

TAIPEI FUBON
COMMERCIAL BANK CO., LTD.

ANNUAL REPORT

2018

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Please see page 27

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6. Exchange Houses where Overseas Securities are Listed : None

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I. Message to Shareholders

The positive impact of the short-term stimulus generated by the US tax reform and rising commodity prices in the first half of 2018 further strengthened the global economic growth momentum and favorable market climate. However, key factors such as the US-China Trade War and turbulent global financial markets have led to weakening export demand and consumer momentum and declining economic growth in Taiwan. Statistical data released by the Directorate General of Budget, Accounting and Statistics of Executive Yuan reveal that the annual economic growth dropped from 3.08% in 2017 to 2.63% in 2018.

In the face of this adverse business environment, the Bank firmly embraces the business principle of stable growth. In 2018, customer segmentation was intensified and innovations involving digital finance and mobile service were actively promoted based on the main business focus of “re-organization, growth, and market share” through an integration of physical and virtual channels. The Bank strives to earn customer trust and support, constantly expand its business scope, and ensure stable growth in all service areas. In 2018, revenues reached NT\$ 45.8 billion, which represents an increase by 8%. Net income after tax totaled NT\$ 18.8 billion, 11% higher than in the previous year.

(1) Organizational adjustments and growth momentum

In the face of the rapid rise of finance technologies and dramatic changes of the finance environment, numerous key organizational adjustments were implemented in 2018 to support continued advances in all business areas. The goal is to prompt upgrades in the fields of operations, products, and services and boost the growth momentum through functional integration and empowerment. An International Banking Group was established to expand the deployment and development of overseas services and open up new regional markets. A Digital Banking Group was founded in response to the rapid development of digital technologies to boost innovations in the field of digital finance, integrate all digital resources of the Bank, link all strategic partners, and thereby weather the “digital storm”. An Exclusive Banking Group was set up to cater to premium corporate and individual clients. Differentiated niches are created through highly professional service capabilities that fully meet core customer needs. The newly established Operation Group aims to integrate the operational service functions of the whole bank with the goal of enhancing operational efficiency and quality and ensuring the provision of premium services for all units in a rapid manner.

(2) Customer focus to set the foundation for stable growth

The Bank embraces a customer-oriented and customer-centric business approach to enhance product and service experiences, intensify localization strategies, and thereby expand its scope and revenues at a stable pace with respect to high-end customers, the Bank cooperates with a private Swiss bank with the goal of creating exclusive customer segmentation models and facilitating continued prosperity of customer family businesses through cooperation and sharing of private

banking service experiences accumulated over 222 years. With regard to institutional banking, the Bank provides financial advisory services with a focus on cross-border needs and financial integration for large corporate customers. An Business Banking Department was established to cater to small- and medium-sized enterprises and intensify the management of micro-sized corporate clients. In addition, an e-commerce loan platform has been set up in line with the latest trends in the field of e-commerce. Fubon also became the first bank in Taiwan to introduce an e-commerce supply chain financing platform. With regard to retail banking, the Bank provides various innovative products and services and is deeply committed to local customer groups and cooperation with communities through renovation of branches with unique characteristics to identify community characteristics and maximize the value of branches.

(3) Innovative deployment to expand market share

In addition to a deep commitment to existing customer groups, the Bank is fully dedicated to innovation and expansion. Market share and influence are gradually increased through the constant infusion of new technologies and new domains. In the field of technological innovation, the Bank actively deploys strategic partnerships and aims to develop a digital finance ecosphere. It takes the initiative in developing innovative services for different settings and customer demands through adoption of core technologies including AI, blockchain, and big data. Notable examples include the customer-controlled “Mobile Banking 5.0”, the interactive smart investment and financial management platform “Nano Investment”, and “e-Family Branch”, the first smart family-type branch in Taiwan that integrates technology, finance, and parent-child education. The self-developed “LuckyPAY” payment service allows the Bank’s own customers to choose from various large-scale sales channels such as Family Mart and Hi-Life. The first blockchain payment and down-to-earth commercial operations platform “Campus Blockchain” was developed in cooperation with National Chengchi University. The M+ Red Envelope Platform, which was developed in cooperation with Taiwan Mobile is the first real-time communication and social media platform for the sending and receipt of red envelopes offered by a bank in Taiwan. By the end of the year, red envelopes of a total value of NT\$ 1.1 billion had been successfully delivered, which marks a brilliant achievement. In addition, the Bank also pursues innovation and reforms in the field of traditional banking services. The Fubon Guardians Titanium Credit Card was launched in cooperation with Taiwan Mobile and the Fubon Guardians baseball team to provide integrated services in the fields of daily life, entertainment, transportation, and payment and give clients an opportunity to enjoy a fulfilling life in the simplest manner. The Bank invested in LINE Pay and co-sponsored LINE Bank, an exclusively online banking service, to further promote a fusion of life and work. Active deployment of strategic partnerships serves the purpose of demonstrating industry-leading digital capabilities and development visions.

In terms of overseas market development, the Bank has deployed 26 branches to form a dense network centered around areas with a high concentration of Taiwanese businesses after acquisition of Fubon Bank (China) as its subsidiary in 2014. This acquisition turned Fubon into the Taiwanese bank with the broadest network coverage and the only one to possess a full banking license in China.

The Bank actively explores alliance modes with other industries by embracing the Taiwanese concept of sophisticated financial services. The goal is to create differentiated business models centered around branches with unique characteristics and serve as a bridge for cross-strait capital flows by focusing on the large number of Taiwanese businesses and thereby stimulate cross-strait economic and financial exchanges and cooperation. Taipei Fubon Bank cooperates in comprehensive exchanges and cooperation to expand the service scope and fully utilize the competitive edge in the provision of cross-border services. The Bank provides versatile and top-quality financial services and products in an effort to establish a cross-strait financial ecosphere for Taiwanese businesses. In the wake of the expansion of Taiwanese businesses into Southeast Asian markets, the Bank relies on its five overseas branches in Hong Kong, Vietnam, and Singapore and its representative office in Indonesia, which was approved by Indonesian authorities in 2018, to expand business opportunities in the field of international finance. At the same time, the Bank is deeply committed to local enterprises and cross-border customer segmentation and aims to create an overseas platform for integrated collaboration to make strides toward becoming "The Best Financial Institution in Asia."

Business results in 2018 and the business plan for 2019 can be summarized as follows:

1. Business results in 2018

The Bank generated consolidated net income totaling NT\$18.826 billion in 2018, which was equivalent to an EPS of NT\$1.75. Consolidated total assets amounted to NT\$2,711.1 billion at the end of the year, while net loan balance stood at NT\$1,398 billion and net deposit balance at NT\$ 2 trillion and 32.3 billion.

In addition to the pursuit of innovation and profits, the Bank places even higher emphasis on risk control and management. It continues to implement the most rigorous monitoring and controls of asset quality and capital adequacy ratio. In 2018, the NPL ratio and NPL coverage ratio was maintained at 0.17% and 785%, respectively. Asset quality was excellent and capital adequacy ratio reached 13.49%, which indicates a healthy capital structure. National and international credit ratings are also expected to maintain a stable pattern.

Rated company	Long-term rating	Short-term rating	Outlook	Date of rating
Moody's Investors Service	A2	P-1	Stable	2018.01.29
Standard and Poor's Corporation	A-	A-2	Stable	2018.11.14
Taiwan Ratings Corp.	twAA+	twA-1+	Stable	2018.11.14

The Bank's outstanding business performance and professional capabilities were widely recognized by the financial world in 2018 and earned the Bank multiple awards from renowned local and overseas institutions. In terms of investment banking, syndicated loans, and bond

underwriting, the Bank won awards from magazines of Global Finance, The Asset, and Finance Asia; the Bank was also honored for its achievements in the fields of digital banking, private banking, service innovation, and wealth management, by Euromoney, International Finance Magazine, Business Today, Reader's Digest, and Wealth Magazine. The Bank is also firmly committed to realizing the vision of corporate sustainability and received excellence ratings in Taiwan Corporate Governance Association evaluations and Evaluations of property trust services for seniors and the mentally and physically disabled conducted by the Financial Supervisory Commission. The Bank set a new benchmark for the finance industry by becoming the first financial institution in Taiwan to be honored with a Healthy Workplace Award.

2. 2019 business plans

In 2019, it is expected that the growth of major economies and global trade will slow down as a result of a changing economic environment caused by US Trade Protectionism, the worsening US-China trade war, international stock, foreign exchange, and bond market volatility, and uncertainties in the field of oil and raw material prices. According to a forecast released by the Directorate General of Budget, Accounting and Statistics of Executive Yuan on February 13, 2019, the economic growth rate in 2019 is projected to drop to 2.27% from 2.63% last year.

Despite a volatile and adverse economic environment in 2018, it can be predicted that the development of finance technologies and the introduction of internet-only bank licenses will generate huge business opportunities and new redistribution challenges for the financial market. The Bank will maintain its focus on customer segmentation and ensure sound operations through various innovations and reforms and a five-pronged strategy of “lifestyle financial services, clever wealth management, cross-strait operations, technological foundation, and polished brand image.”

(1) Lifestyle financial services and enhanced livelihood

Diversified payment methods are developed and digital service reforms are promoted through evolution and progress in the field of a forward-looking financial ecology, accumulated technological and digital capabilities, and innovative thinking centered around customer dilemmas to ensure the omnipresence of lifestyle financial services. An Open Banking ecosystem has been established by tapping technological innovation based on cloud, AI, big data, and blockchain technologies in an effort to provide services tailored to the lifestyles of customers, create innovative credit card experiences and a lifestyle finance APP, and fully unlock multidimensional settings of digital payment. Real-time demands are met in a flexible manner through cloud support and precise marketing is achieved through big data analysis. Customer experiences are enhanced through AI-based intelligent investments, marketing, and risk control through a fusion of technology and finance. In an effort to further strengthen the fusion of life and finance, the Bank acquired 19.99% of the total equity of LINE and actively participates in LINE Pay services to intensify cooperation in line with the government's stated policy goal of achieving a mobile payment penetration rate of 90% in 2025 and the Bank's ultimate goal of “banking in all aspects of life”. At the same time, Taipei Fubon Bank plans to join hands with LINE Financial Taiwan Limited in the establishment

and promotion of an internet-only LINE Bank. The goal is to create innovative financial services tailored to the lifestyles of the Taiwanese public by relying on the technological capabilities and financial professionalism of Taipei Fubon Bank coupled with the wide application fields and innovative application capabilities of LINE.

(2) Intelligent wealth management and value creation

The Bank actively penetrates target customer segments and provides versatile integrated services through enhanced group management methods. It is deeply committed to the retention of loyal SME clients, activation of assets, and debt allocation. It also aims to expand services in overseas regions, maximize cross-region linkage benefits, and extend international finance services. With regard to small and micro-sized enterprises, the Bank has adopted a new credit factory system based on mobile and AI technologies and comprehensive and diversified financial product services in an effort to expand the Bank's market share in emerging customer segments. It actively targets high-end customer segments and ensures continued prosperity of family businesses through sharing of experiences with a private Swiss bank and a focus on top-end services and demands. Smart use of small investments is guaranteed through big data analysis, establishment of multidimensional action dimensions, and development of smart online wealth management in an effort to provide small bourgeois and young customer segments with short- and mid-term wealth management services.

(3) Cross-strait operations and overseas expansion

Cross-strait financial services are intensified through cooperation and exchanges with Fubon Bank (China) in an effort to promote cross-border financial services tailored to the lifestyles of customers and achieve new milestones in the field of financial services. In the wake of deployment and expansion of Taiwanese businesses in Southeast Asian markets, institutional and retail banking and credit and wealth management services will be promoted in a concerted effort. The Hong Kong and Singapore branches serve as hubs in the Southeast Asian region, while the Vietnam branch represents a beachhead for the expansion into Indochina. The Bank actively develops and expands business opportunities in neighboring Southeast Asian countries. At the same time, it is deeply committed to local enterprises and cross-border customer segmentation and aims to create an overseas platform for integrated collaboration to make strides toward becoming "The Best Financial Institution in Asia."

(4) Technological foundation and digital innovation

Technification, digitization, and smartification of financial services is actively promoted, and optimization of big data models is continued to turn data into a profit engine. In addition to the development of innovative finance technologies for products and services, the Bank plans to create smart, digitized tools including a smart internal management platform for legal compliance, risk management, and anti-money laundering and a real-time data dashboard for performance management. Big data models and AI technology applications are harnessed for the enhancement of

overall operational efficiency and employee value.

(5) Polished brand image and sustainable development

The Bank embraces a philosophy of boldness for change, reforms, and innovation in its efforts to accumulate digital technology capabilities, adopt diversified talent development, develop new work environments and settings, focus on career development and planning, infuse a lively and innovative team spirit, and thereby realize corporate sustainability.

In 2019, Taipei Fubon Bank will strive to create a more proactive and service-oriented corporate culture by embracing a five-pronged strategy and customer orientation as its main pillar and business philosophy. The Bank is firmly committed to turning into the most trustworthy and reliable brand in the mind of its customers and thereby make strides toward becoming "The Best Financial Institution in Asia."

II. Corporate Profile

1. Introduction

(1) Date of establishment

The Bank was incorporated with the approval of the Ministry of Finance under Letter No. (57)-Finance-7864. The Bank began business operations on April 21, 1969.

(2) Bank history

- A. The Bank was founded on April 21, 1969 as part of the nation's financial policy to finance local business activities, municipal constructions, and to serve as a municipal treasury. It was initially funded by Taipei City Government to perform services within the boundary of Taipei City, and operated under the name "Taipei Municipal Bank." The Bank was first established as a municipal financial institution, and was later reorganized into a company limited by shares.
- B. On January 1, 1993, the Bank was renamed Taipei Bank Co., Ltd. (TAIPEIBANK) for better distinction as a corporate identity. Under the government's financial liberalization movement, the Bank established Kaohsiung Branch, the first branch outside Taipei, in 1994. On January 20, 1995, the Bank received the permission to transform from a regional bank to a national bank, which enabled it to provide services to the entire nation. In 1997, the Bank completed a public offering of NT\$2 billion to employees and the general public, and was listed for trading on July 23 the same year. On November 30, 1999, the Bank was officially privatized under the government's prevailing policy to privatize state-owned enterprises. To facilitate long-term business development, the Bank became a 100%-owned subsidiary of Fubon Financial Holding on December 23, 2002 and terminated its listing on the TWSE the same day.

- C. After acquiring Taipei Bank on December 23, 2002, Fubon Financial Holding decided to have Taipei Bank and Fubon Bank operate temporarily as two independent entities, but took aggressive steps to consolidate information systems, operating procedures and personnel between the two banks during this time, so that the two entities may retain their advantages and brand value while minimize the impact of potential merger in the future.
- D. After two years of coordination, Taipei Bank and Fubon Bank were merged on January 1, 2005 into a single entity named "Taipei Fubon Bank." This marked the first merger in Taiwan involving a state-owned bank and a private bank, and the success of it not only brought profits for Fubon Financial Holding, but signified a monumental milestone in the development of Taiwan's banking history as well.
- E. Fubon Bills used to be a 100%-owned subsidiary of the Bank, but in order to maximize synergies within the financial group, Fubon Bill was merged into the Bank on December 25, 2006, which successfully resolved the overlap of bills financial service between the two entities. In June 2008, the Bank established Ho Chi Minh City Branch in Vietnam.
- F. The Bank acquired Hanoi Branch and Ho Chi Minh City Sub-branch from Chinfon Bank on March 6, 2010, and later completed name change and license replacement on June 7 the same year. Since then, these two branches have been operating under the Bank's name. The Bank currently has three business locations in Vietnam, namely: Hanoi Branch, Ho Chi Minh City Branch, and Binh Duong Branch.
- G. Fubon Insurance Agency Co., Ltd. used to be a 100%-owned subsidiary of the Bank; during the board meeting dated September 21, 2010, the directors acknowledged August 31 as the date of liquidation and appointed Taipei Fubon Bank as the custodian for the subsidiary's books and records.
- H. The Bank acquired a 10% equity interest in Fubon Bank (China) on December 31, 2013 and later increased its equity interest to 51% on January 7, 2014, gaining control and making Fubon Bank (China) a subsidiary of the Bank.
- I. On May 21, 2015, the Bank received permission from Monetary Authority of Singapore to establish Singapore Branch. The branch later opened for business on March 14, 2016.
- J. Taipei Fubon Bank Life Insurance Agency Co., Ltd. used to be a 100%-owned subsidiary of the Bank; it was merged into the Bank on April 29, 2016 for synergistic benefits and resource integration.
- K. On January 6, 2016, the Bank received permission from the Financial Supervisory Commission to close down its LA Branch; the actual closure of LA Branch took

place on June 30, 2016.

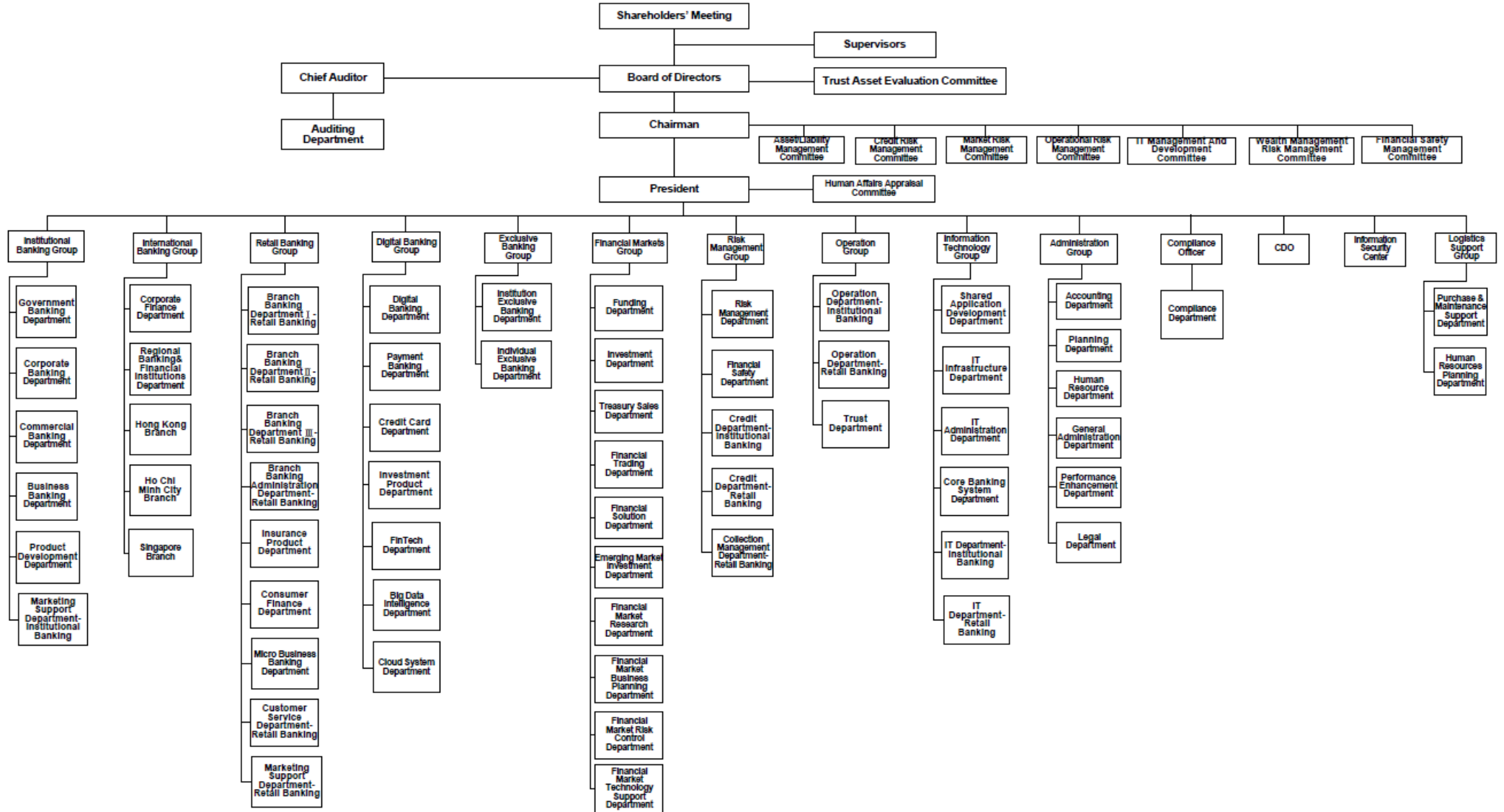
- L. The Bank received approval from the Financial Supervisory Commission on October 12, 2017 and local authorities in Indonesia in November 2018 to establish a representative office in Jakarta, Indonesia.
- M. The Bank did not undergo any change of management, operation or business activity in 2018, and there were no significant occurrences likely to affect shareholders' equity.

2. Organizational Structure

(1) Organization

Taipei Fubon Bank Organizational Chart

2019.01.01



(2) Board Members and Supervisors

Title	Name	Representing Organization	Background & Education	Date Elected	Term
Chairman	Eric Chen	Fubon Financial Holding Co.	Chinatrust Financial Holding Co., Ltd. - President CTBC Bank Co., Ltd. - President Citigroup - Regional Head of Taiwan M.B.A., University of Missouri (U.S.)	2017/06/16	3 yrs
Standing Director	Daniel Tsai	Fubon Financial Holding Co.	Fubon Insurance Co., Ltd. - Chairman Fubon Land Development Co., Ltd. - Chairman Fubon Financial Holding Co., Ltd. - Chairman LL.M., Georgetown University (U.S.)	2017/06/16	3 yrs
Standing Director	Roman Cheng	Fubon Financial Holding Co.	Fullerton Financial Holdings Pte.Ltd. (Singapore), member of Temasek Group - Senior Vice President CTBC Bank - Senior Vice President Chief Strategy Officer of the Head Office Citibank Taiwan Taipei Branch - Vice President MBA, National Chengchi University	2017/06/16	3yr
Standing and Independent Director	Fan, Cheng-Chuan	Fubon Financial Holding Co.	Bureau of Monetary Affairs, Ministry of Finance - Secretary General Financial Examination Bureau, Financial Supervisory Commission - Deputy Director General LL.B., National Taiwan University	2017/06/16	3 yrs
Standing and Independent Director	Wu, Fan-Chih	Fubon Financial Holding Co.	Taiwan Financial Holding Co.,Ltd. - President Land Bank of Taiwan Co., Ltd. - Chairman Taiwan Cooperative Bank Co., Ltd. - President Bachelor of Law, Chinese Culture University	2017/06/16	3 yrs
Independent Director	Chao, Yuan-Chi	Fubon Financial Holding Co.	Dah-An Commercial Bank Ltd. - President China Development Financial Holding Corp - President First Financial Holding Co., Ltd. - Acting Chairman and President Master of Finance, New York University	2017/06/16	3 yrs
Independent Director	Terry King	Fubon Financial Holding Co.	ANZ Bank (Taiwan) Limited - General Manager The Royal Bank of Scotland - Regional Head of Taiwan ABN Amro - Regional Head of Taiwan and North Asia Bachelor of Business Administration, Tunghai University	2017/06/16	3 yrs
Independent Director	Chien, Ming-Ren	Fubon Financial Holding Co.	First-Aviva Life Insurance Co., Ltd. - Chairman First Financial Assets Management Co., Ltd. - Chairman First Financial Holding Co., Ltd. - President M.A. in Finance, National Taipei University	2017/06/16	3 yrs
Director	Yuan, Hsiu-Hui	Fubon Financial Holding Co.	Taipei City Government - Commissioner, Department of Legal Affairs Judicial Reform Committee, Taiwan Bar Association - Member Keelung BAR Association - Secretary M.B.A., National Chiao Tung University Bachelor of Law and Political Studies, Soochow University	2017/06/16	3 yrs

Title	Name	Representing Organization	Background & Education	Date Elected	Term
Director	Jerry Harn	Fubon Financial Holding Co.	Taipei Fubon Commercial Bank Co., Ltd. - President Citibank Taiwan Taipei Branch - Vice President CTBC Bank Co., Ltd. - Senior Vice President M.B.A., Ohio State University (U.S.)	2017/06/16	3 yrs
Director	Patrick Chang	Fubon Financial Holding Co.	Taipei Fubon Commercial Bank Co., Ltd. - Chief Risk Officer The Hongkong and Shanghai Banking Corporation Limited - Senior Vice President in Taiwan Region Citibank - Vice President in Taiwan Region Ph.D. in Economics, School of Economics, Xiamen University MBA, University of Chicago	2017/06/16	3 yrs
Director	Tim Kuo	Fubon Financial Holding Co.	Morgan Stanley - Vice President CTBC Bank Co., Ltd. - Senior Vice President Citibank - Vice President MBA, National Sun Yat-sen University	2017/09/01	3 yrs
Director	Chen, En Kuang	Fubon Financial Holding Co.	CTBC Bank Co., Ltd. - Head of Division Citibank - Deputy Head of Division Bank of America - Head of Division MBA, The University Of Bath	2017/08/24	3 yrs
Director	Morris Huang	Fubon Financial Holding Co.	Taishin International Bank Co., Ltd. - Senior Vice President Citicorp Securities Investment Trust Co. - President Citibank, N.A - Deputy Director MBA, Ohio State University (U.S.)	2017/06/16	3 yrs
Director	Eric Wu	Fubon Financial Holding Co.	Taipei Fubon Bank Life Insurance Agency Co., Ltd. - Chairman CTBC Bank Co., Ltd. - Senior Vice President McDonald's Restaurants (Taiwan) Co., Ltd. - Senior Vice President EMBA, National Taiwan University	2017/06/16	3 yrs
Supervisor	Tsan-Ming Shih	Fubon Financial Holding Co.	Fubon Insurance Co., Ltd. - Chairman Fubon Financial Holding Co., Ltd. - Senior Consultant for Insurance Group Bachelor of Law, Soochow University	2017/06/16	3 yrs
Supervisor	Thomas Liang	Fubon Financial Holding Co.	Fubon Bank (Hong Kong) - Director and President Taipei Fubon Commercial Bank Co., Ltd. - Head of Consumer Banking Citibank, N.A - Deputy Director MS in Operations Research, Case Western Reserve University	2017/06/16	3 yrs
Supervisor	Lin, Kun-San	Fubon Financial Holding Co.	Xiamen Bank Co., Ltd. - Branch Manager Taipei Fubon Commercial Bank Co., Ltd. - Vice President Ph.D in Economics, Nankai University Master of Finance, National Taiwan University	2017/06/16	3 yrs

Note 1 : The tenure of the 13th board of directors and supervisors of the company is June 16, 2017 - June 15, 2020.

(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., and Dao Ying Co.

III. Business Operations

1. Business Information

(1) Breakdown of Total Revenues

Business Category	Weight	
	2018	2017
Institutional Banking	28%	27%
Retail Banking	47%	46%
Financial Market	17%	15%
Overseas Subsidiary	10%	10%
Other	(2)%	2%

Note:

1. Taipei Fubon Bank underwent a re-organization in 2018 that resulted in the introduction of a new Treasury Financial Market segment.
2. The negative revenue weight of other department was primarily due to lower gains on one-time disposal of equity holding and lower gains on disposal of fixed assets compared to 2017.

(2) Business Performance

Institutional Banking Business

- A. Fubon embraces the principle of a balance of risk and return in the solid management of various services associated with institutional banking to provide customers with versatile financial management and financing solutions and increase customer loyalty. In the field of deposit services, the Bank has more than doubled its deposit amounts by maintaining a firm grasp of the market pulse and strengthening the management of cash management products. The expansion of deposit services was aided by recovery trends in the field of corporate operations on the basis of a balance between customer demand and risks. SME deposit amounts saw stable growth and a growth rate exceeding the market average.
- B. In view of the importance of overseas services and development of business opportunities in emerging Southeast Asian markets, the Bank is fully committed to the development of its international banking business through a cross-regional platform for the integration of international financial services and internal resources of the group. The Bank has the second highest market share of all private banks in the field of offshore loans and deposits of corporate clients and successfully maintained the highest share in the field of syndicated loan services.
- C. The Bank actively manages its overseas markets and business opportunities of Taiwanese businesses, China-funded enterprises, and multinational enterprises. The Hong Kong branch has turned into a key link of its services in the Greater China area. The Bank's performance in the fields of deposit and loan volume growth and profitability has been brilliant, ranking second among all Taiwanese-funded banks. As for Southeast Asian markets, the establishment of a representative office in Indonesia was approved in November 2018 and the Bank relies on its location advantage in the expansion of business opportunities in the Southeast Asia market in cooperation with its Singapore branch. The Bank has the highest number of service locations of all Taiwan-funded banks in Vietnam. In addition to catering to

Taiwanese businesses, the Bank is deeply committed to local enterprises and cross-border customer segmentation. It is ranked third among all Taiwan-funded banks in Vietnam in the field of credit lines.

Retail Banking Business

- A. In line with trends of the digital age, the bank is deeply committed to local customer groups, creation of branches with unique themes, multidimensional fusion of local characteristics and financial services, and pioneering use of “warm technology” for smart services. New momentum is injected into branches through public welfare initiatives and services for communities and neighborhoods.
- B. New insurance clients are developed, and cross-selling momentum of loans is strengthened to create optimal product services and diversified and convenient customer experiences. Deposit, insurance, and credit assets all exhibit stable growth. The bank is ranked second among all private banks in mortgage outstanding balance and individual insurance sales volume and first in installment premium insurance sales volume.
- C. The Bank actively promotes innovations involving digital finance and mobile services. It cooperates with Nutmeg, the largest online investment management service company in the UK, in the launch of an interactive smart investment and financial management platform and customer-controlled “Mobile Banking 5.0”.
- D. Taipei Fubon Bank has initiated strategic cooperation with a private Swiss bank with the goal of creating exclusive business models with a focus on top-end services and demands and thereby facilitate continued prosperity of customer family businesses through sharing of private banking service experiences accumulated over 222 years.
- E. In addition to comprehensive cooperation with international and domestic NFC digital wallet providers, the Bank has developed its own QR code scanning payment platform to provide its customers with diversified options. It also pioneered a platform for the sending and receipt of red envelopes by relying on communication software. The Bank has turned into a market leader in the field of account linking. The first blockchain payment and down-to-earth commercial operations platform was developed in cooperation with National Chengchi University, which represents a new milestone in the field of AMIS blockchain technologies.
- F. The Bank invested in LINE Pay and co-sponsored LINE Bank. Active deployment of strategic partnerships serves the purpose of demonstrating industry-leading digital capabilities and development visions.

Financial Market Business

- A. The Bank maintains a firm grasp of the pulse of market interest rates, issues financial debentures in NTD and foreign currencies, adjusts its debt structure, and reduces capital costs.
- B. In response to rising Taiwan-US interest spread volatility, the Bank actively conducts treasury activities and increases foreign exchange investment positions without affecting liquidity to maximize revenues generated by surplus funds.
- C. Fubon maintains a firm grasp of interest rate fluctuations and aims to gain a share of customer wallets through simply structured products with high distribution rates.

Overseas Subsidiary Business

- A. With regard to overseas deployment, the Bank has launched a fund transfer platform for corporate clients in Taiwan, China, Hong Kong, Singapore, and Vietnam to enhance cross-border financial services. It joins hands with its Mainland subsidiary Fubon Bank (China) in market deployment in Southeast Asia and grasping of global business opportunities through comprehensive exchanges and cooperation. The Bank is ranked in the top in all service categories among foreign-funded banks in Mainland China.
- B. Fubon Bank (China) is the Taiwan-funded bank with the broadest network coverage and the only one to possess a full banking license in China. The Bank actively explores alliance modes with other industries by embracing the Taiwanese concept of sophisticated financial services. The goal is to create differentiated business models centered around branches with unique characteristics and serve as a bridge for cross-strait capital flows by focusing on the large number of Taiwanese businesses. The Bank aims to provide versatile and high-quality financial services and products and create an ecosphere for cross-strait financial services tailored to the lifestyles of customers.
- C. Corporate governance has been perfected, the risk management system has been strengthened, and the business scope has been expanded through adoption of Taipei Fubon Bank management technologies. As a result of these efforts, the Bank earned a Standard & Poor's long-term credit rating of BBB+, a Moody's long-term credit rating of Baa1, and a China Credit Trust rating of AA+ in 2018.

2. Business Strategies and Business Plans

(1) Short-term development plan

- A. The Bank continues to strengthen its group operations and increase its drawdown and SOW. In addition to intensifying its business dealings with medium-sized clients, it aims to expand its SME client base and increase the penetration of different customer segments, while placing equal emphasis on a deep commitment to existing customers to increase their loyalty. The proportion of mid- and long-term loans is increased to serve as the main bank for a rising number of customers provided that risks are controllable.
- B. The Bank continues to deploy new service locations and expands its local service offerings through its newly established representative office in Indonesia to assist the Singapore branch in the acquisition of leads in the Southeast Asian market and intensify cooperation with local enterprises or financial institutions.
- C. Fubon maintains a firm grasp of supply chain transfer opportunities and expands its presence in the Vietnamese institutional and retail banking market. The Bank also aims to intensify cooperation of subsidiaries of Taiwanese corporate groups with overseas branches and make a deep commitment to local enterprises and multinational customer segments.
- D. Assets are acquired from secondary markets and an exclusive asset management team has been formed to facilitate the identification of acquisition targets. The Bank also cooperates with international banks to spur the growth of foreign currency assets.
- E. The Bank constantly develops new payment services in the field of digital banking. It establishes, optimizes, and promotes various platforms and intimately cooperates with LINE Pay in an effort to provide customers with one-stop services.
- F. Account payment gateways have been set up and cooperation with various banks is intensified in joint efforts to create a payment ecosphere and provide customers with

financial services tailored to their lifestyles.

G. Overseas subsidiaries

- a. In an effort to lay the foundation for sustainable development and enhance service integration capabilities, the resources of Fubon Group in Taiwan, China, Hong Kong, Singapore, and Vietnam are utilized in pursuit of cross-industry fusion with e-commerce and Internet technologies. The Bank also develops brand-new service channels and product services to enhance its competitive edge.
- b. Compliance and internal control mechanisms are strengthened, and the risk evaluation and decision-making system is optimized to enhance examination and approval efficiency and risk control personnel competence. The goal lies in the establishment and perfection of standardized data acquisition processes and exploration of big data risk control models to facilitate the acquisition of premium data sources, cultivate abilities in the field of data mining and in-depth analysis, and thereby enhance risk control standards in the field of micro-loan services.
- c. Customer experience competence is enhanced, a more effective consumer protection mechanism is developed, and complete product packages are offered in an effort to provide customers with comprehensive service solutions, match customer demands, and enhance customer loyalty. The Bank is deeply committed to the retention of representative Taiwanese corporate customers in addition to the development of new core customers. Accurate customer positioning, strengthening of the linkage between institutional and retail banking, and increased opportunities for business dealings between individual affiliates represent key goals of the Bank. It collaborates with Taipei Fubon Bank in the perfection of customer service systems, optimization of internal processes centered around customer demands, and constant improvements with the goal of enhancing customer satisfaction.

(2) Long-term business plans

- A. The Bank maintains a firm grasp of legal compliance and market developments in the development of financial instruments tailored to customer needs. Linkages between corporate groups and supply chains are extended and partnerships are established through integrated financial services. In addition, versatile capital and hedging services are provided to increase customer trust and enable joint growth.
- B. Offer distinctive values and differentiated financial services with a customer-centric focus. Enforce compliance and risk management and make efficient allocation of risky assets.
- C. Refine service quality and operating efficiency; recruit top talents and accumulate the capacity to respond to the changing environment.
- D. On the foundation of planning and research, strategic bearish-bullish transactions of index futures and ETF are conducted in line with market conditions to pursue stable profits and non-directional transactions.
- E. Transaction niches and service categories are expanded to turn Fubon into the leading brand among Taiwan-funded banks in the field of RMB services.
- F. The Bank relies on the convenient geographic location of Singapore and the immediacy of Southeast Asian market information channels for the establishment of an investment team for emerging markets in Southeast Asia.
- G. The Bank listens to the voice of its customers and continues to increase its product range and customer services. Financial sales efficiency is enhanced and value is maximized through

big data analysis of customer characteristics and advance customer management.

H. Overseas subsidiary:

- a. Bear in mind the principle of “service for Taiwanese businessmen” and “service for China's real economy”, fully recognize the policy approach of the authorities to promote cross-strait economic integration and the market approach of Taiwan's and China's SME to finance, and actively exercise corporate social responsibility, consolidate the brand image of “a cross-strait liaison communication role”.
- b. The Bank strives to create four cooperation platforms including a platform for cooperation between the parent bank and group affiliates involving all Taiwanese corporate customers to facilitate research on the development and use of joint product resources and provision of comprehensive solutions for customers; a cooperation platform with same-industry businesses for the joint development of large corporate customers and provision of better financial solutions for large enterprises through syndicated loans; a cooperation platform with non-banking financial institutions for the joint development of commercial banking customers and syndicated loans; and a P2P lending platform for the development of retail banking customers and online/offline cross-selling to generate win-win outcomes. Internal resources will be adjusted where appropriate to provide mid-office and back-office support for the synchronization of institutional banking and retail banking customer database. The configuration of “diverse frontline channels united under a giant platform” will provide us with better reach to customers of different segments, and realize the true potential of the "four sharing.

(3) Business Plans

Institutional Banking Business

- A. The Bank selects target markets in a precise manner and conducts focused management. It provides advisory solutions for outstanding large enterprises as well as versatile capital and financial consulting and hedging services with the goal of enhancing customer management and loyalty. With regard to small-sized domestic enterprises, the Bank has established a brand-new business model to achieve a higher ranking among SMEs and a higher market share. The Bank also strengthens alliances with businesses in other industries. It has adopted blockchain technology and aims to provide innovative and convenient products and services.
- B. Premium green energy asset mixes are selected in an effort to develop green finance. The Bank embraces cooperation in the fields of sales channels, products, and trust management. It formulates financing principles and develops business opportunities in the field of green finance through government-industry collaboration and cooperation with other businesses in line with energy conservation policies.
- C. Cross-strait services are promoted to improve its service structure and enhance interest spread. Development of sophisticated loan and cash management services to expand high-end wealth management services and gain a firm grasp of business opportunities in the field of equity restructuring in the wake of listing in Taiwan/Mainland China.
- D. Integrated overseas cooperation platforms are created to expand deployment in the Southeast Asian market and gain a firm grasp of business opportunities generated by the rise of Southeast Asia. The Hong Kong Branch promotes services in the Greater China area, while

the Singapore branch has been positioned as a hub in the Southeast Asian region and collects market intelligence in cooperation with the representative office in Indonesia to extend the Bank's reach. The Vietnam branch represents a beachhead for the expansion into Indochina and seizing of business opportunities in neighboring countries. The creation of overseas cooperation platforms facilitates offshore fund-raising services for local enterprises and gives the Bank a firm grasp of supply chain transfer opportunities in the context of the US-China trade war.

