TAIPEI FUBON COMMERCIAL BANK Co., Ltd. and Subsidiaries

Consolidated Financial Statements for the Six Months Ended June 30, 2019 and 2018 and Independent Auditors' Report

Deloitte.

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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 June 30, 2019, December 31, 2018 and June 30, 2018, the consolidated statements of comprehensive income for the three months and the six months ended June 30, 2019 and 2018, the consolidated statements of changes in equity and cash flows for the six months ended June 30, 2019 and 2018, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of TAIPEI FUBON COMMERCIAL BANK Co., Ltd. and its subsidiaries as of June 30, 2019, December 31, 2018 and June 30, 2018, and its consolidated financial performance for the three months and the six months ended June 30, 2019 and 2018, and its consolidated cash flows for the six months ended June 30, 2019 and 2018, in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, certain other guidelines issued by the local authorities and International Accounting Standards (IAS) 34 "Interim Financial Reporting" endorsed by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with 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 six months ended June 30, 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Bank and its subsidiaries' consolidated financial statements for the six months ended June 30, 2019 are stated as follows:

<u>Impairment of Discounts and Loans</u>

Refer to Note 4 to the consolidated financial statements for the accounting policies on the impairment of discounts and loans. Refer to Note 5a to the consolidated financial statements for the critical estimations and judgments about the impairment of discounts and loans. Refer to Notes 13, 14 and 54 to the consolidated financial statements for the details of the other related information about the impairment of discounts and loans.

Management assesses the impairment of discounts and loans based on the assumptions about the probability of default and the expected loss rate which are based on historical experience, existing market conditions, forward-looking estimates, etc. Assessing evidence of the probability of default and impairment on discounts and loans, and determining whether the credit risk on discounts and loans has increased significantly since initial recognition involves critical judgments and estimates; therefore, the impairment of discounts and loans was identified as a key audit matter.

The procedures performed in respect of the above key audit matter include the following:

1. We determined whether management's methodology, assumptions and inputs used in the impairment model in International Financial Reporting Standards 9 appropriately reflect the actual outcome of discounts and loans.

2. We assessed the rationality and consistency of the significant increase in credit assets judged by management, the definition of default and impairment of credit assets, the exposure at default, the probability of default, the loss given default, the forward-looking estimates, etc. used in estimating expected credit loss. We also selected samples of discounts and loans cases, and verified their completeness and calculation accuracy.

3. We considered the related guidelines issued by the authorities and examined whether the allowance for loans and receivables complied with the regulations.

<u>Impairment of Goodwill</u>

Refer to Note 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 that are expected to arise from the future operating results which are based on professional judgment; therefore, the impairment of goodwill was identified as a key audit matter.

The procedures performed in respect of the above key audit matter include the following:

1. We evaluated whether there was any indication that an asset may be impaired. If there was an indication that an asset may be impaired, then the asset's recoverable amount must be calculated.

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, and we determine whether the disclosures in the consolidated financial statements are appropriate.

Other Matter

We have also audited the parent company only financial statements of TAIPEI FUBON COMMERCIAL BANK Co., Ltd. as of and for the six months ended June 30, 2019 and 2018 on which we have issued an unmodified opinion.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the six months ended June 30, 2019 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Yi-Chun Wu and Kwan-Chung Lai.

Deloitte & Touche
Taipei, Taiwan
Republic of China

August 21, 2019

Notice to Readers

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

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

TAIPEI FUBON COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

	June 30, 2019		December 31, 2018		June 30, 2018 (Audited after Restatement)	
ASSETS	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
CASH AND CASH EQUIVALENTS (Notes 4, 6 and 46)	$ 50,612,731	2	$ 56,991,811	2	$ 50,155,164	2
DUE FROM THE CENTRAL BANK AND CALL LOANS TO OTHER BANKS (Notes 6, 7 and 46)	226,763,548	8	215,473,612	8	221,863,888	8
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 3, 4, 8, 26, 46 and 48)	115,637,789	4	100,018,094	4	109,825,744	4
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Notes 3, 4, 9, 11, 16 and 26)	150,623,960	5	157,826,117	6	150,227,196	6
INVESTMENTS IN DEBT INSTRUMENTS MEASURED AT AMORTIZED COST (Notes 4, 10, 11, 16, 26 and 48)	635,137,421	22	606,086,721	22	580,807,475	22
FINANCIAL ASSETS FOR HEDGING (Notes 4 and 11)	1,467,752	-	1,816,774	-	2,543,946	-
SECURITIES PURCHASED UNDER RESELL AGREEMENTS (Notes 4, 6, 12 and 46)	4,173,884	-	11,766,626	-	8,862,174	-
RECEIVABLES, NET (Notes 4, 13 and 46)	110,518,863	4	95,286,420	3	97,040,343	4
CURRENT TAX ASSETS (Notes 4, 44 and 46)	213,239	-	206,953	-	205,983	-
DISCOUNTS AND LOANS, NET (Notes 4, 14, 26 and 46)	1,487,085,867	52	1,397,994,861	52	1,387,768,109	51
INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Notes 4 and 17)	3,224,671	-	3,255,009	-	113,307	-
OTHER FINANCIAL ASSETS, NET (Notes 4, 18 and 48)	10,613,166	-	14,408,220	1	38,461,973	1
PROPERTY AND EQUIPMENT, NET (Notes 3, 4 and 19)	19,324,439	1	19,486,204	1	19,696,546	1
RIGHT-OF-USE ASSETS, NET (Notes 3, 4, 20 and 46)	4,143,710	-	-	-	-	-
INVESTMENT PROPERTIES (Notes 4 and 21)	2,807,300	-	2,794,200	-	2,936,800	-
INTANGIBLE ASSETS, NET (Notes 4 and 22)	14,670,353	1	14,768,153	1	15,145,739	1
DEFERRED TAX ASSETS (Notes 4 and 44)	1,071,629	-	1,193,574	-	1,144,667	-
OTHER ASSETS (Notes 3, 23 and 46)	11,682,687	1	11,744,358	-	11,471,224	-
TOTAL ASSETS	$ 2,849,773,009	100	$ 2,711,117,707	100	$ 2,698,270,278	100
LIABILITIES AND EQUITY						
DEPOSITS FROM THE CENTRAL BANK AND BANKS (Note 24)	$ 152,349,013	5	$ 138,745,247	5	$ 156,960,578	6
DUE TO THE CENTRAL BANK AND BANKS (Notes 25 and 47)	451,337	-	442,461	-	2,899,167	-
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 8 and 46)	24,999,650	1	30,326,605	1	47,142,593	2
FINANCIAL LIABILITIES FOR HEDGING (Notes 4 and 11)	2,223,869	-	2,411,422	-	2,460,716	-
SECURITIES SOLD UNDER REPURCHASE AGREEMENTS (Notes 4, 26 and 46)	96,923,954	4	121,307,543	5	114,630,787	4
PAYABLES (Notes 3, 27 and 46)	63,526,580	2	51,585,836	2	49,171,182	2
CURRENT TAX LIABILITIES (Notes 4, 44 and 46)	2,097,970	-	2,175,258	-	1,674,948	-
DEPOSITS AND REMITTANCES (Notes 28 and 46)	2,145,530,290	75	2,032,281,790	75	2,007,191,977	74
BANK DEBENTURES (Notes 11, 29 and 47)	103,716,783	4	90,546,695	3	78,480,024	3
OTHER FINANCIAL LIABILITIES (Notes 30 and 46)	27,372,154	1	25,140,505	1	21,500,457	1
PROVISIONS (Notes 4, 31 and 32)	3,230,174	-	3,317,455	-	2,735,116	-
LEASE LIABILITIES (Notes 3, 4, 20, 46 and 47)	4,122,169	-	-	-	-	-
DEFERRED TAX LIABILITIES (Notes 4 and 44)	1,236,377	-	1,159,273	-	1,263,720	-
OTHER LIABILITIES (Notes 3, 33 and 46)	11,258,219	1	7,262,330	-	15,127,187	1
Total liabilities	2,639,038,539	93	2,506,702,420	92	2,501,238,452	93
EQUITY (Notes 3, 4 and 34)						
Attributable to owners of the Bank						
Capital stock						
Common stock	106,518,023	4	106,518,023	4	106,518,023	4
Reserve for raising capital	5,829,533	-	-	-	-	-
Total capital stock	112,347,556	4	106,518,023	4	106,518,023	4
Capital surplus	14,800,927	1	14,800,927	1	14,800,927	-
Retained earnings						
Legal reserve	50,177,808	2	44,684,974	1	44,684,974	2
Special reserve	4,117,454	-	2,981,736	-	2,981,736	-
Unappropriated earnings	11,065,262	-	18,287,619	1	10,082,439	-
Total retained earnings	65,360,524	2	65,954,329	2	57,749,149	2
Other equity	(649,744)	-	(1,387,256)	-	(836,425)	-
Total equity attributable to owners of the Bank	191,859,263	7	185,886,023	7	178,231,674	6
Non-controlling interests	18,875,207	-	18,529,264	1	18,800,152	1
Total equity	210,734,470	7	204,415,287	8	197,031,826	7
TOTAL LIABILITIES AND EQUITY	$ 2,849,773,009	100	$ 2,711,117,707	100	$ 2,698,270,278	100

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

TAIPEI FUBON COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2019		2018 (Audited after Restatement)		2019		2018 (Audited after Restatement)	
	Amount	%	Amount	%	Amount	%	Amount	%
NET INTEREST INCOME (Notes 4, 35 and 46)								
Interest income	$ 15,318,812	117	$ 13,814,504	113	$ 30,191,952	114	$ 27,206,327	116
Interest expense	(8,348,962)	(64)	(7,490,976)	(61)	(16,388,638)	(62)	(14,108,654)	(60)
Total net interest income	6,969,850	53	6,323,528	52	13,803,314	52	13,097,673	56
NET NON-INTEREST INCOME								
Service fee income, net (Notes 4, 36 and 46)	3,534,975	27	2,907,064	24	6,766,803	25	6,019,177	26
Gains on financial assets and liabilities at fair value through profit or loss (Notes 3, 8, 37 and 46)	1,755,290	13	824,156	7	4,581,645	17	2,605,214	11
Realized gains or losses on financial assets at fair value through other comprehensive income (Notes 34 and 38)	212,613	2	44,754	-	446,259	2	67,961	-
Gains on derecognition of financial assets at amortized cost (Note 39)	9,661	-	9,351	-	16,731	-	18,331	-
Foreign exchange gains (losses), net (Notes 4 and 40)	536,561	4	1,978,295	16	708,012	3	1,534,787	6
Reversal of impairment loss on assets (impairment loss on assets) (Notes 4, 9, 10, 18 and 19)	44,114	-	(4,114)	-	(2,522)	-	(5,483)	-
Share of (loss) profit of associates accounted for using the equity method (Note 17)	(18,553)	-	2,546	-	(24,766)	-	5,532	-
Other non-interest income, net (Note 46)	72,808	1	130,338	1	172,399	1	202,993	1
Total net non-interest income	6,147,469	47	5,892,390	48	12,664,561	48	10,448,512	44
TOTAL NET REVENUES	13,117,319	100	12,215,918	100	26,467,875	100	23,546,185	100
ALLOWANCE FOR BAD DEBT EXPENSE, COMMITMENTS, AND GUARANTEE (Notes 4 and 46)	(946,622)	(7)	(316,656)	(3)	(995,452)	(4)	(368,523)	(2)
OPERATING EXPENSES (Notes 32, 41, 42, 43 and 46)								
Employee benefits	(3,386,884)	(26)	(3,109,889)	(25)	(6,868,437)	(26)	(6,247,488)	(26)
Depreciation and amortization	(893,993)	(7)	(481,344)	(4)	(1,781,714)	(6)	(948,339)	(4)
Other general and administrative	(1,828,243)	(14)	(1,929,719)	(16)	(3,393,172)	(13)	(3,742,946)	(16)
Total operating expenses	(6,109,120)	(47)	(5,520,952)	(45)	(12,043,323)	(45)	(10,938,773)	(46)

(Continued)

TAIPEI FUBON COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2019		2018 (Audited after Restatement)		2019		2018 (Audited after Restatement)	
	Amount	%	Amount	%	Amount	%	Amount	%
INCOME BEFORE INCOME TAX	$ 6,061,577	46	$ 6,378,310	52	$ 13,429,100	51	$ 12,238,889	52
INCOME TAX EXPENSE (Notes 4 and 44)	(892,252)	(7)	(955,825)	(8)	(2,110,761)	(8)	(1,842,028)	(8)
NET INCOME FOR THE PERIOD	5,169,325	39	5,422,485	44	11,318,339	43	10,396,861	44
OTHER COMPREHENSIVE INCOME (LOSS)								
Items that will not be reclassified subsequently to profit or loss:								
Gains on property revaluation	55,237	-	-	-	55,237	-	-	-
Gains (losses) on investments in equity instruments at fair value through other comprehensive income (Notes 3 and 34)	227,882	2	(28,116)	-	418,336	2	(82,004)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 44)	(758)	-	13,405	-	(281)	-	46,400	-
	282,361	2	(14,711)	-	473,292	2	(35,604)	-
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on translating foreign operations (Note 34)	(464,324)	(3)	112,252	1	426,419	1	622,384	3
Gains or losses on investments in debt instruments at fair value through other comprehensive income (Note 34)	(98,186)	(1)	268,893	2	(75,461)	-	471,745	2
Impairment (gains) losses on investments in debt instruments at fair value through other comprehensive income (Note 34)	(76,814)	-	4,821	-	(61,421)	-	2,935	-
Income tax relating to items that may be reclassified subsequently to profit or loss (Note 44)	51,029	-	(64,741)	-	67,549	-	(124,789)	(1)
	(588,295)	(4)	321,225	3	357,086	1	972,275	4
Other comprehensive income (loss) for the period, net of income tax	(305,934)	(2)	306,514	3	830,378	3	936,671	4
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	$ 4,863,391	37	$ 5,728,999	47	$ 12,148,717	46	$ 11,333,532	48

(Continued)

TAIPEI FUBON COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2019		2018 (Audited after Restatement)		2019		2018 (Audited after Restatement)	
	Amount	%	Amount	%	Amount	%	Amount	%
NET INCOME ATTRIBUTABLE TO								
Owners of the Bank	$ 5,029,559	38	$ 5,340,358	44	$ 11,065,262	42	$ 10,291,597	44
Non-controlling interests	139,766	1	82,127	-	253,077	1	105,264	-
	$ 5,169,325	39	$ 5,422,485	44	$ 11,318,339	43	$ 10,396,861	44
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO								
Owners of the Bank	$ 5,080,535	39	$ 5,746,294	47	$ 11,802,774	45	$ 10,937,413	46
Non-controlling interests	(217,144)	(2)	(17,295)	-	345,943	1	396,119	2
	$ 4,863,391	37	$ 5,728,999	47	$ 12,148,717	46	$ 11,333,532	48
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Notes 3 and 45)								
Basic	$ 0.45		$ 0.48		$ 0.98		$ 0.92	

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

TAIPEI FUBON COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Bank													
	Capital Stock (Note 34)				Retained Earnings (Note 34)				Other Equity (Note 34)					
	Shares (Thousands)	Common Stock	Reserve for Raising Capital (Note 34)	Capital Surplus (Note 34)	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange Differences on Translating Foreign Operations	Unrealized Gains or Losses on Available-for-sale Financial Assets	Unrealized Gains or Losses on Financial Assets at Fair Value Through Other Comprehensive Income (Audited after Restatement)	Revaluation Surplus	Non-controlling Interests (Notes 4 and 34)	Total Equity
BALANCE AT JANUARY 1, 2018	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
Effect of retrospective application and retrospective restatement	-	-	-	-	-	-	(243,627)	(243,627)	-	(1,357,305)	240,622	-	(63,059)	(1,423,369)
BALANCE AT JANUARY 1, 2018 AS RESTATED	10,651,803	106,518,023	-	14,800,927	39,699,723	2,672,022	16,361,300	58,733,045	(2,063,045)	-	240,622	374,651	18,404,033	197,008,256
Appropriation of the 2017 earnings														
Legal reserve	-	-	-	-	4,985,251	-	(4,985,251)	-	-	-	-	-	-	-
Special reserve	-	-	-	-	-	309,714	(309,714)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	-	(11,309,962)	(11,309,962)	-	-	-	-	-	(11,309,962)
Net income for the six months ended June 30, 2018	-	-	-	-	-	-	10,291,597	10,291,597	-	-	-	-	105,264	10,396,861
Other comprehensive income (loss) for the six months ended June 30, 2018, net of income tax	-	-	-	-	-	-	34,800	34,800	521,099	-	90,751	(834)	290,855	936,671
Total comprehensive income (loss) for the six months ended June 30, 2018	-	-	-	-	-	-	10,326,397	10,326,397	521,099	-	90,751	(834)	396,119	11,333,532
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	-	(331)	(331)	-	-	331	-	-	-
BALANCE AT JUNE 30, 2018	10,651,803	$ 106,518,023	$ -	$ 14,800,927	$ 44,684,974	$ 2,981,736	$ 10,082,439	$ 57,749,149	$ (1,541,946)	$ -	$ 331,704	$ 373,817	$ 18,800,152	$ 197,031,826
BALANCE AT JANUARY 1, 2019	10,651,803	$ 106,518,023	$ -	$ 14,800,927	$ 44,684,974	$ 2,981,736	$ 18,287,619	$ 65,954,329	$ (2,082,733)	$ -	$ 315,276	$ 380,201	$ 18,529,264	$ 204,415,287
Appropriation of the 2018 earnings														
Legal reserve	-	-	-	-	5,492,834	-	(5,492,834)	-	-	-	-	-	-	-
Special reserve	-	-	-	-	-	1,135,718	(1,135,718)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	-	(5,829,534)	(5,829,534)	-	-	-	-	-	(5,829,534)
Common stock dividends	-	-	5,829,533	-	-	-	(5,829,533)	(5,829,533)	-	-	-	-	-	-
Net income for the six months ended June 30, 2019	-	-	-	-	-	-	11,065,262	11,065,262	-	-	-	-	253,077	11,318,339
Other comprehensive income (loss) for the six months ended June 30, 2019, net of income tax	-	-	-	-	-	-	-	-	200,628	-	483,400	53,484	92,866	830,378
Total comprehensive income (loss) for the six months ended June 30, 2019	-	-	-	-	-	-	11,065,262	11,065,262	200,628	-	483,400	53,484	345,943	12,148,717
BALANCE AT JUNE 30, 2019	10,651,803	$ 106,518,023	$ 5,829,533	$ 14,800,927	$ 50,177,808	$ 4,117,454	$ 11,065,262	$ 65,360,524	$ (1,882,105)	$ -	$ 798,676	$ 433,685	$ 18,875,207	$ 210,734,470

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

TAIPEI FUBON COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

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

	For the Six Months Ended June 30	
	2019	**2018 (Audited after Restatement)**
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 13,429,100	$ 12,238,889
Adjustments for:		
Depreciation expense	1,346,958	528,050
Amortization expense	434,756	420,289
Provision for bad-debt expense	1,046,112	418,145
Net gain on financial assets and liabilities at fair value through profit or loss	(4,581,645)	(2,605,214)
Interest expense	16,388,638	14,108,654
Net gain on derecognition of financial assets at amortized cost	(16,730)	(18,331)
Interest income	(30,191,952)	(27,206,327)
Dividend income	(75,294)	(42,986)
Net change in provision for guarantee liabilities	(26,967)	(3,503)
Net change in other provisions	(130,623)	(128,151)
Share of loss (profit) of associates accounted for using the equity method	24,766	(5,532)
(Gain) loss on disposal of property and equipment	(1,957)	718
Gains on disposals of investments	(370,965)	(24,974)
Impairment loss of financial assets	2,521	-
Reversal of impairment loss on financial assets	-	(12,304)
Impairment loss on non-financial assets	-	17,787
Loss on fair value adjustment of investment properties	8,268	-
Other adjustments	(6,516)	(4,164)
Changes in operating assets and liabilities		
Increase in due from the Central Bank and call loans to other banks	(40,664,346)	(29,691,420)
Decrease in financial assets at fair value through profit or loss	10,250,788	4,367,122
Decrease in financial assets at fair value through other comprehensive income	7,917,167	8,625,424
(Increase) decrease in investments in debt instruments at amortized cost	(26,063,572)	1,110,057
Increase in receivables	(15,231,070)	(15,100,549)
Increase in discounts and loans	(90,178,611)	(21,359,043)
Decrease in other financial assets	3,841,630	3,723,693
Decrease (increase) in other assets	19,692	(5,192,008)
Increase in deposits from the Central Bank and other banks	13,603,766	25,995,064
Decrease in financial liabilities at fair value through profit or loss	(27,259,902)	(3,898,524)
(Decrease) increase in securities sold under repurchase agreements	(24,383,589)	16,605,212
Increase in payables	11,183,440	11,653,350
Increase (decrease) in deposits and remittances	113,248,500	(60,726,116)
Increase in other financial liabilities	2,231,649	3,729,740

(Continued)

TAIPEI FUBON COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

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

	For the Six Months Ended June 30	
	2019	**2018 (Audited after Restatement)**
Increase in provisions for employee benefits	$ 69,457	$ 13,560
Increase in other liabilities	3,955,281	7,499,549
Cash used in operations	(60,181,250)	(54,963,843)
Interest received	30,840,118	26,727,288
Dividends received	54,638	42,986
Interest paid	(14,864,714)	(13,022,430)
Income tax paid	(1,928,018)	(1,102,211)
Net cash used in operating activities	(46,079,226)	(42,318,210)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(438,585)	(771,457)
Proceeds from disposal of property and equipment	5,207	440
Acquisition of intangible assets	(94,568)	(77,737)
Net cash used in investing activities	(527,946)	(848,754)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in due to the Central Bank and other banks	3,467	-
Decrease in due to the Central Bank and other banks	-	(2,539,780)
Proceeds from issuing bank debentures	10,487,000	6,706,929
Repayments of bank debentures	(1,300,000)	(3,050,000)
Principal repayment of lease obligation	(711,206)	-
Cash dividends paid	(5,829,534)	(11,309,962)
Net cash generated from (used in) financing activities	2,649,727	(10,192,813)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	628,771	1,412,189
NET DECREASE IN CASH AND CASH EQUIVALENTS	(43,328,674)	(51,947,588)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	136,486,326	162,470,056
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	$ 93,157,652	$ 110,522,468

(Continued)

TAIPEI FUBON COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

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

Reconciliation of the amounts in the consolidated statements of cash flows with the equivalent items reported in the consolidated balance sheets as of June 30, 2019 and 2018:

	June 30	
	2019	2018
Cash and cash equivalents in the consolidated balance sheets	$ 50,612,731	$ 50,155,164
Due from the Central Bank and call loans to other banks qualifying for cash and cash equivalents under the definition of IAS 7	38,371,037	51,505,130
Securities purchased under resell agreements qualifying for cash and cash equivalents under the definition of IAS 7	4,173,884	8,862,174
Cash and cash equivalents in the consolidated statements of cash flows	$ 93,157,652	$ 110,522,468

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

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

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

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

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

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

As of June 30, 2019, the Bank had a trust department, an offshore banking unit (“OBU”), 127 domestic branches (including a business department) and 5 overseas branches.

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

Fubon Bank (China) is the joint venture bank founded by the Shanghai Pudong Development Bank and Lotus Worldwide Ltd. on March 20, 1997 in Shanghai Pudong in accordance with “Regulations Governing Foreign Financial Institutions in the People’s Republic of China”. After a number of capital increases and stock rights changes, as of October 20, 2016, the Bank and FFH’s shareholding ratios were 51% and 49%, respectively. Fubon Bank (China) mainly renders foreign currency and RMB services to customers. As of June 30, 2019 , Fubon Bank (China) had its headquarters and 24 branches (including preparatory offices) within mainland China.

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

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Bank’s board of directors on August 21, 2019.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS 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 did not have any material impact on the Bank and its subsidiaries’ accounting policies:

IFRS 16 “Leases”

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessee and lessor. It supersedes IAS 17 “Leases”, IFRIC 4 “Determining whether an Arrangement contains a Lease”, and a number of related interpretations. Refer to Note 4 for information relating to the relevant accounting policies.

Definition of a lease

The Bank and its subsidiaries elects to apply the guidance of IFRS 16 in determining whether contracts are, or contain, a lease only to contracts entered into (or changed) on or after January 1, 2019. Contracts identified as containing a lease under IAS 17 and IFRIC 4 are not reassessed and are accounted for in accordance with the transitional provisions under IFRS 16.

The Bank and its subsidiaries as lessee

The Bank and its subsidiaries recognize right-of-use assets, or investment properties if the right-of-use assets meet the definition of investment properties, and lease liabilities for all leases on the consolidated balance sheets except for low-value and short-term leases where lease payments are recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Bank and its subsidiaries present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal of lease liabilities are classified within financing activities; cash payments for the interest are classified within operating activities. Currently, payments under operating lease contracts, including property interest qualified as investment properties, are recognized as expenses on a straight-line basis. Cash flows for operating leases are classified within operating activities on the consolidated statements of cash flows. Leased assets and finance lease payables are recognized for contracts classified as finance leases.

The Bank and its subsidiaries anticipate applying IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized on January 1, 2019. Comparative information will not be restated.

Leasehold agreements which are currently accounted for as an operating lease under IAS 17, qualifies as an investment property. A lease liability for that leasehold will be recognized and measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. All of the right-of-use assets would be discounted at the aforementioned interest rate as measured by the amount of the lease liability (also the amount of prepaid or lease payable previously recognized would be adjusted). All other recognized right-of-use assets would be subject to impairment assessment under IAS 36.

The Bank and its subsidiaries expect to apply the following practical expedients:

1) The Bank and its subsidiaries will apply a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.

2) The Bank and its subsidiaries will exclude initial direct costs from the measurement of right-of-use assets on January 1, 2019.

3) The Bank and its subsidiaries will use hindsight, such as in determining lease terms, to measure lease liabilities.

For leases currently classified as finance leases under IAS 17, the carrying amounts of right-of-use assets and lease liabilities on January 1, 2019 are determined as at the carrying amounts of the respective leased assets and finance lease payables as of December 31, 2018.

If the sale and leaseback transaction of the Bank and its subsidiaries is determined not to meet the sales conditions of IFRS 15, the transaction is considered as financing. If the sales are satisfied, the Bank and its subsidiaries only recognize the relevant sales gains and losses for the part transferred to the buyer. Prior to the application of IFRS 16, it is classified separately as part of the leaseback for operating leases or finance leases.

The Bank and its subsidiaries are not reassess sale and leaseback transactions entered into before January 1, 2019 to determine whether the transfer of an underlying asset satisfies the requirements in IFRS 15 to be accounted for as a sale. Upon initial application of IFRS 16, the aforementioned transitional provision for a lessee will apply to the leaseback portion. In addition, for the Neihu building currently accounted for as a sale and an operating lease under IAS 17, the Bank and its subsidiaries will adjust the leaseback right-of-use assets for any deferred gains recognized on January 1, 2019.

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognized on January 1, 2019 for Taipei Fubon Bank is 3.32%, the weighted average lessee's incremental borrowing rate applied to lease liabilities recognized on January 1, 2019 for Fubon Bank (China) is 2.82%. The difference between the (i) lease liabilities recognized and (ii) non-cancellable operating lease commitments disclosed under IAS 17 on December 31, 2018 is explained as follows:

The future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018	$ 1,768,948
Undiscounted amounts on January 1, 2019	$ 1,768,948
Discounted amounts using the incremental borrowing rate on January 1, 2019	$ 1,635,580
Add: Adjustments as a result of a different treatment of extension and termination options	2,902,668
Lease liabilities recognized on January 1, 2019	$ 4,538,248

The Bank and its subsidiaries as lessor

Except for sublease transactions, the Bank and its subsidiaries will not make any adjustments for leases in which it is a lessor and will account for those leases with the application of IFRS 16 starting from January 1, 2019.

Anticipated impact on assets, liabilities and equity - 2019

	Carrying Amount as of December 31, 2018	**Adjustments Arising from Initial Application**	**Adjusted Carrying Amount as of January 1, 2019**
Properties and equipment, net	$ 19,486,204	$ (62,480)	$ 19,423,724
Right-of-use assets, net	-	4,596,422	4,596,422
Other assets	11,744,358	(10,779)	11,733,579
Total effects on assets	$ 31,230,562	$ 4,523,163	$ 35,753,725
Payables	$ 51,585,836	$ (14,096)	$ 51,571,740
Lease liabilities	-	4,538,248	4,538,248
Other liabilities	7,262,330	(989)	7,261,341
Total effects on liabilities	$ 58,848,166	$ 4,523,163	$ 63,371,329

b. IFRSs approved by the FSC for 2020

New IFRSs	**Effective Date Announced by IASB**
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020 (Note 1)
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020 (Note 2)

Note 1: The Bank and its subsidiaries shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Note 2: The Bank and its subsidiaries shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

As of the date the consolidated financial statements were authorized for issue, the Bank and its subsidiaries is continuously assessing the possible impacts that the application of above standards and interpretations will have on the Bank and its subsidiaries' financial position and financial performance, and will disclose the relevant impact when the assessment is completed.

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

New IFRSs	Effective Date Announced by IASB (Note)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021

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

As of the date the consolidated financial statements were authorized for issue, the Bank and its subsidiaries is continuously assessing the possible impacts that the application of above standards and interpretations will have on the Bank and its subsidiaries' financial position and financial performance, and will disclose the relevant impact when the assessment is completed.

d. Impact of the application of IFRS Q&A on Real Estate Investment Trusts

Real Estate Investment Trusts (REITs) which used to be classified as Financial Assets at Fair Value through Profit or Loss is selected to be classified as Financial Assets at Fair Value through Other Comprehensive Income for the application of IFRS Q&A on Real Estate Investment Trusts (REITs) issued by Accounting Research and Development Foundation. Thus, comparative information is restated for the six months ended June 30, 2018.

The effect of for the six months ended June 30, 2018 is summarized as follow:

	Before Restatement	Reclassification	After Restatement
Effect of assets, liabilities and equity			
June 30, 2018			
Financial assets at fair value through profit or loss	$ 110,640,546	$ (814,802)	$ 109,825,744
Financial assets at fair value through other comprehensive income	$ 149,412,394	$ 814,802	$ 150,227,196
Retained earnings	$ 57,955,914	$ (206,765)	$ 57,749,149
Other equity	$ (1,043,190)	$ 206,765	$ (836,425)

(Continued)

Effect of comprehensive income	Before Restatement	Reclassification	After Restatement
For the six months ended June 30, 2018			
Net non-interest income	$ 10,499,384	$ (50,872)	$ 10,448,512
Effect of net Income for the period	$ 10,447,733	$ (50,872)	$ 10,396,861
Effect of other comprehensive income (loss) for the period, net of income tax	$ 885,799	$ 50,872	$ 936,671
Effect of total comprehensive income for the period	$ 11,333,532	$ -	$ 11,333,532
Effect of net income attributed to:			
Owners of Bank	$ 10,342,469	$ (50,872)	$ 10,291,597
Non-owners of Bank	105,264	-	105,264
	$ 10,447,733	$ (50,872)	$ 10,396,861
Effect of total comprehensive income attributed to:			
Owners of Bank	$ 10,937,413	$ -	$ 10,937,413
Non-owners of Bank	396,119	-	396,119
	$ 11,333,532	$ -	$ 11,333,532
For the three months ended June 30, 2018			
Net non-interest income	$ 5,900,539	$ (8,149)	$ 5,892,390
Effect of net income for the period	$ 5,430,634	$ (8,149)	$ 5,422,485
Effect of other comprehensive income (loss) for the period, net of income tax	$ 298,365	$ (8,149)	$ 306,514
Effect of total comprehensive income for the period	$ 5,728,999	$ -	$ 5,728,999
Effect of net income attributed to:			
Owners of Bank	$ 5,348,507	$ (8,149)	$ 5,340,358
Non-owners of Bank	82,127	-	82,127
	$ 5,430,634	$ (8,149)	$ 5,422,485
Effect of total comprehensive income attributed to:			
Owners of Bank	$ 5,746,294	$ -	$ 5,746,294
Non-owners of Bank	(17,295)	-	(17,295)
	$ 5,728,999	$ -	$ 5,728,999

(Continued)

Effect of earnings per share (New Taiwan dollars)	Before Restatement	Reclassification	After Restatement
For the six months ended June 30, 2018			
Basic	$ 0.92	$ -	$ 0.92
For the three months ended June 30, 2018			
Basic	$ 0.48	$ -	$ 0.48

(Concluded)

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 IAS 34 "Interim Financial Reporting" as endorsed and issued by the FSC. This interim consolidated financial report does not contain all IFRSs disclosure information as required by the entire annual financial report.

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 assets or liabilities, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

c. Level 3 inputs are unobservable inputs for the assets or liabilities.

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 is harder to determine, 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 54 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 individual 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. 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 are recognized in profit or loss in the period in which they arise, 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.

Nonmonetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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 short-term 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 under IAS 7 "Statement of Cash Flows", etc.

