

(English Translation of Consolidated Interim Financial Statements and Report Originally Issued in Chinese)

**FUBON FINANCIAL HOLDING CO., LTD.  
AND ITS SUBSIDIARIES**

**Consolidated Interim Financial Statements**

**March 31, 2017 and 2016**

**(With Independent Auditors' Review Report Thereon)**

The auditors' report and the accompanying consolidated interim financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language auditors' report and consolidated interim financial statements, the Chinese version shall prevail.

## Table of contents

Contents	Page
1. Cover Page	1
2. Table of Contents	2
3. Independent Auditors' Review Report	3
4. Consolidated Balance Sheets	4
5. Consolidated Statements of Comprehensive Income	5
6. Consolidated Statements of Changes in Equity	6
7. Consolidated Statements of Cash Flows	7
8. Notes to Consolidated Interim Financial Statements	
(1) Company history	8~10
(2) Approval date and procedures of the financial statements	10
(3) New standards, amendments and interpretations adopted	10~16
(4) Summary of significant accounting policies	16~46
(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty	46~48
(6) Explanation of significant accounts	49~340
(7) Related-party transactions	341~376
(8) Pledged assets	376~378
(9) Commitments and contingencies	378~382
(10) Significant loss of damage	382
(11) Significant subsequent events	382
(12) Other	383~398
(13) Other disclosures	
(a) Related information of significant transactions	399~405
(b) Information on investment in mainland China	405~410
(14) Segment information	410~411



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## Independent Auditors' Review Report

To the Board of Directors  
Fubon Financial Holding Co., Ltd.:

We have reviewed the accompanying consolidated balance sheets of Fubon Financial Holding Co., Ltd. (the "Company") and its subsidiaries as of March 31, 2017 and 2016, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2017 and 2016. These consolidated interim financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these consolidated interim financial statements based on our reviews.

We conducted our reviews in accordance with Statement on Auditing Standard 36, "Engagements to Review Financial Statements". A review consists principally of inquiries of the Company's personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with the generally accepted auditing standards, the objective of which is the expression of an opinion regarding the consolidated interim financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the consolidated interim financial statements referred to in the first paragraph in order for them to be in conformity with the "Regulations Governing the Preparation of Financial Reports by Financial Holding Companies" and the International Accounting Standard 34 "Interim Financial Reporting" endorsed by the Financial Supervisory Commission of the Republic of China.

KPMG

Taipei, Taiwan (Republic of China)  
April 27, 2017

### Notes to Readers

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

The auditors' review report and the accompanying consolidated interim financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language auditors' review report and consolidated interim financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Interim Financial Statements and Report Originally Issued in Chinese)  
**Reviewed only, not audited in accordance with the generally accepted auditing standards as of March 31, 2017 and 2016**

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**

**Consolidated Balance Sheets**

**March 31, 2017, December 31 and March 31, 2016**

**(Expressed in Thousands of New Taiwan Dollars)**

Assets		March 31, 2017		December 31, 2016		March 31, 2016				March 31, 2017		December 31, 2016		March 31, 2016	
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%
11000	Cash and cash equivalents (notes 6(a) and 8)	\$ 149,646,810	2	176,347,729	3	183,064,356	3	21000	Deposits from the central bank and banks	\$ 90,741,556	1	80,851,838	1	107,799,603	2
11500	Due from the central bank and call loans to banks (note 6(b) and 8)	255,458,709	4	280,627,636	4	210,769,288	4	21500	Due to the central bank and banks	8,522,733	-	7,081,137	-	7,342,458	-
12000	Financial assets measured at fair value through profit or loss (notes 6(c) and 8)	160,746,486	3	163,910,238	3	166,177,385	3	22000	Financial liabilities measured at fair value through profit or loss (note 6(s))	60,035,189	1	97,546,186	2	70,601,337	1
12100	Available-for-sale financial assets, net (notes 6(d) and 8)	1,615,506,187	26	1,631,039,162	26	1,635,754,273	27	22300	Derivative financial liabilities for hedging (note 6(e))	3,872,591	-	2,935,500	-	2,770,157	-
12300	Derivative financial assets for hedging (note 6(e))	1,861,538	-	1,329,276	-	1,328,023	-	22500	Securities sold under repurchase agreements (note 6(t))	129,594,583	2	122,889,790	2	108,980,155	2
12500	Securities purchased under resell agreements (note 6(f))	80,333,417	1	94,388,499	1	122,027,834	2	22600	Commercial paper issued, net (note 6(u))	10,344,092	-	654,787	-	3,209,251	-
13000	Receivables, net (note 6(g))	153,422,250	3	134,983,628	2	152,056,423	3	23000	Payables	91,273,317	1	84,255,953	1	86,850,377	1
13200	Current tax assets	1,835,141	-	1,618,718	-	2,371,222	-	23200	Current tax liabilities	13,735,826	-	9,823,469	-	6,143,934	-
13300	Asset classified as held for sale, net (note 6(h))	46,519	-	49,606	-	49,612	-	23500	Deposits (note 6(v))	2,084,254,754	33	2,121,289,731	33	2,002,862,158	34
13500	Discounts and loans, net (note 6(i))	1,626,574,048	26	1,636,622,497	26	1,655,994,554	28	24000	Bonds payable (note 6(w))	178,500,088	3	178,601,095	3	151,373,515	3
13700	Reinsurance contract assets, net (note 6(j))	24,134,562	-	23,804,912	-	20,008,680	-	24400	Other borrowings (note 6(x) and 8)	2,220,000	-	4,420,000	-	1,400,000	-
14500	Held-to-maturity financial assets, net (notes 6(k) and 8)	387,614,566	6	377,185,061	6	324,648,610	5	24600	Provisions (note 6(y))	3,040,632,684	48	2,999,495,105	47	2,821,984,216	47
15000	Investments accounted for using equity method, net (note 6(l))	23,598,556	-	23,300,447	-	23,768,240	-	25500	Other financial liabilities (note 6(z))	174,947,561	3	177,391,307	3	172,165,953	3
15500	Other financial assets, net (note 6(n))	1,542,961,630	24	1,471,680,907	23	1,150,863,488	19	29300	Deferred tax liabilities	12,123,934	-	10,794,468	-	14,733,076	-
18000	Investment property, net (notes 6(o) and 8)	178,022,353	3	175,529,080	3	178,563,787	3	29500	Other liabilities (note 6(aa))	23,432,594	-	26,122,520	-	19,900,350	-
18500	Property and equipment, net (notes 6(p) and 8)	56,837,348	1	57,262,849	1	54,744,604	1		<b>Total liabilities</b>	<u>5,924,231,502</u>	<u>92</u>	<u>5,924,152,886</u>	<u>92</u>	<u>5,578,116,540</u>	<u>93</u>
19000	Intangible assets, net (note 6(q))	27,987,454	-	28,900,583	1	30,034,483	1		<b>Equity attributable to owners of parent (note 6(ac)):</b>						
19300	Deferred tax assets	16,126,499	-	9,991,402	-	8,332,072	-		Share capital:						
19500	Other assets, net (note 6(r))	58,156,239	1	62,686,042	1	64,626,332	1	31101	Common stock	102,336,040	2	102,336,040	2	102,336,040	2
								31103	Preferred stock	6,000,000	-	6,000,000	-	-	-
									Total share capital	<u>108,336,040</u>	<u>2</u>	<u>108,336,040</u>	<u>2</u>	<u>102,336,040</u>	<u>2</u>
								31500	Capital surplus	<u>103,736,424</u>	<u>2</u>	<u>102,713,132</u>	<u>2</u>	<u>74,449,718</u>	<u>1</u>
									Retained earnings:						
								32001	Legal reserve	47,560,961	1	47,560,961	1	41,201,702	1
								32003	Special reserve	50,310,722	1	50,310,722	1	29,121,807	-
								32011	Undistributed earnings	<u>150,552,834</u>	<u>2</u>	<u>140,672,624</u>	<u>2</u>	<u>150,037,489</u>	<u>3</u>
									Total retained earnings	<u>248,424,517</u>	<u>4</u>	<u>238,544,307</u>	<u>4</u>	<u>220,360,998</u>	<u>4</u>
								32500	Other equity interests	(24,200,591)	-	(22,773,818)	-	1,434,814	-
									Total equity attributable to owners of parent	<u>436,296,390</u>	<u>8</u>	<u>426,819,661</u>	<u>8</u>	<u>398,581,570</u>	<u>7</u>
								39500	<b>Non-controlling interests (note 6(ac))</b>	342,420	-	285,725	-	8,485,156	-
									<b>Total equity</b>	<u>436,638,810</u>	<u>8</u>	<u>427,105,386</u>	<u>8</u>	<u>407,066,726</u>	<u>7</u>
									<b>Total liabilities and equity</b>	<u>\$ 6,360,870,312</u>	<u>100</u>	<u>6,351,258,272</u>	<u>100</u>	<u>5,985,183,266</u>	<u>100</u>
	<b>Total assets</b>	<u>\$ 6,360,870,312</u>	<u>100</u>	<u>6,351,258,272</u>	<u>100</u>	<u>5,985,183,266</u>	<u>100</u>								

See accompanying notes to consolidated interim financial statements.

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**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**

**Consolidated Statements of Comprehensive Income**

**For the three months ended March 31, 2017 and 2016**

**(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Common Share)**

		<b>For the three months ended March 31</b>			
		<b>2017</b>		<b>2016</b>	
		<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
41000	Interest revenue (note 6(af))	\$ 33,490,619	30	32,237,024	30
51000	Less: Interest expense (note 6(af))	<u>6,399,362</u>	<u>6</u>	<u>6,456,343</u>	<u>6</u>
	<b>Net interest revenue</b>	27,091,257	24	25,780,681	24
	<b>Net non-interest revenue</b>				
49800	Net service charge and commission loss (note 6(af))	(3,623,348)	(3)	(4,879,067)	(4)
49810	Net income of insurance operations (note 6(af))	84,820,637	75	78,425,161	72
49820	Gains (losses) on financial assets or liabilities measured at fair value through profit or loss	58,347,680	52	19,225,061	17
49825	Gains (losses) on investment property	1,378,995	1	1,883,577	2
49830	Realized gains (losses) on available-for-sale financial assets	14,997,832	13	10,221,714	9
49840	Realized gains (losses) on held-to-maturity financial assets	(76)	-	(61)	-
49870	Foreign exchange gains (losses)	(71,158,598)	(63)	(23,270,030)	(21)
49880	Impairment losses on assets (reversal of impairment losses on assets)	(4,738)	-	8,582	-
49890	Share of profit (loss) of associates and joint ventures accounted for using equity method (note 6(l))	284,672	-	98,977	-
49900	Net other non-interest revenue	<u>682,954</u>	<u>1</u>	<u>1,210,819</u>	<u>1</u>
	<b>Net revenue</b>	<u>112,817,267</u>	<u>100</u>	<u>108,705,414</u>	<u>100</u>
58100	Bad debt expenses and guarantee liability provisions	<u>(368,560)</u>	<u>-</u>	<u>(329,632)</u>	<u>-</u>
58300	Net change in provisions for insurance liabilities (note 6(af))	<u>(89,557,239)</u>	<u>(79)</u>	<u>(84,097,641)</u>	<u>(77)</u>
	<b>Expense:</b>				
58501	Employee benefits expenses (note 6(af))	(7,348,719)	(7)	(6,991,418)	(6)
58503	Depreciation and amortization expenses (note 6(af))	(914,655)	(1)	(912,471)	(1)
58599	Other general and administrative expenses (note 6(af))	<u>(5,132,150)</u>	<u>(5)</u>	<u>(6,034,858)</u>	<u>(6)</u>
	<b>Total Expenses</b>	<u>(13,395,524)</u>	<u>(13)</u>	<u>(13,938,747)</u>	<u>(13)</u>
	<b>Net income before tax from continuing operations</b>	9,495,944	8	10,339,394	10
61003	<b>Income tax expense (note 6(ab))</b>	<u>353,742</u>	<u>-</u>	<u>(1,452,401)</u>	<u>(1)</u>
	<b>Net income</b>	<u>9,849,686</u>	<u>8</u>	<u>8,886,993</u>	<u>9</u>
69500	<b>Other comprehensive income:</b>				
69560	<b>Items not to be reclassified subsequently to profit or loss</b>				
69562	Revaluation gains on property	1,105,974	1	19,940	-
69563	Share of other comprehensive income of associates and joint ventures accounted for using equity method— items not to be reclassified subsequently to profit or loss	1,744	-	(20,030)	-
69569	Income tax— items not to be reclassified to profit or loss (note 6(ab))	<u>(235,457)</u>	<u>-</u>	<u>3,405</u>	<u>-</u>
	<b>Subtotal of items not to be reclassified subsequently to profit or loss</b>	<u>872,261</u>	<u>1</u>	<u>3,315</u>	<u>-</u>
69570	<b>Items that may be reclassified subsequently to profit of loss</b>				
69571	Exchange differences on translation of foreign operations	(7,317,839)	(6)	(3,742,767)	(3)
69572	Unrealized gains (losses) on available-for-sale financial assets	4,704,586	4	27,156,378	25
69573	Gains (losses) on effective portion of cash flow hedges	119,511	-	180,767	-
69575	Share of other comprehensive income of associates and joint ventures accounted for using equity method— items that may be reclassified subsequently to profit or loss	11,839	-	(50,802)	-
69579	Income tax— items that may be reclassified to profit or loss (note 6(ab))	<u>184,193</u>	<u>-</u>	<u>(1,429,096)</u>	<u>(1)</u>
	<b>Subtotal of items that may be reclassified subsequently to profit or loss</b>	<u>(2,297,710)</u>	<u>(2)</u>	<u>22,114,480</u>	<u>21</u>
69500	<b>Other comprehensive income</b>	<u>(1,425,449)</u>	<u>(1)</u>	<u>22,117,795</u>	<u>21</u>
	<b>Total comprehensive income</b>	<u>\$ 8,424,237</u>	<u>7</u>	<u>\$ 31,004,788</u>	<u>30</u>
	<b>Consolidated net income attributable to:</b>				
	Owners of parent	\$ 9,878,762	8	8,774,325	9
	Non-controlling interests	<u>(29,076)</u>	<u>-</u>	<u>112,668</u>	<u>-</u>
		<u>\$ 9,849,686</u>	<u>8</u>	<u>\$ 8,886,993</u>	<u>9</u>
	<b>Total comprehensive income attributable to:</b>				
	Owners of parent	\$ 8,453,437	7	30,970,654	30
	Non-controlling interests	<u>(29,200)</u>	<u>-</u>	<u>34,134</u>	<u>-</u>
		<u>\$ 8,424,237</u>	<u>7</u>	<u>\$ 31,004,788</u>	<u>30</u>
	<b>Basic earnings per share (in New Taiwan Dollars) (note 6(ad))</b>	<u>\$ 0.97</u>		<u>\$ 0.86</u>	

See accompanying notes to consolidated interim financial statements.

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**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**

**Consolidated Statements of Changes in Equity**  
**For the three months ended March 31, 2017 and 2016**  
**(Expressed in Thousands of New Taiwan Dollars)**

	Equity attributable to owners of parent (note 6(ac))															
	Share capital			Retained earnings					Other equity interests					Total equity attributable owners of parent	Non-controlling interests	Total equity
	Common stock	Preferred stock	Total	Capital surplus	Legal reserve	Special reserve	Undistributed earnings	Total	Exchange differences on translation of foreign operations	Unrealized gains (losses) on available-for-sale financial instruments	Gains (losses) on effective portion of cash flow hedges	Revaluation gains	Total			
<b>Balance at January 1, 2016</b>	\$ 102,336,040	-	102,336,040	74,460,529	41,201,702	29,121,807	141,279,789	211,603,298	3,698,512	(26,082,512)	549,439	1,056,421	(20,778,140)	367,621,727	8,454,806	376,076,533
Net income	-	-	-	-	-	-	8,774,325	8,774,325	-	-	-	-	-	8,774,325	112,668	8,886,993
Other comprehensive income	-	-	-	-	-	-	(16,625)	(16,625)	(3,411,153)	25,454,130	150,037	19,940	22,212,954	22,196,329	(78,534)	22,117,795
Total comprehensive income	-	-	-	-	-	-	8,757,700	8,757,700	(3,411,153)	25,454,130	150,037	19,940	22,212,954	30,970,654	34,134	31,004,788
Changes in equity of associates and joint ventures accounted for using equity method	-	-	-	(10,988)	-	-	-	-	-	-	-	-	-	(10,988)	-	(10,988)
Treasury shares transferred to employees	-	-	-	177	-	-	-	-	-	-	-	-	-	177	-	177
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,784)	(3,784)
<b>Balance at March 31, 2016</b>	\$ 102,336,040	-	102,336,040	74,449,718	41,201,702	29,121,807	150,037,489	220,360,998	287,359	(628,382)	699,476	1,076,361	1,434,814	398,581,570	8,485,156	407,066,726
<b>Balance at January 1, 2017</b>	\$ 102,336,040	6,000,000	108,336,040	102,713,132	47,560,961	50,310,722	140,672,624	238,544,307	(7,625,985)	(16,096,768)	(402,102)	1,351,037	(22,773,818)	426,819,661	285,725	427,105,386
Net income	-	-	-	-	-	-	9,878,762	9,878,762	-	-	-	-	-	9,878,762	(29,076)	9,849,686
Other comprehensive income	-	-	-	-	-	-	1,448	1,448	(6,894,830)	4,496,759	100,485	870,813	(1,426,773)	(1,425,325)	(124)	(1,425,449)
Total comprehensive income	-	-	-	-	-	-	9,880,210	9,880,210	(6,894,830)	4,496,759	100,485	870,813	(1,426,773)	8,453,437	(29,200)	8,424,237
Changes in equity of associates and joint ventures accounted for using equity method	-	-	-	1,023,292	-	-	-	-	-	-	-	-	-	1,023,292	-	1,023,292
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	85,895	85,895
<b>Balance at March 31, 2017</b>	\$ 102,336,040	6,000,000	108,336,040	103,736,424	47,560,961	50,310,722	150,552,834	248,424,517	(14,520,815)	(11,600,009)	(301,617)	2,221,850	(24,200,591)	436,296,390	342,420	436,638,810

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**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**

**Consolidated Statements of Cash Flows**

**For the three months ended March 31, 2017 and 2016**

**(Expressed in Thousands of New Taiwan Dollars)**

	<b>For the three months ended March 31</b>	
	<b>2017</b>	<b>2016</b>
<b>Cash flows from operating activities :</b>		
<b>Income before income tax</b>	\$ 9,495,944	10,339,394
<b>Adjustments :</b>		
Income of non-cash activities		
Depreciation expenses	512,324	481,387
Amortization expenses	402,331	431,084
Allowance on bad debts	359,033	325,497
Interest expense	6,399,362	6,456,343
Interest income	(33,490,619)	(32,237,024)
Dividend income	(1,964,637)	(3,482,350)
Net change in insurance reserves	79,520,570	85,645,288
Net change in provisions for guarantee reserves	9,527	4,135
Net change in other reserves	(3,776,426)	(1,793,725)
Share-based payment awards	-	177
Share of loss of associates and joint ventures accounted for using equity method	(284,672)	(98,977)
Gain on disposal of investments	(12,833,822)	(16,627,625)
Impairment loss (reversal gain) on financial assets	6,670	(5,069)
Reversal of impairment loss on non-financial assets	(1,932)	(3,513)
Unrealized foreign exchange loss	66,926,453	13,093,473
Gain on fair value adjustment of investment property	(85,194)	(539,345)
Other adjustments to reconcile profit (loss):	12,766	(23,612)
Subtotal of income of non-cash activities	<u>101,711,734</u>	<u>51,626,144</u>
Changes in operating assets and liabilities :		
Changes in operating assets :		
Decrease (increase) in due from the central bank and call loans to banks	23,436,361	(10,379,518)
Decrease in financial assets at fair value through profit or loss	3,163,752	11,127,819
Decrease in available-for-sale financial assets	8,749,701	34,303,961
Decrease (increase) in derivative financial assets for hedging	(412,751)	9,313
Increase in receivables and current tax assets	(19,634,954)	(8,181,315)
Decrease in discounts and loans	9,299,068	21,314,444
Increase in reinsurance contract assets	(1,128,754)	(729,989)
Increase in held-to-maturity financial assets	(10,429,505)	(4,140,749)
Increase in other financial assets	(142,086,621)	(50,071,321)
Decrease in other assets	2,030,566	20,250,601
Subtotal of change in operating assets	<u>(127,013,137)</u>	<u>13,503,246</u>
Changes in operating liabilities :		
Increase (decrease) in due to the central bank and banks	9,889,718	(33,966,616)
Decrease in financial liabilities at fair value through profit or loss	(37,510,997)	(40,747,375)
Increase in derivative financial liabilities for hedging	937,091	581,634
Increase (decrease) in securities sold under repurchased agreement	6,704,793	(13,137,533)
Increase in payables and current tax liabilities	6,515,617	14,324,407
Decrease in deposits	(37,034,977)	(37,694,292)
Decrease in provisions	(901,927)	(1,624,642)
Decrease in other financial liabilities	(2,443,746)	(1,555,843)
Decrease in other liabilities	(2,695,702)	(719,748)
Subtotal of change in operating liabilities	<u>(56,540,130)</u>	<u>(114,540,008)</u>
Subtotal of change in operating assets and liabilities	<u>(183,553,267)</u>	<u>(101,036,762)</u>
Subtotal of all adjustments	<u>(81,841,533)</u>	<u>(49,410,618)</u>
Cash used in operating activities	(72,345,589)	(39,071,224)
Interest received	29,906,971	28,255,191
Dividends received	1,945,006	2,768,117
Interest paid	(5,683,586)	(6,178,372)
Income taxes paid	(1,021,075)	(195,189)
<b>Net Cash flows used in operating activities</b>	<u>(47,198,273)</u>	<u>(14,421,477)</u>

See accompanying notes to consolidated interim financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)  
**REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH GENERALLY ACCEPTED AUDITING STANDARDS**

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**

**Consolidated Statements of Cash Flows (CONT'D)**

**For the three months ended March 31, 2017 and 2016**

**(Expressed in Thousands of New Taiwan Dollars)**

	<b>For the three months ended March 31</b>	
	<b>2017</b>	<b>2016</b>
<b>Cash flows from investing activities :</b>		
Acquisition of investments accounted for using equity method	\$ (50,000)	-
Acquisition of property and equipment	(1,057,363)	(936,014)
Proceeds from disposal of property and equipment	5,875	78,183
Acquisition of intangible assets	(55,402)	(85,220)
Proceeds from disposal of intangible assets	1,079	-
Acquisition of investment properties	(234,225)	(8,400,266)
<b>Net cash flows used in investing activities</b>	<b>(1,390,036)</b>	<b>(9,343,317)</b>
<b>Cash flows from financing activities :</b>		
Increase in due to the central bank and banks	1,441,596	2,764,847
Increase in commercial papers payable	9,689,132	1,929,497
Repayments of bonds	(7,800,000)	-
Proceeds from issuing bank notes payable	15,757,964	4,020,412
Repayments of bank notes payable	(5,910,095)	(4,223,199)
Increase (decrease) in other borrowings	(2,200,000)	150,000
Changes in non-controlling interests	85,895	(3,784)
<b>Net cash flows provided by financing activities</b>	<b>11,064,492</b>	<b>4,637,773</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	(4,964,750)	(2,008,745)
<b>Net decrease in cash and cash equivalents</b>	(42,488,567)	(21,135,766)
<b>Cash and cash equivalents at beginning of period</b>	<b>351,083,488</b>	<b>357,364,357</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$ 308,594,921</b>	<b>336,228,591</b>
<b>Components of cash and cash equivalents :</b>		
Cash and cash equivalents recognized in balance sheet	\$ 149,646,810	183,064,356
Due from the central bank and call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7	78,614,694	31,136,401
Securities purchased under resell agreements qualifying for cash and cash equivalents under the definition of IAS 7	80,333,417	122,027,834
<b>Cash and cash equivalents at end of period</b>	<b>\$ 308,594,921</b>	<b>336,228,591</b>



**(English Translation of Consolidated Interim Financial Statements and Report Originally Issued in Chinese)**  
**Reviewed only, not audited in accordance with the generally accepted auditing standards as of March 31, 2017 and 2016**

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**

**Notes to Consolidated Interim Financial Statements**

**March 31, 2017 and 2016**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

**(1) Company history**

**(a) Fubon Financial Holding Co., Ltd.**

Fubon Financial Holding Co., Ltd. (the Company) was established in December 2001 pursuant to the Financial Holding Company Act in Taiwan.

In connection with the formation of the Company, substantially all of the assets and liabilities and related operations of Fubon Insurance Co., Ltd. (Fubon Insurance) were transferred to a new wholly owned subsidiary named Fubon Insurance. The name of the “former” Fubon Insurance Co., Ltd. was changed to Fubon Financial Holding Co., Ltd. Furthermore, shares of Fubon Securities Co., Ltd. (Fubon Securities), Fubon Commercial Bank Co., Ltd. (Fubon Bank), and Fubon Life Assurance Co., Ltd. (Fubon Life Assurance) were exchanged for shares in the Company on December 19, 2001.

On August 28, 2002, shares of Fubon Asset Management Co., Ltd. (Fubon Asset Management) were exchanged for shares in the Company. Starting from March 11, 2011, due to the Company’s corporate restructuring, Fubon Asset Management became a wholly owned subsidiary of Fubon Securities.

On December 23, 2002, shares of Taipei Bank Co., Ltd. (Taipei Bank) were exchanged for shares in the Company.

In September 2003, shares of Fubon Marketing Co., Ltd. (Fubon Marketing) were acquired in cash by the Company.

In October 2003, shares of Fubon Financial Holding Venture Capital Co., Ltd. (Fubon Financial Holding Venture Capital) were acquired in cash by the Company.

In March 2004, 75% of the shares of Common Stock of International Bank of Asia, Limited, renamed Fubon Bank Hong Kong, Limited (Fubon Bank (Hong Kong)), were purchased in cash by the Company. On June 13, 2011, 25% of the remaining outstanding shares of Common Stock of Fubon Bank (Hong Kong) were purchased in cash by the Company. On August 16, 2012, Fubon Bank (Hong Kong) redeemed the preferred shares of stock of \$4,004,057 held by the Company. On the same date, the Company subscribed in cash of \$4,004,057 for the ordinary shares of stock of Fubon Bank (Hong Kong).

In August 2004, shares of Fubon Asset Management Service Co., Ltd. (Fubon AMC) and Fubon Investment Management Consulting Co., Ltd. (Fubon IMC) were purchased in cash by the Company. On November 7, 2011, the procedures for the liquidation of Fubon IMC were completed.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

In March 2008, shares of Taiwan Sport Lottery Co., Ltd. (Taiwan Sport Lottery) were purchased in cash by the Company. In September 2008, the Company owned 51% of the shares of Taiwan Sport Lottery. On July 20, 2011, Taiwan Sport Lottery became wholly owned subsidiary of the Company.

On February 11, 2009, all of the equity shares of ING Life Insurance Co., Ltd. (ING Life Insurance) were exchanged for shares in the Company. On June 1, 2009, ING Life Insurance merged with Fubon Life Assurance Co., Ltd., which was renamed Fubon Life Insurance Co., Ltd.

On January 7, 2014, 80% of the shares of First Sino Bank, Limited, which was renamed as Fubon Bank (China) Co., Ltd. from April, 2014, were purchased in cash by the Company and Taipei Fubon Bank. On October 20, 2016, 20% of the remaining outstanding shares of Fubon Bank (China) were purchased by the Company. Fubon Bank (China) became a wholly owned subsidiary of the Company.

The Company is principally engaged in the financial businesses including banking, financial bills, credit cards, trust, insurance, securities, futures, ventures, investments in foreign financial institutions approved by the government authorities, and investments relevant to other financial services approved by the government authorities.

(b) Business of consolidated subsidiaries:

- (i) Fubon Insurance was incorporated on December 19, 2001, and assumed all rights and liabilities of the former Fubon Insurance Co., Ltd., which was incorporated in 1961. It is primarily engaged in the business of property and casualty insurance.
- (ii) Fubon Securities was incorporated on July 11, 1988, as a company with an integrated securities firm license. Fubon Securities' operations include brokerage, margin lending, securities financing and refinancing, securities trading, securities transfer services, securities underwriting, and futures.
- (iii) Taipei Bank started as a financial institution of the Taipei City Government (TCG) in 1969. On July 1, 1984, it was reorganized into a limited liability corporation and it was renamed as City Bank of Taipei Co., Ltd. On January 1, 1993, the bank's name was subsequently changed to Taipei Bank Co., Ltd. On August 1, 1991, Fubon Bank was authorized to operate as a commercial bank and commenced its commercial operations on April 20, 1992.

On January 1, 2005, Taipei Bank merged with Fubon Bank to improve operational efficiency and reduce costs. Taipei Bank was the surviving entity from this merger. However, the name Taipei Bank was changed to Taipei Fubon Bank on the same day.

Taipei Fubon Bank is engaged mainly in authorized operations of commercial banks.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

- (iv) Fubon Bank (Hong Kong) was founded in 1982. It is engaged in the following operations:
- 1) Retail and consumer banking;
  - 2) Corporate banking;
  - 3) Investment banking;
  - 4) Investment and financial management services; and
  - 5) Properties management and other services.
- (v) Fubon Life Insurance was incorporated on June 3, 1993, under the laws of the Republic of China (ROC). It is engaged in the business of life insurance underwriting.

Fubon Life Insurance merged with ING Life Insurance (Taiwan) effective June 1, 2009, with ING Life Insurance (Taiwan) was the surviving entity and then changed its name to Fubon Life Insurance Co., Ltd. Fubon Life Insurance is primarily engaged in life insurance, accident insurance, health insurance, and any business related to life insurance.

- (vi) Fubon Bank (China), in accordance with the "Regulations Governing Foreign Financial Institutions in the People's Republic of China", is invested by Shanghai Pudong Development Bank and Lotus Worldwide Ltd. and established as a Joint Venture Bank in Shanghai Pudong District, the People's Republic of China (the PRC) on March 20, 1997. Fubon Bank (China) mainly engages in a full scope of foreign currency services and CNY service to customers except citizens in the territory of China. As of March 31, 2017, Fubon Bank (China) has established head office business department and 23 branches (or sub-branches and preparatory offices) in the PRC.

**(2) Approval date and procedures of the financial statements**

On April 27, 2017, the consolidated interim financial statements were presented to the board of directors and authorized for issuance afterward.

**(3) New standards, amendments and interpretations adopted**

- (a) The effects on application of new standards and interpretations as accepted by the Financial Supervisory Commission

Starting from 2017, the Company and its subsidiaries have fully adopted the IFRSs which were issued by the International Accounting Standards Board (IASB) before January 1, 2016 and were endorsed by the FSC on January 1, 2017 when preparing their interim consolidated financial statements. The related new standards, interpretations and amendments are as follows:

<b>New, Revised or Amended Standards and Interpretations</b>	<b>Effective date per IASB</b>
Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception"	January 1, 2016

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendments 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
Amendments to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014
Amendment to IAS 27 "Equity Method in Separate Financial Statements"	January 1, 2016
Amendments to IAS 36 "Recoverable Amount Disclosures for Non-Financial Assets"	January 1, 2014
Amendments to IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014
Annual improvements cycles 2010-2012 and 2011-2013	July 1, 2014
Annual improvements cycle 2012-2014	January 1, 2016
IFRIC 21 "Levies"	January 1, 2014

Except for the following items, the Company and its subsidiaries believe that the adoption of the above IFRSs do not have a material impact on the consolidated interim financial statements:

Amendments to IAS 36 "Recoverable Amount Disclosures for Non-Financial Assets"

Under the amendments, the recoverable amount is required to be disclosed only when an impairment loss has been recognized or reversed. In such cases, the amendments also require that the following be disclosed if the recoverable amount is based on fair value less costs of disposal:

- (i) the level of the fair value hierarchy within which the fair value measurement is categorized; and
- (ii) the valuation technique(s) used for fair value measurements categorized within Levels 2 and 3 of the fair value hierarchy, and the key valuation assumptions made.

The Company and its subsidiaries will take into account all relevant circumstances regarding disclosure of the recoverable amount for non-financial assets.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

(b) Newly released or amended standards and interpretations not yet endorsed by the FSC

The FSC announced that the Company and its subsidiaries should apply IFRS 9 and IFRS 15 starting January 1, 2018. As of the date the consolidated interim financial statements were issued, the FSC has not yet to announce the effective dates of the other IFRSs. A summary of the new standards and amendments issued by the IASB but not yet endorsed by the FSC as of the end of reporting date is as follows:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
IFRS 16 "Leases"	January 1, 2019
Amendment to IFRS 2 "Clarifications of Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendment to IFRS 15 "Clarifications of IFRS 15"	January 1, 2018
Amendment to IAS 7 "Disclosure Initiative"	January 1, 2017
Amendment to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IFRS 4 "Insurance Contracts" ("Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts")	January 1, 2018
Annual Improvements to IFRS Standards 2014-2016 Cycle:	
IFRS 12 "Disclosure of Interests in Other Entities"	January 1, 2017
IFRS 1 "First-time Adoption of International Financial Reporting Standards" and IAS 28 "Investments in Associates and Joint Ventures"	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018
Amendments to IAS 40 Investment Property	January 1, 2018

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

The Company and its subsidiaries are still determining the potential impact of the standards listed below:

<b>Issuance / Release</b>	<b>Dates</b>	<b>Standards or Interpretations</b>	<b>Content of amendment</b>
	May 28, 2014 April 12, 2016	IFRS 15 "Revenue from Contracts with Customers"	IFRS 15 establishes a five-step model for recognizing revenue that applies to all contracts with customers, and will supersede IAS 18 "Revenue," IAS 11 "Construction Contracts," and a number of revenue-related interpretations.  Final amendments issued on April 12, 2016, clarify how to (i) identify performance obligations in a contract; (ii) determine whether a company is a principal or an agent; (iii) account for a license for intellectual property (IP); and (iv) apply transition requirements.
	November 19, 2013 July 24, 2014	IFRS 9 "Financial Instruments"	The standard will replace IAS 39 "Financial Instruments: Recognition and Measurement", and the main amendments are as follows: <ul style="list-style-type: none"> <li>• Classification and measurement: Financial assets are measured at amortized cost, fair value through profit or loss, or fair value through other comprehensive income, based on both the entity's business model for managing the financial assets and the financial assets' contractual cash flow characteristics. Financial liabilities are measured at amortized cost or fair value through profit or loss. Furthermore, there is a requirement that "own credit risk" adjustments be measured at fair value through other comprehensive income.</li> <li>• Impairment: The expected credit loss model is used to evaluate impairment.</li> <li>• Hedge accounting: Hedge accounting is more closely aligned with risk management activities, and hedge effectiveness is measured based on the hedge ratio.</li> </ul>

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

<b>Issuance / Release</b>	<b>Dates</b>	<b>Standards or Interpretations</b>	<b>Content of amendment</b>
	January 13, 2016	IFRS 16 "Leases"	<p>The new standard of accounting for lease is amended as follows:</p> <ul style="list-style-type: none"> <li>• For a contract that is, or contains, a lease, the lessee shall recognize a right-of-use asset and a lease liability in the balance sheet. In the statement of profit or loss and other comprehensive income, a lessee shall present interest expense on the lease liability separately from the depreciation charge for the right-of use asset during the lease term.</li> <li>• A lessor classifies a lease as either a finance lease or an operating lease, and therefore, the accounting remains similar to IAS 17.</li> </ul>
	January 19, 2016	Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"	<p>The objective of this project is to clarify the accounting for deferred tax assets for unrealized losses on debt instruments measured at fair value. It clarifies that 'taxable profit excluding tax deductions' used for assessing the utilization of deductible temporary differences is different from 'taxable profit on which income taxes are payable'.</p>
	January 29, 2016	Amendments to IAS 7 "Disclosure Initiative"	<p>The amendments will require entities to provide disclosures that enable investors to evaluate changes in liabilities arising from financing activities, including changes arising from cash flows and non-cash changes.</p>

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

<b>Issuance / Release Dates</b>	<b>Standards or Interpretations</b>	<b>Content of amendment</b>
September 12, 2016	Amendments to IFRS 4 "Insurance Contracts" ("Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts")	<p>The amendments provide two optional solutions (including the "overlay approach" and the "deferral approach") to reduce the impact of the differing effective dates of IFRS 9 and the forthcoming IFRS 4:</p> <ul style="list-style-type: none"> <li>• An option that permits entities that issue insurance contracts to reclassify, from profit or loss to other comprehensive income, when applying IFRS 9. (The criteria for designated financial assets include (i) the financial assets are recognized as measured at fair through profit or loss under IFRS 9, whereas the recognition under IAS 39 is different; (ii) the financial assets are held without the scope of IFRS 4, such as hold under bank activity.)</li> <li>• An optional temporary exemption from IFRS 9 for entities whose activities are predominantly connected with insurance until 2021. Rather than having to implement IFRS 9, entities will be permitted to apply IAS 39 "Financial Instruments: Recognition and Measurements".</li> </ul>
December 8, 2016	IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	IFRIC 22 clarifies the transaction date used to determine the exchange rate. The transaction date is the date on which the company initially recognizes the prepayment or deferred income arising from the advance consideration.
December 8, 2016	Amendments to IAS 40 Investment Property	The amendments specify that a transfer into, or out of, investment property would be made only when there has been a change in use of a property, supported by evidence that a change in use has occurred. The amendments also clarify that the list of circumstances that provide evidence of a change in use set out in paragraph 57 (a)-(d) of IAS 40 contains examples and is not an exhaustive list.

(Continued)



**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

The Company and its subsidiaries are evaluating the impact of the initial adoption of the abovementioned standards or interpretations on their financial position and financial performance. The results thereof will be disclosed when the Company and its subsidiaries complete their evaluation.

**(4) Summary of significant accounting policies**

**(a) Statement of compliance**

The consolidated interim financial statements have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Financial Holding Companies", and IAS 34 "Interim Financial Reporting" endorsed by the FSC and do not include all of the information required for full annual consolidated financial statements prepared in accordance with the IFRSs, IAS and interpretations endorsed by the FSC.

**(b) Basis of preparation**

The consolidated interim financial statements comprise the consolidated balance sheets, the consolidated statements of comprehensive income, changes in equity and cash flows and notes to consolidated interim financial statements.

The consolidated interim financial statements have been prepared on a historical cost basis except for the financial assets and liabilities (including derivative financial instruments) and the investment properties, which are measured at fair value. The individual entity of the Company and its subsidiaries based on its primary economic environment operating currency as its functional currency. The consolidated interim financial statements functional currency is TWD unless otherwise specified. All financial information presented in TWD has been rounded to the nearest thousand, unless otherwise noted.

**(c) Principles of consolidation**

In accordance with the "Regulations Governing the Preparation of Financial Reports by Financial Holding Companies" and TIFRS, similar underlying assets, liabilities, equity, income and expenses of the consolidated entities are summed up and eliminated, if necessary, in the preparation of the consolidated interim financial statements. The Company prepares its consolidated financial statements at the same reporting date.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commenced until the date that control ceased.

Intra-company balances and transactions, and any unrealized income arising from intra-company transactions, are eliminated in preparing the consolidated interim financial statements. Unless there is evidence that transferred assets are impaired, the intra-company unrealized losses are eliminated.

Subsidiaries' financial statements are adjusted to align the accounting policies with those of the Company.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

The following entities have been included in the consolidated interim financial statements:

<u>Name of Investor</u>	<u>Subsidiary</u>	<u>Main Activities</u>	<u>Percentage of Ownership (%)</u>		
			<u>March 31, 2017</u>	<u>December 31, 2016</u>	<u>March 31, 2016</u>
The Company	Fubon Insurance	Property and casualty insurance	100.00 %	100.00 %	100.00 %
The Company	Taipei Fubon Bank	Banking	100.00 %	100.00 %	100.00 %
The Company	Fubon Life Insurance	Life insurance	100.00 %	100.00 %	100.00 %
The Company	Fubon Securities	Securities business	100.00 %	100.00 %	100.00 %
The Company	Fubon Marketing	Marketing management	100.00 %	100.00 %	100.00 %
The Company and Fubon Securities	Fubon Financial Holding Venture Capital	Venture Capital	100.00 %	100.00 %	100.00 %
The Company	Fubon Bank (Hong Kong)	Banking	100.00 %	100.00 %	100.00 %
The Company	Fubon AMC	Creditor's rights management	100.00 %	100.00 %	100.00 %
The Company	Taiwan Sport Lottery	IT Software service	100.00 %	100.00 %	100.00 %
The Company and Taipei Fubon Bank	Fubon Bank (China) (Note 1)	Banking	100.00 %	100.00 %	80.00 %
Taipei Fubon Bank	Taipei Fubon Bank Life Insurance Agent Co., Ltd. (Note 2)	Life insurance agent	- %	- %	100.00 %
Fubon Securities	Fubon Asset Management	Investment trust	100.00 %	100.00 %	100.00 %
Fubon Securities	Fubon Futures	Futures	100.00 %	100.00 %	100.00 %
Fubon Securities	Fubon Investment Service	Investment Service	100.00 %	100.00 %	100.00 %
Fubon Securities	Fubon Securities BVI	Securities business	100.00 %	100.00 %	100.00 %
Fubon Securities	Fubon Securities Venture Capital	Venture Capital	100.00 %	100.00 %	100.00 %
Fubon Securities	Fubon Equity Investment (Note 3)	Equity Investment	100.00 %	100.00 %	- %
Fubon Securities BVI	Fubon Securities (Hong Kong)	Securities business	100.00 %	100.00 %	100.00 %
Fubon Asset Management	Fubon Convoy Asset Management (Hong Kong) Limited (Note 4)	Asset Management	49.00 %	- %	- %
Fubon Insurance	Fubon Insurance (Vietnam)	Insurance business	100.00 %	100.00 %	100.00 %
Fubon Insurance	Fubon Insurance Broker (Thailand)	Broker	48.97 %	48.97 %	48.97 %
Fubon Insurance	Fubon Insurance Broker (Philippine)	Broker	99.99 %	99.99 %	99.99 %
Fubon Insurance and Fubon Life Insurance	Fubon Property & Casualty Insurance (Xiamen)	Insurance business	80.00 %	80.00 %	80.00 %
Fubon Life Insurance	Fubon Life Insurance (Vietnam)	Insurance business	100.00 %	100.00 %	100.00 %

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

<u>Name of Investor</u>	<u>Subsidiary</u>	<u>Main Activities</u>	<u>Percentage of Ownership (%)</u>		
			<u>March 31, 2017</u>	<u>December 31, 2016</u>	<u>March 31, 2016</u>
Fubon Life Insurance	Fubon Life Insurance (Hong Kong) Limited	Insurance business	100.00 %	100.00 %	100.00 %
Fubon Life Insurance	Carter Lane (Guernsey) Limited	Real estate investment and management	100.00 %	100.00 %	100.00 %
Fubon Life Insurance	Bow Bells House (Jersey) Limited	Real estate investment and management	100.00 %	100.00 %	100.00 %
Fubon Life Insurance	Fubon MTL Property (Jersey) Limited	Real estate investment and management	100.00 %	100.00 %	100.00 %
Fubon Life Insurance	Fubon Ellipse (Belgium) S.A. (Note 5)	Real estate investment and management	100.00 %	100.00 %	100.00 %
Fubon Life Insurance	Fubon Ellipse (Jersey) Limited (Note 6)	Holding company	100.00 %	100.00 %	- %
Fubon Marketing	Fu Sheng Life Insurance Agent	Life insurance agent	100.00 %	100.00 %	100.00 %
Fubon Marketing	Fu Sheng General Insurance Agent	Property and casualty insurance agent	100.00 %	100.00 %	100.00 %
Fubon Financial Holding Venture Capital	Fubon Sports & Entertainment Co., Ltd.	Sports service business	100.00 %	100.00 %	100.00 %
Fubon Bank (HK)	Fubon Nominees (Hong Kong) Limited (Note 7)	Financial sector business	100.00 %	100.00 %	100.00 %
Fubon Bank (HK)	Fubon Credit (HK) (Note 7)	Financial sector business	100.00 %	100.00 %	100.00 %
Fubon Bank (HK)	FB Securities (Hong Kong) Limited (Note 7)	Securities brokerage	100.00 %	100.00 %	100.00 %
Fubon Bank (HK)	FB Investment Management (Hong Kong) Limited (Note 7)	Capital management	100.00 %	100.00 %	100.00 %
Fubon Bank (HK)	FB Insurance Brokers Limited (Note 7)	Insurance agent	100.00 %	100.00 %	100.00 %

Note 1: The Company acquired 20% of the remaining outstanding shares, and Fubon Bank (China) became a wholly owned subsidiary on October 20, 2016.

Note 2: Merged with Taipei Fubon Bank on April 29, 2016, Taipei Fubon Bank is the surviving entity from this merger.

Note 3: Fubon Securities Equity Investment became a subsidiary in September, 2016.

Note 4: In February 2017, Fubon Asset Management and Convoy Asset Management Limited set up Fubon Convoy Asset Management (HK) Limited. After the evaluation, since Fubon Asset Management has direct existing rights to its financial and operating activities, it is regarded as having control over Fubon Convoy Asset Management (Hong Kong).

Note 5: Access S.A became a subsidiary in January, 2016, and was renamed Fubon Ellipse (Belgium) S.A and became a subsidiary on May 17, 2016.

Note 6: Fubon Ellipse (Jersey) Limited became a subsidiary in December, 2016.

Note 7: These entities are the major subsidiaries of Fubon Bank (Hong Kong).

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

(d) Foreign currency

(i) Foreign currency transaction

Transactions in foreign currencies are translated to the respective functional currencies of the individual entities of the Company and its subsidiaries at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rates at that date. Translation gains and losses are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was originally determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the original transaction.

Foreign currency differences arising from settlement or retranslation of monetary assets and liabilities are recognized in profit or loss, except for the following differences, which are recognized in other comprehensive income:

- 1) Non-monetary available-for-sale equity investment;
- 2) A financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- 3) Qualifying cash flow hedges to the extent the hedge is effective.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the Company's functional currency in New Taiwan dollars at exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to the Company's functional currency at average rate. Foreign currency differences are recognized in other comprehensive income, and presented in the foreign currency translation adjustments in equity.

When a foreign operation is disposed of such that control, significant influence or joint control is lost, the foreign currency translation adjustments related to that foreign operation are all reclassified to profit or loss. When the Company disposes of any part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant cumulative amount of foreign currency translation adjustments is reattributed proportionately to non-controlling interest. When the Company disposes of only part of investment in an associate or joint venture that includes a foreign operation, the relevant foreign currency cumulative amount of translation adjustments is reclassified proportionately to profit or loss.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign currency gains and losses arising from such items are considered as part of a net investment in foreign operation and are recognized in other comprehensive income, and presented in the foreign currency translation adjustments in equity.

(e) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, unrestricted time deposits which may be terminated anytime without impairing the principal and highly liquid investments that are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value.

Due from the central bank, call loans to banks and securities purchased under resell agreements which meet the definition as defined in International Accounting Standard 7 ("IAS 7") and form an integral part of the Company and its subsidiaries' cash management are included as components of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

(f) Investment in associates

Associates are those entities in which the Company has the power to exercise significant influence, but not control, over their financial and operating policies.

Investments in associates, except for held-for-sale assets, are accounted for using the equity method and are recognized initially at cost. The carrying amount of investment in associates, which includes goodwill arising from business acquisition, is stated at cost less any accumulated impairment losses. The consolidated financial statements include the Company's share of the profit or loss and other comprehensive income of equity-accounted investees, after adjustments to align the accounting policies with those of the Company, from the date that significant influence commences until the date that significant influence ceases. When the Company's share of losses exceeds its investment in equity-accounted investees, the carrying amount of the investment, including any long-term interests that from part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Company has an obligation or has made payments on behalf of the investee.

When an associate is disposed of such that significant influence is lost, the residual investment is measured at fair value at the date of disposal. The difference between the residual value measured at fair value plus considerations received for the disposal of shares of an associate and the carrying amount at the time of losing significant influence is recognized in profit or loss. The associate-related amount initially recognized in other comprehensive income is then reclassified to profit or loss.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

(g) Repurchase and resell transactions

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

(h) Financial assets and financial liabilities

Financial assets and liabilities, including derivative instruments, are recognized in the consolidated balance sheet and measured according to its classification under TIFRS.

In accordance with International Accounting Standard 39 Financial instruments (“IAS 39”) as endorsed by FSC, financial assets are classified into the following categories: financial assets measured at fair value through profit or loss, available-for-sale financial assets, derivative financial assets for hedging, financial assets carried at cost, debt investments without active market, held-to-maturity financial assets, other financial assets, and loans and receivables. Financial liabilities are classified into the following categories: financial liabilities measured at fair value through profit or loss, derivative financial liabilities for hedging, and financial liabilities measured at amortized cost.

The trading of financial assets is recognized by trade-date accounting.

(i) Financial assets

1) Financial assets measured at fair value through profit or loss

A financial asset is classified in this category if acquired principally for the purpose of selling or repurchasing in the short term, placing in an investment portfolio for short-term profit-taking, or holding as derivative instrument. Financial assets measured at fair value through profit or loss include financial assets that are held-for-trading or are designated as at fair value through profit or loss at initial recognition.

Financial assets are designated as at fair value through profit or loss at initial recognition under one of the following situations:

- a) Designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;
- b) Performance of the financial asset is evaluated on a fair value basis; or
- c) Hybrid instrument contains one or more embedded derivatives.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss includes any dividend or interest earned on financial asset, including those earned in the year of investing.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

Financial assets measured at fair value through profit or loss and designated as such at the time of initial recognition are classified as “financial assets measured at fair value through profit or loss” in the consolidated balance sheet. Changes in fair value are recognized in profit or loss as “gain or loss on financial assets and liabilities measured at fair value through profit or loss”.

2) Held-to-maturity financial assets

Debt securities which the Company and its subsidiaries have the positive intent and ability to hold to maturity are classified as held-to-maturity financial assets. Subsequent to initial recognition, held-to-maturity financial assets are measured at amortized cost using the effective interest method, less any impairment losses.

If the Company and its subsidiaries sell a held-to-maturity investment other than in insignificant amounts or as a consequence of a non-recurring, isolated event beyond their control that could not be reasonably anticipated, all of their other held-to-maturity investments must be reclassified as available-for-sale for the current and next two financial reporting years.

3) Available-for-sale financial assets

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

Available-for-sale financial assets are recognized initially at fair value, plus, any directly attributable transaction cost. Subsequent to initial recognition, fair value changes due to gain or loss on foreign exchange, interest income calculated using the effective interest method and dividend income on available-for-sale investment, are recognized in profit or loss. Other fair value changes were recognized in other comprehensive income until the investment was disposed of or impaired, whereupon the cumulative gains and losses previously recognized in other comprehensive income were reclassified to profit or loss as a reclassification adjustment.

Dividend income is recognized in profit or loss when the Company and its subsidiaries became entitled to the dividend.

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

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

4) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market, including receivables.

Loans and receivables are initially recognized at fair value plus incremental direct transaction costs, and subsequently measured at their amortized cost using the effective interest method, less any impairment losses, except that the recognition of interests from short-term receivables is insignificant.

5) Other financial assets

a) Debt investments without active market

Debt investments without active market are debt investments with fixed or determinable payments that are not quoted in an active market. At initial recognition, the costs of the financial assets are valued at their fair value plus the acquisition costs. Disposal gain or loss is recognized in profit or loss upon derecognition. Debt investments without active market are measured at amortized cost using the effective interest rate method.

b) Financial assets carried at cost

At initial recognition, the costs of the equity investments in a non-active market are valued at fair value, plus, acquisition cost. These assets can be measured at fair value under one of the following conditions:

- i) The variable interval of reasonable fair value estimates are not significant for that asset.
- ii) The probabilities of the various estimates within the interval can be reasonably assessed and used when measuring fair value.

If a financial asset does not meet both of above conditions, it can not be measured at fair value. Therefore, it is classified as financial asset carried at cost.

c) Investment-linked insurance policy

Fubon Life Insurance is engaged in selling investment-linked insurance policies. The payment of premiums, net of administrative expenses, is recorded in a separate account and is used only in the way agreed to by the insured. The assets in these separate accounts are valued at market price on value date and it adopts related ordinances in determining the net asset value.

(Continued)



**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

d) Futures trading margins

Futures trading margins include trading margins deposited by customers and the gain or loss generated from unsettled futures contracts based on daily market values.

e) Structured deposits

The structured deposit engaged by Fubon Life Insurance has rights to collect cash or other financial instruments from counterparties through the contracts. Structured deposits are recorded at cost as stated in the contracts, and the interest rates are linked to market rates and other financial benchmarks. Interest income thereon is recognized after holding the structured deposits to maturity. Impairment of principals may occur when investors terminate the contract before the maturity date.

(ii) Financial liabilities

1) Financial liabilities measured at fair value through profit or loss

Financial liabilities measured at fair value through profit or loss include held-for-trading and being designated as such at the time of initial recognition.

The Company and its subsidiaries enter into interest rate swaps as hedges. For those which are designated as financial liabilities measured at fair value through profit or loss at the time of initial recognition, the designation cannot be revoked.

Financial liabilities measured at fair value through profit or loss and those designated as such at the time of initial recognition are recognized as “financial liabilities measured at fair value through profit or loss” in the consolidated balance sheet. The changes in fair value are recognized as “gain or loss on financial assets and liabilities measured at fair value through profit or loss” in the consolidated statement of comprehensive income.

The amount of changes in the fair value of financial liabilities designated as at fair value through profit or loss that is attributable to changes in the credit risk of that liability shall be presented in other comprehensive income and not reclassified subsequently to profit or loss. Only when relative financial liabilities are derecognized will it be reclassified to retained earnings. The remaining amount of changes in the fair value of liability, including interests and dividends paid, shall be presented in profit or loss. If the treatment of the effects of changes in the liability’s credit risk would create or enlarge an accounting mismatch in profit or loss, an entity shall present all gains or losses on that liability in profit or loss.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

2) Financial liabilities carried at amortized cost

Financial liabilities carried at amortized cost include financial liabilities which are not classified as financial liabilities measured at fair value through profit or loss, hedging derivative financial liabilities, financial bonds payable, financial guarantee contracts, loan commitments below market rate, and financial liabilities arising from transfer of financial assets that does not qualify for derecognition to the extent of transferor's continuing involvement.

3) Futures traders' equity

Future traders' equity represents the net balance of each future trader's deposit and royalty after considering the effect of settlement based on daily closing price. Offsetting is not permitted unless there are similar accounts under the same customer. Future traders' equity is recorded under current liabilities and any debit balance thereon is recorded as futures trading margins receivable.

(iii) Derecognition of financial assets and liabilities

A financial asset is derecognized when the contractual rights to the cash flows from the financial asset expire, or when all the risks and rewards of ownership of the financial assets are substantially transferred.

If the Company and its subsidiaries enter into securities lending transactions or pledge bonds or stocks as collaterals for repo transaction, the financial assets are not derecognized as substantially all risks and rewards of ownership are still retained by the Company and its subsidiaries. This accounting treatment is also adopted when the Company and its subsidiaries enter into securitization transaction in which the Company and its subsidiaries keep portion of the risk and rewards of ownership.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

The Company and its subsidiaries derecognize a financial liability when its contractual obligations are discharged, cancelled or expired.

(iv) Reclassification of financial assets

Under IAS 39 endorsed by the FSC, the following principles are adopted concerning reclassification of the non-derivative financial assets:

- 1) No reclassification is made out of the fair value measured through profit or loss category while it is held or issued.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

- 2) No reclassification is made of any financial instrument out of the fair value measured through profit or loss category if it was designated as at fair value measured through profit or loss at initial recognition.
  - 3) If a financial asset is no longer held for the purpose of selling or repurchasing it in the near term, it is reclassified out of the fair value measured through profit or loss category, but only in rare circumstances.
  - 4) No reclassification is made of any financial instrument into the fair value measured through profit or loss category subsequent to initial recognition.
  - 5) If, as a result of a change in intention or ability, it is no longer appropriate to classify an investment as held-to-maturity, it is reclassified as available-for-sale and remeasured at fair value, and the difference between its carrying amount and fair value is recorded in other comprehensive income.
  - 6) No reclassification is made of any financial assets as held-to-maturity if during the current financial year or during the prior two financial years, more than an insignificant amount of held-to-maturity investments were sold or reclassified before maturity. Any remaining held-to-maturity investments are reclassified as available-for-sale.
- (v) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount presented in the consolidated balance sheet if, and only if, (a) the Company and its subsidiaries have legally enforceable right to set off the recognized amounts and (b) it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

(i) Derivative financial instruments and hedge accounting

Derivative financial instruments are measured at fair value at initial recognition and in the subsequent period. Fair value is determined using valuation techniques that consider using quoted prices in an active market, recent market price, discounted cash flow models and option pricing models. If the result of its valuation at fair value is positive, a derivative instrument is classified as a financial asset, otherwise, it is classified as a financial liability.

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risk of the host contract and the embedded derivatives are not closely related and the host contract is not measured at fair value through profit or loss. The embedded derivatives are financial assets or liabilities measured at fair value through profit or loss.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

When a derivative instrument is designated as a hedging instrument, the timing of its recognition to profit or loss is determined based on the nature of hedging relationship. The Company and its subsidiaries designate certain derivatives as hedging instruments in qualifying hedging relationships:

- (i) Fair value of a recognized asset or liability or an unrecognized firm commitment (fair value hedges)
- (ii) Highly probable future cash flow hedges of a recognized asset or liability or a forecast transaction (cash flow hedges)

On initial designation of the hedge, the Company and its subsidiaries formally document the relationship between the hedging instruments and hedged items, including the risk management objective and strategy in undertaking the hedge, together with the method that will be used to assess the effectiveness of the hedging relationship.

1) Fair value hedges

Changes in the fair value of (a) hedging instruments designated and qualified as fair value hedges, as well as (b) the hedged asset or liability that are attributable to the hedged risks, are immediately recognized in profit or loss and hedged items in the consolidated statement of comprehensive income.

If the designation is revoked, or the hedging instrument has expired, sold, terminated, exercised, or no longer meets the criteria for hedge accounting, the hedge accounting is discontinued prospectively. Hedged financial instruments using an effective interest rate (with the fair value adjustment attributable to the hedged risk) is amortized to profit or loss when hedge accounting is discontinued over the period to maturity. The amortization is based on a recalculated effective interest rate at the date the amortization begins which could enable the fair value adjustment being fully amortized until it reaches the maturity of the instrument.

2) Cash flow hedges

Gain or loss from effective hedging is recognized in other comprehensive income. Otherwise, gain or loss from ineffective hedging is recognized as “gain or loss on financial assets and liabilities measured at fair value through profit or loss” in the consolidated statement of comprehensive income.

If financial assets or liabilities are to be recognized due to the forecast transactions, the recognized other comprehensive income (loss) is reclassified to profit or loss in the same period as assets obtained or liabilities borne resulting from the hedged cash flows that affect profit or loss.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

When the hedging instrument is expired, sold, or no longer meets the criteria for hedge accounting, the cumulative amount recognized in other comprehensive income during the effective hedging period is listed separately as equity adjustment before the forecast transaction. If the forecast transaction is not expected to occur, the cumulative amount recognized in other comprehensive income during the effective hedging period is reclassified as profit or loss for the period and recognized as “gain or loss on financial assets and liabilities measured at fair value through profit or loss” in the consolidated statement of comprehensive income.

3) Non-qualifying hedging derivatives

When a derivative is not designated in a qualifying hedge relationship, all changes in its fair value are recognized immediately in profit or loss as “gain or loss on financial assets and liabilities measured at fair value through profit or loss”.

(j) Pecuniary and securities financing and refinancing

Pecuniary finance represents loans extended to securities investors and is accounted for as receivable from pecuniary finance. Such loans are secured by the securities purchased by investors. These securities are not reflected in the financial statements of the Company and its subsidiaries. These securities are returned to investors when investors terminate pecuniary financing.

Securities finance is affected by lending securities custody that are received from pecuniary finance or borrowed from securities finance companies, to investors. Such securities finance is not reflected in the financial statements of the Company and its subsidiaries. The investors’ deposits for borrowing securities are held by the Company and its subsidiaries as collateral and are recorded under securities finance margin deposits received. In addition, investors are required to deposit the proceeds from sales of borrowed securities. Such deposits are accounted for as payables to securities financing.

Pecuniary refinancing represents loans from securities finance companies when the Company and its subsidiaries lack sufficient funds to perform pecuniary financing. These loans are recorded as refinance borrowings.

Securities refinancing represents borrowing securities from securities finance companies when the Company and its subsidiaries do not have sufficient securities to perform securities financing. For securities refinancing, the Company and its subsidiaries pay margin deposits to securities finance companies. These margin deposits are recorded as refinance margin deposits. The Company and its subsidiaries also provide securities investors’ proceeds from selling borrowed securities to securities finance companies as collateral and records them under receivables from securities refinance.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

(k) Securities lending

The Company and its subsidiaries lend securities through the Taiwan Stock Exchange Company. Revenue from securities lending is determined based on the formula for calculating the pricing and bidding of securities lending. Under this formula, the daily closing price of target security is used to multiply the amount of guarantee and transaction rate, so that the outcome is the amount of revenue from securities lending. This revenue is received by the securities firms when the securities are returned.

(l) Non-current assets held for sale

Non-current assets or disposal groups comprising assets and liabilities that are expected to be recovered primarily through sale or distribution rather than through continuing use are reclassified as held for sale. This kind of non-current assets or disposal groups must qualify to be sold under the current situation, and likely to be sold within one year.

After being classified as held for sale, the measurement bases of the assets or disposal groups are the sum of their carrying amounts and fair value, less, the cost of sale. Furthermore, this kind of assets would stop depreciating.

(m) Investment property

Investment Property applies to the accounting for property held to earn rentals or for capital appreciation or both, instead of property held for use in the production or supply of goods or services or for administrative purposes, including property held under operating lease. At initial recognition, investment property is measured at cost and includes transaction cost of acquiring the asset. Cost includes expenditure that is directly attributable to the acquisition of the investment property. Costs of self-constructed investment property include cost of raw materials and direct labor, and any other costs and capitalized costs directly attributable to bring the investment property to a working condition for their intended use. In accordance with IAS 40, investment property is subsequently measured at fair value, except for those which are classified as held for sale according to IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations”. Gains or losses arising from the changes in fair value must be included in net profit or loss for the period in which they arise.

Any gain or loss arising on derecognition of an investment property is calculated as the difference between the net disposal proceeds and the carrying amount of the asset and is included in profit or loss in the period in which the property is derecognized.

The Company and its subsidiaries transfer investment property in or out based on its actual use. Transfers between categories should be based on market values and accounting treatment should be conducted in accordance with IAS 40 “Investment Property”.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

(n) Property and equipment

Property and equipment is measured at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the asset.

Each part of an item of property and equipment is depreciated separately, unless the useful life and the depreciation method of the significant part of an item of property and equipment having the same useful life and depreciation method of another significant part of the same item. Impairment loss is recognized if there is objective evidence of impairment.

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Company and its subsidiaries. The carrying amount of those parts that are replaced is derecognized. On-going repairs and maintenance cost is expensed as incurred.

Depreciation of property and equipment is calculated on a straight-line basis over the estimated useful lives of the respective assets.

Depreciation methods, useful lives, and residual values are reviewed by the Company and its subsidiaries at the end of the year. If expectations differ from the previous estimates, the change is accounted for as a change in an accounting estimate. Gain or loss from the disposal of fixed assets is determined on the difference between carrying amount and proceeds and is recorded in profit or loss.

When transferring from owner-occupied property to investment property, property and equipment should be reclassified as investment property at fair value. Any difference arising between the carrying amount and the fair value at the date of transfer is recognized in profit or loss within the scope of previously accumulated impairment of that property and equipment. The remaining difference is recognized in “Other comprehensive income—gain on revaluation” and accumulated in “Other equity—revaluation gains on property”.

(o) Assets impairment

(i) Financial assets impairment

1) Financial assets carried at amortized cost

At each reporting date, a financial asset or a group of financial assets is assessed whether there is objective evidence of impairment. A financial asset or a group of financial assets is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows of the asset that can be estimated reliably.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

Objective evidence that a financial asset or a group of financial assets is impaired includes:

- a) Significant financial difficulty of the issuer or obligor;
- b) A breach of contract, such as a default or delinquency in interest or principal payments;
- c) The lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- d) It becoming probable that the borrower will enter bankruptcy or other financial reorganization;
- e) The disappearance of an active market for that financial asset because of the issuer's financial difficulties; or
- f) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease are yet to be identified with the individual financial assets in the group, including:
  - i) Adverse changes in the payment status of borrowers in the group; or
  - ii) Changes in national or local economic conditions that correlate with defaults on the assets in the group

Evidence of impairment for financial assets is considered at both a specific asset and collective level. All individually significant financial assets are assessed for specific impairment. All individually significant financial assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Financial assets that are not individually significant are collectively assessed for impairment by grouping together financial assets with similar risk characteristics.

The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs to obtain and sell the collateral, regardless of whether or not foreclosure is probable.

Pursuant to "Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts by Insurance Enterprises", allowance is the higher of the abovementioned two calculations. Pursuant to "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Nonaccrual Loans" (the "Regulations") issued by the authority, the domestic bank subsidiary evaluates credit losses on the basis of the estimated collectability.

(Continued)



**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

In accordance with the Regulations, credit assets are classified as normal assets, assets that require special mentioned, assets with substandard, assets with doubtful collectability, and assets on which there is loss. The Bank evaluates value of collaterals of specified loans and assesses recoverability of nonperforming loans. Under the regulations, the domestic bank subsidiary categorizes the credit assets into Normal, Special Mention, Substandard, Doubtful, and Loss, and then make minimum provisions at 1% of the normal credits (other than those loans to ROC government), 2% of special mention, 10% of substandard, 50% of doubtful, and 100% of loss. Pursuant to Rule No.10300329440 issued by FSC, for the banks to have an enhance risk coverage, the minimum provision for the loan loss reserve is 1.5% of the mortgage and construction loans which are classified as normal assets. Under the “Risk-Based Loan Categorization” issued by the China Banking Regulatory Commission (the “CBRC”), the foreign bank subsidiary, Fubon Bank (China), divided credit assets into Normal, Special Mentioned, Substandard, Doubtful and Loss. Under the “Administrative Measures for the Loan Loss Reserves of Commercial Banks” issued by the CBRC, the basic standard of provision loan and coverage ratios are 2.5% and 150%, respectively; the higher of the two standards shall be used for regulatory standard for the loan loss reserves of commercial bank. Fubon Bank (China) uses the individual and combined assessment of impairment, and the abovementioned standard as its minimum provision standard. 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.

2) Available-for-sale financial assets

When the decrease in the fair value of an available-for-sale financial asset is recognized in other comprehensive income and an available-for-sale financial asset is considered to be impaired, the losses accumulated in the fair value reserve in equity are reclassified to profit or loss, even if the available-for-sale financial asset is not derecognized yet.

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

3) Financial assets carried at cost

When there is objective evidence that financial assets carried at cost are impaired, the loss amount is recognized in profit or loss and the impairment loss is non-reversible.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

(ii) Impairment of non-financial assets

In accordance with IAS 36 “Asset impairment” endorsed by the FSC, at each reporting date or as circumstance changes, the Company and its subsidiaries assess non-financial assets for any indication of impairment in which the recoverable amount of an asset is less than its carrying amount. If the recoverable amount of an asset is less than its carrying amount, the difference between the recoverable amount and carrying amount is recognized as impairment loss. Assets are grouped together into the smallest group of identifiable assets (cash-generating unit) that generates cash inflows. Impairment test is also applied to an individual asset when its fair value less selling cost or its value-in-use can be reliably measured. Impairment loss on non-financial assets (other than goodwill) recognized in prior periods is assessed at each reporting date for any indications that the loss has decreased.

Impairment loss recognized in prior periods for assets other than goodwill is reversed if there is indication that such impairment loss no longer exists or has decreased. The carrying value after the reversal should not exceed the recoverable amount or the depreciated or amortized balance of the assets assuming no impairment loss was recognized in prior periods.

The recoverable amount of goodwill, an intangible asset with an indefinite useful life, and an intangible asset that are not yet available for use is regularly assessed. If the recoverable amount of any of these assets is lower than its carrying amount, impairment loss is recognized. An impairment loss in respect of goodwill is not reversible in subsequent years.

(p) Reinsurance

The Company and its subsidiaries arrange the reinsurance business based on the business need and the related insurance laws to limit the losses caused by certain events. For reinsurance ceded business, the Company and its subsidiaries cannot refuse to fulfill their obligations to the insured even if the reinsurer refuses to fulfill its obligation.

Reinsurance assets, claims recoverable from reinsurers, reinsurance receivable and funds held by ceding companies are periodically assessed for impairment. If the reinsurance asset is impaired, its carrying amount is reduced accordingly and impairment loss thereon is recognized in profit or loss. A reinsurance asset is impaired if, and only if there is objective evidence that the Company and its subsidiaries may not collect all receivables under the terms of the contract as a result of an event that occurred after initial recognition of the reinsurance asset; and the impact of that event to the amounts that the Company and its subsidiaries will receive from the reinsurer can be measured reliably.

The Company and its subsidiaries evaluate the effects of reinsurance with another reinsurer to whom insurance risks are ceded. If reinsurance contracts only cede significant insurance risks (excluding the underwriter risk and time risk), the reinsurance contract is accounted for using deposit accounting. Under this deposit accounting, the insurance premium, minus, the Company and its subsidiaries’ retained reinsurance premium (or fee) is recognized as a deposit asset or liability.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

Changes of the deposit component are recognized as profit or loss for the period. Interests arising from the deposit component for the contracts which does not transfer any risk or transfer the timing risk only are recognized as interest income or expense and calculated based on the effective interest rates which are determined by the estimates of future cash flows.

(q) Goodwill and intangible assets

An intangible asset is measured initially at cost. If an intangible asset is acquired in a business combination, the cost of that intangible asset is its fair value at the acquisition date. Intangible asset with a finite useful life is amortized on a straight-line basis over its useful life. An intangible asset with an indefinite useful life is not amortized. Most identifiable intangible assets have finite useful life, and whose expected future economic benefits are assessed for impairment or any change at each reporting date.

Subsequent to initial recognition, the Company and its subsidiaries opted to account for an intangible asset by using the cost model. An intangible asset with an indefinite useful life is evaluated for impairment annually or whenever there are indications for impairment.

Except goodwill and intangible assets with an indefinite useful life, the Company and its subsidiaries use straight-line basis over the estimated useful life of intangible assets, amortization is recognized in profit or loss. For the estimated useful life, please refer to Note 6(q).

(r) Leases

(i) Lessor

Lease income from operating lease is recognized in profit or loss on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease is added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as the lease income. Incentives granted to the lessee to enter into the operating lease are spread over the lease term on a straight-line basis so that the lease income received is reduced accordingly.

(ii) Lessee

Leases whose terms require the Company and its subsidiaries to assume substantially all of the risks and rewards of ownership of a leased asset are classified as finance leases. On initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the leased asset is accounted for in accordance with the accounting policy applicable to property and equipment.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

Other leases are operating leases and are not recognized in the Company's consolidated balance sheet. Payments made under operating lease (excluding insurance and maintenance expenses) are recognized as an expense on a straight-line basis over the term of the lease. Lease incentives received are recognized and amortized on a straight-line basis to decrease lease expenses over the term of the lease.

Contingent rent is recognized as an expense when the leasing adjustment is confirmed.

If the property held under operating lease are consistent with the definition of investment property, they will be individually accounted for as investment property using the fair value model. Furthermore, the aforementioned leases shall be classified as finance leases, and recognized at the lower of the fair value of the asset and the present value of the minimum lease payments, while the equivalent amount of liability is being recognized.

(s) Insurance liability

The reserve for both the insurance contracts and financial instruments with or without discretionary participation feature of the Company and its subsidiaries is provided in accordance with the "Regulations Governing the Provision of Various Reserves", "Regulations for Managing the Various Reserve of Compulsory Automobile Liability Insurance", "Enforcement Rules for the Risk Spreading Mechanism of Residential Earthquake Insurance", and "Regulations for the Reserve of Nuclear Insurance". The methodologies used to determine the reserve are certified by the appointed actuary who is authorized by the FSC. Except for the reserve for short-term group insurance which is calculated on the actual premiums or the premiums conforming to the rule prescribed in Tai Tsai Bao No 852367814 letter, whichever is higher, the bases for determining other reserves or provision for liabilities are as follows:

(i) Unearned premium reserves

For Fubon Insurance, unearned premium reserves are determined based on the exposure of the unexpired period for the unexpired policies and the policies that have not been terminated. For Fubon Life Insurance, unearned premium reserves for effective insurance contracts with a term below one year and injury insurance contracts with a term over one year are calculated based on the gross premiums of the insurance contracts which yet to mature on the reporting date.

(ii) Claim reserves

The Company and its subsidiaries calculate their claim reserves including reported but not paid and incurred but not reported (IBNR) based on past claim experience and loss adjustment expenses incurred for each line of insurance according to actuarial principles. Reserves for reported but not paid claims shall be estimated and reserved on a case-by-case basis based on the relevant information. Reserves for incurred but not reported claims are provided as follows:

- 1) Health insurance and life insurance with a term below one year: The reserve is provided based on historical claim experiences and expenses along with the insurance types via the method conforming to actuarial principles (e.g., Loss Development Triangle Method).

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

- 2) Injury insurance: The reserve is provided based on historical claim experiences and expenses via the method conforming to actuarial principles (e.g., Loss Development Triangle Method).

(iii) Liability reserve

The provision for future policy benefits is calculated in accordance with both the modified method of article 12 of the “Enforcement Rules of Insurance Law” and the calculation prescribed by the competent authority.

Commencing from 2003, for effective insurance contracts which adopt the dividend calculation formula prescribed under the Tai Tsai Bao No. 800484251 letter, the policy reserve is provided based on the currently reduced amount of dividend caused by the offset between interest margin and mortality margin for long term effective insurance contracts.

Commencing from 2012, in accordance with the Gin Guan Bao Tsai No. 10102500530 letter and Article 11 of “Value-added and Non-value-added Business Tax Act”, a liability reserve based on 3% of sales is provided for purposes of writing off overdue loans or providing allowance for bad debts when the percentage of overdue loans is lower than 1%. Furthermore, in accordance with article 19 of “Enforcement Rules of Insurance Law”, the Company and its subsidiaries should collect the “catastrophe special reserve” and allocate it as “recovered life insurance liability reserve of catastrophe”.

When an insurer chooses to measure its investment property at fair value, the value of its insurance liabilities must also be measured at fair value. If the results of the measurements indicate that the fair value of the insurance liabilities exceeds the book value, the difference should be reserved for insurance liabilities and retained earnings must be reduced. The Company and its subsidiaries have changed the accounting policy for subsequent measurement of investment property from cost model to fair value model starting from 2014. The value of insurance liabilities at the same time is measured at fair value in accordance with the Gin Guan Bao Tsai No.10302501161 letter issued on March 21, 2014. The results of the measurements indicated that the fair value of the insurance liabilities did not exceed its book value, therefore, there was no need to increase the reserves for insurance liabilities.

(iv) Special reserve – special reserves

Special reserve provided for retention business with a term of one year is divided into two categories, which are special catastrophe reserve and special reserves for fluctuation of risks. The new provision of this special reserve, net of income tax, is accounted for under special reserves in equity, in accordance with IAS 12. On January 1, 2013, the special reserve provided prior to December 31, 2012 under liabilities, is transferred, net of income tax, to “Special Reserve” under “Owner's Equity”, in accordance with IAS 12.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

In accordance with the “ Guidance for Enhancing Property Insurances On Disasters (commercial earthquake insurance and typhoon and flood insurance)”, other catastrophe special reserves and equalization special reserve (except for compulsory motor TPL insurance, nuclear insurance, governmental earthquake insurance, commercial earthquake insurance, typhoon and flood insurance) recognized under liabilities account before December 31, 2012, are transferred to cover the insufficiencies of catastrophe special reserve and equalization special reserve of commercial earthquake insurance and typhoon and flood insurance until those insufficiencies are fully covered; the excess balance, if any, is recognized, net of income tax, as special reserves in equity in accordance with IAS12.

1) Special reserves – special catastrophe reserve

A special catastrophe reserve covering all types of insurance is provided at a rate prescribed by the competent authority. For the actual catastrophe claim exceeding \$30 million, the excess amount is offset against special catastrophe reserve. For special catastrophe reserve that remains outstanding for over 15 years, it is written off based on the evaluation of an actuary and after being reported to the competent authority for inspection. The balance for write down or reclaim, net of income tax, is offset against the special reserve for catastrophe of equity in accordance with IAS 12.

2) Special reserves – special reserves for fluctuation of risks

If the net amount of actual claim minus the related special catastrophe reserve is lower than the amount of expected claim, special reserves for fluctuation of risks are provided at a rate of 15% of the difference between the net amount of actual claim and the amount of expected claim.

If the net amount of actual claim minus the related special catastrophe reserve is higher than the expected claim amount, the difference is debited to special risk-volatility reserve. However, the amount and type of insurance are reported to the competent authority for inspection. If the total accumulated amount of the special risk-volatility reserve is over 30% of the matured retention premium of the year for Fubon Life Insurance, and the total accumulated amount of the special risk-volatility reserve is over 60% of the matured retention premium of the year for Fubon Insurance, the excess is treated under reclaim rule. The balance for write down or reclaim, net of income tax, is offset against the special reserves for risk-volatility of equity in accordance with IAS 12.

The pre-bonus pre-tax income of participating life insurance policies sold by Fubon Life Insurance is assessed separately at the end of the year, in accordance with the Regulations. The income and expense allocation of participating and non-participating life insurance policies is also assessed according to the guidelines, and is reported to the competent authority. Such income is credited/debited to “special reserve-provision for bonus of participating policy”. This reserve is written off on the date of bonus announcement. If this reserve is insufficient, an additional “special reserve - provision for risk of bonus” is made to cover for the deficiency.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

According to Rule No. 32 of the “Regulations Governing the Preparation of Financial reports by Insurance Companies”, if there are increments after estimating the property at fair value, except for the adverse effects of the first-time adoption of TIFRS on other accounts, the exceeds shall be recognized as special reserve under liabilities. In accordance with the Gin Guan Bao Tsai No.10102515281 letter issued on November 30, 2012, the aforementioned special reserve can be transferred to the “reserve for life insurance liabilities— fair value of insurance contract liabilities” after strengthening the reserve for life insurance liabilities calculated based on the Gin Guan Bao Tsai No.10102515285 letter issued on November 27, 2012. If there is any excess, 80% of it can be recovered in the first year or the next five years and reserved it to special capital reserve under equity. The amount which can be recovered and reserved to special capital reserve under equity each year is limited to \$10 billion.

(v) Premium deficiency reserve

Future losses and expenses for the unexpired policies and the policies that have not been terminated are evaluated. If the expected future losses and expenses exceed the sum of the recognized unearned premium reserve and the expected future premium income, a premium deficiency reserve is recognized for such excess. For life insurance, health insurance, and annuities contracts issued commencing from January 1, 2001, whose contract period is longer than one year, a special premium deficiency reserve is provided based on the unpaid premiums deficiency if the written premiums are less than those used for providing policy reserves.

In addition, for effective insurance contracts with a term below 1 year and insurance contracts against injury with a term over 1 year, a premium deficiency reserve is provided by type of insurance if the aggregate amount of unearned premium retention and expected future premium revenue is less than the estimated potential insurance claims and related future expenses.

(vi) Liability adequacy reserve

Liability adequacy reserve is a reserve that is provided depending on the results of the liability adequacy test prescribed under IFRS 4 endorsed by the FSC.

In accordance with the “Code of Conduct of Actuarial Practice under IFRS 4” as pronounced by the Actuarial Institute of the Republic of China, the liability adequacy is tested by product type group (or on the overall Company contracts). Under this liability adequacy test, the net book value of the insurance liability minus the deferred acquisition costs and relevant intangible asset is compared to the estimated present value of future cash flow of the insurance contracts. If the net book value is less than the estimated present value of future cash flow of the insurance contracts, then the difference is recognized as current loss.

(vii) Reserve for insurance policies with feature of financial instruments

In accordance with the “Regulations Governing the Provision of Various Reserves”, provision for financial instruments without discretionary participation feature is accounted for using deposit accounting.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

(t) Foreign exchange fluctuation reserve

Commencing March, 31 2012, life insurance subsidiaries have transferred the partial amounts of special catastrophe reserve and special risk-volatility reserve, covering all types of insurance, into the initial balance of foreign exchange fluctuation reserve. Subsequent provision or write off is made in accordance with the “Guidelines of Foreign Exchange Fluctuation Reserve for Life Insurance Business”. The surplus of hedging cost is reclassified to special reserves. If the earnings for the period are insufficient to be reclassified to special reserves, the provision can be made in the subsequent years with a surplus. The relevant special reserves are reversed only for capital increase or deficit compensation. In accordance with article 9 of “Guidelines of Foreign Exchange Fluctuation Reserve for Life Insurance Business”, if there is net income for the period, a 10% special reserve should be made after the meeting of the stockholders.

(u) Insurance contracts

An insurance contract is a “contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder”. The Company and its subsidiaries define significant insurance risk as the event which might lead to additional significant payment.

An insurance contract with financial instruments features means the contract is able to transfer significant financial risk. Financial risk refers to a risk from possible changes in one or more specified interest rate, financial instrument price, commodity price, foreign exchange rate, price index, tariff index, credit rating, credit index or other variable in the future. If the previously stated variables are non-financial variables, then no financial variables are involved in the contract.

Once a contract has qualified as an insurance contract, it remains an insurance contract until all rights and obligations are extinguished or expired, even if insurance risk becomes insignificant or non-existent. However, some contracts do not transfer any insurance risk to the Company and its subsidiary at inception, although they do transfer insurance risk at a later time. In those cases, the contract is not considered an insurance contract until the risk transfer happens.

(v) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

Pursuant to the ROC Labor Pension Act, the Company and domestic subsidiaries make contribution to the Bureau of Labor Insurance. This contribution is recognized as pension expenses on accrual basis.

(Continued)



**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

Foreign subsidiaries make contributions based on the regulation of local government and these contributions are recognized as pension expenses on accrual basis.

(ii) Defined benefit plans

When the benefits of a plan are improved, the portion of the increased benefits related to past service costs are recognized as profit or loss immediately.

Net interest of the Company and its subsidiaries' service costs and net defined benefit assets or liabilities is recognized as employee benefit expense when it occurred. All re-measurements arising from the defined benefit plan, including actuarial gains and return on plan assets minus interest, are recognized as other comprehensive income, and accounted for as retained earnings, while not being subsequently reclassified into profit or loss.

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

(iii) Employment benefit - preferential interest on employees' deposits

The bank subsidiary offered 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 treated as 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 those announced by the authority, if any.

(iv) Termination benefits

Termination benefits are recognized as an expense when the Company and its subsidiaries are committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy.

(v) Short-term employee benefit

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

(vi) Other long-term employee benefit

The accounting policy of other long-term employee benefits is same as the defined retirement benefits plans, whereas, related re-measurement is recognized as profit or loss.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

(w) Revenue recognition

(i) Banking subsidiaries

1) Interest income and expense

Except for financial assets and liabilities reported at fair value through profit or loss, all interest-bearing financial assets and interest-bearing financial liabilities are accrued using the effective interest rate method and are accounted for as interest revenue and interest expense in Consolidated Statements of Comprehensive Income.

2) Recognition of commission fee revenue and commission fee expense

Commission fee revenue and expense are recognized when loans or other services are provided. Service fees on significant projects are recognized on project completion, for instance, service fees received when the Bank is the arranger of syndicated loans. Commission revenue and fees relating to loan services are amortized through service periods or included in the effective interest rate for loans and receivables.

(ii) Insurance subsidiaries

1) Property insurance subsidiaries

Premium income from direct insurance business is recognized based on the written policies and endorsement. Assumed reinsurance premiums for reinsurance assumed business is recognized when the reinsurance statement is received by the insured. For those statements which have not been received by the insured, assumed reinsurance premium is estimated in a reasonable and systematic way. The related acquisition costs (such as: commissions, brokerage fees, reinsurance commissions and etc.) are recognized in the same period without being deferred.

Unearned premium reserve is determined based on the exposure of the unexpired period for the unexpired policies and the policies that have not been terminated.

Unearned premium reserves for the compulsory auto liability, the residential earthquake insurance, and the nuclear insurance are determined in accordance with the regulations and rules.

The approaches to determine unearned premiums reserves selected based on the characteristics of the line of business and decided by the actuary (the approaches are not allowed to change without the permission of the Authority). Unearned premium reserve is certified by the appointed actuary.

Tax liabilities related to premium income are recognized on accrual basis, in accordance with Value-added and Non-value-added Business Tax Act, the Stamp Tax Act, and other relevant laws and regulations.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

2) Life insurance subsidiaries

a) Fubon Life Insurance

For insurance contracts and financial instruments with discretionary participation, the first and the subsequent period premium is recognized as revenue when the insurance underwriting process is complete and the date for premium payment is due. The policy acquisition costs such as commission expenses are recognized as current expenses when the insurance contract becomes effective.

Premiums on insurance contracts, which do not belong to investment-linked insurance and which are classified as financial products without discretionary participation feature, are recognized as “provision for insurance contracts with financial product features”. The insurance acquisition costs are offset against “provision for insurance contracts with financial product features” when the insurance contracts become effective.

Premiums on insurance contracts, which belong to investment-linked insurance and which are classified as financial products without discretionary participation feature, are recognized as “Liabilities on Insurance Product-Separate Account”, net of related expenses such as the front-end load and investment administration service charge. The insurance acquisition costs relating to investment administration service, including commission expenses and additional charges for the issuance of new contracts, are recognized as “deferred acquisition costs”.

The service charges normally collected from the policyholder of insurance contracts, which do not belong to investment-linked insurance and which are classified as financial products non-discretionary participation feature, include contract administration charge, investment administration charge, rescinding charge and others. These charges are recognized as revenue upon collection. When Fubon Life Insurance receive certain service charge which makes them obligated to provide future service (ex: front-end load charge), this service charge is initially treated as a deferred revenue and is recognized as revenue when the service is provided, are recognized as “deferred service fee revenue”.

b) Fubon Life Insurance (Vietnam)

The insurance revenues and expenses are recognized under the accounting standards endorsed by the local government. Based on the common practice in the insurance industry, the premium income of direct insurance business is recognized as revenue of the year when conditional receipt is delivered after receiving premiums. The relatively incurred expenses, such as commission and direct business expenses, are recognized when they are paid and estimated on accrual basis at year-end.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

c) Fubon Life Insurance (Hong Kong)

The premium income of direct insurance business is recognized based on the common practice in the insurance industry. The first period premium is recognized when it is received and the insurance underwriting process is complete, while subsequent period premium is recognized on the scheduled payment date. Acquisition costs, such as commission expenses, are recognized as current expenses accompanying the recognition of premium income.

(iii) Securities subsidiaries

The securities subsidiaries' major revenue and cost recognition principles are as follows:

- 1) Brokerage commission, profit or loss on disposal of trading securities, and relevant brokerage securities transaction charges are recognized at the trading date.
- 2) Interest income or expense from margin loans, securities financing and refinancing, and bonds purchased under agreements to resell and sold under agreements to repurchase are recognized on accrual basis.
- 3) Recognition of service revenue depends on the degree of service delivered.
- 4) Management fees are received from providing management services to securities investment trust funds and investors' discretionary managed accounts. Management fees are calculated daily on the net assets of each securities investment trust fund account and investor's discretionary managed account multiplied by the contract rates and are paid monthly by each securities investment trust fund and investor's discretionary managed account.

(x) Income tax

Income tax expense comprises current tax expense and deferred tax expense. Current and deferred tax expense should be recognized in profit or loss except for those related to business combination or those directly recognized in equity or other comprehensive income.

(i) Current income tax

The Company and its subsidiaries estimated and disclosed interim income tax under IAS 34 "Interim Financial Reporting" Appendix B12.

Income tax expense for the interim reporting period is best estimated by multiplying the pretax income for the period with the effective annual tax rate as forecasted by the management. This is recognized fully as tax expense for the current period.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

Tax expense that is directly recognized in equity or other comprehensive income is estimated by using the temporary difference between the book value of the associated assets and liabilities and their tax base, multiplied by the applicable tax rate for the expected realization or repayment date. The 10% surtax on undistributed earnings, computed to the ROC Income Tax Act, is charged to current income tax expense in the year when stockholders decided not to distribute the earnings.

The adjustment of prior year's income tax payable is included in the current income tax.

(ii) Deferred income tax

Deferred taxes are measured based on the enacted or substantively enacted tax rate on the reporting date applicable during the year of expected asset realization or debt settlement. Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Temporary differences arise primarily from the evaluation of financial instruments (including derivative financial instrument), pension, and the reserve and reversal of post-employment benefits. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

Temporary differences arising from investment in subsidiaries, associates, and joint ventures are recognized as deferred income tax assets or liabilities, except when the Company has ability and intention to control the timing of reversal of the temporary differences and it is highly possible that temporary differences are not reversible in the foreseeable future.

Deferred income tax assets and liabilities are not offset if they relate to income taxes examined by different tax authorities.

The Company and domestic subsidiaries file a combined corporate income tax return. However, the measurement of income tax is treated by following the above mentioned principles. The excess or deficit payment of income tax due to a combined corporate income tax filing is charged to current tax assets or liabilities.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

(y) Business combination

Business combinations of the Company and its subsidiaries are accounted for using the acquisition method. Goodwill is measured as the difference between (a) the aggregate of (i) the value of the consideration transferred at fair value, and (ii) the amount of any non-controlling interest, and (b) the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If the difference above is negative, the Company and its subsidiaries will undertake a review to ensure that the identification of assets and liabilities is complete, and that measurements appropriately reflect consideration of all available information before recognizing bargain purchase gain in profit or loss.

Any non-controlling equity interest in the acquiree is measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets on a transaction by transaction basis.

In a business combination achieved in stages, the previously held equity interest in the acquiree at its acquisition-date, fair value is remeasured and the resulting gain or loss, if any, is recognized in profit or loss. In prior reporting periods, the Company and its subsidiaries may have recognized changes in the value of its equity interest in the acquiree in other comprehensive income. If so, the amount that was recognized in other comprehensive income shall be recognized on the same basis as would be required if the Company and its subsidiaries had disposed directly of the previously held equity interest. If the disposal of the equity interest required a reclassification to profit or loss, such an amount shall be reclassified to profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the provisional amounts for the items are reported in the financial statements or which the accounting is incomplete. During the measurement period, the provisional amounts recognized at the acquisition date are retrospectively adjusted or additional assets or liabilities are recognized to reflect new information obtained about facts and circumstances that existed at the acquisition date. The measurement period shall not exceed one year from the acquisition date.

All the transaction costs incurred for the business combination are recognized immediately as expenses when incurred, except for the issuance of debt or equity instruments.

(z) Earnings per share

Earnings per share is calculated by dividing net income after tax by the weighted average number of shares outstanding in each year. The employees' bonuses are regarded as potential common stock. If the potential common stock has dilutive effect, both basic earnings per share and diluted earnings per share are presented; otherwise, only basic earnings per share is disclosed. The consolidated net income and number of common stocks outstanding are adjusted for the effects of all potentially dilutive common stock assuming that all potentially dilutive common stock are outstanding for the entire period. The effect of any increase in outstanding shares due to the issuance of common stock from capitalization of retained earnings or capital surplus approved in the shareholders' meeting is retroactively adjusted.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

(aa) Operating segments

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity). The segment's operating results are reviewed regularly by the entity's chief operating decision maker to make decisions pertaining to the allocation of the resources to the segment and to assess its performance for which discrete financial information is available.

**(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty**

The preparation of the consolidated interim financial statements in conformity with the Regulations Governing the Preparation of Financial Reports and the IAS 34 "Interim Financial Reporting" endorsed by the FSC requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The management continues to monitor its accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in future periods.

Information about critical judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated interim financial statements is as follows:

Classification of financial assets

The classification of financial assets requires management judgment, which will affect the Company and its subsidiaries' financial condition and operating results.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is as follows:

(a) Fair value of financial instruments

The fair value of non-active market or non-quoted financial instruments is determined using valuation techniques. In this case, the fair value is based on observable data of similar financial instruments or valuation model. If there are no observable market parameters, the fair value of financial instruments is evaluated based on appropriate assumptions. When the fair value are determined by the valuation model, the model shall be calibrated to ensure that all output data and the results reflect the actual market price. The models use only observable data as possible.

Information of major assumptions for determining the fair value of financial instruments and the sensitivity analysis of those assumption, please refer to note 6(ag).

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

(b) Insurance liability and provisions for investment-linked insurance contracts

The Company and its subsidiaries measure insurance liabilities in accordance with the “Regulations Governing the Provision of Various Reserves”.

Provision of life insurance liability reserve applies "lock-in" assumption, under which fixed interest rates at the time the policies are issued, instead current interest market rate are used for providing this reserve.

Reserve for unearned premium is calculated according to the risks of respective insurance, and is determined by the actuary based on the characteristic of respective insurance.

Claim reserve is estimated by Loss Development Triangle Method. The final claim cost is calculated using primary assumptions including claim development factor and expected claim rate. The claim development factor and the expected claim rate are calculated based on the historical claim experience and adjusted by the Company and its subsidiaries’ policy factors such as charge rate and claim management.

The estimation of liability adequacy test follows the “Code of Conduct of Actuarial Practice for the Statements of Financial Accounting Standards No 4” pronounced by the Actuarial Institute of the Republic of China. The estimated present value of the future cash flow of insurance contract when Company and its subsidiaries assess liability adequacy reserve is based on the reasonable estimated future insurance payment, premium revenue and relevant expenses.

The professional judgment applied to the abovementioned liability evaluation process will affect the amount recognized for net changes in insurance liability, net changes in investment-linked insurance contract, insurance liability and provision for investment-linked insurance contract.

