

(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

**June 30, 2017 and 2016
(With Independent Auditors' 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.

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安侯建業聯合會計師事務所
KPMG

台北市11049信義路5段7號68樓(台北101大樓)
68F, TAIPEI 101 TOWER, No. 7, Sec. 5,
Xinyi Road, Taipei City 11049, Taiwan (R.O.C.)

Telephone 電話 + 886 (2) 8101 6666
Fax 傳真 + 886 (2) 8101 6667
Internet 網址 kpmg.com/tw

Independent Auditors' Report

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

Opinion

We have audited the consolidated interim financial statements of Fubon Financial Holding Co., Ltd. (“the Company”) and its subsidiaries, which comprise the consolidated statement of financial position as of June 30, 2017, December 31 and June 30, 2016, and the consolidated statements of comprehensive income for the three months and six months ended June 30, 2017 and 2016, as well as the consolidated statements of changes in equity and cash flows for the six months ended June 30, 2017 and 2016, and notes to the consolidated interim financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated interim financial statements present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of June 30, 2017, December 31 and June 30, 2016, and their consolidated financial performance for the three months and six months ended June 30, 2017 and 2016, as well as their consolidated cash flows for the six months ended June 30, 2017 and 2016, in accordance with the “Regulations Governing the Preparation of Financial Reports by Financial Holding Companies” and with the International Accounting Standard 34, “Interim Financial Reporting” endorsed by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audit in accordance with the “Regulations Governing Auditing and Certification of Financial Industry Financial Statements by Certified Public Accountants” and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Consolidated interim financial statements section of our report. We are independent of the Company and its subsidiaries in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated interim financial statements for the six months ended June 30, 2017. These matters were addressed in the context of our audit of the consolidated interim financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. The valuation of financial instruments

Please refer to Note 4 (h) “Financial assets and financial liabilities” for related accounting policy, Note 5 for accounting assumptions and estimates, and Note 6 (ag) “Disclosure of financial instruments” for details of valuation of financial instruments.

The valuation of several financial instruments of the Company and its subsidiaries are measured using the valuation models, which involved the exercise of professional judgments on valuation techniques and important parameters. Therefore, the valuation of financial instruments has been identified as a key audit matter in our audit.

We performed our audit procedures by:

- Inspected the internal control procedures for fair value measurement performed by the management.
- Selected samples to evaluate whether the quoted prices in active markets for financial assets are appropriate.
- Appointed our valuation specialists to assess the reasonableness of valuation techniques and to test the key parameters of financial assets without active market prices, wherein valuation models are used to ensure that the applied valuation techniques are in accordance with IFRS 13 “Fair Value Measurement”.
- Verified whether the presentation and disclosure of financial instruments are in accordance with the International Financial Reporting Standards.

2. The valuation of insurance liabilities

Please refer to Note 4 (s) “Insurance liability” for related accounting policy, Note 5 for accounting assumptions and estimates, and Note 6 (ah) “Insurance contracts” for details of the valuation of insurance liabilities.

The Company and its subsidiaries measure their insurance liabilities in accordance with the “Regulations Governing the Provision of Various Reserves” and related administrative interpretations. The important parameters, which involved the exercise of professional judgments in determining various statutory reserves, such as claim development factors, expected claim rates and discount rate, will affect the amount, recognized as insurance liabilities, and net movements in insurance liabilities. Therefore, the valuation of insurance liabilities has been identified as a key audit matter in our audit.

We performed our audit procedures by:

- Inspected the effectiveness of internal control procedures related to insurance liabilities.
- Adopted the audit on insurance liabilities performed by our actuarial specialists, which included
 - inspecting whether the calculation and applied parameters are in accordance with the related ordinances, administrative interpretations and code of conduct announced by the Actuarial Institute of the Republic of China;

- assessing the appropriateness of actuarial assumptions derived from empirical data and product specification, and conducting liability adequacy test to assess the reasonableness of test scope and assumptions adopted by the management;
- selecting samples to inspect the completeness of data used in the calculation of reserves and independently setting up models to recalculate the amount of the reserves;
- analyzing movements in insurance liabilities, including assessing the reasonableness of the amount of reserves appropriated by the management based on the understanding of the industry and market.

3. The provision of allowance for loans and receivables

Please refer to Note 4 (o) “Assets impairment” for related accounting policy, Note 5 for accounting assumptions and estimates, and Note 6(g) “Receivables” and Note 6 (i) “Discounts and loans” for details of the provision of allowance for loans and receivables, respectively.

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

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

We performed our audit procedures by:

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

4. The valuation of investment property

Please refer to Note 4 (m) “Investment property” for related accounting policy, Note 5 for accounting assumptions and estimates, and Note 6 (o) “Investment property” for details of the valuation of investment properties.

The Company and its subsidiaries hold several investment properties. The investment property appraisals are performed by appraisers from professional valuation agencies using the valuation techniques provided by the “Regulations on Real Estate Appraisal” and market evidences in accordance with the “Regulations Governing the Preparation of Financial Reports” complied by the subsidiaries. The selection of appraising methods involved the exercise of significant professional judgments. Therefore, the valuation of investment properties has been identified as a key audit matters in our audit.

We performed our audit procedures by:

- Inspected the procedure of investment property appraisals performed by professional evaluation agencies and analyzed how they select the appropriate valuation method and adoption of significant assumptions.
- Verified whether the presentation and disclosure of investment property are in accordance with IFRSs and the “Regulations Governing the Preparation of Financial Reports” complied by the subsidiaries.
- Evaluated reasonableness of the management’s assessment on the valuation of investment property is reasonable based on the evidences obtained from the audit team and the external estate appraisers joint firms, as well as appraisal reports and observable market evidences.

5. The assessment of goodwill impairment

Please refer to Note 4 (o) “Assets impairment” for related accounting policy, Note 5 for accounting assumptions and estimates, and Note 6 (q) “Intangible assets” for details of the assessment of goodwill impairment.

The recoverable amount of goodwill is estimated by using the future cash flows based on the forecast of future operation, which involved the exercise of professional judgments. Therefore, the assessment of goodwill impairment has been identified as a key audit matter in our audit.

We performed our audit procedures by:

- Assessed whether there is any indication that goodwill may be impaired. If there is, the recoverable amount must be estimated.
- Assessed whether there is a significant difference between the actual operating performance and the expected performance of the acquired companies and verified whether the disclosure is reasonable.

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

The management is responsible for the preparation and fair presentation of the consolidated interim financial statements in accordance with the “Regulations Governing the Preparation of Financial Reports by Financial Holding Companies” and with the International Accounting Standard 34, “Interim Financial Reporting” endorsed by the Financial Supervisory Commission of the Republic of China, and for such internal control as the management determines is necessary to enable the preparation of consolidated interim financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance (including members of the Audit Committee) are responsible for overseeing the Company and its subsidiaries’ financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Interim Financial Statements

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated interim financial statements for the six months ended June 30, 2017 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are CHUNG, TAN TAN and YU, CHI LUNG.

KPMG

Taipei, Taiwan (Republic of China)
August 24, 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 audit such consolidated interim financial statements are those generally accepted and applied in the Republic of China.

The auditors' audit 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' audit report and consolidated interim financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Interim Financial Statements and Report Originally Issued in Chinese)
FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES

Consolidated Balance Sheets

June 30, 2017, December 31 and June 30, 2016

(Expressed in Thousands of New Taiwan Dollars)

Assets	June 30, 2017		December 31, 2016		June 30, 2016			Liabilities and Equity	June 30, 2017		December 31, 2016		June 30, 2016		
	Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%	
11000	Cash and cash equivalents (notes 6(a) and 8)	\$ 180,688,313	3	176,347,729	3	173,123,160	3	21000	Deposits from the central bank and banks	\$ 101,188,288	1	80,851,838	1	106,433,530	2
11500	Due from the central bank and call loans to banks (note 6(b) and 8)	220,975,669	3	280,627,636	4	226,496,621	4	21500	Due to the central bank and banks	8,510,516	-	7,081,137	-	7,063,673	-
12000	Financial assets measured at fair value through profit or loss (notes 6(c) and 8)	139,641,431	2	163,910,238	3	159,056,706	3	22000	Financial liabilities measured at fair value through profit or loss (note 6(s))	53,416,914	1	97,546,186	2	76,466,902	1
12100	Available-for-sale financial assets, net (notes 6(d) and 8)	1,705,735,247	27	1,631,039,162	26	1,584,662,025	26	22300	Derivative financial liabilities for hedging (note 6(e))	3,581,819	-	2,935,500	-	3,047,830	-
12300	Derivative financial assets for hedging (note 6(e))	1,668,719	-	1,329,276	-	1,608,308	-	22500	Securities sold under repurchase agreements (note 6(t))	136,520,904	2	122,889,790	2	123,071,193	2
12500	Securities purchased under resell agreements (note 6(f))	60,609,347	1	94,388,499	1	145,426,157	2	22600	Commercial paper issued, net (note 6(u))	8,648,674	-	654,787	-	4,249,393	-
13000	Receivables, net (note 6(g))	149,597,499	3	134,983,628	2	143,004,921	2	23000	Payables	117,038,768	2	84,255,953	1	110,256,861	2
13200	Current tax assets	1,839,894	-	1,618,718	-	1,575,775	-	23200	Current tax liabilities	12,730,920	-	9,823,469	-	7,954,794	-
13300	Asset classified as held for sale, net (note 6(h))	46,464	-	49,606	-	49,575	-	23500	Deposits (note 6(v))	2,174,807,374	33	2,121,289,731	33	2,010,354,382	33
13500	Discounts and loans, net (note 6(i))	1,667,108,436	25	1,636,622,497	26	1,668,495,775	27	24000	Bonds payable (note 6(w))	181,492,941	3	178,601,095	3	154,310,977	3
13700	Reinsurance contract assets, net (note 6(j))	23,427,947	-	23,804,912	-	22,915,861	-	24400	Other borrowings (note 6(x) and 8)	3,754,840	-	4,420,000	-	1,440,000	-
14500	Held-to-maturity financial assets, net (notes 6(k) and 8)	426,967,001	6	377,185,061	6	354,661,717	6	24600	Provisions (note 6(y))	3,114,761,017	47	2,999,495,105	47	2,909,397,759	47
15000	Investments accounted for using equity method, net (note 6(l))	24,216,694	-	23,300,447	-	24,020,186	-	25500	Other financial liabilities (note 6(z))	184,884,277	3	177,391,307	3	173,591,767	3
15500	Other financial assets, net (note 6(n))	1,647,349,261	25	1,471,680,907	23	1,319,739,618	21	29300	Deferred tax liabilities	9,262,521	-	10,794,468	-	11,834,474	-
18000	Investment property, net (notes 6(o) and 8)	180,591,200	3	175,529,080	3	176,115,318	3	29500	Other liabilities (note 6(aa))	26,467,313	-	26,122,520	-	15,990,967	-
18500	Property and equipment, net (notes 6(p) and 8)	56,785,707	1	57,262,849	1	55,414,137	1		Total liabilities	<u>6,137,067,086</u>	<u>92</u>	<u>5,924,152,886</u>	<u>92</u>	<u>5,715,464,502</u>	<u>93</u>
19000	Intangible assets, net (note 6(q))	28,048,624	-	28,900,583	1	29,367,226	1		Equity attributable to owners of parent (note 6(ac)):						
19300	Deferred tax assets	13,464,076	-	9,991,402	-	5,937,127	-		Share capital:						
19500	Other assets, net (note 6(r))	55,823,314	1	62,686,042	1	69,122,503	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	-	6,000,000	-
									Total share capital	<u>108,336,040</u>	<u>2</u>	<u>108,336,040</u>	<u>2</u>	<u>108,336,040</u>	<u>2</u>
								31500	Capital surplus	<u>103,683,066</u>	<u>2</u>	<u>102,713,132</u>	<u>2</u>	<u>104,426,467</u>	<u>2</u>
									Retained earnings:						
								32001	Legal reserve	52,403,066	1	47,560,961	1	47,560,961	-
								32003	Special reserve	53,069,867	1	50,310,722	1	50,310,722	1
								32011	Undistributed earnings	<u>130,263,472</u>	<u>2</u>	<u>140,672,624</u>	<u>2</u>	<u>116,949,118</u>	<u>2</u>
									Total retained earnings	<u>235,736,405</u>	<u>4</u>	<u>238,544,307</u>	<u>4</u>	<u>214,820,801</u>	<u>3</u>
								32500	Other equity interests	(633,779)	-	(22,773,818)	-	9,448,277	-
									Total equity attributable to owners of parent	<u>447,121,732</u>	<u>8</u>	<u>426,819,661</u>	<u>8</u>	<u>437,031,585</u>	<u>7</u>
								39500	Non-controlling interests (note 6(ac))	<u>396,025</u>	<u>-</u>	<u>285,725</u>	<u>-</u>	<u>8,296,629</u>	<u>-</u>
									Total equity	<u>447,517,757</u>	<u>8</u>	<u>427,105,386</u>	<u>8</u>	<u>445,328,214</u>	<u>7</u>
Total assets		<u>\$ 6,584,584,843</u>	<u>100</u>	<u>6,351,258,272</u>	<u>100</u>	<u>6,160,792,716</u>	<u>100</u>		Total liabilities and equity	<u>\$ 6,584,584,843</u>	<u>100</u>	<u>6,351,258,272</u>	<u>100</u>	<u>6,160,792,716</u>	<u>100</u>

See accompanying notes to consolidated interim financial statements.

(English Translation of Consolidated Interim Financial Statements and Report Originally Issued in Chinese)
FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the three months and six months ended June 30, 2017 and 2016

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

	For the three months ended June 30				For the six months ended June 30				
	2017		2016		2017		2016		
	Amount	%	Amount	%	Amount	%	Amount	%	
41000	Interest revenue (note 6(af))	\$ 34,557,895	36	32,404,914	27	68,048,514	33	64,641,938	28
51000	Less: Interest expense (note 6(af))	<u>6,776,053</u>	<u>7</u>	<u>5,982,187</u>	<u>4</u>	<u>13,175,415</u>	<u>6</u>	<u>12,438,530</u>	<u>5</u>
	Net interest revenue	<u>27,781,842</u>	<u>29</u>	<u>26,422,727</u>	<u>23</u>	<u>54,873,099</u>	<u>27</u>	<u>52,203,408</u>	<u>23</u>
	Net non-interest revenue								
49800	Net service charge and commission loss (note 6(af))	(2,266,948)	(2)	(5,858,947)	(5)	(5,890,296)	(3)	(10,738,014)	(5)
49810	Net income of insurance operations (note 6(af))	61,370,905	64	79,433,726	67	146,191,542	70	157,858,887	69
49820	Gains (losses) on financial assets or liabilities measured at fair value through profit or loss	(7,483,855)	(8)	(673,712)	(1)	50,863,825	24	18,551,349	8
49825	Gains (losses) on investment property	1,314,465	1	1,432,336	1	2,693,460	1	3,315,913	2
49830	Realized gains (losses) on available-for-sale financial assets	13,247,934	14	15,530,820	13	28,245,766	14	25,752,534	11
49840	Realized gains (losses) on held-to-maturity financial assets	3,308	-	6,872	-	3,232	-	6,811	-
49870	Foreign exchange gains (losses)	2,305,399	2	(270,134)	-	(68,853,199)	(33)	(23,540,164)	(10)
49880	Reversal gains (losses) of impairment on assets	(1,424,226)	(1)	33,808	-	(1,428,964)	(1)	42,390	-
49890	Share of profit (loss) of associates and joint ventures accounted for using equity method (note 6(1))	178,432	-	248,130	-	463,104	-	347,107	-
49900	Net other non-interest revenue	<u>1,326,109</u>	<u>1</u>	<u>2,671,831</u>	<u>2</u>	<u>2,009,063</u>	<u>1</u>	<u>3,882,650</u>	<u>2</u>
	Net revenue	<u>96,353,365</u>	<u>100</u>	<u>118,977,457</u>	<u>100</u>	<u>209,170,632</u>	<u>100</u>	<u>227,682,871</u>	<u>100</u>
58100	Bad debt expenses and guarantee liability provisions	<u>(776,915)</u>	<u>(1)</u>	<u>(970,229)</u>	<u>(1)</u>	<u>(1,145,475)</u>	<u>(1)</u>	<u>(1,299,861)</u>	<u>(1)</u>
58300	Net change in provisions for insurance liabilities (note 6(af))	<u>(71,262,714)</u>	<u>(74)</u>	<u>(86,057,096)</u>	<u>(72)</u>	<u>(160,819,953)</u>	<u>(76)</u>	<u>(170,154,737)</u>	<u>(75)</u>
	Expense:								
58501	Employee benefits expenses (note 6(af))	(7,197,240)	(7)	(6,962,854)	(6)	(14,545,959)	(7)	(13,954,272)	(6)
58503	Depreciation and amortization expenses (note 6(af))	(886,922)	(1)	(913,002)	(1)	(1,801,577)	(1)	(1,825,473)	(1)
58599	Other general and administrative expenses (note 6(af))	<u>(5,577,101)</u>	<u>(6)</u>	<u>(6,278,869)</u>	<u>(5)</u>	<u>(10,709,251)</u>	<u>(5)</u>	<u>(12,313,727)</u>	<u>(5)</u>
	Total Expenses	<u>(13,661,263)</u>	<u>(14)</u>	<u>(14,154,725)</u>	<u>(12)</u>	<u>(27,056,787)</u>	<u>(13)</u>	<u>(28,093,472)</u>	<u>(12)</u>
	Net income before tax from continuing operations	10,652,473	11	17,795,407	15	20,148,417	10	28,134,801	12
61003	Income tax expense (note 6(ab))	<u>(1,858,975)</u>	<u>(2)</u>	<u>(2,789,886)</u>	<u>(2)</u>	<u>(1,505,233)</u>	<u>(1)</u>	<u>(4,242,287)</u>	<u>(2)</u>
	Net income	<u>8,793,498</u>	<u>9</u>	<u>15,005,521</u>	<u>13</u>	<u>18,643,184</u>	<u>9</u>	<u>23,892,514</u>	<u>10</u>
69500	Other comprehensive income:								
69560	Items not to be reclassified to profit or loss								
69562	Revaluation gains on property	85,653	-	149,180	-	1,191,627	1	169,120	-
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	(9,250)	-	(11,397)	-	(7,506)	-	(31,427)	-
69569	Income tax – items not to be reclassified subsequently to profit or loss	<u>(4,562)</u>	<u>-</u>	<u>1,937</u>	<u>-</u>	<u>(240,019)</u>	<u>-</u>	<u>5,342</u>	<u>-</u>
	Subtotal of items not to be reclassified subsequently to profit or loss	<u>71,841</u>	<u>-</u>	<u>139,720</u>	<u>-</u>	<u>944,102</u>	<u>1</u>	<u>143,035</u>	<u>-</u>
69570	Items that may be reclassified subsequently to profit of loss								
69571	Exchange differences on translation of foreign operations	2,421,534	3	(3,608,175)	(3)	(4,896,305)	(2)	(7,350,942)	(3)
69572	Unrealized gains (losses) on available-for-sale financial assets	23,619,373	25	13,416,011	11	28,323,959	14	40,572,389	18
69573	Gains (losses) on effective portion of cash flow hedges	221,893	-	222,658	-	341,404	-	403,425	-
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	709,562	1	(11,950)	-	721,401	-	(62,752)	-
69579	Income tax – items that may be reclassified subsequently to profit or loss	<u>(3,483,862)</u>	<u>(4)</u>	<u>(2,399,363)</u>	<u>(2)</u>	<u>(3,299,669)</u>	<u>(2)</u>	<u>(3,828,459)</u>	<u>(1)</u>
	Subtotal of items that may be reclassified subsequently to profit or loss	<u>23,488,500</u>	<u>25</u>	<u>7,619,181</u>	<u>6</u>	<u>21,190,790</u>	<u>10</u>	<u>29,733,661</u>	<u>14</u>
69500	Other comprehensive income	<u>23,560,341</u>	<u>25</u>	<u>7,758,901</u>	<u>6</u>	<u>22,134,892</u>	<u>11</u>	<u>29,876,696</u>	<u>14</u>
	Total comprehensive income	<u>\$ 32,353,839</u>	<u>34</u>	<u>22,764,422</u>	<u>19</u>	<u>40,778,076</u>	<u>20</u>	<u>53,769,210</u>	<u>24</u>
	Consolidated net income attributable to:								
	Owners of parent	\$ 8,811,102	9	14,936,471	13	\$ 18,689,864	9	23,710,796	10
	Non-controlling interests	<u>(17,604)</u>	<u>-</u>	<u>69,050</u>	<u>-</u>	<u>(46,680)</u>	<u>-</u>	<u>181,718</u>	<u>-</u>
		<u>\$ 8,793,498</u>	<u>9</u>	<u>15,005,521</u>	<u>13</u>	<u>18,643,184</u>	<u>9</u>	<u>23,892,514</u>	<u>10</u>
	Total comprehensive income attributable to:								
	Owners of parent	\$ 32,370,236	34	22,940,474	19	40,823,673	20	53,911,128	24
	Non-controlling interests	<u>(16,397)</u>	<u>-</u>	<u>(176,052)</u>	<u>-</u>	<u>(45,597)</u>	<u>-</u>	<u>(141,918)</u>	<u>-</u>
		<u>\$ 32,353,839</u>	<u>34</u>	<u>22,764,422</u>	<u>19</u>	<u>40,778,076</u>	<u>20</u>	<u>53,769,210</u>	<u>24</u>
	Basic earnings per share (in New Taiwan Dollars) (note 6(ad))	<u>\$ 0.76</u>		<u>1.46</u>		<u>1.73</u>		<u>2.32</u>	

See accompanying notes to consolidated interim financial statements.

(English Translation of Consolidated Interim Financial Statements and Report Originally Issued in Chinese)
FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES

Consolidated Statements of Changes in Equity
For the six months ended June 30, 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							
	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	Total equity attributable owners of parent	Non-controlling interests	Total equity
Balance at January 1, 2016	\$ 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	-	-	-	-	-	-	23,710,796	23,710,796	-	-	-	-	-	23,710,796	181,718	23,892,514
Other comprehensive income	-	-	-	-	-	-	(26,085)	(26,085)	(6,624,536)	36,346,990	334,843	169,120	30,226,417	30,200,332	(323,636)	29,876,696
Total comprehensive income	-	-	-	-	-	-	23,684,711	23,684,711	(6,624,536)	36,346,990	334,843	169,120	30,226,417	53,911,128	(141,918)	53,769,210
Appropriation of retained earnings:																
Legal reserve	-	-	-	-	6,359,259	-	(6,359,259)	-	-	-	-	-	-	-	-	-
Special reserve	-	-	-	-	-	21,188,915	(21,188,915)	-	-	-	-	-	-	-	-	-
Cash dividends of common stock	-	-	-	-	-	-	(20,467,208)	(20,467,208)	-	-	-	-	-	(20,467,208)	-	(20,467,208)
Changes in equity of associates and joint ventures accounted for using equity method	-	-	-	12,116	-	-	-	-	-	-	-	-	-	12,116	-	12,116
Issuance of preferred stock	-	6,000,000	6,000,000	29,953,645	-	-	-	-	-	-	-	-	-	35,953,645	-	35,953,645
Share-based payment transaction	-	-	-	177	-	-	-	-	-	-	-	-	-	177	-	177
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(16,259)	(16,259)
Balance at June 30, 2016	\$ 102,336,040	6,000,000	108,336,040	104,426,467	47,560,961	50,310,722	116,949,118	214,820,801	(2,926,024)	10,264,478	884,282	1,225,541	9,448,277	437,031,585	8,296,629	445,328,214
Balance at January 1, 2017	\$ 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	-	-	-	-	-	-	18,689,864	18,689,864	-	-	-	-	-	18,689,864	(46,680)	18,643,184
Other comprehensive income	-	-	-	-	-	-	(6,230)	(6,230)	(4,684,787)	25,597,138	277,356	950,332	22,140,039	22,133,809	1,083	22,134,892
Total comprehensive income	-	-	-	-	-	-	18,683,634	18,683,634	(4,684,787)	25,597,138	277,356	950,332	22,140,039	40,823,673	(45,597)	40,778,076
Appropriation of retained earnings:																
Legal reserve	-	-	-	-	4,842,105	-	(4,842,105)	-	-	-	-	-	-	-	-	-
Special reserve	-	-	-	-	-	2,759,145	(2,759,145)	-	-	-	-	-	-	-	-	-
Cash dividends of common stock	-	-	-	-	-	-	(20,467,208)	(20,467,208)	-	-	-	-	-	(20,467,208)	-	(20,467,208)
Cash dividends of preferred stock	-	-	-	-	-	-	(1,024,328)	(1,024,328)	-	-	-	-	-	(1,024,328)	-	(1,024,328)
Changes in equity of associates and joint ventures accounted for using equity method	-	-	-	969,934	-	-	-	-	-	-	-	-	-	969,934	-	969,934
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	155,897	155,897
Balance at June 30, 2017	\$ 102,336,040	6,000,000	108,336,040	103,683,066	52,403,066	53,069,867	130,263,472	235,736,405	(12,310,772)	9,500,370	(124,746)	2,301,369	(633,779)	447,121,732	396,025	447,517,757

See accompanying notes to consolidated interim financial statements.

(English Translation of Consolidated Interim Financial Statements and Report Originally Issued in Chinese)
FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES

Consolidated Statements of Cash Flows
For the six months ended June 30, 2017 and 2016
(Expressed in Thousands of New Taiwan Dollars)

	For the six months ended June 30	
	2017	2016
Cash flows from operating activities :		
Income before income tax	\$ 20,148,417	28,134,801
Adjustments :		
Income of non-cash activities		
Depreciation expenses	1,031,528	970,673
Amortization expenses	770,049	854,800
Allowance on bad debts	1,158,020	1,280,366
Interest expense	13,175,415	12,438,530
Interest income	(68,048,514)	(64,641,938)
Dividend income	(7,148,646)	(10,326,919)
Net change in insurance reserves	151,205,511	171,566,598
Net change in provisions for guarantee reserves	(12,545)	19,495
Net change in other reserves	(3,613,448)	(1,875,670)
Share-based payment awards	-	177
Share of loss of associates and joint ventures accounted for using equity method	(463,104)	(347,107)
Gain on disposal of investments	(20,413,709)	(14,845,602)
Impairment loss (reversal gain) on financial assets	1,423,720	(71,147)
Impairment loss on non-financial assets	5,244	28,757
Unrealized foreign exchange loss	62,872,303	25,251,997
Gain on fair value adjustment of investment property	(56,677)	(639,857)
Other adjustments to reconcile profit (loss):	(4,058)	(28,478)
Subtotal of income of non-cash activities	<u>131,881,089</u>	<u>119,634,675</u>
Changes in operating assets and liabilities :		
Changes in operating assets :		
Decrease (increase) in due from the central bank and call loans to banks	37,010,979	(17,822,230)
Decrease in financial assets at fair value through profit or loss	24,268,807	18,248,498
Decrease (increase) in available-for-sale financial assets	(50,309,250)	98,287,270
Decrease (increase) in derivative financial assets for hedging	1,961	(48,314)
Decrease (increase) in receivables and current tax assets	(12,045,872)	3,870,220
Decrease (increase) in discounts and loans	(31,191,169)	8,073,591
Increase in reinsurance contract assets	(267,966)	(1,132,736)
Increase in held-to-maturity financial assets	(49,781,940)	(34,153,856)
Increase in other financial assets	(236,815,947)	(228,948,360)
Decrease in other assets	3,804,356	16,109,946
Subtotal of change in operating assets	<u>(315,326,041)</u>	<u>(137,515,971)</u>
Changes in operating liabilities :		
Increase (decrease) in due to the central bank and banks	20,336,450	(35,332,689)
Decrease in financial liabilities at fair value through profit or loss	(44,129,272)	(34,881,810)
Increase in derivative financial liabilities for hedging	646,319	859,307
Increase in securities sold under repurchased agreement	13,631,114	953,505
Increase in payables and current tax liabilities	9,916,470	18,550,512
Increase (decrease) in deposits	53,517,643	(30,202,068)
Decrease in provisions	(798,107)	(1,525,193)
Increase (decrease) in other financial liabilities	7,492,970	(130,029)
Increase (decrease) in other liabilities	340,533	(4,642,175)
Subtotal of change in operating liabilities	<u>60,954,120</u>	<u>(86,350,640)</u>
Subtotal of change in operating assets and liabilities	<u>(254,371,921)</u>	<u>(223,866,611)</u>
Subtotal of all adjustments	<u>(122,490,832)</u>	<u>(104,231,936)</u>
Cash used in operating activities	(102,342,415)	(76,097,135)
Interest received	57,856,573	55,903,722
Dividends received	5,136,399	6,948,615
Interest paid	(11,938,819)	(12,443,340)
Income taxes paid	(7,287,433)	(4,283,887)
Net cash flows used in operating activities	<u>(58,575,695)</u>	<u>(29,972,025)</u>

See accompanying notes to consolidated interim financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES

Consolidated Statements of Cash Flows (CONT'D)

For the six months ended June 30, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

	For the six months ended June 30	
	2017	2016
Cash flows from investing activities :		
Acquisition of investments accounted for using equity method	\$ (50,000)	(329,004)
Acquisition of property and equipment	(1,521,017)	(1,707,950)
Proceeds from disposal of property and equipment	5,165	101,914
Acquisition of intangible assets	(116,678)	(159,586)
Proceeds from disposal of intangible assets	1,080	-
Acquisition of investment properties	(645,524)	(8,449,501)
Net cash flows used in investing activities	<u>(2,326,974)</u>	<u>(10,544,127)</u>
Cash flows from financing activities :		
Increase in due to the central bank and banks	1,429,379	2,486,062
Increase in commercial papers issued	7,993,704	2,969,627
Proceeds from issuing bonds	6,500,000	-
Repayments of bonds	(7,800,000)	-
Proceeds from issuing bank financial bonds payable	15,777,489	6,356,868
Repayments of bank notes financial bonds payable	(10,402,110)	(4,657,502)
Increase (decrease) in other borrowings	(665,160)	190,000
Cash capital increase	-	35,953,645
Changes in non-controlling interests	155,897	(16,259)
Net cash flows provided by financing activities	<u>12,989,199</u>	<u>43,282,441</u>
Effect of exchange rate changes on cash and cash equivalents	(4,166,086)	(2,160,307)
Net increase (decrease) in cash and cash equivalents	(52,079,556)	605,982
Cash and cash equivalents at beginning of period	<u>351,083,488</u>	<u>357,364,357</u>
Cash and cash equivalents at end of period	<u>\$ 299,003,932</u>	<u>357,970,339</u>
Components of cash and cash equivalents :		
Cash and cash equivalents recognized in balance sheets	\$ 180,688,313	173,123,160
Due from the central bank and call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7	57,706,272	39,421,022
Securities purchased under resell agreements qualifying for cash and cash equivalents under the definition of IAS 7	60,609,347	145,426,157
Cash and cash equivalents at end of period	<u>\$ 299,003,932</u>	<u>357,970,339</u>

(English Translation of Consolidated Interim Financial Statements and Report Originally Issued in Chinese)
FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES

Notes to Consolidated Interim Financial Statements

June 30, 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 acquired in cash by the Company. On June 13, 2011, 25% of the remaining outstanding shares of Common Stock of Fubon Bank (Hong Kong) were acquired 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 acquired 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 acquired 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 acquired in cash by the Company and Taipei Fubon Bank. On October 20, 2016, 20% of the remaining outstanding shares of Fubon Bank (China) were acquired by the Company. Fubon Bank (China) became a wholly owned subsidiary of the Company.

The Company is 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 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 is engaged in 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 in authorized operations of commercial banks.

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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 engaged in life insurance, accident insurance, health insurance, and any business related to life insurance.
- (vi) Fubon Bank (China) is engaged in foreign currency services and CNY service to customers, in accordance with the "Regulations Governing Foreign Financial Institutions in the People's Republic of China. As of June 30, 2017, Fubon Bank (China) has established its headquarter and 23 branches (or sub-branches and preparatory offices) in the PRC.

(2) Approval date and procedures of the financial statements

On August 24, 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 have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2017 when preparing the consolidated interim financial statements. The related new standards, interpretations and amendments are as follows:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception"	January 1, 2016
Amendments to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"	January 1, 2016
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016

(Continued)

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

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendment to IAS 1 "Presentation of Financial Statements – 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 to IFRSs 2010-2012 Cycle and 2011-2013 Cycle	July 1, 2014
Annual improvements to IFRSs 2012-2014 Cycle	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 any material impact on the consolidated interim financial statements. The extent and impact of significant changes are as follows:

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.

Aforementioned amendments are applied retrospectively for annual periods beginning on or after January 1, 2017. Please refer to Note 6 (o) and (p) for details.

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

(b) The impact of IFRS endorsed by the FSC but not yet effective

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2018 in accordance with Ruling No. 1060025773 issued by the FSC on July 14, 2017:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendment to IFRS 2 “Classification and Measurement of Share based Payment Transactions”	January 1, 2018
Amendments to IFRS 4 “Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts”	January 1, 2018
IFRS 9 “Financial Instruments”	January 1, 2018
IFRS 15 “Revenue from Contracts with Customers”	January 1, 2018
Amendment to IAS 7 “Statement of Cash Flows—Disclosure Initiative”	January 1, 2017
Amendment to IAS 12 “Income Taxes—Recognition of Deferred Tax Assets for Unrealized Losses”	January 1, 2017
Amendments to IAS 40 “Transfers of Investment Property”	January 1, 2018
Annual Improvements to IFRS Standards 2014–2016 Cycle:	
Amendments to IFRS 12	January 1, 2017
Amendments to IFRS 1 and Amendments to IAS 28	January 1, 2018
IFRIC 22 “Foreign Currency Transactions and Advance Consideration”	January 1, 2018

Except for the following items, the Company and its subsidiaries believe that the adoption of the above IFRSs would not have any material impact on the consolidated interim financial statements. The extent and impact of significant changes are as follows:

(i) IFRS 9 “Financial Instruments”

IFRS 9 replaces IAS 39 “Financial Instruments: Recognition and Measurement” which contains classification and measurement of financial instruments, impairment and hedge accounting. The actual impact of adopting IFRS 9 on the Company and its subsidiaries' consolidated financial statements in 2018 can only be determined and reliably estimated depending on the financial instruments that the Company and its subsidiaries hold and economic conditions at that time, as well as the accounting elections and judgments that it will make in the future. The Company and its subsidiaries have yet to revise their accounting processes and internal control related to reporting financial instruments. However, the Company and its subsidiaries have performed a preliminary assessment of the potential impact of the adoption of IFRS 9 based on their financial instruments' positions at June 30, 2017 and hedging relationships designated under IAS 39.

(Continued)

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

1) Classification and Measurement- Financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVPL). The standard eliminates the existing IAS 39 categories of available for sale, measured at cost, debt investments without active market and held to maturity. Under IFRS 9, derivatives embedded in contracts where the host is a financial assets in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification. In addition, IAS 39 has an exception to the measurement requirements for investments in unquoted equity instruments that do not have a quoted market price in an active market (and derivatives on such an instrument) and for which fair value cannot therefore be measured reliably. Such financial instruments are measured at cost. IFRS 9 removes this exception, requiring all equity investments (and derivatives on them) to be measured at fair value.

The Company and its subsidiaries will reclassify financial assets in accordance with IFRS 9. However, the Company and its subsidiaries have yet to determine the impact on the consolidated interim financial statements.

2) Impairment-Financial assets and contract assets

IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with a forward-looking ‘expected credit loss’ (ECL) model. This will require considerable judgment as to how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis. The new impairment model will apply to financial assets measured at amortized cost or FVOCI, except for investments in equity instruments, lease receivables, contract assets, loan commitments, and to financial guarantee contracts.

Under IFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs. These are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs. These are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies for those financial assets that have suffered a significant increase in credit risk since initial recognition and 12-month ECL measurement for those who have not. An entity may determine that a financial asset has not suffered a significant increase in credit risk if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component; an entity may choose to apply this policy also for trade receivables and contract assets with a significant financing component.

(Continued)

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

Impairment losses are likely to increase for assets in the scope of the IFRS 9 impairment model. However, the Company and its subsidiaries have yet to determine the impairment methodologies that will be applied under IFRS 9.

3) Hedge accounting

When initially applying IFRS 9, the Company and its subsidiaries may choose as the accounting policy to continue to apply the hedge accounting requirements of IAS 39 instead of the requirements in IFRS 9. The Company and its subsidiaries have yet to reach the final decision.

4) Disclosures

IFRS 9 will require extensive new disclosures, in particular about credit risk, expected credit losses, and hedge accounting. The Company and its subsidiaries' preliminary assessment includes analyzing data that cannot be identified through current processes, and modifying the system and internal control to obtain the required data.

5) Transition

Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively, except as described below.

- The Company and its subsidiaries plan to take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 will be recognized in retained earnings and reserves as at January 1, 2018.
- The following assessments have to be made on the basis of the facts and circumstances that exist at the date of initial application.
 - The determination of the business model within which a financial asset is held.
 - The designation and revocation of certain financial assets and financial liabilities designated as at FVPL.
 - The designation of certain investments in equity instruments not held for trading as at FVOCI.

(Continued)

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

- (ii) IFRS 4 “Insurance Contracts” (“Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts”)

The amendments provide the following optional approaches (including the "overlay approach" and the "deferral approach") to reduce the impact of the differing effective dates of IFRS 9 and the forthcoming IFRS 17 “Insurance Contracts” :

- 1) An option that permits entities that issue insurance contracts to reclassify, from profit or loss to other comprehensive income, when applying IFRS 9.
- 2) An optional temporary exemption from IFRS 9 for entities whose activities are predominantly connected with insurance until 2021. Entities will be permitted to apply IAS 39 “ Financial Instruments: Recognition and Measurements” rather than to apply IFRS 9.

The Company and its subsidiaries’ preliminary assessment is to adopt the overlay approach to reduce the impact of the differing effective dates of IFRS 9 and the forthcoming IFRS 17 “Insurance Contracts”. The Company and its subsidiaries have yet to reach the final decision.

- (iii) Amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Loss”

The amendments clarify the recognition of deferred tax assets for unrealized losses related to debt instruments measured at fair value.

The Company and its subsidiaries expect the amendments to change the measurement of deferred tax assets, while the impact requires further analysis.

- (iv) Amendments to IAS 40 “Transfer of Investment Property”

The amendments clarify that an entity shall transfer a property to, or from, investment property only when there is evidence of a change in use. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. A change in use is evidenced by commencement of development with owner-occupied view. The Company and its subsidiaries expect the amendments to change the transfer timing of investment property, while the impact requires further analysis.

- (v) IFRIC 22 “Foreign Currency Transactions and Advance Consideration”

IFRIC 22 clarifies that the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the prepayment asset or deferred income liability. The Company and its subsidiaries expect the amendments to change the recognition of foreign currency transactions, while the impact requires further analysis.

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

- (c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

As of the date the following IFRSs that have been issued by the IASB, but not yet endorsed by the FSC:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
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 16 "Leases"	January 1, 2019
IFRS 17 "Insurance Contracts"	January 1, 2021
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019

Those which may be relevant to the Company and its subsidiaries are set out below:

<u>Issuance / Release Dates</u>	<u>Standards or Interpretations</u>	<u>Content of amendment</u>
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"> • 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. • A lessor classifies a lease as either a finance lease or an operating lease, and therefore, the accounting remains similar to IAS 17.

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

Issuance / Release Dates	Standards or Interpretations	Content of amendment
May 18, 2016	IFRS 17 “ Insurance Contracts “	<p>IFRS 17 established the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The main regulations are as follows:</p> <ul style="list-style-type: none"> • Recognition: the entity shall recognize a group of insurance contracts it issues from the earliest of the following: <ul style="list-style-type: none"> (i) the beginning of the coverage period of the group of contracts; (ii) the date when the first payment from a policyholder in the group becomes due; (iii) for a group of onerous contracts, when the group becomes onerous. • Measurement: on initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfillment cash flows and the contractual service margin. For subsequent measurement, the entity shall estimate the cash flows, discount rates and the adjustment for non-financial risk. • Presentation and disclosure: the presentation of insurance revenue is based on the provision of service pattern and investment components excluded from insurance revenue.

(Continued)

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

Issuance / Release Dates	Standards or Interpretations	Content of amendment
June 7, 2017	IFRIC 23 “Uncertainty over Income Tax Treatments”	<ul style="list-style-type: none"> • In assessing whether and how an uncertain tax treatment affects the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, an entity is to assume that a taxation authority with the right to examine any amounts reported to it will examine those amounts and will have a full knowledge of all relevant information when making doing so. • If an entity concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the entity shall determine the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment included in its income tax filings. Otherwise, an entity shall use the most likely amount or the expected value of the tax treatment, based on which method better predicts the resolution of the uncertainty.

The Company and its subsidiaries are evaluating the impact on their consolidated financial position and consolidated financial performance upon the initial adoption of the abovementioned standards or interpretations. 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 with the 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.

(Continued)

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

(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 and its subsidiaries prepare their 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.

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>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 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 %

(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>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
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 %
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 2)	Equity Investment	100.00 %	100.00 %	- %
Fubon Securities	Fubon Mintou Venture Capital (Note 3)	Venture Capital	67.00 %	- %	- %
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) Limited	Insurance business	100.00 %	100.00 %	100.00 %
Fubon Insurance	Fubon Insurance Broker (Thailand) Limited	Broker	48.97 %	48.97 %	48.97 %
Fubon Insurance	Fubon Insurance Broker (Philippine) Limited	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) Limited	Insurance business	100.00 %	100.00 %	100.00 %
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 %

(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>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
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 (Hong Kong) Limited (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: Fubon Securities Equity Investment became a subsidiary in September, 2016.

Note 3: Fubon Mintou Venture Capital is a subsidiary set up by a joint venture between Fubon Asset Management and Taiwan Mintou Economic Development Co., Ltd. in May, 2017.

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: The issued and outstanding shares of Fubon Ellipse (Belgium) S.A. were 1,133,718 shares, while 1 share is held by Fubon Ellipse (Jersey) Limited.

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).

(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.

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

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.

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.

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

(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.

(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.

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

(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.

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.

(Continued)

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

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.

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.

(Continued)

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

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.

d) Customer margin deposit

Customer margin deposit includes 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.

(Continued)

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

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.

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.

(Continued)

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

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.
- 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.

(Continued)

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

(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.

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.

(Continued)

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

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.

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.

(Continued)

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

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.

(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.

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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.

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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.

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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.

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.

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

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).
- 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).

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

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

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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.

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

(Continued)

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

(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 investment-linked insurance 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 accordance 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).

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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 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>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Cash on hand and petty cash	\$ 6,797,489	7,595,047	6,909,996
Bank deposits	94,881,031	108,341,695	99,784,652
Cash equivalents	7,599,620	6,864,237	4,093,363
Notes and checks for clearing	2,065,236	4,093,448	2,536,205
Due from banks	69,463,581	49,550,926	59,895,374
Less: Guarantee deposits	<u>118,644</u>	<u>97,624</u>	<u>96,430</u>
Total	<u>\$ 180,688,313</u>	<u>176,347,729</u>	<u>173,123,160</u>

For consolidated statements of cash flows, cash and cash equivalents include accounts listed below:

	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Cash and cash equivalents in consolidated balance sheets	\$ 180,688,313	176,347,729	173,123,160
Due from the central bank and call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7	57,706,272	80,347,260	39,421,022
Securities purchased under resell agreements qualifying for cash and cash equivalents under the definition of IAS 7	<u>60,609,347</u>	<u>94,388,499</u>	<u>145,426,157</u>
Cash and cash equivalents in consolidated statements of cash flows	<u>\$ 299,003,932</u>	<u>351,083,488</u>	<u>357,970,339</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.

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

	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Call loans to banks	\$ 115,906,989	154,032,130	92,533,794
Deposit reserves	81,671,531	78,218,115	79,339,367
Due from the central bank — others	<u>23,397,149</u>	<u>48,377,391</u>	<u>54,623,460</u>
Total	<u>\$ 220,975,669</u>	<u>280,627,636</u>	<u>226,496,621</u>

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

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 June 30, 2017, December 31 and June 30, 2016, deposit reserves for checking account amounted to \$21,934,310, \$17,567,640 and \$15,966,433, respectively; required deposit reserves amounted to \$33,160,563, \$32,236,828 and \$32,542,795, 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 month-end balance or average ten-day balance of related deposits 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.

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

	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Held-for-trading financial assets:			
Government bonds	\$ 22,265,136	17,692,846	18,231,198
Commercial papers	9,525,978	5,790,972	7,177,450
Treasury bonds	7,788,248	9,617,322	8,319,798
Convertible corporate bonds	6,002,315	4,507,934	5,195,477
Stocks and beneficiary certificates	6,705,527	4,926,543	4,137,716
Beneficiary securities	866,397	932,016	987,299
Corporate and financial bonds	38,842,836	31,265,616	36,482,809
Others	381,604	41,125	3,482
	<u>92,378,041</u>	<u>74,774,374</u>	<u>80,535,229</u>
Derivative financial instruments:			
Interest rate contracts	3,920,822	4,164,950	6,342,866
Currency rate contracts	25,584,206	53,131,556	38,317,830
Options contracts	1,202,375	15,595,858	16,987,675
Others	4,794,731	3,414,726	3,545,171
	<u>35,502,134</u>	<u>76,307,090</u>	<u>65,193,542</u>

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

	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Financial assets designated as at fair value through profit or loss at initial recognition:			
Corporate bonds	\$ -	163,293	168,544
Credit structured bonds	1,121,059	1,153,941	495,553
Convertible corporate bonds	<u>10,640,197</u>	<u>11,511,540</u>	<u>12,663,838</u>
	<u>11,761,256</u>	<u>12,828,774</u>	<u>13,327,935</u>
Total	<u>\$ 139,641,431</u>	<u>163,910,238</u>	<u>159,056,706</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 are engaged 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.

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

	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Negotiable certificates of deposits	\$ 24,573,979	22,534,742	20,643,831
Government bonds	254,881,941	300,937,499	268,192,512
Corporate and financial bonds	558,433,199	562,066,047	599,247,767
Stocks	532,965,853	438,952,911	385,630,128
Beneficiary certificates and beneficiary securities	270,143,836	249,906,851	288,126,692
Commercial papers	57,558,061	45,374,817	17,583,200
Treasury bonds	10,584,645	13,546,078	16,187,703
Others	<u>129,985</u>	<u>138,908</u>	<u>154,823</u>
Subtotal	1,709,271,499	1,633,457,853	1,595,766,656
Less: Guarantee deposits	471,856	471,023	9,426,651
Accumulated impairment	<u>3,064,396</u>	<u>1,947,668</u>	<u>1,677,980</u>
Net amount	<u>\$ 1,705,735,247</u>	<u>1,631,039,162</u>	<u>1,584,662,025</u>

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

For the three months and six months ended June 30, 2017 and 2016, the Company and its subsidiaries performed an impairment evaluation and recognized the impairment losses (reversal gains) on available-for-sale financial assets amounting to \$1,394,663, \$(119,395), \$1,401,333 and \$(113,907) 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>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
<u>Derivative financial assets for hedging</u>			
Fair value hedge— interest rate swap contracts	\$ <u>1,668,719</u>	<u>1,329,276</u>	<u>1,608,308</u>
<u>Derivative financial liabilities for hedging</u>			
Fair value hedge— interest rate swap contracts	\$ <u>3,581,819</u>	<u>2,935,500</u>	<u>3,047,830</u>

(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>June 30, 2017</u>			<u>Expected period of cash flows</u>	<u>Expected period of recognition in profit or loss</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	\$ 38,557,054	(135,924)	2017.07.17~ 2024.06.27	2017.07.17~ 2024.06.27	
		<u>December 31, 2016</u>			<u>Expected period of cash flows</u>	<u>Expected period of recognition in profit or loss</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)	2017.01.16~ 2024.06.26	2017.01.16~ 2024.06.26	

(Continued)

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

		June 30, 2016			
Hedged items	Designated hedging instruments	Nominal amount	Fair value of hedging instruments	Expected period of cash flows	Expected period of recognition in profit or loss
Floating bonds and floating collateral loans	Interest rate swap contracts	\$ 27,244,680	1,065,400	2016.07.15~ 2024.06.26	2016.07.15~ 2024.06.26

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

Item	June 30, 2017	December 31, 2016	June 30, 2016
Equity adjusted amount	\$ <u>341,404</u>	<u>(1,139,304)</u>	<u>403,425</u>
Non-financial assets (liabilities) transferred from equity (recognized as deferred income tax assets (liabilities))	\$ <u>(58,039)</u>	<u>193,682</u>	<u>(68,582)</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.

		June 30, 2017	
Hedged items	Designated hedging instruments	Nominal amount	Fair value
Financial bonds payable	Interest rate swap contracts	\$ 42,113,213	(521,160)
Available-for-sale financial assets — corporate bonds	Interest rate swap contracts	49,756,032	(924,935)
Availed-for-sale financial assets — financial bonds	Interest rate swap contracts	6,044,666	(12,946)

(Continued)

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

		<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)

		<u>June 30, 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	\$ 28,006,462	447,319
Available-for-sale financial assets — corporate bonds	Interest rate swap contracts	11,560,106	(585,354)
Available-for-sale financial assets — financial bonds	Interest rate swap contracts	12,536,165	(353,345)

(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>June 30, 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	\$ 56,851,262	(318,135)

		<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)

(Continued)

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

<u>Hedged item</u>	<u>Designated hedging instruments</u>	<u>June 30, 2016</u>	
		<u>Nominal amount</u>	<u>Fair value</u>
Available-for-sale financial assets	Interest rate swap contracts	\$ 41,993,038	(2,013,542)

(f) Securities Purchased Under Resell Agreements

	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
	Margin lending amount	<u>\$ 60,609,347</u>	<u>94,388,499</u>

The maturity of abovementioned securities purchased under resell agreements were all within one year as of June 30, 2017, December 31 and June 30, 2016.

(g) Receivables, Net

	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
	Accounts receivable – credit card	\$ 36,948,269	34,545,256
Accounts receivable – forfeiting	2,377,517	1,039,227	1,684,998
Notes receivable, accounts receivable and acceptance	11,426,677	10,039,847	11,626,061
Accounts receivable – factoring	12,556,565	16,699,708	13,657,517
Interest receivable	33,144,422	32,519,189	29,602,865
Revenues receivable	2,878,758	2,517,205	2,355,633
Premiums receivable	4,316,461	3,225,774	4,056,638
Margin loans receivable	12,576,912	11,142,121	11,284,819
Accounts receivable – settlement	25,189,806	14,552,854	27,604,558
Others	<u>9,526,938</u>	<u>10,053,233</u>	<u>10,892,214</u>
Subtotal	150,942,325	136,334,414	144,105,237
Less: Allowance for doubtful accounts	<u>1,344,826</u>	<u>1,350,786</u>	<u>1,100,316</u>
Total	<u>\$ 149,597,499</u>	<u>134,983,628</u>	<u>143,004,921</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 June 30, 2017, December 31 and June 30, 2016, assets held for sale amounting to \$46,464, \$49,606 and \$49,575 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

	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Discounts and overdrafts	\$ 19,824,320	31,360,774	41,529,141
Short-term advances	10,611,755	10,370,197	10,113,733
Accounts receivable – financing	2,439,987	3,119,411	4,511,959
Short-term loans	342,398,216	322,288,983	369,302,801
Short-term secured loans	86,530,959	78,282,903	90,628,138
Medium-term loans	236,082,022	250,981,301	242,855,132
Medium-term secured loans	120,198,691	121,203,977	119,215,743
Long-term loans	81,429,680	84,975,955	90,188,627
Long-term secured loans	724,004,141	691,391,597	657,094,886
Insurance policy loans	49,193,890	48,166,793	46,493,323
Import and export bill negotiation	11,518,028	9,474,404	11,269,863
Nonperforming loans	<u>4,902,862</u>	<u>6,365,804</u>	<u>6,903,832</u>
Subtotal	1,689,134,551	1,657,982,099	1,690,107,178
Less: Allowance for doubtful accounts	21,404,675	20,778,911	20,972,239
Adjustments of premium and discount	621,440	580,691	639,164
Total	<u>\$ 1,667,108,436</u>	<u>1,636,622,497</u>	<u>1,668,495,775</u>

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

Loans

Item		Total loans		
		June 30, 2017	December 31, 2016	June 30, 2016
There is objective evidence of impairment.	Individual assessment of impairment	9,319,850	12,458,040	11,748,619
	Combined assessment of impairment	2,234,592	2,234,746	2,159,841
There is no objective evidence of impairment.	Combined assessment of impairment	1,677,580,109	1,643,289,313	1,676,198,718
Total		1,689,134,551	1,657,982,099	1,690,107,178

Loans

Item		Allowance for doubtful accounts		
		June 30, 2017	December 31, 2016	June 30, 2016
There is objective evidence of impairment.	Individual assessment of impairment	3,602,495	3,505,957	3,294,620
	Combined assessment of impairment	109,876	144,418	127,328
There is no objective evidence of impairment.	Combined assessment of impairment	17,692,304	17,128,536	17,550,291
Total		21,404,675	20,778,911	20,972,239

(Continued)

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

Receivables

Item		Total receivables		
		June 30, 2017	December 31, 2016	June 30, 2016
There is objective evidence of impairment.	Individual assessment of impairment	1,836,737	2,360,368	2,726,102
	Combined assessment of impairment	925,404	992,938	1,088,300
There is no objective evidence of impairment.	Combined assessment of impairment	149,299,264	134,613,542	142,528,570
Total		152,061,405	137,966,848	146,342,972

Receivables

Item		Allowance for doubtful accounts		
		June 30, 2017	December 31, 2016	June 30, 2016
There is objective evidence of impairment.	Individual assessment of impairment	1,394,778	1,631,042	1,675,853
	Combined assessment of impairment	296,107	305,573	318,926
There is no objective evidence of impairment.	Combined assessment of impairment	381,236	396,406	364,024
Total		2,072,121	2,333,021	2,358,803

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.

The movement of the allowance for doubtful accounts of loans and receivables for the six months ended June 30, 2017 and 2016, were as follows:

	For the six months ended June 30, 2017			
	Receivables	Loans	Other financial assets	Total
Beginning balance	\$ 1,350,786	20,778,911	982,235	23,111,932
Allowance for doubtful accounts	85,881	1,041,101	8,202	1,135,184
Write-off	(52,605)	(288,169)	(405,818)	(746,592)
Recovery from write-off	-	208,703	184,195	392,898
Effects of exchange rate changes and others	(39,236)	(335,871)	(41,519)	(416,626)
Ending balance	<u>\$ 1,344,826</u>	<u>21,404,675</u>	<u>727,295</u>	<u>23,476,796</u>

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

	For the six months ended June 30, 2016			
	Receivables	Loans	Other financial assets	Total
Beginning balance	\$ 1,045,917	20,581,317	583,754	22,210,988
Allowance for doubtful accounts	123,879	891,863	645,610	1,661,352
Write-off	(55,594)	(557,905)	(152,480)	(765,979)
Recovery from write-off	-	296,987	198,491	495,478
Effects of exchange rate changes and others	(13,886)	(240,023)	(16,888)	(270,797)
Ending balance	\$ 1,100,316	20,972,239	1,258,487	23,331,042

(j) Reinsurance Contract Assets

	June 30, 2017	December 31, 2016	June 30, 2016
Claims recoverable from reinsurers	\$ 2,201,601	2,750,608	1,542,004
Due from reinsurers and ceding companies	4,286,198	3,469,224	3,370,589
Subtotal	6,487,799	6,219,832	4,912,593
Reinsurance reserve assets:			
Ceded unearned premium reserve	6,283,485	5,154,238	6,077,922
Ceded claim reserve	10,169,656	12,038,969	11,754,991
Ceded premium deficiency reserve	486,608	391,873	170,355
Ceded liability reserve	399	-	-
Subtotal	16,940,148	17,585,080	18,003,268
Total	\$ 23,427,947	23,804,912	22,915,861

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FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES
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(k) Held-to-maturity Financial Assets, Net

	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Government bonds	\$ 107,377,315	109,445,233	99,921,378
Corporate bonds	16,561,180	13,163,601	13,093,261
Financial bonds	45,976,627	50,856,713	40,565,540
Negotiable certificates of deposits	258,679,090	209,910,950	187,652,934
Others	<u>8,704,895</u>	<u>4,139,635</u>	<u>13,428,604</u>
Subtotal	437,299,107	387,516,132	354,661,717
Less: Guarantee deposits	<u>10,332,106</u>	<u>10,331,071</u>	<u>-</u>
Total	<u>\$ 426,967,001</u>	<u>377,185,061</u>	<u>354,661,717</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 June 30, 2017, December 31 and June 30, 2016, the cumulative amounts of disposal and reclassification during the past three years were \$22,505,823, \$18,493,991 and \$12,780,639, respectively, the cumulative gains on disposal were \$18,683, \$15,286 and \$12,612, respectively; and the cumulative other comprehensive income from reclassification was \$205,938, \$205,938 and \$212,371 as of June 30, 2017, December 31 and June 30, 2016. The percentages of the cumulative amounts of disposal and reclassification of held-to-maturity investments were 5.27%, 5% and 3.81%, respectively.

