

TAIPEI FUBON
COMMERCIAL BANK CO., LTD.

ANNUAL REPORT

2015

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Please see page23

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I. Message to Shareholders

Amid global economic doldrums last year, Taiwan suffered worse-than-expected exports throughout the year for due to several factors, including sluggish market demand for consumer electronics when vendors were still clearing backlogged inventories, and China's continuing localization of supply chains of, particularly, tech products that have to some extent dampened demand for Taiwan-made counterparts. In Taiwan's domestic market, spending and investments in capital equipment by the private sector showed growth slowdown compared to that in 2014, despite the Cabinet's implementation of short-term stimulus measures. Under the scenario, Taiwan's 2015 economic growth stood at only 0.75 percent, sharply shrinking from 2014's 3.92 percent, as shown by data compiled by the Cabinet-level Directorate General of Budget, Accounting and Statistics (DGBAS).

With long-term, stable profitability being the ultimate goal of its business development strategy, Taipei Fubon Bank (TFB) tapped the advantage of the integrated resources of its parent company, Fubon Financial Holdings, to strengthen cross sales with affiliates on maximized synergies, expand business scope and further build customer relations. Thanks to its continuously growing businesses and strictly enforced risk management, TFB, looking to achieve a balance between benefits and risks, effectively achieved consolidated after-tax net profits of NT\$18.606 billion in 2015, retaining normal profitability.

In institutional banking, TFB continued exploring overseas markets, expanding its asset base and improving return on assets, while actively developing new financial products to meet clients' requirements and build a more complete platform for its financial products. In retail banking, TFB, tapping the advantage of big data analytics and increasingly strong consumer demand for digital and mobile financial services amid the Bank 3.0 shift (digitization of Taiwan's financial services), constructed and introduced various information systems into its operations, in an effort to expand its e-banking functions and launch more mobile banking services, while integrating its virtual channels and traditional banks in response to changes in consumer behaviors in the financial market. To secure its business development and enhance efficiency of internal management while maximizing operational performance, TFB reshuffled the top positions at its head office and reorganized its retail banking department accordingly, and continued upgrading its information systems.

As to overseas business development, TFB, after acquiring Shanghai-based First Sino Bank and renaming it Fubon Bank (China) in 2014 to explore the financial services market across Greater China, including Shanghai, Pearl River Delta, Yangtze River Delta and Bohai Economic Rim regions, has become China's largest Taiwanese-operated bank in terms of service points and coverage to take the lead among peers across the Taiwan Strait. In light of financial integration increasingly a future trend in Asia, the bank has been approved to set up a branch in Singapore, scheduled to come online in the first quarter of 2016, which will help extend its reach from Greater China to Singapore to provide more comprehensive financial service and better tap business opportunities in the ASEAN bloc, to be well on its way to compete among Asia's top-caliber financial firms.

To adapt to market changes and future business strategies, TFB reorganized its business units in 2015 as summarized in the below.

1. To improve data quality and strengthen its management team, TFB set up the "Data Application And Governance Committee."

2. To better divide the duties and scope of authority of its retail banking channels, TFB renamed "Central Operation Department-Retail Banking" as "Operation Service Department-Retail Banking" while eliminating the "Branch Operation Management Department" to leave the department's original duties partly to "Branch Banking Department-Retail Banking" and partly to

“Operation Service Department-Retail Banking.”

3. To speed the development of its digital banking and the integration of related retail-banking divisions throughout the organization to respond to the trend of digitization of financial services, TFB renamed “eBanking Department-Retail Banking” as “Digital Banking Department-Retail Banking” to focus on designing and developing functions of its digital banking platforms, building connections among existing platforms, integrating platform interface and exploring new customer bases, as well as planning and developing emerging payment businesses.

4. To upgrade and integrate its information service capability, TFB set up “Channel Intergration Department.”

5. During the reorganization, “General Affairs Department” was renamed as “Purchase & Maintenance Support Department.”

With fulfilling of corporate social responsibility always among TFB’s concerns, including environmental protection, social welfare, sustainable development, etc., the bank has been streamlining operational procedures, promoting paperless operations and strengthening the “Green Value” appeal of its financial services, in hopes of minimizing usage of paper and energy. It continues to actively encourage clients to utilize automated banking equipment and online banking services to help slash carbon footprint that typically result from conventional banking operations, in an effort to wield its influence on the pursuit of a sustainable environment in the financial industry. Additionally and underpinned by its business philosophy “Give Back What One Takes From Society,” TFB regularly donates to its foundations yearly and encourages employees to set up volunteer clubs to effectively support the Fubon Cultural & Educational Foundation, Fubon Charity Foundation, Fubon Art Foundation and other foundations under the Fubon Group. Also tapping synergies from other charitable organizations to give to charity, TFB donated generously to victims of the dust-ignited explosion at the Formosa Fun Coast on June, 27, 2015 in Taiwan, and the 7.8-magnitude earthquake on April 25, 2015 in Nepal, showing its altruism and magnanimity towards society.

Below are the 2015 business report and 2016 business plan:

1. 2015 Business Report

Taipei Fubon Bank’s consolidated after-tax net profits amounted to NT\$18.606 billion in 2015, for NT\$1.81 in earnings per share (EPS). As of the end of 2015, TFB’s consolidated assets totaled NT\$2.4098 trillion, with outstanding loans of NT\$1.3535 trillion and outstanding deposits of NT\$1.8134 trillion.

While pursuing growth in business and profit, TFB spared no efforts to enforce strict risk management, effectively keeping its non-performance loan (NPL) and NPL coverage ratios at the phenomenal levels of 0.15 percent and 816.37 percent, respectively. The results underline TFB’s high asset quality and lay the solid foundation for future development, also enabling effective maintenance of its long-term credit rating of “twAA+” and short-term credit rating of “twA-1+”, as well as a “Stable” outlook, as rated by Taiwan Rating Corp. in its report issued on November 16, 2015, all of which clearly reflect TFB’s excellent profitability and asset quality.

Thanks to the sound ratings mentioned above, TFB in 2015 is named the Best Bank in Taiwan by Global Finance-Best Bank Awards, and has received awards from Asiamoney, The Asset, IFR Asia and CFI for outstanding performance in institutional banking, as well as having received rave reviews and awards from such globally known trade magazines as Global Views Monthly, CommonWealth, Wealth Magazine, The Asian Banker, The Banker/PWM and Euromoney for its enviable retail banking achievement in aspects of private banking, wealth management, customer service and many others.

2. Summary of 2016 Business Plan

The global economy shows signs of slow recovery, with major international forecast bodies, such as World Bank, IHS Global Insight, and International Monetary Fund, mostly having adjusted downward global economic growth forecasts for the year. With Taiwan's export-driven economy highly related to economic performance of the U.S., Europe and China, increasing market uncertainties in the said nations coupled with fluctuating crude oil prices have cast shadow on Taiwan's exports this year, hence making local enterprises hesitant to invest in fixed assets. In response, DGBAS holds cautious economic outlook by issuing on February 17 a relatively mild GDP growth forecast of only 1.47 percent for this year, compared to 0.75 percent in 2015.

In the face of volatility of the global financial market as indicated by roller-coasting of major stock market since mid-2015, TFB will reinforce its risk management as priority in the years to come, while continuing to improve organizational management structure, operational procedures and information systems to sustain its long-term business development and enhance operational efficiency. Also, TFB will integrate marketing resources and customer information to launch competitive financial products to serve customers. To adapt to the trend of digitization and mobilization of financial services, TFB will actively develop next-generation online and mobile banking services to meet clients' growing preference for digital life and changing shopping behavior, and push the integration of virtual and physical services to build more convenient service platforms in the future. In anticipation of emerging Fintech that looks to serve as a major growth driver of Taiwan's economy, TFB believes that innovation capability is key to sustainable growth of financial firms amid growth of cloud computing, Internet of Things, biomedical engineering and big data, and therefore will tap the resources of its Innovative Technology Office to work on the cross-sectoral integration of digital financial services, aiming to build an edge over its peers and foster a corporate culture of active service to make itself the most trustworthy bank in the minds of customers..

(1). Institutional Banking Business

- A. To further strength relations and enhance communication with customers to continuously boost return on investment.
- B. To set up more branches and increase market penetration to raise profit margins.
- C. To expand overseas business deployment and raise the ratio of its outbound assets.
 - a. To expand scale of overseas branches and tap benefits of the cross-sectoral integration.
 - b. To optimize utilizing advantages of its Singapore branch to increase regional connections and speed boosting its overseas customer base.
 - c. To tap business opportunities brought by China's "The Belt and Road Initiative" when related risk factors are controllable.
- D. To improve product range and reinforce its role as an operating bank.
- E. To develop banking product portfolio to provide customers with wider range of products and services.
- F. To closely monitor industry trends, meticulously screen customers, enhance risk monitoring and strengthen risk recognition to maintain excellent asset quality.
- G. To recruit qualified people, cultivate talent and set up quality manpower pool to meet business and channel growth needs in Taiwan and abroad and increase the quality and quantity of marketing teams.

(2). **Retail Banking Business**

A. To optimize digital/mobile banking services.

TFB will expand functions and service scope of its online and mobile banking platforms. With its brand new service platforms continually coming online, it will provide customers with reliable digital financial services that meet demand for self-directed wealth management.

TFB is actively planning the construction of emerging payment systems and the integration of its service platforms, looking to anticipate customer demand and provide plentiful financial production information through behavior analysis of users via its digital platforms, and thereby build closer ties between customers and TFB to increase customer satisfaction.

B. To integrate virtual and traditional service platforms to maximize the advantages of full-function branches for retail banking.

In line with the development of Internet and mobile devices, TFB will change business and marketing models as conducted by conventional banks. To that end, TFB will adjust its branch establishment plan to retain competitive advantage across the Taipei region and reinforce its operations in other counties, while trying to increase customer willingness to access its broadened e-banking services from mobile devices after reviewing the layout and improving access to its branch offices. Specialists at physical branches will provide guidance on wealth management and loan planning, with daily accounting work to be handled via the electronic platform, realizing synergies from the integration of virtual and physical platforms. Single-window specialized services will also be offered to help TFB fully understand customer needs in terms of integrating assets and liabilities to offer products that better meet their needs. On another front, it will also offer courtesy service at all its branches as a means to boost its image as a quality bank.

C. To strengthen customized service.

TFB will continue to collect and build marketing information, as well as analyze and apply massive information on the e-behavior of customers. This will help TFB to more accurately grasp customer needs, provide competitive products and services tailored to highly segmented customer groups, and thereby establish a market leading position.

D. To improve credit scoring models and develop an automatic-screen environment.

To cope with growing online applications for home mortgages, TFB will develop an online appraisal system to realize automated appraisal of fixed assets. It will apply more screening parameters in personalized credit scoring models to reduce human error and create an automatic screening mechanism to boost risk management efficiency.

3. Credit Rating

Rating Date	Credit Rating Institution	Long-term Credit Ratings	Short-term Credit Ratings	Outlook
2016/01/04	Moody's	A2	P-1	Stable
2015/11/16	Standard & Poor's	A-	A-2	Stable
2015/11/16	Taiwan Ratings Corporation	twAA+	twA-1+	Stable

II. Corporate Profile

1. Introduction

(1) Date of Establishment

Taipei Fubon Bank started operations on April 21, 1969 after being approved by the Ministry of Finance (MOF. No. 7864).

(2) History of Bank

- TFB's predecessor is Taipei City Bank, founded by the Taipei City Government on April 21, 1969 to comply with national financial policy, adjust municipal finances, support municipal development and serve as the municipal coffer, with its business operations initially confined to Taipei City. Originally a financial agency, TFB was reorganized into a limited company on July 1, 1984.
- On Jan. 1, 1993, TFB was renamed "Taipei Bank Co., Ltd.," or "TAIPEIBANK" for short. In line with the government's financial-liberalization policy, TFB set up a branch in Kaohsiung City in 1994. On Jan. 20, 1995, it was approved to be reorganized from a regional bank into a national bank, enabling it to expand throughout Taiwan. TFB went public on July 23, 1997, raising NT\$2 billion of fresh capital through issuance of new shares for subscription by employees and the general public. In line with governmental policy, TFB was privatized on Nov. 30, 1999. To facilitate long-term development, TFB was converted into a wholly-owned subsidiary, Fubon Financial Holdings, on Dec. 23, 2002, when it was delisted from the Taiwan Stock Exchange.
- After bringing Taipei Bank under its umbrella on Dec. 23, 2002, Fubon Financial Holdings continued to operate Taipei Bank and its existing banking subsidiary Fubon Bank independently, while integrating the information systems, workflows, and organizations/employees of the two banks to retaining respective management advantages and brand assets and minimizing the impact of the merger.
- After a lengthy two-year merger process, Taipei Bank and Fubon Bank were combined on Jan. 1, 2005, under the new name of Taipei Fubon Bank. The merger, the first between a former government-owned bank and a private bank in Taiwan, not only greatly expanded profit-making potential of Fubon Financial Holdings but also set a milestone in the history of Taiwan's banking industry.

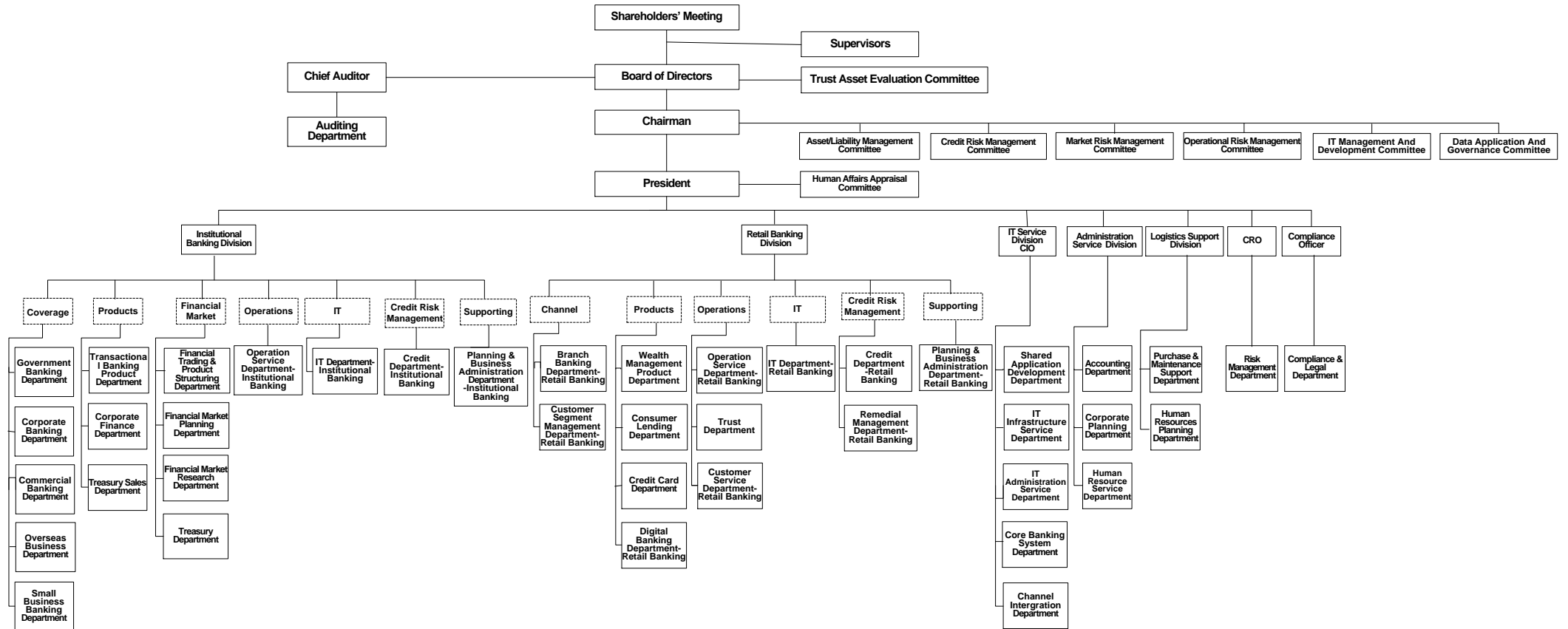
- Taipei Fubon Bank incorporated Fubon Bills Finance, a wholly-owned subsidiary of TFB, on Dec. 25, 2006, thereby removing the overlapping businesses of the two entities. In addition, TFB set up a branch in Ho Chi Minh city, Vietnam, in June 2008.
- On March 6, 2010, TFB acquired the Hanoi branch and the sub-branch in Ho Chi Minh City of Chinfon Commercial Bank, and completed the entire administration procedure for renaming the branches on June 7 that year. The bank's Vietnamese operations now include three branches in Hanoi, Ho Chi Minh, and Binh Duong.
- Fubon Insurance Broker, originally a wholly-owned subsidiary of TFB, underwent clearance on August 31, 2010, according to a resolution passed by its board of directors, with Taipei Fubon Bank serving as its bookkeeper.
- TFB acquired a 10% stake in First Sino Bank on Dec. 31, 2013 and then gained control of the latter by increasing the stake to 51% on Jan. 7, 2014. The acquired bank was later renamed Fubon Bank (China).
- TFB received approval from the Monetary Authority of Singapore for establishment of a branch in the country on May 21, 2015, which is scheduled to become operational sometime in the first half of 2016.
- In 2015, TFB saw no changes in its management rights, no major changes in operating mode and business scope, and no major incidents affecting shareholders' equity or the bank's operations.
- TFB was approved to cease operations of its branch in Los Angeles, the U.S. by the Banking Bureau under the Cabinet-level Financial Supervisory Commission on January 6, 2016 and formally close said branch by mid-2016.

2. Organizational Structure

(1) Organization

2016.01.01

Taipei Fubon Bank Organizational Chart



(2) Board Members and Supervisors

Title	Name	Representing Organization	Background & Education	Date Elected	Term
Chairman	Daniel Tsai	Fubon Financial Holding Co.	Chairman, Fubon Insurance Co., Ltd.; Chairman, Fubon Land Development Co., Ltd.; Chairman, Taiwan Mobile Corp.; Graduate School of Law, Georgetown University	2014/06/06	3 yrs
Vice Chairman	Richard Tsai	Fubon Financial Holding Co.	Chairman, Fubon Securities Co., Ltd.; Chairman, Fubon Life Insurance Co., Ltd.; Vice Chairman, Taiwan Mobile Corp.; Graduate School of Finance, New York University	2014/06/06	3 yrs
Standing and independent director	Chang, Jing-sen	Fubon Financial Holding Co.	Deputy Minister, National Development Council, the Cabinet Deputy Mayor, Taichung City Government; Commissioner, Department of Urban Development, Taipei City Government; Ph.D., Department of Civil Engineering, National Taiwan University	2015/02/09	3yr
Standing and independent director	FAN CHENG CHUAN	Fubon Financial Holding Co.	Secretary-General of Bureau of Monetary Affairs, Ministry of Finance; Deputy Director-General of Financial Examination Bureau, Financial Supervisory Commission; Bachelor of Laws, College of Law, National Taiwan University	2014/08/21	3 yrs
Standing Director	Jerry Harn	Fubon Financial Holding Co.	Vice President of Taipei Branch, Citibank Taiwan, Ltd.; Senior Vice President, CTBC Bank Co., Ltd.; SEVP, Taipei Fubon Commercial Bank Co., Ltd.; M.B.A, Ohio State University	2014/06/06	3 yrs
Independent director	Chang, Hong-Chang	Fubon Financial Holding Co.	Dean, College of Management, National Taiwan University; Independent Director, Fubon Financial Holdings Co., Ltd.; Ph.D., the University of Pennsylvania Wharton School	2014/06/06	3 yrs
Independent Director	Wei-yi Lin	Fubon Financial Holding Co.	Director-General, Department of Banking, Central Bank of the Republic of China (Taiwan); Chairman, Central Deposit Insurance Corporation; Chairman, Taiwan Depository & Clearing Corporation; Doctor of Business Administration, Lincoln University	2014/06/06	3 yrs
Independent director	CHAO, YUAN-CHI	Fubon Financial Holding Co.	General Manager, Dah-An Commercial Bank; General Manager, China Development Financial Holding Corporation; Deputy chairman-cum-general manager, First Financial Holding Co., Ltd.; Master of Science in Global Finance,	2014/06/06	3 yrs

Title	Name	Representing Organization	Background & Education	Date Elected	Term
			New York University		
Director	Fang-Ling Yang	Fubon Financial Holding Co.	Associate Professor, National Sun Yat-Sen University; Director, Fubon Financial Holding Co., Ltd.; Ph.D. in Law, Bielefeld University	2015/02/09	3 yrs
Director	Vivien Hsu	Fubon Financial Holding Co.	Director and General Manager, Taiwan Mobile Corporation; CFO, Cathay Financial Holdings Co., Ltd.; Master of Business Administration, The University of New South Wales, Australia	2014/06/06	3 yrs
Director	Eric Chen	Fubon Financial Holding Co.	President, Chinatrust Financial Holdings Co., Ltd.; President, CTBC Bank; Head, Citigroup, Taiwan; Master of Business Administration, University of Missouri	2015/07/01	3 yrs
Director	Patrick. Chang	Fubon Financial Holding Co.	CRO (Executive Vice President), Taipei Fubon Commercial Bank; Senior Deputy President, HSBC in Taiwan; Master of Business Administration, The University of Chicago	2014/06/06	3 yrs
Director	John Y. Kuang	Fubon Financial Holding Co.	Head of Standard Chartered's Business Banking & Global Marketing Division; General Manager, Polaris Securities Co., Ltd.'s bonds business department; Executive Vice President, Tai Yu Securities Group; General Manager, Tai Yu Securities Investment Trust Co.; Bachelor of International Trade, Department of Commerce, National Taiwan University	2014/06/06	3 yrs
Director	Morris Huang	Fubon Financial Holding Co.	Senior Vice President, Taishin International Bank; President, Citibank Trust Fund, Citibank Taiwan; Vice President, Investment Business Department, Citibank Taiwan; Master of Business Administration, The Ohio State University	2014/06/06	3 yrs
Director	Eric Wu	Fubon Financial Holding Co.	Senior Consultant, Fubon Financial Holding Co., Ltd.'s wealth-management business division; Senior Vice President, CTBC Bank; EMBA, National Taiwan University	2014/06/06	3 yrs
Standing and independent director	Wen-Ssn Chuang (Note 2)	Fubon Financial Holding Co.	Professor, Institute of Oceanography, National Taiwan University; Bachelor of Science in Geophysics, Department of Physics, National Central University; Ph.D., Dept. of Earth & Planetary Sciences, Johns Hopkins University	2014/06/06	3 yrs
Director	Benny Chen (Note 3)	Fubon Financial Holding Co.	Chairman, Fubon Securities Co., Ltd. President, Citibank in China; Deputy CEO, CTBC Financial Holding Co., Ltd.;	2014/06/06	3 yrs

Title	Name	Representing Organization	Background & Education	Date Elected	Term
			Senior Vice President, McDonald's Taiwan.; Master of Business Administration, Southern Illinois University		
Supervisor	Tsan-Ming Shih	Fubon Financial Holding Co.	Chairman, Fubon Insurance Co., Ltd.; Senior Consultant, Fubon Financial Holding Co., Ltd.'s insurance business division; Bachelor of Laws, Soochow University	2014/06/06	3 yrs
Supervisor	Thomas Liang	Fubon Financial Holding Co.	President, consumer-banking group, Fubon Financial Holding Co.; President, Retail Banking, Taipei Fubon Commercial Bank; Managing Director, Fubon Bank (Hong Kong); Master of Science in Operations Research, Case Western Reserve University	2014/06/06	3 yrs
Supervisor	LIN.KUN-SAN	Fubon Financial Holding Co.	Branch Chief, Xiamen Bank Co., Ltd.; Ph.D. in Global Economics, School of Economics, Nankai University; Master of Finance, National Taiwan University	2014/06/06	3 yrs

Note 1 : The tenure of the 12th board of directors and supervisors of the company is June 6, 2014 - June 5, 2017.

Note 2 : Wen-Ssn Chuang resigned the tenure of the 12th board of directors on January 5, 2015.

Note 3 : Benny Chen resigned the tenure of the 12th board of director on July 1, 2015.

(3) Major Shareholder of Major Institutional Shareholder

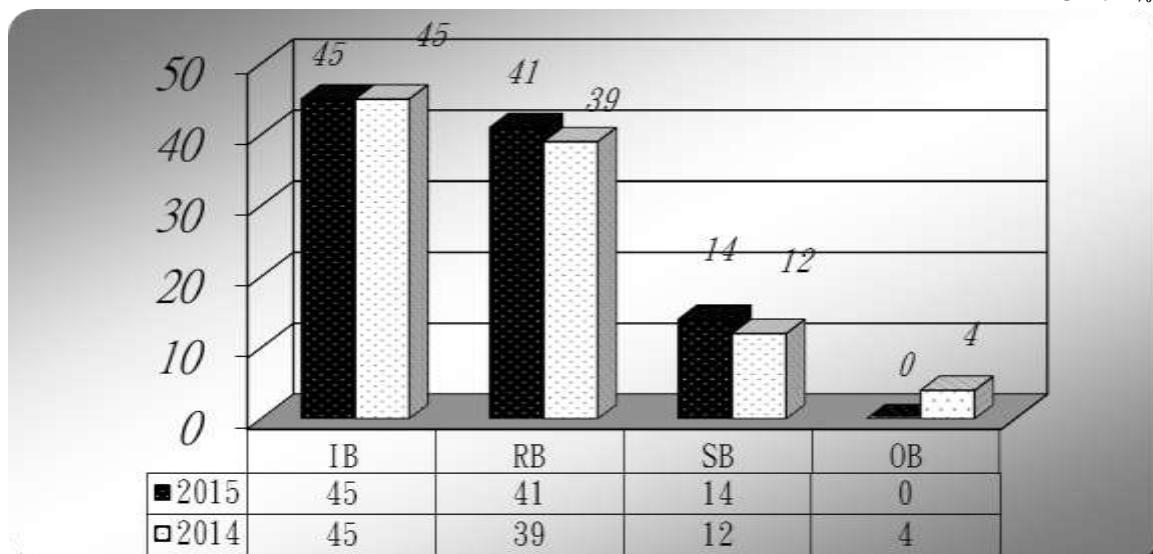
Institutional Shareholders	Major Shareholder of Major Institutional Shareholder
Fubon Financial Holding Company	Taipei City Government 、Ming Tong Co. 、Dao Ying Co.

III. Business Operations

1. Business Information

(1) Breakdown of Total Revenues

Unit : %



Note :

- IB : Institutional Banking Business
- RB : Retail Banking Business
- SB : Overseas Subsidiary Business - Fubon Bank (China)
- OB : Others Business

(2) Business Performance

Institutional Banking Business

- TFB provides a range of financial services, including loans, cash management, trade financing, financing for accounts receivable, syndicated loans, and foreign exchange-related and derivative financial products for wealth-management and risk-hedging needs. The bank also serves as an agent for national and city treasuries in making loans and collecting taxes and fees, among other services.

Retail Banking Business

- Deposits and Remittances

Facing increasingly volatile capital market and challenges of relatively limited interest spreads, TFB continues to engage in digital banking businesses and improve the transaction environment, looking to greatly enhance convenience for depositors. On the payoff of continued effort on developing various businesses, as well as concerted marketing campaigns and competitive interest rates, TFB's deposits in local and foreign currencies increased to NT\$976.4 billion as of the end of 2015, 4 percent more than a year earlier.

- Investment and Insurance

TFB offers a full range of portfolio products with different structures and multiple currency denominations to meet the risk and fund utilization needs of institutional and

retail investors, including funds, ETFs, structured products, overseas bonds and insurance. At the end of 2015, TFB's outstanding investment and insurance business reached NT\$600.5 billion, up 9 percent from a year earlier.

■ Loans

TFB achieved steady growth in mortgage lending in 2015 despite slowing growth momentum in the domestic realty market due to market-cooling measures by the government. New housing loans amounted to NT\$118.8 billion at the end of the year for a 15 percent increase over 2014, adding to the outstanding total of NT\$437.7 billion, up 12 percent. As of the end of last November, TFB's share in the domestic market for housing and house-repairing loans rose to 5.50 percent, compared to 5.16 percent at the end of December, 2014.

In the unsecured loans sector, TFB witnessed its outstanding loans reach NT\$44.5 billion at the end of 2015, helped by efforts to attract salary-transfer and group accounts, flexible marketing strategies, and streamlined lending procedures, albeit with a slight decline of student loans amid Taiwan's slowing birth rate being a major offsetting factor. Credit quality was maintained by focusing on quality of cardholders and strictly managing risk.

■ Credit Cards

In 2015, TFB continued to expand its bankcard portfolio to develop new consumer groups and sign up quality wealth-management customers for TFB's credit card service, effectively driving total spending on TFB's credit cards by 12 percent over last year, helped by joint promotions with co-branding partners. TFB also led Taiwan's top-six credit card issuers by average monthly spending on credit cards.

■ Individual Trust

TFB focused on promotion of money trust products featuring designated single management and usage. These products meet wealth-management needs by providing comprehensive asset security package covering insurance money trust, retirement package and children's education and expense funds. TFB also helps customers with asset transfer planning in well-rounded wealth management programs.

Overseas Subsidiary Business:

- To satisfy demand of Taiwanese enterprises operating in China for financial services, Fubon Bank (China) speeded constructing its information system, optimizing flows for loan applications and expanding its branches. In the meantime, the subsidiary continued to adjust the structure of customers and carry out business transformation in line with the guidance included in China's national policies on extended credit for municipal development to local governments.
- Ever since issuing its debit card as the top-rated Taiwanese bank in China to target Taiwanese customers in need of convenient financing and travel there, Fubon Bank (China) has further offered various value-added services, including preferential benefits on cross-border, inter-bank cash withdrawals to registered customers, hence boosting its cumulative circulation to 25,860 debit cards as of the end of December, 2015, including 24,522 cards issued in the year alone.

2. Business Strategies and Business Plans

(1) Business Strategies

Institutional Banking Business

- TFB will continue to explore new customer segments and extend services through its cross-border platform and one-stop service offering.
- In line with regulatory and market changes, TFB will develop innovative niche financial products to differentiate its services and boost competitiveness.
- TFB will further reinforce its risk management according to different customer segments, so as to realize effective allocation of risky assets.
- TFB will continue to recruit and internally foster high-quality personnel to hone its international banking expertise of its corporate banking specialists.

Retail Banking Business

- Based on business intelligence, TFB will determine features of different customer groups to tailor products to their needs. It will also regularly examine risk-bearing levels of customers to provide multiple options for asset allocation to expand its wealth-management services to new customer groups and increase customer loyalty.
- TFB will review the layout of branch offices and improve access to create a friendly, comfortable experience and a new image. It will also duplicate the successful experience of exemplary branches to further upgrade service quality and cement customer relationships.
- TFB will expand digital platforms, channels, and conduits to further promote business. It will integrate physical and virtual channels to enhance product promotion, expand customer base, and boost customer satisfaction.
- TFB will analyze target customer groups to help formulate effective marketing strategy, as well as use visual design and intensive promotion to boost its market visibility.

Overseas Subsidiary Business:

- Fubon Bank (China) will continue to open new branches, extending its Shanghai base into a regionally balanced network to build national presence.
- Fubon Bank (China) will continue to innovate and optimize its business models, create value with quality service, and provide a fuller range of financial products to boost profits and secure multiple revenue streams.
- Fubon Bank (China) will expand its e-platform with mobile and smart banking systems, by streamlining operating flow to enrich the customer experience.
- Fubon Bank (China) will solicit business from high-quality Taiwanese-invested and mainland Chinese enterprises (including high-growth enterprises and SMEs). In the former segment, it will provide consulting and financing services targeting main customer groups, backed by resources from Fubon Group and its advantageous network established across the Taiwan Strait, to help Taiwanese enterprises operating in China develop and transform business operations. Also, the launch of specialized services as

offered by investment banks will be part of its future business plan.

- As to retail banking business targeting overseas Taiwanese customers, Fubon Bank (China) will further promote its LINE FRIENDS credit cards, virtual banking services, wealth-management services with foreign exchange denominations, direct fund sales and various loan products. It will also launch private banking services at its branches in Shanghai and a planned branch in Chengdu. These promotional strategies will help Fubon Bank (China) to not just increase its market share, but attract customers with more considerate services and better localized operations.

Others

- TFB will review human resource flow (planning, recruitment, training, evaluation, career development, and talent retention) to expand and build professional expertise of its teams. Personal wealth-management services will be shifted to a consultation model in place of the one-way marketing approach used previously.
- TFB will strengthen understanding of its customers and their risk tolerance to provide products meeting needs in different life stages, while applying risk-management mechanisms to minimize risk exposure.

(2) Business Plans

Institutional Banking Business

- To strengthen relations and increase communication with customers to continuously expand profitability.
- To set up new branches and increase market penetration to raise profit margins.
- To focus more on overseas operations and raise the ratio of outbound assets.
 - ✓ To expand scale of overseas branches and tap benefits of the cross-sectoral integration.
 - ✓ To better take advantage of its Singapore branch to increase regional connections and speed boosting its base of overseas customers.
 - ✓ To tap business opportunities brought by China's "The Belt and Road Initiative" when related risk factors are controllable.
- To improve product assortment and reinforce its role as an operating bank.
- To develop banking product portfolio in line with market changes to satisfy customers with a wider range of products and services.
- To closely monitor industry trends, meticulously screen customers, enhance risk monitoring and strengthen risk recognition to maintain excellent asset quality.
- To recruit qualified people, cultivate talent and set up quality manpower pool to meet business and channel growth needs in Taiwan and abroad and increase the quality and quantity of marketing teams.
- To vie for local government tenders with better credit rating achieved by strict credit risk assessments according to local government structures.

- TFB will seek government treasury service opportunities, build on the experience of serving as the treasury service provider of the Taipei City Government.

Retail Banking Business

- TFB will steadily diversify its wealth-management product mix and focus promotion of main products, and increase funding for insurance paid in installment and fixed deposits denominated in NT- dollar. It will aim to maintain growth momentum in its home mortgage business, while strengthening its capability of risk-based pricing and expand scale of its unsecured loans. As to the credit card business, TFB will rid of less profitable ones from its portfolio, dedicate its resources to serving higher-end customers, and launch promotional activities to motivate new cardholders to activate credit cards.
- TFB will offer redirecting services for customers among its branches and personal financial planning services to better serve quality customers. It will also expand its marketing teams, tap synergies of its institutional banking department, retail banking department and subsidiaries, and extend its service coverage to central and southern Taiwan while retaining its lead in the northern region.
- TFB will reinforce the development of potential customer groups to expand the base of its customers of structured investment products, and help them achieve capital growth by offering financial advice. Meanwhile, it will apply big data to sharpen its precision marketing techniques.
- TFB will further enhance functionality of its digital service platforms, develop diverse emerging payment products, and improve cross-platform connectivity, so as to satisfy customers with optimized user experience and convenient, efficient digital services amid growing consumer preference for self-directed wealth management today.
- TFB will continue to improve the quality of its services based on feedback from customers and through regular thorough reviews, and cultivate a customer-centered corporate culture to offer more personalized services.

Overseas Subsidiary Business:

- Institutional Banking Business
 - ✓ Fubon Bank (China) will improve its diversified financial service and foster product innovation to secure more growth momentum for profitability and boost profits and operational efficiency.
 - ✓ Responding to growing demand of Taiwanese enterprises operating in China for corporate financial service, Fubon Bank (China) will tap the advantages of its existing local branches and benefits resulting from the reinforced financial and economic cooperation between Taiwan and China to explore the segment.
 - ✓ Fubon Bank (China) will take advantage of the network formed by its branches in free trade zones to accelerate the development of cross-border financial products and services as part of its effort to explore markets for cross-border finance, trade finance and foreign exchange derivatives.
 - ✓ To develop asset management business to diversify its financial service and secure more growth momentum is included in Fubon Bank (China)' s overseas operations plan.

- ✓ To hone its competitiveness in the segment for Internet finance, Fubon Bank (China) will optimize its e-banking functions, enhance service convenience, and tap its platforms to innovate product and services, such as electronic ticketing.
- ✓ Fubon Bank (China) will continue to open new branch offices and maximize such benefits through physical and e-banking networks to achieve bigger market share.

■ **Retail Banking Business**

- ✓ Fubon Bank (China) will complete the construction of seven computer systems for wealth management, loans business, e-banking and customer information management, so as to enhance its retail banking operational efficiency and enrich customer experience.
- ✓ Fubon Bank (China) will add differentiated features to its branches for more relaxed mood according to local taste and customer preference.
- ✓ To satisfy customers with consultative selling, Fubon Bank (China) will continue to foster expertise and marketing skills of its specialists, develop diversified wealth- and debt-management products and set up investment consulting and coordinated marketing teams.
- ✓ Fubon Bank (China) will enhance utility of its e-banking platforms, and diversity of business operations online, and upgrade its self-service banking equipment, so as to dedicate its virtual platforms to handle daily operations and boost operational efficiency. In light of trends in account management in mainland China, it will also consider introducing high-end technologies, such as a biometric system, to enable remote bank account opening in the future.
- ✓ Targeting foreigners in China who have difficulty applying for loans there, Fubon Bank (China) will expand scope of its loans business to offer a diverse loan portfolio, including small business startup and student loans, operating loans, consumer loans, home mortgage and subprime loans.

3. Research & Development Plans

(1) R&D Expenses

Unit: NT\$1,000

Year	2015	2014
Amount	246,997	228,171

(2) R &D Achievements

- In line with the Bank 3.0 promoted by Financial Supervisory Commission, TFB has finished developing various online banking platforms in 2015.
- TFB has applied data analytics and data mining models in demand-oriented analysis of segmented customer groups (by such parameters as life stages, wealth potential and investment preference) using existing customer data and external sources of credit information, and has accurately collated customer needs, so as to better conduct precision marketing. The results of such effort have been satisfactory, as its marketing accuracy has been raised by 1 to 5 folds.
- In 2015, TFB set up digital banking service zones in all its branches, where customers ushered by service representatives experience the convenience of e-banking and mobile

banking services, to have effectively raises the number of users of such services.

- After redesigning its Internet banking platform, TFB in March, 2015, launched its brand new mobile banking system with improved operational interface, which facilitates easy operation of the system via instinctive design to differentiate it from typical platforms developed by local peers.
- Throughout 2015, TFB continually launched payment services, including smartphone card payment in July, and Wali smart wallet and QR code payment in August in cooperation with Taiwan Mobile Corp., after debuting its MasterPass service, to meet customer demand for diverse mobile payment methods.
- TFB continued to develop a new customer-screening and credit-checking system and a risk-assessing model in 2015, in effort to enhance accuracy of credit rating and efficiency of credit checking.
- TFB established an independent database for data dictionary, which enables the support of data format displayed in native languages, English and optional languages.
- TFB upgraded modeling software running on its credit risk management system for compatibility with Windows 7, as well as related hardware, thereby strengthening its capability of data analysis for internal credit rating.
- Fubon Bank (China) established an integrated platform for multi-channel online banking services (including Internet banking, smartphone banking and PAD payment), debit card system, second-generation payment system, super online banking system (enabling instant money transfers and capital collection), supply-chain system, ECIF & CRM system, desktop cloud system shared among all branches, OCR system, third-party payment platform, network connected to Alipay, fax transaction platform, system security management platform, etc., and completed the first-phase construction of its mobile lending system and management support system.
- In September, 2014, Fubon Bank (China) relocated its data center equipment that was newly set up.

