TAIPEI FUBON COMMERCIAL BANK Co., Ltd. and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2017 and 2016 and Independent Auditors' Report

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The Bank and its subsidiaries required to be included in the consolidated financial statements of affiliates in accordance with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" for the year ended December 31, 2017 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard 10 "Consolidated Financial Statements". Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we do not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

TAIPEI FUBON COMMERCIAL BANK CO., LTD.

March 21, 2018

Deloitte.

勤業眾信

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying consolidated balance sheets of TAIPEI FUBON COMMERCIAL BANK Co., Ltd. (the "Bank") and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2017 and 2016, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 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 December 31, 2017 and 2016, and its consolidated financial performance and consolidated cash flows for the years ended December 31, 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 Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 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 year ended December 31, 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 to the consolidated financial statements for the accounting policies on the impairment of goodwill. Refer to Note 5b 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. For cash flow forecasting, we assess the suitability of the forecasting method and discount rate used by the management of the group and compare the discount rate with external information

2. We consider whether there is a significant difference between the actual operations after the relevant business combination and the expected benefits at the time of acquisition to assess the accuracy of the estimates from management in the past, and we determine whether the disclosures in the consolidated financial statements are appropriate.

Other Matter

We have also audited the financial statements of TAIPEI FUBON COMMERCIAL BANK Co., Ltd. as of and for the years ended December 31, 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 International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 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

March 21, 2018

<u>*Notice to Readers*</u>

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally 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
DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	2017		2016	
ASSETS	**Amount**	**%**	**Amount**	**%**
CASH AND CASH EQUIVALENTS (Notes 4, 6 and 44)	$ 73,322,570	3	$ 36,229,901	1
DUE FROM THE CENTRAL BANK AND CALL LOANS TO OTHER BANKS (Notes 6, 7, 44 and 45)	214,380,612	8	267,038,962	11
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 8, 16, 26, 44 and 45)	89,357,907	3	117,169,754	5
DERIVATIVE FINANCIAL ASSETS FOR HEDGING (Notes 4 and 9)	1,048,870	-	412,743	-
SECURITIES PURCHASED UNDER RESELL AGREEMENTS (Notes 4, 6, 10 and 44)	15,434,688	1	27,504,918	1
RECEIVABLES, NET (Notes 4, 11, 19 , 44 and 45)	81,322,909	3	70,389,749	3
CURRENT TAX ASSETS (Notes 4, 42 and 44)	180,788	-	483,141	-
DISCOUNTS AND LOANS, NET (Notes 4, 12, 19 ,26 and 44)	1,383,754,626	52	1,289,861,011	53
AVAILABLE-FOR-SALE FINANCIAL ASSETS, NET (Notes 4, 9, 13, 16, 26, 44 and 45)	206,092,702	8	147,580,340	6
HELD-TO-MATURITY FINANCIAL ASSETS (Notes 4, 14, 16, 26 and 45)	464,839,186	17	354,395,498	15
INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Notes 4 and 17)	107,775	-	120,653	-
OTHER FINANCIAL ASSETS, NET (Notes 4, 18, 19, 26 and 45)	97,095,993	4	50,739,011	2
PROPERTY AND EQUIPMENT, NET (Notes 4 and 20)	19,565,417	1	20,382,900	1
INVESTMENT PROPERTIES (Notes 4 and 21)	2,890,900	-	2,641,500	-
INTANGIBLE ASSETS, NET (Notes 4 and 22)	15,292,382	-	15,779,137	1
DEFERRED TAX ASSETS (Notes 4 and 42)	1,108,825	-	977,922	-
OTHER ASSETS (Notes 23 and 44)	5,872,118	-	12,518,491	1
TOTAL ASSETS	$ 2,671,668,268	100	$ 2,414,225,631	100
LIABILITIES AND EQUITY				
DEPOSITS FROM THE CENTRAL BANK AND BANKS (Notes 24 and 44)	$ 130,965,514	5	$ 75,575,504	3
DUE TO THE CENTRAL BANK AND BANKS (Note 25)	5,386,206	-	7,081,137	-
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 8 and 44)	28,070,893	1	68,434,376	3
DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING (Notes 4 and 9)	1,369,923	-	1,239,999	-
SECURITIES SOLD UNDER REPURCHASE AGREEMENTS (Notes 4, 26 and 44)	98,025,575	4	61,440,929	3
PAYABLES (Notes 27 and 44)	37,044,289	1	31,463,332	1
CURRENT TAX LIABILITIES (Notes 4, 42 and 44)	1,160,454	-	2,304,803	-
DEPOSITS AND REMITTANCES (Notes 28 and 44)	2,067,918,093	78	1,877,777,666	78
BANK DEBENTURES (Notes 9 and 29)	75,096,956	3	64,651,203	3
OTHER FINANCIAL LIABILITIES (Notes 30 and 44)	17,770,717	1	21,691,631	1
PROVISIONS (Notes 4, 19, 31 and 32)	2,700,932	-	2,409,680	-
DEFERRED TAX LIABILITIES (Notes 4 and 42)	982,676	-	894,890	-
OTHER LIABILITIES (Notes 33 and 44)	6,744,415	-	5,852,784	-
Total liabilities	2,473,236,643	93	2,220,817,934	92
EQUITY (Notes 4 and 34)				
Attributable to owners of the Bank				
Capital stock				
Common stock	106,518,023	4	106,518,023	4
Capital surplus	14,800,927	1	14,800,927	1
Retained earnings				
Legal reserve	39,699,723	1	35,386,771	1
Special reserve	2,672,022	-	2,652,074	-
Unappropriated earnings	16,604,927	1	14,376,505	1
Total retained earnings	58,976,672	2	52,415,350	2
Other equity	(331,089)	-	900,172	-
Total equity attributable to owners of the Bank	179,964,533	7	174,634,472	7
Non-controlling interests	18,467,092	-	18,773,225	1
Total equity	198,431,625	7	193,407,697	8
TOTAL LIABILITIES AND EQUITY	$ 2,671,668,268	100	$ 2,414,225,631	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
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
NET INTEREST INCOME (Notes 4, 35 and 44)					
Interest income	$ 45,934,316	108	$ 42,709,222	105	8
Interest expense	(22,381,911)	(53)	(19,855,178)	(49)	13
Total net interest income	23,552,405	55	22,854,044	56	3
NET NON-INTEREST INCOME (Note 4)					
Service fee income, net (Notes 36 and 44)	11,232,484	26	11,996,327	29	(6)
Gains on financial assets and liabilities at fair value through profit or loss (Notes 8, 37 and 44)	5,642,490	13	3,231,694	8	75
Realized gains on available-for-sale financial assets (Notes 34 and 38)	1,578,190	4	825,655	2	91
Foreign exchange (losses) gains, net	(183,320)	-	1,215,914	3	(115)
Impairment losses on assets (Notes 18, 20 and 21)	(4,502)	-	-	-	-
Share of profit of associates accounted for using the equity method (Note 17)	7,896	-	8,171	-	(3)
Net gain on disposal of property (Note 44)	629,978	2	238,235	1	164
Other non-interest income, net (Notes 21 and 44)	177,545	-	302,269	1	(41)
Total net non-interest income	19,080,761	45	17,818,265	44	7
TOTAL NET REVENUES	42,633,166	100	40,672,309	100	5
ALLOWANCE FOR DOUBTFUL ACCOUNTS AND GUARANTEES (Notes 4, 19 and 44)	(2,183,045)	(5)	(1,372,262)	(3)	59
OPERATING EXPENSES (Notes 4, 32, 39, 40, 41 and 44)					
Employee benefits	(11,895,854)	(28)	(11,603,212)	(29)	3
Depreciation and amortization	(1,787,317)	(4)	(1,716,053)	(4)	4
Other general and administrative	(7,504,726)	(18)	(7,662,061)	(19)	(2)
Total operating expenses	(21,187,897)	(50)	(20,981,326)	(52)	1

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TAIPEI FUBON COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
INCOME BEFORE INCOME TAX	$ 19,262,224	45	$ 18,318,721	45	5
INCOME TAX EXPENSE (Notes 4 and 42)	(2,331,524)	(5)	(3,046,975)	(7)	(23)
NET INCOME FOR THE YEAR	16,930,700	40	15,271,746	38	11
OTHER COMPREHENSIVE INCOME (LOSS)					
Items that will not be reclassified subsequently to profit or loss:					
Remeasurement of defined benefit plans (Note 32)	(208,015)	-	(108,252)	-	92
Gains on property revaluation (Note 34)	157,165	-	-	-	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 42)	29,228	-	18,403	-	59
	(21,622)	-	(89,849)	-	(76)
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations (Note 34)	(1,321,577)	(3)	(3,929,204)	(10)	(66)
Unrealized (losses) gains on available-for-sale financial assets (Note 34)	(636,995)	(2)	537,819	1	(218)
Share of other comprehensive loss of associates accounted for using the equity method (Notes 17 and 34)	(13,810)	-	(7,560)	-	83
Income tax relating to items that may be reclassified subsequently to profit or loss (Note 42)	130,837	-	12,492	-	947
	(1,841,545)	(5)	(3,386,453)	(9)	(46)
Other comprehensive income (loss) for the year, net of income tax	(1,863,167)	(5)	(3,476,302)	(9)	(46)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 15,067,533	35	$ 11,795,444	29	28

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TAIPEI FUBON COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016		Percentage Increase (Decrease)
	Amount	**%**	**Amount**	**%**	**%**
NET INCOME ATTRIBUTABLE TO					
Owners of the Bank	$ 16,777,580	39	$ 14,466,354	36	16
Non-controlling interests	153,120	1	805,392	2	(81)
	$ 16,930,700	40	$ 15,271,746	38	11
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO					
Owners of the Bank	$ 15,373,666	36	$ 12,571,902	31	22
Non-controlling interests	(306,133)	(1)	(776,458)	(2)	(61)
	$ 15,067,533	35	$ 11,795,444	29	28
EARNINGS PER SHARE (NEW TAIWAN DOLLARS) (Note 43)					
Basic	$ 1.58		$ 1.36		

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

TAIPEI FUBON COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Bank											
	Capital Stock (Note 34)			Retained Earnings (Notes 4 and 34)				Other Equity (Notes 4 and 34)				
	Shares (In Thousands)	Common Stock	Capital Surplus (Note 34)	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange Differences on Translation of Foreign Financial Statements	Unrealized Gains or Losses on Available-for-sale Financial Assets	Revaluation Surplus	Non-controlling Interests (Notes 4 and 34)	Total Equity
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 appropriated under Rule No. 10310000140 issued by the FSC	-	-	-	-	99,416	(99,416)	-	-	-	-	-	-
Appropriation of the 2015 earnings												
Legal reserve	-	-	-	5,334,897	-	(5,334,897)	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(3,633,920)	(3,633,920)	-	-	-	-	(3,633,920)
Stock dividends	847,915	8,479,147	-	-	-	(8,479,147)	(8,479,147)	-	-	-	-	-
Net income for the year ended December 31, 2016	-	-	-	-	-	14,466,354	14,466,354	-	-	-	805,392	15,271,746
Other comprehensive income (loss) for the year ended December 31, 2016, net of income tax	-	-	-	-	-	(89,849)	(89,849)	(2,359,982)	555,379	-	(1,581,850)	(3,476,302)
Total comprehensive income (loss) for the year ended December 31, 2016	-	-	-	-	-	14,376,505	14,376,505	(2,359,982)	555,379	-	(776,458)	11,795,444
BALANCE AT DECEMBER 31, 2016	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 reversed 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 year ended December 31, 2017	-	-	-	-	-	16,777,580	16,777,580	-	-	-	153,120	16,930,700
Other comprehensive income (loss) for the year ended December 31, 2017, net of income tax	-	-	-	-	-	(172,653)	(172,653)	(1,074,068)	(308,224)	151,031	(459,253)	(1,863,167)
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	-	16,604,927	16,604,927	(1,074,068)	(308,224)	151,031	(306,133)	15,067,533
BALANCE AT DECEMBER 31, 2017	10,651,803	$ 106,518,023	$ 14,800,927	$ 39,699,723	$ 2,672,022	$ 16,604,927	$ 58,976,672	$ (2,063,045)	$ 1,357,305	$ 374,651	$ 18,467,092	$ 198,431,625

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

TAIPEI FUBON COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 19,262,224	$ 18,318,721
Adjustments for:		
Depreciation expenses	973,534	911,853
Amortization expenses	813,783	804,200
Provision for bad-debt expense	2,209,404	1,406,230
Interest expense	22,381,911	19,855,178
Interest income	(45,934,316)	(42,709,222)
Dividend income	(408,597)	(384,003)
Net change in provision for guarantee liabilities	(26,359)	(33,968)
Net change in other provisions	49,136	111,519
Share of profit of associates accounted for using equity method	(7,896)	(8,171)
Gain on disposal of property and equipment	(611,270)	(218,801)
Gain on disposal of investment property	-	(10,120)
Loss on disposal of intangible assets	655	11,313
Impairment loss of financial assets	4,303	-
Impairment loss of non-financial assets	199	-
(Gain) loss on fair value adjustment of investment property	(18,669)	36,800
Other adjustments	(4,447)	(2,110)
Changes in operating assets and liabilities		
Decrease (increase) in due from the Central Bank and call loans to other banks	52,659,706	(26,742,149)
Decrease in financial assets at fair value through profit or loss	27,811,847	13,474,664
(Increase) decrease in receivables	(9,552,642)	11,207,166
(Increase) decrease in discounts and loans	(95,864,946)	63,347,436
Increase in available-for-sale financial assets	(59,311,328)	(21,256,750)
Increase in held-to-maturity financial assets	(110,443,688)	(65,664,842)
Increase in other financial assets	(45,757,378)	(10,175,294)
Decrease in other assets	6,754,247	21,562,129
Increase (decrease) in deposits from the Central Bank and banks	55,390,010	(51,825,784)
Decrease in financial liabilities at fair value through profit or loss	(40,363,483)	(11,526,146)
Increase (decrease) in securities sold under repurchase agreements	36,584,646	(7,966,969)
Increase in payables	4,573,286	2,121,106
Increase in deposits and remittances	190,140,427	64,422,084
Decrease in other financial liabilities	(3,920,914)	(5,558,116)
Increase (decrease) in provisions for employee benefits	61,639	(264,800)
Increase in other liabilities	892,923	1,825,835
Cash provided by (used in) operations	8,337,947	(24,931,011)
Interest received	44,504,882	42,177,704
Dividends received	415,561	389,575
Interest paid	(20,691,852)	(19,829,756)
Income tax paid	(3,056,572)	(2,700,722)
Net cash generated from (used in) operating activities	29,509,966	(4,894,210)

(Continued)

TAIPEI FUBON COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	2017	2016
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets measured at cost	$ (476,028)	$ -
Proceeds from capital reduction of financial assets at cost	-	1,040
Acquisition of property and equipment	(1,874,885)	(1,848,586)
Proceeds from disposal of property and equipment	1,727,824	474,788
Acquisition of intangible assets	(218,643)	(201,254)
Proceeds from disposal of investment property	-	44,820
Net cash used in investing activities	(841,732)	(1,529,192)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in due to the Central Bank and banks	-	2,503,526
Decrease in due to the Central Bank and banks	(1,694,931)	-
Proceeds from issuing bank debentures	25,307,026	6,408,421
Repayments of bank debentures	(14,310,057)	(4,050,000)
Cash dividends paid	(10,043,605)	(3,633,920)
Net cash (used in) generated from financing activities	(741,567)	1,228,027
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(2,902,872)	(2,530,942)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	25,023,795	(7,726,317)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	137,446,737	145,173,054
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 162,470,532	$ 137,446,737

Reconciliation of the amounts in the consolidated statements of cash flows with the equivalent items reported in the consolidated balance sheets as of December 31, 2017 and 2016:

	December 31	
	2017	2016
Cash and cash equivalents in consolidated balance sheets	$ 73,322,570	$ 36,229,901
Due from the Central Bank and call loans to other banks qualifying for cash and cash equivalents under the definition of IAS 7	73,713,274	73,711,918
Securities purchased under resell agreements qualifying for cash and cash equivalents under the definition of IAS 7	15,434,688	27,504,918
Cash and cash equivalents in consolidated statements of cash flows	$ 162,470,532	$ 137,446,737

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 December 31, 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 December 31, 2017, Fubon Bank (China) had its headquarters and 25 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 March 21, 2018.

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, 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 and the amendments to IFRS 9 for early adoption 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
Amendments to IFRS 9 "Prepayment Features with Negative Compensation"	January 1, 2019 (Note 3)
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.

Note 3: The amendments to IFRS 9 are not yet endorsed by the FSC; however, the FSC permits that entities may elect to early adopt the amendments starting from 2018.

IFRS 9 "Financial Instruments" and related amendments

Classification, 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:

1) 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;

2) 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 elect to early adopt the amendments to IFRS 9 "Prepayment Features with Negative Compensation" when it first applies IFRS 9. The amendments stipulated that for the purpose of assessing whether contractual cash flows are solely payments of principal and interest on the principal amount outstanding, the prepayment amount of a contractual term may include reasonable compensation that shall be paid or received by either of the parties, i.e. a party may receive reasonable compensation when it chooses to terminate the contract early.

