

TAIPEI FUBON
COMMERCIAL BANK CO., LTD.

ANNUAL REPORT

2016

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Please see page27

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I. Message to Shareholders

The global economic growth was dragged to a slow pace in 2016 mainly due to the fact that the growth of advanced countries, such as the United States, Japan and Europe countries was worse than estimated, and the growth momentum slowed down in emerging markets, plus, the United Kingdom's decision to leave the EU was followed by deep uncertainty and there was a rise in international trade protectionism. The financial market and global trade impact led to the stalled growth momentum of global trade. Taiwan's export sales growth was dragged down by the international economic slowdown; but demands for emerging smart applications, including the Internet of things, automotive electronics rose, and investments in high-end semiconductor capacity increased, in addition, the government's active attempt at improving the investment environment and promoting the "Five plus Two" industry innovation project helped maintain the growth momentum of investments. In terms of the Domestic demand, the overall domestic economic growth was limited by the fact that the international economic growth fell below expectations, and oil prices fluctuated at a low level, resulting to the impact on domestic consumer confidence. According to the statistics released by the Directorate-General of Budget, Accounting and Statistics, the economic growth rate was 1.50% in 2016, higher than the previous year's rate of 0.72%.

The Bank's business development strategy aims to build long-term and stable profits, enhancing its cross-selling ability through the synergy between financial holding resources to provide customers with comprehensive financial products and services network. Our goal is to expand the business scope and deepen the relationship with customers using high efficiency channel platform and sophisticated operational performance. Every colleague makes an effort to fuel growths of all business operations continuously and steadily, while strictly abiding by the laws and regulations, focusing on risk management and internal control to improve the operational risk control. Our consolidated net income in 2016 reached to NT\$15.272 billion.

In terms of institutional banking business, the Bank not only continued to expand overseas markets, but also deepened customer relationships, improved differentiated services, and strengthened risk management under a customer-centric strategy that carefully controlled operational risks, to consolidate the existing business basis while developing all kinds of the Businesses. We aim to recreate the intermediary value of the Bank and build customer loyalty. In terms of retail banking business, in response to the development of digital financial services, we actively research and develop technology applications and innovative operation model, and continue to build and optimize the electronic platform, and integrate virtual and physical channels. We have introduced digital trading and application platforms for a variety of commodities, including financial management transactions, digital deposit accounts, mortgages, credit, student loans, credit cards, cross-border payment and other commodities or services, to meet customer's mobile financial service demands under the trend of digital finance for investment and financial management, fund procurement, and applying for various services at anytime, anywhere. In addition, to support business development and improve internal efficiency and operational

performance, we continue to make organizational and work adjustments depending on needs, strengthen risk control and compliance, as well as continue to promote new core projects, build customer data platform and other projects, to integrate and increase information resources and improve service efficiency.

In aspect of overseas strategy, after the merger with Fubon Bank (China) as a subsidiary of the Bank in 2014, the Bank has been providing various financial services to clients in the greater China area, covering areas where a lot of Taiwanese companies set up, such as Shanghai, Pearl River Delta, Yangtze River Delta and Bohai Economic Circle. It has become a Taiwan-funded bank in China with the largest number of banking outlets, the widest service coverage, and a leading position among China, Taiwan, Hong Kong and Macau. Also, considering that financial integration will be a future trend, the Bank has officially opened the Singapore Branch in March 2016, further reaching out to customers in Association of Southeast Asian Nations through the establishment of its overseas bases in addition to the Greater China area. The Bank aims to expand business opportunities in Association of Southeast Asian Nations with the establishment of overseas bases in Singapore and Vietnam, to provide Taiwanese enterprise customers more comprehensive services, and move forward toward the goal of becoming Asia's leading regional financial institution.

In response to external environmental changes and business development needs, we carried out important organizational restructuring in 2016:

1. Establish the new "Insurance Product Department" specifically responsible for the insurance service and also engaged in insurance agency service.
2. Integrate business functions of relevant units in response to the rising financial technology development, and set up units specifically responsible for financial technology. The Bank created the new position "Chief Digital Officer" to lead the new established "FinTech Development & Application" and the "Data Division".
3. There was originally Human Resources Operation Department under the Administrative Services Center responsible for human resources and general affairs. In view of the differences between the two business' attributes, the Bank split Human Resources Operation Department into "General Administration Department" and "Human Resource Service Department" according to functional attributes for professional division of labor, to improve the administrative efficiency and service quality.
4. Comprehensively review the functions and duties of all information departments, develop a centralized function of the entire Bank's information operation management and project management to the "IT Administration Service Department".
5. In order to increase the overall operational efficiency of the branches, the Bank split the "Branch Banking Department-Retail Banking" into "Branch Banking Department I-Retail Banking", "Branch Banking Department II-Retail Banking" and "Branch Banking Department III-Retail Banking", and established a new "Branch Banking

Administration Department -Retail Banking ".

6. To strengthen the wealth management business and risk management function against money laundering and terrorism-financing, the new "Wealth Management Risk Management Division" and the "Money Laundering Prevention Division" were set up under the "Risk Management Department" for specialized function.

Corporate social responsibility has always been the focus of the Bank. In addition to replacing high-energy-consuming hardware equipment, there are currently specific energy-saving and carbon reduction measures promoted in the Company, including process simplification, energy consumption reduction, paperless operations, and stressed "Green Value" of Financial Services. Aligning with the "Fubon ESG Visioning Project" to look at three aspects of sustainable management, including environment, society and governance, the Bank planned short- and medium-term ESG development strategies and promoted a variety of mobile projects, hoping to create the largest profits for shareholders, at the same time, keep the goal of sustainable enterprise management in front of us. Moreover, the Bank upholds a spirit of "giving back to society what society gave us" to contribute to the society with actual practices. We not only make donations on a yearly basis, set up the volunteer association with employees, use both material and human resources in aid of charity, culture and education, and art foundations under Fubon Group, but also invite organizations of all sectors to engage in public welfare together. We also show our humanitarian spirit and care for victims in major disasters like "South Taiwan Earthquake" by making donations in a timely manner.

The business results of 2016 and the business plan for 2017 are hereby set forth as follows:

1. The business results of 2016

The consolidated net income was NT\$15.272 billion, and earnings per share were NT\$1.36 in 2016. As of the end of 2016, the consolidated assets totaled NT\$2,414.2 billion, with outstanding loans of NT\$1,289.9 billion and outstanding deposits of NT\$1,877.8 billion.

While achieving business profit growth, the Bank maintains prudent risk management principles. By the end of 2016, its NPL ratio and NPL coverage ratio reached an excellent level of 0.20% and 652.12% respectively. Our quality assets contribute to our well-developed business and future development potential. As a result of the satisfactory operating performance and asset quality, the Bank's long-term credit rating was maintained at "twAA+", short-term credit rating at "twA-1+", and the rating outlook is "stable" according to the report of the Taiwan Ratings on November 17, 2016, indicating that the Bank has a high profitability and asset quality.

A number of the Bank's professional achievements and excellent operational performances had won awards again and again listed by domestic and foreign medias in 2016. We had been given professional awards for institutional banking business by a number of International professional organizations, such as Asiamoney, the Asset, and FCI, and honors for digital finance, private banking and wealth management categories under retail banking business by many other

professional domestic and foreign institutions, such as Euromoney, Global Finance, International Finance Magazine, and Commonwealth Magazine, etc.

2. The business plan for 2017

Looking at trends for 2017, the global economic and trade growth rate is going to be higher than the previous year according to the latest data released by international forecasting Institutions, including World Bank, IHS Global Insight, and International Monetary Fund, showing a slight improvement in the global economy. Taiwan is an export-oriented economy greatly affected by European and US economy. The recent US and Eurozone's economy continued to increase slightly while China's economy remained stable. Even though the overall global economic and trade growth is recovering, there are still some uncertainty in policies that affect the domestic and International economic growth, and contribute to more economic variables to uncertainty in annual economic growth. The Directorate-General of Budget, Accounting and Statistics of the Executive Yuan announced on February 15, 2017 an estimated economic growth rate of 1.92% for 2017 higher than the economic growth rate of 1.50% in 2016.

Under the trend toward digital financial services and the rapid mobile application developments, the Bank continues to develop Internet banking and mobile banking of new generations for better understanding of customer's digital life and new type of financial consuming behavior, to meet diverse demand of customers, and create a more convenient service platform. In addition, knowing that the innovation capability will be an important factor that determines an enterprise's sustainable growth, the Bank combines resources of the "Innovation Technology Office" to actively carry out cross-industry integration of various digital finance businesses, hoping to "make information a valuable asset and make the most of it" through technology transfer and innovation promotion under strategic cooperation. The Bank will still uphold a customer-centric business philosophy, and establish a corporate culture committed to more enthusiastic and active services, to become the most trustworthy bank among customers.

In the face of high uncertainty in the finance sector, the Bank stays focused on the long valued risk management, aiming to improve both the synergy of businesses and synergy with the teamwork of institutional banking and retail banking business, and provide competitive and satisfying commodities to customers. The main operational strategy is as follows:

The business plan for 2017 is as follows:

(1) Institutional banking business:

1. Expand asset growth and optimize asset portfolio: continue to identify and penetrate target customers, strengthen relationships with customers; actively expand high-yield assets, improve revenue-based contributions.
2. Expand the scale of operations and increase the revenue and rate of return: grasp the opportunity to raise interest rates, enhance the rate of return on portfolios, and pay close

attention to the financing trend of capital market to improve rate of return.

3. Promote overseas expansion and extend the business into foreign countries: use the connections formed among Taiwan corporate customers overseas, integrate domestic and overseas demands for services; make good use of overseas bases and channels to develop new customers of regional markets.
4. Strictly comply with laws and regulations and intensively monitor risks: strengthen industrial risk monitoring, strictly select target customers, improve the quality of risk management, and strictly manage operational risks.
5. Take humanistic approaches and develop sustainable soft power: in response to business expansion needs, the Bank continues to recruit top talents and give trainings to employees needed for overseas developments, and build quality talent pool to strengthen the quality and quantity of marketing teams.

(2) Retail banking business:

1. Implement a platform strategy for the branches and make the most of the value of local operations

Implement the platform strategy of the branches, fully promote wealth management and consumer finance, boost cross-sell opportunities, and make the most of the value of service in the neighborhood, local operations. The Bank actively expands its branch network outside Taipei city to carry out the relocation plan, and renovates the branches throughout Taiwan to align with the trend of digitalization and provide a better customer service environment. A new generation of hardware environment of the branches coupled with a simplified process and system upgrades not only improve the brand image, but also allow customers to feel the quality and convenience of services.

2. Make good use of customer information and promote precision marketing

Provide full range of asset financial planning that divides a customer base into wealth management, general customers and small and medium enterprises segmentation, recommend customers the right commodities for them, meanwhile, apply internal and external big data analysis for a better control of customer needs, and promote customized services to achieve personalized precision marketing.

3. Be committed to develop customers through platforms and enhance the ability to solicit external customers

The digitalization strategy mainly focuses on customer experience to create an interface that meets customer needs, and then conducts the cross-channel integration of virtual and actual services to provide seamless operation experience. Since the beginning of 2017, we have been focusing on the development of "digital platform

integration and alignment" and "continuous optimization of service processes" to continue to build, optimize and promote all kinds of platforms, and strengthen the social media and digital marketing approach for the ability to solicit external customers.

4. Strengthen risk control ability

The quality of our credit asset in retail banking service has always come out on top among other banks for many years. The Bank will also be committed to developing the behavior scorecard for retail banking business, building housing price management query system to carry out cross-branch self-auditing, establish abnormal trade management and inspection mechanism for insured goods, and strengthening the post-loan management for high-risk individuals to better reduce the incidence of bad debts.

5. Establish a service culture of consideration

Constantly improve the blueprint of retail banking business training to ensure that the basic services of all staffs are satisfactory, comprehensively promote a service culture of consideration and internal service satisfaction survey to increase the quality of internal services and ensure smooth business processes.

3. Credit Rating

Rating Date	Credit Rating Institution	Long-term Credit Ratings	Short-term Credit Ratings	Outlook
2016/12/09	Moody's	A2	P-1	Stable
2016/11/17	Standard & Poor's	A-	A-2	Stable
2016/11/17	Taiwan Ratings Corporation	twAA+	twA-1+	Stable

II. Corporate Profile

1. Introduction

(1) Establishment

Bank was established with approval from the Ministry of Finance (registration no.: 7864) and started its services on April 21, 1969.

(2) History

- The Bank was established on April 21, 1969 and funded by Taipei City Government in response to the national financial policy of assisting local finance and supporting municipal construction to serve as an acting Treasury of the city. It was formerly known as "City Bank of Taipei" providing services within the scope of Taipei City. Established as a municipal financial institution, it then reorganized into a joint stock limited company on July 1, 1984.
- On January 1, 1993, the Bank changed its name to Taipei Bank Co., Ltd. (the TAIPEIBANK) to build a Corporate Identity System. The Bank set up the Kaohsiung Branch outside Taipei for the first time as a result of the financial liberalization promoted by the government in 1994. It was authorized to convert from a regional bank into a national bank on January 20, 1995, providing services in the whole country. During 1997, it completed a cash capital increase by \$2 billion NTD through employee's and public subscription of shares, and became officially listed on July 23 that year; for the practice of the government's "privatization of state-run business" policy, the Bank was formally privatized on November 30, 1999. In addition, in response to the long-term business development needs, on December 23, 2002 the Bank became a subsidiary wholly owned by Fubon Financial Holding, and terminated the TWSE listed transactions on the Taiwan Stock Exchange on the same day in accordance with the law.
- After the incorporation of Taipei Bank on December 23, 2002, Fubon Financial Holding decided to maintain independent operations of Taipei Bank and Fubon Bank, but at the same time actively promoting the integration of the two banks' information system, operation process, as well as organization and personnel, in order to maintain the business advantages and brand equity of both and minimize potential impacts on them.
- After two years of complex business consolidation, Taipei Bank and Fubon Bank were officially united into a new one, which was named "Taipei Fubon Bank" on January 1, 2005. This merger as the first case in the nation between a state-owned bank and a private bank not only expanded potential for profit for Fubon Financial Holding, but also created a groundbreaking moment in Taiwan's history of financial development.

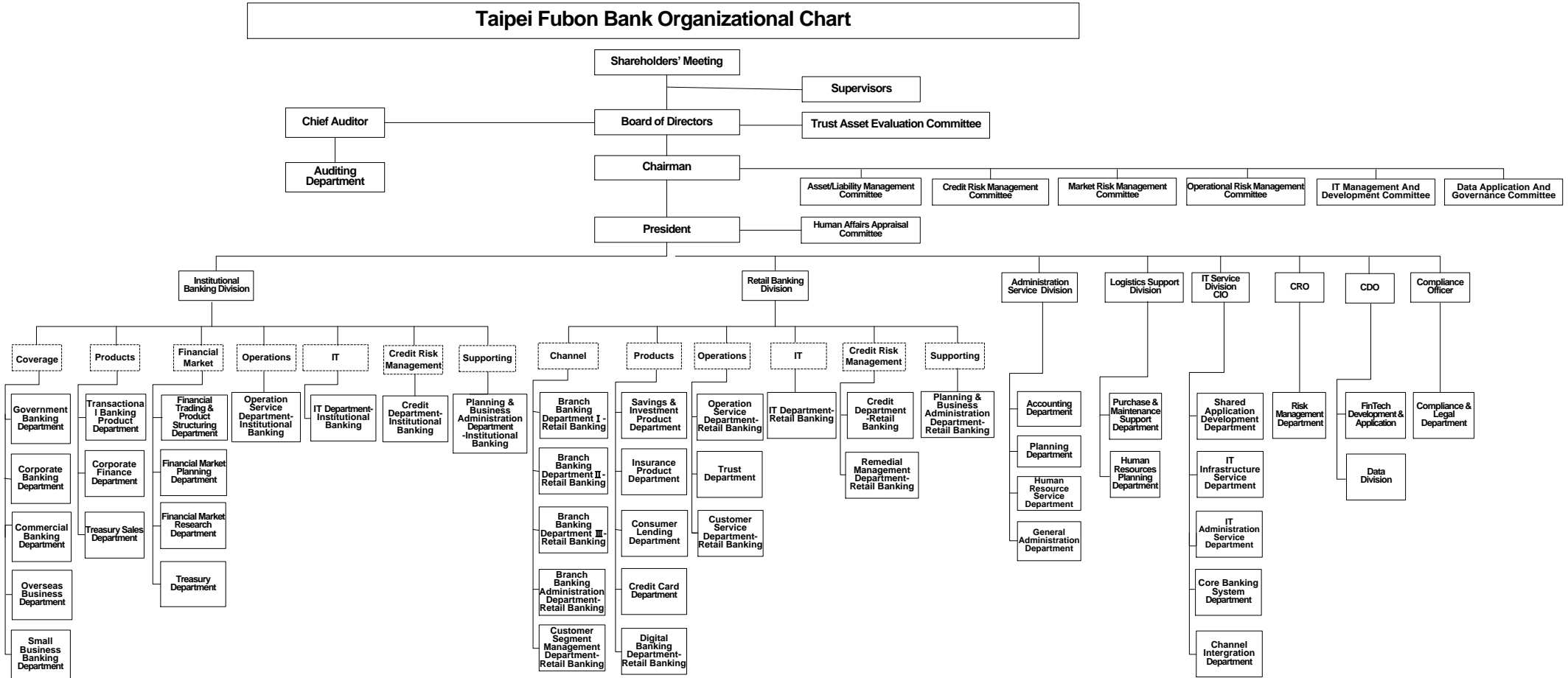
- Fubon Bills Finance Corporation was originally a 100% owned subsidiary of the Bank. In order to realize synergies in bank and financial holdings services, integrate bank-related businesses under Fubon Financial Holdings, and solve the problem of overlapping service between the Bank and Fubon Bills Finance Corporation, the Bank successfully completed the merger with Fubon Bills Finance Corporation on December 25, 2006; also, it established a branch in Ho Chi Minh, Vietnam, in June 2008.
- Since its official merger with Hanoi Branch and Ho Chi Minh City Branch of Chinfon Bank on March 6, 2010, the Bank had completed the local administrative procedures of renaming and renewing a permit in June 7 of the same year and been operating in the name of the Bank. At present, the Bank has three operating bases in Vietnam, including Hanoi Branch, Ho Chi Minh City Branch and Pingyang Branch.
- Fubon Insurance Agents Co., Ltd. was originally a 100% owned subsidiary of the Bank. On September 21, 2010, the Board of Directors approved of the liquidation date on August 31, and elected Taipei Fubon Bank as the book and document custodian.
- The Bank invested 10% of equity shares in Fubon Bank (China) on December 31, 2013, and increased investments in Fubon Bank (China) up to 51% on January 7, 2014, acquiring the right of control over Fubon Bank (China) and re-organizing it into a subsidiary under the Bank.
- The Bank was approved of the establishment of Singapore Branch by the Monetary Authority of Singapore on May 21, 2015 and started its services on March 14, 2016.
- Taipei Fubon Bank Life Insurance Agent Co., Ltd. was originally a 100% owned subsidiary under the Bank. In order to make the most of the synergy in businesses and resource integration, it was merged with the Bank on April 29, 2016.
- The Bank was approved of the dissolution of the Los Angeles Branch by the FSC Bank Bureau on January 6, 2016, and stopped the services on June 30, 2016.
- No changes in right of management of the Bank had been made during 2016. There was neither significant change in business practice or services, nor other important events affecting the shareholders' equity and the Bank.

2. Organizational Structure

(1) Organization

2017.01.01

Taipei Fubon Bank Organizational Chart



(2) Board Members and Supervisors

Title	Name	Representing Organization	Background & Education	Date Elected	Term
Chairman	Eric Chen	Fubon Financial Holding Co.	President, CTBC Financial Holding Co., Ltd.; President, CTBC Bank Co., Ltd; Head, Citigroup Taiwan; MBA, University of Missouri	2015/07/01	3 yrs
Vice Chairman	Richard Tsai (Note 2)	Fubon Financial Holding Co.	Chairman, Fubon Securities Co., Ltd.; Chairman, Fubon Life Insurance Co., Ltd.; Chairman, Taiwan Mobile Co., Ltd.; MA, School of Finance, New York University	2014/06/06	3 yrs
Standing Director	Daniel Tsai (Note 3)	Fubon Financial Holding Co.	Chairman, Fubon Insurance Co., Ltd.; Chairman, Fubon Land Development Co., Ltd.; Chairman, Taiwan Mobile Co., Ltd.; MA, School of Law, Georgetown University	2014/06/06	3yr
Standing Director	Jerry Harn	Fubon Financial Holding Co.	Vice President, Citibank Taipei Branch; Senior Vice President, CTBC Bank Co., Ltd; Senior Executive Vice President, Taipei Fubon Commercial Bank Co., Ltd.; MBA, Ohio State University	2014/06/06	3 yrs
Standing /Independent Director	FAN CHENG CHUAN	Fubon Financial Holding Co.	Secretary-General of Bureau of Monetary Affairs, Ministry of Finance; Deputy Director-General of Financial Examination Bureau, Financial Supervisory Commission; BA, Division of Judicial Administration, College of Law, National Taiwan University	2014/08/21	3 yrs
Standing /Independent Director	Jason Wang	Fubon Financial Holding Co.	President, Yuanta Financial Holdings Co., Ltd.; Chairman, Yuan Life Insurance Co., Ltd.; Chief Executive Officer, CTBC Financial Holding Co., Ltd.; President, of Jih Sun Financial Holding Co., Ltd.; MA, Department of Public Finance, National Chengchi University; BA, Department of Public Finance, National Chung Hsing University	2016/05/20	3 yrs
Standing /Independent Director	Chang,jing-sen (Note 4)	Fubon Financial Holding Co.	Deputy Minister, National Development Council, Executive Yuan; Deputy Mayor, Taichung City Government; Commissioner, Development of Urban Development, Taipei City Government; Ph.D., Department of Civil Engineering, National Taiwan University	2015/02/09	3 yrs
Independent Director	Chang,Hong-Chang	Fubon Financial Holding Co.	Dean, College of Management, National Taiwan University; Independent Director, Fubon Financial Holding Co., Ltd.; Ph.D., Wharton School of the University of Pennsylvania	2014/06/06	3 yrs
Independent Director	CHAO, YUAN-CHI	Fubon Financial Holding Co.	General Manager, Dah-An Commercial Bank; General Manager, China Development Financial Holding Corporation; Acting Chairman and General Manager of First Financial Holding Co., Ltd.; MSF, New York University	2014/06/06	3 yrs
Independent Director	Wei-yi Lin	Fubon Financial Holding Co.	Director-General, Department of Banking, Central Bank of the Republic of China; Chairman, Central Deposit Insurance	2014/06/06	3 yrs

Title	Name	Representing Organization	Background & Education	Date Elected	Term
			Corporation; Chairman, Taiwan Depository & Clearing Corporation; DBA, Lincoln University		
Director	YUAN, HSIU-HUI	Fubon Financial Holding Co.	Head of Department of the Legal Affairs, Taipei City Government; Member Of Judicial Reform Committee, Taiwan Bar Association; Secretary General of Keelung Bar Association; MA, College of Management, National Chiao Tung University; BA, Department of Law & Department of Political Science, Soochow University	2016/11/22	3 yrs
Director	Fang-Ling Yang (Note 5)	Fubon Financial Holding Co.	Associate Professor, National Sun Yat-sen University; Director of Fubon Financial Holding Co., Ltd.; Ph.D. in Law, University Bielefeld	2015/02/09	3 yrs
Director	Vivien Hsu	Fubon Financial Holding Co.	Director & Administration General Manager, Taiwan Mobile Co., Ltd.; Chief Financial Officer, Cathay Financial Holdings Co., Ltd.; MBA, University of New South Wales	2014/06/06	3 yrs
Director	Patrick. Chang	Fubon Financial Holding Co.	Chief Risk Officer (Executive Vice President), Taipei Fubon Commercial Bank Co., Ltd.; Senior Deputy President, HSBC in Taiwan; MBA, University of Chicago	2014/06/06	3 yrs
Director	John Y. Kuang	Fubon Financial Holding Co.	Head of Corporate Finance and Global Market Business, Standard Chartered; General Manager of Bond Business Office, Polaris Securities Co., Ltd.; Executive Vice President, Tai Yu Securities Group & General Manager, Tai Yu Securities Investment Trust Co., Ltd.; BA, Division of International Trade, Department of Commerce, National Taiwan University	2014/06/06	3 yrs
Director	Morris Huang	Fubon Financial Holding Co.	Senior Vice President, Taishin International Bank; President, Citicorp Securities Investment Trust Co., Ltd.; Vice President, Investment Business Department, Citibank Taiwan; MBA, Ohio State University	2014/06/06	3 yrs
Director	Eric Wu	Fubon Financial Holding Co.	Senior Consultant (assist in supervising), Wealth Management Business Group, Fubon Financial Holding Co., Ltd.; Senior Vice President, CTBC Bank; EMBA, National Taiwan University	2014/06/06	3 yrs
Supervisor	Tsan-Ming Shih	Fubon Financial Holding Co.	Chairman, Fubon Insurance Co., Ltd.; Senior Consultant, Insurance Business Group, Fubon Financial Holding Co., Ltd.; BA, Department of Law, Soochow University	2014/06/06	3 yrs
Supervisor	Thomas Liang	Fubon Financial Holding Co.	President, Consumer Finance Business Group, Fubon Financial Holding Co., Ltd.; President, Retail Banking, Fubon Commercial Bank Co., Ltd.; Managing Director, Fubon Bank (Hong Kong); MSOR, Case Western Reserve University	2014/06/06	3 yrs
Supervisor	LIN.KUN-SAN	Fubon Financial	General Manager, Xiamen Bank Co., Ltd.; Ph.D., Department of World Economics,	2014/06/06	3 yrs

Title	Name	Representing Organization	Background & Education	Date Elected	Term
		Holding Co.	School of Economics, Nankai University; MA, Department of Finance, National Taiwan University		

Note 1 : The tenure of the 12th board of directors and supervisors of the company is June 6, 2014 - June 5, 2017.

Note 2 : Richard Tsai resigned the tenure of the 12th board of Vice Chairman 、 Standing Director and Director on October 12, 2016.

Note 3 : Daniel Tsai resigned the tenure of the 12th board of Chairman on October 12, 2016.

Note 4 : Chang,jing-sen resigned the tenure of the 12th board of Standing/Independent Director on May 19, 2016.

Note 5 : Fang-Ling Yang resigned the tenure of the 12th board of director on November 22, 2016.

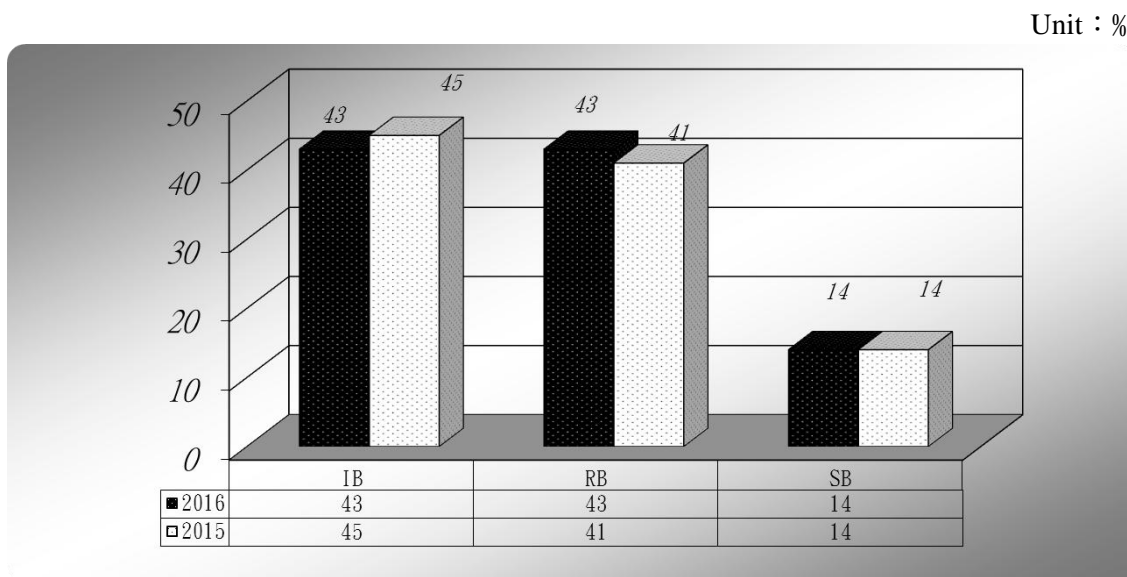
(3) Major Shareholder of Major Institutional Shareholder

Institutional Shareholders	Major Shareholder of Major Institutional Shareholder
Fubon Financial Holding Company	Taipei City Government 、 Ming Tong Co. 、 Dao Ying Co.

III. Business Operations

1. Business Information

(1) Breakdown of Total Revenues



Note :

IB : Institutional Banking Business

RB : Retail Banking Business

SB : Overseas Subsidiary Business - Fubon Bank (China)

(2) Business Performance

Institutional Banking Business

- In the face of unfavorable factors such as the decrease in capital demand and the continuous declining interest rate, the Bank maintains the principle of balancing risk return on investment in institutional banking businesses for stable operations and momentum for institutional banking businesses revenue.
- In spite of the decreased finance business revenues compared with last year as a result of acute fluctuations in the market, the Bank continues to develop diversified financial commodities, and has become the first overseas bank to participate in and enter the market of RMB purchase and sales business in 2016, providing customers with the first-hand RMB commodity prices through the foreign exchange market in the nation.
- Provide government agencies with financial related treasury services. Due to the excessive Taiwan dollar and price competition in the market, the outstanding loan amount of 2016 has decreased compared with the previous year.
- The Singapore Branch was officially opened on March 14, 2016. Singapore is the world's fourth largest financial center located in the hub of Southeast Asia. The Singapore Branch is expected to extend the Bank's service platform for customers of the greater China, to meet financial demands of customers who seek expansion to Southeast Asia, and serve as a base to develop businesses in the ASEAN market for the Bank to become an "Asian regional bank".

- In June 2016, the Bank dissolved and temporarily withdrew the Los Angeles Branch from the US market, planning to actively develop the Asian market.

Retail Banking Business

- Investment and Insurance Business: The Bank provides diversified commodity options, including fund, ETF, structured commodity, foreign bond and insurance to investors with different risk attributes and different needs. The investment and insurance balance amounted to NT\$ 633.2 billion by the end of December 2016, growing by 5% over the same period of 2015.
- Personal trust business: the Bank provides personal trust commodities, including money, insurance, negotiable securities, and charitable trust. It also continues to focus on promoting money trust to help customers with asset management planning for their children's education, old age care and inheritance.
- Loan business: in terms of mortgage business, despite the declining housing market during 2016, the Bank had made dedicated teams operate internal and external channels, and provided convenient digital platforms to enhance operational efficiency and customer satisfaction, so that the overall mortgage balance remained a stable growth, and increased to 472.4 billion by the end of 2016 with the growth rate of 8% over the same period in 2015. The market share of mortgage plus the renovation loan increased from 5.49% at the end of 2015 to 5.7% at the end of 2016.
- In terms of credit business, the Bank continues to develop telemarketing business teams, strengthens loan cross-selling to debit card, salary account and student loan customers, and accesses corporate groups and worksite channels through the branches. Meanwhile, it develops digital loans platform supplemented by marketing activities to attract new loan customers. As of the end of 2016, the outstanding overall credit plus student loans amounted to 46.8 billion with the growth rate of 5.2% over the same period in 2015.
- Credit card business: during 2016, the Bank was focusing on the development and promotion of bank cards, which mainly included Pay Pass and Pay Wave card, Titanium card and Platinum card that respectively targeted at online shopping and in-store shopping consumer groups, and keeping its high consumption groups of insurance business. In addition, the Bank divided a customer base into segmentations According to customer demands, invested in resources to constantly develop high-contribution customers and co-brand partnership, worked hard to build customer loyalty to credit cards. The credit card balance grew by 15.7% compared to 2015, and the average monthly credit card balance of active cards was the highest among the six top banks.

Overseas Subsidiary Business:

- Adhering to the principle of "continuous service for Taiwanese businessmen," and the business strategy of "customer-demand driven services", the Bank focuses on the needs of Taiwanese customers to develop products, optimize services. It had made available WeChat payment, HCE payment, and Apple Pay, and become a foreign bank that most actively and fully promoted fast payment in China.
- To align with the trend of cross-industry banking network and experience-based service in the future, the Bank conducted the approach of featured banks centering around high-end business owners and white-collar workers, and combining with the "culture, art, life aesthetics" elements to create featured banks like Lujiazui banking gallery / Banking study room / Smart technology bank, Nanjing banking cafe, Jing'an banking flower shop, and

Chengdu banking study room that differentiated the brand. In November 2016, it was approved of the RMB retail license in mainland China as the first full-licensed Taiwanese bank in China.

2. Business Strategies and Business Plans

(1) Short-term development plan

- Continue to expand SME customer base, re-organize, divide sub-industry, and systematically research and develop related sub-industries under risk control.
- Comply with Know Your Customer procedures, gain a deeper understanding of the client's risk tolerance, take customer oriented approaches, meet the financial needs of different customers, and combine with the risk management mechanism to maintain a relatively low level of overall customer's risk exposure.
- Implement the platform strategy for the branches, make the most of the value of service in the local operations, expand the branch network outside Taipei city, and renovate the branches throughout Taiwan to provide a better customer service environment.
- Promote customized services, recommend customers the right commodities for them, and apply internal and external big data analysis for better control of customer needs to achieve personalized precision marketing.
- Continue to develop new digital finance payment services, such as WeChat payment, international mobile payment (Apple Pay / Samsung Pay), build, optimize and promote a variety of platforms, and strengthen social media and digital marketing.
- Continue to expand convenient payment platform services, develop saving-account auto payment and value-added services; provide full range of asset and financial planning and automated stop-loss limit and cash-in point, and investment advice to enhance the financial advisory quality and investment performance.
- Mature credit card services, provide differentiated services for each customer segmentation according to customer's ability to repay loans reported by the Joint Credit Information Center; plan rapid credit checking process for new credit check system to speed up loan approval and make our loans more competitive, in the meantime, boost security systematic security control mechanism to reduce operating risk.
- Overseas subsidiary business
 - ✓ Corporate banking business: develop large and small sized premium clients
 - ✓ Retail banking business: develop medium sized wealth management clients
 - ✓ Financial market business: take defense-based approaches; focus on product research and development
 - ✓ Middle & back office: improve efficiency, reduce costs

(2) Long-term development plan

- Comply with the laws and keep up with changes in market, develop financial products needed of customers, make good use of overseas platform and group resources, provide integrated financial services, extend the relationship with corporates and supply chains for the establishment of partnership.

- Take a customer-centric approach, sophisticate all the services and operational efficiency, and continue to recruit high-quality talents, develop sustainable development ability to cope with changes in the global economy.
- Strengthen the integration of human resources management system (including: human resources planning, recruitment, education and training, performance appraisal, blueprint for career development, etc.) through examining human resources workflow, upsize the sales team and improve their professionalism, convert from one-sided sales to retail banking consulting services.
- Make the best use of technology, continue to expand the electronic platform and develop diversified channels, constantly build and optimize the digital application platform through "digital platform integration and alignment" and "continuous optimization of service processes" to facilitate promotional efforts, expand customer base and increase customer satisfaction.
- Continue to promote a service culture of consideration, present considerate and professional services of the Bank throughout the process by giving lectures to young talents, making adjustments based on mystery shopper audit, increasing the proportion of customer perspective assessment and conducting cross-industry service planning.
- Overseas subsidiary business:
 - ✓ Bear in mind the principle of "service for Taiwanese businessmen" and "service for China's real economy", fully recognize the policy approach of the authorities to promote cross-strait economic integration and the market approach of Taiwan's and China's SME to finance, and actively exercise corporate social responsibility, consolidate the brand image of "a cross-strait liaison communication role".
 - ✓ Cultivate "three core competitive advantages", including the ability of business integration, risk management efficiency improvement, and customer experience improvement, seize strategic opportunities, cultivate three aspects of core competitive advantages, gain a firm foothold in China's market, solidify the basis of a sustainable development.
 - ✓ Take good control of "three projects", including optimizing the customer management structure, implementing "improved headquarter-branch" organizational system, and establishing ROC-based assessment system, in order to create an incentive for transformation development to improve the bank's productivity, trigger enthusiasm of all staff.

(3) Business Plans

Institutional Banking Business

- Further the growth of assets and optimize assets portfolio: continue to penetrate target customers, deepen the relationship with customers; actively expand high-yield assets, improve revenue-based contributions.
- Expand the scale of operations and increase the revenue and rate of return: grasp the opportunity to raise interest rates, enhance the rate of return on portfolios, and pay close attention to the financing trend of capital market to improve rate of return.
- Promote overseas expansion and extend the business into foreign countries: use the

connections formed among Taiwan corporate customers overseas, integrate domestic and overseas demands; make good use of overseas bases and channels to develop new customers of regional markets.

- Strictly comply with laws and regulations and intensively monitor risks: strengthen industrial risk monitoring, strictly select target customers, improve the quality of risk management, and strictly control operational risks.
- Take humanistic approaches and develop sustainable soft power: continue to recruit top talents and give trainings to employees needed for overseas developments in response to the business expansion, build quality talent pool, and strengthen the quality and quantity of marketing teams.

Retail Banking Business

- Commodity side: investment business is expected to enhance the sales momentum in funds, improve the financial advisory service quality and investment performance, help develop robot financial services, and gain a leading position in the market of fixed income instruments. The Insurance business will focus on retirement and tax planning and explore new customers. The mortgage business is expected to promote the non-purchase mortgage loan business, improve service efficiency through the digital platform, and strengthen cooperation with estate agents. The credit business is expected to help expand our credit telemarketing teams and enhance productivity, develop mobile application platform and optimize the process to accelerate loan approval. Credit card business is expected to help take a leading position in mobile credit card market, develop external customers and promote cross-selling to internal customers, divide active users into segmentations and entice inactive credit card accounts to become active.
- Channel side: implement the platform strategy, fully promote wealth management, consumer finance, and new financial product business and strengthen cross-selling, make the most of the value of service in the neighborhood, local operations. Also, reorganize and downsize the number of branches in Taipei area to maintain a competitive advantage, actively expands its branch network outside Taipei area, carry out the relocation plan, provide nation-wide services, and improve market share and brand recognition.
- Customer side: strengthen customer-oriented services based on segmentation, provide full range of asset financial planning, recommend customers the right commodities for them, and seize various opportunities to grant a loan in alignment with digital platforms based on customer demands for funds. Develop and apply internal and external big data analysis for a better control of customer needs to achieve personalized precision marketing.
- Digitalization side: focus on the development of "digital platform integration and alignment" and "optimization of service processes" to continue to build, optimize and promote all kinds of platforms, and strengthen the social media and digital marketing approach for the ability to solicit external customers.
- Service side: constantly improve the blueprint of retail banking business training to ensure that the basic services of all staffs are satisfactory, comprehensively promote a service culture of consideration and internal service satisfaction survey to increase the quality of internal services and ensure smooth business processes.

Overseas Subsidiary Business:

- Institutional banking business: develop large and small sized premium clients

- ✓ Attract large sized international corporate and listed company customers with cross-border and investment banking business.
- ✓ Attract small and medium enterprise customers with mortgage loans / corporate & personal small and micro investment-linked loans
- ✓ Attract medium sized enterprise customers with trade financing products
- ✓ Be committed to serving Taiwanese businessman customers.
- Retail banking business: develop medium sized wealth management clients
 - ✓ Focus on high-end domestic and foreign wealth management business via online and offline approaches, establish integrated service channels.
 - ✓ Center on loan business, launch mortgage, business operation-based loan, wealth management-based loan.
 - ✓ Launch online banking, develop consumer loans.
- Financial market business: take defense-based approaches; focus on product research and development
 - ✓ Facilitate the development of asset management business for banks.
 - ✓ Assist the institutional and retail banking business in launching innovative products.
- Middle & back office: improve efficiency, reduce costs
 - ✓ Downsize employment, increase productivity, and shorten loan approval procedure.
 - ✓ Centralize the operations, reduce operational risk; focus on cost-effectiveness in projects, reduce variable costs.

3. Research & Development Plans

(1) R&D Spending in the last 2 years

Unit: NTD thousands		
Year	2016	2015
Amount	264,085	246,997

(2) R &D Achievements

- Revision project for bank official website: to adapt to the multi-screen world, the Bank has adopted the responsive technology design in 2016 to revise its official website, allowing customers to easily browse the website of the Bank on computers, tablets, or mobile phones, creating a quality cross-device, cross-platform experience, and fully demonstrating the Bank's advantages in brand image, products, and services.
- Revision project for student loan platform: in order to improve the quality of service, the Bank simplified the identity verification process in 2016, and completed the revision of the student loan platform to optimize the visual effect of layout and add the function of online application for additional student loan.
- Revision project for Fubon bonus / mileage coupon platform: in order to improve customer service experience, the Bank completed the revision of Fubon bonus / mileage coupon platform in 2016 to optimize the coupon exchange process and visual effect of layout, and provide credit card customers with more choices to exchange for commodities.

- Digital deposit account online opening project: in alignment with the BANK3.0 policy of FSC, the Bank started to provide online account opening platform in 2016 to promote the Bank's deposit business.
- Cardless ATM withdrawal: in response to a new life of technology, and better understand the needs of consumers; the Bank introduced cardless ATM withdrawal service in 2016 for faster ATM withdrawals at the Bank requiring only the mobile phone.
- HCE mobile phone credit card project: to align with the mobile payment trend and provide a variety of payment tools, the Bank introduced HCE model (without having to replace the SIM card) in 2016 for mobile transactions.
- New retail banking credit analysis system project: the Bank increased the credit analysis efficiency and optimized the risk management by integrating the credit analysis system of mortgage, credit, credit card products. It has made credit analysis system available for mortgage and credit products since 2016.
- Text customer service system project: the Bank has developed the "online Q & A" service in 2016 with automatic answers from the intelligent robot, and combined a variety of digital platforms of the Bank to provide customers with artificial intelligence consulting services.
- Data marketing promotion project: to expand big data analysis performance and optimize the communicate process for marketing activities, have accurate understanding of customer needs, and deepen the relationship with customers, the Bank has built automation marketing platform in 2016 to improve the accuracy in marketing activities and promote sales momentum.
- Integrate information resources, promote operations of the Information Management and Development Committee, apply for ISO27001 renewal and computer system information security assessment and improve detections, adopt the information security management mechanism, develop information security incident report and response mechanism, build national risk management system, strengthen the end-point protection to improve the information risk control ability; continue to build and manage new core projects to create optimized information investment; introduce storage system classification and virtualization mechanism, establish mobile office and cloud virtual desktop to distribute information infrastructural resources; build financial statistics management platform and organize financial statistics to strengthen the data standardization mechanism; build self-developed ODS and improve data marketing to enhance the application of enterprise data; digitalize existing information operations process, strengthen the system management automation mechanism, develop project management system, develop core technical ability to provide sophisticated information services.
- Fubon Bank (China) has developed a business model, product approach, credit guidance of supply chain finance, and introduced the supply chain system to optimize the operational process, lay a good foundation for the promotion the Bank's supply chain finance business; complete the phase two mobile credit systems and phase two CRM system new function planning, and optimize customer information management.

(3) Future R&D Projects

- Expected R&D spending for the coming year

Unit: NTD thousands

Expected R&D spending for the coming year (2017)	
Amount	463,384

■ Future R&D Projects

- ✓ Continue to promote the "new core project" for system transformation; expand the scope of electronic platform services, add / optimize ATM services, strengthen the electronic channel technology team; build financial, performance, budget related systems and customer marketing related systems to plan and utilize information resources; catch up with the ever-changing financial technology evolutions (Fintech), strictly perform information risk management, establish risk control related systems, implement operation of the information security management system, optimize the information security message management platform, give trainings on information security to strengthen information security investigation and prevention; integrate information infrastructural resources, enhance monitoring and volume management, continue to centralize, optimize and automate the information operation process for sophisticated information services.
- ✓ In order to improve the customer service experience, the Bank will complete the construction of the new ATM service platform in 2017, including interface revision, process adjustment and new functions designed for personalized, intuitive operation experiences.
- ✓ Continue to work with all kinds of emerging payment services, such as WeChat payment, international mobile payment (Apple Pay / Samsung Pay), etc.
- ✓ Continue to work on the official website revision project, optimize various functions of the official website.
- ✓ Continue to carry out the new credit analysis system project, add credit card products into the system operation, and improve credit analysis efficiency.
- ✓ In addition to continuously developing the Internet financial infrastructure and accelerating the innovation of electronic financial platforms, the overseas subsidiary also provide comprehensive services such as onshore guarantees for offshore loans, or vice versa, to provide the right solution for customers with cross-border financing needs.
- ✓ Overseas subsidiary will also continue to support the development of real economy services as a major business, develop trade finance products supplemented by cross-border services to help customers promote import and export sales in alignment with its cash management products and improved online banking function.

4. Employees Profile

■ Taipei Fubon Bank

Year		2015	2016	As on January 31,2017
Number of employees	Staff	6,624	6,660	6,675
	Workers	115	109	108
	Total	6,739	6,769	6,783
Average age (years)		38.58	39.27	39.35
Average seniority (years)		9.40	9.81	9.87
Education level	Graduate or higher	17.36%	17.93%	17.91%
	College/University	76.96%	76.65%	76.67%
	Senior high school	5.56%	5.38%	5.38%
	Below senior high	0.12%	0.04%	0.04%

■ Fubon Bank (China)

Year		2015	2016	As on January 31,2017
Number of employees	Staff	890	1,007	1,029
Average age (years)		32	32	32
Average seniority (years)		3.2	2.2	2.2
Education level	Graduate or higher	24.72%	25.72%	24.30%
	College/University	73.26%	72.99%	74.83%
	Senior high school	2.02%	1.29%	0.87%

IV. Special Notes

1. Dividend Policy and Implementation Status

(1) Dividend Policy

- After yearly budget settlements, after-tax profits, if they exist, will be first used to make up deficits from the previous year, with 30% of the balance being set aside for legal reserves, and, under Financial Supervisory Commission rules, a special reserve (or special reserve reversal). While the remainder will be incorporated into the accumulated retained earnings of past years. The board of directors will then make a proposal for payout of dividends, which will be submitted to the shareholders' meeting for final ratification. Should the Bank's legally-required reserves consist of equivalent paid-in capital or reach levels according to acceptable financial standards set by the regulator as paragraph 2, article 50 of the Banking Law, including appropriation of earnings for legally-required reserves according to the Company Law, the company can be exempt from restrictions regarding appropriation of earnings for legally-required reserves and cash-dividend payout.
- Before legal reserves equal paid-in capital and when the capital/risk-based assets ratio meets the requirements of the Banking Law, the ceiling for the payout of cash earnings should comply with the stipulations of the Banking Law and the requirements of the regulator.

