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**TAIPEI FUBON
COMMERCIAL BANK CO., LTD.**

ANNUAL REPORT

2019

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I. Message to Shareholders

2019 was a challenging year in terms of global economics. From the China-USA trade conflict to the UK's Brexit and protests in Hong Kong, the financial market had been under the influence of one major crisis after another. Taiwan was one of the few that benefited from the crises, as a shift in production orders combined with back flow of Taiwanese investors stimulated capital expenditure and growth of domestic demands. According to the Directorate-General of Budget, Accounting and Statistics, economic growth for 2019 was better than expected at 2.73%, increasing 0.10% from 2018.

The financial industry as a whole generated NT\$634.1 billion of pre-tax income, of which the banking industry delivered record-high NT\$400 billion in pre-tax income. Taipei Fubon Bank has long adhered to the goal of maintaining consistent growth under controlled risk, and managed to accomplish great business success by focusing on five strategic goals: "lifestyle finance, precision investment, Greater China, technology and brand value" in 2019. The Bank reported 12.19% higher consolidated revenues of NT\$51.4 billion for the year; net interest income and net fee income increased 9.27% and 13.90%, respectively, to deliver record-high consolidated net income of NT\$20.6 billion, representing a 9.62% growth. Consolidated total assets amounted to NT\$3,298 billion at the end of the year, whereas net loan balance was reported at NT\$1,491.8 billion and total deposit balance at NT\$2,304.2 billion.

Below are the outcomes of operational strategies implemented in 2019:

(I) Enhanced customer relations and demand-driven

Taipei Fubon Bank adheres to a "customer-centric" philosophy and explores innovation and service improvement with a focus on customers' needs, for which it has earned the strong support and trust of its customers. In wholesale banking, the Bank achieved rapid growth in terms of SME credit and foreign currency assets, and saw rising market share in offshore corporate lending/deposit service, ranking 2nd among private banks. Meanwhile, the Bank maintained leading position in syndicated lending, and ranked 2nd among private banks in market share. As for consumer banking, the Bank's ongoing efforts in branch transformation, customer relationship management and localization have enabled product and service innovations that are ultimately reflected in terms of growing deposit, investment, insurance and loan amidst the challenging market. Overall, the Bank delivered more favorable performance compared to the previous year, and ranked 2nd in mortgage balance, 3rd in total insurance sales, and 2nd in regular insurance sales among private banks.

(II) Digital transformation and innovation

The Bank has been introducing new banking models for broader scenarios by incorporating new technologies and innovations with its banking profession as a response to the rapidly changing financial environment. In addition to launching the Omiyage Card for outgoing tourists, Taipei Fubon Bank also cooperated with group affiliates to introduce "momo" co-branded card that increased total outstanding cards to 2.99 million, making it one of the top-5 card issuers in Taiwan. The Bank has been cooperating with Nutmeg, the UK's largest smart investment platform, to operate its own AI-powered investment platform called "Nano Investment." By the end of December, more than NT\$1.4 billion of assets were managed under "Nano Investment," making it the largest smart investment platform in Taiwan. For consumer banking, the Bank developed a cloud-based decision-making system aimed at introducing a new customer-centric banking model and delivering service experience that more appropriately meets the needs of the new consumer generation. With regards to new payment and blockchain application, the Bank was the first bank in Taiwan to apply blockchain technology in a sandbox experiment of interbank transfer. This technology even has the potential to be applied in scenarios such as cross-border remittance and supply chain financing in the future. Taipei Fubon Bank has envisioned itself as the pioneer of banking reform and transformation, and takes progressive steps toward accomplishing its vision of "Banking in all aspects of life." Having recently been approved for the co-founding of an online-only bank called "LINE Bank," Taipei Fubon Bank will continue building an ecosystem of strategic partners and exert leadership in digital technology to realize the full potentials of the online-only bank.

(III) Overseas expansion and exposure to Taiwanese enterprises

Fubon Bank (China) was acquired as a subsidiary bank in 2014, it has set up 27 offices (with one under approval) at locations where Taiwanese enterprises cluster, making it the most wide-spread and the only fully licensed Taiwanese bank in the Mainland. Through this subsidiary, the Bank hopes to introduce "refined banking services" that Taiwan is well-known for and expand alliance with partners from different industries to bring distinctive features into each branch. Targeting Taiwanese enterprises, these offices will bridge capital flow within the Greater China Region and promote further cross-strait economic and financial collaboration. 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 addition to the five overseas branches located in Hong Kong, Vietnam and Singapore, a new Indonesian representative office was set up in 2019 to help Taiwanese enterprises expand into Southeast Asian markets. Together, these offices open the Bank to international banking opportunities, local businesses, multinational customers and prospects of creating a collaborative overseas platform and becoming Asia's No. 1 Financial Institution.

In addition to committing to the 361-degree service spirit, the Bank is also dedicated to fulfilling its sustainability vision through constant expansion of financial service capacity. In terms of product innovation

and financial technology, the Bank has been recognized by domestic and foreign institutions and media including The Asset, Global Finance, Commercial Times and Business Today in numerous awards such as "i-service survey- Bank Category-Gold Award," "Bank of the Year Awards - Taiwan Award," "Best Investment Bank," "Best Private Bank," "Best Wealth Management Service - Gold," "Best Bank for Fintech Innovation," "Best Payment Bank" and "Best Credit Card - Taiwan."

With respect to risk management, the Bank maintains rigorous monitoring and control over asset quality and capital adequacy, and managed to keep asset quality strong with an NPL ratio of 0.19% and NPL coverage ratio of 713.11%, and sound capital adequacy ratio (CAR) at 13.35%. Credit rating agencies local and abroad have all awarded the Bank with favorable ratings and stable outlook for its diverse business activities, adequate risk management, reliable source of capital and strong liquidity.

Rated company	Long-term rating	Short-term rating	Outlook	Date of rating
Taiwan Ratings Corp.	twAA+	twA-1+	Stable	December 6, 2019
Standard and Poor's Corporation	A-	A-2	Stable	December 6, 2019
Moody's Investors Service	A2	P-1	Stable	July 30, 2019

2020 Business plans

The global economy should continue to exhibit challenges and high degree of uncertainty throughout 2020. In light of increasing volatility and ongoing reform of the supervisory framework, it is critical for businesses to adopt new technology as means to expand and explore broader profit opportunities. In 2020, Taipei Fubon Bank will be enhancing "cooperation in Greater China, product and portfolio development, group synergy, customer relationship, and overseas expansion" as the key strategies for maintaining earnings growth.

(I) Broadened collaboration in the Greater China Region

The Bank will continue providing Fubon Bank (China) with total support and expand collaboration on all aspects in order to finance customers' global investments and overseas expansion, and capitalize on emerging trends such as back flow of Taiwanese enterprises and supply chain shift into Southeast Asia. By leveraging its strong presence in the Greater China Region, the Bank aims to bring improved financial services to local customers and establish its stature as the preferred bank for Taiwanese enterprises.

(II) Product and portfolio development

Faced with a low interest environment that is full of uncertainties, the Bank will focus on introducing

financial products that offer fixed income, consistent dividends and diverse income sources, while at the same time develop proprietary and custom-tailored equity instruments as well as investment portfolios characterized by wealth protection and diversification properties to meet customers' needs for medium- and long-term investment solutions. Furthermore, by combining the planning of money trust investment and insurance products, the Bank will be launching an innovative professional asset management platform to appeal to high net worth customers.

(III) Group synergy

Fubon group operates in many business segments including finance, telecommunication, e-commerce, education and entertainment; in recent years, there have been ongoing attempts to integrate affiliated businesses into creating a Fubon ecosystem that delivers financial services targeted at addressing "customers' needs," including the development of new business models for digital customers. The Bank will continue expanding its existing product line to bring new services and expand banking scenarios to reach new customer groups. Through Fubon group's financial ecosystem and collaboration with third-party service providers, the Bank hopes to extend financial services to all aspects of life, and thereby address customers' needs in a more timely manner.

(IV) Customer relationship

Through re-alignment of industry focus, the Bank will aim to capitalize on the back flow of Taiwanese enterprises and offshore capital, while targeting medium and large corporate customers for professional and refined services. Co-operations will be made with participants from different industries to expand market share among customers. For small and micro businesses, the Bank will adopt the credit factory approach and implement simplified credit assessment procedures and standardized disbursement processes to meet their needs for accessible and value-adding credit service.

(V) Overseas expansion and asset growth

The Bank will actively assess prospects of deploying resources in locations such as Asia and Oceania for quick accumulation of overseas assets and global visibility. These new offices will complement existing overseas branches to grow the Bank's global business, explore potential opportunities and introduce differentiated services not only to Taiwanese enterprises, but to local customers of various target markets as well. By monitoring southbound investments of Taiwanese enterprises, the Bank will explore opportunities to build up foreign currency assets, broaden the scope of financial products sold through overseas branches (particularly Hong Kong, Vietnam, and Singapore), and engage in more active trading locally to capitalize on profit opportunities in Asian markets.

In 2020, Taipei Fubon Bank will continue adopting financial innovation and lead customers in lifestyle

changes through a number of aspects including corporate vision, social welfare, economic development, industry trend and technological advancement. Further improvements will be made to the Bank's operations, including more efficient resource allocation and financial service delivery, whereas market and risk management practices will be constantly adjusted to meet demands and expectations of the market, the customers, the shareholders and the society, thereby enabling the Fubon brand to evolve and grow with time.

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)-Tsai-7864. The Bank began business operations on April 21, 1969.

(2) Bank history

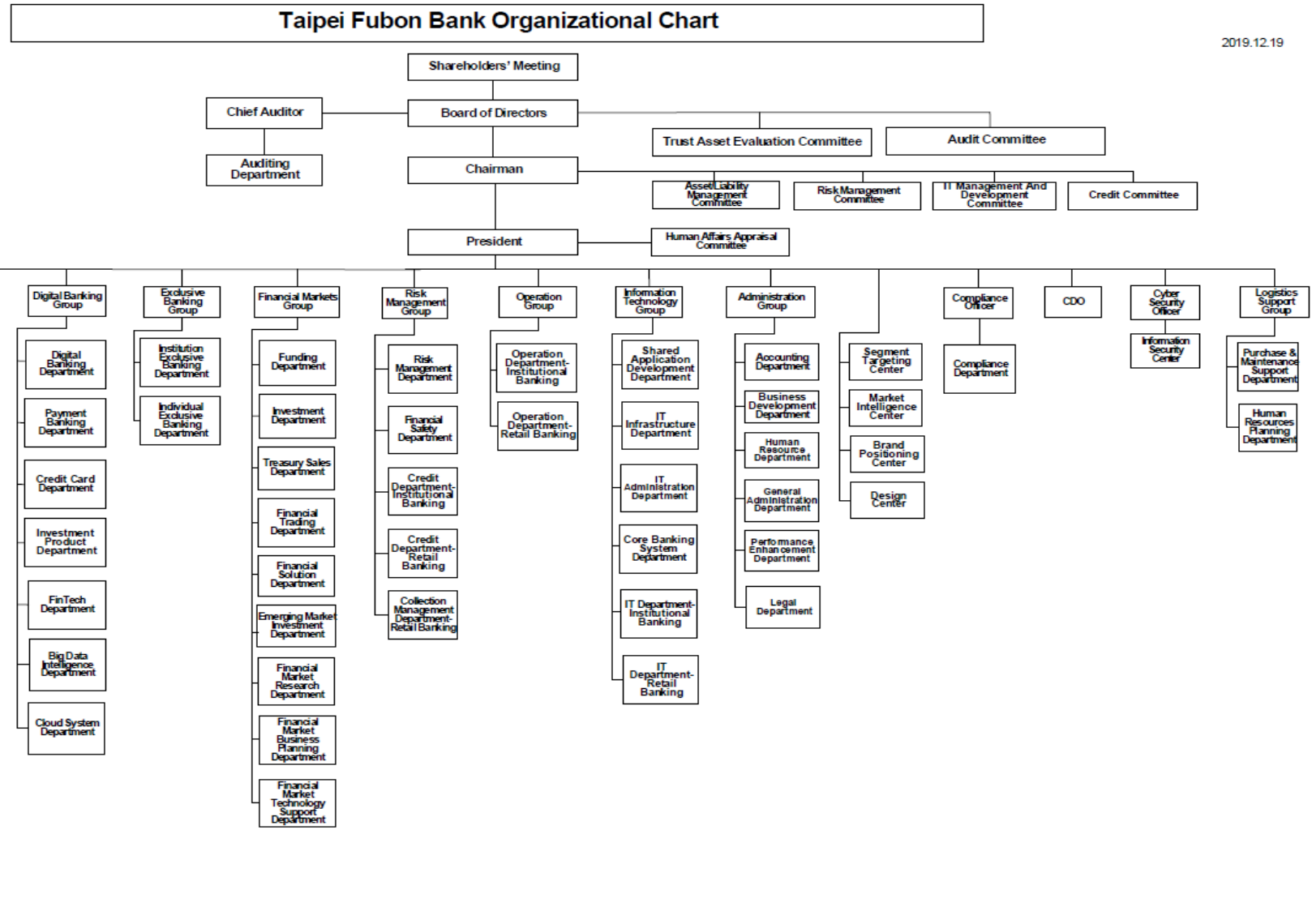
- A. The Bank was founded on April 21, 1969 as part of the nation's financial policy to finance local business activities, municipal constructions, and to serve as a municipal treasury. It was initially funded by Taipei City Government to perform services within the boundary of Taipei City, and operated 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. (Taipei Bank) for better distinction as a corporate entity. 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 Bills 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. On October 12, 2017, the Bank received permission from Financial Supervisory Commission to establish representative office in Jakarta, Indonesia. This office was approved for establishment by the Indonesian authority in November 2018, and commenced business on September 17, 2019.
- M. The Bank did not undergo any change of management, operation or business activity in 2019, and there had been no significant occurrences likely to affect shareholders' equity.

2. Organizational Structure

(1) Organization



2019.12.19

(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 MBA, University of Missouri (U.S)	2017/06/16	3 yrs
Managing Director	Daniel M. Tsai	Fubon Financial Holding Co.	Fubon Financial Holding Co., Ltd. - Chairman Fubon Insurance Co., Ltd. - Chairman Fubon Land Development Co., Ltd. - Chairman LL.M., Georgetown University (U.S.)	2017/06/16	3 yrs
Managing Director	Roman Cheng	Fubon Financial Holding Co.	Fullerton Financial Holdings Pte.Ltd. (Singapore), member of Temasek Group - Senior Vice President CTBC Bank Co., Ltd. - Senior Vice President Citibank Taiwan Taipei Branch - Vice President MBA, National Chengchi University	2017/06/16	3yr
Managing and Independent Director	Cheng-Chuan Fan	Fubon Financial Holding Co.	Financial Examination Bureau, Financial Supervisory Commission - Deputy Director General Bureau of Monetary Affairs, Ministry of Finance - Secretary General LL.B., National Taiwan University	2017/06/16	3 yrs
Managing and 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	Yuan-Chi Chao	Fubon Financial Holding Co.	First Financial Holding Co., Ltd. - Acting Chairman and President China Development Financial Holding Corp - President Dah-An Commercial Bank Ltd. - President Master of Finance, New York University (U.S.)	2017/06/16	3 yrs
Independent Director	Alex Hu	Fubon Financial Holding Co.	Taiwan Association for Strategic Simulation - Director Galaxy Software Services Corporation - Senior Consultant Standard Pacific Corporation - Head of IT Department/CIO Glenfed Development Corp. - Deputy General Manager MBA (Business), Ohio State University (U.S.) Bachelor of Statistics, National Chengchi University	2019/03/21	3 yrs
Independent Director	Chia-Chi Teng	Fubon Financial Holding Co.	Taipei City Deputy Mayor Chinese Sustainable City Development Education Foundation - CEO Institute of Environment and	2019/11/21	3 yrs

Title	Name	Representing Organization	Background & Education	Date Elected	Term
			Resources, Environmental Protection Administration, Executive Yuan - Director and CEO New Taipei City Government - Commissioner of Environmental Protection Ph.D in Environmental Engineering, University of California, LA (U.S.) Master of Civil Engineering, National Cheng Kung University		
Director	Hsiu-Hui Yuan	Fubon Financial Holding Co.	Taipei City Government - Commissioner of Legal Affairs Judicial Reform Committee, Taiwan Bar Association - Member Keelung BAR Association - Secretary MBA, National Chiao Tung University Bachelor of Law and Political Studies, Soochow University	2017/06/16	3 yrs
Director	Jerry Harn	Fubon Financial Holding Co.	Taipei Fubon Commercial Bank Co., Ltd. - President CTBC Bank Co., Ltd. - Senior Vice President Citibank Taiwan Taipei Branch - Vice President MBA, Ohio State University (U.S)	2017/06/16	3 yrs
Director	Tsan-Ming Shih	Fubon Financial Holding Co.	Taipei Fubon Commercial Bank Co., Ltd. - Supervisor Fubon Insurance Co., Ltd. - Chairman Fubon Financial Holding Co., Ltd. - Senior Consultant for Insurance Group Bachelor of Law, Soochow University	2019/12/30	3 yrs
Director	Thomas Liang	Fubon Financial Holding Co.	Taipei Fubon Commercial Bank Co., Ltd. - Supervisor, Head of Consumer Banking Fubon Bank (Hong Kong) - Director and President Citibank Taiwan - Vice President MS in Operations Research, Case Western Reserve University (U.S.)	2019/12/30	3 yrs
Director	Kun-San Lin	Fubon Financial Holding Co.	Taipei Fubon Commercial Bank Co., Ltd. - Supervisor, Vice President Xiamen Bank Co., Ltd. - Branch Manager Ph.D in Economics, Nankai University (PRC) Master of Finance, National Taiwan University	2019/12/30	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. 、 Dao Ying Co.

Note: The table is prepared based on the most recent book closure date as of July 8, 2019.

III. Business Operations

1. Business Information

(1) Breakdown of Total Revenues

Business Category	Weight	
	2019	2018
Institutional Banking	28%	29%
Retail Banking	45%	46%
Financial Market Banking	19%	17%
Overseas Subsidiary	12%	10%
Others	(4)%	(2)%

(2) Business Performance

Institutional Banking Business

- A. The Bank's wholesale banking service has seen steady increase in revenues, and much of it was attributed to the ability to monitor and respond to market changes with deposit and loan solutions that provide the financial flexibility needed by customers. Overall loans to SMEs expanded but foreign currency deposits fell slightly due to Fed's interest rate cuts.
- B. Overseas branches continued to have performed well in international business development and managed to secure favorable market share despite the ongoing China-USA trade war and protests in Hong Kong and increased volatility in financial markets. The Bank not only achieved double-digit growth in terms of deposit balance, loan balance and revenues compared to the previous year, it was also rated as the No. 1 top-performing Taiwanese Agent Bank for Mainland syndicated loans in Taiwan and Hong Kong. Apart from building on top of current success, the Bank has also been active in the development of new services..
- C. As a proponent for the global ESG trend and the government's green energy policy, the Bank actively supports green energy businesses through project lending, and coordinates with group affiliates to introduce comprehensive solutions for offshore wind power. This is why the Bank ranks ahead of local banks in the financing for offshore wind power industries.
- D. There has been increasing shift in global industry chain since the China-USA trade war took place, and the Indonesian office was opened in September 2019 specifically to assist Taiwanese enterprises and multinational companies with business development in ASEAN markets. Together, the office works seamlessly with Singapore Branch to grow presence in ASEAN, and serves as a strong complement to the Bank's Asia service network that currently covers Taiwan, Hong Kong, China, Vietnam and Singapore.

