (38,943)	$ (2,866,407)
Net cash inflow from investing activities	2,999,415	(2,137,961)	861,454
Net cash inflow from financing activities	7,909,542	2,215,847	10,125,389
Effects of exchange rate changes on the balance of cash held in foreign currencies	763,913	58,846	822,759
Net increase in cash and cash equivalents	$ 8,845,406	$ 97,789	$ 8,943,195

2) IFRS 12 “Disclosure of Interests in Other Entities”

IFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than in the current standards.

3) Revision to IAS 28 “Investments in Associates and Joint Ventures”

Revised IAS 28 requires when a portion of an investment in an associate meets the criteria to be classified as held for sale, that portion is classified as held for sale. Any retained portion that has not been classified as held for sale is accounted for using the equity method. Under current IAS 28, when a portion of an investment in associates meets the criteria to be classified as held for sale, the entire investment is classified as held for sale and ceases to apply the equity method.

4) IFRS 13 “Fair Value Measurement”

IFRS 13 establishes a single source of guidance for fair value measurements. It defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The disclosure requirements in IFRS 13 are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only will be extended by IFRS 13 to cover all assets and liabilities within its scope.

The fair value measurements under IFRS 13 will be applied prospectively from January 1, 2015. Refer to Note 55 for related disclosures.

5) Amendment to IAS 1 “Presentation of Items of Other Comprehensive Income”

The amendment to IAS 1 requires items of other comprehensive income to be grouped into those items that (1) will not be reclassified subsequently to profit or loss; and (2) may be reclassified subsequently to profit or loss. Income taxes on related items of other comprehensive income are grouped on the same basis. Under current IAS 1, there were no such requirements.

The Corporation and subsidiaries retrospectively applied the above amendments starting in 2015. Items not expected to be reclassified to profit or loss are remeasurements of the defined benefit plans and share of other comprehensive income (the share of the remeasurements of the defined benefit plans) of associates and joint ventures accounted for using the equity method. Items expected to be reclassified to profit or loss are the exchange differences on translating foreign operations, unrealized gain (loss) on available-for-sale financial assets, cash flow hedges, and share of other comprehensive income (except the share of the remeasurements of the defined benefit plans) of associates accounted for using the equity method.

6) Revision to IAS 19 “Employee Benefits”

Revised IAS 19 requires the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the “corridor approach” permitted under current IAS 19 and accelerate the recognition of past service costs. The revision requires all actuarial gains and losses to be recognized immediately through other comprehensive income in order for the net pension asset or liability to reflect the full value of the plan deficit or surplus.

Furthermore, the interest cost and expected return on plan assets used in current IAS 19 are replaced with a “net interest” amount, which is calculated by applying the discount rate to the net defined benefit liability or asset. In addition, the revised IAS 19 introduces certain changes in the presentation of the defined benefit cost, and also includes more extensive disclosures.

On initial application of the revised IAS 19 in 2015, the changes in cumulative employee benefit costs as of December 31, 2013 resulting from the retrospective application are adjusted to employee benefits and retained earnings. In addition, in preparing the consolidated financial statements for the year ended December 31, 2015, the Company would elect not to present 2014 comparative information about the sensitivity of the defined benefit obligation.

The impact on the current period is set out below:

Impact on Assets, Liabilities and Equity	**December 31, 2015**
Decrease in provisions	$ 2,072
Increase in retained earnings	$ 2,072

Impact on Total Comprehensive Income	**For the Year Ended December 31, 2015**
Decrease in employee benefits	$ 2,072

The impact on the prior period is set out below:

Impact on Assets, Liabilities and Equity	**Carrying Amount**	**Adjustments Arising from Initial Application**	**Adjusted Carrying Amount**
December 31, 2014			
Provisions	$ 1,199,267	$ 15,997	$ 1,215,264
Retained earnings	19,579,851	(15,997)	19,563,854

Impact on Total Comprehensive Income	**Carrying Amount**	**Adjustments Arising from Initial Application**	**Adjusted Carrying Amount**
For the year ended December 31, 2014			
Employee benefits	$ 10,085,241	$ (2,072)	$ 10,083,169

7) Annual Improvements to IFRSs: 2009-2011 Cycle

The amendments to IAS 1 clarify that an entity is required to present a balance sheet as at the beginning of the preceding period when a) it applies an accounting policy retrospectively, or makes a retrospective restatement or reclassifies items in its financial statements, and b) the retrospective application, restatement or reclassification has a material effect on the information in the balance sheet at the beginning of the preceding period. The amendments also clarify that related notes are not required to accompany the balance sheet at the beginning of the preceding period.

8) Recognition and measurement of financial liabilities designated as at fair value through profit or loss

Based on the amendments to the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies, Regulations Governing the Preparation of Financial Reports by Public Banks, Criteria Governing the Preparation of Financial Reports by Securities Firms, Criteria Governing the Preparation of Financial Reporting by Futures Commission Merchants and Regulations Governing the Preparation of Financial Reports by Securities Issuers for a financial liabilities designated as at fair value through profit or loss, the amount of change in the fair value attributable to changes in the credit risk of that liability is presented in other comprehensive income and the remaining amount of change in the fair value of that liability is presented in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. If the above accounting treatment would create or enlarge an accounting mismatch, all gains or losses on that liability are presented in profit or loss.

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

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

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

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016 (Note 3)
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date of and Transition Disclosures"	January 1, 2018
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB (Note 4)
Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception"	January 1, 2016
Amendment to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"	January 1, 2016
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
IFRS 16 "Leases"	January 1, 2019
Amendment to IAS 1 "Disclosure Initiative"	January 1, 2016
Amendment to IAS 7 "Disclosure Initiative"	January 1, 2017
Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses" related to debt instruments measured at fair value	January 1, 2017

(Continued)

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"	January 1, 2016
Amendments to IAS 16 and IAS 41 "Agriculture: Bearer Plants"	January 1, 2016
Amendment to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014
Amendment to IAS 27 "Allow the Use of the Equity Method in Separate Financial Statements"	January 1, 2016
Amendment to IAS 36 "Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets"	January 1, 2014
Amendment to IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014
IFRIC 21 "Levies"	January 1, 2014

(Concluded)

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

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

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

Note 4: The postponement in June 2015 applies to changes introduced by the IASB in September 2014 through narrow-scope amendments to IFRS 10 and IAS 28. Earlier application is permitted.

The initial application of the above New IFRSs, whenever applied, would not have any material impact on the Corporation and subsidiaries' accounting policies, except for the following:

1) IFRS 9 "Financial Instruments"

Recognition and measurement of financial assets

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

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

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

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

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

The impairment of financial assets

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

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

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

In issuing IFRS 13 "Fair Value Measurement", the IASB made consequential amendment to the disclosure requirements in IAS 36 "Impairment of Assets", introducing a requirement to disclose in every reporting period the recoverable amount of an asset or each cash-generating unit. The amendment clarifies that such disclosure of recoverable amounts is required only when an impairment loss has been recognized or reversed during the period. Furthermore, the Corporation and subsidiaries is required to disclose the discount rate used in measurements of the recoverable amount based on fair value less costs of disposal measured using a present value technique.

3) IFRIC 21 "Levies"

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

4) Annual Improvements to IFRSs: 2010-2012 Cycle

The amended IFRS 8 requires an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have "similar economic characteristics". The amendment also clarifies that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segments' assets are regularly provided to the chief operating decision-maker.

IFRS 13 was amended to clarify that the issuance of IFRS 13 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of not discounting is immaterial.

5) Annual Improvements to IFRSs: 2011-2013 Cycle

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

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

6) IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and will supersedes IAS 18 "Revenue", IAS 11 "Construction Contracts" and a number of revenue-related interpretations from January 1, 2017.

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

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

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

7) Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"

The amendments stipulated that, when the Corporation and subsidiaries sells or contributes assets that constitute a business (as defined in IFRS 3) to an associate, the gain or loss resulting from the transaction is recognized in full. Also, when the Corporation and subsidiaries loses control of a subsidiary that contains a business but retains significant influence or joint control, the gain or loss resulting from the transaction is recognized in full.

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

8) Annual Improvements to IFRSs: 2012-2014 Cycle

The amendments to IFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset.

9) Amendment to IAS 1 "Disclosure Initiative"

The amendment clarifies that the consolidated financial statements should be prepared for the purpose of disclosing material information. To improve the understandability of its consolidated financial statements, the Corporation and subsidiaries should disaggregate the disclosure of material items into their different natures or functions, and disaggregate material information from immaterial information.

The amendment further clarifies that the Corporation and subsidiaries should consider the understandability and comparability of its consolidated financial statements to determine a systematic order in presenting its footnotes.

10) IFRS 16 "Leases"

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

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

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 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 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. Please refer to Note 56 for the maturity analysis of assets and liabilities.

Except as stated in the preceding paragraph, 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 Corporation and subsidiaries, 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, 2015 and 2014, the consolidated entities included in the consolidated financial statements included 73 and 81 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 Corporation and subsidiaries recognize 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 Corporation and subsidiaries' foreign operations are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognized in other comprehensive income (attributed to the stockholders of the parent company and non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Corporation and subsidiaries' 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 Corporation and subsidiaries 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 Corporation and subsidiaries have significant influence and that is not a subsidiary.

The Corporation and subsidiaries use 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 Corporation and subsidiaries' share of profit or loss and other comprehensive income of the associate. The Corporation and subsidiaries also recognize the changes in the Corporation and subsidiaries' share of equity of associates.

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

When the Corporation and subsidiaries subscribe 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 Corporation and subsidiaries' proportionate interest in the associate and joint venture. The Corporation and subsidiaries record such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in the Corporation and subsidiaries' share of equity of associates and joint ventures. If the Corporation and subsidiaries' 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 Corporation and subsidiaries' share of losses of an associate equals or exceeds its interest in that associate (which includes any carrying amount of the investment accounted for by the equity method and long-term interests that, in substance, form part of the Corporation and subsidiaries' net investment in the associate), the Corporation and subsidiaries discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Corporation and subsidiaries 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 Corporation and subsidiaries discontinue the use of the equity method from the date on which it ceases to have significant influence over the associate. Any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Corporation and subsidiaries account for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities.

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

Financial Instruments

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

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

a. Financial assets and liabilities

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

   1) Measurement category

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

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

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

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

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

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

Financial assets or liabilities at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset. Other financial liabilities are measured at amortized cost using the effective interest method. Fair value is determined in the manner described in Note 55.

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 Corporation and subsidiaries have a positive intent and ability to hold to maturity are classified as held-to-maturity financial assets. Subsequent to initial measurement, held-to-maturity financial assets are recorded at amortized cost less impairment.

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 Corporation and subsidiaries' right to receive the dividends is established.

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

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 Corporation and subsidiaries’ 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 uncollectible or loss incurring are evaluated on the basis of the borrowers'/clients' financial condition and delinquency record on interest payments, and these assets have allowances at 1%, 2%, 10% 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 is evaluated on the basis of Regulations Governing Institutions Engaging In Credit Card Business.

Based on Rule No. 10300329440 issued by the FSC, for the Corporation and subsidiaries to have an enhanced risk coverage, 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 Rule No. 10410001840 issued by the FSC, for the Corporation and subsidiaries to have an enhanced control of the exposure to risk in Mainland China, the minimum provision for the loan loss reserve is 1.5% of the loans that were granted to companies based in Mainland China before 2015 and classified as normal assets.

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

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

b. Derivative financial instruments

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

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

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 Corporation and subsidiaries will assess the hedging instrument effectiveness. Note 25 set out details of the fair values of the derivative instruments used for hedging purposes.

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 Corporation and subsidiaries 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, in which case, the land is regarded as held for capital appreciation.

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

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset 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 Corporation and subsidiaries expect 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 Corporation and subsidiaries evaluate the possibility of impairment loss on nonfinancial assets as of the balance sheet date. If there is sufficient objective evidence of asset impairment, the Corporation and subsidiaries 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 Corporation and subsidiaries have a present obligation (legal or constructive) as a result of a past event, it is probable that the Corporation and subsidiaries will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

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

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

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the control of the entity, or a present obligation that arises from past events but is not recognized because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or because the amount of the obligation cannot be measured with sufficient reliability. The Corporation and subsidiaries do 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 Corporation and subsidiaries do 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 Corporation and subsidiaries' defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

c. Other long-term 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 stockholders 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 (collectively, the "Group") 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 Corporation and subsidiaries are able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

c. Current and deferred tax for the period

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

Revenue Recognition

Interest revenue arised 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 Corporation and subsidiaries.

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 Corporation and subsidiaries' net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Corporation and subsidiaries' net investment outstanding in respect of the leases.

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

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

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

a. Impairment loss on loans and receivables

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

b. Fair value of financial instruments

In addition to meet the regular market way, the basic theory of valuation model and assumptions for financial instruments identified with the industries evaluate the fair value and confirm the reliable information from the markets. In order to make sure the results are reasonable, the fair value is reviewed and adjusted regularly.
Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities is disclosed in notes 55.

c. Income tax

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

6. CASH AND CASH EQUIVALENTS

	December 31	
	2015	2014
Cash in banks	$ 8,695,163	$ 12,662,406
Short-term transactions instruments with maturities of up to three months	7,295,388	2,920,850
Due from banks	6,124,600	6,965,259
Future excess margin	1,352,806	933,022
Cash on hand	1,281,441	1,232,232
Others	340,931	514,711
	$ 25,090,329	$ 25,228,480

Cash and cash equivalents as of December 31, 2015 and 2014 as shown in the consolidated statement of cash flows can be reconciled to the related items in the balance sheets, 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	
	2015	2014
Due from the Central Bank	$ 54,339,778	$ 30,139,236
Call loans to banks	32,785,506	11,477,445
	$ 87,125,284	$ 41,616,681

Statutory deposit reserves placed in the Central Bank of the ROC are determined at prescribed rates based on the monthly average balances of customers' New Taiwan dollar deposits. As of December 31, 2015 and 2014, these reserves included $6,675,432 thousand and $7,849,296 thousand, respectively, which were subject to withdrawal restrictions.

In addition, under a directive issued by the Central Bank of the ROC, separate foreign-currency deposit reserves are determined at prescribed rates based on balances of foreign-currency deposits. These reserves may be withdrawn anytime and are noninterest earning. The balances of foreign-currency deposit reserves were $152,104 thousand and $142,731 thousand as of December 31, 2015 and 2014, respectively.

For the Corporation and subsidiaries' issued certificates of deposits pledged as collaterals for day-term overdraft, please refer to Note 50.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2015	**2014**
Financial assets held for trading		
Derivative instrument		
Currency swap contracts	$ 11,267,269	$ 14,122,818
Interest rate swap contracts	5,450,351	4,633,155
Premiums paid on option contracts	3,866,365	2,453,718
Others	1,690,688	2,160,349
Non-derivative financial assets		
Operating securities (Note 9)	69,315,807	89,807,323
Bank debentures	33,176,658	21,008,563
Mutual funds	6,673,779	6,320,256
Corporate bonds	2,370,073	5,306,309
Convertible (exchangeable) corporate bonds	2,184,662	2,733,520
Others	1,439,556	2,398,116
	137,435,208	150,944,127
Financial assets designated as at FVTPL		
Government bonds	19,299,321	-
Convertible (exchangeable) corporate bonds	188,401	233,686
Others	857,155	-
	20,344,877	233,686
Financial assets at FVTPL	$ 157,780,085	$ 151,177,813
Financial liabilities held for trading		
Derivative instrument		
Currency swap contracts	$ 11,379,184	$ 14,432,034
Interest rate swap contracts	5,856,509	4,739,291
Premiums received on option contracts	5,478,033	3,305,838
Structure products	2,192,369	531,450
Others	1,653,112	3,709,977
Non-derivative financial liabilities		
Borrowed securities payable	6,167,626	4,495,468
Securities purchased under resell agreement - securities financing	652,471	830,616
	33,379,304	32,044,674
Financial liabilities designated as at FVTPL		
Bank debentures payable	4,352,498	1,071,148
Structured products	2,166,377	1,966,485
	6,518,875	3,037,633
Financial liabilities at FVTPL	$ 39,898,179	$ 35,082,307

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

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

Bank Debenture Number	December 31 2015	December 31 2014	Issuance Period	Method of Paying Principles and Interests	Interest Rate
04 KGIB 1	$ 1,050,000	$ 1,050,000	May 18, 2006 - May 18, 2016	Principal due on maturity; interest payable annually	2.15%
15KGIB1	3,504,996	-	March 24, 2015 - March 24, 2045 (Note)	Principal due on maturity	0.00%
	4,554,996	1,050,000			
Valuation adjustments	(202,498)	21,148			
	$ 4,352,498	$ 1,071,148			

Note: 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).

The contract (nominal) amounts of the Corporation and subsidiaries' outstanding derivative financial instruments as of December 31, 2015 and 2014 are summarized as follows:

	Contract Amount December 31 2015	Contract Amount December 31 2014
Currency swap contracts	$ 1,167,714,201	$ 926,590,408
Interest rate swap contracts	711,778,113	627,897,252
Option and Futures contracts	359,829,956	396,248,979
Forward exchange contracts	121,868,073	40,037,779
Structured note contracts	16,194,507	15,856,879
Assets swap contracts	13,520,064	14,375,313
Cross-currency swap contracts	8,830,876	28,535,005
Credit default swap contracts	4,014,286	634,360
Non-deliverable forward contracts	1,609,868	3,478,777
Commodity swap	1,143,416	213,193
Equity derivative financial contracts	292,546	7,906,629

As of December 31, 2015 and 2014, financial assets held for trading with aggregate carrying values of $94,464,703 thousand and $87,841,744 thousand, respectively, had been sold under repurchase agreements (recognized as notes and bonds issued under repurchase agreements).

On July 15, 2010, CDIB initiated action against Morgan Stanley & Co. International PLC ("Morgan Stanley") et al. to recover losses CDIB suffered as a result of its investment in a Morgan Stanley's credit default swap (CDS) product that had been tied to a synthetic collateralized debt obligation on residential mortgage-backed securities; the representations made to CDIB by Morgan Stanley during the solicitation process were materially false and misleading and therefore caused significant financial losses to CDIB. As of December 31, 2010, the underlying asset pools on the CDS had been liquidated, and CDIB had recognized all gains and losses from the transaction. The balance of US$11,977,825 (NT$396,059 thousand based on the exchange rate of December 31, 2015) was reclassified to "other financial liabilities". In addition, Morgan Stanley overlooked CDIB's efforts and terminated interest rate swap (IRS) contracts (nominal principal amount: KRW24,000,000 thousand) and CDS contracts (nominal principal amount: JPY586,510 thousand), CDIB reserves the right of legal proceedings.

For the information on financial instruments at fair value through profit or loss pledged as collateral for the Corporation and subsidiaries, please refer to Note 50.

9. OPERATING SECURITIES

	December 31	
	2015	2014
Dealing		
Government bonds	$ 23,270,235	$ 10,607,709
Oversea securities	16,811,666	34,870,590
Corporate bonds	15,273,953	27,719,299
Listed, OTC and emerging market stocks	7,601,755	6,619,532
Others	988,365	1,896,953
	63,945,974	81,714,083
Underwriting		
Listed and OTC stocks	863,517	922,894
Corporate bonds	677,226	1,082,488
	1,540,743	2,005,382
Hedge positions		
Listed and OTC stocks	2,715,104	5,504,487
Oversea securities	1,085,737	439,853
Listed and OTC warrant	28,249	143,518
	3,829,090	6,087,858
	$ 69,315,807	$ 89,807,323

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31	
	2015	2014
Bank debentures	$ 20,955,028	$ 18,033,182
Listed, OTC and emerging market stocks	20,055,988	25,378,584
Government bonds	20,017,935	77,621,553
Corporate bonds	9,091,039	17,924,278
Others	523,025	653,003
	$ 70,643,015	$ 139,610,600

As of December 31, 2015 and 2014, available-for-sale financial assets, with aggregate carrying values of $25,014,339 thousand and $41,869,805 thousand, respectively, had been sold under repurchase agreements (recognized as notes and bonds issued under repurchase agreements).

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

For the information on available-for-sale financial assets pledged as collateral for the Corporation and subsidiaries, please refer to Note 50.

11. SECURITIES PURCHASED UNDER RESELL AGREEMENTS

	December 31	
	2015	2014
Commercial paper	$ 35,413,781	$ 14,572,223
Government bonds	10,512,947	11,592,393
Bank debentures	3,882,273	3,997,992
Corporate bonds	2,813,252	2,708,935
	$ 52,622,253	$ 32,871,543
Resold amounts	$ 52,622,018	$ 32,855,968
Last maturity date	March 2016	February 2015

12. RECEIVABLES

	December 31	
	2015	2014
Receivables on margin loans, refinancing margin and refinancing deposits receivable	$ 36,440,846	$ 46,260,170
Accounts receivable - forfeiting	26,685,120	44,598,847
Receivable accounts for settlement	13,879,169	16,146,392
Lease receivables	7,462,931	7,309,548
Settlement price	3,026,676	5,579,197
Credit card receivables	2,707,234	2,522,220
Interest receivable	2,553,165	3,335,519
Acquired loans	2,116,953	2,648,465
Others	9,410,246	7,065,403
	104,282,340	135,465,761
Less: Unrealized interest revenue	(521,616)	(591,281)
Allowance for bad debts	(3,006,575)	(3,085,451)
	$ 100,754,149	$ 131,789,029

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

	For the Year Ended December 31	
	2015	2014
Balance, January 1	$ 3,085,451	$ 2,131,059
Allowance (reversal)	165,672	(97,405)
Loans reclassified to nonperforming loans	(1,759)	(74)
Write-off	(271,447)	(95,895)
Effect of exchange rate changes	28,658	64,209
Effect of increase in consolidated subsidiaries	-	1,083,557
Balance, December 31	$ 3,006,575	$ 3,085,451

For the information on impairment loss analysis of receivables, please refer to Note 56.

The amount of receivables pledged as collateral for the Corporation and subsidiaries please refer to Note 50.

13. DISCOUNTS AND LOANS

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

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

	For the Year Ended December 31	
	2015	2014
Balance, January 1	$ 3,447,239	$ 1,779,774
Allowance (reversal)	(655,675)	206,946
Recovery of written-off credits	1,137,538	387,964
Write-off	(829,902)	(334,486)
Reduction and exemption	(20,932)	-
Effects of exchange rate changes	37,428	36,057
Effect of increase in consolidated subsidiaries	-	1,370,984
Balance, December 31	$ 3,115,696	$ 3,447,239

For the information on impairment loss analysis of discounts and loans, please refer to Note 56.

14. HELD-TO-MATURITY FINANCIAL ASSETS

	December 31	
	2015	2014
Bank debentures	$ 402,564	$ -
Negotiable certificate of deposit issued by CBC	-	18,600,000
Corporate bonds	-	190,000
	$ 402,564	$ 18,790,000

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

15. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Associates that are not individually material:

	December 31			
	2015		2014	
	Amount	%	Amount	%
CDIB & Partners Investment Holding Corporation	$ 4,765,852	34	$ 4,821,872	34
KGI Securities (Thailand) Public Company Limited	2,059,804	35	2,164,679	35
CDIB Capital Asia Partners L.P.	1,314,206	-	-	-
CPEC Huachuang Private Equity Management (Fujian) Enterprise (Limited Partnership)	667,550	-	702,508	-
CPEC Huachuang Private Management Equity (Kunshan) Enterprise (Limited Partnership)	585,700	-	-	-
CDIB Biomedical Venture Capital Corporation	584,514	34	295,839	34
CDIB CME Fund Ltd.	576,143	40	304,752	40
Others	221,896		273,337	
	$ 10,775,665		$ 8,562,987	

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

	For the Year Ended December 31	
	2015	2014
The Corporation and subsidiaries' share of:		
Net profit for the year	$ 444,114	$ 446,416
Other comprehensive income (loss)	(135,881)	182,799
Total comprehensive income for the year	$ 308,233	$ 629,215

The investments accounted for by the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2015 and 2014 was based on the associates' financial statements audited by the auditors.

Please refer to Note 50 for investments under equity method pledged as collateral.

16. INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES

a. Investment in private equity fund

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

	December 31 2015
Investment in private equity fund	
Financial assets measured at cost	$ 6,891,768
Maximun exposure	$ 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 and its subsidiaries and external third parties.

	December 31, 2015
Management on Private equity fund	
Total assets	$ 9,351,364
Total liabilities	101,340
Investments accounted for using equity method	2,567,456
Maximun exposure	2,567,456

17. RESTRICTED ASSETS

	December 31	
	2015	2014
Restricted demand deposits	$ 29,345,180	$ 23,844,623
Stocks	149,392	149,392
Accounts receivables	105,447	101,800
Checking accounts - restricted for agent's stock transfer purposes	83,390	231,601
Impound account	49,178	53,759
Accrued revenue	30,287	28,127
Due from banks	13,856	15,905
	$ 29,776,730	$ 24,425,207

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

For the information on restricted assets pledged as collateral for the Corporation and subsidiaries, please refer to Note 50.

After the filing of a certain complaint against Morgan Stanley (Note 51), CDIB could not access the following funds in connection with transactions made with Morgan Stanley because of its unauthorized disposition: Accounts receivable, deposits, cash security on CDS contracts, available-for-sale stock investments and the related accrued revenue. Because of the inaccessibility of these funds, these financial assets reclassified as "restricted assets".

18. FINANCIAL ASSETS MEASURED AT COST

	December 31	
	2015	2014
Unlisted stocks - common stock	$ 8,022,763	$ 12,913,135
Unlisted overseas partnership fund	6,891,768	12,327,771
Others	6,180,743	6,721,485
	$ 21,095,274	$ 31,962,391
Classified according to financial asset measurement categories		
Available-for-sale financial assets	$ 19,749,728	$ 26,962,138
Financial assets at FVTPL	1,345,546	5,000,253
	$ 21,095,274	$ 31,962,391

CDIB and subsidiaries disposed of certain financial assets measured at cost with carrying amount of $7,551,693 thousand and $2,694,202 thousand during the years ended December 31, 2015 and 2014, respectively, recognizing disposal gain of $1,929,873 thousand and $1,768,398 thousand, respectively.

19. OTHER FINANCIAL ASSETS

	December 31	
	2015	2014
Guarantee deposits received on futures contracts	$ 31,506,459	$ 24,310,737
Time deposits with original maturities over three months	4,567,104	12,487,419
Debt instruments with no active market	1,619,702	2,680,996
Pledged time deposit	629,344	1,980,802
Others	451,212	332,922
	$ 38,773,821	$ 41,792,876

For the information on other financial assets pledged as collateral for loans, please refer to Note 50.

20. INVESTMENT PROPERTY

	December 31	
	2015	2014
Land	$ 1,779,276	$ 1,790,154
Buildings and facilities	269,035	280,552
	$ 2,048,311	$ 2,070,706

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

	For the Year Ended December 31	
	2015	**2014**
Cost		
Beginning balance	$ 2,698,832	$ 2,459,034
Additions	-	490,832
Disposal	(11,527)	(270,939)
Effect of increase in consolidated subsidiaries	-	23,297
Reclassification	(4,617)	(3,392)
Ending balance	2,682,688	2,698,832
Accumulated depreciation		
Beginning balance	(126,765)	(101,597)
Depreciation	(8,577)	(9,382)
Disposal	963	14,451
Effect of decrease in consolidated subsidiaries	-	(3,800)
Reclassification	284	(26,437)
Ending balance	(134,095)	(126,765)
Accumulated impairment		
Beginning balance	(501,361)	(527,239)
Disposal	-	25,000
Reversal of impairment	1,079	878
Ending balance	(500,282)	(501,361)
Carrying amount	$ 2,048,311	$ 2,070,706

The above items of investment property 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	5 years

The fair values of the Corporation and subsidiaries' investment property as of December 31, 2015 and 2014 were $3,622,323 thousand and $3,310,420 thousand, respectively. Investment property categorized into Level 3.

In addition to the fair value of KGI Securities for the years ended December 31, 2015 and 2014 as well as CDIB's investment properties for the year ended December 31, 2014 had not been performed by independent qualified professional valuer; however, management of the Corporation and subsidiaries used the valuation model that market participants would use in determining the fair value. The valuation was measured using the sales comparison approach and income approach. The former compares a subject property's characteristics with those of comparable properties which have recently sold in similar transaction; the latter is computed by taking the net operating income of the rent collected and dividing it by the capitalization rate.

All of the Corporation and subsidiaries' investment property were held under freehold interests. The carrying amount of the investment properties that had been pledged by the Corporation and subsidiaries to secure borrowings were reflected in Note 50.

21. PROPERTY AND EQUIPMENT

	December 31	
	2015	2014
Land	$ 8,915,396	$ 8,914,058
Buildings and facilities	4,554,334	4,643,337
Computer equipment	488,401	314,221
Transportation equipment	21,424	17,925
Other equipment	256,935	270,917
Leasehold improvements	247,471	129,671
Leased assets	231,352	76,851
	14,715,313	14,366,980
Prepayments for acquisition of properties	1,847	26,829
	$ 14,717,160	$ 14,393,809

The changes in the Corporation and subsidiaries' 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 and revaluation increment									
Balance at January 1, 2014	$ 5,750,399	$ 3,812,872	$ 1,280,327	$ 16,730	$ 1,819,817	$ 406,120	$ 95,740	$ 30,341	$ 13,212,346
Additions	-	3,260	115,781	2,082	60,344	63,833	26,212	19,730	291,242
Disposals	-	(4,980)	(227,508)	(13,314)	(31,574)	(29,721)	(719)	(2,349)	(310,165)
Reclassification	(394,990)	(91,230)	21,584	-	(5,168)	10,720	-	(20,893)	(479,977)
Effect of change on consolidated subsidiaries	3,562,906	2,952,917	1,014,449	145,775	313,458	2,532	28,495	-	8,020,532
Effect of exchange rate changes	-	-	3,620	1,316	27,846	10,794	-	-	43,576
Balance at December 31, 2014	8,918,315	6,672,839	2,208,253	152,589	2,184,723	464,278	149,728	26,829	20,777,554
Accumulated depreciation and impairment									
Balance at January 1, 2014	$ -	$ (1,215,561)	$ (1,015,304)	$ (16,578)	$ (1,560,622)	$ (272,306)	$ (44,556)	$ -	$ (4,124,927)
Additions	-	(104,743)	(139,590)	(3,844)	(100,017)	(74,017)	(20,111)	-	(442,322)
Disposals	-	4,980	224,713	13,314	28,641	20,272	538	-	292,458
Reclassification	-	27,724	(11,480)	-	11,480	-	-	-	27,724
Effect of change on consolidated subsidiaries	(4,257)	(741,902)	(950,398)	(127,413)	(267,317)	-	(8,748)	-	(2,100,035)
Effect of exchange rate changes	-	-	(1,973)	(143)	(25,971)	(8,556)	-	-	(36,643)
Balance at December 31, 2014	(4,257)	(2,029,502)	(1,894,032)	(134,664)	(1,913,806)	(334,607)	(72,877)	-	(6,383,745)
Balance at December 31, 2014, net	$ 8,914,058	$ 4,643,337	$ 314,221	$ 17,925	$ 270,917	$ 129,671	$ 76,851	$ 26,829	$ 14,393,809
Cost and revaluation increment									
Balance at January 1, 2015									
Additions	$ 8,918,315	$ 6,672,839	$ 2,208,253	$ 152,589	$ 2,184,723	$ 464,278	$ 149,728	$ 26,829	$ 20,777,554
Disposals	-	43,657	280,415	13,016	46,138	175,435	206,938	62,965	828,564
Reclassification	-	(25,740)	(1,183,348)	(113,684)	(444,980)	(30,790)	(72,519)	(13,914)	(1,884,975)
Effect of change on consolidated subsidiaries	1,338	26,074	42,751	-	20,201	46,004	(15,216)	(74,033)	47,119
Effect of exchange rate changes	-	-	28,707	-	5,475	4,407	-	-	38,589
Balance at December 31, 2015	-	-	5,002	1,240	24,727	11,441	-	-	42,410
	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)
Effect 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

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	20-61 years
Lifting equipment	15 years
Air-conditioning and electrical equipment	5-10 years
Fire and monitoring equipment	5 years
Computer equipment	2-8 years
Transportation equipment	3-16 years
Other equipment	
Office furniture and equipment	3-11 years
Others	10 years
Leasehold improvements	1-5 years
Leased assets	1-10 years

For the information on property and equipment pledged as collateral, please refer to Note 50.