(2) Implementation Status

In 2017, the appropriation of the 2016 earnings and dividends per share was proposed by the board of directors as follows:

	Dividends	Dividend Per Share
Cash dividends	NTD \$ 10,043,605,658	NTD \$ 0.94

2. Implementation of the Internal Controls System

Taipei Fubon Commercial Bank Co., Ltd. Internal Control System Statement



To: Financial Supervisory Commission

On behalf of Taipei Fubon Commercial Bank Co., Ltd., we hereby certify that in the period from January 1, 2016 to December 31, 2016, the Bank duly complied with the “Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries” in establishing an internal control system, implementing risk management processes, as well as designating an independent unit to conduct audits and report regularly to the Board of Directors and supervisors.

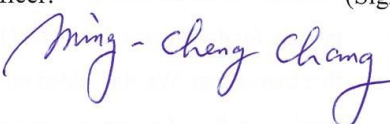
With respect to the securities business, the Bank assessed the effectiveness of the design and execution of its internal control system based on the evaluation criteria set forth in the “Regulations Governing the Establishment of Internal Control Systems by Service Enterprises in Securities and Futures Markets” issued by the Securities and Futures Bureau of the Financial Supervisory Commission. After careful evaluation, the Bank found that, except for the items enumerated in the attached schedule, the internal control and legal compliance systems of all units were effectively implemented during the year. This statement will be included as the primary content of the Bank’s annual report and any prospectuses, and made available to the public. Any information in this statement found to be falsified, concealed, or otherwise illegal shall be subject to the legal liabilities prescribed by Articles 20, 32, 171, and 174 of the Securities and Exchange Act.

Declarant

Chairman:  (Signature / Seal)

President:  (Signature / Seal)

Chief Auditor:  (Signature / Seal)

Chief Compliance Officer:  (Signature / Seal)

Date: March 22, 2017

**Taipei Fubon Commercial Bank Co., Ltd. Internal Control System
Items for Improvement and Corrective Action Plan
(As of December 31, 2016)**

Item for Improvement	Improvement Measures	Target Date
<p>1. For account opening and financial information audit operations of OBU customers, the internal control system is not properly established or implemented.</p>	<p>(1) We have amended the internal norms and established the customer verification mechanism, and we shall keep records of the important information of separating employees for management and inspection.</p> <p>(2) We have established an authenticity verification mechanism for the financial information of the customers.</p> <p>(3) Personnel relevant to this case has been transferred to Personnel Evaluation Committee for sanction.</p>	<p>Improvement completed.</p>
<p>2. The cashier embezzlement case in the ○○ branch</p>	<p>(1) Have revised the Cash Balances Statement controlled and checked by system, and established the mechanism of branch cash balances cross area sampling inspection.</p> <p>(2) Established the designated leave policy and shortened the tenor for cashier role.</p>	<p>Improvement completed.</p>
<p>3. For the financial derivatives business, upon investigation, we found the following deficiencies: the understanding of commodities is not fully implemented, the sales and business management is improper, the legal compliance is not fully implemented, and an appropriate risk control mechanism is not properly established.</p>	<p>(1) We have revised the internal operating requirements to include the review items and review standards of product risk classification. For product credit, its Adaptability Check List shall be signed by a legally-qualified person. We shall carefully assess whether the overall bank expose limit for the customer matches his/her affordability as well as strengthening the control mechanism of hedge position and accessing the reasonableness of granting such hedge quota.</p> <p>(2) Proceeded in accordance with the operating process for documents that should be signed for first transaction. We also added sales pitch regulations for sales representatives and will implement post-check.</p>	<p>Improvement completed.</p>

<p>4. When the outsourcing vendor was conducting maintenance for Call Center, the customer list was downloaded.</p>	<p>(1) Investigate and take back the highest authority account of development system assigned to the outsourcing vendors. Their accounts should have no authority to login to the system or download data.</p> <p>(2) Complete the information equipment identification mechanism, and implement the security check and account authority take-back operation.</p>	<p>Improvement completed.</p>
<p>5. In the case of guarantor being downgraded or changed to the people of mainland China, which do not comply to risk transfer, a reinforcement mechanism was not added for parts that violate the regulation of FSC.</p>	<p>For cases involving risk transfer-guarantor, a monthly assessment on the rating along with other information of the guarantors should be added. If the guarantor no longer complies to the risk transfer due to being downgraded, it should be annotated and update.</p>	<p>Improvement completed.</p>
<p>6. Deficiencies on opening of deposit accounts and checkup of money laundering control project:</p> <p>(1) For large amount of cash withdrawals among non-personal account that are not subject to exempt, we failed to report to MJIB.</p> <p>(2) The policies, procedures and control mechanisms to verify the identity of customers are incomplete or not implemented.</p>	<p>(1) The improvement to the deficiencies are as follows:</p> <p>A. For "Cash Expenditure" transactions, the system program has been modified, and we will report the new transactions as well as the previous unreported ones according to the law.</p> <p>B. Add daily transaction report on exempted transactions above certain amount to strengthen the inspection.</p> <p>(2) The improvement to the deficiencies are as follows:</p> <p>A. For accounts that we can clearly verify the purposes of opening, add note and description upon opening of accounts and have the supervisor to verify. For personal accounts, they should be opened in accordance with general account opening process.</p> <p>B. Change "Occupation" of accounts opened</p>	<p>Improvement completed.</p>



Taipei Fubon Commercial Bank Co., Ltd.

Internal Control System Declaration (with Insurance Agency Services)

Date: March 22, 2017

With regard to the internal control system from May 9 2016 to December 31 2016, Taipei Fubon declares the following per self-assessment results:

1. Taipei Fubon affirms that it is Taipei Fubon board of directors and management's responsibility to establish, implement and maintain internal control system and Taipei Fubon has established said system. The objective for such establishment is to provide reasonable assurance for attaining the aims of soundness of business operations, reliability of reporting and compliance of governing laws.
2. Internal control system comes systemically with inevitable limitations; however sound the design of it may be, an effective internal control system provides assurance to the aforementioned aims to a mere reasonable extent; moreover, due to changes of the environments and conditions, the effectiveness of internal control system may change accordingly. Nevertheless, Taipei Fubon's internal control system is equipped with a self-monitoring mechanism – should any fault be identified, Taipei Fubon will take immediate corrective action.
3. Taipei Fubon determines whether its design and implementation of internal control system are effective in accordance with "Regulations Governing the Implementation of Internal Control and Audit System and Business Solicitation System of Insurance Agent Companies and Insurance Broker Companies" (hereinafter as the "Implementation Regulations"), stipulated by the Financial Supervisory Commission. As per the Implementation Regulations, the determining factors for the effectiveness of internal control system shall at least include the following elements: 1. Controlled Environment, 2. Risk Assessment, 3. Controlled Operations, 4. Information and Communication, 5. Monitoring.
4. Taipei Fubon has adopted aforesaid determining factors of internal control system to examine the effectiveness of the design and implementation of internal control system.
5. Based on the examination results from the preceding point, Taipei Fubon deems the design and implementation of the internal control system (including the soundness of business operations, reliability of reporting and compliance of governing laws) within aforesaid period effective, providing a reasonable assurance to achieve the above aims.
6. This declaration will be the main content of Taipei Fubon's annual report and public deliberation statement, open for public access. Any wrongful act pertaining to falsification or concealment involving the above public declaration will be subjected to legal liabilities under Articles 20, 32, 171, 174 of, and other regulations relating to, the Securities and Exchange Act, Republic of China (Taiwan).
7. This declaration has been agreed and signed off by the board of directors of Taipei Fubon as of March 22, 2017; however, it is the fact that, among the 14 directors present at the board meeting, no dissented and the remainder consented herewith.

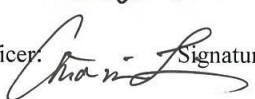
The above is addressed to
Financial Supervisory Commission

Declared by

Chairman:  Signature

President:  Signature

Auditor:  Signature

Compliance Officer:  Signature

Headquarters and Branches

Headquarters Address and Telephone Number

Headquarter No.169, Sec. 4, Ren'ai Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	+886-2-2771-6699
Business Department No.50, Sec. 2, Zhongshan N. Rd., Zhongshan Dist., Taipei City 104, Taiwan (R.O.C.)	+886-2-2542-5656
Trust Department 3F/4F, No.138, Sec. 3, Minsheng E. Rd., Songshan Dist., Taipei City 105, Taiwan (R.O.C.)	+886-2-2718-6888
Securities Department (Dealer and Underwrite) 14/16F, No.169, Sec. 4, Ren'ai Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	+886-2-2771-6699

Branches Address and Telephone Number

Code	Branch Name	Address	Tel.
012-5608	Offshore Banking Branch	5F, No.169, Sec. 4, Ren'ai Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	+886-2-2771-6699
012-2032	Changan E. Road Branch	No.36, Sec. 1, Chang'an E. Rd., Zhongshan Dist., Taipei City 104, Taiwan (R.O.C.)	+886-2-2521-2481
012-2205	Chengdong Branch	No.90, Sec. 2, Nanjing E. Rd., Zhongshan Dist., Taipei City 104, Taiwan (R.O.C.)	+886-2-2511-6388
012-2216	Nongan Branch	No.369, Songjiang Rd., Zhongshan Dist., Taipei City 104, Taiwan (R.O.C.)	+886-2-2503-1451
012-3006	Shilin Branch	No.288, Zhongzheng Rd., Shilin Dist., Taipei City 111, Taiwan (R.O.C.)	+886-2-2831-7444
012-3017	Shidong Branch	No.360, Sec. 6, Zhongshan N. Rd., Shilin Dist., Taipei City 111, Taiwan (R.O.C.)	+886-2-2873-5757
012-3039	Yucheng Branch	No.126, Sec. 6, Zhongxiao E. Rd., Nangang Dist., Taipei City 115, Taiwan (R.O.C.)	+886-2-2651-1212
012-3040	Fugang Branch	No.310, Sec. 4, Chengde Rd., Shilin Dist., Taipei City 111, Taiwan (R.O.C.)	+886-2-2883-6712
012-3051	Zhongxiao Branch	No.107, Sec. 4, Zhongxiao E. Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	+886-2-2741-7880
012-3062	Chengde Branch	No.142, Sec. 2, Chengde Rd., Datong Dist., Taipei City 103, Taiwan (R.O.C.)	+886-2-2553-6553
012-3109	Yanping Branch	No.69, Sec. 2, Yanping N. Rd., Datong Dist., Taipei City 103, Taiwan (R.O.C.)	+886-2-2555-2170
012-3202	Muzha Branch	No.92, Sec. 3, Muzha Rd., Wenshan Dist., Taipei City 116, Taiwan (R.O.C.)	+886-2-2939-1035
012-3213	Muxin Branch	1-2F., No.236, Sec. 3, Muxin Rd., Wenshan Dist., Taipei City 116, Taiwan (R.O.C.)	+886-2-2938-3791
012-3305	Ximen Branch	No.161, Xining S. Rd., Wanhua Dist., Taipei City 108, Taiwan (R.O.C.)	+886-2-2371-8720
012-3408	Bade Branch	No.178, Sec. 3, Bade Rd., Songshan Dist., Taipei City 105, Taiwan (R.O.C.)	+886-2-2577-6467
012-3419	Songnan Branch	No.655, Songshan Rd., Xinyi Dist., Taipei City 110, Taiwan (R.O.C.)	+886-2-2759-2921
012-3420	Yongji Branch	No.199, Yongji Rd., Xinyi Dist., Taipei City	+886-2-2762-8700

Branches Address and Telephone Number

Code	Branch Name	Address	Tel.
		110, Taiwan (R.O.C.)	
012-3501	Zhongshan Branch	No.162, Sec. 2, Zhongshan N. Rd., Zhongshan Dist., Taipei City 104, Taiwan (R.O.C.)	+886-2-2596-3171
012-3604	Beitou Branch	No.2, Sec. 1, Zhongyang N. Rd., Beitou Dist., Taipei City 112, Taiwan (R.O.C.)	+886-2-2891-5533
012-3615	Shipai Branch	No.216, Wenlin N. Rd., Beitou Dist., Taipei City 112, Taiwan (R.O.C.)	+886-2-2827-1616
012-3707	Daan Branch	No.37, Sec. 4, Ren'ai Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	+886-2-2731-2333
012-3800	Datong Branch	No.186, Sec. 3, Chongqing N. Rd., Datong Dist., Taipei City 103, Taiwan (R.O.C.)	+886-2-2592-9282
012-3903	Guting Branch	No.100, Sec. 3, Roosevelt Rd., Zhongzheng Dist., Taipei City 100, Taiwan (R.O.C.)	+886-2-2365-0381
012-4003	Shuangyuan Branch	No.152, Sec. 2, Xiyuan Rd., Wanhua Dist., Taipei City 108, Taiwan (R.O.C.)	+886-2-2302-3666
012-4014	Wanhua Branch	No.482, Wanda Rd., Wanhua Dist., Taipei City 108, Taiwan (R.O.C.)	+886-2-2332-5901
012-4106	Jiancheng Branch	No.22, Nanjing W. Rd., Datong Dist., Taipei City 103, Taiwan (R.O.C.)	+886-2-2555-4161
012-4117	Shifu Branch	1F., No.1, Shifu Rd., Xinyi Dist., Taipei City 110, Taiwan (R.O.C.)	+886-2-2729-8999
012-4209	Nangang Branch	No.19-5, Sanchong Rd., Nangang Dist., Taipei City 115, Taiwan (R.O.C.)	+886-2-2655-1177
012-4302	Jingmei Branch	No.64, Jingwen St., Wenshan Dist., Taipei City 116, Taiwan (R.O.C.)	+886-2-2935-2636
012-4313	Xinglong Branch	No.69, Sec. 3, Xinglong Rd., Wenshan Dist., Taipei City 116, Taiwan (R.O.C.)	+886-2-8663-9889
012-4405	Neihu Branch	No.6, Ln. 174, Sec. 3, Chenggong Rd., Neihu Dist., Taipei City 114, Taiwan (R.O.C.)	+886-2-2796-1820
012-4427	Wende Branch	No.42, Wende Rd., Neihu Dist., Taipei City 114, Taiwan (R.O.C.)	+886-2-2658-2620
012-4508	Dunhua Branch	No.201, Dunhua N. Rd., Songshan Dist., Taipei City 105, Taiwan (R.O.C.)	+886-2-2713-1660
012-4542	Minsheng Branch	No.163-1, Sec. 5, Minsheng E. Rd., Songshan Dist., Taipei City 105, Taiwan (R.O.C.)	+886-2-2764-0853
012-4601	Xinyi Branch	No.299, Sec. 4, Xinyi Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	+886-2-2700-6381
012-4612	Zhuangjing Branch	No.286, Zhuangjing Rd., Xinyi Dist., Taipei City 110, Taiwan (R.O.C.)	+886-2-2722-6206
012-4623	Dongmen Branch	No.157, Sec. 2, Xinyi Rd., Zhongzheng Dist., Taipei City 100, Taiwan (R.O.C.)	+886-2-2327-9908
012-4704	Songjiang Branch	No.200, Songjiang Rd., Zhongshan Dist., Taipei City 104, Taiwan (R.O.C.)	+886-2-2543-4282
012-4807	Heping Branch	No.236, Sec. 2, Fuxing S. Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	+886-2-2702-2421
012-5103	Nanmen Branch	No.17, Jinhua St., Zhongzheng Dist., Taipei City 100, Taiwan (R.O.C.)	+886-2-2397-1640
012-5206	Fuxing Branch	No.234, Fuxing N. Rd., Zhongshan Dist., Taipei City 104, Taiwan (R.O.C.)	+886-2-2502-3530
012-5309	Xisong Branch	No.75-1, Sec. 4, Nanjing E. Rd., Songshan Dist., Taipei City 105, Taiwan (R.O.C.)	+886-2-2717-0037

Branches Address and Telephone Number

Code	Branch Name	Address	Tel.
012-5505	Guilin Branch	No.52, Guilin Rd., Wanhua Dist., Taipei City 108, Taiwan (R.O.C.)	+886-2-2302-6226
012-5701	Dunhe Branch	1F., No.97, Sec. 2, Dunhua S. Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	+886-2-2701-2409
012-5804	Linyi Branch	No.61, Sec. 2, Ren'ai Rd., Zhongzheng Dist., Taipei City 100, Taiwan (R.O.C.)	+886-2-2351-2081
012-5907	Zhonglun Branch	No.6, Fuxing N. Rd., Zhongshan Dist., Taipei City 104, Taiwan (R.O.C.)	+886-2-2741-8257
012-6007	Keelung Road Branch	No.21, Sec. 2, Keelung Rd., Xinyi Dist., Taipei City 110, Taiwan (R.O.C.)	+886-2-2737-3671
012-6100	Shida Branch	No.178, Sec. 1, Heping E. Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	+886-2-2369-8566
012-6203	Yongchun Branch	No.412, Sec. 5, Zhongxiao E. Rd., Xinyi Dist., Taipei City 110, Taiwan (R.O.C.)	+886-2-2725-5111
012-6214	Huasheng Branch	No.215, Sec. 3, Zhongxiao E. Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	+886-2-2781-8380
012-6306	Minquan Branch	No.37, Sec. 3, Minquan E. Rd., Zhongshan Dist., Taipei City 104, Taiwan (R.O.C.)	+886-2-2516-6786
012-6502	Shezi Branch	No.225, Sec. 5, Yanping N. Rd., Shilin Dist., Taipei City 111, Taiwan (R.O.C.)	+886-2-2816-8585
012-6605	Gangdou Branch	No.358, Zhongshan 2nd Rd., Lingya Dist., Kaohsiung City 802, Taiwan (R.O.C.)	+886-7-335-6226
012-6683	Xihu Branch	No.240, Sec. 1, Neihu Rd., Neihu Dist., Taipei City 114, Taiwan (R.O.C.)	+886-2-8751-1788
012-6708	Wanlong Branch	No.136, Sec. 6, Roosevelt Rd., Wenshan Dist., Taipei City 116, Taiwan (R.O.C.)	+886-2-2933-9956
012-6719	Zhonggang Branch	1F., No.218, Sec. 2, Taiwan Blvd., Taichung City 403, Taiwan (R.O.C.)	+886-4-2320-7711
012-6720	Xinzhuang Branch	No.227, Xintai Rd., Xinzhuang Dist., New Taipei City 242, Taiwan (R.O.C.)	+886-2-2990-3366
012-6731	Taoyuan Branch	No.33, Zhonghua Rd., Taoyuan Dist, Taoyuan City 330, Taiwan (R.O.C.)	+886-3-336-7171
012-6742	Tainan Branch	No.279, Sec. 2, Minsheng Rd., West Central Dist., Tainan City 700, Taiwan (R.O.C.)	+886-6-226-5265
012-6764	Songlong Mini-Branch	No.176-1, Sec. 1, Keelung Rd., Xinyi Dist., Taipei City 110, Taiwan (R.O.C.)	+886-2-2747-3399
012-6775	Puqian Branch	No.143, Sec. 2, Zhongshan Rd., Banqiao Dist., New Taipei City 220, Taiwan (R.O.C.)	+886-2-8953-5118
012-6786	Beizhongli Branch	No.61, Jiuhe 2nd St., Zhongli Dist., Taoyuan City 320, Taiwan (R.O.C.)	+886-3-425-6699
012-6797	Sanchong Branch	No.36, Sec. 2, Zhongxiao Rd., Sanchong Dist., New Taipei City 241, Taiwan (R.O.C.)	+886-2-8983-6868
012-6801	Fengyuan Branch	No.139, Xiangyang Rd., Fengyuan Dist., Taichung City 420, Taiwan (R.O.C.)	+886-4-2522-0088
012-6812	Zhonghe Branch	No.696, Jingping Rd., Zhonghe Dist., New Taipei City 235, Taiwan (R.O.C.)	+886-2-2243-8877
012-6823	Gushan Branch	No.308, Mingcheng 4th Rd., Gushan Dist., Kaohsiung City 804, Taiwan (R.O.C.)	+886-7-552-3111
012-6845	Fengcheng Branch	No.126, Minsheng Rd., East Dist., Hsinchu City 300, Taiwan (R.O.C.)	+886-3-534-3888
012-6856	Changhua Branch	No.349, Sec. 2, Zhongshan Rd., Changhua City, Changhua County 500, Taiwan (R.O.C.)	+886-4-726-1333

Branches Address and Telephone Number

Code	Branch Name	Address	Tel.
012-6867	Donghu Branch	No.69, Sec. 3, Kangning Rd., Neihu Dist., Taipei City 114, Taiwan (R.O.C.)	+886-2-2633-6677
012-6878	Yonghe Branch	No.1, Sec. 1, Zhongshan Rd., Yonghe Dist., New Taipei City 234, Taiwan (R.O.C.)	+886-2-8660-1616
012-6889	Gangshan Mini-Branch	No.178, Zhongshan N. Rd., Gangshan Dist., Kaohsiung City 820, Taiwan (R.O.C.)	+886-7-621-3969
012-6890	Taipei 101 Branch	1F., No.45, Shifu Rd., Xinyi Dist., Taipei City 110, Taiwan (R.O.C.)	+886-2-8101-8585
012-7026	Nanjing E. Road Branch	No.139, Sec. 2, Nanjing E. Rd., Zhongshan Dist., Taipei City 104, Taiwan (R.O.C.)	+886-2-2515-5518
012-7037	Dunbei Branch	No.138, Sec. 3, Minsheng E. Rd., Songshan Dist., Taipei City 105, Taiwan (R.O.C.)	+886-2-2718-5151
012-7048	Renai Branch	No.237, Sec. 1, Jianguo S. Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	+886-2-2325-8878
012-7059	Kaohsiung Branch	No.1, Liuhe 1st Rd., Xinxing Dist., Kaohsiung City 800, Taiwan (R.O.C.)	+886-7-239-1515
012-7060	Zhongzheng Branch	No.1088, Zhongzheng Rd., Taoyuan Dist., Taoyuan City 330, Taiwan (R.O.C.)	+886-3-356-2525
012-7071	Taichong Branch	No.196, Sec. 2, Liuchuan W. Rd., Taichung City 403, Taiwan (R.O.C.)	+886-4-2222-1911
012-7093	Songshan Branch	No.421, Songshan Rd., Xinyi Dist., Taipei City 110, Taiwan (R.O.C.)	+886-2-2728-1199
012-7107	Tucheng Branch	No.100, Sec. 1, Zhongyang Rd., Tucheng Dist., New Taipei City 236, Taiwan (R.O.C.)	+886-2-2270-9898
012-7118	Dongning Branch	1-2F., No.186, Dongning Rd., East Dist., Tainan City 701, Taiwan (R.O.C.)	+886-6-235-1198
012-7129	Fengshan Branch	1F., No.508, Wenheng Rd., Fengshan Dist., Kaohsiung City 830, Taiwan (R.O.C.)	+886-7-780-8686
012-7130	Zhongli Branch	No.119, Sec. 2, Zhongbei Rd., Zhongli Dist., Taoyuan City 320, Taiwan (R.O.C.)	+886-3-459-5766
012-7152	Anhe Branch	B1F., No.169, Sec. 4, Ren'ai Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	+886-2-2778-7717
012-7163	Zhengyi Branch	No.279, Zhengyi N. Rd., Sanchong Dist., New Taipei City 241, Taiwan (R.O.C.)	+886-2-2980-6688
012-7174	Danan Branch	No.968, Sec. 1, Jieshou Rd., Bade Dist., Taoyuan City 334, Taiwan (R.O.C.)	+886-3-361-6565
012-7185	Chiayi Branch	No.395, Ren'ai Rd., West Dist., Chiayi City 600, Taiwan (R.O.C.)	+886-5-223-1688
012-7211	Banqiao Branch	No.266, Sec. 1, Wenhua Rd., Banqiao Dist., New Taipei City 220, Taiwan (R.O.C.)	+886-2-2254-9999
012-7222	Beitaichong Branch	No.333, Sec. 4, Wenxin Rd., Beitun Dist., Taichung City 406, Taiwan (R.O.C.)	+886-4-2242-6222
012-7233	Sanmin Branch	No.530, Dashun 2nd Rd., Sanmin Dist., Kaohsiung City 807, Taiwan (R.O.C.)	+886-7-387-1299
012-7244	Jianguo Branch	No.196, Sec. 2, Jianguo N. Rd., Zhongshan Dist., Taipei City 104, Taiwan (R.O.C.)	+886-2-2515-1775
012-7255	Hsinchu Branch	No.141, Zhongzheng Rd., Hsinchu City 300, Taiwan (R.O.C.)	+886-3-527-8988
012-7266	Xindian Branch	No.266, Sec. 2, Beixin Rd., Xindian Dist., New Taipei City 231, Taiwan (R.O.C.)	+886-2-2912-9977
012-7277	Tianmu Branch	No.36, Tianmu E. Rd., Shilin Dist., Taipei City 111, Taiwan (R.O.C.)	+886-2-2876-3232

Branches Address and Telephone Number

Code	Branch Name	Address	Tel.
012-7288	Xizhi Branch	No.81-1, Sec. 1, Xintai 5th Rd., Xizhi Dist., New Taipei City 221, Taiwan(R.O.C.)	+886-2-2698-0828
012-7303	Yongkang Branch	No.856, Dawan Rd., Yongkang Dist., Tainan City 710, Taiwan (R.O.C.)	+886-6-273-6099
012-7314	Chengzhong Branch	No.9, Xiangyang Rd., Zhongzheng Dist., Taipei City 100, Taiwan (R.O.C.)	+886-2-2388-5889
012-7336	Wugu Branch	No.445, Huacheng Rd., Xinzhuang Dist., New Taipei City 242, Taiwan (R.O.C.)	+886-2-8521-3399
012-7347	Xinying Branch	No.301, Minzhi Rd., Xinying Dist., Tainan City 730, Taiwan (R.O.C.)	+886-6-656-9889
012-7358	Bingdong Branch	1-2F, No.21-1, Gongyuan Rd., Pingtung City, Pingtung County 900, Taiwan (R.O.C.)	+886-8-733-6899
012-7369	Qianzhen Branch	No.289, Baotai Rd., Qianzhen Dist., Kaohsiung City 806, Taiwan (R.O.C.)	+886-7-717-0055
012-7370	Dunnan Branch	No.108, Sec. 1, Dunhua S. Rd., Songshan Dist., Taipei City 105, Taiwan (R.O.C.)	+886-2-8771-9898
012-7381	Baosheng Branch	No.3, Baosheng Rd., Yonghe Dist., New Taipei City 234, Taiwan (R.O.C.)	+886-2-8923-0888
012-7392	Yuanlin Branch	No.596, Juguang Rd., Yuanlin Township, Changhua County 510, Taiwan (R.O.C.)	+886-4-836-9189
012-7406	Luodong Branch	1F., No.286, Xingdong Rd., Luodong Township, Yilan County 265, Taiwan (R.O.C.)	+886-3-956-6611
012-7417	Ruihu Branch	No.62, Ruihu St., Neihu Dist., Taipei City 114, Taiwan (R.O.C.)	+886-2-2659-1088
012-7451	Hualian Mini-Branch	No.256, Linsen Rd., Hualien City, Hualien County 970, Taiwan (R.O.C.)	+886-3-835-3838
012-7462	Zhubei Branch	No.263, Guangming 6th Rd., Zhubei City, Hsinchu County 302, Taiwan (R.O.C.)	+886-3-558-6199
012-7473	Nantaizhong Branch	No.272, Sec. 1, Wenxin Rd., Nantun Dist., Taichung City 408, Taiwan (R.O.C.)	+886-4-3600-9868
012-7484	Boai Branch	No.251, Zhisheng Rd., Zuoying Dist., Kaohsiung City 813, Taiwan (R.O.C.)	+886-7-862-8668
012-7495	Luzhou Branch	No.71, Sanmin Rd., Luzhou Dist., New Taipei City 247, Taiwan (R.O.C.)	+886-2-8282-1799
012-7509	Huajiang Branch	No.285, Sec. 2, Wenhua Rd., Banqiao Dist., New Taipei City 220, Taiwan (R.O.C.)	+886-2-2253-0598
012-7510	Dazhi Branch	No.602, Mingshui Rd., Zhongshan Dist., Taipei City 104, Taiwan (R.O.C.)	+886-2-8509-3878
012-7521	Shulin Branch	No.27, Wenhua St., Shulin Dist., New Taipei City 238, Taiwan (R.O.C.)	+886-2-2683-8186
012-7532	Keelung Branch	No.279, Ren 1st Rd., Ren'ai Dist., Keelung City 200, Taiwan (R.O.C.)	+886-2-2429-2888
012-7543	Zhuke Branch	No.186, Guanxin Rd., East Dist., Hsinchu City 300, Taiwan (R.O.C.)	+886-3-666-3328
012-7554	Linkou Mini-Branch	No.441, Sec. 1, Wenhua 3rd Rd., Linkou Dist., New Taipei City 244, Taiwan (R.O.C.)	+886-2-2609-8802
012-7565	Xinban Branch	1-2F., No.288, Sec. 1, Xianmin Blvd., Banqiao Dist., New Taipei City 220, Taiwan (R.O.C.)	+886-2-2958-8598
012-7576	Sanxia Branch	1F., No.541/543, Xuecheng Rd., Shulin Dist., New Taipei City 238, Taiwan (R.O.C.)	+886-2-2680-5899

Branches Address and Telephone Number

Code	Branch Name	Address	Tel.
012-7587	Nankan Branch	No.20, Zhongxiao E. Rd., Luzhu Dist., Taoyuan City 338, Taiwan (R.O.C.)	+886-3-322-2296
012-7598	East Tainan Branch	No.318, Sec. 3, Zhonghua E. Rd., East Dist., Tainan City 701, Taiwan (R.O.C.)	+886-6-260-6118
012-7602	Zuoying Branch	No.363, Bo'ai 4th Rd., Zuoying Dist., Kaohsiung City 813, Taiwan (R.O.C.)	+886-7-341-9518
012-7613	Dali Branch	No.188, Sec. 2, Guoguang Rd., Dali Dist., Taichung City 412, Taiwan (R.O.C.)	+886-4-2481-9818
012-7624	Dehe Branch	1-3F., No.407, Dehe Rd., Yonghe Dist., New Taipei City 234, Taiwan (R.O.C.)	+886-2-8923-8889
012-7635	Douliu Mini-Branch	No.82, Zhongshan Rd., Douliu City, Yunlin County 640, Taiwan (R.O.C.)	+886-5-537-1158
012-7646	Guomei Branch	No.260, Sec. 1, Wuquan W. Rd., West Dist., Taichung City 403, Taiwan (R.O.C.)	+886-4-2375-8377
012-7657	Nanshijiao Branch	No.347, Jingxin St., Zhonghe Dist., New Taipei City 235, Taiwan (R.O.C.)	+886-2-2942-0599
012-9503	Hong Kong Branch	18F, Central Tower 28 Queen's Road Central H.K.	+852-2822-7700
012-9606	Binh Duong Branch	Unit 1, Floor 2, Minh Sang Plaza, No.888 Binh Duong Boulevard, Thuan Giao Ward, Thuan An Town, Binh Duong Province, Vietnam	+84-650-627-8899
012-9628	Hanoi Branch	22F, Grand Plaza–Charmvit Tower Building, No.117 Tran Duy Hung Street, Trung Hoa Ward, Cau Giay District, Hanoi, Vietnam	+84-4-3772-2212
012-9639	Ho Chi Minh City Branch	No. 253 Dien Bien Phu Street, Dist. 3, Ho Chi Minh City, Vietnam	+84-8-3932-5888
012-9307	Singapore Branch	One Raffles Quay #19-03 North Tower Singapore 048583	+65-6470-9860

Branches Address and Telephone Number of Fubon Bank (China)

Code	Branch Name	Address	Tel.
0129765	Chengdu Branch	No.2, 1F,2F,3F, No.1 Building, No.19 South Renmin Road, Wuhou District, Chengdu, Sichuan	+86-28-62807777
0129776	Beijing Branch	A-104,105,106, Corporate Square, No.35 Financial Street, Xicheng District, Beijing	+86-10-83329666
0129787	Waitan Sub-Branch	1F, Tower A, No.6 East Zhongshan Road, Huangpu District, Shanghai	+86-21-20377588
0129798	Shenzhen Qianhai Sub-branch	G/F, T1 Building, One Shenzhen Bay, intersection of Dongbin Road and South Keyuan Road, Nanshan District, Shenzhen	+86-755-23675800
0129802	Headquarter Business Department	G/F, Tower A, Oriental Financial Plaza, No.1168 Century Avenue, Pudong District, Shanghai	+86-21-20619888
0129813	Shanghai Hongqiao Sub-branch	No.88, East Ronghua Road, Changning District, Shanghai	+86-21-62951616
0129824	Shanghai Xuhui Sub-branch	1-3F, No.2020 West Zhongshan Road, Xuhui District, Shanghai	+86-21-54259696
0129835	Shanghai Jiading Sub-branch	G/F, Shanghai International Automobile City Tower, No.888 Moyu Road, Jiading District, Shanghai	+86-21-69503300
0129846	Shanghai Songjiang Sub-branch	No.2, Jiahe Square, No. 338, Wencheng Road, Songjiang District, Shanghai	+86-21-37799300
0129857	Shenzhen Branch	8A,9A, Tower C, Building 1, Pengrui Shenzhen Bay Plaza One, Keyuan Avenue, Nanshan District, Shenzhen	+86-755-23675700
0129868	Shanghai Minhang Sub-branch	G/F, Ligu Tower, No.255 Wubao Road, Minhang District, Shanghai	+86-21-54471616
0129879	Tianjin Branch	G/F, Xindu Tower, No.16 Weijin Road, Nankai District, Tianjin	+86-22-27503188
0129880	Shanghai Lujiazui Sub-branch	G/F New Shanghai International Tower, No.360 Pudong South Road, Pudong District, Shanghai	+86-21-20293188
0129891	Shanghai Xintiandi Sub-branch	No.226 Madang Road, Huangpu District, Shanghai	+86-21-20377600
0129905	Shenzhen Baoan Sub-branch	A85/B83, No.4 Building, Hongfa Field Garden, N5 Region, Baoan District, Shenzhen	+86-755-29485788
0129916	Shanghai Jingan Sub-branch	No.293 Jiangning Road, Jingan District, Shanghai	+86-21-20377500
0129927	Tianjin Pilot Free Trade Zone Sub-branch	101 G/F, No.90 Xier Road, Airport Economic Zone, Tianjin	+86-22-66287628
0129938	Suzhou Branch	1-3F, Hengyu Square, No.188 Xinghai Street, Suzhou Industrial Park, Suzhou	+86-512-62555777
0129949	Shanghai Changning Sub-branch	G/F, Beethoven Plaza, No.1200 Changning Road, Changning District, Shanghai	+86-21-20293088
0129950	Shanghai Pilot Free Trade Zone Sub-branch	G/F, No.1158 Zhang Dong Road, Zhang Jiang High-Tech Park, Pudong District, Shanghai	+86-21-20293039
0129961	Shanghai Riyueguang Sub-branch	No.15-16, G/F Ruijing Region, No.618 Xujiahui Road, Huangpu District, Shanghai	+86-21-20377688
0129972	Nanjing Branch	G/F, Oriental Financial Building, No.29 Hongwu Road, Qinhuai District, Nanjing	+86-25-51869888
0129754	Suzhou Kunshan Sub-branch	No.118 Middle Changjiang Road, Kunshan, Jiangsu	+86-512-62556777

Appendix

*Annual Financial Reports
for 2016 and 2015*

**TAIPEI FUBON COMMERCIAL BANK
Co., Ltd. and Subsidiaries**

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

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

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

Very truly yours,

TAIPEI FUBON COMMERCIAL BANK CO., LTD.

March 22, 2017

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
TAIPEI FUBON COMMERCIAL BANK Co., Ltd.

Opinion

We have audited the accompanying consolidated balance sheets of TAIPEI FUBON COMMERCIAL BANK Co., Ltd. (the "Bank") and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2016 and 2015, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of TAIPEI FUBON COMMERCIAL BANK Co., Ltd. and its subsidiaries as of December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for the years the ended in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, certain other guidelines issued by the local authorities and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

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

Key audit matters for the Bank and its subsidiaries' consolidated financial statements for the year ended December 31, 2016 are stated as follows:

Allowance for Loans and Receivables

Refer to Note 4 to the consolidated financial statements for the accounting policies on the allowance for loans and receivables. Refer to Note 5a to the consolidated financial statements for the critical estimations and judgments about the allowance for loans and receivables. Refer to Notes 11, 12 and 50 to the consolidated financial statements for the details of the other related information about the allowance for loans and receivables.

To assess collectively the impairment of discounts and loans and receivables, management makes judgments on whether there are any observable data indicating an impairment. Management then estimates expected future cash flows and assesses the impairment loss based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio.

The methodology and assumptions used for estimating objective evidence of impairment and the amount and timing of future cash flows, such as the expected loss rate and recovery rate, are critical judgments and estimates; therefore, the allowance for loans and receivables is identified as a key audit matter.

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

We understand and assess management's methodology, assumptions and inputs used in the impairment model to verify whether they appropriately reflect the actual outcome. We assess the consistency of the effective interest rate, the impairment occurrence rate, recovery rate, etc. used in estimating expected future cash flows and evaluating collateral values. We perform a sampling of loans and receivable cases to verify their completeness and calculation accuracy. Finally, we consider related guidelines issued by the authorities and examine whether the allowance for loans and receivables complied with the regulation.

Impairment of Goodwill

Refer to Notes 4 and 5b to the consolidated financial statements for the accounting policies on the impairment of goodwill. Refer to Note 5a to the consolidated financial statements for the critical estimations and judgments about the impairment of goodwill. Refer to Note 22 to the consolidated financial statements for the details of the other related information about the impairment of goodwill.

The assumptions for the recoverable amount of goodwill are based on the future cash flows expected to arise from the future operating results which are based on professional judgment; therefore, the impairment of goodwill is identified as a key audit matter.

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

We assess the appropriateness of the forecasting method and discount rate used by the Bank and its subsidiaries' management for the cash flow forecast and compare the discount rate with external information. We consider the past forecast and the actual operating performance to assess the correctness of the Bank and its subsidiaries management's past estimates in determining whether the disclosures in the financial statements are appropriateness.

Other Matter

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank and its subsidiaries' internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank and its subsidiaries' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank and its subsidiaries to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Bank and its subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Bank and its subsidiaries audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Yi-Chun Wu and Shu-Chieh Huang.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 22, 2017

Notice to Readers

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

TAIPEI FUBON COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES
**CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars)**

ASSETS	2016		2015	
	Amount	%	Amount	%
CASH AND CASH EQUIVALENTS (Notes 4, 6 and 44)	\$ 36,229,901	1	\$ 77,020,773	3
DUE FROM THE CENTRAL BANK AND CALL LOANS TO OTHER BANKS (Notes 6, 7, 44 and 45)	267,038,962	11	212,245,752	9
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 8, 16, 26, 44 and 45)	117,169,754	5	130,644,418	6
DERIVATIVE FINANCIAL ASSETS FOR HEDGING (Notes 4 and 9)	412,743	-	467,130	-
SECURITIES PURCHASED UNDER RESELL AGREEMENTS (Notes 4, 6, 10 and 44)	27,504,918	1	22,491,424	1
RECEIVABLES, NET (Notes 4, 11, 19 and 44)	70,389,749	3	81,025,823	3
CURRENT TAX ASSETS (Notes 4, 42 and 44)	483,141	-	359,224	-
DISCOUNTS AND LOANS, NET (Notes 4, 12, 19 and 44)	1,289,861,011	53	1,353,532,910	56
AVAILABLE-FOR-SALE FINANCIAL ASSETS, NET (Notes 4, 9, 13, 16, 26, 44 and 45)	147,580,340	6	125,934,711	5
HELD-TO-MATURITY FINANCIAL ASSETS (Notes 4, 14, 16, 26 and 45)	354,395,498	15	288,730,656	12
INVESTMENTS MEASURED BY EQUITY METHOD (Notes 4 and 17)	120,653	-	125,614	-
OTHER FINANCIAL ASSETS, NET (Notes 4, 18, 19, 26 and 45)	50,739,011	2	41,429,958	2
PROPERTY AND EQUIPMENT, NET (Notes 4 and 20)	20,382,900	1	20,650,849	1
INVESTMENT PROPERTY (Notes 4 and 21)	2,641,500	-	2,746,700	-
INTANGIBLE ASSETS, NET (Notes 4 and 22)	15,779,137	1	17,353,219	1
DEFERRED TAX ASSETS (Notes 4 and 42)	977,922	-	1,046,956	-
OTHER ASSETS (Notes 23 and 44)	<u>12,518,491</u>	<u>1</u>	<u>34,029,510</u>	<u>1</u>
TOTAL	<u>\$ 2,414,225,631</u>	<u>100</u>	<u>\$ 2,409,835,627</u>	<u>100</u>
LIABILITIES AND EQUITY				
DEPOSITS FROM THE CENTRAL BANK AND BANKS (Notes 24 and 44)	\$ 75,575,504	3	\$ 127,401,288	5
DUE TO THE CENTRAL BANK AND BANKS (Note 25)	7,081,137	-	4,577,611	-
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 8 and 44)	68,434,376	3	79,960,522	4
DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING (Notes 4 and 9)	1,239,999	-	808,235	-
SECURITIES SOLD UNDER REPURCHASE AGREEMENTS (Notes 4, 26 and 44)	61,440,929	3	69,407,898	3
PAYABLES (Notes 27 and 44)	31,463,332	1	29,576,062	1
CURRENT TAX LIABILITIES (Notes 4, 42 and 44)	2,304,803	-	1,883,699	-
DEPOSITS AND REMITTANCES (Notes 28 and 44)	1,877,777,666	78	1,813,355,582	75
BANK DEBENTURES (Notes 9 and 29)	64,651,203	3	62,767,445	3
OTHER FINANCIAL LIABILITIES (Notes 30 and 44)	21,691,631	1	27,253,899	1
PROVISIONS (Notes 4, 19, 31 and 32)	2,409,680	-	2,489,424	-
DEFERRED TAX LIABILITIES (Notes 4 and 42)	894,890	-	945,753	-
OTHER LIABILITIES (Notes 33 and 44)	<u>5,852,784</u>	<u>-</u>	<u>4,162,036</u>	<u>-</u>
Total liabilities	<u>2,220,817,934</u>	<u>92</u>	<u>2,224,589,454</u>	<u>92</u>
EQUITY (Notes 4 and 34)				
Attributable to owners of the Bank				
Capital stock				
Common stock	<u>106,518,023</u>	<u>4</u>	<u>98,038,876</u>	<u>4</u>
Capital surplus	<u>14,800,927</u>	<u>1</u>	<u>14,800,927</u>	<u>1</u>
Retained earnings				
Legal reserve	35,386,771	1	30,051,874	1
Special reserve	2,652,074	-	2,552,658	-
Unappropriated earnings	<u>14,376,505</u>	<u>1</u>	<u>17,547,380</u>	<u>1</u>
Total retained earnings	<u>52,415,350</u>	<u>2</u>	<u>50,151,912</u>	<u>2</u>
Other equity	<u>900,172</u>	<u>-</u>	<u>2,704,775</u>	<u>-</u>
Total equity attributable to owners of the Bank	<u>174,634,472</u>	<u>7</u>	<u>165,696,490</u>	<u>7</u>
Non-controlling interests	<u>18,773,225</u>	<u>1</u>	<u>19,549,683</u>	<u>1</u>
Total equity	<u>193,407,697</u>	<u>8</u>	<u>185,246,173</u>	<u>8</u>
TOTAL	<u>\$ 2,414,225,631</u>	<u>100</u>	<u>\$ 2,409,835,627</u>	<u>100</u>

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

TAIPEI FUBON COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

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

	2016		2015		Percentage Increase (Decrease) %
	Amount	%	Amount	%	
NET INTEREST INCOME (Notes 4, 35 and 44)					
Interest income	\$ 42,709,222	105	\$ 46,646,579	110	(8)
Interest expense	<u>(19,855,178)</u>	<u>(49)</u>	<u>(23,294,247)</u>	<u>(55)</u>	(15)
Total net interest income	<u>22,854,044</u>	<u>56</u>	<u>23,352,332</u>	<u>55</u>	(2)
NET NON-INTEREST INCOME (Note 4)					
Service fee income, net (Notes 36 and 44)	11,996,327	30	11,649,472	28	3
Gains on financial assets or liabilities measured at fair value through profit or loss (Notes 8, 37 and 44)	3,231,694	8	4,016,858	9	(20)
Realized gains on available-for-sale financial assets (Notes 34 and 38)	825,655	2	1,144,925	3	(28)
Foreign exchange gains (losses), net	1,215,914	3	1,565,959	4	(22)
Share of profit of associates accounted for using the equity method (Note 17)	8,171	-	6,937	-	18
Other non-interest income, net (Notes 21 and 44)	<u>540,504</u>	<u>1</u>	<u>632,271</u>	<u>1</u>	(15)
Total net non-interest income	<u>17,818,265</u>	<u>44</u>	<u>19,016,422</u>	<u>45</u>	(6)
TOTAL NET REVENUES	<u>40,672,309</u>	<u>100</u>	<u>42,368,754</u>	<u>100</u>	(4)
ALLOWANCE FOR DOUBTFUL ACCOUNTS AND GUARANTEES (Notes 4, 19 and 44)	<u>(1,372,262)</u>	<u>(3)</u>	<u>(176,752)</u>	<u>-</u>	676
OPERATING EXPENSES (Notes 4, 32, 39, 40, 41 and 44)					
Employee benefits	(11,603,212)	(29)	(11,302,596)	(27)	3
Depreciation and amortization	(1,716,053)	(4)	(1,635,557)	(4)	5
General and administrative	<u>(7,662,061)</u>	<u>(19)</u>	<u>(7,751,701)</u>	<u>(18)</u>	(1)
Total operating expenses	<u>(20,981,326)</u>	<u>(52)</u>	<u>(20,689,854)</u>	<u>(49)</u>	1

(Continued)