(3) Future R&D Projects

- Estimated R&D Spending in 2016

Unit: NT\$1,000

Estimated R&D Spending in 2016	
Amount	727,043

- Future R&D Projects
 - ✓ TFB will establish a branch in Singapore as a foothold for developing customers in surrounding countries to expand its overseas customer base. It will also integrate internal resources to set up a well-rounded financial service platform to strengthen customer loyalty in the greater China region.
 - ✓ TFB will continue to upgrade its protective measures against malicious hacking, by, for example, carrying out a mobile banking optimization project that includes the application of biometric technology in bank account application, login and transaction confirmation on such systems.

- ✓ TFB will continue to expand its digital and mobile banking services to include the provision of real-time, active and interactive financial consulting service.
- ✓ TFB will continue to develop and upgrade mobile payment services, including a HCE (Host Card Emulation)-based smartphone-enabling credit card payment system using cloud technology, cross-border payment and MasterPass O2O (online to offline) payment, to meet growing consumers' preference for mobile payments amid continual popularity of smartphones.
- ✓ TFB will stay focused on the development of an automated customer-screening and credit-checking environment to enhance accuracy of risk assessment and efficiency of credit checking and rating.
- ✓ TFB will upgrade system structure at all its branches through transposition operations, as well as its core systems with project management tools, including an issue tracking system. Meanwhile, it will also carry out operational streamlining and automation. These will enable TFB to further enhance its management capability and improve administrative models, so its business development is expected to be upgraded and gain momentum from the support of information technology, coupled with maximized return on investment.
- ✓ TFB will upgrade its banking facilities, including ATMs, cash recycling machines, passbook updating machines and currency exchange machines, so as to enhance overall efficiency in deposit, withdrawal, transfer, payment and balance checking operations as required by customers, and improve system security.
- ✓ TFB will offer to set up four kiosks in Taipei City Hospital, which will provide not just appointment and information querying services, but payment service to help the hospital reduce labor cost.
- ✓ Fubon Bank (China) will upgrade its core systems, system development environments and related tools, so as to enhance efficiency in the development of core systems and performance to better shore up its retail banking and onshore Renminbi businesses.
- ✓ Fubon Bank (China) will focus on the development of Internet banking platforms and virtual channels, to upgrade its e-banking platform functions, develop virtual bank cards, accelerate construction of various support systems to shore up its e-banking services, including WeChat payment, wealth management and retail banking.
- ✓ To innovate its business and sustain long-term development, Fubon Bank (China) will develop smart banking systems, Comstar systems, capital pool systems, mortgage management systems, private banking systems and an integrated mobile payment system for use in Shenzhen, Guandong, China.
- ✓ Fubon Bank (China) will further improve its crisis management capability by setting up a crisis management center and related systems at its headquarters.
- ✓ Fubon Bank (China) will continue to improve organizational structure of its information technology department, and streamline operational procedures and workflow, in a bid to enhance its risk management, the quality of IT staffers and work efficiency.

4. Employees Profile

■ Taipei Fubon Bank

Year		2014	2015	As on January 31,2016
Number of employees	Staff	6,397	6,624	6,637
	Workers	124	115	115
	Total	6,521	6,739	6,752
Average age (years)		37.85	38.58	38.68
Average seniority (years)		9.11	9.40	9.47
Education level	Graduate or higher	16.79%	17.36%	17.46%
	College/University	77.64%	76.96%	76.85%
	Senior high school	5.41%	5.56%	5.57%
	Below senior high	0.15%	0.12%	0.12%

Note : Overseas contract/temporary staff is excluded from the above table.

■ Fubon Bank (China)

Year		2014	2015	As on January 31,2016
Number of employees	Staff	705	890	911
Average age (years)		32	32	32
Average seniority (years)		3.8	3.2	3.0
Education level	Graduate or higher	22.55%	24.72%	25.24%
	College/University	74.33%	73.26%	72.78%
	Senior high school	3.12%	2.02%	1.98%

IV. Special Notes

1. Dividend Policy and Implementation Status

(1) Dividend Policy

- After yearly budget settlements, after-tax profits, if they exist, will be first used to make up deficits from the previous year, with 30% of the balance being set aside for legal reserves, and, under Financial Supervisory Commission rules, a special reserve (or special reserve reversal). While the remainder will be incorporated into the accumulated retained earnings of past years. The board of directors will then make a proposal for payout of dividends, which will be submitted to the shareholders' meeting for final ratification. Should the Bank's legally-required reserves consist of equivalent paid-in capital or reach levels according to acceptable financial standards set by the regulator as per item 2, article 50 of the Banking Law, including appropriation of earnings for legally-required reserves according to the Company Law, the company can be exempt from restrictions regarding appropriation of earnings for legally-required reserves and cash-dividend payout.
- Before legal reserves equal paid-in capital and when the capital/risk-based assets ratio meets the requirements of the Banking Law, the ceiling for the payout of cash earnings should comply with the stipulations of the Banking Law and the requirements of the regulator.

(2) Implementation Status

In 2016, the appropriation of the 2015 earnings and dividends per share was proposed by the board of directors as follows:

	Dividends	Dividend Per Share
Stock dividends	NTD \$ 8,479,146,930	NTD \$ 0.86
Cash dividends	NTD \$ 3,633,920,110	NTD \$ 0.37

2. Implementation of the Internal Controls System

Taipei Fubon Commercial Bank Co., Ltd.
Internal Control System Statement



To: Financial Supervisory Commission, Executive Yuan

On behalf of Taipei Fubon Commercial Bank Co., Ltd., we hereby certify that in the period from January 1, 2015 to December 31, 2015, the Bank duly complied with the "Implementation Regulations for Internal Audit and Internal Control Systems of Financial Holding Companies and Banks" in establishing an internal control system, implementing risk management processes, as well as designating an independent unit to conduct audits and report regularly to the Board of Directors and supervisors.


With respect to the securities business, the Bank assessed the effectiveness of the design and execution of its internal control system based on the evaluation criteria set forth in the "Regulations Governing the Establishment of Internal Control Systems by Service Enterprises in Securities and Futures Markets" issued by the Securities and Futures Bureau of the Financial Supervisory Commission. After careful evaluation, the Bank found that, except for the items enumerated in the attached schedule, the internal control and legal compliance systems of all units were effectively implemented during the year. This statement will be included as the primary content of the Bank's annual report and any prospectuses, and made available to the public. Any information in this statement found to be falsified, concealed, or otherwise illegal shall be subject to the legal liabilities prescribed by Articles 20, 32, 171, and 174 of the Securities and Exchange Act.

Declarant

Chairman:  (Signature / Seal)

President:  (Signature / Seal)

Chief Auditor:  (Signature / Seal)

Chief Compliance Officer:  (Signature / Seal)

Date: March 18, 2016

**Taipei Fubon Commercial Bank Co., Ltd. Internal Control System
Items for Improvement and Corrective Action Plan
(As of December 31,2015)**

Item for Improvement	Improvement Measures	Target Date
一、 Procedures for conducting financial derivatives business: (一) No relevant risk management mechanism established for the hedge transactions done with clients. (二) Excess credit lines approved more than actual needs of clients.	Have revised the relevant policies such as product suitability check list, financial derivatives products counterparty credit line management policy... etc., and strengthened the analysis for clients risk tolerance level and product suitability.	Will continue to revise and update according to the policies newly introduced by regulators
二、 Client list downloaded when the outsourced service provider conducted system maintenance in the Telemarketing Center	Have prohibited the service provider from bringing its own devices into the controlled area and completed the bank wide endpoint devices networking control to prevent unidentified devices from connecting into bank's internal network.	Improvement completed.
三、 The cashier embezzlement case in the ○○ branch	(一) Have revised the Cash Balances Statement controlled and checked by system, and established the mechanism of branch cash balances cross area sampling inspection. (二) Established the designated leave policy and shortened the tenor for cashier role.	Improvement completed.

Headquarters and Branches

Headquarters Address and Telephone Number

Headquarter No.169, Sec. 4, Ren'ai Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	886(2)27716699
Business Department No.50, Sec. 2, Zhongshan N. Rd., Zhongshan Dist., Taipei City 104, Taiwan (R.O.C.)	886(2)25425656
Trust Department 3F/4F, No.138, Sec. 3, Minsheng E. Rd., Songshan Dist., Taipei City 105, Taiwan (R.O.C.)	886(2)27186888
Securities Department (Dealer and Underwrite) 18F, No.169, Sec. 4, Ren'ai Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	886(2)27716699

Branches Address and Telephone Number

Code	Branch Name	Address	Tel.
012-5608	Offshore Banking Branch	5F, No.169, Sec. 4, Ren'ai Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	886(2)27716699
012-2032	Changan E. Road Branch	No.36, Sec. 1, Chang'an E. Rd., Zhongshan Dist., Taipei City 104, Taiwan (R.O.C.)	886(02)2521-2481
012-2205	Chengdong Branch	No.90, Sec. 2, Nanjing E. Rd., Zhongshan Dist., Taipei City 104, Taiwan (R.O.C.)	886(02)2511-6388
012-2216	Nongan Branch	No.369, Songjiang Rd., Zhongshan Dist., Taipei City 104, Taiwan (R.O.C.)	886(02)2503-1451
012-3006	Shilin Branch	No.288, Zhongzheng Rd., Shilin Dist., Taipei City 111, Taiwan (R.O.C.)	886(02)2831-7444
012-3017	Shidong Branch	No.360, Sec. 6, Zhongshan N. Rd., Shilin Dist., Taipei City 111, Taiwan (R.O.C.)	886(02)2873-5757
012-3039	Yucheng Branch	No.126, Sec. 6, Zhongxiao E. Rd., Nangang Dist., Taipei City 115, Taiwan (R.O.C.)	886(02)2651-1212
012-3040	Fugang Branch	No.310, Sec. 4, Chengde Rd., Shilin Dist., Taipei City 111, Taiwan (R.O.C.)	886(02)2883-6712
012-3051	Zhongxiao Branch	No.107, Sec. 4, Zhongxiao E. Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	886(02)2741-7880
012-3062	Chengde Branch	No.142, Sec. 2, Chengde Rd., Datong Dist., Taipei City 103, Taiwan (R.O.C.)	886(02)2553-6553
012-3109	Yanping Branch	No.69, Sec. 2, Yanping N. Rd., Datong Dist., Taipei City 103, Taiwan (R.O.C.)	886(02)2555-2170
012-3202	Muzha Branch	No.92, Sec. 3, Muzha Rd., Wenshan Dist., Taipei City 116, Taiwan (R.O.C.)	886(02)2939-1035
012-3213	Muxin Branch	1F.2F., No.236, Sec. 3, Muxin Rd., Wenshan Dist., Taipei City 116, Taiwan (R.O.C.)	886(02)2938-3791
012-3305	Longshan Branch	No.161, Xining S. Rd., Wanhua Dist., Taipei City 108, Taiwan (R.O.C.)	886(02)2371-8720
012-3408	Bade Branch	No.178, Sec. 3, Bade Rd., Songshan Dist., Taipei City 105, Taiwan (R.O.C.)	886(02)2577-6467
012-3419	Yongchun Branch	No.655, Songshan Rd., Xinyi Dist., Taipei City 110, Taiwan (R.O.C.)	886(02)2759-2921

Branches Address and Telephone Number

Code	Branch Name	Address	Tel.
012-3420	Yongji Branch	No.199, Yongji Rd., Xinyi Dist., Taipei City 110, Taiwan (R.O.C.)	886(02)2762-8700
012-3501	Zhongshan Branch	No.162, Sec. 2, Zhongshan N. Rd., Zhongshan Dist., Taipei City 104, Taiwan (R.O.C.)	886(02)2596-3171
012-3604	Beitou Branch	No.2, Sec. 1, Zhongyang N. Rd., Beitou Dist., Taipei City 112, Taiwan (R.O.C.)	886(02)2891-5533
012-3615	Shipai Branch	No.216, Wenlin N. Rd., Beitou Dist., Taipei City 112, Taiwan (R.O.C.)	886(02)2827-1616
012-3707	Daan Branch	No.37, Sec. 4, Ren'ai Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	886(02)2731-2333
012-3800	Datong Branch	No.186, Sec. 3, Chongqing N. Rd., Datong Dist., Taipei City 103, Taiwan (R.O.C.)	886(02)2592-9282
012-3903	Guting Branch	No.100, Sec. 3, Roosevelt Rd., Zhongzheng Dist., Taipei City 100, Taiwan (R.O.C.)	886(02)2365-0381
012-4003	Shuangyuan Branch	No.152, Sec. 2, Xiyuan Rd., Wanhua Dist., Taipei City 108, Taiwan (R.O.C.)	886(02)2302-3666
012-4014	Wanhua Branch	No.482, Wanda Rd., Wanhua Dist., Taipei City 108, Taiwan (R.O.C.)	886(02)2332-5901
012-4106	Jiancheng Branch	No.22, Nanjing W. Rd., Datong Dist., Taipei City 103, Taiwan (R.O.C.)	886(02)2555-4161
012-4117	Shifu Branch	1F., No.1, Shifu Rd., Xinyi Dist., Taipei City 110, Taiwan (R.O.C.)	886(02)2729-8999
012-4209	Nangang Branch	No.19-5, Sanchong Rd., Nangang Dist., Taipei City 115, Taiwan (R.O.C.)	886(02)2655-1177
012-4302	Jingmei Branch	No.64, Jingwen St., Wenshan Dist., Taipei City 116, Taiwan (R.O.C.)	886(02)2935-2636
012-4313	Xinglong Branch	No.69, Sec. 3, Xinglong Rd., Wenshan Dist., Taipei City 116, Taiwan (R.O.C.)	886(02)8663-9889
012-4405	Neihu Branch	No.6, Ln. 174, Sec. 3, Chenggong Rd., Neihu Dist., Taipei City 114, Taiwan (R.O.C.)	886(02)2796-1820
012-4427	Wende Branch	No.42, Wende Rd., Neihu Dist., Taipei City 114, Taiwan (R.O.C.)	886(02)2658-2620
012-4508	Dunhua Branch	No.201, Dunhua N. Rd., Songshan Dist., Taipei City 105, Taiwan (R.O.C.)	886(02)2713-1660
012-4542	Minsheng Branch	No.163-1, Sec. 5, Minsheng E. Rd., Songshan Dist., Taipei City 105, Taiwan (R.O.C.)	886(02)2764-0853
012-4601	Xinyi Branch	No.299, Sec. 4, Xinyi Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	886(02)2700-6381
012-4612	Zhuangjing Branch	No.286, Zhuangjing Rd., Xinyi Dist., Taipei City 110, Taiwan (R.O.C.)	886(02)2722-6206
012-4623	Xinsheng Mini-Branch	No.157, Sec. 2, Xinyi Rd., Zhongzheng Dist., Taipei City 100, Taiwan (R.O.C.)	886(02)2327-9908
012-4704	Songjiang Branch	No.200, Songjiang Rd., Zhongshan Dist., Taipei City 104, Taiwan (R.O.C.)	886(02)2543-4282
012-4807	Heping Branch	No.236, Sec. 2, Fuxing S. Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	886(02)2702-2421
012-4900	Yanji Branch	No.389, Sec. 4, Ren'ai Rd., Da'an Dist.,	886(02)2752-7600

Branches Address and Telephone Number			
Code	Branch Name	Address	Tel.
		Taipei City 106, Taiwan (R.O.C.)	
012-5103	Nanmen Branch	No.17, Jinhua St., Zhongzheng Dist., Taipei City 100, Taiwan (R.O.C.)	886(02)2397-1640
012-5206	Fuxing Branch	No.234, Fuxing N. Rd., Zhongshan Dist., Taipei City 104, Taiwan (R.O.C.)	886(02)2502-3530
012-5309	Xisong Branch	No.75-1, Sec. 4, Nanjing E. Rd., Songshan Dist., Taipei City 105, Taiwan (R.O.C.)	886(02)2717-0037
012-5402	Zhangan Branch	No.76, Songjiang Rd., Zhongshan Dist., Taipei City 104, Taiwan (R.O.C.)	886(02)2551-9797
012-5505	Guilin Branch	No.52, Guilin Rd., Wanhua Dist., Taipei City 108, Taiwan (R.O.C.)	886(02)2302-6226
012-5701	Dunhe Branch	1F., No.97, Sec. 2, Dunhua S. Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	886(02)2701-2409
012-5804	Dongmen Branch	No.61, Sec. 2, Ren'ai Rd., Zhongzheng Dist., Taipei City 100, Taiwan (R.O.C.)	886(02)2351-2081
012-5907	Zhonglun Branch	No.6, Fuxing N. Rd., Zhongshan Dist., Taipei City 104, Taiwan (R.O.C.)	886(02)2741-8257
012-6007	Keelung Road Branch	No.21, Sec. 2, Keelung Rd., Xinyi Dist., Taipei City 110, Taiwan (R.O.C.)	886(02)2737-3671
012-6100	Jinhua Branch	No.178, Sec. 1, Heping E. Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	886(02)2369-8566
012-6203	Songnan Branch	No.412, Sec. 5, Zhongxiao E. Rd., Xinyi Dist., Taipei City 110, Taiwan (R.O.C.)	886(02)2725-5111
012-6214	Huaisheng Branch	No.215, Sec. 3, Zhongxiao E. Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	886(02)2781-8380
012-6306	Minquan Branch	No.37, Sec. 3, Minquan E. Rd., Zhongshan Dist., Taipei City 104, Taiwan (R.O.C.)	886(02)2516-6786
012-6409	Jilin Branch	No.146, Jilin Rd., Zhongshan Dist., Taipei City 104, Taiwan (R.O.C.)	886(02)2568-1248
012-6502	Shezi Branch	No.225, Sec. 5, Yanping N. Rd., Shilin Dist., Taipei City 111, Taiwan (R.O.C.)	886(02)28168585
012-6605	Gangdou Branch	No.358, Zhongshan 2nd Rd., Lingya Dist., Kaohsiung City 802, Taiwan (R.O.C.)	886(07)335-6226
012-6683	Xihu Branch	No.240, Sec. 1, Neihu Rd., Neihu Dist., Taipei City 114, Taiwan (R.O.C.)	886(02)8751-1788
012-6708	Wanlong Branch	No.136, Sec. 6, Roosevelt Rd., Wenshan Dist., Taipei City 116, Taiwan (R.O.C.)	886(02)2933-9956
012-6719	Zhonggang Branch	1F., No.218, Sec. 2, Taiwan Blvd., Taichung City 403, Taiwan (R.O.C.)	886(04)2320-7711
012-6720	Xinzhuang Branch	No.227, Xintai Rd., Xinzhuang Dist., New Taipei City 242, Taiwan (R.O.C.)	886(02)2990-3366
012-6731	Taoyuan Branch	No.33, Zhonghua Rd., Taoyuan Dist., Taoyuan City 330, Taiwan (R.O.C.)	886(03)336-7171
012-6742	Anping Branch	No.279, Sec. 2, Minsheng Rd., West Central Dist., Tainan City 700, Taiwan (R.O.C.)	886(06)226-5265
012-6764	Songlong Mini-Branch	No.176-1, Sec. 1, Keelung Rd., Xinyi Dist., Taipei City 110, Taiwan (R.O.C.)	886(02)2747-3399
012-6775	Puqian Branch	No.143, Sec. 2, Zhongshan Rd., Banqiao Dist., New Taipei City 220, Taiwan (R.O.C.)	886(02)8953-5118

Branches Address and Telephone Number

Code	Branch Name	Address	Tel.
012-6786	Beizhongli Branch	No.61, Jiuhe 2nd St., Zhongli Dist., Taoyuan City 320, Taiwan (R.O.C.)	886(03)425-6699
012-6797	Sanchong Branch	No.36, Sec. 2, Zhongxiao Rd., Sanchong Dist., New Taipei City 241, Taiwan (R.O.C.)	886(02)8983-6868
012-6801	Fengyuan Branch	No.139, Xiangyang Rd., Fengyuan Dist., Taichung City 420, Taiwan (R.O.C.)	886(04)2522-0088
012-6812	Shuanghe Branch	No.696, Jingping Rd., Zhonghe Dist., New Taipei City 235, Taiwan (R.O.C.)	886(02)2243-8877
012-6823	Gushan Branch	No.308, Mingcheng 4th Rd., Gushan Dist., Kaohsiung City 804, Taiwan (R.O.C.)	886(07)552-3111
012-6845	Fengcheng Branch	No.126, Minsheng Rd., East Dist., Hsinchu City 300, Taiwan (R.O.C.)	886(03)534-3888
012-6856	Changhua Branch	No.349, Sec. 2, Zhongshan Rd., Changhua City, Changhua County 500, Taiwan (R.O.C.)	886(04)726-1333
012-6867	Donghu Branch	No.69, Sec. 3, Kangning Rd., Neihu Dist., Taipei City 114, Taiwan (R.O.C.)	886(02)2633-6677
012-6878	Yonghe Branch	No.1, Sec. 1, Zhongshan Rd., Yonghe Dist., New Taipei City 234, Taiwan (R.O.C.)	886(02)8660-1616
012-6889	Gangshan Mini-Branch	No.178, Zhongshan N. Rd., Gangshan Dist., Kaohsiung City 820, Taiwan (R.O.C.)	886(07)621-3969
012-6890	Taipei 101 Branch	1F., No.45, Shifu Rd., Xinyi Dist., Taipei City 110, Taiwan (R.O.C.)	886(02)8101-8585
012-7026	Nanjing E. Road Branch	No.139, Sec. 2, Nanjing E. Rd., Zhongshan Dist., Taipei City 104, Taiwan (R.O.C.)	886(02)2515-5518
012-7037	Dunbei Branch	No.138, Sec. 3, Minsheng E. Rd., Songshan Dist., Taipei City 105, Taiwan (R.O.C.)	886(02)2718-5151
012-7048	Renai Branch	No.237, Sec. 1, Jianguo S. Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	886(02)2325-8878
012-7059	Kaohsiung Branch	No.1, Liuhe 1st Rd., Xinxing Dist., Kaohsiung City 800, Taiwan (R.O.C.)	886(07)239-1515
012-7060	Zhongzheng Branch	No.1088, Zhongzheng Rd., Taoyuan Dist., Taoyuan City 330, Taiwan (R.O.C.)	886(03)356-2525
012-7071	Taichong Branch	No.196, Sec. 2, Liuchuan W. Rd., Taichung City 403, Taiwan (R.O.C.)	886(04)2222-1911
012-7093	Songshan Branch	No.421, Songshan Rd., Xinyi Dist., Taipei City 110, Taiwan (R.O.C.)	886(02)2728-1199
012-7107	Tucheng Branch	No.100, Sec. 1, Zhongyang Rd., Tucheng Dist., New Taipei City 236, Taiwan (R.O.C.)	886(02)2270-9898
012-7118	Tainan Branch	No.166-6, Zhongshan Rd., West Central Dist., Tainan City 700, Taiwan (R.O.C.)	886(06)229-0266
012-7129	Fengshan Branch	1F., No.508, Wenheng Rd., Fengshan Dist., Kaohsiung City 830, Taiwan (R.O.C.)	886(07)780-8686
012-7130	Zhongli Branch	No.119, Sec. 2, Zhongbei Rd., Zhongli Dist., Taoyuan City 320, Taiwan (R.O.C.)	886(03)459-5766
012-7152	Anhe Branch	B1F., No.169, Sec. 4, Ren'ai Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	886(02)2778-7717
012-7163	Zhengyi Branch	No.279, Zhengyi N. Rd., Sanchong Dist.,	886(02)2980-6688

Branches Address and Telephone Number			
Code	Branch Name	Address	Tel.
		New Taipei City 241, Taiwan (R.O.C.)	
012-7174	Danan Branch	No.968, Sec. 1, Jieshou Rd., Bade Dist, Taoyuan City 334, Taiwan (R.O.C.)	886(03)361-6565
012-7185	Chiayi Branch	No.395, Ren'ai Rd., West Dist., Chiayi City 600, Taiwan (R.O.C.)	886(05)223-1688
012-7211	Banqiao Branch	No.266, Sec. 1, Wenhua Rd., Banqiao Dist., New Taipei City 220, Taiwan (R.O.C.)	886(02)2254-9999
012-7222	Beitaichong Branch	No.333, Sec. 4, Wenxin Rd., Beitun Dist., Taichung City 406, Taiwan (R.O.C.)	886(04)2242-6222
012-7233	Sanmin Branch	No.530, Dashun 2nd Rd., Sanmin Dist., Kaohsiung City 807, Taiwan (R.O.C.)	886(07)387-1299
012-7244	Jianguo Branch	No.196, Sec. 2, Jianguo N. Rd., Zhongshan Dist., Taipei City 104, Taiwan (R.O.C.)	886(02)2515-1775
012-7255	Hsinchu Branch	No.141, Zhongzheng Rd., Hsinchu City 300, Taiwan (R.O.C.)	886(03)527-8988
012-7266	Xindian Branch	No.266, Sec. 2, Beixin Rd., Xindian Dist., New Taipei City 231, Taiwan (R.O.C.)	886(02)2912-9977
012-7277	Tianmu Branch	No.36, Tianmu E. Rd., Shilin Dist., Taipei City 111, Taiwan (R.O.C.)	886(02)2876-3232
012-7288	Xizhi Branch	No.175, Sec. 1, Datong Rd., Xizhi Dist., New Taipei City 221, Taiwan (R.O.C.)	886(02)2641-1689
012-7303	Yongkang Branch	No.856, Dawan Rd., Yongkang Dist., Tainan City 710, Taiwan (R.O.C.)	886(06)273-6099
012-7314	Xiangyang Branch	No.9, Xiangyang Rd., Zhongzheng Dist., Taipei City 100, Taiwan (R.O.C.)	886(02)2388-5889
012-7336	Wugu Branch	No.445, Huacheng Rd., Xinzhuang Dist., New Taipei City 242, Taiwan (R.O.C.)	886(02)8521-3399
012-7347	Xinying Branch	No.301, Minzhi Rd., Xinying Dist., Tainan City 730, Taiwan (R.O.C.)	886(06)656-9889
012-7358	Bingdong Branch	No.459, Heping Rd., Pingtung City, Pingtung County 900, Taiwan (R.O.C.)	886(08)733-6899
012-7369	Qianzhen Branch	No.289, Baotai Rd., Qianzhen Dist., Kaohsiung City 806, Taiwan (R.O.C.)	886(07)717-0055
012-7370	Dunnan Branch	No.108, Sec. 1, Dunhua S. Rd., Songshan Dist., Taipei City 105, Taiwan (R.O.C.)	886(02)8771-9898
012-7381	Baosheng Branch	No.3, Baosheng Rd., Yonghe Dist., New Taipei City 234, Taiwan (R.O.C.)	886(02)8923-0888
012-7392	Yuanlin Branch	No.596, Juguang Rd., Yuanlin Township, Changhua County 510, Taiwan (R.O.C.)	886(04)836-9189
012-7406	Luodong Branch	1F., No.286, Xingdong Rd., Luodong Township, Yilan County 265, Taiwan (R.O.C.)	886(03)956-6611
012-7417	Ruihu Branch	No.62, Ruihu St., Neihu Dist., Taipei City 114, Taiwan (R.O.C.)	886(02)2659-1088
012-7451	Hualien Mini-Branch	No.256, Linsen Rd., Hualien City, Hualien County 970, Taiwan (R.O.C.)	886(03)835-3838
012-7462	Zhubei Branch	No.263, Guangming 6th Rd., Zhubei City, Hsinchu County 302, Taiwan (R.O.C.)	886(03)558-6199
012-7473	Nantaizhong Branch	No.272, Sec. 1, Wenxin Rd., Nantun Dist., Taichung City 408, Taiwan (R.O.C.)	886(04)3600-9868

Branches Address and Telephone Number

Code	Branch Name	Address	Tel.
012-7484	Boai Branch	No.450, Bo'ai 2nd Rd., Kaohsiung City 813, Taiwan (R.O.C.)	886(07)862-8668
012-7495	Luzhou Branch	No.71, Sanmin Rd., Luzhou Dist., New Taipei City 247, Taiwan (R.O.C.)	886(02)8282-1799
012-7509	Huajiang Branch	No.285, Sec. 2, Wenhua Rd., Banqiao Dist., New Taipei City 220, Taiwan (R.O.C.)	886(02)2253-0598
012-7510	Dazhi Branch	No.602, Mingshui Rd., Zhongshan Dist., Taipei City 104, Taiwan (R.O.C.)	886(02)8509-3878
012-7521	Shulin Branch	No.27, Wenhua St., Shulin Dist., New Taipei City 238, Taiwan (R.O.C.)	886(02)2683-8186
012-7532	Keelung Branch	No.279, Ren 1st Rd., Ren'ai Dist., Keelung City 200, Taiwan (R.O.C.)	886(02)2429-2888
012-7543	Zhuke Branch	No.186, Guanxin Rd., East Dist., Hsinchu City 300, Taiwan (R.O.C.)	886(03)666-3328
012-7554	Linkou Mini-Branch	No.441, Sec. 1, Wenhua 3rd Rd., Linkou Dist., New Taipei City 244, Taiwan (R.O.C.)	886(02)2609-8802
012-7565	Xinban Branch	1F.2F., No.288, Sec. 1, Xianmin Blvd., Banqiao Dist., New Taipei City 220, Taiwan (R.O.C.)	886(02)2958-8598
012-7576	Sanxia Mini-Branch	1F., No.541, Xuecheng Rd., Shulin Dist., New Taipei City 238, Taiwan (R.O.C.)	886(02)2680-5899
012-7587	Nankan Branch	No.20, Zhongxiao E. Rd., Luzhu Dist., Taoyuan City 338, Taiwan (R.O.C.)	886(03)322-2296
012-7602	Zuoying Branch	No.363, Bo'ai 4th Rd., Zuoying Dist., Kaohsiung City 813, Taiwan (R.O.C.)	886(07)341-9518
012-7598	East Tainan Branch	No.318, Sec. 3, Zhonghua E. Rd., East Dist., Tainan City 701, Taiwan (R.O.C.)	886(06)260-6118
012-7613	Dali Branch	No.188, Sec. 2, Guoguang Rd., Dali Dist., Taichung City 412, Taiwan (R.O.C.)	886(04)2481-9818
012-9108	Los Angeles Branch	17800 CASTLETON STREET, SUITE 588, CITY OF INDUSTRY, CA 91748, U.S.A.	+1-626-363-1866
012-9503	Hong Kong Branch	18th/F, CENTRAL TOWER 28 QUEEN'S RD. CENTRAL H.K.	+852-2822-7700
012-9606	Binh Duong Branch	UNIT 1, FLOOR 2, MINH SANG PLAZA, NO.888 BINH DUONG BOULEVARD, THUAN GIAO WARD, THUAN AN TOWN, BINH DUONG PROVINCE, VIETNAM	+84-650-627-8899
012-9628	Hanoi Branch	22nd/F, CHARMVIT TOWER BUILDING, NO. 117, TRAN DUY HUNG STREET, CAU GIAY DISTRICT, HANOI, VIETNAM	+84-4-3772-2212
012-9639	Ho Chi Minh City Branch	NO. 253 DIEN BIEN PHU STREET, DISTRICT 3, HCMC, VIETNAM	+84-8-3932-5888

Branches Address and Telephone Number of Fubon Bank (China)			
Code	Branch Name	Address	Tel.
012-9802	Headquarter Sub-branch	G/F,Tower A,Oriental Financial Plaza, No.1168 Century Avenue, Pudong District, Shanghai	86-21-20619888
012-9813	Shanghai Hongqiao Sub-branch	No.88,East Ronghua Road,Changning District,Shanghai	86-21-62951616
012-9824	Shanghai Xuhui Sub-branch	1-3F,No.2020 West Zhongshan Road,Xuhui District,Shanghai	86-21-54259696
012-9835	Shanghai Jiading Sub-branch	G/F,Shanghai International Automobile City Tower,No.888 Moyu Road, Jiading District,Shanghai	86-21-69503300
012-9846	Shanghai Songjiang Sub-branch	No.2,Jiahe Square,No. 338,Wencheng Road,Songjiang District,Shanghai	86-21-37799300
012-9868	Shanghai Minhang Sub-branch	G/F,Liguo Tower,No.255 Wubao Road,Minhang District,Shanghai	86-21-54471616
012-9891	Shanghai Xintiandi Sub-branch	No.226,Madang Road,Huangpu District,Shanghai	86-21-20377600
012-9916	Shanghai Jingan Sub-branch	Room 105,No.555 West Nanjing Road,Jingan District,Shanghai	86-21-62550055
012-9880	Shanghai Lujiazui Sub-branch	G/F,New Shanghai International Tower,No.360 Pudong South Road, Pudong District,Shanghai	86-21-20293188
012-9949	Shanghai Changning Sub-branch	G/F, Beethoven Plaza,No.1200 Changning Road,Changning District,Shanghai	86-21-20293088
012-9950	Shanghai Pilot Free Trade Zone Sub-branch	G/F,No.1158 Zhang Dong Road, Zhang Jiang High-Tech Park, Pudong District, Shanghai	86-21-20293039
012-9961	Shanghai Riyueguang Sub-branch	No.15-16,G/F,Ruijing Region,No.618 Xujiahui Road,Huangpu District,Shanghai	86-21-20377688
012-9857	Shenzhen Branch	G/F, Tower B, Space Building,Shennan Road,Futian District,Shenzhen	86-755-83935966
012-9905	Shenzhen Baoan Sub-branch	A85/B83,No.4 Building,Hongfa Field Garden,N5 Region,Baoan District,Shenzhen	86-755-29485788
012-9798	Shenzhen Qianhai Sub-branch	G/F, T1 Building,One Shenzhen Bay,intersection of Dongbin Road and South Keyuan Road, Nanshan District, Shenzhen	86-755-23675800
012-9879	Tianjin Branch	G/F,Xindu Tower,No.16 Weijin Road,Nankai District,Tianjin	86-22-27503188
012-9927	Tianjin Binhai Sub-branch	G/F,No.7 Building,Binhai Financial Street,No.52 West Xincheng Road, Economic and Technical Development District,Tianjin	86-22-66287628
012-9938	Suzhou Branch	1-3F,Hengyu Square,No.188 Xinghai Street,Suzhou Industrial Park,Suzhou	86-512-62555777
012-9972	Nanjing Branch	G/F, Oriental Financial Building,No.29 Hongwu Road,Qinhuai District,Nanjing	86-25-51869888

Appendix

*Annual Financial Reports
for 2015 and 2014*

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated balance sheets of TAIPEI FUBON COMMERCIAL BANK Co., Ltd. (the "Bank") and its subsidiaries as of December 31, 2015, December 31, 2014 and January 1, 2014, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2015 and 2014. These consolidated financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the Rules Governing the Auditing and Attestation of Financial Statements of Financial Institutions by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statements presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of TAIPEI FUBON COMMERCIAL BANK Co., Ltd. and its subsidiaries as of December 31, 2015, December 31, 2014 and January 1, 2014, and the consolidated financial performance and consolidated cash flows for the years ended December 31, 2015 and 2014 in conformity with the Regulations Governing the Preparation of Financial Reports by Public Banks, certain other guidelines issued by the authorities and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed by the Financial Supervisory Commission of the Republic of China.

We have also audited the financial statements of the parent bank, TAIPEI FUBON COMMERCIAL BANK Co., Ltd., as of and for the years ended December 31, 2015 and 2014, on which we have issued an unqualified opinion thereon in our report dated March 18, 2016.