Retail Banking Business

- A. Motivated by a "customer-centric" philosophy, the Bank goes the extra mile to learn customers' pain points and needs, adopts localized business practices for optimal connection, and develops intelligent services for improved management efficiency. Overall, the Bank delivered better business performance than the previous year. With 127 branches spread

throughout Taiwan, the Bank continues to incorporate banking into people's lifestyle and build relationship with local customers through communities. Meanwhile, products and services are constantly improved upon, whereas loans are continually cross-sold to new insurance customers to secure growth in terms of deposit balance, assets under management, insurance premiums, and credit balance amidst challenges. During the year, the Bank ranked 2nd in mortgage balance, 3rd in personal insurance sales, and 2nd in regular insurance sales among private banks.

- B. With more than NT\$25 billion of assets under management from high net worth customers, the Bank will assemble a Diamond Team of private bankers incorporating different fields of expertise to provide customers with total solutions, from differentiated products and services to family wealth transfer, all depending on customers' requirements. The Bank will also integrate wholesale banking and retail banking services and market them to corporate groups to help customers grow.
- C. The Bank has been cooperating with Nutmeg, UK's largest smart investment platform, to operate its own AI-powered investment platform called "Nano Investment." By the end of 2019, more than NT\$1.4 billion of assets were managed under "Nano Investment."
- D. As a response to the rapidly changing financial environment and vision toward "Banking in all aspects of life," the Bank has been actively promoting the use of more innovative payment solutions through participation in Taipei City's smart payment platform - "Pay.Taipei," which is being promoted by the city government as an integrated cash collection and payment tool for merchants at various shopping districts. The Bank also received approval from the Financial Supervisory Commission to operate Taiwan's first "blockchain regulatory sandbox project," which not only offers security and cost reduction benefits on fund transfers, but also has the potential to evolve as an alternative cross-border payment solution, and address the time-consuming and costly nature of current cross-border remittance.
- E. The Omiyage Card targeting outgoing tourists quickly accumulated 600,000 issues in just 9 months after launch. In addition, Taipei Fubon Bank cooperated with group affiliates to introduce "momo" co-branded card that increased total outstanding cards to 2.99 million, making it one of the top-5 card issuers in Taiwan.
- F. For retail banking customers, the Bank introduced a "cloud-based" decision-making system that incorporates AI and innovative digital technologies to provide a 360-degree view of each customer's banking relationship including credit card, personal loan, mortgage, credit assessment and transaction history. This system provides the framework needed to introduce a mobile, cloud-based "smart approval" service that can be customized at mass volume while greatly shortening the limit approval process, thereby making it the fastest and most ideal loan solution to small and micro businesses. Through introduction of a new customer-centric banking model, the Bank aims to deliver service experience that more appropriately meets the needs of the new consumer generation.

Financial Market Business

- A. Most major central banks in the world have adopted the expansionary monetary policy and revised interest rates downward to inject liquidity, causing credit spread to narrow by a significant extent. The combined effect of rising bond price and narrowing TWD-USD spread has enabled the Bank to increase gains significantly.
- B. The Bank has been able to build up favorable foreign currency positions based on market information, and take advantage of the general rise in asset prices following interest rate cuts

in USA and Europe, which increased overall profitability compared to 2018.

- C. The Bank has been paying close attention to changes in market interest rate. USD inverse floating-rate structured deposit was introduced in the first half of the year in response to the FED's rate cut, and had appealed to customers due to its high profit potentials. In the second half, however, the substantial fall in USD interest rate greatly undermined product attractiveness and sales momentum.
- D. The Bank ranked 5th in the 2018 Central Government Bond Trader Performance Evaluation, was named Central Government Bond Top Market maker for the first half of 2019, and ranked 2nd in Taiwan Futures Exchange's 5th Futures Diamond Award.

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.
- B. Strengthen relationships with SMEs, top-performing private entities and prominent Taiwanese enterprises while exploring relationship with new target customers. Promote coordination between wholesale and retail banking and explore banking relationship with related individuals and businesses. Cooperate with Taipei Fubon Bank on maintaining a robust customer service system that delivers improved service experience.
- C. Capital services aim to stabilize debt absorption, control the proportion of interbank liabilities, coordinate loan granting, and increase high-liquidity asset ratios.
- D. Treasury services will focus on enhancing customer attachment and increasing trade volume; additional sales support and service locations will be provided to increase foreign currency transactions for both wholesale and retail banking sectors. Further improvement measures will be taken with respect to peer quotation, credit note investment, cross-border bond selling platform and asset management system to increase product breadth and achieve more flexible use of assets.
- E. The Bank will undertake more pro-active efforts to perfect corporate governance, strengthen risk management system and expand businesses. In 2019, the Bank was awarded a long-term credit rating of BBB+ from S&P, a long-term credit rating of Baa1 from Moody's, and a rating of AA+ from CCXI.

2. Business Strategies and Business Plans

(1) Short-term development plan

- A. Coordinate with other members of the group and aim to increase limit utilization and SOW. Strengthen relationship and attachment with medium-size customers and expand the SME customer base. Increase the weight of medium/long-term loan under controlled risks and strive to become customers' main banker.
- B. Continue expansion of new service locations; utilize the newly established Indonesian office for assisting the Singapore Branch in the sourcing Southeast Asian projects and creating cooperative relationship with local businesses or financial peers.
- C. Capitalize on the shifting supply chain by promoting wholesale banking and retail banking in

Vietnam. Extend banking relationship with Taiwanese enterprises to overseas branches, while at the same time establish relationship with local businesses and multinational customers.

- D. Acquire assets from secondary markets; assemble a specialized asset management team for the search and acquisition of assets. Cooperate with other international banks for growth of foreign currency assets.
- E. Continue development of new payment services. Construct, optimize and promote the use of various service platforms, while at the same time collaborate closely with LINE Pay to provide one-stop payment service for customers.
- F. Develop payment gateway and take initiative to work with peer banks in the creation of a payment ecosystem that facilitates financial services close to customers' lifestyle.
- G. Overseas subsidiaries
 - a. Develop sustainable business foundation and integrate international services offered by Fubon Group with e-commerce partners through the Internet. Explore new sales channels, products and services for competitive advantage.
 - b. Enhance compliance, internal control, risk assessment and decision-making systems for optimal approval efficiency and risk control capacity. Develop and maintain standardized data extraction procedures and explore big data-driven risk management models to ensure better quality data. Improve data mining and analysis capabilities for improved risk management over small/micro loans.
 - c. Improve customer experience through introduction of robust and effective consumer protection and comprehensive service packages that address customers' needs, and thereby increase customer attachment. 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. Anticipate changes in the legal and market environment to develop the financial products needed by customers. Establish banking relations with customers' affiliates and supply chain partners by offering integrated financial services; maintain partner relationship and provide comprehensive range of funding and hedging service that builds trust with customers.
- 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. Adopt quantitative research and engage in active trading of index futures, ETF etc. depending on changes in the market condition. Aim to deliver consistent profit through non-directional trades.
- E. Expand trading and service scope, and aim to become the No. 1 brand in RMB service among Taiwanese banks.

- F. Leverage the geographic advantage of Singapore and its access to information of the Southeast Asian market; assemble an SEA investment team that coordinates and shares information closely with the Taipei counterpart for more control over the SEA market.
- G. Direct attention to customers' needs and continually expand product and service scope. Analyze customers' characteristics through big data and undertake preemptive management actions for general improvement in sales efficiency.
- H. Overseas subsidiary:
 - a. The Bank will commit to its main purpose of supporting "Taiwanese enterprises" and "real economic activities in China," and take advantage of the current cross-strait relations to finance Taiwanese and Chinese SMEs. To fulfill corporate social responsibilities, the Bank will establish its brand image as "the bridge in cross-strait relations."
 - b. The Bank will strive to create four cooperative platforms, including: Cooperation with the parent bank and group partners on the sharing of Taiwanese enterprise customer database, use of research and product resources, and offering of total solutions; cooperation with peers on the development of major corporate customers and offering of better financial solutions through syndicated lending; cooperation with non-bank financial institutions on the development of commercial banking customers for syndicated lending; and cooperation with P2P platforms on the development of retail banking customers for online-offline cross-selling. 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 corporation".

(3) Business Plans

Institutional Banking Business

- A. Focus on target customers and refine service quality and operating efficiency by adopting a customer-centric approach; grow relationship with medium and large corporations while satisfy the needs of small and micro businesses; enforce compliance and rigorous risk control, and develop the sustainable capacity needed to respond to global changes.
- B. Identify target industries and trends; introduce customers to new credit and total financial solutions through a consultative sales team for increased service value, strengthened customer relationship and attachment.
- C. Take advantage of the government's returning investment incentives by offering financing solutions targeted at returning Taiwanese enterprises; satisfy customers' plant construction/expansion requirements and enhance service at target industrial areas for greater customer reach and market share.
- D. Explore overseas business opportunities by helping Chinese customers raise capital in the Greater China Region. Coordinate with Fubon Bank (China) to meet customers' demands for cross-border finance, and provide a common service platform for cross-strait customers.
- E. Expand foreign currency assets through all platforms, channels, products and services for

optimal performance.

Retail Banking Business

- A. Meet the investment and wealth transfer needs of elderly consumers by introducing suitable insurance, money trust and investment trust products/services. Aim to satisfy customers' needs throughout different stages in life and improve service experience during the process.
- 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. 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.
- D. Develop LINE Pay applications and scenarios for group affiliates of various business segments including finance, telecommunication, e-commerce, education and entertainment, and create the "Fubon Ecosystem" that promotes popularity of mobile payment; cooperate actively with peers to build an Open Banking ecosystem.
- E. 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.

Financial Market and Treasury activities

- A. Enhance design and sale of asset products, including ongoing optimization to foreign bond sales process, construction of offshore bond sales platform, and development of more convenient e-trading service.
- B. Expand RMB trading activities and incorporate trading strategies for improved profitability, and explore opportunities to cooperate with domestic counterparties.
- C. Develop strategic trading for index futures and ETFs based on quantitative research; take flexible long/short positions depending on changes in market condition; and engage customers in lending and IRS transactions by exploiting syndicated loan hedging requirements as the main point of entry.
- D. Strengthen market presence in 5 main Southeast Asian countries and explore trading strategies that have the potential to deliver consistent profits. Develop derivatives trading capacity in the local market by exploring trade counterparties.
- E. Following the deregulation on foreign currency bank debenture, the Bank will be exploring opportunities in Taiwan equity derivatives (including structured deposits), and applying big data analysis and AI to develop smart treasury investments and related services.

Overseas Subsidiary Business

- A. Taipei Fubon Bank is currently the largest Taiwanese bank operating in the Mainland that has the most complete licenses, the broadest branch network and the widest scope of service. The Bank will continue building on top of its current advantage in Taiwanese enterprises and individuals, and promote cross-strait interaction in a manner that makes it the preferred bank for any Taiwanese enterprise seeking to expand into the Mainland. For Fubon Bank

(China), the Bank will be building its reputation as the provider for working as well as lifestyle needs among Taiwanese customers.

- B. Develop Fubon's distinctive wealth management system and cross-border finance features; build a proprietary and fully featured retail banking service system that increases AUM.
- C. Grow small and micro business lending along supply chains; promote small/micro business loans on the foundation of banking and taxation service, and launch online consumer loans under proprietary brand at an appropriate time.

3. Research & Development Plans

(1) Research and development expenses

Unit: NT thousands

Year	2019	2018
Amount	849,231	445,566

(2) Research and development outcomes

- A. Online credit application platform: The Bank shortlists customers of good credit quality and identifiable income, and uses the system to perform automated calculations of customers' limit and interest rate. Customers that meet the prescribed criteria are invited to apply for loans online, which can be disbursed in as little as 1 hour. A total of NT\$180 million had been disbursed by the end of 2019.
- B. Mortgage Calculation: A one-stop mortgage service that enables customers to check property price, calculate mortgage limit and monthly instalments in seconds online. Users can even make appointments for personalized service through the system. As of the end of 2019, the website had accumulated 260,000 visits.
- C. New Smart Loan system: The Bank launched its "New Smart Loan" service in the end of June 2019. Using mobile APP as the interface, customers are able to upload application documents to the Bank at any time over cloud and have them processed and reviewed using Taiwan's first remote credit assessment and AI-powered approval engine. This process gives applicants a precise estimate of the credit limit and lending conditions immediately, and the entire process can be completed in as short as 3 days due to the absence of physical document exchange. By the end of 2019, a total of 1,928 applications had been submitted over the "New Smart Loan" system, which accounted for approximately 70% of total applicants.
- D. Big data application: By implementing big data and data scientist platforms using Hadoop and Spark as the foundation technology, the Bank is able to utilize machine learning to predict customers' behaviors and tag them for precision marketing. This approach has proven effective at improving data analysis as well as the precision of sales leads, and solves issues concerning complicated data storage, shortage of computing power, and outdated analysis that the Bank has long been troubled with. Overall, it improves the Bank's competitiveness in data processing.
- E. Performance dashboard: By incorporating visual tools, natural language processing technology and intelligent voice service, the Bank was able to introduce an enterprise-grade "big data performance management dashboard" (eMIS) and implement it for various performance management applications and operational meetings within the Bank.

- F. Smart approval project: A mobile APP was developed and implemented in the back office in May 2019; services were made available over cloud in September 2019 to provide better and faster support to the front end. It is Taiwan's first AI-powered smart approval system capable of accessing JCIC data through mobile device for accurate loan assessment. Being able to borrow and repay at any time makes the Bank's smart loan the best financing tool for SMEs, and for which it has been awarded by IBM and The Digital Banker.
- G. Privileged access management and hacker alert system: An automated user account management system featuring automated internal processes and use of digital processing to replace manual works. The system incorporates anti-hack alert for enhanced information security and protection. This project received Best Risk Governance and Intellectual Anti-hacking Initiative Award from Global Business Outlook and Outstanding IT Transformation Award from The Digital Banker during the year.

(3) Research and development plans for the future

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

Unit: NT thousands

Items	Expected expenditure on R & D for the coming year (2020)
Amount	1,466,661

- B. Research and development plans for the future

- a. Upgrade of Fubon Business Online (FBO): A new generation FBO offering greater efficiency and convenience will be introduced to provide customers with better quality online service.
- b. Renew of wholesale banking marketing system: The system will be provided with more powerful functions to help wholesale banking sales representatives manage marketing campaigns and routine activities for greater productivity. The system will also integrate market and business resources to provide sales people with useful management information.
- c. Strategic equity order placement system: A strategic equity e-trading platform will be implemented to enhance control over equity transactions and to facilitate construction of cross-market trading strategies and models.
- d. Upgrade to FX e-trading platform: The new platform will provide traders with more diverse and convenient trading tools and enable them to extend service to customers. Meanwhile, an auto-import feature will be added to reduce manual work, and tools such as transaction control and auto position netting will be introduced to replace nighttime traders and as off-trading room controls.
- e. Customer relationship management system: This system will provide TMU with the means to track and explore customers' needs, perform pre-transaction checks and communicate with customers for more efficient transaction processing. The system also generates reports and real-time Dashboard analysis to help users develop business overview and devise business strategies.
- f. Fubon Siri: A personalized online smart assistant featuring voice recognition and AI technologies. Through natural dialog, the system recommends customer-exclusive investments and privileges for a more humane financial service experience.

- g. Nano Investment 2.0: Building on top of the success of Nano Investment 1.0, version 2.0 introduces new online experience with interactive contents and greater product diversity.
- h. New credit assessment/approval systems: New systems such as credit guarantee interfacing, SME lending and smart approval will be implemented to shorten the loan approval process while minimize manual works and errors. New step-up interest rates and grace periods will also be introduced to raise customer satisfaction.
- i. Bank 3.0 online application and contracting: Online contract signing will be available for incremental mortgage, incremental personal loan, and new overseas education loan applications. Furthermore, applications for revolving personal loan, overseas education loan, incremental mortgage with guarantor and change of lending term will also be made available online.
- j. Enhanced wholesale banking credit assessment: The system will be upgraded to perform analyses and generate dynamic reports depending on the needs of different users. Data will be integrated so that customer alerts are generated automatically without users having to search manually.
- k. Automated bots and processes: Bots will be designed to automate processes such as mail return, tax listing, household transcript etc., thereby saving cost and time on manual works.

4. Employees Profile

(1) Taipei Fubon Bank

Year		2018	2019	As of January 31,2020
Number of employees		6,727	6,815	6,843
Average age (years)		40.41	40.77	40.62
Average seniority (years)		10.59	10.76	10.65
Education level	Graduate or higher	19.07%	19.14%	19.10%
	College/University	75.83%	76.05%	76.09%
	Senior high school	5.04%	4.75%	4.75%
	Below senior high	0.06%	0.06%	0.06%

(2) Fubon Bank (China)

Year		2018	2019	As of January 31,2020
Number of employees		1,060	1,226	1,239
Average age (years)		33	33	33
Average seniority (years)		3.7	3.7	3.8
Education level	Graduate or higher	24.81%	25.45%	25.50%
	College/University	74.44%	73.90%	73.85%
	Senior high school	0.75%	0.65%	0.65%
	Below senior high	0.00%	0.00%	0.00%

IV. Special Notes

1. Dividend Policy and Implementation Status

(1) Dividend Policy

- A. 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 the shareholder, as proposed by the board of directors and approved in the shareholder's 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.
- 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 2020, the appropriation of the 2019 earnings and dividends per share was proposed by the board of directors as follows:

	Dividends	Dividend Per Share
Cash dividends	NTD \$ 6,776,135,995	NTD \$ 0.60
Stock dividends	NTD \$ 6,776,135,980	NTD \$ 0.60

2. Implementation of the Internal Controls System

Taipei Fubon Commercial Bank Co., Ltd.

Statement of Internal Control

1. On behalf of Taipei Fubon Commercial Bank Co., Ltd., we hereby certify that from January 1 to December 31, 2019, the Company has duly complied with the "Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries" in establishing the internal control system and implementing risk management procedures. The Company has been audited by independent auditors who regularly submit reports to board of directors and audit committee. With respect to the concurrent securities business, the Company has evaluated the effectiveness of the design and implementation of the internal control system according to "Regulations Governing the Establishment of Internal Control Systems by Service Enterprises in Securities and Futures Markets" promulgated by Securities and Futures Bureau, Financial Supervisory Commission. After prudent evaluation, except for the items listed in the attached table, the Company's each department has implemented effective system of internal controls and compliance controls. This statement shall become a major part of the Company's annual report and prospectus and will be made public. Any false representation or concealment in this Statement shall be subjected to legal consequences as stipulated in Articles 20, 32, 171 and 174 of the Securities and Exchange Act.
2. With respect to the concurrent insurance agent business:
 - (1) The Company has evaluated the effectiveness of the design and implementation of the internal control system according to "Regulations Governing the Implementation of Internal Control and Audit System and Business Solicitation System of Insurance Agent Companies and Insurance Broker Companies" (hereinafter referred to as the "Implementation Regulations"). According to the Implementation Regulations, the internal control system shall contain at least the following components: (a) Control environment; (b) Risk assessment; (c) Control activities; (d) Information and communications; and (e) monitoring activities.
 - (2) The Company has adopted above mentioned internal control system evaluation items to check the effectiveness of the design and implementation of the internal control system.
 - (3) Based on the results of the evaluation mentioned in the precedent paragraph, it is believed that the effectiveness of the design and implementation of the Company's internal control system (including the integrity of known operations, reporting reliability and legal compliance) is valid and can reasonably guarantee our achievement in aforesaid targets.
 - (4) This statement shall become a major part of the Company's annual report and prospectus and will be made public. Any false representation or concealment in this Statement shall be subjected to legal consequences as stipulated in Articles 20, 32, 171 and 174 of the Securities and Exchange Act or regulations related to

- the Act.
3. We hereby declare that this Statement has been approved by the Company's board of directors on March 19, 2020.

