TAIPEI FUBON COMMERCIAL BANK Co., Ltd. and Subsidiaries

Consolidated Financial Statements for the Six Months Ended June 30, 2017 and 2016 and Independent Auditors' Report

勤業眾信

勤業眾信聯合會計師事務所
10596 台北市民生東路三段156號12樓

Deloitte & Touche
12th Floor, Hung Tai Financial Plaza
156 Min Sheng East Road, Sec. 3
Taipei 10596, Taiwan

Tel :+886 (2) 2545-9988
Fax:+886 (2) 4051-6888
www.deloitte.com.tw

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying consolidated balance sheets of TAIPEI FUBON COMMERCIAL BANK Co., Ltd. (the "Bank") and its subsidiaries, which comprise the consolidated balance sheets as of June 30, 2017, December 31, 2016 and June 30, 2016, and the consolidated statements of comprehensive income for the three months and the six months ended June 30, 2017 and 2016, changes in equity and cash flows for the six months ended June 30, 2017 and 2016, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of TAIPEI FUBON COMMERCIAL BANK Co., Ltd. and its subsidiaries as of June 30, 2017, December 31, 2016 and June 30, 2016, and its consolidated financial performance for the three months and the six months ended June 30, 2017 and 2016 and its 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 Public Banks, certain other guidelines issued by the local authorities and International Accounting Standard 34 "Interim Financial Reporting" endorsed by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

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

Key audit matters for the Bank and its subsidiaries' consolidated financial statements for the six months ended June 30, 2017 are stated as follows:

Allowance for Loans and Receivables

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

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

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

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

1. We understand and assess management's methodology, assumptions and inputs used in the impairment model to verify whether they appropriately reflect the actual outcome.

2. We assess the consistency of the effective interest rate, the impairment occurrence rate, recovery rate, etc. used in estimating expected future cash flows and evaluating collateral values. We perform a sampling of loans and receivable cases to verify their completeness and calculation accuracy.

3. We consider related guidelines issued by the authorities and examine whether the allowance for loans and receivables complied with the regulation.

Impairment of Goodwill

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

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

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

1. We determine whether there are any indications that the cash-generating units to which goodwill has been allocated have suffered any impairment loss. If any such indications exist, we estimate the recoverable amount.

2. We consider whether there is a significant difference between the actual operations after the relevant business combinations and the expected benefits on the corresponding acquisition dates, and we determine whether the disclosures in the consolidated financial statements are appropriate.

Other Matter

We have also audited the parent company only financial statements of TAIPEI FUBON COMMERCIAL BANK Co., Ltd. as of and for the six months ended June 30, 2017 and 2016 on which we have issued an unmodified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, the guidelines issued by the authorities and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank and its subsidiaries' internal control.

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

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank and its subsidiaries' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify

our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank and its subsidiaries to cease to continue as a going concern.

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the 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 Yi-Chun Wu and Kwan-Chung Lai.

Deloitte & Touche
Taipei, Taiwan
Republic of China

August 23, 2017

Notice to Readers

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

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

TAIPEI FUBON COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

	June 30, 2017		December 31, 2016		June 30, 2016	
ASSETS	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
CASH AND CASH EQUIVALENTS (Notes 4, 6 and 44)	$ 62,835,781	2	$ 36,229,901	1	$ 41,873,774	2
DUE FROM THE CENTRAL BANK AND CALL LOANS TO OTHER BANKS (Notes 7, 44 and 45)	213,683,520	8	267,038,962	11	215,370,597	9
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 8, 16, 26, 44 and 45)	90,551,914	4	117,169,754	5	109,365,693	4
DERIVATIVE FINANCIAL ASSETS FOR HEDGING (Notes 4 and 9)	703,749	-	412,743	-	524,228	-
SECURITIES PURCHASED UNDER RESELL AGREEMENTS (Notes 4, 6, 10 and 44)	24,780,030	1	27,504,918	1	12,209,448	-
RECEIVABLES, NET (Notes 4, 11, 19 and 44)	76,006,983	3	70,389,749	3	72,306,586	3
CURRENT TAX ASSETS (Notes 4, 42 and 44)	667,363	-	483,141	-	488,601	-
DISCOUNTS AND LOANS, NET (Notes 4, 12, 19 and 44)	1,310,669,916	53	1,289,861,011	53	1,339,459,775	57
AVAILABLE-FOR-SALE FINANCIAL ASSETS, NET (Notes 4, 9, 13, 16, 26, 44 and 45)	193,059,676	8	147,580,340	6	136,632,416	6
HELD-TO-MATURITY FINANCIAL ASSETS (Notes 4, 14, 16, 26 and 45)	404,543,113	16	354,395,498	15	323,037,690	14
INVESTMENTS MEASURED BY EQUITY METHOD (Notes 4 and 17)	111,626	-	120,653	-	121,991	-
OTHER FINANCIAL ASSETS, NET (Notes 4, 18, 19, 26 and 45)	65,854,014	3	50,739,011	2	57,299,619	2
PROPERTY AND EQUIPMENT, NET (Notes 4 and 20)	20,150,548	1	20,382,900	1	20,626,929	1
INVESTMENT PROPERTIES (Notes 4 and 21)	2,864,900	-	2,641,500	-	2,746,700	-
INTANGIBLE ASSETS, NET (Notes 4 and 22)	15,082,616	1	15,779,137	1	16,519,946	1
DEFERRED TAX ASSETS (Notes 4 and 42)	892,851	-	977,922	-	1,009,013	-
OTHER ASSETS (Notes 23 and 44)	6,751,873	-	12,518,491	1	15,198,952	1
TOTAL	$ 2,489,210,473	100	$ 2,414,225,631	100	$ 2,364,791,958	100
LIABILITIES AND EQUITY						
DEPOSITS FROM THE CENTRAL BANK AND BANKS (Notes 24 and 44)	$ 94,388,707	4	$ 75,575,504	3	$ 98,376,793	4
DUE TO THE CENTRAL BANK AND BANKS (Note 25)	8,510,516	-	7,081,137	-	7,063,673	-
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 8 and 44)	32,378,730	1	68,434,376	3	60,327,048	3
DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING (Notes 4 and 9)	2,162,790	-	1,239,999	-	1,015,608	-
SECURITIES SOLD UNDER REPURCHASE AGREEMENTS (Notes 4, 26 and 44)	71,192,195	3	61,440,929	3	62,392,254	3
PAYABLES (Notes 27 and 44)	36,329,424	1	31,463,332	1	36,589,430	1
CURRENT TAX LIABILITIES (Notes 4, 42 and 44)	1,299,455	-	2,304,803	-	1,738,551	-
DEPOSITS AND REMITTANCES (Notes 28 and 44)	1,953,212,763	79	1,877,777,666	78	1,813,142,764	77
BANK DEBENTURES (Notes 9 and 29)	69,130,870	3	64,651,203	3	63,169,475	3
OTHER FINANCIAL LIABILITIES (Notes 30 and 44)	19,384,211	1	21,691,631	1	23,729,827	1
PROVISIONS (Notes 4, 19, 31 and 32)	2,295,626	-	2,409,680	-	2,512,982	-
DEFERRED TAX LIABILITIES (Notes 4 and 42)	1,055,565	-	894,890	-	848,784	-
OTHER LIABILITIES (Notes 33 and 44)	7,236,511	-	5,852,784	-	4,194,012	-
Total liabilities	2,298,577,363	92	2,220,817,934	92	2,175,101,201	92
EQUITY (Notes 4 and 34)						
Attributable to owners of the Bank						
Capital stock						
Common stock	106,518,023	4	106,518,023	4	98,038,876	4
Reserve for raising capital	-	-	-	-	8,479,147	-
Total capital stock	106,518,023	4	106,518,023	4	106,518,023	4
Capital surplus	14,800,927	1	14,800,927	1	14,800,927	1
Retained earnings						
Legal reserve	39,699,723	2	35,386,771	1	35,386,771	2
Special reserve	2,672,022	-	2,652,074	-	2,652,074	-
Unappropriated earnings	8,635,263	-	14,376,505	1	8,647,321	-
Total retained earnings	51,007,008	2	52,415,350	2	46,686,166	2
Other equity	93,206	-	900,172	-	2,351,994	-
Total equity attributable to owners of the Bank	172,419,164	7	174,634,472	7	170,357,110	7
Non-controlling interests	18,213,946	1	18,773,225	1	19,333,647	1
Total equity	190,633,110	8	193,407,697	8	189,690,757	8
TOTAL	$ 2,489,210,473	100	$ 2,414,225,631	100	$ 2,364,791,958	100

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

TAIPEI FUBON COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(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	%
NET INTEREST INCOME (Notes 4, 35 and 44)								
Interest income	$ 11,020,991	102	$ 10,818,287	107	$ 21,696,717	102	$ 22,040,963	102
Interest expense	(5,393,850)	(50)	(4,961,623)	(49)	(10,425,758)	(49)	(10,338,764)	(48)
Total net interest income	5,627,141	52	5,856,664	58	11,270,959	53	11,702,199	54
NET NON-INTEREST INCOME (Note 4)								
Service fee income, net (Notes 36 and 44)	2,667,041	25	3,056,237	30	6,040,921	28	6,446,410	30
Gains on financial assets and liabilities at fair value through profit or loss (Notes 8, 37 and 44)	1,754,645	16	406,999	4	3,083,202	15	2,922,859	13
Realized gains on available-for-sale financial assets (Notes 34 and 38)	412,140	4	100,701	1	422,943	2	460,141	2
Foreign exchange gains (losses), net	(243,863)	(2)	674,450	7	(265,203)	(1)	(41,639)	-
Impairment losses on assets (Notes 20 and 21)	(199)	-	-	-	(199)	-	-	-
Share of profit of associates accounted for using the equity method (Note 17)	3,106	-	3,864	-	5,744	-	5,994	-
Net profit or loss of property transactions (Note 44)	429,832	4	6,888	-	429,832	2	31,145	-
Other non-interest income, net (Notes 21 and 44)	95,746	1	45,006	-	196,057	1	123,468	1
Total net non-interest income	5,118,448	48	4,294,145	42	9,913,297	47	9,948,378	46
TOTAL NET REVENUES	10,745,589	100	10,150,809	100	21,184,256	100	21,650,577	100
ALLOWANCE FOR DOUBTFUL ACCOUNTS AND GUARANTEES (Notes 4, 19 and 44)	(577,321)	(5)	(407,770)	(4)	(781,206)	(4)	(593,778)	(3)
OPERATING EXPENSES (Notes 4, 32, 39, 40, 41 and 44)								
Employee benefits	(2,876,323)	(27)	(2,794,049)	(28)	(5,826,134)	(28)	(5,658,567)	(26)
Depreciation and amortization	(436,220)	(4)	(427,938)	(4)	(868,923)	(4)	(862,974)	(4)
General and administrative	(1,897,291)	(18)	(1,872,826)	(18)	(3,670,393)	(17)	(3,761,240)	(18)
Total operating expenses	(5,209,834)	(49)	(5,094,813)	(50)	(10,365,450)	(49)	(10,282,781)	(48)
INCOME BEFORE INCOME TAX	4,958,434	46	4,648,226	46	10,037,600	47	10,774,018	49
INCOME TAX EXPENSE (Notes 4 and 42)	(609,787)	(6)	(707,540)	(7)	(1,284,402)	(6)	(1,564,953)	(7)
NET INCOME FOR THE PERIOD	4,348,647	40	3,940,686	39	8,753,198	41	9,209,065	42

(Continued)

TAIPEI FUBON COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(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	%
OTHER COMPREHENSIVE INCOME (LOSS)								
Items that will not be reclassified subsequently to profit or loss:								
Gains on property revaluation (Note 34)	$ 157,165	2	$ -	-	$ 157,165	1	$ -	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 42)	(6,134)	-	-	-	(6,134)	-	-	-
	151,031	2	-	-	151,031	1	-	-
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on translating foreign operations (Note 34)	674,454	6	(1,265,438)	(12)	(1,829,288)	(9)	(2,253,990)	(10)
Unrealized gains (losses) on available-for-sale financial assets (Note 34)	(22,890)	-	339,892	3	171,147	1	1,125,604	5
Share of other comprehensive loss of associates accounted for using the equity method (Note 34)	(2,511)	-	(1,682)	-	(7,807)	-	(4,045)	-
Income tax relating to items that may be reclassified subsequently to profit or loss (Note 42)	6,141	-	5,360	-	30,737	-	1,870	-
	655,194	6	(921,868)	(9)	(1,635,211)	(8)	(1,130,561)	(5)
Other comprehensive income (loss) for the period, net of income tax	806,225	8	(921,868)	(9)	(1,484,180)	(7)	(1,130,561)	(5)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	$ 5,154,872	48	$ 3,018,818	30	$ 7,269,018	34	$ 8,078,504	37
NET INCOME ATTRIBUTABLE TO								
Owners of the Bank	$ 4,302,358	40	$ 3,714,244	37	$ 8,635,263	41	$ 8,647,321	40
Non-controlling interests	46,289	-	226,442	2	117,935	-	561,744	3
	$ 4,348,647	40	$ 3,940,686	39	$ 8,753,198	41	$ 9,209,065	43
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO								
Owners of the Bank	$ 4,818,751	45	$ 3,393,254	34	$ 7,828,297	37	$ 8,294,540	38
Non-controlling interests	336,121	3	(374,436)	(4)	(559,279)	(3)	(216,036)	(1)
	$ 5,154,872	48	$ 3,018,818	30	$ 7,269,018	34	$ 8,078,504	37
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 43)								
Basic	$ 0.40		$ 0.35		$ 0.81		$ 0.81	

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

TAIPEI FUBON COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Bank												
									Other equity (Notes 4 and 34)				
	Capital Stock (Note 34)		Reserve for Raising Capital (Note 34)	Capital Surplus (Note 34)	Retained Earnings (Notes 4 and 34)				Exchange Differences on Translating Foreign Operations	Unrealized Gains on Available-for-sale Financial Assets	Gains on Property Revaluation	Non-controlling Interests (Notes 4 and 34)	Total Equity
	Shares (Thousands)	Common Stock			Legal Reserve	Special Reserve	Unappropriated Earnings	Total					
BALANCE AT JANUARY 1, 2016	9,803,888	$ 98,038,876	$ -	$ 14,800,927	$ 30,051,874	$ 2,552,658	$ 17,547,380	$ 50,151,912	$ 1,371,005	$ 1,110,150	$ 223,620	$ 19,549,683	$ 185,246,173
Special reserve provided under Rule No. 10310000140 issued by the FSC	-	-	-	-	-	99,416	(99,416)	-	-	-	-	-	-
Appropriation of the 2015 earnings													
Legal reserve	-	-	-	-	5,334,897	-	(5,334,897)	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	-	(3,633,920)	(3,633,920)	-	-	-	-	(3,633,920)
Stock dividends	-	-	8,479,147	-	-	-	(8,479,147)	(8,479,147)	-	-	-	-	-
Net income for the six months ended June 30, 2016	-	-	-	-	-	-	8,647,321	8,647,321	-	-	-	561,744	9,209,065
Other comprehensive income (loss) for the six months ended June 30, 2016, net of income tax	-	-	-	-	-	-	-	-	(1,485,983)	1,133,202	-	(777,780)	(1,130,561)
Total comprehensive income (loss) for the six months ended June 30, 2016	-	-	-	-	-	-	8,647,321	8,647,321	(1,485,983)	1,133,202	-	(216,036)	8,078,504
BALANCE AT JUNE 30, 2016	9,803,888	$ 98,038,876	$ 8,479,147	$ 14,800,927	$ 35,386,771	$ 2,652,074	$ 8,647,321	$ 46,686,166	$ (114,978)	$ 2,243,352	$ 223,620	$ 19,333,647	$ 189,690,757
BALANCE AT JANUARY 1, 2017	10,651,803	$ 106,518,023	$ -	$ 14,800,927	$ 35,386,771	$ 2,652,074	$ 14,376,505	$ 52,415,350	$ (988,977)	$ 1,665,529	$ 223,620	$ 18,773,225	$ 193,407,697
Special reserve provided under Rule No. 10310000140 issued by the FSC	-	-	-	-	-	(51,934)	51,934	-	-	-	-	-	-
Appropriation of the 2016 earnings													
Legal reserve	-	-	-	-	4,312,952	-	(4,312,952)	-	-	-	-	-	-
Special reserve	-	-	-	-	-	71,882	(71,882)	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	-	(10,043,605)	(10,043,605)	-	-	-	-	(10,043,605)
Net income for the six months ended June 30, 2017	-	-	-	-	-	-	8,635,263	8,635,263	-	-	-	117,935	8,753,198
Other comprehensive income (loss) for the six months ended June 30, 2017, net of income tax	-	-	-	-	-	-	-	-	(1,207,266)	249,269	151,031	(677,214)	(1,484,180)
Total comprehensive income (loss) for the six months ended June 30, 2017	-	-	-	-	-	-	8,635,263	8,635,263	(1,207,266)	249,269	151,031	(559,279)	7,269,018
BALANCE AT JUNE 30, 2017	10,651,803	$ 106,518,023	$ -	$ 14,800,927	$ 39,699,723	$ 2,672,022	$ 8,635,263	$ 51,007,008	$ (2,196,243)	$ 1,914,798	$ 374,651	$ 18,213,946	$ 190,633,110

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

TAIPEI FUBON COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)

	For the Six Months Ended June 30	
	2017	**2016**
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 10,037,600	$ 10,774,018
Adjustments for:		
Depreciation expenses	468,978	454,864
Amortization expenses	399,945	408,110
Provision for bad-debt expense	793,751	574,283
Interest expense	10,425,758	10,338,764
Interest income	(21,696,717)	(22,040,963)
Dividend income	(104,394)	(58,648)
Net change in provision for guarantee liabilities	(12,545)	19,495
Net change in other provisions	(121,004)	(14,742)
Share of profit of associates accounted for using equity method	(5,744)	(5,994)
Gain on disposal of property and equipment	(428,735)	(27,848)
Impairment loss of non-financial assets	199	-
Loss on fair value adjustment of investment property	7,331	-
Other adjustments	(2,786)	(56)
Changes in operating assets and liabilities		
Decrease (increase) in due from the Central Bank and call loans to other banks	37,145,205	(15,422,401)
Decrease in financial assets at fair value through profit or loss	26,617,840	21,278,725
(Increase) decrease in receivables	(5,912,461)	8,398,439
(Increase) decrease in discounts and loans	(21,308,746)	14,108,069
Increase in available-for-sale financial assets	(44,587,925)	(8,999,958)
Increase in held-to-maturity financial assets	(50,147,615)	(34,307,034)
Increase in other financial assets	(15,082,862)	(16,480,923)
Decrease in other assets	5,834,167	18,844,581
Increase (decrease) in deposits from the Central Bank and banks	18,813,203	(29,024,495)
Decrease in financial liabilities at fair value through profit or loss	(36,055,646)	(19,633,474)
Increase (decrease) in securities sold under repurchase agreements	9,751,266	(7,015,644)
Increase in payables	4,364,872	7,219,625
Increase (decrease) in deposits and remittances	75,435,097	(212,818)
Decrease in other financial liabilities	(2,307,420)	(3,519,790)
Increase in provisions for employee benefits	20,246	19,255
Increase in other liabilities	1,380,747	139,320
Cash provided by (used in) operations	3,721,605	(64,187,240)
Interest received	22,038,243	22,512,125
Dividends received	56,094	58,648
Interest paid	(9,692,022)	(10,419,065)
Income tax paid	(2,203,623)	(1,896,634)
Net cash generated from (used in) operating activities	13,920,297	(53,932,166)

(Continued)

TAIPEI FUBON COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)

	For the Six Months Ended June 30	
	2017	**2016**
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	$ (908,345)	$ (954,157)
Proceeds from disposal of property and equipment	588,033	98,560
Acquisition of intangible assets	(64,377)	(67,838)
Net cash used in investing activities	(384,689)	(923,435)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in due to the Central Bank and banks	1,429,379	2,486,062
Proceeds from issuing bank debentures	12,553,237	-
Repayments of bank debentures	(7,260,057)	-
Cash dividends paid	(10,043,605)	(3,633,920)
Net cash used in financing activities	(3,321,046)	(1,147,858)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	(2,543,807)	(1,723,072)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	7,670,755	(57,726,531)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	137,446,737	145,173,054
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	$ 145,117,492	$ 87,446,523

Reconciliation of the amounts in the consolidated statements of cash flows with the equivalent items reported in the consolidated balance sheets at June 30, 2017 and 2016:

	June 30	
	2017	**2016**
Cash and cash equivalents in consolidated balance sheets	$ 62,835,781	$ 41,873,774
Due from the Central Bank and call loans to other banks qualifying for cash and cash equivalents under the definition of IAS 7	57,501,681	33,363,301
Securities purchased under resell agreements qualifying for cash and cash equivalents under the definition of IAS 7	24,780,030	12,209,448
Cash and cash equivalents in consolidated statements of cash flows	$ 145,117,492	$ 87,446,523

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

1. GENERAL INFORMATION

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

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

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

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

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

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

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

As of June 30, 2017, the Bank had a trust department, an offshore banking unit ("OBU"), 127 domestic branches (including a business department) and 5 overseas branches.

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

Fubon Bank (China) is the joint venture bank founded by the Shanghai Pudong Development Bank and Lotus Worldwide Ltd. on March 20, 1997 in Shanghai Pudong in accordance with "Regulations Governing Foreign Financial Institutions in the People's Republic of China". After a number of capital increases and stock rights changes, as of October 20, 2016, the Bank and FFH's shareholding ratios were 51% and 49%, respectively. Fubon Bank (China) mainly renders foreign currency and RMB services to customers. As of June 30, 2017, Fubon Bank (China) had its headquarters and 23 branches (including preparatory offices) within mainland China.

The Bank's ultimate parent is FFH, which holds all the ordinary shares of the Bank.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Bank's board of directors on August 23, 2017.

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

a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Public Banks and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively referred to as IFRSs) endorsed and issued into effect by the Financial Supervisory Commission ("FSC")

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

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

The amendment clarifies that the recoverable amount of an asset or a cash-generating unit is disclosed only when an impairment loss on the asset has been recognized or reversed during the period. Furthermore, if the recoverable amount of an item of property, plant and equipment for which an impairment loss has been recognized or reversed is the fair value less costs of disposal, the Bank and its subsidiaries are required to disclose the fair value hierarchy. If the fair value measurements are categorized within Level 2 or Level 3, the valuation technique and key assumptions used to measure the fair value are disclosed. The discount rate used is disclosed if such fair value less costs of disposal is measured by using the present value technique. The amendment should be applied retrospectively from January 1, 2017. Refer to Notes 20 and 21 for related disclosures.

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

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

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

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

b. The Regulations Governing the Preparation of Financial Reports by Public Banks and the IFRSs endorsed by the FSC for application starting from 2018

New, Amended or Revised Standards and Interpretations (the "New IFRSs")	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2014-2016 Cycle	Note 2
Amendment to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date of IFRS 9 and Transition Disclosures"	January 1, 2018
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendments to IFRS 15 "Clarifications to IFRS 15 Revenue from Contracts with Customers"	January 1, 2018
Amendment to IAS 7 "Disclosure Initiative"	January 1, 2017
Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Transfers of Investment Property"	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

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

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

IFRS 9 "Financial Instruments"

Recognition measurement and impairment of financial assets

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

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

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

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

Except for the above, all financial assets are measured at fair value through profit or loss. However, the Bank and its subsidiaries may, on the initial recognition of an equity instrument that is within the scope of IFRS 9 and is not held for trading, irrevocably designate this instrument as at fair value through other comprehensive income, with only dividend income generally recognized in profit or loss. No subsequent impairment assessment is required, and the cumulative gain or loss previously recognized in other comprehensive income cannot be reclassified from equity to profit or loss.