March 18, 2016

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)

ASSETS	December 31, 2015		December 31, 2014 (Applied Retrospectively)		January 1, 2014 (Applied Retrospectively)	
	Amount	%	Amount	%	Amount	%
CASH AND CASH EQUIVALENTS (Notes 4, 6 and 44)	\$ 77,020,773	3	\$ 60,389,137	3	\$ 74,257,224	4
DUE FROM THE CENTRAL BANK AND CALL LOANS TO OTHER BANKS (Notes 7, 44 and 45)	212,245,752	9	151,363,664	7	91,888,019	5
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 8, 16, 26, 44 and 45)	130,644,418	6	117,380,517	6	73,231,661	4
DERIVATIVE FINANCIAL ASSETS FOR HEDGING (Notes 4 and 9)	467,130	-	204,310	-	285,784	-
SECURITIES PURCHASED UNDER RESELL AGREEMENTS (Notes 4, 6, 10 and 44)	22,491,424	1	22,680,157	1	20,179,897	1
RECEIVABLES, NET (Notes 4, 11, 19 and 44)	81,025,823	3	102,642,224	5	88,146,920	5
CURRENT TAX ASSETS (Notes 4, 42 and 44)	359,224	-	397,541	-	411,519	-
DISCOUNTS AND LOANS, NET (Notes 4, 12, 19 and 44)	1,353,532,910	56	1,304,563,162	60	1,102,747,108	63
AVAILABLE-FOR-SALE FINANCIAL ASSETS, NET (Notes 4, 9, 13, 16, 26, 44 and 45)	125,934,711	5	93,497,703	4	69,228,489	4
HELD-TO-MATURITY FINANCIAL ASSETS (Notes 4, 14, 16, 26 and 45)	288,730,656	12	246,647,407	11	209,762,227	12
INVESTMENTS MEASURED BY EQUITY METHOD (Notes 4 and 17)	125,614	-	126,900	-	135,557	-
OTHER FINANCIAL ASSETS, NET (Notes 4, 18, 19, 26 and 45)	41,429,958	2	5,272,762	-	16,339,822	1
PROPERTY AND EQUIPMENT, NET (Notes 4 and 20)	20,650,849	1	19,987,154	1	11,301,651	1
INVESTMENT PROPERTY (Notes 4 and 21)	2,746,700	-	2,349,150	-	2,750,591	-
INTANGIBLE ASSETS, NET (Notes 4 and 22)	17,353,219	1	18,027,458	1	1,625,376	-
DEFERRED TAX ASSETS (Notes 4 and 42)	1,046,956	-	951,977	-	379,362	-
OTHER ASSETS (Notes 23 and 44)	<u>34,029,510</u>	<u>1</u>	<u>18,924,024</u>	<u>1</u>	<u>4,134,747</u>	<u>-</u>
TOTAL	<u>\$ 2,409,835,627</u>	<u>100</u>	<u>\$ 2,165,405,247</u>	<u>100</u>	<u>\$ 1,766,805,954</u>	<u>100</u>
LIABILITIES AND EQUITY						
DEPOSITS FROM THE CENTRAL BANK AND BANKS (Notes 24 and 44)	\$ 127,401,288	5	\$ 96,377,580	5	\$ 83,355,116	5
DUE TO THE CENTRAL BANK AND BANKS (Note 25)	4,577,611	-	8,252,630	-	-	-
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 8 and 44)	79,960,522	4	61,356,313	3	28,000,514	2
DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING (Notes 4 and 9)	808,235	-	574,085	-	852,396	-
SECURITIES SOLD UNDER REPURCHASE AGREEMENTS (Notes 4, 26 and 44)	69,407,898	3	73,468,684	3	27,945,876	1
PAYABLES (Notes 27 and 44)	29,576,062	1	25,584,289	1	28,795,930	2
CURRENT TAX LIABILITIES (Notes 4, 42 and 44)	1,883,699	-	1,636,254	-	1,588,497	-
DEPOSITS AND REMITTANCES (Notes 28 and 44)	1,813,355,582	75	1,606,174,031	74	1,351,974,078	76
BANK DEBENTURES (Notes 9 and 29)	62,767,445	3	74,717,970	4	65,271,143	4
OTHER FINANCIAL LIABILITIES (Notes 30 and 44)	27,253,899	1	38,290,126	2	37,850,450	2
PROVISIONS (Notes 4, 19, 31 and 32)	2,489,424	-	1,972,411	-	1,856,271	-
DEFERRED TAX LIABILITIES (Notes 4 and 42)	945,753	-	746,718	-	464,827	-
OTHER LIABILITIES (Notes 33 and 44)	<u>4,162,036</u>	<u>-</u>	<u>5,526,351</u>	<u>-</u>	<u>4,614,527</u>	<u>-</u>
Total liabilities	<u>2,224,589,454</u>	<u>92</u>	<u>1,994,677,442</u>	<u>92</u>	<u>1,632,569,625</u>	<u>92</u>
EQUITY (Notes 4 and 34)						
Attributable to owners of the Bank						
Capital stock						
Common stock	<u>98,038,876</u>	<u>4</u>	<u>89,176,722</u>	<u>4</u>	<u>82,065,712</u>	<u>5</u>
Capital surplus	<u>14,800,927</u>	<u>1</u>	<u>14,800,927</u>	<u>1</u>	<u>13,856,908</u>	<u>1</u>
Retained earnings						
Legal reserve	30,051,874	1	24,579,351	1	20,947,968	1
Special reserve	2,552,658	-	2,515,426	-	2,515,426	-
Unappropriated earnings	<u>17,547,380</u>	<u>1</u>	<u>18,184,101</u>	<u>1</u>	<u>11,718,873</u>	<u>1</u>
Total retained earnings	<u>50,151,912</u>	<u>2</u>	<u>45,278,878</u>	<u>2</u>	<u>35,182,267</u>	<u>2</u>
Other equity	<u>2,704,775</u>	<u>-</u>	<u>2,347,850</u>	<u>-</u>	<u>3,131,442</u>	<u>-</u>
Total equity attributable to owners of the Bank	<u>165,696,490</u>	<u>7</u>	<u>151,604,377</u>	<u>7</u>	<u>134,236,329</u>	<u>8</u>
Non-controlling interests	<u>19,549,683</u>	<u>1</u>	<u>19,123,428</u>	<u>1</u>	<u>-</u>	<u>-</u>
Total equity	<u>185,246,173</u>	<u>8</u>	<u>170,727,805</u>	<u>8</u>	<u>134,236,329</u>	<u>8</u>
TOTAL	<u>\$ 2,409,835,627</u>	<u>100</u>	<u>\$ 2,165,405,247</u>	<u>100</u>	<u>\$ 1,766,805,954</u>	<u>100</u>

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 Years Ended December 31				Percentage Increase (Decrease) %
	2015		2014 (Applied Retrospectively)		
	Amount	%	Amount	%	
NET INTEREST INCOME (Notes 4, 35 and 44)					
Interest income	\$ 46,646,579	110	\$ 45,231,285	103	3
Interest expense	<u>(23,294,247)</u>	<u>(55)</u>	<u>(22,963,654)</u>	<u>(52)</u>	1
Total net interest income	<u>23,352,332</u>	<u>55</u>	<u>22,267,631</u>	<u>51</u>	5
NET NON-INTEREST INCOME (Note 4)					
Service fee income, net (Notes 36 and 44)	11,649,472	28	11,080,133	25	5
Gains on financial assets or liabilities at fair value through profit or loss (Notes 8, 37 and 44)	4,016,858	9	5,745,686	13	(30)
Realized gains on available-for-sale financial assets (Notes 34 and 38)	1,144,925	3	2,995,473	7	(62)
Foreign exchange gains, net	1,565,959	4	1,357,282	3	15
Share of profit of associates accounted for using equity method (Note 17)	6,937	-	8,213	-	(16)
Other non-interest income, net (Notes 21 and 44)	<u>632,271</u>	<u>1</u>	<u>620,470</u>	<u>1</u>	2
Total net non-interest income	<u>19,016,422</u>	<u>45</u>	<u>21,807,257</u>	<u>49</u>	(13)
TOTAL NET REVENUES	<u>42,368,754</u>	<u>100</u>	<u>44,074,888</u>	<u>100</u>	(4)
BAD DEBTS EXPENSE AND GUARANTEE LIABILITY PROVISION (Notes 4, 19 and 44)	<u>(176,752)</u>	<u>-</u>	<u>(2,261,230)</u>	<u>(5)</u>	(92)
OPERATING EXPENSES (Notes 4, 32, 39, 40, 41 and 44)					
Employee benefits	(11,273,646)	(27)	(10,887,616)	(25)	4
Depreciation and amortization	(1,635,557)	(4)	(1,449,907)	(3)	13
General and administrative	<u>(7,780,651)</u>	<u>(18)</u>	<u>(6,955,012)</u>	<u>(16)</u>	12
Total operating expenses	<u>(20,689,854)</u>	<u>(49)</u>	<u>(19,292,535)</u>	<u>(44)</u>	7

(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 Years Ended December 31				Percentage Increase (Decrease) %
	2015		2014 (Applied Retrospectively)		
	Amount	%	Amount	%	
INCOME BEFORE INCOME TAX EXPENSE	\$ 21,502,148	51	\$ 22,521,123	51	(5)
INCOME TAX EXPENSE (Notes 4 and 42)	<u>(2,896,436)</u>	<u>(7)</u>	<u>(3,389,700)</u>	<u>(8)</u>	(15)
NET INCOME FOR THE YEAR	<u>18,605,712</u>	<u>44</u>	<u>19,131,423</u>	<u>43</u>	(3)
OTHER COMPREHENSIVE INCOME (LOSS)					
Items that will not be reclassified subsequently to profit or loss:					
Remeasurement of defined benefit plans (Note 32)	(300,888)	(1)	(83,446)	-	261
Gains on property revaluation (Note 34)	217,350	1	10,781	-	1,916
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 42)	<u>43,159</u>	<u>-</u>	<u>12,890</u>	<u>-</u>	235
	<u>(40,379)</u>	<u>-</u>	<u>(59,775)</u>	<u>-</u>	(32)
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations (Note 34)	(269,113)	(1)	2,000,950	4	(113)
Unrealized gain (loss) on available-for-sale financial assets (Note 34)	98,310	-	(1,952,058)	(4)	105
Share of other comprehensive loss of associates accounted for using the equity method (Note 34)	(1,259)	-	(9,906)	-	(87)
Income tax relating to items that may be reclassified subsequently to profit or loss (Note 42)	<u>26,674</u>	<u>-</u>	<u>(107,326)</u>	<u>-</u>	125
	<u>(145,388)</u>	<u>(1)</u>	<u>(68,340)</u>	<u>-</u>	113
Other comprehensive loss for the year, net of income tax	<u>(185,767)</u>	<u>(1)</u>	<u>(128,115)</u>	<u>-</u>	45
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 18,419,945</u>	<u>43</u>	<u>\$ 19,003,308</u>	<u>43</u>	(3)

(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 Years Ended December 31				Percentage Increase (Decrease) %
	2015		2014 (Applied Retrospectively)		
	Amount	%	Amount	%	
NET INCOME ATTRIBUTABLE TO:					
Owners of the Bank	\$ 17,782,990	42	\$ 18,236,881	41	(2)
Non-controlling interests	<u>822,722</u>	<u>2</u>	<u>894,542</u>	<u>2</u>	(8)
	<u>\$ 18,605,712</u>	<u>44</u>	<u>\$ 19,131,423</u>	<u>43</u>	(3)
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:					
Owners of the Bank	\$ 17,890,178	42	\$ 17,384,029	39	3
Non-controlling interests	<u>529,767</u>	<u>1</u>	<u>1,619,279</u>	<u>4</u>	(67)
	<u>\$ 18,419,945</u>	<u>43</u>	<u>\$ 19,003,308</u>	<u>43</u>	(3)

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

(Concluded)

TAIPEI FUBON COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Bank							Other Equity (Notes 4 and 34)				Total Equity
	Capital Stock (Note 34)		Capital Surplus (Note 34)	Retained Earnings (Notes 4 and 34)			Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for- sale Financial Assets	Gains on Property Revaluation	Non-controlling Interests (Notes 4 and 34)		
	Shares (Thousands)	Common Stock		Legal Reserve	Special Reserve	Unappropriated Earnings					Total	
BALANCE AT JANUARY 1, 2014	8,206,571	\$ 82,065,712	\$ 13,856,908	\$ 20,947,968	\$ 1,535,698	\$ 12,682,121	\$ 35,165,787	\$ (44,481)	\$ 3,171,146	\$ 4,777	\$ -	\$ 134,219,849
Special reserve under Rule No. 10310000140 issued by the Financial Supervisory Commission (FSC)	-	-	-	-	979,728	(979,728)	-	-	-	-	-	-
Effect of retrospective application and retrospective restatement	-	-	-	-	-	16,480	16,480	-	-	-	-	16,480
BALANCE AT JANUARY 1, 2014 AS RESTATED	8,206,571	82,065,712	13,856,908	20,947,968	2,515,426	11,718,873	35,182,267	(44,481)	3,171,146	4,777	-	134,236,329
Appropriation of 2013 earnings												
Legal reserve	-	-	-	3,631,383	-	(3,631,383)	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(2,500,000)	(2,500,000)	-	-	-	-	(2,500,000)
Stock dividends	557,101	5,571,010	-	-	-	(5,571,010)	(5,571,010)	-	-	-	-	-
Net income for the year ended December 31, 2014	-	-	-	-	-	18,236,881	18,236,881	-	-	-	894,542	19,131,423
Other comprehensive income (loss) for the year ended December 31, 2014, net of income tax	-	-	-	-	-	(69,260)	(69,260)	1,429,624	(2,222,701)	9,485	724,737	(128,115)
Total comprehensive income (loss) for the year ended December 31, 2014	-	-	-	-	-	18,167,621	18,167,621	1,429,624	(2,222,701)	9,485	1,619,279	19,003,308
Issue of ordinary shares for cash	154,000	1,540,000	944,019	-	-	-	-	-	-	-	-	2,484,019
Change in non-controlling interests	-	-	-	-	-	-	-	-	-	-	17,504,149	17,504,149
BALANCE AT DECEMBER 31, 2014	8,917,672	89,176,722	14,800,927	24,579,351	2,515,426	18,184,101	45,278,878	1,385,143	948,445	14,262	19,123,428	170,727,805
Special reserve under Rule No. 10310000140 issued by the FSC	-	-	-	-	37,232	(37,232)	-	-	-	-	-	-
Appropriation of 2014 earnings												
Legal reserve	-	-	-	5,472,523	-	(5,472,523)	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(3,798,065)	(3,798,065)	-	-	-	-	(3,798,065)
Stock dividends	886,216	8,862,154	-	-	-	(8,862,154)	(8,862,154)	-	-	-	-	-
Net income for the year ended December 31, 2015	-	-	-	-	-	17,782,990	17,782,990	-	-	-	822,722	18,605,712
Other comprehensive income (loss) for the year ended December 31, 2015, net of income tax	-	-	-	-	-	(249,737)	(249,737)	(14,138)	161,705	209,358	(292,955)	(185,767)
Total comprehensive income (loss) for the year ended December 31, 2015	-	-	-	-	-	17,533,253	17,533,253	(14,138)	161,705	209,358	529,767	18,419,945
Change in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(103,512)	(103,512)
BALANCE AT DECEMBER 31, 2015	9,803,888	\$ 98,038,876	\$ 14,800,927	\$ 30,051,874	\$ 2,552,658	\$ 17,547,380	\$ 50,151,912	\$ 1,371,005	\$ 1,110,150	\$ 223,620	\$ 19,549,683	\$ 185,246,173

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 Years Ended December 31	
	2015	2014 (Applied Retrospectively)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 21,502,148	\$ 22,521,123
Adjustments for:		
Depreciation expenses	827,584	736,468
Amortization expenses	807,973	713,439
Provision for bad-debt expense	213,632	2,327,668
Interest expense	23,294,247	22,963,654
Interest income	(46,646,579)	(45,231,285)
Dividend income	(344,940)	(554,158)
Net change in provision for guarantee liabilities	(36,880)	(66,438)
Net change in other provisions	(35,855)	(12,540)
Share of profit of associates accounted for using equity method	(6,937)	(8,213)
Loss on disposal of property and equipment	9,311	4,813
Gain on fair value adjustment of investment property	(113,092)	(52,677)
Other adjustments	(366)	-
Changes in operating assets and liabilities		
Increase in due from the Central Bank and call loans to other banks	(49,861,121)	(17,233,260)
Increase in financial assets at fair value through profit or loss	(13,263,901)	(43,886,193)
Decrease (increase) in securities purchased under resell agreements	2,549,508	(2,149,161)
Decrease (increase) in receivables	23,379,848	(10,213,807)
Increase in discounts and loans	(49,208,617)	(54,805,855)
Increase in available-for-sale financial assets	(32,459,886)	(20,205,997)
Increase in held-to-maturity financial assets	(42,083,249)	(14,486,904)
(Increase) decrease in other financial assets	(36,402,691)	7,807,894
Increase in other assets	(15,122,422)	(14,720,239)
Increase in deposits from the Central Bank and banks	31,023,708	9,490,197
Increase in financial liabilities at fair value through profit or loss	18,604,209	33,124,335
(Decrease) increase in securities sold under repurchase agreements	(4,060,786)	45,522,808
Increase (decrease) in payables	5,065,051	(8,875,710)
Increase in deposits and remittances	207,181,551	37,428,243
(Decrease) increase in other financial liabilities	(11,036,227)	439,676
Increase in provisions for employee benefits	288,323	111,473
(Decrease) increase in other liabilities	(602,784)	273,090
Cash provided by (used in) operations	33,460,760	(49,037,556)
Interest received	44,287,786	44,683,937
Dividends received	351,904	561,122
Interest paid	(24,177,028)	(22,477,466)
Income tax paid	(2,436,785)	(2,989,302)
Net cash provided by (used in) operating activities	<u>51,486,637</u>	<u>(29,259,265)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at cost	-	(18,000)
Proceeds from capital reduction of financial assets at cost	19,750	6,533

(Continued)

TAIPEI FUBON COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

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

	For the Years Ended December 31	
	2015	2014 (Applied Retrospectively)
Net cash inflow from acquisition of subsidiaries	\$ -	\$ 1,908,377
Acquisition of property and equipment	(1,827,362)	(1,038,134)
Proceeds from disposal of property and equipment	571	109
Acquisition of intangible assets	<u>(167,946)</u>	<u>(204,676)</u>
Net cash (used in) provided by investing activities	<u>(1,974,987)</u>	<u>654,209</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
(Decrease) increase in due to the Central Bank and banks	(3,675,019)	7,649,376
Proceeds from issuing bank debentures	5,611,420	13,700,000
Repayments of bank debentures	(18,000,000)	(4,250,000)
Cash dividends paid	(3,798,065)	(2,500,000)
Proceeds from issuing ordinary shares for cash	-	2,484,019
Change in non-controlling interests	<u>(103,512)</u>	<u>2,452,940</u>
Net cash (used in) provided by financing activities	<u>(19,965,176)</u>	<u>19,536,335</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>466,904</u>	<u>1,517,908</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	30,013,378	(7,550,813)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>115,159,676</u>	<u>122,710,489</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 145,173,054</u>	<u>\$ 115,159,676</u>

Reconciliation of the amounts in the consolidated statements of cash flows with the equivalent items reported in the consolidated balance sheets at December 31, 2015 and 2014:

	December 31	
	2015	2014
Cash and cash equivalents in consolidated balance sheets	\$ 77,020,773	\$ 60,389,137
Due from the Central Bank and call loans to other banks qualifying for cash and cash equivalents under the definition of IAS 7	45,660,857	34,639,890
Securities purchased under resell agreements qualifying for cash and cash equivalents under the definition of IAS 7	<u>22,491,424</u>	<u>20,130,649</u>
Cash and cash equivalents in consolidated statements of cash flows	<u>\$ 145,173,054</u>	<u>\$ 115,159,676</u>

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

(Concluded)

TAIPEI FUBON COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

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

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

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

Later, under the terms and conditions of the “Sale and Assumption Agreement” signed by the Bank, Chinfon Commercial Bank Co., Ltd. (hereinafter referred to as “Chinfon Bank”), the Central Deposit Insurance Corp. and the Executive Yuan’s Financial Reconstruction Trust Corporation on October 30, 2009, the Bank assumed-effective midnight of March 6, 2010 - the assets, liabilities and businesses of the Hanoi branch and Ho Chi Minh City sub branch of Chinfon Bank 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.

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

The Bank has its head office in Taipei City, and as of December 31, 2015, had 2 major operating departments - Banking and Trust departments - with 132 branches (including one offshore banking unit (OBU) 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.

On May 21, 2015, the Bank’s plan to set up a Singapore branch was approved by the Monetary Authority of Singapore, and the Bank started business on March 14, 2016.

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”. Fubon Bank (China) mainly renders full-scope RMB and foreign currency services to customers, except citizens in the territory of China. As of December 31, 2015, Fubon Bank (China) had headquarters, 21 branches (including preparatory offices) within Mainland China.

Taipei Fubon Bank Life Insurance Agency Co., Ltd. was incorporated in accordance with the Company Law in June, 2000 and mainly engages in the life insurance agency business.

The Bank’s ultimate parent is Fubon Financial Holdings Company, 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 board of directors and authorized for issue on March 18, 2016.

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

- a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Public Banks and the 2013 version of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) endorsed by the Financial Supervisory Commission (FSC).

Rule No. 10310006010 and Rule No. 1030010325 issued by the FSC, stipulated that the Bank and its subsidiaries should apply the 2013 version of IFRS, IAS, IFRIC and SIC (collectively, the “IFRSs”) endorsed by the FSC and the related amendments to the Regulations Governing the Preparation of Financial Reports by Public Banks Issuers starting January 1, 2015.

Except for the following, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Public Banks and the 2013 IFRSs version would not have any material impact on the Bank and its subsidiaries’ accounting policies:

1) IFRS 10 “Consolidated Financial Statements”

IFRS 10 replaces IAS 27 “Consolidated and Separate Financial Statements” and SIC 12 “Consolidation - Special Purpose Entities”. The Bank and its subsidiaries have control over an investee only if they have (i) power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee and (iii) the ability to use its power over the investee to affect the amount of its returns. Additional guidance has been included in IFRS 10 to explain when an investor has control over an investee.

2) IFRS 12 “Disclosure of Interests in Other Entities”

IFRS 12 is a new disclosure standard that applies to entities with interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive, please refer to Notes 15, 16 and 17 for related disclosures.

3) IFRS 13 “Fair Value Measurement”

IFRS 13 establishes a single source of guidance for fair value measurements. It defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The disclosure requirements in IFRS 13 are more extensive than those required by the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only will be extended by IFRS 13 to cover all assets and liabilities within its scope.

The fair value measurements under IFRS 13 will be applied prospectively from January 1, 2015. Refer to Note 49 for related disclosures.

4) Amendments to IAS 1 “Presentation of Items of Other Comprehensive Income”

The amendments to IAS 1 require items of other comprehensive income to be grouped into those items that (1) will not be reclassified subsequently to profit or loss; and (2) may be reclassified subsequently to profit or loss. Income taxes on related items of other comprehensive income are grouped on the same basis. Under the prior IAS 1, there were no such requirements.

The Bank and its subsidiaries retrospectively applied the above amendments starting in 2015. Items not expected to be reclassified to profit or loss are remeasurements of the defined benefit plans, gains on property revaluations, and changes in credit risk of financial liabilities designated as at fair value through profit or loss. Items expected to be reclassified to profit or loss are the exchange differences on translating foreign operations, unrealized gain (loss) on available-for-sale financial assets, and share of the associates’ other comprehensive income (except the share of the remeasurements of the defined benefit plans). However, the application of these amendments will not have any impact on the net profit for the year, other comprehensive income for the year (net of income tax), and total comprehensive income for the year.

5) Revision to IAS 19 “Employee Benefits”

The revised IAS 19 requires the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, hence eliminating the corridor approach permitted under the prior IAS 19 and accelerating the recognition of past service costs. The revision also requires all remeasurements of the defined benefit plans to be recognized immediately through other comprehensive income so that the net defined benefit asset or liability will reflect the full value of the plan deficit or surplus.

Furthermore, the interest cost and expected return on plan assets used in the prior IAS 19 have been replaced with net interest, which is calculated by multiplying the net defined benefit liability or asset by the discount rate determined at the start of the period. In addition, the revised IAS 19 introduces certain changes in the presentation of the defined benefit cost, and also includes more extensive disclosures.

In addition, the revised IAS 19 has changed the definition of short-term employee benefits to “employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related services”. Thus, the Bank’s unused annual leaves, which could be carried forward within 24 months after the end of the annual period in which employees render services and which were previously classified as short-term employee benefits, have been classified as other long-term employee benefits under revised IAS 19. For long-term defined benefit obligations, the projected unit credit method is used to determine the present value of these obligations and the related current service cost.

On the initial application of the revised IAS 19, the changes in cumulative employee benefit costs as of December 31, 2013 resulting from the retrospective application of IAS 19 will be reclassified to provisions, deferred tax assets and retained earnings. In addition, in preparing the consolidated financial statements for the year ended December 31, 2015, the Bank has elected not to present the 2014 comparative information on the sensitivity analysis on the significant actuarial assumptions that are used to determine defined benefit obligations.

6) Amendments to IFRS 7 “Disclosure - Offsetting Financial Assets and Financial Liabilities”

The amendments to IFRS 7 require disclosure of information on rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangements. Refer to Note 50 for the related disclosure.

The impact in the current year of the application of the amendments to the Regulations Governing the Preparation of Financial Reports by Public Banks and the 2013 IFRSs version is summarized below.

	December 31, 2015
Impact on Assets, Liabilities and Equity	
Increase in deferred tax assets	<u>\$ 909</u>
Increase in provisions	<u>\$ 5,345</u>
Decrease in retained earnings	<u>\$ (4,436)</u>
	For the Year Ended December 31, 2015
Impact on Total Comprehensive Income	
Increase in operating expense	\$ (5,345)
Decrease in income tax expense	<u>909</u>
Decrease in income for the year	(4,436)
Other comprehensive income for the year, net of income tax	<u>-</u>
Decrease in total comprehensive income for the year	<u>\$ (4,436)</u>
Decrease in net income attributable to:	
Owners of the Bank	\$ (4,436)
Non-controlling interests	<u>-</u>
	<u>\$ (4,436)</u>
Decrease in total comprehensive income attributable to:	
Owners of the Bank	\$ (4,436)
Non-controlling interests	<u>-</u>
	<u>\$ (4,436)</u>
Impact on earnings per share (New Taiwan dollars):	
Basic earnings per share	<u>\$ -</u>

The impact in the prior reporting years is set out below:

Impact on Assets, Liabilities and Equity	Original Carrying Amount	Adjustments Arising from Initial Application	Adjusted Carrying Amount
<u>December 31, 2014</u>			
Deferred tax assets	\$ 954,870	\$ (2,893)	\$ 951,977
Provisions	\$ 1,989,431	\$ (17,020)	\$ 1,972,411
Retained earnings	\$ 45,264,751	\$ 14,127	\$ 45,278,878
<u>January 1, 2014</u>			
Deferred tax assets	\$ 382,738	\$ (3,376)	\$ 379,362
Provisions	\$ 1,876,127	\$ (19,856)	\$ 1,856,271
Retained earnings	\$ 35,165,787	\$ 16,480	\$ 35,182,267
Impact on Total Comprehensive Income	Original Carrying Amount	Adjustments Arising from Initial Application	Adjusted Carrying Amount
<u>For the year ended December 31, 2014</u>			
Operating expense	\$ 19,286,677	\$ 5,858	\$ 19,292,535
Income tax expense	\$ 3,390,696	\$ (996)	\$ 3,389,700
Effect on net income for the year	\$ 19,136,285	\$ (4,862)	\$ 19,131,423
Total effect on other comprehensive income for the year, net of income tax	\$ (130,624)	\$ 2,509	\$ (128,115)
Total effect on total comprehensive income for the year	\$ 19,005,661	\$ (2,353)	\$ 19,003,308
Net income attributable to:			
Owners of the Bank	\$ 18,241,743	\$ (4,862)	\$ 18,236,881
Non-controlling interests	894,542	-	894,542
	\$ 19,136,285	\$ (4,862)	\$ 19,131,423
Total comprehensive income attributable to:			
Owners of the Bank	\$ 17,386,382	\$ (2,353)	\$ 17,384,029
Non-controlling interests	1,619,279	-	1,619,279
	\$ 19,005,661	\$ (2,353)	\$ 19,003,308
Impact on earnings per share (New Taiwan dollars):			
<u>For the year ended December 31, 2014</u>			
Basic	\$ 1.86	\$ -	\$ 1.86

b. New IFRSs in issue but not yet endorsed by the FSC

On March 10, 2016, the FSC announced the scope of IFRSs to be endorsed and will take effect from January 1, 2017. The scope includes all IFRSs that were issued by the IASB before January 1, 2016 and have effective dates on or before January 1, 2017, which means the scope excludes those that are not yet effective as of January 1, 2017 such as IFRS 9 “Financial Instruments” and IFRS 15 “Revenue from Contracts with Customers” and those with undetermined effective date. In addition, the FSC announced that the Bank and its subsidiaries should apply IFRS 15 starting January 1, 2018. As of the date the consolidated financial statements were authorized for issue, the FSC has not announced the effective dates of other new, amended and revised standards and interpretations.

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016 (Note 3)
IFRS 9 “Financial Instruments”	January 1, 2018
Amendments to IFRS 9 and IFRS 7 “Mandatory Effective Date of IFRS 9 and Transition Disclosures”	January 1, 2018
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
Amendments to IFRS 10, IFRS 12 and IAS 28 “Investment Entities: Applying the Consolidation Exception”	January 1, 2016
Amendment to IFRS 11 “Accounting for Acquisitions of Interests in Joint Operations”	January 1, 2016
IFRS 14 “Regulatory Deferral Accounts”	January 1, 2016
IFRS 15 “Revenue from Contracts with Customers”	January 1, 2018
IFRS 16 “Leases”	January 1, 2019
Amendment to IAS 1 “Disclosure Initiative”	January 1, 2016
Amendment to IAS 7 “Disclosure Initiative”	January 1, 2017
Amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”	January 1, 2017
Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization”	January 1, 2016
Amendments to IAS 16 and IAS 41 “Agriculture: Bearer Plants”	January 1, 2016
Amendment to IAS 19 “Defined Benefit Plans: Employee Contributions”	July 1, 2014
Amendment to IAS 36 “Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets”	January 1, 2014
Amendment to IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting”	January 1, 2014
IFRIC 21 “Levies”	January 1, 2014

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

Note 2: The amendment to IFRS 2 applies to share-based payment transactions with grant date on or after July 1, 2014; the amendment to IFRS 3 applies to business combinations with acquisition date on or after July 1, 2014; the amendment to IFRS 13 is effective immediately; the remaining amendments are effective for annual periods beginning on or after July 1, 2014.

Note 3: The amendment to IFRS 5 is applied prospectively to changes in a method of disposal that occur in annual periods beginning on or after January 1, 2016; the remaining amendments are effective for annual periods beginning on or after January 1, 2016.

The initial application of the above New IFRSs, whenever applied, would not have any material impact on the Bank and its subsidiaries' accounting policies, except for the following:

1) IFRS 9 “Financial Instruments”

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

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

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

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

The impairment of financial assets

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

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

Hedge accounting

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

2) Amendment to IAS 36 “Recoverable Amount Disclosures for Non-financial Assets”

In issuing IFRS 13 “Fair Value Measurement”, the IASB made a consequential amendment to the disclosure requirements in IAS 36 “Impairment of Assets”, introducing a requirement to disclose the recoverable amount of an asset or each cash-generating unit only when an impairment loss has been recognized or reversed during the period. Furthermore, the Bank and its subsidiaries are required to disclose the discount rate used in determining impairment or impairment reversals if the recoverable amount based on fair value less costs of disposal is measured using a present value technique.

3) IFRS 15 “Revenue from Contracts with Customers”

IFRS 15 establishes principles for recognizing revenue on all contracts with customers and supersedes IAS 18 “Revenue”, IAS 11 “Construction Contracts” and IFRIC and SIC interpretations.

In applying IFRS 15, an entity should recognize revenue by taking all the following steps:

- Identify the contract with the customer.
- Identify the performance obligations in the contract.
- Determine the transaction price.
- Allocate the transaction price to the performance obligations in the contracts.
- Recognize revenue when the entity satisfies a performance obligation.

When IFRS 15 takes effect, the Bank and its subsidiaries may elect to apply this Standard either retrospectively to each prior reporting year presented or retrospectively with the cumulative effect of initially applying this Standard recognized at the date of initial application.

4) IFRS 16 “Leases”

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

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

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

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

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Bank and its subsidiaries are continuously assessing the possible impact that the application of other 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. Presentation or classification of items in the financial statements

The items in the consolidated financial statements for the year ended December 31, 2014 were reclassified in conformity with the legal accounting items issued by authorities in 2015; therefore, the Bank and its subsidiaries adjusted the classification of feedback from credit cards and the presentation of its subsidiaries' interest income, etc.

The impact on the 2014 financial statements is set out below:

Impact on Total Comprehensive Income	Original Carrying Amount	Adjustments	Adjusted Carrying Amount
Interest income	<u>\$ 45,157,474</u>	<u>\$ 73,811</u>	<u>\$ 45,231,285</u>
Total net interest income	<u>\$ 22,193,820</u>	<u>\$ 73,811</u>	<u>\$ 22,267,631</u>
Service fee income, net	<u>\$ 10,966,724</u>	<u>\$ 113,409</u>	<u>\$ 11,080,133</u>
Realized gains on available-for-sale financial assets	<u>\$ 3,111,544</u>	<u>\$ (116,071)</u>	<u>\$ 2,995,473</u>
Other non-interest income	<u>\$ 691,619</u>	<u>\$ (71,149)</u>	<u>\$ 620,470</u>
Total net non-interest income	<u>\$ 21,881,068</u>	<u>\$ (73,811)</u>	<u>\$ 21,807,257</u>

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, certain other guidelines issued by the authorities, and IFRSs as endorsed by FSC.

Basis of Preparation

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

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

- a. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- b. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- c. Level 3 inputs are unobservable inputs for the asset or liability.

Classification of Current and Non-current Assets and Liabilities

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

Basis of Consolidation

- Principles for preparing consolidated financial statements

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

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.

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

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

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

Foreign Currencies

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

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

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

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

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

Cash and Cash Equivalents

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

Investment in Associates

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

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

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

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

Financial Instruments

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

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

a. Financial assets

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

1) Measurement category

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

a) Financial assets at fair value through profit or loss

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

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

- i. This designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- ii. The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Bank and subsidiaries' documented risk management or investment strategy, and information on this grouping is provided internally on that basis; or
- iii. The contract contains one or more embedded derivatives so that the entire hybrid (combined) contract can be designated as at fair value through profit or loss.

Fair value is determined in the manner described in Note 49.

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

b) Held-to-maturity financial assets

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

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

c) Available-for-sale financial assets

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

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

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

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

d) Loans and receivables

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

2) Impairment of financial assets

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

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

a) Financial assets carried at amortized cost

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

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

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

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

Under the Regulations, the Bank categorizes credit assets (other than loans to the ROC government) into normal, special mention, substandard, doubtful, and loss, for which minimum provisions are 1%, 2%, 10%, 50%, and 100%, respectively. In addition, under FSC guidelines No. 10010006830, there should be a provision at more than 1% of the sum of a minimum allowance for credit losses and the provision for losses on guarantees. Based on Rule No. 10300329440 issued by the FSC, for the banks to have an enhanced risk coverage, the minimum provision for the loan loss reserve is 1.5% of the mortgage and construction loans that have been classified as normal assets before 2016. 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 before 2015 and classified as normal assets.

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

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

b) Available-for-sale financial assets

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

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

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

c) Financial assets carried at cost

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

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

3) Derecognition of financial assets

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

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

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

b. Equity instruments

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

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

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

c. Financial liabilities

1) Subsequent measurement

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

a) Financial liabilities at fair value through profit or loss

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

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

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

- i. This designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- ii. The financial liability forms part of a group of the Bank and its subsidiaries' financial assets or financial liabilities or both, and this grouping is managed, and its performance is evaluated, on a fair value basis, in accordance with the Bank and its subsidiaries' documented risk management or investment strategy, and with information on the grouping provided internally on that basis.
- iii. The contract contains one or more embedded derivatives so that the entire combined contract (asset or liability) can be designated as at fair value through profit or loss.

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

b) Financial guarantee contracts

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

2) Derecognition of financial liabilities

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

d. Derivative financial instruments

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

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

Hedge Accounting

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

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

a. Fair value hedges

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

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

b. Cash flow hedges

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

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

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

Repurchase and Resell Transactions

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

Property and Equipment

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

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

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

Investment Properties

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

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

For a transfer from property and equipment to investment property at the end of owner-occupation, any difference between the fair value of the property at the transfer date and its previous carrying amount is recognized in other comprehensive income.

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

Goodwill

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

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

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

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

Intangible Assets

a. Intangible assets acquired separately

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

b. Intangible assets acquired in a business combination

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

c. Derecognition of intangible assets

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

Impairment of Tangible and Intangible Assets Other than Goodwill

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

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

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

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

Employee Benefits

a. Short-term employee benefits

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

b. Retirement benefits

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

Costs (including service cost, net interest and rereasurement) 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. Rereasurement, 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. Rereasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

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

c. Other long-term employee benefits

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

d. Employee benefit - employees' preferential deposits

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

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

Income Tax

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

a. Current tax

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

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

b. Deferred tax

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

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

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

c. Current and deferred taxes for the year

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

Recognition of Interest Income and Interest Expense

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

Recognition of Service Fee Income and Service Fee Expense

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

Business Combinations

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

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

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

a. Estimated impairment loss on loans and receivables

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

b. Fair value of financial instruments

The fair value of non-active market or non-quoted financial instruments is determined using valuation techniques based on observable data of similar financial instruments or valuation model. If fair value is determined using a valuation model, only observable data should be used as model inputs as much as possible, and the model should be calibrated to ensure that all output data and the results reflect the actual market price. And the fair value also reflects the consideration of the counterparties' credit risk and the Bank and its subsidiaries' credit quality. Please refer to Note 49,b,3) for the information on fair value adjustment.

c. Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The calculation of the value in use requires management to estimate the future cash flows expected to arise from the cash-generating unit and 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.

d. Retirement benefit

The present value of the retirement benefit obligations is determined actuarially using a number of assumptions. Any changes in these assumptions will affect the carrying amount of retirement benefit obligations. The assumptions used in determining the pension net cost (income) include the discount rate. The Bank determines the appropriate discount rate at the end of each to calculate the present value of future cash outflows expected to be required for settling retirement benefit obligations. In determining the appropriate discount rate, the Bank should consider the interest rates for high-quality corporate bonds or government bonds having a currency that is the same as the currency to be used in benefit payments and also having maturity periods that are the same as those of the pension liabilities. Other key assumptions for retirement benefit obligations are based on current market conditions.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2015	2014
Cash on hand	\$ 6,929,037	\$ 7,177,332
Due from other banks	66,314,714	50,617,490
Notes and checks for clearing	<u>3,777,022</u>	<u>2,594,315</u>
	<u>\$ 77,020,773</u>	<u>\$ 60,389,137</u>

Please refer to the consolidated statements of cash flows for the reconciliation of the amounts in the consolidated statements of cash flows with the equivalent items reported in the consolidated balance sheets as of December 31, 2015 and 2014.

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

	December 31	
	2015	2014
Call loans to banks	\$ 72,232,119	\$ 49,465,956
Trade finance advance - interbank	120,029	834,350
Deposit reserves	77,393,157	80,462,832
Due from the Central Bank - others	<u>62,500,447</u>	<u>20,600,526</u>
	<u>\$ 212,245,752</u>	<u>\$ 151,363,664</u>

Under a directive issued by the Central Bank of China, the New Taiwan dollar (NTD)-denominated deposit reserves are determined by applying a prescribed percentage to the average monthly balances of customers' NTD-denominated deposits. As of December 31, 2015 and 2014, deposit reserves for checking accounts amounted to \$15,247,672 thousand and \$14,916,872 thousand, respectively, and the required deposit reserves amounted to \$31,706,809 thousand and \$29,148,518 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 end of 10-day periods as basis for making provisions, as required under the regulations of the People's Bank of China.