TAIPEI FUBON COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

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

	2016		2015		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
INCOME BEFORE INCOME TAX	\$ 18,318,721	45	\$ 21,502,148	51	(15)
INCOME TAX EXPENSE (Notes 4 and 42)	<u>(3,046,975)</u>	<u>(7)</u>	<u>(2,896,436)</u>	<u>(7)</u>	5
NET INCOME FOR THE YEAR	<u>15,271,746</u>	<u>38</u>	<u>18,605,712</u>	<u>44</u>	(18)
OTHER COMPREHENSIVE INCOME (LOSS)					
Items that will not be reclassified subsequently to profit or loss:					
Remeasurement of defined benefit plans (Note 32)	(108,252)	-	(300,888)	(1)	(64)
Gains on property revaluation (Note 34)	-	-	217,350	1	(100)
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 42)	<u>18,403</u>	<u>-</u>	<u>43,159</u>	<u>-</u>	(57)
	<u>(89,849)</u>	<u>-</u>	<u>(40,379)</u>	<u>-</u>	123
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations (Note 34)	(3,929,204)	(10)	(269,113)	(1)	1,360
Unrealized gains on available-for-sale financial assets (Note 34)	537,819	1	98,310	-	447
Share of other comprehensive income (loss) of associates accounted for using the equity method (Note 34)	(7,560)	-	(1,259)	-	500
Income tax relating to items that may be reclassified subsequently to profit or loss (Note 42)	<u>12,492</u>	<u>-</u>	<u>26,674</u>	<u>-</u>	(53)
	<u>(3,386,453)</u>	<u>(9)</u>	<u>(145,388)</u>	<u>(1)</u>	2,229
Other comprehensive loss for the period, net of income tax	<u>(3,476,302)</u>	<u>(9)</u>	<u>(185,767)</u>	<u>(1)</u>	1,771
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 11,795,444</u>	<u>29</u>	<u>\$ 18,419,945</u>	<u>43</u>	(36)

(Continued)

TAIPEI FUBON COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

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

	2016		2015		Percentage Increase (Decrease) %
	Amount	%	Amount	%	
NET INCOME ATTRIBUTABLE TO					
Owners of the Bank	\$ 14,466,354	36	\$ 17,782,990	42	(19)
Non-controlling interests	<u>805,392</u>	<u>2</u>	<u>822,722</u>	<u>2</u>	(2)
	<u>\$ 15,271,746</u>	<u>38</u>	<u>\$ 18,605,712</u>	<u>44</u>	(18)
TOTAL COMPREHENSIVE INCOME					
ATTRIBUTABLE TO					
Owners of the Bank	\$ 12,571,902	31	\$ 17,890,178	42	(30)
Non-controlling interests	<u>(776,458)</u>	<u>(2)</u>	<u>529,767</u>	<u>1</u>	(247)
	<u>\$ 11,795,444</u>	<u>29</u>	<u>\$ 18,419,945</u>	<u>43</u>	(36)
EARNINGS PER SHARE (NEW TAIWAN DOLLARS) (Note 43)					
Basic	<u>\$ 1.36</u>		<u>\$ 1.67</u>		

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

(Concluded)

TAIPEI FUBON COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars)**

	Equity Attributable to Owners of the Bank							Other Equity (Notes 4 and 34)				Total Equity
	Capital Stock (Note 34)		Capital Surplus (Note 34)	Retained Earnings (Notes 4 and 34)			Exchange Differences on Translating Foreign Operations	Unrealized Gains on Available-for- sale Financial Assets	Gain on Property Revaluation	Non-controlling Interests (Notes 4 and 34)		
	Shares (Thousands)	Common Stock		Legal Reserve	Special Reserve	Unappropriated Earnings					Total	
BALANCE AT JANUARY 1, 2015	8,917,672	\$ 89,176,722	\$ 14,800,927	\$ 24,579,351	\$ 2,515,426	\$ 18,184,101	\$ 45,278,878	\$ 1,385,143	\$ 948,445	\$ 14,262	\$ 19,123,428	\$ 170,727,805
Special reserve provided under Rule No. 10310000140 issued by the Financial Supervisory Commission (FSC)	-	-	-	-	37,232	(37,232)	-	-	-	-	-	-
Appropriation of the 2014 earnings												
Legal reserve	-	-	-	5,472,523	-	(5,472,523)	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(3,798,065)	(3,798,065)	-	-	-	-	(3,798,065)
Stock dividends	886,216	8,862,154	-	-	-	(8,862,154)	(8,862,154)	-	-	-	-	-
Net income for the year ended December 31, 2015	-	-	-	-	-	17,782,990	17,782,990	-	-	-	822,722	18,605,712
Other comprehensive income (loss) for the year ended December 31, 2015, net of income tax	-	-	-	-	-	(249,737)	(249,737)	(14,138)	161,705	209,358	(292,955)	(185,767)
Total comprehensive income (loss) for the year ended December 31, 2015	-	-	-	-	-	17,533,253	17,533,253	(14,138)	161,705	209,358	529,767	18,419,945
Change in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(103,512)	(103,512)
BALANCE AT DECEMBER 31, 2015	9,803,888	98,038,876	14,800,927	30,051,874	2,552,658	17,547,380	50,151,912	1,371,005	1,110,150	223,620	19,549,683	185,246,173
Special reserve provided under Rule No. 10310000140 issued by the FSC	-	-	-	-	99,416	(99,416)	-	-	-	-	-	-
Appropriation of the 2015 earnings												
Legal reserve	-	-	-	5,334,897	-	(5,334,897)	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(3,633,920)	(3,633,920)	-	-	-	-	(3,633,920)
Stock dividends	847,915	8,479,147	-	-	-	(8,479,147)	(8,479,147)	-	-	-	-	-
Net income for the year ended December 31, 2016	-	-	-	-	-	14,466,354	14,466,354	-	-	-	805,392	15,271,746
Other comprehensive loss for the year ended December 31, 2016, net of income tax	-	-	-	-	-	(89,849)	(89,849)	(2,359,982)	555,379	-	(1,581,850)	(3,476,302)
Total comprehensive income (loss) for the year ended December 31, 2016	-	-	-	-	-	14,376,505	14,376,505	(2,359,982)	555,379	-	(776,458)	11,795,444
BALANCE AT DECEMBER 31, 2016	<u>10,651,803</u>	<u>\$ 106,518,023</u>	<u>\$ 14,800,927</u>	<u>\$ 35,386,771</u>	<u>\$ 2,652,074</u>	<u>\$ 14,376,505</u>	<u>\$ 52,415,350</u>	<u>\$ (988,977)</u>	<u>\$ 1,665,529</u>	<u>\$ 223,620</u>	<u>\$ 18,773,225</u>	<u>\$ 193,407,697</u>

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

TAIPEI FUBON COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

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

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 18,318,721	\$ 21,502,148
Adjustments for:		
Depreciation expenses	911,853	827,584
Amortization expenses	804,200	807,973
Provision for bad-debt expense	1,406,230	213,632
Interest expense	19,855,178	23,294,247
Interest income	(42,709,222)	(46,646,579)
Dividend income	(384,003)	(344,940)
Net change in provision for guarantee liabilities	(33,968)	(36,880)
Net change in other provisions	111,519	(35,855)
Share of profit of associates accounted for using equity method	(8,171)	(6,937)
(Gain) loss on disposal of property and equipment	(218,801)	9,311
Gain on disposal of investment property	(10,120)	-
Loss on disposal of intangible assets	11,313	-
Loss (gain) on fair value adjustment of investment property	36,800	(113,092)
Other adjustments	(2,110)	(366)
Changes in operating assets and liabilities		
Increase in due from the Central Bank and call loans to other banks	(26,742,149)	(49,861,121)
Decrease (increase) in financial assets at fair value through profit or loss	13,474,664	(13,263,901)
Decrease in securities purchased under resell agreements	-	2,549,508
Decrease in receivables	11,207,166	23,379,848
Decrease (increase) in discounts and loans	63,347,436	(49,208,617)
Increase in available-for-sale financial assets	(21,256,750)	(32,459,886)
Increase in held-to-maturity financial assets	(65,664,842)	(42,083,249)
Increase in other financial assets	(10,175,294)	(36,402,691)
Decrease (increase) in other assets	21,562,129	(15,122,422)
(Decrease) increase in deposits from the Central Bank and banks	(51,825,784)	31,023,708
(Decrease) increase in financial liabilities at fair value through profit or loss	(11,526,146)	18,604,209
Decrease in securities sold under repurchase agreements	(7,966,969)	(4,060,786)
Increase in payables	2,121,106	5,065,051
Increase in deposits and remittances	64,422,084	207,181,551
Decrease in other financial liabilities	(5,558,116)	(11,036,227)
(Decrease) increase in provisions for employee benefits	(264,800)	288,323
Increase (decrease) in other liabilities	<u>1,825,835</u>	<u>(602,784)</u>
Cash (used in) provided by operations	(24,931,011)	33,460,760
Interest received	42,177,704	44,287,786
Dividends received	389,575	351,904
Interest paid	(19,829,756)	(24,177,028)
Income tax paid	<u>(2,700,722)</u>	<u>(2,436,785)</u>
Net cash (used in) provided by operating activities	<u>(4,894,210)</u>	<u>51,486,637</u>

(Continued)

TAIPEI FUBON COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

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

	2016	2015
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from capital reduction of financial assets at cost	\$ 1,040	\$ 19,750
Acquisition of property and equipment	(1,848,586)	(1,827,362)
Proceeds from disposal of property and equipment	474,788	571
Acquisition of intangible assets	(201,254)	(167,946)
Proceeds from disposal of investment property	<u>44,820</u>	<u>-</u>
Net cash used in investing activities	<u>(1,529,192)</u>	<u>(1,974,987)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in due to the Central Bank and banks	2,503,526	-
Decrease in due to the Central Bank and banks	-	(3,675,019)
Proceeds from issuing bank debentures	6,408,421	5,611,420
Repayments of bank debentures	(4,050,000)	(18,000,000)
Cash dividends paid	(3,633,920)	(3,798,065)
Change in non-controlling interests	<u>-</u>	<u>(103,512)</u>
Net cash provided by (used in) financing activities	<u>1,228,027</u>	<u>(19,965,176)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(2,530,942)</u>	<u>466,904</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	<u>(7,726,317)</u>	<u>30,013,378</u>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>145,173,054</u>	<u>115,159,676</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 137,446,737</u>	<u>\$ 145,173,054</u>

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

	December 31	
	2016	2015
Cash and cash equivalents in consolidated balance sheets	\$ 36,229,901	\$ 77,020,773
Due from the Central Bank and call loans to other banks qualifying for cash and cash equivalents under the definition of IAS 7	73,711,918	45,660,857
Securities purchased under resell agreements qualifying for cash and cash equivalents under the definition of IAS 7	<u>27,504,918</u>	<u>22,491,424</u>
Cash and cash equivalents in consolidated statements of cash flows	<u>\$ 137,446,737</u>	<u>\$ 145,173,054</u>

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

(Concluded)

TAIPEI FUBON COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

TAIPEI FUBON COMMERCIAL BANK Co., Ltd. (the “Bank”) began operations as a financial institution under the Taipei City Government (TCG) in 1969. On July 1, 1984, it was reorganized into a limited liability corporation and was renamed City Bank of Taipei Co., Ltd. On January 1, 1993, the Bank was renamed TAIPEIBANK Co., Ltd. (“TAIPEIBANK”). On November 30, 1999, the Bank was privatized through the sale of its shares to the public, with TCG’s holdings reduced to less than 50% of the Bank’s outstanding capital stock. In a special meeting on October 4, 2002, the shareholders approved a share swap, which resulted in the Bank becoming a wholly owned subsidiary of the Fubon Financial Holdings Company (FFH). The board of directors designated December 23, 2002 as the effective date of the share swap and the delisting of the Bank’s stock from the Taiwan Stock Exchange.

To fully benefit from the synergy of two diversified businesses and reduce operating costs, the boards of directors of the Bank and Fubon Bank Co., Ltd. (“Fubon Bank”, also a wholly owned subsidiary of FFH) decided on January 1, 2005 to combine these two entities. On January 1, 2005, the Bank acquired the assets and liabilities of Fubon Bank through a share swap and changed its name to TAIPEI FUBON COMMERCIAL BANK Co., Ltd.

On September 20, 2006, the boards of directors of the Bank and Fubon Bills Finance Co., Ltd. (FBFC) decided to merge the Bank and FBFC to strengthen their operating synergies and lower operating costs, with the Bank as the surviving entity. The Bank set December 25, 2006 as the effective date of the merger.

Later, under the terms and conditions of the “Sale and Assumption Agreement” signed by the Bank, Chinfon Commercial Bank Co., Ltd. (hereinafter referred to as “Chinfon Bank”), the Central Deposit Insurance Corp. and the Executive Yuan’s Financial Reconstruction Trust Corporation on October 30, 2009, the Bank assumed the assets, liabilities and businesses of the Hanoi branch and Ho Chi Minh City sub branch of Chinfon Bank, effective at midnight of March 6, 2010, with the relevant authorities’ approval and then completed the settlement procedure.

On December 31, 2013, the Bank acquired 10% equity interest in First Sino Bank (FSB, which was renamed Fubon Bank (China) in April 2014) and acquired an additional 41% equity interest on January 7, 2014. With the Bank’s 51% interest in FSB, the Bank became FSB’s parent company.

The board of directors of the Bank and Taipei Fubon Bank Life Insurance Agency Co., Ltd. decided to merge the Bank and Taipei Fubon Bank Life Insurance Agency Co., Ltd. to strengthen their operating synergies, with the Bank as the surviving entity. The Bank has set April 29, 2016 as the effective date of the merger.

Under its business license, the Bank engages in all commercial banking operations authorized under the Banking Act.

The Bank has its head office in Taipei City, and as of December 31, 2016, has Banking and Trust departments, offshore banking unit (OBU), 127 branches (including major operating department) and 5 overseas branches.

The operations of the Bank’s Trust Department include: (1) planning, managing and operating a trust business; and (2) custodianship of nondiscretionary trust funds in foreign securities and mutual funds. These operations are regulated under the Banking Act and Trust Law.

Fubon Bank (China) is the joint venture bank founded by the Shanghai Pudong Development Bank and Lotus Worldwide Ltd. on March 20, 1997 in Shanghai Pudong in accordance with “Regulations Governing Foreign Financial Institutions in the People’s Republic of China”. Fubon Bank (China) mainly renders full-scope RMB and foreign currency services to customers, except citizens in the territory of China. As of December 31, 2016, Fubon Bank (China) had headquarters, 22 branches (including preparatory offices) within Mainland China.

The Bank’s ultimate parent is Fubon Financial Holdings Company, which holds all the ordinary shares of the Bank.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Bank’s board of directors and authorized for issue on March 22, 2017.

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

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

Rule No. 10610000830 and Rule No. 1050026834 issued by the FSC stipulated that starting January 1, 2017, the Bank and its subsidiaries should apply the amendments to the Regulations Governing the Preparation of Financial Reports by Public Banks and the IFRS, IAS, IFRIC and SIC (collectively, the IFRSs) issued by the IASB and endorsed by the FSC for application starting from 2017.

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

(Continued)

New, Amended or Revised Standards and Interpretations (the “New IFRSs”)	Effective Date Announced by IASB (Note 1)
Amendment to IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting”	January 1, 2014
IFRIC 21 “Levies”	January 1, 2014

(Concluded)

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

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

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

Except for the following, whenever applied, the initial application in 2017 of the amendments to the Regulations Governing the Preparation of Financial Reports by Public Banks and the IFRSs endorsed by the FSC for application starting from 2017 would not have any material impact on the Bank and its subsidiaries’ accounting policies:

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

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

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

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

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

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

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

Except for the above impacts, as of the date the consolidated financial statements were authorized for issue, the Bank and its subsidiaries continue assessing other possible impacts that application of the aforementioned amendments and the related amendments to the Regulations Governing the Preparation of Financial Reports by Public Banks will have on the Bank and its subsidiaries' financial position and financial performance, and will disclose these other impacts when the assessment is completed.

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

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

The FSC announced that the Bank and its subsidiaries should apply IFRS 9 and IFRS 15 starting January 1, 2018. As of the date the consolidated financial statements were authorized for issue, the FSC has not announced the effective dates of other new IFRSs.

<u>New IFRSs</u>	<u>Effective Date Announced by IASB (Note 1)</u>
Annual Improvements to IFRSs 2014-2016 Cycle	Note 2
Amendment to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date of IFRS 9 and Transition Disclosures"	January 1, 2018
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendments to IFRS 15 "Clarifications to IFRS 15 Revenue from Contracts with Customers"	January 1, 2018
IFRS 16 "Leases"	January 1, 2019
Amendment to IAS 7 "Disclosure Initiative"	January 1, 2017
Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Transfers of Investment Property"	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

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

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

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

1) IFRS 9 “Financial Instruments”

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

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

- a) If the debt instruments are held within a business model whose objective is to collect contractual cash flows, the financial assets are measured at amortized cost and are assessed for impairment continually, with any impairment loss recognized in profit or loss. Interest revenue is recognized in profit or loss by using the effective interest method;
- b) If the debt instruments are held within a business model whose objective is to both collect contractual cash flows and sell 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 is recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses. When the debt instruments are derecognized or reclassified, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

Except for the above, all financial assets are measured at fair value through profit or loss. However, the Bank and its subsidiaries may, on the initial recognition of an equity instrument that is within the scope of IFRS 9 and is not held for trading, irrevocably designate this instrument as at fair value through 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 the recognition of impairment losses on financial assets using the expected credit loss model. The expected credit loss allowance is required for certain financial assets measured at amortized cost, financial assets mandatorily measured at FVTOCI, certain lease receivables, contract assets within the scope of IFRS 15 “Revenue from Contracts with Customers”, and 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 certain trade receivables that do not constitute a financing transaction.

For purchased or originated credit-impaired financial assets, the Bank and its subsidiaries take into account the expected credit losses on initial recognition, and these losses should be discounted using the credit-adjusted effective interest rate. Subsequently, any changes from the initial expected credit losses are recognized as a loss allowance, with the gain or loss recognized in profit or loss.

Hedge accounting

The main changes allow an entity to better reflect its economic hedging activities in its financial statements. Compared with the prior IAS 39, the main changes include: (1) increasing the items eligible for hedge accounting, e.g., risk components of non-financial items can now be eligible for hedging if these components meet certain criteria; (2) allowing derivative instruments to be designated as hedged items under certain conditions in order to reduce profit or loss volatility; and (3) replacing the retrospective quantitative effectiveness assessment with certain criteria, which include the existence of an economic relationship between the hedging instrument and the hedged item.

Transition

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

2) IFRS 15 “Revenue from Contracts with Customers” and related amendment

IFRS 15 establishes principles for recognizing revenue on all contracts with customers and supersedes IAS 18 “Revenue”, IAS 11 “Construction Contracts” and IFRIC and SIC interpretations.

In applying IFRS 15, an entity should recognize revenue by taking all 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.
- Recognize revenue when the entity satisfies a performance obligation.

When IFRS 15 and related amendment take effect, the Bank and its subsidiaries may elect to apply this Standard either retrospectively to each prior reporting year presented or retrospectively with the cumulative effect of initially applying this Standard recognized at the date of initial application.

3) IFRS 16 “Leases”

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

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

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

When IFRS 16 becomes effective, the Bank and its 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.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Bank and its subsidiaries are continuously assessing the possible impact that the application of other standards and interpretations will have on the Bank and its 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 consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, certain other guidelines issued by the local authorities, and IFRSs as endorsed and issued by the Financial Supervisory Commission.

Basis of Preparation

The consolidated financial statements have been prepared on the historical cost basis, except for financial instruments and investment properties that are measured at fair value.

The fair value measurements are grouped into Levels 1 to 3, described below, on the basis of the degree to which the fair value measurement inputs are observable and the significance of the inputs to the fair value measurement in its entirety.

- a. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- b. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- c. Level 3 inputs are unobservable inputs for the asset or liability.

Classification of Current and Non-current Assets and Liabilities

Since the Bank's accounts are a major part of the consolidated accounts and the operating cycle in the banking industry cannot be clearly identified, accounts included in the consolidated financial statements of the Bank and its subsidiaries were not classified as current or non-current. Nevertheless, accounts were properly categorized in accordance with the nature of each account and sequenced by their liquidity. Please refer to Note 50 for the maturity analysis of assets and liabilities.

Basis of Consolidation

- Principles for preparing consolidated financial statements

The consolidated financial statements incorporate the financial statements of the Bank and the entities controlled by the Bank (i.e., its subsidiaries).

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition up to the effective date of disposal, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Bank.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation.

The total comprehensive income of subsidiaries is attributed to the owners of the Bank and to the non-controlling interests even if this attribution results in the non-controlling interests having a deficit balance.

See Note 15 for the detailed information of subsidiaries (including the percentages of ownership and main businesses).

Foreign Currencies

In the preparation of the financial statements of each Group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized 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. Nonmonetary 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. Nonmonetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising from settlement are recognized in profit or loss in the period in which they arise. Exchange differences on monetary items arising from translation at period-end are recognized in profit or loss, but cash flow hedges or effective portions of the hedging of net investments in foreign operations are recognized in other comprehensive income.

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. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss. When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income.

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

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits, time deposits that can be readily terminated without the reduction of principal, and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the statement of cash flows, cash and cash equivalents include cash and cash equivalents in balance sheets, and those amounts due from the Central Bank and call loans to other banks and securities purchased under resell agreements that meet the definition of cash and cash equivalents in IAS 7 "Statement of Cash Flows", etc.

Investment in Associates

An associate is an entity over which the Bank and its subsidiaries have significant influence and that is neither a subsidiary nor an interest in a joint venture.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognized at cost and adjusted thereafter to recognize the Bank and its subsidiaries' share of the associate's profit or loss and other comprehensive income. The Bank and its subsidiaries also recognize the changes in the Bank and its subsidiaries' share of equity of the associates.

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

The entire carrying amount of the investment (including goodwill) 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.

Financial Instruments

Financial assets and financial liabilities are recognized when the Bank and its 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

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

1) Measurement category

Financial assets are classified into financial assets at fair value through profit or loss; held-to-maturity investments; available-for-sale financial assets; and loans and receivables.

a) Financial assets at fair value through profit or loss

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

A financial asset may be designated as at fair value through profit or loss upon initial recognition if:

- i. This 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 Bank and subsidiaries' documented risk management or investment strategy, and information on this 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.

Fair value is determined in the manner described in Note 49.

Financial assets at fair value through profit or loss are stated at fair value, and gains or losses arising on remeasurement are recognized in profit or loss and incorporates any dividend or interest earned on the assets. Fair value is determined in the manner described in Note 49.

b) Held-to-maturity financial assets

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates, and the Bank and its subsidiaries have the positive intent and ability to hold these assets to maturity. On initial recognition, these assets are not designated as at fair value through profit or loss or as available for sale nor do they meet the definition of loans and receivables.

After initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method less any impairment.

c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that 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 will be reclassified to profit or loss when the investment is disposed of or is determined to be impaired.

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

Available-for-sale equity investments with no quoted market prices in an active market and with fair values that cannot be reliably measured and derivatives that are linked to and must be settled by delivery of these 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 carried at cost. If, subsequently, 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 fair value is recognized in profit or loss or other comprehensive income on financial assets. Any impairment losses are recognized in profit and loss.

d) Loans and receivables

Loans and receivables (discounts and loans, trade receivables, cash and cash equivalents, debt investments with no active market, etc.) are measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

2) Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been negatively affected.

The objective evidence of impairment could include significant financial difficulty of the issuer or counterparty, breach of contract (such as a default or a delinquency in interest or principal payments), it becoming that the borrower will undergo bankruptcy or financial reorganization, or the disappearance of an active market for financial asset because of financial difficulties.

a) Financial assets carried at amortized cost

Certain categories of financial assets, such as loans and receivables, are assessed for impairment collectively even if they had been assessed as not impaired individually. Objective evidence of impairment for a portfolio could include the Bank and its subsidiaries' past experience of collecting payments and an increase in the number of delayed payments in the portfolio, as well as observable changes in national or local economic conditions that correlate with default on discounts and loans and receivables.

Impairment loss is recognized as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

If the impairment loss decreases and the decrease can be related objectively to an event occurring after impairment recognition, 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.

Under the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/Nonaccrual Loans" (the "Regulations") issued by the authorities, the Bank assesses the recoverability of credit assets on the basis of a customer's financial position, delinquency in interest or principal payments, and the Bank's internal valuation of collaterals.

Under the Regulations, the Bank categorizes credit assets (other than loans to the ROC government) into normal, special mention, substandard, doubtful, and loss, for which minimum provisions are 1%, 2%, 10%, 50%, and 100%, respectively. In addition, under FSC guidelines No. 10010006830, there should be a provision at more than 1% of the sum of a minimum allowance for credit losses and the provision for losses on guarantees. Based on Rule No. 10300329440 issued by the FSC, for the banks 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 Bank 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.

Under the loan risk classification guidelines of the China Banking Regulatory Commission, (CBRC), Fubon Bank (China) classifies its credit assets into normal, concern, subprime, doubtful, and losses. Based on the CBRC's "Administrative Measures for the Loan Loss Reserves of Commercial Banks", the basic provision requirement for loan loss coverage is 2.5% and the minimum allowance for bad debts is 150%. The higher of the amounts corresponding to these two ratios is the amount that should be provided as the loan loss reserve of a

commercial bank; thus, Fubon Bank (China) assesses its credit assets for both individual and collective impairment and complies with these ratio requirements for its minimum reserve.

Credits deemed uncollectible may be written off if the write-off is approved by the board of directors. Recoveries of amounts previously written off are credited to the allowance account.

b) Available-for-sale financial assets

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of the security below its cost is considered an objective evidence of impairment.

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

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

c) Financial assets carried at cost

For financial assets that are carried at cost, impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. This impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced through the use of an allowance account. When a financial asset is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss

3) Derecognition of financial assets

The Bank and its subsidiaries derecognize a financial asset only when the contractual rights to the cash flows from the asset expire, or when they transfer the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Bank and its subsidiaries neither transfer nor retain substantially all the risks and rewards of ownership and continue to control the transferred asset, the Bank and its subsidiaries recognize their retained interest in the asset and an associated liability for amounts they may have to pay. If the Bank and its subsidiaries retain substantially all the risks and rewards of ownership of a transferred financial asset, the Bank and its subsidiaries continue to recognize the financial asset and also recognize a collateralized borrowing for the proceeds received.

On the full derecognition of a financial asset, the difference between (a) the asset's carrying amount and the sum of the consideration received or receivable and (b) the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

On the partial derecognition of a financial asset (e.g., when the Bank and its subsidiaries retain an option to repurchase part of a transferred asset), the Bank and its subsidiaries allocate the previous carrying amount of the financial asset between the part they continue to recognize under continuing involvement and the part they no longer recognize on the basis of the respective fair values of these parts on the date of the transfer. The difference between (a) the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for this part and (b) any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of their respective fair values.

b. Equity instruments

Debt and equity instruments issued by the Bank and its subsidiaries are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and whether the instruments meet the definitions of a financial liability or an equity instrument.

Equity instruments issued by the Bank and its subsidiaries are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Bank's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of these repurchased instruments.

c. Financial liabilities

1) Subsequent measurement

Except for the following, all financial liabilities are measured at amortized cost using the effective interest method, less any impairment:

a) Financial liabilities at fair value through profit or loss

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

Financial liabilities held for trading are stated at fair value, with any gain or loss arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest or dividend paid on the financial liability. Fair value is determined in the manner described in Note 49.

A financial liability 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. This designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- ii. The financial liability forms part of a group of the Bank and its subsidiaries' financial assets or financial liabilities or both, and this grouping is managed, and its performance is evaluated, on a fair value basis, in accordance with the Bank and its subsidiaries' documented risk management or investment strategy, and with information on the grouping provided internally on that basis.
- iii. The contract contains one or more embedded derivatives so that the entire combined contract (asset or liability) can be designated as at fair value through profit or loss.

For a financial liability designated as at fair value through profit or loss, if a portion of a change in fair value incorporates any interest or dividend paid on the financial liability, this portion is presented in profit or loss. If a portion of a change in fair value is attributable to changes in the credit risk of the liability, this portion is presented in other comprehensive income, and it will not be subsequently reclassified to profit or loss. The gain or loss accumulated in other comprehensive income will be transferred to retained earnings when the financial liability is derecognized. If this accounting treatment related to credit risk would create or enlarge an accounting mismatch, the total amount of the change in fair value of the liability is presented in profit or loss. Fair value is determined in the manner described in Note 49.

b) Financial guarantee contracts

Financial guarantee contracts issued by the Bank and its subsidiaries are initially measured at their fair values and, if not designated as at fair value through profit or loss, are subsequently measured at the higher of the best estimate of the obligation under the contract or the amount initially recognized less cumulative amortization recognized.

2) Derecognition of financial liabilities

The difference between the carrying amount of the financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

d. 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 derivative financial instruments is positive, the derivative is recognized as a financial asset; when the fair value of derivative financial instruments is negative, the derivative is recognized as a financial liability.

Derivatives embedded in non-derivative 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

The Bank and its subsidiaries designate certain hedging instruments, which include derivatives, embedded derivatives and nonderivatives in respect of foreign currency risk, as either fair value hedges or cash flow hedges.

At the start of a hedge relationship, the Bank and its subsidiaries document the relationship between the hedging instrument and the hedged item, along with their risk management objectives and their strategy for undertaking various hedge transactions. Further, at the start of the hedge and on an ongoing basis, the Bank and its subsidiaries document whether the hedging instrument is highly effective in offsetting the exposure to adverse changes in fair values or cash flows of the hedged item. Note 9 sets out the details of the fair values of the derivative instruments used for hedging purposes.

a. Fair value hedges

The change in the fair value of the hedging instrument (e.g., derivative) and the change in the hedged item attributable to the hedged risk are recognized in profit or loss in the line item relating to the hedged item.

Hedge accounting is discontinued when the Bank and its subsidiaries revoke the designated hedging relationship, or when the hedging instrument expires or is sold or terminated, or when it no longer meets the criteria for hedge accounting. The fair value adjustment to the carrying amount of the hedged instrument for which the effective interest method is used, is amortized to profit or loss from the date of the discontinuation of hedge accounting. The adjustment is based on the recalculated effective interest rate at the date amortization begins.

b. Cash flow hedges

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.

The gain or loss recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment in the line item relating to the hedged item in the same period when the hedged item affects profit or loss. If a hedge of a forecast transaction subsequently results in the recognition of a nonfinancial asset or a nonfinancial liability, the gain or loss recognized in other comprehensive income is removed from equity and is included in the initial cost of the nonfinancial asset or nonfinancial liability.

Hedge accounting is discontinued when the Bank and its subsidiaries revoke 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 a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

Repurchase and Resell Transactions

Securities under repurchase or resell agreement are accounted for as securities sold under repurchase agreements or securities purchased under resell agreements. Related interest expenses and interest income are accrued over the period from the date of sale to the date of repurchase or from the date of purchase to the date of resale.

Property and Equipment

Property and equipment (P&E) are stated at cost, less subsequent accumulated depreciation and subsequent accumulated impairment loss.

Depreciation is recognized using the straight-line method. Each part of a P&E item with a cost that is significant in relation to the total cost of the item 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 prospectively.

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 for earning rentals and/or for capital appreciation.

Investment properties are measured initially at cost, including transaction costs, and are subsequently measured using the fair value model. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which these changes arise.

For a transfer from property and equipment to investment property at the end of owner-occupation, any difference between the fair value of the property at the transfer date and its previous carrying amount is recognized in other comprehensive income.

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.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as of the date of acquisition less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the cash-generating units of the Bank and its subsidiaries that is expected to benefit from the synergies resulting from the business acquisition.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually-or more frequently when there is an indication that the unit may be impaired-by comparing its carrying amount, including the allocated goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit has been acquired in a business combination during the current annual period, this unit should be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is first used to reduce the carrying amount of any goodwill allocated to the unit and the rest of the impairment loss is then allocated to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss on goodwill is recognized directly in profit or loss, and is not reversed in subsequent periods.

If goodwill has been allocated to a cash-generating unit and the entity disposes of an operation within that unit, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal, and is measured on the basis of the respective values of the operation disposed of and the portion of the cash-generating unit retained.

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. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimates accounted for prospectively. 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 (which is regarded as their cost) at the acquisition date. After initial recognition, these 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.

Impairment of Tangible and Intangible Assets Other than Goodwill

At the end of each reporting period, the Bank and its subsidiaries review the carrying amounts of their tangible and intangible assets, excluding goodwill, to determine for any indication of impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Bank and its subsidiaries estimate the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to the individual cash-generating units; otherwise they are allocated to the smallest group of cash-generating units.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication of asset impairment.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit and loss.

When an impairment loss reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Employee Benefits

a. Short-term employee benefits

Liabilities recognized for short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related employee services.

b. Retirement benefits

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

Costs (including service cost, net interest and remeasurement) of the defined benefit plans are determined using the projected unit credit method. Service cost and net interest on the net defined benefit liability (asset) are recognized as employee benefit expense in the period they arise. Remeasurement, comprising actuarial gains and losses, and the return on plan assets (excluding interest), are 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 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 employee benefits

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

d. Employee benefit - employees' preferential deposits

The Bank has granted a preferential interest rate to its current employees and retired employees for their deposits within a prescribed amount. The preferential interest rate in excess of market interest rate is considered employee benefits.

Under Article 30 of the "Regulations Governing the Preparation of Financial Reports by Public Banks", if the Bank's preferential deposit interest rate for an employee as stated in the employment contract exceeds the market interest rate, the excess will be subject to IAS 19 "Employee Benefits" upon the employees' retirement. The actuarial valuation assumptions and parameters are based on the guidelines announced by the authorities.

Income Tax

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

a. Current tax

Based on the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the shareholders approve the retention of these earnings.

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

b. Deferred tax

Deferred tax is calculated on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be used.

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 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 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 of how the Bank and its subsidiaries expect, at the end of the reporting period, to recover or settle the carrying amount of their assets and liabilities.

c. Current and deferred taxes for the year

Current and deferred taxes are recognized in profit or loss, but taxes that relate to items recognized in other comprehensive income or directly in equity are also recognized in other comprehensive income or directly in equity respectively.

Recognition of Interest Income and Interest Expense

Except for financial assets and liabilities at fair value through profit or loss, all interest-earning financial assets and interest-bearing financial liabilities are accrued using the effective interest rate method and are accounted for as interest income and interest expense in the consolidated statement of comprehensive income.

Recognition of Service Fee Income and Service Fee Expense

Service fee income and expense are recognized when loans or other services are provided. Service fees on significant projects are recognized when the project has been completed, for instance, loan syndication fees are recognized as revenue when the syndication has been completed. If service fee income and expense are related to provide service on loans, service fee income and expense are either recognized over the period that service is performed or as an adjustment to the effective interest rate on the loans and receivables, mainly depending the materiality of these loans.

Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognized in profit or loss as incurred.

Goodwill is measured as 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 in excess of the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Current non-controlling interests, which entitle their holders to a proportionate share of an acquiree's net assets in the event of liquidation, may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Bank and its subsidiaries' accounting policies, 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 to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed by management 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. Estimated impairment loss on loans and receivables

The Bank and its subsidiaries review loan portfolios and receivables to assess impairment periodically. In determining whether an impairment loss should be recognized, the Bank and its subsidiaries make judgments on whether there is any evidence of impairment loss. This evidence may include observable data on an adverse change in the payment status of borrowers in the portfolio (e.g., payment delinquency or default or in the national or economic condition that correlates with defaults on the assets in the portfolio. Management also determines the future cash flows in the portfolio using estimates based on historical loss experience on 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. Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The calculation of the value in use requires management to estimate the future cash flows expected to arise from the cash-generating unit and to use a discount rate suited to the calculation of the present value of the cash flows. When the actual future cash flows are less than expected, a material impairment loss may arise.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2016	2015
Cash on hand	\$ 7,092,730	\$ 6,929,037
Due from other banks	25,043,723	66,314,714
Notes and checks for clearing	<u>4,093,448</u>	<u>3,777,022</u>
	<u>\$ 36,229,901</u>	<u>\$ 77,020,773</u>

Please refer to the consolidated statements of cash flows for the reconciliation of the amounts in the consolidated statements of cash flows with the equivalent items reported in the consolidated balance sheets as of December 31, 2016 and 2015.

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

	December 31	
	2016	2015
Call loans to banks	\$ 140,486,547	\$ 72,232,119
Trade finance advance - interbank	78,175,024	77,393,157
Deposit reserves	48,377,391	62,500,447
Due from the Central Bank - others	<u>-</u>	<u>120,029</u>
	<u>\$ 267,038,962</u>	<u>\$ 212,245,752</u>

Under a directive issued by the Central Bank of China, the New Taiwan dollar (NTD)-denominated deposit reserves are determined by applying a prescribed percentage to the average monthly balances of customers' NTD-denominated deposits. As of December 31, 2016 and 2015, deposit reserves for checking accounts amounted to \$17,567,640 thousand and \$15,247,672 thousand, respectively, and the required deposit reserves amounted to \$32,236,828 thousand, \$31,706,809 thousand, respectively. The deposit reserves for checking accounts are not interest bearing and may be withdrawn anytime. The required deposit reserves are subject to withdrawal restrictions. In addition, foreign-currency deposit reserves are determined at a prescribed percentage of the balances of foreign-currency deposits. These reserves may be withdrawn anytime but bear no interests.

Fubon Bank (China) uses the ending balance of deposits at the end of the month or certain balances reached at the end of 10-day periods as basis for making provisions, as required under the regulations of the People's Bank of China.

Due from the Central Bank and call loans to other banks pledged as collateral are disclosed in Note 45.

8. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>December 31</u>	
	<u>2016</u>	<u>2015</u>
<u>Held-for-trading financial assets</u>		
Corporate bonds	\$ 11,448,675	\$ 17,531,645
Government bonds	9,384,710	10,470,849
Commercial paper	5,790,972	4,041,357
Bank debentures	5,034,816	6,512,321
Negotiable certificates of deposit	-	1,465,471
Others	<u>350,966</u>	<u>373,120</u>
	<u>32,010,139</u>	<u>40,394,763</u>
Derivatives		
Currency swap contracts	48,243,991	33,197,353
Option contracts	15,581,180	33,705,099
Interest rate swap contracts	4,128,133	6,119,331
Cross-currency swap contracts	2,099,997	3,365,955
Forward contracts	1,442,667	2,082,677
Others	<u>998,166</u>	<u>1,075,366</u>
	<u>72,494,134</u>	<u>79,545,781</u>
	<u>104,504,273</u>	<u>119,940,544</u>
<u>Financial assets designated as at fair value through profit or loss</u>		
Convertible corporate bonds	11,511,540	8,547,222
Credit-linked notes	<u>1,153,941</u>	<u>2,156,652</u>
	<u>12,665,481</u>	<u>10,703,874</u>
	<u>\$ 117,169,754</u>	<u>\$ 130,644,418</u>
<u>Held-for-trading financial liabilities</u>		
Borrowed bonds	<u>\$ 99,918</u>	<u>\$ 49,903</u>
Derivatives		
Currency swap contracts	42,108,469	31,150,540
Option contracts	17,337,813	35,030,011
Interest rate swap contracts	3,769,138	5,500,425
Cross-currency swap contracts	2,615,424	5,531,195
Forward contracts	1,696,129	1,892,733
Others	<u>807,485</u>	<u>805,715</u>
	<u>68,334,458</u>	<u>79,910,619</u>
	<u>\$ 68,434,376</u>	<u>\$ 79,960,522</u>

The Bank and its subsidiaries engage in derivative transactions mainly to accommodate customers' needs, manage their exposure positions, and meet their fund needs in different currencies.

The above financial assets were designated as at fair value through profit or loss because the assets were hybrid instruments or because this designation eliminated or significantly reduced a measurement or recognition inconsistency.

The contract (notional) amounts of the Bank and its subsidiaries' outstanding derivative financial instruments as of December 31, 2016 and 2015 are summarized as follows:

	Contract Amount	
	December 31	
	2016	2015
Currency swap contracts	\$ 3,194,066,410	\$ 3,131,448,477
Interest rate swap contracts	1,046,366,821	1,091,177,156
Option contracts	461,500,988	1,345,672,792
Cross-currency swap contracts	164,177,368	178,444,833
Forward contracts	110,716,279	185,484,919
Futures contracts	69,837,783	16,969,746
Stock price swap contracts	11,403,174	10,836,834
Commodity swap contracts	1,360,045	17,161
Equity swap contracts	-	2,069,810

Gains on financial assets and liabilities at fair value through profit or loss for the years ended December 31, 2016 and 2015 were as follows:

	For the Year Ended December 31	
	2016	2015
Net gain on held-for-trading financial assets and liabilities	\$ 2,768,827	\$ 4,214,705
Net gain (loss) on financial assets designated as at fair value through profit or loss	<u>462,867</u>	<u>(197,847)</u>
	<u>\$ 3,231,694</u>	<u>\$ 4,016,858</u>

Held-for-trading financial assets sold under repurchase agreements are disclosed in Note 26 and those pledged as collateral are disclosed in Note 45.

9. DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGING

	December 31	
	2016	2015
<u>Hedging derivative financial assets</u>		
Fair value hedge-interest rate swap	<u>\$ 412,743</u>	<u>\$ 467,130</u>
<u>Hedging derivative financial liabilities</u>		
Fair value hedge-interest rate swap	<u>\$ 1,239,999</u>	<u>\$ 808,235</u>

Fair Value Hedge

The Bank and its subsidiaries are exposed to the risk of adverse fair value fluctuations due to changes in interest rates for the corporate bonds, bank debentures included in available-for-sale financial assets and bank debentures issued. Since the risk is considered material, the Bank and its subsidiaries enter into interest rate swap contracts to hedge against this risk.

Hedged Item	Hedging Instrument	December 31			
		2016		2015	
		Nominal Amount	Fair Value	Nominal Amount	Fair Value
Bank debentures	Interest rate swap contract	\$ 34,161,018	\$ (609,639)	\$ 27,901,862	\$ 25,452
Available-for-sale financial assets - corporate bonds	Interest rate swap contract	13,622,793	(129,030)	6,814,882	(268,339)
Available-for-sale financial assets - bank debentures	Interest rate swap contract	12,992,144	(88,587)	9,893,080	(98,218)

Gains (losses) on hedging instruments and hedged items for the years ended December 31, 2016 and 2015 were as follows:

	For the Year Ended December 31	
	2016	2015
Losses on hedging instruments	<u>\$ (575,549)</u>	<u>\$ (6,325)</u>
Gains on hedged items	<u>\$ 885,121</u>	<u>\$ 51,187</u>

10. SECURITIES PURCHASED UNDER RESELL AGREEMENTS

	December 31	
	2016	2015
Commercial paper	\$ 9,330,083	\$ 8,670,941
Bank debentures	9,186,877	-
Corporate bonds	7,566,356	9,038,912
Government bonds	1,421,602	4,761,570
Others	-	20,001
	<u>\$ 27,504,918</u>	<u>\$ 22,491,424</u>
Dates of resell agreements	2017.01.03- 2017.02.09	2016.01.04- 2016.01.28
Amounts of resell agreements	\$ 27,514,522	\$ 22,497,036

11. RECEIVABLES, NET

	December 31	
	2016	2015
Credit card receivables	\$ 33,706,231	\$ 27,451,486
Accounts receivables - factoring	16,535,416	16,542,508
Interest receivables	8,048,415	7,651,984
Acceptances	6,738,913	6,597,126
Accounts receivable	2,144,570	1,570,546
Accounts receivables and acceptances - forfeiting	1,039,227	18,221,291
Others	<u>2,689,004</u>	<u>3,679,386</u>
	70,901,776	81,714,327
Less: Allowance for credit losses (Note 19)	<u>512,027</u>	<u>688,504</u>
	<u>\$ 70,389,749</u>	<u>\$ 81,025,823</u>

The Bank and its subsidiaries have accrued allowance for credit losses on receivables. Please refer to Note 19 for the movements of allowance for credit losses.

Please refer to Note 50 for impairment loss analysis of receivables.

12. DISCOUNTS AND LOANS, NET

	December 31	
	2016	2015
Discounts and overdrafts	\$ 27,370,427	\$ 36,206,273
Accounts receivable - financing	3,119,411	5,556,761
Short-term loans	285,415,534	337,577,830
Short-term secured loans	77,755,259	89,494,819
Medium-term loans	239,077,726	254,448,199
Medium-term secured loans	117,925,289	128,784,991
Long-term loans	45,376,948	47,619,597
Long-term secured loans	503,733,572	465,325,525
Import and export bill negotiation	3,766,579	3,379,319
Nonperforming loans transferred from loans	<u>4,971,107</u>	<u>4,778,677</u>
	1,308,511,852	1,373,171,991
Less: Allowance for credit losses (Note 19)	18,070,150	18,944,067
Less: Adjustments of premium and discount	<u>580,691</u>	<u>695,014</u>
	<u>\$ 1,289,861,011</u>	<u>\$ 1,353,532,910</u>

During the years ended December 31, 2016 and 2015, the Bank and its subsidiaries had not written off credits that had not been subject to legal proceedings.

The Bank and its subsidiaries have an allowance for credit losses on discounts and loans. Please refer to Note 19 for the movements of allowance for credit losses.

Fubon Bank (China)'s investments in unexpired discounted notes sold under repurchase agreements are disclosed in Note 26.

Please refer to Note 50 for the impairment loss analysis of discounts and loans.

13. AVAILABLE-FOR-SALE FINANCIAL ASSETS, NET

	December 31	
	2016	2015
Commercial paper	\$ 45,374,817	\$ 8,887,261
Bank debentures	43,887,305	39,675,526
Corporate bonds	19,731,747	23,648,629
Government bonds	14,846,766	21,593,819
Negotiable certificates of deposits	14,713,152	21,719,105
Stocks	5,623,363	5,277,651
Treasury bills	2,828,004	3,986,665
Other	<u>910,780</u>	<u>1,481,649</u>
	147,915,934	126,270,305
Less: Accumulated impairment loss	<u>335,594</u>	<u>335,594</u>
	<u>\$ 147,580,340</u>	<u>\$ 125,934,711</u>

Available-for-sale financial assets sold under repurchase agreements are disclosed in Note 26 and those pledged as collateral are disclosed in Note 45.