Investments 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. The Bank and its subsidiaries' share of the net fair value of the identifiable assets and liabilities in excess of the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

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

Financial Instruments

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

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

a. Financial assets

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

   1) Measurement category

      Financial assets are classified into the following categories: Financial assets at fair value through profit or loss, financial assets at amortized cost and investments in debt instruments and equity instruments at fair value through other comprehensive income.

      a) Financial assets at fair value through profit or loss

         Financial assets are classified as at fair value through profit or loss when such a financial asset is mandatorily classified or designated as at fair value through profit or loss. Financial assets mandatorily classified as at fair value through profit or loss include investments in equity instruments which are not designated as at fair value through other comprehensive income and debt instruments that do not meet the amortized cost criteria or the fair value through other comprehensive income criteria.

         A financial asset may be designated as at fair value through profit or loss upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise.

Financial assets at fair value through profit or loss are subsequently measured 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 dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note 53.

b) Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

i. The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

ii. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost are measured at amortized cost, which equals the gross carrying amount determined by the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

c) Investments in debt instruments at fair value through other comprehensive income

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income:

i. The financial asset is held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of such financial asset; and

ii. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Investments in debt instruments at fair value through other comprehensive income are subsequently measured at fair value. Changes in the carrying amounts of these debt instruments relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and impairment loss or reversals are recognized in profit or loss. Other changes in the carrying amount of these debt instruments are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of.

d) Investments in equity instruments at fair value through other comprehensive income

On initial recognition, the Bank and its subsidiaries may make an irrevocable election to designate investments in equity instruments as at fair value through other comprehensive income. Designation as at fair value through other comprehensive income is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at fair value through other comprehensive income are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Bank and its subsidiaries’ right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

2) Impairment of financial assets

The Bank and its subsidiaries recognize a loss allowance for expected credit losses on financial assets at amortized cost, and impairment loss in debt instruments investments that are measured at fair value through other comprehensive income. For all other financial instruments, the Bank and its subsidiaries recognize lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Bank and its subsidiaries measure the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

A loss allowance for full lifetime expected credit losses is required for certain trade receivables that do not constitute a financing transaction.

The Bank and its subsidiaries recognize an impairment loss on all financial assets with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at fair value through other comprehensive income, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of such a financial asset.

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 of 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 Insurance Regulatory Commission (CBIRC), Fubon Bank (China) classifies its credit assets into normal, concern, subprime, doubtful, and losses. Based on the notice of the CBIRC, the minimum provision requirements for loan loss coverage are 1.5% and 1.8%, respectively, and the minimum allowances for bad debts are 120% and 130%, respectively. 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.

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 derecognition of an investment in a debt instrument measured at amortized cost, the difference between the asset's carrying amount and given consideration is recognized in profit and loss. On derecognition of an investment in a debt instrument at fair value through other comprehensive income, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at fair value through other comprehensive income, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through 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 value of these parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part that is no longer recognized is treated in the same way as when the financial asset is derecognized in entirety. 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 value.

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:

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 liabilities are either held for trading or are 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.

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. Such 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 financial assets or financial liabilities or both, which is managed and has performance evaluated on a fair value basis, in accordance with Bank and its subsidiaries' documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

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, the amount of changes in fair value attributable to changes in the credit risk of the liability is presented in other comprehensive income and will not be subsequently reclassified to profit or loss. The remaining amount of changes in the fair value of that liability which incorporates any interest or dividend paid on the financial liability is presented in profit or loss. The gain or loss accumulated in other comprehensive income will be transferred to retained earnings when the financial liabilities are derecognized. If this accounting treatment related to credit risk would create or enlarge an accounting mismatch, all changes in fair value of the liability are presented in profit or loss. Fair value is determined in the manner described in Note 53.

b) Financial guarantee contracts

Financial guarantee contracts issued by the Bank and its subsidiaries, if not designated as at fair value through profit or loss, are subsequently measured at the higher of the amount of the loss allowance reflecting expected credit losses, and the amount initially recognized less, where appropriate, the cumulative amount of income recognized in accordance with the revenue recognition policies, and assessed according to the minimum standard stipulated by "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/Nonaccrual Loans".

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 hybrid contracts that contain financial asset host that is within the scope of IFRS 9 are not separated; instead, the classification is determined in accordance with the entire hybrid contract. Derivatives embedded in non-derivative host contracts that are not financial assets that is within the scope of IFRS 9 (e.g. financial liabilities) 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 host 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 fair value 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 value or cash flows of the hedged item. Note 11 sets out the details of the fair value of the derivative instruments used for hedging purposes.

<u>Fair value hedges</u>

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.

The Bank and its subsidiaries discontinue hedge accounting only when the hedging relationship ceases to meet the qualifying criteria; for instance, when the hedging instrument expires or is sold, terminated or exercised. 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.

Repurchase and Resell Transactions

Securities under repurchase or resell agreements 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 resell.

Property and Equipment

Property and equipment (P&E) are stated at cost, less accumulated depreciation and accumulated impairment loss. P&E in 2018 also include financial lease assets.

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. Financial lease assets in 2018 are depreciated over the lease period if their lease period is shorter than their useful life. 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 properties depends on the actual use of the assets. The value of a piece of property classified as investment properties should be based on its fair value assessment when transferring it to investment properties and it should be reclassified appropriately. The accounting treatment for the change in use is subject to IAS 40 "Investment Property". When property and equipment is adjusted to be recognized as investment properties, the difference between the original carrying amount and the fair value is recognized in other comprehensive income.

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 is 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 if there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated. 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 on 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 liabilities (assets) represent the actual deficit (surplus) in the defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

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

c. Other long-term employee benefits

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

d. Employee benefit - employees' preferential deposits

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

Under Article 30 of the "Regulations Governing the Preparation of Financial Reports by Public Banks", if the Bank's preferential deposit interest rate for an employee as stated in the employment contract exceeds the market interest rate, the excess would 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 represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings. The effect of a change in tax rate resulting from a change in tax law is recognized consistently with the accounting for the transaction itself which gives rise to the tax consequence, and this is recognized in profit or loss, other comprehensive income or directly in equity in full in the period in which the change in tax rate occurs.

a. Current tax

Based on the Income Tax Law, an additional tax rate on unappropriated earnings is provided for as income tax in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year'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 taxable temporary differences relating to the investment subsidiaries, affiliates and the joint agreements recognize the deferred income tax liabilities, but if the combined company can control the timing of the temporary difference, the temporary difference is likely to be foreseeable except for those who will not revolve in the future. The deductible temporary differences relating to such investments are recognized only as they are probable that they have sufficient taxable income to achieve temporary differences, and within the foreseeable future expected assets.

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

c. Current and deferred taxes for the period

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

Recognition of Interest Income and Interest Expense

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

Recognition of Service Fee Income and Service Fee Expense

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

Business Combinations

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

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

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

Leases

<u>2019</u>

The bank and its subsidiaries determines whether contracts are, or contain a lease at the inception of a contract.

For a contract that contains a lease component and non-lease components, The Bank and its subsidiaries allocates the consideration in the contract to each component on the basis of the relative stand-alone price and accounts for each component separately.

a. The Bank and its subsidiaries as lessor

   Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

   Under operating leases, lease payments less any lease incentives payable from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

   When a lease includes both land and building elements, the Bank and its subsidiaries assesses the classification of each element separately as a finance or an operating lease based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Bank and its subsidiaries. The lease payments are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of a contract. If the allocation of the lease payments can be made reliably, each element is accounted for separately in accordance with its lease classification. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease unless it is clear that both elements are operating leases; in which case, the entire lease is classified as an operating lease.

b. The Bank and its subsidiaries as lessee

   The Bank and its subsidiaries recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

   Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate, residual value guarantees, the exercise price of a purchase option if the Bank and its subsidiaries is reasonably certain to exercise that option, and payments of penalties for terminating a lease if the lease term reflects such termination, less any lease incentives receivable. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Bank and its subsidiaries uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, a change in the amounts expected to be payable under a residual value guarantee, a change in the assessment of an option to purchase an underlying asset, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Bank and its subsidiaries remeasure the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

For sale and leaseback transactions, if the transfer of an asset satisfies the requirements of IFRS 15 to be accounted for as a sale, the Bank and its subsidiaries recognize only the amount of any gain or loss which relates to the rights transferred to the buyer-lessor, and adjusts the off-market terms to measure the sale proceeds at fair value. If the transfer does not satisfy the requirements of IFRS 15 to be accounted for as a sale, it is accounted for as a financing transaction.

2018

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

a. The Bank and its subsidiaries as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and amortized on a straight-line basis over the lease term.

b. The Bank and its subsidiaries as lessee

Assets held under finance leases are initially recognized as assets of the Bank and its subsidiaries at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessee is recognized as finance lease payables.

Finance expenses implicit in lease payments for each period are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets; in which case, they are capitalized.

Operating lease payments are recognized as expenses on a straight-line basis over the lease term.

c. Leasehold land for own use

When a lease includes both land and building elements, the Bank and its subsidiaries assesses the classification of each element separately as a finance or an operating lease based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Bank and its subsidiaries. The minimum lease payments are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

If the allocation of the lease payments can be made reliably, each element is accounted for separately in accordance with its lease classification. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease unless it is clear that both elements are operating leases; in which case, the entire lease is classified as an operating lease.

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 discounts and loans

Estimated impairment loss on discounts and loans was based on the assumptions about the probability of default and the expected loss rate made by the Bank and its subsidiaries. The Bank and its subsidiaries considered historical experience, existing market conditions, and forward-looking estimates in making the assumptions and in choosing the inputs to the impairment assessment. Refer to Note 54 for related information about material assumptions adopted. When the actual cash flows in the future are less than expected, a material impairment loss may arise.

b. Impairment of goodwill

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

6. CASH AND CASH EQUIVALENTS

	June 30, 2019	December 31, 2018	June 30, 2018
Cash on hand	$ 6,201,585	$ 6,578,289	$ 6,046,878
Due from other banks, net	40,625,412	43,078,555	39,208,532
Notes and checks for clearing	3,785,734	7,334,967	4,899,754
	$ 50,612,731	$ 56,991,811	$ 50,155,164

Cash and cash equivalents are assessed for impairment using the approach similar to those used for investments in debt instruments (refer to Note 54). The Bank and its subsidiaries consider their cash and cash equivalents to have low credit risk, so their loss allowance evaluation is on a 12-month expected credit loss basis. As of June 30, 2019, December 31, 2018 and June 30, 2018, a loss allowance of $2,945 thousand, $2,825 thousand and $3,462 thousand was recognized.

Refer to the consolidated statements of cash flows for the reconciliation of the amounts in the consolidated statements of cash flows with the equivalent items reported in the consolidated balance sheets as of June 30, 2019 and 2018. The adjustments as of December 31, 2018 are as follows:

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

	December 31, 2018
Cash and cash equivalents on the balance sheets	$ 56,991,811
Due from the Central Bank and call loans to other banks qualifying as cash and cash equivalents based on the definition of IAS 7 "Statement of Cash Flows"	67,727,889
Securities purchased under resell agreements qualifying as cash and cash equivalents based on the definition of IAS 7 "Statement of Cash Flows"	11,766,626
Cash and cash equivalents in the consolidated statements of cash flows	$ 136,486,326

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

	June 30, 2019	December 31, 2018	June 30, 2018
Call loans to banks, net	$ 140,810,771	$ 131,727,285	$ 144,111,584
Deposit reserves	78,375,160	73,627,393	71,108,388
Due from the Central Bank - others	7,577,617	10,118,934	6,643,916
	$ 226,763,548	$ 215,473,612	$ 221,863,888

Under a directive issued by the Central Bank of China, the New Taiwan dollar ("NTD")-denominated deposit reserves are determined by applying a prescribed percentage to the average monthly balances of customers' NTD-denominated deposits. As of June 30, 2019, December 31, 2018 and June 30, 2018, deposit reserves for checking accounts amounted to $16,912,459 thousand, $16,937,378 thousand and $14,146,581 thousand, respectively, and the required deposit reserves amounted to $36,391,812 thousand, $34,386,173 thousand and $33,885,527 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.

The Bank and its subsidiaries assess the allowances for due from the Central Bank and call loans to other banks with the expected credit loss model. The assessment method is the same as for the debt instrument investment. (Refer to Note 54.)

Due to the low credit risk of due from the Central Bank and call loans to other banks, the allowance is recognized as 12-month expected credit losses. On June 30, 2018, an allowance of $17,357 thousand was recognized from the deposits in the central bank and call loans to other banks.

8. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	June 30, 2019	December 31, 2018	June 30, 2018 (Audited After Restatement)
Financial assets mandatorily measured as at fair value through profit or loss			
Non-derivatives			
Commercial paper	$ 21,607,138	$ 11,951,247	$ 8,625,534
Government bonds	20,579,418	21,338,038	11,054,155
Corporate bonds	18,710,487	16,886,836	20,472,703
Bank debentures	11,888,693	14,642,347	9,381,479
Negotiable certificates of deposits	8,005,722	177,420	-
Convertible corporate bonds	4,261,792	4,711,804	4,752,592
Others	4,666,297	2,397,876	2,213,865
	89,719,547	72,105,568	56,500,328
Derivatives			
Currency swap contracts	18,524,894	20,630,627	45,604,673
Interest rate swap contracts	3,014,299	3,053,722	2,949,802
Cross-currency swap contracts	2,193,734	2,136,404	1,812,277
Forward contracts	817,183	422,906	1,169,618
Equity swap contracts	711,517	563,700	1,000,222
Option contracts	357,273	793,784	575,426
Others	299,342	311,383	213,398
	25,918,242	27,912,526	53,325,416
Financial assets at fair value through profit or loss	$ 115,637,789	$ 100,018,094	$ 109,825,744
Held-for-trading financial liabilities			
Derivatives			
Currency swap contracts	$ 18,122,430	$ 23,322,869	$ 38,459,024
Interest rate swap contracts	2,825,871	2,880,876	2,649,802
Cross-currency swap contracts	1,916,545	1,681,454	2,267,888
Forward contracts	814,441	822,989	1,742,617
Equity swap contracts	711,517	563,554	999,967
Option contracts	607,258	1,048,704	995,474
Others	1,588	6,159	27,821
	24,999,650	30,326,605	47,142,593
Financial liabilities at fair value through profit or loss	$ 24,999,650	$ 30,326,605	$ 47,142,593

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

The contract (notional) amounts of the Bank and its subsidiaries' outstanding derivative financial instruments as of June 30, 2019, December 31, 2018 and June 30, 2018 are summarized as follows:

	June 30, 2019	December 31, 2018	June 30, 2018
Currency swap contracts	$ 3,038,470,207	$ 3,320,172,973	$ 3,624,651,934
Interest rate swap contracts	819,929,101	716,109,948	709,011,125
Forward contracts	150,273,291	109,052,031	125,538,930
Cross-currency swap contracts	135,297,188	136,692,745	124,913,739
Option contracts	106,491,562	146,716,029	96,814,601
Futures contracts	69,952,006	276,268,315	81,126,352
Equity swap contracts	8,971,203	7,948,908	9,879,534
Commodity swap contracts	352,024	271,341	2,444,081

Gains on financial assets and liabilities at fair value through profit or loss were as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018 (Audited After Restatement)	2019	2018 (Audited After Restatement)
Net gain on financial assets and liabilities mandatorily measured as at fair value through profit or loss	$ 1,755,290	$ 824,156	$ 4,581,645	$ 2,605,214

Financial assets at fair value through profit or loss sold under repurchase agreements are disclosed in Note 26, and those pledged as collateral are disclosed in Note 48.

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	June 30, 2019	December 31, 2018	June 30, 2018 (Audited After Restatement)
Investments in equity instruments at fair value through comprehensive income	$ 8,373,075	$ 5,723,000	$ 4,591,796
Investments in debt instruments at fair value through comprehensive income	142,250,885	152,103,117	145,635,400
	$ 150,623,960	$ 157,826,117	$ 150,227,196

a. Investments in equity instruments at fair value through comprehensive income

	June 30, 2019	December 31, 2018	June 30, 2018 (Audited After Restatement)
Listed shares and emerging market shares	$ 4,644,111	$ 2,014,115	$ 2,314,419
REITs	2,293,073	2,278,180	814,802
Unlisted shares	1,435,891	1,430,705	1,462,575
	$ 8,373,075	$ 5,723,000	$ 4,591,796

Since the Bank and its subsidiaries hold part of the equity instruments for the purpose of strategic investment instead of for trading, the management elected to designate these investments in equity instruments as at fair value through other comprehensive income.

In April 2018, the Bank and its subsidiaries sold part of their shares designated as at fair value through other comprehensive income in order to manage and adjust the investment portfolio. The sold shares had a fair value of $400 thousand and the Bank and its subsidiaries transferred a loss of $331 thousand from other equity to retained earnings.

Dividends of $74,967 thousand, $42,986 thousand, $75,294 thousand and $42,986 thousand were recognized during the three months ended June 30, 2019 and 2018 and the six months ended June 30, 2019 and 2018. These dividends are all from the investments that the bank and its subsidiaries are still holding at the end of the period.

b. Investments in debt instruments at fair value through comprehensive income

	June 30, 2019	December 31, 2018	June 30, 2018
Bank debentures	$ 73,759,951	$ 59,302,510	$ 53,262,233
Corporate bonds	31,160,745	24,772,660	17,630,807
Discount notes	17,409,307	18,574,425	18,651,989
Negotiable certificates of deposits	12,237,648	16,016,515	12,350,403
Government bonds	7,362,487	8,247,814	10,571,608
Commercial paper	-	24,664,294	33,030,243
Others	320,747	524,899	138,117
	$ 142,250,885	$ 152,103,117	$ 145,635,400

Refer to Note 54 for information relating to the credit risk management and impairment of debt instruments at fair value through other comprehensive income.

Investments in debt instruments at fair value through other comprehensive income sold under repurchase agreements are disclosed in Note 26.

10. INVESTMENTS IN DEBT INSTRUMENTS MEASURED AT AMORTIZED COST

	June 30, 2019	December 31, 2018	June 30, 2018
Negotiable certificates of deposits	$ 286,276,000	$ 283,140,855	$ 285,784,210
Corporate bonds (Note 11)	158,107,978	152,132,392	141,233,557
Bank debentures (Note 11)	125,836,040	103,451,249	86,051,690
Government bonds	50,841,245	58,120,900	64,961,168
Others	14,388,304	9,485,911	3,042,566
	635,449,567	606,331,307	581,073,191
Less: Allowance for impairment loss	312,146	244,586	265,716
	$ 635,137,421	$ 606,086,721	$ 580,807,475

Refer to Note 54 for information relating to the credit risk management and impairment of investments in debt instruments measured at amortized cost.

Investments in debt instruments measured at amortized cost sold under repurchase agreements are disclosed in Note 26, and those pledged as collateral are disclosed in Note 48.

11. FINANCIAL INSTRUMENTS FOR HEDGING

	June 30, 2019	December 31, 2018	June 30, 2018
Financial assets for hedging			
Fair value hedge - interest rate swap	$ 1,467,752	$ 1,816,774	$ 2,543,946
Financial liabilities for hedging			
Fair value hedge - interest rate swap	$ 2,223,869	$ 2,411,422	$ 2,460,716

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.

The following tables summarize the information relating to the hedges for interest rate risk.

June 30, 2019

Hedging Instrument	Notional Amount	Maturity	Line Item in Balance Sheet	Carrying Amount		Change in Value Used for Calculating Hedge Ineffectiveness
				Asset	Liability	
Fair value hedge						
Interest rate swap contracts	$ 131,596,065	2019.10.07 - 2048.11.20	Financial assets and liabilities for hedging	$ 1,467,752	$ (2,223,869)	$ (171,056)

Hedged Items	Carrying Amount		Accumulated Amount of Fair Value Adjustments		Change in Value Used for Calculating Hedge Ineffectiveness
	Asset	Liability	Asset	Liability	
Fair value hedge					
Bank debentures	$ -	$(66,974,583)	$ -	$ (1,269,096)	$ (2,883,776)
Financial assets at fair value through other comprehensive income- government bonds	154,857	-	(93)	-	(93)
Financial assets at amortized cost - corporate bonds	64,495,651	-	1,885,703	-	2,907,785
Financial assets at amortized cost- bank debentures	4,261,573	-	151,469	-	151,144

December 31, 2018

Hedging Instrument	Notional Amount	Maturity	Line Item in Balance Sheet	Carrying Amount		Change in Value Used for Calculating Hedge Ineffectiveness
				Asset	Liability	
Fair value hedge						
Interest rate swap contracts	$ 126,199,673	2019.03.19 - 2048.11.20	Financial assets and liabilities for hedging	$ 1,816,774	$ (2,411,422)	$ (381,333)

Hedged Items	Carrying Amount		Accumulated Amount of Fair Value Adjustments		Change in Value Used for Calculating Hedge Ineffectiveness
	Asset	Liability	Asset	Liability	
Fair value hedge					
Bank debentures	$ -	$(61,480,595)	$ -	$ 1,600,785	$ 1,329,496
Financial assets at amortized cost - corporate bonds	60,438,556	-	(999,269)	-	(956,978)
Financial assets at amortized cost - bank debentures	2,866,636	-	931	-	10,732

June 30, 2018

Hedging Instrument	Notional Amount	Maturity	Line Item in Balance Sheet	Carrying Amount		Change in Value Used for Calculating Hedge Ineffectiveness
				Asset	Liability	
Fair value hedge						
Interest rate swap contracts	$ 120,482,925	2018.08.06 - 2048.03.09	Financial assets and liabilities for hedging	$ 2,543,946	$ (2,460,716)	$ 321,079

Hedged Items	Carrying Amount		Accumulated Amount of Fair Value Adjustments		Change in Value Used for Calculating Hedge Ineffectiveness
	Asset	Liability	Asset	Liability	
Fair value hedge					
Bank debentures	$ -	$(55,080,024)	$ -	$ 1,915,264	$ 1,643,980
Financial assets at amortized cost - corporate bonds	59,839,654	-	(1,947,657)	-	(1,929,315)
Financial assets at amortized cost - bank debentures	2,676,816	-	(40,792)	-	(31,579)

Comprehensive Income	Gains or Losses on Ineffective Hedge Recognized in Comprehensive Income				Comprehensive Income Statement Line Item in Which Hedge Ineffectiveness Is Included
	For the Three Months Ended June 30		For the Six Months Ended June 30		
	2019	2018	2019	2018	
Fair value hedge					
Bank debentures	$ (53)	$ 4,403	$ 4,004	$ 4,165	Financial assets and liabilities at fair value through profit or loss

12. SECURITIES PURCHASED UNDER RESELL AGREEMENTS

	June 30, 2019	December 31, 2018	June 30, 2018
Corporate bonds	$ 2,951,190	$ 3,995,738	$ 3,715,649
Government bonds	950,000	300,052	1,219,013
Commercial paper	272,694	6,220,465	2,136,285
Bank debentures	-	1,250,371	40,081
Negotiable certificates of deposit	-	-	1,751,146
	$ 4,173,884	$ 11,766,626	$ 8,862,174
Dates of resell agreements	2019.07.01-2019.07.10	2019.01.03-2019.01.23	2018.07.02-2018.07.18
Amounts of resell agreements	$ 4,174,531	$ 11,771,008	$ 8,864,234

13. RECEIVABLES, NET

	June 30, 2019	December 31, 2018	June 30, 2018
Credit card receivables	$ 46,341,016	$ 39,039,447	$ 40,585,419
Acceptances	26,158,966	20,226,005	16,142,230
Accounts receivable - factoring	18,919,354	19,728,519	16,892,582
Interest receivables	12,262,590	12,240,630	10,333,466
Accounts receivable	4,838,506	2,659,273	11,634,040
Others	2,810,468	2,153,881	2,186,494
	111,330,900	96,047,755	97,774,231
Less: Allowance for impairment loss	812,037	761,335	733,888
	$ 110,518,863	$ 95,286,420	$ 97,040,343

The Bank and its subsidiaries have accrued an allowance for impairment loss on receivables. Refer to Note 54 for information relating to the credit risk management and impairment of receivables.

14. DISCOUNTS AND LOANS, NET

	June 30, 2019	December 31, 2018	June 30, 2018
Discounts and overdrafts	$ 2,408,236	$ 3,060,676	$ 1,904,933
Accounts receivable - financing	3,192,054	3,726,273	4,616,058
Short-term loans	320,344,521	277,683,447	313,159,814
Short-term secured loans	103,109,971	92,464,046	88,212,998
Medium-term loans	249,516,268	243,196,838	257,339,650
Medium-term secured loans	154,125,686	137,771,246	120,764,632
Long-term loans	44,084,541	43,491,715	43,900,869
Long-term secured loans	624,463,579	610,758,989	571,034,977
Import and export bill negotiation	2,614,591	2,507,994	3,184,513
Nonperforming loans transferred from loans	3,961,015	3,384,212	4,013,141
	1,507,820,462	1,418,045,436	1,408,131,585
Less: Allowance for impairment loss	20,082,963	19,445,590	19,762,302
Less: Adjustments of premium and discount	651,632	604,985	601,174
	$ 1,487,085,867	$ 1,397,994,861	$ 1,387,768,109

During the six months ended June 30, 2019 and 2018, the Bank and its subsidiaries had not written off any credit that had not been subject to legal proceedings.

The Bank and its subsidiaries have an allowance for impairment loss on discounts and loans. Refer to Note 54 for information relating to the credit risk management and impairment of discounts and loans.

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

15. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements

			Percentage of Ownership		
Investor	Investee	Nature of Activities	June 30, 2019	December 31, 2018	June 30, 2018
TAIPEI FUBON Bank	Fubon Bank (China)	Bank	51%	51%	51%

b. Material non-controlling interests

		Percentage of Ownership and Voting Rights Held by Non-controlling Interests		
Subsidiary	Principal Place of Business	June 30, 2019	December 31, 2018	June 30, 2018
Fubon Bank (China)	China	49%	49%	49%

	Profit Allocated to Non-controlling Interests				Accumulated Non-controlling Interests		
	For the Three Months Ended June 30		For the Six Months Ended June 30				
Subsidiary	2019	2018	2019	2018	June 30, 2019	December 31, 2018	June 30, 2018
Fubon Bank (China)	$ 139,766	$ 82,127	$ 253,077	$ 105,264	$ 18,875,207	$ 18,529,264	$ 18,800,152

The summarized financial information below represents amounts before intragroup eliminations, and reflects effects of acquisition using the acquisition method.

Fubon Bank (China)

	June 30, 2019	December 31, 2018	June 30, 2018
Total assets	$ 415,680,880	$ 352,719,741	$ 328,385,215
Total liabilities	(375,293,808)	(313,061,378)	(288,117,137)
Equity	$ 40,387,072	$ 39,658,363	$ 40,268,078
Equity attributable to:			
Owners of the Bank	$ 21,511,865	$ 21,129,099	$ 21,467,926
Non-controlling interests	18,875,207	18,529,264	18,800,152
	$ 40,387,072	$ 39,658,363	$ 40,268,078

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Total net revenue	$ 1,503,010	$ 1,170,549	$ 3,157,724	$ 2,173,793
Net income for the period	$ 285,236	$ 167,607	$ 516,483	$ 214,826
Other comprehensive income loss for the period	(754,847)	(222,839)	212,226	603,653
Total comprehensive income (loss) for the period	$ (469,611)	$ (55,232)	$ 728,709	$ 818,479
Net income attributable to:				
Owners of the Bank	$ 145,470	$ 85,480	$ 263,406	$ 109,562
Non-controlling interests	139,766	82,127	253,077	105,264
	$ 285,236	$ 167,607	$ 516,483	$ 214,826
Total comprehensive income (loss) attributable to:				
Owners of the Bank	$ (252,467)	$ (37,937)	$ 382,766	$ 422,360
Non-controlling interests	(217,144)	(17,295)	345,943	396,119
	$ (469,611)	$ (55,232)	$ 728,709	$ 818,479
Net cash (outflow) inflow from:				
Operating activities	$ 3,637,272	$ (4,447,229)	$ (3,046,917)	$ (7,633,529)
Investing activities	(64,882)	(40,494)	(78,824)	(69,884)
Financing activities	4,256,849	342,571	4,411,530	(1,617,182)

16. INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES

a. The unconsolidated structured entities held by the Bank and its subsidiaries are 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 entities, which were recognized in the consolidated balance sheets as of June 30, 2019, December 31, 2018 and June 30, 2018, were as follows:

	June 30, 2019	December 31, 2018	June 30, 2018 (Audited After Restatement)
Asset securitization			
Financial assets at fair value through other comprehensive income	$ 2,293,073	$ 2,278,180	$ 814,802
Investments in debt instruments measured at amortized cost	10,946,231	2,940,482	367,811
Trust plan			
Financial assets at fair value through other comprehensive income	135,633	133,983	138,117
	$ 13,374,937	$ 5,352,645	$ 1,320,730

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 entities for the six months ended June 30, 2019 and 2018.

17. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	June 30, 2019	December 31, 2018	June 30, 2018
Associates that are not individually material	$ 3,224,671	$ 3,255,009	$ 113,307

Information of associates that are not individually material:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
The Bank and its subsidiaries' share of:				
Net (loss) income	$ (18,553)	$ 2,546	$ (24,766)	$ 5,532
Other comprehensive income (loss)	-	-	-	-
Total comprehensive income (loss) for the period	$ (18,553)	$ 2,546	$ (24,766)	$ 5,532

In September 2018, the Bank and its subsidiaries acquired a number of associates that were not individually material. The goodwill generated by these acquisitions was $1,953,493 thousand, it was disclosed in the cost of investments in associates.

Except for Line Biz+ Taiwan Ltd.'s financial statements which were not audited by independent auditors, the Bank and its subsidiaries' share of profit and other comprehensive income (loss) of the associates for the six months ended June 30, 2019 and 2018 was based on the associates' financial statements for the same reporting periods as those of the Bank, which had been audited by independent auditors. The management of the Bank considered that the above-mentioned issue that the invested companies had not been audited by independent auditors had no significant impact.

The abovementioned investments accounted for using the equity method are not pledged as security.

18. OTHER FINANCIAL ASSETS, NET

	June 30, 2019	December 31, 2018	June 30, 2018
Other banks' deposits not qualifying as cash equivalents	$ 10,593,316	$ 14,389,075	$ 38,442,551
Nonperforming loans transferred from other than loans	94,149	92,755	94,050
Bills purchased	839	231	155
	10,688,304	14,482,061	38,536,756
Less: Allowance for impairment loss	75,138	73,841	74,783
	$ 10,613,166	$ 14,408,220	$ 38,461,973

Refer to Note 54 for information relating to the credit risk management and impairment of other financial assets.

Refer to Note 48 for information relating to other financial assets pledged as security.

19. PROPERTY AND EQUIPMENT, NET

	For the Six Months Ended June 30, 2019							
	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, 2019	$ 6,404,653	$ 11,248,299	$ 3,669,659	$ 303,556	$ 1,261,948	$ 2,509,296	$ 1,363,658	$ 26,761,069
Effect of retrospective application to IFRS 16	-	-	-	-	(74,817)	-	-	(74,817)
Balance at January 1, 2019 (audited after restatement)	6,404,653	11,248,299	3,669,659	303,556	1,187,131	2,509,296	1,363,658	26,686,252
Additions	-	13,612	106,479	6,579	15,876	53,520	242,519	438,585
Disposals	-	-	(25,085)	(27,105)	(8,016)	(19,856)	-	(80,062)
Reclassification	33,396	21,005	31,065	(5,981)	10,877	157,188	(266,412)	(18,862)
Effect of foreign currency exchange differences	-	86,481	7,400	1,069	5,207	5,008	207	105,372
Balance at June 30, 2019	6,438,049	11,369,397	3,789,518	278,118	1,211,075	2,705,156	1,339,972	27,131,285
Accumulated depreciation and impairment								
Balance at January 1, 2019	-	2,710,755	2,484,681	222,213	803,004	1,054,212	-	7,274,865
Effect of retrospective application to IFRS 16	-	-	-	-	(12,337)	-	-	(12,337)
Balance at January 1, 2019 (audited after restatement)	-	2,710,755	2,484,681	222,213	790,667	1,054,212	-	7,262,528
Depreciation	-	140,868	225,065	11,067	59,738	166,495	-	603,233
Impairment losses								
Disposals	-	-	(24,695)	(24,608)	(7,723)	(19,786)	-	(76,812)
Reclassification	-	(4,007)	-	-	-	-	-	(4,007)
Effect of foreign currency exchange differences	-	11,213	4,583	806	3,662	1,640	-	21,904
Balance at June 30, 2019	-	2,858,829	2,689,634	209,478	846,344	1,202,561	-	7,806,846
Carrying amount at December 31, 2018 and January 1, 2019 before restatement	$ 6,404,653	$ 8,537,544	$ 1,184,978	$ 81,343	$ 458,944	$ 1,455,084	$ 1,363,658	$ 19,486,204
Carrying amount at June 30, 2019	$ 6,438,049	$ 8,510,568	$ 1,099,884	$ 68,640	$ 364,731	$ 1,502,595	$ 1,339,972	$ 19,324,439

	For the Six Months Ended June 30, 2018							
	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, 2018	$ 6,532,514	$ 11,304,474	$ 3,287,166	$ 278,634	$ 1,174,931	$ 1,878,209	$ 1,574,298	$ 26,030,226
Additions	-	29,432	143,210	13,363	65,061	113,498	406,893	771,457
Disposals	-	-	(40,581)	(3,738)	(12,959)	(71,861)	-	(129,139)
Reclassification	(46,382)	92,223	31,431	2,296	12,960	187,929	(444,976)	(164,519)
Effect of foreign currency exchange differences	-	38,366	3,577	594	4,046	2,063	(21)	48,625
Balance at June 30, 2018	6,486,132	11,464,495	3,424,803	291,149	1,244,039	2,109,838	1,536,194	26,556,650
Accumulated depreciation and impairment								
Balance at January 1, 2018	-	2,516,674	2,118,521	212,760	730,154	886,700	-	6,464,809
Depreciation	-	129,628	208,399	10,379	56,743	122,901	-	528,050
Impairment losses	4,962	12,825	-	-	-	-	-	17,787
Disposals	-	-	(40,456)	(3,667)	(12,757)	(71,101)	-	(127,981)
Reclassification	(4,962)	(26,549)	-	-	-	-	-	(31,511)
Effect of foreign currency exchange differences	-	3,656	2,115	352	1,832	995	-	8,950
Balance at June 30, 2018	-	2,636,234	2,288,579	219,824	775,972	939,495	-	6,860,104
Carrying amount at June 30, 2018	$ 6,486,132	$ 8,828,261	$ 1,136,224	$ 71,325	$ 468,067	$ 1,170,343	$ 1,536,194	$ 19,696,546

For the six months ended June 30, 2018, 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 $45,900 thousand was lower than their carrying amounts; thus, impairment losses of $17,787 thousand was recognized for the six months ended June 30, 2018.