(c) Estimated impairment loss of loans and receivables and financial assets carried at amortized cost

The Company and its subsidiaries review loan portfolios and receivables to assess impairment periodically. In determining whether an impairment loss should be recognized, the Company and its subsidiaries make judgments as to whether there is any observable data indicating that an impairment loss occurs. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in the portfolio (e.g. payment delinquency or default), national or economic condition that correlates with defaults on the assets in the portfolio. For the purpose of assessing impairment, the management determines the future cash flows in the portfolio using estimates based on historical loss experience for financial assets grouped on the basis of similar credit risk characteristics. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to decrease any difference between estimated loss and actual loss.

Impairment assessment of financial assets is effected by inherent risk, which reflects different future expectation from the current market, inconsistency from original estimate and assumption due to changes in market conditions, and uncertain prospective macroeconomic and financial environment that management may decide to sell related assets.

(Continued)



**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

(d) Fair value of investment property

The fair value of investment property is derived from valuation techniques. Assumptions which are used in applying valuation techniques, such as income approach or market approach, will have impacts on the fair value of investment property.

(e) 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 a suitable discount rate in order to calculate present value. When the actual future cash flows are less than expected, a material impairment loss may arise.

Furthermore, information about assumptions and estimation uncertainties that may cause adjustments to the carrying amounts of assets and liabilities carrying amount in the following year is as follows:

(a) Post-employment benefits of the defined benefit plans

The present value of the post-employment benefit obligation is determined by the actuarial result using a number of assumptions. Any changes in these assumptions will affect the carrying amount of the post-employment benefit obligation. The assumptions used in determining the net cost (income) for pensions include the discount rate. The Company and its subsidiaries determine the appropriate discount rate at the end of each year, which is used to determine the present value of estimated future cash outflows expected to be required to settle the post-employment benefit obligation. In determining the appropriate discount rate, the Company and its subsidiaries should consider the interest rates of high quality corporate bonds or government bonds, the currency used of those bonds should be the same as the currency paid by the benefits and the maturity of those bonds should be matched with the maturity of pension liability. Other key assumptions for post-employment benefit obligation are based on current market conditions.

(b) Income taxes and deferred tax assets and liabilities

The Company and its subsidiaries calculate the income tax in accordance with the local ordinances. The possible difference in tax base and calculation between the Company and its subsidiaries and the tax authorities leads to the uncertainty of income tax. The Company and its subsidiaries recognize related income tax and deferred income tax by assessing possible additional income tax pursuant to the transactions and calculations for the tax. If the final tax determined by the authorities differs from the initial recognized amount, the difference will affect the income tax and deferred income tax accounts.

The assessment of the recoverable of deferred tax assets is based on future profitability estimation. If the estimated assumption of profitability has been changed, the Company and its subsidiaries may adjust the recognized amount of deferred tax assets.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

**(6) Explanation of significant accounts**

(a) Cash and Cash Equivalents

	<u>March 31, 2017</u>	<u>December 31, 2016</u>	<u>March 31, 2016</u>
Cash on hand and petty cash	\$ 7,241,773	7,595,047	7,278,106
Bank deposits	91,963,570	108,341,695	85,929,545
Cash equivalents	6,759,352	6,864,237	3,082,757
Notes and checks for clearing	2,484,632	4,093,448	3,378,221
Due from banks	41,294,582	49,550,926	83,494,038
Less: Guarantee deposits	<u>97,099</u>	<u>97,624</u>	<u>98,311</u>
Total	<u>\$ 149,646,810</u>	<u>176,347,729</u>	<u>183,064,356</u>

For consolidated statement of cash flow, cash and cash equivalents include accounts listed below:

	<u>March 31, 2017</u>	<u>December 31, 2016</u>	<u>March 31, 2016</u>
Cash and cash equivalents in consolidated balance sheets	\$ 149,646,810	176,347,729	183,064,356
Due from the central bank and call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7	78,614,694	80,347,260	31,136,401
Securities purchased under resell agreements qualifying for cash and cash equivalents under the definition of IAS 7	<u>80,333,417</u>	<u>94,388,499</u>	<u>122,027,834</u>
Cash and cash equivalents in consolidated statement of cash flow	<u>\$ 308,594,921</u>	<u>351,083,488</u>	<u>336,228,591</u>

Refer to note 6(ai) for the disclosure of sensitivity analysis and interest rate risk of the financial assets and liabilities of the Company and its subsidiaries.

The guarantee deposits are time deposits provided as pledged assets. Please refer to note 8 for details.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

(b) Due from the Central Bank and Call Loans to Banks

	<u>March 31, 2017</u>	<u>December 31, 2016</u>	<u>March 31, 2016</u>
Call loans to banks	\$ 141,551,822	154,032,130	69,832,657
Deposit reserves	76,936,974	78,218,115	88,223,854
Due from the central bank — others	36,969,913	48,377,391	52,595,587
Others	<u>-</u>	<u>-</u>	<u>117,190</u>
Total	<u>\$ 255,458,709</u>	<u>280,627,636</u>	<u>210,769,288</u>

Under a directive issued by the Central Bank of China, New Taiwan dollar (TWD)-denominated deposit reserves are determined by applying a prescribed percentage to the average monthly balances of customers' TWD-denominated deposits. As of March 31, 2017, December 31 and March 31, 2016, deposit reserves for checking account amounted to \$19,264,008, \$17,567,640 and \$24,479,840, respectively; required deposit reserves amounted to \$32,088,246, \$32,236,828 and \$31,767,581, respectively. The deposit reserves for checking account 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 by applying a prescribed percentage to 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 reaches at the end of ten-day periods as basis for making provisions, as required under the regulation of the People's Bank of China.

The guarantee of due from the central bank and call loans to banks provided as pledged assets, please refer to note 8 for details.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

(c) Financial Assets Measured at Fair Value through Profit or Loss

	<u>March 31, 2017</u>	<u>December 31, 2016</u>	<u>March 31, 2016</u>
Held-for-trading financial assets:			
Government bonds	\$ 14,859,148	17,692,846	13,966,247
Commercial papers	9,857,677	5,790,972	6,423,654
Treasury bonds	6,024,558	9,617,322	3,101,186
Convertible corporate bonds	3,798,966	4,507,934	4,772,646
Stocks and beneficiary certificates	5,309,704	4,926,543	5,255,035
Beneficiary securities	911,693	932,016	1,001,727
Corporate and financial bonds	38,153,008	31,265,616	39,799,694
Others	<u>108,108</u>	<u>41,125</u>	<u>3,430</u>
	<u>79,022,862</u>	<u>74,774,374</u>	<u>74,323,619</u>
Derivative financial instruments:			
Interest rate contracts	4,067,723	4,164,950	6,131,444
Currency rate contracts	53,731,642	53,131,556	56,286,770
Options contracts	6,049,305	15,595,858	14,243,815
Others	<u>5,428,422</u>	<u>3,414,726</u>	<u>3,555,212</u>
	<u>69,277,092</u>	<u>76,307,090</u>	<u>80,217,241</u>
Financial assets designated as at fair value through profit or loss at initial recognition:			
Corporate bonds	-	163,293	168,080
Credit structured bonds	1,102,841	1,153,941	981,357
Convertible corporate bonds	<u>11,343,691</u>	<u>11,511,540</u>	<u>10,487,088</u>
	<u>12,446,532</u>	<u>12,828,774</u>	<u>11,636,525</u>
Total	<u>\$ 160,746,486</u>	<u>163,910,238</u>	<u>166,177,385</u>

The guarantee of financial assets measured at fair value through profit or loss provided as pledged assets, please refer to note 8 for details.

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

If the assets are hybrid in instruments or the designation was made to eliminate or significantly reduce the inconsistency of the measurement and recognition, the above financial assets shall be designated as financial assets measured at fair value through profit or loss.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

(d) Available-for-sale Financial Assets, Net

	<u>March 31, 2017</u>	<u>December 31, 2016</u>	<u>March 31, 2016</u>
Negotiable certificates of deposits	\$ 20,636,697	22,534,742	25,080,444
Government bonds	266,232,387	300,937,499	313,317,995
Corporate and financial bonds	550,001,145	562,066,047	572,603,391
Stocks	454,785,680	438,952,911	400,084,384
Beneficiary certificates and beneficiary securities	248,343,768	249,906,851	301,207,948
Commercial papers	66,735,197	45,374,817	13,557,145
Treasury bonds	11,025,468	13,546,078	21,174,193
Others	<u>130,302</u>	<u>138,908</u>	<u>158,888</u>
Subtotal	1,617,890,644	1,633,457,853	1,647,184,388
Less: Guarantee deposits	471,437	471,023	9,557,291
Accumulated impairment	<u>1,913,020</u>	<u>1,947,668</u>	<u>1,872,824</u>
Net amount	<u>\$ 1,615,506,187</u>	<u>1,631,039,162</u>	<u>1,635,754,273</u>

For the three months ended March 31, 2017 and 2016, the Company and its subsidiaries performed an impairment evaluation and recognized the impairment losses on available-for-sale financial assets amounting to \$6,670 and \$5,488, respectively.

For the guarantee of available-for-sale financial assets provided as pledged assets, please refer to note 8 for details.

(e) Derivative Financial Instruments for Hedging

	<u>March 31, 2017</u>	<u>December 31, 2016</u>	<u>March 31, 2016</u>
<u>Derivative financial assets for hedging</u>			
Fair value hedge— interest rate swap contracts	<u>\$ 1,861,538</u>	<u>1,329,276</u>	<u>1,328,023</u>
<u>Derivative financial liabilities for hedging</u>			
Fair value hedge— interest rate swap contracts	<u>\$ 3,872,591</u>	<u>2,935,500</u>	<u>2,770,157</u>

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

(i) Fubon Life Insurance and its subsidiaries

1) Cash flow hedge

The assets of Fubon Life Insurance and its subsidiaries bear floating interest rate. This exposes Fubon Life Insurance and its subsidiaries to the risk that the future outflow of those assets will fluctuate due to the change in market's interest rate. As Fubon Life Insurance and its subsidiaries assessed that the potential risks could be significant in the future, interest rate swaps were contracted for hedging purposes.

Details of hedged items designated as cash flow hedges and their respective hedging derivative financial instruments were as follows:

		<u>March 31, 2017</u>			
<u>Hedged items</u>	<u>Designated hedging instruments</u>	<u>Nominal amount</u>	<u>Fair value of hedging instruments</u>	<u>Expected period of cash flows</u>	<u>Expected period of recognition in profit or loss</u>
Floating bonds and floating collateral loans	Interest rate swap contracts	\$ 38,678,957	(357,817)	2017.04.17~ 2024.06.26	2017.04.17~ 2024.06.26
		<u>December 31, 2016</u>			
<u>Hedged items</u>	<u>Designated hedging instruments</u>	<u>Nominal amount</u>	<u>Fair value of hedging instruments</u>	<u>Expected period of cash flows</u>	<u>Expected period of recognition in profit or loss</u>
Floating bonds and floating collateral loans	Interest rate swap contracts	\$ 37,977,923	(477,328)	2016.01.16~ 2024.06.26	2016.01.16~ 2024.06.26
		<u>March 31, 2016</u>			
<u>Hedged items</u>	<u>Designated hedging instruments</u>	<u>Nominal amount</u>	<u>Fair value of hedging instruments</u>	<u>Expected period of cash flows</u>	<u>Expected period of recognition in profit or loss</u>
Floating bonds and floating collateral loans	Interest rate swap contracts	\$ 24,675,806	842,743	2016.04.15~ 2024.06.26	2016.04.15~ 2024.06.26

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

- 2) Gain or loss arising from the cash flow hedging recognized as an adjustment of equity were as follows:

<u>Item</u>	<u>March 31, 2017</u>	<u>December 31, 2016</u>	<u>March 31, 2016</u>
Equity adjusted amount	\$ <u>119,511</u>	<u>(1,139,304)</u>	<u>180,767</u>
Non-financial assets (liabilities) transferred from equity (recognized as deferred income tax assets (liabilities))	\$ <u>(20,317)</u>	<u>193,682</u>	<u>(30,730)</u>

- (ii) Taipei Fubon Bank and its subsidiaries

Fair value hedge

Taipei Fubon Bank and its subsidiaries are exposed to the risk of fair value fluctuation due to the change of interest rate on the corporate bonds and bank debentures included in available-for-sale financial assets and bank debentures issued. Since the risk is considered to be material, the Bank and its subsidiary enter into interest rate swap contracts to hedge against this risk.

		<u>March 31, 2017</u>	
<u>Hedged items</u>	<u>Designated hedging instruments</u>	<u>Nominal amount</u>	<u>Fair value</u>
Financial bonds payable	Interest rate swap contracts	\$ 45,073,533	(1,208,894)
Available-for-sale financial assets — corporate bonds	Interest rate swap contracts	41,234,833	(359,963)
Available-for-sale financial assets — financial bonds	Interest rate swap contracts	6,172,366	(15,455)
		<u>December 31, 2016</u>	
<u>Hedged items</u>	<u>Designated hedging instruments</u>	<u>Nominal amount</u>	<u>Fair value</u>
Financial bonds payable	Interest rate swap contracts	34,161,018	(609,639)
Available-for-sale financial assets — corporate bonds	Interest rate swap contracts	13,622,793	(129,030)
Available-for-sale financial assets — financial bonds	Interest rate swap contracts	12,992,144	(88,587)

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

		<u>March 31, 2016</u>	
<u>Hedged items</u>	<u>Designated hedging instruments</u>	<u>Nominal amount</u>	<u>Fair value</u>
Financial bonds payable	Interest rate swap contracts	\$ 27,894,093	309,658
Available-for-sale financial assets — corporate bonds	Interest rate swap contracts	9,297,734	(382,319)
Availed-for-sale financial assets — financial bonds	Interest rate swap contracts	10,772,752	(252,880)

(iii) Fubon Bank (Hong Kong) and its subsidiaries

Fair value hedge

Bonds payable and available-for-sale financial assets bearing fixed interest rate may be exposed to the risk of fluctuation in fair value because of the changes in interest rates. Therefore, Fubon Bank (Hong Kong) and its subsidiaries entered into interest rate swap contracts to hedge such interest rate risks.

		<u>March 31, 2017</u>	
<u>Hedged item</u>	<u>Designated hedging instruments</u>	<u>Nominal amount</u>	<u>Fair value</u>
Available-for-sale financial assets	Interest rate swap contracts	\$ 54,502,799	(68,924)

		<u>December 31, 2016</u>	
<u>Hedged item</u>	<u>Designated hedging instruments</u>	<u>Nominal amount</u>	<u>Fair value</u>
Available-for-sale financial assets	Interest rate swap contracts	\$ 50,435,750	(301,640)

		<u>March 31, 2016</u>	
<u>Hedged item</u>	<u>Designated hedging instruments</u>	<u>Nominal amount</u>	<u>Fair value</u>
Available-for-sale financial assets	Interest rate swap contracts	\$ 37,044,354	(1,959,336)

(Continued)



**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

(f) Securities Purchased Under Resell Agreements

	<b>March 31, 2017</b>	<b>December 31, 2016</b>	<b>March 31, 2016</b>
Margin lending amount	<u>\$ 80,333,417</u>	<u>94,388,499</u>	<u>122,027,834</u>

The maturity of abovementioned securities purchased under resell agreements were all within one year as of March 31, 2017, December 31 and March 31, 2016.

(g) Receivables, Net

	<b>March 31, 2017</b>	<b>December 31, 2016</b>	<b>March 31, 2016</b>
Accounts receivable – credit card	\$ 33,679,233	34,545,256	27,433,524
Accounts receivable – forfeiting	1,553,639	1,039,227	5,730,725
Notes receivable, accounts receivable and acceptance	9,378,427	10,039,847	12,255,105
Accounts receivable – factoring	11,370,555	16,699,708	14,170,610
Interest receivable	31,314,931	32,519,189	29,363,429
Revenues receivable	2,696,359	2,517,205	2,205,727
Premiums receivable	3,382,709	3,225,774	3,164,325
Margin loans receivable	12,554,475	11,142,121	11,612,726
Accounts receivable – settlement	39,327,075	14,552,854	39,365,108
Others	<u>9,398,342</u>	<u>10,053,233</u>	<u>7,636,725</u>
Subtotal	154,655,745	136,334,414	152,938,004
Less: Allowance for doubtful accounts	<u>1,233,495</u>	<u>1,350,786</u>	<u>881,581</u>
Total	<u>\$ 153,422,250</u>	<u>134,983,628</u>	<u>152,056,423</u>

(h) Assets Classified as Held for Sale, Net

On May 13, 2014, the board of directors of Fubon Bank (Hong Kong) approved the selling plan for two owned properties, and has already started working on the said plan. The properties were expected to sell after November 2014, therefore, they have been classified to assets held for sale. As of March 31, 2017, December 31 and March 31, 2016, assets held for sale amounting to \$46,519, \$49,606 and \$49,612 were recognized at the lower of their carrying amount and fair value less costs to sell.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

## (i) Discounts and Loans, Net

	<b>March 31, 2017</b>	<b>December 31, 2016</b>	<b>March 31, 2016</b>
Discounts and overdrafts	\$ 23,035,770	31,360,774	28,251,557
Short-term advances	10,447,468	10,370,197	9,784,590
Accounts receivable – financing	2,238,226	3,119,411	4,289,146
Short-term loans	334,342,147	322,288,983	371,460,644
Short-term secured loans	82,638,403	78,282,903	87,906,988
Medium-term loans	228,646,346	250,981,301	259,949,475
Medium-term secured loans	119,424,652	121,203,977	124,334,225
Long-term loans	84,276,350	84,975,955	90,330,565
Long-term secured loans	698,043,773	691,391,597	639,330,455
Insurance policy loans	47,980,501	48,166,793	45,360,721
Import and export bill negotiation	11,440,188	9,474,404	9,682,322
Nonperforming loans	5,380,397	6,365,804	6,503,815
Subtotal	1,647,894,221	1,657,982,099	1,677,184,503
Less: Allowance for doubtful accounts	20,693,061	20,778,911	20,528,496
Adjustments of premium and discount	627,112	580,691	661,453
Total	<b><u>\$ 1,626,574,048</u></b>	<b><u>1,636,622,497</u></b>	<b><u>1,655,994,554</u></b>

Evaluation tables of allowance for doubtful accounts of loans and receivables are as follows:

## Loans

Item		Total loans		
		March 31, 2017	December 31, 2016	March 31, 2016
There is objective evidence of impairment.	Individual assessment of impairment	10,436,262	12,458,040	11,733,852
	Combined assessment of impairment	2,224,291	2,234,746	2,130,413
There is no objective evidence of impairment.	Combined assessment of impairment	1,635,233,668	1,643,289,313	1,663,320,238
Total		1,647,894,221	1,657,982,099	1,677,184,503

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

## Loans

Item		Allowance for doubtful accounts		
		March 31, 2017	December 31, 2016	March 31, 2016
There is objective evidence of impairment.	Individual assessment of impairment	3,677,675	3,505,957	3,269,118
	Combined assessment of impairment	142,011	144,418	130,074
There is no objective evidence of impairment.	Combined assessment of impairment	16,873,375	17,128,536	17,129,304
Total		20,693,061	20,778,911	20,528,496

## Receivables

Item		Total receivables		
		March 31, 2017	December 31, 2016	March 31, 2016
There is objective evidence of impairment.	Individual assessment of impairment	2,005,651	2,360,368	1,950,692
	Combined assessment of impairment	964,699	992,938	1,130,202
There is no objective evidence of impairment.	Combined assessment of impairment	153,072,177	134,613,542	151,935,791
Total		156,042,527	137,966,848	155,016,685

## Receivables

Item		Allowance for doubtful accounts		
		March 31, 2017	December 31, 2016	March 31, 2016
There is objective evidence of impairment.	Individual assessment of impairment	1,578,320	1,631,042	1,222,718
	Combined assessment of impairment	306,389	305,573	304,436
There is no objective evidence of impairment.	Combined assessment of impairment	332,636	396,406	418,453
Total		2,217,345	2,333,021	1,945,607

Note 1: Receivable could be presented separately by various natures. Gross receivables represent amount initially recognized but do not deduct allowance for doubtful accounts or deduct (or add) discount (or premium) adjustment.

Note 2: Abovementioned gross receivables and allowance for doubtful accounts include non-accrual loans, buying remittance, buying claims receivable and continuing involvement in transferred assets.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

The movement of the allowance for doubtful accounts of loans and receivables for the three months ended March 31, 2017 and 2016, were as follows:

	<u>For the three months ended March 31, 2017</u>			
	<u>Receivables</u>	<u>Loans</u>	<u>Other financial assets</u>	<u>Total</u>
Beginning balance	\$ 1,350,786	20,778,911	982,235	23,111,932
Allowance for doubtful accounts	(39,006)	355,359	31,393	347,746
Write-off	(38,861)	(145,943)	(79,813)	(264,617)
Recovery from write-off	-	98,756	92,540	191,296
Effects of exchange rate changes and others	(39,424)	(394,022)	(42,505)	(475,951)
Ending balance	<u>\$ 1,233,495</u>	<u>20,693,061</u>	<u>983,850</u>	<u>22,910,406</u>
	<u>For the three months ended March 31, 2016</u>			
	<u>Receivables</u>	<u>Loans</u>	<u>Other financial assets</u>	<u>Total</u>
Beginning balance	\$ 1,045,917	20,581,317	583,754	22,210,988
Reversal of doubtful accounts	(150,695)	23,022	467,751	340,078
Write-off	(4,451)	(111,268)	(69,914)	(185,633)
Recovery from write-off	-	146,240	98,593	244,833
Effects of exchange rate changes and others	(9,190)	(110,815)	(16,158)	(136,163)
Ending balance	<u>\$ 881,581</u>	<u>20,528,496</u>	<u>1,064,026</u>	<u>22,474,103</u>

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

(j) Reinsurance Contract Assets

	<u>March 31, 2017</u>	<u>December 31, 2016</u>	<u>March 31, 2016</u>
Claims recoverable from reinsurers	\$ 3,159,986	2,750,608	1,203,198
Due from reinsurers and ceding companies	4,188,600	3,469,224	3,306,649
Subtotal	<u>7,348,586</u>	<u>6,219,832</u>	<u>4,509,847</u>
Reinsurance reserve assets:			
Ceded unearned premium reserve	5,490,889	5,154,238	5,494,458
Ceded claim reserve	10,898,006	12,038,969	9,821,802
Ceded premium deficiency reserve	<u>397,081</u>	<u>391,873</u>	<u>182,573</u>
Subtotal	<u>16,785,976</u>	<u>17,585,080</u>	<u>15,498,833</u>
Total	<u>\$ 24,134,562</u>	<u>23,804,912</u>	<u>20,008,680</u>

(k) Held-to-maturity Financial Assets, Net

	<u>March 31, 2017</u>	<u>December 31, 2016</u>	<u>March 31, 2016</u>
Government bonds	\$ 109,465,746	109,445,233	91,871,886
Corporate bonds	15,709,946	13,163,601	8,868,561
Financial bonds	45,352,658	50,856,713	40,673,774
Negotiable certificates of deposits	226,795,213	209,910,950	182,497,473
Others	<u>622,585</u>	<u>4,139,635</u>	<u>736,916</u>
Subtotal	397,946,148	387,516,132	324,648,610
Less: Guarantee deposits	<u>10,331,582</u>	<u>10,331,071</u>	<u>-</u>
Total	<u>\$ 387,614,566</u>	<u>377,185,061</u>	<u>324,648,610</u>

Due to the cost of capital, Taipei Fubon Bank and its subsidiaries have successively disposed of or reclassified the bond investments because of closeness to maturity or deterioration of credit risk from January 1, 2014. As of March 31, 2017, December 31 and March 31, 2016, the cumulative amounts of disposal and reclassification during the past three years were \$18,493,991, \$18,493,991 and \$159,073, respectively, the cumulative gains on disposal were \$15,286, \$15,286 and \$5,626, respectively; and the cumulative other comprehensive income from reclassification was \$205,938, \$205,938 and \$0 as of March 31, 2017, December 31 and March 31, 2016. The percentages of the cumulative amounts of disposal and reclassification of held-to-maturity investments were 4.8%, 5% and 0.1%, respectively.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

The guarantee of held-to-maturity financial assets provided as pledged assets, please refer to note 8 for details.

(l) Investments Accounted for Using Equity Method, Net

(i) Material associates of the Company were as follows:

Name of associate	Relationship with the Company and its subsidiaries	Main business office/Country of Registry	Ownership interest and voting right		
			March 31, 2017	December 31, 2016	March 31, 2016
Xiamen Bank	Engages in deposits and loans to commercial bank and plays an important role in developing markets in China for the Company and its subsidiaries	Mainland China	19.99 %	19.99 %	19.99 %

Summarized financial information of material associates was as follows:

Xiamen Bank

	March 31, 2017	December 31, 2016	March 31, 2016
	Total assets	\$ 837,545,608	877,083,932
Total liabilities	(795,740,821)	(835,187,187)	(812,265,655)
Net assets	<u>\$ 41,804,787</u>	<u>41,896,745</u>	<u>42,026,987</u>
		For the three months ended March 31	
		2017	2016
Operating revenue		<u>\$ 4,149,139</u>	<u>5,143,009</u>
Net income		\$ 1,192,964	1,374,082
Other comprehensive income		(98,343)	(399,980)
Total comprehensive income		<u>\$ 1,094,621</u>	<u>974,102</u>

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

	<b>For the three months ended</b>	
	<b>March 31</b>	
	<u><b>2017</b></u>	<u><b>2016</b></u>
Share of net assets of associates at the beginning of the periods	\$ 8,681,918	8,689,570
Total comprehensive income attributable to the Company and its subsidiaries for the period	(250,425)	(19,188)
Book value of equity of associates at the end of the periods	<u><b>\$ 8,431,493</b></u>	<u><b>8,670,382</b></u>

(ii) Individually immaterial associates

Summarized financial information of the individually immaterial associates accounted for using equity method was as follows. The financial information was included in the consolidated interim financial statements of the Company and its subsidiaries.

	<u><b>March 31, 2017</b></u>	<u><b>December 31, 2016</b></u>	<u><b>March 31, 2016</b></u>
Fubon Construction Management Co., Ltd.	\$ 117,995	120,653	125,381
Fubon Hospitality Management Co., Ltd.	-	-	42,724
Fubon Health Management Co., Ltd	49,980	-	-
Founder Fubon Fund Management Co., Ltd.	426,016	447,396	155,138
CITIC Capital Holdings Ltd.	9,113,805	8,471,407	7,211,023
Hyundai Life Insurance Co., Ltd.	3,825,194	3,889,223	6,141,543
CITIC FUTONG Financial Leasing Limited	1,365,217	1,401,248	1,422,049
Teng Fu Bo Investment Limited	268,856	288,602	-
	<u><b>\$ 15,167,063</b></u>	<u><b>14,618,529</b></u>	<u><b>15,097,858</b></u>

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

	<b>For the three months ended</b>	
	<b>March 31</b>	
	<b>2017</b>	<b>2016</b>
Attributable to the Company and its subsidiaries :		
Net income	\$ 46,608	(175,702)
Other comprehensive income	(59,732)	8,529
Total comprehensive income	<u>\$ (13,124)</u>	<u>(167,173)</u>

Since Fubon Financial Holding Venture Capital did not participate in the capital increase for cash of Fubon Hospitality Management Co., Ltd. in June 2016, its ownership interest in Fubon Hospitality Management Co., Ltd. had decreased and its significant influence was lost. Thus, the investment was reclassified as financial assets carried at cost.

(m) Non-controlling interest of materiality

Information of non-controlling interests of materiality was as follows:

<b>Name of subsidiary</b>	<b>Main business office / Country of registry</b>	<b>Ownership interest and voting right of non-controlling interest</b>	
		<b>December 31, 2016</b>	<b>March 31, 2016</b>
Fubon Bank (China)	Mainland China	- %	20 %

On October 20, 2016, 20% of the remaining outstanding shares of Fubon Bank (China) were purchased by the Company. Fubon Bank (China) became a wholly owned subsidiary of the Company.

<b>Name of subsidiary</b>	<b>Profit attributable to non-controlling interests</b>	<b>Non-controlling interests</b>	
	<b>For the three months ended March 31, 2016</b>	<b>December 31, 2016</b>	<b>March 31, 2016</b>
	Fubon Bank (China)	\$ <u>136,858</u>	<u>-</u>

(Continued)



**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

Summarized financial information of the aforementioned subsidiaries was as follows, in which the presenting amounts were eliminated before the intra-company transactions between the Company and its subsidiaries, and the influence of the acquisition method occurred by the time the Company acquired aforementioned subsidiaries:

Summarized financial information of Fubon Bank (China):

	<b>December 31, 2016</b>	<b>March 31, 2016</b>
Total assets	\$ 339,673,743	358,564,404
Total liabilities	<u>(298,212,671)</u>	<u>(314,957,968)</u>
Equity	<u><b>\$ 41,461,072</b></u>	<u><b>43,606,436</b></u>
Equity attributable to non-controlling interest	<u><b>\$ -</b></u>	<u><b>8,044,116</b></u>
		<b>For the three months ended March 31 2016</b>
Net revenue		<u><b>\$ 1,784,233</b></u>
Net income		\$ 684,289
Other comprehensive income		<u>(391,828)</u>
Total comprehensive income		<u><b>\$ 292,461</b></u>
Consolidated net income for the period attributable to non-controlling interests		<u><b>\$ 136,858</b></u>
Consolidated other comprehensive income attributable to non-controlling interests		<u><b>\$ 64,653</b></u>
		<b>For the three months ended March 31 2016</b>
Cash flows		
Operating activities		\$ (16,245,787)
Investing activities		(50,357)
Financing activities		2,849,309

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

(n) Other Financial Assets, Net

	<u>March 31, 2017</u>	<u>December 31, 2016</u>	<u>March 31, 2016</u>
Financial assets carried at cost, net	\$ 5,750,382	5,813,633	5,234,830
Debt investments without active market, net	1,326,236,323	1,264,099,863	957,113,752
Assets on insurance product— separated account	143,234,738	142,534,021	134,823,058
Continuing involvement in transferred assets	-	-	253,799
Linked deposits	33,072,864	28,492,824	18,556,688
Margin deposits paid for borrowed securities	712,934	32,103	70,840
Collateral for borrowed securities	38,674	35,540	66,250
Overdue receivables	1,059,333	989,754	1,113,671
Customer margin deposit	14,705,649	15,702,134	15,682,708
Buy remittance	1,835	1,595	4,284
Buy nonperforming loan	325,614	641,085	706,927
Deposits not qualifying as cash equivalents	14,919,420	16,555,456	20,597,549
Prepayments for investments	6,067,200	-	-
Subtotal	<u>1,546,124,966</u>	<u>1,474,898,008</u>	<u>1,154,224,356</u>
Less: Guarantee deposits— others	(2,179,486)	(2,234,866)	(2,296,842)
Allowance for doubtful accounts	<u>(983,850)</u>	<u>(982,235)</u>	<u>(1,064,026)</u>
Total	<u><u>\$ 1,542,961,630</u></u>	<u><u>1,471,680,907</u></u>	<u><u>1,150,863,488</u></u>

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

(i) Financial assets carried at cost

	<u>March 31, 2017</u>	<u>December 31, 2016</u>	<u>March 31, 2016</u>
Investment in unlisted stocks	\$ 6,171,742	6,238,214	5,600,789
Less: Accumulated impairment	<u>421,360</u>	<u>(424,581)</u>	<u>365,959</u>
Total	<u>\$ 5,750,382</u>	<u>5,813,633</u>	<u>5,234,830</u>

The unlisted stocks held by the Company and its subsidiaries are measured by the cost method because they are not quoted in an active market and the fair value is not reliably measurable.

For the three months ended March 31, 2017 and 2016, there was no objective evidence of impairment. Therefore, the Company and its subsidiaries did not recognize any impairment loss on the financial assets carried at cost.

(ii) Separated account—insurance product

	<u>March 31, 2017</u>	<u>December 31, 2016</u>	<u>March 31, 2016</u>
Assets on insurance product— separated account:			
Bank deposits	\$ 7,822,969	8,372,541	8,851,394
Securities	133,698,609	130,945,839	124,917,619
Receivables	<u>1,713,160</u>	<u>3,215,641</u>	<u>1,054,045</u>
Total	<u>\$ 143,234,738</u>	<u>142,534,021</u>	<u>134,823,058</u>

	<u>March 31, 2017</u>	<u>December 31, 2016</u>	<u>March 31, 2016</u>
Liabilities on insurance product— separated account:			
Reserve—insurance contract	\$ 84,221,181	81,981,447	77,983,608
Reserve—investment contract	59,013,228	60,552,166	56,839,281
Payables	<u>329</u>	<u>408</u>	<u>169</u>
Total	<u>\$ 143,234,738</u>	<u>142,534,021</u>	<u>134,823,058</u>

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

	<b>For the three months ended</b>	
	<b>March 31</b>	
	<b>2017</b>	<b>2016</b>
Investment-type insurance policy revenues:		
Insurance revenues	\$ 3,869,340	3,214,326
Interest revenues	75,089	79,440
Unrealized gains (losses) on financial assets measured at fair value through profit and loss	1,702,578	(698,981)
Gains (losses) on foreign exchange	(62,270)	168,500
Total	<b>\$ 5,584,737</b>	<b>2,763,285</b>
Investment-type insurance policy expense:		
Net insurance separate account value reserve	\$ 2,485,174	(139,664)
Insurance claim payments	2,419,046	2,221,980
Administrative expense	680,517	680,969
Total	<b>\$ 5,584,737</b>	<b>2,763,285</b>

For the three months ended March 31, 2017 and 2016, Fubon Life Insurance and its subsidiaries earned sales commission in investment oriented insurance products from counterparties amounted to \$112,848 and \$107,117, respectively. The rebate was recognized as net service fees and commission income.

(iii) Debt investments without active market

	<b>March 31, 2017</b>	<b>December 31, 2016</b>	<b>March 31, 2016</b>
Government bonds	\$ 47,236,624	29,868,026	16,122,571
Corporate bonds	544,436,053	527,166,026	355,444,935
Financial bonds	241,671,604	229,535,551	139,168,172
Zero-coupon bonds	432,894,568	415,189,710	380,214,095
Real estate mortgage bonds	29,409,131	32,688,848	37,359,517
Securitization of beneficiary certificates	21,601,976	20,180,843	6,463,642
Negotiable certificates of deposit	8,986,367	9,470,859	18,101,936
Others	-	-	4,241,415
Subtotal	1,326,236,323	1,264,099,863	957,116,283
Less: Accumulated impairment	-	-	2,531
Total	<b>\$ 1,326,236,323</b>	<b>1,264,099,863</b>	<b>957,113,752</b>

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

“Others” refers to the beneficial rights of asset management plans and financial products to other banks, Fubon Bank (China) has signed a transfer agreement with its counterparties, who are committed to transfer the beneficial rights with fixed premium rates on the agreed dates. The substance of the above transactions is debt investments with neither active market prices nor fixed or determinable income. As of March 31, 2016, the agreed transfer dates are from April to September, 2016.

For the three months ended March 31, 2017 and 2016, the Company and its subsidiaries performed impairment evaluation in debt investments without active market. Based on the objective evidence of impairment, the Company and its subsidiaries recognized the net reversal gains on the investment which amounted to \$0 and \$10,557, respectively.

(iv) Continuing involvement in transferred assets

Fubon Bank (China) has sold its nonperforming loans and issued a commitment letter, which guaranteed to continually involve in the transferred assets to the buyer. Under this transaction, Fubon Bank (China) neither transferred nor retained substantially all the risks and returns of the ownership of the financial assets. Therefore, Fubon Bank (China) continually recognizes the transferred asset to the extent of its involvement and also recognizes the related liabilities required for possible settlement as the other financial liabilities. Please refer to note 6 (z) for details.

(o) Investment Property

	Land and improvements	Buildings	Investment property under construction	Prepayment for investment property	Others	Total
Balance as of January 1, 2017	\$ 127,291,072	45,205,469	1,290,754	26,101	1,715,684	175,529,080
Additions	-	6,168	207,831	20,226	-	234,225
Reclassification	3,579,978	64,146	-	(1,061)	-	3,643,063
Disposals	-	-	-	-	-	-
Gains (losses) generated from fair value adjustments	75,307	27,281	-	-	(17,394)	85,194
Effects of exchange rate changes	(497,330)	(894,287)	-	-	(77,592)	(1,469,209)
Balance as of March 31, 2017	<u>\$ 130,449,027</u>	<u>44,408,777</u>	<u>1,498,585</u>	<u>45,266</u>	<u>1,620,698</u>	<u>178,022,353</u>
Balance as of January 1, 2016	\$ 124,640,164	43,580,409	635,510	2,524	2,428,187	171,286,794
Additions	1,224,577	7,038,530	132,005	5,154	-	8,400,266
Reclassification	(35,209)	7,310	-	(91)	-	(27,990)
Gains (losses) generated from fair value adjustments	2,470,723	(1,978,467)	-	-	47,089	539,345
Others	-	-	-	-	(2,659)	(2,659)
Effects of exchange rate changes	(691,239)	(812,525)	-	-	(128,205)	(1,631,969)
Balance as of March 31, 2016	<u>\$ 127,609,016</u>	<u>47,835,257</u>	<u>767,515</u>	<u>7,587</u>	<u>2,344,412</u>	<u>178,563,787</u>

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

Rental revenue incurred for investment property for the three months ended March 31, 2017 and 2016, amounted to \$1,479,331 and \$1,497,532, respectively. Direct operation expenses amounted to \$226,819 and \$218,918 for the three months ended March 31, 2017 and 2016, respectively, in which, \$10,525 and \$7,273, respectively, are direct operation expenses belonging to investment property that does not generate rental income.

Property interests which are held under operating lease, in which the Company and its subsidiaries chose to classify as investment property, shall be accounted for as finance leases. As of March 31, 2017, December 31 and March 31, 2016, the net carrying amount of leasehold property was \$203,204, \$212,885 and \$486,335.

Investment properties are primary for rental purposes and all of which are operating leases. Please refer to note 9 (a) for details. Main content of such contracts are the same as general lease contracts.

As of March 31, 2017, December 31 and March 31, 2016, certain property were pledged as collateral, please refer to note 8 for details.

Major contents of investment property of subsidiaries are listed separately as follows:

(i) Fubon Life Insurance and its subsidiaries

Fubon Life Insurance and its subsidiaries' investment property appraisal has been performed by appraisers from professional valuation agencies based on the "Regulations on Real Estate Appraisal" in accordance with the "Regulations Governing the Preparation of Financial Reports by Insurance Companies", and the valuation dates were March 31, 2017, December 31 and March 31, 2016.

- 1) DTZ: Yang Chang-Da, Li Gen-Yuan, Tsai Jia-He, Hu Chuen-Chuen
- 2) Savills Plc: Dai Guang-Ping, Chang Hung-Kai, Chang I-Chih, Yeh Yu-Fen
- 3) Repro International Inc.: Wu Hung-Hsu, Wu Chih-Hao, Shih Fu-Hsue
- 4) Jin Han Real Estate Appraisers Joint Firm: Wu Yu-Chun, Hung Chi-Hsiang
- 5) G-Bean Real Estate Appraisers Firms: Chang Neng-Cheng, Li Fang-Chend
- 6) Colliers International Valuation Taiwan LLP: Zhan Xiu-Ying, Gu Jian-Hui
- 7) Zheng Da Real Estate Appraisers Firms: Hsiao Li-Min, Liu Shih-Kai
- 8) Kao Yuan Real Estate Appraisers Firms: Chen Bi-Yuan
- 9) Colliers International Valuation Taiwan LLP & Colliers International Valuation UK LLP: Gu Jian-Hui, PC Willis, Patrick Kearon

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

- 10) Jones Lang LaSalle Real Estate Appraiser Firm and Jones Lang LaSalle Limited: Chao Cheng-Yi, Andrew Pirie, Elizabeth Levingston, James Mc Tighe, David Holt, Roger Meeds
- 11) Repro International Inc. and Knight Frank LLP: Wu Hung-Hsu, Matthew Cripps
- 12) DTZ and Winssinger & Associates S.A (Subsidiary of Cushman & Wakefield Group) : Yang Chang-Da, Emeric Inghels, Christophe Ackermans
- 13) Jones Lang LaSalle Limited and Jones Lang LaSalle BVBA: Chao Cheng-Yi, Roderick Scrivener

The fair value of investment property is based on a valuation by professional evaluation agency and supported by market evidences. Appraising methods include the comparison approach, income approach (including direct capitalization method, DCF method and lease interest residual value method), cost approach and land development analysis of cost approach.

Commercial office buildings are appraised using the comparison approach and income approach mostly because of the market liquidity, comparable sales and rental cases in the neighboring areas. Marketplaces, hotels and department stores, depending on their characteristics, terms of rental contracts and reference of similar investment properties are generally appraised using the comparison approach as a primary method as well as direct capitalization method and DCF method. Special real estates, such as combinative marketplaces with hotels or hospitals, are appraised mainly by cost approach, as well as direct capitalization method and DCF method of income approach. Superficies development projects are appraised by the abovementioned approaches and lease interest residual value method.

Vacant land with building permission and under construction is appraised using the comparison approach and land development analysis of cost approach. Factories planned for urban renewal are appraised by comparison approach, cost approach and land development analysis approach. Vacant land and superficies are appraised by abovementioned approaches according to nature of the completed building.

The inputs applied are as follows:

	<u>March 31, 2017</u>	<u>December 31, 2016</u>	<u>March 31, 2016</u>
	Mainly	Mainly	Mainly
Income capitalization rate	0.99%~5.18%	0.99%~5.11%	0.57%~5.50%
Year-end income capitalization rate	1.83%~6.35%	1.83%~6.35%	1.78%~6.35%
Discount rate	2.30%~8.20%	2.30%~8.20%	3.13%~6.50%

External appraisers use the market extraction method, search several comparable properties similar to the subject property, and consider the liquidity risk and future disposal risk premium to decide on the income capitalization rate and discount rate.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

The investment properties held by Fubon Life Insurance and its subsidiaries are subsequently measured at fair value model, and categorized into Level 3. The appraising methods adopted by external appraisers are: (a) direct capitalization of income approach: when the main input, direct capitalization rate increases, the fair value will decrease, and vice versa; (b) discounted cash flow analysis of income approach: when the main inputs, discount rate and year-end income capitalization rate increase, the fair value will decrease, and vice versa.

(ii) Fubon Insurance and its subsidiaries

Fubon Insurance and its subsidiaries' investment property appraisals were performed by appraisers from professional valuation agencies based on the "Regulations on Real Estate Appraisal" in accordance with the "Regulations Governing the Preparation of Financial reports by Insurance Companies", and valuation dates were March 31, 2017 and 2016.

Valuation agencies as of March 31, 2017 were as follows:

- 1) Jin Han Real Estate Appraisers Joint Firm: Wu Yu-Chun, Hung Chi-Hsiang
- 2) Kao Yuan Real Estate Appraisers Firms: Chen Bi-Yuan, Chou Wen-Fang, Liu Ming-Chiu

Valuation agencies as of March 31, 2016 were as follows:

- 1) Repro International Inc.: Wu Hung-Hsu, Wu Chih-Hao, Shih Fu-Hsue
- 2) Kao Yuan Real Estate Appraisers Firms: Chen Bi-Yuan, Chou Wen-Fang, Liu Ming-Chiu

The fair value of investment property is based on a valuation performed by professional evaluation agency and supported by external market evidences. Appraising methods include the comparison approach, income approach, cost approach and land development analysis of cost approach. Commercial office buildings are appraised using the comparison approach and income approach mostly because of the market liquidity, comparable sales and rental cases in the neighboring areas. Townhouses and land are appraised using the cost method because rare cases of income generated from land and big income gap resulted from different building structure lead to poor accuracy and degree of confidence. The developing land is appraised using comparison approach and land development analysis approach.

The inputs applied are as follows:

	<u>March 31, 2017</u>	<u>December 31, 2016</u>	<u>March 31, 2016</u>
Direct capitalization rate (net)	0.25%~6.02%	0.25%~6.02%	1.70%~6.00%
Profit rate	12.50%~20.00%	12.50%~20.00%	15.00%~20.00%
Overall capital interest rate	1.00%~3.00%	1.00%~3.00%	1.00%~3.00%

(Continued)



**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

External appraisers use the market extraction method, search several comparable properties similar to the subject property, and consider the liquidity risk and future disposal risk premium to decide on the direct capitalization rate and discount rate.

(iii) Taipei Fubon Bank and its subsidiaries

Investment properties are leased out as operating leases with terms of three to ten years. Some of lease contracts included contingent rent clauses. Taipei Fubon Bank can adjust the rent price on a fixed ratio every year.

The fair values of the investment property as of December 31, 2016, were based on the valuations carried out at these dates performed by the following independent qualified professional valuers: Dai Kuang Ping, Chang Hung Kai, Chang I Chih and Yeh Yu-Fen from Savills Plc Real Estate Appraiser Office, a member of certified ROC real estate appraisals.

The fair values of the investment property as of December 31, 2015, were based on the valuations carried out at these dates performed by the following independent qualified professional valuers: Dai Kuang Ping, Chang Hung Kai, Chang I Chih, Liu Shih Kai and Chen I Chun from Savills Plc Real Estate Appraiser Office, a member of certified ROC real estate appraisals.

After consulting with the appraisers for effectiveness of previous appraisal reports, Taipei Fubon Bank and its subsidiaries determined that the fair value reported as of December 31, 2016 and 2015 still took effect as of March 31, 2017 and 2016.

The fair value of investment properties was measured using the income approach. The significant assumptions used were as follows. Fair value will increase when expected future cash inflows increases or discount rate decreases.

	<u>March 31, 2017</u>	<u>December 31, 2016</u>	<u>March 31, 2016</u>
Expected future cash inflows	\$ 3,984,114	4,004,305	4,146,764
Expected future cash outflows	<u>(120,039)</u>	<u>(122,972)</u>	<u>(145,210)</u>
Expected future cash inflows, net	<u>\$ 3,864,075</u>	<u>3,881,333</u>	<u>4,001,554</u>
Discount rate	4.345%	4.345%	4.485%

The market rentals in the area where the investment property is located were between \$1 and \$20 per ping (i.e. 1 ping = 3.3 square meters).

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

The expected future cash inflows generated by investment property included rental income, interest income on rental deposits and disposal value. The rental income was extrapolated using the Taipei Fubon Bank and its subsidiaries' current rental rate and market rent price, taking into account the annual rental growth rate; and the income analysis covers a 10-year period. The interest income on rental deposits was extrapolated using the interest rate for one-year time deposit, and the disposal value was determined using the direct capitalization method under the income approach. The expected future cash outflows incurred by investment property 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 and building and construction expense.

The discount rate was based on the interest rate of the two-year time deposits of Chunghwa Post Co., Ltd., plus, 0.75%, and any asset-specific risk premiums of 2.5%.

(iv) Fubon Securities and its subsidiaries

Investment property of Fubon Securities was evaluated by appraisers Chih Wei Hsin, Wang Shih Ming, Chi Liang An and Tsai Wen Che from Xinyi Real Estate Appraisers Firm, in accordance with the "Regulations on Real Estate Appraisal", and the valuation date was December 31, 2016. Furthermore, investment property of Fubon Securities was evaluated by appraisers Dai Kuang-Ping, Chang Hung-Kai, Chang I-Chih and Yeh Yu-Fen from Savills Plc Real Estate Appraiser Office, and the valuation date was December 31, 2015.

After consulting with the appraisers, Fubon Securities and its subsidiaries determined that the fair value reported as of December 31, 2016 and 2015 still took effect as of March 31, 2017 and 2016.

The fair value of investment property is supported by observable evidences in the market. Appraising method is mainly the DCF method of income approach.

Commercial office buildings and terraced shops are appraised using the DCF method of income approach mostly due to the market liquidity, comparable sales and rental cases in the neighboring areas.

Reasonable net profit refers to market practices. Total revenue from subject properties are estimated with the assumption that rent level is adjusted within 0.17%~0.25% every year, minus, expected loss due to idled or others reasons and relevant expense raised from operating activities.

In accordance with the R.O.C. Real Estate Appraiser Alliance Statement No.5, total assessment of the current value of the house refers to the assessed current value of the house released by local governments and is calculated from areas of property right (including public facility). House tax is calculated with total assessment of the current value of the house and tax rate in accordance with the Regulations of House Tax.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

Land value tax refers to future publicly announced price of the subject property estimated by the changes of publicly announced price in recent year.

The principle of calculating the replacement allowance is to multiply 10%~20% of the building and construction expense and amortized in 10~20 years, in accordance with the R.O.C Real Estate Appraiser Alliance Statement No.5.

The inputs applied are as follows :

	<u>March 31, 2017</u>	<u>December 31, 2016</u>	<u>March 31, 2016</u>
Discount rate	4.345 %	4.345 %	4.485 %

The decision of discount rate is based on risk premium method, the consideration on time deposit rates, government bond rates, risk of real estate investment, changes of currencies, changes in real estate prices, etc. Discount rate is based on the two-year time deposit floating rate below ten million of Chungwa Post Co., Ltd., in consideration of the earning position, liquidity, risk, increment and the difficulty of management, plus, risk premium, in accordance with Rule No.9 of the “Regulations Governing the Preparation of Financial Reports by Securities Firms”. When the discount rate decreases, the fair value will increase, and vice versa.

(v) Fubon AMC

Investment property of Fubon AMC was evaluated by appraisers Chang Hung-Kai and Yeh Yu-Fen from Savills Plc Real Estate Appraiser Office, in accordance with the “Regulations on Real Estate Appraisal”, and the valuation dates were March 31, 2017, December 31 and March 31, 2016.

After consulting with the appraisers, Fubon AMC determined that the fair value reported as of December 31, 2016 and 2015 still took effect as of March 31, 2017 and 2016.

The fair value of investment property is supported by observable evidences in the market. The main appraising method is DCF method of income approach and land development analysis of cost approach.

Land foreclosures, idle commercial office buildings and undeveloped vacant land, as well as costs of vacant land, are appraised using the comparison approach and land development analysis. Selling price which is extrapolated using land development analysis is determined according to examples of market transaction.

	<u>March 31, 2017</u>	<u>December 31, 2016</u>	<u>March 31, 2016</u>
Profit rate	3.00%~18.00%	18.00%	18.00%
Overall capital interest rate	1.47%~5.02%	1.47%~2.94%	1.66%~3.22%

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

When the rate of return and an overall capital interest rate decrease, the fair value will increase, and vice versa.

(p) Property and Equipment, Net

Changes in the cost, depreciation, and impairment loss of the property, plant and equipment of the Company and its subsidiaries for the three months ended March 31, 2017 and 2016, were as follows:

	Land	Buildings	Machinery and computer equipment	Transportation equipment	Other equipment	Prepayment for purchases of equipment, and construction in progress	Total
Cost or deemed cost:							
Balance as of January 1, 2017	\$ 29,555,409	26,307,383	5,827,044	403,156	8,922,961	2,015,614	73,031,567
Additions	-	62,273	58,475	4,125	211,213	721,277	1,057,363
Estimated decommissioning cost	-	-	-	-	4,127	-	4,127
Reversal decommissioning cost	-	-	-	-	(2,539)	-	(2,539)
Disposals	(997)	(2,953)	(219,315)	(1,495)	(214,176)	-	(438,936)
Reclassification	(387,443)	550,463	45,635	(104,073)	156,536	(572,468)	(311,350)
Effect of change in exchange rates	-	(647,213)	(43,859)	(3,252)	(255,788)	(12,348)	(962,460)
Balance as of March 31, 2017	<u>\$ 29,166,969</u>	<u>26,269,953</u>	<u>5,667,980</u>	<u>298,461</u>	<u>8,822,334</u>	<u>2,152,075</u>	<u>72,377,772</u>
Balance as of January 1, 2016	\$ 27,741,765	26,877,962	5,403,803	416,488	7,731,606	1,482,187	69,653,811
Additions	-	4,455	42,551	11,777	316,558	564,856	940,197
Estimated decommissioning cost	-	-	-	-	577	-	577
Reversal decommissioning cost	-	-	-	-	(3,081)	-	(3,081)
Disposals	(12,605)	(65,388)	(48,295)	(1,475)	(47,268)	(4,081)	(179,112)
Reclassification	30,358	(64,796)	41,468	-	166,174	(195,454)	(22,250)
Effect of change in exchange rates	-	(181,623)	(10,944)	(1,936)	(76,863)	(3,442)	(274,808)
Balance as of March 31, 2016	<u>\$ 27,759,518</u>	<u>26,570,610</u>	<u>5,428,583</u>	<u>424,854</u>	<u>8,087,703</u>	<u>1,844,066</u>	<u>70,115,334</u>
Depreciation and impairment loss:							
Balance as of January 1, 2017	\$ 1,013,284	4,783,473	3,837,303	283,956	5,850,702	-	15,768,718
Depreciations	-	138,480	168,265	5,645	200,043	-	512,433
Disposals	-	(2,049)	(211,024)	(1,465)	(210,254)	-	(424,792)
Reversal decommissioning cost	-	-	-	-	(1,886)	-	(1,886)
Reclassification	-	(34,439)	-	(48,333)	48,336	-	(34,436)
Effect of change in exchange rates	-	(97,788)	(26,481)	(2,585)	(152,759)	-	(279,613)
Balance as of March 31, 2017	<u>\$ 1,013,284</u>	<u>4,787,677</u>	<u>3,768,063</u>	<u>237,218</u>	<u>5,734,182</u>	<u>-</u>	<u>15,540,424</u>
Balance as of January 1, 2016	\$ 1,019,730	4,474,423	3,686,902	269,966	5,630,300	-	15,081,321
Depreciations	-	187,317	138,079	12,198	186,035	-	523,629
Disposals	-	(21,820)	(48,371)	(1,387)	(42,495)	-	(114,073)
Reversal decommissioning cost	-	-	-	-	(3,035)	-	(3,035)
Reclassification	-	(101,173)	5,665	(475)	64,153	-	(31,830)
Effect of change in exchange rates	-	(28,893)	(7,189)	(969)	(48,231)	-	(85,282)
Balance as of March 31, 2016	<u>\$ 1,019,730</u>	<u>4,509,854</u>	<u>3,775,086</u>	<u>279,333</u>	<u>5,786,727</u>	<u>-</u>	<u>15,370,730</u>

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

	Land	Buildings	Machinery and computer equipment	Transportation equipment	Other equipment	Prepayment for purchases of equipment, and construction in progress	Total
Carrying amounts:							
Balance as of January 1, 2017	\$ 28,542,125	21,523,910	1,989,741	119,200	3,072,259	2,015,614	57,262,849
Balance as of March 31, 2017	\$ 28,153,685	21,482,276	1,899,917	61,243	3,088,152	2,152,075	56,837,348
Balance as of January 1, 2016	\$ 26,722,035	22,403,539	1,716,901	146,522	2,101,306	1,482,187	54,572,490
Balance as of March 31, 2016	\$ 26,739,788	22,060,756	1,653,497	145,521	2,300,976	1,844,066	54,744,604

The property and equipment of the Company are depreciated on a straight-line basis based on the following estimated useful life:

Buildings	5 to 61 years
Machinery and computer equipment	3 to 16 years
Transportation equipment	3 to 10 years
Other equipment	1 to 47 years

As of March 31, 2017, December 31 and March 31, 2016, certain property were pledged as collateral, please refer to note 8 for details.

(q) Intangible Assets, Net

	<b>March 31, 2017</b>	<b>December 31, 2016</b>	<b>March 31, 2016</b>
Banking license and operating rights	\$ 5,546,149	5,807,579	6,217,133
Core deposits	6,645,260	7,089,714	7,958,481
Goodwill	14,157,479	14,312,255	14,540,380
Computer software	1,281,764	1,327,820	1,217,603
Customer relationship	78,452	84,866	98,886
Others	278,350	278,349	2,000
	<b>\$ 27,987,454</b>	<b>28,900,583</b>	<b>30,034,483</b>

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

The movements of intangible assets of the Company and its subsidiaries for the three months ended March 31, 2017 and 2016 were as follows:

	<b>Goodwill</b>	<b>Other intangible assets</b>	<b>Total</b>
Balance as of January 1, 2017	\$ 14,312,255	14,588,328	28,900,583
Additions	-	55,402	55,402
Disposals	-	(1,079)	(1,079)
Amortization	-	(274,017)	(274,017)
Reclassification	-	73,534	73,534
Effect of change in exchange rates	(154,776)	(612,193)	(766,969)
Balance as of March 31, 2017	<u>\$ 14,157,479</u>	<u>13,829,975</u>	<u>27,987,454</u>
Balance as of January 1, 2016	\$ 14,571,186	15,727,435	30,298,621
Additions	-	86,466	86,466
Amortization	-	(281,902)	(281,902)
Reclassification	-	87,366	87,366
Effect of change in exchange rates	(30,806)	(125,262)	(156,068)
Balance as of March 31, 2016	<u>\$ 14,540,380</u>	<u>15,494,103</u>	<u>30,034,483</u>

The above banking license and operating rights, core deposits, customer relationships and goodwill arised from the Company and its subsidiaries' acquisition of the Hanoi branch and Ho Chi Minh City subbranch of Chinfon Bank, which were monitored by the Financial Restructuring Fund, and from the acquisition of ING Life Insurance (Taiwan), Fubon Bank (Hong Kong), Fubon Bank (China) and EDA Rhinos professional baseball team (which was renamed as Fubon Guardians).

The above intangible assets, except for banking license and others with an indefinite useful life which is not amortized, are amortized on a straight-line basis and recognized as profit or loss based on the following estimated useful life:

Core deposits	10 to 23 years
Operating rights	97 years
Computer software	3 to 10 years
Customer relationship	7 to 14 years

No significant impairment was incurred for the three months ended March 31, 2017 and 2016, after evaluating the carrying amount of goodwill.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

## (r) Other Assets

	<b>March 31, 2017</b>	<b>December 31, 2016</b>	<b>March 31, 2016</b>
Refundable deposits	\$ 22,756,858	25,576,832	26,891,485
Foreclosed collaterals and residuals taken over	84,707	2,467,247	2,378,161
Operation guarantee deposits and settlement fund	335,493	338,678	341,024
Deferred assets	605,959	587,885	472,606
Prepayments	31,737,275	31,426,747	32,348,416
Others	<u>2,635,947</u>	<u>2,288,653</u>	<u>2,194,640</u>
Total	<u><b>\$ 58,156,239</b></u>	<u><b>62,686,042</b></u>	<u><b>64,626,332</b></u>

The Company acquired the superficies by bid, accounted as prepayments. For the three months ended March 31, 2017 and 2016, the Company and its subsidiaries recognized reversal of impairment loss on other assets measured at net fair value were \$1,932 and \$3,513, respectively.

## (s) Financial Liabilities Measured at Fair Value through Profit or Loss

	<b>March 31, 2017</b>	<b>December 31, 2016</b>	<b>March 31, 2016</b>
Held-for-trading financial liabilities:			
Stock warrant liabilities	\$ 6,024,510	8,368,658	2,961,814
Stock borrowing and short selling	486,289	253,430	314,499
Bonds borrowing and short selling	<u>341,989</u>	<u>356,598</u>	<u>936,149</u>
	<u>6,852,788</u>	<u>8,978,686</u>	<u>4,212,462</u>
Derivative financial instruments:			
Interest rate contracts	3,889,663	3,849,605	5,780,347
Currency rate contracts	31,910,261	58,968,569	37,255,327
Options contracts	8,248,658	18,217,600	15,718,810
Others	<u>4,995,500</u>	<u>3,558,793</u>	<u>3,560,968</u>
	<u>49,044,082</u>	<u>84,594,567</u>	<u>62,315,452</u>
Financial liabilities designated as at fair value through profit or loss at initial recognition:			
Financial bonds	1,590,177	1,690,909	1,673,080
Structured products	<u>2,548,142</u>	<u>2,282,024</u>	<u>2,400,343</u>
	<u>4,138,319</u>	<u>3,972,933</u>	<u>4,073,423</u>
Total	<u><b>\$ 60,035,189</b></u>	<u><b>97,546,186</b></u>	<u><b>70,601,337</b></u>

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

(t) Securities Sold under Repurchase Agreements

	<u>March 31, 2017</u>	<u>December 31, 2016</u>	<u>March 31, 2016</u>
Pecuniary financing	\$ <u>129,594,583</u>	<u>122,889,790</u>	<u>108,980,155</u>

The maturity of abovementioned securities sold under repurchase agreement were all within one year as of March 31, 2017, December 31 and March 31, 2016.

(u) Commercial Paper Issued, Net

	<u>March 31, 2017</u>	<u>December 31, 2016</u>	<u>March 31, 2016</u>
Par value	\$ 10,345,000	655,000	3,210,000
Less: Discount on commercial paper issued	(908)	(213)	(749)
Total	\$ <u>10,344,092</u>	<u>654,787</u>	<u>3,209,251</u>
Interest rate range	0.40%~0.60%	0.56%~0.62%	0.35%~0.75%

(v) Deposits

	<u>March 31, 2017</u>	<u>December 31, 2016</u>	<u>March 31, 2016</u>
Checking accounts	\$ 12,858,410	13,174,102	16,837,845
Public treasury deposits	21,387,996	34,452,576	27,300,165
Demand deposits	430,466,281	426,327,215	400,303,442
Time deposits	682,518,319	743,979,484	693,370,899
Negotiable certificates of deposit	99,345,389	70,959,595	62,499,848
Savings accounts	836,869,676	830,837,261	801,514,005
Remittances	808,683	1,559,498	1,035,954
	\$ <u>2,084,254,754</u>	<u>2,121,289,731</u>	<u>2,002,862,158</u>

(Continued)



**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

## (w) Bonds Payable

(i) The bonds payable as of March 31, 2017, December 31 and March 31, 2016 were as follows:

	<b>March 31, 2017</b>	<b>December 31, 2016</b>	<b>March 31, 2016</b>
Unsecured corporate bonds	\$ 56,000,000	63,800,000	69,800,000
Cumulative perpetual subordinated corporate bonds	28,500,000	28,500,000	-
Financial bonds	<u>94,000,088</u>	<u>86,301,095</u>	<u>81,573,515</u>
Total	<u><b>\$ 178,500,088</b></u>	<u><b>178,601,095</b></u>	<u><b>151,373,515</b></u>

## (ii) Unsecured corporate bonds

<u>Name</u>	<u>Issue period</u>		<u>Issue amount</u>	<u>Interest rate</u>	<u>March 31, 2017</u>	<u>December 31, 2016</u>	<u>March 31, 2016</u>	<u>Note</u>
	<u>Issue date</u>	<u>Maturity date</u>						
First 98 unsecured domestic corporate bonds	2010.01.27	2017.01.27	\$ 6,000,000	2.60	-	6,000,000	6,000,000	Fixed interest, interest payable annually; pay in full upon seven years
Second 98 unsecured domestic corporate bonds-bond B	2010.01.28	2017.01.28	1,000,000	1.90	-	1,000,000	1,000,000	Fixed interest, interest payable annually; pay in full upon seven years
Second 98 unsecured domestic corporate bonds-bond C	2010.01.28	2017.01.28	800,000	2.60	-	800,000	800,000	Fixed interest, interest payable annually; pay in full upon seven years
First 100 unsecured domestic corporate bonds	2011.11.15	2016.11.15	6,000,000	1.40	-	-	6,000,000	Fixed interest, interest payable annually; pay in full upon five years
First 101 unsecured domestic corporate bonds-bond A	2012.08.15	2017.08.15	2,000,000	1.35	2,000,000	2,000,000	2,000,000	Fixed interest, interest payable annually; pay in full upon five years
First 101 unsecured domestic corporate bonds-bond B	2012.08.15	2019.08.15	5,000,000	1.45	5,000,000	5,000,000	5,000,000	Fixed interest, interest payable annually; pay in full upon seven years
First 102 unsecured domestic corporate bonds-bond A	2013.08.28	2018.08.28	5,450,000	1.45	5,450,000	5,450,000	5,450,000	Fixed interest, interest payable annually; pay in full upon five years
First 102 unsecured domestic corporate bonds-bond B	2013.08.28	2020.08.28	900,000	1.58	900,000	900,000	900,000	Fixed interest, interest payable annually; pay in full upon seven years

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

Name	Issue period		Issue amount	Interest rate	March 31, 2017	December 31, 2016	March 31, 2016	Note
	Issue date	Maturity date						
Second 102 unsecured domestic corporate bonds-bond A	2013.12.18	2018.12.18	\$ 100,000	1.42	\$ 100,000	100,000	100,000	Fixed interest, interest payable annually; pay in full upon five years
Second 102 unsecured domestic corporate bonds-bond B	2013.12.18	2020.12.18	2,550,000	1.60	2,550,000	2,550,000	2,550,000	Fixed interest, interest payable annually; pay in full upon seven years
First 103 unsecured domestic corporate bonds	2014.07.21	2021.07.21	15,000,000	1.72	15,000,000	15,000,000	15,000,000	Fixed interest, interest payable annually; pay in full upon seven years
First 104 unsecured domestic corporate bonds-bond A	2015.03.30	2020.03.30	6,100,000	1.38	6,100,000	6,100,000	6,100,000	Fixed interest, interest payable annually; pay in full upon five years
First 104 unsecured domestic corporate bonds-bond B	2015.03.30	2022.03.30	3,900,000	1.65	3,900,000	3,900,000	3,900,000	Fixed interest, interest payable annually; pay in full upon seven years
Second 104 unsecured domestic corporate bonds-bond A	2015.07.15	2018.07.15	2,100,000	1.15	2,100,000	2,100,000	2,100,000	Fixed interest, interest payable annually; pay in full upon three years
Second 104 unsecured domestic corporate bonds-bond B	2015.07.15	2020.07.15	3,500,000	1.35	3,500,000	3,500,000	3,500,000	Fixed interest, interest payable annually; pay in full upon five years
Second 104 unsecured domestic corporate bonds-bond C	2015.07.15	2022.07.15	9,400,000	1.65	9,400,000	9,400,000	9,400,000	Fixed interest, interest payable annually; pay in full upon seven years
					<b>\$ 56,000,000</b>	<b>63,800,000</b>	<b>69,800,000</b>	

(iii) Cumulative perpetual subordinated corporate bonds

	<b>December 31,</b>
	<b>March 31, 2017</b>
Corporate bonds payable	<b>\$ 28,500,000</b>
	<b>December 31, 2016</b>
	<b>28,500,000</b>

Fubon Life Insurance issued a perpetual cumulative subordinated corporate bond in accordance with Gin Guan Bao Shou No. 10502125500 dated November 7, 2016 and letter No. 10500329801 of Taipei Exchange dated November 29, 2016. The term sheet for the bond was set as follows:

- 1) Issue Amount: \$28,500,000.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

- 2) Principal Amount and Issue Price : The issued bond sells, with a par value of 1,000 per share.
- 3) Maturity date : Indefinite; however, the bond was issued on December 7, 2016.
- 4) Coupon rate : Fixed rate of 3.25% from the date of issuance to December 7, 2026, plus 1% if Fubon Life Insurance does not redeem the bond in 10 years from the date of issuance.
- 5) Payment of interest : Interest is payable annually upon coupon rate, beginning on the date of issue.
- 6) Redemption : The corporate bond has no maturity date. However, it can be redeemed at any time on or after December 7, 2026 if the company's risk-based capital ratio is greater than twice the minimum risk-based capital ratio for insurance companies, with the approval from the authority, Fubon Life Insurance will redeem the corporate bond in whole at a redemption price equal to 100% of the principal amount of the bond, plus accrued and unpaid interest to the date of redemption.
- 7) Form of bond : No physical certificate issued.

(iv) Financial Bonds Payable

- 1) Taipei Fubon Bank and its subsidiaries

	<u>March 31, 2017</u>	<u>December 31, 2016</u>	<u>March 31, 2016</u>
First issuance of subordinated bank debentures in 2009; fixed 2.2%; maturity: November 2016	\$ -	-	2,000,000
Second issuance of subordinated bank debentures in 2009; fixed 2.2%; maturity: December 2016	-	-	2,050,000
First issuance of subordinated bank debentures in 2010; fixed 2.5%; maturity: January 2017	-	2,250,000	2,250,000
First issuance of subordinated bank debentures in 2010; fixed 2.5%; maturity: January 2020	2,400,000	2,400,000	2,400,000

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

	<u>March 31, 2017</u>	<u>December 31, 2016</u>	<u>March 31, 2016</u>
Second issuance of subordinated bank debentures in 2010; fixed 2.3%; maturity: January 2017	\$ -	600,000	600,000
Third issuance of dominant bank debentures in 2010; fixed 1.8%; maturity: March 2017	-	1,500,000	1,500,000
Fourth issuance of subordinated bank debentures in 2010; fixed 2.5%; maturity: March 2020	2,000,000	2,000,000	2,000,000
Fifth issuance of dominant bank debentures in 2010; fixed 1.7%; maturity: May 2017	500,000	500,000	500,000
Sixth issuance of subordinated bank debentures in 2010; fixed 1.95%; maturity: August 2017	4,500,000	4,500,000	4,500,000
Sixth issuance of subordinated bank debentures in 2010; fixed 2.05%; maturity: August 2020	1,900,000	1,900,000	1,900,000
Seventh issuance of subordinated bank debentures in 2010; fixed 1.55%; maturity: October 2020	900,000	900,000	900,000
Eighth issuance of subordinated bank debentures in 2010; fixed 1.5%; maturity: November 2017	2,550,000	2,550,000	2,550,000
First issuance of subordinated bank debentures in 2011; fixed 1.65%; maturity: March 2018	3,050,000	3,050,000	3,050,000

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

	<u>March 31, 2017</u>	<u>December 31, 2016</u>	<u>March 31, 2016</u>
Second issuance of subordinated bank debentures in 2011; fixed 1.7%; maturity: August 2018	\$ 2,450,000	2,450,000	2,450,000
Third issuance of subordinated bank debentures in 2011; fixed 1.65%; maturity: December 2018	4,000,000	4,000,000	4,000,000
First issuance of subordinated bank debentures in 2012; fixed 1.48%; maturity: in April 2019	1,300,000	1,300,000	1,300,000
Second issuance of subordinated bank debentures in 2012; fixed 1.68%; maturity: May 2022	4,700,000	4,700,000	4,700,000
First issuance of subordinated bank debentures in 2013; fixed 1.52%; maturity: August 2020	3,750,000	3,750,000	3,750,000
First issuance of subordinated bank debentures in 2013; fixed 1.7%; maturity: August 2023	500,000	500,000	500,000
First issuance of subordinated bank debentures in 2014; fixed 1.7%; maturity: May 2021	5,500,000	5,500,000	5,500,000
First issuance of subordinated bank debentures in 2014; fixed 1.85%; maturity: May 2024	4,500,000	4,500,000	4,500,000
Second issuance of subordinated bank debentures in 2014; fixed 1.98%; maturity: September 2024	3,700,000	3,700,000	3,700,000

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

	<u>March 31, 2017</u>	<u>December 31, 2016</u>	<u>March 31, 2016</u>
First issuance of dominant bank debentures in 2015; zero interest rate; maturity: February 2045 (US\$100,000 thousand)	\$ 3,309,529	3,486,633	3,382,506
Second issuance of dominant bank debentures in 2015; zero interest rate; maturity: May 2045 (US\$80,000 thousand)	2,623,111	2,762,324	2,676,338
First issuance of dominant bank debentures in 2016; zero interest rate; maturity: December 2046 (US\$200,000 thousand)	6,134,004	6,463,320	-
First issuance of dominant bank debentures in 2017; zero interest rate; maturity: January 2047 (US\$200,000 thousand)	6,112,375	-	-
First issuance of dominant bank debentures in 2017; zero interest rate; maturity: January 2047 (US\$200,000 thousand)	6,111,837	-	-
Subtotal	<u>72,490,856</u>	<u>65,262,277</u>	<u>62,658,844</u>
Valuation adjustments of bank debentures	(1,211,974)	(611,074)	309,342
Subtotal	<u>\$ 71,278,882</u>	<u>64,651,203</u>	<u>62,968,186</u>

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

2) Fubon Bank (Hong Kong) and its subsidiaries

	<u>March 31, 2017</u>	<u>December 31, 2016</u>	<u>March 31, 2016</u>
10-year bonds issued in November 2010; fixed 6.25%; maturity: November 2020	\$ 6,041,361	6,428,783	6,424,849
3-year bonds issued in June 2013; floating; maturity: June 2016	-	-	832,680
3-year bonds issued in June 2014; fixed 2.15%; maturity: June 2017	391,559	417,139	417,334
3-year bonds issued in August 2014; fixed 2.40%; maturity: August 2017	391,801	417,160	418,563
3-year bonds issued in December 2014; floating; maturity: December 2017	390,380	416,290	416,340
2-year bonds issued in June 2015; floating; maturity: June 2017	780,737	832,526	832,532
3-year bonds issued in June 2015; floating; maturity: June 2018	390,286	416,169	416,158
1-year bonds issued in August 2015; zero interest rate; maturity: August 2016	-	-	1,126,226
2-year bonds issued in August 2015; floating; maturity: August 2017	897,777	957,292	957,189
2-year bonds issued in August 2015; fixed 1.85%; maturity: August 2017	390,286	416,128	415,984
6-month bonds issued in October 2015; fixed 0.81%; maturity: April 2016	-	-	457,974

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

	<u>March 31, 2017</u>	<u>December 31, 2016</u>	<u>March 31, 2016</u>
6-month bonds issued in November 2015; zero interest rate; maturity: May 2016	\$ -	-	416,046
6-month bonds issued in November 2015; fixed 0.83%; maturity: May 2016	-	-	416,340
3-month bonds issued in January 2016; zero interest rate; maturity: April 2016	-	-	1,935,874
2-month bonds issued in February 2016; zero interest rate; maturity: April 2016	-	-	645,275
3-month bonds issued in February 2016; zero interest; maturity: May 2016	-	-	1,351,981
6-month bonds issued in February 2016; fixed 1.15%; maturity: August 2016	-	-	416,340
3-month bonds issued in March 2016; zero interest rate; maturity: June 2016	-	-	83,180
9-month bonds issued in March 2016; fixed 0.94%; maturity: December 2016	-	-	624,464
1-year bonds issued in April 2016; fixed 1.2%; maturity: April 2017	390,380	416,290	-
9-month bonds issued in May 2016; fixed 1.1%; maturity: February 2017	-	832,580	-
1-year bonds issued in May 2016; fixed 1.2%; maturity: May 2017	429,418	457,919	-
3-year bonds issued in June 2016; fixed 2.12%; maturity: June 2019	776,524	823,430	-

(Continued)



**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

	<u>March 31, 2017</u>	<u>December 31, 2016</u>	<u>March 31, 2016</u>
2-year bonds issued in July 2016; floating; maturity: July 2018	\$ 390,380	416,290	-
3-year bonds issued in July 2016; fixed 1.9%; maturity: July 2019	385,110	406,878	-
6-months bonds issued in August 2016; fixed 0.91%; maturity: February 2017	-	416,290	-
6-months bonds issued in August 2016; zero interest rate; maturity: February 2017	-	1,663,640	-
9-months bonds issued in August 2016; fixed 1.01%; maturity: May 2017	780,760	832,580	-
1-year bonds issued in August 2016; fixed 1.2%; maturity: August 2017	390,380	416,290	-
1-year bonds issued in August 2016; fixed 1.18%; maturity: August 2017	702,684	749,322	-
2-year bonds issued in August 2016, fixed 1.6%; maturity: August 2018	1,046,312	1,109,258	-
3-year bonds issued in September 2016; fixed 1.6%; maturity: September 2019	384,161	405,907	-
3-month bonds issued in October 2016; zero interest rate; maturity: January 2017	752,540	798,209	-
1-year bonds issued in October 2016; zero interest rate; maturity: October 2017	903,003	957,898	-
3-year bonds issued in October 2016; floating; maturity: October 2019	606,569	645,624	-

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

	<u>March 31, 2017</u>	<u>December 31, 2016</u>	<u>March 31, 2016</u>
3-year bonds issued in February 2017; fixed 2.53%; maturity: February 2020	\$ 390,208	-	-
2-year bonds issued in March 2017; fixed 2.28%; maturity: March 2019	781,962	-	-
3-year bonds issued in March 2017; fixed 2.5%; maturity: March 2020	468,152	-	-
3-year bonds issued in April 2017; fixed 2.4%; maturity: April 2020	272,485	-	-
6-month bonds issued in February 2017; zero interest rate; maturity: August 2017	1,553,521	-	-
3-month bonds issued in February 2017; zero interest rate; maturity: June 2017	89,788	-	-
6-month bonds issued in March 2017; zero interest rate; maturing in September 2019	1,552,682	-	-
Subtotal	<u>\$ 22,721,206</u>	<u>21,649,892</u>	<u>18,605,329</u>
Total	<u>\$ 94,000,088</u>	<u>86,301,095</u>	<u>81,573,515</u>

(x) Other Borrowings

	<u>March 31, 2017</u>	<u>December 31, 2016</u>	<u>March 31, 2016</u>
Credit and guarantee loan	<u>\$ 2,220,000</u>	<u>4,420,000</u>	<u>1,400,000</u>
Interest rate range	1.30%~1.68%	0.60%~1.68%	1.38%~1.63%

As of March 31, 2017, December 31 and March 31, 2016, other borrowings were pledged as collateral, please refer to note 8 for details.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

## (y) Provisions

## (i) Provisions

	<u>March 31, 2017</u>	<u>December 31, 2016</u>	<u>March 31, 2016</u>
Unearned premium reserves (Note)	\$ 30,373,597	29,495,609	28,822,737
Claim reserves (Note)	25,682,009	26,804,417	23,948,405
Liability reserves (Note)	2,899,256,779	2,839,412,432	2,605,720,155
Special reserves (Note)	14,857,403	14,849,567	14,346,355
Premium deficiency reserves (Note)	24,051,298	23,351,943	18,329,525
Reserves for insurance with financial instrument (Note)	3,707,224	18,137,335	83,297,968
Foreign exchange valuation reserves (Note)	926,549	4,632,746	5,685,099
Provisions for guarantee liabilities	338,365	329,659	368,051
Provisions for employment benefits	11,356,768	12,259,140	11,077,488
Provisions for decommissioning, restoration and rehabilitation costs	174,659	174,490	135,008
Others	<u>29,908,033</u>	<u>30,047,767</u>	<u>30,253,425</u>
Total	<u>\$ 3,040,632,684</u>	<u>2,999,495,105</u>	<u>2,821,984,216</u>

Note: For further information of insurance contracts, please refer to note 6 (ag).

## (ii) Employee benefits

## 1) Defined benefit plans

There was no significant volatility of the market or any significant reimbursement, settlement or other one time event in the prior fiscal year. Therefore, the Company and its subsidiaries used the pension cost as of December 31, 2016 and 2015 to measure and disclose the interim pension cost.

The Company and its subsidiaries' expenses recognized in profit or loss were as follows:

	<b>For the three months ended March 31</b>	
	<u>2017</u>	<u>2016</u>
Pension expense	<u>\$ 184,140</u>	<u>197,702</u>

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

2) Defined contribution plans

The Company and its subsidiaries' expenses under the pension plan were as follows:

	<b>For the three months ended</b>	
	<b>March 31</b>	
	<b>2017</b>	<b>2016</b>
Pension expense	<b>\$ 341,092</b>	<b>304,503</b>

(z) Other Financial Liabilities

	<b>March 31, 2017</b>	<b>December 31, 2016</b>	<b>March 31, 2016</b>
Principal of structured products	\$ 16,803,457	18,941,631	20,919,530
Liabilities on insurance product— separated account	143,234,738	142,534,021	134,823,058
Future traders' equity	14,705,649	15,702,135	15,682,708
Continuing involvement in transferred liabilities	-	-	253,799
Others	203,717	213,520	486,858
<b>Total</b>	<b>\$ 174,947,561</b>	<b>177,391,307</b>	<b>172,165,953</b>

For related revenue and expenses of insurance separate account instrument regarding liabilities and continuing involvement in transferred liabilities, please refer to note 6 (n), "Other financial assets".

(aa) Other Liabilities

	<b>March 31, 2017</b>	<b>December 31, 2016</b>	<b>March 31, 2016</b>
Advance receipts	\$ 1,953,986	2,112,293	1,909,223
Temporary receipts	3,644,935	6,253,670	6,728,666
Guarantee deposits received	3,552,880	3,951,751	2,311,951
Advance premiums	4,488,677	4,715,299	3,597,799
Deferred handling charge revenue	1,528,371	1,407,829	1,475,292
Deposit-in for borrowed securities	6,366,726	5,565,473	2,267,642
Collections for underwriting stock value	23,077	18,077	-
Others	1,873,942	2,098,128	1,609,777
<b>Total</b>	<b>\$ 23,432,594</b>	<b>26,122,520</b>	<b>19,900,350</b>

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

## (ab) Income Tax

## (i) Income tax expenses

The components of income tax expenses (benefits) were as follows:

	<b>For the three months ended March 31</b>	
	<u>2017</u>	<u>2016</u>
Current tax expense (benefit)		
Current period	\$ 4,566,782	143,626
Adjustment for prior periods	(117,609)	(737,719)
Others	<u>(21,076)</u>	<u>283,569</u>
	<u>4,428,097</u>	<u>(310,524)</u>
Deferred tax expense (benefit)		
Incurrence and reversal of temporary differences	<u>(4,781,839)</u>	<u>1,762,925</u>
Total income tax expenses (benefit)	<u><u>\$ (353,742)</u></u>	<u><u>1,452,401</u></u>

Income tax (expenses) benefits recognized directly in other comprehensive income were as follows:

	<b>For the three months ended March 31</b>	
	<u>2017</u>	<u>2016</u>
Items not to be reclassified subsequently to profit or loss:		
Revaluation gains on property	\$ (235,161)	-
Share of other comprehensive income of associates and joint ventures accounted for using equity method	(296)	3,405
	<u><u>\$ (235,457)</u></u>	<u><u>3,405</u></u>
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	\$ 373,512	287,176
Unrealized gains (losses) on available-for-sale financial assets	(166,842)	(1,676,124)
Gains (losses) on effective portion of cash flow hedge	(20,317)	(30,730)
Share of other comprehensive income of associates and joint ventures accounted for using equity method	(2,160)	(9,418)
	<u><u>\$ 184,193</u></u>	<u><u>(1,429,096)</u></u>
	<u><u>\$ (51,264)</u></u>	<u><u>(1,425,691)</u></u>

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

(ii) Income tax assessment situation

- 1) In accordance with the Financial Holding Company Act, Article 49, the domestic companies, which are held directly by the Company for over 90% of their equity shares, appointed the Company as the taxpayer to file a combined corporate income tax return. The recognized amount of income tax receivable, accounted as current tax assets were as follows:

	<b>March 31, 2017</b>
2006	\$ 396,863
2007	28,830
2008	72,435
2011	102,427
	<b>\$ 600,555</b>

- 2) Under a combined corporate income tax filing, the income tax and 10% surtax on undistributed earnings paid to the tax authorities amounted to \$3,749,644 (actual) and \$3,394,601 (actual) for the years ended December 31, 2015 and 2014, respectively.
- 3) The tax authorities have assessed the combined income tax returns for the Company and its major subsidiaries from years 2002 to 2011. The status of the local tax office's assessment of the income tax returns of the Company and its subsidiaries was as follows:

<b>Taxpayer</b>	<b>Assessment issue</b>	<b>Status</b>
The Company	Investment tax credit is deductible or not	The administrative litigation of investment tax credit for the year 2009 is still in process.
Taipei Fubon Bank	Investment losses were not allowed as deductible	The application for reassessments for the year 2010 is still in process.
Fubon Life Insurance	Real estate securitization interest revenue were increased	The application for reassessments for the year 2010 is still in process.
Fubon Securities	The tax issue on operating rights, tax-exempt operating expenses and interest expenses	The administrative litigation for the year 2007; the administrative appeal is still in process for the year 2009; the application for reassessments for the year 2010 is still in process.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

The Company is the taxpayer of the combined corporate income tax return. The Company has applied for administrative procedures for assessment of income tax returns for the year 2007, 2009 and 2010. The Company is still assessing whether to apply for reassessment of the difference between filed tax amount and assessed tax amount for the year 2011.

- 4) The Company and its subsidiaries' have filed a combined corporate income tax return since 2002 in accordance with the Financial Holding Company Act, Article 49. Details of the Company's receivables from and payables to subsidiaries resulting from combined corporate income tax return filings were as follows:

	<b>March 31, 2017</b>			
	<b>Estimate for the three months ended March 31, 2017</b>	<b>Estimate in 2016</b>	<b>Filed in previous years</b>	<b>Total</b>
Linked tax receivables from subsidiaries:				
Taipei Fubon Bank	\$ 375,904	1,452,961	187,407	2,016,272
Fubon Life Insurance	3,725,097	3,940,045	320,620	7,985,762
Fubon Insurance	-	324,717	197,671	522,388
Fubon Securities	33,032	-	479,395	512,427
Fubon AMC	18,316	24,512	-	42,828
Fubon Financial Holding Venture Capital	-	28,964	-	28,964
Fubon Marketing	2,417	5,583	-	8,000
<b>Total</b>	<b>\$ 4,154,766</b>	<b>5,776,782</b>	<b>1,185,093</b>	<b>11,116,641</b>

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

<b>March 31, 2017</b>				
	<b>Estimate for the three months ended</b>		<b>Filed in previous years</b>	<b>Total</b>
	<b>March 31, 2017</b>	<b>Estimate in 2016</b>		
Linked tax payables to subsidiaries:				
Taipei Fubon Bank	\$ -	-	574,231	574,231
Fubon Life Insurance	-	-	90,119	90,119
Fubon Insurance	3,203	-	-	3,203
Fubon Securities	-	13,293	-	13,293
Fubon Asset Management	-	-	28,830	28,830
Taiwan Sport Lottery	25	25	-	50
<b>Total</b>	<b>\$ 3,228</b>	<b>13,318</b>	<b>693,180</b>	<b>709,726</b>
<b>December 31, 2016</b>				
	<b>Estimate in</b>		<b>Filed in</b>	<b>Total</b>
	<b>2016</b>			
Linked tax receivables from subsidiaries:				
Taipei Fubon Bank	\$ 1,452,961		121,503	1,574,464
Fubon Life Insurance	3,940,045		125,006	4,065,051
Fubon Insurance	324,717		197,671	522,388
Fubon Securities	-		466,678	466,678
Fubon AMC	24,512		-	24,512
Fubon Financial Holding Venture Capital	28,964		-	28,964
Fubon Marketing	5,583		-	5,583
<b>Total</b>	<b>\$ 5,776,782</b>		<b>910,858</b>	<b>6,687,640</b>

(Continued)



**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

	<b>December 31, 2016</b>			
	<b>Estimate in 2016</b>	<b>Filed in previous years</b>	<b>Total</b>	
Linked tax payables to subsidiaries:				
Taipei Fubon Bank	\$ -	471,803	471,803	
Fubon Life Insurance	-	90,119	90,119	
Fubon Securities	13,293	-	13,293	
Fubon Asset Management	-	28,830	28,830	
Taiwan Sport Lottery	<u>25</u>	<u>-</u>	<u>25</u>	
Total	<u>13,318</u>	<u>590,752</u>	<u>604,070</u>	
	<b>March 31, 2016</b>			
	<b>Estimate for the three months ended March 31, 2016</b>	<b>Estimate in 2015</b>	<b>Filed in previous years</b>	<b>Total</b>
Linked tax receivables from subsidiaries:				
Taipei Fubon Bank	\$ 420,055	1,315,093	-	1,735,148
Fubon Life Insurance	-	-	141,104	141,104
Fubon Insurance	-	221,802	231,581	453,383
Fubon Securities	-	83,290	912,094	995,384
Fubon AMC	14,704	45,200	-	59,904
Fubon Financial Holding Venture Capital	18,658	16,205	-	34,863
Fubon Marketing	<u>720</u>	<u>4,511</u>	<u>-</u>	<u>5,231</u>
Total	<u>\$ 454,137</u>	<u>1,686,101</u>	<u>1,284,779</u>	<u>3,425,017</u>

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

	<b>March 31, 2016</b>			
	<b>Estimate for the three months ended March 31, 2016</b>	<b>Estimate in 2015</b>	<b>Filed in previous years</b>	<b>Total</b>
Linked tax payables to subsidiaries:				
Taipei Fubon Bank	\$ -	-	358,012	358,012
Fubon Life Insurance	1,330,733	1,338,284	270,625	2,939,642
Fubon Insurance	2,843	-	-	2,843
Fubon Securities	4,068	-	32,434	36,502
Fubon Asset Management	-	-	115,403	115,403
Taiwan Sport Lottery	11	52	-	63
Total	<b>\$ 1,337,655</b>	<b>1,338,336</b>	<b>776,474</b>	<b>3,452,465</b>

- 5) Information related to the imputation credit account ("ICA") of the Company was summarized below:

	<b>March 31, 2017</b>	<b>December 31, 2016</b>	<b>March 31, 2016</b>
	Undistributed earnings:		
Earned prior to 1997	\$ 46,459	46,459	46,459
Earned in 1998 and thereafter	150,506,375	140,626,165	149,991,030
Total	<b>\$ 150,552,834</b>	<b>140,672,624</b>	<b>150,037,489</b>
ICA balance	<b>\$ 11,341,860</b>	<b>11,341,860</b>	<b>11,693,648</b>

	<b>2016 (estimated)</b>	<b>2015 (actual)</b>
Creditable ratio for earnings distribution to ROC resident stockholders	<b>8.06 %</b>	<b>11.04 %</b>

The information related to the imputation credit account ("ICA") mentioned above is in according with Tai Tsai No.10204562810 on October 17, 2013.

Actual creditable amount is based on the ICA balance of the dividend distribution date. Therefore, the estimated creditable ration for earning distribution may be different from the actual ratio.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

(ac) Capital and Other Equity

(i) Share capital

- 1) As of March 31, 2017, December 31 and March 31, 2016, the authorized and paid-in capital all amounted to \$150,000,000 thousand, with a par value of \$10 per share. Share capital includes common stock and preferred stock. Issued common shares amounted to 10,233,604 thousand shares. Issued irredeemable non-cumulative preferred shares amounted to 600,000 thousand, 600,000 thousand and 0 shares, respectively. All issued shares were fully paid, and the non-cumulative preferred shares were recognized as equity.
- 2) Issuance of preferred stock

The shareholders' meeting has approved the amended Articles of Incorporation on rights and obligations of Series A Preferred Shares on June 12, 2015. The board of directors approved the details of issuing Series A Preferred Shares on June 12, 2015 and January 28, 2016. The Company issued 600,000 thousand preferred shares for cash totaled \$6,000,000 thousand, with a par value of \$10 per share, at an issuance price of \$60 per share. The capital increase project was approved by the Financial Supervisory Commission. The subscription date was April 22, 2016. All issued shares were fully paid, registered and recognized as equity.

Rights and Obligations of Issuer's Series A Preferred Shares Issuance for Cash

- a) Due Date: Perpetual
- b) Dividend: 4.10% per annum for Series A Preferred Shares (7-year IRS 0.885%+3.215%) calculated pursuant to issue price per share. Interest rate per annum will be reset on the day after the 7th anniversary of the issue date ("Issue Date") and the day after each subsequent 7-year period hereafter. Reset interest rate is calculated as 7-year IRS + 3.215%. Record date for interest reset shall be the second previous business day for financial institutions in Taipei. The 7-year IRS rate shall be the arithmetic mean of 7-year IRS quotations as published by Reuter, PYTDWFIX and COSMOS3 at 11:00 a.m. of the day of reset record date (must be a business day for Taipei's financial institutions). If the above quotations cannot be obtained on reset record date, interest rate shall be decided by Issuer in good faith and taken into account of reasonable market rate.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

- c) **Dividend Issuance:** Issuer has sole discretion on dividend issuance of Series A Preferred Shares, including but not limited to its discretion to not declare dividends when no profit is recorded, or insufficient profit is recorded for Preferred Share dividends, or preferred share dividend declaration would render the Issuer's RBC ratio below level required by law or relevant authorities. The Issuer's cancellation of preferred share dividend declaration shall not be deemed an event of default. Undeclared or underdeclared dividends are not cumulative, and are not paid in subsequent years with profit. In the year with profit, before Issuer can distribute dividends for Series A Preferred Shares, Issuer shall set aside out of Issuer's profits: (i) a settlement for payment of tax for the relevant financial year; (ii) an offset of its losses in previous years that have not been previously offset; (iii) a statutory reserve ("Legal Reserve"); and (iv) reserve special reserve pursuant to legal requirement or actual need. Dividends for Series A Preferred Shares are declared once per year in cash. After shareholders' approval of Issuer's financial statements at its annual shareholders meeting, the board may set record date for distribution of available dividends from the previous year. Dividend distribution for the years of issuance and redemption shall be calculated pursuant to actual issued days of the given year. Dividends distributed shall be included in the dividend certificate.
- d) **Excessive Dividend Distribution:** Except for receipt of dividends at the aforementioned dividend rate, holders Series A Preferred Shares cannot participate in distribution of cash or stock dividends to holders of common shares from profit or additional paid-in capital.
- e) **Redemption of Series A Preferred Shares:** On the day after the 7th anniversary of the Issue Date, Issuer may redeem all or part of outstanding Series A Preferred Shares at issue price. Rights and obligations of the unredeemed Series A Preferred Shares shall remain the same as mentioned above.
- f) **Priority of Claims in Liquidation:** Holders of Series A Preferred Shares shall have the same priority as holders of all subsequently issued preferred share in liquidation, which are prior to holders of common shares but subordinated to general creditors, to the extent of the amount equaling to the multiplication of (i) then issued and outstanding Series A Preferred shares and (ii) per share issue price of such preferred shares.
- g) **Voting Right and Election Right:** Holders of Series A Preferred Shares have no voting right at the annual shareholders meeting, and cannot elect directors. Said holders, however, are eligible as director candidates. Holders of Series A Preferred Shares have voting rights at shareholders meeting of Series A Preferred Shares, and at annual shareholders meeting on items relating to rights of Series A Preferred Shares holders.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

- h) Conversion Right: Holders of Series A Preferred Shares cannot convert said preferred shares to common shares, and have no right to request for redemption of Series A Preferred Shares.
- i) When Issuer conduct rights issue for cash, holders of Series A Preferred Shares have the same subscription right as holders of common shares.