22. INTANGIBLE ASSETS

	December 31	
	2015	2014
Operation rights	$ 6,202,496	$ 6,884,636
Goodwill	1,892,627	1,509,125
Computer software	452,971	466,200
Others	36,396	36,396
	$ 8,584,490	$ 8,896,357

The changes in the Corporation and subsidiaries' intangible assets were as follows:

	Operation Rights	Goodwill	Computer Software	Others	Total
Cost					
Balance at January 1, 2014	$ 7,002,074	$ -	$ 673,280	$ 51,994	$ 7,727,348
Additions	-	-	113,922	-	113,922
Disposals	-	-	(59,162)	-	(59,162)
Reclassification	-	-	17,967	-	17,967
Effect of change on consolidated subsidiaries	1,540,488	1,465,648	200,330	-	3,206,466
Effect of exchange rate changes	-	43,477	347	-	43,824
Balance at December 31, 2014	8,542,562	1,509,125	946,684	51,994	11,050,365
Accumulated amortization and impairment					
Balance at January 1, 2014	(1,039,764)	-	(394,807)	(15,598)	(1,450,169)
Amortization	(618,162)	-	(144,789)	-	(762,951)
Disposals	-	-	59,162	-	59,162
Effect of exchange rate changes	-	-	(50)	-	(50)
Balance at December 31, 2014	(1,657,926)	-	(480,484)	(15,598)	(2,154,008)
Balance at December 31, 2014, net	$ 6,884,636	$ 1,509,125	$ 466,200	$ 36,396	$ 8,896,357

(Continued)

	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
Effect of change on consolidated subsidiaries	-	372,878	-	-	372,878
Effect 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)
Effect 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

(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

23. OTHER ASSETS

	December 31	
	2015	2014
Guarantee deposits paid	$ 9,798,152	$ 7,739,652
Security borrowing margins	6,563,279	2,203,277
Collected for underwriting payment of shares	2,115,341	4,527
Operating guarantee deposits	1,447,740	1,957,465
Prepaid expense	698,528	919,105
Settlement funds	560,274	558,736
Competitive bid transactions guarantee	323,027	357,225
Collaterals assumed	153,005	187,832
Others	538,345	252,591
	$ 22,197,691	$ 14,180,410

As of December 31, 2015 and 2014, the above collaterals were net of accumulated impairment losses of $58,674 thousand and $62,415 thousand, respectively.

For the information on other assets pledged as collateral, please refer to Note 50.

24. DEPOSITS FROM THE CENTRAL BANK AND BANKS

	December 31	
	2015	2014
Call loans from banks	$ 8,797,670	$ 11,375,025
Deposits from Chunghwa Post Co., Ltd.	1,226,729	1,305,753
	$ 10,024,399	$ 12,680,778

25. DERIVATIVE FINANCIAL LIABILITIES

		Designated as Hedging Instruments					
		December 31					
		2015		2014			
Hedged Item	Hedging Instrument	Nominal Amount	Fair Value	Nominal Amount	Fair Value	Project Period of Cash Flow Generation	Project Period of Related Gain/Loss Recognized in the Income Statement
Floating rate Corporate bonds payable	Interest rate swap contract	$ -	$ -	$ 2,350,000	$ 20,659	2008-2015	2008-2015

	For the Year Ended December 31	
	2015	2014
Adjustment of equity in the current period	$ (276)	$ (2,220)
Deducted from equity and charged to current gain	20,935	45,876

26. NOTES AND BONDS ISSUED UNDER REPURCHASE AGREEMENTS

	December 31	
	2015	2014
Bank debentures	$ 58,098,148	$ 48,653,105
Government bonds	32,897,800	26,817,930
Corporate bonds	28,615,920	57,355,571
	$ 119,611,868	$ 132,826,606
Repurchased amounts	$ 119,734,729	$ 133,045,357
Last maturity date	March 2016	April 2015

27. COMMERCIAL PAPER PAYABLE

	December 31	
	2015	2014
Commercial paper payable	$ 13,149,834	$ 13,932,591
Less: Unamortized discount	(10,632)	(7,546)
	$ 13,139,202	$ 13,925,045
Rate	0.43%-2.02%	0.40%-1.64%
Last maturity date	November 2016	February 2015

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

As of December 31, 2014, Grand Bills Finance Corp., Dah Chang Bills Finance Corporation, Taichung Bank, Taiwan Business Bank, Sunny Bank, Ta Ching Finance Corporation, Bank of Taiwan, Bank of Taipei, Shanghai Commercial Bank, Mega Bills Finance Co., China Bills Finance Corporation, International Bills Finance Corporation and Taiwan Finance Corporation guaranteed the above commercial paper. However, some commercial paper issued by the Corporation and subsidiaries, which amounted to $11,659,090 thousand, had no guarantee.

28. PAYABLES

	December 31	
	2015	2014
Accounts payable for settlement	$ 29,449,576	$ 30,975,299
Guaranteed price deposits received from securities borrowers	13,780,419	12,232,091
Accrued expenses	3,742,613	4,095,721
Securities financing guarantee deposits	3,377,214	3,611,630
Settlement proceeds	1,863,332	2,009,320
Others	4,938,890	5,319,494
	$ 57,152,044	$ 58,243,555

29. DEPOSITS AND REMITTANCES

	December 31	
	2015	2014
Time deposits	$ 211,950,211	$ 197,415,654
Saving deposits	88,713,219	85,397,967
Demand deposits	23,496,448	20,528,977
Checking deposits	1,040,422	1,150,400
Negotiable CDs	100,700	55,900
Inward remittance	11,132	9,072
	$ 325,312,132	$ 304,557,970

30. BONDS PAYABLE

	December 31	
	2015	2014
Corporate bonds payable	$ 26,006,520	$ 22,120,680
Bank debentures payable	2,612,172	12,540,304
	$ 28,618,692	$ 34,660,984

Corporate Bonds Payable

	December 31 2015	December 31 2014
1st corporate bonds in 2009 - the Corporation	$ 1,000,000	$ 6,000,000
1st corporate bonds in 2011 - the Corporation	6,000,000	6,000,000
1st corporate bonds in 2011 - KGI Securities	-	3,100,000
1st corporate bonds in 2008 - the Corporation	-	3,000,000
1st corporate bonds in 2013 - the Corporation	3,000,000	3,000,000
1st corporate bonds in 2014 - the Corporation	6,000,000	-
1st corporate bonds in 2015 - the Corporation	2,000,000	-
1st corporate bonds in 2014 - KGI Securities	1,006,520	1,020,680
1st corporate bonds in 2015 - KGI Securities	7,000,000	-
	$ 26,006,520	$ 22,120,680

In June 2008, the Corporation issued $6,000,000 thousand of 1st unsecured corporate bonds in 2008 with par value of $1,000 thousand. The bond terms were as follows:

a. Issue period:

Bond C and Bond D: Seven years.

b. Issue coupon/interest rate:

Bond C: 3.40% fixed annual interest rate.
Bond D: Indicator rate plus 0.70%

The indicator rate is the fixing rate of the 90-day short-term bills in the secondary market quoted by the Reuters at 11:00 a.m., two working days prior to the date of accruing interest as of issue date (shown on page 6165). If the rate is not available, the average rate of the last working day before the above first day will be used instead.

c. Method of paying principal and interest: Principal due on maturity; Bond C was issued at par, interest payable annually. The interests period for Bond D start every three months from the issue date; interest payable annually and principal repayable on the due date.

d. Pledged: Negative.

The interest rates on the above bonds were 1.578%-3.40% and 1.563%-3.40% for the years ended December 31, 2015 and 2014, respectively. Bond C and Bond D will mature in June 2015.

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 March 2012, KGI Securities issued $3,100,000 thousand of 1st unsecured corporate bonds in 2011 with par value of $10,000 thousand. The bond terms were as follows:

a. Issue period: Three years.

b. Issue coupon/interest rate: 1.15% fixed annual interest rate.

c. Method of paying principal and interest:

Principal due on maturity; simple interest payable annually.

d. Pledged: Negative.

The bond will mature in March 2015.

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 2010.

Bank Debentures Payable

Name	December 31 2015	December 31 2014	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%
No. 960301	-	9,000,000	2008.01.30-2015.01.30	Principal due on maturity; interest payable annually	3.00%
No. 960401	-	1,000,000	2008.01.31-2015.04.30	Principal due on maturity; interest payable annually, the last payment for three months	3.10%
Issued amount	2,750,000	12,750,000			
Unamortized discount	(137,828)	(209,696)			
Net amount	$ 2,612,172	$ 12,540,304			

31. OTHER BORROWINGS

	December 31 2015	December 31 2014
Short-term credit borrowings	$ 11,848,307	$ 18,876,228
Short-term secured borrowings	5,727,556	10,452,427
Note issuance facility	3,899,189	5,198,903
Long-term credit borrowings	334,407	338,280
Long-term secured borrowings	-	338,808
	$ 21,809,459	$ 35,204,646
Rate	0.45%-6.64%	0.73%-7.12%
Last maturity date	July 2018	August 2018

32. PROVISIONS

	December 31	
	2015	2014
Provisions for employee benefits	$ 1,037,014	$ 887,355
Provisions for guarantee liabilities	104,564	109,498
Others	277,876	218,411
	$ 1,419,454	$ 1,215,264

33. 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 $343,669 thousand in 2015 and $224,509 thousand in 2014, respectively.

The Corporation's foreign subsidiaries recognized their contributions as pension expenses in accordance with their local laws and regulation and amounting to $12,382 thousand and $54,651 thousand for the years ended December 31, 2015 and 2014, respectively.

b. Defined benefit plans

The Corporation and 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 has made monthly contributions at 13% of salaries and wages to a pension fund. In February 2006, CDIB 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 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 is required to fund the difference in one appropriation that should be made before the end of March of the next year.

KGI 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.

KGI Bank (KGIB) 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 KGIB's Zhonghe Branch in the committee's name. Before the end of each year, KGIB 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, KGIB 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 Corporation and subsidiaries' defined benefit plans were as follows:

	December 31	
	2015	2014
Present value of defined benefit obligation	$ 2,618,343	$ 2,235,147
Fair value of plan assets	(1,737,265)	(1,803,677)
Net defined benefit liability	$ 881,078	$ 431,470

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

The Corporation and subsidiaries (excluding KGIB)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability (Asset)
Balance at January 1, 2014	$ 1,936,444	$ (1,112,096)	$ 824,348
Service cost			
Current service cost	26,066	-	26,066
Net interest expense (income)	36,950	(21,357)	15,593
Recognized in profit or loss	63,016	(21,357)	41,659
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(1,985)	(1,985)
Actuarial gain - changes in demographic assumptions	(312)	-	(312)
Actuarial gain - changes in financial assumptions	(30,449)	(74)	(30,523)
Actuarial gain - experience adjustments	(55,889)	(609)	(56,498)
Recognized in other comprehensive income	(86,650)	(2,668)	(89,318)
Contributions from the employer	-	(22,254)	(22,254)
Benefits paid	(180,584)	180,584	-
Balance at December 31, 2014	$ 1,732,226	$ (977,791)	$ 754,435

KGI Bank

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability (Asset)
Balance at January 1, 2014	$ 543,726	$ (803,460)	$ (259,734)
Service cost			
Current service cost	3,462	-	3,462
Net interest expense (income)	9,943	(15,950)	(6,007)
Recognized in profit or loss	13,405	(15,950)	(2,545)

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability (Asset)
Remeasurement			
Actuarial loss - changes in demographic assumptions	$ 5,190	$ -	$ 5,190
Actuarial (gain) loss - experience adjustments	(53,267)	2,588	(50,679)
Recognized in other comprehensive income	(48,077)	2,588	(45,489)
Contributions from the employer	-	(15,197)	(15,197)
Benefits paid	(6,133)	6,133	-
Balance at December 31, 2014	$ 502,921	$ (825,886)	$ (322,965)

(Concluded)

The Corporation and subsidiaries

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability (Asset)
Balance at January 1, 2015	$ 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

Through the defined benefit plans under the Labor Standards Law, the Corporations and subsidiaries 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	
	2015	**2014**
Discount rates	1.20%	1.65%
Expected rates of salary increase	2.50%	2.50%

CDIB and subsidiaries

	Valuation at December 31	
	2015	**2014**
Discount rates	1.20%	1.65%
Expected rates of salary increase	2.50%	2.50%

KGI and subsidiaries

	Valuation at December 31	
	2015	**2014**
Discount rates	1.50%	2.25%
Expected rates of salary increase	2.00%	2.00%

KGI Bank and Subsidiaries

	Valuation at December 31	
	2015	**2014**
Discount rates	1.20%-1.63%	1.88%
Expected rates of salary increase	2.50%-3.00%	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, 2015
Discount rate(s)	
0.25-0.50% increase	$ (122,642)
0.25-0.50% decrease	$ 133,294
Expected rate(s) of salary increase	
0.25-0.50% increase	$ 129,900
0.25-0.50% decrease	$ (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	
	2015	2014
The expected contributions to the plan for the next year	$ 65,898	$ 75,717
The average duration of the defined benefit obligation	4.64-18.70 years	4.56-20 years

34. OTHER LIABILITIES

	December 31	
	2015	2014
Guarantee deposits received	$ 7,435,318	$ 10,468,931
Collections for underwriting stock value	3,641,600	-
Collections for others	1,007,866	1,496,018
Temporary receipts and suspense accounts	562,163	589,503
Advance receipts	322,221	881,782
Others	147,561	107,800
	$ 13,116,729	$ 13,544,034

35. EQUITY

a. Share capital

Common stock

	December 31	
	2015	2014
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)	15,112,544	15,344,446
Shares issued	$ 151,125,441	$ 153,444,462

On April 8, 2014, the Corporations' stockholders approved the acquisition of KGI Bank through a share swap, and KGI Bank will be the Corporation's wholly owned subsidiary after the share swap. The boards of directors decided to increase capital by 306,147 thousand shares, NT$10 per share, total $3,061,467 thousand on August 11, 2014 and set the date of capital increase and conversion as September 15, 2014.

b. Capital surplus

	December 31	
	2015	**2014**
Arising from treasury stock transactions	$ 379,850	$ 337,166
Difference between consideration and carrying amounts adjusted arising from changes in percentage of ownership in subsidiaries	182,755	183,071
Share-based payments awards	74,681	56,971
Arising from share of changes in capital surplus of associates	13,728	13,338
Capital surplus-issue of stock in excess	3,789	377
	$ 654,803	$ 590,923

The premium from shares issued in excess of par (share premium from issuance of common shares, treasury share transactions and excess of consideration received over the carrying amount of the subsidiaries' net assets during disposal or acquisition) and donations may be used to offset a deficit; in addition, when the Corporation has no deficit, such capital surplus may be distributed as cash dividends or transferred to capital limited to a certain percentage of the Corporation's capital surplus and once a year.

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

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

c. Special revenue

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

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

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

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

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

d. Appropriation of earnings

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

The sequence of earnings appropriation is to 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. Employees' bonus will be appropriated at least 1% of the remainder and remuneration to directors will be 1% at most. The board of directors has its discretion to propose the appropriation of the final remainder of the earnings given the unappropriated earnings at the beginning of the period. On December 28, 2015 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 board of directors on December 28, 2015 and are subject to the resolution of the shareholders in their meeting to be held 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 44.

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

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

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

On June 12, 2015 and June 20, 2014, the board of the stockholders approved the resolution on the appropriations from the earnings of 2014 and 2013, respectively, including bonus to employees and remuneration to directors and supervisors, as follows:

	Earnings Appropriation		Dividends Per Share (NT$)	
	2014	**2013**	**2014**	**2013**
Legal reserve	$ 1,083,622	$ 830,400		
Reversal of special reserve	358,817	2,485,957		
Cash dividends	9,098,673	6,014,787	$ 0.6	$ 0.4

On March 28, 2016, the board of directors approved the 2015 appropriations of earnings were as follows:

	2015
Legal reserve	$ 852,823
Special reserve	2,463,255
Cash dividends (NT$0.5 per share)	7,487,006

The appropriation of earnings for 2015 is subject to the resolution of the shareholders' meeting (the right and functions executed by the board of directors meeting) in May 16, 2016.

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

e. Non-controlling interests

	For the Year Ended December 31	
	2015	**2014**
Balance at January 1	$ 5,833,601	$ 6,443,449
Attributable to non-controlling interests		
Share of profit for the year	86,944	85,289
Exchange difference on translation of foreign financial statements	(1,088)	(937)
Unrealized losses on available-for-sale financial assets	(2,343)	(887)
Actual losses arising from defined benefit plans	(680)	(266)
Income tax relating to the items that will not be reclassified subsequently to profit or loss	-	(18)
Capital return of subsidiaries	-	(2,748,169)
Effect of change in consolidated subsidiaries	(2,207,847)	2,289,708
Payment of cash dividends	(101,675)	(132,441)
Non-controlling interest acquired by cash payment	-	(102,127)
Balance at December 31	$ 3,606,912	$ 5,833,601

36. 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, 2015				
Reclassification of the Corporation's stock held by subsidiaries and recognized as long-term investment	323,232	-	-	323,232
Held by the Corporation to maintain its credit and stockholders' equity	93,405	149,160	(242,565)	-
	416,637	149,160	(242,565)	323,232
For the year ended December 31, 2014				
Reclassification of the Corporation's stock held by subsidiaries and recognized as long-term investment	302,586	20,646	-	323,232
Held by the Corporation to maintain its credit and stockholders' equity	-	93,405	-	93,405
	302,586	114,051	-	416,637

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 $2,490,281 thousand and $3,056,117 thousand on December 31, 2015 and 2014, respectively. The Corporation's shares held by CDIB are also treated as treasury stock and recognized book value on the swap date. The market prices of the shares were $169,918 thousand and $208,526 thousand on December 31, 2015 and 2014.

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

On August 24, 2015, the board of directors resolved to buy back 200,000 thousand of the Corporation's shares between August 25, 2015 and October 23, 2015 under the regulations of Article 28-2 of the Securities and Exchange Act. The purpose of this buyback was to maintain the Corporation's reputation and the stockholders' equity; the buyback price was set at NT$8.16 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. As the end of December 28, 2015, the Corporation had repurchased 53,677 thousand shares at an average price of NT$9.09 per share and retired all the treasury stocks on December 28, 2015.

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

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

37. NET INTEREST PROFIT

	For the Year Ended December 31	
	2015	**2014**
Interest revenues		
Discounts and loans	$ 7,346,179	$ 4,276,894
Margin loans and refinancing margin	2,638,629	2,750,231
Securities	1,594,424	1,633,090
Account receivable - forfeiting	941,838	1,408,498
Due from and call loans to banks	645,934	1,282,817
Deposits	451,901	604,387
Others	627,084	855,100
	14,245,989	12,811,017
Interest expenses		
Deposits	3,004,950	2,099,668
Notes and bonds issued under repurchase agreements	627,549	594,180
Borrowing interest expense	424,975	357,642
Corporate bonds	351,718	330,980
Structured products	185,410	317,561
Bank debentures	103,427	389,350
Others	440,147	309,373
	5,138,176	4,398,754
Interest revenues, net	$ 9,107,813	$ 8,412,263

38. NET SERVICE FEE REVENUE

	For the Year Ended December 31	
	2015	2014
Service fee revenue		
Brokerage	$ 8,959,469	$ 7,805,219
Agency	556,766	120,691
Trust	402,449	174,887
Security lending	274,393	282,510
Others	658,604	373,714
	10,851,681	8,757,021
Service fee expense		
Brokerage	805,113	907,123
Agency	155,292	110,608
Dealing handling fee	91,680	68,431
Others	228,363	151,573
	1,280,448	1,237,735
Service fee, net	$ 9,571,233	$ 7,519,286

39. GAIN ON FINANCIAL ASSETS OR LIABILITIES MEASURED AT FVTPL

	For the Year Ended December 31	
	2015	2014
Bonds	$ 2,314,794	$ 1,119,300
Call (put) warrants	732,335	330,873
Derivatives	702,501	(3,015,243)
Stocks	529,886	694,207
Operating securities	137,572	4,271,283
Others	90,946	13,384
	$ 4,508,034	$ 3,413,804

For the years ended December 31, 2015 and 2014, the Corporation and subsidiaries' financial assets and liabilities at fair value through profit or loss included interest revenue of $2,124,766 thousand and $1,361,222 thousand, respectively, dividend income of $634,587 thousand and $722,888 thousand, respectively and interest expense of $160,945 thousand and $22,575 thousand, respectively.

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

	For the Year Ended December 31	
	2015	2014
Gain on bond disposal	$ 1,598,719	$ 333,700
Gain on stock disposal	1,161,677	4,829,892
Dividend income	996,458	845,042
Gain on conversion of convertible bonds interest	-	385,329
Others	12,452	26,735
	$ 3,769,306	$ 6,420,698

41. IMPAIRMENT LOSS ON ASSETS

	For the Year Ended December 31	
	2015	2014
Financial assets measured at cost	$ 853,183	$ 486,002
Debts investment without active market	71,863	-
Available-for-sale financial assets	34,278	665,672
Others	24,654	125,535
	$ 983,978	$ 1,277,209

42. GAIN ON FINANCIAL ASSETS MEASURED AT COST

	For the Year Ended December 31	
	2015	2014
Gain on security disposal	$ 1,915,341	$ 1,803,477
Dividend income	390,075	507,527
Distributions of fund capital gain	109,026	152,529
Others	47,806	35,084
	$ 2,462,248	$ 2,498,617

43. NET OTHER NONINTEREST PROFIT AND GAIN

	For the Year Ended December 31	
	2015	2014
Revenue from underwriting	$ 497,087	$ 624,740
Commission revenues	453,247	319,129
Gain on debts investment without active market	328,230	3,224
Consignment settlement and delivery expense	(243,760)	(183,538)
Gain on sale of nonperforming	190,688	106,200
Revenue from providing agency service for stock affairs	141,195	145,827
Rental income	97,054	100,259
Gain on investment property	16,003	102,926
Others	184,793	105,371
	$ 1,664,537	$ 1,324,138

44. EMPLOYEE BENEFITS, DEPRECIATION AND AMORTIZATION EXPENSES

	For the Year Ended December 31	
	2015	2014
Employee benefit expense		
Salaries and wages	$ 10,805,027	$ 8,432,467
Employee insurance	602,151	479,420
Pension	395,411	320,071
Others	759,775	851,211
	$ 12,562,364	$ 10,083,169
Depreciation and amortization expenses	$ 1,432,844	$ 1,229,923

The Company's Articles of Incorporation provide that annual net income should be appropriated after deducting any accumulated losses and taxes and providing legal and special reserves and reversing special reserve. The remaining earnings will be used to pay the employee bonus and the remuneration to directors should not be less than 1% and more than 1%, respectively. For the year ended December 31, 2014, the bonus to employees and the remuneration to directors and supervisors were $102,000 thousand and $75,000 thousand, respectively. The bonus to employees and remuneration to directors and supervisors, which were estimated on the basis of the Company's Articles of Incorporation and past experience

To be in compliance with the Company Act as amended in May 2015, the proposed amended Articles of Incorporation of the Corporation stipulate to distribute employees' compensation and remuneration to directors and supervisors at the rates no less than 1% and no higher than 1%, respectively, of net profit before income tax, employees' compensation, and remuneration to directors and supervisors. For the year ended December 31, 2015, the employees' compensation and the remuneration to directors and supervisors were $87,000 thousand and $75,000 thousand, respectively. The employees' compensation and remuneration to directors and supervisors for the year ended December 31, 2015 have been approved by the Corporation's board of directors on March 28, 2016 and are subject to the resolution of the amendments to the Company's Articles of Incorporation for adoption by the shareholders in their meeting to be held on May 16, 2016, and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting.

Material differences between such estimated amounts and the amounts proposed by the board of directors on or before the date the annual consolidated financial statements are authorized for issue are adjusted in the year the bonus and remuneration were recognized. If there is a change in the proposed amounts after the annual consolidated financial statements were authorized for issue, the differences are recorded as a change in accounting estimate. The Corporation's board of directors have approved the employees' compensation in stock which were the closing price after considering the effect of cash and stock dividends of the shares on the day immediately preceding the board's meeting.

The bonuses to employees and remuneration to directors and supervisors for 2014 and 2013 which have been approved in the shareholders' meetings on June 12, 2015 and June 20, 2014, respectively, were as follows:

	For the Year Ended December 31	
	2014	2013
Bonus to employees	$ 102,000	$ 98,000
Remuneration of directors and supervisors	75,000	70,000

	Bonus to Employees	Remuneration of Directors and Supervisors
For the year ended December 31, 2014		
Amounts approved in shareholders' meetings	$ 102,000	$ 75,000
Amounts recognized in respective financial statements	102,000	75,000
	$ -	$ -
For the year ended December 31, 2013		
Amounts approved in shareholders' meetings	$ 98,000	$ 70,000
Amounts recognized in respective financial statements	98,000	70,000
	$ -	$ -

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).

45. OTHER GENERAL ADMINISTRATIVE EXPENSES

	For the Year Ended December 31	
	2015	2014
Taxation	$ 1,598,161	$ 1,231,022
Rental	978,050	766,731
Professional services	835,665	633,910
Repair	503,704	354,316
Computer information	419,009	355,674
Postage	398,582	360,889
Others	2,680,945	1,814,013
	$ 7,414,116	$ 5,516,555

46. INCOME TAX

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

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

a. Income tax expense recognized in profit or loss

The major components of tax expense were as follows:

	For the Year Ended December 31	
	2015	2014
Current income tax		
Current year	$ 547,108	$ 875,098
Prior years	(158,277)	(322,755)
	388,831	552,343
Deferred income tax		
Current year	438,981	388,959
Income tax expense recognized in profit or loss	$ 827,812	$ 941,302

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

	For the Year Ended December 31	
	2015	2014
Income tax expenses at the statutory rate	$ 3,598,069	$ 4,506,687
Permanent differences	(3,051,980)	(4,071,659)
Unrecognized temporary differences	(68,600)	290,664
Unrecognized loss carryforwards	-	(2,734)
Effect of different tax rates of subsidiaries	-	(72,916)
Prior year's adjustments	(158,277)	(322,755)
Additional income tax under the Alternative Minimum Tax Act	351,450	407,413
Tax on unappropriated earnings	111,783	206,602
Others	45,367	-
Income tax expenses	$ 827,812	$ 941,302

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

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

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

	For the Year Ended December 31	
	2015	2014
Deferred income tax		
Unrealized gain (loss) on available-for-sale financial assets	$ 858	$ (257,096)
Actuarial gain (loss) on defined benefit plans	(64,980)	30,930
	$ (64,122)	$ (226,166)

d. Deferred tax assets and liabilities

	December 31 2015	December 31 2014
Deferred tax assets		
Loss carryforwards	$ 4,641,966	$ 5,197,513
Allowance for bad debts	553,529	399,507
Defined benefit obligation	150,001	104,219
Collaterals assumed	63,841	73,428
Others	152,588	60,143
	$ 5,561,925	$ 5,834,810
Deferred tax liabilities		
Goodwill	$ 909,342	$ 909,342
Land value increment tax	406,642	406,642
Defined benefit plans	38,703	54,904
Others	105,479	52,897
	$ 1,460,166	$ 1,423,785

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

The Corporation

	December 31 2015	December 31 2014
Loss carryforwards		
Expiry in 2018	$ 503,243	$ 503,243
Expiry in 2019	765,047	765,047
Expiry in 2021	438,846	438,846
	$ 1,707,136	$ 1,707,136

CDIB

	December 31 2015	December 31 2014
Loss carryforwards		
Expiry in 2018	$ 1,100,330	$ 1,100,330
Expiry in 2019	591,520	591,520
Expiry in 2021	487,389	487,389
	$ 2,179,239	$ 2,179,239

KGI Bank

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

f. Information about unused investment credits, unused carryforward and tax-exemption as of December 31, 2015, investment tax credits comprised:

KGI Bank

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

g. Integrated income tax

	December 31	
	2015	2014
Imputation credits accounts - the Corporation	$ 1,101,373	$ 1,363,552

The Corporation's creditable tax ratio for the distribution of earnings of 2015 and 2014 were 8.11% (estimated) and 17.32%, respectively.

Under the Income Tax Law, for distribution of earnings generated after January 1, 1998, the imputation credits allocated to ROC resident stockholders of the Corporation was calculated based on the creditable ratio as of the date of dividend distribution. The actual imputation credits allocated to stockholders 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 2015 earnings may differ from the actual creditable ratio to be used in allocating imputation credits to the stockholders.

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

h. Income tax assessments

The Corporation's income tax returns through 2010 had been examined by the tax authorities. The Corporation disagreed with the tax authorities' assessments of its 2007 to 2010 tax returns and thus filed tax appeals.

CDIB's income tax returns through 2010 had been examined by the tax authorities. However, CDIB disagreed with the tax authorities' assessments of its 2007 and 2010 tax returns and thus filed tax appeals.

Income tax returns of China Development Asset Management Corp., CHG3, CHG4, Development Industrial Bank Asset Management Corp., and CDIB Capital Management Corporation (formerly CDIB Equity Inc.), through 2013 had been examined by the tax authorities. Income tax returns of CDIB Venture Capital Corp. through 2012 had been examined by the tax authorities. However, CDIB venture Capital Corporation disagreed with the tax authorities' assessments of its 2010 tax return and thus filed tax appeals.

The income tax returns of formerly Grand Cathay through 2010 had been examined by the tax authorities. Formerly Grand Cathay disagreed with the tax authorities' assessments of its 2007 to 2010 tax returns and thus filed tax appeals.

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

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

Income tax returns of KGI Bank, KGI Bank Insurance Brokerage Company, CDIB Management Consulting Corporation, and CDC Finance & Leasing Corp. for the years through 2013 had been examined by the tax authorities.

47. EARNINGS PER SHARE

(New Taiwan Dollars)

	For the Year Ended December 31	
	2015	**2014**
Basic EPS	$ 0.58	$ 0.73
Diluted EPS	$ 0.57	$ 0.73

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

Net Profit for the Period

	For the Year Ended December 31	
	2015	**2014**
Earnings used in the computation of EPS	$ 8,528,231	$ 10,752,042

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

	For the Year Ended December 31	
	2015	**2014**
Weighted average number of common shares outstanding in computation of basic EPS	14,822,514	14,806,771
Effect of dilutive potentially common shares:		
Employee share options	7,968	6,058
Restricted shares	10,827	579
Weighted average number of common shares outstanding in computation of diluted EPS	14,841,309	14,813,408

48. SHARE-BASED PAYMENT ARRANGEMENTS

a. Employee share option plan of the Corporation

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

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

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

Information on employee share options was as follows:

	For the Year Ended December 31			
	2015		**2014**	
	Number of Options (In Thousands)	**Weighted-average Exercise Price (NT$)**	**Number of Options (In Thousands)**	**Weighted-average Exercise Price (NT$)**
Balance at January 1	83,231	$ 9.48	-	$ -
Options granted	-	-	86,800	9.46
Options exercised	(4,963)	8.88	(1,332)	7.68
Options invalid	(3,948)	9.55	(2,237)	9.96
Balance at December 31	74,320	9.01	83,231	9.48
Options exercisable, end of period	30,530	8.93	38,511	9.40
Weighted-average fair value of options granted	$ -		$ 1.496	
Weighted-average remaining contractual life (years)	5.63		6.61	

The weighted-average share prices at the date of exercise of share options from January 1 to December 31, 2015 and from September 15 to December 31, 2014 were $10.45 and $9.90.

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	$7.29-$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, 2015 and 2014 were $17,064 thousand and $4,379 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 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, 2015 and 2014, the Corporation recognized $56,326 thousand and $50,947 thousand as compensation cost.

49. RELATED-PARTY TRANSACTIONS

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

a. Related parties

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

b. Significant transactions with related-parties

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

	Amount	%
December 31, 2015	$ 166,736	1
December 31, 2014	8,769	-

For the years ended December 31, 2015 and 2014, the interest revenues from cash in bank were $202 thousand and $188 thousand, respectively.

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

	Amount	%
December 31, 2015	$ 71,436	-
December 31, 2014	59,533	-

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

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

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

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

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

	Amount	%
December 31, 2015	$ 26,574	-
December 31, 2014	16,218	-

5) Purchase and sale of bonds

	Purchase of Bonds	Sale of Bonds
For the year ended December 31, 2015		
Other related parties	$ 1,709,013	$ 6,274,423
For the year ended December 31, 2014		
Other related parties	4,447,609	3,318,534

6) Purchase and sale of securities

	Purchase of Securities	Sale of Securities
For the year ended December 31, 2014		
Other related parties	$ 111,150	$ -

7) Revenue receivable (recognized as receivables, net)

	Amount	%
December 31, 2015	$ 67,745	-
December 31, 2014	2,421	-

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

	Amount	%
December 31, 2015	$ 15,503	-
December 31, 2014	10,070	-

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

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

10) Discounts and loans, net

	Amount	%	Interest Rate (%)
December 31, 2015	$ 999,266	-	1.43-18.25
December 31, 2014	485,119	-	1.21-18.25

For the years ended December 31, 2015 and 2014, the interest revenues from discounts and loans were $16,502 thousand and $2,819 thousand, respectively.