The Bank and its subsidiaries analyzed the facts and circumstances of its financial assets that exist at June 30, 2017 and performed a preliminary assessment of the impact of IFRS 9 on the classification and measurement of financial assets. Under IFRS 9:

a) Listed shares, emerging market shares as available-for-sale and unlisted shares measured at cost will be classified as at fair value through profit or loss or designated as at fair value through other comprehensive income and the fair value gains or losses accumulated in other equity will be transferred directly to retained earnings instead of being reclassified to profit or loss on disposal. Besides, unlisted shares measured at cost will be measured at fair value instead;

b) Beneficiary securities classified as available-for-sale will be classified as at fair value through profit or loss because the contractual cash flows are not solely payments of principal and interest on the principal outstanding and they are not equity instruments;

c) Debt investments classified as held-to-maturity financial assets or debt investments with no active market and measured at amortized cost will be classified as measured at amortized cost under IFRS 9 because on initial recognition, the contractual cash flows that are solely payments of principal and interest on the principal outstanding and these investments are held within a business model whose objective is to collect the contractual cash flows will be classified as at fair value through other comprehensive income under IFRS 9, because on initial recognition, the contractual cash flows that are solely payments of principal and interest on the principal outstanding and these investments are held within a business model whose objective is achieved both by collecting the contractual cash flows and selling the financial assets. If the business model not belongs to above situations, under IFRS 9, those will be classified as at fair value through profit or loss.

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

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

In relation to the debt instrument investments and the financial guarantee contracts, the Bank and its subsidiaries will assess whether there has been a significant increase in the credit risk to determine whether to recognize 12-month or lifetime expected credit losses. In general, the Bank and its subsidiaries anticipate that the application of the expected credit loss model of IFRS 9 will result in earlier recognition of credit losses for financial assets.

The Bank and its subsidiaries elect not to restate prior periods when applying the requirements for the recognition, measurement and impairment of financial assets under IFRS 9 and will provide the disclosures related to the classification and the adjustment information upon initial application of IFRS 9.

Hedge accounting

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

A preliminary assessment of the Bank and its subsidiaries' current hedging relationships indicates that they will qualify as continuing hedging relationships upon application of IFRS 9.

In addition to the above effects, the Bank and its subsidiaries continue to evaluate other criteria as of the date of promulgation of the consolidated financial statements. The explanations of the amendments will affect the financial position and financial performance. The relevant impact will be disclosed when the assessment is completed.

c. IFRSs issued by the International Accounting Standards Board (IASB) but not yet endorsed and issued into effect by the FSC

New IFRSs	**Effective Date Announced by IASB (Note)**
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 16 "Leases"	January 1, 2019
IFRS 17 "Insurance contract	January 1, 2021
IFRIC 23 "Uncertainty Over Income Tax Treatments"	January 1, 2019

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

IFRS 16 "Leases"

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

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

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

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

In addition to the above effects, the Bank and its subsidiaries continue to evaluate other criteria as of the date of promulgation of the consolidated financial statements. The explanations of the amendments will affect the financial position and financial performance. The relevant impact will be disclosed when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, IAS 34 “Interim Financial Reporting”, and certain other guidelines endorsed and issued by the FSC. Disclosure information included in the accompanying consolidated financial statements is less than those required for a complete set of annual consolidated financial statements.

Basis of Preparation

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

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

a. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

b. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

c. Level 3 inputs are unobservable inputs for the asset or liability.

Classification of Current and Non-current Assets and Liabilities

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

Basis of Consolidation

- Principles for preparing consolidated financial statements

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

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

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

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

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

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

Foreign Currencies

In the preparation of the financial statements of each Group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Nonmonetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Nonmonetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss. When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income.

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

Cash and Cash Equivalents

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

Investment in Associates

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

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

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

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

Financial Instruments

Financial assets and financial liabilities are recognized when the Bank and its subsidiaries become parties to the contractual provisions of the instruments.

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

a. Financial assets

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

   1) Measurement category

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

a) Financial assets at fair value through profit or loss

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

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

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

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

iii. The contract contains one or more embedded derivatives so that the entire hybrid (combined) contract can be designated as at fair value through profit or loss. Fair value is determined in the manner described in Note 49.

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

b) Held-to-maturity financial assets

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

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

c) Available-for-sale financial assets

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

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

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

Available-for-sale equity investments with no quoted market prices in an active market and with fair values that cannot be reliably measured and derivatives that are linked to and must be settled by delivery of these unquoted equity investments are measured at cost less any identified impairment loss at the end of each reporting period and are recognized in a separate line item as financial assets carried at cost. If, subsequently, the fair value of the financial assets can be reliably measured, the financial assets are remeasured at fair value. The difference between the carrying amount and fair value is recognized in profit or loss or other comprehensive income on financial assets. Any impairment losses are recognized in profit and loss.

d) Loans and receivables

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

2) Impairment of financial assets

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

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

a) Financial assets carried at amortized cost

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

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

If the impairment loss decreases and the decrease can be related objectively to an event occurring after impairment recognition, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed, does not exceed what the amortized cost would have been had the impairment not been recognized.

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

Under the Regulations, the Bank categorizes credit assets (other than loans to the ROC government) into normal, special mention, substandard, doubtful, and loss, for which minimum provisions are 1%, 2%, 10%, 50%, and 100%, respectively. In addition, under FSC guidelines No. 10010006830, there should be a provision at more than 1% of the sum of a minimum allowance for credit losses and the provision for losses on guarantees. Based on Rule No. 10300329440 issued by the FSC, for the banks to have an enhanced risk coverage, the minimum provision for the loan loss reserve is 1.5% of the mortgage and construction loans that have been classified as normal assets. Based on Rule No. 10410001840 issued by the FSC, for the Bank to have an enhanced control of the exposure to risk in mainland China, the minimum provision for the loan loss reserve is 1.5% of the loans that were granted to companies based in mainland China and classified as normal assets.

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

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

b) Available-for-sale financial assets

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

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

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

c) Financial assets carried at cost

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

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

3) Derecognition of financial assets

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

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

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

b. Equity instruments

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

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

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

c. Financial liabilities

1) Subsequent measurement

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

a) Financial liabilities at fair value through profit or loss

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

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

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

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

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

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

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

b) Financial guarantee contracts

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

2) Derecognition of financial liabilities

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

d. Derivative financial instruments

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

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

Hedge Accounting

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

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

a. Fair value hedges

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

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

b. Cash flow hedges

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

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

   Hedge accounting is discontinued when the Bank and its subsidiaries revoke the designated hedging relationship, or when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer meets the criteria for hedge accounting. The cumulative gain or loss on the hedging instrument that has been previously recognized in other comprehensive income from the period when the hedge was effective remains separately in equity until the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

Repurchase and Resell Transactions

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

Property and Equipment

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

Depreciation is recognized using the straight-line method. Each part of a P&E item with a cost that is significant in relation to the total cost of the item is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for prospectively.

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

Investment Properties

Investment properties are properties held for earning rentals and/or for capital appreciation.

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

The decision of the Bank and its subsidiaries to transfer items of property into or out of the classification as investment property depends on the actual use of the assets. The value of a piece of property classified as investment property should be based on its fair value assessment when transferring it to investment property and it should be reclassified appropriately. The accounting treatment for the change in use is subject to IAS 40 "Investment Property".

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

Goodwill

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

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

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

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

Intangible Assets

a. Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimates accounted for prospectively. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

b. Intangible assets acquired in a business combination

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

c. Derecognition of intangible assets

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

Impairment of Tangible and Intangible Assets Other than Goodwill

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

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

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

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

Employee Benefits

a. Short-term employee benefits

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

b. Retirement benefits

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

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

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

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 the prior financial year, adjusted for significant market fluctuations since that time and for significant plan amendments, settlements, or other significant one-off events.

c. Other long-term employee benefits

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

d. Employee benefit - employees' preferential deposits

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

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

Income Tax

Income tax expense is the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed annually and calculated by applying to an interim period's pretax income the tax rate that would be applicable to expected total annual earnings.

a. Current tax

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

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

b. Deferred tax

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

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

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

c. Current and deferred taxes for the period

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

Recognition of Interest Income and Interest Expense

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

Recognition of Service Fee Income and Service Fee Expense

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

Business Combinations

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

Goodwill is measured as the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree in excess of the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The estimates and underlying assumptions are reviewed by management on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period, or in the period of the revisions and future periods if the revisions affect both current and future periods.

a. Estimated impairment loss on loans and receivables

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

b. Impairment of goodwill

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

6. CASH AND CASH EQUIVALENTS

	June 30, 2017	December 31, 2016	June 30, 2016
Cash on hand	$ 6,312,732	$ 7,092,730	$ 6,415,190
Due from other banks	54,457,813	25,043,723	32,922,379
Notes and checks for clearing	2,065,236	4,093,448	2,536,205
	$ 62,835,781	$ 36,229,901	$ 41,873,774

Refer to the consolidated statements of cash flows for the reconciliation of the amounts in the consolidated statements of cash flows with the equivalent items reported in the consolidated balance sheets as of June 30, 2017 and 2016. The adjustments as of December 31, 2016 are as follows:

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

	December 31, 2016
Cash and cash equivalents in consolidated balance sheets	$ 36,229,901
Due from the Central Bank and call loans to other banks qualifying as cash and cash equivalents based on the definition of IAS 7 "Statement of Cash Flows"	73,711,918
Securities purchased under resell agreements qualifying as cash and cash equivalents based on the definition of IAS 7 "Statement of Cash Flows"	27,504,918
Cash and cash equivalents in consolidated statements of cash flows	$ 137,446,737

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

	June 30, 2017	December 31, 2016	June 30, 2016
Call loans to banks	$ 108,653,555	$ 140,486,547	$ 81,589,271
Deposit reserves	81,632,816	78,175,024	79,157,866
Due from the Central Bank - others	23,397,149	48,377,391	54,623,460
	$ 213,683,520	$ 267,038,962	$ 215,370,597

Under a directive issued by the Central Bank of China, the New Taiwan dollar ("NTD")-denominated deposit reserves are determined by applying a prescribed percentage to the average monthly balances of customers' NTD-denominated deposits. As of June 30, 2017, December 31, 2016 and June 30, 2016, deposit reserves for checking accounts amounted to $21,934,310 thousand, $17,567,640 thousand and $15,966,433 thousand, respectively, and the required deposit reserves amounted to $33,160,563 thousand, $32,236,828 thousand and $32,542,795 thousand, respectively. The deposit reserves for checking accounts are not interest bearing and may be withdrawn anytime. The required deposit reserves are subject to withdrawal restrictions. In addition, foreign-currency deposit reserves are determined at a prescribed percentage of the balances of foreign-currency deposits. These reserves may be withdrawn anytime but bear no interests.

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

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

8. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	June 30, 2017	December 31, 2016	June 30, 2016
Held-for-trading financial assets			
Government bonds	$ 15,995,372	$ 9,384,710	$ 12,887,294
Corporate bonds	15,327,645	11,448,675	15,426,824
Commercial paper	9,525,978	5,790,972	7,177,450
Bank debentures	6,148,414	5,034,816	4,214,563
Others	321,816	350,966	377,318
	47,319,225	32,010,139	40,083,449
Derivatives			
Currency swap contracts	20,783,908	48,243,991	27,970,523
Interest rate swap contracts	3,881,966	4,128,133	6,241,093
Cross-currency swap contracts	3,110,752	2,099,997	2,702,849
Forward contracts	1,459,468	1,442,667	1,564,936
Option contracts	1,185,977	15,581,180	16,959,663
Others	1,049,363	998,166	683,789
	31,471,434	72,494,134	56,122,853
	78,790,659	104,504,273	96,206,302
Financial assets designated as at fair value through profit or loss			
Convertible corporate bonds	10,640,197	11,511,540	12,663,838
Credit-linked notes	1,121,058	1,153,941	495,553
	11,761,255	12,665,481	13,159,391
	$ 90,551,914	$ 117,169,754	$ 109,365,693
Held-for-trading financial liabilities			
Borrowed bonds	$ -	$ 99,918	$ -
Derivatives			
Currency swap contracts	21,749,941	42,108,469	31,093,448
Interest rate swap contracts	3,613,253	3,769,138	5,834,605
Cross-currency swap contracts	3,308,393	2,615,424	2,538,641
Option contracts	2,272,214	17,337,813	18,435,482
Forward contracts	562,380	1,696,129	1,941,444
Others	872,549	807,485	483,428
	32,378,730	68,334,458	60,327,048
	$ 32,378,730	$ 68,434,376	$ 60,327,048

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

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

The contract (notional) amounts of the Bank and its subsidiaries' outstanding derivative financial instruments as of June 30, 2017, December 31, 2016 and June 30, 2016 are summarized as follows:

	Contract Amount		
	June 30, 2017	**December 31, 2016**	**June 30, 2016**
Currency swap contracts	$ 3,391,104,090	$ 3,194,066,410	$ 3,860,226,256
Interest rate swap contracts	972,707,111	1,046,366,821	1,060,557,252
Option contracts	174,205,345	461,500,988	759,912,552
Cross-currency swap contracts	120,620,016	164,177,368	195,939,635
Forward contracts	110,852,118	110,716,279	174,314,042
Futures contracts	86,198,252	69,837,783	22,054,616
Stock price swap contracts	10,341,167	11,403,174	10,691,519
Commodity swap contracts	2,289,748	1,360,045	255,142
Equity swap contracts	-	-	489,129

Gains on financial assets and liabilities at fair value through profit or loss for the three months ended June 30, 2017 and 2016 and six months ended June 30, 2017 and 2016 were as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	**2016**	**2017**	**2016**
Net gain on held-for-trading financial assets and liabilities	$ 1,785,876	$ 97,101	$ 2,682,988	$ 2,452,141
Net (loss) gain on financial assets designated as at fair value through profit or loss	(31,231)	309,898	400,214	470,718
	$ 1,754,645	$ 406,999	$ 3,083,202	$ 2,922,859

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

9. DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGING

	June 30, 2017	**December 31, 2016**	**June 30, 2016**
Hedging derivative financial assets			
Fair value hedge - interest rate swap	$ 703,749	$ 412,743	$ 524,228
Hedging derivative financial liabilities			
Fair value hedge - interest rate swap	$ 2,162,790	$ 1,239,999	$ 1,015,608

Fair Value Hedges

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

		June 30, 2017		December 31, 2016		June 30, 2016	
Hedged Item	Hedging Instrument	Nominal Amount	Fair Value	Nominal Amount	Fair Value	Nominal Amount	Fair Value
Bank debentures	Interest rate swap contract	$ 42,113,213	$ (521,160)	$ 34,161,018	$ (609,639)	$ 28,006,462	$ 447,319
Available-for-sale financial assets - corporate bonds	Interest rate swap contract	49,756,032	(924,935)	13,622,793	(129,030)	11,560,106	(585,354)
Available-for-sale financial assets - bank debentures	Interest rate swap contract	6,044,666	(12,946)	12,992,144	(88,587)	12,536,165	(353,345)

Gains (losses) on hedging instruments and hedged items for the three months ended June 30, 2017 and 2016 and six months ended June 30, 2017 and 2016 were as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
Gains (losses) on hedging instruments	$ 196,182	$ (193,389)	$ (489,741)	$ (236,485)
Gains on hedged items	$ 27,330	$ 269,133	$ 825,492	$ 356,762

10. SECURITIES PURCHASED UNDER RESELL AGREEMENTS

	June 30, 2017	December 31, 2016	June 30, 2016
Commercial paper	$ 15,192,353	$ 9,330,083	$ 6,295,589
Corporate bonds	5,968,103	7,566,356	3,773,495
Government bonds	3,519,471	1,421,602	2,140,364
Bank debentures	100,103	9,186,877	-
	$ 24,780,030	$ 27,504,918	$ 12,209,448
Dates of resell agreements	2017.07.03-2017.07.28	2017.01.03-2017.02.09	2016.07.01-2016.07.26
Amounts of resell agreements	$ 24,785,739	$ 27,514,522	$ 12,210,930

11. RECEIVABLES, NET

	June 30, 2017	December 31, 2016	June 30, 2016
Credit card receivables	$ 36,539,958	$ 33,706,231	$ 30,924,759
Accounts receivables - factoring	12,383,695	16,535,416	13,510,332
Acceptances	7,832,870	6,738,913	6,503,021
Interest receivables	7,709,869	8,048,415	7,073,478
Accounts receivable	7,260,151	2,144,570	10,217,090
Accounts receivables and acceptances - forfaiting	2,377,517	1,039,227	1,684,998
Others	2,386,922	2,689,004	2,820,192
	76,490,982	70,901,776	72,733,870
Less: Allowance for credit losses (Note 19)	483,999	512,027	427,284
	$ 76,006,983	$ 70,389,749	$ 72,306,586

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

Refer to Note 50 for impairment loss analysis of receivables.

12. DISCOUNTS AND LOANS, NET

	June 30, 2017	December 31, 2016	June 30, 2016
Discounts and overdrafts	$ 16,730,613	$ 27,370,427	$ 39,241,267
Accounts receivable - financing	2,439,987	3,119,411	4,511,959
Short-term loans	306,653,294	285,415,534	336,198,341
Short-term secured loans	86,117,827	77,755,259	90,038,516
Medium-term loans	220,588,851	239,077,726	231,700,286
Medium-term secured loans	117,499,520	117,925,289	116,508,396
Long-term loans	41,961,876	45,376,948	45,278,700
Long-term secured loans	531,097,637	503,733,572	485,166,330
Import and export bill negotiation	2,740,126	3,766,579	4,645,911
Nonperforming loans transferred from loans	4,022,240	4,971,107	5,541,474
	1,329,851,971	1,308,511,852	1,358,831,180
Less: Allowance for credit losses (Note 19)	18,560,616	18,070,150	18,732,241
Less: Adjustments of premium and discount	621,439	580,691	639,164
	$ 1,310,669,916	$ 1,289,861,011	$ 1,339,459,775

During the six months ended June 30, 2017 and 2016, the Bank and its subsidiaries had not written off credits that had not been subject to legal proceedings.

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

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

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

13. AVAILABLE-FOR-SALE FINANCIAL ASSETS, NET

	June 30, 2017	December 31, 2016	June 30, 2016
Commercial paper	$ 57,558,061	$ 45,374,817	$ 17,583,199
Corporate bonds	57,265,363	19,731,747	27,291,585
Bank debentures	37,669,609	43,887,305	49,803,953
Negotiable certificates of deposits	17,052,524	14,713,152	11,000,431
Government bonds	14,068,583	14,846,766	18,703,044
Stocks	8,209,648	5,623,363	6,232,904
Treasury bills	779,602	2,828,004	4,903,214
Other	791,880	910,780	1,449,680
	193,395,270	147,915,934	136,968,010
Less: Accumulated impairment loss	335,594	335,594	335,594
	$ 193,059,676	$ 147,580,340	$ 136,632,416

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

14. HELD-TO-MATURITY FINANCIAL ASSETS

	June 30, 2017	December 31, 2016	June 30, 2016
Negotiable certificates of deposits	$ 258,070,390	$ 209,265,326	$ 187,007,372
Government bonds	80,704,818	82,776,609	74,748,190
Bank debentures	40,802,278	45,368,423	35,077,710
Corporate bonds	16,260,732	12,845,505	12,775,815
Other	8,704,895	4,139,635	13,428,603
	$ 404,543,113	$ 354,395,498	$ 323,037,690

The Bank and its subsidiaries disposed of their bonds investments because of being near maturity or an increase in credit risk in consideration of cost of capital. As of June 30, 2017, December 31, 2016 and June 30, 2016, the cumulative amount of disposal and reclassification during the past three years was $22,505,823 thousand, $18,493,991 thousand and $12,780,639 thousand, respectively, the cumulative gain on disposal was $18,683 thousand, $15,286 thousand and $12,612 thousand, respectively, the cumulative other comprehensive income from reclassification was $205,938 thousand, $205,938 thousand and $212,371 thousand, and the percentage of the cumulative amount of disposal and reclassification to total amount of held-to-maturity investments was 5.27%, 5% and 3.81%, respectively.

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

15. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements

			Percentage of Ownership		
Investor	Investee	Nature of Activities	June 30, 2017	December 31, 2016	June 30, 2016
TAIPEI FUBON Bank	Fubon Bank (China)	Bank	51%	51%	51%

b. Material non-controlling interests

		Percentage of Ownership and Voting Rights Held by Non-controlling Interests		
Subsidiary	Principal Place of Business	June 30, 2017	December 31, 2016	June 30, 2016
Fubon Bank (China)	China	49%	49%	49%

	Profit Allocated to Non-controlling Interests				Accumulated Non-controlling Interests		
	For the Three Months Ended June 30		For the Six Months Ended June 30				
Subsidiary	2017	2016	2017	2016	June 30, 2017	December 31, 2016	June 30, 2016
Fubon Bank (China)	$ 46,289	$ 226,442	$ 117,935	$ 561,744	$ 18,213,946	$ 18,773,225	$ 19,333,647

The summarized financial information below represents amounts before intragroup eliminations.

Fubon Bank (China)

	June 30, 2017	December 31, 2016	June 30, 2016
Total assets	$ 311,085,618	$ 338,440,655	$ 353,785,395
Total liabilities	(272,062,258)	(298,212,671)	(312,330,309)
Equity	$ 39,023,360	$ 40,227,984	$ 41,455,086
Equity attributable to:			
Owners of the Bank	$ 20,809,414	$ 21,454,759	$ 22,121,439
Non-controlling interest	18,213,946	18,773,225	19,333,647
	$ 39,023,360	$ 40,227,984	$ 41,455,086

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
Total net revenue	$ 910,968	$ 1,565,439	$ 1,905,962	$ 3,349,672
Net income for the period	$ 94,467	$ 462,128	$ 240,684	$ 1,146,417
Other comprehensive income (loss) for the period	622,411	(1,287,375)	(1,445,308)	(1,667,138)
Total comprehensive income (loss) for the period	$ 716,878	$ (825,247)	$ (1,204,624)	$ (520,721)
Net income attributable to:				
Owners of the Bank	$ 48,178	$ 235,686	$ 122,749	$ 584,673
Non-controlling interests	46,289	226,442	117,935	561,744
	$ 94,467	$ 462,128	$ 240,684	$ 1,146,417
Total comprehensive income (loss) attributable to:				
Owners of the Bank	$ 380,757	$ (450,811)	$ (645,345)	$ (304,685)
Non-controlling interests	336,121	(374,436)	(559,279)	(216,036)
	$ 716,878	$ (825,247)	$ (1,204,624)	$ (520,721)
Net cash (outflow) inflow from:				
Operating activities	$ (2,848,092)	$ (939,531)	$ (14,187,225)	$ (16,967,585)
Investing activities	(46,425)	(64,356)	(152,723)	(114,939)
Financing activities	(155,370)	(62,022)	1,655,881	2,745,776

16. INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES

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

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

b. The carrying amounts of the Bank and its subsidiaries' involvement with the structured entity, which were recognized in the consolidated balance sheets as of June 30, 2017, December 31, 2016 and June 30, 2016, were as follows:

	June 30, 2017	December 31, 2016	June 30, 2016
Asset securitization			
Available-for-sale financial assets	$ 791,880	$ 910,780	$ 965,490
Held-to-maturity financial assets	460,973	554,884	623,747
Financial assets at fair value through profit or loss	321,816	350,966	377,318
Trust plan			
Available-for-sale financial assets	-	-	484,190
Other banks' financial products			
Other financial assets	-	-	1,452,570
	$ 1,574,669	$ 1,816,630	$ 3,903,315

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

c. The Bank and its subsidiaries did not provide any financial support to the unconsolidated structured entity for the six months ended June 30, 2017 and 2016.

17. INVESTMENTS MEASURED BY EQUITY METHOD

	June 30, 2017		December 31, 2016		June 30, 2016	
	Amount	%	Amount	%	Amount	%
Associate that is not individually material	$ 111,626	30	$ 120,653	30	$ 121,991	30

Information of associate that is not individually material:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	**2016**	**2017**	**2016**
The Bank and its subsidiaries' share of:				
Net income	$ 3,106	$ 3,864	$ 5,744	$ 5,994
Other comprehensive income (loss)	(2,511)	(1,682)	(7,807)	(4,045)
Total comprehensive income (loss) for the period	$ 595	$ 2,182	$ (2,063)	$ 1,949

The Bank and its subsidiaries' share of profit and other comprehensive income (loss) of the associate for the six months ended June 30, 2017 and 2016 was based on the associate's financial statements for the same reporting periods as those of the Bank, which had been audited by independent auditors.