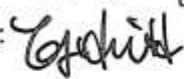
The Statement is submitted to the Financial Supervisory Commission

Stated by

Chairman:  (signature & stamp)

General Manager:  (signature & stamp)

Chief Auditor:  (signature & stamp)

Chief Compliance Officer:  (signature & stamp)

Date: March 19, 2020

Taipei Fubon Commercial Bank Co., Ltd.

Enhancement Items and Improvement Plan for Internal Control System

(Base Date: December 31, 2019)

Enhancement Items	Improvement Measures	Planned Completion Date
<p>1. With respect to the account opening business conducted by the Bank's OBU, some customers have intensively opened a number of accounts or left the same communication address. The Bank failed not only to acknowledge the reasons for the actions above, and take these factors into the customer risk assessment, but also to properly establish and implement internal control systems for the anti-money laundering .</p> <p>Above mentioned was imposed a fine of NT\$6 million by the FSC.</p>	<p>Enhanced OBU Regulations governing customer confirmation procedures and operations. Improvements have also been made to reported cases.</p>	<p>Completed.</p>
<p>2. Failed to properly conduct customer due diligence, sustainable account and transaction monitoring, and suspicious transaction reporting works.</p> <p>Above mentioned was issued a reprimand by the FSC.</p>	<p>Enhanced regulations governing relevant operations; completed remedial educational trainings; and listed all deficiencies on the review list.</p>	<p>Completed.</p>
<p>3. Unexpected failure occurred in the uninterruptible power system (UPS) during</p>	<p>(1) Amended the Bank's procedures governing the monitoring and response of the server room's infrastructure power system, where IT-DR drills take place</p>	<p>Completed.</p>



<p>IT-DR drills. This has resulted in a sudden electricity shutdown and impacted our ATM, e-banking and mobile banking services.</p>	<p>during off-peak hours on holidays. Procedures governing the IT-DR drill failure response measures and actions to be taken by the response team were also established.</p> <p>(2) Requested the solution vendor to fully inspect and repair the UPS. With respect to the replacement of UPS components, to ensure the normal operations of all equipment, it shall be conducted according to the replacement cycle as specified in the amended documents.</p> <p>(3) Established the decentralized operation room for operators to ensure uninterrupted operation. An additional budget for purchasing the dual circular power supply has also been included for enhancing the power control.</p>	
<p>4. The insurance documents that OO Branch commissioned the express delivery company to deliver to the Insurance Product Department were accidently missing.</p>	<p>(1) Already contacted and informed affected customers and reproduced the insurance documents.</p> <p>(2) Enhanced the insurance document delivery and tracking mechanism. Already added the new delivery and document tracking function in the management system.</p> <p>(3) Document delivery is now handled by a dedicated express delivery company.</p>	<p>Completed.</p>
<p>【The Subsidiary Fubon Bank (China)】 5. Shanghai Bureau, China Banking and Insurance Regulatory Commission reported the 2018 Regulatory Assessment results of Fubon Bank (China).</p>	<p>(1) To further specify strategic measures; enhance corporate governance; and reach a balance between business development and risk controls/preventions.</p> <p>(2) To enhance loan management and conduct a full risk management approach.</p> <p>(3) To conscientiously promote works related to “Consolidating the Achievements of Chaos Controls and Promoting Compliance Construction”.</p>	<p>Completed.</p>

V. Headquarters and Branches

Headquarters Address and Telephone Number 9.1

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.265, 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.)	+886-2-2816-8585
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, Jiuhue 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	+886-2-2876-3232

Branches Address and Telephone Number

Code	Branch Name	Address	Tel.
		City 111, Taiwan (R.O.C.)	
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
012-7347	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 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 Mini-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 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,	+886-2-2958-8598

Branches Address and Telephone Number

Code	Branch Name	Address	Tel.
		Taiwan (R.O.C.)	
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 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
012-7738	New Taipei Boulevard Branch	No. 8, Sec. 1, New Taipei Blvd., Sanchong Dist., New Taipei City 241, Taiwan (R.O.C.)	+886-2-2988-8366
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	Level 9 Saigon Centre, Tower 2, 67 Le Loi	+84-28-3932-5888

Branches Address and Telephone Number

Code	Branch Name	Address	Tel.
	Branch	St, Ben Nghe Ward, District 1, Ho Chi Minh City, Vietnam	
012-9307	Singapore Branch	182 Cecil Street #07-03 Frasers Tower Singapore 069547	+65-6470-9860
012-9400	Jakarta Rep Office	Gedung IDX, Tower 1, Lt. 28, Suite #2804 Jln. Jend. Sudirman Kav. 52-53, Jakarta 12190, Indonesia	+62-215151036

Branches Address and Telephone Number of Fubon Bank (China)

Code	Branch Name	Address	Tel.
0129765	Chengdu Branch	1-4F, Weston Tower, No.19, Section 4, South Renmin Road, Chengdu 610042, P.R.C	+86-28-62807777
0129776	Beijing Branch	1F, Tower A, International Enterprise 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, No.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, No.2020 West Zhongshan Road, Xuhui, Shanghai 200235, P.R.C	+86-21-20293288
0129846	Shanghai Songjiang Sub-Branch	104, No.1, Lane 600, Guangfulin Road, Songjiang, Shanghai 201620, P.R.C	+86-21-20292900
0129857	Shenzhen Branch	9A, Tower C, Building 1, One Shenzhen Bay, Dongbin Road, Nanshan, Shenzhen 518054, P.R.C	+86-755-23675700
0129868	Shanghai Minhang Sub-Branch	UG, Block B, The MIXC, No.1799 Wuzhong Road, Minhang, Shanghai 201103, P.R.C	+86-21-20292999
0129879	Tianjin Branch	G/F, Xindu Tower, No.16 Weijin 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.188 Madang Road, Huangpu, Shanghai 200020, P.R.C	+86-21-20377600
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	+86-21-20293030
0129961	Shanghai Riyueguang Sub-Branch	1F, 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 210000, P.R.C	+86-25-51869888

Branches Address and Telephone Number of Fubon Bank (China)			
Code	Branch Name	Address	Tel.
0129754	Suzhou Kunshan Sub-Branch	No.118, Middle Changjiang Road, Kunshan, Jiangsu 215300, P.R.C	+86-512-62556777
0129835	Shanghai Century Avenue Sub-Branch	102, Oriental Financial Plaza Tower A, No.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, Wuhan 430071,P.R.C	+86-27-87369558
0129732	Xi'An Branch	Yong Li National Financial Centre,No.6 Jin Ye Road, Gaoxin, Xi'an 710077, P.R.C	+86-29-65636588
0129721	Guangzhou Branch	Suite 3405, 34/F, Pearl River Tower, No.15, Zhujiang West Road, Tianhe, Guangzhou, P.R.C	+86-20-85712888
0129710	Chongqing Branch	International Finance Square Unit6-8,45thfloor,Office Building T1,NO.1,Qingyun Road, Jiangbei, Chongqing, P.R.C	+86-23-89197333

Appendix

*Annual Financial Reports
for 2019 and 2018*



勤業眾信

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying consolidated balance sheets of TAIPEI FUBON COMMERCIAL BANK Co., Ltd. (the "Bank") and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2019 and 2018, the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2019 and 2018, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of TAIPEI FUBON COMMERCIAL BANK Co., Ltd. and its subsidiaries as of December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2019 and 2018, in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, certain other guidelines issued by the local authorities and International 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 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, 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Bank and its subsidiaries' consolidated financial statements for the year ended December 31, 2019 are stated as follows:

Impairment of Discounts and Loans

Refer to Note 4(8) to the consolidated financial statements for the accounting policies on the impairment of discounts and loans. Refer to Note 5.a to the consolidated financial statements for the critical estimations and judgments about the impairment of discounts and loans. Refer to Notes 14 and 53 to the consolidated financial statements for the details of the other related information about the impairment of discounts and loans.

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

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

1. We 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 discounts and loans.
2. We assessed the rationality and consistency of the significant increase in credit of discounts and loans judged by management, the definition of default and impairment of discounts and loans, the exposure at default, the probability of default, the loss given default, the forward-looking estimates, etc. used in estimating expected credit loss. We also selected samples of discounts and loans cases, and verified their completeness and calculation accuracy.
3. We considered the related guidelines issued by the authorities and examined whether the allowance for loans and receivables complied with the regulations.

Impairment of Goodwill

Refer to Note 4(13) to the consolidated financial statements for the accounting policies on the impairment of goodwill. Refer to Note 5.b to the consolidated financial statements for the critical estimations and judgments about the impairment of goodwill. Refer to Note 22 to the consolidated financial statements for the details of the other related information about the impairment of goodwill.

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

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

1. For cash flow forecasting, we assessed the suitability of the forecasting method and discount rate used by the management of the group and compared the discount rate with external information.
2. We considered whether there was 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 made by management in the past, and we determined that the disclosures in the consolidated financial statements were 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, 2019 and 2018 on which we have issued an unqualified 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, 2019 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 19, 2020

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, 2019 AND 2018
(In Thousands of New Taiwan Dollars)**

ASSETS	2019		2018	
	Amount	%	Amount	%
CASH AND CASH EQUIVALENTS (Notes 4, 6 and 46)	\$ 132,131,276	4	\$ 56,991,811	2
DUE FROM THE CENTRAL BANK AND CALL LOANS TO OTHER BANKS (Notes 7 and 46)	293,196,237	10	215,473,612	8
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 8, 16, 46 and 48)	130,063,150	4	100,018,094	4
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Notes 4, 9, 11, 16 and 26)	167,849,976	6	157,826,117	6
INVESTMENTS IN DEBT INSTRUMENTS MEASURED AT AMORTIZED COST (Notes 4, 10, 11, 16, 26 and 48)	626,517,408	21	606,086,721	22
FINANCIAL ASSETS FOR HEDGING (Notes 4 and 11)	1,472,199	-	1,816,774	-
SECURITIES PURCHASED UNDER RESELL AGREEMENTS (Notes 4, 12 and 46)	10,650,566	-	11,766,626	-
RECEIVABLES, NET (Notes 4, 13 and 46)	114,476,632	4	95,286,420	3
CURRENT TAX ASSETS (Notes 4, 44 and 46)	236,027	-	206,953	-
DISCOUNTS AND LOANS, NET (Notes 4, 14, 26 and 46)	1,491,817,639	49	1,397,994,861	52
INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Notes 4 and 17)	3,673,187	-	3,255,009	-
OTHER FINANCIAL ASSETS, NET (Notes 4, 18 and 48)	5,169,945	-	14,408,220	1
PROPERTY AND EQUIPMENT, NET (Notes 3, 4 and 19)	18,684,808	1	19,486,204	1
RIGHT-OF-USE ASSETS, NET (Notes 3, 4, 20 and 46)	3,773,346	-	-	-
INVESTMENT PROPERTIES (Notes 4 and 21)	2,814,200	-	2,794,200	-
INTANGIBLE ASSETS, NET (Notes 4 and 22)	14,095,781	1	14,768,153	1
DEFERRED TAX ASSETS (Notes 4 and 44)	1,173,098	-	1,193,574	-
OTHER ASSETS (Notes 3, 23 and 46)	<u>12,035,517</u>	<u>-</u>	<u>11,744,358</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 3,029,830,992</u>	<u>100</u>	<u>\$ 2,711,117,707</u>	<u>100</u>
LIABILITIES AND EQUITY				
DEPOSITS FROM THE CENTRAL BANK AND BANKS (Note 24)	\$ 138,216,119	5	\$ 138,745,247	5
DUE TO THE CENTRAL BANK AND BANKS (Notes 25 and 47)	-	-	442,461	-
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 8 and 46)	27,381,660	1	30,326,605	1
FINANCIAL LIABILITIES FOR HEDGING (Notes 4 and 11)	2,777,420	-	2,411,422	-
SECURITIES SOLD UNDER REPURCHASE AGREEMENTS (Notes 4, 26 and 46)	123,303,415	4	121,307,543	5
PAYABLES (Notes 3, 27 and 46)	60,276,796	2	51,585,836	2
CURRENT TAX LIABILITIES (Notes 4, 44 and 46)	2,453,449	-	2,175,258	-
DEPOSITS AND REMITTANCES (Notes 28 and 46)	2,304,216,527	76	2,032,281,790	75
BANK DEBENTURES (Notes 11, 29 and 47)	114,111,801	4	90,546,695	3
OTHER FINANCIAL LIABILITIES (Notes 30 and 46)	20,190,871	1	25,140,505	1
PROVISIONS (Notes 4, 31 and 32)	3,379,854	-	3,317,455	-
LEASE LIABILITIES (Notes 3, 4, 20, 46 and 47)	3,776,863	-	-	-
DEFERRED TAX LIABILITIES (Notes 4 and 44)	1,322,842	-	1,159,273	-
OTHER LIABILITIES (Notes 3, 33 and 46)	<u>10,425,175</u>	<u>-</u>	<u>7,262,330</u>	<u>-</u>
Total liabilities	<u>2,811,832,792</u>	<u>93</u>	<u>2,506,702,420</u>	<u>92</u>
EQUITY (Notes 3, 4 and 34)				
Attributable to owners of the Bank				
Capital stock				
Common stock	<u>112,347,556</u>	<u>4</u>	<u>106,518,023</u>	<u>4</u>
Capital surplus	<u>14,800,975</u>	<u>-</u>	<u>14,800,927</u>	<u>1</u>
Retained earnings				
Legal reserve	50,177,808	1	44,684,974	1
Special reserve	4,117,454	-	2,981,736	-
Unappropriated earnings	<u>20,097,422</u>	<u>1</u>	<u>18,287,619</u>	<u>1</u>
Total retained earnings	<u>74,392,684</u>	<u>2</u>	<u>65,954,329</u>	<u>2</u>
Other equity	<u>(1,910,303)</u>	<u>-</u>	<u>(1,387,256)</u>	<u>-</u>
Total equity attributable to owners of the Bank	199,630,912	6	185,886,023	7
Non-controlling interests	<u>18,367,288</u>	<u>1</u>	<u>18,529,264</u>	<u>1</u>
Total equity	<u>217,998,200</u>	<u>7</u>	<u>204,415,287</u>	<u>8</u>
TOTAL LIABILITIES AND EQUITY	<u>\$ 3,029,830,992</u>	<u>100</u>	<u>\$ 2,711,117,707</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, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018		Percentage Increase (Decrease) %
	Amount	%	Amount	%	
NET INTEREST INCOME (Notes 4, 35 and 46)					
Interest income	\$ 61,555,365	120	\$ 55,931,030	122	10
Interest expense	<u>(32,790,603)</u>	<u>(64)</u>	<u>(29,605,694)</u>	<u>(65)</u>	11
Total net interest income	<u>28,764,762</u>	<u>56</u>	<u>26,325,336</u>	<u>57</u>	9
NET NON-INTEREST INCOME					
Service fee income, net (Notes 4, 36 and 46)	12,682,958	24	11,135,294	24	14
Gains on financial assets and liabilities at fair value through profit or loss (Notes 37 and 46)	7,175,289	14	4,550,003	10	58
Realized gains on financial assets at fair value through other comprehensive income (Notes 34 and 38)	860,717	2	328,786	1	162
(Losses) gains on derecognition of financial assets at amortized cost (Note 39)	(5,257)	-	111,410	-	(105)
Foreign exchange gains, net (Notes 4 and 40)	1,566,299	3	3,288,763	7	(52)
Reversal of impairment loss on assets (impairment loss on assets) (Notes 9, 10, 18 and 19)	58,433	-	(25,448)	-	330
Share of loss of associates accounted for using the equity method (Note 17)	(78,298)	-	(4,177)	-	1,775
Other non-interest income, net	<u>410,236</u>	<u>1</u>	<u>136,402</u>	<u>1</u>	201
Total net non-interest income	<u>22,670,377</u>	<u>44</u>	<u>19,521,033</u>	<u>43</u>	16
TOTAL NET REVENUE	<u>51,435,139</u>	<u>100</u>	<u>45,846,369</u>	<u>100</u>	12
ALLOWANCE FOR BAD DEBT EXPENSE, COMMITMENTS AND GUARANTEES (Notes 4 and 46)	<u>(2,215,830)</u>	<u>(5)</u>	<u>(796,801)</u>	<u>(2)</u>	178

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TAIPEI FUBON COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018		Percentage Increase (Decrease) %
	Amount	%	Amount	%	
OPERATING EXPENSES (Notes 32, 41, 42, 43 and 46)					
Employee benefits	\$ (13,979,792)	(27)	\$ (12,923,657)	(28)	8
Depreciation and amortization	(3,537,695)	(7)	(1,950,660)	(4)	81
Other general and administrative	<u>(7,329,694)</u>	<u>(14)</u>	<u>(8,037,269)</u>	<u>(18)</u>	(9)
Total operating expenses	<u>(24,847,181)</u>	<u>(48)</u>	<u>(22,911,586)</u>	<u>(50)</u>	8
INCOME BEFORE INCOME TAX	24,372,128	47	22,137,982	48	10
INCOME TAX EXPENSE (Notes 4 and 44)	<u>(3,734,844)</u>	<u>(7)</u>	<u>(3,312,374)</u>	<u>(7)</u>	13
NET INCOME FOR THE YEAR	<u>20,637,284</u>	<u>40</u>	<u>18,825,608</u>	<u>41</u>	10
OTHER COMPREHENSIVE INCOME (LOSS)					
Items that will not be reclassified subsequently to profit or loss:					
Remeasurement of defined benefit plans (Note 32)	(125,797)	-	(152,342)	-	(17)
Gains on property revaluation (Note 34)	55,237	-	6,676	-	727
Gains (losses) on investments in equity instruments at fair value through other comprehensive income (Note 34)	581,412	1	(274,325)	(1)	312
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 44)	<u>27,057</u>	<u>-</u>	<u>86,107</u>	<u>-</u>	(69)
	<u>537,909</u>	<u>1</u>	<u>(333,884)</u>	<u>(1)</u>	261

(Continued)

TAIPEI FUBON COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018		Percentage Increase (Decrease) %
	Amount	%	Amount	%	
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations (Note 34)	\$ (1,895,902)	(3)	\$ (483,798)	(1)	292
Gains on investments in debt instruments at fair value through other comprehensive income (Note 34)	112,729	-	961,660	2	(88)
Income tax relating to items that may be reclassified subsequently to profit or loss (Note 44)	<u>20,379</u>	<u>-</u>	<u>(252,593)</u>	<u>-</u>	108
	<u>(1,762,794)</u>	<u>(3)</u>	<u>225,269</u>	<u>1</u>	(883)
Other comprehensive loss for the year, net of income tax	<u>(1,224,885)</u>	<u>(2)</u>	<u>(108,615)</u>	<u>-</u>	1,028
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 19,412,399</u>	<u>38</u>	<u>\$ 18,716,993</u>	<u>41</u>	4
NET INCOME ATTRIBUTABLE TO					
Owners of the Bank	\$ 20,122,674	39	\$ 18,618,650	41	8
Non-controlling interests	<u>514,610</u>	<u>1</u>	<u>206,958</u>	<u>-</u>	149
	<u>\$ 20,637,284</u>	<u>40</u>	<u>\$ 18,825,608</u>	<u>41</u>	10
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO					
Owners of the Bank	\$ 19,574,375	38	\$ 18,591,762	41	5
Non-controlling interests	<u>(161,976)</u>	<u>-</u>	<u>125,231</u>	<u>-</u>	(229)
	<u>\$ 19,412,399</u>	<u>38</u>	<u>\$ 18,716,993</u>	<u>41</u>	4
EARNINGS PER SHARE (NEW TAIWAN DOLLARS) (Note 45)					
Basic	<u>\$ 1.79</u>		<u>\$ 1.66</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, 2019 AND 2018
(In Thousands of New Taiwan Dollars)**