The Bank and its subsidiaries analyzed the facts and circumstances of its financial assets that exist at December 31, 2017 and performed the assessment of the impact of IFRS 9 on the classification and measurement of financial assets. Under IFRS 9:

1) Listed shares classified as available-for-sale and unlisted shares measured at cost will be 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;

2) 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;

3) Debt investments classified as available-for-sale and using hedge accounting will be classified as measured at amortized cost under IFRS 9 because, on initial recognition, the contractual cash flows are solely payments of principal and interest on the principal outstanding and these investments are held within a business model of hedged item whose objective is to collect contractual cash flows;

4) Debt investments classified as held-to-maturity financial assets or debt investments with no active market measured at amortized cost will be classified as measured at amortized cost under IFRS 9 because, on initial recognition, the contractual cash flows 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 contractual cash flows;

5) Discount notes classified as discounts and loans will be classified as at fair value through other comprehensive income under IFRS 9, because, on initial recognition, the contractual cash flows 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 contractual cash flows and selling financial assets.

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

In relation to the financial assets, 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 reporting periods when applying the requirements for the classification, measurement and impairment of financial assets under IFRS 9 with the cumulative effect of the initial application recognized at the date of initial application and will provide the disclosures related to the classification and the adjustment information upon initial application of IFRS 9.

The anticipated impact on assets, liabilities and equity of retrospective application of the requirements for the classification, measurement and impairment of financial assets as of January 1, 2018 is set out below:

Impact on Assets, Liabilities and Equity	**Carrying Amount as of December 31, 2017**	**Adjustments Arising from Initial Application**	**Adjusted Carrying Amount as of January 1, 2018**
Cash and cash equivalents	$ 73,322,570	$ (476)	$ 73,322,094
Financial assets at fair value through profit or loss	89,357,907	463,568	89,821,475
Financial assets at fair value through other comprehensive income	-	157,669,957	157,669,957
Debt instruments measured at amortized cost	-	583,932,074	583,932,074
Receivables, net	81,322,909	(140,874)	81,182,035
Discounts and loans, net	1,383,754,626	(16,877,755)	1,366,876,871
Available-for-sale financial assets, net	206,092,702	(206,092,702)	-
Held-to-maturity financial assets	464,839,186	(464,839,186)	-
Other financial assets, net	97,095,993	(54,966,012)	42,129,981
Deferred tax assets	1,108,825	49,320	1,158,145
Other assets	5,872,118	440,792	6,312,910
Effect on assets	$ 2,402,766,836	$ (361,294)	$ 2,402,405,542

(Continued)

Impact on Assets, Liabilities and Equity	Carrying Amount as of December 31, 2017	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2018
Provision	$ 2,700,932	$ 151,240	$ 2,852,172
Deferred tax liabilities	982,676	(34,385)	948,291
Other liabilities	6,744,415	945,220	7,689,635
Effect on liabilities	$ 10,428,023	$ 1,062,075	$ 11,490,098
Retained earnings	$ 58,976,672	$ (87,734)	$ 58,888,938
Other equity	(331,089)	(1,272,576)	(1,603,665)
Non-controlling interest	18,467,092	(63,059)	18,404,033
Effect on equity	$ 77,112,675	$ (1,423,369)	$ 75,689,306

(Concluded)

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.

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

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Bank and its subsidiaries assessed that application of other standards and interpretations would not have any material impact on the Bank and its subsidiaries' financial position and financial performance.

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 1)
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
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 (Note 2)
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019 (Note 3)
Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures"	January 1, 2019
IFRIC 23 "Uncertainty Over Income Tax Treatments"	January 1, 2019

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

Note 2: On December 19, 2017, the FSC announced that IFRS 16 will take effect starting from January 1, 2019.

Note 3: The Bank and its subsidiaries shall apply these amendments to plan amendments, curtailments of settlements occurring on or after January 1, 2019.

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, as of the date the consolidated financial statements were authorized for issue, the Bank and its subsidiaries continue to evaluate other possible effects of other standards or amendments on 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, the guidelines issued by the authority, and IFRSs as endorsed and issued by the FSC.

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

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, are 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 are 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 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 are expected to benefit from the synergies resulting from the business acquisition.

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

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

Intangible Assets

a. Intangible assets acquired separately

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

b. Intangible assets acquired in a business combination

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

c. Derecognition of intangible assets

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

Impairment of Tangible and Intangible Assets Other than Goodwill

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

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

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

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

Employee Benefits

a. Short-term employee benefits

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

b. Retirement benefits

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

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

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

c. Other long-term employee benefits

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

d. Employee benefit - employees' preferential deposits

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

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

Income Tax

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

a. Current tax

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

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

b. Deferred tax

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

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

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

c. Current and deferred taxes for the year

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

Recognition of Interest Income and Interest Expense

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

Recognition of Service Fee Income and Service Fee Expense

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

	December 31	
	2017	**2016**
Cash on hand	$ 6,420,505	$ 7,092,730
Due from other banks	62,006,437	25,043,723
Notes and checks for clearing	4,895,628	4,093,448
	$ 73,322,570	$ 36,229,901

Refer to the consolidated statements of cash flows for the reconciliation of the amounts in the consolidated statements of cash flows with the equivalent items reported in the consolidated balance sheets as of December 31, 2017 and 2016.

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

	December 31	
	2017	2016
Call loans to banks	$ 117,407,783	$ 140,486,547
Deposit reserves	85,571,233	78,175,024
Due from the Central Bank - others	11,401,596	48,377,391
	$ 214,380,612	$ 267,038,962

Under a directive issued by the Central Bank of China, the New Taiwan dollar ("NTD")-denominated deposit reserves are determined by applying a prescribed percentage to the average monthly balances of customers' NTD-denominated deposits. As of December 31, 2017 and 2016, deposit reserves for checking accounts amounted to $21,746,374 thousand and $17,567,640 thousand, respectively, and the required deposit reserves amounted to $34,658,540 thousand and $32,236,828 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

	December 31	
	2017	2016
Held-for-trading financial assets		
Government bonds	$ 24,038,654	$ 9,384,710
Corporate bonds	19,447,273	11,448,675
Commercial paper	7,197,470	5,790,972
Bank debentures	5,665,506	5,034,816
Others	300,362	350,966
	56,649,265	32,010,139
Derivatives		
Currency swap contracts	17,958,720	48,243,991
Interest rate swap contracts	2,872,162	4,128,133
Cross-currency swap contracts	2,099,560	2,099,997
Forward contracts	1,203,138	1,442,667
Equity swap contracts	1,136,652	766,982
Option contracts	206,783	15,581,180
Others	213,563	231,184
	25,690,578	72,494,134
	82,339,843	104,504,273

(Continued)

	December 31	
	2017	2016
Financial assets designated as at fair value through profit or loss		
Convertible corporate bonds	$ 5,915,972	$ 11,511,540
Credit-linked notes	1,102,092	1,153,941
	7,018,064	12,665,481
	$ 89,357,907	$ 117,169,754
Held-for-trading financial liabilities		
Borrowed bonds	$ -	$ 99,918
Derivatives		
Currency swap contracts	20,385,367	42,108,469
Interest rate swap contracts	2,743,457	3,769,138
Cross-currency swap contracts	2,281,187	2,615,424
Equity swap contracts	1,136,461	766,821
Option contracts	766,410	17,337,813
Forward contracts	731,045	1,696,129
Others	26,966	40,664
	28,070,893	68,334,458
	$ 28,070,893	$ 68,434,376

(Concluded)

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

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

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

	December 31	
	2017	2016
Currency swap contracts	$ 2,994,791,085	$ 3,194,066,410
Interest rate swap contracts	850,840,735	1,046,366,821
Cross-currency swap contracts	118,166,397	164,177,368
Forward contracts	110,355,823	110,716,279
Option contracts	71,651,700	461,500,988
Future contracts	26,644,383	69,837,783
Equity swap contracts	11,114,397	11,403,174
Commodity swap contracts	4,020,236	1,360,045

Gains on financial assets and liabilities at fair value through profit or loss for the years ended December 31, 2017 and 2016 were as follows:

	For the Year Ended December 31	
	2017	2016
Net gain on held-for-trading financial assets and liabilities	$ 5,668,176	$ 2,768,827
Net (loss) gain on financial assets designated as at fair value through profit or loss	(25,686)	462,867
	$ 5,642,490	$ 3,231,694

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

9. DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGING

	December 31	
	2017	2016
Derivative financial assets for hedging		
Fair value hedge - interest rate swap	$ 1,048,870	$ 412,743
Derivative financial liabilities for hedging		
Fair value hedge - interest rate swap	$ 1,369,923	$ 1,239,999

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.

		December 31			
		2017		2016	
Hedged Item	Hedging Instrument	Nominal Amount	Fair Value	Nominal Amount	Fair Value
Bank debentures	Interest rate swap contract	$ 48,328,858	$ (265,408)	$ 34,161,018	$ (609,639)
Available-for-sale financial assets - corporate bonds	Interest rate swap contract	61,471,239	(63,324)	13,622,793	(129,030)
Available-for-sale financial assets - bank debentures	Interest rate swap contract	3,401,059	7,679	12,992,144	(88,587)

Gains (losses) on hedging instruments and hedged items for the years ended December 31, 2017 and 2016 were as follows:

	For the Year Ended December 31	
	2017	2016
Gains (losses) on hedging instruments	$ 672,525	$ (575,549)
Gains on hedged items	$ 294,235	$ 885,121

10. SECURITIES PURCHASED UNDER RESELL AGREEMENTS

	December 31	
	2017	2016
Bank debentures	$ 7,154,617	$ 9,186,877
Commercial paper	3,074,769	9,330,083
Government bonds	2,994,993	1,421,602
Corporate bonds	2,210,309	7,566,356
	$ 15,434,688	$ 27,504,918
Dates of resell agreements	2018.01.02- 2018.01.30	2017.01.03- 2017.02.09
Amounts of resell agreements	$ 16,321,038	$ 27,514,522

11. RECEIVABLES, NET

	December 31	
	2017	2016
Credit card receivables	$ 37,453,670	$ 33,706,231
Accounts receivables - factoring	16,239,837	16,535,416
Acceptances	12,359,200	6,738,913
Interest receivables	9,476,557	8,048,415
Accounts receivable	2,579,432	2,144,570
Accounts receivables and acceptances - forfaiting	1,719,190	1,039,227
Others	2,000,821	2,689,004
	81,828,707	70,901,776
Less: Allowance for credit losses (Note 19)	505,798	512,027
	$ 81,322,909	$ 70,389,749

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

	December 31	
	2017	2016
Discounts and overdrafts	$ 19,363,814	$ 27,370,427
Accounts receivable - financing	2,674,838	3,119,411
Short-term loans	324,984,791	285,415,534
Short-term secured loans	85,465,214	77,755,259
Medium-term loans	248,797,720	239,077,726
Medium-term secured loans	114,646,000	117,925,289
Long-term loans	45,389,548	45,376,948

(Continued)

	December 31	
	2017	2016
Long-term secured loans	$ 555,942,535	$ 503,733,572
Import and export bill negotiation	2,775,266	3,766,579
Nonperforming loans transferred from loans	3,835,277	4,971,107
	1,403,875,003	1,308,511,852
Less: Allowance for credit losses (Note 19)	19,556,583	18,070,150
Less: Adjustments of premium and discount	563,794	580,691
	$ 1,383,754,626	$ 1,289,861,011

(Concluded)

During the years ended December 31, 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

	December 31	
	2017	2016
Corporate bonds	$ 76,647,522	$ 19,731,747
Commercial paper	45,727,555	45,374,817
Bank debentures	42,385,590	43,887,305
Negotiable certificates of deposits	26,333,974	14,713,152
Government bonds	11,324,398	14,846,766
Stocks	2,835,961	5,623,363
Other	1,173,296	3,738,784
	206,428,296	147,915,934
Less: Accumulated impairment loss	335,594	335,594
	$ 206,092,702	$ 147,580,340

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

	December 31 2017	December 31 2016
Negotiable certificates of deposits	$ 297,799,294	$ 209,265,326
Government bonds	74,692,797	82,776,609
Corporate bonds	48,125,277	12,845,505
Bank debentures	41,210,495	45,368,423
Other	3,011,323	4,139,635
	$ 464,839,186	$ 354,395,498

The Bank and its subsidiaries disposed of their bonds investments because of being near maturity or an increase in credit risk in consideration of cost of capital. As of December 31, 2017 and 2016, the cumulative amount of disposal and reclassification during the past three years was $28,204,475 thousand and $18,493,991 thousand, respectively, the cumulative gain on disposal was $17,333 thousand and $15,286 thousand, respectively, the cumulative other comprehensive income from reclassification was $205,938 thousand and $205,938 thousand, and the percentage of the cumulative amount of disposal and reclassification to total amount of held-to-maturity investments was 5.7% and 5%, respectively.

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

15. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements

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

b. Material non-controlling interests

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

Subsidiary	Profit Allocated to Non-controlling Interests For the Year Ended December 31 2017	Profit Allocated to Non-controlling Interests For the Year Ended December 31 2016	Accumulated Non-controlling Interests December 31 2017	Accumulated Non-controlling Interests December 31 2016
Fubon Bank (China)	$ 153,120	$ 805,392	$ 18,467,092	$ 18,773,225

The summarized financial information below represents amounts before intragroup eliminations.

Fubon Bank (China)

	December 31	
	2017	**2016**
Total assets	$ 356,538,200	$ 338,440,655
Total liabilities	(316,959,908)	(298,212,671)
Equity	$ 39,578,292	$ 40,227,984
Equity attributable to:		
Owners of the Bank	$ 21,111,200	$ 21,454,759
Non-controlling interest	18,467,092	18,773,225
	$ 39,578,292	$ 40,227,984

	For the Year Ended December 31	
	2017	**2016**
Total net revenue	$ 4,005,655	$ 5,727,803
Net income for the year	$ 312,490	$ 1,643,657
Other comprehensive income (loss) for the year	(962,182)	(3,391,480)
Total comprehensive income (loss) for the year	$ (649,692)	$ (1,747,823)
Net income attributable to:		
Owners of the Bank	$ 159,370	$ 838,265
Non-controlling interests	153,120	805,392
	$ 312,490	$ 1,643,657
Total comprehensive income (loss) attributable to:		
Owners of the Bank	$ (343,559)	$ (971,365)
Non-controlling interests	(306,133)	(776,458)
	$ (649,692)	$ (1,747,823)
Net cash (outflow) inflow from:		
Operating activities	$ (955,564)	$ (5,725,633)
Investing activities	135,955	(260,578)
Financing activities	(1,577,833)	2,988,429

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

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

	December 31	
	2017	2016
Asset securitization		
Available-for-sale financial assets	$ 463,569	$ 910,780
Held-to-maturity financial assets	400,659	554,884
Financial assets at fair value through profit or loss	300,362	350,966
Trust plan		
Available-for-sale financial assets	137,385	-
	$ 1,301,975	$ 1,816,630

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

c. The Bank and its subsidiaries did not provide any financial support to the unconsolidated structured entity for the years ended December 31, 2017 and 2016.

17. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31			
	2017		2016	
	Amount	%	Amount	%
Associate that is not individually material	$ 107,775	30	$ 120,653	30

Information of associate that is not individually material:

	For the Year Ended December 31	
	2017	2016
The Bank and its subsidiaries' share of:		
Net income	$ 7,896	$ 8,171
Other comprehensive income (loss)	(13,810)	(7,560)
Total comprehensive income (loss) for the year	$ (5,914)	$ 611

The Bank and its subsidiaries' share of profit and other comprehensive income (loss) of the associate for the years ended December 31, 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

	December 31 2017	December 31 2016
Debt instruments with no active markets	$ 53,939,260	$ 37,132,528
Other banks' deposits not qualifying as cash equivalents	42,108,916	13,021,254
Financial assets carried at cost, net	1,026,646	554,921
Nonperforming loans transferred from other than loans	126,413	867,701
Bills purchased	1,233	1,596
	97,202,468	51,578,000
Less: Allowance for credit losses (Note 19)	106,475	838,989
	$ 97,095,993	$ 50,739,011

a. Debt instruments with no active market

	December 31 2017	December 31 2016
Bank debentures	$ 30,552,336	$ 26,102,856
Corporate bonds	23,386,924	11,029,672
	$ 53,939,260	$ 37,132,528

b. Financial assets at cost, net

	December 31 2017	December 31 2016
Unlisted common stocks		
Nutmeg Saving and Investment Limited	$ 476,028	$ -
Taiwan Asset Management Co., Ltd.	225,000	225,000
Taiwan Financial Asset Service Co., Ltd.	100,000	100,000
Financial Information Service Co., Ltd.	91,000	91,000
Easy Card Investment Holding Co., Ltd.	47,500	47,500
Others	118,107	118,107
	1,057,635	581,607
Less: Accumulated impairment loss	30,989	26,686
	$ 1,026,646	$ 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.