Retail Banking Business

- A. Tailor-made insurance, wealth management, and trust products and services are developed to satisfy the demands of seniors for wealth management and asset inheritance. The goal is to satisfy the demands of different customer strata and provide diversified wealth management service experiences.
- B. Credit lines and interest rates are integrated to satisfy a wide range of financing demands. Online lending services are constantly refined in an effort to develop premium customers and provide credit lines and interest rates tailored to their needs. Different financing demands are met through smart marketing.
- C. Card issue strategies are adjusted with a focus on customer demands to strengthen the infusion of marketing resources into key industries and gain a firm grasp of business opportunities in the field of overseas travel, e-commerce, and online shopping.
- D. AI smart wealth management is developed to strengthen wealth management consultation and diversified asset allocation and thereby enhances customer experiences. A robot financial advisor platform has been developed to enhance the quality of wealth management counseling and improve the allocation of low-volatility assets and thereby consolidate the Bank's leadership position in the field of fixed-income instruments.
- E. Accelerated penetration of mobile payment is achieved through active cooperation with same-industry businesses and establishment of an Open Banking ecosystem.

Financial Market Business

- A. Customer asset allocation demands are satisfied by adopting customer's perspectives in the provision of versatile financial counseling with the aid of internal and Fubon Holding resources to transform the Bank into a Total Solution Provider.
- B. Diversified transaction services are developed and profit sources are dispersed to ensure stable and profitable transactions.
- C. Financial sales platforms are constantly improved, overseas financial services are perfected, and sound overseas investment channels are deployed to provide Taiwanese businesses and local customers with comprehensive financial instruments and services.

Overseas Subsidiary Business

- A. Existing networks are constantly extended and IT infrastructure is improved to expand the scope of asset and liability management. The leadership position of the Bank among Taiwan-funded competitors is strengthened by relying on the competitive advantage generated by the fact that Fubon is the only Taiwan-funded bank to possess a full banking license in China. Commercial banking: Acquire customers through supply chain financing, syndicated loan, and collaborating platforms; package credit guarantee with trade financing to meet the needs of SMEs; explore opportunities in line with the government's policies.

- B. The Bank is dedicated to serving SMEs and outstanding private enterprises with a focus on supply chain 1+N, livelihood industries, and hi-tech industries, and subcontractors with the goal of maximizing customer acquisition.
- C. The Bank is deeply committed to the development of services for Taiwanese businesses, inventories of active accounts, and acquisition of new core clients. Strengthening of the linkage between institutional and retail banking, increased opportunities for business dealings between individual affiliates, and collaboration with Taipei Fubon Bank in the perfection of customer service systems represent key goals of the Bank in the enhancement of customer service experiences.
- D. Capital services aim to stabilize debt absorption, control the proportion of interbank liabilities, coordinate loan granting, and increase high-liquidity asset ratios.
- E. High-net-worth and long-term customers are developed to promote innovations and transformations in the field of retail banking services. Customer services, products, marketing channels, and existing systems and infrastructure are strengthened to enhance online retail banking services of the whole bank.

3. Research & Development Plans

(1) Research and development expenses

Unit: NTD in thousands		
Year	2018	2017
Amount	445,566	277,247

(2) Research and development outcomes

- A. Mobile banking biometrics login: To provide customers with more convenient and faster user experiences, the Bank launched a fingerprint recognition login in June 2018.
- B. New generation of mobile banking: The Bank launched its customer-first “Mobile Banking 5.0” platform in November 2018 to realize the core value of “full customer control over banking services, interface, account, and family.” The goal is to restore the autonomy of customers in the field of financial services and create and intergenerational VIP home banking platform.
- C. Robot financial advisor: The Bank launched an interactive smart investment and financial management platform in cooperation with Nutmeg, the largest online investment management service company in the UK, in April 2018. Since the platform went live, over 50,000 users participated to experience simulated investment scenarios.
- D. Big data application project: As of 2018, the Bank utilizes Informatica PDM (Persistent Data Masking) for data containing personal information. This technology retains the accuracy and relevance of data suited for statistical analysis but ensures that it is non-personally-identifiable. Data is used to generate profits under the premise that effective protection of customer data is guaranteed. The Bank was honored with the 2019 The Asset – Most Innovative Security Project award for its efforts in this field.
- E. Data visualization project: As of 2018, key financial indicators are presented in form of visually appealing reports for enhanced business development.
- F. Online personal loan application platform: “Easy Loan” services were introduced in March 2018. Customers with excellent credit ratings and controllable income are selected as priority targets. The system automatically calculates pre-approved exclusive credit lines

and interest rates. Customers are encouraged to utilize this online application system with approval times as short as one hour.

- G. Mortgage calculation genie: As of October 2018, the Bank provides convenient, one-stop mortgage calculation services for its customers. Housing price queries can be conducted online in a real-time manner, and credit lines and monthly payments can be calculated immediately. Reservations for services by dedicated personnel are also available. As of the end of 2018, more than 47,000 website visitors have experienced the said services.

(3) Research and development plans for the future

- A. Estimated R&D expenses for the next year

Unit: NTD in thousands

Items	Expected expenditure on R & D for the coming year (2019)
Amount	881,418

- B. Research and development plans for the future

- a. Fubon Business Online makeover project: A new-generation FBO was created to enhance its functionality and convenience and thereby provide customers with optimized online transaction services.
- b. New credit factory system: A cloud-based, modular credit factory was set up through adoption of smart mobile technologies to provide new credit product mixes, and interest rate and credit line recommendations in a real-time manner, and create interactive and brand-new customer experiences.
- c. A2A account linking and payment gateway project: Through synchronization with cooperating banks, account linking services are provided for stores and other cooperating platforms. The goal is to provide diversified payment receipt functions for stores and customers.
- d. Smart decision-making platform: Risk pricing decision-making management and cross-selling are automated, post-loan review costs are reduced, and customer experiences are optimized.
- e. Face recognition system: This system was established for the whole bank and all sales channels to realize brand-new “Omni Channel” and “All my face” services and thereby ensure customer experience upgrades.
- f. New-generation ATM project: Through adoption of new Fintech technologies and applications in the field of ATM, AI, face recognition, IOT, OCR recognition, QR code, the Bank gains the ability to provide customers with a wide range of convenient services including one-stop account opening services, video wealth management, insurance supermarket, fast credit card applications, and real-time personal loan services as well as more comprehensive ATM service experiences.
- g. Big data analysis platform: This platform which is based on Hadoop and Spark data storage technologies greatly enhances the data analysis and processing capabilities of this Bank. It solves problems involving high storage costs, slow data operations, and outdated analysis technologies which have existed for a long time.
- h. Open Banking ecosystem: Financial services tailored to the lifestyles and needs of users are provided in cooperation with strategic partners. An open architecture has been

adopted for the provision of finance API to financially empower strategic partners.

4. Employees Profile

(1) Taipei Fubon Bank

Year		2017	2018	As on January 31,2019
Number of employees	Staff (part-time included)	6,733	6,628	6,681
	Workers	104	99	98
	Total	6,837	6,727	6,779
Average age (years)		39.27	40.41	40.42
Average seniority (years)		9.81	10.59	10.58
Education level	Graduate or higher	18.23%	19.07%	19.09%
	College/University	76.45%	75.83%	75.84%
	Senior high school	5.28%	5.04%	5.02%
	Below senior high	0.04%	0.06%	0.06%

(2) Fubon Bank (China)

Year		2017	2018	As on January 31,2019
Number of employees	Staff	1,052	1,060	1,064
Average age (years)		32	33	33
Average seniority (years)		3.5	3.7	3.7
Education level	Graduate or higher	23.19%	24.81%	25.00%
	College/University	76.14%	74.44%	74.25%
	Senior high school	0.67%	0.75%	0.75%

IV. Special Notes

1. Dividend Policy and Implementation Status

(1) Dividend Policy

- A. After the financial year is closed, any after-tax net income 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) is appropriated. The remaining net income will be incorporated into the accumulated retained earnings of past years. The board of directors will then make a proposal for distribution of dividends, which will be submitted to the shareholders' meeting for final approval and subject to the resolution of the Bank's board of directors (on behalf of the shareholders' meeting). 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.
- B. 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 2019, the appropriation of the 2018 earnings and dividends per share was proposed by the board of directors as follows:

	Dividends	Dividend Per Share
Cash dividends	NTD \$ 5,829,533,647	NTD \$ 0.55
Stock dividends	NTD \$ 5,829,533,640	NTD \$ 0.55

2. Implementation of the Internal Controls System

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



To: Financial Supervisory Commission

On behalf of Taipei Fubon Commercial Bank Co., Ltd., we hereby certify that in the period from January 1, 2018 to December 31, 2018, the Bank duly complied with the "Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries" 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 concurrently operation of securities and insurance agent businesses, 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 and the "Regulations Governing the Implementation of Internal Control and Audit System and Business Solicitation System of Insurance Agent Companies and Insurance Broker Companies" issued by 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.

We also hereby certify that this statement has been approved by the board of directors of the Bank on March 20, 2019, and this statement

Declarant

Chairman:  (Signature / Seal)

President:  (Signature / Seal)

Chief Auditor:  (Signature / Seal)

Chief Compliance Officer:  (Signature / Seal)

Date: March 20, 2019

**Taipei Fubon Commercial Bank Co., Ltd. Internal Control System
Items for Improvement and Corrective Action Plan
(As of December 31, 2018)**

Item for Improvement	Improvement Measures	Target Date
<p>1. A staff of the Bank took the notebook computer allotted by the Bank, which contains downloaded customer information, out of the Bank and lost it. After checking, it was found that the control toward bringing the notebook computer outside the bank was not complete, and the reporting and review mechanism of downloading customer's personal information was not proper.</p>	<p>(1) Retention period control was added for "file downloading from customer information database".</p> <p>(2) A control and management mechanism was added for carrying the notebook computer by the bank staffs.</p> <p>(3) All notebook computers are affixed with a sticker with the rental number, contact phone number and Fubon logo for identification.</p>	<p>Completed.</p>
<p>2. When handling the loan cases of interested parties, the personnel fails to submit the case to the Board of Directors for review in accordance with the provisions, and did not perform the check operation of "transaction terms are not superior to those of similar case objects."</p>	<p>(1) The loan of the interested party has been fully settled.</p> <p>(2) "The rules for establishment of Interested Party Advisory Committee" has been added.</p> <p>(3) The "Operational policies for granting loans to or conducting other transactions with interested parties" and the "Identification and control mechanisms to prevent interested parties from applying for loans in the name of others" have been revised.</p>	<p>Completed.</p>
<p>3. The case of Song O branch staff appropriating the cash in treasury from the personal teller.</p>	<p>(1) Relevant control measures for teller deposits, withdrawals and cash random check have been revised.</p> <p>(2) The related personnel of the case has been submitted to the Human Affairs Appraisal Committee for review.</p>	<p>Completed.</p>
<p>4. The case of the hardware security module (HSM) works abnormally, causing some transactions to fail.</p>	<p>(1) Revise the program design and monitoring mechanism of the Bank's front end processor (FEP) system.</p> <p>(2) The hardware security module needs to complete the pressure test before each program release.</p>	<p>Completed.</p>

5. The case of failing to report to competent authority to report the closing of "Non-Business Operation Offices" before the sales of Hua Jiang warehouse office.	(1) The "Operating procedures for the disposal of real estate and its right-of-use assets" has been added. (2) The key risk indicators, self-examination and regulatory compliance self-assessment items have been included, and inspection has been strengthened.	Completed.
6. The due diligence and continuous transaction monitoring of the Bank's anti-money laundering operations were not carried out.	(1) The behavior for unusual account opening has been incorporated in the system, generated the report for confirmation and required that the reason shall be described in the "Account Opening Process Checklist". (2) In addition, the existing customers shall be adjusted to high risk level, and reports are used to strengthen control. (3) It has been strengthened to review the beneficiary owners during credit review. (4) In addition, unusual repayment cases that detected by the system, it has been reviewed and the records are retained after case-by-case investigation. (5) Beside system monitoring and staff training for the investigation of suspicious transaction, the record retention has also been included in the internal requirements.	Completed.
7. To assess the establishment of systems for assisting overseas branches in the implementation of AML trade finance business management.	The vendor will be re-selected and the system's establishment and online schedules will be set.	June 30, 2019
[Subsidiary Fubon Bank (China)] 8. The improvement item of important information system emergencies that should be reported to competent authority but was not reported.	(1) A comprehensive information technology risk investigation has been carried out and no other abnormalities have occurred. The responsible personnel have been held accountable. (2) The remodeling and upgrade of core system and the Oracle system have been implemented to improve the efficiency of emergency response.	(1) and (2):Completed.

Fubon Bank

V. 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.)	+886-2-2771-6699
Business Department No.50, Sec. 2, Zhongshan N. Rd., Zhongshan Dist., Taipei City 104, Taiwan (R.O.C.)	+886-2-2542-5656
Trust Department 3F/4F, No.138, Sec. 3, Minsheng E. Rd., Songshan Dist., Taipei City 105, Taiwan (R.O.C.)	+886-2-2718-6888
Securities Department (Dealer and Underwrite) 14/16F, No.169, Sec. 4, Ren'ai Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	+886-2-2771-6699

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.)	+886-2-2771-6699
012-2009	Business Department	No.50, Sec. 2, Zhongshan N. Rd., Zhongshan Dist., Taipei City 104, Taiwan (R.O.C.)	+886-2-2542-5656
012-2032	Changan E. Road Branch	No.36, Sec. 1, Chang'an E. Rd., Zhongshan Dist., Taipei City 104, Taiwan (R.O.C.)	+886-2-2521-2481
012-2205	Chengdong Branch	No.90, Sec. 2, Nanjing E. Rd., Zhongshan Dist., Taipei City 104, Taiwan (R.O.C.)	+886-2-2511-6388
012-3006	Shilin Branch	No.337, Zhongzheng Rd., Shilin Dist., Taipei City 11162, Taiwan (R.O.C.)	+886-2-2883-6998
012-3017	Shidong Branch	No.360, Sec. 6, Zhongshan N. Rd., Shilin Dist., Taipei City 111, Taiwan (R.O.C.)	+886-2-2873-5757
012-3039	Yucheng Branch	No.126, Sec. 6, Zhongxiao E. Rd., Nangang Dist., Taipei City 115, Taiwan (R.O.C.)	+886-2-2651-1212
012-3040	Fugang Branch	No.310, Sec. 4, Chengde Rd., Shilin Dist., Taipei City 111, Taiwan (R.O.C.)	+886-2-2883-6712
012-3051	Zhongxiao Branch	No.107, Sec. 4, Zhongxiao E. Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	+886-2-2741-7880
012-3109	Yanping Branch	No.69, Sec. 2, Yanping N. Rd., Datong Dist., Taipei City 103, Taiwan (R.O.C.)	+886-2-2555-2170
012-3202	Muzha Branch	No.92, Sec. 3, Muzha Rd., Wenshan Dist., Taipei City 116, Taiwan (R.O.C.)	+886-2-2939-1035
012-3408	Bade Branch	No.178, Sec. 3, Bade Rd., Songshan Dist., Taipei City 105, Taiwan (R.O.C.)	+886-2-2577-6467
012-3419	Songnan Branch	No.655, Songshan Rd., Xinyi Dist., Taipei City 110, Taiwan (R.O.C.)	+886-2-2759-2921
012-3420	Yongji Branch	No.199, Yongji Rd., Xinyi Dist., Taipei City 110, Taiwan (R.O.C.)	+886-2-2762-8700
012-3501	Zhongshan Branch	No.162, Sec. 2, Zhongshan N. Rd., Zhongshan Dist., Taipei City 104, Taiwan (R.O.C.)	+886-2-2596-3171
012-3604	Beitou Branch	No.2, Sec. 1, Zhongyang N. Rd., Beitou Dist., Taipei City 112, Taiwan (R.O.C.)	+886-2-2891-5533

Branches Address and Telephone Number

Code	Branch Name	Address	Tel.
012-3615	Shipai Branch	No.216, Wenlin N. Rd., Beitou Dist., Taipei City 112, Taiwan (R.O.C.)	+886-2-2827-1616
012-3707	Daan Branch	No.37, Sec. 4, Ren'ai Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	+886-2-2731-2333
012-3800	Datong Branch	No.186, Sec. 3, Chongqing N. Rd., Datong Dist., Taipei City 103, Taiwan (R.O.C.)	+886-2-2592-9282
012-3903	Guting Branch	No.100, Sec. 3, Roosevelt Rd., Zhongzheng Dist., Taipei City 100, Taiwan (R.O.C.)	+886-2-2365-0381
012-4003	Shuangyuan Branch	No.152, Sec. 2, Xiyuan Rd., Wanhua Dist., Taipei City 108, Taiwan (R.O.C.)	+886-2-2302-3666
012-4014	Wanhua Branch	No.482, Wanda Rd., Wanhua Dist., Taipei City 108, Taiwan (R.O.C.)	+886-2-2332-5901
012-4106	Jiancheng Branch	No.22, Nanjing W. Rd., Datong Dist., Taipei City 103, Taiwan (R.O.C.)	+886-2-2555-4161
012-4117	Shifu Branch	1F., No.1, Shifu Rd., Xinyi Dist., Taipei City 110, Taiwan (R.O.C.)	+886-2-2729-8999
012-4209	Nangang Branch	No.19-5, Sanchong Rd., Nangang Dist., Taipei City 115, Taiwan (R.O.C.)	+886-2-2655-1177
012-4302	Jingmei Branch	No.64, Jingwen St., Wenshan Dist., Taipei City 116, Taiwan (R.O.C.)	+886-2-2935-2636
012-4313	Xinglong Branch	No.69, Sec. 3, Xinglong Rd., Wenshan Dist., Taipei City 116, Taiwan (R.O.C.)	+886-2-8663-9889
012-4405	Neihu Branch	No.6, Ln. 174, Sec. 3, Chenggong Rd., Neihu Dist., Taipei City 114, Taiwan (R.O.C.)	+886-2-2796-1820
012-4427	Wende Branch	No.42, Wende Rd., Neihu Dist., Taipei City 114, Taiwan (R.O.C.)	+886-2-2658-2620
012-4508	Dunhua Branch	No.201, Dunhua N. Rd., Songshan Dist., Taipei City 105, Taiwan (R.O.C.)	+886-2-2713-1660
012-4542	Minsheng Branch	No.163-1, Sec. 5, Minsheng E. Rd., Songshan Dist., Taipei City 105, Taiwan (R.O.C.)	+886-2-2764-0853
012-4601	Xinyi Branch	No.299, Sec. 4, Xinyi Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	+886-2-2700-6381
012-4612	Zhuangjing Branch	No.286, Zhuangjing Rd., Xinyi Dist., Taipei City 110, Taiwan (R.O.C.)	+886-2-2722-6206
012-4623	Dongmen Branch	No.157, Sec. 2, Xinyi Rd., Zhongzheng Dist., Taipei City 100, Taiwan (R.O.C.)	+886-2-2327-9908
012-4704	Songjiang Branch	No.200, Songjiang Rd., Zhongshan Dist., Taipei City 104, Taiwan (R.O.C.)	+886-2-2543-4282
012-4807	Heping Branch	No.236, Sec. 2, Fuxing S. Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	+886-2-2702-2421
012-5103	Nanmen Branch	No.17, Jinhua St., Zhongzheng Dist., Taipei City 100, Taiwan (R.O.C.)	+886-2-2397-1640
012-5309	Xisong Branch	No.75-1, Sec. 4, Nanjing E. Rd., Songshan Dist., Taipei City 105, Taiwan (R.O.C.)	+886-2-2717-0037
012-5505	Guilin Branch	No.52, Guilin Rd., Wanhua Dist., Taipei City 108, Taiwan (R.O.C.)	+886-2-2302-6226
012-5701	Dunhe Branch	1F., No.97, Sec. 2, Dunhua S. Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	+886-2-2701-2409

Branches Address and Telephone Number

Code	Branch Name	Address	Tel.
012-5804	Linyi Branch	No.61, Sec. 2, Ren'ai Rd., Zhongzheng Dist., Taipei City 100, Taiwan (R.O.C.)	+886-2-2351-2081
012-5907	Zhonglun Branch	No.6, Fuxing N. Rd., Zhongshan Dist., Taipei City 104, Taiwan (R.O.C.)	+886-2-2741-8257
012-6007	Keelung Road Branch	No.149, Sec. 2, Keelung Rd., Xinyi Dist., Taipei City 110, Taiwan (R.O.C.)	+886-2-2737-3671
012-6100	Shida Branch	No.178, Sec. 1, Heping E. Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	+886-2-2369-8566
012-6203	Yongchun Branch	No.412, Sec. 5, Zhongxiao E. Rd., Xinyi Dist., Taipei City 110, Taiwan (R.O.C.)	+886-2-2725-5111
012-6214	Huaisheng Branch	No.215, Sec. 3, Zhongxiao E. Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	+886-2-2781-8380
012-6306	Minquan Branch	No.37, Sec. 3, Minquan E. Rd., Zhongshan Dist., Taipei City 104, Taiwan (R.O.C.)	+886-2-2516-6786
012-6502	Shezi Branch	No.225, Sec. 5, Yanping N. Rd., Shilin Dist., Taipei City 111, Taiwan (R.O.C.)	+886-2-28168585
012-6605	Gangdou Branch	No.358, Zhongshan 2nd Rd., Lingya Dist., Kaohsiung City 802, Taiwan (R.O.C.)	+886-7-335-6226
012-6683	Xihu Branch	No.240, Sec. 1, Neihu Rd., Neihu Dist., Taipei City 114, Taiwan (R.O.C.)	+886-2-8751-1788
012-6719	Zhonggang Branch	1F., No.218, Sec. 2, Taiwan Blvd., Taichung City 403, Taiwan (R.O.C.)	+886-4-2320-7711
012-6720	Xinzhuang Branch	No.227, Xintai Rd., Xinzhuang Dist., New Taipei City 242, Taiwan (R.O.C.)	+886-2-2990-3366
012-6731	Taoyuan Branch	No.33, Zhonghua Rd., Taoyuan Dist., Taoyuan City 330, Taiwan (R.O.C.)	+886-3-336-7171
012-6742	Tainan Branch	No.279, Sec. 2, Minsheng Rd., West Central Dist., Tainan City 700, Taiwan (R.O.C.)	+886-6-226-5265
012-6775	Puqian Branch	No.143, Sec. 2, Zhongshan Rd., Banqiao Dist., New Taipei City 220, Taiwan (R.O.C.)	+886-2-8953-5118
012-6786	Beizhongli Branch	No.61, Jiuhe 2nd St., Zhongli Dist., Taoyuan City 320, Taiwan (R.O.C.)	+886-3-425-6699
012-6797	Sanchong Branch	No.36, Sec. 2, Zhongxiao Rd., Sanchong Dist., New Taipei City 241, Taiwan (R.O.C.)	+886-2-8983-6868
012-6801	Fengyuan Branch	No.139, Xiangyang Rd., Fengyuan Dist., Taichung City 420, Taiwan (R.O.C.)	+886-4-2522-0088
012-6812	Zhonghe Branch	No.696, Jingping Rd., Zhonghe Dist., New Taipei City 235, Taiwan (R.O.C.)	+886-2-2243-8877
012-6823	Gushan Branch	No.308, Mingcheng 4th Rd., Gushan Dist., Kaohsiung City 804, Taiwan (R.O.C.)	+886-7-552-3111
012-6845	Fengcheng Branch	No.168, Jianzhong Rd., East Dist., Hsinchu City 300, Taiwan (R.O.C.)	+886-3-571-0187
012-6856	Changhua Branch	No.349, Sec. 2, Zhongshan Rd., Changhua City, Changhua County 500, Taiwan (R.O.C.)	+886-4-726-1333
012-6867	Donghu Branch	No.69, Sec. 3, Kangning Rd., Neihu Dist., Taipei City 114, Taiwan (R.O.C.)	+886-2-2633-6677
012-6878	Yonghe Branch	No.1, Sec. 1, Zhongshan Rd., Yonghe Dist.,	+886-2-8660-1616

Branches Address and Telephone Number

Code	Branch Name	Address	Tel.
		New Taipei City 234, Taiwan (R.O.C.)	
012-6889	Gangshan Mini-Branch	No.178, Zhongshan N. Rd., Gangshan Dist., Kaohsiung City 820, Taiwan (R.O.C.)	+886-7-621-3969
012-6890	Taipei 101 Branch	1F., No.45, Shifu Rd., Xinyi Dist., Taipei City 110, Taiwan (R.O.C.)	+886-2-8101-8585
012-7026	Nanjing E. Road Branch	No.139, Sec. 2, Nanjing E. Rd., Zhongshan Dist., Taipei City 104, Taiwan (R.O.C.)	+886-2-2515-5518
012-7037	Dunbei Branch	No.138, Sec. 3, Minsheng E. Rd., Songshan Dist., Taipei City 105, Taiwan (R.O.C.)	+886-2-2718-5151
012-7048	Renai Branch	No.237, Sec. 1, Jianguo S. Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	+886-2-2325-8878
012-7059	Kaohsiung Branch	No.1, Liuhe 1st Rd., Xinxing Dist., Kaohsiung City 800, Taiwan (R.O.C.)	+886-7-239-1515
012-7060	Zhongzheng Branch	No.1088, Zhongzheng Rd., Taoyuan Dist., Taoyuan City 330, Taiwan (R.O.C.)	+886-3-356-2525
012-7071	Taichong Branch	No.196, Sec. 2, Liuchuan W. Rd., Taichung City 403, Taiwan (R.O.C.)	+886-4-2222-1911
012-7093	Songshan Branch	No.421, Songshan Rd., Xinyi Dist., Taipei City 110, Taiwan (R.O.C.)	+886-2-2728-1199
012-7107	Tucheng Branch	No.100, Sec. 1, Zhongyang Rd., Tucheng Dist., New Taipei City 236, Taiwan (R.O.C.)	+886-2-2270-9898
012-7118	Dongning Branch	1.2F., No.186, Dongning Rd., East Dist., Tainan City 701, Taiwan (R.O.C.)	+886-6-235-1198
012-7129	Fengshan Branch	1F., No.508, Wenheng Rd., Fengshan Dist., Kaohsiung City 830, Taiwan (R.O.C.)	+886-7-780-8686
012-7130	Zhongli Branch	No.119, Sec. 2, Zhongbei Rd., Zhongli Dist., Taoyuan City 320, Taiwan (R.O.C.)	+886-3-459-5766
012-7152	Anhe Branch	B1F., No.169, Sec. 4, Ren'ai Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	+886-2-2778-7717
012-7163	Zhengyi Branch	No.279, Zhengyi N. Rd., Sanchong Dist., New Taipei City 241, Taiwan (R.O.C.)	+886-2-2980-6688
012-7174	Danan Branch	No.2, Jinhe Rd., Bade Dist., Taoyuan City 334, Taiwan (R.O.C.)	+886-3-361-6565
012-7185	Chiayi Branch	No.395, Ren'ai Rd., West Dist., Chiayi City 600, Taiwan (R.O.C.)	+886-5-223-1688
012-7211	Banqiao Branch	No.266, Sec. 1, Wenhua Rd., Banqiao Dist., New Taipei City 220, Taiwan (R.O.C.)	+886-2-2254-9999
012-7222	Beitaichong Branch	No.333, Sec. 4, Wenxin Rd., Beitun Dist., Taichung City 406, Taiwan (R.O.C.)	+886-4-2242-6222
012-7233	Sanmin Branch	No.530, Dashun 2nd Rd., Sanmin Dist., Kaohsiung City 807, Taiwan (R.O.C.)	+886-7-387-1299
012-7244	Jianguo Branch	No.196, Sec. 2, Jianguo N. Rd., Zhongshan Dist., Taipei City 104, Taiwan (R.O.C.)	+886-2-2515-1775
012-7255	Hsinchu Branch	No.141, Zhongzheng Rd., Hsinchu City 300, Taiwan (R.O.C.)	+886-3-527-8988
012-7266	Xindian Branch	No.266, Sec. 2, Beixin Rd., Xindian Dist., New Taipei City 231, Taiwan (R.O.C.)	+886-2-2912-9977
012-7277	Tianmu Branch	No.36, Tianmu E. Rd., Shilin Dist., Taipei City 111, Taiwan (R.O.C.)	+886-2-2876-3232

Branches Address and Telephone Number

Code	Branch Name	Address	Tel.
012-7288	Xizhi Branch	No.81-1, Sec. 1, Xintai 5th Rd., Xizhi Dist., New Taipei City 221, Taiwan(R.O.C.)	+886-2-2698-0828
012-7303	Yongkang Branch	No.856, Dawan Rd., Yongkang Dist., Tainan City 710, Taiwan (R.O.C.)	+886-6-273-6099
012-7314	Chengzhong Branch	No.9, Xiangyang Rd., Zhongzheng Dist., Taipei City 100, Taiwan (R.O.C.)	+886-2-2388-5889
012-7336	Wugu Branch	No.445, Huacheng Rd., Xinzhuang Dist., New Taipei City 242, Taiwan (R.O.C.)	+886-2-8521-3399
012-7347	Xinying Branch	No.301, Minzhi Rd., Xinying Dist., Tainan City 730, Taiwan (R.O.C.)	+886-6-656-9889
012-7358	Bingdong Branch	No.21-1, Gongyuan Rd., Pingtung City, Pingtung County 90054, Taiwan (R.O.C.)	+886-8-733-6899
012-7369	Qianzhen Branch	No.289, Baotai Rd., Qianzhen Dist., Kaohsiung City 806, Taiwan (R.O.C.)	+886-7-717-0055
012-7370	Dunnan Branch	No.108, Sec. 1, Dunhua S. Rd., Songshan Dist., Taipei City 105, Taiwan (R.O.C.)	+886-2-8771-9898
012-7381	Baosheng Branch	No.3, Baosheng Rd., Yonghe Dist., New Taipei City 234, Taiwan (R.O.C.)	+886-2-8923-0888
012-7392	Yuanlin Branch	No.596, Juguang Rd., Yuanlin Township, Changhua County 510, Taiwan (R.O.C.)	+886-4-836-9189
012-7406	Luodong Branch	1F., No.286, Xingdong Rd., Luodong Township, Yilan County 265, Taiwan (R.O.C.)	+886-3-956-6611
012-7417	Ruihu Branch	No.62, Ruihu St., Neihu Dist., Taipei City 114, Taiwan (R.O.C.)	+886-2-2659-1088
012-7451	Hualian Mini-Branch	No.256, Linsen Rd., Hualien City, Hualien County 970, Taiwan (R.O.C.)	+886-3-835-3838
012-7462	Zhubei Branch	No.100, Sec. 2, Wenxing Rd., Zhubei City, Hsinchu County 302, Taiwan (R.O.C.)	+886-3-668-3966
012-7473	Nantaizhong Branch	No.272, Sec. 1, Wenxin Rd., Nantun Dist., Taichung City 408, Taiwan (R.O.C.)	+886-4-3600-9868
012-7484	Boai Branch	No.251, Zhisheng Rd., Zuoying Dist., Kaohsiung City 813, Taiwan (R.O.C.)	+886-7-862-8668
012-7495	Luzhou Branch	No.69, Zhongzheng Rd., Luzhou Dist., New Taipei City 24757, Taiwan (R.O.C.)	+886-2-8282-1799
012-7509	Huajiang Branch	No.285, Sec. 2, Wenhua Rd., Banqiao Dist., New Taipei City 220, Taiwan (R.O.C.)	+886-2-2253-0598
012-7510	Dazhi Branch	No.602, Mingshui Rd., Zhongshan Dist., Taipei City 104, Taiwan (R.O.C.)	+886-2-8509-3878
012-7521	Shulin Branch	No.27, Wenhua St., Shulin Dist., New Taipei City 238, Taiwan (R.O.C.)	+886-2-2683-8186
012-7532	Keelung Branch	No.279, Ren 1st Rd., Ren'ai Dist., Keelung City 200, Taiwan (R.O.C.)	+886-2-2429-2888
012-7543	Zhuke Branch	No.186, Guanxin Rd., East Dist., Hsinchu City 300, Taiwan (R.O.C.)	+886-3-666-3328
012-7554	Linkou Mini-Branch	No.441, Sec. 1, Wenhua 3rd Rd., Linkou Dist., New Taipei City 244, Taiwan (R.O.C.)	+886-2-2609-8802
012-7565	Xinban Branch	1F.2F., No.288, Sec. 1, Xianmin Blvd., Banqiao Dist., New Taipei City 220, Taiwan (R.O.C.)	+886-2-2958-8598

Branches Address and Telephone Number

Code	Branch Name	Address	Tel.
012-7576	Sanxia Branch	1F., No.541, Xuecheng Rd., Shulin Dist., New Taipei City 238, Taiwan (R.O.C.)	+886-2-2680-5899
012-7587	Nankan Branch	No.20, Zhongxiao E. Rd., Luzhu Dist., Taoyuan City 338, Taiwan (R.O.C.)	+886-3-322-2296
012-7598	East Tainan Branch	No.318, Sec. 3, Zhonghua E. Rd., East Dist., Tainan City 701, Taiwan (R.O.C.)	+886-6-260-6118
012-7602	Zuoying Branch	No.363, Bo'ai 4th Rd., Zuoying Dist., Kaohsiung City 813, Taiwan (R.O.C.)	+886-7-341-9518
012-7613	Dali Branch	No.188, Sec. 2, Guoguang Rd., Dali Dist., Taichung City 412, Taiwan (R.O.C.)	+886-4-2481-9818
012-7624	Dehe Branch	1-3F., No.407, Dehe Rd., Yonghe Dist., New Taipei City 23451, Taiwan (R.O.C.)	+886-2-8923-8889
012-7635	Douliu Mini-Branch	No.82, Zhongshan Rd., Douliu City, Yunlin County 640, Taiwan (R.O.C.)	+886-5-537-1158
012-7646	Guomei Branch	No.260, Sec. 1, Wuquan W. Rd., West Dist., Taichung City 403, Taiwan (R.O.C.)	+886-4-2375-8377
012-7657	Nanshijiao Branch	No.347, Jingxin St., Zhonghe Dist., New Taipei City 235, Taiwan (R.O.C.)	+886-2-2942-0599
012-7668	Beitun Branch	No.138, Chongde 3rd Rd., Beitun Dist., Taichung City 406, Taiwan (R.O.C.)	+886-4-2422-8336
012-7679	Danshui Branch	No.223, Sec. 2, Zhongshan N. Rd., Tamsui Dist., New Taipei City 25152, Taiwan (R.O.C.)	+886-2-8631-8998
012-7680	Xitun Branch	No.363, Sec. 2, Henan Rd., Xitun Dist., Taichung City 40744, Taiwan (R.O.C.)	+886-4-2451-5696
012-7691	Beixin Branch	No.128, Sec. 1, Beixin Rd., Xindian Dist., New Taipei City 231, Taiwan R.O.C.)	+886-2-2918-8966
012-7705	Shi-Zheng Branch	No.107, Sec. 2, Wenxin Rd., Xitun Dist., Taichung City 407, Taiwan (R.O.C.)	+886-4-2252-8368
012-7716	North Xin-Zhuang Branch	1F., No.80, Sec. 3, Zhonghua Rd., Xinzhuang Dist., New Taipei City 242, Taiwan (R.O.C.)	+886-2-8521-8318
012-7727	Daya Mini-Branch	No.837, Sec. 4, Yatan Rd., Daya Dist., Taichung City 42854, Taiwan (R.O.C.)	+886-4-2569-1178
012-9503	Hong Kong Branch	16/F, K11 Atelier, Victoria Dockside, 18 Salisbury Road, Tsim Sha Tsui, Kowloon, Hong Kong	+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	+84-274-627-8899
012-9628	Hanoi Branch	22F, Grand Plaza-Charmvit Tower Building, No.117 Tran Duy Hung Street, Trung Hoa Ward, Cau Giay District, Hanoi, Vietnam	+84-24-3772-2212
012-9639	Ho Chi Minh City Branch	Level 9 Saigon Centre, Tower 2, 67 Le Loi St, Ben Nghe Ward, District 1, Ho Chi Minh City, VietNam	+84-28-3932-5888
012-9307	Singapore Branch	182 Cecil Street #07-03 Frasers Tower Singapore 069547	+65-6470-9860

Branches Address and Telephone Number of Fubon Bank (China)

Code	Branch Name	Address	Tel.
0129765	Chengdu Branch	1-4F,Weston Tower, No.19, Section2, South Renmin Road, Chengdu 610000, P.R.C	+86-28-62807777
0129776	Beijing Branch	1F, International Company Building, No. 35 Financial Street, Xicheng, Beijing 100033, P.R.C	+86-10-83329666
0129787	Shanghai Waitan Sub-Branch	1F,Tower A, No.6 Zhongshan Dongyi Road, Huangpu ,Shanghai 200002, P.R.C	+86-21-20377588
0129798	Shenzhen Qianhai Sub-Branch	1F, Building 1, One Shenzhen Bay, Dongbin Road, Nanshan, Shenzhen 518054, P.R.C	+86-755-23675800
0129802	Headquarter Sub-Branch	101, Oriental Financial Plaza Tower A,1168 Century Avenue,Pudong,Shanghai 200122, P.R.C.	+86-21-20619888
0129813	Shanghai Hongqiao Sub-Branch	No.88 East Ronghua Road, Changning, Shanghai 201103, P.R.C	+86-21-20292888
0129824	Shanghai Xuhui Sub-Branch	1-3F,Building 2,No.2020 West Zhongshan Road,Xuhui ,Shanghai 200235,P.R.C.	+86-21-54259696
0129846	Shanghai Songjiang Sub-Branch	No.2.Lane338,Jiahe Square, WenCheng Road,Songjiang ,Shanghai 201620,P.R.C	+86-21-37799300
0129857	Shenzhen Branch	8A, 9A, Tower C, Building 1, One Shenzhen Bay, Dongbin Road, Nanshan, Shenzhen 518054, P.R.C	+86-755-23675700
0129868	Shanghai Minhang Sub-Branch	No.255 Wubao Road,Minhang, Shanghai 201101,P.R.C.	+86-21-54471616
0129879	Tianjin Branch	G/F,Xindu Tower, No.16Weijin Road, Nankai, Tianjin 300073,P.R.C.	+86-22-27503188
0129880	Shanghai Lujiazui Sub-Branch	1F,New Shanghai International Tower,No.360 South Pudong Road,Pudong ,Shanghai 200120, P.R.C	+86-21-20293188
0129891	Shanghai Xintiandi Sub-Branch	No.226 Madang Road,Huangpu ,Shanghai 200020,P.R.C	+86-21-20377600
0129905	Shenzhen Baoan Sub-Branch	8A, 9A,Tower C, Building 1, One Shenzhen Bay, Dongbin Road, Nanshan , Shenzhen 518054, P.R.C	+86-755-23675700
0129916	Shanghai JingAn Sub-Branch	No.293 Jiangning Road ,Jing'an ,Shanghai 200041, P.R.C	+86-21-20377500
0129927	Tianjin Pilot Free Trade Zone Sub-Branch	101, 1F, No.90 West Second Avenue, Tianjin Pilot Free Trade Zone,Tianjin 300308,P.R.C.	+86-22-66287628
0129938	Suzhou Branch	1-3F, No.188 Xinghai Street,SIP,Suzhou 215021,P.R.C	+86-512-62555777
0129949	Shanghai Changning Sub-Branch	1F, Beethoven square,No.1200 Changning Road,Changning ,Shanghai 200051, P.R.C	+86-21-20293088
0129950	Shanghai Pilot Free Trade Zone Sub-Branch	1F,Building 2,No.1158 Zhangdong Road,Shanghai 201203, P.R.C	+86-21-20293039
0129961	Shanghai Riyueguang Sub-Branch	No.15-16, 1F, Ruijing District, No.618 Xujiahui Rd., Huangpu District, Shanghai 200025, P.R.C	+86-21-20377688
0129972	Nanjing Branch	1F, Oriental Financial Plaza Tower A, No. 29 Hongwu Road, Qinhuai , Nanjing 210005,P.R.C.	+86-25-51869888
0129754	Suzhou Kunshan Sub-Branch	No.118,Middle Changjiang Road, Kunshan, Jiangsu 215300,P.R.C	+86-512-62556777

Branches Address and Telephone Number of Fubon Bank (China)

Code	Branch Name	Address	Tel.
0129835	Shanghai Century Avenue Sub-Branch	102,Oriental Financial Plaza Tower A,1168 Century Avenue, Pudong,Shanghai 200122, P.R.C.	+86-21-20619888
0129743	Wuhan Branch	T1-1-1563、1564·T1-8, Greatwall Complex,No. 9 Zhongbei Road, Wuchang ,Wuhan430071,P.R.C	+86-27-87369558
0129732	Xi An Branch	Room 20102, 10701-10709, Unit 1, No. 6, Jin Yei 1 st Road, Gao Xin District, Xi An City, P.R.C.	+86-29-65636588

Appendix

*Annual Financial Reports
for 2018 and 2017*

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying consolidated balance sheets of TAIPEI FUBON COMMERCIAL BANK Co., Ltd. (the "Bank") and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2018 and 2017, the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2018 and 2017, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of TAIPEI FUBON COMMERCIAL BANK Co., Ltd. and its subsidiaries as of December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2018 and 2017, in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, certain other guidelines issued by the local authorities and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC) and SIC Interpretations (SIC) endorsed by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Bank and its subsidiaries' consolidated financial statements for the year ended December 31, 2018 are stated as follows:

Impairment of Credit Assets

Refer to Note 4 to the consolidated financial statements for the accounting policies on the impairment of credit assets. Refer to Note 5a to the consolidated financial statements for the critical estimations and judgments about the impairment of credit assets. Refer to Notes 13, 14 and 56 to the consolidated financial statements for the details of the other related information about the impairment of credit assets.