Balance as of December 31, 2015

(In Thousands of New Taiwan Dollars)

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

Balance as of December 31, 2014

(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	20	$ 12,883	$ 11,888	$ 11,888	$ -	-	Yes
Residential mortgage loans	26	479,198	468,829	468,829	-	Real estate	Yes
Others	7	705,193	4,402	4,402	-	Real estate/ deposit	Yes

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

	Amount	%
December 31, 2015	$ -	-
December 31, 2014	64,255	-

12) Notes and bonds issued under repurchase agreements

	Amount	%
December 31, 2015	$ 50,000	-

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

	Amount	%
December 31, 2015	$ 45,987	-
December 31, 2014	36,099	-

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

	Amount	%
December 31, 2015	$ 45,825	-
December 31, 2014	39,915	-

15) Deposits and remittances

	Amount	%	Interest Rate (%)
December 31, 2015	$ 801,873	-	0-6.5
December 31, 2014	443,734	-	0-6.5

For the years ended December 31, 2015 and 2014, the interest expenses from deposits and remittances were $8,372 thousand and $4,041 thousand, respectively.

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

	Amount	%
December 31, 2015	$ 223,396	1
December 31, 2014	324,605	1

For the years ended December 31, 2015 and 2014, the interest expenses from short-term borrowings were $18,336 thousand and $3,392 thousand, respectively.

17) Customers' equity accounts - futures

	Amount	%
December 31, 2015	$ 57,965	-
December 31, 2014	64,255	-

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

	For the Year Ended December 31	
	Amount	%
2015	$ 25,814	-
2014	23,069	-

19) Consulting service revenue

	For the Year Ended December 31			
	2015		2014	
	Amount	%	Amount	%
Other related parties	$ 576,302	53	$ 83,000	4

20) Net other noninterest profit and gain

	For the Year Ended December 31	
	Amount	%
2015	$ 17,595	1
2014	21,032	1

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

	For the Year Ended December 31	
	Amount	%
2015	$ 61,000	1
2014	27,000	-

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

	For the Year Ended December 31	
	Amount	%
2015	$ 8,316	-
2014	17,759	-

23) Outstanding derivative financial instruments

KGIB

December 31, 2015

(In Thousands of New Taiwan Dollars)

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

CDIB

December 31, 2014

(In Thousands of New Taiwan Dollars)

Related Party	Contract Type	Contract Period	Contract Amount	Valuation Gain (Loss)	Balance Sheet Account	Balance Sheet Balance
Other related parties	Currency swap contracts	February 7, 2014 - July 21, 2015	$ 12,208,213	$ (400,616)	Financial assets held for trading	$ 27,325
					Financial liabilities held for trading	454,734

24) Compensation of key management personnel

	For the Year Ended December 31	
	2015	2014
Salary and short-term benefits	$ 327,511	$ 374,798
Share-based payment	52,377	47,514
Post-employment benefits	4,270	4,634
	$ 384,158	$ 426,946

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

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

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

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

CDIB and subsidiaries

Related Party	Relationship with the Bank and Subsidiaries
China Development Financial Holding Corporation	Parent company
KGI Securities Co., Ltd.	Subsidiary of the parent company
KGI Bank	Subsidiary of the parent company (Note 1)
Others	Other related parties (Note 2)

Note 1: Since CDFH acquired 100% equity of KGI Bank through a share swap, it became related party of CDIB.

Note 2: CDC Financial & Leasing Corporation was no longer the subsidiary of the CDIB after the transfer date of May 1, 2015.

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

	December 31, 2015	
	Amount	%
Subsidiary of the parent company	$ 10,607,534	38

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

	December 31			
	2015		2014	
	Amount	%	Amount	%
Subsidiary of the parent company	$ 12,613,249	45	$ 111,968	1

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
For the year ended December 31, 2014		
Subsidiary of the parent company	5,289,157	3,947,399
Other related parties	-	100,053

4) Purchase and sale of securities

	Purchase of Securities	Sale of Securities
For the year ended December 31, 2014		
Other related parties	$ 111,150	$ -

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

	December 31			
	2015		2014	
	Amount	%	Amount	%
Parent company	$ 690,918	99	$ 530,220	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

Balance as of December 31, 2014

(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	$ 700,000	$ -	$ -	$ -	-	Yes

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

	December 31			
	2015		2014	
	Amount	%	Amount	%
Stock				
Parent company	$ 169,918	2	$ 208,526	-

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

	December 31			
	2015		2014	
	Amount	%	Amount	%
Parent company	$ 248,526	62	$ 237,069	52

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

9) Deposits and remittances

	Amount	%	Interest Rate (%)
December 31, 2014			
Parent company	$ 1,410,296	1	0-0.35
Subsidiary of the parent company	3,683,057	2	0-3.00

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

	December 31, 2014	
	Amount	%
Other related parties	$ 109,297	2

11) Consulting service revenue

	For the Year Ended December 31, 2015	
	Amount	%
Other related parties	$ 461,524	73

12) Outstanding derivative financial instruments

December 31, 2014

(In Thousands of New Taiwan Dollars)

Related Party	Contract Type	Contract Period	Contract Amount	Valuation Gain (Loss)	Balance Sheet	
					Account	Balance
Other related parties	Currency swap contracts	February 7 2014 - July 21, 2015	$ 12,208,213	$ (400,616)	Financial assets held for trading	$ 27,325
					Financial liabilities held for trading	454,734
Subsidiary of the parent company	Interest rate swap contracts	April 1, 2010 - September 23, 2015	800,000	(5,403)	Financial assets held for trading	2,140
	Asset swap-option contracts	April 17, 2014 - July 14, 2017	103,900	(6,844)	Financial liabilities held for trading	6,844
	Asset swap-interest rate swap contracts	April 17, 2014 - July 30, 2017	103,900	2,071	Financial assets held for trading	2,071
	Equity option contracts	January 13, 2014 - October 27, 2015	7,832,000	853,057	Financial assets held for trading	1,019,026
	Exchange rate swap option contract	November 4, 2014 - June 15, 2015	532,457	3,870	Financial assets held for trading	3,870

13) Compensation of key management personnel

	For the Year Ended December 31	
	2015	2014
Salary and short-term benefits	$ 109,443	$ 136,399
Post-employment benefits	926	1,929
Share-based payment	867	324
	$ 111,236	$ 138,652

KGI Securities and subsidiaries

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

Note: Since CDFH acquired 100% equity of KGI Bank through a share swap, it became related party of KGI Securities.

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

	December 31			
	2015		2014	
	Amount	%	Amount	%
Subsidiary of the parent company	$ 393,854	3	$ 3,683,057	27
Other related parties	165,644	1	-	-

2) Available-for-sale financial assets- current

	December 31			
	2015		2014	
	Amount	%	Amount	%
Stock				
Parent company	$ 2,490,281	34	$ 3,056,117	40

3) Restricted assets (recognized as other current assets)

	December 31			
	2015		2014	
	Amount	%	Amount	%
Subsidiary of the parent company	$ 829,941	2	$ 886,521	3

4) Purchase and sale of bonds

	Purchase of Bonds	Sale of Bonds
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
For the year ended December 31, 2014		
Subsidiary of the parent company	3,947,399	5,289,157
Other related parties	4,447,609	3,218,481

5) Guarantee deposits received in futures contracts

	December 31					
	2015			2014		
	Amount		%	Amount		%
Subsidiary of the parent company	$	177,650	1	$	99,945	-

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

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

7) Current tax assets

	December 31					
	2015			2014		
	Amount		%	Amount		%
Parent company	$	122,581	21	$	122,581	42

8) Short-term loans

	December 31					
	2015			2014		
	Amount		%	Amount		%
Other related parties	$	198,396	1	$	190,308	1

9) Current tax liabilities

	December 31					
	2015			2014		
	Amount		%	Amount		%
Parent company	$	506,024	48	$	411,405	20

10) Outstanding derivative financial instruments

a) Interest rate swap contracts

	December 31, 2014	
	Contract Amount (Principal)	
Subsidiary of the parent company	$	800,000

b) Asset swap IRS contracts

	December 31, 2014
	Contract Amount (Principal)
Subsidiary of the parent company	$ 103,900

c) Asset swap option contracts - call

	December 31, 2014
	Contract Amount (Principal)
Subsidiary of the parent company	$ 103,900

d) Equity option contracts

	December 31, 2014
	Contract Amount (Principal)
Subsidiary of the parent company	$ 7,832,000

11) Compensation of key management personnel

	For the Year Ended December 31	
	2015	2014
Salary and short-term benefits	$ 131,416	$ 133,358
Post-employment benefits	2,721	4,652
Share-based payment	2,527	652
	$ 136,664	$ 138,662

KGI Bank and subsidiaries

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

Note: Since KGI Bank is acquired by CDFH of 100% equity through a share swap, it became the related party of the Corporation, CDIB and KGIS.

1) 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

2) Receivables from securities sale (recognized as receivables)

	Amount	%
December 31, 2015	$ 117,459	-

3) Purchase and sale of bonds

	Purchase of Bonds	Sale of Bonds
For the year ended December 31, 2015		
Subsidiary of the parent company	$ 4,487,411	$ 7,277,298

4) Deposits and remittances

	Amount	%	Interest Rate (%)
December 31, 2015			
Parent company	$ 2,646,445	1	0-0.17
Subsidiary of the parent company	26,153,352	7	0-1.35
December 31, 2014			
Subsidiary of the parent company	998,489	1	0-0.17

5) Payable on securities purchased (recognized as payables)

	Amount	%
December 31, 2015	$ 193,325	5

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

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

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

7) Outstanding derivative financial instrument

December 31, 2015

(In Thousands of New Taiwan Dollars)

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

December 31, 2014

(In Thousands of New Taiwan Dollars)

Related Party	Contract Type	Contract Period	Contract Amount	Valuation Gain (Loss)	Balance Sheet Account	Balance Sheet Balance
Subsidiary of the parent company	Exchange rate swap option contracts	November 4, 2014 - June 15, 2015	$ 532,457	$ (371)	Financial liabilities held for trading	$ 2,545

8) Compensation of key management personnel

	For the Year Ended December 31, 2015
Salary and short-term benefits	$ 138,709
Post-employment benefits	2,247
Share-based payment	-
	$ 140,956

50. PLEDGED ASSETS

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

	December 31 2015	December 31 2014
Due from the Central Bank and call loans to banks	$ 10,075,000	$ 11,300,000
Property and equipment, net	4,773,042	4,807,872
Lease receivables	3,424,754	3,360,837
Available-for-sale financial assets - bonds and stocks	2,577,026	2,817,664
Operating guarantee deposits	1,447,740	1,957,465
Other financial assets - pledged time deposits	629,344	1,980,802
Guarantee deposits paid	532,456	732,877

(Continued)

	December 31	
	2015	2014
Competitive bid transactions guarantee	$ 323,027	$ 357,225
Investment property, net	170,336	380,773
Checking accounts - restricted for agent's stock transfer purposes	83,390	231,601
Financial assets at fair value through profit or loss - bonds and stocks	50,443	71,145
Restricted assets - impound account	49,178	53,759
Investments accounted for using the equity method	-	1,863,168

(Concluded)

51. LIABILITIES AND UNRECOGNIZED CONTRACTUAL COMMITMENTS

Commitments and contingencies of the Corporation and subsidiaries, except for those disclosed in Notes 55 and 56 were summarized as follows:

a. In April 2007, CDIB and Morgan Stanley entered into a CDS contract that was tied to a synthetic collateralized debt obligation on residential mortgage-backed securities. The representations made to CDIB by Morgan Stanley during the solicitation process were materially false and misleading and therefore caused significant losses to CDIB. CDIB has commenced an action against Morgan Stanley, et al. in the Supreme Court of the State of New York, County of New York on July 15, 2010. The litigation had not yet been concluded as of December 31, 2015.

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

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

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

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

f. In order to protect claims, KGI Bank acted vigorously in regards to Prince Motors' overdue debt. In 2012, the court enforced an auction on Tucheng plant and Dun Nan building collateral and allocated $3,935,303 thousand and $1,971,721 thousand to the Bank respectively. Among which, $3,897,202 thousand and $1,808,039 thousand were allocated by the court as of December 31, 2012 and 2013. However, the Prince Motors objected to the amounts allocated to KGI Bank by the court, which affect Tucheng plant and Dun Nan Building amounting $21,672 thousand and $163,682 thousand, respectively. The former appeal abovementioned has been withdrawn by the court on February 27, 2014 and the other appeal has been announced that KGI Bank has won the lawsuit in the third quarter of 2013. Also, other creditors objected the amounts allocated to the Bank, which affect Tucheng plant amounting $16,429 thousand and was withdrawn by the court in October 2012. As of the reporting date, all the above mentioned collaterals allocated by the court were withdrawn by the court, amounting $3,935,303 thousand and $1,971,721 thousand.

   In December 2012, a third party regards the property rights of Dun Nan buildings as fraudulently infringing upon the rights of the creditors (credit litigation amounted to $481,157 thousand). On February 14, 2014. 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. The lawyer judged that the case has ethical conflicts and insufficient evidence to support the judgment of the court. KGI Bank has appealed for second trial on March 10, 2014 and has a high possibility of winning the case.

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 $1,022,700 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, 2015.

52. SIGNIFICANT SUBSEQUENT EVENTS

To extend the scale of overseas operation and enhance Group's regional distribution, KGI Securities' board of directors approved a 99% cash investment in PT Hasta Dana Sekuritas Indonesia ("PT Hasta") by KGI Capital Asia Ltd. on December 28, 2015. The purchased price was estimated at IDR81,974,000. This investment will take effect upon the approval by relevant authorities. The purchase price will be adjusted on the basis of the net asset value of PT Hasta after the closing date.

53. BUSINESS COMBINATION

a. KGI Ong Capital Pte. Limited, TG Holborn (HK) Limited and KGI Asset Management Limited

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 Ong Capital Pte. Ltd.'s (KGI Ong) on April 29, 2014. KGI Ong is a non-listed company located in Singapore specialized in the futures related business.

For the purpose of expanding foreign operating scale and enhancing the group's business, KGI Limited acquired TG Holborn (HK) Limited and KGI Asset Management Limited ("TG Holborn and KGI Asset Management") 100% voting shares on December 22, 2014. TG Holborn and KGI Asset Management are a non-listed company located in Hong Kong specialized in the financial consult planning and the wealth management related business.

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

	Fair Value on Acquisition Date
Assets	
Financial assets (include cash and cash equivalent NT$87,981)	$ 7,396,296
Non-financial assets	73,930
Assets subtotal	7,470,226
Liabilities	
Financial liabilities	(6,780,125)
Non-financial liabilities	(41,858)
Liabilities subtotal	(6,821,983)
Identifiable net assets	$ 648,243

2) Goodwill of KGI Ong $620,738 thousand raised from the acquisition consideration (cash transaction cost of acquisition) $1,243,830 thousand minus the fair value of identifiable net assets $623,092 thousand.

Goodwill of TG Holborn and KGI Asset Management $23,945 thousand raised from the acquisition consideration (cash transaction cost of acquisition) $49,096 thousand minus the fair value of identifiable net asset $25,151 thousand.

3) Effects of results of operations causing by business combination

From the acquisition date to December 31, 2014, net revenues from investee company is $304,951 thousand, net loss before income tax is $72,663 thousand. Should the acquisition occurred on the beginning of the accounting period, the pro-forma revenue and net income of the Company and subsidiaries' for the year ended would be $30,623,070 thousand, and $8,647,956 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 also should not be used to predict future operation outcome.

b. KGI Bank

CDFH made KGI Bank a subsidiary through a share swap on September 15, 2014, in order to stabilize earnings streams, generate cross-selling synergies, and enhance shareholders' return on equity.

1) Acquisition cost and the type and amount of shares issued as a result of the acquisition:

	Amount
Cash payment	$ 18,510,902
New shares issued	3,061,467
Issuance of employee share options	67,625
	$ 21,639,994

2) Assets acquired and liabilities assumed at the date of acquisition

	Amount
Financial asset (cash and cash equivalents included $7,113,213)	$ 179,069,547
Property, equipment and investment property	5,886,778
Intangible asset	1,740,818
Other asset	6,088,102
Financial liability	(167,372,451)
Other liability	(4,593,765)
	$ 20,819,029

3) Acquired KGI Bank goodwill $820,965 thousand composed. Transaction cost of acquisition $21,639,994 thousand as well as took net identifiable asset and identifiable intangible asset sum of $20,819,029 thousand off.

4) Effects of results of operations causing by business combination

From the acquisition date to December 31, 2014, net revenues from investee company is $1,851,235 thousand, net income is $357,937 thousand. Should the acquisition occurred on the beginning of the accounting period, the pro-forma revenue and net income of the Company and subsidiaries' for the year ended would be $33,115,519 thousand, and $12,624,430 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 also should not be used to predict future operation outcome.

c. 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) $991,360 thousand and the fair value of identifiable net assets $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 revenue and net income of the Company and subsidiaries for the years ended would be $30,622,048 thousand and $8,605,435 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.

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

Consolidated Profitability

(%)

Items		December 31, 2015	December 31, 2014
Return on total assets	Before income tax	1.06	1.50
	After income tax	0.96	1.38
Return on net worth	Before income tax	5.48	6.83
	After income tax	5.00	6.28
Profit margin		28.23	37.86

Profitability of CDFH

(%)

Items		**December 31, 2015**	**December 31, 2014**
Return on total assets	Before income tax	4.55	5.52
	After income tax	4.52	5.71
Return on net worth	Before income tax	5.09	6.20
	After income tax	5.09	6.46
Profit margin		91.46	96.20

Profitability of CDIB

(%)

Items		**December 31, 2015**	**December 31, 2014**
Return on total assets	Before income tax	1.76	1.99
	After income tax	1.80	1.89
Return on net worth	Before income tax	5.20	7.67
	After income tax	5.32	7.30
Profit margin		82.65	79.51

Profitability of KGI Securities

(%)

Items		**December 31, 2015**	**December 31, 2014**
Return on total assets	Before income tax	1.51	2.08
	After income tax	1.43	1.86
Return on net worth	Before income tax	4.39	5.57
	After income tax	4.17	4.99
Profit margin		28.93	33.21

Profitability of KGI Bank (Note)

(%)

Items		**December 31, 2015**	**December 31, 2014**
Return on total assets	Before income tax	1.07	1.08
	After income tax	0.95	0.93
Return on net worth	Before income tax	10.40	10.68
	After income tax	9.21	9.21
Profit margin		50.08	43.00

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

55. 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 or price estimates arrived at through pricing models that use inputs such as in interest 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:

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

December 31, 2014

(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	$ 17,745,383	$ -	$ -	$ 17,745,383
Bond investments	60,392,112	42,970,217	-	103,362,329
Others	751,923	5,714,452	-	6,466,375
Financial assets designated as at FVTPL	-	-	233,686	233,686
Available-for-sale financial assets				
Stock investments	25,378,584	644,331	-	26,022,915
Bond investments	37,344,600	75,923,259	311,154	113,579,013
Others	8,672	-	-	8,672
Financial liabilities				
Financial liabilities at FVTPL				
Financial liabilities held for trading	3,065,703	2,260,381	-	5,326,084
Financial liabilities designated as at FVTPL	-	1,071,148	-	1,071,148
Derivative financial instruments				
Financial assets				
Financial assets at FVTPL				
Financial assets held for trading	630,405	21,764,650	974,985	23,370,040
Financial liabilities				
Financial liabilities at FVTPL				
Financial liabilities held for trading	836,999	23,767,440	2,114,151	26,718,590
Financial liabilities designated as at FVTPL	-	-	1,966,485	1,966,485
Derivative financial liabilities for hedging	-	-	20,659	20,659

2) Evaluation technology at fair value

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

3) Reconciliation of fair value

a) The limitation of valuation techniques and uncertain inputs

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

b) Credit risk valuation adjustments

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

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

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

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

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

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

4) Transfer between the first level and the second level

	For the Year Ended December 31			
	2015		**2014**	
	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	$ 25,481,666	$ 32,207,656	$ 56,633,408	$ 56,368,619
Available-for-sale financial assets - bond investments	1,643,248	234,787	8,001,566	-
Financial liabilities at FVTPL - Bond investments	203,695	203,802	447,529	497,254

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 level one into level two or 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, 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

For the Year Ended December 31, 2014

(In Thousands of New Taiwan Dollars)

Items	Beginning Balance	Valuation Gains (Losses) Recognized as Current Income (Loss) or Other Comprehensive Income	Amount of Increase		Amount of Decrease		Ending Balance
			Purchase or Issue	Transfer to Level III	Sale, Disposal or Settlement	Transfer from Level III (a), (b)	
Financial assets at FVTPL							
Financial assets held for trading	$ 1,108,312	$ 362,414	$ 2,599,255	$ -	$ (2,908,508)	$ (186,488)	$ 974,985
Financial assets designated as at FVTPL	237,898	(4,212)	-	-	-	-	233,686
Available-for-sale financial assets	290,515	20,639	-	-	-	-	311,154
Derivative financial assets for hedging	19,568	-	-	-	(19,568)	-	-

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

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

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

For the Year Ended December 31, 2015

(In Thousands of New Taiwan Dollars)

Items	Beginning Balance	Valuation Gains (Losses) Recognized as Current Income (Loss) or Other Comprehensive Income	Amount of Increase		Amount of Decrease		Ending Balance
			Purchase or Issue	Transfer to Level III	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)	-	-	-	-	-

For the Year Ended December 31, 2014

(In Thousands of New Taiwan Dollars)

Items	Beginning Balance	Valuation Gains (Losses) Recognized as Current Income (Loss) or Other Comprehensive Income	Amount of Increase: Purchase or Issue	Amount of Increase: Transfer to Level III	Amount of Decrease: Sale, Disposal or Settlement	Amount of Decrease: Transfer from Level III (a), (b)	Ending Balance
Financial liabilities at FVTPL							
Financial liabilities held for trading	$ 1,059,957	$ 662,831	$ 1,158,855	$ -	$ (697,562)	$ (69,930)	$ 2,114,151
Financial liabilities designated as at FVTPL	1,084,495	(3,110)	1,413,000	-	(527,900)	-	1,966,485
Derivative financial liabilities for hedging	64,315	(43,656)	-	-	-	-	20,659

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

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

The total gains or losses for the years ended December 31, 2015 and 2014 included a gain of $488,665 thousand and a loss of $379,196 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 and subsidiaries

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

	Fair Value at 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 lake of liquidity discount	3.75 15%	When the higher income multiplier, the higher of fair value; when the higher lake 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:

	Valuation Techniques	Significant Unobservable Inputs	Quantification Information	The Relationship Between Inputs and Fair Value
Financial assets				
Derivative instruments				
Financial assets at FVTPL				
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.

(Continued)

	Valuation Techniques	Significant Unobservable Inputs	Quantification Information	The Relationship Between Inputs and Fair Value
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.
Financial liabilities designated as FVTPL - structured	Reduced from pricing technique	Credit spread	NA	NA

(Concluded)

History volatility used by martingale pricing technique in KGI Securities depends on moving weighted average method, and sampling period refer to maturity in initial contract; if maturity is less than 6 months, sampling period is between 20 to 180 days; if maturity is between 6 months to 12 months, sampling period is between 20 to 360 days; if maturity is more than 12 months, sampling period is between 20 to initial maturity days. Besides, use of credit spread adopted by reduced form pricing technique has to follow the definition of input parameters regulated by the contract.

In addition to modify the evaluation technology of the credit linked structured commodity in the 2015, pricing techniques and significant unobservable inputs used in KGI Securities and subsidiaries on December 31, 2015 are the same compare with it used on December 31, 2014. The relationship of quantification information as well as inputs and fair value is in conformity with IFRS 13 transitional provisions. KGI Securities and subsidiaries have deferred to adopt transitional provisions of IFRS 13 since January 1, 2015 therefore KGI Securities and subsidiaries is not applicable to the comparative information disclosed before January 1, 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:

For the year ended December 31, 2015

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

(Continued)

	Sensitivity Analysis of Relationship Between Inputs and Fair Value		Recognized to Profit or Loss	
	Inputs	Positive/ Negative Change	Positive Impact	Negative Impact
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

(Concluded)

For the year ended December 31, 2014

	Sensitivity Analysis of Relationship Between Inputs and Fair Value		Recognized to Profit or Loss	
	Inputs	Positive/ Negative Change	Positive Impact	Negative Impact
Financial assets				
Derivative instruments				
Structured notes - options	History volatility	+ 25%/-25%	$ 1,432	$ 1,342
FVTPL - bond investments	Prepayment rate	- 20%/+20%	-	-
			$ 1,432	$ 1,342
Financial liabilities				
Derivative instruments				
Structured notes - options	History volatility	- 25%/+25%	$ 38	$ 37
Equity derivative instruments - premium - options (put options)	History volatility	- 25%/+25%	38	99
Financial liabilities designated as FVTPL - structured	Credit spread	50bps/-50bps	15,126	15,410
			$ 15,202	$ 15,546

KGI Bank and subsidiaries

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

	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	3 months USD Libor	Inapplicable	Changes of 3 months USD Libor do not affect fair value apparently.
Derivative financial assets					
Financial assets at FVTPL	2,919,020	HullWhite, Libor Market Model, discounted cash flow	Vol Factors	Inapplicable	When Vega is positive Volatility is proportional to fair value; when Delta is positive, yield curve is upward.
Derivative financial liabilities					
Financial liabilities at FVTPL	3,043,322	HullWhite, Libor Market Model, discounted cash flow	Vol Factors	Inapplicable	When Vega is positive Volatility is proportional to fair value; when Delta is positive, yield curve is upward.

7) Pricing process of Level III fair value

CDIB and subsidiaries

CDIB's risk management department is in charge of conducting independent verification by independent sources to make valuations more close to market status and confirm that the source of information is independent, reliable, consistent with other resources and representative of exercise price. Besides, the department corrects pricing model periodically, implementing retrospective testing, update information and inputs that pricing model needed and other essential fair value adjustment to insure outcomes are reasonable. Investment Property is valued by CDIB and subsidiaries based on Financial Supervisory Commission's declaration of valuation method and parameters or committed to appraisers to make valuation.

KGI Securities and subsidiaries

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

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 of financial instruments

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

2) Fair value hierarchy of financial instruments

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	-	-	3,624,546	3,624,546
Financial liabilities				
Bank debentures payable	-	2,592,759	-	2,592,759

December 31, 2014

(In Thousands of New Taiwan Dollars)

	Level I	Level II	Level III	Total
Financial assets				
Investments accounted for using the equity method	$ 2,323,691	$ -	$ -	$ 2,323,691
Non-financial assets				
Investment property, net	-	-	3,310,420	3,310,420
Financial liabilities				
Bank debentures payable	-	12,538,099	-	12,538,099

3) Measurement technique

a) The carrying amounts of financial instruments such as cash and cash equivalents, due from the Central Bank and call loans to other banks, securities purchased under resell agreements, receivables, held-to-maturity financial assets, 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 owing to the variation interval of the estimate of the fair value is not quite small and the possibilities of the estimates in the interval cannot be assessed reasonably. The fair value cannot be reliably measured, thus the Corporation and subsidiaries do not disclose their fair value.

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

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

e) For fair value measurement of investment property, please refer to Note 20.

56. FINANCIAL RISK MANAGEMENT

a. Risk management policies and framework

The Corporation

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

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

CDIB and subsidiaries

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

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

KGI Securities and subsidiaries

1) Financial risk management objectives

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

2) Risk management organization

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

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

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

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

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

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

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

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

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

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

3) Risk management system

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

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

4) Risk management mechanism

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

a) Market risk

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

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

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

b) Credit risk

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

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

c) Liquidity risk

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

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

d) Operating risk and other risks

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

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

5) Risk hedge and mitigation strategy

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

KGI Bank and subsidiaries

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 and subsidiaries

1) Sources and definition of credit risk

CDIB is exposed to credit risk due to default on contracts by borrowers, debtors or counter-parties and changes in credit quality. Financial assets contracts held by CDIB may entail risks of loss arising from loans, issuer of financial instruments, counter-parties, and underlying assets.

2) Management policies

a) Strategy and objectives

For the objectives to enhance stockholder value and to ensure degree of risk tolerance, CDIB's credit risk strategy focuses on superior credit quality assets. CDIB offers clients different product mixes based on their individual risk levels and with duration, risk mitigation, and graded pricing strategies to strengthen the credit review system. Through a regular review and adjustment of the portfolio structure, CDIB can achieve symmetry of the overall business risk and reward.

b) Policies and procedures

To have a common-language credit risk management, definition, communication and measurement, CDIB sets credit risk management policies to manage credit risk in accordance with international standards and CDFH's risk management policies. The procedures for CDIB's credit risk policy development are as follows:

Business units develop business strategies and objectives based on asset sizes. Management units and risk management units assess risks related to these strategies and objectives and then submit them to the Board for approval.

3) Mitigation of risks or hedging of credit risk/monitoring mechanism of risk avoidance and mitigation instruments

Considering asset hedge market and liquidity, CDIB takes the necessary risk reduction strategies, mainly on corporate finance, for assets with doubt or a long period of duration, including methods adopted to increase collaterals. Collaterals have been appraised regularly by an assessment unit to ensure their continued effectiveness. If a client is found to have bad credit factors, CDIB will strengthen the monitoring of this credit and demand at the appropriate time an early repayment or additional collateral to mitigate risks. For cases with poor credit ratings, in addition to collateral requirements and financial restrictions, CDIB will avoid if their transaction terms and profitability cannot reflect risk costs. In addition, CDIB develops different credit limits for counter-parties involved in derivative transactions and enters into collateral support agreements with counter-parties to ensure that risks are under control.

4) Maximum exposure to credit risk

Except for the following statement, CDIB's maximum amount of credit risk exposure was equal to its book value.

The amounts of financial contracts with off-balance-sheet credit risks as of December 31, 2015 and 2014 were as follows:

Items	December 31 2015	December 31 2014
Off-balance-sheet commitments and guarantees	$ -	$ 14,755,597

Many credit commitments are expected to expire without being drawn upon; thus, the total commitment amounts do not necessarily represent future cash requirements. The maximum amount of credit risk exposure is reference coefficient of customer credit risk. The total potential loss is equal to the above amounts, excluding the value of any collateral, if related commitments are completely drawn upon and the counter-parties default on contracts.

5) Concentrations of credit risk exposure

Concentrations of credit risk exist when changes in economic, industry or other conditions similarly affect groups of counter-parties whose aggregate credit exposure is material in relation to CDIB's total credit exposure. For its protection, CDIB maintains a diversified portfolio, does not limit its exposure to any one geographic region, country or individual creditor, and monitors the exposure continually. As of December 31, 2015 and 2014, CDIB's most significant concentrations of credit risk were as follows:

a) Credit risk profile by counter-party

	December 31, 2015		December 31, 2014	
	Amount	%	Amount	%
Private sector	$ -	-	$ 127,992,280	99.85
Public enterprises	-	-	191,300	0.15
Natural person	-	-	2,758	-
Total	$ -	-	$ 128,186,338	100.00

b) Credit risk profile by industry sector

	December 31, 2015		December 31, 2014	
	Amount	%	Amount	%
Electricity industry	$ -	-	$ 28,664,694	22.36
Chemistry	-	-	12,155,329	9.48
Information and communication industry	-	-	6,251,280	4.88
Others	-	-	81,115,035	63.28
Total	$ -	-	$ 128,186,338	100.00

6) Credit quality and impairment assessment

Some financial assets such as cash and cash equivalents, due from the Central Bank and call loans to banks, financial assets at fair value through profit or loss, securities purchased under resell agreements, parts of receivables (including dividend receivable, interest receivable on bonds, spot foreign remittances receivable and interest receivable on interest rate swap contracts) 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 analyses of other financial assets were as follows:

a) Credit quality analysis for discounts and loans and receivables

December 31, 2015	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	
Receivables	$ -	$ -	$ -	$ -	$ -	$ 2,404,132	$ 2,404,132	$ 194,780	$ 968,605	$ 1,240,747
Discounts and loans	-	-	-	-	-	-	-	-	-	-

December 31, 2014	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	
Receivables	$ 45,656,810	$ -	$ 1,039,894	$ 46,696,704	$ -	$ 3,158,725	$ 49,855,429	$ 415,334	$ 1,458,113	$ 47,981,982
Discounts and loans	110,533,565	16,616,703	626,335	127,776,603	-	409,735	128,186,338	858,738	1,225,208	126,102,392

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

b) The credit analysis of discounts not impaired and past due and loans based on internal rating standards are as follows:

December 31, 2014	Neither Past Due Nor Impaired			
	Good/Moderate	Substandard	Unrated	Total
Consumer finance				
Micro credit	$ -	$ -	$ 2,758	$ 2,758
Corporate banking				
Secured	44,335,380	7,995,860	-	52,331,240
Unsecured	66,198,185	8,620,843	623,577	75,442,605
Total	110,533,565	16,616,703	626,335	127,776,603

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

c) Credit analysis for marketable securities

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.