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

19. ALLOWANCE FOR CREDIT LOSSES

The movements of allowance for credit losses and reserve for losses on guarantees for the years ended December 31, 2017 and 2016 are summarized as follows (for more information, refer to Note 50):

	For the Year Ended December 31, 2017				
	Receivables	Discounts and Loans	Other Financial Assets	Reserve for Losses on Guarantees	Total
Balance, beginning of the year	$ 512,027	$ 18,070,150	$ 838,989	$ 329,659	$ 19,750,825
Allowance (reversal of allowance)	55,166	2,233,569	(79,331)	(26,359)	2,183,045
Write-offs	(53,853)	(846,269)	(960,121)	-	(1,860,243)
Recovery of written-off credits	-	361,371	355,486	-	716,857
Effects of exchange rate changes	(7,542)	(262,238)	(48,548)	(1,179)	(319,507)
Balance, end of the year	$ 505,798	$ 19,556,583	$ 106,475	$ 302,121	$ 20,470,977

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

20. PROPERTY AND EQUIPMENT, NET

	For the Year Ended December 31, 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	-	60,023	229,482	25,059	151,264	209,484	1,199,573	1,874,885
Disposals	(481,189)	(812,734)	(305,072)	(27,302)	(112,024)	(82,773)	-	(1,821,094)
Reclassification	(53,102)	337,709	212,610	-	22,633	312,832	(1,330,972)	(498,290)
Effect of foreign currency exchange differences	-	(99,200)	(10,903)	(1,398)	(12,571)	(6,760)	(10,952)	(141,784)
Balance at December 31, 2017	6,532,514	11,304,474	3,287,166	278,634	1,174,931	1,878,209	1,574,298	26,030,226
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	-	261,668	392,597	21,053	98,390	199,826	-	973,534
Impairment losses	-	199	-	-	-	-	-	199
Disposals	-	(200,224)	(295,792)	(26,797)	(109,350)	(72,377)	-	(704,540)
Reclassification	-	(13,446)	-	-	-	-	-	(13,446)
Effect of foreign currency exchange differences	-	(8,612)	(6,505)	(982)	(5,016)	(3,432)	-	(24,547)
Balance at December 31, 2017	-	2,516,674	2,118,521	212,760	730,154	886,700	-	6,464,809
Carrying amount at December 31, 2017	$ 6,532,514	$ 8,787,800	$ 1,168,645	$ 65,874	$ 444,777	$ 991,509	$ 1,574,298	$ 19,565,417

	For the Year Ended December 31, 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	-	-	240,747	16,391	110,500	207,441	1,273,507	1,848,586
Disposals	(129,593)	(166,104)	(183,861)	(16,945)	(149,016)	(120,171)	-	(765,690)
Reclassification	25,458	8,242	170,198	-	5,780	317,414	(812,855)	(285,763)
Effect of foreign currency exchange differences	-	(634,424)	(42,020)	(3,838)	(33,176)	(14,461)	(32,293)	(760,212)
Balance at December 31, 2016	7,066,805	11,818,676	3,161,049	282,275	1,125,629	1,445,426	1,716,649	26,616,509
Accumulated depreciation								
Balance at January 1, 2016	-	2,313,476	1,862,616	215,657	809,553	727,437	-	5,928,739
Depreciation	-	270,371	367,755	23,254	96,082	154,391	-	911,853
Disposals	-	(49,098)	(182,429)	(16,585)	(141,314)	(116,214)	-	(505,640)
Effect of foreign currency exchange differences	-	(57,660)	(19,721)	(2,840)	(18,191)	(2,931)	-	(101,343)
Balance at December 31, 2016	-	2,477,089	2,028,221	219,486	746,130	762,683	-	6,233,609
Carrying amount at December 31, 2016	$ 7,066,805	$ 9,341,587	$ 1,132,828	$ 62,789	$ 379,499	$ 682,743	$ 1,716,649	$ 20,382,900

The Bank transferred some of its properties 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; thus, an impairment loss of $199 thousand was recognized for the year ended December 31, 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 of 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	1-22 years

21. INVESTMENT PROPERTIES

Item	December 31 2017	December 31 2016
Land	$ 2,562,120	$ 2,337,145
Buildings	328,780	304,355
	$ 2,890,900	$ 2,641,500

The movements of investment properties are shown below:

	For the Year Ended December 31	
	2017	2016
Balance, beginning of the year	$ 2,641,500	$ 2,746,700
Disposal	-	(34,700)
Reclassification	230,731	(33,700)
(Loss) gain on change in fair value of investment properties	18,669	(36,800)
Balance, end of the year	$ 2,890,900	$ 2,641,500

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

The fair values of the investment properties as of December 31, 2017 and 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 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.

	December 31	
	2017	2016
Expected future cash inflows	$ 4,250,831	$ 4,004,305
Expected future cash outflows	(135,521)	(122,972)
Expected future cash inflows, net	$ 4,115,310	$ 3,881,333
Discount rate	3.845%	4.345%

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.

For the years ended December 31, 2017, 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%.

For the years ended December 31, 2016, the discount rate was based on the interest rate for two-year time deposits as posted by Chunghwa Post Co., Ltd., plus 0.75%, and an asset-specific risk premium of 2.5%.

For the years ended December 31, 2017 and 2016, the rental income and direct operating expense from investment properties of the Bank and its subsidiaries were as follows:

	For the Year Ended December 31	
	2017	2016
Rental income	$ 83,481	$ 78,108
Direct operating expenses	10,120	9,077
Direct operating expenses from investment properties not earning rental income	-	-

22. INTANGIBLE ASSETS, NET

	December 31	
	2017	2016
Core deposits	$ 6,586,330	$ 7,072,185
Banking licenses and operating rights	5,632,923	5,706,179
Goodwill	2,124,404	2,149,336
Computer software	872,238	764,571
Customer relationships	74,487	84,866
Others	2,000	2,000
	$ 15,292,382	$ 15,779,137

The movements of intangible assets are listed below:

	For the Year Ended December 31					
	2017			2016		
	Goodwill	Others	Total	Goodwill	Others	Total
Balance, beginning of the year	$ 2,149,336	$ 13,629,801	$ 15,779,137	$ 2,312,551	$ 15,040,668	$ 17,353,219
Additions	-	218,643	218,643	-	201,254	201,254
Disposals	-	(655)	(655)	-	(11,313)	(11,313)
Amortizations	-	(758,448)	(758,448)	-	(771,631)	(771,631)
Reclassification	-	248,069	248,069	-	235,784	235,784
Effect of foreign currency exchange differences	(24,932)	(169,432)	(194,364)	(163,215)	(1,064,961)	(1,228,176)
Balance, end of the year	$ 2,124,404	$ 13,167,978	$ 15,292,382	$ 2,149,336	$ 13,629,801	$ 15,779,137

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

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

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

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

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

23. OTHER ASSETS

	December 31	
	2017	2016
Refundable deposits	$ 4,910,745	$ 11,774,940
Other deferred charges	350,671	186,202
Prepaid expense	332,341	318,857
Collaterals assumed	87,926	89,086
Others	190,435	149,406
	$ 5,872,118	$ 12,518,491

24. DEPOSITS FROM THE CENTRAL BANK AND BANKS

	December 31	
	2017	2016
Call loans	$ 122,904,577	$ 60,301,874
Due to the Central Bank and other banks	7,214,233	13,549,441
Others	846,704	1,724,189
	$ 130,965,514	$ 75,575,504

25. DUE TO THE CENTRAL BANK AND BANKS

	December 31	
	2017	2016
Funds borrowed from other banks	$ 5,386,206	$ 7,081,137

26. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

	December 31	
	2017	2016
Corporate bonds	$ 34,675,242	$ 9,717,961
Bank debentures	29,567,438	32,065,521
Government bonds	21,838,271	12,981,139
Discounted note	6,560,623	6,676,308
Negotiable certificates of deposits	5,384,001	-
	$ 98,025,575	$ 61,440,929
Dates of repurchase agreements	2018.01.02- 2018.05.31	2017.01.03- 2017.04.28
Amounts of repurchase agreements	$ 98,521,376	$ 61,604,524

As of December 31, 2017 and 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:

	December 31	
	2017	2016
Financial assets at fair value through profit or loss	$ 1,004,618	$ 47,433
Discounted notes	6,461,588	6,550,421
Available-for-sale financial assets	50,953,338	26,610,104
Held-to-maturity financial assets	41,179,732	27,074,593
Other financial assets - debt instruments with no active markets	4,398,597	5,037,786

27. PAYABLES

	December 31	
	2017	2016
Acceptances	$ 12,339,399	$ 6,698,691
Accrued interest	5,269,613	4,261,942
Accounts payable - factoring	4,529,743	5,150,917
Accrued expenses	4,093,482	4,110,074
Accrued payroll and transfer provisional funds	2,757,486	456,402
Accounts payable	477,636	2,691,102
Others	7,576,930	8,094,204
	$ 37,044,289	$ 31,463,332

28. DEPOSITS AND REMITTANCES

	December 31	
	2017	2016
Checking	$ 12,792,037	$ 13,466,798
Public treasury	26,883,971	34,452,576
Demand	462,337,248	378,956,831
Savings	829,428,769	804,290,571
Time	644,655,046	574,091,797
Negotiable certificates of deposit	90,929,497	70,959,595
Outward remittances	891,525	1,559,498
	$ 2,067,918,093	$ 1,877,777,666

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 December 31, 2017 and 2016 are summarized as follows:

	December 31	
	2017	2016
Financial liabilities - fair value hedge		
First issue of subordinated bank debentures in 2010; fixed 2.2%; maturity: January 2017	$ -	$ 600,000
Third issue of dominant bank debentures in 2010; fixed 1.8%; maturity: March 2017	-	600,000
Fifth issue of dominant bank debentures in 2010; fixed 1.7%; maturity: May 2017	-	500,000
Seventh issue of subordinated bank debentures in 2010; fixed 1.55%; maturity: October 2020	900,000	900,000
Eighth issue of subordinated bank debentures in 2010; fixed 1.5%; maturity: November 2017	-	2,550,000
First issue of subordinated bank debentures in 2011; fixed 1.65%; maturity: March 2018	1,700,000	1,700,000
Second issue of subordinated bank debentures in 2011; fixed 1.7%; maturity: August 2018	1,500,000	1,500,000
Third issue of subordinated bank debentures in 2011; fixed 1.65%; maturity: December 2018	2,500,000	2,500,000
First issue of subordinated bank debentures in 2012; fixed 1.48%; maturity: April 2019	1,300,000	1,300,000
Second issue of subordinated bank debentures in 2012; fixed 1.68%; maturity: May 2022	3,700,000	3,700,000
First issue of subordinated bank debentures in 2013; fixed 1.52%; maturity: August 2020	1,800,000	1,800,000
First issue of subordinated bank debentures in 2013; fixed 1.7%; maturity: August 2023	500,000	500,000
First issue of subordinated bank debentures in 2014; fixed 1.7%; maturity: May 2021	1,800,000	1,800,000
First issue of subordinated bank debentures in 2014; fixed 1.85%; maturity: May 2024	2,300,000	1,700,000
Second issue of subordinated bank debentures in 2014; fixed 1.98%; maturity: September 2024	1,200,000	-
First issue of dominant bank debentures in 2015; 0%; maturity: February 2045 (US$100,000 thousand)	3,357,551	3,486,633
Second issue of dominant bank debentures in 2015; 0%; maturity: May 2045 (US$80,000 thousand)	-	2,762,324
First issue of dominant bank debentures in 2016; 0%; maturity: December 2046 (US$200,000 thousand)	6,219,879	6,463,320
First issue of dominant bank debentures in 2017; 0%; maturity: January 2047 (US$200,000 thousand)	6,199,326	-
First issue of dominant bank debentures in 2017; 0%; maturity: January 2047 (US$200,000 thousand)	6,196,537	-
Second issue of subordinated bank debentures in 2017; fixed 1.33%; maturity: September 2024	3,000,000	-

(Continued)

	December 31	
	2017	2016
Fourth issue of subordinated bank debentures in 2017; fixed 1.3%; maturity: October 2024	$ 1,750,000	$ -
Fifth issue of dominant bank debentures in 2017; 0%; maturity: December 2047 (US$100,000 thousand)	2,994,952	-
	48,918,245	34,362,277
Valuation adjustments of bank debentures	(271,289)	(611,074)
	48,646,956	33,751,203
Bank debentures - non-hedged		
First issue of subordinated bank debentures in 2010; fixed 2.2%; maturity: January 2017	-	1,650,000
First issue of subordinated bank debentures in 2010; fixed 2.5%; maturity: January 2020	2,400,000	2,400,000
Second issue of subordinated bank debentures in 2010; fixed 2.3%; maturity: January 2017	-	600,000
Third issue of dominant bank debentures in 2010; fixed 1.8%; maturity: March 2017	-	900,000
Fourth issue of subordinated bank debentures in 2010; fixed 2.5%; maturity: March 2020	2,000,000	2,000,000
Sixth issue of subordinated bank debentures in 2010; fixed 1.95%; maturity: August 2017	-	4,500,000
Sixth issue of subordinated bank debentures in 2010; fixed 2.05%; maturity: August 2020	1,900,000	1,900,000
First issue of subordinated bank debentures in 2011; fixed 1.65%; maturity: March 2018	1,350,000	1,350,000
Second issue of subordinated bank debentures in 2011; fixed 1.7%; maturity: August 2018	950,000	950,000
Third issue of subordinated bank debentures in 2011; fixed 1.65%; maturity: December 2018	1,500,000	1,500,000
Second issue of subordinated bank debentures in 2012; fixed 1.68%; maturity: May 2022	1,000,000	1,000,000
First issue of subordinated bank debentures in 2013; fixed 1.52%; maturity: August 2020	1,950,000	1,950,000
First issue of subordinated bank debentures in 2014; fixed 1.7%; maturity: May 2021	3,700,000	3,700,000
First issue of subordinated bank debentures in 2014; fixed 1.85%; maturity: May 2024	2,200,000	2,800,000
Second issue of subordinated bank debentures in 2014; fixed 1.98%; maturity: September 2024	2,500,000	3,700,000
Third issue of dominant bank debentures in 2017; fixed 0.56%; maturity: September 2018	5,000,000	-
	26,450,000	30,900,000
	$ 75,096,956	$ 64,651,203

(Concluded)

30. OTHER FINANCIAL LIABILITIES

	December 31	
	2017	2016
Principals of structured products	$ 17,770,717	$ 21,691,631

31. PROVISIONS

	December 31	
	2017	2016
Provisions for employee benefits (Note 32)	$ 2,119,475	$ 1,849,821
Reserve for losses on guarantees (Note 19)	302,121	329,659
Others	279,336	230,200
	$ 2,700,932	$ 2,409,680

32. EMPLOYEE BENEFITS PLANS

	December 31	
	2017	2016
Provisions for employee benefits		
Defined benefit plans	$ 1,352,888	$ 1,132,331
Preferential interest rate plan for employees' deposits	647,527	638,283
Other long-term employee benefits plan	118,828	78,939
Others	232	268
	$ 2,119,475	$ 1,849,821

a. Defined contribution plans

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

The total expense recognized in profit or loss for the years ended December 31, 2017 and 2016 was $290,717 thousand and $282,135 thousand, respectively, which represents contributions payable to these plans by the Bank at rates specified in the rules of the plan.

b. Defined benefit plans

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

The Bureau supervises its assets portfolio regularly, makes the portfolio carefully, conducts the investment under the mandated management, strengthens risk management, and adjusts the investment strategies in light of market changes timely to enhance the stable income from its funds. The return generated by the funds should not be below the interest rate for a 2-year time deposit with local banks. The information on the percentages of fair value of plan assets on December 31, 2017 and 2016 is available from the public information of the pension fund of the Bureau.

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

	December 31	
	2017	**2016**
Present value of defined benefit obligation	$ 3,228,233	$ 3,066,542
Fair value of plan assets	(1,875,345)	(1,934,211)
Net defined benefit liability	$ 1,352,888	$ 1,132,331

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

	Present Value of the Defined Benefit Obligation	**Fair Value of the Plan Assets**	**Net Defined Benefit Liability (Asset)**
Balance at January 1, 2016	$ 3,044,392	$ (1,992,083)	$ 1,052,309
Service cost			
Current service cost	56,713	-	56,713
Past service cost	936	-	936
Net interest expense (income)	44,616	(29,470)	15,146
Recognized in profit or loss	102,265	(29,470)	72,795
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	15,576	15,576
Actuarial loss - changes in demographic assumptions	130,899	-	130,899
Actuarial loss - changes in financial assumptions	78,961	-	78,961
Actuarial loss - experience adjustments	(125,600)	-	(125,600)
Recognized in other comprehensive income	84,260	15,576	99,836
Contributions from the employer	-	(44,903)	(44,903)
Benefits paid	(164,375)	116,669	(47,706)
Balance at December 31, 2016	$ 3,066,542	$ (1,934,211)	$ 1,132,331
Balance at January 1, 2017	$ 3,066,542	$ (1,934,211)	$ 1,132,331
Service cost			
Current service cost	52,916	-	52,916
Past service cost	388	-	388
Net interest expense (income)	37,326	(23,754)	13,572
Recognized in profit or loss	90,630	(23,754)	66,876

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability (Asset)
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	$ -	$ 4,967	$ 4,967
Actuarial loss - changes in demographic assumptions	70,636	-	70,636
Actuarial loss - experience adjustments	148,098	-	148,098
Recognized in other comprehensive income	218,734	4,967	223,701
Contributions from the employer	-	(43,160)	(43,160)
Benefits paid	(147,673)	120,813	(26,860)
Balance at December 31, 2017	$ 3,228,233	$ (1,875,345)	$ 1,352,888

(Concluded)

Through the defined benefit plans under the Labor Standards Law, the Bank is exposed to the following risks:

1) Investment risk: The plan assets are invested in domestic/and foreign/equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk: A decrease in the government or corporate bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.