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

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

1. We understood whether management's methodology, assumptions and inputs used in the impairment model in International Financial Reporting Standards 9 appropriately reflect the actual outcome of credit assets.
2. We assessed the rationality and consistency of the significant increase in credit assets judged by management, the definition of default and impairment of credit assets, the exposure at default, the probability of default, the loss given default, the forward-looking estimates, etc. used in estimating expected credit loss. We also selected samples of credit asset cases, and verified their completeness and calculation accuracy.
3. We considered the related guidelines issued by the authorities and examined whether the allowance for loans and receivables complied with the regulations.

Impairment of Goodwill

Refer to Note 4 to the consolidated financial statements for the accounting policies on the impairment of goodwill. Refer to Note 5c to the consolidated financial statements for the critical estimations and judgments about the impairment of goodwill. Refer to Note 24 to the consolidated financial statements for the details of the other related information about the impairment of goodwill.

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

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

1. For cash flow forecasting, we assess the suitability of the forecasting method and discount rate used by the management of the group and compare the discount rate with external information.
2. We consider whether there is a significant difference between the actual operations after the relevant business combination and the expected benefits at the time of acquisition to assess the accuracy of the estimates from management in the past, and we determine whether the disclosures in the consolidated financial statements are appropriate.

Other Matter

We have also audited the parent company only financial statements of TAIPEI FUBON COMMERCIAL BANK Co., Ltd. as of and for the years ended December 31, 2018 and 2017 on which we have issued an unmodified opinion.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank and its subsidiaries' internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank and its subsidiaries' ability to continue as a going concern. If we conclude that a material going concern uncertainty exists, we are required to draw attention in our auditors'

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

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Bank and its subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Bank and its subsidiaries audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2018 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 20, 2019

Notice to Readers

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

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

TAIPEI FUBON COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES
**CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)**

ASSETS	2018		2017	
	Amount	%	Amount	%
CASH AND CASH EQUIVALENTS (Notes 3, 4, 6 and 49)	\$ 56,991,811	2	\$ 73,322,570	3
DUE FROM THE CENTRAL BANK AND CALL LOANS TO OTHER BANKS (Notes 6, 7, 49 and 51)	215,473,612	8	214,380,612	8
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 3, 4, 8, 18, 28, 49 and 51)	100,018,094	4	89,357,907	3
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Notes 3, 4, 9, 18 and 28)	157,826,117	6	-	-
INVESTMENTS IN DEBT INSTRUMENTS MEASURED AT AMORTIZED COST (Notes 3, 4, 10, 11, 18, 28 and 51)	606,086,721	22	-	-
FINANCIAL ASSETS FOR HEDGING (Notes 4 and 11)	1,816,774	-	1,048,870	-
SECURITIES PURCHASED UNDER RESELL AGREEMENTS (Notes 4, 6, 12 and 49)	11,766,626	-	15,434,688	1
RECEIVABLES, NET (Notes 3, 4, 13, 21 and 49)	95,286,420	3	81,322,909	3
CURRENT TAX ASSETS (Notes 4, 47 and 49)	206,953	-	180,788	-
DISCOUNTS AND LOANS, NET (Notes 3, 4, 14, 21, 28 and 49)	1,397,994,861	52	1,383,754,626	52
AVAILABLE-FOR-SALE FINANCIAL ASSETS, NET (Notes 3, 4, 11, 15, 18, 28, and 49)	-	-	206,092,702	8
HELD-TO-MATURITY FINANCIAL ASSETS (Notes 3, 4, 16, 18, 28 and 51)	-	-	464,839,186	17
INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Notes 4 and 19)	3,255,009	-	107,775	-
OTHER FINANCIAL ASSETS, NET (Notes 3, 4, 20, 21, 28 and 51)	14,408,220	1	97,095,993	4
PROPERTY AND EQUIPMENT, NET (Notes 4 and 22)	19,486,204	1	19,565,417	1
INVESTMENT PROPERTIES (Notes 4 and 23)	2,794,200	-	2,890,900	-
INTANGIBLE ASSETS, NET (Notes 4 and 24)	14,768,153	1	15,292,382	-
DEFERRED TAX ASSETS (Notes 4 and 47)	1,193,574	-	1,108,825	-
OTHER ASSETS (Notes 25 and 49)	<u>11,744,358</u>	-	<u>5,872,118</u>	-
TOTAL ASSETS	<u>\$ 2,711,117,707</u>	<u>100</u>	<u>\$ 2,671,668,268</u>	<u>100</u>
LIABILITIES AND EQUITY				
DEPOSITS FROM THE CENTRAL BANK AND BANKS (Notes 26 and 49)	\$ 138,745,247	5	\$ 130,965,514	5
DUE TO THE CENTRAL BANK AND BANKS (Notes 27 and 50)	442,461	-	5,386,206	-
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 8 and 49)	30,326,605	1	28,070,893	1
FINANCIAL LIABILITIES FOR HEDGING (Notes 4 and 11)	2,411,422	-	1,369,923	-
SECURITIES SOLD UNDER REPURCHASE AGREEMENTS (Notes 4, 28 and 49)	121,307,543	5	98,025,575	4
PAYABLES (Notes 29 and 49)	51,585,836	2	37,044,289	1
CURRENT TAX LIABILITIES (Notes 4, 47 and 49)	2,175,258	-	1,160,454	-
DEPOSITS AND REMITTANCES (Notes 30 and 49)	2,032,281,790	75	2,067,918,093	78
BANK DEBENTURES (Notes 11, 31 and 50)	90,546,695	3	75,096,956	3
OTHER FINANCIAL LIABILITIES (Notes 32 and 49)	25,140,505	1	17,770,717	1
PROVISIONS (Notes 4, 21, 33 and 34)	3,317,455	-	2,700,932	-
DEFERRED TAX LIABILITIES (Notes 4 and 47)	1,159,273	-	982,676	-
OTHER LIABILITIES (Notes 35 and 49)	<u>7,262,330</u>	-	<u>6,744,415</u>	-
Total liabilities	<u>2,506,702,420</u>	<u>92</u>	<u>2,473,236,643</u>	<u>93</u>
EQUITY (Notes 4 and 36)				
Attributable to owners of the Bank				
Capital stock				
Common stock	<u>106,518,023</u>	<u>4</u>	<u>106,518,023</u>	<u>4</u>
Capital surplus	<u>14,800,927</u>	<u>1</u>	<u>14,800,927</u>	<u>1</u>
Retained earnings				
Legal reserve	44,684,974	1	39,699,723	1
Special reserve	2,981,736	-	2,672,022	-
Unappropriated earnings	<u>18,287,619</u>	<u>1</u>	<u>16,604,927</u>	<u>1</u>
Total retained earnings	<u>65,954,329</u>	<u>2</u>	<u>58,976,672</u>	<u>2</u>
Other equity	<u>(1,387,256)</u>	<u>-</u>	<u>(331,089)</u>	<u>-</u>
Total equity attributable to owners of the Bank	<u>185,886,023</u>	<u>7</u>	<u>179,964,533</u>	<u>7</u>
Non-controlling interests	<u>18,529,264</u>	<u>1</u>	<u>18,467,092</u>	<u>-</u>
Total equity	<u>204,415,287</u>	<u>8</u>	<u>198,431,625</u>	<u>7</u>
TOTAL LIABILITIES AND EQUITY	<u>\$ 2,711,117,707</u>	<u>100</u>	<u>\$ 2,671,668,268</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 FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017		Percentage Increase (Decrease) %
	Amount	%	Amount	%	
NET INTEREST INCOME (Notes 4, 37 and 49)					
Interest income	\$ 55,931,030	122	\$ 45,934,316	108	22
Interest expense	<u>(29,605,694)</u>	<u>(65)</u>	<u>(22,381,911)</u>	<u>(53)</u>	32
Total net interest income	<u>26,325,336</u>	<u>57</u>	<u>23,552,405</u>	<u>55</u>	12
NET NON-INTEREST INCOME					
Service fee income, net (Notes 4, 38 and 49)	11,135,294	25	11,232,484	26	(1)
Gains on financial assets and liabilities at fair value through profit or loss (Notes 8, 39 and 49)	4,550,003	10	5,642,490	13	(19)
Realized gains on available-for-sale financial assets (Notes 36 and 40)	-	-	1,578,190	4	(100)
Realized gains or losses on financial assets at fair value through other comprehensive income (Notes 36 and 41)	328,786	1	-	-	-
Gains on derecognition of financial assets at amortized cost (Note 42)	111,410	-	-	-	-
Foreign exchange gains (losses), net (Notes 4 and 43)	3,288,763	7	(183,320)	-	1,894
Impairment losses on assets (Notes 9, 10, 20, 22 and 25)	(25,448)	-	(4,502)	-	465
Share of (loss) profit of associates accounted for using the equity method (Note 19)	(4,177)	-	7,896	-	(153)
Net profit or loss of property transactions (Note 49)	71,645	-	629,978	2	(89)
Other non-interest income, net (Notes 23 and 49)	<u>64,757</u>	<u>-</u>	<u>177,545</u>	<u>-</u>	(64)
Total net non-interest income	<u>19,521,033</u>	<u>43</u>	<u>19,080,761</u>	<u>45</u>	2
TOTAL NET REVENUE	<u>45,846,369</u>	<u>100</u>	<u>42,633,166</u>	<u>100</u>	8
ALLOWANCE FOR BAD DEBT EXPENSE, COMMITMENTS AND GUARANTEES (Notes 4, 21 and 49)	<u>(796,801)</u>	<u>(2)</u>	<u>(2,183,045)</u>	<u>(5)</u>	(64)

(Continued)

TAIPEI FUBON COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017		Percentage Increase (Decrease) %
	Amount	%	Amount	%	
OPERATING EXPENSES (Notes 34, 44, 45, 46 and 49)					
Employee benefits	\$ (12,923,657)	(28)	\$ (11,895,854)	(28)	9
Depreciation and amortization	(1,950,660)	(4)	(1,787,317)	(4)	9
Other general and administrative	<u>(8,037,269)</u>	<u>(18)</u>	<u>(7,504,726)</u>	<u>(18)</u>	7
Total operating expenses	<u>(22,911,586)</u>	<u>(50)</u>	<u>(21,187,897)</u>	<u>(50)</u>	8
INCOME BEFORE INCOME TAX	22,137,982	48	19,262,224	45	15
INCOME TAX EXPENSE (Notes 4 and 47)	<u>(3,312,374)</u>	<u>(7)</u>	<u>(2,331,524)</u>	<u>(5)</u>	42
NET INCOME FOR THE YEAR	<u>18,825,608</u>	<u>41</u>	<u>16,930,700</u>	<u>40</u>	11
OTHER COMPREHENSIVE INCOME (LOSS)					
Items that will not be reclassified subsequently to profit or loss:					
Remeasurement of defined benefit plans (Note 34)	(152,342)	-	(208,015)	-	(27)
Gain on property revaluation (Note 36)	6,676	-	157,165	-	(96)
Loss on investments in equity instruments at fair value through other comprehensive income (Note 36)	(274,325)	(1)	-	-	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 47)	<u>86,107</u>	<u>-</u>	<u>29,228</u>	<u>-</u>	195
	<u>(333,884)</u>	<u>(1)</u>	<u>(21,622)</u>	<u>-</u>	1,444
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations (Note 36)	(483,798)	(1)	(1,321,577)	(3)	(63)
Unrealized loss on available-for-sale financial assets (Note 36)	-	-	(636,995)	(2)	100
Share of other comprehensive loss of associates accounted for using the equity method (Note 36)	-	-	(13,810)	-	100

(Continued)

TAIPEI FUBON COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017		Percentage Increase (Decrease) %
	Amount	%	Amount	%	
Gains on investments in debt instruments at fair value through other comprehensive income (Note 36)	\$ 956,862	2	\$ -	-	-
Impairment loss on investments in debt instruments at fair value through other comprehensive income (Note 36)	4,798	-	-	-	-
Income tax relating to items that may be reclassified subsequently to profit or loss (Note 47)	<u>(252,593)</u>	<u>-</u>	<u>130,837</u>	<u>-</u>	(293)
	<u>225,269</u>	<u>1</u>	<u>(1,841,545)</u>	<u>(5)</u>	112
Other comprehensive loss for the year, net of income tax	<u>(108,615)</u>	<u>-</u>	<u>(1,863,167)</u>	<u>(5)</u>	(94)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 18,716,993</u>	<u>41</u>	<u>\$ 15,067,533</u>	<u>35</u>	24
NET INCOME ATTRIBUTABLE TO					
Owners of the Bank	\$ 18,618,650	41	\$ 16,777,580	39	11
Non-controlling interests	<u>206,958</u>	<u>-</u>	<u>153,120</u>	<u>1</u>	35
	<u>\$ 18,825,608</u>	<u>41</u>	<u>\$ 16,930,700</u>	<u>40</u>	11
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO					
Owners of the Bank	\$ 18,591,762	41	\$ 15,373,666	36	21
Non-controlling interests	<u>125,231</u>	<u>-</u>	<u>(306,133)</u>	<u>(1)</u>	141
	<u>\$ 18,716,993</u>	<u>41</u>	<u>\$ 15,067,533</u>	<u>35</u>	24
EARNINGS PER SHARE (NEW TAIWAN DOLLARS) (Note 48)					
Basic	<u>\$ 1.75</u>		<u>\$ 1.58</u>		

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

(Concluded)

TAIPEI FUBON COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)**

	Equity Attributable to Owners of the Bank							Other Equity (Note 36)					Total Equity
	Capital Stock (Note 36)		Capital Surplus (Note 36)	Retained Earnings (Note 36)			Exchange Differences on Translating Foreign Operations	Unrealized Gains or Losses on Available-for- sale Financial Assets	Unrealized Gains or Losses on Financial Assets at Fair Value Through Other Comprehensive Income	Revaluation Surplus	Non-controlling Interests (Notes 4 and 36)		
	Shares (Thousands)	Common Stock		Legal Reserve	Special Reserve	Unappropriated Earnings						Total	
BALANCE AT JANUARY 1, 2017	10,651,803	\$ 106,518,023	\$ 14,800,927	\$ 35,386,771	\$ 2,652,074	\$ 14,376,505	\$ 52,415,350	\$ (988,977)	\$ 1,665,529	\$ -	\$ 223,620	\$ 18,773,225	\$ 193,407,697
Appropriation of the 2016 earnings													
Legal reserve	-	-	-	4,312,952	-	(4,312,952)	-	-	-	-	-	-	-
Special reserve	-	-	-	-	19,948	(19,948)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(10,043,605)	(10,043,605)	-	-	-	-	-	(10,043,605)
Net income for the year ended December 31, 2017	-	-	-	-	-	16,777,580	16,777,580	-	-	-	-	153,120	16,930,700
Other comprehensive income (loss) for the year ended December 31, 2017, net of income tax	-	-	-	-	-	(172,653)	(172,653)	(1,074,068)	(308,224)	-	151,031	(459,253)	(1,863,167)
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	-	16,604,927	16,604,927	(1,074,068)	(308,224)	-	151,031	(306,133)	15,067,533
BALANCE AT DECEMBER 31, 2017	10,651,803	106,518,023	14,800,927	39,699,723	2,672,022	16,604,927	58,976,672	(2,063,045)	1,357,305	-	374,651	18,467,092	198,431,625
Effect of retrospective application and retrospective restatement (Note 3)	-	-	-	-	-	(243,627)	(243,627)	-	(1,357,305)	240,622	-	(63,059)	(1,423,369)
BALANCE AT JANUARY 1, 2018 AS RESTATED	10,651,803	106,518,023	14,800,927	39,699,723	2,672,022	16,361,300	58,733,045	(2,063,045)	-	240,622	374,651	18,404,033	197,008,256
Appropriation of the 2017 earnings													
Legal reserve	-	-	-	4,985,251	-	(4,985,251)	-	-	-	-	-	-	-
Special reserve	-	-	-	-	309,714	(309,714)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(11,309,962)	(11,309,962)	-	-	-	-	-	(11,309,962)
Net income for the year ended December 31, 2018	-	-	-	-	-	18,618,650	18,618,650	-	-	-	-	206,958	18,825,608
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	-	-	(87,073)	(87,073)	(19,688)	-	74,323	5,550	(81,727)	(108,615)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	18,531,577	18,531,577	(19,688)	-	74,323	5,550	125,231	18,716,993
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	(331)	(331)	-	-	331	-	-	-
BALANCE AT DECEMBER 31, 2018	<u>10,651,803</u>	<u>\$ 106,518,023</u>	<u>\$ 14,800,927</u>	<u>\$ 44,684,974</u>	<u>\$ 2,981,736</u>	<u>\$ 18,287,619</u>	<u>\$ 65,954,329</u>	<u>\$ (2,082,733)</u>	<u>\$ -</u>	<u>\$ 315,276</u>	<u>\$ 380,201</u>	<u>\$ 18,529,264</u>	<u>\$ 204,415,287</u>

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

TAIPEI FUBON COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 22,137,982	\$ 19,262,224
Adjustments for:		
Depreciation expense	1,114,138	973,534
Amortization expense	836,522	813,783
Provision for bad-debt expense	795,534	2,209,404
Interest expense	29,605,694	22,381,911
Net gain on derecognition of financial assets at amortized cost	(111,410)	-
Interest income	(55,931,030)	(45,934,316)
Dividend income	(198,145)	(408,597)
Net change in provision for guarantee liabilities	(13,111)	(26,359)
Net change in other provisions	287,151	49,136
Share of loss (profit) of associates accounted for using the equity method	4,177	(7,896)
Gain on disposal of property and equipment	(69,129)	(611,270)
Gain on disposal of investment properties	(285)	-
Loss on disposal of intangible assets	-	655
Impairment loss of financial assets	-	4,303
Reversal of impairment loss on financial assets	(26,309)	-
Impairment loss on non-financial assets	51,757	199
Gain on fair value adjustment of investment properties	(5,976)	(18,669)
Other adjustments	(1,917)	(4,447)
Changes in operating assets and liabilities		
(Increase) decrease in due from the Central Bank and call loans to other banks	(7,078,385)	52,659,706
(Increase) decrease in financial assets at fair value through profit or loss	(10,960,549)	27,811,847
Decrease in financial assets at fair value through other comprehensive income	1,288,779	-
Increase in investments in debt instruments at amortized cost	(23,064,586)	-
Increase in receivables	(11,479,275)	(9,552,642)
Increase in discounts and loans	(31,899,437)	(95,864,946)
Increase in available-for-sale financial assets	-	(59,311,328)
Increase in held-to-maturity financial assets	-	(110,443,688)
Decrease (increase) in other financial assets	27,815,127	(45,757,378)
(Increase) decrease in other assets	(5,530,609)	6,754,247
Increase in deposits from the Central Bank and other banks	7,779,733	55,390,010
Increase (decrease) in financial liabilities at fair value through profit or loss	2,255,712	(40,363,483)
Increase in securities sold under repurchase agreements	23,281,968	36,584,646
Increase in payables	13,109,808	4,573,286
(Decrease) increase in deposits and remittances	(35,636,303)	190,140,427
Increase (decrease) in other financial liabilities	7,369,788	(3,920,914)
Increase in provisions for employee benefits	37,907	61,639
(Decrease) increase in other liabilities	(308,088)	892,923
	<u>(308,088)</u>	<u>892,923</u>

(Continued)

TAIPEI FUBON COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

	2018	2017
Cash (used in) generated from operations	\$ (44,542,767)	\$ 8,337,947
Interest received	53,047,740	44,504,882
Dividends received	204,663	415,561
Interest paid	(26,870,829)	(20,691,852)
Income tax paid	<u>(2,314,668)</u>	<u>(3,056,572)</u>
Net cash (used in) generated from operating activities	<u>(20,475,861)</u>	<u>29,509,966</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets measured at cost	-	(476,028)
Acquisition of investments accounted for using the equity method	(3,158,375)	-
Acquisition of property and equipment	(1,689,576)	(1,874,885)
Proceeds from disposal of property and equipment	250,663	1,727,824
Acquisition of intangible assets	(277,664)	(218,643)
Proceeds from disposal of investment properties	<u>99,785</u>	<u>-</u>
Net cash used in investing activities	<u>(4,775,167)</u>	<u>(841,732)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in due to the Central Bank and other banks	(4,904,506)	(1,694,931)
Proceeds from issuance of bank debentures	29,007,317	25,307,026
Repayments of bank debentures	(14,500,000)	(14,310,057)
Cash dividends paid	<u>(11,309,962)</u>	<u>(10,043,605)</u>
Net cash used in financing activities	<u>(1,707,151)</u>	<u>(741,567)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES		
	<u>974,449</u>	<u>(2,902,872)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(25,983,730)	25,023,795
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>162,470,056</u>	<u>137,446,737</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 136,486,326</u>	<u>\$ 162,470,532</u>

(Continued)

TAIPEI FUBON COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

Reconciliation of the amounts in the consolidated statements of cash flows with the equivalent items reported in the consolidated balance sheets as of December 31, 2018 and 2017:

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
Cash and cash equivalents in the consolidated balance sheets	\$ 56,991,811	\$ 73,322,570
Due from the Central Bank and call loans to other banks qualifying for cash and cash equivalents under the definition of IAS 7	67,727,889	73,713,274
Securities purchased under resell agreements qualifying for cash and cash equivalents under the definition of IAS 7	<u>11,766,626</u>	<u>15,434,688</u>
Cash and cash equivalents in the consolidated statements of cash flows	<u>\$ 136,486,326</u>	<u>\$ 162,470,532</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, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

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

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

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

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

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

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

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

As of December 31, 2018, the Bank had a trust department, an offshore banking unit (“OBU”), 127 domestic branches (including a business department) and 5 overseas branches.

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

Fubon Bank (China) is the joint venture bank founded by the Shanghai Pudong Development Bank and Lotus Worldwide Ltd. on March 20, 1997 in Shanghai Pudong in accordance with “Regulations Governing Foreign Financial Institutions in the People’s Republic of China”. After a number of capital increases and stock rights changes, as of October 20, 2016, the Bank and FFH’s shareholding ratios were 51% and 49%, respectively. Fubon Bank (China) mainly renders foreign currency and RMB services to customers. As of December 31, 2018, Fubon Bank (China) had its headquarters and 24 branches (including preparatory offices) within mainland China.

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

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Bank’s board of directors on March 20, 2019.

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

- a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Public Banks and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively referred to as IFRSs) endorsed and issued into effect by the Financial Supervisory Commission (“FSC”) and the amendments to IFRS 9 with early adoption

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

IFRS 9 “Financial Instruments” and related amendments

IFRS 9 supersedes IAS 39 “Financial Instruments: Recognition and Measurement”, with consequential amendments to IFRS 7 “Financial Instruments: Disclosures” and other standards. IFRS 9 sets out the requirements for classification, measurement and impairment of financial assets and hedge accounting. Refer to Note 4 for information relating to the relevant accounting policies.

The requirements for classification, measurement and impairment of financial assets and hedging cost have been applied retrospectively starting from January 1, 2018, and the other requirements for hedge accounting have been applied prospectively. IFRS 9 is not applicable to items that have already been derecognized as of December 31, 2017.

Classification, measurement and impairment of financial assets

On the basis of the facts and circumstances that existed as of January 1, 2018, the Bank and its subsidiaries have performed an assessment of the classification of recognized financial assets and have elected not to restate prior reporting periods. The following table shows the original measurement categories and carrying amounts under IAS 39 and the new measurement categories and carrying amounts under IFRS 9 for each class of the Bank and its subsidiaries' financial assets and financial liabilities as of January 1, 2018.

Financial Assets	Measurement Category		Carrying Amount		Remark
	IAS 39	IFRS 9	IAS 39	IFRS 9	
Cash and cash equivalents	Loans and receivables	Amortized cost	\$ 73,322,570	\$ 73,322,094	6)
Due from the Central Bank and call loans to other banks	Loans and receivables	Amortized cost	214,380,612	214,380,612	
Financial assets at fair value through profit or loss	Held- for- trading financial assets	Mandatorily measured at fair value through profit or loss	82,039,481	82,039,481	
	Held- for- trading financial assets	Investments in equity instruments measured at fair value through other comprehensive income	300,362	300,362	2)
	Designated as at fair value through profit or loss	Mandatorily measured at fair value through profit or loss	7,018,064	7,018,064	1)
Financial assets for hedging	Derivative financial assets for hedging	Financial assets for hedging	1,048,870	1,048,870	
Securities purchased under resell agreements	Loans and receivables	Amortized cost	15,434,688	15,434,688	
Receivables, net	Loans and receivables	Amortized cost	81,322,909	81,182,035	6)
Discounts and loans, net	Loans and receivables	Amortized cost	1,367,125,420	1,366,876,871	6)
	Loans and receivables	Investments in debt instruments measured at fair value through other comprehensive income	16,629,206	16,860,939	7)
Available- for- sale financial assets, net	Available- for- sale financial assets	Investments in equity instruments measured at fair value through other comprehensive income	2,963,935	2,963,935	2), 3)
	Available- for- sale financial assets	Investments in debt instruments measured at fair value through other comprehensive income	136,898,749	136,898,749	8)
	Available- for- sale financial assets	Amortized cost	66,230,018	65,316,385	4)
Held-to-maturity financial assets	Held-to-maturity	Amortized cost	464,839,186	464,699,817	5)
Other financial assets - financial assets carried at cost	Available- for- sale financial assets	Investments in equity instruments measured at fair value through other comprehensive income	1,026,646	1,409,902	3)
Other financial assets - debt instruments with no active market	Loans and receivables	Amortized cost	53,939,260	53,915,872	5)
Other financial assets - others	Loans and receivables	Amortized cost	42,130,087	42,129,981	6)

	IAS 39 Carrying Amount as of January 1, 2018	Reclassifications	Remeasurements	IFRS 9 Carrying Amount as of January 1, 2018	Retained Earnings Effect on January 1, 2018	Other Equity Effect on January 1, 2018	Non-controlling Interest Effect on January 1, 2018	Remark
Cash and cash equivalents	\$ 73,322,570	\$ -	\$ (476)	\$ 73,322,094	\$ (243)	\$ -	\$ (233)	6)
Due from the Central Bank and call loans to other banks	214,380,612	-	-	214,380,612	-	-	-	
Financial assets at fair value through profit or loss	89,357,907	-	-	-	-	-	-	1)
Less: Reclassification to financial assets measured at fair value through other comprehensive income	89,357,907	(300,362)	-	89,057,545	-	-	-	2)
Financial assets for hedging	1,048,870	-	-	1,048,870	-	-	-	
Securities purchased under resale agreements	15,434,688	-	-	15,434,688	-	-	-	
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	
Debt instruments								
Add: Reclassification from available-for-sale financial assets (IAS 39)		136,898,749	-		(34,446)	34,446	-	8)
Add: Reclassification from loans and receivables (IAS 39)		16,629,206	231,733		-	118,184	113,549	7)
Equity instruments								
Add: Reclassification from held-for-trading financial assets (IAS 39)		300,362	-		(67,162)	67,162	-	2)
Add: Reclassification from available-for-sale financial assets (IAS 39)		2,963,935	-		335,594	(335,594)	-	2) 3)
Add: Reclassification from available-for-sale financial assets (measured at cost) (IAS 39)		1,026,646	383,256		30,989	352,267	-	3)
	-	157,818,898	614,989	158,433,887	264,975	236,465	113,549	
Investments in debt instruments measured at amortized cost								
Add: Reclassification from available-for-sale		66,230,018	(1,418,061)		(110,780)	(1,307,281)	-	4)
Add: Adjusted to other assets and other liabilities		504,428	-		-	-	-	4)
Add: Reclassification from held-to-maturity (IAS 39)		464,839,186	(139,369)		(120,151)	-	(19,218)	5)
Add: Reclassification from loans and receivables (debt instruments with no active market) (IAS 39)		53,939,260	(23,388)		(23,388)	-	-	5)
	-	585,512,892	(1,580,818)	583,932,074	(254,319)	(1,307,281)	(19,218)	
Receivables, net	81,322,909	-	(140,874)	81,182,035	(98,241)	-	(42,633)	6)
Discounts and loans, net	1,383,754,626	-	(260,822)	-	(133,019)	-	(127,803)	6)
Add: Reclassification to provisions from partial loss allowance		12,273	-		-	-	-	
Less: Reclassification to investments in debt instruments measured at fair value through other comprehensive income (IFRS 9)		(16,629,206)	-		-	-	-	7)
	1,383,754,626	(16,616,933)	(260,822)	1,366,876,871	(133,019)	-	(127,803)	
Other financial assets, net	97,095,993	-	(106)	-	(106)	-	-	6)
Less: Reclassification to investments in equity instruments measured at fair value through other comprehensive income (IFRS 9)		(1,026,646)	-		-	-	-	3)
Less: Reclassification to investments in debt instruments measured at amortized cost (IFRS 9)		(53,939,260)	-		-	-	-	5)
	97,095,993	(54,965,906)	(106)	42,129,981	(106)	-	-	
	\$ 1,955,718,175	\$ 671,448,589	\$ (1,368,107)	\$ 2,625,798,657	\$ (220,953)	\$ (1,070,816)	\$ (76,338)	

1) Negotiable corporate bonds and credit linked bonds were designated as at fair value through profit or loss under IAS 39 because they are hybrid instruments. They have been classified as mandatorily measured at fair value through profit or loss in their entirety under IFRS 9 since they contain host contracts that are assets within the scope of IFRS 9.

- 2) Real estate investment trusts (REITs) were previously classified as measured at fair value through profit or loss and available-for-sale under IAS 39. According to IFRS Q&A compilation published by The Accounting Research and Development Foundation of The Republic of China “Real Estate Investment Trusts (REITs)”, REITs are classified as equity instruments under IAS 32, and since they are not held for trading, these investments are classified as at fair value through other comprehensive income under IFRS 9. In addition, other equity - unrealized gain or loss on available-for-sale financial assets of \$88,731 thousand was reclassified to other equity - unrealized gain or loss on financial assets measured at fair value through other comprehensive income, and thus an increase of \$67,162 thousand was recognized in other equity - unrealized gain or loss on financial assets at fair value through other comprehensive income, and a decrease of \$67,162 thousand was recognized in retained earnings.
- 3) The Bank and its subsidiaries elected to designate all its investments in equity securities previously classified as available-for-sale under IAS 39 as at fair value through other comprehensive income under IFRS 9, because these investments are not held for trading. As a result, the related other equity - unrealized gain or loss on available-for-sale financial assets of \$74,309 thousand was reclassified to other equity - unrealized gain or loss on financial assets at fair value through other comprehensive income.

Investments in unlisted shares previously measured at cost under IAS 39 have been designated as at fair value through other comprehensive income under IFRS 9 and were remeasured at fair value. Consequently, an increase of \$383,256 thousand was recognized in both financial assets at fair value through other comprehensive income and other equity - unrealized gain or loss on financial assets at fair value through other comprehensive income on January 1, 2018.

The Bank and its subsidiaries recognized under IAS 39 impairment loss on certain investments in equity securities previously classified as available-for-sale and measured at cost, and the loss was accumulated in retained earnings. Since those investments were designated as at fair value through other comprehensive income under IFRS 9 and no impairment assessment is required, an adjustment was made that resulted in a decrease of \$366,583 thousand in other equity - unrealized gain or loss on financial assets at fair value through other comprehensive income and an increase of \$366,583 thousand in retained earnings on January 1, 2018.

- 4) Investments in debt instruments previously classified as available-for-sale under IAS 39 were classified as at amortized cost with an assessment of expected credit losses under IFRS 9, because on January 1, 2018, the contractual cash flows were solely payments of principal and interest on the principal outstanding and these investments were held within a business model whose objective is to collect contractual cash flows. The starting amortized cost was determined by retrospective application of the effective interest method, and the resulting adjustment is a decrease in retained earnings of \$110,780 thousand on January 1, 2018 and a decrease of \$1,307,281 thousand in other equity - unrealized gain or loss on financial assets at fair value through other comprehensive income.

The fair value of these bonds was \$60,570,915 thousand as of December 31, 2018. Without the reclassification under IFRS 9, a loss of \$1,062,414 thousand in fair value through other comprehensive income would have been recognized for the year ended December 31, 2018.

- 5) Debt investments previously classified as held-to-maturity financial assets and debt investments with no active market and measured at amortized cost under IAS 39 were classified as at amortized cost with an assessment of expected credit losses under IFRS 9, because on January 1, 2018, the contractual cash flows were solely payments of principal and interest on the principal outstanding and these investments were held within a business model whose objective is to collect contractual cash flows. As a result of retrospective application, the related adjustments comprised an increase in the loss allowance of \$162,757 thousand, a decrease in retained earnings of \$143,539 thousand, and a decrease in non-controlling interest of \$19,218 thousand on January 1, 2018.

- 6) Cash and cash equivalents, receivables, discounts and loans, and other financial assets that were previously classified as loans and receivables under IAS 39 were classified as debt instrument investments at amortized cost with an assessment of expected credit losses under IFRS 9. As a result of retrospective application, the adjustments comprised an increase in the loss allowance of \$402,278 thousand, a decrease in retained earnings of \$231,609 thousand, and a decrease in non-controlling interests of \$170,669 thousand on January 1, 2018.
- 7) Discounted notes previously classified as loans and receivables under IAS 39 were classified as at fair value through other comprehensive income with an assessment of expected credit losses under IFRS 9, because on January 1, 2018, financial asset held for the contractual cash flows were solely payments of principal and interest on the principal outstanding and these investments were held within a business model whose objective is to collect contractual cash flows and offer for sale. As a result of retrospective application, the related adjustments comprised an increase in the other equity - measured at fair value through other comprehensive income of \$118,184 thousand, and an increase in non-controlling interest of \$113,549 thousand on January 1, 2018.
- 8) Investments in debt instruments previously classified as available-for-sale financial assets under IAS 39 were classified as at fair value through other comprehensive income and with an assessment of expected credit losses under IFRS 9. As a result of retrospective application, the related adjustments comprised a decrease in retained earnings of \$34,446 thousand and an increase in other equity - unrealized gain or loss on financial assets at fair value through other comprehensive income of \$34,446 thousand on January 1, 2018. The increase of loss allowance of \$34,446 thousand was recognized in other comprehensive income so the adjustment did not reduce the book value.