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

18. OTHER FINANCIAL ASSETS, NET

	June 30, 2017	December 31, 2016	June 30, 2016
Debt instruments with no active markets	$ 39,818,904	$ 37,132,528	$ 28,542,109
Other banks' deposits not qualifying as cash equivalents	25,387,213	13,021,254	27,878,706
Nonperforming loans transferred from other than loans	676,385	867,701	1,179,780
Financial assets carried at cost, net	554,921	554,921	554,921
Bills purchased	2,077	1,596	4,113
Continuing involvement in transferred assets	-	-	246,271
	66,439,500	51,578,000	58,405,900
Less: Allowance for credit losses (Note 19)	585,486	838,989	1,106,281
	$ 65,854,014	$ 50,739,011	$ 57,299,619

a. Debt instruments with no active market

	June 30, 2017	December 31, 2016	June 30, 2016
Bank debentures	$ 25,170,861	$ 26,102,856	$ 17,814,904
Corporate bonds	14,648,043	11,029,672	9,274,635
Others	-	-	1,452,570
	$ 39,818,904	$ 37,132,528	$ 28,542,109

Others refers to the beneficial rights of financial products issued by other banks and transferred to Fubon Bank (China). Counterparties signed the agreements to transfer the beneficial rights at fixed rates of return on the agreed upon dates, and these transactions were essentially debt investments with fixed or determinable payments that are not quoted in an active market. The dates of the transfer agreements as of June 30, 2016 are September 2016.

b. Financial assets at cost, net

	June 30, 2017	December 31, 2016	June 30, 2016
Unlisted common stocks			
Taiwan Asset Management Co., Ltd.	$ 225,000	$ 225,000	$ 225,000
Taiwan Financial Asset Service Co., Ltd.	100,000	100,000	100,000
Financial Information Service Co., Ltd.	91,000	91,000	91,000
Easy Card Investment Holding Co., Ltd.	47,500	47,500	47,500
Others	118,107	118,107	131,042
	581,607	581,607	594,542
Less: Accumulated impairment loss	26,686	26,686	39,621
	$ 554,921	$ 554,921	$ 554,921

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

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

c. Continuing involvement in transferred assets

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

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

19. ALLOWANCE FOR CREDIT LOSSES

The movements of allowance for credit losses and reserve for losses on guarantees for the six months ended June 30, 2017 and 2016 are summarized as follows (for more information, refer to Note 50):

	For the Six Months Ended June 30, 2017				
	Receivables	Discounts and Loans	Other Financial Assets	Reserve for Losses on Guarantees	Total
Balance, beginning of the period	$ 512,027	$ 18,070,150	$ 838,989	$ 329,659	$ 19,750,825
Allowance (reversal of allowance)	17,044	767,329	9,378	(12,545)	781,206
Write-offs	(39,973)	(200,044)	(405,557)	-	(645,574)
Recovery of written-off credits	-	190,669	184,195	-	374,864
Effects of exchange rate changes	(5,099)	(267,488)	(41,519)	(751)	(314,857)
Balance, end of the period	$ 483,999	$ 18,560,616	$ 585,486	$ 316,363	$ 19,946,464

	For the Six Months Ended June 30, 2016				
	Receivables	Discounts and Loans	Other Financial Assets	Reserve for Losses on Guarantees	Total
Balance, beginning of the period	$ 688,504	$ 18,944,067	$ 433,938	$ 364,374	$ 20,430,883
Allowance (reversal of allowance)	(243,354)	189,486	628,151	19,495	593,778
Write-offs	(9,084)	(455,495)	(137,410)	-	(601,989)
Recovery of written-off credits	-	278,603	198,491	-	477,094
Effects of exchange rate changes	(8,782)	(224,420)	(16,889)	(450)	(250,541)
Balance, end of the period	$ 427,284	$ 18,732,241	$ 1,106,281	$ 383,419	$ 20,649,225

20. PROPERTY AND EQUIPMENT, NET

	For the Six Months Ended June 30, 2017							
	Land	Buildings	Machinery and Computer Equipment	Transportation Equipment	Office and Other Equipment	Leasehold Impairments	Construction in Progress and Prepayments for Equipment	Total
Cost								
Balance at January 1, 2017	$ 7,066,805	$ 11,818,676	$ 3,161,049	$ 282,275	$ 1,125,629	$ 1,445,426	$ 1,716,649	$ 26,616,509
Additions	-	59,473	105,317	13,018	76,995	102,657	550,885	908,345
Disposals	(129,650)	(55,859)	(105,637)	(8,129)	(43,477)	(17,305)	-	(360,057)
Reclassification	(53,102)	334,305	109,080	-	12,412	85,973	(756,151)	(267,483)
Effect of foreign currency exchange differences	-	(243,925)	(19,979)	(2,011)	(18,142)	(10,377)	(14,349)	(308,783)
Balance at June 30, 2017	6,884,053	11,912,670	3,249,830	285,153	1,153,417	1,606,374	1,497,034	26,588,531
Accumulated depreciation and impairment								
Balance at January 1, 2017	-	2,477,089	2,028,221	219,486	746,130	762,683	-	6,233,609
Depreciation	-	129,831	189,307	10,817	47,937	91,086	-	468,978
Impairment losses	-	199	-	-	-	-	-	199
Disposals	-	(27,334)	(105,594)	(8,026)	(43,240)	(16,565)	-	(200,759)
Reclassification	-	(13,446)	-	-	-	-	-	(13,446)
Effect of foreign currency exchange differences	-	(24,873)	(10,932)	(1,507)	(9,346)	(3,940)	-	(50,598)
Balance at June 30, 2017	-	2,541,466	2,101,002	220,770	741,481	833,264	-	6,437,983
Carrying amount at December 31, 2016 and January 1, 2017	$ 7,066,805	$ 9,341,587	$ 1,132,828	$ 62,789	$ 379,499	$ 682,743	$ 1,716,649	$ 20,382,900
Carrying amount at June 30, 2017	$ 6,884,053	$ 9,371,204	$ 1,148,828	$ 64,383	$ 411,936	$ 773,110	$ 1,497,034	$ 20,150,548

	For the Six Months Ended June 30, 2016							
	Land	Buildings	Machinery and Computer Equipment	Transportation Equipment	Office and Other Equipment	Leasehold Impairments	Construction in Progress and Prepayments for Equipment	Total
Cost								
Balance at January 1, 2016	$ 7,170,940	$ 12,610,962	$ 2,975,985	$ 286,667	$ 1,191,541	$ 1,055,203	$ 1,288,290	$ 26,579,588
Additions	-	-	100,036	13,701	63,664	115,857	660,899	954,157
Disposals	(14,706)	(79,997)	(77,387)	(5,378)	(86,754)	(42,392)	-	(306,614)
Reclassification	-	-	39,919	-	1,920	68,448	(233,983)	(123,696)
Effect of foreign currency exchange differences	-	(310,313)	(20,903)	(2,046)	(17,322)	(7,772)	(15,642)	(373,998)
Balance at June 30, 2016	7,156,234	12,220,652	3,017,650	292,944	1,153,049	1,189,344	1,699,564	26,729,437
Accumulated depreciation and impairment								
Balance at January 1, 2016	-	2,313,476	1,862,616	215,657	809,553	727,437	-	5,928,739
Depreciation	-	138,330	179,269	12,299	48,061	76,905	-	454,864
Disposals	-	(27,408)	(76,551)	(5,208)	(81,511)	(41,035)	-	(231,713)
Effect of foreign currency exchange differences	-	(27,291)	(9,858)	(1,475)	(9,034)	(1,724)	-	(49,382)
Balance at June 30, 2016	-	2,397,107	1,955,476	221,273	767,069	761,583	-	6,102,508
Carrying amount at June 30, 2016	$ 7,156,234	$ 9,823,545	$ 1,062,174	$ 71,671	$ 385,980	$ 427,761	$ 1,699,564	$ 20,626,929

The Bank transferred some of its property into investment properties measured at fair value, and had them revalued at the point of change of use. However, the recoverable amount of $100 thousand was lower than the carrying amount, and an impairment loss of $199 thousand was recognized for the six months ended June 30, 2017.

The Bank determined the recoverable amount on the basis of the fair value less costs of disposal. The fair value of the recoverable amount was categorized as a Level 3 measurement and was measured using the income approach. Refer to Note 21 for the valuation techniques and key assumptions applied for the purpose fair value measurement.

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

Buildings	40-61 years
Machinery and computer equipment	3-16 years
Transportation equipment	3-6 years
Office and other equipment	3-47 years
Leasehold impairments	3-22 years

21. INVESTMENT PROPERTIES

Item	June 30, 2017	December 31, 2016	June 30, 2016
Land	$ 2,532,499	$ 2,337,145	$ 2,416,231
Buildings	332,401	304,355	330,469
	$ 2,864,900	$ 2,641,500	$ 2,746,700

The movements of investment properties are shown below:

	For the Six Months Ended June 30	
	2017	2016
Balance, beginning of the period	$ 2,641,500	$ 2,746,700
Reclassification	230,731	-
Losses on change in fair value of investment properties	(7,331)	-
Balance, end of the period	$ 2,864,900	$ 2,746,700

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

Due to the change in the occupancy rate of investment properties, the fair values of the investment properties as of June 30, 2017 were based on the revaluations carried out on these dates by independent qualified professional appraisers, Dai Guang-Ping, Chang Hung-Kai, Chang Yi-Chih and Yeh Yu-Fen, from the real estate appraiser office, Savills plc, a duly certified ROC real estate appraiser.

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

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

The Bank assigned appraisers to review the original appraisal report, save the change in the occupancy rate which was revalued on June 30, 2017, and the fair values of the investment properties on December 31, 2016 and 2015 were still deemed to be valid as June 30, 2017 and 2016, respectively.

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

	June 30, 2017	December 31, 2016	June 30, 2016
Expected future cash inflows	$ 4,323,795	$ 4,004,305	$ 4,127,123
Expected future cash outflows	(130,863)	(122,972)	(141,694)
Expected future cash inflows, net	$ 4,192,932	$ 3,881,333	$ 3,985,429
Discount rate	4.345%	4.345%	4.485%

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

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

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

For the six months ended June 30, 2017 and 2016, the rental income and direct operating expense from investment properties of the Bank and its subsidiaries were as follows:

	For the Six Months Ended June 30	
	2017	2016
Rental income	$ 39,842	$ 38,624
Direct operating expenses	5,063	4,269
Direct operating expenses from investment properties not earning rental income	-	-

22. INTANGIBLE ASSETS, NET

	June 30, 2017	December 31, 2016	June 30, 2016
Core deposits	$ 6,649,913	$ 7,072,185	$ 7,580,178
Banking licenses and operating rights	5,532,380	5,706,179	5,934,399
Goodwill	2,086,097	2,149,336	2,232,718
Computer software	734,711	764,571	677,161
Customer relationships	77,515	84,866	93,490
Others	2,000	2,000	2,000
	$ 15,082,616	$ 15,779,137	$ 16,519,946

The movements of intangible assets are listed below:

	For the Six Months Ended June 30					
	2017			2016		
	Goodwill	Others	Total	Goodwill	Others	Total
Balance, beginning of the period	$ 2,149,336	$ 13,629,801	$ 15,779,137	$ 2,312,551	$ 15,040,668	$ 17,353,219
Additions	-	64,377	64,377	-	67,838	67,838
Amortizations	-	(376,106)	(376,106)	-	(394,277)	(394,277)
Reclassification	-	89,083	89,083	-	95,840	95,840
Effect of foreign currency exchange differences	(63,239)	(410,636)	(473,875)	(79,833)	(522,841)	(602,674)
Balance, end of the period	$ 2,086,097	$ 12,996,519	$ 15,082,616	$ 2,232,718	$ 14,287,228	$ 16,519,946

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

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

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

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

An assessment by the Bank as of June 30, 2017, December 31, 2016 and June 30, 2016 showed there was no goodwill impairment.

23. OTHER ASSETS

	June 30, 2017	December 31, 2016	June 30, 2016
Refundable deposits	$ 5,875,772	$ 11,774,940	$ 14,491,576
Prepaid expense	392,237	318,857	452,827
Others	483,864	424,694	254,549
	$ 6,751,873	$ 12,518,491	$ 15,198,952

24. DEPOSITS FROM THE CENTRAL BANK AND BANKS

	June 30, 2017	December 31, 2016	June 30, 2016
Call loans	$ 78,659,063	$ 60,301,874	$ 78,087,920
Due to the Central Bank and other banks	14,830,758	13,549,441	18,424,911
Others	898,886	1,724,189	1,863,962
	$ 94,388,707	$ 75,575,504	$ 98,376,793

25. DUE TO THE CENTRAL BANK AND BANKS

	June 30, 2017	December 31, 2016	June 30, 2016
Funds borrowed from other banks	$ 8,510,516	$ 7,081,137	$ 7,063,673

26. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

	June 30, 2017	December 31, 2016	June 30, 2016
Corporate bonds	$ 34,034,254	$ 9,717,961	$ 13,599,221
Government bonds	20,086,202	12,981,139	15,866,188
Bank debentures	16,803,210	32,065,521	27,539,479
Discounted note	-	6,676,308	5,142,279
Others	268,529	-	245,087
	$ 71,192,195	$ 61,440,929	$ 62,392,254
Dates of repurchase agreements	2017.07.03-2017.11.30	2017.01.03-2017.04.28	2016.07.01-2017.02.24
Amounts of repurchase agreements	$ 71,409,122	$ 61,604,524	$ 62,473,527

As of June 30, 2017, December 31, 2016 and June 30, 2016, the Bank and its subsidiaries' investments in financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity financial assets, other financial assets - debt instruments with no active markets and unexpired discounted notes sold under repurchase agreements were as follows:

	June 30, 2017	December 31, 2016	June 30, 2016
Financial assets at fair value through profit or loss	$ 1,500,120	$ 47,433	$ 1,149,309
Discounted notes	-	6,550,421	5,033,213
Available-for-sale financial assets	36,533,873	26,610,104	31,460,361
Held-to-maturity financial assets	30,974,219	27,074,593	22,931,459
Other financial assets - debt instruments with no active markets	7,384,947	5,037,786	5,492,017

27. PAYABLES

	June 30, 2017	December 31, 2016	June 30, 2016
Accounts payable	$ 9,431,805	$ 2,691,102	$ 10,105,249
Acceptances	7,801,519	6,698,691	6,470,625
Accounts payable - factoring	5,602,059	5,150,917	4,759,008
Accrued interest	4,763,162	4,261,942	4,289,517
Accrued expenses	2,802,591	4,110,074	2,285,270
Receipts under custody	1,063,187	752,010	903,236
Others	4,865,101	7,798,596	7,776,525
	$ 36,329,424	$ 31,463,332	$ 36,589,430

28. DEPOSITS AND REMITTANCES

	June 30, 2017	December 31, 2016	June 30, 2016
Checking	$ 11,099,169	$ 13,466,798	$ 11,606,774
Public treasury	28,261,605	34,452,576	40,347,607
Demand	403,949,910	378,956,831	349,914,253
Savings	808,452,182	804,290,571	771,516,421
Time	624,830,440	574,091,797	570,593,434
Negotiable certificates of deposit	75,691,400	70,959,595	68,101,291
Outward remittances	928,057	1,559,498	1,062,984
	$ 1,953,212,763	$ 1,877,777,666	$ 1,813,142,764

29. BANK DEBENTURES

To maintain its capital adequacy ratio and the medium-term to long-term working capital, the Bank had applied and obtained approval from the Financial Supervisory Commission to issue bank debentures. The outstanding balances of bank debentures as of June 30, 2017, December 31, 2016 and June 30, 2016 are summarized as follows:

	June 30, 2017	December 31, 2016	June 30, 2016
Financial liabilities - fair value hedge			
First issue of subordinated bank debentures in 2009; fixed 2.2%; maturity: November 2016	$ -	$ -	$ 300,000
Second issue of subordinated bank debentures in 2009; fixed 2.2%; maturity: December 2016	-	-	600,000
First issue of subordinated bank debentures in 2010; fixed 2.2%; maturity: January 2017	-	600,000	600,000
Third issue of dominant bank debentures in 2010; fixed 1.8%; maturity: March 2017	-	600,000	600,000
Fifth issue of dominant bank debentures in 2010; fixed 1.7%; maturity: May 2017	-	500,000	500,000
Seventh issue of subordinated bank debentures in 2010; fixed 1.55%; maturity: October 2020	900,000	900,000	900,000
Eighth issue of subordinated bank debentures in 2010; fixed 1.5%; maturity: November 2017	2,550,000	2,550,000	2,550,000
First issue of subordinated bank debentures in 2011; fixed 1.65%; maturity: March 2018	1,700,000	1,700,000	1,700,000
Second issue of subordinated bank debentures in 2011; fixed 1.7%; maturity: August 2018	1,500,000	1,500,000	1,500,000
Third issue of subordinated bank debentures in 2011; fixed 1.65%; maturity: December 2018	2,500,000	2,500,000	2,500,000
First issue of subordinated bank debentures in 2012; fixed 1.48%; maturity: April 2019	1,300,000	1,300,000	1,300,000
Second issue of subordinated bank debentures in 2012; fixed 1.68%; maturity: May 2022	3,700,000	3,700,000	3,700,000
First issue of subordinated bank debentures in 2013; fixed 1.52%; maturity: August 2020	1,800,000	1,800,000	1,800,000
First issue of subordinated bank debentures in 2013; fixed 1.7%; maturity: August 2023	500,000	500,000	500,000
First issue of subordinated bank debentures in 2014; fixed 1.7%; maturity: May 2021	1,800,000	1,800,000	1,800,000

(Continued)

	June 30, 2017	December 31, 2016	June 30, 2016
First issue of subordinated bank debentures in 2014; fixed 1.85%; maturity: May 2024	$ 2,300,000	$ 1,700,000	$ 1,100,000
First issue of dominant bank debentures in 2015; 0%; maturity: February 2045 (US$100,000 thousand)	3,354,042	3,486,633	3,417,435
Second issue of dominant bank debentures in 2015; 0%; maturity: May 2045 (US$80,000 thousand)	-	2,762,324	2,705,141
First issue of dominant bank debentures in 2016; 0%; maturity: December 2046 (US$200,000 thousand)	6,215,472	6,463,320	-
First issue of dominant bank debentures in 2017; 0%; maturity: January 2047 (US$200,000 thousand)	6,194,012	-	-
First issue of dominant bank debentures in 2017; 0%; maturity: January 2047 (US$200,000 thousand)	6,192,725	-	-
	42,506,251	34,362,277	28,072,576
Valuation adjustments of bank debentures	(525,381)	(611,074)	446,899
	41,980,870	33,751,203	28,519,475
Bank debentures - non-hedged			
First issue of subordinated bank debentures in 2009; fixed 2.2%; maturity: November 2016	-	-	1,700,000
Second issue of subordinated bank debentures in 2009; fixed 2.2%; maturity: December 2016	-	-	1,450,000
First issue of subordinated bank debentures in 2010; fixed 2.2%; maturity: January 2017	-	1,650,000	1,650,000
First issue of subordinated bank debentures in 2010; fixed 2.5%; maturity: January 2020	2,400,000	2,400,000	2,400,000
Second issue of subordinated bank debentures in 2010; fixed 2.3%; maturity: January 2017	-	600,000	600,000
Third issue of dominant bank debentures in 2010; fixed 1.8%; maturity: March 2017	-	900,000	900,000
Fourth issue of subordinated bank debentures in 2010; fixed 2.5%; maturity: March 2020	2,000,000	2,000,000	2,000,000
Sixth issue of subordinated bank debentures in 2010; fixed 1.95%; maturity: August 2017	4,500,000	4,500,000	4,500,000
Sixth issue of subordinated bank debentures in 2010; fixed 2.05%; maturity: August 2020	1,900,000	1,900,000	1,900,000

(Continued)

	June 30, 2017	December 31, 2016	June 30, 2016
First issue of subordinated bank debentures in 2011; fixed 1.65%; maturity: March 2018	$ 1,350,000	$ 1,350,000	$ 1,350,000
Second issue of subordinated bank debentures in 2011; fixed 1.7%; maturity: August 2018	950,000	950,000	950,000
Third issue of subordinated bank debentures in 2011; fixed 1.65%; maturity: December 2018	1,500,000	1,500,000	1,500,000
Second issue of subordinated bank debentures in 2012; fixed 1.68%; maturity: May 2022	1,000,000	1,000,000	1,000,000
First issue of subordinated bank debentures in 2013; fixed 1.52%; maturity: August 2020	1,950,000	1,950,000	1,950,000
First issue of subordinated bank debentures in 2014; fixed 1.7%; maturity: May 2021	3,700,000	3,700,000	3,700,000
First issue of subordinated bank debentures in 2014; fixed 1.85%; maturity: May 2024	2,200,000	2,800,000	3,400,000
Second issue of subordinated bank debentures in 2014; fixed 1.98%; maturity: September 2024	3,700,000	3,700,000	3,700,000
	27,150,000	30,900,000	34,650,000
	$ 69,130,870	$ 64,651,203	$ 63,169,475

(Concluded)

30. OTHER FINANCIAL LIABILITIES

	June 30, 2017	December 31, 2016	June 30, 2016
Principals of structured products	$ 19,384,211	$ 21,691,631	$ 23,483,556
Continuing involvement liabilities (Note 18)	-	-	246,271
	$ 19,384,211	$ 21,691,631	$ 23,729,827

31. PROVISIONS

	June 30, 2017	December 31, 2016	June 30, 2016
Provisions for employee benefits (Note 32)	$ 1,870,067	$ 1,849,821	$ 2,025,624
Reserve for losses on guarantees (Note 19)	316,363	329,659	383,419
Others	109,196	230,200	103,939
	$ 2,295,626	$ 2,409,680	$ 2,512,982

32. EMPLOYEE BENEFITS PLANS

	June 30, 2017	December 31, 2016	June 30, 2016
Provisions for employee benefits			
Defined benefit plans	$ 1,146,915	$ 1,132,331	$ 1,034,381
Preferential interest rate plan for employees' deposits	644,404	638,283	625,804
Other long-term employee benefits plan	78,498	78,939	365,010
Others	250	268	429
	$ 1,870,067	$ 1,849,821	$ 2,025,624

a. Defined contribution plans

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

The total expense recognized in profit or loss for the six months ended June 30, 2017 and 2016 was $144,193 thousand and $139,014 thousand, respectively, which represents contributions payable to these plans by the Bank at rates specified in the rules of the plan.

b. Defined benefit plans

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

For the six months ended June 30, 2017 and 2016, the Bank recognized expenses of $33,244 thousand and $35,929 thousand, respectively.

c. Preferential interest rate plan for employees' deposits

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

For the six months ended June 30, 2017 and 2016, the Bank recognized expenses of $31,339 thousand and $37,014 thousand, respectively.

d. Defined contribution plans of overseas subsidiaries

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

For the six months ended June 30, 2017 and 2016, Fubon Bank (China), the Bank's overseas subsidiary, recognized expenses of $14,368 thousand and $16,182 thousand, respectively.