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

8. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>December 31</u>	
	<u>2015</u>	<u>2014</u>
<u>Held-for-trading financial assets</u>		
Corporate bonds	\$ 17,531,645	\$ 15,600,102
Government bonds	10,470,849	7,735,519
Bank debentures	6,512,321	5,243,609
Commercial paper	4,041,357	15,489,232
Negotiable certificates of deposits	1,465,471	-
Beneficial securities	<u>373,120</u>	<u>374,286</u>
	<u>40,394,763</u>	<u>44,442,748</u>
Derivatives		
Option contracts	33,705,099	22,007,880
Currency swap contracts	33,197,353	28,664,762
Interest rate swap contracts	6,119,331	3,905,832
Cross-currency swap contracts	3,365,955	4,344,412
Forward contracts	2,082,677	2,143,971
Others	<u>1,075,366</u>	<u>1,084,583</u>
	<u>79,545,781</u>	<u>62,151,440</u>
	<u>119,940,544</u>	<u>106,594,188</u>
<u>Financial assets designated as at fair value through profit or loss</u>		
Convertible corporate bonds	8,547,222	8,531,945
Credit-linked notes	<u>2,156,652</u>	<u>2,254,384</u>
	<u>10,703,874</u>	<u>10,786,329</u>
	<u>\$ 130,644,418</u>	<u>\$ 117,380,517</u>
<u>Held-for-trading financial liabilities</u>		
Borrowed bonds	<u>\$ 49,903</u>	<u>\$ -</u>
Derivatives		
Option contracts	35,030,011	22,481,394
Currency swap contracts	31,150,540	26,081,817
Cross-currency swap contracts	5,531,195	5,595,528
Interest rate swap contracts	5,500,425	3,580,034
Forward contracts	1,892,733	2,741,053
Others	<u>805,715</u>	<u>876,487</u>
	<u>79,910,619</u>	<u>61,356,313</u>
	<u>\$ 79,960,522</u>	<u>\$ 61,356,313</u>

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

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

The contract (notional) amounts of the Bank and its subsidiaries' outstanding derivative financial instruments as of December 31, 2015 and 2014 are summarized as follows:

	Contract Amount	
	December 31	
	2015	2014
Currency swap contracts	\$ 3,131,448,477	\$ 1,941,004,878
Option contracts	1,345,672,792	2,141,981,394
Interest rate swap contracts	1,091,177,156	1,214,683,185
Forward contracts	185,484,919	208,263,255
Cross-currency swap contracts	178,444,833	200,662,106
Futures contracts	16,969,746	8,354,209
Stock price swap contracts	10,836,834	15,139,375
Equity swap contracts	2,069,810	-
Commodity swap contracts	17,161	887,408

Gains on financial assets and liabilities at fair value through profit or loss for the years ended December 31, 2015 and 2014 were as follows:

	For the Year Ended December 31	
	2015	2014
Net gain on held-for-trading financial assets and liabilities	\$ 4,214,705	\$ 6,089,548
Net loss on financial assets designated as at fair value through profit or loss	<u>(197,847)</u>	<u>(343,862)</u>
	<u>\$ 4,016,858</u>	<u>\$ 5,745,686</u>

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

9. DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGING

	December 31	
	2015	2014
<u>Hedging derivative financial assets</u>		
Fair value hedge-interest rate swap	<u>\$ 467,130</u>	<u>\$ 204,310</u>
<u>Hedging derivative financial liabilities</u>		
Fair value hedge-interest rate swap	<u>\$ 808,235</u>	<u>\$ 574,085</u>

Fair Value Hedge

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.

Hedged Item	Hedging Instrument	December 31			
		2015		2014	
		Nominal Amount	Fair Value	Nominal Amount	Fair Value
Bank debentures	Interest rate swap contract	\$ 27,901,862	\$ 25,452	\$ 24,150,000	\$ 117,970
Available-for-sale financial assets - corporate bonds	Interest rate swap contract	6,814,882	(268,339)	4,285,088	(300,204)
Available-for-sale financial assets - bank debentures	Interest rate swap contract	9,893,080	(98,218)	12,471,830	(187,541)

Gains (losses) on hedging instruments and hedged items for the years ended December 31, 2015 and 2014 were as follows:

	For the Year Ended December 31	
	2015	2014
(Losses) gain on hedging instruments	<u>\$ (6,325)</u>	<u>\$ 11,495</u>
Gains on hedged items	<u>\$ 51,187</u>	<u>\$ 55,224</u>

10. SECURITIES PURCHASED UNDER RESELL AGREEMENTS

	December 31	
	2015	2014
Corporate bonds	\$ 9,038,912	\$ 6,164,498
Commercial paper	8,670,941	10,211,542
Government bonds	4,761,570	-
Negotiable certificates of deposits	20,001	693,589
Bank debentures	-	3,061,020
Acceptance bills	-	2,549,508
	<u>\$ 22,491,424</u>	<u>\$ 22,680,157</u>
Dates of resell agreements	2016.01.04- 2016.01.28	2015.01.04- 2015.01.23
Amounts of resell agreements	\$ 22,497,036	\$ 22,688,762

11. RECEIVABLES, NET

	December 31	
	2015	2014
Credit card receivables	\$ 27,451,486	\$ 25,814,643
Accounts receivables and acceptances - forfaiting	18,221,291	50,699,131
Accounts receivables - factoring	16,542,508	12,622,562
Interest receivables	7,651,984	6,054,722
Acceptances	6,597,126	3,628,795
Accounts receivable	1,570,546	1,180,027
Others	<u>3,679,386</u>	<u>3,516,009</u>
	81,714,327	103,515,889
Less: Allowance for credit losses (Note 19)	<u>688,504</u>	<u>873,665</u>
	<u>\$ 81,025,823</u>	<u>\$ 102,642,224</u>

Please refer to Note 50 for impairment loss analysis of receivables.

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

12. DISCOUNTS AND LOANS, NET

	December 31	
	2015	2014
Discounts and overdrafts	\$ 36,206,273	\$ 53,549,636
Accounts receivable - financing	5,556,761	6,255,214
Short-term loans	337,577,830	311,060,440
Short-term secured loans	89,494,819	96,186,193
Medium-term loans	254,448,199	229,925,123
Medium-term secured loans	128,784,991	142,533,764
Long-term loans	47,619,597	53,672,304
Long-term secured loans	465,325,525	422,943,432
Import and export bill negotiation	3,379,319	4,636,557
Nonperforming loans transferred from loans	<u>4,778,677</u>	<u>4,045,046</u>
	1,373,171,991	1,324,807,709
Less: Allowance for credit losses (Note 19)	18,944,067	19,455,823
Less: Adjustments of premium and discount	<u>695,014</u>	<u>788,724</u>
	<u>\$ 1,353,532,910</u>	<u>\$ 1,304,563,162</u>

During the year ended December 31, 2015 and 2014, the Bank and its subsidiaries had not written off credits that had not been subject to legal proceedings.

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

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

13. AVAILABLE-FOR-SALE FINANCIAL ASSETS, NET

	December 31	
	2015	2014
Bank debentures	\$ 39,675,526	\$ 35,522,639
Corporate bonds	23,648,629	12,839,632
Negotiable certificates of deposits	21,719,105	5,223,633
Government bonds	21,593,819	12,391,864
Commercial paper	8,887,261	19,191,801
Stocks	5,277,651	5,116,114
Treasury bills	3,986,665	2,560,739
Beneficial securities	978,119	986,875
Other	<u>503,530</u>	<u>-</u>
	126,270,305	93,833,297
Less: Accumulated impairment loss	<u>335,594</u>	<u>335,594</u>
	<u>\$ 125,934,711</u>	<u>\$ 93,497,703</u>

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

14. HELD-TO-MATURITY FINANCIAL ASSETS

	December 31	
	2015	2014
Negotiable certificates of deposits	\$ 181,804,665	\$ 183,139,033
Government bonds	61,976,070	21,622,610
Bank debentures	35,426,693	32,456,348
Corporate bonds	8,377,241	6,368,940
Other	<u>1,145,987</u>	<u>3,060,476</u>
	<u>\$ 288,730,656</u>	<u>\$ 246,647,407</u>

On January 1, 2014, the Bank and its subsidiaries disposed of their bond investments because of an increase in credit risk. Since the amount of disposal was not significant, the classification of the remaining bonds investments classified as held-to-maturity were not affected. By the end of the reporting period, the cumulative amount of disposal during the past three years was \$159,073 thousand, the cumulative gain on disposal was \$5,626 thousand, and the percentage of the cumulative amount of disposal to total amount of held-to-maturity investments was 0.1%.

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

15. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements

Investor	Investee	Nature of Activities	Percentage of Ownership		Remark
			December 31		
			2015	2014	
TAIPEI FUBON Bank	Taipei Fubon Bank Life Insurance Agency Co., Ltd.	Life insurance agency	100%	100%	
	Fubon Bank (China)	Bank	51%	51%	Note

Note: Fubon Bank (China) is a subsidiary that has material non-controlling interests.

b. Details of subsidiaries with material non-controlling interests

Subsidiary	Principal Place of Business	Percentage of Ownership and Voting Rights Held by Non-controlling Interests	
		December 31	
		2015	2014
Fubon Bank (China)	China	49%	49%

Subsidiary	Profit Allocated to Non-controlling Interests For the Year Ended December 31		Accumulated Non-controlling Interests December 31	
	2015	2014	2015	2014
	Fubon Bank (China)	\$ 822,722	\$ 894,542	\$ 19,549,683

The summarized financial information below represents amounts before intragroup eliminations.

Fubon Bank (China)

	December 31	
	2015	2014
Total assets	\$ 393,278,418	\$ 333,644,969
Total liabilities	<u>(351,302,611)</u>	<u>(292,511,661)</u>
Equity	<u>\$ 41,975,807</u>	<u>\$ 41,133,308</u>
Equity attributable to:		
Owners of the Bank	\$ 22,426,124	\$ 22,009,880
Non-controlling interest	<u>19,549,683</u>	<u>19,123,428</u>
	<u>\$ 41,975,807</u>	<u>\$ 41,133,308</u>
	For the Year Ended December 31	
	2015	2014
Total net revenue	<u>\$ 6,121,605</u>	<u>\$ 5,371,062</u>
Net income for the year	\$ 1,679,025	\$ 1,825,596
Other comprehensive income for the year	<u>(625,277)</u>	<u>1,545,265</u>
Total comprehensive income for the year	<u>\$ 1,053,748</u>	<u>\$ 3,370,861</u>
Net income attributable to:		
Owners of the Bank	\$ 856,303	\$ 931,054
Non-controlling interests	<u>822,722</u>	<u>894,542</u>
	<u>\$ 1,679,025</u>	<u>\$ 1,825,596</u>
Total comprehensive income attributable to:		
Owners of the Bank	\$ 523,981	\$ 1,751,582
Non-controlling interests	<u>529,767</u>	<u>1,619,279</u>
	<u>\$ 1,053,748</u>	<u>\$ 3,370,861</u>
Net cash inflow (outflow) from:		
Operating activities	\$ 10,188,854	\$ 3,134,122
Investing activities	(835,143)	(261,245)
Financing activities	(3,804,140)	12,307,252

16. INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES

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

Type of Structured Entity	Nature and Purpose	Equity Attributable to the Bank
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
Asset management plan	Investment in asset management plans for investment gain	Investment in the beneficial right of asset management issued by unconsolidated structured entities

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

	December 31, 2015
Asset securitization	
Available-for-sale financial assets	\$ 978,119
Held-to-maturity financial assets	719,395
Financial assets at fair value through profit or loss	373,120
Trust plan	
Available-for-sale financial assets	503,530
Other financial assets - debt instruments with no active market	1,510,590
Asset Management plan	
Other financial assets - debt instruments with no active market	<u>11,080,045</u>
	<u>\$ 15,164,799</u>

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

- c. The Bank and its subsidiaries did not provide any financial support to the unconsolidated structured entity for the year ended December 31, 2015.

17. INVESTMENTS MEASURED BY EQUITY METHOD

	<u>December 31, 2015</u>		<u>December 31, 2014</u>	
	Amount	%	Amount	%
Associate that Is Not Individually Material	<u>\$ 125,614</u>	30	<u>\$ 126,900</u>	30

Information of associate that is not individually material:

	For the Year Ended December 31	
	2015	2014
The Bank and its subsidiaries' share of:		
Net income	\$ 6,937	\$ 8,213
Other comprehensive income (loss)	<u>(1,259)</u>	<u>(9,906)</u>
Total comprehensive income (loss) for the year	<u>\$ 5,678</u>	<u>\$ (1,693)</u>

The Bank and its subsidiaries' share of profit and other comprehensive income (loss) of the associate for the years ended December 31, 2015 and 2014 was based on the associate's financial statements for the same reporting periods as those of the Bank, which had been audited by independent auditors.

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

18. OTHER FINANCIAL ASSETS, NET

	December 31	
	2015	2014
Debt instruments with no active markets	\$ 24,010,908	\$ -
Other banks' deposits not qualifying as cash equivalents	16,551,232	4,438,479
Financial assets carried at cost, net	554,921	566,306
Nonperforming loans transferred from other than loans	489,010	52,803
Continuing involvement in transferred assets	256,108	259,486
Bills purchased	<u>1,717</u>	<u>5,642</u>
	41,863,896	5,322,716
Less: Allowance for credit losses (Note 19)	<u>433,938</u>	<u>49,954</u>
	<u>\$ 41,429,958</u>	<u>\$ 5,272,762</u>

a. Debt instruments with no active market

	December 31, 2015
Corporate bonds	\$ 7,431,942
Bank debentures	3,988,331
Others	<u>12,590,635</u>
	<u>\$ 24,010,908</u>

Others mean the beneficial rights of asset management plans and trust plans issued by other banks and transferred to Fubon Bank (China). Counterparties signed the agreements to transfer the beneficial rights at the fixed rates of return on the agreed dates and these transactions were essentially debt investments with fixed or determinable payments that are not quoted in an active market. Dates of transfer agreements are from January 2016 to March 2016.

b. Financial assets at cost, net

	December 31	
	2015	2014
Unlisted common stocks		
Taiwan Asset Management Co., Ltd.	\$ 225,000	\$ 225,000
Taiwan Financial Asset Service Co., Ltd.	100,000	100,000
Financial Information Service Co., Ltd.	91,000	91,000
Easy Card Investment Holding Co., Ltd.	47,500	47,500
Others	<u>131,042</u>	<u>142,427</u>
	594,542	605,927
Less: Accumulated impairment loss	<u>39,621</u>	<u>39,621</u>
	<u>\$ 554,921</u>	<u>\$ 566,306</u>

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

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

c. Continuing involvement in transferred assets

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

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

19. ALLOWANCE FOR CREDIT LOSSES

The movements of allowance for credit losses and reserve for losses on guarantees for the years ended December 31, 2015 and 2014 are summarized as follows (for more information, please refer to Note 50):

	For the Year Ended December 31, 2015				
	Receivables	Discounts and Loans	Other Financial Assets	Reserve for Losses on Guarantees	Total
Balance, beginning of the year	\$ 873,665	\$ 19,455,823	\$ 49,954	\$ 400,717	\$ 20,780,159
Allowance (reversal of allowance) for bad debts	(178,859)	168,044	224,447	(36,880)	176,752
Write-offs	(18,977)	(1,287,250)	(272,978)	-	(1,579,205)
Recovery of written-off credits	-	536,625	431,217	-	967,842
Effects of exchange rate changes	<u>12,675</u>	<u>70,825</u>	<u>1,298</u>	<u>537</u>	<u>85,335</u>
Balance, end of the year	<u>\$ 688,504</u>	<u>\$ 18,944,067</u>	<u>\$ 433,938</u>	<u>\$ 364,374</u>	<u>\$ 20,430,883</u>

For the Year Ended December 31, 2014

	Receivables	Discounts and Loans	Other Financial Assets	Reserve for Losses on Guarantees	Total
Balance, beginning of the year	\$ 866,731	\$ 13,217,588	\$ 55,024	\$ 466,956	\$ 14,606,299
Acquisition through business combination	1,569	3,850,437	-	-	3,852,006
Allowance (reversal of allowance) for bad debts	(6,634)	2,519,812	(185,510)	(66,438)	2,261,230
Write-offs	(17,167)	(1,142,884)	(290,761)	-	(1,450,812)
Recovery of written-off credits	1,004	752,276	471,006	-	1,224,286
Effects of exchange rate changes	<u>28,162</u>	<u>258,594</u>	<u>195</u>	<u>199</u>	<u>287,150</u>
Balance, end of the year	<u>\$ 873,665</u>	<u>\$ 19,455,823</u>	<u>\$ 49,954</u>	<u>\$ 400,717</u>	<u>\$ 20,780,159</u>

20. PROPERTY AND EQUIPMENT, NET

For the Year Ended December 31, 2015

	Land	Buildings	Machinery and Computer Equipment	Transportation Equipment	Office and Other Equipment	Construction in Progress and Prepayments for Equipment	Total
<u>Cost</u>							
Balance at January 1, 2015	\$ 7,222,317	\$ 12,745,919	\$ 2,744,304	\$ 278,204	\$ 2,094,906	\$ 417,227	\$ 25,502,877
Additions	-	-	284,454	17,561	293,542	1,231,805	1,827,362
Disposals	-	-	(199,152)	(18,932)	(185,914)	(286)	(404,284)
Reclassification	(51,377)	(28,418)	149,757	9,963	42,448	(357,190)	(234,817)
Effect of foreign currency exchange differences	-	(106,539)	(3,378)	(129)	1,762	(3,266)	(111,550)
Balance at December 31, 2015	<u>7,170,940</u>	<u>12,610,962</u>	<u>2,975,985</u>	<u>286,667</u>	<u>2,246,744</u>	<u>1,288,290</u>	<u>26,579,588</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2015	-	2,052,098	1,745,107	203,551	1,514,967	-	5,515,723
Depreciation	-	281,049	313,505	30,599	202,431	-	827,584
Disposals	-	-	(195,331)	(18,410)	(180,661)	-	(394,402)
Reclassification	-	(12,687)	-	-	-	-	(12,687)
Effect of foreign currency exchange differences	-	(6,984)	(665)	(83)	253	-	(7,479)
Balance at December 31, 2015	-	<u>2,313,476</u>	<u>1,862,616</u>	<u>215,657</u>	<u>1,536,990</u>	-	<u>5,928,739</u>
Carrying amount at December 31, 2015	<u>\$ 7,170,940</u>	<u>\$ 10,297,486</u>	<u>\$ 1,113,369</u>	<u>\$ 71,010</u>	<u>\$ 709,754</u>	<u>\$ 1,288,290</u>	<u>\$ 20,650,849</u>

For the Year Ended December 31, 2014

	Land	Buildings	Machinery and Computer Equipment	Transportation Equipment	Office and Other Equipment	Construction in Progress and Prepayments for Equipment	Total
<u>Cost</u>							
Balance at January 1, 2014	\$ 6,821,162	\$ 4,494,538	\$ 2,106,163	\$ 250,803	\$ 1,754,427	\$ 434,546	\$ 15,861,639
Acquisition through business combination	-	7,928,382	269,527	35,363	234,819	-	8,468,091
Additions	4,259	1,511	336,062	18,401	169,316	508,585	1,038,134
Disposals	-	-	(260,565)	(28,610)	(91,446)	-	(380,621)
Reclassification	396,896	64,125	281,668	600	11,886	(526,919)	228,256
Effect of foreign currency exchange differences	-	257,363	11,449	1,647	15,904	1,015	287,378
Balance at December 31, 2014	<u>7,222,317</u>	<u>12,745,919</u>	<u>2,744,304</u>	<u>278,204</u>	<u>2,094,906</u>	<u>417,227</u>	<u>25,502,877</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2014	-	1,535,754	1,594,988	177,706	1,251,540	-	4,559,988
Acquisition through business combination	-	233,196	156,097	20,081	156,413	-	565,787
Depreciation	-	272,839	245,250	32,810	185,569	-	736,468
Disposals	-	-	(259,405)	(28,196)	(88,098)	-	(375,699)

(Continued)

For the Year Ended December 31, 2014							
	Land	Buildings	Machinery and Computer Equipment	Transportation Equipment	Office and Other Equipment	Construction in Progress and Prepayments for Equipment	Total
Reclassification	\$ -	\$ (3,878)	\$ -	\$ -	\$ -	\$ -	\$ (3,878)
Effect of foreign currency exchange differences	-	14,187	8,177	1,150	9,543	-	33,057
Balance at December 31, 2014	-	2,052,098	1,745,107	203,551	1,514,967	-	5,515,723
Carrying amount at December 31, 2014	<u>\$ 7,222,317</u>	<u>\$ 10,693,821</u>	<u>\$ 999,197</u>	<u>\$ 74,653</u>	<u>\$ 579,939</u>	<u>\$ 417,227</u>	<u>\$ 19,987,154</u>

(Concluded)

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

Buildings	40-61 years
Machinery and computer equipment	3-16 years
Transportation equipment	3-5 years
Office and other equipment	3-21 years
Lease assets	47 years

21. INVESTMENT PROPERTIES

Item	December 31	
	2015	2014
Land	\$ 2,416,231	\$ 2,038,933
Buildings	<u>330,469</u>	<u>310,217</u>
	<u>\$ 2,746,700</u>	<u>\$ 2,349,150</u>

The movements of investment properties are shown below:

	For the Year Ended December 31	
	2015	2014
Balance, beginning of the year	\$ 2,349,150	\$ 2,750,591
Reclassification	284,458	(454,118)
Gain on change in fair value of investment properties	<u>113,092</u>	<u>52,677</u>
Balance, end of the year	<u>\$ 2,746,700</u>	<u>\$ 2,349,150</u>

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

The fair values of the investment properties as of December 31, 2015 and 2014 were based on the valuations carried out on these dates by independent qualified professional valuers, Mr./Ms. Dai Guang-Ping, Chang Hung-Kai, Liu Shih-Kai, Chang Yi-Chih and Chen Yi-Jun from Savills plc Real Estate Appraiser Office, a duly certified ROC real estate appraiser.

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

	December 31	
	2015	2014
Expected future cash inflows	\$ 4,166,406	\$ 3,649,207
Expected future cash outflows	<u>(148,726)</u>	<u>(158,093)</u>
Expected future cash inflows, net	<u>\$ 4,017,680</u>	<u>\$ 3,491,114</u>
Discount rate	4.485%	4.625%

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

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

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

For the years ended December 31, 2015 and 2014, the rental income and operating expense from investment properties of the Bank and its subsidiaries were as follows:

	For the Year Ended December 31	
	2015	2014
Rental income	\$ 70,182	\$ 71,507
Direct operating expenses	7,580	7,901
Direct operating expenses from investment properties not earning rental income	-	4

22. INTANGIBLE ASSETS, NET

	December 31	
	2015	2014
Core deposits	\$ 8,089,760	\$ 8,628,269
Banking licenses and operating rights	6,153,028	6,232,975
Goodwill	2,312,551	2,339,960
Computer software	695,532	712,172
Customer relationships	<u>102,348</u>	<u>114,082</u>
	<u>\$ 17,353,219</u>	<u>\$ 18,027,458</u>

The movements of intangible assets are listed below:

	For the Year Ended December 31					
	2015			2014		
	Goodwill	Others	Total	Goodwill	Others	Total
Balance, beginning of the year	\$ 2,339,960	\$ 15,687,498	\$ 18,027,458	\$ 234,055	\$ 1,391,321	\$ 1,625,376
Acquisition through business combination	-	-	-	2,039,694	14,116,802	16,156,496
Additions	-	167,946	167,946	-	204,676	204,676
Disposals	-	(781,774)	(781,774)	-	(685,687)	(685,687)
Reclassification	-	145,758	145,758	-	210,725	210,725
Effect of foreign currency exchange differences	(27,409)	(178,760)	(206,169)	66,211	449,661	515,872
Balance, end of the year	<u>\$ 2,312,551</u>	<u>\$ 15,040,668</u>	<u>\$ 17,353,219</u>	<u>\$ 2,339,960</u>	<u>\$ 15,687,498</u>	<u>\$ 18,027,458</u>

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

Except for banking licenses, which have indefinite useful lives, the useful lives of other intangible assets were amortized on a straight-line basis at the following estimated service lives:

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

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

An assessment by the Bank and its subsidiaries as of December 31, 2015 and 2014 showed there was no goodwill impairment.

23. OTHER ASSETS

	December 31	
	2015	2014
Refundable deposits	\$ 33,436,417	\$ 18,446,712
Prepaid expense	345,585	292,655
Others	<u>247,508</u>	<u>184,657</u>
	<u>\$ 34,029,510</u>	<u>\$ 18,924,024</u>

24. DEPOSITS FROM THE CENTRAL BANK AND BANKS

	December 31	
	2015	2014
Call loans	\$ 95,410,613	\$ 85,559,975
Due to the Central Bank and other banks	30,298,717	8,592,916
Deposits from Chunghwa Post Co., Ltd.	1,687,699	2,203,947
Overdrafts of the Bank	<u>4,259</u>	<u>20,742</u>
	<u>\$ 127,401,288</u>	<u>\$ 96,377,580</u>

25. DUE TO THE CENTRAL BANK AND BANKS

	December 31	
	2015	2014
Funds borrowed from other banks	<u>\$ 4,577,611</u>	<u>\$ 8,252,630</u>

26. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

	December 31	
	2015	2014
Bank debentures	\$ 34,335,450	\$ 43,936,887
Government bonds	20,182,038	21,115,679
Negotiable certificates of deposits	10,793,166	-
Corporate bonds	2,921,675	6,224,071
Beneficial securities	675,569	892,047
Commercial paper	<u>500,000</u>	<u>1,300,000</u>
	<u>\$ 69,407,898</u>	<u>\$ 73,468,684</u>
Dates of repurchase agreements	2016.01.04- 2016.06.30	2015.01.04- 2015.06.18
Amounts of repurchase agreements	\$ 69,517,404	\$ 73,778,249

As of December 31, 2015 and 2014, the Bank and its subsidiaries' investments in financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity financial assets and other financial assets - debt instruments with no active markets sold under repurchase agreements were as follows:

	December 31	
	2015	2014
Financial assets at fair value through profit or loss	\$ 853,514	\$ 1,229,615
Available-for-sale financial assets	28,803,584	36,337,684
Held-to-maturity financial assets	41,147,388	36,907,159
Other financial assets - debt instruments with no active markets	580,406	-

27. PAYABLES

	December 31	
	2015	2014
Acceptances	\$ 6,574,938	\$ 3,616,276
Accounts payable - factoring	5,451,780	4,104,040
Accrued interest	4,495,867	5,569,145
Accrued expenses	3,869,085	4,144,611
Accounts payable	1,292,930	876,569
Receipts under custody	571,152	387,360
Transferred salary payables and temporary receipts of salaries	383,189	1,293,339
Others	<u>6,937,121</u>	<u>5,592,949</u>
	<u>\$ 29,576,062</u>	<u>\$ 25,584,289</u>

28. DEPOSITS AND REMITTANCES

	December 31	
	2015	2014
Checking	\$ 13,627,691	\$ 13,412,200
Public treasury	50,745,337	20,451,570
Demand	381,770,682	302,665,305
Savings	754,431,104	719,466,835
Time	550,831,041	529,450,873
Negotiable certificates of deposit	61,106,710	20,014,663
Outward remittances	<u>843,017</u>	<u>712,585</u>
	<u>\$ 1,813,355,582</u>	<u>\$ 1,606,174,031</u>

29. BANK DEBENTURES

To maintain its capital adequacy ratio and the medium-term to long-term working capital, the Bank ("Taipei Fubon Bank") had applied and obtained approval from the Financial Supervisory Commission to issue bank debentures. The outstanding balances of bank debentures as of December 31, 2015 and 2014 are summarized as follows:

	December 31	
	2015	2014
Financial liabilities - fair value hedge		
Taipei Fubon Bank		
Third issue of subordinated bank debentures in 2008; fixed 3.09%; maturity: May 2015	\$ -	\$ 2,500,000
Fourth issue of subordinated bank debentures in 2008; fixed 3.14%; maturity: June 2015	-	500,000
First issue of subordinated bank debentures in 2009; fixed 2.2%; maturity: November 2016	300,000	300,000
Second issue of subordinated bank debentures in 2009; fixed 2.2%; maturity: December 2016	600,000	600,000

(Continued)

	December 31	
	2015	2014
First issue of subordinated bank debentures in 2010; fixed 2.2%; maturity: January 2017	\$ 600,000	\$ 600,000
Third issue of dominant bank debentures in 2010; fixed 1.6%; maturity: March 2015	-	600,000
Third issue of dominant bank debentures in 2010; fixed 1.8%; maturity: March 2017	600,000	600,000
Fifth issue of dominant bank debentures in 2010; fixed 1.6%; maturity: May 2015	-	3,800,000
Fifth issue of dominant bank debentures in 2010; fixed 1.7%; maturity: May 2017	500,000	500,000
Seventh issue of subordinated bank debentures in 2010; fixed 1.55%; maturity: October 2020	900,000	900,000
Eighth issue of subordinated bank debentures in 2010; fixed 1.5%; maturity: November 2017	2,550,000	2,550,000
First issue of subordinated bank debentures in 2011; fixed 1.65%; maturity: March 2018	1,700,000	1,700,000
Second issue of subordinated bank debentures in 2011; fixed 1.7%; maturity: August 2018	1,500,000	1,500,000
Third issue of subordinated bank debentures in 2011; fixed 1.65%; maturity: December 2018	2,500,000	2,500,000
First issue of subordinated bank debentures in 2012; fixed 1.48%; maturity: April 2019	1,300,000	1,300,000
Second issue of subordinated bank debentures in 2012; fixed 1.68%; maturity: May 2022	3,700,000	3,700,000
First issue of subordinated bank debentures in 2013; fixed 1.52%; maturity: August 2020	1,800,000	-
First issue of subordinated bank debentures in 2013; fixed 1.7%; maturity: August 2023	500,000	-
First issue of subordinated bank debentures in 2014; fixed 1.7%; maturity: May 2021	1,800,000	-
First issue of subordinated bank debentures in 2014; fixed 1.85%; maturity: May 2024	1,100,000	-
First issue of dominant bank debentures in 2015; 0%; maturity: February 2045 (US\$100,000 thousand)	3,429,783	-
Second issue of dominant bank debentures in 2015; 0%; maturity: May 2045 (US\$80,000 thousand)	<u>2,712,576</u>	-
	28,092,359	24,150,000
Valuation adjustments of bank debentures	<u>25,086</u>	<u>117,970</u>
	<u>28,117,445</u>	<u>24,267,970</u>
Bank debentures - non-hedged		
Taipei Fubon Bank		
First issue of subordinated bank debentures in 2008; floating interest rate; maturity: January 2015	-	100,000
Second issue of subordinated bank debentures in 2008; fixed 3.05%; maturity: March 2015	-	1,350,000
Second issue of subordinated bank debentures in 2008; floating interest rate; maturity: March 2015	-	1,200,000
Third issue of subordinated bank debentures in 2008; fixed 3.09%; maturity: May 2015	-	2,500,000

(Continued)

	December 31	
	2015	2014
Fourth issue of subordinated bank debentures in 2008; fixed 3.14%; maturity: June 2015	\$ -	\$ 2,300,000
First issue of subordinated bank debentures in 2009; fixed 2.2%; maturity: November 2016	1,700,000	1,700,000
Second issue of subordinated bank debentures in 2009; fixed 2.2%; maturity: December 2016	1,450,000	1,450,000
First issue of subordinated bank debentures in 2010; fixed 2.2%; maturity: January 2017	1,650,000	1,650,000
First issue of subordinated bank debentures in 2010; fixed 2.5%; maturity: January 2020	2,400,000	2,400,000
Second issue of subordinated bank debentures in 2010; fixed 2.3%; maturity: January 2017	600,000	600,000
Third issue of dominant bank debentures in 2010; fixed 1.6%; maturity: March 2015	-	1,450,000
Third issue of dominant bank debentures in 2010; fixed 1.8%; maturity: March 2017	900,000	900,000
Fourth issue of subordinated bank debentures in 2010; fixed 2.5%; maturity: March 2020	2,000,000	2,000,000
Fifth issue of dominant bank debentures in 2010; fixed 1.6%; maturity: May 2015	-	1,700,000
Sixth issue of subordinated bank debentures in 2010; fixed 1.95%; maturity: August 2017	4,500,000	4,500,000
Sixth issue of subordinated bank debentures in 2010; fixed 2.05%; maturity: August 2020	1,900,000	1,900,000
First issue of subordinated bank debentures in 2011; fixed 1.65%; maturity: March 2018	1,350,000	1,350,000
Second issue of subordinated bank debentures in 2011; fixed 1.7%; maturity: August 2018	950,000	950,000
Third issue of subordinated bank debentures in 2011; fixed 1.65%; maturity: December 2018	1,500,000	1,500,000
Second issue of subordinated bank debentures in 2012; fixed 1.68%; maturity: May 2022	1,000,000	1,000,000
First issue of subordinated bank debentures in 2013; fixed 1.52%; maturity: August 2020	1,950,000	3,750,000
First issue of subordinated bank debentures in 2013; fixed 1.7%; maturity: August 2023	-	500,000
First issue of subordinated bank debentures in 2014; fixed 1.7%; maturity: May 2021	3,700,000	5,500,000
First issue of subordinated bank debentures in 2014; fixed 1.85%; maturity: May 2024	3,400,000	4,500,000
Second issue of subordinated bank debentures in 2014; fixed 1.98%; maturity: September 2024	<u>3,700,000</u>	<u>3,700,000</u>
	<u>34,650,000</u>	<u>50,450,000</u>
	<u>\$ 62,767,445</u>	<u>\$ 74,717,970</u> (Concluded)

30. OTHER FINANCIAL LIABILITIES

	<u>December 31</u>	
	<u>2015</u>	<u>2014</u>
Principals of structured products	\$ 26,993,104	\$ 38,006,982
Continuing involvement liabilities (Note 18)	256,108	259,486
Others	<u>4,687</u>	<u>23,658</u>
	<u>\$ 27,253,899</u>	<u>\$ 38,290,126</u>

31. PROVISIONS

	<u>December 31</u>	
	<u>2015</u>	<u>2014</u>
Provisions for employee benefits (Note 32)	\$ 2,006,369	\$ 1,417,158
Reserve for losses on guarantees (Note 19)	364,374	400,717
Others	<u>118,681</u>	<u>154,536</u>
	<u>\$ 2,489,424</u>	<u>\$ 1,972,411</u>

32. EMPLOYEE BENEFITS PLANS

	<u>December 31</u>	
	<u>2015</u>	<u>2014</u>
Provisions for employee benefits		
Defined benefit plans	\$ 1,052,309	\$ 668,460
Preferential interest rate plan for employees' deposits	613,310	681,835
Other long-term employee benefits plan	340,310	66,441
Others	<u>440</u>	<u>422</u>
	<u>\$ 2,006,369</u>	<u>\$ 1,417,158</u>

a. Defined contribution plans

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

The total expense recognized in profit or loss for the years ended December 31, 2015 and 2014 was \$265,059 thousand and \$252,881 thousand, respectively, which represents contributions payable to these plans by the Bank and its subsidiaries at rates specified in the rules of the plan.

b. Defined benefit plans

The defined benefit plan adopted by the Bank in accordance with the Labor Standards Law is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the years before retirement. The Bank contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Before the end of each year, the Bank assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Bank is required to fund the difference in one

appropriation that should be made before the end of March of next year. Pension contributions are deposited in the Bank of Taiwan in the committee's name and are managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Bank has no right to influence the investment policy and strategy for these contributions.

The Bureau supervises its assets portfolio regularly, makes the portfolio carefully, conducts the investment under the mandated management, strengthens risk management, and adjusts the investment strategies in light of market changes timely to enhance the stable income from its funds. The return generated by the funds should not be below the interest rate for a 2-year time deposit with local banks. The information on the percentages of fair value of plan assets on December 31, 2015 and 2014 is available from the public information of the pension fund of the Bureau.

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

	December 31	
	2015	2014
Present value of defined benefit obligation	\$ 3,044,392	\$ 2,653,494
Fair value of plan assets	<u>(1,992,083)</u>	<u>(1,985,034)</u>
Net defined benefit liability	<u>\$ 1,052,309</u>	<u>\$ 668,460</u>

Movements in net defined benefit liability were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability
Balance at January 1, 2014	<u>\$ 2,624,063</u>	<u>\$ (2,076,100)</u>	<u>\$ 547,963</u>
Service cost			
Current service cost	103,145	-	103,145
Past service cost	11,906	-	11,906
Net interest expense (income)	<u>46,987</u>	<u>(37,260)</u>	<u>9,727</u>
Recognized in profit or loss	<u>162,038</u>	<u>(37,260)</u>	<u>124,778</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(10,154)	(10,154)
Actuarial loss - changes in demographic assumptions	2,831	-	2,831
Actuarial gain - changes in financial assumptions	(6,923)	-	(6,923)
Actuarial loss - experience adjustments	<u>86,758</u>	<u>-</u>	<u>86,758</u>
Recognized in other comprehensive income	<u>82,666</u>	<u>(10,154)</u>	<u>72,512</u>
Contributions from the employer	-	(44,139)	(44,139)
Benefits paid	<u>(215,273)</u>	<u>182,619</u>	<u>(32,654)</u>
Balance at December 31, 2014	<u>\$ 2,653,494</u>	<u>\$ (1,985,034)</u>	<u>\$ 668,460</u> (Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability
Balance at January 1, 2015	\$ 2,653,494	\$ (1,985,034)	\$ 668,460
Service cost			
Current service cost	53,834	-	53,834
Past service cost	127	-	127
Net interest expense (income)	<u>49,753</u>	<u>(37,636)</u>	<u>12,117</u>
Recognized in profit or loss	<u>103,714</u>	<u>(37,636)</u>	<u>66,078</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(15,910)	(15,910)
Actuarial loss - changes in demographic assumptions	123,433	-	123,433
Actuarial loss - changes in financial assumptions	114,527	-	114,527
Actuarial loss - experience adjustments	<u>173,411</u>	<u>-</u>	<u>173,411</u>
Recognized in other comprehensive income	<u>411,371</u>	<u>(15,910)</u>	<u>395,461</u>
Contributions from the employer	-	(44,704)	(44,704)
Benefits paid	<u>(124,187)</u>	<u>91,201</u>	<u>(32,986)</u>
Balance at December 31, 2015	<u>\$ 3,044,392</u>	<u>\$ (1,992,083)</u>	<u>\$ 1,052,309</u> (Concluded)

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

- 1) Investment risk: The plan assets are invested in domestic/and foreign/equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government or corporate bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

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

	December 31	
	2015	2014
Discount rate	1.500%	1.875%
Expected rate of salary increase	2.250%	2.250%

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

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

	December 31, 2015
Discount rate	
0.5% increase	<u>\$ (159,547)</u>
0.5% decrease	<u>\$ 172,737</u>
Expected rate of salary increase	
0.5% increase	<u>\$ 167,293</u>
0.5% decrease	<u>\$ (156,115)</u>

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

	December 31	
	2015	2014
Expected contributions to the plan for the next year	<u>\$ 45,120</u>	<u>\$ 44,400</u>
Average duration of the defined benefit obligation	11 years	10.6 years

c. Preferential interest rate plan for employees' deposits

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

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

	December 31	
	2015	2014
Present value of funded retired benefit obligation	\$ 613,310	\$ 681,835
Fair value of plan assets	<u>-</u>	<u>-</u>
Net liability arising from retired benefit obligation	<u>\$ 613,310</u>	<u>\$ 681,835</u>

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

	Present Value of the Funded Retired Benefit Obligation	Fair Value of the Plan Assets	Net Funded Retired Benefit Liability (Asset)
Balance at January 1, 2014	<u>\$ 608,645</u>	<u>\$ -</u>	<u>\$ 608,645</u>
Service cost			
Past service cost	83,785	-	83,785
Net interest expense	<u>24,346</u>	<u>-</u>	<u>24,346</u>
Recognized in profit or loss	<u>108,131</u>	<u>-</u>	<u>108,131</u>

(Continued)

	Present Value of the Funded Retired Benefit Obligation	Fair Value of the Plan Assets	Net Funded Retired Benefit Liability (Asset)
Remeasurement			
Actuarial loss - changes in demographic assumptions	\$ 15,315	\$ -	\$ 15,315
Actuarial gain - experience adjustments	<u>(4,381)</u>	<u>-</u>	<u>(4,381)</u>
Recognized in other comprehensive income	<u>10,934</u>	<u>-</u>	<u>10,934</u>
Benefits paid	<u>(45,875)</u>	<u>-</u>	<u>(45,875)</u>
Balance at December 31, 2014	<u>\$ 681,835</u>	<u>\$ -</u>	<u>\$ 681,835</u>
Balance at January 1, 2015	<u>\$ 681,835</u>	<u>\$ -</u>	<u>\$ 681,835</u>
Service cost			
Past service cost	46,991	-	46,991
Net interest expense	<u>27,273</u>	<u>-</u>	<u>27,273</u>
Recognized in profit or loss	<u>74,264</u>	<u>-</u>	<u>74,264</u>
Remeasurement			
Actuarial loss - changes in financial assumptions	1,976	-	1,976
Actuarial gain - experience adjustments	<u>(96,549)</u>	<u>-</u>	<u>(96,549)</u>
Recognized in other comprehensive income	<u>(94,573)</u>	<u>-</u>	<u>(94,573)</u>
Benefits paid	<u>(48,216)</u>	<u>-</u>	<u>(48,216)</u>
Balance at December 31, 2015	<u>\$ 613,310</u>	<u>\$ -</u>	<u>\$ 613,310</u> (Concluded)

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

	December 31	
	2015	2014
Discount rate	4%	4%
Expected return on employees' deposits	2%	2%
Withdrawal percentage of preferential deposits	1%	1%

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

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

	December 31, 2015
Discount rate	
0.5% increase	<u>\$ (28,417)</u>
0.5% decrease	<u>\$ 30,835</u>
Withdrawal percentage of preferential deposits	
0.5% increase	<u>\$ (24,425)</u>
0.5% decrease	<u>\$ 26,268</u>

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

	<u>December 31</u>	
	2015	2014
Average duration of the funded retired benefit obligation	10 years	10 years

d. Defined contribution plans of overseas branches

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

For the years ended December 31, 2015 and 2014, FBC, the Bank's overseas branch, recognized expenses of \$26,083 thousand and \$30,555 thousand, respectively.