(ii) Capital surplus

- 1) The details of capital surplus were as follows:

The components of capital surplus as of March 31, 2017, December 31 and March 31, 2016 were as follows:

	<u>March 31, 2017</u>	<u>December 31, 2016</u>	<u>March 31, 2016</u>
Additional paid-in capital from new share issuance for cash	\$ 63,644,042	63,644,042	33,690,397
Additional paid-in capital from share exchange	36,199,185	36,199,185	38,651,532
Additional paid-in capital from equity-accounted investees	2,024,578	1,001,286	239,170
Land revaluation surplus	1,104	1,104	1,104
Sale of treasury stock	178,098	178,098	178,098
Transfer of treasury stock to employee	23,753	23,753	23,753
Cash dividend from the Company's stock held by its subsidiary	27,664	27,664	27,664
Additional paid-in capital for employee warrants exercise	1,637,823	1,637,823	1,637,823
Share-based payment	177	177	177
Total	<u>\$ 103,736,424</u>	<u>102,713,132</u>	<u>74,449,718</u>

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

2) The details of additional paid in capital from share exchange were as follows:

<u>Date of share exchange</u>	<u>Participants of share exchange and description</u>	<u>March 31, 2017</u>	<u>December 31, 2016</u>	<u>March 31, 2016</u>
December 19, 2001	Fubon Securities, Fubon Bank, and Fubon Life Insurance	\$ 42,040,134	42,040,134	42,040,134
August 28, 2002	Fubon Asset Management	(124,882)	(124,882)	(124,882)
December 23, 2002	Taipei Bank	3,384,059	3,384,059	3,384,059
February 11, 2009	ING Life Insurance	4,825,587	4,825,587	4,825,587
	Subtotal	<u>50,124,898</u>	<u>50,124,898</u>	<u>50,124,898</u>
February 11, 2009	Cash dividend	(3,912,569)	(3,912,569)	(3,912,569)
	Subsidiaries' employee bonus and remuneration to directors and supervisors	(46,600)	(46,600)	(46,600)
December 19, 2004	Common stock held by Fubon Securities and Fubon Insurance to be cancelled	(2,982,647)	(2,982,647)	(2,982,647)
April 29, 2005	Retirement of treasury stock	(313,789)	(313,789)	(313,789)
December 23, 2005	Retirement of treasury stock	(2,287,988)	(2,287,988)	(2,287,988)
June 2006	Cash dividend	<u>(1,929,773)</u>	<u>(1,929,773)</u>	<u>(1,929,773)</u>
		<u>(11,473,366)</u>	<u>(11,473,366)</u>	<u>(11,473,366)</u>
October 2016	Acquisition of the non- controlling interests of Fubon Bank (China)	(2,452,347)	(2,452,347)	-
		<u>\$ 36,199,185</u>	<u>36,199,185</u>	<u>38,651,532</u>

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

According to the Ruling Letter No.10200017220 of the Banking Bureau, Financial Supervisory Commission, ROC., dated March 7, 2013, the undistributed earnings of financial institutions which are converted into financial holding companies, could be either distributed as cash dividends or accounted for as capital surplus of the financial holding companies, on the converting year, pursuant to Article 47, Paragraph 4 of Financial Holding Company Act. The amount of capital surplus used to increase capital is not subject to restriction under Securities 1 of Article 72 of Regulations Governing the Offering and Issuance of Securities by Securities Issuers. As of March 31, 2017 and 2016, the balance of such capital surplus was \$4,343.

(iii) Legal reserve

According to the newly amended ROC Company Act, where the Company incurs no loss, it may, pursuant to a resolution to be adopted by a shareholders' meeting, distribute legal reserve by issuing new shares or by cash. However, only the portion of legal reserve which exceeds 25 percent of the paid-in capital may be distributed.

(iv) Special reserve

	<b>March 31, 2017</b>	<b>December 31, 2016</b>	<b>March 31, 2016</b>
Share exchange	\$ 1,669,704	1,669,704	1,669,704
First adoption of IFRSs	1,315,662	1,315,662	1,315,662
Adoption of fair value model of investment property	26,547,216	26,547,216	26,136,441
Deduction from others equity, net	<u>20,778,140</u>	<u>20,778,140</u>	<u>-</u>
	<b><u>\$ 50,310,722</u></b>	<b><u>50,310,722</u></b>	<b><u>29,121,807</u></b>

According to the regulation stipulated by the Securities and Futures Bureau, in addition to legal reserve, the Company is also required to provide a special reserve equal to the net amount of the current year equity contra accounts, from the current year's earnings after tax or prior years' undistributed earnings. If an equity contra account is reversed, the reversed portion of special reserve could be distributed as dividends.

In 2014, the Company and its subsidiaries changed the subsequent measurement of investment property from cost model to fair value model. In accordance with Rule No.10310000140 issued by the Financial Supervisory Commission, subsequent measurement for investment property of the financial holding companies shall use the fair value model based on the "Principles for Compiling the Financial Statements of Financial Holding Companies". In order to maintain a stable financial structure, the Company and its subsidiaries shall appropriate a special reserve from retained earnings which amount is equivalent to the incremental retained earnings due to fair value model.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

(v) Distribution of earnings

According to the Company's Articles of Incorporation, if there is profit for the year, dividends for Series A Preferred Shares will be distributed after settling tax payment, offsetting prior years' losses, as well as appropriating legal reserve and special reserve. The remaining balance of the current year's earnings and prior year's undistributed earnings are distributed as remuneration to shareholders upon the approval during the shareholders' meeting.

According to the amended ROC Company Act in May 2015, employees' compensation, and directors and supervisors' remuneration are no longer subject to earnings distribution. The amendment had been approved in the board meeting on January 28, 2016, and resolved in the shareholders' meeting on June 8, 2016.

In 2016, the Company paid a cash dividend of \$2.0 per share from its 2015 retained earnings. The distribution of earnings approved in the shareholders' meeting is the same as the resolution of the board meeting in 2016. The relevant information could be accessed from the website of the Market Observation Post System.

On April 27, 2017, the board of directors approved the earnings distribution for the year 2016 to distribute cash dividends of \$2.0 per common share and of \$1.707 per preferred share, which will be subsequently proposed to the shareholders. The relevant information has been disclosed in the website of the Market Observation Post System.

(vi) Dividend policy

The Company adopted a stable and balanced dividend policy that is intended to provide profitability to the shareholders. This policy also considers the capital accumulation and impact on operation.

Pursuant to the Company's dividend distribution plan, an amount shall be reserved for the necessary funds and the remainder may be distributed in cash. In accordance with the resolution of the stockholders' meeting, the Company provided cash dividend shall not be less than 10% of the total dividend. Subject to practical need, the above principles of distribution of dividend may be adjusted by resolution at a shareholders' meeting.

The dividend policy shown above is a general rule. The Company would make the best dividend distribution plan in consideration of the Company's operations for current year and the capital budget plan for the following year.

(Continued)



**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

(vii) Other equity (net of tax)

	<b>Exchange differences on translation of foreign operations</b>	<b>Unrealized gains (losses) on available- for-sale financial assets</b>	<b>Effective portion of cash flow hedges</b>	<b>Revaluation reserve</b>	<b>Total</b>
Balance as of January 1, 2017	\$ (7,625,985)	(16,096,768)	(402,102)	1,351,037	(22,773,818)
Exchange differences on translation of foreign operations	(6,919,443)	-	-	-	(6,919,443)
Share of exchange differences on translation of the associates accounted for using equity method	24,613	-	-	-	24,613
Unrealized gains (losses) on available-for-sale financial assets	-	17,499,249	-	-	17,499,249
Accumulated gains (losses) from disposal of available-for-sale financial assets losses reclassified to profit and loss	-	(12,961,380)	-	-	(12,961,380)
Share of unrealized gains (losses) on available-for-sale financial assets of the associate accounted for using equity method	-	(41,110)	-	-	(41,110)
Gains (losses) on effective portion of cash flow hedges	-	-	99,194	-	99,194
Share of gains (losses) on cash flow hedges of the associate accounted for using equity method	-	-	1,291	-	1,291
Revaluation gains	-	-	-	870,813	870,813
Balance as of March 31, 2017	<u><u>\$ (14,520,815)</u></u>	<u><u>(11,600,009)</u></u>	<u><u>(301,617)</u></u>	<u><u>2,221,850</u></u>	<u><u>(24,200,591)</u></u>

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

	<b>Exchange differences on translation of foreign operations</b>	<b>Unrealized gains (losses) on available- for-sale financial assets</b>	<b>Effective portion of cash flow hedges</b>	<b>Revaluation reserve</b>	<b>Total</b>
Balance as of January 1, 2016	\$ 3,698,512	(26,082,512)	549,439	1,056,421	(20,778,140)
Exchange differences on translation of foreign operations	(3,384,412)	-	-	-	(3,384,412)
Share of exchange differences on translation of associates accounted for using equity method	(26,741)	-	-	-	(26,741)
Unrealized gains (losses) on available-for-sale financial assets	-	31,791,985	-	-	31,791,985
Accumulated gains (losses) from disposal of available-for-sale financial assets losses reclassified to profit and loss	-	(6,294,591)	-	-	(6,294,591)
Share of unrealized gains (losses) on available-for-sale financial assets of the associate accounted for using equity method	-	(43,264)	-	-	(43,264)
Gains (losses) on effective portion of cash flow hedges	-	-	150,037	-	150,037
Revaluation gains	-	-	-	19,940	19,940
Balance as of March 31, 2016	<u>\$ 287,359</u>	<u>(628,382)</u>	<u>699,476</u>	<u>1,076,361</u>	<u>1,434,814</u>

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

## (viii) Non-controlling interests

	<b>For the three months ended March 31</b>	
	<b>2017</b>	<b>2016</b>
Beginning balance	\$ 285,725	8,454,806
Acquisition of the non-controlling interests	99,547	-
Attributable to non-controlling interests		
Net income	(29,076)	112,668
Exchange differences on translation of foreign operations	-	(74,050)
Unrealized gains (losses) on available-for-sale financial assets	(124)	(3,869)
Income tax — unrealized gains (losses) on available-for-sale financial assets	-	(615)
Others	(13,652)	(3,784)
Ending balance	<b>\$ 342,420</b>	<b>8,485,156</b>

## (ad) Earnings Per Share

The details of earnings per share were as follows:

	<b>For the three months ended March 31</b>	
	<b>2017</b>	<b>2016</b>
Net income of ordinary equity holders	<b>\$ 9,878,762</b>	<b>8,774,325</b>
Weighted average number of ordinary shares outstanding (thousands)	10,233,604	10,223,604
Dilutive potential ordinary shares	-	-
	<b>10,233,604</b>	<b>10,223,604</b>
Basic EPS (Dollars)	<b>\$ 0.97</b>	<b>0.86</b>
Diluted EPS (Dollars)	<b>\$ 0.97</b>	<b>0.86</b>

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

(ae) Employees' compensation and directors' remuneration

In accordance with the Articles of Incorporation, 0.01% to 0.05% of employees' compensation and less than 0.30% of directors' remuneration should be distributed if there is profit for the period. However, if the Company has accumulated losses, the earnings shall first be offset against any deficit. Employees entitled to receive shares or cash include the employees of the subsidiaries meeting certain requirements.

The recognized to employees' compensation, and directors' remuneration were \$2,000 and \$12,000, respectively, for the three months ended March 31, 2017. The amounts were calculated in accordance with the Articles of Incorporation and approved by the board of directors. If the actual distribution is different from the estimation, the difference will be accounted for as changes in accounting estimates and recognized in profit or loss in the following year. The shares of stock dividend, if any, would be calculated based on the closing price of the date before the board meeting, with considering the effects of ex dividend and ex right.

For the year ended December 31, 2016, the recognized employees' compensation and directors' remuneration were \$10,000 and \$56,000, respectively, which were the same as the amounts for actual distribution. If the actual distribution is different from the estimation, the difference will be accounted for as changes in accounting estimates and recognized in profit or loss for year 2017.

(af) Income and Expenses

(i) Net interest revenue

	<b>For the three months ended</b>	
	<b>March 31</b>	
	<u>2017</u>	<u>2016</u>
Interest revenue:		
Discounts and loans	\$ 9,414,934	10,125,095
Investment in securities	21,129,793	19,476,690
Others	<u>2,945,892</u>	<u>2,635,239</u>
Subtotal	<u>33,490,619</u>	<u>32,237,024</u>
Interest expense:		
Deposits	4,604,362	4,977,468
Debt securities issued	837,064	656,574
Call loans from the central Bank and banks	256,083	248,664
Securities sold under repurchase agreements	514,210	411,914
Others	<u>187,643</u>	<u>161,723</u>
Subtotal	<u>6,399,362</u>	<u>6,456,343</u>
Net interest revenue	<u><u>\$ 27,091,257</u></u>	<u><u>25,780,681</u></u>

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

## (ii) Net service charge and commission loss

	<b>For the three months ended</b>	
	<b>March 31</b>	
	<b>2017</b>	<b>2016</b>
Service fee and commission income:		
Brokerage service fees	\$ 812,589	743,355
Trust and custody services	872,289	640,177
Credit card and cash card related fees	462,486	492,131
Commission income	397,390	347,989
Loan service fees	435,311	323,712
Others	1,256,592	1,222,355
Subtotal	4,236,657	3,769,719
Service charge and commission expense:		
Insurance commission expense	7,231,010	8,024,463
Interbank service charge	74,188	72,450
Brokerage service charge	58,871	57,295
Credit card service charge	206,726	193,491
Others	289,210	301,087
Subtotal	7,860,005	8,648,786
Net service charge and commission loss	<b>\$ (3,623,348)</b>	<b>(4,879,067)</b>

## (iii) Net income of insurance operations

	<b>For the three months ended</b>	
	<b>March 31</b>	
	<b>2017</b>	<b>2016</b>
Premiums income	\$ 133,701,324	128,000,480
Income on insurance product-separate account	5,584,737	2,763,285
Income from insurance business	139,286,061	130,763,765
Direct business expenses	7,759	6,052
Insurance claims payment	48,643,466	49,369,061
Disbursement on insurance product-separate account	5,584,737	2,763,285
Disbursement toward industry stability	229,462	200,206
Insurance business expenses	54,465,424	52,338,604
Net income of insurance operations	<b>\$ 84,820,637</b>	<b>78,425,161</b>

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

(iv) Net change in insurance provisions

	<b>For the three months ended March 31</b>	
	<b>2017</b>	<b>2016</b>
Net change of claim reserves	\$ 75,355	549,275
Net change of liability reserves	92,267,147	83,021,890
Net change of special reserves	7,836	140,286
Net change of reserves for premium deficiency	932,997	1,892,059
Net change of liabilities adequacy reserves	49,881	379,643
Others	(3,775,977)	(1,885,512)
Net change in insurance provision	<b>\$ 89,557,239</b>	<b>84,097,641</b>

(v) Employee benefit expenses

	<b>For the three months ended March 31</b>	
	<b>2017</b>	<b>2016</b>
Salaries and wages	\$ 5,641,857	5,413,925
Labor insurance, national health insurance, and group insurance for life	838,724	727,759
Pension	476,238	456,767
Other employee benefit expenses	391,900	392,967
	<b>\$ 7,348,719</b>	<b>6,991,418</b>

(vi) Depreciation and amortization expenses

	<b>For the three months ended March 31</b>	
	<b>2017</b>	<b>2016</b>
Depreciation expenses	\$ 512,324	481,387
Amortization expenses	402,331	431,084
	<b>\$ 914,655</b>	<b>912,471</b>

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

(vii) Other operating expenses

	<b>For the three months ended</b>	
	<b>March 31</b>	
	<u><b>2017</b></u>	<u><b>2016</b></u>
Taxation and government fee	\$ 837,692	1,069,507
Rental	885,538	872,757
Professional services	602,057	538,540
Business activities	513,183	1,069,782
Selling expense	269,110	488,171
Postage	208,324	230,869
Others	<u>1,816,246</u>	<u>1,765,232</u>
	<u><b>\$ 5,132,150</b></u>	<u><b>6,034,858</b></u>

(ag) Disclosure of financial instruments

(i) Fair value information

1) Summary

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Financial instrument are measured at fair value at initial recognition, which mostly refers to transaction price. Except for those measured at amortized cost, financial instruments are measured at fair value on a recurring basis. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities. If the market is not active, the fair value of financial instruments is determined in accordance with (a) valuation techniques, (b) valuation provided by the professional information providers which are commonly used by market participants, or (c) quoted prices of the counter party.

2) Definition of fair value hierarchy

a) Level 1 inputs

Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date. An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. Taiwan government bonds, listed equity and debt instruments with active market prices are categorized in Level 1.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

b) Level 2 inputs

Level 2 inputs are inputs other than quoted market prices included within level 1 that are observable for the asset or liability, either directly (i.e., prices) or indirectly (i.e., derived from prices). Domestic preference stocks, bonds and most derivatives instruments without active market price are categorized in Level 2.

c) Level 3 inputs

Level 3 inputs are valuation parameters which are not based on the information available in the market or the quoted price from the counter party. The investment in equity and debt instruments and some derivatives without active market prices but based on counter party as well as investment property are categorized in Level 3.

(ii) Fair value measurement

1) Fair value hierarchy

The following tables present for each of the fair value hierarchy levels the Company and its subsidiaries' assets and liabilities that are measured at fair value on a recurring basis.

Financial instruments - instruments measured at fair value	March 31, 2017			
	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<b>Recurring fair value measurement</b>				
<u>Non-derivative financial instruments</u>				
Assets:				
Financial assets measured at fair value through profit or loss				
Held-for-trading financial assets				
Stock investment	\$ 3,831,231	3,316,128	413,363	101,740
Bond investment	62,835,682	29,367,706	33,310,975	157,001
Others	12,355,949	2,251,289	10,104,660	-
Financial assets designated as at fair value through profit or loss at initial recognition	12,446,532	10,507,002	281,954	1,657,576
Available-for-sale financial assets				
Stock investment	453,606,588	441,237,817	11,355,748	1,013,023
Bond investment (Note)	835,292,815	547,941,246	246,414,078	40,937,491
Others	327,078,221	204,111,729	79,389,746	43,576,746
Investment property	178,022,353	-	3,580,823	174,441,530
Liabilities:				
Financial liabilities measured at fair value through profit or loss				
Held-for-trading financial liabilities				
	6,852,788	6,504,192	348,596	-
Financial liabilities designated as at fair value through profit or loss at initial recognition	1,590,178	-	1,590,178	-
Financial bonds payable	44,128,882	21,322,334	22,806,548	-

(Continued)



**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

<b>March 31, 2017</b>				
<b>Financial instruments - instruments measured at fair value</b>	<b>Total</b>	<b>Quoted prices in active markets for identical assets (Level 1)</b>	<b>Significant other observable inputs (Level 2)</b>	<b>Significant unobservable inputs (Level 3)</b>
<u>Derivative financial instruments</u>				
Assets:				
Financial assets measured at fair value through profit or loss	\$ 69,277,094	543,141	62,501,829	6,232,124
Derivative financial assets for hedging	1,861,540	-	1,861,540	-
Liabilities :				
Financial liabilities measured at fair value through profit or loss				
Held-for-trading financial liabilities	49,044,082	244,401	42,481,351	6,318,330
Financial liabilities designated as at fair value through profit or loss at initial recognition	2,548,142	-	15,009	2,533,133
Derivative financial liabilities for hedging	3,872,590	-	3,872,590	-
<b><u>Non-recurring fair value measurement</u></b>				
Asset classified as held for sale	46,518	-	-	46,518
<b>December 31, 2016</b>				
<b>Financial instrument measured at fair value</b>	<b>Total</b>	<b>Quoted prices in active markets for identical assets (Level 1)</b>	<b>Significant other observable inputs (Level 2)</b>	<b>Significant unobservable inputs (Level 3)</b>
<b><u>Recurring fair value measurement</u></b>				
<u>Non-derivative financial instruments</u>				
Assets:				
Financial assets designated at fair value through profit or loss at time of initial recognition				
Held-for-trading financial assets				
Stock investment	\$ 2,553,283	1,931,724	587,319	34,240
Bond investment	63,083,719	36,662,634	26,156,053	265,032
Others	9,137,372	3,040,890	6,096,482	-
Financial assets designated at fair value through profit or loss at time of initial recognition	12,828,774	10,603,811	586,799	1,638,164
Available-for-sale financial assets				
Stock investment	437,810,148	425,451,682	11,265,973	1,092,493
Bond investment (Note)	881,824,575	521,620,068	323,163,747	37,040,760
Others	311,875,462	207,376,692	62,841,067	41,657,703
Investment property	175,529,080	-	437,023	175,092,057
Liabilities:				
Financial liabilities measured at fair value through profit or loss				
Held-for- trading financial liabilities	8,978,686	8,928,822	49,864	-
Financial liabilities designated at fair value through profit or loss at time of initial recognition	1,690,909	-	1,690,909	-
Financial bonds payable	33,751,203	21,841,910	11,909,293	-

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

<b>December 31, 2016</b>				
<b>Financial instrument measured at fair value</b>	<b>Total</b>	<b>Quoted prices in active markets for identical assets (Level 1)</b>	<b>Significant other observable inputs (Level 2)</b>	<b>Significant unobservable inputs (Level 3)</b>
<b>Derivative financial instruments</b>				
Assets:				
Financial assets designated at fair value through profit or loss at time of initial recognition	\$ 76,307,090	496,068	63,916,462	11,894,560
Derivative financial assets for hedging	1,329,276	-	1,329,276	-
Liabilities:				
Financial liabilities measured at fair value through profit or loss				
Held-for-trading financial liabilities	84,594,567	138,413	72,475,914	11,980,240
Financial liabilities measured at fair value through profit or loss at time of initial recognition	2,282,024	-	30,341	2,251,683
Derivative financial liabilities for hedging	2,935,500	-	2,935,500	-
<b>Non-recurring fair value measurement</b>				
Asset classified as held for sale	49,606	-	-	49,606
<b>March 31, 2016</b>				
<b>Financial instruments measured at fair value</b>	<b>Total</b>	<b>Quoted prices in active markets for identical assets (Level 1)</b>	<b>Significant other observable inputs (Level 2)</b>	<b>Significant unobservable inputs (Level 3)</b>
<b>Recurring fair value measurement</b>				
<b>Non-derivative financial instruments</b>				
Assets:				
Financial assets measured at fair value through profit or loss				
Held-for- trading financial assets				
Stock investment	\$ 3,049,674	3,049,674	-	-
Bond investment	61,639,775	25,659,297	35,029,032	951,446
Others	9,634,170	3,210,516	6,423,654	-
Financial assets designated as at fair value through profit or loss at initial recognition	11,636,525	9,829,069	307,099	1,500,357
Available-for-sale financial assets				
Stock investment	399,040,166	386,002,710	-	13,037,456
Bond investment (Note)	905,403,841	641,762,784	220,362,460	43,278,597
Others	340,867,557	269,428,593	40,044,543	31,394,421
Investment property	178,563,787	-	15,762	178,548,025
Liabilities:				
Financial liabilities measured at fair value through profit or loss				
Held-for-trading financial liabilities	4,212,462	4,212,462	-	-
Financial liabilities designated as at fair value through profit or loss at initial recognition	1,673,080	-	1,673,080	-
Financial bonds payable	28,318,186	22,405,067	5,913,119	-

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

<b>Financial instruments measured at fair value</b>	<b>March 31, 2016</b>			
	<b>Total</b>	<b>Quoted prices in active markets for identical assets (Level 1)</b>	<b>Significant other observable inputs (Level 2)</b>	<b>Significant unobservable inputs (Level 3)</b>
<u>Derivative financial instruments</u>				
Assets:				
Financial assets measured at fair value through profit or loss	\$ 80,217,241	362,084	67,210,535	12,644,622
Derivative financial assets for hedging	1,328,023	-	1,328,023	-
Liabilities:				
Financial liabilities measured at fair value through profit or loss				
Held-for-trading financial liabilities	62,315,452	236,541	49,566,736	12,512,175
Financial liabilities designated at fair value through profit or loss at time of initial recognition	2,400,343	-	36,960	2,363,383
Derivative financial liabilities for hedging	2,770,157	-	2,770,157	-
<u>Non-recurring fair value measurement</u>				
Asset classified as held for sale	49,612	-	-	49,612

Note: Guarantee deposits for government bonds as pledged assets were included.

2) Valuation techniques

a) Financial instruments

If a financial instrument has a quoted price in an active market, the quoted price is used as fair value. Quoted prices of major stock exchanges and Taipei Exchange, theoretical prices of government bonds, and net asset value of mutual funds, are all basis for measuring the fair value of listed-stocks in exchange, listed stocks in OTC and debt instruments with quoted prices in the active markets.

If the quoted prices from stock exchanges, brokers, underwriters, industry associations, pricing agencies or authorities are timely and frequently, and that the price fairly presents market transaction, the financial instrument is regarded to have a quoted price in an active market. If the aforementioned conditions are not fulfilled, the market is regarded as inactive. Generally, large or significantly wide bid-ask spread, or significantly low trading volume are indications of an inactive market.

Except for financial instruments in the active markets, fair value of others financial instruments is determined by valuation techniques, valuation provided by professional finance information providers which are commonly used by market participants, or quoted prices of the counter party. Necessary inputs required for valuation techniques are from available market information like yield curve of Taipei Exchange.

The Company and its subsidiaries use the valuation techniques commonly accepted by market participants for nonstandard and less complicated financial instruments, such as debt investment in inactive market. Parameters of valuation models are usually from the observable market information.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

Valuation of derivatives instruments is based on valuation models commonly accepted by market participants such as discounted cash flow method. Valuation of forward foreign exchange contracts is based on the discounted cash flow models using the quoted forward rate. Valuation of Interest rate derivatives is based on discounted cash flow models, with inputs from observable market information.

b) Non-financial instruments

Fair value of investment property is determined based on the rules stipulating in the “Regulations Governing the Preparation of Financial Reports”. The fair value of investment property is based on a valuation by professional appraisal agency and supported by market evidences. Please refer to note 20 for details.

3) Fair value adjustment

a) Limitations of valuation models and inputs

Limitations of valuation models may lead to insufficient reflection of all relevant elements of the financial and non-financial instruments. Therefore, the estimated value will be adjusted based on others parameters when necessary. The model validation process is required before the Company and its subsidiaries adopt the model price. Therefore, the adjustments are considered to be proper and essential. Price information and parameters for measurement are carefully used, and the adjustments are based on the current market conditions.

b) Credit risk valuation adjustment

The Company and its subsidiaries incorporate credit risk valuation adjustment into fair value calculations in order to reflect the credit risks of counter party and the credit quality of the Company and its subsidiaries.

Credit risk valuation adjustment is the fair value of the over-the-counter (OTC) derivative contracts that reflect the credit risks of the two parties which includes:

- i) Credit value adjustments (CVA): adjust the valuation on transactions that occurs outside the exchange market, which refers to OTC derivative contracts, to reflect the possibility of the counter parties’ delayed payment and default into fair value.
- ii) Debit value adjustments (DVA): adjust the valuation on transactions that occurs outside the exchange market, which refers to OTC derivative contracts, to reflect the possibility of the Company and its subsidiaries’ delayed payment and default into fair value.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

CVA and DVA are loss expectation and can be measured at the products of PD (probability of default), LGD (loss given default), EAD (exposure at default).

For counterparties with credit ratings from external rating agencies, the PD is based on the corresponded credit ratings. For counterparties without credit ratings from external rating agencies, the PD is estimated on their average probability of impairment from loans and receivables. For counterparties undesirable close position, the PD is 100%.

The Company and its subsidiaries use the fair value of the OTC derivatives as exposure at default (EAD).

60% of LGD is adopted per the “Disclosure guidance of CVA and DVA” under IFRS13 by TWSE.

4) Transfers between Level 1 and Level 2

Transfers between Level 1 and Level 2 for the three months ended March 31, 2017 and 2016, are mainly due to the changes of valuation source and the activity.

5) Changes in Level 3 Fair Value Category

The reconciliations of the beginning and ending balances for Level 3 assets are as follows.

Name	For the three months ended March 31, 2017							Balance at March 31, 2017
	Balance at January 1, 2017	Gains (Losses) on Valuation		Increase		Decrease		
		Profit and Loss	Other Comprehensive Income	Purchased/ Issued	Transferred to Level 3 (a)(b)	Sold/ Disposed/ Settled	Transferred from Level 3 (b)(c)	
Financial assets measured at fair value through profit or loss								
Held-for-trading financial assets	\$ 12,193,832	(5,459,755)	-	223,300	-	461,012	5,500	6,490,865
Financial assets designated as at fair value through profit or loss at initial recognition	1,638,164	46,550	-	-	276,210	-	303,348	1,657,576
Available-for-sale financial assets	79,790,956	(789,827)	(1,728,628)	4,685,676	9,015,119	1,622,343	3,823,693	85,527,260
Investment property	175,092,057	73,392	(1,469,210)	233,939	831,451	-	320,099	174,441,530
Total	<u>\$ 268,715,009</u>	<u>(6,129,640)</u>	<u>(3,197,838)</u>	<u>5,142,915</u>	<u>10,122,780</u>	<u>2,083,355</u>	<u>4,452,640</u>	<u>268,117,231</u>

(a) Transferred from level 2 to level 3 due to lack of observable market data that resulted from the decreasing market activities.

(b) The Company and its subsidiaries' policy is to recognize the transfer in and transfer out of Level 3 inputs when the item is transferred or the condition changes. Otherwise, they would have to be recognized as of the beginning or ending of the reporting date.

(c) Transferred from level 3 to level 2 because the observable market data became acquirable.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

Name	For the three months ended March 31, 2016							Balance at March 31, 2016
	Balance at January 1, 2016	Gains (Losses) on Valuation		Increase		Decrease		
		Profit and Loss	Other Comprehensive Income	Purchased/ Issued	Transferred to Level 3 (a)(b)	Sold/ Disposed/ Settled	Transferred from Level 3 (b)(c)(d)	
Financial assets measured at fair value through profit or loss								
Held-for-trading financial assets	\$ 27,194,955	(9,961,580)	-	1,251,844	-	4,809,981	79,170	13,596,068
Financial assets designated as at fair value through profit or loss at initial recognition	2,156,652	10,817	-	1,001,086	-	1,668,198	-	1,500,357
Available-for-sale financial assets	71,390,154	425,148	2,803,757	13,966,134	1,293,630	733,756	1,434,593	87,710,474
Investment property	171,271,032	536,687	(1,631,969)	8,400,266	10,788	-	38,779	178,548,025
<b>Total</b>	<b>\$ 272,012,793</b>	<b>(8,988,928)</b>	<b>1,171,788</b>	<b>24,619,330</b>	<b>1,304,418</b>	<b>7,211,935</b>	<b>1,552,542</b>	<b>281,354,924</b>

(a) Transfer from level 2 to level 3 due to lack of observable market data that resulted from the decreasing of market activities.

(b) The Company and its subsidiaries' policy is to recognize the transfer in and transfer out of Level 3 inputs when the item is transferred or the condition changes.

Otherwise, they would have to be recognized as of the beginning or ending of the reporting date.

(c) Transfer from level 3 to level 2 because the observable market data became acquirable.

The reconciliations of the beginning and ending balances for Level 3 liabilities are as follows.

Name	For the three months ended March 31, 2017						Balance at March 31, 2016
	Balance at January 1, 2017	Valuation gains/ losses reflected on profit or loss	Increase		Decrease		
			Purchased/ Issued	Transferred to Level 3	Sold/ Disposed/ Settled	Transferred from Level 3	
Financial liabilities measured at fair value through profit or loss							
Held-for-trading financial liabilities	\$ 11,980,240	(5,484,614)	6,245	-	183,541	-	6,318,330
Financial liabilities designated as at fair value through profit or loss at initial recognition	2,251,683	(1,802)	6,916,668	-	6,633,416	-	2,533,133
<b>Total</b>	<b>\$ 14,231,923</b>	<b>(5,486,416)</b>	<b>6,922,913</b>	<b>-</b>	<b>6,816,957</b>	<b>-</b>	<b>8,851,463</b>

  

Name	For the three months ended March 31, 2016						Balance at March 31, 2016
	Balance at January 1, 2016	Valuation gains/ losses reflected on profit or loss	Increase		Decrease		
			Purchased/ Issued	Transferred to Level 3	Sold/ Disposed/ Settled	Transferred from Level 3	
Financial liabilities measured at fair value through profit or loss							
Held-for-trading financial liabilities	\$ 26,814,093	(10,202,491)	15,641	-	4,115,068	-	12,512,175
Financial liabilities designated as at fair value through profit or loss at initial recognition	2,254,100	461	5,681,118	-	5,572,296	-	2,363,383
<b>Total</b>	<b>\$ 29,068,193</b>	<b>(10,202,030)</b>	<b>5,696,759</b>	<b>-</b>	<b>9,687,364</b>	<b>-</b>	<b>14,875,558</b>

Transfers into and out of Level 3 for the three months ended March 31, 2017 and 2016, are mainly due to the change of input parameters.

For gains or losses on the valuation recognized as profit or loss for the period, the changes in unrealized gains or losses were the unrealized losses of \$577,261 and the unrealized gains of \$1,170,901 as of March 31, 2017 and 2016, respectively.

For gains or losses on the valuation recognized as other comprehensive income, the changes in unrealized gains or losses were the unrealized losses of \$3,187,694 and the unrealized gains of \$1,171,364 as of March 31, 2017 and 2016, respectively.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

6) Valuation Techniques and Inputs for Level 3 Fair Value Measurements

Financial assets and liabilities measured at fair value through profit or loss, available-for-sale financial assets and investment property of the Company and its subsidiaries are categorized into Level 3.

The Company and its subsidiaries' available-for-sale financial assets categorized into Level 3 refer to the valuation provided by the professional information providers which are commonly used by market participants, and quoted prices of the counter party, because they lack quoted prices in an active market.

Investment property categorized into Level 3 is determined based on the rule stipulating in the "Regulations Governing the Preparation of Financial Reports" and evaluated by the professional appraisal agency with the support of market evidences. Please refer to note 6 (o) for details.

Because of the inability to measure the fair value reliably due to the significant unobservable inputs, quantitative information is not disclosed. The fair value of the aforementioned assets and liabilities amounted to \$266,752,185 \$267,148,561 and \$279,426,420 as of March 31, 2017, December 31 and March 31, 2016.

Quantitative information of Level 3 inputs of subsidiaries are as follows:

a) Taipei Fubon Bank

Name	March 31, 2017				
	Fair value	Valuation techniques	Significant unobservable inputs	Intervals	Relationship between inputs and fair value
<b><u>Recurring fair value measurement</u></b>					
<b><u>Non-derivative financial instruments</u></b>					
Assets:					
Financial assets designated at fair value through profit or loss at initial recognition					
Credit linked note (CLN) \$	1,102,840	Exotic option model	Recovery rate of transaction object	10%~90%	The higher the recovery rate, the lower the fair value.
<b><u>Derivative financial instruments</u></b>					
Assets:					
Financial assets measured at fair value through profit or loss					
Exotic FX option	53,828	Exotic FX option model	Scaling parameter	10%~90%	The higher the scaling parameter, the closer it is to stochastic volatility model. The inputs should be inspected regularly to ensure reasonable fair value.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

<b>March 31, 2017</b>					
<u>Name</u>	<u>Fair value</u>	<u>Valuation techniques</u>	<u>Significant unobservable inputs</u>	<u>Intervals</u>	<u>Relationship between inputs and fair value</u>
<b>Liabilities:</b>					
Financial liabilities measured at fair value through profit or loss					
Exotic FX option	\$ 30,623	Exotic FX option model	Scaling parameter	10%~90%	The higher the scaling parameter, the closer it is to stochastic volatility model. The inputs should be inspected regularly to ensure reasonable fair value.
<b>December 31, 2016</b>					
<u>Name</u>	<u>Fair value</u>	<u>Valuation techniques</u>	<u>Significant unobservable inputs</u>	<u>Intervals</u>	<u>Relationship between inputs and fair value</u>
<b>Recurring fair value measurement</b>					
<b><u>Non-derivative financial instruments</u></b>					
<b>Assets:</b>					
Financial assets designated at fair value through profit or loss at time of initial recognition					
Credit linked note (CLN)	\$ 1,153,941	Exotic option model	Recovery rate of transaction object	10%~90%	The higher the recovery rate, the lower the fair value.
<b><u>Derivative financial instruments</u></b>					
<b>Assets:</b>					
Financial assets measured at fair value through profit or loss					
Exotic FX option	92,102	Exotic FX option model	Scaling parameter	10%~90%	The higher the scaling parameter, the closer it is to stochastic volatility model. The inputs should be inspected regularly to ensure reasonable fair value.
<b>Liabilities:</b>					
Financial liabilities measured at fair value through profit or loss					
Exotic FX option	5,754	Exotic FX option model	Scaling parameter	10%~90%	The higher the scaling parameter, the closer it is to stochastic volatility model. The inputs should be inspected regularly to ensure reasonable fair value.

(Continued)



**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

Name	March 31, 2016				Relationship between inputs and fair value
	Fair value	Valuation techniques	Significant unobservable inputs	Intervals	
<b><u>Recurring fair value measurement</u></b>					
<b><u>Non-derivative financial instruments</u></b>					
<b>Assets:</b>					
Financial assets designated as at fair value through profit or loss at initial recognition					
Credit linked note (CLN) \$	981,357	Complicated option model	Recovery rate of transaction object	10%~90%	The higher the recovery rate, the lower the fair value.
Available-for-sale financial assets					
Trust plans	498,990	Discounted cash flow	Real interest rate	4.40%	The lower the real interest rate, the higher the fair value.
<b><u>Derivative financial instrument</u></b>					
<b>Assets:</b>					
Financial assets measured at fair value through profit or loss					
Complicated FX option	208,781	Complicated FX option model	Scaling parameter	10%~90%	The higher the scaling parameter, the closer it is to random fluctuation model. Shall check the inputs regularly to make sure the reasonability of the fair value.
<b>Liabilities:</b>					
Financial liabilities measured at fair value through profit or loss					
Complicated FX option	67,361	Complicated FX option model	Scaling parameter	10%~90%	The higher the scaling parameter, the closer it is to random fluctuation model. Shall check the inputs regularly to make sure the reasonability of the fair value.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

b) Fubon Securities

		<b>March 31, 2017</b>				
		<b>Fair value</b>	<b>Valuation techniques</b>	<b>Significant unobservable inputs</b>	<b>Intervals</b>	<b>Relationship between inputs and fair value</b>
<b><u>Recurring fair value measurement</u></b>						
<b><u>Non-derivative financial instruments</u></b>						
<b>Assets:</b>						
Financial assets measured at fair value through profit or loss						
Held-for-trading financial assets						
Bond investment	\$	157,001	Bloomberg BVAL valuation method	BVAL valuation score	Not applicable	The higher the BVAL score, the higher the fair value.
Available-for-sale financial assets						
Stock investment		38,417	Net asset value method	Net asset value (note)	Not applicable	The higher the net asset value, the higher the fair value.
<b>Liabilities:</b>						
Financial liabilities measured at fair value through profit or loss						
Financial liabilities designated as at fair value through profit or loss at initial recognition		2,533,133	Option pricing model	Volatility	1%~80%	The higher the volatility, the higher the fair value.
		<b>December 31, 2016</b>				
		<b>Fair value</b>	<b>Valuation techniques</b>	<b>Significant unobservable inputs</b>	<b>Intervals</b>	<b>Relationship between inputs and fair value</b>
<b><u>Recurring fair value measurement</u></b>						
<b><u>Non-derivative financial instruments</u></b>						
<b>Assets:</b>						
Financial assets measured at fair value through profit or loss						
Held-for-trading financial assets						
Bond investment	\$	265,032	Bloomberg BVAL valuation method	BVAL valuation score	Not applicable	The higher the BVAL score, the higher the fair value.
Available-for-sale financial assets						
Stock investment		38,417	Net asset value method	Net asset value (note)	Not applicable	The higher the net asset value, the higher the fair value.
<b>Liabilities:</b>						
Financial liabilities measured at fair value through profit or loss						
Financial liabilities designated at fair value through profit or loss at time of initial recognition		2,251,683	Option pricing model	Volatility	1%~80%	The higher the volatility, the higher the fair value.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

	March 31, 2016				
	Fair value	Valuation techniques	Significant unobservable inputs	Intervals	Relationship between inputs and fair value
<b>Recurring fair value measurement</b>					
<b>Non-derivative financial instruments</b>					
<b>Assets:</b>					
Financial assets measured at fair value through profit or loss					
Held-for-trading financial assets					
Bond Investment	\$ 184,803	Bloomberg BVAL valuation method	BVAL valuation score	Not applicable	The higher the BVAL score, the higher the fair value.
Available-for-sale financial assets					
Stock investment	38,417	Net asset value method	Net asset value (note)	Not applicable	The higher the net asset value, the higher the fair value.
<b>Liabilities:</b>					
Financial liabilities measured at fair value through profit or loss					
Financial liabilities designated as at fair value through profit or loss at initial recognition	2,363,383	Option pricing model	Volatility	1%~80%	The higher the volatility, the higher the fair value.

Note : Net asset value is the amount of assets, less, liabilities of investment object. Reported net asset value is the ending balance of fair value.

7) Valuation procedure of Level 3 inputs

When the Company and its subsidiaries' fair value measurement uses both unobservable inputs and observable inputs which need a significant adjustment based on the parameters of unobservable inputs, the asset or liability is categorized into Level 3. Level 3 inputs come from:

- a) Prices referring from the professional finance information providers, which are not different for each acquirer and which shall be acquired by specific facility.
- b) Prices referring from quoted prices of the counter party. Price information is provided on a monthly basis and shall be kept properly.

Valuation shall be reviewed regularly to ensure the consistency with reference pricing source and the reasonability of the valuation.

Investment property is appraised by external appraisers in accordance with the valuation techniques and parameters announced by the FSC.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

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

While under different models or using different parameters may lead to different results, fair value measurement of the Company and its subsidiaries is reasonable.

The following tables shows the valuation impacts from 10% input parameters changes on Level 3 financial instruments.

- a) Taipei Fubon Bank

Units : In thousands

<u>March 31, 2017</u>	<u>Fair value fluctuation reflected on net income</u>		<u>Fair value fluctuation reflected on other comprehensive income</u>	
	<u>Positive change</u>	<u>Negative change</u>	<u>Positive change</u>	<u>Negative change</u>
<u>Items</u>				
<b>Assets</b>				
Financial assets measured at fair value through profit or loss				
Held-for-trading financial assets	\$ 65	(22)	-	-
Financial assets designated as at fair value through profit or loss at initial recognition	6	(8)	-	-
<b>Liabilities</b>				
Financial liabilities measured at fair value through profit or loss				
Held-for-trading financial liabilities	31	(26)	-	-

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

<u>March 31, 2016</u>	<u>Fair value fluctuation reflected on net income</u>		<u>Fair value fluctuation reflected on other comprehensive income</u>		
	<u>Items</u>	<u>Positive change</u>	<u>Negative change</u>	<u>Positive change</u>	<u>Negative change</u>
<b>Assets</b>					
Financial assets measured at fair value through profit or loss					
Held-for-trading financial assets	\$ 45	-	-	-	-
Financial assets designated at fair value through profit or loss at time of initial recognition	9	(11)	-	-	-
Available-for-sale financial assets	-	-	715	-	(715)
<b>Liabilities</b>					
Financial liabilities measured at fair value through profit or loss					
Held-for-trading financial liabilities	11	(10)	-	-	-

b) Fubon Securities

<u>March 31, 2017</u>	<u>Fair value fluctuation reflected on net income</u>		<u>Fair value fluctuation reflected on other comprehensive income</u>		
	<u>Items</u>	<u>Positive change</u>	<u>Negative change</u>	<u>Positive change</u>	<u>Negative change</u>
<b>Assets</b>					
Held-for-trading financial assets	\$ 34,881	(34,881)	-	-	-
Available-for-sale financial assets	-	-	6,178	-	(6,178)
<b>Liabilities</b>					
Financial liabilities designated as at fair value through profit or loss at initial recognition	253,313	(253,313)	-	-	-

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

March 31, 2016	Fair value fluctuation reflected on net income		Fair value fluctuation reflected on other comprehensive income	
	Positive change	Negative change	Positive change	Negative change
<b>Assets</b>				
Held-for-trading financial assets	\$ 18,480	(18,480)	-	-
Available-for-sale financial assets	-	-	3,842	(3,842)
<b>Liabilities</b>				
Financial liabilities designated as at fair value through profit or loss at initial recognition	236,338	(236,338)	-	-

(iii) Estimated Fair Value of Financial Instruments Not Carried at Fair Value

1) Fair value information

In addition to the following items, the Company and its subsidiaries' financial instruments that are not measured at fair value include cash and cash equivalents, due from the central bank and call loans to banks, securities purchased under resale agreements, receivables, other financial assets, discounts and loans, deposit from and due to the central bank and banks, securities sold under repurchase agreements, commercial papers issued, payables, deposits, other borrowings and other financial liabilities. Since their book value is a reasonable approximation to fair value, there is no fair value disclosure.

Items	Book value	Fair value
<b>March 31, 2017</b>		
Financial assets		
Held-to-maturity financial assets (Note)	\$ 397,946,148	400,359,204
Other financial assets – Debt investments without active market	1,326,236,323	1,323,634,246
Other financial assets – Structured deposits	33,072,864	32,856,685
Financial liabilities		
Bonds payable	134,371,206	136,199,716

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

Items	Book value	Fair value
<b>December 31, 2016</b>		
Financial assets		
Held-to-maturity financial assets	\$ 387,516,132	390,448,011
Other financial assets – Debt investments without active market	1,264,099,863	1,257,499,212
Other financial assets – Structured deposits	28,492,824	28,011,401
Financial liabilities		
Bonds payable	144,849,892	146,038,257
<b>March 31, 2016</b>		
Financial assets		
Held-to-maturity financial assets	\$ 324,648,610	331,957,310
Other financial assets – Debt investments without active market	957,113,752	986,370,756
Other financial assets – Structured deposits	18,556,688	18,847,310
Financial liabilities		
Bonds payable	123,055,329	124,552,380

Note: Included government bonds accounted for refundable deposits.

2) Fair value hierarchy

Financial instruments measured at fair value	Total	March 31, 2017		
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Financial assets:				
Held-to-maturity financial assets	\$ 400,359,204	62,608,332	320,457,389	17,293,483
Other financial assets – Debt investments without active market	1,323,634,246	21,046,059	971,761,661	330,826,526
Other financial assets – Structured deposits	32,856,685	-	-	32,856,685
Financial liabilities:				
Bonds payable	136,199,716	27,868,442	108,331,274	-

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

<b>December 31, 2016</b>				
<b>Financial instrument measured at fair value</b>	<b>Total</b>	<b>Quoted prices in active markets for identical assets (Level 1)</b>	<b>Significant other observable inputs (Level 2)</b>	<b>Significant unobservable inputs (Level 3)</b>
Financial assets:				
Held-to-maturity financial assets	\$ 390,448,011	82,581,712	288,726,699	19,139,600
Other financial assets – Debt investments without active market	1,257,499,212	38,163,350	876,094,012	343,241,850
Other financial assets – structured deposits	28,011,401	-	-	28,011,401
Financial liabilities:				
Bonds payable	146,038,257	31,721,013	114,317,244	-
<b>March 31, 2016</b>				
<b>Financial instruments measured at fair value</b>	<b>Total</b>	<b>Quoted prices in active markets for identical assets (Level 1)</b>	<b>Significant other observable inputs (Level 2)</b>	<b>Significant unobservable inputs (Level 3)</b>
Financial assets:				
Held-to-maturity financial assets	\$ 331,957,310	60,977,971	258,504,233	12,475,106
Other financial assets – Debt investment without active markets	986,370,756	93,210,097	533,945,676	359,214,983
Other financial assets – Structured deposits	18,847,310	-	-	18,847,310
Financial liabilities:				
Bonds payable	124,552,380	35,592,529	88,959,851	-

3) Valuation techniques

The methods and hypothesis that the Company and its subsidiaries used in estimating the financial instrument not measured at fair value are as follows:

- a) Fair value of the financial instrument of which the maturity date is short or the future price is closed to the book value is estimated by using its book value. This method is applied to cash and cash equivalents, due from the central bank and call loans to banks, securities purchased under resell agreements, receivables, other financial assets, discounts and loans, deposit from and due to the central bank and banks, securities sold under repurchase agreements, commercial papers issued, payables, deposits, other borrowings and other financial liabilities.
- b) Since discounts and loans, deposits and principal of structured product are all interest-bearing financial assets or liabilities, their book value is proximate to fair value. Book value of overdue receivables is the estimated recoverable amount after deducting allowances for bad debts. Therefore, the fair value of the above financial assets and liabilities is its book value.

(Continued)



**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

- c) If held-to-maturity financial instrument, debt investments without active market and bonds payable have quoted prices in active market, its fair value will be market price. If there is no market price for reference, the fair value will be estimated by using the valuation technique; or refer to the quoted prices of the counter party.
- d) Since equity investment at cost does not have quoted price in an active market, and that variance of fair value estimation is significant or cannot be reasonably calculated, its fair value cannot be measured. Therefore, the fair value of equity investment is not disclosed.

(ah) Insurance Contracts

(i) Fubon Insurance and its subsidiaries

1) Various reserves

a) Unearned premium reserves

i) Detail of unearned premium reserves and ceded unearned premium reserves

Item	March 31, 2017			
	Unearned premium reserves		Ceded unearned premium reserves	Retained business
	Direct business	Reinsurance-assumed business	Reinsurance-ceded business	
Fire insurance	\$ 1,320,872	1,630	351,869	970,633
Marine cargo insurance	356,952	535	136,202	221,285
Marine hull fishing vessel	288,902	2,982	252,625	39,259
Voluntary moto insurance	6,988,491	167,751	467,940	6,688,302
Compulsory moto TPL insurance	1,891,888	597,167	1,124,942	1,364,113
Liability insurance	1,486,502	3,445	515,807	974,140
Engineering and nuclear insurance	1,173,899	9,135	501,624	681,410
Surety and credit insurance	95,738	731	62,752	33,717
Other property insurance	60,554	23	39,475	21,102
Accident insurance	2,466,377	10,222	27,873	2,448,726
Typhoon, flood and earthquake insurance	1,474,099	30,025	789,020	715,104
Personal and commercial multiple peril insurance	392,647	-	35,006	357,641
Health insurance	254,475	-	3,426	251,049
Overseas reinsurance assumed	-	419,987	199,139	220,848
Overseas subsidiaries	2,561,208	283,573	459,752	2,385,029
Total	<u>\$ 20,812,604</u>	<u>1,527,206</u>	<u>4,967,452</u>	<u>17,372,358</u>

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

Item	December 31, 2016			
	Reserve for unearned premiums		Reserve for unearned premiums- ceded	
	Direct business	Reinsurance- assumed business	Reinsurance- ceded business	Retained business
	\$			
Fire insurance	1,348,382	2,609	284,913	1,066,078
Marine cargo insurance	289,055	520	78,087	211,488
Marine hull fishing vessel	292,338	5,128	255,864	41,602
Voluntary moto insurance	6,543,544	164,903	415,618	6,292,829
Compulsory moto TPL insurance	1,846,878	588,914	1,098,270	1,337,522
Liability insurance	1,419,798	5,087	512,045	912,840
Engineering and nuclear insurance	1,114,607	12,080	473,452	653,235
Security and credit insurance	112,876	559	83,491	29,944
Other property insurance	48,802	112	30,304	18,610
Accident insurance	2,371,494	8,951	29,352	2,351,093
Typhoon, flood and earthquake insurance	1,284,690	30,262	652,849	662,103
Personal and commercial multiple peril insurance	390,925	-	39,996	350,929
Health insurance	220,787	-	3,512	217,275
Overseas reinsurance assumed	-	470,586	233,898	236,688
Overseas subsidiaries	2,717,695	287,282	451,854	2,553,123
Total	<u>\$ 20,001,871</u>	<u>1,576,993</u>	<u>4,643,505</u>	<u>16,935,359</u>

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

Item	March 31, 2016			
	Unearned premium reserves		Ceded unearned premium reserves	
	Direct business	Reinsurance-assumed business	Reinsurance-ceded business	Retained business
		-		
Fire insurance	\$ 1,407,610	2,694	374,242	1,036,062
Marine cargo insurance	353,756	923	145,776	208,903
Marine hull fishing vessel	303,195	14,595	255,964	61,826
Voluntary moto insurance	6,278,331	125,733	429,701	5,974,363
Compulsory moto TPL insurance	1,763,513	546,622	1,029,076	1,281,059
Liability insurance	1,352,969	6,064	408,347	950,686
Engineering and nuclear insurance	1,312,914	18,569	646,211	685,272
Security and credit insurance	84,088	763	55,606	29,245
Other property insurance	57,853	-	35,489	22,364
Accident insurance	2,374,583	8,963	19,363	2,364,183
Typhoon, flood and earthquake insurance	1,248,879	31,508	820,310	460,077
Personal and commercial multiple peril insurance	332,751	5	29,928	302,828
Health insurance	207,658	-	2,491	205,167
Overseas reinsurance assumed	-	593,617	299,958	293,659
Overseas subsidiaries	2,546,298	194,941	494,965	2,246,274
Less: Accumulated impairment	-	-	(1)	1
<b>Total</b>	<b>\$ 19,624,398</b>	<b>1,544,997</b>	<b>5,047,426</b>	<b>16,121,969</b>

The net amount of evaluated accumulated impairment loss of abovementioned reserve for unearned premiums-ceded was \$1 as of March 31, 2016.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

- ii) The movements in unearned premium reserves and ceded unearned premium reserves were as follows:

<u>Item</u>	<u>March 31, 2017</u>	
	<b>Unearned premium reserves</b>	<b>Ceded unearned premium reserves</b>
Beginning balance	\$ 21,578,864	4,643,505
Provision	22,393,672	4,895,323
Recovered	(21,578,865)	(4,643,505)
Other — effect of change in exchange rates	(53,861)	72,129
Ending balance	<u>\$ 22,339,810</u>	<u>4,967,452</u>
<u>Item</u>	<u>December 31, 2016</u>	
	<b>Reserve for unearned premiums</b>	<b>Reserve for unearned premiums- ceded</b>
Beginning balance	\$ 20,737,940	4,896,704
Provision	21,703,633	4,578,286
Recovered	(20,737,940)	(4,896,705)
Reversal of impairment loss	-	1
Other — effect of change in exchange rates	(124,769)	65,219
Ending balance	<u>\$ 21,578,864</u>	<u>4,643,505</u>
<u>Item</u>	<u>March 31, 2016</u>	
	<b>Reserve for unearned premiums</b>	<b>Reserve for unearned premiums- ceded</b>
Beginning balance	\$ 20,737,940	4,896,704
Provision	21,209,802	5,067,993
Recovered	(20,737,940)	(4,896,706)
Other — effect of change in exchange rates	(40,407)	(20,565)
Ending balance	<u>\$ 21,169,395</u>	<u>5,047,426</u>

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

Fubon Insurance provides unearned premium reserves according to the Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises amended by Financial Supervisory Commission, Executive Yuan, Jin Guan Bao Tsai No.09802513192 on December 28, 2009. Under the Regulations, the unearned premium of effective insurance contracts which have not matured yet or insurance contracts which are not yet effective is calculated in accordance with the unexpired risk for every type of insurance, and unearned premium reserves are also provided accordingly. The method of providing the reserve mentioned above, which is noted in the insurance product application filed with the Authority, is decided by actuaries in accordance to type of insurance. This method cannot be changed, unless approved by the Authority.

Based on local regulations, unearned premium reserves are provided for compulsory automobile liability insurance, nuclear insurance and resident earthquake insurance as follows:

1. The unearned premiums reserves for compulsory private passenger automobile liability are provided based on the “Regulations for Deposit and Management of the Reserve of Compulsory Automobile Liability Insurance”.
2. The unearned premiums reserves for nuclear insurance are provided based on the “Regulations for the Reserve of Nuclear Insurance”.
3. The unearned premiums reserves for resident earthquake insurance are provided according to the “Enforcement Rules for the Risk Spreading Mechanism for Resident Earthquake Insurance”.

b) Special reserve

- i) Special reserve is divided into “catastrophe special reserve” and “special reserves for fluctuation of risks”. The provision, after deducting income tax in accordance IAS 12, should be accounted for as special reserve under equity. The offset or recovered amount, after deducting income tax in accordance with IAS 12, could be recognized as special reserve under equity. Commencing from January 1, 2013, special reserve which was initially accounted for under liability should be recognized under equity. Furthermore, in accordance with “ Directions for Non-Life Insurance Enterprises Strengthening Reserves for Natural Disaster (Commercial Earthquake, Typhoon and Flood Insurance)”, except for compulsory moto TPL insurance, nuclear insurance, residential earthquake insurance and commercial earthquake, typhoon and flood insurance, all catastrophe special reserve and equalization special reserve recognized under liability before December 31, 2012 should first replenish the reserves of commercial earthquake, typhoon and flood insurance before deducting the income tax in accordance with IAS 12, accounted for as special reserve under equity as of January 1, 2013.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

1. Catastrophe special reserve

A catastrophe special reserve is provided for all types of insurance based on a rate prescribed by the competent authority.

For the actual catastrophe claim exceeding \$30 million, and in the total property insurance industry, the insurance category of the whole compensation exceeding to \$2,000 million, the excess amount is offset against special catastrophe reserve.

For special catastrophe reserve that remains outstanding for over 15 years, it is written off based on the evaluation of an actuary and after being reported to the competent authority for inspection.

2. Special reserves for fluctuation of risks

If the actual insurance claim and loss adjustment expenses for a particular type of insurance are less than the expected amount determined by FSC, an additional special reserve equal to 15% of the amount of the different is provided.

In accordance with the letter Jin Guan Bao Tsai No.10002509161 issued by Financial Supervisory Commission, Executive Yuan, R.O.C on June 16, 2011, if the net balance of the actual claims for earthquake, typhoon and flood damages from commercial and personal accident insurance after deducting the special catastrophe reserve is less than the expected claims determined by FSC, an additional special reserve equal to 75% of the amount of the difference is provided. Expected claims are calculated at no less than 60% of expected loss.

The excess amount of actual claims over the expected claims, after deducting the special catastrophe reserve, is offset against variation special reserve. If the variation special reserve of the insurance mentioned above is insufficient, the deficiency is offset against the variation special reserve of other kind of insurance. The type and amount of deduction should be reported to FSC.

In the event that the accumulated amount of special reserves for fluctuation of risks exceeds 60% of the retained earned premium, the amount in excess shall be subject to recovery under the applicable rules.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

ii) The segment requirements of special assets

Fubon Insurance and its subsidiaries provides independent accounting and disclosures for Compulsory Automobile Liability Insurance activities (the Insurance) according to the “Regulations of Compulsory Automobile Liability Insurance”.

Under article 5 of the “Regulations for Deposits and Management of the Reserve for Compulsory Automobile Liability Insurance”, the special reserve for compulsory automobile liability insurance should be deposited with financial institutions in the form of time deposits. In lieu of these time deposits, however, Fubon Insurance can purchase other domestic negotiable securities mentioned below, but subject to approval by the Authority.

1. Government bonds and treasury bonds excluding exchangeable bonds.
2. Financial bonds, negotiable certificates of deposits, bank’s acceptance bill, and financial institution guaranteed commercial paper. Yet financial bonds are restricted to normal financial bonds.

The amount of the time deposits listed above shall not be less than 30% of the matured retention insurance premium, and the authority can increase such time deposits beyond the prescribed minimum percentage depending on the operating circumstances of Fubon Insurance and its subsidiaries.

The balance of special reserve that is less than 30% of the matured retention insurance in a recent year shall all be put in time deposits.

According to the “Regulations for Deposit and Management of the Reserve for Compulsory Automobile Liability Insurance” article 6, except for the special reserve provided as prescribed in the preceding article, funds held by an insurer for this insurance shall be deposited in a financial institution in the form of demand deposits and time deposits. However, with the approval of the authority, an insurer may purchase any of the following domestic securities:

1. Treasury bills.
2. Negotiable certificates of deposits, bank’s acceptance bill, and financial institution guaranteed commercial paper.
3. Bonds sold under repurchase agreements.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

The amount of the demand deposits listed above shall not be less than (i) 45% of the capital held by the Fubon Insurance and its subsidiaries after deducting the special reserve, and (ii) 30% of the recent audited or reviewed matured retention insurance premium. The authority can increase such demand deposits beyond the prescribed minimum percentage depending on the operating circumstances of Fubon Insurance and its subsidiaries.

If the amount of the unearned premium and claims reserve does not exceed 40% of the recent audited or reviewed matured retention insurance premium, all of the insurance capital of the insurance shall all be put in demand deposits.

Under article 9 of the “Regulations for Deposits and Management of the Reserve of Compulsory Automobile Liability Insurance”, the related reserves are transferred to the successor in the event that the property insurance company decides to discontinue its operations or suspend its insurance activity.

If the property insurance company is officially forced to discontinue operating and liquidate, or ordered to dismiss, and there is no successor to handle over, the related reserves are transferred to the Legal Foundation of Traffic Accidents Special Compensation Fund.

- iii) The special reserve for compulsory private use, commercial use, and motorcycle liability insurance are based on the “Regulations for Deposits and Management of the Reserve for Compulsory Automobile Liability Insurance”.
- iv) Movements in special reserve – Compulsory automobile liability insurance

<b>Particular</b>	<b>December 31,</b>		
	<b>March 31, 2017</b>	<b>2016</b>	<b>March 31, 2016</b>
Beginning balance	\$ 1,270,428	1,640,922	1,640,922
Provision	59,778	-	8,807
Recovered	(56,280)	(370,494)	(37,534)
Ending balance	<b>\$ 1,273,926</b>	<b>1,270,428</b>	<b>1,612,195</b>

- v) Movements in special reserve – Non-compulsory automobile liability insurance

<b>Particular</b>	<b>March 31, 2017</b>					
	<b>Liability</b>			<b>Special Reserve</b>		
	<b>Catastrophe</b>	<b>Dangerous Change</b>	<b>Total</b>	<b>Catastrophe</b>	<b>Dangerous Change</b>	<b>Total</b>
Ending balance (same as beginning balance)	\$ 319,398	5,786,493	6,105,891	1,695,249	3,602,198	5,297,447

(Continued)



**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

Particular	December 31, 2016					
	Liability Reserve			Special Reserve		
	Catastrophe	Dangerous Change	Total	Catastrophe	Dangerous Change	Total
Beginning balance	\$ 766,468	5,786,493	6,552,961	1,418,934	3,014,039	4,432,973
Provision	-	-	-	325,211	651,972	977,183
Recovered	(447,070)	-	(447,070)	(48,896)	(63,813)	(112,709)
Ending Balance	<u>\$ 319,398</u>	<u>5,786,493</u>	<u>6,105,891</u>	<u>1,695,249</u>	<u>3,602,198</u>	<u>5,297,447</u>

  

Particular	March 31, 2016					
	Liability			Special Reserve		
	Catastrophe	Dangerous Change	Total	Catastrophe	Dangerous Change	Total
Beginning balance	\$ 766,468	5,786,493	6,552,961	1,418,934	3,014,039	4,432,973
Recovered	-	(264,948)	(264,948)	-	-	-
Ending Balance	<u>\$ 766,468</u>	<u>5,521,545</u>	<u>6,288,013</u>	<u>1,418,934</u>	<u>3,014,039</u>	<u>4,432,973</u>

Note: The special reserve above covers all the insurances except for the special reserve for compulsory automobile liability insurance, which was recognized before January 1, 2011.

- vi) The special reserve for nuclear insurance was provided based on the “Regulations for the Reserve of Nuclear Insurance”.
- vii) The special reserve for resident earthquake insurance was provided based on the “Regulations for danger diversified mechanism for Resident earthquake insurance”.
- c) Claim reserves
- i) The debt for policy holder of claims reported and paid, reported and unpaid, and unreported.

Particular	March 31, 2017				
	Notes payable	Indemnity Payments Payable	Claim reserves		
			reported and paid	Reported but unpaid	Unreported
Fire insurance	\$ -	1,333	2,019,193	124,688	2,143,881
Marine cargo insurance	-	18,046	2,025,938	191,856	2,217,794
Marine hull fishing vessel	-	(83)	362,069	225,113	587,182
Voluntary moto insurance	-	37,980	3,093,942	763,182	3,857,124
Compulsory moto TPL insurance	-	9,057	837,256	2,622,833	3,460,089
Liability insurance	-	8,027	1,971,148	757,053	2,728,201
Engineering and nuclear insurance	-	542	962,960	39,133	1,002,093
Surety and credit insurance	-	162	158,736	63,590	222,326
Other property insurance	-	-	48,758	16,148	64,906
Accident insurance	-	5,653	235,145	748,923	984,068
Typhoon, flood and earthquake insurance	-	356	3,637,341	231,964	3,869,305
Personal and commercial multiple peril insurance	-	1,584	15,364	94,195	109,559
Health insurance	-	3,872	4,257	68,988	73,245
Overseas reinsurance assumed	-	-	369,243	74,872	444,115
Overseas subsidiaries	-	12,441	1,111,507	701,265	1,812,772
Total	<u>\$ -</u>	<u>98,970</u>	<u>16,852,857</u>	<u>6,723,803</u>	<u>23,576,660</u>

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

Particular	December 31, 2016				
	Notes payable	Indemnity Payments Payable	Claims reserve		
			reported and paid	Reported but unpaid	Unreported
Fire insurance	\$ -	1,978	1,847,041	33,020	1,880,061
Marine cargo insurance	-	174	2,071,972	193,655	2,265,627
Marine hull fishing vessel	-	(83)	585,391	231,854	817,245
Voluntary moto insurance	-	32,748	2,983,552	743,133	3,726,685
Compulsory moto TPL insurance	-	6,972	774,652	2,564,771	3,339,423
Liability insurance	-	1,121	1,984,025	663,910	2,647,935
Engineering and Nuclear insurance	-	184	1,043,613	40,035	1,083,648
Surety and credit insurance	-	(7)	161,395	69,818	231,213
Other property insurance	-	-	58,971	16,022	74,993
Accident insurance	-	1,108	278,918	742,156	1,021,074
Typhoon, flood and earthquake insurance	-	289	4,912,602	225,605	5,138,207
Personal and commercial multiple peril insurance	-	48	20,242	90,029	110,271
Health insurance	-	4,488	6,817	65,135	71,952
Overseas reinsurance assumed	-	-	388,109	73,273	461,382
Overseas subsidiaries	-	20,563	1,150,934	640,486	1,791,420
<b>Total</b>	<b>\$ -</b>	<b>69,583</b>	<b>18,268,234</b>	<b>6,392,902</b>	<b>24,661,136</b>

  

Particular	March 31, 2016				
	Notes payable	Indemnity Payments Payable	Claim reserves		
			reported and paid	Reported but unpaid	Unreported
Fire insurance	\$ -	77	2,484,912	171,880	2,656,792
Marine cargo insurance	-	1,377	430,203	209,732	639,935
Marine hull fishing vessel	-	(83)	387,987	448,934	836,921
Voluntary moto insurance	-	67,739	2,743,412	738,803	3,482,215
Compulsory moto TPL insurance	-	19,943	787,624	2,209,528	2,997,152
Liability insurance	-	5,169	1,964,158	672,144	2,636,302
Engineering and nuclear insurance	-	846	1,131,778	36,944	1,168,722
Surety and credit insurance	-	(7)	280,298	79,225	359,523
Other property insurance	-	46	62,768	9,980	72,748
Accident insurance	-	10,596	177,767	736,102	913,869
Typhoon, flood and earthquake insurance	-	1,173	2,600,328	1,332,815	3,933,143
Personal and commercial multiple peril insurance	-	743	16,163	92,466	108,629
Health insurance	-	1,872	5,654	58,307	63,961
Overseas reinsurance assumed	-	-	475,221	44,697	519,918
Overseas subsidiaries	-	3,854	1,054,480	563,420	1,617,900
<b>Total</b>	<b>\$ -</b>	<b>113,345</b>	<b>14,602,753</b>	<b>7,404,977</b>	<b>22,007,730</b>

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

- ii) Reinsurance assets – the ceded insurance business for the policy holders with reported but unpaid and unreported ceded claim reserves.

Particular	March 31, 2017		
	Reported but unpaid	Unreported	Total
Fire insurance	\$ 1,057,809	27,135	1,084,944
Marine cargo insurance	1,709,542	81,691	1,791,233
Marine hull fishing vessel	302,738	197,438	500,176
Voluntary moto insurance	164,978	23,396	188,374
Compulsory moto TPL insurance	339,941	1,245,640	1,585,581
Liability insurance	767,635	327,785	1,095,420
Engineering and nuclear insurance	389,924	22,564	412,488
Surety and credit insurance	105,049	50,401	155,450
Other property insurance	9,182	10,368	19,550
Accident insurance	14	3,527	3,541
Typhoon, flood and earthquake insurance	3,115,617	162,611	3,278,228
Personal and commercial multiple peril insurance	323	7,020	7,343
Health insurance	2	913	915
Overseas reinsurance assumed	49,576	25,965	75,541
Overseas subsidiaries	451,858	184,885	636,743
Less: Accumulated impairment	(877)	(177)	(1,054)
<b>Total</b>	<b>\$ 8,463,311</b>	<b>2,371,162</b>	<b>10,834,473</b>

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

<b>Particular</b>	<b>December 31, 2016</b>		
	<b>Reported but unpaid</b>	<b>Unreported</b>	<b>Total</b>
Fire insurance	\$ 791,259	18,184	809,443
Marine cargo insurance	1,770,274	86,455	1,856,729
Marine hull fishing vessel	496,886	201,960	698,846
Voluntary moto insurance	161,006	22,380	183,386
Compulsory moto TPL insurance	312,594	1,214,681	1,527,275
Liability insurance	754,391	283,896	1,038,287
Engineering and Nuclear insurance	417,020	23,320	440,340
Surety and credit insurance	102,353	55,183	157,536
Other property insurance	9,276	10,220	19,496
Accident insurance	146	3,099	3,245
Typhoon, flood and earthquake insurance	4,254,327	164,696	4,419,023
Personal and commercial multiple peril insurance	270	7,207	7,477
Health insurance	1	765	766
Overseas reinsurance assumed	71,446	25,447	96,893
Overseas subsidiaries	533,598	177,644	711,242
Less: accumulated impairment	(877)	(177)	(1,054)
<b>Total</b>	<b>\$ 9,673,970</b>	<b>2,294,960</b>	<b>11,968,930</b>

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

<b>Particular</b>	<b>March 31, 2016</b>		
	<b>Reported but unpaid</b>	<b>Unreported</b>	<b>Total</b>
Fire insurance	\$ 1,382,400	79,234	1,461,634
Marine cargo insurance	203,618	106,543	310,161
Marine hull fishing vessel	319,385	397,006	716,391
Voluntary moto insurance	128,982	20,742	149,724
Compulsory moto TPL insurance	308,093	944,825	1,252,918
Liability insurance	770,486	313,436	1,083,922
Engineering and nuclear insurance	499,553	24,772	524,325
Surety and credit insurance	198,144	69,140	267,284
Other property insurance	7,760	6,252	14,012
Accident insurance	5,252	8,789	14,041
Typhoon, flood and earthquake insurance	2,009,031	1,270,766	3,279,797
Personal and commercial multiple peril insurance	383	5,829	6,212
Health insurance	3	227	230
Overseas reinsurance assumed	17,486	4,307	21,793
Overseas subsidiaries	504,816	124,453	629,269
Less: Accumulated impairment	(3,487)	(608)	(4,095)
<b>Total</b>	<b>\$ <u>6,351,905</u></b>	<b><u>3,375,713</u></b>	<b><u>9,727,618</u></b>

Reserves above were expressed in net amount and its estimated accumulated impairment losses amounted to \$1,054, \$1,054 and \$4,095 as of March 31, 2017, December 31 and March 31, 2016, respectively.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

iii) Movements in claim reserves and ceded claim reserves

<b>Particular</b>	<b>March 31, 2017</b>	
	<b>Claim reserves</b>	<b>Ceded claim reserves</b>
Beginning balance	\$ 24,661,136	11,968,930
Provision	23,611,295	10,813,874
Recovered	(24,661,136)	(11,969,984)
Other – effect of change in exchange rates	(34,635)	21,653
Ending Balance	<u><u>\$ 23,576,660</u></u>	<u><u>10,834,473</u></u>

  

<b>Particular</b>	<b>December 31, 2016</b>	
	<b>Claims reserve</b>	<b>Ceded claims reserve</b>
Beginning Balance	\$ 18,024,953	6,382,020
Provision	24,734,651	11,963,446
Recovered	(18,024,953)	(6,386,116)
Reversal of impairment loss	-	3,041
Other – effect of Federal Insurance Company (note)	(73,515)	6,539
Ending Balance	<u><u>\$ 24,661,136</u></u>	<u><u>11,968,930</u></u>

  

<b>Particular</b>	<b>March 31, 2016</b>	
	<b>Claim reserves</b>	<b>Ceded claim reserves</b>
Beginning balance	\$ 18,024,953	6,382,020
Provision	22,029,126	9,744,610
Recovered	(18,024,953)	(6,386,117)
Other – effect of change in exchange rates	(21,396)	(12,895)
Ending balance	<u><u>\$ 22,007,730</u></u>	<u><u>9,727,618</u></u>

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

- iv) Non-insurance assets acquired from exercising the rights of retrieve salvage and subrogation

	<b>For the three months ended</b>	
	<b>March 31</b>	
	<b>2017</b>	<b>2016</b>
Fire insurance	\$ 89	-
Marine cargo insurance	49,355	5,368
Marine hull fishing vessel	-	78,041
Voluntary moto insurance	88,746	79,755
Compulsory moto TPL insurance	45,022	28,865
Liability insurance	2,321	7,368
Engineering and nuclear insurance	90	200
Surety and credit insurance	33,023	25,557
Other property insurance	69	135
Accident insurance	38	265
Personal and commercial multiple peril insurance	19	59
Typhoon, flood and earthquake insurance	-	55
Health insurance	850	-
Overseas reinsurance assumed	-	-
<b>Total</b>	<b>\$ 219,622</b>	<b>225,668</b>

Claim reserves are provided to conform the “Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises” amended by Financial Supervisory Commission, Executive Yuan, Jin Guan Bao Tsai No.09802513192 on December 28, 2009. Property insurance business shall calculate claim reserves including reported but not paid and incurred but not reported (IBNR) based on past claim experience and loss adjustment expenses incurred for each line of insurance according to actuarial principles. Reserves for reported but not paid claims shall be estimated and reserved on a case-by-case basis based on relevant information. The claim reserves in the preceding paragraph should be released in the following year and then calculated and reserved again based on the current-year information.

The method of reserving mentioned in the preceding paragraph will be evaluated and determined by the appointed actuary, and reported to the competent authority for recordation. The preceding provision applies to any subsequent changes thereto.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

d) Liability reserve

i) The formula for calculating reserve is reported to the authority and the current interest rate is used for discounting purposes to calculate the present value of the reserve.

ii) Movements in liability reserve and ceded liability reserve:

Particular	March 31, 2017		December 31, 2016		March 31, 2016	
	Liability reserve	Ceded liability reserve	Liability reserve	Ceded liability reserve	Liability reserve	Ceded liability reserve
Beginning balance	\$ 215,539	-	291,184	-	291,184	-
Provision	139	-	1,884	-	122	-
Maturity refund	(19,575)	-	(77,529)	-	(16,635)	-
Ending balance	<u>\$ 196,103</u>	<u>-</u>	<u>215,539</u>	<u>-</u>	<u>274,671</u>	<u>-</u>

e) Premium deficiency reserve

i) Premium deficiency reserve

Particular	March 31, 2017			
	Premium deficiency reserve		Ceded premium deficiency reserve	
	Reinsurance		Direct	Retained
	Direct business	-assumed business	business	business
Fire insurance	\$ 28,445	-	-	28,445
Marine cargo insurance	5,547	-	-	5,547
Marine hull fishing vessel	23,956	160	11,655	12,461
Voluntary moto insurance	3,153	81	-	3,234
Compulsory moto TPL insurance	-	-	-	-
Liability insurance	-	-	-	-
Engineering and nuclear insurance	-	-	-	-
Surety and credit insurance	-	-	-	-
Other property insurance	-	-	-	-
Accident insurance	-	-	-	-
Typhoon, flood and earthquake insurance	6,937	-	-	6,937
Personal and commercial multiple peril insurance	-	-	-	-
Health insurance	-	-	-	-
Overseas reinsurance assumed	-	8,698	-	8,698
Overseas subsidiaries	<u>187,348</u>	<u>224,333</u>	<u>385,426</u>	<u>26,255</u>
Total	<u>\$ 255,386</u>	<u>233,272</u>	<u>397,081</u>	<u>91,577</u>

(Continued)



**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

<u>Particular</u>	<u>December 31, 2016</u>			
	<u>Premium deficiency reserve</u>		<u>Ceded premium deficiency reserve</u>	<u>Retained business</u>
	<u>Direct business</u>	<u>Reinsurance -assumed business</u>	<u>Direct business</u>	
	\$			
Fire insurance	32,823	-	-	32,823
Marine cargo insurance	5,730	-	-	5,730
Marine hull fishing vessel	18,026	233	5,194	13,065
Voluntary moto insurance	3,144	87	-	3,231
Compulsory moto TPL insurance	-	-	-	-
Liability insurance	-	-	-	-
Engineering and Nuclear insurance	-	-	-	-
Surety and credit insurance	-	-	-	-
Other property insurance	-	-	-	-
Accident insurance	-	-	-	-
Typhoon, flood and earthquake insurance	6,847	-	-	6,847
Personal and commercial multiple peril insurance	-	-	-	-
Health insurance	-	-	-	-
Overseas reinsurance assumed	-	8,873	-	8,873
Overseas subsidiaries	<u>194,958</u>	<u>207,012</u>	<u>386,679</u>	<u>15,291</u>
Total	<u>\$ 261,528</u>	<u>216,205</u>	<u>391,873</u>	<u>85,860</u>

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

<u>Particular</u>	<u>March 31, 2016</u>			
	<u>Premium deficiency reserve</u>		<u>Ceded premium deficiency reserve</u>	
	<u>Direct business</u>	<u>Reinsurance -assumed business</u>	<u>Direct business</u>	<u>Retained business</u>
Fire insurance	\$ 7,638	-	-	7,638
Marine cargo insurance	-	-	-	-
Marine hull fishing vessel	36,887	2,690	23,486	16,091
Voluntary moto insurance	3,084	51	-	3,135
Compulsory moto TPL insurance	-	-	-	-
Liability insurance	-	-	-	-
Engineering and nuclear insurance	-	-	-	-
Surety and credit insurance	70	-	-	70
Other property insurance	-	-	-	-
Accident insurance	-	-	-	-
Typhoon, flood and earthquake insurance	-	-	-	-
Personal and commercial multiple peril insurance	-	-	-	-
Health insurance	-	-	-	-
Overseas reinsurance assumed	-	9,031	-	9,031
Overseas subsidiaries	<u>152,255</u>	<u>16,606</u>	<u>159,087</u>	<u>9,774</u>
Total	<u>\$ 199,934</u>	<u>28,378</u>	<u>182,573</u>	<u>45,739</u>

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

ii) Loss recognized due to premium deficiency reserve provision — net change of premium deficiency reserve and ceded premium deficiency reserve

For the three months ended March 31, 2017									
Particular	Direct underwrite		Reinsurance ceded-in		Net change of premium deficiency	Reinsurance ceded-out		Net change of premium deficiency	Net provision of premium deficiency reserve
	Provision	Recovered	Provision	Recovered		Provision	Recovered		
Fire insurance	\$ 28,445	32,823	-	-	(4,378)	-	-	-	(4,378)
Marine cargo insurance	5,547	5,730	-	-	(183)	-	-	-	(183)
Marine hull fishing vessel	23,956	18,026	160	233	5,857	11,655	5,194	6,461	(604)
Voluntary moto insurance	3,153	3,144	81	87	3	-	-	-	3
Compulsory moto TPL insurance	-	-	-	-	-	-	-	-	-
Liability insurance	-	-	-	-	-	-	-	-	-
Engineering and nuclear insurance	-	-	-	-	-	-	-	-	-
Surety and credit insurance	-	-	-	-	-	-	-	-	-
Other property insurance	-	-	-	-	-	-	-	-	-
Accident insurance	-	-	-	-	-	-	-	-	-
Personal and commercial multiple peril insurance	6,937	6,847	-	-	90	-	-	-	90
Typhoon, flood and earthquake insurance	-	-	-	-	-	-	-	-	-
Health insurance	-	-	-	-	-	-	-	-	-
Overseas reinsurance assumed	-	-	8,698	8,873	(175)	-	-	-	(175)
Overseas subsidiaries	191,639	201,031	228,395	216,043	2,960	393,092	401,536	(8,444)	11,404
Other — effect of change in exchange rates	(4,291)	(6,073)	(4,062)	(9,031)	6,751	(8,887)	(14,857)	5,970	781
<b>Total</b>	<b>\$ 255,386</b>	<b>261,528</b>	<b>233,272</b>	<b>216,205</b>	<b>10,925</b>	<b>395,860</b>	<b>391,873</b>	<b>3,987</b>	<b>6,938</b>

  

For the three months ended March 31, 2016									
Particular	Direct underwrite		Reinsurance ceded-in		Net change of premium deficiency	Reinsurance ceded-out		Net change of premium deficiency	Net provision of premium deficiency reserve
	Provision	Recovered	Provision	Recovered		Provision	Recovered		
Fire insurance	\$ 7,638	7,081	-	-	557	-	-	-	557
Marine cargo insurance	-	-	-	-	-	-	-	-	-
Marine hull fishing vessel	36,887	44,676	2,690	3,284	(8,383)	23,486	33,228	(9,742)	1,359
Voluntary moto insurance	3,084	3,337	51	82	(284)	-	-	-	(284)
Compulsory moto TPL insurance	-	-	-	-	-	-	-	-	-
Liability insurance	-	-	-	-	-	-	-	-	-
Engineering and nuclear insurance	-	-	-	-	-	-	-	-	-
Surety and credit insurance	70	141	-	-	(71)	-	-	-	(71)
Accident insurance	-	-	-	-	-	-	-	-	-
Personal and commercial multiple peril insurance	-	-	-	-	-	-	-	-	-
Typhoon, flood and earthquake insurance	-	-	-	-	-	-	-	-	-
Health insurance	-	-	-	-	-	-	-	-	-
Overseas reinsurance assumed	-	-	9,031	6,968	2,063	-	-	-	2,063
Overseas subsidiaries	153,671	144,159	16,839	12,086	14,265	160,661	148,772	11,889	2,376
Other — effect of change in exchange rates	(1,416)	411	(233)	(42)	(2,018)	(1,502)	329	(1,831)	(187)
<b>Total</b>	<b>\$ 199,934</b>	<b>199,805</b>	<b>28,378</b>	<b>22,378</b>	<b>6,129</b>	<b>182,645</b>	<b>182,329</b>	<b>316</b>	<b>5,813</b>

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

- iii) Movements in premium deficiency reserve and ceded premium deficiency reserve

<b>Particular</b>	<b>March 31, 2017</b>	
	<b>Premium deficiency reserve</b>	<b>Ceded premium deficiency reserve</b>
Beginning balance	\$ 477,733	391,873
Provision	497,010	404,212
Recovered	(477,733)	(391,873)
Other — effect of change in exchange rates	(8,352)	(7,131)
Ending balance	<u>\$ 488,658</u>	<u>397,081</u>
<b>Particular</b>	<b>December 31, 2016</b>	
	<b>Premium deficiency reserve</b>	<b>Ceded premium deficiency reserve</b>
Beginning Balance	\$ 222,183	182,329
Provision	492,837	406,566
Recovered	(222,183)	(182,329)
Other — effect of change in exchange rates	(15,104)	(14,693)
Ending Balance	<u>\$ 477,733</u>	<u>391,873</u>
<b>Particular</b>	<b>March 31, 2016</b>	
	<b>Premium deficiency reserve</b>	<b>Ceded premium deficiency reserve</b>
Beginning balance	\$ 222,183	182,329
Provision	229,961	184,294
Recovered	(222,183)	(182,329)
Other — effect of change in exchange rates	(1,649)	(1,721)
Ending balance	<u>\$ 228,312</u>	<u>182,573</u>

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

Premium deficiency reserve is provided to conform to the Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises amended by Financial Supervisory Commission, Executive Yuan, Jin Guan Bao Tsai No.09802513192 on December 28, 2009. Non-life insurance companies are required to estimate future claim payments and related expenses by evaluating the insurance contracts which have not matured and the risks covered by those contracts. If the expenditures are lower than the premium, non-life insurance companies are required to provide the premium deficiency reserve. The methodology for providing premium deficiency reserve or change in the said methodology is decided by actuaries and reported to the Authority. On June 25, 2008, Fubon Insurance and its subsidiaries reported their methodology for providing premium deficiency reserve and obtained approval thereof from Financial Supervisory Commission, Executive Yuan, through its letter Jin Guan Bao Yi No.09702115350.

- 2) Nature and extent of the insurance contract risk
- a) Objectives, policies, procedures and methods for the insurance contract risk management

- i) Objectives and policies of the risk management

Risk management policy is established to conform to “The Code of Conduct of Risk Management Practice for Insurance Companies”, “The Implementation of Internal Control and Audit System for Insurance Companies” and “Risk Management Policy of Fubon Financial Co., Ltd”, which is regarded as the top guiding principle. This policy is intended to define the overall organization structure, provide risk management guidance and fit the relevant principals into the daily process for every unit to form a culture of risk management and to ensure that the Company shall maximize shareholder's value under stable operation.

- ii) Structure, organization and responsibility

Risk Management Committee and Independent Risk Management Department are subordinate to the Board. Their related responsibilities are as follows:

1. Board of Directors

- a. Identify all potential risks in the operations of insurance industry, ensure the effectiveness of the overall risk management of Fubon Insurance and take the ultimate responsibilities.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

- b. Ensure that Fubon Insurance has established proper risk management functions and cultures, authorize proper risk management policy and allocate resources efficiently.
  - c. Evaluate the overall effect of the risks, capital required by governmental authorities and related regulations on the capital allocation.
2. Risk Management Committee
- a. Set up overall risk management policy, risk appetite, structure and organization functions, establish qualitative or quantitative management standard and adjust risk types, risk tolerance, allocation limit and methods to overcome risks.
  - b. Report directly to the board of directors. This committee is headed by a CEO who is responsible for appointing the members, including the deputy convener, executive secretary, each risk division heads and others. Establish five risk management divisions by risk characteristics, which are mainly as follows: (1) Insurance risk, (2) Credit Risk, (3) Market Risk (including liquidity risk), (4) Operational Risk, (5) Risk Models (including ALM risk). Each division is led by a senior executive to ensure that each division operates according to its functions.
  - c. Risk Management Committee operates once a month, and the chief convener serves as the host to monitor the effectiveness of risk management, If the chief convener is not able to attend the meeting, the vice convener can act for the chief convener.
  - d. Executive directors execute the decision of risk management, evaluate and monitor the capability to overcome risks, current acceptance risk and the strategy to address the risks.
  - e. Regularly meet with the Board of Directors to report the current progress of risk management decisions on time and offer advises for any improvements.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

3. Chief Risk Officer

Fubon Insurance and its subsidiaries set up a position “Chief Risk Officer” (CRO) to deal with risk management matters, including strategy planning, supervising Fubon Insurance and its subsidiaries to create and to follow the risk management system, monitoring the appropriateness of risk exposure and the effectiveness of risk management, supervising Fubon Insurance and its subsidiaries' Risk Management Department.

4. Risk Management Department

- a. Responsible for monitoring, measuring, and revaluing daily risks.
- b. Assist the execution/implementation of risk management policies approved by the Board of directors.
- c. Set up the risk tolerance level and the limitations based on the risk appetite.
- d. Summarize the relative information provided by each unit, and help each unit follow the policies and the limits.
- e. Regular propose risk management related reports.
- f. Regularly monitor the risk limits and the utilization of risk limits of respective business unit.
- g. Assist in carrying out the stress test.
- h. If necessary, proceed the back testing.
- i. Other risk management related duties.

5. Business Units

- a. Recognize the potential risks and measure it. Report risk management information and risk exposure to the risk management department regularly.
- b. Regularly examine each kind of business risk and limitations to ensure that the risk limitation is under control.
- c. Monitor risk exposure and report any situation when the exposure exceeds the limitation and take the necessary procedures.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

- d. Make sure all business units are properly enforced under internal control and follow the rules and standards.
  - e. Each business unit should setup an operation risk manager to ensure that risk management is conducted independently and effectively.
- iii) Scope of risk reporting

Fubon Insurance and its subsidiaries measured insurance risk in consideration of factors including: Commodity pricing, check and ratify insurance, claims processing, catastrophe, reinsurance and reserves. This is in accordance to a standard for monitoring key risk indicator.

Considering risk appetite and tolerance, Fubon Insurance set up the limitation by single reserved and single accident to control it. In the meantime, Fubon Insurance set up the risk tolerance for all major risks (including Insurance risk, market risk, credit risk and operation risk) by each scenarios to avoid the overall risk exposures exceed the tolerance.

All business units report their situations to the committee monthly or quarterly. The Risk Management department collects all risk management reports and risk monitoring indicators semiannually and reports the overall situation to the Risk Management Committee and the board of directors. The report explains the risk exposure, how the policies worked and other related issues.

- iv) The procedures and methods of the insurance risk management

Insurance risk refers to the risk resulting from unexpected changes from benefit payments, related charges after collecting insurance premiums and undertaking the risk transferred from the insurant.

Fubon Insurance and its subsidiaries set up the code of conduct for insurance risk management to serve as a guideline of insurance risk management. It also establishes relevant risk management methods for the scope of insurance risk management in terms of the risk elements such as underwriting, reinsurance, catastrophe, claim, product design and pricing and provision.

Insurance risk management procedures such as risk reorganization, risk measurement, risk monitoring and risk responding to ensure the timeliness, reliability and security of risk management information, except for different tiers disclosure per regulation, Fubon Insurance also updates and archives relevant documents properly via the responsibility of each tiers.



**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

Fubon Insurance and its subsidiaries set up another risk tolerance, risk limit and critical risk indicators to facilitate management and reports to the Risk Management Committee based on the frequency for each management indicators. If any risk tolerance, risk limit or critical risk management indicators over the limits, the proper authority shall provide the explanation of the excess risk and the improvement reviewed by the insurance risk team. The explanation will be submitted to the Insurance Risk Committee for approval. After approval, the risk management department shall track the improvement process based on the conditions of the approval.

b) Insurance risk information

i) The sensitivity test of insurance risk

Test Hypothesis

Change of expected rate of loss	<b>For the three months ended March 31, 2017</b>			
	<b>Change of income before tax</b>		<b>Change of stockholder's equity</b>	
	<b>Before reinsurance</b>	<b>After reinsurance</b>	<b>Before reinsurance</b>	<b>Compulsory insurance</b>
+1%	\$ (38,657)	(22,319)	(32,085)	(18,525)
- 1%	38,653	22,315	32,082	18,521

  

Change of expected rate of loss	<b>For the three months ended March 31, 2016</b>			
	<b>Change of income before tax</b>		<b>Change of stockholder's equity</b>	
	<b>Before reinsurance</b>	<b>After reinsurance</b>	<b>Before reinsurance</b>	<b>Compulsory insurance</b>
+1%	\$ (41,676)	(23,947)	(34,591)	(19,876)
- 1%	41,676	23,947	34,591	19,876

ii) Explanation of the risk concentration

1. Underwriting and inward reinsurance premiums

The insurance contracts which Fubon Insurance underwrites are categorized into different types of insurances and are not concentrated in a single type of insurance. The top 5 types of insurance are: voluntary motor insurance, compulsory motor TPL insurance, accident insurance, typhoon, flood and earthquake insurance and liability insurance. The proportion of voluntary motor insurance represents 33.3% and 32.7% of all insurances for the three months ended March 31, 2017 and 2016, respectively. Although its proportion is higher than the others, its loss experience is stable and the variance is small. There is no risk concentration in other types of insurance.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

The proportion of underwriting and inward reinsurance premiums is as follows:

<u>Insurance type</u>	<u>For the three months ended March 31, 2017</u>		<u>For the three months ended March 31, 2016</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Fire insurance	\$ 492,503	4.4 %	403,568	4.0 %
Marine cargo insurance	318,210	2.8 %	313,461	3.1 %
Marine hull fishing vessel	144,429	1.3 %	149,369	1.5 %
Voluntary moto insurance	3,717,201	33.3 %	3,260,360	32.7 %
Compulsory moto TPL insurance	1,333,680	11.9 %	1,215,092	12.1 %
Liability insurance	771,457	6.9 %	683,660	6.8 %
Engineering and nuclear insurance	297,055	2.7 %	273,067	2.7 %
Surety and credit insurance	36,392	0.3 %	44,375	0.4 %
Other property insurance	41,824	0.4 %	36,006	0.4 %
Accident insurance	1,233,430	11.0 %	1,138,619	11.4 %
Typhoon, flood and earthquake insurance	952,422	8.5 %	584,460	5.8 %
Personal and commercial multiple peril insurance	197,655	1.8 %	157,205	1.6 %
Health insurance	171,882	1.5 %	137,264	1.4 %
Foreign business	198,338	1.8 %	314,306	3.1 %
Overseas subsidiaries	<u>1,266,396</u>	<u>11.4 %</u>	<u>1,304,668</u>	<u>13.0 %</u>
Total	<u>\$ 11,172,874</u>	<u>100.0 %</u>	<u>10,015,480</u>	<u>100.0 %</u>

2. The proportion of retained business premium

The top 5 types of insurances with the highest proportion is voluntary motor insurance, accident insurance, compulsory motor TPL insurance, liability insurance and fire insurance. The voluntary insurance which has the highest proportion accounted for 40.8% and 40.3% for the three months ended March 31, 2017 and 2016, respectively. Fubon Insurance and its subsidiaries consider the loss of voluntary motor insurance to stable, and therefore, retain all the reinsurance.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

For other insurances, Fubon Insurance and its subsidiaries evaluate the possibility of significant accumulated losses and arrange the appropriate reinsurance contracts to diversify the risk. Therefore, there is no risk concentration.

In addition, the insurance which is likely to result in significant accumulated loss is catastrophe insurance (for example, earthquake, typhoon and flood) and insurances that are likely to result in accumulation are property insurance (fire insurance and engineering insurance), marine insurance and accident insurance. To avoid the operating risk resulting from the underwriting risk concentration, Fubon Insurance has bought catastrophe reinsurance contracts in advance for abovementioned insurances to diversify the risk.