14. HELD-TO-MATURITY FINANCIAL ASSETS

	<u>December 31</u>	
	<u>2016</u>	<u>2015</u>
Negotiable certificates of deposits	\$ 209,265,326	\$ 181,804,665
Government bonds	82,776,609	61,976,070
Bank debentures	45,368,423	35,426,693
Corporate bonds	12,845,505	8,377,241
Other	<u>4,139,635</u>	<u>1,145,987</u>
	<u>\$ 354,395,498</u>	<u>\$ 288,730,656</u>

On January 1, 2014, the Bank and its subsidiaries disposed of their bonds investments because of being near maturity or an increase in credit risk in consideration of cost of capital. As of December 31, 2016 and 2015, the cumulative amount of disposal and reclassification during the past three years was \$18,493,991 thousand and \$159,073 thousand, respectively, the cumulative gain on disposal was \$15,286 thousand and \$5,626 thousand, respectively, the cumulative other comprehensive income from reclassification was \$205,938 thousand (December 31, 2015: None), and the percentage of the cumulative amount of disposal and reclassification to total amount of held-to-maturity investments was 5% and 0.1%, respectively.

Held-to-maturity financial assets sold under repurchase agreement are disclosed in Note 26 and those pledged as collateral are disclosed in Note 45.

15. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements

Investor	Investee	Nature of Activities	<u>Percentage of Ownership</u>		Remark
			<u>December 31</u>		
			<u>2016</u>	<u>2015</u>	
TAIPEI FUBON Bank	Fubon Bank (China) Taipei Fubon Bank Life Insurance Agency Co., Ltd.	Bank Life insurance agency	51% -	51% 100%	Note

Note: Taipei Fubon Bank Life Insurance Agency Co., Ltd. has been merged with Taipei Fubon Bank on April 29, 2016. Taipei Fubon Bank is the surviving company and Taipei Fubon Bank Life Insurance Agency Co., Ltd. is the dissolved company.

b. Details of subsidiaries with material non-controlling interests

Subsidiary	Principal Place of Business	<u>Percentage of Ownership and Voting Rights Held by Non-controlling Interests</u>	
		<u>December 31</u>	
		<u>2016</u>	<u>2015</u>
Fubon Bank (China)	China	49%	49%

Subsidiary	Profit Allocated to Non-controlling Interests For the Year Ended December 31		Accumulated Non-controlling Interests December 31	
	2016	2015	2016	2015
	Fubon Bank (China)	\$ 805,392	\$ 822,722	\$ 18,773,225

The summarized financial information below represents amounts before intragroup eliminations.

Fubon Bank (China)

	December 31	
	2016	2015
Total assets	\$ 338,440,655	\$ 393,278,418
Total liabilities	<u>(298,212,671)</u>	<u>(351,302,611)</u>
Equity	<u>\$ 40,227,984</u>	<u>\$ 41,975,807</u>
Equity attributable to:		
Owners of the Bank	\$ 21,454,759	\$ 22,426,124
Non-controlling interest	<u>18,773,225</u>	<u>19,549,683</u>
	<u>\$ 40,227,984</u>	<u>\$ 41,975,807</u>
	For the Year Ended December 31	
	2016	2015
Total net revenue	<u>\$ 5,727,803</u>	<u>\$ 6,121,605</u>
Net income for the year	\$ 1,643,657	\$ 1,679,025
Other comprehensive income for the year	<u>(3,391,480)</u>	<u>(625,277)</u>
Total comprehensive income for the year	<u>\$ (1,747,823)</u>	<u>\$ 1,053,748</u>
Net income attributable to:		
Owners of the Bank	\$ 838,265	\$ 856,303
Non-controlling interests	<u>805,392</u>	<u>822,722</u>
	<u>\$ 1,643,657</u>	<u>\$ 1,679,025</u>
Total comprehensive income attributable to:		
Owners of the Bank	\$ (971,365)	\$ 523,981
Non-controlling interests	<u>(776,458)</u>	<u>529,767</u>
	<u>\$ (1,747,823)</u>	<u>\$ 1,053,748</u>
Net cash (outflow) inflow from:		
Operating activities	\$ (5,725,633)	\$ 10,188,854
Investing activities	(260,578)	(835,143)
Financing activities	2,988,429	(3,804,140)

16. INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES

- a. The unconsolidated structured entity held by the Bank and its subsidiaries is shown below. The funds are from the Bank and its subsidiaries and external third parties:

Type of Structured Entity	Nature and Purpose	Equity Attributable to the Bank its subsidiaries
Asset securitization	Investment in asset securitization for investment gain	Investment in the securities issued by unconsolidated structured entities
Trust plan	Investment in trust plans for investment gain	Investment in the beneficial right of trust issued by unconsolidated structured entities
Asset management plan	Investment in asset management plans for investment gain	Investment in the beneficial right of asset management issued by unconsolidated structured entities

- b. The carrying amounts of the Bank and its subsidiaries' involvement with the structured entity, which were recognized in the consolidated balance sheets as of December 31, 2016 and 2015, were as follows:

	December 31	
	2016	2015
Asset securitization		
Available-for-sale financial assets	\$ 910,780	\$ 978,119
Held-to-maturity financial assets	554,884	719,395
Financial assets at fair value through profit or loss	350,966	373,120
Trust plan		
Available-for-sale financial assets	-	503,530
Other financial assets	-	1,510,590
Asset management plan		
Other financial assets	-	11,080,045
	<u>\$ 1,816,630</u>	<u>\$ 15,164,799</u>

The amount of the maximum exposure to loss is the carrying amount of the assets held by the Bank.

- c. The Bank and its subsidiaries did not provide any financial support to the unconsolidated structured entity for the years ended December 31, 2016 and 2015.

17. INVESTMENTS MEASURED BY EQUITY METHOD

	December 31			
	2016		2015	
	Amount	%	Amount	%
Associate that is not individually material	<u>\$ 120,653</u>	<u>30</u>	<u>\$ 125,614</u>	<u>30</u>

Information of associate that is not individually material:

	For the Year Ended December 31	
	2016	2015
The Bank and its subsidiaries' share of:		
Net income	\$ 8,171	\$ 6,937
Other comprehensive income (loss)	<u>(7,560)</u>	<u>(1,259)</u>
Total comprehensive income (loss) for the year	<u>\$ 611</u>	<u>\$ 5,678</u>

The Bank and its subsidiaries' share of profit and other comprehensive income (loss) of the associate for the years ended December 31, 2016 and 2015 was based on the associate's financial statements for the same reporting periods as those of the Bank, which had been audited by independent auditors.

The above investments measured by equity method are not pledged as security.

18. OTHER FINANCIAL ASSETS, NET

	December 31	
	2016	2015
Debt instruments with no active markets	\$ 37,132,528	\$ 24,010,908
Other banks' deposits not qualifying as cash equivalents	13,021,254	16,551,232
Nonperforming loans transferred from other than loans	867,701	489,010
Financial assets carried at cost, net	554,921	554,921
Bills purchased	1,596	1,717
Continuing involvement in transferred assets	<u>-</u>	<u>256,108</u>
	51,578,000	41,863,896
Less: Allowance for credit losses (Note 19)	<u>838,989</u>	<u>433,938</u>
	<u>\$ 50,739,011</u>	<u>\$ 41,429,958</u>

a. Debt instruments with no active market

	December 31	
	2016	2015
Bank debentures	\$ 26,102,856	\$ 3,988,331
Corporate bonds	11,029,672	7,431,942
Others	<u>-</u>	<u>12,590,635</u>
	<u>\$ 37,132,528</u>	<u>\$ 24,010,908</u>

Others mean the beneficial rights of trust plans, asset management plans and financial products issued by other banks and transferred to Fubon Bank (China). Counterparties signed the agreements to transfer the beneficial rights at the fixed rates of return on the agreed dates and these transactions were essentially debt investments with fixed or determinable payments that are not quoted in an active market. Dates of transfer agreements as of December 31, 2015 are from January 2016 to March 2016.

b. Financial assets at cost, net

	December 31	
	2016	2015
Unlisted common stocks		
Taiwan Asset Management Co., Ltd.	\$ 225,000	\$ 225,000
Taiwan Financial Asset Service Co., Ltd.	100,000	100,000
Financial Information Service Co., Ltd.	91,000	91,000
Easy Card Investment Holding Co., Ltd.	47,500	47,500
Others	<u>118,107</u>	<u>131,042</u>
	581,607	594,542
Less: Accumulated impairment loss	<u>26,686</u>	<u>39,621</u>
	<u>\$ 554,921</u>	<u>\$ 554,921</u>

The above financial assets carried at cost are classified into available-for-sale financial assets by measurement category.

Management believed that the above unlisted equity investments held by the Bank and its subsidiaries had fair values that could not be reliably measured because the range of reasonable fair value estimates was so significant; thus, these investments were measured at cost less impairment at the end of the reporting period.

c. Continuing involvement in transferred assets

Fubon Bank (China) sells its nonperforming loans to a buyer and issues a commitment letter as guarantee of its continuing involvement in the transferred assets. Under this transaction, Fubon Bank (China) neither transferred nor retained substantially all the risks and rewards of ownership of the financial assets. Thus, Fubon Bank (China) continued to recognize the transferred assets to the extent of its continuing involvement and recognized associated liabilities it could be required to repay (included in other financial liabilities). (Please refer to Note 30).

Other financial assets sold under repurchase agreements are disclosed in Note 26 and those pledged as collateral are disclosed in Note 45.

19. ALLOWANCE FOR CREDIT LOSSES

The movements of allowance for credit losses and reserve for losses on guarantees for the years ended December 31, 2016 and 2015 are summarized as follows (for more information, please refer to Note 50):

	For the Year Ended December 31, 2016				
	Receivables	Discounts and Loans	Other Financial Assets	Reserve for Losses on Guarantees	Total
Balance, beginning of the year	\$ 688,504	\$ 18,944,067	\$ 433,938	\$ 364,374	\$ 20,430,883
Allowance (reversal of allowance)	(164,788)	687,207	883,811	(33,968)	1,372,262
Write-offs	(26,532)	(1,767,684)	(848,236)	-	(2,642,452)
Recovery of written-off credits	24,716	569,304	387,046	-	981,066
Effects of exchange rate changes	<u>(9,873)</u>	<u>(362,744)</u>	<u>(17,570)</u>	<u>(747)</u>	<u>(390,934)</u>
Balance, end of the year	<u>\$ 512,027</u>	<u>\$ 18,070,150</u>	<u>\$ 838,989</u>	<u>\$ 329,659</u>	<u>\$ 19,750,825</u>

For the Year Ended December 31, 2015

	Receivables	Discounts and Loans	Other Financial Assets	Reserve for Losses on Guarantees	Total
Balance, beginning of the year	\$ 873,665	\$ 19,455,823	\$ 49,954	\$ 400,717	\$ 20,780,159
Allowance (reversal of allowance) for bad debts	(178,859)	168,044	224,447	(36,880)	176,752
Write-offs	(18,977)	(1,287,250)	(272,978)	-	(1,579,205)
Recovery of written-off credits	-	536,625	431,217	-	967,842
Effects of exchange rate changes	<u>12,675</u>	<u>70,825</u>	<u>1,298</u>	<u>537</u>	<u>85,335</u>
Balance, end of the year	<u>\$ 688,504</u>	<u>\$ 18,944,067</u>	<u>\$ 433,938</u>	<u>\$ 364,374</u>	<u>\$ 20,430,883</u>

20. PROPERTY AND EQUIPMENT, NET

For the Year Ended December 31, 2016

	Land	Buildings	Machinery and Computer Equipment	Transportation Equipment	Office and Other Equipment	Leasehold Improvements	Construction in Progress and Prepayments for Equipment	Total
Cost								
Balance at January 1, 2016	\$ 7,170,940	\$ 12,610,962	\$ 2,975,985	\$ 286,667	\$ 1,191,541	\$ 1,055,203	\$ 1,288,290	\$ 26,579,588
Additions	-	-	240,747	16,391	110,500	207,441	1,273,507	1,848,586
Disposals	(129,593)	(166,104)	(183,861)	(16,945)	(149,016)	(120,171)	-	(765,690)
Reclassification	25,458	8,242	170,198	-	5,780	317,414	(812,855)	(285,763)
Effect of foreign currency exchange differences	-	(634,424)	(42,020)	(3,838)	(33,176)	(14,461)	(32,293)	(760,212)
Balance at December 31, 2016	<u>7,066,805</u>	<u>11,818,676</u>	<u>3,161,049</u>	<u>282,275</u>	<u>1,125,629</u>	<u>1,445,426</u>	<u>1,716,649</u>	<u>26,616,509</u>
Accumulated depreciation								
Balance at January 1, 2016	-	2,313,476	1,862,616	215,657	809,553	727,437	-	5,928,739
Depreciation	-	270,371	367,755	23,254	96,082	154,391	-	911,853
Disposals	-	(49,098)	(182,429)	(16,585)	(141,314)	(116,214)	-	(505,640)
Effect of foreign currency exchange differences	-	(57,660)	(19,721)	(2,840)	(18,191)	(2,931)	-	(101,343)
Balance at December 31, 2016	<u>-</u>	<u>2,477,089</u>	<u>2,028,221</u>	<u>219,486</u>	<u>746,130</u>	<u>762,683</u>	<u>-</u>	<u>6,233,609</u>
Carrying amount at December 31, 2016	<u>\$ 7,066,805</u>	<u>\$ 9,341,587</u>	<u>\$ 1,132,828</u>	<u>\$ 62,789</u>	<u>\$ 379,499</u>	<u>\$ 682,743</u>	<u>\$ 1,716,649</u>	<u>\$ 20,382,900</u>

For the Year Ended December 31, 2015

	Land	Buildings	Machinery and Computer Equipment	Transportation Equipment	Office and Other Equipment	Leasehold Improvements	Construction in Progress and Prepayments for Equipment	Total
Cost								
Balance at January 1, 2015	\$ 7,222,317	\$ 12,745,919	\$ 2,744,304	\$ 278,204	\$ 1,160,929	\$ 933,977	\$ 417,227	\$ 25,502,877
Additions	-	-	284,454	17,561	153,012	140,530	1,231,805	1,827,362
Disposals	-	-	(199,152)	(18,932)	(123,235)	(62,679)	(286)	(404,284)
Reclassification	(51,377)	(28,418)	149,757	9,963	637	41,811	(357,190)	(234,817)
Effect of foreign currency exchange differences	-	(106,539)	(3,378)	(129)	198	1,564	(3,266)	(111,550)
Balance at December 31, 2015	<u>7,170,940</u>	<u>12,610,962</u>	<u>2,975,985</u>	<u>286,667</u>	<u>1,191,541</u>	<u>1,055,203</u>	<u>1,288,290</u>	<u>26,579,588</u>
Accumulated depreciation								
Balance at January 1, 2015	-	2,052,098	1,745,107	203,551	847,332	667,635	-	5,515,723
Depreciation	-	281,049	313,505	30,599	83,643	118,788	-	827,584
Disposals	-	-	(195,331)	(18,410)	(120,461)	(60,200)	-	(394,402)
Reclassification	-	(12,687)	-	-	-	-	-	(12,687)
Effect of foreign currency exchange differences	-	(6,984)	(665)	(83)	(961)	1,214	-	(7,479)
Balance at December 31, 2015	<u>-</u>	<u>2,313,476</u>	<u>1,862,616</u>	<u>215,657</u>	<u>809,553</u>	<u>727,437</u>	<u>-</u>	<u>5,928,739</u>
Carrying amount at December 31, 2015	<u>\$ 7,170,940</u>	<u>\$ 10,297,486</u>	<u>\$ 1,113,369</u>	<u>\$ 71,010</u>	<u>\$ 381,988</u>	<u>\$ 327,766</u>	<u>\$ 1,288,290</u>	<u>\$ 20,650,849</u>

The above items of property, plant and equipment were depreciated on a straight-line basis over their estimated useful lives, as follows:

Buildings	40-61 years
Machinery and computer equipment	3-16 years
Transportation equipment	5 years
Office and other equipment	3-47 years
Leasehold impairments	3-22 years

21. INVESTMENT PROPERTIES

Item	December 31	
	2016	2015
Land	\$ 2,337,145	\$ 2,416,231
Buildings	<u>304,355</u>	<u>330,469</u>
	<u>\$ 2,641,500</u>	<u>\$ 2,746,700</u>

The movements of investment properties are shown below:

	For the Year Ended December 31	
	2016	2015
Balance, beginning of the year	\$ 2,746,700	\$ 2,349,150
Disposal	(34,700)	-
Reclassification	(33,700)	284,458
(Loss) gain on change in fair value of investment properties	<u>(36,800)</u>	<u>113,092</u>
Balance, end of the year	<u>\$ 2,641,500</u>	<u>\$ 2,746,700</u>

The investment properties were leased out as operating leases with terms of 3 to 10 years. Some of the lease contracts included clauses requiring the lessees to pay contingent rentals at a specified percentage every year.

The fair values of the investment properties as of December 31, 2016 were based on the valuations carried out on these dates by independent qualified professional valuers, Dai Guang-Ping, Chang Hung-Kai, Chang Yi-Chih and Yeh Yu-Fen from the real estate appraiser office, Savills plc, a duly certified ROC real estate appraiser.

The fair values of the investment properties as of December 31, 2015 were based on the valuations carried out on these dates by independent qualified professional valuers, Dai Guang-Ping, Chang Hung-Kai, Liu Shih-Kai, Chang Yi-Chih and Chen Yi-Jun from the real estate appraiser office, Savills plc, a duly certified ROC real estate appraiser.

The fair value of investment properties, except undeveloped land, was measured using the income approach, which included a discounted cash flow analysis. Among the significant assumptions used was that an increase in estimated future net cash inflows or a decrease in discount rates would result in higher fair value.

	For the Year Ended December 31	
	2016	2015
Expected future cash inflows	\$ 4,004,305	\$ 4,166,406
Expected future cash outflows	<u>(122,972)</u>	<u>(148,726)</u>
Expected future cash inflows, net	<u>\$ 3,881,333</u>	<u>\$ 4,017,680</u>
Discount rate	4.345%	4.485%

The market rentals in the area where the investment property is located were between \$1 thousand and \$20 thousand per ping.

The expected future cash inflows generated by investment properties included rental income, interest income on rental deposits and disposal value. Thus, rental income was extrapolated using the Bank and its subsidiaries' current lease agreements and market rentals, taking into account the annual rental growth rate and an income analysis covering 10 years, with the interest income on rental deposits extrapolated using the interest rate for 1 year; the disposal value was determined using the direct capitalization method under the income approach. The expected future cash outflows incurred by investment properties included expenditures such as land value taxes, house taxes, insurance premium, and maintenance costs. These expenditures were extrapolated on the basis of the current level of expenditures, taking into account the future adjustment to the government-announced land value and the tax rate promulgated under the House Tax Act.

The discount rate was based on the interest rate for two-year time deposits as posted by Chunghwa Post Co., Ltd., plus 0.75%, and an asset-specific risk premium of 2.5%.

For the years ended December 31, 2016 and 2015, the rental income and direct operating expense from investment properties of the Bank and its subsidiaries were as follows:

	For the Year Ended December 31	
	2016	2015
Rental income	\$ 78,108	\$ 70,182
Direct operating expenses	9,077	7,580
Direct operating expenses from investment properties not earning rental income	-	-

22. INTANGIBLE ASSETS, NET

	December 31	
	2016	2015
Core deposits	\$ 7,072,185	\$ 8,089,760
Banking licenses and operating rights	5,706,179	6,153,028
Goodwill	2,149,336	2,312,551
Computer software	764,571	695,532
Customer relationships	84,866	102,348
Others	<u>2,000</u>	<u>-</u>
	<u>\$ 15,779,137</u>	<u>\$ 17,353,219</u>

The movements of intangible assets are listed below:

	For the Year Ended December 31					
	2016			2015		
	Goodwill	Others	Total	Goodwill	Others	Total
Balance, beginning of the year	\$ 2,312,551	\$ 15,040,668	\$ 17,353,219	\$ 2,339,960	\$ 15,687,498	\$ 18,027,458
Additions	-	201,254	201,254	-	167,946	167,946
Disposals	-	(11,313)	(11,313)	-	-	-
Amortizations	-	(771,631)	(771,631)	-	(781,774)	(781,774)
Reclassification	-	235,784	235,784	-	145,758	145,758
Effect of foreign currency exchange differences	(163,215)	(1,064,961)	(1,228,176)	(27,409)	(178,760)	(206,169)
Balance, end of the year	<u>\$ 2,149,336</u>	<u>\$ 13,629,801</u>	<u>\$ 15,779,137</u>	<u>\$ 2,312,551</u>	<u>\$ 15,040,668</u>	<u>\$ 17,353,219</u>

The above core deposits, customer relationships, banking licenses, operating rights, and goodwill from the Bank's acquisitions from the Hanoi branch and Ho Chi Minh City sub branch of Chinfon Bank, which were monitored by Financial Restructuring Fund and Fubon Bank (China).

Except for intangible assets, which have indefinite useful lives, the intangible assets are amortized on a straight-line basis at the following estimated service lives:

Core deposits	10-23 years
Operating rights	97 years
Computer software	3-10 years
Customer relationships	7-14 years

For the purpose of goodwill impairment testing, Fubon Bank (China) and branches in Vietnam were deemed as individual cash generating units, and the recoverable amounts of these branches were determined on the basis of their net fair value. The key assumptions used in the net fair value calculation included the business cycle and prosperity, the overall state of the economy, and the profitability and estimated salvage value of Fubon Bank (China) and the Vietnam branches.

An assessment by the Bank and its subsidiaries as of December 31, 2016 and 2015 showed there was no goodwill impairment.

23. OTHER ASSETS

	December 31	
	2016	2015
Refundable deposits	\$ 11,774,940	\$ 33,436,417
Prepaid expense	318,857	345,585
Others	<u>424,694</u>	<u>247,508</u>
	<u>\$ 12,518,491</u>	<u>\$ 34,029,510</u>

24. DEPOSITS FROM THE CENTRAL BANK AND BANKS

	December 31	
	2016	2015
Call loans	\$ 60,301,874	\$ 95,410,613
Due to the Central Bank and other banks	13,549,441	30,298,717
Others	<u>1,724,189</u>	<u>1,691,958</u>
	<u>\$ 75,575,504</u>	<u>\$ 127,401,288</u>

25. DUE TO THE CENTRAL BANK AND BANKS

	December 31	
	2016	2015
Funds borrowed from other banks	<u>\$ 7,081,137</u>	<u>\$ 4,577,611</u>

26. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

	December 31	
	2016	2015
Bank debentures	\$ 32,065,521	\$ 34,335,450
Government bonds	12,981,139	20,182,038
Corporate bonds	9,717,961	2,921,675
Discounted note	6,676,308	-
Negotiable certificates of deposits	-	10,793,166
Others	<u>-</u>	<u>1,175,569</u>
	<u>\$ 61,440,929</u>	<u>\$ 69,407,898</u>
Dates of repurchase agreements	2017.01.03- 2017.04.28	2016.01.04- 2016.06.30
Amounts of repurchase agreements	\$ 61,604,524	\$ 69,517,404

As of December 31, 2016 and 2015, the Bank and its subsidiaries' investments in financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity financial assets, other financial assets - debt instruments with no active markets and unexpired discounted notes sold under repurchase agreements were as follows:

	December 31	
	2016	2015
Financial assets at fair value through profit or loss	\$ 47,433	\$ 853,514
Discounted notes	6,550,421	-
Available-for-sale financial assets	26,610,104	28,803,584
Held-to-maturity financial assets	27,074,593	41,147,388
Other financial assets - debt instruments with no active markets	5,037,786	580,406

27. PAYABLES

	December 31	
	2016	2015
Acceptances	\$ 6,698,691	\$ 6,574,938
Accounts payable - factoring	5,150,917	5,451,780
Accrued interest	4,261,942	4,495,867
Accrued expenses	4,110,074	3,869,085
Accounts payable	2,691,102	1,292,930
Others	<u>8,550,606</u>	<u>7,891,462</u>
	<u>\$ 31,463,332</u>	<u>\$ 29,576,062</u>

28. DEPOSITS AND REMITTANCES

	December 31	
	2016	2015
Checking	\$ 13,466,798	\$ 13,627,691
Public treasury	34,452,576	50,745,337
Demand	378,956,831	381,770,682
Savings	804,290,571	754,431,104
Time	574,091,797	550,831,041
Negotiable certificates of deposit	70,959,595	61,106,710
Outward remittances	<u>1,559,498</u>	<u>843,017</u>
	<u>\$ 1,877,777,666</u>	<u>\$ 1,813,355,582</u>

29. BANK DEBENTURES

To maintain its capital adequacy ratio and the medium-term to long-term working capital, the Bank ("Taipei Fubon Bank") had applied and obtained approval from the Financial Supervisory Commission to issue bank debentures. The outstanding balances of bank debentures as of December 31, 2016 and 2015 are summarized as follows:

	December 31	
	2016	2015
Financial liabilities - fair value hedge		
Taipei Fubon Bank		
First issue of subordinated bank debentures in 2009; fixed 2.2%; maturity: November 2016	\$ -	\$ 300,000
Second issue of subordinated bank debentures in 2009; fixed 2.2%; maturity: December 2016	-	600,000
First issue of subordinated bank debentures in 2010; fixed 2.2%; maturity: January 2017	600,000	600,000
Third issue of dominant bank debentures in 2010; fixed 1.8%; maturity: March 2017	600,000	600,000
Fifth issue of dominant bank debentures in 2010; fixed 1.7%; maturity: May 2017	500,000	500,000
Seventh issue of subordinated bank debentures in 2010; fixed 1.55%; maturity: October 2020	900,000	900,000
		(Continued)

	December 31	
	2016	2015
Eighth issue of subordinated bank debentures in 2010; fixed 1.5%; maturity: November 2017	\$ 2,550,000	\$ 2,550,000
First issue of subordinated bank debentures in 2011; fixed 1.65%; maturity: March 2018	1,700,000	1,700,000
Second issue of subordinated bank debentures in 2011; fixed 1.7%; maturity: August 2018	1,500,000	1,500,000
Third issue of subordinated bank debentures in 2011; fixed 1.65%; maturity: December 2018	2,500,000	2,500,000
First issue of subordinated bank debentures in 2012; fixed 1.48%; maturity: April 2019	1,300,000	1,300,000
Second issue of subordinated bank debentures in 2012; fixed 1.68%; maturity: May 2022	3,700,000	3,700,000
First issue of subordinated bank debentures in 2013; fixed 1.52%; maturity: August 2020	1,800,000	1,800,000
First issue of subordinated bank debentures in 2013; fixed 1.7%; maturity: August 2023	500,000	500,000
First issue of subordinated bank debentures in 2014; fixed 1.7%; maturity: May 2021	1,800,000	1,800,000
First issue of subordinated bank debentures in 2014; fixed 1.85%; maturity: May 2024	1,700,000	1,100,000
First issue of dominant bank debentures in 2015; 0%; maturity: February 2045 (US\$100,000 thousand)	3,486,633	3,429,783
Second issue of dominant bank debentures in 2015; 0%; maturity: May 2045 (US\$80,000 thousand)	2,762,324	2,712,576
First issue of dominant bank debentures in 2016; 0%; maturity: December 2046 (US\$200,000 thousand)	<u>6,463,320</u>	<u>-</u>
	34,362,277	28,092,359
Valuation adjustments of bank debentures	<u>(611,074)</u>	<u>25,086</u>
	<u>33,751,203</u>	<u>28,117,445</u>
Bank debentures - non-hedged		
Taipei Fubon Bank		
First issue of subordinated bank debentures in 2009; fixed 2.2%; maturity: November 2016	-	1,700,000
Second issue of subordinated bank debentures in 2009; fixed 2.2%; maturity: December 2016	-	1,450,000
First issue of subordinated bank debentures in 2010; fixed 2.2%; maturity: January 2017	1,650,000	1,650,000
First issue of subordinated bank debentures in 2010; fixed 2.5%; maturity: January 2020	2,400,000	2,400,000
Second issue of subordinated bank debentures in 2010; fixed 2.3%; maturity: January 2017	600,000	600,000
Third issue of dominant bank debentures in 2010; fixed 1.8%; maturity: March 2017	900,000	900,000
Fourth issue of subordinated bank debentures in 2010; fixed 2.5%; maturity: March 2020	2,000,000	2,000,000
Sixth issue of subordinated bank debentures in 2010; fixed 1.95%; maturity: August 2017	4,500,000	4,500,000
Sixth issue of subordinated bank debentures in 2010; fixed 2.05%; maturity: August 2020	1,900,000	1,900,000
First issue of subordinated bank debentures in 2011; fixed 1.65%; maturity: March 2018	1,350,000	1,350,000

(Continued)

	December 31	
	2016	2015
Second issue of subordinated bank debentures in 2011; fixed 1.7%; maturity: August 2018	\$ 950,000	\$ 950,000
Third issue of subordinated bank debentures in 2011; fixed 1.65%; maturity: December 2018	1,500,000	1,500,000
Second issue of subordinated bank debentures in 2012; fixed 1.68%; maturity: May 2022	1,000,000	1,000,000
First issue of subordinated bank debentures in 2013; fixed 1.52%; maturity: August 2020	1,950,000	1,950,000
First issue of subordinated bank debentures in 2014; fixed 1.7%; maturity: May 2021	3,700,000	3,700,000
First issue of subordinated bank debentures in 2014; fixed 1.85%; maturity: May 2024	2,800,000	3,400,000
Second issue of subordinated bank debentures in 2014; fixed 1.98%; maturity: September 2024	<u>3,700,000</u>	<u>3,700,000</u>
	<u>30,900,000</u>	<u>34,650,000</u>
	<u>\$ 64,651,203</u>	<u>\$ 62,767,445</u> (Concluded)

30. OTHER FINANCIAL LIABILITIES

	December 31	
	2016	2015
Principals of structured products	\$ 21,691,631	\$ 26,993,104
Continuing involvement liabilities (Note 18)	-	256,108
Others	<u>-</u>	<u>4,687</u>
	<u>\$ 21,691,631</u>	<u>\$ 27,253,899</u>

31. PROVISIONS

	December 31	
	2016	2015
Provisions for employee benefits (Note 32)	\$ 1,849,821	\$ 2,006,369
Reserve for losses on guarantees (Note 19)	329,659	364,374
Others	<u>230,200</u>	<u>118,681</u>
	<u>\$ 2,409,680</u>	<u>\$ 2,489,424</u>

32. EMPLOYEE BENEFITS PLANS

	<u>December 31</u>	
	2016	2015
Provisions for employee benefits		
Defined benefit plans	\$ 1,132,331	\$ 1,052,309
Preferential interest rate plan for employees' deposits	638,283	613,310
Other long-term employee benefits plan	78,939	340,310
Others	<u>268</u>	<u>440</u>
	<u>\$ 1,849,821</u>	<u>\$ 2,006,369</u>

a. Defined contribution plans

The Bank has a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, monthly contributions to employees' individual pension accounts are at 6% of monthly salaries and wages.

The total expense recognized in profit or loss for the years ended December 31, 2016 and 2015 was \$282,135 thousand and \$265,059 thousand, respectively, which represents contributions payable to these plans by the Bank at rates specified in the rules of the plan.

b. Defined benefit plans

The defined benefit plan adopted by the Bank in accordance with the Labor Standards Law is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the years before retirement. The Bank contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Before the end of each year, the Bank assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Bank is required to fund the difference in one appropriation that should be made before the end of March of next year. Pension contributions are deposited in the Bank of Taiwan in the committee's name and are managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Bank has no right to influence the investment policy and strategy for these contributions.

The Bureau supervises its assets portfolio regularly, makes the portfolio carefully, conducts the investment under the mandated management, strengthens risk management, and adjusts the investment strategies in light of market changes timely to enhance the stable income from its funds. The return generated by the funds should not be below the interest rate for a 2-year time deposit with local banks. The information on the percentages of fair value of plan assets on December 31, 2016 and 2015 is available from the public information of the pension fund of the Bureau.

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

	<u>December 31</u>	
	2016	2015
Present value of defined benefit obligation	\$ 3,066,542	\$ 3,044,392
Fair value of plan assets	<u>(1,934,211)</u>	<u>(1,992,083)</u>
Net defined benefit liability	<u>\$ 1,132,331</u>	<u>\$ 1,052,309</u>

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

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability (Asset)
Balance at January 1, 2015	<u>\$ 2,653,494</u>	<u>\$ (1,985,034)</u>	<u>\$ 668,460</u>
Service cost			
Current service cost	53,834	-	53,834
Past service cost	127	-	127
Net interest expense (income)	<u>49,753</u>	<u>(37,636)</u>	<u>12,117</u>
Recognized in profit or loss	<u>103,714</u>	<u>(37,636)</u>	<u>66,078</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(15,910)	(15,910)
Actuarial loss - changes in demographic assumptions	123,433	-	123,433
Actuarial loss - changes in financial assumptions	114,527	-	114,527
Actuarial loss - experience adjustments	<u>173,411</u>	<u>-</u>	<u>173,411</u>
Recognized in other comprehensive income	<u>411,371</u>	<u>(15,910)</u>	<u>395,461</u>
Contributions from the employer	-	(44,704)	(44,704)
Benefits paid	<u>(124,187)</u>	<u>91,201</u>	<u>(32,986)</u>
Balance at December 31, 2015	<u>\$ 3,044,392</u>	<u>\$ (1,992,083)</u>	<u>\$ 1,052,309</u>
Balance at January 1, 2016	<u>\$ 3,044,392</u>	<u>\$ (1,992,083)</u>	<u>\$ 1,052,309</u>
Service cost			
Current service cost	56,713	-	56,713
Past service cost	936	-	936
Net interest expense (income)	<u>44,616</u>	<u>(29,470)</u>	<u>15,146</u>
Recognized in profit or loss	<u>102,265</u>	<u>(29,470)</u>	<u>72,795</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	15,576	15,576
Actuarial loss - changes in demographic assumptions	130,899	-	130,899
Actuarial loss - changes in financial assumptions	78,961	-	78,961
Actuarial loss - experience adjustments	<u>(125,600)</u>	<u>-</u>	<u>(125,600)</u>
Recognized in other comprehensive income	<u>84,260</u>	<u>15,576</u>	<u>99,836</u>
Contributions from the employer	-	(44,903)	(44,903)
Benefits paid	<u>(164,375)</u>	<u>116,669</u>	<u>(47,706)</u>
Balance at December 31, 2016	<u>\$ 3,066,542</u>	<u>\$ (1,934,211)</u>	<u>\$ 1,132,331</u>

Through the defined benefit plans under the Labor Standards Law, the Bank 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 or 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:

	<u>December 31</u>	
	2016	2015
Discount rate	1.25%	1.50%
Expected rate of salary increase	2.25%	2.25%

The expected mortality rate was based on the 5th Mortality Table of Taiwan's life insurance industry prepared by the Taiwan Institute of Insurance.

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

	<u>December 31</u>	
	2016	2015
Discount rate		
0.5% increase	<u>\$ (166,312)</u>	<u>\$ (159,547)</u>
0.5% decrease	<u>\$ 180,162</u>	<u>\$ 172,737</u>
Expected rate of salary increase		
0.5% increase	<u>\$ 174,527</u>	<u>\$ 167,293</u>
0.5% decrease	<u>\$ (162,813)</u>	<u>\$ (156,115)</u>

As mentioned above, the sensitivity analysis presented above was based on the assumption that there would be a change in each of the actuarial assumptions and that all other assumptions would remain constant. However, it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. The change in the present value of the defined benefit obligation was measured using the project unit credit method, and the sensitivity analysis method for the current year was consistent with that for the prior year.

	<u>December 31</u>	
	2016	2015
Expected contributions to the plan for the next year	<u>\$ 45,240</u>	<u>\$ 45,120</u>
Average duration of the defined benefit obligation	11 years	11 years

c. Preferential interest rate plan for employees' deposits

The Bank was obligated to pay retired employees a fixed preferential interest rate for their deposits in conformity with "Rules of Deposits of Taipei Fubon Commercial Bank".

The amounts included in the consolidated balance sheets arising from the Bank's obligations for the employees' preferential deposits were as follows:

	December 31	
	2016	2015
Present value of funded retired benefit obligation	\$ 638,283	\$ 613,310
Fair value of plan assets	<u>-</u>	<u>-</u>
Net liability arising from retired benefit obligation	<u>\$ 638,283</u>	<u>\$ 613,310</u>

Movements in the net funded retired benefit liability (asset) were as follows:

	Present Value of the Funded Retired Benefit Obligation	Fair Value of the Plan Assets	Net Funded Retired Benefit Liability (Asset)
Balance at January 1, 2015	\$ <u>681,835</u>	\$ -	\$ <u>681,835</u>
Service cost			
Past service cost	46,991	-	46,991
Net interest expense	<u>27,273</u>	<u>-</u>	<u>27,273</u>
Recognized in profit or loss	<u>74,264</u>	<u>-</u>	<u>74,264</u>
Remeasurement			
Actuarial loss - changes in demographic assumptions	1,976	-	1,976
Actuarial gain - experience adjustments	<u>(96,549)</u>	<u>-</u>	<u>(96,549)</u>
Recognized in other comprehensive income	<u>(94,573)</u>	<u>-</u>	<u>(94,573)</u>
Benefits paid	<u>(48,216)</u>	<u>-</u>	<u>(48,216)</u>
Balance at December 31, 2015	<u>\$ 613,310</u>	<u>\$ -</u>	<u>\$ 613,310</u>
Balance at January 1, 2016	<u>\$ 613,310</u>	<u>\$ -</u>	<u>\$ 613,310</u>
Service cost			
Past service cost	42,094	-	42,094
Net interest expense	<u>24,532</u>	<u>-</u>	<u>24,532</u>
Recognized in profit or loss	<u>66,626</u>	<u>-</u>	<u>66,626</u>
Remeasurement			
Actuarial loss - changes in financial assumptions	5,659	-	5,659
Actuarial gain - experience adjustments	<u>2,757</u>	<u>-</u>	<u>2,757</u>
Recognized in other comprehensive income	<u>8,416</u>	<u>-</u>	<u>8,416</u>
Benefits paid	<u>(50,069)</u>	<u>-</u>	<u>(50,069)</u>
Balance at December 31, 2016	<u>\$ 638,283</u>	<u>\$ -</u>	<u>\$ 638,283</u>

The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2016	2015
Discount rate	4%	4%
Expected return on employees' deposits	2%	2%
Withdrawal percentage of preferential deposits	1%	1%

The expected mortality rate was based on “the 2nd Mortality Table” under Rule No. 10102503831 issued by FSC on March 14, 2012.

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 funded retired benefit obligation would increase (decrease) as follows:

	December 31	
	2016	2015
Discount rate		
0.5% increase	<u>\$ (29,652)</u>	<u>\$ (28,417)</u>
0.5% decrease	<u>\$ 32,187</u>	<u>\$ 30,835</u>
Withdrawal percentage of preferential deposits		
0.5% increase	<u>\$ (25,315)</u>	<u>\$ (24,425)</u>
0.5% decrease	<u>\$ 27,236</u>	<u>\$ 26,268</u>

The sensitivity analysis presented above was based on the assumption that there would be a change in each of the actuarial assumptions and that all other assumptions would remain constant. However, it was unlikely that the change in assumptions occurred in isolation of one another as some of the assumptions might have been correlated. The change in the present value of the funded retired benefit obligation was measured by the project unit credit method and the method for sensitivity analysis for the current year was consistent with that for the prior year.

	December 31	
	2016	2015
Average duration of the funded retired benefit obligation	10 years	10 years

d. Defined contribution plans of overseas branches

To enhance the employee’s pension benefits and build a multilevel pension insurance system, Fubon Bank China (China) (FBC) implemented an enterprise annuity plan. The plan is based on the “Enterprise Annuity Trial Measures” and the “Enterprise Annuity Fund Management Trial Measures” and other guidelines. It is aimed at providing long-term incentives to employees and giving them security after retirement.

For the years ended December 31, 2016 and 2015, FBC, the Bank’s overseas branch, recognized expenses of \$24,277 thousand and \$26,083 thousand, respectively.

33. OTHER LIABILITIES

	December 31	
	2016	2015
Guarantee deposits received	\$ 2,935,986	\$ 1,200,529
Advance receipts	1,512,974	1,417,004
Suspense accounts and clearing payments	951,567	976,764
Deferred revenue	438,244	558,155
Others	<u>14,013</u>	<u>9,584</u>
	<u>\$ 5,852,784</u>	<u>\$ 4,162,036</u>

34. EQUITY

a. Capital stock

Common stock

	<u>December 31</u>	
	<u>2016</u>	<u>2015</u>
Number of shares authorized (in thousands)	<u>13,000,000</u>	<u>10,000,000</u>
Amount of capital stock authorized	<u>\$ 130,000,000</u>	<u>\$ 100,000,000</u>
Number of shares issued and received (in thousands)	<u>10,651,803</u>	<u>9,803,888</u>
Amount of outstanding and issued shares (par value of NT\$10)	<u>\$ 106,518,023</u>	<u>\$ 98,038,876</u>

On April 29, 2015, the Bank's board of directors, under the shareholders' authorization, resolved to capitalize \$8,862,154 thousand of retained earnings and to issue 886,216 thousand shares. On July 1, 2015, these transactions were approved by the Financial Supervisory Commission, and the record date was July 20, 2015.

On March 18, 2016, the Bank's board of directors, under the shareholders' authorization, changed the Bank's Articles of Incorporation, the capital increase from \$100,000,000 thousand to \$130,000,000 thousand.

On April 25, 2016, the Bank's board of directors, under the shareholders' authorization, resolved to capitalize \$8,479,147 thousand of retained earnings and to issue 847,915 thousand shares. On July 20, 2016, these transactions were approved by Financial Supervisory Commission, and the record date was August 3, 2016.

b. Capital surplus

	<u>December 31</u>	
	<u>2016</u>	<u>2015</u>
Arising from consolidation	\$ 7,490,431	\$ 7,490,431
Arising from issuance of common shares	<u>7,310,496</u>	<u>7,310,496</u>
	<u>\$ 14,800,927</u>	<u>\$ 14,800,927</u>

The capital surplus arising from shares issued in excess of par (from the issuance of common shares, issuance of shares in a business combination, and treasury stock transactions, etc.) and donations may be used to offset a deficit; in addition, when the Bank has no deficit, the capital surplus may be distributed as cash dividends or transferred to capital (limited to a prescribed certain percentage of the Bank's paid-in capital and once a year).

c. Legal reserves

Under the Banking Act, the Bank, when appropriating its earnings, should set aside 30% of its after-tax earnings as legal reserve. Based on the Company Law, legal reserve should be appropriated until it equals the Bank's paid-in capital. Legal reserve may be used to offset deficit. If the Bank has no deficit and the legal reserve exceeds 25% of its paid-in capital, the excess may be transferred to capital or distributed in cash. In addition, based also on the Banking Act, when the legal reserve equals the Bank's paid-in capital, the maximum amounts that may be distributed in cash should not exceed 15% of the Bank's paid-in capital.

d. Special reserve

	<u>December 31</u>	
	<u>2016</u>	<u>2015</u>
Appropriations by TAIPEIBANK under its Articles of Incorporation	\$ 1,285,676	\$ 1,285,676
Transferred from trading loss reserve	123,497	123,497
Arising from the first-time adoption of IFRSs	126,525	126,525
Application of the fair value model to investment properties	<u>1,116,376</u>	<u>1,016,960</u>
	<u>\$ 2,652,074</u>	<u>\$ 2,552,658</u>

Under Rule No. 1010012865 issued by the Financial Supervisory Commission (FSC) on April 6, 2012 and the directive titled “Questions and Answers for Special Reserves Appropriated Following the Adoption of IFRSs,” on the first-time adoption of IFRSs, a company should appropriate to a special reserve an amount that is the same as the sum of unrealized revaluation increment and cumulative translation differences (gains) transferred to retained earnings as a result of the company’s use of exemptions under IFRS 1. However, at the date of transition to IFRSs, if the increase in retained earnings that resulted from all IFRSs adjustments is not sufficient 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 special reserve appropriated on the first-time adoption of IFRSs may be used to offset deficits in subsequent years. Earnings should be appropriated until any shortage of the aforementioned special reserve is appropriated in subsequent years if the Company has earnings and the original need to appropriate a special reserve is not eliminated.

The increase in retained earnings that resulted from all IFRSs adjustments was not enough for this appropriation; therefore, the Bank and its subsidiaries appropriated to the special reserve \$126,525 thousand, the increase in retained earnings that resulted from all IFRSs adjustments on transition to IFRSs.

Under Rule No. 10310000140 issued by the FSC on February 19, 2014, the Public Bank changed its accounting policy for investment properties and subsequently measured these properties using the fair value model in conformity with the Regulations Governing the Preparation of Financial Reports by Public Banks. The Public Banks thus appropriated a special reserve, in the amount of which was the same as the net increase arising from the fair value measurement and of which was transferred to retained earnings. Thereafter, investment property was reversed by the proportion of the amount which was recognized at first when the fair value of the investment property was reduced or disposed of.

Under Rule No. 10510001510 issued by the FSC on May 25, 2016, a public bank shall appropriate to special reserve 0.5% to 1% of net income from 2016 through 2018. From fiscal year 2017, the Bank can reverse the amount of expenditure of employees’ transfer arising from financial technology development within the amount of the above special reserve.

e. Appropriation of earnings and dividend policy

Under the Bank’s Articles of Incorporation, the Bank should make appropriations from its net income (less any deficit) in the following order:

- 1) 30% as legal reserve and, under FSC rules, a special reserve (or special reserve reversal);

- 2) The remaining net income and unappropriated accumulated earnings can be distributed as dividends to shareholders, as proposed by the board of directors and approved in the shareholders' meeting. If the legal reserve equals the Bank's paid-in capital, or if the Bank meets the standards of sound finance and business practices prescribed by the regulatory authorities as stated in Article 50 of the Banking Act and has set aside legal reserve in compliance with the Company Act, the restrictions stipulated in the preceding paragraph shall not prevail.

On November 12, 2009, the FSC prescribed regulations, stated in Article 50 of the Banking Act, for sound finance and business practices. On April 30, 2012, these regulations were amended, specifying the criteria for sound finance and business.

The appropriation of earnings is approved at the shareholders' meeting held in, and reflected in the financial statements of, the year following the year of earnings generation. Under the Financial Holdings Company Law, the Bank's board of directors is designated to exercise the power of the shareholders' meeting, and the regulations on the shareholders' meeting, which are included in the Company Law, will not prevail.

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 Bank made consequential amendments to the Articles of Incorporation by the Bank's board of directors (on behalf of the shareholders' meeting) on March 18, 2016. For information about the accrual basis of the employees' compensation and the actual distributions, please refer to Note 39.

Shareholders receiving the dividends are allowed a tax credit equal to their proportionate share of the income tax paid by the Bank on the date of dividend distribution.