	Equity Attributable to Owners of the Bank							Other Equity (Note 34)					Total Equity
	Capital Stock (Note 34)		Capital Surplus (Note 34)	Retained Earnings (Note 34)			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 34)		
	Shares (Thousands)	Common Stock		Legal Reserve	Special Reserve	Unappropriated Earnings						Total	
BALANCE AT JANUARY 1, 2018	10,651,803	\$ 106,518,023	\$ 14,800,927	\$ 39,699,723	\$ 2,672,022	\$ 16,604,927	\$ 58,976,672	\$ (2,063,045)	\$ 1,357,305	\$ -	\$ 374,651	\$ 18,467,092	\$ 198,431,625
Effect of retrospective application and retrospective restatement	-	-	-	-	-	(243,627)	(243,627)	-	(1,357,305)	240,622	-	(63,059)	(1,423,369)
BALANCE AT JANUARY 1, 2018 AS RESTATED	10,651,803	106,518,023	14,800,927	39,699,723	2,672,022	16,361,300	58,733,045	(2,063,045)	-	240,622	374,651	18,404,033	197,008,256
Appropriation of the 2017 earnings													
Legal reserve	-	-	-	4,985,251	-	(4,985,251)	-	-	-	-	-	-	-
Special reserve	-	-	-	-	309,714	(309,714)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(11,309,962)	(11,309,962)	-	-	-	-	-	(11,309,962)
Net income for the 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	10,651,803	106,518,023	14,800,927	44,684,974	2,981,736	18,287,619	65,954,329	(2,082,733)	-	315,276	380,201	18,529,264	204,415,287
Appropriation of the 2018 earnings													
Legal reserve	-	-	-	5,492,834	-	(5,492,834)	-	-	-	-	-	-	-
Special reserve	-	-	-	-	1,135,718	(1,135,718)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(5,829,534)	(5,829,534)	-	-	-	-	-	(5,829,534)
Common stock dividends	582,953	5,829,533	-	-	-	(5,829,533)	(5,829,533)	-	-	-	-	-	-
Changes in equity of associates and joint ventures accounted for using equity method	-	-	48	-	-	-	-	-	-	-	-	-	48
Net income for the year ended December 31, 2019	-	-	-	-	-	20,122,674	20,122,674	-	-	-	-	514,610	20,637,284
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	-	(100,638)	(100,638)	(1,293,577)	-	792,431	53,485	(676,586)	(1,224,885)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	20,022,036	20,022,036	(1,293,577)	-	792,431	53,485	(161,976)	19,412,399
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	75,386	75,386	-	-	(75,386)	-	-	-
BALANCE AT DECEMBER 31, 2019	<u>11,234,756</u>	<u>\$ 112,347,556</u>	<u>\$ 14,800,975</u>	<u>\$ 50,177,808</u>	<u>\$ 4,117,454</u>	<u>\$ 20,097,422</u>	<u>\$ 74,392,684</u>	<u>\$ (3,376,310)</u>	<u>\$ -</u>	<u>\$ 1,032,321</u>	<u>\$ 433,686</u>	<u>\$ 18,367,288</u>	<u>\$ 217,998,200</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, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 24,372,128	\$ 22,137,982
Adjustments for:		
Depreciation expense	2,665,787	1,114,138
Amortization expense	871,908	836,522
Provision for bad-debt expense	2,189,112	797,941
Net gain on financial assets and liabilities at fair value through profit or loss	(7,175,289)	(4,550,003)
Interest expense	32,790,603	29,605,694
Net loss (gain) on derecognition of financial assets at amortized cost	5,257	(111,410)
Interest income	(61,555,365)	(55,931,030)
Dividend income	(339,001)	(171,793)
Net change in provision for guarantee liabilities	(59,192)	(13,111)
Net change in other provisions	127,879	479,322
Share of loss of associates accounted for using the equity method	78,298	4,177
Gain on disposal of property and equipment	(7,599)	(69,129)
Transfer of property and equipment to expenses	359	-
Gain on disposal of investment properties	-	(285)
Gain on disposal of financial assets	(521,716)	(156,993)
Reversal of impairment loss on financial assets	(58,433)	(26,309)
Impairment loss on non-financial assets	-	51,757
Loss (gain) on fair value adjustment of investment properties	1,368	(5,976)
Other adjustments	(3,281)	(1,917)
Changes in operating assets and liabilities		
Increase in due from the Central Bank and call loans to other banks	(87,094,277)	(7,080,792)
Decrease in financial assets at fair value through profit or loss	18,852,535	31,859,820
(Increase) decrease in financial assets at fair value through other comprehensive income	(8,574,001)	1,445,772
Increase in investments in debt instruments at amortized cost	(17,000,121)	(23,064,586)
Increase in receivables	(18,642,981)	(11,479,275)
Increase in discounts and loans	(95,825,124)	(31,899,437)
Decrease in other financial assets	9,206,357	27,815,127
Increase in other assets	(390,266)	(5,532,786)
(Decrease) increase in deposits from the Central Bank and other banks	(529,128)	7,779,733
Decrease in financial liabilities at fair value through profit or loss	(45,996,941)	(37,047,955)
Increase in securities sold under repurchase agreements	1,995,872	23,281,968
Increase in payables	7,645,441	13,109,808
Increase (decrease) in deposits and remittances	271,934,737	(35,636,303)
(Decrease) increase in other financial liabilities	(4,949,634)	7,369,788
Increase in provisions for employee benefits	83,116	37,907
Increase (decrease) in other liabilities	2,358,844	(500,259)
Cash generated from (used in) operations	26,457,252	(45,551,893)
Interest received	62,909,030	54,054,689
Dividends received	389,083	204,663

(Continued)

TAIPEI FUBON COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
Interest paid	\$ (30,238,821)	\$ (26,870,829)
Income tax paid	<u>(3,254,246)</u>	<u>(2,314,668)</u>
Net cash generated from (used in) operating activities	<u>56,262,298</u>	<u>(20,478,038)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of investments accounted for using the equity method	(502,000)	(3,158,375)
Acquisition of property and equipment	(898,644)	(1,689,576)
Proceeds from disposal of property and equipment	13,746	250,663
Acquisition of intangible assets	(272,672)	(277,664)
Proceeds from disposal of investment properties	<u>-</u>	<u>99,785</u>
Net cash used in investing activities	<u>(1,659,570)</u>	<u>(4,775,167)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in due to the Central Bank and other banks	(443,447)	(4,904,506)
Proceeds from issuance of bank debentures	30,476,050	29,007,317
Repayments of bank debentures	(9,627,560)	(14,500,000)
Payment of lease liabilities	(1,383,668)	-
Cash dividends paid	<u>(5,829,534)</u>	<u>(11,309,962)</u>
Net cash generated from (used in) financing activities	<u>13,191,841</u>	<u>(1,707,151)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(3,142,816)</u>	<u>976,626</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	64,651,753	(25,983,730)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>136,486,326</u>	<u>162,470,056</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 201,138,079</u>	<u>\$ 136,486,326</u> (Continued)

TAIPEI FUBON COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (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, 2019 and 2018:

	<u>December 31</u>	
	2019	2018
Cash and cash equivalents in the consolidated balance sheets	\$ 132,131,276	\$ 56,991,811
Due from the Central Bank and call loans to other banks qualifying for cash and cash equivalents under the definition of IAS 7	58,356,237	67,727,889
Securities purchased under resell agreements qualifying for cash and cash equivalents under the definition of IAS 7	<u>10,650,566</u>	<u>11,766,626</u>
Cash and cash equivalents in the consolidated statements of cash flows	<u>\$ 201,138,079</u>	<u>\$ 136,486,326</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, 2019 AND 2018 (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 boards 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, 2019, the Bank had a trust department, an offshore banking unit (“OBU”), 127 domestic branches (including a business department), 5 overseas branches and 1 preparatory office.

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 local and 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, 2019, Fubon Bank (China) had its headquarters and 26 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 19, 2020.

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

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

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

IFRS 16 “Leases”

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

Definition of a lease

The Bank and its subsidiaries 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 are not reassessed and are accounted for in accordance with the transitional provisions under IFRS 16.

The Bank and its subsidiaries as lessee

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

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

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

The Bank and its subsidiaries applied the following practical expedients:

- 1) The Bank and its subsidiaries applied a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.
- 2) The Bank and its subsidiaries excluded initial direct costs from the measurement of right-of-use assets on January 1, 2019.
- 3) The Bank and its subsidiaries used hindsight, such as in determining lease terms, to measure lease liabilities.

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

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

The Bank and its subsidiaries did 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 was applied to the leaseback portion. In addition, for the Neihu building previously accounted for as a sale and an operating lease under IAS 17, the Bank and its subsidiaries adjusted the leaseback right-of-use assets for any deferred gains recognized on January 1, 2019.

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

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

The Bank and its subsidiaries as lessor

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

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>

- b. The IFRSs endorsed by the Financial Supervisory Commission (FSC) for application starting from 2020

New, Amended or Revised Standards and Interpretations (the "New IFRSs")	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020 (Note 1)
Amendments to IFRS 9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform"	January 1, 2020 (Note 2)
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020 (Note 3)

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

Note 2: The Group shall apply these amendments retrospectively for annual reporting periods beginning on or after January 1, 2020.

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

1) Amendments to IFRS 9, IAS 39 and IFRS 7 “Interest Rate Benchmark Reform”

The amendments deal with issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark (such as the London Interbank Offered Rate or LIBOR) with an alternative interest rate, and provide temporary exceptions to all hedging relationships that are directly affected by the interest rate benchmark reform. The Group would apply those hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform. The amendments also require additional disclosures about the extent to which the entity’s hedging relationships are affected by the amendments.

2) Amendments to IAS 1 and IAS 8 “Definition of material”

The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRSs. The concept of “obscuring” material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from “could influence” to “could reasonably be expected to influence”.

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

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2022

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

As of the date the consolidated financial statements were authorized for issue, the Bank and its subsidiaries are 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 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 53 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).

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

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

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

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

Foreign Currencies

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

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

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

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

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

Cash and Cash Equivalents

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

Investments in Associates

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

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

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

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

Financial Instruments

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

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

a. Financial assets

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

1) Measurement category

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

a) Financial assets at fair value through profit or loss

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

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

Financial assets at fair value through profit or loss are subsequently measured at fair value, with any gain or loss arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note 52.

b) Financial assets at amortized cost

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

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

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

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

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

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

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

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

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

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

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

2) Impairment of financial assets

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

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

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

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

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

Under the loan risk classification guidelines of the China Banking Insurance Regulatory Commission (CBIRC), Fubon Bank (China) classifies its credit assets into normal, concern, subprime, doubtful, and losses. Based on the notice of the CBIRC, the minimum provision requirements for loan loss coverage are 1.5% and 1.8%, respectively, and the minimum allowances for bad debts are 120% and 130%, respectively. Thus, Fubon Bank (China) assesses its credit assets for both individual and collective impairment and complies with these ratio requirements for its minimum reserve.

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

3) Derecognition of financial assets

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

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

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

b. Equity instruments

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

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

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

c. Financial liabilities

1) Subsequent measurement

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

a) Financial liabilities at fair value through profit or loss

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

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

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

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

For a financial liability designated as at fair value through profit or loss, the amount of changes in fair value attributable to changes in the credit risk of the liability is presented in other comprehensive income and will not be subsequently reclassified to profit or loss. The remaining amount of changes in the fair value of that liability which incorporates any interest or dividend paid on the financial liability is presented in profit or loss. The gain or loss accumulated in other comprehensive income will be transferred to retained earnings when the financial liabilities are derecognized. If this accounting treatment related to credit risk would create or enlarge an accounting mismatch, all changes in fair value of the liability are presented in profit or loss. Fair value is determined in the manner described in Note 52.

b) Financial guarantee contracts

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

2) Derecognition of financial liabilities

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

d. Derivative financial instruments

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

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

Hedge Accounting

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

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

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.

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

Repurchase and Resell Transactions

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

Property and Equipment

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

Depreciation is recognized using the straight-line method. Each part of a P&E item with a cost that is significant in relation to the total cost of the item is depreciated separately. Financial lease assets in 2018 are depreciated over the lease period if their lease period is shorter than their useful life. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for prospectively.

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

Investment Properties

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

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

The decision of the Bank and its subsidiaries to transfer items of property into or out of the classification as investment properties depends on the actual use of the assets. The value of a piece of property classified as investment properties should be based on its fair value assessment when transferring it to investment properties and it should be reclassified appropriately. For a transfer of classification from investment properties to property, plant and equipment, the deemed cost of an item of property for subsequent accounting is its fair value. When property and equipment is adjusted to be recognized as investment properties, the difference between the original carrying amount and the fair value is recognized in other comprehensive income.

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

Goodwill

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

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

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

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

Intangible Assets

a. Intangible assets acquired separately

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

b. Intangible assets acquired in a business combination

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

c. Derecognition of intangible assets

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

Impairment of Tangible and Intangible Assets Other than Goodwill

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

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

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

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

Employee Benefits

a. Short-term employee benefits

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

b. Retirement benefits

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

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

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

c. Other long-term employee benefits

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

d. Employee benefit - employees' preferential deposits

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

Under Article 30 of the "Regulations Governing the Preparation of Financial Reports by Public Banks", if the Bank's preferential deposit interest rate for an employee as stated in the employment contract exceeds the market interest rate, the excess 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 on unappropriated earnings is provided for as income tax in the year the shareholders approve to retain earnings.

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

b. Deferred tax

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

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

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

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

c. Current and deferred taxes

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

Recognition of Interest Income and Interest Expense

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

Recognition of Service Fee Income and Service Fee Expense

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

Business Combinations

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

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

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

Leases

2019

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

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

a. The Bank and its subsidiaries as lessor

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

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

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

b. The Bank and its subsidiaries as lessee

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

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

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

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

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

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

2018

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

a. The Bank and its subsidiaries as lessor

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

b. The Bank and its subsidiaries as lessee

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

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

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

c. Leasehold land for own use

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

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

a. Estimated impairment loss on discounts and loans

Estimated impairment loss on discounts and loans was based on the assumptions about the probability of default and the expected loss rate made by the Bank and its subsidiaries. The Bank and its subsidiaries considered historical experience, existing market conditions, and forward-looking estimates in making the assumptions and in choosing the inputs to the impairment assessment. Refer to Note 53 for related information about material assumptions adopted. When the actual cash flows in the future are less than expected, a material impairment loss may arise.

b. Impairment of goodwill

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

6. CASH AND CASH EQUIVALENTS

	December 31	
	2019	2018
Cash on hand	\$ 6,584,862	\$ 6,578,289
Due from other banks, net	123,951,435	43,078,555
Notes and checks for clearing	<u>1,594,979</u>	<u>7,334,967</u>
	<u>\$ 132,131,276</u>	<u>\$ 56,991,811</u>

Cash and cash equivalents are assessed for impairment using the approach similar to those used for investments in debt instruments (refer to Note 53). 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, 2019 and 2018, a loss allowance of \$23,906 thousand and \$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, 2019 and 2018.

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

	December 31	
	2019	2018
Call loans to banks, net	\$ 185,861,144	\$ 131,727,285
Deposit reserves	98,911,480	73,627,393
Due from the Central Bank - others	<u>8,423,613</u>	<u>10,118,934</u>
	<u>\$ 293,196,237</u>	<u>\$ 215,473,612</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, 2019 and 2018, deposit reserves for checking accounts are amounted to \$33,079,661 thousand and \$16,937,378 thousand, respectively, and the required deposit reserves are amounted to \$37,675,385 thousand and \$34,386,173 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.

8. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2019	2018
<u>Financial assets mandatorily measured as at fair value through profit or loss</u>		
Commercial paper	\$ 44,119,678	\$ 11,951,247
Government bonds	15,313,714	21,338,038
Corporate bonds	12,948,001	16,886,836
Bank debentures	11,189,666	14,642,347
Negotiable certificates of deposits	7,376,400	177,420
Others	<u>14,578,309</u>	<u>7,109,680</u>
	<u>105,525,768</u>	<u>72,105,568</u>
Derivatives		
Currency swap contracts	17,062,583	20,630,627
Others	<u>7,474,799</u>	<u>7,281,899</u>
	<u>24,537,382</u>	<u>27,912,526</u>
Financial assets at fair value through profit or loss	<u>\$ 130,063,150</u>	<u>\$ 100,018,094</u>
<u>Held-for-trading financial liabilities</u>		
Derivatives		
Currency swap contracts	\$ 20,823,372	\$ 23,322,869
Interest rate swap contracts	2,862,246	2,880,876
Cross-currency swap contracts	1,637,812	1,681,454
Others	<u>2,058,230</u>	<u>2,441,406</u>
	<u>27,381,660</u>	<u>30,326,605</u>
Financial liabilities at fair value through profit or loss	<u>\$ 27,381,660</u>	<u>\$ 30,326,605</u>

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

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

	December 31	
	2019	2018
Currency swap contracts	\$ 3,164,440,050	\$ 3,320,172,973
Interest rate swap contracts	894,779,723	716,109,948
Cross-currency swap contracts	190,369,204	136,692,745
Forward contracts	134,707,638	109,052,031
Option contracts	59,038,161	146,716,029
Futures contracts	54,965,177	276,268,315
Equity swap contracts	8,201,220	7,948,908
Commodity swap contracts	831,517	271,341

Financial assets at fair value through profit or loss sold under repurchase agreements are disclosed in Note 48.

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<u>December 31</u>	
	2019	2018
Investments in equity instruments at fair value through comprehensive income	\$ 8,283,845	\$ 5,723,000
Investments in debt instruments at fair value through comprehensive income	<u>159,566,131</u>	<u>152,103,117</u>
	<u>\$ 167,849,976</u>	<u>\$ 157,826,117</u>

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

	<u>December 31</u>	
	2019	2018
Listed shares and emerging market shares	\$ 4,334,305	\$ 2,014,115
REITs	2,383,401	2,278,180
Unlisted shares	<u>1,566,139</u>	<u>1,430,705</u>
	<u>\$ 8,283,845</u>	<u>\$ 5,723,000</u>

Since the Bank and its subsidiaries hold part of the equity instruments not for trading, the management elected to designate these investments in equity instruments as at fair value through other comprehensive income.

For the years ended 2019 and 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 fair values of \$536,659 thousand and \$400 thousand, respectively. The Bank and its subsidiaries transferred a gain of \$75,386 and a loss of \$331 thousand from other equity to retained earnings.

Dividends income generated from investments the Bank and its subsidiaries held at the end of the reporting period or derecognised in the reporting period are as follows:

	<u>For the Year Ended December 31</u>	
	2019	2018
<u>Dividend income</u>		
Held at the end of the reporting period	\$ 318,826	\$ 171,793
Derecognised in the reporting period	<u>20,175</u>	<u>-</u>
	<u>\$ 339,001</u>	<u>\$ 171,793</u>

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

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
Bank debentures (Note 11)	\$ 79,213,261	\$ 59,302,510
Corporate bonds	27,701,139	24,772,660
Government bonds (Note 11)	25,871,655	8,247,814
Negotiable certificates of deposits	25,709,377	16,016,515
Discount notes	889,111	18,574,425
Commercial paper	-	24,664,294
Others	<u>181,588</u>	<u>524,899</u>
	<u>\$ 159,566,131</u>	<u>\$ 152,103,117</u>

Refer to Note 53 for information relating to the credit risk management and impairment of debt instruments at fair value through other comprehensive income.