<b>Insurance type</b>	<b>For the three months ended March 31, 2017</b>		<b>For the three months ended March 31, 2016</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Fire insurance	\$ 166,998	2.0 %	236,784	3.1 %
Marine cargo insurance	164,546	1.9 %	154,510	2.1 %
Marine hull fishing vessel	20,029	0.2 %	35,345	0.4 %
Voluntary moto insurance	3,443,410	40.8 %	3,024,643	40.3 %
Compulsory moto TPL insurance	852,435	10.1 %	781,347	10.4 %
Liability insurance	526,232	6.2 %	472,547	6.3 %
Engineering and nuclear insurance	134,498	1.6 %	113,253	1.5 %
Surety and credit insurance	21,459	0.3 %	17,908	0.2 %
Other property insurance	13,047	0.2 %	13,780	0.2 %
Accident insurance	1,219,897	14.4 %	1,128,454	15.0 %
Typhoon, flood and earthquake insurance	386,687	4.6 %	(19,501)	(0.3)%
Personal and commercial multiple peril insurance	188,808	2.2 %	147,819	2.0 %
Health insurance	169,929	2.0 %	135,511	1.8 %
Foreign business	113,873	1.3 %	179,185	2.3 %
Overseas subsidiaries	<u>1,024,907</u>	<u>12.2 %</u>	<u>1,109,088</u>	<u>14.7 %</u>
Total	<u>\$ 8,446,755</u>	<u>100.0 %</u>	<u>7,530,673</u>	<u>100.0 %</u>

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

iii) Claim development trend:

1. Sum of accumulated and reported claims

March 31, 2017									
Occurrence year	Evaluation date					Accumulated claim paid	Reported but unpaid	Reported and unpaid	Claim Provision
	March 31, 2013	March 31, 2014	March 31, 2015	March 31, 2016	March 31, 2017				
≤2012							789,036		
2013	13,648,664	14,557,395	14,980,488	14,957,391	14,868,080	14,458,646	409,434		
2014		16,817,427	17,908,377	18,326,450	18,306,037	17,249,026	1,057,011		
2015			18,295,000	19,493,596	19,597,872	18,284,676	1,313,196		
2016				27,131,993	28,036,947	17,944,576	10,092,371		
2017					4,245,781	1,053,972	3,191,809		
Total							<u>16,852,857</u>	<u>6,723,803</u>	<u>23,576,660</u>

December 31, 2016									
Occurrence year	Evaluation date					Accumulated claim paid	Reported but unpaid	Reported and unpaid	Claim Provision
	December 31, 2012	December 31, 2013	December 31, 2014	December 31, 2015	December 31, 2016				
≤2011							622,294		
2012	12,986,701	14,758,093	14,679,426	14,590,797	14,520,730	14,240,015	280,715		
2013		13,714,679	14,619,378	15,039,045	15,015,911	14,444,112	571,799		
2014			16,926,330	18,017,253	18,429,792	17,267,758	1,162,034		
2015				18,392,262	19,595,916	17,873,748	1,722,168		
2016					27,285,349	13,376,125	13,909,224		
Total							<u>18,268,234</u>	<u>6,392,902</u>	<u>24,661,136</u>

March 31, 2016									
Occurrence year	Evaluation date					Accumulated claim paid	Reported but unpaid	Reported and unpaid	Claim Provision
	March 31, 2012	March 31, 2013	March 31, 2014	March 31, 2015	March 31, 2016				
≤2011							813,164		
2012	13,014,927	14,789,044	14,706,823	14,618,339	14,575,549	14,233,903	341,646		
2013		13,800,529	14,701,465	15,118,495	15,153,915	14,151,564	1,002,351		
2014			17,054,131	18,147,377	18,231,259	16,399,390	1,831,869		
2015				18,533,237	19,227,759	13,798,474	5,429,285		
2016					6,345,422	1,160,984	5,184,438		
Total							<u>14,602,753</u>	<u>7,404,977</u>	<u>22,007,730</u>

2. Sum of accumulated and reported claims

March 31, 2017									
Occurrence year	Evaluation date					Accumulated claim paid	Reported but unpaid	Reported and unpaid	Claim Provision
	March 31, 2013	March 31, 2014	March 31, 2015	March 31, 2016	March 31, 2017				
≤2012							498,567		
2013	10,769,326	11,287,496	11,623,854	11,633,656	11,600,415	11,325,392	275,023		
2014		12,744,794	13,515,604	13,948,730	13,926,213	13,454,049	472,164		
2015			13,815,714	14,896,137	14,994,932	14,102,636	892,296		
2016				15,267,516	15,923,187	12,189,501	3,733,686		
2017					3,438,635	921,702	2,516,933		
Total							<u>8,388,669</u>	<u>4,352,464</u>	<u>12,741,133</u>

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

December 31, 2016									
Occurrence year	Evaluation date					Accumulated claim paid	Reported but unpaid	Reported and unpaid	Claim Provision
	December 31, 2012	December 31, 2013	December 31, 2014	December 31, 2015	December 31, 2016				
≤2011							370,943		
2012	9,894,286	11,342,295	11,282,119	11,270,056	11,227,735	11,019,287	208,448		
2013		10,799,882	11,319,587	11,655,415	11,666,274	11,302,361	363,913		
2014			12,801,818	13,577,947	14,011,107	13,457,375	553,732		
2015				13,889,443	14,977,347	13,793,475	1,183,872		
2016					15,361,117	9,448,638	5,912,479		
Total							<u>8,593,387</u>	<u>4,097,765</u>	<u>12,691,152</u>

  

March 31, 2016									
Occurrence year	Evaluation date					Accumulated claim paid	Reported but unpaid	Reported and unpaid	Claim Provision
	March 31, 2012	March 31, 2013	March 31, 2014	March 31, 2015	March 31, 2016				
≤2011							459,081		
2012	9,908,928	11,358,093	11,298,362	11,286,425	11,259,914	11,001,329	258,585		
2013		10,845,110	11,366,481	11,702,072	11,683,940	11,143,937	540,003		
2014			12,882,564	13,665,775	13,790,087	12,817,394	972,693		
2015				14,001,520	14,468,460	11,202,180	3,266,280		
2016					3,654,237	903,518	2,750,719		
Total							<u>8,247,361</u>	<u>4,028,656</u>	<u>12,276,017</u>

c) Credit risk, liquidity risk and market risk

i) Credit risk

The credit risk of insurance contracts comes mainly from reinsurance business. That is, the reinsurers' default or bad financial condition which leads to the inability to pay the reinsurance claims. Reinsurance contracts are arranged in accordance with the "Regulations Governing Insurance Enterprises Engaging in Operating Reinsurance and Other Risk Spreading Mechanisms". The reinsurers with whom Fubon Insurance and its subsidiaries reinsure are mostly reinsurers with better credit rating and qualify as authorized reinsurers. Relevant risk control procedures are also established to regularly keep track and monitor changes in the credit rating of reinsurers.

In compliance with article 5 of the "Regulations Governing the Provision of Unauthorized Reinsurance Reserves for Insurance Company", transactions with unauthorized reinsurers are disclosed in the notes of financial statements which include summary of unauthorized reinsurance contracts and types of reinsurance, reinsurance premium expense of unauthorized reinsurance contracts, as well as general description of the amount of unauthorized reserve and its components.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

1. As of March 31, 2017, the major unqualified reinsurance counterparties are listed below:
  - a. AIG EUROPE LIMITED : The facultative reinsurance of engineering insurance.
  - b. LLOYDS SYND. 1200 AMA (ARGO): The facultative reinsurance of commercial fire insurance.
  - c. GLOBAL INSURANCE COMPANY: The facultative reinsurance of marine insurance.
  - d. ALLIANZ C.P. GENERAL INSURANCE COMPANY LIMITED: The facultative reinsurance of new types of insurance.
  - e. RIVERSTONE FRANCE S.A.: The facultative reinsurance of engineering insurance.
  - f. PAOFOONG INSURANCE COMPANY (HONG KONG) LIMITED : The facultative reinsurance of personal fire insurance.
  
2. As of December 31, 2016, the major unqualified reinsurance counterparties are listed below:
  - a. AIG EUROPE LIMITED: The facultative reinsurance of engineering insurance.
  - b. ALLIANZ C.P. GENERAL INSURANCE COMPANY LIMITED: The facultative reinsurance of commercial fire insurance.
  - c. ROYAL & SUNALLIANCE INSURANCE GLOBAL: The facultative reinsurance of marine insurance.
  - d. ALLIANZ C.P. GENERAL INSURANCE COMPANY LIMITED: The facultative reinsurance of new type of insurance.
  - e. AIG EUROPE LIMITED: The facultative reinsurance of engineering insurance.
  - f. LA MUTUELLE DU MANS ASSURANCES I.A.R.D: The facultative reinsurance of new types of insurance.
  - g. PAOFOONG INSURANCE COMPANY (HONG KONG) LIMITED: The facultative reinsurance of personal fire insurance.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

3. As of March 31, 2016, the major unqualified reinsurance counterparties are listed below:
  - a. CORPORATE INSURANCE PARTNER: The facultative reinsurance of commercial fire insurance.
  - b. ROYAL & SUNALLIANCE INSURANCE GLOBAL: The facultative reinsurance of marine fire insurance.
  - c. ALLIANZ C.P. GENERAL INSURANCE COMPANY LIMITED: The facultative reinsurance of new types of insurance.
  - d. RIVERSTONE FRANCE S.A.: The facultative reinsurance of engineering insurance.
  - e. LA MUTUELLE DU MANS ASSURANCES I.A.R.D.: The facultative reinsurance of engineering insurance.
  - f. PAOFOONG INSURANCE COMPANY (HONG KONG) LIMITED: The facultative reinsurance of personal fire insurance.
4. As of March 31, 2017, December 31 and March 31, 2016, the unauthorized reinsurance expenses amounted to \$263, \$129,786 and \$604,981, respectively.
5. As of March 31, 2017, December 31 and March 31, 2016, the reserve for unauthorized reinsurance amounted to \$1,372,071, \$1,493,667 and \$1,439,954, respectively. The components of this account include: (a) the unearned premium reserve of \$27,429, \$64,922 and \$397,089, respectively. (b) the claims recoverable from reinsurers of paid claims overdue in nine month amounted to \$367,490, \$84,217 and \$4,572, respectively. (c) the claims recoverable from reinsurers which were reported but unpaid amounted to \$977,152, \$1,344,528 and \$1,038,293, respectively.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

ii) Liquidity risk

Insurance contracts which Fubon Insurance and its subsidiaries undertake are mostly policies that expire within 1 year. The liquidity risk from insurance contracts depends on whether Fubon Insurance's assets are able to cover significant claims in time when material claims occur. That is the liquidity risk of insurance contracts is mainly capital liquidity risk. Therefore, Fubon Insurance adopts the current asset ratio to evaluate the liquidity risk from insurance contracts.

iii) Market risk

The market risk of insurance contracts arises mainly from the reserves provided for these insurance contracts, such as fluctuation of market interest rate.

According to the "Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprise", the provisions which Fubon Insurance provided consist of the unearned premium reserve, claims reserve, special reserve, premium deficiency reserve, liability adequacy reserve and liability reserves. Except for liability reserve, reserves are not discounted at the market rate. Therefore, changes of market do not have an impact on the estimated reserves.

Liability reserve is provided for long-term fire insurance. Although this type of insurance product is not for sale anymore the liability reserve is still provided for the effective insurance policies. Provision of liability reserve is determined by future repayments and the discount rate refers to unexpired average terms and previous markets rate trends. Since the product is not for sale anymore and only few are still effective, fluctuations of market rate do not have significant impact on provision of liability reserve and income of Fubon Insurance.



**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

- 3) Fubon Life Insurance and its subsidiaries
- a) Various reserves
- i) Unearned premium reserves

	<b>March 31, 2017</b>		
	<b>Insurance contracts</b>	<b>Financial instruments with discretionary participation</b>	<b>Total</b>
Individual life insurance	\$ 1,756	-	1,756
Individual injury insurance	2,953,117	-	2,953,117
Individual health insurance	3,424,984	-	3,424,984
Group insurance	1,547,294	-	1,547,294
Investment-linked insurance	<u>106,636</u>	<u>-</u>	<u>106,636</u>
Gross reserve	<u>8,033,787</u>	<u>-</u>	<u>8,033,787</u>
Deduction of provision for reinsurance ceded			
Individual life insurance	414,944	-	414,944
Individual injury insurance	20,826	-	20,826
Individual health insurance	2,228	-	2,228
Group insurance	74,747	-	74,747
Investment-linked insurance	<u>10,692</u>	<u>-</u>	<u>10,692</u>
Total ceded reserve	<u>523,437</u>	<u>-</u>	<u>523,437</u>
Net reserve	<u>\$ 7,510,350</u>	<u>-</u>	<u>7,510,350</u>

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

	<b>December 31, 2016</b>		
	<b>Insurance contracts</b>	<b>Financial instruments with discretionary participation</b>	<b>Total</b>
Individual life insurance	\$ 1,654	-	1,654
Individual injury insurance	2,893,934	-	2,893,934
Individual health insurance	3,375,856	-	3,375,856
Group insurance	1,561,332	-	1,561,332
Investment-linked insurance	83,969	-	83,969
Total reserve	<u>7,916,745</u>	<u>-</u>	<u>7,916,745</u>
Deduction of provision for reinsurance ceded			
Individual life insurance	405,044	-	405,044
Individual injury insurance	20,726	-	20,726
Individual health insurance	2,048	-	2,048
Group insurance	72,021	-	72,021
Investment-linked insurance	10,894	-	10,894
Total ceded reserve	<u>510,733</u>	<u>-</u>	<u>510,733</u>
Net reserve	<u>\$ 7,406,012</u>	<u>-</u>	<u>7,406,012</u>
	<b>March 31, 2016</b>		
	<b>Insurance contracts</b>	<b>Financial instruments with discretionary participation</b>	<b>Total</b>
Individual life insurance	\$ 2,356	-	2,356
Individual injury insurance	2,666,383	-	2,666,383
Individual health insurance	3,323,736	-	3,323,736
Group insurance	1,557,582	-	1,557,582
Investment-linked insurance	103,285	-	103,285
Gross reserve	<u>7,653,342</u>	<u>-</u>	<u>7,653,342</u>
Deduction of provision for reinsurance ceded			
Individual life insurance	343,838	-	343,838
Individual injury insurance	22,848	-	22,848
Individual health insurance	1,912	-	1,912
Group insurance	67,558	-	67,558
Investment-linked insurance	10,876	-	10,876
Total ceded reserve	<u>447,032</u>	<u>-</u>	<u>447,032</u>
Net reserve	<u>\$ 7,206,310</u>	<u>-</u>	<u>7,206,310</u>

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

The movements in unearned premium reserves were as follows:

	<b>For the three months ended March 31, 2017</b>		
	<b>Insurance contracts</b>	<b>Financial instruments with discretionary participation</b>	<b>Total</b>
Beginning balance	\$ 7,916,745	-	7,916,745
Current provisions	8,033,843	-	8,033,843
Current reclaims	(7,916,745)	-	(7,916,745)
Gain and loss on foreign exchange	(56)	-	(56)
Ending balance	<u>8,033,787</u>	<u>-</u>	<u>8,033,787</u>
Less: Provision for ceded reinsurance			
Beginning balance	510,733	-	510,733
Current provisions	523,473	-	523,473
Current reclaims	(510,733)	-	(510,733)
Gain and loss on foreign exchange	(36)	-	(36)
Ending balance	<u>523,437</u>	<u>-</u>	<u>523,437</u>
Net ending balance	<u>\$ 7,510,350</u>	<u>-</u>	<u>7,510,350</u>
	<b>For the three months ended March 31, 2016</b>		
	<b>Insurance contracts</b>	<b>Financial instruments with discretionary participation</b>	<b>Total</b>
Beginning balance	\$ 7,602,907	-	7,602,907
Current provisions	7,653,352	-	7,653,352
Current reclaims	(7,602,907)	-	(7,602,907)
Gain on foreign exchange	(10)	-	(10)
Ending balance	<u>7,653,342</u>	<u>-</u>	<u>7,653,342</u>
Less: Provision for ceded reinsurance			
Beginning balance	456,599	-	456,599
Current provisions	447,052	-	447,052
Current reclaims	(456,599)	-	(456,599)
Gain and loss on foreign exchange	(20)	-	(20)
Ending balance	<u>447,032</u>	<u>-</u>	<u>447,032</u>
Net ending balance	<u>\$ 7,206,310</u>	<u>-</u>	<u>7,206,310</u>

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

ii) Claim reserves

	<b>March 31, 2017</b>		
	<b>Insurance contracts</b>	<b>Financial instruments with discretionary participation</b>	<b>Total</b>
Individual life insurance			
– Reported but not paid	\$ 411,473	17,550	429,023
– Incurred but not reported	3,467	-	3,467
Individual injury insurance			
– Reported but not paid	81,549	-	81,549
– Incurred but not reported	373,191	-	373,191
Individual health insurance			
– Reported but not paid	191,196	-	191,196
– Incurred but not reported	501,612	-	501,612
Group insurance			
– Reported but not paid	72,593	-	72,593
– Incurred but not reported	326,490	-	326,490
Investment-linked insurance			
– Reported but not paid	59,830	-	59,830
– Incurred but not reported	66,398	-	66,398
Total reserve	<u>2,087,799</u>	<u>17,550</u>	<u>2,105,349</u>
Deduction of provision for reinsurance ceded:			
Individual life insurance	21,112	-	21,112
Individual injury insurance	34,427	-	34,427
Group insurance	3,945	-	3,945
Investment-linked insurance	4,049	-	4,049
Total ceded reserve	<u>63,533</u>	<u>-</u>	<u>63,533</u>
Net reserve	<u>\$ 2,024,266</u>	<u>17,550</u>	<u>2,041,816</u>

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

	December 31, 2016		
	Insurance contracts	Financial instruments with discretionary participation	Total
Individual life insurance			
— Reported but unpaid	\$ 406,206	8,163	414,369
— Incurred but not reported	3,238	-	3,238
Individual injury insurance			
— Report but unpaid	87,848	-	87,848
— Incurred but not reported	388,149	-	388,149
Individual health insurance			
— Reported but unpaid	195,288	-	195,288
— Incurred but not reported	513,070	-	513,070
Group insurance			
— Reported but unpaid	62,641	-	62,641
— Incurred but not reported	336,892	-	336,892
Investment-linked insurance			
— Reported but unpaid	75,837	-	75,837
— Incurred but not reported	65,949	-	65,949
Total ceded reserve	<u>2,135,118</u>	<u>8,163</u>	<u>2,143,281</u>
Deduction of provision for reinsurance ceded:			
Individual life insurance	23,030	-	23,030
Individual injury insurance	31,983	-	31,983
Group insurance	1,689	-	1,689
Investment-linked insurance	13,337	-	13,337
Total ceded reserve	<u>70,039</u>	<u>-</u>	<u>70,039</u>
Net reserve	<u>\$ 2,065,079</u>	<u>8,163</u>	<u>2,073,242</u>

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

	March 31, 2016		
	Insurance contracts	Financial instruments with discretionary participation	Total
Individual life insurance			
— Reported but not paid	\$ 394,127	4,157	398,284
— Incurred but not reported	4,215	-	4,215
Individual injury insurance			
— Report but not paid	100,309	-	100,309
— Incurred but not reported	288,674	-	288,674
Individual health insurance			
— Reported but not paid	212,734	-	212,734
— Incurred but not reported	462,250	-	462,250
Group insurance			
— Reported but not paid	63,139	-	63,139
— Incurred but not reported	269,677	-	269,677
Investment-linked insurance			
— Reported but not paid	95,750	-	95,750
— Incurred but not reported	45,643	-	45,643
Total reserve	1,936,518	4,157	1,940,675
Deduction of ceded claim reserves			
Individual life insurance	30,748	-	30,748
Individual injury insurance	40,779	-	40,779
Individual health insurance	288	-	288
Group insurance	4,028	-	4,028
Investment-linked insurance	18,341	-	18,341
Total ceded reserve	94,184	-	94,184
Net reserve	\$ 1,842,334	4,157	1,846,491

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

The movements in claims reserve were as follows:

	<b>For the three months ended March 31, 2017</b>		
	<b>Insurance contracts</b>	<b>Financial instruments with discretionary participation</b>	<b>Total</b>
Beginning balance	\$ 2,135,118	8,163	2,143,281
Current provisions	2,088,311	17,550	2,105,861
Current reclaims	(2,135,118)	(8,163)	(2,143,281)
Gain and loss on foreign exchange	(512)	-	(512)
Ending balance	2,087,799	17,550	2,105,349
Less: Provision for ceded reinsurance			
Beginning balance	70,039	-	70,039
Current provisions	63,533	-	63,533
Current reclaims	(70,039)	-	(70,039)
Ending balance	63,533	-	63,533
Net ending balance	\$ 2,024,266	17,550	2,041,816
	<b>For the three months ended March 31, 2016</b>		
	<b>Insurance contracts</b>	<b>Financial instruments with discretionary participation</b>	<b>Total</b>
Beginning balance	\$ 2,062,076	4,896	2,066,972
Current provisions	1,936,414	4,157	1,940,571
Current reclaims	(2,062,076)	(4,896)	(2,066,972)
Gain and loss on foreign exchange	104	-	104
Ending balance	1,936,518	4,157	1,940,675
Less: Provision for ceded reinsurance			
Beginning balance	124,180	-	124,180
Current provisions	94,184	-	94,184
Current reclaims	(124,180)	-	(124,180)
Ending balance	94,184	-	94,184
Net ending balance	\$ 1,842,334	4,157	1,846,491

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

iii) Liability reserve:

	<b>March 31, 2017</b>		
	<b>Insurance contracts</b>	<b>Financial instruments with discretionary participation</b>	<b>Total</b>
Life insurance	\$ 2,515,805,899	-	2,515,805,899
Injury insurance	729,136	-	729,136
Health insurance	228,927,338	-	228,927,338
Annuity insurance	1,249,156	152,304,312	153,553,468
Investment-linked insurance	44,835	-	44,835
<b>Total</b>	<b>\$ <u>2,746,756,364</u></b>	<b><u>152,304,312</u></b>	<b><u>2,899,060,676</u></b>

  

	<b>December 31, 2016</b>		
	<b>Insurance contracts</b>	<b>Financial instruments with discretionary participation</b>	<b>Total</b>
Life insurance	\$ 2,459,634,713	-	2,459,634,713
Injury insurance	734,263	-	734,263
Health insurance	223,469,105	-	223,469,105
Annuity insurance	1,245,971	154,080,255	155,326,226
Investment-linked insurance	32,586	-	32,586
<b>Total</b>	<b>\$ <u>2,685,116,638</u></b>	<b><u>154,080,255</u></b>	<b><u>2,839,196,893</u></b>

(Continued)



**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

	<b>March 31, 2016</b>		
	<b>Insurance contracts</b>	<b>Financial instruments with discretionary participation</b>	<b>Total</b>
Life insurance	\$ 2,236,998,562	-	2,236,998,562
Injury insurance	747,473	-	747,473
Health insurance	207,249,204	-	207,249,204
Annuity insurance	1,248,419	159,179,194	160,427,613
Investment-linked insurance	22,632	-	22,632
<b>Total</b>	<b>\$ 2,446,266,290</b>	<b>159,179,194</b>	<b>2,605,445,484</b>

The movements in the liability reserve were as follows:

	<b>For the three months ended March 31, 2017</b>		
	<b>Insurance contracts</b>	<b>Financial instruments with discretionary participation</b>	<b>Total</b>
Beginning balance	\$ 2,685,116,638	154,080,255	2,839,196,893
Current provisions	125,596,266	3,369,517	128,965,783
Current reclaims	(31,553,315)	(5,145,460)	(36,698,775)
Gain and loss on foreign exchange	(32,403,225)	-	(32,403,225)
<b>Ending balance</b>	<b>\$ 2,746,756,364</b>	<b>152,304,312</b>	<b>2,899,060,676</b>

	<b>For the three months ended March 31, 2016</b>		
	<b>Insurance contracts</b>	<b>Financial instruments with discretionary participation</b>	<b>Total</b>
Beginning balance	\$ 2,377,426,666	155,660,242	2,533,086,908
Current provisions	112,514,683	9,503,252	122,017,935
Current reclaims	(33,011,867)	(5,984,300)	(38,996,167)
Gain and loss on foreign exchange	(10,663,192)	-	(10,663,192)
<b>Ending balance</b>	<b>\$ 2,446,266,290</b>	<b>159,179,194</b>	<b>2,605,445,484</b>

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

iv) Special reserves

	<b>March 31, 2017</b>			
	<b>Insurance contracts</b>	<b>Financial instruments with discretionary participation</b>	<b>Others</b>	<b>Total</b>
Dividend provision for participation policies	\$ 6,825,319	-	-	6,825,319
Valuation surplus gain for investment property	-	-	652,267	652,267
<b>Total</b>	<b>\$ 6,825,319</b>	<b>-</b>	<b>652,267</b>	<b>7,477,586</b>
	<b>December 31, 2016</b>			
	<b>Insurance contracts</b>	<b>Financial instruments with discretionary participation</b>	<b>Others</b>	<b>Total</b>
Dividend provision for participation policies	\$ 6,820,981	-	-	6,820,981
Valuation surplus gain for investment property	-	-	652,267	652,267
<b>Total</b>	<b>\$ 6,820,981</b>	<b>-</b>	<b>652,267</b>	<b>7,473,248</b>
	<b>March 31, 2016</b>			
	<b>Insurance contracts</b>	<b>Financial instruments with discretionary participation</b>	<b>Others</b>	<b>Total</b>
Dividend provision for participation policies	\$ 5,793,880	-	-	5,793,880
Valuation surplus gain for investment property	-	-	652,267	652,267
<b>Total</b>	<b>\$ 5,793,880</b>	<b>-</b>	<b>652,267</b>	<b>6,446,147</b>

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

The movements in special reserves were as follows:

	<b>For the three months ended March 31, 2017</b>			
	<b>Insurance contracts</b>	<b>Financial instruments with discretionary participation</b>	<b>Others</b>	<b>Total</b>
Beginning balance	\$ 6,820,981	-	652,267	7,473,248
Provision for dividend provision for participating policies	4,338	-	-	4,338
Ending balance	<u>\$ 6,825,319</u>	<u>-</u>	<u>652,267</u>	<u>7,477,586</u>

	<b>For the three months ended March 31, 2016</b>			
	<b>Insurance contracts</b>	<b>Financial instruments with discretionary participation</b>	<b>Others</b>	<b>Total</b>
Beginning balance	\$ 5,359,919	-	652,267	6,012,186
Provision for dividend provision for participating policies	433,961	-	-	433,961
Ending balance	<u>\$ 5,793,880</u>	<u>-</u>	<u>652,267</u>	<u>6,446,147</u>

v) Premium deficiency reserve

	<b>March 31, 2017</b>		
	<b>Insurance contracts</b>	<b>Financial instruments with discretionary participation</b>	<b>Total</b>
Individual life insurance	\$ 23,160,145	-	23,160,145
Individual injury insurance	1,434	-	1,434
Individual health insurance	366,277	-	366,277
Group insurance	34,765	-	34,765
Investment-linked product	19	-	19
Total	<u>\$ 23,562,640</u>	<u>-</u>	<u>23,562,640</u>

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

	<b>December 31, 2016</b>		
	<b>Insurance</b>	<b>Financial</b>	<b>Total</b>
	<b>contracts</b>	<b>instruments</b> <b>with</b> <b>discretionary</b> <b>participation</b>	
Individual life insurance	\$ 22,461,575	-	22,461,575
Individual injury insurance	8,576	-	8,576
Individual health insurance	380,388	-	380,388
Group insurance	23,653	-	23,653
Investment-linked product	18	-	18
<b>Total</b>	<b>\$ 22,874,210</b>	<b>-</b>	<b>22,874,210</b>
	<b>March 31, 2016</b>		
	<b>Insurance</b>	<b>Financial</b>	<b>Total</b>
	<b>contracts</b>	<b>instruments</b> <b>with</b> <b>discretionary</b> <b>participation</b>	
Individual life insurance	\$ 17,638,062	-	17,638,062
Individual injury insurance	9,005	-	9,005
Individual health insurance	427,108	-	427,108
Group insurance	27,015	-	27,015
Investment-linked product	23	-	23
<b>Total</b>	<b>\$ 18,101,213</b>	<b>-</b>	<b>18,101,213</b>

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

The movements in premium deficiency reserve were as follows:

	<b>For the three months ended March 31, 2017</b>		
	<b>Insurance contracts</b>	<b>Financial instruments with discretionary participation</b>	<b>Total</b>
Beginning balance	\$ 22,874,210	-	22,874,210
Current provision, net	926,059	-	926,059
Gain and loss on foreign exchange	(237,629)	-	(237,629)
Ending balance	<b>\$ 23,562,640</b>	<b>-</b>	<b>23,562,640</b>
	<b>For the three months ended March 31, 2016</b>		
	<b>Insurance contracts</b>	<b>Financial instruments with discretionary participation</b>	<b>Total</b>
Beginning balance	\$ 16,280,468	-	16,280,468
Current provision, net	1,886,246	-	1,886,246
Gain and loss on foreign exchange	(65,501)	-	(65,501)
Ending balance	<b>\$ 18,101,213</b>	<b>-</b>	<b>18,101,213</b>

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

vi) Liability adequacy reserve

Based on the actuary's liability adequacy test report, the results of reserve testing were as follows:

<b>Financial instruments with discretionary participation</b>	<b>March 31, 2017</b>	<b>December 31, 2016</b>	<b>March 31, 2016</b>
Liability reserve	\$ 2,896,687,182	2,837,198,506	2,605,341,586
Unearned premium reserves	8,033,190	7,916,322	7,653,144
Premium deficiency reserve	23,492,898	22,806,116	18,101,211
Special reserves	7,477,586	7,473,248	6,446,147
Claim reserves	<u>2,105,268</u>	<u>2,142,920</u>	<u>1,940,144</u>
Carrying amount of insurance liabilities	<u>\$ 2,937,796,124</u>	<u>2,877,537,112</u>	<u>2,639,482,232</u>
Current estimate of future cash flows under its insurance liabilities	<u>\$ 2,175,595,459</u>	<u>2,118,064,047</u>	<u>1,999,994,382</u>
Total liability adequacy reserve	<u>\$ -</u>	<u>-</u>	<u>-</u>

The liability adequacy test method adopted by Fubon Life Insurance and its subsidiaries as of March 31, 2017, December 31 and March 31, 2016, are as the following:

Test method	Gross Premium Valuation (GPV)
Group	All insurance contracts
Significant assumption	The discount rate assumption for future years was set up based on the assets allocation and the weighted average return on investments of Fubon Life Insurance.

The abovementioned liability adequacy test excludes the provision of Fubon Life Insurance's subsidiaries. Such exclusion is due to the fact that they only account for very little portion and it is not expected to affect the result of the sensitivity analysis.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

- vii) Special reserve (catastrophic risk reserve and special reserves for fluctuation of risks):

<b>March 31, 2017</b>				
<b>Financial instruments with discretionary participation</b>				
	<b>Insurance contracts</b>	<b>discretionary participation</b>	<b>Others</b>	<b>Total</b>
Catastrophic risk reserve	\$ 3,109,067	-	-	3,109,067
Contingency risk reserve	2,788,060	-	-	2,788,060
<b>Total</b>	<b>\$ 5,897,127</b>	<b>-</b>	<b>-</b>	<b>5,897,127</b>

<b>December 31, 2016</b>				
<b>Financial instruments with discretionary participation</b>				
	<b>Insurance contracts</b>	<b>discretionary participation</b>	<b>Others</b>	<b>Total</b>
Catastrophic risk reserve	\$ 3,109,067	-	-	3,109,067
Contingency risk reserve	2,788,060	-	-	2,788,060
<b>Total</b>	<b>\$ 5,897,127</b>	<b>-</b>	<b>-</b>	<b>5,897,127</b>

<b>March 31, 2016</b>				
<b>Financial instruments with discretionary participation</b>				
	<b>Insurance contracts</b>	<b>discretionary participation</b>	<b>Others</b>	<b>Total</b>
Catastrophic risk reserve	\$ 2,838,083	-	-	2,838,083
Contingency risk reserve	2,717,198	-	-	2,717,198
<b>Total</b>	<b>\$ 5,555,281</b>	<b>-</b>	<b>-</b>	<b>5,555,281</b>

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

viii) Other reserves

1. Reserve for financial instruments without discretionary participation features

Financial instruments without discretionary participation features and the movements in the related reserve were as follows:

	<b>March 31, 2017</b>	<b>December 31, 2016</b>	<b>March 31, 2016</b>
Life insurance	<u><u>\$ 3,707,224</u></u>	<u><u>18,137,335</u></u>	<u><u>83,297,968</u></u>
		<b>For the three months ended March 31</b>	
		<b>2017</b>	<b>2016</b>
Beginning balance		\$ 18,137,335	83,616,757
Current premiums collected		-	442
Current claims payment		(14,479,992)	(698,874)
Current net provision for legal reserve		<u>49,881</u>	<u>379,643</u>
Ending balance		<u><u>\$ 3,707,224</u></u>	<u><u>83,297,968</u></u>

2. Foreign exchange fluctuation reserve

- a. Hedging strategy and risk exposure

The hedging strategy is primarily perfect hedge, together with currency proxy hedge and natural hedge. To ensure the effectiveness and appropriateness of hedging, the rationality of the hedging cost is considered and the hedging strategy and hedging proportion are vigorously adjusted. The frequency and level of foreign exchange hedge considers the foreign exchange fluctuation risk.

(Continued)



**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

- b. The movements in foreign exchange fluctuation reserve were as follows:

	<b>For the three months ended</b>	
	<b>March 31</b>	
	<b>2017</b>	<b>2016</b>
Beginning balance	\$ 4,632,746	7,479,048
Current provision :		
Compulsory provision	457,600	498,329
Additional provision	-	1,065,773
Subtotal	<u>457,600</u>	<u>1,564,102</u>
Recovered	<u>(4,163,797)</u>	<u>(3,358,051)</u>
Ending balance	<u><u>\$ 926,549</u></u>	<u><u>5,685,099</u></u>

- c. Effect of foreign exchange fluctuation reserve

<u>Item</u>	<u>Unapplied amount</u>	<u>Applied amount</u>	<u>Effected amount</u>
<b>March 31, 2017</b>			
Foreign exchange fluctuation reserve	\$ -	926,549	(926,549)
Owner's equity	219,178,341	220,083,633	(905,292)
<b>December 31, 2016</b>			
Foreign exchange fluctuation reserve	\$ -	4,632,746	(4,632,746)
Owner's equity	215,645,223	213,474,371	2,170,852

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

<u>Item</u>	<u>Unapplied amount</u>	<u>Applied amount</u>	<u>Effectuated amount</u>			
<b>March 31, 2016</b>						
Foreign exchange fluctuation reserve	\$ -	5,685,099	(5,685,099)			
Owner's equity	209,503,213	206,458,908	3,044,305			
<b>For the three months ended March 31</b>						
	<b>2017</b>			<b>2016</b>		
<u>Item</u>	<u>Unapplied amount</u>	<u>Applied amount</u>	<u>Effectuated amount</u>	<u>Unapplied amount</u>	<u>Applied amount</u>	<u>Effectuated amount</u>
Net income	\$ 933,980	4,010,124	(3,076,144)	648,106	2,137,084	(1,488,978)
Earnings per share	0.13	0.58	(0.45)	0.09	0.31	(0.22)

ix) Deferred acquisition cost and deferred handling fees

1. Deferred acquisition cost

The additional transaction costs incurred on investment administrative work were deferred in connection with the sales of investment-linked insurance policies, classified as financial instrument without discretionary participation features. The movements in these deferred acquisition costs, were as follows:

	<b>For the three months ended March 31</b>	
	<b>2017</b>	<b>2016</b>
Beginning balance	\$ 361,993	361,843
Addition	20,152	12,879
Amortization	(12,522)	(17,217)
Ending balance	<u>\$ 369,623</u>	<u>357,505</u>

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

2. Deferred service fees

The service fees incurred on investment management service were deferred in connection with the sales of investment-linked insurance policies, which are classified as financial instrument without discretionary participation features. The movements in deferred service fees were as follows:

	<b>For the three months ended March 31</b>	
	<b>2017</b>	<b>2016</b>
Beginning balance	\$ 968,245	895,031
Addition	53,392	29,805
Amortization	(18,784)	(23,259)
Ending balance	<b>\$ 1,002,853</b>	<b>901,577</b>

x) Premiums

1. Retained earned premiums

	<b>For the three months ended March 31, 2017</b>		
	<b>Insurance contracts</b>	<b>Financial instruments with discretionary participation</b>	<b>Total</b>
Direct written premium	\$ 123,578,081	2,680,447	126,258,528
Premium income	123,578,081	2,680,447	126,258,528
Less: Reinsurance premium expenditure	(272,164)	-	(272,164)
Net change in unearned premium reserve	(104,358)	-	(104,358)
Subtotal	(376,522)	-	(376,522)
Retained earned premiums	<b>\$ 123,201,559</b>	<b>2,680,447</b>	<b>125,882,006</b>

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

	<b>For the three months ended March 31, 2016</b>		
	<b>Insurance contracts</b>	<b>Financial instruments with discretionary participation</b>	<b>Total</b>
Direct written premium	\$ 112,263,915	8,884,847	121,148,762
Reinsurance premium	<u>87</u>	<u>-</u>	<u>87</u>
Premium income	<u>112,264,002</u>	<u>8,884,847</u>	<u>121,148,849</u>
Less: Reinsurance premium expenditure	(244,328)	-	(244,328)
Net change in unearned premium reserve	(59,992)	-	(59,992)
Subtotal	<u>(304,320)</u>	<u>-</u>	<u>(304,320)</u>
Retained earned premiums	<u><u>\$ 111,959,682</u></u>	<u><u>8,884,847</u></u>	<u><u>120,844,529</u></u>

2. Retained claims payment

	<b>For the three months ended March 31, 2017</b>		
	<b>Insurance contracts</b>	<b>Financial instruments with discretionary participation</b>	<b>Total</b>
Claims payment incurred	\$ 39,325,813	5,214,325	44,540,138
Reinsurance claims payment incurred	<u>154</u>	<u>-</u>	<u>154</u>
Insurance claims payment	<u>39,325,967</u>	<u>5,214,325</u>	<u>44,540,292</u>
Less: Claims payment recovered from reinsures	(170,976)	-	(170,976)
Retained claims payment	<u><u>\$ 39,154,991</u></u>	<u><u>5,214,325</u></u>	<u><u>44,369,316</u></u>

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

	<b>For the three months ended March 31, 2016</b>		
	<b>Insurance contracts</b>	<b>Financial instruments with discretionary participation</b>	<b>Total</b>
Claims payment incurred	\$ 39,624,644	6,022,589	45,647,233
Reinsurance claims payment incurred	344	-	344
Insurance claims payment	39,624,988	6,022,589	45,647,577
Less: Claims payment recovered from reinsures	(111,524)	-	(111,524)
Retained claims payment	<b>\$ 39,513,464</b>	<b>6,022,589</b>	<b>45,536,053</b>

- a) Nature and extent of insurance contract risk
- i) Objectives, policies procedures and methods for the insurance contract risk management.
1. The organization of risk management
- Risk Management Committee, subordinated to the Board, supervises the overall risk management of Fubon Life Insurance and reports to the Board regularly. In order to effectively review the risk management operation, specific committees are set up.
- a. Assets and Liabilities Management Committee: The chairman of Fubon Life Insurance serves as the chairman of the committee. As part of its oversight responsibility, the committee considers the balance between assets and liabilities, set up strategic target of assets and liabilities and supervise the execution process.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

- b. Operational Risk Management Committee: It is convened by the president to supervise and manage the operational risk of Fubon Life Insurance in order to ensure that management adopts appropriate risk management procedures within its authority. Furthermore, in order to assist all business units to carry out risk control and to coordinate other risk control affairs, Fubon Life Insurance's board of directors designates a chief risk officer to handle a risk management department which is independent of all business units. This risk management department executes or assists to execute risk control in accordance with the risk management policy, organization rules governing the risk management committee and organization rules governing the risk related committee. Fubon Life Insurance has established diverse risk management policy, stop-loss limit order, internal tiers authorization system and criteria for assessment to facilitate effective risk management.

2. Risk management strategy

A Risk Management Policy was announced with the consent of the board of directors. This policy regulates the strategy and target as well as the mechanism of risk management. The risk management strategy is in line with the regulation on overall operation target, management strategy and risk management. It aims to establish appropriate risk management system and management procedures purposely to identify, evaluate, measure, supervise, respond to and report potential risk.

ii) Insurance risk management

1. Underwriting risk management

Underwriting risk refers to the unexpected risk arising from soliciting new insurance policies, and relevant expenditure disbursement. In order to control underwriting risk, Fubon Life Insurance has classified it into the following types to facilitate the control process, which consists of evaluating information and resources to determine how an individual will be classified.

- a. Risk of policyholder concealment
- b. Risk of insurance content
- c. Occupational and financial risk

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

- d. Risk of health conditions
- e. Risk of the lack of experience of the underwriter
- f. Risk of retention
- g. Risk of operation quality.

Aside from establishing “Underwriting Systems and Procedures” based on the “Regulations Governing new insurance Policy Soliciting, Underwriting and Claim Settlement of Insurance Enterprises”, a code of conduct for underwriting operation is also established to serve as a guide for underwriting risk control. Considering the experience and professional skills of the underwriters, different levels of authorization are established and the underwriting amount for each underwriter personnel is regulated to control the appropriateness of underwriting assessment and to supervise the correctness and timeliness of underwriting operation.

2. Claim risk management

Claim risk refers to the risk arising from adopting inappropriate or negligent procedures on claims settlement procedure. In order to control claim risk, claim risk is categorized into four management interfaces, such as reason of occurrence, frequency of occurrence of risk, classification of risk and effect of the risk. The property of the claim risk is assessed through the multiple-dimension table and risk tolerance level to control the claim risk. Aside from establishing the “Claim Settlement System and Procedures” based on the “Regulations Governing new insurance policy Soliciting, Underwriting and Claim Settlement of Insurance Enterprises” to enhance professional training and morality of claims personnel as well as the control procedures to lessen operational negligence, Fubon Life Insurance also monitors the correctness, timeliness, policy holder complaint ratio and actual loss ratio through the tiers authorization management of the claims personnel.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

3. Product design and pricing risk management

Product design and pricing risk refers to the risk arising from the impropriety, inconsistency or unexpected change of the data related to the product content, clauses and rates. To insure risk control at the point of the pre and after sales of insurance products, internal code of conduct and control procedure were established based on “Regulation governing the procedure before the sales of insurance product” issued by authorities for the insurance product design, inspection, sales preparation to control the risk related to each phases and procedure of product development. In terms of product design, feasibility analysis of new product is conducted and a conference is held to confirm before relevant issue submission. A pre-market meeting is also convened before product launch to ensure that the related activities are completed. In terms of product pricing, aside from certain quantitative risk control mechanism such as risk control procedure, profit test and sensitivity analysis, an assets allocation plan is also set up. Fubon Life Insurance takes into consideration of the characteristics of asset and liabilities for asset allocation and conforms to sales review meeting regularly after sales.

4. Reserve risk management

Reserve-related risk refers to the risk arising from underestimating the liabilities from insufficient written premium provision to cover future obligation. In order to control the reserve-risk, the reserve-risk is categorized into the legality of reserve provision and completeness of operating procedures. To ensure the legality of reserves provision, the Regulatory self-Inspection Compliance manual has been established and audit procedures are executed regularly to ensure that all sorts of reserves conform to what is required by law. Also “Standard Operating Procedures” manual is established. The provisions of this manual maybe updated regularly as the law changes. The operating procedures manual covers ranges from system administration, data access and report generation. Furthermore, several controls are established within the framework to ensure the accuracy of the calculation.

(Continued)



**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

5. Catastrophe risk and reinsurance risk

To avoid risk concentration and catastrophe compensation, the following controls are established.

a. Catastrophe risk

Based on Fubon Insurance's experience, the retention and reinsurance limits are set up and are regularly reviewed. These limits are also applicable to insurance for calamities like earthquakes, typhoons, and air-crash by using scenario analysis and take into account the inter-insurance accumulated losses derived from Risk Accumulation.

b. Reinsurance risk

An annual reinsurance risk management plan is established in conformity with the "Regulations Governing Insurance Enterprises Engaging in Operating Reinsurance and Other Risk Spreading Mechanisms" as part of Fubon Life Insurance's annual reinsurance policy. This plan includes retention risk management, ceded insurance risk management, assumed insurance risk management, intra-group in conjunction with reinsurance risk management.

The credit rating of the reinsurers is also monitored monthly. The credit rating is evaluated based on article 8 of "Regulations Governing Insurance Enterprises Engaging in Operating Reinsurance and Other Risk Spreading Mechanisms". Under these regulations, reinsurers or insurance organizations with a credit rating above a certain level from an international credit rating agency (ie. BBB- or higher by Standard & Poor's Corporation or its equivalent credit rating from agencies endorsed by the authority) are eligible as reinsurers to whom an insurance enterprise may cede it business. Fubon Life Insurance currently adopts Standard and Poor's A- or above as its guideline regarding newly corporated reinsurers.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

6. Assets and liabilities combination risk
  - a. To enhance the overall assets and liabilities allocation, maintain adequate liquidity, and improve capital performance for the purpose of maximizing the risk management reward, management monitor compliance of Fubon Life Insurance and its subsidiaries with the relevant government regulations. In addition, through the establishment of Assets and Liabilities Management Committee, management keep track of the issues related to the cash flow allocation of assets and liabilities, and to establish assets and liabilities management related regulation which enable Fubon Life Insurance and its subsidiaries to sustain adequate capital to cover the potential risk from business operation.
  - b. The Assets and Liabilities Management Committee holds meetings monthly and the responsible department in Fubon Life Insurance and its subsidiaries performs the cash flow test using the spot interest rate and estimates the earnings at the end of each year to test Fubon Life Insurance and its subsidiaries' liquidity. In addition, the Risk-Based Capital ratio is examined and simulated via important elements to execute sensitivity analysis which serves as the reference for capital adequacy decision. Furthermore, the change between Venture Capital and equity fund is analyzed to identify the reason for such changes and capital liquidity risk analysis is performed by using the accumulated net cash flow in a year and the accumulated net cash flow in 5 years as the benchmark for risk management.
7. Risk management report
  - a. A Risk Management Committee is set up under the supervision of the Board of Directors. Except for the independent directors acting as the conveners, all other independent directors are members of the committee, which holds a meeting quarterly. According to its organization rules, the major duties of the committee are to:
    - i. Set up and modify policy and structure of risk management
    - ii. Set up and modify the quantitative and qualitative criteria for risk measurement.
    - iii. Adjust risk types as environment change
    - iv. Set up risk limit allocation and the way of undertaking risk

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

- v. Submit risk management report to the board of directors regularly and authorize to competent departments.
- b. The committee also reviews the overall risk management. Aside from supervising the implementation of risk management policies to ensure that Fubon Life Insurance meets the strategic target, the committee reviews the effectiveness and feasibility of risk management mechanism. It also submits reports to the board of directors to ensure that the risk management is enforced effectively.
- iii) Information of insurance risk
1. Sensitivity of insurance risk – Insurance contracts and financial instruments with discretionary feature:

<b>For the three months ended March 31, 2017</b>				
	<b>Change in assumption</b>		<b>Change in income before tax</b>	<b>Change in stockholder's equity</b>
Mortality/Morbidity	Increase	10 %	(617,431)	(512,468)
Rate of return	Decrease	0.1 %	(813,332)	(675,066)
Expense (fixed expense)	Increase	5 %	(80,650)	(66,940)
Lapse and surrender rate	Increase	10 %	49,652	41,211

<b>For the three months ended March 31, 2016</b>				
	<b>Change in assumption</b>		<b>Change in income before tax</b>	<b>Change in stockholder's equity</b>
Mortality/Morbidity	Increase	10 %	(575,294)	(477,494)
Rate of return	Decrease	0.1 %	(721,368)	(598,735)
Expense (fixed expense)	Increase	5 %	(77,000)	(63,910)
Lapse and surrender rate	Increase	10 %	57,040	47,343

The sensitivity analysis requires evaluating the impact to the profit before tax/ equity under the circumstance in which only one element changes and the others remain constant.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

Fubon Life Insurance uses a pre-tax rate of 17% and other factors, including mortality, morbidity, rate of return, expense rate and lapse rate, in evaluating the impact on equity. The sensitivity analysis does not include the information of the subsidiaries of Fubon Life Insurance. Such exclusion is due to the fact that the retention of earned premiums accounted for very little proportion of the consolidated retention of earned premiums and is not expected to affect the result of the sensitivity analysis.

2. Insurance risk concentration

Fubon Life Insurance sells insurances, which includes life insurance, annuity insurance, accident insurance and health insurance. As all of these insurance contracts are issued from Taiwan, the insurance risk is concentrated in Taiwan.

3. Claim development trend

a. Development trend of claims payment incurred

March 31, 2017

Occurrence year	Development year							Claim provision
	1	2	3	4	5	6	7	
2011	3,500,731	4,151,270	4,214,277	4,225,892	4,232,924	4,242,225	4,241,886	-
2012	3,534,236	4,263,656	4,330,262	4,347,231	4,351,260	4,352,452	-	5,963
2013	3,970,050	4,725,262	4,813,040	4,826,369	4,823,641	-	-	8,383
2014	4,172,446	5,113,019	5,173,291	5,175,714	-	-	-	16,918
2015	4,605,165	5,558,277	5,590,420	-	-	-	-	88,368
2016	5,070,166	5,826,000	-	-	-	-	-	978,968
2017	746,007	-	-	-	-	-	-	157,684
IBNR Reserve								1,256,284
Plus: RBNA Reserve (reported and unpaid claims)								834,191
The balance of claim reserve								2,090,475

December 31, 2016

Occurrence year	Development year							Claim provision
	1	2	3	4	5	6	7	
2010	3,426,842	3,989,417	4,044,102	4,059,304	4,062,735	4,066,811	4,069,076	-
2011	3,500,731	4,151,270	4,214,277	4,225,892	4,232,924	4,242,225	-	-
2012	3,534,236	4,263,656	4,330,262	4,347,231	4,351,260	-	-	7,965
2013	3,970,050	4,725,262	4,813,040	4,826,369	-	-	-	8,813
2014	4,172,446	5,113,019	5,173,291	-	-	-	-	19,598
2015	4,605,165	5,558,277	-	-	-	-	-	109,511
2016	5,070,166	-	-	-	-	-	-	1,146,383
IBNR Reserve								1,292,270
Plus: RBNA Reserve (reported and unpaid claims)								835,983
The balance of claim reserve								2,128,253

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

March 31, 2016

Occurrence year	Development year							Claim provision
	1	2	3	4	5	6	7	
2010	3,426,842	3,989,417	4,044,102	4,059,304	4,062,735	4,066,736	4,068,224	-
2011	3,500,731	4,151,270	4,214,277	4,225,892	4,232,014	4,233,267	-	-
2012	3,534,236	4,263,656	4,330,262	4,347,226	4,352,654	-	-	-
2013	3,970,050	4,725,262	4,812,813	4,815,198	-	-	-	8,189
2014	4,172,446	5,111,070	5,142,168	-	-	-	-	66,152
2015	4,572,833	5,173,085	-	-	-	-	-	825,343
2016	751,237	-	-	-	-	-	-	155,085
IBNR Reserve								1,054,769
Plus: RBNA Reserve (reported and unpaid claims)								870,216
The balance of claim reserve								1,924,985

Note 1: Amount shown above excludes investment contracts

Note 2: As of March 31, 2017 and 2016, except for the IBNR reserve of investment-linked products, and IBNR claim reserves from Fubon Life Insurance (Vietnam) that are not estimated based on claim development trend, the IBNR claim reserves from direct businesses amounted to \$14,874 and \$15,028, respectively.

b. Development trend of retained claims payments

Cumulative claims payments from prior years are as follows:

March 31, 2017

Occurrence year	Development year							Claim provision
	1	2	3	4	5	6	7	
2011	3,437,890	3,981,026	4,044,397	4,056,011	4,063,016	4,072,317	4,071,978	-
2012	3,526,249	4,184,487	4,251,072	4,268,016	4,272,044	4,273,236	-	5,917
2013	3,942,698	4,565,096	4,651,774	4,665,103	4,662,375	-	-	8,160
2014	4,166,511	4,992,049	5,052,316	5,054,739	-	-	-	16,655
2015	4,587,144	5,435,512	5,467,594	-	-	-	-	86,460
2016	5,068,488	5,801,510	-	-	-	-	-	974,838
2017	744,022	-	-	-	-	-	-	156,979
IBNR Reserve								1,249,009
Plus: RBNA Reserve								779,934
The balance of claim reserve								2,028,943

December 31, 2016

Occurrence year	Development year							Claim provision
	1	2	3	4	5	6	7	
2010	3,262,624	3,703,188	3,757,543	3,772,737	3,776,169	3,780,233	3,782,497	-
2011	3,437,890	3,981,026	4,044,397	4,056,011	4,063,016	4,072,317	-	-
2012	3,526,249	4,184,487	4,251,072	4,268,016	4,272,044	-	-	7,903
2013	3,942,698	4,565,096	4,651,774	4,665,103	-	-	-	8,523
2014	4,166,511	4,992,049	5,052,316	-	-	-	-	19,290
2015	4,587,144	5,435,512	-	-	-	-	-	107,090
2016	5,068,488	-	-	-	-	-	-	1,145,739
IBNR Reserve								1,288,545
Plus: RBNA Reserve								771,645
The balance of claim reserve								2,060,190

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

March 31, 2016

Occurrence year	Development year							Claim provision
	1	2	3	4	5	6	7	
2010	3,262,624	3,703,188	3,757,543	3,772,737	3,776,169	3,780,158	3,781,646	-
2011	3,437,890	3,981,026	4,044,397	4,056,011	4,062,106	4,063,359	-	-
2012	3,526,249	4,184,487	4,251,072	4,268,011	4,273,439	-	-	-
2013	3,942,698	4,565,096	4,651,547	4,653,932	-	-	-	8,062
2014	4,166,511	4,990,100	5,021,198	-	-	-	-	64,710
2015	4,554,812	5,131,349	-	-	-	-	-	818,151
2016	750,710	-	-	-	-	-	-	154,883
IBNR Reserve								1,045,806
Plus: RBNA Reserve								787,098
The balance of claim reserve								1,832,904

Note 1: Amount shown above excludes investment contracts

Note 2: As of March 31, 2017, December 31 and March 31, 2016, except for the IBNR reserve of investment-linked products and the IBNR reserve from Fubon Life Insurance (Vietnam) that are not estimated based on claim development trend, the IBNR reserve from retained business amounted to \$12,873, \$13,052 and \$13,587, respectively.

Claim reserves are provided based on the expected claims payment and relevant handling fee of RBNA and IBNR claims. Such provisions involve vast uncertainty, estimates and judgments which are highly complicated. Any change of estimate or judgment is regarded as a change in accounting estimate and the amount of change is recognized as a current gain or loss. For some claims, notifications to Fubon Life Insurance and its subsidiaries may be delayed. In addition, estimating the potential IBNR claims involves vast past loss experience and subjective judgment, therefore, it is difficult to confirm whether the estimated claims reserve on the balance sheet date will equal to the final claim compensation amount. The estimate of claims reserve is based on the information currently available. However, the final result may deviate from the original estimate due to the subsequent development.

The table above demonstrates the development trend of claims (excluding those claims that need confirmation within one year). The vertical shaft represents the year in which the claim event occurred, and the horizontal shaft represents the development years. Each slash represents the accumulated compensation amount at the end of each year. The compensation amount refers to the claims whether they are finalized or not. It explains how Fubon Life Insurance and its subsidiaries estimate the compensation amount of each year as time passed. The scenario and trend which affect the provision of claims reserve may not be the same as they will be in the future. Therefore, the estimated future compensation amount cannot be determined by the claim development trend.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

iv) The credit risk, liquidity risk and market risk of insurance contracts

1. Credit risk

The credit risk of insurance contracts arise mainly from the inability of the reinsurers to fulfill its obligation from the reinsurance contracts which will result in financial losses. Fubon Life Insurance and its subsidiaries monitor the credit rating of its reinsurers monthly to ensure that they meet the minimum regulatory requirements. It also selects reinsurers prudently to reduce the potential loss.

2. Liquidity risk

The liquidity risk of insurance contract arises mainly from the inability of Fubon Life Insurance to obtain sufficient funds or turn assets into cash in order to fulfill payment of financial obligations as they are due. Aside from regularly reviewing the maturity analysis of Insurance Contracts, Fubon Life Insurance also reviews short-term and mid-term liquidity risk benchmark through the Assets and Liabilities Management Committee to lower the relevant risk by using Asset Liability Matching (ALM). The Committee also sets the response strategy in advance for potential payments in order to ensure timeliness of liquidity risk management and to avoid inadequate liquidity.

The maturity analysis of Insurance Contracts of Fubon Life Insurance and its subsidiary is shown below:

March 31, 2017

(in million)

Maturity date	< 1 year	1~3 years	3~5 years	> 5 years	Unable to classify (note)	Total
Provision	125,842	257,335	166,023	2,152,132	241,963	2,943,295
Proportion	4.3 %	8.8 %	5.6 %	73.1 %	8.2 %	100.0 %

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

December 31, 2016

(in million)

<b>Maturity date</b>	<b>&lt; 1 year</b>	<b>1~3 years</b>	<b>3~5 years</b>	<b>&gt; 5 years</b>	<b>Unable to classify (note)</b>	<b>Total</b>
Provision	131,764	262,763	186,440	2,071,208	244,914	2,897,089
Proportion	4.5 %	9.1 %	6.4 %	71.5 %	8.5 %	100.0 %

March 31, 2016

(in million)

<b>Maturity date</b>	<b>&lt; 1 year</b>	<b>1~3 years</b>	<b>3~5 years</b>	<b>&gt; 5 years</b>	<b>Unable to classify (note)</b>	<b>Total</b>
Provision	147,374	249,650	256,617	1,812,879	255,713	2,722,233
Proportion	5.4 %	9.2 %	9.4 %	66.6 %	9.4 %	100.0 %

Note1: Reserve for insurance with financial instrument is included.

Note2: The “Unable to classify” includes interest-linked product, authorized additional provision and provision for bad debt allowance. The amounts above exclude provision for separate account, foreign exchange fluctuation reserve and appraisal increment of real estate.

3. Market risk

Market risk refers to the risk caused by the adverse changes in market prices in terms of interest rates, foreign exchange rates, stock prices, and commodity prices. Fubon Life Insurance and its subsidiaries measure market risk from insurance contract according to discount rate assumption prescribed by the authorities. This assumption may not be consistent with changes in market interest rates. Unless the liability adequacy test disclosed the need to provide more reserve, management is not expecting that the change in market risk factors would have a significant effect on income and equity of Fubon Life Insurance and its subsidiaries.

(Continued)



**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

Guided by Assets and Liabilities Management Committee, Fubon Life Insurance and its subsidiaries take into account financial environment, all the economic indicators, liability properties and ALM, to choose appropriate investment target through risk control mechanism. Under the consent of regulatory framework and market environment, choosing and acquisition of long-term assets is monitored by the Assets and Liabilities Management Committee. This is to allow assets and liabilities to match better in terms of payment terms and profits, to pursue long term business and protect the rights of policyholders. This will also reduce the influence on insurance contract caused by market risk and eventually lower the potential loss to Fubon Life Insurance and its subsidiaries.

(ai) Financial risk management

(i) Risk management structure

The Company has established a sound risk management organization framework. The Board of Directors is responsible for overseeing the Company's governance in building solid risk management system and control mechanism to ensure the effectiveness of risk management operations, approving the Company's risk management policies and regulations, and reviewing important risk management reports. The Audit Committee assists the Board of Directors in overseeing the Company's risk management and control issues. The Risk Management Committee, which is subordinate to the Chairman of the Board of Directors, reviews the Company's risk management strategy, structure, systems and policies, approves risk limits, and oversees the group's overall risks including credit risk, market risk, operational risk, insurance risk, liquidity risk, asset liability risk and capital adequacy.

The Company adopts three lines of defense risk management system to ensure the effectiveness of its risk management mechanism.

- 1) First line of defense – All units including business, operational and administrative units required to conduct their respective duties in full compliance with the risk management policies and procedures.
- 2) Second line of defense – Independent risk management units responsible for designing risk management systems, monitoring risk controls, and submitting risk reports.
- 3) Third line of defense – Independent audit units responsible for auditing the compliance and implementation of internal control rules.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

(ii) Risk management policies

The Company has employed comprehensive risk management policies and procedures in respect of credit risk, market risk, operational risk, capital adequacy, asset liability risk, liquidity risk, insurance risk, country risk, etc., implemented by all units and subsidiaries across the group to effectively identify, evaluate, response, monitor and report various risks respectively.

A full set of risk limits, loss limits and trading delegation limits, risk exposure evaluation and monitoring measurements by quantitative and qualitative methods as well as early warning systems have been all in place in line with risk attributes to proactively monitor and manage various major risks.

(iii) Credit Risk

Major subsidiaries are listed separately as follows:

1) Taipei Fubon Bank (The Bank) and its subsidiary

a) Credit risk definitions and sources

Taipei Fubon Bank (The Bank)

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

Fubon Bank (China)

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

b) Strategy, objectives, policies and procedures

Taipei Fubon Bank (The Bank)

The Bank has established solid credit risk policies and procedures. A robust credit risk strategy taking into account of 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.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

Fubon Bank (China)

Under the board's risk management guidance, the credit risk management strategy of Fubon Bank (China) effectively conducts risk control through a comprehensive credit risk management (CRMS) system, taking into consideration the international economic development and regional industry trends. The CRMS system covers the implementation of risk management policies on credit management regulation, credit approvals, post-loan policies, etc. The bank's risk management goal is toward credit asset protection, realization of the optimal ratio of risk and revenue by using credit risk management tools to manage expected losses effectively. The credit risk management procedures include identification, measurement, monitor and control of credit risk.

c) Credit risk management framework

Taipei Fubon Bank (The Bank)

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 quota and to monitor the bank's credit risk and country risk control, credit risk acceptance and management strategy in respect of credit business, securities investment and transaction and derivatives.

To enhance the independency of credit risk management, the Bank has established Risk Management Division, under which, there is Credit Risk Management Departments, responsible for measuring the Bank's risk exposures, monitoring risk limits, reporting, coordinating to develop the mechanism for managing credit risk and validating risk models.

Credit management divisions under the Corporate Finance Department and Personal Financial Department are responsible of credit investigation, examination, post disbursement management, overdue receivables and debt management.

The Bank has established an Institutional Credit Review Committee, and a Retail Credit Review Committee respectively to review credit above a certain limit to strengthen control over cases involving large credit amounts.

The audit department, which is under the supervision of the Board of Directors, conducts the third defense line examining the effectiveness of internal control functions independently.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

Fubon Bank (China)

Fubon Bank (China)'s current credit risk management is based on its comprehensive risk management system. Credit Policy & Planning Department、Post Disbursement Risk Management Department、Credit Approval & Administration Department and Risk Control Department, which belong to Fubon Bank's Risk Management Department, are responsible for managing credit risk.

- d) Credit risk measurement, control and reporting

Taipei Fubon Bank (The Bank)

The Bank 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 the Bank to manage limit controls on country risk, single legal entity and group exposure risk and industry concentration risk effectively. Other than aforementioned control procedure, the Bank has established vigorous review and early warning mechanism to ensure the Bank to undertake proper courses of actions on credit risk management.

The Bank regularly performs the credit risk stress testing based on the guideline issued by Financial Supervisory Commission, and continues to develop scenario analysis and stress test approaches to provide senior management with an assessment of risk tolerance, as well as to provide the reference of credit portfolio management.

The Bank has completed risk date warehousing system, risk-weighted assets calculation system and internal risk rating system. The development and revise of score card and rating models are validated independently by Risk Management Division to monitor the model performance and stability.

Fubon Bank (China)

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; the real-estate loan monitoring and other monthly monitoring include the industry concentration and the concentration of a single client/group clients and their affiliated parties.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

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 the reference for risk management and decision-making.

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.

e) Credit risk mitigation

Taipei Fubon Bank (The Bank)

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

Fubon Bank (China)

Fubon Bank (China) set up the credit and approval authority limitation based on customer risk grading and loan classification, guarantee and sub-guarantee criteria, and investment portfolio management based on the "Institutional Banking Credit Risk Management Policy". Fubon Bank (China) strengthens the risk identification according to the customer's risk grading and the CB's customer selection criteria and classification. The credit quality control is done through strict and through due diligent and approval procedure and counter sign of credit officers from both sales department and risk department. Fubon Bank (China) will require suitable collateral in order to enhance the risk mitigation due to the loan risk. In addition, there is post-loan management, which includes continual loan monitoring and taking note of any early risk-warning signals.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

f) Maximum exposure to credit risk

The maximum exposure to credit risks 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 (The Bank)

<b>Off-balance sheet items</b>	<b>Maximum exposure amount</b>		
	<b>March 31, 2017</b>	<b>December 31, 2016</b>	<b>March 31, 2016</b>
Irrevocable loan commitments	\$ 63,175,185	90,031,332	93,751,430
Standby letters of credit	10,241,543	8,893,665	7,963,325
Financial guarantees	32,840,063	32,089,282	35,775,978
<b>Total</b>	<b>\$ 106,256,791</b>	<b>131,014,279</b>	<b>137,490,733</b>

Fubon Bank (China)

Units: In thousands of CNY

<b>Off-balance sheet items</b>	<b>Maximum exposure amount</b>		
	<b>March 31, 2017</b>	<b>December 31, 2016</b>	<b>March 31, 2016</b>
Irrevocable loan commitments	\$ 195,613	140,375	-
Standby letters of credit	492,162	235,845	214,639
Financial guarantees	1,588,587	1,649,110	1,560,977
<b>Total</b>	<b>\$ 2,276,362</b>	<b>2,025,330</b>	<b>1,775,616</b>

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

The maximum exposures of assets and off-balance sheet items pledged as collaterals or other credit enhancements are as follows:

Taipei Fubon Bank (The Bank)

<u>March 31, 2017</u>					
<u>Assets</u>	<u>Financial instruments</u>	<u>Properties</u>	<u>Guarantees</u>	<u>Others</u>	
Loans	2.70 %	55.66 %	3.93 %	2.72 %	
Guarantees receivable	3.52 %	4.81 %	0.54 %	0.47 %	
Acceptances	14.00 %	6.52 %	0.28 %	0.05 %	
Available-for-sale financial assets	-	-	15.39 %	-	
Held-to-maturity financial assets	-	-	0.93 %	-	
Other financial assets— Debt investments without active markets	-	-	4.96 %	-	
<u>December 31, 2016</u>					
<u>Assets</u>	<u>Financial instruments</u>	<u>Properties</u>	<u>Guarantees</u>	<u>Others</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 investments without active markets	-	-	5.47 %	-	

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

<u>March 31, 2016</u>				
<u>Assets</u>	<u>Financial instruments</u>	<u>Properties</u>	<u>Guarantees</u>	<u>Others</u>
Loans	2.89 %	50.56 %	3.95 %	3.20 %
Guarantees receivable	4.80 %	5.76 %	0.64 %	0.74 %
Acceptances	8.59 %	7.81 %	0.22 %	0.33 %
Available-for-sale financial assets	-	-	11.93 %	-
Held-to-maturity financial assets	-	-	1.60 %	-
Other financial assets— Debt investments without active markets	-	-	8.21 %	-
<u>Fubon Bank (China)</u>				
<u>March 31, 2017</u>				
<u>Assets</u>	<u>Financial instruments</u>	<u>Properties</u>	<u>Guarantees</u>	<u>Others</u>
Loans	10.68 %	8.38 %	-	1.57 %
Guarantees receivable	72.17 %	24.80 %	2.80 %	-
Acceptances	47.30 %	7.94 %	23.67 %	-
<u>December 31, 2016</u>				
<u>Assets</u>	<u>Financial instruments</u>	<u>Properties</u>	<u>Guarantees</u>	<u>Others</u>
Loans	10.24 %	9.20 %	-	1.55 %
Guarantees receivable	70.50 %	25.76 %	3.50 %	-
Acceptances	54.02 %	6.14 %	20.04 %	-
<u>March 31, 2016</u>				
<u>Assets</u>	<u>Financial instruments</u>	<u>Properties</u>	<u>Guarantees</u>	<u>Others</u>
Loans	12.99 %	13.08 %	-	2.07 %
Guarantees receivable	72.23 %	27.02 %	0.60 %	-
Acceptances	65.70 %	2.58 %	30.83 %	-
Other financial assets— Debt investments without active markets	-	-	-	100.00 %

(Continued)



**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

g) Concentrations of credit risk exposure

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

Credit risk concentrations can arise in Taipei Fubon 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. Taipei Fubon Bank and its subsidiaries maintain a diversified portfolio, limit their exposure to any one geographic region, country or individual creditor and monitor the exposure continually in order to manage credit risk. Taipei Fubon Bank and its subsidiaries' most significant concentrations of credit risk are summarized as follows:

Taipei Fubon Bank (The Bank)

i) By industry

	<u>March 31, 2017</u>		<u>December 31, 2016</u>		<u>March 31, 2016</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Private	\$ 581,673,710	49.68	572,170,635	49.34	536,125,088	44.77
Private enterprise	402,869,287	34.41	409,665,407	35.33	446,426,213	37.28
Government organization	71,105,013	6.07	60,253,577	5.20	86,779,407	7.25
Financial institution	63,280,170	5.41	62,718,472	5.41	56,580,593	4.72
Public enterprise	51,441,945	4.39	54,379,520	4.69	71,213,099	5.95
Non-profit organization	409,078	0.04	399,872	0.03	305,296	0.03
Total	<u>\$ 1,170,779,203</u>	<u>100.00</u>	<u>1,159,587,483</u>	<u>100.00</u>	<u>1,197,429,696</u>	<u>100.00</u>

ii) By geographical area

	<u>March 31, 2017</u>		<u>December 31, 2016</u>		<u>March 31, 2016</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Domestic	\$ 1,045,693,193	89.32	1,033,742,174	89.15	1,059,592,141	88.49
Asia	63,811,303	5.45	62,885,190	5.42	69,637,162	5.82
America	48,858,427	4.17	49,717,731	4.29	58,297,334	4.87
Others	12,416,280	1.06	13,242,388	1.14	9,903,059	0.82
Total	<u>\$ 1,170,779,203</u>	<u>100.00</u>	<u>1,159,587,483</u>	<u>100.00</u>	<u>1,197,429,696</u>	<u>100.00</u>

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

iii) By collateral

	March 31, 2017		December 31, 2016		March 31, 2016	
	Amount	%	Amount	%	Amount	%
Unsecured	\$ 428,940,972	36.64	423,747,922	36.55	490,650,824	40.98
Secured	741,838,231	63.36	735,839,561	63.45	706,778,872	59.02
Properties	633,833,194	54.14	626,202,482	54.00	587,911,380	49.10
Guarantees	44,833,217	3.83	45,691,757	3.94	46,034,470	3.84
Financial instruments	32,101,923	2.74	31,576,642	2.72	35,537,039	2.97
Others	31,069,897	2.65	32,368,680	2.79	37,295,983	3.11
Total	<b>\$ 1,170,779,203</b>	<b>100.00</b>	<b>1,159,587,483</b>	<b>100.00</b>	<b>1,197,429,696</b>	<b>100.00</b>

Fubon Bank (China)

i) By industry

	March 31, 2017		December 31, 2016		March 31, 2016	
	Amount	%	Amount	%	Amount	%
Finance and insurance	\$ 12,004,996	30.80	11,881,305	30.00	11,403,803	28.67
Construction	4,920,237	12.62	4,313,653	10.89	5,869,893	14.76
Wholesale and retailing	3,628,133	9.31	3,164,941	7.99	2,930,979	7.37
Leasing and business service	3,348,901	8.59	3,819,398	9.64	2,022,015	5.08
Water conservation and environment	3,244,601	8.33	3,160,997	7.98	4,106,798	10.33
Manufacturing	3,117,212	8.00	3,267,854	8.25	2,819,902	7.09
Real estate	1,687,976	4.33	2,057,279	5.19	3,250,807	8.17
Electricity, gas and water	644,300	1.65	216,050	0.55	292,500	0.74
Personal loans	576,649	1.48	497,027	1.26	386,586	0.97
Information and computers	508,945	1.30	537,274	1.36	342,535	0.86
Education	225,000	0.58	127,743	0.32	55,828	0.14
Transportation	143,634	0.37	58,676	0.15	418,059	1.05
Research, development and technical services	55,040	0.14	5,040	0.01	108,019	0.27
Agriculture, livestock and fishery	55,000	0.14	55,000	0.14	40,000	0.10
Health care and welfare	33,293	0.09	33,293	0.08	33,293	0.08
Culture, sports and entertainment	27,497	0.07	25,000	0.06	129,619	0.33
Hotel and catering	21,946	0.06	54,689	0.14	121,246	0.30
Others	4,730,485	12.14	6,327,381	15.99	5,441,804	13.69
Total (Note)	<b>\$ 38,973,845</b>	<b>100.00</b>	<b>39,602,600</b>	<b>100.00</b>	<b>39,773,686</b>	<b>100.00</b>

Note : Included only discounts and loans.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

ii) By geographical area

Units: In thousands of CNY

	<b>March 31, 2017</b>		<b>December 31, 2016</b>		<b>March 31, 2016</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
East China	\$ 17,255,955	44.28	18,154,073	45.84	17,133,445	43.08
North China	8,978,220	23.04	10,660,688	26.92	10,889,074	27.38
South west region	6,467,682	16.59	5,683,492	14.35	6,848,453	17.22
South China	2,083,094	5.34	1,640,154	4.14	2,307,587	5.80
Other regions	3,612,245	9.27	2,967,166	7.49	2,208,541	5.55
Private loans	576,649	1.48	497,027	1.26	386,586	0.97
Total (Note)	<b>\$ 38,973,845</b>	<b>100.00</b>	<b>39,602,600</b>	<b>100.00</b>	<b>39,773,686</b>	<b>100.00</b>

Note : Included only discounts and loans.

iii) By collateral

Units: In thousands of CNY

	<b>March 31, 2017</b>		<b>December 31, 2016</b>		<b>March 31, 2016</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Clean loans	\$ 30,933,696	79.37	31,292,273	79.01	28,582,413	71.86
Guarantees loans	611,042	1.57	612,639	1.55	823,550	2.07
Collateral loans	7,429,107	19.06	7,697,688	19.44	10,367,723	26.07
Mortgage loans	4,161,205	10.68	4,055,552	10.24	5,165,988	12.99
Pledge loans	3,267,902	8.38	3,642,136	9.20	5,201,735	13.08
Total (Note)	<b>\$ 38,973,845</b>	<b>100.00</b>	<b>39,602,600</b>	<b>100.00</b>	<b>39,773,686</b>	<b>100.00</b>

Note : Included only discounts and loans.

h) Credit quality and impairment assessment

Some financial assets like cash and cash equivalents, due from the central bank and call loan to banks, financial asset measured at fair value through profit or loss, securities purchased under resell agreements, refundable guarantees, guaranty bond and clearing and settlement fund are regarded as very low credit risk owing to the good credit rating of counterparties.

Besides the aforementioned financial assets, the credit quality of discounts, loans, receivables and investments are divided into three classifications. The credit quality classifications defined below each encompass a range of more granular, internal credit rating grades assigned to wholesale and retail lending business, as well as the external ratings attributed by external agencies to investment.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

Quality classification definitions:

Taipei Fubon Bank (The Bank)

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

Fubon Bank (China)

- i) Moderate: Borrower can fulfill the loan contract. There is no convincing reason to doubt the repayment capacity of borrowers.
- ii) 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 up till now.

Credit risk analysis of financial assets

- i) Credit analysis for receivables and discounts and loans :

Taipei Fubon Bank (The Bank)

	Neither past due nor impaired				Overdue but not impaired (B)	Impaired Amount (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	
<b>March 31, 2017</b>										
Receivables	37,732,713	19,432,600	505,844	57,671,157	163,843	798,754	58,633,754	116,633	278,725	58,238,396
Credit card business	25,669,473	6,307,064	454,503	32,431,040	153,352	685,396	33,269,788	63,228	110,562	33,095,998
Accounts receivable and documents against acceptance - forfeiting	354,887	664,995	-	1,019,882	-	-	1,019,882	-	11,609	1,008,273
Accounts receivable - factoring	1,803,947	9,422,071	-	11,226,018	-	-	11,226,018	-	130,686	11,095,332
Acceptances	274,160	2,048,653	-	2,322,813	-	-	2,322,813	-	24,715	2,298,098
Others	9,630,246	989,817	51,341	10,671,404	10,491	113,358	10,795,253	53,405	1,153	10,740,695
Bill purchased	-	1,835	-	1,835	-	-	1,835	-	18	1,817
Nonperforming loans transferred from other than loans	-	-	-	-	-	936,053	936,053	842,229	-	93,824
Discounts and loans	560,404,590	529,162,452	34,362,768	1,123,929,810	2,579,638	9,083,792	1,135,593,240	2,053,182	12,685,545	1,120,854,513
Personal finance	430,153,225	62,317,936	31,669,860	524,141,021	2,553,680	1,836,989	528,531,690	81,399	7,076,338	521,373,953
Corporate banking	130,251,365	466,844,516	2,692,908	599,788,789	25,958	7,246,803	607,061,550	1,971,783	5,609,207	599,480,560

Note: Total loan is the original amount without the adjustments of premium or discounts \$627,112.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

	Neither past due nor impaired				Overdue but not impaired (B)	Impaired Amount (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	
<b>December 31, 2016</b>										
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 - forfeiting	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
Bill 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 1: Total loan is the original amount without the adjustments of premium or discounts 580,691.

	Neither past due nor impaired				Overdue but not impaired (B)	Impaired Amount (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	
<b>March 31, 2016</b>										
Receivables	42,533,595	24,517,766	590,303	67,641,664	152,857	1,022,251	68,816,772	170,019	358,928	68,287,825
Credit card business	18,864,118	6,375,813	541,736	25,781,667	140,842	795,554	26,718,063	70,084	89,144	26,558,835
Accounts receivable and documents against acceptance - forfeiting	2,460,596	3,181,861	-	5,642,457	-	-	5,642,457	-	82,446	5,560,011
Accounts receivable - factoring	2,676,232	11,247,552	-	13,923,784	-	-	13,923,784	-	146,448	13,777,336
Acceptances	517,337	2,952,508	-	3,469,845	-	-	3,469,845	-	39,850	3,429,995
Other	18,015,312	760,032	48,567	18,823,911	12,015	226,697	19,062,623	99,935	1,040	18,961,648
Bill purchased	54	4,230	-	4,284	-	-	4,284	-	43	4,241
Nonperforming loans transferred from other than loans	-	-	-	-	-	973,055	973,055	897,219	-	75,836
Discounts and loans	550,505,057	563,136,214	30,453,622	1,144,094,893	4,408,086	9,678,981	1,158,181,960	1,727,180	12,816,090	1,143,638,690
Personal finance	412,834,554	42,339,131	26,088,254	481,261,939	2,339,406	1,789,234	485,390,579	73,176	6,496,897	478,820,506
Corporate banking	137,670,503	520,797,083	4,365,368	662,832,954	2,068,680	7,889,747	672,791,381	1,654,004	6,319,193	664,818,184

Note 1: Total loan is the original amount without the adjustments of premium or discounts \$626,899.

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

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

Fubon Bank (China)

Units: In thousands of CNY

	Neither past due nor impaired			Overdue but not impaired (B)	Impaired Amount(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	
<b>March 31, 2017</b>									
Receivables	1,493,618	-	1,493,618	-	-	1,493,618	-	2,099	1,491,519
Acceptances	927,398	-	927,398	-	-	927,398	-	-	927,398
Accounts receivable and documents against acceptance - forfeiting	120,984	-	120,984	-	-	120,984	-	2,099	118,885
Others	445,236	-	445,236	-	-	445,236	-	-	445,236
Discounts and loans	38,393,081	121,917	38,514,998	19,761	439,086	38,973,845	255,973	475,556	38,242,316
Personal finance	575,965	-	575,965	13	671	576,649	360	9,991	566,298
Corporate banking	37,817,116	121,917	37,939,033	19,748	438,415	38,397,196	255,613	465,565	37,676,018

Units: In thousands of CNY

	Neither past due nor impaired			Overdue but not impaired (B)	Impaired Amount(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	
<b>December 31, 2016</b>									
Receivables	1,333,236	-	1,333,236	-	-	1,333,236	-	153	1,333,083
Acceptances	867,162	-	867,162	-	-	867,162	-	-	867,162
Accounts receivable and documents against acceptance - forfeiting	8,242	-	8,242	-	-	8,242	-	153	8,089
Others	457,832	-	457,832	-	-	457,832	-	-	457,832
Discounts and loans	38,849,532	126,588	38,976,120	181,995	444,485	39,602,600	221,584	512,057	38,868,959
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	181,982	443,814	39,105,573	221,379	502,828	38,381,366

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

Units: In thousands of CNY

	Neither past due nor impaired			Overdue but not impaired (B)	Impaired Amount(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	
<b>March 31, 2016</b>									
Receivables	1,162,537	-	1,162,537	-	660	1,163,197	330	363	1,162,504
Acceptances	672,413	-	672,413	-	-	672,413	-	-	672,413
Accounts receivable and documents against acceptance - forfeiting	17,689	-	17,689	-	-	17,689	-	363	17,326
Others	472,435	-	472,435	-	660	473,095	330	-	472,765
Continuing involvement in transferred assets	50,863	-	50,863	-	-	50,863	-	1,129	49,734
Discounts and loans	38,581,122	100,812	38,681,934	545,521	546,231	39,773,686	282,913	569,205	38,921,568
Personal finance	381,230	4,685	385,915	671	-	386,586	-	7,871	378,715
Corporate banking	38,199,892	96,127	38,296,019	544,850	546,231	39,387,100	282,913	561,334	38,542,853

Note: Total loan is the original amount without the adjustments of premium or discounts CNY \$6,925.

- ii) Credit analysis for non-overdue and non-impaired amount discounts and loans according to internal rating standards is as follows:

Taipei Fubon Bank (The Bank)

March 31, 2017	Neither past due nor impaired			
	Good	Moderate	Substandard	Total
Personal finance				
Mortgage	401,927,546	55,782,658	20,121,058	477,831,262
Micro credit	-	5,498,417	11,544,573	17,042,990
Others	28,225,679	1,036,861	4,229	29,266,769
Corporate banking				
Secured	1,260,918	191,823,211	1,651,844	194,735,973
Unsecured	128,990,447	275,021,305	1,041,064	405,052,816
<b>Total</b>	<b>560,404,590</b>	<b>529,162,452</b>	<b>34,362,768</b>	<b>1,123,929,810</b>

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

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

March 31, 2016	Neither past due nor impaired			
	Good	Moderate	Substandard	Total
Personal finance				
Mortgage	384,762,204	37,654,092	15,859,302	438,275,598
Micro credit	-	3,783,718	10,225,195	14,008,913
Others	28,072,350	901,321	3,757	28,977,428
Corporate banking				
Secured	2,820,724	178,408,654	1,645,208	182,874,586
Unsecured	134,849,779	342,388,429	2,720,160	479,958,368
Total	550,505,057	563,136,214	30,453,622	1,144,094,893

Fubon Bank (China)

Units: In thousands of CNY

March 31, 2017	Neither past due nor impaired		
	Moderate	Special-mention	Total
Personal finance			
Mortgage	403,939	-	403,939
Others	172,026	-	172,026
Corporate banking			
Secured	5,854,299	121,917	5,976,216
Unsecured	31,962,817	-	31,962,817
Total	38,393,081	121,917	38,514,998

(Continued)



**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

Units: In thousands of CNY

December 31, 2016	Neither past due nor impaired		
	Moderate	Special-mention	Total
Personal 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
<b>Total</b>	<b>38,849,532</b>	<b>126,588</b>	<b>38,976,120</b>

Units: In thousands of CNY

March 31, 2016	Neither past due nor impaired		
	Moderate	Special-mention	Total
Personal finance			
Mortgage	381,230	4,685	385,915
Corporate banking			
Secured	9,810,183	51,127	9,861,310
Unsecured	28,389,709	45,000	28,434,709
<b>Total</b>	<b>38,581,122</b>	<b>100,812</b>	<b>38,681,934</b>

## iii) Credit analysis for securities investment

Taipei Fubon Bank (The Bank)

	Neither past due nor impaired				Overdue but not impaired (B)	Impaired amount (C)	Total (A)+(B)+(C)	Impaired loss recognized (D)	Net total (A)+(B)+(C)-(D)
	Good	Moderate	Substandard	Subtotal (A)					
<b>March 31, 2017</b>									
Available-for-sale financial assets									
Bond investments	40,468,448	33,703,821	-	74,172,269	-	-	74,172,269	-	74,172,269
Others	27,289,780	43,579,857	-	70,869,637	-	-	70,869,637	-	70,869,637
Held-to-maturity financial assets									
Bond investments	98,343,264	4,664,126	297,197	103,304,587	-	-	103,304,587	-	103,304,587
Others	225,931,979	-	-	225,931,979	-	-	225,931,979	-	225,931,979
Other financial assets									
Bond investments	35,317,247	3,261,694	-	38,578,941	-	-	38,578,941	-	38,578,941

Note 1: Available-for-sale financial assets did not include equity investments and beneficiary securities: Original cost of \$5,398,016, valuation amounting to \$1,250,641 and cumulative impairment amounting to \$335,594.

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

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

	Neither past due nor impaired				Overdue but not impaired (B)	Impaired amount (C)	Total (A)+(B)+(C)	Impaired loss recognized (D)	Net total (A)+(B)+(C)-(D)
	Good	Moderate	Substandard	Subtotal (A)					
<b>December 31, 2016</b>									
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									
Bond investments	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 beneficiary securities: Original cost of \$5,398,016, valuation amounting to \$1,136,127 and cumulative impairment amounting to \$335,594.

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

	Neither past due nor impaired				Overdue but not impaired (B)	Impaired amount (C)	Total (A)+(B)+(C)	Impaired loss recognized (D)	Net total (A)+(B)+(C)-(D)
	Good	Moderate	Substandard	Subtotal (A)					
<b>March 31, 2016</b>									
Available-for-sale financial assets									
Bond investments	41,336,661	12,871,626	-	54,208,287	-	-	54,208,287	-	54,208,287
Others	14,944,995	10,494,862	-	25,439,857	-	-	25,439,857	-	25,439,857
Held-to-maturity financial assets									
Bond investments	76,251,487	4,469,098	312,795	81,033,380	-	-	81,033,380	-	81,033,380
Others	175,930,068	645,677	-	176,575,745	-	-	176,575,745	-	176,575,745
Other financial assets									
Bond investments	18,012,181	2,230,892	-	20,243,073	-	-	20,243,073	-	20,243,073

Note 1: Available-for-sale financial assets did not include equity investments and beneficiary securities: Original cost of \$5,398,016, valuation amounting to \$1,487,699 and cumulative impairment amounting to \$335,594.

Note 2: Other financial assets did not include equity investment of financial assets carried at cost: Original cost was \$594,572 and accumulated impairment amounted to \$39,621.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

Fubon Bank (China)

Units: In thousands of CNY

March 31, 2017	Neither past due nor impaired			Overdue but not impaired (B)	Impaired amount(C)	Total (A)+(B)+(C)	Impaired loss recognized (D)	Net total (A)+(B)+ (C)-(D)
	Moderate	Special-mention	Subtotal(A)					
Available-for-sale financial assets								
Bond investments	5,291,699	-	5,291,699	-	-	5,291,699	-	5,291,699
Others	2,075,700	-	2,075,700	-	-	2,075,700	-	2,075,700
Held- to-maturity financial assets								
Bond investments	7,955,444	-	7,955,444	-	-	7,955,444	-	7,955,444
Others	199,295	-	199,295	-	-	199,295	-	199,295

Units: In thousands of CNY

December 31, 2016	Neither past due nor impaired			Overdue but not impaired (B)	Impaired amount(C)	Total (A)+(B)+(C)	Impaired 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
Other financial assets								

Units: In thousands of CNY

March 31, 2016	Neither past due nor impaired			Overdue but not impaired (B)	Impaired amount(C)	Total (A)+(B)+(C)	Impaired loss recognized (D)	Net total (A)+(B)+ (C)-(D)
	Moderate	Special-mention	Subtotal(A)					
Available-for-sale financial assets								
Bond investments	6,410,525	-	6,410,525	-	-	6,410,525	-	6,410,525
Others	3,110,082	-	3,110,082	-	-	3,110,082	-	3,110,082
Held- to-maturity financial assets								
Bond investments	5,892,583	-	5,892,583	-	-	5,892,583	-	5,892,583
Others	1,205,026	-	1,205,026	-	-	1,205,026	-	1,205,026
Other financial assets								
Others	850,000	-	850,000	-	-	850,000	-	850,000

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

- i) Aging analysis for overdue but not yet impaired financial assets

Taipei Fubon Bank (The Bank)

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

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

	<b>March 31, 2017</b>			<b>Total</b>
	<b>Overdue less than one month</b>	<b>Overdue one to three months</b>	<b>Overdue over three to six months</b>	
Accounts receivable				
– Credit card	\$ 102,649	50,703	-	153,352
– Others	8,419	2,072	-	10,491
Discounts and loans				
– Personal finance	2,406,281	147,399	-	2,553,680
– Corporate banking	25,958	-	-	25,958
	<b>December 31, 2016</b>			
	<b>Overdue less than one month</b>	<b>Overdue one to three months</b>	<b>Overdue over three to six months</b>	<b>Total</b>
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

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

<b>March 31, 2016</b>				
	<b>Overdue less than one month</b>	<b>Overdue one to three months</b>	<b>Overdue over three to six months</b>	<b>Total</b>
Accounts receivable				
– Credit card	\$ 94,681	46,161	-	140,842
– Others	9,346	2,669	-	12,015
Discounts and loans				
– Personal finance	2,191,002	148,404	-	2,339,406
– Corporate banking	1,754,021	314,659	-	2,068,680

Fubon Bank (China)

Units: In thousands of CNY					
<b>March 31, 2017</b>					
	<b>Overdue less than one month</b>	<b>Overdue one to three months</b>	<b>Overdue over three to six months</b>	<b>Overdue more than six months</b>	<b>Total</b>
Discounts and loans					
– Personal finance	\$ 13	-	-	-	13
– Corporate banking	-	-	3,800	15,948	19,748

Units: In thousands of CNY					
<b>December 31, 2016</b>					
	<b>Overdue less than one month</b>	<b>Overdue one to three months</b>	<b>Overdue over three to six months</b>	<b>Overdue more than six months</b>	<b>Total</b>
Discounts and loans					
– Personal finance	\$ 13	-	-	-	13
– Corporate banking	3,800	5,109	15,948	157,125	181,982

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

Units: In thousands of CNY

**March 31, 2016**

	<b>Overdue</b>				<b>Total</b>
	<b>Overdue less than one month</b>	<b>Overdue one to three months</b>	<b>over three to six months</b>	<b>Overdue more than six months</b>	
Discounts and loans					
— Personal finance	\$ 671	-	-	-	671
— Corporate banking	127,526	139,000	-	278,324	544,850

j) Analysis of impairment for financial assets

A part of Taipei Fubon 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.

Taipei Fubon Bank and its subsidiaries have assessed whether loans and receivables have objective evidence of impairment. The assessment as of March 31, 2017, December 31 and March 31, 2016 are as follows:

Discounts and loans

Type of impairment assessment		March 31, 2017		December 31, 2016		March 31, 2016	
		Discounts and loans	Allowance for credit losses	Discounts and loans	Allowance for credit losses	Discounts and loans	Allowance for credit losses
With objective evidence of impairment	Individually assessed for impairment	9,183,962	3,101,084	11,066,457	2,881,859	10,615,384	3,065,711
	Collectively assessed for impairment	1,836,989	81,399	1,853,308	84,190	1,789,234	73,176
With no objective evidence of impairment	Collectively assessed for impairment	1,296,517,100	14,783,603	1,295,592,087	15,104,101	1,344,244,060	15,656,367

Receivables

Type of impairment assessment		March 31, 2017		December 31, 2016		March 31, 2016	
		Discounts and loans	Allowance for credit losses	Discounts and loans	Allowance for credit losses	Discounts and loans	Allowance for credit losses
With objective evidence of impairment	Individually assessed for impairment	986,875	839,344	1,000,435	869,502	1,142,086	943,095
	Collectively assessed for impairment	747,933	119,518	769,769	117,279	856,514	125,790
With no objective evidence of impairment	Collectively assessed for impairment	64,414,522	288,002	70,000,869	364,235	73,808,895	366,415

Note 1: The receivables are those originated by Taipei Fubon 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 and bills purchased and continuing involvement in transferred assets.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

2) Fubon Life Insurance and its subsidiaries

Credit risk refers to the risk resulted from the deterioration of the credit status of the investment, the descending of credit rating, the credit risk event which can be attributed to the default of contracts, and the default of the trading instrument issuers or counterparties for fulfilling their obligation. Fubon Life Insurance and its subsidiaries may suffer losses from these events.