The appropriations of earnings for 2015 and 2014 approved by the Bank's board of directors (on behalf of the shareholders' meeting) on April 25, 2016 and April 29, 2015, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	2015	2014	2015	2014
Legal reserve	\$ 5,334,897	\$ 5,472,523		
Special reserve	99,416	37,232		
Stock dividends	8,479,147	8,862,154	\$ 0.86	\$ 0.99
Cash dividends	3,633,920	3,798,065	0.37	0.43

The appropriations of earnings for 2016 had been proposed by the Bank's board of directors on March 22, 2017. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 4,312,952	
Special reserve	19,948	
Cash dividends	10,043,605	\$ 0.94

The appropriations of earnings for 2016 are subject to the resolution of the Bank's board of directors (on behalf of the shareholders' meeting).

f. Other equity items

1) Exchange differences on translating the financial statements of foreign operations

	For the Year Ended December 31	
	2016	2015
Balance, beginning of the year	\$ 1,371,005	\$ 1,385,143
Exchange differences arising on translating the financial statements of foreign operations	<u>(2,359,982)</u>	<u>(14,138)</u>
Balance, end of the year	<u>\$ (988,977)</u>	<u>\$ 1,371,005</u>

2) Unrealized gains or losses on available-for-sale financial assets

	For the Year Ended December 31	
	2016	2015
Balance, beginning of the year	\$ 1,110,150	\$ 948,445
Unrealized gain on the revaluation of available-for-sale financial assets	863,997	699,983
Income tax on the unrealized (loss) gain on the revaluation of available-for-sale financial assets	8,283	14,014
Cumulative gain reclassified to profit or loss on the sale of available-for-sale financial assets	(309,341)	(551,033)
Share of unrealized (loss) gain on the revaluation of an associate's available-for-sale financial assets	<u>(7,560)</u>	<u>(1,259)</u>
Balance, end of the year	<u>\$ 1,665,529</u>	<u>\$ 1,110,150</u>

3) Gains on property revaluation

	For the Year Ended December 31	
	2016	2015
Balance, beginning of the year	\$ 223,620	\$ 14,262
Revaluation gain on investment properties	-	217,350
Tax related to revaluation gain on investment properties	<u>-</u>	<u>(7,992)</u>
Balance, end of the year	<u>\$ 223,620</u>	<u>\$ 223,620</u>

g. Non-controlling interests

	For the Year Ended December 31	
	2016	2015
Balance, beginning of the year	\$ 19,549,683	\$ 19,123,428
Attributable to non-controlling interests:		
Net income	805,392	822,722
Exchange differences on translating foreign operations	(1,569,222)	(254,975)
Unrealized loss on available-for-sale financial assets	(16,837)	(50,640)
Income tax relating to unrealized gain arising on available-for-sale financial assets	4,209	12,660
Cash dividends from Fubon Bank (China)	<u>-</u>	<u>(103,512)</u>
Balance, end of the year	<u>\$ 18,773,225</u>	<u>\$ 19,549,683</u>

35. NET INTEREST INCOME

	For the Year Ended December 31	
	2016	2015
<u>Interest income</u>		
Discounts and loans	\$ 30,366,703	\$ 33,279,385
Held-to-maturity financial assets	3,928,220	4,106,565
Due from banks and call loans to banks	3,310,362	3,237,802
Available-for-sale financial assets	2,711,669	2,862,429
Others	<u>2,392,268</u>	<u>3,160,398</u>
	<u>42,709,222</u>	<u>46,646,579</u>
<u>Interest expense</u>		
Deposits	15,158,106	17,795,278
Due to the Central Bank and other banks	1,475,898	1,144,660
Bank debentures	934,278	1,081,564
Funds borrowed from the Central Bank and other banks	851,259	1,243,914
Securities sold under repurchase agreements	779,264	1,260,518
Others	<u>656,373</u>	<u>768,313</u>
	<u>19,855,178</u>	<u>23,294,247</u>
Net interest	<u>\$ 22,854,044</u>	<u>\$ 23,352,332</u>

Interest income and interest expense shown on the table above exclude those from financial assets and liabilities at fair value through profit or loss.

For the years ended December 31, 2016 and 2015, the interests accrued on impaired financial assets were \$154,830 thousand and \$248,495 thousand, respectively.

36. SERVICE FEE INCOME, NET

	For the Year Ended December 31	
	2016	2015
<u>Service fee income</u>		
Insurance service fee income	\$ 6,561,130	\$ 5,093,643
Trust and custody business	2,454,665	3,801,684
Credit card business	2,224,819	2,050,836
Credit business	1,093,984	1,246,358
Others	<u>1,629,403</u>	<u>1,326,976</u>
	<u>13,964,001</u>	<u>13,519,497</u>
<u>Service fee expense</u>		
Credit card business	855,190	821,130
Interbank service fee	300,403	267,461
Office space expense	285,639	280,338
Settlement service fee	112,463	103,123
Others	<u>413,979</u>	<u>397,973</u>
	<u>1,967,674</u>	<u>1,870,025</u>
	<u>\$ 11,996,327</u>	<u>\$ 11,649,472</u>

The Bank and its subsidiaries provided custody, trust, investment management and consultation services to the third parties, which involve the Bank and its subsidiaries' planning, management, and trading rules of financial instruments. Trust funds or investment portfolios managed and administered on behalf of investors were not included in the Bank and its subsidiaries' financial statements, but separate accounts were established and separate financial statements were prepared for the purpose of internal management.

37. GAINS ON FINANCIAL ASSETS OR LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	For the Year Ended December 31	
	2016	2015
Interest income	\$ 650,528	\$ 665,251
Dividend income	<u>10,497</u>	<u>14,848</u>
Realized gains (losses)		
Currency swap contracts	2,563,635	1,696,437
Option contracts	2,500,439	3,682,439
Forward contracts	(265,296)	(2,763,391)
Others	<u>787,136</u>	<u>480,091</u>
	<u>5,585,914</u>	<u>3,095,576</u>
Gains (losses) on valuation		
Forward contracts	447,037	1,572,108
Convertible corporate bonds	385,330	(231,772)
Interest rate swap contracts	(252,326)	297,549
Currency swap contracts	(796,004)	8,598
Option contracts	(2,589,672)	(1,409,343)
Others	<u>(209,610)</u>	<u>4,043</u>
	<u>(3,015,245)</u>	<u>241,183</u>
	<u>\$ 3,231,694</u>	<u>\$ 4,016,858</u>

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

	For the Year Ended December 31	
	2016	2015
Financial bonds	\$ 430,560	\$ 559,756
Dividend revenue	304,264	269,146
Beneficial securities and stocks	42,494	118,804
Government bonds	36,345	102,297
Corporate bonds	11,485	90,706
Others	<u>507</u>	<u>4,216</u>
	<u>\$ 825,655</u>	<u>\$ 1,144,925</u>

39. EMPLOYEE BENEFITS EXPENSE

	For the Year Ended December 31	
	2016	2015
Salaries and wages	\$ 9,829,094	\$ 9,482,798
Labor insurance, national health insurance, and group life insurance	820,964	803,604
Post-employment benefits expense	460,904	443,305
Other employee benefits expense	<u>492,250</u>	<u>572,889</u>
	<u>\$ 11,603,212</u>	<u>\$ 11,302,596</u>

In compliance with the Company Act as amended in May 2015 and the amended Articles of Incorporation approved by the Bank's board of directors (on behalf of the shareholders' meeting) on March 18, 2016, if the Bank results in a profit for the current year, the Bank should allocate 1% to 5% of its profit before income tax and employees' compensation as employees' compensation. However, in the case where the bank remains in deficit, any profit for the current year will be retained to offset the deficit. Based on a 1% of the computing basis, the Bank's board of directors has approved employees' compensation for the year 2016 and 2015 of \$170,468 thousand and \$203,601 thousand, respectively, on March 22, 2017 and March 18, 2016.

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

On March 18, 2016 and April 29, 2015, the Bank's board of directors proposed and approved of through the exercise of the functions of the shareholders in meetings, the appropriations of the employees' compensation and bonus of \$203,601 thousand and \$127,320 thousand for 2015 and 2014, respectively. The approved amounts were the same as the accrued amounts reflected in the consolidated financial statements for the years ended December 31, 2015 and 2014.

Information on the appropriation of earnings is available on the Market Observation Post System website of the Taiwan Stock Exchange.

40. DEPRECIATION AND AMORTIZATION

	For the Year Ended December 31	
	2016	2015
Depreciation	\$ 911,853	\$ 827,584
Amortization	<u>804,200</u>	<u>807,973</u>
	<u>\$ 1,716,053</u>	<u>\$ 1,635,557</u>

41. GENERAL AND ADMINISTRATIVE

	For the Year Ended December 31	
	2016	2015
Rental	\$ 1,452,218	\$ 1,266,281
Taxation and government fee	1,728,278	2,130,106
Equipment repair	679,450	609,147
Marketing	636,681	710,652
Insurance	530,327	471,343
Others	<u>2,635,107</u>	<u>2,564,172</u>
	<u>\$ 7,662,061</u>	<u>\$ 7,751,701</u>

42. INCOME TAX

Since 2003, Fubon Financial Holdings Co., Ltd. and its eligible subsidiaries, including the Bank, has been using the linked-tax system for filing regular corporate income tax and 10% income tax on undistributed earnings.

a. Income tax recognized in profit or loss

The major components of income tax expense were as follows:

	For the Year Ended December 31	
	2016	2015
Current tax		
Current year	\$ 3,004,399	\$ 2,728,143
Prior periods	<u>42,008</u>	<u>838</u>
	3,046,407	2,728,981
Deferred tax		
Current year	<u>568</u>	<u>167,455</u>
Income tax expense recognized in profit or loss	<u>\$ 3,046,975</u>	<u>\$ 2,896,436</u>

A reconciliation of accounting profit and current income tax expense is as follows:

	For the Year Ended December 31	
	2016	2015
Income tax expense calculated at statutory rate (17%)	\$ 3,114,182	\$ 3,655,365
Tax-exempt income	(1,049,623)	(1,094,050)
Unqualified items in determining taxable income	211,073	203,526
Additional income tax under the Alternative Minimum Tax Act	90,540	80,486
Effect of differences in domestic and overseas tax rates	655,635	316,819
Unrecognized deductible temporary differences	(30,471)	(281,182)
Others	<u>55,639</u>	<u>15,472</u>
Income tax expense recognized in profit or loss	<u>\$ 3,046,975</u>	<u>\$ 2,896,436</u>

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2016	2015
<u>Deferred tax</u>		
Recognized in other comprehensive income		
Remeasurement of defined benefit plan	\$ 18,403	\$ 51,151
Unrealized gains (losses) on available-for-sale financial assets	12,492	26,674
Property revaluation increments	<u>-</u>	<u>(7,992)</u>
	<u>\$ 30,895</u>	<u>\$ 69,833</u>

c. Current tax assets and liabilities

	December 31	
	2016	2015
Current tax assets		
Linked-tax receivable	\$ 471,803	\$ 358,012
Prepaid income tax and income tax refund receivable	<u>11,338</u>	<u>1,212</u>
	<u>\$ 483,141</u>	<u>\$ 359,224</u>
Current tax liabilities		
Linked-tax payable	\$ 1,574,465	\$ 1,315,093
Income tax payable	<u>730,338</u>	<u>568,606</u>
	<u>\$ 2,304,803</u>	<u>\$ 1,883,699</u>

d. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2016

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Com- prehensive Income	Exchange Differences	Closing Balance
<u>Deferred tax assets</u>					
Temporary differences					
Allowance for credit losses	\$ 547,669	\$ (122,043)	\$ -	\$ (37,884)	\$ 387,742
Employee benefit plans	331,834	10,369	18,403	-	360,606
Unrealized gain (loss) on revaluation of building	24,503	(1,544)	-	-	22,959
Others	<u>142,950</u>	<u>61,811</u>	<u>12,492</u>	<u>(10,638)</u>	<u>206,615</u>
	<u>\$ 1,046,956</u>	<u>\$ (51,407)</u>	<u>\$ 30,895</u>	<u>\$ (48,522)</u>	<u>\$ 977,922</u>

(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Com- prehensive Income	Exchange Differences	Closing Balance
<u>Deferred tax liabilities</u>					
Temporary differences					
Land value increment tax	\$ 372,999	\$ 13,657	\$ -	\$ -	\$ 386,656
Overseas investment income	288,199	142,505	-	-	430,704
Unrealized gain on derivative financial instrument	178,466	(177,423)	-	-	1,043
Intangible assets	90,668	(14,181)	-	-	76,487
Others	<u>15,421</u>	<u>(15,397)</u>	<u>-</u>	<u>(24)</u>	<u>-</u>
	<u>\$ 945,753</u>	<u>\$ (50,839)</u>	<u>\$ -</u>	<u>\$ (24)</u>	<u>\$ 894,890</u> (Concluded)

For the year ended December 31, 2015

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Com- prehensive Income	Exchange Differences	Closing Balance
<u>Deferred tax assets</u>					
Temporary differences					
Allowance for credit losses	\$ 491,605	\$ 62,860	\$ -	\$ (6,796)	\$ 547,669
Employee benefit plans	268,630	12,053	51,151	-	331,834
Unrealized gain (loss) on revaluation of building	27,452	(500)	(2,449)	-	24,503
Others	<u>164,290</u>	<u>(8,473)</u>	<u>(11,931)</u>	<u>(936)</u>	<u>142,950</u>
	<u>\$ 951,977</u>	<u>\$ 65,940</u>	<u>\$ 36,771</u>	<u>\$ (7,732)</u>	<u>\$ 1,046,956</u>
<u>Deferred tax liabilities</u>					
Temporary differences					
Land value increment tax	\$ 352,099	\$ 15,357	\$ 5,543	\$ -	\$ 372,999
Overseas investment income	160,943	127,256	-	-	288,199
Unrealized gain on derivative financial instrument	112,285	66,181	-	-	178,466
Intangible assets	80,117	10,551	-	-	90,668
Available-for-sale financial assets	39,935	-	(38,605)	(1,330)	-
Others	<u>1,339</u>	<u>14,050</u>	<u>-</u>	<u>32</u>	<u>15,421</u>
	<u>\$ 746,718</u>	<u>\$ 233,395</u>	<u>\$ (33,062)</u>	<u>\$ (1,298)</u>	<u>\$ 945,753</u>

e. The information on the integrated income tax system is as follows:

- 1) The Bank and Taipei Fubon Bank Life Insurance Agency Co., Ltd. had no unappropriated earnings generated before January 1, 1998.
- 2) The information on the imputation credit account is as follows:

	<u>December 31</u>	
	<u>2016</u>	<u>2015</u>
The Bank	<u>\$ 295,416</u>	<u>\$ 67,239</u>

3) Creditable tax ratio

The Bank's estimated creditable tax ratio for the distribution from the 2016 earnings was 2.05% and the actual creditable tax ratios for cash and stock dividend distribution from the 2015 earnings were 0.39% and 0.38%, respectively.

Under the Income Tax Law, for the distribution of earnings generated on or after January 1, 1998, the imputation credits allocable to ROC resident shareholders of the Bank is calculated on the basis of the creditable ratio as of the date of dividend distribution. The actual imputation credits allocable to shareholders of the Bank is based on the balance of the imputation credit accounts (ICA) as of the date of dividend distribution. Therefore, the expected creditable ratio for the 2016 earnings may differ from the actual creditable ratio to be used in allocating imputation credits to the shareholders.

Based on legal interpretation No. 10204562810 announced by the Taxation Administration of the Ministry of Finance, in the calculation of imputation credits in the year of the first-time adoption of IFRSs, the cumulative retained earnings include the net increase or net decrease in retained earnings arising from the first-time adoption of IFRSs. Thus, the actual imputation credits to be allocated to shareholders of the Bank are limited to the balance of the imputation credit account as of the date of dividend distribution.

- f. The income tax returns of the Bank through 2010 were assessed by the Taipei National Tax Administration (TNTA). The Bank disagreed with the tax authorities' assessment of the Bank's 2010 additional amount returns on its sports lottery program and applied for a re-examination. TNTA decided to give a tax refund at 65% of tax paid on interest income earned by the Bank, and the Bank accepted this refund of the withholding tax.
- g. Income tax returns of the Fubon Bank (China) through 2015 had been assessed by Shanghai Municipal Office, SAT and the Shanghai Municipal Bureau of Local Taxation.

43. EARNINGS PER SHARE

(In New Taiwan Dollars)

	<u>December 31</u>	
	<u>2016</u>	<u>2015</u>
Basic earnings per share		
From continuing operations	<u>\$ 1.36</u>	<u>\$ 1.67</u>

The earnings and weighted average number of common stock outstanding in the computation of earnings per share from continuing operations were as follows:

Net income for the Year

	<u>For the Year Ended December 31</u>	
	<u>2016</u>	<u>2015</u>
Income for the year attributable to owners of the Bank	<u>\$ 14,466,354</u>	<u>\$ 17,782,990</u>

Shares

(In Thousand Shares)

	For the Year Ended December 31	
	2016	2015
Weighted average number of common stock used in computing basic earnings per share	<u>10,651,803</u>	<u>10,651,803</u>

The weighted average number of shares outstanding used for earnings per share calculation was retroactively adjusted for the issuance of bonus shares. This adjustment caused the basic earnings per share for the year ended December 31, 2015 to decrease from NT\$1.81 to NT\$1.67.

44. RELATED-PARTY TRANSACTIONS

The Bank and its subsidiaries' related parties were as follows:

a. Related parties

Related Party	Relationship with the Bank and Its Subsidiaries
Fubon Financial Holdings Co., Ltd. (FFH)	Parent company
Fubon Real Estate Management Co., Ltd.	Equity-method investee of the Bank
Fubon Insurance Co., Ltd. ("Fubon Insurance")	Subsidiary of FFH
Fubon Life Insurance Co., Ltd. ("Fubon Life Insurance")	Subsidiary of FFH
Fubon Securities Co., Ltd. ("Fubon Securities")	Subsidiary of FFH
Fubon Bank (Hong Kong) Limited ("Fubon Bank (Hong Kong)")	Subsidiary of FFH
Fubon Asset Management Co., Ltd. ("Fubon Asset Management")	Subsidiary of FFH
Fubon Securities Investment Trust Co., Ltd. ("Fubon Securities Investment Trust")	Equity-method investee of FFH's subsidiary
Taipei City Government (TCG) and its departments	Major shareholder of parent company
Chung Hsing Land Development Co., Ltd. (CHLDC)	Major shareholder of parent company
Fubon Land Development Co., Ltd. ("Fubon Land Development")	Related party in substance
Taiwan High Speed Rail Corp. ("Taiwan High Speed Rail")	Related party in substance
Taiwan Mobile Co., Ltd. ("Taiwan Mobile")	Related party in substance
Taipei New Horizon Co., Ltd.	Related party in substance
Capital Securities Co., Ltd. ("Capital Securities")	Related party in substance (the Bank and its subsidiaries were not a related party after the third quarter of 2016)
Entie Commercial Bank ("Entie Bank")	Related party in substance (the Bank and its subsidiaries were not a related party after the fourth quarter of 2016)
E.SUN Securities Co., Ltd ("E.SUN Securities")	Related party in substance (the Bank and its subsidiaries were not a related party after the fourth quarter of 2015)
Xiamen Bank	Related party in substance

(Continued)

Related Party	Relationship with the Bank and Its Subsidiaries
Fubon Gehua (Beijing) Business co., Ltd. (“Fubon Gehua Business”)	Related party in substance
Shanghai Ruidong Hospital	Related party in substance (the Bank and its subsidiaries were not a related party after the fourth quarter of 2016)
Beijing Founder Fubon Asset Management	Related party in substance
Others	Directors, supervisors, managers and their relatives within the second degree of consanguinity

(Concluded)

b. Significant transactions with related parties are summarized as follows:

For the Year Ended December 31, 2016							
	Ending Balance	Highest Balance for the Period	% of the Account Balance	Allowance for Credit Loss	Rate (%)	Interest Income	Allowance for Credit Loss (Reversal of Allowance Gain)
1) Loans	\$ 5,906,842	\$ 11,039,969	0.46	\$ 71,731	0-14.98	\$ 98,125	\$ (4,095)

December 31, 2016							
Category	Number of Accounts or Name of Related Party	Highest Balance	Ending Balance	Normal	Overdue	Type of Collateral	Is the Transaction at Arm's Length?
Consumer loans for employees	59	\$ 38,749	\$ 21,552	v	-	None	Yes
Housing mortgage loans	319	3,415,529	2,760,067	v	-	Property	Yes
Others	Department of Urban Development, TCG	905,331	770,457	v	-	Public treasury guarantees	Yes
	Department of Rapid Transit Systems, TCG	1,000,000	-	v	-	Public treasury guarantees	Yes
	Department of Sports, TCG	3,000,000	-	v	-	Public treasury guarantees	Yes
	Taipei Municipal Secured Swan Loans Service	1,163	813	v	-	Public treasury guarantees	Yes
	Fubon Land Development	2,540,000	2,290,800	v	-	Land, buildings and stock	Yes
	Fubon Gehua Business	139,197	63,153	v	-	Guarantee stand by L/C	Yes
		<u>\$ 11,039,969</u>	<u>\$ 5,906,842</u>				

For the Year Ended December 31, 2015							
	Ending Balance	Highest Balance for the Year	% of the Account Balance	Allowance for Credit Loss	Rate (%)	Interest Income	Allowance for Credit Loss (Reversal of Allowance Gain)
1) Loans	\$ 6,379,051	\$ 41,502,395	0.47	\$ 78,554	0-19.98	\$ 336,274	\$ 4,258

December 31, 2015

Category	Number of Accounts or Name of Related Party	Highest Balance	Ending Balance	Normal	Overdue	Type of Collateral	Is the Transaction at Arm's Length?
Consumer loans for employees	61	\$ 39,709	\$ 25,680	v	\$ -	None	Yes
Housing mortgage loans	341	3,506,030	2,738,283	v	-	Property	Yes
Others	Department of Urban Development, TCG	1,048,471	906,284	v	-	Public treasury guarantees	Yes
	Department of Rapid Transit Systems, TCG	18,251,330	-	v	-	Public treasury guarantees	Yes
	Taipei Municipal Secured Swan Loans Service	1,714	1,163	v	-	Public treasury guarantees	Yes
	Fubon Land Development	2,760,000	2,540,000	v	-	Land, buildings and stock	Yes
	Department of Finance, TCG	15,000,000	-	v	-	Unsecured	Yes
	Taipei New Horizon	727,500	-	v	-	Buildings, excluding land	Yes
	Shanghai Ruidong Hospital	167,641	167,641	v	-	Pledged deposits	Yes
		<u>\$ 41,502,395</u>	<u>\$ 6,379,051</u>				

For the Year Ended December 31

	2016				2015			
	Ending Balance	% of the Account Balance	Rate (%)	Interest Income (Expense)	Ending Balance	% of the Account Balance	Rate (%)	Interest Income (Expense)
2) Discounts	<u>\$ 1,387,329</u>	<u>5.07</u>	3.66-4.00	<u>\$ 10,731</u>	<u>\$ -</u>	<u>-</u>	4.31	<u>\$ 13,027</u>
3) Deposits	<u>\$ 77,624,710</u>	<u>4.13</u>	0-8.00	<u>\$ 316,916</u>	<u>\$ 101,612,974</u>	<u>5.60</u>	0-6.40	<u>\$ (341,991)</u>
4) Due from other banks - call loans	<u>\$ -</u>	<u>-</u>	1.98	<u>\$ 270</u>	<u>\$ -</u>	<u>-</u>	0.08	<u>\$ 15</u>
5) Due to other banks - call loans	<u>\$ -</u>	<u>-</u>	-	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	1.09	<u>\$ (18)</u>
6) Due from other banks - deposits	<u>\$ 177,384</u>	<u>0.71</u>	0-5.40	<u>\$ 30,248</u>	<u>\$ 322,035</u>	<u>0.49</u>	0-5.40	<u>\$ 54,495</u>
7) Due to other banks - deposits	<u>\$ -</u>	<u>-</u>	2.90-3.40	<u>\$ (5,001)</u>	<u>\$ 306,416</u>	<u>1.01</u>	1.09-3.40	<u>\$ (11,109)</u>

8) Guarantees

Related Party	December 31, 2016				
	Highest Balance in Current Year	Ending Balance	Reserve for Losses on Guarantees (Note)	Rates	Type of Collateral
TCG	\$ 1,346	\$ 1,291	\$ -	1.00%	Public treasury guarantees
Taipei New Horizon	32,500	16,250	-	0.85%	Buildings, excluding land

Related Party	December 31, 2015				
	Highest Balance in Current Year	Ending Balance	Reserve for Losses on Guarantees (Note)	Rates	Type of Collateral
TCG	\$ 1,325	\$ 1,313	\$ -	1.00%	Public treasury guarantees
Taipei New Horizon	32,500	32,500	-	0.85%	Buildings, excluding land

Note: Reserve for losses on guarantees covered all the Bank's entire credits.

9) Securities

Related Party	Type	For the Year Ended December 31	
		2016	2015
Fubon Life Insurance	Bonds purchased	\$ 19,840,007	\$ 32,846,419
	Bonds sold	8,129,544	902,168
Entie Bank	Bonds purchased	3,733,008	-
	Bonds sold	1,573,566	-
Capital Securities	Bonds purchased	56,509	348,767
	Bonds sold	-	203,706
	Notes purchased	299,975	6,496,491
Xiamen Bank	Bonds purchased	839,681	100,704
Fubon Financial Holding	Bonds purchased	-	9,800,000
E.SUN Securities	Notes purchased	-	3,895,986

Related Party	Type	December 31	
		2016	2015
Fubon Securities	Bonds purchased under resell agreements	\$ 200,079	\$ 400,310
Taiwan High Speed Rail	Bonds sold under repurchase agreements	2,211,400	4,976,000
Capital Securities	Bonds purchased under resell agreements	-	1,473,636
Directors, supervisors, managers and their relatives within the second degree of consanguinity	Bonds sold under repurchase agreements	2,994,068	2,953,946

10) Mutual fund and stock transactions

Fund	December 31			
	2016		2015	
	Units (In Thousands)	Amount	Units (In Thousands)	Amount
Fubon No. 1 REIT	57,680	\$ 868,084	57,680	\$ 922,880
Fubon No. 2 REIT	1,848	24,763	1,848	23,599

11) Derivative financial instruments

Related Party	Derivative Instrument	Contract Period	Contract (Notional) Amount	December 31, 2016		
				Gains (Losses) on Valuation	Balance Sheet	
					Account	Balance
Fubon Bank (Hong Kong)	Interest rate swap contracts	2010.11.26-2020.03.19	\$ 1,565,653	\$ (53,225)	Revaluation of held-for-trading financial assets	\$ 115,797
Fubon Bank (Hong Kong)	Interest rate swap contracts	2012.02.06-2017.02.10	258,252	(1,117)	Revaluation of held-for-trading financial liabilities	40
Fubon Life Insurance	Interest rate swap contracts	2007.09.27-2018.06.24	2,750,000	105,428	Revaluation of held-for-trading financial liabilities	464,216
Fubon Securities Investment Trust	Currency swap contracts	2016.11.28-2017.01.25	428,625	6,780	Revaluation of held-for-trading financial assets	6,780

December 31, 2015						
Related Party	Derivative Instrument	Contract Year	Contract (Notional) Amount	Gains (Losses) on Valuation	Balance Sheet	
					Account	Balance
Fubon Bank (Hong Kong)	Interest rate swap contracts	2010.11.26-2020.03.19	\$ 1,868,223	\$ (21,745)	Revaluation of held-for-trading financial assets	\$ 170,099
Fubon Life Insurance	Interest rate swap contracts	2007.09.27-2018.06.24	2,750,000	1,032	Revaluation of held-for-trading financial liabilities	569,644
Fubon Securities	Currency swap contracts	2015.11.30-2016.02.02	123,047	1,367	Revaluation of held-for-trading financial assets	1,367
Fubon Securities Investment Trust	Currency swap contracts	2015.12.10-2016.02.26	524,200	4,665	Revaluation of held-for-trading financial assets	4,665
Capital Securities	Interest rate swap contracts	2012.01.06-2019.06.13	5,100,000	36,877	Revaluation of held-for-trading financial assets	44,675
Capital Securities	Interest rate swap contracts	2011.01.12-2020.05.22	6,100,000	(37,220)	Revaluation of held-for-trading financial liabilities	55,794
Capital Securities	Currency swap contracts	2015.11.18-2016.03.28	212,703	(2,014)	Revaluation of held-for-trading financial liabilities	2,014

12) Lease

a) Guarantee deposits

Related Party	December 31	
	2016	2015
Fubon Securities	\$ 5,812	\$ 5,812
Fubon Life Insurance	1,481	1,481
Fubon Asset Management	1,139	1,139
Taiwan Mobile	897	897
Fubon Insurance	525	525
Others	<u>201</u>	<u>184</u>
	<u>\$ 10,055</u>	<u>\$ 10,038</u>

b) Rental revenue

Related Party	For the Year Ended December 31	
	2016	2015
Fubon Securities	\$ 35,546	\$ 36,342
Fubon Life Insurance	8,877	304
Fubon Asset Management	7,211	7,212
Taiwan Mobile	5,490	4,131
Fubon Insurance	3,278	1,702
Others	<u>216</u>	<u>250</u>
	<u>\$ 60,618</u>	<u>\$ 49,941</u>

c) Refundable deposits

Related Party	December 31	
	2016	2015
CHLDC	\$ 29,377	\$ 29,377
Fubon Insurance	19,227	19,576
Fubon Life Insurance	4,452	3,886
TCG	4,243	4,243
Others	<u>6,167</u>	<u>6,167</u>
	<u>\$ 63,466</u>	<u>\$ 63,249</u>

d) Rental expense

Related Party	For the Year Ended December 31	
	2016	2015
CHLDC	\$ 203,129	\$ 197,306
Fubon Insurance	117,147	117,293
TCG	37,991	36,533
Fubon Life Insurance	24,915	23,138
Others	<u>40,576</u>	<u>48,779</u>
	<u>\$ 423,758</u>	<u>\$ 423,049</u>

13) Insurance expense

Related Party	For the Year Ended December 31	
	2016	2015
Fubon Insurance	\$ 95,575	\$ 71,760
Fubon Life Insurance	68,225	66,114
Others	<u>280</u>	<u>233</u>
	<u>\$ 164,080</u>	<u>\$ 138,107</u>

14) Marketing collaboration

The Bank entered into a collaboration arrangement with Fubon Securities for deal settlement of securities, cost sharing, and cross-selling. Under this contract, the expense allocation was based on the average balance that the customers of Fubon Securities deposited in the Bank. The allocation costs for office space that the Bank paid to Fubon Securities were \$285,639 thousand and \$280,338 thousand for the years ended December 31, 2016 and 2015, respectively.

15) Compensation of key management personnel

	For the Year Ended December 31	
	2016	2015
Short-term employee benefits	\$ 450,292	\$ 539,230
Post-employment benefits	5,023	5,419
Others	<u>1,044</u>	<u>3,351</u>
	<u>\$ 456,359</u>	<u>\$ 548,000</u>

16) Linked-tax system

The Bank's parent company, FFH, uses the linked-tax system for filing the income tax returns of FFH and its eligible subsidiaries, which include the Bank.

	December 31	
	2016	2015
Linked-tax receivable (included in current tax assets)	\$ 471,803	\$ 358,012
Linked-tax payable (included in current tax liabilities)	1,574,465	1,315,093

17) Others

	December 31	
	2016	2015
Receivables - Fubon Life Insurance	\$ 478,493	\$ 479,294
Receivables - others	61,921	60,492
Payables - others	62,493	65,349
Principals of structured products - Fubon Life Insurance	2,750,000	2,750,000
Principals of structured products - other	16,757	33,671
Other financial assets - others	6,615	-
	For the Year Ended December 31	
	2016	2015
Service fee income - Fubon Life Insurance	\$ 7,246,447	\$ 5,606,737
Service fee income - others	520,640	531,647
Other income - others	65,339	53,934
Service fee expenses - others	129,379	111,574
Operating expenses - others	197,755	214,095

18) Related-party property transactions

On October 27, 2016, the Bank sold part of its property which had a carrying amount of \$214,003 thousand to Fubon Asset Management for \$421,000 thousand, and recognized a gain on the disposal of property and equipment of \$206,997 thousand. Refer to Table 2 at the end of the notes to these consolidated financial statement for the related information.

19) Normal loans

Counterparty: Beijing Founder Fubon Asset Management

Date: December 14, 2015

Loan Components		Normal Loans	Carrying Amount	Selling Price
Corporate loan	Unsecured	\$ 1,561,544	\$ 1,522,505	\$ 1,549,865

Transactions between the Bank and its subsidiaries and related parties were at arm's length, except for the preferential interest rates offered to employees for their savings and loans of up to certain amounts.

Under the Banking Act, except for consumer and government loans, credits extended by the Bank to any related party should be fully secured, and the credit terms for related parties should be similar to those for unrelated parties.

45. PLEDGED ASSETS

The following assets had been provided as refundable deposits:

	<u>December 31</u>	
	<u>2016</u>	<u>2015</u>
Certificates of deposit (included in due from the Central Bank and call loans to other banks)	\$ 18,500,000	\$ 22,000,000
Government bonds (included in financial assets at fair value through profit or loss)	49,111	153,180
Government bonds (included in available-for-sale financial assets)	152,424	158,989
Negotiable certificates of deposit of the Central Bank (included in held-to-maturity financial assets)	10,500,000	7,000,000
Government bonds (included in held-to-maturity financial assets)	5,811,816	5,791,746
Pledged time deposits (included in other financial assets)	<u>1,662,725</u>	<u>2,765,885</u>
	<u>\$ 36,676,076</u>	<u>\$ 37,869,800</u>

Of the above negotiable certificates of deposit (NCD) and negotiable certificates of deposit of the Central Bank (CB), some certificates amounting to \$10,000,000 thousand as of December 31, 2016 and 2015 had been provided as collaterals for day-term overdraft to comply with the CB's clearing system requirement for real-time gross settlement (RTGS). The unused overdraft amount at the end of the day may be treated as liquidity reserve. As of December 31, 2016 and 2015, NCD and negotiable certificates of deposit of the CB amounting to \$10,000,000 thousand had been provided to the Central Bank as collaterals for the Bank's foreign-currency call loans.

In addition, NCD and negotiable certificates of deposit of the CB amounting to \$9,000,000 thousand as of December 31, 2016 and 2015 had been provided to the Mega International Commercial Bank as collaterals for USD clearing transactions.

Other pledged assets had been placed with (a) courts for meeting requirements for judiciary provisional seizure of debtors' property, (b) the National Credit Card Center for the Bank's potential obligations on credit card activities, (c) the Central Bank for the Bank's potential obligations on its trust activities, and (d) foreign governments for the Bank's potential obligations on its overseas operations.

46. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

- a. Except for those disclosed in other notes of the accompanying consolidated financial statements, as of December 31, 2016 and 2015, the Bank and its subsidiaries had commitments as follows:

	<u>December 31</u>	
	<u>2016</u>	<u>2015</u>
Amount of repurchase agreements	\$ 61,604,524	\$ 69,517,404
Amount of resell agreements	27,514,522	35,228,764
Collections for customers	37,251,977	52,571,501
Commissioned deposit	24,965,515	27,206,808
Trust deposits	26,070,025	32,490,527
Entrusted loan	26,070,025	32,490,527
Travelers' checks consigned-in	501,269	608,944
Marketable securities under custody	267,909,186	243,492,015
Trust assets	337,075,394	336,423,996
Management for book-entry government bonds	160,798,000	221,364,800

- b. The maturity analysis for operating lease commitments and capital outflow commitments was as follows:

December 31, 2016	Less than 1 Year	1-5 Years	Over 5 Years	Total
Lease commitments				
Operating lease expense	\$ 497,701	\$ 1,061,788	\$ 35,067	\$ 1,594,556
Capital commitments	2,141,463	7,369	-	2,148,832

December 31, 2015	Less than 1 Year	1-5 Years	Over 5 Years	Total
Lease commitments				
Operating lease expense	\$ 479,748	\$ 1,284,103	\$ 140,356	\$ 1,904,207
Financial lease expense	1,346	3,342	-	4,688
Present value of financial lease expense	1,308	2,960	-	4,268
Capital commitments	1,838,134	6,020	-	1,844,154

As of December 31, 2016 and 2015, the refundable deposits paid under operating leases were \$243,787 thousand and \$253,364 thousand, respectively.

- c. The Bank sold its Fubon Nei-hu building to Taiwan Land Bank Co., Ltd., the trust company of Fubon No. 2 REITs (real estate investment trusts), and then leased back the building. The disposal gain of \$295,819 thousand was recognized over the three-year lease term.

However, at the end of the lease term in April 2009, the Bank renewed the lease, thereby extending the lease term to another 10 years. Thus, the unrealized profit on the sale and leaseback transaction was recognized over 124 months from January 1, 2009.

- d. The Bank was designated by the Ministry of Finance at October 2, 2007 to run a sports lottery program from April 15, 2008 to December 31, 2013, and was required to cover any shortfall of the guaranteed 80% of earnings to be turned over to the Sports Administration. However, as a result of some unexpected factors such as the delay in setting up the operating channels, the shortfall amounts calculated by the Bank were lower than those calculated by the Sports Administration. Although the Bank disagreed with the higher calculations by the authorities, the Bank paid these amounts within the deadline. Nevertheless, to protect its interest, the Bank filed administrative appeals; related information is shown below.

(In Billions of New Taiwan Dollars)

Year	Amount Remitted on the Basis of Actual Revenue	Additional Amount Requested by the Authorities	Amount Paid by the Bank	Additional Amount the Bank Needed to Pay	Notes
2008	\$ 0.680	\$ 0.390	\$ 0.390	\$ -	The Bank filed for administrative appeal, and the Taipei High Administrative Court (THAC) adjudicated the case in favor of the Bank. The Sports Affairs Council (the "Council") under the Executive Yuan (the Council was reorganized and became the Sport Administration under the Ministry of Education) appealed against THAC's decision, and the Supreme Administrative Court (SAC) rejected the original decision and remanded the case to THAC. Later, THAC dismissed the Bank's appeal. The Bank then filed an appeal with the SAC, which dismissed the Bank's appeal. The THAC ruled that the supplementary payments need not be adjusted.
2009	1.848	0.398	0.398	-	The Bank filed for administrative appeal and the Taipei High Administrative Court (THAC) adjudicated the case in favor of the Bank. The Sports Affairs Council of the Executive Yuan (the Council was reorganized and became the Sport Administration under the Ministry of Education) appealed against THAC's decision, and the SAC rejected the original decision and remanded the case to THAC. Later, THAC dismissed the Bank's appeal. The Bank then filed an appeal with the SAC, which dismissed the Bank's appeal. The THAC ruled that the supplementary payments need not be adjusted.
2010	1.975	1.587	1.587	-	The Bank filed for administrative appeal, but THAC dismissed the appeal. The Bank then filed an appeal with the SAC, which dismissed the Bank's appeal. The SAC ruled that the supplementary payments need not be adjusted.

(Continued)

Year	Amount Remitted on the Basis of Actual Revenue	Additional Amount Requested by the Authorities	Amount Paid by the Bank	Additional Amount the Bank Needed to Pay	Notes
2011	\$ 1.660	\$ 2.353	\$ 2.353	\$ -	The Taipei High Administrative Court made a ruling favorable to the Bank during administrative proceedings. After an appeal by the Sports Administration of the Ministry of Education, the SAC abandoned its original ruling and dismissed the first-instance lawsuit. The Bank filed an appeal twice with the SAC, which dismissed the Bank's appeal. The SAC ruled that the supplementary payments need not be adjusted.
2012	1.965	2.685	2.685	-	The Bank filed for administrative appeal, but THAC dismissed the appeal. The Bank then filed an appeal with the SAC. The SAC ruled that the supplementary payments need not be adjusted.
2013	2.794	2.176	2.176	-	The Bank filed for administrative appeal, but THAC dismissed the appeal. The Bank then filed an appeal with the SAC. The SAC ruled that the supplementary payments need not be adjusted.

(Concluded)

47. TRUST BUSINESS UNDER THE TRUST LAW

The trust-related items shown below were managed by the Bank's Trust Department. However, these items were not included in the Bank and its subsidiaries' consolidated financial statements.

Balance Sheets of Trust Accounts December 31, 2016 and 2015					
	2016	2015		2016	2015
Bank deposits	\$ 2,072,718	\$ 2,594,529	Payables	\$ 1,979	\$ 2,386
Short-term investments			Capital		
Mutual funds	146,018,826	166,144,847	Money	198,111,935	208,899,607
Bonds	15,917,596	9,787,294	Marketable securities	4,251,712	4,130,778
Stocks	12,782,472	11,485,414	Real estate	41,669,164	38,010,069
Structured products	23,398,422	21,180,909		<u>244,032,811</u>	<u>251,040,454</u>
Borrowed stock - common stock	68,324	401,650	Securities investment trust fund under custody	97,326,410	90,700,235
	<u>198,185,640</u>	<u>209,000,114</u>			
Securities investment trust fund under custody	97,326,410	90,700,235	Reserves and cumulative earnings		
			Cumulative earnings	(6,396,762)	(9,816,660)
Real estate			Net income	2,110,956	4,497,581
Land	28,208,295	22,782,529		<u>(4,285,806)</u>	<u>(5,319,079)</u>
Buildings	195,819	24,678			
Construction in progress	11,086,512	11,321,911			
	<u>39,490,626</u>	<u>34,129,118</u>			
Total trust assets	\$ 337,075,394	\$ 336,423,996	Total trust liabilities	\$ 337,075,394	\$ 336,423,996

Trust Income Statements
For the Years ended December 31, 2016 and 2015

	2016	2015
Trust income		
Interest income	\$ 6,608,189	\$ 7,662,964
Borrowed stock income	1,907	3,162
Others	172,620	49
Cash dividends	460,052	663,929
Realized capital income - common stock	8,699	13,534
Realized capital income - mutual funds	1,472,225	3,816,989
Realized capital income - bonds	51,902	18,619
Realized capital income - structured products	19,225	13,579
Distribution from beneficial certificates	<u>8,322</u>	<u>4,635</u>
Total trust income	<u>8,803,141</u>	<u>12,197,460</u>
Trust expense		
Trust administrative expense	278,316	527,062
Supervision fee	404	279
Service fee	1,872	828
Income tax expense	175	882
Others	20,108	16,732
Service fees on loans	32	53
Realized capital loss - common stock	129,487	165,508
Realized capital loss - mutual funds	5,755,910	6,427,878
Realized capital loss - bonds	27,377	25,601
Realized capital loss - structured products	<u>478,504</u>	<u>535,056</u>
Total trust expense	<u>6,692,185</u>	<u>7,699,879</u>
Net income	<u>\$ 2,110,956</u>	<u>\$ 4,497,581</u>

Trust Property of Trust Accounts
December 31, 2016 and 2015

Investment Portfolio	2016	2015
Bank deposits	<u>\$ 2,072,718</u>	<u>\$ 2,594,529</u>
Short-term investments		
Mutual funds	146,018,826	166,144,847
Bonds	15,917,596	9,787,294
Stocks	12,782,472	11,485,414
Structured products	23,398,422	21,180,909
Borrowed stock - common stock	<u>68,324</u>	<u>401,650</u>
	<u>198,185,640</u>	<u>209,000,114</u>
Security investment trust fund under custody	<u>97,326,410</u>	<u>90,700,235</u>
Real estate		
Land	28,208,295	22,782,529
Buildings	195,819	24,678
Construction in progress	<u>11,086,512</u>	<u>11,321,911</u>
	<u>39,490,626</u>	<u>34,129,118</u>
	<u>\$ 337,075,394</u>	<u>\$ 336,423,996</u>

48. ALLOCATION OF REVENUE, COST AND EXPENSE RESULTING FROM INTERCOMPANY SHARING OF RESOURCES

The Bank entered into a marketing collaboration agreement with Fubon Financial Holdings Company (FFH) and its subsidiaries for cross-selling business. The collaboration arrangements include the sharing of office space, manpower, and business support. Cost allocation and payments are made in accordance with cross-selling rules and the contractual agreements with FFH and its subsidiaries.

Please refer to Note 44 for the cross-selling revenues and expenses for the years ended December 31, 2016 and 2015.

49. FINANCIAL INSTRUMENTS

a. Fair value

1) Overview

Fair value is the price that would be received to sell assets or paid to transfer liabilities in orderly transactions between market participants at the measurement date.

All financial instruments are initially measured at fair value, which is usually the transaction price in many cases. Financial assets are subsequently measured at fair value, except those measured at amortized cost. Quoted market prices in active markets provide the most reliable evidence of fair value. The fair value of financial instruments is measured by marking-to-model or, if the market is inactive, by referring to the quoted prices from Bloomberg or Reuters or from the counterparty.

2) The levels of the fair value hierarchy are described below:

a) Level 1

Level 1 financial instruments are traded in an active market and have quoted prices for identical assets or liabilities. An active market has the following conditions:

- i. All financial instruments traded in the market are homogeneous.
- ii. Willing buyers and sellers are found in the market all the time.
- iii. The public can access the price information easily.

The products categorized in this level usually have high liquidity or are traded in the futures market or exchanges, such as the spot foreign exchange, listed stocks and Taiwan treasury benchmark index bond.

b) Level 2

The products categorized in this level have the prices that can be inferred from either direct or indirect observable inputs other than active market prices. Examples of these inputs are:

- i. Quoted prices of similar products in the active market. This means the fair value can be derived from the current trading prices of similar products. The determination of product similarity is based on the financial instrument characteristics and the trading rules. The fair price valuation is subject to adjustments due to differences in prices over time and between market participants and in trading rules;
- ii. Quoted prices of identical or similar financial instruments in inactive markets;

- iii. When marking-to-model, observable inputs other than quoted prices (such as interest rates and yield curves observable at commonly quoted intervals, and implied volatilities), i.e., the inputs can be observed in the market and can reflect the expectation of market participants;
- iv. Inputs derived from or corroborated by observable market data by correlation or other means.

The fair values of the products categorized in this level are based on inputs used for a simple model or valuation model generally accepted by the market. Examples of these products are forward contracts, cross-currency swap, simple interest-earning bonds and simple foreign exchange options.

c) Level 3

The fair prices of Level 3 products, which include financial instruments and investment properties, are based on inputs other than direct market data. For example, historical volatility used in valuing options is an unobservable input because it cannot represent the entire market participants' expectation of future volatility.