December 31, 2014	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	$ 103,068,335	$ -	$ -	$ 103,068,335	$ -	$ -	$ 103,068,335	$ -	$ 103,068,335

Note 1: Available-for-sale financial assets other than the above investment in bonds have an initial cost of $21,874,206 thousand, loss on valuation of $1,224,941 thousand and accumulated impairment of $68,172 thousand.

Note 2: Financial assets measured at cost have an initial cost of $31,807,057 thousand and accumulated impairments of $1,649,398 thousand.

Note 3: Debt instruments with no active markets have initial costs of $2,802,168 thousand and accumulated impairments of $146,172 thousand.

7) CDIB and Subsidiaries' impairment of discounts and loans and receivables

Items		Discounts and Loans		Allowance for Bad Debts	
		December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
With objective evidence of impairment	Assessment of individual impairment	$ -	$ 5,588,794	$ -	$ 858,738
With no objective evidence of impairment	Assessment of collective impairment	-	122,597,544	-	1,225,208

Items		Receivables		Allowance for Bad Debts	
		December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
With objective evidence of impairment	Assessment of individual impairment	$ 1,263,179	$ 1,991,952	$ 194,780	$ 415,334
With no objective evidence of impairment	Assessment of collective impairment	1,140,953	47,863,477	968,605	1,458,113

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

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

9) Management policies of collaterals assumed

CDIB and subsidiaries' collaterals assumed were mainly land and buildings. As of December 31, 2015 and 2014, the carrying amounts of the collaterals were $118,804 thousand and $153,631 thousand, respectively. Collaterals assumed are classified as other assets in the consolidated balance sheets.

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

a) Asset quality of overdue loans and receivable

Item			December 31, 2014				
			Nonperforming Loan (NPL) (Note 1)	Total Loans	NPL Ratio (Note 2)	Loan Loss Reserves (LLR)	Coverage Ratio (Note 3)
Corporate loan	Secured		$ -	$ 52,416,960	-	$ 976,048	-
	Unsecured		324,015	75,766,620	0.43	1,107,870	341.92
Consumer loan	Mortgage (Note 4)		-	-	-	-	-
	Cash card		-	-	-	-	-
	Micro credit (Note 5)		-	2,758	-	28	-
	Other (Note 6)	Secured	-	-	-	-	-
		Unsecured					
Total			324,015	128,186,338	0.25	2,083,946	643.16
			Overdue Receivable	Account Receivable	Delinquency Ratio	Allowance for Credit Losses	Coverage Ratio
Credit card (Note 7)			$ -	$ -	-	$ -	-
Account receivable - factored without recourse (Note 8)			-	1,108,976	-	11,090	-

Note 1: Overdue loans represent the amounts of overdue loans reported in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans" issued by the Ministry of Finance.

Note 2: NPL ratio = NPL/Total loans.

Note 3: Coverage ratio = LLR/NPL.

Note 4: Home mortgage refers to financing obtained to buy, build, or fix houses owned by the borrower or the borrower's spouse or children, with the house used as loan collateral.

Note 5: Micro credit is covered by a Banking Bureau pronouncement dated December 19, 2005 (Ref. No. 09440010950) and is excluded from credit card and cash card loans.

Note 6: "Others" under consumer loans refers to secured or unsecured loans other than mortgage loans, cash cards, micro credit, and credit cards.

Note 7: CDIB does not engage in the credit card business.

Note 8: As required by the Banking Bureau in its letter dated July 19, 2005 (Ref. No. 0945000494), allowance for bad debt is recognized once no compensation is made by a factor or insurance company within three months for accounts receivable factored without recourse.

Note 9: CDIB had no disclosures to make as regards the Banking Bureau's letter dated April 25, 2006 (Ref. No. 09510001270).

Note 10: CDIB had no disclosures to make as regards the Banking Bureau's letter dated September 15, 2008 (Ref. No. 09700318940).

b) Excluded overdue loans and receivables: None

c) Concentration of credit risk

December 31, 2014

(In Thousands of New Taiwan Dollars, %)

Top 10 Ranking (Note 1)	Group (Industry Category) (Note 2)	Total Credit (Note 3)	Percentage of Net Worth
1	A Group (011700 petroleum and coal products manufacturing)	$ 8,810,256	7.75
2	B Group (016022 cable and other pay programs broadcasting)	4,551,280	4.00
3	C Group (011850 artificial fiber manufacturing)	4,044,000	3.56
4	D Group (016700 real estate development)	3,872,522	3.41
5	E Group (012641 LCD and related components manufacturing)	3,562,109	3.13
6	F Group (010319 manufacture of computers, electronic and optical products)	3,453,744	3.04
7	G Group (017112 engineering activities and related technical consultancy)	2,944,758	2.59
8	H Group (012611 IC manufacturing)	2,566,170	2.26
9	I Group (012630 Manufacture of Bare Printed Circuit Boards)	2,477,067	2.18
10	J Group (010315 manufacture of other non-metallic mineral products)	1,932,978	1.70

Note 1: The list shows rankings of the top 10 borrowers by total amount of credit, endorsement or other transactions but excludes government-owned or state-run enterprises. If the borrower is a member of a group enterprise, the total amount of credit, endorsement or other transactions of the entire group enterprise must be listed and disclosed by code and line of industry. The industry of the Group enterprise should be presented as the industry of the member firm with the highest risk exposure. The lines of industry should be described in accordance with the Standard Industrial Classification System of the Republic of China of the Directorate-General of Budget, Accounting and Statistics under the Executive Yuan.

Note 2: Under Article 6 of the "Supplementary Provisions to the Taiwan Stock Exchange Corporation criteria for the Review of Securities Listings", "Group" refers to the entity that has a controlling or subordinate relationship with the counter-party that obtained loans from CDIB.

Note 3: Credit balance means the sum of all the loans (including import bills negotiated, discounted export bills negotiated, overdrafts, short-term secured and unsecured loans, marginal receivables, medium-term secured and unsecured loans, long-term secured and unsecured loans, and overdue receivables), exchange bills negotiated, accounts receivable factored without recourse, acceptances receivable, and guarantees issued.

<u>KGI Securities and subsidiaries</u>

1) Source of credit risk

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

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

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

2) Internal risk rating

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

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

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

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

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

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

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

3) Quality and past due of financial assets

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%

December 31, 2014

(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	$ 13,332,088	$ 180,612	$ -	$ -	$ -	$ -	$ -	$ 13,512,700
Financial assets measured at FVTPL - current	71,674,163	1,092,242	8,448,563	-	-	-	-	81,214,968
Available-for-sale financial assets - current	60,571	-	-	-	-	-	-	60,571
Bonds purchased under resell agreements	8,457,201	1,000,000	-	-	-	-	-	9,457,201
Receivables	55,661,329	12,816,313	1,150,477	59,796	-	-	-	69,687,915
Customers' margin accounts - futures	24,346,463	-	-	-	-	-	-	24,346,463
Stock borrowing collateral price and guarantee deposits - borrowed securities	2,069,095	277,680	-	-	-	-	-	2,346,775
Other financial assets - current	7,511,423	42,400	-	-	-	-	-	7,553,823
Other current assets	26,737,703	26,100	-	-	-	-	-	26,763,803
Financial assets measured at FVTPL - noncurrent	71,145	-	-	-	-	-	-	71,145
Available-for-sale financial assets - noncurrent	-	-	31,176	-	-	-	-	31,176
Held to maturity financial assets - noncurrent	190,000	-	-	-	-	-	-	190,000
Others noncurrent assets	3,911,721	-	50,000	-	-	-	-	3,961,721
Total	$ 214,022,902	$ 15,435,347	$ 9,680,216	$ 59,796	$ -	$ -	$ -	$ 239,198,261
Percentage	89.48%	6.45%	4.05%	0.02%	-	-	-	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 that KGI Securities' subsidiary, GSFC, holds. This issuer is ranked as medium risk.

e) Other assets - noncurrent

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

<u>KGI Bank and subsidiaries</u>

1) The source and definition of credit risk

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

2) Management policy of credit risk

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

a) Credit investigation

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

b) Credit approval

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

c) Post-lending loan review mechanisms

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

d) Risk report and information disclosures

The risk management department is responsible for measuring risk, preparing quarterly risk report, including all risk management index and risk capital requirement assessment and reporting to the director of risk management, general manager, risk committee and board of directors.

3) Mitigation or hedging of risk

Considering the asset hedge market and liquidity, KGI Bank takes the necessary risk reduction strategies, mainly on loan objects and hedge transactions involving assets with doubtful collectibility or a long period of duration, including methods for increasing appropriate collaterals with good liquidity, or transferring to credit guarantee institutions such as the Small and Medium Credit Guarantee Fund to maximize the collateral. For determining the value of foreclosed collaterals, liquid securities will be evaluated at their market value; other collaterals will be subject to field surveys by appraisal firms for their fair value assessment, which will be used as a basis for demanding additional collaterals or adjusting the credit amount to ensure that risks are within KGI Bank's tolerance range.

If clients are found to have bad credit features, KGI Bank will strengthen the monitoring of the credit of borrower and guarantor and take measures, such as demanding an early repayment or additional collateral. In addition, KGI Bank sets different credit limits for counterparties involved in derivative transactions and enters into collateral support agreements with counterparties to ensure that risks are under control.

4) Maximum exposure credit risk

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

	December 31	
	2015	2014
Irrevocable loan commitments guarantees and letters of credit	$ 95,728,457	$ 85,385,327

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

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

5) Concentrations of credit risk

Concentrations of credit risk arise when a number of counterparties or exposure have comparable economic characteristics, or such counterparties are engaged in similar activities, or operate in the same geographical areas or industry sectors, so that their collective ability to meet contractual obligations is uniformly affected by changes in economic or other conditions.

Credit risk concentration can arise in a bank's assets, liabilities, or off-balance sheet items, through the execution or processing of transactions (either product or service), or through a combination of exposures across these broad categories. It includes credit, loan and deposits, call loan to banks, investment, receivables and derivatives. KGI Bank maintains a diversified portfolio, limits its exposure on a continuous basis. KGI Bank's most significant concentrations of credit risk are summarized as follows:

a) By object

Object	December 31, 2015		December 31, 2014	
	Amount	%	Amount	%
Public and private enterprise	$ 144,211,746	65.28	$ 28,104,073	27.80
Natural person	76,343,186	34.56	72,852,537	72.06
Non-profit organization	371,376	0.16	144,555	0.14
Total	$ 220,926,308	100.00	$ 101,101,165	100.00

b) By region

Region	December 31, 2015		December 31, 2014	
	Amount	%	Amount	%
Domestic	$ 178,752,940	80.91	$ 92,928,504	91.92
Overseas	42,173,368	19.09	8,172,661	8.08
Total	$ 220,926,308	100.00	$ 101,101,165	100.00

c) By collateral

Collateral	December 31, 2015		December 31, 2014	
	Amount	%	Amount	%
Non-collateral	$ 137,464,454	62.22	$ 48,910,380	48.38
Collateral				
Financial collateral	6,047,359	2.74	1,226,009	1.21
Receivables	-	-	819,758	0.81
Property	58,966,463	26.69	45,311,877	44.82
Guarantee	13,689,559	6.20	4,456,092	4.41
Other	4,758,473	2.15	377,049	0.37
Total	$ 220,926,308	100.00	$ 101,101,165	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, financial assets at fair value through profit or loss, part of receivable, 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, 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

December 31, 2014	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	$ 8,330,949	$ 42,659	$ 73,213	$ 8,446,821	$ 40,359	$ 89,268	$ 8,317,194
- other	682,670	3,380	1,491,471	2,177,521	975,476	3,770	1,198,275
Discount and loans	98,620,331	1,328,635	1,152,199	101,101,165	452,115	911,178	99,737,872

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, 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, 2014	Neither Overdue Nor Impaired				
	Excellent	Good	Normal	No Ratings	Total (A)
Consumer banking					
- mortgage loans	$ 16,173,010	$ 8,316,938	$ 17,173	$ -	$ 24,507,121
- cash card	8,563,226	2,934,221	652,072	3,926,071	16,075,590
- small-scale credit loans	14,503,294	1,880,094	112,833	109,733	16,605,954
- other-secured	11,278,202	1,327,377	106,743	33,029	12,745,351
- other-unsecured	69,070	-	-	7,668	76,738
Corporate banking					
- secured	1,527,483	3,980,268	6,102,909	644,588	12,255,248
- unsecured	4,749,644	6,633,052	4,426,048	545,585	16,354,329
Total	$ 56,863,929	$ 25,071,950	$ 11,417,778	$ 5,266,674	$ 98,620,331

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
- credit card and acceptances - forfaiting	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

December 31, 2014	Neither Overdue Nor Impaired				
	Excellent	Good	Normal	No Ratings	Total (A)
Credit card and credit business					
- credit card business	$ 662,666	$ 450,289	$ 889,440	$ 397,732	$ 2,400,127
- credit card and acceptances - forfaiting	5,804,956	-	-	-	5,804,956
- accounts receivable factoring - no recourse	-	-	94,829	1,055	95,884
- acceptances	-	-	29,982	-	29,982
Total	$ 6,467,622	$ 450,289	$ 1,014,251	$ 398,787	$ 8,330,949

c) Securities investment credit quality analysis

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 $301,299 thousand and accumulated impairments of $38,380 thousand.

December 31, 2014	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	$ 10,107,777	$ -	$ -	$ 10,107,777	$ -	$ -	$ 10,107,777	$ -	$ 10,107,777

Note 1: Available-for-sale financial assets other than the above investment in bonds have an initial cost of $1,502 thousand, loss on valuation of $5,496 thousand and accumulated impairment of $0 thousand.

Note 2: Held-to-maturity financial assets measured at cost have an initial cost of $18,600,000 thousand and accumulated impairments of $0 thousand.

Note 3: Financial assets measured at cost have an initial cost of $261,199 thousand and accumulated impairments of $38,380 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, 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
Total	$ 1,329,370	$ 249,350	$ 1,578,720

	December 31, 2014		
	1 Month	**Over 1 Month - 3 Months**	**Total**
Credit card business	$ 21,998	$ 20,661	$ 42,659
Discount and loans			
Consumer banking			
- mortgage loans	232,061	71,494	303,555
- cash card	316,982	81,040	398,022
- small-scale credit loans	382,806	50,771	433,577
- other - secured	107,607	19,948	127,555
- other - unsecured	844	33	877
Corporate banking			
- secured	20,938	33,642	54,580
- unsecured	3,499	6,970	10,469
Total	$ 1,064,737	$ 263,898	$ 1,328,635

8) Analysis of impairment for financial assets

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

Items		Discounts and Loans		Allowance for Bad Debts	
		December 31, 2015	**December 31, 2014**	**December 31, 2015**	**December 31, 2014**
With objective evidence of impairment	Assessment of individual impairment	$ 209,879	$ 374,516	$ 84,667	$ 40,003
	Assessment of collective impairment	784,792	777,683	432,473	412,112
Without objective evidence of impairment	Assessment of collective impairment	219,931,637	99,948,966	2,598,556	911,178
Total		$ 220,926,308	$ 101,101,165	$ 3,115,696	$ 1,363,293

Items		Receivables		Allowance for Bad Debts	
		December 31, 2015	**December 31, 2014**	**December 31, 2015**	**December 31, 2014**
With objective evidence of impairment	Assessment of individual impairment	$ 1,884,175	$ 1,480,505	$ 1,169,447	$ 966,988
	Assessment of collective impairment	87,984	84,179	53,327	48,847
Without objective evidence of impairment	Assessment of collective impairment	40,537,844	9,059,658	526,154	93,038
Total		$ 42,510,003	$ 10,624,342	1,748,928	$ 1,108,873

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, 2015 and 2014, 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, 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%

Item			December 31, 2014				
			Nonperforming Loan (NPL) (Note 1)	Total Loans	NPL Ratio (Note 2)	Loan Loss Reserves (LLR)	Coverage Ratio (Note 3)
Corporate loan	Secured		$ 56,544	$ 12,559,544	0.45%	$ 23,514	41.59%
	Unsecured		30,115	16,585,924	0.18%	223,713	742.87%
Consumer loan	Mortgage (Note 4)		27,867	24,849,910	0.11%	7,987	28.66%
	Cash card		209,291	16,899,221	1.24%	751,452	359.05%
	Micro credit (Note 5)		91,479	17,233,192	0.53%	351,785	384.55%
	Other (Note 6)	Secured	14,212	12,893,974	0.11%	4,552	32.03%
		Unsecured	-	79,400	- %	290	- %
Total			429,508	101,101,165	0.42%	1,363,293	317.41%
			Overdue Receivable	Account Receivable	Delinquency Ratio	Allowance for Credit Losses	Coverage Ratio
Credit card			$ 32,465	$ 2,515,931	1.29%	$ 84,931	261.61%
Account receivable - factored without recourse (Note 7)			44	95,952	0.05%	4,079	9,256.49%

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, and credit cards.

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

b) Exemption of nonperforming loans and overdue receivables

Items	December 31, 2015		December 31, 2014	
	Discounts and Loans	**Allowance for Possible Losses**	**Discounts and Loans**	**Allowance for Possible Losses**
Amounts of executed contracts on negotiated debts not reported (Note 1)	$ 53,096	$ 216	$ 76,408	$ 325
Amounts of executed debt settlement program and rehabilitation program not reported (Note 2)	37,718	4,831	47,724	3,684
Total	$ 90,814	$ 5,047	$ 124,132	$ 4,009

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

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

c) Concentration of credit extensions

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

December 31, 2014

(In Thousands of New Taiwan Dollars, %)

Top 10 Ranking	Group (Industry Category)	Total Credit	Percentage of Net Worth
1	K Group - 130220 Offshore Companies, Firms, Group	$ 634,360	3.35
2	L Group - 016700 Real Estate Construction and Development	450,800	2.38
3	M Group - 012831 Electric Wire and Cable Manufactory	414,923	2.19
4	N Group - 016812 Real Estate Brokerage	380,000	2.01
5	O Group - 015510 Short-term Stay Service	364,533	1.93
6	P Group - 016631 Investment Advisory Services	346,944	1.83
7	Q Group - 130100 Offshore Financial Institution	317,180	1.68
8	R Group - 130220 Offshore Companies, Firms, Group	317,180	1.68
9	S Group - 130220 Offshore Companies, Firms, Group	317,180	1.68
10	T Group - 015911 Films Manufacturing	316,400	1.67

c. Liquidity risk

CDIB

1) Source and definition of liquidity risk

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

2) Management policies

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

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

a) Financial assets held for liquidity management

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

b) Nonderivative financial liabilities

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

(In Thousands of New Taiwan Dollars)

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

(In Thousands of New Taiwan Dollars)

December 31, 2014	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	$ 4,555,100	$ 215,704	$ 259,430	$ 253,740	$ -	$ 5,283,974
Notes and bonds issued under repurchase agreements	7,058,297	-	-	-	-	7,058,297
Payables	305,475	41,911	18,655	1,038	-	367,079
Deposits and remittances	20,573,553	26,176,002	40,443,980	4,567,915	4,668	91,766,118
Bank debentures payable	10,071,148	-	1,000,000	-	2,750,000	13,821,148
Other capital outflow on maturity	748,807	373,762	13,205	6,026	1,328,265	2,470,065
Subtotal	$ 43,312,380	$ 26,807,379	$ 41,735,270	$ 4,828,719	$ 4,082,933	$ 120,766,681

(In Thousands of U.S. Dollars)

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

(In Thousands of U.S. Dollars)

December 31, 2014	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	$ 135,000	$ -	$ -	$ -	$ -	$ 135,000
Notes and bonds issued under repurchase agreements	728,574	857,481	187,119	-	-	1,773,174
Payables	1,291	1,507	926	483	-	4,207
Deposits and remittances	1,912,304	210,908	300,092	119,167	-	2,542,471
Other capital outflow on maturity	20,966	2,525	197	-	11,995	35,683
Subtotal	$ 2,798,135	$ 1,072,421	$ 488,334	$ 119,650	$ 11,995	$ 4,490,535

4) Maturity analysis of derivative instruments

a) Net settled derivative instruments

Net settled derivative instruments of CDIB include:

Equity derivatives instruments: Equity option contracts and others.

Assessment of contractual maturities was a basis of understanding derivative instruments presented in the consolidated balance sheet. Amounts disclosed in the table are based on as the contractual cash flows; thus, some amounts will not match those in the consolidated balance sheets. Maturity analyses of net settled derivative instruments were as follows:

(In Thousands of New Taiwan Dollars)

December 31, 2014	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial instruments at fair value through profit or loss						
Equity derivatives instruments	$ 4,665	$ -	$ -	$ -	$ -	$ 4,665

b) Gross settled derivative instruments

Gross settled derivative instruments of CDIB include:

i. Foreign currency derivatives instruments: Foreign currency future contracts, currency swap contracts and forward exchange contracts.

ii. Interest rate derivatives instruments: Interest rate swap contracts, cross-currency swap contracts, asset swap contracts and interest rate future contracts.

The following tables show the cash outflows on CDIB's gross-settled derivative instruments by period from the consolidated balance sheet dates to contract maturity dates. Assessment of contractual maturities was a basis of understanding derivative instruments presented in the consolidated balance sheets. Amounts disclosed in the tables were based on the contractual cash flows; thus, some amounts will not match those in the consolidated balance sheets. Maturity analyses of gross settled derivative instruments were as follows:

(In Thousands of New Taiwan Dollars)

December 31, 2014	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial instruments at fair value through profit or loss						
Foreign exchange derivatives instruments						
Cash outflow	$ (147,438,705)	$ (184,409,292)	$ (38,203,727)	$ (28,640,724)	$ -	$ (398,692,448)
Cash inflow	136,466,137	185,324,338	58,780,013	28,041,051	-	408,611,539
Interest rate derivatives instruments						
Cash outflow	(1,698,393)	(1,398,701)	(9,942,210)	(4,142,367)	(52,040,127)	(69,221,798)
Cash inflow	188,739	1,338,243	8,316,423	900,000	1,241,199	11,984,604
Cash outflow subtotal	(149,137,098)	(185,807,993)	(48,145,937)	(32,783,091)	(52,040,127)	(467,914,246)
Cash inflow subtotal	136,654,876	186,662,581	67,096,436	28,941,051	1,241,199	420,596,143
Net cash flow	$ (12,482,222)	$ 854,588	$ 18,950,499	$ (3,842,040)	$ (50,798,928)	$ (47,318,103)

(In Thousands of U.S. Dollars)

December 31, 2014	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial instruments at fair value through profit or loss						
Foreign exchange derivatives instruments						
Cash outflow	$ (6,161,353)	$ (6,294,339)	$ (1,959,846)	$ (1,015,204)	$ -	$ (15,430,742)
Cash inflow	6,530,571	6,241,225	1,294,217	1,051,239	-	15,117,252
Interest rate derivatives instruments						
Cash outflow	(31,961)	(88,811)	(91,544)	(48,329)	(97,808)	(358,453)
Cash inflow	31,715	57,856	88,893	18,140	40,000	236,604
Cash outflow subtotal	(6,193,314)	(6,383,150)	(2,051,390)	(1,063,533)	(97,808)	(15,789,195)
Cash inflow subtotal	6,562,286	6,299,081	1,383,110	1,069,379	40,000	15,353,856
Net cash flow	$ 368,972	$ (84,069)	$ (668,280)	$ 5,846	$ (57,808)	$ (435,339)

5) Maturity analysis of off-balance sheet items

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

(In Thousands of New Taiwan Dollars)

December 31, 2014	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Irrevocable loan commitments, guarantees, and letters of credit	$ 770,777	$ 1,272,047	$ 824,525	$ 2,241,210	$ 9,647,038	$ 14,755,597

6) Maturity analysis of lease commitments and capital outflow commitments

CDIB and subsidiaries' lease commitments included operating and finance leases. Operating lease commitments were the future minimum payments under noncancellable operating lease where the Bank or its subsidiary is the lessee or lessor. The maturity analyses of lease commitments and capital outflow commitments are as follows:

(In Thousands of New Taiwan Dollars)

December 31, 2014	Within 1 Year	Over 1 Year-5 Years	Over 5 Years	Total
Financial lease gross incomes (lessor)	$ 3,803,497	$ 3,506,051	$ -	$ 7,309,548
Financial lease present value incomes (lessor)	3,447,214	3,271,053	-	6,718,267

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

a) Maturity analysis of New Taiwan dollars of CDIB

(In Thousands of New Taiwan Dollars)

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

(In Thousands of New Taiwan Dollars)

December 31, 2014	0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Cash inflow	$ 90,433,015	$ 152,257,282	$ 206,757,042	$ 81,932,528	$ 43,649,775	$ 121,793,742	$ 696,823,384
Cash outflow	67,049,956	132,561,787	225,263,197	105,298,185	58,947,274	199,327,243	788,447,642
Gap	23,383,059	19,695,495	(18,506,155)	(23,365,657)	(15,297,499)	(77,533,501)	(91,624,258)

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

(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)

(In Thousands of U.S. Dollars)

December 31, 2014	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Cash inflow	$ 8,183,423	$ 7,064,215	$ 2,047,725	$ 2,062,273	$ 1,168,346	$ 20,525,982
Cash outflow	9,139,587	7,717,169	2,858,597	1,624,469	892,844	22,232,666
Gap	(956,164)	(652,954)	(810,872)	437,804	275,502	(1,706,684)

KGI Securities and subsidiaries

1) Cash flow analysis

Statement of Cash Flow Analysis for Financial Assets

(In Thousands of New Taiwan Dollars)

December 31, 2015	Collection Period: Spot	In 3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
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
Bond purchased under resale agreements	-	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
Income 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 finance asset - noncurrent	-	-	-	-	300,000	300,000
Investments accounted for using the equity method	-	-	-	-	2,102,991	2,102,991
Others noncurrent assets	-	-	-	231,589	3,555,338	3,786,927
Total	$ 180,638,307	$ 37,072,521	$ 28,933,249	$ 4,070,240	$ 7,902,312	$ 258,616,629
Percentage	69.85%	14.33%	11.19%	1.57%	3.06%	100.00%

Statement of Cash Flow Analysis for Financial Liabilities

(In Thousands of New Taiwan Dollars)

December 31, 2015	Payment Period: Spot	In 3 Months	Over 3 Months-12 Months	Over 1 Year-5 Years	Over 5 Years	Total
Short-term borrowings	$ -	$ 15,800,326	$ -	$ -	$ -	$ 15,800,326
Commercial papers payable, net	-	5,102,353	-	-	-	5,102,353
Financial liabilities measured at FVTPL - current	3,613,207	3,456,835	5,013,474	1,744,111	211,648	14,039,275
Bonds sold 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
Income tax liability	-	-	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
Liabilities reserve - noncurrent	-	-	-	23,248	132,326	155,574
Others noncurrent liabilities	-	-	-	616,578	78,746	695,324
Total	$ 79,931,376	$ 99,733,785	$ 18,564,012	$ 10,576,601	$ 422,720	$ 209,228,494
Percentage	38.20%	47.67%	8.87%	5.06%	0.20%	100.00%

Statement of Capital Liquidation Gap

(In Thousands of New Taiwan Dollars)

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

Statement of Cash Flow Analysis for Financial Assets

(In Thousands of New Taiwan Dollars)

December 31, 2014	Collection Period					Total
	Spot	In 3 Months	3-12 Months	1-5 Years	Over 5 Years	
Cash and cash equivalents	$ 6,938,833	$ 6,573,867	$ -	$ -	$ -	$ 13,512,700
Financial assets measured at FVTPL - current	75,930,453	8,620,059	14,156,780	143,940	66,476	98,917,708
Financial assets at cost - current	374,818	-	-	-	-	374,818
Available-for-sale financial assets - current	4,617,323	-	3,056,117	-	-	7,673,440
Bond purchased under resale agreements	-	9,427,733	-	-	-	9,427,733
Receivable	38,132,891	7,011,254	21,464,255	3,079,515	-	69,687,915
Customers' margin accounts	24,346,463	-	-	-	-	24,346,463
Stock borrowing collateral price and guarantee deposits - borrowed securities	1,832,480	-	514,295	-	-	2,346,775
Other financial assets - current	-	-	7,553,823	-	-	7,553,823
Income tax assets	-	-	18,456	4	270,951	289,411
Other current assets	25,323,644	884,690	555,469	-	-	26,763,803
Financial assets measured at FVTPL - noncurrent	-	20,450	1,000	51,000	-	72,450
Financial assets at cost - noncurrent	-	-	-	9,268	1,068,031	1,077,299
Available-for-sale financial assets - noncurrent	-	-	-	31,176	112,593	143,769
Held-to-maturity financial assets - noncurrent	-	-	190,000	-	-	190,000
Investments accounted for using the equity method	-	-	-	-	2,222,317	2,222,317
Others noncurrent assets	-	-	200,000	359,740	3,473,394	4,033,134
Total	$ 177,496,905	$ 32,538,053	$ 47,710,195	$ 3,674,643	$ 7,213,762	$ 268,633,558
Percentage	66.07%	12.11%	17.76%	1.37%	2.69%	100.00%

Statement of Cash Flow Analysis for Financial Liabilities

(In Thousands of New Taiwan Dollars)

December 31, 2014	Payment Period					Total
	Spot	In 3 Months	Over 3 Months-12 Months	Over 1 Year-5 Years	Over 5 Years	
Short-term borrowings	$ 15,928,632	$ 10,554,787	$ -	$ -	$ -	26,483,419
Commercial papers payable, net	-	9,258,974	-	-	-	9,258,974
Financial liabilities measured at FVTPL - current	2,620,787	2,756,717	4,749,195	1,731,368	70,683	11,928,750
Bonds sold under repurchase agreements	-	64,141,723	-	-	-	64,141,723
Payables	40,958,027	748,879	6,598,447	635,676	-	48,941,029
Guarantee deposits - borrowed securities	-	2,737,946	7,367,695	-	-	10,105,641
Futures customers' equity	23,790,080	-	-	-	-	23,790,080
Other current liabilities	526,013	1,471,442	2,447,202	73	-	4,444,730
Other financial liability - current	-	13,480,317	8,218	-	-	13,488,535
Income tax liability	-	829,760	57,789	1,149,100	9,211	2,045,860
Long-term liability matured in one year or the operating cycle	-	3,100,000	-	-	-	3,100,000
Bonds payable	-	-	-	1,020,680	-	1,020,680
Liabilities reserve - noncurrent	-	-	-	-	197,613	197,613
Others noncurrent liabilities	-	-	-	353,703	43,867	397,570
Total	$ 83,823,539	$ 109,080,545	$ 21,228,546	$ 4,890,600	$ 321,374	$ 219,344,604
Percentage	38.21%	49.73%	9.68%	2.23%	0.15%	100.00%

Statement of Capital Liquidation Gap

(In Thousands of New Taiwan Dollars)

December 31, 2014	Collection Period					Total
	Spot	In 3 Months	Over 3 Months-12 Months	Over 1 Year-5 Years	Over 5 Years	
Cash inflow	$ 177,496,905	$ 32,538,053	$ 47,710,195	$ 3,674,643	$ 7,213,762	$ 268,633,558
Cash outflow	83,823,539	109,080,545	21,228,546	4,890,600	321,374	219,344,604
Amount of cash flow gap	$ 93,673,366	$ (76,542,492)	$ 26,481,649	$ (1,215,957)	$ 6,892,388	$ 49,288,954

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, 2015 and 2014, show that the sums from deducting cash outflow from cash inflow are $49,388,135 thousand and $49,288,954 thousand, respectively, all indicating sufficient fund liquidity.

Due to operational characteristics of securities firms, an observation of fund inflow and outflow in different periods of time shows that current and receivable items contribute to the most of the financial assets of KGI Securities and subsidiaries, taking up to nearly 69.85% 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, 2015 and 2014, net cash inflow calculated from net spot financial assets are respectively $100,706,931 thousand and $93,673,366 thousand, which are sufficient to cover the net cash outflows of $69,167,625 thousand and $77,758,449 thousand from the 3 months and 1-5 years period, an indicator of sufficient fund liquidity.

2) Control mechanism of capital liquidity risk

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

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

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

KGI Bank and subsidiaries

1) The source and definition of liquidity risk

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

2) Management 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) To manage liquidity risk of financial assets hold and non-derivative financial liabilities maturity analysis

a) To manage liquidity risk of financial assets held

The financial assets include cash and assets that are of highly liquid and high quality for the purpose of paying liabilities and capital movement during emergency. The assets held for managing liquidity risk include cash and cash equivalents, due from the central bank and call loans to banks, financial assets at FVTPL, discounts and loans, available-for-sale financial assets, and held-to-maturity financial assets.

b) Maturity analysis for non-derivative financial liabilities

KGI Bank's non-derivative financial liabilities are based both on the maturing of assets and liabilities, and the corresponding interest rate and controlled gaps that do not match. As the transaction conditions are uncertain and are of different types, the maturity of assets and liabilities usually does not match. This may result in gains or losses. The following table shows the maturity analysis of liquidity based on liabilities.