On January 1, 2018, the amounts of loss allowance based on the occurrence of loss model under IAS 39 adjusted to the expected loss model under IFRS 9 were as follows:

Category	Allowance for Impairment Balance under IAS 39 and Amount under IAS 37	Reclassification	Remeasurement	Allowance for Impairment Balance under IFRS 9
Loans and receivables (IAS 39)/ financial assets at fair value through other comprehensive income (IFRS 9)				
Discounts and loans	\$ -	\$ -	\$ 18,478	\$ 18,478
Impairment adjustment according to related laws and regulations	-	236,113	(18,478)	217,635
	-	236,113	-	236,113
Loans and receivables (IAS 39)/ financial assets at amortized cost (IFRS 9)				
Cash and cash equivalents	-	-	476	476
Receivables	326,643	-	163,489	490,132
Discounts and loans	8,473,927	(248,386)	(382,886)	7,842,655
Other financial assets - debt instruments with no active market	-	-	23,388	23,388
Other financial assets - others	106,581	-	-	106,581
Impairment adjustment according to related laws and regulations	11,261,705	-	621,199	11,882,904
	20,168,856	(248,386)	425,666	20,346,136
Available-for-sale financial instruments (IAS 39)/financial assets at fair value through other comprehensive income (IFRS 9)				
Available-for-sale financial assets	335,594	-	(285,001)	50,593
Financial assets carried at cost	30,989	-	(30,989)	-
	366,583	-	(315,990)	50,593

(Continued)

Category	Allowance for Impairment Balance under IAS 39 and Amount under IAS 37	Reclassification	Remeasurement	Allowance for Impairment Balance under IFRS 9
<u>Available-for-sale financial asset (IAS 39)/ financial assets at amortized cost (IFRS 9)</u>				
Available-for-sale financial assets	\$ -	\$ -	\$ 110,780	\$ 110,780
<u>Held-to-maturity (IAS 39)/financial assets at amortized cost (IFRS 9)</u>				
Held-to-maturity financial assets	-	-	139,369	139,369
<u>Financial commitments and guarantees</u>				
Loans (financial commitments)	-	12,273	35,605	47,878
Credit card (financial commitments)	-	-	83,319	83,319
Guarantees receivable	33,578	-	13,346	46,924
Credit receivable	6,343	-	2,452	8,795
Impairment adjustment according to related laws and regulations	262,200	-	4,245	266,445
	<u>302,121</u>	<u>12,273</u>	<u>138,967</u>	<u>453,361</u>
	<u>\$ 20,837,560</u>	<u>\$ -</u>	<u>\$ 498,792</u>	<u>\$ 21,336,352</u>
				(Concluded)

- b. The Regulations Governing the Preparations of Financial Reports by Public Banks and the IFRSs endorsed by the FSC for application starting from 2019

New, Amended or Revised Standards and Interpretations (the "New IFRSs")	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
IFRS 16 "Leases"	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019 (Note 2)
Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures"	January 1, 2019
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019

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

Note 2: The Bank and its subsidiaries shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

- IFRS 16 "Leases"

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

Definition of a lease

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

The Bank and its subsidiaries as lessee

Upon initial application of IFRS 16, the Bank and its subsidiaries would recognize right-of-use assets, or investment properties if the right-of-use assets meet the definition of investment properties, and lease liabilities for all leases on the consolidated balance sheets except for low-value and short-term leases where lease payments would be recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Bank and its subsidiaries will present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal of lease liabilities will be classified within financing activities; cash payments for the interest will be classified within operating activities. Currently, payments under operating lease contracts, including property interest qualified as investment properties, are recognized as expenses on a straight-line basis. Cash flows for operating leases are classified within operating activities on the consolidated statements of cash flows. Leased assets and finance lease payables are recognized for contracts classified as finance leases.

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

Leasehold agreements which are currently accounted for as an operating lease under IAS 17, qualifies as an investment property. A lease liability for that leasehold will be recognized and measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. All of the right-of-use assets would be discounted at the aforementioned interest rate as measured by the amount of the lease liability (also the amount of prepaid or lease payable previously recognized would be adjusted) at that date and measured as if IFRS 16 had been applied at the commencement date of the lease. Except for the expected expediency (2), all other recognized right-of-use assets would be subject to impairment assessment under IAS 36.

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

- 1) The Bank and its subsidiaries will apply a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.
- 2) The Bank and its subsidiaries will adjust the right-of-use assets on January 1, 2019 by the amount of any provisions for onerous leases recognized as of December 31, 2018.
- 3) The Bank and its subsidiaries will exclude initial direct costs from the measurement of right-of-use assets on January 1, 2019.
- 4) The Bank and its subsidiaries will use hindsight, such as in determining lease terms, to measure lease liabilities.

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

If the Bank and its subsidiaries determine that a sale and leaseback transaction does not satisfy the requirements of IFRS 15 to be accounted for as a sale of an asset, it will be accounted for as a financing transaction. If it satisfies the requirements to be accounted for as a sale of an asset, the Bank and its subsidiaries will recognize only the amount of any gain or loss which relates to the rights transferred to the buyer-lessor. Currently, the leaseback portion is classified as either a finance lease or an operating lease and accounted for differently.

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

The Bank and its subsidiaries as lessor

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

Anticipated impact on assets, liabilities and equity - 2019

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

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

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

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020 (Note 2)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 1 and IAS 8 “Definition of Materiality”	January 1, 2020 (Note 3)

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

Note 3: The Bank and its subsidiaries shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

As of the date the consolidated financial statements were authorized for issue, the Bank and its subsidiaries is continuously assessing the possible impacts that the application of 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, the guidelines issued by the authority and IFRSs as endorsed and issued by the FSC.

Basis of Preparation

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

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

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

Classification of Current and Non-current Assets and Liabilities

Since the Bank's accounts are a major part of the consolidated accounts and the operating cycle in the banking industry is harder to determine, accounts included in the consolidated financial statements of the Bank and its subsidiaries were not classified as current or non-current. Nevertheless, accounts were properly categorized in accordance with the nature of each account and sequenced by their liquidity. Refer to Note 56 for the maturity analysis of assets and liabilities.

Basis of Consolidation

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

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

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

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

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

See Note 17 for the detailed information of subsidiaries (including the percentages of ownership and main businesses).

Foreign Currencies

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

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. 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 are recognized in profit or loss in the period in which they arise, but cash flow hedges or effective portions of the hedging of net investments in foreign operations are recognized in other comprehensive income.

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

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

Cash and Cash Equivalents

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

Investments in Associates

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

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

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

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

Financial Instruments

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

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

a. Financial assets

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

1) Measurement category

2018

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

a) Financial assets at fair value through profit or loss

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

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

Financial assets at fair value through profit or loss are subsequently measured at fair value, with any gain or loss arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note 55.

b) Financial assets at amortized cost

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

- i. The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

- i. The financial asset is held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of such financial asset; and
- ii. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

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

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

2017

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 its 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.

Financial assets at fair value through profit or loss are stated at fair value, and gains or losses arising on remeasurement are recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial assets. Fair value is determined in the manner described in Note 55.

b) Held-to-maturity financial assets

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

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

c) Available-for-sale financial assets

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

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

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

Available-for-sale equity investments with no quoted market prices in an active market and with fair value 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 loss is 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 loss. 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

2018

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

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

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

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

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

Under the loan risk classification guidelines of the China Banking Insurance Regulatory Commission (CBIRC), Fubon Bank (China) classifies its credit assets into normal, concern, subprime, doubtful, and losses. Based on “Notice of the Shanghai Banking Regulatory Bureau Office of Fubon Bank (China) 2018 Annual Loan Loss Liability Reserve Supervision Requirements”, the minimum provision requirement for loan loss coverage is 1.8% and the minimum allowance for bad debts is 130%; 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.

2017

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

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

a) Financial assets carried at amortized cost

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

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

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

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

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

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

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

b) Available-for-sale financial assets

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

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

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

c) Financial assets carried at cost

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

The Bank and its subsidiaries recognize an impairment loss on all financial assets with a corresponding adjustment to their carrying amount through a loss allowance account. 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.

Before 2018, 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 was recognized in profit or loss. Starting from 2018, on derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in a debt instrument at fair value through other comprehensive income, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at fair value through other comprehensive income, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

On the partial derecognition of a financial asset (e.g., when the Bank and its subsidiaries retain an option to repurchase part of a transferred asset), the Bank and its subsidiaries allocate the previous carrying amount of the financial asset between the part they continue to recognize under continuing involvement and the part they no longer recognize on the basis of the respective fair value of these parts on the date of the transfer. Before 2018, 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. Starting from 2018, the difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part that is no longer recognized is treated in the same way as when the financial asset is derecognized in entirety. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of their respective fair value.

b. Equity instruments

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

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

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

c. Financial liabilities

1) Subsequent measurement

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

a) Financial liabilities at fair value through profit or loss

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

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

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

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

For a financial liability designated as at fair value through profit or loss, the amount of changes in fair value attributable to changes in the credit risk of the liability is presented in other comprehensive income and will not be subsequently reclassified to profit or loss. The remaining amount of changes in the fair value of that liability which incorporates any interest or dividend paid on the financial liability is presented in profit or loss. The gain or loss accumulated in other comprehensive income will be transferred to retained earnings when the financial liabilities are derecognized. If this accounting treatment related to credit risk would create or enlarge an accounting mismatch, all changes in fair value of the liability are presented in profit or loss. Fair value is determined in the manner described in Note 55.

b) Financial guarantee contracts

2018

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

2017

Financial guarantee contracts issued by the Bank and its subsidiaries are initially measured at their fair value 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, and assessed according to the minimum standard stipulated by “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/Nonaccrual Loans”.

2) Derecognition of financial liabilities

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

d. Derivative financial instruments

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

Before 2018, derivatives embedded in non-derivative host contracts were treated as separate derivatives when they met 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. Starting from 2018, derivatives embedded in hybrid contracts that contain financial asset host that is within the scope of IFRS 9 are not separated; instead, the classification is determined in accordance with the entire hybrid contract. Derivatives embedded in non-derivative host contracts that are not financial assets that is within the scope of IFRS 9 (e.g. financial liabilities) are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts, and the host contracts are not measured at fair value through profit or loss.

Hedge Accounting

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

At the start of a hedge relationship, the Bank and its subsidiaries document the relationship between the hedging instrument and the hedged item, along with their risk management objectives and their strategy for undertaking various hedge transactions. Further, at the start of the hedge and on an ongoing basis, the Bank and its subsidiaries document whether the hedging instrument is highly effective in offsetting the exposure to adverse changes in fair value or cash flows of the hedged item. Note 11 sets out the details of the fair value of the derivative instruments used for hedging purposes.

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.

Before 2018, 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. Starting from 2018, the Bank and its subsidiaries discontinue hedge accounting only when the hedging relationship ceases to meet the qualifying criteria; for instance, when the hedging instrument expires or is sold, terminated or exercised. The fair value adjustment to the carrying amount of the hedged instrument, for which the effective interest method is used is amortized to profit or loss from the date of the discontinuation of hedge accounting. The adjustment is based on the recalculated effective interest rate at the date amortization begins.

Repurchase and Resell Transactions

Securities under repurchase or resell 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 accumulated depreciation and accumulated impairment loss.

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

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

Investment Properties

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

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

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

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

Goodwill

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

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

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

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

Intangible Assets

a. Intangible assets acquired separately

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

b. Intangible assets acquired in a business combination

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

c. Derecognition of intangible assets

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

Impairment of Tangible and Intangible Assets Other than Goodwill

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

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

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

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

Employee Benefits

a. Short-term employee benefits

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

b. Retirement benefits

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

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

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

c. Other long-term employee benefits

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

d. Employee benefit - employees' preferential deposits

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

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

Income Tax

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

a. Current tax

Based on the Income Tax Law, an additional tax rate 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 year's tax provision.

b. Deferred tax

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

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

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

c. Current and deferred taxes for the year

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

Recognition of Interest Income and Interest Expense

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

Recognition of Service Fee Income and Service Fee Expense

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

Business Combinations

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

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

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

a. Estimated impairment loss on financial assets - 2018

Estimated impairment loss on loans, accounts receivable, investments in debt instruments, and financial guarantee contracts was based on the assumptions about the probability of default and the expected loss rate made by the Bank and its subsidiaries. The Bank and its subsidiaries considered historical experience, existing market conditions, and forward-looking estimates in making the assumptions and in choosing the inputs to the impairment assessment. Refer to Note 56 for related information about material assumptions adopted. When the actual cash flows in the future are less than expected, a material impairment loss may arise.

b. Estimated impairment on loans and receivables - 2017

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

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 units and to use a discount rate suited to the calculation of the present value of the cash flows. When the actual future cash flows are less than expected, a material impairment loss may arise.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2018	2017
Cash on hand	\$ 6,578,289	\$ 6,420,505
Due from other banks, net	43,078,555	62,006,437
Notes and checks for clearing	<u>7,334,967</u>	<u>4,895,628</u>
	<u>\$ 56,991,811</u>	<u>\$ 73,322,570</u>

Cash and cash equivalents are assessed for impairment using the approach similar to those used for investments in debt instruments (refer to Note 56). The Bank and its subsidiaries consider their cash and cash equivalents to have low credit risk, so their loss allowance evaluation is on a 12-month expected credit loss basis. As of December 31, 2018, a loss allowance of \$2,825 thousand was recognized.

Refer to the consolidated statements of cash flows for the reconciliation of the amounts in the consolidated statements of cash flows with the equivalent items reported in the consolidated balance sheets as of December 31, 2018 and 2017. The adjustments as of January 1, 2018 are as follows:

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

	January 1, 2018
Cash and cash equivalents classified as loans and receivables under IAS 39	\$ 73,322,570
Adjustment on initial application of IFRS 9	<u>(476)</u>
Cash and cash equivalents classified as financial assets at amortized cost under IFRS 9	73,322,094
Due from the Central Bank and call loans to other banks qualifying as cash and cash equivalents based on the definition of IAS 7 “Statement of Cash Flows”	73,713,274
Securities purchased under resell agreements qualifying as cash and cash equivalents based on the definition of IAS 7 “Statement of Cash Flows”	<u>15,434,688</u>
Cash and cash equivalents in the consolidated statements of cash flows	<u>\$ 162,470,056</u>

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

	December 31	
	2018	2017
Call loans to banks	\$ 131,727,285	\$ 117,407,783
Deposit reserves	73,627,393	85,571,233
Due from the Central Bank - others	<u>10,118,934</u>	<u>11,401,596</u>
	<u>\$ 215,473,612</u>	<u>\$ 214,380,612</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, 2018 and 2017, deposit reserves for checking accounts are amounted to \$16,937,378 thousand and \$21,746,374 thousand, respectively, and the required deposit reserves are amounted to \$34,386,173 thousand and \$34,658,540 thousand, respectively. The deposit reserves for checking accounts are not interest bearing and may be withdrawn anytime. The required deposit reserves are subject to withdrawal restrictions. In addition, foreign-currency deposit reserves are determined at a prescribed percentage of the balances of foreign-currency deposits. These reserves may be withdrawn anytime but bear no interests.

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

Due from the Central Bank and call loans to other banks pledged as collateral are disclosed in Note 51.

8. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2018	2017
<u>Held-for-trading financial assets</u>		
Government bonds	\$ -	\$ 24,038,654
Corporate bonds	-	19,447,273
Commercial paper	-	7,197,470
Bank debentures	-	5,665,506
Others	-	<u>300,362</u>
	<u>-</u>	<u>56,649,265</u>
Derivatives		
Currency swap contracts	-	17,958,720
Interest rate swap contracts	-	2,872,162
Cross-currency swap contracts	-	2,099,560
Forward contracts	-	1,203,138
Equity swap contracts	-	1,136,652
Option contracts	-	206,783
Others	-	<u>213,563</u>
	<u>-</u>	<u>25,690,578</u>
	<u>-</u>	<u>82,339,843</u>
<u>Financial assets designated as at fair value through profit or loss</u>		
Convertible corporate bonds	-	5,915,972
Credit-linked notes	-	<u>1,102,092</u>
	<u>-</u>	<u>7,018,064</u>
<u>Financial assets mandatorily measured as at fair value through profit or loss</u>		
Non-derivatives		
Government bonds	21,338,038	-
Corporate bonds	16,886,836	-
Bank debentures	14,642,347	-
Commercial paper	11,951,247	-
Convertible corporate bonds	4,711,804	-
Credit-linked notes	1,413,866	-
Others	<u>1,161,430</u>	-
	<u>72,105,568</u>	<u>-</u>
Derivatives		
Currency swap contracts	20,630,627	-
Interest rate swap contracts	3,053,722	-
Cross-currency swap contracts	2,136,404	-
Option contracts	793,784	-
Equity swap contracts	563,700	-
Forward contracts	422,906	-
Others	<u>311,383</u>	-
	<u>27,912,526</u>	<u>-</u>
Financial assets at fair value through profit or loss	<u>\$ 100,018,094</u>	<u>\$ 89,357,907</u>

(Continued)

	December 31	
	2018	2017
<u>Held-for-trading financial liabilities</u>		
Derivatives		
Currency swap contracts	\$ 23,322,869	\$ 20,385,367
Interest rate swap contracts	2,880,876	2,743,457
Cross-currency swap contracts	1,681,454	2,281,187
Option contracts	1,048,704	766,410
Forward contracts	822,989	731,045
Equity swap contracts	563,554	1,136,461
Others	<u>6,159</u>	<u>26,966</u>
	<u>30,326,605</u>	<u>28,070,893</u>
Financial liabilities at fair value through profit or loss	<u>\$ 30,326,605</u>	<u>\$ 28,070,893</u> (Concluded)

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

The above financial assets were designated as at fair value through profit or loss because the assets were hybrid instruments. The contract was designated as at fair value through profit or loss under IAS 39. But under IFRS 9, the entire contract is assessed and classified mandatorily as at fair value through profit or loss since it contained a host that is an asset within the scope of IFRS 9.

The contract (notional) amounts of the Bank and its subsidiaries' outstanding derivative financial instruments as of December 31, 2018 and 2017 are summarized as follows:

	December 31	
	2018	2017
Currency swap contracts	\$ 3,320,172,973	\$ 2,994,791,085
Interest rate swap contracts	716,109,948	850,840,735
Futures contracts	276,268,315	26,644,383
Option contracts	146,716,029	71,651,700
Cross-currency swap contracts	136,692,745	118,166,397
Forward contracts	109,052,031	110,355,823
Equity swap contracts	7,948,908	11,114,397
Commodity swap contracts	271,341	4,020,236

Gains on financial assets and liabilities at fair value through profit or loss for the years ended December 31, 2018 and 2017 were as follows:

	For the Year Ended December 31	
	2018	2017
Net gain on financial assets and liabilities mandatorily measured as at fair value through profit or loss	\$ 4,550,003	\$ -
Net gain on financial assets and liabilities held-for-trading	-	5,668,176
Net loss on financial assets designated as at fair value through profit or loss	<u>-</u>	<u>(25,686)</u>
	<u>\$ 4,550,003</u>	<u>\$ 5,642,490</u>

Financial assets at fair value through profit or loss sold under repurchase agreements are disclosed in Note 28, and those pledged as collateral are disclosed in Note 51.

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - 2018

	December 31, 2018
Investments in equity instruments at fair value through comprehensive income	\$ 5,723,000
Investments in debt instruments at fair value through comprehensive income	<u>152,103,117</u>
	<u>\$ 157,826,117</u>

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

	December 31, 2018
Listed shares and emerging market shares	\$ 2,014,115
Unlisted shares	1,430,705
Others	<u>2,278,180</u>
	<u>\$ 5,723,000</u>

Since the Bank and its subsidiaries hold part of the equity instruments for the purpose of strategic investment instead of for trading, the management elected to designate these investments in equity instruments as at fair value through other comprehensive income. These investments in equity instruments were classified as available-for-sale under IAS 39. Refer to Notes 3, 15 and 20 for information relating to their reclassification and comparative information for 2017.

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

Dividends of \$171,793 thousand were recognized during the year ended December 31, 2018. Those related to investments held as of December 31, 2018 was \$171,793 thousand.

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

	December 31, 2018
Bank debentures	\$ 59,302,510
Corporate bonds	24,772,660
Commercial paper	24,664,294
Discount notes	18,574,425
Negotiable certificates of deposits	16,016,515
Government bonds	8,247,814
Others	<u>524,899</u>
	<u>\$ 152,103,117</u>

Partial investments in debt instruments of the Bank and its subsidiaries were classified as available-for-sale financial assets under IAS 39. Refer to Notes 3 and 15 for information relating to their reclassification and comparative information for 2017.

Discount notes invested in by Fubon Bank (China) were classified as loans and receivables under IAS 39. Refer to Notes 3 and 14 for information relating to their reclassification and comparative information for 2017.

Refer to Note 56 for information relating to the credit risk management and impairment of debt instruments at fair value through other comprehensive income.

Investments in debt instruments at fair value through other comprehensive income sold under repurchase agreements are disclosed in Note 28.

10. INVESTMENTS IN DEBT INSTRUMENTS MEASURED AT AMORTIZED COST - 2018

	December 31, 2018
Negotiable certificates of deposits	\$ 283,140,855
Corporate bonds (Note 11)	152,132,392
Bank debentures (Note 11)	103,451,249
Government bonds	58,120,900
Others	<u>9,485,911</u>
	606,331,307
Less: Allowance for impairment loss	<u>244,586</u>
	<u>\$ 606,086,721</u>

Partial investments in debt instruments of the Bank and its subsidiaries were classified as held-to-maturity financial assets under IAS 39. Refer to Notes 3 and 16 for information relating to their reclassification and comparative information for 2017.

Investments in debt instruments under hedge accounting of the Bank and its subsidiaries were classified as available-for-sale financial assets under IAS 39. Refer to Notes 3 and 11 for information relating to their reclassification and comparative information for 2017.

Partial investments in debt instruments of the Bank and its subsidiaries were classified as debt investments with no active market under IAS 39. Refer to Notes 3 and 20 for information relating to their reclassification and comparative information for 2017.

Refer to Note 56 for information relating to the credit risk management and impairment of investments in debt instruments measured at amortized cost.

Investments in debt instruments measured at amortized cost sold under repurchase agreements are disclosed in Note 28, and those pledged as collateral are disclosed in Note 51.

11. FINANCIAL INSTRUMENTS FOR HEDGING

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
<u>Financial assets for hedging</u>		
Fair value hedge - interest rate swap	<u>\$ 1,816,774</u>	<u>\$ 1,048,870</u>
<u>Financial liabilities for hedging</u>		
Fair value hedge - interest rate swap	<u>\$ 2,411,422</u>	<u>\$ 1,369,923</u>

Fair Value Hedges

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

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

December 31, 2018

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

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

For the year ended December 31, 2018

Comprehensive Income	Gains on Ineffective Hedge Recognized in Comprehensive Income For the Year Ended December 31, 2018	Comprehensive Income Statement Line Item in Which Hedge Ineffectiveness Is Included
Fair value hedge		
Bank debentures	<u>\$ 1,917</u>	Gains on financial assets and liabilities at fair value through profit or loss

2017

Hedged Item	Financial Instruments Designated as Hedging Instruments	December 31, 2017	
		Nominal Amount	Fair Value
Bank debentures	Interest rate swap contract	\$ 48,328,858	\$ (265,408)
Available-for-sale financial assets - corporate bonds	Interest rate swap contract	61,471,239	(63,324)
Available-for-sale financial assets - bank debentures	Interest rate swap contract	3,401,059	7,679

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

	For the Year Ended December 31, 2017
Gains on hedging instruments	<u>\$ 672,525</u>
Gains on hedged items	<u>\$ 294,235</u>

12. SECURITIES PURCHASED UNDER RESELL AGREEMENTS

	December 31	
	2018	2017
Commercial paper	\$ 6,220,465	\$ 3,074,769
Corporate bonds	3,995,738	2,210,309
Bank debentures	1,250,371	7,154,617
Government bonds	<u>300,052</u>	<u>2,994,993</u>
	<u>\$ 11,766,626</u>	<u>\$ 15,434,688</u>
Dates of resell agreements	2019.01.03 - 2019.01.23	2018.01.02 - 2018.01.30
Amounts of resell agreements	\$ 11,771,008	\$ 16,321,038

13. RECEIVABLES, NET

	December 31	
	2018	2017
Credit card receivables	\$ 39,039,447	\$ 37,453,670
Acceptances	20,226,005	12,359,200
Accounts receivable - factoring	19,728,519	17,959,027
Interest receivables	12,240,630	9,476,557
Accounts receivable	2,659,273	2,579,432
Others	<u>2,153,881</u>	<u>2,000,821</u>
	96,047,755	81,828,707
Less: Allowance for impairment loss	<u>761,335</u>	<u>505,798</u>
	<u>\$ 95,286,420</u>	<u>\$ 81,322,909</u>

The Bank and its subsidiaries have accrued an allowance for impairment loss on receivables. Refer to Notes 21 and 56 for information relating to the credit risk management and impairment of receivables.

Refer to Note 51 for those receivables pledged as collateral.

14. DISCOUNTS AND LOANS, NET

	December 31	
	2018	2017
Discounts and overdrafts	\$ 3,060,676	\$ 19,363,814
Accounts receivable - financing	3,726,273	2,674,838
Short-term loans	277,683,447	324,984,791
Short-term secured loans	92,464,046	85,465,214
Medium-term loans	243,196,838	248,797,720
Medium-term secured loans	137,771,246	114,646,000
Long-term loans	43,491,715	45,389,548
Long-term secured loans	610,758,989	555,942,535
Import and export bill negotiation	2,507,994	2,775,266
Nonperforming loans transferred from loans	<u>3,384,212</u>	<u>3,835,277</u>
	1,418,045,436	1,403,875,003
Less: Allowance for impairment loss	19,445,590	19,556,583
Less: Adjustments of premium and discount	<u>604,985</u>	<u>563,794</u>
	<u>\$ 1,397,994,861</u>	<u>\$ 1,383,754,626</u>

During the years ended December 31, 2018 and 2017, the Bank and its subsidiaries had not written off any credit that had not been subject to legal proceedings.

The Bank and its subsidiaries have an allowance for impairment loss on discounts and loans. Refer to Notes 21 and 56 for information relating to the credit risk management and impairment of discounts and loans.

Fubon Bank (China)'s investments in unexpired notes sold under repurchase agreements are disclosed in Note 28.

15. AVAILABLE-FOR-SALE FINANCIAL ASSETS, NET - 2017

	December 31, 2017
Corporate bonds	\$ 76,647,522
Commercial paper	45,727,555
Bank debentures	42,385,590
Negotiable certificates of deposits	26,333,974
Government bonds	11,324,398
Stock	2,835,961
Other	<u>1,173,296</u>
	206,428,296
Less: Accumulated impairment loss	<u>335,594</u>
	<u>\$ 206,092,702</u>

Available-for-sale financial assets sold under repurchase agreements are disclosed in Note 28.

16. HELD-TO-MATURITY FINANCIAL ASSETS - 2017

	December 31, 2017
Negotiable certificates of deposits	\$ 297,799,294
Government bonds	74,692,797
Corporate bonds	48,125,277
Bank debentures	41,210,495
Others	<u>3,011,323</u>
	<u>\$ 464,839,186</u>

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

Held-to-maturity financial assets sold under repurchase agreement are disclosed in Note 28, and those pledged as collateral are disclosed in Note 51.

17. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements

Investor	Investee	Nature of Activities	Percentage of Ownership	
			2018	2017
TAIPEI FUBON Bank	Fubon Bank (China)	Bank	51%	51%

b. Material non-controlling interests

Subsidiary	Principal Place of Business	Percentage of Ownership and Voting Rights Held by Non-controlling Interests	
		December 31	
		2018	2017
Fubon Bank (China)	China	49%	49%

Subsidiary	Profit Allocated to Non-controlling Interests		Accumulated Non-controlling Interests	
	For the Year Ended December 31		December 31	
	2018	2017	2018	2017
Fubon Bank (China)	\$ 206,958	\$ 153,120	\$ 18,529,264	\$ 18,467,092

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

Fubon Bank (China)

	December 31	
	2018	2017
Total assets	\$ 352,719,741	\$ 356,538,200
Total liabilities	<u>(313,061,378)</u>	<u>(316,959,908)</u>
Equity	<u>\$ 39,658,363</u>	<u>\$ 39,578,292</u>
Equity attributable to:		
Owners of the Bank	\$ 21,129,099	\$ 21,111,200
Non-controlling interests	<u>18,529,264</u>	<u>18,467,092</u>
	<u>\$ 39,658,363</u>	<u>\$ 39,578,292</u>
	For the Year Ended December 31	
	2018	2017
Total net revenue	<u>\$ 4,657,070</u>	<u>\$ 4,005,655</u>
Net income for the year	\$ 422,364	\$ 312,490
Other comprehensive loss for the year	<u>(213,599)</u>	<u>(962,182)</u>
Total comprehensive income (loss) for the year	<u>\$ 208,765</u>	<u>\$ (649,692)</u>
Net income attributable to:		
Owners of the Bank	\$ 215,406	\$ 159,370
Non-controlling interests	<u>206,958</u>	<u>153,120</u>
	<u>\$ 422,364</u>	<u>\$ 312,490</u>

(Continued)

	December 31	
	2018	2017
Total comprehensive income (loss) attributable to:		
Owners of the Bank	\$ 83,534	\$ (343,559)
Non-controlling interests	<u>125,231</u>	<u>(306,133)</u>
	<u>\$ 208,765</u>	<u>\$ (649,692)</u>
Net cash (outflow) inflow from:		
Operating activities	\$ (476,176)	\$ (955,564)
Investing activities	(160,922)	135,955
Financing activities	(351,006)	(1,577,833)
		(Concluded)

18. INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES

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

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

- b. The carrying amounts of the Bank and its subsidiaries' involvement with the structured entities, which were recognized in the consolidated balance sheets as of December 31, 2018 and 2017, were as follows:

	December 31	
	2018	2017
Asset securitization		
Financial assets at fair value through other comprehensive income	\$ 2,278,180	\$ -
Investments in debt instruments measured at amortized cost	2,940,482	-
Financial assets at fair value through profit or loss	-	300,362
Available-for-sale financial assets	-	463,569
Held-to-maturity financial assets	-	400,659
Trust plan		
Financial assets at fair value through other comprehensive income	133,983	-
Available-for-sale financial assets	<u>-</u>	<u>137,385</u>
	<u>\$ 5,352,645</u>	<u>\$ 1,301,975</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 entities for the years ended December 31, 2018 and 2017.

19. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	<u>December 31</u>	
	2018	2017
Associates that are not individually material	<u>\$ 3,255,009</u>	<u>\$ 107,775</u>
Information of associates that are not individually material:		
	<u>For the Year Ended December 31</u>	
	2018	2017
The Bank and its subsidiaries' share of:		
Net (loss) income	\$ (4,177)	\$ 7,896
Other comprehensive income (loss)	<u>-</u>	<u>(13,810)</u>
Total comprehensive loss for the year	<u>\$ (4,177)</u>	<u>\$ (5,914)</u>

In 2018, the Bank and its subsidiaries acquired a number of associates that were not individually material. The goodwill generated by these acquisitions was \$1,977,457 thousand, it was disclosed in the cost of investments in associates.

The Bank and its subsidiaries' share of profit and other comprehensive income (loss) of the associate for the years ended December 31, 2018 and 2017 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.

20. OTHER FINANCIAL ASSETS, NET

	<u>December 31</u>	
	2018	2017
Other banks' deposits not qualifying as cash equivalents	\$ 14,389,075	\$ 42,108,916
Nonperforming loans transferred from other than loans	92,755	126,413
Bills purchased	231	1,233
Debt instruments with no active market - 2017	-	53,939,260
Financial assets carried at cost, net - 2017	<u>-</u>	<u>1,026,646</u>
	14,482,061	97,202,468
Less: Allowance for impairment loss	<u>73,841</u>	<u>106,475</u>
	<u>\$ 14,408,220</u>	<u>\$ 97,095,993</u>

a. Debt instruments with no active market - 2017

	December 31, 2017
Bank debentures	\$ 30,552,336
Corporate bonds	<u>23,386,924</u>
	<u>\$ 53,939,260</u>

b. Financial assets at cost, net - 2017

	December 31, 2017
Unlisted common stock	\$ 1,057,635
Less: Accumulated impairment loss	<u>30,989</u>
	<u>\$ 1,026,646</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 value 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 loss at the end of the reporting period.

Refer to Notes 21 and 56 for information relating to the credit risk management and impairment of other financial assets.

Other financial assets sold under repurchase agreements are disclosed in Note 28, and those pledged as collateral are disclosed in Note 51.

21. ALLOWANCE FOR IMPAIRMENT LOSSES

The movements of allowance for credit losses and reserve for losses on guarantees for the year ended December 31, 2017 are summarized as follows (for more information, refer to Note 56):

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

22. PROPERTY AND EQUIPMENT, NET

	For the Year Ended December 31, 2018							Total
	Land	Buildings	Machinery and Computer Equipment	Transportation Equipment	Office and Other Equipment	Leasehold Impairments	Construction in Progress and Prepayments for Equipment	
<i>Cost</i>								
Balance at January 1, 2018	\$ 6,532,514	\$ 11,304,474	\$ 3,287,166	\$ 278,634	\$ 1,174,931	\$ 1,878,209	\$ 1,574,298	\$ 26,030,226
Additions	-	47,944	300,776	33,887	113,209	323,427	870,333	1,689,576
Disposals	(130,522)	(77,309)	(60,250)	(11,631)	(39,024)	(111,281)	-	(430,017)
Reclassification	2,661	151,498	153,873	3,215	19,497	424,777	(1,080,904)	(325,383)
Effect of foreign currency exchange differences	-	(178,308)	(11,906)	(549)	(6,665)	(5,836)	(69)	(203,333)
Balance at December 31, 2018	<u>6,404,653</u>	<u>11,248,299</u>	<u>3,669,659</u>	<u>303,556</u>	<u>1,261,948</u>	<u>2,509,296</u>	<u>1,363,658</u>	<u>26,761,069</u>

(Continued)

For the Year Ended December 31, 2018								
	Land	Buildings	Machinery and Computer Equipment	Transportation Equipment	Office and Other Equipment	Leasehold Impairments	Construction in Progress and Prepayments for Equipment	Total
<u>Accumulated depreciation and impairment</u>								
Balance at January 1, 2018	\$ -	\$ 2,516,674	\$ 2,118,521	\$ 212,760	\$ 730,154	\$ 886,700	\$ -	\$ 6,464,809
Depreciation	-	262,505	432,852	21,433	117,238	280,110	-	1,114,138
Impairment losses	4,962	14,010	-	-	-	-	-	18,972
Disposals	-	(28,621)	(59,792)	(11,361)	(38,162)	(110,547)	-	(248,483)
Reclassification	(4,962)	(29,636)	-	-	-	-	-	(34,598)
Effect of foreign currency exchange differences	-	(24,177)	(6,900)	(619)	(6,226)	(2,051)	-	(39,973)
Balance at December 31, 2018	-	2,710,755	2,484,681	222,213	803,004	1,054,212	-	7,274,865
Carrying amount at December 31, 2018	<u>\$ 6,404,653</u>	<u>\$ 8,537,544</u>	<u>\$ 1,184,978</u>	<u>\$ 81,343</u>	<u>\$ 458,944</u>	<u>\$ 1,455,084</u>	<u>\$ 1,363,658</u>	<u>\$ 19,486,204</u>

(Concluded)

For the Year Ended December 31, 2017								
	Land	Buildings	Machinery and Computer Equipment	Transportation Equipment	Office and Other Equipment	Leasehold Impairments	Construction in Progress and Prepayments for Equipment	Total
<u>Cost</u>								
Balance at January 1, 2017	\$ 7,066,805	\$ 11,818,676	\$ 3,161,049	\$ 282,275	\$ 1,125,629	\$ 1,445,426	\$ 1,716,649	\$ 26,616,509
Additions	-	60,023	229,482	25,059	151,264	209,484	1,199,573	1,874,885
Disposals	(481,189)	(812,734)	(305,072)	(27,302)	(112,024)	(82,773)	-	(1,821,094)
Reclassification	(53,102)	337,709	212,610	-	22,633	312,832	(1,330,972)	(498,290)
Effect of foreign currency exchange differences	-	(99,200)	(10,903)	(1,398)	(12,571)	(6,760)	(10,952)	(141,784)
Balance at December 31, 2017	6,532,514	11,304,474	3,287,166	278,634	1,174,931	1,878,209	1,574,298	26,030,226
<u>Accumulated depreciation and impairment</u>								
Balance at January 1, 2017	-	2,477,089	2,028,221	219,486	746,130	762,683	-	6,233,609
Depreciation	-	261,668	392,597	21,053	98,390	199,826	-	973,534
Impairment losses	-	199	-	-	-	-	-	199
Disposals	-	(200,224)	(295,792)	(26,797)	(109,350)	(72,377)	-	(704,540)
Reclassification	-	(13,446)	-	-	-	-	-	(13,446)
Effect of foreign currency exchange differences	-	(8,612)	(6,505)	(982)	(5,016)	(3,432)	-	(24,547)
Balance at December 31, 2017	-	2,516,674	2,118,521	212,760	730,154	886,700	-	6,464,809
Carrying amount at December 31, 2017	<u>\$ 6,532,514</u>	<u>\$ 8,787,800</u>	<u>\$ 1,168,645</u>	<u>\$ 65,874</u>	<u>\$ 444,777</u>	<u>\$ 991,509</u>	<u>\$ 1,574,298</u>	<u>\$ 19,565,417</u>

For the years ended December 31, 2018 and 2017, the Bank transferred some of its properties into investment properties measured at fair value, and had them revalued at the point of change of use. However, the recoverable amount of \$47,284 thousand and \$100 thousand, respectively, were lower than their carrying amounts; thus, impairment losses of \$18,972 thousand and \$199 thousand, respectively, were recognized for the years ended December 31, 2018 and 2017.

The Bank determined the recoverable amount on the basis of the fair value less costs of disposal. The fair value of the recoverable amount was categorized as a Level 3 measurement and was measured using the income approach. Refer to Note 23 for the valuation techniques and key assumptions applied for fair value measurement.

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

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

23. INVESTMENT PROPERTIES

Item	December 31	
	2018	2017
Land	\$ 2,488,744	\$ 2,562,120
Buildings	<u>305,456</u>	<u>328,780</u>
	<u>\$ 2,794,200</u>	<u>\$ 2,890,900</u>

The movements of investment properties are shown below:

	For the Year Ended December 31	
	2018	2017
Balance, beginning of the year	\$ 2,890,900	\$ 2,641,500
Disposal	(99,500)	-
Reclassification	(3,176)	230,731
Change in fair value of investment properties	<u>5,976</u>	<u>18,669</u>
Balance, end of the year	<u>\$ 2,794,200</u>	<u>\$ 2,890,900</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, 2018 and 2017 were based on the valuations carried out on these dates by independent qualified professional appraisers, Dai Guang-Ping, Chang Hung-Kai, Chang Yi-Chih and Yeh Yu-Fen, from the real estate appraisal company, Savills plc, a duly certified ROC real estate appraiser.