The products categorized in this level are complex derivative financial instruments or products with prices provided by brokers, such as complex foreign exchange options, commodity options, and complex interest rate options.

b. Specific financial instruments measured at fair value

1) Fair value hierarchy

The fair values of the Bank and its subsidiaries' financial instruments and properties are measured on a recurring basis. The fair value hierarchy of these financial instruments and investment properties as of December 31, 2016 and 2015 was as follows:

Item	December 31, 2016			
	Total	Level 1	Level 2	Level 3
<u>Measured on a recurring basis</u>				
Non-derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss				
Held-for-trading financial assets				
Bond investments	\$ 25,868,201	\$ 14,591,112	\$ 11,277,089	\$ -
Others	6,141,938	350,966	5,790,972	-
Financial assets designated as at fair value through profit or loss	12,665,481	10,603,812	423,505	1,638,164
Available-for-sale financial assets				
Stock investments	5,287,769	5,287,769	-	-
Bond investments	78,465,818	33,229,670	42,471,313	2,764,835
Others	63,826,753	910,780	62,500,021	415,952
Investment properties	2,641,500	-	-	2,641,500
Liabilities				
Financial liability at fair value through profit or loss				
Bank debentures	33,751,203	21,841,910	11,909,293	-
Derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss				
Hedging derivative financial assets	412,743	-	412,743	-

(Continued)

Item	December 31, 2016			
	Total	Level 1	Level 2	Level 3
Liabilities				
Financial liabilities at fair value through profit or loss	\$ 68,334,458	\$ -	\$ 56,354,218	\$ 11,980,240
Hedging derivative financial liabilities	1,239,999	-	1,239,999	-
				(Concluded)

Item	December 31, 2015			
	Total	Level 1	Level 2	Level 3
<u>Measured on a recurring basis</u>				
Non-derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss				
Held-for-trading financial assets				
Bond investments	\$ 34,514,815	\$ 16,345,587	\$ 18,157,127	\$ 12,101
Others	5,879,948	373,120	5,506,828	-
Financial assets designated as at fair value through profit or loss	10,703,874	8,233,324	313,898	2,156,652
Available-for-sale financial assets				
Stock investments	4,942,057	4,942,057	-	-
Bond investments	84,917,974	29,791,806	54,380,991	745,177
Others	36,074,680	978,119	34,593,031	503,530
Investment properties	2,746,700	-	-	2,746,700
Liabilities				
Financial liabilities at fair value through profit or loss				
Bank debentures	28,117,445	22,381,651	5,735,794	-
Derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss				
Hedging derivative financial assets	467,130	-	467,130	-
Liabilities				
Financial liabilities at fair value through profit or loss				
Hedging derivative financial liabilities	79,910,619	-	53,096,526	26,814,093
	808,235	-	808,235	-

2) Fair value measurement technique

a) Financial instruments

The financial assets should be measured by marking to market, and marking to model should be made only if marking to market is not feasible.

i. Marking-to-market

This method should be employed at the first place. Following are the principles to be observed when using marking-to-market:

- i) Ensure the consistency and integrity of market data.
- ii) The source of market data should be transparent, easy to access, and independent.
- iii) Listed securities with quoted prices should be valued at closing prices.

- iv) Fair values of unlisted securities with no closing prices are based on prices quoted by independent brokers.
- v) The guidelines provided by regulatory authorities should be followed.

ii. Marking-to-model

Marking to model is suggested if marking to market is infeasible. This valuation methodology is based on model inputs to derive the value of trading positions. Senior managers should acknowledge the valuation model scope, uncertainties and effects. In addition to complying with the Bank's regulations regarding model valuation, the Bank should consider the following:

- i) Model inputs should be consistent and complete.
- ii) Valuation models should be made on the basis of proper assumptions. The Bank should also consider its internal control system, market risk management framework and mathematical expertise in making calculations. Moreover, model validation should be implemented by a quantitative trading team that is independent of the market risk-taking unit.
- iii) There should be standard procedures for model alteration and the operation of a backup system, and valuation results should be tested periodically using historical backup data.

The Bank and its subsidiaries' fair value measurement model - such as the Black-Scholes option pricing model or Monte Carlo Simulation - is widely used in the industry. Some valuation model parameters consist of unobservable information in markets. Thus, the Bank and its subsidiaries must make proper fair value estimates based on assumptions. For estimating the impact of parameters based on unobservable data, the Bank's "Quantitative Information on Significant Unobservable Inputs (Level 3)" is used as reference.

b) Non-financial instruments

Fair value of investment properties is measured using the income approach based on the valuations carried out by independent qualified professional valuers. The related data and inputs are as follows:

- i. Cash flows: The Bank and its subsidiaries evaluate market rentals of comparable properties on the basis of current lease agreements, local rental prices and market similarity, and rule out the values that are too high or too low. In addition, properties with terminal values should add the present value of terminal value to their market rentals.
- ii. Analysis period: The income is measured by 10 years.
- iii. Discount rate: The discount rate is based on the interest rate for two-year time deposits as posted by Chunghwa Post Co., Ltd., plus 0.75% and asset-specific risk premiums 2.5%.

3) Fair value adjustment

Credit risk value adjustments included in the calculation of the fair value of financial instruments take into account the counterparties' credit risk and the Bank and its subsidiaries' credit quality.

Credit risk value adjustment means the fair value of derivative contracts reflecting the credit risks of both parties to a transaction. It is mainly divided into credit value adjustments and debit value adjustments.

- a) Credit valuation adjustment (CVA) is used for derivative contracts that are traded over the counter. It is the adjustment required for the value of a derivative asset to reflect the counterparty's credit risk.
- b) Debit valuation adjustment (DVA) is used for derivative contracts that are traded over the counter. It is the adjustment required for the value of a derivative liability to reflect non-performance risk, including credit risk, of the Bank and its subsidiaries.

CVA and DVA are the tools for estimating losses, which are calculated using models with inputs of Probability of Default (PD) and Loss Given Default (LGD) multiplying Exposure at Default (EAD).

The Bank and its subsidiaries calculate expected loss by multiplying the probability of default (PD) by the loss given default (LGD) by the exposure at default (EAD).

The Bank and its subsidiaries calculate EAD using the mark-to-market fair value of OTC derivative instruments.

The Bank and its subsidiaries uses 60% as the PD in accordance with "IFRS 13 CVA and DVA-related Disclosure Guidelines" issued by the Taiwan Stock Exchange.

4) Transfers between Level 1 and Level 2

In 2016, the Bank and its subsidiaries had no material transfer between Level 1 and Level 2.

For enhanced valuation of financial instruments, quoted prices from Bloomberg and BNG are used, and specifically for NTD bonds, quoted prices from the OTC securities exchange are used. In 2015, the Bank and its subsidiaries transferred some foreign-currency bonds from Level 2 to Level 1 when the valuation standards changed because of liquidity changes in markets. Besides, the valuation standards changed because of the liquidity change in markets; thus, some foreign-currency bonds were transferred from Level 1 to Level 2.

5) Reconciliation of Level 3 items of financial instruments

a) Reconciliation of Level 3 financial assets

For the Year Ended December 31, 2016

Name	Beginning Balance	Gains (Losses) on Valuation		Increase		Decrease		Ending Balance
		Profit and Loss	Other Comprehensive Income	Purchase/ Issue	Transfer to Level 3	Disposal/ Sale	Transfer Out of Level 3	
Financial assets at fair value through profit or loss								
Held-for-trading financial assets	\$ 26,846,735	\$ (8,940,200)	\$ -	\$ 1,939,927	\$ -	\$ 7,789,657	\$ 162,245	\$ 11,894,560
Financial assets designated as at fair value through profit or loss	2,156,652	45,277	-	2,274,005	1,103,651	2,725,843	1,215,578	1,638,164
Available-for-sale financial assets	1,248,707	(98,225)	(38,682)	1,666,732	1,768,608	503,530	862,823	3,180,787
Investment properties	2,746,700	(36,800)	-	-	-	34,700	33,700	2,641,500

Note: Transfers to Level 3 were due to a lack of observable valuation inputs for certain financial assets designated as at fair value through profit or loss and available-for-sale financial assets. Transfers out of Level 3 were due to valuation inputs becoming observable for certain held-for-trading financial assets, financial assets designated as at fair value through profit or loss and available-for-sale financial assets. Transfers out of Level 3 were due to investment property reclassified as property and equipment.

For the Year Ended December 31, 2015

Name	Beginning Balance	Gains (Losses) on Valuation		Increase		Decrease		Ending Balance
		Profit and Loss	Other Comprehensive Income	Purchase/ Issue	Transfer to Level 3	Disposal/ Sale	Transfer Out of Level 3	
Financial assets at fair value through profit or loss Held-for-trading financial assets	\$ 11,634,165	\$ 19,389,963	\$ -	\$ 2,005,760	\$ 209,160	\$ 5,143,653	\$ 1,248,660	\$ 26,846,735
Financial assets designated as at fair value through profit or loss	2,563,873	71,301	-	-	301,758	158,590	621,690	2,156,652
Available-for-sale financial assets	757,215	(10,563)	(5,109)	503,530	658,387	-	654,753	1,248,707
Investment properties	2,349,150	113,092	-	-	284,458	-	-	2,746,700

Note: Transfers to Level 3 were due to a lack of observable valuation inputs for certain held-for-trading financial assets, financial assets designated as at fair value through profit or loss and available-for-sale financial assets. Investment properties transferred to Level 3 were reclassified from property and equipment. Transfers out of Level 3 were due to valuation inputs becoming observable for certain held-for-trading financial assets, financial assets designated as at fair value through profit or loss and available-for-sale financial assets.

As of December 31, 2016 and 2015, valuation losses of \$2,644,438 thousand and gains of \$18,148,899 thousand, respectively, were included in profit or loss, and valuation losses of \$38,648 thousand and \$2,079 thousand, respectively, were included in other comprehensive income.

b) Reconciliation of Level 3 financial liabilities

For the Year Ended December 31, 2016

Name	Beginning Balance	Valuation Gain/Loss Reflected on Profit or Loss	Increase		Decrease		Ending Balance
			Purchase/ Issue	Transfer to Level 3	Disposal	Transfer Out of Level 3	
Financial liabilities at fair value through profit or loss Held-for-trading financial liabilities	\$ 26,814,093	\$ (9,182,268)	\$ 44,477	\$ -	\$ 5,696,062	\$ -	\$ 11,980,240

For the Year Ended December 31, 2015

Name	Beginning Balance	Valuation Gain/Loss Reflected on Profit or Loss	Increase		Decrease		Ending Balance
			Purchase/ Issued	Transfer to Level 3	Disposed	Transfer Out of Level 3	
Financial liabilities at fair value through profit or loss Held-for-trading financial liabilities	\$ 11,422,005	\$ 17,645,257	\$ 2,438,771	\$ -	\$ 4,690,669	\$ 1,271	\$ 26,814,093

Note: Transfers out of Level 3 were due to valuation inputs becoming observable for certain held-for-trading financial liabilities.

As of December 31, 2016 and 2015, valuation gains of \$2,670,400 thousand and losses of \$17,377,639 thousand, respectively, had been included in profit and loss for liabilities still held.

6) Quantitative information on the significant unobservable inputs (Level 3) used in fair value measurement

Classified under Level 3 were some overseas bonds, foreign asset securitization, credit-linked notes, complex derivatives and investment property.

Financial instruments for which there are significant unobservable inputs are measured using a credit model, a complex interest rate option model and a complex foreign exchange option model. Parameters of the model can be accurately calibrated for the quantitative analysis of financial settings.

Quantitative information on significant unobservable inputs is set out below. However, the positions belonging to third-party source if information (including back-to-back transactions and quotes from Bloomberg BVAL on bonds in foreign currency) and the “Sensitivity Analysis of Fair Value If Reasonably Possible Alternative Assumptions Are Used” are not shown below because the relationship between the significant unobservable inputs and fair values is difficult to be established fully.

December 31, 2016

Name	Products	Fair Value	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-average)	Relationships between Inputs and Fair Value
Items measured at fair value based on repeatability:						
<u>Non-derivative items</u>						
Financial assets designated as at fair value through profit or loss	Credit-linked notes (CLN)	\$ 1,153,941	Complex option model	Default recovery rate	10%-90%	The increase in default recovery rate would result in a decrease in fair value.
<u>Derivative financial assets</u>						
Financial assets at fair value through profit or loss	Foreign exchange option (FX Option)	92,102	Complex foreign exchange option model	Proportion parameter	10%-90%	The increase in proportion parameter would approximate to stochastic volatility model. Inputs should be regularly reviewed to determine the validity of fair value.
<u>Derivative financial liabilities</u>						
Financial assets at fair value through profit or loss	Foreign exchange op (FX Option)	(5,754)	Complex foreign exchange option model	Proportion parameter	10%-90%	The increase in proportion parameter would approximate to stochastic volatility model. Inputs should be regularly reviewed to determine the validity of fair value.
<u>Non-financial instruments</u>						
Investment property	Property	2,641,500	Note	Note	Note	Note

December 31, 2015

Name	Products	Fair Value	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-average)	Relationships between Inputs and Fair Value
Items measured at fair value based on repeatability:						
<u>Non-derivative items</u>						
Financial assets designated as at fair value through profit or loss	Credit-linked notes (CLN)	\$ 2,156,652	Complex option model	Default recovery rate	10%-90%	The increase in default recovery rate would result in a decrease in fair value.
Available-for-sale financial assets	Trust plan	503,530	Discounted cash flow method	Real interest rate	4.40%	The decrease in real interest rate would result in an increase in fair value.
<u>Derivative financial assets</u>						
Financial assets at fair value through profit or loss	Foreign exchange option (FX Option)	139,073	Complex foreign exchange option model	Proportion parameter	10%-90%	The increase in proportion parameter would approximate to stochastic volatility model. Inputs should be regularly reviewed to determine the validity of fair value.
<u>Derivative financial liabilities</u>						
Financial assets at fair value through profit or loss	Foreign exchange op (FX Option)	(44,500)	Complex foreign exchange option model	Proportion parameter	10%-90%	The increase in proportion parameter would approximate to stochastic volatility model. Inputs should be regularly reviewed to determine the validity of fair value.
<u>Non-financial instruments</u>						
Investment property	Property	2,746,700	Note	Note	Note	Note

Note: The fair values of investment properties is measured using the income approach based on the valuations carried out by independent qualified professional valuers in conformity with the Regulations Governing the Preparation of financial Reports by Public Banks. Refer to Note 21.

7) Valuation processes for Level 3 fair value measurements

The Bank and its subsidiaries' Risk Management Division (the "Division") is responsible for independently verifying fair value, confirming that the information needed is correct and consistent before valuing the financial instruments with the use of models, calibrating measurement models in relation to market prices, and updating the inputs required for models so that the model results will closely approximate market status. In addition to maintaining the accuracy of measurement models, the Division also examines periodically the reasonableness of prices provided by third parties.

Investment property is regularly measured by independent qualified professional valuers commissioned by Property Management Division in conformity with the Regulations Governing the Preparation of financial Reports by Public Banks.

The Risk Management Division and the Property Management Division make the policies on the fair value valuation of financial instruments and investment properties, respectively, and valuation procedures and ensure that their policies comply with the relevant IFRSs.

8) Sensitivity analysis of Level 3 fair value if reasonably possible alternative assumptions are used

Although the Bank and its subsidiaries believe that their estimates of fair value are appropriate, the use of different methodology or assumptions could lead to different measurements of fair value. For Level 3 fair value measurements, a 10% change in assumptions would have the following effects:

Name	December 31, 2016			
	Effect on Profit and Loss		Effect on Other Comprehensive Income	
	Favorable	Unfavorable	Favorable	Unfavorable
<u>Assets</u>				
Financial assets at fair value through profit or loss				
Held-for-trading financial assets	\$ 27	\$ -	\$ -	\$ -
Financial assets designated at fair value through profit or loss	84	(79)	-	-
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss				
Held-for-trading financial liabilities	38	(35)	-	-

Name	December 31, 2015			
	Effect on Profit and Loss		Effect on Other Comprehensive Income	
	Favorable	Unfavorable	Favorable	Unfavorable
<u>Assets</u>				
Financial assets at fair value through profit or loss				
Held-for-trading financial assets	\$ 206	\$ (193)	\$ -	\$ -
Available-for-sale financial assets	-	-	325	(325)
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss				
Held-for-trading financial liabilities	49	(47)	-	-

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

1) Fair value information of financial instruments

Financial instruments measured at cost, excluding those in the table below, have carrying amounts that are reasonably close to their fair values; thus, their fair values are not disclosed. Examples of these instruments are (a) financial assets such as cash and cash equivalents due from the Central Bank and other banks, securities purchased under resell agreements, receivables, discounts and loans, and parts of other financial assets, and (b) financial liabilities such as deposits to the Central Bank and other banks, securities sold under repurchased agreements, payables, deposits and remittances, and other financial assets.

Items	December 31, 2016	
	Carrying Amount	Fair Value
<u>Financial assets</u>		
Held-to-maturity financial assets	\$ 354,395,498	\$ 354,508,456
Other financial assets - debt instruments with no active market	37,132,528	36,350,306
<u>Financial liabilities</u>		
Bank debentures	30,900,000	31,721,013

Items	December 31, 2015	
	Carrying Amount	Fair Value
<u>Financial assets</u>		
Held-to-maturity financial assets	\$ 288,730,656	\$ 290,884,355
Other financial assets - debt instruments with no active market	24,010,908	23,818,530
<u>Financial liabilities</u>		
Bank debentures	34,650,000	35,337,264

2) Fair value hierarchy of financial instruments

Assets and Liabilities	December 31, 2016			
	Total	Level 1	Level 2	Level 3
<u>Financial assets</u>				
Held-to-maturity financial assets	\$ 354,508,456	\$ 51,844,179	\$ 283,524,677	\$ 19,139,600
Other financial assets - debt instruments with no active market	36,350,306	-	16,070,857	20,279,449
<u>Financial liabilities</u>				
Bank debentures	31,721,013	31,721,013	-	-

Assets and Liabilities	December 31, 2015			
	Total	Level 1	Level 2	Level 3
<u>Financial assets</u>				
Held-to-maturity financial assets	\$ 290,884,355	\$ 38,536,677	\$ 238,216,462	\$ 14,131,216
Other financial assets - debt instruments with no active market	23,818,530	-	5,266,850	18,551,680
<u>Financial liabilities</u>				
Bank debentures	35,337,264	35,337,264	-	-

3) Measurement technique

Methods and assumptions applied in estimating the fair values of financial instruments not carried at fair value are as follows:

- 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, part of other financial assets, due to the Central Bank and other banks, funds borrowed from the Central Bank and other banks, securities sold under repurchase agreements, payables, and remittances approximate their fair values because of the short maturities of these instruments.
- b) Discounts and loans, deposits, and principals of structured products are interest-earning financial assets/interest-bearing financial liabilities; thus, their carrying amounts approximate their fair values. The carrying amounts of nonperforming loans are estimated at their recoverable amounts after considering the reserve for credit losses; thus the carrying amounts are regarded as fair value.

- c) Held-to-maturity financial assets, debt instruments with no active market and bank debentures are based on their quoted prices in an active market. For those instruments with no quoted market prices, their fair values are determined using valuation techniques incorporating estimates and assumptions consistent with those generally used by other market participants to price financial instruments.
- d) Equity investments accounted for as financial assets carried at cost have no quoted prices in an active market and have a wide range of fair value measurements; hence, their carrying amounts are considered their fair value.

50. FINANCIAL RISK MANAGEMENT

a. Overview

The Bank and its subsidiaries have been fully devoted to establishing a robust risk management culture and environment, improving the comprehensive risk management system, pursuing the optimization of risks and rewards, formulating faultless risk management procedures and related business hedging strategies, complying with the risk management requirements of the Basel Accord framework, continually elevating professional level in risk management, assisting business sustainable growth, and optimizing shareholder's value.

The major risks faced by the Bank and its subsidiaries on and off balance sheet include credit risk, market risk (including interest rate, foreign exchange, equity and commodity risks) and liquidity risk.

The Bank and its subsidiaries have duly established risk management policies, principles, rules and regulations approved by the Board of Directors, to ensure consistent compliance with the comprehensive risk management systems, and to identify, measure, monitor, transfer, and mitigate the Bank and its subsidiaries' credit, market, and liquidity risks.

b. Risk management framework

Taipei Fubon Bank

The Bank adopts three lines of defense in its risk management framework to ensure operating effectiveness of risk management system. Business, operation, and management units each undertake the first line of defense role to ensure compliance with risk management requirements and implementation of the risk control procedures while performing their job functions. Risk management units assume an independent role in enacting the second line of defense, and is responsible for designing a risk management system, monitoring risk exposures and submitting risk reports. The audit department conducts the third defense line by independently examining the compliance of various risk management system and requirements.

The Board of Directors oversees the establishment of the Bank's effective risk management system and mechanism; approves risk management policies, principles, regulations and rules; and reviews important risk management reports. The Bank has established an Asset/Liability Management Committee under the Chairman. This Committee is in charge of the Bank's business strategy, manages assets and liabilities and capital adequacy, and sustains liquidity and enhances the management of the sources and use of capital to pursue the Bank's best interests under acceptable risks. The Committee is chaired by the Bank's Chairman and of its members are the President and senior managers of relevant departments. The Committee meetings are held monthly and at other times depending on business needs.

To strengthen risk management functions, the Credit Risk Management Committee, Market Risk Management Committee, and Operational Risk Management Committee under the Bank's Chairman have been established. The members of the committees include the President and senior managers of relevant departments. The committees are chaired by the Bank President. The committees' meetings are held monthly and at other times depending on business needs to review the mechanism for credit, market and operational risk management; review credit risk and country risk exposures, changes in positions and asset quality; monitor market risk limits and exposures; inspect operational loss events; and carry out relevant remedial courses of action.

Furthermore, the Bank has established the Risk Management Division independent of business units, and this Division is responsible for monitoring and managing risks and submitting risk management reports to the Board periodically.

Fubon Bank (China)

The Board, as the highest decision-making body, takes ultimate responsibility for risk management and decides FBC's overall risk tolerance. The special Committee under the Board monitors and evaluates the effectiveness of risk management practices.

The senior management and its subcommittees are responsible for implementing risk policies authorized by the Board. They define individual risk management levels using a certain coding system, enhance the effectiveness of risk management practices, and optimize workflow. The Risk Management Department identifies, quantifies and monitors risk factors and reports FBC's overall risks to senior management and the Board. The Internal Audit Department independently evaluates the internal control codes for effectiveness, comprehensiveness, and accuracy.

c. Credit risk

1) Credit risk definitions and sources

Taipei Fubon Bank

Credit risk refers to the risk of losses caused by borrowers, debtors, or counterparties' failure to fulfill their contractual obligations because of deteriorating financial position or other factors. It arises principally from businesses such as discounts, loans, credit cards, due from or call loans to banks, debt investments, derivatives etc., but also from off-balance sheet products such as guarantees, acceptance, letters of credit and other commitments.

Fubon Bank (China)

Credit risk is the primary risk faced by Fubon Bank (China), and it mainly comes from commercial lending (discounts, negotiations, acceptance bills, issued letters of credit, standby letters of credit, bank guarantees, etc.), financial derivative contracts, and bond investments.

2) Strategy/objectives/policies and procedures

Taipei Fubon Bank

The Bank has established solid credit risk policies and procedures. A robust credit risk strategy taking into account the economic environment, industry sector and financial sector as well as corporate business plan is in place. The Bank pursues the optimization of risks and rewards. Comprehensive credit risk management systems and tools have been deployed effectively to identify, evaluate, monitor and report credit risks including default, counterparty and concentration risks.

Fubon Bank (China)

The credit risk management of Fubon Bank (China) FBC is based on its comprehensive risk management system. Under this system is the Risk & Related Party Transaction Committee, which the Board oversees. This Committee supervises the implementation of credit risk policies, evaluates risk tolerances and makes recommendations on the strengthening of credit risk management practices. The Credit Committee, which is supervised by senior management, reviews credit lines within a certain limit. The Supervisory Committee, which is also under the Board's oversight, approves FBC's lending policies as well as authorizes credit lines that exceed the Credit Committee's authorized-approval limit to strengthen risk control over large credit lines. FBC also has a Risk Management Department, which includes the Risk Control Division, Credit Policy & Planning Division, Post-Disbursement Risk Management Division and Credit Approval & Administration Division, which identify, quantify, monitor and control FBC's credit risk.

3) Credit risk management framework

Taipei Fubon Bank

- a) To strengthen risk management function, under the supervision of the Board of Directors, the Bank has established the Credit Risk Management Committee, which is composed of senior management and chaired by the President, to examine credit risk policies and quotas and to monitor the Bank's credit risk control, credit risk acceptance and management strategy on the credit business, securities investments and transactions, and derivatives.
- b) To enhance the independence of credit risk management, the Bank has established the Risk Management Division, which is responsible for measuring the Bank's risk exposures; monitoring risk limits; reporting; and coordinating the development of the mechanism for managing credit risk and validating risk models.
- c) In business lines, the Bank has business units that ensure compliance with control requirements while performing daily business operations.
- d) The Bank has established an Institutional Credit Review Committee and a Retail Credit Review Committee to review credit above a certain limit to strengthen control over cases involving large credit amounts.
- e) The audit department, which is under the supervision of the Board of Directors, conducts the third defense line of examining independently the effectiveness of internal control functions.

Fubon Bank (China)

The Bank's current credit risk management is based on its comprehensive risk management system. Divisions under the Risk Management including Department including Risk Control Division, Credit Policy & Planning Division, Post-Disbursement Risk Management Division and Credit Approval & Administration Division are to identify, quantify, monitor and control bank's credit risk.

4) Credit risk measurement, control and reporting

Taipei Fubon Bank

- a) The Taipei Fubon Bank (TFB) has established credit risk measurements and control procedures, including underwriting, risk rating, limit control, account maintenance, pre-settlement limit control and collection management systems, which enable TFB to manage and limit the country risk, single legal entity and group exposure risk, and industry concentration risk effectively. TFB has also established a vigorous review and early warning mechanism to ensure that there are proper actions taken for effective credit risk management.
- b) TFB regularly performs credit risk stress testing based on the guideline issued by the Financial Supervisory Commission. It continues to develop scenario analysis and stress testing to provide senior management with an assessment of risk tolerance, as well as to provide a sound basis for credit portfolio management.
- c) The Bank has completed several Basel Accord credit risk management projects, including risk data warehousing system, internal risk rating system, and the risk-weighted asset calculation system. The development and revision of score card and rating models are validated independently by the Risk Management Division to monitor the model performance and stability.

Fubon Bank (China)

- a) The credit risk control process includes credit policy development, credit approval, early warning and collection. Credit risk supervision includes the regular follow-up of high-risk cases, exposure limit control of country risk, and customer credit grading management; and real-estate loan monitoring and other monthly monitoring, which includes industry concentration and the concentration of single clients/group clients and its affiliated parties.
- b) Fubon Bank (China) makes a regular credit portfolio stress test for industry, products, regions, and customers based on the actual status of the credit portfolio. The stress test results, including changes in results due to differences in risk triggers, will be reported at the board meeting and serve as reference for risk management and decision-making.
- c) The credit management system of Fubon Bank (China) has modules for credit approval, loan ledger management, collateral information maintenance, customer grading management and - five-category asset classification for bank loans. The system can support credit risk management effectively.

5) Credit risk mitigation

Taipei Fubon Bank

Taipei Fubon Bank (TFB) has established sophisticated limits in controlling concentration risks on credit, securities investment and counterparty exposures. Risk rating is assessed for each borrower on the basis of the stringent evaluation of obligor risk and facility risk. Further, TFB has set a centralized approval process with documented guidelines and dual authorizations. Appropriate collaterals are required on the basis of borrowers' financials and debt service capabilities to mitigate credit risk.

Fubon Bank (China)

Fubon Bank (China) (FBC) has credit and approval authorization limits based on a customer risk grading and loan classification and guarantee and sub-guarantee criteria, and investment portfolio management is based on the “Institutional Banking Risk Policy and SOP”. FBC also strengthens risk identification on the basis of a customer’s risk grading and the Central Bank’s customer selection criteria and classification. Credit quality control is done through strict and highly thorough due diligence and approval procedures, which include having the credit officers from both the sales department and the risk department sign credit approval documents. FBC also requires appropriate collaterals to enhance loan risk mitigation. In addition, there is post-loan management, which includes continual loan monitoring and taking note of any early risk-warning signals.

6) Maximum exposure to credit risk

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet without taking into consideration any collateral held or other credit enhancements. The maximum credit exposures of the off-balance sheet financial instruments (before taking account of any collateral held or other credit enhancements) are summarized as follows:

Taipei Fubon Bank

Off-Balance Sheet Item	Maximum Exposure Amount	
	December 31	
	2016	2015
Irrevocable credit commitments	\$ 90,031,332	\$ 98,224,407
Standby letters of credit	8,893,665	8,736,101
Financial guarantees	32,089,282	34,537,974
Total	\$ 131,014,279	\$ 141,498,482

Fubon Bank (China)

(In Thousands of RMB)

Off-Balance Sheet Item	Maximum Exposure Amount	
	December 31	
	2016	2015
Irrevocable credit commitments	\$ 140,375	\$ -
Standby letters of credit	235,845	255,277
Financial guarantees	1,649,110	1,574,208
Total	\$ 2,025,330	\$ 1,829,485

The maximum exposures of the on and off balance sheet financial pledged as collateral or other credit enhancements are carrying amount are summarized as follows:

Taipei Fubon Bank

December 31, 2016	Financial Instrument	Property	Guarantee	Others
<u>Category of asset</u>				
Loans	2.67%	55.49%	4.04%	2.86%
Guarantees receivable	3.88%	5.89%	0.66%	0.51%
Acceptances	11.57%	4.99%	0.41%	0.42%
Available-for-sale financial assets	-	-	15.24%	-
Held-to-maturity financial assets	-	-	0.99%	-
Other financial assets-debt instruments with no active market	-	-	5.47%	-

December 31, 2015	Financial Instrument	Property	Guarantee	Others
<u>Category of asset</u>				
Loans	2.76%	50.11%	4.10%	3.08%
Guarantees receivable	4.86%	6.26%	0.70%	0.71%
Acceptances	11.49%	6.86%	0.10%	0.60%
Available-for-sale financial assets	-	-	27.77%	-
Held-to-maturity financial assets	-	-	1.61%	-
Other financial assets-debt instruments with no active market	-	-	14.91%	-

Fubon Bank (China)

December 31, 2016	Financial Instrument	Property	Guarantee	Others
<u>Category of asset</u>				
Loans	10.24%	9.20%	-	1.55%
Guarantees receivable	70.50%	25.76%	3.50%	-
Acceptances	54.02%	6.14%	20.04%	-

December 31, 2015	Financial Instrument	Property	Guarantee	Others
<u>Category of asset</u>				
Loans	12.85%	15.65%	-	2.03%
Guarantees receivable	73.70%	25.46%	0.67%	-
Acceptances	69.91%	5.02%	24.01%	-
Other financial assets-debt instruments with no active market	-	-	-	100.00%

7) Concentrations of credit risk exposure

Concentrations of credit risk arise when a number of counterparties or exposures have similar economic characteristics, or 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 concentrations can arise in the Bank and its subsidiaries' assets, liabilities, or off-balance sheet items, through the execution or processing of transactions (either product or service), or through a combination of exposures across these broad categories. It includes credits, loans and deposits, call loans to banks, investments, receivables and derivatives. To manage credit risk, the Bank and subsidiaries maintain a diversified portfolio, limit their exposure to any one geographic region, country or individual creditor, and monitor their exposure continually. The Bank and subsidiaries' most significant concentrations of credit risk are summarized as follows:

Taipei Fubon Bank

a) By industry

By Industry	December 31			
	2016		2015	
	Amount	%	Amount	%
Private enterprise	\$ 409,665,407	35.33	\$ 465,176,747	38.53
Public enterprise	54,379,520	4.69	77,318,833	6.40
Government organization	60,253,577	5.20	78,328,851	6.49
Non-profit organization	399,872	0.03	299,693	0.02
Private	572,170,635	49.34	532,752,122	44.12
Financial institution	62,718,472	5.41	53,584,107	4.44
Total	\$ 1,159,587,483	100.00	\$ 1,207,460,353	100.00

b) By geographical area

Geographical Area	December 31			
	2016		2015	
	Amount	%	Amount	%
Domestic	\$ 1,033,742,174	89.15	\$ 1,055,700,947	87.43
Asia	62,885,190	5.42	76,677,362	6.35
America	49,717,731	4.29	65,131,857	5.40
Others	13,242,388	1.14	9,950,187	0.82
Total	\$ 1,159,587,483	100.00	\$ 1,207,460,353	100.00

c) By collateral

By Collateral	December 31			
	2016		2015	
	Amount	%	Amount	%
Unsecured	\$ 423,747,922	36.55	\$ 499,772,748	41.39
Secured	735,839,561	63.45	707,687,605	58.61
Financial instruments	31,576,642	2.72	34,300,121	2.84
Properties	626,202,482	54.00	588,821,028	48.76
Guarantees	45,691,757	3.94	48,255,605	4.00
Others	32,368,680	2.79	36,310,851	3.01
Total	\$ 1,159,587,483	100.00	\$ 1,207,460,353	100.00

Fubon Bank (China)

a) By industry

(In Thousands of RMB)

By Industry	December 31			
	2016		2015	
	Amount	%	Amount	%
Finance and insurance	\$ 11,881,305	30.00	\$ 9,452,347	23.47
Construction	4,313,653	10.89	5,650,459	14.03
Leasing and commerce	3,819,398	9.64	2,187,239	5.43
Manufacturing	3,267,854	8.25	3,033,561	7.53
Wholesale and retail	3,164,941	7.99	2,662,429	6.61
Water conservation and environment	3,160,997	7.98	3,972,791	9.87
Real estate	2,057,279	5.19	4,209,337	10.45
Information and computers	537,274	1.36	456,926	1.13
Personal loans	497,027	1.26	419,793	1.04
Electricity, gas and water	216,050	0.55	144,181	0.36
Education	127,743	0.32	16,822	0.04
Transportation	58,676	0.15	482,033	1.20
Agriculture, livestock and fishery	55,000	0.14	40,000	0.10
Hotel and catering	54,689	0.14	137,303	0.34
Health care and welfare	33,293	0.08	33,293	0.08
Culture, sports and entertainment	25,000	0.06	87,600	0.22
Research and development and technical services	5,040	0.01	114,400	0.28
Others	6,327,381	15.99	7,169,170	17.82
Total (Note)	\$ 39,602,600	100.00	\$ 40,269,684	100.00

Note: Included only discounts and loans.

b) By geographical area

(In Thousands of RMB)

Geographical Area	December 31			
	2016		2015	
	Amount	%	Amount	%
East China	\$ 18,154,073	45.84	\$ 17,378,703	43.15
North China	10,660,688	26.92	10,637,521	26.42
Southwest region	5,683,492	14.35	5,897,708	14.65
South China	1,640,154	4.14	2,388,022	5.93
Other regions	2,967,166	7.49	3,547,937	8.81
Personal loans	497,027	1.26	419,793	1.04
Total (Note)	\$ 39,602,600	100.00	\$ 40,269,684	100.00

Note: Included only discounts and loans.

c) By collateral

(In Thousands of RMB)

By Collateral	December 31			
	2016		2015	
	Amount	%	Amount	%
Clean loans	\$ 31,292,273	79.01	\$ 27,973,346	69.47
Guarantee loans	612,639	1.55	819,117	2.03
Collateral loans	7,697,688	19.44	11,477,221	28.50
Mortgage loans	3,642,136	9.20	6,301,595	15.65
Pledge loans	4,055,552	10.24	5,175,626	12.85
Total (Note)	\$ 39,602,600	100.00	\$ 40,269,684	100.00

Note: Included only discounts and loans.

8) 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, repos and debt securities, refundable deposits, guaranty bonds, and clearing and settlement fund-are regarded as having very low credit risk due to the good credit rating of counterparties.

The credit quality of discounts, loans, receivables and investments has three classifications, defined below. Each classification consists of a range of more granular, internal credit rating grades assigned to the wholesale and retail lending businesses, as well as external ratings attributed by external agencies to investment.

The credit quality classifications are defined as follows:

Taipei Fubon Bank

- a) Good: Exposures demonstrate a good capacity to meet financial commitments, with low default risk and/or low levels of expected loss.
- b) Moderate: Exposures require closer monitoring and demonstrate an average to fair capacity to meet financial commitments, with moderate default risk.
- c) Substandard: Exposures require varying degrees of special attention and default risk is of greater concern.

Fubon Bank (China)

- a) Moderate: Borrower can meet the loan contract terms. There is no reason to doubt the borrower's repayment capacity.
- b) Special-mention: Some negative factors may affect the completion of a borrower's repayment even though the borrower has the capacity to make regular repayments until now.

The Bank and its subsidiaries' credit analysis of financial assets is set out below:

Taipei Fubon Bank

a) Credit analysis of receivables and discounts and loans

December 31, 2016	Neither Past Due Nor Impaired				Overdue But Not Impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Loss Recognized (D)		Net Total (A)+(B)+(C)-(D)
	Good	Moderate	Substandard	Subtotal (A)				With Objective Evidence of Impairment	With No Objective Evidence of Impairment	
Receivables	\$ 41,110,625	\$ 21,998,025	\$ 517,023	\$ 63,625,673	\$ 188,252	\$ 902,503	\$ 64,716,428	\$ 147,808	\$ 363,511	\$ 64,205,109
Credit card business	25,152,207	7,212,587	456,550	32,821,344	174,295	710,592	33,706,231	63,975	113,342	33,528,914
Accounts receivable and documents against acceptance - forfaiting	580,329	420,657	-	1,000,986	-	-	1,000,986	-	10,967	990,019
Accounts receivable - factoring	5,349,974	11,185,442	-	16,535,416	-	-	16,535,416	-	189,441	16,345,975
Acceptances	218,322	2,497,046	-	2,715,368	-	-	2,715,368	-	28,285	2,687,083
Others	9,809,793	682,293	60,473	10,552,559	13,957	191,911	10,758,427	83,833	21,476	10,653,118
Bills purchased	-	1,596	-	1,596	-	-	1,596	-	16	1,580
Nonperforming loans transferred from other than loans	-	-	-	-	-	867,701	867,701	838,973	-	28,728
Discounts and loans	538,199,309	535,082,023	37,664,712	1,110,946,044	2,956,305	10,857,398	1,124,759,747	1,937,925	12,728,207	1,110,093,615
Personal finance	418,742,013	61,508,600	34,594,988	514,845,601	2,890,829	1,853,308	519,589,738	84,190	6,957,579	512,547,969
Corporate banking	119,457,296	473,573,423	3,069,724	596,100,443	65,476	9,004,090	605,170,009	1,853,735	5,770,628	597,545,646

Note: The total loan is the original amount without the adjustments of premium or discounts \$580,691 thousand.

December 31, 2015	Neither Past Due Nor Impaired				Overdue But Not Impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Loss Recognized (D)		Net Total (A)+(B)+(C)-(D)
	Good	Moderate	Substandard	Subtotal (A)				With Objective Evidence of Impairment	With No Objective Evidence of Impairment	
Receivables	\$ 47,397,019	\$ 26,604,935	\$ 598,066	\$ 74,600,020	\$ 178,259	\$ 885,681	\$ 75,663,960	\$ 89,574	\$ 596,804	\$ 74,977,582
Credit card business	19,432,442	6,472,857	549,079	26,454,378	161,665	835,443	27,451,486	78,575	91,483	27,281,428
Accounts receivable and documents against acceptance - forfaiting	14,964,318	3,235,786	-	18,200,104	-	-	18,200,104	-	270,420	17,929,684
Accounts receivable - factoring	2,626,562	13,915,946	-	16,542,508	-	-	16,542,508	-	201,865	16,340,643
Acceptances	437,586	2,080,828	-	2,518,414	-	-	2,518,414	-	26,339	2,492,075
Others	9,936,111	899,518	48,987	10,884,616	16,594	50,238	10,951,448	10,999	6,697	10,933,752
Bills purchased	289	1,428	-	1,717	-	-	1,717	-	17	1,700
Nonperforming loans transferred from other than loans	-	-	-	-	-	489,010	489,010	412,904	15,333	60,773
Discounts and loans	556,417,354	573,414,765	29,313,023	1,159,145,142	2,847,369	8,409,541	1,170,402,052	1,351,062	13,300,000	1,155,750,990
Personal finance	413,181,710	40,076,781	25,301,943	478,560,434	2,144,259	1,848,548	482,553,241	81,545	6,458,214	476,013,482
Corporate banking	143,235,644	533,337,984	4,011,080	680,584,708	703,110	6,560,993	687,848,811	1,269,517	6,841,786	679,737,508

Note 1: The total loan is the original amount without the adjustments of premium or discounts \$651,766 thousand.

Note 2: The Bank merged with Taipei Fubon Bank Life Insurance Agency Co., Ltd. Under the related explanations, the Bank's comparable financial statements have been restated retrospectively.

Fubon Bank (China)

(In Thousands of RMB)

December 31, 2016	Neither Past Due Nor Impaired			Overdue But Not Impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Loss Recognized (D)		Net Total (A)+(B)+(C)-(D)
	Moderate	Special-mention	Subtotal (A)				With Objective Evidence of Impairment	With No Objective Evidence of Impairment	
Accounts receivable	\$ 1,333,236	\$ -	\$ 1,333,236	\$ -	\$ -	\$ 1,333,236	\$ -	\$ 153	\$ 1,333,083
Acceptances	867,162	-	867,162	-	-	867,162	-	-	867,162
Account receivable-forfaiting	8,242	-	8,242	-	-	8,242	-	153	8,089
Others	457,832	-	457,832	-	-	457,832	-	-	457,832
Discount and loans	38,849,532	126,588	38,976,120	181,996	444,485	39,602,601	221,584	512,057	38,868,960
Personal finance	491,823	4,520	496,343	13	671	497,027	205	9,229	487,593
Corporate banking	38,357,709	122,068	38,479,777	181,983	443,814	39,105,574	221,379	502,828	38,381,367

(In Thousands of RMB)

December 31, 2015	Neither Past Due Nor Impaired			Overdue But Not Impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Loss Recognized (D)		Net Total (A)+(B)+(C)-(D)
	Moderate	Special-mention	Subtotal (A)				With Objective Evidence of Impairment	With No Objective Evidence of Impairment	
Accounts receivable	\$ 1,207,503	\$ -	\$ 1,207,503	\$ -	\$ 660	\$ 1,208,163	\$ 330	\$ 92	\$ 1,207,741
Acceptances	810,024	-	810,024	-	-	810,024	-	-	810,024
Account receivable-forfaiting	4,208	-	4,208	-	-	4,208	-	92	4,116
Others	393,271	-	393,271	-	660	393,931	330	-	393,601
Continuing involvement in transferred assets	50,863	-	50,863	-	-	50,863	-	1,129	49,734
Discount and loans	39,233,945	274,745	39,508,690	396,141	364,853	40,269,684	198,554	654,028	39,417,102
Personal finance	406,164	4,730	410,894	8,899	-	419,793	-	8,774	411,019
Corporate banking	38,827,781	270,015	39,097,796	387,242	364,853	39,849,891	198,554	645,254	39,006,083

Note: The total loan is the original amount without the adjustments of premium or discounts RMB 8,589 thousand.

- b) Credit analysis for neither past due nor impaired discounts and loans according to internal rating standards is as follows:

Taipei Fubon Bank

December 31, 2016	Neither Past Due Nor Impaired			
	Good	Moderate	Substandard	Total
Personal finance				
Mortgage	\$ 389,671,354	\$ 56,011,110	\$ 23,031,129	\$ 468,713,593
Micro credit	-	4,500,175	11,560,841	16,061,016
Others	29,070,659	997,315	3,018	30,070,992
Corporate banking				
Secured	1,744,407	187,123,027	1,580,817	190,448,251
Unsecured	117,712,889	286,450,396	1,488,907	405,652,192
Total	\$ 538,199,309	\$ 535,082,023	\$ 37,664,712	\$ 1,110,946,044

December 31, 2015	Neither Past Due Nor Impaired			
	Good	Moderate	Substandard	Total
Personal finance				
Mortgage	\$ 384,262,517	\$ 35,196,652	\$ 15,315,680	\$ 434,774,849
Micro credit	-	4,013,700	9,984,246	13,997,946
Others	28,919,193	866,429	2,017	29,787,639
Corporate banking				
Secured	2,888,800	178,917,733	1,926,987	183,733,520
Unsecured	140,346,844	354,420,251	2,084,093	496,851,188
Total	\$ 556,417,354	\$ 573,414,765	\$ 29,313,023	\$ 1,159,145,142

Fubon Bank (China)

(In Thousands of RMB)

December 31, 2016	Neither Past Due Nor Impaired		
	Moderate	Special-mention	Total
Consumer finance			
Mortgage	\$ 316,292	\$ 4,520	\$ 320,812
Others	175,531	-	175,531
Corporate banking			
Secured	6,129,092	122,068	6,251,160
Unsecured	32,228,617	-	32,228,617
Total	\$ 38,849,532	\$ 126,588	\$ 38,976,120

(In Thousands of RMB)

December 31, 2015	Neither Past Due Nor Impaired		
	Moderate	Special-mention	Total
Consumer finance			
Mortgage	\$ 406,164	\$ 4,730	\$ 410,894
Corporate banking			
Secured	10,788,623	220,015	11,008,638
Unsecured	28,039,158	50,000	28,089,158
Total	\$ 39,233,945	\$ 274,745	\$ 39,508,690

c) Credit analysis of marketable securities

Taipei Fubon Bank

December 31, 2016	Neither Past Due Nor Impaired				Overdue But Non Impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Impairment Loss Recognized (D)	Net Total (A)+(B)+(C)-(D)
	Good	Moderate	Substandard	Subtotal (A)					
Available-for-sale financial assets									
Bond investments	\$ 36,741,827	\$ 15,521,574	\$ -	\$ 52,263,401	\$ -	\$ -	\$ 52,263,401	\$ -	\$ 52,263,401
Others	15,008,687	39,193,746	-	54,202,433	-	-	54,202,433	-	54,202,433
Held-to-maturity financial assets									
Bond investments	98,232,416	4,835,732	315,408	103,383,556	-	-	103,383,556	-	103,383,556
Others	209,955,361	-	-	209,955,361	-	-	209,955,361	-	209,955,361
Other financial assets									
Investment in bond	33,668,610	3,463,918	-	37,132,528	-	-	37,132,528	-	37,132,528

Note 1: Available-for-sale financial assets did not include equity investments and beneficial securities: Original cost of \$5,398,016 thousand, valuation amounting to \$1,136,127 thousand and cumulative impairment amounting to \$335,594 thousand.