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:

<u>Name of associate</u>	<u>Relationship with the Company and its subsidiaries</u>	<u>Main business office/Country of Registry</u>	<u>Ownership interest and voting right</u>		
			<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
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	18.83 %	19.99 %	19.99 %

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FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES
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Summarized financial information of material associates was as follows:

Xiamen Bank

	December 31,			
	June 30, 2017	2016	June 30, 2016	
Total assets	\$ 841,376,157	877,083,932	826,704,221	
Total liabilities	(796,422,849)	(835,187,187)	(784,799,150)	
Net assets	<u>\$ 44,953,308</u>	<u>41,896,745</u>	<u>41,905,071</u>	
	For the three months		For the six months	
	ended June 30		ended June 30	
	2017	2016	2017	2016
Operating revenue	<u>\$ 5,049,957</u>	<u>4,207,137</u>	<u>9,199,096</u>	<u>9,350,146</u>
Net income	\$ 1,521,954	972,726	2,714,918	2,346,808
Other comprehensive income	(10,469)	46,627	(108,813)	(353,353)
Total comprehensive income	<u>\$ 1,511,485</u>	<u>1,019,353</u>	<u>2,606,105</u>	<u>1,993,455</u>
		For the six months ended June 30		
		2017	2016	
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		210,375	(8,412)	
Dividends received from associates		(338,555)	-	
Capital surplus arising from changes in ownership interest		(22,475)	-	
Book value of equity of associates at the end of the periods	\$	<u>8,531,263</u>	<u>8,681,158</u>	

Since the Company and its subsidiaries did not participate in the capital increase for cash of Xiamen Bank in June 2017, resulting in a decrease of their ownership interest in Xiamen Bank. In August 2017, the board of directors of the Company and Fubon Bank (Hong Kong) have approved in acquiring the ordinary shares of Xiamen Bank to maintain their 19.99% ownership interest. The project is yet to be approved by the authority.

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

	June 30, 2017	December 31,		June 30, 2016	
	<u>2017</u>	<u>2016</u>		<u>2016</u>	
Fubon Construction Management Co., Ltd.	\$ 111,626	120,653		121,991	
Fubon Health Management Co., Ltd.	49,923	-		-	
Founder Fubon Fund Management Co., Ltd.	376,052	447,396		467,171	
CITIC Capital Holdings Ltd.	9,115,517	8,471,407		7,225,234	
Hyundai Life Insurance Co., Ltd.	4,352,377	3,889,223		6,106,130	
CITIC FUTONG Financial Leasing Limited	1,417,625	1,401,248		1,418,502	
Teng Fu Bo Investment Limited	<u>262,311</u>	<u>288,602</u>		<u>-</u>	
	<u>\$ 15,685,431</u>	<u>14,618,529</u>		<u>15,339,028</u>	
		For the three months ended June 30		For the six months ended June 30	
		<u>2017</u> <u>2016</u>		<u>2017</u> <u>2016</u>	
Attributable to the Company and its subsidiaries :					
Net income	\$ (89,251)	53,683	(42,643)	(122,019)	
Other comprehensive income	<u>728,691</u>	<u>155,740</u>	<u>668,959</u>	<u>164,269</u>	
Total comprehensive income	<u>\$ 639,440</u>	<u>209,423</u>	<u>626,316</u>	<u>42,250</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 to Fubon Hospitality Management Co., Ltd. decreased and its significant influence was lost. Thus, the investment was reclassified as financial assets carried at cost.

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FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES
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(m) Non-controlling interest of materiality

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

<u>Name of subsidiary</u>	<u>Main business office / Country of registry</u>	<u>Ownership interest and voting right of non-controlling interest</u>	
		<u>December 31, 2016</u>	<u>June 30, 2016</u>
Fubon Bank (China)	Mainland China	- %	20 %

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

<u>Name of subsidiary</u>	<u>Profit attributable to non- controlling interests</u>		<u>Non-controlling interests</u>	
	<u>For the three months ended June 30, 2016</u>	<u>For the six months ended June 30, 2016</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Fubon Bank (China)	\$ <u>92,425</u>	<u>229,283</u>	<u>-</u>	<u>7,891,284</u>

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):

	<u>December 31,</u>	
	<u>2016</u>	<u>June 30, 2016</u>
Total assets	\$ 339,673,743	355,072,166
Total liabilities	(298,212,671)	(312,330,309)
Equity	<u>\$ 41,461,072</u>	<u>42,741,857</u>
Equity attributable to non-controlling interest	<u>\$ -</u>	<u>7,891,284</u>
	<u>For the three months ended June 30, 2016</u>	<u>For the six months ended June 30, 2016</u>
Net revenue	<u>\$ 1,565,439</u>	<u>3,349,672</u>
Net income	\$ 462,128	1,146,417
Other comprehensive income	(1,326,708)	(1,718,536)
Total comprehensive income	<u>\$ (864,580)</u>	<u>(572,119)</u>
Consolidated net income for the period attributable to non-controlling interests	<u>\$ 92,425</u>	<u>229,283</u>
Consolidated other comprehensive income attributable to non-controlling interests	<u>\$ (152,831)</u>	<u>(88,178)</u>

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FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES
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	For the three months ended June 30, 2016	For the six months ended June 30, 2016	
Cash flows			
Operating activities	\$ (939,531)	(16,967,585)	
Investing activities	(64,356)	(114,939)	
Financing activities	(62,022)	2,745,776	
 (n) Other Financial Assets, Net			
	June 30, 2017	December 31, 2016	June 30, 2016
Financial assets carried at cost, net	\$ 5,995,817	5,813,633	5,231,976
Debt investments without active market, net	1,413,536,357	1,264,099,863	1,104,683,425
Assets on insurance product—separated account	148,207,489	142,534,021	136,550,248
Continuing involvement in transferred assets	-	-	246,271
Linked deposits	32,052,729	28,492,824	27,934,148
Margin deposits paid for borrowed securities	689,411	32,103	30,807
Collateral for borrowed securities	10,425	35,540	33,851
Overdue receivables	799,680	989,754	1,316,914
Customer margin deposit	19,829,844	15,702,134	15,608,313
Buy remittance	2,077	1,595	4,113
Buy nonperforming loan	317,323	641,085	670,437
Deposits not qualifying as cash equivalents	28,818,027	16,555,456	30,954,861
Prepayments for investments	<u>20,000</u>	<u>-</u>	<u>-</u>
Subtotal	1,650,279,179	1,474,898,008	1,323,265,364
Less: Guarantee deposits—others	2,202,623	2,234,866	2,267,259
Allowance for doubtful accounts	<u>727,295</u>	<u>982,235</u>	<u>1,258,487</u>
Total	<u>\$ 1,647,349,261</u>	<u>1,471,680,907</u>	<u>1,319,739,618</u>

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FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES
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(i) Financial assets carried at cost

	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Investment in unlisted stocks	\$ 6,439,507	6,238,214	5,653,728
Less: Accumulated impairment	<u>443,690</u>	<u>424,581</u>	<u>421,752</u>
Total	<u>\$ 5,995,817</u>	<u>5,813,633</u>	<u>5,231,976</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.

Due to objective evidence of impairment, the Company and its subsidiaries provided impairment losses on financial assets carried at cost amounting to \$22,387, \$55,831, \$22,387 and \$55,831 for the three months and six months ended June 30, 2017 and 2016, respectively.

(ii) Separated account – insurance product

	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Assets on insurance product – separated account:			
Bank deposits	\$ 8,295,249	8,372,541	8,415,782
Securities	135,339,622	130,945,839	127,156,641
Receivables	<u>4,572,618</u>	<u>3,215,641</u>	<u>977,825</u>
Total	<u>\$ 148,207,489</u>	<u>142,534,021</u>	<u>136,550,248</u>
Liabilities on insurance product – separated account:			
Reserve – insurance contract	\$ 88,704,226	81,981,447	78,721,949
Reserve – investment contract	59,501,709	60,552,166	57,827,332
Payables	<u>1,554</u>	<u>408</u>	<u>967</u>
Total	<u>\$ 148,207,489</u>	<u>142,534,021</u>	<u>136,550,248</u>

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FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES
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	For the three months ended June 30		For the six months ended June 30	
	2017	2016	2017	2016
Investment-type insurance policy revenues:				
Insurance revenues	\$ 4,997,772	3,423,965	8,867,112	6,638,291
Interest revenues	95,393	101,555	170,481	180,995
Unrealized gains (losses) on financial assets measured at fair value through profit and loss	3,023,170	236,602	4,725,749	(462,379)
Gains (losses) on foreign exchange	(151,008)	121,012	(213,278)	289,512
Total	<u>\$ 7,965,327</u>	<u>3,883,134</u>	<u>13,550,064</u>	<u>6,646,419</u>
Investment-type insurance policy expense:				
Net insurance separate account value reserve	\$ 4,456,552	740,924	6,941,726	601,260
Insurance claim payments	2,834,845	2,469,738	5,253,891	4,691,718
Administrative expense	<u>673,930</u>	<u>672,472</u>	<u>1,354,447</u>	<u>1,353,441</u>
Total	<u>\$ 7,965,327</u>	<u>3,883,134</u>	<u>13,550,064</u>	<u>6,646,419</u>

For the three months and six months ended June 30, 2017 and 2016, Fubon Life Insurance and its subsidiaries earned sales commission in investment oriented insurance products from counterparties amounted to \$120,514, \$109,893, \$233,362 and \$217,010, respectively. The rebate was recognized as net service fees and commission income.

(iii) Debt investments without active market

	June 30, 2017	December 31, 2016	June 30, 2016
	Government bonds	\$ 61,956,475	29,868,026
Corporate bonds	595,390,177	527,166,026	427,618,867
Financial bonds	251,030,143	229,535,551	181,966,396
Zero-coupon bonds	443,840,861	415,189,710	424,149,278
Real estate mortgage bonds	28,296,776	32,688,848	35,837,749
Securitization of beneficiary certificates	23,973,283	20,180,843	8,662,650
Negotiable certificates of deposit	9,048,642	9,470,859	9,594,241
Others	-	-	1,452,570
Total	<u>\$ 1,413,536,357</u>	<u>1,264,099,863</u>	<u>1,104,683,425</u>

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

“Others” refers to the beneficial rights of 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 June 30, 2016, the agreed transfer dates is September, 2016.

For the three months and six months ended June 30, 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, \$2,514, \$0 and \$13,071, 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	-	502,845	86,570	56,109	-	645,524
Reclassification	4,073,716	673,066	(486,185)	(1,074)	-	4,259,523
Disposals	-	-	-	-	-	-
Gains (losses) generated from fair value adjustments	(161,938)	218,629	-	-	(14)	56,677
Effects of exchange rate changes	13,446	91,531	-	-	(4,581)	100,396
Balance as of June 30, 2017	<u>\$ 131,216,296</u>	<u>46,691,540</u>	<u>891,139</u>	<u>81,136</u>	<u>1,711,089</u>	<u>180,591,200</u>
Balance as of January 1, 2016	\$ 124,640,164	43,580,409	635,510	2,524	2,428,187	171,286,794
Additions	1,221,127	6,944,378	278,268	5,728	-	8,449,501
Reclassification	(453,953)	(145,379)	-	(571)	-	(599,903)
Gains (losses) generated from fair value adjustments	1,575,475	(935,618)	-	-	-	639,857
Others	-	-	-	-	(5,228)	(5,228)
Effects of exchange rate changes	(1,400,658)	(1,981,191)	-	-	(273,854)	(3,655,703)
Balance as of June 30, 2016	<u>\$ 125,582,155</u>	<u>47,462,599</u>	<u>913,778</u>	<u>7,681</u>	<u>2,149,105</u>	<u>176,115,318</u>

Rental revenue incurred for investment property for the six months ended June 30, 2017 and 2016, amounted to \$3,005,920 and \$3,029,473, respectively. Direct operation expenses amounted to \$484,173 and \$555,696 for the six months ended June 30, 2017 and 2016, respectively, in which, \$21,872 and \$27,429, respectively, are direct operation expenses belonging to investment property that does not generate rental income.

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FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES
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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 June 30, 2017, December 31 and June 30, 2016, the net carrying amount of leasehold property was \$212,303, \$212,885 and \$452,921.

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 June 30, 2017, December 31 and June 30, 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 June 30, 2017, December 31 and June 30, 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: Ke Feng-Ru, 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
- 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

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

- 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>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
	Mainly	Mainly	Mainly
Income capitalization rate	0.98%~5.19%	0.99%~5.11%	0.59%~5.50%
Year-end income capitalization rate	1.81%~6.35%	1.83%~6.35%	1.78%~6.35%
Discount rate	2.30%~7.50%	2.30%~8.20%	3.08%~6.50%

Professional valuation agencies 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.

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

In 2014, the land of Fubon Life Insurance, located at Wenxin Rd., Taichung, was accounted for by using the fair value method. During the construction of the building, the professional valuation agencies appraised the land by using the comparison approach and land development analysis approach, and the value of the building was accounted for by using the actual construction costs (construction in progress). In June 2017, after completing the building construction, obtaining the occupation permit, and completing the registration procedure of the building ownership, the investment property, instead of previously consisting only the land, is now being appraised together with the building. Therefore, the investment property was appraised by using the comparison approach and direct capitalization method of income approach. The difference between the overall fair value and the value of construction in progress is not material.

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 professional valuation agencies 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 June 30, 2017, December 31 and June 30, 2016.

Valuation agencies as of June 30, 2017, December 31, 2016 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 June 30, 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

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

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>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Direct capitalization rate (net)	0.77%~6.02%	0.25%~6.02%	1.70%~6.00%
Profit rate	12.00%~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%

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

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.

Since there were changes in the rental rates of certain investment properties of Taipei Fubon Bank, their fair value were revalued by the following independent qualified professional valuers from Savills Plc Real Estate Appraiser Office (a member of certified ROC real estate appraisals) based on their valuation conducted on June 30, 2017: Dai Kuang Ping, Chang Hung Kai, Chang I Chih and Yeh Yu-Fen.

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, ChaInvestment properties are leased out as operating leases with terms of three to ten years.

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FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES
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After consulting with the appraisers for effectiveness of their previous appraisal reports, except for the investment properties which were reevaluated on June 30, 2017 because of the rental rate changes, Taipei Fubon Bank determined that the fair value reported as of December 31, 2016 and 2015 were still deemed valid as of June 30, 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>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Expected future cash inflows	\$ 4,323,795	4,004,305	4,127,123
Expected future cash outflows	<u>(130,863)</u>	<u>(122,972)</u>	<u>(141,694)</u>
Expected future cash inflows, net	<u>\$ 4,192,932</u>	<u>3,881,333</u>	<u>3,985,429</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).

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's 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 were still deemed valid as of June 30, 2017 and 2016.

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

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>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 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 Chunghwa 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.

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FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES
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(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 December 31, 2016 and 2015. After consulting with the appraisers, Fubon AMC determined that the fair value reported as of December 31, 2016 and 2015 were still deemed valid as of June 30, 2017 and 2016.

The fair value of investment property is supported by observable evidences in the market. The main appraising method is 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>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 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%

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 six months ended June 30, 2017 and 2016, were as follows:

	<u>Land</u>	<u>Buildings</u>	<u>Machinery and computer equipment</u>	<u>Transportation equipment</u>	<u>Other equipment</u>	<u>Prepayment for purchases of equipment, and construction in progress</u>	<u>Total</u>
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	-	64,677	192,400	17,071	467,501	779,368	1,521,017
Estimated decommissioning cost	-	-	-	-	11,519	-	11,519
Reversal decommissioning cost	-	-	-	-	(4,828)	-	(4,828)
Disposals	(997)	(2,955)	(320,361)	(8,129)	(302,230)	-	(634,672)
Reclassification	(489,214)	573,250	113,888	(110,261)	194,972	(785,067)	(502,432)
Effects of exchange rates changes	-	(522,417)	(34,180)	(459)	(247,563)	(14,349)	(818,968)
Balance as of June 30, 2017	<u>\$ 29,065,198</u>	<u>26,419,938</u>	<u>5,778,791</u>	<u>301,378</u>	<u>9,042,332</u>	<u>1,995,566</u>	<u>72,603,203</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	-	6,237	158,877	17,452	622,534	902,851	1,707,951
Estimated decommissioning cost	-	-	-	-	1,687	-	1,687
Reversal decommissioning cost	-	-	-	-	(4,912)	-	(4,912)
Disposals	(14,706)	(79,997)	(125,614)	(10,783)	(197,691)	-	(428,791)
Reclassification	966,082	(305,505)	58,998	-	211,676	(322,829)	608,422
Effects of exchange rates changes	-	(422,364)	(25,985)	(6,403)	(100,744)	(15,642)	(571,138)
Balance as of June 30, 2016	<u>\$ 28,693,141</u>	<u>26,076,333</u>	<u>5,470,079</u>	<u>416,754</u>	<u>8,264,156</u>	<u>2,046,567</u>	<u>70,967,030</u>

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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
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	-	281,544	341,982	11,191	398,545	-	1,033,262
Disposals	-	(2,049)	(312,067)	(8,026)	(297,146)	-	(619,288)
Reversal decommissioning cost	-	-	-	-	(3,910)	-	(3,910)
Reclassification	-	(110,008)	(2)	(48,332)	45,858	-	(112,484)
Effects of exchange rates changes	-	(85,246)	(21,286)	(2,046)	(147,800)	-	(256,378)
Losses of impairment	-	7,576	-	-	-	-	7,576
Balance as of June 30, 2017	<u>\$ 1,013,284</u>	<u>4,875,290</u>	<u>3,845,930</u>	<u>236,743</u>	<u>5,846,249</u>	<u>-</u>	<u>15,817,496</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	-	288,864	292,258	22,974	360,862	-	964,958
Disposals	-	(27,408)	(124,276)	(10,613)	(188,819)	-	(351,116)
Reversal decommissioning cost	-	-	-	-	(4,865)	-	(4,865)
Reclassification	-	(1,785)	-	-	-	-	(1,785)
Effects of exchange rates changes	-	(127,785)	(13,948)	(3,407)	9,520	-	(135,620)
Balance as of June 30, 2016	<u>\$ 1,019,730</u>	<u>4,606,309</u>	<u>3,840,936</u>	<u>278,920</u>	<u>5,806,998</u>	<u>-</u>	<u>15,552,893</u>
Carrying amounts:							
Balance as of January 1, 2017	<u>\$ 28,542,125</u>	<u>21,523,910</u>	<u>1,989,741</u>	<u>119,200</u>	<u>3,072,259</u>	<u>2,015,614</u>	<u>57,262,849</u>
Balance as of June 30, 2017	<u>\$ 28,051,914</u>	<u>21,544,648</u>	<u>1,932,861</u>	<u>64,635</u>	<u>3,196,083</u>	<u>1,995,566</u>	<u>56,785,707</u>
Balance as of January 1, 2016	<u>\$ 26,722,035</u>	<u>22,403,539</u>	<u>1,716,901</u>	<u>146,522</u>	<u>2,101,306</u>	<u>1,482,187</u>	<u>54,572,490</u>
Balance as of June 30, 2016	<u>\$ 27,673,411</u>	<u>21,470,024</u>	<u>1,629,143</u>	<u>137,834</u>	<u>2,457,158</u>	<u>2,046,567</u>	<u>55,414,137</u>

Since the Company and its subsidiaries had transferred parts of their private properties to investment properties measured at fair value, the properties were reevaluated on the transferred date. The Company and its subsidiaries determined the recoverable amount at fair value, less, cost of disposal; and the related fair value was determined by using income approach, which is classified under level 3 fair value category. For valuation techniques and key assumptions of fair value measurements, please refer to Note 6 (o) for details.

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

Buildings	3 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 June 30, 2017, December 31 and June 30, 2016, certain property 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

(q) Intangible Assets, Net

	June 30, 2017	December 31, 2016	June 30, 2016
Banking license and operating rights	\$ 5,622,625	5,807,579	6,045,031
Core deposits	6,649,913	7,089,714	7,616,828
Goodwill	14,208,302	14,312,255	14,439,955
Computer software	1,211,919	1,327,820	1,169,922
Customer relationship	77,515	84,866	93,490
Others	278,350	278,349	2,000
	<u>\$ 28,048,624</u>	<u>28,900,583</u>	<u>29,367,226</u>

The movements of intangible assets of the Company and its subsidiaries for the six months ended June 30, 2017 and 2016 were as follows:

	Goodwill	Other intangible assets	Total
Balance as of January 1, 2017	\$ 14,312,255	14,588,328	28,900,583
Additions	-	116,678	116,678
Disposals	-	(1,080)	(1,080)
Amortization	-	(546,850)	(546,850)
Reclassification	-	98,476	98,476
Effects of exchange rates changes	(103,953)	(415,230)	(519,183)
Balance as of June 30, 2017	<u>\$ 14,208,302</u>	<u>13,840,322</u>	<u>28,048,624</u>
Balance as of January 1, 2016	\$ 14,571,186	15,727,435	30,298,621
Additions	-	159,586	159,586
Amortization	-	(555,668)	(555,668)
Reclassification	-	120,419	120,419
Effects of exchange rates changes	(131,231)	(524,501)	(655,732)
Balance as of June 30, 2016	<u>\$ 14,439,955</u>	<u>14,927,271</u>	<u>29,367,226</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).

(Continued)

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

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 six months ended June 30, 2017 and 2016, after evaluating the carrying amount of goodwill.

(r) Other Assets

	June 30, 2017	December 31, 2016	June 30, 2016
Refundable deposits	\$ 20,131,396	25,576,832	27,220,278
Foreclosed collaterals and residuals taken over	86,145	2,467,247	2,378,161
Operation guarantee deposits and settlement fund	332,689	338,678	340,554
Deferred assets	697,244	587,885	497,968
Prepayments	31,460,757	31,426,747	35,568,438
Others	3,115,083	2,288,653	3,117,104
Total	<u>\$ 55,823,314</u>	<u>62,686,042</u>	<u>69,122,503</u>

The Company acquired the superficies by bid, accounted as prepayments. For the three months and six months ended June 30, 2017 and 2016, the Company and its subsidiaries recognized impairment loss (reversal gain) on other assets measured at net fair value were \$(166), \$(34,806), \$(1,766) and \$31,293, respectively.

(Continued)

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

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

	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Held-for-trading financial liabilities:			
Stock warrant liabilities	\$ 7,788,248	8,368,658	8,278,728
Stock borrowing and short selling	316,324	253,430	252,194
Bonds borrowing and short selling	<u>818,367</u>	<u>356,598</u>	<u>197,505</u>
	<u>8,922,939</u>	<u>8,978,686</u>	<u>8,728,427</u>
Derivative financial instruments:			
Interest rate contracts	3,720,047	3,849,605	6,100,514
Currency rate contracts	30,182,306	58,968,569	35,176,918
Options contracts	3,419,620	18,217,600	18,985,010
Others	<u>4,523,848</u>	<u>3,558,793</u>	<u>3,355,557</u>
	<u>41,845,821</u>	<u>84,594,567</u>	<u>63,617,999</u>
Financial liabilities designated as at fair value through profit or loss at initial recognition:			
Financial bonds	-	1,690,909	1,680,471
Structured products	<u>2,648,154</u>	<u>2,282,024</u>	<u>2,440,005</u>
	<u>2,648,154</u>	<u>3,972,933</u>	<u>4,120,476</u>
Total	<u>\$ 53,416,914</u>	<u>97,546,186</u>	<u>76,466,902</u>

(t) Securities Sold under Repurchase Agreements

	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Pecuniary financing	<u>\$ 136,520,904</u>	<u>122,889,790</u>	<u>123,071,193</u>

The maturity of abovementioned securities sold under repurchase agreement were all within one year as of June 30, 2017, December 31 and June 30, 2016.

(u) Commercial Paper Issued, Net

	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Par value	\$ 8,650,000	655,000	4,250,000
Less: Discount on commercial paper issued	<u>1,326</u>	<u>213</u>	<u>607</u>
Total	<u>\$ 8,648,674</u>	<u>654,787</u>	<u>4,249,393</u>
Interest rate range	0.38%~0.67%	0.56%~0.62%	0.31%~0.71%

(Continued)

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

(v) Deposits

	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Checking accounts	\$ 10,992,421	13,174,102	9,780,689
Public treasury deposits	28,261,606	34,452,576	40,347,607
Demand deposits	448,837,228	426,327,215	402,201,443
Time deposits	777,344,658	743,979,484	690,621,621
Negotiable certificates of deposit	75,691,400	70,959,595	68,101,291
Savings accounts	832,752,005	830,837,261	798,238,746
Remittances	928,056	1,559,498	1,062,985
	<u>\$ 2,174,807,374</u>	<u>2,121,289,731</u>	<u>2,010,354,382</u>

(w) Bonds Payable

(i) The bonds payable as of June 30, 2017, December 31 and June 30, 2016 were as follows:

	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Unsecured corporate bonds	\$ 56,000,000	63,800,000	69,800,000
Cumulative perpetual subordinated corporate bonds	35,000,000	28,500,000	-
Financial bonds	90,492,941	86,301,095	84,510,977
Total	<u>\$ 181,492,941</u>	<u>178,601,095</u>	<u>154,310,977</u>

(ii) Unsecured corporate bonds

Name	Issue period		Issue amount	Interest rate	June 30, 2017	December 31, 2016	June 30, 2016	Note
	Issue date	Maturity date						
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

(Continued)

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

Name	Issue period		Issue amount	Interest rate	June 30, 2017	December 31, 2016	June 30, 2016	Note
	Issue date	Maturity date						
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
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
					<u>\$ 56,000,000</u>	<u>63,800,000</u>	<u>69,800,000</u>	

(Continued)

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

(iii) Cumulative perpetual subordinated corporate bonds

Name	Issue Period		Coupon rate (Note 1)	Issue Amount	Unamortized premium (discount) amount	December 31,			Note
	Issue Date	Maturity Date				June 30, 2017	2016	June 30, 2016	
1st Issue of 2016 Perpetual Cumulative Subordinated Corporate Bonds	2016.12.07	Indefinite	3.25 %	\$ 28,500,000	-	\$ 28,500,000	28,500,000	-	Note 2
1st Issue of 2017 Perpetual Cumulative Subordinated Corporate Bonds	2017.04.21	Indefinite	3.30 %	6,500,000	-	6,500,000	-	-	Note 2
Total						<u>\$ 35,000,000</u>	<u>28,500,000</u>	<u>-</u>	

Note 1: The coupon rate will plus 1% if Fubon Life Insurance does not redeem the bond in 10 years from the date of issuance.

Note 2: The corporate bond has no maturity date. However, if the Fubon Life Insurance'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.

(iv) Financial Bonds Payable

1) Taipei Fubon Bank and its subsidiaries

	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 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

(Continued)

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

	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
First issuance of subordinated bank debentures in 2010; fixed 2.5%; maturity: January 2020	\$ 2,400,000	2,400,000	2,400,000
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
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

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES
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	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
First issuance of subordinated bank debentures in 2011; fixed 1.65%; maturity: March 2018	\$ 3,050,000	3,050,000	3,050,000
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

(Continued)

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

	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Second issuance of subordinated bank debentures in 2014; fixed 1.98%; maturity: September 2024	3,700,000	3,700,000	3,700,000
First issuance of dominant bank debentures in 2015; zero interest rate; maturity: February 2045 (US\$100,000 thousand)	3,354,042	3,486,633	3,417,435
Second issuance of dominant bank debentures in 2015; zero interest rate; maturity: May 2045 (US\$80,000 thousand)	-	2,762,324	2,705,141
First issuance of dominant bank debentures in 2016; zero interest rate; maturity: December 2046 (US\$200,000 thousand)	6,215,472	6,463,320	-
First issuance of dominant bank debentures in 2017; zero interest rate; maturity: January 2047 (US\$200,000 thousand)	6,194,012	-	-
First issuance of dominant bank debentures in 2017; zero interest rate; maturity: January 2047 (US\$200,000 thousand)	6,192,725	-	-
Subtotal	<u>69,656,251</u>	<u>65,262,277</u>	<u>62,722,576</u>
Valuation adjustments of bank debentures	(525,381)	(611,074)	446,899
Subtotal	<u>\$ 69,130,870</u>	<u>64,651,203</u>	<u>63,169,475</u>

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

2) Fubon Bank (Hong Kong) and its subsidiaries

	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
10-year bonds issued in November 2010; fixed 6.25%; maturity: November 2020	\$ 6,064,087	6,428,783	6,425,114
3-year bonds issued in June 2014; fixed 2.15%; maturity: June 2017	-	417,139	417,617
3-year bonds issued in August 2014; fixed 2.40%; maturity: August 2017	389,897	417,160	418,577
3-year bonds issued in December 2014; floating; maturity: December 2017	389,920	416,290	416,030
2-year bonds issued in June 2015; floating; maturity: June 2017	-	832,526	831,943
3-year bonds issued in June 2015; floating; maturity: June 2018	389,846	416,169	415,869
1-year bonds issued in August 2015; zero interest rate; maturity: August 2016	-	-	1,128,700
2-year bonds issued in August 2015; floating; maturity: August 2017	896,780	957,292	956,548
2-year bonds issued in August 2015; fixed 1.85%; maturity: August 2017	389,889	416,128	415,738
6-month bonds issued in February 2016; fixed 1.15%; maturity: August 2016	-	-	416,030
9-month bonds issued in March 2016; fixed 0.94%; maturity: December 2016	-	-	624,014

(Continued)

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

	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
1-year bonds issued in April 2016; fixed 1.2%; maturity: April 2017	\$ -	416,290	416,030
3-month bonds issued in April 2016; zero interest rate; maturity: July 2016	-	-	1,247,754
3-month bonds issued in April 2016; zero interest rate; maturity: July 2016	-	-	1,663,486
1-year bonds issued in May 2016; fixed 1.2%; maturity: May 2017	-	457,919	457,633
9-month bonds issued in May 2016; fixed 1.1%; maturity: February 2017	-	832,580	832,060
3-month bonds issued in May 2016; zero interest rate; maturity: August 2016	-	-	1,662,846
3-month bonds issued in May 2016; zero interest rate; maturity: August 2018	-	-	1,662,237
3-year bonds issued in June 2016; fixed 2.12%; maturity: June 2019	779,411	823,430	841,854
3-month bonds issued in June 2016; zero interest rate; maturity: September 2016	-	-	91,422
2-year bonds issued in July 2016; floating; maturity: July 2018	389,725	416,290	-
3-year bonds issued in July 2016; fixed 1.9%; maturity: July 2019	389,846	406,878	-
6-month bonds issued in August 2016; fixed 0.91%; maturity: February 2017	-	416,290	-

(Continued)

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

	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
6-month bonds issued in August 2016; zero interest rate; maturity: February 2017	\$ -	1,663,640	-
9-month bonds issued in August 2016; fixed 1.01%; maturity: May 2017	-	832,580	-
1-year bonds issued in August 2016, fixed 1.2%; maturity: August 2017	389,916	416,290	-
1-year bonds issued in August 2016; fixed 1.18%; maturity: August 2017	701,844	749,322	-
2-year bonds issued in August 2016; fixed 1.6%; maturity: August 2018	1,051,447	1,109,258	-
3-year bonds issued in September 2016; fixed 1.6%; maturity: September 2019	389,105	405,907	-
3-month bonds issued in October 2016; zero interest rate; maturity: January 2017	757,771	798,209	-
1-year bonds issued in October 2016; zero interest rate; maturity: October 2017	909,188	957,898	-
3-year bonds issued in October 2016; floating; maturity: October 2019	608,150	645,624	-
3-year bonds issued in February 2017; fixed 2.53%; maturity: February 2020	389,920	-	-
2-year bonds issued in March 2017; fixed 2.28%; maturity: March 2019	779,715	-	-

(Continued)

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

	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
3-year bonds issued in March 2017; fixed 2.5%; maturity: March 2020	\$ 467,545	-	-
3-year bonds issued in April 2017; fixed 2.4%; maturity: April 2020	272,589	-	-
6-month bonds issued in February 2017; zero interest rate; maturity: August 2017	1,556,721	-	-
6-month bonds issued in March 2017; zero interest rate; maturity: September 2019	1,555,859	-	-
3-month bonds issued in June 2017; zero interest rate; maturity: September 2017	89,580	-	-
2-year bonds issued in June 2017; fixed 1.75%; maturity: June 2019	583,780	-	-
2-year bonds issued in June 2017; fixed 1.8%; maturity: June 2019	779,540	-	-
Subtotal	<u>\$ 21,362,071</u>	<u>21,649,892</u>	<u>21,341,502</u>
Total	<u>\$ 90,492,941</u>	<u>86,301,095</u>	<u>84,510,977</u>

(x) Other Borrowings

	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Credit and guarantee loan	<u>\$ 3,754,840</u>	<u>4,420,000</u>	<u>1,440,000</u>
Interest rate range	0.60%~1.68%	0.60%~1.68%	1.38%~1.63%

As of June 30, 2017, December 31 and June 30, 2016, other borrowings were pledged as collateral, please refer to note 8 for details.

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

(y) Provisions

(i) Provisions

	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Unearned premium reserves (Note)	\$ 31,776,741	29,495,609	30,044,688
Claim reserves (Note)	25,247,035	26,804,417	25,796,875
Liability reserves (Note)	2,973,754,132	2,839,412,432	2,689,750,777
Special reserves (Note)	14,163,825	14,849,567	13,846,976
Premium deficiency reserves (Note)	23,202,306	23,351,943	19,924,468
Reserves for insurance with financial instrument (Note)	3,737,794	18,137,335	82,573,565
Foreign exchange valuation reserves (Note)	1,140,301	4,632,746	5,618,120
Provisions for guarantee liabilities	316,363	329,659	383,419
Provisions for employment benefits	11,459,218	12,259,140	11,176,984
Provisions for decommissioning, restoration and rehabilitation costs	177,047	174,490	132,428
Others	<u>29,786,255</u>	<u>30,047,767</u>	<u>30,149,459</u>
Total	<u>\$ 3,114,761,017</u>	<u>2,999,495,105</u>	<u>2,909,397,759</u>

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

(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:

	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Pension expense	<u>\$ 178,157</u>	<u>193,083</u>	<u>362,297</u>	<u>390,785</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:

	For the three months ended June 30		For the six months ended June 30	
	2017	2016	2017	2016
Pension expense	<u>\$ 346,501</u>	<u>305,810</u>	<u>687,593</u>	<u>610,313</u>

(z) Other Financial Liabilities

	June 30, 2017	December 31, 2016	June 30, 2016
Principal of structured products	\$ 16,634,211	18,941,631	20,733,556
Liabilities on insurance product— separated account	148,207,489	142,534,021	136,550,248
Future traders' equity	19,829,844	15,702,135	15,608,313
Continuing involvement in transferred liabilities	-	-	246,271
Others	<u>212,733</u>	<u>213,520</u>	<u>453,379</u>
Total	<u>\$ 184,884,277</u>	<u>177,391,307</u>	<u>173,591,767</u>

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", for details.

(aa) Other Liabilities

	June 30, 2017	December 31, 2016	June 30, 2016
Advance receipts	\$ 2,109,291	2,112,293	1,892,461
Temporary receipts	3,646,892	6,253,670	4,307,355
Guarantee deposits received	5,782,974	3,951,751	2,455,927
Advance premiums	4,889,766	4,715,299	1,809,003
Deferred revenue	1,583,690	1,407,829	1,455,509
Deposit-in for borrowed securities	6,105,081	5,565,473	2,316,772
Others	<u>2,349,619</u>	<u>2,116,205</u>	<u>1,753,940</u>
	<u>\$ 26,467,313</u>	<u>26,122,520</u>	<u>15,990,967</u>

(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:

	For the three months ended June 30		For the six months ended June 30	
	2017	2016	2017	2016
Current tax expense (benefit)				
Current period	\$ 4,134,963	4,057,610	8,701,745	4,201,236
Adjustment for prior periods	(675,058)	665,824	(792,667)	(71,895)
10% surtax on undistributed earnings	1,831,543	1,454,015	1,831,543	1,454,015
Others	<u>242,993</u>	<u>(465,053)</u>	<u>221,917</u>	<u>(181,484)</u>
	<u>5,534,441</u>	<u>5,712,396</u>	<u>9,962,538</u>	<u>5,401,872</u>
Deferred tax benefit				
Incurrence and reversal of temporary differences	(3,675,466)	(2,922,510)	(8,457,305)	(1,159,585)
Total income tax expenses	<u>\$ 1,858,975</u>	<u>2,789,886</u>	<u>1,505,233</u>	<u>4,242,287</u>

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

	For the three months ended June 30		For the six months ended June 30	
	2017	2016	2017	2016
Items not to be reclassified subsequently to profit or loss:				
Revaluation gains on property	\$ (6,134)	-	(241,295)	-
Share of other comprehensive income of associates and joint ventures accounted for using equity method	1,572	1,937	1,276	5,342
	<u>\$ (4,562)</u>	<u>1,937</u>	<u>(240,019)</u>	<u>5,342</u>

(Continued)

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

	For the three months		For the six months	
	ended June 30		ended June 30	
	2017	2016	2017	2016
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of foreign operations	\$ (255,683)	381,875	117,829	669,051
Unrealized gains (losses) on available-for-sale financial assets	(3,066,401)	(2,717,540)	(3,233,243)	(4,393,664)
Gains (losses) on effective portion of cash flow hedge	(37,722)	(37,851)	(58,039)	(68,582)
Share of other comprehensive income of associates and joint ventures accounted for using equity method	(124,056)	(25,847)	(126,216)	(35,264)
	<u>\$ (3,483,862)</u>	<u>(2,399,363)</u>	<u>(3,299,669)</u>	<u>(3,828,459)</u>
	<u>\$ (3,488,424)</u>	<u>(2,397,426)</u>	<u>(3,539,688)</u>	<u>(3,823,117)</u>

(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:

	June 30, 2017
2006	\$ 396,863
2007	28,830
2008	72,435
2011	<u>102,427</u>
	<u>\$ 600,555</u>

- 2) Under a combined corporate income tax return filing, the income tax and 10% surtax on undistributed earnings paid to the tax authorities amounted to \$7,409,766 (actual) and \$3,749,644 (actual) for the years ended December 31, 2016 and 2015, respectively.

(Continued)

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

- 3) The Company and its major subsidiaries have filed consolidated income tax returns since 2002, which are assessed to the year 2011 by the tax authorities. The assessment issues and current status were as follows:

<u>Taxpayer</u>	<u>Assessment issue</u>	<u>Status</u>
Taipei Fubon Bank	Appropriation of retained earnings for Taiwan Sport Lottery was decreased and related delayed interests	The application for reassessments for the year 2010 and 2011 is still in process.
Fubon Securities	The tax issue on call warrants and amortization of operating rights	The administrative litigation for the year 2007 is still in process; the administrative litigation will be filed for the year 2009; the application for reassessments for the year 2010 and 2011 is still in process

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, 2010 and 2011.

- (iii) 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:

	<u>June 30, 2017</u>		
	<u>Estimate for the six months ended June 30, 2017</u>	<u>Filed in previous years</u>	<u>Total</u>
Linked tax receivables from subsidiaries:			
Taipei Fubon Bank	\$ 606,772	187,407	794,179
Fubon Life Insurance	6,982,275	320,620	7,302,895
Fubon Insurance	65,931	197,671	263,602
Fubon Securities	65,943	479,395	545,338
Fubon AMC	23,611	-	23,611
Fubon Financial Holding Venture Capital	660	-	660
Fubon Marketing	3,205	-	3,205
Total	<u>\$ 7,748,397</u>	<u>1,185,093</u>	<u>8,933,490</u>

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

	June 30, 2017		
	Estimate for the six months ended June 30, 2017	Filed in previous years	Total
Linked tax payables to subsidiaries:			
Taipei Fubon Bank	\$ -	574,231	574,231
Fubon Life Insurance	-	90,119	90,119
Fubon Asset Management	-	28,830	28,830
Total	<u>\$ -</u>	<u>693,180</u>	<u>693,180</u>
	December 31, 2016		
	Estimate in 2016	Filed in previous years	Total
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
Total	<u>\$ 5,776,782</u>	<u>910,858</u>	<u>6,687,640</u>
	December 31, 2016		
	Estimate in 2016	Filed in previous years	Total
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	25	-	25
Total	<u>\$ 13,318</u>	<u>590,752</u>	<u>604,070</u>

(Continued)

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

	June 30, 2016		
	Estimate for the six months ended June 30, 2016	Filed in previous years	Total
Linked tax receivables from subsidiaries:			
Taipei Fubon Bank	\$ 842,468	121,503	963,971
Fubon Life Insurance	1,634,702	157,015	1,791,717
Fubon Insurance	75,176	231,581	306,757
Fubon Securities	4,270	918,315	922,585
Fubon AMC	22,413	-	22,413
Fubon Financial Holding Venture Capital	25,539	-	25,539
Fubon Marketing	2,146	-	2,146
Total	<u>\$ 2,606,714</u>	<u>1,428,414</u>	<u>4,035,128</u>
	June 30, 2016		
	Estimate for the six months ended June 30, 2016	Filed in previous years	Total
Linked tax payables to subsidiaries:			
Taipei Fubon Bank	\$ -	471,803	471,803
Fubon Life Insurance	-	1,599,983	1,599,983
Fubon Securities	-	32,434	32,434
Fubon Asset Management	-	115,403	115,403
Taiwan Sport Lottery	18	52	70
Total	<u>\$ 18</u>	<u>2,219,675</u>	<u>2,219,693</u>

(Continued)

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

- (iv) Information related to the imputation credit account (“ICA”) of the Company was summarized below:

	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Undistributed earnings:			
Earned prior to 1997	\$ 46,459	46,459	46,459
Earned in 1998 and thereafter	130,217,013	140,626,165	116,902,659
Total	<u>\$ 130,263,472</u>	<u>140,672,624</u>	<u>116,949,118</u>
ICA balance	<u>\$ 19,411,956</u>	<u>11,341,860</u>	<u>15,687,719</u>
		<u>2016</u> <u>(estimated)</u>	<u>2015</u> <u>(actual)</u>
Creditable ratio for earnings distribution to ROC resident stockholders		<u>13.80 %</u>	<u>11.04 %</u>

The information related to the imputation credit account ("ICA") mentioned above is in accordance 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 ratio for earning distribution may be different from the actual ratio.

(ac) Capital and Other Equity

(i) Share capital

- 1) As of June 30, 2017, December 31 and June 30, 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 shares. All issued shares were fully paid, and the non-cumulative preferred shares were recognized as equity.

(Continued)

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

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.
- 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.

(Continued)

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

- 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.
- 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.

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

(ii) Capital surplus

1) The details of capital surplus were as follows:

The components of capital surplus were as follows:

	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Additional paid-in capital from new share issuance for cash	\$ 63,644,042	63,644,042	63,644,042
Additional paid-in capital from share exchange	36,199,185	36,199,185	38,651,532
Additional paid-in capital from equity-accounted investees	1,971,220	1,001,286	262,274
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	<u>177</u>	<u>177</u>	<u>177</u>
Total	<u>\$ 103,683,066</u>	<u>102,713,132</u>	<u>104,426,467</u>

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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>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 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>

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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 June 30, 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

	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
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	27,310,683	26,547,216	26,547,216
Deduction from others equity, net	<u>22,773,818</u>	<u>20,778,140</u>	<u>20,778,140</u>
	<u>\$ 53,069,867</u>	<u>50,310,722</u>	<u>50,310,722</u>

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 after the annual closing of books there is a profit, the Company shall, after having provided for taxes and offset the accumulated losses of previous years, appropriate the legal reserve in accordance with laws and regulations and appropriate the special reserve in accordance with laws and regulations or in light of practical need, and may distribute preferred share dividends. The balance, together with the undistributed profits in the previous year, including the reversals of special reserves prescribed by laws, are available for distribution as dividends for common shares. The board shall present a proposal on the allocation of profit at a shareholders' meeting for resolution.

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.

The Company paid cash dividends of \$2.0 per common share and of \$1.707 per preferred share in 2017 and a cash dividend of \$2.0 per common share in 2016 from its 2016 and 2015 retained earnings, respectively. The distribution of earnings approved in the shareholders' meeting is the same as the resolution of the board meeting in 2017 and 2016. The relevant information could be accessed from the website of the Market Observation Post System.

(vi) Dividend policy

The Company shall distribute its dividends according to the principle of stability and balance, taking into account the shareholders' profits, accumulation of the Company's capital, and impact on the Company's operations. The distribution of dividends for common shares shall not be less than 20% of the distributable profits for the current year (which does not include the preferred share dividends, the undistributed profits in the previous years and the reversals of special reserves prescribed by laws). Pursuant to the Company's operation planning, stock dividends may be declared as reserve for necessary funds, and the remainder may be distributed in cash, provided that 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 stock dividend policy set forth above is a general principle guideline.

The Company may decide upon the most appropriate dividend policy taking into account the actual operating condition of the current year and capital budgeting for the following year.

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

(vii) Other equity (net of tax)

	Exchange differences on translation of foreign operations	Unrealized gains (losses) on available- for-sale financial assets	Effective portion of cash flow hedges	Revaluation reserve	Total
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	(4,778,476)	-	-	-	(4,778,476)
Share of exchange differences on translation of the associates accounted for using equity method	93,689	-	-	-	93,689
Unrealized gains (losses) on available-for-sale financial assets	-	45,566,553	-	-	45,566,553
Accumulated gains (losses) from disposal of available-for-sale financial assets losses reclassified to profit and loss	-	(20,476,920)	-	-	(20,476,920)
Share of unrealized gains (losses) on available-for-sale financial assets of the associate accounted for using equity method	-	507,505	-	-	507,505
Gains (losses) on effective portion of cash flow hedges	-	-	283,365	-	283,365
Share of gains (losses) on cash flow hedges of the associate accounted for using equity method	-	-	(6,009)	-	(6,009)
Revaluation gains	-	-	-	950,332	950,332
Balance as of June 30, 2017	<u><u>\$ (12,310,772)</u></u>	<u><u>9,500,370</u></u>	<u><u>(124,746)</u></u>	<u><u>2,301,369</u></u>	<u><u>(633,779)</u></u>

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

	Exchange differences on translation of foreign operations	Unrealized gains (losses) on available- for-sale financial assets	Effective portion of cash flow hedges	Revaluation reserve	Total
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	(6,368,418)	-	-	-	(6,368,418)
Share of exchange differences on translation of associates accounted for using equity method	(256,118)	-	-	-	(256,118)
Unrealized gains (losses) on available-for-sale financial assets	-	50,940,023	-	-	50,940,023
Accumulated gains (losses) from disposal of available-for-sale financial assets losses reclassified to profit and loss	-	(14,751,135)	-	-	(14,751,135)
Share of unrealized gains (losses) on available-for-sale financial assets of the associate accounted for using equity method	-	158,102	-	-	158,102
Gains (losses) on effective portion of cash flow hedges	-	-	334,843	-	334,843
Revaluation gains	-	-	-	169,120	169,120
Balance as of June 30, 2016	<u>\$ (2,926,024)</u>	<u>10,264,478</u>	<u>884,282</u>	<u>1,225,541</u>	<u>9,448,277</u>

(Continued)

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

(viii) Non-controlling interests

	For the six months ended June 30	
	2017	2016
Beginning balance	\$ 285,725	8,454,806
Acquisition of the non-controlling interests	168,510	-
Attributable to non-controlling interests		
Net income	(46,680)	181,718
Exchange differences on translation of foreign operations	-	(313,473)
Unrealized gains (losses) on available-for-sale financial assets	1,083	(11,493)
Income tax — unrealized gains (losses) on available-for-sale financial assets	-	1,330
Others	(12,613)	(16,259)
Ending balance	<u>\$ 396,025</u>	<u>8,296,629</u>

(ad) Earnings Per Share

The details of earnings per share were as follows:

	For the three months ended June 30		For the six months ended June 30	
	2017	2016	2017	2016
Net income of ordinary equity holders (Note)	<u>\$ 7,786,774</u>	<u>14,936,471</u>	<u>17,665,536</u>	<u>23,710,796</u>
Weighted average number of common shares outstanding (thousands)	10,233,604	10,233,604	10,233,604	10,233,604
Dilutive potential common shares	-	-	-	-
	<u>\$ 10,233,604</u>	<u>10,233,604</u>	<u>10,233,604</u>	<u>10,233,604</u>
Basic EPS (Dollars)	<u>\$ 0.76</u>	<u>1.46</u>	<u>1.73</u>	<u>2.32</u>
Diluted EPS (Dollars)	<u>\$ 0.76</u>	<u>1.46</u>	<u>1.73</u>	<u>2.32</u>

Note: Declared dividends of preferred stock are deducted.

(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 employees' compensation were \$4,200 and \$5,000, and the directors' remuneration were \$26,000 and \$37,000, respectively, for the six months ended June 30, 2017 and 2016. 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. The relevant information could be accessed from the website of the Market Observation Post System.

(af) Income and Expenses

(i) Net interest revenue

	For the three months ended June 30		For the six months ended June 30	
	2017	2016	2017	2016
Interest revenue:				
Discounts and loans	\$ 9,712,366	10,061,812	19,127,300	20,186,907
Investment in securities	22,224,702	19,994,980	43,354,495	39,471,670
Others	<u>2,620,827</u>	<u>2,348,122</u>	<u>5,566,719</u>	<u>4,983,361</u>
Subtotal	<u>34,557,895</u>	<u>32,404,914</u>	<u>68,048,514</u>	<u>64,641,938</u>
Interest expense:				
Deposits	5,186,416	4,552,719	9,790,778	9,530,187
Debt securities issued	654,770	663,563	1,491,834	1,320,137
Call loans from the central Bank and banks	299,898	240,137	555,981	488,801
Securities sold under repurchase agreements	468,857	355,437	983,067	767,351
Others	<u>166,112</u>	<u>170,331</u>	<u>353,755</u>	<u>332,054</u>
Subtotal	<u>6,776,053</u>	<u>5,982,187</u>	<u>13,175,415</u>	<u>12,438,530</u>
Net interest revenue	<u>\$ 27,781,842</u>	<u>26,422,727</u>	<u>54,873,099</u>	<u>52,203,408</u>

(Continued)

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

(ii) Net service charge and commission loss

	For the three months ended June 30		For the six months ended June 30	
	2017	2016	2017	2016
Service fee and commission income:				
Brokerage service fees	\$ 900,212	694,534	1,712,801	1,437,889
Trust and custody services	887,359	616,453	1,759,648	1,256,630
Credit card and cash card related fees	488,824	503,594	951,310	995,725
Commission income	386,302	453,332	783,692	801,321
Loan service fees	325,509	414,907	760,820	738,619
Others	<u>1,320,374</u>	<u>1,344,567</u>	<u>2,576,966</u>	<u>2,566,922</u>
Subtotal	<u>4,308,580</u>	<u>4,027,387</u>	<u>8,545,237</u>	<u>7,797,106</u>
Service charge and commission expense:				
Insurance commission expense	5,863,260	9,263,112	13,094,270	17,287,575
Interbank service charge	73,443	71,430	147,631	143,880
Brokerage service charge	69,873	53,147	128,744	110,442
Credit card service charge	239,464	216,138	446,190	409,629
Others	<u>329,488</u>	<u>282,507</u>	<u>618,698</u>	<u>583,594</u>
Subtotal	<u>6,575,528</u>	<u>9,886,334</u>	<u>14,435,533</u>	<u>18,535,120</u>
Net service charge and commission loss	<u>\$ (2,266,948)</u>	<u>(5,858,947)</u>	<u>(5,890,296)</u>	<u>(10,738,014)</u>

(iii) Net income of insurance operations

	For the three months ended June 30		For the six months ended June 30	
	2017	2016	2017	2016
Premiums income	\$ 125,370,671	129,918,709	259,071,995	257,919,189
Income on insurance product-separate account	<u>7,965,327</u>	<u>3,883,134</u>	<u>13,550,064</u>	<u>6,646,419</u>
Income from insurance business	<u>133,335,998</u>	<u>133,801,843</u>	<u>272,622,059</u>	<u>264,565,608</u>
Direct business expenses	10,159	11,181	17,918	17,233
Insurance claims payment	63,773,690	50,269,992	112,417,156	99,639,053
Disbursement on insurance product-separate account	7,965,327	3,883,134	13,550,064	6,646,419
Disbursement toward industry stability	<u>215,917</u>	<u>203,810</u>	<u>445,379</u>	<u>404,016</u>
Insurance business expenses	<u>71,965,093</u>	<u>54,368,117</u>	<u>126,430,517</u>	<u>106,706,721</u>
Net income of insurance operations	<u>\$ 61,370,905</u>	<u>79,433,726</u>	<u>146,191,542</u>	<u>157,858,887</u>

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FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES
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(iv) Net change in insurance provisions

	For the three months ended June 30		For the six months ended June 30	
	2017	2016	2017	2016
Net change of claim reserves	\$ 273,510	(51,455)	348,865	497,820
Net change of liability reserves	72,457,608	84,870,571	164,724,755	167,892,461
Net change of special reserves	(693,577)	(499,379)	(685,741)	(359,093)
Net change of reserves for premium deficiency	(954,506)	1,618,051	(21,509)	3,510,110
Net change of liabilities adequacy reserves	35,912	277,819	85,793	657,462
Others	<u>143,767</u>	<u>(158,511)</u>	<u>(3,632,210)</u>	<u>(2,044,023)</u>
	<u>\$ 71,262,714</u>	<u>86,057,096</u>	<u>160,819,953</u>	<u>170,154,737</u>

(v) Employee benefit expenses

	For the three months ended June 30		For the six months ended June 30	
	2017	2016	2017	2016
Salaries and wages	\$ 5,640,773	5,483,251	11,282,630	10,897,176
Labor insurance, national health insurance, and group insurance for life	702,695	645,757	1,541,419	1,373,516
Pension	478,253	448,671	954,491	905,438
Other employee benefit expenses	<u>375,519</u>	<u>385,175</u>	<u>767,419</u>	<u>778,142</u>
	<u>\$ 7,197,240</u>	<u>6,962,854</u>	<u>14,545,959</u>	<u>13,954,272</u>

(vi) Depreciation and amortization expenses

	For the three months ended June 30		For the six months ended June 30	
	2017	2016	2017	2016
Depreciation expenses	\$ 519,204	489,286	1,031,528	970,673
Amortization expenses	<u>367,718</u>	<u>423,716</u>	<u>770,049</u>	<u>854,800</u>
	<u>\$ 886,922</u>	<u>913,002</u>	<u>1,801,577</u>	<u>1,825,473</u>

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

(vii) Other operating expenses

	For the three months ended June 30		For the six months ended June 30	
	2017	2016	2017	2016
Taxation and government fee	\$ 803,436	919,886	1,641,128	1,989,393
Rental	902,998	880,385	1,788,536	1,753,142
Professional services	624,470	593,927	1,226,527	1,132,467
Business activities	549,069	1,172,877	1,062,252	2,242,659
Selling expense	200,025	415,703	469,135	903,874
Postage	319,345	267,111	527,669	497,980
Others	2,177,758	2,028,980	3,994,004	3,794,212
	<u>\$ 5,577,101</u>	<u>6,278,869</u>	<u>10,709,251</u>	<u>12,313,727</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.