33. OTHER LIABILITIES

	<u>December 31</u>	
	2015	2014
Advance receipts	\$ 1,417,004	\$ 1,987,038
Guarantee deposits received	1,200,529	1,687,347
Suspense accounts and clearing payments	976,764	1,313,046
Others	<u>567,739</u>	<u>538,920</u>
	<u>\$ 4,162,036</u>	<u>\$ 5,526,351</u>

34. EQUITY

a. Capital stock

Common stock

	<u>December 31</u>	
	2015	2014
Number of shares authorized (in thousands)	<u>10,000,000</u>	<u>10,000,000</u>
Amount of capital stock authorized	<u>\$ 100,000,000</u>	<u>\$ 100,000,000</u>
Number of shares issued and received (in thousands)	<u>9,803,888</u>	<u>8,917,672</u>
Amount of outstanding and issued shares (par value of NT\$10)	<u>\$ 98,038,876</u>	<u>\$ 89,176,722</u>

On December 30, 2013, the Bank's board of directors, under the shareholders' authorization, resolved to increase its capital through private placement, with between 61,996,280 shares and 371,977,681 shares to be issued at NT\$16.13 per share. On the record date of January 16, 2014, the Bank's capital stock increased by 154,000 thousand shares, amounting to \$1,540,000 thousand.

On June 18, 2014, the Bank's board of directors, under the shareholders' authorization, resolved to capitalize \$5,571,010 thousand of retained earnings and to issue 557,101 thousand shares. The record date was August 20, 2014.

On April 29, 2015, the Bank's board of directors, under the shareholders' authorization, resolved to capitalize \$8,862,154 thousand of retained earnings and to issue 886,216 thousand shares. On July 1, 2015, these transactions were approved by the Financial Supervisory Commission, and the record date was July 20, 2015.

b. Capital surplus

	December 31	
	2015	2014
Arising from consolidation	\$ 7,490,431	\$ 7,490,431
Arising from issuance of common shares	<u>7,310,496</u>	<u>7,310,496</u>
	<u>\$ 14,800,927</u>	<u>\$ 14,800,927</u>

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 reserves

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

d. Special reserve

	December 31	
	2015	2014
Appropriations by TAIPEIBANK under its Articles of Incorporation	\$ 1,285,676	\$ 1,285,676
Transferred from trading loss reserve	123,497	123,497
Arising from the first-time adoption of IFRSs	126,525	126,525
First application of the fair value model to investment properties	<u>1,016,960</u>	<u>979,728</u>
	<u>\$ 2,552,658</u>	<u>\$ 2,515,426</u>

Under Rule No. 1010012865 issued by the Financial Supervisory Commission (FSC) on April 6, 2012 and the directive titled "Questions and Answers for Special Reserves Appropriated Following the Adoption of IFRSs," on the first-time adoption of IFRSs, a company should appropriate to a special reserve an amount that is the same as the sum of unrealized revaluation increment and cumulative translation differences (gains) transferred to retained earnings as a result of the company's use of exemptions under IFRS 1. However, at the date of transition to IFRSs, if the increase in retained earnings that resulted from all IFRSs adjustments is not sufficient for this appropriation, only the increase in retained earnings that resulted from all IFRSs adjustments will be appropriated to special

reserve. The special reserve appropriated as above may be reversed to retained earnings in proportion to the usage, disposal or reclassification of the related assets and thereafter distributed. The special reserve appropriated on the first-time adoption of IFRSs may be used to offset deficits in subsequent years. Earnings should be appropriated until any shortage of the aforementioned special reserve is appropriated in subsequent years if the Company has earnings and the original need to appropriate a special reserve is not eliminated.

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

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

e. Appropriation of earnings and dividend policy

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

- 1) 30% as legal reserve and, under FSC rules, a special reserve (or special reserve reversal);
- 2) The remaining net income and unappropriated accumulated earnings can be distributed as dividends to shareholders, as proposed by the board of directors and approved in the shareholders' meeting. If the legal reserve equals the Bank's paid-in capital, or if the Bank meets the standards of sound finance and business practices prescribed by the regulatory authorities as stated in Article 50 of the Banking Act and has set aside legal reserve in compliance with the Company Act, the restrictions stipulated in the preceding paragraph shall not prevail

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

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

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

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

On April 29, 2015 and June 18, 2014, the board of directors exercised the power and authority of the shareholders' meeting and approved the appropriation of the 2014 and 2013 earnings, respectively. The appropriations, including dividends per share, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	2014	2013	2014	2013
Legal reserve	\$ 5,472,523	\$ 3,631,383		
Special reserve	37,232	-		
Stock dividends	8,862,154	5,571,010	\$ 0.99	\$ 0.67
Cash dividends	3,798,065	2,500,000	0.43	0.30

The appropriation of the 2015 earnings was proposed by the Bank's board of directors on March 18, 2016. The appropriations, including dividends per share, were as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 5,334,897	
Special reserve	99,416	
Stock dividends	8,479,147	\$0.86
Cash dividends	3,633,920	0.37

The appropriation of the 2015 earnings are subject to the approval by the board of directors (the board is authorized to carry out the functions of the shareholders' meeting).

f. Other equity items

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

	For the Year Ended December 31	
	2015	2014
Balance, beginning of the year	\$ 1,385,143	\$ (44,481)
Exchange differences arising on translating the financial statements of foreign operations	<u>(14,138)</u>	<u>1,429,624</u>
Balance, end of the year	<u>\$ 1,371,005</u>	<u>\$ 1,385,143</u>

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

	For the Year Ended December 31	
	2015	2014
Balance, beginning of the year	\$ 948,445	\$ 3,171,146
Unrealized gain on the revaluation of available-for-sale financial assets	699,983	327,130
Income tax on the unrealized (loss) gain on the revaluation of available-for-sale financial assets	14,014	(56,190)
Cumulative gain reclassified to profit or loss on the sale of available-for-sale financial assets	(551,033)	(2,483,735)
Share of unrealized gain (loss) on the revaluation of an associate's available-for-sale financial assets	<u>(1,259)</u>	<u>(9,906)</u>
Balance, end of the year	<u>\$ 1,110,150</u>	<u>\$ 948,445</u>

3) Gains on property revaluation

	For the Year Ended December 31	
	2015	2014
Balance, beginning of the year	\$ 14,262	\$ 4,777
Revaluation gain on investment properties	217,350	10,781
Tax related to revaluation gain on investment properties	<u>(7,992)</u>	<u>(1,296)</u>
Balance, end of the year	<u>\$ 223,620</u>	<u>\$ 14,262</u>

g. Non-controlling interests

	For the Year Ended December 31	
	2015	2014
Balance, beginning of the year	\$ 19,123,428	\$ -
Non-controlling interests arising on the acquisition of Fubon Bank (China)	-	15,051,209
Attributable to non-controlling interests:		
Net income	822,722	894,542
Exchange differences on translating foreign operations	(254,975)	571,326
Unrealized gain (loss) on available-for-sale financial assets	(50,640)	204,547
Income tax relating to unrealized gain arising on available-for-sale financial assets	12,660	(51,136)
Effect of Fubon Bank (China)'s issuance of ordinary for cash	-	2,452,940
Cash dividends from Fubon Bank (China)	<u>(103,512)</u>	<u>-</u>
Balance, end of the year	<u>\$ 19,549,683</u>	<u>\$ 19,123,428</u>

35. NET INTEREST INCOME

	For the Year Ended December 31	
	2015	2014
<u>Interest income</u>		
Discounts and loans	\$ 31,750,273	\$ 30,704,560
Due from banks and call loans to banks	4,766,914	5,687,196
Held-to-maturity financial assets	4,106,565	3,551,309
Available-for-sale financial assets	2,862,429	1,447,160
Accounts receivable - factoring	1,650,374	1,994,310
Credit card	982,294	1,056,804
Others	<u>527,730</u>	<u>789,946</u>
	<u>46,646,579</u>	<u>45,231,285</u>
<u>Interest expense</u>		
Deposits	17,795,278	18,606,422
Securities sold under repurchase agreements	1,260,518	769,946
Funds borrowed from the Central Bank and other banks	1,243,914	983,357
Due to the Central Bank and other banks	1,144,660	370,792

(Continued)

	For the Year Ended December 31	
	2015	2014
Bank debentures	\$ 1,081,564	\$ 1,181,439
Structured products	764,096	1,049,477
Others	<u>4,217</u>	<u>2,221</u>
	<u>23,294,247</u>	<u>22,963,654</u>
Net interest	<u>\$ 23,352,332</u>	<u>\$ 22,267,631</u> (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.

For the years ended December 31, 2015 and 2014, the interests accrued on impaired financial assets were \$248,495 thousand and \$444,239 thousand, respectively.

36. SERVICE FEE INCOME, NET

	For the Year Ended December 31	
	2015	2014
Service fee income		
Insurance service fee income	\$ 5,093,643	\$ 4,046,465
Trust and custody business	3,801,684	4,189,538
Credit card business	2,050,836	2,003,323
Credit business	1,246,358	1,066,987
Others	<u>1,326,976</u>	<u>1,471,736</u>
	<u>13,519,497</u>	<u>12,778,049</u>
Service fee expense		
Credit card business	821,130	732,736
Office space expense	280,338	289,501
Interbank service fee	267,461	231,013
Settlement service fee	103,123	91,073
Others	<u>397,973</u>	<u>353,593</u>
	<u>1,870,025</u>	<u>1,697,916</u>
	<u>\$ 11,649,472</u>	<u>\$ 11,080,133</u>

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 OR LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	For the Year Ended December 31	
	2015	2014
Interest income	\$ 665,251	\$ 509,807
Dividend income	<u>14,848</u>	<u>13,485</u>
Realized gain (loss)		
Option contracts	3,682,439	1,448,129
Currency swap contracts	1,696,437	2,371,670
Forward contracts	(2,763,391)	(521,374)
Others	<u>480,091</u>	<u>(279,893)</u>
	<u>3,095,576</u>	<u>3,018,532</u>
Gains (losses) on valuation		
Forward contracts	1,572,108	(178,067)
Interest rate swap contracts	297,549	313,646
Currency swap contracts	8,598	(198,142)
Convertible corporate bonds	(231,772)	(391,813)
Option contracts	(1,409,343)	2,737,567
Others	<u>4,043</u>	<u>(79,329)</u>
	<u>241,183</u>	<u>2,203,862</u>
	<u>\$ 4,016,858</u>	<u>\$ 5,745,686</u>

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

	For the Year Ended December 31	
	2015	2014
Financial bonds	\$ 559,756	\$ 224,389
Dividend revenue	269,146	470,351
Beneficial securities and stocks	118,804	2,230,027
Government bonds	102,297	41,151
Corporate bonds	90,706	26,732
Others	<u>4,216</u>	<u>2,823</u>
	<u>\$ 1,144,925</u>	<u>\$ 2,995,473</u>

39. EMPLOYEE BENEFIT EXPENSE

	For the Year Ended December 31	
	2015	2014
Salaries and wages	\$ 9,453,848	\$ 9,148,254
Labor insurance, national health insurance, and group life insurance	803,604	753,336
Post-employment benefit expense	443,305	524,788
Other employee benefits expense	<u>572,889</u>	<u>461,238</u>
	<u>\$ 11,273,646</u>	<u>\$ 10,887,616</u>

The Bank's current Articles of Incorporation stipulates the distribution of bonus to employees at the rates of from 1% to 5%, of net income (net of the bonus and remuneration). For the year ended December 31, 2014, the bonus to employees was estimated \$127,320 thousand. This estimate was based on past experience. The bonus was accrued at 1% of the remainder of net income after 30% of net income was appropriated as legal reserve.

To be in compliance with the Company Act amended in May 2015, and the amended Articles of Incorporation of the Bank stipulates the distribution employees' compensation at the rates of from 1% to 5%, of net profit before income tax and employees' compensation, but the Bank should not make appropriations from earnings if it has a deficit. For the year ended December 31, 2015, the employees' estimated compensation in cash of \$203,601 thousand, representing 1% of the base net profit, was approved by the Bank's board of directors on March, 2016.

Material differences between estimated amounts and the amounts proposed by the board of directors on or before the date the annual consolidated financial statements are authorized for issue are adjusted in the year the bonus is recognized. 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 April 29, 2015 and June 18, 2014, the board of directors proposed, and approved through an exercise of the functions of the shareholders' meeting, the appropriations of bonus to employees, of \$127,320 thousand and \$84,732 thousand for 2014 and 2013, respectively. The approved amounts were the same as the accrued amounts reflected in the consolidated financial statements for the years ended 2014 and 2013.

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

40. DEPRECIATION AND AMORTIZATION

	For the Year Ended December 31	
	2015	2014
Depreciation	\$ 827,584	\$ 736,468
Amortization	<u>807,973</u>	<u>713,439</u>
	<u>\$ 1,635,557</u>	<u>\$ 1,449,907</u>

41. GENERAL AND ADMINISTRATIVE

	For the Year Ended December 31	
	2015	2014
Taxation and government fee	\$ 2,130,106	\$ 1,803,696
Rental	2,070,034	1,926,890
Marketing	710,652	607,873
Insurance	471,343	454,517
Others	<u>2,398,516</u>	<u>2,162,036</u>
	<u>\$ 7,780,651</u>	<u>\$ 6,955,012</u>

42. INCOME TAX

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

a. Income tax recognized in profit or loss

The major components of income tax expense were as follows:

	For the Year Ended December 31	
	2015	2014
Current tax		
Current year	\$ 2,728,143	\$ 2,982,681
Prior years	<u>838</u>	<u>7,370</u>
	<u>2,728,981</u>	<u>2,990,051</u>
Deferred tax		
Current year	<u>167,455</u>	<u>399,649</u>
Income tax expense recognized in profit or loss	<u>\$ 2,896,436</u>	<u>\$ 3,389,700</u>

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

	For the Year Ended December 31	
	2015	2014
Income tax expense calculated at statutory rate (17%)	\$ 3,655,365	\$ 3,828,590
Tax-exempt income	(1,094,050)	(1,660,952)
Unqualified items in determining taxable income	203,526	207,401
Additional income tax under the Alternative Minimum Tax Act	80,486	257,968
Effect of differences in domestic and overseas tax rates	316,819	406,972
Unrecognized deductible temporary differences	(281,182)	327,347
Others	<u>15,472</u>	<u>22,374</u>
Income tax expense recognized in profit or loss	<u>\$ 2,896,436</u>	<u>\$ 3,389,700</u>

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2015	2014
<u>Deferred tax</u>		
Recognized in other comprehensive income		
Remeasurement of defined benefit plan	\$ 51,151	\$ 14,186
Unrealized gains (losses) on available-for-sale financial assets	26,674	(107,326)
Investment property revaluation increments	<u>(7,992)</u>	<u>(1,296)</u>
	<u>\$ 69,833</u>	<u>\$ (94,436)</u>

c. Current tax assets and liabilities

	December 31	
	2015	2014
Current tax assets		
Linked-tax receivable	\$ 358,012	\$ 358,012
Prepaid income tax and income tax refund receivable	<u>1,212</u>	<u>39,529</u>
	<u>\$ 359,224</u>	<u>\$ 397,541</u>
Current tax liabilities		
Linked-tax payable	\$ 1,315,093	\$ 1,337,384
Income tax payable	<u>568,606</u>	<u>298,870</u>
	<u>\$ 1,883,699</u>	<u>\$ 1,636,254</u>

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2015

	Opening Balance	Acquisitions through Business Combinations	Recognized in Profit or Loss	Recognized in Other Com- prehensive Income	Exchange Differences	Closing Balance
<u>Deferred tax assets</u>						
Temporary differences						
Allowance for credit losses	\$ 491,605	\$ -	\$ 62,860	\$ -	\$ (6,796)	\$ 547,669
Employee benefit plans	268,630	-	12,053	51,151	-	331,834
Unrealized gain (loss) on revaluation of building	27,452	-	(500)	(2,449)	-	24,503
Overseas branches	24,353	-	(4,615)	-	1,036	20,774
Others	<u>139,937</u>	<u>-</u>	<u>(3,858)</u>	<u>(11,931)</u>	<u>(1,972)</u>	<u>122,176</u>
	<u>\$ 951,977</u>	<u>\$ -</u>	<u>\$ 65,940</u>	<u>\$ 36,771</u>	<u>\$ (7,732)</u>	<u>\$ 1,046,956</u>
<u>Deferred tax liabilities</u>						
Temporary differences						
Land value increment tax	\$ 352,099	\$ -	\$ 15,357	\$ 5,543	\$ -	\$ 372,999
Overseas investment income	160,943	-	127,256	-	-	288,199
Unrealized gain on derivative financial instrument	112,285	-	66,181	-	-	178,466
Intangible assets	80,117	-	10,551	-	-	90,668
Available-for-sale financial assets	39,935	-	-	(38,605)	(1,330)	-
Others	<u>1,339</u>	<u>-</u>	<u>14,050</u>	<u>-</u>	<u>32</u>	<u>15,421</u>
	<u>\$ 746,718</u>	<u>\$ -</u>	<u>\$ 233,395</u>	<u>\$ (33,062)</u>	<u>\$ (1,298)</u>	<u>\$ 945,753</u>

For the year ended December 31, 2014

	Opening Balance	Acquisitions through Business Combinations	Recognized in Profit or Loss	Recognized in Other Com- prehensive Income	Exchange Differences	Closing Balance
<u>Deferred tax assets</u>						
Temporary differences						
Allowance for credit losses	\$ -	\$ 570,569	\$ (94,237)	\$ -	\$ 15,273	\$ 491,605
Employee benefit plans	234,869	-	19,575	14,186	-	268,630
Unrealized gain (loss) on revaluation of building	30,657	-	(2,700)	(505)	-	27,452
Overseas branches	78,946	-	(58,990)	(247)	4,644	24,353
Others	34,890	192,066	(22,177)	(68,474)	3,632	139,937
	<u>\$ 379,362</u>	<u>\$ 762,635</u>	<u>\$ (158,529)</u>	<u>\$ (55,040)</u>	<u>\$ 23,549</u>	<u>\$ 951,977</u>
<u>Deferred tax liabilities</u>						
Temporary differences						
Land value increment tax	\$ 336,337	\$ -	\$ 14,971	\$ 791	\$ -	\$ 352,099
Overseas investment income	-	-	160,943	-	-	160,943
Unrealized gain on derivative financial instrument	68,072	-	44,213	-	-	112,285
Intangible assets	60,418	-	19,699	-	-	80,117
Available-for-sale financial assets	-	-	-	38,605	1,330	39,935
Others	-	-	1,294	-	45	1,339
	<u>\$ 464,827</u>	<u>\$ -</u>	<u>\$ 241,120</u>	<u>\$ 39,396</u>	<u>\$ 1,375</u>	<u>\$ 746,718</u>

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

- 1) The Bank and Taipei Fubon Bank Life Insurance Agency Co., Ltd. had no unappropriated earnings generated before January 1, 1998.
- 2) The information on the imputation credit account is as follows:

	<u>December 31</u>	
	<u>2015</u>	<u>2014</u>
The Bank	<u>\$ 67,239</u>	<u>\$ 71,695</u>
Taipei Fubon Bank Life Insurance Agency Co., Ltd.	<u>\$ 7,625</u>	<u>\$ 7,751</u>

3) Creditable tax ratio

The Bank's estimated creditable tax ratio for the distribution from the 2015 earnings was 0.38% and the actual creditable tax ratios for cash and stock dividend distribution from the 2014 earnings were 0.37% and 0.39%, respectively.

Taipei Fubon Bank Life Insurance Agency Co., Ltd.'s estimated creditable tax ratio for the distribution from the 2015 earnings and the actual creditable tax ratio for the distribution from the 2014 earnings were both 20.48%.

Under the Income Tax Law, for the distribution of earnings generated on or after January 1, 1998, the imputation credits allocable to ROC resident shareholders of the Bank is calculated on the basis of the creditable ratio as of the date of dividend distribution. The actual imputation credits allocable to shareholders of the Bank is based on the balance of the imputation credit accounts (ICA) as of the date of dividend distribution. Therefore, the expected creditable ratio for the 2015 earnings may differ from the actual creditable ratio to be used in allocating imputation credits to the shareholders.

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

- f. The income tax returns of the Bank through 2009 had been assessed by the Taipei National Tax Administrative (TNTA). The Bank disagreed with the tax authorities' assessment of the Bank's 2005 to 2007 tax returns on the amortization of premium on bonds and applied for a reexamination. TNTA decided to give a tax refund at 65% of tax paid on interest income earned by the Bank, and the Bank accepted this refund of the withholding tax.
- g. Income tax returns of the Taipei Fubon Bank Life Insurance Agency Co., Ltd. through 2014 had been assessed by the TNTA.
- h. Income tax returns of the Fubon Bank (China) through 2014 had been assessed by Shanghai Municipal Office, SAT and the Shanghai Municipal Bureau of Local Taxation.

43. EARNINGS PER SHARE

(In New Taiwan Dollars)

	<u>For the Year Ended December 31</u>	
	2015	2014
Basic earnings per share		
From continuing operations	<u>\$ 1.81</u>	<u>\$ 1.86</u>

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

Net income for the Year

	<u>For the Year Ended December 31</u>	
	2015	2014
Income for the year attributable to owners of the Bank	<u>\$ 17,782,990</u>	<u>\$ 18,236,881</u>

Shares

(In Thousand Shares)

	<u>For the Year Ended December 31</u>	
	2015	2014
Weighted average number of common stock used in computing basic earnings per share	<u>9,803,888</u>	<u>9,797,559</u>

The weighted average number of shares outstanding used for earnings per share calculation was retroactively adjusted for the issuance of bonus shares. This adjustment caused the basic earnings per share for the year ended December 31, 2014 to decrease from NT\$2.05 to NT\$1.86.

44. RELATED-PARTY TRANSACTIONS

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

a. Related parties

Related Party	Relationship with the Bank and Its Subsidiaries
Fubon Financial Holdings Co., Ltd. (FFH)	Parent company
Fubon Real Estate Management Co., Ltd.	Equity-method investee of the Bank
Fubon Insurance Co., Ltd. ("Fubon Insurance")	Subsidiary of FFH
Fubon Life Insurance Co., Ltd. ("Fubon Life Insurance")	Subsidiary of FFH
Fubon Securities Co., Ltd. ("Fubon Securities")	Subsidiary of FFH
Fubon Bank (Hong Kong) Limited ("Fubon Bank (Hong Kong)")	Subsidiary of FFH
Fubon Asset Management Co., Ltd. ("Fubon Asset Management")	Subsidiary of FFH
Taiwan Sports Lottery Co., Ltd. ("Taiwan Sports Lottery")	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
Ming Tong Co., Ltd.	Major shareholder of parent company
Tao Yin Co., Ltd.	Major shareholder of parent company
Fubon Land Development Co., Ltd. ("Fubon Land Development")	Related party in substance
Taiwan High Speed Rail Corp. ("Taiwan High Speed Rail")	Related party in substance
Taiwan Mobile Co., Ltd. ("Taiwan Mobile")	Related party in substance
Taipei Fubon Charitable Foundation	Related party in substance
Fuji Investment Co., Ltd.	Related party in substance
Taipei New Horizon Co., Ltd.	Related party in substance
Capital Securities Co., Ltd. ("Capital Securities")	Related party in substance
Formosa Petrochemical Co., Ltd. ("Formosa Petrochemical")	Related party in substance
Taipei Young Women's Christian Association (TYWCA)	Related party in substance
Shanghai Ruidong Hospital	Related party in substance
Shanghai Pudong Development Bank ("SPD Bank")	Related party in substance
Beijing Founder Fubon Asset Management	Related party in substance
Others	Directors, supervisors, managers and their relatives within the second degree of consanguinity

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

	For the Year Ended December 31, 2015						
	Ending Balance	Highest Balance for the Year	% of the Account Balance	Allowance for Credit Loss	Rate (%)	Interest Income	Allowance for Credit Loss
1) Loans	\$ 6,379,051	\$ 41,502,395	0.47	\$ 78,554	0-19.98	\$ 336,274	\$ 4,258

For the Year Ended December 31, 2015

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	61	\$ 39,709	\$ 25,680	v	\$ -	None	Yes
Housing mortgage loans	341	3,506,030	2,738,283	v	-	Property	Yes
Others	Department of Urban Development, TCG	1,048,471	906,284	v	-	Public treasury guarantees	Yes
	Department of Rapid Transit Systems, TCG	18,251,330	-	v	-	Public treasury guarantees	Yes
	Taipei Municipal Secured Swan Loans Service	1,714	1,163	v	-	Public treasury guarantees	Yes
	Fubon Land Development	2,760,000	2,540,000	v	-	Land, buildings and stock	Yes
	Department of Finance, TCG	15,000,000	-	v	-	Unsecured	Yes
	Taipei New Horizon	727,500	-	v	-	Buildings, excluding land	Yes
	Shanghai Ruidong Hospital	167,641	167,641	v	-	Pledged deposits	Yes
		<u>\$ 41,502,395</u>	<u>\$ 6,379,051</u>				

For the Year Ended December 31, 2014

	Ending Balance	Highest Balance for the Period	% of the Account Balance	Allowance for Credit Loss	Rate (%)	Interest Income	Allowance for Credit Loss
Loans	<u>\$ 24,434,629</u>	<u>\$ 81,647,447</u>	<u>1.87</u>	<u>\$ 83,406</u>	0.7-19.98	<u>\$ 653,549</u>	<u>\$ 30,607</u>

For the Year Ended December 31, 2014

Category	Number of Accounts or Name of Related Party	Highest Balance	Ending Balance	Normal	Overdue	Type of Collaterals	Is the Transaction at Arm's Length Commercial Term
Consumer loans for employees	57	\$ 24,044	\$ 21,064	v	\$ -	None	Yes
Housing mortgage loans	344	2,787,341	2,756,539	v	-	Property	Yes
Others	Department of Urban Development, TCG	1,201,559	1,046,630	v	-	Public treasury guarantees	Yes
	TCG	7,951,330	-	v	-	Public treasury guarantees	Yes
	Department of Rapid Transit Systems, TCG	51,000,000	2,051,330	v	-	Public treasury guarantees	Yes
	Taipei Municipal Secured Swan Loans Service	3,321	1,714	v	-	Public treasury guarantees	Yes
	Fubon Land Development	2,760,000	2,660,000	v	-	Land, buildings and stock	Yes
	Department of Finance, TCG	15,000,000	15,000,000	v	-	Unsecured	Yes
	Taipei New Horizon	750,000	727,500	v	-	Unsecured	Yes
Shanghai Ruidong Hospital	169,852	169,852	v	-	Pledged deposits	Yes	
		<u>\$ 81,647,447</u>	<u>\$ 24,434,629</u>				

For the Year Ended December 31

	2015				2014			
	Ending Balance	% of the Account Balance	Rate (%)	Interest Income (Expense)	Ending Balance	% of the Account Balance	Rate (%)	Interest Income (Expense)
2) Discounts	<u>\$ -</u>	<u>-</u>	4.31	<u>\$ 13,027</u>	<u>\$ 859,276</u>	<u>1.60</u>	4.31-7.20	<u>\$ 72,349</u>
3) Deposits	<u>\$ 101,612,974</u>	<u>5.60</u>	0-6.40	<u>\$ (341,991)</u>	<u>\$ 60,418,810</u>	<u>3.76</u>	0-6.40	<u>\$ (287,994)</u>
4) Due from other banks - call loans	<u>\$ -</u>	<u>-</u>	0.08	<u>\$ 15</u>	<u>\$ -</u>	<u>-</u>	-	<u>\$ -</u>
5) Due to other banks - call loans	<u>\$ -</u>	<u>-</u>	1.09	<u>\$ (18)</u>	<u>\$ -</u>	<u>-</u>	0.1-1.60	<u>\$ (380)</u>

	For the Year Ended December 31							
	2015				2014			
	Ending Balance	% of the Account Balance	Rate (%)	Interest Income (Expense)	Ending Balance	% of the Account Balance	Rate (%)	Interest Income (Expense)
6) Due from other banks - deposits	\$ 322,035	0.49	0-5.40	\$ 54,495	\$ 602,421	1.19	0-7.35	\$ 142,012
7) Due to other banks - deposits	\$ 306,416	1.01	1.09-3.40	\$ (11,109)	\$ -	-	5	\$ (1,370)

8) Guarantees

For the Year Ended December 31, 2015					
Related Party	Highest Balance in Current Year	Ending Balance	Reserve for Losses on Guarantees (Note)	Rates	Type of Collateral
TCG	\$ 1,325	\$ 1,313	\$ -	1.00%	Public treasury guarantees
Taipei New Horizon	\$ 32,500	\$ 32,500	\$ -	0.85%	Buildings, excluding land

For the Year Ended December 31, 2014					
Related Party	Highest Balance in Current Year	Ending Balance	Reserve for Losses on Guarantees (Note)	Rates	Type of Collateral
TCG	\$ 1,269	\$ 1,269	\$ -	1.00%	Public treasury guarantees
Taipei New Horizon	\$ 32,500	\$ 32,500	\$ -	0.85%	Unsecured

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

9) Securities

Related Party	Type	For the Year Ended December 31	
		2015	2014
Fubon Life Insurance	Bonds purchased	\$ 32,846,419	\$ 10,765,710
	Bonds sold	902,168	3,605,838
Fubon Financial Holding	Bonds purchased	9,800,000	-
	Capital Securities	Bonds purchased	348,767
Formosa Petrochemical	Bonds sold	203,706	449,186
	Notes purchased	6,496,491	9,496,243
	Notes purchased	-	23,238,880

Related Party	Type	December 31	
		2015	2014
Taiwan High Speed Rail	Bonds sold under repurchase agreements	\$ 4,976,000	\$ 4,499,600
Capital Securities	Bonds purchased under resell agreements	1,473,636	1,224,918
Fubon Securities	Bonds purchased under resell agreements	400,310	-
Tao Yin Co., Ltd.	Bonds sold under repurchase agreements	-	1,340,000

(Continued)

Related Party	Type	December 31	
		2015	2014
Fuji Investment Co., Ltd.	Bonds sold under repurchase agreements	\$ -	\$ 26,200
Directors, supervisors, managers and their relatives within the second degree of consanguinity	Bonds sold under repurchase agreements	2,953,946	1,502,478

(Concluded)

10) Mutual fund and stock transactions

Fund	December 31			
	2015		2014	
	Units (In Thousands)	Amount	Units (In Thousands)	Amount
Fubon No. 1 REIT	57,680	\$ 922,880	57,680	\$ 925,764
Fubon No. 2 REIT	1,848	23,599	1,848	23,784

11) Derivative financial instruments

For the Year Ended December 31, 2015						
Related Party	Derivative Instrument	Contract Year	Contract (Notional) Amount	Gains (Losses) on Valuation	Balance Sheet	
					Account	Balance
Fubon Bank (Hong Kong)	Interest rate swap contracts	2010.11.26-2020.03.19	\$ 1,868,223	\$ (21,745)	Revaluation of held-for-trading financial assets	\$ 170,099
Fubon Life Insurance	Interest rate swap contracts	2007.09.27-2018.06.24	2,750,000	1,032	Revaluation of held-for-trading financial liabilities	569,644
Fubon Securities	Currency swap contracts	2015.11.30-2016.02.02	123,047	1,367	Revaluation of held-for-trading financial assets	1,367
Fubon Securities Investment Trust	Currency swap contracts	2015.12.10-2016.02.26	524,200	4,665	Revaluation of held-for-trading financial assets	4,665
Capital Securities	Interest rate swap contracts	2012.01.06-2019.06.13	5,100,000	36,877	Revaluation of held-for-trading financial assets	44,675
Capital Securities	Interest rate swap contracts	2011.01.12-2020.05.22	6,100,000	(37,220)	Revaluation of held-for-trading financial liabilities	55,794
Capital Securities	Interest rate swap contracts	2015.11.18-2016.03.28	212,703	(2,014)	Revaluation of held-for-trading financial liabilities	2,014

For the Year Ended December 31, 2014						
Related Party	Derivative Instrument	Contract Period	Contract (Notional) Amount	Gains (Losses) on Valuation	Balance Sheet	
					Account	Balance
Fubon Bank (Hong Kong)	Interest rate swap contracts	2010.11.26-2020.03.19	\$ 1,792,061	\$ 9,353	Revaluation of held-for-trading financial assets	\$ 191,844
Fubon Life Insurance	Interest rate swap contracts	2007.09.27-2018.06.24	2,750,000	40,140	Revaluation of held-for-trading financial liabilities	570,676
Fubon Securities Investment Trust	Currency swap contracts	2014.12.11-2015.01.22	437,800	6,248	Revaluation of held-for-trading financial assets	6,248
Fubon Securities Investment Trust	Currency swap contracts	2014.12.29-2015.03.31	329,679	(322)	Revaluation of held-for-trading financial liabilities	322
Capital Securities	Interest rate swap contracts	2010.12.23-2019.06.13	4,700,000	9,789	Revaluation of held-for-trading financial assets	11,346
Capital Securities	Interest rate swap contracts	2011.01.12-2019.04.10	8,140,000	(6,004)	Revaluation of held-for-trading financial liabilities	20,877
Capital Securities	Currency swap contracts	2014.10.30-2015.01.06	273,394	(12,068)	Revaluation of held-for-trading financial liabilities	12,068
SPD Bank	Forward contracts	2014.01.02-2015.02.05	467,096	691	Revaluation of held-for-trading financial assets	691
Fubon Securities	Currency swap contracts	2014.12.23-2015.01.12	126,862	597	Revaluation of held-for-trading financial assets	597

12) Lease

a) Guarantee deposits

Related Party	December 31	
	2015	2014
Fubon Securities	\$ 5,812	\$ 6,299
Fubon Life Insurance	1,481	-
Fubon Asset Management	1,139	1,139
Taiwan Mobile	897	444
Fubon Insurance	525	-
Others	<u>184</u>	<u>47</u>
	<u>\$ 10,038</u>	<u>\$ 7,929</u>

b) Rental revenue

Related Party	For the Year Ended December 31	
	2015	2014
Fubon Securities	\$ 36,342	\$ 38,051
Fubon Asset Management	7,212	7,211
Taiwan Mobile	4,131	2,773
Others	<u>2,256</u>	<u>2,702</u>
	<u>\$ 49,941</u>	<u>\$ 50,737</u>

c) Refundable deposits

Related Party	December 31	
	2015	2014
CHLDC	\$ 29,377	\$ 29,377
Fubon Insurance	19,576	21,350
TCG	4,243	2,378
Fubon Life Insurance	3,886	3,793
TYWCA	-	10,000
Others	<u>6,167</u>	<u>7,599</u>
	<u>\$ 63,249</u>	<u>\$ 74,497</u>

d) Rental expense

Related Party	For the Year Ended December 31	
	2015	2014
CHLDC	\$ 197,306	\$ 177,573
Fubon Insurance	117,293	130,573
TCG	36,533	25,892
Fubon Life Insurance	23,138	16,104
Others	<u>48,779</u>	<u>46,548</u>
	<u>\$ 423,049</u>	<u>\$ 396,690</u>

13) Insurance expense

The Bank entered into several insurance contracts with Fubon Insurance, as follows:

Insured Item/Insurance Type	Insurance Year	Insurance Amount	Insurance Premium
<u>For the year ended December 31, 2015</u>			
Cash on hand	2015.04.20-2016.04.20	\$ 200,000	\$ 778
Safe burglary insurance	2015.04.20-2016.04.20	150,600	1,358
Computer equipment	2015.11.01-2016.11.01	2,428,916	4,759
Commercial fire insurance	2015.03.01-2016.03.01	5,665,631	9,489
Public accident	2015.04.20-2016.04.20	468,000	600
Car insurance	2015.01.01-2015.12.31	-	36
Combined insurance for the Bank	2015.04.20-2016.04.20	122,500	8,550
Motorcycle insurance	2015.06.04-2016.06.04	-	123
Fidelity insurance	2015.01.01-2016.01.01	Note	6,010
<u>For the year ended December 31, 2014</u>			
Cash on hand	2014.04.20-2015.04.20	200,000	769
Safe burglary insurance	2014.04.20-2015.04.20	150,600	1,396
Computer equipment	2014.11.01-2015.11.01	2,765,793	5,211
Commercial fire insurance	2014.03.01-2015.03.01	5,358,582	9,141
Public accident	2014.04.20-2015.04.20	468,000	628
Car insurance	2013.12.31-2014.12.31	-	44
Combined insurance for the Bank	2014.04.20-2015.04.20	122,500	8,700
Motorcycle insurance	2014.06.04-2015.06.04	-	136
Fidelity insurance	2014.01.01-2014.06.01	Note	6,225

Note: The insurance coverage for each employee was \$1,000 thousand, \$3,000 thousand or \$5,000 thousand, depending on the nature of his/her job function.

14) 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 \$280,338 thousand and \$289,501 thousand for the years ended December 31, 2015 and 2014, respectively.