Note 2: Other financial assets did not include equity investments in financial assets carried at cost: Original cost of \$581,607 thousand and accumulated impairment amounted to \$26,686 thousand.

December 31, 2015	Neither Past Due Nor Impaired				Overdue But Non Impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Impairment Loss Recognized (D)	Net Total (A)+(B)+(C)-(D)
	Good	Moderate	Substandard	Subtotal (A)					
Available-for-sale financial assets									
Bond investments	\$ 40,955,954	\$ 10,481,762	\$ -	\$ 51,437,716	\$ -	\$ -	\$ 51,437,716	\$ -	\$ 51,437,716
Others	7,477,224	5,396,702	-	12,873,926	-	-	12,873,926	-	12,873,926
Held-to-maturity financial assets									
Bond investments	69,968,663	5,206,921	-	75,175,584	-	-	75,175,584	-	75,175,584
Others	176,233,892	661,309	-	176,895,201	-	-	176,895,201	-	176,895,201
Other financial assets									
Bond investments	9,937,948	1,482,325	-	11,420,273	-	-	11,420,273	-	11,420,273

Note 1: Available-for-sale financial assets did not include equity investments and beneficial securities: Original cost of \$5,398,016 thousand, valuation amounting to \$857,754 thousand and cumulative impairment amounting to \$335,594 thousand.

Note 2: Other financial assets did not include equity investments in financial assets carried at cost: Original cost of \$594,542 thousand and accumulated impairment amounted to \$39,621 thousand.

Fubon Bank (China)

(In Thousands of RMB)

December 31, 2016	Neither Past Due Nor Impaired			Overdue But Non Impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Impairment Loss Recognized (D)	Net Total (A)+(B)+(C)-(D)
	Moderate	Special-mention	Subtotal (A)					
Available-for-sale financial assets								
Bond investments	\$ 5,647,194	\$ -	\$ 5,647,194	\$ -	\$ -	\$ 5,647,194	\$ -	\$ 5,647,194
Others	1,877,959	-	1,877,959	-	-	1,877,959	-	1,877,959
Held-to-maturity financial assets								
Bond investments	8,105,127	-	8,105,127	-	-	8,105,127	-	8,105,127
Others	743,464	-	743,464	-	-	743,464	-	743,464

(In Thousands of RMB)

December 31, 2015	Neither Past Due Nor Impaired			Overdue But Non Impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Impairment Loss Recognized (D)	Net Total (A)+(B)+(C)-(D)
	Moderate	Special-mention	Subtotal (A)					
Available-for-sale financial assets								
Bond investments	\$ 6,649,109	\$ -	\$ 6,649,109	\$ -	\$ -	\$ 6,649,109	\$ -	\$ 6,649,109
Others	4,413,369	-	4,413,369	-	-	4,413,369	-	4,413,369
Held-to-maturity financial assets								
Bond investments	6,077,974	-	6,077,974	-	-	6,077,974	-	6,077,974
Others	1,202,600	-	1,202,600	-	-	1,202,600	-	1,202,600
Other financial assets								
Others	2,500,474	-	2,500,474	-	-	2,500,474	-	2,500,474

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

Taipei Fubon Bank

Delays in processing payments by borrowers and other administrative reasons could result in unimpaired financial assets becoming overdue. Based on the Bank and its subsidiaries' internal risk management policies, financial assets overdue within 90 days are not considered impaired, unless evidences show otherwise.

Aging analysis of overdue but not yet impaired financial assets was as follows:

	December 31, 2016			
	Overdue Less Than One Month	Overdue One to Three Months	Overdue Over Three to Year	Total
Accounts receivable				
Credit card	\$ 116,775	\$ 57,520	\$ -	\$ 174,295
Others	11,137	2,820	-	13,957
Discounts and loans				
Personal finance	2,714,900	175,929	-	2,890,829
Corporate banking	59,181	5,964	331	65,476

	December 31, 2015			
	Overdue Less Than One Month	Overdue One to Three Months	Overdue Over Three to Year	Total
Accounts receivable				
Credit card	\$ 105,209	\$ 56,456	\$ -	\$ 161,665
Others	12,839	3,755	-	16,594
Discounts and loans				
Personal finance	2,010,612	133,647	-	2,144,259
Corporate banking	696,211	6,899	-	703,110

Fubon Bank (China)

(In Thousands of RMB)

	December 31, 2016				Total
	Overdue Less Than One Month	Overdue One to Three Months	Overdue Over Three to Year	Overdue Over Year	
Discounts and loans					
Personal finance	\$ 13	\$ -	\$ -	\$ -	\$ 13
Corporate banking	3,800	5,109	15,949	157,125	181,983

(In Thousands of RMB)

	December 31, 2015				
	Overdue Less Than One Month	Overdue One to Three Months	Overdue Over Three to Year	Overdue Over Year	Total
Discounts and loans					
Personal finance	\$ 5,258	\$ 3,641	\$ -	\$ -	\$ 8,899
Corporate banking	-	108,918	36,040	242,284	387,242

10) Analysis of impairment of financial assets

A part of the Bank and its subsidiaries' investments in available-for-sale financial assets and financial assets carried at cost were considered impaired because there were some objective evidences of impairment loss provided by investee companies. Please refer to Notes 13 and 18.

The Bank and its subsidiaries have assessed whether loans and receivables have objective evidence of impairment. The assessment on December 31, 2016 and 2015 had the following results:

Discounts and loans

Type of Impairment Assessment		December 31			
		2016		2015	
		Discounts and Loans	Allowance for Credit Losses	Discounts and Loans	Allowance for Credit Losses
With objective evidence of impairment	Individually assessed for impairment	\$ 11,066,457	\$ 2,881,859	\$ 8,398,139	\$ 2,269,297
	Collectively assessed for impairment	1,853,308	84,190	1,848,548	81,545
With no objective evidence of impairment	Collectively assessed for impairment	1,295,592,087	15,104,101	1,362,925,304	16,593,225

Receivables

Type of Impairment Assessment		December 31			
		2016		2015	
		Receivables	Allowance for Credit Losses	Receivables	Allowance for Credit Losses
With objective evidence of impairment	Individually assessed for impairment	\$ 1,000,435	\$ 869,502	\$ 482,306	\$ 370,812
	Collectively assessed for impairment	769,769	117,279	895,709	133,328
With no objective evidence of impairment	Collectively assessed for impairment	70,000,869	364,235	81,083,147	618,302

Note 1: The receivables are those originated by the Bank and its subsidiaries, and not net of the allowance for credit losses and adjustments for discount (premium).

Note 2: The above receivables and allowances include nonperforming loans reclassified from other than loans, bills purchased and continuing involvement in transferred assets.

d. Liquidity risk

1) Source and definition of liquidity risk

Liquidity risk means that banks cannot provide sufficient funding for asset size growth and meeting obligations on matured liabilities or that banks have to delay payments to counterparties or raise funds to cover funding gaps.

2) Liquidity risk management strategy and principles

Taipei Fubon Bank

- a) Taipei Fubon Bank's (TFB) strategy is to lower liquidity risk by acquiring stable, low interest-rate, sufficient funding to cover asset size growth and meet obligations on matured liabilities and to escape gaps between funding availability and demand.
- b) The principle is to harmonize fund availability with the Bank's deposit, loan and financial transaction growth. TFB adjusts its funding strategy depending on market fund change and the Central Bank's policies to increase fund use and lower liquidity risk. Thus, TFB not only pays attention to maturities of long-term and short-term securities to match the timing of large-amount loan drawdowns and repayments, but also analyzes the stability and percentages of various type of deposits to manage funding liquidity.
- c) Funding liquidity management indicators, analyses, and explanations are reported within the Asset/Liability and Risk Management Committee for discussion and reported to Board of Directors (Managing Directors) for reference.

Fubon Bank (China)

- a) The liquidity risk management strategy of Fubon Bank (China) (FBC) aims not only to meet compliance and regulatory requirements but also to find a sound balance between business performance and adequate liquidity position. By adjusting its short-term and long-term asset allocation and dispersing fund sources on the basis of market conditions, the Bank manages its liquidity risk exposure at an acceptable level to ensure the sustainability of its business operations and maintain its fine reputation.
- b) FBC maintains a strategically defined risk appetite for its liquidity management. Daily liquidity management is centralized given the size and complexity of its current business scope, and FBC's organization structure is suitable for managing liquidity exposure. The Board of Directors takes the ultimate responsibility for the FBC's liquidity risk, and it has authorized the Risk & Related Party Transaction Committee to carry out liquidity risk-related supervisory duties. The senior management, which is in charge of implementing liquidity management policies and procedures, has authorized the Asset & Liability Management Committee (ALCO) to perform related management duties daily. Liquidity risk assessment reports are prepared by ALCO for submission to the Risk & Related Party Transaction Committee and Board of Directors quarterly.
- c) FBC's liquidity risk management involves the full participation of staff in the dynamic prevention, scientific quantification and prudent management of risk to ensure FBC has sufficient funding for its capital growth and various obligations

3) Maturity analysis

The Bank's management policy is to match maturities of and interest rates for assets and liabilities, i.e., because of uncertainties of terms and conditions or types, the maturities of and interest rates for assets and liabilities usually do not match perfectly, resulting in potential gain or loss. To maintain proper liquidity, the Bank uses appropriate ways to group assets and liabilities to evaluate liquidity and monitors the ratios of short-term negative funding gap to total assets denominated in major currencies.

The analysis of cash inflow and outflow on assets and liabilities held for liquidity risk was based on periods from the reporting date to contractual maturity dates. The maturity analysis of financial assets and liabilities, derivative assets and liabilities, and off balance sheet items denominated in major currencies was as follows (except for non-deliverable derivatives, all were non-discounted contractual cash flows):

a) Maturity analysis of financial assets and liabilities - NTD

Taipei Fubon Bank

December 31, 2016	0-30 Days	31-90 Days	91-180 Days	181-365 Days	Over 1 Year	Total
Assets						
Cash, call loans and deposits due from/to other banks	\$ 44,997,323	\$ 19,839,940	\$ 15,347,358	\$ 19,524,138	\$ 20,520,426	\$ 120,229,185
Investments in marketable securities (Note 2)	186,545,217	26,091,793	20,880,297	26,030,315	104,389,208	363,936,830
Securities purchased under resell agreements	17,441,044	1,248,065	-	-	-	18,689,109
Loans (included overdue loans)	92,358,485	80,346,499	70,976,182	90,226,262	599,953,086	933,860,514
Deliverable derivative assets	213,349,496	183,458,815	73,386,798	94,461,250	18,879,146	583,535,505
Non-deliverable derivative assets	6,432,977	1,196	1,833	17,609	170,761	6,624,376
Other capital inflow on maturity	17,965,142	3,604,037	5,754,861	9,614,937	55,039,721	91,978,698
Subtotal	579,089,684	314,590,345	186,347,329	239,874,511	798,952,348	2,118,854,217
Liabilities						
Due to the Central Bank and other banks	17,845,109	5,009	1,241,826	5,000	101,000	19,197,944
Deposits and remittances	140,482,624	135,742,327	106,012,167	191,313,266	566,618,981	1,140,169,365
Securities sold under repurchase agreements	2,859,193	3,221,427	105,035	-	-	6,185,655
Payables	497,768	376,756	507,761	516,546	88,306	1,987,137
Bank debentures	2,850,511	1,501,196	501,833	7,067,609	40,820,761	52,741,910
Deliverable derivative liabilities	235,202,904	196,287,465	160,153,734	71,303,282	17,281,666	680,229,051
Non-deliverable derivative liabilities	6,784,994	-	-	-	-	6,784,994
Other capital outflow on maturity	11,848,466	4,217,846	3,538,899	2,295,080	7,241,019	29,141,310
Subtotal	418,371,569	341,352,026	272,061,255	272,500,783	632,151,733	1,936,437,366

December 31, 2015	0-30 Days	31-90 Days	91-180 Days	181-365 Days	Over 1 Year	Total
Assets						
Cash, call loans and deposits due from/to other banks	\$ 32,508,050	\$ 6,054,805	\$ 4,951,260	\$ 12,248,611	\$ 54,280,902	\$ 110,043,628
Investments in marketable securities (Note 2)	181,590,370	11,327,714	13,770,499	28,944,340	74,155,859	309,788,782
Securities purchased under resell agreements	20,980,834	-	-	-	-	20,980,834
Loans (included overdue loans)	101,523,310	76,390,651	72,427,322	101,353,327	568,161,559	919,856,169
Deliverable derivative assets	242,436,648	209,784,174	138,524,944	98,695,743	23,999,023	713,440,532
Non-deliverable derivative assets	10,387,642	-	-	10,505	421,146	10,819,293
Other capital inflow on maturity	8,722,656	3,504,775	4,279,171	8,139,097	59,166,865	83,812,564
Subtotal	598,149,510	307,062,119	233,953,196	249,391,623	780,185,354	2,168,741,802
Liabilities						
Due to the Central Bank and other banks	4,642,242	114,846	1,536,536	37,317	94,000	6,424,941
Deposits and remittances	113,529,523	113,926,240	92,587,976	190,354,742	576,379,330	1,086,777,811
Securities sold under repurchase agreements	7,270,134	7,663,754	496,585	10,826	-	15,441,299
Payables	474,460	359,413	524,406	552,775	81,656	1,992,710
Bank debentures	-	-	-	4,060,505	52,971,146	57,031,651
Deliverable derivative liabilities	266,328,140	242,075,810	173,313,201	72,488,872	35,208,959	789,414,982
Non-deliverable derivative liabilities	10,266,054	-	-	-	-	10,266,054
Other capital outflow on maturity	7,046,336	3,544,554	2,814,454	1,240,550	16,055,466	30,701,360
Subtotal	409,556,889	367,684,617	271,273,158	268,745,587	680,790,557	1,998,050,808

Note 1: The above amounts include only New Taiwan dollar amounts held by the Bank.

Note 2: Investments in marketable securities include financial assets at fair value through profit or loss, available-for-sale financial assets, and held-to-maturity financial assets.

Note 3: The Bank merged with Taipei Fubon Bank Life Insurance Agency Co., Ltd. Under the related explanations, the Bank's comparable financial statements have been restated retrospectively.

b) Maturity analysis of financial assets and liabilities - USD

Taipei Fubon Bank

(In Thousands of U.S. Dollars)

December 31, 2016	0-30 Days	31-90 Days	91-180 Days	181-365 Days	Over 1 Year	Total
Assets						
Cash, call loans and deposits due from/to other banks	\$ 966,860	\$ 364,000	\$ 558,000	\$ 265,000	\$ -	\$ 2,153,860
Investments in marketable securities (Note 2)	207,249	36,615	97,705	289,978	2,147,672	2,779,219
Loans (including overdue loans)	692,399	329,205	268,000	220,793	1,718,761	3,229,158
Deliverable derivative assets	11,453,371	10,429,655	7,261,663	4,001,814	570,438	33,716,941
Non-deliverable derivative assets	263,065	-	-	72	6,769	269,906
Other capital inflow on maturity	366,032	269,135	150,462	112,398	430,612	1,328,639
Subtotal	13,948,976	11,428,610	8,335,830	4,890,055	4,874,252	43,477,723
Liabilities						
Due to the Central Bank and other banks	558,781	205,400	-	-	-	764,181
Deposits and remittances	3,570,183	1,560,201	1,329,903	1,444,082	1,888,851	9,793,220
Securities sold under repurchase agreements	423,032	338,869	-	-	-	761,901
Payables	3,858	5,274	3,029	95	-	12,256
Bank debentures	-	-	-	-	368,920	368,920
Deliverable derivative liabilities	10,397,118	10,022,628	4,499,360	4,598,696	616,331	30,134,133
Non-deliverable derivative liabilities	281,445	18	259	229	36,917	318,868
Other capital outflow on maturity	246,211	114,803	111,895	120,891	472,902	1,066,702
Subtotal	15,480,628	12,247,193	5,944,446	6,163,993	3,383,921	43,220,181

(In Thousands of U.S. Dollars)

December 31, 2015	0-30 Days	31-90 Days	91-180 Days	181-365 Days	Over 1 Year	Total
Assets						
Cash, call loans and deposits due from/to other banks	\$ 895,707	\$ 161,500	\$ 96,430	\$ 112,000	\$ -	\$ 1,265,637
Investments in marketable securities (Note 2)	154,544	75,170	35,240	40,021	1,166,826	1,471,801
Loans (including overdue loans)	1,455,436	713,576	514,785	354,191	1,413,939	4,451,927
Deliverable derivative assets	11,838,540	10,142,058	7,053,210	3,596,677	1,133,791	33,764,276
Non-deliverable derivative assets	545,106	-	-	-	1,073	546,179
Other capital inflow on maturity	359,395	294,071	125,969	70,103	1,437,598	2,287,136
Subtotal	15,248,728	11,386,375	7,825,634	4,172,992	5,153,227	43,786,956
Liabilities						
Due to the Central Bank and other banks	1,020,706	647,000	-	-	-	1,667,706
Deposits and remittances	2,901,328	1,645,904	1,040,687	991,591	1,739,488	8,318,998
Securities sold under repurchase agreements	103,058	104,154	-	-	-	207,212
Payables	2,498	2,968	1,727	293	1	7,487
Bank debentures	-	-	-	-	173,466	173,466
Deliverable derivative liabilities	10,877,350	9,414,032	5,882,017	4,432,915	784,807	31,391,121
Non-deliverable derivative liabilities	558,206	42	122	901	22,623	581,894
Other capital outflow on maturity	209,323	122,162	31,228	56,821	742,541	1,162,075
Subtotal	15,672,469	11,936,262	6,955,781	5,482,521	3,462,926	43,509,959

Note 1: The above amounts include only USD amounts held by the headquarters, onshore branches and offshore banking unit.

Note 2: Investments in marketable securities include financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity financial assets and other financial assets - debt instruments with no active market.

c) Maturity analysis of derivative assets and liabilities - RMB

Fubon Bank (China)

(In Thousands of RMB)

December 31, 2016	0-30 Days	31-90 Days	91- 365 Days	Over 1 Year	No Maturity Date	Total
Assets						
Cash, call loans and deposits due from/to other banks	\$ 1,870,593	\$ 458,389	\$ -	\$ -	\$ 5,937,258	\$ 8,266,240
Investments in marketable securities (Note)	1,397,100	930,319	3,836,314	12,163,806	-	18,327,539
Securities purchase under resell agreements	1,900,708	-	-	-	-	1,900,708
Loans (including overdue loans)	8,747,313	7,036,051	18,075,838	7,250,281	-	41,109,483
Deliverable derivative assets	2,918,815	3,751,590	5,022,714	139,940	-	11,833,059
Non-deliverable derivative assets	5,948,176	12,593,003	17,985,325	140,179	-	36,666,683
Other capital inflow on maturity	365,838	154,168	721,116	298,324	17,971	1,557,417
Subtotal	23,148,543	24,923,520	45,641,307	19,992,530	5,955,229	119,661,129
Liabilities						
Due to the Central Bank and other banks	1,143,218	3,304,953	1,444,995	223,467	-	6,116,633
Funds borrowed from the Central Bank and other banks	-	10,197	1,558,511	-	-	1,568,708
Deposits and remittances	22,097,256	12,050,859	12,447,886	1,984,997	-	48,580,998
Securities sold under repurchase agreements	5,318,394	309,477	1,003,638	-	-	6,631,509
Payables	436,681	146,950	534,276	548	-	1,118,455
Deliverable derivative liabilities	2,885,155	3,750,400	5,014,955	140,356	-	11,790,866
Non-deliverable derivative liabilities	5,934,140	12,497,900	17,937,461	140,136	-	36,509,637
Other capital outflow on maturity	-	-	-	-	13,989	13,989
Subtotal	37,814,844	32,070,736	39,941,722	2,489,504	13,989	112,330,795

(In Thousands of RMB)

December 31, 2015	0-30 Days	31-90 Days	91- 365 Days	Over 1 Year	No Maturity Date	Total
Assets						
Cash, call loans and deposits due from/to other banks	\$ 3,705,501	\$ 51,009	\$ 661,320	\$ -	\$ 5,937,258	\$ 10,355,088
Investments in marketable securities (Note)	1,046,054	1,158,721	5,916,362	12,600,947	-	20,722,084
Securities purchase under resell agreements	300,071	-	-	-	-	300,071
Loans (including overdue loans)	8,793,346	7,166,873	15,957,170	9,978,458	-	41,895,847
Deliverable derivative assets	4,242,938	2,959,468	13,157,552	-	-	20,359,958
Non-deliverable derivative assets	10,223,248	8,160,272	12,165,184	-	-	30,548,704
Other capital inflow on maturity	2,264,881	710,582	506,874	207,400	17,323	3,707,060
Subtotal	30,576,039	20,206,925	48,364,462	22,786,805	5,954,581	127,888,812
Liabilities						
Due to the Central Bank and other banks	3,139,192	1,887,396	2,029,212	-	-	7,055,800
Funds borrowed from the Central Bank and other banks	196,091	4,276	12,827	731,826	-	945,020
Deposits and remittances	22,435,774	8,318,238	18,530,472	2,880,163	-	52,164,647
Securities sold under repurchase agreements	8,363,549	399,115	-	-	-	8,762,664
Payables	355,458	196,357	454,883	546	-	1,007,244
Deliverable derivative liabilities	4,237,579	2,952,793	13,158,609	-	-	20,348,981
Non-deliverable derivative liabilities	10,214,056	8,144,966	12,166,616	-	-	30,525,638
Other capital outflow on maturity	22	45	51,063	664	10,020	61,814
Subtotal	48,941,721	21,903,186	46,403,682	3,613,199	10,020	120,871,808

Note: Investments in marketable securities include financial assets at fair value through profit or loss, available-for-sale financial assets, and held-to-maturity financial assets.

d) Maturity analysis of derivatives assets and liabilities - NTD

Taipei Fubon Bank

December 31, 2016	0-30 Days	31-90 Days	91-180 Days	181-365 Days	Over 1 Year	Total
Assets						
Deliverable derivative assets						
Forward contracts	\$ 634,114	\$ 1,216,469	\$ 1,105,036	\$ 1,021,967	\$ 442,959	\$ 4,420,545
Currency exchange	202,075,119	173,047,276	57,828,992	66,075,333	15,302	499,042,022
Cross-currency swaps	10,640,263	9,195,070	14,452,770	27,363,950	18,420,885	80,072,938
Subtotal	213,349,496	183,458,815	73,386,798	94,461,250	18,879,146	583,535,505
Non-deliverable derivative assets						
Foreign exchange derivative instruments	2,435,737	-	-	-	-	2,435,737
Interest rate derivative instruments - hedging	511	1,196	1,833	17,609	170,761	191,910
Interest rate derivative instruments - non-hedging	3,247,554	-	-	-	-	3,247,554
Equity derivative instruments	749,175	-	-	-	-	749,175
Subtotal	6,432,977	1,196	1,833	17,609	170,761	6,624,376
Liabilities						
Deliverable derivative liabilities						
Forward contracts	2,970,417	1,734,317	186,612	-	-	4,891,346
Currency exchange	228,402,327	181,908,668	153,032,752	41,834,182	-	605,177,929
Cross-currency swaps	3,830,160	12,644,480	6,934,370	29,469,100	17,281,666	70,159,776
Subtotal	235,202,904	196,287,465	160,153,734	71,303,282	17,281,666	680,229,051
Non-deliverable derivative liabilities						
Foreign exchange derivative instruments	2,445,103	-	-	-	-	2,445,103
Interest rate derivative instruments - non-hedging	3,590,872	-	-	-	-	3,590,872
Equity derivative instruments	749,019	-	-	-	-	749,019
Subtotal	6,784,994	-	-	-	-	6,784,994

December 31, 2015	0-30 Days	31-90 Days	91-180 Days	181-365 Days	Over 1 Year	Total
Assets						
Deliverable derivative assets						
Forward contracts	\$ 3,846,918	\$ 260,842	\$ 263,495	\$ 214,644	\$ -	\$ 4,585,899
Currency exchange	224,183,605	199,073,347	126,815,318	69,925,806	-	619,998,076
Cross-currency swaps	14,406,125	10,449,985	11,446,131	28,555,293	23,999,023	88,856,557
Subtotal	242,436,648	209,784,174	138,524,944	98,695,743	23,999,023	713,440,532
Non-deliverable derivative assets						
Foreign exchange derivative instruments	4,765,602	-	-	-	-	4,765,602
Interest rate derivative instruments - hedging	-	-	-	10,505	421,146	431,651
Interest rate derivative instruments - non-hedging	4,858,456	-	-	-	-	4,858,456
Equity derivative instruments	763,584	-	-	-	-	763,584
Subtotal	10,387,642	-	-	10,505	421,146	10,819,293
Liabilities						
Deliverable derivative liabilities						
Forward contracts	879,126	1,050,176	37,860	-	-	1,967,162
Currency exchange	262,155,224	234,711,211	170,360,511	60,914,072	1,838,778	729,979,796
Cross-currency swaps	3,293,790	6,314,423	2,914,830	11,574,800	33,370,181	57,468,024
Subtotal	266,328,140	242,075,810	173,313,201	72,488,872	35,208,959	789,414,982
Non-deliverable derivative liabilities						
Foreign exchange derivative instruments	4,432,986	-	-	-	-	4,432,986
Interest rate derivative instruments - non-hedging	5,069,539	-	-	-	-	5,069,539
Equity derivative instruments	763,529	-	-	-	-	763,529
Subtotal	10,266,054	-	-	-	-	10,266,054

Note: The above amounts include only New Taiwan dollar amounts held by the headquarters and onshore branches.

e) Maturity analysis of derivative assets and liabilities - USD

Taipei Fubon Bank

(In Thousands of U.S. Dollars)

December 31, 2016	0-30 Days	31-90 Days	91-180 Days	181-365 Days	Over 1 Year	Total
Assets						
Deliverable derivative assets						
Forward contracts	\$ 289,094	\$ 313,698	\$ 71,343	\$ 34,528	\$ 8,600	\$ 717,263
Currency exchange	11,046,188	9,921,957	6,956,609	3,030,490	15,000	30,970,244
Cross-currency swaps	118,089	194,000	233,711	936,796	546,838	2,029,434
Subtotal	11,453,371	10,429,655	7,261,663	4,001,814	570,438	33,716,941
Non-deliverable derivative assets						
Foreign exchange derivative instruments	246,716	-	-	-	-	246,716
Interest rate derivative instruments - hedging	-	-	-	72	6,769	6,841
Interest rate derivative - non-hedging	15,025	-	-	-	-	15,025
Equity derivative instruments	551	-	-	-	-	551
Product derivative instruments	773	-	-	-	-	773
Subtotal	263,065	-	-	72	6,769	269,906
Liabilities						
Deliverable derivative liabilities						
Forward contracts	378,688	535,962	154,681	87,288	14,000	1,170,619
Currency exchange	9,693,430	9,006,559	3,852,781	3,652,303	15,480	26,220,553
Cross-currency swaps	325,000	480,107	491,898	859,105	586,851	2,742,961
Subtotal	10,397,118	10,022,628	4,499,360	4,598,696	616,331	30,134,133
Non-deliverable derivative liabilities						
Foreign exchange derivative instruments	258,061	-	-	-	-	258,061
Interest rate derivative instruments - hedging	30	18	259	229	36,917	37,453
Interest rate derivative - non-hedging	22,032	-	-	-	-	22,032
Equity derivative instruments	551	-	-	-	-	551
Product derivative instruments	771	-	-	-	-	771
Subtotal	281,445	18	259	229	36,917	318,868

(In Thousands of U.S. Dollars)

December 31, 2015	0-30 Days	31-90 Days	91-180 Days	181-365 Days	Over 1 Year	Total
Assets						
Deliverable derivative assets						
Forward contracts	\$ 390,877	\$ 475,454	\$ 175,848	\$ 110,172	\$ 2,000	\$ 1,154,351
Currency exchange	11,333,577	9,453,425	6,747,362	3,100,388	70,195	30,704,947
Cross-currency swaps	114,086	213,179	130,000	386,117	1,061,596	1,904,978
Subtotal	11,838,540	10,142,058	7,053,210	3,596,677	1,133,791	33,764,276
Non-deliverable derivative assets						
Foreign exchange derivative instruments	531,422	-	-	-	-	531,422
Interest rate derivative instruments - hedging	-	-	-	-	1,073	1,073
Interest rate derivative - non-hedging	13,079	-	-	-	-	13,079
Equity derivative instruments	426	-	-	-	-	426
Product derivative instruments	179	-	-	-	-	179
Subtotal	545,106	-	-	-	1,073	546,179
Liabilities						
Deliverable derivative liabilities						
Forward contracts	732,199	868,996	228,001	193,427	4,646	2,027,269
Currency exchange	9,683,503	8,190,965	5,248,038	3,323,269	-	26,445,775
Cross-currency swaps	461,648	354,071	405,978	916,219	780,161	2,918,077
Subtotal	10,877,350	9,414,032	5,882,017	4,432,915	784,807	31,391,121
Non-deliverable derivative liabilities						
Foreign exchange derivative instruments	547,040	-	-	-	-	547,040
Interest rate derivative instruments - hedging	35	42	122	901	22,623	23,723
Interest rate derivative - non-hedging	10,526	-	-	-	-	10,526
Equity derivative instruments	426	-	-	-	-	426
Product derivative instruments	179	-	-	-	-	179
Subtotal	558,206	42	122	901	22,623	581,894

Note: The above amounts include only USD amounts held by the headquarters, onshore branches and offshore banking unit.

f) Maturity analysis of derivative assets and liabilities - RMB

Fubon Bank (China)

(In Thousands of RMB)

December 31, 2016	0-30 Days	31-90 Days	91-365 Days	Over 1 Year	Total
<u>Assets</u>					
Deliverable derivative assets					
Forward contracts	\$ 143,370	\$ 133,097	\$ 510,024	\$ -	\$ 786,491
Currency exchange	2,226,989	3,618,493	4,512,690	139,940	10,498,112
Options	548,456	-	-	-	548,456
Subtotal	2,918,815	3,751,590	5,022,714	139,940	11,833,059
Non-deliverable derivative assets					
Interest rate derivatives - instrument					
- non-hedging	38	84	497	-	619
Currency exchange	5,913,910	12,567,084	17,982,860	140,179	36,604,033
Forward contracts	32,793	25,835	-	-	58,628
Commodity swaps	1,435	-	1,968	-	3,403
Subtotal	5,948,176	12,593,003	17,985,325	140,179	36,666,683
<u>Liabilities</u>					
Deliverable derivative liabilities					
Forward contracts	146,065	135,865	528,648	-	810,578
Currency exchange	2,190,686	3,614,535	4,486,307	140,356	10,431,884
Options	548,404	-	-	-	548,404
Subtotal	2,885,155	3,750,400	5,014,955	140,356	11,790,866
Non-deliverable derivatives					
Interest rate derivatives - instrument					
- non-hedging	38	84	497	-	619
Currency exchange	5,899,232	12,472,789	17,934,996	140,136	36,447,153
Forward contracts	33,435	25,027	-	-	58,462
Commodity swaps	1,435	-	1,968	-	3,403
Subtotal	5,934,140	12,497,900	17,937,461	140,136	36,509,637

(In Thousands of RMB)

December 31, 2015	0-30 Days	31-90 Days	91-365 Days	Over 1 Year	Total
<u>Assets</u>					
Deliverable derivative assets					
Forward contracts	\$ 347,054	\$ 324,548	\$ 775,023	\$ -	\$ 1,446,625
Currency exchange	3,678,610	2,348,089	11,725,586	-	17,752,285
Options	217,274	285,943	639,257	-	1,142,474
Equity exchange	-	-	16,442	-	16,442
Cross-currency swap	-	888	1,244	-	2,132
Subtotal	4,242,938	2,959,468	13,157,552	-	20,359,958
Non-deliverable derivative assets					
Forward contracts	90,008	19,516	86,334	-	195,858
Currency exchange	10,133,240	8,140,527	12,078,850	-	30,352,617
Interest rate derivatives - non-hedging	-	229	-	-	229
Subtotal	10,223,248	8,160,272	12,165,184	-	30,548,704
<u>Liabilities</u>					
Deliverable derivative liabilities					
Forward contracts	345,196	323,010	768,145	-	1,436,351
Currency exchange	3,676,618	2,343,105	11,733,314	-	17,753,037
Options	215,765	285,790	639,464	-	1,141,019
Equity exchange	-	-	16,442	-	16,442
Cross-currency swap	-	888	1,244	-	2,132
Subtotal	4,237,579	2,952,793	13,158,609	-	20,348,981
Non-deliverable derivatives					
Forward contracts	89,618	19,375	85,646	-	194,639
Currency exchange	10,124,345	8,125,457	12,080,970	-	30,330,772
Interest rate derivatives - non-hedging	93	134	-	-	227
Subtotal	10,214,056	8,144,966	12,166,616	-	30,525,638

g) Maturity analysis of off-balance sheet items

The maturity analysis of off-balance sheet items shows the remaining balance from the balance sheet date to the maturity date. For the sent financial guarantee contracts, the maximum amounts are possibly asked for settlement in the earliest period. The amounts in the table below were on cash flow basis; therefore, some disclosed amounts will not match those in the consolidated balance sheet.

Taipei Fubon Bank

December 31, 2016	0-30 Days	31-90 Days	91-180 Days	181-365 Days	Over 1 Year	Total
Irrevocable credit commitments	\$ 90,031,332	\$ -	\$ -	\$ -	\$ -	\$ 90,031,332
Standby letters of credit	8,893,665	-	-	-	-	8,893,665
Financial guarantees	10,407,972	100,000	1,526,250	1,852,495	18,202,565	32,089,282
Total	\$ 109,332,969	\$ 100,000	\$ 1,526,250	\$ 1,852,495	\$ 18,202,565	\$ 131,014,279

December 31, 2015	0-30 Days	31-90 Days	91-180 Days	181-365 Days	Over 1 Year	Total
Irrevocable credit commitments	\$ 98,224,407	\$ -	\$ -	\$ -	\$ -	\$ 98,224,407
Standby letters of credit	8,736,101	-	-	-	-	8,736,101
Financial guarantees	9,469,039	307,263	97,981	3,451,342	21,212,349	34,537,974
Total	\$ 116,429,547	\$ 307,263	\$ 97,981	\$ 3,451,342	\$ 21,212,349	\$ 141,498,482

Fubon Bank (China)

(In Thousands of RMB)

December 31, 2016	0-30 Days	31-90 Days	91-365 Days	Over 1 Year	Total
Irrevocable credit commitments	\$ -	\$ -	\$ 50,000	\$ 90,375	\$ 140,375
Standby letters of credit	93,464	126,003	16,378	-	235,845
Financial guarantees	102,354	231,476	1,266,926	48,354	1,649,110
Total	\$ 195,818	\$ 357,479	\$ 1,333,304	\$ 138,729	\$ 2,025,330

(In Thousands of RMB)

December 31, 2016	0-30 Days	31-90 Days	91-365 Days	Over 1 Year	Total
Standby letters of credit	\$ 106,153	\$ 86,261	\$ 62,863	\$ -	\$ 255,277
Financial guarantees	83,695	242,986	931,788	315,739	1,574,208
Total	\$ 189,848	\$ 329,247	\$ 994,651	\$ 315,739	\$ 1,829,485

e. Market risk

1) Market risk definition and classifications

Market risk refers to unfavorable changes in the market (such as changes in interest rates, exchange rates, stock prices and commodity prices), which may cause a potential loss on or off the balance sheet. Based on the Bank's policies on risk measurement and management, financial instruments are recorded in either the trading book or the banking book, and the Bank performs risk measurement and management accordingly.

Trading book positions are as follows:

- a) Positions held for earning profits from changes in bid-ask spread or changes in prices and interest rates;
- b) Positions held for the brokerage business or proprietary trading;
- c) Positions held for full or partial offsetting of risk from other positions; and

d) Positions held for trading within approved market risk limits.

Trading book positions should not be under any restrictive trading contracts and should be completely hedged against risks. Positions that do not qualify for recording in the trading book are recorded in the banking book.

2) Market risk strategy and procedures

Taipei Fubon Bank

Taipei Fubon Bank (TFB) has comprehensive policies on market risk management and has a systematic mechanism for deal execution, clearing and settlement. The trading book instruments, which are exposed to risk factors, are as follows: interest rate-related instruments, exchange rate-related instruments, securities and commodities. The risk management systems apply TFB's management policies and market risk limits to identify, measure, monitor and control market risks.

Fubon Bank (China)

Based on relevant laws and regulations, various policies and procedures on market risk management and valuation of financial instruments have been established for the internal control of market risks as well as the strategic development of trading strategies and limits. IT systems have also been set up to identify, quantify, monitor and control market risks to ensure that the market risk exposures of Fubon Bank (China) are managed strongly and effectively.

3) Market risk management framework

Taipei Fubon Bank

Under the supervision of its Board of Directors, Taipei Fubon (TFB) Bank has established the Market Risk Management Committee, which is composed of senior management and chaired by TFB's President to monitor TFB's market risk control, risk acceptance and management strategies for the trading business, securities investments and transactions, and derivatives.

The Risk Management Department under the Chief Risk Officer is responsible for formulating policies on and procedures for market risk management, enforcing market risk limits, reporting market risk events timely and validating valuation models independently. The independent audit department under TFB's Board of Directors is an added support for the market risk management framework.

Fubon Bank (China)

The Board of Directors of Fubon Bank (China) (FBC), which is at the highest level of supervising market risk management, approves the market risk management strategies and trading limits of this bank. The Risk & Related Party Transaction Committee under the board is responsible for supervising the implementation of market risk management policies. Market risk assessment reports are submitted quarterly by the Market Risk Department to senior management, the Risk & Related Party Transaction Committee and Board of Directors.

The Risk management Department under the Risk Management Division, which is independent of the front trading desk and back settlement desk, is responsible for implementing market risk management policies authorized by FBC's Board and the senior management. The Internal Audit Department is responsible for reviewing and evaluating the effectiveness and independence of the risk management system. The Compliance Department is in charge of monitoring compliance risks and submitting related reports to FBC's Board and senior management.

4) Market risk measurement, control and reporting

The Corporate Financial Credit Management Department is responsible for monitoring compliance with the daily market risk limit (including the analysis of risk sensitivity factors such as Delta, Vega, DV01, and VaR) and loss control. The valuation of financial instruments is evaluated independently by the Market Risk Management Department to ensure their stability and effectiveness. The Taipei Fubon Bank (TFB) has established a market risk management system and related market risk management procedures to be able to observe the VaR limit. In addition, TFB does back testing periodically to check the effectiveness of the VaR calculation module and establishes financial trading system.

5) Measurement of trading book market risk

Taipei Fubon Bank

Taipei Fubon Bank's (TFB) measurement of the trading book market risk includes methods for determining degrees (known as the "Greeks") of sensitivity to risk and measures (such as VaR and stress testing) of the risk of loss on specific portfolios of financial assets. These measures provide consistent and comparable measurement of various types of risks across different trading desks.

a) VaR (Value at Risk)

VaR is a tool that measures "the worst expected loss over a given time horizon under normal market conditions at a given level of confidence". TFB has various risk models to evaluate the worst loss on current net positions within one day, with a 99% confidence level. Some of the methods for VaR calculation are the (a) historical simulation, which is used to calculate common VaR and stress VaR; and (b) Monte Carlo simulation, which also involves the GED (generalized error distribution) model, which strengthens the predictability of this model. This model has the advantage of backward-looking (i.e., based on experience) and forward-looking (i.e., based on a cognitive map of action-outcome linkages) assessment risk measurement and is able to cover most market risk scenarios.

To ensure the accuracy of VaR measures, TFB does statistical hypothesis testing and back testing periodically. In addition to carrying out Bernoulli trials, TFB does two statistical tests suggested by the Basel Committee on Banking Supervision after the 2007-2008 financial crisis: (a) the unconditional coverage test, which is used to check if a VaR calculation reasonably reflects actual conditions; and (b) the conditional coverage test, which is used to examine whether a VaR model can help the Bank forecast portfolio returns on the basis of certain information. Both tests help the Bank determine if its risk models are effective tools for forecasting and responding to different risk scenarios.

Trading book VaR information is shown below:

Common VaR	For the Year Ended December 31, 2016			
	Highest	Lowest	Mean	End of Year
Equity	\$ -	\$ -	\$ -	\$ -
Interest rate	62,229	29,654	39,444	62,229
Exchange rate	19,905	2,688	7,783	6,794
Volatility	38,684	1,322	8,626	13,663
Diversification effect	-	-	(13,311)	(16,286)
Common VaR of trading book			<u>\$ 42,542</u>	<u>\$ 66,400</u>

Common VaR	For the Year Ended December 31, 2015			
	Highest	Lowest	Mean	End of Year
Equity	\$ -	\$ -	\$ -	\$ -
Interest rate	36,368	16,351	28,193	36,368
Exchange rate	59,502	5,649	17,330	10,940
Volatility	61,725	2,907	15,771	7,113
Diversification effect	-	-	(27,838)	(13,711)
Common VaR of trading book			<u>\$ 33,456</u>	<u>\$ 40,710</u>

Note: The highest and lowest VaRs may occur on different dates; the related diversification effects were not disclosed in the above table because these effects were not significant.

The above VaRs are calculated on the basis of changes in risk factors. If one product includes several risk factors, it will be classified under different risk factors. For example, forward contracts are exposed to interest rate risk and exchange rate risk; foreign exchange option is exposed to exchange rate risk and volatility risk.

b) Stress testing

As described earlier, VaR refers to the worst loss likely to occur over a holding period with a given confidence level during normal fluctuation. However, VaR cannot be used to predict the loss when an extreme event or systematic risk occurs. Thus, stress testing is introduced to capture the above risk by measuring the potential impact on trading book portfolio during the abnormal market period, compensating for the insufficiency of common VaR.

Fubon Bank (China)

To manage the trading book market risks, Fubon Bank (China) has set appropriate market risk measurements and relevant risk limits based on its trading products and the features and complexity of its risk exposures, including position limits, stop-loss limits of various products, and sensitivity. In the trading book, the main currency business of Fubon Bank (China) is spot trade and currency futures and options trade. The main interest rate business is debt trade, currency swap and RMB interest swap trade. The market risk level is normal.

The Risk Management Department also performs stress tests quarterly on the derivative transactions recorded in the trading book to evaluate the ability of Fubon Bank (China)'s ability to sustain loss on the market value of the derivative transactions shown in its trading book when main market risk factors, mainly interest rates and exchange rates, move adversely.

6) Measurement of banking book market risk

Taipei Fubon Bank

a) Interest rate risk

Interest rate risk refers to the possible loss on investment portfolio value due to interest rate changes. The interest rate-sensitive assets/liabilities include banking book debt securities. The characteristics of banking book debt securities differ from those of trading book securities, which are for short-term trading. The valuation basis of banking book debt securities includes fair value and accrued interest.

Banking book interest rate risk refers to possible loss due to unfavorable changes in interest rates for the banking book portfolio. One of the methods used to determine exposure to interest rate risks is earnings analysis, which focuses on the effects interest rate changes on the earnings of the banking book portfolio, especially earnings in the short term. Had the interest rate increased/decreased 1bps (basis points) as of December 31, 2016 and 2015 and all other factors been held constant, the earnings would have decreased/increased by \$22 million and \$19 million, respectively.

b) Exchange rate risk

Banking book exchange rate risk refers to the risk of loss due to unfavorable changes in exchange rates for the Bank's foreign currency operating funds to be used for the launch of a foreign exchange business, the establishment of overseas branches or overseas subsidiaries' branches' investments accounted for using the equity method. These exchange rate differences are reflected under either the statement of comprehensive income or under exchange differences on translating foreign operations in equity.

The Bank's overseas branches and these branches' long-term equity-method investments have foreign exchange businesses. The percentage of the foreign currency operating funds used for the foreign exchange business operations is low when compared with the Bank's entire foreign currency position. As of December 31, 2016, for the operating funds of overseas branches, the Bank considers the ratio of exchange differences on translating foreign operations to the equity of the Bank's owners to be immaterial.

c) Equity risk

The Bank's equity instruments as shown in the banking book have two groups. The first consists of investments in accordance with Article 74 of the Banking Act. The second group refers to investments in promising companies with a higher cash dividend payout ratio. For the second group, even though changes in equity prices may influence shareholders' equity, the Bank holds these investments for a long term and has strict regulations on buying or selling these investments.

The sensitivity analysis for the second equity positions group is listed below:

	December 31			
	2016		2015	
	Influence on Profit and Loss	Influence on Other Equity	Influence on Profit and Loss	Influence on Other Equity
Stock price increase by 10%	\$ 35,097	\$ 619,855	\$ 37,312	\$ 592,018
Stock price decrease by 10%	(35,097)	(619,855)	(37,312)	(592,018)

Fubon Bank (China)

a) Interest rate risk

Fubon Bank (China)'s interest rate risk is mainly from interest repricing. Account interest rate risk is monitored by computing the repricing gap of risk-sensitive assets/liabilities and to develop risk standards as the monitoring benchmark. In this computation, an increase or decrease in interest rate by 50 basis points is used to evaluate risk.

(In Thousands of RMB)

	December 31			
	2016		2015	
	Impact on Profit and Loss	Impact on Other Equity	Impact on Profit and Loss	Impact on Other Equity
Interest rate increases 50 basis points	\$ (34,653)	\$ (16,340)	\$ (30,223)	\$ (21,389)
Interest rate decreases 50 basis points	34,653	16,396	30,223	21,469

b) Exchange rate risk

Fubon Bank (China) (FBC) uses RMB for its loans/deposits, and interbank borrowings, and foreign currency is composed of USD. To control the exchange rate risk effectively, FBC implements a policy of controlling foreign exchange gap conditions and simultaneously making a foreign currency sensitivity analysis on assets/liabilities based on its risk-taking ability and operating strategy. Assuming that the foreign currency appreciates or depreciates 5% the RMB for all spot rates and forward rates, the outcome is as follows:

(In Thousands of RMB)

	December 31			
	2016		2015	
	Influence on Profit and Loss	Influence on Other Equity	Influence on Profit and Loss	Influence on Other Equity
USD and HKD appreciate by 5% against the RMB	\$ 25,691	\$ 8,921	\$ 25,748	\$ 2,435
USD and HKD depreciate by 5% against the RMB	(25,691)	(8,921)	(25,748)	(2,435)

7) Foreign currency rate risk information

The table below shows the foreign currency risk information on the carrying values of all financial assets and liabilities denominated in foreign currency as of December 31, 2016 and 2015.