33. OTHER LIABILITIES

	June 30, 2017	December 31, 2016	June 30, 2016
Guarantee deposits received	$ 4,740,410	$ 2,935,986	$ 1,491,670
Advance receipts	1,449,415	1,512,974	1,234,641
Suspense accounts and clearing payments	626,134	951,567	950,821
Deferred revenue	406,478	438,244	506,130
Others	14,074	14,013	10,750
	$ 7,236,511	$ 5,852,784	$ 4,194,012

34. EQUITY

a. Capital stock

Common stock

	June 30, 2017	December 31, 2016	June 30, 2016
Number of shares authorized (in thousands)	13,000,000	13,000,000	10,000,000
Amount of capital stock authorized	$ 130,000,000	$ 130,000,000	$ 100,000,000
Number of shares issued and received (in thousands)	10,651,803	10,651,803	9,803,888
Amount of outstanding and issued shares (par value of NT$10)	$ 106,518,023	$ 106,518,023	$ 98,038,876

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

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

b. Capital surplus

	June 30, 2017	December 31, 2016	June 30, 2016
Arising from consolidation	$ 7,490,431	$ 7,490,431	$ 7,490,431
Arising from issuance of common shares	7,310,496	7,310,496	7,310,496
	$ 14,800,927	$ 14,800,927	$ 14,800,927

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

c. Legal reserve

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

d. Special reserve

	June 30, 2017	**December 31, 2016**	**June 30, 2016**
Appropriations by TAIPEIBANK under its Articles of Incorporation	$ 1,285,676	$ 1,285,676	$ 1,285,676
Transferred from trading loss reserve	123,497	123,497	123,497
Arising from the first-time adoption of IFRSs	126,525	126,525	126,525
Application of the fair value model to investment properties	1,064,442	1,116,376	1,116,376
Expenditure of employees' financial technology development	71,882	-	-
	$ 2,672,022	$ 2,652,074	$ 2,652,074

Under Rule No. 1010012865 issued by the FSC on April 6, 2012 and the directive titled "Questions and Answers for Special Reserves Appropriated Following the Adoption of IFRSs," on the first-time adoption of IFRSs, a company should appropriate to a special reserve an amount that is the same as the sum of unrealized revaluation increment and cumulative translation differences (gains) transferred to retained earnings as a result of the company's use of exemptions under IFRS 1. However, at the date of transition to IFRSs, if the increase in retained earnings that resulted from all IFRSs adjustments is not sufficient for this appropriation, only the increase in retained earnings that resulted from all IFRSs adjustments will be appropriated to special reserve. The special reserve appropriated as above may be reversed to retained earnings in proportion to the usage, disposal or reclassification of the related assets and thereafter distributed. The special reserve appropriated on the first-time adoption of IFRSs may be used to offset deficits in subsequent years. Earnings should be appropriated until any shortage of the aforementioned special reserve is appropriated in subsequent years if the Company has earnings and the original need to appropriate a special reserve is not eliminated.

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

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

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

e. Appropriation of earnings and dividend policy

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

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

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

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

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

Under the May 2015 amendments to the Company Act, the recipients of dividends and bonuses are limited to shareholders and do not include employees. The consequential amendments to the Bank's Articles of Incorporation were approved by the Bank's board of directors (on behalf of the shareholders' meeting) on March 18, 2016. For information on the accrued employees' compensation and the actual appropriations, refer to Note 39.

Under the Integrated Income Tax System, local residents and corporate shareholders are allowed tax credits equal to their proportionate share of the income tax paid by the Bank on the date of dividend distribution.

On April 26, 2017 and April 25, 2016, the board of directors exercised the power and authority of the shareholders' meeting and approved the appropriation of the 2016 and 2015 earnings, respectively. The appropriations, including dividends per share, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT$)	
	2016	2015	2016	2015
Legal reserve	$ 4,312,952	$ 5,334,897		
Special reserve	19,948	99,416		
Stock dividends	-	8,479,147	$ -	$ 0.86
Cash dividends	10,043,605	3,633,920	0.94	0.37

f. Other equity items

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

	For the Six Months Ended June 30	
	2017	2016
Balance, beginning of the period	$ (988,977)	$ 1,371,005
Exchange differences arising on translating the financial statements of foreign operations	(1,207,266)	(1,485,983)
Balance, end of the period	$ (2,196,243)	$ (114,978)

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

	For the Six Months Ended June 30	
	2017	2016
Balance, beginning of the period	$ 1,665,529	$ 1,110,150
Unrealized gain on the revaluation of available-for-sale financial assets	590,859	1,395,518
Income tax on the unrealized (loss) gain on the revaluation of available-for-sale financial assets	12,340	(1,388)
Cumulative gain reclassified to profit or loss on the sale of available-for-sale financial assets	(346,123)	(256,883)
Share of unrealized loss on the revaluation of an associate's available-for-sale financial assets	(7,807)	(4,045)
Balance, end of the period	$ 1,914,798	$ 2,243,352

3) Gains on property revaluation

	For the Six Months Ended June 30	
	2017	2016
Balance, beginning of the period	$ 223,620	$ 223,620
Revaluation gain on investment properties	157,165	-
Tax related to revaluation gain on investment properties	(6,134)	-
Balance, end of the period	$ 374,651	$ 223,620

g. Non-controlling interests

	For the Six Months Ended June 30	
	2017	2016
Balance, beginning of the period	$ 18,773,225	$ 19,549,683
Attributable to non-controlling interests:		
Net income	117,935	561,744
Exchange differences on translating foreign operations	(622,022)	(768,007)
Unrealized loss on available-for-sale financial assets	(73,589)	(13,031)
Income tax relating to unrealized loss arising on available-for-sale financial assets	18,397	3,258
Balance, end of the period	$ 18,213,946	$ 19,333,647

35. NET INTEREST INCOME

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
Interest income				
Discounts and loans	$ 7,410,657	$ 7,841,975	$ 14,555,693	$ 15,770,885
Due from banks and call loans to banks	973,557	811,743	2,098,361	1,688,873
Held-to-maturity financial assets	1,065,865	924,410	2,084,428	1,951,341
Available-for-sale financial assets	876,919	696,277	1,603,701	1,458,193
Credit card	189,584	205,793	386,109	423,473
Others	504,409	338,089	968,425	748,198
	11,020,991	10,818,287	21,696,717	22,040,963
Interest expense				
Deposits	3,961,040	3,807,699	7,642,904	7,955,374
Due to the Central Bank and other banks	476,434	377,868	885,399	766,198
Securities sold under repurchase agreements	271,695	164,471	586,491	382,569
Funds borrowed from the Central Bank and other banks	267,924	217,994	503,577	451,644
Bank debentures	255,116	233,314	481,174	463,951
Others	161,641	160,277	326,213	319,028
	5,393,850	4,961,623	10,425,758	10,338,764
Net interest	$ 5,627,141	$ 5,856,664	$ 11,270,959	$ 11,702,199

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

For the six months ended June 30, 2017 and 2016, the interests accrued on impaired financial assets were $63,065 thousand and $79,413 thousand, respectively.

36. SERVICE FEE INCOME, NET

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
Service fee income				
Insurance service fee income	$ 1,087,889	$ 1,631,794	$ 2,767,627	$ 3,723,310
Trust and custody business	867,089	590,220	1,709,730	1,206,783
Credit card business	576,354	549,765	1,125,804	1,041,847
Credit business	276,770	341,490	667,600	613,318
Others	380,940	434,771	777,967	808,826
	3,189,042	3,548,040	7,048,728	7,394,084
Service fee expense				
Credit card business	239,463	216,138	446,189	409,629
Interbank service fee	73,443	71,430	147,631	143,880
Office space expense	71,148	71,342	141,053	139,325
Settlement service fee	23,961	26,911	46,867	58,198
Others	113,986	105,982	226,067	196,642
	522,001	491,803	1,007,807	947,674
	$ 2,667,041	$ 3,056,237	$ 6,040,921	$ 6,446,410

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

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
Interest income	$ 163,827	$ 170,546	$ 324,289	$ 359,425
Dividend income	9,517	10,497	9,517	10,497
Realized gain (loss)				
Currency swap contracts	1,022,281	803,190	1,039,688	1,807,122
Forward contracts	213,797	572,090	532,286	936,830
Option contracts	(20,541)	454,020	6,198	1,957,350
Others	(30,261)	167,398	(74,378)	461,770
	1,185,276	1,996,698	1,503,794	5,163,072
Gains (losses) on valuation				
Currency swap contracts	(143,707)	(432,626)	412,873	(1,150,710)
Convertible corporate bonds	(57,391)	297,257	338,194	438,898
Option contracts	274,294	(831,086)	312,816	(1,830,415)
Forward contracts	209,319	(895,911)	113,718	(288,600)
Interest rate swap contracts	33,421	(82,521)	(73,010)	(207,033)
Others	80,089	174,145	141,011	427,725
	396,025	(1,770,742)	1,245,602	(2,610,135)
	$ 1,754,645	$ 406,999	$ 3,083,202	$ 2,922,859

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
Beneficial securities and stocks	$ 303,296	$ 14,107	$ 309,003	$ 27,285
Dividend revenue	72,542	26,477	72,901	26,477
Government bonds	18,886	14,940	17,897	38,864
Financial bonds	9,057	44,696	13,597	360,441
Others	8,359	481	9,545	7,074
	$ 412,140	$ 100,701	$ 422,943	$ 460,141

39. EMPLOYEE BENEFIT EXPENSE

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
Salaries and wages	$ 2,441,892	$ 2,363,002	$ 4,918,077	$ 4,730,512
Labor insurance, national health insurance, and group life insurance	206,595	191,340	445,240	427,285
Post-employment benefit expense	115,023	117,543	230,652	235,468
Other employee benefits expense	112,813	122,164	232,165	265,302
	$ 2,876,323	$ 2,794,049	$ 5,826,134	$ 5,658,567

To be in compliance with the Company Act amended in May 2015, and the amended Articles of Incorporation of the Bank stipulates the distribution employees' compensation at the rates of from 1% to 5%, of net profit before income tax and employees' compensation, but the Bank should not make appropriations from earnings if it has a deficit. For the six months ended June 30, 2017 and 2016, the employees' estimated compensation were $98,691 thousand and $99,654 thousand, representing 1% of the base net profit.

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

On March 22, 2017 and March 18, 2016, the Bank's board of directors proposed, the appropriations of the employees' compensation and bonus of $170,468 thousand and $203,601 thousand for 2016 and 2015, respectively. The approved amounts were the same as the accrued amounts reflected in the consolidated financial statements for the years ended December 31, 2016 and 2015.

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

40. DEPRECIATION AND AMORTIZATION

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
Depreciation	$ 235,831	$ 228,074	$ 468,978	$ 454,864
Amortization	200,389	199,864	399,945	408,110
	$ 436,220	$ 427,938	$ 868,923	$ 862,974

41. GENERAL AND ADMINISTRATIVE

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
Taxation and government fee	$ 380,079	$ 427,507	$ 788,282	$ 991,706
Rental	347,121	335,444	695,680	670,130
Marketing	194,556	132,832	360,791	246,940
Equipment repair	183,205	173,388	352,724	327,616
Insurance	140,551	133,221	277,615	260,488
Others	651,779	670,434	1,195,301	1,264,360
	$ 1,897,291	$ 1,872,826	$ 3,670,393	$ 3,761,240

42. INCOME TAX

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

a. Income tax recognized in profit or loss

The major components of income tax expense were as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
Current tax				
Current period	$ 472,957	$ 781,512	$ 1,032,659	$ 1,604,724
Prior periods	2,149	34,740	(23,372)	34,740
	475,106	816,252	1,009,287	1,639,464
Deferred tax				
Current period	134,681	(108,712)	275,115	(74,511)
Income tax expense recognized in profit or loss	$ 609,787	$ 707,540	$ 1,284,402	$ 1,564,953

b. Income tax recognized in other comprehensive income

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
Deferred tax				
Recognized in other comprehensive income				
Unrealized gains (losses) on available-for-sale financial assets	$ 6,141	$ 5,360	$ 30,737	$ 1,870
Property revaluation increments	(6,134)	-	(6,134)	-
	$ 7	$ 5,360	$ 24,603	$ 1,870

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

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

2) The information on the imputation credit account is as follows:

	June 30, 2017	December 31, 2016	June 30, 2016
The Bank	$ 611	$ 295,416	$ 32,356

3) Creditable tax ratio

The Bank's actual creditable tax ratio for cash dividend distribution from the 2016 earnings was 2.03%, respectively; the actual creditable tax ratios for cash and stock dividend distribution from the 2015 earnings were 0.39% and 0.38%, respectively.

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

d. The income tax returns of the Bank through 2011 were assessed by the Taipei National Tax Administration (TNTA). The Bank disagreed with the tax authorities' assessment of the Bank's 2010 and 2011 additional amount returns on its sports lottery program and applied for a re-examination. TNTA decided to give a tax refund at 65% of tax paid on interest income earned by the Bank, and the Bank accepted this refund of the withholding tax.

e. Income tax returns of Fubon Bank (China) through 2015 had been assessed by Shanghai Municipal Office, SAT and the Shanghai Municipal Bureau of Local Taxation.

43. EARNINGS PER SHARE

(In New Taiwan Dollars)

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	**2016**	**2017**	**2016**
Basic earnings per share				
From continuing operations	$ 0.40	$ 0.35	$ 0.81	$ 0.81

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

Net income for the Period

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	**2016**	**2017**	**2016**
Income for the year attributable to owners of the Bank	$ 4,302,358	$ 3,714,244	$ 8,635,263	$ 8,647,321

Shares

(In Thousand Shares)

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	**2016**	**2017**	**2016**
Weighted average number of common stock used in computing basic earnings per share	10,651,803	10,651,803	10,651,803	10,651,803

44. RELATED-PARTY TRANSACTIONS

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

a. Related parties

Related Party	Relationship with the Bank and Its Subsidiaries
Fubon Financial Holdings Co., Ltd. ("FFH")	Parent company
Fubon Real Estate Management Co., Ltd.	Equity-method investee of the Bank
Fubon Insurance Co., Ltd. ("Fubon Insurance")	Subsidiary of FFH
Fubon Life Insurance Co., Ltd. ("Fubon Life Insurance")	Subsidiary of FFH
Fubon Securities Co., Ltd. ("Fubon Securities")	Subsidiary of FFH
Fubon Bank (Hong Kong) Limited ("Fubon Bank (Hong Kong)")	Subsidiary of FFH
Fubon Asset Management Co., Ltd. ("Fubon Asset Management")	Subsidiary of FFH

(Continued)

Related Party	Relationship with the Bank and Its Subsidiaries
Fubon Securities Investment Trust Co., Ltd. ("Fubon Securities Investment Trust")	Equity-method investee of FFH's subsidiary
Taipei City Government ("TCG") and its departments	Major shareholder of parent company
Chung Hsing Land Development Co., Ltd. ("CHLDC")	Major shareholder of parent company
Fubon Land Development Co., Ltd. ("Fubon Land Development")	Related party in substance
Taiwan High Speed Rail Corp. ("Taiwan High Speed Rail")	Related party in substance
Taiwan Mobile Co., Ltd. ("Taiwan Mobile")	Related party in substance
Taipei New Horizon Co., Ltd.	Related party in substance
Alltek Technology Co., Ltd. ("Alltek Technology")	Related party in substance (the Bank and its subsidiaries were not a related party after the second quarter of 2017)
Capital Securities Co., Ltd. ("Capital Securities")	Related party in substance (the Bank and its subsidiaries were not a related party after the third quarter of 2016)
Xiamen Bank	Related party in substance
Fubon Gehua (Beijing) Business co., Ltd. ("Fubon Gehua Business")	Related party in substance
Shanghai Ruidong Hospital	Related party in substance (the Bank and its subsidiaries were not a related party after the fourth quarter of 2016)
Others	Directors, supervisors, managers and their relatives within the second degree of consanguinity

(Concluded)

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

	For the Six Months Ended June 30, 2017						
	Ending Balance	Highest Balance for the Period	% of the Account Balance	Allowance for Credit Loss	Rate (%)	Interest Income	Allowance for Credit Loss (Reversal of Allowance Gain)
1) Loans	$ 5,558,529	$ 15,456,264	0.42	$ 67,363	0-14.98	$ 46,727	$ (4,111)

Category	Number of Accounts or Name of Related Party	Highest Balance	Ending Balance	Normal	Overdue	Type of Collateral	Is the Transaction at Arm's Length?
	June 30, 2017						
Consumer loans for employees	56	$ 30,185	$ 23,636	✓	$ -	None	Yes
Housing mortgage loans	329	3,188,460	2,864,591	✓	-	Property	Yes
Others	Department of Urban Development, TCG	771,519	697,103	✓	-	Public treasury guarantees	Yes
	Department of Rapid Transit Systems, TCG	8,000,000	-	✓	-	Public treasury guarantees	Yes
	Department of Sports, TCG	1,000,000	-	✓	-	Public treasury guarantees	Yes
	Taipei Municipal Secured Swan Loans Service	813	636	✓	-	Public treasury guarantees	Yes
	Fubon Land Development	2,290,800	1,910,800	✓	-	Land, buildings and stock	Yes
	Alltek Technology	39,134	-	✓	-	Unsecured	
	Fubon Gehua Business	134,601	61,068	✓	-	Guarantee stand by L/C	Yes
	Others	752	695	✓	-	Credit guarantee fund	Yes
		$ 15,456,264	$ 5,558,529				

	December 31, 2016			
	Ending Balance	Highest Balance for the Year	% of the Account Balance	Allowance for Credit Loss
Loans	$ 5,906,842	$ 11,039,969	0.46	$ 71,731

Category	Number of Accounts or Name of Related Party	Highest Balance	Ending Balance	Normal	Overdue	Type of Collateral	Is the Transaction at Arm's Length?
	December 31, 2016						
Consumer loans for employees	59	$ 38,749	$ 21,552	✓	$ -	Deposits	Yes
Housing mortgage loans	318	3,414,729	2,759,315	✓	-	Property	Yes
Others	Department of Urban Development, TCG	905,331	770,457	✓	-	Public treasury guarantees	Yes
	Department of Rapid Transit Systems, TCG	1,000,000	-	✓	-	Public treasury guarantees	Yes
	Department of Sports, TCG	3,000,000	-	✓	-	Public treasury guarantees	Yes
	Taipei Municipal Secured Swan Loans Service	1,163	813	✓	-	Public treasury guarantees	Yes
	Fubon Land Development	2,540,000	2,290,800	✓	-	Land, buildings and stock	Yes
	Fubon Gehua Business	139,197	63,153	✓	-	Guarantee stand by L/C	Yes
	Others	800	752	✓	-	Credit guarantee fund	Yes
		$ 11,039,969	$ 5,906,842				

	For the Six Months Ended June 30, 2016						
	Ending Balance	Highest Balance for the Period	% of the Account Balance	Allowance for Credit Loss	Rate (%)	Interest Income	Allowance for Credit Loss
Loans	$ 5,941,165	$ 6,689,981	0.44	$ 72,897	0-14.90	$ 57,424	$ (5,256)

Category	Number of Accounts or Name of Related Party	Highest Balance	Ending Balance	Normal	Overdue	Type of Collaterals	Is the Transaction at Arm's Length Commercial Term
	June 30, 2016						
Consumer loans for employees	64	$ 34,048	$ 25,483	✓	$ -	None	Yes
Housing mortgage loans	328	3,024,163	2,627,487	✓	-	Property	Yes
Others	Department of Urban Development, TCG	905,331	834,404	✓	-	Public treasury guarantees	Yes
	Taipei Municipal Secured Swan Loans Service	1,163	989	✓	-	Public treasury guarantees	Yes
	Fubon Land Development	2,540,000	2,290,800	✓	-	Land, buildings and stock	Yes
	Shanghai Ruidong Hospital	184,476	161,202	✓	-	Pledged deposits	Yes
	Others	800	800	✓	-	Credit guarantee fund	Yes
		$ 6,689,981	$ 5,941,165				

	For the Six Months Ended June 30							
	2017				2016			
	Ending Balance	% of the Account Balance	Rate (%)	Interest Income (Expense)	Ending Balance	% of the Account Balance	Rate (%)	Interest Income (Expense)
2) Discounts	$ 1,104,215	6.60	3.66-5.50	$ 27,505	$ -	-	-	$ -
3) Deposits	$ 73,832,307	3.78	0-6.12	$ (131,597)	$ 126,249,391	6.96	0-8.00	$ (163,835)
4) Due from other banks - call loans	$ -	-	-	$ -	$ -	-	1.98	$ 275
5) Due from other banks - deposits	$ 199,676	0.37	0-5.40	$ 2,053	$ 605,109	1.84	0-5.40	$ 20,934
6) Due to other banks - deposits	$ -	-	-	$ -	$ -	-	0-3.40	$ (5,086)

7) Guarantees

	June 30, 2017				
Related Party	Highest Balance in Current Period	Ending Balance	Reserve for Losses on Guarantees (Note)	Rates	Type of Collateral
TCG	$ 1,291	$ 1,218	$ -	1.00%	Public treasury guarantees
Taipei New Horizon	16,250	16,250	-	0.85%	Buildings, excluding land

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

	June 30, 2016				
Related Party	Highest Balance in Current Period	Ending Balance	Reserve for Losses on Guarantees (Note)	Rates	Type of Collateral
TCG	$ 1,346	$ 1,292	$ -	1.00%	Public treasury guarantees
Taipei New Horizon	32,500	32,500	-	0.85%	Buildings, excluding land

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

8) Securities

Related Party	Type	For the Six Months Ended June 30 2017	2016
Fubon Life Insurance	Bonds purchased	$ 20,534,844	$ 18,918,628
	Bonds sold	476,876	3,569,972
Capital Securities	Bonds purchased	-	56,509
	Notes purchased	-	299,975
Xiamen Bank	Bonds purchased	808,509	145,253

Related Party	Type	June 30, 2017	December 31, 2016	June 30, 2016
Capital Securities	Bonds purchased under resell agreements	$ -	$ -	$ 1,371,609
Taiwan High Speed Rail	Bonds sold under repurchase agreements	3,230,200	2,211,400	-
Fubon Securities	Bonds purchased under resell agreements	-	200,079	-
Directors, supervisors, managers and their relatives within the second degree of consanguinity	Bonds sold under repurchase agreements	1,566,472	2,994,068	941,029

9) Mutual fund and stock transactions

	June 30, 2017		December 31, 2016		June 30, 2016	
Fund	Units (In Thousands)	Amount	Units (In Thousands)	Amount	Units (In Thousands)	Amount
Fubon No. 1 REIT	57,680	$ 795,984	57,680	$ 868,084	57,680	$ 933,262
Fubon No. 2 REIT	1,848	23,710	1,848	24,763	1,848	25,114

10) Derivative financial instruments

		June 30, 2017				
					Balance Sheet	
Related Party	Derivative Instrument	Contract Period	Contract (Notional) Amount	Gains (Losses) on Valuation	Account	Balance
Fubon Bank (Hong Kong)	Interest rate swap contracts	2010.11.26-2020.03.19	$ 1,476,287	$ (18,102)	Revaluation of held-for-trading financial assets	$ 97,695
Fubon Securities Investment Trust	Currency swap contracts	2017.05.25-2017.07.31	435,000	5,977	Revaluation of held-for-trading financial assets	5,977
Fubon Life Insurance	Interest rate swap contracts	2007.09.27-2018.06.24	2,750,000	33,799	Revaluation of held-for-trading financial liabilities	430,417

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

Related Party	Derivative Instrument	June 30, 2016 Contract Period	Contract (Notional) Amount	Gains (Losses) on Valuation	Balance Sheet Account	Balance
Fubon Bank (Hong Kong)	Interest rate swap contracts	2010.11.26-2020.03.19	$ 1,824,430	$ 10,739	Revaluation of held-for-trading financial assets	$ 180,838
Fubon Life Insurance	Interest rate swap contracts	2007.09.27-2018.06.24	2,750,000	35,051	Revaluation of held-for-trading financial liabilities	534,593
Fubon Securities Investment Trust	Currency swap contracts	2016.05.26-2016.08.22	454,140	(2,523)	Revaluation of held-for-trading financial liabilities	2,523
Capital Securities	Interest rate swap contracts	2012.01.06-2019.06.13	5,100,000	2,170	Revaluation of held-for-trading financial assets	46,845
Capital Securities	Interest rate swap contracts	2011.08.02-2020.05.22	5,500,000	(2,174)	Revaluation of held-for-trading financial liabilities	57,119
Capital Securities	Currency swap contracts	2016.06.27-2016.09.06	81,185	582	Revaluation of held-for-trading financial assets	582

11) Lease

a) Guarantee deposits

Related Party	June 30, 2017	December 31, 2016	June 30, 2016
Fubon Securities	$ 5,798	$ 5,812	$ 5,812
Fubon Life Insurance	1,481	1,481	1,481
Fubon Asset Management	1,139	1,139	1,139
Taiwan Mobile	897	897	897
Fubon Insurance	525	525	525
Others	619	201	195
	$ 10,459	$ 10,055	$ 10,049

b) Rental revenue

Related Party	For the Three Months Ended June 30 2017	For the Three Months Ended June 30 2016	For the Six Months Ended June 30 2017	For the Six Months Ended June 30 2016
Fubon Securities	$ 8,572	$ 8,871	$ 17,031	$ 17,794
Fubon Life Insurance	2,234	2,270	4,498	4,333
Fubon Asset Management	1,806	1,805	3,609	3,605
Taiwan Mobile	1,368	1,368	2,735	2,735
Fubon Insurance	798	809	1,615	1,661
Others	216	31	248	74
	$ 14,994	$ 15,154	$ 29,736	$ 30,202

c) Refundable deposits

Related Party	June 30, 2017	December 31, 2016	June 30, 2016
CHLDC	$ 29,377	$ 29,377	$ 29,377
Fubon Insurance	17,595	19,227	19,405
Fubon Life Insurance	4,452	4,452	4,220
TCG	4,243	4,243	4,243
Others	6,168	6,167	6,168
	$ 61,835	$ 63,466	$ 63,413

d) Rental expense

Related Party	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
CHLDC	$ 52,788	$ 49,916	$ 105,958	$ 99,996
Fubon Insurance	27,683	29,480	55,822	58,903
TCG	10,780	10,780	16,430	23,640
Fubon Life Insurance	6,543	6,217	13,087	12,100
Others	11,564	10,057	22,468	20,405
	$ 109,358	$ 106,450	$ 213,765	$ 215,044

12) Insurance expense

Related Party	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
Fubon Insurance	$ 26,415	$ 27,436	$ 50,572	$ 48,891
Fubon Life Insurance	17,178	17,043	34,383	34,012
Others	59	62	117	249
	$ 43,652	$ 44,541	$ 85,072	$ 83,152

13) Marketing collaboration

The Bank entered into a collaboration arrangement with Fubon Securities for deal settlement of securities, cost sharing, and cross-selling. Under this contract, the expense allocation was based on the average balance that the customers of Fubon Securities deposited in the Bank. The allocation costs for office space that the Bank paid to Fubon Securities were $141,053 thousand and $139,325 thousand for the six months ended June 30, 2017 and 2016, respectively.