3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2017	2016
Discount rate	1.250%	1.250%
Expected rate of salary increase	2.250%	2.250%

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

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

	December 31	
	2017	2016
Discount rate		
0.5% increase	$ (171,624)	$ (166,312)
0.5% decrease	$ 185,725	$ 180,162
Expected rate of salary increase		
0.5% increase	$ 179,991	$ 174,527
0.5% decrease	$ (168,081)	$ (162,813)

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

	December 31	
	2017	2016
Expected contributions to the plan for the next year	$ 43,464	$ 45,240
Average duration of the defined benefit obligation	11 years	11 years

c. Preferential interest rate plan for employees' deposits

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

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

	December 31	
	2017	2016
Present value of funded retired benefit obligation	$ 647,527	$ 638,283
Fair value of plan assets	-	-
Net liability arising from retired benefit obligation	$ 647,527	$ 638,283

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

	Present Value of the Funded Retired Benefit Obligation	Fair Value of the Plan Assets	Net Funded Retired Benefit Liability (Asset)
Balance at January 1, 2016	$ 613,310	$ -	$ 613,310
Service cost			
Past service cost	42,094	-	42,094
Net interest expense	24,532	-	24,532
Recognized in profit or loss	66,626	-	66,626

(Continued)

	Present Value of the Funded Retired Benefit Obligation	Fair Value of the Plan Assets	Net Funded Retired Benefit Liability (Asset)
Remeasurement			
Actuarial loss - changes in financial assumptions	$ 5,659	$ -	$ 5,659
Actuarial loss - experience adjustments	2,757	-	2,757
Recognized in other comprehensive income	8,416	-	8,416
Benefits paid	(50,069)	-	(50,069)
Balance at December 31, 2016	$ 638,283	$ -	$ 638,283
Balance at January 1, 2017	$ 638,283	$ -	$ 638,283
Service cost			
Past service cost	50,926	-	50,926
Net interest expense	25,531	-	25,531
Recognized in profit or loss	76,457	-	76,457
Remeasurement			
Actuarial gain - changes in demographic assumptions	(17,585)	-	(17,585)
Actuarial loss - experience adjustments	1,899	-	1,899
Recognized in other comprehensive income	(15,686)	-	(15,686)
Benefits paid	(51,527)	-	(51,527)
Balance at December 31, 2017	$ 647,527	$ -	$ 647,527

(Concluded)

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

	December 31	
	2017	2016
Discount rate	4.00%	4.00%
Expected return on employees' deposits	2.00%	2.00%
Withdrawal percentage of preferential deposits	1.33%	1.00%

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

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

	December 31	
	2017	2016
Discount rate		
0.5% increase	$ (29,984)	$ (29,652)
0.5% decrease	$ 32,553	$ 32,187
Withdrawal percentage of preferential deposits		
0.5% increase	$ (25,082)	$ (25,315)
0.5% decrease	$ 26,984	$ 27,236

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

	December 31	
	2017	2016
Average duration of the funded retired benefit obligation	10 years	10 years

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 years ended December 31, 2017 and 2016, Fubon Bank (China), the Bank's overseas subsidiary, recognized expenses of $36,190 thousand and $24,277 thousand, respectively.

33. OTHER LIABILITIES

	December 31	
	2017	2016
Guarantee deposits received	$ 3,458,831	$ 2,935,986
Advance receipts	1,772,450	1,512,974
Suspense accounts and clearing payments	1,063,362	951,567
Deferred revenue	436,156	438,244
Others	13,616	14,013
	$ 6,744,415	$ 5,852,784

34. EQUITY

a. Capital stock

Common stock

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

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

	December 31	
	2017	**2016**
Arising from consolidation	$ 7,490,431	$ 7,490,431
Arising from issuance of common shares	7,310,496	7,310,496
	$ 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

	December 31	
	2017	**2016**
Appropriations by TAIPEIBANK under its Articles of Incorporation	$ 1,285,676	$ 1,285,676
Transferred from trading loss reserve	123,497	123,497
Arising from the first-time adoption of IFRSs	126,525	126,525
Application of the fair value model to investment properties	1,064,442	1,116,376
Expenditure of employees' financial technology development	71,882	-
	$ 2,672,022	$ 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, if the Public Bank chose the fair value model to investment properties in conformity with the Regulations Governing the Preparation of Financial Reports by Public Banks, the Public Bank should appropriate a special reserve at the amount that was the same as the net increase arising from the fair value measurement and transfer it to retained earnings. The amount appropriated may be reversed to the extent that the cumulative net increases in fair value decrease or on the disposal of investment properties.

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 Bank's board of directors exercised the power and authority of the shareholders' meeting and approved the appropriations 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

The appropriations of earnings for 2017 had been proposed by the Bank's board of directors on March 21, 2018. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT$)
Legal reserve	$ 4,985,251	
Special reserve	309,714	
Cash dividends	11,309,962	$1.06

The appropriations of earnings for 2017 are subject to the resolution of the Bank's board of directors (on behalf of the shareholders' meeting).

f. Other equity items

1) Exchange differences on translation of foreign financial statements

	For the Year Ended December 31	
	2017	2016
Balance, beginning of the year	$ (988,977)	$ 1,371,005
Exchange differences arising on translating the financial statements of foreign operations	(1,074,068)	(2,359,982)
Balance, end of the year	$ (2,063,045)	$ (988,977)

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

	For the Year Ended December 31	
	2017	2016
Balance, beginning of the year	$ 1,665,529	$ 1,110,150
Unrealized gain on the revaluation of available-for-sale financial assets	891,489	863,997
Income tax on the unrealized (loss) gain on the revaluation of available-for-sale financial assets	60,255	8,283
Cumulative gain reclassified to profit or loss on the sale of available-for-sale financial assets	(1,246,158)	(309,341)
Share of unrealized loss on the revaluation of an associate's available-for-sale financial assets	(13,810)	(7,560)
Balance, end of the year	$ 1,357,305	$ 1,665,529

3) Revaluation surplus

	For the Year Ended December 31	
	2017	2016
Balance, beginning of the year	$ 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 year	$ 374,651	$ 223,620

g. Non-controlling interests

	For the Year Ended December 31	
	2017	2016
Balance, beginning of the year	$ 18,773,225	$ 19,549,683
Attributable to non-controlling interests:		
Net income	153,120	805,392
Exchange differences on translating foreign operations	(247,509)	(1,569,222)
Unrealized loss on available-for-sale financial assets	(282,326)	(16,837)
Income tax relating to unrealized loss arising on available-for-sale financial assets	70,582	4,209
Balance, end of the year	$ 18,467,092	$ 18,773,225

35. NET INTEREST INCOME

	For the Year Ended December 31	
	2017	2016
Interest income		
Discounts and loans	$ 30,321,603	$ 30,366,703
Held-to-maturity financial assets	4,518,017	3,928,220
Due from banks and call loans to banks	4,087,968	3,310,362
Available-for-sale financial assets	4,037,094	2,711,669
Non-active market debt instruments	1,717,722	1,003,094
Others	1,251,912	1,389,174
	45,934,316	42,709,222
Interest expense		
Deposits	16,364,719	15,158,106
Due to the Central Bank and other banks	1,762,653	1,475,898
Securities sold under repurchase agreements	1,398,698	779,264
Funds borrowed from the Central Bank and other banks	1,206,643	851,259
Bank debentures	996,496	934,278
Others	652,702	656,373
	22,381,911	19,855,178
Net interest	$ 23,552,405	$ 22,854,044

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

For the years ended December 31, 2017 and 2016, the interests accrued on impaired financial assets were $118,875 thousand and $154,830 thousand, respectively.

36. SERVICE FEE INCOME, NET

	For the Year Ended December 31	
	2017	2016
Service fee		
Insurance service fee income	$ 4,855,708	$ 6,561,130
Trust and custody business	3,522,371	2,454,665
Credit card business	2,188,357	2,224,819
Credit business	1,139,109	1,093,984
Others	1,578,895	1,629,403
	13,284,440	13,964,001
Service charge		
Credit card business	881,708	855,190
Interbank service fee	311,623	300,403
Office space expense	297,058	285,639
Settlement service fee	91,254	112,463
Others	470,313	413,979
	2,051,956	1,967,674
	$ 11,232,484	$ 11,996,327

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 Year Ended December 31	
	2017	2016
Interest income	$ 700,703	$ 650,528
Dividend income	9,517	10,497
Realized gain (loss)		
Currency swap contracts	2,736,007	2,563,635
Forward contracts	2,103,682	(265,296)
Option contracts	286,899	2,500,439
Others	80,368	787,136
	5,206,956	5,585,914
Gains (losses) on valuation		
Option contracts	532,574	(2,589,672)
Currency swap contracts	481,230	(796,004)
Convertible corporate bonds	(123,218)	385,330
Interest rate swap contracts	(209,834)	(252,326)
Forward contracts	(1,117,021)	447,037
Others	161,583	(209,610)
	(274,686)	(3,015,245)
	$ 5,642,490	$ 3,231,694

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

	For the Year Ended December 31	
	2017	2016
Beneficial securities and stocks	$ 1,106,340	$ 42,494
Dividend revenue	327,705	304,264
Beneficial securities	61,989	-
Government bonds	59,808	36,345
Bank debentures	22,762	430,560
Others	(414)	11,992
	$ 1,578,190	$ 825,655

39. EMPLOYEE BENEFITS EXPENSE

	For the Year Ended December 31	
	2017	2016
Salaries and wages	$ 10,013,737	$ 9,829,094
Labor insurance, national health insurance, and group life insurance	871,943	820,964
Post-employment benefit expense	486,753	460,904
Other employee benefits expense	523,421	492,250
	$ 11,895,854	$ 11,603,212

To be in compliance with the Company Act amended in May 2015 and the Articles of Incorporation amended by the Bank's board of directors (on behalf of the shareholders' meeting) on March 18, 2016, the Bank stipulates the distribution of employees' compensation at the rates from 1% to 5% of net profit before income tax, but the Bank should not make appropriations from earnings if it has a deficit. Based on the employees' compensation rate of 1%, on March 21, 2018 and March 22, 2017, the Bank's board of directors approved the amounts of $188,848 thousand and $170,468 thousand as employees' compensation for the years 2017 and 2016, respectively.

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 amounts of employees' compensation that 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 at the Market Observation Post System website of the Taiwan Stock Exchange.

40. DEPRECIATION AND AMORTIZATION EXPENSE

	For the Year Ended December 31	
	2017	2016
Depreciation	$ 973,534	$ 911,853
Amortization	813,783	804,200
	$ 1,787,317	$ 1,716,053

41. OTHER GENERAL AND ADMINISTRATIVE EXPENSE

	For the Year Ended December 31	
	2017	2016
Taxation and government fee	$ 1,549,879	$ 1,728,278
Rental	1,416,432	1,452,218
Equipment repair	720,903	679,450
Marketing	701,157	636,681
Insurance	546,425	530,327
Others	2,569,930	2,635,107
	$ 7,504,726	$ 7,662,061

42. INCOME TAX

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

a. Income tax recognized in profit or loss

The major components of income tax expense were as follows:

	For the Year Ended December 31	
	2017	2016
Current tax		
Current year	$ 2,404,201	$ 3,004,399
Prior years	(184,185)	42,008
	2,220,016	3,046,407
Deferred tax		
Current year	111,508	568
Income tax expense recognized in profit or loss	$ 2,331,524	$ 3,046,975

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

	For the Year Ended December 31	
	2017	2016
Income tax expense calculated at statutory rate (17%)	$ 3,274,578	$ 3,114,182
Tax-exempt income	(1,343,620)	(1,049,623)
Unqualified items in determining taxable income	153,051	211,073
Additional income tax under the Alternative Minimum Tax Act	188,884	90,540
Effect of differences in domestic and overseas tax rates	208,189	655,635
Unrecognized deductible temporary differences	10,240	(30,471)
Others	(159,798)	55,639
Income tax expense recognized in profit or loss	$ 2,331,524	$ 3,046,975

In February 2018, it was announced by the President that the Income Tax Act in the ROC was amended and, starting from 2018, the corporate income tax rate will be adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to 2018 unappropriated earnings will be reduced from 10% to 5%. Deferred tax assets and liabilities recognized as of December 31, 2017 are expected to increase by $79,895 thousand and $110,386 thousand in 2018, respectively, due to the adjusted tax rate.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2017	2016
Deferred tax		
Recognized in other comprehensive income		
Remeasurement of defined benefit plan	$ 35,362	$ 18,403
Unrealized gains (losses) on available-for-sale financial assets	130,837	12,492
Property revaluation increments	(6,134)	-
	$ 160,065	$ 30,895

c. Current tax assets and liabilities

	December 31	
	2017	2016
Current tax assets		
Linked-tax receivable	$ 180,345	$ 471,803
Prepaid income tax and income tax refund receivable	443	11,338
	$ 180,788	$ 483,141
Current tax liabilities		
Linked-tax payable	$ 762,392	$ 1,574,465
Income tax payable	398,062	730,338
	$ 1,160,454	$ 2,304,803

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2017

Deferred tax assets	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Closing Balance
Temporary differences					
Allowance for credit losses	$ 387,742	$ (1,650)	$ -	$ (5,074)	$ 381,018
Employee benefit plans	360,606	9,211	35,362	-	405,179
Unrealized gain (loss) on revaluation of building	22,959	(1,287)	(1,683)	-	19,989
Others	206,615	(42,357)	138,747	(366)	302,639
	$ 977,922	$ (36,083)	$ 172,426	$ (5,440)	$ 1,108,825

(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Closing Balance
Deferred tax liabilities					
Temporary differences					
Land value increment tax	$ 386,656	$ (33,951)	$ 4,451	$ -	$ 357,156
Overseas investment income	430,704	27,093	-	-	457,797
Unrealized gain on derivative financial instrument	1,043	77,909	-	-	78,952
Intangible assets	76,487	4,374	-	-	80,861
Others	-	-	7,910	-	7,910
	$ 894,890	$ 75,425	$ 12,361	$ -	$ 982,676

(Concluded)

For the year ended December 31, 2016

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Closing Balance
Deferred tax assets					
Temporary differences					
Allowance for credit losses	$ 547,669	$ (122,043)	$ -	$ (37,884)	$ 387,742
Employee benefit plans	331,834	10,369	18,403	-	360,606
Unrealized gain (loss) on revaluation of building	24,503	(1,544)	-	-	22,959
Others	142,950	61,811	12,492	(10,638)	206,615
	$ 1,046,956	$ (51,407)	$ 30,895	$ (48,522)	$ 977,922
Deferred tax liabilities					
Temporary differences					
Land value increment tax	$ 372,999	$ 13,657	$ -	$ -	$ 386,656
Overseas investment income	288,199	142,505	-	-	430,704
Unrealized gain on derivative financial instrument	178,466	(177,423)	-	-	1,043
Intangible assets	90,668	(14,181)	-	-	76,487
Others	15,421	(15,397)	-	(24)	-
	$ 945,753	$ (50,839)	$ -	$ (24)	$ 894,890

e. 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:

	December 31	
	2017	2016
The Bank	$ 94,722	$ 295,416

3) Creditable tax ratio

The Bank's actual creditable tax ratio for cash dividend distribution from the 2016 earnings was 1.42%.

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.