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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	June 30, 2017			
	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Recurring fair value measurement				
<u>Non-derivative financial instruments</u>				
Assets:				
Financial assets measured at fair value through profit or loss				
Held-for-trading financial assets				
Stock investment	\$ 6,568,748	5,896,505	331,035	341,208
Bond investment	74,898,534	31,426,087	43,472,447	-
Others	10,910,759	1,347,740	9,525,978	37,041
Financial assets designated as at fair value through profit or loss at initial recognition	11,761,256	10,164,247	43,415	1,553,594
Available-for-sale financial assets				
Stock investment	530,971,690	518,070,638	10,836,631	2,064,421
Bond investment (Note)	831,313,713	556,811,929	241,243,753	33,258,031
Others	343,921,700	211,683,901	74,999,975	57,237,824
Investment property	180,591,201	-	4,170,245	176,420,956
Liabilities:				
Financial liabilities measured at fair value through profit or loss				
Held-for-trading financial liabilities	8,922,939	8,922,939	-	-
Financial bonds payable	41,980,870	20,843,745	21,137,125	-

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FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES
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June 30, 2017				
Financial instruments - instruments measured at fair value	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<u>Derivative financial instruments</u>				
Assets:				
Financial assets measured at fair value through profit or loss	\$ 35,502,136	807,105	31,416,939	3,278,092
Derivative financial assets for hedging	1,668,719	-	1,668,719	-
Liabilities :				
Financial liabilities measured at fair value through profit or loss				
Held-for-trading financial liabilities	41,845,821	344,305	38,244,739	3,256,777
Financial liabilities designated as at fair value through profit or loss at initial recognition	2,648,154	-	25,014	2,623,140
Derivative financial liabilities for hedging	3,581,819	-	3,581,819	-
<u>Non-recurring fair value measurement</u>				
Asset classified as held for sale	46,463	-	-	46,463
December 31, 2016				
Financial instrument measured at fair value	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<u>Recurring fair value measurement</u>				
<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 as at fair value through profit or loss at 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 as at fair value through profit or loss at 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
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December 31, 2016				
Financial instrument measured at fair value	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<u>Derivative financial instruments</u>				
Assets:				
Financial assets designated as at fair value \$ through profit or loss at 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 designated as at fair value through profit or loss at initial recognition	2,282,024	-	30,341	2,251,683
Derivative financial liabilities for hedging	2,935,500	-	2,935,500	-
<u>Non-recurring fair value measurement</u>				
Asset classified as held for sale	49,606	-	-	49,606
June 30, 2016				
Financial instruments measured at fair value	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<u>Recurring fair value measurement</u>				
<u>Non-derivative financial instruments</u>				
Assets:				
Financial assets measured at fair value through profit or loss				
Held-for- trading financial assets				
Stock investment \$	2,450,397	2,450,397	-	-
Bond investment	68,229,280	26,555,875	40,978,106	695,299
Others	9,855,552	2,678,102	7,177,450	-
Financial assets designated as at fair value through profit or loss at initial recognition	13,327,935	12,011,597	-	1,316,338
Available-for-sale financial assets				
Stock investment	384,582,829	372,205,332	-	12,377,497
Bond investment (Note)	888,667,635	614,977,468	230,062,100	43,628,067
Others	320,838,212	252,480,929	33,269,584	35,087,699
Investment property	176,115,318	-	15,762	176,099,556
Liabilities:				
Financial liabilities measured at fair value through profit or loss				
Held-for-trading financial liabilities	8,728,427	8,728,427	-	-
Financial liabilities designated as at fair value through profit or loss at initial recognition	1,680,471	-	1,680,471	-
Financial bonds payable	28,519,472	22,456,200	6,063,272	-

(Continued)

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<u>Financial instruments measured at fair value</u>	June 30, 2016			
	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<u>Derivative financial instruments</u>				
Assets:				
Financial assets measured at fair value through profit or loss	\$ 65,193,542	348,761	50,987,086	13,857,695
Derivative financial assets for hedging	1,608,308	-	1,608,308	-
Liabilities:				
Financial liabilities measured at fair value through profit or loss				
Held-for-trading financial liabilities	63,617,999	333,485	49,660,065	13,624,449
Financial liabilities designated as at fair value through profit or loss at initial recognition	2,440,005	-	37,046	2,402,959
Derivative financial liabilities for hedging	3,047,830	-	3,047,830	-
<u>Non-recurring fair value measurement</u>				
Asset classified as held for sale	49,575	-	-	49,575

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.

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FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES
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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 6 (o) 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.

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).

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES
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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 six months ended June 30, 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 six months ended June 30, 2017							Ending balance
	Beginning balance	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	(7,661,779)	-	1,131,244	-	1,155,482	851,474	3,656,341
Financial assets designated as at fair value through profit or loss at initial recognition	1,638,164	62,982	-	-	276,210	120,413	303,349	1,553,594
Available-for-sale financial assets	79,790,956	35,639	1,107,295	20,087,263	2,246,578	5,925,721	4,781,734	92,560,276
Investment property	175,092,057	44,976	100,397	655,431	1,148,023	9,907	610,021	176,420,956
Total	<u>\$ 268,715,009</u>	<u>(7,518,182)</u>	<u>1,207,692</u>	<u>21,873,938</u>	<u>3,670,811</u>	<u>7,211,523</u>	<u>6,546,578</u>	<u>274,191,167</u>

Units: In thousands of TWD

(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.

Name	For the six months ended June 30, 2016							Ending balance
	Beginning balance	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	(8,323,366)	-	1,937,715	-	6,129,077	127,233	14,552,994
Financial assets designated as at fair value through profit or loss at initial recognition	2,156,652	57,891	-	1,001,086	795,741	2,218,737	476,295	1,316,338
Available-for-sale financial assets	71,390,154	(907,959)	2,159,787	20,040,994	4,421,882	1,510,496	4,501,099	91,093,263
Investment property	171,271,032	634,628	(3,655,703)	8,990,445	-	-	1,140,846	176,099,556
Total	<u>\$ 272,012,793</u>	<u>(8,538,806)</u>	<u>(1,495,916)</u>	<u>31,970,240</u>	<u>5,217,623</u>	<u>9,858,310</u>	<u>6,245,473</u>	<u>283,062,151</u>

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

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES
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(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 six months ended June 30, 2017						Ending balance
	Beginning balance	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	(7,805,112)	8,193	-	926,544	-	3,256,777
Financial liabilities designated as at fair value through profit or loss at initial recognition	2,251,683	152,239	8,266,694	-	8,047,476	-	2,623,140
Total	\$ 14,231,923	(7,652,873)	8,274,887	-	8,974,020	-	5,879,917

Name	For the six months ended June 30, 2016						Ending balance
	Beginning balance	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	(8,692,989)	31,829	-	4,528,484	-	13,624,449
Financial liabilities designated as at fair value through profit or loss at initial recognition	2,254,100	996	11,644,826	-	11,496,963	-	2,402,959
Total	\$ 29,068,193	(8,691,993)	11,676,655	-	16,025,447	-	16,027,408

Transfers into and out of Level 3 for the six months ended June 30, 2017 and 2016, are mainly due to the change of input parameters.

For gains or losses on the valuation recognized as profit or loss, the changes in unrealized gains or losses were the unrealized gains of \$153,801 and \$356,323 as of June 30, 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 gains of \$1,164,522 and the unrealized losses of \$1,563,252 as of June 30, 2017 and 2016, respectively.

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.

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FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES
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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 \$272,965,364 \$267,148,561 and \$280,752,231 as of June 30, 2017, December 31 and June 30, 2016.

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

a) Taipei Fubon Bank

Name	Fair value	Valuation techniques	June 30, 2017		Relationship between inputs and fair value
			Significant unobservable inputs	Intervals	
Recurring fair value measurement					
<u>Non-derivative financial instruments</u>					
Assets:					
Financial assets designated as at fair value through profit or loss at initial recognition					
Credit linked note (CLN) \$	1,121,058	Exotic option model	Recovery rate of transaction object	10%~90%	The higher the recovery rate, the lower the fair value.
<u>Derivative financial instruments</u>					
Assets:					
Financial assets measured at fair value through profit or loss					
Exotic FX option	52,987	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.
Liabilities:					
Financial liabilities measured at fair value through profit or loss					
Exotic FX option	29,608	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
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December 31, 2016					
Name	Fair value	Valuation techniques	Significant unobservable inputs	Intervals	Relationship between inputs and fair value
<u>Recurring fair value measurement</u>					
<u>Non-derivative financial instruments</u>					
Assets:					
Financial assets designated as at fair value through profit or loss at 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.
<u>Derivative financial instruments</u>					
Assets:					
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.
Liabilities:					
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.
June 30, 2016					
Name	Fair value	Valuation techniques	Significant unobservable inputs	Intervals	Relationship between inputs and fair value
<u>Recurring fair value measurement</u>					
<u>Non-derivative financial instruments</u>					
Assets:					
Financial assets designated as at fair value through profit or loss at initial recognition					
Credit linked note (CLN) \$	495,553	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	484,190	Discounted cash flow	Real interest rate	4.40%	The lower the real interest rate, the higher the fair value.

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FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES
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Name	June 30, 2016				
	Fair value	Valuation techniques	Significant unobservable inputs	Intervals	Relationship between inputs and fair value
Derivative financial instrument					
Assets:					
Financial assets measured at fair value through profit or loss					
Complicated FX option	\$ 341,323	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.
Liabilities:					
Financial liabilities measured at fair value through profit or loss					
Complicated FX option	90,937	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) Fubon Securities

Name	June 30, 2017				
	Fair value	Valuation techniques	Significant unobservable inputs	Intervals	Relationship between inputs and fair value
Recurring fair value measurement					
Non-derivative financial instruments					
Assets:					
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.
Liabilities:					
Financial liabilities measured at fair value through profit or loss					
Financial liabilities designated as at fair value through profit or loss at initial recognition	2,623,140	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

		December 31, 2016				
		Fair value	Valuation techniques	Significant unobservable inputs	Intervals	Relationship between inputs and fair value
Recurring fair value measurement						
<u>Non-derivative financial instruments</u>						
Assets:						
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.
Liabilities:						
Financial liabilities measured at fair value through profit or loss						
Financial liabilities designated as at fair value through profit or loss at initial recognition		2,251,683	Option pricing model	Volatility	1%~80%	The higher the volatility, the higher the fair value.
		June 30, 2016				
		Fair value	Valuation techniques	Significant unobservable inputs	Intervals	Relationship between inputs and fair value
Recurring fair value measurement						
<u>Non-derivative financial instruments</u>						
Assets:						
Financial assets measured at fair value through profit or loss						
Held-for-trading financial assets						
Bond Investment	\$	695,299	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.
Liabilities:						
Financial liabilities measured at fair value through profit or loss						
Financial liabilities designated as at fair value through profit or loss at initial recognition		2,402,959	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.

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

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.

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

June 30, 2017	Fair value fluctuation reflected on net income		Fair value fluctuation reflected on other comprehensive income	
	Positive change	Negative change	Positive change	Negative change
Items				
Assets				
Financial assets measured at fair value through profit or loss				
Held-for-trading financial assets	\$ 75	(30)	-	-
Financial assets designated as at fair value through profit or loss at initial recognition	38	(45)	-	-

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FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES
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<u>June 30, 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>
Liabilities				
Financial liabilities measured at fair value through profit or loss				
Held-for-trading financial liabilities	\$ 62	(61)	-	-
<u>June 30, 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>
Assets				
Financial assets measured at fair value through profit or loss				
Held-for-trading financial assets	\$ 57	-	-	-
Financial assets designated at fair value through profit or loss at time of initial recognition	8	(9)	-	-
Available-for-sale financial assets	-	-	1,118	(1,118)
Liabilities				
Financial liabilities measured at fair value through profit or loss				
Held-for-trading financial liabilities	68	(58)	-	-

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FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES
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b) Fubon Securities

<u>June 30, 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>
Assets				
Held-for-trading financial assets	\$ 37,825	(37,825)	-	-
Available-for-sale financial assets	-	-	3,842	(3,842)
Liabilities				
Financial liabilities designated as at fair value through profit or loss at initial recognition	262,314	(262,314)	-	-

<u>June 30, 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>
Assets				
Held-for-trading financial assets	\$ 69,530	(69,530)	-	-
Available-for-sale financial assets	-	-	3,842	(3,842)
Liabilities				
Financial liabilities designated as at fair value through profit or loss at initial recognition	240,296	(240,296)	-	-

(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 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. Since their book value is a reasonable approximation to fair value, there is no fair value disclosure.

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FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES
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Items	Book value	Fair value
June 30, 2017		
Financial assets		
Held-to-maturity financial assets (Note)	\$ 437,299,107	441,234,128
Other financial assets – Debt investments without active market	1,413,536,357	1,435,459,310
Other financial assets – Structured deposits	32,052,729	32,048,531
Financial liabilities		
Bonds payable	139,512,071	141,834,764
December 31, 2016		
Financial assets		
Held-to-maturity financial assets (Note)	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
June 30, 2016		
Financial assets		
Held-to-maturity financial assets	354,661,717	361,647,089
Other financial assets – Debt investments without active market	1,104,683,425	1,156,858,925
Other financial assets – Structured deposits	27,934,148	28,212,373
Financial liabilities		
Bonds payable	125,791,505	127,974,890

Note: Included government bonds accounted for refundable deposits.

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FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES
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2) Fair value hierarchy

June 30, 2017				
Financial instruments measured at fair value	Total	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	\$ 441,234,128	61,158,422	366,124,763	13,950,943
Other financial assets – Debt investments without active market	1,435,459,310	30,811,600	1,086,823,460	317,824,250
Other financial assets – Structured deposits	32,048,531	-	-	32,048,531
Financial liabilities:				
Bonds payable	141,834,764	27,846,579	113,988,185	-
December 31, 2016				
Financial instrument measured at fair value	Total	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	\$ 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	-

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FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES
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Financial instruments measured at fair value	June 30, 2016			
	Total	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	\$ 361,647,089	76,654,370	270,392,418	14,600,301
Other financial assets – Debt investment without active markets	1,156,858,925	126,209,214	658,801,251	371,848,460
Other financial assets – Structured deposits	28,212,373	-	-	28,212,373
Financial liabilities:				
Bonds payable	127,974,890	35,719,270	92,255,620	-

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.
- 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.

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FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES
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(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	June 30, 2017			
	Unearned premium reserves		Ceded unearned premium reserves	Retained business
	Direct business	Reinsurance- assumed business	Reinsurance- ceded business	
Fire insurance	\$ 1,598,759	7,304	457,044	1,149,019
Marine cargo insurance	329,031	691	112,580	217,142
Marine hull fishing vessel	286,754	6,849	239,337	54,266
Voluntary moto insurance	7,042,827	171,958	451,924	6,762,861
Compulsory moto TPL insurance	1,945,270	598,306	1,156,437	1,387,139
Liability insurance	1,514,096	1,866	551,440	964,522
Engineering and nuclear insurance	1,166,150	9,610	513,743	662,017
Surety and credit insurance	136,682	595	102,597	34,680
Other property insurance	64,830	11	43,044	21,797
Accident insurance	2,556,498	10,848	29,804	2,537,542
Typhoon, flood and earthquake insurance	2,133,531	40,665	1,394,706	779,490
Personal and commercial multiple peril insurance	397,908	-	24,334	373,574
Health insurance	292,576	-	3,042	289,534
Overseas reinsurance assumed	-	370,092	110,126	259,966
Overseas subsidiaries	2,568,395	342,139	521,502	2,389,032
Total	\$ 22,033,307	1,560,934	5,711,660	17,882,581

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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	\$ 20,001,871	1,576,993	4,643,505	16,935,359

Item	June 30, 2016			
	Unearned premium reserves		Ceded unearned premium reserves	
	Direct business	Reinsurance-assumed business	Reinsurance-ceded business	Retained business
	\$	\$	\$	\$
Fire insurance	1,608,611	2,217	560,259	1,050,569
Marine cargo insurance	330,799	730	107,687	223,842
Marine hull fishing vessel	290,822	16,278	260,911	46,189
Voluntary moto insurance	6,424,408	162,464	449,090	6,137,782
Compulsory moto TPL insurance	1,779,518	560,310	1,044,005	1,295,823
Liability insurance	1,373,369	4,472	424,113	953,728
Engineering and nuclear insurance	1,262,245	15,049	570,885	706,409
Security and credit insurance	141,413	634	107,540	34,507
Other property insurance	65,188	301	43,829	21,660
Accident insurance	2,405,191	8,192	20,048	2,393,335
Typhoon, flood and earthquake insurance	1,840,797	37,768	1,269,526	609,039
Personal and commercial multiple peril insurance	347,875	3	19,845	328,033
Health insurance	215,238	-	3,091	212,147
Overseas reinsurance assumed	-	640,543	297,344	343,199
Overseas subsidiaries	2,516,775	254,047	438,090	2,332,732
Total	\$ 20,602,249	1,703,008	5,616,263	16,688,994

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FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES
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- ii) The movements in unearned premium reserves and ceded unearned premium reserves were as follows:

<u>Item</u>	<u>June 30, 2017</u>	
	<u>Unearned premium reserves</u>	<u>Ceded unearned premium reserves</u>
Beginning balance	\$ 21,578,864	4,643,505
Provision	23,586,369	5,617,006
Recovered	(21,578,864)	(4,643,505)
Other — effect of change in exchange rates	7,872	94,654
Ending balance	<u>\$ 23,594,241</u>	<u>5,711,660</u>

<u>Item</u>	<u>June 30, 2016</u>	
	<u>Reserve for unearned premiums</u>	<u>Reserve for unearned premiums- ceded</u>
Beginning balance	\$ 20,737,940	4,896,704
Provision	22,389,302	5,611,029
Recovered	(20,737,940)	(4,896,706)
Reversal of impairment loss	-	1
Other — effect of change in exchange rates	(84,045)	5,235
Ending balance	<u>\$ 22,305,257</u>	<u>5,616,263</u>

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.

(Continued)

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

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 with 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.

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.

(Continued)

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

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 the 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 the 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 the 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.

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.

(Continued)

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

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.

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.

(Continued)

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

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

<u>Particular</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Beginning balance	\$ 1,270,428	1,640,922
Provision	117,397	16,431
Recovered	(29,087)	(145,467)
Ending balance	<u>\$ 1,358,738</u>	<u>1,511,886</u>

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

<u>Particular</u>	<u>June 30, 2017</u>					
	<u>Liability</u>			<u>Special Reserve</u>		
	<u>Catastrophe</u>	<u>Dangerous Change</u>	<u>Total</u>	<u>Catastrophe</u>	<u>Dangerous Change</u>	<u>Total</u>
Ending balance (equal to beginning 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>

<u>Particular</u>	<u>June 30, 2016</u>					
	<u>Liability</u>			<u>Special Reserve</u>		
	<u>Catastrophe</u>	<u>Dangerous Change</u>	<u>Total</u>	<u>Catastrophe</u>	<u>Dangerous Change</u>	<u>Total</u>
Beginning balance	\$ 766,468	5,786,493	6,552,961	1,418,934	3,014,039	4,432,973
Recovered	(322,169)	-	(322,169)	-	-	-
Ending Balance	<u>\$ 444,299</u>	<u>5,786,493</u>	<u>6,230,792</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 in accordance with the “Regulations for the Reserve of Nuclear Insurance”.
- vii) The special reserve for resident earthquake insurance was provided in accordance with the “Regulations for danger diversified mechanism for Resident earthquake insurance”.

(Continued)

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

c) Claim reserves

- i) The debt for policy holder of claims reported and paid, reported and unpaid, and unreported.

June 30, 2017						
Particular	Notes payable	Indemnity Payments Payable	Claim reserves			
			reported and paid	Reported but unpaid	Unreported	Total
				\$ -	5,405	
Marine cargo insurance	-	16,248	2,151,522	194,232	2,345,754	
Marine hull fishing vessel	-	(1)	371,313	214,694	586,007	
Voluntary moto insurance	-	80,629	3,084,240	775,858	3,860,098	
Compulsory moto TPL insurance	-	23,408	745,633	2,670,486	3,416,119	
Liability insurance	-	8,335	2,014,610	679,836	2,694,446	
Engineering and nuclear insurance	-	522	1,366,052	38,415	1,404,467	
Surety and credit insurance	-	(7)	178,747	66,129	244,876	
Other property insurance	-	7	48,562	15,979	64,541	
Accident insurance	-	12,802	216,044	750,430	966,474	
Typhoon, flood and earthquake insurance	-	983	3,060,533	235,360	3,295,893	
Personal and commercial multiple peril insurance	-	724	15,973	98,551	114,524	
Health insurance	-	4,973	3,266	73,034	76,300	
Overseas reinsurance assumed	-	-	369,537	72,042	441,579	
Overseas subsidiaries	-	10,572	939,198	705,254	1,644,452	
Total	\$ -	164,600	16,154,121	6,899,414	23,053,535	

December 31, 2016						
Particular	Notes payable	Indemnity Payments Payable	Claims reserve			
			reported and paid	Reported but unpaid	Unreported	Item
				\$ -	1,978	
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	
Total	\$ -	69,583	18,268,234	6,392,902	24,661,136	

(Continued)

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

Particular	June 30, 2016				
	Notes payable	Indemnity Payments Payable	Claim reserves		
			Reported but unpaid	Unreported	Total
	reported and paid				
Fire insurance	\$ -	614	2,603,090	44,363	2,647,453
Marine cargo insurance	-	1,176	475,392	206,829	682,221
Marine hull fishing vessel	-	6,767	545,317	278,042	823,359
Voluntary moto insurance	-	63,013	2,831,107	747,363	3,578,470
Compulsory moto TPL insurance	-	299,013	736,294	2,279,620	3,015,914
Liability insurance	-	12,478	1,905,357	686,606	2,591,963
Engineering and nuclear insurance	-	667	1,091,116	37,668	1,128,784
Surety and credit insurance	-	300	186,187	75,387	261,574
Other property insurance	-	13,605	66,292	10,182	76,474
Accident insurance	-	8,430	164,926	718,205	883,131
Typhoon, flood and earthquake insurance	-	579	5,702,723	209,482	5,912,205
Personal and commercial multiple peril insurance	-	826	20,635	92,552	113,187
Health insurance	-	1,441	2,291	62,041	64,332
Overseas reinsurance assumed	-	-	356,644	48,128	404,772
Overseas subsidiaries	-	66,266	983,662	610,410	1,594,072
Total	<u>\$ -</u>	<u>475,175</u>	<u>17,671,033</u>	<u>6,106,878</u>	<u>23,777,911</u>

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

Particular	June 30, 2017		
	Reported but unpaid	Unreported	Total
Fire insurance	\$ 696,957	123,510	820,467
Marine cargo insurance	1,755,037	82,255	1,837,292
Marine hull fishing vessel	304,232	190,036	494,268
Voluntary moto insurance	156,006	23,857	179,863
Compulsory moto TPL insurance	290,974	1,272,654	1,563,628
Liability insurance	754,862	280,014	1,034,876
Engineering and nuclear insurance	757,067	21,575	778,642
Surety and credit insurance	118,215	52,644	170,859
Other property insurance	7,469	10,361	17,830
Accident insurance	107	3,047	3,154
Typhoon, flood and earthquake insurance	2,530,396	158,578	2,688,974
Personal and commercial multiple peril insurance	1,937	7,573	9,510

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

June 30, 2017			
Particular	Reported but unpaid	Unreported	Total
Health insurance	\$ -	999	999
Overseas reinsurance assumed	24,703	24,014	48,717
Overseas subsidiaries	279,922	153,945	433,867
Less: Accumulated impairment	(479)	(9)	(488)
Total	\$ 7,677,405	2,405,053	10,082,458
December 31, 2016			
Particular	Reported but unpaid	Unreported	Total
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)
Total	\$ 9,673,970	2,294,960	11,968,930

(Continued)

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

Particular	June 30, 2016		
	Reported but unpaid	Unreported	Total
Fire insurance	\$ 1,441,999	23,989	1,465,988
Marine cargo insurance	227,910	102,263	330,173
Marine hull fishing vessel	462,609	241,591	704,200
Voluntary moto insurance	136,219	21,036	157,255
Compulsory moto TPL insurance	298,290	1,003,794	1,302,084
Liability insurance	729,285	322,983	1,052,268
Engineering and nuclear insurance	446,122	25,878	472,000
Surety and credit insurance	107,054	68,006	175,060
Other property insurance	5,754	6,380	12,134
Accident insurance	3,768	6,933	10,701
Typhoon, flood and earthquake insurance	5,184,060	159,404	5,343,464
Personal and commercial multiple peril insurance	279	6,275	6,554
Health insurance	-	413	413
Overseas reinsurance assumed	18,941	5,724	24,665
Overseas subsidiaries	453,461	153,210	606,671
Less: Accumulated impairment	(1,276)	(284)	(1,560)
Total	\$ 9,514,475	2,147,595	11,662,070

Reserves above were expressed in net amount and its estimated accumulated impairment losses amounted to \$488, \$1,054 and \$1,560 as of June 30, 2017, December 31 and June 30, 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

Particular	June 30, 2017	
	Claim reserves	Ceded claim reserves
Beginning balance	\$ 24,661,136	11,968,930
Provision	23,048,868	10,042,495
Recovered	(24,661,136)	(11,969,984)
Reversal of impairment loss	-	566
Other — effect of change in exchange rates	4,667	40,451
Ending Balance	<u><u>\$ 23,053,535</u></u>	<u><u>10,082,458</u></u>

Particular	June 30, 2016	
	Claim reserves	Ceded claim reserves
Beginning balance	\$ 18,024,953	6,382,020
Provision	23,823,122	11,669,653
Recovered	(18,024,953)	(6,386,117)
Reversal of impairment loss	-	2,535
Other — effect of change in exchange rates	(45,211)	(6,021)
Ending balance	<u><u>\$ 23,777,911</u></u>	<u><u>11,662,070</u></u>

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

	For the three months ended June 30		For the six months ended June 30	
	2017	2016	2017	2016
Fire insurance	\$ 27,944	532	28,033	532
Marine cargo insurance	20,887	17,344	70,242	22,712
Marine hull fishing vessel	11,593	1,030	11,593	79,071
Voluntary moto insurance	97,314	75,537	186,060	155,292
Compulsory moto TPL insurance	43,239	45,920	88,261	74,785
Liability insurance	5,260	2,269	7,581	9,637

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

	For the three months ended June 30		For the six months ended June 30	
	2017	2016	2017	2016
Engineering and nuclear insurance	\$ 7	227	97	427
Surety and credit insurance	3,211	11,426	36,234	36,983
Other property insurance	24	20	93	155
Accident insurance	92	736	130	1,001
Personal and commercial multiple peril insurance	600	2	619	61
Typhoon, flood and earthquake insurance	35	808	35	863
Health insurance	50	2	900	2
Overseas reinsurance assumed	-	-	-	-
Total	\$ <u>210,256</u>	<u>155,853</u>	<u>429,878</u>	<u>381,521</u>

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.

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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	June 30, 2017		June 30, 2016	
	Liability reserve	Ceded liability reserve	Liability reserve	Ceded liability reserve
Beginning balance	\$ 215,539	-	291,184	-
Provision	364	-	823	-
Maturity refund	(35,787)	-	(35,913)	-
Ending balance	<u>\$ 180,116</u>	<u>-</u>	<u>256,094</u>	<u>-</u>

e) Premium deficiency reserve

i) Premium deficiency reserve

Particular	June 30, 2017			
	Premium deficiency reserve		Ceded premium deficiency reserve	
	Direct business	Reinsurance -assumed business	Direct business	Retained business
Fire insurance	\$ 42,519	-	-	42,519
Marine cargo insurance	5,933	-	-	5,933
Marine hull fishing vessel	24,262	453	8,381	16,334
Voluntary moto insurance	3,981	76	-	4,057
Compulsory moto TPL insurance	-	-	-	-
Liability insurance	-	-	-	-
Engineering and nuclear insurance	-	-	-	-
Surety and credit insurance	-	-	-	-
Other property insurance	-	-	-	-
Accident insurance	-	-	-	-
Typhoon, flood and earthquake insurance	7,298	-	-	7,298
Personal and commercial multiple peril insurance	-	-	-	-
Health insurance	-	-	-	-
Overseas reinsurance assumed	-	10,596	-	10,596
Overseas subsidiaries	<u>224,130</u>	<u>290,519</u>	<u>478,227</u>	<u>36,422</u>
Total	<u>\$ 308,123</u>	<u>301,644</u>	<u>486,608</u>	<u>123,159</u>

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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</u>	<u>Retained</u>
	<u>Direct</u>	<u>Reinsurance</u>	<u>premium</u>	
	<u>business</u>	<u>-assumed</u>	<u>deficiency</u>	
	<u>\$</u>	<u>business</u>	<u>reserve</u>	<u>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>

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

<u>Particular</u>	<u>June 30, 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	\$ 8,761	-	-	8,761
Marine cargo insurance	-	-	-	-
Marine hull fishing vessel	31,010	3,137	22,372	11,775
Voluntary moto insurance	3,673	91	-	3,764
Compulsory moto TPL insurance	-	-	-	-
Liability insurance	-	-	-	-
Engineering and nuclear insurance	-	-	-	-
Surety and credit insurance	547	-	-	547
Other property insurance	-	-	-	-
Accident insurance	-	-	-	-
Typhoon, flood and earthquake insurance	-	-	-	-
Personal and commercial multiple peril insurance	-	-	-	-
Health insurance	-	-	-	-
Overseas reinsurance assumed	-	10,672	-	10,672
Overseas subsidiaries	<u>140,147</u>	<u>19,152</u>	<u>147,983</u>	<u>11,316</u>
Total	<u>\$ 184,138</u>	<u>33,052</u>	<u>170,355</u>	<u>46,835</u>

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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 six months ended June 30, 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	\$ 42,519	32,823	-	-	9,696	-	-	-	9,696	
Marine cargo insurance	5,933	5,730	-	-	203	-	-	-	203	
Marine hull fishing vessel	24,262	18,026	453	233	6,456	8,381	5,194	3,187	3,269	
Voluntary moto insurance	3,981	3,144	76	87	826	-	-	-	826	
Compulsory moto TPL insurance	-	-	-	-	-	-	-	-	-	
Liability insurance	-	-	-	-	-	-	-	-	-	
Engineering and nuclear insurance	-	-	-	-	-	-	-	-	-	
Surety and credit insurance	-	-	-	-	-	-	-	-	-	
Other property insurance	-	-	-	-	-	-	-	-	-	
Accident insurance	-	-	-	-	-	-	-	-	-	
Typhoon, flood and earthquake insurance	7,298	6,847	-	-	451	-	-	-	451	
Personal and commercial multiple peril insurance	-	-	-	-	-	-	-	-	-	
Health insurance	-	-	-	-	-	-	-	-	-	
Overseas reinsurance assumed	-	-	10,596	8,873	1,723	-	-	-	1,723	
Overseas subsidiaries	225,086	201,031	289,278	216,043	97,290	477,647	401,536	76,111	21,179	
Other — effect of change in exchange rates	(956)	(6,073)	1,241	(9,031)	15,389	(357)	(14,857)	14,500	889	
Total	\$ 308,123	261,528	301,644	216,205	132,034	485,671	391,873	93,798	38,236	

For the six months ended June 30, 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	\$ 8,761	7,081	-	-	1,680	-	-	-	1,680	
Marine cargo insurance	-	-	-	-	-	-	-	-	-	
Marine hull fishing vessel	31,010	44,676	3,137	3,284	(13,813)	22,372	33,228	(10,856)	(2,957)	
Voluntary moto insurance	3,673	3,337	91	82	345	-	-	-	345	
Compulsory moto TPL insurance	-	-	-	-	-	-	-	-	-	
Liability insurance	-	-	-	-	-	-	-	-	-	
Engineering and nuclear insurance	-	-	-	-	-	-	-	-	-	
Surety and credit insurance	547	141	-	-	406	-	-	-	406	
Accident insurance	-	-	-	-	-	-	-	-	-	
Personal and commercial multiple peril insurance	-	-	-	-	-	-	-	-	-	
Typhoon, flood and earthquake insurance	-	-	-	-	-	-	-	-	-	
Health insurance	-	-	-	-	-	-	-	-	-	
Overseas reinsurance assumed	-	-	10,672	6,968	3,704	-	-	-	3,704	
Overseas subsidiaries	142,868	144,159	19,714	12,086	6,337	151,095	148,772	2,323	4,014	
Other — effect of change in exchange rates	(2,721)	411	(562)	(42)	(3,652)	(3,286)	329	(3,615)	(37)	
Total	\$ 184,138	199,805	33,052	22,378	(4,993)	170,181	182,329	(12,148)	7,155	

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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

Particular	June 30, 2017	
	Premium deficiency reserve	Ceded premium deficiency reserve
Beginning balance	\$ 477,733	391,873
Provision	609,482	485,386
Recovered	(477,733)	(391,873)
Other — effect of change in exchange rates	285	1,222
Ending balance	<u><u>\$ 609,767</u></u>	<u><u>486,608</u></u>

Particular	June 30, 2016	
	Premium deficiency reserve	Ceded premium deficiency reserve
Beginning balance	\$ 222,183	182,329
Provision	220,472	173,463
Recovered	(222,183)	(182,329)
Other — effect of change in exchange rates	(3,282)	(3,108)
Ending balance	<u><u>\$ 217,190</u></u>	<u><u>170,355</u></u>

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.

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

- 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 Fubon Insurance 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.
 - 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.

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

- 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.
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.

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

- 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.
 - 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.

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

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 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	For the three months ended June 30, 2017				
	Change of income before tax		Change of stockholder's equity		
	Before reinsurance	After reinsurance	Before reinsurance	Compulsory insurance	
+1%	\$ (289)	(886)	(240)	(736)	
-1%	345	942	286	783	

(Continued)

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

Change of expected rate of loss	For the three months ended June 30, 2016			
	Change of income before tax		Change of stockholder's equity	
	Before reinsurance	After reinsurance	Before reinsurance	Compulsory insurance
+1%	\$ 956	1,030	793	855
- 1%	(956)	(1,030)	(793)	(855)

Change of expected rate of loss	For the six months ended June 30, 2017			
	Change of income before tax		Change of stockholder's equity	
	Before reinsurance	After reinsurance	Before reinsurance	Compulsory insurance
+1%	\$ (38,946)	(23,205)	(32,325)	(19,261)
- 1%	38,998	23,257	32,368	19,304

Change of expected rate of loss	For the six months ended June 30, 2016			
	Change of income before tax		Change of stockholder's equity	
	Before reinsurance	After reinsurance	Before reinsurance	Compulsory insurance
+1%	\$ (40,720)	(22,917)	(33,798)	(19,021)
- 1%	40,720	22,917	33,798	19,021

ii) Explanation of the risk concentration

1. Underwriting and inward reinsurance premiums

The insurance contracts which Fubon Insurance and its subsidiaries underwrite 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 28.9%, 28.7%, 30.9% and 30.5% of all insurances for the three months and six months ended June 30, 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.

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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:

Insurance type	For the three months ended June 30, 2017		For the three months ended June 30, 2016	
	Amount	%	Amount	%
Fire insurance	\$ 805,760	6.8 %	698,691	6.3 %
Marine cargo insurance	287,562	2.4 %	277,658	2.5 %
Marine hull fishing vessel	144,763	1.2 %	167,644	1.5 %
Voluntary moto insurance	3,391,881	28.9 %	3,195,733	28.7 %
Compulsory moto TPL insurance	1,441,137	12.2 %	1,312,077	11.8 %
Liability insurance	806,919	6.9 %	678,186	6.1 %
Engineering and nuclear insurance	240,256	2.0 %	218,911	2.0 %
Surety and credit insurance	102,483	0.9 %	110,359	1.0 %
Other property insurance	34,107	0.3 %	38,693	0.3 %
Accident insurance	1,242,115	10.6 %	1,133,859	10.2 %
Typhoon, flood and earthquake insurance	1,461,248	12.4 %	1,344,700	12.1 %
Personal and commercial multiple peril insurance	209,649	1.8 %	182,977	1.6 %
Health insurance	162,177	1.4 %	126,026	1.1 %
Foreign business	162,062	1.4 %	324,416	2.9 %
Overseas subsidiaries	<u>1,275,803</u>	<u>10.8 %</u>	<u>1,330,203</u>	<u>11.9 %</u>
Total	<u><u>\$ 11,767,922</u></u>	<u><u>100.0 %</u></u>	<u><u>11,140,133</u></u>	<u><u>100.0 %</u></u>

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

Insurance type	For the six months ended June 30, 2017		For the six months ended June 30, 2016	
	Amount	%	Amount	%
Fire insurance	\$ 1,298,263	5.7 %	1,102,259	5.2 %
Marine cargo insurance	605,772	2.6 %	591,119	2.8 %
Marine hull fishing vessel	289,192	1.3 %	317,013	1.5 %
Voluntary moto insurance	7,109,082	30.9 %	6,456,093	30.5 %
Compulsory moto TPL insurance	2,774,817	12.1 %	2,527,169	11.9 %
Liability insurance	1,578,376	6.9 %	1,361,846	6.5 %
Engineering and nuclear insurance	537,311	2.3 %	491,978	2.3 %
Surety and credit insurance	138,875	0.6 %	154,734	0.7 %
Other property insurance	75,931	0.3 %	74,699	0.4 %
Accident insurance	2,475,545	10.8 %	2,272,478	10.8 %
Typhoon, flood and earthquake insurance	2,413,670	10.5 %	1,929,160	9.1 %
Personal and commercial multiple peril insurance	407,304	1.8 %	340,182	1.6 %
Health insurance	334,059	1.5 %	263,290	1.2 %
Foreign business	360,400	1.6 %	638,722	3.0 %
Overseas subsidiaries	<u>2,542,199</u>	<u>11.1 %</u>	<u>2,634,871</u>	<u>12.5 %</u>
Total	<u>\$ 22,940,796</u>	<u>100.0 %</u>	<u>21,155,613</u>	<u>100.0 %</u>

2. The proportion of retained business premium

As of June 30, 2017, 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 37.7%, 37.6%, 39.2% and 38.8% for the three months and six months ended June 30, 2017 and 2016, respectively. Fubon Insurance and its subsidiaries consider the loss of voluntary motor insurance to stable, and therefore, retain all the reinsurance.

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.

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FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES
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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 and its subsidiaries have bought catastrophe reinsurance contracts in advance for abovementioned insurances to diversify the risk.

<u>Insurance type</u>	<u>For the three months ended June 30, 2017</u>		<u>For the three months ended June 30, 2016</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Fire insurance	\$ 460,651	5.4 %	248,393	3.1 %
Marine cargo insurance	158,267	1.9 %	168,952	2.1 %
Marine hull fishing vessel	31,579	0.4 %	11,660	0.1 %
Voluntary moto insurance	3,182,858	37.7 %	2,968,500	37.6 %
Compulsory moto TPL insurance	926,177	10.9 %	854,280	10.8 %
Liability insurance	502,696	5.9 %	448,141	5.7 %
Engineering and nuclear insurance	83,942	1.0 %	122,514	1.5 %
Surety and credit insurance	16,718	0.2 %	19,982	0.3 %
Other property insurance	10,856	0.1 %	10,618	0.1 %
Accident insurance	1,224,111	14.4 %	1,120,975	14.1 %
Typhoon, flood and earthquake insurance	307,191	3.6 %	288,924	3.6 %
Personal and commercial multiple peril insurance	205,024	2.4 %	181,793	2.3 %
Health insurance	160,610	1.9 %	124,012	1.6 %
Foreign business	154,943	1.8 %	189,487	2.4 %
Overseas subsidiaries	<u>1,052,092</u>	<u>12.4 %</u>	<u>1,164,371</u>	<u>14.7 %</u>
Total	<u>\$ 8,477,715</u>	<u>100.0 %</u>	<u>7,922,602</u>	<u>100.0 %</u>

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

Insurance type	For the six months ended June 30, 2017		For the six months ended June 30, 2016	
	Amount	%	Amount	%
Fire insurance	\$ 627,649	3.7 %	485,177	3.1 %
Marine cargo insurance	322,813	1.9 %	323,462	2.1 %
Marine hull fishing vessel	51,608	0.3 %	47,005	0.3 %
Voluntary moto insurance	6,626,268	39.2 %	5,993,143	38.8 %
Compulsory moto TPL insurance	1,778,612	10.5 %	1,635,627	10.6 %
Liability insurance	1,028,928	6.1 %	920,688	6.0 %
Engineering and nuclear insurance	218,440	1.3 %	235,767	1.5 %
Surety and credit insurance	38,177	0.2 %	37,890	0.2 %
Other property insurance	23,903	0.1 %	24,398	0.2 %
Accident insurance	2,444,008	14.4 %	2,249,429	14.6 %
Typhoon, flood and earthquake insurance	693,878	4.1 %	269,423	1.7 %
Personal and commercial multiple peril insurance	393,832	2.3 %	329,612	2.1 %
Health insurance	330,539	2.0 %	259,523	1.7 %
Foreign business	268,816	1.6 %	368,672	2.4 %
Overseas subsidiaries	<u>2,076,999</u>	<u>12.3 %</u>	<u>2,273,459</u>	<u>14.7 %</u>
Total	<u>\$ 16,924,470</u>	<u>100.0 %</u>	<u>15,453,275</u>	<u>100.0 %</u>

iii) Claim development trend:

1. Sum of accumulated and reported claims

Occurrence year	June 30, 2017					Accumulated claim paid	Reported but unpaid	Reported and unpaid	Claim Provision
	December 31, 2013	December 31, 2014	December 31, 2015	December 31, 2016	June 30, 2017				
≤ 2012							742,096		
2013	13,665,907	14,574,009	14,996,729	14,973,709	14,870,453	14,515,246	355,207		
2014		16,841,902	17,933,522	18,351,054	18,295,155	17,307,887	987,268		
2015			18,324,565	19,525,240	20,082,295	18,587,118	1,495,177		
2016				27,180,099	28,159,396	20,411,119	7,748,277		
2017					8,754,893	3,928,797	4,826,096		
Total							<u>16,154,121</u>	<u>6,899,414</u>	<u>23,053,535</u>

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

June 30, 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	June 30, 2016				
≤2011							695,012		
2012	13,001,316	14,773,993	14,693,822	14,605,281	14,549,767	14,229,711	320,056		
2013		13,761,868	14,664,765	15,083,310	15,058,121	14,331,427	726,694		
2014			16,994,087	18,086,712	18,363,609	16,804,558	1,559,051		
2015				18,472,362	19,094,430	15,611,538	3,482,892		
2016					14,729,316	3,841,987	10,887,328		
Total							<u>17,671,033</u>	<u>6,106,878</u>	<u>23,777,911</u>

2. Sum of accumulated and reported claims

June 30, 2017									
Occurrence year	Evaluation date					Accumulated claim paid	Reported but unpaid	Reported and unpaid	Claim Provision
	December 31, 2013	December 31, 2014	December 31, 2015	December 31, 2016	June 30, 2017				
≤2012							473,002		
2013	10,778,884	11,297,360	11,633,709	11,643,642	11,620,758	11,371,154	249,604		
2014		12,761,581	13,533,827	13,967,028	13,945,894	13,516,230	429,664		
2015			13,839,622	14,922,330	15,123,706	14,336,974	786,732		
2016				15,297,767	16,190,942	13,598,635	2,592,307		
2017					7,304,934	3,360,006	3,944,928		
Total							<u>8,476,237</u>	<u>4,494,352</u>	<u>12,970,589</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							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>

June 30, 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	June 30, 2016				
≤2011							404,158		
2012	9,902,487	11,351,099	11,291,123	11,279,132	11,250,385	11,006,054	244,331		
2013		10,825,732	11,346,293	11,682,073	11,649,871	11,225,845	424,026		
2014			12,847,389	13,627,440	13,884,803	13,112,733	772,070		
2015				13,953,967	14,498,165	12,533,608	1,964,557		
2016					7,435,680	3,089,540	4,346,140		
Total							<u>8,155,282</u>	<u>3,958,999</u>	<u>12,114,281</u>

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

1. As of June 30, 2017, the major unqualified reinsurance counterparties are listed below:
 - a. AIG EUROPE LIMITED : The facultative reinsurance of engineering insurance.
 - b. MILLI REASURANS T.A.S. (SINGAPORE BRANCH): The facultative reinsurance of fire insurance.
 - c. SCHWARZMEER UND OSTSEE VERS-AG SOVAG(UK BRANCH): The facultative reinsurance of commercial fire insurance.
 - d. GLOBAL INSURANCE COMPANY: The facultative reinsurance of marine insurance.
 - e. ALLIANZ C.P. GENERAL INSURANCE COMPANY LIMITED: The facultative reinsurance of new types of insurance.
 - f. RIVERSTONE FRANCE S.A.: The facultative reinsurance of engineering insurance.

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FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES
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- g. 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.
3. As of June 30, 2016, the major unqualified reinsurance counterparties are listed below:
- a. AIG EUROPE LIMITED : The facultative reinsurance of engineering insurance.
 - b. CORPORATE INSURANCE PARTNER: The facultative reinsurance of commercial fire insurance.
 - c. GLOBAL INSURANCE COMPANY: The facultative reinsurance of marine fire 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.

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FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES
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- f. LA MUTUELLE DU MANS ASSURANCES I.A.R.D.: The facultative reinsurance of engineering insurance.
4. As of June 30, 2017, December 31 and June 30, 2016, the unauthorized reinsurance expenses amounted to \$9,736, \$129,786 and \$399,983, respectively.
5. As of June 30, 2017, December 31 and June 30, 2016, the reserve for unauthorized reinsurance amounted to \$941,298, \$1,493,667 and \$2,471,509, respectively. The components of this account include: (a) the unearned premium reserve of \$43,044, \$64,922 and \$382,445, respectively. (b) the claims recoverable from reinsurers of paid claims overdue in nine month amounted to \$187,475, \$84,217 and \$66,811, respectively. (c) the claims recoverable from reinsurers which were reported but unpaid amounted to \$710,779, \$1,344,528 and \$2,022,253, respectively.

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.

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

- 3) Fubon Life Insurance and its subsidiaries
- a) Various reserves
- i) Unearned premium reserves

	June 30, 2017		
	Insurance contracts	Financial instruments with discretionary participation	Total
Individual life insurance	\$ 1,755	-	1,755
Individual injury insurance	3,014,808	-	3,014,808
Individual health insurance	3,479,407	-	3,479,407
Group insurance	1,595,550	-	1,595,550
Investment-linked insurance	90,980	-	90,980
Gross reserve	<u>8,182,500</u>	<u>-</u>	<u>8,182,500</u>
Deduction of provision for reinsurance ceded			
Individual life insurance	459,113	-	459,113
Individual injury insurance	21,679	-	21,679
Individual health insurance	2,322	-	2,322
Group insurance	77,368	-	77,368
Investment-linked insurance	11,343	-	11,343
Total ceded reserve	<u>571,825</u>	<u>-</u>	<u>571,825</u>
Net reserve	<u>\$ 7,610,675</u>	<u>-</u>	<u>7,610,675</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	\$ 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>
June 30, 2016			
	Insurance contracts	Financial instruments with discretionary participation	Total
Individual life insurance	\$ 1,859	-	1,859
Individual injury insurance	2,732,522	-	2,732,522
Individual health insurance	3,347,822	-	3,347,822
Group insurance	1,568,460	-	1,568,460
Investment-linked insurance	88,768	-	88,768
Gross reserve	<u>7,739,431</u>	<u>-</u>	<u>7,739,431</u>
Deduction of provision for reinsurance ceded			
Individual life insurance	356,299	-	356,299
Individual injury insurance	21,997	-	21,997
Individual health insurance	1,875	-	1,875
Group insurance	69,954	-	69,954
Investment-linked insurance	11,534	-	11,534
Total ceded reserve	<u>461,659</u>	<u>-</u>	<u>461,659</u>
Net reserve	<u>\$ 7,277,772</u>	<u>-</u>	<u>7,277,772</u>

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

The movements in unearned premium reserves were as follows:

For the six months ended June 30, 2017			
	Insurance contracts	Financial instruments with discretionary participation	Total
Beginning balance	\$ 7,916,745	-	7,916,745
Current provisions	8,182,548	-	8,182,548
Current reclaims	(7,916,745)	-	(7,916,745)
Gain and loss on foreign exchange	(48)	-	(48)
Ending balance	8,182,500	-	8,182,500
Less: Provision for ceded reinsurance			
Beginning balance	510,733	-	510,733
Current provisions	571,858	-	571,858
Current reclaims	(510,733)	-	(510,733)
Gain and loss on foreign exchange	(33)	-	(33)
Ending balance	571,825	-	571,825
Net ending balance	\$ 7,610,675	-	7,610,675
For the six months ended June 30, 2016			
	Insurance contracts	Financial instruments with discretionary participation	Total
Beginning balance	\$ 7,602,907	-	7,602,907
Current provisions	7,739,442	-	7,739,442
Current reclaims	(7,602,907)	-	(7,602,907)
Gain and loss on foreign exchange	(11)	-	(11)
Ending balance	7,739,431	-	7,739,431
Less: Provision for ceded reinsurance			
Beginning balance	456,599	-	456,599
Current provisions	461,681	-	461,681
Current reclaims	(456,599)	-	(456,599)
Gain and loss on foreign exchange	(22)	-	(22)
Ending balance	461,659	-	461,659
Net ending balance	\$ 7,277,772	-	7,277,772

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES
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ii) Claim reserves

	June 30, 2017		
	Insurance contracts	Financial instruments with discretionary participation	Total
Individual life insurance			
– Reported but not paid	\$ 466,758	16,420	483,178
– Incurred but not reported	3,373	-	3,373
Individual injury insurance			
– Reported but not paid	86,804	-	86,804
– Incurred but not reported	369,422	-	369,422
Individual health insurance			
– Reported but not paid	203,521	-	203,521
– Incurred but not reported	500,609	-	500,609
Group insurance			
– Reported but not paid	67,973	-	67,973
– Incurred but not reported	327,886	-	327,886
Investment-linked insurance			
– Reported but not paid	85,340	-	85,340
– Incurred but not reported	65,394	-	65,394
Total reserve	<u>2,177,080</u>	<u>16,420</u>	<u>2,193,500</u>
Deduction of provision for reinsurance ceded:			
Individual life insurance	21,935	-	21,935
Individual injury insurance	40,959	-	40,959
Group insurance	4,806	-	4,806
Investment-linked insurance	19,498	-	19,498
Total ceded reserve	<u>87,198</u>	<u>-</u>	<u>87,198</u>
Net reserve	<u>\$ 2,089,882</u>	<u>16,420</u>	<u>2,106,302</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>

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

	June 30, 2016		
	Insurance contracts	Financial instruments with discretionary participation	Total
Individual life insurance			
— Reported but not paid	\$ 381,978	4,739	386,717
— Incurred but not reported	4,941	-	4,941
Individual injury insurance			
— Report but not paid	110,771	-	110,771
— Incurred but not reported	304,972	-	304,972
Individual health insurance			
— Reported but not paid	214,072	-	214,072
— Incurred but not reported	467,271	-	467,271
Group insurance			
— Reported but not paid	77,471	-	77,471
— Incurred but not reported	282,340	-	282,340
Investment-linked insurance			
— Reported but not paid	125,594	-	125,594
— Incurred but not reported	44,815	-	44,815
Total reserve	2,014,225	4,739	2,018,964
Deduction of ceded claim reserves			
Individual life insurance	27,893	-	27,893
Individual injury insurance	40,753	-	40,753
Group insurance	4,592	-	4,592
Investment-linked insurance	19,683	-	19,683
Total ceded reserve	92,921	-	92,921
Net reserve	\$ 1,921,304	4,739	1,926,043

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FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES
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The movements in claims reserve were as follows:

	For the six months ended June 30, 2017		
	Insurance contracts	Financial instruments with discretionary participation	Total
Beginning balance	\$ 2,135,118	8,163	2,143,281
Current provisions	2,177,664	16,420	2,194,084
Current reclaims	(2,135,118)	(8,163)	(2,143,281)
Gain and loss on foreign exchange	(584)	-	(584)
Ending balance	2,177,080	16,420	2,193,500
Less: Provision for ceded reinsurance			
Beginning balance	70,039	-	70,039
Current provisions	87,198	-	87,198
Current reclaims	(70,039)	-	(70,039)
Ending balance	87,198	-	87,198
Net ending balance	\$ 2,089,882	16,420	2,106,302
	For the six months ended June 30, 2016		
	Insurance contracts	Financial instruments with discretionary participation	Total
Beginning balance	\$ 2,062,076	4,896	2,066,972
Current provisions	2,014,162	4,739	2,018,901
Current reclaims	(2,062,076)	(4,896)	(2,066,972)
Gain and loss on foreign exchange	63	-	63
Ending balance	2,014,225	4,739	2,018,964
Less: Provision for ceded reinsurance			
Beginning balance	124,180	-	124,180
Current provisions	92,921	-	92,921
Current reclaims	(124,180)	-	(124,180)
Ending balance	92,921	-	92,921
Net ending balance	\$ 1,921,304	4,739	1,926,043

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

iii) Liability reserve:

	June 30, 2017		
	Insurance contracts	Financial instruments with discretionary participation	Total
Life insurance	\$ 2,587,098,161	-	2,587,098,161
Injury insurance	722,881	-	722,881
Health insurance	234,285,718	-	234,285,718
Annuity insurance	1,245,962	150,145,345	151,391,307
Investment-linked insurance	75,949	-	75,949
Total	2,823,428,671	150,145,345	2,973,574,016
Less: liability reserve ceded			
Life insurance	399	-	399
Total	399	-	399
Net reserve	\$ 2,823,428,272	150,145,345	2,973,573,617
	December 31, 2016		
	Insurance contracts	Financial instruments with discretionary participation	Total
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
Net reserve	\$ 2,685,116,638	154,080,255	2,839,196,893

(Continued)

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

	June 30, 2016		
	Insurance contracts	Financial instruments with discretionary participation	Total
Life insurance	\$ 2,312,950,715	-	2,312,950,715
Injury insurance	744,114	-	744,114
Health insurance	212,443,589	-	212,443,589
Annuity insurance	1,242,550	162,081,158	163,323,708
Investment-linked insurance	32,557	-	32,557
Net reserve	<u>\$ 2,527,413,525</u>	<u>162,081,158</u>	<u>2,689,494,683</u>

The movements in the liability reserve were as follows:

	For the six months ended June 30, 2017		
	Insurance contracts	Financial instruments with discretionary participation	Total
Beginning balance	\$ 2,685,116,638	154,080,255	2,839,196,893
Current provisions	245,240,704	6,830,511	252,071,215
Current reclaims	(76,581,002)	(10,765,421)	(87,346,423)
Gain and loss on foreign exchange	(30,347,669)	-	(30,347,669)
Less: liability reserve ceded			
Current provisions	400	-	400
Gain and loss on foreign exchange	(1)	-	(1)
Ending balance	<u>399</u>	<u>-</u>	<u>399</u>
Net ending balance	<u>\$ 2,823,428,272</u>	<u>150,145,345</u>	<u>2,973,573,617</u>

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES
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	For the six months ended June 30, 2016		
	Financial instruments with discretionary participation		
	Insurance contracts	discretionary participation	Total
Beginning balance	\$ 2,377,426,666	155,660,242	2,533,086,908
Current provisions	227,711,897	17,721,741	245,433,638
Current reclaims	(66,241,175)	(11,300,825)	(77,542,000)
Gain and loss on foreign exchange	(11,483,863)	-	(11,483,863)
Ending balance	\$ 2,527,413,525	162,081,158	2,689,494,683

iv) Special reserves

	June 30, 2017		
	Financial instruments with discretionary participation		
	Insurance contracts	discretionary participation	Others
	Total		
Dividend provision for participation policies	\$ 6,046,930	-	-
Valuation surplus gain for investment property	-	-	652,267
Total	\$ 6,046,930	-	652,267

	December 31, 2016		
	Financial instruments with discretionary participation		
	Insurance contracts	discretionary participation	Others
	Total		
Dividend provision for participation policies	\$ 6,820,981	-	-
Valuation surplus gain for investment property	-	-	652,267
Total	\$ 6,820,981	-	652,267

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES
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	June 30, 2016			
	Insurance contracts	Financial instruments with discretionary participation	Others	Total
Dividend provision for participation policies	\$ 5,452,031	-	-	5,452,031
Valuation surplus gain for investment property	-	-	652,267	652,267
Total	\$ 5,452,031	-	652,267	6,104,298

The movements in special reserves were as follows:

	For the six months ended June 30, 2017			
	Insurance contracts	Financial instruments with discretionary participation	Others	Total
Beginning balance	\$ 6,820,981	-	652,267	7,473,248
Provision for participating policy bonus	(774,051)	-	-	(774,051)
Ending balance	\$ 6,046,930	-	652,267	6,699,197

	For the six months ended June 30, 2016			
	Insurance contracts	Financial instruments with discretionary participation	Others	Total
Beginning balance	\$ 5,359,919	-	652,267	6,012,186
Provision for dividend provision for participating policies	92,112	-	-	92,112
Ending balance	\$ 5,452,031	-	652,267	6,104,298

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES
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v) Premium deficiency reserve

	June 30, 2017		
	Insurance contracts	Financial instruments with discretionary participation	Total
Individual life insurance	\$ 22,233,054	-	22,233,054
Individual injury insurance	772	-	772
Individual health insurance	353,609	-	353,609
Group insurance	5,087	-	5,087
Investment-linked product	16	-	16
Total	\$ 22,592,538	-	22,592,538
	December 31, 2016		
	Insurance contracts	Financial instruments with discretionary participation	Total
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
Total	\$ 22,874,210	-	22,874,210

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	June 30, 2016		
	Insurance contracts	Financial instruments with discretionary participation	Total
Individual life insurance	\$ 19,261,683	-	19,261,683
Individual injury insurance	8,866	-	8,866
Individual health insurance	414,620	-	414,620
Group insurance	22,089	-	22,089
Investment-linked product	20	-	20
Total	\$ 19,707,278	-	19,707,278

The movements in premium deficiency reserve were as follows:

	For the six months ended June 30, 2017		
	Insurance contracts	Financial instruments with discretionary participation	Total
Beginning balance	\$ 22,874,210	-	22,874,210
Current provision, net	(59,744)	-	(59,744)
Gain and loss on foreign exchange	(221,928)	-	(221,928)
Ending balance	\$ 22,592,538	-	22,592,538

	For the six months ended June 30, 2016		
	Insurance contracts	Financial instruments with discretionary participation	Total
Beginning balance	\$ 16,280,468	-	16,280,468
Current provision, net	3,502,955	-	3,502,955
Gain and loss on foreign exchange	(76,145)	-	(76,145)
Ending balance	\$ 19,707,278	-	19,707,278

(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:

Financial instruments with discretionary participation	June 30, 2017	December 31, 2016	June 30, 2016
Liability reserve	\$ 2,970,209,978	2,837,198,506	2,688,773,189
Unearned premium reserves	8,181,695	7,916,322	7,739,214
Premium deficiency reserve	22,545,249	22,806,116	19,707,274
Special reserves	6,699,197	7,473,248	6,104,298
Claim reserves	2,193,286	2,142,920	2,018,925
Carrying amount of insurance liabilities	<u>\$ 3,009,829,405</u>	<u>2,877,537,112</u>	<u>2,724,342,900</u>
Current estimate of future cash flows under its insurance liabilities	<u>\$ 2,248,788,683</u>	<u>2,118,064,047</u>	<u>2,062,184,475</u>
Total liability adequacy reserve	<u>\$ -</u>	<u>-</u>	<u>-</u>

The liability adequacy test method adopted by Fubon Life Insurance as of June 30, 2017, December 31 and June 30, 2016, was 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.