15) Donation

For social welfare purposes, 30% of the Lottery department's net income was contributed to a public welfare foundation in prior years when the public welfare lotteries were issued. For the years ended December 31, 2015 and 2014, the Bank donated \$427 thousand and \$6,980 thousand, respectively, to the Taipei Fubon Bank Charity Foundation.

16) Compensation of key management personnel

	For the Year Ended December 31	
	2015	2014
Short-term employee benefits	\$ 539,230	\$ 545,256
Post-employment benefits	5,419	4,561
Others	<u>3,351</u>	<u>1,109</u>
	<u>\$ 548,000</u>	<u>\$ 550,926</u>

17) Linked-tax system

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

	December 31	
	2015	2014
Linked-tax receivable (included in current tax assets)	\$ 358,012	\$ 358,012
Linked-tax payable (included in current tax liabilities)	1,315,093	1,337,384

18) Others

	December 31	
	2015	2014
Receivables - Fubon Life Insurance	\$ 479,294	\$ 317,488
Receivables - others	60,492	54,962
Payables - others	65,498	78,008
Principals of structured products - Fubon Life Insurance	2,750,000	2,750,000
Principals of structured products - other	33,671	49,391

	For the Year Ended December 31	
	2015	2014
Service fee income - Fubon Life Insurance	\$ 5,606,737	\$ 4,489,941
Service fee income - others	531,647	500,268
Other income - Taiwan Sports Lottery	-	24,144
Other income - others	53,934	41,216
Service fee expenses - others	111,574	86,618
Other expenses - Taiwan Sports Lottery	-	843,120
Operating expenses - others	352,213	368,873

19) Sale of loans

a) Nonperforming loans

Counterparty: Beijing Founder Fubon Asset Management

Date: June 30, 2014

Loan Components		Nonperforming Loans	Carrying Amount	Selling Price
Corporate loan	Secured	\$ 905,383	\$ 666,730	\$ 724,732

b) Normal loans

Counterparty: Beijing Founder Fubon Asset Management

Date: December 14, 2015

Loan Components		Normal Loans	Carrying Amount	Selling Price
Corporate loan	Unsecured	\$ 1,561,544	\$ 1,522,505	\$ 1,549,865

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

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

45. PLEDGED ASSETS

The following assets had been provided as refundable deposits:

	<u>December 31</u>	
	2015	2014
Certificates of deposit (included in due from the Central Bank and call loans to other banks)	\$ 22,000,000	\$ 12,000,000
Government bonds (included in financial assets at fair value through profit or loss)	153,180	322,255
Government bonds (included in available-for-sale financial assets)	158,989	477,331
Negotiable certificates of deposit of the Central Bank (included in held-to-maturity financial assets)	7,000,000	17,000,000
Government bonds (included in held-to-maturity financial assets)	5,791,746	4,333,586
Negotiable certificates of deposit (included in held-to-maturity financial assets)	-	63,436
Pledged other banks' deposits (included in other financial assets)	<u>2,765,885</u>	<u>2,295,765</u>
	<u>\$ 37,869,800</u>	<u>\$ 36,492,373</u>

Of the above negotiable certificates of deposit (NCD) and negotiable certificates of deposit of the Central Bank (CB), some certificates amounting to \$10,000,000 thousand as of December 31, 2015 and 2014 had been provided as collaterals for day-term overdraft to comply with the CB's clearing system requirement for real-time gross settlement (RTGS). The unused overdraft amount at the end of the day may be treated as liquidity reserve. As of December 31, 2015 and 2014, NCD and negotiable certificates of deposit of the CB amounting to \$10,000,000 thousand had been provided to the Central Bank as collaterals for the Bank's foreign-currency call loans.

In addition, NCD and negotiable certificates of deposit of the CB amounting to \$9,000,000 thousand as of December 31, 2015 and 2014 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, and (d) foreign governments for the Bank's potential obligations on its overseas operations.

46. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

- a. Except for those disclosed in other notes of the accompanying consolidated financial statements, as of December 31, 2015 and 2014, the Bank and its subsidiaries had commitments as follows:

	December 31	
	2015	2014
Amount of repurchase agreements	\$ 69,517,404	\$ 73,778,249
Amount of resell agreements	35,228,764	22,688,762
Collections for customers	52,571,501	50,917,992
Agency loans payable	59,697,335	81,981,392
Travelers' checks consigned-in	608,944	782,114
Marketable securities under custody	243,492,015	228,584,923
Trust assets	336,423,996	316,082,758
Management for book-entry government bonds	221,364,800	243,781,400

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

December 31, 2015	Less than 1 Year	1-5 Years	Over 5 Years	Total
Lease commitments				
Operating lease expense	\$ 479,748	\$ 1,284,103	\$ 140,356	\$ 1,904,207
Financial lease expense	1,346	3,342	-	4,688
Capital commitments	1,838,134	6,020	-	1,844,154

December 31, 2014	Less than 1 Year	1-5 Years	Over 5 Years	Total
Lease commitments				
Operating lease expense	\$ 285,326	\$ 497,009	\$ 38,337	\$ 820,672
Financial lease expense	915	2,744	-	3,659
Capital commitments	313,111	535,173	-	848,284

As of December 31, 2015 and 2014, the refundable deposits paid under operating leases were \$253,364 thousand and \$209,860 thousand, respectively.

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

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

- d. For a period from April 15, 2008 to December 31, 2013, the Bank was designated to run a sports lottery program and was required to cover any shortfall of the guaranteed 80% of earnings to be turned over to the Sports Administration. However, as a result of some unexpected factors such as the delay in setting up the operating channels, the shortfall amounts calculated by the Bank were lower than those calculated by the Sports Administration. Although the Bank disagreed with the higher calculations by the authorities, the Bank paid these amounts within the deadline. Nevertheless, to protect its interest, the Bank filed administrative appeals; related information is shown below.

(In Billions of New Taiwan Dollars)

Year	Amount Remitted on the Basis of Actual Revenue	Additional Amount Requested by the Authorities	Amount Paid by the Bank	Additional Amount the Bank Needed to Pay	Notes
2008	\$ 0.680	\$ 0.390	\$ 0.390	\$ -	The Bank filed for administrative appeal, and the Taipei High Administrative Court (THAC) adjudicated the case in favor of the Bank. The Sports Affairs Council (the "Council") under the Executive Yuan (the Council was reorganized and became the Sport Administration under the Ministry of Education) appealed against THAC's decision, and the Supreme Administrative Court (SAC) rejected the original decision and remanded the case to THAC. Later, THAC dismissed the Bank's appeal. The Bank then filed an appeal with the SAC, which dismissed the Bank's appeal. The Bank appealed THAC'S dismissal again. This case was still pending as of December 31, 2015.
2009	1.848	0.398	0.398	-	The Bank filed for administrative appeal and the Taipei High Administrative Court (THAC) adjudicated the case in favor of the Bank. The Sports Affairs Council of the Executive Yuan (the Council was reorganized and became the Sport Administration under the Ministry of Education) appealed against THAC's decision, and the SAC rejected the original decision and remanded the case to THAC. Later, THAC dismissed the Bank's appeal. The Bank then filed an appeal with the SAC, which dismissed the Bank's appeal. The Bank appealed THAC'S dismissal again. This case was still pending as of December 31, 2015.

(Continued)

Year	Amount Remitted on the Basis of Actual Revenue	Additional Amount Requested by the Authorities	Amount Paid by the Bank	Additional Amount the Bank Needed to Pay	Notes
2010	\$ 1.975	\$ 1.587	\$ 1.587	\$ -	The Bank filed for administrative appeal, but THAC dismissed the appeal. The Bank then filed an appeal with the SAC, which dismissed the Bank's appeal. The SAC ruled that the supplementary payments need not be adjusted.
2011	1.660	2.353	2.353	-	The Taipei High Administrative Court made a ruling favorable to the Bank during administrative proceedings. After an appeal by the Sports Administration of the Ministry of Education, the SAC abandoned its original ruling and dismissed the first-instance lawsuit. The Bank filed an appeal twice with the SAC, which dismissed the Bank's appeal. The SAC ruled that the supplementary payments need not be adjusted.
2012	1.965	2.685	2.685	-	The Bank filed for administrative appeal. This case was still pending as of December 31, 2015.
2013	2.794	2.176	2.176	-	The Bank filed for administrative appeal, but THAC dismissed the appeal. The Bank then filed an appeal with the SAC. This case was still pending as of December 31, 2015.

(Concluded)

The Bank had remitted more than NT\$10 billion in guaranteed earnings. The remitted amounts are used to promote sports events and subsidize the national pension plan and the national health insurance program, as well as social welfare activities. Those contributions also form part of national finance revenue as well as show the Bank's carrying out its corporate social responsibility.

47. TRUST BUSINESS UNDER THE TRUST LAW

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

Balance Sheets of Trust Accounts					
December 31, 2015 and 2014					
	2015	2014		2015	2014
Bank deposits	\$ 2,594,529	\$ 2,381,255	Payables	\$ 2,386	\$ 5,767
Short-term investments			Capital		
Mutual funds	163,699,743	174,657,480	Money	208,899,607	208,055,674
Bonds	30,968,203	21,289,567	Marketable securities	4,130,778	4,297,710
Stocks	13,930,518	13,609,321	Real estate	<u>38,010,069</u>	<u>35,573,179</u>
Borrowed stock - common stock	<u>401,650</u>	<u>106,479</u>		<u>251,040,454</u>	<u>247,926,563</u>
	<u>209,000,114</u>	<u>209,662,847</u>	Securities investment trust fund under custody	<u>90,700,235</u>	<u>72,483,288</u>
Securities investment trust fund under custody	<u>90,700,235</u>	<u>72,483,288</u>	Reserves and cumulative earnings		
Real estate			Cumulative earnings	(9,816,660)	(8,936,095)
Land	22,782,529	23,255,819	Net income	<u>4,497,581</u>	<u>4,603,235</u>
Buildings	24,678	46,950		<u>(5,319,079)</u>	<u>(4,332,860)</u>
Construction in progress	<u>11,321,911</u>	<u>8,252,599</u>			
	<u>34,129,118</u>	<u>31,555,368</u>			
Total trust assets	<u>\$ 336,423,996</u>	<u>\$ 316,082,758</u>	Total trust liabilities	<u>\$ 336,423,996</u>	<u>\$ 316,082,758</u>

Trust Income Statements **For the Years Ended December 31, 2015 and 2014**

	2015	2014
Trust income		
Interest income	\$ 8,834	\$ 6,381
Borrowed stock income	3,162	3,731
Others	49	105
Cash dividends	6,541,798	5,227,898
Realized capital income - common stock	249,001	158,879
Realized capital income - mutual funds	1,776,316	583,824
Gains from asset trading	3,589,930	4,420,345
Distribution from beneficial certificates	<u>4,635</u>	<u>1,644</u>
Total trust income	<u>12,173,725</u>	<u>10,402,807</u>
Trust expense		
Trust administrative expense	527,062	540,180
Supervision fee	279	240
Service fee	828	803
Income tax expense	882	633
Others	16,732	10,244
Service fees on loans	53	63
Realized capital loss - common stock	447,642	343,656
Realized capital loss - mutual funds	3,018	24
Losses from asset trading	<u>6,679,648</u>	<u>4,903,729</u>
Total trust expense	<u>7,676,144</u>	<u>5,799,572</u>
Net income	<u>\$ 4,497,581</u>	<u>\$ 4,603,235</u>

**Trust Property of Trust Accounts
December 31, 2015 and 2014**

Investment Portfolio	2015	2014
Bank deposits	\$ 2,594,529	\$ 2,381,255
Short-term investments		
Mutual funds	163,699,743	174,657,480
Bonds	30,968,203	21,289,567
Stocks	13,930,518	13,609,321
Borrowed stock - common stock	<u>401,650</u>	<u>106,479</u>
	<u>209,000,114</u>	<u>209,662,847</u>
Security investment trust fund under custody	<u>90,700,235</u>	<u>72,483,288</u>
Real estate		
Land	22,782,529	23,255,819
Buildings	24,678	46,950
Construction in progress	<u>11,321,911</u>	<u>8,252,599</u>
	<u>34,129,118</u>	<u>31,555,368</u>
	<u>\$ 336,423,996</u>	<u>\$ 316,082,758</u>

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

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

Please refer to Note 44 for the cross-selling revenues and expenses for the years ended December 31, 2015 and 2014.

49. FINANCIAL INSTRUMENTS

a. Fair value

1) Overview

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

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

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

a) Level 1

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

- i. All financial instruments traded in the market are homogeneous.
- ii. Willing buyers and sellers are found in the market all the time.
- iii. The public can access the price information easily.

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

b) Level 2

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

- i. Quoted prices of similar products in the active market. This means the fair value can be derived from the current trading prices of similar products. The determination of product similarity is based on the financial instrument characteristics and the trading rules. The fair price valuation is subject to adjustments due to differences in prices over time and between market participants and in trading rules;
- ii. Quoted prices of identical or similar financial instruments in inactive markets;
- iii. When marking-to-model, observable inputs other than quoted prices (such as interest rates and yield curves observable at commonly quoted intervals, and implied volatilities), i.e., the inputs can be observed in the market and can reflect the expectation of market participants;
- iv. Inputs derived from or corroborated by observable market data by correlation or other means.

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

c) Level 3

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

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

b. Specific financial instruments measured at fair value

1) Fair value hierarchy

The fair values of the Bank and its subsidiaries' financial instruments and properties are measured on a recurring basis. The fair value hierarchy of these financial instruments and investment properties as of December 31, 2015 and 2014 was as follows:

Item	December 31, 2015			
	Total	Level 1	Level 2	Level 3
<u>Measured on a recurring basis</u>				
Nonderivative financial instruments				
Assets				
Financial assets at fair value through profit or loss				
Held-for-trading financial assets				
Bond investments	\$ 34,514,815	\$ 16,345,587	\$ 18,157,127	\$ 12,101
Others	5,879,948	373,120	5,506,828	-
Financial assets designated as at fair value through profit or loss	10,703,874	8,233,324	313,898	2,156,652
Available-for-sale financial assets				
Stock investments	4,942,057	4,942,057	-	-
Bond investments	84,917,974	29,791,806	54,380,991	745,177
Others	36,074,680	978,119	34,593,031	503,530
Investment properties	2,746,700	-	-	2,746,700
Liabilities				
Financial liabilities at fair value through profit or loss	49,903	49,903	-	-
Derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss	79,545,781	269,594	52,441,553	26,834,634
Hedging derivative financial assets	467,130	-	467,130	-
Liabilities				
Financial liabilities at fair value through profit or loss	79,910,619	-	53,096,526	26,814,093
Hedging derivative financial liabilities	808,235	-	808,235	-
Item	December 31, 2014			
	Total	Level 1	Level 2	Level 3
<u>Measured on a recurring basis</u>				
Nonderivative financial instruments				
Assets				
Financial assets at fair value through profit or loss				
Held-for-trading financial assets				
Bond investments	\$ 28,579,230	\$ 7,173,071	\$ 21,393,166	\$ 12,993
Others	15,863,518	374,286	15,489,232	-
Financial assets designated as at fair value through profit or loss	10,786,329	8,222,456	-	2,563,873
Available-for-sale financial assets				
Stock investments	4,780,520	4,780,520	-	-
Bond investments	60,754,135	17,768,028	42,228,892	757,215
Others	27,963,048	986,875	26,976,173	-

(Continued)

Item	December 31, 2014			
	Total	Level 1	Level 2	Level 3
Derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss	\$ 62,151,440	\$ 208,096	\$ 50,322,172	\$ 11,621,172
Hedging derivative financial assets	204,310	-	204,310	-
Liabilities				
Financial liabilities at fair value through profit or loss	61,356,313	-	49,934,308	11,422,005
Hedging derivative financial liabilities	574,085	-	574,085	-
				(Concluded)

2) Fair value measurement technique

a) Financial instruments

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

i. Marking-to-market

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

- i) Ensure the consistency and integrity of market data.
- ii) The source of market data should be transparent, easy to access, and independent.
- iii) Listed securities with quoted prices should be valued at closing prices.
- iv) Fair values of unlisted securities with no closing prices are based on prices quoted by independent brokers.
- v) The guidelines provided by regulatory authorities should be followed.

ii. Marking-to-model

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

- i) Model inputs should be consistent and complete/
- ii) Valuation models should be made on the basis of proper assumptions. The Bank should also consider its internal control system, market risk management framework and mathematical expertise in making calculations. Moreover, model validation should be implemented by a quantitative trading team that is independent of the market risk-taking unit.
- iii) There should be standard procedures for model alteration and the operation of a backup system, and valuation results should be tested periodically using historical backup data.

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

b) Non-financial instruments

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

- i. Cash flows The Bank and its subsidiaries evaluate market rentals of comparable properties on the basis of current lease agreements, local rental prices and market similarity, and rule out the values that are too high or too low. In addition, properties with terminal values should add the present value of terminal value to their market rentals.
- ii. Analysis period: The income is measured by 10 years.
- iii. Discount rate: The discount rate is based on the interest rate for two-year time deposits as posted by Chunghwa Post Co., Ltd., plus 0.75% and asset-specific risk premiums 2.5%.

3) Fair value adjustment

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

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

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

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

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

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

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

4) Transfers between Level 1 and Level 2

For enhanced valuation of financial instruments, quoted prices from Bloomberg and BNG are used, and specifically for NTD bonds, quoted prices from the OTC securities exchange are used. In 2015, the Bank and its subsidiaries transferred some foreign-currency bonds from Level 2 to Level 1 when the valuation standards changed because of liquidity changes in markets.

In 2014, the valuation standards changed because of the liquidity change in markets; thus, some NTD bonds were transferred from Level 1 to Level 2, and some foreign-currency bonds were transferred from Level 2 to Level 1.

5) Reconciliation of Level 3 items of financial instruments

a) Reconciliation of Level 3 financial assets

For the Year Ended December 31, 2015

Name	Beginning Balance	Gains (Losses) on Valuation		Increase		Decrease		Ending Balance
		Profit and Loss	Other Comprehensive Income	Purchase/ Issue	Transfer to Level 3	Disposal/ Sale	Transfer Out of Level 3	
Financial assets at fair value through profit or loss								
Held-for-trading financial assets	\$ 11,634,165	\$ 19,389,963	\$ -	\$ 2,005,760	\$ 209,160	\$ 5,143,653	\$ 1,248,660	\$ 26,846,735
Financial assets designated as at fair value through profit or loss	2,563,873	71,301	-	-	301,758	158,590	621,690	2,156,652
Available-for-sale financial assets	757,215	(10,563)	(5,109)	503,530	658,387	-	654,753	1,248,707
Investment properties	2,349,150	113,092	-	-	284,458	-	-	2,746,700

Note: Transfers to Level 3 were due to lack of observable valuation inputs for certain held-for-trading financial assets, financial assets designated as at fair value through profit or loss and available-for-sale financial assets. Investment properties transferred to Level 3 were reclassified from property and equipment. Transfers out of Level 3 were due to valuation inputs becoming observable for certain held-for trading financial assets, financial assets designated as at fair value through profit or loss and available-for-sale financial assets.

For the Year Ended December 31, 2014

Name	Beginning Balance	Gains (Losses) on Valuation		Increase		Decrease		Ending Balance
		Profit and Loss	Other Comprehensive Income	Purchase/ Issue	Transfer to Level 3	Disposal/ Sale	Transfer Out of Level 3	
Financial assets at fair value through profit or loss								
Held-for-trading financial assets	\$ 4,207,188	\$ 9,884,037	\$ -	\$ 1,135,685	\$ 40,323	\$ 3,199,079	\$ 433,989	\$ 11,634,165
Financial assets designated as at fair value through profit or loss	2,595,538	211,769	-	1,520,297	983,043	1,057,418	1,689,356	2,563,873
Available-for-sale financial assets	330,262	21,712	(1,401)	740,310	667,417	-	1,001,085	757,215

Note: Transfers to Level 3 were due to lack of observable valuation inputs for certain held-for-trading financial assets, financial assets designated as at fair value through profit or loss and available-for-sale financial assets. Transfers out of Level 3 were due to valuation inputs becoming observable for certain held-for-trading financial assets, financial assets designated as at fair value through profit or loss and available-for-sale financial assets.

As of December 31, 2015 and 2014, valuation gains of \$18,148,899 thousand and \$7,597,378 thousand, respectively, were included in profit or loss, and valuation losses of \$2,079 thousand and \$8,040 thousand, respectively, were included in other comprehensive income.

b) Reconciliation of Level 3 financial liabilities

For the Year Ended December 31, 2015

Name	Beginning Balance	Valuation Gain/Loss Reflected on Profit or Loss	Increase		Decrease		Ending Balance
			Purchase/ Issue	Transfer to Level 3	Disposal	Transfer Out of Level 3	
Financial liabilities at fair value through profit or loss Held-for-trading financial liabilities	\$ 11,422,005	\$ 17,645,257	\$ 2,438,771	\$ -	\$ 4,690,669	\$ 1,271	\$ 26,814,093

Note: Transfers out of Level 3 were due to valuation inputs becoming observable for certain held-for-trading financial liabilities.

For the Year Ended December 31, 2014

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	\$ 3,753,486	\$ 7,614,347	\$ 2,379,215	\$ -	\$ 2,325,043	\$ -	\$ 11,422,005

As of December 31, 2015 and 2014, valuation losses of \$17,377,639 thousand and \$6,162,198 thousand, respectively, had been included in profit and loss for liabilities still held.

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

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

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

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

December 31, 2015

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: <u>Non-derivative items</u>						
Financial assets designated as at fair value through profit or loss	Credit-linked notes (CLN)	\$ 2,156,652	Complex option model	Default recovery rate	10%-90%	The increase in default recovery rate would result in a decrease in fair value.
Available-for-sale financial assets	Trust plan	503,530	Discounted cash flow method	Real interest rate	4.4%	The decrease in real interest rate would result in an increase in fair value.

(Continued)

Name	Products	Fair Value	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-average)	Relationships between Inputs and Fair Value
<u>Derivative financial assets</u>						
Financial assets at fair value through profit or loss	Foreign exchange option (FX Option)	\$ 139,073	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.
<u>Derivative financial liabilities</u>						
Financial assets at fair value through profit or loss	Foreign exchange op (FX Option)	(44,500)	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.
<u>Non-financial instruments</u>						
Investment property	Property	2,746,700	Note	Note	Note	Note

(Concluded)

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

7) Valuation processes for Level 3 fair value measurements

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

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

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

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

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

Name	December 31, 2015			
	Effect on Profit and Loss		Effect on Other Comprehensive Income	
	Favorable	Unfavorable	Favorable	Unfavorable
<u>Assets</u>				
Financial assets at fair value through profit or loss				
Held-for-trading financial assets	\$ 206	\$ (193)	\$ -	\$ -
Available-for-sale financial assets	-	-	325	(325)
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss				
Held-for-trading financial liabilities	49	(47)	-	-

Name	December 31, 2014			
	Effect on Profit and Loss		Effect on Other Comprehensive Income	
	Favorable	Unfavorable	Favorable	Unfavorable
<u>Assets</u>				
Financial assets at fair value through profit or loss				
Held-for-trading financial assets	\$ 112	\$ (90)	\$ -	\$ -
Financial assets designated as at fair value through profit or loss	5	(8)	-	-
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss				
Held-for-trading financial liabilities	152	(154)	-	-

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 values are not disclosed. Examples of these instruments are (a) financial assets such as cash and cash equivalents, due from the Central Bank and other banks, securities purchased under resell agreement, receivables, discounts and loans, and (b) financial liabilities such as deposits to the Central Bank and other banks, securities sold under repurchased agreement, payables, and deposits and remittances.

Items	December 31, 2015	
	Carrying Amount	Fair Value
<u>Financial assets</u>		
Held-to-maturity financial assets	\$ 288,730,656	\$ 290,884,355
Other financial assets - debt instruments with no active market	24,010,908	23,818,530
<u>Financial liabilities</u>		
Bank debentures	62,767,445	63,454,709

Items	December 31, 2014	
	Carrying Amount	Fair Value
<u>Financial assets</u>		
Held-to-maturity financial assets	\$ 246,647,407	\$ 248,324,261
<u>Financial liabilities</u>		
Bank debentures	74,717,970	75,257,830

2) Fair value hierarchy of financial instruments

Assets and Liabilities	December 31, 2015			
	Total	Level 1	Level 2	Level 3
<u>Financial assets</u>				
Held-to-maturity financial assets	\$ 290,884,355	\$ 38,536,677	\$ 238,216,462	\$ 14,131,216
Other financial assets - debt instruments with no active market	23,818,530	-	5,266,850	18,551,680
<u>Financial liabilities</u>				
Bank debentures	63,454,709	57,718,915	-	5,735,794

3) Measurement technique

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

- a) The carrying amounts of financial instruments such as cash and cash equivalents, due from the Central Bank and call loans to other banks, securities purchased under resell agreements, receivables, part of other financial assets, due to the Central Bank and other banks, funds borrowed from the Central Bank and other banks, securities sold under repurchase agreements, payables, and some funds obtained from the government intended for specific types of loans and remittances approximate their fair values because of the short maturities of these instruments.
- b) Discounts and loans, deposits, and principals of structured products are interest-earning financial assets/interest-bearing financial liabilities; thus, their carrying amounts approximate their fair values. The carrying amounts of nonperforming loans are estimated at their recoverable amounts after considering the reserve for credit losses; thus the carrying amounts are regarded as fair value.
- c) Held-to-maturity financial assets, debt instruments with no active market and bank debentures are based on their quoted prices in an active market. For those instruments with no quoted market prices, their fair values are determined using valuation techniques incorporating estimates and assumptions consistent with those generally used by other market participants to price financial instruments.
- d) Equity investments accounted for as financial assets carried at cost have no quoted prices in an active market and have a wide range of fair value measurements; hence, their carrying amounts are considered their fair value.

50. FINANCIAL RISK MANAGEMENT

a. Overview

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

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

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

b. Risk management framework

Taipei Fubon Bank

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

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

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

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

Fubon Bank (China)

FBC's comprehensive risk management is being led by its Board of directors and senior management and features an independent risk department that maintains a close connection with each business unit.

The Board, as the highest decision-making body, takes the ultimate responsibility for risk management and decides FBC's overall risk tolerance. The Risk & Related Party Transaction Committee, Supervisory Committee, Strategy Committee and Audit Committee under the Board monitor evaluate the effectiveness of risk management practices.

The senior management and its subcommittees are responsible for implementing risk policies authorized by the Board. They define individual risk management levels using a certain coding system, enhance the effectivity of risk management practices, optimize workflow, and take timely risk prevention measures. The Risk Management Department identifies, quantifies and monitors risk factors and reports FBC's overall risks to senior management and the Board. The Internal Audit Department independently evaluates the internal control codes for effectiveness, comprehensiveness, and accuracy.

c. Credit risk

1) Credit risk definitions and sources

Taipei Fubon Bank

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

Fubon Bank (China)

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

2) Strategy/objectives/policies and procedures

Taipei Fubon Bank

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

Fubon Bank (China)

The credit risk management of Fubon Bank (China) FBC is based on its comprehensive risk management system. Under this system is the Risk & Related Party Transaction Committee, which the Board 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's oversight, approves FBC'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. FBC 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 FBC's credit risk.

3) Credit risk management framework

Taipei Fubon Bank

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

- b) To enhance the independence of credit risk management, the Bank has established the Risk Management Division, which is responsible for measuring the Bank's risk exposures; monitoring risk limits; reporting; and coordinating the development of the mechanism for managing credit risk and validating risk models.
- c) In business lines, the Bank has business units that ensure compliance with control requirements while performing daily business operations.
- d) The Bank has established an Institutional Credit Review Committee and a Retail Credit Review Committee to review credit above a certain limit to strengthen control over cases involving large credit amounts.
- e) The audit department, which is under the supervision of the Board of Directors, conducts the third defense line of examining independently the effectiveness of internal control functions.

Fubon Bank (China)

The bank's current credit risk management is based on its comprehensive risk management system. Divisions under the Risk Management including Department including Risk Control Division, Credit Policy & Planning Division, Post-Disbursement Risk Management Division and Credit Approval & Administration Division are to identify, quantify, monitor and control bank's credit risk.

4) Credit risk measurement, control and reporting

Taipei Fubon Bank

- a) The Taipei Fubon Bank (TFB) has established credit risk measurements and control procedures, including underwriting, risk rating, limit control, account maintenance, pre-settlement limit control and collection management systems, which enable TFB to manage and limit the country risk, single legal entity and group exposure risk, and industry concentration risk effectively. TFB has also established a vigorous review and early warning mechanism to ensure that there are proper actions taken for effective credit risk management.
- b) TFB 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 industry concentration and the concentration of single clients/group clients and its affiliated parties.

- b) Fubon Bank (China) makes a regular credit portfolio stress test for industry, products, regions, and customers based on the actual status of the credit portfolio. The stress test results, including changes in results due to differences in risk triggers, will be reported at the board meeting and serve as reference for risk management and decision-making.
- c) The credit management system of Fubon Bank (China) has modules for credit approval, loan ledger management, collateral information maintenance, customer grading management and - five-category asset classification for bank loans. The system can support credit risk management effectively.

5) Credit risk mitigation

Taipei Fubon Bank

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

6) Maximum exposure to credit risk

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

Taipei Fubon Bank

Off-Balance Sheet Item	Maximum Exposure Amount	
	December 31	
	2015	2014
Irrevocable credit commitments	\$ 98,224,407	\$ 117,641,148
Standby letters of credit	8,736,101	9,883,422
Financial guarantees	34,537,974	39,968,920
Total	\$ 141,498,482	\$ 167,493,490

Fubon Bank (China)

(In Thousands of RMB)

Off-Balance Sheet Item	Maximum Exposure Amount	
	December 31	
	2015	2014
Standby letters of credit	\$ 255,277	\$ 125,047
Financial guarantees	1,574,208	1,816,172
Total	\$ 1,829,485	\$ 1,941,219

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

Taipei Fubon Bank

December 31, 2015	Financial Instrument	Property	Guarantee	Others
<u>Category of asset</u>				
Loans	2.76%	50.11%	4.10%	3.08%
Guarantees receivable	4.86%	6.26%	0.70%	0.71%
Acceptances	11.49%	6.86%	0.10%	0.60%
Available-for-sale financial assets	-	-	27.77%	-
Held-to-maturity financial assets	-	-	1.61%	-
Other financial assets-debt instruments with no active market	-	-	14.91%	-

December 31, 2014	Financial Instrument	Property	Guarantee	Others
<u>Category of asset</u>				
Loans	2.86%	47.21%	5.30%	3.75%
Guarantees receivable	1.88%	4.53%	0.64%	0.99%
Acceptances	4.46%	12.79%	0.17%	0.40%
Available-for-sale financial assets	-	-	13.23%	-
Held-to-maturity financial assets	-	-	1.42%	-

Fubon Bank (China)

December 31, 2015	Financial Instrument	Property	Guarantee	Others
<u>Category of asset</u>				
Loans	12.85%	15.65%	-	2.03%
Guarantees receivable	73.70%	25.46%	0.67%	-
Acceptances	69.91%	5.02%	24.01%	-
Other financial assets-debt instruments with no active market	-	-	-	100.00%

December 31, 2014	Financial Instrument	Property	Guarantee
<u>Category of asset</u>			
Loans	8.82%	27.42%	2.39%
Guarantees receivable	73.66%	19.33%	5.17%
Acceptances	70.09%	8.57%	19.04%

7) Concentrations of credit risk exposure

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

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

Taipei Fubon Bank

a) By industry

By Industry	December 31			
	2015		2014	
	Amount	%	Amount	%
Private enterprise	\$ 465,176,747	38.53	\$ 467,740,485	39.84
Public enterprise	77,318,833	6.40	83,226,683	7.09
Government organization	78,328,851	6.49	101,028,964	8.61
Non-profit organization	299,693	0.02	274,322	0.02
Private	532,752,122	44.12	484,304,550	41.26
Financial Institution	53,584,107	4.44	37,303,545	3.18
Total	\$ 1,207,460,353	100.00	\$ 1,173,878,549	100.00

b) By geographical area

Geographical Area	December 31			
	2015		2014	
	Amount	%	Amount	%
Domestic	\$ 1,111,184,351	92.03	\$ 1,084,396,763	92.38
North America	16,477,293	1.36	14,491,799	1.23
Asia	79,798,709	6.61	74,989,987	6.39
Total	\$ 1,207,460,353	100.00	\$ 1,173,878,549	100.00

c) By collateral

By Collateral	December 31			
	2015		2014	
	Amount	%	Amount	%
Unsecured	\$ 499,772,748	41.39	\$ 501,270,876	42.70
Secured	707,687,605	58.61	672,607,673	57.30
Financial instruments	34,300,121	2.84	33,233,874	2.83
Properties	588,821,028	48.76	536,337,956	45.69
Guarantees	48,255,605	4.00	60,212,680	5.13
Others	36,310,851	3.01	42,823,163	3.65
Total	\$ 1,207,460,353	100.00	\$ 1,173,878,549	100.00

Fubon Bank (China)

a) By industry

(In Thousands of RMB)

By Industry	December 31			
	2015		2014	
	Amount	%	Amount	%
Finance and insurance	\$ 9,452,347	23.47	\$ 6,693,043	17.68
Construction	5,650,459	14.03	1,686,340	4.46
Real estate	4,209,337	10.45	5,009,825	13.23
Water conservation and environment	3,972,791	9.87	7,297	0.02
Manufacturing	3,033,561	7.53	5,134,102	13.56
Wholesale and retail	2,662,429	6.61	5,604,108	14.80
Leasing and commerce	2,187,239	5.43	1,872,826	4.95
Transportation	482,033	1.20	431,934	1.14
Information and computers	456,926	1.13	239,217	0.63
Personal loans	419,793	1.04	563,262	1.49
Electricity, gas and water	144,181	0.36	261,000	0.69
Hotel and catering	137,303	0.34	285,604	0.76
Research and development and technical services	114,400	0.29	143,388	0.38
Culture, sports and entertainment	87,600	0.22	83,409	0.22
Agriculture, livestock and fishery	40,000	0.10	34,007	0.09
Health care and welfare	33,293	0.08	38,293	0.10
Others	7,185,992	17.85	9,768,325	25.80
Total (Note)	\$ 40,269,684	100.00	\$ 37,855,980	100.00

Note: Included only discounts and loans.

b) By geographical area

(In Thousands of RMB)

By Industry	December 31			
	2015		2014	
	Amount	%	Amount	%
East China	\$ 17,378,703	43.15	\$ 26,445,255	69.86
North China	10,637,521	26.42	5,673,425	14.99
Southwest region	5,897,708	14.65	704,189	1.86
South China	2,388,022	5.93	2,491,329	6.58
Other regions	3,547,937	8.81	1,978,520	5.22
Personal loans	419,793	1.04	563,262	1.49
Total (Note)	\$ 40,269,684	100.00	\$ 37,855,980	100.00

Note: Included only discounts and loans.

c) By collateral

(In Thousands of RMB)

By Industry	December 31			
	2015		2014	
	Amount	%	Amount	%
Clean loans	\$ 27,973,346	69.47	\$ 23,233,468	61.37
Guarantee loans	819,117	2.03	903,851	2.39
Collateral loans	11,477,221	28.50	13,718,661	36.24
Mortgage loans	6,301,595	15.65	10,379,181	27.42
Pledge loans	5,175,626	12.85	3,339,480	8.82
Total (Note)	\$ 40,269,684	100.00	\$ 37,855,980	100.00

Note: Included only discounts and loans.

8) Credit quality and impairment assessment

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

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

The credit quality classifications are defined as follows:

Taipei Fubon Bank

- a) Good: Exposures demonstrate a good capacity to meet financial commitments, with low default risk and/or low levels of expected loss.
- b) Moderate: Exposures require closer monitoring and demonstrate an average to fair capacity to meet financial commitments, with moderate default risk.

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

Fubon Bank (China)

- a) Standard (pass): Borrower can meet the loan contract terms. There is no reason to doubt the borrower's repayment capacity.
- b) Special-mention: Some negative factors may affect the completion of a borrower's repayment even though the borrower has the capacity to make regular repayments until now.

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

Taipei Fubon Bank

- a) Credit analysis of receivables and discounts and loans

December 31, 2015	Neither Past Due Nor Impaired				Overdue But Not Impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Loss Recognized (D)		Net Total (A)+(B)+(C)-(D)
	Good	Moderate	Substandard	Subtotal (A)				With Objective Evidence of Impairment	With No Objective Evidence of Impairment	
Receivables	\$ 47,396,300	\$ 26,604,935	\$ 598,066	\$ 74,599,301	\$ 178,259	\$ 885,681	\$ 75,663,241	\$ 89,574	\$ 596,804	\$ 74,976,863
Credit card business	19,432,442	6,472,857	549,079	26,454,378	161,665	835,443	27,451,486	78,575	91,483	27,281,428
Accounts receivable and documents against acceptance - forfaiting	14,964,318	3,235,786	-	18,200,104	-	-	18,200,104	-	270,420	17,929,684
Accounts receivable - factoring	2,626,562	13,915,946	-	16,542,508	-	-	16,542,508	-	201,865	16,340,643
Acceptances	437,586	2,080,828	-	2,518,414	-	-	2,518,414	-	26,339	2,492,075
Others	9,935,392	899,518	48,987	10,883,897	16,594	50,238	10,950,729	10,999	6,697	10,933,033
Bills purchased	289	1,428	-	1,717	-	-	1,717	-	17	1,700
Nonperforming loans transferred from other than loans	-	-	-	-	-	489,010	489,010	412,904	15,333	60,773
Discounts and loans	556,417,354	573,414,765	29,313,023	1,159,145,142	2,847,369	8,409,541	1,170,402,052	1,351,062	13,300,000	1,155,750,990
Personal finance	413,181,710	40,076,781	25,301,943	478,560,434	2,144,259	1,848,548	482,553,241	81,545	6,458,214	476,013,482
Corporate banking	143,235,644	533,337,984	4,011,080	680,584,708	703,110	6,560,993	687,848,811	1,269,517	6,841,786	679,737,508

Note: The total loan is the original amount without the adjustments of premium or discounts \$651,766 thousand.