The credit risk of Fubon Life Insurance and its subsidiaries is mainly from the financial instrument transactions resulted from operating activities, including securities investments and loans. Details are as follows:

a) Credit risk exposure—by industry

<u>Financial assets</u>	<u>March 31, 2017</u>		<u>December 31, 2016</u>		<u>March 31, 2016</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Industrial enterprise	\$ 70,606,771	3.31	75,070,054	3.57	60,729,493	3.33
Public business	84,253,832	3.95	89,415,855	4.25	70,758,362	3.88
Diversification	372,223	0.02	381,204	0.02	313,634	0.02
Mortgage backed securities	29,409,131	1.38	32,688,848	1.55	37,359,517	2.05
Financial sector	876,636,340	41.14	828,469,280	39.35	712,129,276	39.07
Consumer staples	137,536,602	6.45	142,094,554	6.75	115,138,192	6.32
Government	321,952,389	15.11	338,834,075	16.09	337,125,330	18.50
Technology	61,855,896	2.90	62,803,043	2.98	47,739,512	2.62
Raw material	56,788,270	2.67	60,855,833	2.89	55,204,238	3.03
Consumer discretionary	48,995,112	2.30	50,914,484	2.42	49,104,323	2.69
Energy	78,633,375	3.69	90,105,965	4.28	72,924,924	4.00
Assets backed securities	21,128,413	0.99	19,810,355	0.94	6,009,905	0.33
Telecommunication	171,800,586	8.06	148,238,773	7.04	115,011,166	6.31
Others	171,103,402	8.03	165,677,368	7.87	143,097,550	7.85
Total	<u>\$ 2,131,072,342</u>	<u>100.00</u>	<u>2,105,359,691</u>	<u>100.00</u>	<u>1,822,645,422</u>	<u>100.00</u>

b) Credit risk exposure—by geographic area

<u>Financial assets</u>	<u>March 31, 2017</u>		<u>December 31, 2016</u>		<u>March 31, 2016</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Taiwan	\$ 638,261,403	29.95	643,549,528	30.57	633,565,914	34.76
Asia except Taiwan	171,779,576	8.06	179,537,785	8.53	174,131,012	9.55
North America	853,494,600	40.05	846,560,534	40.21	688,094,189	37.76
Middle and South America	22,660,499	1.06	19,530,197	0.93	16,196,847	0.89
Europe	413,076,045	19.39	395,475,237	18.78	300,734,843	16.50
Africa/Middle East	31,800,219	1.49	20,706,410	0.98	9,922,617	0.54
Total	<u>\$ 2,131,072,342</u>	<u>100.00</u>	<u>2,105,359,691</u>	<u>100.00</u>	<u>1,822,645,422</u>	<u>100.00</u>

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

In terms of credit quality, Fubon Life Insurance and its subsidiaries trace the credit rating data of various credit rating institutions regularly for normal assets which are not overdue and not impaired and categorize the quality into three levels, which are low risk, medium risk and high risk based on the credit rating. The definition of each level is as follows:

**Low risk:** The issuers or the counterparties are rated as robust or above to fulfill their obligation of the contracts. Even under various negative news or disadvantageous economic conditions, the companies are capable of dealing with the situations.

**Medium risk:** The issuers or the counterparties have lower capability of fulfilling their obligation. Negative news or disadvantageous economic conditions may weaken their financial statuses and result in the doubt of asset impairment or the loss of Fubon Life Insurance and its subsidiaries.

**High risk:** The possibility that the issuers or counterparties fulfill their obligation is remote and mainly relies on the business environment. Negative news or disadvantageous economic conditions will lower their ability and willingness to fulfill their obligation.

The impaired amount refers to the amount provided for all financial assets based on the regulations of accounting standards. Under the principle of prudence, the amount is able to reflect the current value of the impairment and includes overdue but not impaired financial assets and the accumulated impairment loss.

March 31, 2017						
Low risk	Medium risk	High risk	No credit rating	Overdue but not impaired	Impaired	Accumulated impairment
\$ 1,435,758,853	691,740,455	4,901,602	-	-	3,168,704	3,063,958
December 31, 2016						
Low risk	Medium risk	High risk	No credit rating	Overdue but not impaired	Impaired	Accumulated impairment
\$ 1,437,667,796	663,926,164	5,015,872	-	-	2,950,180	2,987,923
March 31, 2016						
Low risk	Medium risk	High risk	No credit rating	Overdue but not impaired	Impaired	Accumulated impairment
\$ 1,271,960,680	546,919,660	4,184,715	-	-	3,106,592	2,452,267

Note1: Normal assets include debt assets but not funds and stocks. Impaired and accumulated impairment include debt assets and equity assets.

Note2: Based on the credit ratings of the issuers or the guarantee agencies to tier.

Note3: Adopt S&P, Moody's, Fitch and Taiwan Ratings, whichever is lower.

(Continued)



**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

c) Policies to hedge or mitigate credit risk

i) Collateral

Fubon Life Insurance and its subsidiaries require full collateral from the borrowers and set up lending policies to decrease credit risk. The amount of loan is evaluated based on borrower's ability to pay back, the type of collateral and the difficulty of its liquidation to ensure collection. Lender preserves the right to decrease line amount, accelerate the loan rendering all loan amount due immediately upon specific credit incidents with articles on debt security, collateral, liquidation in loan agreements.

ii) Enhancement of other credits

Fubon Life Insurance and its subsidiaries regulates offsetting terms of loan contracts to define that when a credit default event occurs, Fubon Life Insurance and its subsidiaries are entitled to use the client's money payment to offset the debt in order to mitigate the risk of loans.

For the clients whom Fubon Life Insurance and its subsidiaries consider to be incompetent to repay the loans, Fubon Life Insurance and its subsidiaries would request one or more joint guarantors to enhance the guarantee for the creditor's right.

d) The maximum credit risk exposure of Fubon Life Insurance and its subsidiaries

The maximum credit risk exposure of the assets on the consolidated balance sheet, excluding collaterals or other credit enhancement tools, is the carrying amount of the assets.

The maximum exposure of assets used as collaterals, general agreement of net amount settlement and other credit enhancement tools is the carrying amount on the consolidated balance sheet.

3) Fubon Insurance and its subsidiaries

Credit risk is the risk Fubon Insurance and its subsidiaries would suffered from the loss due to the downgrade of borrower's credit rating or borrower failing to make payments, the counterparty's failure or refusing to meet its obligation. The risk includes but not limited to the following risks: the credit risk of the issuer, the counterparty and the underlying assets.

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

Credit risk mainly comes from the trading of financial instruments generated from operating activity of Fubon Insurance. Fubon Insurance decreases the probability of a larger loss resulting from any single credit risk event due to the over concentration of the portfolios through regular analysis and monitor as follows:

a) Management process of credit risk

i) Risk identification

Fubon Insurance and its subsidiaries' management process of credit risk could identify the existing and potential risk, analyze the source of the major risk of the operation and the product, and plan proper control system.

ii) Risk measurement

When measuring credit risk, Fubon Insurance and its subsidiaries consider the factors including the content of contracts, the condition of the market, securities or guarantees, the variation of the future probable risk of the counterparty and evaluating the risk in asset portfolios with credit risk except for individual risk. Also, by collecting related information of credit rating, Fubon Insurance and its subsidiaries analyze and quantitatively measure the credit risk in accordance with the level of business and practical settlement methods and calculates the credit risk capital based on the rules stipulated by the authority. For financial instruments in non-active markets, held-to-maturity financial assets and other credit position, depending on the practical settlement methods, Fubon Insurance and its subsidiaries measure the credit risk by referring to the expected loss formula ( $ECL=EAD \times PD \times LGD$ ).

iii) Risk monitoring

Based on the process of risk monitoring established, Fubon Insurance and its subsidiaries review and monitors the credit limit usage and over-limit circumstances regularly with proper disposition. Through proper and frequent monitoring and hierarchical control system, the responsible person could submit the report by related rules when finding mistakes and unusual events. When the relevant unit gets aware of significant credit risk event, it should notify risk management department of Fubon Insurance and its subsidiaries by email and deal with the problem according to the Company's guidelines related to the reporting of significant credit risk event to control the timeliness of the dealing process.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

iv) Risk responding

When an event of credit risk occurs, the head of any related unit involved or who has authority to deal with the event would respond to the event immediately, and report to risk management department by following the authorization table of Fubon Insurance. Subsequently, the reason of the event would be investigated, the remediation plan would be developed and the progress of actions would be followed.

b) Credit risk management mechanism

Credit risk management mechanism includes:

i) Credit risk management before transaction:

Before Fubon Insurance and its subsidiaries are engaged in investment and transaction business, a completed evaluation and analysis will be performed on subject of investments and transactions, issuer, credit and financial position information of counterparty and guarantee agency and it also will confirm the legality of the transaction. Meanwhile, Fubon Insurance and its subsidiaries will confirm if transaction counterparty, issuer and guarantee agency exceeded credit limits. In case of involving in the decision-making process of complex structured instrument, Fubon Insurance should follow the authorization level related to credit risk management, and have proper notification process and operating activities.

ii) Management of credit limit by hierarchy:

Considering the complexity and characteristics of the investment assets, Fubon Insurance and its subsidiaries set credit hierarchical management system and manages them by different hierarchy, including the following:

1. By counterparty, issuer and guarantee agency, set credit limit and manage by different hierarchy.
2. By country, set credit limit and manage hierarchically.

Besides, it will re-examine credit limit when inside or outside economic circumstances have changed severely.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

iii) Credit risk management after transaction:

1. Examine credit status periodically: Periodically review the overall credit market conditions to understand trends in the credit markets and get an early warning to credit risk. Meanwhile, periodically examine credit status of counterparty, issuer and guarantee agency to fully disclose their risk situation.
2. Control credit risk limit by each position: Measure credit exposure amount monthly, compare with authorized credit risk limit and monitor the risk. Classification of the measuring credit exposure amount of Fubon Insurance and its subsidiaries includes: counterparty, issuer, guarantee agency, country and commodity. According to different business characteristics, Fubon Insurance and its subsidiaries take individual or portfolio management approach to review the changes in credit status in connection with the transaction balance or position periodically.

c) Credit risk management after transaction:

To control credit concentration risk, Fubon Insurance confirms that a loss resulting from any single credit risk event won't exceed credit risk limit through regular statistic and monitor concentration as follows:

March 31, 2017						
By area	Taiwan	Asia except Taiwan	North America	Central and South America	Europe	Total
Exposure amount	\$ <u>38,269,555</u>	<u>5,631,292</u>	<u>8,758,417</u>	-	<u>7,072,796</u>	<u>59,732,060</u>
Ratio of the total	<u>64.07</u> %	<u>9.43</u> %	<u>14.66</u> %	-	<u>11.84</u> %	<u>100.00</u> %
December 31, 2016						
By area	Taiwan	Asia except Taiwan	North America	Central and South America	Europe	Total
Exposure amount	\$ <u>37,157,579</u>	<u>5,363,584</u>	<u>9,435,871</u>	-	<u>7,600,706</u>	<u>59,557,740</u>
Ratio of the total	<u>62.39</u> %	<u>9.01</u> %	<u>15.84</u> %	-	<u>12.76</u> %	<u>100.00</u> %
March 31, 2016						
By area	Taiwan	Asia except Taiwan	North America	Central and South America	Europe	Total
Exposure amount	\$ <u>37,317,082</u>	<u>5,352,824</u>	<u>9,746,831</u>	-	<u>6,721,403</u>	<u>59,138,140</u>
Ratio of the total	<u>63.10</u> %	<u>9.05</u> %	<u>16.48</u> %	-	<u>11.37</u> %	<u>100.00</u> %

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

d) Credit risk exposure

Details of maximum credit risk exposure of Fubon Insurance's financial assets (without considering collateral or other credit enhancements instruments), the net amount of book values less the offset amount recognized in accordance with IAS 32 and the impairment loss recognized in accordance with IAS 39 are as follows:

	March 31, 2017		December 31, 2016		March 31, 2016	
	Book value	Maximum exposure	Book value	Maximum exposure	Book value	Maximum exposure
<b><u>Non-derivative financial instruments</u></b>						
<b>Financial assets</b>						
Cash and cash equivalents	\$ 9,032,616	9,032,616	9,633,357	9,633,357	10,632,329	10,632,329
Receivables	4,903,699	4,903,699	4,719,612	4,719,612	4,497,985	4,497,985
Current tax assets	3,203	3,203	-	-	2,843	2,843
Financial assets measured at fair value through profit or loss	635,060	635,060	302,129	302,129	1,435,131	1,435,131
Available-for-sale financial assets	39,732,471	39,732,471	40,544,802	40,544,802	38,744,439	38,744,439
Financial assets carried at cost	158,330	158,330	158,330	158,330	167,322	167,322
Debt investments without active market	3,873,203	3,873,203	3,385,068	3,385,068	3,439,560	3,439,560
Other financial assets	411,167	411,167	502,492	502,492	-	-
Reinsurance contract assets — reinsurance recoverable	2,805,553	2,805,553	2,428,523	2,428,523	1,016,815	1,016,815
Reinsurance contract assets — due from other reinsurance	3,723,332	3,723,332	2,993,511	2,993,511	2,837,222	2,837,222
Other assets	1,830,305	1,830,305	1,867,447	1,867,447	1,947,871	1,947,871
<b>Financial liabilities</b>						
Payables	9,373,184	9,373,184	9,565,836	9,565,836	7,593,529	7,593,529
Current tax liabilities	471,426	471,426	471,426	471,426	298,940	298,940
Other liabilities	704,430	704,430	709,916	709,916	656,893	656,893
<b><u>Derivative financial instruments</u></b>						
<b>Financial assets</b>						
Financial assets measured at fair value through profit or loss	340,804	340,804	17,516	17,516	368,742	368,742
<b>Financial liabilities</b>						
Financial liabilities measured at fair value through profit or loss	8,507	8,507	251,107	251,107	30,897	30,897

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

- e) Fubon Insurance and its subsidiaries' financial assets quality and impairment condition

For credit quality for neither past due nor impaired normal assets, Fubon Insurance and its subsidiaries periodically follow credit rating information issued by credit rating agency, and based on the rating, classified as low risk, moderate risk and high risk as following table:

	<b>March 31, 2017</b>			
	<b>Neither past due nor impaired</b>			
<b>Financial assets</b>	<b>Low</b>	<b>Moderate</b>	<b>High</b>	<b>Total</b>
Financial assets measured at fair value through profit or loss	\$ 189,904	150,900	-	340,804
Available-for-sale financial assets	8,549,282	8,835,697	-	17,384,979
Debt investments without active market	2,552,491	1,320,712	-	3,873,203
<b>Total</b>	<b>\$ 11,291,677</b>	<b>10,307,309</b>	<b>-</b>	<b>21,598,986</b>

  

	<b>December 31, 2016</b>			
	<b>Neither past due nor impaired</b>			
<b>Financial assets</b>	<b>Low</b>	<b>Moderate</b>	<b>High</b>	<b>Total</b>
Financial assets measured at fair value through profit or loss	\$ 16,947	569	-	17,516
Available-for-sale financial assets	8,813,782	9,332,634	-	18,146,416
Debt investments without active market	2,685,068	700,000	-	3,385,068
<b>Total</b>	<b>\$ 11,515,797</b>	<b>10,033,203</b>	<b>-</b>	<b>21,549,000</b>

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

<u>Financial assets</u>	<b>March 31, 2016</b>			
	<b>Neither past due nor impaired</b>			
	<b>Low</b>	<b>Moderate</b>	<b>High</b>	<b>Total</b>
Financial assets measured at fair value through profit or loss	\$ 228,021	140,721	-	368,742
Available-for-sale financial assets	9,703,312	6,169,588	-	15,872,900
Debt investments without active market	3,439,560	-	-	3,439,560
<b>Total</b>	<b>\$ <u>13,370,893</u></b>	<b><u>6,310,309</u></b>	<b><u>-</u></b>	<b><u>19,681,202</u></b>

The definition of each level is as follow:

- i) Low risk: Issuer or counterparty is capable of fulfilling contractual commitments. Even under variable negative news or unfavorable economic conditions, their financial condition is good enough to cope with it.
- ii) Moderate risk: Issuer or counterparty has poor ability to fulfill contractual commitments. Variable negative news or unfavorable economic conditions may weaken its financial condition, and trigger concerns of assets impairment or cause loss to Fubon Insurance.
- iii) High risk: The possibility of issuer or counterparty to fulfill contractual commitments is poor and depends on operating environment, variable negative news or unfavorable economic conditions will reduce its ability and willingness to fulfill obligations.
- f) Aging analysis of Fubon Insurance and its subsidiaries' overdue but not impaired financial assets: None.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

- g) Impaired financial assets and allowance of losses of Fubon Insurance and its subsidiaries

Impaired items represent that Fubon Insurance has estimated impaired amount of financial assets in accordance with accounting standard. Under the conservatism principle, the amount is able to reflect current value appropriately.

- 4) Fubon Securities and its subsidiaries

Fubon Securities and its subsidiaries have exposure to credit risk, including issuer credit risk, counterparty credit risk and credit risk of underlying assets.

Issuer credit risk is the risk that an issuer of financial debt instruments or a bank will default and be unable to fulfill the repayment obligation, or go into bankruptcy or liquidation, and thereby cause Fubon Securities and its subsidiaries to suffer a financial loss.

Counterparty credit risk is the risk that a counterparty will default on a transaction and fail to pay due to price movement in the underlying securities of the Group's derivatives, and thereby cause Fubon Securities and its subsidiaries to suffer a financial loss.

Credit risk of underlying assets is the risk that an underlying asset of an instrument held by Fubon Securities will have its credit quality weakened, its risk premium increased, or its credit rating downgraded, or that the issuer will be unable to meet the contractual obligation, and thereby cause Fubon Securities and its subsidiaries to suffer a financial loss.

Fubon Securities and its subsidiaries faced credit risk arising from financial assets including bank deposits, debt securities, over the counter (OTC) derivative transactions, repurchase agreements, reverse sell agreements, securities borrowing and lending, refundable deposits, futures trading margin, other refundable deposits, and receivables.

(Continued)



**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

a) Analysis of concentrations of credit risk

The maximum credit risk exposure amount of financial assets by region and by industry was as described in the following tables:

Financial assets	March 31, 2017					
	Credit risk exposure amount—by region					
	Taiwan	Hong Kong	Asia	Europe	America	Total
Cash and cash equivalents	\$ 10,617,664	59,475	891,968	794	-	11,569,901
Customer margin account	12,537,047	336,100	1,726,945	-	105,557	14,705,649
Held-for-trading financial assets—current	24,233,999	-	1,213,317	-	1,033,980	26,481,296
Debt securities	23,256,829	-	1,213,317	-	1,033,980	25,504,126
Derivative assets—OTC	97,707	-	-	-	-	97,707
Derivative assets—Futures trading margin	369,671	-	-	-	-	369,671
Other debt securities	509,386	-	-	-	-	509,386
Call option—Futures	406	-	-	-	-	406
Margin deposits for borrowed securities	712,934	-	-	-	-	712,934
Other refundable deposits	1,808,879	3,398	268	-	-	1,812,545
Other current assets	713,295	374,303	-	-	-	1,087,598
Available-for-sale financial assets	404,199	-	146,999	-	-	551,198
Debt securities	311,258	-	-	-	-	311,258
Other debt securities	47,665	-	-	-	-	47,665
Open-end funds and money market instruments	45,276	-	146,999	-	-	192,275
Total	<u>\$ 51,028,017</u>	<u>773,276</u>	<u>3,979,497</u>	<u>794</u>	<u>1,139,537</u>	<u>56,921,121</u>
Proportion of the total	<u>89.65 %</u>	<u>1.36 %</u>	<u>6.99 %</u>	<u>- %</u>	<u>2.00 %</u>	<u>100.00 %</u>

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

<b>Financial assets</b>	<b>December 31, 2016</b>					
	<b>Credit risk exposure amount—by region</b>					
	<b>Taiwan</b>	<b>Hong Kong</b>	<b>Asia</b>	<b>Europe</b>	<b>America</b>	<b>Total</b>
Cash and cash equivalents	\$ 10,632,384	71,886	949,233	419	29,874	11,683,796
Customer margin account	13,965,033	92,505	1,312,296	-	332,300	15,702,134
Held-for-trading financial assets—current	27,579,682	-	193,947	-	768,885	28,542,514
Debt securities	26,635,363	-	193,947	-	768,885	27,598,195
Derivative assets—OTC	119,156	-	-	-	-	119,156
Derivative assets—Futures trading margin	305,604	-	-	-	-	305,604
Other debt securities	519,546	-	-	-	-	519,546
Call option—Futures	13	-	-	-	-	13
Margin deposits for borrowed securities	32,103	-	-	-	-	32,103
Other refundable deposits	1,704,962	2,466	249	-	-	1,707,677
Other current assets	457,984	318,874	-	-	-	776,858
Available-for-sale financial assets	345,111	-	158,050	-	-	503,161
Debt securities	308,443	-	-	-	-	308,443
Other debt securities	25,946	-	-	-	-	25,946
Open-end funds and money market instruments	10,722	-	158,050	-	-	168,772
Total	<u>\$ 54,717,259</u>	<u>485,731</u>	<u>2,613,775</u>	<u>419</u>	<u>1,131,059</u>	<u>58,948,243</u>
Proportion of the total	<u>92.82 %</u>	<u>0.82 %</u>	<u>4.44 %</u>	<u>- %</u>	<u>1.92 %</u>	<u>100.00 %</u>
	<b>March 31, 2016</b>					
	<b>Credit risk exposure amount—by region</b>					
	<b>Taiwan</b>	<b>Hong Kong</b>	<b>Asia</b>	<b>Europe</b>	<b>America</b>	<b>Total</b>
Cash and cash equivalents	\$ 7,965,969	103,527	14,207	495	70,366	8,154,564
Customer margin account	12,330,910	23,442	3,251,513	-	76,843	15,682,708
Held-for-trading financial assets—current	22,871,893	110,422	689,264	742,290	2,189,531	26,603,400
Debt securities	22,157,768	110,422	689,264	742,290	2,189,531	25,889,275
Derivative assets—OTC	35,118	-	-	-	-	35,118
Derivative assets—Futures trading margin	126,108	-	-	-	-	126,108
Other debt securities	552,899	-	-	-	-	552,899
Margin deposits for borrowed securities	70,840	-	-	-	-	70,840
Other refundable deposits	1,811,868	2,466	-	-	-	1,814,334
Other current assets	424,001	170,886	-	-	-	594,887
Available-for-sale financial assets	348,320	-	196,789	-	-	545,109
Debt securities	319,059	-	-	-	-	319,059
Other debt securities	28,360	-	29,895	-	-	58,255
Open-end funds and money market instruments	901	-	166,894	-	-	167,795
Total	<u>\$ 45,823,801</u>	<u>410,743</u>	<u>4,151,773</u>	<u>742,785</u>	<u>2,336,740</u>	<u>53,465,842</u>
Proportion of the total	<u>85.70 %</u>	<u>0.77 %</u>	<u>7.77 %</u>	<u>1.39 %</u>	<u>4.37 %</u>	<u>100.00 %</u>

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

March 31, 2017																					
Credit risk exposure amount – by industry																					
Financial assets	Central and local		Retail and wholesale		Building and material		Food and travel industry		Shipping industry		Electronic industry		Chemical industry		Motor vehicle industry		Culture and creative industry		Other services		Total
	service	agencies	wholesale	material	gy industry	industry	industry	industry	industry	industry	industry	industry	industry	industry	industry	industry	industry	industry	industry	industry	
Cash and cash equivalents	\$ 11,314,726	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	255,175	11,569,901
Customer margin account	14,705,649	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	14,705,649
Held-for-trading financial assets – current	4,477,572	4,256,197	6,204	4,505,860	32,009	999,186	32,041	8,082,919	23,522	553,058	156,351	3,356,377	26,481,296								
Debt securities	3,500,402	4,256,197	6,204	4,505,860	32,009	999,186	32,041	8,082,919	23,522	553,058	156,351	3,356,377	25,504,126								
Derivative assets – OTC	97,707	-	-	-	-	-	-	-	-	-	-	-	97,707								
Derivative assets – futures trading margin	369,671	-	-	-	-	-	-	-	-	-	-	-	369,671								
Other debt securities	509,386	-	-	-	-	-	-	-	-	-	-	-	509,386								
Call options – Futures	406	-	-	-	-	-	-	-	-	-	-	-	406								
Margin deposits for borrowed securities	712,934	-	-	-	-	-	-	-	-	-	-	-	712,934								
Other refundable deposits	1,810,113	-	-	-	-	-	-	-	-	-	-	-	1,810,113						2,432	1,812,545	
Other current assets	661,599	-	-	-	-	-	-	-	-	-	-	-	661,599						425,999	1,087,598	
Available-for-sale financial assets	239,940	311,258	-	-	-	-	-	-	-	-	-	-	239,940						-	551,198	
Debt securities	-	311,258	-	-	-	-	-	-	-	-	-	-	-						-	311,258	
Other debt securities	47,665	-	-	-	-	-	-	-	-	-	-	-	47,665						-	47,665	
Open-end funds and money market instruments	192,275	-	-	-	-	-	-	-	-	-	-	-	192,275						-	192,275	
<b>Total</b>	<b>\$ 33,922,533</b>	<b>4,567,455</b>	<b>6,204</b>	<b>4,505,860</b>	<b>32,009</b>	<b>999,186</b>	<b>32,041</b>	<b>8,082,919</b>	<b>23,522</b>	<b>553,058</b>	<b>156,351</b>	<b>4,039,983</b>	<b>56,921,121</b>								
Proportion of the total	<u>59.59 %</u>	<u>8.02 %</u>	<u>0.01 %</u>	<u>7.92 %</u>	<u>0.06 %</u>	<u>1.76 %</u>	<u>0.06 %</u>	<u>14.20 %</u>	<u>0.04 %</u>	<u>0.97 %</u>	<u>0.27 %</u>	<u>7.10 %</u>	<u>100.00 %</u>								

  

December 31, 2016																				
Credit risk exposure amount – by industry																				
Financial assets	Central and local		Retail and wholesale		Building and material		Food and travel industry		Shipping industry		Electronic industry		Chemical industry		Cultural and creative industry		Other services		Total	
	service	agencies	wholesale	material	gy industry	industry	industry	industry	industry	industry	industry	industry	industry	industry	industry	industry	industry	industry		industry
Cash and cash equivalents	\$ 11,466,120	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	217,676	11,683,796
Customer margin account	15,702,134	-	-	-	-	-	-	-	-	-	-	-	15,702,134						-	15,702,134
Held-for-trading financial assets – current	3,267,123	8,308,136	7,217	3,380,629	41,411	1,002,879	132,619	9,378,920	49,213	155,664	2,818,703	28,542,514								
Debt securities	2,322,804	8,308,136	7,217	3,380,629	41,411	1,002,879	132,619	9,378,920	49,213	155,664	2,818,703	27,598,195								
Derivative assets – OTC	119,156	-	-	-	-	-	-	-	-	-	-	119,156								
Derivative assets – futures trading margin	305,604	-	-	-	-	-	-	-	-	-	-	305,604								
Other debt securities	519,546	-	-	-	-	-	-	-	-	-	-	519,546								
Call option – Futures	13	-	-	-	-	-	-	-	-	-	-	13								
Margin deposits for borrowed securities	32,103	-	-	-	-	-	-	-	-	-	-	32,103								
Other refundable deposits	1,705,097	-	-	-	-	-	-	-	-	-	-	1,705,097						2,580	1,707,677	
Other current assets	351,802	-	-	-	-	-	-	-	-	-	-	351,802						425,056	776,858	
Available-for-sale financial assets	194,718	308,443	-	-	-	-	-	-	-	-	-	194,718						-	503,161	
Debt securities	-	308,443	-	-	-	-	-	-	-	-	-	-						-	308,443	
Open debt securities	25,946	-	-	-	-	-	-	-	-	-	-	25,946						-	25,946	
Open-end funds and money market instruments	168,772	-	-	-	-	-	-	-	-	-	-	168,772						-	168,772	
<b>Total</b>	<b>\$ 32,719,097</b>	<b>8,616,579</b>	<b>7,217</b>	<b>3,380,629</b>	<b>41,411</b>	<b>1,002,879</b>	<b>132,619</b>	<b>9,378,920</b>	<b>49,213</b>	<b>155,664</b>	<b>3,464,015</b>	<b>58,948,243</b>								
Proportion of the total	<u>55.51 %</u>	<u>14.62 %</u>	<u>0.01 %</u>	<u>5.74 %</u>	<u>0.07 %</u>	<u>1.70 %</u>	<u>0.22 %</u>	<u>15.91 %</u>	<u>0.08 %</u>	<u>0.26 %</u>	<u>5.88 %</u>	<u>100.00 %</u>								

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

March 31, 2016													
Credit risk exposure amount—by industry													
Financial assets	Central and local		Building		Food and			Motor				Other services	Total
	Financial service	government agencies	Retail and wholesale	and material	Biotechnology industry	travel industry	Shipping industry	Electronic industry	Chemical industry	vehicle industry	Information services		
Cash and cash equivalents	\$ 7,732,583	-	-	-	-	-	-	-	-	-	-	421,981	8,154,564
Customer margin account	15,682,708	-	-	-	-	-	-	-	-	-	-	-	15,682,708
Held-for-trading financial assets—current	4,908,654	3,634,204	204,922	2,954,887	46,854	1,477,797	191,753	7,842,209	100,057	742,290	860,774	3,638,999	26,603,400
Debt securities	4,194,529	3,634,204	204,922	2,954,887	46,854	1,477,797	191,753	7,842,209	100,057	742,290	860,774	3,638,999	25,889,275
Derivative assets—OTC	35,118	-	-	-	-	-	-	-	-	-	-	-	35,118
Derivative assets—futures trading margin	126,108	-	-	-	-	-	-	-	-	-	-	-	126,108
Other debt securities	552,899	-	-	-	-	-	-	-	-	-	-	-	552,899
Margin deposits for borrowed securities	70,840	-	-	-	-	-	-	-	-	-	-	-	70,840
Other refundable deposits	1,811,753	-	-	-	-	-	-	-	-	-	-	2,581	1,814,334
Other current assets	282,444	-	-	-	-	-	-	-	-	-	-	312,443	594,887
Available-for-sale financial assets	226,050	319,059	-	-	-	-	-	-	-	-	-	-	545,109
Debt securities	-	319,059	-	-	-	-	-	-	-	-	-	-	319,059
Open debt securities	58,255	-	-	-	-	-	-	-	-	-	-	-	58,255
Open-end funds and money market instruments	167,795	-	-	-	-	-	-	-	-	-	-	-	167,795
Total	<u>\$ 30,715,032</u>	<u>3,953,263</u>	<u>204,922</u>	<u>2,954,887</u>	<u>46,854</u>	<u>1,477,797</u>	<u>191,753</u>	<u>7,842,209</u>	<u>100,057</u>	<u>742,290</u>	<u>860,774</u>	<u>4,376,004</u>	<u>53,465,842</u>
Proportion of the total	<u>57.45 %</u>	<u>7.39 %</u>	<u>0.38 %</u>	<u>5.53 %</u>	<u>0.09 %</u>	<u>2.76 %</u>	<u>0.36 %</u>	<u>14.67 %</u>	<u>0.19 %</u>	<u>1.39 %</u>	<u>1.61 %</u>	<u>8.18 %</u>	<u>100.00 %</u>

Fubon Securities and its subsidiaries' exposure to credit risk in Taiwan and financial service was due to the following reasons: (1) Fubon Securities and its subsidiaries deposited cash in financial institutions and held debt securities issued or guaranteed by banks, and (2) all the counterparties of derivative transactions, investments in debt securities, and security lending were financial institutions in Taiwan.

b) Credit risk of financial assets

i) Cash and cash equivalents

Cash and cash equivalents included time deposits, demand deposits, checking accounts and short-term bills, with trading counterparties being mainly domestic financial institutions.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

ii) Financial assets measured at fair value—current

1. Debt securities

Fubon Securities and its subsidiaries held positions in debt securities, including bonds, convertible bonds and bond funds, which were issued by domestic companies. The details of debt securities are as follows:

a. Convertible bonds

Convertible bonds held by Fubon Securities and its subsidiaries were primarily issued by domestic companies. To control exposure to credit risk from convertible bonds, Fubon Securities and its subsidiaries transferred credit risk to external investors by asset swaps.

b. Bond funds

The underlying assets of bond funds held by Fubon Securities and its subsidiaries were mainly fixed income securities.

2. Bonds with repurchase/resell agreement (RP/RS) undertaking

The main counterparties of RP/RS were financial institutions. When engaging in RS transactions, Fubon Securities and its subsidiaries provided the underlying bonds as collateral which could reduce the exposure to credit risk of its counterparties.

3. Derivatives—Over the Counter (OTC)

When Fubon Securities and its subsidiaries engaged in OTC derivatives, it would sign an ISDA agreement with each counterparty. This provides the contractual framework within which dealing activity across a full range of over-the-counter (OTC) products is conducted, and contractually binds both parties to apply close-out netting across all outstanding transactions covered by an agreement if either party defaults or another pre-agreed termination event occurs. The parties execute a Credit Support Annex (CSA) in conjunction with the ISDA Master Agreement. Under a CSA, collateral is passed between the parties to mitigate the counterparty risk inherent in outstanding positions.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

OTC derivatives held by Fubon Securities and its subsidiaries included interest rate swap, convertible bond asset swaps and equity options. The counterparties were all from the financial industry and were mainly based in Taiwan.

4. Derivatives— futures trading margin

For trading on the centralized exchange market, Fubon Securities and its subsidiaries deposits futures trading margin into an account designated by Fubon Securities and its subsidiaries as a guarantee of future funding to fulfill a contractual obligation. Fubon Futures and Polaris MF Global Futures are Fubon Securities and its subsidiaries' futures commission merchants. Fubon Securities and its subsidiaries held 100% of the shares of Fubon futures. Thus little potential loss due to credit risk was likely to occur.

5. Other debt securities

Other debt securities were mainly asset-capitalized beneficiary securities Fubon R1, Fubon R2 and Skbank No.1 REIT. Because of the good quality of entrusted assets and the above-average quality of renters in the asset pool, Fubon Securities and its subsidiaries had low credit risk.

iii) Margin deposits for borrowed securities

This includes relevant disclosures of collateral for borrowed securities and margin deposits for borrowed securities. When borrowing the underlying securities from the holder, Fubon Securities and its subsidiaries should deposit the margin in the designated bank account. Because it holds the underlying securities as collateral, Fubon Securities and its subsidiaries will be able to effectively decrease credit exposure to the holder.

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

iv) Other refundable deposits

Other refundable deposits mainly include operating deposits, clearing and settlement funds and refundable deposits. Operating deposits are mainly deposited in credit-worthy banks. Clearing and settlement funds are deposited in the TWSE. They are used as compensation when a market securities trading party does not fulfill delivery obligations. The credit risk of institutions where funds are deposited is minimal. Refundable deposits arise when Fubon Securities and its subsidiaries' deposit cash or other assets as guarantees. Because deposits are placed in various financial institutions and each deposit amount is not high, the credit risk is dispersed and the credit exposure of the overall refundable deposit is minimal.

v) Other current assets

Other current assets of Fubon Securities and its subsidiaries were cash provided for pledge or restricted use to domestic financial institutions with good credit.

vi) Customer margin account

Customer margin account of Fubon Securities and its subsidiaries was the bank account that Fubon Futures deposited in its initial margins and its premium of traders. The bank account was at low-credit-risk financial institutions.

c) Quality classification definitions

Low Risk: exposures demonstrate a good capacity to meet financial commitments, with low default risk and/or low levels of expected loss.

Moderate Risk: exposures require closer monitoring and demonstrate an average to fair capacity to meet financial commitments, with moderate default risk.

High Risk: exposures require varying degrees of special attention and default risk is of greater concern.

Impaired: Fubon Securities and its subsidiaries or the target did not perform its obligation according to the contracts and the potential estimated loss has reached the standard of impairment.

Internal credit risk classification and external credit rating of Fubon Securities and its subsidiaries were as follows. There were no direct relations between the internal and the external credit rating in the chart, and they were used to present the similarity of credit quality.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

March 31, 2017							
Financial assets credit quality and classification							
Financial assets	Low risk	Moderate risk	High risk	Overdue but not impaired	Impaired	Impairment reserve	Total
Cash and cash equivalents	\$ 10,099,584	1,470,317	-	-	-	-	11,569,901
Customer margin account	14,705,649	-	-	-	-	-	14,705,649
Held-for-trading financial assets – current	16,658,214	9,679,275	143,807	-	-	-	26,481,296
Debt securities	15,770,184	9,590,135	143,807	-	-	-	25,504,126
Derivative assets – OTC	8,567	89,140	-	-	-	-	97,707
Derivative assets – Futures trading margin	369,671	-	-	-	-	-	369,671
Other debt securities	509,386	-	-	-	-	-	509,386
Call option – Futures	406	-	-	-	-	-	406
Margin deposits for borrowed securities	712,934	-	-	-	-	-	712,934
Other refundable deposits	1,811,132	1,413	-	-	-	-	1,812,545
Other current assets	1,087,598	-	-	-	-	-	1,087,598
Available-for-sale financial assets	405,654	30,564	114,980	-	-	-	551,198
Debt securities	311,258	-	-	-	-	-	311,258
Other debt securities	47,665	-	-	-	-	-	47,665
Open-end funds and money market instruments	46,731	30,564	114,980	-	-	-	192,275
Subtotal	<u>45,480,765</u>	<u>11,181,569</u>	<u>258,787</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>56,921,121</u>
Proportion of the total	79.90 %	19.65 %	0.45 %	- %	- %	- %	100.00 %
Receivables	18,966,230	6,977,793	756,957	-	-	-	26,700,980
Account receivable	14,146,505	-	-	-	-	-	14,146,505
Receivables from pecuniary finance	4,819,725	6,977,793	756,957	-	-	-	12,554,475
Total	<u>\$ 64,446,995</u>	<u>18,159,362</u>	<u>1,015,744</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>83,622,101</u>
Proportion of the total	<u>77.07 %</u>	<u>21.72 %</u>	<u>1.21 %</u>	<u>- %</u>	<u>- %</u>	<u>- %</u>	<u>100.00 %</u>

(Continued)



**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

December 31, 2016							
Financial assets credit quality and classification							
Financial assets	Low risk	Moderate risk	High risk	Overdue but not impaired	Impaired	Impairment reserve	Total
Cash and cash equivalents	\$ 9,621,008	2,062,788	-	-	-	-	11,683,796
Customer margin account	15,702,134	-	-	-	-	-	15,702,134
Held-for-trading financial assets – current	19,394,081	8,709,272	439,161	-	-	-	28,542,514
Debt securities	18,984,863	8,174,171	439,161	-	-	-	27,598,195
Derivative assets – OTC	18,028	101,128	-	-	-	-	119,156
Derivative assets – Futures trading margin	305,604	-	-	-	-	-	305,604
Other debt securities	85,573	433,973	-	-	-	-	519,546
Call option – Futures	13	-	-	-	-	-	13
Margin deposits for borrowed securities	32,103	-	-	-	-	-	32,103
Other refundable deposits	1,706,170	1,507	-	-	-	-	1,707,677
Other current assets	776,858	-	-	-	-	-	776,858
Available-for-sale financial assets	382,912	950	119,299	-	-	-	503,161
Debt securities	308,443	-	-	-	-	-	308,443
Other debt securities	25,946	-	-	-	-	-	25,946
Open-end funds and money market instruments	48,523	950	119,299	-	-	-	168,772
Subtotal	<u>47,615,266</u>	<u>10,774,517</u>	<u>558,460</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>58,948,243</u>
Proportion of the total	80.77 %	18.28 %	0.95 %	- %	- %	- %	100.00 %
Receivables	14,870,101	5,856,467	706,103	-	-	-	21,432,671
Account receivable	10,290,550	-	-	-	-	-	10,290,550
Receivables from pecuniary finance	4,579,551	5,856,467	706,103	-	-	-	11,142,121
Total	<u>\$ 62,485,367</u>	<u>16,630,984</u>	<u>1,264,563</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>80,380,914</u>
Proportion of the total	<u>77.74 %</u>	<u>20.69 %</u>	<u>1.57 %</u>	<u>- %</u>	<u>- %</u>	<u>- %</u>	<u>100.00 %</u>

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

Financial assets	March 31, 2016						Total
	Financial assets credit quality and classification						
	Low risk	Moderate risk	High risk	Overdue but not impaired	Impaired	Impairment reserve	
Cash and cash equivalents	\$ 6,358,704	1,795,860	-	-	-	-	8,154,564
Customer margin account	15,682,708	-	-	-	-	-	15,682,708
Held-for-trading financial assets – current	17,549,416	9,032,456	21,528	-	-	-	26,603,400
Debt securities	17,330,904	8,536,843	21,528	-	-	-	25,889,275
Derivative assets – OTC	5,860	29,258	-	-	-	-	35,118
Derivative assets – Futures trading margin	126,108	-	-	-	-	-	126,108
Other debt securities	86,544	466,355	-	-	-	-	552,899
Margin deposits for borrowed securities	70,840	-	-	-	-	-	70,840
Other refundable deposits	1,812,826	1,508	-	-	-	-	1,814,334
Other current assets	594,887	-	-	-	-	-	594,887
Available-for-sale financial assets	418,253	901	125,955	-	-	-	545,109
Debt securities	319,059	-	-	-	-	-	319,059
Other debt securities	58,255	-	-	-	-	-	58,255
Open-end funds and money market instruments	40,939	901	125,955	-	-	-	167,795
Subtotal	<u>42,487,634</u>	<u>10,830,725</u>	<u>147,483</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>53,465,842</u>
Proportion of the total	79.46 %	20.26 %	0.28 %	- %	- %	- %	100.00 %
Receivables	17,068,895	6,300,009	695,140	-	-	-	24,064,044
Account receivable	12,451,318	-	-	-	-	-	12,451,318
Receivables from pecuniary finance	<u>4,617,577</u>	<u>6,300,009</u>	<u>695,140</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,612,726</u>
Total	<u>\$ 59,556,529</u>	<u>17,130,734</u>	<u>842,623</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>77,529,886</u>
Proportion of the total	<u>76.81 %</u>	<u>22.10 %</u>	<u>1.09 %</u>	<u>- %</u>	<u>- %</u>	<u>- %</u>	<u>100.00 %</u>

As seen in above tables, Fubon Securities and its subsidiaries had no financial assets which were overdue but not impaired. 1.21% of normal assets were classified under high risk category. Those assets mainly were receivables from pecuniary finance. The details of assets classified as high risk were as follows:

- i) Cash and cash equivalents: To fulfill daily settlement payments and remittance operations, it was required to deposit a certain amount to the main delivery lines for the brokerage business and other operations. The management of Fubon Securities and its subsidiaries would periodically review the financial condition, operation and credit risk.
- ii) Debt securities: To control exposure to credit risk from convertible bonds, Fubon Securities and its subsidiaries transferred credit risk to external investors by asset swaps.
- iii) Receivables from pecuniary finance: The risk of financial loss arose from price movement in the underlying securities. To lower credit risk, Fubon Securities and its subsidiaries has closely monitored market volatility of underlying assets and set strict control over counterparty credit risk.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

iv) Impairment loss

As of March 31, 2017, December 31 and March 31, 2016, Fubon Securities and its subsidiaries' receivables from pecuniary finance recovery period were principally less than a year or an operating cycle (not more than half a year). Thus, it was assumed that book value approximated fair value without discounting at an appropriate interest rate.

As of March 31, 2017, December 31 and March 31, 2016, in accordance with the Regulations Governing Margin and Stock Loans by Securities Firms, Fubon Securities and its subsidiaries had charged the margin for margin purchases to their customers, and held all securities purchased as collaterals. Fubon Securities set a margin ratio of around 120% to manage receivables from pecuniary finance. If the stock price fluctuates too much to maintain margin ratio of 120%, Fubon Securities and its subsidiaries will inform the customers to repay part of the financing, replenish the deposit margin, or increase the amount of collaterals to make up the balance. As of March 31, 2017, December 31 and March 31, 2016, Fubon Securities and its subsidiaries had no impairment loss on receivables from pecuniary finance, taking historical experience and the recoverable amount of collateral into account.

Some investors failed to settle stock purchases made by pecuniary finance. Therefore, Fubon Securities and its subsidiaries disposed of the securities so purchased by the investors and deducted the proceeds of such sales from receivables due to pecuniary finance. In addition, some collateral securities purchased by investors through unsettled pecuniary finance contracts were unable to be disposed of.

Fubon Securities and its subsidiaries has persistently tried to settle the aforementioned claims, and recorded the uncollected receivables from such unsettled pecuniary finance contracts and the past-maturity corporate bonds as overdue receivables.

The aging analysis of loans and receivables were as follows:

	March 31, 2017		December 31, 2016		March 31, 2016	
	Total amount	Impairment amount	Total amount	Impairment amount	Total amount	Impairment amount
Overdue 0 to 180 days	\$ 944	944	107	107	1,198	935
Overdue 181 days to one year	29	29	212	139	743	634
Overdue more than one year	6,508	5,136	6,582	5,206	7,322	5,999
Total	<b>\$ 7,481</b>	<b>6,109</b>	<b>6,901</b>	<b>5,452</b>	<b>9,263</b>	<b>7,568</b>

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

The changes in allowance for uncollectible accounts of other receivables and overdue receivables were as follows:

	<b>For the three months ended</b>	
	<b>March 31</b>	
	<u><b>2017</b></u>	<u><b>2016</b></u>
Beginning balance	\$ 5,452	7,510
Recognized impairment loss	<u>657</u>	<u>58</u>
Ending balance	<u><b>\$ 6,109</b></u>	<u><b>7,568</b></u>

5) Fubon Bank (Hong Kong) and its subsidiaries

The following disclosure related to Fubon Bank Hong Kong is all expressed in thousands of HKD, unless otherwise stated.

a) Sources and definition of credit risk

Credit risk is the risk of suffering financial loss in the event that any of Fubon Bank (Hong Kong) and its subsidiaries' borrowers or market counterparties fail to fulfill their obligation to Fubon Bank (Hong Kong) and its subsidiaries. It arises mainly from loans and advances, debt securities held, and counterparty credit risk arising from derivative contracts entered into with customer. It can also arise from trading and treasury activities.

b) Strategy, objectives, policies and procedures

Fubon Bank (Hong Kong) and its subsidiaries manage credit risk through a framework of controls to ensure credit risk taking activities are based on sound principles and in line with the overall business objectives of Fubon Bank (Hong Kong) and its subsidiaries. It has established a set of credit policies and procedures, which define the credit risk taking criteria, the credit approval authorities delegated from the Board of Directors, the credit monitoring processes, the credit rating system, and the loan impairment policy.

c) Credit risk management framework

The Board of Directors has delegated credit approval authorities to the following in descending order of authority: the Executive Credit Committee, the Credit Committee and the Wholesale Credit Committee. The Executive Credit Committee serves as the Credit Committee of the Board of Directors to review and approve credits that require the approval from the Board of Directors. In addition, it approves Fubon Bank (Hong Kong) and its subsidiaries' credit policies and overall credit risk profile, taking into consideration relevant law and regulations.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

The Credit Committee is a management level committee that provides management oversight of Fubon Bank (Hong Kong) and its subsidiaries' credit risk management. It ensures that Fubon Bank (Hong Kong) and its subsidiaries have in place an effective credit risk management framework and that its credit risks are within the credit policies and credit risk profile as specified by the Board of Directors or its delegated committees. The Credit Committee reviews and endorses all credit policies and the overall credit risk profile for the Executive Credit Committee's approval, and reviews and approves credit related guidelines. It also conducts on-going review of the market environment and makes necessary policy recommendations to the Executive Credit Committee to ensure that the credit risk profile of Fubon Bank (Hong Kong) and its subsidiaries is within the established risk appetite of Fubon Bank (Hong Kong) and its subsidiaries. The Credit Committee also reviews and approves credits that are within the authority as delegated by the Board of Directors.

The Wholesale Credit Committee reviews and approves wholesale credits that are within its authority as delegated by the Board of Directors.

d) Risk report and evaluation system

Specific policies and measures to address different kinds of credit related activities are set out below:

i) Corporate lending

Credit risk from corporate lending is managed by conducting thorough credit evaluation, credit mitigation through collateral and guarantee, internal credit rating system and post-approval monitoring system. Subject to the size of the credit and the internal credit rating of the borrower, different levels of credit approval are required. Credit decision takes into account facility structure, tenor, the repayment ability of the obligor and credit mitigation through collateral and guarantee.

Fubon Bank (Hong Kong) and its subsidiaries have established limits for exposures to individual industries and for borrowers and groups of borrowers, regardless of whether the credit exposure is in the form of loans or non-funded exposures. Fubon Bank (Hong Kong) and its subsidiaries also undertake ongoing credit review and monitoring at several levels. The relevant policies and procedures also take into account the rules under the Hong Kong Banking Ordinance, regulatory requirements of the HKMA and best market practices.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

The credit risk management procedures are designed to promote early detection of counterparty, industry or product exposures that require special monitoring. Overall portfolio risk is monitored by the Control and Risk Management Division on an on-going basis. Regular management reports are submitted to the Credit Committee regularly for review. The loan portfolio reports cover information on large exposures, country exposures, industry exposures, loan quality and loan impairment level.

ii) Consumer credit risk

Consumer credit risk is product driven, arising from consumer finance products such as credit cards, unsecured personal loans and mortgage loans. Because of the homogeneous nature of these products, credit risk management procedures are primarily based on statistical analyses of risks with respect to different products and types of customers. Fubon Bank (Hong Kong) and its subsidiaries determine product terms and desired customer profiles on a regular basis by developing, validating and fine-tuning of internal scorecards and stress testing models. The relevant credit risk management procedures also include on-going product portfolio analysis and review, clear rules for loan classification and impairment, and regular reporting to Credit Committee.

iii) Counterparty credit risk

Unlike the on-balance sheet instruments, where the credit risk is generally represented by the principal value or the notional amount, credit risk for derivatives is the positive replacement cost together with an estimate for the potential future exposure from changes in market value. These credit exposures are managed as part of the overall credit limits to the counterparties. Fubon Bank (Hong Kong) and its subsidiaries use the current exposure method for the purpose of providing capital for such counterparty exposures.

Wrong way risk occurs when the credit exposure to a counterparty is strongly correlated with collateral held and any market risk factors impacting the transaction. Credit exposures and potential losses may increase as a result of adverse change in market conditions. Fubon Bank (Hong Kong) and its subsidiaries have various policies and procedures to control wrong-way risk, and undertaking of wrong way risk transaction would require prior approval.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

iv) Credit-related commitments

The risks involved in credit-related commitments and contingencies are essentially the same as the credit risk involved in extending loan facilities to customers. These transactions are, therefore, subject to the same credit application, portfolio management and collateral requirements as for loan transactions.

v) Concentration of credit risk

Concentration of credit risk exists when changes in geographic, economic or industry factors similarly affect groups of borrowers or market counterparties whose aggregate credit exposure is material in relation to Fubon Bank (Hong Kong) and its subsidiaries' total exposures. Fubon Bank (Hong Kong) and its subsidiaries' financial risk exposure are diversified by obligor group, industry and product, but are concentrated in Hong Kong.

e) Mitigation or hedging policy, and monitoring strategy and procedure

Fubon Bank (Hong Kong) and its subsidiaries' credit evaluation focuses primarily on the borrower's repayment ability from its cash flow and financial condition. In addition, Fubon Bank (Hong Kong) and its subsidiaries employ various credit risk mitigation techniques such as appropriate facility structuring, posting of collateral and/or third party support as well as transfer of risk to other third parties, which form an integral part of the credit risk management process. The most commonly used credit risk mitigation measures are provided below:

**Collateral**

Fubon Bank (Hong Kong) and its subsidiaries hold collateral against loans and advances to customers mainly in the form of cash deposits, marketable securities, and mortgage interest over property and guarantees. Fubon Bank (Hong Kong) and its subsidiaries have in place policies and procedures that govern the assessment, acceptance and the periodic valuation of the collateral. Collateral taken to secure corporate and retail loans is revalued periodically ranging from daily to semi-annually depending on the type of collateral. For treasury operations, collateral taken is marked to market on a periodic basis that is mutually agreed with the counterparty.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

Master netting agreements

Collateral generally is not held over loans and advances extended to banks, except when securities are held as part of reverse repurchase and securities borrowing activity. However, where applicable, Fubon Bank (Hong Kong) and its subsidiaries manage its credit exposure to banks by entering into master netting arrangements whenever it is appropriate and feasible to do so. The netting arrangement results in the settlement of counterparty exposure on a net basis in the event a default occurs.

Fubon Bank (Hong Kong) and its subsidiaries' preferred agreement for documenting derivatives activity is the ISDA Master Agreement which covers the contractual framework within which dealing activity across a full range of over-the-counter products is conducted and contractually binds both parties to apply close-out netting across all outstanding transactions covered by an agreement if either party defaults or following other pre-agreed termination events.

It is also common for Fubon Bank (Hong Kong) and its subsidiaries to execute a Credit Support Annex in conjunction with the ISDA Master Agreement with the counterparty under which collateral is passed between the parties to mitigate the market contingent counterparty risk inherent in outstanding positions.

f) The maximum exposure to credit risk

The balance sheet is not considering the maximum exposure to credit risk of the guarantees and other credit instruments being the same as their book value. The maximum exposure to credit risk of financial instruments off balance sheet is as follows (not considering the guarantees or other credit instruments):

<u>Off-balance sheet items</u>	Units: In thousands of HKD		
	<u>Maximum exposure to credit risk</u>		
	<u>March 31, 2017</u>	<u>December 31, 2016</u>	<u>March 31, 2016</u>
Irrevocable loan commitments	\$ 1,247,668	1,242,882	1,140,088
Standby letters of credit	316,160	267,169	206,410
Financial guarantees	126,553	126,697	103,076
Total	<u>\$ 1,690,381</u>	<u>1,636,748</u>	<u>1,449,574</u>

(Continued)



**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

g) The significant concentrations of the credit risk

Concentration of credit risk exists when changes in geographic, economic or industry factors similarly affect groups of borrowers or market counterparties whose aggregate credit exposure is material in relation to Fubon Bank (Hong Kong) and its subsidiaries' total exposures. Fubon Bank (Hong Kong) and its subsidiaries' financial risk exposure are diversified by obligor group, industry and product, but are concentrated in Hong Kong.

Information of loans and nonperforming loans in different industries, areas and guarantees with significant concentration of credit risk is as follow:

i) By industry and by area

<u>Industry</u>	<u>March 31, 2017</u>		<u>December 31, 2016</u>		<u>March 31, 2016</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Units: In thousands of HKD						
Gross advances for use in Hong Kong industrial, commercial and financial						
Property development	\$ 4,017,327	9.35	3,756,167	8.58	3,487,737	8.24
Property investment	9,347,344	21.75	9,852,120	22.49	9,302,684	21.97
Financial concerns	1,020,534	2.38	1,346,366	3.07	788,049	1.86
Stockbrokers	1,365,197	3.18	1,561,154	3.56	845,955	2.00
Wholesale and retail trade	391,045	0.91	342,228	0.78	314,056	0.74
Manufacturing	1,402,956	3.27	1,244,842	2.84	1,517,639	3.58
Transport and transport equipment	261,340	0.61	311,083	0.71	374,044	0.88
Information technology	378,888	0.88	377,867	0.86	285,129	0.67
Electricity and gas	133,220	0.31	131,656	0.30	12,500	0.03
Others	1,892,899	4.40	2,287,477	5.22	2,295,191	5.42
Individuals						
Project plan	\$ 11,224	0.03	12,135	0.03	5,726	0.01
Loan for the purchase of other residential properties	9,587,882	22.31	9,663,115	22.06	9,683,925	22.87
Credit card advances	956,580	2.23	1,070,172	2.44	1,069,905	2.53
Others	<u>4,692,241</u>	<u>10.92</u>	<u>4,665,215</u>	<u>10.65</u>	<u>4,035,150</u>	<u>9.53</u>
	35,458,677	82.53	36,621,597	83.59	34,017,690	80.33
Trade finance	<u>3,696,404</u>	<u>8.60</u>	<u>3,524,598</u>	<u>8.05</u>	<u>3,468,653</u>	<u>8.19</u>
Gross advances for use in Hong Kong	39,155,081	91.13	40,146,195	91.64	37,486,343	88.52
Gross advances for use outside Hong Kong	<u>3,810,744</u>	<u>8.87</u>	<u>3,661,537</u>	<u>8.36</u>	<u>4,860,016</u>	<u>11.48</u>
Gross advances to customers	<u>\$ 42,965,825</u>	<u>100.00</u>	<u>43,807,732</u>	<u>100.00</u>	<u>42,346,359</u>	<u>100.00</u>

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

ii) By collateral

Units: In thousands of HKD

Collateral	March 31, 2017		December 31, 2016		March 31, 2016	
	Amount	%	Amount	%	Amount	%
Unsecured	\$ 19,795,058	46.07	18,253,087	41.67	19,189,374	45.32
Secured						
– Financial collateral	370,236	0.86	703,412	1.61	347,214	0.82
– Real estate	21,533,141	50.12	23,648,401	53.98	22,243,503	52.52
– Other collateral	1,267,390	2.95	1,202,832	2.74	566,268	1.34
Total	<u>\$ 42,965,825</u>	<u>100.00</u>	<u>43,807,732</u>	<u>100.00</u>	<u>42,346,359</u>	<u>100.00</u>

h) The analysis of credit quality and impairment of financial instruments

i) The credit quality of loans and receivables

Units: In thousands of HKD

	Neither past due nor impaired				The amount of the part overdue (B)	The amount of the part impaired (C)	Total (A)+(B)+(C)	The loss amount recognized (D)		Net amount (A)+(B)+(C)-(D)
	Grade 1 (Note)	Grade 2 (Note)	Items not subject to grading system	Subtotal (A)				There is objective evidence of impairment on individual asset	Items with no grading system	
March 31, 2017										
Discounts and loans	40,908,397	424,927	879,091	42,212,415	432,620	320,790	42,965,825	147,700	111,305	42,706,820

Units: In thousands of HKD

	Neither past due nor impaired				The amount of the part overdue (B)	The amount of the part impaired (C)	Total (A)+(B)+(C)	The loss amount recognized (D)		Net amount (A)+(B)+(C)-(D)
	Grade 1 (Note)	Grade 2 (Note)	Items not subject to grading system	Subtotal (A)				There is objective evidence of impairment on individual asset	Items with no grading system	
December 31, 2016										
Discounts and loans	42,310,564	401,086	230,135	42,941,785	531,665	334,282	43,807,732	149,919	108,839	43,548,974

Units: In thousands of HKD

	Neither past due nor impaired				The amount of the part overdue (B)	The amount of the part impaired (C)	Total (A)+(B)+(C)	The loss amount recognized (D)		Net amount (A)+(B)+(C)-(D)
	Grade 1 (Note)	Grade 2 (Note)	Items not subject to grading system	Subtotal (A)				There is objective evidence of impairment on individual asset	Items with no grading system	
March 31, 2016										
Discounts and loans	41,645,174	72,042	234,164	41,951,380	126,336	268,643	42,346,359	48,856	45,747	42,251,756

Note: Description of credit risk

Grade 1 (Normal): The borrower is fulfilling its repayment responsibility. There is no doubt that the borrower can repay the capital and interest.

Grade 2 (Special-mention): The borrower is facing a negative circumstance which may affect the repayment of capital and interest.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

- ii) The analysis of credit quality of discounts and loans not overdue and not impaired by customer:

Units: In thousands of HKD

	Neither overdue nor impaired			
	Grade 1 (Note)	Grade 2 (Note)	Not subjective to internal grading system	Total
<b>March 31, 2017</b>				
Customer loans				
Mortgage	9,321,069	9,496	-	9,330,565
Credit card	929,705	10,883	-	940,588
Micro credit	4,668,937	-	-	4,668,937
Corporate loan				
Secured	12,206,125	22	-	12,206,147
Unsecured	13,782,561	404,526	879,091	15,066,178
<b>Total</b>	<b>40,908,397</b>	<b>424,927</b>	<b>879,091</b>	<b>42,212,415</b>

	Neither overdue nor impaired			
	Grade 1 (Note)	Grade 2 (Note)	Not subjective to internal grading system	Total
<b>December 31, 2016</b>				
Customer loans:				
Mortgage	9,324,146	22,380	-	9,346,526
Credit card	1,043,037	10,935	-	1,053,972
Micro credit	4,640,245	1,033	-	4,641,278
Corporate loan:				
Secured	13,997,328	342,976	-	14,340,304
Unsecured	13,305,808	23,762	230,135	13,559,705
<b>Total</b>	<b>42,310,564</b>	<b>401,086</b>	<b>230,135</b>	<b>42,941,785</b>

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

Units: In thousands of HKD

March 31, 2016	Neither overdue nor impaired			
	Grade 1 (Note)	Grade 2 (Note)	Not subjective to internal grading system	Total
Customer loans				
Mortgage	9,628,183	14,301	-	9,642,484
Cash card	1,045,691	9,473	-	1,055,164
Credit card	4,031,957	-	-	4,031,957
Corporate loan				
Secured	12,135,063	24,074	-	12,159,137
Unsecured	14,804,280	24,194	234,164	15,062,638
<b>Total</b>	<b>41,645,174</b>	<b>72,042</b>	<b>234,164</b>	<b>41,951,380</b>

Note: Description of credit risk

Grade 1 (Normal): The borrower is fulfilling its repayment responsibility. There is no doubt that the borrower can repay the capital and interest.

Grade 2 (Special-mention): The borrower is facing a negative circumstance which may affect the repayment of capital and interest.

## iii) The credit quality of securities and bonds

Units: In thousands of HKD

March 31, 2017	The amount of the part not overdue and not impaired						The amount of the part overdue but not impaired (B)	The amount of the part impaired (C)	Total (A)+(B)+(C)	The impairment amount (D)	Net amount (A)+(B) +(C)-(D)
	AAA	AA- to AA+	A- to A+	Lower than A-	Unrated	Subtotal (A)					
Available-for-sale financial assets											
Bonds investment	3,374,718	9,136,366	15,334,961	4,967,480	758,868	33,572,393	-	-	33,572,393	-	33,572,393
Equity investment	-	-	-	-	189,294	189,294	-	120,862	310,156	79,686	230,470
Held-to-maturity financial assets											
Bonds investment	-	660,361	737,097	155,379	-	1,552,837	-	-	1,552,837	-	1,552,837
Other financial assets											
Bonds investment	-	1,543,255	-	-	-	1,543,255	-	-	1,543,255	-	1,543,255

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

Units: In thousands of HKD

	The amount of the part not overdue and not impaired						The amount of the part overdue but not impaired (B)	The amount of the part impaired (C)	Total (A)+(B)+(C)	The impairment amount (D)	Net amount (A)+(B)-(C)-(D)
	AAA	AA- to AA+	A- to A+	Lower than A-	Unrated	Subtotal (A)					
<b>December 31, 2016</b>											
Available-for-sale financial assets											
Bonds investment	3,115,903	9,327,794	13,233,673	4,597,349	617,218	30,891,937	-	-	30,891,937	-	30,891,937
Equity investment	-	-	-	-	191,675	191,675	-	120,348	312,023	79,415	232,608
Held-to-maturity financial assets											
Bonds investment	-	659,133	735,661	155,090	-	1,549,884	-	-	1,549,884	-	1,549,884
Other financial assets											
Bonds investment	-	2,310,245	-	39,226	-	2,349,471	-	-	2,349,471	-	2,349,471

Units: In thousands of HKD

	The amount of the part not overdue and not impaired						The amount of the part overdue but not impaired (B)	The amount of the part impaired (C)	Total (A)+(B)+(C)	The impairment amount (D)	Net amount (A)+(B)-(C)-(D)
	AAA	AA- to AA+	A- to A+	Lower than A-	Unrated	Subtotal (A)					
<b>March 31, 2016</b>											
Available-for-sale financial assets											
Bonds investment	2,135,558	8,314,337	12,471,469	5,378,520	348,100	28,647,984	-	44,782	28,692,766	44,782	28,647,984
Equity investment	-	-	-	-	171,366	171,366	-	147,366	318,732	78,202	240,530
Held-to-maturity financial assets											
Bonds investment	-	659,116	735,444	155,086	-	1,549,646	-	-	1,549,646	-	1,549,646
Other financial assets											
Bonds investment	-	744,868	-	40,371	-	785,239	-	-	785,239	-	785,239

i) The aging analysis of past due but not individually impaired financial assets

Units: In thousands of HKD

**March 31, 2017**

Items	Overdue				Total
	Overdue in 1 month	Overdue in 1-3 months	Overdue in 3-6 months	Overdue in 6-12 months	
Discount and loans					
— Others	\$ 390,446	35,260	1,185	5,729	432,620

Units: In thousands of HKD

**December 31, 2016**

Items	Overdue				Total
	Overdue in 1 month	Overdue in 1-3 months	Overdue in 3-6 months	Overdue in 6-12 months	
Discount and loans					
— Others	\$ 501,767	24,169	-	5,729	531,665

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

Units: In thousands of HKD

**March 31, 2016**

<u>Items</u>	<u>Overdue in 1 month</u>	<u>Overdue in 1-3 months</u>	<u>Overdue in 3-6 months</u>	<u>Overdue in 6-12 months</u>	<u>Total</u>
Discount and loans					
— Others	\$ 61,909	50,388	14,039	-	126,336

(iv) Liquidity risk

Major subsidiaries are listed separately as follows:

1) Taipei Fubon Bank (The Bank) and its subsidiary

a) Source and definition of liquidity risk

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

b) Management strategy and principles

Taipei Fubon Bank (The Bank)

i) The Bank's strategy is to lower liquidity risk by acquiring stable, low interest rate, sufficient funding to cover asset size growth and meet obligation on matured liabilities and to escape gaps from between funding availability and demand.

ii) The principle is to harmonize fund availability with the Bank's deposit, loan and financial transaction growth. The Bank adjusts its funding strategy depending on market fund change and the Central bank's policies to increase fund use and lower liquidity risk. The Bank not only pays attention to maturities of long-term and short-term securities to match the timing of large-amount loan drawdown and repayment, but also analyzes the stability and percentages of various types of deposits to manage funding liquidity.

iii) The Bank has set funding liquidity management indicators to monitor and manage the liquidity risk of the Bank.

1. Funding liquidity management indicators (limited to the Board of Directors), related analyses, and explanations are subject to be reported to the Asset/Liability and Risk Management Committee for discussion, as well as to the Board of Directors (Managing Directors) for reference.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

2. Funding liquidity management indicators (limited to Asset/Liability and Risk Management Committee), related analyses, and explanations are subject to be reported to the Asset/Liability and Risk Management Committee for discussion, as well as to the chairman for reference.

Fubon Bank (China)

- i) The liquidity risk management strategy of Fubon Bank (China) aims not only at meeting compliance and regulatory requirements but also finding sound balance between business performance and adequate liquidity position. By adjusting its short-term and long-term assets allocation and dispersing sources of funds base on market conditions, Fubon Bank (China) manages its liquidity risk exposure at an acceptable level to ensure its sustainable business operations and sound reputation.
- ii) Fubon Bank (China) maintains a stable risk appetite for its liquidity management. Daily liquidity management is centralized given the size and complexity of its current business scope with an organizational structure suitable for its liquidity exposure. The Board of Directors take the ultimate responsibility of the bank's liquidity risk management. The senior management is in charge of implementations of liquidity management, authoring the Asset & Liability Management Committee (ALCO) to implement daily management duties. Liquidity risk assessment reports are submitted via ALCO to the Risk & Related Party Transaction Committee and Board of Directors on a quarterly basis.
- iii) The liquidity risk management of Fubon Bank (China) involves the full participation of staff in the dynamic prevention, scientific quantification and prudent management of risk to ensure that Fubon Bank (China) has sufficient funding for its capital growth and various obligations
- c) Maturity analysis

The Bank's management policy is to match the maturities and interest rates of assets and liabilities, and to control the un-matched gap. Because of uncertain terms and different conditions, the maturities and interest rates of assets and liabilities usually do not match perfectly, and may result in a potential gain or loss. To maintain proper liquidity, the Bank uses appropriate ways to group assets and liabilities in order to evaluate liquidity and to monitor the ratios of short-term negative funding gap to total asset in major currencies.

Cash inflow and outflow in assets and liabilities held for liquidity risk was listed by the remaining periods from the reporting date to the contractual maturity dates. The maturity analysis of financial assets and liabilities, derivatives assets and liabilities, and off balance sheet items in main currencies was as follows (except for non-deliverable derivatives, all were non-discounted contractual cash flow):

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

i) The maturity analysis of financial assets and liabilities - TWD

Taipei Fubon Bank (The Bank)

Units: In thousands of TWD

	March 31, 2017					
	0-30 days	31-90 days	91-180 days	181-365 days	Over 1 year	Total
<b>Assets</b>						
Cash and due from / call loans to banks	\$ 47,960,904	19,118,662	14,263,413	11,141,477	18,162,252	110,646,708
Investment in marketable securities (Note 2)	216,064,744	31,028,687	19,987,406	32,217,697	112,783,211	412,081,745
Securities purchased under resell agreements	21,646,564	-	-	-	-	21,646,564
Loans (included overdue loans)	73,110,625	89,022,604	62,211,340	107,246,073	610,652,626	942,243,268
Deliverable derivative assets	202,887,225	191,962,007	105,251,847	93,011,679	16,060,626	609,173,384
Non-deliverable derivative assets	5,529,996	686	-	28,805	242,843	5,802,330
Other capital inflow on maturity	13,910,414	7,882,411	6,828,738	4,031,555	54,086,767	86,739,885
Total assets	<u>\$ 581,110,472</u>	<u>339,015,057</u>	<u>208,542,744</u>	<u>247,677,286</u>	<u>811,988,325</u>	<u>2,188,333,884</u>
<b>Liabilities</b>						
Deposits from the central bank and banks	\$ 8,853,487	49,239	5,000	-	101,000	9,008,726
Deposits and remittances	118,115,053	132,113,740	110,399,654	197,819,406	566,732,267	1,125,180,120
Securities sold under repurchase agreements	9,978,910	158,770	64,923	30,651	-	10,233,254
Payables	358,926	814,268	421,235	475,301	82,582	2,152,312
Financial bonds payable	-	500,686	4,500,000	5,628,805	37,842,843	48,472,334
Deliverable derivative liabilities	259,796,083	252,392,867	151,573,377	101,783,214	12,272,132	777,817,673
Non-deliverable derivative liabilities	6,002,710	-	-	-	-	6,002,710
Other capital outflow on maturity	8,165,451	1,647,985	864,242	2,456,263	6,836,484	19,970,425
Total liabilities	<u>\$ 411,270,620</u>	<u>387,677,555</u>	<u>267,828,431</u>	<u>308,193,640</u>	<u>623,867,308</u>	<u>1,998,837,554</u>

(Continued)



**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

	December 31, 2016					
	0-30 days	31-90 days	91-180 days	181-365 days	Over 1 year	Total
<b>Assets</b>						
Cash and due from / call loans to banks	\$ 44,997,323	19,839,940	15,347,358	19,524,138	20,520,426	120,229,185
Investment 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
Total assets	<u>\$ 579,089,684</u>	<u>314,590,345</u>	<u>186,347,329</u>	<u>239,874,511</u>	<u>798,952,348</u>	<u>2,118,854,217</u>
<b>Liabilities</b>						
Deposits from the central bank and 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
Financial bonds payable	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
Total liabilities	<u>\$ 418,371,569</u>	<u>341,352,026</u>	<u>272,061,255</u>	<u>272,500,783</u>	<u>632,151,733</u>	<u>1,936,437,366</u>

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

	March 31, 2016					
	0-30 days	31-90 days	91-180 days	181-365 days	Over 1 year	Total
<b>Assets</b>						
Cash and due from / call loans to banks	\$ 39,842,190	4,719,217	4,259,022	22,851,122	44,757,053	116,428,604
Investment in marketable securities(Note 2)	177,308,312	17,785,003	24,689,316	30,563,103	67,203,426	317,549,160
Securities purchased under resell agreements	12,152,585	300,202	-	-	-	12,452,787
Loans (included overdue loans)	87,818,780	78,172,726	70,417,670	102,575,847	585,124,831	924,109,854
Deliverable derivative assets	189,647,799	191,150,221	123,064,801	95,930,128	39,690,297	639,483,246
Non-deliverable derivative assets	8,140,168	-	-	20,888	434,179	8,595,235
Other capital inflow on maturity	18,285,965	3,221,833	4,451,586	7,441,260	58,834,890	92,235,534
<b>Total assets</b>	<b>\$ <u>533,195,799</u></b>	<b><u>295,349,202</u></b>	<b><u>226,882,395</u></b>	<b><u>259,382,348</u></b>	<b><u>796,044,676</u></b>	<b><u>2,110,854,420</u></b>
<b>Liabilities</b>						
Deposits from the central bank and banks	\$ 18,329,074	83,374	37,317	3,009	101,000	18,553,774
Deposits and remittances	101,990,884	125,426,305	119,907,792	206,470,325	547,435,122	1,101,230,428
Securities sold under repurchase agreements	6,762,650	2,965,150	438,777	20,380	-	10,186,957
Payables	337,422	868,062	430,751	516,285	77,366	2,229,886
Bank Debentures	-	-	-	8,420,888	48,634,178	57,055,066
Deliverable derivative liabilities	228,355,701	178,631,483	165,528,976	79,543,049	43,557,439	695,616,648
Non-deliverable derivative liabilities	8,361,542	-	-	-	-	8,361,542
Other capital outflow on maturity	18,109,649	2,075,189	550,012	2,543,356	11,856,728	35,134,934
<b>Total liabilities</b>	<b>\$ <u>382,246,922</u></b>	<b><u>310,049,563</u></b>	<b><u>286,893,625</u></b>	<b><u>297,517,292</u></b>	<b><u>651,661,833</u></b>	<b><u>1,928,369,235</u></b>

Note1: The above amounts include only New Taiwan dollar amounts (exclude foreign currencies) held by the headquarter and domestic branches of Taipei Fubon Bank.

Note2: Investment in marketable securities includes financial assets measured at fair value through profit or loss, available-for-sale financial assets, and held-to-maturity financial assets.

Note 3: Taipei Fubon Bank merged with Taipei Fubon Bank Life Insurance Agency Co., Ltd on April 29, 2016. Under related explanation, Taipei Fubon Bank's comparable financial statements have been restated retrospectively.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

ii) The maturity analysis of financial assets and liabilities - USD

Taipei Fubon Bank (The Bank)

Units: In thousands of USD

	March 31, 2017					
	0-30 days	31-90 days	91-180 days	181-365 days	Over 1 year	Total
<b>Assets</b>						
Cash and due from / call loans to banks	\$ 1,065,937	381,000	115,000	390,000	-	1,951,937
Investment in marketable securities(Note 2)	262,312	92,427	84,726	337,688	3,093,317	3,870,470
Loans (included overdue loans)	886,966	474,428	298,442	185,072	1,607,272	3,452,180
Deliverable derivative assets	12,110,963	11,353,520	6,974,984	4,809,100	419,838	35,668,405
Non-deliverable derivative assets	126,191	-	-	185	16,291	142,667
Other capital inflow on maturity	364,638	223,167	88,743	16,986	395,190	1,088,724
Total assets	<u>\$ 14,817,007</u>	<u>12,524,542</u>	<u>7,561,895</u>	<u>5,739,031</u>	<u>5,531,908</u>	<u>46,174,383</u>
<b>Liabilities</b>						
Deposits from the central bank and banks	\$ 1,501,252	127,000	15,000	-	-	1,643,252
Deposits and remittances	3,070,120	1,261,816	1,611,071	1,650,487	3,500,399	11,093,893
Securities sold under repurchase agreements	437,042	810,191	-	-	-	1,247,233
Payables	8,691	8,784	4,751	368	-	22,594
Financial bonds payable	-	-	-	-	751,736	751,736
Deliverable derivative liabilities	10,162,335	9,397,583	5,359,475	4,530,811	537,146	29,987,350
Non-deliverable derivative liabilities	147,551	98	83	30	76,517	224,279
Other capital outflow on maturity	257,829	116,083	79,579	9,706	469,426	932,623
Total liabilities	<u>\$ 15,584,820</u>	<u>11,721,555</u>	<u>7,069,959</u>	<u>6,191,402</u>	<u>5,335,224</u>	<u>45,902,960</u>

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

Units: In thousands of USD

	December 31, 2016					
	0-30 days	31-90 days	91-180 days	181-365 days	Over 1 year	Total
<b>Assets</b>						
Cash and due from / call loans to banks	\$ 966,860	364,000	558,000	265,000	-	2,153,860
Investment in marketable securities(Note 2)	207,249	36,615	97,705	289,978	2,147,672	2,779,219
Loans (included 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
<b>Total assets</b>	<b>\$ 13,948,976</b>	<b>11,428,610</b>	<b>8,335,830</b>	<b>4,890,055</b>	<b>4,874,252</b>	<b>43,477,723</b>
<b>Liabilities</b>						
Deposits from the central bank and 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
Financial bonds payable	-	-	-	-	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
<b>Total liabilities</b>	<b>\$ 15,480,628</b>	<b>12,247,193</b>	<b>5,944,446</b>	<b>6,163,993</b>	<b>3,383,921</b>	<b>43,220,181</b>

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

	March 31, 2016					
	0-30 days	31-90 days	91-180 days	181-365 days	Over 1 year	Total
<b>Assets</b>						
Cash and due from / call loans to banks	\$ 303,661	110,800	20,000	322,000	-	756,461
Investment in marketable securities(Note 2)	112,157	25,084	10,112	147,096	1,702,701	1,997,150
Loans (included overdue loans)	1,263,099	777,594	390,318	261,851	1,702,698	4,395,560
Deliverable derivative assets	11,153,479	7,958,719	7,943,719	4,978,901	1,408,121	33,442,939
Non-deliverable derivative assets	270,423	-	-	-	849	271,272
Other capital inflow on maturity	425,037	236,878	74,956	33,729	665,240	1,435,840
<b>Total assets</b>	<b>\$ 13,527,856</b>	<b>9,109,075</b>	<b>8,439,105</b>	<b>5,743,577</b>	<b>5,479,609</b>	<b>42,299,222</b>
<b>Liabilities</b>						
Deposits from the central bank and banks	\$ 931,795	81,000	-	-	-	1,012,795
Deposits and remittances	2,138,936	1,348,452	1,339,011	1,152,035	1,745,786	7,724,220
Securities sold under repurchase agreements	375,522	128,140	-	-	-	503,662
Payables	3,179	3,688	2,066	64	-	8,997
Financial bonds payable	-	-	-	-	183,161	183,161
Deliverable derivative liabilities	9,506,340	8,644,645	6,633,407	5,292,924	1,279,943	31,357,259
Non-deliverable derivative liabilities	280,573	32	124	1,251	22,930	304,910
Other capital inflow on maturity	264,855	99,717	51,535	23,855	501,156	941,118
<b>Total liabilities</b>	<b>\$ 13,501,200</b>	<b>10,305,674</b>	<b>8,026,143</b>	<b>6,470,129</b>	<b>3,732,976</b>	<b>42,036,122</b>

Note 1 : The above amounts include only USD amounts held by headquarter, domestic branches and offshore banking units of Taipei Fubon Bank.

Note 2 : Investment in marketable securities includes financial assets measured at fair value through profit or loss, available-for-sale financial assets, held-to-maturity financial assets and others financial assets— debt investments without active market.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

iii) The maturity analysis of financial assets and liabilities - CNY

Fubon Bank (China)

Units: In thousands of CNY

	March 31, 2017					
	0-30 days	31-90 days	91-365 days	Over 1 year	Undetermined	Total
<b>Assets</b>						
Cash and due from / call loans to banks	\$ 1,973,684	-	-	-	5,487,906	7,461,590
Investment in marketable securities(Note)	1,730,384	1,458,777	2,869,764	11,600,462	-	17,659,387
Loans (included overdue loans)	7,549,540	8,011,013	16,854,510	8,148,052	-	40,563,115
Deliverable derivative liabilities	2,446,642	2,191,656	4,064,926	-	-	8,703,224
Non-deliverable derivative liabilities	9,512,153	12,296,841	23,657,165	210,482	-	45,676,641
Other capital inflow on maturity	286,468	449,736	601,745	298,324	20,419	1,656,692
<b>Total assets</b>	<b>\$ 23,498,871</b>	<b>24,408,023</b>	<b>48,048,110</b>	<b>20,257,320</b>	<b>5,508,325</b>	<b>121,720,649</b>
<b>Liabilities</b>						
Deposits from the central bank and banks	\$ 1,109,566	2,476,698	2,565,143	-	-	6,151,407
Due to the central bank and banks	-	11,719	1,964,973	-	-	1,976,692
Deposits and remittances	20,082,015	12,869,648	12,060,339	1,573,512	-	46,585,514
Securities sold under repurchase agreements	4,364,792	-	-	-	-	4,364,792
Payables	325,867	418,202	336,914	547	-	1,081,530
Deliverable derivatives liabilities	2,434,104	2,195,279	4,069,132	-	-	8,698,515
Non-deliverable derivatives	9,519,016	12,291,673	23,619,825	210,409	-	45,640,923
Other capital outflow	-	-	-	-	297	297
<b>Total liabilities</b>	<b>\$ 37,835,360</b>	<b>30,263,219</b>	<b>44,616,326</b>	<b>1,784,468</b>	<b>297</b>	<b>114,499,670</b>

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

Units: In thousands of CNY

	December 31, 2016					
	0-30 days	31-90 days	91-365 days	Over 1 year	Undetermined	Total
<b>Assets</b>						
Cash and due from / call loans to 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 purchased under resell agreements	1,900,708	-	-	-	-	1,900,708
Loans (included 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
<b>Total assets</b>	<b>\$ 23,148,543</b>	<b>24,923,520</b>	<b>45,641,307</b>	<b>19,992,530</b>	<b>5,955,229</b>	<b>119,661,129</b>
<b>Liabilities</b>						
Deposits from the central bank and banks	\$ 1,143,218	3,304,953	1,444,995	223,467	-	6,116,633
Due to the central bank and 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 derivatives liabilities	2,885,155	3,750,400	5,014,955	140,356	-	11,790,866
Non-deliverable derivatives liabilities	5,934,140	12,497,900	17,937,461	140,136	-	36,509,637
Other capital outflow	-	-	-	-	13,989	13,989
<b>Total liabilities</b>	<b>\$ 37,814,844</b>	<b>32,070,736</b>	<b>39,941,722</b>	<b>2,489,504</b>	<b>13,989</b>	<b>112,330,795</b>
<b>March 31, 2016</b>						
	0-30 days	31-90 days	91-365 days	Over 1 year	Undetermined	Total
<b>Assets</b>						
Cash and due from / call loans to banks	\$ 1,468,343	-	584,698	-	6,103,237	8,156,278
Investments in marketable securities (Note)	994,601	1,767,370	3,699,674	12,036,191	-	18,497,836
Loans (included overdue loans)	5,862,430	11,323,237	13,981,728	10,128,723	-	41,296,118
Deliverable derivative assets	4,795,455	6,926,769	10,339,784	98,428	-	22,160,436
Non deliverable derivative assets	6,557,801	6,790,663	23,721,478	974,051	-	38,043,993
Other capital inflow on maturity	780,471	508,604	823,858	-	17,452	2,130,385
<b>Total assets</b>	<b>\$ 20,459,101</b>	<b>27,316,643</b>	<b>53,151,220</b>	<b>23,237,393</b>	<b>6,120,689</b>	<b>130,285,046</b>
<b>Liabilities</b>						
Deposits from the central bank and banks	\$ 650,058	1,668,412	2,302,147	-	-	4,620,617
Due to the central bank and banks	-	59,143	26,279	1,447,171	-	1,532,593
Deposits and remittances	19,779,518	9,872,293	17,572,284	4,803,752	-	52,027,847
Securities sold under repurchase agreements	4,453,948	-	-	-	-	4,453,948
Payables	303,538	282,304	284,680	546	-	871,068
Deliverable derivatives liabilities	4,806,960	6,938,799	10,335,514	97,903	-	22,179,176
Non-deliverable derivatives liabilities	6,545,759	6,799,754	23,752,406	976,926	-	38,074,845
Other capital outflow	-	24,800	26,063	-	10,020	60,883
<b>Total liabilities</b>	<b>\$ 36,539,781</b>	<b>25,645,505</b>	<b>54,299,373</b>	<b>7,326,298</b>	<b>10,020</b>	<b>123,820,977</b>

Note: Investment in marketable securities includes financial assets measured at fair value, available-for-sale financial assets and held-to-maturity financial assets.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

iv) The maturity analysis of derivatives assets and liabilities - TWD

Taipei Fubon Bank (The Bank)

Units: In thousands of TWD

	March 31, 2017					
	0-30 days	31-90 days	91-180 days	181-365 days	Over 1 year	Total
<b>Assets</b>						
Deliverable derivative assets						
– Forward contracts	\$ 634,333	808,624	1,123,456	928,629	350,175	3,845,217
– Currency swap	191,530,905	181,775,358	86,269,660	69,913,750	11,056	529,500,729
– Cross currency swap	<u>10,721,987</u>	<u>9,378,025</u>	<u>17,858,731</u>	<u>22,169,300</u>	<u>15,699,395</u>	<u>75,827,438</u>
Subtotal	<u>202,887,225</u>	<u>191,962,007</u>	<u>105,251,847</u>	<u>93,011,679</u>	<u>16,060,626</u>	<u>609,173,384</u>
Non-deliverable derivative assets						
– Foreign exchange derivative instruments	1,413,831	-	-	-	-	1,413,831
– Interest rate derivative instruments – hedging	-	686	-	28,805	242,843	272,334
– Interest rate derivative instruments – non-hedging	3,353,073	-	-	-	-	3,353,073
– Equity derivative instruments	763,092	-	-	-	-	763,092
Subtotal	<u>5,529,996</u>	<u>686</u>	<u>-</u>	<u>28,805</u>	<u>242,843</u>	<u>5,802,330</u>
<b>Liabilities</b>						
Deliverable derivative liabilities						
– Forward contracts	\$ 1,586,235	1,242,883	47,838	-	-	2,876,956
– Currency swap	257,341,468	244,983,994	139,523,279	69,522,710	447,555	711,819,006
– Cross currency swap	<u>868,380</u>	<u>6,165,990</u>	<u>12,002,260</u>	<u>32,260,504</u>	<u>11,824,577</u>	<u>63,121,711</u>
Subtotal	<u>259,796,083</u>	<u>252,392,867</u>	<u>151,573,377</u>	<u>101,783,214</u>	<u>12,272,132</u>	<u>777,817,673</u>
Non-deliverable derivative liabilities						
– Foreign exchange derivative instruments	1,413,828	-	-	-	-	1,413,828
– Interest rate derivative instruments – non-hedging	3,825,790	-	-	-	-	3,825,790
– Equity derivative instruments	763,092	-	-	-	-	763,092
Subtotal	<u>6,002,710</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,002,710</u>

(Continued)



**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

Units: In thousands of TWD

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

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

Units: In thousands of TWD

	March 31, 2016					
	0-30 days	31-90 days	91-180 days	181-365 days	Over 1 year	Total
<b>Assets</b>						
Deliverable derivative assets						
– Forward contracts	\$ 522,126	783,764	1,855,485	1,612,508	715,210	5,489,093
– Currency swap	186,016,045	181,647,537	106,527,367	63,750,049	1,601,350	539,542,348
– Cross currency swap	<u>3,109,628</u>	<u>8,718,920</u>	<u>14,681,949</u>	<u>30,567,571</u>	<u>37,373,737</u>	<u>94,451,805</u>
Subtotal	<u>189,647,799</u>	<u>191,150,221</u>	<u>123,064,801</u>	<u>95,930,128</u>	<u>39,690,297</u>	<u>639,483,246</u>
Non-deliverable derivative assets						
– Foreign exchange	2,705,174	-	-	-	-	2,705,174
– Interest rate derivative instruments – hedging	-	-	-	20,888	434,179	455,067
– Interest rate derivative instruments – non-hedging	4,857,139	-	-	-	-	4,857,139
– Equity derivative instruments	577,855	-	-	-	-	577,855
Subtotal	<u>8,140,168</u>	<u>-</u>	<u>-</u>	<u>20,888</u>	<u>434,179</u>	<u>8,595,235</u>
<b>Liabilities</b>						
Deliverable derivative liabilities						
– Forward contracts	\$ 2,055,222	843,305	97,438	-	-	2,995,965
– Currency swap	225,064,629	175,945,698	160,976,438	64,513,629	1,499,563	627,999,957
– Cross currency swap	<u>1,235,850</u>	<u>1,842,480</u>	<u>4,455,100</u>	<u>15,029,420</u>	<u>42,057,876</u>	<u>64,620,726</u>
Subtotal	<u>228,355,701</u>	<u>178,631,483</u>	<u>165,528,976</u>	<u>79,543,049</u>	<u>43,557,439</u>	<u>695,616,648</u>
Non-deliverable derivative liabilities						
– Foreign exchange derivative instruments	2,553,580	-	-	-	-	2,553,580
– Interest rate derivative instruments – non-hedging	5,230,192	-	-	-	-	5,230,192
– Equity derivative instruments	577,770	-	-	-	-	577,770
Subtotal	<u>8,361,542</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,361,542</u>

Note: The above amounts include only New Taiwan dollar amounts (exclude foreign currencies) held by headquarter and domestic branches of Taipei Fubon Bank.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

v) The maturity analysis of derivatives assets and liabilities - USD

Taipei Fubon Bank (The Bank)

Units: In thousands of USD

	March 31, 2017					
	0-30 days	31-90 days	91-180 days	181-365 days	Over 1 year	Total
<b>Assets</b>						
Deliverable derivative assets						
– Forward contracts	\$ 518,137	169,766	31,328	31,740	-	750,971
– Currency swap	11,564,252	10,975,043	6,546,719	3,784,946	25,000	32,895,960
– Cross currency swap	28,574	208,711	396,937	992,414	394,838	2,021,474
Subtotal	<u>12,110,963</u>	<u>11,353,520</u>	<u>6,974,984</u>	<u>4,809,100</u>	<u>419,838</u>	<u>35,668,405</u>
Non-deliverable derivative assets						
– Foreign exchange derivative instruments	113,496	-	-	-	-	113,496
– Interest rate derivative instruments – hedging	-	-	-	185	16,291	16,476
– Interest rate derivative instruments – non-hedging	11,861	-	-	-	-	11,861
– Equity derivative instruments	579	-	-	-	-	579
– Product derivative instruments	255	-	-	-	-	255
Subtotal	<u>126,191</u>	<u>-</u>	<u>-</u>	<u>185</u>	<u>16,291</u>	<u>142,667</u>
<b>Liabilities</b>						
Deliverable derivative liabilities						
– Forward contracts	\$ 493,067	432,019	164,690	87,582	11,250	1,188,608
– Currency swap	9,329,774	8,630,759	4,623,132	3,762,659	10,370	26,356,694
– Cross currency swap	339,494	334,805	571,653	680,570	515,526	2,442,048
Subtotal	<u>10,162,335</u>	<u>9,397,583</u>	<u>5,359,475</u>	<u>4,530,811</u>	<u>537,146</u>	<u>29,987,350</u>
Non-deliverable derivative liabilities						
– Foreign exchange derivative instruments	121,756	-	-	-	-	121,756
– Interest rate derivative instruments – hedging	-	98	83	30	76,517	76,728
– Interest rate derivative instruments – non-hedging	24,968	-	-	-	-	24,968
– Equity derivative instruments	578	-	-	-	-	578
– Product derivative instruments	249	-	-	-	-	249
Subtotal	<u>147,551</u>	<u>98</u>	<u>83</u>	<u>30</u>	<u>76,517</u>	<u>224,279</u>

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

Units: In thousands of USD

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

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

Units: In thousands of USD

	March 31, 2016					
	0-30 days	31-90 days	91-180 days	181-365 days	Over 1 year	Total
<b>Assets</b>						
Deliverable derivative assets						
– Forward contracts	\$ 433,256	220,048	124,389	77,540	8,600	863,833
– Currency swap	10,614,618	7,678,051	7,644,330	4,425,244	82,359	30,444,602
– Cross currency swap	105,605	60,620	175,000	476,117	1,317,162	2,134,504
Subtotal	<u>11,153,479</u>	<u>7,958,719</u>	<u>7,943,719</u>	<u>4,978,901</u>	<u>1,408,121</u>	<u>33,442,939</u>
Non-deliverable derivative assets						
– Foreign exchange derivative instruments	256,961	-	-	-	-	256,961
– Interest rate derivative instruments – hedging	-	-	-	-	849	849
– Interest rate derivative instruments – non-hedging	13,021	-	-	-	-	13,021
– Equity derivative instruments	344	-	-	-	-	344
– Product derivative instruments	97	-	-	-	-	97
Subtotal	<u>270,423</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>849</u>	<u>271,272</u>
<b>Liabilities</b>						
Deliverable derivative liabilities						
– Forward contracts	\$ 550,535	447,423	425,387	294,141	32,694	1,750,180
– Currency swap	8,867,265	7,875,034	5,728,845	4,021,586	66,481	26,559,211
– Cross currency swap	88,540	322,188	479,175	977,197	1,180,768	3,047,868
Subtotal	<u>9,506,340</u>	<u>8,644,645</u>	<u>6,633,407</u>	<u>5,292,924</u>	<u>1,279,943</u>	<u>31,357,259</u>
Non-deliverable derivative liabilities						
– Foreign exchange derivative instruments	264,631	-	-	-	-	264,631
– Interest rate derivative instruments – hedging	3	32	124	1,251	22,930	24,340
– Interest rate derivative instruments – non-hedging	15,498	-	-	-	-	15,498
– Equity derivative instruments	344	-	-	-	-	344
– Product derivative instruments	97	-	-	-	-	97
Subtotal	<u>280,573</u>	<u>32</u>	<u>124</u>	<u>1,251</u>	<u>22,930</u>	<u>304,910</u>

Note: The above amounts include only USD amounts held by headquarter, domestic branches and offshore banking units of Taipei Fubon Bank.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

vi) The maturity analysis of derivatives assets and liabilities - CNY

Fubon Bank (China)

Units: In thousands of CNY

Asset	March 31, 2017				Total
	0~30 days	31~90 days	91~365 days	Over 1 year	
<b>Deliverable derivatives assets</b>					
– Forward contracts	\$ 99,498	142,843	589,255	-	831,596
– Currency swap	2,347,144	2,048,813	3,468,811	-	7,864,768
– Options	-	-	6,860	-	6,860
Subtotal	<u>2,446,642</u>	<u>2,191,656</u>	<u>4,064,926</u>	<u>-</u>	<u>8,703,224</u>
<b>Non-deliverable derivatives assets</b>					
– Interest rate derivatives instruments – non-hedging	22	112	462	-	596
– Currency swap	9,512,131	12,296,729	23,655,302	210,482	45,674,644
– Commodity swap	-	-	1,401	-	1,401
Subtotal	<u>9,512,153</u>	<u>12,296,841</u>	<u>23,657,165</u>	<u>210,482</u>	<u>45,676,641</u>
<b>Liabilities</b>					
<b>Deliverable derivatives liabilities</b>					
– Forward contracts	\$ 101,523	146,706	600,666	-	848,895
– Currency swap	2,332,581	2,048,573	3,461,471	-	7,842,625
– Options	-	-	6,995	-	6,995
Subtotal	<u>2,434,104</u>	<u>2,195,279</u>	<u>4,069,132</u>	<u>-</u>	<u>8,698,515</u>
<b>Non-deliverable derivatives assets</b>					
– Interest rate derivatives instruments – non-hedging	22	112	462	-	596
– Currency swap	9,518,994	12,291,561	23,617,962	210,409	45,638,926
– Commodity swap	-	-	1,401	-	1,401
Subtotal	<u>9,519,016</u>	<u>12,291,673</u>	<u>23,619,825</u>	<u>210,409</u>	<u>45,640,923</u>

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

Units: In thousands of CNY

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

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

Units: In thousands of CNY

	March 31, 2016				
	0~30 days	31~90 days	91~365 days	Over 1 year	Total
<b>Asset</b>					
Deliverable derivatives assets					
– Forward contracts	\$ 89,545	441,708	877,938	-	1,409,191
– Currency swap	4,696,878	6,193,891	7,934,820	98,428	18,924,017
– Options	8,661	279,140	1,520,436	-	1,808,237
– Equity exchange	371	12,030	4,221	-	16,622
– Cross-currency swap	-	-	2,369	-	2,369
Subtotal	<u>4,795,455</u>	<u>6,926,769</u>	<u>10,339,784</u>	<u>98,428</u>	<u>22,160,436</u>
Non-deliverable derivatives assets					
– Forward contracts	-	-	104,860	-	104,860
– Currency swap	6,557,773	6,790,524	23,616,577	974,051	37,938,925
– Interest rate derivatives instruments – non-hedging	28	139	41	-	208
Subtotal	<u>6,557,801</u>	<u>6,790,663</u>	<u>23,721,478</u>	<u>974,051</u>	<u>38,043,993</u>
<b>Liabilities</b>					
Deliverable derivatives liabilities					
– Forward contracts	\$ 88,959	440,528	868,105	-	1,397,592
– Currency swap	4,708,510	6,206,816	7,940,383	97,903	18,953,612
– Options	9,120	279,425	1,520,436	-	1,808,981
– Equity exchange	371	12,030	4,221	-	16,622
– Cross-currency swap	-	-	2,369	-	2,369
Subtotal	<u>4,806,960</u>	<u>6,938,799</u>	<u>10,335,514</u>	<u>97,903</u>	<u>22,179,176</u>
Non-deliverable derivatives assets					
– Forward contracts	-	-	105,517	-	105,517
– Currency swap	6,545,731	6,799,616	23,646,848	976,926	37,969,121
– Interest rate derivatives instruments – non-hedging	28	138	41	-	207
Subtotal	<u>6,545,759</u>	<u>6,799,754</u>	<u>23,752,406</u>	<u>976,926</u>	<u>38,074,845</u>

vii) The 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 with the consolidated balance sheet.