Taipei Fubon Bank

	December 31, 2016		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary item			
USD	\$ 8,903,227	32.2815	\$ 287,409,522
RMB	10,555,074	4.6399	48,974,488
JPY	99,685,272	0.2752	27,433,387
HKD	6,249,213	4.1629	26,014,849
AUD	715,854	23.3073	16,684,624
Nonmonetary item			
USD	544,250	32.2815	17,569,206
RMB	5,444,211	4.6399	25,260,595
JPY	26,093,210	0.2752	7,180,851
HKD	447,946	4.1629	1,864,754
AUD	543	23.3073	12,656
Investments measured by equity method			
RMB	4,623,970	4.6399	21,454,759
<u>Financial liabilities</u>			
Monetary item			
USD	12,311,116	32.2815	397,421,291
RMB	13,868,956	4.6399	64,350,569
JPY	25,052,451	0.2752	6,894,435
HKD	3,629,200	4.1629	15,107,997
AUD	736,686	23.3073	17,170,162
Nonmonetary item			
USD	560,923	32.2815	18,107,436
RMB	5,488,958	4.6399	25,468,216
JPY	20,112,276	0.2752	5,534,898
HKD	462,672	4.1629	1,926,057
AUD	1,365	23.3073	31,814

	December 31, 2015		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary item			
USD	\$ 10,398,541	33.0659	\$ 343,837,117
RMB	14,546,370	5.0353	73,245,337
JPY	143,571,842	0.2746	39,424,828
HKD	6,497,645	4.2664	27,721,553
AUD	346,516	24.2038	8,387,004
Nonmonetary item			
USD	762,754	33.0659	25,221,147
RMB	4,927,261	5.0353	24,810,237
JPY	3,218,109	0.2746	883,693
HKD	1,065,727	4.2664	4,546,818
AUD	609	24.2038	14,740
Investments measured by equity method			
RMB	4,453,781	5.0353	22,426,124
<u>Financial liabilities</u>			
Monetary item			
USD	13,338,716	33.0659	441,056,649
RMB	15,970,149	5.0353	80,414,491
JPY	54,576,855	0.2746	14,986,804
HKD	3,255,972	4.2664	13,891,279
AUD	835,190	24.2038	20,214,772
Nonmonetary item			
USD	785,974	33.0659	25,988,938
RMB	5,027,181	5.0353	25,313,364
JPY	4,164,892	0.2746	1,143,679
HKD	1,007,798	4.2664	4,299,669
AUD	1,066	24.2038	25,801

Fubon Bank (China)

	December 31, 2016		
	Foreign Currencies	Exchange Rate	RMB
<u>Financial assets</u>			
Monetary item			
USD	\$ 636,616	6.9370	\$ 4,416,205
JPY	2,435,634	0.0596	145,164
HKD	163,404	0.8945	146,165
EUR	819	7.3068	5,984
Nonmonetary item			
USD	126,740	6.9370	879,195
<u>Financial liabilities</u>			
Monetary item			
USD	1,533,104	6.9370	10,635,142
JPY	2,218,404	0.0596	132,217
HKD	42,046	0.8945	37,610
EUR	12,735	7.3068	93,052
Nonmonetary item			
USD	1,039	6.9370	7,208
	December 31, 2015		
	Foreign Currencies	Exchange Rate	RMB
<u>Financial assets</u>			
Monetary item			
USD	\$ 706,899	6.4936	\$ 4,590,319
JPY	4,066,289	0.0539	219,173
HKD	14,336	0.8378	12,011
EUR	2,058	7.0952	14,602
Nonmonetary item			
USD	61,707	6.4936	400,701
<u>Financial liabilities</u>			
Monetary item			
USD	1,514,770	6.4936	9,836,310
JPY	2,410,096	0.0539	129,904
HKD	13,306	0.8378	11,148
EUR	7,743	7.0952	54,938
Nonmonetary item			
USD	797	6.4936	5,175

f. Transfers of financial assets

1) Transfers of financial assets not qualifying for derecognition

The transferred financial assets of the Bank and its subsidiaries that do not qualify for derecognition in the daily operation are mainly securities sold under repurchased agreement and equity security lending agreements.

The transaction transfers the contractual rights to receive the cash flows of the financial assets but the Bank and its subsidiaries retain the liabilities to repurchase the transferred financial assets at fixed prices in the future.

The Bank and its subsidiaries cannot use, sell, or pledge these transferred financial assets within the validity period of the transaction. However, the Bank and its subsidiaries still bear the interest rate risk and credit risk; thus, the Bank and its subsidiaries do not derecognize these assets.

The analysis of financial assets and related liabilities that do not qualify for derecognition is shown in following table:

Category of Financial Asset	December 31, 2016	
	Transferred Financial Assets - Book Value	Related Financial Liabilities - Book Value
<u>Transactions under repurchased agreements</u>		
Financial assets at fair value through profit and loss	\$ 47,433	\$ 47,463
Discounted note	6,550,421	6,676,308
Available-for-sale financial assets	26,610,104	25,244,269
Held-to-maturity financial assets	27,074,593	24,932,105
Debt instruments with no active market	5,037,786	4,540,784

Category of Financial Asset	December 31, 2015	
	Transferred Financial Assets - Book Value	Related Financial Liabilities - Book Value
<u>Transactions under repurchased agreements</u>		
Financial assets at fair value through profit and loss	\$ 853,514	\$ 847,827
Available-for-sale financial assets	28,803,584	27,835,179
Held-to-maturity financial assets	41,147,388	40,148,329
Debt instruments with no active market	580,406	576,563

2) Transfers of financial assets that qualify for derecognition

In 2014, Fubon Bank (China) (FBC) sold non-performing loans of \$2,303,249 thousand, which carrying amount is \$2,029,649 thousand. The selling price was \$2,051,174 thousand. FBC issued a commitment letter as guarantee of its continuing involvement in the transferred assets. Under this transaction, FBC neither transferred nor retained substantially all the risks and rewards of ownership of the financial assets. Thus, FBC continued to recognize the transferred assets to the extent of its continuing involvement and recognized the associated liabilities it could be required to repay (included in other financial liabilities). As the transferee has the transferred nonperforming loans to a third party since 2016, FBC no longer provides augmented commitment and ceased to recognize its continuing involvement in the transfer of assets and related liabilities.

The tables below show the potential financial implication of FBC's continuing involvement:

December 31, 2015

Type of Continuing Involvement	Cash Outflows to Repurchase Transferred (Derecognized) Financial Assets	Carrying Amount of Continuing Involvement in the Balance Sheet		Fair Value of Continuing Involvement		Maximum Exposure to Loss
		Other Financial Assets	Other Financial Liabilities	Assets	Liabilities	
Issued commitment letter	\$ -	\$ 250,424	\$ 256,108	\$ 256,108	\$ 256,108	\$ 250,424

Maturity of Continuing Involvement

Type of Continuing Involvement	Less Than 1 Month	1-3 Months	Over 3 Months - 1 Year			More Than 5 Years
			Over 1 Year-5 Years			
Issued commitment letter	\$ -	\$ -	\$ 256,108	\$ -	\$ -	\$ -

g. Offsetting of financial assets and financial liabilities

The Bank and its subsidiaries had no financial instruments that were covered by the offsetting requirements under Section 42 of IAS 32 "Financial Instruments: Presentation" endorsed by the Financial Supervisory Commission.

The Bank and its subsidiaries engage in transactions with net settlement contracts or similar agreements with counterparties instead meeting offsetting condition in IFRSs, ex: Global master repurchase agreement, global securities lending agreement and similar repurchasing agreement or reverse-repurchasing agreement. These executable net settlement contracts or similar agreements allow net settlement of financial assets and financial liabilities as agreed upon by the transacting parties. If one party defaults on a contract, the other one may choose net settlement.

The netting information on financial assets and financial liabilities is set out below:

December 31, 2016

Financial Assets	Recognized Financial Assets - Gross Amount	Netted Financial Liabilities Recognized on the Balance Sheet - Gross Amount	Recognized Financial Assets - Net Amount	Related Amount Not Netted on the Balance Sheet		Net Amount
				Financial Instruments (Note 1)	Cash Received as Collaterals	
Derivative instruments (Note 2)	\$ 72,906,877	\$ -	\$ 72,906,877	\$ 54,607,129	\$ 2,140,649	\$ 16,159,099
Securities purchased under resell agreements	27,504,918	-	27,504,918	27,419,041	-	85,877
	<u>\$ 100,411,795</u>	<u>\$ -</u>	<u>\$ 100,411,795</u>	<u>\$ 82,026,170</u>	<u>\$ 2,140,649</u>	<u>\$ 16,244,976</u>

Financial Liabilities	Recognized Financial Liabilities - Gross Amount	Netted Financial Assets Recognized on the Balance Sheet - Gross Amount	Recognized Financial Liabilities - Net Amount	Related Amount Not Netted on the Balance Sheet		Net Amount
				Financial Instruments (Note 1)	Cash Collaterals Pledged	
Derivative instruments (Note 2)	\$ 69,574,457	\$ -	\$ 69,574,457	\$ 49,865,604	\$ 10,506,872	\$ 9,201,981
Securities sold under repurchased agreements	61,440,929	-	61,440,929	61,430,623	-	10,306
	<u>\$ 131,015,386</u>	<u>\$ -</u>	<u>\$ 131,015,386</u>	<u>\$ 111,296,227</u>	<u>\$ 10,506,872</u>	<u>\$ 9,212,287</u>

December 31, 2015

Financial Assets	Recognized Financial Assets - Gross Amount	Netted Financial Liabilities	Recognized Financial Assets - Net Amount	Related Amount Not Netted on the Balance Sheet		Net Amount
		Recognized on the Balance Sheet - Gross Amount		Financial Instruments (Note 1)	Cash Received as Collaterals	
Derivative instruments (Note 2)	\$ 80,012,911	\$ -	\$ 80,012,911	\$ 45,958,124	\$ 846,496	\$ 33,208,291
Securities purchased under resell agreements	<u>22,491,424</u>	<u>-</u>	<u>22,491,424</u>	<u>22,428,015</u>	<u>-</u>	<u>63,409</u>
	<u>\$102,504,335</u>	<u>\$ -</u>	<u>\$102,504,335</u>	<u>\$ 68,386,139</u>	<u>\$ 846,496</u>	<u>\$ 33,271,700</u>

Financial Liabilities	Recognized Financial Liabilities - Gross Amount	Netted Financial Assets	Recognized Financial Liabilities - Net Amount	Related Amount Not Netted on the Balance Sheet		Net Amount
		Recognized on the Balance Sheet - Gross Amount		Financial Instruments (Note 1)	Cash Collaterals Pledged	
Derivative instruments (Note 2)	\$ 80,718,854	\$ -	\$ 80,718,854	\$ 35,095,858	\$ 32,173,474	\$ 13,449,522
Securities sold under repurchased agreements	<u>69,407,898</u>	<u>-</u>	<u>69,407,898</u>	<u>68,961,361</u>	<u>-</u>	<u>446,537</u>
	<u>\$150,126,752</u>	<u>\$ -</u>	<u>\$150,126,752</u>	<u>\$104,057,219</u>	<u>\$ 32,173,474</u>	<u>\$ 13,896,059</u>

Note 1: Including netting settlement agreement and non-cash financial collaterals.

Note 2: Including derivative financial assets for hedging.

51. CAPITAL MANAGEMENT

a. Overview

Under the “Regulation Governing the Capital Adequacy and Capital Category of Banks” implementing Article 44 of the Banking Act for minimum requirements on the Ratio of Regulatory Capital to Risk-weighted (capital adequacy ratio), the Bank’s regulatory capital and consolidated eligible capital should be higher than the statutory requirement. This is the fundamental principle of capital management.

For sound operations, the Bank has established internal control policies to ensure its capital adequacy ratio meets the minimum regulatory requirement.

b. Capital management procedures

The Bank’s capital is managed by the planning department in the administrative division under the Bank’s Capital Adequacy Management Policy, which was approved by the Board of Directors. Regulatory capital is calculated in accordance with the “Regulations Governing the Capital Adequacy and Capital Category of Banks,” and reported to the authority quarterly. Regulatory capital is classified into net Tier 1 Capital (the aggregate amount of net common equity Tier 1 and net additional Tier 1 Capital) and net Tier 2 Capital. In addition, adjust items: The change in credit risk of financial liability recognize unrealized gains and losses (Gains should be deducted, and losses should be added back).

1) Net Tier 1 capital

- a) Net common equity Tier 1 capital: Common equity mainly includes common shares, capital surplus, retained earnings, other equity, and non-controlling interests, with the total net of the following items: Intangible assets, unrealized gains on available-for-sale financial assets, revaluation gains on investment properties subsequently measured using the fair value model, the revaluation surplus on real estate, and 25% of the amount of investments related to financial industry booked in banking book.

b) Net additional Tier 1 capital: The capital issued by the Bank's subsidiaries but not held by the Bank minus 25% of the investment related to the financial industry is recorded in the banking book.

2) Net Tier 2 capital

This capital base comprises the total amount of long-term subordinated bank debentures that the Bank's subsidiaries issued but not held by the Bank's capital, the increase in retained earnings resulting from using fair value or revaluation as the deemed cost of the real estate on the translation date of IFRSs, and 45% of the amount of unrealized gain on available-for-sale financial assets, 45% of the revaluation gains on investment properties subsequently measured using the fair value model, operating reserves and loan loss provision allowance (the amount is determined when the allowance the Bank recognized is more than the expected loss based on the historical experience) less 50% of the amount of investments related to the financial industry as shown in the banking book.

The Bank evaluates capital adequacy quarterly as well as the future demand for capital and raises the capital if needed to maintain capital adequacy.

c. Statement of capital adequacy

As of December 31, 2016, the Bank had met the authorities' minimum requirements for capital adequacy ratio. Refer to Note 54.

52. RECLASSIFICATIONS

On January 1, 2012, the Bank reclassified its financial assets. The fair values at the reclassification date were as follows:

	Before Reclassification	After Reclassification
Available-for-sale financial assets	\$ 12,052,604	\$ -
Held-to-maturity financial assets	<u>-</u>	<u>12,052,604</u>
	<u>\$ 12,052,604</u>	<u>\$ 12,052,604</u>

The effective interest rates for the available-for-sale financial assets that have been reclassified to held-to-maturity financial assets ranged from 0.52% to 9.95%. The estimated recoverable cash flows amounted to \$13,966,953 thousand.

The carrying amounts and fair values of the reclassified financial assets (excluding those that had been derecognized) as of December 31, 2016 and 2015 were as follows:

	December 31	
	2016	2015
<u>Held-to-maturity financial assets</u>		
Carrying amounts	\$ 554,884	\$ 1,176,836
Fair value	554,411	1,189,341

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

	For the Year Ended December 31	
	2016	2015
<u>Held-to-maturity financial assets</u>		
Gains recognized	\$ 18,420	\$ 66,731
Pro forma adjustments recognized in other equity	(2,352)	57,599

53. ASSET QUALITY, CONCENTRATION OF CREDIT EXTENSIONS, INTEREST RATE SENSITIVITY, PROFITABILITY AND MATURITY ANALYSIS OF ASSETS AND LIABILITIES

Except for profitability described in item (d) below, the following information only refers to the Bank.

a. Asset quality

See Table 1.

b. Concentration of credit extensions

December 31, 2016

Rank (Note 1)	Group Name (Note 2)	Credit Extensions Balance (Note 3)	% to Net Asset Value
1	Group A (petrochemical raw material manufacturing industry)	\$ 11,294,507	6.47
2	Group B (computer peripheral devices manufacturing industry)	6,553,803	3.75
3	Group C (ocean transport industry)	5,167,344	2.96
4	Group D (paper manufacturing industry)	4,710,458	2.70
5	Group E (other financial services industry)	4,503,320	2.58
6	Group F (LCD and its component manufacturing industry)	4,427,117	2.54
7	Group G (integrated circuits manufacturing industry)	4,047,501	2.32
8	Group H (other information supply services industry)	3,228,121	1.85
9	Group I (computer manufacturing industry)	3,175,923	1.82
10	Group J (footwear and wearing apparel manufacturing industry)	2,997,746	1.72

December 31, 2015

Rank (Note 1)	Group Name (Note 2)	Credit Extensions Balance (Note 3)	% to Net Asset Value
1	Group A (LCD and its component manufacturing industry)	\$ 8,249,730	4.98
2	Group B (cement manufacturing industry)	7,951,706	4.80
3	Group C (iron and steel smelting industry)	7,499,625	4.53
4	Group D (ocean transport industry)	7,380,564	4.45
5	Group E (petrochemical raw material manufacturing industry)	6,657,956	4.02
6	Group F (computer peripheral devices manufacturing industry)	6,085,408	3.67
7	Group G (real estate industry)	5,836,400	3.52
8	Group H (real estate industry)	5,585,433	3.37
9	Group I (computer and its peripheral devices and software wholesale industry)	5,481,986	3.31
10	Group J (LCD and its component manufacturing industry)	5,376,420	3.24

Note 1: The list shows ranking by total amounts of credit, endorsement or other transactions (excluding those of government-owned or state-run enterprises). If the borrower is a member any of the above groups, the total amount of credit, endorsement or other transactions of the entire group must be listed and disclosed by code and line of industry. The industry of the Bank and its subsidiaries should be represented by the industry of the entity 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 published by the Directorate-General of Budget, Accounting and Statistics under the Executive Yuan.

Note 2: A group refers to a combination of corporate entities as defined by Article 6 of the Supplementary Provisions to the Taiwan Stock Exchange Corporation Criteria for Review of Securities Listings.

Note 3: The total amount of credits, endorsements or other transactions is the sum of various loans (including import and export negotiations, discounts, overdrafts, unsecured and secured short-term loans, margin loans receivable, unsecured and secured medium-term loans, unsecured and secured long-term loans and overdue loans), exchange bills negotiated, accounts receivable factored without recourse, acceptances and guarantees.

c. Interest rate sensitivity information

**Interest Rate Sensitivity (New Taiwan Dollars)
December 31, 2016**

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	1,166,158,512	79,084,167	48,815,326	110,849,295	1,404,907,300
Interest rate-sensitive liabilities	373,848,380	656,466,966	112,196,760	67,301,036	1,209,813,142
Interest rate sensitivity gap	792,310,132	(577,382,799)	(63,381,434)	43,548,259	195,094,158
Net worth					167,912,869
Ratio of interest rate-sensitive assets to liabilities					116.13%
Ratio of the interest rate sensitivity gap to net worth					116.19%

Interest Rate Sensitivity (New Taiwan Dollars)
December 31, 2015

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	1,087,667,171	72,478,927	58,956,469	114,446,954	1,333,549,521
Interest rate-sensitive liabilities	353,887,244	631,915,966	98,937,541	75,949,396	1,160,690,147
Interest rate sensitivity gap	733,779,927	(559,437,039)	(39,981,072)	38,497,558	172,859,374
Net worth					157,488,958
Ratio of interest rate-sensitive assets to liabilities					114.89%
Ratio of the interest rate sensitivity gap to net worth					109.76%

Note 1: The above amounts included only New Taiwan dollar amounts held by the onshore branches of the Bank (i.e., excluding foreign currency). In compliance with the Central Bank's supervision policies, the above data are prepared for off-site monitoring by the 15th of the next month.

Note 2: Interest-rate sensitive assets and liabilities mean the revenues or costs of interest-earning assets and interest-bearing liabilities are 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 (New Taiwan dollars).

Interest Rate Sensitivity (U.S. Dollars)
December 31, 2016

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

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	7,458,159	1,250,860	986,432	2,270,625	11,966,076
Interest rate-sensitive liabilities	12,475,276	1,019,490	1,036,493	865,891	15,397,150
Interest rate sensitivity gap	(5,017,117)	231,370	(50,061)	1,404,734	(3,431,074)
Net worth					401,492
Ratio of interest rate-sensitive assets to liabilities					77.72%
Ratio of the interest rate sensitivity gap to net worth					(854.58%)

Interest Rate Sensitivity (U.S. Dollars)
December 31, 2015

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

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	8,100,308	856,485	704,649	1,374,440	11,035,882
Interest rate-sensitive liabilities	13,189,160	431,740	135,226	261,712	14,017,838
Interest rate sensitivity gap	(5,088,852)	424,745	569,423	1,112,728	(2,981,956)
Net worth					306,401
Ratio of interest rate-sensitive assets to liabilities					78.73%
Ratio of the interest rate sensitivity gap to net worth					(973.22%)

Note 1: The above amounts include only USD amounts held by the Bank, and exclude contingent assets and contingent liabilities.

Note 2: Interest-rate sensitive assets and liabilities mean the revenues or costs of interest-earnings assets and interest-bearing liabilities affected by interest-rate changes.

Note 3: Interest-rate sensitive 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 (U.S. dollars).

d. Profitability

(%)

Item		For the Year Ended December 31	
		2016	2015
Return on total assets	Before income tax	0.76	0.94
	After income tax	0.63	0.81
Return on net worth	Before income tax	9.68	12.08
	After income tax	8.07	10.45
Profit margin		37.55	43.91

Note 1: Return on total assets = Income before (after) income tax/Average total assets.

Note 2: Return on net worth = Income before (after) income tax/Average net worth.

Note 3: Profit margin = Income after income tax/Total operating revenues.

Note 4: Income before (after) income tax represents income for the years ended December 31, 2016 and 2015.

e. Maturity analysis of assets and liabilities

Maturity Analysis of Assets and Liabilities (New Taiwan Dollars)
December 31, 2016

	Total	The Amount for the Remaining Period to Maturity					
		0-10 Days	11-30 Days	31-90 Days	91-180 Days	181-365 Days	Over 1 Year
Main capital inflow on maturity	\$ 2,118,854,217	\$ 239,707,448	\$ 339,382,236	\$ 314,590,345	\$ 186,347,329	\$ 239,874,511	\$ 798,952,348
Main capital outflow on maturity	2,522,754,666	182,777,679	265,548,314	401,260,875	361,924,529	452,227,331	859,015,938
Gap	(403,900,449)	56,929,769	73,833,922	(86,670,530)	(175,577,200)	(212,352,820)	(60,063,590)

Maturity Analysis of Assets and Liabilities (New Taiwan Dollars)
December 31, 2015

	Total	The Amount for the Remaining Period to Maturity					
		0-10 Days	11-30 Days	31-90 Days	91-180 Days	181-365 Days	Over 1 Year
Main capital inflow on maturity	\$ 2,168,682,490	\$ 224,731,773	\$ 373,362,121	\$ 307,062,119	\$ 233,953,193	\$ 249,390,984	\$ 780,182,300
Main capital outflow on maturity	2,550,915,152	127,284,551	309,146,635	421,433,246	351,896,372	429,990,625	911,163,723
Gap	(382,232,662)	97,447,222	64,215,486	(114,371,127)	(117,943,179)	(180,599,641)	(130,981,423)

Note: The above amounts are book values of assets and liabilities held by the Bank and denominated in New Taiwan dollars.

Maturity Analysis of Assets and Liabilities (U.S. Dollars)
December 31, 2016

(In Thousands of U.S. Dollars)

	Total	The Amount for the Remaining Period to Maturity				
		0-30 Days	31-90 Days	91-180 Days	181-365 Days	Over 1 Year
Capital inflow on maturity	\$ 79,706,962	\$ 25,094,138	\$ 23,195,305	\$ 14,999,774	\$ 10,263,228	\$ 6,154,517
Capital outflow on maturity	86,106,862	28,951,538	24,801,474	12,967,182	14,370,233	5,016,435
Gap	(6,399,900)	(3,857,400)	(1,606,169)	2,032,592	(4,107,005)	1,138,082

Maturity Analysis of Assets and Liabilities (U.S. Dollars)
December 31, 2015

(In Thousands of U.S. Dollars)

	Total	The Amount for the Remaining Period to Maturity				
		1-30 Days	31-90 Days	91-180 Days	181-365 Days	Over 1 Year
Capital inflow on maturity	\$ 72,038,791	\$ 23,444,086	\$ 19,161,163	\$ 13,336,373	\$ 9,586,971	\$ 6,510,198
Capital outflow on maturity	77,908,392	25,536,631	20,345,604	13,196,761	13,695,653	5,133,743
Gap	(5,869,601)	(2,092,545)	(1,184,441)	139,612	(4,108,682)	1,376,455

Note: The above amounts are book values of assets and liabilities held by the Bank and denominated in U.S. dollars.

54. STATEMENT OF CAPITAL ADEQUACY

Analysis		Year (Note 2)	December 31, 2016		December 31, 2015	
			Consolidated	Standalone	Consolidated	Standalone
Regulatory capital	Net common equity Tier 1 capital		\$ 168,290,036	\$ 157,727,665	\$ 159,868,371	\$ 148,788,458
	Net additional Tier 1 capital		1,576,820	-	1,766,529	-
	Net Tier 2 capital		37,409,698	22,925,960	43,697,504	28,133,879
	Regulatory capital		207,276,554	180,653,625	205,332,404	176,922,337
Risk-weighted assets	Credit risk	Standardized approach	1,366,774,954	1,151,669,480	1,447,199,721	1,206,195,805
		Internal rating - based approach	-	-	-	-
		Securitization	2,406,031	2,406,031	2,650,977	2,650,977
	Operational risk	Basic indicator approach	-	-	-	-
		Standardized approach/alternative standardized approach	75,170,863	64,527,175	74,155,575	63,356,475
		Advanced measurement approach	-	-	-	-
	Market risk	Standardized approach	38,500,900	35,948,038	46,671,338	44,327,663
		Internal models approach	-	-	-	-
	Total risk-weighted assets		1,482,852,748	1,254,550,724	1,570,677,611	1,316,530,920
	Total capital adequacy ratio		13.98%	14.40%	13.07%	13.44%
Common equity Tier 1 ratio		11.35%	12.57%	10.18%	11.30%	
Tier 1 capital ratio		11.46%	12.57%	10.29%	11.30%	
Leverage ratio		6.66%	7.09%	6.13%	6.62%	

Note 1: The above table was prepared in accordance with the “Regulations Governing the Capital Adequacy and Capital Category of Banks” and related calculation tables.

Note 2: The formula:

- 1) Regulatory capital = Net common equity Tier 1 capital + Net additional Tier 1 capital + Net Tier 2 capital.
- 2) Total risk-weighted assets = Risk-weighted assets for credit risk + (Capital requirements for operational risk + Capital requirement for market risk) × 12.5.
- 3) Total capital adequacy ratio = Regulatory capital/Total risk-weighted assets.
- 4) Common equity Tier 1 ratio = Net common equity Tier 1 capital/Total risk-weighted assets.
- 5) Tier 1 capital ratio = (Net common equity Tier 1 capital + Net additional Tier 1 capital)/Total risk-weighted assets.
- 6) Leverage ratio = Net Tier 1 capital/Exposure measurement.

55. SEGMENT INFORMATION

The segment information reported to the chief operating decision maker for assessment of segment performance focuses on the nature of business operations and pretax profit or loss.

The accounting standards and policies mentioned in Note 4 to the consolidated financial statements apply to all the business segments. Under IFRS 8 “Operating Segments,” the Bank and its subsidiaries report the following:

- a. Personal finance group: Responsible for wealth management, insurance, trust and consumer finance business, etc.

- b. Corporate banking group: Responsible for corporate and investment banking, financial markets and public treasury, etc.
- c. Overseas subsidiary: On the business operations of the Bank's subsidiary, Fubon Bank (China).
- d. Others: Except for the above segments, the other business segments.

The Bank and its subsidiary's information on segment revenue and operating results is as follows:

Segment Revenue and Operating Results

1) For the year ended December 31, 2016

	Personal Finance	Corporate Banking	Overseas Subsidiary	Others	Total
Net interest income	\$ 7,017,662	\$ 11,072,189	\$ 4,791,803	\$ (27,610)	\$ 22,854,044
Net interest income (external)	4,370,004	13,671,572	4,808,898	3,570	22,854,044
Inter-segment revenues (expenses)	2,647,658	(2,599,383)	(17,095)	(31,180)	-
Net non-interest income	<u>10,664,418</u>	<u>6,273,501</u>	<u>858,885</u>	<u>21,461</u>	<u>17,818,265</u>
Net revenue	<u>\$ 17,682,080</u>	<u>\$ 17,345,690</u>	<u>\$ 5,650,688</u>	<u>\$ (6,149)</u>	<u>\$ 40,672,309</u>
Net profit (loss) before income tax	<u>\$ 6,822,363</u>	<u>\$ 10,606,321</u>	<u>\$ 2,543,421</u>	<u>\$ (1,653,384)</u>	<u>\$ 18,318,721</u>

For the year ended December 31, 2015

	Personal Finance	Corporate Banking	Overseas Subsidiary	Others	Total
Net interest income	\$ 6,801,217	\$ 11,146,072	\$ 5,342,358	\$ 62,685	\$ 23,352,332
Net interest income (external)	3,588,576	14,011,587	5,645,533	106,636	23,352,332
Inter-segment revenues (expenses)	3,212,641	(2,865,515)	(303,175)	(43,951)	-
Net non-interest income	<u>10,490,986</u>	<u>8,133,115</u>	<u>628,827</u>	<u>(236,506)</u>	<u>19,016,422</u>
Net revenue	<u>\$ 17,292,203</u>	<u>\$ 19,279,187</u>	<u>\$ 5,971,185</u>	<u>\$ (173,821)</u>	<u>\$ 42,368,754</u>
Net profit (loss) before income tax	<u>\$ 6,203,419</u>	<u>\$ 13,770,877</u>	<u>\$ 2,499,968</u>	<u>\$ (972,116)</u>	<u>\$ 21,502,148</u>

2) Geographical information

The segments of the Bank and its subsidiaries based on their geographical locations are as follows:

	For the Year Ended December 31	
	2016	2015
Taiwan	\$ 32,029,092	\$ 32,370,220
Asia	8,650,749	9,583,373
Others	<u>(7,532)</u>	<u>415,161</u>
	<u>\$ 40,672,309</u>	<u>\$ 42,368,754</u>

56. ADDITIONAL DISCLOSURES

a. Significant transaction information and b. investees:

- 1) Financing provided: Not applicable.
- 2) Endorsement/guarantee provided: Not applicable.
- 3) Marketable securities held: Not applicable.
- 4) 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 disclosed its investments acquired or disposed of): None.
- 5) Acquisition of individual real estates at costs of at least NT\$300 million or 10% of the paid-in capital: None.
- 6) Disposal of individual real estates at costs of at least NT\$300 million or 10% of the paid-in capital: Table 2.
- 7) Allowance of service fees to related parties amounting to at least NT\$5 million: None.
- 8) Receivables from related parties amounting to at least NT\$300 million or 10% of the paid-in capital: Table 3.
- 9) Sale of nonperforming loans: Table 4.
- 10) Financial asset securitization: None.
- 11) Other significant transactions which may affect the decisions of users of financial reports: None.
- 12) The related information and proportionate share in investees: Table 6.
- 13) Derivative transactions: Note 8.

c. Information on investment in Mainland China: Table 7.

d. Business relationship and significant transactions among the parent company and subsidiaries: Table 5.

TAIPEI FUBON COMMERCIAL BANK CO., LTD.

OVERDUE LOANS AND RECEIVABLE
DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars, %)

Item		December 31, 2016					December 31, 2015					
		Nonperforming Loan (NPL) (Note 1)	Total Loans	NPL Ratio (Note 2)	Loan Loss Reserves (LLR)	Coverage Ratio (Note 3)	Nonperforming Loan (NPL) (Note 1)	Total Loans	NPL Ratio (Note 2)	Loan Loss Reserves (LLR)	Coverage Ratio (Note 3)	
Corporate loan	Secured	731,074	147,242,590	0.50%	1,939,904	265.35%	755,702	143,073,234	0.53%	1,982,548	262.35%	
	Unsecured	1,008,754	406,433,237	0.25%	5,046,186	500.24%	681,466	496,106,776	0.14%	5,510,685	808.65%	
Consumer finance	Mortgage (Note 4)	257,839	370,623,929	0.07%	5,519,226	2,140.57%	100,383	346,438,973	0.03%	5,143,521	5,123.90%	
	Cash card	18	5,083	0.35%	99	550.00%	92	7,541	1.22%	152	165.22%	
	Microcredit (Note 5)	46,554	16,787,670	0.28%	203,341	436.79%	45,876	14,749,626	0.31%	182,891	398.66%	
	Other (Note 6)	Secured	149,080	148,537,742	0.10%	1,591,995	1,067.88%	135,297	135,924,417	0.10%	1,461,334	1,080.09%
		Unsecured	55,657	35,129,496	0.16%	365,381	656.49%	75,844	34,101,485	0.22%	369,931	487.75%
Total		2,248,976	1,124,759,747	0.20%	14,666,132	652.12%	1,794,660	1,170,402,052	0.15%	14,651,062	816.37%	
		Overdue Receivable	Account Receivable	Delinquency Ratio	Allowance for Credit Loss	Coverage Ratio (Note 3)	Overdue Receivable	Account Receivable	Delinquency Ratio	Allowance for Credit Loss	Coverage Ratio (Note 3)	
Credit card		46,403	33,957,694	0.14%	222,398	479.28%	47,456	27,698,191	0.17%	217,102	457.48%	
Accounts receivable - factoring with no recourse (Note 7)		-	16,535,416	-	189,441	-	-	16,542,508	-	201,865	-	
Excluded NPL as a result of debt negotiation and loan agreements (Note 8)		112,959					178,911					
Excluded overdue receivables as a result of debt negotiation and loan agreements (Note 8)		172,157					251,664					
Excluded NPL as a result of consumer debt clearance (Note 9)		789,889					284,153					
Excluded overdue receivables as a result of consumer debt clearance (Note 9)		486,906					525,748					

Note 1: These are the reported overdue loans as defined in the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/Nonaccrual Loans" issued by the Ministry of Finance. For credit cards, overdue receivables are subject to the Banking Bureau's regulations dated July 6, 2005 (Ref. No. 0944000378).

Note 2: For loans, NPL ratio = NPL/Total loans.
For credit cards, delinquency ratio = Overdue receivables/Accounts receivable.

Note 3: For loans, coverage ratio = LLR/NPL
For credit cards, coverage ratio = Allowance for credit losses/Overdue receivables.

Note 4: Household mortgage refers to loans granted for the purchase, construction or repair of the residence owned by the borrower or the borrower's spouse or children, and the residence is used to secure the loan fully.

Note 5: Microcredits are subject to the Banking Bureau's regulations dated December 19, 2005 (Ref. No. 09440010950).

Note 6: Other consumer loans refer to secured or unsecured loans excluding mortgages, cash cards, microcredits, and credit cards.

Note 7: Under the Banking Bureau's requirements in its letter dated July 19, 2005 (Ref. No. 094000494), an allowance for bad debts should be recognized once no compensation is obtained from a factoring or insurance company for accounts receivable-factoring with no recourse.

Note 8: The disclosure of excluded NPLs and excluded overdue receivables resulting from debt negotiation, and the loan agreement is based on the Banking Bureau's requirement dated April 25, 2006 (Ref. No. 09510001270).

Note 9: The disclosure of excluded NPLs and excluded overdue receivables resulting from consumer debt clearance is based on the Banking Bureau's requirement dated September 15, 2008 (Ref. No. 09700318940).

TAIPEI FUBON COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

DISPOSAL OF PROPERTY AND EQUIPMENT AMOUNTING TO AT LEAST NT\$300 MILLION OR 10% OF THE ISSUED CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2016

(In Thousands of New Taiwan Dollars)

Company Name	Property and Equipment	Occurrence Date	Acquisition Date	Carrying Amount	Transaction Amount	Collection of Price	Gain or Loss on Disposal	Counterparty	Relationship	Disposal Purpose	Price Decision Reference	Other Agreement
Taipei Fubon Commercial Bank Co., Ltd.	Yanji Branch (No. 387, 389, 383, 2F, 2F-1, Sec. 4, Ren'ai Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.))	2016.10.27	2003.12.17	\$ 127,255	\$ 310,000	Full collection as of December 31, 2016	\$ 182,745	Fubon Asset Management Co., Ltd.	Subsidiary of Fubon Financial Holdings Co., Ltd.	Assets activation to avoid building idle or low utilization	Transaction analysis report of Savills plc real estate appraiser office and Euro-Asia real estate appraiser joint office	None
Taipei Fubon Commercial Bank Co., Ltd.	Shipai Branch (No. 80, Ziqiang St., Beitou Dist., Taipei City 112, Taiwan (R.O.C.))	2016.10.27	1990.09.24	16,882	36,000	Full collection as of December 31, 2016	19,118	Fubon Asset Management Co., Ltd.	Subsidiary of Fubon Financial Holdings Co., Ltd.	Assets activation to avoid building idle or low utilization	Transaction analysis report of Savills plc real estate appraiser office and Euro-Asia real estate appraiser joint office	None
Taipei Fubon Commercial Bank Co., Ltd.	Cheng Kung Branch (1F, 2F, 3F, No. 515, Cheng Kung Rd. West Central Dist., Tainan City, Taiwan (R.O.C.))	2016.10.27	1995.07.11	69,866	75,000	Full collection as of December 31, 2016	5,134	Fubon Asset Management Co., Ltd.	Subsidiary of Fubon Financial Holdings Co., Ltd.	Assets activation to avoid building idle or low utilization	Transaction analysis report of Savills plc real estate appraiser office and Euro-Asia real estate appraiser joint office	None

TAIPEI FUBON COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$300 MILLION OR 10% OF THE ISSUED CAPITAL

DECEMBER 31, 2016

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Receivable Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
Taipei Fubon Commercial Bank Co., Ltd.	Fubon Financial Holdings Co., Ltd. (FFH)	Parent company	\$ 471,803 (Note)	Not applicable	None	Not applicable	None	None
	Fubon Life Insurance Co., Ltd.	Subsidiary of FHH	478,493	Not applicable	None	Not applicable	None	None

Note: The amount refers to a linked-tax system receivable (included in current tax assets).

TAIPEI FUBON COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

TRADING INFORMATION ON SALES OF NON-PERFORMING LOANS

DECEMBER 31, 2016

(In Thousands of New Taiwan Dollars)

1. Summary of Sales of non-performing loans

Transaction Date	Counterparty	Loans Composition	Carrying Amount (Note)	Selling Price	Gain or (Loss) on Disposal	Additional agreed Terms	Relationship
Taipei Fubon Bank 2016.09.22	Cathay Bank	Non-personal secured engagement (syndication loan)	\$ 167,870	\$ 262,573	\$ 94,703	None	None
Fubon Bank (China) 2016.12.29	Haixia Capital Management Co., Ltd.	Non-personal secured engagement	508,111	765,584	257,473	The buyer entrusted Fubon Bank (China) to continue to collect, Fubon Bank (China) can recognize the recover amount more than 6.2% of annual selling price as profit.	None

Note: The carrying amount is the amount of debt less the allowance for doubtful accounts.

2. For the sales of non-performing loans amounting to at least NT\$1,000 million (not including related-party transactions), the following information should be disclosed for the transactions:

Counterparty: Haixia Capital Management Co., Ltd.

Disposal date: December 29, 2016

Loans Composition		Amount of Debt	Carrying Amount	Allocation of Selling Price
Non-Personal	Secured	\$ 1,192,094	\$ 508,111	\$ 765,584
	Unsecured	-	-	-
Personal	Secured	Mortgage loan	-	-
		Car loan	-	-
		Other	-	-
	Unsecured	Credit card	-	-
		Cash card	-	-
		Small credit loans	-	-
		Other	-	-
Total	\$ 1,192,094	\$ 508,111	\$ 765,584	

TAIPEI FUBON COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

**RELATED-PARTY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars)**

No. (Note 1)	Transaction Company	Counter-party	Flow of Transactions (Note 2)	Description of Transactions			
				Financial Statement Account	Transaction Amount	Transaction Item	Percentage to Consolidated Revenue/Assets (Note 3)
0	TAIPEI FUBON COMMERCIAL BANK Co., Ltd. (the "Bank")	Fubon Bank (China)	a	Cash and cash equivalents	\$ 32,870	Note 4	-
		Fubon Bank (China)	a	Other financial assets	1,589	Note 4	-
		Fubon Bank (China)	a	Due from the Central Bank and call loans to other banks	1,609,349	Note 4	0.07
		Fubon Bank (China)	a	Due to the Central Bank and other banks	13	Note 4	-
		Fubon Bank (China)	a	Interest income	17,095	Note 4	0.04
		Fubon Bank (China)	a	Receivables, net	735	Note 4	-
		Fubon Bank (China)	a	Net revenues other than interest	968	Note 4	-
		1	Fubon Bank (China)	TAIPEI FUBON COMMERCIAL BANK Co., Ltd.	b	Cash and cash equivalents	13
TAIPEI FUBON COMMERCIAL BANK Co., Ltd.	b			Due to the Central Bank and other banks	1,643,808	Note 4	0.07
TAIPEI FUBON COMMERCIAL BANK Co., Ltd.	b			Interest expense	17,095	Note 4	0.04
TAIPEI FUBON COMMERCIAL BANK Co., Ltd.	b			Payables	735	Note 4	-
TAIPEI FUBON COMMERCIAL BANK Co., Ltd.	b			Other operating expenses	968	Note 4	-

Note 1: The Parent company and subsidiaries are numbered as follows:

- a. Parent: 0.
- b. Subsidiaries are numbered sequentially from 1.

Note 2: The flow of transactions among related parties is as follows:

- a. Parent company to subsidiary.
- b. Subsidiary to parent company.
- c. Between subsidiaries.

Note 3: For calculating the percentages, the asset or liability account is divided by total consolidated assets, and the revenue or expense account is divided by the total consolidated net revenue of the period.

Note 4: For the transactions between the Bank and related parties, the terms are similar to those transacted with unrelated parties.

Note 5: The transactions and balances above had been eliminated in the preparation of consolidated financial statement.

TAIPEI FUBON COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

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

Investor Company	Investee Company	Location	Main Businesses and Products	Percentage of Ownership	Carrying Amount	Investment Gain (Loss)	Consolidated Investment				Note
							Shares (Thousands)	Imitated Shares	Total		
									Shares (Thousands)	Percentage of Ownership	
TAIPEI FUBON COMMERCIAL BANK Co., Ltd.	<u>Financial-related</u>										
	Taipei Foreign Exchange Inc.	Taipei	Foreign exchange market maker	3.94	\$ 7,800	\$ 3,120	780	-	780	3.94	Note 2
	Taiwan Futures Exchange Corporation	Taipei	Futures exchange and settlement	1.26	25,250	8,252	8,652	-	8,652	2.83	Note 2
	Taiwan Asset Management Corporation	Taipei	Evaluating, auctioning, and managing financial institutions' loans	1.70	225,000	17,897	22,500	-	22,500	1.70	Note 2
	Taiwan Financial Asset Service Co., Ltd.	Taipei	Auction	5.88	100,000	-	10,000	-	10,000	5.88	
	Financial Information Service Co., Ltd.	Taipei	Planning and developing the information systems of banking institutions and managing the information web system	2.28	91,000	33,251	11,876	-	11,876	2.28	Note 2
	Sunny Asset Management Corporation	Taipei	Purchasing for financial institutions' loan assets	8.39	5,031	600	503	-	503	8.39	Note 2
	Fubon Bank (China)	China	Banking	51.00	21,454,759	838,265	-	-	-	100.00	Note 1
	Taiwan Mobile Payment Co., Ltd.	Taipei	Mobile payment and business	3.00	18,000	-	1,800	-	1,800	3.00	
	<u>Non-financial related</u>										
	Fubon Real Estate Management Co., Ltd.	Taipei	Investigation, consultation, management and real estate evaluation of construction plans	30.00	120,653	8,171	6,964	-	6,964	30.00	Note 1
	Taipei Rapid Transit Corporation	Taipei	Public transportation	-	100	6	13	-	13	-	Note 2
	Taiwan Power Company	Taipei	Management of power facilities	-	1,830	-	374	-	374	-	
	Easy Card Investment Holding Co., Ltd.	Taipei	Issue and research of IC card	4.91	47,500	4,132	5,108	-	5,108	4.91	Note 2
	Taiwan High Speed Rail Corporation	Taipei	Management of high speed rail	0.36	373,108	13,180	147,516	-	147,516	2.63	Note 2
	Taiwan Aerospace Corp.	Taipei	Aerospace industry	1.25	17,000	425	3,400	-	3,400	2.50	Note 2
	Ascentek Venture Capital Corp.	Kaohsiung	Venture capital investment	4.28	15,680	1,502	1,568	-	1,568	4.28	Note 2
P.K. Venture Capital Investment Corp.	Taipei	Venture capital investment	5.00	-	1,040	241	-	241	5.00	Note 3	
Pacific Venture Capital Co., Ltd.	Taipei	Venture capital investment	5.12	730	56	57	-	57	10.24	Note 2	

Note 1: The investment gain (loss) was based on the investee's audited financial statements for the year ended December 31, 2016.

Note 2: The investment gain (loss) was the cash dividends recognized for the year ended December 31, 2016.

Note 3: The investment gain (loss) was the proceeds from capital reduction in excess of the carrying amount for the year ended December 31, 2016.

TAIPEI FUBON COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

INFORMATION ON THE INVESTMENT IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars, Unless stated otherwise)

Investee Company Name	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2016	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2016	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2016	Accumulated Repatriation of Investment Income as of December 31, 2016 (Note 3)	Note
					Outward	Inward							
Fubon Bank (China)	Banking	\$ 9,743,790 (RMB 21,000,000)	Direct investment in Mainland China	\$ 20,258,298	\$ -	\$ -	\$ 20,258,298	\$ 1,996,269 (RMB 412,180)	51	\$ 838,265	\$ 21,454,759	\$ 107,737	

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2016 (Note 1)	Investment Amounts Authorized by Investment Commission, MOEA (Notes 1 and 2)	Upper Limit on the Amount of Investment, as Stipulated by Investment Commission, MOEA
\$ 20,258,298 (RMB 4,093,113)	\$ 20,258,298 (RMB 4,093,113)	\$104,780,683

Note 1: The foreign currency of paid-in capital and net income was converted into New Taiwan dollars at the exchange rate on December 31, 2016 and the average exchange rate for 2016, respectively.

Note 2: Based on Rule No. 10300002750 approved by the Investment Commission under the Ministry of Economic Affairs on January 6, 2014, the authorized investment amount is US\$743,500 thousand (RMB 4,093,113 thousand).

Note 3: The amounts were accumulated from the start date of the investment to the end of the period.