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

	December 31	
	2018	2017
Expected future cash inflows	\$ 4,054,750	\$ 4,250,831
Expected future cash outflows	<u>(126,909)</u>	<u>(135,521)</u>
Expected future cash inflows, net	<u>\$ 3,927,841</u>	<u>\$ 4,115,310</u>
Discount rate	3.845%	3.845%

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

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

As of December 31, 2018 and 2017, the discount rate was based on the interest rate for two-year time deposits as posted by Chunghwa Post Co., Ltd., plus 0.75%, and an asset-specific risk premium of 2%.

For the years ended December 31, 2018 and 2017, the rental income and direct operating expense from investment properties of the Bank and its subsidiaries were as follows:

	For the Year Ended December 31	
	2018	2017
Rental income	\$ 89,712	\$ 83,481
Direct operating expenses	9,730	10,120
Direct operating expenses from investment properties not earning rental income	-	-

24. INTANGIBLE ASSETS, NET

	December 31	
	2018	2017
Core deposits	\$ 6,038,562	\$ 6,586,330
Banking licenses and operating rights	5,500,561	5,632,923
Goodwill	2,077,594	2,124,404
Computer software	1,085,827	872,238
Customer relationships	63,609	74,487
Others	<u>2,000</u>	<u>2,000</u>
	<u>\$ 14,768,153</u>	<u>\$ 15,292,382</u>

The movements of intangible assets are listed below:

	For the Year Ended December 31					
	2018			2017		
	Goodwill	Others	Total	Goodwill	Others	Total
Balance, beginning of the year	\$ 2,124,404	\$ 13,167,978	\$ 15,292,382	\$ 2,149,336	\$ 13,629,801	\$ 15,779,137
Additions	-	277,664	277,664	-	218,643	218,643
Disposal	-	-	-	-	(655)	(655)
Amortizations	-	(770,285)	(770,285)	-	(758,448)	(758,448)
Reclassification	-	300,776	300,776	-	248,069	248,069
Effect of foreign currency exchange differences	<u>(46,810)</u>	<u>(285,574)</u>	<u>(332,384)</u>	<u>(24,932)</u>	<u>(169,432)</u>	<u>(194,364)</u>
Balance, end of the year	<u>\$ 2,077,594</u>	<u>\$ 12,690,559</u>	<u>\$ 14,768,153</u>	<u>\$ 2,124,404</u>	<u>\$ 13,167,978</u>	<u>\$ 15,292,382</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 intangible assets that have indefinite useful lives, the other intangible assets are amortized on a straight-line basis over their estimated useful lives as follows:

Core deposits	10-23 years
Operating rights	97 years
Computer software	3-10 years
Customer relationships	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, 2018 and 2017, showed there was no material goodwill impairment.

25. OTHER ASSETS

	December 31	
	2018	2017
Refundable deposits	\$ 10,466,563	\$ 4,910,745
Prepaid expense	669,748	332,341
Other deferred charges	284,434	350,671
Collateral assumed, net	53,593	87,926
Others	<u>270,020</u>	<u>190,435</u>
	<u>\$ 11,744,358</u>	<u>\$ 5,872,118</u>

26. DEPOSITS FROM THE CENTRAL BANK AND BANKS

	December 31	
	2018	2017
Call loans	\$ 133,943,289	\$ 122,904,577
Due to the Central Bank and other banks	4,252,049	7,214,233
Others	<u>549,909</u>	<u>846,704</u>
	<u>\$ 138,745,247</u>	<u>\$ 130,965,514</u>

27. DUE TO THE CENTRAL BANK AND BANKS

	December 31	
	2018	2017
Central Bank rediscounts	\$ 442,461	\$ -
Funds borrowed from other banks	<u>-</u>	<u>5,386,206</u>
	<u>\$ 442,461</u>	<u>\$ 5,386,206</u>

28. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

	December 31	
	2018	2017
Corporate bonds	\$ 75,544,896	\$ 34,675,242
Bank debentures	22,020,057	29,567,438
Government bonds	14,996,680	21,838,271
Discounted notes	8,622,038	6,560,623
Negotiable certificates of deposits	<u>123,872</u>	<u>5,384,001</u>
	<u>\$ 121,307,543</u>	<u>\$ 98,025,575</u>
Dates of repurchase agreements	2019.01.02- 2019.08.14	2018.01.02- 2018.05.31
Amounts of repurchase agreements	\$ 121,955,488	\$ 98,521,376

As of December 31, 2018 and 2017, the Bank and its subsidiaries' investments were as follows:

	December 31	
	2018	2017
Financial assets at fair value through other comprehensive income	\$ 18,167,014	\$ -
Investments in debt instruments measured at amortized cost	113,785,581	-
Financial assets at fair value through profit or loss	-	1,004,618
Discounted notes	153,551	6,461,588
Available-for-sale financial assets	-	50,953,338
Held-to-maturity financial assets	-	41,179,732
Other financial assets - debt instruments with no active market	-	4,398,597

29. PAYABLES

	December 31	
	2018	2017
Acceptances	\$ 20,221,756	\$ 12,339,399
Clearing notes payable	7,367,051	4,938,243
Accrued interest	6,701,352	5,269,613
Accrued expenses	4,873,895	4,093,482
Accounts payable - factoring	4,428,229	4,529,743
Accrued payroll and transfer of provisional funds	3,021,767	2,757,486
Accounts payable	2,541,864	477,636
Others	<u>2,429,922</u>	<u>2,638,687</u>
	<u>\$ 51,585,836</u>	<u>\$ 37,044,289</u>

30. DEPOSITS AND REMITTANCES

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
Checking	\$ 11,341,915	\$ 12,792,037
Public treasury	64,455,592	26,883,971
Demand	448,130,148	462,337,248
Savings	855,423,431	829,428,769
Time	581,623,458	644,655,046
Negotiable certificates of deposit	70,171,153	90,929,497
Outward remittances	<u>1,136,093</u>	<u>891,525</u>
	<u>\$ 2,032,281,790</u>	<u>\$ 2,067,918,093</u>

31. BANK DEBENTURES

Taipei Fubon Bank

To maintain its capital adequacy ratio and the medium-term to long-term working capital, the Bank had applied and obtained approval from the FSC to issue bank debentures. The outstanding balances of bank debentures as of December 31, 2018 and 2017 are summarized as follows:

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
Financial liabilities - fair value hedge		
Seventh issue of subordinated bank debentures in 2010; fixed 1.55%; maturity: October 2020	\$ 900,000	\$ 900,000
First issue of subordinated bank debentures in 2011; fixed 1.65%; maturity: March 2018	-	1,700,000
Second issue of subordinated bank debentures in 2011; fixed 1.7%; maturity: August 2018	-	1,500,000
Third issue of subordinated bank debentures in 2011; fixed 1.65%; maturity: December 2018	-	2,500,000
First issue of subordinated bank debentures in 2012; fixed 1.48%; maturity: April 2019	1,300,000	1,300,000
Second issue of subordinated bank debentures in 2012; fixed 1.68%; maturity: May 2022	3,700,000	3,700,000
First issue of subordinated bank debentures in 2013; fixed 1.52%; maturity: August 2020	1,800,000	1,800,000
First issue of subordinated bank debentures in 2013; fixed 1.7%; maturity: August 2023	500,000	500,000
First issue of subordinated bank debentures in 2014; fixed 1.7%; maturity: May 2021	1,800,000	1,800,000
First issue of subordinated bank debentures in 2014; fixed 1.85%; maturity: May 2024	3,500,000	2,300,000
Second issue of subordinated bank debentures in 2014; fixed 1.98%; maturity: September 2024	2,700,000	1,200,000
First issue of dominant bank debentures in 2015; 0%; maturity: February 2045 (US\$100,000 thousand)	3,599,137	3,357,551
First issue of dominant bank debentures in 2016; 0%; maturity: December 2046 (US\$200,000 thousand)	6,662,962	6,219,879

(Continued)

	December 31	
	2018	2017
First issue of dominant bank debentures in 2017; 0%; maturity: January 2047 (US\$200,000 thousand)	\$ 6,642,908	\$ 6,199,326
First issue of dominant bank debentures in 2017; 0%; maturity: January 2047 (US\$200,000 thousand)	6,636,732	6,196,537
Second issue of subordinated bank debentures in 2017; fixed 1.33%; maturity: September 2024	3,000,000	3,000,000
Fourth issue of subordinated bank debentures in 2017; fixed 1.3%; maturity: October 2024	1,750,000	1,750,000
Fifth issue of dominant bank debentures in 2017; 0%; maturity: December 2047 (US\$100,000 thousand)	3,209,866	2,994,952
Second issue of dominant bank debentures in 2018; 0%; maturity: March 2048 (US\$195,000 thousand)	6,206,979	-
Third issue of subordinated bank debentures in 2018; fixed 1.15%; maturity: September 2025	1,200,000	-
Third issue of subordinated bank debentures in 2018; fixed 1.3%; maturity: September 2028	1,800,000	-
Fifth issue of dominant bank debentures in 2018; 0%; maturity: November 2048 (US\$80,000 thousand)	2,472,796	-
Sixth issue of dominant bank debentures in 2018; fixed 1.1%; maturity: November 2028	<u>3,700,000</u>	<u>-</u>
	63,081,380	48,918,245
Valuation adjustments of bank debentures	<u>(1,600,785)</u>	<u>(271,289)</u>
	<u>61,480,595</u>	<u>48,646,956</u>
Bank debentures - non-hedged		
First issue of subordinated bank debentures in 2010; fixed 2.5%; maturity: January 2020	2,400,000	2,400,000
Fourth issue of subordinated bank debentures in 2010; fixed 2.5%; maturity: March 2020	2,000,000	2,000,000
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
Second issue of subordinated bank debentures in 2011; fixed 1.7%; maturity: August 2018	-	950,000
Third issue of subordinated bank debentures in 2011; fixed 1.65%; maturity: December 2018	-	1,500,000
Second issue of subordinated bank debentures in 2012; fixed 1.68%; maturity: May 2022	1,000,000	1,000,000
First issue of subordinated bank debentures in 2013; fixed 1.52%; maturity: August 2020	1,950,000	1,950,000
First issue of subordinated bank debentures in 2014; fixed 1.7%; maturity: May 2021	3,700,000	3,700,000
First issue of subordinated bank debentures in 2014; fixed 1.85%; maturity: May 2024	1,000,000	2,200,000
Second issue of subordinated bank debentures in 2014; fixed 1.98%; maturity: September 2024	1,000,000	2,500,000
Third issue of dominant bank debentures in 2017; fixed 0.56%; maturity: September 2018	-	5,000,000

(Continued)

	<u>December 31</u>	
	2018	2017
First issue of dominant bank debentures in 2018; fixed 0.67%; maturity: March 2020	\$ 1,000,000	\$ -
Fourth issue of dominant bank debentures in 2018; fixed 0.6%; maturity: November 2019	2,150,000	-
Seventh issue of subordinated bank debentures in 2018; fixed 2.15%; perpetual	<u>6,500,000</u>	<u>-</u>
	<u>24,600,000</u>	<u>26,450,000</u>
	<u>\$ 86,080,595</u>	<u>\$ 75,096,956</u> (Concluded)

Fubon Bank (China)

In order to supplement the Tier-2 capital and increase the capital adequacy ratio, Fubon Bank (China) applied to the authorities to issue Tier-2 capital instruments. The outstanding balances of bank debentures as of December 31, 2018 and 2017 are summarized as follows:

	<u>December 31</u>	
	2018	2017
Tier-2 capital bond (first period); fixed rate of 5.43%; maturity date: December 6, 2028	<u>\$ 4,466,100</u>	<u>\$ -</u>

32. OTHER FINANCIAL LIABILITIES

	<u>December 31</u>	
	2018	2017
Principal amount of structured products	<u>\$ 25,140,505</u>	<u>\$ 17,770,717</u>

33. PROVISIONS

	<u>December 31</u>	
	2018	2017
Provisions for employee benefits (Note 34)	\$ 2,309,724	\$ 2,119,475
Reserve for losses on guarantees	301,774	301,441
Reserve for financial commitments	138,127	-
Others	<u>567,830</u>	<u>280,016</u>
	<u>\$ 3,317,455</u>	<u>\$ 2,700,932</u>

Refer to Notes 21 and 56 for information relating to the credit risk management and impairment of reserve for losses on guarantees, other reserves - letters of credit and financial commitments.

34. EMPLOYEE BENEFITS PLANS

	December 31	
	2018	2017
Provisions for employee benefits		
Defined benefit plans	\$ 1,475,314	\$ 1,352,888
Preferential interest rate plan for employees' deposits	703,435	647,527
Other long-term employee benefits plan	130,785	118,828
Others	<u>190</u>	<u>232</u>
	<u>\$ 2,309,724</u>	<u>\$ 2,119,475</u>

a. Defined contribution plans

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

The total expense recognized in profit or loss for the years ended December 31, 2018 and 2017 were \$305,060 thousand and \$290,717 thousand, respectively, which represents contributions payable to these plans by the Bank at rates specified in the rules of the plan.

b. Defined benefit plans

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

The Bureau supervises its assets portfolio regularly, makes the portfolio carefully, conducts the investment under the mandated management, strengthens risk management, and adjusts the investment strategies in light of market changes timely to enhance the stable income from its funds. The return generated by the funds should not be below the interest rate for a 2-year time deposit with local banks. The information on the percentages of fair value of plan assets on December 31, 2018 and 2017 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	
	2018	2017
Present value of defined benefit obligation	\$ 3,310,227	\$ 3,228,233
Fair value of plan assets	<u>(1,834,913)</u>	<u>(1,875,345)</u>
Net defined benefit liability	<u>\$ 1,475,314</u>	<u>\$ 1,352,888</u>

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

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability (Asset)
Balance at January 1, 2017	<u>\$ 3,066,542</u>	<u>\$ (1,934,211)</u>	<u>\$ 1,132,331</u>
Service cost			
Current service cost	52,916	-	52,916
Past service cost	388	-	388
Net interest expense (income)	<u>37,326</u>	<u>(23,754)</u>	<u>13,572</u>
Recognized in profit or loss	<u>90,630</u>	<u>(23,754)</u>	<u>66,876</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	4,967	4,967
Actuarial loss - changes in demographic assumptions	70,636	-	70,636
Actuarial loss - experience adjustments	<u>148,098</u>	<u>-</u>	<u>148,098</u>
Recognized in other comprehensive income	<u>218,734</u>	<u>4,967</u>	<u>223,701</u>
Contributions from the employer	-	(43,160)	(43,160)
Benefits paid	<u>(147,673)</u>	<u>120,813</u>	<u>(26,860)</u>
Balance at December 31, 2017	<u>\$ 3,228,233</u>	<u>\$ (1,875,345)</u>	<u>\$ 1,352,888</u>
Balance at January 1, 2018	<u>\$ 3,228,233</u>	<u>\$ (1,875,345)</u>	<u>\$ 1,352,888</u>
Service cost			
Current service cost	52,407	-	52,407
Past service cost	835	-	835
Net interest expense (income)	<u>39,428</u>	<u>(22,957)</u>	<u>16,471</u>
Recognized in profit or loss	<u>92,670</u>	<u>(22,957)</u>	<u>69,713</u>
Return on plan assets (excluding amounts included in net interest)	-	(53,766)	(53,766)
Actuarial loss - changes in demographic assumptions	116,589	-	116,589
Actuarial loss - changes in financial assumptions	43,809	-	43,809
Actuarial loss - experience adjustments	<u>35,308</u>	<u>-</u>	<u>35,308</u>
Recognized in other comprehensive income	<u>195,706</u>	<u>(53,766)</u>	<u>141,940</u>
Contributions from the employer	-	(43,562)	(43,562)
Benefits paid	<u>(206,382)</u>	<u>160,717</u>	<u>(45,665)</u>
Balance at December 31, 2018	<u>\$ 3,310,227</u>	<u>\$ (1,834,913)</u>	<u>\$ 1,475,314</u>

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	
	2018	2017
Discount rate	1.125%	1.250%
Expected rate of salary increase	2.25%	2.25%

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

	December 31	
	2018	2017
Discount rate		
0.5% increase	<u>\$ (178,466)</u>	<u>\$ (171,624)</u>
0.5% decrease	<u>\$ 193,012</u>	<u>\$ 185,725</u>
Expected rate of salary increase		
0.5% increase	<u>\$ 186,959</u>	<u>\$ 179,991</u>
0.5% decrease	<u>\$ (174,714)</u>	<u>\$ (168,081)</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	
	2018	2017
Expected contributions to the plan for the next year	<u>\$ 44,244</u>	<u>\$ 43,464</u>
Average duration of the defined benefit obligation	11 years	11 years

- c. Preferential interest rate plan for employees' deposits

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

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

	December 31	
	2018	2017
Present value of funded retired benefit obligation	\$ 703,435	\$ 647,527
Fair value of plan assets	<u>-</u>	<u>-</u>
Net liability arising from retired benefit obligation	<u>\$ 703,435</u>	<u>\$ 647,527</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, 2017	\$ 638,283	\$ -	\$ 638,283
Service cost			
Past service cost	50,926	-	50,926
Net interest expense	<u>25,531</u>	<u>-</u>	<u>25,531</u>
Recognized in profit or loss	<u>76,457</u>	<u>-</u>	<u>76,457</u>
Remeasurement			
Actuarial gain - changes in demographic assumptions	(17,585)	-	(17,585)
Actuarial loss - experience adjustments	<u>1,899</u>	<u>-</u>	<u>1,899</u>
Recognized in other comprehensive income	<u>(15,686)</u>	<u>-</u>	<u>(15,686)</u>
Benefits paid	<u>(51,527)</u>	<u>-</u>	<u>(51,527)</u>
Balance at December 31, 2017	<u>\$ 647,527</u>	<u>\$ -</u>	<u>\$ 647,527</u>
Balance at January 1, 2018	\$ 647,527	\$ -	\$ 647,527
Service cost			
Past service cost	71,922	-	71,922
Net interest expense	<u>25,901</u>	<u>-</u>	<u>25,901</u>
Recognized in profit or loss	<u>97,823</u>	<u>-</u>	<u>97,823</u>
Remeasurement			
Actuarial loss - changes in demographic assumptions	17,734	-	17,734
Actuarial gain - experience adjustments	<u>(7,332)</u>	<u>-</u>	<u>(7,332)</u>
Recognized in other comprehensive income	<u>10,402</u>	<u>-</u>	<u>10,402</u>
Benefits paid	<u>(52,317)</u>	<u>-</u>	<u>(52,317)</u>
Balance at December 31, 2018	<u>\$ 703,435</u>	<u>\$ -</u>	<u>\$ 703,435</u>

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

	December 31	
	2018	2017
Discount rate	4.00%	4.00%
Expected return on employees' deposits	2.00%	2.00%
Withdrawal percentage of preferential deposits	1.00%	1.33%

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 occurred and all other assumptions remained constant, the present value of the funded retired benefit obligation would increase (decrease) as follows:

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
Discount rate		
0.5% increase	<u>\$ (34,014)</u>	<u>\$ (29,984)</u>
0.5% decrease	<u>\$ 37,084</u>	<u>\$ 32,553</u>
Withdrawal percentage of preferential deposits		
0.5% increase	<u>\$ (26,540)</u>	<u>\$ (25,082)</u>
0.5% decrease	<u>\$ 28,585</u>	<u>\$ 26,984</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>	
	<u>2018</u>	<u>2017</u>
Average duration of the funded retired benefit obligation	11 years	10 years

d. Defined contribution plans of overseas subsidiaries

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

For the years ended December 31, 2018 and 2017, Fubon Bank (China), the Bank’s overseas subsidiary, recognized expenses of \$38,740 thousand and \$36,190 thousand, respectively.

35. OTHER LIABILITIES

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
Guarantee deposits received	\$ 3,723,040	\$ 3,458,831
Advance receipts	2,603,583	1,772,450
Suspended accounts and payments for clearing	538,645	1,063,362
Deferred revenue	396,835	436,156
Others	<u>227</u>	<u>13,616</u>
	<u>\$ 7,262,330</u>	<u>\$ 6,744,415</u>

36. EQUITY

a. Capital stock

Common stock

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
Number of shares authorized (in thousands)	<u>13,000,000</u>	<u>13,000,000</u>
Amount of capital stock authorized	<u>\$ 130,000,000</u>	<u>\$ 130,000,000</u>
Number of shares issued and received (in thousands)	<u>10,651,803</u>	<u>10,651,803</u>
Amount of outstanding and issued shares (par value of NT\$10)	<u>\$ 106,518,023</u>	<u>\$ 106,518,023</u>

b. Capital surplus

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
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 reserve

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

d. Special reserve

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
Appropriations by TAIPEIBANK under its Articles of Incorporation	\$ 1,285,676	\$ 1,285,676
Transferred from trading loss reserve	123,497	123,497
Deduction arising from the first-time adoption of IFRSs and the debits to other equity items	331,089	126,525
Application of the fair value model to investment properties	1,089,440	1,064,442
Expenditure of employees' financial technology development	<u>152,034</u>	<u>71,882</u>
	<u>\$ 2,981,736</u>	<u>\$ 2,672,022</u>

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

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

Under Rule No. 10310000140 issued by the FSC on February 19, 2014, if the Public Bank chose the fair value model to investment properties in conformity with the Regulations Governing the Preparation of Financial Reports by Public Banks, the Public Bank should appropriate a special reserve at the amount that was the same as the net increase arising from the fair value measurement and transfer it to retained earnings. The amount appropriated may be reversed to the extent that the cumulative net increases in fair value decrease or on the disposal of investment properties.

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

e. Appropriation of earnings and dividend policy

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

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

On April 25, 2018 and April 26, 2017, the Bank's board of directors exercised the power and authority of the shareholders' meeting and approved the appropriations of the 2017 and 2016 earnings, respectively. The appropriations, including dividends per share, were as follows:

	<u>Appropriation of Earnings</u>		<u>Dividends Per Share (NT\$)</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Legal reserve	\$ 4,985,251	\$ 4,312,952		
Special reserve	309,714	19,948		
Cash dividends	11,309,962	10,043,605	\$ 1.06	\$ 0.94

The appropriations of earnings for 2018 had been proposed by the Bank's board of directors on March 20, 2019. The appropriations and dividends per share were as follows:

	<u>Appropriation of Earnings</u>	<u>Dividends Per Share (NT\$)</u>
Legal reserve	\$ 5,492,834	
Special reserve	1,135,718	
Stock dividends	5,829,533	\$ 0.55
Cash dividends	5,829,534	0.55

The appropriations of earnings for 2018 are subject to the resolution of the Bank's board of directors (on behalf of the shareholders' meeting).

f. Other equity items

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

	<u>For the Year Ended December 31</u>	
	<u>2018</u>	<u>2017</u>
Balance, beginning of the year	\$ (2,063,045)	\$ (988,977)
Recognized during the year		
Exchange differences on translating financial statements of foreign operations	<u>(19,688)</u>	<u>(1,074,068)</u>
Other comprehensive income recognized during the year	<u>(19,688)</u>	<u>(1,074,068)</u>
Balance, end of the year	<u>\$ (2,082,733)</u>	<u>\$ (2,063,045)</u>

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

	<u>Amount</u>
Balance at January 1, 2017	\$ 1,665,529
Recognized during the year	
Unrealized gains on revaluation of available-for-sale financial assets	951,744
Share from associates accounted for using the equity method	(13,810)
Reclassification adjustment	
Disposal of available-for-sale financial assets	<u>(1,246,158)</u>
Other comprehensive income recognized during the year	<u>(308,224)</u>
Balance at December 31, 2017	<u>\$ 1,357,305</u>

(Continued)

	Amount
Balance at January 1, 2018 per IAS 39	\$ 1,357,305
Adjustment on initial application of IFRS 9	<u>(1,357,305)</u>
Balance at January 1, 2018 per IFRS 9	<u>\$ _____</u> (Concluded)
3) Unrealized gains (losses) on financial assets at fair value through other comprehensive income	
	For the Year Ended December 31, 2018
Balance, beginning of the year per IAS 39	\$ -
Adjustment on initial application of IFRS 9	<u>240,622</u>
Balance, beginning of the year per IFRS 9	240,622
Effect of change in tax rate	(1,131)
Recognized during the year	
Unrealized gains (losses) - debt instruments	424,179
Unrealized gains (losses) - equity instruments	(252,027)
Reclassification adjustment	
Disposal of investments in debt instruments	<u>(96,698)</u>
Other comprehensive income recognized during the year	<u>74,323</u>
Cumulative unrealized gains (losses) of equity instruments transferred to retained earnings due to disposal	<u>331</u>
Balance, end of the year	<u>\$ 315,276</u>

4) Gains on property revaluation

	For the Year Ended December 31	
	2018	2017
Balance, beginning of the year	\$ 374,651	\$ 223,620
Effect of change in tax rate	(834)	-
Recognized during the year		
Gains on property revaluation	<u>6,384</u>	<u>151,031</u>
Other comprehensive income recognized during the year	<u>5,550</u>	<u>151,031</u>
Balance, end of the year	<u>\$ 380,201</u>	<u>\$ 374,651</u>

g. Non-controlling interests

	<u>For the Year Ended December 31</u>	
	2018	2017
Balance, beginning of the year per IAS 39	\$ 18,467,092	\$ 18,773,225
Adjustment on initial application of IFRS 9	<u>(63,059)</u>	<u>-</u>
Balance, beginning of the year per IFRS 9	18,404,033	18,773,225
Attributable to non-controlling interests:		
Net income for the year	206,958	153,120
Other comprehensive income recognized during the year		
Exchange differences arising from the translations of financial statements of foreign operations	(464,110)	(247,509)
Unrealized gains (losses) on available-for-sale financial assets	-	(211,744)
Unrealized gains (losses) on financial assets at fair value through other comprehensive income	<u>382,383</u>	<u>-</u>
Balance, end of the year	<u>\$ 18,529,264</u>	<u>\$ 18,467,092</u>

37. NET INTEREST INCOME

	<u>For the Year Ended December 31</u>	
	2018	2017
<u>Interest income</u>		
Discounts and loans	\$ 34,263,136	\$ 30,321,603
Investments in debt instruments measured at amortized cost	10,994,478	-
Due from banks and call loans to banks	5,495,393	4,087,968
Investments in debt instruments measured at fair value through other comprehensive income	3,812,111	-
Held-to-maturity financial assets	-	4,518,017
Available-for-sale financial assets	-	4,037,094
Others	<u>1,365,912</u>	<u>2,969,634</u>
	<u>55,931,030</u>	<u>45,934,316</u>
<u>Interest expense</u>		
Deposits	20,484,724	16,364,719
Funds borrowed from the Central Bank and other banks	2,894,734	1,206,643
Securities sold under repurchase agreements	2,391,265	1,398,698
Due to the Central Bank and other banks	1,546,370	1,762,653
Others	<u>2,288,601</u>	<u>1,649,198</u>
	<u>29,605,694</u>	<u>22,381,911</u>
Net interest	<u>\$ 26,325,336</u>	<u>\$ 23,552,405</u>

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 year ended December 31, 2017, the interest accrued on impaired financial assets was \$118,875 thousand.

38. SERVICE FEE INCOME, NET

	For the Year Ended December 31	
	2018	2017
Service fee income		
Insurance service fee income	\$ 5,216,105	\$ 4,855,708
Trust and custody business	3,409,175	3,522,371
Credit card business	2,025,006	2,188,357
Credit business	1,221,337	1,139,109
Others	<u>1,405,411</u>	<u>1,578,895</u>
	<u>13,277,034</u>	<u>13,284,440</u>
Service fee expense		
Credit card business	888,425	881,708
Interbank service fee	345,553	311,623
Office space expense	258,270	297,058
Settlement service fee	99,590	91,254
Others	<u>549,902</u>	<u>470,313</u>
	<u>2,141,740</u>	<u>2,051,956</u>
	<u>\$ 11,135,294</u>	<u>\$ 11,232,484</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.

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

	For the Year Ended December 31	
	2018	2017
Interest income	\$ <u>1,006,949</u>	\$ <u>700,703</u>
Dividend income	<u>26,352</u>	<u>9,517</u>
Realized gains (losses)		
Currency swap contracts	5,778,726	2,736,007
Option contracts	184,205	286,899
Forward contracts	(712,560)	2,103,682
Others	<u>(182,780)</u>	<u>80,368</u>
	<u>5,067,591</u>	<u>5,206,956</u>
Gains (losses) on valuation		
Option contracts	254,234	532,574
Interest rate swap contracts	46,506	(209,834)
Currency swap contracts	(245,741)	481,230
Convertible corporate bonds	(287,437)	(123,218)
Forward contracts	(1,400,987)	(1,117,021)
Others	<u>82,536</u>	<u>161,583</u>
	<u>(1,550,889)</u>	<u>(274,686)</u>
	<u>\$ 4,550,003</u>	<u>\$ 5,642,490</u>

40. REALIZED GAIN ON AVAILABLE-FOR-SALE FINANCIAL ASSETS

	For the Year Ended December 31, 2017
Beneficial securities and stocks	\$ 1,106,340
Dividend revenue	327,705
Government bonds	59,808
Bank debentures	22,762
Others	<u>61,575</u>
	<u>\$ 1,578,190</u>

41. REALIZED GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	For the Year Ended December 31, 2018
Dividend revenue	\$ 171,793
Bank debentures	129,664
Government bonds	23,019
Others	<u>4,310</u>
	<u>\$ 328,786</u>

42. GAIN ON DERECOGNITION OF FINANCIAL ASSETS AT AMORTIZED COST

	For the Year Ended December 31, 2018
Corporate bonds	\$ 104,019
Government bonds	5,527
Others	<u>1,864</u>
	<u>\$ 111,410</u>

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

43. FOREIGN EXCHANGE GAINS (LOSSES)

	For the Year Ended December 31	
	2018	2017
General exchange gains (losses)	\$ 3,247,079	\$ (111,683)
Exchange gains (losses) from private capital	<u>41,684</u>	<u>(71,637)</u>
	<u>\$ 3,288,763</u>	<u>\$ (183,320)</u>

44. EMPLOYEE BENEFITS EXPENSE

	For the Year Ended December 31	
	2018	2017
Salaries and wages	\$ 10,915,411	\$ 10,013,737
Labor insurance, national health insurance, and group life insurance	915,334	871,943
Post-employment benefit expense	528,859	486,753
Other employee benefits expense	<u>564,053</u>	<u>523,421</u>
	<u>\$ 12,923,657</u>	<u>\$ 11,895,854</u>

For compliance with the Articles of Incorporation of the Bank, the Bank stipulates the distribution of employees' compensation at rates of 1% to 5% of net profit before income tax and employees' compensation, but the Bank should not make appropriations from earnings if it has a deficit. On March 20, 2019 and March 21, 2018 by the approval of Board of Directors the employees' estimated compensation were \$216,199 thousand and \$188,848 thousand, representing 1% of the base net profit.

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

On March 21, 2018 and March 22, 2017, the Bank's board of directors proposed amounts of employees' compensation that were the same as the accrued amounts reflected in the consolidated financial statements for the years ended December 31, 2017 and 2016.

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

45. DEPRECIATION AND AMORTIZATION

	For the Year Ended December 31	
	2018	2017
Depreciation	\$ 1,114,138	\$ 973,534
Amortization	<u>836,522</u>	<u>813,783</u>
	<u>\$ 1,950,660</u>	<u>\$ 1,787,317</u>

46. GENERAL AND ADMINISTRATIVE

	For the Year Ended December 31	
	2018	2017
Taxation and government fee	\$ 1,604,259	\$ 1,549,879
Rental	1,505,359	1,416,432
Equipment repair	838,211	720,903
Marketing	814,800	701,157
Insurance	510,052	546,425
Others	<u>2,764,588</u>	<u>2,569,930</u>
	<u>\$ 8,037,269</u>	<u>\$ 7,504,726</u>

47. INCOME TAX

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

a. Income tax recognized in profit or loss

The major components of income tax expense were as follows:

	For the Year Ended December 31	
	2018	2017
Current tax		
Current year	\$ 3,422,972	\$ 2,404,201
Adjustments for prior years	<u>(105,829)</u>	<u>(184,185)</u>
	3,317,143	2,220,016
Deferred tax		
Current year	(61,126)	111,508
Effect of change in tax rate	<u>56,357</u>	<u>-</u>
	<u>(4,769)</u>	<u>111,508</u>
Income tax expense recognized in profit or loss	<u>\$ 3,312,374</u>	<u>\$ 2,331,524</u>

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

	For the Year Ended December 31	
	2018	2017
Income tax expense calculated at the statutory rate (20% and 17% tax rate was used for 2018 and 2017, respectively)	\$ 4,427,596	\$ 3,274,578
Tax-exempt income	(1,345,336)	(1,343,620)
Unqualified items in determining taxable income	128,436	153,051
Additional income tax under the Alternative Minimum Tax Act	-	188,884
Effect of change in tax rate	56,357	-
Effect of differences in domestic and overseas tax rates	163,547	208,189
Unrecognized deductible temporary differences	(11,679)	10,240
Others	<u>(106,547)</u>	<u>(159,798)</u>
Income tax expense recognized in profit or loss	<u>\$ 3,312,374</u>	<u>\$ 2,331,524</u>

To ensure compliance with the Income Tax Act in the ROC, the income tax rate applied by the Bank for 2017 was 17%. In 2018, the Income Tax Act in the ROC was amended, and the corporate income tax rate was adjusted from 17% to 20%, starting from 2018. Loss on deferred tax assets and liabilities as a result of the income tax rate adjustment has been fully recognized in profit or loss in the period of tax adjustment. In addition, the rate of corporate surtax applicable to the unappropriated earnings of 2018 would be reduced from 10% to 5%.

b. Income tax recognized in other comprehensive income

	<u>For the Year Ended December 31</u>	
	2018	2017
<u>Deferred tax</u>		
Effect of change in tax rate	\$ 32,835	\$ -
Recognized during the year		
Remeasurement of defined benefit plan	30,468	35,362
Unrealized gains (losses) on available-for-sale financial assets	-	130,837
Property revaluation increments	(292)	(6,134)
Unrealized gains (losses) on financial assets at fair value through other comprehensive income	<u>(229,497)</u>	<u>-</u>
	<u>\$ (166,486)</u>	<u>\$ 160,065</u>

c. Current tax assets and liabilities

	<u>December 31</u>	
	2018	2017
<u>Current tax assets</u>		
Linked-tax receivable	\$ 205,467	\$ 180,345
Prepaid income tax and income tax refund receivable	<u>1,486</u>	<u>443</u>
	<u>\$ 206,953</u>	<u>\$ 180,788</u>
<u>Current tax liabilities</u>		
Linked-tax payable	\$ 1,449,470	\$ 762,392
Income tax payable	<u>725,788</u>	<u>398,062</u>
	<u>\$ 2,175,258</u>	<u>\$ 1,160,454</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, 2018

	Opening Balance	Effect of Retrospective Application of IFRSs	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	\$ 381,018	\$ 100,831	\$ (113,031)	\$ -	\$ (9,761)	\$ 359,057
Employee benefit plans	405,179	-	42,296	65,268	-	512,743
Unrealized gain (loss) on revaluation of buildings	19,989	-	4,846	(834)	-	24,001
Others	<u>302,639</u>	<u>(51,511)</u>	<u>129,917</u>	<u>(76,108)</u>	<u>(7,164)</u>	<u>297,773</u>
	<u>\$ 1,108,825</u>	<u>\$ 49,320</u>	<u>\$ 64,028</u>	<u>\$ (11,674)</u>	<u>\$ (16,925)</u>	<u>\$ 1,193,574</u>
<u>Deferred tax liabilities</u>						
Temporary differences						
Land value increment tax	\$ 357,156	\$ -	\$ (4,574)	\$ 292	\$ -	\$ 352,874
Overseas investment income	457,797	(28,369)	118,864	-	-	548,292
Unrealized gain on financial instruments	78,952	-	(78,952)	-	-	-
Intangible assets	80,861	-	19,407	-	-	100,268
Others	<u>7,910</u>	<u>(6,016)</u>	<u>4,514</u>	<u>154,520</u>	<u>(3,089)</u>	<u>157,839</u>
	<u>\$ 982,676</u>	<u>\$ (34,385)</u>	<u>\$ 59,259</u>	<u>\$ 154,812</u>	<u>\$ (3,089)</u>	<u>\$ 1,159,273</u>

For the year ended December 31, 2017

	Opening Balance	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	\$ 387,742	\$ (1,650)	\$ -	\$ (5,074)	\$ 381,018
Employee benefit plans	360,606	9,211	35,362	-	405,179
Unrealized gain (loss) on revaluation of buildings	22,959	(1,287)	(1,683)	-	19,989
Others	<u>206,615</u>	<u>(42,357)</u>	<u>138,747</u>	<u>(366)</u>	<u>302,639</u>
	<u>\$ 977,922</u>	<u>\$ (36,083)</u>	<u>\$ 172,426</u>	<u>\$ (5,440)</u>	<u>\$ 1,108,825</u>
<u>Deferred tax liabilities</u>					
Temporary differences					
Land value increment tax	\$ 386,656	\$ (33,951)	\$ 4,451	\$ -	\$ 357,156
Overseas investment income	430,704	27,093	-	-	457,797
Unrealized gain on financial instruments	1,043	77,909	-	-	78,952
Intangible assets	76,487	4,374	-	-	80,861
Others	<u>-</u>	<u>-</u>	<u>7,910</u>	<u>-</u>	<u>7,910</u>
	<u>\$ 894,890</u>	<u>\$ 75,425</u>	<u>\$ 12,361</u>	<u>\$ -</u>	<u>\$ 982,676</u>

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

- f. Income tax returns of Fubon Bank (China) through 2017 had been assessed by the Shanghai Municipal Office, SAT and the Shanghai Municipal Bureau of Local Taxation.