(Continued)



**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

Taipei Fubon Bank (The Bank)

Units: In thousands of TWD

<b>March 31, 2017</b>	<b>0-30 days</b>	<b>31-90 days</b>	<b>91-180 days</b>	<b>181-365 days</b>	<b>Over 1 year</b>	<b>Total</b>
Standby and irrevocable loan commitment	63,175,185	-	-	-	-	63,175,185
Unused letters of credit	10,241,543	-	-	-	-	10,241,543
Other guarantee amounts	10,510,753	2,274,250	1,852,495	-	18,202,565	32,840,063
<b>Total</b>	<b>83,927,481</b>	<b>2,274,250</b>	<b>1,852,495</b>	<b>-</b>	<b>18,202,565</b>	<b>106,256,791</b>

<b>December 31, 2016</b>	<b>0-30 days</b>	<b>31-90 days</b>	<b>91-180 days</b>	<b>181-365 days</b>	<b>Over 1 year</b>	<b>Total</b>
Standby and irrevocable loan commitment	90,031,332	-	-	-	-	90,031,332
Unused letters of credit	8,893,665	-	-	-	-	8,893,665
Other guarantee amounts	10,407,972	100,000	1,526,250	1,852,495	18,202,565	32,089,282
<b>Total</b>	<b>109,332,969</b>	<b>100,000</b>	<b>1,526,250</b>	<b>1,852,495</b>	<b>18,202,565</b>	<b>131,014,279</b>

<b>March 31, 2016</b>	<b>0-30 days</b>	<b>31-90 days</b>	<b>91-180 days</b>	<b>181-365 days</b>	<b>Over 1 year</b>	<b>Total</b>
Standby and irrevocable loan commitment	93,751,430	-	-	-	-	93,751,430
Unused letters of credit	7,963,325	-	-	-	-	7,963,325
Other guarantee amounts	10,661,514	347,939	2,744,935	809,241	21,212,349	35,775,978
<b>Total</b>	<b>112,376,269</b>	<b>347,939</b>	<b>2,744,935</b>	<b>809,241</b>	<b>21,212,349</b>	<b>137,490,733</b>

Fubon Bank (China)

Units: In thousands of CNY

<b>March 31, 2017</b>	<b>0-30 days</b>	<b>31-90 days</b>	<b>91-365 days</b>	<b>Over 1 year</b>	<b>Total</b>
Standby and irrevocable loan commitment	-	-	50,000	145,613	195,613
Unused letters of credit	129,349	165,305	197,508	-	492,162
Other guarantee amounts	150,035	386,692	1,041,454	10,406	1,588,587
<b>Total</b>	<b>279,384</b>	<b>551,997</b>	<b>1,288,962</b>	<b>156,019</b>	<b>2,276,362</b>

Units: In thousands of CNY

<b>December 31, 2016</b>	<b>0-30 days</b>	<b>31-90 days</b>	<b>91-365 days</b>	<b>Over 1 year</b>	<b>Total</b>
Standby and irrevocable loan commitment	-	-	50,000	90,375	140,375
Unused letters of credit	93,464	126,003	16,378	-	235,845
Other guarantee amounts	102,354	231,476	1,266,926	48,354	1,649,110
<b>Total</b>	<b>195,818</b>	<b>357,479</b>	<b>1,333,304</b>	<b>138,729</b>	<b>2,025,330</b>

Units: In thousands of CNY

<b>March 31, 2016</b>	<b>0-30 days</b>	<b>31-90 days</b>	<b>91-365 days</b>	<b>Over 1 year</b>	<b>Total</b>
Standby and irrevocable loan commitment	88,586	93,777	32,276	-	214,639
Other guarantee amounts	77,473	327,495	807,806	348,203	1,560,977
<b>Total</b>	<b>166,059</b>	<b>421,272</b>	<b>840,082</b>	<b>348,203</b>	<b>1,775,616</b>

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

2) Fubon Life Insurance and its subsidiaries

The liquidity risk of financial instruments is divided into capital liquidity risk and market liquidity risk. Capital liquidity risk refers to the risk that Fubon Life Insurance does not possess sufficient cash and is not able to raise funds in time and finally failed to fulfill the obligation (debt repayment). Market liquidity risk refers to the risk that Fubon Life Insurance is not able to settle or offset current position with reasonable market price due to the shallow market depth or market disorder or the oversized possession of the investment position and finally Fubon Life Insurance may suffer from losses.

In terms of capital liquidity risk, Fubon Life Insurance and its subsidiaries manages it in two aspects, short term and mid-to-long term. Except for the capital liquidity ratio set up for the index of measurement and control of short-term liquidity, relevant departments have established prompt capital report mechanism and apply proper currency market instruments or foreign exchange derivative instruments for daily capital movement. Mid-to-long term capital liquidity management is reviewed by the Assets and Liabilities Management Committee. The Company applies cash flow analysis model to monitor the coordination of assets and liabilities in order to lower related risks.

Regarding the market liquidity risk, the risk management department of Fubon Life Insurance and its subsidiaries established monitoring mechanism in terms of daily transaction concentration, investment position limit and current assets deployment in order to avoid market liquidity risk.

In addition, Fubon Life Insurance and its subsidiaries established complete crisis management and responding mechanism to cope with significant capital demand of unusual or emergent situations.

Fubon Life Insurance and its subsidiaries possess sufficient operating funds, including cash and cash equivalent and securities with excellent liquidity such as government bond, to cover the investments and debt repayments. Therefore, the liquidity risk of Fubon Life Insurance and its subsidiaries is extremely low. In addition, the derivative financial instruments Fubon Life Insurance and its subsidiaries engages in, such as delivery forward contracts, currency swap contracts, cross currency swap contracts, are all of highly liquid currencies. The possibility that they are not able to be sold at reasonable prices in the market is minimum, and therefore the market liquidity risk is low. Furthermore, the delivery forward contracts, currency swap contracts and cross currency swap contracts which matured are mostly extended and the capital to pay for the settlements is sufficient. Thus, the capital liquidity risk is low.

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**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

The maturity structure of non-derivative financial liabilities of Fubon Life Insurance and its subsidiaries is listed below:

	<b>March 31, 2017</b>				
	<b>Less than 1 year</b>	<b>1 to 3 years</b>	<b>3 to 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
Payables	\$ 29,978,839	573	64	203,055	30,182,531
Short-term debts	92,277	-	-	-	92,277
Bonds Payables (Note)	926,250	1,852,500	1,852,500	32,839,418	37,470,668
<b>Total</b>	<b><u>\$ 30,997,366</u></b>	<b><u>1,853,073</u></b>	<b><u>1,852,564</u></b>	<b><u>33,042,473</u></b>	<b><u>67,745,476</u></b>

	<b>December 31, 2016</b>				
	<b>Less than 1 year</b>	<b>1 to 3 years</b>	<b>3 to 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
Payables	\$ 22,327,381	812	66	212,731	22,540,990
Short-term debts	926,250	1,852,500	1,852,500	33,067,808	37,699,058
<b>Total</b>	<b><u>\$ 23,253,631</u></b>	<b><u>1,853,312</u></b>	<b><u>1,852,566</u></b>	<b><u>33,280,539</u></b>	<b><u>60,240,048</u></b>

Note: Interest payables are included, therefore, disclosed amounts cannot be matched with the related accounts on the balance sheet. In addition, the bonds payables do not have maturity dates; therefore, the remaining period used for the calculation of the contract cash flow is 10 years.

	<b>March 31, 2016</b>				
	<b>Less than 1 year</b>	<b>1 to 3 years</b>	<b>3 to 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
Payables	<b><u>\$ 19,699,091</u></b>	<b><u>41,173</u></b>	<b><u>40,376</u></b>	<b><u>394,269</u></b>	<b><u>20,174,909</u></b>

The maturity structure of derivative financial liabilities of Fubon Life Insurance and its subsidiaries is listed below:

	<b>March 31, 2017</b>				
	<b>Less than 1 year</b>	<b>1 to 3 years</b>	<b>3 to 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
Financial liabilities measured at fair value through profit or loss	\$ 1,412,213	-	-	-	1,412,213
Derivative financial liabilities for hedging	-	-	11,731	745,112	756,843
<b>Total</b>	<b><u>\$ 1,412,213</u></b>	<b><u>-</u></b>	<b><u>11,731</u></b>	<b><u>745,112</u></b>	<b><u>2,169,056</u></b>

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

	<b>December 31, 2016</b>				<b>Total</b>
	<b>Less than 1 year</b>	<b>1 to 3 years</b>	<b>3 to 5 years</b>	<b>Over 5 years</b>	
Financial liabilities measured at fair value through profit or loss	\$ 14,156,699	-	-	-	14,156,699
Derivative financial liabilities for hedging	-	-	-	760,198	760,198
<b>Total</b>	<b><u>\$ 14,156,699</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>760,198</u></b>	<b><u>14,916,897</u></b>

  

	<b>March 31, 2016</b>				<b>Total</b>
	<b>Less than 1 year</b>	<b>1 to 3 years</b>	<b>3 to 5 years</b>	<b>Over 5 years</b>	
Financial liabilities measured at fair value through profit or loss for hedging	<b><u>\$ 293,363</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>293,363</u></b>

Note: The statistics of the table is based on the maturity date specified in the contracts (year=Act/365) and the amount is the book value.

3) Fubon Insurance and its subsidiaries

Liquidity risk is divided “funding liquidity risk” and “market liquidity risk.” Fubon Insurance and its subsidiaries monitored liquidity risk in compliance with its risk management rules. Funding liquidity risk is the risk that the entity cannot provide sufficient funding to meet the needs for the growth of asset level and the settlement of the obligation of matured liabilities, which caused late-payment to counterparties or called for an emergency fund raising requirement to cover the funding gaps. Market liquidity risk is the loss incurred as a market participant unable to easily exit a position on a prevailing market price or to liquidate a position immediately while not hitting the best price due to insufficiency of market depth or market transparency, or market failure.

a) Management process of liquidity risk

i) Risk identification

To achieve liquidity risk management goal, Fubon Insurance and its subsidiaries identified potential liquidity risk factors encountered during operation process. Those risk factors were such as funding liquidity risk factors, market liquidity risk factors and characteristics of products being traded.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

ii) Risk measurement

Fubon Insurance and its subsidiaries measured the possibility of occurrence and the degree of negative impact of risk events and risk factors by qualitative or quantitative method, and compared these influences with risk limits set by the management which was used as a basis for the setting of the priority in risk control and the response measures subsequently.

iii) Risk monitoring

Fubon Insurance and its subsidiaries establish liquidity risk monitoring procedure to review and monitor utilization of various risk limits monthly. An action would be taken if the risk limits is breached. Fubon Insurance and its subsidiaries have established proper monitor frequency and hierarchical reporting mechanism to deal with whenever there is any abnormal situation occurred or deficiency identified. A specific reporting procedure would be followed to ensure the timely response to significant liquidity risk.

iv) Risk responding

As liquidity risk occurs, the head of any related unit being impacted or relevant unit with the authority to deal with the event would respond to the event immediately, and report to risk management and related departments in accordance with the established authorization. Afterwards, every related unit would work with risk management department to investigate the underlying reason for the event, and develop a remediation plan, and risk management department would monitor the progress of the follow up actions.

b) Liquidity risk management mechanism

- i) Management strategy of funding liquidity risk in operation and investment were as follows: ensure balance of capital inflow and outflow, examine and predict capital demand at present and in the future in accordance with strategies of operational management and investment activities, establish critical indicators of funding liquidity risk, and make appropriate adjustment with business strategy and market condition.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

Fubon Insurance and its subsidiaries manage the liquidity risk efficiently in two aspects, short-term and medium-long term. Besides setting the percentage of liquid assets in total assets and the net everyday cash flow as standards of measurement and control, Fubon Insurance and its subsidiaries have already established the immediate cash-using information system, using proper market monetary instruments or foreign exchange instruments to allocate daily cash. Medium-long term liquidity management decreases related risk through annual reviewing on the assessment report of using assets and liabilities and applying the model of cash flow analysis to monitor the using of assets and liabilities.

- ii) For the liquidity risk management in the market, consider the transaction volume mainly, the strategy of sales development and the target of budget, according to the market size, dimension and market liquidity of every product, to set the key indicators of the liquidity risk in the market. In order to avoid market liquidity risk, Fubon Insurance and its subsidiaries establish control mechanism to concentrate for daily transactions and investment position limits.
- iii) Fubon Insurance and its subsidiaries established complete risk management system to deal with the mass demand of cash in abnormal or urgent condition. Monitoring daily net cash flow, Fubon Insurance and its subsidiaries established immediate cash flow estimation system and preserved proper amount of equivalent cash for future response. Financial department and accounting office provide risk management department with the condition of cash liquidity monthly, while risk management department also regularly reviews the limitation of market liquidity risk and it should inform the risk management committee with the indicators of the market liquidity risk and the management of the limitation. If the management indicator approaches the limitation, it should enhance the intention of the capital variation.

Possessing sufficient operating capital, government bonds and other securities to satisfy the capital demand in investment, pay liabilities matured and execute contracts' obligation, Fubon Insurance and its subsidiaries confront low liquidity in compliance with rules.

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

iv) The maturity analyses of financial assets and liabilities are as follows:

		March 31, 2017							
		Less than one year	1 to 3 year	3 to 5 year	5 to 10 year	10 to 20 year	More than 20 year	No maturity date	Total
The maturity analysis of financial assets									
	Available-for-sale financial assets	\$ 1,311,291	977,419	1,103,811	7,790,555	2,241,391	3,960,512	-	17,384,979
	Debt investments without active market	-	212,350	-	400,000	316,525	2,311,974	500,000	3,740,849
		<u>\$ 1,311,291</u>	<u>1,189,769</u>	<u>1,103,811</u>	<u>8,190,555</u>	<u>2,557,916</u>	<u>6,272,486</u>	<u>500,000</u>	<u>21,125,828</u>
		December 31, 2016							
		Less than one year	1 to 3 year	3 to 5 year	5 to 10 year	10 to 20 year	More than 20 year	No maturity date	Total
The maturity analysis of financial assets									
	Available-for-sale financial assets	\$ 734,952	1,532,482	698,188	8,554,953	2,071,173	4,554,668	-	18,146,416
	Debt investment without active market	-	217,626	-	200,000	352,862	2,114,580	500,000	3,385,068
		<u>\$ 734,952</u>	<u>1,750,108</u>	<u>698,188</u>	<u>8,754,953</u>	<u>2,424,035</u>	<u>6,669,248</u>	<u>500,000</u>	<u>21,531,484</u>
		March 31, 2016							
		Less than one year	1 to 3 year	3 to 5 year	5 to 10 year	10 to 20 year	More than 20 year	No maturity date	Total
The maturity analysis of financial assets									
	Available-for-sale financial assets	\$ -	2,007,759	748,886	6,797,330	1,969,968	4,348,957	-	15,872,900
	Debt investments without active market	99,797	234,877	-	-	961,374	2,143,512	-	3,439,560
		<u>\$ 99,797</u>	<u>2,242,636</u>	<u>748,886</u>	<u>6,797,330</u>	<u>2,931,342</u>	<u>6,492,469</u>	<u>-</u>	<u>19,312,460</u>

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

c) The maturity analyses of derivative assets and liabilities

All of the forward rate contracts and swap contracts are not held for trading, but mainly for avoiding the foreign exchange rate risk generated from the foreign investment capital. Being high liquidity monetary, whose probability of being unable to sale in the market is extremely small, the liquidity risk of the currency held is low. Matured forward rate contracts and swap contracts almost will be continued and there is enough capital for settlement. Therefore, the liquidity risk of the capital is low. The maturity analysis of derivative financial instruments is as follows:

		March 31, 2017					
		Less than 1 year	1 to 3 year	3 to 5 year	5 to 10 year	No maturity date	Total
Maturity analysis of financial assets	\$	<u>340,804</u>	-	-	-	-	<u>340,804</u>
Maturity analysis of financial liabilities	\$	<u>8,507</u>	-	-	-	-	<u>8,507</u>
		December 31, 2016					
		Less than 1 year	1 to 3 year	3 to 5 year	5 to 10 year	No maturity date	Total
Maturity analysis of financial assets	\$	<u>17,516</u>	-	-	-	-	<u>17,516</u>
Maturity analysis of financial liabilities	\$	<u>251,107</u>	-	-	-	-	<u>251,107</u>
		March 31, 2016					
		Less than 1 year	1 to 3 year	3 to 5 year	5 to 10 year	No maturity date	Total
Maturity analysis of financial assets	\$	<u>368,742</u>	-	-	-	-	<u>368,742</u>
Maturity analysis of financial liabilities	\$	<u>30,897</u>	-	-	-	-	<u>30,897</u>

(Continued)



**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

4) Fubon Securities and its subsidiaries

Liquidity Risk Analysis

Liquidity risk is the risk that Fubon Securities and its subsidiaries cannot provide sufficient funding for asset size growth or matured liabilities, does not have sufficient cash to meet obligations to counterparties, or cannot raise emergency funding raise to cover funding gaps.

a) Capital liquidity risk measurement analysis

	March 31, 2017					
	Cash flow gap					
Financial assets	0-30 days	31-90 days	91-180 days	181-365 days	Over 1 year	Total
Cash and cash equivalents	\$ 5,096,974	2,890,554	2,520,130	1,020,668	41,575	11,569,901
Customer margin account	14,705,649	-	-	-	-	14,705,649
Held-for-trading financial assets – current	9,027,639	274,223	-	302,926	21,637,396	31,242,184
Open-end funds and money market instruments	223,179	-	-	-	-	223,179
Operating securities	7,865,544	274,223	-	302,926	21,128,010	29,570,703
Derivative assets – OTC	97,707	-	-	-	-	97,707
Derivative assets – Futures trading margin	369,671	-	-	-	-	369,671
Other debt securities	-	-	-	-	509,386	509,386
Call option – Futures	406	-	-	-	-	406
Securities invested by brokers	471,132	-	-	-	-	471,132
Available-for-sale financial assets-current	23,359	-	-	9,077,350	49,651	9,150,360
Bond purchased under resell agreement	343,303	-	-	-	-	343,303
Receivables from pecuniary finance	10,043,580	1,757,627	502,179	251,089	-	12,554,475
Collateral for borrowed securities	38,674	-	-	-	-	38,674
Margin deposits for borrowed securities	712,934	-	-	-	-	712,934
Receivables	<u>14,087,099</u>	<u>123,756</u>	<u>9,137</u>	<u>4,569</u>	<u>-</u>	<u>14,224,561</u>
Total	<u>\$ 54,079,211</u>	<u>5,046,160</u>	<u>3,031,446</u>	<u>10,656,602</u>	<u>21,728,622</u>	<u>94,542,041</u>
Proportion of the total	<u>57.20 %</u>	<u>5.34 %</u>	<u>3.21 %</u>	<u>11.27 %</u>	<u>22.98 %</u>	<u>100.00 %</u>

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

	March 31, 2017					Total
	Cash flow gap					
Financial liabilities	0-30 days	31-90 days	91-180 days	181-365 days	Over 1 year	
Commercial papers issued	\$ 3,499,552	-	-	-	-	3,499,552
Held-for-trading financial liabilities— current	1,908,621	-	-	-	-	1,908,621
Call (put) warrants	244,183	-	-	-	-	244,183
Derivative liabilities— OTC	835,943	-	-	-	-	835,943
Liabilities in sale of borrowed securities	137,696	-	-	-	-	137,696
Bonds purchased under resell agreement— Borrowed securities	341,988	-	-	-	-	341,988
Short covering bonds	348,593	-	-	-	-	348,593
Bonds purchased under resell agreement— Futures	218	-	-	-	-	218
Financial liabilities designated as at fair value through profit or loss at initial recognitions	2,548,142	-	-	-	-	2,548,142
Securities sold under repurchase agreements	20,296,500	-	-	-	-	20,296,500
Securities financing refundable deposits	1,002,927	175,512	50,146	25,073	-	1,253,658
Deposits payable for securities financing	1,102,105	192,868	55,105	27,553	-	1,377,631
Securities lending refundable deposits	6,366,726	-	-	-	-	6,366,726
Futures customers' equity	14,705,649	-	-	-	-	14,705,649
Payables	14,713,199	57	16	8	-	14,713,280
Amounts collected for other parties	924,874	204	-	-	-	925,078
Total	<u>\$ 67,068,295</u>	<u>368,641</u>	<u>105,267</u>	<u>52,634</u>	<u>-</u>	<u>67,594,837</u>
Proportion of the total	<u>99.21 %</u>	<u>0.55 %</u>	<u>0.16 %</u>	<u>0.08 %</u>	<u>- %</u>	<u>100.00 %</u>
Cash inflow	54,079,211	5,046,160	3,031,446	10,656,602	21,728,622	94,542,041
Cash outflow	67,068,265	368,641	105,267	52,634	-	67,594,807
Net cash flow	(12,989,054)	4,677,519	2,926,179	10,603,968	21,728,622	26,947,234

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

<b>Financial assets</b>	<b>December 31, 2016</b>					<b>Total</b>
	<b>Cash flow gap</b>					
	<b>0-30 days</b>	<b>31-90 days</b>	<b>91-180 days</b>	<b>181-365 days</b>	<b>Over 1 year</b>	
Cash and cash equivalents	\$ 5,883,926	1,967,315	2,228,502	1,559,977	44,076	11,683,796
Customer margin account	15,702,134	-	-	-	-	15,702,134
Held for trading financial assets – current	9,474,695	250,322	-	-	23,460,719	33,185,736
Open-end funds and money market instruments	1,483,957	-	-	-	-	1,483,957
Operating securities	7,536,070	250,322	-	-	22,941,173	30,727,565
Derivative assets – OTC	119,156	-	-	-	-	119,156
Derivative assets – Futures trading margin	305,604	-	-	-	-	305,604
Other debt securities	-	-	-	-	519,546	519,546
Call option – Futures	13	-	-	-	-	13
Securities invested by brokers	29,895	-	-	-	-	29,895
Available-for-sale financial assets-current	361,975	-	-	9,539,512	25,946	9,927,433
Bond purchased under resell agreement	645,311	-	-	-	-	645,311
Receivables from pecuniary finance	9,247,960	1,337,055	334,264	222,842	-	11,142,121
Collateral for borrowed securities	35,540	-	-	-	-	35,540
Margin deposits for borrowed securities	32,103	-	-	-	-	32,103
Receivables	<u>10,133,314</u>	<u>142,711</u>	<u>(44,119)</u>	<u>132,793</u>	<u>1,742</u>	<u>10,366,441</u>
Total	<u>\$ 51,516,958</u>	<u>3,697,403</u>	<u>2,518,647</u>	<u>11,455,124</u>	<u>23,532,483</u>	<u>92,720,615</u>
Proportion of the total	<u>55.56 %</u>	<u>3.99 %</u>	<u>2.72 %</u>	<u>12.35 %</u>	<u>25.38 %</u>	<u>100.00 %</u>

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

<b>Financial liabilities</b>	<b>December 31, 2016</b>					<b>Total</b>
	<b>Cash flow gap</b>					
	<b>0-30 days</b>	<b>31-90 days</b>	<b>91-180 days</b>	<b>181-365 years</b>	<b>Over 1 year</b>	
Short term loans	\$ 2,500,000	-	-	-	-	2,500,000
Held for trading financial liabilities – current	1,259,872	-	-	-	306,545	1,566,417
Call (put) warrant	135,885	-	-	-	-	135,885
Derivative liabilities – OTC	920,399	-	-	-	-	920,399
Liabilities on sale of borrowed securities and buyback of liabilities on sale of borrowed securities	203,565	-	-	-	-	203,565
Bonds purchased under resell agreement – Borrowed	-	-	-	-	256,680	256,680
Short covering bonds	-	-	-	-	49,865	49,865
Bonds purchased under resell agreement – Futures	23	-	-	-	-	23
Financial liabilities designated as at fair value through profit or loss at time of initial recognition	2,282,024	-	-	-	-	2,282,024
Securities sold under repurchase agreements	21,231,598	-	-	-	-	21,231,598
Securities financing refundable deposits	1,763,829	255,012	63,753	42,502	-	2,125,096
Deposits payable for securities financing	1,944,138	281,080	70,270	46,847	-	2,342,335
Securities lending refundable deposits	5,565,473	-	-	-	-	5,565,473
Payables	11,561,030	88	22	15	-	11,561,155
Futures customers' equity	15,702,135	-	-	-	-	15,702,135
Amounts collected for other parties	715,595	257	-	-	-	715,852
<b>Total</b>	<b>\$ 64,525,694</b>	<b>536,437</b>	<b>134,045</b>	<b>89,364</b>	<b>306,545</b>	<b>65,592,085</b>
Proportion of the total	<b>98.37 %</b>	<b>0.82 %</b>	<b>0.20 %</b>	<b>0.14 %</b>	<b>0.47 %</b>	<b>100.00 %</b>
Cash inflow	51,516,958	3,697,403	2,518,647	11,455,124	23,532,483	92,720,615
Cash outflow	64,525,694	536,437	134,045	89,364	306,545	65,592,085
Net cash inflow	(13,008,736)	3,160,966	2,384,602	11,365,760	23,225,938	27,128,530

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

<b>Financial assets</b>	<b>March 31, 2016</b>					
	<b>Cash flow gap</b>					
	<b>0-30 days</b>	<b>31-90 days</b>	<b>91-180 days</b>	<b>181-365 days</b>	<b>Over 1 year</b>	<b>Total</b>
Cash and cash equivalents	\$ 4,908,843	1,514,704	544,800	1,149,347	36,870	8,154,564
Customer margin account	15,682,708	-	-	-	-	15,682,708
Held-for-trading financial assets — current	8,701,305	-	-	100,467	21,539,061	30,340,833
Open-end funds and money market instruments	329,858	-	-	-	-	329,858
Operating securities	8,203,936	-	-	100,467	21,016,162	29,320,565
Derivative assets—OTC	35,118	-	-	-	-	35,118
Derivative assets—Futures trading margin	132,393	-	-	-	-	132,393
Other debt securities	-	-	-	-	522,899	522,899
Available-for-sale financial assets— current	-	-	-	8,214,201	58,255	8,272,456
Bonds purchased under resell agreement	638,411	-	-	-	-	638,411
Receivables from pecuniary finance	9,638,562	1,277,400	464,509	232,255	-	11,612,726
Collateral for borrowed securities	66,250	-	-	-	-	66,250
Margin deposits for borrowed securities	70,840	-	-	-	-	70,840
Receivables	<u>12,250,722</u>	<u>261,808</u>	<u>11,304</u>	<u>4,497</u>	<u>-</u>	<u>12,528,331</u>
Total	<u>\$ 51,957,641</u>	<u>3,053,912</u>	<u>1,020,613</u>	<u>9,700,767</u>	<u>21,634,186</u>	<u>87,367,119</u>
Proportion of the total	<u>59.45 %</u>	<u>3.49 %</u>	<u>1.17 %</u>	<u>11.10 %</u>	<u>24.79 %</u>	<u>100.00 %</u>

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

<b>Financial liabilities</b>	<b>March 31, 2016</b>					<b>Total</b>
	<b>Cash flow gap</b>					
	<b>0-30 days</b>	<b>31-90 days</b>	<b>91-180 days</b>	<b>181-365 years</b>	<b>Over 1 year</b>	
Commercial papers issued	\$ 1,900,000	-	-	-	-	1,900,000
Held-for-trading financial liabilities— current	1,706,416	-	-	-	-	1,706,416
Call (put) warrant	236,544	-	-	-	-	236,544
Derivative liabilities— OTC	516,418	-	-	-	-	516,418
Liabilities on sale of borrowed securities	314,499	-	-	-	-	314,499
Bonds purchased under resell agreement— Borrowed securities	638,955	-	-	-	-	638,955
Financial liabilities designated as at fair value through profit or loss at initial recognition	2,400,343	-	-	-	-	2,400,343
Securities sold under repurchase agreements	20,306,065	-	-	-	-	20,306,065
Securities financing refundable deposits	1,076,907	142,723	51,899	25,950	-	1,297,479
Deposits payable for securities financing	1,078,626	142,951	51,982	25,991	-	1,299,550
Securities lending refundable deposits	2,267,642	-	-	-	-	2,267,642
Futures traders' equity	15,682,708	-	-	-	-	15,682,708
Payables	12,388,296	47	17	8	-	12,388,368
Amounts collected for other parties	513,815	350	-	-	-	514,165
<b>Total</b>	<b>\$ 59,320,818</b>	<b>286,071</b>	<b>103,898</b>	<b>51,949</b>	<b>-</b>	<b>59,762,736</b>
Proportion of the total	<b>99.26 %</b>	<b>0.48 %</b>	<b>0.17 %</b>	<b>0.09 %</b>	<b>- %</b>	<b>100.00 %</b>
Cash inflow	51,957,641	3,053,912	1,020,613	9,700,767	21,664,186	87,397,119
Cash outflow	59,320,818	286,071	103,898	51,949	-	59,762,736
Net cash flow	(7,363,177)	2,767,841	916,715	9,648,818	21,664,186	27,634,383

As of the reporting date, the cash flows of Fubon Securities and its subsidiaries has shown a significant increase in its net cash in-flow in most of the periods. Fubon Securities and its subsidiaries maintained great net cash in-flow to accumulated capital deficit for a long-term period which shows Fubon Securities and its subsidiaries could sustain adequate quality of capital volatility.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

b) Capital liquidity risk management

In order to allocate capital effectively, Fubon Securities and its subsidiaries utilize liquidity risk management mechanisms to evaluate and monitor short-term cash flow requirements for various types of business, and consider local short-term, cross-border, or cross-market demand for capital.

The Financial settlement Department provides capital requirement evaluating information to the Risk Management Department, and the Risk Management Department provides a capital deficit analysis stress test evaluation report to the Financial Settlement Department every six months to evaluate Fubon Securities and its subsidiaries' related action taken while facing periods of high market volatility. If a stressful situation occurs, the department reports the result to the management and performs the following procedures to prevent the occurrence of a stressful event when necessary.

In order to increase liquidity reserve, Fubon Securities and its subsidiaries sell the low-risk assets from the Trading Department dealing positions. Fubon Securities and its subsidiaries dispose of high-liquidity stocks, government bonds, and other securities in order to respond to adverse shocks affecting the market. Fubon Securities and its subsidiaries also use secured loan credit lines and long-term financing credit lines from banks and bills corporations to implement Fubon Securities and its subsidiaries' capital allocation emergency response plan.

5) Fubon Bank (Hong Kong) and its subsidiaries

The following disclosures related to Fubon Bank (Hong Kong) are all expressed in thousands of HKD, unless otherwise stated.

a) Management strategy and principles

The purpose of liquidity management is to ensure sufficient cash flows to meet all financial commitment and to capitalize on opportunities for business expansion. This includes Fubon Bank (Hong Kong) and its subsidiaries' ability to meet deposit withdrawals either on demand or at contractual maturity, to repay borrowings as they mature, to comply with the statutory liquidity ratio, and to make new loans and investments as opportunities arise. Fubon Bank (Hong Kong) and its subsidiaries maintain a stable and diversified funding base of core retail and corporate customer deposits as well as portfolios of highly liquid assets.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

It is the responsibility of Fubon Bank (Hong Kong) and its subsidiaries' management to ensure compliance with local regulatory requirements and limits set by Risk Committee of the Board. Liquidity is managed on a daily basis by Fubon Bank (Hong Kong)'s Funding Desk Department. The Funding Desk Department is responsible for ensuring that Fubon Bank (Hong Kong) and its subsidiaries have adequate liquidity for all operations, ensuring that the funding mix is appropriate so as to avoid maturity mismatches and to minimize price and reinvestment rate risk in the case of a maturity gap, and monitoring relevant markets for the adequacy of funding and liquidity.

Compliance with liquidity and funding requirements is monitored by the Asset and Liability Committee ("ALCO") and is reported to the Risk Committee of the Board on a regular basis. This process includes:

- i) Maintaining balances within relevant regulatory requirements;
- ii) Projecting cash flows under various stress scenarios and considering the level of liquid assets necessary in relation thereto;
- iii) Monitoring balance sheet liquidity and loan to deposit ratios against internal requirements;
- iv) Maintaining a diverse range of funding sources with adequate back-up facilities;
- v) Managing the concentration and profile of debt maturities;
- vi) Managing lending commitment to customers within predetermined limits;
- vii) Managing debt financing plans;
- viii) Monitoring of depositor concentration in order to avoid undue reliance on large individual depositors and ensuring a satisfactory overall funding mix;
- ix) Maintaining funding contingency plans, which identify early indicators of stress conditions and describe actions to be taken in the event of systematic or other crises, while minimizing adverse long-term implications for the business; and
- x) Managing liquidity on a legal entity and on a group basis. Intragroup funding transactions are carried out at arm's length, treated in the same way as transactions with non-related third parties within predetermined limits.

(Continued)



**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

b) Qualitative explanation

i) The management of funding and liquidity risk

As part of its liquidity risk management, Fubon Bank (Hong Kong) and its subsidiaries focus on a number of components, including maintaining sufficient liquid assets, reserving necessary funding capacity and contingent planning. Fubon Bank (Hong Kong) and its subsidiaries manage liquidity risk by holding sufficient liquid assets (e.g. cash and short term funds and securities) of appropriate quality to ensure that short term funding requirements are covered within prudential limits. Debt securities held are marked to the market on daily basis to ensure their market liquidity. Fubon Bank (Hong Kong) and its subsidiaries also adopt a funding strategy that is to achieve diversification of funding by controlling the concentration of top depositors, wholesale funding and reliance of foreign exchange swap markets. Moreover, adequate standby facilities are maintained to provide strategic liquidity to meet unexpected and material cash outflows in the ordinary course of business.

In addition to observing the statutory liquidity ratio, Fubon Bank (Hong Kong) and its subsidiaries have established different liquidity risk metrics, including but not limited to the liquidity ratio, loan-to-deposit ratio, cumulative cash flow gap, concentration of funding sources and medium-term funding ratio to measure and analyze its liquidity risks. Financial management Division is responsible for measurement and monitoring of these liquidity metrics and reporting to the ALCO regularly.

ii) Core deposits

Fubon Bank (Hong Kong) and its subsidiaries monitor the stability of customer deposits by means of the core deposit ratio, which is the ratio of core deposits to total customer deposits. Fubon Bank (Hong Kong) and its subsidiaries categorize customer deposits into core deposits after taking into consideration of nature of deposits, relationship history with customers and stability of customer's total balance. An alert trigger level is set on the core deposits ratio which is monitored by the ALCO.

iii) Loan to deposit ratio

Fubon Bank (Hong Kong) and its subsidiaries emphasize the importance of customer deposits as a source of funds to finance lending to customers, and mitigate against reliance on short-term interbank funding. A limit on the loan to deposit ratio is established and approved by the Risk Committee of the Board of Directors and monitored by the ALCO.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

iv) Cash flow projection and stress testing

Fubon Bank (Hong Kong) and its subsidiaries conduct cash flow analysis and cash flow projection arising from on-and off-balance sheet items over a set of time horizons on a regular basis to identify funding needs in specific time buckets. Fubon Bank (Hong Kong) and its subsidiaries also regularly perform stress tests on its liquidity position. In the stress test, both on-and off-balance sheet items with a cash flow impact are considered, with applicable hypothetical and historical assumptions. Three stressed scenarios, namely an institution-specific crisis scenario, a general market crisis scenario, and a combined scenario are adopted with minimum survival period defined pursuant to HKMA's Supervisory Policy Manual "Sound Systems and controls for Liquidity Risk Management". Stress testing assumptions are reviewed and approved by ALCO regularly to ensure their continued appropriateness.

v) Liquidity Cushion

Fubon Bank (Hong Kong) and its subsidiaries maintain a stock of high-quality readily liquefiable assets as a liquidity cushion against a range of stressed scenarios. The eligible assets are unencumbered, low credit risk and low market risk. The liquidity cushion is segregated from debt securities held for trading purposes. A certain portion of the liquidity cushion is made up of the most liquid and readily marketable assets (such as debt securities issued by government or multinational development banks) that can be easily liquidated to meet funding needs in the initial phase of liquidity stress.

The size of the liquidity cushion shall be adequate to meet Fubon Bank (Hong Kong) and its subsidiaries' day-to-day liquidity needs and also emergency funding needs under both normal and stress market conditions. The minimum required size of the liquidity cushion is determined with reference to the funding gap generated from the Fubon Bank (Hong Kong) and its subsidiaries' regular liquidity stress testing results. Management alert triggers are established by the ALCO to ensure sufficient size of liquidity cushion is maintained and appropriate diversification among the liquidity cushion is achieved. The size and combination of the liquidity cushion is reviewed by the ALCO regularly.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

vi) Contingent liquidity risk

Fubon Bank (Hong Kong) and its subsidiaries provide customers with committed and standby facilities. These facilities increase the funding requirements of Fubon Bank (Hong Kong) and its subsidiaries when customers drawdown. The liquidity risk associated with the potential drawdown on non-cancellable committed facilities is factored into our stressed scenarios and a management alert trigger is set for these facilities.

vii) Contingency funding plan

Fubon Bank (Hong Kong) and its subsidiaries have formulated a Contingency Funding Plan (“CFP”) that describes Fubon Bank (Hong Kong) and its subsidiaries’ strategy for dealing with any liquidity problem and the procedures for making up cash flow deficits in emergency situations. The CFP is designed to be pro-active and pre-emptive. Fubon Bank (Hong Kong) and its subsidiaries utilize early warning indicators, which cover both qualitative and quantitative measures, monitoring both internal and external factors. Should there be any early signs of significant impact on Fubon Bank (Hong Kong) and its subsidiaries’ liquidity position, the management would be informed for their consideration. Once the CFP is triggered, a Crisis Management Team, which is led by the senior management, is formed to handle the crisis. Strategy and procedures in obtaining contingency funding, as well as roles and responsibilities of parties concerned are clearly stated. The CFP also includes the analysis of cash flow projections to estimate potential liquidity needs under stress scenarios.

The CFP is subject to regular testing to ensure its effectiveness and operational feasibility, particularly in respect of the availability of the contingency sources of funding listed in it. The CFP is also subject to a review and an update on a regular basis to ensure it remains robust over time. Any changes to the CFP would be approved by the Board.

Moreover, in accordance with the HKMA’s Supervisory Policy Manual guideline “Recovery Planning”, Fubon Bank (Hong Kong) and its subsidiaries have established a Recovery Plan, which has been approved by the Board. The Recovery Plan helps ensure that Fubon Bank (Hong Kong) and its subsidiaries are able to recover quickly from period of severe stress and preserve or restore its liquidity level. The Recovery Plan is subject to a regular review and update, at least annually.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

c) The maturity analysis of non-derivative financial liabilities

Units: In thousands of HKD

	<b>March 31, 2017</b>					<b>Total</b>
	<b>0-30 days</b>	<b>31-90 days</b>	<b>91-180 days</b>	<b>181-365 days</b>	<b>Over 1 year</b>	
Non-derivative financial liabilities measured at fair value through profit or loss	\$ 500,457	1,450,000	-	-	-	1,950,457
Bonds and securities purchased under resell agreement	2,225,546	8,422,439	-	-	-	10,647,985
Others	40,722,113	17,016,674	5,980,233	4,542,553	3,403,949	71,665,522

	<b>December 31, 2016</b>					<b>Total</b>
	<b>0-30 days</b>	<b>31-90 days</b>	<b>91-180 days</b>	<b>181-365 days</b>	<b>Over 1 year</b>	
Non-derivative financial liabilities held at fair value through profit or loss	\$ 200,120	1,712,000	100,978	1,988	537,851	2,552,937
Bonds and securities purchased under resell agreement	1,442,667	8,306,988	-	-	-	9,749,655
Others	41,778,660	18,259,065	4,868,930	4,360,082	2,903,704	72,170,441

Units: In thousands of HKD

	<b>March 31, 2016</b>					<b>Total</b>
	<b>0-30 days</b>	<b>31-90 days</b>	<b>91-180 days</b>	<b>181-365 days</b>	<b>Over 1 year</b>	
Non-derivative financial liabilities measured at fair value through profit or loss	\$ 312,067	-	404,748	9,778	536,225	1,262,818
Bonds and securities purchased under resell agreement	3,992,819	5,505,229	230,101	-	-	9,728,149
Others	38,471,362	17,158,404	5,590,565	2,178,265	2,905,133	66,303,729

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

a) The maturity analysis of derivative financial liabilities

i) Net settlement derivative instruments

Units: In thousands of HKD

	<b>March 31, 2017</b>					<b>Total</b>
	<b>0-30 days</b>	<b>31-90 days</b>	<b>91-180 days</b>	<b>181-365 days</b>	<b>Over 1 year</b>	
Derivative financial liabilities measured at fair value through profit or loss						
– Foreign exchange derivative contracts	\$ 20,493,334	3,312,190	1,792,182	2,745,154	170,917	28,513,777
– Interest rate derivatives contracts	-	62,152	-	-	5,824,385	5,886,537
Derivative financial liabilities for hedging						
– Interest rate derivatives contracts	212,869	177,690	328,693	851,427	12,390,794	13,961,473
<b>Total</b>	<b>\$ 20,706,203</b>	<b>3,552,032</b>	<b>2,120,875</b>	<b>3,596,581</b>	<b>18,386,096</b>	<b>48,361,787</b>
	<b>December 31, 2016</b>					
	<b>0-30 days</b>	<b>31-90 days</b>	<b>91-180 days</b>	<b>181-365 days</b>	<b>Over 1 year</b>	<b>Total</b>
Derivative financial liabilities held at fair value through profit or loss						
– Foreign exchange derivative contracts	\$ 18,677,261	1,042,571	1,797,220	3,682,495	206,270	25,405,817
– Interest rate derivatives contracts	-	-	62,036	-	6,293,797	6,355,833
Derivatives designated as hedges						
– Interest rate derivatives contracts	116,318	726,286	390,018	783,984	10,098,926	12,115,532
<b>Total</b>	<b>\$ 18,793,579</b>	<b>1,768,857</b>	<b>2,249,274</b>	<b>4,466,479</b>	<b>16,598,993</b>	<b>43,877,182</b>

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

Units: In thousands of HKD

	<b>March 31, 2016</b>					
	<b>0-30 days</b>	<b>31-90 days</b>	<b>91-180 days</b>	<b>181-365 days</b>	<b>Over 1 year</b>	<b>Total</b>
Derivative financial liabilities measured at fair value through profit or loss						
– Foreign exchange derivative contracts	\$ 15,368,050	3,701,196	4,075,167	3,545,422	2,395,480	29,085,315
– Interest rate derivatives contracts	-	186,879	30,242	-	7,267,993	7,485,114
Derivatives financial liabilities for hedging						
– Interest rate derivatives contracts	-	193,858	-	1,075,211	7,628,552	8,897,621
<b>Total</b>	<b><u>\$ 15,368,050</u></b>	<b><u>4,081,933</u></b>	<b><u>4,105,409</u></b>	<b><u>4,620,633</u></b>	<b><u>17,292,025</u></b>	<b><u>45,468,050</u></b>

## ii) The maturity analysis of off-balance sheet items

Units: In thousands of HKD

	<b>March 31, 2017</b>					
	<b>0-30 days</b>	<b>31-90 days</b>	<b>91-180 days</b>	<b>181-365 days</b>	<b>Over 1 year</b>	<b>Total</b>
Standby and irrevocable loan commitment	\$ 193,778	66,927	60,390	780	925,793	1,247,668
Unused letters of credit	134,374	164,814	16,972	-	-	316,160
Other guarantee amounts	6,465	2,062	15,974	87,565	14,487	126,553
<b>Total</b>	<b><u>\$ 334,617</u></b>	<b><u>233,803</u></b>	<b><u>93,336</u></b>	<b><u>88,345</u></b>	<b><u>940,280</u></b>	<b><u>1,690,381</u></b>

	<b>December 31, 2016</b>					
	<b>0-30 days</b>	<b>31-90 days</b>	<b>91-180 days</b>	<b>181-365 days</b>	<b>Over 1 year</b>	<b>Total</b>
Has developed and irrevocable loan commitment	\$ 25,356	231	293,424	62,543	861,328	1,242,882
The amount of established but unused letters of credit	46,638	156,961	62,956	614	-	267,169
Other guarantees amounts	20,275	18,028	15,236	54,875	18,283	126,697
<b>Total</b>	<b><u>\$ 92,269</u></b>	<b><u>175,220</u></b>	<b><u>371,616</u></b>	<b><u>118,032</u></b>	<b><u>879,611</u></b>	<b><u>1,636,748</u></b>

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

Units: In thousands of HKD

	<b>March 31, 2016</b>					<b>Total</b>
	<b>0-30 days</b>	<b>31-90 days</b>	<b>91-180 days</b>	<b>181-365 days</b>	<b>Over 1 year</b>	
Standby and irrevocable loan commitment	\$ 31,540	65,199	103,766	55,398	884,185	1,140,088
Unused letters of credit	96,367	42,950	12,017	55,076	-	206,410
Other guarantee amounts	4,564	856	4,667	81,260	11,729	103,076
<b>Total</b>	<b>\$ 132,471</b>	<b>109,005</b>	<b>120,450</b>	<b>191,734</b>	<b>895,914</b>	<b>1,449,574</b>

## (v) Market risk

Major subsidiaries are listed separately as follows:

## 1) Taipei Fubon Bank (The Bank) and its subsidiaries

## a) The definition and classification of market risk

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 and its subsidiaries' 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 follow the definitions below:

- i) Positions held for earning profits from changes in bid-ask spread or changes in price and interest rate;
- ii) Positions held for the brokerage business or proprietary trading;
- iii) Positions held for full or partial offsetting risk from other positions; and
- iv) Positions held for trading within approved market risk limits.

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

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

b) Market risk strategy and procedures

Taipei Fubon Bank (The Bank)

The Bank 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 the Bank's management policies and market risk limits to identify, measure, monitor and control market risks.

Fubon Bank (China)

Pursuant to the guidance of relevant laws and regulations, a series of policies and procedures regarding market risk and valuation of financial instruments are stipulated to regulate internal control of market risks as well as trading strategies and limits. IT systems are also established to identify, quantify, monitor and control market risks, ensuring the market risk exposures of Fubon Bank (China) are managed strongly and effectively.

c) Organization and framework

Taipei Fubon Bank (The Bank)

Under the supervision of the Board of Directors, the Bank has established the Market Risk Management Committee, which is composed of senior management and chaired by the President to monitor the Bank'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 the Board of Directors is an added support for the market risk management framework.

Fubon Bank (China)

The Board of Directors, acting as the highest supervisor of market risk management, approves the market risk strategies and trading limits of Fubon Bank (China). The Risk & Related Party Transaction Committee under the board is responsible for supervising the implementation of market risk policies. Market risk assessment reports are submitted by Market Risk Department to senior management, the Risk & Related Party Transaction Committee and Board of Directors on a quarterly basis.

(Continued)



**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

The Market Risk Department under Risk Control Division, independent of front trading desk and back settlement desk, is responsible for implementing market risk policies authorized by the Board and the senior management. Internal Audit Department is responsible for reviewing and evaluating the effectiveness and independence of the risk management system. Compliance Department, on the other hand, is accountable for monitoring compliance risk and reports to the Board and senior management.

d) Market risk management, 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 and VaR models are evaluated independently by the Market Risk Management Department to ensure their stability and effectiveness. The Bank has established a market risk management system and related market risk management procedures to be able to observe the VaR limit. In addition, the Bank does back testing periodically to check the effectiveness of the VaR calculation module and establishes financial trading system.

e) Measurement of trading book market risk

Taipei Fubon Bank (The Bank)

The Bank's measurement of 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.

i) 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." The Bank adopts 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 stressed 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.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

To ensure the accuracy of VaR measures, the Bank does statistical hypothesis testing and back testing periodically. In addition to carrying out Bernoulli trials, the Bank 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.

VaR information of trading book is shown below:

<u>Common VaR</u>	<u>For the three months ended March 31, 2017</u>			
	<u>Highest</u>	<u>Lowest</u>	<u>Average</u>	<u>End of period</u>
Interest rate group	\$ 94,459	56,239	69,176	94,459
Exchange rate group	17,482	8,543	12,949	17,482
Volatility group	6,047	4,267	5,403	6,047
Diversification effect	-	-	(15,457)	(21,687)
Common VaR of trading book			<u>\$ 72,071</u>	<u>96,301</u>

  

<u>Common VaR</u>	<u>For the three months ended March 31, 2016</u>			
	<u>Highest</u>	<u>Lowest</u>	<u>Average</u>	<u>End of period</u>
Interest rate group	\$ 41,128	35,442	37,829	41,128
Exchange rate group	19,905	6,372	10,936	6,530
Volatility group	13,824	5,259	10,896	13,824
Diversification effect	-	-	(21,138)	(22,984)
Common VaR of trading book			<u>\$ 38,523</u>	<u>38,498</u>

Note: The highest and lowest VaRs may occur on different dates; the related diversification effects were not disclosed in the above table because it has no significant meaning.

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.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

ii) Stress testing

As described earlier, VaR is 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 losses when an extreme event or the systematic risk appears in the market. Therefore, stress testing is introduced to capture the above risk by measuring the potential impact on trading book portfolio during the abnormal market period, compensating the insufficiency of VaR.

Some techniques can be used when executing stress testing, such as simple sensitivity analysis and scenario analysis. The Bank applies stress testing regularly to multiple scenarios chosen from the approved scenario list.

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 on notional amounts, net exposures of foreign currencies, stop-loss limits of various products, and sensitivity limits. Fubon bank (China)'s main currency businesses of trading book are spot trade and options, interest rate businesses of trading book are bonds, currency swap and CNY interest rate swap. The market risk level is normal.

The Market Risk Department also performs stress tests on derivative trading of trading book on a quarterly basis to evaluate Fubon Bank (China)'s ability to sustain loss of market value of its trading book when main market risk factors such as interest rates and exchange rates move adversely.

f) Banking Book Market Risk

Taipei Fubon Bank (The Bank)

i) 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.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

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 100bps (basis points) as of March 31, 2017, December 31 and March 31, 2016, and all other factors been held constant, the earnings would have decreased/increased by \$20 million, \$22 million and \$25 million, respectively.

ii) 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 branch's investment accounted for using the equity method. These exchange rate differences are reflected under either the statement of comprehensive income or "exchange differences on translating foreign operations in equity."

The Bank has a foreign exchange business, overseas branches, overseas subsidiaries branch's investment accounted for using the equity method. As of March 31, 2017, the percentage of the exchange differences on translation of foreign operation is immaterial when compared with the Bank's entire foreign currency position.

iii) Equity securities 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 the stockholder's equity, the Bank holds these investments for a long term and has strict regulations on buying or selling these investments.

The sensitivity analysis for equity positions of banking book is listed below:

	March 31, 2017		December 31, 2016		March 31, 2016	
	Effect on profit or loss	Effect on equity	Effect on profit or loss	Effect on equity	Effect on profit or loss	Effect on equity
Stock prices increased by 10%	\$ 34,280	631,306	35,097	619,855	38,361	655,012
Stock prices decreased by 10%	(34,280)	(631,306)	(35,097)	(619,855)	(38,361)	(655,012)

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

Fubon Bank (China)

i) Interest rate risk

The interest rate risk of Fubon Bank (China) is mainly from the risk of interest repricing. The measure of monitoring account interest rate risk is to compute the repricing gap of risk-sensitive assets/liabilities and to develop risk standards as the monitoring benchmark. Its measure is to set the interest rate, which increases or decreases 50 basis points to evaluate risk.

	March 31, 2017		December 31, 2016		Units: In thousands of CNY March 31, 2016	
	Effect on profit or loss	Effect on equity	Effect on profit or loss	Effect on equity	Effect on profit or loss	Effect on equity
	Interest rate increased by \$ 50 basis points	(17,310)	(14,976)	(34,653)	(16,340)	(47,023)
Interest rate decreased by 50 basis points	17,310	15,020	34,653	16,396	47,023	17,677

ii) Exchange rate risk

Fubon Bank (China) uses CNY to perform the loan/deposit and inter-bank borrowing and foreign currency is composed of USD. In order to effectively control the exchange rate risk, Fubon Bank (China) establishes the foreign exchange gap controlling conditions and simultaneously conducts the foreign currency sensitivity analysis on assets/liabilities, based on its risk-taking ability and operating strategy. Assuming CNY appreciates or depreciates 5% compared to all foreign currency spot rate and forward rate, the outcome is as follows:

	March 31, 2017		December 31, 2016		Units: In thousands of CNY March 31, 2016	
	Effect on profit or loss	Effect on equity	Effect on profit or loss	Effect on equity	Effect on profit or loss	Effect on equity
	Foreign exchange rate for USD and HKD against CNY increased by 5%	\$ 8,403	8,873	25,691	8,921	(2,039)
Foreign exchange rate for USD and HKD against CNY decreased by 5%	(8,403)	(8,873)	(25,691)	(8,921)	2,039	-

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

g) Foreign currency rate risk information

The table below shows the Bank and its subsidiary's foreign currency risk information for financial assets and liabilities denominated in foreign currency at carrying value as of March 31, 2017, December 31 and March 31, 2016.

Taipei Fubon Bank (The Bank)

	March 31, 2017			December 31, 2016			March 31, 2016		
	Original	Rate	TWD	Original	Rate	TWD	Original	Rate	TWD
<u>Financial assets</u>									
<u>Monetary items</u>									
USD	\$ 12,675,724	30.3385	384,562,453	8,903,227	32.2815	287,409,522	10,340,640	32.2838	333,835,154
CNY	10,845,476	4.4118	47,848,071	10,555,074	4.6399	48,974,488	12,648,105	4.9899	63,112,779
JPY	42,432,934	0.2712	11,507,812	99,685,272	0.2752	27,433,387	156,585,300	0.2872	44,971,298
HKD	7,017,331	3.9038	27,394,257	6,249,213	4.1629	26,014,849	5,955,847	4.1634	24,796,573
AUD	736,248	23.2059	17,085,297	715,854	23.3073	16,684,624	393,399	24.7757	9,746,736
<u>Non-monetary items</u>									
USD	264,567	30.3385	8,026,566	544,250	32.2815	17,569,206	428,606	32.2838	13,837,030
CNY	1,670,759	4.4118	7,371,055	5,444,211	4.6399	25,260,595	3,607,928	4.9899	18,003,200
JPY	8,038,565	0.2712	2,180,059	26,093,210	0.2752	7,180,851	9,411,848	0.2872	2,703,083
HKD	214,474	3.9038	837,274	447,946	4.1629	1,864,754	462,245	4.1634	1,924,511
AUD	525	23.2059	12,183	543	23.3073	12,656	635	24.7757	15,733
<u>Investments accounted for using equity method</u>									
CNY	4,630,459	4.4118	20,428,657	4,623,970	4.6399	21,454,759	4,523,588	4.9899	22,572,250
<u>Financial liabilities</u>									
<u>Monetary items</u>									
USD	18,162,025	30.3385	551,008,595	12,311,116	32.2815	397,421,291	12,604,772	32.2838	406,929,938
CNY	12,603,775	4.4118	55,605,335	13,868,956	4.6399	64,350,569	12,862,575	4.9899	64,182,963
JPY	29,749,125	0.2712	8,067,963	25,052,451	0.2752	6,894,435	27,206,142	0.2872	7,813,604
HKD	3,593,100	3.9038	14,026,744	3,629,200	4.1629	15,107,997	3,824,083	4.1634	15,921,187
AUD	766,236	23.2059	17,781,196	736,686	23.3073	17,170,162	885,920	24.7757	21,949,288
<u>Non-monetary items</u>									
USD	256,760	30.3385	7,789,713	560,923	32.2815	18,107,436	509,848	32.2838	16,459,831
CNY	1,636,446	4.4118	7,219,672	5,488,958	4.6399	25,468,216	3,581,713	4.9899	17,872,390
JPY	9,624,934	0.2712	2,610,282	20,112,276	0.2752	5,534,898	12,935,954	0.2872	3,715,206
HKD	215,292	3.9038	840,457	462,672	4.1629	1,926,057	407,583	4.1634	1,696,931
AUD	1,283	23.2059	29,773	1,365	23.3073	31,814	988	24.7757	24,478

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

Fubon Bank (China)

	March 31, 2017			December 31, 2016			March 31, 2016		
	Original	Rate	CNY	Original	Rate	CNY	Original	Rate	CNY
<u>Financial assets</u>									
<u>Monetary items</u>									
USD	\$ 639,132	6.8993	4,409,563	636,616	6.9370	4,416,205	586,909	6.4612	3,792,136
JPY	2,729,009	0.0618	168,653	2,435,634	0.0596	145,164	3,704,101	0.0575	212,986
HKD	155,750	0.8878	138,275	163,404	0.8945	146,165	13,532	0.8333	11,276
EUR	1,245	7.3721	9,178	819	7.3068	5,984	3,751	7.3312	27,499
<u>Non-monetary items</u>									
USD	52,904	6.8993	365,001	126,740	6.9370	879,195	19,932	6.4612	128,785
<u>Financial liability</u>									
<u>Monetary items</u>									
USD	1,485,099	6.8993	10,246,144	1,533,104	6.9370	10,635,142	1,399,146	6.4612	9,040,162
JPY	2,193,648	0.0618	135,567	2,218,404	0.0596	132,217	2,085,316	0.0575	119,906
HKD	275,917	0.8878	244,959	42,046	0.8945	37,610	13,387	0.8333	11,155
EUR	11,306	7.3721	83,349	12,735	7.3068	93,052	6,916	7.3312	50,703
<u>Non-monetary items</u>									
USD	5,229	6.8993	36,076	1,039	6.9370	7,208	43,321	6.4612	279,906

2) Fubon Life Insurance and its subsidiaries

Market risk refers to the risk that the value of assets decreases due to disadvantageous movement of the market price and this may result in a revenue reduction to Fubon Life Insurance and its subsidiaries. The risk factors of the market price fluctuation include interest rates, foreign exchange rates, stock prices, and commodity prices.

Guided by Assets and Liabilities Management Committee, Fubon Life Insurance takes financial environment, all the economic indicators, liability risk properties and ALM into account, to choose appropriate investment target through risk control mechanism. Under the consent of regulatory framework and market environment, choosing and acquisition of long-term assets is monitored by the Assets and Liabilities Management Committee. This is to allow assets and liabilities to coordinate better in terms of payment terms and profits, to pursue long term business and protect the rights of policyholders. This will also reduce the influence on insurance contract caused by market risk and eventually lower the potential loss to Fubon Life Insurance and its subsidiaries.

Fubon Life Insurance widely applies various risk management instruments to measure market risk. The primary methods adopted are Value at Risk (VaR) and Sensitivity Analysis. By using these two instruments, Fubon Life Insurance is able to measure, monitor and manage market risk completely and effectively.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

a) Value at Risk

Value at Risk is to apply statistical techniques to measure the extreme potential loss of the investment portfolio resulted from market risk factor variation in a given period of time and under certain confidence interval. Fubon Life Insurance applies 99% as the confidence interval to predict the VaR in the next 10 days.

The VaR model applied to manage risk shall be examined retrospectively and continuously to ensure that Fubon Life Insurance is able to measure the maximum potential risk of the portfolios reasonably, completely and accurately.

b) Sensitivity analysis

Except for using VaR to manage market risk, Fubon Life Insurance adopts sensitivity analysis to serve as a basis for corporate risk analysis, risk alert and operation management. Sensitivity analysis is to measure the amount changed in the portfolio value resulted from the variation of single risk factor. This will facilitate Fubon Life Insurance to understand how each variation of risk factors may influence the portfolios in certain extreme scenarios.

Sensitivity analysis

Units: In thousands of TWD

<b>March 31, 2017</b>			
<b>Risk factor</b>	<b>Variation</b>	<b>Change in profit or loss</b>	<b>Change in equity</b>
Equity risk (price)	Price incline by 10%	-	42,154,855
	Price decline by 10%	-	(42,154,855)
Interest rate risk (yield curve)	Yield curve (USD) incline by 50BPS	1,179	(17,577,386)
	Yield curve (TWD) incline by 50BPS	(526)	(12,943,275)
	Yield curve (other) incline by 50BPS	-	(918,250)
	Yield curve (USD) decline by 50BPS	(1,150)	18,957,849
	Yield curve (TWD) decline by 50BPS	535	13,876,801
	Yield curve (other) decline by 50BPS	-	954,810
Exchange rate risk (currency exchange rate)	TWD to all currency incline by 3%	(805,287)	(6,462,061)
	TWD to all currency decline by 3%	805,287	6,462,061

(Continued)



**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

<b>December 31, 2016</b>			
<b>Risk factor</b>	<b>Variation</b>	<b>Change in profit or loss</b>	<b>Change in equity</b>
Equity risk (price)	Price incline by 10%	-	41,422,938
	Price decline by 10%	-	(41,422,938)
Interest rate risk (yield curve)	Yield curve (USD) incline by 50BPS	41	(18,710,276)
	Yield curve (NTD) incline by 50BPS	(182)	(13,782,745)
	Yield curve (other) incline by 50BPS	-	(967,449)
	Yield curve (USD) decline by 50BPS	(39)	20,239,515
	Yield curve (TWD) decline by 50BPS	184	14,757,162
	Yield curve (other) decline by 50BPS	-	1,006,175
Exchange rate risk (currency exchange rate)	TWD to all currency incline by 3%	(5,163,400)	(6,120,357)
	TWD to all currency decline by 3%	5,163,400	6,120,357
<b>March 31, 2016</b>			
<b>Risk factor</b>	<b>Variation</b>	<b>Change in profit or loss</b>	<b>Change in equity</b>
Equity risk (price)	Price incline by 10%	-	36,972,880
	Price decline by 10%	-	(36,972,880)
Interest rate risk (yield curve)	Yield curve (USD) incline by 50BPS	82	(21,033,998)
	Yield curve (TWD) incline by 50BPS	(136)	(16,348,566)
	Yield curve (other) incline by 50BPS	-	(1,164,332)
	Yield curve (USD) decline by 50BPS	(75)	22,731,859
	Yield curve (TWD) decline by 50BPS	136	17,489,969
	Yield curve (other) decline by 50BPS	-	1,211,778
Exchange rate risk (currency exchange rate)	TWD to all currency incline by 3%	(4,592,671)	(6,191,800)
	TWD to all currency decline by 3%	4,592,671	6,191,800

Note1: Equity risk and Interest rate risk of the sensitivity analysis mainly include financial assets measured at fair value through profit or loss and available-for-sale financial assets. For the scenario of Equity risk include Stock and Fund (excluding Money Funds and Bond Funds), for the scenario of Interest rate risk include Bonds and Bond Funds. Exchange rate variation of the sensitivity analysis exclude foreign insurance policy assets and OIU assets.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

Note2: The abovementioned sensitivity analysis is a scenario assumed that the impact of changes in risk factor on fair value is based on other factors which remained constant.

Note3: Assuming an individual interest rate curve inclined by 1 BPS as of March 31, 2017, December 31 and March 31, 2016, while other factors remained constant, the impact of changes in profit or loss and in equity will be \$13 and \$(651,027), \$(3) and \$(693,176), as well as \$(1) and \$(798,887), respectively.

Hong Kong subsidiary is considered not significant to the consolidated disclosures after Fubon Life Insurance and its subsidiaries' assessment, therefore, the data of Hong Kong subsidiary is not disclosed.

Most investments of the Vietnam subsidiary are conducted with equity funds and funds from loans are minimal. Considering the unique financial environment and risk characteristics of Vietnam, most operating funds are all saved in local financial institutions as time deposits, and some are invested in long-term government bonds that without active market. Therefore, the market risk is very low. Therefore, the market risk that Fubon Life Insurance and its subsidiaries face is minimum.

In the future, Fubon Life Insurance and its subsidiaries are going to choose appropriate investment targets based on the investment environment in Vietnam and the coordination between assets and liabilities. In addition, Fubon Life Insurance will pursue long-term and robust operation and protect the right of the insured as well as to mitigate the possible loss resulted from market risk.

3) Fubon Insurance and its subsidiaries

Market risk is the risk of losses in the value of assets in a given period resulting from unfavorable changes in the asset's market prices. Fubon Insurance and its subsidiaries management has set a monitor system on the concentration of daily transactions, established a sound crisis response mechanism to deal with working capital demand due to emergency or abnormal event.

a) Management process of market risk

i) Risk identification

To achieve market risk management goal, Fubon Insurance and its subsidiaries have identified potential market risk factors encountered during operation process. Positions in different financial instruments were classified into four categories, mainly interest, foreign exchange rate, equity security and commodity, according to accounting standards. Each category further divided by different purposes into trading position and non-trading position, and market risk management focused on trading position.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

ii) Risk measurement

1. Establish a risk quantification model, adopting basic statistical measurement, sensitivity analysis and scenario analysis etc., for different risk factors to measure market risk.
2. Analyze outcome from the risk model for better market risk planning, supervision and control.
3. Measure possible losses from the holding position daily under normal market fluctuation and perform stress testing monthly.
4. Evaluate accuracy of the risk model by retroactive testing or other methodologies.

iii) Risk monitoring

Fubon Insurance and its subsidiaries have established market risk monitoring procedure to review and monitor utilization of various risk limits monthly. An action would be taken if the risk limit is breached. Fubon Insurance and its subsidiaries have established proper monitoring frequency and hierarchical reporting mechanism to ensure proper reporting whenever there is any abnormal situation occurred or any deficiency identified. A specific reporting procedure would be followed to ensure the control of timing in dealing with significant market risk.

iv) Risk responding

As market risk occurs, the head of any related unit being impacted or in-charge unit with relevant authority would respond to the event immediately, and report to risk management and related departments based on the established authorization. Afterwards, every related unit would work with risk management department to investigate the underlying reason for the risk event, develop a remediation plan, and risk management department would monitor the progress of the follow up actions.

b) Concentration of market risk

The main counterparty and buyer of financial instruments of Fubon Insurance and its subsidiaries were financial industry. There were rules about limitation of the government bonds, fixed income bonds, bonds, convertible bonds, funds, stocks, derivative financial instruments, structured notes and bonds securitization to control the risk.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

c) Market risk management mechanism

i) Risk tolerance management

Risk tolerance refers to the maximum amount of risk an entity is willing to withstand. Market risk tolerance is submitted to and approved by the risk management committee annually.

ii) Risk limit management

Establishment of risk limits is to put risk tolerance management into practice. Risk limits for different financial products were made by trading position, investment position and hedging position separately. When setting risk limits, various factors were taken into account, such as risk tolerance, business history, expected budget target, market liquidity of a specific product, historical utilization of risk limits, traders' trading experiences, trading system and supports by the operation department. The amended risk limits will be reviewed by the risk management committee. After approved by proper authorities according to company's authorization table, the amended risk limits will be reported to risk management unit and then, submitted to the risk management committee of the Company for discussion and approval. Risk limits of Fubon Insurance and its subsidiaries include risk value limit and position limit under system support.

iii) Valuation management

Commodity was evaluated based on the market value if it is available. If the market value is not readily available, the product value will be calculated using the latest market price, quotation from the counterparty or valuation model.

d) Risk value model

Risk value is a statistical estimate of probable worst outcome during normal fluctuation. Fubon Insurance used value at risk (VaR) model to measure the potential maximum loss in value of an investment portfolio at risk over a period of ten-day for a 99% confidence interval with respect to different market factors.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

Fubon Insurance and its subsidiaries applied retroactive testing which provides estimates of the accuracy of VaR model to check whether a VaR methodology is being used appropriately, completely and accurately in measuring the potential maximum loss in value of an investment portfolio. The retroactive testing procedure consists of calculating the number or percentage of times that the actual portfolio returns fall outside the VaR estimate. A VaR was computed over a period of one year with reconciled profit and loss on a daily basis. Fubon Insurance and its subsidiaries will periodically monitor the outcome of the aforementioned model and test the accuracy of parameters and assumptions being used.

Units: In thousands of TWD			
<b>March 31, 2017</b>			
<b>Common VaR</b>	<b>Average</b>	<b>Highest</b>	<b>Lowest</b>
Fixed income group	\$ 532,393	566,918	503,172
Equity group	782,032	867,681	642,018
Fund group	100,776	109,808	79,502
Asset securitization group	76,280	79,189	67,816
Total position	1,081,509	1,338,601	776,830
<b>December 31, 2016</b>			
<b>Common VaR</b>	<b>Average</b>	<b>Highest</b>	<b>Lowest</b>
Fixed income group	\$ 586,518	1,357,509	268,607
Equity group	804,658	1,059,646	595,572
Fund group	107,489	187,041	75,193
Asset securitization group	111,536	269,955	39,860
Total position	875,548	1,423,682	647,731
<b>March 31, 2016</b>			
<b>Common VaR</b>	<b>Average</b>	<b>Highest</b>	<b>Lowest</b>
Fixed income group	\$ 693,802	763,849	580,565
Equity group	951,463	999,854	906,350
Fund group	140,132	187,041	85,013
Asset securitization group	105,495	112,695	90,604
Total position	888,650	1,021,308	827,149

Note 1: VaR was adopted for the three months ended March 31, 2017 and 2016 and for the year ended December 31, 2016.

Note 2: VaR was computed over a period of ten days.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

4) Fubon Securities and its subsidiaries

Market risk is defined as an unfavorable change in market prices (such as interest rates, exchange rates, stock prices and commodity prices) which may cause a potential loss on or off the balance sheet. According to Fubon Securities and its subsidiaries' internal administrative policies, the positions in the trading book are for the purpose of market risk measurement and management.

Trading book positions fit the following definitions:

- a) Positions held for earning profits from changes in bid-ask spread or changes in price and interest rate.
- b) Positions held for brokerage business or dealing trading.
- c) Positions held for offsetting risk from other positions (either entirely or partly).
- d) Positions held for trading within approved market risk limits.

Trading book positions should not be under any restrictive trading contract and should be completely hedged against risks.

i) Guidelines and Procedures

Fubon Securities and its subsidiaries have enacted comprehensive policies of market risk management and have established mechanism for deal execution, clearing and settlement. Based on the risk factors they are exposed to trading book positions are categorized in the following four groups: interest rates instruments, exchange rates instruments, securities and commodities. Fubon Securities and its subsidiaries have established management policies and market risk limits that implement the risk management systems to identify, measure, monitor and control the market risk.

ii) Organization and Framework

Under the supervision of the board of directors, Risk Management Committee is composed of the senior managers from each department, while the chairman of the board oversees this committee. To improve market risk management, the Committee supervises the suitability of market risk exposures and the effectiveness of market risk management.

The Risk Management Department, is responsible for formulating policies and procedures on market risk management, for executing market risk limits control, for reporting mark risk events immediately, and for verifying valuation models independently. In addition, the independent Audit Department, which is under the board of directors plays the role of the third line of defense in the market risk management framework.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

iii) Procedure for Market Risk Control, Reporting and Verification

The Risk Management Department is responsible for monitoring the daily risk limit (including the analysis of risk sensitivity factors such as Delta, Vega, DV01, and VaR etc), notional quota, and profit and loss (P&L). Based on the authorized daily limit, this department controls the quota used and the monthly / yearly P&L. However, a position exceeding the approved limit is treated as an exceptional case to be monitored. Fubon Securities and its subsidiaries have established related mechanism and procedures for VaR limit management while also applying back-testing to check the VaR model calculation and the effectiveness of the valuation methodology. Fubon Securities and its subsidiaries also keep upgrading and improving its trading system with a market risk control function. Moreover, the valuation models and VaR models are verified independently by the Risk Management Department to ensure their effectiveness and stability.

iv) Market Risk Measurement of Trading Book

Fubon Securities and its subsidiaries' market risk measurement of the trading book includes individual risk measures (such as Greeks) and integrated risk measures (such as VaR and stress-testing). The integrated measures provide consistent and comparable measurement across different trading desks or risk types.

Value at Risk (VaR)

VaR is defined as 'the worst expected loss over a target horizon with a given level of confidence and normal market environment'. Fubon Securities and its subsidiaries adopt Historical Simulation risk models to evaluate the one-day worst loss on current net positions, with a 99% confidence level. Historical Simulation is used to calculate Common VaR and Stressed VaR, which reflects the impact on position held by Fubon Securities and its subsidiaries in the historical scenario. To conform to Basel Committee on Banking Supervision's suggestion after the financial crisis in 2008, a new Stressed VaR used a 12-month period of market turmoil to assess potential losses above the 99% confidence level used in the VaR model. The outcome of Historical Simulation was easier to explain and understand, and the method could also avoid mistaken risk factor hypotheses being used. To ensure the quality of VaR measures, Fubon Securities and its subsidiaries execute statistical hypothesis testing and back-testing periodically. In addition to Bernoulli trials, Fubon Securities and its subsidiaries has also adopted statistical tests suggested by the Basel Committee after the financial crisis.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

Common VaR information of trading book were as follows:

Units: In thousands of TWD

<b>For the three months ended March 31, 2017</b>			
<b>Common VaR</b>	<b>Highest</b>	<b>Lowest</b>	<b>Average</b>
Foreign exchange rate	\$ 15,266	5,967	10,984
Interest rate	32,446	12,121	19,336
Equity	22,555	18,798	21,057
Volatility	2,579	1,453	2,106
<b>Total</b>	<b>\$ 29,913</b>	<b>25,984</b>	<b>33,388</b>

  

<b>For the three months ended March 31, 2016</b>			
<b>Common VaR</b>	<b>Highest</b>	<b>Lowest</b>	<b>Average</b>
Foreign exchange rate	\$ 16,803	7,338	12,068
Interest rate	19,662	10,937	14,360
Equity	62,906	52,171	57,355
Volatility	4,849	3,315	4,220
<b>Total</b>	<b>\$ 63,924</b>	<b>44,752</b>	<b>52,665</b>

(The highest and lowest VaR in the table may appear on different dates, so its diversification effect is not significant. Therefore, it is not disclosed in the table.)

#### Stress Testing

As described earlier, VaR is 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 the systematic risk appears in the market. Therefore, stress testing is introduced to capture the above risk by measuring the potential impact on the trading book portfolio during the abnormal market period, compensating the insufficiency of VaR.

Some techniques can be used when executing stress testing, such as sensitivity analysis, scenario analysis, and maximum loss analysis. Fubon Securities and its subsidiaries selected and implemented stress testing periodically within the scope of market risk set by the Fubon Financial risk control system. The result from the stress testing would be reported to the Risk Management Committee as a reference for management setting each managerial objective and quota.

(Continued)



**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

Sensitivity analysis

Sensitivity analysis is used to measure the impact and effect of the products and portfolios when these are changes in the factors of a specific market. The Group uses the following sensitivities to measure and monitor the risk exposure based on each type of risk.

1. Delta: Measure the changing value of a specific asset whose price changes 1%.
  2. Gamma: Measure the changing Delta value of a specific asset whose price changes 1%.
  3. Vega: Measure the changing value of a specific asset whose price volatility changes 1%.
  4. Price Value of Basis Point (PVBP): Measure the changing value of the yield rate curve when it moves 1 bp in parallel.
- 5) Fubon Bank (Hong Kong) and its subsidiaries

The following disclosures related to Fubon Bank (Hong Kong) are all expressed in thousands of HKD, unless otherwise stated.

a) The definition and classification of market risk

Market risk arises on all market risk sensitive financial instruments, including securities, foreign exchange contracts, equity and other derivative instruments, as well as from balance sheet or structural positions. Fubon Bank (Hong Kong) and its subsidiaries transact in the money market, foreign exchange market, equity market and capital market giving rise to market risk exposures. Positions are taken as a result of the execution of customers' orders, market making activities, and offsetting transactions in order to hedge Fubon Bank (Hong Kong) and subsidiaries' open position. Fubon Bank (Hong Kong) and its subsidiaries do not engage in significant proprietary trading.

b) Guidelines and procedures

The objective of market risk management is to avoid excessive exposure of earnings and equity to loss and to reduce Fubon Bank (Hong Kong) and its subsidiaries' exposure to the volatility inherent in financial instruments.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

Fubon Bank (Hong Kong) and its subsidiaries has also established clear market risk policies, including limits, reporting lines and control procedures, which are reviewed regularly and approved by the Board of Directors. Market risk is managed within various limits approved by the Board of Directors. These limits are determined for each financial instrument and include limits on product volume, gross and net positions, position concentrations, mark to market limits, stop loss limits and risk position limits.

The sale of derivatives to customers as risk management products and the subsequent use of derivatives to manage the resulting position is an integral part of Fubon Bank (Hong Kong) and its subsidiaries' business activities. These instruments are also used to manage Fubon Bank (Hong Kong) and its subsidiaries' own exposures to market risk as part of its asset and liability management process. The principal derivative instruments used by Fubon Bank (Hong Kong) and its subsidiaries are interest and foreign exchange rate related contracts, which are primarily over-the-counter derivatives. Fubon Bank (Hong Kong) and its subsidiaries also purchases exchange traded derivatives. Most of Fubon Bank (Hong Kong) and its subsidiaries' derivatives positions have been entered into to meet customer demand and to hedge these and other positions.

One of the tools used by Fubon Bank (Hong Kong) and its subsidiaries to monitor and limit market risk exposure is Value-at-risk (VaR). VaR is a technique that estimates the potential losses that could occur on risk positions as a result of movements in market rates and prices over a specified time horizon and to a given level of confidence. The calculation uses the historical simulation method as the means to estimate the statistical confidence level.

The VaR technique is only effective for potential loss events which are not correlated. Fubon Bank (Hong Kong) and its subsidiaries therefore augment its VaR limits with other positions and sensitivity limit structures. Additionally, Fubon Bank (Hong Kong) and its subsidiaries apply a wide range of sensitivity analysis, both on individual portfolios and on Fubon Bank (Hong Kong) and its subsidiaries' consolidated positions to assess the potential impact on Fubon Bank (Hong Kong) and its subsidiaries' earnings as a result of extreme movements in market prices.

c) Organization and framework

The Board of Directors reviews and approves policies for the management of market risks including dealing authorities and limits. The Board of Directors has delegated the responsibility for ongoing general market risk management to the Asset and Liability Committee. This committee articulates the interest rate view of Fubon Bank (Hong Kong) and its subsidiaries and decides on future business strategy with respect to interest rates. It also reviews and sets funding policy and ensures adherence to risk management objectives.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

d) Evaluation technique of market risk: Value at risk (VaR)

The following table shows the relevant market risk VaR:

Units: HKD Dollars

<b>March 31, 2017</b>			
<b>VaR</b>	<b>Average</b>	<b>Highest</b>	<b>Lowest</b>
Foreign exchange risk	\$ 163	1,397	71
Interest rate risk	54	235	6
Total risk	229	1,472	78
<b>December 31, 2016</b>			
<b>VaR</b>	<b>Average</b>	<b>Highest</b>	<b>Lowest</b>
Foreign exchange risk	\$ 223	2,440	41
Interest rate risk	69	575	3
Total risk	295	2,491	74
<b>March 31, 2016</b>			
<b>VaR</b>	<b>Average</b>	<b>High</b>	<b>Low</b>
Foreign exchange risk	\$ 509	2,440	107
Interest rate risk	81	315	37
Total risk	518	2,491	149

e) Sensitivity information of interest rate risk, foreign exchange risk and equity risk

Units: In millions of HKD

<b>March 31, 2017</b>			
<b>Main risk</b>	<b>Variance</b>	<b>Influenced amount</b>	
		<b>Equity</b>	<b>profit or loss</b>
Foreign exchange risk	10% increase in HKD	-	(6.1)
Foreign exchange risk	10% decrease in HKD	-	6.1
Interest rate risk	+100 basis points shift in yield curves	69.5	23.5
Interest rate risk	-100 basis points shift in yield curve	(69.5)	(23.5)
Equity risk	10% increase in equity prices	-	-
Equity risk	10% decrease in equity prices	-	-

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

<b>December 31, 2016</b>			
<b>Main risk</b>	<b>Variance</b>	<b>Influenced amount</b>	
		<b>Equity</b>	<b>profit or loss</b>
Foreign exchange risk	10% increase in HKD	-	(11.2)
Foreign exchange risk	10% decrease in HKD	-	11.2
Interest rate risk	+100 basis points shift in yield curves	61.0	17.0
Interest rate risk	-100basis points shift in yield curve	(61.0)	(17.0)
Equity risk	10% increase in equity prices	-	-
Equity risk	10% decrease in equity prices	-	-

  

<b>March 31, 2016</b>			
<b>Main risk</b>	<b>Variance</b>	<b>Influenced amount</b>	
		<b>Equity</b>	<b>profit or loss</b>
Foreign exchange risk	10% increase in HKD	-	(8.2)
Foreign exchange risk	10% decrease in HKD	-	8.2
Interest rate risk	+100 basis points shift in yield curves	82.5	11.0
Interest rate risk	-100 basis points shift in yield curves	(82.5)	(11.0)
Equity risk	10% increase in equity prices	-	-
Equity risk	10% decrease in equity prices	-	-

(vi) Transfer of financial assets

1) Taipei Fubon Bank and its subsidiaries

a) Transferred financial assets that are not completely derecognized

The transferred financial assets of Taipei Fubon Bank and its subsidiaries that are not qualified for de-recognition in the daily operation are mainly debt securities under repurchase agreements or equity securities under lending agreements. Since the right to receive cash flow is transferred and it reflects the associated liabilities to repurchase transferred financial assets at fixed price in future period, Taipei Fubon Bank and its subsidiaries cannot use, sell or pledge these transferred financial assets during the valid transaction period. However, since Taipei Fubon Bank and its subsidiaries still bear the interest rate risk and credit risk, transferred financial assets are not completely derecognized.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

Analysis of financial assets that are not completely derecognized and the associated liabilities are shown in following table:

<u>Types of financial assets</u>	<b>March 31, 2017</b>	
	<u>Carrying amount of the transferred financial assets</u>	<u>Carrying amount of relevant financial liabilities</u>
Discounted note		
Repurchase agreements	\$ 1,008,885	1,027,632
Available-for-sale financial assets		
Repurchase agreements	35,978,903	33,353,140
Held-to-maturity financial assets		
Repurchase agreements	28,775,183	26,696,311
Debt Investments without active market		
Repurchase agreements	7,485,388	6,720,275
<u>Types of financial assets</u>	<b>December 31, 2016</b>	
	<u>Carrying amount of the transferred financial assets</u>	<u>Carrying amount of relevant financial liabilities</u>
Financial assets measured at fair value through profit or loss		
Repurchase agreements	\$ 47,733	47,463
Discounted note		
Repurchase agreements	6,550,421	6,676,308
Available-for-sale financial assets		
Repurchase agreements	26,610,104	25,244,269
Held-to-maturity financial assets		
Repurchase agreements	27,074,593	24,932,105
Debt Investments without active market		
Repurchase agreements	5,037,786	4,540,784
<u>Types of financial assets</u>	<b>March 31, 2016</b>	
	<u>Carrying amount of the transferred financial assets</u>	<u>Carrying amount of relevant financial liabilities</u>
Financial assets measured at fair value through profit or loss		
Repurchase agreements	\$ 397,979	398,097
Discounted note		
Repurchase agreements	2,673,732	2,732,925
Available-for-sale financial assets		
Repurchase agreements	20,747,649	19,483,044
Held-to-maturity financial assets		
Repurchase agreements	25,746,097	24,664,540
Debt Investments without active market		
Repurchase agreements	1,470,186	1,368,215

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

b) Transferred financial assets that are completely derecognized

In 2014, Fubon Bank (China) sold a buyer nonperforming loans of \$2,303,249, which had a carrying amount of \$2,029,649; the loan selling price was \$2,051,174 and issued a commitment letter as a credit enhancement guarantee within the amount of the loan selling price for 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 asset to the extent of its continuing involvement, and recognized the associated liabilities it could be required to repay in other financial liabilities. Since the buyer has transferred the nonperforming loans to a third-party in 2016, Fubon Bank (China) is no longer providing guarantees on its involvement in the transferred assets. Therefore, Fubon Bank (China) ceased to recognize the continuing involvement in the transfer of its financial assets and associated financial liabilities.

The tables below show the potential financial implication of such continuing involvement:

		March 31, 2016				
		Carrying amount of continuing involvement in the balance sheet		Fair Value of continuing involvement		
Continuing involvement	Cash flow of repurchasing transferred (derecognized) financial assets	Other financial assets	Other financial liabilities	Assets	Liabilities	Maximum exposure of loss
Issued a commitment letter	\$ -	248,166	253,799	253,799	253,799	248,166
		March 31, 2016				
		Maturity of continuing involvement				
Continuing involvement		Less than 1 month	1 to 3 months	3 months to an year	1 to 5 years	Over 5 years
Issued a commitment letter	\$ -	-	123,749	130,050	-	-

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

2) Fubon Life Insurance and its subsidiaries

The transferred financial assets of Fubon Life Insurance and its subsidiaries that are not qualified for de-recognition in the daily operation are mainly debt securities under repurchase agreements or equity securities under lending agreements. Since the right to receive cash flow is transferred and it reflects the associated liabilities to repurchase transferred financial assets at fixed price in future period, Fubon Life Insurance and its subsidiaries cannot use, sell or pledge these transferred financial assets during the valid transaction period. Therefore, Fubon Life Insurance and its subsidiaries do not completely derecognize the transferred assets. The table below discloses the information of financial assets that are not completely derecognized and the associated financial liabilities:

Units: In thousands of TWD					
<b>March 31, 2017</b>					
<b>Types of financial assets</b>	<b>Carrying amount of the transferred financial assets</b>	<b>Carrying amount of relevant financial liabilities</b>	<b>Fair value of the transferred financial assets</b>	<b>Fair value of relevant financial liabilities</b>	<b>Fair value net position</b>
Available-for-sale financial assets					
Security lending agreements	\$ 2,120,544	-	2,120,544	-	2,120,544
Debt Investments without active market					
Repurchase agreements	72,819	92,277	86,248	92,277	(6,029)
Units: In thousands of TWD					
<b>December 31, 2016</b>					
<b>Types of financial assets</b>	<b>Carrying amount of the transferred financial assets</b>	<b>Carrying amount of relevant financial liabilities</b>	<b>Fair value of the transferred financial assets</b>	<b>Fair value of relevant financial liabilities</b>	<b>Fair value net position</b>
Available-for-sale financial assets					
Security lending agreements	\$ 1,328,390	-	1,328,390	-	1,328,390
Units: In thousands of TWD					
<b>March 31, 2016</b>					
<b>Types of financial assets</b>	<b>Carrying amount of the transferred financial assets</b>	<b>Carrying amount of relevant financial liabilities</b>	<b>Fair value of the transferred financial assets</b>	<b>Fair value of relevant financial liabilities</b>	<b>Fair value net position</b>
Available-for-sale financial assets					
Security lending agreements	\$ 545,229	-	545,229	-	545,229

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

3) Fubon Insurance and its subsidiaries

Transferred financial assets that are completely derecognized

The transferred financial assets of Fubon Insurance and its subsidiaries that are not qualified for de-recognition in the daily operation are mainly debt securities under repurchase agreements or equity securities under lending agreements. Since the right to receive cash flow is transferred and it reflects the associated liabilities to repurchase transferred financial assets at fixed price in future period, Fubon Insurance and its subsidiaries cannot use, sell or pledge these transferred financial assets during the valid transaction period. However, since Fubon Insurance and its subsidiaries still bear the interest rate risk and credit risk, transferred financial assets are not completely derecognized.

The table below shows the financial assets that are not completely derecognized and the associated liabilities.

December 31, 2016					
Types of financial assets	Carrying amount of the transferred financial assets	Carrying amount of relevant financial liabilities	Fair value of the transferred financial assets	Fair value of relevant financial liabilities	Fair value net position
Available-for-sale financial assets					
Security lending agreements	\$ 2,338	-	2,338	-	2,338
Held-to-maturity financial assets					
March 31, 2016					
Types of financial assets	Carrying amount of the transferred financial assets	Carrying amount of relevant financial liabilities	Fair value of the transferred financial assets	Fair value of relevant financial liabilities	Fair value net position
Available-for-sale financial assets					
Security lending agreements	\$ 25,493	-	25,493	-	25,493

4) Fubon Securities and its subsidiaries

Transferred financial assets that are not completely derecognized

The transferred financial assets of Fubon Securities and its subsidiaries that are not qualified for de-recognition in the daily operation are mainly debt securities under repurchase agreements. Since the right to receive cash flow is transferred and it reflects the associated liabilities to repurchase transferred financial assets at fixed price in future period, Fubon Securities and its subsidiaries cannot use, sell or pledge these transferred financial assets during the valid transaction period. However, since Fubon Securities and its subsidiaries still bear the interest rate risk and credit risk, transferred financial assets are not completely derecognized.

(Continued)



**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

Fubon Securities and its subsidiaries split the convertible bonds into corporate bonds and option, and sell them to separate investors with varying needs. Because the transactions involved ownership transfer, the entry for disposal of corporate bonds is the same as the normal bond transactions. The agreed exchanged interest payments are recorded as net value and evaluate at the market price as of balance sheet date.

When engaging in convertible bond option transactions, buyers pay premium to obtain the right to purchase or sell a security at a predetermined price on or before a specified day; sellers have the corresponding obligation to sell his options at a predetermined price on or before a specified day. The premium of the options will be shown on the balance sheet.

Notional amounts of the option should be recorded by memorandum entries. When options' owner fulfills his obligation, Fubon Securities and its subsidiaries will sell repurchased bonds to options' owner. Thus, the entry for disposal of corporate bonds is the same as the normal bond transactions. However, Fubon Securities and its subsidiaries still have the right to control the underlying interest; therefore, the financial assets are not derecognized in their entirety. Analysis of financial assets that are not completely derecognized and the associated liabilities are as follows.

<u>Types of financial assets</u>	<u>March 31, 2017</u>	
	<u>Carrying amount of the transferred financial assets</u>	<u>Carrying amount of relevant financial liabilities</u>
Financial assets measured at fair value through profit or loss		
Repurchase agreements	\$ 20,457,271	20,296,500
Convertible bonds transferred to counter parties of asset exchange option	590,340	533,265
<u>Types of financial assets</u>	<u>December 31, 2016</u>	
	<u>Carrying amount of the transferred financial assets</u>	<u>Carrying amount of relevant financial liabilities</u>
Financial assets measured at fair value through profit or loss		
Repurchase agreements	\$ 21,319,682	21,231,598
Convertible bonds transferred to counter parties of asset exchange option	646,409	596,147
<u>Types of financial assets</u>	<u>March 31, 2016</u>	
	<u>Carrying amount of the transferred financial assets</u>	<u>Carrying amount of relevant financial liabilities</u>
Financial assets measured at fair value through profit or loss		
Repurchase agreements	\$ 20,055,378	20,306,065
Convertible bonds transferred to counter parties of asset exchange option	307,689	298,278

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

5) Fubon Bank (Hong Kong) and its subsidiaries

Transferred financial assets that are not completely derecognized

The transferred financial assets of Fubon Bank (Hong Kong) and its subsidiaries that are not qualified for de-recognition in the daily operation are mainly debt securities under repurchase agreements or equity securities under lending agreements. Since the right to receive cash flow is transferred and it reflects the associated liabilities to repurchase transferred financial assets at fixed price in future period, Fubon Bank (Hong Kong) and its subsidiaries cannot use, sell or pledge these transferred financial assets during the valid transaction period. However, since Fubon Bank (Hong Kong) and its subsidiaries still bear the interest rate risk and credit risk, transferred financial assets are not completely derecognized. The table below shows the financial assets that are not completely derecognized and the associated liabilities.