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- vii) Special reserve (catastrophic risk reserve and special reserves for fluctuation of risks):

	June 30, 2017			
	Insurance contracts	Financial instruments with discretionary participation	Others	Total
Catastrophic risk reserve	\$ 3,109,067	-	-	3,109,067
Contingency risk reserve	2,788,060	-	-	2,788,060
Total	\$ 5,897,127	-	-	5,897,127

	December 31, 2016			
	Insurance contracts	Financial instruments with discretionary participation	Others	Total
Catastrophic risk reserve	\$ 3,109,067	-	-	3,109,067
Contingency risk reserve	2,788,060	-	-	2,788,060
Total	\$ 5,897,127	-	-	5,897,127

	June 30, 2016			
	Insurance contracts	Financial instruments with discretionary participation	Others	Total
Catastrophic risk reserve	\$ 2,838,083	-	-	2,838,083
Contingency risk reserve	2,717,198	-	-	2,717,198
Total	\$ 5,555,281	-	-	5,555,281

- 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:

	June 30, 2017	December 31, 2016	June 30, 2016
	Life insurance	\$ 3,737,794	18,137,335

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FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES
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	For the six months ended June 30	
	2017	2016
Beginning balance	\$ 18,137,335	83,616,757
Current premiums collected	220	442
Current claims payment	(14,485,554)	(1,701,096)
Current net provision for legal reserve	<u>85,793</u>	<u>657,462</u>
Ending balance	<u>\$ 3,737,794</u>	<u>82,573,565</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.

b. The movements in foreign exchange fluctuation reserve were as follows:

	For the six months ended June 30	
	2017	2016
Beginning balance	\$ 4,632,746	7,479,048
Current provision :		
Compulsory provision	945,489	1,058,110
Additional provision	<u>-</u>	<u>1,447,836</u>
Subtotal	<u>945,489</u>	<u>2,505,946</u>
Recovered	<u>(4,437,934)</u>	<u>(4,366,874)</u>
Ending balance	<u>\$ 1,140,301</u>	<u>5,618,120</u>

c. Effect of foreign exchange fluctuation reserve

Item	Unapplied amount	Applied amount	Effected amount
June 30, 2017			
Foreign exchange fluctuation reserve	\$ -	1,140,301	(1,140,301)
Owner's equity	240,733,388	241,461,265	(727,877)

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES
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<u>Item</u>	<u>Unapplied amount</u>	<u>Applied amount</u>	<u>Effectuated amount</u>			
December 31, 2016						
Foreign exchange fluctuation reserve	\$ -	4,632,746	(4,632,746)			
Owner's equity	215,645,223	213,474,371	2,170,852			
<u>Item</u>	<u>Unapplied amount</u>	<u>Applied amount</u>	<u>Effectuated amount</u>			
June 30, 2016						
Foreign exchange fluctuation reserve	\$ -	5,618,120	(5,618,120)			
Owner's equity	228,163,960	225,175,247	2,988,713			
For the six months ended June 30						
	2017			2016		
<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	\$ 5,701,667	8,600,396	(2,898,729)	1,450,486	2,995,056	(1,544,570)
Earnings per share	0.82	1.24	(0.42)	1.65	1.87	(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:

	For the six months ended June 30	
	2017	2016
Beginning balance	\$ 361,993	361,843
Addition	43,198	25,678
Amortization	(24,511)	(34,079)
Ending balance	<u>\$ 380,680</u>	<u>353,442</u>

(Continued)

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

	For the six months ended June 30	
	2017	2016
Beginning balance	\$ 968,245	895,031
Addition	114,477	69,964
Amortization	<u>(35,440)</u>	<u>(46,828)</u>
Ending balance	<u>\$ 1,047,282</u>	<u>918,167</u>

x) Premiums

1. Retained earned premiums

	For the three months ended June 30, 2017		
	Insurance contracts	Financial instruments with discretionary participation	Total
Direct written premiums	\$ 115,121,655	2,794,099	117,915,754
Reinsurance premium	<u>-</u>	<u>-</u>	<u>-</u>
Premium revenue	<u>115,121,655</u>	<u>2,794,099</u>	<u>117,915,754</u>
Less: Reinsurance premium expenditure	(384,862)	-	(384,862)
Net change in unearned premium reserve	(100,320)	-	(100,320)
Subtotal	<u>(485,182)</u>	<u>-</u>	<u>(485,182)</u>
Retained earned premiums	<u>\$ 114,636,473</u>	<u>2,794,099</u>	<u>117,430,572</u>

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FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES
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	For the three months ended June 30, 2016		
	Insurance contracts	Financial instruments with discretionary participation	Total
Direct written premium	\$ 115,579,268	7,488,892	123,068,160
Reinsurance premium	-	-	-
Premium revenue	<u>115,579,268</u>	<u>7,488,892</u>	<u>123,068,160</u>
Less: Reinsurance premium expenditure	(288,622)	-	(288,622)
Net change in unearned premium reserve	(71,461)	-	(71,461)
Subtotal	<u>(360,083)</u>	<u>-</u>	<u>(360,083)</u>
Retained earned premiums	<u>\$ 115,219,185</u>	<u>7,488,892</u>	<u>122,708,077</u>
	For the six months ended June 30, 2017		
	Insurance contracts	Financial instruments with discretionary participation	Total
Direct written premium	\$ 238,699,736	5,474,546	244,174,282
Reinsurance premium	-	-	-
Premium income	<u>238,699,736</u>	<u>5,474,546</u>	<u>244,174,282</u>
Less: Reinsurance premium expenditure	(657,026)	-	(657,026)
Net change in unearned premium reserve	(204,678)	-	(204,678)
Subtotal	<u>(861,704)</u>	<u>-</u>	<u>(861,704)</u>
Retained earned premiums	<u>\$ 237,838,032</u>	<u>5,474,546</u>	<u>243,312,578</u>

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FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES
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	For the six months ended June 30, 2016		
	Insurance contracts	Financial instruments with discretionary participation	Total
Direct written premium	\$ 227,843,183	16,373,739	244,216,922
Reinsurance premium	<u>87</u>	<u>-</u>	<u>87</u>
Premium income	<u>227,843,270</u>	<u>16,373,739</u>	<u>244,217,009</u>
Less: Reinsurance premium expenditure	(532,950)	-	(532,950)
Net change in unearned premium reserve	(131,453)	-	(131,453)
Subtotal	<u>(664,403)</u>	<u>-</u>	<u>(664,403)</u>
Retained earned premiums	<u><u>\$ 227,178,867</u></u>	<u><u>16,373,739</u></u>	<u><u>243,552,606</u></u>

2. Retained claims payment

	For the three months ended June 30, 2017		
	Insurance contracts	Financial instruments with discretionary participation	Total
Claims payment incurred	\$ 54,152,952	5,636,686	59,789,638
Reinsurance claims payment incurred	<u>119</u>	<u>-</u>	<u>119</u>
Insurance claims payment	<u>54,153,071</u>	<u>5,636,686</u>	<u>59,789,757</u>
Less: Claims payment recovered from reinsures	(135,439)	-	(135,439)
Retained claims payment	<u><u>\$ 54,017,632</u></u>	<u><u>5,636,686</u></u>	<u><u>59,654,318</u></u>

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FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES
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	For the three months ended June 30, 2016		
	Insurance contracts	Financial instruments with discretionary participation	Total
Claims payment incurred	\$ 40,946,315	5,358,564	46,304,879
Reinsurance claims payment incurred	235	-	235
Insurance claims payment	40,946,550	5,358,564	46,305,114
Less: Claims payment recovered from reinsures	(98,133)	-	(98,133)
Retained claims payment	<u>\$ 40,848,417</u>	<u>5,358,564</u>	<u>46,206,981</u>
	For the six months ended June 30, 2017		
	Insurance contracts	Financial instruments with discretionary participation	Total
Claims payment incurred	\$ 93,478,765	10,851,011	104,329,776
Reinsurance claims payment incurred	273	-	273
Insurance claims payment	93,479,038	10,851,011	104,330,049
Less: Claims payment recovered from reinsures	(306,415)	-	(306,415)
Retained claims payment	<u>\$ 93,172,623</u>	<u>10,851,011</u>	<u>104,023,634</u>

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES
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	For the six months ended June 30, 2016		
	Insurance contracts	Financial instruments with discretionary participation	Total
Claims payment incurred	\$ 80,570,959	11,381,153	91,952,112
Reinsurance claims payment incurred	579	-	579
Insurance claims payment	80,571,538	11,381,153	91,952,691
Less: Claims payment recovered from reinsures	(209,657)	-	(209,657)
Retained claims payment	\$ 80,361,881	11,381,153	91,743,034

- 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.

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

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- c. Occupational and financial risk
- 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.

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

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FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES
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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 its business. Fubon Life Insurance currently adopts Standard and Poor's A- or above as its guideline regarding newly incorporated reinsurers.

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FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES
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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. The independent directors acting as the conveners, and hold 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
 - v. Submit risk management report to the board of directors regularly and authorize to competent departments.

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FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES
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- 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:

	For the six months ended June 30, 2017		
	Change in assumption	Change in income before tax	Change in stockholder's equity
Mortality/Morbidity	Increase 10 %	(1,243,512)	(1,032,115)
Rate of return	Decrease 0.1 %	(1,650,096)	(1,369,580)
Expense (fixed expense)	Increase 5 %	(171,750)	(142,553)
Lapse and surrender rate	Increase 10 %	101,028	83,853

	For the six months ended June 30, 2016		
	Change in assumption	Change in income before tax	Change in stockholder's equity
Mortality/Morbidity	Increase 10 %	(1,172,017)	(972,774)
Rate of return	Decrease 0.1 %	(1,468,372)	(1,218,749)
Expense (fixed expense)	Increase 5 %	(157,400)	(130,642)
Lapse and surrender rate	Increase 10 %	112,805	93,628

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.

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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 and its subsidiaries sell insurances, which include life insurance, annuity insurance, accident insurance and health insurance. Since insurance contracts are mainly issued in Taiwan, the insurance risk is concentrated in Taiwan.

3. Claim development trend

a. Development trend of claims payment incurred

June 30, 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	4,242,388	-
2012	3,534,236	4,263,656	4,330,262	4,347,231	4,351,260	4,354,660	-	3,969
2013	3,970,050	4,725,262	4,813,040	4,826,369	4,829,413	-	-	8,049
2014	4,172,446	5,113,019	5,173,291	5,179,989	-	-	-	14,253
2015	4,605,165	5,558,277	5,630,210	-	-	-	-	67,316
2016	5,070,166	6,021,529	-	-	-	-	-	686,457
2017	2,145,405	-	-	-	-	-	-	471,849
IBNR Reserve								1,251,893
Plus: RBNA Reserve (reported and unpaid claims)								926,816
The balance of claim reserve								2,178,709

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

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June 30, 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	4,067,926	-
2011	3,500,731	4,151,270	4,214,277	4,225,892	4,232,924	4,234,348	-	-
2012	3,534,236	4,263,656	4,330,262	4,347,231	4,355,908	-	-	-
2013	3,970,050	4,725,262	4,813,040	4,825,346	-	-	-	5,491
2014	4,172,446	5,113,019	5,171,884	-	-	-	-	47,923
2015	4,605,165	5,371,984	-	-	-	-	-	582,984
2016	2,105,581	-	-	-	-	-	-	452,468
IBNR Reserve								1,088,866
Plus: RBNA Reserve (reported and unpaid claims)								914,625
The balance of claim reserve								2,003,491

Note 1: Amount shown above excludes investment contracts

Note 2: As of June 30, 2017, December 31 and June 30, 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 \$14,791, \$15,028 and \$15,473, respectively.

b. Development trend of retained claims payments

Cumulative claims payments from prior years are as follows:

June 30, 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	4,072,480	-
2012	3,526,249	4,184,487	4,251,072	4,268,016	4,272,044	4,275,443	-	3,939
2013	3,942,698	4,565,096	4,651,774	4,665,103	4,668,147	-	-	7,893
2014	4,166,511	4,992,049	5,052,316	5,059,014	-	-	-	14,035
2015	4,587,144	5,435,512	5,507,171	-	-	-	-	65,909
2016	5,068,488	5,964,242	-	-	-	-	-	679,633
2017	2,138,575	-	-	-	-	-	-	469,424
IBNR Reserve								1,240,833
Plus: RBNA Reserve								852,685
The balance of claim reserve								2,093,518

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

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June 30, 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	3,781,348	-
2011	3,437,890	3,981,026	4,044,397	4,056,011	4,063,016	4,064,440	-	-
2012	3,526,249	4,184,487	4,251,072	4,268,016	4,276,694	-	-	-
2013	3,942,698	4,565,096	4,651,774	4,664,080	-	-	-	5,406
2014	4,166,511	4,992,049	5,050,914	-	-	-	-	46,906
2015	4,587,144	5,306,360	-	-	-	-	-	575,674
2016	2,105,054	-	-	-	-	-	-	452,266
IBNR Reserve								1,080,252
Plus: RBNA Reserve								832,293
The balance of claim reserve								1,912,545

Note 1: Amount shown above excludes investment contracts

Note 2: As of June 30, 2017, December 31 and June 30, 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 \$12,784, \$13,052 and \$13,498, 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:

June 30, 2017

(Unit: In millions of TWD)

Maturity date	< 1 year	1~3 years	3~5 years	> 5 years	Unable to classify (note)	Total
Provision	141,585	253,112	130,332	2,253,087	238,211	3,016,327
Proportion	4.7 %	8.4 %	4.3 %	74.7 %	7.9 %	100.0 %

December 31, 2016

(Unit: In millions of TWD)

Maturity date	< 1 year	1~3 years	3~5 years	> 5 years	Unable to classify (note)	Total
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 %

(Continued)

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

June 30, 2016

(Unit: In millions of TWD)

Maturity date	< 1 year	1~3 years	3~5 years	> 5 years	Unable to classify (note)	Total
Provision	156,896	300,758	194,844	1,898,265	256,223	2,806,986
Proportion	5.6 %	10.7 %	6.9 %	67.7 %	9.1 %	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.

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.

(Continued)

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

(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.

(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.

(Continued)

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

(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.

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.

(Continued)

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

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.

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.

(Continued)

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

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 data 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.

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.

(Continued)

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

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.

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)

Off-balance sheet items	Maximum exposure amount		
	June 30, 2017	December 31, 2016	June 30, 2016
Irrevocable loan commitments	\$ 75,238,930	90,031,332	92,252,750
Standby letters of credit	7,558,216	8,893,665	7,046,329
Financial guarantees	30,759,083	32,089,282	37,207,963
Total	\$ 113,556,229	131,014,279	136,507,042

(Continued)

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

Fubon Bank (China)

Units: In thousands of CNY

<u>Off-balance sheet items</u>	<u>Maximum exposure amount</u>		
	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Irrevocable loan commitments	\$ 237,171	140,375	65,000
Standby letters of credit	466,702	235,845	196,568
Financial guarantees	<u>1,626,305</u>	<u>1,649,110</u>	<u>1,507,885</u>
Total	<u>\$ 2,330,178</u>	<u>2,025,330</u>	<u>1,769,453</u>

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>June 30, 2017</u>				
<u>Assets</u>	<u>Financial instruments</u>	<u>Properties</u>	<u>Guarantees</u>	<u>Others</u>
Loans	3.09 %	56.78 %	4.03 %	2.98 %
Guarantees receivable	3.88 %	4.91 %	0.49 %	0.50 %
Acceptances	10.16 %	6.02 %	0.24 %	- %
Available-for-sale financial assets	- %	- %	17.27 %	- %
Held-to-maturity financial assets	- %	- %	0.70 %	- %
Other financial assets— Debt investments without active markets	- %	- %	4.83 %	- %
<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 %	- %

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

June 30, 2016				
Assets	Financial instruments	Properties	Guarantees	Others
Loans	3.12 %	52.13 %	3.92 %	3.09 %
Guarantees receivable	4.68 %	5.94 %	0.59 %	0.58 %
Acceptances	10.83 %	6.47 %	0.29 %	0.61 %
Available-for-sale financial assets	-	-	13.45 %	-
Held-to-maturity financial assets	-	-	1.72 %	-
Other financial assets— Debt investments without active markets	-	-	7.56 %	-
Fubon Bank (China)				
June 30, 2017				
Assets	Financial instruments	Properties	Guarantees	Others
Loans	10.30 %	7.85 %	-	1.28 %
Guarantees receivable	73.42 %	23.65 %	2.63 %	-
Acceptances	48.74 %	4.93 %	33.91 %	-
December 31, 2016				
Assets	Financial instruments	Properties	Guarantees	Others
Loans	10.24 %	9.20 %	-	1.55 %
Guarantees receivable	70.50 %	25.76 %	3.50 %	-
Acceptances	54.02 %	6.14 %	20.04 %	-
June 30, 2016				
Assets	Financial instruments	Properties	Guarantees	Others
Loans	11.58 %	11.05 %	-	2.33 %
Guarantees receivable	68.68 %	28.45 %	1.42 %	-
Acceptances	55.34 %	5.63 %	18.55 %	-
Other financial assets— Debt investments without active markets	-	-	-	100.00 %

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FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES
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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>June 30, 2017</u>		<u>December 31, 2016</u>		<u>June 30, 2016</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Private	\$ 606,122,615	51.20	572,170,635	49.34	552,205,700	46.27
Private enterprise	416,739,953	35.20	409,665,407	35.33	448,662,166	37.56
Financial institution	75,362,375	6.37	62,718,472	5.41	54,698,214	4.58
Government organization	45,723,306	3.86	60,253,577	5.20	70,543,958	5.91
Public enterprise	39,365,051	3.32	54,379,520	4.69	68,154,218	5.70
Non-profit organization	550,643	0.05	399,872	0.03	383,153	0.03
Total	<u>\$ 1,183,863,943</u>	<u>100.00</u>	<u>1,159,587,483</u>	<u>100.00</u>	<u>1,194,647,409</u>	<u>100.00</u>

ii) By geographical area

	<u>June 30, 2017</u>		<u>December 31, 2016</u>		<u>June 30, 2016</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Domestic	\$ 1,043,710,145	88.16	1,033,742,174	89.15	1,069,258,731	89.50
Asia	76,054,625	6.43	62,885,190	5.42	67,638,433	5.66
America	52,005,012	4.39	49,717,731	4.29	47,048,848	3.94
Others	12,094,161	1.02	13,242,388	1.14	10,701,397	0.90
Total	<u>\$ 1,183,863,943</u>	<u>100.00</u>	<u>1,159,587,483</u>	<u>100.00</u>	<u>1,194,647,409</u>	<u>100.00</u>

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FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES
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iii) By collateral

	<u>June 30, 2017</u>		<u>December 31, 2016</u>		<u>June 30, 2016</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Unsecured	\$ 411,092,151	34.72	423,747,922	36.55	470,773,282	39.41
Secured	772,771,792	65.28	735,839,561	63.45	723,874,127	60.59
Properties	654,746,255	55.31	626,202,482	54.00	604,347,744	50.58
Guarantees	46,555,205	3.93	45,691,757	3.94	45,515,673	3.81
Financial instruments	37,032,386	3.13	31,576,642	2.72	38,050,967	3.19
Others	34,437,946	2.91	32,368,680	2.79	35,959,743	3.01
Total	<u>\$ 1,183,863,943</u>	<u>100.00</u>	<u>1,159,587,483</u>	<u>100.00</u>	<u>1,194,647,409</u>	<u>100.00</u>

Fubon Bank (China)

i) By industry

	<u>June 30, 2017</u>		<u>December 31, 2016</u>		<u>June 30, 2016</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Finance and insurance	\$ 11,707,529	29.24	11,881,305	30.00	12,500,425	29.66
Construction	5,066,939	12.66	4,313,653	10.89	4,832,239	11.46
Wholesale and retailing	4,333,765	10.82	3,164,941	7.99	2,796,755	6.64
Leasing and business service	3,640,333	9.09	3,819,398	9.64	2,405,752	5.71
Water conservation and environment	3,517,454	8.79	3,160,997	7.98	3,755,997	8.91
Manufacturing	3,349,502	8.37	3,267,854	8.25	2,933,004	6.96
Real estate	1,395,884	3.49	2,057,279	5.19	2,794,688	6.63
Personal loans	605,606	1.51	497,027	1.26	391,522	0.93
Transportation	526,094	1.31	58,676	0.15	270,606	0.64
Electricity, gas and water	463,000	1.16	216,050	0.55	322,880	0.77
Information and computers	437,217	1.09	537,274	1.36	355,001	0.84
Education	239,250	0.60	127,743	0.32	54,817	0.13
Research, development and technical services	130,331	0.32	5,040	0.01	136,280	0.32
Agriculture, livestock and fishery	100,000	0.25	55,000	0.14	40,000	0.09
Culture, sports and entertainment	48,434	0.12	25,000	0.06	122,619	0.29
Health care and welfare	34,870	0.09	33,293	0.08	33,293	0.08
Hotel and catering	23,167	0.06	54,689	0.14	112,283	0.27
Others	4,417,157	11.03	6,327,381	15.99	8,291,223	19.67
Total (Note)	<u>\$ 40,036,532</u>	<u>100.00</u>	<u>39,602,600</u>	<u>100.00</u>	<u>42,149,384</u>	<u>100.00</u>

Note : Included only discounts and loans.

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

ii) By geographical area

	Units: In thousands of CNY					
	June 30, 2017		December 31, 2016		June 30, 2016	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
East China	\$ 17,321,892	43.27	18,154,073	45.84	18,375,055	43.60
North China	8,688,167	21.70	10,660,688	26.92	12,375,165	29.36
South west region	6,340,282	15.84	5,683,492	14.35	6,377,048	15.13
South China	2,259,929	5.64	1,640,154	4.14	1,863,877	4.42
Other regions	4,820,656	12.04	2,967,166	7.49	2,766,717	6.56
Private loans	<u>605,606</u>	<u>1.51</u>	<u>497,027</u>	<u>1.26</u>	<u>391,522</u>	<u>0.93</u>
Total (Note)	<u>\$ 40,036,532</u>	<u>100.00</u>	<u>39,602,600</u>	<u>100.00</u>	<u>42,149,384</u>	<u>100.00</u>

Note : Included only discounts and loans.

iii) By collateral

	Units: In thousands of CNY					
	June 30, 2017		December 31, 2016		June 30, 2016	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Credit loans	\$ 32,258,922	80.57	31,292,273	79.01	31,629,334	75.04
Guarantees loans	511,194	1.28	612,639	1.55	981,102	2.33
Collateral loans	7,266,416	18.15	7,697,688	19.44	9,538,948	22.63
Mortgage loans	4,122,686	10.30	4,055,552	10.24	4,882,783	11.58
Pledge loans	<u>3,143,730</u>	<u>7.85</u>	<u>3,642,136</u>	<u>9.20</u>	<u>4,656,165</u>	<u>11.05</u>
Total (Note)	<u>\$ 40,036,532</u>	<u>100.00</u>	<u>39,602,600</u>	<u>100.00</u>	<u>42,149,384</u>	<u>100.00</u>

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.

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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	
June 30, 2017										
Receivables	46,366,890	20,803,818	492,948	67,663,656	169,403	861,365	68,694,424	159,271	310,283	68,224,870
Credit card business	29,101,558	6,180,725	445,247	35,727,530	154,728	657,700	36,539,958	58,636	119,561	36,361,761
Accounts receivable and documents against acceptance - forfaiting	303,797	1,126,090	-	1,429,887	-	-	1,429,887	-	14,671	1,415,216
Accounts receivable - factoring	1,797,578	10,586,117	-	12,383,695	-	-	12,383,695	-	145,508	12,238,187
Acceptances	815,815	2,045,897	-	2,861,712	-	-	2,861,712	-	29,777	2,831,935
Others	14,348,142	864,989	47,701	15,260,832	14,675	203,665	15,479,172	100,635	766	15,377,771
Bill purchased	-	2,077	-	2,077	-	-	2,077	-	21	2,056
Nonperforming loans transferred from other than loans	-	-	-	-	-	676,385	676,385	585,465	-	90,920
Discounts and loans	559,876,160	546,723,561	30,152,834	1,136,752,555	5,228,379	8,239,128	1,150,220,062	1,825,387	13,460,566	1,134,934,109
Personal finance	455,560,077	62,017,236	27,268,179	544,845,492	2,925,598	1,832,944	549,604,034	46,787	7,383,599	542,173,648
Corporate banking	104,316,083	484,706,325	2,884,655	591,907,063	2,302,781	6,406,184	600,616,028	1,778,600	6,076,967	592,760,461

Note: Total loan is the original amount without the adjustments of premium or discounts \$621,439.

(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	
December 31, 2016										
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	
June 30, 2016										
Receivables	43,001,241	22,141,530	575,738	65,718,509	179,213	839,641	66,737,363	112,636	311,360	66,313,367
Credit card business	22,706,749	6,775,425	519,515	30,001,689	160,864	762,206	30,924,759	70,167	102,989	30,751,603
Accounts receivable and documents against acceptance - forfeiting	793,193	809,813	-	1,603,006	-	-	1,603,006	-	22,421	1,580,585
Accounts receivable - factoring	2,027,585	11,482,747	-	13,510,332	-	-	13,510,332	-	154,906	13,355,426
Acceptances	423,006	2,266,449	-	2,689,455	-	-	2,689,455	-	29,795	2,659,660
Other	17,050,708	807,096	56,223	17,914,027	18,349	77,435	18,009,811	42,469	1,249	17,966,093
Bill purchased	28	4,085	-	4,113	-	-	4,113	-	41	4,072
Nonperforming loans transferred from other than loans	-	-	-	-	-	1,179,780	1,179,780	1,100,774	-	79,006
Discounts and loans	535,745,609	572,403,363	34,305,566	1,142,454,538	2,777,970	9,515,571	1,154,748,079	1,481,462	12,967,134	1,140,299,483
Personal finance	412,040,899	53,327,390	30,320,388	495,688,677	2,457,435	1,807,637	499,953,749	69,450	6,693,369	493,190,930
Corporate banking	123,704,710	519,075,973	3,985,178	646,765,861	320,535	7,707,934	654,794,330	1,412,012	6,273,765	647,108,553

Note 1: Total loan is the original amount without the adjustments of premium or discounts 5639,164.

(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	
June 30, 2017									
Receivables	1,746,831	-	1,746,831	-	-	1,746,831	-	3,219	1,743,612
Acceptances	1,107,976	-	1,107,976	-	-	1,107,976	-	-	1,107,976
Accounts receivable and documents against acceptance - forfeiting	211,209	-	211,209	-	-	211,209	-	3,219	207,990
Others	427,646	-	427,646	-	-	427,646	-	-	427,646
Discounts and loans	39,285,842	194,463	39,480,305	101,296	454,931	40,036,532	280,331	449,529	39,306,672
Personal finance	604,935	-	604,935	-	671	605,606	367	9,221	596,018
Corporate banking	38,680,907	194,463	38,875,370	101,296	454,260	39,430,926	279,964	440,308	38,710,654

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	
December 31, 2016									
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

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	
June 30, 2016									
Receivables	1,237,801	-	1,237,801	-	660	1,238,461	330	349	1,237,782
Acceptances	787,618	-	787,618	-	-	787,618	-	-	787,618
Accounts receivable and documents against acceptance - forfeiting	16,934	-	16,934	-	-	16,934	-	349	16,585
Others	433,249	-	433,249	-	660	433,909	330	-	433,579
Continuing involvement in transferred assets	50,863	-	50,863	-	-	50,863	-	1,129	49,734
Discounts and loans	40,830,748	127,908	40,958,656	637,378	553,350	42,149,384	287,569	597,134	41,264,681
Personal finance	386,211	4,640	390,851	671	-	391,522	-	8,017	383,505
Corporate banking	40,444,537	123,268	40,567,805	636,707	553,350	41,757,862	287,569	589,117	40,881,176

(Continued)

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

- 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)

June 30, 2017	Neither past due nor impaired			
	Good	Moderate	Substandard	Total
Personal finance				
Mortgage	426,582,299	54,201,430	15,479,046	496,262,775
Micro credit	-	6,720,152	11,785,094	18,505,246
Others	28,977,778	1,095,654	4,039	30,077,471
Corporate banking				
Secured	1,385,438	195,895,218	1,818,611	199,099,267
Unsecured	102,930,645	288,811,107	1,066,044	392,807,796
Total	559,876,160	546,723,561	30,152,834	1,136,752,555

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

June 30, 2016	Neither past due nor impaired			
	Good	Moderate	Substandard	Total
Personal finance				
Mortgage	383,236,164	48,632,844	19,481,847	451,350,855
Micro credit	-	3,740,203	10,836,468	14,576,671
Others	28,804,735	954,343	2,073	29,761,151
Corporate banking				
Secured	3,472,342	182,323,094	1,430,881	187,226,317
Unsecured	120,232,368	336,752,879	2,554,297	459,539,544
Total	535,745,609	572,403,363	34,305,566	1,142,454,538

(Continued)

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

Fubon Bank (China)

Units: In thousands of CNY

June 30, 2017	Neither past due nor impaired		
	Moderate	Special-mention	Total
Personal finance			
Mortgage	453,444	-	453,444
Others	151,491	-	151,491
Corporate banking			
Secured	5,548,259	87,454	5,635,713
Unsecured	33,132,648	107,009	33,239,657
Total	39,285,842	194,463	39,480,305

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
Total	38,849,532	126,588	38,976,120

Units: In thousands of CNY

June 30, 2016	Neither past due nor impaired		
	Moderate	Special-mention	Total
Personal finance			
Mortgage	386,211	4,640	390,851
Corporate banking			
Secured	9,773,107	83,268	9,856,375
Unsecured	30,671,430	40,000	30,711,430
Total	40,830,748	127,908	40,958,656

(Continued)

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

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)					
June 30, 2017									
Available-for-sale financial assets									
Bond investments	45,640,191	42,008,690	-	87,648,881	-	-	87,648,881	-	87,648,881
Others	20,595,736	40,622,267	-	61,218,003	-	-	61,218,003	-	61,218,003
Held-to-maturity financial assets									
Bond investments	96,626,668	5,485,424	-	102,112,092	-	-	102,112,092	-	102,112,092
Others	264,587,826	3,508,884	-	268,096,710	-	-	268,096,710	-	268,096,710
Other financial assets									
Bond investments	36,264,100	3,554,804	-	39,818,904	-	-	39,818,904	-	39,818,904

Note 1: Available-for-sale financial assets did not include equity investments and beneficiary securities: Original cost of \$7,830,112, valuation amounting to \$1,171,416 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)					
December 31, 2016									
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)					
June 30, 2016									
Available-for-sale financial assets									
Bond investments	46,070,566	14,527,468	-	60,598,034	-	-	60,598,034	-	60,598,034
Others	11,690,620	10,795,793	-	22,486,413	-	-	22,486,413	-	22,486,413
Held-to-maturity financial assets									
Bond investments	87,671,701	6,140,775	313,711	94,126,187	-	-	94,126,187	-	94,126,187
Others	197,072,402	-	-	197,072,402	-	-	197,072,402	-	197,072,402
Other financial assets									
Bond investments	23,010,338	4,079,201	-	27,089,539	-	-	27,089,539	-	27,089,539

Note 1: Available-for-sale financial assets did not include equity investments and beneficiary securities: Original cost of \$5,398,016, valuation amounting to \$1,800,378 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 \$594,542 and accumulated impairment amounted to \$39,621.

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

Fubon Bank (China)

Units: In thousands of CNY

June 30, 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)					
Financial assets measured at fair value through profit or loss								
Bond investments	187,629	-	187,629	-	-	187,629	-	187,629
Available-for-sale financial assets								
Bond investments	4,759,550	-	4,759,550	-	-	4,759,550	-	4,759,550
Others	3,158,710	-	3,158,710	-	-	3,158,710	-	3,158,710
Held- to-maturity financial assets								
Bond investments	7,946,985	-	7,946,985	-	-	7,946,985	-	7,946,985

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

Units: In thousands of CNY

June 30, 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)					
Financial assets measured at fair value through profit or loss								
Bond investments	130,116	-	130,116	-	-	130,116	-	130,116
Available-for-sale financial assets								
Bond investments	7,269,987	-	7,269,987	-	-	7,269,987	-	7,269,987
Others	2,371,924	-	2,371,924	-	-	2,371,924	-	2,371,924
Held- to-maturity financial assets								
Bond investments	5,901,388	-	5,901,388	-	-	5,901,388	-	5,901,388
Others	694,681	-	694,681	-	-	694,681	-	694,681
Other financial assets								
Others	300,000	-	300,000	-	-	300,000	-	300,000

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.

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

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

	June 30, 2017			
	Overdue less than one month	Overdue one to three months	Overdue over three to six months	Total
Accounts receivable				
— Credit card	\$ 101,436	53,292	-	154,728
— Others	11,574	3,101	-	14,675
Discounts and loans				
— Personal finance	2,780,051	145,547	-	2,925,598
— Corporate banking	2,236,878	65,903	-	2,302,781
	December 31, 2016			
	Overdue less than one month	Overdue one to three months	Overdue over three to six months	Total
Accounts receivable				
— Credit card	\$ 116,775	57,520	-	174,295
— Others	11,137	2,820	-	13,957
Discounts and loans				
— Personal finance	2,714,900	175,929	-	2,890,829
— Corporate banking	59,181	5,964	331	65,476
	June 30, 2016			
	Overdue less than one month	Overdue one to three months	Overdue over three to six months	Total
Accounts receivable				
— Credit card	\$ 113,003	47,861	-	160,864
— Others	13,728	4,621	-	18,349
Discounts and loans				
— Personal finance	2,309,240	148,195	-	2,457,435
— Corporate banking	51,520	269,015	-	320,535

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

Fubon Bank (China)

Units: In thousands of CNY

June 30, 2017

	Overdue less than one month	Overdue one to three months	Overdue over three to six months	Overdue more than six months	Total
Discounts and loans					
— Corporate banking	\$ 101,296	-	-	-	101,296

Units: In thousands of CNY

December 31, 2016

	Overdue less than one month	Overdue one to three months	Overdue over three to six months	Overdue more than six months	Total
Discounts and loans					
— Personal finance	\$ 13	-	-	-	13
— Corporate banking	3,800	5,109	15,948	157,125	181,982

Units: In thousands of CNY

June 30, 2016

	Overdue less than one month	Overdue one to three months	Overdue over three to six months	Overdue more than six months	Total
Discounts and loans					
— Personal finance	\$ -	-	671	-	671
— Corporate banking	149,206	169,500	123,677	194,324	636,707

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

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 June 30, 2017, December 31 and June 30, 2016 are as follows:

Discounts and loans

Type of impairment assessment		June 30, 2017		December 31, 2016		June 30, 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	8,447,326	3,036,358	11,066,457	2,881,859	10,387,198	2,804,395
	Collectively assessed for impairment	1,832,944	46,787	1,853,308	84,190	1,807,638	69,450
With no objective evidence of impairment	Collectively assessed for impairment	1,319,571,702	15,477,471	1,295,592,087	15,104,101	1,346,636,344	15,858,396

Receivables

Type of impairment assessment		June 30, 2017		December 31, 2016		June 30, 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	823,731	636,856	1,000,435	869,502	1,197,981	1,091,753
	Collectively assessed for impairment	714,019	107,880	769,769	117,279	824,638	123,256
With no objective evidence of impairment	Collectively assessed for impairment	75,631,694	324,749	70,000,869	364,235	72,141,415	318,556

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.

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.

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FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES
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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

Financial assets	June 30, 2017		December 31, 2016		June 30, 2016	
	Amount	%	Amount	%	Amount	%
Industrial enterprise	\$ 75,213,136	3.44	75,070,054	3.57	66,420,918	3.43
Public business	87,826,877	4.02	89,415,855	4.25	73,626,721	3.80
Diversification	387,124	0.02	381,204	0.02	346,926	0.02
Mortgage backed securities	28,296,776	1.30	32,688,848	1.55	35,837,749	1.85
Financial sector	882,073,980	40.38	828,469,280	39.35	795,075,642	41.06
Consumer staples	146,553,286	6.71	142,094,554	6.75	122,040,657	6.30
Government	323,219,538	14.80	338,834,075	16.09	292,276,029	15.09
Technology	61,825,238	2.83	62,803,043	2.98	60,901,551	3.14
Raw material	56,825,591	2.60	60,855,833	2.89	61,535,102	3.18
Consumer discretionary	54,871,930	2.51	50,914,484	2.42	50,673,254	2.62
Energy	85,387,035	3.91	90,105,965	4.28	83,037,335	4.29
Assets backed securities	23,519,633	1.08	19,810,355	0.94	8,238,627	0.42
Telecommunication	179,482,846	8.22	148,238,773	7.04	138,002,673	7.13
Others	178,746,683	8.18	165,677,368	7.87	148,489,954	7.67
Total	<u>\$ 2,184,229,673</u>	<u>100.00</u>	<u>2,105,359,691</u>	<u>100.00</u>	<u>1,936,503,138</u>	<u>100.00</u>

b) Credit risk exposure—by geographic area

Financial assets	June 30, 2017		December 31, 2016		June 30, 2016	
	Amount	%	Amount	%	Amount	%
Taiwan	\$ 630,500,725	28.86	643,549,528	30.57	595,471,994	30.75
Asia except Taiwan	181,872,608	8.33	179,537,785	8.53	182,116,381	9.40
North America	897,870,284	41.11	846,560,534	40.21	790,961,373	40.84
Middle and South America	24,124,166	1.10	19,530,197	0.93	17,562,427	0.91
Europe	414,120,412	18.96	395,475,237	18.78	340,092,149	17.56
Africa/Middle East	35,741,478	1.64	20,706,410	0.98	10,298,814	0.54
Total	<u>\$ 2,184,229,673</u>	<u>100.00</u>	<u>2,105,359,691</u>	<u>100.00</u>	<u>1,936,503,138</u>	<u>100.00</u>

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.

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

June 30, 2017						
Low risk	Medium risk	High risk	No credit rating	Overdue but not impaired	Impaired	Accumulated impairment
\$ 1,435,082,109	749,213,892	1,343,310	-	-	4,786,798	4,321,901
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
June 30, 2016						
Low risk	Medium risk	High risk	No credit rating	Overdue but not impaired	Impaired	Accumulated impairment
\$ 1,302,451,358	630,342,529	4,756,280	-	-	2,483,782	2,509,594

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.

- 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.

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

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.

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

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.

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

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.

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

June 30, 2017						
By area	Taiwan	Asia except Taiwan	North America	Central and South America	Europe	Total
Exposure amount	\$ 39,400,177	5,788,812	8,741,016	-	7,263,031	61,193,036
Ratio of the total	<u>64.39</u> %	<u>9.46</u> %	<u>14.28</u> %	-	<u>11.87</u> %	<u>100.00</u> %
December 31, 2016						
By area	Taiwan	Asia except Taiwan	North America	Central and South America	Europe	Total
Exposure amount	\$ 37,157,579	5,363,584	9,435,871	-	7,600,706	59,557,740
Ratio of the total	<u>62.39</u> %	<u>9.01</u> %	<u>15.84</u> %	-	<u>12.76</u> %	<u>100.00</u> %
June 30, 2016						
By area	Taiwan	Asia except Taiwan	North America	Central and South America	Europe	Total
Exposure amount	\$ 36,414,039	5,174,940	9,709,701	-	6,792,385	58,091,065
Ratio of the total	<u>62.68</u> %	<u>8.91</u> %	<u>16.72</u> %	-	<u>11.69</u> %	<u>100.00</u> %

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

	June 30, 2017		December 31, 2016		June 30, 2016	
	Book value	Maximum exposure	Book value	Maximum exposure	Book value	Maximum exposure
<u>Non-derivative financial instruments</u>						
Financial assets						
Cash and cash equivalents	\$ 9,363,510	9,363,510	9,633,357	9,633,357	10,174,220	10,174,220
Receivables	5,801,143	5,801,143	4,719,612	4,719,612	5,621,222	5,621,222
Financial assets measured at fair value through profit or loss	238,170	238,170	302,129	302,129	1,033,572	1,033,572
Available-for-sale financial assets	39,514,140	39,514,140	40,544,802	40,544,802	38,956,318	38,956,318
Financial assets carried at cost	158,330	158,330	158,330	158,330	159,450	159,450
Debt investments without active market	5,219,684	5,219,684	3,385,068	3,385,068	4,052,925	4,052,925
Other financial assets	403,033	403,033	502,492	502,492	-	-
Reinsurance contract assets – reinsurance recoverable	1,774,024	1,774,024	2,428,523	2,428,523	1,301,935	1,301,935
Reinsurance contract assets – due from other reinsurance	3,816,168	3,816,168	2,993,511	2,993,511	2,890,914	2,890,914
Other assets	1,898,149	1,898,149	1,867,447	1,867,447	1,955,828	1,955,828
Financial liabilities						
Payables	10,489,945	10,489,945	9,565,836	9,565,836	9,428,498	9,428,498
Current tax liabilities	14,866	14,866	471,426	471,426	145,225	145,225
Other liabilities	787,980	787,980	709,916	709,916	705,729	705,729
<u>Derivative financial instruments</u>						
Financial assets						
Financial assets measured at fair value through profit or loss	58,339	58,339	17,516	17,516	103,304	103,304
Financial liabilities						
Financial liabilities measured at fair value through profit or loss	111,605	111,605	251,107	251,107	2,686	2,686

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FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES
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- 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:

Financial assets	June 30, 2017			
	Neither past due nor impaired			
	Low	Moderate	High	Total
Financial assets measured at fair value through profit or loss	\$ 27,370	30,969	-	58,339
Available-for-sale financial assets	9,211,249	8,178,520	-	17,389,769
Debt investments without active market	3,890,365	1,329,319	-	5,219,684
Total	\$ 13,128,984	9,538,808	-	22,667,792

Financial assets	December 31, 2016			
	Neither past due nor impaired			
	Low	Moderate	High	Total
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
Total	\$ 11,515,797	10,033,203	-	21,549,000

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<u>Financial assets</u>	June 30, 2016			
	Neither past due nor impaired			
	Low	Moderate	High	Total
Financial assets measured at fair value through profit or loss	\$ 54,673	48,631	-	103,304
Available-for-sale financial assets	10,691,361	6,302,045	-	16,993,406
Debt investments without active market	3,777,476	275,449	-	4,052,925
Total	<u>\$ 14,523,510</u>	<u>6,626,125</u>	<u>-</u>	<u>21,149,635</u>

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.
- 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.

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

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	June 30, 2017					
	Credit risk exposure amount – by region					
	Taiwan	Hong Kong	Asia	Europe	America	Total
Cash and cash equivalents	\$ 10,341,064	72,078	883,155	484	-	11,296,781
Customer margin account	17,444,590	94,156	1,734,064	-	557,034	19,829,844
Held-for-trading financial assets – current	28,124,378	402,544	1,649,037	-	768,440	30,944,399
Debt securities	26,818,834	402,544	1,649,037	-	768,440	29,638,855
Derivative assets – OTC	98,117	-	-	-	-	98,117
Derivative assets – Futures trading margin	630,237	-	-	-	-	630,237
Other debt securities	576,953	-	-	-	-	576,953
Call option – Futures	237	-	-	-	-	237
Margin deposits for borrowed securities	689,411	-	-	-	-	689,411
Other refundable deposits	1,829,990	2,325	272	-	-	1,832,587
Other current assets	605,724	396,039	-	-	-	1,001,763
Available-for-sale financial assets	408,488	-	130,043	-	19,917	558,448
Debt securities	408,488	-	130,043	-	19,917	558,448
Total	<u>\$ 59,443,645</u>	<u>967,142</u>	<u>4,396,571</u>	<u>484</u>	<u>1,345,391</u>	<u>66,153,233</u>
Proportion of the total	<u>89.86 %</u>	<u>1.46 %</u>	<u>6.65 %</u>	<u>- %</u>	<u>2.03 %</u>	<u>100.00 %</u>

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Financial assets	December 31, 2016					
	Credit risk exposure amount—by region					
	Taiwan	Hong Kong	Asia	Europe	America	Total
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>
	June 30, 2016					
	Credit risk exposure amount—by region					
	Taiwan	Hong Kong	Asia	Europe	America	Total
Cash and cash equivalents	\$ 7,214,362	82,228	17,091	307	80,933	7,394,921
Customer margin account	12,654,842	31,458	2,868,347	-	53,666	15,608,313
Held-for-trading financial assets—current	25,107,245	293,152	1,085,243	326,592	1,276,793	28,089,025
Debt securities	24,399,022	293,152	1,085,243	326,592	1,276,793	27,380,802
Derivative assets—OTC	37,500	-	-	-	-	37,500
Derivative assets—Futures trading margin	125,845	-	-	-	-	125,845
Other debt securities	544,878	-	-	-	-	544,878
Margin deposits for borrowed securities	30,807	-	-	-	-	30,807
Other refundable deposits	2,007,735	2,466	-	-	-	2,010,201
Other current assets	912,839	222,471	-	-	-	1,135,310
Available-for-sale financial assets	359,492	-	166,374	-	-	525,866
Debt securities	320,592	-	-	-	-	320,592
Other debt securities	27,894	-	-	-	-	27,894
Open-end funds and money market instruments	11,006	-	166,374	-	-	177,380
Total	<u>\$ 48,287,322</u>	<u>631,775</u>	<u>4,137,055</u>	<u>326,899</u>	<u>1,411,392</u>	<u>54,794,443</u>
Proportion of the total	<u>88.12 %</u>	<u>1.15 %</u>	<u>7.55 %</u>	<u>0.60 %</u>	<u>2.58 %</u>	<u>100.00 %</u>

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FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES
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June 30, 2017														
Credit risk exposure amount—by industry														
Financial assets	Central and local government service	Retail and wholesale agencies	Building and material	Biotechnology industry	Food and travel industry	Shipping industry	Electronic industry	Chemical industry	Motor vehicle industry	Culture and creative industry	Other services	Total		
Cash and cash equivalents	\$ 11,093,733	-	-	-	-	-	-	-	-	-	-	203,048	11,296,781	
Customer margin account	19,829,844	-	-	-	-	-	-	-	-	-	-	-	19,829,844	
Held-for-trading financial assets— current	4,743,046	5,830,948	580	7,359,776	33,554	891,609	42,309	8,190,410	42,081	152,418	-	3,657,668	30,944,399	
Debt securities	3,437,502	5,830,948	580	7,359,776	33,554	891,609	42,309	8,190,410	42,081	152,418	-	3,657,668	29,638,855	
Derivative assets—OTC	98,117	-	-	-	-	-	-	-	-	-	-	-	98,117	
Derivative assets—futures trading margin	630,237	-	-	-	-	-	-	-	-	-	-	-	630,237	
Other debt securities	576,953	-	-	-	-	-	-	-	-	-	-	-	576,953	
Call options—Futures	237	-	-	-	-	-	-	-	-	-	-	-	237	
Margin deposits for borrowed securities	689,411	-	-	-	-	-	-	-	-	-	-	-	689,411	
Other refundable deposits	1,830,147	-	-	-	-	-	-	-	-	-	-	2,440	1,832,587	
Other current assets	472,269	-	-	-	-	-	-	-	-	-	-	529,494	1,001,763	
Available-for-sale financial assets	242,839	315,609	-	-	-	-	-	-	-	-	-	-	558,448	
Debt securities	242,839	315,609	-	-	-	-	-	-	-	-	-	-	558,448	
Total	\$ 38,901,289	6,146,557	580	7,359,776	33,554	891,609	42,309	8,190,410	42,081	152,418	-	4,392,650	66,153,233	
Proportion of the total	58.81 %	9.29 %	- %	11.13 %	0.05 %	1.35 %	0.06 %	12.38 %	0.06 %	0.23 %	- %	6.64 %	100.00 %	

December 31, 2016													
Credit risk exposure amount—by industry													
Financial assets	Central and local government service	Retail and wholesale agencies	Building and material	Biotechnology industry	Food and travel industry	Shipping industry	Electronic industry	Chemical industry	Cultural and creative industry	Other services	Total		
Cash and cash equivalents	\$ 11,466,120	-	-	-	-	-	-	-	-	-	217,676	11,683,796	
Customer margin account	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	-	-	-	-	-	-	-	-	-	2,580	1,707,677	
Other current assets	351,802	-	-	-	-	-	-	-	-	-	425,056	776,858	
Available-for-sale financial assets	194,718	308,443	-	-	-	-	-	-	-	-	-	503,161	
Debt securities	-	308,443	-	-	-	-	-	-	-	-	-	308,443	
Open debt securities	25,946	-	-	-	-	-	-	-	-	-	-	25,946	
Open-end funds and money market instruments	168,772	-	-	-	-	-	-	-	-	-	-	168,772	
Total	\$ 32,719,097	8,616,579	7,217	3,380,629	41,411	1,002,879	132,619	9,378,920	49,213	155,664	3,464,015	58,948,243	
Proportion of the total	55.51 %	14.62 %	0.01 %	5.74 %	0.07 %	1.70 %	0.22 %	15.91 %	0.08 %	0.26 %	5.88 %	100.00 %	

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FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES
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June 30, 2016														
Credit risk exposure amount—by industry														
Financial assets	Central and local		Retail and wholesale	Building and material	Biotechnology industry	Food and travel industry	Shipping industry	Electronic industry	Chemical industry	Motor vehicle industry	Information services	Culture and creative industry	Other services	Total
	Financial service	government agencies												
Cash and cash equivalents	\$ 7,001,076	-	-	-	-	-	-	-	-	-	-	-	393,845	7,394,921
Customer margin account	15,608,313	-	-	-	-	-	-	-	-	-	-	-	-	15,608,313
Held-for-trading financial assets—current	4,419,371	5,343,904	203,481	3,578,845	89,939	1,100,300	125,511	8,702,454	95,213	526,461	696,216	2,524	3,204,806	28,089,025
Debt securities	3,711,148	5,343,904	203,481	3,578,845	89,939	1,100,300	125,511	8,702,454	95,213	526,461	696,216	2,524	3,204,806	27,380,802
Derivative assets—OTC	37,500	-	-	-	-	-	-	-	-	-	-	-	-	37,500
Derivative assets—futures trading margin	125,845	-	-	-	-	-	-	-	-	-	-	-	-	125,845
Other debt securities	544,878	-	-	-	-	-	-	-	-	-	-	-	-	544,878
Margin deposits for borrowed securities	30,807	-	-	-	-	-	-	-	-	-	-	-	-	30,807
Other refundable deposits	2,007,620	-	-	-	-	-	-	-	-	-	-	-	2,581	2,010,201
Other current assets	770,509	-	-	-	-	-	-	-	-	-	-	-	364,801	1,135,310
Available-for-sale financial assets	205,274	320,592	-	-	-	-	-	-	-	-	-	-	-	525,866
Debt securities	-	320,592	-	-	-	-	-	-	-	-	-	-	-	320,592
Open debt securities	27,894	-	-	-	-	-	-	-	-	-	-	-	-	27,894
Open-end funds and money market instruments	177,380	-	-	-	-	-	-	-	-	-	-	-	-	177,380
Total	\$ 30,042,970	5,664,496	203,481	3,578,845	89,939	1,100,300	125,511	8,702,454	95,213	526,461	696,216	2,524	3,966,033	54,794,443
Proportion of the total	54.84 %	10.34 %	0.37 %	6.53 %	0.16 %	2.01 %	0.23 %	15.88 %	0.17 %	0.96 %	1.27 %	- %	7.24 %	100.00 %

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.

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.

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

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.

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.

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

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.

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.

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

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.