48. EARNINGS PER SHARE

(In New Taiwan Dollars)

	<u>For the Year Ended December 31</u>	
	2018	2017
Basic earnings per share		
From continuing operations	<u>\$ 1.75</u>	<u>\$ 1.58</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>	
	2018	2017
Income for the year attributable to owners of the Bank	<u>\$ 18,618,650</u>	<u>\$ 16,777,580</u>

Shares

(In Thousand Shares)

	<u>For the Year Ended December 31</u>	
	2018	2017
Weighted average number of common stock used in computing basic earnings per share	<u>10,651,803</u>	<u>10,651,803</u>

49. RELATED-PARTY TRANSACTIONS

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

- a. Related parties

<u>Related Party</u>	<u>Relationship with the Bank and Its Subsidiaries</u>
Fubon Financial Holdings Co., Ltd. ("FFH")	Parent company
Fubon Real Estate Management Co., Ltd.	Equity-method investee of the Bank
Fubon Insurance Co., Ltd. ("Fubon Insurance")	Subsidiary of FFH
Fubon Life Insurance Co., Ltd. ("Fubon Life Insurance")	Subsidiary of FFH
Fubon Securities Co., Ltd. ("Fubon Securities")	Subsidiary of FFH
Fubon Bank (Hong Kong) Limited ("Fubon Bank (Hong Kong)")	Subsidiary of FFH
Fubon Asset Management Co., Ltd. ("Fubon Asset Management")	Subsidiary of FFH
Fubon Securities Investment Trust Co., Ltd. ("Fubon Securities Investment Trust")	Equity-method investee of FFH's subsidiary
Taipei City Government ("TCG") and its departments	Major shareholder of parent company
Chung Hsing Land Development Co., Ltd. ("CHLDC")	Major shareholder of parent company

(Continued)

Related Party	Relationship with the Bank and Its Subsidiaries
Fubon Land Development Co., Ltd. (“Fubon Land Development”)	Related party in substance
Taiwan Mobile Co., Ltd. (“Taiwan Mobile”)	Related party in substance
Taipei New Horizon Co., Ltd.	Related party in substance
Alltek Technology Co., Ltd. (“Alltek Technology”)	Related party in substance (the Bank and its subsidiaries were not a related party after the second quarter of 2017)
Xiamen Bank	Related party in substance
Fubon Gehua (Beijing) Business Co., Ltd. (“Fubon Gehua Business”)	Related party in substance
TengFuBo Investment	Related party in substance
HarBin Bank	Related party in substance
ICDC (Beijing) China Co., Ltd.	Related party in substance (the Bank and its subsidiaries were not a related party after the second quarter of 2018)
Taiwan High Speed Rail Corp. (“Taiwan High Speed Rail”)	Related party in substance
Taiwan Fixed Network Co., Ltd. (“Taiwan Fixed Network”)	Related party in substance
Rong Charcoal Technology Co., Ltd. (“Rong Charcoal Technology”)	Related party in substance
Others	Directors, supervisors, managers and their relatives within the second degree of consanguinity

(Concluded)

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

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

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

For the Year Ended December 31, 2017

	Ending Balance	Highest Balance for the Year	% of the Account Balance	Allowance for Credit Loss	Rate (%)	Interest Income	Reversal of Allowance Gain (Allowance for Impairment Loss)
1) Loans	<u>\$ 3,932,336</u>	<u>\$ 16,372,399</u>	<u>0.28</u>	<u>\$ 43,326</u>	0-14.98	<u>\$ 97,604</u>	<u>\$ 28,405</u>

December 31, 2017

Category	Number of Accounts or Name of Related Party	Highest Balance	Ending Balance	Normal	Overdue	Type of Collateral	Is the Transaction at Arm's Length?
Consumer loans for employees	77	\$ 48,719	\$ 35,409	✓	\$ -	Some loans provide deposits as security	Yes
Housing mortgage loans	373	4,014,584	3,249,407	✓	-	Property	Yes
Others	Department of Urban Development, TCG	771,519	646,424	✓	-	Public treasury guarantees	Yes
	Department of Rapid Transit Systems, TCG	8,000,000	-	✓	-	Public treasury guarantees	Yes
	Department of Sports, TCG	1,000,000	-	✓	-	Public treasury guarantees	Yes
	Taipei Municipal Secured Swan Loans Service	813	458	✓	-	Public treasury guarantees	Yes
	Fubon Land Development	2,290,800	-	✓	-	Land, buildings and stock	Yes
	Alltek Technology	39,134	-	✓	-	Unsecured	Yes
	Fubon Gehua Business	137,385	-	✓	-	Guarantee stand by L/C	Yes
	TengFuBo Investment	68,693	-	✓	-	Deposit Pledge and Guarantee by L/C	Yes
	Other	752	638	✓	-	Credit guarantee fund	Yes
		<u>\$ 16,372,399</u>	<u>\$ 3,932,336</u>				

For the Year Ended December 31

	2018				2017			
	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>	5.40-6.00	<u>\$ 46,981</u>	<u>\$ 1,670,161</u>	<u>8.63</u>	3.66-6.00	<u>\$ 84,661</u>
3) Deposits	<u>\$ 95,258,250</u>	<u>4.69</u>	0-8.00	<u>\$ (390,386)</u>	<u>\$ 63,105,506</u>	<u>3.05</u>	0-8.00	<u>\$ (266,955)</u>
4) Due from other banks - call loans	<u>\$ -</u>	<u>-</u>	1.87	<u>\$ 470</u>	<u>\$ -</u>	<u>-</u>	-	<u>\$ -</u>
5) Due from other banks - deposits	<u>\$ 158,646</u>	<u>0.37</u>	0-5.40	<u>\$ 2,914</u>	<u>\$ 184,749</u>	<u>0.30</u>	0-5.40	<u>\$ 2,902</u>

Under the Banking Act No. 32 and No. 33, except for consumer and government loans, credits extended by the Bank to any related party should be fully secured, and the credit terms for related parties should be similar to those for unrelated parties.

6) Guarantees

Related Party	December 31, 2018				
	Highest Balance in the Current Year	Ending Balance	Reserve for Losses on Guarantees (Note)	Rate	Type of Collateral
TCG	\$ 1,239	\$ 1,230	\$ -	1.00%	Public treasury guarantees

Related Party	December 31, 2017				
	Highest Balance in the Current Year	Ending Balance	Reserve for Losses on Guarantees (Note)	Rate	Type of Collateral
TCG	\$ 1,291	\$ 1,194	\$ -	1.00%	Public treasury guarantees
Taipei New Horizon	16,250	-	-	0.85%	Buildings, excluding land

7) Securities

Related Party	Type	For the Year Ended December 31	
		2018	2017
Fubon Life Insurance	Bonds purchased	\$ 4,438,660	\$ 22,840,636
	Bonds sold	-	476,876
Xiamen Bank	Bonds purchased	-	687,990

Related Party	Type	December 31	
		2018	2017
Taiwan High Speed Rail	Bonds sold under repurchase agreements	\$ 4,678,000	\$ -
Taiwan Fixed Network Co., Ltd.	Bonds sold under repurchase agreements	146,013	-
Directors, supervisors, managers and their relatives within the second degree of consanguinity	Bonds sold under repurchase agreements	4,075,288	4,815,085

8) Mutual fund and stock transactions

Fund	December 31			
	2018		2017	
	Units (In Thousands)	Amount	Units (In Thousands)	Amount
Fubon No. 1 REIT	57,680	\$ 847,896	57,680	\$ 742,918
Fubon No. 2 REIT	1,848	23,285	1,848	21,012

9) Derivative financial instruments

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

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

10) Lease

Rent in lease agreements between the Bank and its subsidiaries and related parties was determined by reference to the similar properties in the vicinity of the Bank and its subsidiaries' investment property or the valuation analysis made by real estate appraisal firm. The rent is calculated based on square footage rented and collected by month or by quarter.

a) Guarantee deposits

Related Party	December 31	
	2018	2017
Fubon Securities	\$ 5,523	\$ 5,798
Fubon Life Insurance	1,481	1,481
Fubon Asset Management	1,341	1,341
Fubon Insurance	525	525
Taiwan Mobile	444	897
Others	<u>627</u>	<u>622</u>
	<u>\$ 9,941</u>	<u>\$ 10,664</u>

b) Rental revenue

Related Party	For the Year Ended December 31	
	2018	2017
Fubon Securities	\$ 35,380	\$ 34,767
Fubon Life Insurance	9,115	9,070
Fubon Asset Management	8,108	7,127
Fubon Insurance	3,445	3,252
Taiwan Mobile	3,368	5,490
Others	<u>2,858</u>	<u>1,551</u>
	<u>\$ 62,274</u>	<u>\$ 61,257</u>

c) Refundable deposits

Related Party	December 31	
	2018	2017
CHLDC	\$ 31,382	\$ 31,382
Fubon No. 2 REIT	25,813	25,319
Fubon Insurance	17,371	17,595
Fubon Life Insurance	8,075	8,059
Fubon No. 1 REIT	7,627	7,619
TCG	4,244	4,244
Others	<u>5,627</u>	<u>5,627</u>
	<u>\$ 100,139</u>	<u>\$ 99,845</u>

d) Rental expense

Related Party	For the Year Ended December 31	
	2018	2017
CHLDC	\$ 211,209	\$ 175,922
Fubon Insurance	105,584	109,291
Fubon No. 2 REIT	101,064	100,698
Fubon Life Insurance	40,603	28,579
TCG	32,241	32,197
Fubon No. 1 REIT	30,269	33,890
Others	<u>44,684</u>	<u>44,988</u>
	<u>\$ 565,654</u>	<u>\$ 525,565</u>

11) Insurance expense

Related Party	For the Year Ended December 31	
	2018	2017
Fubon Insurance	\$ 75,999	\$ 93,018
Fubon Life Insurance	69,614	69,283
Others	<u>302</u>	<u>324</u>
	<u>\$ 145,915</u>	<u>\$ 162,625</u>

12) Marketing collaboration

The Bank entered into a collaboration arrangement with Fubon Securities for deal settlement of securities, cost sharing, and cross-selling. Under this contract, the expense allocation was based on the average balance that the customers of Fubon Securities deposited in the Bank. The allocation costs for office space that the Bank paid to Fubon Securities were \$258,270 thousand and \$297,058 thousand for the years ended December 31, 2018 and 2017, respectively.

13) Compensation of key management personnel

	For the Year Ended December 31	
	2018	2017
Short-term employee benefits	\$ 460,997	\$ 506,380
Post-employment benefits	4,684	4,973
Others	<u>1,131</u>	<u>1,241</u>
	<u>\$ 466,812</u>	<u>\$ 512,594</u>

14) Linked-tax system

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

	December 31	
	2018	2017
Linked-tax receivable (included in current tax assets)	\$ 205,467	\$ 180,345
Linked-tax payable (included in current tax liabilities)	1,449,470	762,392

15) Others

	December 31	
	2018	2017
Receivables - Fubon Life Insurance	\$ 220,239	\$ 215,395
Receivables - others	52,443	57,471
Payables - others	62,497	89,519
Principals of structured products - Fubon Life Insurance	-	1,750,000
Principals of structured products - others	92,557	22,057
	For the Year Ended December 31	
	2018	2017
Service fee income - Fubon Life Insurance	\$ 6,057,620	\$ 5,585,947
Service fee income - others	509,043	540,987
Other income - others	49,355	28,790
Interest expenses of structured products - Fubon Life Insurance	44,829	454,325
Service fee expenses - others	158,569	142,070
Operating expenses - others	297,697	256,919

16) Related-party property transactions

During 2018 and 2017, the Bank sold part of its property which had a carrying amount of \$278,710 thousand and \$617,383 thousand, respectively, to Fubon Asset Management for \$350,000 thousand and \$1,310,500 thousand, respectively, and recognized a gain on the disposal of property and equipment of \$71,290 thousand and \$693,117 thousand, respectively, for the years ended December 31, 2018 and 2017.

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

50. CASH FLOW INFORMATION

Changes in Liabilities Arising from Financing Activities

For the year ended December 31, 2018

	Opening Balance	Cash Flows	Non-cash Changes			Closing Balance
			Change in Exchange Rate	Change in Fair Value	Other Changes	
Due to the Central Bank and banks	\$ 5,386,206	\$ (4,904,506)	\$ (39,239)	\$ -	\$ -	\$ 442,461
Bank debentures	<u>75,096,956</u>	<u>14,507,317</u>	<u>968,792</u>	<u>(1,329,496)</u>	<u>1,303,126</u>	<u>90,546,695</u>
	<u>\$ 80,483,162</u>	<u>\$ 9,602,811</u>	<u>\$ 929,553</u>	<u>\$ (1,329,496)</u>	<u>\$ 1,303,126</u>	<u>\$ 90,989,156</u>

51. PLEDGED ASSETS

The following assets had been provided as refundable deposits:

	December 31	
	2018	2017
Certificates of deposit (included in due from the Central Bank and call loans to other banks)	\$ -	\$ 4,400,000
Government bonds (included in financial assets at fair value through profit or loss)	49,906	49,888
Negotiable certificates of deposit of the Central Bank (included in investments in debt instruments measured at amortized cost)	19,996,172	-
Government bonds (included in investments in debt instruments measured at amortized cost)	1,809,111	-
Negotiable certificates of deposit of the Central Bank (included in held-to-maturity financial assets)	-	24,600,000
Government bonds (included in held-to-maturity financial assets)	-	1,982,095
Pledged time deposits (included in other financial assets)	<u>1,622,296</u>	<u>1,649,234</u>
	<u>\$ 23,477,485</u>	<u>\$ 32,681,217</u>

Of the above certificates of deposit (CD) of the Central Bank and negotiable certificates of deposit (NCD) of the Central Bank, a total of \$10,000,000 thousand as of December 31, 2018 and 2017 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, 2018 and 2017, certificates of deposit (CD) of the Central Bank and negotiable certificates of deposit (NCD) of the Central Bank amounting to \$10,000,000 thousand had been provided to the Central Bank as collaterals for the Bank's foreign-currency call loans.

In addition, certificates of deposit (CD) of the Central Bank and negotiable certificates of deposit (NCD) of the Central Bank amounting to \$9,000,000 thousand as of December 31, 2017 had been provided to the Mega International Commercial Bank as collaterals for USD clearing transactions.

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

52. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

- a. Except for those disclosed in other notes of the accompanying consolidated financial statements, as of December 31, 2018 and 2017, the Bank and its subsidiaries had commitments as follows:

	December 31	
	2018	2017
Amount of repurchase agreements	\$ 121,955,488	\$ 98,521,376
Amount of resell agreements	11,771,008	16,321,038
Undrawn credit card commitments	265,528,189	256,146,355
Collections for customers	32,527,651	39,701,051
Agency loans payable	10,908,911	20,613,388
Trust deposits	2,011,632	8,164,848
Entrusted loans	2,011,632	8,164,848
Entrusted financial management	19,062,297	18,702,541
Travelers' checks consigned-in	366,693	407,670
Marketable securities under custody	334,341,775	290,970,013
Trust assets	389,334,919	378,193,650
Management for book-entry government bonds	103,237,100	125,799,500

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

December 31, 2018	Less than 1 Year	1-5 Years	Over 5 Years	Total
Lease commitments				
Operating lease expenses	\$ 611,062	\$ 1,150,006	\$ 7,880	\$ 1,768,948
Capital commitments	1,269,225	6,280	-	1,275,505

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

As of December 31, 2018 and 2017, the refundable deposits paid under operating leases were \$299,298 thousand and \$262,883 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.

53. 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, 2018 and 2017					
	2018	2017		2018	2017
Bank deposits	\$ 2,874,691	\$ 2,280,058	Payables	\$ 2,052	\$ 1,509
Short-term investments			Capital		
Mutual funds	151,662,510	143,760,280	Money	233,281,266	207,787,534
Bonds	46,716,562	28,508,129	Marketable securities	11,553,844	10,964,734
Stock	24,532,675	21,994,951	Real estate	<u>31,945,258</u>	<u>42,493,248</u>
Structured products	<u>18,434,819</u>	<u>21,097,474</u>		<u>276,780,368</u>	<u>261,245,516</u>
	<u>241,346,566</u>	<u>215,360,834</u>	Securities investment trust fund under custody	<u>115,419,678</u>	<u>120,419,965</u>
Securities investment trust fund under custody	<u>115,419,678</u>	<u>120,419,965</u>	Reserves and cumulative earnings		
Real estate			Cumulative earnings	(10,191,080)	(11,088,739)
Land	24,240,668	27,916,454	Net income	<u>7,323,901</u>	<u>7,615,399</u>
Buildings	280,869	30,820		<u>(2,867,179)</u>	<u>(3,473,340)</u>
Construction in progress	<u>5,172,447</u>	<u>12,185,519</u>			
	<u>29,693,984</u>	<u>40,132,793</u>			
Total trust assets	<u>\$ 389,334,919</u>	<u>\$ 378,193,650</u>	Total trust liabilities	<u>\$ 389,334,919</u>	<u>\$ 378,193,650</u>

Trust Income Statements For the Years Ended December 31, 2018 and 2017

	2018	2017
Trust income		
Interest income	\$ 7,995,757	\$ 6,750,143
Others	497,468	367,969
Cash dividends	997,470	839,144
Realized capital income - common stock	149,556	62,047
Realized capital income - mutual funds	2,858,672	3,703,552
Realized capital income - bonds	61,529	99,048
Realized capital income - structured products	11,311	15,559
Distribution from beneficial certificates	<u>14,617</u>	<u>7,308</u>
Total trust income	<u>12,586,380</u>	<u>11,844,770</u>
Trust expense		
Trust administrative expense	765,652	708,534
Supervision fee	631	574
Service fee	5,742	2,603
Income tax expense	68	107
Others	170,947	143,420
Realized capital loss - common stock	83,894	132,475
Realized capital loss - mutual funds	3,579,671	2,873,995
Realized capital loss - bonds	282,469	29,707
Realized capital loss - structured products	<u>373,405</u>	<u>337,956</u>
Total trust expense	<u>5,262,479</u>	<u>4,229,371</u>
Net income	<u>\$ 7,323,901</u>	<u>\$ 7,615,399</u>

**Trust Property of Trust Accounts
December 31, 2018 and 2017**

Investment Portfolio	2018	2017
Bank deposits	\$ 2,874,691	\$ 2,280,058
Short-term investments		
Mutual funds	151,662,510	143,760,280
Bonds	46,716,562	28,508,129
Stock	24,532,675	21,994,951
Structured products	<u>18,434,819</u>	<u>21,097,474</u>
	<u>241,346,566</u>	<u>215,360,834</u>
Security investment trust fund under custody	<u>115,419,678</u>	<u>120,419,965</u>
Real estate		
Land	24,240,668	27,916,454
Buildings	280,869	30,820
Construction in progress	<u>5,172,447</u>	<u>12,185,519</u>
	<u>29,693,984</u>	<u>40,132,793</u>
	<u>\$ 389,334,919</u>	<u>\$ 378,193,650</u>

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

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

Refer to Note 49 for the cross-selling revenues and expenses for the years ended December 31, 2018 and 2017.

55. 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 stock and the Taiwan treasury benchmark index bond.

b) Level 2

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

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

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

c) Level 3

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

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

b. Specific financial instruments measured at fair value

1) Fair value hierarchy

The fair value of the Bank and its subsidiaries' financial instruments and properties are measured on a recurring basis. The fair value hierarchy of these financial instruments and investment properties as of December 31, 2018 and 2017 was as follows:

Item	December 31, 2018			
	Total	Level 1	Level 2	Level 3
<u>Measured on a recurring basis</u>				
Non-derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss				
Financial assets mandatorily measured as at fair value through profit or loss				
Stock investments	\$ 984,010	\$ 984,010	\$ -	\$ -
Bond investments	58,992,891	37,968,009	17,171,402	3,853,480
Others	12,128,667	-	12,128,667	-
Financial assets at fair value through other comprehensive income				
Stock investments	3,444,820	2,014,115	-	1,430,705
Bond investments	92,322,984	33,136,790	55,694,504	3,491,690
Others	62,058,313	2,523,883	58,934,011	600,419
Investment properties	2,794,200	-	-	2,794,200
Derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss	27,912,526	305,221	24,683,147	2,924,158
Financial assets for hedging	1,816,774	-	1,816,774	-
Liabilities				
Financial liabilities at fair value through profit or loss	30,326,605	1,183	27,422,601	2,902,821
Financial liabilities for hedging	2,411,422	-	2,411,422	-
Item	December 31, 2017			
	Total	Level 1	Level 2	Level 3
<u>Measured on a recurring basis</u>				
Non-derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss				
Held-for-trading financial assets				
Bond investments	\$ 49,151,433	\$ 27,879,680	\$ 21,015,207	\$ 256,546
Others	7,497,832	300,362	7,197,470	-
Financial assets designated as at fair value through profit or loss	7,018,064	5,878,304	-	1,139,760
Available-for-sale financial assets				
Stock investments	2,500,367	2,500,367	-	-
Bond investments	130,357,510	80,783,421	46,314,436	3,259,653
Others	73,234,825	727,798	71,050,289	1,456,738
Investment properties	2,890,900	-	-	2,890,900
Derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss	25,690,578	186,554	23,075,594	2,428,430
Financial assets for hedging	1,048,870	-	1,048,870	-
Liabilities				
Financial liabilities at fair value through profit or loss	28,070,893	-	25,647,334	2,423,559
Financial liabilities for hedging	1,369,923	-	1,369,923	-

2) Fair value measurement technique

a) Financial instruments

The financial assets should be measured by 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 representative quoted prices should be valued at closing prices.
- iv. Fair value of unlisted securities with no closing prices are evaluated based on prices quoted by independent brokers.
- v. The guidelines provided by the regulatory authorities should be followed.

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

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

The Bank and its subsidiaries' fair value measurement model - such as the Black-Scholes option pricing model or Monte Carlo Simulation - is widely used in the industry. If some valuation model parameters consist of unobservable information in markets, the Bank and its subsidiaries must make proper fair value estimates based on assumptions.

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

For estimating the impact of parameters based on unobservable data, the Bank's "Quantitative Information on Significant Unobservable Inputs (Level 3)" is used as reference.

b) Non-financial instruments

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

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

3) Fair value adjustment

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

Credit risk value adjustments represent the fair value of derivative contracts reflecting the credit risks of both parties to a transaction. It is mainly composed of credit value adjustments and debit value adjustments.

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

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

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

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

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

4) Transfers between Level 1 and Level 2

For the years ended December 31, 2018 and 2017, the Bank and its subsidiaries had no material transfer between Level 1 and Level 2.

5) Reconciliation of Level 3 items

a) Reconciliation of Level 3 assets

For the Year Ended December 31, 2018

Name	Beginning Balance	Gains (Losses) on Valuation		Increase		Decrease		Ending Balance
		Profit and Loss	Other Comprehensive Income	Purchase/ Issue	Transfer to Level 3	Disposal/ Sale	Transfer Out of Level 3	
Financial assets at fair value through profit or loss								
Financial assets mandatorily measured as at fair value through profit or loss	\$ 3,824,736	\$ 908,358	\$ -	\$ 2,675,249	\$ 1,234,571	\$ 767,456	\$ 1,097,820	\$ 6,777,638
Financial assets at fair value through other comprehensive income	6,126,294	21,464	62,550	1,842,497	3,514,652	2,526,511	3,518,132	5,522,814
Investment properties	2,890,900	5,976	-	-	65,975	99,500	69,151	2,794,200

Note: Transfers to Level 3 were due to intensity variation of market information for certain financial assets mandatorily measured as at fair value through profit or loss and financial assets at fair value through other comprehensive income. Transfers out of Level 3 were due to intensity variation of market information for certain financial assets mandatorily measured as at fair value through profit or loss and financial assets at fair value through other comprehensive income. Moreover, the investment properties transferred to Level 3 were those reclassified from property and equipment. The investment properties transferred out of Level 3 were those reclassified to property and equipment.

For the Year Ended December 31, 2017

Name	Beginning Balance	Gains (Losses) on Valuation		Increase		Decrease		Ending Balance
		Profit and Loss	Other Comprehensive Income	Purchase/ Issue	Transfer to Level 3	Disposal/ Sale	Transfer Out of Level 3	
Financial assets at fair value through profit or loss								
Held-for-trading financial assets	\$ 11,894,560	\$ (7,621,317)	\$ -	\$ 900,973	\$ 120,841	\$ 2,132,351	\$ 477,730	\$ 2,684,976
Financial assets designated as at fair value through profit or loss	1,638,164	(53,383)	-	-	644,817	424,046	665,792	1,139,760
Available-for-sale financial assets	3,180,787	(136,917)	57,818	2,791,708	4,386,659	1,526,662	4,037,002	4,716,391
Investment properties	2,641,500	18,669	-	-	230,731	-	-	2,890,900

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

As of December 31, 2018 and 2017, valuation gain of \$870,331 thousand and losses of \$658,499 thousand, respectively, were included in profit or loss, and valuation gains of \$76,667 thousand and \$40,786 thousand, respectively, were included in other comprehensive income for assets still held.

b) Reconciliation of Level 3 liabilities

For the Year Ended December 31, 2018

Name	Beginning Balance	Valuation Gain/Loss Reflected on Profit or Loss	Increase		Decrease		Ending Balance
			Purchase/ Issue	Transfer to Level 3	Disposal	Transfer Out of Level 3	
Financial liabilities at fair value through profit or loss							
Held-for-trading financial liabilities	\$ 2,423,559	\$ 826,151	\$ 3,936	\$ -	\$ 350,825	\$ -	\$ 2,902,821

For the Year Ended December 31, 2017

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	\$ 11,980,240	\$ (7,765,146)	\$ 15,178	\$ -	\$ 1,806,713	\$ -	\$ 2,423,559

As of December 31, 2018 and 2017, valuation losses of \$757,555 thousand and gain of \$684,871 thousand, respectively, had been included in profit and loss for liabilities still held.

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

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

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

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

December 31, 2018

Name	Products	Fair Value	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-average)	Relationships between Inputs and Fair Value
Items measured at fair value based on repeatability:						
Financial assets at fair value through profit or loss	Credit-linked notes (CLN)	\$ 1,413,866	Complex option model	Default recovery rate	10%-90%	The increase in default recovery rate would result in a decrease in fair value.
Financial assets at fair value through other comprehensive income	Trust plan	133,983	Discounted cash flow method	Real interest rate	5.9%	The decrease in real interest rate would result in an increase in fair value
<u>Derivative financial assets</u>						
Financial assets at fair value through profit or loss	Foreign exchange option (FX Option)	22,279	Complex foreign exchange option model	Proportion parameter	10%-90%	The increase in proportion parameter would approximate to stochastic volatility model. Inputs should be regularly reviewed to determine the validity of fair value.
<u>Derivative financial liabilities</u>						
Financial liabilities at fair value through profit or loss	Foreign exchange op (FX Option)	(1,740)	Complex foreign exchange option model	Proportion parameter	10%-90%	The increase in proportion parameter would approximate to stochastic volatility model. Inputs should be regularly reviewed to determine the validity of fair value.

December 31, 2017

Name	Products	Fair Value	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-average)	Relationships between Inputs and Fair Value
Items measured at fair value based on repeatability:						
Financial assets designated as at fair value through profit or loss	Credit-linked notes (CLN)	\$ 1,102,092	Complex option model	Default recovery rate	10%-90%	The increase in default recovery rate would result in a decrease in fair value.
Available-for-sale financial assets	Trust plan	137,385	Discounted cash flow method	Real interest rate	5.9%	The decrease in real interest rate would result in an increase in fair value
<u>Derivative financial assets</u>						
Financial assets at fair value through profit or loss	Foreign exchange option (FX Option)	21,020	Complex foreign exchange option model	Proportion parameter	10%-90%	The increase in proportion parameter would approximate to stochastic volatility model. Inputs should be regularly reviewed to determine the validity of fair value.
<u>Derivative financial liabilities</u>						
Financial liabilities at fair value through profit or loss	Foreign exchange op (FX Option)	(16,774)	Complex foreign exchange option model	Proportion parameter	10%-90%	The increase in proportion parameter would approximate to stochastic volatility model. Inputs should be regularly reviewed to determine the validity of fair value.

7) Valuation processes for Level 3 fair value measurements

The Bank and its subsidiaries' Risk Management Division (the "Division") is responsible for independently verifying fair value, confirming that the information needed is correct and consistent before evaluating the financial instruments with the use of models, calibrating measurement models in relation to market prices, and updating the inputs required for models so that the model results will approximate market status. In addition to maintaining the accuracy of measurement models, the Division also periodically examines the reasonableness of prices provided by third parties. Investment properties are regularly measured by independent qualified professional appraisers commissioned by Property Management Division in conformity with the Regulations Governing the Preparation of financial Reports by Public Banks. Unlisted shares are also regularly appraised by external institution commissioned by Investment Management Division.

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

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

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

Name	December 31, 2018			
	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				
Financial assets mandatorily measured at fair value through profit or loss	\$ 110	\$ (68)	\$ -	\$ -
Financial assets at fair value through other comprehensive income	-	-	779	(778)
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss				
Held-for-trading financial liabilities	60	(58)	-	-

Name	December 31, 2017			
	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	79	(35)	-	-
Financial assets designated at fair value through profit or loss	27	(31)	-	-
Available-for-sale financial assets	-	-	156	(156)
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss				
Held-for-trading financial liabilities	57	(55)	-	-

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

1) Fair value information of financial instruments

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

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

Items	December 31, 2017	
	Carrying Amount	Fair Value
<u>Financial assets</u>		
Held-to-maturity financial assets	\$ 464,839,186	\$ 464,918,631
Other financial assets - debt instruments with no active market	53,939,260	55,411,324
<u>Financial liabilities</u>		
Bank debentures	75,096,956	75,704,254

2) Fair value hierarchy of financial instruments

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

Assets and Liabilities	December 31, 2017			
	Total	Level 1	Level 2	Level 3
<u>Financial assets</u>				
Held-to-maturity financial assets	\$ 464,918,631	\$ 74,104,887	\$ 378,945,191	\$ 11,868,553
Other financial assets - debt instruments with no active market	55,411,324	-	23,307,368	32,103,956
<u>Financial liabilities</u>				
Bank debentures	75,704,254	51,278,692	24,425,562	-

3) Measurement technique

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

- a) The carrying amounts of financial instruments such as cash and cash equivalents, due from the Central Bank and call loans to other banks, securities purchased under resell agreements, receivables, part of other financial assets, due to the Central Bank and other banks, funds borrowed from the Central Bank and other banks, securities sold under repurchase agreements, payables, and remittances approximate their fair value because of the short maturities of these instruments.
- b) Discounts and loans, deposits, and principals of structured products are interest-earning financial assets/interest-bearing financial liabilities; thus, their carrying amounts approximate their fair value. The carrying amounts of nonperforming loans are estimated at their recoverable amounts after considering the reserve for impairment loss; thus the carrying amounts are regarded as fair value.
- c) Investments in debt instruments measured at amortized cost (2018), held-to-maturity financial assets (2017), debt instruments with no active market (2017) 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) Financial assets measured at cost (2017) 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 values.

56. FINANCIAL RISK MANAGEMENT

a. Overview

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

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

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

b. Risk management framework

Taipei Fubon Bank

The Bank adopts three lines of defense in its risk management framework to ensure operating effectiveness of risk management system. The board of directors and senior management oversee the risk management framework to ensure operating effectiveness and takes ultimate responsibility for its effectiveness.

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

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

This ALCO is in charge of the Bank's business strategy. It manages assets and liabilities and capital adequacy, sustains liquidity and enhances the management of the sources and use of capital to pursue the Bank's best interests under acceptable risks. The committee is chaired by the Bank's chairman and its members are comprised of the Bank's president and senior managers of the relevant departments.

The Credit Risk Management Committee, Market Risk Management Committee, Operational Risk Management Committee, and Financial Risk Management Committee are chaired by the Bank's president and the members of the committees include the senior managers of the relevant departments. The committees review the mechanism for credit, market, operational, and financial risk management; review credit risk and country risk exposures, and changes in positions and asset quality; monitor market risk limits and exposures; inspect operational loss events, relevant remedial courses of action, and control of financial product risk.

Fubon Bank (China)

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

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

c. Credit risk

1) Credit risk definitions and sources

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 security investments.

2) Strategy/objectives/policies and procedures

Taipei Fubon Bank

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

Fubon Bank (China)

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

3) Credit risk management framework

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 exposure; monitoring risk limits; reporting; and coordinating the development of the mechanism for managing credit risk and validating risk models.
- c) Under the risk management controller, there are legal and personal credit risk management units which are responsible for performing credit review, post-loan management, collection and credit management.
- d) The Bank has established 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)

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

4) Credit risk measurement, control and reporting

Taipei Fubon Bank

- a) The Bank has established credit risk measurement and control procedures, including underwriting, risk rating, limit control, account maintenance, pre-settlement limit control and collection management systems, which enable the Bank to manage and limit the country risk, single legal entity and group exposure risk, and industry concentration risk effectively. The Bank has also established a vigorous review and early warning mechanism to ensure that there are proper actions taken for effective credit risk management.
- b) The Bank regularly performs credit risk stress testing based on the guideline issued by the Financial Supervisory Commission. It continues to develop scenario analysis and stress testing to provide senior management with an assessment of risk tolerance, as well as to provide a sound basis for credit portfolio management.
- c) The Bank has completed several Basel Accord credit risk management projects, including risk data warehousing system, internal risk rating system, and the risk-weighted asset calculation system. The development and revision of score card and rating models are validated independently by the Risk Management Division to monitor the model performance and stability.

Fubon Bank (China)

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

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

5) Credit risk mitigation

Taipei Fubon Bank

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

Fubon Bank (China)

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

6) The determination of significant increase in credit risk after initial recognition - 2018

a) Credit assets

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

- i. Financial assets that are overdue more than 30 days;
- ii. Significant fall in the debtor's internal or external credit rating;
- iii. Significant increase in the credit risk of any product of the same debtor;
- iv. Adverse changes in the current or projected operating, financial or economic conditions that are expected to result in significant changes in the ability of the borrower to perform its debt obligations;

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

b) Debt instruments

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

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

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

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

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

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

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

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

7) Definition of default and credit impaired financial assets - 2018

a) Credit assets

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

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

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

iii. The debtors or issuers are undergoing financial difficulties;

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

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

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

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

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

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

b) Debt instruments

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

- i. The financial assets have failed to repay the principal and interest on time according to the conditions of issuance;
- ii. The issuer is undergoing financial difficulties;
- iii. The issuer has claimed bankruptcy or is likely to claim bankruptcy;
- iv. The issuer has undergone a reorganization or is likely to request a reorganization;
- v. Credit losses have occurred at the time of the creation of the financial assets.

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

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

8) Write-off policy - 2018

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

- a) All or part of the creditor's right could not be enforced due to dissolution, escape, settlement, bankruptcy or other reasons of the debtors.
- b) The values of collateral and properties of the main and subordinate debtors are very low, compensation are not available after deducting the first mortgage, or it is unbeneficial that execution fee is close to or may exceed the bank's reimbursable amount.
- c) The collateral and the properties of the main and subordinate debtors are unsold after multiple discount auctions and not beneficial to the Bank.
- d) Overdue and nonperforming loans have not been recovered after more than 2 years from the maturity date.