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 fair value measurement.

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

Buildings	3-61 years
Machinery and computer equipment	3-16 years
Transportation equipment	3-6 years
Office and other equipment	3-47 years
Leasehold improvements	18 months-22 years

20. LEASE ARRANGEMENTS

a. Right-of-use assets - 2019

	June 30, 2019
Carrying amounts	
Buildings	$ 4,025,194
Machinery and computer equipment	15,125
Transportation equipment	21,434
Office and other equipment	81,957
	$ 4,143,710

	For the Six Months Ended June 30, 2019
Additions to right-of-use assets	$ 367,238

	For the Three Months Ended June 30, 2019	For the Six Months Ended June 30, 2019
Depreciation expense of right-of-use assets		
Buildings	$ 359,042	$ 713,898
Machinery and computer equipment	1,116	2,220
Transportation equipment	5,718	8,793
Office and other equipment	9,429	18,814
	$ 375,305	$ 743,725

b. Lease liabilities - 2019

	June 30, 2019
Carrying amounts	$ 4,122,169

Range of discount rate for lease liabilities was as follows:

	June 30, 2019
Buildings	2.16%-3.88%
Machinery and computer equipment	0.75%-0.82%
Transportation equipment	0.67%-3.19%
Office and other equipment	0.67%-3.51%

	For the Three Months Ended June 30, 2019	For the Six Months Ended June 30, 2019
Interest expense on lease liabilities	$ 34,421	$ 68,964

c. Other lease information

Lease arrangements under operating leases for the leasing out investment properties are set out in Note 21.

2019

	For the Three Months Ended June 30, 2019	For the Six Months Ended June 30, 2019
Expenses relating to leases of low-value asset	$ 3,212	$ 6,955
Expenses relating to variable lease payments not included in the measurement of lease liabilities	$ 12,387	$ 23,340

	For the Six Months Ended June 30, 2019
Total cash outflow for leases	$ (796,851)

The Bank and its subsidiaries leases certain land, buildings, machinery and computer equipment, transportation equipment and office and other equipment which qualify as short-term leases and certain machinery and computer equipment which qualify as low-value asset leases. The Bank and its subsidiaries has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

2019

The maturity analysis for lease arrangements was based on the earliest date required to repay and the undiscounted cash flow (including principal and estimated interest).

The maturity analysis for lease liabilities is as follows:

	0-30 Days	31-90 Days	91 Days - 1 Year	1-5 Years	Over 5 Years	Total
Lease liabilities	$ 92,361	$ 247,920	$ 1,079,955	$ 2,376,720	$ 652,878	$ 4,449,834

2018

The future minimum lease payments of non-cancellable operating lease commitments are as follows:

December 31, 2018	Less than 1 Year	1-5 Years	Over 5 Years	Total
Lease commitments				
Operating lease expenses	$ 611,062	$ 1,150,006	$ 7,880	$ 1,768,948

June 30, 2018	Less than 1 Year	1-5 Years	Over 5 Years	Total
Lease commitments				
Operating lease expenses	$ 547,964	$ 1,208,416	$ 6,668	$ 1,763,048

As of June 30, 2019, December 31, 2018 and June 30, 2018, the refundable deposits paid under operating leases were $306,052 thousand, $299,298 thousand and $277,665 thousand, respectively.

21. INVESTMENT PROPERTIES

Item	June 30, 2019	December 31, 2018	June 30, 2018
Land	$ 2,501,801	$ 2,488,744	$ 2,603,540
Buildings	305,499	305,456	333,260
	$ 2,807,300	$ 2,794,200	$ 2,936,800

The movements of investment properties are shown below:

	For the Six Months Ended June 30	
	2019	2018
Balance, beginning of the period	$ 2,794,200	$ 2,890,900
Reclassification	21,368	45,900
Change in fair value of investment properties	(8,268)	-
Balance, end of the period	$ 2,807,300	$ 2,936,800

The investment properties were leased out as operating lease 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.

On June 30, 2019, the total amount of the lease payment that will receive in the future for the investment properties was leased out as operating leases is as follows:

	June 30, 2019
Year 1	$ 85,884
Year 2	71,996
Year 3	59,708
Year 4	38,173
Year 5	18,071
Year 6 onwards	12,721
	$ 286,553

As of June 30, 2019, to reduce the residual asset risk related to buildings at the end of the relevant lease, the bank implements its general risk management strategy.

Due to the change in the occupancy rate of investment properties, the fair values of the investment properties as of June 30, 2019 were based on the revaluations carried out on these dates by independent qualified professional appraisers, Dai Guang-Ping, Chang Hung-Kai, Chang Yi-Chih and Yeh Yu-Fen, from the real estate appraisal office, Savills plc, a duly certified ROC real estate appraiser.

The fair values of the investment properties as of December 31, 2018 and 2017 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 appraisal office, Savills plc, a duly certified ROC real estate appraiser.

The Bank assigned appraisers to review the original appraisal report, save the change in the occupancy rate which was revalued on June 30, 2019, and the fair values of the investment properties on December 31, 2018 and 2017 were still deemed to be valid as June 30, 2019 and 2018, respectively.

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

	June 30, 2019	December 31, 2018	June 30, 2018
Expected future cash inflows	$ 4,016,904	$ 4,054,750	$ 4,276,729
Expected future cash outflows	(120,214)	(126,909)	(133,273)
Expected future cash inflows, net	$ 3,896,690	$ 3,927,841	$ 4,143,456
Discount rate	3.845%	3.845%	3.845%

The market rentals in the area where the investment properties are 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 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.

As of June 30, 2019, December 31, 2018 and June 30, 2018, 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 three months ended June 30, 2019 and 2018 and six months ended June 30, 2019 and 2018, the rental income and direct operating expense from investment properties of the Bank and its subsidiaries were as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Rental income	$ 22,126	$ 22,429	$ 44,311	$ 44,528
Direct operating expenses	2,399	2,512	4,733	4,936
Direct operating expenses from investment properties not earning rental income	-	-	-	-

22. INTANGIBLE ASSETS, NET

	June 30, 2019	December 31, 2018	June 30, 2018
Core deposits	$ 5,916,248	$ 6,038,562	$ 6,421,825
Banking licenses and operating rights	5,558,949	5,500,561	5,657,185
Goodwill	2,100,298	2,077,594	2,134,475
Computer software	1,033,038	1,085,827	860,026
Customer relationships	59,820	63,609	70,228
Others	2,000	2,000	2,000
	$ 14,670,353	$ 14,768,153	$ 15,145,739

The movements of intangible assets are listed below:

	For the Six Months Ended June 30					
	2019			2018		
	Goodwill	Others	Total	Goodwill	Others	Total
Balance, beginning of the period	$ 2,077,594	$ 12,690,559	$ 14,768,153	$ 2,124,404	$ 13,167,978	$ 15,292,382
Additions	-	94,568	94,568	-	77,737	77,737
Amortizations	-	(403,197)	(403,197)	-	(386,735)	(386,735)
Reclassification	-	48,365	48,365	-	87,248	87,248
Effect of foreign currency exchange differences	22,704	139,760	162,464	10,071	65,036	75,107
Balance, end of the period	$ 2,100,298	$ 12,570,055	$ 14,670,353	$ 2,134,475	$ 13,011,264	$ 15,145,739

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 the Financial Restructuring Fund and Fubon Bank (China).

Except for intangible assets that have indefinite useful lives, the other intangible assets are amortized on a straight-line basis over their estimated useful lives as follows:

Core deposits	10-23 years
Operating rights	97 years
Computer software	3-10 years
Customer relationships	10-14 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 stage, 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 June 30, 2019, December 31, 2018 and June 30, 2018, showed there was no material goodwill impairment.

23. OTHER ASSETS

	June 30, 2019	December 31, 2018	June 30, 2018
Refundable deposits	$ 9,869,773	$ 10,466,563	$ 9,946,327
Prepaid expense	808,708	669,748	827,428
Other deferred charges	252,875	284,434	317,117
Collateral assumed, net	54,253	53,593	88,395
Others	697,078	270,020	291,957
	$ 11,682,687	$ 11,744,358	$ 11,471,224

24. DEPOSITS FROM THE CENTRAL BANK AND BANKS

	June 30, 2019	December 31, 2018	June 30, 2018
Call loans	$ 145,008,236	$ 133,943,289	$ 152,616,256
Due to the Central Bank and other banks	7,034,773	4,252,049	3,792,713
Others	306,004	549,909	551,609
	$ 152,349,013	$ 138,745,247	$ 156,960,578

25. DUE TO THE CENTRAL BANK AND BANKS

	June 30, 2019	December 31, 2018	June 30, 2018
Central Bank rediscounts	$ 451,337	$ 442,461	$ 157,572
Funds borrowed from other banks	-	-	2,741,595
	$ 451,337	$ 442,461	$ 2,899,167

26. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

	June 30, 2019	December 31, 2018	June 30, 2018
Corporate bonds	$ 44,698,619	$ 75,544,896	$ 69,614,178
Bank debentures	31,605,553	22,020,057	25,131,324
Discounted notes	10,610,243	8,622,038	2,301,180
Government bonds	10,009,539	14,996,680	16,555,495
Others	-	123,872	1,028,610
	$ 96,923,954	$ 121,307,543	$ 114,630,787
Dates of repurchase agreements	2019.07.01-2019.11.29	2019.01.02-2019.08.14	2018.07.02-2019.01.31
Amounts of repurchase agreements	$ 97,217,062	$ 121,955,488	$ 115,126,368

As of June 30, 2019, December 31, 2018 and June 30, 2018, the Bank and its subsidiaries' investments were as follows:

	June 30, 2019	December 31, 2018	June 30, 2018
Financial assets at fair value through profit or loss	$ 149,149	$ -	$ -
Financial assets at fair value through other comprehensive income	22,720,399	18,167,014	13,907,541
Investments in debt instruments measured at amortized cost	78,675,727	113,785,581	110,498,179
Discounts and loans	218,802	153,551	-

27. PAYABLES

	June 30, 2019	December 31, 2018	June 30, 2018
Acceptances	$ 26,165,821	$ 20,221,756	$ 16,130,237
Accounts payable	11,744,998	2,541,864	8,678,115
Accrued interest	7,472,752	6,701,352	5,743,156
Accounts payable - factoring	4,357,683	4,428,229	4,143,254
Accrued expenses	4,217,272	4,873,895	3,021,549
Clearing notes payable	3,713,479	7,367,051	4,933,801
Accrued payroll and transfer of provisional funds	3,035,032	3,021,767	3,049,843
Others	2,819,543	2,429,922	3,471,227
	$ 63,526,580	$ 51,585,836	$ 49,171,182

28. DEPOSITS AND REMITTANCES

	June 30, 2019	December 31, 2018	June 30, 2018
Checking	$ 12,678,418	$ 11,341,915	$ 12,467,551
Public treasury	52,760,513	64,455,592	18,523,332
Demand	454,289,012	448,130,148	429,842,393
Savings	897,688,136	855,423,431	829,058,556
Time	662,751,236	581,623,458	620,803,762
Negotiable certificates of deposit	63,970,140	70,171,153	95,610,592
Outward remittances	1,392,835	1,136,093	885,791
	$ 2,145,530,290	$ 2,032,281,790	$ 2,007,191,977

29. BANK DEBENTURES

Taipei Fubon Bank

To maintain its capital adequacy ratio and the medium-term to long-term working capital, the Bank had applied and obtained approval from the FSC to issue bank debentures. The outstanding balances of bank debentures as of June 30, 2019, December 31, 2019 and June 30, 2018 are summarized as follows:

	June 30, 2019	December 31, 2018	June 30, 2018
Financial liabilities - fair value hedge			
Seventh issue of subordinated bank debentures in 2010; fixed 1.55%; maturity: October 2020	$ 900,000	$ 900,000	$ 900,000
Second issue of subordinated bank debentures in 2011; fixed 1.7%; maturity: August 2018	-	-	1,500,000
Third issue of subordinated bank debentures in 2011; fixed 1.65%; maturity: December 2018	-	-	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	3,700,000
First issue of subordinated bank debentures in 2013; fixed 1.52%; maturity: August 2020	1,800,000	1,800,000	1,800,000
First issue of subordinated bank debentures in 2013; fixed 1.7%; maturity: August 2023	500,000	500,000	500,000
First issue of subordinated bank debentures in 2014; fixed 1.7%; maturity: May 2021	1,800,000	1,800,000	1,800,000
First issue of subordinated bank debentures in 2014; fixed 1.85%; maturity: May 2024	3,500,000	3,500,000	3,500,000
Second issue of subordinated bank debentures in 2014; fixed 1.98%; maturity: September 2024	2,700,000	2,700,000	2,700,000
First issue of dominant bank debentures in 2015; 0%; maturity: February 2045 (US$100,000 thousand)	3,712,335	3,599,137	3,499,431

(Continued)

	June 30, 2019	December 31, 2018	June 30, 2018
First issue of dominant bank debentures in 2016; 0%; maturity: December 2046 (US$200,000 thousand)	$ 6,870,245	$ 6,662,962	$ 6,480,564
First issue of dominant bank debentures in 2017; 0%; maturity: January 2047 (US$200,000 thousand)	6,850,570	6,642,908	6,460,096
First issue of dominant bank debentures in 2017; 0%; maturity: January 2047 (US$200,000 thousand)	6,842,571	6,636,732	6,455,653
Second issue of subordinated bank debentures in 2017; fixed 1.33%; maturity: September 2024	3,000,000	3,000,000	3,000,000
Fourth issue of subordinated bank debentures in 2017; fixed 1.3%; maturity: October 2024	1,750,000	1,750,000	1,750,000
Fifth issue of dominant bank debentures in 2017; 0%; maturity: December 2047 (US$100,000 thousand)	3,310,524	3,209,866	3,121,229
Second issue of dominant bank debentures in 2018; 0%; maturity: March 2048 (US$195,000 thousand)	6,409,213	6,206,979	6,028,315
Third issue of subordinated bank debentures in 2018; fixed 1.15%; maturity: September 2025	1,200,000	1,200,000	-
Third issue of subordinated bank debentures in 2018; fixed 1.3%; maturity: September 2028	1,800,000	1,800,000	-
Fifth issue of dominant bank debentures in 2018; 0%; maturity: November 2048 (US$80,000 thousand)	2,560,029	2,472,796	-
Sixth issue of dominant bank debentures in 2018; fixed 1.1%; maturity: November 2028	3,700,000	3,700,000	-
First issue of dominant bank debentures in 2019; fixed 0.98%; maturity: March 2029	1,500,000	-	-
Second issue of dominant bank debentures in 2019; fixed 0.95%; maturity: May 2029	1,300,000	-	-
	65,705,487	63,081,380	56,995,288
Valuation adjustments of bank debentures	1,269,096	(1,600,785)	(1,915,264)
	66,974,583	61,480,595	55,080,024
Bank debentures - non-hedged			
First issue of subordinated bank debentures in 2010; fixed 2.5%; maturity: January 2020	2,400,000	2,400,000	2,400,000
Fourth issue of subordinated bank debentures in 2010; fixed 2.5%; maturity: March 2020	2,000,000	2,000,000	2,000,000
Sixth issue of subordinated bank debentures in 2010; fixed 2.05%; maturity: August 2020	1,900,000	1,900,000	1,900,000
Second issue of subordinated bank debentures in 2011; fixed 1.7%; maturity: August 2018	-	-	950,000
Third issue of subordinated bank debentures in 2011; fixed 1.65%; maturity: December 2018	-	-	1,500,000

(Continued)

	June 30, 2019	December 31, 2018	June 30, 2018
Second issue of subordinated bank debentures in 2012; fixed 1.68%; maturity: May 2022	$ 1,000,000	$ 1,000,000	$ 1,000,000
First issue of subordinated bank debentures in 2013; fixed 1.52%; maturity: August 2020	1,950,000	1,950,000	1,950,000
First issue of subordinated bank debentures in 2014; fixed 1.7%; maturity: May 2021	3,700,000	3,700,000	3,700,000
First issue of subordinated bank debentures in 2014; fixed 1.85%; maturity: May 2024	1,000,000	1,000,000	1,000,000
Second issue of subordinated bank debentures in 2014; fixed 1.98%; maturity: September 2024	1,000,000	1,000,000	1,000,000
Third issue of dominant bank debentures in 2017; fixed 0.56%; maturity: September 2018	-	-	5,000,000
First issue of dominant bank debentures in 2018; fixed 0.67%; maturity: March 2020	1,000,000	1,000,000	1,000,000
Fourth issue of dominant bank debentures in 2018; fixed 0.6%; maturity: November 2019	2,150,000	2,150,000	-
Seventh issue of subordinated bank debentures in 2018; fixed 2.15%; perpetual	6,500,000	6,500,000	-
Third issue of subordinated bank debentures in 2019; fixed 1.90%; perpetual	3,100,000	-	-
	27,700,000	24,600,000	23,400,000
	$ 94,674,583	$ 86,080,595	$ 78,480,024

(Concluded)

Fubon Bank (China)

In order to supplement the Tier-2 capital and increase the capital adequacy ratio, Fubon Bank (China) applied to the authorities to issue Tier-2 capital instruments. The outstanding balances of bank debentures as of June 30, 2019, December 31, 2018 and June 30, 2018 are summarized as follows:

	June 30, 2019	December 31, 2018	June 30, 2018
Tier-2 capital bond (first period); fixed rate of 5.43%; maturity date: December 6, 2028 (CNY1,000,000 thousand)	$ 4,521,100	$ 4,466,100	$ -
Tier-2 capital bond (first period); fixed rate of 5.20%; maturity date: April 27, 2029 (CNY1,000,000 thousand)	4,521,100	-	-
	$ 9,042,200	$ 4,466,100	$ -

30. OTHER FINANCIAL LIABILITIES

	June 30, 2019	December 31, 2018	June 30, 2018
Principal amount of structured products	$ 27,372,154	$ 25,140,505	$ 21,500,457

31. PROVISIONS

	June 30, 2019	December 31, 2018	June 30, 2018
Provisions for employee benefits (Note 32)	$ 2,379,181	$ 2,309,724	$ 2,133,035
Reserve for losses on guarantees	275,202	301,774	305,639
Reserve for financial commitments	118,788	138,127	86,994
Others	457,003	567,830	209,448
	$ 3,230,174	$ 3,317,455	$ 2,735,116

Refer to Note 54 for information relating to the credit risk management and impairment of reserve for losses on guarantees, other reserves - letters of credit and financial commitments.

32. EMPLOYEE BENEFITS PLANS

	June 30, 2019	December 31, 2018	June 30, 2018
Provisions for employee benefits			
Defined benefit plans	$ 1,453,421	$ 1,475,314	$ 1,354,874
Preferential interest rate plan for employees' deposits	716,942	703,435	659,296
Other long-term employee benefits plan	208,649	130,785	118,664
Others	169	190	201
	$ 2,379,181	$ 2,309,724	$ 2,133,035

a. Defined contribution plans

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

The total expense recognized in profit or loss for the six months ended June 30, 2019 and 2018 were $156,216 thousand and $150,943 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 total expense recognized in profit or loss for the six months ended June 30, 2019 and 2018 were $32,450 thousand and $34,439 thousand, respectively, which represents contributions payable to these plans by the Bank at rates specified in the rules of the plan.

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 total expense recognized in profit or loss for the six months ended June 30, 2019 and 2018 were $40,168 thousand and $37,358 thousand, respectively, which represents contributions payable to these plans by the Bank at rates specified in the rules of the plan.

d. Defined contribution plans of overseas subsidiaries

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

For the six months ended June 30, 2019 and 2018, Fubon Bank (China), the Bank's overseas subsidiary, recognized expenses of $27,966 thousand and $23,578 thousand, respectively.

33. OTHER LIABILITIES

	June 30, 2019	**December 31, 2018**	**June 30, 2018**
Guarantee deposits received	$ 6,753,294	$ 3,723,040	$ 11,008,643
Advance receipts	3,218,886	2,603,583	2,507,209
Suspended accounts and payments for clearing	850,780	538,645	1,183,220
Others	435,259	397,062	428,115
	$ 11,258,219	$ 7,262,330	$ 15,127,187

34. EQUITY

a. Capital stock

Common stock

	June 30, 2019	**December 31, 2018**	**June 30, 2018**
Number of shares authorized (in thousands)	13,000,000	13,000,000	13,000,000
Amount of capital stock authorized	$ 130,000,000	$ 130,000,000	$ 130,000,000
Number of shares issued and received (in thousands)	10,651,803	10,651,803	10,651,803
Amount of outstanding and issued shares (par value of NT$10)	$ 106,518,023	$ 106,518,023	$ 106,518,023

On April 24, 2019, the Bank's board of directors exercised the power and authority of the shareholders' meeting and resolved to capitalize $5,829,533 thousand of retained earnings and to issue 582,953 thousand shares. On July 24, 2019, these transactions were approved by competent authority, and the record date was August 9, 2019.

b. Capital surplus

	June 30, 2019	December 31, 2018	June 30, 2018
Arising from consolidation	$ 7,490,431	$ 7,490,431	$ 7,490,431
Arising from issuance of common shares	7,310,496	7,310,496	7,310,496
	$ 14,800,927	$ 14,800,927	$ 14,800,927

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

c. Legal reserve

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

d. Special reserve

	June 30, 2019	December 31, 2018	June 30, 2018
Appropriations by TAIPEIBANK under its Articles of Incorporation	$ 1,285,676	$ 1,285,676	$ 1,285,676
Transferred from trading loss reserve	123,497	123,497	123,497
Deduction arising from the first-time adoption of IFRSs and the debits to other equity items	1,387,256	331,089	331,089
Application of the fair value model to investment properties	1,080,091	1,089,440	1,089,440
Expenditure of employees' financial technology development	240,934	152,034	152,034
	$ 4,117,454	$ 2,981,736	$ 2,981,736

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 would 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.

Additional special reserve should be appropriated for the amount equal to the difference between net debit balance reserves and the special reserve appropriated on the first-time adoption of IFRSs. Any special reserve appropriated may be reversed to the extent that the net debit balance reverses and, thereafter, distributed.

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 hold.

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 hold.

On April 24, 2019 and April 25, 2018, the Bank's board of directors exercised the power and authority of the shareholders' meeting and approved the appropriations of the 2018 and 2017 earnings, respectively. The appropriations, including dividends per share, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT$)	
	2018	2017	2018	2017
Legal reserve	$ 5,492,834	$ 4,985,251		
Special reserve	1,135,718	309,714		
Stock dividends	5,829,533	-	$ 0.55	$ -
Cash dividends	5,829,534	11,309,962	0.55	1.06

f. Other equity items

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

	For the Six Months Ended June 30	
	2019	2018
Balance, beginning of the period	$ (2,082,733)	$ (2,063,045)
Recognized during the period		
Exchange differences on translating the financial statements of foreign operations	200,628	521,099
Other comprehensive income recognized during the period	200,628	521,099
Balance, end of the period	$ (1,882,105)	$ (1,541,946)

2) Unrealized gains (losses) on financial assets at fair value through other comprehensive income

	For the Six Months Ended June 30	
	2019	2018 (Audited After Restatement)
Balance, beginning of the period per IAS 39	$ 315,276	$ -
Adjustment on initial application of IFRS 9	-	240,622
Balance, beginning of the period per IFRS 9	315,276	240,622
Effect of change in tax rate	-	(1,131)
Recognized during the period		
Unrealized gains (losses)		
Debt instruments	305,946	181,015
Equity instruments `	419,807	(69,236)
Adjustment of allowance for debt instruments	(22,412)	5,077
Disposal of profit and loss		
Debt instruments	(219,941)	(24,974)
Other comprehensive income recognized during the period	483,400	90,751
Cumulative unrealized gains (losses) of equity instruments transferred to retained earnings due to disposal	-	331
Balance, end of the period	$ 798,676	$ 331,704

3) Gains on property revaluation

	For the Six Months Ended June 30	
	2019	2018
Balance, beginning of the period	$ 380,201	$ 374,651
Effect of change in tax rate	-	(834)
Recognized during the period		
Gains on property revaluation	53,484	-
Other comprehensive income recognized during the period	53,484	(834)
Balance, end of the period	$ 433,685	$ 373,817

g. Non-controlling interests

	For the Six Months Ended June 30	
	2019	2018
Balance, beginning of the period per IAS 39	$ 18,529,264	$ 18,467,092
Adjustment on initial application of IFRS 9	-	(63,059)
Balance, beginning of the period per IFRS 9	18,529,264	18,404,033
Attributable to non-controlling interests:		
Net income for the period	253,077	105,264
Other comprehensive income recognized during the period		
Exchange differences arising from the translation of financial statements of foreign operations	225,791	101,285
Unrealized gains (losses) on financial assets at fair value through other comprehensive income	(132,925)	189,570
Balance, end of the period	$ 18,875,207	$ 18,800,152

35. NET INTEREST INCOME

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Interest income				
Discounts and loans	$ 9,540,385	$ 8,476,733	$ 18,691,821	$ 16,568,828
Investments in debt instruments measured at amortized cost	3,223,495	2,642,977	6,405,455	5,107,643
Due from banks and call loans to banks	1,222,950	1,403,041	2,453,016	2,942,997
Investments in debt instruments measured at fair value through other comprehensive income	1,000,734	986,418	1,957,539	1,990,577
Others	331,248	305,335	684,121	596,282
	15,318,812	13,814,504	30,191,952	27,206,327

(Continued)

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Interest expense				
Deposits	$ 5,774,549	$ 5,170,991	$ 11,184,120	$ 9,921,911
Funds borrowed from the Central Bank and other banks	828,698	695,735	1,672,819	1,284,961
Bank debentures	538,791	397,087	1,030,337	661,831
Securities sold under repurchase agreements	534,223	590,324	1,160,394	1,113,552
Due to the Central Bank and other banks	368,120	445,245	738,041	771,347
Others	304,581	191,594	602,927	355,052
	8,348,962	7,490,976	16,388,638	14,108,654
Net interest	$ 6,969,850	$ 6,323,528	$ 13,803,314	$ 13,097,673

(Concluded)

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

36. SERVICE FEE INCOME, NET

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Service fee income				
Insurance service fee income	$ 1,538,073	$ 1,596,478	$ 3,106,241	$ 2,876,663
Trust and custody business	1,325,552	754,799	2,388,680	1,937,021
Credit card business	515,190	436,494	1,054,742	980,754
Credit business	495,108	350,371	750,068	610,039
Others	380,833	322,264	731,133	674,930
	4,254,756	3,460,406	8,030,864	7,079,407
Service fee expense				
Credit card business	361,358	229,189	589,074	445,580
Interbank service fee	100,205	79,412	193,707	161,642
Office space expense	56,775	66,735	115,621	127,034
Settlement service fee	27,177	25,271	55,206	48,710
Others	174,266	152,735	310,453	277,264
	719,781	553,342	1,264,061	1,060,230
Net service fee	$ 3,534,975	$ 2,907,064	$ 6,766,803	$ 6,019,177

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

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018 (Audited After Restatement)	2019	2018 (Audited After Restatement)
Interest income	$ 284,418	$ 229,868	$ 628,529	$ 439,867
Dividend income	12,186	250	15,579	250
Realized gains (losses)				
Currency swap contracts	1,727,198	1,179,411	2,371,411	1,891,940
Option contracts	(5,934)	33,884	37,837	127,240
Forward contracts	178,627	(171,472)	(390,913)	288,432
Others	586,816	128,728	740,441	188,663
	2,486,707	1,170,551	2,758,776	2,496,275
Gains (losses) on valuation				
Currency swap contracts	(559,960)	544,343	649,249	736,124
Forward contracts	(303,876)	(1,363,633)	242,036	(1,274,980)
Convertible corporate bonds	(67,685)	(196,854)	66,274	(139,947)
Interest rate swap contracts	(26,462)	95,150	19,156	175,846
Option contracts	81,833	176,446	(8,920)	85,310
Stock	(78,722)	217,527	112,029	260,654
Others	(73,149)	(49,492)	98,937	(174,185)
	(1,028,021)	(576,513)	1,178,761	(331,178)
	$ 1,755,290	$ 824,156	$ 4,581,645	$ 2,605,214

38. REALIZED GAINS OR LOSSES ON FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018 (Audited After Restatement)	2019	2018 (Audited After Restatement)
Bank debentures	$ 47,319	$ 1,006	$ 220,387	$ 2,769
Corporate bonds	50,700	-	83,791	599
Dividend revenue	74,967	42,986	75,294	42,986
Government bonds	39,627	776	66,493	21,660
Others	-	(14)	294	(53)
	$ 212,613	$ 44,754	$ 446,259	$ 67,961

39. GAIN ON DERECOGNITION OF FINANCIAL ASSETS AT AMORTIZED COST

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Beneficiary certificates	$ 8,495	$ 194	$ 10,898	$ 385
Corporate bonds	12	7,472	3,648	16,261
Government bonds	1,078	1,685	2,109	1,685
Others	76	-	76	-
	$ 9,661	$ 9,351	$ 16,731	$ 18,331

Based on the consideration of fund allocation, the Bank and its subsidiaries have successively disposed of these bond investments due to reasons such as the bonds nearing their maturity dates or forced redemption by the bond issuer.

40. FOREIGN EXCHANGE GAINS (LOSSES)

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
General exchange gains	$ 545,499	$ 1,925,246	$ 704,791	$ 1,495,761
Exchange gains (losses) from private capital	(8,938)	53,049	3,221	39,026
	$ 536,561	$ 1,978,295	$ 708,012	$ 1,534,787

41. EMPLOYEE BENEFITS EXPENSE

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Salaries and wages	$ 2,892,546	$ 2,648,726	$ 5,842,037	$ 5,273,501
Labor insurance, national health insurance, and group life insurance	226,407	216,164	492,945	472,534
Post-employment benefit expense	133,547	127,483	266,867	255,108
Other employee benefits expense	134,384	117,516	266,588	246,345
	$ 3,386,884	$ 3,109,889	$ 6,868,437	$ 6,247,488

For compliance with the Articles of Incorporation of the Bank, the Bank stipulates the distribution of employees' compensation at rates of 1% to 5% of net profit before income tax and employees' compensation, but the Bank should not make appropriations from earnings if it has a deficit. The employees' estimated compensation were $130,683 thousand and $122,107 thousand for the six months ended June 30, 2019 and 2018

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 20, 2019 and March 21, 2018, 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 six months ended June 30, 2018 and 2017.

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

42. DEPRECIATION AND AMORTIZATION

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Depreciation	$ 676,307	$ 271,552	$ 1,346,958	$ 528,050
Amortization	217,686	209,792	434,756	420,289
	$ 893,993	$ 481,344	$ 1,781,714	$ 948,339

43. GENERAL AND ADMINISTRATIVE

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Taxation and government fee	$ 437,344	$ 402,568	$ 848,983	$ 800,059
Marketing	335,690	154,492	549,870	320,672
Equipment repair	230,664	207,645	444,049	389,536
Service	117,397	102,136	197,193	189,475
Insurance	139,389	132,739	272,450	259,009
Rental	10,895	369,779	31,046	730,208
Others	556,864	560,360	1,049,581	1,053,987
	$ 1,828,243	$ 1,929,719	$ 3,393,172	$ 3,742,946

44. INCOME TAX

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

a. Income tax recognized in profit or loss

The major components of income tax expense were as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Current tax				
Current period	$ 983,114	$ 754,910	$ 1,836,370	$ 1,611,983
Adjustments for prior years	2,364	(2,874)	2,364	(21,415)
	985,478	752,036	1,838,734	1,590,568

(Continued)

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Deferred tax				
Reversal of temporary difference	$ (93,226)	$ 203,789	$ 272,027	$ 195,103
Effect of change in tax rate	-	-	-	56,357
	(93,226)	203,789	272,027	251,460
Income tax expense recognized in profit or loss	$ 892,252	$ 955,825	$ 2,110,761	$ 1,842,028

(Concluded)

In 2018, the Income Tax Act in the ROC was amended, and the corporate income tax rate was adjusted from 17% to 20%, starting from 2018. Loss on deferred tax assets and liabilities as a result of the income tax rate adjustment has been fully recognized in profit or loss in the period of tax adjustment. In addition, the rate of corporate surtax applicable to the unappropriated earnings of 2018 would be reduced from 10% to 5%.

b. Income tax recognized in other comprehensive income

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Deferred tax				
Effect of change in tax rate	$ -	$ -	$ -	$ 32,835
Recognized during the period				
Property revaluation increments	(1,752)	-	(1,752)	-
Unrealized gains (losses) on financial assets at fair value through other comprehensive income	52,023	(51,336)	69,020	(111,224)
	$ 50,271	$ (51,336)	$ 67,268	$ (78,389)

c. The income tax returns of the Bank through 2014 were assessed by the Taipei National Tax Administration (TNTA). The Bank disagreed with the tax authorities’ assessment of the Bank’s 2010 to 2013 additional amount returns on its sports lottery program and applied for a re-examination.

d. Income tax returns of Fubon Bank (China) through 2018 had been assessed by the Shanghai Municipal Office, SAT and the Shanghai Municipal Bureau of Local Taxation.