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

10. INVESTMENTS IN DEBT INSTRUMENTS MEASURED AT AMORTIZED COST

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
Negotiable certificates of deposits	\$ 274,743,787	\$ 283,140,855
Corporate bonds (Note 11)	161,867,103	152,132,392
Bank debentures (Note 11)	126,766,018	103,451,249
Government bonds (Note 11)	51,643,716	58,120,900
Others	<u>11,908,540</u>	<u>9,485,911</u>
	626,929,164	606,331,307
Less: Allowance for impairment loss	<u>411,756</u>	<u>244,586</u>
	<u>\$ 626,517,408</u>	<u>\$ 606,086,721</u>

Refer to Note 53 for information relating to the credit risk management and impairment of investments in debt instruments measured at amortized cost.

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

11. FINANCIAL INSTRUMENTS FOR HEDGING

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
<u>Financial assets for hedging</u>		
Fair value hedge - interest rate swap	<u>\$ 1,472,199</u>	<u>\$ 1,816,774</u>
<u>Financial liabilities for hedging</u>		
Fair value hedge - interest rate swap	<u>\$ 2,777,420</u>	<u>\$ 2,411,422</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 government bonds, 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, 2019

Hedging Instrument	Notional Amount	Maturity	Line Item in Balance Sheet	Carrying Amount		Change In Value Used for Calculating Hedge Ineffectiveness
				Asset	Liability	
Fair value hedge						
Interest rate swap contracts	\$ 151,089,612	2020.03.18-2049.11.15	Financial assets and liabilities for hedging	\$ 1,472,199	\$ 2,777,420	\$ (820,739)

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	\$ -	\$ 75,514,601	\$ -	\$ 1,300,223	\$ (2,952,205)
Financial assets at fair value through other comprehensive income - government bonds	301,649	-	(2,384)	-	(2,285)
Financial assets at fair value through other comprehensive income - bank debentures	195,240	-	4,445	-	4,382
Financial assets at amortized cost - corporate bonds	72,240,805	-	2,357,679	-	3,502,089
Financial assets at amortized cost - bank debentures	7,880,338	-	275,287	-	289,550
Financial assets at amortized cost - government bonds	598,496	-	(21,974)	-	(22,026)

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 years ended December 31, 2019 and 2018

Comprehensive Income	Gains or Losses on Ineffective Hedge Recognized in Comprehensive Income		Comprehensive Income Statement Line Item in Which Hedge Ineffectiveness Is Included
	For the Year Ended December 31		
	2019	2018	
Fair value hedge			
Bank debentures	<u>\$ (1,234)</u>	<u>\$ 1,917</u>	Financial assets and liabilities at fair value through profit or loss

12. SECURITIES PURCHASED UNDER RESELL AGREEMENTS

	December 31	
	2019	2018
Corporate bonds	\$ 8,247,000	\$ 3,995,738
Bank debentures	1,274,304	1,250,371
Government bonds	600,316	300,052
Commercial paper	<u>528,946</u>	<u>6,220,465</u>
	<u>\$ 10,650,566</u>	<u>\$ 11,766,626</u>
Dates of resell agreements	2020.01.02- 2020.03.17	2019.01.03- 2019.01.23
Amounts of resell agreements	\$ 10,652,659	\$ 11,771,008

13. RECEIVABLES, NET

	December 31	
	2019	2018
Credit card receivables	\$ 46,541,560	\$ 39,039,447
Acceptances	31,519,558	20,226,005
Accounts receivable - factoring	16,949,363	19,728,519
Interest receivables	12,759,786	12,240,630
Accounts receivable	5,189,566	2,659,273
Others	<u>2,232,721</u>	<u>2,153,881</u>
	115,192,554	96,047,755
Less: Allowance for impairment loss	<u>715,922</u>	<u>761,335</u>
	<u>\$ 114,476,632</u>	<u>\$ 95,286,420</u>

The Bank and its subsidiaries have accrued an allowance for impairment loss on receivables. Refer to Note 53 for information relating to the credit risk management and impairment of receivables.

14. DISCOUNTS AND LOANS, NET

	December 31	
	2019	2018
Discounts and overdrafts	\$ 1,422,410	\$ 3,060,676
Accounts receivable - financing	3,023,292	3,726,273
Short-term loans	320,016,504	277,683,447
Short-term secured loans	97,243,328	92,464,046
Medium-term loans	264,564,828	243,196,838
Medium-term secured loans	167,200,147	137,771,246
Long-term loans	39,851,507	43,491,715
Long-term secured loans	614,283,473	610,758,989
Import and export bill negotiation	1,530,100	2,507,994
Nonperforming loans transferred from loans	<u>3,826,438</u>	<u>3,384,212</u>
	1,512,962,027	1,418,045,436
Less: Allowance for impairment loss	20,487,045	19,445,590
Less: Adjustments of premium and discount	<u>657,343</u>	<u>604,985</u>
	<u>\$ 1,491,817,639</u>	<u>\$ 1,397,994,861</u>

The Bank and its subsidiaries have an allowance for impairment loss on discounts and loans. Refer to Note 53 for information relating to the credit risk management and impairment of discounts and loans.

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

15. SUBSIDIARIES

- a. Subsidiaries included in the consolidated financial statements

Investor	Investee	Nature of Activities	Percentage of Ownership	
			December 31	
			2019	2018
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	
		2019	2018
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	
	2019	2018	2019	2018
Fubon Bank (China)	\$ 514,610	\$ 206,958	\$ 18,367,288	\$ 18,529,264

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

Fubon Bank (China)

	December 31	
	2019	2018
Total assets	\$ 455,853,137	\$ 352,719,741
Total liabilities	<u>(416,584,159)</u>	<u>(313,061,378)</u>
Equity	<u>\$ 39,268,978</u>	<u>\$ 39,658,363</u>
Equity attributable to:		
Owners of the Bank	\$ 20,901,690	\$ 21,129,099
Non-controlling interests	<u>18,367,288</u>	<u>18,529,264</u>
	<u>\$ 39,268,978</u>	<u>\$ 39,658,363</u>

	For the Year Ended December 31	
	2019	2018
Total net revenue	\$ <u>6,407,242</u>	\$ <u>4,657,070</u>
Net income for the year	\$ 1,050,225	\$ 422,364
Other comprehensive loss for the year	<u>(1,439,610)</u>	<u>(213,599)</u>
Total comprehensive (loss) income for the year	<u>\$ (389,385)</u>	<u>\$ 208,765</u>
Net income attributable to:		
Owners of the Bank	\$ 535,615	\$ 215,406
Non-controlling interests	<u>514,610</u>	<u>206,958</u>
	<u>\$ 1,050,225</u>	<u>\$ 422,364</u>
Total comprehensive (loss) income attributable to:		
Owners of the Bank	\$ (227,409)	\$ 83,534
Non-controlling interests	<u>(161,976)</u>	<u>125,231</u>
	<u>\$ (389,385)</u>	<u>\$ 208,765</u>
Net cash (outflow) inflow from:		
Operating activities	\$ (4,679,597)	\$ (476,176)
Investing activities	(233,613)	(160,922)
Financing activities	3,733,222	(351,006)

16. INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES

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

Type of Structured Entity	Nature and Purpose	Equity Attributable to the Bank and Its Subsidiaries
Asset securitization	Investment in asset securitization for investment gain	Investment in the securities issued by unconsolidated structured entities
Trust plan - funds	Investment in trust plans for investment gain	Investment in the beneficial right of trust issued by unconsolidated structured entities
Trust plan - property right	Investment in trust plans for debt redemption	Investment in 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, 2019 and 2018, were as follows:

	December 31	
	2019	2018
Asset securitization		
Financial assets at fair value through profit or loss	\$ 44,272	\$ -
Financial assets at fair value through other comprehensive income	2,383,401	2,278,180
Investments in debt instruments measured at amortized cost	7,108,231	2,940,482
Trust plan - property right		
Financial assets at fair value through profit or loss	129,146	-
Trust plan - funds		
Financial assets at fair value through other comprehensive income	-	133,983
	<u>\$ 9,665,050</u>	<u>\$ 5,352,645</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, 2019 and 2018.

17. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2019	2018
Associates that are not individually material	<u>\$ 3,673,187</u>	<u>\$ 3,255,009</u>
Information of associates that are not individually material:		
	For the Year Ended December 31	
	2019	2018
The Bank and its subsidiaries' share of:		
Net loss	\$ (78,298)	\$ (4,177)
Other comprehensive income (loss)	-	-
Total comprehensive loss for the year	<u>\$ (78,298)</u>	<u>\$ (4,177)</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 \$1,899,000 thousand, it was disclosed in the cost of investments in associates.

As of December 31, 2019, the Bank and its subsidiaries had remitted \$502,000 thousand as partial payment for the investment in Line Bank Taiwan Limited Preparatory Office, and remitted the amount for full payment in February 2020. The total investment amount is \$2,510,000 thousand for 25.1% shareholding.

Except for Line Bank Taiwan Limited, the Bank and its subsidiaries' share of profit and other comprehensive income (loss) of the associate for the years ended December 31, 2019 and 2018 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 management of the Bank suggested that an audit of the above associate's unaudited financial statements would not result in material impact on the consolidated financial statements.

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

18. OTHER FINANCIAL ASSETS, NET

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
Other banks' deposits not qualifying as cash equivalents	\$ 5,137,155	\$ 14,389,075
Nonperforming loans transferred from other than loans	116,871	92,755
Others	<u>1,217</u>	<u>231</u>
	5,255,243	14,482,061
Less: Allowance for impairment loss	<u>85,298</u>	<u>73,841</u>
	<u>\$ 5,169,945</u>	<u>\$ 14,408,220</u>

Refer to Notes 53 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 48.

19. PROPERTY AND EQUIPMENT, NET

	<u>For the Year Ended December 31, 2019</u>							<u>Total</u>
	<u>Land</u>	<u>Buildings</u>	<u>Machinery and Computer Equipment</u>	<u>Transportation Equipment</u>	<u>Office and Other Equipment</u>	<u>Leasehold Impairments</u>	<u>Construction in Progress and Prepayments for Equipment</u>	
<u>Cost</u>								
Balance at January 1, 2019	\$ 6,404,653	\$ 11,248,299	\$ 3,669,659	\$ 303,556	\$ 1,261,948	\$ 2,509,296	\$ 1,363,658	\$ 26,761,069
Effect of retrospective application to IFRS 16	-	-	-	-	(74,817)	-	-	(74,817)
Balance at January 1, 2019 (audited after restatement)	6,404,653	11,248,299	3,669,659	303,556	1,187,131	2,509,296	1,363,658	26,686,252
Additions	-	29,550	231,524	4,851	39,178	80,195	513,346	898,644
Disposals	-	-	(56,649)	(32,292)	(52,828)	(45,986)	-	(187,755)
Reclassification	33,396	76,918	68,395	(2,343)	11,669	199,765	(629,355)	(241,555)
Effect of foreign currency exchange differences	-	(224,065)	(21,971)	(793)	(13,090)	(12,593)	209	(272,303)
Balance at December 31, 2019	<u>6,438,049</u>	<u>11,130,702</u>	<u>3,890,958</u>	<u>272,979</u>	<u>1,172,060</u>	<u>2,730,677</u>	<u>1,247,858</u>	<u>26,883,283</u>
<u>Accumulated depreciation and impairment</u>								
Balance at January 1, 2019	-	2,710,755	2,484,681	222,213	803,004	1,054,212	-	7,274,865
Effect of retrospective application to IFRS 16	-	-	-	-	(12,337)	-	-	(12,337)
Balance at January 1, 2019 (audited after restatement)	-	2,710,755	2,484,681	222,213	790,667	1,054,212	-	7,262,528
Depreciation	-	282,428	438,631	21,470	113,318	336,394	-	1,192,241
Disposals	-	-	(56,221)	(29,544)	(52,331)	(43,538)	-	(181,634)
Reclassification	-	(4,007)	272	(272)	-	-	-	(4,007)
Effect of foreign currency exchange differences	-	(37,397)	(14,225)	(534)	(11,027)	(7,470)	-	(70,653)
Balance at December 31, 2019	<u>-</u>	<u>2,951,779</u>	<u>2,853,138</u>	<u>213,333</u>	<u>840,627</u>	<u>1,339,598</u>	<u>-</u>	<u>8,198,475</u>
Carrying amount at January 1, 2019 (before restatement)	<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>
Carrying amount at December 31, 2019	<u>\$ 6,438,049</u>	<u>\$ 8,178,923</u>	<u>\$ 1,037,820</u>	<u>\$ 59,646</u>	<u>\$ 331,433</u>	<u>\$ 1,391,079</u>	<u>\$ 1,247,858</u>	<u>\$ 18,684,808</u>

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>Cost</u>								
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>
<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	<u>-</u>	<u>2,710,755</u>	<u>2,484,681</u>	<u>222,213</u>	<u>803,004</u>	<u>1,054,212</u>	<u>-</u>	<u>7,274,865</u>
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>

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

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

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

Buildings	3-61 years
Machinery and computer equipment	3-6 years
Transportation equipment	3-6 years
Office and other equipment	3-21 years
Leasehold impairments	3-22 years

20. LEASE ARRANGEMENTS

a. Right-of-use assets - 2019

	December 31, 2019
<u>Carrying amounts</u>	
Buildings	\$ 3,669,369
Machinery and computer equipment	12,868
Transportation equipment	14,222
Office and other equipment	<u>76,887</u>
	<u>\$ 3,773,346</u>

	For the Year Ended December 31, 2019
Additions to right-of-use assets	<u>\$ 701,482</u>
	For the Year Ended December 31, 2019
Depreciation expense of right-of-use assets	
Buildings	\$ 1,413,673
Machinery and computer equipment	4,477
Transportation equipment	17,676
Office and other equipment	<u>37,720</u>
	<u>\$ 1,473,546</u>
b. Lease liabilities - 2019	
	December 31, 2019
Carrying amounts	<u>\$ 3,776,863</u>
Range of discount rate for lease liabilities was as follows:	
	December 31, 2019
Buildings	2.20%-3.88%
Machinery and computer equipment	0.82%
Transportation equipment	0.75%-2.80%
Office and other equipment	0.75%-3.51%
	For the Year Ended December 31, 2019
Interest expense on lease liabilities	<u>\$ 131,109</u>
c. Other lease information	

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

2019

	For the Year Ended December 31, 2019
Expenses on short term lease contract	\$ <u>289</u>
Expenses relating to leases of low-value asset	\$ <u>13,027</u>
Expenses relating to variable lease payments not included in the measurement of lease liabilities	\$ <u>52,250</u>
Total cash outflow for leases	\$ <u>(1,569,149)</u>

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

2019

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

The maturity analysis for lease liabilities is as follows:

	0-30 Days	31-90 Days	91 Days - 1 Year	1-5 Years	Over 5 Years	Total
Lease liabilities	\$ 107,672	\$ 239,938	\$ 1,024,402	\$ 2,093,796	\$ 619,922	\$ 4,085,730

2018

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

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

21. INVESTMENT PROPERTIES

Item	December 31	
	2019	2018
Land	\$ 2,504,276	\$ 2,488,744
Buildings	<u>309,924</u>	<u>305,456</u>
	<u>\$ 2,814,200</u>	<u>\$ 2,794,200</u>

The movements of investment properties are shown below:

	For the Year Ended December 31	
	2019	2018
Balance, beginning of the year	\$ 2,794,200	\$ 2,890,900
Disposal	-	(99,500)
Reclassification	21,368	(3,176)
Change in fair value of investment properties	<u>(1,368)</u>	<u>5,976</u>
Balance, end of the year	<u>\$ 2,814,200</u>	<u>\$ 2,794,200</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.

On December 31, 2019, the total amount of the lease payment that will receive in the future for the investment properties was leased out as operating leases is as follows:

	December 31, 2019
Year 1	\$ 70,720
Year 2	64,898
Year 3	49,393
Year 4	29,309
Year 5	11,301
Year 6 onwards	<u>10,842</u>
	<u>\$ 236,463</u>

As of December 31, 2019, to reduce the residual asset risk related to buildings at the end of the relevant lease, the bank implements its general risk management strategy.

The fair values of the investment properties as of December 31, 2019 and 2018 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	
	2019	2018
Expected future cash inflows	\$ 4,088,022	\$ 4,054,750
Expected future cash outflows	<u>(127,871)</u>	<u>(126,909)</u>
Expected future cash inflows, net	<u>\$ 3,960,151</u>	<u>\$ 3,927,841</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, 2019 and 2018, the discount rate was based on the interest rate for two-year time deposits as posted by Chunghwa Post Co., Ltd., plus 0.75%, and an asset-specific risk premium of 2%.

For the years ended December 31, 2019 and 2018, 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	
	2019	2018
Rental income	\$ 88,726	\$ 89,712
Direct operating expenses	9,522	9,730
Direct operating expenses from investment properties not earning rental income	-	-

22. INTANGIBLE ASSETS, NET

	December 31	
	2019	2018
Core deposits	\$ 5,470,888	\$ 6,038,562
Banking licenses and operating rights	5,335,747	5,500,561
Goodwill	2,018,772	2,077,594
Computer software	1,215,539	1,085,827
Customer relationships	52,835	63,609
Others	<u>2,000</u>	<u>2,000</u>
	<u>\$ 14,095,781</u>	<u>\$ 14,768,153</u>

The movements of intangible assets are listed below:

	For the Year Ended December 31					
	2019			2018		
	Goodwill	Others	Total	Goodwill	Others	Total
Balance, beginning of the year	\$ 2,077,594	\$ 12,690,559	\$ 14,768,153	\$ 2,124,404	\$ 13,167,978	\$ 15,292,382
Additions	-	272,672	272,672	-	277,664	277,664
Amortizations	-	(810,348)	(810,348)	-	(770,285)	(770,285)
Reclassification	-	271,058	271,058	-	300,776	300,776
Effect of foreign currency exchange differences	(58,822)	(346,932)	(405,754)	(46,810)	(285,574)	(332,384)
Balance, end of the year	<u>\$ 2,018,772</u>	<u>\$ 12,077,009</u>	<u>\$ 14,095,781</u>	<u>\$ 2,077,594</u>	<u>\$ 12,690,559</u>	<u>\$ 14,768,153</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	10-14 years

For the purpose of goodwill impairment testing, Fubon Bank (China) and branches in Vietnam were deemed as individual cash generating units, and the recoverable amounts of these branches were determined on the basis of their net fair value. The key assumptions used in the net fair value calculation included the business cycle and prosperity, the overall state of the economy, and the profitability and estimated salvage value. An assessment by the Bank and its subsidiaries as of December 31, 2019 and 2018, showed there was no material goodwill impairment.