December 31, 2014	Neither Past Due Nor Impaired				Overdue But Not Impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Loss Recognized (D)		Net Total (A)+(B)+(C)-(D)
	Good	Moderate	Substandard	Subtotal (A)				With Objective Evidence of Impairment	With No Objective Evidence of Impairment	
Receivables	\$ 76,379,507	\$ 22,153,688	\$ 499,765	\$ 99,032,960	\$ 183,693	\$ 1,034,045	\$ 100,250,698	\$ 116,393	\$ 755,495	\$ 99,378,810
Credit card business	18,865,694	5,330,491	452,864	24,649,049	167,103	998,491	25,814,643	103,637	98,618	25,612,388
Accounts receivable and documents against acceptance - forfaiting	44,887,860	5,811,271	-	50,699,131	-	-	50,699,131	-	506,991	50,192,140
Accounts receivable - factoring	4,728,706	7,890,698	348	12,619,752	-	2,810	12,622,562	2,810	126,360	12,493,392
Acceptances	-	2,231,773	-	2,231,773	-	-	2,231,773	-	22,318	2,209,455
Others	7,897,247	889,455	46,553	8,833,255	16,590	32,744	8,882,589	9,946	1,208	8,871,435
Bills purchased	-	5,642	-	5,642	-	-	5,642	-	56	5,586
Nonperforming loans transferred from other than loans	-	-	-	-	-	52,803	52,803	47,303	-	5,500
Discounts and loans	578,676,349	509,604,461	22,898,923	1,111,179,733	2,904,536	17,593,587	1,131,677,856	3,736,671	11,746,349	1,116,194,836
Personal finance	385,318,068	26,634,563	18,751,058	430,703,689	2,548,167	1,930,107	435,181,963	89,641	5,806,832	429,285,490
Corporate banking	193,358,281	482,969,898	4,147,865	680,476,044	356,369	15,663,480	696,495,893	3,647,030	5,939,517	686,909,346

Note: The total loan is the original amount without the adjustments of premium or discounts \$643,180 thousand.

Fubon Bank (China)

(In Thousands of RMB)

December 31, 2015	Neither Past Due Nor Impaired			Overdue But Not Impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Loss Recognized (D)		Net Total (A)+(B)+(C)-(D)
	Moderate	Special-mention	Subtotal (A)				With Objective Evidence of Impairment	With No Objective Evidence of Impairment	
Accounts receivable	\$ 1,207,503	\$ -	\$ 1,207,503	\$ -	\$ 660	\$ 1,208,163	\$ 330	\$ 92	\$ 1,207,741
Acceptances	810,024	-	810,024	-	-	810,024	-	-	810,024
Account receivable-forfaiting	4,208	-	4,208	-	-	4,208	-	92	4,116
Others	393,271	-	393,271	-	660	393,931	330	-	393,601
Continuing involvement in transferred assets	50,863	-	50,863	-	-	50,863	-	1,129	49,734
Discount and loans	39,233,945	274,745	39,508,690	396,141	364,853	40,269,684	198,554	654,028	39,417,102
Personal finance	406,164	4,730	410,894	8,899	-	419,793	-	8,774	411,019
Corporate banking	38,827,781	270,015	39,097,796	387,242	364,853	39,849,891	198,554	645,254	39,006,083

Note: The total loan is the original amount without the adjustments of premium or discounts RMB8,589 thousand.

(In Thousands of RMB)

December 31, 2014	Neither Past Due Nor Impaired			Overdue But Not Impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Loss Recognized (D)		Net Total (A)+(B)+(C)-(D)
	Moderate	Special-mention	Subtotal (A)				With Objective Evidence of Impairment	With No Objective Evidence of Impairment	
Accounts receivable	\$ 665,153	\$ -	\$ 665,153	\$ -	\$ 1,393	\$ 666,546	\$ 348	\$ -	\$ 666,198
Acceptances	273,835	-	273,835	-	-	273,835	-	-	273,835
Others	391,318	-	391,318	-	1,393	392,711	348	-	392,363
Continuing involvement in transferred assets	50,863	-	50,863	-	-	50,863	-	509	50,354
Discount and loans	36,678,156	423,500	37,101,656	479,697	274,627	37,855,980	96,721	682,000	37,077,259
Personal finance	557,314	5,948	563,262	-	-	563,262	-	12,354	550,908
Corporate banking	36,120,842	417,552	36,538,394	479,697	274,627	37,292,718	96,721	669,646	36,526,351

Note: The total loan is the original amount without the adjustments of premium or discounts RMB28,529 thousand.

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

Taipei Fubon Bank

December 31, 2015	Neither Past Due Nor Impaired			
	Good	Moderate	Substandard	Total
Personal finance				
Mortgage	\$ 384,262,517	\$ 35,196,652	\$ 15,315,680	\$ 434,774,849
Cash card	-	-	483	483
Micro credit	-	4,013,700	9,984,246	13,997,946
Others	28,919,193	866,429	1,534	29,787,156
Corporate banking				
Secured	2,888,800	178,917,733	1,926,987	183,733,520
Unsecured	140,346,844	354,420,251	2,084,093	496,851,188
Total	\$ 556,417,354	\$ 573,414,765	\$ 29,313,023	\$ 1,159,145,142

December 31, 2014	Neither Past Due Nor Impaired			
	Good	Moderate	Substandard	Total
Personal finance				
Mortgage	\$ 356,764,196	\$ 21,122,563	\$ 9,958,675	\$ 387,845,434
Cash card	-	-	788	788
Micro credit	-	4,818,092	8,789,767	13,607,859
Others	28,553,872	693,908	1,828	29,249,608
Corporate banking				
Secured	8,305,085	178,767,132	2,194,451	189,266,668
Unsecured	185,053,196	304,202,766	1,953,414	491,209,376
Total	\$ 578,676,349	\$ 509,604,461	\$ 22,898,923	\$ 1,111,179,733

Fubon Bank (China)

(In Thousands of RMB)

December 31, 2015	Neither Past Due Nor Impaired		
	Moderate	Special-mention	Total
Consumer finance			
Mortgage	\$ 406,164	\$ 4,730	\$ 410,894
Corporate banking			
Secured	10,788,623	220,015	11,008,638
Unsecured	28,039,158	50,000	28,089,158
Total	\$ 39,233,945	\$ 274,745	\$ 39,508,690

(In Thousands of RMB)

December 31, 2014	Neither Past Due Nor Impaired		
	Moderate	Special-mention	Total
Consumer finance			
Mortgage	\$ 557,314	\$ 5,948	\$ 563,262
Corporate banking			
Secured	13,301,109	417,552	13,718,661
Unsecured	22,819,733	-	22,819,733
Total	\$ 36,678,156	\$ 423,500	\$ 37,101,656

c) Credit analysis of marketable securities

Taipei Fubon Bank

December 31, 2015	Neither Past Due Nor Impaired				Overdue But Non Impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Impairment Loss Recognized (D)	Net Total (A)+(B)+(C)-(D)
	Good	Moderate	Substandard	Subtotal (A)					
Available-for-sale financial assets									
Bond investments	\$ 40,955,954	\$ 10,481,762	\$ -	\$ 51,437,716	\$ -	\$ -	\$ 51,437,716	\$ -	\$ 51,437,716
Others	7,477,224	5,396,702	-	12,873,926	-	-	12,873,926	-	12,873,926
Held-to-maturity financial assets									
Bond investments	69,968,663	5,206,921	-	75,175,584	-	-	75,175,584	-	75,175,584
Others	176,233,892	661,309	-	176,895,201	-	-	176,895,201	-	176,895,201
Other financial assets									
Investment in bond	9,937,948	1,482,325	-	11,420,273	-	-	11,420,273	-	11,420,273

Note 1: Available-for-sale financial assets did not include equity investments and beneficial securities: Original cost of \$5,398,016 thousand, valuation amounting to \$857,754 thousand and cumulative impairment amounting to \$335,594 thousand.

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

December 31, 2014	Neither Past Due Nor Impaired				Overdue But Non Impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Impairment Loss Recognized (D)	Net Total (A)+(B)+(C)-(D)
	Good	Moderate	Substandard	Subtotal (A)					
Available-for-sale financial assets									
Bond investments	\$ 26,244,348	\$ 9,730,080	\$ -	\$ 35,974,428	\$ -	\$ -	\$ 35,974,428	\$ -	\$ 35,974,428
Others	14,459,546	7,292,994	-	21,752,540	-	-	21,752,540	-	21,752,540
Held-to-maturity financial assets									
Bond investments	24,097,459	6,478,761	-	30,576,220	-	-	30,576,220	-	30,576,220
Others	182,791,074	3,408,435	-	186,199,509	-	-	186,199,509	-	186,199,509

Note 1: Available-for-sale financial assets did not include equity investments and beneficial securities: Original cost of \$5,398,016 thousand, valuation amounting to \$704,973 thousand and cumulative impairment amounting to \$335,594 thousand.

Note 2: Other financial assets did not include equity investments in financial assets carried at cost: Original cost of \$605,927 thousand and accumulated impairment amounted to \$39,621 thousand.

Fubon Bank (China)

(In Thousands of RMB)

December 31, 2015	Neither Past Due Nor Impaired			Overdue But Non Impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Impairment Loss Recognized (D)	Net Total (A)+(B)+(C)-(D)
	Moderate	Special-mention	Subtotal (A)					
Available-for-sale financial assets								
Bond investments	\$ 6,649,109	\$ -	\$ 6,649,109	\$ -	\$ -	\$ 6,649,109	\$ -	\$ 6,649,109
Others	4,413,369	-	4,413,369	-	-	4,413,369	-	4,413,369
Held-to-maturity financial assets								
Bond investments	6,077,974	-	6,077,974	-	-	6,077,974	-	6,077,974
Others	1,202,600	-	1,202,600	-	-	1,202,600	-	1,202,600
Other financial assets								
Others	2,500,474	-	2,500,474	-	-	2,500,474	-	2,500,474

(In Thousands of RMB)

December 31, 2014	Neither Past Due Nor Impaired			Overdue But Non Impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Impairment Loss Recognized (D)	Net Total (A)+(B)+(C)-(D)
	Moderate	Special-mention	Subtotal (A)					
Available-for-sale financial assets								
Bond investments	\$ 4,857,147	\$ -	\$ 4,857,147	\$ -	\$ -	\$ 4,857,147	\$ -	\$ 4,857,147
Others	1,023,901	-	1,023,901	-	-	1,023,901	-	1,023,901
Held-to-maturity financial assets								
Investment in bonds	5,855,240	-	5,855,240	-	-	5,855,240	-	5,855,240

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

Taipei Fubon Bank

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

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

	December 31, 2015			
	Overdue Less Than One Month	Overdue One to Three Months	Overdue Over Three to Six Months	Total
Accounts receivable				
Credit card	\$ 105,209	\$ 56,456	\$ -	\$ 161,665
Others	12,839	3,755	-	16,594
Discounts and loans				
Personal finance	2,010,612	133,647	-	2,144,259
Corporate banking	696,211	6,899	-	703,110

	December 31, 2014			
	Overdue Less Than One Month	Overdue One to Three Months	Overdue Over Three to Six Months	Total
Accounts receivable				
Credit card	\$ 117,349	\$ 49,754	\$ -	\$ 167,103
Others	13,398	3,192	-	16,590
Discounts and loans				
Personal finance	2,405,389	142,778	-	2,548,167
Corporate banking	356,369	-	-	356,369

Fubon Bank (China)

(In Thousands of RMB)

	December 31, 2015				
	Overdue Less Than One Month	Overdue One to Three Months	Overdue Over Three to Six Months	Overdue Over Six Months	Total
Discounts and loans					
Personal finance	\$ 5,258	\$ 3,641	\$ -	\$ -	\$ 8,899
Corporate banking	-	108,918	36,040	242,284	387,242

(In Thousands of RMB)

	December 31, 2014				
	Overdue Less Than One Month	Overdue One to Three Months	Overdue Over Three to Six Months	Overdue Over Six Months	Total
Discounts and loans Corporate banking	\$ 223,160	\$ 70,700	\$ 31,914	\$ 153,923	\$ 479,697

10) Analysis of impairment of financial assets

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

The Bank and its subsidiaries have assessed whether loans and receivables have objective evidence of impairment. The assessment on December 31, 2015 and 2014 had the following results:

Discounts and loans

Type of Impairment Assessment		December 31			
		2015		2014	
		Discounts and Loans	Allowance for Credit Losses	Discounts and Loans	Allowance for Credit Losses
With objective evidence of impairment	Individually assessed for impairment	\$ 8,398,139	\$ 2,269,297	\$ 17,064,543	\$ 4,140,473
	Collectively assessed for impairment	1,848,548	81,545	1,930,107	89,641
With no objective evidence of impairment	Collectively assessed for impairment	1,362,925,304	16,593,225	1,305,813,059	15,225,709

Receivables

Type of Impairment Assessment		December 31			
		2015		2014	
		Receivables	Allowance for Credit Losses	Receivables	Allowance for Credit Losses
With objective evidence of impairment	Individually assessed for impairment	\$ 482,306	\$ 370,812	\$ 33,310	\$ 5,932
	Collectively assessed for impairment	895,709	133,328	1,060,648	159,542
With no objective evidence of impairment	Collectively assessed for impairment	81,083,147	618,302	102,739,862	758,145

Note 1: The receivables are those originated by the Bank and its subsidiaries, and not net of the allowance for credit losses and adjustments for discount (premium).

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

d. Liquidity risk

1) Source and definition of liquidity risk

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

2) Liquidity risk management strategy and principles

Taipei Fubon Bank

- a) Taipei Fubon Bank's (TFB) 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. TFB adjusts its funding strategy depending on market fund change and the Central Bank's policies to increase fund use and lower liquidity risk. Thus, TFB 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 type of deposits to manage funding liquidity.
- c) Funding liquidity management indicators, analyses, and explanations are reported within the Asset/Liability and Risk Management Committee for discussion and reported to Board of Directors (Managing Directors) for reference.

Fubon Bank (China)

- a) The liquidity risk management strategy of Fubon Bank (China) (FBC) 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) FBC 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 FBC's organization structure is suitable for managing liquidity exposure. The Board of Directors takes the ultimate responsibility for the FBC's liquidity risk, and it has authorized the Risk & Related Party Transaction Committee to carry out liquidity risk-related supervisory duties. The senior management, which is in charge of implementing liquidity management policies and procedures, has authorized the Asset & Liability Management Committee (ALCO) to perform related management duties daily. Liquidity risk assessment reports are prepared by ALCO for submission to the Risk & Related Party Transaction Committee and Board of Directors quarterly.
- c) FBC's liquidity risk management involves the full participation of staff in the dynamic prevention, scientific quantification and prudent management of risk to ensure FBC 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 monitors the ratios of short-term negative funding gap to total assets denominated in major currencies.

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

a) Maturity analysis of financial assets and liabilities - NTD

Taipei Fubon Bank

December 31, 2015	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	\$ 32,452,984	\$ 6,054,805	\$ 4,951,260	\$ 12,248,611	\$ 54,280,902	\$ 109,988,562
Investments in marketable securities (Note 2)	181,590,370	11,327,714	13,770,499	28,944,340	74,155,859	309,788,782
Securities purchased under resell agreements	20,980,834	-	-	-	-	20,980,834
Loans (including overdue loans)	101,523,310	76,390,651	72,427,322	101,353,327	568,161,559	919,856,169
Deliverable derivative assets	242,436,648	209,784,174	138,524,944	98,695,743	23,999,023	713,440,532
Non-deliverable derivative assets	10,387,642	-	-	10,505	421,146	10,819,293
Other capital inflow on maturity	8,722,106	3,504,775	4,279,168	8,138,458	59,163,811	83,808,318
Subtotal	598,093,894	307,062,119	233,953,193	249,390,984	780,182,300	2,168,682,490
Liabilities						
Due to the Central Bank and other banks	4,642,242	114,846	1,536,536	37,317	94,000	6,424,941
Deposits and remittances	113,529,523	113,926,240	92,587,976	190,354,742	576,379,330	1,086,777,811
Securities sold under repurchase agreements	7,270,134	7,663,754	496,585	10,826	-	15,441,299
Payables	474,460	359,413	524,406	552,775	81,656	1,992,710
Bank debentures	-	-	-	4,060,505	52,971,146	57,031,651
Deliverable derivative liabilities	266,328,140	242,075,810	173,313,201	72,488,872	35,208,959	789,414,982
Non-deliverable derivative liabilities	10,266,054	-	-	-	-	10,266,054
Other capital outflow on maturity	7,046,228	3,544,374	2,814,454	1,239,160	16,055,466	30,699,682
Subtotal	409,556,781	367,684,437	271,273,158	268,744,197	680,790,557	1,998,049,130

December 31, 2014	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	\$ 28,558,920	\$ 3,086,461	\$ 3,242,664	\$ 9,280,662	\$ 26,576,257	\$ 70,744,964
Investments in marketable securities (Note 2)	193,956,131	14,095,922	11,707,445	21,939,364	37,909,506	279,608,368
Securities purchased under resell agreements	17,069,629	-	-	-	-	17,069,629
Loans (including overdue loans)	89,757,084	74,682,373	71,175,998	94,381,645	552,220,362	882,217,462
Deliverable derivative assets	141,845,429	161,492,228	117,469,239	101,321,983	15,437,411	537,566,290
Non-deliverable derivative assets	5,596,530	895	32,065	-	123,093	5,752,583
Other capital inflow on maturity	10,499,957	3,282,661	3,827,164	7,932,255	47,219,223	72,761,260
Subtotal	487,283,680	256,640,540	207,454,575	234,855,909	679,485,852	1,865,720,556
Liabilities						
Due to the Central Bank and other banks	20,410,910	545,946	1,609,143	49,858	90,000	22,705,857
Deposits and remittances	111,466,491	104,585,098	109,913,677	207,805,562	454,250,413	988,021,241
Securities sold under repurchase agreements	6,664,575	3,682,827	50,712	-	-	10,398,114
Payables	491,072	420,564	744,413	586,187	73,814	2,316,050
Bank debentures	-	4,700,894	13,332,065	-	56,705,011	74,737,970
Deliverable derivative liabilities	167,289,171	160,846,440	125,659,948	107,257,328	16,324,674	577,377,561
Non-deliverable derivative liabilities	5,707,734	-	-	-	38,082	5,745,816
Other capital outflow on maturity	10,509,396	3,669,461	3,011,215	3,557,970	13,589,106	34,337,148
Subtotal	322,539,349	278,451,230	254,321,173	319,256,905	541,071,100	1,715,639,757

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

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

b) Maturity analysis of financial assets and liabilities - USD

Taipei Fubon Bank

(In Thousands of U.S. Dollars)

December 31, 2015	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	\$ 895,707	\$ 161,500	\$ 96,430	\$ 112,000	\$ -	\$ 1,265,637
Investments in marketable securities (Note 2)	154,544	75,170	35,240	40,021	1,166,826	1,471,801
Loans (including overdue loans)	1,455,436	713,576	514,785	354,191	1,413,939	4,451,927
Deliverable derivative assets	11,838,540	10,142,058	7,053,210	3,596,677	1,133,791	33,764,276
Non-deliverable derivative assets	545,106	-	-	-	1,073	546,179
Other capital inflow on maturity	359,395	294,071	125,969	70,103	1,437,598	2,287,136
Subtotal	15,248,728	11,386,375	7,825,634	4,172,992	5,153,227	43,786,956
Liabilities						
Due to the Central Bank and other banks	1,020,706	647,000	-	-	-	1,667,706
Deposits and remittances	2,901,328	1,645,904	1,040,687	991,591	1,739,488	8,318,998
Securities sold under repurchase agreements	103,058	104,154	-	-	-	207,212
Payables	2,498	2,968	1,727	293	1	7,487
Bank debentures	-	-	-	-	173,466	173,466
Deliverable derivative liabilities	10,877,350	9,414,032	5,882,017	4,432,915	784,807	31,391,121
Non-deliverable derivative liabilities	558,206	42	122	901	22,623	581,894
Other capital outflow on maturity	209,323	122,162	31,228	56,821	742,541	1,162,075
Subtotal	15,672,469	11,936,262	6,955,781	5,482,521	3,462,926	43,509,959

(In Thousands of U.S. Dollars)

December 31, 2014	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	\$ 518,272	\$ 96,305	\$ 55,000	\$ -	\$ -	\$ 669,577
Investments in marketable securities (Note 2)	117,265	22,121	39,235	165,409	759,608	1,103,638
Loans (including overdue loans)	1,557,333	696,474	565,216	458,986	1,529,561	4,807,570
Deliverable derivative assets	8,140,802	7,441,909	5,180,359	4,559,422	598,007	25,920,499
Non-deliverable derivative assets	227,871	-	-	-	1,521	229,392
Other capital inflow on maturity	1,117,487	454,817	162,543	52,301	773,084	2,560,232
Subtotal	11,679,030	8,711,626	6,002,353	5,236,118	3,661,781	35,290,908
Liabilities						
Due to the Central Bank and other banks	618,500	361,000	20,000	-	-	999,500
Deposits and remittances	1,724,673	839,100	940,291	804,348	2,121,038	6,429,450
Securities sold under repurchase agreements	29,114	21,451	14,162	106,391	520,220	691,338
Payables	3,808	2,791	1,951	387	-	8,937
Deliverable derivative liabilities	7,540,269	7,670,572	5,205,538	5,143,831	725,729	26,285,939
Non-deliverable derivative liabilities	250,709	121	-	460	15,074	266,364
Other capital outflow on maturity	915,194	101,453	32,890	29,868	456,185	1,535,590
Subtotal	11,082,267	8,996,488	6,214,832	6,085,285	3,838,246	36,217,118

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

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

c) Maturity analysis of derivative assets and liabilities - RMB

Fubon Bank (China)

(In Thousands of RMB)

December 31, 2015	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	\$ 3,705,501	\$ 51,009	\$ 661,320	\$ -	\$ 5,937,258	\$ 10,355,088
Investments in marketable securities (Note)	1,046,054	1,158,721	5,916,362	12,600,947	-	20,722,084
Securities purchase under resell agreements	300,071	-	-	-	-	300,071
Loans (including overdue loans)	8,793,346	7,166,873	15,957,170	9,978,458	-	41,895,847
Deliverable derivative assets	4,242,938	2,959,468	13,157,552	-	-	20,359,958
Non-deliverable derivative assets	10,223,248	8,160,272	12,165,184	-	-	30,548,704
Other capital inflow on maturity	2,264,881	710,582	506,874	207,400	17,323	3,707,060
Subtotal	30,576,039	20,206,925	48,364,462	22,786,805	5,954,581	127,888,812
Liabilities						
Due to the Central Bank and other banks	3,139,192	1,887,396	2,029,212	-	-	7,055,800
Funds borrowed from the Central Bank and other banks	196,091	4,276	12,827	731,826	-	945,020
Deposits and remittances	22,435,774	8,318,238	18,530,472	2,880,163	-	52,164,647
Securities sold under repurchase agreements	8,363,549	399,115	-	-	-	8,762,664
Payables	355,458	196,357	454,883	546	-	1,007,244
Deliverable derivative liabilities	4,237,579	2,952,793	13,158,609	-	-	20,348,981
Non-deliverable derivative liabilities	10,214,056	8,144,966	12,166,616	-	-	30,525,638
Other capital outflow on maturity	22	45	51,063	664	10,020	61,814
Subtotal	48,941,721	21,903,186	46,403,682	3,613,199	10,020	120,871,808

(In Thousands of RMB)

December 31, 2014	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	\$ 2,260,981	\$ 173,555	\$ 425,550	\$ -	\$ 6,784,637	\$ 9,644,723
Investments in marketable securities (Note)	162,809	81,715	2,319,218	11,545,208	-	14,108,950
Securities purchase under resell agreements	1,100,233	-	-	-	-	1,100,233
Loans (including overdue loans)	9,274,446	10,475,725	10,423,500	8,530,368	-	38,704,039
Deliverable derivative assets	3,246,331	3,416,033	11,962,347	-	-	18,624,711
Non-deliverable derivative assets	564	120	1,703	239	-	2,626
Other capital inflow on maturity	118,649	125,671	29,515	50,862	20,228	344,925
Subtotal	16,164,013	14,272,819	25,161,833	20,126,677	6,804,865	82,530,207
Liabilities						
Due to the Central Bank and other banks	630,598	457,318	2,655,189	-	-	3,743,105
Funds borrowed from the Central Bank and other banks	-	-	293,509	1,521,096	-	1,814,605
Deposits and remittances	18,781,706	10,603,335	14,231,248	1,426,962	-	45,043,251
Securities sold under repurchase agreements	4,303,605	1,705,630	867,427	-	-	6,876,662
Payables	175,080	125,671	29,515	-	-	330,266
Deliverable derivative liabilities	3,278,645	3,418,654	11,949,181	-	-	18,646,480
Non-deliverable derivative liabilities	645	120	1,892	239	-	2,896
Other capital outflow on maturity	14	31	135	51,400	67,106	118,686
Subtotal	27,170,293	16,310,759	30,028,096	2,999,697	67,106	76,575,951

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

d) Maturity analysis of derivatives assets and liabilities - NTD

Taipei Fubon Bank

December 31, 2015	0-30 Days	31-90 Days	91-180 Days	181-365 Days	Over 1 Year	Total
Assets						
Deliverable derivative assets						
Forward contracts	\$ 3,846,918	\$ 260,842	\$ 263,495	\$ 214,644	\$ -	\$ 4,585,899
Currency exchange	224,183,605	199,073,347	126,815,318	69,925,806	-	619,998,076
Cross-currency swaps	14,406,125	10,449,985	11,446,131	28,555,293	23,999,023	88,856,557
Subtotal	242,436,648	209,784,174	138,524,944	98,695,743	23,999,023	713,440,532
Non-deliverable derivative assets						
Foreign exchange derivative instruments	4,765,602	-	-	-	-	4,765,602
Interest rate derivative instruments - hedging	-	-	-	10,505	421,146	431,651
Interest rate derivative instruments - non-hedging	4,858,456	-	-	-	-	4,858,456
Equity derivative instruments	763,584	-	-	-	-	763,584
Subtotal	10,387,642	-	-	10,505	421,146	10,819,293
Liabilities						
Deliverable derivative liabilities						
Forward contracts	879,126	1,050,176	37,860	-	-	1,967,162
Currency exchange	262,155,224	234,711,211	170,360,511	60,914,072	1,838,778	729,979,796
Cross-currency swaps	3,293,790	6,314,423	2,914,830	11,574,800	33,370,181	57,468,024
Subtotal	266,328,140	242,075,810	173,313,201	72,488,872	35,208,959	789,414,982
Non-deliverable derivative liabilities						
Foreign exchange derivative instruments	4,432,986	-	-	-	-	4,432,986
Interest rate derivative instruments - non-hedging	5,069,539	-	-	-	-	5,069,539
Equity derivative instruments	763,529	-	-	-	-	763,529
Subtotal	10,266,054	-	-	-	-	10,266,054

December 31, 2014	0-30 Days	31-90 Days	91-180 Days	181-365 Days	Over 1 Year	Total
Assets						
Deliverable derivative assets						
Forward contracts	\$ 450,904	\$ 820,936	\$ 138,226	\$ -	\$ -	\$ 1,410,066
Currency exchange	136,031,760	135,358,884	102,302,183	67,834,640	-	441,527,467
Cross-currency swaps	5,362,765	25,312,408	15,028,830	33,487,343	15,437,411	94,628,757
Subtotal	141,845,429	161,492,228	117,469,239	101,321,983	15,437,411	537,566,290
Non-deliverable derivative assets						
Foreign exchange derivative instruments	1,757,802	-	-	-	-	1,757,802
Interest rate derivative instruments - hedging	-	895	32,065	-	123,093	156,053
Interest rate derivative instruments - non-hedging	2,780,705	-	-	-	-	2,780,705
Equity derivative instruments	1,054,679	-	-	-	-	1,054,679
Product derivative instruments	3,344	-	-	-	-	3,344
Subtotal	5,596,530	895	32,065	-	123,093	5,752,583
Liabilities						
Deliverable derivative liabilities						
Forward contracts	2,757,758	544,003	3,665	-	-	3,305,426
Currency exchange	162,480,188	159,547,802	113,415,119	73,364,158	3,568,846	512,376,113
Cross-currency swaps	2,051,225	754,635	12,241,164	33,893,170	12,755,828	61,696,022
Subtotal	167,289,171	160,846,440	125,659,948	107,257,328	16,324,674	577,377,561
Non-deliverable derivative liabilities						
Foreign exchange derivative instruments	1,572,120	-	-	-	-	1,572,120
Interest rate derivative instruments - hedging	-	-	-	-	38,082	38,082
Interest rate derivative instruments - non-hedging	3,077,590	-	-	-	-	3,077,590
Equity derivative instruments	1,054,680	-	-	-	-	1,054,680
Product derivative instruments	3,344	-	-	-	-	3,344
Subtotal	5,707,734	-	-	-	38,082	5,745,816

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

e) Maturity analysis of derivative assets and liabilities - USD

Taipei Fubon Bank

(In Thousands of U.S. Dollars)

December 31, 2015	0-30 Days	31-90 Days	91-180 Days	181-365 Days	Over 1 Year	Total
Assets						
Deliverable derivative assets						
Forward contracts	\$ 390,877	\$ 475,454	\$ 175,848	\$ 110,172	\$ 2,000	\$ 1,154,351
Currency exchange	11,333,577	9,453,425	6,747,362	3,100,388	70,195	30,704,947
Cross-currency swaps	114,086	213,179	130,000	386,117	1,061,596	1,904,978
Subtotal	11,838,540	10,142,058	7,053,210	3,596,677	1,133,791	33,764,276
Non-deliverable derivative assets						
Foreign exchange derivative instruments	531,422	-	-	-	-	531,422
Interest rate derivative instruments - hedging	-	-	-	-	1,073	1,073
Interest rate derivative - non-hedging	13,079	-	-	-	-	13,079
Equity derivative instruments	426	-	-	-	-	426
Product derivative instruments	179	-	-	-	-	179
Subtotal	545,106	-	-	-	1,073	546,179
Liabilities						
Deliverable derivative liabilities						
Forward contracts	732,199	868,996	228,001	193,427	4,646	2,027,269
Currency exchange	9,683,503	8,190,965	5,248,038	3,323,269	-	26,445,775
Cross-currency swaps	461,648	354,071	405,978	916,219	780,161	2,918,077
Subtotal	10,877,350	9,414,032	5,882,017	4,432,915	784,807	31,391,121
Non-deliverable derivative liabilities						
Foreign exchange derivative instruments	547,040	-	-	-	-	547,040
Interest rate derivative instruments - hedging	35	42	122	901	22,623	23,723
Interest rate derivative - non-hedging	10,526	-	-	-	-	10,526
Equity derivative instruments	426	-	-	-	-	426
Product derivative instruments	179	-	-	-	-	179
Subtotal	558,206	42	122	901	22,623	581,894

(In Thousands of U.S. Dollars)

December 31, 2014	0-30 Days	31-90 Days	91-180 Days	181-365 Days	Over 1 Year	Total
Assets						
Deliverable derivative assets						
Forward contracts	\$ 275,796	\$ 333,921	\$ 132,913	\$ 242,694	\$ -	\$ 985,324
Currency exchange	7,795,006	7,042,988	4,870,446	3,151,554	177,828	23,037,822
Cross-currency swaps	70,000	65,000	177,000	1,165,174	420,179	1,897,353
Subtotal	8,140,802	7,441,909	5,180,359	4,559,422	598,007	25,920,499
Non-deliverable derivative assets						
Foreign exchange derivative instruments	210,092	-	-	-	-	210,092
Interest rate derivative instruments - hedging	-	-	-	-	1,521	1,521
Interest rate derivative - non-hedging	16,564	-	-	-	-	16,564
Equity derivative instruments	989	-	-	-	-	989
Product derivative instruments	226	-	-	-	-	226
Subtotal	227,871	-	-	-	1,521	229,392
Liabilities						
Deliverable derivative liabilities						
Forward contracts	581,389	596,984	123,811	181,155	55,583	1,538,922
Currency exchange	6,780,542	6,238,350	4,578,874	3,813,998	157,600	21,569,364
Cross-currency swaps	178,338	835,238	502,853	1,148,678	512,546	3,177,653
Subtotal	7,540,269	7,670,572	5,205,538	5,143,831	725,729	26,285,939
Non-deliverable derivative liabilities						
Foreign exchange derivative instruments	227,946	-	-	-	-	227,946
Interest rate derivative instruments - hedging	28	121	-	460	15,074	15,683
Interest rate derivative - non-hedging	21,520	-	-	-	-	21,520
Equity derivative instruments	989	-	-	-	-	989
Product derivative instruments	226	-	-	-	-	226
Subtotal	250,709	121	-	460	15,074	266,364

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

f) Maturity analysis of derivative assets and liabilities - RMB

Fubon Bank (China)

(In Thousands of RMB)

December 31, 2015	0-30 Days	31-90 Days	91-365 Days	Over 1 Year	Total
<u>Assets</u>					
Deliverable derivative assets					
Forward contracts	\$ 347,054	\$ 324,548	\$ 775,023	\$ -	\$ 1,446,625
Currency exchange	3,678,610	2,348,089	11,725,586	-	17,752,285
Options	217,274	285,943	639,257	-	1,142,474
Equity exchange	-	-	16,442	-	16,442
Cross-currency swap	-	888	1,244	-	2,132
Subtotal	4,242,938	2,959,468	13,157,552	-	20,359,958
Non-deliverable derivative assets					
Forward contracts	90,008	19,516	86,334	-	195,858
Currency exchange	10,133,240	8,140,527	12,078,850	-	30,352,617
Interest rate derivatives - non-hedging	-	229	-	-	229
Subtotal	10,223,248	8,160,272	12,165,184	-	30,548,704
<u>Liabilities</u>					
Deliverable derivative liabilities					
Forward contracts	345,196	323,010	768,145	-	1,436,351
Currency exchange	3,676,618	2,343,105	11,733,314	-	17,753,037
Options	215,765	285,790	639,464	-	1,141,019
Equity exchange	-	-	16,442	-	16,442
Cross-currency swap	-	888	1,244	-	2,132
Subtotal	4,237,579	2,952,793	13,158,609	-	20,348,981
Non-deliverable derivatives					
Forward contracts	89,618	19,375	85,646	-	194,639
Currency exchange	10,124,345	8,125,457	12,080,970	-	30,330,772
Interest rate derivatives - non-hedging	93	134	-	-	227
Subtotal	10,214,056	8,144,966	12,166,616	-	30,525,638

(In Thousands of RMB)

December 31, 2014	0-30 Days	31-90 Days	91-365 Days	Over 1 Year	Total
<u>Assets</u>					
Deliverable derivative assets					
Forward contracts	\$ 630,239	\$ 904,353	\$ 5,350,582	\$ -	\$ 6,885,174
Currency exchange	2,594,523	2,313,339	6,457,166	-	11,365,028
Options	21,569	198,341	154,599	-	374,509
Subtotal	3,246,331	3,416,033	11,962,347	-	18,624,711
Non-deliverable derivative assets					
Interest rate derivatives - non-hedging	564	120	1,703	239	2,626
Subtotal	564	120	1,703	239	2,626
<u>Liabilities</u>					
Deliverable derivative liabilities					
Forward contracts	629,734	904,889	5,343,962	-	6,878,585
Currency exchange	2,626,016	2,326,681	6,452,550	-	11,405,247
Options	22,895	187,084	152,669	-	362,648
Subtotal	3,278,645	3,418,654	11,949,181	-	18,646,480
Non-deliverable derivatives					
Interest rate derivatives - non-hedging	645	120	1,892	239	2,896
Subtotal	645	120	1,892	239	2,896

g) Maturity analysis of off-balance sheet items

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

Taipei Fubon Bank

December 31, 2015	0-30 Days	31-90 Days	91-180 Days	181-365 Days	Over 1 Year	Total
Irrevocable credit commitments	\$ 98,224,407	\$ -	\$ -	\$ -	\$ -	\$ 98,224,407
Standby letters of credit	8,736,101	-	-	-	-	8,736,101
Financial guarantees	9,469,039	307,263	97,981	3,451,342	21,212,349	34,537,974
Total	\$ 116,429,547	\$ 307,263	\$ 97,981	\$ 3,451,342	\$ 21,212,349	\$ 141,498,482

December 31, 2014	0-30 Days	31-90 Days	91-180 Days	181-365 Days	Over 1 Year	Total
Irrevocable credit commitments	\$ 117,641,148	\$ -	\$ -	\$ -	\$ -	\$ 117,641,148
Standby letters of credit	9,883,422	-	-	-	-	9,883,422
Financial guarantees	8,938,402	39,071	4,078,454	2,032,835	24,880,158	39,968,920
Total	\$ 136,462,972	\$ 39,071	\$ 4,078,454	\$ 2,032,835	\$ 24,880,158	\$ 167,493,490

Fubon Bank (China)

(In Thousands of RMB)

December 31, 2015	0-30 Days	31-90 Days	91-365 Days	Over 1 Year	Total
Standby letters of credit	\$ 106,153	\$ 86,261	\$ 62,863	\$ -	\$ 255,277
Financial guarantees	83,695	242,986	931,788	315,739	1,574,208
Total	\$ 189,848	\$ 329,247	\$ 994,651	\$ 315,739	\$ 1,829,485

(In Thousands of RMB)

December 31, 2014	0-30 Days	31-90 Days	91-365 Days	Over 1 Year	Total
Standby letters of credit	\$ 76,321	\$ 43,082	\$ 5,644	\$ -	\$ 125,047
Financial guarantees	29,240	161,114	1,579,785	46,033	1,816,172
Total	\$ 105,561	\$ 204,196	\$ 1,585,429	\$ 46,033	\$ 1,941,219

e. Market risk

1) Market risk definition and classifications

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

Trading book positions are as follows:

- a) Positions held for earning profits from changes in bid-ask spread or changes in prices and interest rates;
- b) Positions held for the brokerage business or proprietary trading;
- c) Positions held for full or partial offsetting of risk from other positions; and

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

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

2) Market risk strategy and procedures

Taipei Fubon Bank

Taipei Fubon Bank (TFB) has comprehensive policies on market risk management and has a systematic mechanism for deal execution, clearing and settlement. The trading book instruments, which are exposed to risk factors, are as follows: interest rate-related instruments, exchange rate-related instruments, securities and commodities. The risk management systems apply TFB'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 policies and procedures on market risk management and valuation of financial instruments 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, Taipei Fubon (TFB) Bank has established the Market Risk Management Committee, which is composed of senior management and chaired by TFB's President to monitor TFB's market risk control, risk acceptance and management strategies for the trading business, securities investments and transactions, and derivatives.

The Risk Management Department under the Chief Risk Officer is responsible for formulating policies on and procedures for market risk management, enforcing market risk limits, reporting market risk events timely and validating valuation models independently. The independent audit department under TFB's Board of Directors is an added support for the market risk management framework.

Fubon Bank (China)

The Board of Directors of Fubon Bank (China) (FBC), 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 is responsible for supervising the implementation of market risk management policies. Market risk assessment reports are submitted quarterly by the Market Risk Department to senior management, the Risk & Related Party Transaction Committee and Board of Directors.

The Risk management Department under the Risk Management Division, which is independent of the front trading desk and back settlement desk, is responsible for implementing market risk management policies authorized by FBC's Board and the 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 FBC's Board 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 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 Taipei Fubon Bank (TFB) has established a market risk management system and related market risk management procedures to be able to observe the VaR limit. In addition, TFB 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

Taipei Fubon Bank's (TFB) 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) VaR (Value at Risk)

VaR is a tool that measures "the worst expected loss over a given time horizon under normal market conditions at a given level of confidence". TFB has various risk models to evaluate the worst loss on current net positions within one day, with a 99% confidence level. Some of the methods for VaR calculation are the (a) historical simulation, which is used to calculate common VaR and stress VaR; and (b) Monte Carlo simulation, which also involves the GED (generalized error distribution) model, which strengthens the predictability of this model. This model has the advantage of backward-looking (i.e., based on experience) and forward-looking (i.e., based on a cognitive map of action-outcome linkages) assessment risk measurement and is able to cover most market risk scenarios.