Since the amended income tax act announced in February 2018 abolished the imputation tax system, no information for 2017 is applicable.

f. The income tax returns of the Bank through 2013 were assessed by the Taipei National Tax Administration (TNTA). The Bank disagreed with the tax authorities' assessment of the Bank's 2010 and 2012 additional amount returns on its sports lottery program and applied for a re-examination.

g. Income tax returns of Fubon Bank (China) through 2016 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 Year Ended December 31	
	2017	**2016**
Basic earnings per share		
From continuing operations	$ 1.58	$ 1.36

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

Net income for the Year

	For the Year Ended December 31	
	2017	**2016**
Income for the year attributable to owners of the Bank	$ 16,777,580	$ 14,466,354

Shares

(In Thousand Shares)

	For the Year Ended December 31	
	2017	**2016**
Weighted average number of common stock used in computing basic earnings per share	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
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)
Entie Bank	Related party in substance (the Bank and its subsidiaries were not a related party after the fourth quarter of 2016)
Xiamen Bank	Related party in substance
Fubon Gehua (Beijing) Business co., Ltd. ("Fubon Gehua Business")	Related party in substance
TengFuBo Investment	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)
HarBin Bank	Related party in substance
Others	Directors, supervisors, managers and their relatives within the second degree of consanguinity

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

	For the Year Ended December 31, 2017						
	Ending Balance	**Highest Balance for the Period**	**% of the Account Balance**	**Allowance for Credit Loss**	**Rate (%)**	**Interest Income**	**Reversal of Allowance Gain (Allowance for Credit Loss)**
1) Loans	$ 3,932,336	$ 16,372,399	0.28	$ 43,326	0-14.98	$ 83,738	$ 28,405

	December 31, 2017						
Category	**Number of Accounts or Name of Related Party**	**Highest Balance**	**Ending Balance**	**Normal**	**Overdue**	**Type of Collateral**	**Is the Transaction at Arm's Length?**
Consumer loans for employees	77	$ 48,719	$ 35,409	✓	$ -	Some loans provide deposits as security	Yes
Housing mortgage loans	373	4,014,584	3,249,407	✓	-	Property	Yes
Others	Department of Urban Development, TCG	771,519	646,424	✓	-	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	458	✓	-	Public treasury guarantees	Yes
	Fubon Land Development	2,290,800	-	✓	-	Land, buildings and stock	Yes
	Alltek Technology	39,134	-	✓	-	Unsecured	Yes
	Fubon Gehua Business	137,385	-	✓	-	Guarantee stand by L/C	Yes
	TengFuBo Investment	68,693	-	✓	-	Deposit Pledge and Guarantee by L/C	Yes
	Others	752	638	✓	-	Credit guarantee fund	Yes
		$ 16,372,399	$ 3,932,336				

	For the Year Ended December 31, 2016						
	Ending Balance	**Highest Balance for the Period**	**% of the Account Balance**	**Allowance for Credit Loss**	**Rate (%)**	**Interest Income**	**Reversal of Allowance Gain (Allowance for Credit Loss)**
1) Loans	$ 5,906,842	$ 11,228,151	0.46	$ 71,731	0-14.98	$ 98,125	$ 6,823

	December 31, 2016						
Category	**Number of Accounts or Name of Related Party**	**Highest Balance**	**Ending Balance**	**Normal**	**Overdue**	**Type of Collateral**	**Is the Transaction at Arm's Length?**
Consumer loans for employees	59	$ 38,749	$ 21,552	✓	$ -	Some loans provide deposits as security	Yes
Housing mortgage loans	319	3,426,131	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
	Shanghai Ruidong Hospital	176,780	-	✓	-	Pledged deposits	Yes
	Others	800	752	✓	-	Credit guarantee fund	Yes
		$ 11,228,151	$ 5,906,842				

	For the Year Ended December 31							
	2017				2016			
	Ending Balance	% of the Account Balance	Rate (%)	Interest Income (Expense)	Ending Balance	% of the Account Balance	Rate (%)	Interest Income (Expense)
2) Discounts	$ 1,670,161	8.63	3.66-6.00	$ 84,661	$ 1,387,329	5.07	3.66-4.00	$ 10,731
3) Deposits	$ 63,105,506	3.05	0-8.00	($266,955)	$ 77,624,710	4.13	0-8.00	($316,916)
4) Due from other banks - call loans	$ -	-	-	$ -	$ -	-	1.98	$ 270
5) Due from other banks - deposits	$ 184,749	0.30	0-5.40	$ 2,902	$ 177,384	0.71	0-5.40	$ 30,248
6) Due to other banks - deposits	$ -	-	-	$ -	$ -	-	2.90-3.40	$ (5,001)

7) Guarantees

	December 31, 2017				
Related Party	Highest Balance in Current Period	Ending Balance	Reserve for Losses on Guarantees (Note)	Rates	Type of Collateral
TCG	$ 1,291	$ 1,194	$ -	1.00%	Public treasury guarantees
Taipei New Horizon	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

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

8) Securities

		For the Year Ended December 31	
Related Party	Type	2017	2016
Fubon Life Insurance	Bonds purchased	$ 22,840,636	$ 19,840,007
	Bonds sold	476,876	8,129,544
Entie Bank	Bonds purchased	-	3,733,008
	Bonds sold	-	1,573,566
Capital Securities	Bonds purchased	-	56,509
	Notes purchased	-	299,975
Xiamen Bank	Bonds purchased	687,990	839,681

Related Party	Type	December 31 2017	December 31 2016
Fubon Securities	Bonds purchased under resell agreements	$ -	$ 200,079
Taiwan High Speed Rail	Bonds sold under repurchase agreements	-	2,211,400
Directors, supervisors, managers and their relatives within the second degree of consanguinity	Bonds sold under repurchase agreements	4,815,085	2,994,068

9) Mutual fund and stock transactions

Fund	December 31 2017 Units (In Thousands)	2017 Amount	2016 Units (In Thousands)	2016 Amount
Fubon No. 1 REIT	57,680	$ 742,918	57,680	$ 868,084
Fubon No. 2 REIT	1,848	21,012	1,848	24,763

10) Derivative financial instruments

Related Party	Derivative Instrument	December 31, 2017 Contract Period	Contract (Notional) Amount	Gains (Losses) on Valuation	Balance Sheet Account	Balance Sheet Balance
Fubon Life Insurance	Interest rate swap contracts	2008.06.02-2018.06.24	$ 1,750,000	$ 68,850	Revaluation of held-for-trading financial liabilities	$ 33,362
Fubon Bank (Hong Kong)	Interest rate swap contracts	2010.11.26-2020.03.19	1,448,084	(49,543)	Revaluation of held-for-trading financial assets	66,254
Fubon Life Insurance	Currency swap contracts	2017.11.30-2018.03.05	2,687,850	(11,073)	Revaluation of held-for-trading financial liabilities	11,073
HarBin Bank	Currency swap contracts	2017.12.07-2018.12.24	3,587,221	41,269	Revaluation of held-for-trading financial assets	41,920
Fubon Securities Investment Trust	Currency swap contracts	2017.12.12-2018.01.16	305,490	(1,239)	Revaluation of held-for-trading financial liabilities	1,239

Related Party	Derivative Instrument	December 31, 2016 Contract Year	Contract (Notional) Amount	Gains (Losses) on Valuation	Balance Sheet Account	Balance Sheet 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

11) Lease

a) Guarantee deposits

Related Party	December 31 2017		December 31 2016	
Fubon Securities	$	5,798	$	5,812
Fubon Life Insurance		1,481		1,481
Fubon Asset Management		1,341		1,139
Taiwan Mobile		897		897
Fubon Insurance		525		525
Others		622		201
	$	10,664	$	10,055

b) Rental revenue

Related Party	For the Year Ended December 31 2017		For the Year Ended December 31 2016	
Fubon Securities	$	34,767	$	35,546
Fubon Life Insurance		9,070		8,877
Fubon Asset Management		7,127		7,211
Taiwan Mobile		5,490		5,490
Fubon Insurance		3,252		3,278
Others		1,551		216
	$	61,257	$	60,618

c) Refundable deposits

Related Party	December 31 2017		December 31 2016	
CHLDC	$	31,382	$	29,377
Fubon Insurance		17,595		19,227
Fubon Life Insurance		8,059		4,452
TCG		4,244		4,243
Others		5,627		6,167
	$	66,907	$	63,466

d) Rental expense

Related Party	For the Year Ended December 31 2017		For the Year Ended December 31 2016	
CHLDC	$	175,922	$	203,129
Fubon Insurance		109,291		117,147
TCG		32,197		37,991
Fubon Life Insurance		28,579		24,915
Others		45,537		40,576
	$	391,526	$	423,758

12) Insurance expense

Related Party	For the Year Ended December 31	
	2017	2016
Fubon Insurance	$ 93,018	$ 95,575
Fubon Life Insurance	69,283	68,225
Others	324	280
	$ 162,625	$ 164,080

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 $297,058 thousand and $285,639 thousand for the years ended December 31, 2017 and 2016, respectively.

14) Compensation of key management personnel

	For the Year Ended December 31	
	2017	2016
Short-term employee benefits	$ 506,380	$ 450,292
Post-employment benefits	4,973	5,023
Others	1,241	1,044
	$ 512,594	$ 456,359

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.

	December 31	
	2017	2016
Linked-tax receivable (included in current tax assets)	$ 180,345	$ 471,803
Linked-tax payable (included in current tax liabilities)	762,392	1,574,465

16) Others

	December 31	
	2017	2016
Receivables - Fubon Life Insurance	$ 215,395	$ 478,493
Receivables - others	57,471	61,921
Payables - others	89,519	62,493
Principals of structured products - Fubon Life Insurance	1,750,000	2,750,000
Principals of structured products - other	22,057	16,757
Other financial assets - others	-	6,615

	For the Year Ended December 31	
	2017	2016
Service fee income - Fubon Life Insurance	$ 5,585,947	$ 7,246,447
Service fee income - others	540,987	520,640
Other income - others	28,790	65,339
Service fee expenses - others	142,070	129,379
Operating expenses - others	255,196	197,755

17) Related-party property transactions

In 2017, the Bank sold part of its property which had a carrying amount of $617,383 thousand to Fubon Asset Management for $1,310,500 thousand, and recognized a gain on the disposal of property and equipment of $693,117 thousand. Refer to Table 3 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 No.32 and No.33, 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:

	December 31	
	2017	2016
Certificates of deposit (included in due from the Central Bank and call loans to other banks)	$ 4,400,000	$ 18,500,000
Government bonds (included in financial assets at fair value through profit or loss)	49,888	49,111
Government bonds (included in available-for-sale financial assets)	-	152,424
Negotiable certificates of deposit of the Central Bank (included in held-to-maturity financial assets)	24,600,000	10,500,000
Government bonds (included in held-to-maturity financial assets)	1,982,095	5,811,816
Pledged time deposits (included in other financial assets)	1,649,234	1,662,725
	$ 32,681,217	$ 36,676,076

Of the above certificates of deposit (CD) of the Central Bank and negotiable certificates of deposit (NCD) of the Central Bank, some certificates amounting to $10,000,000 thousand as of December 31, 2017 and 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 December 31, 2017 and 2016, certificates of deposit (CD) of the Central Bank and negotiable certificates of deposit (NCD) of the Central Bank 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, certificates of deposit (CD) of the Central Bank and negotiable certificates of deposit (NCD) of the Central Bank amounting to $9,000,000 thousand as of December 31, 2017 and 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 December 31, 2017 and 2016, the Bank and its subsidiaries had commitments as follows:

	December 31	
	2017	**2016**
Amount of repurchase agreements	$ 98,521,376	$ 61,604,524
Amount of resell agreements	16,321,038	27,514,522
Undrawn credit card commitments	256,146,355	244,374,712
Collections for customers	39,701,051	37,251,977
Commissioned deposits	20,613,388	24,965,515
Trust deposits	8,164,848	26,070,025
Entrusted loans	8,164,848	26,070,025
Entrusted financial management	18,702,541	30,188,953
Travelers' checks consigned-in	407,670	501,269
Marketable securities under custody	290,970,013	267,909,186
Trust assets	378,193,650	337,075,394
Management for book-entry government bonds	125,799,500	160,798,000

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

December 31, 2017	Less than 1 Year	1-5 Years	Over 5 Years	Total
Lease commitments				
Operating lease expenses	$ 526,055	$ 1,351,952	$ 14,549	$ 1,892,556
Capital commitments	1,722,725	10,570	-	1,733,295

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

As of December 31, 2017 and 2016, the refundable deposits paid under operating leases were $262,883 thousand and $243,787 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
December 31, 2017 and 2016

	2017	2016		2017	2016
Bank deposits	$ 2,280,058	$ 2,072,718	Payables	$ 1,509	$ 1,979
Short-term investments	143,760,280	146,018,826	Capital		
Mutual funds	28,508,129	15,917,596	Money	207,787,534	198,111,935
Bonds	21,994,951	12,782,472	Marketable securities	10,964,734	4,251,712
Stocks	21,097,474	23,398,422	Real estate	42,493,248	41,669,164
Structured products				261,245,516	244,032,811
Borrowed stock - common stock	-	68,324			
	215,360,834	198,185,640	Securities investment trust fund under custody	120,419,965	97,326,410
Securities investment trust fund under custody	120,419,965	97,326,410	Reserves and cumulative earnings		
			Cumulative earnings	(11,088,739)	(6,396,762)
Real estate			Net income	7,615,399	2,110,956
Land	27,916,454	28,208,295		(3,473,340)	(4,285,806)
Buildings	30,820	195,819			
Construction in progress	12,185,519	11,086,512			
	40,132,793	39,490,626			
Total trust assets	$ 378,193,650	$ 337,075,394	Total trust liabilities	$ 378,193,650	$ 337,075,394

Trust Income Statements
For the Years Ended December 31, 2017 and 2016

	2017	2016
Trust income		
Interest income	$ 6,750,143	$ 6,608,189
Borrowed stock income	-	1,907
Others	367,969	172,620
Cash dividends	839,144	460,052
Realized capital income - common stock	62,047	8,699
Realized capital income - mutual funds	3,703,552	1,472,225
Realized capital income - bonds	99,048	51,902
Realized capital income - structured products	15,559	19,225
Distribution from beneficial certificates	7,308	8,322
Total trust income	11,844,770	8,803,141
Trust expense		
Trust administrative expense	708,534	278,316
Supervision fee	574	404
Service fee	2,603	1,872
Income tax expense	107	175
Others	143,420	20,108
Service fees on loans	-	32
Realized capital loss - common stock	132,475	129,487
Realized capital loss - mutual funds	2,873,995	5,755,910
Realized capital loss - bonds	29,707	27,377
Realized capital loss - structured products	337,956	478,504
Total trust expense	4,229,371	6,692,185
Net income	$ 7,615,399	$ 2,110,956

Trust Property of Trust Accounts
December 31, 2017 and 2016

Investment Portfolio	2017	2016
Bank deposits	$ 2,280,058	$ 2,072,718
Short-term investments		
Mutual funds	143,760,280	146,018,826
Bonds	28,508,129	15,917,596
Stocks	21,994,951	12,782,472
Structured products	21,097,474	23,398,422
Borrowed stock - common stock	-	68,324
	215,360,834	198,185,640
Security investment trust fund under custody	120,419,965	97,326,410
Real estate		
Land	27,916,454	28,208,295
Buildings	30,820	195,819
Construction in progress	12,185,519	11,086,512
	40,132,793	39,490,626
	$ 378,193,650	$ 337,075,394

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 years ended December 31, 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 was as follows:

Item	December 31, 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	$ 49,151,433	$ 27,879,680	$ 21,015,207	$ 256,546
Others	7,497,832	300,362	7,197,470	-
Financial assets designated as at fair value through profit or loss	7,018,064	5,878,304	-	1,139,760
Available-for-sale financial assets				
Stock investments	2,500,367	2,500,367	-	-
Bond investments	130,357,510	80,783,421	46,314,436	3,259,653
Others	73,234,825	727,798	71,050,289	1,456,738
Investment properties	2,890,900	-	-	2,890,900
Derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss	25,690,578	186,554	23,075,594	2,428,430
Hedging derivative financial assets	1,048,870	-	1,048,870	-
Liabilities				
Financial liabilities at fair value through profit or loss	28,070,893	-	25,647,334	2,423,559
Hedging derivative financial liabilities	1,369,923	-	1,369,923	-

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	-	-

(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)

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.

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's 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.

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 calculates expected loss by multiplying the probability of default (PD) by the loss given default (LGD) by the exposure at default (EAD).

The Bank calculates EAD using the mark-to-market fair value of OTC derivative instruments.

The Bank 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 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 Year Ended December 31, 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	$ (7,621,317)	$ -	$ 900,973	$ 120,841	$ 2,132,351	$ 477,730	$ 2,684,976
Financial assets designated as at fair value through profit or loss	1,638,164	(53,383)	-	-	644,817	424,046	665,792	1,139,760
Available-for-sale financial assets	3,180,787	(136,917)	57,818	2,791,708	4,386,659	1,526,662	4,037,002	4,716,391
Investment properties	2,641,500	18,669	-	-	230,731	-	-	2,890,900

Note: Transfers to 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 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 into Level 3 were also due to some items of property and equipment being reclassified as investment property.

For the Year Ended December 31, 2016

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

Note: Transfers into 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 were due to investment property reclassified as property and equipment.

As of December 31, 2017 and 2016, valuation losses of $658,499 thousand and $2,644,438 thousand, respectively, were included in profit or loss, and valuation gains of $40,786 thousand and losses of $38,648 thousand, respectively, were included in other comprehensive income.

b) Reconciliation of Level 3 financial liabilities

For the Year Ended December 31, 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	$ (7,765,146)	$ 15,178	$ -	$ 1,806,713	$ -	$ 2,423,559

For the Year Ended December 31, 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	$ (9,182,268)	$ 44,477	$ -	$ 5,696,062	$ -	$ 11,980,240

As of December 31, 2017 and 2016, valuation gains of $684,871 thousand and $2,670,400 thousand, respectively, had been included in profit and loss for liabilities still held.