23. OTHER ASSETS

	December 31	
	2019	2018
Refundable deposits	\$ 10,693,704	\$ 10,466,563
Prepaid expense	689,090	669,748
Others	<u>652,723</u>	<u>608,047</u>
	<u>\$ 12,035,517</u>	<u>\$ 11,744,358</u>

24. DEPOSITS FROM THE CENTRAL BANK AND BANKS

	December 31	
	2019	2018
Call loans	\$ 128,958,426	\$ 133,943,289
Due to the Central Bank and other banks	8,951,689	4,252,049
Others	<u>306,004</u>	<u>549,909</u>
	<u>\$ 138,216,119</u>	<u>\$ 138,745,247</u>

25. DUE TO THE CENTRAL BANK AND BANKS

	December 31	
	2019	2018
Central Bank rediscounts	<u>\$ -</u>	<u>\$ 442,461</u>

26. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

	December 31	
	2019	2018
Corporate bonds	\$ 61,894,922	\$ 75,544,896
Bank debentures	41,230,338	22,020,057
Government bonds	18,585,393	14,996,680
Discounted notes	-	8,622,038
Others	<u>1,592,762</u>	<u>123,872</u>
	<u>\$ 123,303,415</u>	<u>\$ 121,307,543</u>
Dates of repurchase agreements	2020.01.02- 2020.05.29	2019.01.02- 2019.08.14
Amounts of repurchase agreements	\$ 123,796,025	\$ 121,955,488

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

	December 31	
	2019	2018
Financial assets at fair value through other comprehensive income	\$ 22,064,185	\$ 18,167,014
Investments in debt instruments measured at amortized cost	105,877,132	113,785,581
Discounted and loans	-	153,551

27. PAYABLES

	December 31	
	2019	2018
Acceptances	\$ 31,528,719	\$ 20,221,756
Accrued interest	7,760,967	6,701,352
Accrued expenses	5,873,843	4,873,895
Accounts payable - factoring	4,036,650	4,428,229
Accounts payable	3,125,685	2,541,864
Accrued payroll and transfer of provisional funds	2,890,598	3,021,767
Clearing notes payable	2,088,392	7,367,051
Others	<u>2,971,942</u>	<u>2,429,922</u>
	<u>\$ 60,276,796</u>	<u>\$ 51,585,836</u>

28. DEPOSITS AND REMITTANCES

	December 31	
	2019	2018
Checking	\$ 14,180,036	\$ 11,341,915
Public treasury	31,370,644	64,455,592
Demand	544,546,479	448,130,148
Savings	918,464,504	855,423,431
Time	709,487,076	581,623,458
Negotiable certificates of deposit	61,202,575	70,171,153
Outward remittances	<u>24,965,213</u>	<u>1,136,093</u>
	<u>\$ 2,304,216,527</u>	<u>\$ 2,032,281,790</u>

29. BANK DEBENTURES

Taipei Fubon Bank

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

	December 31	
	2019	2018
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 2012; fixed 1.48%; maturity: April 2019	-	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	3,500,000
Second issue of subordinated bank debentures in 2014; fixed 1.98%; maturity: September 2024	2,700,000	2,700,000
First issue of dominant bank debentures in 2015; 0%; maturity: February 2045 (US\$100,000 thousand)	3,670,693	3,599,137
First issue of dominant bank debentures in 2016; 0%; maturity: December 2046 (US\$200,000 thousand)	-	6,662,962
First issue of dominant bank debentures in 2017; 0%; maturity: January 2047 (US\$200,000 thousand)	6,772,452	6,642,908
First issue of dominant bank debentures in 2017; 0%; maturity: January 2047 (US\$200,000 thousand)	6,762,907	6,636,732
Second issue of subordinated bank debentures in 2017; fixed 1.33%; maturity: September 2024	3,000,000	3,000,000

(Continued)

	December 31	
	2019	2018
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)	3,273,090	3,209,866
Second issue of dominant bank debentures in 2018; 0%; maturity: March 2048 (US\$195,000 thousand)	6,344,379	6,206,979
Third issue of subordinated bank debentures in 2018; fixed 1.15%; maturity: September 2025	1,200,000	1,200,000
Third issue of subordinated bank debentures in 2018; fixed 1.3%; maturity: September 2028	1,800,000	1,800,000
Fifth issue of dominant bank debentures in 2018; 0%; maturity: November 2048 (US\$80,000 thousand)	2,540,857	2,472,796
Sixth issue of dominant bank debentures in 2018; fixed 1.1%; maturity: November 2028	3,700,000	3,700,000
First issue of dominant bank debentures in 2019; fixed 0.98%; maturity: March 2029	1,500,000	-
Second issue of dominant bank debentures in 2019; fixed 0.95%; maturity: May 2029	1,300,000	-
Fifth issue of subordinated bank debentures in 2019; fixed 0.95%; maturity: September 2029	6,000,000	-
Sixth issue of dominant bank debentures in 2019; fixed 0.88%; maturity: October 2029	6,600,000	-
Seventh issue of dominant bank debentures in 2019; fixed 0.88%; maturity: December 2029	3,100,000	-
	<u>74,214,378</u>	<u>63,081,380</u>
Valuation adjustments of bank debentures	<u>1,300,223</u>	<u>(1,600,785)</u>
	<u>75,514,601</u>	<u>61,480,595</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
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	1,000,000
Second issue of subordinated bank debentures in 2014; fixed 1.98%; maturity: September 2024	1,000,000	1,000,000
First issue of dominant bank debentures in 2018; fixed 0.67%; maturity: March 2020	1,000,000	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	6,500,000	6,500,000

(Continued)

	<u>December 31</u>	
	2019	2018
Third issue of subordinated bank debentures in 2019; fixed 1.9%; perpetual	\$ 3,100,000	\$ -
Fourth issue of subordinated bank debentures in 2019; fixed 1.63%; perpetual	<u>4,400,000</u>	<u>-</u>
	<u>29,950,000</u>	<u>24,600,000</u>
	<u>\$ 105,464,601</u>	<u>\$ 86,080,595</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, 2019 and 2018 are summarized as follows:

	<u>December 31</u>	
	2019	2018
Tier-2 capital bond (first period); fixed rate of 5.43%; maturity date: December 6, 2028 (CNY1,000,000 thousand)	\$ 4,323,600	\$ 4,466,100
Tier-2 capital bond (first period); fixed rate of 5.20%; maturity date: April 27, 2029 (CNY1,000,000 thousand)	<u>4,323,600</u>	<u>-</u>
	<u>\$ 8,647,200</u>	<u>\$ 4,466,100</u>

30. OTHER FINANCIAL LIABILITIES

	<u>December 31</u>	
	2019	2018
Principal amount of structured products	<u>\$ 20,190,871</u>	<u>\$ 25,140,505</u>

31. PROVISIONS

	<u>December 31</u>	
	2019	2018
Provisions for employee benefits (Note 34)	\$ 2,518,637	\$ 2,309,724
Reserve for losses on guarantees	242,163	301,774
Reserve for financial commitments	139,413	138,127
Others	<u>479,641</u>	<u>567,830</u>
	<u>\$ 3,379,854</u>	<u>\$ 3,317,455</u>

Refer to Note 53 for information relating to the credit risk management and impairment of reserve for losses on guarantees, other reserves - letters of credit and financial commitments.

32. EMPLOYEE BENEFITS PLANS

	<u>December 31</u>	
	2019	2018
Provisions for employee benefits		
Defined benefit plans	\$ 1,604,933	\$ 1,475,314
Preferential interest rate plan for employees' deposits	727,297	703,435
Other long-term employee benefits plan	186,281	130,785
Others	<u>126</u>	<u>190</u>
	<u>\$ 2,518,637</u>	<u>\$ 2,309,724</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, 2019 and 2018 were \$317,257 thousand and \$305,060 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 amounts included in the consolidated balance sheets in respect of the Bank's defined benefit plans were as follows:

	<u>December 31</u>	
	2019	2018
Present value of defined benefit obligation	\$ 3,396,971	\$ 3,310,227
Fair value of plan assets	<u>(1,792,038)</u>	<u>(1,834,913)</u>
Net defined benefit liability	<u>\$ 1,604,933</u>	<u>\$ 1,475,314</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, 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>
Remeasurement			
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>
Balance at January 1, 2019	<u>\$ 3,310,227</u>	<u>\$ (1,834,913)</u>	<u>\$ 1,475,314</u>
Service cost			
Current service cost	48,810	-	48,810
Past service cost	528	-	528
Net interest expense (income)	<u>36,076</u>	<u>(19,986)</u>	<u>16,090</u>
Recognized in profit or loss	<u>85,414</u>	<u>(19,986)</u>	<u>65,428</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(65,452)	(65,452)
Actuarial loss - changes in demographic assumptions	22,531	-	22,531
Actuarial loss - changes in financial assumptions	135,932	-	135,932
Actuarial loss - experience adjustments	<u>53,692</u>	<u>-</u>	<u>53,692</u>
Recognized in other comprehensive income	<u>212,155</u>	<u>(65,452)</u>	<u>146,703</u>
Contributions from the employer	-	(43,602)	(43,602)
Benefits paid	<u>(210,825)</u>	<u>171,915</u>	<u>(38,910)</u>
Balance at December 31, 2019	<u>\$ 3,396,971</u>	<u>\$ (1,792,038)</u>	<u>\$ 1,604,933</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:

	<u>December 31</u>	
	2019	2018
Discount rate	0.750%	1.125%
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:

	<u>December 31</u>	
	2019	2018
Discount rate		
0.5% increase	<u>\$ (179,841)</u>	<u>\$ (178,466)</u>
0.5% decrease	<u>\$ 194,148</u>	<u>\$ 193,012</u>
Expected rate of salary increase		
0.5% increase	<u>\$ 187,407</u>	<u>\$ 186,959</u>
0.5% decrease	<u>\$ (175,496)</u>	<u>\$ (174,714)</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.

	<u>December 31</u>	
	2019	2018
Expected contributions to the plan for the next year	<u>\$ 43,560</u>	<u>\$ 44,244</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	
	2019	2018
Present value of funded retired benefit obligation	\$ 727,297	\$ 703,435
Fair value of plan assets	<u>-</u>	<u>-</u>
Net liability arising from retired benefit obligation	<u>\$ 727,297</u>	<u>\$ 703,435</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, 2018	\$ <u>647,527</u>	\$ -	\$ <u>647,527</u>
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>
Balance at January 1, 2019	<u>\$ 703,435</u>	<u>\$ -</u>	<u>\$ 703,435</u>
Service cost			
Past service cost	71,423	-	71,423
Net interest expense	<u>28,137</u>	<u>-</u>	<u>28,137</u>
Recognized in profit or loss	<u>99,560</u>	<u>-</u>	<u>99,560</u>
Remeasurement			
Actuarial gain - changes in demographic assumptions	(23,205)	-	(23,205)
Actuarial loss - experience adjustments	<u>2,299</u>	<u>-</u>	<u>2,299</u>
Recognized in other comprehensive income	<u>(20,906)</u>	<u>-</u>	<u>(20,906)</u>
Benefits paid	<u>(54,792)</u>	<u>-</u>	<u>(54,792)</u>
Balance at December 31, 2019	<u>\$ 727,297</u>	<u>\$ -</u>	<u>\$ 727,297</u>

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

	December 31	
	2019	2018
Discount rate	4.00%	4.00%
Expected return on employees' deposits	2.00%	2.00%
Withdrawal percentage of preferential deposits	1.40%	1.00%

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

If possible reasonable change in each of the significant actuarial assumptions 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>2019</u>	<u>2018</u>
Discount rate		
0.5% increase	<u>\$ (35,275)</u>	<u>\$ (34,014)</u>
0.5% decrease	<u>\$ 38,479</u>	<u>\$ 37,084</u>
Withdrawal percentage of preferential deposits		
0.5% increase	<u>\$ (27,115)</u>	<u>\$ (26,540)</u>
0.5% decrease	<u>\$ 29,230</u>	<u>\$ 28,585</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>2019</u>	<u>2018</u>
Average duration of the funded retired benefit obligation	11 years	11 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, 2019 and 2018, Fubon Bank (China), the Bank’s overseas subsidiary, recognized expenses of \$50,579 thousand and \$38,740 thousand, respectively.

33. OTHER LIABILITIES

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
Guarantee deposits received	\$ 4,322,081	\$ 3,723,040
Advance receipts	3,869,129	2,603,583
Suspended accounts and payments for clearing	1,766,035	538,645
Deferred revenue	467,445	396,835
Others	<u>485</u>	<u>227</u>
	<u>\$ 10,425,175</u>	<u>\$ 7,262,330</u>

34. EQUITY

a. Capital stock

Common stock

	<u>December 31</u>	
	2019	2018
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>11,234,756</u>	<u>10,651,803</u>
Amount of outstanding and issued shares (par value of NT\$10)	<u>\$ 112,347,556</u>	<u>\$ 106,518,023</u>

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

b. Capital surplus

	<u>December 31</u>	
	2019	2018
<u>Distributed to offset a deficit, provide cash, or transfer to capital</u>		
Arising from consolidation	\$ 7,490,431	\$ 7,490,431
Arising from issuance of common shares	7,310,496	7,310,496
<u>Distributed to offset a deficit</u>		
Changes in the equity of investee accounted for using the equity method	<u>48</u>	<u>-</u>
	<u>\$ 14,800,975</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. Special reserve

	<u>December 31</u>	
	2019	2018
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	1,387,256	331,089
Application of the fair value model to investment properties	1,080,091	1,089,440
Expenditure of employees' financial technology development	<u>240,934</u>	<u>152,034</u>
	<u>\$ 4,117,454</u>	<u>\$ 2,981,736</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 and settlement arising from financial technology development within the amount of the above special reserve. However, under Rule No. 10802714560, from fiscal year 2019, the Bank should not appropriate special reserve for financial technology development and protection of the Bank’s employees’ rights. Furthermore, the Bank should reverse the abovementioned appropriations for expenditure of employees’ transfer and settlement and necessary expenditure on employees’ educational courses for financial technology and the Bank’s business development.

d. 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.

According to the corporation law, the statutory surplus reserve is provided until its balance reaches the total paid-in capital of the company. The statutory surplus reserve can be used to make up for deficits. When the company has no deficits, the portion of the statutory surplus reserve exceeding 25% of the total paid-in capital can be allocated in cash, in addition to other appropriations. According to the Banking Act of the Republic of China, before the statutory surplus reserve reaches the total capital, the maximum cash surplus distribution shall not exceed 15% of the total capital.

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

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

The appropriations of earnings for 2019 had been proposed by the Bank's board of directors on March 19, 2020. The appropriations and dividends per share were as follows:

	<u>Appropriation of Earnings</u>	<u>Dividends Per Share (NT\$)</u>
Legal reserve	\$ 6,029,226	
Special reserve	515,924	
Stock dividends	6,776,136	\$ 0.60
Cash dividends	6,776,136	0.60

The appropriations of earnings for 2019 are subject to the resolution of the Bank's board of directors (on behalf of the shareholders' meeting).

e. Other equity items

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

	<u>For the Year Ended December 31</u>	
	<u>2019</u>	<u>2018</u>
Balance, beginning of the year	\$ (2,082,733)	\$ (2,063,045)
Recognized during the year		
Exchange differences on translating financial statements of foreign operations	(1,293,577)	(19,688)
Other comprehensive income recognized during the year	(1,293,577)	(19,688)
Balance, end of the year	\$ (3,376,310)	\$ (2,082,733)

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

	For the Year Ended December 31	
	2019	2018
Balance, beginning of the year per IAS 39	\$ 315,276	\$ -
Adjustment on initial application of IFRS 9	<u>-</u>	<u>240,622</u>
Balance, beginning of the year per IFRS 9	<u>315,276</u>	<u>240,622</u>
Effect of change in tax rate	-	(1,131)
Recognized during the year		
Unrealized gains (losses) - debt instruments	608,291	417,801
Unrealized gains (losses) - equity instruments	585,062	(252,027)
Adjustments of allowance for debt debenture	(88,850)	6,378
Reclassification adjustment		
Disposal of investments in debt instruments	<u>(312,072)</u>	<u>(96,698)</u>
Other comprehensive income recognized during the year	<u>792,431</u>	<u>74,323</u>
Cumulative unrealized gains (losses) of equity instruments transferred to retained earnings due to disposal	<u>(75,386)</u>	<u>331</u>
Balance, end of the year	<u>\$ 1,032,321</u>	<u>\$ 315,276</u>

3) Gains on property revaluation

	For the Year Ended December 31	
	2019	2018
Balance, beginning of the year	\$ 380,201	\$ 374,651
Effect of change in tax rate	-	(834)
Recognized during the year		
Gains on property revaluation	<u>53,485</u>	<u>6,384</u>
Other comprehensive income recognized during the year	<u>53,485</u>	<u>5,550</u>
Balance, end of the year	<u>\$ 433,686</u>	<u>\$ 380,201</u>

f. Non-controlling interests

	For the Year Ended December 31	
	2019	2018
Balance, beginning of the year per IAS 39	\$ 18,529,264	\$ 18,467,092
Adjustment on initial application of IFRS 9	<u>-</u>	<u>(63,059)</u>
Balance, beginning of the year per IFRS 9	18,529,264	18,404,033
Attributable to non-controlling interests:		
Net income for the year	514,610	206,958
Other comprehensive income recognized during the year		
Exchange differences arising from the translations of financial statements of foreign operations	(602,325)	(464,110)
Unrealized (losses) gains on financial assets at fair value through other comprehensive income	<u>(74,261)</u>	<u>382,383</u>
Balance, end of the year	<u>\$ 18,367,288</u>	<u>\$ 18,529,264</u>

35. NET INTEREST INCOME

	For the Year Ended December 31	
	2019	2018
<u>Interest income</u>		
Discounts and loans	\$ 38,288,890	\$ 34,263,136
Investments in debt instruments measured at amortized cost	13,032,633	10,994,478
Due from banks and call loans to banks	4,919,180	5,495,393
Investments in debt instruments measured at fair value through other comprehensive income	3,919,668	3,812,111
Others	<u>1,394,994</u>	<u>1,365,912</u>
	<u>61,555,365</u>	<u>55,931,030</u>
<u>Interest expense</u>		
Deposits	22,770,771	20,484,724
Due to the Central Bank and other banks	3,397,615	2,894,734
Bank debentures	2,151,539	1,438,521
Securities sold under repurchase agreements	2,118,900	2,391,265
Deposits from the Central Bank and other banks	1,255,219	1,546,370
Others	<u>1,096,559</u>	<u>850,080</u>
	<u>32,790,603</u>	<u>29,605,694</u>
Net interest	<u>\$ 28,764,762</u>	<u>\$ 26,325,336</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.

36. SERVICE FEE INCOME, NET

	For the Year Ended December 31	
	2019	2018
Service fee income		
Insurance service fee income	\$ 5,475,722	\$ 5,216,105
Trust and custody business	5,087,847	3,409,175
Credit card business	1,993,095	2,025,006
Credit business	1,226,440	1,221,337
Others	<u>1,533,925</u>	<u>1,405,411</u>
	<u>15,317,029</u>	<u>13,277,034</u>
Service fee expense		
Credit card business	964,078	888,425
Interbank service fee	384,068	345,553
Office space expense	238,058	258,270
Others	<u>1,047,867</u>	<u>649,492</u>
	<u>2,634,071</u>	<u>2,141,740</u>
Net service fee	<u>\$ 12,682,958</u>	<u>\$ 11,135,294</u>

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

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

	For the Year Ended December 31	
	2019	2018
Interest income	\$ 1,282,032	\$ 1,006,949
Dividend income	<u>47,662</u>	<u>26,352</u>
Realized gains (losses)		
Currency swap contracts	4,909,615	5,778,726
Government bonds	647,065	45,739
Interest rate swap contracts	216,591	500,214
Forward contracts	(109,784)	(712,560)
Cross-currency swap contracts	(400,563)	(396,178)
Others	<u>474,150</u>	<u>(148,350)</u>
	<u>5,737,074</u>	<u>5,067,591</u>
Gains (losses) on valuation		
Convertible corporate bonds	183,817	(287,437)
Currency swap contracts	69,819	(245,741)
Option contracts	(65,547)	254,234
Forward contracts	(358,783)	(1,400,987)
Others	<u>279,215</u>	<u>129,042</u>
	<u>108,521</u>	<u>(1,550,889)</u>
	<u>\$ 7,175,289</u>	<u>\$ 4,550,003</u>

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

	For the Year Ended December 31	
	2019	2018
Dividend revenue	\$ 339,001	\$ 171,793
Bank debentures	316,881	129,664
Corporate bonds	122,792	4,350
Government bonds	81,749	23,019
Others	<u>294</u>	<u>(40)</u>
	<u>\$ 860,717</u>	<u>\$ 328,786</u>

39. GAIN ON DERECOGNITION OF FINANCIAL ASSETS AT AMORTIZED COST

	For the Year Ended December 31	
	2019	2018
Beneficiary securities	\$ 33,939	\$ 1,864
Government bonds	864	5,527
Corporate bonds	(40,135)	104,019
Others	<u>75</u>	<u>-</u>
	<u>\$ (5,257)</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 and control the assets of significant increase in credit risk.