45. EARNINGS PER SHARE

(In New Taiwan Dollars)

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018 (Audited After Restatement)	2019	2018 (Audited After Restatement)
Basic earnings per share				
From continuing operations	$ 0.45	$ 0.48	$ 0.98	$ 0.92

When calculating earnings per share, the impact of the free placement of shares has been retrospectively adjusted. Due to the retrospective adjustment, changes in basic earnings per share are as follows:

	Before Retrospective Adjustment		After Retrospective Adjustment	
	For the Three Months Ended June 30, 2018	For the Six Months Ended June 30, 2018	For the Three Months Ended June 30, 2018	For the Six Months Ended June 30, 2018
Basic earnings per share	$ 0.50	$ 0.97	$ 0.48	$ 0.92

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

Net Income for the Period

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018 (Audited After Restatement)	2019	2018 (Audited After Restatement)
Income for the period attributable to owners of the Bank	$ 5,029,559	$ 5,340,358	$ 11,065,262	$ 10,291,597

Number of Shares

(In Thousands of Shares)

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Weighted average number of common stock used in computing basic earnings per share	11,234,756	11,234,756	11,234,756	11,234,756

46. 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
Line Biz+ Taiwan 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
Taiwan Mobile Co., Ltd. ("Taiwan Mobile")	Related party in substance
HarBin Bank	Related party in substance
ICDC (Beijing) China Co., Ltd.	Related party in substance (the Bank and its subsidiaries were not a related party after the second quarter of 2018)
Taiwan High Speed Rail Corp. ("Taiwan High Speed Rail")	Related party in substance
Taiwan Fixed Network Co., Ltd. ("Taiwan Fixed Network")	Related party in substance
Rong Charcoal Technology Co., Ltd. ("Rong Charcoal Technology")	Related party in substance
Fubon Charity Foundation	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 Six Months Ended June 30, 2019						
	Ending Balance	Highest Balance for the Period	% of the Account Balance	Allowance for Impairment Loss	Rate (%)	Interest Income	Reversal of Allowance Gain (Allowance for Impairment Loss)
1) Loans	$ 33,679,389	$ 36,782,256	2.26	$ 49,131	0-14.97	$ 35,192	$ (2,192)

Category	Number of Accounts or Name of Related Party	Highest Balance	Ending Balance	Normal	Overdue	Type of Collateral	Is the Transaction at Arm's Length?
	June 30, 2019						
Consumer loans for employees	95	$ 47,520	$ 39,522	✓	$ -	None	Yes
Housing mortgage loans	405	4,145,065	3,713,714	✓	-	Property	Yes
Others	Department of Rapid Transit Systems, TCG	28,013,659	28,013,659	✓	-	Public treasury guarantees	Yes
	Department of Urban Development, TCG	541,612	491,138	✓	-	Public treasury guarantees	Yes
	Taipei Municipal Secured Swan Loans Service	167	73	✓	-	Public treasury guarantees	Yes
	Department of Sports, TCG	4,000,000	1,400,000	✓	-	Public treasury guarantees	Yes
	Rong Charcoal Technology	33,709	20,816	✓	-	Bank certificates of deposit	Yes
	Other	524	467	✓	-	Credit guarantee fund	Yes
		$ 36,782,256	$ 33,679,389				

	For the Year Ended December 31, 2018						
	Ending Balance	Highest Balance for the Year	% of the Account Balance	Allowance for Credit Loss	Rate (%)	Interest Income	Reversal of Allowance Gain (Allowance for Impairment Loss)
1) Loans	$ 35,138,208	$ 37,784,976	2.51	$ 46,939	0-14.98	$ 66,059	$ (3,613)

Category	Number of Accounts or Name of Related Party	Highest Balance	Ending Balance	Normal	Overdue	Type of Collateral	Is the Transaction at Arm's Length?
	December 31, 2018						
Consumer loans for employees	79	$ 58,976	$ 32,375	✓	$ -	None	Yes
Housing mortgage loans	385	4,465,107	3,543,052	✓	-	Property	Yes
Others	Department of Rapid Transit Systems, TCG	27,004,874	27,004,874	✓	-	Public treasury guarantees	Yes
	Department of Urban Development, TCG	647,319	541,310	✓	-	Public treasury guarantees	Yes
	Taipei Municipal Secured Swan Loans Service	458	167	✓	-	Public treasury guarantees	Yes
	Fubon Securities	1,499,420	-	✓	-	Stock	Yes
	Department of Sports, TCG	4,000,000	4,000,000	✓	-	Public treasury guarantees	Yes
	Rong Charcoal Technology	18,862	15,906	✓	-	None	Yes
	ICDC (Beijing) China Co., Ltd.	89,322	-	✓	-	Guarantee by L/C	Yes
	Other	638	524	✓	-	Credit guarantee fund	Yes
		$ 37,784,976	$ 35,138,208				

		For the Six Months Ended June 30, 2018						
		Ending Balance	Highest Balance for the Period	% of the Account Balance	Allowance for Impairment Loss	Rate (%)	Interest Income	Reversal of Allowance Gain (Allowance for Impairment Loss)
1)	Loans	$ 3,973,465	$ 7,356,876	0.29	$ 44,462	0-14.98	$ 32,488	$ (1,136)

	June 30, 2018						
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	84	$ 50,017	$ 38,319	✓	$ -	None	Yes
Housing mortgage loans	381	3,848,546	3,334,194	✓	-	Property	Yes
Others	Department of Urban Development, TCG	647,319	600,093	✓	-	Public treasury guarantees	Yes
	Taipei Municipal Secured Swan Loans Service	458	278	✓	-	Public treasury guarantees	Yes
	Fubon Securities	1,499,420	-	✓	-	Stock	Yes
	Department of Rapid Transit Systems, TCG	1,218,400	-	✓	-	Public treasury guarantees	Yes
	ICDC (Beijing) China Co., Ltd.	92,078	-	✓	-	Guarantee by L/C	Yes
	Other	638	581	✓	-	Credit guarantee fund	Yes
		$ 7,356,876	$ 3,973,465				

		For the Six Months Ended June 30							
		2019				2018			
		Ending Balance	% of the Account Balance	Rate (%)	Interest Income (Expense)	Ending Balance	% of the Account Balance	Rate (%)	Interest Income (Expense)
2)	Discounts	$ -	-	-	$ -	$ 1,379,032	72.39	6.00	$ 45,796
3)	Deposits	$ 78,525,560	3.66	0-6.12	$ (239,762)	$ 75,717,767	3.77	0-8.00	$ (166,986)
4)	Due from other banks - call loans	$ -	-	-	$ -	$ -	-	1.87	$ 470
5)	Due from other banks - deposits	$ 175,834	0.43	0-5.40	$ 515	$ 119,989	0.31	0-5.40	$ 1,759

Under 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.

6) Guarantees

	June 30, 2019				
Related Party	Highest Balance in the Current Period	Ending Balance	Reserve for Losses on Guarantees (Note)	Rate	Type of Collateral
TCG	$ 1,265	$ 1,243	$ -	1%	Public treasury guarantees

	December 31, 2018				
Related Party	Highest Balance in the Current Year	Ending Balance	Reserve for Losses on Guarantees (Note)	Rate	Type of Collateral
TCG	$ 1,239	$ 1,230	$ -	1%	Public treasury guarantees

	June 30, 2018				
Related Party	**Highest Balance in the Current Period**	**Ending Balance**	**Reserve for Losses on Guarantees (Note)**	**Rate**	**Type of Collateral**
TCG	$ 1,220	$ 1,220	$ -	1%	Public treasury guarantees

Note: Guarantee liabilities provision is based on all claims.

7) Securities

		For the Six Months Ended June 30	
Related Party	**Type**	**2019**	**2018**
Fubon Life Insurance	Bonds purchased	$ -	$ 4,099,874

Related Party	**Type**	**June 30, 2019**	**December 31, 2018**	**June 30, 2018**
Taiwan High Speed Rail	Bonds sold under repurchase agreements	$ 3,883,000	$ 4,678,000	$ -
Fubon Securities Co., Ltd.	Bonds sold under resold agreements	100,005	-	-
Taiwan Fixed Network Co., Ltd.	Bonds sold under repurchase agreements	-	146,013	-
Fubon Life Insurance	Bonds sold under repurchase agreements	-	-	500,000
Directors, supervisors, managers and their relatives within the second degree of consanguinity	Bonds sold under repurchase agreements	2,540,241	4,075,288	3,073,021

8) Mutual fund and stock transactions

	June 30, 2019		December 31, 2018		June 30, 2018	
Fund	**Units (In Thousands)**	**Amount**	**Units (In Thousands)**	**Amount**	**Units (In Thousands)**	**Amount**
Fubon No. 1 REIT	57,680	$ 868,661	57,680	$ 847,896	57,680	$ 791,370
Fubon No. 2 REIT	1,848	24,412	1,848	23,285	1,848	23,433

9) Derivative financial instruments

		June 30, 2019				
					Balance Sheet	
Related Party	**Derivative Instrument**	**Contract Period**	**Contract (Notional) Amount**	**Gains (Losses) on Valuation**	**Account**	**Balance**
Fubon Bank (Hong Kong)	Interest rate swap contracts	2010.11.26-2020.03.19	$ 1,196,553	$ (2,230)	Revaluation of financial assets at fair value through profit or loss	$ 17,865
Fubon Life Insurance	Currency swap contracts	2019.05.02-2019.08.06	2,764,890	25,841	Revaluation of financial assets at fair value through profit or loss	25,841
Fubon Securities Investment Trust	Currency swap contracts	2019.06.13-2019.07.17	179,522	(2,260)	Revaluation of financial liabilities at fair value through profit or loss	2,260

Related Party	Derivative Instrument	December 31, 2018				
		Contract Period	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	$ 1,490,909	$ (41,865)	Revaluation of financial assets at fair value through profit or loss	$ 24,389
Fubon Life Insurance	Currency swap contracts	2018.12.03-2019.05.06	2,735,838	1,261	Revaluation of financial assets at fair value through profit or loss	1,261
Fubon Securities Investment Trust	Currency swap contracts	2018.12.04-2019.01.07	175,012	416	Revaluation of financial assets at fair value through profit or loss	416

Related Party	Derivative Instrument	June 30, 2018				
		Contract Period	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	$ 1,479,386	$ (30,139)	Revaluation of financial assets at fair value through profit or loss	$ 36,115
HarBin Bank	Currency swap contracts	2017.12.07-2018.12.24	3,606,334	(3,503)	Revaluation of financial assets at fair value through profit or loss	38,673
Fubon Life Insurance	Currency swap contracts	2018.03.01-2018.09.05	2,606,310	126,885	Revaluation of financial assets at fair value through profit or loss	126,885
Fubon Securities Investment Trust	Currency swap contracts	2018.06.27-2018.07.31	215,343	845	Revaluation of financial assets at fair value through profit or loss	845

10) Lease

Lease agreements between the Bank and its subsidiaries and related parties where the Bank and its subsidiaries are lessees were determined by reference to the similar properties in the vicinity of the Bank and its subsidiaries' investment property or the valuation analysis made by the real estate appraisal firm. Rent is calculated based on a certain amount charged per square foot of the leased space and is collected on a monthly or quarterly basis.

a) Guarantee deposits

Related Party	June 30, 2019	December 31, 2018	June 30, 2018
Fubon Asset Management	$ 13,341	$ 1,341	$ 1,341
Fubon Securities	5,227	5,523	5,798
Fubon Life Insurance	1,481	1,481	1,481
Fubon Insurance	525	525	525
Taiwan Mobile	444	444	444
Others	624	627	608
	$ 21,642	$ 9,941	$ 10,197

b) Rental revenue

Related Party	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Fubon Securities	$ 8,220	$ 8,874	$ 16,668	$ 17,750
Fubon Life Insurance	2,233	2,269	4,455	4,577
Fubon Asset Management	2,011	2,027	4,025	4,054
Fubon Insurance	821	797	1,642	1,662
Taiwan Mobile	705	688	1,411	1,939
Others	715	695	1,415	1,389
	$ 14,705	$ 15,350	$ 29,616	$ 31,371

c) Refundable deposits

Related Party	June 30, 2019	December 31, 2018	June 30, 2018
CHLDC	$ 31,382	$ 31,382	$ 31,382
Fubon Insurance	26,011	17,371	17,371
Fubon No. 2 REIT	25,827	25,813	25,813
Fubon Life Insurance	8,075	8,075	8,059
Fubon No. 1 REIT	7,497	7,627	7,627
TCG	4,386	4,244	4,244
Others	5,698	5,627	5,627
	$ 108,876	$ 100,139	$ 100,123

d) Rental expense

Related Party	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
CHLDC	$ 3,145	$ 52,901	$ 6,375	$ 105,749
Fubon Insurance	492	26,394	973	52,790
Fubon No. 2 REIT	463	25,367	913	50,730
Fubon Life Insurance	30	10,151	60	20,302
TCG	-	11,786	-	17,648
Fubon No. 1 REIT	-	7,738	-	15,263
Others	3,189	11,349	5,880	21,813
	$ 7,319	$ 145,686	$ 14,201	$ 284,295

e) Lease arrangements

Right-of-use assets

Related Party	For the Six Months Ended June 30, 2019
Fubon No. 1 REIT	$ 50,858
Fubon No. 2 REIT	47,088
Mainton Industries Ltd.	41,596
	$ 139,542

Lease liabilities

Related Party	June 30, 2019
CHLDC	$ 289,378
Fubon Insurance	249,218
Fubon Life Insurance	199,527
Fubon No. 2 REIT	154,709
TCG	63,713
Fubon No. 1 REIT	55,178
TFN	16,765
Fubon Charity	15,020
Others	60,154
	$ 1,103,662

Interest expense on lease liabilities

Related Party	For the Three Months Ended June 30, 2019	For the Six Months Ended June 30, 2019
CHLDC	$ 2,627	$ 5,623
Fubon Insurance	2,276	4,734
Fubon Life Insurance	1,827	3,699
Fubon No. 2 REIT	1,267	2,607
TCG	459	1,142
Fubon No. 1 REIT	506	692
Others	601	1,031
	$ 9,563	$ 19,528

Value of Contract

Related Party	June 30, 2019
CHLDC	$ 593,120
Fubon Life Insurance	353,220
Fubon Insurance	312,131
Fubon No. 2 REIT	299,248
TCG	102,559
Fubon No. 1 REIT	87,291
Mainton Industries Ltd.	43,736
TFN	28,688
Fubon Securities	26,267
Others	38,950
	$ 1,885,210

11) Insurance expense

Related Party	For the Three Months Ended June 30 2019	For the Three Months Ended June 30 2018	For the Six Months Ended June 30 2019	For the Six Months Ended June 30 2018
Fubon Insurance	$ 16,326	$ 13,719	$ 68,706	$ 62,093
Fubon Life Insurance	17,952	17,580	35,817	34,919
Others	83	36	165	149
	$ 34,361	$ 31,335	$104,688	$ 97,161

12) 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 $115,621 thousand and $127,034 thousand for the six months ended June 30, 2019 and 2018, respectively.

13) Compensation of key management personnel

	For the Three Months Ended June 30 2019	For the Three Months Ended June 30 2018	For the Six Months Ended June 30 2019	For the Six Months Ended June 30 2018
Short-term employee benefits	$ 85,326	$ 82,451	$211,751	$219,591
Post-employment benefits	1,121	1,305	2,234	2,561
Others	244	290	503	580
	$ 86,691	$ 84,046	$214,488	$222,732

14) Linked-tax system

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

	June 30, 2019	December 31, 2018	June 30, 2018
Linked-tax receivable (included in current tax assets)	$ 205,467	$ 205,467	$ 205,467
Linked-tax payable (included in current tax liabilities)	1,055,501	1,449,470	1,023,206

15) Others

	June 30, 2019	December 31, 2018	June 30, 2018
Receivables - Fubon Life Insurance	$ 463,731	$ 220,239	$ 384,995
Receivables - others	120,079	52,443	195,984
Payables - others	61,598	62,497	199,948
Principals of structured products - others	74,829	92,557	66,826

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Service fee income - Fubon Life Insurance	$ 1,783,273	$ 1,854,660	$ 3,531,957	$ 3,292,891
Service fee income - others	256,971	118,462	412,692	256,838
Other income - others	6,914	28,762	13,876	35,827
Interest expenses of structured products - Fubon Life Insurance	-	22,523	-	44,829
Service fee expenses - others	51,424	42,245	86,840	79,627
Operating expenses - others	42,815	106,367	123,682	179,206

Transactions between the Bank and its subsidiaries and related parties were made at terms similar to that for unrelated parties, except for the preferential interest rates offered to employees for their savings and loans of up to certain amounts.

47. CASH FLOW INFORMATION

Changes in Liabilities Arising from Financing Activities

For the six months ended June 30, 2019

	Opening Balance	Cash Flows	Non-cash Changes: Change in Exchange Rate	Non-cash Changes: Change in Fair Value	Non-cash Changes: Other Changes	Other	Closing Balance
Due to the Central Bank and banks	$ 442,461	$ 3,467	$ 5,409	$ -	$ -	$ -	$ 451,337
Bank debentures	90,546,695	9,187,000	367,342	2,869,881	745,865	-	103,716,783
Lease liabilities	4,538,248	(711,206)	19,298	-	338,134	(62,305)	4,122,169
	$ 95,527,404	$ 8,479,261	$ 392,049	$ 2,869,881	$ 1,083,999	$ (62,305)	$ 108,290,289

For the six months ended June 30, 2018

	Opening Balance	Cash Flows	Non-cash Changes: Change in Exchange Rate	Non-cash Changes: Change in Fair Value	Non-cash Changes: Other Changes	Closing Balance
Due to the Central Bank and banks	$ 5,386,206	$ (2,539,780)	$ 52,741	$ -	$ -	$ 2,899,167
Bank debentures	75,096,956	3,656,929	757,433	(1,643,975)	612,681	78,480,024
	$ 80,483,162	$ 1,117,149	$ 810,174	$ (1,643,975)	$ 612,681	$ 81,379,191

48. PLEDGED ASSETS

The following assets had been provided as refundable deposits:

	June 30, 2019	December 31, 2018	June 30, 2018
Government bonds (included in financial assets at fair value through profit or loss)	$ -	$ 49,906	$ 49,946
Negotiable certificates of deposit of the Central Bank (included in investments in debt instruments measured at amortized cost)	19,995,646	19,996,172	29,000,000
Government bonds (included in investments in debt instruments measured at amortized cost)	1,833,488	1,809,111	1,796,665
Pledged time deposits (included in other financial assets)	1,636,966	1,622,296	1,656,502
	$ 23,466,100	$ 23,477,485	$ 32,503,113

Of the above certificates of deposit (CD) of the Central Bank and negotiable certificates of deposit (NCD) of the Central Bank, a total of $10,000,000 thousand as of June 30, 2019, December 31, 2018 and June 30, 2018 had been provided for as collateral for day-term overdraft to comply with the CB's clearing system requirement for real-time gross settlement (RTGS). The unused overdraft amount at the end of the day may be treated as liquidity reserve. As of June 30, 2019, December 31, 2018 and June 30, 2018, 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 collateral 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 June 30, 2018 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 collateral of derivatives transactions.

49. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

a. Except for those disclosed in other notes of the accompanying consolidated financial statements, as of June 30, 2019, December 31, 2018 and June 30, 2018, the Bank and its subsidiaries had commitments as follows:

	June 30, 2019	December 31, 2018	June 30, 2018
Amount of repurchase agreements	$ 97,217,062	$ 121,955,488	$ 115,126,368
Amount of resell agreements	4,174,531	11,771,008	8,864,234
Undrawn credit card commitments	278,199,806	265,528,189	260,647,210
Collections for customers	28,269,806	32,527,651	41,952,766
Agency loans payable	10,674,502	10,908,911	11,925,140
Trust deposits	1,402,457	2,011,632	4,977,380
Entrusted loans	1,402,457	2,011,632	4,977,380
Entrusted financial management	26,561,236	19,062,297	20,347,982
Travelers’ checks consigned-in	321,228	366,693	410,966
Marketable securities under custody	352,591,976	334,341,775	316,202,457
Trust assets	423,254,809	389,334,919	401,054,119
Management for book-entry government bonds	108,921,100	103,237,100	102,994,800

b. As of June 30, 2019, December 31, 2018 and June 30, 2018, the capital expenditure commitment amount were $1,144,481 thousand, $1,275,505 thousand and $1,496,846 thousand, respectively.

50. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

In November 2018, the board of directors of the Bank participated in the preparation of the connected commercial bank, and plans to jointly develop the pure online banking function with the strategic partners at a shareholding ratio of 25.1%. The record date of the establishment of the connected commercial bank was July 30, 2019, after the approval of the Financial Management Association was obtained. On August 21, 2019, the Bank approved the investment of $2.51 billion based on the shareholding ratio.

On August 21, 2019, the Bank approved the establishment of a 100%-owned venture capital investment subsidiary based on the “Provisions for Commercial Banks to Apply for Investment in Venture Capital Investment and Management Consulting” with a capital of $2 billion.

51. TRUST BUSINESS UNDER THE TRUST LAW

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

Balance Sheets of Trust Accounts
June 30, 2019 and 2018

	2019	2018		2019	2018
Bank deposits	$ 3,416,309	$ 2,921,695	Payables	$ 296	$ 734
Short-term investments			Capital		
Mutual funds	151,183,343	153,318,283	Money	250,624,496	225,697,139
Bonds	63,537,039	36,915,918	Marketable securities	12,186,952	11,517,387
Stock	25,942,057	23,315,409	Real estate	34,552,431	42,852,077
Structured products	17,826,217	19,510,312		297,363,879	280,066,603
	258,488,656	233,059,922			
			Securities investment trust fund under custody	128,991,865	124,653,942
Securities investment trust fund under custody	128,991,865	124,653,942			
			Reserves and cumulative earnings		
Real estate			Cumulative earnings	(6,395,818)	(7,508,185)
Land	26,489,219	26,616,478	Net income	3,294,587	3,841,025
Buildings	765,560	757,909		(3,101,231)	(3,667,160)
Construction in progress	5,103,200	13,044,173			
	32,357,979	40,418,560			
Total trust assets	$ 423,254,809	$ 401,054,119	Total trust liabilities	$ 423,254,809	$ 401,054,119

Trust Income Statements
For the Six Months Ended June 30, 2019 and 2018

	2019	2018
Trust income		
Interest income	$ 4,310,423	$ 3,902,963
Others	20,168	15,957
Cash dividends	24,281	12,901
Realized capital income - common stock	34,327	101,316
Unrealized capital income - common stock	1,028	-
Realized capital income - mutual funds	1,011,759	2,182,296
Realized capital income - bonds	304,208	56,924
Realized capital income - structured products	5,980	6,372
Gains on property transactions	11	-
Distribution from beneficial certificates	12,860	6,271
Total trust income	5,725,045	6,285,000
Trust expense		
Trust administrative expense	300,240	487,428
Supervision fee	300	420
Service fee	6,891	2,148
Income tax expense	52	41
Others	131,452	78,239
Realized capital loss - common stock	53,992	25,764
Unrealized capital loss - common stock	32	-
Realized capital loss - mutual fund	1,687,561	1,497,373
Realized capital loss - bonds	99,065	88,714
Realized capital loss - structured products	150,872	263,848
Loss on property transactions	1	-
Total trust expense	2,430,458	2,443,975
Net income	$ 3,294,587	$ 3,841,025

Trust Property of Trust Accounts
June 30, 2019 and 2018

Investment Portfolio	2019	2018
Bank deposits	$ 3,416,309	$ 2,921,695
Short-term investments		
Mutual funds	151,183,343	153,318,283
Bonds	63,537,039	36,915,918
Stock	25,942,057	23,315,409
Structured products	17,826,217	19,510,312
	258,488,656	233,059,922
Security investment trust fund under custody	128,991,865	124,653,942
Real estate		
Land	26,489,219	26,616,478
Buildings	765,560	757,909
Construction in progress	5,103,200	13,044,173
	32,357,979	40,418,560
	$ 423,254,809	$ 401,054,119

52. 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 the 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 46 for the cross-selling revenues and expenses for the six months ended June 30, 2019 and 2018.

53. FINANCIAL INSTRUMENTS

a. Fair value

1) Overview

The 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 characteristics:

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 stock and the 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 are derived from or corroborated by observable market data through correlation or other means.

The fair value 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 value 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, products with prices provided by brokers or unlisted shares, 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 value of the Bank and its subsidiaries' financial instruments and properties are measured on a recurring basis. The fair value hierarchy of these financial instruments and investment properties as of June 30, 2019, December 31, 2018 and June 30, 2018 was as follows:

	June 30, 2019			
Item	**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				
Financial assets mandatorily measured as at fair value through profit or loss				
Stock investments	$ 1,371,763	$ 1,371,763	$ -	$ -
Bond investments	57,521,561	18,654,296	36,062,145	2,805,120
Others	30,826,223	11,442	22,058,957	8,755,824
Financial assets at fair value through other comprehensive income				
Stock investments	6,080,002	4,644,111	-	1,435,891
Bond investments	112,283,183	35,240,369	74,654,248	2,388,566
Others	32,260,775	2,540,561	28,931,712	788,502
Investment properties	2,807,300	-	-	2,807,300
Derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss	25,918,242	300,879	23,261,108	2,356,255
Financial assets for hedging	1,467,752	-	1,467,752	-
Liabilities				
Financial liabilities at fair value through profit or loss	24,999,650	1,828	22,646,864	2,350,958
Financial liabilities for hedging	2,223,869	-	2,223,869	-

Item	December 31, 2018 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				
Financial assets mandatorily measured as at fair value through profit or loss				
Stock investments	$ 984,010	$ 984,010	$ -	$ -
Bond investments	58,992,891	37,968,009	17,171,402	3,853,480
Others	12,128,667	-	12,128,667	-
Financial assets at fair value through other comprehensive income				
Stock investments	3,444,820	2,014,115	-	1,430,705
Bond investments	92,322,984	33,136,790	55,694,504	3,491,690
Others	62,058,313	2,523,883	58,934,011	600,419
Investment properties	2,794,200	-	-	2,794,200
Derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss	27,912,526	305,221	24,683,147	2,924,158
Financial assets for hedging	1,816,774	-	1,816,774	-
Liabilities				
Financial liabilities at fair value through profit or loss	30,326,605	1,183	27,422,601	2,902,821
Financial liabilities for hedging	2,411,422	-	2,411,422	-

Item	June 30, 2018 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				
Financial assets mandatorily measured as at fair value through profit or loss				
Stock investments	$ 727,955	$ 727,955	$ -	$ -
Bond investments	47,070,399	26,180,714	17,459,512	3,430,173
Others	8,701,974	76,440	8,625,534	-
Financial assets at fair value through other comprehensive income				
Stock investments	3,776,994	2,314,419	-	1,462,575
Bond investments	81,464,648	23,948,438	54,790,590	2,725,620
Others	64,985,554	1,070,028	63,012,577	902,949
Investment properties	2,936,800	-	-	2,936,800
Derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss	53,325,416	186,211	50,161,617	2,977,588
Financial assets for hedging	2,543,946	-	2,543,946	-
Liabilities				
Financial liabilities at fair value through profit or loss	47,142,593	2	44,174,854	2,967,737
Financial liabilities for hedging	2,460,716	-	2,460,716	-

2) Fair value measurement technique

a) Financial instruments

The financial assets should be measured by marking to market.

This method should be the first method of choice, unless it is infeasible. The following are the principles to be observed when using the marking-to-market method:

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 representative quoted prices should be valued at closing prices.

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

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

Marking to model is suggested if marking to market is infeasible. This valuation methodology uses 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. If some valuation model parameters consist of unobservable information in markets, the Bank and its subsidiaries must make proper fair value estimates based on assumptions.

The fair value of unlisted equity securities was determined based on the nature of targets and the condition of collected data using the appropriate valuation approach, including the market approach, the income approach and the asset approach.

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 over a period of 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 adjustments represent the fair value of derivative contracts reflecting the credit risks of both parties to a transaction. It is mainly composed of 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.

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), multiplied by the Exposure at Default (EAD).

The Bank calculates expected loss by multiplying the probability of default (PD) by the loss given default (LGD) and 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

The Bank and its subsidiaries regularly review and enhance the liquidity of quotes to improve the quality of evaluation information. For the six months ended June 30, 2019, the Bank and its subsidiaries transferred part of the NTD Bonds from Level 1 to Level 2 because the Bank and its subsidiaries determined these investments were not in an active market. Thus, the relevant amount was transferred from the first grade to the second grade, for the six months ended June 30, 2018, the Bank and its subsidiaries had no material transfer between Level 1 and Level 2.

5) Reconciliation of Level 3 items

a) Reconciliation of Level 3 assets

For the Six Months Ended June 30, 2019

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								
Financial assets mandatorily measured as at fair value through profit or loss	$ 6,777,638	$ (256,049)	$ -	$ 11,642,386	$ 1,617,137	$ 2,797,128	$ 3,066,785	$ 13,917,199
Financial assets at fair value through other comprehensive income	5,522,814	47,354	12,030	632,368	665,803	1,253,995	1,013,415	4,612,959
Investment properties	2,794,200	(8,268)	-	-	63,331	-	41,963	2,807,300

Note: Transfers to Level 3 were due to intensity variation of market information for certain financial assets mandatorily measured as at fair value through profit or loss and financial assets at fair value through other comprehensive income. Transfers out of Level 3 were due to intensity variation of market information for certain financial assets mandatorily measured as at fair value through profit or loss and financial assets at fair value through other comprehensive income. The investment properties transferred in and out of Level 3 are due to the properties and plant.

For the Six Months Ended June 30, 2018

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								
Financial assets mandatorily measured as at fair value through profit or loss	$ 3,824,736	$ 853,791	$ -	$ 3,031,686	$ 322,623	$ 1,396,653	$ 228,422	$ 6,407,761
Financial assets at fair value through other comprehensive income	6,126,294	31,455	52,827	96,965	1,010,845	1,115,100	1,112,142	5,091,144
Investment properties	2,890,900	-	-	-	45,900	-	-	2,936,800

Note: Transfers to Level 3 were due to intensity variation of market information for certain financial assets held for trading and financial assets originally designated as at fair value through profit or loss and available-for-sale. 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. Moreover, the investment properties transferred to Level 3 were those reclassified from property and equipment.

As of June 30, 2019 and 2018, valuation losses of $216,800 thousand and gain of $976,937 thousand, respectively, were included in profit or loss, and valuation gains of $10,313 thousand and $62,226 thousand, respectively, were included in other comprehensive income for assets still held.

b) Reconciliation of Level 3 liabilities

For the Six Months Ended June 30, 2019

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	$ 2,902,821	$ (450,047)	$ 2,162	$ -	$ 103,978	$ -	$ 2,350,958

For the Six Months Ended June 30, 2018

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	$ 2,423,559	$ 789,977	$ 1,468	$ -	$ 247,267	$ -	$ 2,967,737

As of June 30, 2019 and 2018, valuation gain of $266,725 thousand and losses of $780,406 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

Fair value measurement classified under Level 3 were some overseas bonds, foreign asset securitization, credit-linked notes, complex derivatives, investments in equity instruments of unlisted shares and investment properties.

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 the data source of third-party and the valuation based on the market evidences assessed by the professional agency (including back-to-back transactions quotes from Bloomberg BVAL on bonds in foreign currency, investments in equity instruments of unlisted shares and investment properties) are not shown below and on the “Sensitivity Analysis of Fair Value If Reasonably Possible Alternative Assumptions Are Used” because the relationship between the significant unobservable inputs and fair value is difficult to be fully established.

June 30, 2019

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:						
Financial assets at fair value through profit or loss	Credit-linked notes (CLN)	$ 2,081,171	Complex option model	Default recovery rate	10%-90%	The increase in default recovery rate would result in a decrease in fair value.
Financial assets at fair value through other comprehensive income	Trust plan	135,633	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)	4,834	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 liabilities at fair value through profit or loss	Foreign exchange op (FX Option)	(161)	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.

December 31, 2018

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:						
Financial assets at fair value through profit or loss	Credit-linked notes (CLN)	$ 1,413,866	Complex option model	Default recovery rate	10%-90%	The increase in default recovery rate would result in a decrease in fair value.
Financial assets at fair value through other comprehensive income	Trust plan	133,983	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)	22,279	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 liabilities at fair value through profit or loss	Foreign exchange op (FX Option)	(1,740)	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.

June 30, 2018

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:						
Financial assets designated as at fair value through profit or loss	Credit-linked notes (CLN)	$ 1,409,470	Complex option model	Default recovery rate	10%-90%	The increase in default recovery rate would result in a decrease in fair value.
Financial assets at fair value through other comprehensive income	Trust plan	138,117	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)	9,486	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 liabilities at fair value through profit or loss	Foreign exchange op (FX Option)	(501)	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.