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

9) Assessment of expected credit losses - 2018

a) Credit assets

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

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

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

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

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

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

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

b) Debt instruments

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

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

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

10) The total carrying value and expected credit losses of the Bank and its subsidiaries - 2018

a) Cash and cash equivalents

	For the Year Ended December 31, 2018						Total
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Lifetime ECL (Non-purchased or Originated Credit-Impaired Financial Assets)	Lifetime ECL (Purchased or originated Credit-Impaired Financial Assets)	Amount of Impairment Recorded in Accordance with IFRS 9	
Balance, January 1	\$ 476	\$ -	\$ -	\$ -	\$ -	\$ 476	\$ 476
Changes due to financial instruments that have been recognized at the beginning of the year:							
Derecognized financial assets in the current year	(56)	-	-	-	-	(56)	(56)
Originated or purchased financial assets	2,463	-	-	-	-	2,463	2,463
Effect of exchange rate changes and others	(58)	-	-	-	-	(58)	(58)
Balance, December 31	\$ 2,825	\$ -	\$ -	\$ -	\$ -	\$ 2,825	\$ 2,825

b) Financial assets at fair value through other comprehensive income

Total carrying value

	For the Year Ended December 31, 2018						Total
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)		
Balance, January 1	\$ 154,292,706	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 154,292,706
Changes due to financial instruments that have been recognized at the beginning of the year:							
Derecognized financial assets in the current year	(111,200,026)	-	-	-	-	-	(111,200,026)
Originated or purchased financial assets	109,999,339	-	-	-	-	-	109,999,339
Effect of exchange rate changes and others	(1,418,155)	-	-	-	-	-	(1,418,155)
Balance, December 31	\$ 151,673,864	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 151,673,864

Expected credit losses

	For the Year Ended December 31, 2018							Total
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)	Impairment under IFRS 9	Differences in Impairments According to Law	
Balance, January 1	\$ 69,071	\$ -	\$ -	\$ -	\$ -	\$ 69,071	\$ 217,635	\$ 286,706
Changes due to financial instruments that have been recognized at the beginning of the year:								
Derecognized financial assets in the current year	(43,679)	-	-	-	-	(43,679)	-	(43,679)
Originated or purchased financial assets	51,024	-	-	-	-	51,024	-	51,024
Impairment differences recognized in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/Nonaccrual Loans"	-	-	-	-	-	-	839	839
Effect of exchange rate changes and others	(2,150)	-	-	-	-	(2,150)	(1,236)	(3,386)
Balance, December 31	\$ 74,266	\$ -	\$ -	\$ -	\$ -	\$ 74,266	\$ 217,238	\$ 291,504

c) Debt instruments at amortized cost

Total carrying value

	For the Year Ended December 31, 2018						Total
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)		
Balance, January 1	\$ 582,918,544	\$ -	\$ 1,231,421	\$ -	\$ -	\$ -	\$ 584,149,965
Changes of financial instruments that have been identified at the beginning of the year:							
Transfer to lifetime ECL	(149,717)	-	149,717	-	-	-	-
Transfer to 12-month ECL	298,574	-	(298,574)	-	-	-	-
Derecognizing financial assets during the current year	(287,164,043)	-	(743,161)	-	-	-	(287,907,204)
Originated or purchased financial assets	307,084,068	-	307,921	-	-	-	307,391,989
Effect of exchange rate changes and others	3,680,549	-	14,346	-	-	-	3,694,895
Balance, December 31	\$ 606,667,975	\$ -	\$ 661,670	\$ -	\$ -	\$ -	\$ 607,329,645

Expected credit losses

	For the Year Ended December 31, 2018						Total
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)	Impairment under IFRS 9	
Balance, January 1	\$ 240,003	\$ -	\$ 33,534	\$ -	\$ -	\$ 273,537	\$ 273,537
Changes due to financial instruments that have been recognized at the beginning of the year:							
Transferred to lifetime ECL	(226)	-	226	-	-	-	-
Transferred to 12-month ECL	280	-	(280)	-	-	-	-
Derecognized financial assets in the current year	(85,896)	-	(6,872)	-	-	(92,768)	(92,768)
Originated or purchased financial assets	59,429	-	295	-	-	59,724	59,724
Effect of exchange rate changes and others	3,495	-	598	-	-	4,093	4,093
Balance, December 31	\$ 217,085	\$ -	\$ 27,501	\$ -	\$ -	\$ 244,586	\$ 244,586

d) Receivables

Total carrying value

	For the Year Ended December 31, 2018					
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)	Total
Balance, January 1	\$ 66,233,160	\$ 880,876	\$ -	\$ 657,861	\$ -	\$ 67,771,897
Changes due to financial instruments that have been recognized at the beginning of the year:						
Transferred to lifetime ECL	(354,432)	354,689	-	(257)	-	-
Transferred to credit impaired financial assets	(155,855)	(62,164)	-	218,019	-	-
Transferred to 12-month ECL	360,518	(360,312)	-	(206)	-	-
Derecognized financial assets in the current year	(42,940,917)	(373,138)	-	(341,199)	-	(43,655,254)
Originated or purchased financial assets	54,920,251	322,507	-	14,071	-	55,256,829
Written off as bad debt expense	-	-	-	(19,231)	-	(19,231)
Effect of exchange rate changes and others	(370,195)	2,637	-	7,288	-	(360,270)
Balance, December 31	\$ 77,692,530	\$ 765,095	\$ -	\$ 536,346	\$ -	\$ 78,993,971

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

Expected credit losses

	For the Year Ended December 31, 2018							
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Lifetime ECL (Non-purchased or Originated Credit- impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit- impaired Financial Assets)	Impairment under IFRS 9	Differences in Impairments According to Law	Total
Balance, January 1	\$ 255,621	\$ 73,990	\$ 293	\$ 160,228	\$ -	\$ 490,132	\$ 156,540	\$ 646,672
Changes due to financial instruments that have been recognized at the beginning of the year:								
Transferred to lifetime ECL	(3,803)	4,053	2	(252)	-	-	-	-
Transferred to credit impaired financial assets	(2,879)	(17,117)	-	19,996	-	-	-	-
Transferred to 12-month ECL	31,914	(31,707)	(2)	(205)	-	-	-	-
Derecognized financial assets in the current year	(184,661)	(16,077)	(44)	(48,359)	-	(249,141)	-	(249,141)
Originated or purchased financial assets	396,316	21,987	-	59,758	-	478,061	-	478,061
Impairment differences recognized in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/Nonaccrual Loans"	-	-	-	-	-	-	(156,540)	(156,540)
Written off as bad debt expense	-	-	-	(24,746)	-	(24,746)	-	(24,746)
Effect of exchange rate changes and others	(19,120)	26,977	(26)	59,198	-	67,029	-	67,029
Balance, December 31	\$ 473,388	\$ 62,106	\$ 223	\$ 225,618	\$ -	\$ 761,335	\$ -	\$ 761,335

e) Discounts and loans

Total carrying value

	For the Year Ended December 31, 2018					Total
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)	
Balance, January 1	\$ 1,337,438,503	\$ 39,123,598	\$ -	\$ 9,883,788	\$ -	\$1,386,445,889
Changes due to financial instruments that have been recognized at the beginning of the year:						
Transferred to lifetime ECL	(11,305,821)	11,336,182	-	(30,361)	-	-
Transferred to credit impaired financial assets	(1,058,956)	(320,961)	-	1,379,917	-	-
Transfer to 12-month ECL	12,755,836	(12,743,567)	-	(12,269)	-	-
Derecognized financial assets in the current year	(652,231,223)	(11,464,192)	-	(3,638,094)	-	(667,333,509)
Originated or purchased financial assets	693,168,293	8,910,166	-	2,118,328	-	704,196,787
Written off as bad debt expense	-	-	-	(1,018,148)	-	(1,018,148)
Recoverable bad debt expense	-	-	-	-	-	-
Effect of exchange rate changes and others	(4,863,237)	22,011	-	(9,342)	-	(4,850,568)
Balance, December 31	\$ 1,373,903,395	\$ 34,863,237	\$ -	\$ 8,673,819	\$ -	\$ 1,417,440,451

Expected credit losses

	For the Year Ended December 31, 2018							Total
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)	Impairment under IFRS 9	Differences in Impairments According to Law	
Balance, January 1	\$ 3,853,592	\$ 726,935	\$ -	\$ 3,262,128	\$ -	\$ 7,842,655	\$ 11,726,364	\$ 19,569,019
Changes due to financial instruments that have been recognized at the beginning of the year:								
Transferred to lifetime ECL	(18,693)	26,401	-	(7,708)	-	-	-	-
Transferred to credit impaired financial assets	(15,139)	(39,355)	-	54,494	-	-	-	-
Transferred to 12-month ECL	390,915	(388,506)	-	(2,409)	-	-	-	-
Derecognized financial assets in the current year	(2,849,266)	(130,518)	-	(1,047,606)	-	(4,027,390)	-	(4,027,390)
Originated or purchased financial assets	2,464,656	182,598	-	502,643	-	3,149,897	-	3,149,897
Impairment differences recognized in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/Nonaccrual Loans"	-	-	-	-	-	-	752,563	752,563
Written off as bad debt expense	-	-	-	(1,018,148)	-	(1,018,148)	-	(1,018,148)
Recoverable bad debt expense	-	-	-	453,771	-	453,771	-	453,771
Effect of exchange rate changes and others	(554,670)	56,686	-	1,063,862	-	565,878	-	565,878
Balance, December 31	\$ 3,271,395	\$ 434,241	\$ -	\$ 3,261,027	\$ -	\$ 6,966,663	\$ 12,478,927	\$ 19,445,590

f) Other financial assets

Total carrying value

	For the Year Ended December 31, 2018					
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)	Total
Balance, January 1	\$ 1,233	\$ -	\$ -	\$ 126,413	\$ -	\$ 127,646
Changes due to financial instruments that have been recognized at the beginning of the year:						
Derecognized financial assets in the current year	(1,002)	-	-	(45,786)	-	(46,788)
Originated or purchased financial assets	-	-	-	295,755	-	295,755
Written off as bad debt expense	-	-	-	(284,891)	-	(284,891)
Effect of exchange rate changes and others	-	-	-	1,264	-	1,264
Balance, December 31	\$ 231	\$ -	\$ -	\$ 92,755	\$ -	\$ 92,986

Expected credit losses

	For the Year Ended December 31, 2018							
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Lifetime ECL (Non-purchased or Originated Credit- impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit- impaired Financial Assets)	Impairment under IFRS 9	Differences in Impairments According to Law	Total
Balance, January 1	\$ -	\$ -	\$ -	\$ 106,581	\$ -	\$ 106,581	\$ -	\$ 106,581
Changes due to financial instruments that have been recognized at the beginning of the year:								
Derecognized financial assets in the current year	-	-	-	(1,513)	-	(1,513)	-	(1,513)
Originated or purchased financial assets	-	-	-	47,293	-	47,293	-	47,293
Impairment differences recognized in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/Nonaccrual Loans"	-	-	-	-	-	-	-	-
Write-off to bad debt expense	-	-	-	(284,891)	-	(284,891)	-	(284,891)
Recoverable bad debt expense	-	-	-	345,517	-	345,517	-	345,517
Effect of exchange rate changes and others	-	-	-	(139,146)	-	(139,146)	-	(139,146)
Balance, December 31	\$ -	\$ -	\$ -	\$ 73,841	\$ -	\$ 73,841	\$ -	\$ 73,841

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

Expected credit losses

	For the Year Ended December 31, 2018							Total
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)	Impairment under IFRS 9	Differences in Impairments According to Law	
Balance, January 1	\$ 135,311	\$ 36,591	\$ -	\$ 15,014	\$ -	\$ 186,916	\$ 266,445	\$ 453,361
Changes due to financial instruments that have been recognized at the beginning of the year:								
Transferred to lifetime ECL	(991)	1,040	-	(49)	-	-	-	-
Transferred to credit impaired financial assets	(238)	(1,141)	-	1,379	-	-	-	-
Transferred to 12-month ECL	15,320	(15,240)	-	(80)	-	-	-	-
Derecognized financial assets in the current year	(47,023)	(6,932)	-	(14,448)	-	(68,403)	-	(68,403)
Originated or purchased financial assets	90,219	6,606	-	68	-	96,893	-	96,893
Impairment differences recognized in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/Nonaccrual Loans"	-	-	-	-	-	-	(26,068)	(26,068)
Effect of exchange rate changes and others	(6,617)	5,128	-	(1,079)	-	(2,568)	-	(2,568)
Balance, December 31	\$ 185,981	\$ 26,052	\$ -	\$ 805	\$ -	\$ 212,838	\$ 240,377	\$ 453,215

11) Maximum exposure to credit risk

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

Taipei Fubon Bank

Off-Balance Sheet Item	Maximum Exposure Amount	
	December 31, 2018	December 31, 2017
Irrevocable credit commitments	\$ 112,580,654	\$ 76,409,378
Standby letters of credit	8,295,749	10,407,936
Financial guarantees	27,845,774	29,397,044
Total	\$ 148,722,177	\$ 116,214,358

Fubon Bank (China)

(In Thousands of RMB)

Off-Balance Sheet Item	Maximum Exposure Amount	
	December 31, 2018	December 31, 2017
Standby letters of credit	\$ 312,512	\$ 457,960
Financial guarantees	965,035	1,361,133
Total	\$ 1,277,547	\$ 1,819,093

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

Taipei Fubon Bank

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

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

Fubon Bank (China)

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

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

12) Concentration of credit risk exposure

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

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

Taipei Fubon Bank

a) By industry

By Industry	December 31, 2018		December 31, 2017	
	Amount	%	Amount	%
Private	\$ 681,387,936	52.43	\$ 638,649,436	51.25
Private enterprise	466,443,553	35.89	438,644,180	35.20
Government institution	62,059,416	4.78	56,737,571	4.55
Financial organization	57,554,699	4.43	77,239,133	6.20
Public enterprise	31,055,954	2.39	34,227,556	2.75
Non-profit organization	991,959	0.08	578,876	0.05
Total	\$ 1,299,493,517	100.00	\$ 1,246,076,752	100.00

Note: The amount as of December 31, 2018 including accounts receivable - factoring, bills purchased and accounts receivable - factoring in nonperforming loans transferred from other than loans.

b) By geographical area

Geographical Area	December 31, 2018		December 31, 2017	
	Amount	%	Amount	%
Domestic	\$ 1,123,966,924	86.49	\$ 1,087,909,696	87.31
Asia	88,622,271	6.82	87,018,082	6.98
America	68,490,647	5.27	56,486,297	4.53
Others	18,413,675	1.42	14,662,677	1.18
Total	\$ 1,299,493,517	100.00	\$ 1,246,076,752	100.00

Note: The amount as of December 31, 2018 including accounts receivable - factoring, bills purchased and accounts receivable - factoring in nonperforming loans transferred from other than loans.

c) By collateral

By Collateral	December 31, 2018		December 31, 2017	
	Amount	%	Amount	%
Unsecured	\$ 416,669,591	32.06	\$ 444,091,542	35.64
Secured	882,823,926	67.94	801,985,210	64.36
Properties	735,785,045	56.62	686,862,046	55.12
Guarantees	75,511,380	5.81	46,577,211	3.74
Financial instruments	41,550,277	3.20	37,101,176	2.98
Others	29,977,224	2.31	31,444,777	2.52
Total	\$ 1,299,493,517	100.00	\$ 1,246,076,752	100.00

Note: The amount as of December 31, 2018 including accounts receivable - factoring, bills purchased and accounts receivable - factoring in nonperforming loans transferred from other than loans.

d) Credit risk rating grades - 2018

Taipei Fubon Bank

- i. Good: Exposures demonstrate a good capacity to meet financial commitments, with low default risk and/or low levels of expected loss.
- ii. Moderate: Exposures require closer monitoring and demonstrate an average to fair capacity to meet financial commitments, with moderate default risk.
- iii. Substandard: Exposures require varying degrees of special attention and default risk is of greater concern.

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

Fubon Bank (China)

a) By industry

(In Thousands of RMB)

By Industry	December 31, 2018		December 31, 2017	
	Amount	%	Amount	%
Finance and insurance	\$ 14,222,447	37.96	\$ 12,417,020	29.99
Wholesale and retail	4,865,995	12.99	4,193,054	10.13
Manufacturing	3,671,232	9.80	3,320,350	8.02
Construction	2,648,112	7.07	4,701,205	11.35
Personal loans	2,522,757	6.73	1,266,229	3.06
Water conservation and environment	2,497,750	6.67	3,116,013	7.53
Real estate	2,144,199	5.72	1,980,333	4.78
Leasing and commerce	1,489,787	3.98	3,163,784	7.64
Information and computers	576,975	1.54	370,819	0.89
Health care and welfare	482,043	1.29	164,310	0.40
Education	414,434	1.11	330,625	0.80
Electricity, gas and water	413,000	1.10	550,000	1.33
Transportation	397,399	1.06	699,224	1.69
Agriculture, livestock and fishery	205,563	0.55	190,000	0.46
Culture, sports and entertainment	167,640	0.45	39,694	0.10
Research and development and technical services	164,979	0.44	121,648	0.29
Hotel and catering	50,933	0.14	11,225	0.03
Others	528,430	1.40	4,767,149	11.51
Total (Note)	\$ 37,463,675	100.00	\$ 41,402,682	100.00

Note: Included only discounts and loans.

b) By geographical area

(In Thousands of RMB)

Geographical Area	December 31, 2018		December 31, 2017	
	Amount	%	Amount	%
East China	\$ 13,456,906	35.92	\$ 20,473,610	49.45
North China	7,853,423	20.96	9,116,791	22.02
Southwest region	4,070,298	10.87	5,985,142	14.45
South China	3,222,171	8.60	3,166,139	7.65
Other regions	6,334,705	16.91	1,394,771	3.37
Personal loans	2,526,172	6.74	1,266,229	3.06
Total (Note)	\$ 37,463,675	100.00	\$ 41,402,682	100.00

Note: Included only discounts and loans.

c) By collateral

(In Thousands of RMB)

By Collateral	December 31, 2018		December 31, 2017	
	Amount	%	Amount	%
Clean loans	\$ 28,154,859	75.15	\$ 33,893,133	81.86
Guarantee loans	495,538	1.32	576,691	1.39
Collateral loans	8,813,278	23.53	6,932,858	16.75
Pledge loans	5,857,003	15.64	3,815,491	9.22
Mortgage loans	2,956,275	7.89	3,117,367	7.53
Total (Note)	\$ 37,463,675	100.00	\$ 41,402,682	100.00

Note: Included only discounts and loans.

d) The credit quality rating classifications - 2018

Fubon Bank (China)

- i. Good: Exposures demonstrate a good capacity to meet financial commitments, with low default risk and/or low levels of expected loss.
- ii. Moderate: Exposures require closer monitoring and demonstrate an average to fair capacity to meet financial commitments, with moderate default risk.
- iii. Substandard: Exposures require varying degrees of special attention and default risk is of greater concern.

December 31, 2018	Financial Assets Measured at Amount of 12 Months ECL				Financial Assets with Significant Increase in Credit Risk After Initial Recognition				Credit-impaired Financial Assets	Purchased or Originated Credit-impaired Financial Assets	Allowance for Impairment	Total
	Good	Moderate	Substandard	Total	Good	Moderate	Substandard	Total				
Financial assets at fair value through other comprehensive income - debt instruments	\$ 15,336,164	\$ -	\$ -	\$ 15,336,164	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 58,810	\$ 15,277,354
Investments in debt instruments measured at amortized cost	8,017,427	-	-	8,017,427	-	-	-	-	-	-	5,259	8,012,168
Receivables												
Acceptances	4,244,049	-	-	4,244,049	-	-	-	-	-	-	29,913	4,214,136
Accounts receivables - factoring	21,774	-	-	21,774	-	-	-	-	-	-	261	21,513
Loans												
Personal finance	2,473,539	-	47,946	2,521,485	46	-	305	351	4,336	-	31,332	2,494,840
Corporate banking	29,070,022	5,272,809	152,905	34,495,736	-	25,673	-	25,673	416,094	-	598,589	34,338,914
Financial assets off-balance sheet												
Guarantees receivable	965,035	-	-	965,035	-	-	-	-	-	-	4,566	960,469
Credit receivable	312,512	-	-	312,512	-	-	-	-	-	-	1,382	311,130

13) Financial impact of credit risk mitigation policy - 2018

a) Collateral and other credit enhancements

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

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

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

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

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

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

b) The collateral amount of impaired financial assets

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

Taipei Fubon Bank

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

Fubon Bank (China)

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

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

The contract amount outstanding of the Bank's financial assets that were written off and still have recourse activities as of December 31, 2018 was \$420,865 thousand.

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

The collaterals assumed held by Fubon Bank (China) are currently evaluated mainly based on the "The Administration of Debt-expiated Assets in Banks".

The properties of the collaterals held by Fubon Bank (China) are houses and buildings. As of December 31, 2018 and 2017, the carrying amount of the properties were \$53,593 thousand and \$87,926 thousand, respectively. The collaterals assumed are classified as other assets in the consolidated balance sheets.

14) Credit quality and impairment assessment - 2017

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, guaranteed bonds, and clearing and settlement funds 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 risk grading of the Bank and its subsidiaries is as follows:

Taipei Fubon Bank

- a) Good: Exposures demonstrate a good capacity to meet financial commitments, with low default risk and/or low levels of expected loss.
- b) Moderate: Exposures require closer monitoring and demonstrate an average to fair capacity to meet financial commitments, with moderate default risk.
- c) Substandard: Exposures require varying degrees of special attention and default risk is of greater concern.

Fubon Bank (China)

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

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

Taipei Fubon Bank

a) Credit analysis of receivables and discounts and loans

December 31, 2017	Neither Past Due Nor Impaired				Overdue But Not Impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Loss Recognized (D)		Net Total (A)+(B)+(C)-(D)
	Good	Moderate	Substandard	Subtotal (A)				With Objective Evidence of Impairment	With No Objective Evidence of Impairment	
Receivables	\$ 48,468,265	\$ 18,133,729	\$ 499,565	\$ 67,101,559	\$ 197,019	\$ 826,972	\$ 68,125,550	\$ 155,688	\$ 334,626	\$ 67,635,236
Accounts receivable - credit card	30,311,446	5,899,599	450,510	36,661,555	182,856	609,259	37,453,670	52,864	115,427	37,285,379
Accounts receivable - factoring	8,054,633	9,027,340	-	17,081,973	-	-	17,081,973	-	192,947	16,889,026
Accounts receivable acceptance	330,915	2,075,458	-	2,406,373	-	-	2,406,373	-	24,986	2,381,387
Others	9,771,271	1,131,332	49,055	10,951,658	14,163	217,713	11,183,534	102,824	1,266	11,079,444
Bills purchased	92	1,141	-	1,233	-	-	1,233	-	12	1,221
Nonperforming loans transferred from other than loans	-	-	-	-	-	126,413	126,413	106,463	-	19,950
Discounts and loans	607,041,103	568,545,100	27,922,020	1,203,508,223	3,046,005	7,717,194	1,214,271,422	1,938,196	14,203,709	1,198,129,517
Personal finance	495,263,834	52,696,923	26,492,552	574,453,309	3,041,325	1,901,225	579,395,859	91,709	7,739,714	571,564,436
Corporate banking	111,777,269	515,848,177	1,429,468	629,054,914	4,680	5,815,969	634,875,563	1,846,487	6,463,995	626,565,081

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

Fubon Bank (China)

(In Thousands of RMB)

December 31, 2017	Neither Past Due Nor Impaired			Overdue But Not Impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Loss Recognized (D)		Net Total (A)+(B)+(C)-(D)
	Moderate	Special-mention	Subtotal (A)				With Objective Evidence of Impairment	With No Objective Evidence of Impairment	
Accounts receivable	\$ 3,051,676	\$ -	\$ 3,051,676	\$ -	\$ -	\$ 3,051,676	\$ -	\$ 3,381	\$ 3,048,295
Accounts receivable - acceptance	2,173,344	-	2,173,344	-	-	2,173,344	-	-	2,173,344
Accounts receivable - factoring	191,517	-	191,517	-	-	191,517	-	2,681	188,836
Others	686,815	-	686,815	-	-	686,815	-	700	686,115
Discount and loans	40,816,149	75,590	40,891,739	88,927	422,016	41,402,682	341,837	403,808	40,657,037
Personal finance	1,254,255	-	1,254,255	11,303	671	1,266,229	367	17,581	1,248,281
Corporate banking	39,561,894	75,590	39,637,484	77,624	421,345	40,136,453	341,470	386,227	39,408,756

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

Taipei Fubon Bank

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

Fubon Bank (China)

(In Thousands of RMB)

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

c) Credit analysis of marketable securities

Taipei Fubon Bank

December 31, 2017	Neither Past Due Nor Impaired				Overdue But Non Impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Impairment Loss Recognized (D)	Net Total (A)+(B)+(C)-(D)
	Good	Moderate	Substandard	Subtotal (A)					
Available-for-sale financial assets									
Bond investments	\$ 50,329,805	\$ 52,534,658	\$ -	\$ 102,864,463	\$ -	\$ -	\$ 102,864,463	\$ -	\$ 102,864,463
Others	20,649,212	29,561,508	-	50,210,720	-	-	50,210,720	-	50,210,720
Held-to-maturity financial assets									
Bond investments	104,333,490	24,076,384	-	128,409,874	-	-	128,409,874	-	128,409,874
Others	298,030,979	2,779,638	-	300,810,617	-	-	300,810,617	-	300,810,617
Other financial assets									
Bond investments	47,165,047	6,774,213	-	53,939,260	-	-	53,939,260	-	53,939,260

Note 1: Available-for-sale financial assets did not include equity investments and beneficial securities: Original cost of \$3,285,108 thousand, valuation amounting to \$14,422 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 \$1,057,635 thousand and accumulated impairment amounted to \$30,989 thousand.

Fubon Bank (China)

(In Thousands of RMB)

December 31, 2017	Neither Past Due Nor Impaired			Overdue But Non Impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Impairment Loss Recognized (D)	Net Total (A)+(B)+(C)-(D)
	Moderate	Special-mention	Subtotal (A)					
Available-for-sale financial assets								
Bond investments	\$ 6,003,504	\$ -	\$ 6,003,504	\$ -	\$ -	\$ 6,003,504	\$ -	\$ 6,003,504
Others	4,926,419	-	4,926,419	-	-	4,926,419	-	4,926,419
Held-to-maturity financial assets								
Bond investments	7,777,857	-	7,777,857	-	-	7,777,857	-	7,777,857

15) Aging analysis of overdue but not yet impaired financial assets - 2017

Taipei Fubon Bank

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

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

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

Fubon Bank (China)

(In Thousands of RMB)

	December 31, 2017				Total
	Overdue Less Than One Month	Overdue One to Three Months	Overdue Over Three to Year	Overdue Over Year	
Discounts and loans					
Personal finance	\$ 8,672	\$ 2,631	\$ -	\$ -	\$ 11,303
Corporate banking	579	18,550	-	58,495	77,624

16) Analysis of impairment of financial assets - 2017

Part of the Bank and its subsidiaries' investments in available-for-sale financial assets and financial assets carried at cost were considered impaired based on the objective evidences of impairment provided by investee companies. Refer to Notes 15 and 20.

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

Discounts and loans

Type of Impairment Assessment		December 31, 2017	
		Discounts and Loans	Allowance for Credit Losses
With objective evidence of impairment	Individually assessed for impairment	\$ 8,152,638	\$ 3,411,926
	Collectively assessed for impairment	1,901,225	91,709
With no objective evidence of impairment	Collectively assessed for impairment	1,393,821,140	16,052,948

Receivables

Type of Impairment Assessment		December 31, 2017	
		Receivables	Allowance for Credit Losses
With objective evidence of impairment	Individually assessed for impairment	\$ 289,213	\$ 161,557
	Collectively assessed for impairment	664,171	100,594
With no objective evidence of impairment	Collectively assessed for impairment	81,002,969	350,122

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

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

d. Liquidity risk

1) Source and definition of liquidity risk

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

2) Liquidity risk management strategy and principles

Taipei Fubon Bank

- a) The Bank's strategy is to lower liquidity risk by acquiring stable, low interest-rate, sufficient funding to cover asset size growth and meet obligations on matured liabilities and to escape gaps between funding availability and demand.
- b) The principle is to harmonize fund availability with the Bank's deposit, loan and financial transaction growth. The Bank adjusts its funding strategy depending on market fund change and the Central Bank's policies to increase fund use and lower liquidity risk. Thus, the Bank not only pays attention to maturities of long-term and short-term securities to match the timing of large-amount loan drawdowns and repayments, but also analyzes the stability and percentages of various types of deposits to manage funding liquidity.
- c) The Bank has the liquidity risk limits to monitor and manage the Bank's liquidity risk. The liquidity risk limits are regulated by the Bank's president based on the regulations and the range of risk appetite, then regularly reported to the ALCO and the directors (permanent).

Fubon Bank (China)

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

- b) Fubon Bank (China) maintains a strategically defined risk appetite for its liquidity management. Daily liquidity management is centralized given the size and complexity of its current business scope, and Fubon Bank (China)'s organization structure is suitable for managing liquidity exposure. The board of directors takes the ultimate responsibility for Fubon Bank (China)'s liquidity risk. The senior management, which is in charge of implementing liquidity management policies and procedures, has authorized the Asset and Liability Management Committee to perform related management duties daily. Liquidity risk assessment reports are prepared by the senior management for submission to the Risk & Related Party Transaction Committee.
- c) Fubon Bank (China)'s liquidity risk management involves the full participation of staff in the dynamic prevention, scientific quantification and prudent management of risk to ensure Fubon Bank (China) has sufficient funding for its capital growth and various obligations.

3) Maturity analysis

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

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

a) Maturity analysis of financial assets and liabilities - NTD

Taipei Fubon Bank

December 31, 2018	0-30 Days	31-90 Days	91-180 Days	181-365 Days	Over 1 Year	Total
Assets						
Cash, call loans and deposits due from/to other banks	\$ 40,841,055	\$ 3,433,424	\$ 2,718,327	\$ 5,483,620	\$ 19,257,870	\$ 71,734,296
Investments in marketable securities (Note 2)	190,800,373	17,647,379	51,951,745	44,937,765	140,948,335	446,285,597
Securities purchased under resell agreements	10,891,270	-	-	-	-	10,891,270
Loans (included overdue loans)	68,656,903	68,680,154	73,257,584	69,687,920	750,644,677	1,030,927,238
Deliverable derivative assets	322,877,292	197,352,278	161,782,111	113,441,476	19,331,060	814,784,217
Non-deliverable derivative assets	4,143,393	-	1,921	-	354,325	4,499,639
Other capital inflow on maturity	24,046,573	7,074,164	8,767,415	4,874,133	53,685,879	98,448,164
Subtotal	662,256,859	294,187,399	298,479,103	238,424,914	984,222,146	2,477,570,421
Liabilities						
Due to the Central Bank and other banks	13,473,447	1,000	549,909	-	103,000	14,127,356
Deposits and remittances	121,286,099	118,136,574	93,558,908	188,734,316	661,781,540	1,183,497,437
Securities sold under repurchase agreements	2,383,670	7,392,822	22,584	-	-	9,799,076
Payables	501,111	389,311	642,871	705,152	106,280	2,344,725
Bank debentures	-	-	1,301,986	2,150,000	49,155,616	52,607,602
Deliverable derivative liabilities	313,354,989	329,648,202	225,560,881	91,209,577	30,791,880	990,565,529
Non-deliverable derivative liabilities	4,213,223	-	-	-	-	4,213,223
Other capital outflow on maturity	18,714,729	3,719,246	2,678,891	107,402	6,761,832	31,982,100
Subtotal	473,927,268	459,287,155	324,316,030	282,906,447	748,700,148	2,289,137,048

December 31, 2017	0-30 Days	31-90 Days	91-180 Days	181-365 Days	Over 1 Year	Total
Assets						
Cash, call loans and deposits due from/to other banks	\$ 45,883,761	\$ 4,258,293	\$ 4,760,420	\$ 5,404,084	\$ 17,177,958	\$ 77,484,516
Investments in marketable securities (Note 2)	197,972,829	39,371,317	44,635,826	58,475,521	139,333,528	479,789,021
Securities purchased under resell agreements	5,285,079	-	-	-	-	5,285,079
Loans (including overdue loans)	104,526,252	81,764,313	63,449,650	94,504,089	645,292,735	989,537,039
Deliverable derivative assets	258,891,312	246,809,793	160,252,700	68,532,635	14,745,338	749,231,778
Non-deliverable derivative assets	4,160,124	3,510	-	14,430	253,685	4,431,749
Other capital inflow on maturity	25,814,801	7,912,275	7,394,205	3,662,346	50,423,971	95,207,598
Subtotal	642,534,158	380,119,501	280,492,801	230,593,105	867,227,215	2,400,966,780
Liabilities						
Due to the Central Bank and other banks	28,197,958	2,000	845,004	1,700	101,000	29,147,662
Deposits and remittances	176,091,600	147,255,219	95,502,422	186,965,437	593,268,963	1,199,083,641
Securities sold under repurchase agreements	10,148,583	1,613,321	53,225	-	-	11,815,129
Payables	559,496	416,707	518,895	553,656	94,743	2,143,497
Bank debentures	-	3,053,510	-	11,464,430	36,153,455	50,671,395
Deliverable derivative liabilities	300,089,590	325,280,180	165,422,960	73,824,014	19,127,340	883,744,084
Non-deliverable derivative liabilities	4,389,378	-	-	-	231	4,389,609
Other capital outflow on maturity	21,479,111	2,813,968	3,849,822	972,242	6,211,230	35,326,373
Subtotal	540,955,716	480,434,905	266,192,328	273,781,479	654,956,962	2,216,321,390

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

Note 2: Investments in marketable securities include financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income (2018), investments in debt instruments measured at amortized cost (2018), available-for-sale financial assets (2017), and held-to-maturity financial assets (2017).

b) Maturity analysis of financial assets and liabilities - USD

Taipei Fubon Bank

(In Thousands of U.S. Dollars)

December 31, 2018	0-30 Days	31-90 Days	91-180 Days	181-365 Days	Over 1 Year	Total
Assets						
Cash, call loans and deposits due from/to other banks	\$ 888,556	\$ 1,407,000	\$ 228,000	\$ 330,000	\$ -	\$ 2,853,556
Investments in marketable securities (Note 2)	564,542	45,037	70,132	39,756	6,130,102	6,849,569
Loans (including overdue loans)	669,562	363,888	345,367	245,325	1,489,633	3,113,775
Deliverable derivative assets	11,667,328	12,020,165	7,763,624	3,238,784	1,048,549	35,738,450
Non-deliverable derivative assets	36,210	-	11	268	46,105	82,594
Other capital inflow on maturity	1,036,115	304,646	55,607	13,232	359,359	1,768,959
Subtotal	14,862,313	14,140,736	8,462,741	3,867,365	9,073,748	50,406,903
Liabilities						
Due to the Central Bank and other banks	1,457,447	206,500	35,000	-	-	1,698,947
Deposits and remittances	3,191,024	2,276,208	1,494,073	1,331,798	3,776,798	12,069,901
Securities sold under repurchase agreements	2,059,991	844,790	-	-	-	2,904,781
Payables	29,521	18,697	7,323	1,616	169	57,326
Bank debentures	-	-	-	-	1,088,893	1,088,893
Deliverable derivative liabilities	12,436,483	7,980,826	5,618,162	3,974,241	671,170	30,680,882
Non-deliverable derivative liabilities	36,741	-	182	-	76,524	113,447
Other capital outflow on maturity	578,416	76,652	27,458	14,504	677,199	1,374,229
Subtotal	19,789,623	11,403,673	7,182,198	5,322,159	6,290,753	49,988,406

(In Thousands of U.S. Dollars)

December 31, 2017	0-30 Days	31-90 Days	91-180 Days	181-365 Days	Over 1 Year	Total
Assets						
Cash, call loans and deposits due from/to other banks	\$ 1,143,731	\$ 1,220,000	\$ 365,000	\$ 537,000	\$ -	\$ 3,265,731
Investments in marketable securities (Note 2)	266,497	89,918	94,940	171,896	5,332,696	5,955,947
Loans (including overdue loans)	1,011,337	344,358	344,001	262,188	1,528,211	3,490,095
Deliverable derivative assets	13,435,055	14,325,734	6,298,301	2,742,573	641,972	37,443,635
Non-deliverable derivative assets	30,829	34	-	190	25,347	56,400
Other capital inflow on maturity	783,975	213,820	66,010	13,113	165,625	1,242,543
Subtotal	16,671,424	16,193,864	7,168,252	3,726,960	7,693,851	51,454,351
Liabilities						
Due to the Central Bank and other banks	1,618,904	660,000	-	-	-	2,278,904
Deposits and remittances	4,391,619	1,698,566	2,152,537	1,589,876	4,173,021	14,005,619
Securities sold under repurchase agreements	793,569	847,449	-	-	-	1,641,018
Payables	12,833	15,782	7,706	563	-	36,884
Bank debentures	-	-	-	-	818,074	818,074
Deliverable derivative liabilities	10,818,659	11,488,512	6,174,357	2,560,544	489,829	31,531,901
Non-deliverable derivative liabilities	37,069	-	209	71	42,980	80,329
Other capital outflow on maturity	419,409	76,521	19,455	8,621	365,228	889,234
Subtotal	18,092,062	14,786,830	8,354,264	4,159,675	5,889,132	51,281,963

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

Note 2: Investments in marketable securities include financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income (2018), investments in debt instruments measured at amortized cost (2018), available-for-sale financial assets (2017), held-to-maturity financial assets (2017) and other financial assets - debt instruments with no active market (2017).

c) Maturity analysis of derivative assets and liabilities - RMB

Fubon Bank (China)

(In Thousands of RMB)

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

(In Thousands of RMB)

December 31, 2017	0-30 Days	31-90 Days	91- 365 Days	Over 1 Year	No Maturity Date	Total
Assets						
Cash, call loans and deposits due from/to other banks	\$ 1,359,214	\$ -	\$ -	\$ -	\$ 6,151,070	\$ 7,510,284
Investments in marketable securities (Note)	3,314,425	489,735	5,898,373	11,506,598	-	21,209,131
Securities purchased under resell agreements	2,218,648	-	-	-	-	2,218,648
Loans (including overdue loans)	8,065,246	7,391,628	18,750,924	9,494,752	-	43,702,550
Deliverable derivative assets	2,470,632	1,714,344	4,336,792	-	-	8,521,768
Non-deliverable derivative assets	5,335,636	15,016,785	31,050,574	66,335	-	51,469,330
Other capital inflow on maturity	860,480	1,241,645	776,061	-	20,223	2,898,409
Subtotal	23,624,281	25,854,137	60,812,724	21,067,685	6,171,293	137,530,120
Liabilities						
Due to the Central Bank and other banks	1,104,760	3,063,608	4,047,425	-	-	8,215,793
Funds borrowed from the Central Bank and other banks	201,476	200,855	807,183	-	-	1,209,514
Deposits and remittances	28,661,561	9,257,071	10,816,241	1,013,343	-	49,748,216
Securities sold under repurchase agreements	3,922,492	2,237,032	968,581	-	-	7,128,105
Payables	560,908	1,052,704	776,061	540	-	2,390,213
Deliverable derivative liabilities	2,496,452	1,715,322	4,309,527	-	-	8,521,301
Non-deliverable derivative liabilities	5,378,016	15,082,265	31,162,563	66,328	-	51,689,172
Other capital outflow on maturity	-	-	-	-	3,122	3,122
Subtotal	42,325,665	32,608,857	52,887,581	1,080,211	3,122	128,905,436

Note: Investments in marketable securities include financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income (2018), investments in debt instruments measured at amortized cost (2018), available-for-sale financial assets (2017), and held-to-maturity financial assets (2017).

d) Maturity analysis of derivatives assets and liabilities - NTD

Taipei Fubon Bank

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

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

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

(In Thousands of U.S. Dollars)

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

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, 2018	0-30 Days	31-90 Days	91-365 Days	Over 1 Year	Total
Assets					
Deliverable derivative assets					
Forward contracts	\$ 509,004	\$ 156,421	\$ 593,777	\$ 340,728	\$ 1,599,930
Currency swaps	1,885,692	528,049	2,399,961	341,722	5,155,424
Options	1,700,728	1,759,433	4,343,044	-	7,803,205
Equity swaps	2,305	-	-	-	2,305
Cross-currency swaps	-	438,285	-	-	438,285
Subtotal	4,097,729	2,882,188	7,336,782	682,450	14,999,149
Non-deliverable derivative assets					
Interest rate derivatives - non-hedging	53	2,989	1,952	-	4,994
Currency swaps	7,608,651	9,066,794	24,416,476	-	41,091,921
Options	1,236,575	792,028	1,478,542	-	3,507,145
Forward contracts	123,061	34,356	104,792	-	262,209
Subtotal	8,968,340	9,896,167	26,001,762	-	44,866,269
Liabilities					
Deliverable derivative liabilities					
Forward contracts	514,452	156,468	592,511	341,721	1,605,152
Currency swaps	1,894,583	521,690	2,467,236	338,375	5,221,884
Options	1,707,381	1,797,646	4,377,317	-	7,882,344
Equity swaps	2,305	-	-	-	2,305
Cross-currency swaps	-	457,949	-	-	457,949
Subtotal	4,118,721	2,933,753	7,437,064	680,096	15,169,634
Non-deliverable derivatives					
Interest rate derivatives - non-hedging	150	3,429	3,167	-	6,746
Currency swaps	7,577,656	9,023,431	24,260,526	-	40,861,613
Options	1,238,742	788,231	1,485,868	-	3,512,841
Forward contracts	122,426	34,310	104,693	-	261,429
Subtotal	8,938,974	9,849,401	25,854,254	-	44,642,629

(In Thousands of RMB)

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

g) Maturity analysis of off-balance sheet items

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

Taipei Fubon Bank

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

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

Fubon Bank (China)

(In Thousands of RMB)

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

(In Thousands of RMB)

December 31, 2017	0-30 Days	31-90 Days	91-365 Days	Over 1 Year	Total
Standby letters of credit	\$ 99,278	\$ 315,965	\$ 42,717	\$ -	\$ 457,960
Financial guarantees	163,248	229,941	914,022	53,922	1,361,133
Total	\$ 262,526	\$ 545,906	\$ 956,739	\$ 53,922	\$ 1,819,093

e. Market risk

1) Market risk definition and classifications

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

Trading book positions are as follows:

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

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

2) Market risk strategy and procedures

Taipei Fubon Bank

The Bank has comprehensive policies on market risk management and has a systematic mechanism for deal execution, clearing and settlement. The trading book instruments, which are exposed to risk factors, are as follows: Interest rate-related instruments, exchange rate-related instruments, securities and commodities. The risk management systems apply the Bank's management policies and market risk limits to identify, measure, monitor and control market risks.