14) Compensation of key management personnel

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
Short-term employee benefits	$ 101,367	$ 95,872	$ 251,853	$ 246,467
Post-employment benefits	1,268	1,242	2,464	2,700
Others	316	266	624	537
	$ 102,951	$ 97,380	$ 254,941	$ 249,704

15) Linked-tax system

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

	June 30, 2017	December 31, 2016	June 30, 2016
Linked-tax receivable (included in current tax assets)	$ 574,231	$ 471,803	$ 471,803
Linked-tax payable (included in current tax liabilities)	794,179	1,574,465	963,971

16) Others

	June 30, 2017	December 31, 2016	June 30, 2016
Receivables - Fubon Life Insurance	$ 715,767	$ 478,493	$ 834,939
Receivables - others	57,500	61,921	55,990
Payables - others	84,699	62,493	85,791
Principals of structured products - Fubon Life Insurance	2,750,000	2,750,000	2,750,000
Principals of structured products - other	16,389	16,757	18,900
Other financial assets - others	4,678	6,615	5,319

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
Service fee income - Fubon Life Insurance	$ 1,268,556	$ 1,810,709	$ 3,118,044	$ 4,050,447
Service fee income - others	134,033	124,271	266,663	245,443
Other income - others	6,146	39,028	14,185	48,244
Service fee expenses - others	35,700	37,237	74,264	62,440
Operating expenses - others	102,374	51,744	163,855	87,411

17) Related-party property transactions

On March 22, 2017, the Bank sold part of its property which had a carrying amount of $158,175 thousand to Fubon Asset Management for $588,000 thousand, and recognized a gain on the disposal of property and equipment of $429,825 thousand. Refer to Table 2 at the end of the notes to these consolidated financial statements for the related information.

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

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

45. PLEDGED ASSETS

The following assets had been provided as refundable deposits:

	June 30, 2017	December 31, 2016	June 30, 2016
Certificates of deposit (included in due from the Central Bank and call loans to other banks)	$ 16,000,000	$ 18,500,000	$ 15,000,000
Government bonds (included in financial assets at fair value through profit or loss)	49,696	49,111	50,036
Government bonds (included in available-for-sale financial assets)	106,321	152,424	156,199
Negotiable certificates of deposit of the Central Bank (included in held-to-maturity financial assets)	13,000,000	10,500,000	5,000,000
Government bonds (included in held-to-maturity financial assets)	2,340,085	5,811,816	7,379,784
Pledged time deposits (included in other financial assets)	1,626,034	1,662,725	1,713,225
	$ 33,122,136	$ 36,676,076	$ 29,299,244

Of the above negotiable certificates of deposit (NCD) and negotiable certificates of deposit of the Central Bank (CB), some certificates amounting to $10,000,000 thousand as of June 30, 2017, December 31, 2016 and June 30, 2016 had been provided as collaterals for day-term overdraft to comply with the CB’s clearing system requirement for real-time gross settlement (RTGS). The unused overdraft amount at the end of the day may be treated as liquidity reserve. As of June 30, 2017, December 31, 2016 and June 30, 2016, NCD and negotiable certificates of deposit of the CB amounting to $10,000,000 thousand had been provided to the Central Bank as collaterals for the Bank’s foreign-currency call loans.

In addition, NCD and negotiable certificates of deposit of the CB amounting to $9,000,000 thousand as of June 30, 2017 and December 31, 2016 had been provided to the Mega International Commercial Bank as collaterals for USD clearing transactions.

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

46. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

a. Except for those disclosed in other notes of the accompanying consolidated financial statements, as of June 30, 2017, December 31, 2016 and June 30, 2016, the Bank and its subsidiaries had commitments as follows:

	June 30, 2017	December 31, 2016	June 30, 2016
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
Commissioned deposits	22,253,813	24,965,515	35,611,931
Trust deposits	13,109,229	26,070,025	37,906,271
Entrusted loans	13,109,229	26,070,025	37,906,271
Entrusted 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

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

June 30, 2017	Less than 1 Year	1-5 Years	Over 5 Years	Total
Lease commitments				
Operating lease expenses	$ 452,293	$ 938,976	$ 33,231	$ 1,424,500
Capital commitments	1,924,431	-	-	1,924,431

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

June 30, 2016	Less than 1 Year	1-5 Years	Over 5 Years	Total
Lease commitments				
Operating lease expenses	$ 448,183	$ 1,110,452	$ 76,908	$ 1,635,543
Capital commitments	1,729,315	3,676	-	1,732,991

As of June 30, 2017, December 31, 2016 and June 30, 2016, the refundable deposits paid under operating leases were $251,136 thousand, $243,787 thousand and $241,398 thousand, respectively.

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

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

47. TRUST BUSINESS UNDER THE TRUST LAW

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

Balance Sheets of Trust Accounts
June 30, 2017 and 2016

	2017	2016		2017	2016
Bank deposits	$ 2,018,561	$ 2,333,263	Payables	$ 174	$ 111
Short-term investments			Capital		
Mutual funds	143,463,076	157,005,979	Money	204,715,999	203,889,555
Bonds	25,798,205	11,256,796	Marketable securities	11,154,709	4,123,424
Stocks	20,253,448	11,880,834	Real estate	42,262,067	46,256,824
Structured products	22,432,416	23,704,170		258,132,775	254,269,803
Borrowed stock - common stock	-	163,431			
	211,947,145	204,011,210	Securities investment trust fund under custody	109,947,387	83,671,288
Securities investment trust fund under custody	109,947,387	83,671,288	Reserves and cumulative earnings		
			Cumulative earnings	(6,203,093)	(5,264,109)
Real estate			Net income	2,041,052	162,450
Land	28,166,300	29,536,407		(4,162,041)	(5,101,659)
Buildings	66,861	38,063			
Construction in progress	11,772,041	13,249,312			
	40,005,202	42,823,782			
Total trust assets	$ 363,918,295	$ 332,839,543	Total trust liabilities	$ 363,918,295	$ 332,839,543

Trust Income Statements
For the Six Months Ended June 30, 2017 and 2016

	2017	2016
Trust income		
Interest income	$ 3,034,648	$ 3,306,029
Borrowed stock income	-	1,106
Others	8,616	24
Cash dividends	18,383	11,861
Realized capital income - common stock	17,701	-
Realized capital income - mutual funds	1,363,920	552,847
Realized capital income - bonds	81,146	19,892
Realized capital income - structured products	13,048	14,436
Distribution from beneficial certificates	3,593	5,589
Total trust income	4,541,055	3,911,784
Trust expense		
Trust administrative expense	367,954	121,581
Supervision fee	248	162
Service fee	851	854
Income tax expense	77	183
Others	80,023	11,857
Service fees on loans	-	19
Realized capital loss - common stock	87,603	59,126
Realized capital loss - mutual funds	1,664,766	3,230,152
Realized capital loss - bonds	88,895	19,830
Realized capital loss - structured products	209,586	305,570
Total trust expense	2,500,003	3,749,334
Net income	$ 2,041,052	$ 162,450

Trust Property of Trust Accounts
June 30, 2017 and 2016

Investment Portfolio	2017	2016
Bank deposits	$ 2,018,561	$ 2,333,263
Short-term investments		
Mutual funds	143,463,076	157,005,979
Bonds	25,798,205	11,256,796
Stocks	20,253,448	11,880,834
Structured products	22,432,416	23,704,170
Borrowed stock - common stock	-	163,431
	211,947,145	204,011,210
Security investment trust fund under custody	109,947,387	83,671,288
Real estate		
Land	28,166,300	29,536,407
Buildings	66,861	38,063
Construction in progress	11,772,041	13,249,312
	40,005,202	42,823,782
	$ 363,918,295	$ 332,839,543

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

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

Refer to Note 44 for the cross-selling revenues and expenses for the six months ended June 30, 2017 and 2016.

49. FINANCIAL INSTRUMENTS

a. Fair value

1) Overview

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

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

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

a) Level 1

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

i. All financial instruments traded in the market are homogeneous.

ii. Willing buyers and sellers are found in the market all the time.

iii. The public can access the price information easily.

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

b) Level 2

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

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

ii. Quoted prices of identical or similar financial instruments in inactive markets;

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

iv. Inputs derived from or corroborated by observable market data by correlation or other means.

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

c) Level 3

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

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

b. Specific financial instruments measured at fair value

1) Fair value hierarchy

The fair values of the Bank and its subsidiaries' financial instruments and properties are measured on a recurring basis. The fair value hierarchy of these financial instruments and investment properties as of June 30, 2017, December 31, 2016 and June 30, 2016 was as follows:

Item	June 30, 2017			
	Total	**Level 1**	**Level 2**	**Level 3**
Measured on a recurring basis				
Non-derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss				
Held-for-trading financial assets				
Bond investments	$ 37,471,431	$ 14,897,039	$ 22,574,392	$ -
Others	9,847,794	321,816	9,525,978	-
Financial assets designated as at fair value through profit or loss	11,761,255	10,164,247	43,414	1,553,594
Available-for-sale financial assets				
Stock investments	7,874,054	7,874,054	-	-
Bond investments	109,003,555	69,559,046	36,258,561	3,185,948
Others	76,182,067	916,045	74,809,477	456,545
Investment properties	2,864,900	-	-	2,864,900
Liabilities				
Bank debentures	41,980,870	20,843,745	21,137,125	-
Derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss	31,471,434	176,631	28,016,711	3,278,092
Hedging derivative financial assets	703,749	-	703,749	-
Liabilities				
Financial liabilities at fair value through profit or loss	32,378,730	-	29,121,953	3,256,777
Hedging derivative financial liabilities	2,162,790	-	2,162,790	-

Item	December 31, 2016			
	Total	**Level 1**	**Level 2**	**Level 3**
Measured on a recurring basis				
Non-derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss				
Held-for-trading financial assets				
Bond investments	$ 25,868,201	$ 14,591,112	$ 11,277,089	$ -
Others	6,141,938	350,966	5,790,972	-
Financial assets designated as at fair value through profit or loss	12,665,481	10,603,812	423,505	1,638,164
Available-for-sale financial assets				
Stock investments	5,287,769	5,287,769	-	-
Bond investments	78,465,818	33,229,670	42,471,313	2,764,835
Others	63,826,753	910,780	62,500,021	415,952
Investment properties	2,641,500	-	-	2,641,500
Liabilities				
Financial liabilities at fair value through profit or loss	99,918	99,918	-	-
Bank debentures	33,751,203	21,841,910	11,909,293	-

(Continued)

Item	December 31, 2016 Total	Level 1	Level 2	Level 3
Derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss	$ 72,494,134	$ 190,453	$ 60,409,121	$ 11,894,560
Hedging derivative financial assets	412,743	-	412,743	-
Liabilities				
Financial liabilities at fair value through profit or loss	68,334,458	-	56,354,218	11,980,240
Hedging derivative financial liabilities	1,239,999	-	1,239,999	-

(Concluded)

Item	June 30, 2016 Total	Level 1	Level 2	Level 3
Measured on a recurring basis				
Non-derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss				
Held-for-trading financial assets				
Bond investments	$ 32,528,681	$ 10,317,622	$ 22,211,059	$ -
Others	7,554,768	377,318	7,177,450	-
Financial assets designated as at fair value through profit or loss	13,159,391	11,843,053	-	1,316,338
Available-for-sale financial assets				
Stock investments	5,897,310	5,897,310	-	-
Bond investments	95,798,582	30,448,950	62,982,627	2,367,005
Others	34,936,524	1,381,066	33,071,268	484,190
Investment properties	2,746,700	-	-	2,746,700
Liabilities				
Bank debentures	28,519,475	22,456,203	6,063,272	-
Derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss	56,122,853	199,760	42,065,398	13,857,695
Hedging derivative financial assets	524,228	-	524,228	-
Liabilities				
Financial liabilities at fair value through profit or loss	60,327,048	-	46,702,599	13,624,449
Hedging derivative financial liabilities	1,015,608	-	1,015,608	-

2) Fair value measurement technique

a) Financial instruments

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

i. Marking-to-market

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

i) Ensure the consistency and integrity of market data.

ii) The source of market data should be transparent, easy to access, and independent.

iii) Listed securities with quoted prices should be valued at closing prices.

iv) Fair values of unlisted securities with no closing prices are based on prices quoted by independent brokers.

v) The guidelines provided by regulatory authorities should be followed.

ii. Marking-to-model

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

i) Model inputs should be consistent and complete.

ii) Valuation models should be made on the basis of proper assumptions. The Bank should also consider its internal control system, market risk management framework and mathematical expertise in making calculations. Moreover, model validation should be implemented by a quantitative trading team that is independent of the market risk-taking unit.

iii) There should be standard procedures for model alteration and the operation of a backup system, and valuation results should be tested periodically using historical backup data.

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

b) Non-financial instruments

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

i. Cash flows: The Bank and its subsidiaries evaluate market rentals of comparable properties on the basis of current lease agreements, local rental prices and market similarity, and rule out the values that are too high or too low. In addition, properties with terminal values should add the present value of terminal value to their market rentals.

ii. Analysis period: The income is measured by 10 years.

iii. Discount rate: The discount rate is based on the interest rate for two-year time deposits as posted by Chunghwa Post Co., Ltd., plus 0.75% and asset-specific risk premiums 2.5%.

3) Fair value adjustment

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

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

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

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

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

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

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

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

4) Transfers between Level 1 and Level 2

In the first half of 2017 and 2016, the Bank and its subsidiaries had no material transfer between Level 1 and Level 2.

5) Reconciliation of Level 3 items of financial instruments

a) Reconciliation of Level 3 financial assets

For the Six Months Ended June 30, 2017

Name	Beginning Balance	Gains (Losses) on Valuation		Increase		Decrease		Ending Balance
		Profit and Loss	Other Comprehensive Income	Purchase/ Issue	Transfer to Level 3	Disposal/ Sale	Transfer Out of Level 3	
Financial assets at fair value through profit or loss								
Held-for-trading financial assets	$ 11,894,560	$ (7,662,287)	$ -	$ 667,962	$ -	$ 1,144,413	$ 477,730	$ 3,278,092
Financial assets designated as at fair value through profit or loss	1,638,164	62,982	-	-	276,210	120,413	303,349	1,553,594
Available-for-sale financial assets	3,180,787	(121,447)	52,402	1,856,287	1,242,827	1,526,662	1,041,701	3,642,493
Investment properties	2,641,500	(7,331)	-	-	230,731	-	-	2,864,900

Note: Transfers to Level 3 were due to intensity variation of market information for certain financial assets designated as at fair value through profit or loss and available-for-sale financial assets. Transfers out of Level 3 were due to intensity variation of market information for certain held-for-trading financial assets, financial assets designated as at fair value through profit or loss and available-for-sale financial assets. Transfers out of Level 3 also were due to some items of investment property being reclassified as property and equipment.

For the Six Months Ended June 30, 2016

Name	Beginning Balance	Gains (Losses) on Valuation		Increase		Decrease		Ending Balance
		Profit and Loss	Other Comprehensive Income	Purchase/ Issue	Transfer to Level 3	Disposal/ Sale	Transfer Out of Level 3	
Financial assets at fair value through profit or loss								
Held-for-trading financial assets	$ 26,846,735	$ (8,328,218)	$ -	$ 1,422,862	$ -	$ 5,956,451	$ 127,233	$ 13,857,695
Financial assets designated as at fair value through profit or loss	2,156,652	57,891	-	1,001,086	795,741	2,218,737	476,295	1,316,338
Available-for-sale financial assets	1,248,707	(61,890)	(4,473)	1,666,732	864,942	-	862,823	2,851,195
Investment properties	2,746,700	-	-	-	-	-	-	2,746,700

Note: Transfers to Level 3 were due to intensity variation of market information for certain held-for-trading financial assets and available-for-sale financial assets. Transfers out of Level 3 were due to intensity variation of market information for certain held-for-trading financial assets, financial assets designated as at fair value through profit or loss and available-for-sale financial assets.

As of June 30, 2017 and 2016, valuation losses of $776,776 thousand and $5,498,625 thousand, respectively, were included in profit or loss, and valuation gains of $18,392 thousand and losses of $4,439 thousand, respectively, were included in other comprehensive income.

b) Reconciliation of Level 3 financial liabilities

For the Six Months Ended June 30, 2017

Name	Beginning Balance	Valuation Gain/Loss Reflected on Profit or Loss	Increase		Decrease		Ending Balance
			Purchase/ Issue	Transfer to Level 3	Disposal	Transfer Out of Level 3	
Financial liabilities at fair value through profit or loss							
Held-for-trading financial liabilities	$ 11,980,240	$ (7,805,112)	$ 8,193	$ -	$ 926,544	$ -	$ 3,256,777

For the Six Months Ended June 30, 2016

Name	Beginning Balance	Valuation Gain/Loss Reflected on Profit or Loss	Increase		Decrease		Ending Balance
			Purchase/ Issued	Transfer to Level 3	Disposed	Transfer Out of Level 3	
Financial liabilities at fair value through profit or loss							
Held-for-trading financial liabilities	$ 26,814,093	$ (8,692,989)	$ 31,829	$ -	$ 4,528,484	$ -	$ 13,624,449

As of June 30, 2017 and 2016, valuation gains of $1,005,597 thousand and $5,820,661 thousand, respectively, had been included in profit and loss for liabilities still held.

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

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

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

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

June 30, 2017

Name	Products	Fair Value	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-average)	Relationships between Inputs and Fair Value
Items measured at fair value based on repeatability:						
Non-derivative items						
Financial assets designated as at fair value through profit or loss	Credit-linked notes (CLN)	$ 1,121,058	Complex option model	Default recovery rate	10% -90%	The increase in default recovery rate would result in a decrease in fair value.
Derivative financial assets						
Financial assets at fair value through profit or loss	Foreign exchange option (FX Option)	52,987	Complex foreign exchange option model	Proportion parameter	10% -90%	The increase in proportion parameter would approximate to stochastic volatility model. Inputs should be regularly reviewed to determine the validity of fair value.
Derivative financial liabilities						
Financial assets at fair value through profit or loss	Foreign exchange op (FX Option)	(29,608)	Complex foreign exchange option model	Proportion parameter	10% -90%	The increase in proportion parameter would approximate to stochastic volatility model. Inputs should be regularly reviewed to determine the validity of fair value.
Non-financial instruments						
Investment property	Property	2,864,900	Note	Note	Note	Note

December 31, 2016

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

June 30, 2016

Name	Products	Fair Value	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-average)	Relationships between Inputs and Fair Value
Items measured at fair value based on repeatability:						
Non-derivative items						
Financial assets designated as at fair value through profit or loss	Credit-linked notes (CLN)	$ 495,553	Complex option model	Default recovery rate	10% -90%	The increase in default recovery rate would result in a decrease in fair value.
Available-for-sale financial assets	Trust plan	484,190	Discounted cash flow method	Real interest rate	4.40%	The decrease in real interest rate would result in an increase in fair value.
Derivative financial assets						
Financial assets at fair value through profit or loss	Foreign exchange option (FX Option)	341,323	Complex foreign exchange option model	Proportion parameter	10% -90%	The increase in proportion parameter would approximate to stochastic volatility model. Inputs should be regularly reviewed to determine the validity of fair value.
Derivative financial liabilities						
Financial assets at fair value through profit or loss	Foreign exchange op (FX Option)	(90,937)	Complex foreign exchange option model	Proportion parameter	10% -90%	The increase in proportion parameter would approximate to stochastic volatility model. Inputs should be regularly reviewed to determine the validity of fair value.
Non-financial instruments						
Investment property	Property	2,746,700	Note	Note	Note	Note

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

7) Valuation processes for Level 3 fair value measurements

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

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

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

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

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

Name	June 30, 2017			
	Effect on Profit and Loss		Effect on Other Comprehensive Income	
	Favorable	Unfavorable	Favorable	Unfavorable
Assets				
Financial assets at fair value through profit or loss				
Held-for-trading financial assets	$ 75	$ (30)	$ -	$ -
Financial assets designated at fair value through profit or loss	38	(45)	-	-
Liabilities				
Financial liabilities at fair value through profit or loss				
Held-for-trading financial liabilities	62	(61)	-	-

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

Name	June 30, 2016			
	Effect on Profit and Loss		Effect on Other Comprehensive Income	
	Favorable	Unfavorable	Favorable	Unfavorable
Assets				
Financial assets at fair value through profit or loss				
Held-for-trading financial assets	$ 57	$ -	$ -	$ -
Financial assets designated at fair value through profit or loss	8	(9)	-	-
Available-for-sale financial assets	-	-	1,118	(1,118)
Liabilities				
Financial liabilities at fair value through profit or loss				
Held-for-trading financial liabilities	68	(58)	-	-

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

1) Fair value information of financial instruments

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

Items	June 30, 2017	
	Carrying Amount	Fair Value
Financial assets		
Held-to-maturity financial assets	$ 404,543,113	$ 404,972,976
Other financial assets - debt instruments with no active market	39,818,904	40,567,097
Financial liabilities		
Bank debentures	27,150,000	27,846,579

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

Items	June 30, 2016 Carrying Amount	Fair Value
Financial assets		
Held-to-maturity financial assets	$ 323,037,690	$ 325,116,852
Other financial assets - debt instruments with no active market	28,542,109	29,188,576
Financial liabilities		
Bank debentures	34,650,000	35,719,270

2) Fair value hierarchy of financial instruments

Assets and Liabilities	June 30, 2017			
	Total	Level 1	Level 2	Level 3
Financial assets				
Held-to-maturity financial assets	$ 404,972,976	$ 29,835,965	$ 361,186,068	$ 13,950,943
Other financial assets - debt instruments with no active market	40,567,097	-	15,255,990	25,311,107
Financial liabilities				
Bank debentures	27,846,579	27,846,579	-	-

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

Assets and Liabilities	June 30, 2016			
	Total	Level 1	Level 2	Level 3
Financial assets				
Held-to-maturity financial assets	$ 325,116,852	$ 45,482,845	$ 265,033,706	$ 14,600,301
Other financial assets - debt instruments with no active market	29,188,576	-	11,998,830	17,189,746
Financial liabilities				
Bank debentures	35,719,270	35,719,270	-	-

3) Measurement technique

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

a) The carrying amounts of financial instruments such as cash and cash equivalents, due from the Central Bank and call loans to other banks, securities purchased under resell agreements, receivables, part of other financial assets, due to the Central Bank and other banks, funds borrowed from the Central Bank and other banks, securities sold under repurchase agreements, payables, and remittances approximate their fair values because of the short maturities of these instruments.

b) Discounts and loans, deposits, and principals of structured products are interest-earning financial assets/interest-bearing financial liabilities; thus, their carrying amounts approximate their fair values. The carrying amounts of nonperforming loans are estimated at their recoverable amounts after considering the reserve for credit losses; thus the carrying amounts are regarded as fair value.

c) Held-to-maturity financial assets, debt instruments with no active market and bank debentures are based on their quoted prices in an active market. For those instruments with no quoted market prices, their fair values are determined using valuation techniques incorporating estimates and assumptions consistent with those generally used by other market participants to price financial instruments.

d) Equity investments accounted for as financial assets carried at cost have no quoted prices in an active market and have a wide range of fair value measurements; hence, their carrying amounts are considered their fair value.