	June 30, 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	\$ 10,025,855	1,270,926	-	-	-	-	11,296,781
Customer margin account	19,829,844	-	-	-	-	-	19,829,844
Held-for-trading financial assets – current	18,157,435	12,777,085	9,879	-	-	-	30,944,399
Debt securities	17,345,421	12,283,555	9,879	-	-	-	29,638,855
Derivative assets – OTC	5,886	92,231	-	-	-	-	98,117
Derivative assets – Futures trading margin	630,237	-	-	-	-	-	630,237
Other debt securities	175,654	401,299	-	-	-	-	576,953
Call option – Futures	237	-	-	-	-	-	237
Margin deposits for borrowed securities	689,411	-	-	-	-	-	689,411
Other refundable deposits	1,831,165	1,422	-	-	-	-	1,832,587
Other current assets	1,001,763	-	-	-	-	-	1,001,763
Available-for-sale financial assets	430,036	30,743	97,669	-	-	-	558,448
Debt securities	430,036	30,743	97,669	-	-	-	558,448
Subtotal	<u>51,965,509</u>	<u>14,080,176</u>	<u>107,548</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>66,153,233</u>
Proportion of the total	78.54 %	21.29 %	0.17 %	- %	- %	- %	100.00 %
Receivables	19,705,608	7,501,179	442,985	-	-	-	27,649,772
Account receivable	15,072,860	-	-	-	-	-	15,072,860
Receivables from pecuniary finance	4,632,748	7,501,179	442,985	-	-	-	12,576,912
Total	<u>\$ 71,671,117</u>	<u>21,581,355</u>	<u>550,533</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>93,803,005</u>
Proportion of the total	<u>76.41 %</u>	<u>23.00 %</u>	<u>0.59 %</u>	<u>- %</u>	<u>- %</u>	<u>- %</u>	<u>100.00 %</u>

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FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES
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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	<u>80.77 %</u>	<u>18.28 %</u>	<u>0.95 %</u>	<u>- %</u>	<u>- %</u>	<u>- %</u>	<u>100.00 %</u>
Receivables	<u>14,870,101</u>	<u>5,856,467</u>	<u>706,103</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,432,671</u>
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>

June 30, 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	\$ 5,172,041	2,222,880	-	-	-	-	7,394,921
Customer margin account	15,608,313	-	-	-	-	-	15,608,313
Held-for-trading financial assets – current	18,016,415	10,072,610	-	-	-	-	28,089,025
Debt securities	17,803,551	9,577,251	-	-	-	-	27,380,802
Derivative assets – OTC	3,631	33,869	-	-	-	-	37,500
Derivative assets – Futures trading margin	125,845	-	-	-	-	-	125,845
Other debt securities	83,388	461,490	-	-	-	-	544,878
Margin deposits for borrowed securities	30,807	-	-	-	-	-	30,807
Other refundable deposits	2,008,695	1,506	-	-	-	-	2,010,201
Other current assets	1,135,310	-	-	-	-	-	1,135,310
Available-for-sale financial assets	399,116	928	125,822	-	-	-	525,866
Debt securities	320,592	-	-	-	-	-	320,592
Other debt securities	27,894	-	-	-	-	-	27,894
Open-end funds and money market instruments	50,630	928	125,822	-	-	-	177,380
Subtotal	<u>42,370,697</u>	<u>12,297,924</u>	<u>125,822</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>54,794,443</u>
Proportion of the total	<u>77.33 %</u>	<u>22.44 %</u>	<u>0.23 %</u>	<u>- %</u>	<u>- %</u>	<u>- %</u>	<u>100.00 %</u>
Receivables	<u>17,086,432</u>	<u>6,051,085</u>	<u>510,348</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,647,865</u>
Account receivable	12,540,041	-	-	-	-	-	12,540,041
Receivables from pecuniary finance	4,546,391	6,051,085	510,348	-	-	-	11,107,824
Total	<u>\$ 59,457,129</u>	<u>18,349,009</u>	<u>636,170</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>78,442,308</u>
Proportion of the total	<u>75.80 %</u>	<u>23.39 %</u>	<u>0.81 %</u>	<u>- %</u>	<u>- %</u>	<u>- %</u>	<u>100.00 %</u>

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FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES
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As seen in above tables, Fubon Securities and its subsidiaries had no financial assets which were overdue but not impaired. 0.58% 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.
- iv) Impairment loss

As of June 30, 2017, December 31 and June 30, 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 June 30, 2017, December 31 and June 30, 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 June 30, 2017, December 31 and June 30, 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.

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

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:

	<u>June 30, 2017</u>		<u>December 31, 2016</u>		<u>June 30, 2016</u>	
	<u>Total amount</u>	<u>Impairment amount</u>	<u>Total amount</u>	<u>Impairment amount</u>	<u>Total amount</u>	<u>Impairment amount</u>
Overdue 0 to 180 days	\$ 800	773	107	107	286	214
Overdue 181 days to one year	80	80	212	139	941	746
Overdue more than one year	6,316	5,044	6,582	5,206	7,760	6,406
Total	<u>\$ 7,196</u>	<u>5,897</u>	<u>6,901</u>	<u>5,452</u>	<u>8,987</u>	<u>7,366</u>

The changes in allowance for uncollectible accounts of other receivables and overdue receivables were as follows:

	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Beginning balance	\$ 6,109	7,568	5,452	7,510
Recognized (reversal of) impairment loss	(212)	(202)	445	(144)
Ending balance	<u>\$ 5,897</u>	<u>7,366</u>	<u>5,897</u>	<u>7,366</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.

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

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.

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.

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

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.

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

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.

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

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.

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FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES
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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):

Units: In thousands of HKD

<u>Off-balance sheet items</u>	<u>Maximum exposure to credit risk</u>		
	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Irrevocable loan commitments	\$ 1,494,335	1,242,882	1,180,187
Standby letters of credit	353,744	267,169	295,055
Financial guarantees	127,166	126,697	115,713
Total	\$ <u>1,975,245</u>	<u>1,636,748</u>	<u>1,590,955</u>

The maximum exposure of assets and off-balance sheet items pledged as collaterals, general agreement of net amount settlement and other credit enhancement tools are as follows:

Unit: %

	<u>June 30, 2017</u>			<u>Total</u>
	<u>Collaterals</u>	<u>General agreement of net amount settlement</u>	<u>Other credit enhancement tools</u>	
<u>On-balance sheet items</u>				
Discounts and loans	52.01	-	41.57	93.58
Available-for-sale financial assets				
– Bonds investments	-	-	3.91	3.91
Total	<u>52.01</u>	<u>-</u>	<u>45.48</u>	<u>97.49</u>
	<u>December 31, 2016</u>			
	<u>Collaterals</u>	<u>General agreement of net amount settlement</u>	<u>Other credit enhancement tools</u>	<u>Total</u>
<u>On-balance sheet items</u>				
Discounts and loans	58.33	-	43.89	102.22
Available-for-sale financial assets				
– Bonds investments	-	-	3.00	3.00
Total	<u>58.33</u>	<u>-</u>	<u>46.89</u>	<u>105.22</u>

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FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES
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<u>On-balance sheet items</u>	June 30, 2016			
	Collaterals	General agreement of net amount settlement	Other credit enhancement tools	Total
	Discounts and loans	54.52	-	35.21
Available-for-sale financial assets				
– Bonds investments	-	-	2.60	2.60
Total	<u>54.52</u>	<u>-</u>	<u>37.81</u>	<u>92.33</u>

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>	Units: In thousands of HKD					
	June 30, 2017		December 31, 2016		June 30, 2016	
	Amount	%	Amount	%	Amount	%
Gross advances for use in Hong Kong industrial, commercial and financial						
Property development	\$ 3,566,094	7.77	3,756,167	8.58	3,799,691	8.71
Property investment	9,130,348	19.90	9,852,120	22.49	10,183,482	23.32
Financial concerns	3,190,228	6.95	1,346,366	3.07	853,829	1.96
Stockbrokers	1,594,256	3.48	1,561,154	3.56	1,010,645	2.32
Wholesale and retail trade	414,293	0.90	342,228	0.78	340,984	0.78
Manufacturing	1,363,319	2.97	1,244,842	2.84	1,873,337	4.29
Transport and transport equipment	168,726	0.37	311,083	0.71	369,318	0.85
Information technology	380,457	0.83	377,867	0.86	285,258	0.65
Electricity and gas	20,000	0.04	131,656	0.30	12,500	0.03
Others	2,091,482	4.56	2,287,477	5.22	2,026,488	4.64

(Continued)

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

Industry	June 30, 2017		December 31, 2016		June 30, 2016	
	Amount	%	Amount	%	Amount	%
Individuals						
Project plan	\$ 4,258	0.01	12,135	0.03	5,518	0.01
Loan for the purchase of other residential properties	9,592,750	20.91	9,663,115	22.06	9,709,614	22.24
Credit card advances	969,176	2.11	1,070,172	2.44	1,082,300	2.48
Others	4,638,985	10.11	4,665,215	10.65	4,365,012	10.00
	37,124,372	80.91	36,621,597	83.59	35,917,976	82.28
Trade finance	4,318,330	9.41	3,524,598	8.05	3,512,192	8.05
Gross advances for use in Hong Kong	41,442,702	90.32	40,146,195	91.64	39,430,168	90.33
Gross advances for use outside Hong Kong	4,442,986	9.68	3,661,537	8.36	4,218,747	9.67
Gross advances to customers	<u>\$ 45,885,688</u>	<u>100.00</u>	<u>43,807,732</u>	<u>100.00</u>	<u>43,648,915</u>	<u>100.00</u>

ii) By collateral

Collateral	June 30, 2017		December 31, 2016		June 30, 2016	
	Amount	%	Amount	%	Amount	%
Unsecured	\$ 22,014,928	47.98	18,253,087	41.67	19,853,066	45.48
Secured						
– Financial collateral	566,069	1.23	703,412	1.61	277,457	0.64
– Real estate	21,958,249	47.85	23,648,401	53.98	22,762,143	52.15
– Other collateral	1,346,442	2.93	1,202,832	2.74	756,249	1.73
Total	<u>\$ 45,885,688</u>	<u>99.99</u>	<u>43,807,732</u>	<u>100.00</u>	<u>43,648,915</u>	<u>100.00</u>

Units: In thousands of HKD

h) The analysis of credit quality and impairment of financial instruments

i) The credit quality of loans and receivables

	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	
June 30, 2017										
Discounts and loans	43,886,198	494,653	663,613	45,044,464	617,454	223,770	45,885,688	145,193	119,675	45,620,820

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	
June 30, 2016										
Discounts and loans	42,198,890	34,185	472,394	42,705,469	616,207	327,239	43,648,915	117,834	84,259	43,446,822

Units: In thousands of HKD

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.

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FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES
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- 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
June 30, 2017				
Customer loans				
Mortgage	9,289,358	11,277	-	9,300,635
Credit card	940,432	12,315	-	952,747
Micro credit	4,603,415	-	-	4,603,415
Corporate loan				
Secured	12,359,399	461,846	-	12,821,245
Unsecured	16,693,593	9,215	663,613	17,366,421
Total	43,886,197	494,653	663,613	45,044,463

	Neither overdue nor impaired			
	Grade 1 (Note)	Grade 2 (Note)	Not subjective to internal grading system	Total
December 31, 2016				
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
Total	42,310,564	401,086	230,135	42,941,785

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FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES
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Units: In thousands of HKD

June 30, 2016	Neither overdue nor impaired			
	Grade 1 (Note)	Grade 2 (Note)	Not subjective to internal grading system	Total
Customer loans				
Mortgage	9,446,835	22,697	-	9,469,532
Cash card	1,053,626	10,232	-	1,063,858
Credit card	4,344,709	597	-	4,345,306
Corporate loan				
Secured	12,499,373	659	-	12,500,032
Unsecured	14,854,347	-	472,394	15,326,741
Total	42,198,890	34,185	472,394	42,705,469

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

June 30, 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											
Bond investment	3,512,941	7,192,093	17,027,956	4,750,941	1,253,834	33,737,765	-	-	33,737,765	-	33,737,765
Equity investment	-	-	-	-	464,895	464,895	-	117,148	582,043	80,264	501,779
Held-to-maturity financial assets											
Bond investment	-	507,354	818,673	-	234,164	1,560,191	-	-	1,560,191	-	1,560,191
Other financial assets											
Bond investment	-	1,997,396	-	-	-	1,997,396	-	-	1,997,396	-	1,997,396

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FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES
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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)					
December 31, 2016											
Available-for-sale financial assets											
Bond 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											
Bond investment	-	659,133	735,661	155,090	-	1,549,884	-	-	1,549,884	-	1,549,884
Other financial assets											
Bond 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)					
June 30, 2016											
Available-for-sale financial assets											
Bond investment	2,423,756	8,257,601	13,587,273	4,942,876	386,335	29,597,841	-	-	29,597,841	-	29,597,841
Equity investment	-	-	-	-	177,508	177,508	-	135,647	313,155	76,574	236,581
Held-to-maturity financial assets											
Bond investment	-	659,481	735,917	155,172	-	1,550,570	-	-	1,550,570	-	1,550,570
Other financial assets											
Bond investment	-	1,999,807	-	40,512	-	2,040,319	-	-	2,040,319	-	2,040,319

i) The aging analysis of past due but not individually impaired financial assets

Units: In thousands of HKD

June 30, 2017

Items	Overdue in 1 month	Overdue in 1-3 months	Overdue in 3-6 months	Overdue in 6-12 months	Total
Discount and loans					
— Others	\$ 584,469	26,290	6,077	618	617,454

Units: In thousands of HKD

December 31, 2016

Items	Overdue in 1 month	Overdue in 1-3 months	Overdue in 3-6 months	Overdue in 6-12 months	Total
Discount and loans					
— Others	\$ 501,767	24,169	-	5,729	531,665

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FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES
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Units: In thousands of HKD

June 30, 2016					
Items	Overdue in 1 month	Overdue in 1-3 months	Overdue in 3-6 months	Overdue in 6-12 months	Total
Discount and loans					
—Others	\$ 481,016	133,758	1,433	-	616,207

(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.

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

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FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES
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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):

i) The maturity analysis of financial assets and liabilities - TWD

Taipei Fubon Bank (The Bank)

Units: In thousands of TWD

	June 30, 2017					
	0-30 days	31-90 days	91-180 days	181-365 days	Over 1 year	Total
Assets						
Cash and due from / call loans to banks	\$ 47,640,688	9,085,181	6,055,417	9,746,322	16,035,106	88,562,714
Investment in marketable securities (Note 2)	207,455,100	25,279,781	20,662,572	64,200,584	132,943,810	450,541,847
Securities purchased under resell agreements	24,780,030	-	-	-	-	24,780,030
Loans (included overdue loans)	78,911,770	77,970,428	82,281,542	75,349,332	625,370,362	939,883,434
Deliverable derivative assets	172,974,263	210,253,843	162,105,626	84,011,142	14,053,909	643,398,783
Non-deliverable derivative assets	4,984,102	-	7,830	11,638	274,277	5,277,847
Other capital inflow on maturity	24,995,050	8,138,519	7,004,023	3,970,130	51,448,758	95,556,480
Total assets	<u>\$ 561,741,003</u>	<u>330,727,752</u>	<u>278,117,010</u>	<u>237,289,148</u>	<u>840,126,222</u>	<u>2,248,001,135</u>
Liabilities						
Deposits from the central bank and banks	\$ 21,055,835	7,000	-	845,004	101,000	22,008,839
Deposits and remittances	204,783,436	109,415,188	108,429,910	186,180,221	567,985,349	1,176,794,104
Securities sold under repurchase agreements	12,654,395	428,547	105,167	-	-	13,188,109
Payables	529,460	498,056	402,559	491,571	83,817	2,005,463
Financial bonds payable	-	4,500,000	2,557,830	3,061,638	37,874,277	47,993,745
Deliverable derivative liabilities	253,390,661	244,632,461	198,281,161	68,684,330	12,887,610	777,876,223
Non-deliverable derivative liabilities	5,341,510	-	-	-	-	5,341,510
Other capital outflow on maturity	8,753,730	1,396,735	791,542	5,098,598	6,502,491	22,543,096
Total liabilities	<u>\$ 506,509,027</u>	<u>360,877,987</u>	<u>310,568,169</u>	<u>264,361,362</u>	<u>625,434,544</u>	<u>2,067,751,089</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
Assets						
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	\$ 579,089,684	314,590,345	186,347,329	239,874,511	798,952,348	2,118,854,217
Liabilities						
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	\$ 418,371,569	341,352,026	272,061,255	272,500,783	632,151,733	1,936,437,366
June 30, 2016						
	0-30 days	31-90 days	91-180 days	181-365 days	Over 1 year	Total
Assets						
Cash and due from / call loans to banks	\$ 29,492,560	4,428,140	9,138,794	28,986,502	34,403,036	106,449,032
Investment in marketable securities(Note 2)	181,979,134	14,492,367	23,556,918	30,605,815	78,526,877	329,161,111
Securities purchased under resell agreements	12,209,448	-	-	-	-	12,209,448
Loans (included overdue loans)	81,920,144	93,636,950	69,052,984	98,117,970	590,538,332	933,266,380
Deliverable derivative assets	196,533,286	171,788,426	123,466,046	115,774,935	38,179,172	645,741,865
Non-deliverable derivative assets	8,185,787	-	5,177	13,706	487,320	8,691,990
Other capital inflow on maturity	19,868,017	3,854,644	5,005,506	9,139,532	58,031,058	95,898,757
Total assets	\$ 530,188,376	288,200,527	230,225,425	282,638,460	800,165,795	2,131,418,583

(Continued)

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

	June 30, 2016					
	0-30 days	31-90 days	91-180 days	181-365 days	Over 1 year	Total
Liabilities						
Deposits from the central bank and banks	\$ 15,395,976	39,317	-	1,244,835	101,000	16,781,128
Deposits and remittances	145,705,751	124,366,599	111,253,196	193,316,457	541,486,086	1,116,128,089
Securities sold under repurchase agreements	6,104,902	206,142	61,040	10,855	-	6,382,939
Payables	375,232	503,867	436,829	491,752	74,078	1,881,758
Financial bonds payable	-	-	4,055,177	4,863,706	48,187,320	57,106,203
Deliverable derivative liabilities	200,199,867	238,838,966	150,865,037	82,120,991	41,535,640	713,560,501
Non-deliverable derivative liabilities	8,493,211	-	-	-	-	8,493,211
Other capital outflow on maturity	13,104,076	1,138,868	406,855	5,096,758	11,232,567	30,979,124
Total liabilities	\$ 389,379,015	365,093,759	267,078,134	287,145,354	642,616,691	1,951,312,953

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.

ii) The maturity analysis of financial assets and liabilities - USD

Taipei Fubon Bank (The Bank)

	June 30, 2017					
	0-30 days	31-90 days	91-180 days	181-365 days	Over 1 year	Total
Assets						
Cash and due from / call loans to banks	\$ 933,807	395,000	405,000	365,000	-	2,098,807
Investment in marketable securities(Note 2)	246,035	84,605	205,154	199,550	3,538,482	4,273,826
Loans (included overdue loans)	1,098,152	377,589	270,259	237,597	1,559,546	3,543,143
Deliverable derivative assets	12,652,289	11,737,599	8,614,392	3,233,665	453,857	36,691,802
Non-deliverable derivative assets	49,622	-	61	153	13,256	63,092
Other capital inflow on maturity	689,582	248,417	62,901	23,846	306,598	1,331,344
Total assets	\$ 15,669,487	12,843,210	9,557,767	4,059,811	5,871,739	48,002,014

Units: In thousands of USD

(Continued)

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

	June 30, 2017					
	0-30 days	31-90 days	91-180 days	181-365 days	Over 1 year	Total
Liabilities						
Deposits from the central bank and banks	\$ 1,002,113	94,000	-	-	-	1,096,113
Deposits and remittances	3,476,651	1,102,693	2,078,461	1,456,463	3,791,017	11,905,285
Securities sold under repurchase agreements	760,961	690,378	14,513	-	-	1,465,852
Payables	9,382	10,172	6,708	246	-	26,508
Financial bonds payable	-	-	-	-	694,412	694,412
Deliverable derivative liabilities	8,901,451	10,273,145	7,486,344	3,859,051	488,623	31,008,614
Non-deliverable derivative liabilities	67,239	35	14	511	67,804	135,603
Other capital outflow on maturity	666,444	121,175	20,393	12,210	556,968	1,377,190
Total liabilities	\$ 14,884,241	12,291,598	9,606,433	5,328,481	5,598,824	47,709,577

Units: In thousands of USD

	December 31, 2016					
	0-30 days	31-90 days	91-180 days	181-365 days	Over 1 year	Total
Assets						
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
Total assets	\$ 13,948,976	11,428,610	8,335,830	4,890,055	4,874,252	43,477,723
Liabilities						
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
Total liabilities	\$ 15,480,628	12,247,193	5,944,446	6,163,993	3,383,921	43,220,181

(Continued)

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

Units: In thousands of USD

	June 30, 2016					
	0-30 days	31-90 days	91-180 days	181-365 days	Over 1 year	Total
Assets						
Cash and due from / call loans to banks	\$ 416,860	60,000	152,000	482,000	-	1,110,860
Investment in marketable securities(Note 2)	121,248	-	29,428	210,875	1,975,235	2,336,786
Loans (included overdue loans)	1,339,359	632,238	382,111	158,859	1,771,492	4,284,059
Deliverable derivative assets	11,157,899	10,641,759	7,702,064	5,082,824	1,351,638	35,936,184
Non-deliverable derivative assets	294,644	-	-	-	558	295,202
Other capital inflow on maturity	235,018	252,144	60,228	134,918	657,684	1,339,992
Total assets	\$ 13,565,028	11,586,141	8,325,831	6,069,476	5,756,607	45,303,083
Liabilities						
Deposits from the central bank and banks	\$ 1,189,713	430,000	30,000	-	-	1,649,713
Deposits and remittances	2,900,056	1,279,090	1,192,793	1,162,550	1,716,496	8,250,985
Securities sold under repurchase agreements	662,266	116,799	-	-	-	779,065
Payables	3,371	3,628	2,503	103	-	9,605
Financial bonds payable	-	-	-	-	187,771	187,771
Deliverable derivative liabilities	10,352,292	8,495,664	6,661,091	5,971,492	1,288,679	32,769,218
Non-deliverable derivative liabilities	319,482	-	289	1,206	28,789	349,766
Other capital inflow on maturity	236,386	97,597	27,750	127,517	439,650	928,900
Total liabilities	\$ 15,663,566	10,422,778	7,914,426	7,262,868	3,661,385	44,925,023

Note1 : The above amounts include only USD amounts held by headquarter, domestic branches and offshore banking units 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, held-to-maturity financial assets and others financial assets— debt investments without active market.

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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

	June 30, 2017					
	0-30 days	31-90 days	91-365 days	Over 1 year	Undetermined	Total
Assets						
Cash and due from / call loans to banks	\$ 1,279,914	-	-	-	5,653,938	6,933,852
Investment in marketable securities(Note)	2,384,308	1,163,447	3,927,181	10,449,734	-	17,924,670
Loans (included overdue loans)	6,582,670	8,155,410	18,546,184	8,484,482	-	41,768,746
Deliverable derivative liabilities	2,966,057	2,575,335	1,934,453	-	-	7,475,845
Non-deliverable derivative liabilities	6,292,586	15,208,863	24,718,498	68,905	-	46,288,852
Other capital inflow on maturity	391,297	252,377	845,789	-	20,358	1,509,821
Total assets	\$ 19,896,832	27,355,432	49,972,105	19,003,121	5,674,296	121,901,786
Liabilities						
Deposits from the central bank and banks	\$ 952,084	2,990,568	3,660,626	-	-	7,603,278
Due to the central bank and banks	-	11,262	1,918,139	-	-	1,929,401
Deposits and remittances	23,916,687	11,068,407	11,007,306	1,410,903	-	47,403,303
Securities sold under repurchase agreements	1,304,019	1,076,441	156,741	-	-	2,537,201
Payables	346,002	230,024	655,478	546	-	1,232,050
Deliverable derivatives liabilities	2,980,696	2,591,206	1,949,026	-	-	7,520,928
Non-deliverable derivatives	6,305,094	14,924,982	24,781,405	68,909	-	46,080,390
Other capital outflow	-	-	-	-	297	297
Total liabilities	\$ 35,804,582	32,892,890	44,128,721	1,480,358	297	114,306,848

Units: In thousands of CNY

	December 31, 2016					
	0-30 days	31-90 days	91-365 days	Over 1 year	Undetermined	Total
Assets						
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
Total assets	\$ 23,148,543	24,923,520	45,641,307	19,992,530	5,955,229	119,661,129
Liabilities						
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
Total liabilities	\$ 37,814,844	32,070,736	39,941,722	2,489,504	13,989	112,330,795

(Continued)

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

Units: In thousands of CNY

	June 30, 2016					
	0-30 days	31-90 days	91-365 days	Over 1 year	Undetermined	Total
Assets						
Cash and due from / call loans to banks	\$ 1,393,204	388,417	96,149	-	6,207,577	8,085,347
Investments in marketable securities (Note)	2,129,091	627,048	2,523,983	12,459,577	-	17,739,699
Loans (included overdue loans)	10,232,809	9,458,881	16,764,202	6,990,652	-	43,446,544
Deliverable derivative assets	4,848,810	3,079,580	9,347,982	-	-	17,276,372
Non deliverable derivative assets	5,235,788	15,213,465	23,788,169	67,235	-	44,304,657
Other capital inflow on maturity	302,935	515,308	727,897	24,800	17,982	1,588,922
Total assets	\$ 24,142,637	29,282,699	53,248,382	19,542,264	6,225,559	132,441,541
Liabilities						
Deposits from the central bank and banks	\$ 1,570,908	2,019,801	1,855,070	-	-	5,445,779
Due to the central bank and banks	-	8,990	26,970	1,476,257	-	1,512,217
Deposits and remittances	10,936,347	23,651	32,726,244	6,784,494	-	50,470,736
Securities sold under repurchase agreements	6,180,526	-	-	-	-	6,180,526
Payables	274,902	209,592	494,434	547	-	979,475
Deliverable derivatives liabilities	4,851,541	3,081,810	9,337,886	-	-	17,271,237
Non-deliverable derivatives liabilities	5,233,090	15,190,112	23,754,938	67,090	-	44,245,230
Other capital outflow	-	-	26,063	24,800	10,020	60,883
Total liabilities	\$ 29,047,314	20,533,956	68,221,605	8,353,188	10,020	126,166,083

Note: Investment in marketable securities includes financial assets measured at fair value, available-for-sale financial assets and held-to-maturity financial assets.

iv) The maturity analysis of derivatives assets and liabilities - TWD

Taipei Fubon Bank (The Bank)

Units: In thousands of TWD

	June 30, 2017					
	0-30 days	31-90 days	91-180 days	181-365 days	Over 1 year	Total
Assets						
Deliverable derivative assets						
— Forward contracts	\$ 1,808,668	1,740,121	946,209	697,320	560,334	5,752,652
— Currency swap	166,850,287	193,084,454	146,717,112	69,130,752	-	575,782,605
— Cross currency swap	4,315,308	15,429,268	14,442,305	14,183,070	13,493,575	61,863,526
Subtotal	172,974,263	210,253,843	162,105,626	84,011,142	14,053,909	643,398,783
Non-deliverable derivative assets						
— Foreign exchange derivative instruments	931,184	-	-	-	-	931,184
— Interest rate derivative instruments — hedging	-	-	7,830	11,638	274,277	293,745
— Interest rate derivative instruments — non-hedging	3,207,830	-	-	-	-	3,207,830
— Equity derivative instruments	845,088	-	-	-	-	845,088
Subtotal	4,984,102	-	7,830	11,638	274,277	5,277,847

(Continued)

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

		June 30, 2017					
		0-30 days	31-90 days	91-180 days	181-365 days	Over 1 year	Total
Liabilities							
Deliverable derivative liabilities							
– Forward contracts	\$	1,709,475	1,512,338	204,229	-	-	3,426,042
– Currency swap		251,681,186	231,117,863	180,937,642	47,744,464	1,898,785	713,379,940
– Cross currency swap		-	12,002,260	17,139,290	20,939,866	10,988,825	61,070,241
Subtotal		<u>253,390,661</u>	<u>244,632,461</u>	<u>198,281,161</u>	<u>68,684,330</u>	<u>12,887,610</u>	<u>777,876,223</u>
Non-deliverable derivative liabilities							
– Foreign exchange derivative instruments		931,173	-	-	-	-	931,173
– Interest rate derivative instruments – non-hedging		3,565,249	-	-	-	-	3,565,249
– Equity derivative instruments		845,088	-	-	-	-	845,088
Subtotal		<u>5,341,510</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,341,510</u>
		Units: In thousands of TWD					
		December 31, 2016					
		0-30 days	31-90 days	91-180 days	181-365 days	Over 1 year	Total
Assets							
Deliverable derivative assets							
– Forward contracts	\$	634,114	1,216,469	1,105,036	1,021,967	442,959	4,420,545
– Currency swap		202,075,119	173,047,276	57,828,992	66,075,333	15,302	499,042,022
– Cross currency swap		10,640,263	9,195,070	14,452,770	27,363,950	18,420,885	80,072,938
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>

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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
Liabilities						
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	3,830,160	12,644,480	6,934,370	29,469,100	17,281,666	70,159,776
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>

Units: In thousands of TWD

	June 30, 2016					
	0-30 days	31-90 days	91-180 days	181-365 days	Over 1 year	Total
Assets						
Deliverable derivative assets						
– Forward contracts	\$ 983,160	1,478,461	1,591,750	1,394,799	955,322	6,403,492
– Currency swap	188,839,194	163,087,600	114,567,349	77,945,343	32,230	544,471,716
– Cross currency swap	6,710,932	7,222,365	7,306,947	36,434,793	37,191,620	94,866,657
Subtotal	<u>196,533,286</u>	<u>171,788,426</u>	<u>123,466,046</u>	<u>115,774,935</u>	<u>38,179,172</u>	<u>645,741,865</u>
Non-deliverable derivative assets						
– Foreign exchange	2,685,602	-	-	-	-	2,685,602
– Interest rate derivative instruments – hedging	-	-	5,177	13,706	487,320	506,203
– Interest rate derivative instruments – non-hedging	5,039,734	-	-	-	-	5,039,734
– Equity derivative instruments	460,451	-	-	-	-	460,451
Subtotal	<u>8,185,787</u>	<u>-</u>	<u>5,177</u>	<u>13,706</u>	<u>487,320</u>	<u>8,691,990</u>

(Continued)

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

Liabilities	June 30, 2016					
	0-30 days	31-90 days	91-180 days	181-365 days	Over 1 year	Total
Deliverable derivative liabilities						
– Forward contracts	\$ 2,012,316	1,501,016	108,634	-	-	3,621,966
– Currency swap	194,719,611	234,230,080	135,257,353	66,732,751	1,353,444	632,293,239
– Cross currency swap	<u>3,467,940</u>	<u>3,107,870</u>	<u>15,499,050</u>	<u>15,388,240</u>	<u>40,182,196</u>	<u>77,645,296</u>
Subtotal	<u>200,199,867</u>	<u>238,838,966</u>	<u>150,865,037</u>	<u>82,120,991</u>	<u>41,535,640</u>	<u>713,560,501</u>
Non-deliverable derivative liabilities						
– Foreign exchange derivative instruments	2,544,879	-	-	-	-	2,544,879
– Interest rate derivative instruments – non-hedging	5,487,966	-	-	-	-	5,487,966
– Equity derivative instruments	460,366	-	-	-	-	460,366
Subtotal	<u>8,493,211</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,493,211</u>

Note: The above amounts include only New Taiwan dollar amounts (exclude foreign currencies) held by headquarter and domestic branches of Taipei Fubon Bank.

v) The maturity analysis of derivatives assets and liabilities - USD

Taipei Fubon Bank (The Bank)

Units: In thousands of USD

Assets	June 30, 2017					
	0-30 days	31-90 days	91-180 days	181-365 days	Over 1 year	Total
Deliverable derivative assets						
– Forward contracts	\$ 325,861	296,327	51,297	21,023	-	694,508
– Currency swap	12,325,695	11,060,806	8,032,680	2,565,862	78,799	34,063,842
– Cross currency swap	<u>733</u>	<u>380,466</u>	<u>530,415</u>	<u>646,780</u>	<u>375,058</u>	<u>1,933,452</u>
Subtotal	<u>12,652,289</u>	<u>11,737,599</u>	<u>8,614,392</u>	<u>3,233,665</u>	<u>453,857</u>	<u>36,691,802</u>
Non-deliverable derivative assets						
– Foreign exchange derivative instruments	37,034	-	-	-	-	37,034
– Interest rate derivative instruments – hedging	-	-	61	153	13,256	13,470
– Interest rate derivative instruments – non-hedging	11,911	-	-	-	-	11,911
– Equity derivative instruments	662	-	-	-	-	662
– Product derivative instruments	15	-	-	-	-	15
Subtotal	<u>49,622</u>	<u>-</u>	<u>61</u>	<u>153</u>	<u>13,256</u>	<u>63,092</u>

(Continued)

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

	June 30, 2017					
	0-30 days	31-90 days	91-180 days	181-365 days	Over 1 year	Total
	June 30, 2017					
	0~30 days	31~90 days	91~180 days	181~365 days	Over 365 days	Total
Liabilities						
Deliverable derivative liabilities						
– Forward contracts	\$ 361,606	580,706	134,577	225,914	35,897	1,338,700
– Currency swap	8,406,295	9,210,717	6,903,115	3,193,511	-	27,713,638
– Cross currency swap	133,550	481,722	448,652	439,626	452,726	1,956,276
Subtotal	8,901,451	10,273,145	7,486,344	3,859,051	488,623	31,008,614
Non-deliverable derivative liabilities						
– Foreign exchange derivative instruments	40,526	-	-	-	-	40,526
– Interest rate derivative instruments – hedging	-	35	14	511	67,804	68,364
– Interest rate derivative instruments – non-hedging	26,037	-	-	-	-	26,037
– Equity derivative instruments	662	-	-	-	-	662
– Product derivative instruments	14	-	-	-	-	14
Subtotal	67,239	35	14	511	67,804	135,603
Units: In thousands of USD						
	December 31, 2016					
	0-30 days	31-90 days	91-180 days	181-365 days	Over 1 year	Total
	December 31, 2016					
	0~30 days	31~90 days	91~180 days	181~365 days	Over 365 days	Total
Assets						
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	118,089	194,000	233,711	936,796	546,838	2,029,434
Subtotal	11,453,371	10,429,655	7,261,663	4,001,814	570,438	33,716,941
Non-deliverable derivative assets						
– Foreign exchange derivative instruments	246,716	-	-	-	-	246,716
– Interest rate derivative instruments	-	-	-	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	263,065	-	-	72	6,769	269,906

(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
Liabilities						
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	325,000	480,107	491,898	859,105	586,851	2,742,961
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>

Units: In thousands of USD

	June 30, 2016					
	0-30 days	31-90 days	91-180 days	181-365 days	Over 1 year	Total
Assets						
Deliverable derivative assets						
– Forward contracts	\$ 495,893	236,120	65,430	85,934	8,600	891,977
– Currency swap	10,551,392	10,274,739	7,442,517	4,496,890	88,507	32,854,045
– Cross currency swap	110,614	130,900	194,117	500,000	1,254,531	2,190,162
Subtotal	<u>11,157,899</u>	<u>10,641,759</u>	<u>7,702,064</u>	<u>5,082,824</u>	<u>1,351,638</u>	<u>35,936,184</u>
Non-deliverable derivative assets						
– Foreign exchange derivative instruments	279,892	-	-	-	-	279,892
– Interest rate derivative instruments – hedging	-	-	-	-	558	558
– Interest rate derivative instruments – non-hedging	14,301	-	-	-	-	14,301
– Equity derivative instruments	313	-	-	-	-	313
– Product derivative instruments	138	-	-	-	-	138
Subtotal	<u>294,644</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>558</u>	<u>295,202</u>

(Continued)

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

	June 30, 2016					Total
	0-30 days	31-90 days	91-180 days	181-365 days	Over 1 year	
Liabilities						
Deliverable derivative liabilities						
– Forward contracts	\$ 650,960	632,742	283,803	242,414	31,337	1,841,256
– Currency swap	9,474,257	7,615,372	6,121,248	4,388,759	96,000	27,695,636
– Cross currency swap	227,075	247,550	256,040	1,340,319	1,161,342	3,232,326
Subtotal	<u>10,352,292</u>	<u>8,495,664</u>	<u>6,661,091</u>	<u>5,971,492</u>	<u>1,288,679</u>	<u>32,769,218</u>
Non-deliverable derivative liabilities						
– Foreign exchange derivative instruments	292,538	-	-	-	-	292,538
– Interest rate derivative instruments – hedging	28	-	289	1,206	28,789	30,312
– Interest rate derivative instruments – non-hedging	26,480	-	-	-	-	26,480
– Equity derivative instruments	315	-	-	-	-	315
– Product derivative instruments	121	-	-	-	-	121
Subtotal	<u>319,482</u>	<u>-</u>	<u>289</u>	<u>1,206</u>	<u>28,789</u>	<u>349,766</u>

Note: The above amounts include only USD amounts held by headquarter, domestic branches and offshore banking units of Taipei Fubon Bank.

vi) The maturity analysis of derivatives assets and liabilities - CNY

Fubon Bank (China)

	June 30, 2017					Units: In thousands of CNY
	0-30 days	31-90 days	91-365 days	Over 1 year	Total	
Asset						
Deliverable derivatives assets						
– Forward contracts	\$ 114,171	208,417	345,994	-	668,582	
– Currency swap	2,851,886	2,366,344	1,511,031	-	6,729,261	
– Options	-	-	6,860	-	6,860	
– Cross currency swap	-	574	70,568	-	71,142	
Subtotal	<u>2,966,057</u>	<u>2,575,335</u>	<u>1,934,453</u>	<u>-</u>	<u>7,475,845</u>	
Non-deliverable derivatives assets						
– Interest rate derivatives instruments – non-hedging	35	116	315	-	466	
– Currency swap	6,292,551	15,207,910	24,717,447	68,905	46,286,813	
– Commodity swap	-	837	736	-	1,573	
Subtotal	<u>6,292,586</u>	<u>15,208,863</u>	<u>24,718,498</u>	<u>68,905</u>	<u>46,288,852</u>	

(Continued)

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

	June 30, 2017				
	0~30 days	31~90 days	91~365 days	Over 365 days	Total
Liabilities					
Deliverable derivatives liabilities					
– Forward contracts	\$ 115,885	210,374	341,356	-	667,615
– Currency swap	2,864,811	2,380,258	1,530,257	-	6,775,326
– Options	-	-	6,845	-	6,845
– Cross currency swap	-	574	70,568	-	71,142
Subtotal	<u>2,980,696</u>	<u>2,591,206</u>	<u>1,949,026</u>	<u>-</u>	<u>7,520,928</u>
Non-deliverable derivatives assets					
– Interest rate derivatives instruments – non-hedging	35	116	315	-	466
– Currency swap	6,305,059	14,924,029	24,780,354	68,909	46,078,351
– Commodity swap	-	837	736	-	1,573
Subtotal	<u>6,305,094</u>	<u>14,924,982</u>	<u>24,781,405</u>	<u>68,909</u>	<u>46,080,390</u>
Units: In thousands of CNY					
	December 31, 2016				
	0~30 days	31~90 days	91~365 days	Over 1 year	Total
Asset					
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	548,456	-	-	-	548,456
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	1,435	-	1,968	-	3,403
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>
Liabilities					
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	548,404	-	-	-	548,404
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	1,435	-	1,968	-	3,403
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

	June 30, 2016				
	0~30 days	31~90 days	91~365 days	Over 1 year	Total
Asset					
Deliverable derivatives assets					
– Forward contracts	\$ 114,996	345,652	819,894	-	1,280,542
– Currency swap	4,335,212	2,718,112	7,395,379	-	14,448,703
– Options	397,787	12,939	1,130,189	-	1,540,915
– Equity exchange	815	706	2,520	-	4,041
– Cross-currency swap	-	2,171	-	-	2,171
Subtotal	<u>4,848,810</u>	<u>3,079,580</u>	<u>9,347,982</u>	<u>-</u>	<u>17,276,372</u>
Non-deliverable derivatives assets					
– Forward contracts	-	13,906	139,135	-	153,041
– Currency swap	5,235,756	15,199,559	23,648,941	67,235	44,151,491
– Interest rate derivatives instruments – non-hedging	32	-	93	-	125
Subtotal	<u>5,235,788</u>	<u>15,213,465</u>	<u>23,788,169</u>	<u>67,235</u>	<u>44,304,657</u>
Liabilities					
Deliverable derivatives liabilities					
– Forward contracts	\$ 114,755	342,753	821,953	-	1,279,461
– Currency swap	4,338,184	2,723,241	7,383,224	-	14,444,649
– Options	397,787	12,939	1,130,189	-	1,540,915
– Equity exchange	815	706	2,520	-	4,041
– Cross-currency swap	-	2,171	-	-	2,171
Subtotal	<u>4,851,541</u>	<u>3,081,810</u>	<u>9,337,886</u>	<u>-</u>	<u>17,271,237</u>
Non-deliverable derivatives assets					
– Forward contracts	-	13,986	138,440	-	152,426
– Currency swap	5,233,058	15,176,126	23,616,405	67,090	44,092,679
– Interest rate derivatives instruments – non-hedging	32	-	93	-	125
Subtotal	<u>5,233,090</u>	<u>15,190,112</u>	<u>23,754,938</u>	<u>67,090</u>	<u>44,245,230</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

June 30, 2017	0-30 days	31-90 days	91-180 days	181-365 days	Over 1 year	Total
Standby and irrevocable loan commitment	75,238,930	-	-	-	-	75,238,930
Unused letters of credit	7,558,216	-	-	-	-	7,558,216
Other guarantee amounts	10,975,546	1,583,659	-	3,100,904	15,098,974	30,759,083
Total	93,772,692	1,583,659	-	3,100,904	15,098,974	113,556,229

December 31, 2016	0-30 days	31-90 days	91-180 days	181-365 days	Over 1 year	Total
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
Total	109,332,969	100,000	1,526,250	1,852,495	18,202,565	131,014,279

June 30, 2016	0-30 days	31-90 days	91-180 days	181-365 days	Over 1 year	Total
Standby and irrevocable loan commitment	92,252,750	-	-	-	-	92,252,750
Unused letters of credit	7,046,329	-	-	-	-	7,046,329
Other guarantee amounts	11,532,368	3,005,407	842,789	1,526,250	20,301,149	37,207,963
Total	110,831,447	3,005,407	842,789	1,526,250	20,301,149	136,507,042

Fubon Bank (China)

Units: In thousands of CNY

June 30, 2017	0-30 days	31-90 days	91-365 days	Over 1 year	Total
Standby and irrevocable loan commitment	-	-	-	237,171	237,171
Unused letters of credit	124,453	141,520	200,729	-	466,702
Other guarantee amounts	70,124	298,175	1,195,266	62,740	1,626,305
Total	194,577	439,695	1,395,995	299,911	2,330,178

Units: In thousands of CNY

December 31, 2016	0-30 days	31-90 days	91-365 days	Over 1 year	Total
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
Total	195,818	357,479	1,333,304	138,729	2,025,330

Units: In thousands of CNY

June 30, 2016	0-30 days	31-90 days	91-365 days	Over 1 year	Total
Standby and irrevocable loan commitment	-	-	50,000	15,000	65,000
Unused letters of credit	86,164	59,070	51,334	-	196,568
Other guarantee amounts	56,062	166,580	1,052,074	233,169	1,507,885
Total	142,226	225,650	1,153,408	248,169	1,769,453

(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 manage 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.

(Continued)

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:

	June 30, 2017				
	Less than 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
Payables	\$ 33,439,578	2,029	67	212,145	33,653,819
Short-term debts	87,760	-	-	-	87,760
Bonds Payables (Note)	<u>1,140,750</u>	<u>2,281,500</u>	<u>2,281,500</u>	<u>40,139,265</u>	<u>45,843,015</u>
Total	<u>\$ 34,668,088</u>	<u>2,283,529</u>	<u>2,281,567</u>	<u>40,351,410</u>	<u>79,584,594</u>

	December 31, 2016				
	Less than 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
Payables	\$ 22,327,381	812	66	212,731	22,540,990
Bonds payable (Note)	<u>926,250</u>	<u>1,852,500</u>	<u>1,852,500</u>	<u>33,067,808</u>	<u>37,699,058</u>
Total	<u>\$ 23,253,631</u>	<u>1,853,312</u>	<u>1,852,566</u>	<u>33,280,539</u>	<u>60,240,048</u>

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.

	June 30, 2016				
	Less than 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
Payables	\$ 24,593,186	39,522	37,534	364,619	25,034,861
Short-term debts	<u>69,409</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>69,409</u>
Total	<u>\$ 24,662,595</u>	<u>39,522</u>	<u>37,534</u>	<u>364,619</u>	<u>25,104,270</u>

The maturity structure of derivative financial liabilities of Fubon Life Insurance and its subsidiaries is listed below:

	June 30, 2017				
	Less than 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
Financial liabilities measured at fair value through profit or loss	\$ 7,396,688	-	-	-	7,396,688
Derivative financial liabilities for hedging	-	-	13,645	588,097	601,742
Total	<u>\$ 7,396,688</u>	<u>-</u>	<u>13,645</u>	<u>588,097</u>	<u>7,998,430</u>

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

	December 31, 2016				
	Less than 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
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
Total	\$ 14,156,699	-	-	760,198	14,916,897

	June 30, 2016				
	Less than 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
Financial liabilities measured at fair value through profit or loss	\$ 953,376	-	-	-	953,376

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 their 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.

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.

(Continued)

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

- 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.

- iv) The maturity analyses of financial assets and liabilities are as follows:

		June 30, 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	\$ 1,736,797	333,280	1,430,986	7,208,086	2,198,873	4,481,747	-	17,389,769
	Debt investments without active market	277,569	-	-	400,000	300,087	2,342,028	1,900,000	5,219,684
		<u>\$ 2,014,366</u>	<u>333,280</u>	<u>1,430,986</u>	<u>7,608,086</u>	<u>2,498,960</u>	<u>6,823,775</u>	<u>1,900,000</u>	<u>22,609,453</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>

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

	June 30, 2016							Total
	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	
The maturity analysis of financial assets								
Available-for-sale financial assets	\$ 503,725	2,189,921	931,575	6,868,026	2,178,942	4,321,217	-	16,993,406
Debt investments without active market	387,352	228,328	-	-	946,455	2,490,790	-	4,052,925
	<u>\$ 891,077</u>	<u>2,418,249</u>	<u>931,575</u>	<u>6,868,026</u>	<u>3,125,397</u>	<u>6,812,007</u>	<u>-</u>	<u>21,046,331</u>

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:

	June 30, 2017					Total
	Less than 1 year	1 to 3 year	3 to 5 year	5 to 10 year	No maturity date	
Maturity analysis of financial assets	\$ <u>58,339</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>58,339</u>
Maturity analysis of financial liabilities	\$ <u>111,605</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>111,605</u>

	December 31, 2016					Total
	Less than 1 year	1 to 3 year	3 to 5 year	5 to 10 year	No maturity date	
Maturity analysis of financial assets	\$ <u>17,516</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,516</u>
Maturity analysis of financial liabilities	\$ <u>251,107</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>251,107</u>

	June 30, 2016					Total
	Less than 1 year	1 to 3 year	3 to 5 year	5 to 10 year	No maturity date	
Maturity analysis of financial assets	\$ <u>103,304</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>103,304</u>
Maturity analysis of financial liabilities	\$ <u>2,686</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,686</u>

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

4) Fubon Securities and its subsidiaries

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

Financial assets	June 30, 2017					
	Cash flow gap					
	0-30 days	31-90 days	91-180 days	181-365 days	Over 1 year	Total
Cash and cash equivalents	\$ 6,102,802	3,157,001	1,059,172	940,306	37,500	11,296,781
Customer margin account	19,829,844	-	-	-	-	19,829,844
Held-for-trading financial assets – current	13,649,081	551,343	-	402,647	23,077,900	37,680,971
Open-end funds, money market instruments and other securities	227,273	-	-	-	-	227,273
Operating securities	12,693,217	551,343	-	402,647	22,591,089	36,238,296
Derivative assets – OTC	98,117	-	-	-	-	98,117
Derivative assets – Futures trading margin	630,237	-	-	-	-	630,237
Other debt securities	-	-	-	-	486,811	486,811
Call option – Futures	237	-	-	-	-	237
Available-for-sale financial assets-current	71,442	-	-	10,399,130	47,229	10,517,801
Bond purchased under resell agreement	883,218	-	-	-	-	883,218
Receivables from pecuniary finance	10,061,530	1,760,768	503,076	251,538	-	12,576,912
Collateral for borrowed securities	10,425	-	-	-	-	10,425
Margin deposits for borrowed securities	689,411	-	-	-	-	689,411
Receivables	<u>15,067,173</u>	<u>120,033</u>	<u>8,844</u>	<u>4,422</u>	<u>-</u>	<u>15,200,472</u>
Total	<u>\$ 66,364,926</u>	<u>5,589,145</u>	<u>1,571,092</u>	<u>11,998,043</u>	<u>23,162,629</u>	<u>108,685,835</u>
Proportion of the total	<u>61.06 %</u>	<u>5.14 %</u>	<u>1.45 %</u>	<u>11.04 %</u>	<u>21.31 %</u>	<u>100.00 %</u>

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FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES
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<u>Financial liabilities</u>	June 30, 2017					
	Cash flow gap					
	0-30 days	31-90 days	91-180 days	181-365 days	Over 1 year	Total
Short term loans	\$ 329,840	-	-	-	-	329,840
Commercial papers issued	8,398,704	-	-	-	-	8,398,704
Held-for-trading financial liabilities — current	2,672,618	-	-	-	-	2,672,618
Call (put) warrants	342,906	-	-	-	-	342,906
Derivative liabilities—OTC	1,195,021	-	-	-	-	1,195,021
Liabilities in sale of borrowed securities	166,527	-	-	-	-	166,527
Bonds purchased under resell agreement—Borrowed securities	818,367	-	-	-	-	818,367
Short covering bonds	149,797	-	-	-	-	149,797
Financial liabilities designated as at fair value through profit or loss at initial recognitions	2,648,154	-	-	-	-	2,648,154
Securities sold under repurchase agreements	25,355,520	-	-	-	-	25,355,520
Securities financing refundable deposits	1,067,716	186,850	53,386	26,692	-	1,334,644
Deposits payable for securities financing	1,226,519	214,641	61,326	30,663	-	1,533,149
Securities lending refundable deposits	6,105,081	-	-	-	-	6,105,081
Futures customers' equity	19,829,844	-	-	-	-	19,829,844
Payables	12,201,776	32	9	5	-	12,201,822
Amounts collected for other parties	1,135,969	175	-	-	-	1,136,144
Total	\$ 80,971,741	401,698	114,721	57,360	-	81,545,520
Proportion of the total	99.30 %	0.49 %	0.14 %	0.07 %	- %	100.00 %
Cash inflow	66,364,926	5,589,145	1,571,092	11,998,043	23,162,629	108,685,835
Cash outflow	80,971,741	401,698	114,721	57,360	-	81,545,520
Net cash flow	(14,606,815)	5,187,447	1,456,371	11,940,683	23,162,629	27,140,315

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

	December 31, 2016					
	Cash flow gap					
	0-30 days	31-90 days	91-180 days	181-365 days	Over 1 year	Total
Financial assets						
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, money market instruments and other securities	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	10,133,314	142,711	(44,119)	132,793	1,742	10,366,441
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>
Financial liabilities						
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	15,702,135	-	-	-	-	15,702,135
Futures customers' equity	11,561,030	88	22	15	-	11,561,155
Amounts collected for other parties	715,595	257	-	-	-	715,852
Total	<u>\$ 64,525,694</u>	<u>536,437</u>	<u>134,045</u>	<u>89,364</u>	<u>306,545</u>	<u>65,592,085</u>
Proportion of the total	<u>98.37 %</u>	<u>0.82 %</u>	<u>0.20 %</u>	<u>0.14 %</u>	<u>0.47 %</u>	<u>100.00 %</u>
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 flow	(13,008,736)	3,160,966	2,384,602	11,365,760	23,225,938	27,128,530

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FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES
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	June 30, 2016					
	Cash flow gap					
	0-30 days	31-90 days	91-180 days	181-365 days	Over 1 year	Total
Financial assets						
Cash and cash equivalents	\$ 3,799,510	1,706,787	949,643	885,535	53,446	7,394,921
Customer margin account	15,608,313	-	-	-	-	15,608,313
Held-for-trading financial assets – current	8,439,079	-	-	200,954	22,529,249	31,169,282
Open-end funds, money market instruments and other securities	131,119	-	-	-	-	131,119
Operating securities	8,121,457	-	-	200,954	21,984,371	30,306,782
Derivative assets – OTC	37,500	-	-	-	-	37,500
Derivative assets – Futures trading margin	149,003	-	-	-	-	149,003
Other debt securities	-	-	-	-	544,878	544,878
Available-for-sale financial assets – current	-	-	-	11,869,695	27,894	11,897,589
Bonds purchased under resell agreement	197,179	-	-	-	-	197,179
Receivables from pecuniary finance	9,330,572	1,221,861	333,235	222,156	-	11,107,824
Collateral for borrowed securities	33,851	-	-	-	-	33,851
Margin deposits for borrowed securities	30,807	-	-	-	-	30,807
Receivables	<u>12,350,097</u>	<u>129,318</u>	<u>134,180</u>	<u>6,718</u>	<u>-</u>	<u>12,620,313</u>
Total	<u>\$ 49,789,408</u>	<u>3,057,966</u>	<u>1,417,058</u>	<u>13,185,058</u>	<u>22,610,589</u>	<u>90,060,079</u>
Proportion of the total	<u>55.28 %</u>	<u>3.40 %</u>	<u>1.57 %</u>	<u>14.64 %</u>	<u>25.11 %</u>	<u>100.00 %</u>
Financial liabilities						
Commercial papers issued	\$ 3,950,000	-	-	-	-	3,950,000
Held-for-trading financial liabilities – current	1,363,635	-	-	-	-	1,363,635
Call (put) warrant	333,487	-	-	-	-	333,487
Derivative liabilities – OTC	580,448	-	-	-	-	580,448
Liabilities on sale of borrowed securities	252,194	-	-	-	-	252,194
Bonds purchased under resell agreement – Borrowed securities	197,506	-	-	-	-	197,506
Financial liabilities designated as at fair value through profit or loss at initial recognition	2,440,005	-	-	-	-	2,440,005
Securities sold under repurchase agreements	21,525,563	-	-	-	-	21,525,563
Securities financing refundable deposits	1,285,038	168,279	45,894	30,596	-	1,529,807
Deposits payable for securities financing	1,409,810	184,618	50,350	33,567	-	1,678,345
Securities lending refundable deposits	2,316,772	-	-	-	-	2,316,772
Futures traders' equity	15,608,313	-	-	-	-	15,608,313
Payables	11,936,597	29	8	5	-	11,936,639
Amounts collected for other parties	<u>1,103,146</u>	<u>163</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,103,309</u>
Total	<u>\$ 62,938,879</u>	<u>353,089</u>	<u>96,252</u>	<u>64,168</u>	<u>-</u>	<u>63,452,388</u>
Proportion of the total	<u>99.19 %</u>	<u>0.56 %</u>	<u>0.15 %</u>	<u>0.10 %</u>	<u>- %</u>	<u>100.00 %</u>
Cash inflow	<u>49,789,408</u>	<u>3,057,966</u>	<u>1,417,058</u>	<u>13,185,058</u>	<u>22,610,589</u>	<u>90,060,079</u>
Cash outflow	<u>62,938,879</u>	<u>353,089</u>	<u>96,252</u>	<u>64,168</u>	<u>-</u>	<u>63,452,388</u>
Net cash flow	<u>(13,149,471)</u>	<u>2,704,877</u>	<u>1,320,806</u>	<u>13,120,890</u>	<u>22,610,589</u>	<u>26,607,691</u>

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FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES
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As of the reporting date, the cash flows of Fubon Securities and its subsidiaries have 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.

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.

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

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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.

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.