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 evaluating 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 approximate market status. In addition to maintaining the accuracy of measurement models, the Division also periodically examines the reasonableness of prices provided by third parties. Investment properties are 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. Unlisted shares are also regularly appraised by external institution commissioned by Investment Management Division.

Related Division of the Risk Management and the Property Management create the policies for the fair value valuation of financial instruments and investment properties and valuation procedures.

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

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

Name	June 30, 2019			
	Effect on Profit and Loss		Effect on Other Comprehensive Income	
	Favorable	Unfavorable	Favorable	Unfavorable
Assets				
Financial assets at fair value through profit or loss				
Financial assets mandatorily measured at fair value through profit or loss	$ 91	$ (46)	$ -	$ -
Financial assets at fair value through other comprehensive income	-	-	1,109	(1,104)
Liabilities				
Financial liabilities at fair value through profit or loss				
Held-for-trading financial liabilities	78	(77)	-	-

Name	December 31, 2018			
	Effect on Profit and Loss		Effect on Other Comprehensive Income	
	Favorable	Unfavorable	Favorable	Unfavorable
Assets				
Financial assets at fair value through profit or loss				
Financial assets mandatorily measured at fair value through profit or loss	$ 110	$ (68)	$ -	$ -
Financial assets at fair value through other comprehensive income	-	-	779	(778)
Liabilities				
Financial liabilities at fair value through profit or loss				
Held-for-trading financial liabilities	60	(58)	-	-

Name	June 30, 2018			
	Effect on Profit and Loss		Effect on Other Comprehensive Income	
	Favorable	Unfavorable	Favorable	Unfavorable
Assets				
Financial assets at fair value through profit or loss				
Financial assets mandatorily measured at fair value through profit or loss	$ 85	$ (42)	$ -	$ -
Financial assets at fair value through other comprehensive income	-	-	469	(470)
Liabilities				
Financial liabilities at fair value through profit or loss				
Held-for-trading financial liabilities	54	(52)	-	-

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 value; thus, their fair value is not disclosed. Examples of these instruments are (a) financial assets such as cash and cash equivalents, due from the Central Bank and other banks, securities purchased under resell agreements, receivables, discounts and loans, and parts of other financial assets (b) financial liabilities such as deposits to the Central Bank and other banks, securities sold under repurchase agreements, payables, deposits and remittances and other financial assets.

Items	June 30, 2019	
	Carrying Amount	Fair Value
Financial assets		
Investments in debt instruments measured at amortized cost	$ 635,137,421	$ 639,559,992
Financial liabilities		
Bank debentures	103,716,783	104,319,419

Items	December 31, 2018	
	Carrying Amount	Fair Value
Financial assets		
Investments in debt instruments measured at amortized cost	$ 606,086,721	$ 598,814,173
Financial liabilities		
Bank debentures	90,546,695	91,012,179

Items	June 30, 2018	
	Carrying Amount	Fair Value
Financial assets		
Investments in debt instruments measured at amortized cost	$ 580,807,475	$ 576,893,089
Financial liabilities		
Bank debentures	78,480,024	78,904,454

2) Fair value hierarchy of financial instruments

Assets and Liabilities	June 30, 2019			
	Total	Level 1	Level 2	Level 3
Financial assets				
Investments in debt instruments measured at amortized cost	$ 639,559,922	$ 154,146,788	$ 413,845,418	$ 71,567,716
Financial liabilities				
Bank debentures	104,319,419	58,069,010	46,250,409	-

Assets and Liabilities	December 31, 2018			
	Total	Level 1	Level 2	Level 3
Financial assets				
Investments in debt instruments measured at amortized cost	$ 598,814,173	$ 162,194,477	$ 376,144,365	$ 60,475,331
Financial liabilities				
Bank debentures	91,012,179	53,138,671	37,873,508	-

Assets and Liabilities	June 30, 2018			
	Total	Level 1	Level 2	Level 3
Financial assets				
Investments in debt instruments measured at amortized cost	$ 576,893,089	$ 159,655,334	$ 368,480,976	$ 48,756,779
Financial liabilities				
Bank debentures	78,904,454	49,050,182	29,854,272	-

3) Measurement technique

Methods and assumptions applied in estimating the fair value 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 value 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 value. The carrying amounts of nonperforming loans are estimated at their recoverable amounts after considering the reserve for impairment loss; thus the carrying amounts are regarded as fair value.

c) Investments in debt instruments measured at amortized 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.

54. 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 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. The board of directors and senior management oversee the risk management framework to ensure operating effectiveness and takes ultimate responsibility for its effectiveness.

Business, operation, and management units each undertake the first line of defense role to identify, evaluate, control, and mitigate operational risks by ensuring compliance with risk management requirements and implementation of the risk control procedures while performing their job functions and by conducting self-assessment and monitoring of risk limits and exposures. Risk management units assume an independent role in enacting the second line of defense, and are responsible for assisting and overseeing the first line of defense role by identifying and monitoring risk, designing a risk management system, monitoring risk exposures and submitting risk reports to the board of directors or senior management. The audit department conducts the third line of defense by independently assisting the board of directors and senior management in the audit and evaluation of the effectiveness of risk management, including the first and second lines of defense role to ensure effectiveness of risk management, and provide recommendations for improvement.

The board of directors oversees the establishment of the Bank's effective risk management system and mechanism, approves risk management policies, and reviews important risk management reports. The Bank has established an Asset and Liability Management Committee ("ALCO"), Credit Risk Management Committee, Market Risk Management Committee, Operational Risk Management Committee, and Financial Risk Management Committee under the supervision of the Bank's chairman. The committee meetings are held regularly and at other times depending on business needs.

This ALCO is in charge of the Bank's business strategy. It manages assets and liabilities and capital adequacy, 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 Credit Risk Management Committee, Market Risk Management Committee, Operational Risk Management Committee, and Financial Risk Management Committee are chaired by the Bank's president and the members of the committees include the senior managers of the relevant departments. The committees review the mechanism for credit, market, operational, and financial risk management; review credit risk and country risk exposures, and 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.

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

<u>Taipei Fubon Bank</u>

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.

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

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 security investments.

2) Strategy/objectives/policies and procedures

<u>Taipei Fubon Bank</u>

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.

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

The credit risk management of Fubon Bank (China) is based on its comprehensive risk management system, preferable risk-based guidelines by the Board of Directors. 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

<u>Taipei Fubon Bank</u>

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 exposure; monitoring risk limits; reporting; and coordinating the development of the mechanism for managing credit risk and validating risk models.

c) Under the risk management controller, there are legal and personal credit risk management units which are responsible for performing credit review, post-loan management, collection and credit management.

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

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

Fubon Bank (China)

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

Taipei Fubon Bank

a) The Bank has established credit risk measurement 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.

Fubon Bank (China)

a) The credit risk control process includes credit policy development, credit approval, early warning and collection. Credit risk supervision includes the regular follow-up of high-risk cases, exposure limit control of country risk, and customer credit grading management; and real-estate loan monitoring and other monthly monitoring, which includes high risk exposure towards 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 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) sets credit and approval authorization limits based on a customer risk grading and loan classification from the "Institutional Banking Risk Policy and SOP". Fubon Bank (China) also strengthens risk identification on the basis of the quality and quantity index like customer's risk grading and business classification and the customer selection criteria and classification. Credit quality control is done through strict and highly thorough due diligence and approval procedures, which include having the credit officers from both the sales department and the risk department sign credit approval documents. Fubon Bank (China) also requires appropriate collaterals to enhance loan risk mitigation. In addition, there is post-loan management, which includes monitoring continual loan and taking note of any early risk-warning signals.

6) The determination of significant increase in credit risk after initial recognition

a) Credit assets

The Bank and its subsidiaries assess changes in default risk of discounts and loans, receivables, loan commitments and other credit assets for the expected subsequent period on each reporting date to determine whether there is a significant increase in credit risk since the initial recognition. For this assessment, the Bank and its subsidiaries, according to the internal credit risk management purposes and based on the internal rating, overdue status, collateral with risk characteristics, and debtor's risk segments, has considered the reasonableness and reliability of information showing significant increase in credit risk after initial recognition (including forward-looking information) of the financial asset. The main considerations for various types of financial assets are listed below:

i. Financial assets that are overdue more than 30 days;

ii. Significant fall in the debtor's internal or external credit rating;

iii. Significant increase in the credit risk of any product of the same debtor;

iv. Adverse changes in the current or projected operating, financial or economic conditions that are expected to result in significant changes in the ability of the borrower to perform its debt obligations;

v. Significant changes in actual or expected operating results of the borrower.

b) Debt instruments

The Bank and its subsidiaries assess debt instruments measured at amortized cost and that are measured at fair value through other comprehensive income on each reporting date to determine whether there has been a significant increase in credit risk since the initial recognition. For this assessment, the Bank and its subsidiaries have individually considered the reasonableness and reliability of information showing significant increase in credit risk after initial recognition (including forward-looking information). The main considerations are listed below:

i. Significant changes in the internal and external ratings of financial assets or debtors;

ii. The fair value of financial assets is significantly lower than the amortized cost;

iii. Adverse changes in the current or projected operating, financial or economic conditions that are expected to result in significant changes in the ability of the borrower to perform its debt obligations;

iv. Significant changes in actual or expected operating results of the borrower;

v. Significant increase in the credit risk of other financial instruments of the same borrower.

If on the reporting date it is not possible to identify whether the credit risk of financial assets has increased significantly since the original recognition, except for the financial assets whose credit risk is low on the reporting date, the expected credit losses are recognized according to the existing condition.

If the financial instrument is of investment grade and the risk of default is low, the financial asset is considered to have low credit risk on the reporting date.

7) Definition of default and credit impaired financial assets

a) Credit assets

The Bank's definition of financial asset default is the same as financial asset credit impairment. If one or more of the following conditions are satisfied, the Bank determines that the financial asset has defaulted and is credit impaired.

i. Financial assets are overdue for more than 90 days;

ii. Financial assets are recognized as overdue loans or bad debts;

iii. The debtors or issuers are undergoing financial difficulties;

iv. Changes in the conditions of the debt contract due to the financial difficulties of the debtor;

v. The debtor has claimed bankruptcy or is likely to claim bankruptcy;

vi. The debtor has undergone a reorganization or is likely to request a reorganization;

vii. Credit losses have occurred at the time of the creation of the financial assets.

The above definition of default and credit impairment applies to all credit assets held by the Bank. It is consistent with the definition of relevant financial assets for internal credit risk management, and applicable to the relevant impairment assessment model as well.

If the financial assets no longer meet the definition of default and credit impairment at the reporting date, their status return to in compliance, and are no longer regarded as credit impaired or financial assets in default.

b) Debt instruments

If one or more of the following conditions are satisfied, the Bank determines that the financial asset has defaulted and is credit impaired.

i. Principal and interest on the financial assets were not repaid on time in accordance with the conditions of issuance;

ii. The issuer is undergoing financial difficulties;

iii. The issuer has claimed bankruptcy or is likely to claim bankruptcy;

iv. The issuer has undergone a reorganization or is likely to request a reorganization;

v. Credit losses have occurred at the time of the creation of the financial assets.

The above definition of default and credit impairment applies to all credit assets held by the Bank. It is consistent with the definition of relevant financial assets for internal credit risk management, and applicable to the relevant impairment assessment model as well.

If the financial assets no longer meet the definition of default and credit impairment at the reporting date, their status return to in compliance, and are no longer regarded as financial assets in default or credit impairment.

8) Write-off policy

If one of the following situations occurred, overdue and nonperforming loans of the Bank, after deducting any estimated recoverable portion, would be written off as bad debts.

a) All or part of the creditor’s right could not be enforced due to dissolution, escape, settlement, bankruptcy or other reasons of the debtors.

b) The values of collateral and properties of the main and subordinate debtors are very low, compensation are not available after deducting the first mortgage, or it is unbeneficial that execution fee is close to or may exceed the bank’s reimbursable amount.

c) The collateral and the properties of the main and subordinate debtors are unsold after multiple discount auctions and not beneficial to the Bank.

d) Overdue and nonperforming loans have not been recovered after more than 2 years from the maturity date.

The financial assets that have been written off by the Bank and its subsidiaries may still have ongoing recourse activities and continue to conduct collection activities under the relevant policies.

9) Assessment of expected credit losses

a) Credit assets

The Bank and its subsidiaries, for the purpose of assessing expected credit losses, based on the borrower's industry, credit risk rating, overdue status, collateral type, and other risk characteristic classified credit assets into separate groups according to different risk parameters.

The Bank and its subsidiaries provide allowance for 12-month expected credit losses when financial instruments did not have a significant increase in credit risk since initial recognition. Financial instruments are provided with allowance for full-lifetime expected credit losses when there is significant increase in credit risk or credit impairment since initial recognition.

In order to assess the expected credit losses, the Bank and its subsidiaries take into account the borrower's probability of default ("PD") for the next 12 months and for the lifetime period, and includes loss given default ("LGD"), and exposure at default ("EAD") taking into account the impact of the time value of money. The Bank and its subsidiaries calculate the expected credit losses for 12 months and for lifetime periods.

Probability of default is the probability of default of the borrower, and the default loss rate is the rate of loss caused by default of the borrower. The default probability and default loss rate used in the impairment assessment and calculation of expected credit losses of the Bank loan business are based on internal historical information (such as credit loss experience, etc.) of each borrower group, with adjustment to the historical data based on the current observable data and forward-looking macroeconomics information.

In the process of reviewing financial credit businesses, the Bank takes into account the forward-looking information of the case, such as future industry prospects, estimated financial circumstances, and business potential, which are included in the internal credit rating assessment of the case. The judgment about the significant increase in the credit asset's credit risk takes into consideration changes in internal rating as one of the quantitative indicators; the assessment of expected credit losses takes into consideration the credit risk level and the calculation of the relevant parameters of the assessment.

Fubon Bank (China) evaluates the macroeconomic environment of domestic and international markets and the external economic environment relevant to the bank, and incorporates the weighted calculations into the PD calculation as forward-looking information.

The Bank and its subsidiaries assess the EAD based on the book value of financial assets and interest receivable. The estimations of loan commitments' expected credit losses for the 12 months and lifetime period are based on "IFRS 9 Impairment Assessment Methodology Guidelines" issued by the Association of Banks. For the off-balance sheet exposure project, the specification of the credit conversion factor in the "Description and Format of Calculation Methods for Bank-Owned Capital and Risky Assets - Credit Risk Standard Method" is adopted. Based on the Credit Conversion Factor calculation method, the loan commitment is expected to be utilized within the 12 months after the reporting date and within the lifetime period of the loan to determine the amount of EAD used to calculate the expected credit losses.

b) Debt instruments

The Bank and its subsidiaries provide allowance for 12-month expected credit losses when financial instruments did not have a significant increase in credit risk since initial recognition. Financial instruments are provided with allowance for full-lifetime expected credit losses when there is significant increase in credit risk or credit impairment since initial recognition.

To measure expected credit losses, the Bank and its subsidiaries take into account the borrower's probability of default ("PD") for the next 12 months and for the lifetime period, which is loss given default ("LGD") multiplied by the exposure at default ("EAD"). The Bank and its subsidiaries calculate the expected credit losses for 12 months and for lifetime periods, taking into account the impact of the time value of money.

The probability of default and the recovery rate are calculated by reference to the information on the default rate and default loss rate published by external credit rating agencies. In evaluating credit ratings, the international credit rating agencies have taken into account forward-looking information; therefore, the Bank considers the information to be appropriate for use and regularly observes and updates changes of parameters. EAD is assessed by the book value of the financial assets and the interest receivables, and the amortized cost of each period is calculated on a straight-line basis over the period.

10) The total carrying value and expected credit losses of the Bank and its subsidiaries

a) Financial assets at fair value through other comprehensive income - Debt instruments

Total carrying value

	For the Six Months Ended June 30, 2019					
	12 Months ECL	**Lifetime ECL (Collectively Assessed)**	**Lifetime ECL (Individually Assessed)**	**Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)**	**Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)**	**Total**
Balance, January 1	$ 151,673,864	$ -	$ -	$ -	$ -	$ 151,673,864
Changes due to financial instruments that have been recognized at the beginning of the period:						
Derecognized financial assets in the current period	(84,213,936)	-	-	-	-	(84,213,936)
Originated or purchased financial assets	74,868,164	-	-	-	-	74,868,164
Effect of exchange rate changes and others	(439,354)	-	-	-	-	(439,354)
Balance, June 30	$ 141,888,738	$ -	$ -	$ -	$ -	$ 141,888,738

	For the Six Months Ended June 30, 2018					
	12 Months ECL	**Lifetime ECL (Collectively Assessed)**	**Lifetime ECL (Individually Assessed)**	**Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)**	**Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)**	**Total**
Balance, January 1	$ 154,292,706	$ -	$ -	$ -	$ -	$ 154,292,706
Changes due to financial instruments that have been recognized at the beginning of the period:						
Derecognized financial assets in the current period	(90,760,736)	-	-	-	-	(90,760,736)
Originated or purchased financial assets	81,971,686	-	-	-	-	81,971,686
Effect of exchange rate changes and others	179,871	-	-	-	-	179,871
Balance, June 30	$ 145,683,527	$ -	$ -	$ -	$ -	$ 145,683,527

Expected credit losses

	For the Six Months Ended June 30, 2019							
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)	Impairment under IFRS 9	Differences in Impairments According to Law	Total
Balance, January 1	$ 74,266	$ -	$ -	$ -	$ -	$ 74,266	$ 217,238	$ 291,504
Changes due to financial instruments that have been recognized at the beginning of the period:								
Derecognized financial assets in the current period	(38,896)	-	-	-	-	(38,896)	-	(38,896)
Originated or purchased financial assets	42,597	-	-	-	-	42,597	-	42,597
Impairment differences recognized in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/Nonaccrual Loans"	-	-	-	-	-	-	(60,100)	(60,100)
Effect of exchange rate changes and others	(5,971)	-	-	-	-	(5,971)	949	(5,022)
Balance, June 30	$ 71,996	$ -	$ -	$ -	$ -	$ 71,996	$ 158,087	$ 230,083

	For the Six Months Ended June 30, 2018							
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)	Impairment under IFRS 9	Differences in Impairments According to Law	Total
Balance, January 1	$ 69,071	$ -	$ -	$ -	$ -	$ 69,071	$ 217,635	$ 286,706
Changes due to financial instruments that have been recognized at the beginning of the period:								
Derecognized financial assets in the current period	(29,582)	-	-	-	-	(29,582)	-	(29,582)
Originated or purchased financial assets	30,184	-	-	-	-	30,184	-	30,184
Impairment differences recognized in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/Nonaccrual Loans"	-	-	-	-	-	-	5,414	5,414
Effect of exchange rate changes and others	(6,331)	-	-	-	-	(6,331)	3,251	(3,080)
Balance, June 30	$ 63,342	$ -	$ -	$ -	$ -	$ 63,342	$ 226,300	$ 289,642

b) Investments in debt instruments at amortized cost

Total carrying value

	For the Six Months Ended June 30, 2019					
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)	Total
Balance, January 1	$ 606,667,975	$ -	$ 661,670	$ -	$ -	$ 607,329,645
Changes of financial instruments that have been identified at the beginning of the period:						
Transfer to lifetime ECL	(2,025,548)	-	2,025,548	-	-	-
Derecognizing financial assets during the current period	(218,171,148)	-	(157,703)	-	-	(218,328,851)
Originated or purchased financial assets	241,852,689	-	2,421	-	-	241,855,110
Effect of exchange rate changes and others	2,528,562	-	27,929	-	-	2,556,491
Balance, June 30	$ 630,852,530	$ -	$ 2,559,865	$ -	$ -	$ 633,412,395

	For the Six Months Ended June 30, 2018					
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)	Total
Balance, January 1	$ 582,918,544	$ -	$ 1,231,421	$ -	$ -	$ 584,149,965
Changes of financial instruments that have been identified at the beginning of the period:						
Transfer to lifetime ECL	(149,717)	-	149,717	-	-	-
Derecognizing financial assets during the current period	(211,453,903)	-	(742,875)	-	-	(212,196,778)
Originated or purchased financial assets	207,560,575	-	2,274	-	-	207,562,849
Effect of exchange rate changes and others	3,531,971	-	13,634	-	-	3,545,605
Balance, June 30	$ 582,407,470	$ -	$ 654,171	$ -	$ -	$ 583,061,641

Expected credit losses

	For the Six Months Ended June 30, 2019						
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)	Impairment under IFRS 9	Total
Balance, January 1	$ 217,085	$ -	$ 27,501	$ -	$ -	$ 244,586	$ 244,586
Changes due to financial instruments that have been recognized at the beginning of the period:							
Transferred to lifetime ECL	(3,141)	-	3,141	-	-	-	-
Derecognized financial assets in the current period	(15,624)	-	(643)	-	-	(16,267)	(16,267)
Originated or purchased financial assets	25,957	-	128	-	-	26,085	26,085
Effect of exchange rate changes and others	(34,385)	-	92,127	-	-	57,742	57,742
Balance, June 30	$ 189,892	$ -	$ 122,254	$ -	$ -	$ 312,146	$ 312,146

	For the Six Months Ended June 30, 2018						
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)	Impairment under IFRS 9	Total
Balance, January 1	$ 240,003	$ -	$ 33,534	$ -	$ -	$ 273,537	$ 273,537
Changes due to financial instruments that have been recognized at the beginning of the period:							
Transferred to lifetime ECL	(248)	-	248	-	-	-	-
Derecognized financial assets in the current period	(17,675)	-	(3,566)	-	-	(21,241)	(21,241)
Originated or purchased financial assets	34,069	-	139	-	-	34,208	34,208
Effect of exchange rate changes and others	(19,036)	-	(1,752)	-	-	(20,788)	(20,788)
Balance, June 30	$ 237,113	$ -	$ 28,603	$ -	$ -	$ 265,716	$ 265,716

c) Receivables

Total carrying value

	For the Six Months Ended June 30, 2019					
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)	Total
Balance, January 1	$ 77,692,530	$ 765,095	$ -	$ 536,346	$ -	$ 78,993,971
Changes due to financial instruments that have been recognized at the beginning of the period:						
Transferred to lifetime ECL	(310,310)	310,405	-	(95)	-	-
Transferred to credit impaired financial assets	(54,905)	(43,462)	-	98,367	-	-
Transferred to 12-month ECL	300,770	(300,752)	-	(18)	-	-
Derecognized financial assets in the current period	(54,539,793)	(410,472)	-	(153,221)	-	(55,103,486)
Originated or purchased financial assets	66,126,891	1,614,885	-	31,625	-	67,773,401
Written off as bad debt expense	-	-	-	(9,002)	-	(9,002)
Effect of exchange rate changes and others	(238,704)	-	-	3,156	-	(235,548)
Balance, June 30	$ 88,976,479	$ 1,935,699	$ -	$ 507,158	$ -	$ 91,419,336

Note: Only acceptances, accounts receivable - factoring, and credit card receivables are included.

	For the Six Months Ended June 30, 2018					
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)	Total
Balance, January 1	$ 66,233,160	$ 880,876	$ -	$ 657,861	$ -	$ 67,771,897
Changes due to financial instruments that have been recognized at the beginning of the period:						
Transferred to lifetime ECL	(356,786)	357,206	-	(420)	-	-
Transferred to credit impaired financial assets	(59,903)	(39,912)	-	99,815	-	-
Transferred to 12-month ECL	360,958	(360,835)	-	(123)	-	-
Derecognized financial assets in the current period	(45,989,026)	(322,574)	-	(214,986)	-	(46,526,586)
Originated or purchased financial assets	52,466,679	180,462	-	38,008	-	52,685,149
Written off as bad debt expense	-	-	-	(9,401)	-	(9,401)
Effect of exchange rate changes and others	(174,550)	(120,301)	-	(5,977)	-	(300,828)
Balance, June 30	$ 72,480,532	$ 574,922	$ -	$ 564,777	$ -	$ 73,620,231

Note: Only acceptances, accounts receivable - factoring, and credit card receivables are included.

Expected credit losses

	For the Six Months Ended June 30, 2019							
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)	Impairment under IFRS 9	Differences in Impairments According to Law	Total
Balance, January 1	$ 473,388	$ 62,106	$ 223	$ 225,618	$ -	$ 761,335	$ -	$ 761,335
Changes due to financial instruments that have been recognized at the beginning of the period:								
Transferred to lifetime ECL	(6,864)	6,925	37	(98)	-	-	-	-
Transferred to credit impaired financial assets	(1,369)	(12,898)	-	14,267	-	-	-	-
Transferred to 12-month ECL	18,662	(18,647)	-	(15)	-	-	-	-
Derecognized financial assets in the current period	(375,357)	(17,069)	-	(37,293)	-	(429,719)	-	(429,719)
Originated or purchased financial assets	210,426	40,015	-	64,649	-	315,090	-	315,090
Impairment differences recognized in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/Nonaccrual Loans"	-	-	-	-	-	-	172,850	172,850
Written off as bad debt expense	-	-	-	(11,693)	-	(11,693)	-	(11,693)
Effect of exchange rate changes and others	(16,238)	20,869	925	(1,382)	-	4,174	-	4,174
Balance, June 30	$ 302,648	$ 81,301	$ 1,185	$ 254,053	$ -	$ 639,187	$ 172,850	$ 812,037

	For the Six Months Ended June 30, 2018							
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)	Impairment under IFRS 9	Differences in Impairments According to Law	Total
Balance, January 1	$ 255,621	$ 73,990	$ 293	$ 160,228	$ -	$ 490,132	$ 156,540	$ 646,672
Changes due to financial instruments that have been recognized at the beginning of the period:								
Transferred to lifetime ECL	(4,235)	4,591	2	(358)	-	-	-	-
Transferred to credit impaired financial assets	(1,510)	(13,848)	-	15,358	-	-	-	-
Transferred to 12-month ECL	32,737	(32,611)	(2)	(124)	-	-	-	-
Derecognized financial assets in the current period	(145,287)	(13,712)	(46)	(25,390)	-	(184,435)	-	(184,435)
Originated or purchased financial assets	230,401	20,381	-	31,008	-	281,790	-	281,790
Impairment differences recognized in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/Nonaccrual Loans"	-	-	-	-	-	-	10,757	10,757
Written off as bad debt expense	-	-	-	(12,184)	-	(12,184)	-	(12,184)
Effect of exchange rate changes and others	(76,890)	29,467	(13)	38,724	-	(8,712)	-	(8,712)
Balance, June 30	$ 290,837	$ 68,258	$ 234	$ 207,262	$ -	$ 566,591	$ 167,297	$ 733,888

d) Discounts and loans

Total carrying value

	For the Six Months Ended June 30, 2019					
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)	Total
Balance, January 1	$ 1,373,903,395	$ 34,863,237	$ -	$ 8,673,819	$ -	$ 1,417,440,451
Changes due to financial instruments that have been recognized at the beginning of the period:						
Transferred to lifetime ECL	(4,601,598)	4,615,376	-	(13,778)	-	-
Transferred to credit impaired financial assets	(553,318)	(531,704)	-	1,085,022	-	-
Transfer to 12-month ECL	16,249,520	(16,237,784)	-	(11,736)	-	-
Derecognized financial assets in the current period	(473,855,485)	(9,006,627)	-	(1,504,123)	-	(484,366,235)
Originated or purchased financial assets	571,219,030	6,226,880	-	670,014	-	578,115,924
Written off as bad debt expense	-	-	-	(634,157)	-	(634,157)
Recoverable bad debt expense	-	-	-	-	-	-
Effect of exchange rate changes and others	(3,883,613)	(27,038)	-	523,498	-	(3,387,153)
Balance, June 30	$ 1,478,477,931	$ 19,902,340	$ -	$ 8,788,559	$ -	$ 1,507,168,830

	For the Six Months Ended June 30, 2018					
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)	Total
Balance, January 1	$ 1,337,438,503	$ 39,123,598	$ -	$ 9,883,788	$ -	$ 1,386,445,889
Changes due to financial instruments that have been recognized at the beginning of the period:						
Transferred to lifetime ECL	(9,808,881)	9,841,689	-	(32,808)	-	-
Transferred to credit impaired financial assets	(424,632)	(271,294)	-	695,926	-	-
Transfer to 12-month ECL	14,387,783	(14,377,101)	-	(10,682)	-	-
Derecognized financial assets in the current period	(481,528,246)	(7,386,665)	-	(2,515,075)	-	(491,429,986)
Originated or purchased financial assets	511,527,583	3,659,637	-	390,262	-	515,577,482
Written off as bad debt expense	-	-	-	(466,186)	-	(466,186)
Recoverable bad debt expense	-	-	-	-	-	-
Effect of exchange rate changes and others	(5,311,100)	2,513,306	-	201,006	-	(2,596,788)
Balance, June 30	$ 1,366,281,010	$ 33,103,170	$ -	$ 8,146,231	$ -	$ 1,407,530,411

Expected credit losses

	For the Six Months Ended June 30, 2019							
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)	Impairment under IFRS 9	Differences in Impairments According to Law	Total
Balance, January 1	$ 3,270,650	$ 397,960	$ -	$ 3,298,053	$ -	$ 6,966,663	$ 12,478,927	$19,445,590
Changes due to financial instruments that have been recognized at the beginning of the period:								
Transferred to lifetime ECL	(16,732)	17,334	-	(602)	-	-	-	-
Transferred to credit impaired financial assets	(44,947)	(40,729)	-	85,676	-	-	-	-
Transferred to 12-month ECL	114,676	(112,849)	-	(1,827)	-	-	-	-
Derecognized financial assets in the current period	(1,732,814)	(83,477)	-	(769,721)	-	(2,586,012)	-	(2,586,012)
Originated or purchased financial assets	1,985,606	116,780	-	105,179	-	2,207,565	-	2,207,565
Impairment differences recognized in accordance with “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/Nonaccrual Loans”	-	-	-	-	-	-	1,005,057	1,005,057
Written off as bad debt expense	-	-	-	(634,157)	-	(634,157)	-	(634,157)
Recoverable bad debt expense	-	-	-	183,925	-	183,925	-	183,925
Effect of exchange rate changes and others	(280,942)	113,411	-	628,526	-	460,995	-	460,995
Balance, June 30	$ 3,295,497	$ 408,430	$ -	$ 2,895,052	$ -	$ 6,598,979	$ 13,483,984	$ 20,082,963

	For the Six Months Ended June 30, 2018							
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)	Impairment under IFRS 9	Differences in Impairments According to Law	Total
Balance, January 1	$ 3,853,592	$ 726,935	$ -	$ 3,262,128	$ -	$ 7,842,655	$ 11,726,364	$ 19,569,019
Changes due to financial instruments that have been recognized at the beginning of the period:								
Transferred to lifetime ECL	(21,172)	29,255	-	(8,083)	-	-	-	-
Transferred to credit impaired financial assets	(5,728)	(36,789)	-	42,517	-	-	-	-
Transferred to 12-month ECL	386,860	(384,733)	-	(2,127)	-	-	-	-
Derecognized financial assets in the current period	(2,253,996)	(89,000)	-	(752,146)	-	(3,095,142)	-	(3,095,142)
Originated or purchased financial assets	2,041,414	56,217	-	161,261	-	2,258,892	-	2,258,892
Impairment differences recognized in accordance with “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/Nonaccrual Loans”	-	-	-	-	-	-	1,040,367	1,040,367
Written off as bad debt expense	-	-	-	(466,186)	-	(466,186)	-	(466,186)
Recoverable bad debt expense	-	-	-	191,665	-	191,665	-	191,665
Effect of exchange rate changes and others	(407,817)	143,986	-	527,518	-	263,687	-	263,687
Balance, June 30	$ 3,593,153	$ 445,871	$ -	$ 2,956,547	$ -	$ 6,995,571	$ 12,766,731	$ 19,762,302

e) Other financial assets

Total carrying value

	For the Six Months Ended June 30, 2019					
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)	Total
Balance, January 1	$ 231	$ -	$ -	$ 92,755	$ -	$ 92,986
Changes due to financial instruments that have been recognized at the beginning of the period:						
Derecognized financial assets in the current period	-	-	-	(1,154)	-	(1,154)
Originated or purchased financial assets	608	-	-	113,548	-	114,156
Written off as bad debt expense	-	-	-	(111,927)	-	(111,927)
Effect of exchange rate changes and others	-	-	-	927	-	927
Balance, June 30	$ 839	$ -	$ -	$ 94,149	$ -	$ 94,988

Note: Only nonperforming loans transferred from other than loans and bills purchased are included.

	For the Six Months Ended June 30, 2018					
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)	Total
Balance, January 1	$ 1,233	$ -	$ -	$ 126,413	$ -	$ 127,646
Changes due to financial instruments that have been recognized at the beginning of the period:						
Derecognized financial assets in the current period	(1,123)	-	-	(1,582)	-	(2,705)
Originated or purchased financial assets	-	-	-	125,355	-	125,355
Written off as bad debt expense	-	-	-	(156,583)	-	(156,583)
Effect of exchange rate changes and others	45	-	-	447	-	492
Balance, June 30	$ 155	$ -	$ -	$ 94,050	$ -	$ 94,205

Note: Only nonperforming loans transferred from other than loans and bills purchased are included.