40. FOREIGN EXCHANGE GAINS (LOSSES)

	For the Year Ended December 31	
	2019	2018
General exchange gains	\$ 1,610,663	\$ 3,247,079
Exchange (losses) gain from private capital	<u>(44,364)</u>	<u>41,684</u>
	<u>\$ 1,566,299</u>	<u>\$ 3,288,763</u>

41. EMPLOYEE BENEFITS EXPENSE

	For the Year Ended December 31	
	2019	2018
Salaries and wages	\$ 11,821,690	\$ 10,915,411
Labor insurance, national health insurance, and group life insurance	973,313	915,334
Post-employment benefit expense	553,346	528,859
Other employee benefits expense	<u>631,443</u>	<u>564,053</u>
	<u>\$ 13,979,792</u>	<u>\$ 12,923,657</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 19, 2020 and March 20, 2019 by the approval of Board of Directors the employees' estimated compensation were \$236,155 thousand and \$216,199 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 20, 2019 and March 21, 2018, the Bank's board of directors proposed amounts of employees' compensation that were the same as the accrued amounts reflected in the consolidated financial statements for the years ended December 31, 2018 and 2017.

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

42. DEPRECIATION AND AMORTIZATION

	For the Year Ended December 31	
	2019	2018
Depreciation	\$ 2,665,787	\$ 1,114,138
Amortization	<u>871,908</u>	<u>836,522</u>
	<u>\$ 3,537,695</u>	<u>\$ 1,950,660</u>

43. GENERAL AND ADMINISTRATIVE

	For the Year Ended December 31	
	2019	2018
Taxation and government fee	\$ 1,720,799	\$ 1,604,259
Marketing	1,152,895	814,800
Equipment repair	977,382	838,211
Insurance	549,684	510,052
Rental	50,473	1,505,359
Others	<u>2,878,461</u>	<u>2,764,588</u>
	<u>\$ 7,329,694</u>	<u>\$ 8,037,269</u>

44. INCOME TAX

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

a. Income tax recognized in profit or loss

The major components of income tax expense were as follows:

	For the Year Ended December 31	
	2019	2018
Current tax		
Current year	\$ 3,466,066	\$ 3,422,972
Adjustments for prior years	<u>53,745</u>	<u>(105,829)</u>
	3,519,811	3,317,143
Deferred tax		
Current year	215,033	(61,126)
Effect of change in tax rate	<u>-</u>	<u>56,357</u>
	<u>215,033</u>	<u>(4,769)</u>
Income tax expense recognized in profit or loss	<u>\$ 3,734,844</u>	<u>\$ 3,312,374</u>

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

	For the Year Ended December 31	
	2019	2018
Income tax expense calculated at the statutory rate	\$ 4,874,426	\$ 4,427,596
Tax-exempt income	(1,669,803)	(1,345,336)
Unqualified items in determining taxable income	232,517	128,436
Effect of change in tax rate	-	56,357
Effect of differences in domestic and overseas tax rates	145,470	163,547
Unrecognized deductible temporary differences	98,650	(11,679)
Others	<u>53,584</u>	<u>(106,547)</u>
Income tax expense recognized in profit or loss	<u>\$ 3,734,844</u>	<u>\$ 3,312,374</u>

In 2018, the Income Tax Act in the ROC was amended, and the corporate income tax rate was adjusted from 17% to 20%. In addition, the rate of corporate surtax applicable to the unappropriated earnings of 2018 was reduced from 10% to 5%.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2019	2018
<u>Deferred tax</u>		
Effect of change in tax rate	\$ -	\$ 32,835
Recognized during the year		
Remeasurement of defined benefit plan	25,159	30,468
Property revaluation increments	(1,752)	(292)
Unrealized gains (losses) on financial assets at fair value through other comprehensive income	<u>24,029</u>	<u>(229,497)</u>
	<u>\$ 47,436</u>	<u>\$ (166,486)</u>

c. Current tax assets and liabilities

	December 31	
	2019	2018
<u>Current tax assets</u>		
Linked-tax receivable	\$ 177,152	\$ 205,467
Prepaid income tax and income tax refund receivable	<u>58,875</u>	<u>1,486</u>
	<u>\$ 236,027</u>	<u>\$ 206,953</u>
<u>Current tax liabilities</u>		
Linked-tax payable	\$ 1,880,151	\$ 1,449,470
Income tax payable	<u>573,298</u>	<u>725,788</u>
	<u>\$ 2,453,449</u>	<u>\$ 2,175,258</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, 2019

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Closing Balance
<u>Deferred tax assets</u>					
Temporary differences					
Allowance for credit losses	\$ 359,057	\$ 5,707	\$ -	\$ (11,651)	\$ 353,113
Employee benefit plans	512,743	23,920	25,159	-	561,822
Unrealized gain (loss) on revaluation of buildings	24,001	(3,153)	(426)	-	20,422
Others	<u>297,773</u>	<u>(55,196)</u>	<u>633</u>	<u>(5,469)</u>	<u>237,741</u>
	<u>\$ 1,193,574</u>	<u>\$ (28,722)</u>	<u>\$ 25,366</u>	<u>\$ (17,120)</u>	<u>\$ 1,173,098</u>

(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Closing Balance
<u>Deferred tax liabilities</u>					
Temporary differences					
Share of gain of associates accounted for using the equity method	\$ 548,292	\$ 107,123	\$ -	\$ -	\$ 655,415
Land value increment tax	352,874	592	1,326	-	354,792
Intangible assets	100,268	(8,022)	-	-	92,246
Unrealized gain on financial instruments	-	86,833	-	-	86,833
Others	157,839	(215)	(23,396)	(672)	133,556
	<u>\$ 1,159,273</u>	<u>\$ 186,311</u>	<u>\$ (22,070)</u>	<u>\$ (672)</u>	<u>\$ 1,322,842</u>
					(Concluded)

For the year ended December 31, 2018

	Opening Balance	Effect of Retrospective Application of IFRSs	Recognized in Profit or Loss	Recognized in Other Comprehensive 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	302,639	(51,511)	129,917	(76,108)	(7,164)	297,773
	<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
Share of gain of associates accounted for using the equity method	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	7,910	(6,016)	4,514	154,520	(3,089)	157,839
	<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>

- 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 2011 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 2018 had been assessed by the Shanghai Municipal Office, SAT and the Shanghai Municipal Bureau of Local Taxation.

45. EARNINGS PER SHARE

(In New Taiwan Dollars)

For the Year Ended December 31

	2019	2018
Basic earnings per share		
From continuing operations	<u>\$ 1.79</u>	<u>\$ 1.66</u>

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

	Before Retrospective Adjustment	After Retrospective Adjustment
	For the Year Ended December 31, 2018	For the Year Ended December 31, 2018
Basic earnings per share	<u>\$ 1.75</u>	<u>\$ 1.66</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

	For the Year Ended December 31 2019	2018
Income used in computing basic earnings per share		
Income for the year attributable to owners of the Bank	<u>\$ 20,122,674</u>	<u>\$ 18,618,650</u>

Shares

(In Thousand Shares)

	For the Year Ended December 31 2019	2018
Weighted average number of common stock used in computing basic earnings per share	<u>11,234,756</u>	<u>11,234,756</u>

46. RELATED-PARTY TRANSACTIONS

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

a. Related parties

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

(Continued)

Related Party	Relationship with the Bank and Its Subsidiaries
Fubon Securities Investment Trust Co., Ltd. (“Fubon Securities Investment Trust”)	Subsidiary of FFH
Fu Sheng Life Insurance Agent (“Fu Sheng Life”)	Equity-method investee of subsidiary of FFH
Fu Sheng General Insurance Agent (“Fu Sheng General”)	Equity-method investee of subsidiary of FFH
Taipei City Government (“TCG”) and its departments	Major shareholder of parent company
Chung Hsing Land Development Co., Ltd. (“CHLDC”)	Major shareholder of parent company
Taiwan Mobile Co., Ltd. (“Taiwan Mobile”)	Related party in substance
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, 2019							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	\$ 14,143,190	\$ 41,254,420	0.95	\$ 49,753	0-14.97	\$ 179,730	\$ (2,814)

December 31, 2019							
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	116	\$ 64,960	\$ 47,512	✓	\$ -	None	Yes
Housing mortgage loans	407	4,647,654	3,739,917	✓	-	Property	Yes
Others	Department of Rapid Transit Systems, TCG	31,965,242	9,914,579	✓	-	Public treasury guarantees	Yes
	Department of Urban Development, TCG	541,612	440,251	✓	-	Public treasury guarantees	Yes
	Taipei Municipal Secured Swan Loans Service	167	17	✓	-	Public treasury guarantees	Yes
	Department of Sports, TCG	4,000,000	-	✓	-	Public treasury guarantees	Yes
	Rong Charcoal Technology	33,709	-	✓	-	Bank certificate of deposit	Yes
	Other	1,076	914	✓	-	Credit guarantee fund	Yes
		\$ 41,254,420	\$ 14,143,190				

For the Year Ended December 31, 2018

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

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

	2019				2018			
	Ending Balance	% of the Account Balance	Rate (%)	Interest Income (Expense)	Ending Balance	% of the Account Balance	Rate (%)	Interest Income (Expense)
2) Discounts	\$ -	-	-	\$ -	\$ -	-	5.40-6.00	\$ 46,981
3) Deposits	\$ 85,190,203	3.70	0-8.50	\$ (514,909)	\$ 95,258,250	4.69	0-8.00	\$ (390,386)
4) Due from other banks - call loans	\$ -	-	-	\$ -	\$ -	-	1.87	\$ 470
5) Due from other banks - deposits	\$ 262,601	0.21	0-5.40	\$ 2,459	\$ 158,646	0.37	0-5.40	\$ 2,914

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

December 31, 2019

Related Party	Highest Balance in the Current Year	Ending Balance	Reserve for Losses on Guarantees	Rate	Type of Collateral
TCG	\$ 1,265	\$ -	\$ -	1%	Public treasury guarantees
TCG (Department of Finance)	1,257	1,204	-	1%	Public treasury guarantees

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

7) Securities

Related Party	Type	For the Year Ended December 31	
		2019	2018
Fubon Properties	Bonds sold	\$ 2,426	\$ -
Fu Sheng Life	Bonds sold	2,426	-
Fubon Life Insurance	Bonds purchased	983,706	4,438,660

Related Party	Type	December 31	
		2019	2018
Taiwan High Speed Rail	Bonds sold under repurchase agreements	\$ 9,390,000	\$ 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	3,577,233	4,075,288

8) Mutual fund and stock transactions

Fund	December 31			
	2019		2018	
	Units (In Thousands)	Amount	Units (In Thousands)	Amount
Fubon No. 1 REIT	57,680	\$ 922,880	57,680	\$ 847,896
Fubon No. 2 REIT	1,848	25,521	1,848	23,285

9) Derivative financial instruments

Related Party	Derivative Instrument	Contract Period	December 31, 2019			
			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	\$ 1,159,316	\$ (9,730)	Revaluation of financial assets at fair value through profit or loss	\$ 10,365
Fubon Life Insurance	Currency swap contracts	2019.12.19-2020.03.23	2,107,280	(7,648)	Revaluation of financial liabilities at fair value through profit or loss	7,648
Fubon Securities Investment Trust	Currency swap contracts	2019.12.12-2020.01.16	72,816	(609)	Revaluation of financial liabilities at fair value through profit or loss	609

Related Party	Derivative Instrument	Contract Period	Contract (Notional) Amount	Gains (Losses) on Valuation	December 31, 2018	
					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

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	
	2019	2018
Fubon Asset Management	\$ 13,341	\$ 1,341
Fubon Securities	5,227	5,523
Fubon Life Insurance	1,481	1,481
Fubon Insurance	525	525
Taiwan Mobile	444	444
Others	<u>624</u>	<u>627</u>
	<u>\$ 21,642</u>	<u>\$ 9,941</u>

b) Rental revenue

Related Party	For the Year Ended December 31	
	2019	2018
Fubon Securities	\$ 32,649	\$ 35,380
Fubon Life Insurance	8,899	9,115
Fubon Asset Management	8,049	8,108
Fubon Insurance	3,284	3,445
Taiwan Mobile	2,843	3,368
Others	<u>2,907</u>	<u>2,858</u>
	<u>\$ 58,631</u>	<u>\$ 62,274</u>

c) Refundable deposits

Related Party	December 31	
	2019	2018
CHLDC	\$ 31,382	\$ 31,382
Fubon Insurance	26,011	17,371
Fubon No. 2 REIT	25,846	25,813
Fubon Life Insurance	8,075	8,075
Fubon No. 1 REIT	7,497	7,627
TCG	4,386	4,244
Others	<u>5,697</u>	<u>5,627</u>
	<u>\$ 108,894</u>	<u>\$ 100,139</u>

d) Rental expense

Related Party	For the Year Ended December 31	
	2019	2018
CHLDC	\$ 13,496	\$ 211,209
Taiwan Fixed Network Co., Ltd.	12,176	6,783
Fubon Insurance	1,983	105,584
Fubon No. 2 REIT	1,856	101,064
Fubon Life Insurance	120	40,603
TCG	-	32,241
Fubon No. 1 REIT	613	30,269
Others	<u>544</u>	<u>37,901</u>
	<u>\$ 30,788</u>	<u>\$ 565,654</u>

e) Lease agreement - 2019

Right-of-use assets

Related Party	For the Year Ended June 30, 2019
Fubon No. 1 REIT	\$ 50,858
Fubon No. 2 REIT	47,088
Mainton Industries Ltd.	41,596
Fubon Life Insurance	<u>3,896</u>
	<u>\$ 143,438</u>

Lease liabilities

Related Party	December 31, 2019
Fubon Insurance	\$ 201,157
CHLDC	194,605
Fubon Life Insurance	186,788
Fubon No. 2 REIT	107,046
TCG	48,419
Fubon No. 1 REIT	41,341
Others	<u>72,917</u>
	<u>\$ 852,273</u>

Interest expense on lease liabilities

Related Party	For the Year Ended December 31, 2019
CHLDC	\$ 9,704
Fubon Insurance	8,694
Fubon Life Insurance	7,247
Fubon No. 2 REIT	4,665
TCG	2,042
Fubon No. 1 REIT	1,427
Others	<u>2,277</u>
	<u>\$ 36,056</u>

Value of Contract

Related Party	December 31, 2019
CHLDC	\$ 593,120
Fubon Life Insurance	357,298
Fubon Insurance	312,131
Fubon No. 2 REIT	299,248
TCG	102,559
Fubon No. 1 REIT	87,291
Others	<u>137,641</u>
	<u>\$ 1,889,288</u>

11) Insurance expense

Related Party	For the Year Ended December 31	
	2019	2018
Fubon Insurance	\$ 84,211	\$ 75,999
Fubon Life Insurance	71,798	69,614
Others	<u>330</u>	<u>302</u>
	<u>\$ 156,339</u>	<u>\$ 145,915</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 \$238,058 thousand and \$258,270 thousand for the years ended December 31, 2019 and 2018, respectively.

13) Compensation of key management personnel

	For the Year Ended December 31	
	2019	2018
Short-term employee benefits	\$ 490,739	\$ 460,997
Post-employment benefits	4,531	4,684
Others	<u>1,093</u>	<u>1,131</u>
	<u>\$ 496,363</u>	<u>\$ 466,812</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	
	2019	2018
Linked-tax receivable (included in current tax assets)	\$ 177,152	\$ 205,467
Linked-tax payable (included in current tax liabilities)	1,880,151	1,449,470

15) Others

	December 31	
	2019	2018
Receivables - Fubon Life Insurance	\$ 136,330	\$ 220,239
Receivables - others	49,818	52,443
Other prepayments - Line Bank	275,046	-
Payables - others	98,252	62,497
Principals of structured products - others	60,327	92,557
For the Year Ended December 31		
	2019	2018
Service fee income - Fubon Life Insurance	\$ 6,461,776	\$ 6,057,620
Service fee income - others	763,803	509,043
Other income - others	27,312	49,355
Interest expenses of structured products - Fubon Life Insurance	-	44,829
Service fee expenses - others	221,772	158,569
Operating expenses - others	309,778	297,697

16) Related-party property transactions

The Bank sold part of its property which had a carrying amount of \$278,710 thousand to Fubon Asset Management for \$350,000 thousand, and recognized a gain on the disposal of property and equipment of \$71,290 thousand for the year ended December 31, 2018.

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

47. CASH FLOW INFORMATION

Changes in Liabilities Arising from Financing Activities

For the year ended December 31, 2019

	Opening Balance	Cash Flows	Non-cash Changes			Others	Closing Balance
			Change in Exchange Rate	Change in Fair Value	Other Changes		
Due to the Central Bank and banks	\$ 442,461	\$ (443,447)	\$ 986	\$ -	\$ -	\$ -	\$ -
Bank debentures	90,546,695	20,848,490	(633,271)	2,901,008	1,230,257	(781,378)	114,111,801
Lease obligation	4,538,248	(1,383,668)	(24,146)	-	779,659	(133,230)	3,776,863
	<u>\$ 95,527,404</u>	<u>\$ 19,021,375</u>	<u>\$ (656,431)</u>	<u>\$ 2,901,008</u>	<u>\$ 2,009,916</u>	<u>\$ (914,608)</u>	<u>\$ 117,888,664</u>

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	75,096,956	14,507,317	968,792	(1,329,496)	1,303,126	90,546,695
	<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>

48. PLEDGED ASSETS

The following assets had been provided as refundable deposits:

	December 31	
	2019	2018
Government bonds (included in financial assets at fair value through profit or loss)	\$ -	\$ 49,906
Negotiable certificates of deposit of the Central Bank (included in investments in debt instruments measured at amortized cost)	28,993,597	19,996,172
Government bonds (included in investments in debt instruments measured at amortized cost)	1,875,603	1,809,111
Due from other banks (included in other financial assets)	<u>2,236,134</u>	<u>1,622,296</u>
	<u>\$ 33,105,334</u>	<u>\$ 23,477,485</u>

Of the above negotiable certificates of deposit (NCD) of the Central Bank, a total face value of \$10,000,000 thousand as of December 31, 2019 and 2018 had been provided as collaterals for day-term overdraft to comply with the CB's clearing system requirement for real-time gross settlement (RTGS).