(In Thousands of New Taiwan Dollars)

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

(In Thousands of New Taiwan Dollars)

December 31, 2014	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Deposits from the central bank and banks	$ 1,729,026	$ 32,752	$ -	$ 460,002	$ -	$ 2,221,780
Notes and bonds issued under repurchase agreement	4,848,420	680,194	-	-	-	5,528,614
Deposits and remittances	10,100,322	16,956,209	20,665,931	35,277,871	32,022,727	115,023,060
Other capital outflow on maturity	826,248	607,584	49,143	275,383	361,245	2,119,603
Total	$ 17,504,016	$ 18,276,739	$ 20,715,074	$ 36,013,256	$ 32,383,972	$ 124,893,057

(In Thousands of U.S. Dollars)

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

(In Thousands of U.S. Dollars)

December 31, 2014	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Deposits and remittances	$ 62,919	$ 68,828	$ 82,555	$ 76,690	$ 106,783	$ 397,775
Other capital outflow on maturity	853	251	88	45	20	1,257
Total	$ 63,772	$ 69,079	$ 82,643	$ 76,735	$ 106,803	$ 399,032

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

(In Thousands of U.S. Dollars)

December 31, 2014	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	$ (3,094)	$ -	$ -	$ -	$ -	$ (3,094)
Cash inflow	3,093	-	-	-	-	3,093
Net cash flow	$ (1)	$ -	$ -	$ -	$ -	$ (1)

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

(In Thousands of New Taiwan Dollars)

December 31, 2014	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Irrevocable loan commitments guarantees, and letters of credit	$ 6,091,204	$ 9,975,067	$ 6,482,447	$ 25,716,416	$ 37,120,193	$ 85,385,327

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.

Lease maturity analysis of contractual commitments is as follows:

(In Thousands of New Taiwan Dollars)

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

(In Thousands of New Taiwan Dollars)

December 31, 2014	Less Than 1 Year	1-5 Years	Over 5 Years	Total
Lease agreement				
Operating lease payment (lessee)	$ 174,511	$ 301,580	$ 8,498	$ 484,589
Operating lease income (lessor)	11,292	25,994	1,056	38,342
Present value of financial lease payment (lessee)	7,431	4,683	-	12,114

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, 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)

(In Thousands of New Taiwan Dollars)

December 31, 2014	0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Main capital inflow on maturity	$ 13,912,567	$ 16,409,900	$ 8,917,720	$ 10,252,388	$ 16,379,230	$ 73,163,710	$ 139,035,515
Main capital outflow on maturity	8,511,991	14,748,966	27,927,085	27,092,743	61,423,347	87,333,507	227,037,639
Gap	$ 5,400,576	$ 1,660,934	$ (19,009,365)	$ (16,840,355)	$ (45,044,117)	$ (14,169,797)	$ (88,002,124)

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

(In Thousands of U.S. Dollars)

December 31, 2015	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
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)

(In Thousands of U.S. Dollars)

December 31, 2014	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Main capital inflow on maturity	$ 68,584	$ 102,984	$ 22,721	$ 53,360	$ 213,130	$ 460,779
Main capital outflow on maturity	65,839	72,834	83,889	79,208	130,170	431,940
Gap	$ 2,745	$ 30,150	$ (61,168)	$ (25,848)	$ 82,960	$ 28,839

d. Market risk

CDIB and subsidiaries

1) Source and definition of market risk

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

2) Risk management policies

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

The “Market Risk Policy” is applicable to “Trading Book” positions defined by the Regulations Governing the Capital Adequacy Ratio of Banks related market risk calculation tables and CDIB’s book management approach to financial instrument handling.

Following the “Market Risk Policy”, CDIB 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

CDIB’s market risk limits include position sensitivities, stop-loss limits, Value-at-Risk (VaR).

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

CDIB’s market risk report includes 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 CDIB 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

CDIB'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

CDIB 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)

	December 31, 2015			December 31, 2014		
	Average	Highest	Lowest	Average	Highest	Lowest
Value at risk of foreign exchange rate	$ -	$ -	$ -	$ 8,322	$ 17,544	$ 1,955
Value at risk of interest rate	-	-	-	65,735	100,306	6,725
Value at risk of equity stocks	-	-	-	15,416	18,764	12,103
Total value at risks	-	-	-	69,064	-	-

6) Foreign currency rate risk information

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

(In Thousands of Foreign Currencies/New Taiwan Dollars)

	December 31, 2015		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets			
Monetary items			
USD	$ 277,125	33.066	$ 9,163,406
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	18,379	33.066	607,724

	December 31, 2014		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets			
Monetary items			
USD	$ 4,545,083	31.718	$ 144,160,953
RMB	2,245,478	5.103	11,459,573
HKD	280,055	4.090	1,145,342
EUR	21,178	38.550	816,398
AUD	12,695	25.960	329,557
JPY	1,171,895	0.265	310,786
KRW	6,202,560	0.029	180,339
Nonmonetary items			
HKD	446,456	4.090	1,825,869
RMB	20,364	5.103	103,918
Investment accounted for using the equity method			
RMB	137,655	5.103	702,508
Financial liabilities			
Monetary items			
USD	3,253,661	31.718	103,199,634
RMB	1,597,356	5.103	8,151,944
NZD	17,638	24.853	438,346
EUR	9,844	38.550	379,477
AUD	10,141	25.960	263,250
JPY	920,698	0.265	244,169
KRW	5,504,389	0.029	160,040
ZAR	37,845	2.740	103,687

7) 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)

Analysis of Interest Rate-sensitive Assets and Liabilities
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

Analysis of Interest Rate-sensitive Assets and Liabilities
December 31, 2014

(In Thousands of New Taiwan Dollars, %)

Item	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	$ 115,356,492	$ 5,359,256	$ 383,709	$ 76,625,179	$ 197,724,636
Interest rate-sensitive liabilities	71,204,777	38,250,410	4,560,290	3,825,816	117,841,293
Interest rate sensitivity gap	44,151,715	(32,891,154)	(4,176,581)	72,799,363	79,883,343
Net worth					110,436,045
Ratio of interest rate-sensitive assets to liabilities (%)					168
Ratio of interest rate-sensitive gap to net worth (%)					72

Note 1: The above amounts included only New Taiwan dollar amounts held in the domestic and overseas branches (i.e., 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)

Analysis of Interest Rate-sensitive Assets and Liabilities
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 (%)					-

Analysis of Interest Rate-sensitive Assets and Liabilities
December 31, 2014

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

Item	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	$ 1,985,592	$ 456,352	$ 660,575	$ 1,843,532	$ 4,946,051
Interest rate-sensitive liabilities	3,844,267	487,211	119,167	-	4,450,645
Interest rate sensitivity gap	(1,858,675)	(30,859)	541,408	1,843,532	495,406
Net worth					105,291
Ratio of interest rate-sensitive assets to liabilities (%)					111
Ratio of interest rate-sensitive gap to net worth (%)					471

Note 1: The above amounts included only U.S. dollar amounts held in the domestic and overseas branches and OBU (i.e., 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).

KGI Securities and subsidiaries

Market risk is the risk of potential economic value reduction for securities or financial contracts 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 and subsidiaries 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, 2015	December 31, 2014
Interest rate risk	$ 12,186	$ 9,004
Equity securities risk	15,566,569	15,841,025
Exchange rate risk	589,868	1,245,900
Commodity risk	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 reliability 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, 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

	For the Year Ended December 31, 2014			December 31, 2014
	Average VAR	**Minimum VAR**	**Maximum VAR**	**Ending VAR**
Equity securities	$ 374,660	$ 55,489	$ 538,744	$ 326,952
Interest rate	68,342	45,461	103,474	84,617
Exchange rate	21,763	7	283,963	11,457

3) Stress test

Stress test mainly examines the effects of extreme changes in market risk factors in an investment portfolio. It can serve as an assistive tool in monitoring and controlling of VAR. Since VAR is only an estimated value under certain statistical assumptions, it only reflects possible losses under normal market situations especially since it does not take into considerations the liquidity of an investment portfolio. Stress test can help a company's 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 sensitivity test and scenario analysis. Scenario analysis includes historic and hypothetical scenario analysis.

a) Sensitivity test

For certain risk factors in an investment portfolio, this test analyzes possible changes of profit/loss in exposure under given changes.

b) Scenario analysis

i. Historic scenario analysis: Using incidents that strongly impacted the market before such as Lehman Brothers in 2008 and subprime mortgage crisis in 2007, and this analysis applies the continuous changes of the risk factors of these incidents to the current market and portfolios and analyze how the profit/loss changes accordingly.

ii. Hypothetical scenarios analysis

i) This analysis utilizes pressure scenarios defined by Derivative Policy Group. Test items include yield curve horizontal shift, yield curve twist, yield curve horizontal shift and twist, changes in stock index and changes in exchange rates in major countries.

ii) Expected incidents: considering the economic and political developments inside and outside Taiwan and referring to similar experience from the past, this analysis predicts all kinds of possible impacts to the market when a certain incident takes place in the future and examines the possible changes to the profit/loss of KGI Securities' holding position. For example, the increasing possibility of war due to the rising intensity in Middle East may lead to the booming price of energy such as crude oil. Meanwhile, the global financial market would have greater fluctuation, resulting in expected inflation. Therefore, anticipate the potential policy adopted by Central Bank to determine the effect of series events on the risk factor of holding position, and further analyze the possible exposure.

Results of stress test based on the change of sensitivity as follows:

			Loss	
			December 31	
Risk Factor	**Risk Indicators**	**Changes**	**2015**	**2014**
Interest exposures	Yield curve	+ 50 bps	$ (609,298)	$ (450,117)
Equity exposures	Equity index	- 25%	(3,891,642)	(3,960,256)
Exchange rate exposures	Exchange rate to USD	- 7%	(41,291)	(87,213)
Commodity exposures	Price of commodity	- 25%	(1,116)	-

4) Foreign currency exchange rate financial assets and liabilities information

(In Thousands of Foreign Currencies New Taiwan Dollars)

	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

(Continued)

	December 31, 2015		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
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

(Concluded)

	December 31, 2014		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets			
Monetary items			
USD	$ 1,707,274	31.72	$ 54,144,135
RMB	865,261	5.10	4,415,774
HKD	138,252	4.09	565,282
Nonmonetary items			
USD	1,079,037	31.72	34,224,909
RMB	1,346,593	5.10	6,872,202
HKD	144,710	4.09	591,822
Investments accounted for using the equity method			
USD	69,872	31.72	2,216,211
Financial liabilities			
Monetary items			
USD	3,265,209	31.72	103,558,649
RMB	1,068,724	5.10	5,454,127
HKD	28,071	4.09	114,674
Nonmonetary items			
USD	314,816	31.72	9,985,342
RMB	158,675	5.10	809,782
HKD	34,360	4.09	140,522

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, 2015			For the Year Ended December 31, 2014		
	Average	Highest	Lowest	Average	Highest	Lowest
Price risk of interest rate instruments	$ 47,779	$ 118,218	$ 11,394	$ 344	$ 3,506	$ -
Price risk of equity instruments (includes hedged position)	15,831	28,568	7,542	5,254	12,926	1,627
Price risk of exchange rate instruments	8,539	27,412	1,514	1,466	7,868	12

6) Interest rate risk in banking book

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

7) Interest rate risk management of the banking book

The interest rate risk management strategy involving the KGI Bank's banking book is to minimize the negative impact of changes in interest rates on net interest income and the net economic value of equity. The asset-liability management committee (ALMCO) approves the annual banking book interest rate risk limits and monitors the Bank's interest rate risk exposures every day. The interest rate risk management processes involving the banking book include risk identification, risk measurement, risk control, risk monitor and others. The unit monitoring the banking book interest rate risk reports interest rate risk exposures regularly to ALMCO, and adjust the structure of assets and liabilities according to the report, lowering the amount of exposure. For risk monitoring, the asset and liability management system outputs an analysis report, which is provided to the interest rate risk execution unit and top management. If risk missing or excess of limit occurred from monitor, written notices will be passed to interest rate risk implementation units to adjust and improve the program reported to ALMCO.

8) Concentration of currency risk information

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

(In Thousands of New Taiwan Dollars/Foreign Currencies)

	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

(Continued)

	December 31, 2015		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
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

(Concluded)

	December 31, 2014		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets			
Monetary items			
USD	$ 437,070	31.72	$ 13,862,985
RMB	1,663,010	5.10	8,487,005
ZAR	238,781	2.74	654,213
AUD	13,812	25.96	358,569
JPY	859,866	0.27	228,036
Financial liabilities			
Monetary items			
USD	402,089	31.72	12,753,461
RMB	1,658,465	5.10	8,463,812
ZAR	239,106	2.74	655,103
AUD	13,747	25.96	356,883
JPY	859,402	0.27	227,913

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, 2015

(In Thousands of New Taiwan Dollars, %)

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

December 31, 2014

(In Thousands of New Taiwan Dollars, %)

Item	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	$ 113,329,501	$ 548,131	$ 559,239	$ 11,029,425	$ 125,466,296
Interest rate-sensitive liabilities	38,021,959	53,112,486	24,723,823	4,960,563	120,818,831
Interest rate sensitivity gap	75,307,542	(52,564,355)	(24,164,584)	6,068,862	4,647,465
Net worth					18,853,918
Ratio of interest rate-sensitive assets to liabilities (%)					103.85
Ratio of interest rate-sensitive gap to net worth (%)					24.65

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): Interest rate-sensitive assets and liabilities are interest-earning assets and interest-bearing liabilities with revenues or costs affected by interest rate changes.

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

December 31, 2015

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

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

December 31, 2014

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

Item	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	$ 295,573	$ 14,235	$ 3,005	$ 30,803	$ 343,616
Interest rate-sensitive liabilities	115,409	205,609	76,690	-	397,708
Interest rate sensitivity gap	180,164	(191,374)	(73,685)	30,803	(54,092)
Net worth					1,993
Ratio of interest rate-sensitive assets to liabilities (%)					86.40
Ratio of interest rate-sensitive gap to net worth (%)					(2,714.10)

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

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

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

Note 4: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets/Interest rate-sensitive liabilities (in U.S. dollars).

e. Transfers of financial assets

KGI Securities and subsidiaries

1) Transferred financial assets not qualifying for full derecognition

Among daily operations of KGI Securities and subsidiaries (KGI Securities), most of the transactions of transferred financial assets not qualifying for full derecognition are debt securities held by counterparties as collateral under repurchase agreements or equity securities lent under securities lending agreements. As the substance of these transactions is secured borrowing, securities that has transferred to counterparties during the transaction causes KGI Securities' right to receive cash flows of the financial assets transferred to the counterparties; KGI Securities and subsidiaries 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, 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, 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	$ 447,127	$ 447,127	$ -	$ 447,127

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, 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, 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	Revenues or Expenses Recognized During the Period
Call option	$ (176,259)	$ (257,532)	$ (433,791)

KGI Bank and subsidiaries

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, 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
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

CDIB

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

December 31, 2014						
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	$ 22,073,934	$ -	$ 22,073,934	$ 6,649,308	$ 141,921	$ 15,282,705
Securities purchased under resell agreements	23,414,342	-	23,414,342	23,414,342	-	-
Total	$ 45,488,276	$ -	$ 45,488,276	$ 30,063,650	$ 141,921	$ 15,282,705

December 31, 2014						
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	$ 23,279,859	$ -	$ 23,279,859	$ 6,649,308	$ 5,884,374	$ 10,746,177
Notes and bonds issued under repurchase agreements	63,299,830	-	63,299,830	63,299,830	-	-
Total	$ 86,579,689	$ -	$ 86,579,689	$ 69,949,138	$ 5,884,374	$ 10,746,177

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

KGI Securities and subsidiaries

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

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

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

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

December 31, 2014						
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	$ 1,759,443	$ -	$ 1,759,443	$ -	$ 10,181	$ 1,749,262
Securities purchased under resell agreements	9,457,201	-	9,457,201	9,457,201	-	-
Total	$ 11,216,644	$ -	$ 11,216,644	$ 9,457,201	$ 10,181	$ 1,749,262

December 31, 2014						
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	$ 3,701,786	$ -	$ 3,701,786	$ -	$ 856,449	$ 2,845,337
Notes and bonds issued under repurchase agreements	63,998,162	-	63,998,162	63,998,162	-	-
Total	$ 67,699,948	$ -	$ 67,699,948	$ 63,998,162	$ 856,449	$ 2,845,337

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

<u>KGI Bank and subsidiaries</u>

KGI Bank has no transactions of financial instruments that correspond to the provisions of IAS 32-42, but there are enforceable master netting arrangements or similar agreements signed with counterparty, and the financial assets and financial liabilities can be offset when both sides of the transaction have decided to, but gross settlements if 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, 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

December 31, 2014						
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	$ 5,528,614	$ -	$ 5,528,614	$ 5,528,614	$ -	$ -

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

57. 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		$165,157,125	$ 188,455,852
CDIB	100.00	14,497,173	1,067,612
KGI	100.00	20,503,870	9,042,459
KGIB	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)

(In Thousands of New Taiwan Dollars; %)

Items / Company	December 31, 2014		
	% of Ownership	Group's Eligible Capital	Group's Legal Capital Demand
The Corporation		$ 170,289,931	$ 194,153,928
CDIB	100.00	45,327,171	20,453,387
KGI	100.00	23,195,681	10,147,407
KGIB	100.00	16,294,778	10,139,165
Deduct items		192,309,403	192,309,403
Subtotal		62,798,158 (A)	42,584,484 (B)
Group's CAR (C)=(A)÷(B)			147.47 (C)

Note 1: 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	
	2015	**2014**
Common stock	$ 151,124,071	$ 153,438,493
Capital instruments of comply with Tier 1 capital requirement	-	-
Other preferred stock and subordinated bonds	-	-
Reserve for raising capital	1,370	5,969
Capital surplus	654,803	590,923
Legal reserve	4,161,475	3,077,853
Special reserve	765,041	1,123,858
Retained earnings	13,580,644	15,378,140
Equity adjustment	(2,746,831)	(20,368)
Deduction: Capital items	(2,383,448)	(3,304,937)
	$ 165,157,125	$ 170,289,931

The Group's CARs were 165.38% and 147.47% as of December 31, 2015 and 2014, 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 and subsidiaries

a. Objectives

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

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

b. Capital management procedures

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

c. Capital adequacy ratio

Items \ Year			December 31, 2015	December 31, 2014
Eligible capital	Common stockholders' equity		$ 14,497,173	$ 45,327,171
	Other Tier 1 capital		-	-
	Tier 2 capital		-	-
	Eligible capital		14,497,173	45,327,171
Risk-weighted assets	Credit risk	Standardized approach	4,880,609	213,061,881
		Internal rating-based approach	NA	NA
		Securitization	-	-
	Operational risk	Basic indicator approach (Note 4)	6,668,563	12,540,050
		Standardized approach/alternative standardized approach	NA	NA
		Advanced measurement approach	NA	NA
	Market risk	Standardized approach	1,795,975	30,065,413
		Internal model approach	NA	NA
	Total risk-weighted assets		13,345,147	255,667,344
Capital adequacy ratio			108.63%	17.73%
Ratio of common stockholders' equity to risk-weighted assets			108.63%	17.73%
Ratio of Tier 1 capital to risk-weighted assets			108.63%	17.73%
Leverage ratio			89.92%	7.71%

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 stockholder'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 stockholders' equity to risk-weighted assets = Common stock/Total risk-weighted assets.

5) Ratio of Tier 1 capital to risk-weighted assets = (Stockholders' 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.

KGI and subsidiaries

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

KGI Bank and subsidiaries

a. Objectives

The calculation of self-owned capital should be conducted according to the regulations of the authorities. The basic management objective includes sufficient capital to meet the requirements of the regulation and achieve the minimum capital adequacy ratio so as to control all risks within the risk appetite.

In order to undertake all kinds of risk, KGI Bank conducts risk management based on the risk portfolio and the assessment of risk characteristics to design the best capital allocation.

b. Capital management procedures

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

c. Capital adequacy ratio

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

Note 1: The 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 stockholder'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 stockholders' equity to risk-weighted assets = Common stock/Total risk-weighted assets.

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

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

58. TRUST BUSINESS OPERATIONS UNDER THE TRUST ENTERPRISES ACT

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

Balance Sheets of Trust Accounts
December 31, 2014

(In Thousands of New Taiwan Dollars)

Trust Assets		**Trust Liabilities**	
Bank deposits	$ 585,031	Payables	$ 2,210
Financial assets at FATPL	5,076,358	Other liabilities - beneficiary	1,280,000
Financial assets measured at cost	1,400,000	Trust capital	6,500,406
Real estate, net	797,943	Reversal and cumulative deficit	
Other assets	1,117,998	Accumulated deficit	1,156,851
		Appropriation of income	(100,391)
		Net income	138,254
		Total capital surplus and related earnings	1,194,714
Total	$ 8,977,330	Total	$ 8,977,330

Income Statements of Trust Accounts
For the Years Ended December 31, 2015 and 2014

(In Thousands of New Taiwan Dollars)

	2015 (Note)	2014
Trust income and gains		
Gain on financial assets at FATPL, net	$ 225,466	$ -
Interest income	15,721	73,483
Rental income	1,025	12,098
Dividend revenue	-	150,406
Total trust income and gains	242,212	235,987
Trust expenses		
Interest expense	(19,635)	(45,645)
Trust administrative expense	(188)	(4,197)
Loss on financial assets at FATPL, net	-	(45,579)
Other expenses	(34)	(2,312)
Total trust expenses	(19,857)	(97,733)
Net income before income tax	$ 222,355	$ 138,254

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

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

Trust Property Accounts
December 31, 2014

(In Thousands of New Taiwan Dollars)

Investment Portfolio

Bank deposits	$ 585,031
Financial assets at FVTPL	5,076,358
Financial assets measured at cost	1,400,000
Real estate, net	797,943
Payments for others	1,115,230
Other assets	2,768
	$ 8,977,330

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, 2015 and 2014

(In Thousands of New Taiwan Dollars)

Trust Assets	2015	2014	Trust Liabilities	2015	2014
Bank deposits	$ 876,118	$ 819,113	Payables	$ 30,124	$ 19,781
Financial assets	22,837,422	18,687,157	Trust capital	23,578,392	18,177,476
Receivables	99,904	34,370	Reserves and retained earnings	204,928	1,343,383
Total	$ 23,813,444	$ 19,540,640	Total	$ 23,813,444	$ 19,540,640

Income Statements of Trust Accounts
December 31, 2015 and 2014

(In Thousands of New Taiwan Dollars)

	2015	2014
Trust income	$ 2,136,357	$ 2,172,161
Trust expenses	(2,327,314)	(972,288)
Income before income tax	$ (190,957)	$ 1,199,873

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

Trust Property Accounts
For the Years Ended December 31, 2015 and 2014

(In Thousands of New Taiwan Dollars)

Investment Portfolio	2015	2014
Bank deposits	$ 876,118	$ 819,113
Stocks	10,046,448	9,769,102
Funds	7,320,525	5,768,699
Lending securities	5,423,949	3,049,388
Structured notes	46,500	99,968
Receivables	99,904	34,370
Total	$ 23,813,444	$ 19,540,640

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
December 31, 2015 and 2014

(In Thousands of New Taiwan Dollars)

Trust Assets	2015	2014	Trust Liabilities	2015	2014
Bank deposits	$ 654,161	$ 184,143	Payables	$ 154,615	$ 155,241
Short-term investment	31,338,483	35,482,654	Other liabilities	1,336,311	3,741
Receivables	51,927	132	Trust capital	37,805,193	36,467,188
Payments for others	1,166,813	-	Accumulated earnings	795,758	25,746
Financial assets measured at cost	1,401,010	-			
Financial assets at FVTPL	3,697,006	-			
Real estate, net	797,943	-			
Intangible assets - surface rights	984,534	984,534			
Other assets	-	453			
Total	$ 40,091,877	$ 36,651,916	Total	$ 40,091,877	$ 36,651,916

Income Statements of Trust Accounts
For the Years Ended December 31, 2015 and 2014

(In Thousands of New Taiwan Dollars)

	2015	2014
Trust income and gains		
Profit income	$ 157,838	$ 2,215
Interest income	1,624,518	1,490,120
Rental income	30,922	28,028
Gain on financial assets at FATPL, net	190,454	-
Others income	915	532
Total trust income and gains	2,004,647	1,520,895
Property transaction losses	(1,576,080)	(151,777)

(Continued)

	2015	2014
Trust expenses		
Administrative expenses	$ (36,612)	$ (32,672)
Interest expenses	(45,650)	-
Operating expenses	-	(222)
Taxation	-	(34)
Other expenses	(12,445)	(4,544)
Total trust expenses	(94,707)	(37,472)
Net income	$ 333,860	$ 1,331,646

(Concluded)

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

Trust Property Accounts
December 31, 2015 and 2014

(In Thousands of New Taiwan Dollars)

Investment Portfolio	2015	2014
Bank deposits	$ 654,161	$ 184,143
Short-term investments		
Funds	29,808,756	34,503,272
Bonds	1,113,036	574,247
Common shares	81,400	86,120
Structured notes	215,507	286,689
ETF	119,784	32,326
Financial assets at FVTPL	3,697,006	-
Payment for others	1,166,813	-
Financial assets measured at cost	1,401,010	-
Real estate, net	797,943	-
Intangible assets - surface	984,534	984,534
Other assets	51,927	585
Total	$ 40,091,877	$ 36,651,916

d. Trust business operations under the Trust Enterprises Act: Please refer to Note 1 to the consolidated financial statements.

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

Please refer to Table 9 (attached).

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

Please refer to Table 10 (attached).

61. ALLOCATION OF REVENUE, COST AND EXPENSE RESULTING FROM COOPERATION AND RESOURCE SHARING BETWEEN THE CORPORATION AND SUBSIDIARIES

For the resource sharing between the Corporation and subsidiaries, please refer to Note 49 to the consolidated financial statements.

62. CONTINGENCIES AND COMMITMENT, DISASTROUS DAMAGES AND SUBSEQUENT EVENTS OF SUBSIDIARIES

Please refer to Note 51 to the consolidated financial statements. Information on disaster damages: None.

63. SUBSIDIARIES' ASSET QUALITY, MANAGEMENT, PROFITABILITY, LIQUIDITY AND SENSITIVITY TO MARKET RISK

Please refer to Notes 54 and 56 to the consolidated financial statements.

64. SPECIFIC RISK FROM FUTURES DEALING

The futures dealer needs to maintain adequate liquidity in case 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.

65. 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, 2015 Formula	2015 %	December 31, 2014 Formula	2014 %	Standard	Meet Standard
17	Equities / Total liabilities minus customers' equity accounts	$1,965,939 / $407,338	=4.83	$1,011,350 / $466,132	=2.17	≧1	Yes
17	Current assets / Current liabilities	$2,320,730 / $238,942	=9.71	$1,434,251 / $143,281	=10.01	≧1	Yes
22	Equities / Capital stock	$1,965,939 / $400,000	=491.48%	$1,011,350 / $400,000	=252.84%	≧60% ≧40%	Yes
22	Adjusted net capital / Client and proprietary account	$1,417,650 / $215,941	=656.50%	$658,514 / $463,206	=142.16%	≧20% ≧15%	Yes

b. KGI Futures Corp.

Rule No.	Formula	December 31 2015 Formula	2015 %	2014 Formula	2014 %	Standard	Meet Standard
17	Equities / Total liabilities minus customers' equity accounts	$2,624,668 / $372,168	=7.05	$2,330,514 / $203,524	=11.45	≧1	Yes
17	Current assets / Current liabilities	$20,589,705 / $18,589,073	=1.11	$13,763,599 / $12,063,412	=1.14	≧1	Yes
22	Equities / Capital stock	$2,624,668 / $760,000	=345.35%	$2,330,514 / $760,000	=306.65%	≧60% ≧40%	Yes
22	Adjusted net capital / Client and proprietary account	$2,221,296 / $3,662,040	=60.66%	$1,978,098 / $2,310,489	=85.61%	≧20% ≧15%	Yes

66. ACCOUNT RECLASSIFICATION

KGI Securities and its subsidiaries 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 and its subsidiaries 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 and subsidiaries		
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, 2015 and 2014 were as follows:

	December 31 2014 Carrying Amount	2014 Fair Value	2013 Carrying Amount	2013 Fair Value
KGI Securities and subsidiaries				
Available-for-sale financial assets	$ 4,358,869	$ 4,358,869	$ 4,448,814	$ 4,448,814

The gains or losses recorded for the reclassified financial assets (excluding those that had been derecognized before December 31, 2015 and 2014) for the years ended December 31, 2015 and 2014 and the pro forma gains or losses assuming no reclassifications had been made were as follows:

	For the Year Ended December 31			
	2014		2013	
	Gains (Losses) Recorded	**Pro Forma Losses**	**Gains (Losses) Recorded**	**Pro Forma Losses**
KGI Securities and subsidiaries				
Available-for-sale financial assets	$ -	$ (88,944)	$ -	$ 19,728

67. 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 13-5 (attached).

b. Income statement: Tables 14-1 to 14-5 (attached).

c. Securities held: None.

d. Derivative instruments and related capital resources: None.

e. Asset management revenues, service and litigation matters: Note 51(c).

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

68. ADDITIONAL DISCLOSURES

a. and b. following are the additional disclosures required by the Securities and Futures Bureau for the Corporation and subsidiaries:

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

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

3) Marketable securities held: Not applicable to the Corporation, CDIB, KGI Bank, and KGI Securities and subsidiaries. For other subsidiaries' information: Please refer to Table 3 (attached).

4) Subsidiaries are 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 Corporation: None. Not applicable to KGI Securities and subsidiaries. For CDIB, KGI Bank and other subsidiaries' information: Please refer to Table 4 (attached).

5) Acquisition of individual real estate at cost of at least NT$300 million or 10% of the issued capital: For the Corporation and other subsidiaries' information: None.

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

7) Discount on service fees received from related parties amounting to NT$5 million: For the Corporation and other subsidiaries' information: None.

8) Receivables from related parties amounting to NT$300 million or 10% of the issued capital: Please refer to Note 49 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 Corporation and subsidiaries: Please refer to Notes 8, 55 and 56 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 Corporation and its subsidiaries: Please refer to Table 12 (attached).

69. SEGMENT INFORMATION

The reportable segments of the Corporation are Industrial banking, Securities and Commercial banking. Under the Regulations Governing the Establishment Criteria and Administration of Industrial Banks and relevant regulations, Industrial Banking engaged in principal investment business, global financial market business and corporate banking business. Under the Securities and Exchange Act and relevant regulations, Securities engaged in wealth management business, trading business and investment banking business. Under The Banking Act of The Republic of China and relevant regulations, Commercial banking engaged in consumer banking, corporate banking and global market and financial institution.

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

a. Segment revenues and results

Following is an analysis of the Corporation and subsidiaries' operating revenue and results by reportable segment:

	Industrial Banking	Securities	Commercial Banking	Other	Total
For the 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, net	4,547,186	13,676,540	3,124,729	66,254	21,414,709
Net profit (loss)	5,964,057	15,925,042	9,301,846	(668,423)	30,522,522
Reversal of allowance (allowance) for bad debts and losses on guarantees, net	205,757	(205,017)	329,049	-	329,789
Operating expenses	(2,309,926)	(12,834,713)	(4,977,069)	(1,287,616)	(21,409,324)
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
For the year ended December 31, 2014					
Interest profit (loss), net	$ 4,717,128	$ 2,680,364	$ 1,342,978	$ (328,207)	$ 8,412,263
Noninterest profit, net	7,357,228	12,284,661	505,476	62,359	20,209,724
Net profit (loss)	12,074,356	14,965,025	1,848,454	(265,848)	28,621,987
Reversal of allowance (allowance) for bad debts and losses on guarantees, net	(29,867)	(44,078)	119,238	(59,000)	(13,707)
Operating expenses	(2,951,536)	(11,105,364)	(1,485,773)	(1,286,974)	(16,829,647)
Income (loss) before income tax	9,092,953	3,815,583	481,919	(1,611,822)	11,778,633
Income tax benefit (expense)	(771,043)	(524,363)	(80,897)	435,001	(941,302)
Net income (loss)	$ 8,321,910	$ 3,291,220	$ 401,022	$ (1,176,821)	$ 10,837,331

b. Segment assets and liabilities

	Industrial Banking	Securities	Commercial Banking	Other	Total
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
December 31, 2014					
Assets	$ 472,026,367	$ 275,341,172	$ 170,120,501	$ 2,213,178	$ 919,701,218
Liabilities	$ 352,533,842	$ 218,503,782	$ 146,900,607	$ 25,739,280	$ 743,677,511

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	
	2015	2014
Taiwan	$ 22,127,160	$ 22,689,126
Hong Kong	5,895,999	4,111,335
British Virgin Islands	1,224,025	975,413
Malaysia	483,605	468,406
Grand Cayman	395,164	17,786
China	308,492	277,696
Others	88,077	82,225
	$ 30,522,522	$ 28,621,987

d. Information about major customers

No single customer contributed 10% or more to the Group's revenue in 2015 and 2014.