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

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

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

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

December 31, 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)	$ 1,102,092	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	137,385	Discounted cash flow method	Real interest rate	5.9 %	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)	21,020	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 liability at fair value through profit or loss	Foreign exchange op (FX Option)	(16,774)	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	2,890,900	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

Note: The fair values of investment properties are 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	December 31, 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	$ 79	$ (35)	$ -	$ -
Financial assets designated at fair value through profit or loss	27	(31)	-	-
Available-for-sale financial assets	-	-	156	(156)
Liabilities				
Financial liabilities at fair value through profit or loss				
Held-for-trading financial liabilities	57	(55)	-	-

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)	-	-

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	December 31, 2017	
	Carrying Amount	Fair Value
Financial assets		
Held-to-maturity financial assets	$ 464,839,186	$ 465,460,430
Other financial assets - debt instruments with no active market	53,939,260	55,411,324
Financial liabilities		
Bank debentures	75,096,956	75,704,254

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	64,651,203	65,472,216

2) Fair value hierarchy of financial instruments

Assets and Liabilities	December 31, 2017			
	Total	Level 1	Level 2	Level 3
Financial assets				
Held-to-maturity financial assets	$ 465,460,430	$ 74,104,887	$ 379,486,990	$ 11,868,553
Other financial assets - debt instruments with no active market	55,411,324	-	23,307,368	32,103,956
Financial liabilities				
Bank debentures	75,704,254	51,278,692	24,425,562	-

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	65,472,216	53,562,923	11,909,293	-

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, Operational Risk Management Committee, and Financial 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, operational, and financial 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, relevant remedial courses of action, and control of financial product risk.

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. 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**	
	December 31, 2017	**December 31, 2016**
Irrevocable credit commitments	$ 76,409,378	$ 90,031,332
Standby letters of credit	10,407,936	8,893,665
Financial guarantees	29,397,044	32,089,282
Total	$ 116,214,358	$ 131,014,279

Fubon Bank (China)

(In Thousands of RMB)

Off-Balance Sheet Item	Maximum Exposure Amount	
	December 31, 2017	**December 31, 2016**
Irrevocable credit commitments	$ 2,542	$ 140,375
Standby letters of credit	457,960	235,845
Financial guarantees	1,361,133	1,649,110
Total	$ 1,821,635	$ 2,025,330

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

Taipei Fubon Bank

December 31, 2017	Financial Instrument	Property	Guarantee	Others
Category of asset				
Loans	2.97%	56.39%	3.83%	2.58%
Guarantees receivable	3.37%	5.72%	0.44%	0.58%
Acceptances	4.04%	17.19%	0.09%	-
Available-for-sale financial assets	-	-	17.00%	-
Held-to-maturity financial assets	-	-	2.15%	-
Other financial assets-debt instruments with no active market	-	-	7.82%	-

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%	-

Fubon Bank (China)

December 31, 2017	Financial Instrument	Property	Guarantee	Others
Category of asset				
Loans	7.53%	9.22%	-	1.39%
Guarantees receivable	71.35%	26.21%	1.95%	-
Acceptances	24.74%	2.36%	34.91%	-

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%	-

7) Concentrations of credit risk exposure

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

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

Taipei Fubon Bank

a) By industry

By Industry	December 31, 2017		December 31, 2016	
	Amount	%	Amount	%
Private	$ 638,649,436	51.25	$ 572,170,635	49.34
Private enterprise	438,644,180	35.20	409,665,407	35.33
Financial Institution	77,239,133	6.20	62,718,472	5.41
Government organization	56,737,571	4.55	60,253,577	5.20
Public enterprise	34,227,556	2.75	54,379,520	4.69
Non-profit organization	578,876	0.05	399,872	0.03
Total	$ 1,246,076,752	100.00	$ 1,159,587,483	100.00

b) By geographical area

Geographical Area	December 31, 2017		December 31, 2016	
	Amount	%	Amount	%
Domestic	$ 1,087,909,696	87.31	$ 1,033,742,174	89.15
Asia	87,018,082	6.98	62,885,190	5.42
America	56,486,297	4.53	49,717,731	4.29
Others	14,662,677	1.18	13,242,388	1.14
Total	$ 1,246,076,752	100.00	$ 1,159,587,483	100.00

c) By collateral

By Collateral	December 31, 2017		December 31, 2016	
	Amount	%	Amount	%
Unsecured	$ 444,091,542	35.64	$ 423,747,922	36.55
Secured	801,985,210	64.36	735,839,561	63.45
Properties	686,862,046	55.12	626,202,482	54.00
Guarantees	46,577,211	3.74	45,691,757	3.94
Financial instruments	37,101,176	2.98	31,576,642	2.72
Others	31,444,777	2.52	32,368,680	2.79
Total	$ 1,246,076,752	100.00	$ 1,159,587,483	100.00

Fubon Bank (China)

a) By industry

(In Thousands of RMB)

By Industry	December 31, 2017		December 31, 2016	
	Amount	%	Amount	%
Finance and insurance	$ 12,417,020	29.99	$ 11,881,305	30.00
Construction	4,701,205	11.35	4,313,653	10.89
Wholesale and retail	4,193,054	10.13	3,164,941	7.99
Manufacturing	3,320,350	8.02	3,267,854	8.25
Leasing and commerce	3,163,784	7.64	3,819,398	9.64
Water conservation and environment	3,116,013	7.53	3,160,997	7.98
Real estate	1,980,333	4.78	2,057,279	5.19
Personal loans	1,266,229	3.06	497,027	1.26
Transportation	699,224	1.69	58,676	0.15
Electricity, gas and water	550,000	1.33	216,050	0.55
Information and computers	370,819	0.89	537,274	1.36
Education	330,625	0.80	127,743	0.32
Agriculture, livestock and fishery	190,000	0.46	55,000	0.14
Health care and welfare	164,310	0.40	33,293	0.08
Research and development and technical services	121,648	0.29	5,040	0.01
Culture, sports and entertainment	39,694	0.10	25,000	0.06
Hotel and catering	11,225	0.03	54,689	0.14
Others	4,767,149	11.51	6,327,381	15.99
Total (Note)	$ 41,402,682	100.00	$ 39,602,600	100.00

Note: Included only discounts and loans.

b) By geographical area

(In Thousands of RMB)

Geographical Area	December 31, 2017		December 31, 2016	
	Amount	%	Amount	%
East China	$ 20,473,610	49.45	$ 18,154,073	45.84
North China	9,116,791	22.02	10,660,688	26.92
Southwest region	5,985,142	14.45	5,683,492	14.35
South China	3,166,139	7.65	1,640,154	4.14
Other regions	1,394,771	3.37	2,967,166	7.49
Personal loans	1,266,229	3.06	497,027	1.26
Total (Note)	$ 41,402,682	100.00	$ 39,602,600	100.00

Note: Included only discounts and loans.

c) By collateral

(In Thousands of RMB)

By Collateral	December 31, 2017		December 31, 2016	
	Amount	%	Amount	%
Clean loans	$ 33,893,133	81.86	$ 31,292,273	79.01
Guarantee loans	576,691	1.39	612,639	1.55
Collateral loans	6,932,858	16.75	7,697,688	19.44
Mortgage loans	3,815,491	9.22	3,642,136	9.20
Pledge loans	3,117,367	7.53	4,055,552	10.24
Total (Note)	$ 41,402,682	100.00	$ 39,602,600	100.00

Note: Included only discounts and loans.

8) Credit quality and impairment assessment

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

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

The credit quality classifications are defined as follows:

Taipei Fubon Bank

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

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

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

Fubon Bank (China)

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

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

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

Taipei Fubon Bank

a) Credit analysis of receivables and discounts and loans

December 31, 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	$ 48,468,265	$ 18,133,729	$ 499,565	$ 67,101,559	$ 197,019	$ 826,972	$ 68,125,550	$ 155,688	$ 334,626	$ 67,635,236
Credit card receivables	30,311,446	5,899,599	450,510	36,661,555	182,856	609,259	37,453,670	52,864	115,427	37,285,379
Accounts receivable and documents against acceptance - forfaiting	94,070	748,066	-	842,136	-	-	842,136	-	8,528	833,608
Accounts receivable - factoring	7,960,563	8,279,274	-	16,239,837	-	-	16,239,837	-	184,419	16,055,418
Acceptances	330,915	2,075,458	-	2,406,373	-	-	2,406,373	-	24,986	2,381,387
Others	9,771,271	1,131,332	49,055	10,951,658	14,163	217,713	11,183,534	102,824	1,266	11,079,444
Bills purchased	92	1,141	-	1,233	-	-	1,233	-	12	1,221
Nonperforming loans transferred from other than loans	-	-	-	-	-	126,413	126,413	106,463	-	19,950
Discounts and loans	607,041,103	568,545,100	27,922,020	1,203,508,223	3,046,005	7,717,194	1,214,271,422	1,938,196	14,203,709	1,198,129,517
Personal finance	495,263,834	52,696,923	26,492,552	574,453,309	3,041,325	1,901,225	579,395,859	91,709	7,739,714	571,564,436
Corporate banking	111,777,269	515,848,177	1,429,468	629,054,914	4,680	5,815,969	634,875,563	1,846,487	6,463,995	626,565,081

Note: The total loan is the original amount without the adjustments of premium or discounts $563,794 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.

Fubon Bank (China)

(In Thousands of RMB)

December 31, 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	$ 3,051,676	$ -	$ 3,051,676	$ -	$ -	$ 3,051,676	$ -	$ 3,381	$ 3,048,295
Acceptances	2,173,344	-	2,173,344	-	-	2,173,344	-	-	2,173,344
Account receivable-forfaiting	191,517	-	191,517	-	-	191,517	-	2,681	188,836
Others	686,815	-	686,815	-	-	686,815	-	700	686,115
Discount and loans	40,816,149	75,590	40,891,739	88,927	422,016	41,402,682	341,837	403,808	40,657,037
Personal finance	1,254,255	-	1,254,255	11,303	671	1,266,229	367	17,581	1,248,281
Corporate banking	39,561,894	75,590	39,637,484	77,624	421,345	40,136,453	341,470	386,227	39,408,756

(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

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

Taipei Fubon Bank

December 31, 2017	Neither Past Due Nor Impaired			
	Good	Moderate	Substandard	Total
Personal finance				
Mortgage	$ 466,107,122	$ 42,244,028	$ 14,218,159	$ 522,569,309
Micro credit	-	9,304,885	12,271,721	21,576,606
Others	29,156,712	1,148,010	2,672	30,307,394
Corporate banking				
Secured	1,101,879	195,830,105	1,241,137	198,173,121
Unsecured	110,675,390	320,018,072	188,331	430,881,793
Total	$ 607,041,103	$ 568,545,100	$ 27,922,020	$ 1,203,508,223

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

Fubon Bank (China)

(In Thousands of RMB)

December 31, 2017	Neither Past Due Nor Impaired		
	Moderate	Special-mention	Total
Consumer finance			
Mortgage	$ 523,852	$ -	$ 523,852
Others	730,403	-	730,403
Corporate banking			
Secured	4,502,231	75,590	4,577,821
Unsecured	35,059,663	-	35,059,663
Total	$ 40,816,149	$ 75,590	$ 40,891,739

(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

c) Credit analysis of marketable securities

Taipei Fubon Bank

December 31, 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	$ 50,329,805	$ 52,534,658	$ -	$ 102,864,463	$ -	$ -	$ 102,864,463	$ -	$ 102,864,463
Others	20,649,212	29,561,508	-	50,210,720	-	-	50,210,720	-	50,210,720
Held-to-maturity financial assets									
Bond investments	104,333,490	24,076,384	-	128,409,874	-	-	128,409,874	-	128,409,874
Others	298,030,979	2,779,638	-	300,810,617	-	-	300,810,617	-	300,810,617
Other financial assets									
Investment in bond	47,165,047	6,774,213	-	53,939,260	-	-	53,939,260	-	53,939,260

Note 1: Available-for-sale financial assets did not include equity investments and beneficiary securities: Original cost of $3,285,108 thousand, valuation of $14,422 thousand and cumulative impairment of $335,594 thousand.

Note 2: Other financial assets did not include equity investments in financial assets carried at cost: Original cost of $1,057,635 thousand and accumulated impairment of $30,989 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 beneficiary securities: Original cost of $5,398,016 thousand, valuation of $1,136,127 thousand and cumulative impairment of $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 of $26,686 thousand.

Fubon Bank (China)

(In Thousands of RMB)

December 31, 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)					
Available-for-sale financial assets								
Bond investments	$ 6,003,504	$ -	$ 6,003,504	$ -	$ -	$ 6,003,504	$ -	$ 6,003,504
Others	4,926,419	-	4,926,419	-	-	4,926,419	-	4,926,419
Held-to-maturity financial assets								
Bond investments	7,777,857	-	7,777,857	-	-	7,777,857	-	7,777,857

(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

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

Taipei Fubon Bank

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

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

	December 31, 2017			
	Overdue Less Than One Month	**Overdue One to Three Months**	**Overdue Over Three to Six Months**	**Total**
Accounts receivable				
Credit card	$ 127,282	$ 55,574	$ -	$ 182,856
Others	11,123	3,040	-	14,163
Discounts and loans				
Personal finance	2,803,883	237,442	-	3,041,325
Corporate banking	1,090	2,440	1,150	4,680

	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

Fubon Bank (China)

(In Thousands of RMB)

	December 31, 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	$ 8,672	$ 2,631	$ -	$ -	$ 11,303
Corporate banking	579	18,550	-	58,495	77,624

(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

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 December 31, 2017 and 2016 had the following results:

Discounts and loans

Type of Impairment Assessment		**December 31, 2017**		**December 31, 2016**	
		Discounts and Loans	**Allowance for Credit Losses**	**Discounts and Loans**	**Allowance for Credit Losses**
With objective evidence of impairment	Individually assessed for impairment	$ 8,152,638	$ 3,411,926	$ 11,066,457	$ 2,881,859
	Collectively assessed for impairment	1,901,225	91,709	1,853,308	84,190
With no objective evidence of impairment	Collectively assessed for impairment	1,393,821,140	16,052,948	1,295,592,087	15,104,101

Receivables

Type of Impairment Assessment		**December 31, 2017**		**December 31, 2016**	
		Receivables	**Allowance for Credit Losses**	**Receivables**	**Allowance for Credit Losses**
With objective evidence of impairment	Individually assessed for impairment	$ 289,213	$ 161,557	$ 1,000,435	$ 869,502
	Collectively assessed for impairment	664,171	100,594	769,769	117,279
With no objective evidence of impairment	Collectively assessed for impairment	81,002,969	350,122	70,000,869	364,235

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 and bills purchased.

11) Management policies on collaterals assumed

The collaterals held by Fubon Bank (China) are currently evaluated based mainly on the "Measures for the Administration of Debt-expiated Assets in Banks". The properties of the collaterals held by Fubon Bank (China) are buildings. As of December 31, 2017 and 2016, the carrying amounts of the properties were $87,926 thousand and $89,086 thousand, respectively. Collaterals assumed are classified as other assets in the consolidated balance sheets.

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

<u>Taipei Fubon Bank</u>

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 capital liquidity control index to monitor and manage the Bank's liquidity risk.

i. Capital liquidity control index and relevant analysis approved by the board of directors are regularly reported to the Asset and Liability Management Committee ("ALCO"), and the directors (permanent) are all prepared for future reference.

ii. Capital liquidity control index and relevant analysis approved by the ALCO are regularly reported to the ALCO, and the Bank's chairman.