Unit: In thousands of HKD

<b>March 31, 2017</b>					
<b>Types of financial assets</b>	<b>Carrying amount of the transferred financial assets</b>	<b>Carrying amount of relevant financial liabilities</b>	<b>Fair value of the transferred financial assets</b>	<b>Fair value of relevant financial liabilities</b>	<b>Fair value net position</b>
Available-for-sale financial assets					
Repurchase agreements	\$ 11,015,722	10,489,609	11,015,722	10,489,609	526,113
Held-to-maturity financial assets					
Repurchase agreements	123,164	117,607	123,164	117,607	5,557
<b>December 31, 2016</b>					
<b>Types of financial assets</b>	<b>Carrying amount of the transferred financial assets</b>	<b>Carrying amount of relevant financial liabilities</b>	<b>Fair value of the transferred financial assets</b>	<b>Fair value of relevant financial liabilities</b>	<b>Fair value net position</b>
Available-for-sale financial assets					
Repurchase agreements	\$ 10,018,330	9,590,268	10,018,330	9,590,268	428,062
Held-to-maturity financial assets					
Repurchase agreements	122,561	118,671	122,561	118,671	3,890
<b>March 31, 2016</b>					
<b>Types of financial assets</b>	<b>Carrying amount of the transferred financial assets</b>	<b>Carrying amount of relevant financial liabilities</b>	<b>Fair value of the transferred financial assets</b>	<b>Fair value of relevant financial liabilities</b>	<b>Fair value net position</b>
Available-for-sale financial assets					
Repurchase agreements	\$ 10,078,910	9,686,170	10,078,910	9,686,170	392,740

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

(vii) Offsetting financial assets and financial liabilities

1) Taipei Fubon Bank and its subsidiaries

Taipei Fubon Bank and its subsidiaries did not hold any financial instruments which meet Section 42 of the IAS 32 endorsed by FSC. Therefore, the financial instrument will be offset on the balance sheet.

Although Taipei Fubon Bank and its subsidiaries do not engage in any transactions that meet the offsetting condition in IFRSs, they have signed net settlement contracts of similar agreements with counterparties, such as global master repurchase agreement, global securities lending agreement and similar repurchase agreement or reverse-repurchase agreement. If both parties choose to net settle, the abovementioned executable net settlement contracts or similar agreements will be allowed to be settled in net amount after offsetting the financial assets and financial liabilities. Otherwise, the transaction will be settled in gross amount. However, if one party defaults, the other party could choose to net settle.

The offsetting information of financial assets and financial liabilities is shown below:

March 31, 2017						
Financial assets under offsetting or general agreement of net amount settlement or similar norms						
	Total recognized financial assets (a)	Total recognized financial liabilities offsetting on the balance sheets (b)	Net amount of financial assets on the balance sheets (c)=(a)-(b)	Relevant amount not offset on the balance sheets (d)		Net amount (e)=(c)-(d)
Financial assets				Financial instruments (Note 1)	Cash received as collaterals	
Derivative financial instruments (Note 2)	\$ 43,685,684	-	43,685,684	30,062,152	1,371,618	12,251,914
Securities purchased under resell agreements	21,646,564	-	21,646,564	21,481,251	-	165,313
<b>Total</b>	<b>\$ 65,332,248</b>	<b>-</b>	<b>65,332,248</b>	<b>51,543,403</b>	<b>1,371,618</b>	<b>12,417,227</b>
Financial liabilities under offsetting or general agreement of net amount settlement or similar norms						
	Total recognized financial liabilities (a)	Total recognized financial assets offsetting on the balance sheets (b)	Net amount of financial liabilities on the balance sheets (c)=(a)-(b)	Relevant amount not offset on the balance sheets (d)		Net amount (e)=(c)-(d)
Financial liabilities				Financial instruments (Note 1)	Pledged cash Collaterals	
Derivative financial instruments (Note 2)	\$ 48,472,803	-	48,472,803	25,819,953	6,888,226	15,764,624
Securities sold under repurchase agreements	67,797,358	-	67,797,358	67,656,424	-	140,934
<b>Total</b>	<b>\$ 116,270,161</b>	<b>-</b>	<b>116,270,161</b>	<b>93,476,377</b>	<b>6,888,226</b>	<b>15,905,558</b>

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

December 31, 2016						
Financial assets under offsetting or general agreement of net amount settlement or similar norms						
Financial assets	Total recognized financial assets (a)	Total recognized financial liabilities offsetting on the balance sheets (b)	Net amount of financial assets on the balance sheets (c)=(a)-(b)	Relevant amount not offset on the balance sheets (d)		Net amount (e)=(c)-(d)
				Financial instruments (Note 1)	Cash collaterals	
Derivative financial 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
<b>Total</b>	<b>\$ 100,411,795</b>	<b>-</b>	<b>100,411,795</b>	<b>82,026,170</b>	<b>2,140,649</b>	<b>16,244,976</b>
Financial liabilities under offsetting or general agreement of net amount settlement or similar norms						
Financial liabilities	Total recognized financial liabilities (a)	Total recognized financial assets offsetting on the balance sheets (b)	Net amount of financial liabilities on the balance sheets (c)=(a)-(b)	Relevant amount not offset on the balance sheets (d)		Net amount (e)=(c)-(d)
				Financial instruments (Note 1)	Pledged cash Collaterals	
Derivative financial instruments (Note 2)	\$ 69,574,457	-	69,574,457	49,865,604	10,506,872	9,201,981
Securities sold under under resell agreements	61,440,929	-	61,440,929	61,430,623	-	10,306
<b>Total</b>	<b>\$ 131,015,386</b>	<b>-</b>	<b>131,015,386</b>	<b>111,296,227</b>	<b>10,506,872</b>	<b>9,212,287</b>
March 31, 2016						
Financial assets under offsetting or general agreement of net amount settlement or similar norms						
Financial assets	Total recognized financial assets (a)	Total recognized financial liabilities offsetting on the balance sheets (b)	Net amount of financial assets on the balance sheets (c)=(a)-(b)	Relevant amount not offset on the balance sheets (d)		Net amount (e)=(c)-(d)
				Financial instruments (Note 1)	Cash collaterals	
Derivative financial instruments (Note 2)	\$ 58,704,456	-	58,704,456	40,715,604	778,033	17,210,819
Securities purchased under resell agreements	12,452,787	-	12,452,787	12,397,209	-	55,578
<b>Total</b>	<b>\$ 71,157,243</b>	<b>-</b>	<b>71,157,243</b>	<b>53,112,813</b>	<b>778,033</b>	<b>17,266,397</b>

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

March 31, 2016						
Financial liabilities under offsetting or general agreement of net amount settlement or similar norms						
Financial liabilities	Total recognized financial liabilities (a)	Total recognized financial assets offsetting on the balance sheets (b)	Net amount of financial liabilities on the balance sheets (c)=(a)-(b)	Relevant amount not offset on the balance sheets (d)		
				Financial instruments (Note 1)	Pledged cash Collaterals	Net amount (e)=(c)-(d)
Derivative financial instruments (Note 2)	\$ 60,719,074	-	60,719,074	37,559,637	11,502,245	11,657,192
Securities sold under repurchase agreements	48,646,821	-	48,646,821	48,646,191	-	630
<b>Total</b>	<b>\$ 109,365,895</b>	<b>-</b>	<b>109,365,895</b>	<b>86,205,828</b>	<b>11,502,245</b>	<b>11,657,822</b>

Note 1: Netting settlement agreement and non-cash financial collaterals are included.

Note 2: Derivative financial assets for hedging are included.

2) Fubon Life Insurance and its subsidiaries

Although Fubon Life Insurance and its subsidiaries do not engage in transactions that meet the offsetting condition in IFRSs, they have signed net settlement contracts of similar agreements with counterparties. If both parties choose to net settle, the abovementioned executable net settlement contracts or similar agreements will be allowed to be settled in net amount after offsetting the financial assets and financial liabilities. Otherwise, the transaction will be settled in gross amount. However, if one party defaults, the other party could choose to net settle. Relevant information is shown as follows:

March 31, 2017						
Financial assets under general agreement of net amount settlement or similar norms						
	Total Recognized financial assets (a)	Total recognized financial liabilities offsetting on the balance sheets (b)	Net amount of financial assets on the balance sheets (c)=(a)-(b)	Relevant amount not offset on the balance sheets (d)		
				Financial instruments (Note)	Cash collaterals	Net amount (e)=(c)-(d)
Derivative financial instruments and structured deposits	\$ 59,900,034	-	59,900,034	1,891,254	-	58,008,780
Repurchase agreements	57,248,261	-	57,248,261	56,330,800	-	917,461
Securities lending agreements	2,120,544	-	2,120,544	2,120,544	-	-
<b>Total</b>	<b>\$ 119,268,839</b>	<b>-</b>	<b>119,268,839</b>	<b>60,342,598</b>	<b>-</b>	<b>58,926,241</b>

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

<b>March 31, 2017</b>						
<b>Financial liabilities under general agreement of net amount settlement or similar norms</b>						
	<b>Total Recognized financial liabilities (a)</b>	<b>Total recognized financial assets offsetting on the balance sheets (b)</b>	<b>Net amount of financial liabilities on the balance sheets (c)=(a)-(b)</b>	<b>Relevant amount not offset on the balance sheets (d)</b>		<b>Net amount (e)=(c)-(d)</b>
				<b>Financial instruments (Note)</b>	<b>Pledged cash Collaterals</b>	
Derivative financial instruments	\$ 2,169,056	-	2,169,056	1,891,254	-	277,802
Repurchase agreements	92,277	-	92,277	72,819	-	19,458
<b>Total</b>	<b>\$ 2,261,333</b>	<b>-</b>	<b>2,261,333</b>	<b>1,964,073</b>	<b>-</b>	<b>297,260</b>

<b>December 31, 2016</b>						
<b>Financial assets under general agreement of net amount settlement or similar norms</b>						
	<b>Total Recognized financial assets (a)</b>	<b>Total recognized financial liabilities offsetting on the balance sheets (b)</b>	<b>Net amount of financial assets on the balance sheets (c)=(a)-(b)</b>	<b>Relevant amount not offset on the balance sheets (d)</b>		<b>Net amount (e)=(c)-(d)</b>
				<b>Financial instruments (Note)</b>	<b>Cash collaterals</b>	
Derivative financial instruments and structured deposits	\$ 32,510,179	-	32,510,179	6,223,325	-	26,286,854
Repurchase agreements	62,647,954	-	62,647,954	61,719,500	-	928,454
Securities lending agreements	1,328,390	-	1,328,390	1,328,390	-	-
<b>Total</b>	<b>\$ 96,486,523</b>	<b>-</b>	<b>96,486,523</b>	<b>69,271,215</b>	<b>-</b>	<b>27,215,308</b>

<b>Financial liabilities under general agreement of net amount settlement or similar norms</b>						
	<b>Total recognized financial liabilities (a)</b>	<b>Total recognized financial assets offsetting on the balance sheets (b)</b>	<b>Net amount of financial liabilities on the balance sheets (c)=(a)-(b)</b>	<b>Relevant amount not offset on the balance sheets (d)</b>		<b>Net amount (e)=(c)-(d)</b>
				<b>Financial instruments (Note)</b>	<b>Pledged cash collaterals</b>	
Derivative financial instruments	\$ 14,916,897	-	14,916,897	6,223,325	-	8,693,572

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

March 31, 2016						
Financial assets under general agreement of net amount settlement or similar norms						
	Total recognized financial assets (a)	Total recognized financial liabilities offsetting on the balance sheets (b)	Net amount of financial assets on the balance sheets (c)=(a)-(b)	Relevant amount not offset on the balance sheets (d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash collaterals	
Derivative financial instruments and structured deposits	\$ 40,887,680	-	40,887,680	269,897	-	40,617,783
Repurchase agreements	108,455,714	-	108,455,714	105,680,300	-	2,775,414
Securities lending agreements	545,229	-	545,229	545,229	-	-
<b>Total</b>	<b>\$ 149,888,623</b>	<b>-</b>	<b>149,888,623</b>	<b>106,495,426</b>	<b>-</b>	<b>43,393,197</b>
Financial liabilities under general agreement of net amount settlement or similar norms						
	Total recognized financial liabilities (a)	Total recognized financial assets offsetting on the balance sheets (b)	Net amount of financial liabilities on the balance sheets (c)=(a)-(b)	Relevant amount not offset on the balance sheets (d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Pledged cash collaterals	
Derivative financial instruments	\$ 293,363	-	293,363	269,897	-	23,466

Note: General agreement of net amount settlement and non-cash collateral are included.

3) Fubon Insurance and its subsidiaries

Although Fubon Insurance and its subsidiaries do not engage in transactions that meet the offsetting condition in IFRSs, they have signed net settlement contracts of similar agreements with counterparties. If both parties choose to net settle, the abovementioned executable net settlement contracts or similar agreements will be allowed to be settled in net amount after offsetting the financial assets and financial liabilities. Otherwise, the transaction will be settled in gross amount. However, if one party defaults, the other party could choose to net settle. Relevant information is shown as follows:

March 31, 2017						
Financial assets under general agreement of net amount settlement or similar norms						
	Total recognized financial assets (a)	Total recognized financial liabilities offsetting on the balance sheets (b)	Net amount of financial assets on the balance sheets (c)=(a)-(b)	Relevant amount not offset on the balance sheets (d)		Net amount (e)=(c)-(d)
				Financial instruments	Cash collaterals	
Derivative financial instruments	\$ 340,804	-	340,804	8,507	-	332,297

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

March 31, 2017						
Financial liabilities under general agreement of net amount settlement or similar norms						
	Total recognized financial liabilities (a)	Total recognized financial assets offsetting on the balance sheets (b)	Net amount of financial liabilities on the balance sheets (c)=(a)-(b)	Relevant amount not offset on the balance sheets (d)		Net amount (e)=(c)-(d)
				Financial instruments	Pledged cash collaterals	
Derivative financial instruments	\$ 8,507	-	8,507	8,507	-	-
December 31, 2016						
Financial assets under general agreement of net amount settlement or similar norms						
	Total recognized financial assets (a)	Total recognized financial liabilities offsetting on the balance sheets (b)	Net amount of financial assets on the balance sheets (c)=(a)-(b)	Relevant amount not offset on the balance sheets (d)		Net amount (e)=(c)-(d)
				Financial instruments	Cash collaterals	
Derivative financial instruments	\$ 17,516	-	17,516	17,516	-	-
Securities lending agreements	2,338	-	2,338	2,338	-	-
Total	\$ 19,854	-	19,854	19,854	-	-
Financial liabilities under general agreement of net amount settlement or similar norms						
	Total recognized financial liabilities (a)	Total recognized financial assets offsetting on the balance sheets (b)	Net amount of financial liabilities on the balance sheets (c)=(a)-(b)	Relevant amount not offset on the balance sheets (d)		Net amount (e)=(c)-(d)
				Financial instruments	Pledged cash collaterals	
Derivative financial instruments	\$ 251,107	-	251,107	17,516	-	233,591
March 31, 2016						
Financial assets under general agreement of net amount settlement or similar norms						
	Total recognized financial assets (a)	Total recognized financial liabilities offsetting on the balance sheets (b)	Net amount of financial assets on the balance sheets (c)=(a)-(b)	Relevant amount not offset on the balance sheets (d)		Net amount (e)=(c)-(d)
				Financial instruments	Cash collaterals	
Derivative financial instruments	\$ 368,742	-	368,742	30,897	-	337,845
Securities lending agreements	25,493	-	25,493	25,493	-	-
Total	\$ 394,235	-	394,235	56,390	-	337,845

(Continued)



**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

March 31, 2016						
Financial liabilities under general agreement of net amount settlement or similar norms						
	Total recognized financial liabilities (a)	Total recognized financial assets offsetting on the balance sheets (b)	Net amount of financial liabilities on the balance sheets (c)=(a)-(b)	Relevant amount not offset on the balance sheets (d)		Net amount (e)=(c)-(d)
				Financial instruments	Pledged cash collaterals	
Derivative financial instruments	\$ 30,897	-	30,897	30,897	-	-

4) Fubon Securities and its subsidiaries

Fubon Securities and its subsidiaries did not hold any financial instruments contract which meets Section 42 of the FSC endorsed by IAS 32 therefore, the financial assets and financial liabilities will be offset on the balance sheet.

Although Fubon Securities and its subsidiaries do not engage in transactions that meet the offsetting condition in IFRSs, they have signed net settlement contracts of similar agreements with counterparties. If both parties choose to net settle, the abovementioned executable net settlement contracts or similar agreements will be allowed to be settled in net amount after offsetting the financial assets and financial liabilities. Otherwise, the transaction will be settled in gross amount. However, if one party defaults, the other party could choose to net settle.

The offsetting information of financial assets and liabilities is shown below:

March 31, 2017						
Financial assets under general agreement of net amount settlement or similar norms						
	Total recognized financial assets (a)	Total recognized financial liabilities offsetting on the balance sheets (b)	Net amount of financial assets on the balance sheets (c)=(a)-(b)	Relevant amount not offset on the balance sheets (d)		Net amount (e)=(c)-(d)
				Financial instruments (note)	Cash collaterals	
Derivative financial assets	\$ 98,113	-	98,113	-	-	98,113
Resell agreements	343,303	-	343,303	343,303	-	-
Total	\$ 441,416	-	441,416	343,303	-	98,113

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

March 31, 2017						
Financial liabilities under general agreement of net amount settlement or similar norms						
	Total recognized financial liabilities (a)	Total recognized financial assets offsetting on the balance sheets (b)	Net amount of financial liabilities on the balance sheets (c)=(a)-(b)	Relevant amount not offset on the balance sheets (d)		Net amount (e)=(c)-(d)
				Financial instruments (note)	Pledged cash collaterals	
Derivative financial liabilities	\$ 3,384,085	-	3,384,085	-	-	3,384,085
Repurchase agreements	20,296,500	-	20,296,500	20,296,500	-	-
<b>Total</b>	<b>\$ 23,680,585</b>	<b>-</b>	<b>23,680,585</b>	<b>20,296,500</b>	<b>-</b>	<b>3,384,085</b>

December 31, 2016						
Financial assets under general agreement of net amount settlement or similar norms						
	Total recognized financial assets (a)	Total recognized financial liabilities offsetting on the balance sheets (b)	Net amount of financial assets on the balance sheets (c)=(a)-(b)	Relevant amount not offset on the balance sheets (d)		Net amount (e)=(c)-(d)
				Financial instruments (note)	Cash collaterals	
Derivative financial assets	\$ 119,169	-	119,169	-	-	119,169
Resell agreements	645,311	-	645,311	645,311	-	-
<b>Total</b>	<b>\$ 764,480</b>	<b>-</b>	<b>764,480</b>	<b>645,311</b>	<b>-</b>	<b>119,169</b>

Financial liabilities under general agreement of net amount settlement or similar norms						
	Total recognized financial liabilities (a)	Total recognized financial assets offsetting on the balance sheets (b)	Net amount of financial liabilities on the balance sheets (c)=(a)-(b)	Relevant amount not offset on the balance sheets (d)		Net amount (e)=(c)-(d)
				Financial instruments (note)	Pledged cash collaterals	
Derivative financial liabilities	\$ 3,202,423	-	3,202,423	-	-	3,202,423
Repurchase agreements	21,231,598	-	21,231,598	21,231,598	-	-
<b>Total</b>	<b>\$ 24,434,021</b>	<b>-</b>	<b>24,434,021</b>	<b>21,231,598</b>	<b>-</b>	<b>3,202,423</b>

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

March 31, 2016						
Financial assets under general agreement of net amount settlement or similar norms						
	Total recognized financial assets (a)	Total recognized financial liabilities offsetting on the balance sheets (b)	Net amount of financial assets on the balance sheets (c)=(a)-(b)	Relevant amount not offset on the balance sheets (d)		Net amount (e)=(c)-(d)
				Financial instruments (note)	Cash collaterals	
Derivative financial assets	\$ 35,118	-	35,118	-	-	35,118
Financial liabilities under general agreement of net amount settlement or similar norms						
	Total recognized financial liabilities (a)	Total recognized financial assets offsetting on the balance sheets (b)	Net amount of financial liabilities on the balance sheets (c)=(a)-(b)	Relevant amount not offset on the balance sheets (d)		Net amount (e)=(c)-(d)
				Financial instruments (note)	Pledged cash collaterals	
Derivative financial liabilities	\$ 2,916,761	-	2,916,761	-	-	2,916,761
Repurchase agreements	20,306,065	-	20,306,065	20,306,065	-	-
Total	\$ 23,222,826	-	23,222,826	20,306,065	-	2,916,761

Note: Netting settlement agreements and non-cash collaterals are included.

5) Fubon Bank (HK) and its subsidiaries

Although Fubon Bank (HK) and its subsidiaries do not engage in transactions that meet the offsetting condition in IFRSs, they have signed net settlement contracts of similar agreements with counterparties, such as global master repurchase agreement, global securities lending agreement and similar repurchase agreement or reverse-repurchase agreement. If both parties choose to net settle, the abovementioned executable net settlement contracts or similar agreements will be allowed to be settled in net amount after offsetting the financial assets and financial liabilities. Otherwise, the transaction will be settled in gross amount. However, if one party defaults, the other party could choose to net settle. Relevant information is shown as follows:

Units: In thousands of HKD

March 31, 2017						
Financial assets under general agreement of net amount settlement or similar norms						
	Total recognized financial assets (a)	Total recognized financial liabilities offsetting on the balance sheets (b)	Net amount of financial assets on the balance sheets (c)=(a)-(b)	Relevant amount not offset on the balance sheets (d)		Net amount (e)=(c)-(d)
				Financial instruments (note)	Cash collaterals	
Derivative financial instruments	\$ 681,959	-	681,959	82,583	-	599,376

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

<b>March 31, 2017</b>						
<b>Financial liabilities under general agreement of net amount settlement or similar norms</b>						
	<b>Total recognized financial liabilities (a)</b>	<b>Total recognized financial assets offsetting on the balance sheet (b)</b>	<b>Net amount of financial liabilities on the balance sheets (c)=(a)-(b)</b>	<b>Relevant amount not offset on the balance sheets (d)</b>		<b>Net amount (e)=(c)-(d)</b>
				<b>Financial instruments (note)</b>	<b>Pledged cash collaterals</b>	
Derivative financial instruments	\$ 328,144	-	328,144	82,583	-	245,561
Securities sold under repurchase agreements	10,607,216	-	10,607,216	-	-	10,607,216
<b>Total</b>	<b>\$ 10,935,360</b>	<b>-</b>	<b>10,935,360</b>	<b>82,583</b>	<b>-</b>	<b>10,852,777</b>

Units: In thousands of HKD

<b>December 31, 2016</b>						
<b>Financial assets under general agreement of net amount settlement or similar norms</b>						
	<b>Total recognized financial assets (a)</b>	<b>Total recognized financial liabilities offsetting on the balance sheets (b)</b>	<b>Net amount of financial assets on the balance sheets (c)=(a)-(b)</b>	<b>Relevant amount not offset on the balance sheets (d)</b>		<b>Net amount (e)=(c)-(d)</b>
				<b>Financial instruments (note)</b>	<b>Cash collaterals</b>	
Derivative financial instruments	\$ 753,244	-	753,244	98,601	-	654,643

<b>Financial liabilities under general agreement of net amount settlement or similar norms</b>						
	<b>Total recognized financial liabilities (a)</b>	<b>Total recognized financial assets offsetting on the balance sheets (b)</b>	<b>Net amount of financial liabilities on the balance sheets (c)=(a)-(b)</b>	<b>Relevant amount not offset on the balance sheets (d)</b>		<b>Net amount (e)=(c)-(d)</b>
				<b>Financial instruments (note)</b>	<b>Pledged cash collaterals</b>	
Derivative financial instruments	\$ 443,714	-	443,714	98,601	-	345,113
Securities sold under repurchase agreements	9,708,939	-	9,708,939	-	-	9,708,939
<b>Total</b>	<b>\$ 10,152,653</b>	<b>-</b>	<b>10,152,653</b>	<b>98,601</b>	<b>-</b>	<b>10,054,052</b>

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

Units: In thousands of HKD

March 31, 2016

<b>Financial assets under general agreement of net amount settlement or similar norms</b>						
	<b>Total recognized financial assets (a)</b>	<b>Total recognized financial liabilities offsetting on the balance sheets (b)</b>	<b>Net amount of financial assets on the balance sheets (c)=(a)-(b)</b>	<b>Relevant amount not offset on the balance sheets (d)</b>		<b>Net amount (e)=(c)-(d)</b>
				<b>Financial instruments (note)</b>	<b>Cash collaterals</b>	
Derivative financial instruments	\$ 698,373	-	698,373	13,480	-	684,893
<b>Financial liabilities under general agreement of net amount settlement or similar norms</b>						
	<b>Total recognized financial liabilities (a)</b>	<b>Total recognized financial assets offsetting on the balance sheets (b)</b>	<b>Net amount of financial liabilities on the balance sheets (c)=(a)-(b)</b>	<b>Relevant amount not offset on the balance sheets (d)</b>		<b>Net amount (e)=(c)-(d)</b>
				<b>Financial instruments (note)</b>	<b>Pledged cash collaterals</b>	
Derivative financial instruments	\$ 834,644	-	834,644	13,480	-	821,164
Securities sold under repurchase agreements	9,686,170	-	9,686,170	-	-	9,686,170
<b>Total</b>	<b>\$ 10,520,814</b>	<b>-</b>	<b>10,520,814</b>	<b>13,480</b>	<b>-</b>	<b>10,507,334</b>

Note: Netting settlement agreements and non-cash collaterals are included.

## (aj) Structured entities

## (i) Taipei Fubon Bank and its subsidiaries

- 1) Taipei Fubon Bank and its subsidiaries hold the following types equity of unconsolidated structured entities. The fund is from Taipei Fubon Bank and its subsidiaries and an external third-party.

Types of structured entity	Characteristic and purpose	Equity owned by Taipei Fubon Bank and its subsidiaries
Assets securitization products	Invest in assets securitization products to gain profit	Invest in asset backed securities issued by unconsolidated structured entities
Trust plans	Invest in trust scheme to gain profit	Invest in income right of trust issued by unconsolidated structured entities

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

Types of structured entity	Characteristic and purpose	Equity owned by Taipei Fubon Bank and its subsidiaries
Asset management plans	Invest in asset management scheme to gain profit	Invest in income right of asset management issued by unconsolidated structured entities
Financial product to other banks	Invest in financial product to other banks to gain profit	Invest in income right of financial product issued by unconsolidated structured entities

- 2) The carrying amounts of the unconsolidated structured entities recognized by Taipei Fubon Bank and its subsidiaries were as below:

March 31, 2017	Asset securitization products
<b>Assets possessed</b>	
— Available-for-sale financial assets	\$ 872,376
— Held-to-maturity financial assets	492,598
— Financial assets measured at fair value through profit or loss	342,804
Total assets possessed	\$ <b>1,707,778</b>
December 31, 2016	Asset securitization products
<b>Assets possessed</b>	
— Available-for-sale financial assets	\$ 910,780
— Held-to-maturity financial assets	554,884
— Financial assets measured at profit or loss	350,966
Total assets possessed	\$ <b>1,816,630</b>

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

<u>March 31, 2016</u>	<u>Asset securitization products</u>	<u>Trust plans</u>	<u>Asset management plans</u>	<u>Financial product to other banks</u>
<b>Assets possessed</b>				
— Available-for-sale financial assets	\$ 982,794	498,990	-	-
— Held-to-maturity financial assets	665,144	-	-	-
— Financial assets measured at fair value through profit or loss	383,614	-	-	-
— Other financial assets	-	-	2,744,445	1,496,970
<b>Total assets possessed</b>	<b>\$ 2,031,552</b>	<b>498,990</b>	<b>2,744,445</b>	<b>1,496,970</b>

The maximum exposure of the possible loss from the entity is the carrying amount of the assets possessed.

- 3) For the three months ended March 31, 2017 and 2016, Taipei Fubon Bank and its subsidiaries did not offer any financial support to those unconsolidated asset securitization products.

(ii) Fubon Life Insurance and its subsidiaries

1) Consolidated structured entities

The consolidated structured entity of Fubon Life Insurance and its subsidiaries is the real estate investment and management entity. The structured entity is consolidated because the involvement in it exposes Fubon Life Insurance and its subsidiaries to variability of returns from performance and their influence over it. As of March 31, 2017, December 31 and March 31, 2016, Fubon Life Insurance and its subsidiaries offered \$21,810,145, \$22,841,222 and \$26,368,850 of non-contractual obligation loan for the entity, respectively.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

2) Unconsolidated structured entities

- a) Fubon Life Insurance and its subsidiaries hold the following types equity of unconsolidated structured entities. The fund is from Fubon Life Insurance and its subsidiaries and an external third-party.

Types of structured entity	Characteristic and purpose	Equity owned by Fubon Life Insurance and its subsidiaries
Private fund investment	Invest in private fund issued by outside fund manager to gain profit	Invest in the fund units issued by the funds or limited partnership equity
Assets securitization products	Invest in assets securitization products to gain profit	Invest in asset-backed securities issued by the entity

- b) The carrying amounts of the unconsolidated structured entities recognized by Fubon Life Insurance and its subsidiaries were as below:

<u>March 31, 2017</u>	<u>Private fund investment</u>	<u>Asset securitization products</u>
<b>Assets possessed</b>		
– Available-for-sale financial assets	\$ 41,819,476	6,286,963
– Debt investments without active market	-	<u>50,682,232</u>
Total assets possessed	<u>\$ 41,819,476</u>	<u>56,969,195</u>
<u>December 31, 2016</u>	<u>Private fund investment</u>	<u>Asset securitization products</u>
<b>Assets possessed</b>		
– Available-for-sale financial assets	\$ 40,211,311	6,509,526
– Debt investments without active market	-	<u>52,499,203</u>
Total assets possessed	<u>\$ 40,211,311</u>	<u>59,008,729</u>

(Continued)



**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

<u>March 31, 2016</u>	<u>Private fund investment</u>	<u>Asset securitization products</u>
<b>Assets possessed</b>		
– Available-for-sale financial assets	\$ 29,657,141	8,165,153
– Debt investments without active market	-	<u>43,369,422</u>
Total assets possessed	<u>\$ 29,657,141</u>	<u>51,534,575</u>

The maximum exposure of the possible loss from the entity is the carrying amount of the assets possessed.

- c) For the three months ended March 31, 2017 and 2016, Fubon Life Insurance and its subsidiaries did not offer any financial support to those unconsolidated private fund investment and asset securitization products.

(iii) Fubon Insurance and its subsidiaries

- 1) Structured entities not included in the consolidated financial statements

Fubon Insurance and its subsidiaries possess the equities of the following structured entities which are not included in the consolidated financial statements. The fund is from Fubon Insurance and its subsidiaries and an external third party:

Types of structured entity	Characteristic and purpose	Equity owned by Fubon Insurance and its subsidiaries
Private equity fund	Invest in funds that can not be traded in a public market	Invest in the fund units issued by the funds or limited partnership equity
Assets securitization products	Invest in assets securitization products of commercial real estate	Invest in asset-backed securities issued by the entity

- 2) The carrying amount of the assets related to the structured entities recognized by Fubon Insurance and its subsidiaries but not yet included in the consolidated financial statements were as follows:

<u>March 31, 2017</u>	<u>Private equity fund</u>	<u>Asset securitization products</u>
<b>Assets possessed</b>		
– Available-for-sale financial assets	\$ 154,252	2,202,465
– Debt investments without active market	-	<u>328,875</u>
Total assets possessed	<u>\$ 154,252</u>	<u>2,531,340</u>

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

<b>December 31, 2016</b>	<b>Private equity fund</b>	<b>Asset securitization products REITS</b>
<b>Assets possessed</b>		
— Available-for-sale financial assets	\$ 159,838	2,258,897
— Debt investments without active market	-	370,488
Total assets possessed	<u>\$ 159,838</u>	<u>2,629,385</u>
<b>March 31, 2016</b>	<b>Private equity fund</b>	<b>Asset securitization products</b>
<b>Assets possessed</b>		
— Available-for-sale financial assets	\$ 157,372	2,350,888
— Debt investments without active market	-	451,206
Total assets possessed	<u>\$ 157,372</u>	<u>2,802,094</u>

The maximum exposure of the possible loss from an entity is the carrying amount of the assets possessed.

- 3) For the three months ended March 31, 2017 and 2016, Fubon Insurance and its subsidiaries did not offer any financial support to those unconsolidated private investment fund and asset securitization products.
- (iv) Fubon Securities and its subsidiaries
- 1) Fubon Securities and its subsidiaries hold the following types equity of unconsolidated structured entities. The fund is from Fubon Securities and its subsidiaries and an external third-party.

<b>Types of structured entity</b>	<b>Characteristic and purpose</b>	<b>Equity owned by Fubon Securities and its subsidiaries</b>
Assets securitization products	Invest in assets securitization products to gain profit	Invest in asset backed securities issued by the entity

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

- 2) The carrying amounts of the unconsolidated structured entities recognized by Fubon Securities and its subsidiaries were as below:

<b>March 31, 2017</b>	<b>Asset securitization products</b>
<b>Assets possessed</b>	
– Financial assets measured at fair value through profit or loss - current	\$ 509,386
– Available-for-sale financial assets - current	<u>47,635</u>
Total assets possessed	<u><u>\$ 557,021</u></u>
<b>December 31, 2016</b>	<b>Asset securitization products</b>
<b>Assets possessed</b>	
– Financial assets measured at profit or loss - current	\$ 519,546
– Available-for-sale financial assets - current	<u>25,946</u>
Total assets possessed	<u><u>\$ 545,492</u></u>
<b>March 31, 2016</b>	<b>Asset securitization products</b>
<b>Assets possessed</b>	
– Financial assets measured at fair value through profit or loss - current	\$ 552,899
– Available-for-sale financial assets - current	<u>28,360</u>
Total assets possessed	<u><u>\$ 581,259</u></u>

The maximum exposure of the possible loss from the entity is the carrying amount of the assets possessed.

- 3) For the three months ended March 31, 2017 and 2016, Fubon Securities and its subsidiaries did not offer any financial support to those unconsolidated asset securitization products.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

(v) Other subsidiaries

- 1) Other subsidiaries hold the following types equity of unconsolidated structured entities. The fund is from the subsidiaries and an external third-party.

Types of structured entity	Characteristic and purpose	Equity owned by other subsidiaries
Private equity fund	Invest in private investment fund issued by outside fund manager to gain profit	Invest in the fund units issued by the funds or limited partnership equity
Assets securitization products	Invest in assets securitization products to gain profit	Invest in asset backed securities issued by the entity

- 2) The carrying amounts of the unconsolidated structured entities recognized by other subsidiaries were as below:

<u>March 31, 2017</u>	<u>Private fund investment</u>	<u>Asset securitization products</u>
<b>Assets possessed</b>		
— Available-for-sale financial assets	\$ 12,958	-
— Financial assets measured at fair value through profit or loss	-	59,503
Total assets possessed	<u>\$ 12,958</u>	<u>59,503</u>
<u>December 31, 2016</u>	<u>Private fund investment</u>	<u>Asset securitization products</u>
<b>Assets possessed</b>		
— Available-for-sale financial assets	\$ 16,956	-
— Financial assets measured at fair value through profit or loss	-	61,505
Total assets possessed	<u>\$ 16,956</u>	<u>61,505</u>

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

<u>March 31, 2016</u>	<u>Private fund investment</u>	<u>Asset securitization products</u>
<b>Assets possessed</b>		
— Available-for-sale financial assets	\$ 16,155	-
— Financial assets measured at fair value through profit or loss	-	65,214
Total assets possessed	<u>\$ 16,155</u>	<u>65,214</u>

The maximum exposure of the possible loss from the entity is the carrying amount of the assets possessed.

- 3) For the three months ended March 31, 2017 and 2016, other subsidiaries did not offer any financial support to those unconsolidated private investment fund and asset securitization products.

(ak) Capital Management

(i) General information

Objectives for managing capital are as follows:

- 1) The Company's basic objective of capital management shall be in compliance with the capital requirements of FSC and achieve the minimum statutory capital adequacy ratio. The qualified capital calculation is in accordance with regulation by competent authorities.
- 2) Maintain an optimal capital structure to respond to possible operational or economic risks, to sustain future development of the business, and to make appropriate and effective capital allocation.

(ii) Procedure for capital management

The Company maintained capital adequacy ratio to meet the requirements of the authority and report to the authority every quarter.

The Company complies with the "Regulations Governing the Consolidated Capital Adequacy of Financial Holding Companies". The subsidiaries shall comply with the related capital adequacy norms, and overseas subsidiaries shall comply with local ordinances.

The Capital is managed by the authority of the Company according to the Company Capital Adequacy Monitoring Standard.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

(a) Significant impact of related foreign currency information

	March 31, 2017			December 31, 2016			March 31, 2016		
	Foreign currency (in thousands)	Exchange rate (in dollars)	TWD	Foreign currency (in thousands)	Exchange rate (in dollars)	TWD	Foreign currency (in thousands)	Exchange rate (in dollars)	TWD
Financial assets:									
Monetary items									
USD	68,556,903	30.339/30.336/30.198	2,079,788,389	60,093,653	32.779/32.263/32.282	1,939,799,256	52,684,826	32.284/32.282/30.229	1,700,803,382
HKD	48,170,340	3.904	188,047,494	48,097,190	4.163	200,223,792	45,929,967	4.163	191,224,825
CNY	79,069,329	4.412/4.409/4.404	349,845,232	83,283,130	4.640/4.631/4.648	387,631,600	87,050,509	4.990/4.991/4.998	434,911,251
Non-Monetary items									
USD	7,542,825	30.339/30.336	228,820,406	6,817,596	32.282/32.279	220,067,214	7,790,301	32.284/32.282	251,487,732
HKD	12,353,597	3.904	48,229,496	12,633,745	4.163	52,593,017	9,633,216	4.163	40,106,931
CNY	10,676,017	4.412/4.409/4.404	47,058,023	13,595,228	4.640/4.631/4.638	63,077,699	10,570,027	4.990/4.991/4.998	52,780,626
Derivatives									
USD	791,867	30.339/30.336	24,022,103	21,274	32.282	1,009,504	597,328	32.284/32.282	19,282,967
HKD	176,832	3.904	690,317	152,217	4.1630	633,664	2,551	4.2660	10,884
Investments accounted for using equity method									
CNY	2,378,073	4.412	10,491,582	2,331,767	4.640	10,819,164	2,053,662	4.990	10,247,569
HKD	2,334,598	3.904	9,113,805	2,034,977	4.163	8,471,407	1,732,003	4.163	7,211,023
KRW	141,151,052	0.027	3,825,194	145,120,263	0.0270	3,889,223	217,015,662	0.0283	6,141,543
Financial liabilities:									
Monetary items									
USD	22,916,115	30.339/30.336	695,244,428	16,919,019	32.282/32.279	546,170,311	17,308,301	32.282/32.284	558,779,811
HKD	49,736,823	3.904	194,163,036	50,444,989	4.163	209,997,445	44,678,595	4.163	186,014,862
CNY	63,880,726	4.412/4.404	281,828,894	68,917,953	4.640	319,772,737	68,319,407	4.990	340,907,265
Non-Monetary items									
USD	261,989	30.339	7,948,338	561,962	32.282	18,140,987	553,150	32.284	17,857,786
CNY	1,952,707	4.412	8,614,953	6,178,048	4.640	28,665,527	3,731,664	4.990	18,620,630
JPY	9,624,934	0.271	2,610,282	20,112,276	0.2750	5,534,898	12,935,954	0.2872	3,715,206
Derivatives									
USD	71,781	30.339/30.336	2,177,552	469,903	32.282/32.279	15,168,015	10,111	32.284/32.282	326,389
HKD	218,834	3.904	854,284	252,492	4.1630	1,051,099	513,908	4.1630	2,139,605

Note: Each balance listed is greater than 5% of total monetary items.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

(am) The following disclosures are only applicable to Taipei Fubon Bank, in accordance with relevant regulations

(i) Asset quality of overdue loans and overdue receivables

Units: In thousands of TWD, %

		March 31, 2017					
Item		Non-performing loan (NPL) (Note 1)	Total loans	NPL Ratio (%) (Note 2)	Loan loss reserves (LLP)	Coverage ratio (%) (Note 3)	
Corporate loan	Secured	699,260	150,839,084	0.46	1,982,709	283.54	
	Unsecured	1,052,767	403,999,255	0.26	4,953,390	470.51	
Consumer loan	Mortgage (Note 4)	292,854	376,727,288	0.08	5,611,578	1,916.17	
	Cash card	37	4,602	0.80	91	245.95	
	Micro credit (Note 5)	44,907	17,724,398	0.25	208,883	465.15	
	Others (Note 6)	Secured	156,901	151,690,794	0.10	1,621,103	1,033.20
		Unsecured	49,717	34,607,819	0.14	360,973	726.06
Total		2,296,443	1,135,593,240	0.20	14,738,727	641.81	
		Overdue receivable	Account receivable	Delinquency ratio (%)	Allowance for credit losses	Coverage ratio (%)	
Credit card		50,080	33,440,066	0.15	222,487	444.26	
Account receivable factoring with no recourse (Note 7)		-	11,226,018	-	130,686	-	
Excluded NPL as a result of debt consultation and loans agreement (Note 8)		103,459					
Excluded overdue receivables as a result of debt consultation and loans agreements (Note 8)		158,271					
Excluded NPL as a result of debt solvency and restart plan (Note 9)		288,943					
Excluded overdue receivables as a result of debt solvency and restart plan (Note 9)		474,197					

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

		March 31, 2016					
Item		Non-performing loan (NPL) (Note 1)	Total loans	NPL Ratio (%) (Note 2)	Loan loss reserves (LLP)	Coverage ratio (%) (Note 3)	
Corporate loan	Secured	926,423	141,355,524	0.66	1,929,413	208.26	
	Unsecured	759,434	482,123,805	0.16	5,431,852	715.25	
Consumer loan	Mortgage (Note 4)	112,405	348,287,001	0.03	5,170,258	4,599.67	
	Cash card	-	6,761	-	131	-	
	Micro credit (Note 5)	40,845	14,768,422	0.28	178,789	437.73	
	Others (Note 6)	Secured	131,819	138,117,904	0.10	1,484,840	1,126.42
		Unsecured	58,001	33,522,543	0.17	347,987	599.97
<b>Total</b>		<b>2,028,927</b>	<b>1,158,181,960</b>	<b>0.18</b>	<b>14,543,270</b>	<b>716.80</b>	
		Overdue receivable	Account receivable	Delinquency ratio (%)	Allowance for credit losses	Coverage ratio (%)	
Credit card		49,712	26,955,492	0.18	207,218	416.84	
Account receivable factoring with no recourse (Note 7)		-	13,923,784	-	146,448	-	
Excluded NPL as a result of debt consultation and loans agreement (Note 8)		158,219					
Excluded overdue receivables as a result of debt consultation and loans agreements (Note 8)		230,025					
Excluded NPL as a result of debt solvency and restart plan (Note 9)		282,648					
Excluded overdue receivables as a result of debt solvency and restart plan (Note 9)		513,947					

Note 1: For loan business: Overdue loans represent the amounts of reported overdue loans pursuant to the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/Nonaccrual Loans” issued by the MoF.

For credit card business: Overdue receivables are regulated by the Banking Bureau letter dated July 6, 2005 (Ref. No. 0944000378).

Note 2: For loan business: NPL Ratio = NPL/Total Loans.

For credit card business: Delinquency Ratio = Overdue receivable/Account receivable.

Note 3: For loan business: Coverage Ratio = LLR/NPL

For credit card business: Coverage Ratio = Allowance for credit losses/Overdue receivables.

Note 4: Household mortgage means the purpose of financing is to purchase, build, or fix up the dwelling, and the dwelling owned by the borrower, spouse, or children fully secures the loan.

Note 5: Micro credit is regulated by the Banking Bureau letter dated December 19, 2005 (Ref. No. 09440010950).

Note 6: Others in consumer loan refer to secured or non-secured loans excluding mortgage, cash card, micro credit, and credit card.

Note 7: Account receivable – factoring with no recourse: As required by the Banking Bureau letter dated July 19, 2005 (Ref. No. 094000494), provision for bad debt is recognized once no compensation is received from the factoring or insurance company.

Note 8: The amounts of excluded NPL and excluded overdue receivables through financial debt negotiation and loan agreement were disclosed based on the interpretation issued by the Banking Bureau dated April 25, 2006 (Ref. 19510001270).

Note 9: The amounts of excluded NPL and excluded overdue receivables through debt solvency and restart plan were disclosed based on the interpretation issued by the Banking Bureau dated September 15, 2008 (Ref. 09700318940).

(Continued)



**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

(ii) Concentration of credit extensions

Units: In thousands of TWD, %

<b>March 31, 2017</b>			
<b>Rank (Note 1)</b>	<b>Group name (Note 2)</b>	<b>Credit extensions balance (Note 3)</b>	<b>% of net asset value</b>
1	A group (petrochemicals manufacturing)	11,859,877	6.68
2	B group (LCD and its component manufacturing)	9,120,088	5.13
3	C group (other electronic parts and components manufacturing not elsewhere classified)	6,711,063	3.78
4	D group (ocean freight industry)	6,681,240	3.76
5	E group (iron and steel manufacturing industry)	6,270,746	3.53
6	F group (wire and cable manufacturing)	6,259,400	3.52
7	G group (real estate industry)	5,489,178	3.09
8	H group (other electronic parts and components manufacturing not elsewhere classified)	5,468,917	3.08
9	I group (ocean freight industry)	5,313,840	2.99
10	J group (cement manufacturing industry)	4,600,327	2.59
<b>March 31, 2016</b>			
<b>Rank (Note 1)</b>	<b>Group name (Note 2)</b>	<b>Credit extensions balance (Note 3)</b>	<b>% of net asset value</b>
1	A group (LCD and its component manufacturing)	8,266,400	4.85
2	B group (petrochemicals manufacturing)	7,893,689	4.63
3	C group (iron and steel manufacturing industry)	7,561,195	4.43
4	D group (other electronic parts and components manufacturing not elsewhere classified)	7,430,303	4.36
5	E group (ocean transport industry)	7,177,984	4.21
6	F group (cement manufacturing industry)	7,134,218	4.18
7	G group (other computer peripheral equipment manufacturing)	6,603,942	3.87
8	H group (wire and cable manufacturing industry)	5,969,660	3.50
9	I group (real estate industry)	5,683,600	3.33
10	J group (real estate industry)	5,170,270	3.03

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

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 of a group enterprise, the total amount of credit, endorsement or other transactions of the entire group enterprise must be listed and disclosed by code and line of industry. The industry of the group enterprise should be presented as the industry of the member firm with the highest risk exposure. The lines of industry should be described in accordance with the Standard Industrial Classification System of the Republic of China published by the Directorate-General of Budget, Accounting and Statistics under the Executive Yuan.

Note 2: Groups enterprise refers to a group 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, discounted, 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.

(iii) Interest rate sensitivity information

Interest Rate Sensitivity (TWD)

Units: In thousands of TWD, %

March 31, 2017					
Items	1-90 days	91-180 days	181-365 days	Over 1 year	Total
Interest rate-sensitive assets	\$ 1,209,493,438	81,913,808	46,529,638	116,343,798	1,454,280,682
Interest rate-sensitive liabilities	356,899,678	660,278,058	104,882,623	61,323,527	1,183,383,886
Interest rate sensitivity gap	852,593,760	(578,364,250)	(58,352,985)	55,020,271	270,896,796
Net worth					175,743,280
Ratio of interest rate-sensitive assets to liabilities (%)					122.89
Ratio of the interest rate sensitivity gap to net worth (%)					154.14

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

<b>March 31, 2016</b>					
<b>Items</b>	<b>1-90 days</b>	<b>91-180 days</b>	<b>181-365 days</b>	<b>Over 1 year</b>	<b>Total</b>
Interest rate-sensitive assets	\$ 1,091,668,657	84,577,997	59,766,966	98,434,265	1,334,447,885
Interest rate-sensitive liabilities	341,053,280	627,532,644	131,940,100	74,498,037	1,175,024,061
Interest rate sensitivity gap	750,615,377	(542,954,647)	(72,173,134)	23,936,228	159,423,824
Net worth					167,634,079
Ratio of interest rate-sensitive assets to liabilities (%)					113.57
Ratio of the interest rate sensitivity gap to net worth (%)					95.10

Note 1: The above amounts include only New Taiwan Dollar 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 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 (USD)**

Units: In thousands of USD, %

<b>March 31, 2017</b>					
<b>Items</b>	<b>1-90 days</b>	<b>91-180 days</b>	<b>181-365 days</b>	<b>Over 1 year</b>	<b>Total</b>
Interest rate-sensitive assets	\$ 8,441,701	721,763	1,284,471	3,185,192	13,633,127
Interest rate-sensitive liabilities	14,763,853	1,651,806	1,451,272	1,303,963	19,170,894
Interest rate sensitivity gap	(6,322,152)	(930,043)	(166,801)	1,881,229	(5,537,767)
Net worth					220,526
Ratio of interest rate-sensitive assets to liabilities (%)					71.11
Ratio of the interest rate sensitivity gap to net worth (%)					(2,511.16)

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

March 31, 2016					
Items	1-90 days	91-180 days	181-365 days	Over 1 year	Total
Interest rate-sensitive assets	\$ 7,227,835	689,480	898,169	1,840,828	10,656,312
Interest rate-sensitive liabilities	10,719,361	1,082,304	778,101	298,706	12,878,472
Interest rate sensitivity gap	(3,491,526)	(392,824)	120,068	1,542,122	(2,222,160)
New worth					307,668
Ratio of interest rate-sensitive assets to liabilities (%)					82.75
Ratio of the interest rate sensitivity gap to net worth (%)					(722.26)

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).

(iv) Profitability

Unit: %

		For the three months ended March 31	
Item		2017	2016
Return on total assets	Before income tax	0.21	0.26
	After income tax	0.18	0.22
Return on net worth	Before income tax	2.61	3.26
	After income tax	2.26	2.81
Profit margin		42.19	45.81

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 three months ended March 31, 2017 and 2016.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

## (v) Maturity analysis

## Maturity Analysis of Assets and Liabilities (TWD)

Units: In thousands of TWD

<b>March 31, 2017</b>							
	<b>The amount for the remaining period to maturity</b>						
	<b>Total</b>	<b>0-10 days</b>	<b>11-30 days</b>	<b>31-90 days</b>	<b>91-180 days</b>	<b>181-365 days</b>	<b>Over 1 year</b>
Main capital inflow on maturity	\$ 2,188,333,884	244,304,270	336,806,202	339,015,057	208,542,744	247,677,286	811,988,325
Main capital outflow on maturity	2,561,715,873	182,229,404	256,757,001	443,109,125	350,975,787	474,488,351	854,156,205
Gap	(373,381,989)	62,074,866	80,049,201	(104,094,068)	(142,433,043)	(226,811,065)	(42,167,880)

  

<b>March 31, 2016</b>							
	<b>The amount for the remaining period to maturity</b>						
	<b>Total</b>	<b>0-10 days</b>	<b>11-30 days</b>	<b>31-90 days</b>	<b>91-180 days</b>	<b>181-365 days</b>	<b>Over 1 year</b>
Main capital inflow on maturity	\$ 2,110,794,906	202,270,847	330,868,513	295,349,202	226,882,374	259,382,348	796,041,622
Main capital outflow on maturity	2,492,589,025	143,404,331	265,799,139	363,962,618	367,763,549	459,256,240	892,403,148
Gap	(381,794,119)	58,866,516	65,069,374	(68,613,416)	(140,881,175)	(199,873,892)	(96,361,526)

Note: The above amounts are book value of assets and liabilities held by headquarter and domestic branches of Taipei Fubon Bank and denominated is New Taiwan dollars.

## Maturity Analysis of Assets and Liabilities (USD)

Units: In thousands of USD

<b>March 31, 2017</b>						
	<b>The amount for the remaining period to maturity</b>					
	<b>Total</b>	<b>0-30 days</b>	<b>31-90 days</b>	<b>91-180 days</b>	<b>181-365 days</b>	<b>Over 1 year</b>
Capital inflow on maturity	\$ 82,112,733	28,888,271	23,198,691	13,964,056	9,480,541	6,581,174
Capital outflow on maturity	87,620,176	31,743,371	22,498,901	15,651,723	11,182,259	6,543,922
Gap	(5,507,443)	(2,855,100)	699,790	(1,687,667)	(1,701,718)	37,252

  

<b>March 31, 2016</b>						
	<b>The amount for the remaining period to maturity</b>					
	<b>Total</b>	<b>0-30 days</b>	<b>31-90 days</b>	<b>91-180 days</b>	<b>181-365 days</b>	<b>Over 1 year</b>
Capital inflow on maturity	\$ 81,475,595	24,697,454	19,557,377	17,004,090	13,557,023	6,659,651
Capital outflow on maturity	87,540,658	26,324,493	20,715,621	18,626,120	16,395,417	5,479,007
Gap	(6,065,063)	(1,627,039)	(1,158,244)	(1,622,030)	(2,838,394)	1,180,644

Note: The above amounts are book value of assets and liabilities held by Taipei Fubon Bank and denominated is U.S. dollars.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

**(7) Related-party transactions:**

(a) Names and relationships of related parties

<u>Name of related party</u>	<u>Relationship with the Company and its subsidiaries</u>
Fubon Property Management Co., Ltd. (Fubon Property Management)	Related parties in substance
Taiwan Stock Exchange Corporation (Taiwan Stock Exchange)	Related parties in substance
Taiwan Futures Exchange Corporation (Taiwan Futures Exchange)	Related parties in substance
Fubon Multimedia Technology Co., Ltd. (Fubon Multimedia Technology)	Related parties in substance
Fubon Land Development Co., Ltd. (Fubon Land Development)	Related parties in substance
Fubon Charity Foundation	Related parties in substance
World Vision Taiwan	Related parties in substance
Taiwan Bio-Development Foundation	Related parties in substance
Funds Managed by Fubon Asset Management	Related parties in substance
Taiwan Fixed Network Co., Ltd. (Taiwan Fixed Network)	Related parties in substance
TFN Media Co., Ltd. (TFN Media)	Related parties in substance
Taiwan High Speed Rail Corporation (Taiwan High Speed Rail)	Related parties in substance
Taiwan Mobile Co., Ltd. (Taiwan Mobile)	Related parties in substance
Taipei New Horizon Co., Ltd. (Taipei New Horizon)	Related parties in substance
Taiwan Depository & Clearing Corporation (Taiwan Depository & Clearing)	Related parties in substance
Taiwan Pelican Express Co., LTD. (Taiwan Pelican Express)	Related parties in substance
Kbro Media Co., Ltd. (Kbro Media)	Related parties in substance
Capital Securities Co., Ltd. (Capital Securities)	Related parties in substance (not related parties in substance from third quarter of 2016)
Shanghai Ruidong Hospital	Related parties in substance (not related parties in substance from fourth quarter of 2016)
Beijing Founder Fubon Assets Management	Related parties in substance
TAROKO Development Co., Ltd. (TAROKO Development)	Related parties in substance
Xiamen Bank Co., Ltd. (Xiamen Bank)	Related parties in substance

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

Fubon Gehua (Beijing) Enterprise Ltd. (Fubon Gehua)	Related parties in substance
Convoy Financial Service Limited	Related parties in substance
Chung Hsing Land Development Co., Ltd. (Chung Hsing Land Development)	A major stockholder of the Company
Taipei City Government	A major stockholder of the Company
Others	Directors, supervisors, managers and their relatives up to the second degree, affiliates and the related parties in substance

(b) Significant transactions with related parties

(i) Insurance revenue and insurance receivable:

	<u>Insurance revenue</u>		<u>Insurance receivable</u>		
	<u>For the three months ended March 31</u>		<u>March 31,</u>	<u>December</u>	<u>March 31,</u>
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>31, 2016</u>	<u>2016</u>
Taiwan Mobile	\$ 119,435	50,857	68,923	61,322	37,510
Taiwan High Speed Rail	3,808	4,074	1,735	82,772	1,535
Taipei City Government	3,438	21,923	-	-	-
Taipei New Horizon	-	268	-	17,096	-
Fubon Multimedia Technology	13,943	10,326	11,222	1,372	7,854
Taiwan Pelican Express	14,140	-	4	-	-
Related parties in substance (individual)	313,298	352,973	58	45	45
Others (not related company or person accounts for more than 10 million or 10%)	14,621	11,474	4,434	1,088	6,874
Total	<u>\$ 482,683</u>	<u>451,895</u>	<u>86,376</u>	<u>163,695</u>	<u>53,818</u>

Premium rates were calculated in accordance with the relevant provisions of the Insurance Act, and were not materially different from the general trading terms.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

(ii) Rental revenue and guarantee deposits:

	<b>For the three months ended March 31</b>	
	<b>2017</b>	<b>2016</b>
Rental revenue:		
Fubon Multimedia Technology	\$ 26,709	26,701
TAROKO Development	28,750	28,750
Kbro Media	12,373	4,475
Taiwan Fixed Network	10,335	3,615
Taiwan Mobile	10,226	3,661
Others (not related company or person accounts for more than 10 million or 10%)	8,995	4,932
Total	<b>\$ 97,388</b>	<b>72,134</b>

All the above leases were operating leases. The leasing term was not materially different from that with unrelated parties.

	<b>March 31, 2017</b>	<b>December 31, 2016</b>	<b>March 31, 2016</b>
Guarantee deposits:			
Fubon Multimedia Technology	\$ 27,219	27,219	27,219
TAROKO Development	35,000	35,000	34,700
Taiwan Fixed Network	10,708	10,708	10,708
Taiwan Mobile	9,445	9,445	9,445
Others (not related company or person accounts for more than 10 million or 10%)	4,774	4,726	4,765
	<b>\$ 87,146</b>	<b>87,098</b>	<b>86,837</b>

(Continued)



**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

(iii) Rental expense and refundable deposits:

	<b>For the three months ended</b>	
	<b>March 31</b>	
	<u>2017</u>	<u>2016</u>
Rental expense:		
Chung Hsing Land Development	\$ 64,330	64,734
Taipei City Government	86,182	94,078
Others (not related company or person accounts for more than 10 million or 10%)	28,004	24,825
Total	<u>\$ 178,516</u>	<u>183,637</u>

All the above leases were operating leases. The leasing term was not materially different from that with unrelated parties.

	<u>March 31, 2017</u>	<u>December 31, 2016</u>	<u>March 31, 2016</u>
Refundable deposits:			
Chung Hsing Land Development	\$ 35,354	35,354	37,359
Taipei City Government	4,243	4,243	4,243
Others (not related company or person accounts for more than 10 million or 10%)	12,801	13,186	13,176
	<u>\$ 52,398</u>	<u>52,783</u>	<u>54,778</u>

(iv) Other deposits

	<u>March 31, 2017</u>	<u>December 31, 2016</u>	<u>March 31, 2016</u>	<u>Note</u>
Taipei City Government (Note)	\$ 1,120,373	1,119,124	1,119,171	Bid Bond / Superficies performance bond
Taiwan Stock Exchange	858,000	30,000	100,000	Margin lending
Total	<u>\$ 1,978,373</u>	<u>1,149,124</u>	<u>1,219,171</u>	

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

## (v) Deposits

<u>Name of related party</u>	<u>March 31, 2017</u>		<u>December 31, 2016</u>		<u>March 31, 2016</u>	
	<u>Amount</u>	<u>Interest rate range</u>	<u>Amount</u>	<u>Interest rate range</u>	<u>Amount</u>	<u>Interest rate range</u>
		<u>%</u>		<u>%</u>		<u>%</u>
Others	<u>\$ 42,718,699</u>	0~6.12	<u>58,933,684</u>	0~8.00	<u>55,674,466</u>	0~8.00

## (vi) Loans

<u>Name of related party</u>	<u>March 31, 2017</u>		<u>December 31, 2016</u>		<u>March 31, 2016</u>	
	<u>Amount</u>	<u>Interest rate range</u>	<u>Amount</u>	<u>Interest rate range</u>	<u>Amount</u>	<u>Interest rate range</u>
		<u>%</u>		<u>%</u>		<u>%</u>
Others	<u>\$ 5,806,171</u>	0~14.98	<u>5,906,842</u>	0~14.98	<u>6,250,210</u>	0~14.90

Units: In thousands of TWD

March 31, 2017							
Category	Amount or name of related party	Highest balance	Ending balance	Compliance Situation		Type of collateral	Differences in transaction terms between related and non related parties
				Normal	Overdue		
Consumer loans	55	25,961	21,357	✓	-	Partially provide deposits as collateral	None
House mortgages	319	2,876,980	2,696,759	✓	-	Real estate	None
Others	Department of Urban Development, Taipei City Government	771,519	735,759	✓	-	Public treasury guarantees	None
	Department of Rapid Transit systems, Taipei City Government	8,000,000	-	✓	-	Public treasury guarantees	None
	Department of Sports, Taipei City Government	1,000,000	-	✓	-	Public treasury guarantees	None
	Taipei Municipal Secured Small Loans Service	813	724	✓	-	Public treasury guarantees	None
	Fubon Land Development	2,290,800	2,290,800	✓	-	Construction, land and domestic listed stocks	None
	Fubon Gehua	132,354	60,048	✓	-	Standby Letter of Credit	None
	Other loans	752	724	✓	-	Credit Guarantee Fund	None
Total		15,099,179	5,806,171				

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

Units: In thousands of TWD

December 31, 2016							
Category	Amount or name of related party	Highest balance	Ending balance	Compliance Situation		Type of collateral	Differences in transaction terms between related and non related parties
				Normal	Overdue		
Consumer loans	59	38,749	21,552	✓	-	Partially provide deposits as collateral	None
House mortgages	318	3,414,729	2,759,315	✓	-	Real estate	None
Others	Department of Urban Development, Taipei City Government	905,331	770,457	✓	-	Public treasury guarantees	None
	Department of Rapid Transit systems, Taipei City Government	1,000,000	-	✓	-	Public treasury guarantees	None
	Department of Sports, Taipei City Government	3,000,000	-	✓	-	Public treasury guarantees	None
	Taipei Municipal Secured Small Loans Service	1,163	813	✓	-	Public treasury guarantees	None
	Fubon Land Development	2,540,000	2,290,800	✓	-	Construction, land and domestic listed stocks	None
	Fubon Gehua	139,197	63,153	✓	-	Standby Letter of Credit	None
	Other loans	800	752	✓	-	Credit Guarantee Fund	None
Total		11,039,969	5,906,842				

Units: In thousands of TWD

March 31, 2016							
Category	Amount or name of related party	Highest balance	Ending balance	Compliance Situation		Type of collateral	Differences in transaction terms between related and non related parties
				Normal	Overdue		
Consumer loans	62	28,561	25,453	✓	-	None	None
House mortgages	330	2,856,010	2,647,437	✓	-	Real estate	None
Others	Department of Urban Development, Taipei City Government	905,331	869,314	✓	-	Public treasury guarantees	None
	Taipei Municipal Secured Small Loans Service	1,163	1,076	✓	-	Public treasury guarantees	None
	Fubon Land Development	2,540,000	2,540,000	✓	-	Construction, land and domestic listed stocks	None
	Shanghai Ruidong Hospital	190,115	166,130	-	166,130	Pledged deposits	None
	Other loans	800	800	✓	-	Credit Guarantee Fund	
Total		6,521,980	6,250,210				

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

## (vii) Guarantees

<b>March 31, 2017</b>					
<b>Related party</b>	<b>Highest balance for the period</b>	<b>Ending balance</b>	<b>Provision (Note)</b>	<b>Rates (%)</b>	<b>Type of collateral</b>
Taipei City Government	1,291	1,214	-	1%	Public treasury guarantees
Taipei New Horizon	16,250	16,250	-	0.85%	Buildings, excluding land

  

<b>December 31, 2016</b>					
<b>Related party</b>	<b>Highest balance for the period</b>	<b>Ending balance</b>	<b>Provision (Note)</b>	<b>Rates (%)</b>	<b>Type of collateral</b>
Taipei City Government	1,346	1,291	-	1%	Public treasury guarantees
Taipei New Horizon	32,500	16,250	-	0.85%	Buildings, excluding land

  

<b>March 31, 2016</b>					
<b>Related party</b>	<b>Highest balance for the period</b>	<b>Ending balance</b>	<b>Provision (Note)</b>	<b>Rates (%)</b>	<b>Type of collateral</b>
Taipei City Government	1,346	1,291	-	1%	Public treasury guarantees
Taipei New Horizon	32,500	32,500	-	0.85%	Buildings, excluding land

Note: Guarantee provisions are reversed based on all claims.

## (viii) Details of financing activities between Fubon Life Insurance and related parties:

## 1) Secured loans

<b>March 31, 2017</b>						
<b>Category</b>	<b>Numbers or name of related party</b>	<b>Highest balance</b>	<b>Ending balance</b>	<b>Compliance situation</b>	<b>Type of collateral</b>	<b>Difference in transaction terms between related and unrelated parties</b>
Residential mortgage loans	41 related parties in substance	\$ <u>291,544</u>	<u>279,024</u>	Normal loans	Real estate	None

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

December 31, 2016						
Category	Numbers or name of related party	Highest balance	Ending balance	Compliance situation	Type of collateral	Difference in transaction terms between related and unrelated parties
Residential mortgage loans	39 related parties in substance	\$ 287,572	<u>278,727</u>	Normal loans	Real estate	None

March 31, 2016						
Category	Numbers or name of related party	Highest balance	Ending balance	Compliance situation	Type of collateral	Difference in transaction terms between related and unrelated parties
Residential mortgage loans	33 related parties in substance	\$ 304,653	<u>280,846</u>	Normal loans	Real estate	None

The transaction terms between Fubon Life Insurance and other related parties are identical to those of other market participants.

2) Life insurance loans:

March 31, 2017						
Category	Numbers or name of related party	Highest balance	Ending balance	Compliance situation	Type of collateral	Difference in transaction terms between related and nonrelated parties
Life insurance loans	90 related parties in substance	\$ 35,496	<u>31,048</u>	Normal loans	Policy value	None

December 31, 2016						
Category	Numbers or name of related party	Highest balance	Ending balance	Compliance situation	Type of collateral	Difference in transaction terms between related and nonrelated parties
Life insurance loans	101 related parties in substance	\$ 49,233	<u>35,719</u>	Normal loans	Policy value	None

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

March 31, 2016						
Category	Numbers or name of related party	Highest balance	Ending balance	Compliance situation	Type of collateral	Difference in transaction terms between related and nonrelated parties
Life insurance loans	83 related parties in substance	\$ 34,832	24,346	Normal loans	Policy value	None

The transaction terms between Fubon Life Insurance and other related parties are identical to those of other market participants.

(ix) Derivative financial instruments (notional amount)

<u>Name of related party</u>	<u>Financial instrument</u>	<u>March 31, 2017</u>	<u>December 31, 2016</u>	<u>March 31, 2016</u>
Capital Securities	Interest rate swap contracts	\$ -	-	10,900,000
Capital Securities	Foreign currency swap contracts	-	-	97,779
Total		<u>\$ -</u>	<u>-</u>	<u>10,997,779</u>

(x) Other income

1) Service fees

<u>Name of related party</u>	<b>For the three months ended</b>	
	<b>March 31</b>	
	<u>2017</u>	<u>2016</u>
Fubon Multimedia Technology	\$ 32,504	29,071
Taiwan Mobile	55,287	53,337
Others (not related company or person accounts for more than 10 million or 10%)	14,324	14,517
	<u>\$ 102,115</u>	<u>96,925</u>

2) Management fees

<u>Name of related party</u>	<b>For the three months ended</b>	
	<b>March 31</b>	
	<u>2017</u>	<u>2016</u>
Funds managed by Fubon Asset Management and authorization accounts	\$ 203,369	180,347

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

## 3) Sales commissions

<u>Name of related party</u>	For the three months ended March 31	
	2017	2016
	Funds managed by Fubon Asset Management and authorization accounts	\$ <u>4,625</u>

## 4) Service fees - futures trading

<u>Name of related party</u>	For the three months ended March 31	
	2017	2016
	Funds managed by Fubon Asset Management	\$ <u>21,945</u>

## 5) Sponsorship income and unearned revenue

	Sponsorship income		Unearned revenue		
	For the three months ended March 31		March 31, 2017	December 31, 2016	March 31, 2016
	2017	2016			
Taiwan Mobile	\$ 8,750	1,250	11,250	-	3,750
Others (not related company or person accounts for more than 10 million or 10%)	4,000	-	4,000	-	-
Total	<u>\$ 12,750</u>	<u>1,250</u>	<u>15,250</u>	<u>-</u>	<u>3,750</u>

## 6) Other income

<u>Name of related party</u>	For the three months ended March 31	
	2017	2016
	Others (not related company or person accounts for more than 10 million or 10%)	\$ <u>6,772</u>

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

## (xi) Other expenses

<u>Name of related party</u>	<u>Category</u>	<u>For the three months ended March 31</u>	
		<u>2017</u>	<u>2016</u>
Taiwan Fixed Network	Phone expenses, telecom expenses and network equipment rental expenses	\$ 41,378	39,107
Fubon Property Management	Management fees, investment property expenses	46,082	34,499
Taiwan Stock Exchange	Brokerage commissions, computer information fees, issuing call warrant fees and proprietary trading fees	47,216	43,983
Taiwan Depository & Clearing	Depository & Clearing fees	19,992	21,936
Taiwan Futures Exchange	Brokerage commissions, proprietary trading fees and settlement fees	32,244	42,903
Convoy Financial Service Limited	Commission expenses	11,761	-
Others (not related company or person accounts for more than 10 million or 10%)	Service fees, commission expenses, other expenses	38,520	21,890
Total		<u>\$ 237,193</u>	<u>204,318</u>

## (xii) Bond transaction

## 1) Bonds sold under repurchase agreement

<u>Name of related party</u>	<u>March 31, 2017</u>	<u>December 31,</u>	
		<u>2016</u>	<u>March 31, 2016</u>
Directors, supervisors, managers and their relatives up to the second degree, affiliates and the related parties in substance	\$ 2,397,589	2,994,068	2,761,540
Taiwan High Speed Rail	1,400,000	2,211,400	5,759,000
Total	<u>\$ 3,797,589</u>	<u>5,205,468</u>	<u>8,520,540</u>

## 2) Bonds purchased under resell agreement

<u>Name of related party</u>	<u>March 31, 2017</u>	<u>December 31,</u>	
		<u>2016</u>	<u>March 31, 2016</u>
Capital Securities	\$ -	-	<u>2,469,135</u>

(Continued)



**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

3) Bonds and bills transactions

Bonds purchased

Name of related party	For the three months ended March 31	
	2017	2016
	Xiamen Bank	\$ 132,351

(xiii) Donations to related parties were as follows:

	For the three months ended March 31	
	2017	2016
	Fubon Charity Foundation	\$ 7,004
Taiwan Bio-Development Foundation	5,000	5,000
Others (not related company or person accounts for more than 10 million or 10%)	1,877	1,427
Total	\$ 13,881	10,525

(xiv) Other receivables

Name of related party	March 31, 2017	December 31, 2016	March 31, 2016
Fubon Multimedia Technology	\$ 10,138	179	220
Taiwan Mobile	16,249	522	408
Funds managed by Fubon Asset Management and authorization accounts	73,786	70,276	70,670
Others (not related company or person accounts for more than 10 million or 10%)	935	432	553
Total	\$ 101,108	71,409	71,851

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

## (xv) Other payables

<u>Name of related party</u>	<u>March 31, 2017</u>	<u>December 31, 2016</u>	<u>March 31, 2016</u>
Taiwan Stock Exchange	\$ 14,155	7,564	11,897
Taiwan Futures Exchange	14,347	12,472	14,925
Convoy Financial Service Limited	4,823	10,744	-
Beijing Founder Fubon Assets Management	-	-	5,330
Others(not related company or person accounts for more than 10 million or 10%)	10,182	8,718	6,965
Total	<u>\$ 43,507</u>	<u>39,498</u>	<u>39,117</u>

## (xvi) Futures traders' equity

<u>Name of related party</u>	<u>March 31, 2017</u>	<u>December 31, 2016</u>	<u>March 31, 2016</u>
Funds managed by Fubon Asset Management	<u>\$ 6,598,707</u>	<u>6,037,395</u>	<u>7,147,354</u>

## (xvii) Funds purchased by the Company's related party and managed by Fubon Asset Management Co., Ltd. were as follows:

<u>Name of related party</u>	<u>March 31, 2017</u>	<u>December 31, 2016</u>	<u>March 31, 2016</u>
Fubon Chi-Hsiang Money Market Fund	\$ 1,714,418	1,624,439	2,066,103
Fubon Strategic High Income	117,864	88,990	101,349
Fubon Fund	121,786	113,560	146,398
Fubon Taiwan Technology ETF	191,852	178,074	171,748
Fubon MSCI Taiwan ETF	165,364	156,289	148,737
Fubon Taiwan Finance ETF	153,804	146,858	129,414
Fubon Taiwan Eight Industries ETF	145,770	135,559	125,201
Fubon SZSE 100 ETF	132,735	132,166	170,411
Fubon China High Yield Bd CNY	93,102	96,888	102,556
Fubon China Money Market CNY	28,581	58,481	61,839
Fubon China Investment Grade Bd CNY B	48,752	38,751	51,725
Fubon China New Balanced Income	47,686	28,130	28,038

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

<u>Name of related party</u>	<u>March 31, 2017</u>	<u>December 31, 2016</u>	<u>March 31, 2016</u>
Fubon China Growth Fund	\$ 11,340	11,010	10,866
Fubon FTSE TWSE Taiwan 50 ETF	924,049	8,539	8,767
Fubon SSE180 ETF	23,950	25,128	34,089
Fubon SSE180 Leveraged Inversed 2X Index ETF	23,914	29,583	72,175
Fubon SSE180 Inversed Index ETF	6,145	6,687	11,803
Fubon Elite Fund	403	380	377
Fubon Global REIT Fund	4,902	-	-
Fubon Global Investment Fund	9,811	9,772	-
Fubon TOPIX ETF	22,951	22,504	44,417
Fubon TOPIX Leveraged 2X Index Fund	30,710	33,492	39,379
Fubon TOPIX Inverse-1X Index ETF	33,549	1,161	25,328
Fubon NIFTY ETF	32,805	30,418	84,983
Fubon NIFTY 2X Leveraged Index ETF	32,499	6,524	25,313
Fubon NIFTY -1X Inverse Index ETF	4,617	4,486	24,637
Fubon NASDAQ-100 ETF	72,844	71,332	-
Fubon Hang Seng H-Share 2X Leveraged Index ETF	85,312	73,902	-
Fubon Hang Seng H-Share -1X Inverse Index ETF	40,842	46,506	-
Fubon TAIEX Daily 2X Leveraged ETF	60,362	39,056	-
Fubon TAIEX Daily -1X Inverse ETF	24,228	62,207	-
Fubon S&P 500 VIX Short-Term Futures ETF	65,431	229,235	-
<b>Total</b>	<b>\$ <u>4,472,378</u></b>	<b><u>3,510,107</u></b>	<b><u>3,685,653</u></b>

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

The Company and its subsidiaries has acquired Fubon REIT I Fund and Fubon REIT II as follows:

<u>Name of related party</u>	<u>March 31, 2017</u>	<u>December 31, 2016</u>	<u>March 31, 2016</u>
Fubon REIT I Fund	\$ 1,741,980	1,758,387	1,936,394
Fubon REIT II Fund	996,344	1,015,827	1,017,270
Total	<u>\$ 2,738,324</u>	<u>2,774,214</u>	<u>2,953,664</u>

(xviii) Clearing and settlement fund

<u>Name of related party</u>	<u>March 31, 2017</u>	<u>December 31, 2016</u>	<u>March 31, 2016</u>
Taiwan Stock Exchange	\$ 110,712	103,924	100,924
Taiwan Futures Exchange	154,753	163,328	170,173
Total	<u>\$ 265,465</u>	<u>267,252</u>	<u>271,097</u>

(xix) Deal on credit

As of March 31, 2017, December 31 and March 31, 2016, the Company and its subsidiaries had receivables from other related parties' pecuniary finance amounting to \$108,365, \$99,235 and \$97,240.

(xx) Customer margin deposit

<u>Name of related party</u>	<u>March 31, 2017</u>	<u>December 31, 2016</u>	<u>March 31, 2016</u>
Taiwan Futures Exchange	<u>\$ 2,141,102</u>	<u>2,505,585</u>	<u>1,553,361</u>

(xxi) Transaction of property

Payments of investment and held-for-use property are:

<u>Name of related party</u>	<u>Category</u>	<u>For the three months ended March 31</u>	
		<u>2017</u>	<u>2016</u>
Fubon Land Development	Consultancy fees	\$ 15,933	94
Fubon Property Management	Investment property expenses	-	11,876
Others (not related company or person accounts for more than 10 million or 10%)		1,235	81
		<u>\$ 17,168</u>	<u>12,051</u>

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

<u>Name of related party</u>	<u>Category</u>	<u>March 31, 2017</u>	<u>December 31, 2016</u>	<u>March 31, 2016</u>
Taipei City Government	Prepaid rental expense-superficies, temporary payment	<u>\$ 246,171</u>	<u>1,249</u>	<u>273,115</u>

(xxii)Others

<u>Name of related party</u>	<u>March 31, 2017</u>	<u>December 31, 2016</u>	<u>March 31, 2016</u>
Principal of structured products	<u>\$ 17,261</u>	<u>16,757</u>	<u>22,147</u>
Other financial assets – others	<u>\$ 20,912</u>	<u>6,593</u>	<u>10,570</u>

(c) Compensation to executive officers

Executive officers' compensation comprised:

	<u>For the three months ended</u>	
	<u>March 31</u>	
	<u>2017</u>	<u>2016</u>
Short-term employee benefits	\$ 409,203	407,702
Post-employment benefits	9,873	10,470
Other long-term employee benefits	1,471	1,380
	<u>\$ 420,547</u>	<u>419,552</u>

For share-based payment information please refer to note 6 (ab).

(d) Information on related party transactions amounting to more than \$100,000

If a transaction occurs between two subsidiaries, only one subsidiary needs to disclose its related party information, and the inter-company transaction is eliminated in the consolidated financial statements.

(i) Fubon Insurance and its subsidiaries

1) Name and relationship of related party

<u>Name of related party</u>	<u>Relationship with the Company</u>
Taipei Fubon Bank Co., Ltd. (Taipei Fubon Bank)	Company controlled by Fubon Financial Holdings
Taiwan Mobile Co., Ltd. (Taiwan Mobile)	Related parties in substance

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

2) Significant transactions with related parties were as follows:

a) Bank deposit with related party

<u>Name of related party</u>	<u>March 31, 2017</u>	<u>December 31, 2016</u>	<u>March 31, 2016</u>
Taipei Fubon Bank	\$ <u>1,654,059</u>	<u>1,629,197</u>	<u>2,160,787</u>

b) Insurance revenue with related party were as follows:

i) Insurance revenue

<u>Name of related party</u>	<u>For the three months ended March 31</u>	
	<u>2017</u>	<u>2016</u>
Taiwan Mobile	<u>118,948</u>	<u>50,535</u>

ii) Insurance revenue receivables

<u>Name of related party</u>	<u>March 31, 2017</u>	<u>December 31, 2016</u>	<u>March 31, 2016</u>
Taiwan Mobile	\$ <u>68,923</u>	<u>61,322</u>	<u>37,510</u>

(ii) Fubon Life Insurance and its subsidiaries

1) Name and relationship of related party

<u>Name of related party</u>	<u>Relationship with the Company</u>
Taipei Fubon Bank Co., Ltd. (Taipei Fubon Bank)	Company controlled by Fubon Financial Holdings
Fubon Insurance Co., Ltd. (Fubon Insurance)	Company controlled by Fubon Financial Holdings
Fubon Bank (Hong Kong) Limited (Fubon Bank (Hong Kong))	Company controlled by Fubon Financial Holdings
Funds managed by Fubon Asset Management	Related parties in substance
Capital Securities Co., Ltd. (Capital Securities)	Related parties in substance (not related parties in substance from third quarter of 2016)
Taipei City Government	Related parties in substance
Others	Directors, supervisors, managers and their relatives up to the second degree; affiliates and the related parties in subsidiary

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

2) Significant transactions with related parties

a) Bank deposits

<u>Nature of deposits</u>	<u>March 31, 2017</u>	<u>December 31, 2016</u>	<u>March 31, 2016</u>
Taipei Fubon Bank:			
Check deposits	\$ 77,437	258,517	73,835
Demand deposits	4,253,984	5,604,484	3,149,229
Time deposits	1,279,000	4,179,000	14,079,500
Structured deposits	2,807,707	2,822,978	2,868,753
Fubon Bank (Hong Kong):			
Demand deposits	935,019	1,004,437	-
Time deposits	117,114	12,489	937,972
	<u>\$ 9,470,261</u>	<u>13,881,905</u>	<u>21,109,289</u>

All deposits exclude assets on insurance products-separate account. The structured deposits were recognized as other financial assets.

b) Interest receivables

<u>Name of related party</u>	<u>March 31, 2017</u>	<u>December 31, 2016</u>	<u>March 31, 2016</u>
Taipei Fubon Bank	<u>\$ 341,557</u>	<u>329,270</u>	<u>321,745</u>

c) Loans

Secured loans

March 31, 2017						
<u>Category</u>	<u>Numbers or name of related party</u>	<u>Highest Balance</u>	<u>Ending Balance</u>	<u>Compliance situation</u>	<u>Type of Collateral</u>	<u>Differences in transaction terms between related and non related parties</u>
Residential mortgage loans	41 related parties in substance	\$ <u>291,544</u>	<u>279,024</u>	Normal loan	Real Estate	None
December 31, 2016						
<u>Category</u>	<u>Numbers or name of related party</u>	<u>Highest Balance</u>	<u>Ending Balance</u>	<u>Compliance situation</u>	<u>Type of Collateral</u>	<u>Differences in transaction terms between related and non related parties</u>
Residential mortgage loans	39 related parties in substance	\$ <u>287,572</u>	<u>278,727</u>	Normal loan	Real Estate	None

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

March 31, 2016						
Category	Numbers or name of related party	Highest Balance	Ending Balance	Compliance situation	Type of Collateral	Differences in transaction terms between related and non related parties
Residential mortgage loans	33 related parties in substance	\$ <u>304,653</u>	<u>280,846</u>	Normal loan	Real Estate	None

The transaction terms are identical to those of other market participants.

d) Funds were as follows:

<u>Name of related party</u>	<u>March 31, 2017</u>	<u>December 31, 2016</u>	<u>March 31, 2016</u>
Fubon Chi-Hsiang Money Market Fund	\$ 1,500,000	1,500,183	1,902,086
Fubon Taiwan Technology ETF	189,888	175,853	169,826
Fubon MSCI Taiwan ETF	125,957	118,483	113,510
Fubon Taiwan Eight Industries ETF	143,939	133,939	123,973
Fubon Taiwan Finance ETF	142,096	138,242	120,219
Fubon SZSE 100 ETF	125,197	124,664	137,063
Fubon FTSE TWSE Taiwan 50 ETF	918,120	-	-
Total	<u>\$ 3,145,197</u>	<u>2,191,364</u>	<u>2,566,677</u>

e) Fubon Life Insurance has acquired Fubon REIT I and Fubon REIT II as of available-for-sale financial assets:

<u>Name of related party</u>	<u>March 31, 2017</u>	<u>December 31, 2016</u>	<u>March 31, 2016</u>
Fubon REIT I Fund	\$ 834,769	854,644	934,146
Fubon REIT II Fund	945,708	977,061	974,144
Total	<u>\$ 1,780,477</u>	<u>1,831,705</u>	<u>1,908,290</u>

(Continued)



**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

## f) Bond transactions

## i) Sales of bonds

<b>Name of related party</b>	<b>For the three months ended March 31</b>	
	<b>2017</b>	<b>2016</b>
Taipei Fubon Bank	\$ <b>12,643,556</b>	<b>9,103,170</b>

## ii) Bonds purchased under resell agreement

<b>Name of related party</b>	<b>March 31, 2017</b>	<b>December 31, 2016</b>	<b>March 31, 2016</b>
Capital Securities	\$ -	-	<b>1,217,000</b>

## g) Prepayment

<b>Name of related party</b>	<b>Category</b>	<b>March 31, 2017</b>	<b>December 31, 2016</b>	<b>March 31, 2016</b>
Taipei City Government	Prepaid rental expense- superficies, temporary payment	\$ <b>246,171</b>	<b>1,249</b>	<b>273,115</b>

## h) Premium Revenue:

<b>Name of related party</b>	<b>For the three months ended March 31</b>	
	<b>2017</b>	<b>2016</b>
Others(individual related party that has amount less than 10 million in account)	\$ <b>319,399</b>	<b>327,273</b>

Premium rates were calculated in accordance with the relevant provisions of the Insurance Act, and were not materially different from the general trading terms.

## i) Refundable deposits and rental expense:

## i) Refundable deposits:

<b>Name of related party</b>	<b>March 31, 2017</b>	<b>December 31, 2016</b>	<b>March 31, 2016</b>	<b>Note</b>
Taipei City Government	\$ <b>1,120,373</b>	<b>1,119,124</b>	<b>1,119,171</b>	Bid Bond / Superficies performance Bond

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

ii) Rental expense:

<b>Name of related party</b>	<b>For the three months ended March 31</b>	
	<b>2017</b>	<b>2016</b>
Taipei City Government	<b>\$ 80,532</b>	<b>81,218</b>

All the above leases were operating leases. The leasing term was not materially different from that with unrelated parties.

j) Integrate business revenue and cross-selling commission:

<b>Name of related party</b>	<b>For the three months ended March 31</b>	
	<b>2017</b>	<b>2016</b>
Fubon Insurance	<b>\$ 100,797</b>	<b>84,677</b>

(iii) Fubon Securities and its subsidiaries

1) Name and relationship with related party

<b>Name of related party</b>	<b>Relationship with the Company</b>
Taipei Fubon Bank Co., Ltd. (Taipei Fubon Bank)	Company controlled by Fubon Financial Holdings
Fubon Bank (Hong Kong) Limited (Fubon Bank (Hong Kong))	Company controlled by Fubon Financial Holdings
Taiwan Mobile Co., Ltd. (Taiwan Mobile)	Related parties in substance
Funds managed by Fubon Asset Management	Related parties in substance
Taiwan Stock Exchange Corporation (Taiwan Stock Exchange)	Related parties in substance
Taiwan Futures Exchange Corporation (Taiwan Futures Exchange)	Related parties in substance
Others	Organization or Related parties in substance that have amount less than 10 million in account.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

2) Significant transactions with related parties

a) Bank deposits, short-term borrowings, and other current assets

Cash deposits in Taipei Fubon Bank and Fubon Bank (Hong Kong) were as follows :

<u>Name of related party</u>	<u>March 31, 2017</u>	<u>December 31, 2016</u>	<u>March 31, 2016</u>
Demand deposits (excluding settlement accounts)	\$ <u>835,986</u>	<u>881,896</u>	<u>515,526</u>
Demand deposits (booked as customer margin accounts)	\$ <u>183,064</u>	<u>89,361</u>	<u>107,542</u>
Checking account	\$ <u>24,958</u>	<u>31,722</u>	<u>113,033</u>
Time deposits	\$ <u>765,745</u>	<u>970,535</u>	<u>1,962,240</u>
Restricted time deposits	\$ <u>240,021</u>	<u>340,021</u>	<u>151,597</u>
Foreign currency deposits	\$ <u>573,649</u>	<u>425,875</u>	<u>710,033</u>
Foreign time deposit	\$ <u>4,156,375</u>	<u>3,454,121</u>	<u>64,568</u>

For the three months ended March 31, 2017 and 2016, interest revenues from bank deposits of Taipei Fubon Bank and Fubon Bank (Hong Kong) were \$16,786 and \$6,494, respectively. Further, interest receivables from Taipei Fubon Bank and Fubon Bank (Hong Kong) were \$4,626, \$4,011, and \$6,494 as of March 31, 2017, December 31 and March 31, 2016, respectively. For the three months ended March 31, 2017 and 2016, interests rate intervals were 0.170%~1.700% and 0.310%~1.365%, respectively.

As of March 31, 2017, December 31 and March 31, 2016, Fubon Securities and its subsidiaries had put time deposits in Taipei Fubon Bank as operating deposits, refundable deposits and warrant deposits amounting to \$972,500, \$1,012,500 and \$1,040,000, respectively.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

Balances of short-term borrowings from Taipei Fubon Bank as of March 31, 2017, December 31 and March 31, 2016, were all nil. Unused credit facilities from Taipei Fubon Bank were all \$6,000,000. As of March 31, 2017, December 31 and March 31, 2016, time deposits pledged to Taipei Fubon Bank for short-term borrowing were all \$105,000, and the book value of lands and buildings pledged to Taipei Fubon bank were \$1,554,235, \$1,557,418 and \$1,564,972, respectively. Fubon Securities also provided stock investments amounting to \$2,007,000, \$1,872,000 and \$1,881,000 to Taipei Fubon Bank as collateral for short-term borrowings (recognized as available-for-sale financial assets – current) as of March 31, 2017, December 31 and March 31, 2016, respectively.

b) Available-for-sale financial assets – current

The balance of related parties' shares held by Fubon Securities and its subsidiaries and the gain or loss on disposal were as follows:

<u>Name of related party</u>	<u>March 31, 2017</u>	
	<u>Cost</u>	<u>Gains (losses) on valuation</u>
Taiwan Mobile	\$ <u>1,412,500</u>	<u>1,096,250</u>

  

<u>Name of related party</u>	<u>December 31, 2016</u>	
	<u>Cost</u>	<u>Gain (loss) on valuation</u>
Taiwan Mobile	\$ <u>1,412,500</u>	<u>927,500</u>

  

<u>Name of related party</u>	<u>March 31, 2016</u>	
	<u>Cost</u>	<u>Gains (losses) on valuation</u>
Taiwan Mobile	\$ <u>1,412,500</u>	<u>938,750</u>

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

c) Futures traders' equity

Related parties engaging in futures trading and deposited in Fubon Futures traders' equity were as follow:

<u>Name of related party</u>	<u>March 31, 2017</u>	<u>December 31, 2016</u>	<u>March 31, 2016</u>
Fubon SSE 180 ETF	\$ 527,767	528,330	482,204
Fubon SZSE 100 ETF	111,137	159,092	96,662
Fubon SSE 180 Leveraged 2X index ETF	4,728,208	4,405,768	5,927,576
Fubon new labor fund 101-2	-	-	173,523
Fubon new labor fund 102-2	-	112,151	22,398
Fubon Taiwan ETF	288,787	-	-
Fubon NASDAQ-100 ETF	130,704	-	-
Fubon Hang Seng H-Share Leveraged 2X Index ETF	162,733	115,867	-
Fubon TAIEX Daily -1X Inverse ETF	-	107,444	-
Fubon S&P 500 VIX Short- Term Futures ETF	190,778	148,970	-
Fubon NIFTY 2X Leveraged Index ETF	170,022	227,800	89,963
	<u>\$ 6,310,136</u>	<u>5,805,422</u>	<u>6,792,326</u>

d) Funds purchased by Fubon Securities were as follow:

<u>Name of related party</u>	<u>March 31, 2017</u>	<u>December 31, 2016</u>	<u>March 31, 2016</u>
Fubon Chi-Hsiang Money Market Fund	\$ 214,418	124,256	124,003
Fubon China High Yield Bond Fund CNY	93,102	96,888	102,556
Total	<u>\$ 307,520</u>	<u>221,144</u>	<u>226,559</u>

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

- e) Funds issued by Fubon securities and its subsidiaries and purchased by related parties:

<u>Name of related party</u>	<u>March 31, 2017</u>	<u>December 31, 2016</u>	<u>March 31, 2016</u>
Fubon Chi-Hsiang Money Market Fund	\$ 1,714,418	1,624,439	2,066,103
Fubon Taiwan Technology ETF	191,852	178,074	171,748
Fubon Fund	-	-	-
Fubon FTSE TWSE Taiwan 50 ETF	924,049	8,539	-
Fubon S&P 500 VIX Short-Term Futures ETF	65,431	229,235	-
Others (no related company or person accounts for more than 5%)	1,576,628	1,469,820	1,439,035
Total	<u>\$ 4,472,378</u>	<u>3,510,107</u>	<u>3,676,886</u>

- f) Deal on credit

As of March 31, 2017, December 31 and March 31, 2016, Fubon Securities and its subsidiaries' had receivables from the other related parties' pecuniary finance amounting to \$108,365, \$99,235 and \$97,240, respectively.