TABLE 1

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

FINANCINGS PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2015
(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	$ 7,274,520	$ 7,274,520	$ 3,703,392	Floating	Short-term financing	$ -	Working capital	$ -	-	$ -	$ 15,609,945 (Note 1)	$ 15,609,945 (Note 1)
		KGI International Holdings Limited	Receivables, net	Yes	5,621,220	5,621,220	-	Floating	Short-term financing	-	Working capital	-	-	-	15,609,945	
2	KGI International Holdings Limited	KGI Asia Limited	Receivables, net	Yes	3,141,270	1,653,300	-	Floating	Short-term financing	-	Capital increase	-	-	-	16,670,111 (Note 2)	16,670,111 (Note 2)
		KGI Futures (Hong Kong) Limited	Receivables, net	Yes	991,980	-	-	Floating	Short-term financing	-	Capital increase	-	-	-	16,670,111	
		KGI International Finance Limited	Receivables, net	Yes	4,959,900	4,959,900	1,239,975	Floating	Short-term financing	-	Working capital	-	-	-	16,670,111	
		KGI Ong Capital Pte. Ltd	Receivables, net	Yes	119,203	117,087	117,087	Floating	Short-term financing	-	Capital increase	-	-	-	16,670,111	

Note 1: Richpoint Company Limited's financing limit is based on the "Loan of Funds Making Guideline". The guideline states that, for each and for all of the borrowing companies, the total amount available for financing should not exceed the net worth of the financing company.

Note 2: KGI International Holdings Limited's financing limit is based on the "Loan of Funds Making Guideline". The guideline states that, for each and for all of the borrowing companies, the total amount available for financing should not exceed the net worth of the financing company.

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

TABLE 2

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

COLLATERALS/GUARANTEE PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2015
(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	CDIB Management Consulting Corporation	CDIB International Leasing Corp.	Note 1	$ 7,776,988	$ 5,349,071	$ 3,405,798	$ 1,752,498	$ -	218.97%	$ 7,776,988 (Note 2)	No	No	Yes
2	KGI Securities Co., Ltd.	KGI Fraser Securities Pte. Ltd.	Note 1	6,128,271	1,249,498	1,170,735	1,170,735	-	1.91%	24,513,083 (Note 3)	No	No	No
		KGI Ong Capital Pte Ltd.	Note 1	6,128,271	1,249,498	1,170,735	1,170,735	-	1.91%		No	No	No
3	KGI International Holdings Limited	KGI Asia Limited	Note 1	16,670,111	970,652	970,619	342,332	-	5.82%	16,670,111 (Note 4)	No	No	No
		KGI Alliance Corporation	Note 1	16,670,111	1,983,960	-	-	-	-		No	No	No
		KGI International Finance Limited	Note 1	16,670,111	661,320	661,320	-	-	3.97%		No	No	No
		KGI Asia Limited/KGI International Finance Limited	Note 1	-	2,479,950	2,479,950	552,103	-	14.88%		No	No	No
		KGI Futures (Hong Kong) Limited	Note 1	16,670,111	198,396	198,396	-	-	1.19%		No	No	No
		KGI Finance Limited	Note 1	16,670,111	82,665	82,665	-	-	0.50%		No	No	No
		KGI International (Hong Kong) Limited	Note 1	16,670,111	991,980	991,980	-	-	5.95%		No	No	No
		KGI International Finance Limited/KGI International (Hong Kong) Limited/KGI Finance Limited	Note 1	-	224,849	224,849	-	-	1.35%		No	No	No
		KGI International Finance Limited/KGI International (Hong Kong) Limited	Note 1	-	1,355,706	1,355,706	-	-	8.13%		No	No	No
		KGI Capital (Singapore) Pte. Ltd.	Note 1	16,670,111	165,330	-	-	-	-		No	No	No
		KGI Asia Limited/KGI Futures (Hong Kong) Limited	Note 1	-	49,599	49,599	-	-	0.30%		No	No	No
		KGI Ong Capital Pte. Ltd.	Note 1	16,670,111	661,320	661,320	-	-	3.97%		No	No	No
		KGI Asia (Holdings) Pte Limited	Note 1	16,670,111	1,081,457	1,053,648	1,053,648	-	6.32%		No	No	No

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

Note 2: 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 3: The limit of maximum guarantee provided by KGI Securities Co., Ltd.'s is based on "Corporate Endorsement, Guarantee Making Guideline". For each company, the amount of guarantee should not exceed 10% of the guarantee provider's net asset value. The total amount available for collaterals or guarantee should not exceed 40% of the guarantee provider's net asset value.

Note 4: The limit of maximum guarantee provided by KGI International Holdings Limited is based on the "Corporate Endorsement, Guarantee Making Guideline". For each and all company, the amount of guarantee provided should not exceed the guarantee provider's net asset value.

Note 5: The above companies which are the subsidiaries of the Corporation were eliminated from the consolidated financial statements.

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2015
(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, 2015 Shares/Face Value/Units	Carrying Value (Note 2)	Percentage of Ownership	Market Value or Net Asset Value (Note 3)	Note
CDIB Capital Management Inc. (formerly CDIB Equity Inc.)	Stocks							
	Tong Hsing Electronic Industries, Ltd.	-	Available-for-sale financial assets	660,000	$ 50,622	0.41	$ 50,622	
	Aten International Co., Ltd.	-	Available-for-sale financial assets	65,660	4,622	0.05	4,622	
	Powertech Industrial Co., Ltd.	-	Available-for-sale financial assets	199,229	2,600	0.18	2,600	
	Victory Circuit Co., Ltd.	-	Available-for-sale financial assets	101,240	1,659	0.17	1,659	
	Giga Solution Tech. Co., Ltd.	-	Available-for-sale financial assets	440,916	8,884	0.37	8,884	
	Pili International Multimedia Co., Ltd.	-	Available-for-sale financial assets	300,000	23,790	0.68	23,790	
	Initio Corporation	-	Financial assets measured at cost	93,285	684	0.52	613	
	Arcoa Communication Co., Ltd.	-	Financial assets measured at cost	783,000	7,493	0.58	17,326	
	Beyond Innovation Technology Co., Ltd.	-	Financial assets measured at cost	235,474	4,485	0.70	924	
	EVA Technologies Co., Ltd.	-	Financial assets measured at cost	744,058	12,060	1.44	6,769	
	Luminous Town Electric Co., Ltd.	-	Financial assets measured at cost	1,442,883	13,645	2.16	17,222	
	MCM Stamping Co., Ltd.	-	Financial assets measured at cost	70,000	2,100	0.22	1,080	
	Progate Group Corporation	-	Financial assets measured at cost	27,274	325	0.08	269	
	CDIB Private Equity (Hong Kong) Corporation Limited	Subsidiary	Investments accounted for using the equity method	51,900,000	219,725	100.00	219,725	
	CDIB CME Fund Ltd.	Subsidiary	Investments accounted for using the equity method	1,500,000	14,476	1.00	14,476	
	CDIB Biomedical Venture Capital Corporation	Subsidiary	Investments accounted for using the equity method	1,750,000	17,048	1.00	17,048	
	CDIB Innovation Advisors Corporation Limited	Subsidiary	Investments accounted for using the equity method	1,200,000	11,999	60.00	11,999	
CDIB Private Equity (Hong Kong) Corporation Limited	Stocks							
	CPEC Huachuang Private Equity (Kunshan) Co, Ltd.	Subsidiary	Investments accounted for using the equity method	-	HK$ 5,685	65.00	HK$ 5,685	
	CPEC Huachuang Private Management (Kushan) Enterprise (Limited Partnership)	Subsidiary	Investments accounted for using the equity method	-	HK$ 220	4.53	HK$ 220	
CPEC Huachuang Private Equity (Kunshan) Co, Ltd.	Stocks							
	CPEC Huachuang Private Management (Kushan) Enterprise (Limited Partnership)	Subsidiary	Investments accounted for using the equity method	-	RMB 3,826	93.02	RMB 3,826	
CPEC Huachuang Private Management (Kushan) Enterprise (Limited Partnership)	Fund							
	CPEC Huachuang Private Equity (Kunshan) Enterprise (Limited Partnership)	Associate	Investments accounted for using the equity method	-	RMB 3,935	-	RMB 3,935	
CDIB Venture Capital Corporation	Stocks							
	Iron Force Industrial Co., Ltd.	-	Available-for-sale financial assets	100,000	15,800	0.13	15,800	
	Aten International Co., Ltd.	-	Available-for-sale financial assets	2,283,567	160,763	1.91	160,763	
	Anpec Electronics Corporation	-	Available-for-sale financial assets	3,709,011	87,718	3.69	87,718	
	Macroblock, Inc.	-	Available-for-sale financial assets	250,000	10,900	0.77	10,900	
	Taihan Precision Technology Co., Ltd.	-	Available-for-sale financial assets	4,117,158	33,843	6.56	33,843	
	Dynamic Electronics Co., Ltd.	-	Available-for-sale financial assets	3,285,131	30,387	1.17	30,387	
	Formosa Advanced Technologies Co., Ltd.	-	Available-for-sale financial assets	100,000	2,025	0.02	2,025	
	Chicony Power Technology Co., Ltd.	-	Available-for-sale financial assets	4,008,322	168,350	1.09	168,350	
	Solartech Energy Corp.	-	Available-for-sale financial assets	5,215,328	101,717	1.41	101,717	
	Neo Solar Power Corp.	-	Available-for-sale financial assets	2,337,996	49,067	0.27	49,067	
	Lextar Electronics Corp.	-	Available-for-sale financial assets	2,608,065	44,859	0.43	44,859	
	Gallant Precision Machine Co., Ltd.	-	Available-for-sale financial assets	1,247,499	21,519	0.76	21,519	
	Shin Zu Shing Co., Ltd.	-	Available-for-sale financial assets	613,462	77,603	0.34	77,603	
	Hua Jung Co., Ltd.	-	Available-for-sale financial assets	2,021,275	10,773	1.13	10,773	
	Chipsip Technology Co., Ltd.	-	Available-for-sale financial assets	428,928	3,689	1.02	3,689	
	Sunfun Info Co., Ltd.	-	Available-for-sale financial assets	810,000	20,331	6.36	20,331	
	ASRock Inc.	-	Available-for-sale financial assets	424,462	16,894	0.37	16,894	

(Continued)

Holding Company	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	December 31, 2015 Shares/Face Value/Units	Carrying Value (Note 2)	Percentage of Ownership	Market Value or Net Asset Value (Note 3)	Note
CDIB Venture Capital Corporation	Stocks							
	Share Hope Medicine Co., Ltd.	-	Available-for-sale financial assets	223,663	$ 10,456	0.36	$ 10,456	
	Hotron Precision Electronic Industrial Co., Ltd.	-	Available-for-sale financial assets	1,273,387	19,929	2.01	19,929	
	ADDA Corp.	-	Available-for-sale financial assets	4,015,430	26,422	2.75	26,422	
	Topoint Technology Co., Ltd.	-	Available-for-sale financial assets	2,513,383	57,933	1.58	57,933	
	Aces Connectors Co., Ltd.	-	Available-for-sale financial assets	2,850,421	81,665	2.30	81,665	
	China Communications Media Group Co., Ltd.	-	Available-for-sale financial assets	1,110,000	44,733	2.93	44,733	
	FocalTech Corporation, Ltd.	-	Available-for-sale financial assets	495,352	16,916	0.17	16,916	
	Sino-American Silicon Products Inc.	-	Available-for-sale financial assets	2,594,562	121,296	0.45	121,296	
	Enterex International Limited	-	Available-for-sale financial assets	3,750,000	109,500	3.73	109,500	
	Trea Xtal Technology Corp.	-	Available-for-sale financial assets	4,250,961	9,182	2.23	9,182	
	HIM International Music Inc.	-	Available-for-sale financial assets	1,136,960	124,497	2.68	124,497	
	Capital Securities Corporation	-	Available-for-sale financial assets	884,887	8,769	0.04	8,769	
	Andes Technologies Co., Ltd.	-	Available-for-sale financial assets	930,385	68,579	2.59	68,579	
	Newmax Technology Co., Ltd.	-	Available-for-sale financial assets	743,847	12,645	0.73	12,645	
	Global Sweeteners Holdings Ltd.	-	Available-for-sale financial assets	6,400,000	4,806	0.42	4,806	
	Victory Circuit Co., Ltd.	-	Available-for-sale financial assets	202,480	12,744	0.34	12,744	
	Dee Van Enterprise Co., Ltd.	-	Financial assets measured at cost	1,408,659	35,751	2.01	16,411	
	Allied Biotech Corp.	-	Financial assets measured at cost	2,750,000	27,500	2.91	35,750	
	Yenyo Technology Co., Ltd.	-	Financial assets measured at cost	500,000	5,250	1.24	4,638	
	Chain Yarn Co., Ltd.	-	Financial assets measured at cost	843,653	11,504	0.55	5,737	
	Compliance Certification Services Inc.	-	Financial assets measured at cost	749,271	15,000	2.12	21,324	
	Kentec Inc.	-	Financial assets measured at cost	1,512,000	45,720	1.64	29,839	
	Top Green Technologies Inc.	-	Financial assets measured at cost	2,000,000	20,000	0.89	10,153	
	Biodenta Corporation	-	Financial assets measured at cost	4,333,333	32,500	3.32	24,267	
	M2Communication, Inc.	-	Financial assets measured at cost	5,090,000	74,610	17.13	124,126	
	Jochu Technology Co., Ltd.	-	Financial assets measured at cost	3,725,007	107,176	4.48	38,368	
	STL Technology Co., Ltd.	-	Financial assets measured at cost	7,002,053	255,605	9.95	46,942	
	Interactive Digital Technologies Inc.	-	Financial assets measured at cost	2,881,000	59,195	6.86	115,211	
	Luxtaltek Corporation	-	Financial assets measured at cost	124,474	2,197	0.20	612	
	Excelsior Medical Co., Ltd.	-	Financial assets measured at cost	33,000	146,075	4.81	218,242	
	Strong LED Lighting Systems (Cayman) Co., Ltd.	-	Financial assets measured at cost	2,990,000	44,445	9.09	89,089	
	Hartec Asia Pte. Ltd.	-	Financial assets measured at cost	2,800,000	99,603	10.23	85,154	
	GSD Technologies Co., Ltd.	-	Financial assets measured at cost	5,841,702	108,946	19.47	198,169	
	Shengzhuang Holding Limited	-	Financial assets measured at cost	610,590	151,150	6.11	202,498	
	Crown Bioscience, International	-	Financial assets measured at cost	6,076,476	105,485	2.59	161,679	
	Dyaco Co., Ltd.	-	Financial assets measured at cost	5,575,500	175,230	6.80	176,743	
	Fukuta Co., Ltd.	-	Financial assets measured at cost	1,400,000	119,000	4.91	132,025	
	DL-tek Co., Ltd.	-	Financial assets measured at cost	3,697,639	51,100	1.05	52,650	
	Cvie Therapeutics Co., Ltd.	-	Financial assets measured at cost	1,302,647	61,969	4.15	66,667	
	Zentera Systems, Inc. - preferred stock	-	Financial assets measured at cost	1,324,503	61,900	17.98	117,601	(Note 4)
	Greenvines Biotech Co., Ltd.	-	Financial assets measured at cost	136,363	12,000	13.11	17,437	
	AMPAK Technology Inc.	-	Financial assets measured at cost	1,208,650	24,795	1.44	32,005	
	Azotek Co., Ltd.	-	Financial assets measured at cost	824,500	27,645	1.65	10,136	
	Evervision Electronics Co., Ltd.	-	Financial assets measured at cost	476,977	10,406	2.59	8,058	
	Pai Lung Machinery Mill Co., Ltd.	-	Financial assets measured at cost	1,500,000	33,000	0.60	5,027	
	Beyond Innovation Technology Co., Ltd.	-	Financial assets measured at cost	630,518	8,995	1.87	2,474	
	Greatland Electronics Taiwan Ltd.	-	Financial assets measured at cost	1,920,000	6,720	5.50	20,517	
	Cando Corporation	-	Financial assets measured at cost	4,848,058	2,473	1.24	2,495	
	CBA Sports International Ltd.	-	Financial assets measured at cost	514,821	78,046	-	62,277	
	Derbysoft Holdings Limited－preferred stock A	-	Financial assets measured at cost	28,000,000	91,938	45.78	103,325	(Note 4)
	Derbysoft Holdings Limited－preferred stock B	-	Financial assets measured at cost	4,643,469	15,297	9.26	17,135	(Note 4)
	CDIB Venture Capital (Hong Kong) Corporation Limited	Subsidiary	Investments accounted for using the equity method	420,000,000	1,582,533	100.00	1,582,533	
	Option							
	CBA Sports International Limited	-	Financial assets measured at cost	-	142,819	-	290,628	
	Convertible (exchangeable) corporate bond							
	Capital Excel Investment Limited	-	Financial assets at fair value through profit or loss	-	188,401	-	188,401	

(Continued)

Holding Company	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	December 31, 2015 Shares/Face Value/Units	Carrying Value (Note 2)	Percentage of Ownership	Market Value or Net Asset Value (Note 3)	Note
CDIB Venture Capital (Hong Kong) Corporation Limited	Stocks							
	CDIB Private Equity Management Corporation	Subsidiary	Investments accounted for using the equity method	-	HK$ 13,527	100.00	HK$ 13,527	
	CPEC Huakai Private Equity (Fujian) Co., Ltd.	Subsidiary	Investments accounted for using the equity method	-	HK$ 15,051	70.00	HK$ 15,051	
	CPEC Huachuang Private Equity Management (Fujian) Enterprise (Limited Partnership)	Subsidiary	Investments accounted for using the equity method	-	HK$ 7,862	56.00	HK$ 7,862	
	Fund							
	CPEC Huachuang Private Equity (Fujian) Enterprise (Limited Partnership)	Associate	Investments accounted for using the equity method	-	HK$ 152,034	-	HK$ 152,034	
	CPEC Huachuang Private Equity (Kunshan) Enterprise (Limited Partnership)	Associate	Investments accounted for using the equity method	-	HK$ 136,235	-	HK$ 136,235	
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 2,380	20.00	RMB 2,380	
CPEC Huachuang Private Equity Management (Fujian) Enterprise (Limited Partnership)	Fund							
	CPEC Huachuang Private Equity (Fujian) Enterprise (Limited Partnership)	Associate	Investments accounted for using the equity method	-	RMB 3,756	-	RMB 3,756	
CDIB Capital Investment I Limited	Stocks							
	Subicvest Inc.	Subsidiary	Investments accounted for using the equity method	200,000	US$ 81	100.00	US$ 81	
	Samson Holding Ltd.	-	Available-for-sale financial assets	9,868,000	US$ 1,222	0.32	US$ 1,222	
	Da Chan Food (Asia) Ltd.	-	Available-for-sale financial assets	48,210,000	US$ 5,474	4.74	US$ 5,474	
	Global Sweeteners Holdings Ltd.	-	Available-for-sale financial assets	28,000,000	US$ 636	1.83	US$ 636	
	B&M Holdings, Inc.	-	Financial assets measured at cost	199,999	US$ 8,828	10.00	US$ 9,723	
	BP SCI, LLC	-	Financial assets measured at cost	30,000	US$ 3,000	18.61	US$ 4,342	
	BP SCI, LLC - preferred stock	-	Financial assets measured at cost	12,000	US$ 12,000	18.61	US$ 17,369	(Note 4)
	Great Team Backend Foundry Inc. - preferred stock	-	Financial assets measured at cost	1,636,800	US$ 818	1.91	US$ 817	(Note 4)
	Touch Media International Holdings - preferred stock - B	-	Financial assets measured at cost	8,097,973	US$ 8,826	60.44	US$ 8,826	(Note 4)
	Rock Mobile (Cayman) Co. - preferred stock - C	-	Financial assets measured at cost	840,336	US$ 1,000	3.26	US$ 845	(Note 4)
	Fund							
	CDIB Capital Asia Partners L.P.	Associate	Investments accounted for using the equity method	-	US$ 39,745	-	US$ 39,745	
	Carlyle Asia Partners II, L.P.	-	Financial assets measured at cost	-	US$ 9,570	-	US$ 6,356	
	Ripley Cable Holdings I, L.P.	-	Financial assets measured at cost	-	US$ 540	-	US$ 2,702	
	Calera XV, LLC	-	Financial assets measured at cost	-	US$ 15,173	-	US$ 21,600	
	Option							
	Garden Fresh (HK) Fruit & Vegetable Beverage Co., Ltd.	-	Financial assets measured at cost	-	US$ 2,705	-	US$ 17,377	
	Convertible (exchangeable) corporate bond							
	Garden Fresh (HK) Fruit & Vegetable Beverage Co., Ltd.	-	Debt instruments with no active markets	-	US$ 6,619	-	US$ 6,479	
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$ 1,897	0.72	US$ 1,897	
	Indostar Capital	-	Financial assets measured at cost	992,674	US$ 9,927	4.53	US$ 18,932	
	Indostar Everstone - preferred stock	-	Financial assets measured at cost	992,332	US$ 9,923	9.37	US$ 18,837	(Note 4)
	Sungjoo Design Tech & Distribution Inc. - preferred stock A	-	Debt instruments with no active markets	3,334	US$ 11,545	50.01	US$ 11,007	(Note 4)
	CBA Sports International Ltd.	-	Financial assets measured at cost	508,929	US$ 2,733	0.89	US$ 1,862	
	Option							
	Sungjoo Design Tech & Distribution Inc.	-	Financial assets measured at cost	-	US$ 1,833	-	US$ 12,108	
	CBA Sports International Ltd.	-	Financial assets measured at cost	-	US$ 4,867	-	US$ 8,689	
	Fund							
	Miare Asset Partners Private Equity Fund VII	-	Financial assets measured at cost	-	US$ 19,971	-	US$ 42,099	

(Continued)

Holding Company	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	December 31, 2015				Note
				Shares/Face Value/Units	Carrying Value (Note 2)	Percentage of Ownership	Market Value or Net Asset Value (Note 3)	
CDIB Global Markets I Limited	<u>Stocks</u>							
	Light Sciences Oncology, Inc.	-	Financial assets measured at cost	250,000	US$ 6	0.28	US$ 1	
	<u>Fund</u>			-		-		
	Tenaya Capital V, L.P.	-	Financial assets measured at cost	-	US$ 5,460	-	US$ 4,553	
	THL Equity Fund VI Investors (Ceridian), L.P.	-	Financial assets measured at cost	-	US$ 3,782	-	US$ 3,550	
	Platinum Equity Capital Partners II, L.P.	-	Financial assets measured at cost	-	US$ 8,298	-	US$ 4,171	
	THL Equity Fund VI Investors (Clear Channel), L.P.	-	Financial assets measured at cost	-	US$ 12,476	-	US$ 4,990	
	Platinum Equity Capital Partners III, L.P.	-	Financial assets measured at cost	-	US$ 3,838	-	US$ 4,905	
	Tenaya Capital VI, L.P.	-	Financial assets measured at cost	-	US$ 5,765	-	US$ 6,001	
CDIB Global Markets II Limited	<u>Stocks</u>							
	Gopro Inc.	-	Available-for-sale financial assets	51,878	US$ 939	0.04	US$ 939	
	Globant S.A.	-	Available-for-sale financial assets	10,549	US$ 396	-	US$ 396	
	Flemingo International (BVI) Ltd. - preferred stock	-	Debt instruments with no active markets	834	US$ 19,980	39.94	US$ 32,630	(Note 4)
	<u>Fund</u>							
	GS TDN Investors Offshore, L.P.	-	Financial assets measured at cost	-	US$ 21,000	-	US$ 12,216	
	CX Partners Fund Alpha Limited	-	Financial assets measured at cost	-	US$ 9,991	-	US$ 12,437	
	Carlyle Asia Partners III, L.P.	-	Financial assets measured at cost	-	US$ 7,511	-	US$ 7,253	
	Riverwood Capital Partners, L.P.	-	Financial assets measured at cost	-	US$ 10,038	-	US$ 12,190	
	ECP II (Cayman) Ltd. A	-	Financial assets measured at cost	-	US$ 6,675	-	US$ 7,341	
	Sino-Century China Private Equity II L.P.	-	Financial assets measured at cost	-	US$ 520	-	US$ 391	
	KKR Asian Fund II L.P.	-	Financial assets measured at cost	-	US$ 2,653	-	US$ 3,250	
	Carlyle Giovanna Partners, L.P.	-	Financial assets measured at cost	-	US$ 14,750	-	US$ 38,338	
	Industry Ventures Fund VI, L.P.	-	Financial assets measured at cost	-	US$ 4,303	-	US$ 5,094	
	Formation8 Partners Fund I, L.P.	-	Financial assets measured at cost	-	US$ 2,133	-	US$ 4,994	
CDIB Global Markets III Limited	<u>Stocks</u>							
	Sonics, Inc. - preferred stock-B	-	Financial assets measured at cost	114,359	US$ 333	14.74	US$ 251	(Note 4)
	Microfabrica, Inc. - Preferred Series B	-	Financial assets measured at cost	13,091	US$ 27	0.12	US$ 18	(Note 4)
	Microfabrica, Inc. - Preferred Series AC	-	Financial assets measured at cost	7,749	US$ 13	0.48	US$ 10	(Note 4)
	Optoplex Corporation - preferred stock-A	-	Financial assets measured at cost	7,956	US$ 23	0.42	US$ 5	(Note 4)
	Optoplex Corporation - preferred stock-B	-	Financial assets measured at cost	20,602	US$ 31	0.75	US$ 14	(Note 4)
	<u>Fund</u>							
	Carlyle Asia Partners IV, L.P.	-	Financial assets measured at cost	-	US$ 9,998	-	US$ 8,721	
	Blue Point Capital Partners III, L.P.	-	Financial assets measured at cost	-	US$ 3,275	-	US$ 3,509	
	Riverwood Capital Partners II, L.P.	-	Financial assets measured at cost	-	US$ 4,719	-	US$ 3,975	
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$ 5,440	100.00	US$ 5,440	
	CDIB Capital International (Korea) Corporation	Subsidiary	Investments accounted for using the equity method	1,848,000	US$ 5,191	100.00	US$ 5,191	
	CDIB Capital International (USA) Corporation	Subsidiary	Investments accounted for using the equity method	8,000,000	US$ 1,494	100.00	US$ 1,494	
	CDIB Capital Asia Partners Limited	Subsidiary	Investments accounted for using the equity method	-	US$ (34)	100.00	US$ (34)	
CDIB Biotech USA Investment Co., Ltd.	<u>Stocks</u>							
	Amphastar Pharmaceuticals, Inc.	-	Available-for-sale financial assets	40,000	US$ 569	0.11	US$ 569	
	Confor MIS-common stock	-	Available-for-sale financial assets	306,707	US$ 5,303	0.78	US$ 5,303	
China Development Asset Management Corp.	<u>Stocks</u>							
	Development Industrial Bank Asset Management Corp.	Subsidiary	Investments accounted for using the equity method	120,000,000	1,389,860	100.00	1,389,860	
	Chung Hwa Growth 3 Asset Management Corp.	Subsidiary	Investments accounted for using the equity method	300,000,000	3,347,955	100.00	3,347,955	
	Chung Hwa Growth 4 Asset Management Corp.	Subsidiary	Investments accounted for using the equity method	27,000,000	282,858	100.00	282,858	
	Pine Street Asset Management Corp.	-	Financial assets measured at cost	3,886,190	46,795	12.25	46,918	
	Waterland Securities Co., Ltd.	-	Financial assets measured at cost	9,748,769	8,672	1.07	102,224	
Chung Hwa Growth 3 Asset Management Corp.	<u>Bonds</u>							
	Bank of Kaohsiung - subordinated bank debenture	-	Held-to-maturity financial assets	100,000,000	102,564	-	102,564	

(Continued)

Holding Company	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	December 31, 2015				Note
				Shares/Face Value/Units	Carrying Value (Note 2)	Percentage of Ownership	Market Value or Net Asset Value (Note 3)	
CDIB Management Consulting Corp.	Stocks							
	CDC Finance & Leasing Corp.	Subsidiary	Investments accounted for using the equity method	58,328,460	$ 678,756	76.04	$ 678,756	
	CDIB International Leasing Corp.	Subsidiary	Investments accounted for using the equity method	-	707,038	100.00	707,038	
CDC Finance & Leasing Corp.	Stocks							
	Hwahong Corporation	Associate	Investments accounted for using the equity method	23,750	995	19.00	995	
	First Financial Holding Co., Ltd.	-	Available-for-sale financial assets	786,860	12,039	0.01	12,039	(Note 5)
Global Securities Finance Corporation	Stocks							
	FB SSE 180	-	Financial assets at fair value through profit or loss	600,000	19,206	-	19,206	
	Capital SZSE SME Price Index Exchange Traded Fund	-	Financial assets at fair value through profit or loss	200,000	3,886	-	3,886	
	Honpang Venture Capital Corp.	-	Financial assets measured at cost	751,000	415	6.25	641	
	Operating securities							
	KGI Economic Moat TWD	The fund of KGI's manager	Financial assets at fair value through profit or loss	1,000,000	10,280	-	10,280	
	China SMID Fund TWD	-	Financial assets at fair value through profit or loss	937,207	11,078	-	11,078	
	FSITC China Century Fund TWD	-	Financial assets at fair value through profit or loss	462,963	5,269	-	5,269	
	Hua Nan Global IoT on MSCI Custom ACWI plus All China Index Fund A TWD	-	Financial assets at fair value through profit or loss	100,000	996	-	996	
	PineBridge Asia Pacific High Yield Bond Fund A TWD	-	Financial assets at fair value through profit or loss	500,000	4,992	-	4,992	
	Bank debentures							
	Hwatai Bank 1st Subordinate Financial Debentures-A issue in 2010	-	Available-for-sale financial assets	30,000,000	30,402	-	30,402	
	Bank SinoPac Third Subordinated Bank Debentures issued in 2011	-	Other assets	150,000,000	151,840	-	151,678	
	E.SUN Bank 1st Subordinate Financial Debentures-A issue in 2014	-	Other assets	50,000,000	50,000	-	50,233	
	SUNNY Bank Third Subordinated Bank Debentures issued in 2015		Held-to-maturity financial assets	200,000,000	200,000	-	199,993	
	Hwatai Commercial Bank 2st Subordinate Financial Debentures issue in 2015		Held-to-maturity financial assets	100,000,000	100,000	-	99,999	
	Bonds							
	A90106	-	Other assets	150,000,000	153,027	-	153,027	

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, 2015. 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: The issued commercial papers as collateral of which 611,659 shares.

Note 6: No securities were treated as collaterals or warrants, except for those disclosed in the Note 5.

Note 7: The above companies which are the subsidiaries of the Corporation were eliminated from the consolidated financial statements.