Expected credit losses

	For the Six Months Ended June 30, 2019							
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)	Impairment under IFRS 9	Differences in Impairments According to Law	Total
Balance, January 1	$ -	$ -	$ -	$ 73,841	$ -	$ 73,841	$ -	$ 73,841
Changes due to financial instruments that have been recognized at the beginning of the period:								
Derecognized financial assets in the current period	-	-	-	(1,145)	-	(1,145)	-	(1,145)
Originated or purchased financial assets	-	-	-	38,406	-	38,406	-	38,406
Impairment differences recognized in accordance with “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/Nonaccrual Loans”	-	-	-	-	-	-	7	7
Write-off to bad debt expense	-	-	-	(111,927)	-	(111,927)	-	(111,927)
Recoverable bad debt expense	-	-	-	159,801	-	159,801	-	159,801
Effect of exchange rate changes and others	-	-	-	(83,845)	-	(83,845)	-	(83,845)
Balance, June 30	$ -	$ -	$ -	$ 75,131	$ -	$ 75,131	$ 7	$ 75,138

	For the Six Months Ended June 30, 2018							
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)	Impairment under IFRS 9	Differences in Impairments According to Law	Total
Balance, January 1	$ -	$ -	$ -	$ 106,581	$ -	$ 106,581	$ -	$ 106,581
Changes due to financial instruments that have been recognized at the beginning of the period:								
Derecognized financial assets in the current period	-	-	-	(182,867)	-	(182,867)	-	(182,867)
Originated or purchased financial assets	-	-	-	44,102	-	44,102	-	44,102
Impairment differences recognized in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/Nonaccrual Loans"	-	-	-	-	-	-	18	18
Write-off to bad debt expense	-	-	-	(156,583)	-	(156,583)	-	(156,583)
Recoverable bad debt expense	-	-	-	180,470	-	180,470	-	180,470
Effect of exchange rate changes and others	-	-	-	83,062	-	83,062	-	83,062
Balance, June 30	$ -	$ -	$ -	$ 74,765	$ -	$ 74,765	$ 18	$ 74,783

f) Reserve for losses on guarantees, financial commitments and other reserves - letter of credit

Expected credit losses

	For the Six Months Ended June 30, 2019							
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)	Impairment under IFRS 9	Differences in Impairments According to Law	Total
Balance, January 1	$ 185,981	$ 26,052	$ -	$ 805	$ -	$ 212,838	$ 240,377	$ 453,215
Changes due to financial instruments that have been recognized at the beginning of the period:								
Transferred to lifetime ECL	(2,320)	2,339	-	(19)	-	-	-	-
Transferred to credit impaired financial assets	(97)	(735)	-	832	-	-	-	-
Transferred to 12-month ECL	5,260	(5,250)	-	(10)	-	-	-	-
Derecognized financial assets in the current period	(67,358)	(11,965)	-	(112)	-	(79,435)	-	(79,435)
Originated or purchased financial assets	51,927	15,866	-	134	-	67,927	-	67,927
Impairment differences recognized in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/Nonaccrual Loans"	-	-	-	-	-	-	(21,388)	(21,388)
Effect of exchange rate changes and others	(23,959)	7,824	-	(863)	-	(16,998)	-	(16,998)
Balance, June 30	$ 149,434	$ 34,131	$ -	$ 767	$ -	$ 184,332	$ 218,989	$ 403,321

	For the Six Months Ended June 30, 2018							
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)	Impairment under IFRS 9	Differences in Impairments According to Law	Total
Balance, January 1	$ 135,311	$ 36,591	$ -	$ 15,014	$ -	$ 186,916	$ 266,445	$ 453,361
Changes due to financial instruments that have been recognized at the beginning of the period:								
Transferred to lifetime ECL	(1,000)	1,046	-	(46)	-	-	-	-
Transferred to credit impaired financial assets	(106)	(785)	-	891	-	-	-	-
Transferred to 12-month ECL	11,629	(11,607)	-	(22)	-	-	-	-
Derecognized financial assets in the current period	(35,399)	(5,933)	-	(14,455)	-	(55,787)	-	(55,787)
Originated or purchased financial assets	47,915	4,446	-	370	-	52,731	-	52,731
Impairment differences recognized in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/Nonaccrual Loans"	-	-	-	-	-	-	(14,774)	(14,774)
Effect of exchange rate changes and others	(40,603)	7,449	-	(612)	-	(33,766)	-	(33,766)
Balance, June 30	$ 117,747	$ 31,207	$ -	$ 1,140	$ -	$ 150,094	$ 251,671	$ 401,765

11) Maximum exposure to credit risk

The maximum exposure to credit risk is represented by the carrying amount of each financial asset on 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 into account any collateral held or other credit enhancements) are summarized as follows:

Taipei Fubon Bank

Off-Balance Sheet Item	Maximum Exposure Amount		
	June 30, 2019	December 31, 2018	June 30, 2018
Irrevocable credit commitments	$ 200,067,631	$ 112,580,654	$ 137,765,427
Standby letters of credit	7,578,447	8,295,749	9,708,900
Financial guarantees	25,674,259	27,845,774	27,530,859
Total	$ 233,320,337	$ 148,722,177	$ 175,005,186

Fubon Bank (China)

(In Thousands of RMB)

Off-Balance Sheet Item	Maximum Exposure Amount		
	June 30, 2019	December 31, 2018	June 30, 2018
Standby letters of credit	$ 270,261	$ 312,512	$ 319,657
Financial guarantees	723,102	965,035	1,201,652
Total	$ 993,363	$ 1,277,547	$ 1,521,309

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

Taipei Fubon Bank

June 30, 2019	Financial Instrument	Property	Guarantee	Others
Category of assets				
Loans	3.23%	57.87%	5.73%	2.80%
Guarantees receivable	3.22%	7.19%	0.63%	1.47%
Acceptances and other credits	0.62%	1.36%	-	-
Financial assets at fair value through profit or loss - debt instruments	-	-	5.08%	-
Financial assets at fair value through other comprehensive income - debt instruments	-	-	12.11%	-
Investments in debt instruments measured at amortized cost	-	-	8.84%	-

December 31, 2018	Financial Instrument	Property	Guarantee	Others
Category of assets				
Loans	3.23%	58.64%	6.02%	2.36%
Guarantees receivable	3.68%	7.43%	0.63%	1.45%
Acceptances and other credits	0.46%	1.24%	-	-
Financial assets at fair value through profit or loss - debt instruments	-	-	6.60%	-
Financial assets at fair value through other comprehensive income - debt instruments	-	-	8.66%	-
Investments in debt instruments measured at amortized cost	-	-	9.07%	-

June 30, 2018	Financial Instrument	Property	Guarantee	Others
Category of assets				
Loans	3.15%	57.12%	3.52%	2.21%
Guarantees receivable	3.51%	5.28%	0.49%	1.04%
Acceptances and other credits	0.50%	1.14%	0.04%	0.09%
Financial assets at fair value through profit or loss - debt instruments	-	-	5.24%	-
Financial assets at fair value through other comprehensive income - debt instruments	-	-	2.23%	-
Investments in debt instruments measured at amortized cost	-	-	7.69%	-

Fubon Bank (China)

June 30, 2019	Financial Instrument	Property	Guarantee	Others
Category of assets				
Loans	7.73%	15.63%	-	0.89%
Guarantees receivable	72.68%	20.29%	5.92%	-
Acceptances	41.93%	0.81%	29.10%	-

December 31, 2018	Financial Instrument	Property	Guarantee	Others
Category of assets				
Loans	7.89%	15.63%	-	1.32%
Guarantees receivable	63.36%	27.42%	9.00%	-
Acceptances	21.81%	1.24%	43.58%	-

June 30, 2018	Financial Instrument	Property	Guarantee	Others
Category of assets				
Loans	9.41%	12.16%	-	1.92%
Guarantees receivable	63.66%	27.67%	8.18%	-
Acceptances	27.09%	1.70%	31.90%	-

12) Concentration of credit risk exposure

Concentrations of credit risk results from the uneven distribution of credit relationship with debtors, depending on sectors or geographical regions in which debtors operate. If most of the debtors have similar business activities or operate in regions with similar economic conditions, the possibility of default on debt is also similar.

Credit risk concentration 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 its 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 its subsidiaries do not significantly centralize on trading with a single client or a single trading counterpart. The total transaction amount with a single customer or a single transaction counterparty accounted for the balances of discounts and loans, acceptances, guarantees receivables, accounts receivables - factoring, bills purchased, nonperforming loans transferred from other than loans - accounts receivable - factoring and other credits (include advances and overdue loans of the abovementioned items) is not significant.

The Bank and its subsidiaries' concentration of credit risk exposure are summarized by industry, geographical area and collateral as follows:

Taipei Fubon Bank

a) By industry

By Industry	June 30, 2019		December 31, 2018		June 30, 2018	
	Amount	%	Amount	%	Amount	%
Private	$ 707,120,104	52.35	$ 681,387,936	52.43	$ 663,407,593	51.49
Private enterprise	502,982,256	37.24	466,443,553	35.89	477,766,070	37.08
Government institution	59,091,633	4.38	57,554,699	4.43	61,270,820	4.76
Financial organization	49,680,763	3.68	62,059,416	4.78	51,168,557	3.97
Public enterprise	30,312,360	2.24	31,055,954	2.39	33,975,224	2.64
Non-profit organization	1,446,213	0.11	991,959	0.08	811,794	0.06
Total	$ 1,350,633,329	100.00	$ 1,299,493,517	100.00	$ 1,288,400,058	100.00

b) By geographical area

Geographical Area	June 30, 2019		December 31, 2018		June 30, 2018	
	Amount	%	Amount	%	Amount	%
Domestic	$ 1,144,207,255	84.72	$ 1,123,966,924	86.49	$ 1,108,657,168	86.05
Asia	116,831,581	8.65	88,622,271	6.82	93,409,702	7.25
America	67,313,166	4.98	68,490,647	5.27	69,439,462	5.39
Others	22,281,327	1.65	18,413,675	1.42	16,893,726	1.31
Total	$ 1,350,633,329	100.00	$ 1,299,493,517	100.00	$ 1,288,400,058	100.00

c) By collateral

By Collateral	June 30, 2019		December 31, 2018		June 30, 2018	
	Amount	%	Amount	%	Amount	%
Unsecured	$ 438,886,213	32.49	$ 416,669,591	32.06	$ 465,335,847	36.12
Secured	911,747,116	67.51	882,823,926	67.94	823,064,211	63.88
Properties	756,840,157	56.04	735,785,045	56.62	711,288,210	55.21
Guarantees	74,890,305	5.54	75,511,380	5.81	43,865,112	3.40
Financial instruments	43,102,218	3.19	41,550,277	3.20	40,173,638	3.12
Others	36,914,436	2.74	29,977,224	2.31	27,737,251	2.15
Total	$ 1,350,633,329	100.00	$ 1,299,493,517	100.00	$ 1,288,400,058	100.00

d) Credit risk rating grades

<u>Taipei Fubon Bank</u>

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

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

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

June 30, 2019	Financial Assets Measured at Amount of 12 Months ECL				Financial Assets with Significant Increase in Credit Risk After Initial Recognition				Credit-impaired Financial Assets	Purchased or Originated Credit-impaired Financial Assets	Allowance for Impairment	Total
	Good	Moderate	Substandard	Total	Good	Moderate	Substandard	Total				
Financial assets at fair value through other comprehensive income - debt instruments	$ 68,352,498	$ 500,837	$ -	$ 68,853,335	$ -	$ -	$ -	$ -	$ -	$ -	$ 24,697	$ 68,828,638
Investments in debt instruments measured at amortized cost	582,171,339	629,535	-	582,800,874	-	2,559,865	-	2,559,865	-	-	303,918	585,056,821
Receivables												
Credit card receivables	33,204,255	12,018,662	20,984	45,243,901	-	212,931	377,026	589,957	507,158	-	207,394	46,133,622
Accounts receivable - factoring	16,134,986	1,365,555	-	17,500,541	-	1,345,742	-	1,345,742	-	-	220,351	18,625,932
Acceptances	720,200	1,146,324	-	1,866,524	-	-	-	-	-	-	19,007	1,847,517
Loans												
Personal finance	548,346,409	81,063,850	82,897	629,493,156	-	3,570,949	1,172,704	4,743,653	2,296,844	-	8,459,332	628,074,321
Corporate banking	367,670,482	280,595,642	445,503	648,711,627	-	13,403,557	501,629	13,905,186	4,428,580	-	8,487,340	658,558,053
Other financial assets (bills purchased and nonperforming loans transferred from other than loans)	839	-	-	839	-	-	-	-	94,149	-	75,138	19,850
Off-balance sheet assets												
Financial commitment	426,130,691	45,077,288	14,408	471,222,387	-	373,270	320,844	694,114	47,495	-	118,788	471,845,208
Guarantees receivable	17,274,409	7,281,601	-	24,556,010	-	1,118,249	-	1,118,249	-	-	261,608	25,412,651
Credit receivable	3,694,098	3,883,112	-	7,577,210	-	1,237	-	1,237	-	-	3,614	7,574,833

December 31, 2018	Financial Assets Measured at Amount of 12 Months ECL				Financial Assets with Significant Increase in Credit Risk After Initial Recognition				Credit-impaired Financial Assets	Purchased or Originated Credit-impaired Financial Assets	Allowance for Impairment	Total
	Good	Moderate	Substandard	Total	Good	Moderate	Substandard	Total				
Financial assets at fair value through other comprehensive income - debt instruments	$ 81,620,571	$ 1,560,450	$ -	$ 83,181,021	$ -	$ -	$ -	$ -	$ -	$ -	$ 23,714	$ 83,157,307
Investments in debt instruments measured at amortized cost	569,989,243	872,100	-	570,861,343	-	661,670	-	661,670	-	-	221,095	571,301,918
Receivables												
Credit card receivables	27,681,826	10,155,342	149,583	37,986,751	-	217,104	299,246	516,350	536,346	-	207,031	38,832,416
Accounts receivable - factoring	17,471,990	1,910,536	-	19,382,526	6,166	242,579	-	248,745	-	-	222,730	19,408,541
Acceptances	436,025	835,630	-	1,271,655	-	-	-	-	-	-	13,265	1,258,390
Loans												
Personal finance	528,595,912	65,639,631	252,830	594,488,373	-	17,329,772	919,871	18,249,643	2,241,687	-	8,227,544	606,752,159
Corporate banking	350,954,964	262,557,577	579,868	614,092,409	-	15,725,810	771,562	16,497,372	4,554,448	-	8,404,757	626,739,472
Other financial assets (bills purchased and nonperforming loans transferred from other than loans)	231	-	-	231	-	-	-	-	92,755	-	73,841	19,145
Off-balance sheet assets												
Financial commitment	333,108,753	37,309,099	131,316	370,549,168	-	619,366	249,686	869,052	41,515	-	138,127	371,321,608
Guarantees receivable	21,073,299	5,856,134	-	26,929,433	-	891,269	-	891,269	25,072	-	281,382	27,564,392
Credit receivable	3,797,316	4,015,625	438,558	8,251,499	-	44,250	-	44,250	-	-	7,141	8,288,608

June 30, 2018	Financial Assets Measured at Amount of 12 Months ECL				Financial Assets with Significant Increase in Credit Risk After Initial Recognition				Credit-impaired Financial Assets	Purchased or Originated Credit-impaired Financial Assets	Allowance for Impairment	Total
	Good	Moderate	Substandard	Total	Good	Moderate	Substandard	Total				
Financial assets at fair value through other comprehensive income - debt instruments	$ 81,913,990	$ 2,159,984	$ -	$ 84,073,974	$ -	$ -	$ -	$ -	$ -	$ -	$ 21,293	$ 84,052,681
Investments in debt instruments measured at amortized cost	554,307,800	1,021,557	-	555,329,357	-	654,171	-	654,171	-	-	233,348	555,750,180
Receivables												
Credit card receivables	29,810,640	9,650,587	44,409	39,505,636	-	189,876	325,130	515,006	564,777	-	213,774	40,371,645
Accounts receivable - factoring	15,604,392	1,229,792	-	16,834,184	3,637	54,761	-	58,398	-	-	189,150	16,703,432
Acceptances	971,885	681,986	-	1,653,871	-	1,518	-	1,518	-	-	17,498	1,637,891
Loans												
Personal finance	514,888,855	62,739,774	287,698	577,916,327	-	18,454,753	862,241	19,316,994	2,329,219	-	8,060,892	591,501,648
Corporate banking	360,083,723	263,502,626	825,381	624,411,730	-	13,153,142	580,382	13,733,524	4,009,393	-	8,391,861	633,762,786
Other financial assets (bills purchased and nonperforming loans transferred from other than loans)	155	-	-	155	-	-	-	-	94,050	-	74,783	19,422
Off-balance sheet assets												
Financial commitment	354,203,923	36,437,424	26,051	390,667,398	-	1,009,570	266,242	1,275,812	41,581	-	86,994	391,897,797
Guarantees receivable	19,150,273	7,919,786	-	27,070,059	-	460,801	-	460,801	-	-	278,170	27,252,690
Credit receivable	5,824,818	3,597,054	640	9,422,512	-	269,380	-	269,380	17,008	-	4,997	9,703,903

Fubon Bank (China)

a) By industry

(In Thousands of RMB)

By Industry	June 30, 2019		December 31, 2018		June 30, 2018	
	Amount	%	Amount	%	Amount	%
Finance and insurance	$ 17,054,460	37.87	$ 14,222,447	37.96	$ 12,861,724	35.71
Wholesale and retail	6,518,896	14.48	4,865,995	12.99	4,370,573	12.13
Manufacturing	4,292,680	9.53	3,671,232	9.80	3,291,441	9.14
Real estate	3,139,869	6.97	2,144,199	5.72	1,860,983	5.17
Personal loans	2,827,217	6.28	2,522,757	6.73	1,889,249	5.25
Construction	2,769,529	6.15	2,648,112	7.07	4,124,624	11.45
Water conservation and environment	2,420,851	5.38	2,497,750	6.67	2,919,420	8.11
Others	6,007,527	13.34	4,891,183	13.06	4,697,804	13.04
Total (Note)	$ 45,031,029	100.00	$ 37,463,675	100.00	$ 36,015,818	100.00

Note: Includes only discounts and loans.

b) By geographical area

(In Thousands of RMB)

Geographical Area	June 30, 2019		December 31, 2018		June 30, 2018	
	Amount	%	Amount	%	Amount	%
East China	$ 16,801,343	37.31	$ 13,456,906	35.92	$ 14,947,005	41.50
North China	7,765,957	17.25	7,853,423	20.96	6,916,909	19.21
Southwest region	5,455,360	12.11	4,070,298	10.86	4,560,800	12.66
Central China	5,444,962	12.09	3,297,339	8.80	2,713,345	7.53
South China	3,299,182	7.33	3,222,171	8.60	2,917,279	8.10
Other regions	6,264,225	13.91	5,563,538	14.86	3,960,480	11.00
Total (Note)	$ 45,031,029	100.00	$ 37,463,675	100.00	$ 36,015,818	100.00

Note: Includes only discounts and loans.

c) By collateral

(In Thousands of RMB)

By Collateral	June 30, 2019		December 31, 2018		June 30, 2018	
	Amount	%	Amount	%	Amount	%
Clean loans	$ 34,115,320	75.76	$ 28,154,859	75.15	$ 27,555,446	76.51
Guarantee loans	398,754	0.89	495,538	1.32	692,691	1.92
Collateral loans	10,516,955	23.35	8,813,278	23.53	7,767,681	21.57
Pledge loans	7,036,479	15.62	5,857,003	15.64	4,380,509	12.16
Mortgage loans	3,480,476	7.73	2,956,275	7.89	3,387,172	9.41
Total (Note)	$ 45,031,029	100.00	$ 37,463,675	100.00	$ 36,015,818	100.00

Note: Includes only discounts and loans.

d) Classification of credit quality ratings

Fubon Bank (China)

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

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

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

June 30, 2019	Financial Assets Measured at Amount of 12 Months ECL				Financial Assets with Significant Increase in Credit Risk After Initial Recognition				Credit-impaired Financial Assets	Purchased or Originated Credit-impaired Financial Assets	Allowance for Impairment	Total
	Good	Moderate	Substandard	Total	Good	Moderate	Substandard	Total				
Financial assets at fair value through other comprehensive income - debt instruments	$ 16,154,344	$ -	$ -	$ 16,154,344	$ -	$ -	$ -	$ -	$ -	$ -	$ 44,909	$ 16,109,435
Investments in debt instruments measured at amortized cost	10,628,311	-	-	10,628,311	-	-	-	-	-	-	1,820	10,626,491
Receivables												
Acceptances	5,373,126	-	-	5,373,126	-	-	-	-	-	-	29,661	5,343,465
Accounts receivable - factoring	16,162	-	-	16,162	-	-	-	-	-	-	169	15,993
Loans												
Personal finance	2,779,111	-	6,499	2,785,610	758	-	651	1,409	40,198	-	41,992	2,785,225
Corporate banking	35,834,150	5,487,326	190,352	41,511,828	-	83,355	192,492	275,847	416,136	-	651,709	41,552,102
Off-balance sheet assets												
Guarantees receivable	723,102	-	-	723,102	-	-	-	-	-	-	3,007	720,095
Credit receivable	270,261	-	-	270,261	-	-	-	-	-	-	1,265	268,996

December 31, 2018	Financial Assets Measured at Amount of 12 Months ECL				Financial Assets with Significant Increase in Credit Risk After Initial Recognition				Credit-impaired Financial Assets	Purchased or Originated Credit-impaired Financial Assets	Allowance for Impairment	Total
	Good	Moderate	Substandard	Total	Good	Moderate	Substandard	Total				
Financial assets at fair value through other comprehensive income - debt instruments	$ 15,336,164	$ -	$ -	$ 15,336,164	$ -	$ -	$ -	$ -	$ -	$ -	$ 58,810	$ 15,277,354
Investments in debt instruments measured at amortized cost	8,017,427	-	-	8,017,427	-	-	-	-	-	-	5,259	8,012,168
Receivables												
Acceptances	4,244,049	-	-	4,244,049	-	-	-	-	-	-	29,913	4,214,136
Accounts receivable - factoring	21,774	-	-	21,774	-	-	-	-	-	-	261	21,513
Loans												
Personal finance	2,473,539	-	47,946	2,521,485	46	-	305	351	921	-	31,332	2,491,425
Corporate banking	29,070,022	5,272,809	152,905	34,495,736	-	25,673	-	25,673	419,509	-	598,589	34,342,329
Off-balance sheet assets												
Guarantees receivable	965,035	-	-	965,035	-	-	-	-	-	-	4,566	960,469
Credit receivable	312,512	-	-	312,512	-	-	-	-	-	-	1,382	311,130

June 30, 2018	Financial Assets Measured at Amount of 12 Months ECL				Financial Assets with Significant Increase in Credit Risk After Initial Recognition				Credit-impaired Financial Assets	Purchased or Originated Credit-impaired Financial Assets	Allowance for Impairment	Total
	Good	Moderate	Substandard	Total	Good	Moderate	Substandard	Total				
Financial assets at fair value through other comprehensive income - debt instruments	$ 13,382,035	$ -	$ -	$ 13,382,035	$ -	$ -	$ -	$ -	$ -	$ -	$ 57,735	$ 13,324,300
Investments in debt instruments measured at amortized cost	5,881,905	-	-	5,881,905	-	-	-	-	-	-	7,031	5,874,874
Receivables												
Acceptances	3,146,646	-	-	3,146,646	-	-	-	-	-	-	19,616	3,127,030
Loans												
Personal finance	1,873,085	-	14,319	1,887,404	997	-	-	997	848	-	25,568	1,863,681
Corporate banking	28,762,866	4,403,888	557,595	33,724,349	-	-	10,440	10,440	391,780	-	693,290	33,433,279
Off-balance sheet assets												
Guarantees receivable	1,201,652	-	-	1,201,652	-	-	-	-	-	-	5,967	1,195,685
Credit receivable	319,657	-	-	319,657	-	-	-	-	-	-	898	318,759

13) Financial impact of credit risk mitigation policy

a) Collateral and other credit enhancements

To ensure that collateral is managed effectively, the Bank and its subsidiaries establish a rigorous collateral management system and control procedures and clearly define the acceptable types of guarantees, the appropriate amount of various collaterals, the corresponding amount of risk, collection/disposal criteria and valuation and reassessment methods, etc. The main types of collateral for financial assets of the Bank and its subsidiaries are as follows:

i. Properties
ii. Movable properties
iii. Deposits
iv. Marketable securities
v. Rights and guarantees

Before extending a loan or trading, the relevant collateral documents are obtained and the collateral information is documented in details in the loan contracts or transaction agreements.

Collateral must be legally enforceable, and the collateral value must be realizable within a reasonable time frame. In regards to the collateral capacity and value, fair value assessment should be made, and benefit of offering collateral should be confirmed.

The nature of the collateral and the impact of market/economic changes on the collateral value should be considered, and the value of the collateral should be reviewed on a timely basis.

Regular or irregular inspections or on-site examinations of collateral are conducted to understand the use, custody and maintenance of collateral and to avoid unauthorized sale, rental, pledge, transfer or other disposal of collateral.

b) The collateral amount of impaired financial assets

The Bank and its subsidiaries actively cleaned up the credit-impaired financial assets, and closely observed the value of their collateral and recognized impairment. The impact of the collateral held for the credit-impaired financial assets on their carrying amount is as follows:

Taipei Fubon Bank

June 30, 2019	Financial Instrument	Property	Guarantee	Others
Asset category				
Receivables	0.05%	2.11%	0.16%	0.13%
Loans	1.30%	68.37%	6.78%	5.87%
Other financial assets	-	8.98%	-	-
Off-balance sheet assets	-	-	-	31.57%

December 31, 2018	Financial Instrument	Property	Guarantee	Others
Asset category				
Receivables	0.04%	0.91%	0.11%	0.11%
Loans	1.19%	63.00%	6.05%	5.40%
Other financial assets	-	9.17%	-	-
Off-balance sheet assets	-	-	-	22.52%

June 30, 2018	Financial Instrument	Property	Guarantee	Others
Asset category				
Receivables	0.04%	1.30%	0.08%	0.15%
Loans	3.00%	59.09%	5.68%	7.39%
Other financial assets	-	9.11%	-	-
Off-balance sheet assets	-	46.85%	-	-

Fubon Bank (China)

June 30, 2019	Financial Instrument	Property	Guarantee	Others
Asset category				
Loans	-	72.24%	-	12.78%

December 31, 2018	Financial Instrument	Property	Guarantee	Others
Asset category				
Loans	-	71.23%	-	13.91%

June 30, 2018	Financial Instrument	Property	Guarantee	Others
Asset category				
Loans	0.07%	69.76%	-	6.87%

c) The contract amount outstanding of financial assets that were written off and still have recourse activities

The contract amount outstanding of the Bank’s financial assets that were written off and still have recourse activities as of June 30, 2019, December 31, 2018 and June 30, 2018 was $710,569 thousand, $1,052,951 thousand and $420,736 thousand, respectively.

d) The nature, policy and carrying amount of the obtained collaterals (collateral assumed)

The collateral assumed held by Fubon Bank (China) are currently evaluated mainly based on the “The Administration of Collateral in Banks”.

Collateral held by Fubon Bank (China) in the form of properties are houses and buildings. As of June 30, 2019, December 31, 2018 and June 30, 2018, the carrying amount of the properties were $54,253 thousand, $53,593 thousand and $88,395 thousand, respectively. The collateral 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

Taipei Fubon Bank

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

b) The principle is to harmonize fund availability with the Bank's deposit, loan and financial transaction growth. The Bank adjusts its funding strategy depending on market fund change and the Central Bank's policies to increase fund use and lower liquidity risk. Thus, the Bank not only pays attention to maturities of long-term and short-term securities to match the timing of large-amount loan drawdowns and repayments, but also analyzes the stability and percentages of various types of deposits to manage funding liquidity.

c) The Bank has the liquidity risk limits to monitor and manage the Bank's liquidity risk. The liquidity risk limits are regulated by the Bank's president based on the regulations and the range of risk appetite, then regularly reported to the ALCO and the directors (permanent).

Fubon Bank (China)

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

b) Fubon Bank (China) maintains a strategically defined risk appetite for its liquidity management. Daily liquidity management is centralized given the size and complexity of its current business scope, and Fubon Bank (China)'s organization structure is suitable for managing liquidity exposure. The board of directors takes the ultimate responsibility for Fubon Bank (China)'s liquidity risk. The senior management, which is in charge of implementing liquidity management policies and procedures, has authorized the Asset and Liability Management Committee to perform related management duties daily. Liquidity risk assessment reports are prepared by the risk 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's management policy is to match maturities of and interest rates for assets and liabilities, i.e., because of uncertainties of terms and conditions or types, the maturities of and interest rates for assets and liabilities usually do not match perfectly, resulting in potential gain or loss. To maintain proper liquidity, the Bank uses appropriate ways to group assets and liabilities to evaluate liquidity and monitor the ratios of short-term negative funding gap to total assets denominated in major currencies.