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

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.

c) The maturity analysis of non-derivative financial liabilities

Units: In thousands of HKD

	June 30, 2017					Total
	0-30 days	31-90 days	91-180 days	181-365 days	Over 1 year	
Non-derivative financial liabilities measured at fair value through profit or loss	\$ -	-	2,000,000	-	-	2,000,000
Bonds and securities purchased under resell agreement	1,490,475	8,782,765	-	-	-	10,273,240
Others	38,788,142	20,693,775	6,863,075	2,968,995	3,618,915	72,932,902

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

Units: In thousands of HKD

	December 31, 2016					Total
	0-30 days	31-90 days	91-180 days	181-365 days	Over 1 year	
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

	June 30, 2016					Total
	0-30 days	31-90 days	91-180 days	181-365 days	Over 1 year	
Non-derivative financial liabilities measured at fair value through profit or loss	\$ 1,990,112	-	936	1,851	538,573	2,531,472
Bonds and securities purchased under resell agreement	4,540,907	4,929,442	-	-	-	9,470,349
Others	40,852,024	19,056,136	4,808,786	3,415,825	2,751,542	70,884,313

a) The maturity analysis of derivative financial liabilities

i) Net settlement derivative instruments

Units: In thousands of HKD

	June 30, 2017					Total
	0-30 days	31-90 days	91-180 days	181-365 days	Over 1 year	
Derivative financial liabilities measured at fair value through profit or loss						
— Foreign exchange derivative contracts	\$ 20,993,666	2,570,760	3,735,298	348,664	124,887	27,773,275
— Interest rate derivatives contracts	-	-	-	552,218	4,662,871	5,215,089
Derivative financial liabilities for hedging						
— Interest rate derivatives contracts	230,150	100,000	468,327	387,182	13,394,578	14,580,237
Total	\$ 21,223,816	2,670,760	4,203,625	1,288,064	18,182,336	47,568,601

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

Units: In thousands of HKD

	December 31, 2016					Total
	0-30 days	31-90 days	91-180 days	181-365 days	Over 1 year	
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
Total	\$ 18,793,579	1,768,857	2,249,274	4,466,479	16,598,993	43,877,182

Units: In thousands of HKD

	June 30, 2016					Total
	0-30 days	31-90 days	91-180 days	181-365 days	Over 1 year	
Derivative financial liabilities measured at fair value through profit or loss						
– Foreign exchange derivative contracts	\$ 22,429,407	3,539,658	2,441,830	2,946,438	1,670,773	33,028,106
– Interest rate derivatives contracts	30,259	-	-	62,069	7,002,502	7,094,830
Derivatives financial liabilities for hedging						
– Interest rate derivatives contracts	-	-	232,758	1,233,221	8,627,773	10,093,752
Total	\$ 22,459,666	3,539,658	2,674,588	4,241,728	17,301,048	50,216,688

ii) The maturity analysis of off-balance sheet items

Units: In thousands of HKD

	June 30, 2017					Total
	0-30 days	31-90 days	91-180 days	181-365 days	Over 1 year	
Standby and irrevocable loan commitment	\$ 142	94,271	74,465	852	1,324,605	1,494,335
Unused letters of credit	51,427	212,015	90,302	-	-	353,744
Other guarantee amounts	4,634	15,442	48,165	44,160	14,765	127,166
Total	\$ 56,203	321,728	212,932	45,012	1,339,370	1,975,245

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FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES
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	December 31, 2016					Total
	0-30 days	31-90 days	91-180 days	181-365 days	Over 1 year	
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
Total	\$ 92,269	175,220	371,616	118,032	879,611	1,636,748

Units: In thousands of HKD

	June 30, 2016					Total
	0-30 days	31-90 days	91-180 days	181-365 days	Over 1 year	
Has developed and irrevocable loan commitment	\$ 106,762	96	25,871	185,729	861,729	1,180,187
Unused letters of credit	69,359	91,906	37,688	96,102	-	295,055
Other guarantee amounts	449	4,117	44,913	61,871	4,363	115,713
Total	\$ 176,570	96,119	108,472	343,702	866,092	1,590,955

(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.

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

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 management policies and procedure control 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.

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

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.

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.

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FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES
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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. The Bank adopts the historical simulation to calculate common VaR and stressed VaR, covering most market risk scenarios. To ensure the VaR's quality, the Bank performs back-testing and statistical tests regularly.

VaR information of trading book is shown below:

<u>Common VaR</u>	<u>For the six months ended June 30, 2017</u>			
	<u>Highest</u>	<u>Lowest</u>	<u>Average</u>	<u>End of period</u>
Interest rate group	\$ 94,459	45,539	63,328	45,539
Exchange rate group	17,482	6,333	10,302	6,333
Volatility group	6,047	1,868	4,241	1,868
Diversification effect	-	-	(12,380)	(3,103)
Common VaR of trading book			<u>\$ 65,491</u>	<u>50,637</u>

<u>Common VaR</u>	<u>For the six months ended June 30, 2016</u>			
	<u>Highest</u>	<u>Lowest</u>	<u>Average</u>	<u>End of period</u>
Interest rate group	\$ 43,718	29,654	37,832	40,134
Exchange rate group	19,905	6,253	10,501	8,178
Volatility group	13,824	3,519	7,377	3,533
Diversification effect	-	-	(18,113)	(11,806)
Common VaR of trading book			<u>\$ 37,597</u>	<u>40,039</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.

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FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES
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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 compensate the insufficiency of VaR, and capture the above risk by measuring the potential impact on trading book portfolio during the abnormal market period.

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.

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 June 30, 2017, December 31 and June 30, 2016, and all other factors been held constant, the earnings would have decreased/increased by \$12 million, \$22 million and \$22 million, respectively.

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FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES
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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 translation of foreign operations under equity.

The Bank has a foreign exchange business, overseas branches, overseas subsidiaries branch's investment accounted for using the equity method. As of June 30, 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:

	June 30, 2017		December 31, 2016		June 30, 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%	\$ 32,182	866,593	35,097	619,855	37,732	686,280
Stock prices decreased by 10%	(32,182)	(866,593)	(35,097)	(619,855)	(37,732)	(686,280)

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.

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FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES
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	June 30, 2017		December 31, 2016		Units: In thousands of CNY June 30, 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	(14,927)	(34,856)	(34,653)	(16,340)	(14,643)
Interest rate decreased by 50 basis points	14,927	35,751	34,653	16,396	14,643	16,193

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:

	June 30, 2017		December 31, 2016		Units: In thousands of CNY June 30, 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%	\$ (17,777)	8,707	25,691	8,921	14,648
Foreign exchange rate for USD and HKD against CNY decreased by 5%	17,777	(8,707)	(25,691)	(8,921)	(14,648)	(4,405)

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 June 30, 2017, December 31 and June 30, 2016.

Taipei Fubon Bank (The Bank)

	June 30, 2017			December 31, 2016			June 30, 2016		
	Original	Rate	TWD	Original	Rate	TWD	Original	Rate	TWD
<u>Financial assets</u>									
<u>Monetary items</u>									
USD	\$ 13,357,198	30.4389	406,578,414	8,903,227	32.2815	287,409,522	10,458,228	32.2908	337,704,549
CNY	15,618,564	4.4867	70,075,811	10,555,074	4.6399	48,974,488	13,411,832	4.8419	64,938,749
JPY	125,413,010	0.2720	34,112,339	99,685,272	0.2752	27,433,387	138,465,529	0.3143	43,519,716
HKD	7,696,320	3.8992	30,009,491	6,249,213	4.1629	26,014,849	6,012,233	4.1603	25,012,693
AUD	805,123	23.3766	18,821,038	715,854	23.3073	16,684,624	628,107	24.0112	15,081,603

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	June 30, 2017			December 31, 2016			June 30, 2016		
	Original	Rate	TWD	Original	Rate	TWD	Original	Rate	TWD
<u>Non-monetary items</u>									
USD	\$ 232,638	30.4389	7,081,245	544,250	32.2815	17,569,206	483,600	32.2908	15,615,831
CNY	1,139,758	4.4867	5,113,752	5,444,211	4.6399	25,260,595	2,693,352	4.8419	13,040,941
JPY	8,449,027	0.2720	2,298,135	26,093,210	0.2752	7,180,851	22,624,467	0.3143	7,110,870
HKD	138,011	3.8992	538,132	447,946	4.1629	1,864,754	527,137	4.1603	2,193,048
AUD	506	23.3766	11,829	543	23.3073	12,656	612	24.0112	14,695
<u>Investments accounted for using equity method</u>									
CNY	4,638,022	4.4867	20,809,414	4,623,970	4.6399	21,454,759	4,568,752	4.8419	22,121,439
<u>Financial liabilities</u>									
<u>Monetary items</u>									
USD	19,407,328	30.4389	590,737,716	12,311,116	32.2815	397,421,291	13,672,394	32.2908	441,492,540
CNY	13,441,931	4.4867	60,309,912	13,868,956	4.6399	64,350,569	12,991,024	4.8419	62,901,239
JPY	31,509,624	0.2720	8,570,618	25,052,451	0.2752	6,894,435	21,121,542	0.3143	6,638,501
HKD	3,411,960	3.8992	13,303,914	3,629,200	4.1629	15,107,997	4,356,582	4.1603	18,124,688
AUD	780,647	23.3766	18,248,873	736,686	23.3073	17,170,162	816,105	24.0112	19,595,660
<u>Non-monetary items</u>									
USD	195,767	30.4389	5,958,932	560,923	32.2815	18,107,436	514,640	32.2908	16,618,137
CNY	1,112,674	4.4867	4,992,234	5,488,958	4.6399	25,468,216	2,682,408	4.8419	12,987,951
JPY	6,513,863	0.2720	1,771,771	20,112,276	0.2752	5,534,898	27,680,873	0.3143	8,700,098
HKD	124,253	3.8992	484,487	462,672	4.1629	1,926,057	481,626	4.1603	2,003,709
AUD	1,064	23.3766	24,873	1,365	23.3073	31,814	1,620	24.0112	38,898

Fubon Bank (China)

	June 30, 2017			December 31, 2016			June 30, 2016		
	Original	Rate	CNY	Original	Rate	CNY	Original	Rate	CNY
<u>Financial assets</u>									
<u>Monetary items</u>									
USD	\$ 613,834	6.7744	4,158,357	636,616	6.9370	4,416,205	539,259	6.6312	3,575,934
JPY	3,076,844	0.0605	186,149	2,435,634	0.0596	145,164	2,637,139	0.0645	170,095
HKD	169,965	0.8679	147,513	163,404	0.8945	146,165	36,551	0.8547	31,240
EUR	4,190	7.7496	32,471	819	7.3068	5,984	1,587	7.3750	11,704
<u>Non-monetary items</u>									
USD	5,198	6.7744	35,213	126,740	6.9370	879,195	69,794	6.6312	462,818
<u>Financial liability</u>									
<u>Monetary items</u>									
USD	1,707,528	6.7744	11,567,478	1,533,104	6.9370	10,635,142	1,437,115	6.6312	9,529,797
JPY	1,863,395	0.0605	112,735	2,218,404	0.0596	132,217	1,668,886	0.0645	107,643
HKD	81,243	0.8679	70,511	42,046	0.8945	37,610	27,651	0.8547	23,633
EUR	12,699	7.7496	98,412	12,735	7.3068	93,052	7,323	7.3750	54,007
<u>Non-monetary items</u>									
USD	57,869	6.7744	392,028	1,039	6.9370	7,208	1,786	6.6312	11,843

(Continued)

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

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.

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.

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

Sensitivity analysis

Units: In thousands of TWD

June 30, 2017			
Risk factor	Variation	Change in profit or loss	Change in equity
Equity risk (price)	Price incline by 10%	-	51,900,013
	Price decline by 10%	-	(51,900,013)
Interest rate risk (yield curve)	Yield curve (USD) incline by 50BPS	715	(17,216,141)
	Yield curve (TWD) incline by 50BPS	(648)	(12,947,324)
	Yield curve (other) incline by 50BPS	-	(914,894)
	Yield curve (USD) decline by 50BPS	(723)	18,572,996
	Yield curve (TWD) decline by 50BPS	651	13,926,372
	Yield curve (other) decline by 50BPS	-	951,001
Exchange rate risk (currency exchange rate)	TWD to all currency incline by 3%	(3,363,794)	(7,475,356)
	TWD to all currency decline by 3%	3,363,794	7,475,356
December 31, 2016			
Risk factor	Variation	Change in profit or loss	Change in equity
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

(Continued)

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

June 30, 2016			
Risk factor	Variation	Change in profit or loss	Change in equity
Equity risk (price)	Price incline by 10%	-	35,277,756
	Price decline by 10%	-	(35,277,756)
Interest rate risk (yield curve)	Yield curve (USD) incline by 50BPS	70	(21,408,852)
	Yield curve (TWD) incline by 50BPS	(398)	(12,210,912)
	Yield curve (other) incline by 50BPS	-	(1,120,846)
	Yield curve (USD) decline by 50BPS	(72)	23,210,428
	Yield curve (TWD) decline by 50BPS	404	12,928,618
	Yield curve (other) decline by 50BPS	-	1,164,281
Exchange rate risk (currency exchange rate)	TWD to all currency incline by 3%	(5,725,249)	(5,771,154)
	TWD to all currency decline by 3%	5,725,249	5,771,154

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.

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 June 30, 2017, December 31 and June 30, 2016, while other factors remained constant, the impact of changes in profit or loss and in equity will be \$1 and \$(644,119), \$(3) and \$(693,176), as well as \$(7) and \$(720,542), respectively.

Hong Kong and Vietnam subsidiary are considered not significant to the consolidated disclosures after Fubon Life Insurance and its subsidiaries' assessment; therefore, the data of Hong Kong and Vietnam subsidiary are not disclosed.

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.

(Continued)

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

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.

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.

(Continued)

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

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.

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.

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FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES
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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

Common VaR	June 30, 2017		
	Average	Highest	Lowest
Fixed income group	\$ 500,408	566,918	429,956
Equity group	685,374	867,681	530,905
Fund group	98,867	109,808	79,502
Asset securitization group	65,961	79,189	31,051
Total position	919,912	1,338,601	649,103

Common VaR	December 31, 2016		
	Average	Highest	Lowest
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

Common VaR	June 30, 2016		
	Average	Highest	Lowest
Fixed income group	\$ 631,664	763,849	379,742
Equity group	842,479	999,854	597,392
Fund group	122,398	187,041	75,193
Asset securitization group	119,358	112,695	56,061
Total position	832,202	1,021,308	647,731

Note 1: VaR was adopted for the six months ended June 30, 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 market 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.

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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.

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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

For the three months ended June 30, 2017			
Common VaR	Highest	Lowest	Average
Interest rate	8,950	8,299	8,615
Foreign exchange rate	15,872	12,781	14,692
Equity	40,185	19,860	27,215
Fluctuation	4,890	3,150	4,123
Total	38,237	25,798	30,183

For the three months ended June 30, 2016			
Common VaR	Highest	Lowest	Average
Interest rate	22,167	4,967	14,741
Foreign exchange rate	11,735	8,404	9,865
Equity	48,054	36,677	43,487
Fluctuation	2,850	2,377	2,561
Total	52,334	35,721	42,871

For the six months ended June 30, 2017			
Common VaR	Highest	Lowest	Average
Foreign exchange rate	15,266	5,967	9,800
Interest rate	32,446	12,121	17,014
Equity	40,185	18,798	24,136
Volatility	4,890	1,453	3,114
Total	38,237	25,798	28,864

For the six months ended June 30, 2016			
Common VaR	Highest	Lowest	Average
Foreign exchange rate	22,167	4,967	14,551
Interest rate	16,803	7,338	10,967
Equity	62,906	36,677	50,421
Volatility	4,849	2,377	3,391
Total	63,924	35,721	47,768

(Continued)

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

(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.

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. Fubon Securities and its subsidiaries use 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.

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

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.

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.

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

d) Evaluation technique of market risk: Value at risk (VaR). Fubon Bank (Hong Kong) adopts various risk models to evaluate the worst loss on current net positions within one day, with a 99% confidence level.

The following table shows the relevant market risk VaR:

				Units: In thousands of HKD		
				June 30, 2017		
<u>VaR</u>	<u>Average</u>	<u>Highest</u>	<u>Lowest</u>			
Foreign exchange risk	\$ 133	1,397	51			
Interest rate risk	41	235	5			
Total risk	195	1,472	57			
				December 31, 2016		
<u>VaR</u>	<u>Average</u>	<u>Highest</u>	<u>Lowest</u>			
Foreign exchange risk	\$ 223	2,440	41			
Interest rate risk	69	575	3			
Total risk	295	2,491	74			

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FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES
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VaR	Average	June 30, 2016	
		High	Low
Foreign exchange risk	\$ 346	2,440	84
Interest rate risk	89	315	36
Total risk	392	2,491	104

e) Sensitivity information of interest rate risk, foreign exchange risk and equity risk

Units: In millions of HKD

June 30, 2017			
Main risk	Variance	Influenced amount	
		Equity	profit or loss
Foreign exchange risk	10% increase in HKD	-	(17.7)
Foreign exchange risk	10% decrease in HKD	-	17.7
Interest rate risk	+100 basis points shift in yield curves	78.0	25.5
Interest rate risk	-100 basis points shift in yield curve	(78.0)	(25.5)
Equity risk	10% increase in equity prices	-	-
Equity risk	10% decrease in equity prices	-	-

December 31, 2016			
Main risk	Variance	Influenced amount	
		Equity	profit or loss
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	-	-

June 30, 2016			
Main risk	Variance	Influenced amount	
		Equity	profit or loss
Foreign exchange risk	10% increase in HKD	-	(7.7)
Foreign exchange risk	10% decrease in HKD	-	7.7
Interest rate risk	+100 basis points shift in yield curves	85.5	10.0
Interest rate risk	-100 basis points shift in yield curves	(85.5)	(10.0)
Equity risk	10% increase in equity prices	-	-
Equity risk	10% decrease in equity prices	-	-

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

(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.

Analysis of financial assets that are not completely derecognized and the associated liabilities are shown in following table:

<u>Types of financial assets</u>	<u>June 30, 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	\$ 1,500,120	1,505,484
Available-for-sale financial assets		
Repurchase agreements	36,533,873	33,963,242
Held-to-maturity financial assets		
Repurchase agreements	30,974,219	28,879,266
Debt Investments without active market		
Repurchase agreements	7,384,947	6,844,203
<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	\$ 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

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Types of financial assets	June 30, 2016	
	Carrying amount of the transferred financial assets	Carrying amount of relevant financial liabilities
Financial assets measured at fair value through profit or loss		
Repurchase agreements	\$ 1,149,309	1,152,122
Discounted note		
Repurchase agreements	5,033,213	5,142,279
Available-for-sale financial assets		
Repurchase agreements	31,460,361	29,495,048
Held-to-maturity financial assets		
Repurchase agreements	22,931,459	21,459,092
Debt Investments without active market		
Repurchase agreements	5,492,017	5,143,713

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 had transferred the nonperforming loans to a third-party in 2016, Fubon Bank (China) no longer provide 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:

	June 30, 2016					
	Cash flow of repurchasing transferred (derecognized) financial assets	Carrying amount of continuing involvement in the balance sheet		Fair Value of continuing involvement		Maximum exposure of loss
		Other financial assets	Other financial liabilities	Assets	Liabilities	
Continuing involvement						
Issued a commitment letter	\$ -	240,806	246,271	246,271	246,271	240,806

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES
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Continuing involvement	June 30, 2016				
	Maturity of 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	\$ -	-	126,192	120,079	-

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

Types of financial assets	June 30, 2017				
	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	\$ 546,568	-	546,568	-	546,568
Debt Investments without active market					
Repurchase agreements	73,356	87,760	87,122	87,760	(638)

Units: In thousands of TWD

Types of financial assets	December 31, 2016				
	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	\$ 1,328,390	-	1,328,390	-	1,328,390

Units: In thousands of TWD

Types of financial assets	June 30, 2016				
	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	\$ 328,593	-	328,593	-	328,593
Debt Investments without active market					
Repurchase agreements	58,015	69,409	65,287	69,409	(4,122)

(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
June 30, 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	\$ 8,498	-	8,498	-	8,498

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>June 30, 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	\$ 24,061,950	25,355,520
Convertible bonds transferred to counter parties of asset exchange option	926,415	865,364
<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>June 30, 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	\$ 21,855,688	21,525,563
Convertible bonds transferred to counter parties of asset exchange option	292,494	281,225

(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

<u>Types of financial assets</u>	<u>June 30, 2017</u>				
	<u>Carrying amount of the transferred financial assets</u>	<u>Carrying amount of relevant financial liabilities</u>	<u>Fair value of the transferred financial assets</u>	<u>Fair value of relevant financial liabilities</u>	<u>Fair value net position</u>
Available-for-sale financial assets					
Repurchase agreements	\$ 10,597,425	10,109,343	10,597,425	10,109,343	488,082
Held-to-maturity financial assets					
Repurchase agreements	124,199	119,789	124,199	119,789	4,410

Unit: In thousands of HKD

<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>	<u>Fair value of the transferred financial assets</u>	<u>Fair value of relevant financial liabilities</u>	<u>Fair value net position</u>
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

Unit: In thousands of HKD

<u>Types of financial assets</u>	<u>June 30, 2016</u>				
	<u>Carrying amount of the transferred financial assets</u>	<u>Carrying amount of relevant financial liabilities</u>	<u>Fair value of the transferred financial assets</u>	<u>Fair value of relevant financial liabilities</u>	<u>Fair value net position</u>
Available-for-sale financial assets					
Repurchase agreements	\$ 9,854,182	9,432,969	9,854,182	9,432,969	421,213

(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 the 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:

June 30, 2017						
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 received as collaterals	
Derivative financial instruments (Note 2)	\$ 32,175,183	-	32,175,183	24,111,678	3,317,733	4,745,772
Securities purchased under resell agreements	24,780,030	-	24,780,030	24,590,281	-	189,749
Total	\$ 56,955,213	-	56,955,213	48,701,959	3,317,733	4,935,521
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)	\$ 34,541,520	-	34,541,520	21,601,017	4,300,300	8,640,203
Securities sold under repurchase agreements	71,192,195	-	71,192,195	71,175,038	-	17,157
Total	\$ 105,733,715	-	105,733,715	92,776,055	4,300,300	8,657,360

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES
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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
Total	\$ 100,411,795	-	100,411,795	82,026,170	2,140,649	16,244,976
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 resell agreements	61,440,929	-	61,440,929	61,430,623	-	10,306
Total	\$ 131,015,386	-	131,015,386	111,296,227	10,506,872	9,212,287
June 30, 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)	\$ 56,647,081	-	56,647,081	45,456,750	859,110	10,331,221
Securities purchased under resell agreements	12,209,448	-	12,209,448	12,136,880	-	72,568
Total	\$ 68,856,529	-	68,856,529	57,593,630	859,110	10,403,789

(Continued)

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

June 30, 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)		Net amount (e)=(c)-(d)
				Financial instruments (Note 1)	Pledged cash Collaterals	
Derivative financial instruments (Note 2)	\$ 61,342,656	-	61,342,656	40,889,860	13,161,071	7,291,725
Securities sold under repurchase agreements	62,392,254	-	62,392,254	62,387,666	-	4,588
Total	\$ 123,734,910	-	123,734,910	103,277,526	13,161,071	7,296,313

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:

June 30, 2017						
Financial assets under 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)	Cash collaterals	
Derivative financial instruments and structured deposits	\$ 36,595,897	-	36,595,897	4,180,636	-	32,415,261
Securities purchased under resell agreements	32,164,655	-	32,164,655	31,564,700	-	599,955
Securities lending agreements	546,568	-	546,568	546,568	-	-
Total	\$ 69,307,120	-	69,307,120	36,291,904	-	33,015,216

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES
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June 30, 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 instruments	\$ 7,998,430	-	7,998,430	4,180,636	287,316	3,530,478
Securities purchased under resell agreements	87,760	-	87,760	73,356	-	14,404
Total	\$ 8,086,190	-	8,086,190	4,253,992	287,316	3,544,882
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 instruments and structured deposits	\$ 32,510,179	-	32,510,179	6,223,325	-	26,286,854
Securities purchased under resell agreements	62,647,954	-	62,647,954	61,719,500	-	928,454
Securities lending agreements	1,328,390	-	1,328,390	1,328,390	-	-
Total	\$ 96,486,523	-	96,486,523	69,271,215	-	27,215,308
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	\$ 14,916,897	-	14,916,897	6,223,325	-	8,693,572

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

June 30, 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	\$ 37,722,155	-	37,722,155	911,631	-	36,810,524
Securities purchased under resell agreements	131,914,456	-	131,914,456	126,781,800	-	5,132,656
Securities lending agreements	328,593	-	328,593	328,593	-	-
Total	\$ 169,965,204	-	169,965,204	128,022,024	-	41,943,180
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	\$ 953,376	-	953,376	911,631	-	41,745
Securities purchased under resell agreements	69,409	-	69,409	58,015	-	11,394
Total	\$ 1,022,785	-	1,022,785	969,646	-	53,139

Note: General agreement of net amount settlement and non-cash collateral are included.

(Continued)

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

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:

June 30, 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	\$ 58,339	-	58,339	58,339	-	-
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	\$ 111,605	-	111,605	58,339	-	53,266
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	-	-

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

December 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	\$ 251,107	-	251,107	17,516	-	233,591
June 30, 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	\$ 103,304	-	103,304	2,686	-	100,618
Securities lending agreements	8,498	-	8,498	8,498	-	-
Total	\$ 111,802	-	111,802	11,184	-	100,618
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	\$ 2,686	-	2,686	2,686	-	-

4) Fubon Securities and its subsidiaries

Fubon Securities and its subsidiaries did not hold any financial instruments contract which meets Section 42 of IAS 32 endorsed by the FSC. 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.

(Continued)

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

The offsetting information of financial assets and liabilities is shown below:

June 30, 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	\$ 98,354	-	98,354	-	-	98,354
Resell agreements	883,218	-	883,218	883,218	-	-
Total	\$ 981,572	-	981,572	883,218	-	98,354
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	\$ 3,843,175	-	3,843,175	-	-	3,843,175
Repurchase agreements	25,355,520	-	25,355,520	25,355,520	-	-
Total	\$ 29,198,695	-	29,198,695	25,355,520	-	3,843,175
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	-	-
Total	\$ 764,480	-	764,480	645,311	-	119,169

(Continued)

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

December 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 (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	-	-
Total	\$ 24,434,021	-	24,434,021	21,231,598	-	3,202,423

June 30, 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	\$ 37,500	-	37,500	-	-	37,500
Resell agreements	197,179	-	197,179	197,179	-	-
Total	\$ 234,679	-	234,679	197,179	-	37,500

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	\$ 3,020,453	-	3,020,453	-	-	3,020,453
Repurchase agreements	21,525,563	-	21,525,563	21,525,563	-	-
Total	\$ 24,546,016	-	24,546,016	21,525,563	-	3,020,453

Note: Netting settlement agreements and non-cash collaterals are included.

(Continued)

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

5) Fubon Bank (HK) and its subsidiaries

Fubon Bank (HK) and its subsidiaries hold financial instruments contracts which meet Section 42 of IAS 32 endorsed by the FSC. Therefore, the financial assets and financial liabilities will be offset on the balance sheet.

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

June 30, 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	\$ 644,560	-	644,560	80,986	-	563,574
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 sheet (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	\$ 342,238	-	342,238	80,986	-	261,252
Securities sold under repurchase agreements	10,229,132	-	10,229,132	-	-	10,229,132
Total	\$ 10,571,370	-	10,571,370	80,986	-	10,490,384

(Continued)

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

Units: In thousands of HKD

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 instruments	\$ 753,244	-	753,244	98,601	-	654,643
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	\$ 443,714	-	443,714	98,601	-	345,113
Securities sold under repurchase agreements	9,708,939	-	9,708,939	-	-	9,708,939
Total	\$ 10,152,653	-	10,152,653	98,601	-	10,054,052

Units: In thousands of HKD

June 30, 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	\$ 722,975	-	722,975	31,488	-	691,487
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	\$ 873,498	-	873,498	31,488	-	842,010
Securities sold under repurchase agreements	9,432,969	-	9,432,969	-	-	9,432,969
Total	\$ 10,306,467	-	10,306,467	31,488	-	10,274,979

(Continued)

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

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
Financial product to other banks	Invest in financial product to other banks to gain profit	Invest in income right of financial product to other banks 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:

June 30, 2017	Asset securitization products
Assets possessed	
— Available-for-sale financial assets	\$ 791,880
— Held-to-maturity financial assets	460,973
— Financial assets measured at fair value through profit or loss	321,816
Total assets possessed	\$ 1,574,669

(Continued)

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

December 31, 2016		Asset securitization products	
Assets possessed			
– Available-for-sale financial assets	\$		910,780
– Held-to-maturity financial assets			554,884
– Financial assets measured at profit or loss			<u>350,966</u>
Total assets possessed	\$		<u>1,816,630</u>

June 30, 2016	Asset securitization products	Trust plans	Financial product to other banks
Assets possessed			
– Available-for-sale financial assets	\$ 965,490	484,190	-
– Held-to-maturity financial assets	623,747	-	-
– Financial assets measured at fair value through profit or loss	377,318	-	-
– Other financial assets	<u>-</u>	<u>-</u>	<u>1,452,570</u>
Total assets possessed	<u>\$ 1,966,555</u>	<u>484,190</u>	<u>1,452,570</u>

The maximum exposure of the possible loss from the entity is the carrying amount of the assets possessed.

- 3) For the six months ended June 30, 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 June 30, 2017, December 31 and June 30, 2016, Fubon Life Insurance and its subsidiaries offered \$22,687,382, \$22,841,222 and \$24,900,032 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:

June 30, 2017	Private fund investment	Asset securitization products
Assets possessed		
– Available-for-sale financial assets	\$ 46,843,930	6,122,579
– Debt investments without active market	-	51,961,606
Total assets possessed	<u>\$ 46,843,930</u>	<u>58,084,185</u>
December 31, 2016	Private fund investment	Asset securitization products
Assets possessed		
– Available-for-sale financial assets	\$ 40,211,311	6,509,526
– Debt investments without active market	-	52,499,203
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>June 30, 2016</u>	<u>Private fund investment</u>	<u>Asset securitization products</u>
Assets possessed		
– Available-for-sale financial assets	\$ 33,506,934	7,766,927
– Debt investments without active market	-	44,076,376
Total assets possessed	<u>\$ 33,506,934</u>	<u>51,843,303</u>

The maximum exposure of the possible loss from the entity is the carrying amount of the assets possessed.

- c) For the six months ended June 30, 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>June 30, 2017</u>	<u>Private equity fund</u>	<u>Asset securitization products</u>
Assets possessed		
– Available-for-sale financial assets	\$ 158,587	1,955,736
– Debt investments without active market	-	308,454
Total assets possessed	<u>\$ 158,587</u>	<u>2,264,190</u>

(Continued)

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

December 31, 2016	Private equity fund	Asset securitization products
Assets possessed		
– 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>
June 30, 2016	Private equity fund	Asset securitization products
Assets possessed		
– Available-for-sale financial assets	\$ 160,535	2,333,017
– Debt investments without active market	-	424,024
Total assets possessed	<u>\$ 160,535</u>	<u>2,757,041</u>

The maximum exposure of the possible loss from an entity is the carrying amount of the assets possessed.

- 3) For the six months ended June 30, 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.

Types of structured entity	Characteristic and purpose	Equity owned by Fubon Securities and its subsidiaries
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:

June 30, 2017	Asset securitization products
Assets possessed	
— Financial assets measured at fair value through profit or loss - current	\$ 486,811
— Available-for-sale financial assets - current	<u>45,243</u>
Total assets possessed	<u><u>\$ 532,054</u></u>

December 31, 2016	Asset securitization products
Assets possessed	
— 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>

June 30, 2016	Asset securitization products
Assets possessed	
— Financial assets measured at fair value through profit or loss - current	\$ 544,878
— Available-for-sale financial assets - current	<u>27,894</u>
Total assets possessed	<u><u>\$ 572,772</u></u>

The maximum exposure of the possible loss from the entity is the carrying amount of the assets possessed.

- 3) For the six months ended June 30, 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:

June 30, 2017	Private fund investment	Asset securitization products
Assets possessed		
— Available-for-sale financial assets	\$ 13,341	-
— Financial assets measured at fair value through profit or loss	-	57,769
Total assets possessed	<u>\$ 13,341</u>	<u>57,769</u>
December 31, 2016	Private fund investment	Asset securitization products
Assets possessed		
— 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>June 30, 2016</u>	<u>Private fund investment</u>	<u>Asset securitization products</u>
Assets possessed		
– Available-for-sale financial assets	\$ 16,617	-
– Financial assets measured at fair value through profit or loss	-	65,104
Total assets possessed	<u>\$ 16,617</u>	<u>65,104</u>

The maximum exposure of the possible loss from the entity is the carrying amount of the assets possessed.

- 3) For the six months ended June 30, 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

(al) Significant impact of related foreign currency information

	June 30, 2017			December 31, 2016			June 30, 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	\$ 71,519,626	30.4389/ 30.436/ 30.39/30.439	2,176,827,077	60,093,653	32.779/ 32.263/ 32.282	1,939,799,256	58,168,315	32.2908/ 32.286/ 32.287 32.291	1,878,098,710
HKD	47,912,198	3.8992/ 3.89935	186,819,265	48,097,190	4.163	200,223,792	46,331,937	4.1603/ 4.16073	192,754,837
CNY	85,543,223	4.4867/ 4.48862/ 4.489	384,733,777	83,283,130	4.640/4.631 /4.648	387,631,600	89,244,041	4.8419/ 4.8614/ 4.84498	432,996,968
Non-Monetary items									
USD	7,698,810	30.4389/ 30.436	234,322,250	6,817,596	32.282/32.279	220,067,214	7,119,415	32.2908/ 32.286	229,861,115
HKD	12,380,351	3.8992/ 3.89935	48,275,255	12,633,745	4.163	52,593,017	9,344,625	4.1603/ 4.16073	38,880,093
CNY	10,220,146	4.4867/ 4.48862/ 4.48935	45,873,189	13,595,228	4.640/4.631 /4.638	63,077,699	10,319,748	4.8419/ 4.8614/ 4.84498	50,045,526
Derivatives									
USD	157,322	30.4389/ 30.436	4,788,315	31,274	32.282	1,009,504	196,746	32.2908/ 32.286	6,352,141
HKD	-		-	152,217	4.1630	633,664	-	-	-
Investments accounted for using equity method									
CNY	2,359,697	4.487	10,587,251	2,331,767	4.640	10,819,164	2,182,373	4.8419	10,566,831
HKD	2,337,792	3.899	9,115,517	2,034,977	4.163	8,471,407	1,736,710	4.1603	7,225,234
KRW	163,623,199	0.027	4,352,377	145,120,263	0.0270	3,889,223	218,076,089	0.0280	6,106,130
Financial liabilities:									
Monetary items									
USD	24,614,652	30.4389/ 30.436	749,242,401	16,919,019	32.282/32.279	546,170,311	18,150,847	32.2908/ 32.286	586,105,173
HKD	48,647,614	3.8992/ 3.89935	189,686,671	50,444,989	4.163	209,997,445	50,195,561	4.1603/ 4.16073	208,828,637
CNY	64,118,757	4.4867/ 4.48862	287,681,564	68,917,953	4.640	319,772,737	69,645,010	4.8419/ 4.8614/ 4.8498	337,215,212
Non-Monetary items									
USD	253,636	30.439	7,720,412	561,962	32.282	18,140,987	516,426	32.291	16,675,809
CNY	1,141,087	4.487	5,119,717	6,178,048	4.640	28,665,527	3,084,003	4.8420	14,932,434
JPY	6,513,861	0.272	1,771,771	20,112,276	0.2750	5,534,898	27,680,873	0.3143	8,700,098
Derivatives									
USD	58,816	30.4389/ 30.436	1,790,210	469,903	32.282/32.279	15,168,015	29,529	32.286	953,376
HKD	-		-	252,492	4.1630	1,051,099	-	-	-

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, %

Item		June 30, 2017					
		Non-performing loan (NPL) (Note 1)	Total loans	NPL Ratio (%) (Note 2)	Loan loss reserves (LLP)	Coverage ratio (%) (Note 3)	
Corporate loan	Secured	711,369	154,189,657	0.46	1,982,479	278.69	
	Unsecured	1,089,499	391,007,127	0.28	5,187,756	476.16	
Consumer loan	Mortgage (Note 4)	292,058	389,831,431	0.07	5,803,287	1,987.03	
	Cash card	21	4,121	0.51	81	385.71	
	Micro credit (Note 5)	54,080	19,242,330	0.28	228,705	422.90	
	Others (Note 6)	Secured	131,069	160,454,967	0.08	1,714,120	1,307.80
		Unsecured	45,672	35,490,429	0.13	369,525	809.08
Total		2,323,768	1,150,220,062	0.20	15,285,953	657.81	
		Overdue receivable	Account receivable	Delinquency ratio (%)	Allowance for credit losses	Coverage ratio (%)	
Credit card		42,519	36,804,190	0.12	219,652	516.60	
Account receivable factoring with no recourse (Note 7)		-	12,383,695	-	145,508	-	
Excluded NPL as a result of debt consultation and loans agreement (Note 8)		93,723					
Excluded overdue receivables as a result of debt consultation and loans agreements (Note 8)		146,255					
Excluded NPL as a result of debt solvency and restart plan (Note 9)		295,566					
Excluded overdue receivables as a result of debt solvency and restart plan (Note 9)		464,788					

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

		June 30, 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	851,171	144,511,020	0.59	1,887,774	221.79	
	Unsecured	944,229	459,811,061	0.21	5,177,024	548.28	
	Mortgage (Note 4)	140,465	357,957,044	0.04	5,318,848	3,786.60	
	Cash card	-	6,111	-	120	-	
Consumer loan	Micro credit (Note 5)	39,869	15,330,078	0.26	180,800	453.49	
	Others (Note 6)	Secured	109,575	142,768,171	0.08	1,527,140	1,393.69
		Unsecured	42,936	34,364,594	0.12	356,890	831.21
Total		2,128,245	1,154,748,079	0.18	14,448,596	678.90	
		Overdue receivable	Account receivable	Delinquency ratio (%)	Allowance for credit losses	Coverage ratio (%)	
Credit card		47,145	31,189,169	0.15	218,584	463.64	
Account receivable factoring with no recourse (Note 7)		-	13,510,332	-	154,906	-	
Excluded NPL as a result of debt consultation and loans agreement (Note 8)		139,256					
Excluded overdue receivables as a result of debt consultation and loans agreements (Note 8)		207,911					
Excluded NPL as a result of debt solvency and restart plan (Note 9)		285,027					
Excluded overdue receivables as a result of debt solvency and restart plan (Note 9)		502,590					

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: $Coverage\ Ratio = LLP / NPL$

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, %

June 30, 2017			
Rank (Note 1)	Group name (Note 2)	Credit extensions balance (Note 3)	% of net asset value
1	A group (petrochemicals manufacturing industry)	11,841,154	6.87
2	B group (LCD and its component manufacturing industry)	8,478,222	4.92
3	C group (wire and cable manufacturing industry)	7,036,107	4.08
4	D group (other electronic parts and components manufacturing not elsewhere classified)	6,715,083	3.89
5	E group (ocean freight industry)	6,161,888	3.57
6	F group (other electronic parts and components manufacturing not elsewhere classified)	5,839,453	3.39
7	G group (electronic passive devices manufacturing industry)	5,823,283	3.38
8	H group (real estate industry)	5,494,754	3.19
9	I group (iron and steel manufacturing industry)	5,487,735	3.18
10	J group (ocean freight industry)	4,993,091	2.90

(Continued)

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

June 30, 2016			
Rank (Note 1)	Group name (Note 2)	Credit extensions balance (Note 3)	% of net asset value
1	A group (petrochemicals manufacturing industry)	10,204,196	5.99
2	B group (LCD and its component manufacturing)	9,601,367	5.64
3	C group (other electronic parts and components manufacturing not elsewhere classified)	7,908,944	4.64
4	D group (ocean freight industry)	7,271,754	4.27
5	E group (iron and steel manufacturing industry)	7,089,572	4.16
6	F group (wire and cable manufacturing industry)	6,313,005	3.71
7	G group (cement manufacturing industry)	6,094,593	3.58
8	H group (computer manufacturing industry)	6,010,361	3.53
9	I group (other electronic parts and components manufacturing not elsewhere classified)	5,719,000	3.36
10	J group (real estate industry)	5,486,200	3.22

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.

(Continued)

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

(iii) Interest rate sensitivity information

Interest Rate Sensitivity (TWD)

Units: In thousands of TWD, %

June 30, 2017					
Items	1-90 days	91-180 days	181-365 days	Over 1 year	Total
Interest rate-sensitive assets	\$ 1,190,824,564	67,314,543	78,036,141	132,306,025	1,468,481,273
Interest rate-sensitive liabilities	451,894,124	657,380,045	85,398,174	57,909,386	1,252,581,729
Interest rate sensitivity gap	738,930,440	(590,065,502)	(7,362,033)	74,396,639	215,899,544
Net worth					168,732,653
Ratio of interest rate-sensitive assets to liabilities (%)					117.24
Ratio of the interest rate sensitivity gap to net worth (%)					127.95
June 30, 2016					
Items	1-90 days	91-180 days	181-365 days	Over 1 year	Total
Interest rate-sensitive assets	\$ 1,118,577,250	72,952,663	64,783,400	98,703,389	1,355,016,702
Interest rate-sensitive liabilities	363,587,463	633,488,880	118,525,120	75,764,267	1,191,365,730
Interest rate sensitivity gap	754,989,787	(560,536,217)	(53,741,720)	22,939,122	163,650,972
Net worth					165,960,991
Ratio of interest rate-sensitive assets to liabilities (%)					113.74
Ratio of the interest rate sensitivity gap to net worth (%)					98.61

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).

(Continued)

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

Interest Rate Sensitivity (USD)

Units: In thousands of USD, %

June 30, 2017						
Items	1-90 days	91-180 days	181-365 days	Over 1 year	Total	
Interest rate-sensitive assets	\$ 8,251,455	1,110,927	1,346,109	3,493,843	14,202,334	
Interest rate-sensitive liabilities	15,627,204	2,087,649	1,224,842	1,246,802	20,186,497	
Interest rate sensitivity gap	(7,375,749)	(976,722)	121,267	2,247,041	(5,984,163)	
Net worth						270,394
Ratio of interest rate-sensitive assets to liabilities (%)						70.36
Ratio of the interest rate sensitivity gap to net worth (%)						(2,213.13)
June 30, 2016						
Items	1-90 days	91-180 days	181-365 days	Over 1 year	Total	
Interest rate-sensitive assets	\$ 7,114,477	684,427	1,081,518	2,086,375	10,966,797	
Interest rate-sensitive liabilities	11,988,706	909,808	832,637	485,553	14,216,704	
Interest rate sensitivity gap	(4,874,229)	(225,381)	248,881	1,600,822	(3,249,907)	
New worth						343,197
Ratio of interest rate-sensitive assets to liabilities (%)						77.14
Ratio of the interest rate sensitivity gap to net worth (%)						(946.95)

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).

(Continued)

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

(iv) Profitability

Unit: %

Item		For the six months ended June 30	
		2017	2016
Return on total assets	Before income tax	0.41	0.45
	After income tax	0.36	0.39
Return on net worth	Before income tax	5.23	5.75
	After income tax	4.56	4.91
Profit margin		41.32	42.53

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 six months ended June 30, 2017 and 2016.

(v) Maturity analysis

Maturity Analysis of Assets and Liabilities (TWD)

Units: In thousands of TWD

June 30, 2017							
	The amount for the remaining period to maturity						
	Total	0-10 days	11-30 days	31-90 days	91-180 days	181-365 days	Over 1 year
Main capital inflow on maturity	\$ 2,248,001,135	270,335,652	291,405,351	330,727,752	278,117,010	237,289,148	840,126,222
Main capital outflow on maturity	2,655,153,634	256,067,889	280,414,567	420,824,846	400,488,457	444,201,939	853,155,936
Gap	(407,152,499)	14,267,763	10,990,784	(90,097,094)	(122,371,447)	(206,912,791)	(13,029,714)

June 30, 2016							
	The amount for the remaining period to maturity						
	Total	0-10 days	11-30 days	31-90 days	91-180 days	181-365 days	Over 1 year
Main capital inflow on maturity	\$ 2,131,418,583	200,277,331	329,911,045	288,200,527	230,225,425	282,638,460	800,165,795
Main capital outflow on maturity	2,508,484,526	137,808,299	278,161,918	418,276,164	346,851,741	446,692,568	880,693,836
Gap	(377,065,943)	62,469,032	51,749,127	(130,075,637)	(116,626,316)	(164,054,108)	(80,528,041)

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.

(Continued)

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

Maturity Analysis of Assets and Liabilities (USD)

Units: In thousands of USD

June 30, 2017						
	The amount for the remaining period to maturity					
	Total	0-30 days	31-90 days	91-180 days	181-365 days	Over 1 year
Capital inflow on maturity	\$ 83,397,218	30,117,827	24,342,357	14,615,117	7,270,153	7,051,764
Capital outflow on maturity	88,781,711	31,710,814	25,289,076	14,990,234	9,696,106	7,095,481
Gap	(5,384,493)	(1,592,987)	(946,719)	(375,117)	(2,425,953)	(43,717)

June 30, 2016						
	The amount for the remaining period to maturity					
	Total	0-30 days	31-90 days	91-180 days	181-365 days	Over 1 year
Capital inflow on maturity	\$ 89,408,371	27,583,585	24,249,476	17,117,744	13,724,795	6,732,771
Capital outflow on maturity	95,168,261	30,962,597	24,459,700	17,602,202	16,699,714	5,444,048
Gap	(5,759,890)	(3,379,012)	(210,224)	(484,458)	(2,974,919)	1,288,723

Note: The above amounts are book value of assets and liabilities held by Taipei Fubon Bank and denominated in U.S. dollars.

(vi) Statement of capital adequacy

		June 30, 2017		December 31, 2016		June 30, 2016		
		Consolidated	Bank	Consolidated	Bank	Consolidated	Bank	
Eligible capital	Common equity Tier 1	165,119,770	154,395,465	168,290,036	157,727,665	163,426,455	152,527,644	
	Additional Tier 1 capital	1,603,763	-	1,576,820	-	1,670,463	-	
	Tier 2 capital	36,116,744	21,952,471	37,409,698	22,925,960	41,575,932	26,243,096	
	Eligible capital	202,840,277	176,347,936	207,276,554	180,653,625	206,672,850	178,770,740	
Risk-weighted assets	Credit risk	Standardized approach	1,439,807,031	1,225,305,767	1,366,774,954	1,151,669,480	1,398,677,733	1,171,175,433
		Internal rating-based approach	-	-	-	-	-	-
		Securitization	2,033,190	2,033,190	2,406,031	2,406,031	2,553,461	2,553,461
	Operational risk	Basic indicator approach	-	-	-	-	-	-
		Standardized approach / Alternative standardized approach	75,170,863	64,527,175	75,170,863	64,527,175	74,155,575	63,356,475
		Advance measurement approach	-	-	-	-	-	-
	Market risk	Standardized approach	42,110,638	39,501,175	38,500,900	35,948,038	51,869,238	48,515,275
		Internal models approach	-	-	-	-	-	-
	Total risk-weighted assets		1,559,121,722	1,331,367,307	1,482,852,748	1,254,550,724	1,527,256,007	1,285,600,644
Capital adequacy ration		13.01 %	13.25 %	13.98 %	14.40 %	13.53 %	13.91 %	
Common equity-based capital ratio		10.59 %	11.60 %	11.35 %	12.57 %	10.70 %	11.86 %	
Tier 1 risk-based capital ratio		10.69 %	11.60 %	11.46 %	12.57 %	10.81 %	11.86 %	
Ratio of financial leverage		6.26 %	6.52 %	6.66 %	7.09 %	6.42 %	6.86 %	

Note 1: These tables were prepared according to the "Regulations Governing the Capital Adequacy Ratio of Banks" and related calculation tables.

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

Note 2: The formula:

Eligible capital = Tier 1 capital + Tier 2 capital + Tier 3 capital.

Risk-weighted assets= weighted credit risk assets+(Operational risk+Market risk) x 12.5

Capital adequacy ratio=Eligible capital/Risk-weighted assets.

Ratio of common stockholders' equity to total asset=common stock/Total assets

Tier 1 risk ratio=(Net common equity Tier 1 capital + Net additional Tier 1)/Total risk-weighted assets

Ratio of financial leverage= Tier 1 capital/adjustment average assets (average asset, deduct Goodwill, Unamortization loss on disposal of non-performing loans, and deduction according to “Regulations Government the Capital Adequacy Ratio of Bank”.

(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
Taipei Fubon Commercial Bank Charity Foundation	Related parties in substance
Fubon Art Foundation	Related parties in substance
Fubon Cultural & Education Foundation	Related parties in substance
Fubon Charity 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

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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 and its subsidiaries</u>
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
Kbro Co., Ltd. (Kbro)	Related parties in substance
Chien Kuo Construction Co., Ltd. (Chien Kuo Construction)	Related parties in substance
TAROKO Development Co., Ltd. (TAROKO Development)	Related parties in substance
Xiamen Bank Co., Ltd. (Xiamen Bank)	Related parties in substance
Fubon Gehua (Beijing) Enterprise Ltd. (Fubon Gehua)	Related parties in substance
Convoy Financial Service Limited (Convoy Financial Service)	Related parties in substance
Chung Hsing Land Development Co., Ltd. (Chung Hsing Land Development)	A major stockholder of the Company
Ming-Dong Industrial Co., Ltd. (Ming-Dong Industrial)	A major stockholder of the Company
Taipei City Government	A major stockholder of the Company
Alltek Technology Corporation (Alltek Technology)	Related parties in substance (not related parties in substance on second quarter of 2017)
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)
Others	Directors, supervisors, managers and their relatives up to the second degree, affiliates and the related parties in substance

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

(b) Significant transactions with related parties

(i) Insurance revenue and insurance receivable:

	Insurance revenue				Insurance receivable		
	For the three month ended June 30		For the six months ended June 30		June	December	June
	2017	2016	2017	2016	30, 2017	31, 2016	30, 2016
Taiwan Mobile	\$ 162,540	74,231	281,975	125,088	49,229	61,322	29,215
Taiwan High Speed Rail	3,940	3,224	7,748	7,298	1,437	82,772	1,161
Taipei City Government	14,596	14,497	18,034	36,420	-	-	-
Taipei New Horizon	-	-	-	-	-	17,096	-
Fubon Multimedia Technology	2,124	2,798	16,067	13,124	1,702	1,372	260
Taiwan Pelican Express	1,773	-	15,913	-	6	-	-
Taiwan Fixed Network	27,102	-	27,262	141	111	14	105
Related parties in substance (individual)	257,913	300,401	571,211	653,374	70	45	50
Others (not related company or person accounts for more than \$10,000 or 10%)	8,206	2,069	22,667	13,612	6,737	3,576	3,017
Total	<u>\$ 478,194</u>	<u>397,220</u>	<u>960,877</u>	<u>849,057</u>	<u>59,292</u>	<u>166,197</u>	<u>33,808</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.

(ii) Rental revenue and guarantee deposits:

	For the three months ended June 30		For the six months ended June 30	
	2017	2016	2017	2016
Rental revenue:				
Fubon Multimedia Technology	\$ 26,708	26,701	53,417	53,402
TAROKO Development	28,750	28,750	57,500	57,500
Kbro Media	13,317	-	25,690	-
Kbro	10,452	-	10,452	-
Taiwan Fixed Network	10,217	10,380	20,552	13,995
Taiwan Mobile	10,401	13,962	20,627	17,623
Others (not related company or person accounts for more than \$10,000 or 10%)	634	4,699	9,629	9,631
Total	<u>\$ 100,479</u>	<u>84,492</u>	<u>\$ 197,867</u>	<u>152,151</u>

All the above leases were operating leases. The leasing term was not materially different from that with unrelated parties.

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

	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Advanced real estate receipts:			
Kbro Media	\$ 25,296	-	-
Others (not related company or person accounts for more than \$10,000 or 10%)	7,184	1,119	4,690
	<u>\$ 32,480</u>	<u>1,119</u>	<u>4,690</u>
	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
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 \$10,000 or 10%)	4,773	4,726	4,826
	<u>\$ 87,145</u>	<u>87,098</u>	<u>86,898</u>

The aforementioned guarantee deposits are for leasing investment properties. The performance guarantees of Kbro Media and Chien Kuo Construction amounting to \$26,345 and \$27,757 were also acquired.

(iii) Rental expense and refundable deposits:

	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Rental expense:				
Chung Hsing Land Development	\$ 63,812	64,688	128,142	129,422
Ming-Dong Industrial	6,325	5,875	12,651	11,804
Taipei City Government	92,208	91,998	178,390	186,076
Taiwan Fixed Network	4,289	2,130	10,555	6,241
Related parties in substance (individual)	8,903	8,816	17,806	17,633
Others (not related company or person accounts for more than \$10,000 or 10%)	7,252	5,913	13,761	11,881
Total	<u>\$ 182,789</u>	<u>179,420</u>	<u>361,305</u>	<u>363,057</u>

(Continued)

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

All the above leases were operating leases. The leasing term was not materially different from that with unrelated parties.

	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Refundable deposits:			
Chung Hsing Land Development	\$ 35,431	35,354	37,359
Ming-Dong Industrial	4,094	4,086	4,086
Taipei City Government	4,243	4,243	4,243
Related parties in substance (individual)	5,837	5,780	5,780
Others (not related company or person accounts for more than \$10,000 or 10%)	3,320	3,320	3,310
	<u>\$ 52,925</u>	<u>52,783</u>	<u>54,778</u>

(iv) Other deposits

	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>	<u>Note</u>
Taipei City Government	\$ 1,120,373	1,119,124	1,119,174	Bid Bond / Superficies performance bond
Taiwan Stock Exchange	858,000	30,000	280,000	Margin lending
Others (not related company or person accounts for more than \$10,000 or 10%)	720	720	720	
Total	<u>\$ 1,979,093</u>	<u>1,149,844</u>	<u>1,399,894</u>	

(v) Deposits

	<u>June 30, 2017</u>		<u>December 31, 2016</u>		<u>June 30, 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>Name of related party</u>						
Others	<u>\$ 51,134,387</u>	0~6.12	<u>58,933,684</u>	0~8.00	<u>69,378,416</u>	0~8.00

(Continued)

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

(vi) Loans

<u>Name of related party</u>	<u>June 30, 2017</u>		<u>December 31, 2016</u>		<u>June 30, 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>
Others	<u>\$ 5,558,529</u>	0~14.98	<u>5,906,842</u>	0~14.98	<u>5,941,165</u>	0~14.90

Units: In thousands of TWD

June 30, 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		
Employee consumer loans	56	30,185	23,636	✓	-	None	None
House mortgages	329	3,188,460	2,864,591	✓	-	Real estate	None
Others	Department of Urban Development, Taipei City Government	771,519	697,103	✓	-	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	636	✓	-	Public treasury guarantees	None
	Fubon Land Development	2,290,800	1,910,800	✓	-	Construction, land and domestic listed stocks	None
	Fubon Gehua	134,601	61,068	✓	-	Standby Letter of Credit	None
	Alltek Technology	39,134	-	✓	-	Clean Credit	None
	Other loans	752	695	✓	-	Credit Guarantee Fund	None
Total		15,456,264	5,558,529				

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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

June 30, 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	64	34,048	25,483	✓	-	None	None
House mortgages	328	3,024,163	2,628,287	✓	-	Real estate	None
Others	Department of Urban Development, Taipei City Government	905,331	834,404	✓	-	Public treasury guarantees	None
	Taipei Municipal Secured Small Loans Service	1,163	989	✓	-	Public treasury guarantees	None
	Fubon Land Development	2,540,000	2,290,800	✓	-	Construction, land and domestic listed stocks	None
	Shanghai Ruidong Hospital	184,476	161,202	-	-	Pledged deposits	None
	Other loans	800	800	✓	-	Credit Guarantee Fund	None
Total		6,689,981	5,941,965				

(Continued)

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

(vii) Guarantees

June 30, 2017					
Related party	Highest balance for the period	Ending balance	Provision (Note)	Rates (%)	Type of collateral
Taipei City Government	1,291	1,218	-	1%	Public treasury guarantees
Taipei New Horizon	16,250	16,250	-	0.85%	Buildings, excluding land

December 31, 2016					
Related party	Highest balance for the period	Ending balance	Provision (Note)	Rates (%)	Type of collateral
Taipei City Government	1,346	1,291	-	1%	Public treasury guarantees
Taipei New Horizon	32,500	16,250	-	0.85%	Buildings, excluding land

June 30, 2016					
Related party	Highest balance for the period	Ending balance	Provision (Note)	Rates (%)	Type of collateral
Taipei City Government	1,346	1,292	-	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.