Fubon Bank (China)

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

3) Market risk management framework

Taipei Fubon Bank

Under the supervision of its board of directors, the Bank has established the Market Risk Management Committee, which is composed of senior management and chaired by the Bank's president to monitor the Bank's market risk control, risk acceptance and management strategies for the trading business, securities investments and transactions, and derivatives.

The Risk Management Department under the Chief Risk Officer is responsible for formulating policies on and procedures for market risk management, enforcing market risk limits, reporting market risk events timely and validating valuation models independently. Furthermore, the independent audit department under the Bank's board of directors manages the independent assurance functions of the market risk management framework.

Fubon Bank (China)

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

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

4) Market risk measurement, control and reporting

The Corporate Financial Credit Management Department is responsible for monitoring compliance with the daily market risk limit (including the analysis of risk sensitivity factors such as Delta, Vega, DV01, and Value at Risk ("VaR")) and loss control. The valuation of financial instruments is evaluated independently by the Market Risk Management Department to ensure their stability and effectiveness. The Bank has established a market risk management system and related market risk management procedures to be able to observe the VaR limit. In addition, the Bank does back testing periodically to check the effectiveness of the VaR calculation module and establishes financial trading system.

5) Measurement of trading book market risk

Taipei Fubon Bank

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

a) Value at Risk (“VaR”)

VaR is a tool that measures “the maximum expected loss over a given time horizon under normal market conditions at a given level of confidence”. TFB has various risk models to evaluate the maximum loss on current net positions within one day, with a 99% confidence level. The Bank also calculates current VaR and stressed VaR using historical simulation to get possible circumstances of market risk under control. In order to ensure the quality of the risk value, the Bank conducts periodic review and statistical verification of actual profit and loss.

Trading book VaR information is shown below:

Common VaR	For the Year Ended December 31, 2018			
	Highest	Lowest	Mean	End of Year
Equity	\$ 25,106	\$ -	\$ 7,770	\$ 2,232
Interest rate	95,413	50,073	64,807	72,475
Exchange rate	12,668	4,753	8,455	9,593
Volatility	3,043	322	909	1,830
Diversification effect	-	-	<u>(14,622)</u>	<u>(17,124)</u>
Common VaR of trading book			<u>\$ 67,319</u>	<u>\$ 69,006</u>

Common VaR	For the Year Ended December 31, 2017			
	Highest	Lowest	Mean	End of Year
Equity	\$ -	\$ -	\$ -	\$ -
Interest rate	94,459	42,826	59,745	51,387
Exchange rate	17,482	3,529	7,979	4,534
Volatility	6,047	794	2,731	794
Diversification effect	-	-	<u>(11,169)</u>	<u>(7,693)</u>
Common VaR of trading book			<u>\$ 59,286</u>	<u>\$ 49,022</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 would be classified under different risk factors. For example, forward contracts are exposed to interest rate risk and exchange rate risk; foreign exchange option is exposed to exchange rate risk and volatility risk.

b) Stress testing

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

Fubon Bank (China)

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

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

6) Measurement of banking book market risk

Taipei Fubon Bank

a) Interest rate risk

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

Banking book interest rate risk refers to possible loss due to unfavorable changes in interest rates for the banking book portfolio. One of the methods used to determine exposure to interest rate risks is earnings analysis, which focuses on the effects interest rate changes on the earnings of the banking book portfolio, especially earnings in the short term. Had the interest rate increased/decreased 1bps (basis points) as of December 31, 2018 and 2017 and all other factors been held constant, the earnings would have decreased/increased by \$4 million and \$5 million, respectively.

b) Exchange rate risk

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

The Bank's overseas branches and these branches' long-term equity-method investments have foreign exchange businesses. The percentage of the foreign currency operating funds used for the foreign exchange business operations is low when compared with the Bank's entire foreign currency position. As of December 31, 2018, 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			
	2018		2017	
	Influence on Profit and Loss	Influence on Other Equity	Influence on Profit and Loss	Influence on Other Equity
Stock price increase by 10%	\$ -	\$ 429,230	\$ 30,036	\$ 296,393
Stock price decrease by 10%	-	(429,230)	(30,036)	(296,393)

Fubon Bank (China)

a) Interest rate risk

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

(In Thousands of RMB)

	December 31			
	2018		2017	
	Impact on Profit and Loss	Impact on Other Equity	Impact on Profit and Loss	Impact on Other Equity
Interest rate increases 50 basis points	\$ (7,076)	\$ (97,588)	\$ (11,269)	\$ (75,245)
Interest rate decreases 50 basis points	7,076	100,692	11,269	77,762

b) Exchange rate risk

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

(In Thousands of RMB)

	December 31			
	2018		2017	
	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	\$ 13,404	\$ 40,261	\$ (44,312)	\$ 8,351
USD and HKD depreciate by 5% against the RMB	(13,404)	(40,261)	44,312	(8,351)

7) Foreign currency rate risk information

The table below shows the foreign currency risk information on the carrying amounts of all financial assets and liabilities denominated in currency unit as of December 31, 2018 and 2017.

Taipei Fubon Bank

	December 31, 2018		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary item			
USD	\$ 18,177,041	30.7404	\$ 558,769,511
RMB	11,110,698	4.4671	49,632,599
HKD	8,034,603	3.9259	31,543,048
AUD	1,169,088	21.7320	25,406,620
EUR	631,486	35.1357	22,187,703
Nonmonetary item			
USD	187,014	30.7404	5,748,885
RMB	625,823	4.4671	2,795,614
HKD	89,137	3.9259	349,943
AUD	738	21.7320	16,038
EUR	383	35.1357	13,457
Investments accounted for using the equity method			
RMB	4,729,936	4.4671	21,129,099

(Continued)

	December 31, 2018		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial liabilities</u>			
Monetary item			
USD	\$ 23,394,423	30.7404	\$ 719,153,921
RMB	15,895,005	4.4671	71,004,577
HKD	8,169,380	3.9259	32,072,169
AUD	1,123,686	21.7320	24,419,944
EUR	297,597	35.1357	10,456,279
Nonmonetary item			
USD	210,131	30.7404	6,459,511
RMB	593,107	4.4671	2,649,468
HKD	34,746	3.9259	136,409
AUD	617	21.7320	13,409
EUR	871	35.1357	30,603
			(Concluded)

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

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

Fubon Bank (China)

	December 31, 2018		
	Foreign Currencies	Exchange Rate	RMB
<u>Financial assets</u>			
Monetary item			
USD	\$ 511,544	6.8632	\$ 3,510,829
JPY	1,601,877	0.0619	99,156
HKD	26,708	0.8762	23,402
EUR	1,543	7.8473	12,108
Nonmonetary item			
USD	98,995	6.8632	679,422
<u>Financial liabilities</u>			
Monetary item			
USD	1,732,364	6.8632	11,889,561
JPY	2,806,577	0.0619	173,727
HKD	12,899	0.8762	11,302
EUR	4,868	7.8473	38,201
Nonmonetary item			
USD	9,446	6.8632	64,830
	December 31, 2017		
	Foreign Currencies	Exchange Rate	RMB
<u>Financial assets</u>			
Monetary item			
USD	\$ 520,405	6.5342	\$ 3,400,430
JPY	2,743,663	0.0579	158,858
HKD	25,619	0.8359	21,415
EUR	2,088	7.8023	16,291
Nonmonetary item			
USD	1,451	6.5342	9,481
<u>Financial liabilities</u>			
Monetary item			
USD	2,114,746	6.5342	13,818,173
JPY	2,095,932	0.0579	121,354
HKD	16,592	0.8359	13,869
EUR	18,533	7.8023	144,600
Nonmonetary item			
USD	141,494	6.5342	924,550

f. Transfers of financial assets

Transfers of financial assets not qualifying for derecognition

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

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

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

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

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

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

g. Offsetting of financial assets and financial liabilities

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

The Bank and its subsidiaries are not engaged in transactions that met offsetting criteria in IFRSs, but they sign net settlement contracts or similar agreements with counterparties, 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 repurchase transactions to be settled with amount after netting financial assets and liabilities as agreed upon by the transacting parties. If one party defaults on a contract, the other one may choose net settlement.

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

December 31, 2018

Financial Assets	Recognized Financial Assets - Gross Amount	Netted Financial Liabilities Recognized on the Balance Sheet - Gross Amount	Recognized Financial Assets - Net Amount	Related Amount Not Netted on the Balance Sheet		Net Amount
				Financial Instruments (Note 1)	Cash Received as Collaterals	
Derivative instruments (Note 2)	\$ 29,729,300	\$ -	\$ 29,729,300	\$ 21,240,757	\$ 2,480,756	\$ 6,007,787
Securities purchased under resell agreements	<u>11,766,626</u>	<u>-</u>	<u>11,766,626</u>	<u>11,704,007</u>	<u>-</u>	<u>62,619</u>
	<u>\$ 41,495,926</u>	<u>\$ -</u>	<u>\$ 41,495,926</u>	<u>\$ 32,944,764</u>	<u>\$ 2,480,756</u>	<u>\$ 6,070,406</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)	\$ 32,738,027	\$ -	\$ 32,738,027	\$ 18,154,244	\$ 7,628,167	\$ 6,955,616
Securities sold under repurchased agreements	<u>121,307,543</u>	<u>-</u>	<u>121,307,543</u>	<u>121,294,698</u>	<u>-</u>	<u>12,845</u>
	<u>\$ 154,045,570</u>	<u>\$ -</u>	<u>\$ 154,045,570</u>	<u>\$ 139,448,942</u>	<u>\$ 7,628,167</u>	<u>\$ 6,968,461</u>

December 31, 2017

Financial Assets	Recognized Financial Assets - Gross Amount	Netted Financial Liabilities Recognized on the Balance Sheet - Gross Amount	Recognized Financial Assets - Net Amount	Related Amount Not Netted on the Balance Sheet		Net Amount
				Financial Instruments (Note 1)	Cash Received as Collaterals	
Derivative instruments (Note 2)	\$ 26,739,448	\$ -	\$ 26,739,448	\$ 20,148,025	\$ 2,272,495	\$ 4,318,928
Securities purchased under resell agreements	<u>15,434,688</u>	<u>-</u>	<u>15,434,688</u>	<u>15,376,203</u>	<u>-</u>	<u>58,485</u>
	<u>\$ 42,174,136</u>	<u>\$ -</u>	<u>\$ 42,174,136</u>	<u>\$ 35,524,228</u>	<u>\$ 2,272,495</u>	<u>\$ 4,377,413</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)	\$ 29,440,816	\$ -	\$ 29,440,816	\$ 17,820,220	\$ 3,495,813	\$ 8,124,783
Securities sold under repurchased agreements	<u>98,025,575</u>	<u>-</u>	<u>98,025,575</u>	<u>98,008,820</u>	<u>-</u>	<u>16,755</u>
	<u>\$ 127,466,391</u>	<u>\$ -</u>	<u>\$ 127,466,391</u>	<u>\$ 115,829,040</u>	<u>\$ 3,495,813</u>	<u>\$ 8,141,538</u>

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

Note 2: Including derivative financial assets for hedging.

57. CAPITAL MANAGEMENT

a. Overview

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

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

b. Capital management procedures

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

1) Net Tier 1 capital

- a) Net common equity Tier 1 capital: Mainly includes common stock, capital surplus, retained earnings, other equity, and non-controlling interests, deducted by regulatory adjustment items in accordance with the rules for calculation methods issued by the authorities.
- b) Net additional Tier 1 capital: Mainly includes non-cumulative perpetual preferred stock, non-cumulative perpetual subordinated debts, and the capital issued by the Bank’s subsidiaries but not held by the Bank, deducted by regulatory adjustment items in accordance with the rules for calculation methods issued by the authorities.

2) Net Tier 2 capital

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

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

c. Statement of capital adequacy

As of December 31, 2018, the Bank and its subsidiaries had met the authorities’ minimum requirements for capital adequacy ratio. Refer to Note 60 for more details.

58. RECLASSIFICATIONS

On January 1, 2012, the Bank reclassified its financial assets. The fair value on 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 value of the reclassified financial assets (excluding those that had been derecognized) as of December 31, 2017 were as follows:

	December 31, 2017
<u>Held-to-maturity financial assets</u>	
Carrying amounts	\$ 400,660
Fair value	403,448

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

	For the Year Ended December 31, 2017
<u>Held-to-maturity financial assets</u>	
Gains recognized	\$ 9,027
Pro forma adjustments recognized in other equity	1,166

59. 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, 2018

Rank (Note 1)	Group Name (Note 2)	Credit Extensions Balance (Note 3)	% to Net Asset Value
1	Group A (other electronic component manufacturing industry)	\$ 11,796,879	6.35
2	Group B (petrochemical raw material manufacturing industry)	11,249,478	6.05
3	Group C (semiconductor assembly and testing industry)	10,562,360	5.68
4	Group D (passive electronic components manufacturing industry)	6,530,662	3.51
5	Group E (ocean transport industry)	6,020,275	3.24
6	Group F (laptops, desktops, tablets and data center holdings.)	5,794,622	3.12
7	Group G (cable and broadcast industry)	5,708,168	3.07
8	Group H (real estate industry)	5,375,960	2.89
9	Group I (LCD and its component manufacturing industry)	4,793,565	2.58
10	Group J (LCD and its component manufacturing industry)	4,640,000	2.50

December 31, 2017

Rank (Note 1)	Group Name (Note 2)	Credit Extensions Balance (Note 3)	% to Net Asset Value
1	Group A (petrochemical raw material manufacturing industry)	\$ 11,566,839	6.43
2	Group B (LCD and its component manufacturing industry)	11,249,797	6.25
3	Group C (other electronic component manufacturing industry)	8,300,759	4.61
4	Group D (other electronic component manufacturing industry)	8,267,889	4.59
5	Group E (passive electronic components manufacturing industry)	8,240,000	4.58
6	Group F (ocean transport industry)	7,272,046	4.04
7	Group G (real estate industry)	5,971,397	3.32
8	Group H (wire and cable manufacturing industry)	5,746,819	3.19
9	Group I (ocean transport industry)	5,494,754	3.05
10	Group J (financial service industry)	5,397,768	3.00

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

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

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

c. Interest rate sensitivity information

**Interest Rate Sensitivity (New Taiwan Dollars)
December 31, 2018**

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 1,206,940,828	\$ 77,757,449	\$ 53,952,929	\$ 187,557,450	\$ 1,526,208,656
Interest rate-sensitive liabilities	405,418,173	724,716,696	58,240,887	61,221,383	1,249,597,139
Interest rate sensitivity gap	801,522,655	(646,959,247)	(4,287,958)	126,336,067	276,611,517
Net worth					176,298,317
Ratio of interest rate-sensitive assets to liabilities					122.14%
Ratio of the interest rate sensitivity gap to net worth					156.90%

**Interest Rate Sensitivity (New Taiwan Dollars)
December 31, 2017**

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

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 on the 15th of the next month.

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

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

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

**Interest Rate Sensitivity (U.S. Dollars)
December 31, 2018**

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

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 11,417,278	\$ 794,595	\$ 744,913	\$ 6,120,007	\$ 19,076,793
Interest rate-sensitive liabilities	19,722,013	1,780,050	1,115,097	1,721,279	24,338,439
Interest rate sensitivity gap	(8,304,735)	(985,455)	(370,184)	4,398,728	(5,261,646)
Net worth					225,697
Ratio of interest rate-sensitive assets to liabilities					78.38%
Ratio of the interest rate sensitivity gap to net worth					(2,331.29%)

Interest Rate Sensitivity (U.S. Dollars)
December 31, 2017

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

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 9,560,776	\$ 1,143,929	\$ 1,627,018	\$ 5,384,161	\$ 17,715,884
Interest rate-sensitive liabilities	19,847,063	2,122,642	1,283,277	1,330,223	24,583,205
Interest rate sensitivity gap	(10,286,287)	(978,713)	343,741	4,053,938	(6,867,321)
Net worth					384,740
Ratio of interest rate-sensitive assets to liabilities					72.06%
Ratio of the interest rate sensitivity gap to net worth					(1,784.93%)

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

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

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

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

d. Profitability

(%)

Item		For the Year Ended December 31, 2018	For the Year Ended December 31, 2017
		Return on total assets	Before income tax
	After income tax	0.70	0.67
Return on equity	Before income tax	11.03	9.83
	After income tax	9.38	8.64
Profit margin		41.06	39.71

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

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

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

Note 4: Income before (after) income tax represents income for the years ended December 31, 2018 and 2017.

e. Maturity analysis of assets and liabilities

Maturity Analysis of Assets and Liabilities (New Taiwan Dollars)
December 31, 2018

	Total	The Amount for the Remaining Period to Maturity					
		0-10 Days	11-30 Days	31-90 Days	91-180 Days	181-365 Days	Over 1 Year
Main capital inflow on maturity	\$ 2,477,570,421	\$ 322,644,139	\$ 339,612,720	\$ 294,187,399	\$ 298,479,103	\$ 238,424,914	\$ 984,222,146
Main capital outflow on maturity	2,866,589,284	237,420,638	266,355,868	518,985,631	413,863,745	462,001,876	967,961,526
Gap	(389,018,863)	85,223,501	73,256,852	(224,798,232)	(115,384,642)	(223,576,962)	16,260,620

Maturity Analysis of Assets and Liabilities (New Taiwan Dollars)
December 31, 2017

	Total	The Amount for the Remaining Period to Maturity					
		0-10 Days	11-30 Days	31-90 Days	91-180 Days	181-365 Days	Over 1 Year
Main capital inflow on maturity	\$ 2,400,966,780	\$ 308,622,209	\$ 333,911,949	\$ 380,119,501	\$ 280,492,801	\$ 230,593,105	\$ 867,227,215
Main capital outflow on maturity	2,798,077,159	245,691,773	324,574,990	539,056,998	354,125,467	449,647,757	884,980,174
Gap	(397,110,379)	62,930,436	9,336,959	(158,937,497)	(73,632,666)	(219,054,652)	(17,752,959)

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

Maturity Analysis of Assets and Liabilities (U.S. Dollars)
December 31, 2018

(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	\$ 82,748,414	\$ 32,250,010	\$ 22,917,984	\$ 11,687,374	\$ 5,498,085	\$ 10,394,961
Capital outflow on maturity	87,993,221	41,143,680	19,943,521	10,848,157	8,485,067	7,572,796
Gap	(5,244,807)	(8,893,670)	2,974,463	839,217	(2,986,982)	2,822,165

Maturity Analysis of Assets and Liabilities (U.S. Dollars)
December 31, 2017

(In Thousands of U.S. Dollars)

	Total	The Amount for the Remaining Period to Maturity				
		1-30 Days	31-90 Days	91-180 Days	181-365 Days	Over 1 Year
Capital inflow on maturity	\$ 75,993,302	\$ 26,533,031	\$ 24,294,916	\$ 10,087,780	\$ 5,803,424	\$ 9,274,151
Capital outflow on maturity	81,201,553	29,806,347	24,151,886	11,836,750	8,181,442	7,225,128
Gap	(5,208,251)	(3,273,316)	143,030	(1,748,970)	(2,378,018)	2,049,023

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

60. STATEMENT OF CAPITAL ADEQUACY

Analysis		Year (Note 2)	December 31, 2018		December 31, 2017	
			Consolidation	Standalone	Consolidation	Standalone
Regulatory capital	Net common equity Tier 1 capital		\$ 181,088,191	\$ 173,945,127	\$ 174,030,583	\$ 161,746,125
	Net additional Tier 1 capital		7,535,526	237,525	1,776,375	-
	Net Tier 2 capital		36,946,319	22,377,621	39,150,749	24,383,575
	Regulatory capital		225,570,036	196,560,273	214,957,707	186,129,700
Risk-weighted assets	Credit risk	Standardized approach	1,537,630,004	1,285,291,652	1,489,062,544	1,236,150,633
		Internal rating - based approach	-	-	-	-
		Securitization	1,179,928	1,179,928	160,367	160,367
	Operational risk	Basic indicator approach	-	-	-	-
		Standardized approach/ alternative standardized approach	77,798,950	68,197,950	74,847,625	64,516,213
		Advanced measurement approach	-	-	-	-
	Market risk	Standardized approach	55,272,575	51,063,500	38,235,838	35,271,988
		Internal models approach	-	-	-	-
		Total risk-weighted assets		1,671,881,457	1,405,733,030	1,602,306,374
Total capital adequacy ratio			13.49%	13.98%	13.42%	13.93%
Common equity Tier 1 ratio			10.83%	12.37%	10.86%	12.11%
Tier 1 capital ratio			11.28%	12.39%	10.97%	12.11%
Leverage ratio			6.53%	6.79%	6.20%	6.44%

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.

61. SEGMENT INFORMATION

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

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

- a. Personal finance group: Responsible for wealth management, trust and consumer finance business, etc.
- b. Corporate banking group: Responsible for corporate and investment banking and public treasury, etc.
- c. Financial market group: Responsible for financial markets, etc.
- d. Overseas subsidiary: On the business operations of the Bank’s subsidiary, Fubon Bank (China).
- e. Others: Business segments other than the above groups.

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

- a. Segmental revenue and operating results

For the year ended December 31, 2018

	Personal Finance	Corporate Banking	Financial Market	Overseas Subsidiary	Others	Total
Net interest income	\$ 11,133,377	\$ 10,411,972	\$ 271,918	\$ 4,579,219	\$ (71,150)	\$ 26,325,336
Net interest income (external)	5,963,039	5,552,085	9,638,865	5,228,309	(56,962)	26,325,336
Inter-segment revenues (expenses)	5,170,338	4,859,887	(9,366,947)	(649,090)	(14,188)	-
Net non-interest income	<u>10,279,222</u>	<u>2,467,380</u>	<u>7,323,018</u>	<u>64,564</u>	<u>(613,151)</u>	<u>19,521,033</u>
Net revenue	<u>\$ 21,412,599</u>	<u>\$ 12,879,352</u>	<u>\$ 7,594,936</u>	<u>\$ 4,643,783</u>	<u>\$ (684,301)</u>	<u>\$ 45,846,369</u>
Net profit (loss) before income tax	<u>\$ 8,040,658</u>	<u>\$ 7,530,927</u>	<u>\$ 5,553,910</u>	<u>\$ 1,018,863</u>	<u>\$ (6,376)</u>	<u>\$ 22,137,982</u>

For the year ended December 31, 2017

	Personal Finance	Corporate Banking	Financial Market	Overseas Subsidiary	Others	Total
Net interest income	\$ 9,445,974	\$ 8,851,228	\$ 1,226,837	\$ 4,052,825	\$ (24,459)	\$ 23,552,405
Net interest income (external)	5,781,612	5,452,552	8,087,338	4,255,266	(24,363)	23,552,405
Inter-segment revenues (expenses)	3,664,362	3,398,676	(6,860,501)	(202,441)	(96)	-
Net non-interest income	<u>9,973,268</u>	<u>2,599,615</u>	<u>5,271,052</u>	<u>233,640</u>	<u>1,003,186</u>	<u>19,080,761</u>
Net revenue	<u>\$ 19,419,242</u>	<u>\$ 11,450,843</u>	<u>\$ 6,497,889</u>	<u>\$ 4,286,465</u>	<u>\$ 978,727</u>	<u>\$ 42,633,166</u>
Net profit (loss) before income tax	<u>\$ 6,476,412</u>	<u>\$ 5,189,399</u>	<u>\$ 4,533,035</u>	<u>\$ 1,246,342</u>	<u>\$ 1,817,036</u>	<u>\$ 19,262,224</u>

b. Geographical information

The Bank and its subsidiaries' net income is classified according to geographical location of the operating department, information is as follows:

	<u>For the Year Ended December 31</u>	
	<u>2018</u>	<u>2017</u>
Taiwan	\$ 35,996,502	\$ 35,190,423
Asia	<u>9,849,867</u>	<u>7,442,743</u>
	<u>\$ 45,846,369</u>	<u>\$ 42,633,166</u>

62. ADDITIONAL DISCLOSURES

a. Significant transaction information and b. investees:

- 1) Financing provided: Not applicable.
- 2) Endorsements/guarantees provided: Not applicable.
- 3) Marketable securities held: Not applicable.
- 4) Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 10% of the paid-in capital (investments acquired or disposed of by the Bank): Table 2.
- 5) Acquisition of individual real estates at costs of at least NT\$300 million or 10% of the paid-in capital: None.
- 6) Disposal of individual real estates at costs of at least NT\$300 million or 10% of the paid-in capital: Table 3.
- 7) Allowance of service fees to related parties amounting to at least NT\$5 million: None.
- 8) Receivables from related parties amounting to at least NT\$300 million or 10% of the paid-in capital: None.
- 9) Sale of nonperforming loans: Table 4.
- 10) Financial asset securitization: None.

- 11) Other significant transactions which may affect the decisions of users of financial reports: None.
- 12) The related information and proportionate share in investees: Table 6.
- 13) Derivative transactions: Note 8.
- c. Information on investments in mainland China: Table 7.
- d. Business relationships and significant transactions among the parent company and subsidiaries: Table 5.

TAIPEI FUBON COMMERCIAL BANK CO., LTD.

OVERDUE LOANS AND RECEIVABLES
DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, %)

Item		December 31, 2018					December 31, 2017					
		Nonperforming Loans (NPL) (Note 1)	Total Loans	NPL Ratio (Note 2)	Loan Loss Reserves (LLR)	Coverage Ratio (Note 3)	Nonperforming Loans (NPL) (Note 1)	Total Loans	NPL Ratio (Note 2)	Loan Loss Reserves (LLR)	Coverage Ratio (Note 3)	
Corporate loans	Secured	\$ 512,971	\$ 191,823,786	0.27%	\$ 1,978,548	385.70%	\$ 436,228	\$ 148,007,763	0.29%	\$ 1,882,713	431.59%	
	Unsecured	1,047,609	379,345,823	0.28%	5,592,090	533.80%	1,086,644	428,430,815	0.25%	5,665,294	521.36%	
Consumer finance	Mortgage (Note 4)	348,528	412,056,212	0.08%	6,164,429	1,768.70%	357,814	407,742,814	0.09%	6,089,002	1,701.72%	
	Cash card	11	2,446	0.45%	49	445.45%	-	3,425	-	68	-	
	Microcredit (Note 5)	52,312	27,798,268	0.19%	318,822	609.46%	57,911	22,362,155	0.26%	265,722	458.85%	
	Other (Note 6)	Secured	112,861	201,103,666	0.06%	2,165,679	1,918.89%	122,529	171,831,739	0.07%	1,864,785	1,521.91%
		Unsecured	45,339	38,598,716	0.12%	412,684	910.22%	50,426	35,892,711	0.14%	374,321	742.32%
Total		2,119,631	1,250,728,917	0.17%	16,632,301	784.68%	2,111,552	1,214,271,422	0.17%	16,141,905	764.46%	
		Overdue Receivables	Receivables	Delinquency Ratio	Allowance for Credit Loss	Coverage Ratio	Overdue Receivables	Receivables	Delinquency Ratio	Allowance for Credit Loss	Coverage Ratio	
Credit card		38,070	39,946,004	0.10%	315,808	829.55%	40,317	37,832,545	0.11%	207,904	515.67%	
Accounts receivable - factoring with no recourse (Note 7)		-	19,189,941	-	218,250	-	-	16,239,837	-	184,419	-	
Excluded NPL as a result of debt negotiations and loan agreements (Note 8)		50,809					77,260					
Excluded overdue receivables as a result of debt negotiations and loan agreements (Note 8)		92,625					126,300					
Excluded NPL as a result of consumer debt clearance (Note 9)		854,417					841,057					
Excluded overdue receivables as a result of consumer debt clearance (Note 9)		402,004					438,345					

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

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

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

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

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

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

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

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

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

TAIPEI FUBON COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COST OR PRICES OF AT LEAST NT\$300 MILLION OR 10% OF THE PAID-IN CAPITAL
 FOR THE YEAR ENDED DECEMBER 31, 2018
 (In Thousands of New Taiwan Dollars)

Company Name	Type and Name of Marketable Securities	Account	Counterparty	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Units	Amount	Units (In thousands)	Amount	Units	Amount	Carrying Value	Gain (Loss) on Disposal	Units (In thousands)	Amount
Taipei Fubon Commercial Bank Co., Ltd	Line Biz+ Taiwan Limited	Investments accounted for using equity method	Line Biz+ Taiwan Limited	-	-	\$ -	10,936	\$ 3,139,671 (Note)	-	\$ -	\$ -	\$ -	10,936	\$ 3,139,671

Note: Include cost of acquisition and gains recognized under the equity method.

TAIPEI FUBON COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

DISPOSAL OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT\$300 MILLION OR 10% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars)

Company Name	Property and Equipment	Date of Occurrence	Acquisition Date	Carrying Amount	Transaction Amount	Collection of Price	Gain or Loss on Disposal	Counterparty	Relationship	Disposal Purpose	Price Decision Reference	Other Agreement
Taipei Fubon Commercial Bank Co., Ltd.	Songlong Branch (No. 176, Section 1, Keelung Road, Xinyi District, Taipei City, underground Basement 4, No. 176-1 and No. 176 2F-1)	2017.06.22	1995.12.27	\$ 278,710	\$ 350,000	Full collection as of 2018.08.27	\$ 71,290	Fubon Asset Management Co., Ltd.	Subsidiary of Fubon Financial Holdings Co., Ltd.	Asset activation; to avoid idle or low utilization of assets	Transaction analysis report of Savills plc real estate appraisal office and Euro-Asia real estate appraisal joint office	None

Note: The date of occurrence refers to the contract signing date, payment date, date of entrustment, transfer date, board resolution date or other date on which the transaction parties and transaction amounts are fully determined.

TAIPEI FUBON COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

SALES OF NON-PERFORMING LOANS
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

1. Summary of sales of non-performing loans

Transaction Date	Counterparty	Loans Composition	Carrying Amount (Note)	Selling Price	Gain or (Loss) on Disposal	Additional agreed Terms	Relationship
<u>Fubon Bank (China)</u> 2018.12.7	Shanghai Win & Shengjia Asset Management Co., Ltd.	Mortgage loans, secured loans and credit loans	\$ 63,555	\$ 116,565	\$ 53,010	None	None

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

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

TAIPEI FUBON COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars)

No. (Note 1)	Transaction Company	Counter-party	Flow of Transactions (Note 2)	Description of Transactions			
				Financial Statement Account	Transaction Amount	Transaction Item	Percentage to Consolidated Revenue/Assets (Note 3)
0	TAIPEI FUBON COMMERCIAL BANK Co., Ltd. (the "Bank")	Fubon Bank (China)	a	Cash and cash equivalents	\$ 67,919	Note 4	-
		Fubon Bank (China)	a	Other financial assets	4,913,818	Note 4	0.18
		Fubon Bank (China)	a	Due from the Central Bank and call loans to other banks	10,207,029	Note 4	0.38
		Fubon Bank (China)	a	Receivables, net	219,409	Note 4	0.01
		Fubon Bank (China)	a	Interest income	649,090	Note 4	1.42
		Fubon Bank (China)	a	Deposits from the Central Bank and banks	71	Note 4	-
1	Fubon Bank (China)	TAIPEI FUBON COMMERCIAL BANK Co., Ltd.	b	Deposits from the Central Bank and banks	15,188,766	Note 4	0.56
		TAIPEI FUBON COMMERCIAL BANK Co., Ltd.	b	Payables	219,409	Note 4	0.01
		TAIPEI FUBON COMMERCIAL BANK Co., Ltd.	b	Interest expense	649,090	Note 4	1.42
		TAIPEI FUBON COMMERCIAL BANK Co., Ltd.	b	Cash and cash equivalents	71	Note 4	-

Note 1: The parent company and subsidiaries are numbered as follows:

- a. Parent: 0.
- b. Subsidiaries are numbered sequentially from 1.

Note 2: The flow of transactions among related parties is as follows:

- a. Parent company to subsidiary.
- b. Subsidiary to parent company.
- c. Between subsidiaries.

Note 3: For calculating the percentages, the asset or liability account is divided by total consolidated assets, and the revenue or expense account is divided by the total consolidated net revenue of the period.

Note 4: For the transactions between the Bank and related parties, the terms are similar to those transacted with unrelated parties.

Note 5: The transactions and balances above had been eliminated in the preparation of consolidated financial statement.

TAIPEI FUBON COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEEES
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Held at End-period			Investment Gain (Loss)	The Bank and Related Enterprises Consolidated Investment				Note
				Shares (Thousands)	Percentage of Ownership	Carrying Amount		Shares (Thousands)	Imitated Shares	Total		
										Shares (Thousands)	Percentage of Ownership	
TAIPEI FUBON COMMERCIAL BANK Co., Ltd.	<u>Financial-related</u>											
	Taipei Foreign Exchange Inc.	Taipei	Foreign exchange market maker	780	3.94	\$ 30,287	\$ 3,510	\$ 780	-	780	3.94	Note 2
	Taiwan Futures Exchange Corporation	Taipei	Futures exchange and settlement	4,218	1.26	322,922	14,524	9,446	-	9,446	2.83	Note 2
	Taiwan Asset Management Corporation	Taipei	Evaluating, auctioning, and managing financial institutions' loans	18,000	1.70	231,300	14,563	18,000	-	18,000	1.70	Note 2
	Taiwan Financial Asset Service Co., Ltd.	Taipei	Auction	10,000	5.88	75,900	700	10,000	-	10,000	5.88	Note 2
	Financial Information Service Co., Ltd.	Taipei	Planning and developing the information systems of banking institutions and managing the information web system	11,876	2.28	299,381	31,470	11,876	-	11,876	2.28	Note 2
	Sunny Asset Management Corporation	Taipei	Purchasing for financial institutions' loan assets	503	8.39	7,094	653	503	-	503	8.39	Note 2
	Fubon Bank (China)	China	Banking	-	51.00	21,129,099	215,406	-	-	-	100.00	Note 1
	Taiwan Mobile Payment Co., Ltd.	Taipei	Mobile payment and business	1,800	3.00	8,064	-	1,800	-	1,800	3.00	Note 2
	Nutmeg Saving and Investment Limited	England	Financial technology	1,140	8.98	375,679	-	1,140	-	1,140	8.98	Note 2
	Ascentek Venture Capital Corp.	Kaohsiung	Venture capital investment	1,411	4.28	12,405	500	1,411	-	1,411	4.28	Note 2
	P.K. Venture Capital Investment Corp.	Taipei	Venture capital investment	241	5.00	-	-	241	-	241	5.00	Note 2
	Line Biz+ Taiwan Limited	Taipei	Third-party payment service industry	10,936	19.99	3,139,671	(18,705)	10,936	-	10,936	19.99	Note 1
	<u>Non-financial related</u>											
	Taipei Rapid Transit Corporation	Taipei	Public transportation	14	-	132	14	14	-	14	-	Note 2
	Taiwan Power Company	Taipei	Management of power facilities	374	-	1,945	-	374	-	374	-	Note 2
	Fubon Real Estate Management Co., Ltd.	Taipei	Investigation, consultation, management and real estate evaluation of construction plans	6,964	30.00	115,338	14,527	6,964	-	6,964	30.00	Note 1
	Easy Card Investment Holding Co., Ltd.	Taipei	Issue and research of IC card	5,108	4.91	50,211	5,443	5,108	-	5,108	4.91	Note 2
	Taiwan High Speed Rail Corporation	Taipei	Management of high speed rail	20,278	0.36	619,481	15,208	82,079	-	82,079	1.46	Note 2
	Taiwan Aerospace Corp.	Taipei	Aerospace industry	1,700	1.25	15,385	1,190	3,400	-	3,400	2.50	Note 2

Note 1: The investment gain (loss) was based on the investee's audited financial statements for the year ended December 31, 2018.

Note 2: The investment gain (loss) was the cash dividends recognized for the year ended December 31, 2018.

TAIPEI FUBON COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company Name	Main Businesses and Products	Paid-in Capital (Note 1)	Method of Investment	Accumulated Outward Remittance for Investments from Taiwan as of January 1, 2018	Remittance of Funds		Accumulated Outward Remittance for Investments from Taiwan as of December 31, 2018	Net Income (Loss) of the Investee (Note 1)	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2018	Accumulated Repatriation of Investment Income as of December 31, 2018 (Note 3)	Note
					Outward	Inward							
Fubon Bank (China)	Banking	\$ 9,378,810 (RMB 2,100,000)	Direct investment in mainland China	\$ 20,258,298	\$ -	\$ -	\$ 20,258,298	\$ 800,767 (RMB 175,857)	51	\$ 215,406	\$ 21,129,099	\$ 107,737	

Accumulated Outward Remittance for Investments in Mainland China as of December 31, 2018 (Note 1)	Investment Amounts Authorized by Investment Commission, MOEA (Notes 1 and 2)	Upper Limit on the Amount of Investments, as Stipulated by the Investment Commission, MOEA
\$ 20,258,298 (RMB 4,093,113)	\$ 20,258,298 (RMB 4,093,113)	\$111,531,613

Note 1: The foreign currency of paid-in capital and net income was converted into New Taiwan dollars at the exchange rate on December 31, 2018 and the average exchange rate for that period of 2018, respectively.

Note 2: Based on Rule No. 10300002750 approved by the Investment Commission under the Ministry of Economic Affairs on January 6, 2014, the authorized investment amount is US\$743,500 thousand (RMB4,093,113 thousand).

Note 3: The amounts were accumulated from the start date of the investment to the end of the period.