- g) Settlement and clearing funds

<u>Name of related party</u>	<u>March 31, 2017</u>	<u>December 31, 2016</u>	<u>March 31, 2016</u>
Taiwan Stock Exchange	\$ 110,712	103,924	100,924
Taiwan Futures Exchange	154,753	163,328	170,173
Total	<u>\$ 265,465</u>	<u>267,252</u>	<u>271,097</u>

- h) Margin lending

<u>Name of related party</u>	<u>March 31, 2017</u>	<u>December 31, 2016</u>	<u>March 31, 2016</u>
Taiwan Stock Exchange	<u>\$ 678,000</u>	<u>-</u>	<u>-</u>

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

## i) Refundable deposits

<u>Name of related party</u>	<u>March 31, 2017</u>	<u>December 31, 2016</u>	<u>March 31, 2016</u>
Taiwan Stock Exchange	\$ <u>180,000</u>	<u>30,000</u>	<u>100,000</u>

## j) Customer margin deposit

<u>Name of related party</u>	<u>March 31, 2017</u>	<u>December 31, 2016</u>	<u>March 31, 2016</u>
Taiwan Futures Exchange	\$ <u>2,141,102</u>	<u>2,505,585</u>	<u>1,553,361</u>

## k) Trading securities-dealing

The cost of related parties' shares and the gains (losses) on valuation and disposal were as follows:

<u>Name of securities</u>	<u>March 31, 2017</u>	
	<u>Cost</u>	<u>Gains (losses) on valuation</u>
Fubon S&P 500 VIX Short-Term Futures ETF (managed by Fubon Asset Management)	\$ <u>80,105</u>	<u>(14,674)</u>

<u>Name of securities</u>	<u>December 31, 2016</u>	
	<u>Cost</u>	<u>Gains (losses) on valuation</u>
Fubon S&P 500 VIX Short-Term Futures ETF (managed by Fubon Asset Management)	\$ <u>200,040</u>	<u>(700)</u>

## l) Trading securities-hedging

The cost of related parties' shares and the gains (losses) on valuation and disposal were as follows:

<u>Name of securities</u>	<u>March 31, 2017</u>	
	<u>Cost</u>	<u>Gains (losses) on valuation</u>
Third issue of unsecured convertible bonds of Taiwan Mobile	\$ <u>110,090</u>	<u>1,890</u>

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

<b>Name of securities</b>	<b>December 31, 2016</b>	
	<b>Cost</b>	<b>Gains (losses) on valuation</b>
Third issue of unsecured convertible bonds of Taiwan Mobile	\$ <b>110,090</b>	<b>185</b>

m) Management fee (accounted for other operating revenue)

<b>Name of related party</b>	<b>For the three months ended March 31</b>	
	<b>2017</b>	<b>2016</b>
Fubon SSE 180 ETF	\$ 41,764	32,488
Fubon SSE 180 Leveraged 2X Index ETF	70,697	58,455
Fubon High Yield B1d CNY	11,031	13,103
Fubon China New Balanced Income RMB	8,157	12,745
Fubon SZSE 100 ETF	11,662	5,561
Others	60,058	57,995
Total	\$ <b>203,369</b>	<b>180,347</b>

n) Spot foreign exchange receivables

<b>Name of relate party</b>	<b>March 31, 2017</b>	<b>December 31, 2016</b>	<b>March 31, 2016</b>
Taipei Fubon Bank	\$ -	-	<b>419,680</b>

(iv) Taipei Fubon Bank and its subsidiaries

1) Name and relationship with related party

<b>Name of related party</b>	<b>Relationship with the Company</b>
Fubon Financial Holding Co., Ltd. (Fubon Financial Holding)	Parent Company
Fubon Life Insurance Co., Ltd. (Fubon Life Insurance)	Company controlled by Fubon Financial Holdings
Fubon Bank (Hong Kong) Limited (Fubon Bank (Hong Kong))	Company controlled by Fubon Financial Holdings
Fubon Securities Co., Ltd. (Fubon Securities)	Company controlled by Fubon Financial Holdings
Fubon Asset Management Co., Ltd (Fubon Asset Management)	Company controlled by Fubon Financial Holdings
Taipei City Government	A major shareholder of Fubon Financial Holdings

(Continued)



**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

<u>Name of related party</u>	<u>Relationship with the Company</u>
Chung Hsing Land Development Co., Ltd. (Chung Hsing Land Development)	A major shareholder of Fubon Financial Holdings
Funds managed by Fubon Asset Management	Related parties in substance
Fubon Land Development Co., Ltd. (Fubon Land Development)	Related parties in substance
Taipei New Horizon Co., Ltd. (Taipei New Horizon)	Related parties in substance
Capital Securities Co., Ltd. (Capital Securities)	Related parties in substance (not related parties in substance from third quarter of 2016)
Xiamen Bank Co., Ltd. (Xiamen Bank)	Related parties in substance
Taiwan High Speed Rail Co., Ltd. (Taiwan High Speed Rail)	Related parties in substance
Fubon Gehua (Beijing) Enterprise Ltd. (Fubon Gehua)	Related parties in substance
Shanghai Rudong Hospital	Related parties in substance (not related parties in substance from fourth quarter of 2016)
Others	Directors, supervisors, managers and their relatives up to the second degree; affiliated and the related parties in substance

2) Significant transactions with related parties

a) Deposits and loans

<u>Item</u>	<u>For the three months ended March 31, 2017</u>		
	<u>Ending balance</u>	<u>Interest rate/ service fee rate (%)</u>	<u>Interest revenue (expense)</u>
Loans	\$ <u>5,806,171</u>	0~14.98	<u>23,883</u>
Discounts	\$ <u>1,022,578</u>	3.66~4.00	<u>12,498</u>
Due from banks	\$ <u>143,850</u>	0~5.40	<u>1,164</u>
Deposits	\$ <u>57,611,144</u>	0~6.12	<u>(62,311)</u>

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

Units: In thousands of TWD

March 31, 2017							
Category	Amount or name of related party	Highest balance	Ending balance	Compliance Situation		Type of collateral	Differences in transaction terms between related and non related parties
				Normal	Overdue		
Consumer loans	55	25,961	21,357	✓	-	Partially provide deposits as collateral	None
House mortgages	319	2,876,980	2,696,759	✓	-	Real estate	None
Others	Department of Urban Development, Taipei City Government	771,519	735,759	✓	-	Public treasury guarantees	None
	Department of Rapid Transit systems, Taipei City Government	8,000,000	-	✓	-	Public treasury guarantees	None
	Department of Sports, Taipei City Government	1,000,000	-	✓	-	Public treasury guarantees	None
	Taipei Municipal Secured Small Loans Service	813	724	✓	-	Public treasury guarantees	None
	Fubon Land Development	2,290,800	2,290,800	✓	-	Construction, land and listed stocks	None
	Fubon Gehua	132,354	60,048	✓	-	Standby letter of credit	None
	Other loans	752	724	✓	-	Credit Guarantee Fund	None
Total		15,099,179	5,806,171				

**December 31,  
2016**

<b>Item</b>	<b>Ending balance</b>
Loans	<b>\$ 5,906,842</b>

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

Units: In thousands of TWD

December 31, 2016							
Category	Amount or name of related party	Highest balance	Ending balance	Normal	Overdue	Type of collateral	Differences in transaction terms between related and non related parties
Consumer loans	59	38,749	21,552	✓	-	Partially provide deposits as collateral	None
House mortgages	318	3,414,729	2,759,315	✓	-	Real estate	None
Others	Department of Urban Development, Taipei City Government	905,331	770,457	✓	-	Public treasury guarantees	None
	Department of Rapid Transit systems, Taipei City Government	1,000,000	-	✓	-	Public treasury guarantees	None
	Department of Sports, Taipei City Government	3,000,000	-	✓	-	Public treasury guarantees	None
	Taipei Municipal Secured Small Loans Service	1,163	813	✓	-	Public treasury guarantees	None
	Fubon Land Development	2,540,000	2,290,800	✓	-	Construction, land and domestic listed stocks	None
	Fubon Gehua	139,197	63,153	✓	-	Standby Letter of Credit	None
	Other loans	800	752	✓	-	Credit Guarantee Fund	None
<b>Total</b>		<b>11,039,969</b>	<b>5,906,842</b>				

**For the three months ended March 31, 2016**

Item	Ending balance	Interest rate / service fee rate (%)	Interest revenue (expense)
Loans	\$ <b>6,250,210</b>	0~14.90	<b>29,806</b>
Due to banks	\$ <b>598,054</b>	0~5.40	<b>9,867</b>
Deposits	\$ <b>79,926,002</b>	0~8.00	<b>(74,561)</b>

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

March 31, 2016							
Category	Amount or name of related party	Highest balance	Ending balance	Compliance Situation		Type of collateral	Differences in transaction terms between related and non related parties
				Normal	Overdue		
Consumer loans	62	28,561	25,453	✓	-	None	None
House mortgages	330	2,856,010	2,647,437	✓	-	Real estate	None
Others	Department of Urban Development, Taipei City Government	905,331	869,314	✓	-	Public treasury guarantees	None
	Taipei Municipal Secured Small Loans Service	1,163	1,076	✓	-	Public treasury guarantees	None
	Fubon Land Development	2,540,000	2,540,000	✓	-	Construction, land and listed stocks	None
	Shanghai Ruidong Hospital	190,115	166,130	-	166,130	Pledged deposits	None
	Other loans	800	800	✓	-	Credit Guarantee Fund	None
Total		6,521,980	6,250,210				

b) Bond transactions were as follows:

Name of related party	Subject	Transaction types	For the three months ended March 31		
			2017	2016	2016
Fubon Life Insurance	Bonds	Bonds purchased	\$ 12,643,556		9,103,170
Xiamen Bank	Bonds	Bonds purchased	132,351		149,695
Name of related party	Subject	Transaction types	March 31, 2017	December 31, 2016	March 31, 2016
Fubon Securities	Bonds	Resell agreement	\$ -	200,079	300,133
Capital Securities	Bonds	Resell agreement	-	-	1,252,135
Taiwan High Speed Rail	Bonds	Repurchase agreement	1,400,000	2,211,400	5,759,000
Directors, supervisors, managers and their relatives up to the second degree; affiliated and the related parties in substance	Bonds	Repurchase agreement	2,397,589	2,994,068	2,761,540

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

c) Fund and stock transactions

Name of related party	March 31, 2017	December 31, 2016	March 31, 2016
	\$		
Fubon REIT I Fund	<u>847,896</u>	<u>868,084</u>	<u>948,836</u>

d) Derivative financial instruments

Unit: In thousands of TWD

March 31, 2017						
Name of Related party	Derivative instruments	Contract period	Contract (notional) amount	Gains (losses) on valuation	Balance Sheet	
					Account	Balance
Fubon Life Insurance	Interest rate swap contracts	2007.09.27~2018.06.24	2,750,000	16,375	Valuation adjustment of financial liability measured at fair value through profit or loss	447,841

Unit: In thousands of TWD

December 31, 2016						
Name of Related party	Derivative instruments	Contract period	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	\$ 1,565,653	(53,225)	Valuation adjustment of financial asset measured at fair value through profit or loss	115,797
Fubon Life Insurance	Interest rate swap contracts	2007.09.27~2018.06.24	2,750,000	105,428	Valuation adjustment of financial liability measured at fair value through profit or loss	464,216

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

Unit: In thousands of TWD

March 31, 2016						
Name of Related party	Derivative instruments	Contract period	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	\$ 1,824,035	9,498	Valuation adjustment of financial asset at fair value through profit or loss	179,597
Fubon Life Insurance	Interest rate swap contracts	2007.09.27~2018.06.24	2,750,000	12,282	Valuation adjustment of financial liability at fair value through profit or loss	557,362

## e) Others

Name of related party	March 31, 2017	December 31,		March 31, 2016
		2016		
Receivables – Fubon Life Insurance	\$ 331,841	478,493		788,378
Principal of structured products – Fubon Life Insurance	2,750,000	2,750,000		2,750,000
		<b>For the three months ended</b>		
		<b>March 31</b>		
		<b>2017</b>	<b>2016</b>	
Service fee – Fubon Life Insurance		\$ 1,849,488		2,239,738
Service fee – Others		132,630		121,172

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

- f) Transaction of property
- i) Property and equipment
- Counter party: Fubon AMC
- Date: October 27, 2016

Units: In thousands of TWD

<b>Components</b>	<b>Selling Price</b>	<b>Carrying Amount</b>	<b>Gain on disposal of property and equipment</b>
Property and equipment	\$ <b>421,000</b>	<b>214,003</b>	<b>206,997</b>

Under the Banking Law, 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 of the unrelated parties.

In accordance with Articles 32 and 33 of “The Banking Act of The Republic of China”, no unsecured credit shall be extended by a bank to any interested party except for consumer loans and loans extended to the government. For any secured credit extended by a bank to any interested party, the terms of such extended credit shall not be more favorable than those terms offered to other customers of the same category.

- (v) Fubon Bank (Hong Kong)
- 1) Name and relationship with related party

<b>Name of related party</b>	<b>Relationship with the Company</b>
Taipei Fubon Bank Co., Ltd. (Taipei Fubon Bank)	Company controlled by Fubon Financial Holdings
Fubon Life Insurance (Hong Kong) Limited	Company controlled by Fubon Financial Holdings

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

2) Significant transactions with related parties

Deposits

<u>Name of related party</u>	<u>March 31, 2017</u>	<u>December 31, 2016</u>	<u>March 31, 2016</u>
Taipei Fubon Bank	HKD <u>19,887</u>	HKD <u>20,608</u>	HKD <u>29,566</u>
Fubon Life Insurance (Hong Kong)	HKD <u>270,314</u>	HKD <u>244,282</u>	HKD <u>472,891</u>

Bank Deposits

<u>Name of related party</u>	<u>March 31, 2017</u>	<u>December 31, 2016</u>	<u>March 31, 2016</u>
Taipei Fubon Bank	HKD <u>26,788</u>	HKD <u>23,818</u>	HKD <u>37,238</u>

(vi) Fubon Financial Holding Venture Capital

1) Name and relationship with related party

<u>Name of related party</u>	<u>Relationship with the Company</u>
Taipei Fubon Bank Co., Ltd. (Taipei Fubon Bank)	Company controlled by Fubon Financial Holdings

2) Significant transactions with related parties

a) Bank deposits

	<u>March 31, 2017</u>	<u>December 31, 2016</u>	<u>March 31, 2016</u>
Bank deposits	\$ <u>192,528</u>	<u>123,412</u>	<u>200,076</u>

(vii) Fubon Marketing and its subsidiaries

1) Name and relationship with related party

<u>Name of related party</u>	<u>Relationship with the Company</u>
Fubon Insurance Co., Ltd. (Fubon Insurance)	Company controlled by Fubon Financial Holdings
Fubon Life Insurance Co., Ltd. (Fubon Life Insurance)	Company controlled by Fubon Financial Holdings
Taipei Fubon Bank Co., Ltd. (Taipei Fubon Bank)	Company controlled by Fubon Financial Holdings

(Continued)



**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

2) Significant transactions with related parties

a) Deposit

	<u>March 31, 2017</u>	<u>December 31, 2016</u>	<u>March 31, 2016</u>
Taipei Fubon Bank	\$ <u>383,046</u>	<u>356,820</u>	<u>270,761</u>

b) Operating revenue

<u>Name of related party</u>	<u>For the three months ended March 31</u>	
	<u>2017</u>	<u>2016</u>
Fubon Insurance	\$ 114,022	112,548
Fubon Life Insurance	97,134	108,215
Total	\$ <u>211,156</u>	<u>220,763</u>

The details of account receivables generated from aforementioned transactions were as follows:

<u>Name of related party</u>	<u>March 31, 2017</u>	<u>December 31, 2016</u>	<u>March 31, 2016</u>
Fubon Insurance	\$ 51,230	41,291	107,319
Fubon Life Insurance	31,298	28,427	35,114
Total	\$ <u>82,528</u>	<u>69,718</u>	<u>142,433</u>

**(8) Pledged assets**

<u>Pledged assets</u>	<u>Purpose of pledge</u>	<u>March 31, 2017</u>	<u>December 31, 2016</u>	<u>March 31, 2016</u>
Time deposits (accounted for refundable deposits)	Guarantee deposits for Insurance business	\$ 18,126	19,366	19,362
Time deposits (accounted for refundable deposits)	Performance bond	987,439	1,034,124	1,096,291
Time deposits (accounted for pledged assets)	Full fiduciary discretionary deposits, bank overdraft	35,021	35,021	46,597
Time deposits (accounted for due from the central bank and call loans to banks)	Deposits for leases and others	1,279,000	1,279,000	1,279,500
Time deposits (accounted for due from the central bank and call loans to banks)	Collaterals for day term overdraft as liquidity reserve, collaterals for call loans of foreign currency and USD clearing transaction warranty	17,000,000	18,500,000	22,000,000

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

<u>Pledged assets</u>	<u>Purpose of pledge</u>	<u>March 31, 2017</u>	<u>December 31, 2016</u>	<u>March 31, 2016</u>
Negotiable Certificate of Deposit (accounted for held-to-maturity financial assets)	Collaterals for day term overdraft as liquidity reserve, collaterals for call loans of foreign currency and USD clearing transaction warranty	\$ 12,000,000	10,500,000	7,000,000
Other banks' deposits (accounted for other financial assets)	Note 1	1,605,700	1,662,725	2,745,455
Government bonds (accounted for refundable deposits)	Guarantee deposits for Insurance business, performance bond and margin deposit for trust business	10,803,019	10,802,093	9,609,163
Government bonds (accounted for bonds investment without active market)	Pledged for repurchase agreement	72,819	-	-
Government bonds (accounted for financial assets measured at fair value through profit or loss)	Note 1	49,512	49,111	50,228
Government bonds (accounted for financial assets measured at fair value through profit or loss)	Pledged for short sell	4,658,319	5,669,050	299,756
Government bonds (accounted for available-for-sale financial assets )	Pledged for short sell	-	-	2,616,264
Government bonds (accounted for available-for-sale financial assets )	Note 1	151,048	365,960	157,845
Government bonds (accounted for held-to-maturity financial assets)	Note 1	2,454,986	5,811,816	6,442,084
Government bonds (accounted for available-for-sale financial assets)	Pledged for repurchase agreement	1,045,176	-	955,017

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

<u>Pledged assets</u>	<u>Purpose of pledge</u>	<u>March 31, 2017</u>	<u>December 31, 2016</u>	<u>March 31, 2016</u>
Corporate bonds (accounted for available-for-sale financial assets)	Pledged for repurchase agreement	\$ 4,949,503	1,678,560	3,798,565
Financial liabilities (accounted for available-for-sale financial assets )	Pledged for repurchase agreement	34,954,656	38,244,766	35,573,817
Financial liabilities (accounted for held-to- maturity financial assets)	Pledged for repurchase agreement	459,114	494,016	-
Investment property – land and buildings	Bank loans	402,472	617,887	617,300
Property and equipment – land and buildings	Bank loans	530,081	301,728	302,874
Total		<u>\$ 93,455,991</u>	<u>97,065,223</u>	<u>94,610,118</u>

Note 1: Those 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, (d) foreign governments for the Bank's potential obligations on its overseas operations, and (e) collaterals for derivatives transactions.

**(9) Commitments and contingencies:**

(a) Details of the Company's leasing contract commitments to the maturity were as follows:

<b>March 31, 2017</b>	<b>Less than one year</b>	<b>Between one and five years</b>	<b>More than five years</b>	<b>Total</b>
Lease commitments				
Operating lease payments (Lessee)	1,506,814	2,081,403	107,669	3,695,886
Operating lease income (Lessor)	5,952,185	20,099,799	32,449,788	58,501,772
Finance lease payments (Lessee)	10,288	38,276	1,140,798	1,189,362
Finance lease income (Lessor)	7,145	21,087	19,827	48,059
Present value of finance lease payments (Lessee)	1,199	2,074	203,055	206,328
Present value of finance lease income (Lessor)	6,174	18,554	18,585	43,313
Capital expenditure commitments	3,596,864	5,946	-	3,602,810

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

<b>December 31, 2016</b>	<b>Less than one year</b>	<b>Between one and five years</b>	<b>More than five years</b>	<b>Total</b>
Lease commitments				
Operating lease payments (Lessee)	1,476,973	1,818,161	112,306	3,407,440
Operating lease income (Lessor)	6,026,367	20,580,666	33,814,584	60,421,617
Finance lease payments (Lessee)	11,167	40,246	1,197,486	1,248,899
Finance lease income (Lessor)	8,166	24,577	22,601	55,344
Present value of finance lease payments (Lessee)	1,416	2,311	212,731	216,458
Present value of finance lease income (Lessor)	7,043	21,640	21,174	49,857
Capital expenditure commitments	3,349,467	8,183	-	3,357,650
<b>March 31, 2016</b>	<b>Less than one year</b>	<b>Between one and five years</b>	<b>More than five years</b>	<b>Total</b>
Lease commitments				
Operating lease payments (Lessee)	1,498,104	2,281,583	210,284	3,989,971
Operating lease income (Lessor)	5,960,330	21,046,905	39,234,215	66,241,450
Finance lease payments (Lessee)	14,511	103,554	3,642,517	3,760,582
Finance lease income (Lessor)	9,118	27,724	26,930	63,772
Present value of finance lease payments (Lessee)	13,301	83,225	394,269	490,795
Present value of finance lease income (Lessor)	7,812	24,272	25,057	57,141
Capital expenditure commitments	3,076,417	9,453	-	3,085,870

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

(b) Taipei Fubon Bank

- (i) Except for disclosed in other notes of consolidated financial statements, Taipei Fubon Bank and its subsidiary had commitments as follows:

	<u>March 31, 2017</u>	<u>December 31, 2016</u>	<u>March 31, 2016</u>
Amount of repurchase agreements	\$ 67,964,353	61,604,524	48,679,770
Amount of resell agreements	21,651,945	27,514,522	16,747,387
Collections for customers	32,036,117	37,251,977	41,605,543
Agency loans payable	24,415,211	24,965,515	26,462,270
Designated deposits	16,284,222	26,070,025	39,231,361
Designated loans	16,284,222	26,070,025	39,231,361
Travelers' checks consigned-in	420,885	501,269	557,984
Marketable securities under custody	257,135,104	267,909,186	242,002,165
Trust assets	339,967,098	337,075,394	330,811,107
Management for book-entry government bonds	143,652,900	160,798,000	221,106,100

- (ii) On March 24, 2006, Taipei Fubon Bank sold its Fubon Neihu building to Taiwan Land Bank Co., Ltd., the trust company of Fubon No. 2 REITs, and then leased back the building. The disposal gain of \$295,819 was recognized over the three-year lease term.

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

(c) Fubon Life Insurance and its subsidiaries

- (i) Fubon Life Insurance and its subsidiaries had contingent liability of lawsuits arising from operating activities. Other than cases which have already made provision, several lawsuits are still in process and appointed to lawyers. Fubon Life Insurance and its subsidiaries will recognize relevant losses when professional opinions and reasonable estimated loss are available.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

(ii) Significant unrecognized contract commitment

The unrecognized contract commitment of Life Insurance is as follows:

	<b>March 31, 2017</b>	<b>December 31,</b>	<b>March 31, 2016</b>
	<b>(Note)</b>	<b>2016</b>	
Acquisition of superficies	<u>\$ 718,509</u>	<u>718,509</u>	<u>718,509</u>

Note: Fubon Life Insurance and its subsidiaries acquired the superficies of No.472 Xinmin Rd., Beitou District, in July 2014 by bid. The total contract value amounted to \$1,401,000. As of the reporting date, the contract has not yet been signed. However, the commission contract of implementation of urban renewal business was signed in October, 2014 and \$700,500 royalty was paid.

Fubon Life Insurance and its subsidiaries acquired the superficies of No.6 Xinyi Rd., Xinyi District in June, 2014 by bid. The total contract value amounted to \$17,288,000 by referencing to the appraisal report of Repro International Inc. and Colliers internationals. The contract has been signed in August 2014 and the superficies began to be amortized in November, 2014. In accordance with the contract, except for those that Taipei City Government agrees not to implement, Fubon Life Insurance and its subsidiaries must finish removing and undergrounding water pumping stations and gas pressure regulator stations within the area before acquiring building use permit. The budget for engineering is limited to \$110,000. As of March 31, 2017, the engineering expense of \$91,991 was recognized.

(iii) The unfunded commitments of Fubon Life Insurance and its subsidiaries' signed private equity agreements were as follows (in thousands):

	<b>March 31, 2017</b>	<b>December 31,</b>	<b>March 31, 2016</b>
		<b>2016</b>	
USD	<u>\$ 1,705,049</u>	<u>1,837,940</u>	<u>1,537,734</u>
EUR	<u>\$ 251,784</u>	<u>223,488</u>	<u>222,083</u>

Note: The unfunded commitments does not include the commitments which have been traded but not settled.

(iv) Fubon Insurance and its subsidiaries

Fubon Insurance had several insurance disputes and was requested to pay indemnities amounting to approximately \$476,324, of which approximately \$386,361 was reinsured. The difference not covered by reinsurance related to these claims had been accrued. These cases were still pending with the district court and had not been resolved as of March 31, 2017.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

(v) Fubon Securities and its subsidiaries

- 1) There were several disputes that former brokers have had with their clients due to securities brokerage transactions. Taiwan High Court has remanded the case and rejected the appeal of Mr. Chou. Mr. Chou disagreed with the court decision and appealed to the Taiwan Supreme Court. As of March 31, 2017, the case is still in progress. Based on the adjudication, the balances of indemnificatory loss payable, resulting from the litigation with customers for stock business were as follows:

	<b>March 31, 2017</b>	<b>December 31, 2016</b>	<b>March 31, 2016</b>
Indemnificatory loss payable	<b>\$ 11,526</b>	<b>11,526</b>	<b>11,526</b>

For the three months ended March 31, 2017 and 2016, Fubon Securities recognized indemnification loss of \$0 in both periods.

(vi) Fubon Bank (Hong Kong) and its subsidiaries

Fubon Bank (Hong Kong) lost the legal case that was filed against it in 2016, the related compensation and court expense were estimated at HKD100,000 in total, which had already been recognized in 2015. However, both the plaintiff and the bank were not satisfied with the verdict; therefore, they both appealed to the court. Based on legal opinions, The board of directors of Fubon Bank (Hong Kong) believed that no further compensation will incur in the future. Therefore, no provision was recognized as of for the three months ended March 31, 2017 and 2016.

**(10) Significant loss of damage:None**

**(11) Significant subsequent events**

On March 30, 2017, Fubon Life Insurance accepted the public tender offer by NN Group BIDCO B.V. to acquire 29,706 thousand common shares of Delta Lloyd N.V. with a unit price of EUR5.4 per share, and the total transaction amount was EUR160,412 thousands. This financial instrument meets the criteria of asset derecognition, and the recognized loss on disposal of EUR90,701 thousands.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

**(12) Other****(a) Reclassification**

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

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

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.

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

	<b>March 31, 2017</b>	<b>December 31, 2016</b>	<b>March 31, 2016</b>
Held-to-maturity financial assets			
Carrying amounts	\$ 492,597	554,884	1,135,446
Fair value	495,233	554,411	1,142,187

The gains or losses recorded for the reclassified financial assets (excluding those that had been derecognized before March 31, 2017 and 2016) for the three months ended March 31, 2017 and 2016, and the pro forma adjustments recognized in other equity assuming no reclassifications had been made were as follows:

	<b>For the three months ended March 31</b>	
	<b>2017</b>	<b>2016</b>
Held-to-maturity financial assets		
Gains recognized	\$ 2,122	6,168
Pro forma adjustments recognized in other equity	891	55,708

**(b) Operation of Taiwan Sport Lottery**

Taiwan Sport Lottery was established to operate a sport lottery business entrusted by Taipei Fubon Bank. Ministry of Finance assigned Fubon Taipei Bank to handle the issuance of sport lottery operations. In accordance with the provisions, the right of sport lottery operations was expired on December 31, 2013. Taiwan Sport Lottery (hold by CTBC Bank) is the new issuer after January 1, 2014. As of the financial statements date, Taiwan Sport Lottery's board of directors doesn't discuss the issue of liquidation.

(Continued)



**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

(c) Business or trading behaviors within subsidiaries:

(i) Business or trading behaviors:

Please refer to note 7 for related-party transactions.

(ii) Integrate business activities:

Subsidiaries operating in cross-selling, under the Company, included Taipei Fubon Bank Co. Ltd., Fubon Insurance Co. Ltd., Fubon Life Insurance Co. Ltd., Fubon Securities Co. Ltd., Fubon Futures Co. Ltd., Fu Sheng General Insurance Agent Co. Ltd. and Fu Sheng Life Insurance Agent Co. Ltd. The cooperation among the subsidiaries, from planning their products and advocating different channels to training their personnel on cross-selling, makes their relationship much closer and brings multi-business benefits.

(iii) Cross utilization of information:

In accordance with Financial Holding Company Act, Marketing Collaboration Agreement with Financial Holdings Company and its subsidiaries, and the self-discipline standard for financial holding company and its subsidiaries, the Company and its subsidiaries which joined the cross-selling business signed the “Agreement of Privacy Exchange” to keep the customers' data confidential or to limit the use of the data. In addition, they also announced the “Jointly Privacy Statement” and disclosed the statement in each subsidiary's website and the Company's website, as well as facilitate customers to online searching and browsing.

(iv) Locations and business utilities:

The Company has been approved to conduct integrate business activities in “operation place” by the authorities. Thus, the customers can directly handle their relevant businesses in banking, securities and futures operation places.

(v) Allocation on revenues, costs, expenses, profits and losses:

Allocation of Revenue, Cost and Expense is calculated based on the proportion of actual sales among subsidiaries. The estimated amount for the three months ended March 31, 2017, was as follows:

<u>Name</u>	<u>Amount</u> <u>(in thousands)</u>
Fubon Insurance	\$ 291,912
Taipei Fubon Bank	27,137
Fubon Life Insurance	84,557
Fubon Securities	823

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

(d) Financial information classified by business type:

For the three months ended March 31, 2017

Units: In thousands of TWD

Item	Banking	Insurance	Securities	Others	Consolidation
Net interest revenue	6,812,868	20,255,983	187,950	(165,544)	27,091,257
Net non-interest revenue	5,406,293	79,298,867	1,435,200	(414,350)	85,726,010
Net revenue	12,219,161	99,554,850	1,623,150	(579,894)	112,817,267
Bad debt expenses and provision for insurance reserve	(244,825)	(113,274)	(818)	(9,643)	(368,560)
Net change in provisions for insurance liability	-	(89,627,020)	-	69,781	(89,557,239)
Operating expenses	(6,033,049)	(6,557,693)	(1,210,261)	405,479	(13,395,524)
Income from continuing operations before income tax	5,941,287	3,256,863	412,071	(114,277)	9,495,944
Income tax expense	(800,086)	1,298,878	(66,848)	(78,202)	353,742
Net income	5,141,201	4,555,741	345,223	(192,479)	9,849,686

For the three months ended March 31, 2016

Units: In thousands of TWD

Item	Banking	Insurance	Securities	Others	Consolidation
Net interest revenue	7,015,198	18,795,269	169,756	(199,542)	25,780,681
Net non-interest revenue	6,322,062	75,145,920	1,412,747	44,004	82,924,733
Net revenue	13,337,260	93,941,189	1,582,503	(155,538)	108,705,414
Bad debt expenses and provision for insurance reserve	(317,116)	(17,763)	(129)	5,376	(329,632)
Net change in provisions for insurance liability	-	(84,189,204)	-	91,563	(84,097,641)
Operating expenses	(6,110,798)	(6,916,689)	(1,183,507)	272,247	(13,938,747)
Income from continuing operations before income tax	6,909,346	2,817,533	398,867	213,648	10,339,394
Income tax expense	(968,718)	(236,011)	(40,682)	(206,990)	(1,452,401)
Net income	5,940,628	2,581,522	358,185	6,658	8,886,993

(Continued)

e) Financial statements of Fubon Financial Holding Co., Ltd.

March 31, 2017 and 2016 reviewed only, not audited in accordance with the generally accepted auditing standards

## FUBON FINANCIAL HOLDING CO., LTD.

## Balance Sheets

March 31, 2017, December 31 and March 31, 2016

(Expressed in thousands of New Taiwan Dollars)

Assets	March 31, 2017		December 31, 2016		March 31, 2016		Liabilities and Equity	March 31, 2017		December 31, 2016		March 31, 2016	
	Amount	%	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%
Cash and cash equivalents	\$ 318,530	-	557,252	-	337,159	-	Commercial paper issued, net	\$ 6,299,610	1	-	-	1,199,643	-
Securities purchased under resell agreements	-	-	2,046,975	-	-	-	Payables	696,750	-	977,393	-	717,040	-
Receivables, net	367	-	76	-	142	-	Current tax liabilities	13,532,216	3	9,115,086	2	7,961,579	2
Current tax assets	11,725,823	2	7,185,770	1	5,050,047	1	Bonds payable	56,000,000	11	63,800,000	13	69,800,000	15
Investments accounted for using equity method, net	503,182,824	98	493,292,372	99	474,739,030	99	Deferred tax liabilities	2,401,170	-	2,267,573	-	1,843,039	-
Other financial assets, net	11,597	-	11,597	-	11,597	-	Other liabilities	364,926	-	487,255	-	434,836	-
Property and equipment, net	20,998	-	23,273	-	28,686	-	<b>Total liabilities</b>	<b>79,294,672</b>	<b>15</b>	<b>76,647,307</b>	<b>15</b>	<b>81,956,137</b>	<b>17</b>
Intangible assets, net	8,328	-	9,729	-	16,157	-	<b>Equity:</b>						
Deferred tax assets	3,174	-	2,500	-	22,513	-	Share capital:						
Other assets, net	319,421	-	337,424	-	332,376	-	Common stock	102,336,040	20	102,336,040	20	102,336,040	21
							Preferred stock	6,000,000	1	6,000,000	1	-	-
							Total share capital	108,336,040	21	108,336,040	21	102,336,040	21
							Capital surplus	103,736,424	20	102,713,132	20	74,449,718	16
							Retained earnings:						
							Legal reserve	47,560,961	9	47,560,961	10	41,201,702	9
							Special reserve	50,310,722	10	50,310,722	10	29,121,807	6
							Undistributed earnings	150,552,834	29	140,672,624	28	150,037,489	31
							Total retained earnings	248,424,517	48	238,544,307	48	220,360,998	46
							Other equity interests	(24,200,591)	(4)	(22,773,818)	(4)	1,434,814	-
							<b>Total equity</b>	<b>436,296,390</b>	<b>85</b>	<b>426,819,661</b>	<b>85</b>	<b>398,581,570</b>	<b>83</b>
<b>Total assets</b>	<b>\$ 515,591,062</b>	<b>100</b>	<b>503,466,968</b>	<b>100</b>	<b>480,537,707</b>	<b>100</b>	<b>Total liabilities and equity</b>	<b>\$ 515,591,062</b>	<b>100</b>	<b>503,466,968</b>	<b>100</b>	<b>480,537,707</b>	<b>100</b>

Reviewed only, not audited in accordance with the generally accepted auditing standards

FUBON FINANCIAL HOLDING CO., LTD.

Statement of Comprehensive Income

For the three months ended March 31, 2017 and 2016

(Expressed in thousands of New Taiwan Dollars, except earnings per share)

	For the three months ended March 31			
	2017		2016	
	Amount	%	Amount	%
<b>Revenue :</b>				
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	\$ 10,292,486	100	9,397,147	100
Other revenues	6,404	-	8,091	-
<b>Net revenue</b>	<u>10,298,890</u>	<u>100</u>	<u>9,405,238</u>	<u>100</u>
<b>Expense:</b>				
Operating expenses	166,174	2	160,152	2
Other expenses and losses	243,344	2	287,650	3
<b>Total expenses</b>	<u>409,518</u>	<u>4</u>	<u>447,802</u>	<u>5</u>
<b>Net income before tax from continuing operations</b>	9,889,372	96	8,957,436	95
<b>Income tax expense</b>	(10,610)	-	(183,111)	(2)
<b>Net income</b>	<u>\$ 9,878,762</u>	<u>96</u>	<u>8,774,325</u>	<u>93</u>
<b>Other comprehensive income:</b>				
<b>Items not to be reclassified subsequently to profit or loss</b>				
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method – items not to be reclassified subsequently to profit or loss	872,261	8	3,315	-
Income tax – items not to be reclassified subsequently to profit or loss	-	-	-	-
<b>Subtotal of items not to be reclassified subsequently to profit or loss</b>	<u>872,261</u>	<u>8</u>	<u>3,315</u>	<u>-</u>
<b>Items that may be reclassified subsequently to profit or loss</b>				
Exchange differences on translation of foreign operations	(3,376,453)	(33)	(1,007,230)	(11)
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method – items that may be reclassified subsequently to profit or loss	1,078,867	11	23,200,244	247
Income tax – items that may be reclassified subsequently to profit or loss	-	-	-	-
<b>Subtotal of items that may be reclassified subsequently to profit or loss</b>	<u>(2,297,586)</u>	<u>(22)</u>	<u>22,193,014</u>	<u>236</u>
<b>Other comprehensive income, net of income tax</b>	<u>(1,425,325)</u>	<u>(14)</u>	<u>22,196,329</u>	<u>236</u>
<b>Total comprehensive income</b>	<u>\$ 8,453,437</u>	<u>82</u>	<u>30,970,654</u>	<u>329</u>
<b>Basic earnings per share (in New Taiwan Dollars)</b>	<u>\$ 0.97</u>		<u>0.86</u>	
<b>Diluted earnings per share (in New Taiwan Dollars)</b>	<u>\$ 0.97</u>		<u>0.86</u>	

Reviewed only, not audited in accordance with the generally accepted auditing standards

FUBON FINANCIAL HOLDING CO., LTD.

Statement of Changes in Equity

For the three-month periods ended March 31, 2017 and 2016

(Expressed in thousands of New Taiwan Dollars)

	Share capital			Capital surplus	Retained earnings				Exchange differences on translation of foreign operations	Unrealized gains (losses) on available-for-sale financial instruments	Other equity Effective portion of unrealized gains (losses) on cash flow hedges	Revaluation gains	Total	Total equity
	Common stock	Preferred stock	Total		Legal reserve	Special reserve	Undistributed earnings	Total						
<b>Balance at January 1, 2016</b>	\$ 102,336,040	-	102,336,040	74,460,529	41,201,702	29,121,807	141,279,789	211,603,298	3,698,512	(26,082,512)	549,439	1,056,421	(20,778,140)	367,621,727
Net income for the period	-	-	-	-	-	-	8,774,325	8,774,325	-	-	-	-	-	8,774,325
Other comprehensive income	-	-	-	-	-	-	(16,625)	(16,625)	(3,411,153)	25,454,130	150,037	19,940	22,212,954	22,196,329
Total comprehensive income	-	-	-	-	-	-	8,757,700	8,757,700	(3,411,153)	25,454,130	150,037	19,940	22,212,954	30,970,654
Changes in associates and joint ventures accounted for using equity method	-	-	-	(10,988)	-	-	-	-	-	-	-	-	-	(10,988)
Share-based payment transaction	-	-	-	177	-	-	-	-	-	-	-	-	-	177
<b>Balance at March 31, 2016</b>	\$ 102,336,040	-	102,336,040	74,449,718	41,201,702	29,121,807	150,037,489	220,360,998	287,359	(628,382)	699,476	1,076,361	1,434,814	398,581,570
<b>Balance at January 1, 2017</b>	\$ 102,336,040	6,000,000	108,336,040	102,713,132	47,560,961	50,310,722	140,672,624	238,544,307	(7,625,985)	(16,096,768)	(402,102)	1,351,037	(22,773,818)	426,819,661
Net income for the period	-	-	-	-	-	-	9,878,762	9,878,762	-	-	-	-	-	9,878,762
Other comprehensive income	-	-	-	-	-	-	1,448	1,448	(6,894,830)	4,496,759	100,485	870,813	(1,426,773)	(1,425,325)
Total comprehensive income	-	-	-	-	-	-	9,880,210	9,880,210	(6,894,830)	4,496,759	100,485	870,813	(1,426,773)	8,453,437
Changes in associates and joint ventures accounted for using equity method	-	-	-	1,023,292	-	-	-	-	-	-	-	-	-	1,023,292
<b>Balance at March 31, 2017</b>	\$ 102,336,040	6,000,000	108,336,040	103,736,424	47,560,961	50,310,722	150,552,834	248,424,517	(14,520,815)	(11,600,009)	(301,617)	2,221,850	(24,200,591)	436,296,390

Reviewed only, not audited in accordance with the generally accepted auditing standards

FUBON FINANCIAL HOLDING CO., LTD.

Statement of Cash Flows

For the three-month periods ended March 31, 2017 and 2016

(Expressed in thousands of New Taiwan Dollars)

	For the three months ended March 31	
	2017	2016
<b>Cash flows from operating activities:</b>		
<b>Income before income tax</b>	\$ 9,889,372	8,957,436
<b>Adjustments :</b>		
Income of non-cash activities		
Depreciation expenses	3,320	3,069
Amortization expenses	3,669	4,787
Interest expense	233,187	286,318
Interest income	(6,400)	(718)
Share-based payment awards	-	177
Share of profit of subsidiaries, associates and joint ventures accounted for using equity methods	(10,292,486)	(9,397,147)
Subtotal of income of non-cash activities	<u>(10,058,710)</u>	<u>(9,103,514)</u>
Change in operating assets and liabilities :		
Change in operating assets :		
Decrease in securities purchased under resell agreements	2,046,975	-
Increase in receivables and current tax assets	(4,540,053)	(1,298,335)
Decrease in other assets	16,018	29,466
Subtotal of change in operating assets	<u>(2,477,060)</u>	<u>(1,268,869)</u>
Change in operating liabilities :		
Increase in payables and current tax liabilities	4,375,303	1,159,126
Decrease in other liabilities	(122,329)	(49,670)
Subtotal of change in operating liabilities	<u>4,252,974</u>	<u>1,109,456</u>
Subtotal of change in operating assets and liabilities	<u>1,775,914</u>	<u>(159,413)</u>
Subtotal of all adjustments	<u>(8,282,796)</u>	<u>(9,262,927)</u>
Cash provided by (used in) operating activities	1,606,576	(305,491)
Interest received	6,109	736
Interest paid	(349,473)	(345,256)
Income tax paid	(216)	(73)
<b>Net cash provided by (used in) operating activities</b>	<u>1,262,996</u>	<u>(650,084)</u>
<b>Cash flows from investing activities :</b>		
Acquisition of property and equipment	(1,153)	(903)
Acquisition of intangible assets	(175)	(3,044)
<b>Net cash used in investing activities</b>	<u>(1,328)</u>	<u>(3,947)</u>
<b>Cash flows from financing activities:</b>		
Increase in commercial papers issued	6,299,610	449,859
Repayments of bonds	(7,800,000)	-
<b>Net cash provided by (used in) financing activities</b>	<u>(1,500,390)</u>	<u>449,859</u>
<b>Net decrease in cash and cash equivalents</b>	(238,722)	(204,172)
<b>Cash and cash equivalents at the beginning of period</b>	<u>557,252</u>	<u>541,331</u>
<b>Cash and cash equivalents at the end of period</b>	<u>\$ 318,530</u>	<u>337,159</u>
<b>Components of cash and cash equivalents:</b>		
Cash and cash equivalents recognized in balance sheet	\$ 318,530	337,159
<b>Cash and cash equivalents at the end of period</b>	<u>\$ 318,530</u>	<u>337,159</u>

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

(f) Subsidiaries' balance sheets and statements of comprehensive income

(i) Balance sheets

	<b>Taipei Fubon Bank</b>	
	<b>March 31, 2017</b>	<b>March 31, 2016 (Restated) (Note)</b>
Cash and cash equivalents	\$ 29,060,162	65,026,334
Due from the central bank and call loans to banks	214,532,078	170,794,533
Financial assets measured at fair value through profit or loss	94,386,900	106,885,202
Available-for-sale financial assets, net	151,354,969	86,198,265
Derivative financial assets for hedging	772,197	482,466
Securities purchased under resell agreements	21,646,564	12,452,787
Receivable, net	58,238,396	68,287,825
Current income tax assets	598,672	364,038
Discounts and loans, net	1,120,227,401	1,143,011,791
Held-to-maturity financial assets, net	329,236,566	257,609,125
Investments accounted for using equity method, net	20,546,653	22,697,631
Other financial assets, net	48,410,601	37,338,872
Property and equipment, net	12,968,905	12,410,387
Investment property, net	2,641,500	2,746,700
Intangible assets, net	1,560,081	1,581,670
Deferred tax assets	416,835	402,726
Other assets	9,382,720	14,617,268
<b>Total assets</b>	<b>\$ 2,115,981,200</b>	<b>2,002,907,620</b>

Note: Taipei Fubon Bank merged with Taipei Fubon Bank Life Insurance Agency Co., Ltd. on April 29, 2016. Under related explanations, Taipei Fubon Bank's comparable financial statements have been restated retrospectively.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

	<b>Taipei Fubon Bank</b>	
	<b>March 31, 2017</b>	<b>March 31, 2016 (Restated) (Note)</b>
Deposits from the central bank and banks	\$ 60,869,337	74,619,660
Financial liabilities measured at fair value through profit or loss	44,559,226	58,063,851
Derivative financial liabilities for hedging	2,356,509	808,007
Securities sold under repurchase agreements	48,627,081	26,447,099
Payable	23,058,212	35,090,958
Current tax liabilities	2,430,013	2,201,243
Deposits	1,656,930,830	1,539,683,875
Bonds payable	71,278,882	62,968,186
Other financial liabilities	19,553,456	23,669,530
Provisions	2,358,848	2,518,527
Deferred tax liabilities	950,509	939,172
Other liabilities	<u>5,364,279</u>	<u>5,299,736</u>
<b>Total liabilities</b>	<u>1,938,337,182</u>	<u>1,832,309,844</u>
Common stock	106,518,023	98,038,876
Capital surplus	14,800,927	14,800,927
Retained earnings	56,748,255	55,084,989
Other equity	<u>(423,187)</u>	<u>2,672,984</u>
<b>Total equity</b>	<u>177,644,018</u>	<u>170,597,776</u>
<b>Total liabilities and equity</b>	<u>\$ 2,115,981,200</u>	<u>2,002,907,620</u>

Note: Taipei Fubon Bank merged with Taipei Fubon Bank Life Insurance Agency Co., Ltd. on April 29, 2016. Under related explanations, Taipei Fubon Bank's comparable financial statements have been restated retrospectively.

(Continued)



**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

	<b>Fubon Insurance</b>	
	<u><b>March 31, 2017</b></u>	<u><b>March 31, 2016</b></u>
Cash and cash equivalents	\$ 7,348,045	8,222,910
Receivable	4,646,527	4,269,608
Current income tax assets	3,203	2,843
Financial assets measured at fair value through profit or loss	340,805	368,742
Available-for-sale financial assets	38,769,877	37,797,688
Financial assets carried at cost	158,330	167,322
Investments accounted for using equity method, net	1,084,491	1,554,981
Debt investments without active market	3,740,849	3,339,762
Investment property	10,630,778	10,964,958
Reinsurance assets	20,283,404	17,169,061
Property and equipment	2,999,368	2,480,862
Intangible assets	104,685	60,580
Deferred tax assets	732,865	594,290
Other assets	<u>807,179</u>	<u>819,920</u>
<b>Total assets</b>	<b>\$ <u>91,650,406</u></b>	<b><u>87,813,527</u></b>
Payable	\$ 8,361,965	6,957,155
Current tax liabilities	471,426	298,939
Financial liabilities measured at fair value through profit or loss	8,507	30,897
Insurance liabilities	48,911,815	47,052,315
Deferred tax liabilities	1,191,675	1,122,843
Other liabilities	601,005	611,115
Provisions	<u>1,548,367</u>	<u>1,459,011</u>
<b>Total liabilities</b>	<b><u>61,094,760</u></b>	<b><u>57,532,275</u></b>
Common stock	3,178,396	3,178,396
Capital surplus	5,934,408	5,934,408
Retained earnings	17,253,114	16,558,757
Other equity	<u>4,189,728</u>	<u>4,609,691</u>
<b>Total equity</b>	<b><u>30,555,646</u></b>	<b><u>30,281,252</u></b>
<b>Total liabilities and equity</b>	<b>\$ <u>91,650,406</u></b>	<b><u>87,813,527</u></b>

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

	<b>Fubon Life Insurance</b>	
	<b>March 31, 2017</b>	<b>March 31, 2016</b>
Cash and cash equivalents	\$ 148,538,753	201,390,133
Receivable	52,973,369	44,505,684
Current tax liabilities	1,181,370	3,668,041
Financial assets measured at fair value through profit or loss	23,678,145	18,738,249
Available-for-sale financial assets, net	1,242,469,377	1,331,930,965
Derivative financial assets for hedging	399,026	842,743
Financial assets carried at cost, net	1,157,549	1,030,008
Debt investments without active market	1,282,944,799	928,426,244
Held-to-maturity financial assets	16,338,958	25,171,328
Investments accounted for using equity method, net	25,919,673	29,689,737
Other financial assets, net	35,853,466	21,346,393
Investment property	139,654,714	135,700,392
Loans	192,912,226	169,465,680
Reinsurance assets	1,406,671	1,197,026
Property and equipment	19,075,822	17,651,152
Intangible assets	185,382	183,721
Deferred tax assets	14,223,987	6,519,923
Other assets	49,589,600	43,123,703
Separate account-insurance instrument assets	<u>143,234,738</u>	<u>134,823,058</u>
<b>Total assets</b>	<b>\$ <u>3,391,737,625</u></b>	<b><u>3,115,404,180</u></b>
Payable	\$ 29,725,056	19,420,714
Current tax liabilities	8,223,590	682,530
Financial liabilities measured at fair value through profit or loss	1,412,214	293,363
Derivative financial liabilities for hedging	756,843	-
Bonds payable	28,500,000	-
Insurance liabilities	2,937,796,124	2,639,482,232
Reserve for insurance contracts with financial product futures	3,707,224	83,297,968
Foreign exchange valuation reserve	926,549	5,685,099
Provisions	6,841,235	6,304,982
Deferred tax liabilities	6,682,634	10,420,562
Other liabilities	3,847,785	8,534,764
Separate account-insurance instrument liabilities	<u>143,234,738</u>	<u>134,823,058</u>
<b>Total liabilities</b>	<b><u>3,171,653,992</u></b>	<b><u>2,908,945,272</u></b>
Common stock	69,432,750	57,320,950
Capital surplus	29,429,024	27,643,617
Retained earnings	132,544,006	114,804,704
Other equity	<u>(11,322,147)</u>	<u>6,689,637</u>
<b>Total equity</b>	<b><u>220,083,633</u></b>	<b><u>206,458,908</u></b>
<b>Total liabilities and equity</b>	<b>\$ <u>3,391,737,625</u></b>	<b><u>3,115,404,180</u></b>

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

	<b>Fubon Securities</b>	
	<u>March 31, 2017</u>	<u>March 31, 2016</u>
Current assets	\$ 76,055,152	68,343,353
Available-for-sale financial assets – non-current	38,417	38,417
Financial assets carried at cost – non-current	438,118	447,364
Investments accounted for using equity method, net	6,673,317	5,534,272
Property and equipment	1,870,736	1,689,466
Investment property	855,560	1,075,010
Intangible assets	113,280	132,858
Deferred tax assets	193,158	142,213
Other non-current assets	<u>1,594,941</u>	<u>1,514,124</u>
<b>Total assets</b>	<b><u>\$ 87,832,679</u></b>	<b><u>78,917,077</u></b>
Current liabilities	\$ 53,755,174	45,333,968
Provisions – non-current	921,584	948,345
Deferred tax liabilities	92,231	74,942
Other non-current liabilities	<u>7,544</u>	<u>8,427</u>
<b>Total liabilities</b>	<b><u>54,776,533</u></b>	<b><u>46,365,682</u></b>
Common stock	16,643,550	16,643,550
Capital surplus	7,335	7,335
Retained earnings	15,122,497	14,534,158
Other equity	<u>1,282,764</u>	<u>1,366,352</u>
<b>Total equity</b>	<b><u>33,056,146</u></b>	<b><u>32,551,395</u></b>
<b>Total liabilities and equity</b>	<b><u>\$ 87,832,679</u></b>	<b><u>78,917,077</u></b>

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

	Units: In thousands of CNY	
	<b>Fubon Bank (China)</b>	
	<b>March 31, 2017</b>	<b>March 31, 2016</b>
Cash and cash equivalents	\$ 667,781	1,528,735
Due from the central bank and call loans to banks	6,792,810	6,602,923
Financial assets measured at fair value through profit or loss	562,264	453,362
Available-for-sale financial assets, net	7,367,399	9,520,607
Receivable, net	1,491,519	1,162,504
Current income tax assets	14,635	-
Discounts and loans, net	38,242,316	38,914,643
Held-to-maturity financial assets, net	8,165,832	7,121,984
Other financial assets	541,014	1,358,984
Property and equipment, net	1,284,431	1,289,328
Intangible assets, net	31,949	27,803
Deferred tax assets	106,354	119,093
Other assets, net	62,678	51,992
<b>Total assets</b>	<b>\$ 65,330,982</b>	<b>68,151,958</b>
Deposits from the central bank and banks	\$ 6,065,323	4,569,689
Due to the central bank and banks	1,931,804	1,471,464
Financial liabilities measured at fair value through profit or loss	352,933	429,834
Securities sold under repurchase agreements	4,345,228	4,448,931
Payables	1,436,439	1,267,249
Current tax liabilities	-	49,055
Deposits	45,878,039	50,821,927
Other financial liabilities	-	50,862
Other liabilities	3,356	10,083
<b>Total liabilities</b>	<b>60,013,122</b>	<b>63,119,094</b>
Common stock	2,100,000	2,100,000
Capital surplus	93,176	93,176
Retained earnings	3,157,727	2,845,407
Other equity	(33,043)	(5,719)
<b>Total equity</b>	<b>5,317,860</b>	<b>5,032,864</b>
<b>Total liabilities and equity</b>	<b>\$ 65,330,982</b>	<b>68,151,958</b>

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

(ii) Statements of comprehensive income

	<b>Taipei Fubon Bank</b>	
	<b>For the three months ended March 31</b>	
	<b>2017</b>	<b>2016 (Restated) (Note)</b>
Interest revenue	\$ 7,931,920	7,721,063
Interest expense	(3,258,961)	(3,270,173)
Net interest revenue	4,672,959	4,450,890
Net non-interest revenues	4,845,286	5,613,707
Net revenue	9,518,245	10,064,597
Bad debt expenses and guarantee liability provisions (reversal gains)	(203,885)	(186,008)
Operating expenses	(4,363,985)	(4,310,016)
Income before income tax	4,950,375	5,568,573
Income tax expense	(617,470)	(635,496)
Net income	4,332,905	4,933,077
Other comprehensive income (net of income tax)	(1,323,359)	(31,791)
Total comprehensive income	3,009,546	4,901,286
Earnings per share (In New Taiwan Dollars)	0.41	0.46

Note: Taipei Fubon Bank merged with Taipei Fubon Bank Life Insurance Agency Co., Ltd. on April 29, 2016. Under related explanations, Taipei Fubon Bank's comparable financial statements have been restated retrospectively.

	<b>Fubon Insurance</b>	
	<b>For the three months ended March 31</b>	
	<b>2017</b>	<b>2016</b>
Operating income	\$ 7,414,515	6,874,342
Operating cost	(4,909,883)	(4,726,719)
Operating expenses	(1,698,169)	(1,484,026)
Net operating revenue	806,463	663,598
Non-operating income and expense	(43,407)	(39,490)
Income before income tax	763,056	624,107
Income tax expense	(129,205)	(108,040)
Net income	633,851	516,067
Other comprehensive income (net of income tax)	391,277	1,088,136
Total comprehensive income	1,025,128	1,604,203
Basic earnings per share (In New Taiwan Dollars)	1.99	1.62

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

	<b>Fubon Life Insurance</b>	
	<b>For the three months ended</b>	
	<b>March 31</b>	
	<b>2017</b>	<b>2016</b>
Operating income	\$ 157,481,208	149,847,677
Operating cost	(151,055,419)	(143,483,253)
Operating expenses	(3,849,504)	(4,014,964)
Operating revenue	2,576,285	2,349,460
Non-operating income and expense	(10,783)	106,273
Income before income tax	2,565,502	2,455,733
Income tax revenue (expense)	1,444,622	(318,649)
Net income	4,010,124	2,137,084
Other comprehensive income (net of income tax)	1,575,847	21,511,018
Total comprehensive income	5,585,971	23,688,102
Basic earnings per share (In New Taiwan Dollars)	0.58	0.31
	<b>Fubon Securities</b>	
	<b>For the three months ended</b>	
	<b>March 31</b>	
	<b>2017</b>	<b>2016</b>
Revenue	\$ 1,380,115	1,194,793
Expenses	(1,201,490)	(1,110,119)
Net operating revenue	178,625	84,674
Non-operating income and expense	214,189	294,361
Income before income tax	392,814	379,035
Income tax expense	(47,591)	(20,850)
Net income	345,223	358,185
Other comprehensive income (net of income tax)	135,467	617,333
Total comprehensive income	480,690	975,518
Earnings per share (In New Taiwan Dollars)	0.21	0.22

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

Units: In thousands of CNY

**Fubon Bank (China)**

**For the three months ended**

**March 31**

	<b>2017</b>	<b>2016</b>
Interest revenue	\$ 611,918	688,072
Interest expense	(398,637)	(418,347)
Net interest revenue	213,281	269,725
Net non-interest revenues	5,374	76,895
Net revenue	218,655	346,620
Operating expenses	(154,081)	(151,147)
Income before income tax	64,574	195,473
Income tax expense	(12,724)	(43,764)
Net income	51,850	151,709
Other comprehensive income (net of income tax)	(19,834)	1,820
Total comprehensive income	32,016	153,529

(g) Profitability of the Company and bank, insurance and security subsidiaries

March 31, 2017

		Unit: %							
Item		Consolidation	The Company	Taipei Fubon Bank	Fubon Bank (Hong Kong)	Fubon Bank (China)	Fubon Life Insurance	Fubon Insurance	Fubon Securities
Return on total assets	Before income tax	0.60 %	7.76 %	0.94 %	0.93 %	0.38 %	0.30 %	3.33 %	1.82 %
	After income tax	0.62 %	7.76 %	0.82 %	0.80 %	0.31 %	0.48 %	2.77 %	1.60 %
Return on equity	Before income tax	8.80 %	9.17 %	11.24 %	9.39 %	4.87 %	4.73 %	10.16 %	4.79 %
	After income tax	9.12 %	9.16 %	9.84 %	8.02 %	3.91 %	7.40 %	8.44 %	4.21 %
Profit margin		8.73 %	98.24 %	45.52 %	41.37 %	23.71 %	2.55 %	8.55 %	25.15 %

March 31, 2016

		Unit: %							
Item		Consolidation	The Company	Taipei Fubon Bank	Fubon Bank (Hong Kong)	Fubon Bank (China)	Fubon Life Insurance	Fubon Insurance	Fubon Securities
Return on total assets	Before income tax	0.69 %	7.72 %	1.10 %	0.84 %	1.10 %	0.32 %	2.93 %	2.03 %
	After income tax	0.59 %	7.56 %	0.98 %	0.72 %	0.85 %	0.28 %	2.42 %	1.92 %
Return on equity	Before income tax	10.56 %	9.35 %	13.25 %	8.56 %	15.78 %	5.05 %	8.47 %	4.73 %
	After income tax	9.08 %	9.16 %	11.74 %	7.34 %	12.24 %	4.39 %	7.00 %	4.47 %
Profit margin		8.18 %	96.24 %	49.01 %	36.59 %	43.77 %	1.43 %	7.51 %	29.98 %

Note 1: Return on total assets = Income before (after) income tax/Average total assets.

Note 2: Return on equity = Income before (after) income tax/Average net worth of common equity.

Note 3: Profit margin = Income after income tax/Total operating revenues.

Note 4: Income before (after) income tax is the income in the for the three months ended March 31, 2017 and 2016.

Note 5: The return on assets and return on equity are presented annualized ratios.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

**(13) Other disclosures**

(a) Related information of significant transactions:

(i) Loans to others:None

(ii) Endorsement and guarantees for others:None

(iii) Marketable securities held as of March 31, 2017:

(In thousands of TWD / Thousands shares)

Held company name	Held company name securities type and name	securities type and name with the securities issuer	Account	March 31, 2017				Remark
				No. of shares	Carrying amount	Shareholding ratio	Market price	
Fubon Futures Co. Ltd.	Capital Taix Daily Leveraged 2X ETF	-	Financial assets measured at fair value through profit or loss	915	9,040	-	9,040	Beneficiary certificates
"	Capital Taix Daily Inversed -1X ETF	-	"	1,820	18,145	-	18,145	"
"	Cathay Financial Holding Co., Ltd. Preferred Stock A.	-	"	7,172	443,947	-	443,947	Listed stock
"	Fubon R1	-	Available-for-sale financial assets	2,644	38,867	-	38,867	Beneficiary securities
"	Fubon R2	-	"	676	8,768	-	8,768	"
"	China Steel Corporation Preferred Stock A.	-	"	47	2,016	-	2,016	Listed stock
"	Taiwan Futures Exchange Co., Ltd	Related parties in substance	Financial assets carried at cost	682	4,460	0.22	4,460	Unlisted Stock
Fubon Marketing	Allianz G1b1 Inv All Seasons Ret of Bd	-	Financial assets measured at fair value through profit or loss	785	11,832	-	11,832	Beneficiary certificates
"	Fubon China Investment Grade Bd	Fund managed under a subsidiary company's manager of the Company	"	200	10,030	-	10,030	"
"	Fubon R1	-	"	1,391	20,448	-	20,448	Beneficiary securities
"	Fubon R2	-	"	1,380	17,898	-	17,898	"
"	Cathay R1	-	"	500	7,515	-	7,515	"
"	Cathay R2	-	"	950	13,642	-	13,642	"
Fu Sheng Life Insurance Agent	98 Central Government Bond 6	-	Available-for-sale financial assets	-	3,049	-	3,049	Government Bond
Fu Sheng General Insurance Agent	98 Central Government Bond 6	-	"	-	2,032	-	2,032	"
Fubon Asset Management	Fubon Chi-Hsiang Money Market	Fund managed under Fubon Asset Management	Financial assets measured at fair value through profit or loss	7,994	124,354	-	124,354	Beneficiary certificates
"	Fubon Taiwan Technology ETF	"	"	28	1,295	-	1,295	"
"	Fubon Taiwan Financial ETF	"	"	30	1,056	-	1,056	"

(Continued)



**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

Held company name	Held company name securities type and name	securities type and name with the securities issuer	Account	March 31, 2017				Remark
				No. of shares	Carrying amount	Shareholding ratio	Market price	
Fubon Asset Management	Fubon Taiwan Eight Industries ETF	Fund managed under Fubon Asset Management	Financial assets measured at fair value through profit or loss	33	1,402	-	1,402	Beneficiary certificates
"	Fubon MSCI Taiwan ETF	"	"	36	1,579	-	1,579	"
"	Fubon SSE180 ETF	"	"	73	1,945	-	1,945	"
"	Taiwan FTSE TWSE Taiwan 50 EFT	"	"	13	552	-	552	"
"	Fubon SZSE 100 ETF	"	"	16	148	-	148	"
"	Fubon India ETF	"	"	12	263	-	263	"
"	Umbrella Fund-Fubon NIFTY ETF	"	"					
"	Fubon NASDAQ 100 ETF	"	"	10	232	-	232	"
"	Fubon TOPIX ETF	"	"	11	217	-	217	"
"	Eastspring Inv Asia Pacific REITs B	-	Available-for-sale financial assets	1,759	16,976	-	16,976	"
"	GAM Sart US All Cap Equity – A	-	"	31	23,642	-	23,642	"
"	Fubon China Growth	Fund managed under Fubon Asset Management	"	2,062	11,340	-	11,340	"
"	Fubon MSCI Taiwan ETF	"	"	850	37,672	-	37,672	"
"	Fubon Strategic High Income C	"	"	2,160	20,646	-	20,646	"
"	Fubon Strategic High Income A	"	"	812	9,918	-	9,918	"
"	Fubon China Money Market CNY	"	"	599	28,581	-	28,581	"
"	Fubon China High Yield Bd CNY – B	"	"	2,041	93,102	-	93,102	"
"	Fubon China Investment Grade Bd CNY – B	"	"	816	36,920	-	36,920	"
"	Fubon TOPIX ETF	"	"	1,150	22,597	-	22,597	"
"	Fubon India ETF	"	"	1,500	31,905	-	31,905	"
"	Umbrella Fund-Fubon NIFTY ETF	"	"					
"	Fubon NASDAQ 100 ETF	"	"	1,500	34,470	-	34,470	"
"	Fubon Hang Seng H-Share 2X Leveraged Index ETF	"	"	1,000	24,600	-	24,600	"
Fubon Asset Management	Fubon Global Investment Grade Bond B	Fund managed under a subsidiary company's manager of the Company	"	1,023	9,811	-	9,811	"
"	Fubon Global REIT Fund	"	"	578	4,902	-	4,902	"
"	Fubon China New Balanced Income TWD – B	"	"	2,322	19,817	-	19,817	"
"	103 Central Government Development Bond 13	-	"	-	311,258	-	311,258	Government Bond
"	FundRich Securities Co. Ltd.	Related parties in substance	Financial assets carried at cost	983	9,825	2.81	9,825	Unlisted stock

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

Held company name	Held company name securities type and name	securities type and name with the securities issuer	Account	March 31, 2017				Remark
				No. of shares	Carrying amount	Shareholding ratio	Market price	
Fubon AMC	Union Bank	-	Available-for-sale financial assets	702	6,501	0.03	6,501	Listed stock
Fubon Investment Service	Fubon Chi-Hsiang Money Market	Fund managed under a subsidiary company's manager of the Company	Financial assets measured at fair value through profit or loss	5,790	90,064	-	90,064	Beneficiary certificates
Fubon Securities Venture Capital	Applied Bio Code Corporation	-	Available-for-sale financial assets	438	23,359	0.93	23,359	Emerging stock
	APEX Flight Academy	-	Financial assets carried at cost	1,875	30,000	7.01	30,000	Unlisted stock
	KGET	-	"	400	12,400	1.30	12,400	"
	HORNG SHIUE HOLDING Co., Ltd.	-	"	581	31,299	1.57	31,299	"
Fubon Financial Holding Venture Capital Co., Ltd.	Chunghwa chemical Synthesis & Biotech Co., Ltd.	-	Available-for-sale financial assets	3,000	81,300	3.87	81,300	Listed stock
"	Bionime Corporation	-	"	1,222	85,400	1.93	85,400	"
"	Fubon Multimedia Technology Co., Ltd.	Related parties in substance	"	1,335	288,360	0.94	288,360	"
"	ACER Inc.	-	"	1,000	14,400	0.03	14,400	"
"	Media Asia Group Holdings Ltd.	-	"	99,188	123,907	4.64	123,907	Hong Kong listed stock
"	ConforMIS, Inc.	-	"	100	15,837	0.24	15,837	US listed stock
"	H&Q AP Greater China Growth Fund	-	"	-	12,958	4.00	12,958	Private fund
"	Media Asia Group Holding Limited	-	"	-	130,301	-	130,301	Convertible Bond
"	An Shin Food Service Co., Ltd.	-	"	97	7,502	0.30	7,502	Listed stock in TPEX
"	KD Holding Corporation	-	"	470	83,869	0.71	83,869	"
"	SynCore Biotechnology Co.	-	"	2,695	71,820	3.86	71,820	"
"	One Production Co., Ltd.	Related party in substance	"	3,874	97,702	13.84	97,702	Emerging stock
"	JHL Biotech Inc.	-	"	2,534	172,678	1.33	172,678	"
"	Tanvex BioPharma' Inc.	-	"	1,290	161,237	0.67	161,237	"
"	Taiwan SyneuRx Corp.	-	"	765	56,713	0.75	56,713	"
"	Fubon Strategic High Income Bond Fund	Fund managed under a subsidiary company's manager of the Company	"	4,197	41,909	-	41,909	Beneficiary certificates
"	Franklin Templeton Sino Am Global High Yield Bond Fund	-	"	9,458	76,896	-	76,896	"
"	TIPCO International Ltd.	-	Financial assets measured at cost	1	147,202	6.22	147,202	Unlisted stock
"	Jeoutai Technology Co., Ltd.	-	"	2,403	42,000	8.06	42,000	"
"	Century Development Corporation	Related party in substance	"	3,062	31,204	1.00	31,204	"
"	Yuan-tai Foreign Exchange Broker Co., Ltd.	-	"	240	4,800	2.00	4,800	"

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

Held company name	Held company name securities type and name	securities type and name with the securities issuer	Account	March 31, 2017				Remark
				No. of shares	Carrying amount	Shareholding ratio	Market price	
Fubon Financial Holding Venture Capital Co., Ltd.	Omniad Media Incorporation	-	Financial assets measured at cost	7,675	-	10.21	-	Unlisted stock
"	Kuokuang Petrochemical Technology Co.	-	"	2,389	-	4.37	-	"
"	Phalanx Biotech Group	-	"	95	913	0.18	913	"
"	StemCyte Inc.	Related party in substance	"	9,426	270,427	10.56	270,427	"
"	Tai Yai Petrochemical Corp.	"	"	4,500	45,000	3.00	45,000	"
"	Kbro Media Co., Ltd.	"	"	13,050	129,797	14.50	129,797	"
"	Diamond Bioventure	"	"	22,500	225,000	5.00	225,000	"
"	LoneStar Heart Inc.	-	"	294	60,640	4.01	60,640	"
"	UUPON Inc.	-	"	1,900	21,000	6.33	21,000	"
"	DoDoPal Holdings Ltd.	Related party in substance	"	14	130,583	5.80	130,583	"
"	TAROKO Development Co., Ltd.	"	"	23,040	353,226	12.71	353,226	"
"	Crystal Bright Development Ltd., BVI	-	"	10	305,342	1.91	305,342	"
"	Sunny Pharmtech	Related party in substance	"	9,213	148,517	10.25	148,517	"
"	Asian Crown International Co., Ltd.	"	"	3,300	17,564	9.50	17,564	"
"	Dragon Tiger Capital Partners Ltd. B class	-	"	1	22	7.00	22	"
"	Dragon Tiger Capital Partners Ltd. C class	-	"	-	7,429	35.00	7,429	"
"	Alliance Digital Tech Co., Ltd.	Related party in substance	"	900	9,000	2.16	9,000	"
"	EcoNet Inc	-	"	312	61,878	1.90	61,878	"
"	DETKET Technology Inc.	Related party in substance	"	2,200	26,400	17.12	26,400	"
"	SANITAS Health Management Co., Ltd.	"	"	4,105	48,000	10.53	48,000	"
"	Eva Technologies Co., Ltd.	-	"	3,350	20,101	6.50	20,101	"
"	ABG II-WX Limited	-	"	2	653,760	9.30	653,760	"
"	Yesin Electronics Technology Co., Ltd.	Related party in substance	"	3,333	40,000	9.26	40,000	"
"	Xin-Yao Bioventure Co., Ltd.	-	"	17,500	175,000	5.00	175,000	"
"	A.T.Holding Ltd.	-	"	280	270,660	2.35	270,660	"
"	Star River Energy Corporation	-	"	2,200	22,000	1.49	22,000	"
"	Fubon Hospitality Management Co., Ltd.	Related party in substance	"	5,000	38,285	17.86	38,285	"
"	Allianz Pharmaceuticals	-	"	2,000	30,000	6.85	30,000	"
Fubon Sports & Entertainment Co., Ltd.	CHOXUE INC. (Cayman)	-	"	298	3,330	2.38	3,330	"

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

- (iv) Cumulative purchase or sales of the same investee's capital stock up to \$300,000 or 10% of paid-in capital:None
- (v) Acquisition of the same securities up to \$300,000 or 10% of paid-in capital:None
- (vi) Obtain of real estate up to \$300,000 or 10% of paid-in capital:None
- (vii) Disposal of real estate up to \$300,000 or 10% of paid-in capital:None
- (viii) Discount of commission fees for transaction with related parties up to \$5,000:None
- (ix) Receivables from related parties up to \$300,000 or 10% of paid-in capital:

(In thousands of TWD)

Company of accounted for receivable	Counter-party	Relation-ship	Balance of receivables from related party	Turnover rate	Post-due receivables – related parties		Subsequently received amount of receivables from related party	Allowance for doubtful accounts
					Amount	Resolution		
The Company	Taipei Fubon Bank	Subsidiary of the Company	2,016,272 (Note 1)	-	-	-	-	-
"	Fubon Life Insurance	"	7,985,762 (Note 1)	-	-	-	-	-
"	Fubon Insurance	"	522,388 (Note 1)	-	-	-	-	-
"	Fubon Securities	"	512,427 (Note 1)	-	-	-	-	-
Taipei Fubon Bank	Fubon Financial Holding	Parent Company	574,231 (Note 2)	-	-	-	-	-
Taipei Fubon Bank	Fubon Life Insurance	Subsidiary of the Company	331,841	-	-	-	-	-
Fubon Life Insurance	Taipei Fubon Bank	Subsidiary of the Company	341,557	-	-	-	-	-

Note 1: The tax receivable by tax link mainly of subsidiary of company estimated payment that Company should be paid.

Note 2: The tax receivables to the subsidiaries, which derived from tax receivable of the Company as a result of combined income tax declaration starting from 2002.

- (x) Transactions of financial derivatives:for future information please refer to notes 6(c), 6(e), 6(s) and 6(ag).
- (xi) Transaction information of NPL disposition:None
  - 1) Summary of transaction information of NPL disposition:None
  - 2) The information of a transaction of NPL disposition up to \$1,000,000 should be disclosed:None
- (xii) Types of securitization instruments and other relevant information approved to issue pursuant to financial assets securitization rules or real estate securitization rules:None

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

(xiii) Business relationships and significant inter-company transactions

(Unit: In thousands of TWD)

No.	Company	Counter-party	Relationship	Transaction details			Rates of operation income/total asset
				Accounts	Amounts	Transaction terms	
0	Fubon Financial Holding	Fubon Life Insurance	1	Income tax refund receivables	7,985,762	Same as non related-party transactions	0.13 %
1	Taipei Fubon Bank	Fubon Securities	3	Deposits	6,182,857	Same as non related-party transactions	0.10 %
1	Taipei Fubon Bank	Fubon Life Insurance	3	Deposits	5,602,359	Same as non related-party transactions	0.09 %
1	Taipei Fubon Bank	Fubon Life Insurance	3	Net service fee and commission income	1,849,488	Same as non related-party transactions	1.64 %
1	Taipei Fubon Bank	Fubon Securities	3	Net service charge and commission loss	72,776	Same as non related-party transactions	0.06 %
1	Taipei Fubon Bank	Fubon Insurance	3	Other general and administrative expenses	51,042	Same as non related-party transactions	0.05 %
2	Fubon Life Insurance	Fubon Financial Holding	2	Income tax payable	7,985,762	Same as non related-party transactions	0.13 %
2	Fubon Life Insurance	Taipei Fubon Bank	3	Cash and cash equivalents	5,602,359	Same as non related-party transactions	0.09 %
2	Fubon Life Insurance	Taipei Fubon Bank	3	Net Service charge and commission loss	1,392,451	Same as non related-party transactions	1.23 %
2	Fubon Life Insurance	Taipei Fubon Bank	3	Other general and administrative expenses	459,275	Same as non related-party transactions	0.41 %
2	Fubon Life Insurance	Fubon Insurance	3	Other non-interest income, net	105,512	Same as non related-party transactions	0.09 %
2	Fubon Life Insurance	Fu Sheng Life Insurance Agent	3	Net service charge and commission loss	81,359	Same as non related-party transactions	0.07 %
3	Fubon Insurance	Fubon Life Insurance	3	Other general and administrative expenses	103,274	Same as non related-party transactions	0.09 %
3	Fubon Insurance	Fu Sheng General Insurance Agent	3	Net service charge and commission loss	72,586	Same as non related-party transactions	0.06 %
4	Fubon Securities	Taipei Fubon Bank	3	Cash and cash equivalents	5,335,357	Same as non related-party transactions	0.08 %
4	Fubon Securities	Taipei Fubon Bank	3	Other non-interest revenue, net	71,908	Same as non related-party transactions	0.06 %
5	Fu Sheng General Insurance Agent	Fubon Insurance	3	Net service fee and commission income	74,779	Same as non related-party transactions	0.07 %
6	Fu Sheng Life Insurance Agent	Fubon Life Insurance	3	Net service fee and commission income	81,359	Same as non related-party transactions	0.07 %

Note 1: Serial number is determined as follows:

1. 0 represents parent company.
2. Subsidiaries are numbered in a sequence of Arabic numerals from 1 based on the companies' category.

Note 2: The relation category among traders is determined as follows:

1. Parent to subsidiary.
2. Subsidiary to parent.
3. Subsidiary to subsidiary.

Note 3: Above listed are the significant transactions that comprised over 0.05% of the consolidated revenue or total assets.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

(xiv) Other significant transactions that may have substantial influence upon the decision made by financial statement user: None

(b) Information on investment in mainland China:

(i) Information of the Company and Fubon Taipei Bank's investee in Mainland China:

The Company was approved by the Investment Commission, MOEA, Jing Shen (2) Ruling No. 10400267060 to invest in 20% shares of Fubon Bank (China). The Company has remitted 30% of the investment amount of CNY 639,850 thousand on May 12, 2016, and finished the transfer of equity on October 20, 2016, with a remitted investment amount of CNY 2,132,845 in total.

Units: In thousands of TWD / CNY

Investee Company	Main Business	Total Amount of Paid-in Capital (thousand)	Investment types	Accumulated outflow of Investment from Taiwan as of January 1, 2017	Investment flows		Accumulated outflow of investment from Taiwan as of March 31, 2017	Net income from investee	Percentage of Ownership	Equity in the Earnings (gains)	Carrying value as of March 31, 2017	Accumulated inward remittance of earnings as of March 31, 2017
					Outflow	Inflow						
Fubon Bank (China)	Banking	9,294,780 (CNY2,100,000)	Direct investment in Mainland China	42,122,872	-	-	42,122,872	CNY232,869 (CNY\$51,850)	100 %	146,217	39,478,953	168,999

Company	Accumulated investment in Mainland China as of March 31, 2017	Investment amounts authorized by investment commission, MOEA	Upper limit on investment
Fubon Financial Holding Co., Ltd.	21,864,574 (CNY4,491,338)	22,673,226 (CNY4,558,493)	261,777,834
Taipei Fubon Bank Co., Ltd.	20,258,298 (CNY4,093,113)	20,258,298 (CNY4,093,113)	106,586,410

Note: The paid-in capital and profit or loss in foreign currencies are converted into TWD using CNY closing exchange rate on March 31, 2017, and the CNY average exchange rate for the three months ended March 31, 2017.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

- (ii) Fubon Life Insurance and Fubon Insurance invested CNY 400 million (with each company funding CNY 200 million) to set up Fubon Property and Casualty Insurance Co., Ltd. for insurance business in Mainland China. The investment project had been approved by the Financial Supervisory Commission, Executive Yuan, Jin Guan Bao (3) No. 09602175710 on December 24, 2007. The China Insurance Regulatory Commission approved to issue an insurance corporation permit based on Letter No. 1133 on September 17, 2010. In order to develop regional markets, raise working capital, enhance solvency and attract strategic investors, Fubon Life Insurance and Fubon Insurance signed a joint investment contract with Xiamen Port Holding Group on September 10, 2012. Under this joint venture contract, Fubon Property & Casualty Insurance Co., Ltd. will increase its capital stock of up to CNY 100 million, which will be acquired entirely by Xiamen Port Holding Group. This capital increase was approved by China Insurance Regulatory Commission on August 16, 2013. Furthermore, the capital increase of Fubon Property and Casualty Insurance Co., Ltd. was approved by China Insurance Regulatory Commission as of September 23, 2014. The fund deriving from Fubon Life Insurance and Fubon Insurance was based on the ratio of the original share possession. The board of directors of Fubon Life Insurance and Fubon Insurance agreed on participating in the capital increase for cash in Fubon Property & Casualty Insurance Co., Ltd. The project had been approved by Jin Guan Bao Chan No. 10402033851 and No. 10402033852, respectively, on May 5, 2015. Fubon Life Insurance and Fubon Insurance were approved by the Investment Commission, MOEA, Jing Shen (2) Letter No. 10400108050 and 10400105180 to invest the total amount of CNY 300 million in Fubon Property & Casualty Insurance, and remitted CNY 240 million on August 10, 2015. The investment project had been approved by the China Insurance Regulatory Commission on October 9, 2015, and the record date for capital increase was October 20, 2015. As of March 31, 2016, the paid-in capital of Fubon Property & Casualty Insurance was CNY 1 billion. The total investment of Fubon Life Insurance and Fubon Insurance amounted to CNY 800 million.

Fubon Life Insurance and Fubon Insurance had signed a joint investment contract with Nanjing Zijin Investment Co., Ltd. to establish a life insurance company in Mainland China. The project had been approved by the Financial Supervisory Commission. However, the board of directors of Fubon Life Insurance and Fubon Insurance had approved to terminate the joint investment agreement on January 29 and January 30, 2016, respectively.

Fubon Life Insurance was approved by the Investment Commission, MOEA, with Jing Shen (2) letter No. 10400036470 to remit the amount of HKD 1,800 million to Warlord Investment Corporation for 20% ownership in Hong Kong CITIC Capital Holdings Ltd., and therefore, indirectly acquiring 6% to 20% ownership of CITIC Fulljoy (Dalian) Co., Ltd., Xiang Xin Real Estate (Shenyang) Co., Ltd., CITIC Capital Advisory (Shanghai) Co., Ltd., Pon Wei Investment Consultancy (Shanghai) Co., Ltd., ITIC Jin Xiu Capital Management Co., Ltd. and Kaixin Investment (Beijing) Co., Ltd.. In addition, since Fubon Life Insurance did not participate in the capital increase for cash of CITIC Capital Holdings Co., Ltd. on July 8, 2016, its ownership interest in CITIC Capital Holdings Co., Ltd. had decreased from 20% to 18%.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

1) Information of Fubon Insurance and Fubon Life Insurance's investees in Mainland China

Units: In thousands of TWD / CNY

Investee Company	Main Business	Total Amount of Paid-in Capital (thousand)	Investment types (Note 1)	Accumulated outflow of Investment from Taiwan as of January 1, 2017	Investment flows		Accumulated outflow of investment from Taiwan as of March 31, 2017	Net income from investee	Percentage of Ownership	Equity in the Earnings (gains)	Carrying value as of March 31, 2017	Accumulated inward remittance of earnings as of March 31, 2017
					Outflow	Inflow						
Fubon Property and Casualty Insurance Limited	Property Insurance	4,411,800 (CNY 1,000,000)	1	3,878,890	-	-	3,878,890	(147,895)	80.00 %	(118,316)	910,542	-
Teng Fu Bo Investment Limited	Investment advisory	926,423 (CNY 200,000)	3	-	-	-	-	(18,193)	24.88 %	(4,526)	215,084	-

2) Information of Fubon Life Insurance's investees in Mainland China:

Units: In thousands

Investee Company	Main Business	Total Amount of Paid-in Capital (thousand)	Investment types (Note 1)	Accumulated outflow of Investment from Taiwan as of January 1, 2017	Investment flows		Accumulated outflow of investment from Taiwan as of March 31, 2017	Net income from investee	Percentage of Ownership	Equity in the Earnings (gains)	Carrying value as of March 31, 2017	Accumulated inward remittance of earnings as of March 31, 2017
					Outflow	Inflow						
CITIC Fulljoy (Dalian) Limited	Real estate development	1,405,368 (HKD 360,000)	2	-	-	-	-	(3,144) (CNY 700)	18.00 %	(566) (CNY 126)	Note 2	-
Shang Hsing Real Estate (Shenyang) Limited	Real estate leasing	1,951,900 (HKD 500,000)	2	-	-	-	-	(51,530) (CNY 11,474)	18.00 %	(9,275) (CNY 2,065)	Note 2	-
Empower Limited	Investment advisory	4,247 (USD 140)	2	-	-	-	-	32,337 (CNY 7,200)	18.00 %	5,821 (CNY 1,296)	Note 2	-
Pon Wei Investment Consultancy (Shanghai) Limited	Investment advisory	16,686 (USD 530)	2	-	-	-	-	(9,032) (CNY 2,011)	9.18 %	(829) (CNY 185)	Note 2	-
CITIC Jin Xiu Capital Management Limited	Investment Management	220,590 (CNY 50,000)	2	-	-	-	-	(3,032) (CNY 675)	5.40 %	(164) (CNY 36)	Note 2	-
Kaixin Investment (Beijing) Limited	Investment trustee of ventures	88,236 (CNY 20,000)	2	-	-	-	-	2,735 (CNY 609)	9.00 %	246 (CNY 55)	Note 2	-

Note 1: Investment types are as follows.

1. Direct investment in Mainland China.

2. Investment in Mainland China companies through CITIC Capital Holdings Ltd., a company established in a third region.

3. Others.

Note2: Carrying value for investment in Mainland China as of March 31, 2017 was not available from the self-prepared financial statements of the company in a third region.

Note3: Fubon Life Insurance and its subsidiaries also indirectly invested in CITIC Capital Holdings (Tianjin) Ltd., Xin Ming Investment Consultancy (Shanghai) Ltd., Peng Yu Investment Consultancy (Shanghai) Ltd. and Hui Zhi Ju Xin (Shenzhen) investment Ltd., Jin Rui Tong Investment Consultancy (Chengdu) Ltd., CITIC Capital Asset Management (Shenzhen) Ltd., CITIC Capital Culture Tourism (Chengdu) Ltd., Zhong Yu Rui Xin Asset Management (Beijing) and CITIC Cash Asset Management Co., Ltd. through CITIC Capital Holdings Ltd.

Note 4: The foreign currency is converted into TWD using CNY closing exchange rate on March 31, 2017 and average exchange rate for the three months ended March 31, 2017.

(Continued)



**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

3) Upper limit on investment:

Units: In thousands of TWD

Company	Accumulated investment in Mainland China as of March 31, 2017	Investment amounts authorized by investment commission, MOEA	Upper limit on investment
Fubon Life Insurance Co., Ltd.	18,033,518	18,187,174	132,050,180
Fubon Insurance Co., Ltd.	1,938,874 (USD 61,664)	2,166,712 (USD68,885)	18,333,388

Note: The limit of Fubon Life Insurance Co., Ltd. and Fubon Insurance Co., Ltd. investment were \$88,033,453, and \$12,222,258 according to the Regulations Governing Foreign Investments by Insurance Companies.

- (iii) On March 19, 2015, the board of directors of Fubon Securities has approved the establishment of a new subsidiary in Mainland China. The project was approved by FSC Gin Guan Securities No. 1040042628 on November 24, 2015 and by the Investment Commission, MOEA, with letter No. 10430066740 on January 20, 2016. The investment amount was CNY200 million. The application is still in progress as of the reporting date. The subsidiary was set up in Xiamen on June 6, 2016. As of March 31, 2017, Fubon Securities has fully remitted its subsidiary's registered capital amounting to CNY200 million for investment.

Units: In thousands of TWD / CNY

Investee Company	Main Business	Total Amount of Paid-in Capital (thousand)	Investment types	Accumulated outflow of Investment from Taiwan as of January 1, 2017	Investment flows		Accumulated outflow of investment from Taiwan as of March 31, 2017	Net income from investee	Percentage of Ownership	Equity in the Earnings (gains)	Carrying value as of March 31, 2017	Accumulated inward remittance of earnings as of March 31, 2017
					Outflow	Inflow						
Fubon Securities Equity Investment Co., Ltd.	Equity Investment	944,532 (CNY200,000)	(Note 1)	944,352	-	-	944,532	(6,660)	100.00 %	(6,660)	885,332	-

Company	Accumulated investment in Mainland China as of March 31, 2017	Investment amounts authorized by investment commission, MOEA	Upper limit on investment (Note 2)
Fubon Securities Co., Ltd.	944,532 (CNY200,000)	1,017,360 (CNY200,000)	19,893,416

Note 1: Direct investment in Mainland China.

Note 2: It was calculated by Fubon Securities' net value as of March 31, 2017

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

(iv) On November 18, 2014, the board of directors of Fubon Securities has approved in participating in the capital increased for cash in Huishang Futures Co., Ltd. in Mainland China. The project was approved by FSC Gin Guan Securities No. 1040020971 on May 22, 2015 and by the Investment Commission, MOEA, with letter No. 10400050900 on June 29, 2015. The project remained to be approved by the authorities in Mainland China, and the expected investment amount is CNY327 million.

(v) Information of Fubon Bank (Hong Kong)'s investee in Mainland China:

Units: In thousands of TWD / CNY

Investee Company	Main Business	Total Amount of Paid-in Capital (thousand)	Investment types	Accumulated outflow of Investment from Taiwan as of January 1, 2017	Investment flows		Accumulated outflow of investment from Taiwan as of March 31, 2017	Net income from investee	Percentage of Ownership	Equity in the Earnings (gains)	Carrying value as of March 31, 2017	Accumulated inward remittance of earnings as of March 31, 2017
					Outflow	Inflow						
Xiamen Bank Co., Ltd.	Banking	8,273,074 (CNY1,875,215)	Investment of Fubon Bank (Hong Kong) (100% of the shares held by the Company)	N/A, Investment of Fubon Bank (Hong Kong)	N/A, Investment of Fubon Bank (Hong Kong)	N/A, Investment of Fubon Bank (Hong Kong)	N/A, Investment of Fubon Bank (Hong Kong)	1,192,964	19.99 % (indirect)	238,061	8,431,493	-

Company	Accumulated investment in Mainland China as of March 31, 2017	Investment amounts authorized by investment commission, MOEA	Upper limit on investment
Fubon Bank Hong Kong Limited	N/A, Investment of Fubon Bank (Hong Kong)	N/A, Investment of Fubon Bank (Hong Kong)	N/A, Investment of Fubon Bank (Hong Kong)

(vi) Fubon AMC acquired 25% ownership of CITIC FUTONG Financial Leasing Co., Ltd. on May 8, 2015. The investment amounted to CNY270,000 thousand.

Units: In thousands of TWD / CNY

Investee Company	Main Business	Total Amount of Paid-in Capital (thousand)	Investment types	Accumulated outflow of Investment from Taiwan as of January 1, 2017	Investment flows		Accumulated outflow of investment from Taiwan as of March 31, 2017	Net income from investee	Percentage of Ownership	Equity in the Earnings (gains)	Carrying value as of March 31, 2017	Accumulated inward remittance of earnings as of March 31, 2017
					Outflow	Inflow						
CITIC FUTONG Financial Leasing Co., Ltd.	Financial leasing	4,677,513 (CNY\$931,034)	(Note 1)	1,356,479	-	-	1,356,479	100,966	25 %	36,355	1,365,217	-

Company	Accumulated investment in Mainland China as of March 31, 2017	Investment amounts authorized by investment commission, MOEA	Upper limit on investment (Note 2)
Fubon Assets Management Service Co., Ltd.	1,356,479 (CNY270,000)	1,356,479 (CNY270,000)	2,097,924

Note 1: Direct investment in Mainland China.

Note2: It was calculated by Fubon AMC's net value as of March 31, 2017.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

- (vii) Fubon Asset Management and Founder Securities Co. co-invested in a fund management company. The investment amounted to CNY200,000 thousand, with Fubon Asset Management contributing the amount of CNY66,600 thousand. The board of directors of Fubon Asset Management had approved to participate in the capital increased for cash of Founder Fubon Fund Management Co., Ltd. by CNY 66,600 thousands. The investment project was approved by the Investment Commission, MOEA, and FSC on May 31 and June 2, 2016, respectively. As of March 31, 2017, the paid-in capital of Founder Fubon Fund Management Co., Ltd. amounted to CNY400,000 thousand, with Fubon Asset Management contributing the amount of 626,522 thousand.

Units: In thousands of TWD / CNY

Investee Company	Main Business	Total Amount of Paid-in Capital (thousand)	Investment types	Accumulated outflow of Investment from Taiwan as of January 1, 2017	Investment flows		Accumulated outflow of investment from Taiwan as of March 31, 2017	Net income from investee	Percentage of Ownership	Equity in the Earnings (gains)	Carrying value as of March 31, 2017	Accumulated inward remittance of earnings as of March 31, 2017
					Outflow	Inflow						
Founder Fubon Fund Management Limited	Fund raising and asset management	1,883,627 (CNY400,000)	(Note 1)	626,522	-	-	626,522	600	33.30 %	200	426,016	-

Company	Accumulated investment in Mainland China as of March 31, 2017	Investment amounts authorized by investment commission, MOEA	Upper limit on investment (Note 2)
Fubon Asset Management Co, Ltd.	626,522 (CNY133,200)	627,248 (CNY133,200)	1,780,820

Note 1: Direct investment in Mainland China.

Note2: It was calculated by Fubon Asset Management's net value as of March 31, 2017.

**(14) Segment and Geographic Information:**

(a) Operating segment information

The reportable segments of the Company are as follows:

- (i) Bank business: Engaged in banking business.
- (ii) Insurance business: Providing a variety of life and property insurance services.
- (iii) Life insurance business: Providing a variety of life and property insurance services.
- (iv) Securities business: Engaged in securities business.
- (v) Others: Engaged in financial holding venture capital and asset management business, etc.

The Company reports segments information by business type to offer different business and services. All of these business types are administered separately and have different finance and marketing strategies.

(Continued)

**FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim Financial Statements**

The Company does not allocate tax expenses to reporting segments. The accounting policies of the operating segments are the same as those described in Note 2. The income of the operating segments is based on income before tax, which also serves as the basis for the performance measurement. The sales and transfer between the departments are regarded as third party sales and transfer, and are measured at current market value.

(b) Business information

Operating Segments information was as follows:

For the three months ended March 31, 2017							
	Bank business	Property insurance business	Life insurance business	Securities business	Others	Adjustment and elimination	Total
Net revenues							
Revenue by external customers	\$ 10,427,397	2,853,824	98,101,517	1,496,000	(61,471)	-	112,817,267
Revenue between segments	1,791,764	16,378	(1,416,869)	127,150	10,479,028	(10,997,451)	-
Total	<u>\$ 12,219,161</u>	<u>2,870,202</u>	<u>96,684,648</u>	<u>1,623,150</u>	<u>10,417,557</u>	<u>(10,997,451)</u>	<u>112,817,267</u>
Segment income (Note)	<u>\$ 5,941,287</u>	<u>674,830</u>	<u>2,582,034</u>	<u>412,071</u>	<u>10,054,520</u>	<u>(10,168,798)</u>	<u>9,495,944</u>
Segment assets	<u>\$ 2,759,596,995</u>	<u>98,532,428</u>	<u>3,399,390,742</u>	<u>103,532,434</u>	<u>526,996,913</u>	<u>(527,179,200)</u>	<u>6,360,870,312</u>
For the three months ended March 31, 2016							
	Bank business	Property insurance business	Life insurance business	Securities business	Others	Adjustment and elimination	Total
Net revenues							
Revenue by external customers	\$ 11,182,501	2,852,726	92,944,052	1,471,366	254,769	-	108,705,414
Revenue between segments	2,154,759	(2,441)	(1,853,148)	111,137	9,441,660	(9,851,967)	-
Total	<u>\$ 13,337,260</u>	<u>2,850,285</u>	<u>91,090,904</u>	<u>1,582,503</u>	<u>9,696,429</u>	<u>(9,851,967)</u>	<u>108,705,414</u>
Segment income (Note)	<u>\$ 6,909,346</u>	<u>552,531</u>	<u>2,265,002</u>	<u>398,867</u>	<u>9,337,096</u>	<u>(9,123,448)</u>	<u>10,339,394</u>
Segment assets	<u>\$ 2,692,944,342</u>	<u>94,322,576</u>	<u>3,117,104,627</u>	<u>95,451,861</u>	<u>491,139,762</u>	<u>(505,779,902)</u>	<u>5,985,183,266</u>

Note: Income tax expense information is not included in segments information.