(Continued)

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

(viii) Details of financing activities:

1) Secured loans

June 30, 2017						
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	44 related parties in substance	\$ 292,332	<u>287,887</u>	Normal loans	Real estate	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 unrelated parties
Residential mortgage loans	39 related parties in substance	\$ 287,572	<u>278,727</u>	Normal loans	Real estate	None

June 30, 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	40 related parties in substance	\$ 301,106	<u>287,228</u>	Normal loans	Real estate	None

The transaction terms between related parties are identical to those of other market participants.

2) Life insurance loans:

June 30, 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	95 related parties in substance	\$ 38,625	<u>32,450</u>	Normal loans	Policy value	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 nonrelated parties
Life insurance loans	101 related parties in substance	\$ 49,233	35,719	Normal loans	Policy value	None

June 30, 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	87 related parties in substance	\$ 37,080	25,949	Normal loans	Policy value	None

The transaction terms between 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>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Capital Securities	Interest rate swap contracts	\$ -	-	10,600,000
Capital Securities	Foreign currency swap contracts	-	-	81,185
Total		<u>\$ -</u>	<u>-</u>	<u>10,681,185</u>

(x) Other income

1) Service fees

<u>Name of related party</u>	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Fubon Multimedia Technology	\$ 30,645	29,548	63,149	58,619
Taiwan Mobile	54,565	54,379	109,852	107,716
Others (not related company or person accounts for more than \$10,000 or 10%)	12,111	16,171	26,435	30,688
Total	<u>\$ 97,321</u>	<u>100,098</u>	<u>199,436</u>	<u>197,023</u>

(Continued)

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

2) Management fees

<u>Name of related party</u>	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	2017	2016	2017	2016
Funds managed by Fubon Asset Management and authorization accounts	\$ <u>227,048</u>	<u>202,975</u>	<u>430,417</u>	<u>383,322</u>

3) Sales commissions

<u>Name of related party</u>	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	2017	2016	2017	2016
Funds managed by Fubon Asset Management and authorization accounts	\$ <u>8,040</u>	<u>7,330</u>	<u>12,660</u>	<u>17,614</u>

4) Service fees - futures trading

<u>Name of related party</u>	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	2017	2016	2017	2016
Funds managed by Fubon Asset Management and authorization accounts	\$ <u>24,687</u>	<u>27,356</u>	<u>46,632</u>	<u>52,827</u>

5) Handling fees

<u>Name of related party</u>	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	2017	2016	2017	2016
Others (not related company or person accounts for more the \$10,000 or 10%)	\$ <u>9,236</u>	<u>8,646</u>	<u>18,422</u>	<u>18,296</u>

(Continued)

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

6) Other income

Name of related party	For the three months ended June 30		For the six months ended June 30	
	2017	2016	2017	2016
Others (not related company or person accounts for more than \$10,000 or 10%)	\$ <u>8,678</u>	<u>6,786</u>	<u>13,790</u>	<u>13,056</u>

7) Sponsorship income, sales revenue, royalty income and unearned revenue

	For the three months ended June 30		For the six months ended June 30	
	2017	2016	2017	2016
Taiwan Mobile	\$ 9,246	2,500	17,996	2,500
Fubon Multimedia Technology	11,132	-	16,787	-
Others (not related company or person accounts for more than \$10,000 or 10%)	48	-	48	-
Total	\$ <u>20,426</u>	<u>2,500</u>	<u>34,831</u>	<u>2,500</u>

The details of unearned revenues generated from aforementioned transactions were as follows:

	June 30, 2017	December 31,	
	2017	2016	June 30, 2016
Taiwan Mobile	\$ 2,976	-	2,500
Fubon Multimedia Technology	8,000	-	-
Others (not related company or person accounts for more than \$10,000 or 10%)	48	-	-
Total	\$ <u>11,024</u>	<u>-</u>	<u>2,500</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 June 30</u>		<u>For the six months ended June 30</u>	
		<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Taiwan Fixed Network	Phone expenses, telecom expenses and network equipment rental expenses	\$ 104,120	50,869	145,498	89,756
Taiwan Mobile	Phone expense, marketing fee and service fee	14,337	9,853	24,164	15,656
Fubon Property Management	Management fees, investment property expenses	50,434	58,610	96,516	92,677
Fubon Land Development	Consulting fee and service fee	10,395	4,842	18,574	10,958
Taiwan Stock Exchange	Brokerage commissions, computer information fee, issuing call warrant fee and dealing fee	49,114	40,898	96,330	84,872
Taiwan Depository & Clearing	Depository and clearing fee	18,966	19,187	38,958	41,113
Taiwan Futures Exchange	Brokerage commissions, clearing and settlement fee and dealing fee	38,577	40,947	70,821	83,850
Convoy Financial Service	Commission expenses	5,317	-	17,078	-
Others (not related company or person accounts for more than \$10,000 or 10%)	Service fees, commission expenses, other expenses	21,278	22,591	41,792	44,639
Total		<u>\$ 312,538</u>	<u>247,797</u>	<u>549,731</u>	<u>463,521</u>

(Continued)

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

(xii) Bond transaction

1) Bonds sold under repurchase agreement

<u>Name of related party</u>	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Directors, supervisors, managers and their relatives up to the second degree, affiliates and the related parties in substance	\$ 1,566,472	2,994,068	941,029
Taiwan High Speed Rail	3,230,200	2,211,400	-
Total	<u>\$ 4,796,672</u>	<u>5,205,468</u>	<u>941,029</u>

2) Bonds purchased under resell agreement

<u>Name of related party</u>	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Capital Securities	\$ -	-	<u>2,291,609</u>

3) Bonds and bills transactions

Bills purchased

<u>Name of related party</u>	<u>For the six months ended June 30</u>	
	<u>2017</u>	<u>2016</u>
Capital Securities	\$ -	<u>299,795</u>

Bonds purchased

<u>Name of related party</u>	<u>For the six months ended June 30</u>	
	<u>2017</u>	<u>2016</u>
Capital Securities	\$ -	56,509
Xiamen Bank	808,509	145,253
Total	<u>\$ 808,509</u>	<u>201,762</u>

(Continued)

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

(xiii) Donations to related parties were as follows:

	For the three months ended June 30		For the six months ended June 30	
	2017	2016	2017	2016
Taipei Fubon Commercial Bank Charity Foundation	\$ 16,342	9,590	16,342	9,590
Fubon Art Foundation	23,797	19,753	33,111	19,853
Fubon Cultural & Education Foundation	25,025	28,895	25,889	28,895
Fubon Charity Foundation	26,107	36,808	24,710	40,789
Others (not related company or person accounts for more than \$10,000 or 10%)	3,200	220	8,300	6,180
	\$ 94,471	95,266	108,352	105,307

(xiv) Other receivables and payables

Name of related party	June 30, 2017	December 31, 2016	June 30, 2016
Fubon Multimedia Technology	\$ 10,909	179	-
Funds managed by Fubon Asset Management and authorization accounts	78,641	70,276	71,787
Taiwan Stock Exchange	(10,010)	(7,564)	(8,223)
Taiwan Futures Exchange	(16,953)	(12,472)	(13,382)
Convoy Financial Service	(1,267)	(10,744)	-
Others (not related company or person accounts for more than \$10,000 or 10%)	(10,959)	(9,121)	(10,808)
Total	\$ 50,361	30,554	39,374

(xv) Futures traders' equity

Name of related party	June 30, 2017	December 31, 2016	June 30, 2016
Funds managed by Fubon Asset Management	\$ 10,873,571	6,037,395	7,246,100

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

(xvi) 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>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Fubon Chi-Hsiang Money Market Fund	\$ 1,715,883	1,624,439	3,655,737
Fubon Strategic High Income Fund	118,615	88,990	206,436
Fubon Taiwan Technology ETF	130,033	113,560	140,012
Fubon MSCI Taiwan ETF	203,993	178,074	165,576
Fubon Taiwan Finance ETF	144,244	156,289	147,866
Fubon Taiwan Eight Industries ETF	157,270	146,858	126,224
Fubon SZSE 100 ETF	157,693	135,559	124,628
Fubon China High Yield Bd CNY	168,932	132,166	170,009
Fubon China Money Market CNY	92,582	96,888	-
Fubon China Investment Grade Bond Fund - CNY	29,322	58,481	60,307
Fubon China New Balanced Income	49,456	38,751	51,318
Fubon China Growth Fund	20,574	28,130	28,368
Fubon FTSE TWSE Taiwan 50 ETF	12,412	11,010	10,804
Fubon SSE180 ETF	996,078	8,539	7,088
Fubon SSE180 Leveraged Inversed 2X Index ETF	90,969	25,128	9,122
Fubon SSE180 Inversed Index ETF	81,592	29,583	130,269
Fubon Elite Fund	5,331	6,687	6,591
Fubon Global REIT Fund	394	380	1,053
Fubon Global Investment Fund	5,087	-	-
Fubon TOPIX ETF	9,821	9,772	10,078
Fubon TOPIX Leveraged 2X Index Fund	25,041	22,504	34,164
Fubon TOPIX Inverse-1X Index ETF	35,745	33,492	41,010
Fubon NIFTY ETF	6,326	1,161	9,670
Fubon NIFTY 2X Leveraged Index ETF	11,703	30,418	75,381
Fubon NIFTY -1X Inverse Index ETF	34,704	6,524	22,170
Fubon NASDAQ-100 ETF	4,587	4,486	13,771
	50,524	71,332	75,761

(Continued)

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

<u>Name of related party</u>	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Fubon Hang Seng H-Share 2X Leveraged Index ETF	\$ 88,345	73,902	-
Fubon Hang Seng H-Share -1X Inverse Index ETF	39,518	46,506	-
Fubon TAIEX Daily 2X Leveraged ETF	62,897	39,056	-
Fubon TAIEX Daily -1X Inverse ETF	20,016	62,207	-
Fubon S&P 500 VIX Short-Term Futures ETF	49,831	229,235	-
Fubon Euro-Asia Silk Road Multi-Asset Fund	50,578	-	-
Fubon TWSE Corporate Governance 100 ETF	1,235,809	-	-
Fubon 1-3 Years US Treasury Bond ETF	21,985	-	-
Fubon 7-10 Years US Treasury Bond ETF	25,592	-	-
Fubon 20+Years US Treasury Bond ETF	36,207	-	-
Total	\$ <u>5,989,689</u>	<u>3,510,107</u>	<u>5,323,413</u>

The Company and its subsidiaries has acquired Fubon REIT I Fund and Fubon REIT II as follows:

<u>Name of related party</u>	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Fubon REIT I Fund	\$ 1,635,328	1,758,387	1,902,166
Fubon REIT II Fund	985,587	1,015,827	1,034,783
Total	\$ <u>2,620,915</u>	<u>2,774,214</u>	<u>2,936,949</u>

(xvii) Clearing and settlement fund

<u>Name of related party</u>	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Taiwan Stock Exchange	\$ 110,712	103,924	100,924
Taiwan Futures Exchange	751,945	163,328	169,704
Total	\$ <u>862,657</u>	<u>267,252</u>	<u>270,628</u>

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

(xviii) Deal on credit

As of June 30, 2017, December 31 and June 30, 2016, the Company and its subsidiaries had receivables from other related parties' pecuniary finance amounting to \$100,288, \$99,235 and \$102,862.

(xix) Customer margin deposit

<u>Name of related party</u>	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Taiwan Futures Exchange	\$ <u>2,454,316</u>	<u>2,505,585</u>	<u>1,707,408</u>

(xx) Transaction of property

Payments of investment and held-for-use property are:

<u>Name of related party</u>	<u>Category</u>	<u>For the six months ended June 30</u>	
		<u>2017</u>	<u>2016</u>
Fubon Land Development	Consultancy fees	\$ 18,478	2,220
Taipei City Government	Public hearing facilities rental expense	16,523	9
Others (not related company or person accounts for more than \$10,000 or 10%)		7,816	-
		<u>\$ 42,817</u>	<u>2,229</u>

(xxi) Prepayments

<u>Name of related party</u>	<u>Category</u>	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Taipei City Government	Prepaid rental expense-superficies, temporary payment	\$ 171,514	1,249	191,897
Taiwan Fix Network	Prepayment for business facilities	56,414	-	-
Others (not related company or person accounts for more than \$10,000 or 10%)		4,252	2,933	3,132
Total		<u>\$ 232,180</u>	<u>4,182</u>	<u>195,029</u>

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

(xxii) Others

<u>Name of related party</u>	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Principal of structured products	\$ <u>16,389</u>	<u>16,757</u>	<u>18,900</u>
Other financial assets – others	\$ <u>4,678</u>	<u>6,593</u>	<u>5,319</u>

(c) Compensation to executive officers

Executive officers' compensation comprised:

	<u>For the three months ended</u>		<u>For the six months ended</u>	
	<u>June 30</u>		<u>June 30</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Short-term employee benefits	\$ 367,369	364,708	776,572	772,410
Post-employment benefits	9,937	9,888	19,810	20,358
Other long-term employee benefits	<u>1,576</u>	<u>1,562</u>	<u>3,047</u>	<u>2,942</u>
	<u>\$ 378,882</u>	<u>376,158</u>	<u>799,429</u>	<u>795,710</u>

For share-based payment information please refer to note 6 (ac).

(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

2) Significant transactions with related parties were as follows:

a) Bank deposit with related party

<u>Name of related party</u>	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Taipei Fubon Bank	\$ <u>1,164,453</u>	<u>1,629,197</u>	<u>2,052,721</u>

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

b) Insurance revenue with related party were as follows:

i) Insurance revenue

<u>Name of related party</u>	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Taiwan Mobile	\$ <u>162,062</u>	<u>73,755</u>	<u>281,010</u>	<u>124,290</u>

ii) Insurance revenue receivables

<u>Name of related party</u>	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
	Taiwan Mobile	\$ <u>49,229</u>	<u>61,322</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>
Fubon Financial Holdings Co., Ltd. (Fubon Financial Holdings)	Parent Company
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

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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>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Taipei Fubon Bank:			
Check deposits	\$ 85,874	258,517	90,288
Demand deposits	5,218,602	5,604,484	3,800,715
Time deposits	3,779,000	4,179,000	9,879,500
Structured deposits	2,792,342	2,822,978	2,853,702
Fubon Bank (Hong Kong):			
Demand deposits	1,146,787	1,004,437	1,528,239
Time deposits	-	12,489	110,207
	<u>\$ 13,022,605</u>	<u>13,881,905</u>	<u>18,262,651</u>

All deposits exclude assets on insurance products-separate account. The structured deposits were recognized as other financial assets.

b) Interest revenues

<u>Name of related party</u>	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Taipei Fubon Bank	<u>\$ 49,056</u>	<u>56,388</u>	<u>96,455</u>	<u>110,635</u>

c) Interest receivables

<u>Name of related party</u>	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Taipei Fubon Bank	<u>\$ 351,670</u>	<u>329,270</u>	<u>332,203</u>

d) Loans

Secured loans

<u>June 30, 2017</u>						
<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	44 related parties in substance	\$ <u>292,332</u>	<u>287,887</u>	Normal loan	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	Differences in transaction terms between related and non related parties
Residential mortgage loans	39 related parties in substance	\$ <u>287,572</u>	<u>278,727</u>	Normal loan	Real Estate	None
June 30, 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	40 related parties in substance	\$ <u>301,106</u>	<u>287,228</u>	Normal loan	Real Estate	None

The transaction terms are identical to those of other market participants.

e) Funds were as follows:

Name of related party	June 30, 2017	December 31, 2016	June 30, 2016
Fubon Chi-Hsiang Money Market Fund	\$ 1,501,282	1,500,183	3,503,599
Fubon Taiwan Technology ETF	201,034	175,853	163,758
Fubon MSCI Taiwan ETF	136,587	118,483	112,600
Fubon Taiwan Eight Industries ETF	155,017	133,939	123,098
Fubon Taiwan Finance ETF	143,781	138,242	117,931
Fubon SZSE 100 ETF	136,797	124,664	134,530
Fubon FTSE TWSE Taiwan 50 ETF	994,770	-	-
Fubon TWSE Corporate Governance 100 ETF	1,043,000	-	-
Total	<u>\$ 4,312,268</u>	<u>2,191,364</u>	<u>4,155,516</u>

(Continued)

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

- f) Fubon Life Insurance has acquired Fubon REIT I and Fubon REIT II and recognized as available-for-sale financial assets:

<u>Name of related party</u>	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Fubon REIT I Fund	\$ 783,661	854,644	918,814
Fubon REIT II Fund	935,499	977,061	990,915
Total	<u>\$ 1,719,160</u>	<u>1,831,705</u>	<u>1,909,729</u>

- g) Bond transactions

- i) Sales of bonds

<u>Name of related party</u>	<u>For the six months ended June 30</u>	
	<u>2017</u>	<u>2016</u>
Fubon Securities	\$ -	1,593,052
Taipei Fubon Bank	18,561,399	18,918,628
	<u>\$ 18,561,399</u>	<u>20,511,680</u>

- ii) Bonds purchased under resell agreement

<u>Name of related party</u>	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Fubon Securities	\$ -	-	160,015
Capital Securities	-	-	920,000
	<u>\$ -</u>	<u>-</u>	<u>1,080,015</u>

- h) Other receivables

<u>Name of related party</u>	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Fubon Insurance	<u>\$ 113,160</u>	<u>97,130</u>	<u>59,253</u>

- i) Payables

<u>Name of related party</u>	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Fubon Financial Holdings	<u>\$ 5,207,456</u>	<u>-</u>	<u>-</u>

(Continued)

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

j) Prepayment

<u>Name of related party</u>	<u>Category</u>	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Taipei City Government	Prepaid rental expense-superficies, temporary payment	\$ <u>171,514</u>	<u>1,249</u>	<u>191,897</u>

k) Premium Revenue:

<u>Name of related party</u>	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Others (no individual accounts for more than \$10,000)	\$ <u>258,089</u>	<u>281,784</u>	<u>568,228</u>	<u>599,331</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.

l) Refundable deposits and rental expense:

i) Refundable deposits:

<u>Name of related party</u>	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>	<u>Note</u>
Taipei City Government	\$ <u>1,120,373</u>	<u>1,119,124</u>	<u>1,119,174</u>	Bid Bond / Superficies performance Bond

(Continued)

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

ii) Rental expense:

<u>Name of related party</u>	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Taipei City Government	\$ <u>81,428</u>	<u>81,218</u>	<u>161,960</u>	<u>162,436</u>

All the above leases were operating leases. The leasing term was not materially different from that with unrelated parties.

m) Integrate business revenue and cross-selling commission:

<u>Name of related party</u>	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Fubon Insurance	\$ <u>111,068</u>	<u>90,539</u>	<u>211,865</u>	<u>175,216</u>

(iii) Fubon Securities and its subsidiaries

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
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 \$10,000 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>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Demand deposits (excluding settlement accounts)	\$ <u>468,145</u>	<u>881,896</u>	<u>471,135</u>
Demand deposits (booked as customer margin accounts)	\$ <u>438,480</u>	<u>89,361</u>	<u>89,077</u>
Checking account	\$ <u>18,663</u>	<u>31,722</u>	<u>93,520</u>
Time deposits	\$ <u>581,645</u>	<u>970,535</u>	<u>1,626,315</u>
Restricted time deposits	\$ <u>127,521</u>	<u>340,021</u>	<u>147,521</u>
Foreign currency deposits	\$ <u>1,046,851</u>	<u>425,875</u>	<u>540,337</u>
Foreign time deposit	\$ <u>3,500,474</u>	<u>3,454,121</u>	<u>64,582</u>

For the three months and six months ended June 30, 2017 and 2016, interest revenues from bank deposits of Taipei Fubon Bank and Fubon Bank (Hong Kong) were \$18,545, \$7,668, \$35,331 and \$14,162, respectively. Further, interest receivables from Taipei Fubon Bank and Fubon Bank (Hong Kong) were \$3,446, \$4,011, and \$3,083 as of June 30, 2017, December 31 and June 30, 2016, respectively. For the six months ended June 30, 2017 and 2016, interests rate intervals were 0.170%~1.580% and 0.290%~1.365%, respectively.

As of June 30, 2017, December 31 and June 30, 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 \$1,057,500, 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 June 30, 2017, December 31 and June 30, 2016, were all nil. Unused credit facilities from Taipei Fubon Bank were all \$6,000,000. As of June 30, 2017, December 31 and June 30, 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 \$1,552,707, \$1,557,418 and \$1,563,443, respectively. Fubon Securities also provided stock investments amounting to \$2,061,000, \$1,872,000 and \$2,025,000 to Taipei Fubon Bank as collateral for short-term borrowings (recognized as available-for-sale financial assets – current) as of June 30, 2017, December 31 and June 30, 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:

		June 30, 2017	
<u>Name of related party</u>	<u>Cost</u>	<u>Gains (losses) on valuation</u>	
Taiwan Mobile	\$ <u>1,412,500</u>	<u>1,163,750</u>	
		December 31, 2016	
<u>Name of related party</u>	<u>Cost</u>	<u>Gain (loss) on valuation</u>	
Taiwan Mobile	\$ <u>1,412,500</u>	<u>927,500</u>	
		June 30, 2016	
<u>Name of related party</u>	<u>Cost</u>	<u>Gains (losses) on valuation</u>	
Taiwan Mobile	\$ <u>1,412,500</u>	<u>1,118,750</u>	
		For the three months ended June 30, 2017	
<u>Name of related party</u>	<u>Dividend revenue</u>	<u>Gain (loss) on disposal</u>	
Taiwan Mobile	\$ <u>126,000</u>	<u>-</u>	
		For the three months ended June 30, 2016	
<u>Name of related party</u>	<u>Dividend revenue</u>	<u>Gain (loss) on disposal</u>	
Taiwan Mobile	\$ <u>126,000</u>	<u>-</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>June 30, 2017</u>	December 31, <u>2016</u>	<u>June 30, 2016</u>
Fubon SSE 180 ETF	\$ 620,864	528,330	488,630
Fubon SZSE 100 ETF	140,358	159,092	89,027
Fubon SSE 180 Leveraged 2X index ETF	8,668,909	4,405,768	5,930,534
Fubon new labor fund 102-2	-	112,151	73,506
Fubon NASDAQ-100 ETF	114,234	-	-
Fubon Hang Seng H-Share Leveraged 2X Index ETF	174,906	115,867	-
Fubon TAIEX Daily -1X Inverse ETF	242,418	107,444	-
Fubon S&P 500 VIX Short- Term Futures ETF	513,469	148,970	-
Fubon TOPIX Leveraged 2X Index ETF	71,942	92,603	263,585
Fubon NIFTY 2X Leveraged Index ETF	161,005	227,800	109,933
	<u>\$ 10,708,105</u>	<u>5,898,025</u>	<u>6,955,215</u>

d) Funds purchased by Fubon Securities were as follow:

<u>Name of related party</u>	<u>June 30, 2017</u>	December 31, <u>2016</u>	<u>June 30, 2016</u>
Fubon Chi-Hsiang Money Market Fund	\$ 214,601	124,256	124,095
Fubon China High Yield Bond Fund CNY	92,582	96,888	101,482
Total	<u>\$ 307,183</u>	<u>221,144</u>	<u>225,577</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>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Fubon Chi-Hsiang Money Market Fund	\$ 1,715,883	1,624,439	3,655,737
Fubon Taiwan Technology ETF	203,993	178,074	165,576
Fubon FTSE TWSE Taiwan 50 ETF	996,078	8,539	7,088
Fubon S&P 500 VIX Short-Term Futures ETF	49,831	229,235	-
Fubon TWSE Corporate Governance 100 ETF	1,235,809	-	-
Others (no related company or person accounts for more than 5%)	1,788,095	1,469,820	1,494,712
Total	<u>\$ 5,989,689</u>	<u>3,510,107</u>	<u>5,323,113</u>

- f) Deal on credit

As of June 30, 2017, December 31 and June 30, 2016, Fubon Securities and its subsidiaries' had receivables from the other related parties' pecuniary finance amounting to \$100,288, \$99,235 and \$102,862, respectively.

- g) Settlement and clearing funds

<u>Name of related party</u>	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Taiwan Stock Exchange	\$ 110,712	103,924	100,924
Taiwan Futures Exchange	151,945	163,328	169,704
Total	<u>\$ 262,657</u>	<u>267,252</u>	<u>270,628</u>

- h) Margin lending deposits

<u>Name of related party</u>	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Taiwan Stock Exchange	\$ <u>678,000</u>	<u>-</u>	<u>-</u>

- i) Refundable deposits

<u>Name of related party</u>	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Taiwan Stock Exchange	\$ <u>180,000</u>	<u>30,000</u>	<u>280,000</u>

(Continued)

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

j) Customer margin deposit

<u>Name of related party</u>	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Taiwan Futures Exchange	\$ <u>2,454,316</u>	<u>2,505,585</u>	<u>1,707,408</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>June 30, 2017</u>	
	<u>Cost</u>	<u>Gains (losses) on valuation</u>
Fubon SSE180 Leveraged 2X Index ETF (managed by Fubon Asset Management)	\$ 57,515	9,211
Fubon S&P 500 VIX Short-Term Futures ETF (managed by Fubon Asset Management)	49,631	200
Fubon TWSE Corporate Governance 100 ETF (managed by Fubon Asset Management)	139,633	1,652
Total	<u>\$ 246,779</u>	<u>11,063</u>
<u>Name of securities</u>	<u>December 31, 2016</u>	
	<u>Cost</u>	<u>Gains (losses) on valuation</u>
Fubon SSE180 Leveraged 2X Index ETF (managed by Fubon Asset Management)	\$ 19,043	(307)
Fubon S&P 500 VIX Short-Term Futures ETF (managed by Fubon Asset Management)	200,040	(700)
Total	<u>\$ 219,083</u>	<u>(1,007)</u>

(Continued)

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

<u>Name of securities</u>	<u>June 30, 2016</u>	
	<u>Cost</u>	<u>Gains (losses) on valuation</u>
Fubon SSE180 Leveraged 2X Index ETF (managed by Fubon Asset Management)	\$ <u>114,683</u>	<u>1,812</u>

The balance of the trading securities-dealing of the related parties was \$0, \$0 and \$1,593,052, and the interest receivable was \$0, \$0 and \$13,799 as of June 30, 2017, December 31 and June 30, 2016.

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>June 30, 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>2,330</u>

<u>Name of securities</u>	<u>December 31, 2016</u>	
	<u>Cost</u>	<u>Gains (losses) on valuation</u>
Third issue of unsecured convertible bonds of Taiwan Mobile	\$ <u>110,090</u>	<u>185</u>

m) Management fee (accounted for other operating revenue)

<u>Name of related party</u>	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Fubon SSE 180 Leveraged 2X Index ETF	\$ 73,622	68,386	144,319	126,841
Others (no individual accounts for more than \$100,000)	45,776	52,360	105,834	101,586
Total	\$ <u>119,398</u>	<u>120,746</u>	<u>250,153</u>	<u>228,427</u>

(Continued)

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

n) Rental revenue (accounted for other profit and loss)

i) Rental revenue

<u>Name of related party</u>	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Taipei Fubon Bank	\$ <u>72,507</u>	<u>70,013</u>	<u>141,301</u>	<u>139,264</u>

ii) Rental receivable

<u>Name of related party</u>	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
	Taipei Fubon Bank	\$ <u>72,060</u>	<u>49,514</u>

(iv) Taipei Fubon Bank and its subsidiaries

1) Name and relationship with related party

<u>Name of related party</u>	<u>Relationship with the Company</u>
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
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

(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>
Alltek Technology Corp. (Alltek Technolgh)	Related parties in substance (not related parties in substance on second quarter of 2017)
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 six months ended June 30, 2017</u>		
	<u>Ending balance</u>	<u>Interest rate/ service fee rate (%)</u>	<u>Interest revenue (expense)</u>
Loans	\$ <u>5,558,529</u>	0~14.98	<u>46,727</u>
Discounts	\$ <u>1,104,215</u>	3.66~5.50	<u>27,505</u>
Due from banks	\$ <u>199,676</u>	0~5.40	<u>2,053</u>
Deposits	\$ <u>73,832,307</u>	0~6.12	<u>(131,597)</u>

(Continued)

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

Units: In thousands of TWD

June 30, 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		
Employee consumer loans	56	\$ 30,185	23,636	✓	-	None	None
House mortgages	329	3,188,460	2,864,591	✓	-	Real estate	None
Others	Department of Urban Development, Taipei City Government	771,519	697,103	✓	-	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	636	✓	-	Public treasury guarantees	None
	Fubon Land Development	2,290,800	1,910,800	✓	-	Construction, land and listed stocks	None
	Alltek Technology	39,134	-	✓	-	Clean credit	None
	Fubon Gehua	134,601	61,068	✓	-	Standby letter of credit	None
	Other loans	752	695	✓	-	Credit Guarantee Fund	None
Total		\$ 15,456,264	5,558,529				

**December 31,
2016**

Item	Ending balance
Loans	\$ <u>5,906,842</u>

(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
Total		\$ 11,039,969	5,906,842				

For the six months ended June 30, 2016

Item	Ending balance	Interest rate / service fee rate (%)	Interest revenue (expense)
Loans	\$ <u>5,941,165</u>	0~14.90	<u>57,424</u>
Due to banks	\$ <u>605,109</u>	0~5.40	<u>20,934</u>
Deposits	\$ <u>126,249,391</u>	0~8.00	<u>(163,835)</u>

(Continued)

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

June 30, 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	64	\$ 34,048	25,483	✓	-	None	None
House mortgages	328	3,024,163	2,628,287	✓	-	Real estate	None
Others	Department of Urban Development, Taipei City Government	905,331	834,404	✓	-	Public treasury guarantees	None
	Taipei Municipal Secured Small Loans Service	1,163	989	✓	-	Public treasury guarantees	None
	Fubon Land Development	2,540,000	2,290,800	✓	-	Construction, land and listed stocks	None
	Shanghai Ruidong Hospital	184,476	161,202	-	-	Pledged deposits	None
	Other loans	800	800	✓	-	Credit Guarantee Fund	None
Total		\$ 6,689,981	5,941,965				

b) Bond transactions were as follows:

			For the six months ended June 30		
Name of related party	Subject	Transaction types	2017	2016	
Capital Securities	Bonds	Bonds purchased	\$ -	56,509	
Capital Securities	Bills	Bills purchased	-	299,975	
Xiamen Bank	Bonds	Bonds purchased	808,509	145,253	
Name of related party	Subject	Transaction types	June 30, 2017	December 31, 2016	June 30, 2016
Fubon Securities	Bonds	Resell agreement	\$ -	200,079	-
Capital Securities	Bonds	Resell agreement	-	-	1,371,609
Taiwan High Speed Rail	Bonds	Repurchase agreement	3,230,600	2,211,400	-
Directors, supervisors, managers and their relatives up to the second degree; affiliated and the related parties in substance	Bonds	Repurchase agreement	1,566,472	2,994,068	941,029

c) Fund and stock transactions

Name of related party	June 30, 2017	December 31, 2016	June 30, 2016
Fubon REIT I Fund	\$ 795,984	868,084	933,262

(Continued)

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

d) Derivative financial instruments

Unit: In thousands of TWD

June 30, 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	33,799	Valuation adjustment of financial liability measured at fair value through profit or loss	430,417

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

g) Transaction of property

On March 22, 2017, Taipei Fubon Bank sold parts of its buildings, which has a book value of \$158,175, to Fubon AMC, with the amount of \$588,000, and recognized the gains on disposal amounting to \$429,825. For related information, please refer to Note 13.

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

<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 Life Insurance (Hong Kong) Limited	Company controlled by Fubon Financial Holdings
Fubon Convoy Asset Management (Hong Kong)	Company controlled by Fubon Financial Holdings

2) Significant transactions with related parties

Deposits

<u>Name of related party</u>	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Taipei Fubon Bank	HKD <u>24,727</u>	HKD <u>20,608</u>	HKD <u>27,647</u>
Fubon Life Insurance (Hong Kong)	HKD <u>294,111</u>	HKD <u>244,282</u>	HKD <u>405,502</u>
Fubon Convoy Asset Management (Hong Kong)	HKD <u>50,007</u>	HKD <u>-</u>	HKD <u>-</u>

Bank Deposits

<u>Name of related party</u>	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Taipei Fubon Bank	HKD <u>34,157</u>	HKD <u>23,818</u>	HKD <u>14,907</u>

(Continued)

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

(vi) Fubon Financial Holding Venture Capital

1) Name and relationship with related party

Name of related party	Relationship with the Company
Taipei Fubon Bank Co., Ltd. (Taipei Fubon Bank)	Company controlled by Fubon Financial Holdings

2) Significant transactions with related parties

a) Bank deposits

	June 30, 2017	December 31, 2016	June 30, 2016
Bank deposits	\$ 197,011	123,412	76,314

(vii) Fubon Marketing and its subsidiaries

1) Name and relationship with related party

Name of related party	Relationship with the Company
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

2) Significant transactions with related parties

a) Deposit

	June 30, 2017	December 31, 2016	June 30, 2016
Taipei Fubon Bank	\$ 255,131	356,820	187,996

(Continued)

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

b) Operating revenue

<u>Name of related party</u>	<u>For the six months ended June 30</u>	
	<u>2017</u>	<u>2016</u>
Fubon Insurance	\$ 211,515	228,413
Fubon Life Insurance	168,808	189,666
Total	<u>\$ 380,323</u>	<u>418,079</u>

The details of account receivables generated from aforementioned transactions were as follows:

<u>Name of related party</u>	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
	Fubon Insurance	\$ 31,152	41,291
Fubon Life Insurance	33,230	28,427	26,152
Total	<u>\$ 64,382</u>	<u>69,718</u>	<u>103,519</u>

(8) Pledged assets

<u>Pledged assets</u>	<u>Purpose of pledge</u>	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Time deposits (accounted for refundable deposits)	Guarantee deposits for Insurance business	\$ 18,243	19,366	19,379
Time deposits (accounted for refundable deposits)	Performance bond	1,024,044	1,034,124	1,064,810
Time deposits (accounted for pledged assets)	Full fiduciary discretionary deposits, bank overdraft	22,521	35,021	42,521
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	16,000,000	18,500,000	15,000,000
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	13,000,000	10,500,000	5,000,000
Other banks' deposits (accounted for other financial assets)	Note 1	1,626,034	1,662,725	1,713,225
Government bonds (accounted for refundable deposits)	Guarantee deposits for Insurance business, performance bond and margin deposit for trust business	10,803,962	10,802,093	9,426,651

(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>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Government bonds (accounted for bonds investment without active market)	Pledged for repurchase agreement	\$ 73,356	-	58,015
Government bonds (accounted for financial assets measured at fair value through profit or loss)	Note 1	49,696	49,111	50,036
Government bonds (accounted for financial assets measured at fair value through profit or loss)	Pledged for short sell	7,788,246	5,669,050	-
Government bonds (accounted for available- for-sale financial assets)	Note 1	106,321	365,960	156,199
Government bonds (accounted for held-to- maturity financial assets)	Note 1	2,340,085	5,811,816	7,379,784
Government bonds (accounted for available- for-sale financial assets)	Pledged for repurchase agreement	-	-	103,364
Corporate bonds (accounted for available-for-sale financial assets)	Pledged for repurchase agreement	5,671,071	1,678,560	1,644,384
Financial liabilities (accounted for available- for-sale financial assets)	Pledged for repurchase agreement	33,747,276	38,244,766	38,831,487
Financial liabilities (accounted for held-to- maturity financial assets)	Pledged for repurchase agreement	467,081	494,016	520,483
Investment property – land and buildings	Bank loans	402,472	617,887	617,300
Property and equipment – land and buildings	Bank loans	529,564	301,728	302,492
Total		<u>\$ 94,948,972</u>	<u>97,065,223</u>	<u>83,209,630</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.

(Continued)

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

(9) Commitments and contingencies:

- (a) Details of the Company and its subsidiaries' leasing contract commitments to the maturity were as follows:

June 30, 2017	Less than one year	Between one and five years	More than five years	Total
Lease commitments				
Operating lease payments (Lessee)	1,821,830	3,321,245	14,497,636	19,640,711
Operating lease income (Lessor)	6,030,942	20,180,099	33,538,460	59,749,501
Finance lease payments (Lessee)	10,947	40,069	1,189,550	1,240,566
Finance lease income (Lessor)	6,267	19,396	18,717	44,380
Present value of finance lease payments (Lessee)	1,260	2,266	212,145	215,671
Present value of finance lease income (Lessor)	5,388	17,030	17,595	40,013
Capital expenditure commitments	3,127,058	882	-	3,127,940

December 31, 2016	Less than one year	Between one and five years	More than five years	Total
Lease commitments				
Operating lease payments (Lessee)	1,805,724	3,133,166	14,813,724	19,752,614
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

June 30, 2016	Less than one year	Between one and five years	More than five years	Total
Lease commitments				
Operating lease payments (Lessee)	1,784,923	3,441,254	14,906,375	20,132,552
Operating lease income (Lessor)	5,947,332	20,756,531	37,012,176	63,716,039
Finance lease payments (Lessee)	15,226	98,980	3,404,090	3,518,296
Finance lease income (Lessor)	9,019	26,575	25,402	60,996
Present value of finance lease payments (Lessee)	13,714	78,557	364,619	456,890
Present value of finance lease income (Lessor)	7,774	23,313	23,689	54,776
Capital expenditure commitments	3,126,091	4,129	-	3,130,220

(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>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Amount of repurchase agreements	\$ 71,409,122	61,604,524	62,473,527
Amount of resell agreements	24,785,739	27,514,522	13,691,174
Collections for customers	34,942,081	37,251,977	42,009,328
Agency loans payable	22,253,813	24,965,515	35,611,931
Designated deposits	13,109,229	26,070,025	37,906,271
Designated loans	13,109,229	26,070,025	37,906,271
Consigned financial management	27,466,187	30,188,953	34,730,561
Travelers' checks consigned-in	432,818	501,269	543,827
Marketable securities under custody	263,298,339	267,909,186	241,260,134
Trust assets	363,918,295	337,075,394	332,839,543
Management for book-entry government bonds	130,759,800	160,798,000	166,281,700

- (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

1) The unrecognized contract commitment of Life Insurance is as follows:

	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Acquisition of superficies	\$ <u>703,249</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 June 30, 2017, the engineering expense of \$107,251 was recognized.

2) The signed but not yet recognized new construction contract amount of investment and owner-occupied properties of Fubon Life Insurance and its subsidiaries are as follows:

	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
New construction	\$ <u>1,159,559</u>	<u>1,348,439</u>	<u>1,330,942</u>

(iii) The unfunded commitments of Fubon Life Insurance and its subsidiaries' signed private equity agreements were as follows (in thousands):

	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
USD	\$ <u>1,620,966</u>	<u>1,837,940</u>	<u>1,777,511</u>
EUR	\$ <u>240,577</u>	<u>223,488</u>	<u>203,867</u>

Note: The unfunded commitments does not include the commitments which have been traded but not settled.

(Continued)

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

(d) Fubon Insurance and its subsidiaries

Fubon Insurance had several insurance disputes and was requested to pay indemnities amounting to approximately \$468,792, of which approximately \$386,680 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 June 30, 2017.

(e) Fubon Securities and its subsidiaries

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 June 30, 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:

	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Indemnificatory loss payable	\$ <u>11,526</u>	<u>11,526</u>	<u>11,526</u>

For the six months ended June 30, 2017 and 2016, Fubon Securities recognized indemnification loss of \$0 in both periods.

(f) 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 thousand 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 six months ended June 30, 2017 and 2016.

(10) Significant loss of damage:None

(11) Significant subsequent events:None

(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:

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

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

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

	June 30, 2017	December 31, 2016	June 30, 2016
Held-to-maturity financial assets			
Carrying amounts	\$ 460,973	554,884	842,950
Fair value	463,931	554,411	845,950

The gains or losses recorded for the reclassified financial assets (excluding those that had been derecognized before June 30, 2017 and 2016) for the six months ended June 30, 2017 and 2016, and the pro forma adjustments recognized in other equity assuming no reclassifications had been made were as follows:

	For the six months ended June 30	
	2017	2016
Held-to-maturity financial assets		
Gains recognized	\$ 4,424	10,806
Pro forma adjustments recognized in other equity	1,248	18,700

(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. On March 17, 2017, the board of directors has approved not to liquidate Taiwan Sport Lottery and to maintain its basic operations.

(Continued)

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

- (c) The board of directors of Fubon Financial Venture Capital has approved on the capital increase for cash on August 18, 2017. Fubon Financial Venture Capital will issue 192,440 thousand shares, with a par value of \$10 per share, at an issuance price of \$17. The capital increase for cash amounts to \$3,271,480. The subscription date is scheduled on August 31, 2017. Fubon Life Insurance, Fubon Insurance and Fubon Securities will subscribe 116,450 thousand, 46,580 thousand and 29,410 thousand shares, respectively.
- (d) 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.

(Continued)

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

(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 was as follows:

	For the six months ended June 30, 2017
Fubon Insurance	\$ 616,714
Taipei Fubon Bank	44,779
Fubon Life Insurance	120,458
Fubon Securities	2,053

(e) Capital adequacy ratios (Reviewed)

Unit: In millions of TWD, %

June 30, 2017			
Item	Ownership interest	Eligible capital	Legal capital
The Company	100.00 %	447,087	524,289
Taipei Fubon Bank	100.00 %	176,348	123,151
Fubon Bank (Hong Kong)	100.00 %	34,802	24,124
Fubon Bank (China)	49.00 %	12,306	9,172
Fubon Securities	100.00 %	22,494	10,820
Fubon Insurance and Fubon Life Insurance	100.00 %	260,972	174,226
Fubon Financial Holding Venture Capital	91.67 %	3,602	2,360
Taiwan Sport Lottery Corporation	100.00 %	97	49
Others	100.00 %	3,572	3,142
Less: deductible item		(549,585)	(518,798)
Subtotal		411,695	352,535
Consolidated capital adequacy ratio			116.78

(Continued)

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

Unit: In millions of TWD, %

June 30, 2016			
Item	Ownership interest	Eligible capital	Legal capital
The Company	100.00 %	437,623	495,606
Taipei Fubon Bank	100.00 %	178,771	110,883
Fubon Bank (Hong Kong)	100.00 %	33,950	21,157
Fubon Bank (China)	29.00 %	7,637	5,213
Fubon Securities	100.00 %	22,890	9,410
Fubon Insurance and Fubon Life Insurance	100.00 %	200,806	143,282
Fubon Financial Holding Venture Capital	91.67 %	4,200	2,288
Taiwan Sport Lottery	100.00 %	98	49
Others	100.00 %	3,209	2,388
Less: deductible item		(510,468)	(492,075)
Subtotal		378,716	298,201
Consolidated capital adequacy ratio			127.00

(f) Eligible capital (Reviewed)

Unit: In thousands of TWD

Item	Amount	
	June 30, 2017	June 30, 2016
Common stock	102,336,040	102,336,040
Tier 1 Capital Instruments	-	-
Other preferred stocks and subordinated debts	6,000,000	6,680,000
Advance equity	-	-
Capital surplus	103,683,066	104,426,467
Legal reserve	52,403,066	47,560,961
Special reserve	53,069,867	50,310,722
Accumulated profit and loss	130,263,472	116,949,118
Equity adjustment	(633,779)	9,448,277
Less: Goodwill and other intangible assets	7,257	13,564
Less: Deferred assets	27,732	75,287
Less: Treasury stock	-	-
Consolidated eligible capital	447,086,743	437,622,734

(Continued)

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

(g) Financial information classified by business type:

For the six months ended June 30, 2017

Units: In thousands of TWD

Item	Banking	Insurance	Securities	Others	Consolidation
Net interest revenue	13,603,686	41,232,508	391,527	(354,622)	54,873,099
Net non-interest revenue	11,074,490	141,221,987	3,122,491	(1,121,435)	154,297,533
Net revenue	24,678,176	182,454,495	3,514,018	(1,476,057)	209,170,632
Bad debt expenses and provision for insurance reserve	(899,880)	(227,854)	(605)	(17,136)	(1,145,475)
Net change in provisions for insurance liability	-	(160,959,718)	-	139,765	(160,819,953)
Operating expenses	(12,105,904)	(13,050,550)	(2,540,965)	640,632	(27,056,787)
Income from continuing operations before income tax	11,672,392	8,216,373	972,448	(712,796)	20,148,417
Income tax expense	(1,526,131)	2,139,341	(135,061)	(1,983,382)	(1,505,233)
Net income	10,146,261	10,355,714	837,387	(2,696,178)	18,643,184

For the six months ended June 30, 2016

Units: In thousands of TWD

Item	Banking	Insurance	Securities	Others	Consolidation
Net interest revenue	14,090,546	38,180,824	346,733	(414,695)	52,203,408
Net non-interest revenue	11,353,871	162,102,277	2,918,578	(895,263)	175,479,463
Net revenue	25,444,417	200,283,101	3,265,311	(1,309,958)	227,682,871
Bad debt expenses and provision for insurance reserve	(1,213,885)	(66,184)	(25)	(19,767)	(1,299,861)
Net change in provisions for insurance liability	-	(170,337,833)	-	183,096	(170,154,737)
Operating expenses	(12,165,328)	(14,109,078)	(2,424,772)	605,706	(28,093,472)
Income from continuing operations before income tax	12,065,204	15,770,006	840,514	(540,923)	28,134,801
Income tax expense	(1,740,355)	(1,041,745)	(50,340)	(1,409,847)	(4,242,287)
Net income	10,324,849	14,728,261	790,174	(1,950,770)	23,892,514

(Continued)

h) Financial statements of Fubon Financial Holding Co., Ltd.

FUBON FINANCIAL HOLDING CO., LTD.
Balance Sheets
June 30, 2017, December 31 and June 30, 2016
(Expressed in thousands of New Taiwan Dollars)

Assets	June 30, 2017		December 31, 2016		June 30, 2016		Liabilities and Equity	June 30, 2017		December 31, 2016		June 30, 2016	
	Amount	%	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%
Cash and cash equivalents	\$ 5,759,409	1	557,252	-	38,282,916	7	Payables	\$ 22,442,209	4	977,393	-	21,537,209	4
Securities purchased under resell agreements	1,228,571	-	2,046,975	-	399,024	-	Current tax liabilities	12,129,735	2	9,115,086	2	8,447,940	2
Receivables, net	5,209,766	1	76	-	15,854	-	Bonds payable	56,000,000	10	63,800,000	13	69,800,000	13
Current tax assets	9,534,045	2	7,185,770	1	4,815,641	1	Deferred tax liabilities	2,838,439	1	2,267,573	-	1,937,572	-
Investments accounted for using equity method, net	518,797,763	96	493,292,372	99	492,074,645	91	Other liabilities	314,049	-	487,255	-	438,034	-
Other financial assets, net	11,597	-	11,597	-	11,597	-	Total liabilities	<u>93,724,432</u>	<u>17</u>	<u>76,647,307</u>	<u>15</u>	<u>102,160,755</u>	<u>19</u>
Property and equipment, net	18,254	-	23,273	-	27,043	-	Equity:						
Intangible assets, net	7,257	-	9,729	-	13,564	-	Share capital:						
Deferred tax assets	2,878	-	2,500	-	42,119	-	Common stock	102,336,040	19	102,336,040	20	102,336,040	19
Other assets, net	276,624	-	337,424	-	3,509,937	1	Preferred stock	6,000,000	1	6,000,000	1	6,000,000	1
							Total share capital	<u>108,336,040</u>	<u>20</u>	<u>108,336,040</u>	<u>21</u>	<u>108,336,040</u>	<u>20</u>
							Capital surplus	103,683,066	19	102,713,132	20	104,426,467	19
							Retained earnings:						
							Legal reserve	52,403,066	10	47,560,961	10	47,560,961	9
							Special reserve	53,069,867	10	50,310,722	10	50,310,722	9
							Undistributed earnings	130,263,472	24	140,672,624	28	116,949,118	22
							Total retained earnings	<u>235,736,405</u>	<u>44</u>	<u>238,544,307</u>	<u>48</u>	<u>214,820,801</u>	<u>40</u>
							Other equity interests	(633,779)	-	(22,773,818)	(4)	9,448,277	2
							Total equity	<u>447,121,732</u>	<u>83</u>	<u>426,819,661</u>	<u>85</u>	<u>437,031,585</u>	<u>81</u>
Total assets	<u>\$ 540,846,164</u>	<u>100</u>	<u>503,466,968</u>	<u>100</u>	<u>539,192,340</u>	<u>100</u>	Total liabilities and equity	<u>\$ 540,846,164</u>	<u>100</u>	<u>503,466,968</u>	<u>100</u>	<u>539,192,340</u>	<u>100</u>

FUBON FINANCIAL HOLDING CO., LTD.