(Concluded)

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT$300 MILLION OR 10% OF THE PAID-IN CAPITAL
(THE BANK'S SUBSIDIARIES AMOUNTING TO NT$300 MILLION OR 10% OF THE ISSUED CAPITAL)
FOR THE YEAR ENDED DECEMBER 31, 2015
(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
China Development Industrial Bank	Stock													
	CDIB Management Consulting Corporation	Investment accounted for using the equity method	KGI Bank	Subsidiary	153,171,873	$ 1,655,048	-	$ -	153,171,873	$ 1,589,115	$ 1,565,817 (Note 1)	$ 23,298	-	$ -
	R.O.C. Strategic Company Ltd.	Investment accounted for using the equity method	CDIB Venture Capital Corporation	Subsidiary	97,300,000	1,047,662	-	-	97,300,000	-	1,047,662 (Note 2)	-	-	-
	CDIB Strategic Venture Fund Ltd.	Investment accounted for using the equity method	CDIB Venture Capital Corporation	Subsidiary	152,200,000	3,133,528	-	-	152,200,000	-	3,133,528 (Note 3)	-	-	-
	Star Energy Power Corp.	Financial assets measured at cost	-	-	30,000,000	300,000	-	-	30,000,000	648,773	300,000	348,773	-	-
	Cleanaway Company Limited	Available-for-sale financial assets	-	-	2,040,000	298,860	-	-	2,040,000	374,381	308,225	66,156	-	-
	Taiwan High Speed Rail Corporation - preferred stock	Debt measurements with no active market	-	-	107,526,000	999,992	-	-	107,526,000	999,992	999,992	-	-	-
KGI Bank	Stock													
	CDIB Management Consulting Corporation	Investment accounted for using the equity method	China Development Industrial Bank	Subsidiary	-	-	153,171,873 (Note 4)	1,381,047 (Note 5)	-	-	-	-	153,171,873	1,381,047
CDIB Venture Capital Corporation	Stock													
	CDIB Venture Capital (Hong Kong) Corporation Limited	Investment accounted for using the equity method	-	-	270,000,000	996,622	150,000,000	585,911 (Note 6)	-	-	-	-	420,000,000	1,582,533
	Deanfa Corporation - preferred stock	Financial assets measured at cost	CPEC Huachuang Private Equity Management (Kunshan) Enterprise (Limited Partnership)	Affiliates	901,963	255,383	-	-	901,963	305,117	255,383	49,734	-	-
	Twi Pharmaceuticals, Inc.	Available-for-sale financial assets	-	-	2,268,260	149,642	-	-	2,268,260	459,029	149,642	309,387	-	-
	Victory New Materials Limited Company	Available-for-sale financial assets	-	-	3,386,613 (Note 7)	353,901 (Note 7)	-	-	3,386,613	309,301	353,901	(44,600)	-	-
CDIB Venture Capital (Hong Kong) Corporation Limited	Fund													
	CPEC Huachuang Private Equity Management (Kunshan) Enterprise (Limited Partnership)	Investment accounted for using the equity method	-	-	-	-	-	HK$ 136,235 (Note 8)	-	-	-	-	-	HK$ 136,235
CDIB Capital Investment I Limited	Fund													
	CDIB Capital Asia Partners L.P.	Investment accounted for using the equity method	-	-	-	US$ 65,392	-	-	-	-	US$ 25,647 (Note 9)	-	-	US$ 39,745
	Ripley Cable Holdings I, L.P	Financial assets measured at cost	-	-		US$ 6,556	-	-		US$ 30,868	US$ 6,016	US$ 24,852		US$ 540
CDIB Global Market I Limited	Fund													
	KKR 2006 Fund L.P.	Financial assets measured at cost	-	-	-	US$ 17,625	-	US$ 18	-	US$ 16,679	US$ 17,643	(US$ 964)	-	-
	Sun Capital Partners V, L.P.	Financial assets measured at cost	-	-	-	US$ 12,521	-	US$ 295	-	US$ 13,141	US$ 12,816	US$ 325	-	-
	Silver Lake Partners III, L.P.	Financial assets measured at cost	-	-	-	US$ 11,617	-	US$ 20	-	US$ 11,392	US$ 11,637	(US$ 245)	-	-
CDIB Global Market II Limited	Fund													
	Clayton, Dubilier & Rice Fund VIII, L.P.	Financial assets measured at cost	-	-	-	US$ 7,444	-	US$ 24	-	US$ 10,852	US$ 7,468	US$ 3,384	-	-
CDIB Global Market III Limited	Fund													
	New Mountain Partners III, L.P.	Financial assets measured at cost	-	-	-	US$ 10,828	-	US$ 53	-	US$ 13,438	US$ 10,881	US$ 2,557	-	-

(Continued)

Note 1: Consists of $48,779 thousand cash dividends, exchange loss on translating foreign operations of $58,221 thousand, investment gain of $19,983 thousand, unrealized loss on available-for-sale financial assets of $2,182 thousand, additional paid-in capital increase $32 thousand and sold investment cost $1,476,586 thousand.

Note 2: Consists of reduction of the Corporation's capital of $500,000 thousand on June 12, 2015. The effective date of the merger between R.O.C. Strategic Company Ltd. and CDIB Venture Capital Corporation was November 1, 2015. CDIB Venture Capital Corporation was the survivor company after the merger.

Note 3: Consists of reduction of the Corporation's capital of $1,000,000 thousand on June 12, 2015. The effective date of the merger between CDIB Strategic Venture Fund Ltd. and CDIB Venture Capital Corporation was November 1, 2015. CDIB Venture Capital Corporation was the survivor company after the merger.

Note 4: Transferred of 153,171,873 shares of CDIB Management Consulting Corporation to KGI Bank.

Note 5: Transferred of $1,597,389 thousand, gain on exchange differences on translating foreign operations of $17,286 thousand, loss on investment of $230,057 thousand, unrealized loss on available-for-sale financial assets of $1,745 thousand, loss on defined benefit plans of $1,872 thousand and gain on changes of capital surplus of $46 thousand.

Note 6: Consists of $606,300 thousand from new issue, exchange loss on translating foreign operations of $11,295 thousand and investment loss of $9,094 thousand.

Note 7: Because of the above reasons of note two and three, it is the total number of common stock or total cost held by R.O.C. Strategic Company Ltd. and CDIB Strategic Venture Fund Ltd. respectively.

Note 8: Consists of HK$148,832 thousand from new issue, exchange loss on translating foreign operations of HK$9,844 thousand and investment loss HK$2,753 thousand.

Note 9: Consists of reduction of the Bank's capital of US$32,556 thousand, investment gain US$5,777 thousand and adjustments of retained earnings US$1,132 thousand.

Note 10: 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, 2015
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Year	Allowance for Bad Debts
					Amount	Action Taken		
China Development Industrial Bank	China Development Financial Holding Corporation (the "Corporation")	Parent company	$ 690,918	-	$ -	-	$ -	$ -
The Corporation	KGI Securities Co., Ltd.	Subsidiary	506,024	-	-	-	-	-

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, 2015
(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	
China Development Financial Holding Corporation (the "Corporation")	China Development Industrial Bank	Taiwan	Industrial bank	100.00	$ 69,376,994	$ 3,964,301	2,060,399,410	-	2,060,399,410	100.00	
	KGI Securities Co., Ltd.	Taiwan	Financial service	100.00	56,955,321	2,134,052	3,798,812,320	-	3,798,812,320	100.00	
	KGI Bank Co., Ltd	Taiwan	Commercial bank	100.00	60,352,014	3,491,083	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, 2015
(In Thousands of New Taiwan Dollars)

1. Summary of sold nonperforming loans

Transaction Date	Counter Party	Type of Loans	Carrying Value (Note)	Selling Price	Disposal Gain (Loss)	Other Condition	Relationship of Counter-party with the Subsidiaries
2015.03.24	A	Real estate mortgages	$ 6,662	$ 9,060	$ 2,398	-	-
2015.07.17	B	Real estate mortgages	9,065	17,100	8,035	-	-
2015.07.17	C	Real estate mortgages	-	200	200	-	-
2015.07.17	D	Real estate mortgages	-	200	200	-	-
2015.07.17	E	Real estate mortgages	4,042	5,300	(3,261)	-	-
2015.07.17	F	Real estate mortgages	1,670	1,700	(1)	-	-
2015.09.16	G	Real estate mortgages	1,560	1,560	-	-	-
2015.09.17	H	Real estate mortgages	147,620	225,000	19,053	-	-
2015.09.25	I	Real estate mortgages	13,019	14,009	(2,185)	-	-
2015.09.25	J	Real estate mortgages	50,217	53,822	(6,858)	-	-
2015.09.25	K	Real estate mortgages	53,936	57,509	(5,615)	-	-
2015.09.25	L	Real estate mortgages	-	280	280	-	-
2015.09.25	M	Real estate mortgages	-	380	380	-	-
2015.09.25	N	Real estate mortgages	-	380	380	-	-
2015.09.25	O	Real estate mortgages	-	240	240	-	-
2015.09.25	P	Real estate mortgages	-	380	380	-	-
2015.12.01	Q	Real estate mortgages	-	550	550	-	-
2015.12.01	R	Real estate mortgages	-	70	70	-	-
2015.12.16	S	Real estate mortgages	2,376	2,700	324	-	-
2015.12.29	T	Common stock mortgages	-	552	552	-	-

Note: Carrying value = Original amount - Allowance for bad debts

2. Sale of nonperforming loans exceeding NT$1 billion (excluding related-party transactions): For the Corporation and subsidiaries: None.

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

SUBSIDIARIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015

Consolidated entities

Investor Company	Subsidiaries	Main Business and Products	Percentage of Ownership		Note
			December 31, 2015	December 31, 2014	
China Development Financial Holding Corporation (the "Corporation")	China Development Industrial Bank	Industrial bank	100.00	100.00	
	KGI Securities Co., Ltd.	Financial service	100.00	100.00	
	KGI Bank	Commercial bank	100.00	100.00	
China Development Industrial Bank	China Venture Management Inc.	Management company of venture fund	-	100.00	
	R.O.C. Strategic Company Ltd.	Venture fund	-	100.00	
	CDIB Capital Management Corporation (formerly named CDIB Equity Inc.)	Management company of venture fund	100.00	100.00	
	CDIB Venture Capital Corporation	Venture fund	100.00	100.00	
	CDIB Strategic Venture Fund Ltd.	Venture fund	-	100.00	
	China Development Asset Management Corp.	Trading and management of nonperforming loans of financial institutions	100.00	100.00	
	CDIB Management Consulting Corporation	Management and consulting	-	100.00	
	CDIB Global Markets I Limited	Venture fund	100.00	100.00	
	CDIB Global Markets II Limited	Venture fund	100.00	100.00	
	CDIB Global Markets III Limited	Venture fund	100.00	100.00	
	CDIB Capital Investment I Limited	Venture fund	100.00	100.00	
	CDIB Capital Investment II Limited	Venture fund	100.00	100.00	
	CDIB Capital International Corporation	Management company of venture fund	100.00	100.00	
CDIB Capital Investment I Limited	Subicvest Inc.	Leasing	100.00	100.00	
	CDIB Capital Asia Partners L.P.	Private equity fund	(Note 1)	(Note 1)	
CDIB Capital Asia Partners L.P.	CBTL Holdings Corporation	Venture fund	(Note 1)	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 2)

(Continued)

Investor Company	Subsidiaries	Main Business and Products	Percentage of Ownership		Note
			December 31, 2015	December 31, 2014	
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	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	56.00	
CPEC Huakai Private Equity (Fujian) Co., Ltd.	CPEC Huachuang Private Equity Management (Fujian) Enterprise (Limited Partnership)	Management and consulting	20.00	20.00	
CDIB Capital Management Corporation (formerly named CDIB Equity Inc.)	CDIB Private Equity (Hong Kong) Corporation Limited	Management and consulting	100.00	100.00	
	CDIB Innovative Advisors Corporation Limited	Management and consulting	60.00	-	
CDIB Private Equity (Hong Kong) Corporation Limited	CPEC Huachuang Private Equity (Kunshan) Co, Ltd.	Management and consulting	65.00	65.00	
	CPEC Huachuang Private Equity Management (Kunshan) Enterprise (Limited Partnership)	Management and consulting	4.53	4.53	
CPEC Huachuang Private Equity (Kunshan) Co, Ltd.	CPEC Huachuang Private Equity Management (Kunshan) Enterprise (Limited Partnership)	Management and consulting	93.02	93.02	
KGI Securities Co., Ltd.	Richpoint Company Limited	Investment holdings	100.00	100.00	
	KGI Securities Investment Advisory Co., Ltd.	Security investment consulting; discretionary investment services	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 3)
KGI Futures Co., Ltd.	KGI Information Technology Co., Ltd.	Management and consulting software services, data processing services	100.00	-	
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	-	
KG Investments Holdings Limited	KGI International Holdings Limited	Investment holdings	100.00	100.00	
	ANEW Holdings Limited	Investment holdings	100.00	100.00	
KG International Holdings Limited	KG Investments Pacific Limited	Investment services	-	100.00	
	KG Investments Asset Management (International) Limited	Investment services	100.00	100.00	
	Pacific Glory Finance One Limited	Investment services	-	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	

(Continued)

Investor Company	Subsidiaries	Main Business and Products	Percentage of Ownership December 31, 2015	Percentage of Ownership December 31, 2014	Note
ANEW Holdings Limited	KGI Capital (Hong Kong) Limited	Securities investment	100.00	100.00	
	KGI Wealth Management Limited	Securities investment	-	100.00	(Note 7)
	KGI Nominees (Hong Kong) Limited	Trust agent	-	100.00	(Note 7)
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	
	KGI International Finance Limited	Investment and financing services	100.00	100.00	
	KGI Nominees Limited	Trust agent	-	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	
	Bauhinia 8 Fund	Fund company	-	100.00	
	KGI Global Asset Management Limited	Asset management	-	100.00	
	Grand Cathay Securities (Hong Kong) Limited	Securities investment	100.00	100.00	
	KGI Asset Management Limited	Asset Management	100.00	100.00	(Note 4)
	TG Holborn (HK) Limited	Insurance brokerage	100.00	100.00	(Note 4)
	KGI Wealth Management Limited	Securities investment	100.00	-	(Note 7)
	KGI Nominees (Hong Kong) Limited	Trust agent	100.00	-	(Note 7)
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 5)
	Jubilant Dynasty Limited	Investment services	-	100.00	
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	
	KGI Investment advisory (Shanghai) Co., Ltd.	Investment consultancy	-	100.00	
Grand Cathay Securities (Hong Kong) Limited	Grand Cathay Capital (Hong Kong) Limited	Investment services	100.00	100.00	
KGI Asia (Holdings) Pte. Ltd.	KGI Ong Capital Pte. Ltd.	Futures investment and foreign - currency services	100.00	100.00	
	KGI Fraser Securities Pte. Ltd.	Securities investment	100.00	-	(Note 6)
KGI Bank	Cosmos Insurance Brokers Co., Ltd.	Life and property insurance Brokers	100.00	100.00	
	CDIB Management Consulting Corporation	Management and consulting	100.00	-	
CDIB Management Consulting Corporation	CDC Finance & Leasing Corp.	Leasing	76.04	76.04	
	CDIB International Leasing Corp.	Leasing	100.00	100.00	

(Continued)

Unconsolidated subsidiaries

Investor Company	Subsidiaries	Main Business and Products	Percentage of Ownership		Note
			December 31, 2015	December 31, 2014	
China Development Industrial Bank	CDIB Biotech USA Investment Co., Ltd.	Venture fund	50.00	50.00	As of December 31, 2015, CDIB's investment in CDIB Biotech USA Investment Co., Ltd. of CDIB had amounted to $14,818 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.
KGI Securities Co., Ltd.	Grand Cathay Holding Limited	Holding company	-	-	Grand Cathay Holding Limited was approbated to liquidate by the board of directors on December 27, 2013, therefore, Grand Cathy Holding Limited was not included in the consolidated financial statement.

Note 1: Under IFRS 10, the Company will recognize control over CDIB Capital Asia Partners L.P. and CBTL Holdings Corporation, a wholly owned subsidiary of CDIB Asia Partners L.P. since the acquisition date. But prior to the application of IFRS 10, the subsidiary of the Companies' ownership interest in both of the companies are treated as investments in associate and thus accounted the investments as investments accounted for using the equity method. The Company no longer has control over neither of the Company due to the decrease of the percentage owned by the Company since March 31, 2015.

Note 2: CDIB Capital Asia Partners Limited conducted registration of establishment on March 21, 2014, however, CDIB had not invested any capital as of December 31, 2015.

Note 3: KGI Securities Co., Ltd. jointly held 21.99% of the shares of Global Securities Finance Corporation (GSFC) and obtained more than half of the seats in the board of director, therefore, GSFC should be included in the consolidated financial statements.

Note 4: KGI Limited the invested enterprises of KGI Securities Co., Ltd. purchase TG Holborn (HK) Limited and Alpha Global Asset Management Limited was approved by the government of Taiwan and Singapore, complete the procedure on December 22, 2014. Alpha Global Asset Management Limited changed its name to KGI Asset Management Limited on March 6, 2015 and approved by rule No. 1030029490 issued by the FSC on September 16, 2014.

Note 5: KGI Capital (Singapore) Pte Ltd. applied for cancellation of business license and out of business for one year was approved by the government of Taiwan in July 2014 and complete the procedure in October 2014.

Note 6: KGI Asia (Holdings) Pte. Ltd., the invested enterprises of KGI Securities Co., Ltd., purchase AmFraser Securities Pte. Ltd., completing the procedure on January 30, 2015 after approved by the government of Taiwan and Singapore, and changed its name from AmFraser Securities Pte. Ltd. to KGI Fraser Securities Pte. Ltd. after approved by rule No. 1030039427 issued by the FSC on October 23, 2014. Therefore, since the first quarter of 2015, the Company was included from the consolidated financial statements.

Note 7: To simplify investment framework of reinvestment of overseas subsidiaries, it transferred 100% interest of KGI Wealth Management Limited and KGI Nominees (Hong Kong) Limited invested by ANEW Holdings Limited to KGI Limited and was approved by the board of directors on July 27, 2015.

(Concluded)

TABLE 9

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, 2015
(In Millions of New Taiwan Dollars; %)

China Development Financial Holding Corporation (CDFH)

Counter-party	Total Amounts of Credits, Endorsements and Other Transactions	Ratio to Net Asset Value of the Corporation (%)
1. The same customer		
Taipower Corporation	$ 15,954	9.66
KG Investment Holdings Limited	13,408	8.12
China Merchants Bank Corporation Limited	6,678	4.04
Citi Group Inc.	6,731	4.08
Bank of America Corp.	9,152	5.54
CDIB & Partners Investment Holding Corporation	4,734	2.87
JP Morgan Chase & Co	7,015	4.25
China Life Insurance Company Limited	4,432	2.68
China Development Asset Management Corp.	4,509	2.73
Farglory Group, R.O.C	4,804	2.91
CTCI Corporation	3,257	1.97
CPC corporation, Taiwan	3,647	2.21
Ministry of Finance	68,789	41.65
The Shanghai Commercial & Saving Bank, Ltd.	7,465	4.52
Mizuho Bank, LTD., Tokyo Japan	4,480	2.71
Netronix, INC.	3,701	2.24
Goldman Sachs Group Inc.	3,244	1.96
Quisda Corporation	3,062	1.85
American International Group Inc.	3,041	1.84
Total	$ 178,103	107.83
2. The same group		
Foxconn Technology Group	$ 5,023	3.04
BenQ Group	6,315	3.83
Farglory Group	5,339	3.23
Qsan Technology Group	4,027	2.44
CTCI Group	3,667	2.22
YFY Group	3,138	1.90
China Steel Group	5,521	3.34
Netronix Group	3,704	2.24
UMC Group	3,539	2.14
Evergreen Group	3,391	2.06
Total	$ 43,664	26.44

TABLE 10

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

CONDENSED BALANCE SHEETS AND STATEMENTS OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014
(In Thousands of New Taiwan Dollars)

China Development Financial Holding Corporation

1. Balance sheets

	December 31	
Assets	**2015**	**2014 (After Restated)**
Cash and cash equivalents	$ 2,665,707	$ 1,458,812
Available-for-sale financial assets	1,226,972	1,293,830
Receivables, net	139	155
Current tax assets	1,438,314	1,114,182
Investments accounted for using the equity method, net	186,684,329	192,203,350
Other financial assets	300	300
Property and equipment, net	10,094	12,251
Other assets, net	540,719	544,217
Total	$ 192,566,574	$ 196,627,097
Liabilities and Equity		
Derivative financial liabilities for hedging	$ -	$ 20,659
Commercial paper payable	5,099,745	2,999,869
Payables	649,830	1,000,906
Current tax liabilities	1,021,390	791,615
Bonds payable	18,000,000	18,000,000
Other borrowings	2,599,847	3,599,573
Provisions	31,627	24,161
Other liabilities	309	208
Total liabilities	27,402,748	26,436,991
Equity		
Capital		
Common stock	151,124,071	153,438,493
Advance receipts for capital stock	1,370	5,969
Capital surplus	654,803	590,923
Retained earnings		
Legal reserve	4,161,475	3,077,853
Special reserve	765,041	1,123,858
Unappropriated earnings	13,580,644	15,275,884
Other		
Exchange differences on translation of foreign financial statements	1,741,670	201,379
Unrealized losses on available-for-sale financial assets	(4,456,314)	(177,929)
Unrealized loss on cash flow hedges	-	(20,659)
Others	(32,187)	(26,956)
Treasury shares	(2,376,747)	(3,298,709)
Total equity	165,163,826	170,190,106
Total	$ 192,566,574	$ 196,627,097

(Continued)

2. Statements of comprehensive income

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

	For the Year Ended December 31	
	2015	**2014 (After Restated)**
REVENUES		
Share of profit of subsidiaries, associates and joint ventures	$ 9,590,588	$ 11,499,962
Others	79,871	51,888
Total revenues	9,670,459	11,551,850
EXPENSES AND LOSSES		
Operating expenses	(790,869)	(859,858)
Others	(345,682)	(374,951)
Total expenses and losses	(1,136,551)	(1,234,809)
NET PROFIT BEFORE INCOME TAX	8,533,908	10,317,041
INCOME TAX BENEFIT (EXPENSE)	(5,677)	435,001
NET PROFIT FOR THE YEAR	8,528,231	10,752,042
OTHER COMPREHENSIVE INCOME (LOSS)		
Items that will not be reclassified subsequently to profit or loss, net of income tax		
Remeasurement of defined benefit plan	(5,241)	4,892
Share of other comprehensive income (loss) of subsidiaries, associates and joint ventures	(454,637)	130,996
Income tax relating to the items that will not be reclassified subsequently to profit or loss	64,960	(30,921)
Items that will be reclassified subsequently to profit or loss, net of income tax		
Unrealized loss on available-for-sale financial assets	(66,858)	(53,203)
Unrealized gain on cash flow hedges	20,659	43,656
Share of other comprehensive income (loss) of subsidiaries, associates and joint ventures	(2,670,380)	401,982
Income tax relating to the items that may be reclassified subsequently to profit or loss	(855)	257,105
Other comprehensive income (loss) for the year, net of income tax	(3,112,352)	754,507
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 5,415,879	$ 11,506,549
BASIC EARNINGS PER SHARE	$0.58	$0.73
DILUTED EARNINGS PER SHARE	$0.57	$0.73

(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 Financil Statements	Unrealized Gains (Losses) on Available-for-sale Financial Assets	Unrealized Gains (Losses) on Cash Flow Hedges	Others	Treasury Shares	Total Equity Attributable to Stockholders of Parent Company
BALANCE AT JANUARY 1, 2014	$ 150,308,833	$ -	$ 535,087	$ 2,247,453	$ 3,609,815	$ 8,799,179	$ (1,945,718)	$ 1,343,715	$ (44,747)	$ (24,126)	$ (2,170,286)	$ 162,659,205
Effect of retrospective application and retrospective restatement	-	-	-	-	-	(18,069)	-	-	-	-	-	(18,069)
BALANCE AT JANUARY 1, 2014 AS RESTATED	150,308,833	-	535,087	2,247,453	3,609,815	8,781,110	(1,945,718)	1,343,715	(44,747)	(24,126)	(2,170,286)	162,641,136
Appropriation of the 2013 earnings												
Legal reserve	-	-	-	830,400	-	(830,400)	-	-	-	-	-	-
Cash dividends - NT$0.4 per share	-	-	-	-	-	(6,014,787)	-	-	-	-	-	(6,014,787)
Special reserve reversed	-	-	-	-	(2,485,957)	2,485,957	-	-	-	-	-	-
	-	-	-	830,400	(2,485,957)	(4,359,230)	-	-	-	-	-	(6,014,787)
Net profit for the year ended December 31, 2014 as restated	-	-	-	-	-	10,752,042	-	-	-	-	-	10,752,042
Other comprehensive income (loss) for the year ended December 31, 2014 as restated, net of income tax	-	-	-	-	-	104,966	2,147,097	(1,521,644)	24,088	-	-	754,507
Total comprehensive income (loss) for the year ended December 31, 2014 as restated	-	-	-	-	-	10,857,008	2,147,097	(1,521,644)	24,088	-	-	11,506,549
Issuance of common stock for acquisition of ownership in subsidiaries	3,061,467	-	-	-	-	-	-	-	-	-	-	3,061,467
Buyback of ordinary shares	-	-	-	-	-	-	-	-	-	-	(921,962)	(921,962)
Shares purchased by subsidiaries from parent company is deemed as treasury shares	-	-	-	-	-	-	-	-	-	-	(206,461)	(206,461)
Difference between consideration and carrying amount adjusted arising from changes in percentage of ownership in subsidiaries	-	-	(9,023)	-	-	-	-	-	-	-	-	(9,023)
Share-based payments	68,193	5,969	64,859	-	-	(3,004)	-	-	-	(2,830)	-	133,187
BALANCE AT DECEMBER 31, 2014 AS RESTATED	153,438,493	5,969	590,923	3,077,853	1,123,858	15,275,884	201,379	(177,929)	(20,659)	(26,956)	(3,298,709)	170,190,106
Appropriation of the 2014 earnings												
Legal reserve	-	-	-	1,083,622	-	(1,083,622)	-	-	-	-	-	-
Cash dividends - NT$0.6 per share	-	-	-	-	-	(9,098,673)	-	-	-	-	-	(9,098,673)
Special reserve reversed	-	-	-	-	(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 shares	(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

(Continued)

4. Statements of cash flows

	For the Year Ended December 31	
	2015	2014 (After Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit before income tax	$ 8,533,908	$ 10,317,041
Adjustments for:		
Depreciation and amortization expenses	4,806	4,886
Interest expense	319,590	364,012
Interest income	(2,426)	(12,476)
Dividend income	(74,287)	(55,715)
Loss on disposal of investment	-	18,061
Share-based payment compensation cost	63,489	52,784
Share of profit of subsidiaries, associates and joint ventures	(9,589,436)	(11,498,352)
Others	477	22
Changes in operating assets and liabilities		
Other assets	2,387	(57,213)
Payables	(292,287)	249,096
Provision	2,224	2,714
Other liabilities	100	99
Dividend received	10,131,808	6,594,698
Interest paid	(378,380)	(365,344)
Interest received	2,426	12,476
Income tax returned (paid)	(100,033)	82,162
Net cash generated from operating activities	8,624,366	5,708,951
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash consideration of share swap	-	(18,510,902)
Acquisition of investments accounted for using the equity method	(38,000,000)	-
Proceeds from capital return on investments accounted for using the equity method	36,000,000	13,000,000
Proceeds on sale of available-for-sale financial assets	-	75,025
Capital reserve be distributable as dividend shares by cash on investments accounted for using the equity method	4,000,000	912,033
Aquisition of property and equipment	(1,999)	(3,175)
Net cash generated from (used in) investing activities	1,998,001	(4,527,019)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in commercial paper payable	2,099,876	(3,500,070)
Proceeds from issue of corporate bonds	8,000,000	-
Repayments of corporate bonds	(8,000,000)	-
Increase (decrease) in other borrowings	(999,726)	2,999,737
Cash dividends paid	(9,098,673)	(6,014,787)
Exercise of employee share options	44,097	10,236
Purchase of treasury stock	(1,461,046)	(921,962)
Net cash used in financing activities	(9,415,472)	(7,426,846)

(Continued)

	For the Year Ended December 31	
	2015	2014 (After Restated)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	$ 1,206,895	$ (6,244,914)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	1,458,812	7,703,726
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 2,665,707	$ 1,458,812

(Continued)

China Development Industrial Bank

1. Condensed balance sheets

Assets	December 31 2015	2014 (After Restated)
Cash and cash equivalents, due from the Central Bank and call loans to banks	$ 12,674,958	$ 39,410,515
Financial assets at fair value through profit or loss	111,208	52,822,232
Securities purchased under resell agreements	-	23,414,342
Receivables, net	483,174	42,088,269
Current tax assets	690,918	530,230
Discount and loans, net	-	126,039,603
Available-for-sale financial assets	7,163,974	119,820,629
Investments accounted for using the equity method, net	39,227,506	45,589,993
Restricted assets	298,982	295,224
Financial assets measured at cost	8,256,971	10,132,065
Other financial assets	358,439	1,446,150
Property and equipment, net	1,193,686	1,774,402
Investment property, net	649,142	93,740
Other assets, net	69,236	6,042,167
Total assets	$ 71,178,194	$ 469,499,561
Deposits from the Central Bank and banks	$ -	$ 10,331,413
Financial liabilities at fair value through profit or loss	-	24,351,007
Notes and bonds issued under repurchase agreements	-	63,299,830
Payables	444,989	3,185,114
Current tax liabilities	348,635	405,749
Deposits and remittances	-	179,209,448
Bank debentures payable	-	12,540,304
Principal received on structured notes	-	60,671,951
Other financial liabilities	396,059	379,913
Provisions	156,440	404,643
Deferred tax liabilities	241,555	241,555
Other liabilities	38,271	861,273
Total liabilities	1,625,949	355,882,200
Common Stock	20,603,994	56,603,994
Capital surplus	24,700,436	28,696,849
Retained earnings	27,800,173	28,835,450
Exchange differences on translation of foreign financial statements	657,557	(357,161)
Unrealized losses on available-for-sale financial assets	(4,209,915)	(161,771)
Total equity	69,552,245	113,617,361
Total liabilities and equity	$ 71,178,194	$ 469,499,561

(Continued)

2. Condensed statements of comprehensive income

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

	For the Year Ended December 31	
	2015	**2014 (After Restated)**
Interest revenue	$ 2,048,507	$ 6,978,765
Interest expense	(883,910)	(2,784,724)
Interest profit, net	1,164,597	4,194,041
Noninterest profits and gains, net	4,730,747	6,256,011
Total net revenues	5,895,344	10,450,052
Reversal of allowance for bad debts and losses on guarantees, net	109,591	42,920
Operating expenses	(1,239,611)	(1,755,798)
Net profit before income tax	4,765,324	8,737,174
Income tax benefit (expense)	107,171	(428,084)
Net profit for the year	4,872,495	8,309,090
Other comprehensive income (loss) for the year, net of income tax	(3,101,537)	446,446
Total comprehensive income for the year	$ 1,770,958	$ 8,755,536
Basic earnings per share	$1.49	$1.39

(Continued)

KGI Securities Co., Ltd.

1. Condensed balance sheets

Assets	December 31 2015	December 31 2014
Current assets	$ 135,469,806	$ 151,867,008
Noncurrent assets	36,468,292	32,744,788
Total assets	$ 171,938,098	$ 184,611,796
Current liabilities	$ 101,850,410	$ 120,924,753
Noncurrent liabilities	8,804,980	2,525,188
Total liabilities	110,655,390	123,449,941
Common Stock	37,988,123	37,988,123
Capital surplus	8,639,723	8,634,882
Retained earnings	13,534,139	13,590,391
Others	1,120,723	948,459
Total equity	61,282,708	61,161,855
Total liabilities and equity	$ 171,938,098	$ 184,611,796

2. Condensed statements of comprehensive income

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

	For the Year Ended December 31 2015	For the Year Ended December 31 2014
Operating revenues	$ 8,822,805	$ 9,751,515
Operating expenses	(8,467,453)	(8,182,937)
Profit from operations	355,352	1,568,578
Share of profit of subsidiaries, associates and joint ventures	1,215,914	1,181,348
Other revenues and expenses	1,116,956	863,462
	2,332,870	2,044,810
Net profit before income tax	2,688,222	3,613,388
Income tax expense	(135,811)	(375,321)
Net profit for the year	2,552,411	3,238,067
Other comprehensive income (loss)	(56,648)	538,052
Total comprehensive income for the year	$ 2,495,763	$ 3,776,119
Basic earnings per share	$0.67	$0.75

(Continued)

KGI Bank

1. Condensed balance sheets

Assets	December 31 2015	December 31 2014 (After Restated)
Cash and cash equivalents, due from the Central Bank and call loans to banks	$ 94,801,809	$ 40,170,687
Financial assets at fair value through profit or loss	79,062,398	53,033,387
Securities purchased under resell agreements	36,176,824	23,414,342
Receivables, net	34,343,702	51,890,828
Current tax assets	31,273	82,730
Discount and loans, net	217,780,328	225,777,475
Available-for-sale financial assets	55,238,628	119,135,284
Held-to-maturity financial assets, net	-	18,600,000
Investments accounted for using the equity method, net	2,159,083	2,419,309
Other financial assets	267,404	4,281,540
Property and equipment, net	5,639,208	5,706,400
Investment property, net	602,398	463,264
Deferred tax assets	4,922,153	5,222,411
Other assets, net	8,574,165	6,705,235
	$ 539,599,373	$ 556,902,892
Deposits from the Central Bank and banks	$ 9,561,475	$ 12,680,778
Financial liabilities at fair value through profit or loss	26,184,655	24,353,584
Notes and bonds issued under repurchase agreements	61,010,030	68,828,445
Payables	4,177,835	4,235,315
Current tax liabilities	181,150	-
Deposits and remittances	354,278,809	316,636,032
Bank debentures payable	2,612,172	12,540,304
Principal received on structured notes	22,300,825	60,671,951
Other financial liabilities	4,792	12,114
Provisions	358,360	495,049
Deferred tax liabilities	58,580	90,441
Other liabilities	1,186,150	1,426,969
Total liabilities	481,914,833	501,970,982
Common Stock	46,061,623	15,307,334
Capital surplus	7,247,278	137,331
Retained earnings	4,785,309	3,464,147
Others	(409,670)	4,847
Equity of prior interest under common control	-	36,018,251
Total equity	57,684,540	54,931,910
Total liabilities and equity	$ 539,599,373	$ 556,902,892

(Continued)

2. Condensed statements of comprehensive income

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

	For the Year Ended December 31	
	2015	**2014 (After Restated)**
Interest revenue	$ 10,728,523	$ 8,275,601
Interest expense	(3,725,428)	(2,417,801)
Interest profit, net	7,003,095	5,857,800
Noninterest profits and gains, net	3,346,525	1,984,118
Total net revenues	10,349,620	7,841,918
Reversal of allowance for bad debts and losses on guarantees, net	692,262	821,323
Operating expenses	(5,183,734)	(4,753,050)
Net profit before income tax	5,858,148	3,910,191
Income tax expense	(674,763)	(538,340)
Net profit for the year	5,183,385	3,371,851
Other comprehensive income for the year, net of income tax	(594,152)	386,779
Total comprehensive income for the year	$ 4,589,233	$ 3,758,630
Net profit attributable to		
Owners of the parent company	$ 4,017,475	$ 2,367,605
Prior interest under common control	1,165,910	1,004,246
	$ 5,183,385	$ 3,371,851
Total comprehensive income attributed to		
Owners of the parent company	$ 2,607,484	$ 2,553,314
Prior interest under common control	1,981,749	1,205,316
	$ 4,589,233	$ 3,758,630
Basic earnings per share	$1.13	$1.38

Note: The information of KGI Bank included equity to former owner of business combination under common control.