To ensure the accuracy of VaR measures, TFB does statistical hypothesis testing and back testing periodically. In addition to carrying out Bernoulli trials, TFB does two statistical tests suggested by the Basel Committee on Banking Supervision after the 2007-2008 financial crisis: (a) the unconditional coverage test, which is used to check if a VaR calculation reasonably reflects actual conditions; and (b) the conditional coverage test, which is used to examine whether a VaR model can help the Bank forecast portfolio returns on the basis of certain information. Both tests help the Bank determine if its risk models are effective tools for forecasting and responding to different risk scenarios.

Trading book VaR information is shown below:

Common VaR	For the Year Ended December 31, 2015			
	Highest	Lowest	Mean	End of Year
Equity	\$ -	\$ -	\$ -	\$ -
Interest rate	36,368	31,279	34,397	36,368
Exchange rate	59,502	8,112	26,185	10,940
Volatility	7,113	2,907	5,255	7,113
Diversification effect	-	-	(32,956)	(13,711)
Common VaR of trading book			<u>\$ 32,881</u>	<u>\$ 40,710</u>

Common VaR	For the Year Ended December 31, 2014			
	Highest	Lowest	Mean	End of Year
Equity	\$ -	\$ -	\$ -	\$ -
Interest rate	33,448	17,595	23,618	17,595
Exchange rate	17,165	3,622	9,540	5,677
Volatility	31,909	3,023	10,050	12,784
Diversification effect	-	-	<u>(16,620)</u>	<u>(18,752)</u>
Common VaR of trading book			<u>\$ 26,588</u>	<u>\$ 17,304</u>

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

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

b) Stress testing

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

Fubon Bank (China)

To manage the trading book market risks, Fubon Bank (China) has set appropriate market risk measurements and relevant 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 sensitivity. In the trading book, the main currency business of Fubon Bank (China) is spot trade and currency futures and options trade. The main interest rate business is debt trade, currency swap and RMB interest swap trade. The market risk level is normal.

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

6) Measurement of banking book market risk

Taipei Fubon Bank

a) Interest rate risk

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

Banking book interest rate risk refers to possible loss due to unfavorable changes in interest rates for the banking book portfolio. One of the methods used to determine exposure to interest rate risks is earnings analysis, which focuses on the effects interest rate changes on the earnings of the banking book portfolio, especially earnings in the short term. Had the interest rate increased/decreased 1bps (basis points) as of December 31, 2015 and 2014 and all other factors been held constant, the earnings would have decreased/increased by \$19 million and \$20 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. For the operating funds of overseas branches, the Bank considers the ratio of exchange differences on translating foreign operations to the equity of the Bank's owners to be immaterial.

c) Equity risk

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

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

	December 31			
	2015		2014	
	Influence on Profit and Loss	Influence on Other Equity	Influence on Profit and Loss	Influence on Other Equity
Stock price increase by 10%	\$ 37,312	\$ 592,018	\$ 37,429	\$ 576,739
Stock price decrease by 10%	(37,312)	(592,018)	(37,429)	(576,739)

Fubon Bank (China)

a) Interest rate risk

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

(In Thousands of RMB)

	December 31			
	2015		2014	
	Impact on Profit and Loss	Impact on Other Equity	Impact on Profit and Loss	Impact on Other Equity
Interest rate increases 50 basis points	\$ (30,223)	\$ (21,389)	\$ (18,316)	\$ (11,589)
Interest rate decreases 50 basis points	30,223	21,469	18,316	11,773

b) Exchange rate risk

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

(In Thousands of RMB)

	December 31			
	2015		2014	
	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	\$ 11,839	\$ -	\$ (3,651)	\$ -
USD and HKD depreciate by 5% against the RMB	(11,839)	-	3,651	-

7) Foreign currency rate risk information

The table below shows the foreign currency risk information on the carrying values of all financial assets and liabilities denominated in foreign currency as of December 31, 2015 and 2014.

Taipei Fubon Bank

	December 31, 2015		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary item			
USD	\$ 10,398,541	33.0659	\$ 343,837,117
RMB	14,546,370	5.0353	73,245,337
JPY	143,571,842	0.2746	39,424,828
HKD	6,497,645	4.2664	27,721,553
AUD	346,516	24.2038	8,387,004
Nonmonetary item			
USD	762,754	33.0659	25,221,147
RMB	4,927,261	5.0353	24,810,237
JPY	3,218,109	0.2746	883,693
HKD	1,065,727	4.2664	4,546,818
AUD	609	24.2038	14,740
Investments measured by equity method			
RMB	4,453,781	5.0353	22,426,124
<u>Financial liabilities</u>			
Monetary item			
USD	13,338,716	33.0659	441,056,649
RMB	15,970,149	5.0353	80,414,491
JPY	54,576,855	0.2746	14,986,804
HKD	3,255,972	4.2664	13,891,279
AUD	835,190	24.2038	20,214,772
Nonmonetary item			
USD	785,974	33.0659	25,988,938
RMB	5,027,181	5.0353	25,313,364
JPY	4,164,892	0.2746	1,143,679
HKD	1,007,798	4.2664	4,299,669
AUD	1,066	24.2038	25,801

	December 31, 2014		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary item			
USD	\$ 10,039,756	31.7179	\$ 318,439,977
RMB	19,736,212	5.1017	100,688,233
JPY	49,646,550	0.2651	13,161,300
HKD	5,352,383	4.0905	21,893,923
AUD	322,514	26.0059	8,387,267
Nonmonetary item			
USD	392,680	31.7179	12,454,985
RMB	3,085,370	5.1017	15,740,632
JPY	14,976,706	0.2651	3,970,325
HKD	689,671	4.0905	2,821,099
AUD	457	26.0059	11,885
Investments measured by equity method			
RMB	4,314,225	5.1017	22,009,880
<u>Financial liabilities</u>			
Monetary item			
USD	11,132,601	31.7179	353,102,725
RMB	18,079,348	5.1017	92,235,410
JPY	22,267,302	0.2651	5,903,062
HKD	2,645,528	4.0905	10,821,532
AUD	941,059	26.0059	24,473,086
Nonmonetary item			
USD	444,318	31.7179	14,092,834
RMB	3,035,922	5.1017	15,488,363
JPY	14,750,275	0.2651	3,910,298
HKD	570,044	4.0905	2,331,765
AUD	1,638	26.0059	42,598
<u>Fubon Bank (China)</u>			

	December 31, 2015		
	Foreign Currencies	Exchange Rate	RMB
<u>Financial assets</u>			
Monetary item			
USD	\$ 649,893	6.4936	\$ 4,220,145
JPY	4,066,289	0.0539	219,173
EUR	2,058	7.0952	14,601
AUD	449	4.7276	2,123
Nonmonetary item			
USD	61,707	6.4936	400,701

(Continued)

	December 31, 2015		
	Foreign Currencies	Exchange Rate	RMB
<u>Financial liabilities</u>			
Monetary item			
USD	\$ 1,514,880	6.4936	\$ 9,837,025
JPY	2,410,100	0.0539	129,904
EUR	7,743	7.0952	54,938
AUD	4,407	4.7276	20,835
Nonmonetary item			
USD	805	6.4936	5,227 (Concluded)

	December 31, 2014		
	Foreign Currencies	Exchange Rate	RMB
<u>Financial assets</u>			
Monetary item			
USD	\$ 945,343	6.1190	\$ 5,784,554
JPY	1,393,244	0.0514	71,613
EUR	891	7.4556	6,643
AUD	620	5.0174	3,111
Nonmonetary item			
USD	2,399	6.1190	14,679

<u>Financial liabilities</u>			
Monetary item			
USD	1,476,117	6.1190	9,032,360
JPY	1,550,983	0.0514	79,721
EUR	8,911	7.4556	66,437
AUD	4,721	5.0174	23,687
Nonmonetary item			
USD	15,861	6.1190	97,053

f. Transfers of financial assets

1) Transfers of financial assets not qualifying for derecognition

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

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

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

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

Category of Financial Asset	December 31, 2015	
	Transferred Financial Assets - Book Value	Related Financial Liabilities - Book Value
<u>Transactions under repurchased agreements</u>		
Financial assets at fair value through profit and loss	\$ 853,514	\$ 847,827
Available-for-sale financial assets	28,803,584	27,835,179
Held-to-maturity financial assets	41,147,388	40,148,329
Debt instruments with no active market	580,406	576,563

2) Transfers of financial assets that qualify for derecognition

In 2014, Fubon Bank (China) (FBC) sold a buyer nonperforming loans of \$2,303,249 thousand, which had a carrying amount of \$2,029,649 thousand. The loan selling price was \$2,051,174 thousand, and FBC issued a commitment letter as guarantee of its continuing involvement in the transferred assets. Under this transaction, FBC neither transferred nor retained substantially all the risks and rewards of ownership of the financial assets. Thus, FBC continued to recognize the transferred asset to the extent of its continuing involvement and recognized the associated liabilities it could be required to repay (included in other financial liabilities).

The tables below show the potential financial implication of FBC's continuing involvement:

December 31, 2015

Type of Continuing Involvement	Cash Outflows to Repurchase Transferred (Derecognized) Financial Assets	Carrying Amount of Continuing Involvement in the Balance Sheet		Fair Value of Continuing Involvement		Maximum Exposure to Loss
		Other Financial Assets	Other Financial Liabilities	Assets	Liabilities	
Issued commitment letter	\$ -	\$ 250,424	\$ 256,108	\$ 256,108	\$ 256,108	\$ 250,424

Type of Continuing Involvement	Maturity of Continuing Involvement				
	Less Than 1 Month	1-3 Months	Over 3 Months - 1 Year	Over 1 Year-5 Years	More Than 5 Years
Issued commitment letter	\$ -	\$ -	\$ 256,108	\$ -	\$ -

g. Offsetting of financial assets and financial liabilities

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

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

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

December 31, 2015

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)	\$ 80,012,911	\$ -	\$ 80,012,911	\$ 45,958,124	\$ 846,496	\$ 33,208,291
Securities purchased under resell agreements	<u>22,491,424</u>	<u>-</u>	<u>22,491,424</u>	<u>22,491,424</u>	<u>-</u>	<u>-</u>
	<u>\$ 102,504,335</u>	<u>\$ -</u>	<u>\$ 102,504,335</u>	<u>\$ 68,449,548</u>	<u>\$ 846,496</u>	<u>\$ 33,208,291</u>

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		Net Amount
				Financial Instruments (Note 1)	Cash Collaterals Pledged	
Derivative instruments (Note 2)	\$ 80,718,854	\$ -	\$ 80,718,854	\$ 35,095,858	\$ 32,173,474	\$ 13,449,522
Securities sold under repurchased agreements	<u>69,407,898</u>	<u>-</u>	<u>69,407,898</u>	<u>69,104,733</u>	<u>296,594</u>	<u>6,571</u>
	<u>\$ 150,126,752</u>	<u>\$ -</u>	<u>\$ 150,126,752</u>	<u>\$ 104,200,591</u>	<u>\$ 32,470,068</u>	<u>\$ 13,456,093</u>

December 31, 2014

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)	\$ 62,355,750	\$ -	\$ 62,355,750	\$ 34,287,555	\$ 1,084,688	\$ 26,983,507
Securities purchased under resell agreements	<u>22,680,157</u>	<u>-</u>	<u>22,680,157</u>	<u>22,680,157</u>	<u>-</u>	<u>-</u>
	<u>\$ 85,035,907</u>	<u>\$ -</u>	<u>\$ 85,035,907</u>	<u>\$ 56,967,712</u>	<u>\$ 1,084,688</u>	<u>\$ 26,983,507</u>

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		Net Amount
				Financial Instruments (Note 1)	Cash Collaterals Pledged	
Derivative instruments (Note 2)	\$ 61,930,398	\$ -	\$ 61,930,398	\$ 28,186,473	\$ 16,969,236	\$ 16,774,689
Securities sold under repurchased agreements	<u>73,468,684</u>	<u>-</u>	<u>73,468,684</u>	<u>73,171,144</u>	<u>264,649</u>	<u>32,891</u>
	<u>\$135,399,082</u>	<u>\$ -</u>	<u>\$135,399,082</u>	<u>\$101,357,617</u>	<u>\$ 17,233,885</u>	<u>\$ 16,807,580</u>

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

Note 2: Including derivative financial assets for hedging.

51. CAPITAL MANAGEMENT

a. Overview

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

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

b. Capital management procedures

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

1) Net Tier 1 capital

- a) Net common equity Tier 1 capital: Common equity mainly includes common shares, capital surplus, retained earnings, other equity, and non-controlling interests, with the total net of the following items: Intangible assets, unrealized gains on available-for-sale financial assets, revaluation gains on investment properties subsequently measured using the fair value model, the revaluation surplus on real estate, and 25% of the amount of investments related to financial industry booked in banking book.
- b) Net additional Tier 1 capital: The capital issued by the Bank's subsidiaries but not held by the Bank minus 25% of the investment related to the financial industry is recorded in the banking book.

2) Net Tier 2 capital

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

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

c. Statement of capital adequacy

As of December 31, 2015, the Bank had met the authorities' minimum requirements for capital adequacy ratio. Refer to Note 54.

52. RECLASSIFICATIONS

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

	Before Reclassification	After Reclassification
Available-for-sale financial assets	\$ 12,052,604	\$ -
Held-to-maturity financial assets	<u>-</u>	<u>12,052,604</u>
	<u>\$ 12,052,604</u>	<u>\$ 12,052,604</u>

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

The carrying amounts and fair values of the reclassified financial assets (excluding those that had been derecognized) as of December 31, 2015 and 2014 were as follows:

	December 31	
	2015	2014
<u>Held-to-maturity financial assets</u>		
Carrying amounts	\$ 1,176,836	\$ 3,044,081
Fair value	1,189,341	3,104,158

The gains or losses recorded for the reclassified financial assets (excluding those that had been derecognized before December 31, 2015 and 2014) for the years ended December 31, 2015 and 2014 and the pro forma adjustments recognized in other equity assuming no reclassifications had been made were as follows:

	For the Year Ended December 31	
	2015	2014
<u>Held-to-maturity financial assets</u>		
Gains recognized	\$ 66,731	\$ 126,762
Pro forma adjustments recognized in other equity	57,599	149,808

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

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

a. Asset quality

See Table 1.

b. Concentration of credit extensions

December 31, 2015

Rank (Note 1)	Group Name (Note 2)	Credit Extensions Balance (Note 3)	% to Net Asset Value
1	Group A (LCD and its component manufacturing industry)	\$ 8,249,730	4.98
2	Group B (cement manufacturing industry)	7,951,706	4.80
3	Group C (iron and steel smelting industry)	7,499,625	4.53
4	Group D (ocean transport industry)	7,380,564	4.45
5	Group E (petrochemical raw material manufacturing industry)	6,657,956	4.02
6	Group F (computer peripheral devices manufacturing industry)	6,085,408	3.67
7	Group G (real estate industry)	5,836,400	3.52
8	Group H (real estate industry)	5,585,433	3.37
9	Group I (computer and its peripheral devices and software wholesale industry)	5,481,986	3.31
10	Group J (LCD and its component manufacturing industry)	5,376,420	3.24

December 31, 2014

Rank (Note 1)	Group Name (Note 2)	Credit Extensions Balance (Note 3)	% to Net Asset Value
1	Group A (LCD and its component manufacturing industry)	\$ 10,213,082	6.74
2	Group B (iron and steel smelting industry)	7,700,435	5.08
3	Group C (wire and cable manufacturing industry)	7,152,783	4.72
4	Group D (LCD and its component manufacturing industry)	6,961,317	4.59
5	Group E (ocean transport industry)	6,900,345	4.55
6	Group F (computer and its peripheral devices and software wholesale industry)	6,138,123	4.05
7	Group G (paper manufacturing industry)	6,126,690	4.04
8	Group H (real estate industry)	5,807,000	3.83
9	Group I (real estate industry)	5,574,881	3.68
10	Group J (real estate industry)	5,466,690	3.61

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

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

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

c. Interest rate sensitivity information

**Interest Rate Sensitivity (New Taiwan Dollars)
December 31, 2015**

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 1,087,667,171	\$ 72,478,927	\$ 58,956,469	\$ 114,446,954	\$ 1,333,549,521
Interest rate-sensitive liabilities	353,887,244	631,915,966	98,937,541	75,949,396	1,160,690,147
Interest rate sensitivity gap	733,779,927	(559,437,039)	(39,981,072)	38,497,558	172,859,374
Net worth					157,488,958
Ratio of interest rate-sensitive assets to liabilities					114.89%
Ratio of the interest rate sensitivity gap to net worth					109.76%

**Interest Rate Sensitivity (New Taiwan Dollars)
December 31, 2014**

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 1,067,965,449	\$ 62,382,960	\$ 36,426,646	\$ 56,281,829	\$ 1,223,056,884
Interest rate-sensitive liabilities	380,932,574	574,894,470	61,194,751	76,825,395	1,093,847,190
Interest rate sensitivity gap	687,032,875	(512,511,510)	(24,768,105)	(20,543,566)	129,209,694
Net worth					134,888,601
Ratio of interest rate-sensitive assets to liabilities					111.81%
Ratio of the interest rate sensitivity gap to net worth					95.79%

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

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

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

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

**Interest Rate Sensitivity (U.S. Dollars)
December 31, 2015**

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

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 8,100,308	\$ 856,485	\$ 704,649	\$ 1,374,440	\$ 11,035,882
Interest rate-sensitive liabilities	13,189,160	431,740	135,226	261,712	14,017,838
Interest rate sensitivity gap	(5,088,852)	424,745	569,423	1,112,728	(2,981,956)
Net worth					306,401
Ratio of interest rate-sensitive assets to liabilities					78.73%
Ratio of the interest rate sensitivity gap to net worth					(973.22%)

Interest Rate Sensitivity (U.S. Dollars)
December 31, 2014

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

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 7,446,319	\$ 665,635	\$ 599,421	\$ 735,295	\$ 9,446,670
Interest rate-sensitive liabilities	9,508,190	972,748	662,172	291,159	11,434,269
Interest rate sensitivity gap	(2,061,871)	(307,113)	(62,751)	444,136	(1,987,599)
Net worth					361,441
Ratio of interest rate-sensitive assets to liabilities					82.62%
Ratio of the interest rate sensitivity gap to net worth					(549.91%)

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

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

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

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

d. Profitability

(%)

Item	For the Year Ended December 31		
	2015	2014	
Return on total assets	Before income tax	0.94	1.15
	After income tax	0.81	0.97
Return on net worth	Before income tax	12.08	14.77
	After income tax	10.45	12.55
Profit margin		43.91	43.41

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

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

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

Note 4: Income before (after) income tax represents income for the Years ended December 31, 2015 and 2014.

e. Maturity analysis of assets and liabilities

Maturity Analysis of Assets and Liabilities (New Taiwan Dollars)
December 31, 2015

	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	\$ 2,168,682,490	\$ 224,731,773	\$ 373,362,121	\$ 307,062,119	\$ 233,953,193	\$ 249,390,984	\$ 780,182,300
Main capital outflow on maturity	2,550,915,152	127,284,551	309,146,635	421,433,246	351,896,372	429,990,625	911,163,723
Gap	(382,232,662)	97,447,222	64,215,486	(114,371,127)	(117,943,179)	(180,599,641)	(130,981,423)

Maturity Analysis of Assets and Liabilities (New Taiwan Dollars)
December 31, 2014

	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	\$ 1,865,720,556	\$ 244,635,051	\$ 242,648,629	\$ 256,640,540	\$ 207,454,575	\$ 234,855,909	\$ 679,485,852
Main capital outflow on maturity	2,362,643,255	137,634,905	213,015,992	334,674,325	338,655,816	487,926,191	850,736,026
Gap	(496,922,699)	107,000,146	29,632,637	(78,033,785)	(131,201,241)	(253,070,282)	(171,250,174)

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

Maturity Analysis of Assets and Liabilities (U.S. Dollars)
December 31, 2015

(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	\$ 72,038,791	\$ 23,444,086	\$ 19,161,163	\$ 13,336,373	\$ 9,586,971	\$ 6,510,198
Capital outflow on maturity	77,908,392	25,536,631	20,345,604	13,196,761	13,695,653	5,133,743
Gap	(5,869,601)	(2,092,545)	(1,184,441)	139,612	(4,108,682)	1,376,455

Maturity Analysis of Assets and Liabilities (U.S. Dollars)
December 31, 2014

(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	\$ 53,686,669	\$ 18,585,716	\$ 13,146,991	\$ 9,279,022	\$ 7,821,597	\$ 4,853,343
Capital outflow on maturity	64,123,272	18,936,113	14,629,132	10,447,317	14,001,540	6,109,170
Gap	(10,436,603)	(350,397)	(1,482,141)	(1,168,295)	(6,179,943)	(1,255,827)

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

54. STATEMENT OF CAPITAL ADEQUACY

Analysis		Year (Note 2)	December 31, 2015		December 31, 2014	
			Consolidated	Standalone	Consolidated	Standalone
Regulatory capital	Net common equity Tier 1 capital		\$ 159,868,371	\$ 148,788,458	\$ 144,538,017	\$ 135,308,510
	Net additional Tier 1 capital		1,766,529	-	1,478,458	-
	Net Tier 2 capital		43,697,504	28,133,879	49,532,587	34,783,322
	Regulatory capital		205,332,404	176,922,337	195,549,062	170,091,832
Risk-weighted assets	Credit risk	Standardized approach	1,447,199,721	1,206,195,805	1,383,486,204	1,180,943,649
		Internal rating - based approach	-	-	-	-
		Securitization	2,650,977	2,650,977	2,758,576	2,758,576
	Operational risk	Basic indicator approach	-	-	-	-
		Standardized approach/alternative standardized approach	74,155,575	63,356,475	68,888,938	58,729,925
		Advanced measurement approach	-	-	-	-
	Market risk	Standardized approach	46,671,338	44,327,663	55,348,675	54,607,725
		Internal models approach	-	-	-	-
Total risk-weighted assets		1,570,677,611	1,316,530,920	1,510,482,393	1,297,039,875	
Total capital adequacy ratio			13.07%	13.44%	12.95%	13.11%
Common equity Tier 1 ratio			10.18%	11.30%	9.57%	10.43%
Tier 1 capital ratio			10.29%	11.30%	9.67%	10.43%
Leverage ratio			6.13%	6.62%	4.82%	5.02%

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

Note 2: The formula:

- 1) Regulatory capital = Net common equity Tier 1 capital + Net additional Tier 1 capital + Net Tier 2 capital.
- 2) Total risk-weighted assets = Risk-weighted assets for credit risk + (Capital requirements for operational risk + Capital requirement for market risk) × 12.5.
- 3) Total capital adequacy ratio = Regulatory capital/Total risk-weighted assets.
- 4) Common equity Tier 1 ratio = Net common equity Tier 1 capital/Total risk-weighted assets.
- 5) Tier 1 capital ratio = (Net common equity Tier 1 capital + Net additional Tier 1 capital)/Total risk-weighted assets.
- 6) Leverage ratio = Net Tier 1 capital/Exposure measurement.

55. SEGMENT INFORMATION

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

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

- a. Personal finance group: Responsible for wealth management and trust business and consumer finance, etc.
- b. Corporate banking group: Responsible for corporate and investment banking, financial markets and public treasury, etc.
- c. Overseas subsidiary: On the business operations of the Bank’s subsidiary, Fubon Bank (China), the Bank and its subsidiary’s information on segment revenue and operating results is as follows:

1) Segment revenue and operating results

For the year ended December 31, 2015

	Personal Finance	Corporate Banking	Overseas Subsidiary	Others	Total
Net interest income	\$ 6,801,217	\$ 11,146,072	\$ 5,342,358	\$ 62,685	\$ 23,352,332
Net interest income (external)	3,588,576	14,011,587	5,645,533	106,636	23,352,332
Inter-segment revenues (expenses)	3,212,641	(2,865,515)	(303,175)	(43,951)	-
Net non-interest income	<u>10,490,986</u>	<u>8,133,115</u>	<u>628,827</u>	<u>(236,506)</u>	<u>19,016,422</u>
Net revenue	<u>\$ 17,292,203</u>	<u>\$ 19,279,187</u>	<u>\$ 5,971,185</u>	<u>\$ (173,821)</u>	<u>\$ 42,368,754</u>
Net profit (loss) before income tax	<u>\$ 7,313,236</u>	<u>\$ 14,359,863</u>	<u>\$ 2,499,968</u>	<u>\$ (2,670,919)</u>	<u>\$ 21,502,148</u>

For the year ended December 31, 2014

	Personal Finance	Corporate Banking	Overseas Subsidiary	Others	Total
Net interest income	<u>\$ 6,912,902</u>	<u>\$ 10,516,448</u>	<u>\$ 4,741,907</u>	<u>\$ 96,374</u>	<u>\$ 22,267,631</u>
Net interest income (external)	3,175,794	13,996,046	4,937,105	158,686	22,267,631
Inter-segment revenues (expenses)	3,737,108	(3,479,598)	(195,198)	(62,312)	-
Net non-interest income	<u>10,320,923</u>	<u>9,295,474</u>	<u>432,296</u>	<u>1,758,564</u>	<u>21,807,257</u>
Net revenue	<u>\$ 17,233,825</u>	<u>\$ 19,811,922</u>	<u>\$ 5,174,203</u>	<u>\$ 1,854,938</u>	<u>\$ 44,074,888</u>
Net profit (loss) before income tax	<u>\$ 8,180,996</u>	<u>\$ 14,164,347</u>	<u>\$ 2,607,482</u>	<u>\$ (2,431,702)</u>	<u>\$ 22,521,123</u>

2) Geographical information

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

	<u>For the Year Ended December 31</u>	
	2014	2013
Taiwan	\$ 32,370,220	\$ 35,297,801
Asia	9,583,373	8,438,369
Others	<u>415,161</u>	<u>338,718</u>
	<u>\$ 42,368,754</u>	<u>\$ 44,074,888</u>

56. ADDITIONAL DISCLOSURES

a. Significant transaction information and b. investees:

- 1) Financing provided: Not applicable.
- 2) Endorsement/guarantee provided: Not applicable.
- 3) Marketable securities held: Not applicable.
- 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 10% of the paid-in capital (the Bank disclosed its investments acquired or disposed of): None.
- 5) Acquisition of individual real estates at costs of at least NT\$300 million or 10% of the paid-in capital: Table 2.
- 6) Disposal of individual real estates 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 3.
- 9) Sale of nonperforming loans: None.
- 10) Financial asset securitization: None.

- 11) Other significant transactions which may affect the decisions of users of financial reports: None.
- 12) The related information and proportionate share in investees: Table 5.
- 13) Derivative transactions: Note 8.
- c. Information on investment in Mainland China: Table 6.
- d. Business relationship and significant transactions among the parent company and subsidiaries: Table 4.

TAIPEI FUBON COMMERCIAL BANK CO., LTD.

OVERDUE LOANS AND RECEIVABLE
DECEMBER 31, 2015 AND 2014
(In Thousands of New Taiwan Dollars, %)

Item		December 31, 2015					December 31, 2014					
		Nonperforming Loan (NPL) (Note 1)	Total Loans	NPL Ratio (Note 2)	Loan Loss Reserves (LLR)	Coverage Ratio (Note 3)	Nonperforming Loan (NPL) (Note 1)	Total Loans	NPL Ratio (Note 2)	Loan Loss Reserves (LLR)	Coverage Ratio (Note 3)	
Corporate loan	Secured	\$ 755,702	\$ 143,073,234	0.53%	\$ 1,982,548	262.35%	\$ 1,316,603	\$ 156,880,588	0.84%	\$ 4,267,750	324.15%	
	Unsecured	681,466	496,106,776	0.14%	5,510,685	808.65%	368,621	491,508,732	0.07%	4,759,459	1,291.15%	
Consumer finance	Mortgage (Note 4)	100,383	346,438,973	0.03%	5,143,521	5,123.90%	52,019	315,340,397	0.02%	4,634,112	8,908.50%	
	Cash card	92	7,541	1.22%	152	165.22%	78	11,601	0.67%	231	296.15%	
	Microcredit (Note 5)	45,876	14,749,626	0.31%	182,891	398.66%	43,673	14,616,058	0.30%	188,667	432.00%	
	Other (Note 6)	Secured	135,297	135,924,417	0.10%	1,461,334	1,080.09%	82,889	119,673,475	0.07%	1,258,021	1,517.72%
		Unsecured	75,844	34,101,485	0.22%	369,931	487.75%	99,528	33,647,005	0.30%	374,780	376.56%
Total		1,794,660	1,170,402,052	0.15%	14,651,062	816.37%	1,963,411	1,131,677,856	0.17%	15,483,020	788.58%	
		Overdue Receivable	Account Receivable	Delinquency Ratio	Allowance for Credit Loss	Coverage Ratio (Note 3)	Overdue Receivable	Account Receivable	Delinquency Ratio	Allowance for Credit Loss	Coverage Ratio (Note 3)	
Credit card		47,456	27,698,191	0.17%	217,102	457.48%	49,064	26,093,178	0.19%	249,550	508.62%	
Accounts receivable - factoring with no recourse (Note 7)		-	16,542,508	-	201,865	-	-	12,622,562	-	129,170	-	
Excluded NPL as a result of debt negotiation and loan agreements (Note 8)		178,911					276,214					
Excluded overdue receivables as a result of debt negotiation and loan agreements (Note 8)		251,664					352,999					
Excluded NPL as a result of consumer debt clearance (Note 9)		284,153					300,881					
Excluded overdue receivables as a result of consumer debt clearance (Note 9)		525,748					566,755					

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

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

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

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

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

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

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

Note 8: The disclosure of excluded NPLs and excluded overdue receivables resulting from debt negotiation, and the loan agreement is 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).

TAIPEI FUBON COMMERCIAL BANK CO., LTD AND SUBSIDIARIES

**ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST \$300 MILLION OR 10% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2015
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Buyer	Property	Event Date	Transaction Amount	Payment Status	Counterparty	Relationship	Information on Previous Title Transfer If Counterparty is a Related Party				Pricing Reference	Purpose of Acquisition	Other Terms
							Property Owner	Relationship	Transaction Date	Amount			
Fubon Bank (China)	Chengdu Branch	2015.11.25	RMB 80,000	Paid in full as of December 31, 2015	Chengdu B-Ray Ginkgo Tourism and Culture Development Co., Ltd.	-	-	-	\$ -	Bid	For the operation of the Chengdu Branch after construction completed	None	

TAIPEI FUBON COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$300 MILLION OR 10% OF THE ISSUED CAPITAL

DECEMBER 31, 2015

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Receivable Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
Taipei Fubon Commercial Bank Co., Ltd.	Fubon Financial Holdings Co., Ltd. (FFH)	Parent company	\$ 358,012 (Note)	Not applicable	None	Not applicable	None	None
Taipei Fubon Commercial Bank Co., Ltd.	Fubon Life Insurance Co., Ltd.	Subsidiary of FHH	478,651	Not applicable	None	Not applicable	None	None

Note: The amount refers to a linked-tax system receivable (included in current tax assets).

TAIPEI FUBON COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

RELATED-PARTY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2015
(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")	Taipei Fubon Bank Life Insurance Agency Co., Ltd.	a	Deposits and remittances	\$ 55,006	Note 4	-
		Taipei Fubon Bank Life Insurance Agency Co., Ltd.	a	Interest expense	89	Note 4	-
		Taipei Fubon Bank Life Insurance Agency Co., Ltd.	a	Net revenues other than interest	474	Note 4	-
		Taipei Fubon Bank Life Insurance Agency Co., Ltd.	a	Other liabilities	54	Note 4	-
		Taipei Fubon Bank Life Insurance Agency Co., Ltd.	a	Payables	2	Note 4	-
		Fubon Bank (China)	a	Cash and cash equivalents	39,477	Note 4	-
		Fubon Bank (China)	a	Other financial assets	1,067,484	Note 4	0.04
		Fubon Bank (China)	a	Financial assets at fair value through profit or loss	922	Note 4	-
		Fubon Bank (China)	a	Receivables	33,096	Note 4	-
		Fubon Bank (China)	a	Interest income	303,175	Note 4	0.72
		Fubon Bank (China)	a	Due to the Central Bank and other banks	11,235	Note 4	-
		Fubon Bank (China)	a	Net revenues other than interest	983	Note 4	-
		1	Fubon Bank (China)	TAIPEI FUBON COMMERCIAL BANK Co., Ltd.	b	Due to the Central Bank and other banks	1,106,961
TAIPEI FUBON COMMERCIAL BANK Co., Ltd.	b			Financial liabilities at fair value through profit or loss	922	Note 4	-
TAIPEI FUBON COMMERCIAL BANK Co., Ltd.	b			Payables	33,096	Note 4	-
TAIPEI FUBON COMMERCIAL BANK Co., Ltd.	b			Interest expense	303,175	Note 4	0.72
TAIPEI FUBON COMMERCIAL BANK Co., Ltd.	b			Cash and cash equivalents	11,235	Note 4	-
TAIPEI FUBON COMMERCIAL BANK Co., Ltd.	b			Other operating expenses	983	Note 4	-
2	Taipei Fubon Bank Life Insurance Agency Co., Ltd.	TAIPEI FUBON COMMERCIAL BANK Co., Ltd.	b	Cash and cash equivalents	55,066	Note 4	-
		TAIPEI FUBON COMMERCIAL BANK Co., Ltd.	b	Interest income	89	Note 4	-
		TAIPEI FUBON COMMERCIAL BANK Co., Ltd.	b	Other operating expenses	474	Note 4	-
		TAIPEI FUBON COMMERCIAL BANK Co., Ltd.	b	Other assets	54	Note 4	-
		TAIPEI FUBON COMMERCIAL BANK Co., Ltd.	b	Receivables	2	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.

(Continued)

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 year.

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.

(Concluded)

TAIPEI FUBON COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEEES
DECEMBER 31, 2015
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Percentage of Ownership	Carrying Amount	Investment Gain (Loss)	Consolidated Investment				Note
							Shares (Thousands)	Imitated Shares	Total		
									Shares (Thousands)	Percentage of Ownership	
TAIPEI FUBON COMMERCIAL BANK Co., Ltd.	<u>Financial-related</u>										
	Taipei Fubon Bank Life Insurance Agent Co., Ltd.	Taipei	Life insurance agency	100.00	\$ 57,411	\$ 5,774	2,000	-	2,000	100.00	Note 1
	Taipei Foreign Exchange Inc.	Taipei	Foreign exchange market maker	3.94	7,800	3,120	780	-	780	3.94	Note 2
	Taiwan Futures Exchange Corporation	Taipei	Futures exchange and settlement	1.26	25,250	7,136	8,400	-	8,400	2.83	Note 2
	Taiwan Asset Management Corporation	Taipei	Evaluating, auctioning, and managing financial institutions' loans	1.70	225,000	18,251	22,500	-	22,500	1.70	Note 2
	Taiwan Financial Asset Service Co., Ltd.	Taipei	Auction	5.88	100,000	-	10,000	-	10,000	5.88	
	Financial Information Service Co., Ltd.	Taipei	Planning and developing the information systems of banking institutions and managing the information web system	2.28	91,000	26,618	11,876	-	11,876	2.28	Note 2
	Sunny Asset Management Corporation	Taipei	Purchasing for financial institutions' loan assets	8.39	5,031	548	503	-	503	8.39	Note 2
	Fubon Bank (China)	China	Banking	51.00	22,426,124	856,303	-	-	-	80.00	Note 1
	Taiwan Mobile Payment Co., Ltd.	Taipei	Mobile payment and business	3.00	18,000	-	1,800	-	1,800	3.00	
	<u>Non-financial related</u>										
	Fubon Real Estate Management Co., Ltd.	Taipei	Investigation, consultation, management and real estate evaluation of construction plans	30.00	125,614	6,937	6,964	-	6,964	30.00	Note 1
	Taipei Rapid Transit Corporation	Taipei	Public transportation	-	100	9	13	-	13	-	Note 2
	Taiwan Power Company	Taipei	Management of power facilities	-	1,830	-	374	-	374	-	
	Easy Card Investment Holding Co., Ltd.	Taipei	Issue and research of IC card	4.91	47,500	3,456	4,644	-	4,644	4.91	Note 2
	Taiwan High Speed Rail Corporation	Taipei	Management of high speed rail	0.36	210,481	-	147,516	-	147,516	2.63	
	Taiwan Aerospace Corp.	Taipei	Aerospace industry	1.25	17,000	-	3,400	-	3,400	2.50	
Ascentek Venture Capital Corp.	Kaohsiung	Venture capital investment	4.28	15,680	1,471	1,568	-	1,568	4.28	Note 2	
P.K. Venture Capital Investment Corp.	Taipei	Venture capital investment	5.00	-	6,364	1,890	-	1,890	5.00	Note 3	
Apex Venture Capital Co., Ltd.	Taipei	Venture capital investment	4.67	-	2,000	2,187	-	2,187	9.35	Note 3	
Pacific Venture Capital Co., Ltd.	Taipei	Venture capital investment	5.12	730	338	57	-	57	10.24	Note 2	

Note 1: The investment gain (loss) was based on the investee's audited financial statements for the year ended December 31, 2015.

Note 2: The investment gain (loss) was the cash dividends recognized for the year ended December 31, 2015.

Note 3: The investment gain (loss) was the proceeds from capital reduction in excess of the carrying amount for the year ended December 31, 2015.

TAIPEI FUBON COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

INFORMATION ON THE INVESTMENT IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2015
(In Thousands of New Taiwan Dollars, Unless stated otherwise)

Investee Company Name	Main Businesses and Products	Paid-in Capital (Note 1)	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2015	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2015	Net Income (Loss) of the Investee (Note 1)	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2015	Accumulated Repatriation of Investment Income as of December 31, 2015	Note
					Outward	Inward							
Fubon Bank (China)	Banking	\$ 10,574,130 (RMB 21,000,000)	Direct investment in Mainland China	\$ 20,258,298	\$ -	\$ -	\$ 20,258,298	\$ 1,978,222 (RMB 390,382)	51%	\$ 856,303	\$ 22,426,124	\$ 107,737	

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2015 (Note 1)	Investment Amounts Authorized by Investment Commission, MOEA (Notes 1 and 2)	Upper Limit on the Amount of Investment, as Stipulated by Investment Commission, MOEA
\$ 20,258,298 (RMB 4,093,113)	\$ 20,258,298 (RMB 4,093,113)	\$99,417,894

Note 1: The foreign currency of paid-in capital and net income is converted into New Taiwan dollars at the exchange rate on December 31, 2015 and the average exchange rate for the year of 2015, 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).