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

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

December 31, 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	$ 45,883,761	$ 4,258,293	$ 4,760,420	$ 5,404,084	$ 17,177,958	$ 77,484,516
Investments in marketable securities (Note 2)	197,972,829	39,371,317	44,635,826	58,475,521	139,333,528	479,789,021
Securities purchased under resell agreements	5,285,079	-	-	-	-	5,285,079
Loans (included overdue loans)	104,526,252	81,764,313	63,449,650	94,504,089	645,292,735	989,537,039
Deliverable derivative assets	258,891,312	246,809,793	160,252,700	68,532,635	14,745,338	749,231,778
Non-deliverable derivative assets	4,160,124	3,510	-	14,430	253,685	4,431,749
Other capital inflow on maturity	25,814,801	7,912,275	7,394,205	3,662,346	50,423,971	95,207,598
Subtotal	642,534,158	380,119,501	280,492,801	230,593,105	867,227,215	2,400,966,780
Liabilities						
Due to the Central Bank and other banks	28,197,958	2,000	845,004	1,700	101,000	29,147,662
Deposits and remittances	176,091,600	147,255,219	95,502,422	186,965,437	593,268,963	1,199,083,641
Securities sold under repurchase agreements	10,148,583	1,613,321	53,225	-	-	11,815,129
Payables	559,496	416,707	518,895	553,656	94,743	2,143,497
Bank debentures	-	3,053,510	-	11,464,430	36,153,455	50,671,395
Deliverable derivative liabilities	300,089,590	325,280,180	165,422,960	73,824,014	19,127,340	883,744,084
Non-deliverable derivative liabilities	4,389,378	-	-	-	231	4,389,609
Other capital outflow on maturity	21,479,111	2,813,968	3,849,822	972,242	6,211,230	35,326,373
Subtotal	540,955,716	480,434,905	266,192,328	273,781,479	654,956,962	2,216,321,390

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

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)

December 31, 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	$ 1,143,731	$ 1,220,000	$ 365,000	$ 537,000	$ -	$ 3,265,731
Investments in marketable securities (Note 2)	266,497	89,918	94,940	171,896	5,332,696	5,955,947
Loans (including overdue loans)	1,011,337	344,358	344,001	262,188	1,528,211	3,490,095
Deliverable derivative assets	13,435,055	14,325,734	6,298,301	2,742,573	641,972	37,443,635
Non-deliverable derivative assets	30,829	34	-	190	25,347	56,400
Other capital inflow on maturity	783,975	213,820	66,010	13,113	165,625	1,242,543
Subtotal	16,671,424	16,193,864	7,168,252	3,726,960	7,693,851	51,454,351
Liabilities						
Due to the Central Bank and other banks	1,618,904	660,000	-	-	-	2,278,904
Deposits and remittances	4,391,619	1,698,566	2,152,537	1,589,876	4,173,021	14,005,619
Securities sold under repurchase agreements	793,569	847,449	-	-	-	1,641,018
Payables	12,833	15,782	7,706	563	-	36,884
Bank debentures	-	-	-	-	818,074	818,074
Deliverable derivative liabilities	10,818,659	11,488,512	6,174,357	2,560,544	489,829	31,531,901
Non-deliverable derivative liabilities	37,069	-	209	71	42,980	80,329
Other capital outflow on maturity	419,409	76,521	19,455	8,621	365,228	889,234
Subtotal	18,092,062	14,786,830	8,354,264	4,159,675	5,889,132	51,281,963

(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

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

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

c) Maturity analysis of derivative assets and liabilities - RMB

Fubon Bank (China)

(In Thousands of RMB)

December 31, 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	$ 1,359,214	$ -	$ -	$ -	$ 6,151,070	$ 7,510,284
Investments in marketable securities (Note)	3,314,425	489,735	5,898,373	11,506,598	-	21,209,131
Securities purchased under resell agreements	2,218,648	-	-	-	-	2,218,648
Loans (including overdue loans)	8,065,246	7,391,628	18,750,924	9,494,752	-	43,702,550
Deliverable derivative assets	2,470,632	1,714,344	4,336,792	-	-	8,521,768
Non-deliverable derivative assets	5,335,636	15,016,785	31,050,574	66,335	-	51,469,330
Other capital inflow on maturity	860,480	1,241,645	776,061	-	20,223	2,898,409
Subtotal	23,624,281	25,854,137	60,812,724	21,067,685	6,171,293	137,530,120
Liabilities						
Due to the Central Bank and other banks	1,104,760	3,063,608	4,047,425	-	-	8,215,793
Funds borrowed from the Central Bank and other banks	201,476	200,855	807,183	-	-	1,209,514
Deposits and remittances	28,661,561	9,257,071	10,816,241	1,013,343	-	49,748,216
Securities sold under repurchase agreements	3,922,492	2,237,032	968,581	-	-	7,128,105
Payables	560,908	1,052,704	776,061	540	-	2,390,213
Deliverable derivative liabilities	2,496,452	1,715,322	4,309,527	-	-	8,521,301
Non-deliverable derivative liabilities	5,378,016	15,082,265	31,162,563	66,328	-	51,689,172
Other capital outflow on maturity	-	-	-	-	3,122	3,122
Subtotal	42,325,665	32,608,857	52,887,581	1,080,211	3,122	128,905,436

(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

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

d) Maturity analysis of derivatives assets and liabilities - NTD

Taipei Fubon Bank

December 31, 2017	0-30 Days	31-90 Days	91-180 Days	181-365 Days	Over 1 Year	Total
Assets						
Deliverable derivative assets						
Forward contracts	$ 1,595,740	$ 1,780,122	$ 684,094	$ 544,880	$ 210,228	$ 4,815,064
Currency exchange	249,103,537	230,638,790	147,306,105	57,890,534	295,250	685,234,216
Cross-currency swaps	8,192,035	14,390,881	12,262,501	10,097,221	14,239,860	59,182,498
Subtotal	258,891,312	246,809,793	160,252,700	68,532,635	14,745,338	749,231,778
Non-deliverable derivative assets						
Foreign exchange derivative instruments	603,009	-	-	-	-	603,009
Interest rate derivative instruments - hedging	-	3,510	-	14,430	253,685	271,625
Interest rate derivative instruments - non-hedging	2,439,826	-	-	-	-	2,439,826
Equity derivative instruments	1,117,289	-	-	-	-	1,117,289
Subtotal	4,160,124	3,510	-	14,430	253,685	4,431,749
Liabilities						
Deliverable derivative liabilities						
Forward contracts	1,603,996	1,568,003	71,022	-	-	3,243,021
Currency exchange	293,454,290	302,013,322	152,512,867	67,440,424	3,348,385	818,769,288
Cross-currency swaps	5,031,304	21,698,855	12,839,071	6,383,590	15,778,955	61,731,775
Subtotal	300,089,590	325,280,180	165,422,960	73,824,014	19,127,340	883,744,084
Non-deliverable derivative liabilities						
Foreign exchange derivative instruments	603,009	-	-	-	-	603,009
Interest rate derivative instruments - hedging	-	-	-	-	231	231
Interest rate derivative instruments - non-hedging	2,669,080	-	-	-	-	2,669,080
Equity derivative instruments	1,117,289	-	-	-	-	1,117,289
Subtotal	4,389,378	-	-	-	231	4,389,609

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

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

e) Maturity analysis of derivative assets and liabilities - USD

Taipei Fubon Bank

(In Thousands of U.S. Dollars)

December 31, 2017	0-30 Days	31-90 Days	91-180 Days	181-365 Days	Over 1 Year	Total
Assets						
Deliverable derivative assets						
Forward contracts	$ 268,167	$ 429,478	$ 37,764	$ 47,304	$ 700	$ 783,413
Currency exchange	13,004,888	13,306,256	5,845,757	2,476,483	115,000	34,748,384
Cross-currency swaps	162,000	590,000	414,780	218,786	526,272	1,911,838
Subtotal	13,435,055	14,325,734	6,298,301	2,742,573	641,972	37,443,635
Non-deliverable derivative assets						
Foreign exchange derivative instruments	22,780	-	-	-	-	22,780
Interest rate derivative instruments - hedging	-	34	-	190	25,347	25,571
Interest rate derivative - non-hedging	7,216	-	-	-	-	7,216
Equity derivative instruments	576	-	-	-	-	576
Product derivative instruments	257	-	-	-	-	257
Subtotal	30,829	34	-	190	25,347	56,400
Liabilities						
Deliverable derivative liabilities						
Forward contracts	408,746	621,557	137,493	188,668	7,000	1,363,464
Currency exchange	10,149,968	10,403,905	5,636,899	2,028,668	10,000	28,229,440
Cross-currency swaps	259,945	463,050	399,965	343,208	472,829	1,938,997
Subtotal	10,818,659	11,488,512	6,174,357	2,560,544	489,829	31,531,901
Non-deliverable derivative liabilities						
Foreign exchange derivative instruments	23,959	-	-	-	-	23,959
Interest rate derivative instruments - hedging	-	-	209	71	42,980	43,260
Interest rate derivative - non-hedging	12,278	-	-	-	-	12,278
Equity derivative instruments	576	-	-	-	-	576
Product derivative instruments	256	-	-	-	-	256
Subtotal	37,069	-	209	71	42,980	80,329

(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

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

f) Maturity analysis of derivative assets and liabilities - RMB

Fubon Bank (China)

(In Thousands of RMB)

December 31, 2017	0-30 Days	31-90 Days	91-365 Days	Over 1 Year	Total
Assets					
Deliverable derivative assets					
Forward contracts	$ 129,834	$ 68,608	$ 43,304	$ -	$ 241,746
Currency exchange	1,533,475	1,050,806	3,673,722	-	6,258,003
Options	792,022	594,325	545,047	-	1,931,394
Equity exchange	-	-	6,860	-	6,860
Cross-currency swap	15,301	605	67,859	-	83,765
Subtotal	2,470,632	1,714,344	4,336,792	-	8,521,768
Non-deliverable derivative assets					
Interest rate derivatives - non-hedging	-	23	-	-	23
Currency exchange	5,036,930	14,754,303	30,784,822	66,335	50,642,390
Options	128,000	229,434	261,950	-	619,384
Forward contract	170,706	32,725	-	-	203,431
Commodity swaps	-	300	3,802	-	4,102
Subtotal	5,335,636	15,016,785	31,050,574	66,335	51,469,330
Liabilities					
Deliverable derivative liabilities					
Forward contracts	130,308	69,074	42,304	-	241,686
Currency exchange	1,559,253	1,053,022	3,667,210	-	6,279,485
Options	791,590	592,621	525,294	-	1,909,505
Equity exchange	-	-	6,860	-	6,860
Cross-currency swap	15,301	605	67,859	-	83,765
Subtotal	2,496,452	1,715,322	4,309,527	-	8,521,301
Non-deliverable derivatives					
Interest rate derivatives - non-hedging	-	23	-	-	23
Currency exchange	5,077,200	14,814,395	30,896,911	66,328	50,854,834
Options	130,743	234,230	261,850	-	626,823
Forward contract	170,073	33,317	-	-	203,390
Commodity swaps	-	300	3,802	-	4,102
Subtotal	5,378,016	15,082,265	31,162,563	66,328	51,689,172

(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

g) Maturity analysis of off-balance sheet items

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

Taipei Fubon Bank

December 31, 2017	0-30 Days	31-90 Days	91-180 Days	181-365 Days	Over 1 Year	Total
Irrevocable credit commitments	$ 76,409,378	$ -	$ -	$ -	$ -	$ 76,409,378
Standby letters of credit	10,407,936	-	-	-	-	10,407,936
Financial guarantees	10,862,561	343,200	3,085,200	2,737,374	12,368,709	29,397,044
Total	$ 97,679,875	$ 343,200	$ 3,085,200	$ 2,737,374	$ 12,368,709	$ 116,214,358

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

Fubon Bank (China)

(In Thousands of RMB)

December 31, 2017	0-30 Days	31-90 Days	91-365 Days	Over 1 Year	Total
Irrevocable credit commitments	$ -	$ -	$ -	$ 2,542	$ 2,542
Standby letters of credit	99,278	315,965	42,717	-	457,960
Financial guarantees	163,248	229,941	914,022	53,922	1,361,133
Total	$ 262,526	$ 545,906	$ 956,739	$ 56,464	$ 1,821,635

(In Thousands of RMB)

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

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 Year Ended December 31, 2017			
Common VaR	**Highest**	**Lowest**	**Mean**	**End of Year**
Equity	$ -	$ -	$ -	$ -
Interest rate	94,459	42,826	59,745	51,387
Exchange rate	17,482	3,529	7,979	4,534
Volatility	6,047	794	2,731	794
Diversification effect	-	-	(11,169)	(7,693)
Common VaR of trading book			$ 59,286	$ 49,022

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

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 December 31, 2017 and 2016 and all other factors been held constant, the earnings would have decreased/increased by $5 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 December 31, 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:

	December 31			
	2017		2016	
	Influence on Profit and Loss	**Influence on Other Equity**	**Influence on Profit and Loss**	**Influence on Other Equity**
Stock price increase by 10%	$ 30,036	$ 296,393	$ 35,097	$ 619,855
Stock price decrease by 10%	(30,036)	(296,393)	(35,097)	(619,855)

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)

	December 31			
	2017		2016	
	Impact on Profit and Loss	**Impact on Other Equity**	**Impact on Profit and Loss**	**Impact on Other Equity**
Interest rate increases 50 basis points	$ (11,269)	$ (75,245)	$ (34,653)	$ (16,340)
Interest rate decreases 50 basis points	11,269	77,762	34,653	16,396

b) Exchange rate risk

Fubon Bank (China) uses RMB for its loans/deposits, and interbank borrowings. Foreign currency is mainly 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)

	December 31			
	2017		2016	
	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	$ (44,312)	$ 8,351	$ 25,691	$ 8,921
USD and HKD appreciate by 5% against the RMB	44,312	(8,351)	(25,691)	(8,921)

7) Foreign currency rate risk information

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

Taipei Fubon Bank

	December 31, 2017		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets			
Monetary item			
USD	$ 16,245,522	29.8574	$ 485,049,049
RMB	16,297,356	4.5795	74,633,742
JPY	135,205,202	0.2650	35,829,379
HKD	8,337,859	3.8211	31,859,793
AUD	1,176,755	23.3123	27,432,866
Nonmonetary item			
USD	156,231	29.8574	4,664,651
RMB	1,263,540	4.5795	5,786,381
JPY	4,552,980	0.2650	1,206,540
HKD	82,782	3.8211	316,318
AUD	523	23.3123	12,192
Investments measured by equity method			
RMB	4,609,936	4.5795	21,111,200

(Continued)

	December 31, 2017		
	Foreign Currencies	**Exchange Rate**	**New Taiwan Dollars**
Financial liabilities			
Monetary item			
USD	$ 23,073,140	29.8574	$ 688,903,970
RMB	12,851,572	4.5795	58,853,774
JPY	43,752,207	0.2650	11,594,335
HKD	4,834,320	3.8211	18,472,420
AUD	939,882	23.3123	21,910,811
Nonmonetary item			
USD	181,888	29.8574	5,430,703
RMB	1,341,586	4.5795	6,143,793
JPY	4,878,441	0.2650	1,292,787
HKD	79,543	3.8211	303,942
AUD	635	23.3123	14,803

(Concluded)

	December 31, 2016		
	Foreign Currencies	**Exchange Rate**	**New Taiwan Dollars**
Financial assets			
Monetary item			
USD	$ 11,409,196	32.2815	$ 368,305,961
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	14,817,085	32.2815	478,317,729
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

Fubon Bank (China)

	December 31, 2017		
	Foreign Currencies	**Exchange Rate**	**RMB**
Financial assets			
Monetary item			
USD	$ 520,405	6.5342	$ 3,400,430
JPY	2,743,663	0.0579	158,858
HKD	25,619	0.8359	21,415
EUR	2,088	7.8023	16,291
Nonmonetary item			
USD	1,451	6.5342	9,481
Financial liabilities			
Monetary item			
USD	2,114,746	6.5342	13,818,173
JPY	2,095,932	0.0579	121,354
HKD	16,592	0.8359	13,869
EUR	18,533	7.8023	144,600
Nonmonetary item			
USD	141,494	6.5342	924,550

	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

f. Transfers of financial assets

Transfers of financial assets not qualifying for derecognition

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

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

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

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

Category of Financial Asset	December 31, 2017	
	Transferred Financial Assets - Book Value	Related Financial Liabilities - Book Value
Transactions under repurchased agreements		
Financial assets at fair value through profit and loss	$ 1,004,618	$ 1,007,092
Discounted note	6,461,588	6,560,623
Available-for-sale financial assets	50,953,338	48,079,115
Held-to-maturity financial assets	41,179,732	37,999,295
Debt instruments with no active market	4,398,597	4,379,450

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

g. Offsetting of financial assets and financial liabilities

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

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

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

December 31, 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)	$ 26,739,448	$ -	$ 26,739,448	$ 20,148,025	$ 2,272,495	$ 4,318,928
Securities purchased under resell agreements	15,434,688	-	15,434,688	15,376,203	-	58,485
	$ 42,174,136	$ -	$ 42,174,136	$ 35,524,228	$ 2,272,495	$ 4,377,413

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)	$ 29,440,816	$ -	$ 29,440,816	$ 17,820,220	$ 3,495,813	$ 8,124,783
Securities sold under repurchased agreements	98,025,575	-	98,025,575	98,008,820	-	16,755
	$ 127,466,391	$ -	$ 127,466,391	$ 115,829,040	$ 3,495,813	$ 8,141,538

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

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 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 regularly as well as the future demand for capital and raises the capital if needed to maintain capital adequacy.

c. Statement of capital adequacy

As of December 31, 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 December 31, 2017 and 2016 were as follows:

	December 31	
	2017	2016
Held-to-maturity financial assets		
Carrying amounts	$ 400,660	$ 554,884
Fair value	403,448	554,411

The gains or losses recorded for the reclassified financial assets (excluding those that had been derecognized before December 31, 2017 and 2016) for the years ended December 31, 2017 and 2016 and the pro forma adjustments recognized in other equity assuming no reclassifications had been made were as follows:

	For the Year Ended December 31	
	2017	2016
Held-to-maturity financial assets		
Gains recognized	$ 9,027	$ 18,420
Pro forma adjustments recognized in other equity	1,166	(2,352)

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

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

a. Asset quality

   See Table 1.

b. Concentration of credit extensions

December 31, 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)	$ 11,566,839	6.43
2	Group B (LCD and its component manufacturing industry)	11,249,797	6.25
3	Group C (other electronic component manufacturing industry)	8,300,759	4.61
4	Group D (other electronic component manufacturing industry)	8,267,889	4.59
5	Group E (passive electronic components manufacturing industry)	8,240,000	4.58
6	Group F (ocean transport industry)	7,272,046	4.04
7	Group G (real estate industry)	5,971,397	3.32
8	Group H (wire and cable manufacturing industry)	5,746,819	3.19
9	Group I (ocean transport industry)	5,494,754	3.05
10	Group J (Financial service industry)	5,397,768	3.00

December 31, 2016

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

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)
December 31, 2017

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	1,212,634,701	92,061,556	70,599,111	143,463,742	1,518,759,110
Interest rate-sensitive liabilities	479,725,352	663,651,275	84,343,875	52,680,301	1,280,400,803
Interest rate sensitivity gap	732,909,349	(571,589,719)	(13,744,764)	90,783,441	238,358,307
Net worth					172,338,066
Ratio of interest rate-sensitive assets to liabilities					118.62%
Ratio of the interest rate sensitivity gap to net worth					138.31%

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

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

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

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

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

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

Interest Rate Sensitivity (U.S. Dollars)
December 31, 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	9,560,776	1,143,929	1,627,018	5,384,161	17,715,884
Interest rate-sensitive liabilities	19,847,063	2,122,642	1,283,277	1,330,223	24,583,205
Interest rate sensitivity gap	(10,286,287)	(978,713)	343,741	4,053,938	(6,867,321)
Net worth					384,740
Ratio of interest rate-sensitive assets to liabilities					72.06%
Ratio of the interest rate sensitivity gap to net worth					(1,784.93%)

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

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

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

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

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

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

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

d. Profitability

(%)

Item		For the Year Ended December 31, 2017	For the Year Ended December 31, 2016
Return on total assets	Before income tax	0.76	0.76
	After income tax	0.67	0.63
Return on net worth	Before income tax	9.83	9.68
	After income tax	8.64	8.07
Profit margin		39.71	37.55

Note 1: Return on total assets = Income before (after) income tax/Average total assets.