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

a) Maturity analysis of financial assets and liabilities - NTD

Taipei Fubon Bank

June 30, 2019	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	$ 33,845,162	$ 3,268,719	$ 3,148,768	$ 5,736,241	$ 20,427,289	$ 66,426,179
Investments in marketable securities (Note 2)	207,177,987	8,578,733	27,074,321	47,586,228	146,296,112	436,713,381
Securities purchased under resell agreements	4,173,884	-	-	-	-	4,173,884
Loans (include overdue loans)	66,651,864	66,975,076	87,191,995	68,421,562	766,234,882	1,055,475,379
Deliverable derivative assets	185,189,156	153,285,666	107,595,283	95,525,518	17,683,086	559,278,709
Non-deliverable derivative assets	3,973,955	-	-	-	581,683	4,555,638
Other capital inflow on maturity	29,509,200	9,270,668	10,230,646	6,052,175	53,863,443	108,926,132
Subtotal	530,521,208	241,378,862	235,241,013	223,321,724	1,005,086,495	2,235,549,302
Liabilities						
Due to the Central Bank and other banks	1,529,796	1,000	-	306,004	117,000	1,953,800
Deposits and remittances	131,553,527	111,895,605	107,822,406	196,424,515	698,458,777	1,246,154,830
Securities sold under repurchase agreements	3,505,856	5,142,065	211,201	-	-	8,859,122
Payables	451,711	558,720	568,820	648,113	106,146	2,333,510
Bank debentures	-	-	2,150,000	5,400,000	49,881,684	57,431,684
Deliverable derivative liabilities	220,006,841	213,122,390	150,433,919	78,257,702	29,007,747	690,828,599
Non-deliverable derivative liabilities	3,988,769	-	-	-	-	3,988,769
Other capital outflow on maturity	13,811,294	449,365	64,732	4,924,206	6,648,426	25,898,023
Subtotal	374,847,794	331,169,145	261,251,078	285,960,540	784,219,780	2,037,448,337

December 31, 2018	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	$ 40,841,055	$ 3,433,424	$ 2,718,327	$ 5,483,620	$ 19,257,870	$ 71,734,296
Investments in marketable securities (Note 2)	190,800,373	17,647,379	51,951,745	44,937,765	140,948,335	446,285,597
Securities purchased under resell agreements	10,891,270	-	-	-	-	10,891,270
Loans (include overdue loans)	68,656,903	68,680,154	73,257,584	69,687,920	750,644,677	1,030,927,238
Deliverable derivative assets	322,877,292	197,352,278	161,782,111	113,441,476	19,331,060	814,784,217
Non-deliverable derivative assets	4,143,393	-	1,921	-	354,325	4,499,639
Other capital inflow on maturity	24,046,573	7,074,164	8,767,415	4,874,133	53,685,879	98,448,164
Subtotal	662,256,859	294,187,399	298,479,103	238,424,914	984,222,146	2,477,570,421
Liabilities						
Due to the Central Bank and other banks	13,473,447	1,000	549,909	-	103,000	14,127,356
Deposits and remittances	121,286,099	118,136,574	93,558,908	188,734,316	661,781,540	1,183,497,437
Securities sold under repurchase agreements	2,383,670	7,392,822	22,584	-	-	9,799,076
Payables	501,111	389,311	642,871	705,152	106,280	2,344,725
Bank debentures	-	-	1,301,986	2,150,000	49,155,616	52,607,602
Deliverable derivative liabilities	313,354,989	329,648,202	225,560,881	91,209,577	30,791,880	990,565,529
Non-deliverable derivative liabilities	4,213,223	-	-	-	-	4,213,223
Other capital outflow on maturity	18,714,729	3,719,246	2,678,891	107,402	6,761,832	31,982,100
Subtotal	473,927,268	459,287,155	324,316,030	282,906,447	748,700,148	2,289,137,048

June 30, 2018	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	$ 38,351,625	$ 3,415,602	$ 2,905,263	$ 5,364,457	$ 17,543,838	$ 67,580,785
Investments in marketable securities (Note 2)	181,027,240	30,442,698	31,785,157	64,309,768	134,953,028	442,517,891
Securities purchased under resell agreements	8,862,174	-	-	-	-	8,862,174
Loans (include overdue loans)	80,679,765	75,688,676	94,584,371	77,720,343	678,340,703	1,007,013,858
Deliverable derivative assets	275,137,824	247,745,945	156,918,190	137,231,388	15,548,548	832,581,895
Non-deliverable derivative assets	4,292,601	731	5,075	5,441	264,505	4,568,353
Other capital inflow on maturity	26,123,961	9,226,595	7,886,891	3,880,303	50,936,676	98,054,426
Subtotal	614,475,190	366,520,247	294,084,947	288,511,700	897,587,298	2,461,179,382
Liabilities						
Due to the Central Bank and other banks	20,426,973	2,700	-	549,909	103,000	21,082,582
Deposits and remittances	160,586,893	116,982,599	99,532,910	183,783,704	600,015,547	1,160,901,653
Securities sold under repurchase agreements	5,550,008	2,133,851	22,559	30,731	-	7,737,149
Payables	509,407	572,873	462,598	566,555	100,469	2,211,902
Bank debentures	-	7,450,731	4,005,074	1,305,441	35,864,505	48,625,751
Deliverable derivative liabilities	338,146,739	311,231,724	227,975,323	98,990,372	29,557,030	1,005,901,188
Non-deliverable derivative liabilities	4,444,144	-	-	-	-	4,444,144
Other capital outflow on maturity	12,732,271	353,977	284,527	4,404,898	6,649,180	24,424,853
Subtotal	542,396,435	438,728,455	332,282,991	289,631,610	672,289,731	2,275,329,222

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, financial assets at fair value through other comprehensive income, investments in debt instruments measured at amortized cost.

b) Maturity analysis of financial assets and liabilities - USD

Taipei Fubon Bank

(In Thousands of U.S. Dollars)

June 30, 2019	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	$ 403,609	$ 802,000	$ 395,000	$ 645,000	$ -	$ 2,245,609
Investments in marketable securities (Note 2)	482,448	5,999	28,929	137,427	6,772,278	7,427,081
Loans (including overdue loans)	948,603	482,898	363,069	193,732	1,430,060	3,418,362
Deliverable derivative assets	9,768,956	8,248,257	5,685,915	3,045,836	954,229	27,703,193
Non-deliverable derivative assets	32,749	-	88	57	28,363	61,257
Other capital inflow on maturity	718,336	319,301	70,213	25,342	335,195	1,468,387
Subtotal	12,354,701	9,858,455	6,543,214	4,047,394	9,520,125	42,323,889
Liabilities						
Due to the Central Bank and other banks	2,006,167	645,000	-	-	-	2,651,167
Deposits and remittances	2,177,155	1,744,691	1,650,769	1,896,783	3,720,866	11,190,264
Securities sold under repurchase agreements	1,299,593	350,040	-	-	-	1,649,633
Payables	19,944	15,041	7,048	2,403	137	44,573
Bank debentures	-	-	-	-	1,198,318	1,198,318
Deliverable derivative liabilities	8,329,059	6,544,884	3,974,549	4,051,474	598,665	23,498,631
Non-deliverable derivative liabilities	35,292	-	-	433	66,902	102,627
Other capital outflow on maturity	798,332	78,671	27,026	18,966	843,991	1,766,986
Subtotal	14,665,542	9,378,327	5,659,392	5,970,059	6,428,879	42,102,199

(In Thousands of U.S. Dollars)

December 31, 2018	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	$ 888,556	$ 1,407,000	$ 228,000	$ 330,000	$ -	$ 2,853,556
Investments in marketable securities (Note 2)	564,542	45,037	70,132	39,756	6,130,102	6,849,569
Loans (including overdue loans)	669,562	363,888	345,367	245,325	1,489,633	3,113,775
Deliverable derivative assets	11,667,328	12,020,165	7,763,624	3,238,784	1,048,549	35,738,450
Non-deliverable derivative assets	36,210	-	11	268	46,105	82,594
Other capital inflow on maturity	1,036,115	304,646	55,607	13,232	359,359	1,768,959
Subtotal	14,862,313	14,140,736	8,462,741	3,867,365	9,073,748	50,406,903
Liabilities						
Due to the Central Bank and other banks	1,457,447	206,500	35,000	-	-	1,698,947
Deposits and remittances	3,191,024	2,276,208	1,494,073	1,331,798	3,776,798	12,069,901
Securities sold under repurchase agreements	2,059,991	844,790	-	-	-	2,904,781
Payables	29,521	18,697	7,323	1,616	169	57,326
Bank debentures	-	-	-	-	1,088,893	1,088,893
Deliverable derivative liabilities	12,436,483	7,980,826	5,618,162	3,974,241	671,170	30,680,882
Non-deliverable derivative liabilities	36,741	-	182	-	76,524	113,447
Other capital outflow on maturity	578,416	76,652	27,458	14,504	677,199	1,374,229
Subtotal	19,789,623	11,403,673	7,182,198	5,322,159	6,290,753	49,988,406

(In Thousands of U.S. Dollars)

June 30, 2018	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	$ 727,900	$ 1,087,000	$ 457,000	$ 448,000	$ -	$ 2,719,900
Investments in marketable securities (Note 2)	589,923	24,939	83,607	158,553	5,681,071	6,538,093
Loans (including overdue loans)	1,024,412	384,393	302,752	203,412	1,487,227	3,402,196
Deliverable derivative assets	14,528,139	12,162,063	8,414,786	3,918,877	1,041,549	40,065,414
Non-deliverable derivative assets	43,209	58	75	22	72,220	115,584
Other capital inflow on maturity	1,147,267	283,354	81,786	23,291	338,891	1,874,589
Subtotal	18,060,850	13,941,807	9,340,006	4,752,155	8,620,958	54,715,776
Liabilities						
Due to the Central Bank and other banks	1,380,624	674,500	30,000	-	-	2,085,124
Deposits and remittances	3,753,248	1,274,742	1,639,516	1,781,873	4,028,370	12,477,749
Securities sold under repurchase agreements	899,414	1,720,096	73,349	-	-	2,692,859
Payables	18,507	18,096	6,901	785	-	44,289
Bank debentures	-	-	-	-	978,739	978,739
Deliverable derivative liabilities	11,849,384	10,341,612	6,176,535	5,235,119	544,499	34,147,149
Non-deliverable derivative liabilities	43,222	-	4	551	78,491	122,268
Other capital outflow on maturity	993,996	81,141	42,032	12,450	759,666	1,889,285
Subtotal	18,938,395	14,110,187	7,968,337	7,030,778	6,389,765	54,437,462

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, financial assets at fair value through other comprehensive income, investments in debt instruments measured at amortized cost.

c) Maturity analysis of derivative assets and liabilities - RMB

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

(In Thousands of RMB)

June 30, 2019	0-30 Days	31-90 Days	91- 365 Days	Over 1 Year	No Maturity Date	Total
<u>Assets</u>						
Cash, call loans and deposits due from/to other banks	$ 3,654,865	$ -	$ -	$ -	$ 5,349,218	$ 9,004,083
Investments in marketable securities (Note)	6,735,736	606,970	1,814,342	22,108,487	-	31,265,535
Loans (including overdue loans)	6,244,513	10,726,199	21,076,655	10,962,417	-	49,009,784
Deliverable derivative assets	2,683,625	3,170,548	7,567,328	688,508	-	14,110,009
Non-deliverable derivative assets	9,632,603	11,636,770	31,656,299	-	-	52,925,672
Other capital inflow on maturity	1,256,774	1,128,686	3,352,305	-	18,268	5,756,033
Subtotal	30,208,116	27,269,173	65,466,929	33,759,412	5,367,486	162,071,116
<u>Liabilities</u>						
Due to the Central Bank and other banks	1,579,155	1,244,528	2,697,183	-	-	5,520,866
Funds borrowed from the Central Bank and other banks	19,990	49,847	31,107	-	-	100,944
Deposits and remittances	26,058,477	11,896,564	22,712,970	3,341,076	-	64,009,087
Securities sold under repurchase agreements	5,799,855	40,019	-	-	-	5,839,874
Payables	1,119,452	1,112,372	3,352,305	542	-	5,584,671
Bank debentures	-	-	106,300	2,956,700	-	3,063,000
Deliverable derivative liabilities	5,844,660	3,429,060	10,428,700	686,154	-	20,388,574
Non-deliverable derivative liabilities	10,454,340	12,725,485	34,169,580	413,295	-	57,762,700
Other capital outflow on maturity	-	-	-	-	3,122	3,122
Subtotal	50,875,929	30,497,875	73,498,145	7,397,767	3,122	162,272,838

(In Thousands of RMB)

December.31, 2018	0-30 Days	31-90 Days	91- 365 Days	Over 1 Year	No Maturity Date	Total
<u>Assets</u>						
Cash, call loans and deposits due from/to other banks	$ 3,172,193	$ -	$ -	$ -	$ 4,784,298	$ 7,956,491
Investments in marketable securities (Note)	7,155,994	1,127,997	2,115,633	15,864,461	-	26,264,085
Securities purchased under resell agreements	196,158	-	-	-	-	196,158
Loans (including overdue loans)	5,492,388	7,426,986	19,175,576	8,842,269	-	40,937,219
Deliverable derivative assets	4,097,729	2,882,187	7,336,783	682,450	-	14,999,149
Non-deliverable derivative assets	8,968,340	9,896,167	26,001,762	-	-	44,866,269
Other capital inflow on maturity	1,393,594	1,161,734	2,089,324	-	18,239	4,662,891
Subtotal	30,476,396	22,495,071	56,719,078	25,389,180	4,802,537	139,882,262
<u>Liabilities</u>						
Due to the Central Bank and other banks	869,023	2,492,634	3,319,554	-	-	6,681,211
Funds borrowed from the Central Bank and other banks	-	-	100,639	-	-	100,639
Deposits and remittances	26,138,887	12,773,843	10,009,302	5,044,665	-	53,966,697
Securities sold under repurchase agreements	2,782,812	479,237	30,661	-	-	3,292,710
Payables	1,730,268	1,144,718	2,089,324	542	-	4,964,852
Bank debentures	-	-	54,300	1,488,700	-	1,543,000
Deliverable derivative liabilities	4,118,721	2,933,752	7,437,064	680,097	-	15,169,634
Non-deliverable derivative liabilities	8,938,974	9,849,401	25,854,254	-	-	44,642,629
Other capital outflow on maturity	-	-	-	-	3,122	3,122
Subtotal	44,578,685	29,673,585	48,895,098	7,214,004	3,122	130,364,494

(In Thousands of RMB)

June 30, 2018	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	$ 1,572,481	$ -	$ -	$ -	$ 4,831,991	$ 6,404,472
Investments in marketable securities (Note)	6,085,418	1,977,648	2,246,980	11,662,760	-	21,972,806
Loans (including overdue loans)	5,148,978	8,129,293	15,134,609	10,444,443	-	38,857,323
Deliverable derivative assets	1,484,689	2,973,015	5,654,704	813,629	-	10,926,037
Non-deliverable derivative assets	12,467,212	11,681,341	28,270,017	266,873	-	52,685,443
Other capital inflow on maturity	1,682,261	760,646	1,663,531	-	20,439	4,126,877
Subtotal	28,441,039	25,521,943	52,969,841	23,187,705	4,852,430	134,972,958
Liabilities						
Due to the Central Bank and other banks	3,428,294	2,906,917	1,888,637	68,493	-	8,292,341
Funds borrowed from the Central Bank and other banks	-	647,193	204,569	-	-	851,762
Deposits and remittances	21,517,158	7,131,667	12,308,275	4,996,115	-	45,953,215
Securities sold under repurchase agreements	3,062,571	94,055	491,276	-	-	3,647,902
Payables	1,250,022	760,646	1,663,530	541	-	3,674,739
Deliverable derivative liabilities	1,500,379	2,935,548	5,730,986	811,745	-	10,978,658
Non-deliverable derivative liabilities	12,427,248	11,669,582	28,139,156	266,614	-	52,502,600
Other capital outflow on maturity	-	-	-	-	3,122	3,122
Subtotal	43,185,672	26,145,608	50,426,429	6,143,508	3,122	125,904,339

Note: Investments in marketable securities include financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, and investments in debt instruments measured at amortized cost.

d) Maturity analysis of derivatives assets and liabilities - NTD

Taipei Fubon Bank

June 30, 2019	0-30 Days	31-90 Days	91-180 Days	181-365 Days	Over 1 Year	Total
Assets						
Deliverable derivative assets						
Forward contracts	$ 1,181,412	$ 1,237,231	$ 269,034	$ 61,434	$ -	$ 2,749,111
Currency swaps	180,376,094	143,108,678	100,520,598	58,713,647	633,216	483,352,233
Cross-currency swaps	3,631,650	8,939,757	6,805,651	36,750,437	17,049,870	73,177,365
Subtotal	185,189,156	153,285,666	107,595,283	95,525,518	17,683,086	559,278,709
Non-deliverable derivative assets						
Foreign exchange derivative instruments	837,020	-	-	-	-	837,020
Interest rate derivative instruments - hedging	-	-	-	-	581,683	581,683
Interest rate derivative instruments - non-hedging	2,437,235	-	-	-	-	2,437,235
Equity derivative instruments	699,700	-	-	-	-	699,700
Subtotal	3,973,955	-	-	-	581,683	4,555,638
Liabilities						
Deliverable derivative liabilities						
Forward contracts	1,306,391	829,778	71,473	16,184	-	2,223,826
Currency swaps	214,718,450	212,292,612	144,394,206	55,467,938	3,269,632	630,142,838
Cross-currency swaps	3,982,000	-	5,968,240	22,773,580	25,738,115	58,461,935
Subtotal	220,006,841	213,122,390	150,433,919	78,257,702	29,007,747	690,828,599
Non-deliverable derivative liabilities						
Foreign exchange derivative instruments	837,020	-	-	-	-	837,020
Interest rate derivative instruments - non-hedging	2,450,315	-	-	-	-	2,450,315
Equity derivative instruments	701,434	-	-	-	-	701,434
Subtotal	3,988,769	-	-	-	-	3,988,769

December 31, 2018	0-30 Days	31-90 Days	91-180 Days	181-365 Days	Over 1 Year	Total
Assets						
Deliverable derivative assets						
Forward contracts	$ 452,798	$ 470,960	$ 309,833	$ 219,369	$ -	$ 1,452,960
Currency swaps	312,640,145	181,414,227	156,297,294	95,683,182	2,086,700	748,121,548
Cross-currency swaps	9,784,349	15,467,091	5,174,984	17,538,925	17,244,360	65,209,709
Subtotal	322,877,292	197,352,278	161,782,111	113,441,476	19,331,060	814,784,217
Non-deliverable derivative assets						
Foreign exchange derivative instruments	1,022,811	-	-	-	-	1,022,811
Interest rate derivative instruments - hedging	-	-	1,921	-	354,325	356,246
Interest rate derivative instruments - non-hedging	2,570,508	-	-	-	-	2,570,508
Equity derivative instruments	550,074	-	-	-	-	550,074
Subtotal	4,143,393	-	1,921	-	354,325	4,499,639
Liabilities						
Deliverable derivative liabilities						
Forward contracts	1,920,115	891,208	51,595	2,599	-	2,865,517
Currency swaps	307,885,649	320,733,094	209,860,176	82,798,038	1,459,200	922,736,157
Cross-currency swaps	3,549,225	8,023,900	15,649,110	8,408,940	29,332,680	64,963,855
Subtotal	313,354,989	329,648,202	225,560,881	91,209,577	30,791,880	990,565,529
Non-deliverable derivative liabilities						
Foreign exchange derivative instruments	1,022,811	-	-	-	-	1,022,811
Interest rate derivative instruments - non-hedging	2,639,244	-	-	-	-	2,639,244
Equity derivative instruments	551,168	-	-	-	-	551,168
Subtotal	4,213,223	-	-	-	-	4,213,223

June 30, 2018	0-30 Days	31-90 Days	91-180 Days	181-365 Days	Over 1 Year	Total
Assets						
Deliverable derivative assets						
Forward contracts	$ 1,054,471	$ 822,577	$ 514,858	$ 290,027	$ -	$ 2,681,933
Currency swaps	266,315,189	237,048,761	138,887,158	116,338,191	314,688	758,903,987
Cross-currency swaps	7,768,164	9,874,607	17,516,174	20,603,170	15,233,860	70,995,975
Subtotal	275,137,824	247,745,945	156,918,190	137,231,388	15,548,548	832,581,895
Non-deliverable derivative assets						
Foreign exchange derivative instruments	853,543	-	-	-	-	853,543
Interest rate derivative instruments - hedging	-	731	5,075	5,441	264,505	275,752
Interest rate derivative instruments - non-hedging	2,478,121	-	-	-	-	2,478,121
Equity derivative instruments	960,937	-	-	-	-	960,937
Subtotal	4,292,601	731	5,075	5,441	264,505	4,568,353
Liabilities						
Deliverable derivative liabilities						
Forward contracts	1,597,894	1,450,731	98,837	-	-	3,147,462
Currency swaps	335,938,995	308,270,993	224,524,746	74,236,337	10,876,760	953,847,831
Cross-currency swaps	609,850	1,510,000	3,351,740	24,754,035	18,680,270	48,905,895
Subtotal	338,146,739	311,231,724	227,975,323	98,990,372	29,557,030	1,005,901,188
Non-deliverable derivative liabilities						
Foreign exchange derivative instruments	853,543	-	-	-	-	853,543
Interest rate derivative instruments - non-hedging	2,630,254	-	-	-	-	2,630,254
Equity derivative instruments	960,347	-	-	-	-	960,347
Subtotal	4,444,144	-	-	-	-	4,444,144

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

e) Maturity analysis of derivative assets and liabilities - USD

Taipei Fubon Bank

(In Thousands of U.S. Dollars)

June 30, 2019	0-30 Days	31-90 Days	91-180 Days	181-365 Days	Over 1 Year	Total
Assets						
Deliverable derivative assets						
Forward contracts	$ 879,870	$ 460,964	$ 117,293	$ 44,197	$ -	$ 1,502,324
Currency swaps	8,759,086	7,787,293	5,373,622	2,230,367	106,952	24,257,320
Cross-currency swaps	130,000	-	195,000	771,272	847,277	1,943,549
Subtotal	9,768,956	8,248,257	5,685,915	3,045,836	954,229	27,703,193
Non-deliverable derivative assets						
Foreign exchange derivative instruments	19,157	-	-	-	-	19,157
Interest rate derivative instruments - hedging	-	-	88	57	28,363	28,508
Interest rate derivative instruments - non-hedging	12,894	-	-	-	-	12,894
Equity derivative instruments	383	-	-	-	-	383
Product derivative instruments	315	-	-	-	-	315
Subtotal	32,749	-	88	57	28,363	61,257
Liabilities						
Deliverable derivative liabilities						
Forward contracts	203,781	367,174	84,247	53,177	-	708,379
Currency swaps	8,007,601	5,898,419	3,672,031	2,795,772	20,700	20,394,523
Cross-currency swaps	117,677	279,291	218,271	1,202,525	577,965	2,395,729
Subtotal	8,329,059	6,544,884	3,974,549	4,051,474	598,665	23,498,631
Non-deliverable derivative liabilities						
Foreign exchange derivative instruments	20,781	-	-	-	-	20,781
Interest rate derivative instruments - hedging	-	-	-	433	66,902	67,335
Interest rate derivative instruments - non-hedging	13,816	-	-	-	-	13,816
Equity derivative instruments	383	-	-	-	-	383
Product derivative instruments	312	-	-	-	-	312
Subtotal	35,292	-	-	433	66,902	102,627

(In Thousands of U.S. Dollars)

December 31, 2018	0-30 Days	31-90 Days	91-180 Days	181-365 Days	Over 1 Year	Total
Assets						
Deliverable derivative assets						
Forward contracts	$ 547,395	$ 400,780	$ 169,596	$ 73,170	$ -	$ 1,190,941
Currency swaps	11,004,933	11,354,385	7,069,028	2,890,614	50,000	32,368,960
Cross-currency swaps	115,000	265,000	525,000	275,000	998,549	2,178,549
Subtotal	11,667,328	12,020,165	7,763,624	3,238,784	1,048,549	35,738,450
Non-deliverable derivative assets						
Foreign exchange derivative instruments	27,360	-	-	-	-	27,360
Interest rate derivative instruments - hedging	-	-	11	268	46,105	46,384
Interest rate derivative - non-hedging	8,371	-	-	-	-	8,371
Equity derivative instruments	278	-	-	-	-	278
Product derivative instruments	201	-	-	-	-	201
Subtotal	36,210	-	11	268	46,105	82,594
Liabilities						
Deliverable derivative liabilities						
Forward contracts	236,341	408,978	150,582	103,391	-	899,292
Currency swaps	11,873,005	7,065,751	5,297,303	3,312,294	70,000	27,618,353
Cross-currency swaps	327,137	506,097	170,277	558,556	601,170	2,163,237
Subtotal	12,436,483	7,980,826	5,618,162	3,974,241	671,170	30,680,882
Non-deliverable derivative liabilities						
Foreign exchange derivative instruments	28,583	-	-	-	-	28,583
Interest rate derivative instruments - hedging	-	-	182	-	76,524	76,706
Interest rate derivative instruments - non-hedging	7,680	-	-	-	-	7,680
Equity derivative instruments	278	-	-	-	-	278
Product derivative instruments	200	-	-	-	-	200
Subtotal	36,741	-	182	-	76,524	113,447

(In Thousands of U.S. Dollars)

June 30, 2018	0-30 Days	31-90 Days	91-180 Days	181-365 Days	Over 1 Year	Total
Assets						
Deliverable derivative assets						
Forward contracts	$ 461,568	$ 331,309	$ 130,055	$ 40,745	$ -	$ 963,677
Currency swaps	14,046,571	11,780,754	8,165,945	3,053,132	388,000	37,434,402
Cross-currency swaps	20,000	50,000	118,786	825,000	653,549	1,667,335
Subtotal	14,528,139	12,162,063	8,414,786	3,918,877	1,041,549	40,065,414
Non-deliverable derivative assets						
Foreign exchange derivative instruments	33,513	-	-	-	-	33,513
Interest rate derivative instruments - hedging	-	58	75	22	72,220	72,375
Interest rate derivative instruments - non-hedging	9,149	-	-	-	-	9,149
Equity derivative instruments	495	-	-	-	-	495
Product derivative instruments	52	-	-	-	-	52
Subtotal	43,209	58	75	22	72,220	115,584
Liabilities						
Deliverable derivative liabilities						
Forward contracts	881,070	480,138	185,624	84,681	-	1,631,513
Currency swaps	10,707,064	9,533,533	5,394,631	4,463,789	10,640	30,109,657
Cross-currency swaps	261,250	327,941	596,280	686,649	533,859	2,405,979
Subtotal	11,849,384	10,341,612	6,176,535	5,235,119	544,499	34,147,149
Non-deliverable derivative liabilities						
Foreign exchange derivative instruments	33,972	-	-	-	-	33,972
Interest rate derivative instruments - hedging	-	-	4	551	78,491	79,046
Interest rate derivative instruments - non-hedging	8,705	-	-	-	-	8,705
Equity derivative instruments	494	-	-	-	-	494
Product derivative instruments	51	-	-	-	-	51
Subtotal	43,222	-	4	551	78,491	122,268

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

f) Maturity analysis of derivative assets and liabilities - RMB

Fubon Bank (China)

(In Thousands of RMB)

June 30, 2019	0-30 Days	31-90 Days	91-365 Days	Over 1 Year	Total
Assets					
Deliverable derivative assets					
Forward contracts	$ 651,632	$ 565,726	$ 757,018	$ 340,729	$ 2,315,105
Currency swaps	694,356	1,368,804	4,185,420	347,779	6,596,359
Options	1,337,637	1,236,018	2,603,550	-	5,177,205
Cross-currency swaps	-	-	21,340	-	21,340
Subtotal	2,683,625	3,170,548	7,567,328	688,508	14,110,009
Non-deliverable derivative assets					
Interest rate derivatives - non-hedging	435	320	698	-	1,453
Currency swaps	8,697,434	10,232,119	31,033,943	-	49,963,496
Options	934,734	1,292,669	621,658	-	2,849,061
Forward contracts	-	111,662	-	-	111,662
Subtotal	9,632,603	11,636,770	31,656,299	-	52,925,672
Liabilities					
Deliverable derivative liabilities					
Forward contracts	644,779	563,640	757,062	347,779	2,313,260
Currency swaps	1,215,815	1,368,590	4,640,968	338,375	7,563,748
Options	3,984,066	1,496,830	5,009,330	-	10,490,226
Cross-currency swaps	-	-	21,340	-	21,340
Subtotal	5,844,660	3,429,060	10,428,700	686,154	20,388,574
Non-deliverable derivatives					
Interest rate derivatives - non-hedging	651	894	1,782	-	3,327
Currency swaps	9,510,701	11,313,024	33,553,329	413,295	54,790,349
Options	942,988	1,299,693	614,469	-	2,857,150
Forward contracts	-	111,874	-	-	111,874
Subtotal	10,454,340	12,725,485	34,169,580	413,295	57,762,700

(In Thousands of RMB)

December 31, 2018	0-30 Days	31-90 Days	91-365 Days	Over 1 Year	Total
Assets					
Deliverable derivative assets					
Forward contracts	$ 509,004	$ 156,421	$ 593,777	$ 340,728	$ 1,599,930
Currency swaps	1,885,692	528,049	2,399,961	341,722	5,155,424
Options	1,700,728	1,759,432	4,343,045	-	7,803,205
Equity swaps	2,305	-	-	-	2,305
Cross-currency swaps	-	438,285	-	-	438,285
Subtotal	4,097,729	2,882,187	7,336,783	682,450	14,999,149
Non-deliverable derivative assets					
Interest rate derivatives - non-hedging	53	2,989	1,952	-	4,994
Currency swaps	7,608,651	9,066,794	24,416,476	-	41,091,921
Options	1,236,575	792,028	1,478,542	-	3,507,145
Forward contracts	123,061	34,356	104,792	-	262,209
Subtotal	8,968,340	9,896,167	26,001,762	-	44,866,269
Liabilities					
Deliverable derivative liabilities					
Forward contracts	514,452	156,467	592,511	341,722	1,605,152
Currency swaps	1,894,583	521,690	2,467,236	338,375	5,221,884
Options	1,707,381	1,797,646	4,377,317	-	7,882,344
Equity swaps	2,305	-	-	-	2,305
Cross-currency swaps	-	457,949	-	-	457,949
Subtotal	4,118,721	2,933,752	7,437,064	680,097	15,169,634
Non-deliverable derivatives					
Interest rate derivatives - non-hedging	150	3,429	3,167	-	6,746
Currency swaps	7,577,656	9,023,431	24,260,526	-	40,861,613
Options	1,238,742	788,231	1,485,868	-	3,512,841
Forward contracts	122,426	34,310	104,693	-	261,429
Subtotal	8,938,974	9,849,401	25,854,254	-	44,642,629

(In Thousands of RMB)

June 30, 2018	0-30 Days	31-90 Days	91-365 Days	Over 1 Year	Total
Assets					
Deliverable derivative assets					
Forward contracts	$ 64,703	$ 137,874	$ 374,188	$ 340,729	$ 917,494
Currency swaps	1,221,651	2,126,154	3,716,838	404,006	7,468,649
Options	198,335	708,987	1,552,728	66,589	2,526,639
Equity swaps	-	-	10,950	2,305	13,255
Cross-currency swaps	-	-	-	-	-
Subtotal	1,484,689	2,973,015	5,654,704	813,629	10,926,037
Non-deliverable derivative assets					
Interest rate derivatives - non-hedging	8	145	3,944	-	4,097
Currency swaps	11,993,106	11,613,243	27,768,343	266,873	51,641,565
Options	459,091	66,274	432,192	-	957,557
Forward contracts	12,804	-	63,713	-	76,517
Commodity swaps	2,203	1,679	1,825	-	5,707
Subtotal	12,467,212	11,681,341	28,270,017	266,873	52,685,443
Liabilities					
Deliverable derivative liabilities					
Forward contracts	62,254	135,078	377,429	337,417	912,178
Currency swaps	1,239,538	2,091,496	3,752,912	405,218	7,489,164
Options	198,587	708,974	1,589,695	66,805	2,564,061
Equity swaps	-	-	10,950	2,305	13,255
Cross-currency swaps	-	-	-	-	-
Subtotal	1,500,379	2,935,548	5,730,986	811,745	10,978,658
Non-deliverable derivatives					
Interest rate derivatives - non-hedging	29	214	4,578	-	4,821
Currency swaps	11,953,092	11,604,189	27,649,634	266,614	51,473,529
Options	458,697	63,500	416,786	-	938,983
Forward contracts	13,227	-	66,333	-	79,560
Commodity swaps	2,203	1,679	1,825	-	5,707
Subtotal	12,427,248	11,669,582	28,139,156	266,614	52,502,600

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 were possibly asked for settlement in the earliest period. The amounts in the table below were on cash flow basis; therefore, some disclosed amounts would not match those in the consolidated balance sheet.

Taipei Fubon Bank

June 30, 2019	0-30 Days	31-90 Days	91-180 Days	181-365 Days	Over 1 Year	Total
Irrevocable credit commitments	$ 200,067,631	$ -	$ -	$ -	$ -	$ 200,067,631
Standby letters of credit	7,578,447	-	-	-	-	7,578,447
Financial guarantees	13,123,218	770,200	-	5,546,560	6,234,281	25,674,259
Total	$ 220,769,296	$ 770,200	$ -	$ 5,546,560	$ 6,234,281	$ 233,320,337

December 31, 2018	0-30 Days	31-90 Days	91-180 Days	181-365 Days	Over 1 Year	Total
Irrevocable credit commitments	$ 112,580,654	$ -	$ -	$ -	$ -	$ 112,580,654
Standby letters of credit	8,295,749	-	-	-	-	8,295,749
Financial guarantees	14,289,053	1,595,177	91,812	2,570,495	9,299,237	27,845,774
Total	$ 135,165,456	$ 1,595,177	$ 91,812	$ 2,570,495	$ 9,299,237	$ 148,722,177

June 30, 2018	0-30 Days	31-90 Days	91-180 Days	181-365 Days	Over 1 Year	Total
Irrevocable credit commitments	$ 137,765,427	$ -	$ -	$ -	$ -	$ 137,765,427
Standby letters of credit	9,708,900	-	-	-	-	9,708,900
Financial guarantees	14,249,249	800,700	250,400	448,330	11,782,180	27,530,859
Total	161,723,576	800,700	250,400	448,330	11,782,180	175,005,186

Fubon Bank (China)

(In Thousands of RMB)

June 30, 2019	0-30 Days	31-90 Days	91-365 Days	Over 1 Year	Total
Standby letters of credit	$ 127,844	$ 99,044	$ 43,373	$ -	$ 270,261
Financial guarantees	252,308	189,601	273,431	7,762	723,102
Total	$ 380,152	$ 288,645	$ 316,804	$ 7,762	$ 993,363

(In Thousands of RMB)

December 31, 2018	0-30 Days	31-90 Days	91-365 Days	Over 1 Year	Total
Standby letters of credit	$ 110,409	$ 134,048	$ 68,055	$ -	$ 312,512
Financial guarantees	123,090	233,480	596,868	11,597	965,035
Total	$ 233,499	$ 367,528	$ 664,923	$ 11,597	$ 1,277,547

(In Thousands of RMB)

June 30, 2018	0-30 Days	31-90 Days	91-365 Days	Over 1 Year	Total
Standby letters of credit	$ 130,129	$ 145,861	$ 43,667	$ -	$ 319,657
Financial guarantees	172,291	336,521	674,856	17,984	1,201,652
Total	$ 302,420	$ 482,382	$ 718,523	$ 17,984	$ 1,521,309

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.

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 market risk strategy, 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. Furthermore, the independent audit department under the Bank's board of directors manages the independent assurance functions of 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 from 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 maximum 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 maximum loss on current net positions within one day, with a 99% confidence level. The Bank also calculates current VaR and stressed VaR using historical simulation to get possible circumstances of market risk under control. In order to ensure the quality of the risk value, the Bank conducts periodic review and statistical verification of actual profit and loss.

Trading book VaR information is shown below:

	For the Six Months Ended June 30, 2019			
Common VaR	**Highest**	**Lowest**	**Mean**	**End of Year**
Equity	$ 3,502	$ 519	$ 1,470	$ 3,502
Interest rate	63,542	41,539	54,129	45,742
Exchange rate	11,598	4,912	7,669	8,746
Volatility	1,257	222	580	1,257
Diversification effect			(11,952)	(17,237)
Common VaR of trading book			$ 51,896	$ 42,010

Common VaR	For the Six Months Ended June 30, 2018 Highest	Lowest	Mean	End of Year
Equity	$ 25,106	$ -	$ 8,874	$ 2,608
Interest rate	95,413	50,580	71,699	64,716
Exchange rate	9,452	4,753	6,936	7,782
Volatility	1,200	331	688	364
Diversification effect			(13,384)	(3,043)
Common VaR of trading book			$ 74,813	$ 72,427

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

Fubon Bank (China)

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

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

6) Measurement of banking book market risk

Taipei Fubon Bank

a) Interest rate risk

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

Banking book interest rate risk refers to possible loss due to unfavorable changes in interest rates for the banking book portfolio. One of the methods used to determine exposure to interest rate risks is earnings analysis, which focuses on the effects interest rate changes on the earnings of the banking book portfolio, especially earnings in the short term. Had the interest rate increased/decreased 1bps (basis points) as of June 30, 2019, December 31, 2018 and June 30, 2018 and all other factors been held constant, the earnings would have decreased/increased by $3 million, $4 million and $4 million, respectively.

b) Exchange rate risk

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

The Bank's overseas branches and these branches' long-term equity-method investments have foreign exchange businesses. The percentage of the foreign currency operating funds used for the foreign exchange business operations is low when compared with the Bank's entire foreign currency position. As of June 30, 2019, 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 the long term and has strict regulations on buying or selling these investments.