50. FINANCIAL RISK MANAGEMENT

a. Overview

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

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

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

b. Risk management framework

Taipei Fubon Bank

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

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

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

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

Fubon Bank (China)

The board of directors, as the highest decision-making body of Fubon Bank (China), takes ultimate responsibility for its risk management and decides Fubon Bank (China)'s overall risk tolerance. The special committee under the board of directors monitors and evaluates the effectiveness of Fubon Bank (China)'s risk management practices.

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

c. Credit risk

1) Credit risk definitions and sources

Taipei Fubon Bank

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

Fubon Bank (China)

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

2) Strategy/objectives/policies and procedures

Taipei Fubon Bank

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

Fubon Bank (China)

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

3) Credit risk management framework

Taipei Fubon Bank

a) To strengthen risk management function, under the supervision of the board of directors, the Bank has established the Credit Risk Management Committee, which is composed of senior management and chaired by the President, to examine credit risk policies and quotas and to monitor the Bank's credit risk control, credit risk acceptance and management strategy on the credit business, securities investments and transactions, and derivatives.

b) To enhance the independence of credit risk management, the Bank has established the Risk Management Division, which is responsible for measuring the Bank's risk exposures; monitoring risk limits; reporting; and coordinating the development of the mechanism for managing credit risk and validating risk models.

c) In business lines, the Bank has business units that ensure compliance with control requirements while performing daily business operations.

d) The Bank has established an Institutional Credit Review Committee and a Retail Credit Review Committee to review credit above a certain limit to strengthen control over cases involving large credit amounts.

e) The audit department, which is under the supervision of the board of directors, conducts the third defense line of examining independently the effectiveness of internal control functions.

<u>Fubon Bank (China)</u>

Fubon Bank (China)'s current credit risk management is based on its comprehensive risk management system. Divisions under the Risk Management Department, including the Credit Approval & Administration Division and the Risk Control Division, are responsible for identifying, quantifying, monitoring, controlling and reporting on Fubon Bank (China)'s credit risk.

4) Credit risk measurement, control and reporting

<u>Taipei Fubon Bank</u>

a) 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 and limit the country risk, single legal entity and group exposure risk, and industry concentration risk effectively. The Bank has also established a vigorous review and early warning mechanism to ensure that there are proper actions taken for effective credit risk management.

b) The Bank regularly performs credit risk stress testing based on the guideline issued by the Financial Supervisory Commission. It continues to develop scenario analysis and stress testing to provide senior management with an assessment of risk tolerance, as well as to provide a sound basis for credit portfolio management.

c) The Bank has completed several Basel Accord credit risk management projects, including risk data warehousing system, internal risk rating system, and the risk-weighted asset calculation system. The development and revision of score card and rating models are validated independently by the Risk Management Division to monitor the model performance and stability.

<u>Fubon Bank (China)</u>

a) The credit risk control process includes credit policy development, credit approval, early warning and collection. Credit risk supervision includes the regular follow-up of high-risk cases, exposure limit control of country risk, and customer credit grading management; and real-estate loan monitoring and other monthly monitoring, which includes industry concentration and the concentration of single clients/group clients and its affiliated parties.

b) Fubon Bank (China) makes a regular credit portfolio stress test for industry, products, regions, and customers based on the actual status of the credit portfolio. The stress test results, including changes in results due to differences in risk triggers, will be reported at the board meeting and serve as reference for risk management and decision-making.

c) The credit management system of Fubon Bank (China) has modules for credit approval, loan ledger management, collateral information maintenance, customer grading management and -five-category asset classification for bank loans. The system can support credit risk management effectively.

5) Credit risk mitigation

Taipei Fubon Bank

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

Fubon Bank (China)

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

6) Maximum exposure to credit risk

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

Taipei Fubon Bank

Off-Balance Sheet Item	**Maximum Exposure Amount**		
	June 30, 2017	**December 31, 2016**	**June 30, 2016**
Irrevocable credit 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

Fubon Bank (China)

(In Thousands of RMB)

Off-Balance Sheet Item	Maximum Exposure Amount		
	June 30, 2017	December 31, 2016	June 30, 2016
Irrevocable credit commitments	$ 237,171	$ 140,375	$ 65,000
Standby letters of credit	466,702	235,845	196,568
Financial guarantees	1,626,305	1,649,110	1,507,885
Total	$ 2,330,178	$ 2,025,330	$ 1,769,453

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

Taipei Fubon Bank

June 30, 2017	Financial Instrument	Property	Guarantee	Others
Category of asset				
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 instruments with no active market	-	-	4.83%	-

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

June 30, 2016	Financial Instrument	Property	Guarantee	Others
Category of asset				
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 instruments with no active market	-	-	7.56%	-

Fubon Bank (China)

June 30, 2017	Financial Instrument	Property	Guarantee	Others
Category of asset				
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	Financial Instrument	Property	Guarantee	Others
Category of asset				
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	Financial Instrument	Property	Guarantee	Others
Category of asset				
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 instruments with no active market	-	-	-	100.00%

7) Concentrations of credit risk exposure

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

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

Taipei Fubon Bank

a) By industry

By Industry	June 30, 2017		December 31, 2016		June 30, 2016	
	Amount	%	Amount	%	Amount	%
Private	$ 606,122,615	51.20	$ 572,170,635	49.34	$ 552,205,700	46.22
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	$ 1,183,863,943	100.00	$ 1,159,587,483	100.00	$ 1,194,647,409	100.00

b) By geographical area

Geographical Area	June 30, 2017		December 31, 2016		June 30, 2016	
	Amount	%	Amount	%	Amount	%
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	$ 1,183,863,943	100.00	$ 1,159,587,483	100.00	$ 1,194,647,409	100.00

c) By collateral

By Collateral	June 30, 2017		December 31, 2016		June 30, 2016	
	Amount	%	Amount	%	Amount	%
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	$ 1,183,863,943	100.00	$ 1,159,587,483	100.00	$ 1,194,647,409	100.00

Fubon Bank (China)

a) By industry

(In Thousands of RMB)

By Industry	June 30, 2017		December 31, 2016		June 30, 2016	
	Amount	%	Amount	%	Amount	%
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 retail	4,333,765	10.82	3,164,941	7.99	2,796,755	6.64
Leasing and commerce	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 and 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)	$ 40,036,532	100.00	$ 39,602,600	100.00	$ 42,149,384	100.00

Note: Included only discounts and loans.

b) By geographical area

(In Thousands of RMB)

Geographical Area	June 30, 2017		December 31, 2016		June 30, 2016	
	Amount	%	Amount	%	Amount	%
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
Southwest 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
Personal loans	605,606	1.51	497,027	1.26	391,522	0.93
Total (Note)	$ 40,036,532	100.00	$ 39,602,600	100.00	$ 42,149,384	100.00

Note: Included only discounts and loans.

c) By collateral

(In Thousands of RMB)

By Collateral	June 30, 2017		December 31, 2016		June 30, 2016	
	Amount	%	Amount	%	Amount	%
Clean loans	$ 32,258,922	80.57	$ 31,292,273	79.01	$ 31,629,334	75.04
Guarantee 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
Pledge loans	4,122,686	10.30	4,055,552	10.24	4,882,783	11.58
Mortgage loans	3,143,730	7.85	3,642,136	9.20	4,656,165	11.05
Total (Note)	$ 40,036,532	100.00	$ 39,602,600	100.00	$ 42,149,384	100.00

Note: Included only discounts and loans.

8) Credit quality and impairment assessment

Some financial assets-such as cash and cash equivalents, due from the Central Bank and call loans to banks, financial assets at fair value through profit or loss, repos and debt securities, refundable deposits, guaranty bonds, and clearing and settlement fund-are regarded as having very low credit risk due to the good credit rating of counterparties.

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

The credit quality classifications are defined as follows:

<u>Taipei Fubon Bank</u>

a) Good: Exposures demonstrate a good capacity to meet financial commitments, with low default risk and/or low levels of expected loss.

b) Moderate: Exposures require closer monitoring and demonstrate an average to fair capacity to meet financial commitments, with moderate default risk.

c) Substandard: Exposures require varying degrees of special attention and default risk is of greater concern.

Fubon Bank (China)

a) Moderate: Borrower can meet the loan contract terms. There is no reason to doubt the borrower's repayment capacity.

b) Special-mention: Some negative factors may affect the completion of a borrower's repayment even though the borrower has the capacity to make regular repayments until now.

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

Taipei Fubon Bank

a) Credit analysis of receivables and discounts and loans

June 30, 2017	Neither Past Due Nor Impaired				Overdue But Not Impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Loss Recognized (D)		Net Total (A)+(B)+ (C)-(D)
	Good	Moderate	Substandard	Subtotal (A)				With Objective Evidence of Impairment	With No Objective Evidence of Impairment	
Receivables	$ 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
Bills 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: The total loan is the original amount without the adjustments of premium or discounts $621,439 thousand.

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

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

June 30, 2016	Neither Past Due Nor Impaired				Overdue But Not Impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Loss Recognized (D)		Net Total (A)+(B)+ (C)-(D)
	Good	Moderate	Substandard	Subtotal (A)				With Objective Evidence of Impairment	With No Objective Evidence of Impairment	
Receivables	$ 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 - forfaiting	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
Others	17,050,708	807,096	56,223	17,914,027	18,349	77,435	18,009,811	42,469	1,249	17,966,093
Bills 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: The total loan is the original amount without the adjustments of premium or discounts $639,164 thousand.

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(In Thousands of RMB)

June 30, 2017	Neither Past Due Nor Impaired			Overdue But Not Impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Loss Recognized (D)		Net Total (A)+(B)+(C)-(D)
	Moderate	Special-mention	Subtotal (A)				With Objective Evidence of Impairment	With No Objective Evidence of Impairment	
Accounts receivable	$ 1,746,831	$ -	$ 1,746,831	$ -	$ -	$ 1,746,831	$ -	$ 3,219	$ 1,743,612
Acceptances	1,107,976	-	1,107,976	-	-	1,107,976	-	-	1,107,976
Account receivable-forfaiting	211,209	-	211,209	-	-	211,209	-	3,219	207,990
Others	427,646	-	427,646	-	-	427,646	-	-	427,646
Discount 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

(In Thousands of RMB)

December 31, 2016	Neither Past Due Nor Impaired			Overdue But Not Impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Loss Recognized (D)		Net Total (A)+(B)+(C)-(D)
	Moderate	Special-mention	Subtotal (A)				With Objective Evidence of Impairment	With No Objective Evidence of Impairment	
Accounts receivable	$ 1,333,236	$ -	$ 1,333,236	$ -	$ -	$ 1,333,236	$ -	$ 153	$ 1,333,083
Acceptances	867,162	-	867,162	-	-	867,162	-	-	867,162
Account receivable-forfaiting	8,242	-	8,242	-	-	8,242	-	153	8,089
Others	457,832	-	457,832	-	-	457,832	-	-	457,832
Discount and loans	38,849,532	126,588	38,976,120	181,995	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

(In Thousands of RMB)

June 30, 2016	Neither Past Due Nor Impaired			Overdue But Not Impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Loss Recognized (D)		Net Total (A)+(B)+(C)-(D)
	Moderate	Special-mention	Subtotal (A)				With Objective Evidence of Impairment	With No Objective Evidence of Impairment	
Accounts receivable	$ 1,237,801	$ -	$ 1,237,801	$ -	$ 660	$ 1,238,461	$ 330	$ 349	$ 1,237,782
Acceptances	787,618	-	787,618	-	-	787,618	-	-	787,618
Account receivable-forfaiting	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
Discount 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

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

Taipei Fubon 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

Fubon Bank (China)

(In Thousands of RMB)

June 30, 2017	Neither Past Due Nor Impaired		
	Moderate	Special-mention	Total
Consumer 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

(In Thousands of RMB)

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

(In Thousands of RMB)

June 30, 2016	Neither Past Due Nor Impaired		
	Moderate	Special-mention	Total
Consumer 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

c) Credit analysis of marketable securities

Taipei Fubon Bank

June 30, 2017	Neither Past Due Nor Impaired				Overdue But Non Impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Impairment Loss Recognized (D)	Net Total (A)+(B)+(C)-(D)
	Good	Moderate	Substandard	Subtotal (A)					
Available-for-sale financial assets									
Bond investments	$ 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									
Investment in bond	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 beneficial securities: Original cost of $7,830,112 thousand, valuation amounting to $1,171,416 thousand and cumulative impairment amounting to $335,594 thousand.

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

December 31, 2016	Neither Past Due Nor Impaired				Overdue But Non Impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Impairment Loss Recognized (D)	Net Total (A)+(B)+ (C)-(D)
	Good	Moderate	Substandard	Subtotal (A)					
Available-for-sale financial assets									
Bond investments	$ 36,741,827	$ 15,521,574	$ -	$ 52,263,401	$ -	$ -	$ 52,263,401	$ -	$ 52,263,401
Others	15,008,687	39,193,746	-	54,202,433	-	-	54,202,433	-	54,202,433
Held-to-maturity financial assets									
Bond investments	98,232,416	4,835,732	315,408	103,383,556	-	-	103,383,556	-	103,383,556
Others	209,955,361	-	-	209,955,361	-	-	209,955,361	-	209,955,361
Other financial assets									
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 beneficial securities: Original cost of $5,398,016 thousand, valuation amounting to $1,136,127 thousand and cumulative impairment amounting to $335,594 thousand.

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

June 30, 2016	Neither Past Due Nor Impaired				Overdue But Non Impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Impairment Loss Recognized (D)	Net Total (A)+(B)+ (C)-(D)
	Good	Moderate	Substandard	Subtotal (A)					
Available-for-sale financial assets									
Bond investments	$ 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									
Investment in bond	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 beneficial securities: Original cost of $5,398,016 thousand, valuation amounting to $1,800,378 thousand and cumulative impairment amounting to $335,594 thousand.

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

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(In Thousands of RMB)

June 30, 2017	Neither Past Due Nor Impaired			Overdue But Non Impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Impairment Loss Recognized (D)	Net Total (A)+(B)+(C)-(D)
	Moderate	Special-mention	Subtotal (A)					
Financial assets at fair value through profit and 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

(In Thousands of RMB)

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

(In Thousands of RMB)

June 30, 2016	Neither Past Due Nor Impaired			Overdue But Non Impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Impairment Loss Recognized (D)	Net Total (A)+(B)+(C)-(D)
	Moderate	Special-mention	Subtotal (A)					
Financial assets at fair value through profit and 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

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

Taipei Fubon Bank

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

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

	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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(In Thousands of RMB)

	June 30, 2017				
	Overdue Less Than One Month	**Overdue One to Three Months**	**Overdue Over Three to Six Months**	**Overdue Over Six Months**	**Total**
Discounts and loans					
Personal finance	$ -	$ -	$ -	$ -	$ -
Corporate banking	101,296	-	-	-	101,296

(In Thousands of RMB)

	December 31, 2016				
	Overdue Less Than One Month	**Overdue One to Three Months**	**Overdue Over Three to Six Months**	**Overdue Over Six Months**	**Total**
Discounts and loans					
Personal finance	$ 13	$ -	$ -	$ -	$ 13
Corporate banking	3,800	5,109	15,948	157,125	181,982

(In Thousands of RMB)

	June 30, 2016				
	Overdue Less Than One Month	**Overdue One to Three Months**	**Overdue Over Three to Six Months**	**Overdue Over Six Months**	**Total**
Discounts and loans					
Personal finance	$ -	$ -	$ 671	$ -	$ 671
Corporate banking	149,206	169,500	123,677	194,324	636,707

10) Analysis of impairment of financial assets

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

The Bank and its subsidiaries have assessed whether loans and receivables have objective evidence of impairment. The assessment on June 30, 2017, December 31, 2016 and June 30, 2016 had the following results:

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	
		Receivables	Allowance for Credit Losses	Receivables	Allowance for Credit Losses	Receivables	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 the Bank and its subsidiaries, and not net of the allowance for credit losses and adjustments for discount (premium).

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

d. Liquidity risk

1) Source and definition of liquidity risk

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

2) Liquidity risk management strategy and principles

Taipei Fubon Bank

a) The Bank's strategy is to lower liquidity risk by acquiring stable, low interest-rate, sufficient funding to cover asset size growth and meet obligations on matured liabilities and to escape gaps between funding availability and demand.

b) The principle is to harmonize fund availability with the Bank's deposit, loan and financial transaction growth. 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. Thus, the Bank not only pays attention to maturities of long-term and short-term securities to match the timing of large-amount loan drawdowns and repayments, but also analyzes the stability and percentages of various types of deposits to manage funding liquidity.

c) The Bank has a liquidity control target to monitor and manage the Bank's liquidity risk.

i. The board of directors limits the liquidity control index, and the relevant analysis, monthly report to the ALCO, and report the directors (permanent) are all prepared for future reference.

ii. The ALCO limits capital liquidity control indicators, and the related analysis shows the monthly regular reporting of the ALCO and the Bank’s chairman.

Fubon Bank (China)

a) The liquidity risk management strategy of Fubon Bank (China) aims not only to meet compliance and regulatory requirements but also to find a sound balance between business performance and adequate liquidity position. By adjusting its short-term and long-term asset allocation and dispersing fund sources on the basis of market conditions, the Bank manages its liquidity risk exposure at an acceptable level to ensure the sustainability of its business operations and maintain its fine reputation.

b) Fubon Bank (China) maintains a strategically defined risk appetite for its liquidity management. Daily liquidity management is centralized given the size and complexity of its current business scope, and Fubon Bank (China)’s organization structure is suitable for managing liquidity exposure. The board of directors takes the ultimate responsibility for Fubon Bank (China)’s liquidity risk. The senior management, which is in charge of implementing liquidity management policies and procedures, has authorized the Asset and Liability Management Committee to perform related management duties daily. Liquidity risk assessment reports are prepared by the senior management for submission to the Risk & Related Party Transaction Committee.

c) Fubon Bank (China)’s liquidity risk management involves the full participation of staff in the dynamic prevention, scientific quantification and prudent management of risk to ensure Fubon Bank (China) has sufficient funding for its capital growth and various obligations.

3) Maturity analysis

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

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

a) Maturity analysis of financial assets and liabilities - NTD

Taipei Fubon Bank

June 30, 2017	0-30 Days	31-90 Days	91-180 Days	181-365 Days	Over 1 Year	Total
Assets						
Cash, call loans and deposits due from/to other banks	$ 47,640,688	$ 9,085,181	$ 6,055,417	$ 9,746,322	$ 16,035,106	$ 88,562,714
Investments 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
Subtotal	561,741,003	330,727,752	278,117,010	237,289,148	840,126,222	2,248,001,135
Liabilities						
Due to the Central Bank and other 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
Bank debentures	-	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
Subtotal	506,509,027	360,877,987	310,568,169	264,361,362	625,434,544	2,067,751,089

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

June 30, 2016	0-30 Days	31-90 Days	91-180 Days	181-365 Days	Over 1 Year	Total
Assets						
Cash, call loans and deposits due from/to other banks	$ 29,492,560	$ 4,428,140	$ 9,138,794	$ 28,986,502	$ 34,403,036	$ 106,449,032
Investments 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
Subtotal	530,188,376	288,200,527	230,225,425	282,638,460	800,165,795	2,131,418,583
Liabilities						
Due to the Central Bank and other 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
Bank debentures	-	-	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
Subtotal	389,379,015	365,093,759	267,078,134	287,145,354	642,616,691	1,951,312,953

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

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

b) Maturity analysis of financial assets and liabilities - USD

Taipei Fubon Bank

(In Thousands of U.S. Dollars)

June 30, 2017	0-30 Days	31-90 Days	91-180 Days	181-365 Days	Over 1 Year	Total
Assets						
Cash, call loans and deposits due from/to other banks	$ 933,807	$ 395,000	$ 405,000	$ 365,000	$ -	$ 2,098,807
Investments in marketable securities (Note 2)	246,035	84,605	205,154	199,550	3,538,482	4,273,826
Loans (including 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
Subtotal	15,669,487	12,843,210	9,557,767	4,059,811	5,871,739	48,002,014
Liabilities						
Due to the Central Bank and other 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
Bank debentures	-	-	-	-	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
Subtotal	14,884,241	12,291,598	9,606,433	5,328,481	5,598,824	47,709,577

(In Thousands of U.S. Dollars)

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

(In Thousands of U.S. Dollars)

June 30, 2016	0-30 Days	31-90 Days	91-180 Days	181-365 Days	Over 1 Year	Total
Assets						
Cash, call loans and deposits due from/to other banks	$ 416,860	$ 60,000	$ 152,000	$ 482,000	$ -	$ 1,110,860
Investments in marketable securities (Note 2)	121,248	-	29,428	210,875	1,975,235	2,336,786
Loans (including 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
Subtotal	13,565,028	11,586,141	8,325,831	6,069,476	5,756,607	45,303,083
Liabilities						
Due to the Central Bank and other 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
Bank debentures	-	-	-	-	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 outflow on maturity	236,386	97,597	27,750	127,517	439,650	928,900
Subtotal	15,663,566	10,422,778	7,914,426	7,262,868	3,661,385	44,925,023

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

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

c) Maturity analysis of derivative assets and liabilities - RMB

Fubon Bank (China)

(In Thousands of RMB)

June 30, 2017	0-30 Days	31-90 Days	91- 365 Days	Over 1 Year	No Maturity Date	Total
Assets						
Cash, call loans and deposits due from/to other banks	$ 1,279,914	$ -	$ -	$ -	$ 5,653,938	$ 6,933,852
Investments in marketable securities (Note)	2,384,308	1,163,447	3,927,181	10,449,734	-	17,924,670
Loans (including overdue loans)	6,582,670	8,155,410	18,546,184	8,484,482	-	41,768,746
Deliverable derivative assets	2,966,057	2,575,335	1,934,453	-	-	7,475,845
Non-deliverable derivative assets	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
Subtotal	19,896,832	27,355,432	49,972,105	19,003,121	5,674,296	121,901,786
Liabilities						
Due to the Central Bank and other banks	952,084	2,990,568	3,660,626	-	-	7,603,278
Funds borrowed from the Central Bank and other 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 derivative liabilities	2,980,696	2,591,206	1,949,026	-	-	7,520,928
Non-deliverable derivative liabilities	6,305,094	14,924,982	24,781,405	68,909	-	46,080,390
Other capital outflow on maturity	-	-	-	-	297	297
Subtotal	35,804,582	32,892,890	44,128,721	1,480,358	297	114,306,848

(In Thousands of RMB)

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

(In Thousands of RMB)

June 30, 2016	0-30 Days	31-90 Days	91- 365 Days	Over 1 Year	No Maturity Date	Total
Assets						
Cash, call loans and deposits due from/to other banks	$ 1,393,204	$ 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 (including 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
Subtotal	24,142,637	29,282,699	53,248,382	19,542,264	6,225,559	132,441,541
Liabilities						
Due to the Central Bank and other banks	1,570,908	2,019,801	1,855,070	-	-	5,445,779
Funds borrowed from the Central Bank and other 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 derivative liabilities	4,851,541	3,081,810	9,337,886	-	-	17,271,237
Non-deliverable derivative liabilities	5,233,090	15,190,112	23,754,938	67,090	-	44,245,230
Other capital outflow on maturity	-	-	26,063	24,800	10,020	60,883
Subtotal	29,047,314	20,533,956	68,221,605	8,353,188	10,020	126,166,083