(Concluded)

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENT IN MAINLAND CHINA
DECEMBER 31, 2015
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company Name	Main Businesses and Products	Total Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2015	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2015 (Note 4)	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain	Carrying Value as of December 31, 2015	Accumulated Inward Remittance of Earnings as of December 31, 2015
					Outflow	Inflow						
China Healthcare Multi-services, Inc.	Third party medical services under emergency	RMB 41,192 thousand	Note 1. c.	US$ 1,871 thousand	$ -	$ -	US$ 1,871 thousand	(Note 3)	10.76	$ -	$ 59,591	$ -
China Peptides (Wuhan) Co., Ltd.	Sale and R&D protein drugs	US$ 15,000 thousand	Note 1. c.	US$ 2,262 thousand	US$ 726 thousand (Note 11)	-	US$ 2,988 thousand	(Note 3)	13.97	-	90,971	-
JHL Biotech, Inc. (Wuhan)	R&D protein drugs	RMB 50,000 thousand	Note 1. c.	US$ 734 thousand	-	-	US$ 734 thousand	(Note 3)	8.00	-	22,118	-
Beauty Essential International Ltd.	Sale and R&D the cosmetic	US$ 2,000 thousand	Note 1. c.	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. c.	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. c.	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. c.	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. c.	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. c.	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. c.	US$ 1	-	-	US$ 1	(Note 3)	6.75	-	-	-
Strong LED Lighting Systems (Suzhou) Corporation	LED lighting system	US$ 10,000 thousand	Note 1. c.	US$ 1,260 thousand	-	-	US$ 1,260 thousand	(Note 3)	9.09	-	37,334	-
Great Team Backend Foundry (Dongguan) Ltd.	Analog IC testing and packaging	US$ 87,070 thousand	Note 1. c.	US$ 228 thousand	-	-	US$ 228 thousand	(Note 3)	1.79	-	7,539	-
Touch Equipment Leasing (Shanghai) Co., Ltd.	Mobile interactive LCD equipment leasing	US$ 8,000 thousand	Note 1. c.	US$ 669 thousand	-	-	US$ 669 thousand	(Note 3)	9.61	-	22,121	-
Touch Multimedia Technology (Shanghai) Co., Ltd.	Multimedia technology, network technology, computer software development, design production and sales	RMB 114,660 thousand	Note 1. c.	US$ 1,080 thousand	-	-	US$ 1,080 thousand	(Note 3)	9.61	-	35,711	-

(Continued)

Investee Company Name	Main Businesses and Products	Total Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2015	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2015 (Note 4)	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain	Carrying Value as of December 31, 2015	Accumulated Inward Remittance of Earnings as of December 31, 2015
					Outflow	Inflow						
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. c.	EUR 140 thousand	$ -	$ -	EUR 140 thousand	(Note 3)	5.00	$ -	$ 5,060	$ -
Chengdu Le Me Shi Jia Trading Co., Ltd.	Furniture wholesale, metal building materials wholesale and transport service	US$ 21,500 thousand	Note 1. c.	US$ 699 thousand	US$ 248 thousand	-	US$ 947 thousand	(Note 3)	2.16	-	7,730	-
Chengdu Le Me Shi Jia Information Technology Co., Ltd.	Furniture wholesale, metal building materials wholesale and transport service	US$ 1,400 thousand	Note 1. c.	US$ 33 thousand	US$ 22 thousand	-	US$ 55 thousand	(Note 3)	2.16	-	449	-
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; enterprise management consulting; enterprise planning and international transport agent	RMB 104,222 thousand	Note 1. c.	RMB 1,016 thousand	RMB 2,467 thousand	-	RMB 3,483 thousand	(Note 3)	2.16	-	4,328	-
Tianjin Mu Mu Yuan Household Trading Co., Ltd.	Household items; furniture, building materials, daily commodities, hardware wholesale; enterprise management consulting; enterprise planning and international transport agent	US$ 500 thousand	Note 1. c.	US$ 42 thousand	-	-	US$ 42 thousand	(Note 3)	2.16	-	340	-
CDIB Private Equity Management Corporation	Management and consulting	US$ 4,000 thousand	Note 1. b.	US$ 4,000 thousand	-	-	US$ 4,000 thousand	$ 22,175	100.00	22,175	57,710	-
CPEC Huakai Private Equity (Fujian) Co., Ltd.	Management and consulting	RMB 10,000 thousand	Note 1. b.	RMB 7,000 thousand	-	-	RMB 7,000 thousand	30,519	70.00	21,351	64,214	-
CPEC Huachuang Private Equity Management (Fujian) Enterprise (Limited Partnership)	Management and consulting	RMB 12,000 thousand	Note 1. b.	RMB 6,720 thousand	-	-	RMB 6,720 thousand	(316)	70.00	(221)	41,928	-
CPEC Huachuang Private Equity (Fujian) Enterprise (Limited Partnership)	Equity investment	RMB 400,000 thousand	Note 1. b.	RMB 141,200 thousand	-	-	RMB 141,200 thousand	(71,847)	-	(25,144)	228,970	-
CPEC Huachuang Private Equity (Kunshan) Co, Ltd.	Management and consulting	RMB 7,000 thousand	Note 1. b.	RMB 4,550 thousand	-	-	RMB 4,550 thousand	3,388	65.00	2,201	24,253	-
CPEC Huachuang Private Equity Management (Kushan) Enterprise (Limited Partnership)	Management and consulting	RMB 4,300 thousand	Note 1. b.	RMB 195 thousand	-	-	RMB 195 thousand	(603)	65.00	(392)	20,203	-
CPEC Huachuang Private Equity (Kushan) Enterprise (Limited Partnership)	Equity investment	RMB 389,160 thousand	Note 1. c.	-	RMB 121,400 thousand	-	RMB 121,400 thousand	(32,184)	-	(10,505)	170,655	-

(Continued)

Investee Company Name	Main Businesses and Products	Total Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2015	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2015 (Note 4)	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain	Carrying Value as of December 31, 2015	Accumulated Inward Remittance of Earnings as of December 31, 2015
					Outflow	Inflow						
Focus Multimedia Technology (Shanghai) Co., Ltd.	LCD advertising and multimedia network information systems software R&D; multimedia network engineering design consultancy; market research and intermediary service; LCD displays and related electronic product manufacture, assembling, integrating, packing and sale	US$ 38,000 thousand	Note 1. c.	US$ 16,612 thousand	$ -	$ -	US$ 16,612 thousand	(Note 3)	0.94	$ -	$ 549,300	$ -
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. c.	US$ 4,371 thousand	-	-	US$ 4,371 thousand	(Note 3)	0.94	-	144,537	-
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. c.	US$ 875 thousand	-	-	US$ 875 thousand	(Note 3)	0.94	-	28,922	-
Shanghai OOH Advertising Co., Ltd.	Domestic and foreign advertisement design, production, releases and agent	US$ 400 thousand	Note 1. c.	US$ 174 thousand	-	-	US$ 174 thousand	(Note 3)	0.94	-	5,755	-
GSD Industrial Co., Ltd.	Pumps manufacture and sale	RMB 50,000 thousand	Note 1. c.	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. c.	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. c.	US$ 202 thousand	US$ 135 thousand	-	US$ 337 thousand	(Note 3)	13.48	-	10,455	-
Guohui (China) Co., Ltd.	Manufacturing and sale sport apparel, footwear and accessories	HK$ 313,432 thousand	Note 1. c.	US$ 1,750 thousand	-	-	US$ 1,750 thousand	(Note 3)	7.73	-	57,868	-
Fujian Guohui Footwear Co., Ltd.	Manufacturing and sale sport apparel, footwear and accessories	HK$ 195,686 thousand	Note 1. c.	US$ 1,357 thousand	-	-	US$ 1,357 thousand	(Note 3)	7.73	-	44,869	-
CDIB International Leasing Corporation	Financial Leasing and management business consulting	RMB 187,750 thousand	Note 1. d.	US$ 30,000 thousand	-	-	US$ 30,000 thousand	(246,561)	100.00	(246,561)	707,038	-
KGI Investment advisory (Shanghai) Co., Ltd.	Investment consultancy	US$ 2,000 thousand	Note 1. b.	US$ 2,000 thousand	-	-	US$ 2,000 thousand	(25,635)	100.00	(25,635)	18,420	-
KGI Asia Ltd. Shanghai Representative Office (Note 13)	Securities and futures related surveys, research, and information gathering	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
KGI Asia Ltd. Shenzhen Representative Office (Note 14)	Securities and futures related surveys, research, and information gathering	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA

(Continued)

Accumulated Investment in Mainland China as of December 31, 2015	Investment Amounts Authorized by Investment Commission, MOEA	Limit on Investment
$5,463,430	US$287,283 thousand	$93,731,953

Note 1: The investment types are as follows:

a. Remittances through a third place.
b. Reinvested through a new founded company at a third place.
c. Reinvested through an investee company at a third place.
d. Direct investments.
e. Other.

Note 2: The column "Investment Gain" should state clearly:

a. If there were no gains or losses during preparation.

b. Income recognition was based on the:

1) Financial statements reviewed by an international CPA firm having a cooperative relation with CPA firms in the Republic of China;
2) Financial statements reviewed by the CPA firm of the parent company in Taiwan;
3) Other.

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

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

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

Note 5: The Corporation indirectly invested in Changshu Everbright Material Technology Co., Ltd. through its subsidiary's investment in Ferro China on which the Corporation fully impaired and recognized an impairment loss in 2008.

Note 6: The ratios of investees' preferred stock A or B held by subsidiaries was calculated by dividing the number of held preferred shares by the number of preferred shares outstanding.

Note 7: The Corporation formerly indirectly invested in Wuxi Paiho Testiles Co., Ltd. and Dongguan Paihong Corporation Ltd. through its subsidiary's investment in Paiho Shih Holdings Corporation. Because Paiho Shih Holdings Corporation has been listed on the Taiwan Stock Exchange on August 17, 2011, refer to its financial report for the information.

Note 8: The Corporation formerly indirectly invested in Focal Tech System Co., Ltd. through its subsidiary's investment in Focal Tech Corporation Ltd. has been listed on the Taiwan Stock Exchange on November 8, 2013, refer to its financial report for the information.

Note 9: The Corporation formerly indirectly invested in Kunshan Xinkuangtai Photoelectric Technology Co., Ltd. and Taizhou Kuangli Photoelectric Technology Co., Ltd. through its subsidiary's investment in Kuangli Photoelectric Technology Co., Ltd. has been listed on the Taiwan Stock Exchange on October 31, 2014, refer to its financial report for the information.

Note 10: The Corporation formerly indirectly invested in Yangzhou Enteres Auto Parts Manufacturing Co., Ltd., Yanghou Enteres Industrial Co., Ltd. Yangzhou Enterex Automotive Air-Conditioning Industrial Co., Ltd. and Yangzhou Enterex Auto Parts Distribution Co., Ltd. through its subsidiary investment in Enteres International Limited has been listed on the Taiwan Stock Exchange on October 16, 2014, refer to its financial report for the information.

Note 11: The Corporation formerly indirectly invested in China Petides (Wuhan) Co., Ltd. through its subsidiary's investment in JHL, Biotech, Ltd. JHL Biotech, Ltd. increased shares in this investment by its own capital on March 19, 2015 and August 10, 2015. As a result, outward remittance are proportionally recognized rather than actual remitted amount.

Note 12: 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 13: The Corporation was approved by China Securities Regulatory Commission on May 18, 2001 and had registration certificate on July 5, 2001.

Note 14: The Corporation was approved by China Securities Regulatory Commission on March 27, 2002 and had registration certificate on June 17, 2002.

(Concluded)

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

BUSINESS RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2015
(In Thousands of New Taiwan Dollars)

No. (Note 1)	Trader Company	Related Party	Flow of Transactions (Note 2)	Content of Transaction (Note 5)			
				Financial Statement Accounts	Amounts	Trading Terms	Transaction Amount/Total Consolidated Revenue or Total Consolidated Assets (Note 3)
0	The Corporation	China Development Industrial Bank	1	Current tax assets	$ 248,526	Note 4	0.03%
1	China Development Industrial Bank	The Corporation	2	Current tax liabilities	248,526	Note 4	0.03%
0	The Corporation	China Development Industrial Bank	1	Current tax liabilities	690,918	Note 4	0.08%
1	China Development Industrial Bank	The Corporation	2	Current tax assets	690,918	Note 4	0.08%
0	The Corporation	KGI Bank Co., Ltd.	1	Cash and cash equivalents	2,646,445	Note 4	0.31%
2	KGI Bank Co., Ltd.	The Corporation	2	Deposit and remittances	2,646,445	Note 4	0.31%
0	The Corporation	KGI Securities Co., Ltd.	1	Current tax assets	506,024	Note 4	0.06%
3	KGI Securities Co., Ltd.	The Corporation	2	Current tax liabilities	506,024	Note 4	0.06%
0	The Corporation	KGI Securities Co., Ltd.	1	Current tax liabilities	122,581	Note 4	0.01%
3	KGI Securities Co., Ltd.	The Corporation	2	Current tax assets	122,581	Note 4	0.01%
1	China Development Industrial Bank	KGI Bank Co., Ltd.	3	Cash and cash equivalents	12,613,249	Note 4	1.46%
2	KGI Bank Co., Ltd.	China Development Industrial Bank	3	Deposit and remittances	12,613,249	Note 4	1.46%
2	KGI Bank Co., Ltd.	KGI Securities Co., Ltd.	3	Receivables, net	117,459	Note 4	0.01%
2	KGI Bank Co., Ltd.	KGI Securities Co., Ltd.	3	Payables	193,325	Note 4	0.02%
2	KGI Bank Co., Ltd.	KGI Securities Co., Ltd. and its subsidiaries	3	Deposit and remittances	393,854	Note 4	0.05%
3	KGI Securities Co., Ltd. and its subsidiaries	KGI Bank Co., Ltd.	3	Cash and cash equivalents	393,854	Note 4	0.05%

(Continued)

No. (Note 1)	Trader Company	Related Party	Flow of Transactions (Note 2)	Content of Transaction (Note 5)			
				Financial Statement Accounts	Amounts	Trading Terms	Transaction Amount/Total Consolidated Revenue or Total Consolidated Assets (Note 3)
2	KGI Bank Co., Ltd.	KGI Securities Co., Ltd.	3	Deposit and remittances	$ 829,941	Note 4	0.10%
3	KGI Securities Co., Ltd.	KGI Bank Co., Ltd.	3	Restricted assets	829,941	Note 4	0.10%
2	KGI Bank Co., Ltd.	KGI Securities Co., Ltd.	3	Deposit and remittances	177,650	Note 4	0.02%
3	KGI Securities Co., Ltd.	KGI Bank Co., Ltd.	3	Other financial assets	177,650	Note 4	0.02%
2	KGI Bank Co., Ltd.	KGI Securities Co., Ltd.	3	Deposit and remittances	1,531,123	Note 4	0.18%
3	KGI Securities Co., Ltd.	KGI Bank Co., Ltd.	3	Other assets	1,531,123	Note 4	0.18%
4	CDIB Capital Investment II Limited	KGI Bank Co., Ltd.	3	Cash and cash equivalents	262,678	Note 4	0.03%
2	KGI Bank Co., Ltd.	CDIB Capital Investment II Limited	3	Deposit and remittances	262,678	Note 4	0.03%
5	CDIB Global Markets I Limited	KGI Bank Co., Ltd.	3	Cash and cash equivalents	1,535,685	Note 4	0.18%
2	KGI Bank Co., Ltd.	CDIB Global Markets I Limited	3	Deposit and remittances	1,535,685	Note 4	0.18%
6	CDIB Global Markets II Limited	KGI Bank Co., Ltd.	3	Cash and cash equivalents	2,008,265	Note 4	0.23%
2	KGI Bank Co., Ltd.	CDIB Global Markets II Limited	3	Deposit and remittances	2,008,265	Note 4	0.23%
7	CDIB Venture Capital Corp.	KGI Bank Co., Ltd.	3	Cash and cash equivalents	1,688,230	Note 4	0.19%
2	KGI Bank Co., Ltd.	CDIB Venture Capital Corp.	3	Deposit and remittances	1,688,230	Note 4	0.19%
8	CDIB Capital Investment I Limited and its subsidiaries	KGI Bank Co., Ltd.	3	Cash and cash equivalents	3,598,266	Note 4	0.42%
2	KGI Bank Co., Ltd.	CDIB Capital Investment I Limited and its subsidiaries	3	Deposit and remittances	3,598,266	Note 4	0.42%
9	CDIB Global Markets III Limited	KGI Bank Co., Ltd.	3	Cash and cash equivalents	1,116,143	Note 4	0.13%
2	KGI Bank Co., Ltd.	CDIB Global Markets III Limited	3	Deposit and remittances	1,116,143	Note 4	0.13%
10	CDIB Capital International Corporation	KGI Bank Co., Ltd.	3	Cash and cash equivalents	398,268	Note 4	0.05%
2	KGI Bank Co., Ltd.	CDIB Capital International Corporation	3	Deposit and remittances	398,268	Note 4	0.05%

(Continued)

No. (Note 1)	Trader Company	Related Party	Flow of Transactions (Note 2)	Content of Transaction (Note 5)			
				Financial Statement Accounts	Amounts	Trading Terms	Transaction Amount/Total Consolidated Revenue or Total Consolidated Assets (Note 3)
3	KGI Securities Co., Ltd.	KGI Asia Limited	3	Receivables, net	$ 186,802	Note 4	0.02%
11	KGI Asia Limited	KGI Securities Co., Ltd.	3	Payables	186,802	Note 4	0.02%
3	KGI Securities Co., Ltd.	KGI Futures Co., Ltd.	3	Financial assets at fair value through profit or loss	549,701	Note 4	0.06%
12	KGI Futures Co., Ltd.	KGI Securities Co., Ltd.	3	Customers' equity accounts - futures	549,701	Note 4	0.06%
3	KGI Securities Co., Ltd.	KGI Ong Capital Pte. Ltd.	3	Financial assets at fair value through profit or loss	116,023	Note 4	0.01%
13	KGI Ong Capital Pte. Ltd.	KGI Securities Co., Ltd.	3	Customers' equity accounts - futures	116,023	Note 4	0.01%
14	Richpoint Company Limited	KG Investments Holdings Limited	3	Receivables, net	3,707,818	Note 4	0.43%
15	KG Investments Holdings Limited	Richpoint Company Limited	3	Other borrowings	3,707,818	Note 4	0.43%
12	KGI Futures Co., Ltd.	KGI Ong Capital Pte. Ltd.	3	Other financial assets	2,743,025	Note 4	0.32%
13	KGI Ong Capital Pte. Ltd.	KGI Futures Co., Ltd.	3	Customers' equity accounts - futures	2,743,025	Note 4	0.32%
16	CDIB Capital International (Hong Kong) Corporation Limited	CDIB Capital International Corporation	3	Consulting service revenue	259,778	Note 4	0.85%
10	CDIB Capital International Corporation	CDIB Capital International (Hong Kong) Corporation Limited	3	Other operating and administrative expenses	259,778	Note 4	0.85%
6	CDIB Global Markets II Limited	CDIB Capital International Corporation	3	Other operating and administrative expenses	120,692	Note 4	0.40%
10	CDIB Capital International Corporation	CDIB Global Markets II Limited	3	Consulting service revenue	120,692	Note 4	0.40%
3	KGI Securities Co., Ltd.	KGI Futures Co., Ltd.	3	Service fee and commission, net	285,825	Note 4	0.94%
12	KGI Futures Co., Ltd.	KGI Securities Co., Ltd.	3	Service fee and commission, net	285,825	Note 4	0.94%
3	KGI Securities Co., Ltd.	KGI Insurance Brokers Co., Ltd.	3	Net other noninterest profit and gain - others	210,256	Note 4	0.69%
17	KGI Insurance Brokers Co., Ltd.	KGI Securities Co., Ltd.	3	Net other noninterest profit and gain - others	210,256	Note 4	0.69%
3	KGI Securities Co., Ltd.	KGI Securities Investment Advisory Co., Ltd.	3	Other operating and administrative expenses	178,571	Note 4	0.59%
18	KGI Securities Investment Advisory Co., Ltd.	KGI Securities Co., Ltd.	3	Net other noninterest profit and gain - others	178,571	Note 4	0.59%

(Continued)

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)

TABLE 13-1

BALANCE SHEETS
DECEMBER 31, 2015
(Expressed in U.S. Dollars)

ASSETS	**Richpoint Company Limited**	**KG Investments Holdings Limited**	**KGI International Holdings Limited**	**ANEW Holdings Limited**
CURRENT ASSETS				
Cash and cash equivalents	$ 511,049	$ 32,867	$ 12,453	$ 159
Receivables, net	-	-	41,040,575	-
Other receivable - related parties	112,000,000	-	86,381,854	62,363,044
Other current assets	134,530	-	1,483,992	-
Total current assets	112,645,579	32,867	128,918,874	62,363,203
NONCURRENT ASSETS				
Financial assets measured at cost - noncurrent	2,277,912	-	-	-
Investments accounted for using the equity method	402,801,890	567,473,387	515,788,906	-
Total noncurrent assets	405,079,802	567,473,387	515,788,906	-
TOTAL	$ 517,725,381	$ 567,506,254	$ 644,707,780	$ 62,363,203
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings	$ 45,600,000	$ 112,000,000	$ 37,500,000	$ -
Commercial paper payable	-	-	100,191,025	-
Other payable	40,909	117,868	2,870,157	-
Other payable - related parties	-	68,227,372	-	-
Total current liabilities	45,640,909	180,345,240	140,561,182	-
Total liabilities	45,640,909	180,345,240	140,561,182	-
EQUITY				
Common stock	229,751,070	156,864,163	209,248,261	55,924,236
Capital reserve	840,290	46,366	54,631,073	-
Special reserve	-	9,759,135	387,913	-
Retained earnings	242,507,858	221,452,614	240,840,615	6,438,967
Other equity	(1,014,746)	(961,264)	(961,264)	-
Total equity	472,084,472	387,161,014	504,146,598	62,363,203
TOTAL	$ 517,725,381	$ 567,506,254	$ 644,707,780	$ 62,363,203

TABLE 13-2

BALANCE SHEETS
DECEMBER 31, 2015
(Expressed in U.S. Dollars)

ASSETS	KG Investments Pacific Limited	KG Investments Asset Management (International) Limited	Pacific Glory Finance One Limited	KGI Limited
CURRENT ASSETS				
Other receivable - related parties	$ -	$ -	$ -	$ -
Total current assets	-	-	-	-
NONCURRENT ASSETS				
Investments accounted for using the equity method	-	-	-	362,734,794
Total noncurrent assets	-	-	-	362,734,794
TOTAL	$ -	$ -	$ -	$ 362,734,794
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Other payable - related parties	$ -	$ -	$ -	$ 81,599,325
Total liabilities	-	-	-	81,599,325
EQUITY				
Common stock	-	10,000	-	308,341,129
Accumulated deficit	-	(10,000)	-	(27,205,660)
Total equity	-	-	-	281,135,469
TOTAL	$ -	$ -	$ -	$ 362,734,794

BALANCE SHEETS
DECEMBER 31, 2015
(Expressed in U.S. Dollars)

ASSETS	Supersonic Services Inc.	KGI International Limited	Bauhinia 88 Ltd.	KGI Capital (Hong Kong) Limited
CURRENT ASSETS				
Cash and cash equivalents	$ -	$ 500	$ -	$ -
Total current assets	-	500	-	-
NONCURRENT ASSETS				
Investments accounted for using the equity method	-	69,095,026	-	-
Total noncurrent assets	-	69,095,026	-	-
TOTAL	$ -	$ 69,095,526	$ -	$ -
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Other payable - related parties	$ -	$ 2,633,536	$ -	$ -
Total liabilities	-	2,633,536	-	-
EQUITY				
Common stock	100	77,863,147	2	2,579,048
Capital reserve	-	-	-	15,990
Accumulated deficit	(100)	(11,401,157)	(2)	(2,595,038)
Total equity	-	66,461,990	-	-
TOTAL	$ -	$ 69,095,526	$ -	$ -

BALANCE SHEETS
DECEMBER 31, 2015
(Expressed in U.S. Dollars)

ASSETS	KGI Global Asset Management Limited	Global Treasure Investments Limited	KGI Nominees Limited	KGI Hong Kong Limited	Bauhinia 8 Fund
CURRENT ASSETS					
Cash and cash equivalents	$ -	$ -	$ -	$ 1,236,919	$ -
Prepayments	-	-	-	3,019,691	-
Other current assets	-	-	-	33,865	-
Total current assets	-	-	-	4,290,475	-
NONCURRENT ASSETS					
Property and equipment	-	-	-	4,609,870	-
TOTAL	$ -	$ -	$ -	$ 8,900,345	$ -
LIABILITIES AND EQUITY					
CURRENT LIABILITIES					
Other payable	$ -	$ -	$ -	$ 17,603,445	$ -
Other payable - related parties	-	-	-	14,275,110	-
Total current liabilities	-	-	-	31,878,555	-
Total liabilities	-	-	-	31,878,555	-
EQUITY					
Common stock	-	-	-	15,000	-
Special reserve	-	-	-	28,469	-
Accumulated deficit	-	-	-	(23,021,679)	-
Total equity	-	-	-	(22,978,210)	-
TOTAL	$ -	$ -	$ -	$ 8,900,345	$ -

TABLE 13-5

BALANCE SHEETS
DECEMBER 31, 2015
(Expressed in U.S. Dollars)

ASSETS	KGI Nominees (Hong Kong) Limited	KGI Korea Limited	KGI Asia (Holdings) Pte Ltd.	Jubilant Dynasty Limited
CURRENT ASSETS				
Cash and cash equivalents	$ -	$ -	$ 16,209	$ -
Other receivable - related parties	1	72,622	-	-
Total current assets	1	72,622	16,209	-
NONCURRENT ASSETS				
Investments accounted for using the equity method	-	-	192,838,531	-
TOTAL	$ 1	$ 72,622	$ 192,854,740	$ -
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings	$ -	$ -	$ 31,865,175	$ -
Other payable	-	-	4,713,171	-
Other payable - related parties	-	-	88,384,641	-
Total current liabilities	-	-	124,962,987	-
Total liabilities	-	-	124,962,987	-
EQUITY				
Common stock	1	10,000	72,100,736	-
Retained earnings (accumulated deficit)	-	62,622	(1,602,310)	-
Other equity	-	-	(2,606,673)	-
Total equity	1	72,622	67,891,753	-
TOTAL	$ 1	$ 72,622	$ 192,854,740	$ -

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2015
(In U.S. Dollars)

	Richpoint Company Limited	KG Investments Holdings Limited	KGI International Holdings Limited	ANEW Holdings Limited
REVENUES				
Interest revenue	$ -	$ 8	$ 2,189,422	$ -
Total revenues	-	8	2,189,422	-
COSTS AND EXPENSES				
Financial cost	1,740,968	2,117,321	3,443,520	-
Other operating expenses	1,023,336	77,510	2,724,905	-
Total costs and expenses	2,764,304	2,194,831	6,168,425	-
LOSS FROM OPERATIONS	(2,764,304)	(2,194,823)	(3,979,003)	-
SHARE OF PROFIT OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES	21,732,938	18,936,520	58,681,439	1,407,257
OTHER PROFITS (LOSSES)	143,871	(11,984)	(37,173,173)	-
NON-OPERATING REVENUE	21,876,809	18,924,536	21,508,266	1,407,257
NET PROFIT FOR THE YEAR	19,112,505	16,729,713	17,529,263	1,407,257
OTHER COMPREHENSIVE LOSS	(5,972,623)	(5,919,141)	(5,919,141)	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 13,139,882	$ 10,810,572	$ 11,610,122	$ 1,407,257

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2015
(In U.S. Dollars)

	KG Investments Pacific Limited	KG Investments Asset Management (International) Limited	Pacific Glory Finance One Limited	KGI Limited
REVENUES				
Losses on disposal of trading securities - dealing, net	$ -	$ -	$ -	$ (733,388)
Other operating revenue	-	11,878,951	-	1,215,318
Total revenues	-	11,878,951	-	481,930
COSTS AND EXPENSES				
Other operating expense	-	-	-	-
Total costs and expenses	-	-	-	-
PROFIT FROM OPERATIONS	-	11,878,951	-	481,930
OTHER PROFITS (LOSSES)	-	170,863	-	(951)
NON-OPERATING REVENUE AND EXPENSE	-	170,863	-	(951)
NET PROFIT FOR THE YEAR	-	12,049,814	-	480,979
OTHER COMPREHENSIVE INCOME	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ -	$ 12,049,814	$ -	$ 480,979

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2015
(In U.S. Dollars)

	Supersonic Services Inc.	KGI International Limited	Bauhinia 88 Ltd.	KGI Capital (Hong Kong) Limited
REVENUES				
Other operating revenues and profits	$ -	$ -	$ -	$ -
Total revenues	-	-	-	-
COSTS AND EXPENSES				
Other operating expense	-	-	-	-
Total costs and expenses	-	-	-	-
PROFIT (LOSS) FROM OPERATIONS	-	-	-	-
OTHER REVENUE AND EXPENSE	-	(8,637,795)	-	66
NON-OPERATING REVENUE AND EXPENSE	-	(8,637,795)	-	66
NET PROFIT (LOSS) FOR THE YEAR	-	(8,637,795)	-	66
OTHER COMPREHENSIVE INCOME	-	-	-	-
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	$ -	$ (8,637,795)	$ -	$ 66

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2015
(In U.S. Dollars)

	KGI Nominees (Hong Kong) Limited	Global Treasure Investments Limited	KGI Nominees Limited	KGI Hong Kong Limited	Bauhinia 8 Fund
REVENUES					
Interest revenue	$ -	$ -	$ -	$ 142	$ -
Other income revenue	-	-	-	107,133,977	-
Total revenues	-	-	-	107,134,119	-
COSTS AND EXPENSES					
Employee benefits	-	-	-	83,454,551	-
Depreciation and amortization	-	-	-	1,899,571	-
Other operating expenses	-	594	-	19,446,365	689
Total costs and expenses	-	594	-	104,800,487	689
PROFIT (LOSS) FROM OPERATIONS	-	(594)	-	2,333,632	(689)
OTHER REVENUE AND EXPENSE	-	(9,261)	-	(400,214)	8,776
NON-OPERATING REVENUE AND EXPENSE	-	(9,261)	-	(400,214)	8,776
NET PROFIT (LOSS) FOR THE YEAR	-	(9,855)	-	1,933,418	8,087
OTHER COMPREHENSIVE INCOME	-	-	-	-	-
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	$ -	$ (9,855)	$ -	$ 1,933,418	$ 8,087

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2015
(In U.S. Dollars)

	KGI Global Asset Management Limited	KGI Korea Limited	KGI Asia (Holdings) Pte Ltd.	Jubilant Dynasty Limited
REVENUES				
Interest revenue	$ -	$ -	$ 189,062	$ -
Other income revenue	-	-	478,827	-
Total revenues	-	-	667,889	-
COSTS AND EXPENSES				
Financial cost	-	-	329,030	-
Other operating expenses	-	-	631,207	-
Total costs and expenses	-	-	960,237	-
LOSS FROM OPERATIONS	-	-	(292,348)	-
OTHER REVENUE AND EXPENSE	-	(71)	(489,520)	-
NON-OPERATING REVENUE AND EXPENSE	-	(71)	(489,520)	-
NET LOSS FOR THE YEAR	-	(71)	(781,868)	-
OTHER COMPREHENSIVE INCOME (LOSS)	-	-	(1,832,112)	-
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	$ -	$ (71)	$ (2,613,980)	$ -