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

	June 30, 2019		December 31, 2018		June 30, 2018 (Audited After Restatement)	
	Influence on Profit and Loss	**Influence on Other Equity**	**Influence on Profit and Loss**	**Influence on Other Equity**	**Influence on Profit and Loss**	**Influence on Other Equity**
Stock price increase by 10%	$ -	$ 693,719	$ -	$ 429,230	$ -	$ 312,921
Stock price decrease by 10%	-	(693,719)	-	(429,230)	-	(312,921)

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 setting risk standards as the monitoring benchmark. In this computation, an increase or decrease in interest rate by 50 basis points is used to evaluate risk.

(In Thousands of RMB)

	June 30, 2019		December 31, 2018		June 30, 2018	
	Impact on Profit and Loss	**Impact on Other Equity**	**Impact on Profit and Loss**	**Impact on Other Equity**	**Impact on Profit and Loss**	**Impact on Other Equity**
Interest rate increases 50 basis points	$ (44,959)	$ (143,032)	$ (7,076)	$ (97,588)	$ 5,156	$ (89,499)
Interest rate decreases 50 basis points	44,959	148,085	7,076	100,692	(5,156)	92,891

b) Exchange rate risk

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

(In Thousands of RMB)

	June 30, 2019		December 31, 2018		June 30, 2018	
	Influence on Profit and Loss	**Influence on Other Equity**	**Influence on Profit and Loss**	**Influence on Other Equity**	**Influence on Profit and Loss**	**Influence on Other Equity**
USD and HKD appreciate by 5% against the RMB	$ 53,796	$ 34,770	$ 13,404	$ 40,261	$ 18,588	$8,394
USD and HKD depreciate by 5% against the RMB	(53,796)	(34,770)	(13,404)	(40,261)	(18,588)	(8,394)

7) Foreign currency rate risk information

The table below shows the foreign currency risk information on the carrying amounts of all financial assets and liabilities denominated in foreign currencies and their respective functional currency as of June 30, 2019, December 31, 2018 and June 30, 2018.

Taipei Fubon Bank

	June 30, 2019		
	Foreign Currency	**Exchange Rate**	**New Taiwan Dollars**
Financial assets			
Monetary item			
USD	$ 18,150,150	31.0793	$ 564,093,957
RMB	11,082,037	4.5211	50,102,997
HKD	12,154,218	3.9809	48,384,726
AUD	1,786,056	21.7884	38,915,303
JPY	88,295,975	0.2883	25,455,730
Nonmonetary item			
USD	146,621	31.0793	4,556,878
RMB	386,823	4.5211	1,748,865
HKD	184,109	3.9809	732,920
AUD	355	21.7884	7,735
JPY	8,482,085	0.2883	2,445,385
Investments accounted for using the equity method			
RMB	4,758,104	4.5211	21,511,865
Financial liabilities			
Monetary item			
USD	22,854,384	31.0793	710,298,257
RMB	14,836,017	4.5211	67,075,116
HKD	11,388,627	3.9809	45,336,985
AUD	1,248,025	21.7884	27,192,468
JPY	32,878,547	0.2883	9,478,885
Nonmonetary item			
USD	173,662	31.0793	5,397,293
RMB	362,798	4.5211	1,640,246
HKD	142,396	3.9809	566,864
AUD	312	21.7884	6,798
EUR	9,974,248	0.2883	2,875,576

	December 31, 2018		
	Foreign Currency	**Exchange Rate**	**New Taiwan Dollars**
<u>Financial assets</u>			
Monetary item			
USD	$ 18,177,041	30.7404	$ 558,769,511
RMB	11,110,698	4.4671	49,632,599
HKD	8,034,603	3.9259	31,543,048
AUD	1,169,088	21.7320	25,406,620
EUR	631,486	35.1357	22,187,703
Nonmonetary item			
USD	187,014	30.7404	5,748,885
RMB	625,823	4.4671	2,795,614
HKD	89,137	3.9259	349,943
AUD	738	21.7320	16,038
EUR	383	35.1357	13,457
Investments accounted for using the equity method			
RMB	4,729,936	4.4671	21,129,099
<u>Financial liabilities</u>			
Monetary item			
USD	23,394,423	30.7404	719,153,921
RMB	15,895,005	4.4671	71,004,577
HKD	8,169,380	3.9259	32,072,169
AUD	1,123,686	21.7320	24,419,944
EUR	297,597	35.1357	10,456,279
Nonmonetary item			
USD	210,131	30.7404	6,459,511
RMB	593,107	4.4671	2,649,468
HKD	34,746	3.9259	136,409
AUD	617	21.7320	13,409
EUR	871	35.1357	30,603

	June 30, 2018		
	Foreign Currency	**Exchange Rate**	**New Taiwan Dollars**
Financial assets			
Monetary item			
USD	$ 17,569,921	30.5028	$ 535,931,786
RMB	17,812,619	4.6039	82,007,517
HKD	9,708,715	3.8877	37,744,571
AUD	1,373,426	22.5559	30,978,860
JPY	90,708,490	0.2754	24,981,118
Nonmonetary item			
USD	269,844	30.5028	8,230,998
RMB	1,013,376	4.6039	4,665,482
HKD	143,150	3.8877	556,524
AUD	1,026	22.5559	23,142
JPY	11,640,979	0.2754	3,205,926
Investments accounted for using the equity method			
RMB	4,662,987	4.6039	21,467,926
Financial liabilities			
Monetary item			
USD	23,310,685	30.5028	711,041,162
RMB	16,448,162	4.6039	75,725,693
HKD	12,165,706	3.8877	47,296,615
AUD	1,039,372	22.5559	23,443,971
JPY	77,063,857	0.2754	21,223,386
Nonmonetary item			
USD	273,834	30.5028	8,352,704
RMB	1,033,262	4.6039	4,757,035
HKD	139,822	3.8877	543,586
AUD	1,038	22.5559	23,413
JPY	10,658,599	0.2754	2,935,378

Fubon Bank (China)

	June 30, 2019		
	Foreign Currency	Exchange Rate	RMB
Financial assets			
Monetary item			
USD	$ 663,693	6.8747	$ 4,562,690
JPY	1,050,915	0.0638	67,048
HKD	23,619	0.8797	20,778
EUR	374	7.817	2,924
Nonmonetary item			
USD	51,392	6.8747	353,305
Financial liabilities			
Monetary item			
USD	2,151,667	6.8747	14,792,065
JPY	2,242,611	0.0638	143,079
HKD	436,205	0.8797	383,730
EUR	2,376	7.817	18,573
Nonmonetary item			
USD	11,643	6.8747	80,042

	December 31, 2018		
	Foreign Currencies	Exchange Rate	RMB
Financial assets			
Monetary item			
USD	$ 511,544	6.8632	$ 3,510,829
JPY	1,601,877	0.0619	99,156
HKD	26,708	0.8762	23,402
EUR	1,543	7.8473	12,108
Nonmonetary item			
USD	98,995	6.8632	679,422
Financial liabilities			
Monetary item			
USD	1,732,364	6.8632	11,889,561
JPY	2,806,577	0.0619	173,727
HKD	12,899	0.8762	11,302
EUR	4,868	7.8473	38,201
Nonmonetary item			
USD	9,446	6.8632	64,830

	June 30, 2018		
	Foreign Currency	**Exchange Rate**	**RMB**
Financial assets			
Monetary item			
USD	$ 432,232	6.6166	$ 2,859,906
JPY	1,753,120	0.0599	105,012
HKD	20,660	0.8431	17,418
EUR	630	7.6515	4,820
Nonmonetary item			
USD	110,102	6.6166	728,501
Financial liabilities			
Monetary item			
USD	1,653,194	6.6166	10,938,523
JPY	2,302,523	0.0599	137,921
HKD	14,592	0.8431	12,303
EUR	12,604	7.6515	96,440
Nonmonetary item			
USD	25,831	6.6166	170,913

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 repurchase agreements 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 Assets	June 30, 2019	
	Transferred Financial Assets - Book Value	**Related Financial Liabilities - Book Value**
Transactions under repurchase agreements		
Financial assets at fair value through profit and loss	$ 149,149	$ 149,051
Financial assets at fair value through other comprehensive income	22,720,399	22,003,433
Investments in debt instruments measured at amortized cost	78,675,727	74,549,875
Discounts and loans	218,802	221,595

Category of Financial Assets	December 31, 2018	
	Transferred Financial Assets - Book Value	Related Financial Liabilities - Book Value
Transactions under repurchase agreements		
Financial assets at fair value through other comprehensive income	$ 18,167,014	$ 17,566,722
Investments in debt instruments measured at amortized cost	113,785,581	103,582,222
Discounts and loans	153,551	158,599

Category of Financial Assets	June 30, 2018	
	Transferred Financial Assets - Book Value	Related Financial Liabilities - Book Value
Transactions under repurchase agreements		
Financial assets at fair value through other comprehensive income	$ 13,907,541	$ 13,678,909
Investments in debt instruments measured at amortized cost	110,498,179	100,951,878

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 are not engaged in transactions that met offsetting criteria in IFRSs, but they sign net settlement contracts or similar agreements with counterparties, e.g., global master repurchase agreements, global securities lending agreements and similar repurchasing agreements or reverse-repurchasing agreements. These executable net settlement contracts or similar agreements allow repurchase transactions to be settled with amount after netting financial assets and liabilities as agreed upon by the transacting parties. If one party defaults on a contract, the other one may choose net settlement.

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

June 30, 2019

Financial Assets	Recognized Financial Assets - Gross Amount	Netted Financial Liabilities Recognized on the Balance Sheet - Gross Amount	Recognized Financial Assets - Net Amount	Related Amount Not Netted on the Balance Sheet		Net Amount
				Financial Instruments (Note 1)	Cash Received as Collaterals	
Derivative instruments (Note 2)	$ 27,385,994	$ -	$ 27,385,994	$ 17,163,670	$ 5,331,711	$ 4,890,613
Securities purchased under resell agreements	4,173,884	-	4,173,884	4,140,104	-	33,780
	$ 31,559,878	$ -	$ 31,559,878	$ 21,303,774	$ 5,331,711	$ 4,924,393

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)	$ 27,223,519	$ -	$ 27,223,519	$ 14,629,302	$ 8,073,767	$ 4,520,450
Securities sold under repurchased agreements	96,923,954	-	96,923,954	96,447,966	-	475,988
	$ 124,147,473	$ -	$ 124,147,473	$ 111,077,268	$ 8,073,767	$ 4,996,438

December 31, 2018

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)	$ 29,729,300	$ -	$ 29,729,300	$ 21,240,757	$ 2,480,756	$ 6,007,787
Securities purchased under resell agreements	11,766,626	-	11,766,626	11,704,007	-	62,619
	$ 41,495,926	$ -	$ 41,495,926	$ 32,944,764	$ 2,480,756	$ 6,070,406

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)	$ 32,738,027	$ -	$ 32,738,027	$ 18,154,244	$ 7,628,167	$ 6,955,616
Securities sold under repurchased agreements	121,307,543	-	121,307,543	121,294,698	-	12,845
	$ 154,045,570	$ -	$ 154,045,570	$ 139,448,942	$ 7,628,167	$ 6,968,461

June 30, 2018

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)	$ 55,869,362	$ -	$ 55,869,362	$ 32,758,463	$ 8,408,209	$ 14,702,690
Securities purchased under resell agreements	8,862,174	-	8,862,174	8,807,269	-	54,905
	$ 64,731,536	$ -	$ 64,731,536	$ 41,565,732	$ 8,408,209	$ 14,757,595

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)	$ 49,603,309	$ -	$ 49,603,309	$ 29,284,310	$ 6,603,892	$ 13,715,107
Securities sold under repurchased agreements	114,630,787	-	114,630,787	114,015,275	875	614,637
	$ 164,234,096	$ -	$ 164,234,096	$ 143,299,585	$ 6,604,767	$ 14,329,744

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

Note 2: Includes derivative financial assets for hedging.

55. CAPITAL MANAGEMENT

a. Overview

In accordance with the minimum requirements on the regulatory capital to risk (weighted) assets ratio (i.e. the capital adequacy ratio) from the "Regulation Governing the Capital Adequacy and Capital Category of Banks" under Article 44 of the Banking Act, 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: Mainly includes common stock, capital surplus, retained earnings, other equity, and non-controlling interests, deducted by regulatory adjustment items in accordance with the rules for calculation methods issued by the authorities.

b) Net additional Tier 1 capital: Mainly includes non-cumulative perpetual preferred stock, non-cumulative perpetual subordinated debts, and the capital issued by the Bank's subsidiaries but not held by the Bank, deducted by regulatory adjustment items in accordance with the rules for calculation methods issued by the authorities.

2) Net Tier 2 capital

Mainly includes long-term subordinated debts, the capital issued by the Bank's subsidiaries but not held by the Bank, operational reserves and loan-loss provisions, and so on, deducted by regulatory adjustment items in accordance with the rules for calculation methods issued by the authorities.

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 June 30, 2018, the Bank and its subsidiaries had met the authorities' minimum requirements for capital adequacy ratio. Refer to Note 57 for more details.

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

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

a. Asset quality

See Table 1.

b. Concentration of credit extensions

June 30, 2019

Rank (Note 1)	Group Name (Note 2)	Credit Extensions Balance (Note 3)	% to Net Asset Value
1	Group A (other electronic component manufacturing industry)	$ 10,917,680	5.69
2	Group B (semiconductor assembly and testing industry)	8,839,521	4.61
3	Group C (real estate development, investment and winery, wine trade and specialty restaurant)	7,090,481	3.70
4	Group D (petrochemical raw material manufacturing industry)	6,914,342	3.60
5	Group E (LCD and its component manufacturing industry)	6,651,671	3.47
6	Group F (ocean transport industry)	6,253,604	3.26
7	Group G (other electronic component manufacturing industry)	5,620,000	2.93
8	Group H (laptops, desktops, tablets and data center holdings)	5,594,282	2.92
9	Group I (cable and broadcast industry)	5,314,174	2.77
10	Group J (other computer peripheral manufacturing industry)	4,928,595	2.57

June 30, 2018

Rank (Note 1)	Group Name (Note 2)	Credit Extensions Balance (Note 3)	% to Net Asset Value
1	Group A (petrochemical raw material manufacturing industry)	$ 11,397,266	6.39
2	Group B (other electronic component manufacturing industry)	8,200,000	4.60
3	Group C (other electronic component manufacturing industry)	8,197,654	4.60
4	Group D (ocean transport industry)	7,980,022	4.48
5	Group E (semiconductor assembly and testing industry)	7,373,698	4.14
6	Group F (wire and cable manufacturing industry)	6,588,054	3.70
7	Group G (computer peripheral, dispatch, photoelectric, electric power source management and consumer electronic)	5,378,910	3.02
8	Group H (LCD and its component manufacturing industry)	4,926,970	2.76
9	Group I (passive electronic components manufacturing industry)	4,890,053	2.74
10	Group J (ocean transport industry)	4,813,530	2.70

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

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

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

c. Interest rate sensitivity information

Interest Rate Sensitivity (New Taiwan Dollars)
June 30, 2019

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	$ 1,213,811,289	$ 67,561,321	$ 61,081,063	$ 188,170,230	$ 1,530,623,903
Interest rate-sensitive liabilities	408,876,394	771,780,854	59,663,353	65,658,482	1,305,979,083
Interest rate sensitivity gap	804,934,895	(704,219,533)	1,417,710	122,511,748	224,644,820
Net worth					186,124,328
Ratio of interest rate-sensitive assets to liabilities					117.20%
Ratio of the interest rate sensitivity gap to net worth					120.70%

Interest Rate Sensitivity (New Taiwan Dollars)
June 30, 2018

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	$ 1,205,851,647	$ 84,057,762	$ 73,657,993	$ 135,405,065	$ 1,498,972,467
Interest rate-sensitive liabilities	452,490,101	664,593,870	60,983,139	48,705,987	1,226,773,097
Interest rate sensitivity gap	753,361,546	(580,536,108)	12,674,854	86,699,078	272,199,370
Net worth					173,523,487
Ratio of interest rate-sensitive assets to liabilities					122.19%
Ratio of the interest rate sensitivity gap to net worth					156.87%

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 is prepared for off-site monitoring on the 15th of the next month.

Note 2: Interest-rate sensitive assets and liabilities represent interest-earning assets and interest-bearing liabilities whose revenue or costs are affected by interest-rate changes.

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

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

Interest Rate Sensitivity (U.S. Dollars)
June 30, 2019

(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	$ 10,502,345	$ 847,465	$ 1,396,835	$ 6,594,108	$ 19,340,753
Interest rate-sensitive liabilities	18,370,712	1,902,466	1,801,159	1,834,890	23,909,227
Interest rate sensitivity gap	(7,868,367)	(1,055,001)	(404,324)	4,759,218	(4,568,474)
Net worth					129,466
Ratio of interest rate-sensitive assets to liabilities					80.89%
Ratio of the interest rate sensitivity gap to net worth					(3,528.71%)

Interest Rate Sensitivity (U.S. Dollars)
June 30, 2018

(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	$ 9,986,301	$ 1,543,383	$ 1,668,308	$ 5,680,481	$ 18,878,473
Interest rate-sensitive liabilities	19,394,078	1,875,952	1,490,054	1,847,762	24,607,846
Interest rate sensitivity gap	(9,407,777)	(332,569)	178,254	3,832,719	(5,729,373)
Net worth					111,562
Ratio of interest rate-sensitive assets to liabilities					76.72%
Ratio of the interest rate sensitivity gap to net worth					(5,135.60%)

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 represent interest-earnings assets and interest-bearing liabilities whose revenue or costs are affected by interest-rate changes.

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

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

d. Profitability

(%)

Item		For the Six Months Ended June 30, 2019	For the Six Months Ended June 30, 2018 (Audited After Restatement)
Return on total assets	Before income tax	0.48	0.46
	After income tax	0.41	0.39
Return on equity	Before income tax	6.47	6.21
	After income tax	5.45	5.28
Profit margin		42.76	44.16

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

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

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

Note 4: Income before (after) income tax represents income for the six months ended June 30, 2019 and 2018.

e. Maturity analysis of assets and liabilities

Maturity Analysis of Assets and Liabilities (New Taiwan Dollars)
June 30, 2019

	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	$ 2,235,549,302	$ 304,598,428	$ 225,922,780	$ 241,378,862	$ 235,241,013	$ 223,321,724	$ 1,005,086,495
Main capital outflow on maturity	2,703,045,872	159,287,156	251,237,493	402,522,854	368,281,641	500,021,666	1,021,695,062
Gap	(467,496,570)	145,311,272	(25,314,713)	(161,143,992)	(133,040,628)	(276,699,942)	(16,608,567)

Maturity Analysis of Assets and Liabilities (New Taiwan Dollars)
June 30, 2018

	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	$ 2,461,179,382	$ 338,762,885	$ 275,712,305	$ 366,520,247	$ 294,084,947	$ 288,511,700	$ 897,587,298
Main capital outflow on maturity	2,860,791,375	223,644,276	349,403,873	500,031,884	424,238,134	473,541,897	889,931,311
Gap	(399,611,993)	115,118,609	(73,691,568)	(133,511,637)	(130,153,187)	(185,030,197)	7,655,987

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

Maturity Analysis of Assets and Liabilities (U.S. Dollars)
June 30, 2019

(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	$ 75,505,106	$ 28,475,099	$ 17,640,952	$ 10,622,425	$ 7,823,648	$ 10,942,982
Capital outflow on maturity	81,343,870	33,660,920	18,678,539	9,489,656	11,080,007	8,434,748
Gap	(5,838,764)	(5,185,821)	(1,037,587)	1,132,769	(3,256,359)	2,508,234

Maturity Analysis of Assets and Liabilities (U.S. Dollars)
June 30, 2018

(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	$ 87,345,631	$ 35,133,255	$ 22,926,067	$ 12,437,856	$ 6,655,164	$ 10,193,289
Capital outflow on maturity	91,952,888	38,746,327	24,548,211	11,044,990	10,032,703	7,580,657
Gap	(4,607,257)	(3,613,072)	(1,622,144)	1,392,866	(3,377,539)	2,612,632

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

57. STATEMENT OF CAPITAL ADEQUACY

Analysis		Year (Note 2)	June 30, 2019		December 31, 2018		June 30, 2018	
			Consolidated	Standalone	Consolidated	Standalone	Consolidated	Standalone
Regulatory capital	Net common equity Tier 1 capital		$ 188,322,470	$ 179,433,491	$ 181,088,191	$ 173,945,127	$ 174,018,818	$ 162,066,335
	Net additional Tier 1 capital		11,001,013	3,251,871	7,535,526	237,525	1,681,376	-
	Net Tier 2 capital		37,879,700	22,489,971	36,946,319	22,377,621	36,464,879	21,620,941
	Regulatory capital		237,203,183	205,175,333	225,570,036	196,560,273	212,165,073	183,687,276
Risk-weighted assets	Credit risk	Standardized approach	1,669,391,126	1,368,055,340	1,537,630,004	1,285,291,652	1,541,852,721	1,305,480,282
		Internal rating - based approach	-	-	-	-	-	-
		Securitization	4,391,118	4,391,118	1,179,928	1,179,928	147,248	147,248
	Operational risk	Basic indicator approach	-	-	-	-	-	-
		Standardized approach/ alternative standardized approach	77,798,950	68,197,950	77,798,950	68,197,950	74,847,625	64,516,213
		Advanced measurement approach	-	-	-	-	-	-
	Market risk	Standardized approach	65,220,913	57,638,313	55,272,575	51,063,500	44,454,650	41,123,075
		Internal models approach	-	-	-	-	-	-
	Total risk-weighted assets		1,816,802,107	1,498,282,721	1,671,881,457	1,405,733,030	1,661,302,244	1,411,266,818
Total capital adequacy ratio			13.06%	13.69%	13.49%	13.98%	12.77%	13.02%
Common equity Tier 1 ratio			10.37%	11.98%	10.83%	12.37%	10.47%	11.48%
Tier 1 capital ratio			10.97%	12.19%	11.28%	12.39%	10.58%	11.48%
Leverage ratio			6.49%	6.83%	6.53%	6.79%	6.13%	6.31%

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.

58. 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 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 and public treasury, etc.

c. Financial market group: Responsible for financial markets, etc.

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

e. Others: Business segments other than the above groups.

The Bank and its subsidiaries' segmental and geographical information of revenue and operating results were as follows:

For the six months ended June 30, 2019

	Personal Finance	Corporate Banking	Financial Market	Overseas Subsidiaries	Others	Total
Net interest income	$ 5,672,577	$ 5,509,759	$ 271,292	$ 2,545,599	$ (195,913)	$ 13,803,314
Net interest income (external)	2,875,002	3,706,266	4,580,155	2,742,922	(101,031)	13,803,314
Inter-segment revenues (expenses)	2,797,575	1,803,493	(4,308,863)	(197,323)	(94,882)	-
Net non-interest income	6,215,683	1,893,416	5,148,325	612,124	(1,204,987)	12,664,561
Net revenue	$ 11,888,260	$ 7,403,175	$ 5,419,617	$ 3,157,723	$ (1,400,900)	$ 26,467,875
Net profit (loss) before income tax	$ 6,730,073	$ 5,737,333	$ 4,956,321	$ 952,093	$ (4,946,720)	$ 13,429,100

For the six months ended June 30, 2018 (Audited after restatement)

	Personal Finance	Corporate Banking	Financial Market	Overseas Subsidiaries	Others	Total
Net interest income	$ 5,424,402	$ 4,973,482	$ 336,550	$ 2,346,988	$ 16,251	$ 13,097,673
Net interest income (external)	3,000,265	2,385,517	5,036,850	2,697,581	(22,540)	13,097,673
Inter-segment revenues (expenses)	2,424,137	2,587,965	(4,700,300)	(350,593)	38,791	-
Net non-interest income	5,546,032	1,465,070	4,312,383	(185,154)	(689,819)	10,448,512
Net revenue	$ 10,970,434	$ 6,438,552	$ 4,648,933	$ 2,161,834	($ 673,568)	$ 23,546,185
Net profit (loss) before income tax	$ 6,101,528	$ 5,088,129	$ 4,112,900	$ 498,662	$ (3,562,330)	$ 12,238,889

59. ADDITIONAL DISCLOSURES

a. Significant transaction information and b. investees:

1) Financing provided: Not applicable.

2) Endorsements/guarantees provided: Not applicable.

3) Marketable securities held: Not applicable.

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

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

6) Disposal of individual real estate at costs of at least NT$300 million or 10% of the paid-in capital: None.

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

8) Receivables from related parties amounting to at least NT$300 million or 10% of the paid-in capital: Table 2.

9) Sale of nonperforming loans: None.

10) Financial asset securitization: None.

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

12) The related information and proportionate share in investees: Table 4.

13) Derivative transactions: Note 8.

c. Information on investments in mainland China: Table 5.

d. Intercompany relationships and significant intercompany transactions: Table 3

TABLE 1

TAIPEI FUBON COMMERCIAL BANK CO., LTD.

OVERDUE LOANS AND RECEIVABLES
JUNE 30, 2019 AND 2018
(In Thousands of New Taiwan Dollars, %)

Item			June 30, 2019					June 30, 2018				
			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		$ 1,150,099	$ 200,598,159	0.57%	$ 2,070,387	180.02%	$ 516,796	$ 152,401,861	0.34%	$ 1,934,421	374.31%
	Unsecured		706,694	398,440,972	0.18%	5,535,564	783.30%	1,299,769	427,260,491	0.30%	5,651,129	434.78%
Consumer finance	Mortgage (Note 4)		345,770	415,833,933	0.08%	6,218,993	1,798.59%	433,435	413,018,737	0.10%	6,170,816	1,423.70%
	Cash card		-	1,956	-	39	-	-	2,919	-	58	-
	Microcredit (Note 5)		55,170	30,282,884	0.18%	342,794	621.34%	48,867	25,176,191	0.19%	287,504	588.34%
	Other (Note 6)	Secured	170,879	222,376,423	0.08%	2,396,783	1,402.62%	122,553	186,320,459	0.07%	2,002,068	1,633.63%
		Unsecured	34,985	36,696,351	0.10%	382,112	1,092.22%	38,500	38,137,703	0.10%	406,757	1,056.51%
Total			2,463,597	1,304,230,678	0.19%	16,946,672	687.88%	2,459,920	1,242,318,361	0.20%	16,452,753	668.83%
			Overdue Receivables	Receivables	Delinquency Ratio	Allowance for Credit Loss	Coverage Ratio	Overdue Receivables	Receivables	Delinquency Ratio	Allowance for Credit Loss	Coverage Ratio
Credit card			40,042	47,434,030	0.08%	322,424	805.21%	45,210	41,153,065	0.11%	292,231	646.39%
Accounts receivable - factoring with no recourse (Note 7)			-	18,064,514	-	212,331	-	-	15,851,800	-	178,563	-
Excluded NPL as a result of debt negotiations and loan agreements (Note 8)			40,223					62,665				
Excluded overdue receivables as a result of debt negotiations and loan agreements (Note 8)			78,721					108,013				
Excluded NPL as a result of consumer debt clearance (Note 9)			332,282					298,008				
Excluded overdue receivables as a result of consumer debt clearance (Note 9)			386,225					416,798				

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 within three months 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

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO LEAST NT$300 MILLION OR 10% OF THE PAID-IN CAPITAL
JUNE 30, 2019
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Receivable Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
TAIPEI FUBON COMMERCIAL BANK Co., Ltd.	Fubon Life Insurance Co., Ltd.	Subsidiary of FHH	$ 463,731	Not applicable	None	Not applicable	None	None

TABLE 3

TAIPEI FUBON COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE SIX MONTHS ENDED JUNE 30, 2019
(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	$ 41,838	Note 4	-
		Fubon Bank (China)	a	Other financial assets	4,973,249	Note 4	0.17
		Fubon Bank (China)	a	Due from the Central Bank and call loans to other banks	3,107,930	Note 4	0.11
		Fubon Bank (China)	a	Receivables, net	246,154	Note 4	0.01
		Fubon Bank (China)	a	Interest income	197,323	Note 4	0.75
		Fubon Bank (China)	a	Deposits from the Central Bank and banks	72	Note 4	-
1	Fubon Bank (China)	TAIPEI FUBON COMMERCIAL BANK Co., Ltd.	b	Deposits from the Central Bank and banks	8,123,017	Note 4	0.29
		TAIPEI FUBON COMMERCIAL BANK Co., Ltd.	b	Payables	246,154	Note 4	0.01
		TAIPEI FUBON COMMERCIAL BANK Co., Ltd.	b	Interest expense	197,323	Note 4	0.75
		TAIPEI FUBON COMMERCIAL BANK Co., Ltd.	b	Cash and cash equivalents	72	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.

TABLE 4

TAIPEI FUBON COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEES
JUNE 30, 2019
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Held at Period-ended			Investment Gain (Loss)	The Bank and Related Enterprises Consolidated Investment				Note
				Number of Shares (In Thousands)	Percentage of Ownership (%)	Carrying Amount		Number of Shares (In Thousands)	Imitated Shares	Total		
										Number of Shares (In Thousands)	Percentage of Ownership (%)	
TAIPEI FUBON COMMERCIAL BANK Co., Ltd.	Financial-related											
	Taipei Foreign Exchange Inc.	Taipei	Foreign exchange market maker	780	3.94	$ 29,897	$ 4,680	780	-	780	3.94	Note 2
	Taiwan Futures Exchange Corporation	Taipei	Futures exchange and settlement	4,218	1.26	358,863	15,395	9,446	-	9,446	2.83	Note 2
	Taiwan Asset Management Corporation	Taipei	Evaluating, auctioning, and managing financial institutions' loans	18,000	1.70	211,140	11,700	18,000	-	18,000	1.70	Note 2
	Taiwan Financial Asset Service Co., Ltd.	Taipei	Auction	10,000	5.88	75,600	-	10,000	-	10,000	5.88	-
	Financial Information Service Co., Ltd.	Taipei	Planning and developing the information systems of banking institutions and managing the information web system	11,876	2.28	293,087	-	11,876	-	11,876	2.28	-
	Sunny Asset Management Corporation	Taipei	Purchasing for financial institutions' loan assets	503	8.39	6,656	650	503	-	503	8.39	Note 2
	Fubon Bank (China)	China	Banking	-	51.00	21,511,865	263,406	-	-	-	100.00	Note 1
	Taiwan Mobile Payment Co., Ltd.	Taipei	Mobile payment and business	1,800	3.00	7,866	-	1,800	-	1,800	3.00	-
	Nutmeg Saving and Investment Limited	England	Financial technology	1,140	6.90	368,323	-	1,140	-	1,140	8.98	-
	Ascentek Venture Capital Corp.	Kaohsiung	Venture capital investment	1,411	4.28	12,602	769	1,411	-	1,411	4.28	Note 2
	P.K. Venture Capital Investment Corp.	Taipei	Venture capital investment	241	5.00	-	-	241	-	241	5.00	-
	Line Biz+ Taiwan Limited	Taipei	Third-party payment service industry	10,936	19.99	3,107,178	(32,492)	10,936	-	10,936	19.99	-
	Non-financial related											
	Taipei Rapid Transit Corporation	Taipei	Public transportation	14	-	119	-	14	-	14	-	-
	Taiwan Power Company	Taipei	Management of power facilities	374	-	2,024	-	374	-	374	-	-
	Fubon Real Estate Management Co., Ltd.	Taipei	Investigation, consultation, management and real estate evaluation of construction plans	6,964	30.00	117,493	7,726	6,964	-	6,964	30.00	Note 1
	Easy Card Investment Holding Co., Ltd.	Taipei	Issue and research of IC card	5,108	4.91	52,560	-	5,108	-	5,108	4.91	-
	Taiwan High Speed Rail Corporation	Taipei	Management of high speed rail	20,278	0.36	926,686	-	82,079	-	82,079	1.46	-
	Taiwan Aerospace Corp.	Taipei	Aerospace industry	1,700	1.25	17,153	-	3,400	-	3,400	2.50	-

Note 1: The investment gain (loss) was based on the investee's audited financial statements for the six months ended June 30, 2019.

Note 2: The investment gain (loss) was the cash dividends recognized for the six months ended June 30, 2019.

TAIPEI FUBON COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE SIX MONTHS ENDED JUNE 30, 2019
(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 Investments from Taiwan as of January 1, 2019	Remittance of Funds		Accumulated Outward Remittance for Investments from Taiwan as of June 30, 2019	Net Income (Loss) of the Investee (Note 1)	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of June 30, 2019	Accumulated Repatriation of Investment Income as of June 30, 2019 (Note 3)	Note
					Outward	Inward							
Fubon Bank (China)	Banking	$ 9,494,310 (RMB 2,100,000)	Direct investment in mainland China	$ 20,258,298	$ -	$ -	$ 20,258,298	$ 713,185 (RMB 155,942)	51	$ 263,406	$ 21,511,865	$ 107,737	

Accumulated Outward Remittance for Investments in Mainland China as of June 30, 2019 (Note 1)	Investment Amounts Authorized by the Investment Commission, MOEA (Notes 1 and 2)	Upper Limit on the Amount of Investments, as Stipulated by the Investment Commission, MOEA
$ 20,258,298 (RMB 4,093,113)	$ 20,258,298 (RMB 4,093,113)	$115,115,557

Note 1: The foreign currency of paid-in capital and net income was converted into New Taiwan dollars at the exchange rate on June 30, 2019 and the average exchange rate for the first half of 2019, 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.