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

d) Maturity analysis of derivatives assets and liabilities - NTD

Taipei Fubon Bank

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 exchange	166,850,287	193,084,454	146,717,112	69,130,752	-	575,782,605
Cross-currency swaps	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
Liabilities						
Deliverable derivative liabilities						
Forward contracts	1,709,475	1,512,338	204,229	-	-	3,426,042
Currency exchange	251,681,186	231,117,863	180,937,642	47,744,464	1,898,785	713,379,940
Cross-currency swaps	-	12,002,260	17,139,290	20,939,866	10,988,825	61,070,241
Subtotal	253,390,661	244,632,461	198,281,161	68,684,330	12,887,610	777,876,223
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	5,341,510	-	-	-	-	5,341,510

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

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 exchange	188,839,194	163,087,600	114,567,349	77,945,343	32,230	544,471,716
Cross-currency swaps	6,710,932	7,222,365	7,306,947	36,434,793	37,191,620	94,866,657
Subtotal	196,533,286	171,788,426	123,466,046	115,774,935	38,179,172	645,741,865
Non-deliverable derivative assets						
Foreign exchange derivative instruments	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	8,185,787	-	5,177	13,706	487,320	8,691,990
Liabilities						
Deliverable derivative liabilities						
Forward contracts	2,012,316	1,501,016	108,634	-	-	3,621,966
Currency exchange	194,719,611	234,230,080	135,257,353	66,732,751	1,353,444	632,293,239
Cross-currency swaps	3,467,940	3,107,870	15,499,050	15,388,240	40,182,196	77,645,296
Subtotal	200,199,867	238,838,966	150,865,037	82,120,991	41,535,640	713,560,501
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	8,493,211	-	-	-	-	8,493,211

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

e) Maturity analysis of derivative assets and liabilities - USD

Taipei Fubon Bank

(In Thousands of U.S. Dollars)

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	$ 325,861	$ 296,327	$ 51,297	$ 21,023	$ -	$ 694,508
Currency exchange	12,325,695	11,060,806	8,032,680	2,565,862	78,799	34,063,842
Cross-currency swaps	733	380,466	530,415	646,780	375,058	1,933,452
Subtotal	12,652,289	11,737,599	8,614,392	3,233,665	453,857	36,691,802
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 - non-hedging	11,911	-	-	-	-	11,911
Equity derivative instruments	662	-	-	-	-	662
Product derivative instruments	15	-	-	-	-	15
Subtotal	49,622	-	61	153	13,256	63,092
Liabilities						
Deliverable derivative liabilities						
Forward contracts	361,606	580,706	134,577	225,914	35,897	1,338,700
Currency exchange	8,406,295	9,210,717	6,903,115	3,193,511	-	27,713,638
Cross-currency swaps	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 - 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

(In Thousands of U.S. Dollars)

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

(In Thousands of U.S. Dollars)

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 exchange	10,551,392	10,274,739	7,442,517	4,496,890	88,507	32,854,045
Cross-currency swaps	110,614	130,900	194,117	500,000	1,254,531	2,190,162
Subtotal	11,157,899	10,641,759	7,702,064	5,082,824	1,351,638	35,936,184
Non-deliverable derivative assets						
Foreign exchange derivative instruments	279,892	-	-	-	-	279,892
Interest rate derivative instruments - hedging	-	-	-	-	558	558
Interest rate derivative - non-hedging	14,301	-	-	-	-	14,301
Equity derivative instruments	313	-	-	-	-	313
Product derivative instruments	138	-	-	-	-	138
Subtotal	294,644	-	-	-	558	295,202
Liabilities						
Deliverable derivative liabilities						
Forward contracts	650,960	632,742	283,803	242,414	31,337	1,841,256
Currency exchange	9,474,257	7,615,372	6,121,248	4,388,759	96,000	27,695,636
Cross-currency swaps	227,075	247,550	256,040	1,340,319	1,161,342	3,232,326
Subtotal	10,352,292	8,495,664	6,661,091	5,971,492	1,288,679	32,769,218
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 - non-hedging	26,480	-	-	-	-	26,480
Equity derivative instruments	315	-	-	-	-	315
Product derivative instruments	121	-	-	-	-	121
Subtotal	319,482	-	289	1,206	28,789	349,766

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

f) Maturity analysis of derivative assets and liabilities - RMB

Fubon Bank (China)

(In Thousands of RMB)

June 30, 2017	0-30 Days	31-90 Days	91-365 Days	Over 1 Year	Total
Assets					
Deliverable derivative assets					
Forward contracts	$ 114,171	$ 208,417	$ 345,994	$ -	$ 668,582
Currency exchange	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	2,966,057	2,575,335	1,934,453	-	7,475,845
Non-deliverable derivative assets					
Interest rate derivatives - non-hedging	35	116	315	-	466
Currency exchange	6,292,551	15,207,910	24,717,447	68,905	46,286,813
Commodity swaps	-	837	736	-	1,573
Subtotal	6,292,586	15,208,863	24,718,498	68,905	46,288,852
Liabilities					
Deliverable derivative liabilities					
Forward contracts	115,885	210,374	341,356	-	667,615
Currency exchange	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	2,980,696	2,591,206	1,949,026	-	7,520,928
Non-deliverable derivatives					
Interest rate derivatives - non-hedging	35	116	315	-	466
Currency exchange	6,305,059	14,924,029	24,780,354	68,909	46,078,351
Commodity swaps	-	837	736	-	1,573
Subtotal	6,305,094	14,924,982	24,781,405	68,909	46,080,390

(In Thousands of RMB)

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

(In Thousands of RMB)

June 30, 2016	0-30 Days	31-90 Days	91-365 Days	Over 1 Year	Total
Assets					
Deliverable derivative assets					
Forward contracts	$ 114,996	$ 345,652	$ 819,894	$ -	$ 1,280,542
Currency exchange	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	4,848,810	3,079,580	9,347,982	-	17,276,372
Non-deliverable derivative assets					
Interest rate derivatives - non-hedging	32	-	93	-	125
Currency exchange	5,235,756	15,199,559	23,648,941	67,235	44,151,491
Forward contracts	-	13,906	139,135	-	153,041
Subtotal	5,235,788	15,213,465	23,788,169	67,235	44,304,657
Liabilities					
Deliverable derivative liabilities					
Forward contracts	114,755	342,753	821,953	-	1,279,461
Currency exchange	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	4,851,541	3,081,810	9,337,886	-	17,271,237
Non-deliverable derivatives					
Interest rate derivatives - non-hedging	32	-	93	-	125
Currency exchange	5,233,058	15,176,126	23,616,405	67,090	44,092,679
Forward contracts	-	13,986	138,440	-	152,426
Subtotal	5,233,090	15,190,112	23,754,938	67,090	44,245,230

g) Maturity analysis of off-balance sheet items

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

Taipei Fubon Bank

June 30, 2017	0-30 Days	31-90 Days	91-180 Days	181-365 Days	Over 1 Year	Total
Irrevocable credit commitments	$ 75,238,930	$ -	$ -	$ -	$ -	$ 75,238,930
Standby letters of credit	7,558,216	-	-	-	-	7,558,216
Financial guarantees	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
Irrevocable credit commitments	$ 90,031,332	$ -	$ -	$ -	$ -	$ 90,031,332
Standby letters of credit	8,893,665	-	-	-	-	8,893,665
Financial guarantees	10,407,972	100,000	1,526,250	1,852,495	18,202,565	32,089,282
Total	$ 109,332,969	$ 100,000	$ 1,526,250	$ 1,852,495	$ 18,202,565	$ 131,014,279

June 30, 2016	0-30 Days	31-90 Days	91-180 Days	181-365 Days	Over 1 Year	Total
Irrevocable credit commitments	$ 92,252,750	$ -	$ -	$ -	$ -	$ 92,252,750
Standby letters of credit	7,046,329	-	-	-	-	7,046,329
Financial guarantees	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)

(In Thousands of RMB)

June 30, 2017	0-30 Days	31-90 Days	91-365 Days	Over 1 Year	Total
Irrevocable credit commitments	$ -	$ -	$ -	$ 237,171	$ 237,171
Standby letters of credit	124,453	141,520	200,729	-	466,702
Financial guarantees	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

(In Thousands of RMB)

December 31, 2017	0-30 Days	31-90 Days	91-365 Days	Over 1 Year	Total
Irrevocable credit commitments	$ -	$ -	$ 50,000	$ 90,375	$ 140,375
Standby letters of credit	93,464	126,003	16,378	-	235,845
Financial guarantees	102,354	231,476	1,266,926	48,354	1,649,110
Total	$ 195,818	$ 357,479	$ 1,333,304	$ 138,729	$ 2,025,330

(In Thousands of RMB)

June 30, 2016	0-30 Days	31-90 Days	91-365 Days	Over 1 Year	Total
Irrevocable credit commitments	$ -	$ -	$ 50,000	$ 15,000	$ 65,000
Standby letters of credit	86,164	59,070	51,334	-	196,568
Financial guarantees	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

e. Market risk

1) Market risk definition and classifications

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

Trading book positions are as follows:

a) Positions held for earning profits from changes in bid-ask spread or changes in prices and interest rates;

b) Positions held for the brokerage business or proprietary trading;

c) Positions held for full or partial offsetting of risk from other positions; and

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

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

2) Market risk strategy and procedures

Taipei Fubon Bank

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)

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

3) Market risk management framework

Taipei Fubon Bank

Under the supervision of its board of directors, the Bank has established the Market Risk Management Committee, which is composed of senior management and chaired by the Bank's 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 Bank's board of directors is an added support for the market risk management framework.

Fubon Bank (China)

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

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

4) Market risk measurement, control and reporting

The Corporate Financial Credit Management Department is responsible for monitoring compliance with the daily market risk limit (including the analysis of risk sensitivity factors such as Delta, Vega, DV01, and Value at Risk ("VaR")) and loss control. The valuation of financial instruments is evaluated independently by the Market Risk Management Department to ensure their stability and effectiveness. The 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.

5) Measurement of trading book market risk

Taipei Fubon Bank

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

a) Value at Risk ("VaR")

VaR is a tool that measures "the worst expected loss over a given time horizon under normal market conditions at a given level of confidence". TFB has various risk models to evaluate the worst loss on current net positions within one day, with a 99% confidence level. The method for VaR calculation is the historical simulation, which is used to calculate current VaR. In order to ensure the quality of the risk value, the Bank conducts periodic review and statistical verification of actual profit and loss.

Trading book VaR information is shown below:

	For the Six Months Ended June 30, 2017			
Common VaR	**Highest**	**Lowest**	**Mean**	**End of Period**
Equity	$ -	$ -	$ -	$ -
Interest rate	94,459	45,539	63,328	45,539
Exchange rate	17,482	6,333	10,302	6,333
Volatility	6,047	1,868	4,241	1,868
Diversification effect	-	-	(12,380)	(3,103)
Common VaR of trading book			$ 65,491	$ 50,637

	For the Six Months Ended June 30, 2016			
Common VaR	**Highest**	**Lowest**	**Mean**	**End of Period**
Equity	$ -	$ -	$ -	$ -
Interest rate	43,718	29,654	37,832	40,134
Exchange rate	19,905	6,253	10,501	8,178
Volatility	13,824	3,519	7,377	3,533
Diversification effect	-	-	(18,113)	(11,806)
Common VaR of trading book			$ 37,597	$ 40,039

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

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

b) Stress testing

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

Fubon Bank (China)

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

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

6) Measurement of banking book market risk

Taipei Fubon Bank

a) Interest rate risk

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

Banking book interest rate risk refers to possible loss due to unfavorable changes in interest rates for the banking book portfolio. One of the methods used to determine exposure to interest rate risks is earnings analysis, which focuses on the effects interest rate changes on the earnings of the banking book portfolio, especially earnings in the short term. Had the interest rate increased/decreased 1bps (basis points) as of June 30, 2017, December 31, 2016 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.

b) Exchange rate risk

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

The Bank's overseas branches and these branches' long-term equity-method investments have foreign exchange businesses. The percentage of the foreign currency operating funds used for the foreign exchange business operations is low when compared with the Bank's entire foreign currency position. As of June 30, 2017, for the operating funds of overseas branches, the Bank considers the ratio of exchange differences on translating foreign operations to the equity of the Bank's owners to be immaterial.

c) Equity risk

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

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

	June 30, 2017		December 31, 2016		June 30, 2016	
	Influence on Profit and Loss	Influence on Other Equity	Influence on Profit and Loss	Influence on Other Equity	Influence on Profit and Loss	Influence on Other Equity
Stock price increase by 10%	$ 32,182	$ 866,593	$ 35,097	$ 619,855	$ 37,732	$ 686,280
Stock price decrease by 10%	(32,182)	(866,593)	(35,097)	(619,855)	(37,732)	(686,280)

Fubon Bank (China)

a) Interest rate risk

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

(In Thousands of RMB)

	June 30, 2017		December 31, 2016		June 30, 2016	
	Impact on Profit and Loss	Impact on Other Equity	Impact on Profit and Loss	Impact on Other Equity	Impact on Profit and Loss	Impact on Other Equity
Interest rate increases 50 basis points	$ (14,927)	$ (34,856)	$ (34,653)	$ (16,340)	$ (14,643)	$ (16,144)
Interest rate decreases 50 basis points	14,927	35,751	34,653	16,396	14,643	16,193

b) Exchange rate risk

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

(In Thousands of RMB)

	June 30, 2017		December 31, 2016		June 30, 2016	
	Influence on Profit and Loss	**Influence on Other Equity**	**Influence on Profit and Loss**	**Influence on Other Equity**	**Influence on Profit and Loss**	**Influence on Other Equity**
USD and HKD appreciate by 5% against the RMB	$ (17,777)	$ 8,707	$ 25,691	$ 8,921	$ 14,648	$ 4,405
USD and HKD appreciate by 5% against the RMB	17,777	(8,707)	(25,691)	(8,921)	(14,648)	(4,405)

7) Foreign currency rate risk information

The table below shows the foreign currency risk information on the carrying values of all financial assets and liabilities denominated in foreign currency as of June 30, 2017, December 31, 2016 and June 30, 2016.

Taipei Fubon Bank

	June 30, 2017		
	Foreign Currencies	**Exchange Rate**	**New Taiwan Dollars**
Financial assets			
Monetary item			
USD	$ 13,357,198	30.4389	$ 406,578,414
RMB	15,618,564	4.4867	70,075,811
JPY	125,413,010	0.2720	34,112,339
HKD	7,696,320	3.8992	30,009,491
AUD	805,123	23.3766	18,821,038
Nonmonetary item			
USD	232,638	30.4389	7,081,245
RMB	1,139,758	4.4867	5,113,752
JPY	8,449,027	0.2720	2,298,135
HKD	138,011	3.8992	538,132
AUD	506	23.3766	11,829
Investments measured by equity method			
RMB	4,638,022	4.4867	20,809,414

(Continued)

	June 30, 2017		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial liabilities			
Monetary item			
USD	$ 19,407,328	30.4389	$ 590,737,716
RMB	13,441,931	4.4867	60,309,912
JPY	31,509,624	0.2720	8,570,618
HKD	3,411,960	3.8992	13,303,914
AUD	780,647	23.3766	18,248,873
Nonmonetary item			
USD	195,767	30.4389	5,958,932
RMB	1,112,674	4.4867	4,992,234
JPY	6,513,863	0.2720	1,771,771
HKD	124,253	3.8992	484,487
AUD	1,064	23.3766	24,873

(Concluded)

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

	June 30, 2016		
	Foreign Currencies	**Exchange Rate**	**New Taiwan Dollars**
Financial assets			
Monetary item			
USD	$ 10,458,228	32.2908	$ 337,704,549
RMB	13,411,832	4.8419	64,938,749
JPY	138,465,529	0.3143	43,519,716
HKD	6,012,233	4.1603	25,012,693
AUD	628,107	24.0112	15,081,603
Nonmonetary item			
USD	483,600	32.2908	15,615,831
RMB	2,693,352	4.8419	13,040,941
JPY	22,624,467	0.3143	7,110,870
HKD	527,137	4.1603	2,193,048
AUD	612	24.0112	14,695
Investments measured by equity method			
RMB	4,568,752	4.8419	22,121,439
Financial liabilities			
Monetary item			
USD	13,672,394	32.2908	441,492,540
RMB	12,991,024	4.8419	62,901,239
JPY	21,121,542	0.3143	6,638,501
HKD	4,356,582	4.1603	18,124,688
AUD	816,105	24.0112	19,595,660
Nonmonetary item			
USD	514,640	32.2908	16,618,137
RMB	2,682,408	4.8419	12,987,951
JPY	27,680,873	0.3143	8,700,098
HKD	481,626	4.1603	2,003,709
AUD	1,620	24.0112	38,898

Fubon Bank (China)

	June 30, 2017		
	Foreign Currencies	**Exchange Rate**	**RMB**
Financial assets			
Monetary item			
USD	$ 613,834	6.7744	$ 4,158,357
JPY	3,076,844	0.0605	186,149
HKD	169,965	0.8679	147,513
EUR	4,190	7.7496	32,471
Nonmonetary item			
USD	5,198	6.7744	35,213

(Continued)

	June 30, 2017		
	Foreign Currencies	Exchange Rate	RMB
Financial liabilities			
Monetary item			
USD	$ 1,707,528	6.7744	$ 11,567,478
JPY	1,863,395	0.0605	112,735
HKD	81,243	0.8679	70,511
EUR	12,699	7.7496	98,412
Nonmonetary item			
USD	57,869	6.7744	392,028

(Concluded)

	December 31, 2016		
	Foreign Currencies	Exchange Rate	RMB
Financial assets			
Monetary item			
USD	$ 636,616	6.9370	$ 4,416,205
JPY	2,435,634	0.0596	145,164
HKD	163,404	0.8945	146,165
EUR	819	7.3068	5,984
Nonmonetary item			
USD	126,740	6.9370	879,195
Financial liabilities			
Monetary item			
USD	1,533,104	6.9370	10,635,142
JPY	2,218,404	0.0596	132,217
HKD	42,046	0.8945	37,610
EUR	12,735	7.3068	93,052
Nonmonetary item			
USD	1,039	6.9370	7,208

	June 30, 2016		
	Foreign Currencies	Exchange Rate	RMB
Financial assets			
Monetary item			
USD	$ 539,259	6.6312	$ 3,575,934
JPY	2,637,139	0.0645	170,095
HKD	36,551	0.8547	31,240
EUR	1,587	7.3750	11,704
Nonmonetary item			
USD	69,794	6.6312	462,818

(Continued)

	June 30, 2016		
	Foreign Currencies	Exchange Rate	RMB
Financial liabilities			
Monetary item			
USD	$ 1,437,115	6.6312	$ 9,529,797
JPY	1,668,886	0.0645	107,643
HKD	27,651	0.8547	23,633
EUR	7,323	7.3750	54,007
Nonmonetary item			
USD	1,786	6.6312	11,843

(Concluded)

f. Transfers of financial assets

1) Transfers of financial assets not qualifying for derecognition

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

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

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

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

Category of Financial Asset	June 30, 2017	
	Transferred Financial Assets - Book Value	Related Financial Liabilities - Book Value
Transactions under repurchased agreements		
Financial assets at fair value through profit and loss	$ 1,500,120	$ 1,505,484
Available-for-sale financial assets	36,533,873	33,963,242
Held-to-maturity financial assets	30,974,219	28,879,266
Debt instruments with no active market	7,384,947	6,844,203

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

Category of Financial Asset	June 30, 2016	
	Transferred Financial Assets - Book Value	Related Financial Liabilities - Book Value
Transactions under repurchased agreements		
Financial assets at fair value through profit and loss	$ 1,149,309	$ 1,152,122
Discounted note	5,033,213	5,142,279
Available-for-sale financial assets	31,460,361	29,495,048
Held-to-maturity financial assets	22,931,459	21,459,092
Debt instruments with no active market	5,492,017	5,143,713

2) Transfers of financial assets that qualify for derecognition

In 2014, Fubon Bank (China) sold nonperforming loans of $2,303,249 thousand, which had a carrying amount of $2,029,649 thousand. The selling price was $2,051,174 thousand, and Fubon Bank (China) issued a commitment letter as guarantee of its continuing involvement in the transferred assets within a certain amount of the sale of the nonperforming loans. Under this transaction, Fubon Bank (China) neither transferred nor retained substantially all the risks and rewards of ownership of the financial assets. Thus, Fubon Bank (China) continued to recognize the transferred assets to the extent of its continuing involvement and recognized the associated liabilities which it could be required to repay (included in other financial liabilities). As the transferee has transferred the nonperforming loans to a third party since the year ended December 31, 2016, Fubon Bank (China) no longer provides augmented commitment and ceased to recognize its continuing involvement in the transfer of the assets and related liabilities.

The tables below show the potential financial implication of Fubon Bank (China)'s continuing involvement:

June 30, 2016

Type of Continuing Involvement	Cash Outflows to Repurchase Transferred (Derecognized) Financial Assets	Carrying Amount of Continuing Involvement in the Balance Sheet		Fair Value of Continuing Involvement		Maximum Exposure to Loss
		Other Financial Assets	Other Financial Liabilities	Assets	Liabilities	
Issued commitment letter	$ -	$ 240,806	$ 246,271	$ 246,271	$ 246,271	$ 240,806

Type of Continuing Involvement	Maturity of Continuing Involvement: Less Than 1 Month	1-3 Months	Over 3 Months - 1 Year	Over 1 Year-5 Years	More Than 5 Years
Issued commitment letter	$ -	$ -	$ 126,192	$ 120,079	$ -

g. Offsetting of financial assets and financial liabilities

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

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

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

June 30, 2017

Financial Assets	Recognized Financial Assets - Gross Amount	Netted Financial Liabilities Recognized on the Balance Sheet - Gross Amount	Recognized Financial Assets - Net Amount	Related Amount Not Netted on the Balance Sheet: Financial Instruments (Note 1)	Related Amount Not Netted on the Balance Sheet: Cash Received as Collaterals	Net Amount
Derivative 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
	$ 56,955,213	$ -	$ 56,955,213	$ 48,701,959	$ 3,317,733	$ 4,935,521

Financial Liabilities	Recognized Financial Liabilities - Gross Amount	Netted Financial Assets Recognized on the Balance Sheet - Gross Amount	Recognized Financial Liabilities - Net Amount	Related Amount Not Netted on the Balance Sheet: Financial Instruments (Note 1)	Related Amount Not Netted on the Balance Sheet: Cash Collaterals Pledged	Net Amount
Derivative instruments (Note 2)	$ 34,541,520	$ -	$ 34,541,520	$ 21,601,017	$ 4,300,300	$ 8,640,203
Securities sold under repurchased agreements	71,192,195	-	71,192,195	71,175,038	-	17,157
	$ 105,733,715	$ -	$ 105,733,715	$ 92,776,055	$ 4,300,300	$ 8,657,360

December 31, 2016

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

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

June 30, 2016

Financial Assets	Recognized Financial Assets - Gross Amount	Netted Financial Liabilities Recognized on the Balance Sheet - Gross Amount	Recognized Financial Assets - Net Amount	Related Amount Not Netted on the Balance Sheet: Financial Instruments (Note 1)	Related Amount Not Netted on the Balance Sheet: Cash Received as Collaterals	Net Amount
Derivative 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
	$ 68,856,529	$ -	$ 68,856,529	$ 57,593,630	$ 859,110	$ 10,403,789

Financial Liabilities	Recognized Financial Liabilities - Gross Amount	Netted Financial Assets Recognized on the Balance Sheet - Gross Amount	Recognized Financial Liabilities - Net Amount	Related Amount Not Netted on the Balance Sheet: Financial Instruments (Note 1)	Related Amount Not Netted on the Balance Sheet: Cash Collaterals Pledged	Net Amount
Derivative instruments (Note 2)	$ 61,342,656	$ -	$ 61,342,656	$ 40,889,860	$ 13,161,071	$ 7,291,725
Securities sold under repurchased agreements	62,392,254	-	62,392,254	62,387,666	-	4,588
	$ 123,734,910	$ -	$ 123,734,910	$ 103,277,526	$ 13,161,071	$ 7,296,313

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

Note 2: Including derivative financial assets for hedging.

51. CAPITAL MANAGEMENT

a. Overview

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

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

b. Capital management procedures

The Bank's capital is managed by the planning department in the administrative division under the Bank's Capital Adequacy Management Policy, which was approved by the board of directors. Regulatory capital is calculated in accordance with the "Regulations Governing the Capital Adequacy and Capital Category of Banks," and reported to the authority quarterly. Regulatory capital is classified into net Tier 1 capital (the aggregate amount of net common equity Tier 1 and net additional Tier 1 capital) and net Tier 2 capital. In addition, adjusted items include the change in credit risk of financial liabilities recognize as unrealized gains and losses (where gains should be deducted, and losses should be added back).