Note 2: Return on net worth = Income before (after) income tax/Average net worth.

Note 3: Profit margin = Income after income tax/Total operating revenues.

Note 4: Income before (after) income tax represents income for the years ended December 31, 2017 and 2016.

e. Maturity analysis of assets and liabilities

Maturity Analysis of Assets and Liabilities (New Taiwan Dollars)
December 31, 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	$ 2,400,966,780	$ 308,622,209	$ 333,911,949	$ 380,119,501	$ 280,492,801	$ 230,593,105	$ 867,227,215
Main capital outflow on maturity	2,798,077,159	245,691,773	324,574,990	539,056,998	354,125,467	449,647,757	884,980,174
Gap	(397,110,379)	62,930,436	9,336,959	(158,937,497)	(73,632,666)	(219,054,652)	(17,752,959)

Maturity Analysis of Assets and Liabilities (New Taiwan Dollars)
December 31, 2016

	Total	The Amount for the Remaining Period to Maturity					
		0-10 Days	11-30 Days	31-90 Days	91-180 Days	181-365 Days	Over 1 Year
Main capital inflow on maturity	$ 2,118,854,217	$ 239,707,448	$ 339,382,236	$ 314,590,345	$ 186,347,329	$ 239,874,511	$ 798,952,348
Main capital outflow on maturity	2,522,754,666	182,777,679	265,548,314	401,260,875	361,924,529	452,227,331	859,015,938
Gap	(403,900,449)	56,929,769	73,833,922	(86,670,530)	(175,577,200)	(212,352,820)	(60,063,590)

Note: The above amounts are book values of assets and liabilities held by the Bank and denominated in New Taiwan dollars.

Maturity Analysis of Assets and Liabilities (U.S. Dollars)
December 31, 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	$ 75,993,302	$ 26,533,031	$ 24,294,916	$ 10,087,780	$ 5,803,424	$ 9,274,151
Capital outflow on maturity	81,201,553	29,806,347	24,151,886	11,836,750	8,181,442	7,225,128
Gap	(5,208,251)	(3,273,316)	143,030	(1,748,970)	(2,378,018)	2,049,023

Maturity Analysis of Assets and Liabilities (U.S. Dollars)
December 31, 2016

(In Thousands of U.S. Dollars)

	Total	The Amount for the Remaining Period to Maturity				
		1-30 Days	31-90 Days	91-180 Days	181-365 Days	Over 1 Year
Capital inflow on maturity	$ 79,706,962	$ 25,094,138	$ 23,195,305	$ 14,999,774	$ 10,263,228	$ 6,154,517
Capital outflow on maturity	86,106,862	28,951,538	24,801,474	12,967,182	14,370,233	5,016,435
Gap	(6,399,900)	(3,857,400)	(1,606,169)	2,032,592	(4,107,005)	1,138,082

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

54. STATEMENT OF CAPITAL ADEQUACY

Analysis \ Year (Note 2)			December 31, 2017		December 31, 2016	
			Consolidation	Standalone	Consolidation	Standalone
Regulatory capital	Net common equity Tier 1 capital		$ 174,030,583	$ 161,746,125	$ 168,290,036	$ 157,727,665
	Net additional Tier 1 capital		1,776,375	-	1,576,820	-
	Net Tier 2 capital		39,150,749	24,383,575	37,409,698	22,925,960
	Regulatory capital		214,957,707	186,129,700	207,276,554	180,653,625
Risk-weighted assets	Credit risk	Standardized approach	1,489,062,544	1,236,150,633	1,366,774,954	1,151,669,480
		Internal rating - based approach	-	-	-	-
		Securitization	160,367	160,367	2,406,031	2,406,031
	Operational risk	Basic indicator approach	-	-	-	-
		Standardized approach/alternative standardized approach	74,847,625	64,516,213	75,170,863	64,527,175
		Advanced measurement approach	-	-	-	-
	Market risk	Standardized approach	38,235,838	35,271,988	38,500,900	35,948,038
		Internal models approach	-	-	-	-
	Total risk-weighted assets		1,602,306,374	1,336,099,201	1,482,852,748	1,254,550,724
Total capital adequacy ratio			13.42%	13.93%	13.98%	14.40%
Common equity Tier 1 ratio			10.86%	12.11%	11.35%	12.57%
Tier 1 capital ratio			10.97%	12.11%	11.46%	12.57%
Leverage ratio			6.20%	6.44%	6.66%	7.09%

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 segment revenue and operating results, and geographical information are as follows:

a. Segment revenue and operating results

For the year ended December 31, 2017

	Personal Finance	Corporate Banking	Overseas Subsidiary	Others	Total
Net interest income	$ 8,874,463	$ 10,721,947	$ 4,052,824	$ (96,829)	$ 23,552,405
Net interest income (external)	5,429,106	13,772,833	4,416,928	(66,462)	23,552,405
Inter-segment revenues (expenses)	3,445,357	(3,050,886)	(364,104)	(30,367)	-
Net non-interest income	9,939,757	7,755,520	233,640	1,151,844	19,080,761
Net revenue	$ 18,814,220	$ 18,477,467	$ 4,286,464	$ 1,055,015	$ 42,633,166
Net profit (loss) before income tax	$ 7,118,970	$ 11,595,076	$ 1,246,342	$ (698,164)	$ 19,262,224

For the year ended December 31, 2016

	Personal Finance	Corporate Banking	Overseas Subsidiary	Others	Total
Net interest income	$ 7,017,662	$ 11,072,189	$ 4,791,803	$ (27,610)	$ 22,854,044
Net interest income (external)	4,370,004	13,671,572	4,808,898	3,570	22,854,044
Inter-segment revenues (expenses)	2,647,658	(2,599,383)	(17,095)	(31,180)	-
Net non-interest income	10,664,418	6,273,501	858,885	21,461	17,818,265
Net revenue	$ 17,682,080	$ 17,345,690	$ 5,650,688	($ 6,149)	$ 40,672,309
Net profit (loss) before income tax	$ 6,822,363	$ 10,606,321	$ 2,543,421	$ (1,653,384)	$ 18,318,721

b. Geographical information

The segments of the Bank and its subsidiaries based on their geographical locations are as follows:

	For the Year Ended December 31	
	2017	2016
Taiwan	$ 35,190,423	$ 32,029,092
Asia	7,442,743	8,650,749
Others	-	(7,532)
	$ 42,633,166	$ 40,672,309

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): Table 2.

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 3.

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: None 3.

9) Sale of nonperforming loans: Table 4.

10) Financial asset securitization: None.

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

12) The related information and proportionate share in investees: Table 6.

13) Derivative transactions: Note 8.

c. Information on investment in mainland China: Table 7.

d. Business relationship and significant transactions among the parent company and subsidiaries: Table 5.

TAIPEI FUBON COMMERCIAL BANK CO., LTD.

OVERDUE LOANS AND RECEIVABLE
DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars, %)

Item			December 31, 2017					December 31, 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		$ 436,228	$ 148,007,763	0.29%	$ 1,882,713	431.59%	$ 731,074	$ 147,242,590	0.50%	$ 1,939,904	265.35%
	Unsecured		1,086,644	428,430,815	0.25%	5,665,294	521.36%	1,008,754	406,433,237	0.25%	5,046,186	500.24%
Consumer finance	Mortgage (Note 4)		357,814	407,742,814	0.09%	6,089,002	1,701.72%	257,839	370,623,929	0.07%	5,519,226	2,140.57%
	Cash card		-	3,425	-	68	-	18	5,083	0.35%	99	550.00%
	Microcredit (Note 5)		57,911	22,362,155	0.26%	265,722	458.85%	46,554	16,787,670	0.28%	203,341	436.79%
	Other (Note 6)	Secured	122,529	171,831,739	0.07%	1,864,785	1,521.91%	149,080	148,537,742	0.10%	1,591,995	1,067.88%
		Unsecured	50,426	35,892,711	0.14%	374,321	742.32%	55,657	35,129,496	0.16%	365,381	656.49%
Total			2,111,552	1,214,271,422	0.17%	16,141,905	764.46%	2,248,976	1,124,759,747	0.20%	14,666,132	652.12%
			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			40,317	37,832,545	0.11%	207,904	515.67%	46,403	33,957,694	0.14%	222,398	479.28%
Accounts receivable - factoring with no recourse (Note 7)			-	16,239,837	-	184,419	-	-	16,535,416	-	189,441	-
Excluded NPL as a result of debt negotiations and loan agreements (Note 8)			77,260					112,959				
Excluded overdue receivables as a result of debt negotiations and loan agreements (Note 8)			126,300					172,157				
Excluded NPL as a result of consumer debt clearance (Note 9)			841,057					789,889				
Excluded overdue receivables as a result of consumer debt clearance (Note 9)			438,345					486,906				

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

ACQUIRED AND DISPOSED OF INVESTMENT AT COST OR PRICES OF AT LEAST NT$300 MILLION OR 10% OF THE ISSUED CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars or Shares)

Company Name	Type and Name of Marketable Securities	Account	Counterparty	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Units	Amount	Units	Amount	Units	Amount	Carrying Value	Gain (Loss) on Disposal	Units	Amount
Nutmeg Saving and Investment Limited	Stock	Financial assets measured at cost	Nutmeg Saving and Investment Limited	None	-	$ -	1,140,045	$ 476,028	-	$ -	$ -	$ -	1,140,045	$ 476,028

TABLE 3

TAIPEI FUBON COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

DISPOSAL OF PROPERTY AND EQUIPMENT AMOUNTING TO AT LEAST NT$300 MILLION OR 10% OF THE ISSUED CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 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.	Huajiang Branch (No.162, Sec. 2, Huanhe S. Rd., Wanhua Dist., Taipei City 108, Taiwan)	2017.06.22	1975.07.18	227	22,500	Full collection as of July 28, 2017	22,273	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.	Chengde Branch (1F, 2F, B1F and B2F, No.142, Sec. 2, Chengde Rd., Datong Dist., Taipei City 103, Taiwan)	2017.06.22	1991.06.22	186,513	270,000	Full collection as of August 29, 2017	83,487	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.	Wanlong Branch (No.136 and No.136-1, Sec. 6, Roosevelt Rd., Wenshan Dist., Taipei City 116, Taiwan; B2F, B3F and B4F, No.136 and No.138, Sec. 6, Roosevelt Rd., Wenshan Dist., Taipei City 116, Taiwan)	2017.06.22	1994.08.02	272,468	430,000	Full collection as of October 26, 2017	157,532	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
Fubon Bank (China)	Huaxia Bank Building Room 202	2017.10.24	2006.05.23	145,631 (Note)	412,068	Full collection as of December 22, 2017	266,437 (Note)	Taioz Corp.	None	Mainland regulators stipulate that banks' own real estate can only be used for personal use and cannot be rented out. Therefore, it is necessary to dispose of real estate to obtain non-operating income.	Evaluation report of Ushman&Wakefiel	None

Note: The carrying amount and gain (loss) on disposal did not include the effect of the acquisition method when Taipei Fubon Bank acquired Fubon Bank (China).

TABLE 4

TAIPEI FUBON COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

TRADING INFORMATION ON SALES OF NON-PERFORMING LOANS
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars)

1. Summary of Sales of non-performing loans

Transaction Date	Counterparty	Loans Composition	Carrying Amount (Note)	Selling Price	Gain or (Loss) on Disposal	Additional agreed Terms	Relationship
Fubon Bank (China) 2017.08.21	Shanghai ZhongQi Environment Technology	Real estate mortgage loan	$ 40,447	$ 53,371	$ 12,924	None	None

Note: The carrying amount is the amount of debt less the allowance for doubtful accounts.

2. For the sales of non-performing loans amounting to at least NT$1,000 million (not including related-party transactions): None.

TAIPEI FUBON COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

RELATED-PARTY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 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	$ 55,804	Note 4	-
		Fubon Bank (China)	a	Other financial assets	9,159,000	Note 4	0.34
		Fubon Bank (China)	a	Due from the Central Bank and call loans to other bank	9,554,368	Note 4	0.36
		Fubon Bank (China)	a	Financial assets at fair value through profit or loss	739	Note 4	-
		Fubon Bank (China)	a	Receivables, net	271,991	Note 4	0.01
		Fubon Bank (China)	a	Interest income	364,104	Note 4	0.85
		Fubon Bank (China)	a	Due to the Central Bank and other banks	70	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	18,769,172	Note 4	0.70
		TAIPEI FUBON COMMERCIAL BANK Co., Ltd.	b	Financial liabilities at fair value through profit or loss	739	Note 4	-
		TAIPEI FUBON COMMERCIAL BANK Co., Ltd.	b	Payables	271,991	Note 4	0.01
		TAIPEI FUBON COMMERCIAL BANK Co., Ltd.	b	Interest expense	364,104	Note 4	0.85
		TAIPEI FUBON COMMERCIAL BANK Co., Ltd.	b	Cash and cash equivalents	70	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
DECEMBER 31, 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)	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	8,499	8,912	-	8,912	2.83	Note 2
	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	200	10,000	-	10,000	5.88	Note 2
	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	30,876	11,876	-	11,876	2.28	Note 2
	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	21,111,200	159,370	-	-	-	100.00	Note 1
	Taiwan Mobile Payment Co., Ltd.	Taipei	Mobile payment and business	3.00	13,986	-	1,800	-	1,800	3.00	-
	Nutmeg Saving and Investment Limited	England	Financial technology	8.98	476,028	-	1,140	-	1,140	8.98	-
	Non-financial related										
	Fubon Real Estate Management Co., Ltd.	Taipei	Investigation, consultation, management and real estate evaluation of construction plans	30.00	107,775	7,896	6,964	-	6,964	30.00	Note 1
	Taipei Rapid Transit Corporation	Taipei	Public transportation	-	100	8	14	-	14	-	Note 2
	Taiwan Power Company	Taipei	Management of power facilities	-	1,830	-	374	-	374	-	-
	Easy Card Investment Holding Co., Ltd.	Taipei	Issue and research of IC card	4.91	47,500	6,418	5,108	-	5,108	4.91	Note 2
	Taiwan High Speed Rail Corporation	Taipei	Management of high speed rail	0.36	476,524	12,167	115,166	-	115,166	2.05	Note 2
	Taiwan Aerospace Corp.	Taipei	Aerospace industry	1.25	17,000	1,700	3,400	-	3,400	2.50	Note 2
	Ascentek Venture Capital Corp.	Kaohsiung	Venture capital investment	4.28	15,680	1,515	1,568	-	1,568	4.28	Note 2
	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	441	210	57	-	57	10.24	Note 2

Note 1: The investment gain (loss) was based on the investee's audited financial statements for the year ended December 31, 2017.

Note 2: The investment gain (loss) was the cash dividends recognized for the year ended December 31, 2017.

TAIPEI FUBON COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

INFORMATION ON THE INVESTMENT IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 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 December 31, 2017	Net Income (Loss) of the Investee (Note 1)	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2017	Accumulated Repatriation of Investment Income as of December 31, 2017	Note
					Outward	Inward							
Fubon Bank (China)	Banking	$ 9,616,950 (RMB 2,100,000)	Direct investment in mainland China	$ 20,258,298	$ -	$ -	$ 20,258,298	$ 993,312 (RMB 220,330)	51	$ 159,370	$ 21,111,200	$ 107,737	

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 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)	$107,978,719

Note 1: The foreign currency of paid-in capital and net income is converted into New Taiwan dollars at the exchange rate on December 31, 2017 and the average exchange rate for 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.