Statement of Comprehensive Income

For the three months and six months ended June 30, 2017 and 2016

(Expressed in thousands of New Taiwan Dollars, except earnings per share)

	For the three months ended June 30				For the six months ended June 30			
	2017		2016		2017		2016	
	Amount	%	Amount	%	Amount	%	Amount	%
Revenue :								
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	\$ 11,070,941	100	16,688,579	100	21,363,427	100	26,085,726	100
Other revenues	4,420	-	28,269	-	10,824	-	36,360	-
Net revenue	<u>11,075,361</u>	<u>100</u>	<u>16,716,848</u>	<u>100</u>	<u>21,374,251</u>	<u>100</u>	<u>26,122,086</u>	<u>100</u>
Expense:								
Operating expenses	165,066	2	202,547	1	331,240	2	362,699	1
Other expenses and losses	217,383	2	415,788	2	460,727	2	703,438	3
Total expenses	<u>382,449</u>	<u>4</u>	<u>618,335</u>	<u>3</u>	<u>791,967</u>	<u>4</u>	<u>1,066,137</u>	<u>4</u>
Net income before tax from continuing operations	10,692,912	96	16,098,513	97	20,582,284	96	25,055,949	96
Income tax expense	<u>(1,881,810)</u>	<u>(17)</u>	<u>(1,162,042)</u>	<u>(7)</u>	<u>(1,892,420)</u>	<u>(9)</u>	<u>(1,345,153)</u>	<u>(5)</u>
Net income	<u>\$ 8,811,102</u>	<u>79</u>	<u>14,936,471</u>	<u>90</u>	<u>18,689,864</u>	<u>87</u>	<u>23,710,796</u>	<u>91</u>
Other comprehensive income:								
Items not to be reclassified subsequently to profit or loss								
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	\$ 71,841	1	139,720	1	944,102	4	143,035	1
Income tax— items not to be reclassified subsequently to profit or loss	-	-	-	-	-	-	-	-
Subtotal of items not to be reclassified subsequently to profit or loss	<u>71,841</u>	<u>1</u>	<u>139,720</u>	<u>1</u>	<u>944,102</u>	<u>4</u>	<u>143,035</u>	<u>1</u>
Items that may be reclassified subsequently to profit or loss								
Exchange differences on translation of foreign operations	278,256	3	(413,425)	(2)	(3,098,197)	(14)	(1,420,655)	(5)
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	23,209,037	210	8,277,708	49	24,287,904	114	31,477,952	120
Income tax— items that may be reclassified subsequently to profit or loss	-	-	-	-	-	-	-	-
Subtotal of items that may be reclassified subsequently to profit or loss	<u>23,487,293</u>	<u>213</u>	<u>7,864,283</u>	<u>47</u>	<u>21,189,707</u>	<u>100</u>	<u>30,057,297</u>	<u>115</u>
Other comprehensive income, net of income tax	<u>23,559,134</u>	<u>214</u>	<u>8,004,003</u>	<u>48</u>	<u>22,133,809</u>	<u>104</u>	<u>30,200,332</u>	<u>116</u>
Total comprehensive income	<u>\$ 32,370,236</u>	<u>293</u>	<u>22,940,474</u>	<u>138</u>	<u>40,823,673</u>	<u>191</u>	<u>53,911,128</u>	<u>207</u>
Basic earnings per share (in New Taiwan Dollars)	<u>\$ 0.76</u>		<u>1.46</u>		<u>1.73</u>		<u>2.32</u>	
Diluted earnings per share (in New Taiwan Dollars)	<u>\$ 0.76</u>		<u>1.46</u>		<u>1.73</u>		<u>2.32</u>	

FUBON FINANCIAL HOLDING CO., LTD.
Statement of Changes in Equity
For the six months ended June 30, 2017 and 2016
(Expressed in thousands of New Taiwan Dollars)

	Share capital			Capital surplus	Retained earnings				Other equity					
	Common stock	Preferred stock	Total		Legal reserve	Special reserve	Undistributed earnings	Total	Exchange differences on translation of foreign operations	Unrealized gains (losses) on available-for-sale financial instruments	Effective portion of unrealized gains (losses) on cash flow hedges	Revaluation gains	Total	Total equity
Balance at January 1, 2016	\$ 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	-	-	-	-	-	-	23,710,796	23,710,796	-	-	-	-	-	23,710,796
Other comprehensive income	-	-	-	-	-	-	(26,085)	(26,085)	(6,624,536)	36,346,990	334,843	169,120	30,226,417	30,200,332
Total comprehensive income	-	-	-	-	-	-	23,684,711	23,684,711	(6,624,536)	36,346,990	334,843	169,120	30,226,417	53,911,128
Legal reserve	-	-	-	-	6,359,259	-	(6,359,259)	-	-	-	-	-	-	-
Special reserve	-	-	-	-	-	21,188,915	(21,188,915)	-	-	-	-	-	-	-
Cash dividends of common stock	-	-	-	-	-	-	(20,467,208)	(20,467,208)	-	-	-	-	-	(20,467,208)
Changes in associates and joint ventures accounted for using equity method	-	-	-	12,116	-	-	-	-	-	-	-	-	-	12,116
Issuance of preferred stock	-	6,000,000	6,000,000	29,953,645	-	-	-	-	-	-	-	-	-	35,953,645
Share-based payment transaction	-	-	-	177	-	-	-	-	-	-	-	-	-	177
Balance at June 30, 2016	<u>\$ 102,336,040</u>	<u>6,000,000</u>	<u>108,336,040</u>	<u>104,426,467</u>	<u>47,560,961</u>	<u>50,310,722</u>	<u>116,949,118</u>	<u>214,820,801</u>	<u>(2,926,024)</u>	<u>10,264,478</u>	<u>884,282</u>	<u>1,225,541</u>	<u>9,448,277</u>	<u>437,031,585</u>
Balance at January 1, 2017	\$ 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	-	-	-	-	-	-	18,689,864	18,689,864	-	-	-	-	-	18,689,864
Other comprehensive income	-	-	-	-	-	-	(6,230)	(6,230)	(4,684,787)	25,597,138	277,356	950,332	22,140,039	22,133,809
Total comprehensive income	-	-	-	-	-	-	18,683,634	18,683,634	(4,684,787)	25,597,138	277,356	950,332	22,140,039	40,823,673
Legal reserve	-	-	-	-	4,842,105	-	(4,842,105)	-	-	-	-	-	-	-
Special reserve	-	-	-	-	-	2,759,145	(2,759,145)	-	-	-	-	-	-	-
Cash dividends of common stock	-	-	-	-	-	-	(20,467,208)	(20,467,208)	-	-	-	-	-	(20,467,208)
Cash dividends of preferred stock	-	-	-	-	-	-	(1,024,328)	(1,024,328)	-	-	-	-	-	(1,024,328)
Changes in associates and joint ventures accounted for using equity method	-	-	-	969,934	-	-	-	-	-	-	-	-	-	969,934
Balance at June 30, 2017	<u>\$ 102,336,040</u>	<u>6,000,000</u>	<u>108,336,040</u>	<u>103,683,066</u>	<u>52,403,066</u>	<u>53,069,867</u>	<u>130,263,472</u>	<u>235,736,405</u>	<u>(12,310,772)</u>	<u>9,500,370</u>	<u>(124,746)</u>	<u>2,301,369</u>	<u>(633,779)</u>	<u>447,121,732</u>

FUBON FINANCIAL HOLDING CO., LTD.
Statement of Cash Flows
For the six months ended June 30, 2017 and 2016
(Expressed in thousands of New Taiwan Dollars)

	For the six months ended June 30	
	2017	2016
Cash flows from operating activities:		
Income before income tax	\$ 20,582,284	25,055,949
Adjustments :		
Income of non-cash activities		
Depreciation expenses	6,664	6,185
Amortization expenses	7,293	9,881
Interest expense	452,261	572,158
Interest income	(10,819)	(27,244)
Share-based payment awards	-	177
Share of profit of subsidiaries, associates and joint ventures accounted for using equity methods	(21,363,427)	(26,085,726)
Subtotal of income of non-cash activities	<u>(20,908,028)</u>	<u>(25,524,569)</u>
Change in operating assets and liabilities :		
Change in operating assets :		
Increase in receivables and current tax assets	(2,348,275)	(1,064,811)
Decrease in other assets	56,883	36,307
Subtotal of change in operating assets	<u>(2,291,392)</u>	<u>(1,028,504)</u>
Change in operating liabilities :		
Increase in payables and current tax liabilities	2,221,436	2,321,610
Decrease in other liabilities	(173,206)	(46,472)
Subtotal of change in operating liabilities	<u>2,048,230</u>	<u>2,275,138</u>
Subtotal of change in operating assets and liabilities	<u>(243,162)</u>	<u>1,246,634</u>
Subtotal of all adjustments	<u>(21,151,190)</u>	<u>(24,277,935)</u>
Cash provided by (used in) operating activities	(568,906)	778,014
Interest received	8,681	12,433
Dividends received	13,753,832	7,380,071
Interest paid	(352,142)	(345,614)
Income tax paid	<u>(655,163)</u>	<u>(1,695,833)</u>
Net cash provided by operating activities	<u>12,186,302</u>	<u>6,129,071</u>
Cash flows from investing activities :		
Prepayments for investment	-	(3,186,655)
Acquisition of property and equipment	(1,768)	(2,505)
Acquisition of intangible assets	(781)	(3,163)
Net cash used in investing activities	<u>(2,549)</u>	<u>(3,192,323)</u>
Cash flows from financing activities:		
Decrease in commercial papers issued	-	(749,784)
Repayments of bonds	(7,800,000)	-
Cash capital increase	-	35,953,645
Net cash provided by (used in) financing activities	<u>(7,800,000)</u>	<u>35,203,861</u>
Net increase in cash and cash equivalents	4,383,753	38,140,609
Cash and cash equivalents at beginning of period	<u>2,604,227</u>	<u>541,331</u>
Cash and cash equivalents at end of period	<u>\$ 6,987,980</u>	<u>38,681,940</u>
Components of cash and cash equivalents:		
Cash and cash equivalents recognized in balance sheet	\$ 5,759,409	38,282,916
Securities purchased under resell agreements qualifying for cash and cash equivalent under the definition of IAS 7	<u>1,228,571</u>	<u>399,024</u>
Cash and cash equivalents at end of period	<u>\$ 6,987,980</u>	<u>38,681,940</u>

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

(i) Subsidiaries' balance sheets and statements of comprehensive income

(i) Balance sheets

	Taipei Fubon Bank	
	June 30, 2017	June 30, 2016
Cash and cash equivalents	\$ 60,812,522	37,673,567
Due from the central bank and call loans to banks	192,304,035	180,561,411
Financial assets measured at fair value through profit or loss	88,205,259	106,406,129
Available-for-sale financial assets, net	157,532,818	89,947,247
Derivative financial assets for hedging	703,749	524,228
Securities purchased under resell agreements	24,780,030	12,209,448
Receivable, net	68,224,870	66,313,367
Current income tax assets	596,849	488,601
Discounts and loans, net	1,134,312,670	1,139,660,319
Held-to-maturity financial assets, net	370,208,802	291,198,589
Investments accounted for using equity method, net	20,921,040	22,243,430
Other financial assets, net	65,355,203	53,898,788
Property and equipment, net	12,813,149	12,591,263
Investment property, net	2,864,900	2,746,700
Intangible assets, net	1,502,401	1,526,141
Deferred tax assets	416,513	396,400
Other assets	<u>6,452,332</u>	<u>14,942,441</u>
Total assets	<u>\$ 2,208,007,142</u>	<u>2,033,328,069</u>

(Continued)

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

	Taipei Fubon Bank	
	June 30, 2017	June 30, 2016
Deposits from the central bank and banks	\$ 68,560,197	72,472,290
Financial liabilities measured at fair value through profit or loss	30,490,756	58,325,331
Derivative financial liabilities for hedging	2,162,790	1,015,608
Securities sold under repurchase agreements	59,920,034	32,522,973
Payable	29,169,792	29,956,346
Current tax liabilities	1,299,455	1,589,254
Deposits	1,744,909,857	1,572,929,911
Bonds payable	69,130,870	63,169,475
Other financial liabilities	19,384,211	23,483,556
Provisions	2,295,626	2,512,982
Deferred tax liabilities	1,055,044	848,204
Other liabilities	<u>7,209,346</u>	<u>4,145,029</u>
Total liabilities	<u>2,035,587,978</u>	<u>1,862,970,959</u>
Common stock	106,518,023	106,518,023
Capital surplus	14,800,927	14,800,927
Retained earnings	51,007,008	46,686,166
Other equity	<u>93,206</u>	<u>2,351,994</u>
Total equity	<u>172,419,164</u>	<u>170,357,110</u>
Total liabilities and equity	<u><u>\$ 2,208,007,142</u></u>	<u><u>2,033,328,069</u></u>

(Continued)

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

	Fubon Insurance	
	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Cash and cash equivalents	\$ 7,594,237	7,888,503
Receivable	5,475,023	5,372,570
Financial assets measured at fair value through profit or loss	58,339	103,304
Available-for-sale financial assets	38,416,218	37,939,363
Financial assets carried at cost	158,330	159,450
Investments accounted for using equity method, net	1,068,406	1,463,543
Debt investments without active market	4,950,482	3,665,573
Investment property	10,621,352	9,862,903
Reinsurance assets	19,529,960	19,906,151
Property and equipment	3,069,352	3,586,262
Intangible assets	93,677	56,518
Deferred tax assets	680,769	500,909
Other assets	831,001	858,444
Total assets	<u>\$ 92,547,146</u>	<u>91,363,493</u>
Payable	\$ 9,461,260	8,675,906
Current tax liabilities	14,866	145,225
Financial liabilities measured at fair value through profit or loss	111,605	2,686
Insurance liabilities	49,832,653	49,774,937
Deferred tax liabilities	1,252,736	1,088,322
Other liabilities	700,103	668,746
Provisions	1,559,580	1,465,449
Total liabilities	<u>62,932,803</u>	<u>61,821,271</u>
Common stock	3,178,396	3,178,396
Capital surplus	5,934,408	5,934,408
Retained earnings	16,417,829	15,283,689
Other equity	4,083,710	5,145,729
Total equity	<u>29,614,343</u>	<u>29,542,222</u>
Total liabilities and equity	<u>\$ 92,547,146</u>	<u>91,363,493</u>

(Continued)

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

	Fubon Life Insurance	
	June 30, 2017	June 30, 2016
Cash and cash equivalents	\$ 130,760,935	235,891,972
Receivable	36,134,254	37,070,497
Current tax liabilities	1,220,148	2,357,229
Financial assets measured at fair value through profit or loss	1,327,350	5,972,607
Available-for-sale financial assets, net	1,319,063,371	1,269,000,211
Derivative financial assets for hedging	465,818	1,065,400
Financial assets carried at cost, net	1,155,375	1,020,197
Debt investments without active market	1,367,652,105	1,071,216,696
Held-to-maturity financial assets	16,340,391	25,173,189
Investments accounted for using equity method, net	27,450,680	29,050,280
Other financial assets, net	34,830,467	30,722,790
Investment property	139,832,503	135,878,850
Loans	201,432,313	173,389,203
Reinsurance assets	1,556,631	1,274,324
Property and equipment	18,827,399	17,699,123
Intangible assets	170,407	184,463
Deferred tax assets	11,613,421	4,183,288
Other assets	44,162,223	42,686,172
Separate account-insurance instrument assets	148,207,489	136,550,248
Total assets	\$ 3,502,203,280	3,220,386,739
Payable	\$ 33,111,601	24,306,056
Current tax liabilities	7,743,707	2,322,019
Financial liabilities measured at fair value through profit or loss	7,396,688	953,376
Derivative financial liabilities for hedging	601,742	-
Bonds payable	35,000,000	-
Insurance liabilities	3,009,829,405	2,724,342,900
Reserve for insurance contracts with financial product futures	3,737,794	82,573,565
Foreign exchange valuation reserve	1,140,301	5,618,120
Provisions	6,933,318	6,417,631
Deferred tax liabilities	3,095,430	7,503,559
Other liabilities	3,944,540	4,624,018
Separate account-insurance instrument liabilities	148,207,489	136,550,248
Total liabilities	3,260,742,015	2,995,211,492
Common stock	82,969,690	69,432,750
Capital surplus	29,398,142	27,666,721
Retained earnings	118,382,204	113,541,416
Other equity	10,711,229	14,534,360
Total equity	241,461,265	225,175,247
Total liabilities and equity	\$ 3,502,203,280	3,220,386,739

(Continued)

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

	Fubon Securities	
	June 30, 2017	June 30, 2016
Current assets	\$ 84,862,555	72,118,342
Available-for-sale financial assets — non-current	38,417	38,417
Financial assets carried at cost — non-current	435,944	441,358
Investments accounted for using equity method	6,519,573	5,668,543
Property and equipment	1,879,382	1,683,351
Investment property	855,560	1,075,010
Intangible assets	108,466	131,465
Deferred tax assets	193,978	147,374
Other non-current assets	<u>1,582,194</u>	<u>1,682,924</u>
Total assets	<u>\$ 96,476,069</u>	<u>82,986,784</u>
Current liabilities	\$ 62,735,507	49,312,823
Provisions — non-current	906,511	931,222
Deferred tax liabilities	92,390	78,079
Other non-current liabilities	<u>5,841</u>	<u>8,151</u>
Total liabilities	<u>63,740,249</u>	<u>50,330,275</u>
Common stock	16,643,550	16,643,550
Capital surplus	7,335	7,335
Retained earnings	14,640,710	14,148,724
Other equity	<u>1,444,225</u>	<u>1,856,900</u>
Total equity	<u>32,735,820</u>	<u>32,656,509</u>
Total liabilities and equity	<u>\$ 96,476,069</u>	<u>82,986,784</u>

(Continued)

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

	Units: In thousands of CNY	
	Fubon Bank (China)	
	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Cash and cash equivalents	\$ 475,160	878,010
Due from the central bank and call loans to banks	6,458,680	7,189,159
Financial assets measured at fair value through profit or loss	523,085	611,240
Available-for-sale financial assets, net	7,918,260	9,641,911
Receivable, net	1,743,612	1,237,783
Current income tax assets	15,716	-
Discounts and loans, net	39,306,672	41,264,680
Held-to-maturity financial assets, net	7,955,249	6,596,069
Other financial assets	111,825	733,156
Property and equipment, net	1,275,818	1,287,663
Intangible assets, net	32,536	26,114
Deferred tax assets	106,167	126,523
Other assets, net	<u>66,762</u>	<u>52,977</u>
Total assets	\$ <u>65,989,542</u>	<u>69,645,285</u>
Deposits from the central bank and banks	\$ 7,475,146	5,391,390
Due to the central bank and banks	1,896,832	1,458,864
Financial liabilities measured at fair value through profit or loss	420,853	413,416
Securities sold under repurchase agreements	2,512,350	6,168,917
Payables	1,604,873	1,369,934
Current tax liabilities	-	30,834
Deposits	46,721,272	49,611,279
Other financial liabilities	-	50,863
Deferred tax liabilities	116	120
Other liabilities	<u>6,055</u>	<u>10,117</u>
Total liabilities	<u>60,637,497</u>	<u>64,505,734</u>
Common stock	2,100,000	2,100,000
Capital surplus	93,176	93,176
Retained earnings	3,198,405	2,958,017
Other equity	<u>(39,536)</u>	<u>(11,642)</u>
Total equity	<u>5,352,045</u>	<u>5,139,551</u>
Total liabilities and equity	\$ <u>65,989,542</u>	<u>69,645,285</u>

(Continued)

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

	Unit: In thousands of HKD	
	Fubon Bank (Hong Kong)	
	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Cash and cash equivalents	\$ 3,987,363	6,621,474
Due from the central bank and call loans to banks	1,870,165	2,674,332
Financial assets measured at fair value through profit or loss	2,513,942	2,758,804
Available-for-sale financial assets, net	34,239,544	29,834,422
Investments accounted for using equity method	2,187,952	2,086,666
Held-to-maturity financial assets, net	1,560,191	1,550,570
Derivative financial assets for hedging	128,014	4,490
Receivable, net	1,041,309	1,184,029
Discounts and loans, net	45,620,820	43,446,822
Current tax asset	942	1,669
Hold for sale asset	11,916	11,917
Property and equipment	1,144,898	1,095,188
Deferred tax assets	6	7
Other assets, net	<u>162,220</u>	<u>175,155</u>
Total assets	\$ <u>94,469,282</u>	<u>91,445,545</u>
Deposits from the central bank and banks	\$ 1,743,840	1,936,576
Financial liabilities measured at fair value through profit or loss	2,104,976	2,735,416
Payables	832,746	558,323
Current tax liabilities	25,338	60,878
Deposits	63,333,505	61,788,622
Derivative financial liabilities for hedging	234,659	531,947
Bonds and bills sold under repurchase agreements	10,229,131	9,432,969
Bonds payable	5,478,578	5,129,799
Liability reserve	47,846	78,234
Deferred tax liabilities	119,091	44,136
Other liabilities	<u>488,806</u>	<u>391,551</u>
Total liabilities	<u>84,638,516</u>	<u>82,688,451</u>
Common stock	4,830,448	4,830,448
Retained earnings	4,749,645	3,942,129
Other equity	<u>250,673</u>	<u>(15,483)</u>
Total equity	<u>9,830,766</u>	<u>8,757,094</u>
Total liabilities and equity	\$ <u>94,469,282</u>	<u>91,445,545</u>

Note: The balance sheet of Fubon Bank (Hong Kong) as of June 30, 2017 and 2016 were presented fairly in accordance with the IFRSs endorsed by the FSC (note 4 (3)), which were not prepared in conformity with the Hong Kong Companies Ordinance.

(Continued)

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

(ii) Statements of comprehensive income

	Taipei Fubon Bank	
	For the six months ended June 30	
	2017	2016
Interest revenue	\$ 16,187,368	15,088,189
Interest expense	(6,820,769)	(6,189,250)
Net interest revenue	9,366,599	8,898,939
Net non-interest revenues	10,035,429	9,987,607
Net revenue	19,402,028	18,886,546
Bad debt expenses and guarantee liability provisions (reversal gains)	(781,206)	(436,154)
Operating expenses	(8,796,995)	(8,612,096)
Income before income tax	9,823,827	9,838,296
Income tax expense	(1,188,564)	(1,190,975)
Net income	8,635,263	8,647,321
Other comprehensive income (net of income tax)	(806,966)	(352,781)
Total comprehensive income	7,828,297	8,294,540
Earnings per share (In New Taiwan Dollars)	0.81	0.81
	Fubon Insurance	
	For the six months ended June 30	
	2017	2016
Operating income	\$ 15,640,440	14,191,950
Operating cost	(10,005,741)	(9,179,665)
Operating expenses	(3,377,372)	(3,023,069)
Net operating revenue	2,257,327	1,989,216
Non-operating income and expense	(92,648)	(75,094)
Income before income tax	2,164,679	1,914,122
Income tax expense	(273,899)	(320,568)
Net income	1,890,780	1,593,554
Other comprehensive income (net of income tax)	285,259	1,624,174
Total comprehensive income	2,176,039	3,217,728
Basic earnings per share (In New Taiwan Dollars)	5.95	5.01

(Continued)

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

	Fubon Life Insurance	
	For the six months ended June 30	
	2017	2016
Operating income	\$ 308,497,431	311,458,574
Operating cost	(294,692,023)	(289,514,381)
Operating expenses	<u>(7,735,228)</u>	<u>(8,292,667)</u>
Operating revenue	6,070,180	13,651,526
Non-operating income and expense	<u>61,943</u>	<u>226,590</u>
Income before income tax	6,132,123	13,878,116
Income tax benefit (expense)	<u>2,468,273</u>	<u>(883,060)</u>
Net income	<u>8,600,396</u>	<u>12,995,056</u>
Other comprehensive income (net of income tax)	<u>23,601,545</u>	<u>29,386,281</u>
Total comprehensive income	<u>32,201,941</u>	<u>42,381,337</u>
Basic earnings per share (In New Taiwan Dollars)	<u>1.24</u>	<u>2.27</u>
	Fubon Securities	
	For the six months ended June 30	
	2017	2016
Revenue	\$ 3,043,483	2,634,702
Expenses	<u>(2,505,822)</u>	<u>(2,247,556)</u>
Net operating revenue	537,661	387,146
Non-operating income and expense	<u>393,825</u>	<u>416,043</u>
Income before income tax	931,486	803,189
Income tax expense	<u>(92,463)</u>	<u>(13,015)</u>
Net income	<u>839,023</u>	<u>790,174</u>
Other comprehensive income (net of income tax)	<u>296,928</u>	<u>1,107,881</u>
Total comprehensive income	<u>1,135,951</u>	<u>1,898,055</u>
Earnings per share (In New Taiwan Dollars)	<u>0.50</u>	<u>0.47</u>

(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 six months ended June 30	
		2017	2016
Interest revenue	\$	1,239,712	1,385,776
Interest expense		(819,111)	(834,087)
Net interest revenue		420,601	551,689
Net non-interest revenues		359	109,403
Net revenue		420,960	661,092
Bad debt expenses and guarantee liability provisions		-	(31,560)
Operating expenses		(306,977)	(290,334)
Income before income tax		113,983	339,198
Income tax expense		(21,455)	(74,878)
Net income		92,528	264,320
Other comprehensive income (net of income tax)		(26,327)	(4,103)
Total comprehensive income		66,201	260,217

		Unit: In thousands of HKD	
		Fubon Bank (Hong Kong)	
		For the six months ended June 30	
		2017	2016
Interest revenue	\$	1,053,008	936,226
Interest expense		(458,532)	(370,307)
Net interest revenue		594,476	565,919
Net non-interest revenues		295,921	333,030
Net revenue		890,397	898,949
Bad debt expenses and guarantee liability provisions		(30,243)	(146,934)
Operating expenses		(443,541)	(446,068)
Income before income tax		416,613	305,947
Income tax expense		(61,603)	(41,562)
Net income		355,010	264,385
Other comprehensive income		378,975	(30,645)
Total comprehensive income		733,985	233,740

Note: The statements of comprehensive income of Fubon Bank (Hong Kong) for the six months ended June 30, 2017 and 2016, were presented fairly in accordance with the IFRSs endorsed by the FSC (note 4 (3)), which were not prepared in conformity with the Hong Kong Companies Ordinance.

(Continued)

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

(j) Profitability of the Company and bank, insurance and security subsidiaries

June 30, 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	0.62 %	7.88 %	0.91 %	0.89 %	0.34 %	0.36 %	4.71 %	2.06 %
	After income tax	0.58 %	7.16 %	0.80 %	0.76 %	0.27 %	0.50 %	4.11 %	1.85 %
Return on equity	Before income tax	9.21 %	9.42 %	11.32 %	8.80 %	4.29 %	5.39 %	14.64 %	5.70 %
	After income tax	8.53 %	8.55 %	9.95 %	7.50 %	3.48 %	7.56 %	12.79 %	5.14 %
Profit margin		8.91 %	89.37 %	44.51 %	39.87 %	21.98 %	2.79 %	12.09 %	27.75 %

June 30, 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	0.93 %	10.15 %	0.97 %	0.68 %	0.94 %	0.89 %	4.40 %	2.10 %
	After income tax	0.79 %	9.61 %	0.85 %	0.59 %	0.73 %	0.83 %	3.66 %	2.06 %
Return on equity	Before income tax	13.70 %	12.46 %	11.71 %	7.08 %	13.54 %	13.61 %	13.15 %	5.00 %
	After income tax	11.63 %	11.79 %	10.29 %	6.12 %	10.55 %	12.74 %	10.95 %	4.92 %
Profit margin		10.49 %	93.28 %	45.79 %	29.41 %	39.98 %	4.17 %	11.23 %	30.91 %

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 six months ended June 30, 2017 and 2016.

Note 5: The return on assets and return on equity are presented annualized ratios.

(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 June 30, 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	June 30, 2017				Remark
				No. of shares	Carrying amount	Shareholding ratio	Market price	
Fubon Futures Co., Ltd.	Capital Taiex Daily Leveraged 2X ETF	-	Financial assets measured at fair value through profit or loss	245	2,744	-	2,744	Beneficiary certificates
"	Capital Taiex Daily Inversed -1X ETF	-	"	625	5,881	-	5,881	"
"	Cathay Financial Holding Co., Ltd. Preferred Stock A.	-	"	7,172	451,836	0.86	451,836	Listed stock
"	Yuanta Daily U.S. Treasury 7-10 Year Bond Bear 1X ETF	-	"	1,000	20,000	-	20,000	Beneficiary certificates
"	Fubon R1	-	Available-for-sale financial assets	2,644	36,487	-	36,487	Beneficiary securities
"	Fubon R2	-	"	676	8,673	-	8,673	"

(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	June 30, 2017				Remark
				No. of shares	Carrying amount	Shareholding ratio	Market price	
Fubon Futures Co., Ltd.	China Steel Corporation Preferred Stock A.	-	Available-for-sale financial assets	47	2,068	0.12	2,068	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	11,995	-	11,995	Beneficiary certificates
"	Fubon China Investment Grade Bond Fund - CNY	Fund managed under a subsidiary company's manager of the Company	"	200	10,255	-	10,255	"
"	Fubon R1	-	"	1,391	19,196	-	19,196	Beneficiary securities
"	Fubon R2	-	"	1,380	17,705	-	17,705	"
"	Cathay R1	-	"	500	7,245	-	7,245	"
"	Cathay R2	-	"	950	13,623	-	13,623	"
Fu Sheng Life Insurance Agent	98 Central Government Bond 6	-	Available-for-sale financial assets	-	3,053	-	3,053	Government Bond
Fu Sheng General Insurance Agent	98 Central Government Bond 6	-	"	-	2,035	-	2,035	"
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	124,460	-	124,460	Beneficiary certificates
"	Fubon Taiwan Technology ETF	"	"	49	2,386	-	2,386	"
"	Fubon Taiwan Financial ETF	"	"	55	1,958	-	1,958	"
"	Fubon Taiwan Eight Industries ETF	"	"	46	2,115	-	2,115	"
"	Fubon MSCI Taiwan ETF	"	"	60	2,874	-	2,874	"
"	Fubon SSE180 ETF	"	"	55	1,586	-	1,586	"
"	Taiwan FTSE TWSE Taiwan 50 EFT	"	"	14	673	-	673	"
"	Fubon SZSE 100 ETF	"	"	22	225	-	225	"
"	Fubon India ETF Umbrella Fund-Fubon NIFTY ETF	"	"	9	196	-	196	"
"	Fubon NASDAQ 100 ETF	"	"	11	271	-	271	"
"	Fubon TOPIX ETF	"	"	11	234	-	234	"
"	Fubon China Growth	"	Available-for-sale financial assets	2,062	12,412	-	12,412	"
"	Fubon Strategic High Income C	"	"	2,160	20,666	-	20,666	"
"	Fubon Strategic High Income A	"	"	812	10,078	-	10,078	"
"	Fubon China Money Market CNY	"	"	599	29,322	-	29,322	"
"	Fubon China High Yield Bd CNY-B	"	"	2,041	92,582	-	92,582	"
"	Fubon China Investment Grade Bd CNY-B	"	"	816	37,461	-	37,461	"
"	Fubon TOPIX ETF	"	"	1,150	23,690	-	23,690	"
"	Fubon India ETF Umbrella Fund-Fubon NIFTY ETF	"	"	500	10,855	-	10,855	"

(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	June 30, 2017				Remark
				No. of shares	Carrying amount	Shareholding ratio	Market price	
Fubon Asset Management	Fubon NASDAQ 100 ETF	Fund managed under Fubon Asset Management	Available-for-sale financial assets	600	14,244	-	14,244	Beneficiary certificates
"	Fubon Hang Seng H-Share 2X Leveraged Index ETF	"	"	1,000	25,350	-	25,350	"
"	Fubon Global Investment Grade Bond B	"	"	1,023	9,821	-	9,821	"
"	Fubon Global REIT Fund	"	"	578	5,087	-	5,087	"
"	Fubon China New Balanced Income TWD-B	"	"	2,322	20,574	-	20,574	"
"	Fubon TWSE Corporate Governance 100 ETF	"	"	2,470	51,524	-	51,524	"
"	Fubon 1-3 Years US Treasury Bond ETF	"	"	165	6,656	-	6,656	"
"	Fubon 7-10 Years US Treasury Bond ETF	"	"	165	6,608	-	6,608	"
"	Fubon 20+Years US Treasury Bond ETF	"	"	165	6,653	-	6,653	"
"	Fubon Euro-Asia Silk Road Multi-Asset Fund	"	"	5,001	50,578	-	50,578	"
"	103 Central Government Development Bond 13	-	"	-	315,608	-	315,608	Government Bond
	FundRich Securities Co., Ltd.	Related parties in substance	Financial assets carried at cost	983	7,448	2.81	7,448	Unlisted stock
Fubon AMC	Union Bank	-	Available-for-sale financial assets	702	6,515	0.03	6,515	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	90,141	-	90,141	Beneficiary certificates
Fubon Securities Venture Capital	Applied Bio Code Corporation	-	Available-for-sale financial assets	438	17,297	0.93	17,297	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	"
"	Timing Pharmaceutical Co., Ltd.	-	"	1,300	41,590	1.48	41,590	"
"	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	73,200	3.87	73,200	Listed stock
"	Fubon Multimedia Technology Co., Ltd.	Related parties in substance	"	1,864	392,372	1.31	392,372	"
"	ACER Inc.	-	"	1,000	15,950	0.03	15,950	"
"	Media Asia Group Holdings Ltd.	-	"	99,188	96,688	4.64	96,688	Hong Kong listed stock
"	ConforMIS, Inc.	-	"	100	13,058	0.23	13,058	US listed stock
"	H&Q AP Greater China Growth Fund	-	"	-	13,341	4.00	13,341	Private fund
"	Media Asia Group Holding Limited	-	"	-	129,984	-	129,984	Convertible Bond

(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	June 30, 2017				Remark
				No. of shares	Carrying amount	Shareholding ratio	Market price	
Fubon Financial Holding Venture Capital Co., Ltd.	An Shin Food Service Co., Ltd.	-	Available-for-sale financial assets	97	9,361	0.30	9,361	Listed stock in TPEX
"	KD Holding Corporation	-	"	470	83,399	0.71	83,399	"
"	SynCore Biotechnology Co.	-	"	2,695	80,040	3.86	80,040	"
"	One Production Co., Ltd.	Related party in substance	"	3,874	73,180	13.84	73,180	Emerging stock
"	JHL Biotech Inc.	-	"	2,519	132,180	1.32	132,180	"
"	Tanvex BioPharma' Inc.	-	"	1,290	148,286	0.67	148,286	"
"	Taiwan SyneuRx Corp.	-	"	765	61,518	0.75	61,518	"
"	Fubon Strategic High Income Bond Fund	Fund managed under a subsidiary company's manager of the Company	"	4,197	42,183	-	42,183	Beneficiary certificates
"	Franklin Templeton Sino Am Global High Yield Bond Fund	-	"	9,458	76,861	-	76,861	"
"	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	"
"	Omniad Media Incorporation	-	"	7,675	-	10.21	-	"
"	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	33,165	3.00	33,165	"
"	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	5.29	21,000	"
"	DoDoPal Holdings Ltd.	Related party in substance	"	28	133,040	6.31	133,040	"
"	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	"	11,239	213,342	12.32	213,342	"
"	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	"

(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	June 30, 2017				Remark
				No. of shares	Carrying amount	Shareholding ratio	Market price	
Fubon Financial Holding Venture Capital Co., Ltd.	Alliance Digital Tech Co., Ltd.	Related party in substance	Financial assets measured at cost	900	9,000	2.16	9,000	Unlisted stock
"	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	11,927	6.50	11,927	"
"	ABG II-WX Limited	-	"	2	653,760	9.30	653,760	"
"	Yesin Electronics Technology Co., Ltd.	Related party in substance	"	4,026	49,000	11.18	49,000	"
"	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	"
"	Grand Academy Investment, L.P.	-	"	-	122,305	4.17	122,305	Private fund
"	Starview Heights Investment, L.P.	-	"	-	31,986	4.17	31,986	"
Fubon Sports & Entertainment Co., Ltd.	CHOXUE INC. (Cayman)	-	"	298	3,330	2.38	3,330	Unlisted stock

- (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

(In Thousands of New Taiwan Dollars)

Company	Property Name	Occurrence Date	Amount	Amount Paid	Counterparty	Relationship	Previous transfer information, as the counterparty is a related party,				Reference for price	Purpose and usage	Others
							Owner	Relations with the issuer	Transfer Date	Amount			
Fubon AMC	Taipei Changchun Rd section	2017.03	588,000	Paid in accordance with the contract	Taipei Fubon Bank	Related party	Division of Public Housing, Taipei City Government	Not stakeholder	1987.06.06 and 1990.04.28	70,944	Referred to appraisal reports.	Real estate investment	None

Note: The inter-company transactions have been eliminated.

(Continued)

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

(vii) Disposal of real estate up to \$300,000 or 10% of paid-in capital:

(In Thousands of New Taiwan Dollars)

Disposed company	Property Name	Transaction date	Acquisition date	Book value	Transaction amount	Balance due	Disposal gain or loss	Counter-party	Relationship	Disposal purpose	Price reference	Others
Taipei Fubon Bank	Fuxing Branch (located at the following addresses: 1F and 3F-2 of No.234, Fuxing N. Rd.; as well as 3 other separate places along Minsheng E. Rd., Sec 3, which are as follows: basement of No.6, lane 88; 2F-2 of No.90; and basement of No.92. All the above addresses belong to Zhongshan Dist., Taipei City.)	2017.03	1987.06.06 and 1990.04.28	158,175	588,000	None	429,825	Fubon AMC	Company controlled by Fubon Financial Holdings	Sold its building to avoid it from being idle	Referred to appraisal reports.	None

Note: The inter-company transactions have been eliminated.

(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 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	794,179 (Note 1)	-	-	-	-	-
"	Fubon Life Insurance	"	7,302,895 (Note 1)	-	-	-	-	-
"	Fubon Insurance	"	5,207,456	-	-	-	-	-
"	Fubon Securities	"	545,338 (Note 1)	-	-	-	-	-
Taipei Fubon Bank	Fubon Financial Holding	Parent Company	574,231 (Note 2)	-	-	-	-	-
Taipei Fubon Bank	Fubon Life Insurance	Subsidiary of the Company	715,767	-	-	-	-	-
Fubon Life Insurance	Taipei Fubon Bank	Subsidiary of the Company	351,670	-	-	-	-	-

Note 1: The tax receivable by tax link mainly of subsidiary of company estimated payment that Company should be paid.

(Continued)

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

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
- (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	7,302,895	Same as non related-party transactions	0.11 %
0	Fubon Financial Holding	Taipei Fubon Bank	1	Cash and cash equivalents	5,713,690	Same as non related-party transactions	0.09 %
0	Fubon Financial Holding	Fubon Life Insurance	1	Receivables	5,207,456	Same as non related-party transactions	0.08 %
1	Taipei Fubon Bank	Fubon Financial Holding	2	Deposits	5,713,690	Same as non related-party transactions	0.09 %
1	Taipei Fubon Bank	Fubon Life Insurance	3	Deposits	9,042,953	Same as non related-party transactions	0.14 %
1	Taipei Fubon Bank	Fubon Life Insurance	3	Net service fee and commission income	3,118,044	Same as non related-party transactions	1.49 %
1	Taipei Fubon Bank	Fubon Securities	3	Deposits	5,987,557	Same as non related-party transactions	0.09 %
1	Taipei Fubon Bank	Fubon Securities	3	Net service fee and commission loss	149,136	Same as non related-party transactions	0.07 %
2	Fubon Life Insurance	Fubon Financial Holding	2	Income tax payable	7,302,895	Same as non related-party transactions	0.11 %
2	Fubon Life Insurance	Fubon Financial Holding	2	Payables	5,209,783	Same as non related-party transactions	0.08 %
2	Fubon Life Insurance	Taipei Fubon Bank	3	Cash and cash equivalents	9,042,953	Same as non related-party transactions	0.14 %
2	Fubon Life Insurance	Taipei Fubon Bank	3	Net Service charge and commission loss	2,384,399	Same as non related-party transactions	1.14 %
2	Fubon Life Insurance	Taipei Fubon Bank	3	Other general and administrative expenses	738,117	Same as non related-party transactions	0.35 %
2	Fubon Life Insurance	Fubon Insurance	3	Other non-interest income, net	211,876	Same as non related-party transactions	0.10 %
2	Fubon Life Insurance	Fu Sheng Life Insurance Agent	3	Net service charge and commission loss	149,283	Same as non related-party transactions	0.07 %
3	Fubon Insurance	Fubon Life Insurance	3	Other general and administrative expenses	216,852	Same as non related-party transactions	0.10 %
3	Fubon Insurance	Fu Sheng General Insurance Agent	3	Net service charge and commission loss	144,710	Same as non related-party transactions	0.07 %

(Continued)

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

No.	Company	Counter-party	Relationship	Transaction details			Rates of operation income/total asset
				Accounts	Amounts	Transaction terms	
4	Fubon Securities	Taipei Fubon Bank	3	Cash and cash equivalents	5,140,057	Same as non related-party transactions	0.08 %
4	Fubon Securities	Taipei Fubon Bank	3	Other non-interest revenue, net	147,321	Same as non related-party transactions	0.07 %
5	Fu Sheng General Insurance Agent	Fubon Insurance	3	Net service fee and commission income	148,493	Same as non related-party transactions	0.07 %
6	Fu Sheng Life Insurance Agent	Fubon Life Insurance	3	Net service fee and commission income	149,583	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.

(xiv) Other significant transactions that may have substantial influence upon the decision made by financial statement user: None

(b) Related information of investees companies:

As of June 30, 2017 were as follow:

(In Thousands of New Taiwan Dollars)

Name of investor company	Name of investee Company	Address	Main business scope	Shareholding ratio	Book Value	Investment gain(loss) recognized	Aggregate shareholding of the Company and its subsidiaries				Note
							Number of shares	Number of proforma shares	Total		
									Number of shares	Shareholding ratio	
Fubon Financial Holding	Fubon Insurance Co., Ltd.	Taipei	Property insurance	100.00%	26,739,912	1,849,751	317,840	-	317,840	100.00%	
	Fubon Life Insurance Co., Ltd.	Taipei	Life insurance	100.00%	220,686,581	8,737,430	6,943,275	-	6,943,275	100.00%	
	Fubon Securities Co., Ltd.	Taipei	Securities	100.00%	32,736,862	841,001	1,664,355	-	1,664,355	100.00%	
	Taipei Fubon Bank Co., Ltd.	Taipei	Banking	100.00%	170,441,063	8,210,863	10,651,802	-	10,651,802	100.00%	
	Fubon Marketing Co., Ltd.	Taipei	Marketing and management consult	100.00%	304,734	84,381	14,500	-	14,500	100.00%	
	Fubon Financial Holding Venture Capital Co., Ltd.	Taipei	Venture Capital	91.67%	3,579,093	35,996	250,580	-	273,360	100.00%	
	Fubon Bank (Hong Kong)	Hong Kong	Banking	100.00%	41,539,304	1,351,701	1,641,273	-	1,641,273	100.00%	

(Continued)

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

Name of investor company	Name of investee Company	Address	Main business scope	Shareholding ratio	Book Value	Investment gain(loss) recognized	Aggregate shareholding of the Company and its subsidiaries				Note
							Number of shares	Number of proforma shares	Total		
									Number of shares	Shareholding ratio	
Fubon Financial Holding	Fubon Asset Management Service Co., Ltd.	Taipei	Creditor's right purchasing	100.00%	3,266,508	134,358	250,000	-	250,000	100.00%	
	Taiwan Sport Lottery Co., Ltd.	Taipei	Information Software Service	100.00%	97,385	11	9,729	-	9,729	100.00%	
	Fubon Bank(China) Co., Ltd.	Mainland China	Banking	49.00%	19,406,321	117,935	-	-	-	100.00%	
Fubon Insurance	Fubon Brokers (Thailand) Co.,Ltd.	Thailand	Insurance brokers	48.97%	14,532	159	29	-	29	48.97%	
	Fubon Insurance (Vietnam) Co.,Ltd.	Vietnam	Insurance Business	100.00%	609,311	(715)	-	-	-	100.00%	
	Fubon Property and Casualty Insurance Co.,Ltd.	Mainland China	Insurance Business	40.00%	434,076	(90,418)	-	-	-	80.00%	
	Fubon Insurance Brokers (Philippines) Co., Ltd.	Philippines	Insurance brokers	99.99%	10,487	(496)	200	-	200	99.99%	
Fubon Life Insurance	Teng Fu Bo Investment Limited	Mainland China	Investment advisory	12.44%	104,924	(6,675)	-	-	-	24.88%	
	Fubon Life Insurance (Vietnam) Co.,Ltd.	Vietnam	Life Insurance business	100.00%	1,683,347	3,117	-	-	-	100.00%	
	Fubon Property and Casualty Insurance Co.,Ltd.	Mainland China	Property insurance	40.00%	434,076	(90,418)	-	-	-	80.00%	
	Carter Lane (Guernsey) Limited	Guernsey Island	Investment property leasing	100.00%	2,603,478	49,740	41,515	-	41,515	100.00%	
	Bow Bells House (Jersey) Limited	Jersey Island	Investment property leasing	100.00%	1,579,545	74,085	46,173	-	46,173	100.00%	
	Fubon MTL Property (Jersey) Limited	Jersey Island	Investment property leasing	100.00%	3,678,581	497,046	92,581	-	92,581	100.00%	
	CITIC Capital Holdings Ltd.	Hong Kong	Capital holdings	18.00%	9,115,517	89,230	13,980	-	13,980	18.00%	
Hyundai Life Insurance Co.,Ltd.	Korea	Life Insurance business	48.62%	4,352,377	(124,708)	37,009	-	37,009	48.62%		
Fubon Life Insurance (Hong Kong) Ltd.	Hong Kong	Life Insurance business	100.00%	1,656,160	(169,358)	500,000	-	500,000	100.00%		

(Continued)

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

Name of investor company	Name of investee Company	Address	Main business scope	Shareholding ratio	Book Value	Investment gain(loss) recognized	Aggregate shareholding of the Company and its subsidiaries				Note
							Number of shares	Number of proforma shares	Total		
									Number of shares	Shareholding ratio	
Fubon Life Insurance	Fubon Ellipse (Belgium) S.A.	Belgium Brussels	Investment property leasing	100.00%	2,344,941	24,684	1,134	-	1,134	100.00%	
	Fubon Ellipse (Jersey) S.A.	Jersey Island	Capital holdings	100.00%	2,658	(417)	90	-	90	100.00%	
	Teng Fu Bo Investment Limited	Mainland China	Investment advisory	12.44%	104,924	(6,675)	-	-	-	24.88%	
Fubon Securities	Fubon Futures Co., Ltd.	Taipei	Futures	100.00%	1,829,588	56,714	140,000	-	140,000	100.00%	
	Fubon Securities (BVI) Ltd.	British Virgin Islands	Securities	100.00%	79,082	(15,189)	8,164	-	8,164	100.00%	
	Fubon Securities Investment	Taipei	Investment consulting	100.00%	310,518	1,846	30,000	-	30,000	100.00%	
	Fubon Financial Holding Venture	Taipei	Venture Capital	8.33%	349,284	3,271	22,780	-	273,360	100.00%	
	Fubon Asset Management Co., Ltd.	Taipei	Asset management	100.00%	2,652,924	91,141	192,345	-	192,345	100.00%	
	Fubon Securities Venture Capital Founder	Taipei	Venture Capital	100.00%	282,471	5,589	30,000	-	30,000	100.00%	
	Fubon Fund Asset Management Co., Ltd.	Mainland China	Fund Management	33.30%	376,052	(62,794)	-	-	-	33.30%	
	Fubon Securities Equity Investment Co., Ltd.	Mainland China	Equity Investment	100.00%	881,728	(25,667)	-	-	-	100.00%	
	Fubon Securities (HK) Ltd.	Hong Kong	Securities	100.00%	60,583	(14,913)	102,911	-	102,911	100.00%	
	Fubon Mintou Venture Capital Co., Ltd.	Taipei	Venture Capital	67.00%	133,979	(21)	13,400	-	13,400	67.00%	
Taipei Fubon Bank	Fubon Convoy Asset Management (Hong Kong) Limited	Hong Kong	Asset management	49.00%	94,020	(1,562)	24,500	-	24,500	49.00%	
	Fubon Construction Management Co., Ltd.	Taipei	Construction management, real estate valuation	30.00%	111,626	5,744	6,964	-	6,964	30.00%	
Fubon Marketing	Fubon Bank (China) Co., Ltd.	Mainland China	Banking	51.00%	20,809,414	122,749	-	-	-	100.00%	
	Fu-Sheng Life Insurance Agent Co., Ltd.	Taipei	Life Insurance agent	100.00%	66,385	62,000	2,800	-	2,800	100.00%	

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

Name of investor company	Name of investee Company	Address	Main business scope	Shareholding ratio	Book Value	Investment gain(loss) recognized	Aggregate shareholding of the Company and its subsidiaries				Note
							Number of shares	Number of proforma shares	Total		
									Number of shares	Shareholding ratio	
Fubon Marketing	Fu-Sheng General Insurance Agent Co., Ltd.	Taipei	Insurance agent	100.00%	95,218	120,489	2,500	-	2,500	100.00%	
FubonAMC	CITIC FUTONG Financial Leasing Co.,Ltd.	Mainland China	Financial leasing	25.00%	1,417,625	64,506	-	-	-	25.00%	
Fubon Financial Holding Venture Capital Co.,Ltd.	Fubon Sports & Entertainment Co., Ltd	Taipei	Entertainment	100.00%	17,926	7,952	2,000	-	2,000	100.00%	
	Fubon Health Management Co., Ltd.	Taipei	Aesthetic medicine	24.27%	49,923	(77)	5,000	-	5,000	24.27%	
Fubon Bank (HongKong) (Note)	Fubon Financial (HK) Ltd.	Hong Kong	Deposit service	100.00%	HKD 90,715	HKD 940	65,000	-	65,000	100.00%	
	Fubon Bank Securities Ltd.	Hong Kong	Securities	100.00%	HKD 96,726	HKD 14,539	8,000	-	8,000	100.00%	
	Fubon Bank Investment Management Ltd.	Hong Kong	Fund Investment	100.00%	HKD 19,162	HKD 330	80	-	80	100.00%	
	Fubon Nominees (Hong Kong) Limited	Hong Kong	Nominees service	100.00%	HKD 143	HKD 5	-	-	-	100.00%	
	Fubon Insurance Broker Limited	Hong Kong	Insurance broker	100.00%	HKD 2,437	HKD 397	100	-	100	100.00%	
	Xiamen Bank Co., Ltd.	Mainland China	Banking	18.83%	8,531,263	506,298	374,855	-	374,855	18.83%	

Note: The details of consolidated entities of Fubon Bank (Hong Kong) are its main subsidiary.

(c) 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) on February 4, 2016. 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 June 30, 2017	Net income from investee	Percentage of Ownership	Equity in the Earnings (gains)	Carrying value as of June 30, 2017	Accumulated inward remittance of earnings as of June 30, 2017
					Outflow	Inflow						
Fubon Bank (China)	Banking	9,422,070 (CNY2,100,000)	Direct investment in Mainland China	42,122,872	-	-	42,122,872	CNY413,323 (CNY\$92,528)	100 %	240,684	40,215,735	168,999

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FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES
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Company	Accumulated investment in Mainland China as of June 30, 2017	Investment amounts authorized by investment commission, MOEA	Upper limit on investment
Fubon Financial Holding Co., Ltd.	21,864,574 (CNY4,491,338)	21,864,574 (CNY4,491,338)	268,273,039
Taipei Fubon Bank Co., Ltd.	20,258,298 (CNY4,093,113)	20,258,298 (CNY4,093,113)	103,451,498

Note: The paid-in capital and profit or loss in foreign currencies are converted into TWD using CNY closing exchange rate on June 30, 2017, and the CNY average exchange rate for the six months ended June 30, 2017.

- (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. As of June 30, 2017, 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. The board of directors of Fubon Life Insurance and Fubon Insurance have approved in participating in the capital increase for cash in Fubon Property & Casualty Insurance Co., Ltd. on June 30 and July 3, 2017. The project remained to be approved by the authorities as of the reporting date.

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FUBON FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES
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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 remitted the amount of HKD 1,800 million to acquire the ownership of Hong Kong CITIC Capital Holdings Ltd. in June, 2015, and therefore, indirectly acquiring ownership of CITIC Fulljoy (Dalian) Co., Ltd. and other 5 companies.

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	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 June 30, 2017	Net income from investee	Percentage of Ownership	Equity in the Earnings (gains)	Carrying value as of June 30, 2017	Accumulated inward remittance of earnings as of June 30, 2017
					Outflow	Inflow						
Fubon Property and Casualty Insurance Limited	Property Insurance	4,486,700 (CNY1,000,000)	1	3,878,890	-	-	3,878,890	(226,045)	80.00 %	(180,836)	868,152	-
Teng Fu Bo Investment Limited	Investment advisory	926,423 (CNY200,000)	3	-	-	-	-	(53,659)	24.88 %	(13,350)	209,848	-

2) Information of Fubon Life Insurance's investees in Mainland China:

Units: In thousands

Investee Company	Main Business	Total Amount of Paid-in Capital	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 June 30, 2017	Net income from investee	Percentage of Ownership	Equity in the Earnings (gains)	Carrying value as of June 30, 2017	Accumulated inward remittance of earnings as of June 30, 2017
					Outflow	Inflow						
CITIC Fulljoy (Dalian) Limited	Real estate development	1,403,712 (HKD 360,000)	2	-	-	-	-	(5,137) (CNY (1,150))	18.00 %	(925) (CNY (207))	Note 2	-
Shang Hsing Real Estate (Shenyang) Limited	Real estate leasing	1,949,600 (HKD 500,000)	2	-	-	-	-	(94,503) (CNY(21,156))	18.00 %	(17,011) (CNY (3,808))	Note 2	-
Empower Limited	Investment advisory	4,261 (USD 140)	2	-	-	-	-	14,808 (CNY 3,315)	18.00 %	2,665 (CNY 597)	Note 2	-
Pon Wei Investment Consultancy (Shanghai) Limited	Investment advisory	16,741 (USD 550)	2	-	-	-	-	(5,749) (CNY (1,287))	9.18 %	(528) (CNY (118))	Note 2	-
CITIC Jin Xiu Capital Management Limited	Investment Management	224,335 (CNY 50,000)	2	-	-	-	-	4,815 (CNY 1,078)	5.40 %	260 (CNY (58))	Note 2	-
Kaixin Investment (Beijing) Limited	Investment trustee of ventures	89,734 (CNY 20,000)	2	-	-	-	-	4,936 (CNY 1,105)	9.00 %	444 (CNY 99)	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 June 30, 2017 was not available from the financial statements applied analytical procedures 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 June 30, 2017 and average exchange rate for the six months ended June 30, 2017.

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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 June 30, 2017	Investment amounts authorized by investment commission, MOEA	Upper limit on investment
Fubon Life Insurance Co., Ltd.	18,033,518	18,187,174	144,876,759
Fubon Insurance Co., Ltd.	1,938,874 (CNY400,000)	1,938,874 (CNY400,000)	17,768,606

Note: The limit of Fubon Life Insurance Co., Ltd. and Fubon Insurance Co., Ltd. investment were \$96,584,506, and \$11,845,737 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 subsidiary was set up in Xiamen on June 6, 2016. Fubon Securities has remitted CNY200 million for investment.

Units: In thousands of TWD / CNY

Investee Company	Main Business	Total Amount of Paid-in Capital	Investment types	Accumulated outflow of Investment from Taiwan as of January 1, 2017	Investment flows		Accumulated outflow of investment from Taiwan as of June 30, 2017	Net income from investee	Percentage of Ownership	Equity in the Earnings (gains)	Carrying value as of June 30, 2017	Accumulated inward remittance of earnings as of June 30, 2017
					Outflow	Inflow						
Fubon Securities Equity Investment Co., Ltd.	Equity Investment	944,532 (CNY200,000)	(Note 1)	944,532	-	-	944,532	(25,667)	100.00 %	(25,667)	881,728	-

Company	Accumulated investment in Mainland China as of June 30, 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)	19,641,492

Note 1: Direct investment in Mainland China.

Note 2: It was calculated by Fubon Securities' net value as of June 30, 2017

- (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.

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

(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	Investment types	Accumulated outflow of Investment from Taiwan as of January 1, 2017	Investment flows		Accumulated outflow of investment from Taiwan as of June 30, 2017	Net income from investee	Percentage of Ownership	Equity in the Earnings (gains)	Carrying value as of June 30, 2017	Accumulated inward remittance of earnings as of June 30, 2017
					Outflow	Inflow						
Xiamen Bank Co., Ltd.	Banking	8,413,527 (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,	N/A,	N/A, Investment of Fubon Bank (Hong Kong)	2,714,918	18.83 % (indirect)	506,298	8,531,263	-

Company	Accumulated investment in Mainland China as of June 30, 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	Investment types	Accumulated outflow of Investment from Taiwan as of January 1, 2017	Investment flows		Accumulated outflow of investment from Taiwan as of June 30, 2017	Net income from investee	Percentage of Ownership	Equity in the Earnings (gains)	Carrying value as of June 30, 2017	Accumulated inward remittance of earnings as of June 30, 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	170,352	25 %	64,506	1,417,625	-

Company	Accumulated investment in Mainland China as of June 30, 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)	1,959,905

Note 1: Direct investment in Mainland China.

Note2: It was calculated by Fubon AMC's net value as of June 30, 2017.

(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 June 30, 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.

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

Units: In thousands of TWD / CNY

Investee Company	Main Business	Total Amount of Paid-in Capital	Investment types	Accumulated outflow of Investment from Taiwan as of January 1, 2017	Investment flows		Accumulated outflow of investment from Taiwan as of June 30, 2017	Net income from investee	Percentage of Ownership	Equity in the Earnings (gains)	Carrying value as of June 30, 2017	Accumulated inward remittance of earnings as of June 30, 2017
					Outflow	Inflow						
Founder Fubon Fund Management Limited	Fund raising and asset management	1,883,627 (CNY400,000)	(Note 1)	626,522	-	-	626,522	(188,570)	33.30 %	(62,794)	376,052	-

Company	Accumulated investment in Mainland China as of June 30, 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)	1,591,754

Note 1: Direct investment in Mainland China.

Note2: It was calculated by Fubon Asset Management's net value as of June 30, 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.

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.

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

(b) Business information

Operating Segments information was as follows:

For the three months ended June 30, 2017							
	Bank business	Property insurance business	Life insurance business	Securities Business	Others	Adjustment and elimination	Total
Net revenues							
Revenue by external customers	\$ 11,263,495	3,759,796	80,057,035	1,775,172	(502,133)	-	96,353,365
Revenue between segments	1,195,520	15,417	(932,603)	115,696	11,667,418	(12,061,448)	-
Total	<u>\$ 12,459,015</u>	<u>3,775,213</u>	<u>79,124,432</u>	<u>1,890,868</u>	<u>11,165,285</u>	<u>(12,061,448)</u>	<u>96,353,365</u>
Segment income (Note)	<u>\$ 5,731,105</u>	<u>1,354,686</u>	<u>3,604,823</u>	<u>560,377</u>	<u>10,820,421</u>	<u>(11,418,939)</u>	<u>10,652,473</u>
For the three months ended June 30, 2016							
	Bank business	Property insurance business	Life insurance business	Securities Business	Others	Adjustment and elimination	Total
Net revenues							
Revenue by external customers	\$ 10,389,620	2,845,582	104,517,277	1,578,673	(353,695)	-	118,977,457
Revenue between segments	1,717,537	65,754	(1,368,897)	104,135	17,020,943	(17,539,472)	-
Total	<u>\$ 12,107,157</u>	<u>2,911,336</u>	<u>103,148,380</u>	<u>1,682,808</u>	<u>16,667,248</u>	<u>(17,539,472)</u>	<u>118,977,457</u>
Segment income (Note)	<u>\$ 5,155,858</u>	<u>1,219,299</u>	<u>11,450,978</u>	<u>441,647</u>	<u>16,256,954</u>	<u>(16,729,329)</u>	<u>17,795,407</u>
For the six months ended June 30, 2017							
	Bank business	Property insurance business	Life insurance business	Securities business	Others	Adjustment and elimination	Total
Net revenues							
Revenue by external customers	\$ 21,690,892	6,613,620	178,158,552	3,271,172	(563,604)	-	209,170,632
Revenue between segments	2,987,284	31,795	(2,349,472)	242,846	22,146,446	(23,058,899)	-
Total	<u>\$ 24,678,176</u>	<u>6,645,415</u>	<u>175,809,080</u>	<u>3,514,018</u>	<u>21,582,842</u>	<u>(23,058,899)</u>	<u>209,170,632</u>
Segment income (Note)	<u>\$ 11,672,392</u>	<u>2,029,516</u>	<u>6,186,857</u>	<u>972,448</u>	<u>20,874,941</u>	<u>(21,587,737)</u>	<u>20,148,417</u>
Segment assets	<u>\$ 2,857,565,097</u>	<u>99,399,598</u>	<u>3,511,525,508</u>	<u>117,420,514</u>	<u>552,482,563</u>	<u>(553,808,437)</u>	<u>6,584,584,843</u>
For the six months ended June 30, 2016							
	Bank business	Property insurance business	Life insurance business	Securities business	Others	Adjustment and elimination	Total
Net revenues							
Revenue by external customers	\$ 21,572,121	5,698,308	197,461,329	3,050,039	(98,926)	-	227,682,871
Revenue between segments	3,872,296	63,313	(3,222,045)	215,272	26,462,603	(27,391,439)	-
Total	<u>\$ 25,444,417</u>	<u>5,761,621</u>	<u>194,239,284</u>	<u>3,265,311</u>	<u>26,363,677</u>	<u>(27,391,439)</u>	<u>227,682,871</u>
Segment income (Note)	<u>\$ 12,065,204</u>	<u>1,771,830</u>	<u>13,715,980</u>	<u>840,514</u>	<u>25,594,049</u>	<u>(25,852,776)</u>	<u>28,134,801</u>
Segment assets	<u>\$ 2,745,232,862</u>	<u>97,868,266</u>	<u>3,223,464,402</u>	<u>99,465,236</u>	<u>549,148,348</u>	<u>(554,386,398)</u>	<u>6,160,792,716</u>

Note: Income tax expense information is not included in segments information.