1) Net Tier 1 capital

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

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

2) Net Tier 2 capital

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

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

c. Statement of capital adequacy

As of June 30, 2017, the Bank and its subsidiaries had met the authorities' minimum requirements for capital adequacy ratio. Refer to Note 54.

52. RECLASSIFICATIONS

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

	Before Reclassification	After Reclassification
Available-for-sale financial assets	$ 12,052,604	$ -
Held-to-maturity financial assets	-	12,052,604
	$ 12,052,604	$ 12,052,604

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

The carrying amounts and fair values of the reclassified financial assets (excluding those that had been derecognized) as of June 30, 2017, December 31, 2016 and June 30, 2016 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

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

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

a. Asset quality

See Table 1.

b. Concentration of credit extensions

June 30, 2017

Rank (Note 1)	Group Name (Note 2)	Credit Extensions Balance (Note 3)	% to Net Asset Value
1	Group A (petrochemical raw material manufacturing industry)	$ 11,841,154	6.87
2	Group B (LCD and its component manufacturing industry)	8,478,222	4.92
3	Group C (wire and cable manufacturing industry)	7,036,107	4.08
4	Group D (other electronic component manufacturing industry)	6,715,083	3.89
5	Group E (ocean transport industry)	6,161,888	3.57
6	Group F (other electronic component manufacturing industry)	5,839,453	3.39
7	Group G (Passive electronic components manufacturing industry)	5,823,283	3.38
8	Group H (real estate industry)	5,494,754	3.19
9	Group I (iron and steel smelting industry)	5,487,735	3.18
10	Group J (ocean transport industry)	4,993,091	2.90

June 30, 2016

Rank (Note 1)	Group Name (Note 2)	Credit Extensions Balance (Note 3)	% to Net Asset Value
1	Group A (petrochemical raw material manufacturing industry)	$ 10,204,196	5.99
2	Group B (LCD and its component manufacturing industry)	9,601,367	5.64
3	Group C (other electronic component manufacturing industry)	7,908,944	4.64
4	Group D (ocean transport industry)	7,271,754	4.27
5	Group E (iron and steel smelting industry)	7,089,572	4.16
6	Group F (wire and cable manufacturing industry)	6,313,005	3.71
7	Group G (cement manufacturing industry)	6,094,593	3.58
8	Group H (computer manufacturing industry)	6,010,361	3.53
9	Group I (other electronic component manufacturing industry)	5,719,000	3.36
10	Group J (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 any of the above groups, the total amount of credit, endorsement or other transactions of the entire group must be listed and disclosed by code and line of industry. The industry of the Group should be represented by the industry of the entity with the highest risk exposure. The lines of industry should be described in accordance with the Standard Industrial Classification System of the Republic of China published by the Directorate-General of Budget, Accounting and Statistics under the Executive Yuan.

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

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

c. Interest rate sensitivity information

Interest Rate Sensitivity (New Taiwan Dollars)
June 30, 2017

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One 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%

Interest Rate Sensitivity (New Taiwan Dollars)
June 30, 2016

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One 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 included only New Taiwan dollar amounts held by the onshore branches of the Bank (i.e., excluding foreign currency). In compliance with the Central Bank's supervision policies, the above data are prepared for off-site monitoring by the 15th of the next month.

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

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

Note 4: Ratio of interest-rate sensitive assets to liabilities = Interest-rate sensitive assets/Interest-rate sensitive liabilities (New Taiwan dollars).

Interest Rate Sensitivity (U.S. Dollars)
June 30, 2017

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

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	8,251,455	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%)

Interest Rate Sensitivity (U.S. Dollars)
June 30, 2016

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

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	7,114,477	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)
Net 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).

d. Profitability

(%)

Item		For the Six Months Ended June 30, 2017	For the Six Months Ended June 30, 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.

e. Maturity analysis of assets and liabilities

Maturity Analysis of Assets and Liabilities (New Taiwan Dollars)
June 30, 2017

	Total	The Amount for the Remaining Period to Maturity					
		0-10 Days	11-30 Days	31-90 Days	91-180 Days	181-365 Days	Over 1 Year
Main capital inflow on maturity	$ 2,248,001,135	$ 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)

Maturity Analysis of Assets and Liabilities (New Taiwan Dollars)
June 30, 2016

	Total	The Amount for the Remaining Period to Maturity					
		0-10 Days	11-30 Days	31-90 Days	91-180 Days	181-365 Days	Over 1 Year
Main capital inflow on maturity	$ 2,131,418,583	$ 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 values of assets and liabilities held by the Bank and denominated in New Taiwan dollars.

Maturity Analysis of Assets and Liabilities (U.S. Dollars)
June 30, 2017

(In Thousands of U.S. Dollars)

	Total	The Amount for the Remaining Period to Maturity				
		0-30 Days	31-90 Days	91-180 Days	181-365 Days	Over 1 Year
Capital inflow on maturity	$ 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)

Maturity Analysis of Assets and Liabilities (U.S. Dollars)
June 30, 2016

(In Thousands of U.S. Dollars)

	Total	The Amount for the Remaining Period to Maturity				
		1-30 Days	31-90 Days	91-180 Days	181-365 Days	Over 1 Year
Capital inflow on maturity	$ 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 values of assets and liabilities held by the Bank and denominated in U.S. dollars.

54. STATEMENT OF CAPITAL ADEQUACY

Analysis		Year (Note 2)	June 30, 2017		December 31, 2016		June 30, 2016	
			Consolidation	Standalone	Consolidation	Standalone	Consolidation	Standalone
Regulatory capital	Net common equity Tier 1 capital		$ 165,119,770	$ 154,395,465	$ 168,290,036	$ 157,727,665	$ 163,426,455	$ 152,527,644
	Net additional Tier 1 capital		1,603,763	-	1,576,820	-	1,670,463	-
	Net Tier 2 capital		36,116,744	21,952,471	37,409,698	22,925,960	41,575,932	26,243,096
	Regulatory 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
		Advanced 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
Total capital adequacy ratio			13.01%	13.25%	13.98%	14.40%	13.53%	13.91%
Common equity Tier 1 ratio			10.59%	11.60%	11.35%	12.57%	10.70%	11.86%
Tier 1 capital ratio			10.69%	11.60%	11.46%	12.57%	10.81%	11.86%
Leverage ratio			6.26%	6.52%	6.66%	7.09%	6.42%	6.86%

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

Note 2: The formula:

1) Regulatory capital = Net common equity Tier 1 capital + Net additional Tier 1 capital + Net Tier 2 capital.

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

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

4) Common equity Tier 1 ratio = Net common equity Tier 1 capital/Total risk-weighted assets.

5) Tier 1 capital ratio = (Net common equity Tier 1 capital + Net additional Tier 1 capital)/Total risk-weighted assets.

6) Leverage ratio = Net Tier 1 capital/Exposure measurement.

55. SEGMENT INFORMATION

The segment information reported to the chief operating decision maker for assessment of segment performance focuses on the nature of business operations and pretax profit or loss.

The accounting standards and policies mentioned in Note 4 to the consolidated financial statements apply to all the business segments. Under IFRS 8 "Operating Segments," the Bank and its subsidiaries report the following:

a. Personal finance group: Responsible for wealth management, trust and consumer finance business, etc.

b. Corporate banking group: Responsible for corporate and investment banking, financial markets and public treasury, etc.

c. Overseas subsidiary: On the business operations of the Bank's subsidiary, Fubon Bank (China).

d. Others: Except for the above segments, the other business segments.

The Bank and its subsidiary's information on segment revenue and operating results is as follows:

Segment Revenue and Operating Results

For the six months ended June 30, 2017

	Personal Finance	Corporate Banking	Overseas Subsidiary	Others	Total
Net interest income	$ 4,066,716	$ 5,345,704	$ 1,878,825	$ (20,286)	$ 11,270,959
Net interest income (external)	2,540,923	6,800,005	1,932,804	(2,773)	11,270,959
Inter-segment revenues (expenses)	1,525,793	(1,454,301)	(53,979)	(17,513)	-
Net non-interest income	5,275,028	4,277,041	1,603	359,625	9,913,297
Net revenue	$ 9,341,744	$ 9,622,745	$ 1,880,428	$ 339,339	$ 21,184,256
Net profit (loss) before income tax	$ 3,582,009	$ 6,399,555	$ 509,161	$ (453,125)	$ 10,037,600

For the six months ended June 30, 2016

	Personal Finance	Corporate Banking	Overseas Subsidiary	Others	Total
Net interest income	$ 3,270,814	$ 5,516,884	$ 2,755,413	$ 159,088	$ 11,702,199
Net interest income (external)	2,011,318	6,744,192	2,771,744	174,945	11,702,199
Inter-segment revenues (expenses)	1,259,496	(1,227,308)	(16,331)	(15,857)	-
Net non-interest income	5,726,658	4,059,058	546,412	(383,750)	9,948,378
Net revenue	$ 8,997,472	$ 9,575,942	$ 3,301,825	$ (224,662)	$ 21,650,577
Net profit (loss) before income tax	$ 3,671,432	$ 6,284,823	$ 1,694,123	$ (876,360)	$ 10,774,018

56. ADDITIONAL DISCLOSURES

a. Significant transaction information and b. investees:

1) Financing provided: Not applicable.

2) Endorsement/guarantee provided: Not applicable.

3) Marketable securities held: Not applicable.

4) Marketable securities acquired and disposed of at costs or prices of at least NT$300 million or 10% of the paid-in capital (the Bank disclosed its investments acquired or disposed of): None.

5) Acquisition of individual real estates at costs of at least NT$300 million or 10% of the paid-in capital: None.

6) Disposal of individual real estates at costs of at least NT$300 million or 10% of the paid-in capital: Table 2.

7) Allowance of service fees to related parties amounting to at least NT$5 million: None.

8) Receivables from related parties amounting to at least NT$300 million or 10% of the paid-in capital: Table 3.

9) Sale of nonperforming loans: None.

10) Financial asset securitization: None.

11) Other significant transactions which may affect the decisions of users of financial reports: None.

12) The related information and proportionate share in investees: Table 5.

13) Derivative transactions: Note 8.

c. Information on investment in mainland China: Table 6.

d. Business relationship and significant transactions among the parent company and subsidiaries: Table 4.

TAIPEI FUBON COMMERCIAL BANK CO., LTD.

OVERDUE LOANS AND RECEIVABLE
JUNE 30, 2017 AND 2016
(In Thousands of New Taiwan Dollars, %)

Item			June 30, 2017					June 30, 2016				
			Nonperforming Loans (NPL) (Note 1)	Total Loans	NPL Ratio (Note 2)	Loan Loss Reserves (LLR)	Coverage Ratio (Note 3)	Nonperforming Loans (NPL) (Note 1)	Total Loans	NPL Ratio (Note 2)	Loan Loss Reserves (LLR)	Coverage Ratio (Note 3)
Corporate loans	Secured		$ 711,369	$ 154,189,657	0.46%	$ 1,982,479	278.69%	$ 851,171	$ 144,511,020	0.59%	$ 1,887,774	221.79%
	Unsecured		1,089,499	391,007,127	0.28%	5,187,756	476.16%	944,229	459,811,061	0.21%	5,177,024	548.28%
Consumer finance	Mortgage (Note 4)		292,058	389,831,431	0.07%	5,803,287	1,987.03%	140,465	357,957,044	0.04%	5,318,848	3,786.60%
	Cash card		21	4,121	0.51%	81	385.71%	-	6,111	-	120	-
	Microcredit (Note 5)		54,080	19,242,330	0.28%	228,705	422.90%	39,869	15,330,078	0.26%	180,800	453.49%
	Other (Note 6)	Secured	131,069	160,454,967	0.08%	1,714,120	1,307.80%	109,575	142,768,171	0.08%	1,527,140	1,393.69%
		Unsecured	45,672	35,490,429	0.13%	369,525	809.08%	42,936	34,364,594	0.12%	356,890	831.21%
Total			2,323,768	1,150,220,062	0.20%	15,285,953	657.81%	2,128,245	1,154,748,079	0.18%	14,448,596	678.90%
			Overdue Receivables	Receivables	Delinquency Ratio	Allowance for Credit Loss	Coverage Ratio (Note 3)	Overdue Receivables	Receivables	Delinquency Ratio	Allowance for Credit Loss	Coverage Ratio (Note 3)
Credit card			42,519	36,804,190	0.12%	219,652	516.60%	47,145	31,189,169	0.15%	218,584	463.64%
Accounts receivable - factoring with no recourse (Note 7)			-	12,383,695	-	145,508	-	-	13,510,332	-	154,906	-
Excluded NPL as a result of debt negotiations and loan agreements (Note 8)			93,723					139,256				
Excluded overdue receivables as a result of debt negotiations and loan agreements (Note 8)			146,255					207,911				
Excluded NPL as a result of consumer debt clearance (Note 9)			295,566					285,027				
Excluded overdue receivables as a result of consumer debt clearance (Note 9)			464,788					502,590				

Note 1: These are the reported overdue loans as defined in the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/Nonaccrual Loans" issued by the Ministry of Finance. For credit cards, overdue receivables are subject to the Banking Bureau's regulations dated July 6, 2005 (Ref. No. 0944000378).

Note 2: For loans, NPL ratio = NPL/Total loans.
For credit cards, delinquency ratio = Overdue receivables/Accounts receivable.

Note 3: For loans, coverage ratio = LLR/NPL.
For credit cards, coverage ratio = Allowance for credit losses/Overdue receivables.

Note 4: Household mortgage refers to loans granted for the purchase, construction or repair of the residence owned by the borrower or the borrower's spouse or children, and the residence is used to secure the loan fully.

Note 5: Microcredits are subject to the Banking Bureau's regulations dated December 19, 2005 (Ref. No. 09440010950).

Note 6: Other consumer loans refer to secured or unsecured loans excluding mortgages, cash cards, microcredits, and credit cards.

Note 7: Under the Banking Bureau's requirements in its letter dated July 19, 2005 (Ref. No. 094000494), an allowance for bad debts should be recognized once no compensation is obtained from a factoring or insurance company for accounts receivable-factoring with no recourse.

Note 8: The disclosure of excluded NPLs and excluded overdue receivables resulting from debt negotiations and loan agreements are based on the Banking Bureau's requirement dated April 25, 2006 (Ref. No. 09510001270).

Note 9: The disclosure of excluded NPLs and excluded overdue receivables resulting from consumer debt clearance is based on the Banking Bureau's requirement dated September 15, 2008 (Ref. No. 09700318940) and September 20, 2016 (Ref. No. 10500134790).

TABLE 2

TAIPEI FUBON COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

DISPOSAL OF PROPERTY AND EQUIPMENT AMOUNTING TO AT LEAST NT$300 MILLION OR 10% OF THE ISSUED CAPITAL
FOR THE SIX MONTHS ENDED JUNE 30, 2017
(In Thousands of New Taiwan Dollars)

Company Name	Property and Equipment	Occurrence Date	Acquisition Date	Carrying Amount	Transaction Amount	Collection of Price	Gain or Loss on Disposal	Counterparty	Relationship	Disposal Purpose	Price Decision Reference	Other Agreement
Taipei Fubon Commercial Bank Co., Ltd.	Fuxing Branch (1F and 3F-2, No. 234, Fuxing N. Rd., Zhongshan Dist., Taipei; 2F-2, No. 90, Sec. 3, Minsheng E. Rd.; B1, No. 92, Sec. 3, Minsheng E. Rd.; and B1, No. 6, Ln. 88, Sec. 3, Minsheng E. Rd.)	2017.03.22	1987.06.06, 1990.04.28	$ 158,175	$ 588,000	Full collection as of April 25, 2017	$ 429,825	Fubon Asset Management Co., Ltd.	Subsidiary of Fubon Financial Holdings Co., Ltd.	Assets activation to avoid building idle or low utilization	Transaction analysis report of Savills plc real estate appraiser office and Euro-Asia real estate appraiser joint office	None

TAIPEI FUBON COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$300 MILLION OR 10% OF THE ISSUED CAPITAL
JUNE 30, 2017
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Receivable Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
Taipei Fubon Commercial Bank Co., Ltd.	Fubon Financial Holdings Co., Ltd. (FFH)	Parent company	$ 574,231 (Note)	Not applicable	None	Not applicable	None	None
	Fubon Life Insurance Co., Ltd.	Subsidiary of FHH	715,767	Not applicable	None	Not applicable	None	None

Note: The amount refers to a linked-tax system receivable (included in current tax assets).

TABLE 4

TAIPEI FUBON COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

RELATED-PARTY TRANSACTIONS
FOR THE SIX MONTHS ENDED JUNE 30, 2017
(In Thousands of New Taiwan Dollars)

No. (Note 1)	Transaction Company	Counter-party	Flow of Transactions (Note 2)	Description of Transactions			
				Financial Statement Account	Transaction Amount	Transaction Item	Percentage to Consolidated Revenue/Assets (Note 3)
0	TAIPEI FUBON COMMERCIAL BANK Co., Ltd. (the "Bank")	Fubon Bank (China)	a	Cash and cash equivalents	$ 108,627	Note 4	-
		Fubon Bank (China)	a	Other financial assets	2,912	Note 4	-
		Fubon Bank (China)	a	Due from the Central Bank and call loans to other bank	7,598,675	Note 4	0.31
		Fubon Bank (China)	a	Financial assets at fair value through profit or loss	270	Note 4	-
		Fubon Bank (China)	a	Receivables, net	40,950	Note 4	-
		Fubon Bank (China)	a	Held-to-maturity financial assets	1,321,425	Note 4	0.05
		Fubon Bank (China)	a	Interest income	53,979	Note 4	0.25
		Fubon Bank (China)	a	Due to the Central Bank and other banks	12	Note 4	-
		Fubon Bank (China)	a	Net revenues other than interest	986	Note 4	-
1	Fubon Bank (China)	TAIPEI FUBON COMMERCIAL BANK Co., Ltd.	b	Due to the Central Bank and other banks	7,710,214	Note 4	0.31
		TAIPEI FUBON COMMERCIAL BANK Co., Ltd.	b	Financial liabilities at fair value through profit or loss	270	Note 4	-
		TAIPEI FUBON COMMERCIAL BANK Co., Ltd.	b	Payables	40,950	Note 4	-
		TAIPEI FUBON COMMERCIAL BANK Co., Ltd.	b	Deposits from the Central Bank and banks	1,321,425	Note 4	0.05
		TAIPEI FUBON COMMERCIAL BANK Co., Ltd.	b	Interest expense	53,979	Note 4	0.25
		TAIPEI FUBON COMMERCIAL BANK Co., Ltd.	b	Cash and cash equivalents	12	Note 4	-
		TAIPEI FUBON COMMERCIAL BANK Co., Ltd.	b	Other operating expenses	986	Note 4	-

Note 1: The Parent company and subsidiaries are numbered as follows:

a. Parent: 0.
b. Subsidiaries are numbered sequentially from 1.

Note 2: The flow of transactions among related parties is as follows:

a. Parent company to subsidiary.
b. Subsidiary to parent company.
c. Between subsidiaries.

Note 3: For calculating the percentages, the asset or liability account is divided by total consolidated assets, and the revenue or expense account is divided by the total consolidated net revenue of the period.

Note 4: For the transactions between the Bank and related parties, the terms are similar to those transacted with unrelated parties.

Note 5: The transactions and balances above had been eliminated in the preparation of consolidated financial statement.

TAIPEI FUBON COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEES
JUNE 30, 2017
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Percentage of Ownership	Carrying Amount	Investment Gain (Loss)	Consolidated Investment				Note
							Shares (Thousands)	Imitated Shares	Total: Shares (Thousands)	Total: Percentage of Ownership	
TAIPEI FUBON COMMERCIAL BANK Co., Ltd.	Financial-related										
	Taipei Foreign Exchange Inc.	Taipei	Foreign exchange market maker	3.94	$ 7,800	$ 3,120	780	-	780	3.94	Note 2
	Taiwan Futures Exchange Corporation	Taipei	Futures exchange and settlement	1.26	25,250	-	8,652	-	8,652	2.83	
	Taiwan Asset Management Corporation	Taipei	Evaluating, auctioning, and managing financial institutions' loans	1.70	225,000	18,060	22,500	-	22,500	1.70	Note 2
	Taiwan Financial Asset Service Co., Ltd.	Taipei	Auction	5.88	100,000	-	10,000	-	10,000	5.88	
	Financial Information Service Co., Ltd.	Taipei	Planning and developing the information systems of banking institutions and managing the information web system	2.28	91,000	-	11,876	-	11,876	2.28	
	Sunny Asset Management Corporation	Taipei	Purchasing for financial institutions' loan assets	8.39	5,031	586	503	-	503	8.39	Note 2
	Fubon Bank (China)	China	Banking	51.00	20,809,414	122,749	-	-	-	100.00	Note 1
	Taiwan Mobile Payment Co., Ltd.	Taipei	Mobile payment and business	3.00	18,000	-	1,800	-	1,800	3.00	
	Non-financial related										
	Fubon Real Estate Management Co., Ltd.	Taipei	Investigation, consultation, management and real estate evaluation of construction plans	30.00	111,626	5,744	6,964	-	6,964	30.00	Note 1
	Taipei Rapid Transit Corporation	Taipei	Public transportation	-	100	-	13	-	13	-	
	Taiwan Power Company	Taipei	Management of power facilities	-	1,830	-	374	-	374	-	
	Easy Card Investment Holding Co., Ltd.	Taipei	Issue and research of IC card	4.91	47,500	-	5,108	-	5,108	4.91	
	Taiwan High Speed Rail Corporation	Taipei	Management of high speed rail	0.36	516,065	-	147,516	-	147,516	2.63	
	Taiwan Aerospace Corp.	Taipei	Aerospace industry	1.25	17,000	-	3,400	-	3,400	2.50	
	Ascentek Venture Capital Corp.	Kaohsiung	Venture capital investment	4.28	15,680	-	1,568	-	1,568	4.28	
	P.K. Venture Capital Investment Corp.	Taipei	Venture capital investment	5.00	-	-	241	-	241	5.00	
	Pacific Venture Capital Co., Ltd.	Taipei	Venture capital investment	5.12	730	210	57	-	57	10.24	Note 2

Note 1: The investment gain (loss) was based on the investee's audited financial statements for the six months ended June 30, 2017.

Note 2: The investment gain (loss) was the cash dividends recognized for the six months ended June 30, 2017.

TAIPEI FUBON COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

INFORMATION ON THE INVESTMENT IN MAINLAND CHINA
FOR THE SIX MONTHS ENDED JUNE 30, 2017
(In Thousands of New Taiwan Dollars, Unless stated otherwise)

Investee Company Name	Main Businesses and Products	Paid-in Capital (Note 1)	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2017	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of June 30, 2017	Net Income (Loss) of the Investee (Note 1)	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of June 30, 2017	Accumulated Repatriation of Investment Income as of June 30, 2017	Note
					Outward	Inward							
Fubon Bank (China)	Banking	$ 9,422,070 (RMB 2,100,000)	Direct investment in mainland China	$ 20,258,298	$ -	$ -	$ 20,258,298	$ 413,323 (RMB 92,528)	51	$ 122,749	$ 20,809,414	$ 107,737	

Accumulated Outward Remittance for Investment in Mainland China as of June 30, 2017 (Note 1)	Investment Amounts Authorized by Investment Commission, MOEA (Notes 1 and 2)	Upper Limit on the Amount of Investment, as Stipulated by Investment Commission, MOEA
$ 20,258,298 (RMB 4,093,113)	$ 20,258,298 (RMB 4,093,113)	$103,451,498

Note 1: The foreign currency of paid-in capital and net income is converted into New Taiwan dollars at the exchange rate on June 30, 2017 and the average exchange rate for the first half of 2017, respectively.

Note 2: Based on Rule No. 10300002750 approved by the Investment Commission under the Ministry of Economic Affairs on January 6, 2014, the authorized investment amount is US$743,500 thousand (RMB4,093,113 thousand).

Note 3: The amounts were accumulated from the start date of the investment to the end of the period.