Negotiable certificates of deposit (NCD) of the Central Bank amounting to \$10,000,000 thousand as of December 31, 2019 and 2018 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, 2019 had been provided to the Mega International Commercial Bank as collaterals for USD clearing transactions.

49. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

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

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
Amount of repurchase agreements	\$ 123,796,025	\$ 121,955,488
Amount of resell agreements	10,652,659	11,771,008
Undrawn credit card commitments	296,074,805	265,528,189
Collections for customers	21,364,486	32,527,651
Agency loans payable	10,451,295	10,908,911
Trust deposits	2,066,173	2,011,632
Entrusted loans	2,066,173	2,011,632
Entrusted financial management	28,680,903	19,062,297
Travelers' checks consigned-in	271,639	366,693
Marketable securities under custody	398,607,167	334,341,775
Management for book-entry government bonds	73,516,000	103,237,100

- b. As of December 31, 2019 and 2018, the capital expenditure commitment amount were \$1,097,955 thousand and \$1,275,505 thousand, respectively.

50. 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, 2019 and 2018					
	2019	2018		2019	2018
Bank deposits	\$ 4,396,108	\$ 2,874,691	Payables	\$ 2,982	\$ 2,052
Short-term investments			Capital		
Mutual funds	148,317,991	151,662,510	Money	250,758,517	233,281,266
Bonds	67,154,025	46,716,562	Marketable securities	13,451,236	11,553,844
Stock	29,360,311	24,532,675	Real estate	35,993,872	31,945,258
Structured products	15,470,116	18,434,819		<u>300,203,625</u>	<u>276,780,368</u>
Receivables	517	-	Securities investment trust fund under custody	141,185,813	115,419,678
	<u>260,302,960</u>	<u>241,346,566</u>			
Securities investment trust fund under custody	141,185,813	115,419,678	Reserves and cumulative earnings		
Real estate			Cumulative earnings	(11,618,858)	(10,191,080)
Land	28,206,231	24,240,668	Net income	10,207,431	7,323,901
Buildings	30,704	280,869		<u>(1,411,427)</u>	<u>(2,867,179)</u>
Construction in progress	5,859,177	5,172,447			
	<u>34,096,112</u>	<u>29,693,984</u>			
Total trust assets	<u>\$ 439,980,993</u>	<u>\$ 389,334,919</u>	Total trust liabilities	<u>\$ 439,980,993</u>	<u>\$ 389,334,919</u>

Trust Income Statements
For the Years Ended December 31, 2019 and 2018

	2019	2018
Trust income		
Interest income	\$ 8,740,389	\$ 7,995,757
Others	393,453	497,468
Cash dividends	1,068,634	997,470
Realized capital income - common stock	79,646	149,556
Unrealized capital income - common stock	24,705	-
Realized capital income - mutual funds	2,178,251	2,858,672
Realized capital income - bonds	2,136,403	61,529
Realized capital income - structured products	14,313	11,311
Distribution from beneficial certificates	<u>13,479</u>	<u>14,617</u>
Total trust income	<u>14,649,273</u>	<u>12,586,380</u>
Trust expense		
Trust administrative expense	578,588	765,652
Supervision fee	268	631
Service fee	8,477	5,742
Income tax expense	159	68
Others	214,871	170,947
Realized capital loss - common stock	91,298	83,894
Unrealized capital loss - common stock	178	-
Realized capital loss - mutual funds	3,066,049	3,579,671
Realized capital loss - bonds	116,003	282,469
Realized capital loss - structured products	<u>365,951</u>	<u>373,405</u>
Total trust expense	<u>4,441,842</u>	<u>5,262,479</u>
Net income	<u>\$ 10,207,431</u>	<u>\$ 7,323,901</u>

Trust Property of Trust Accounts
December 31, 2019 and 2018

Investment Portfolio	2019	2018
Bank deposits	<u>\$ 4,396,108</u>	<u>\$ 2,874,691</u>
Short-term investments		
Mutual funds	148,317,991	151,662,510
Bonds	67,154,025	46,716,562
Stock	29,360,311	24,532,675
Structured products	15,470,116	18,434,819
Receivables	<u>517</u>	<u>-</u>
	<u>260,302,960</u>	<u>241,346,566</u>
Security investment trust fund under custody	<u>141,185,813</u>	<u>115,419,678</u>
Real estate		
Land	28,206,231	24,240,668
Buildings	30,704	280,869
Construction in progress	<u>5,859,177</u>	<u>5,172,447</u>
	<u>34,096,112</u>	<u>29,693,984</u>
	<u>\$ 439,980,993</u>	<u>\$ 389,334,919</u>

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

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

Refer to Note 46 for the cross-selling revenues and expenses for the years ended December 31, 2019 and 2018.

52. 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, 2019 and 2018 was as follows:

Item	December 31, 2019			
	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	\$ 5,158,441	\$ 5,113,960	\$ -	\$ 44,481
Bond investments	47,316,907	30,875,624	11,509,539	4,931,744
Others	53,050,420	105,419	44,719,628	8,225,373
Financial assets at fair value through other comprehensive income				
Stock investments	5,900,444	4,334,305	-	1,566,139
Bond investments	132,786,055	42,204,885	87,173,965	3,407,205
Others	29,163,477	3,968,147	24,743,024	452,306
Investment properties	2,814,200	-	-	2,814,200
Derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss	24,537,382	338,405	22,142,927	2,056,050
Financial assets for hedging	1,472,199	-	1,472,199	-
Liabilities				
Financial liabilities at fair value through profit or loss	27,381,660	1,620	25,211,379	2,168,661
Financial liabilities for hedging	2,777,420	-	2,777,420	-

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	-

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

The Bank and its subsidiaries regularly review and enhance the liquidity of quotes to improve the quality of evaluation information. For the year ended December 31, 2019, the Bank and its subsidiaries transferred part of the NTD Bonds from Level 1 to Level 2 because the Bank and its subsidiaries determined these investments were not in an active market. Thus, the relevant amount was transferred from the first grade to the second grade, for the year ended December 31, 2018, the Bank and its subsidiaries had no material transfer between Level 1 and Level 2.

5) Reconciliation of Level 3 items

a) Reconciliation of Level 3 assets

For the Year Ended December 31, 2019

Name	Beginning Balance	Gains (Losses) on Valuation		Increase		Decrease		Ending Balance
		Profit and Loss	Other Comprehensive Income	Purchase/ Issue	Transfer to Level 3	Disposal/ Sale	Transfer Out of Level 3	
Financial assets at fair value through profit or loss								
Financial assets mandatorily measured as at fair value through profit or loss	\$ 6,777,638	\$ (633,692)	\$ -	\$ 20,723,490	\$ 2,413,235	\$ 8,969,770	\$ 5,053,253	\$ 15,257,648
Financial assets at fair value through other comprehensive income	5,522,814	(93,296)	54,035	3,627,220	1,960,932	1,391,099	4,254,956	5,425,650
Investment properties	2,794,200	(1,368)	-	-	71,268	-	49,900	2,814,200

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, 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.

As of December 31, 2019 and 2018, valuation losses of \$736,173 thousand and gains of \$870,331 thousand, respectively, were included in profit or loss, and valuation gains of \$36,738 thousand and \$76,667 thousand, respectively, were included in other comprehensive income for assets still held.

b) Reconciliation of Level 3 liabilities

For the Year Ended December 31, 2019

Name	Beginning Balance	Valuation Gain/Loss Reflected on Profit or Loss	Increase		Decrease		Ending Balance
			Purchase/ Issue	Transfer to Level 3	Disposal	Transfer Out of Level 3	
Financial liabilities at fair value through profit or loss Held-for-trading financial liabilities	\$ 2,902,821	\$ (409,355)	\$ 3,111	\$ -	\$ 327,916	\$ -	\$ 2,168,661

For the Year Ended December 31, 2018

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

As of December 31, 2019 and 2018, valuation gains of \$359,282 thousand and losses of \$757,555 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 or Yield Book on bonds in foreign currency, investments in equity instruments of unlisted shares, etc.) 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, 2019

Name	Products	Fair Value	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-average)	Relationships between Inputs and Fair Value
Items measured at fair value based on repeatability:						
Financial assets at fair value through profit or loss	Credit-linked notes (CLN)	\$ 2,632,934	Complex option model	Default recovery rate	30%-50%	The default recovery rate and the fair value do not have linear relationship. The changes of default recovery rate would first change the default recovery chances then affect the fair value.
Financial assets at fair value through profit or loss	Stock	44,481	Net asset method	Net asset	Not applied	The increase in net asset would result in the increase in fair value
Financial assets at fair value through other comprehensive income	Trust plan	129,146	Net asset method	Net asset	Not applied	The increase in net asset would result in the increase in fair value
<u>Derivative financial assets</u>						
Financial assets at fair value through profit or loss	Foreign exchange option (FX Option)	82	Complex foreign exchange option model	Proportion parameter	50%-80%	The proportion parameter and the fair value do not have linear relationship. The increase in proportion parameter would approximate to stochastic volatility model, otherwise it would approximate to regional volatility model.

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	30%-50%	The default recovery rate and the fair value do not have linear relationship. The changes of default recovery rate would first change the default recovery chances then affect the 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	50%-80%	The proportion parameter and the fair value do not have linear relationship. The increase in proportion parameter would approximate to stochastic volatility model, otherwise it would approximate to regional volatility model.
<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	50%-80%	The proportion parameter and the fair value do not have linear relationship. The increase in proportion parameter would approximate to stochastic volatility model, otherwise it would approximate to regional volatility model.

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, 2019			
	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	\$ 21	\$ (26)	\$ -	\$ -

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)	-	-

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, 2019	
	Carrying Amount	Fair Value
<u>Financial assets</u>		
Investments in debt instruments measured at amortized cost	\$ 626,517,408	\$ 635,218,648
<u>Financial liabilities</u>		
Bank debentures	114,111,801	114,917,598

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

2) Fair value hierarchy of financial instruments

Assets and Liabilities	December 31, 2019			
	Total	Level 1	Level 2	Level 3
<u>Financial assets</u>				
Investments in debt instruments measured at amortized cost	\$ 635,218,648	\$ 183,613,585	\$ 385,379,859	\$ 66,225,204
<u>Financial liabilities</u>				
Bank debentures	114,917,598	76,096,147	38,821,451	-

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	-

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 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.

53. 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"), Risk Management Committee, and Credit Review 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 Risk Management Committee is chaired by the Bank's chairman and the members of the committee include the senior managers of the relevant departments. The committee assists the board of directors in monitoring the Bank's risk management, including credit, market, operation, financial management, anti-money laundering, and financial crimes. The committee also reviews the Bank's overall risk strategy, evaluate and monitor the risk-taking ability, risk-taken situation and the strategy, and reviews the risk management and implementation of internal control regularly.

The Credit Review Committee is headed by the general manager who appointed members with considerable qualifications. The committees is responsible for reviewing the credit-related cases with certain authority and those that needed the review by the Credit Review Committee and to execute brainstorming and lower the credit 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 Risk Management Committee, which is composed of senior management and chaired by the Chairman, to examine credit risk policies and quotas and to monitor the information and changes in the Bank's significant credit risk and the qualification status of quotas.
- 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 the Credit Review Committee of corporate banking and the Credit Review Committee of personal finance 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. The Risk Management Department and credit management department 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 risk grading, 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 some quantitative indicators like a customer's risk grading and business classification and the customer selection criteria and classification. Credit quality control is done through strict and highly thorough due diligence and approval procedures, which include having the credit officers from both the sales department and the risk department sign credit approval documents. Fubon Bank (China) also requires appropriate collaterals to enhance loan risk mitigation. In addition, there is post-loan management, which includes monitoring continual loan and taking note of any early risk-warning signals.

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

a) Credit assets

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

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

b) Debt instruments

The Bank and its subsidiaries assess debt 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 assets has increased significantly since the original recognition, except for the financial assets whose credit risk is low on the reporting date, the expected credit losses are recognized according to the existing condition.

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

7) Definition of default and credit impaired financial assets

a) Credit assets

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

- i. Financial assets 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

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

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

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

9) Assessment of expected credit losses

a) Credit assets

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

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

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

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

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

Total carrying value

	For the Year Ended December 31, 2019					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	\$ 151,673,864	\$ -	\$ -	\$ -	\$ -	\$ 151,673,864
Changes due to financial instruments that have been recognized at the beginning of the period:						
Derecognized financial assets in the current period	(95,669,612)	-	-	-	-	(95,669,612)
Originated or purchased financial assets	106,438,608	-	-	-	-	106,438,608
Effect of exchange rate changes and others	(3,637,938)	-	-	-	-	(3,637,938)
Balance, December 31	\$ 158,804,922	\$ -	\$ -	\$ -	\$ -	\$ 158,804,922

	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	\$ 154,292,706	\$ -	\$ -	\$ -	\$ -	\$ 154,292,706
Changes due to financial instruments that have been recognized at the beginning of the period:						
Derecognized financial assets in the current period	(111,236,186)	-	-	-	-	(111,236,186)
Originated or purchased financial assets	109,999,339	-	-	-	-	109,999,339
Effect of exchange rate changes and others	(1,381,995)	-	-	-	-	(1,381,995)
Balance, December 31	\$ 151,673,864	\$ -	\$ -	\$ -	\$ -	\$ 151,673,864

Expected credit losses

	For the Year Ended December 31, 2019							
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)	Impairment under IFRS 9	Differences in Impairments According to Law	Total
Balance, January 1	\$ 74,266	\$ -	\$ -	\$ -	\$ -	\$ 74,266	\$ 217,238	\$ 291,504
Changes due to financial instruments that have been recognized at the beginning of the period:								
Derecognized financial assets in the current period	(48,856)	-	-	-	-	(48,856)	-	(48,856)
Originated or purchased financial assets	27,076	-	-	-	-	27,076	-	27,076
Impairment differences recognized in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/Nonaccrual Loans"	-	-	-	-	-	-	(204,606)	(204,606)
Effect of exchange rate changes and others	(6,413)	-	-	-	-	(6,413)	(3,695)	(10,108)
Balance, December 31	\$ 46,073	\$ -	\$ -	\$ -	\$ -	\$ 46,073	\$ 8,937	\$ 55,010

	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	\$ 69,071	\$ -	\$ -	\$ -	\$ -	\$ 69,071	\$ 217,635	\$ 286,706
Changes due to financial instruments that have been recognized at the beginning of the period:								
Derecognized financial assets in the current period	(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

b) Investments in debt instruments at amortized cost

Total carrying value

	For the Year Ended December 31, 2019					
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)	Total
Balance, January 1	\$ 606,667,975	\$ -	\$ 661,670	\$ -	\$ -	\$ 607,329,645
Changes of financial instruments that have been identified at the beginning of the period:						
Transfer to lifetime ECL	(5,441,608)	-	5,441,608	-	-	-
Derecognizing financial assets during the current period	(285,274,105)	-	(417,474)	-	-	(285,691,579)
Originated or purchased financial assets	308,462,940	-	11,254	-	-	308,474,194
Effect of exchange rate changes and others	(5,677,678)	-	(116,410)	-	-	(5,794,088)
Balance, December 31	\$ 618,737,524	\$ -	\$ 5,580,648	\$ -	\$ -	\$ 624,318,172

	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	\$ 582,918,544	\$ -	\$ 1,231,421	\$ -	\$ -	\$ 584,149,965
Changes of financial instruments that have been identified at the beginning of the period:						
Transfer to lifetime ECL	(149,717)	-	149,717	-	-	-
Transferred to 12-month ECL	298,574	-	(298,574)	-	-	-
Derecognizing financial assets during the current period	(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, 2019						
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)	Impairment under IFRS 9	Total
Balance, January 1	\$ 217,085	\$ -	\$ 27,501	\$ -	\$ -	\$ 244,586	\$ 244,586
Changes due to financial instruments that have been recognized at the beginning of the period:							
Transferred to lifetime ECL	(8,162)	-	8,162	-	-	-	-
Derecognized financial assets in the current period	(36,552)	-	(14,084)	-	-	(50,636)	(50,636)
Originated or purchased financial assets	48,219	-	144	-	-	48,363	48,363
Effect of exchange rate changes and others	(35,995)	-	205,438	-	-	169,443	169,443
Balance, December 31	\$ 184,595	\$ -	\$ 227,161	\$ -	\$ -	\$ 411,756	\$ 411,756

	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	Total
Balance, January 1	\$ 240,003	\$ -	\$ 33,534	\$ -	\$ -	\$ 273,537	\$ 273,537
Changes due to financial instruments that have been recognized at the beginning of the period:							
Transferred to lifetime ECL	(226)	-	226	-	-	-	-
Transferred to 12-month ECL	280	-	(280)	-	-	-	-
Derecognized financial assets in the current period	(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

c) Receivables

Total carrying value

	For the Year Ended December 31, 2019					
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)	Total
Balance, January 1	\$ 77,692,530	\$ 765,095	\$ -	\$ 536,346	\$ -	\$ 78,993,971
Changes due to financial instruments that have been recognized at the beginning of the period:						
Transferred to lifetime ECL	(358,606)	358,682	-	(76)	-	-
Transferred to credit impaired financial assets	(139,971)	(68,778)	-	208,749	-	-
Transferred to 12-month ECL	322,955	(322,885)	-	(70)	-	-
Derecognized financial assets in the current period	(53,565,940)	(348,943)	-	(292,940)	-	(54,207,823)
Originated or purchased financial assets	69,020,605	2,234,671	-	55,303	-	71,310,579
Written off as bad debt expense	-	-	-	(15,249)	-	(15,249)
Effect of exchange rate changes and others	(1,070,997)	-	-	-	-	(1,070,997)
Balance, December 31	\$ 91,900,576	\$ 2,617,842	\$ -	\$ 492,063	\$ -	\$ 95,010,481

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

	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	\$ 66,288,116	\$ 872,223	\$ -	\$ 611,558	\$ -	\$ 67,771,897
Changes due to financial instruments that have been recognized at the beginning of the period:						
Transferred to lifetime ECL	(354,401)	354,606	-	(205)	-	-
Transferred to credit impaired financial assets	(155,594)	(62,164)	-	217,758	-	-
Transferred to 12-month ECL	359,747	(359,541)	-	(206)	-	-
Derecognized financial assets in the current period	(42,452,931)	(365,537)	-	(328,137)	-	(43,146,605)
Originated or purchased financial assets	54,377,789	322,871	-	48,656	-	54,749,316
Written off as bad debt expense	-	-	-	(13,078)	-	(13,078)
Effect of exchange rate changes and others	(370,196)	2,637	-	-	-	(367,559)
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, 2019							
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)	Impairment under IFRS 9	Differences in Impairments According to Law	Total
Balance, January 1	\$ 473,388	\$ 62,106	\$ 223	\$ 225,618	\$ -	\$ 761,335	\$ -	\$ 761,335
Changes due to financial instruments that have been recognized at the beginning of the period:								
Transferred to lifetime ECL	(5,721)	5,739	62	(80)	-	-	-	-
Transferred to credit impaired financial assets	(2,881)	(15,967)	-	18,848	-	-	-	-
Transferred to 12-month ECL	21,691	(20,638)	-	(1,053)	-	-	-	-
Derecognized financial assets in the current period	(391,458)	(17,932)	(112)	(155,022)	-	(564,524)	-	(564,524)
Originated or purchased financial assets	274,505	59,498	-	58,963	-	392,966	-	392,966
Impairment differences recognized in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/Nonaccrual Loans"	-	-	-	-	-	-	137,733	137,733
Written off as bad debt expense	-	-	-	(20,489)	-	(20,489)	-	(20,489)
Effect of exchange rate changes and others	(27,190)	21,611	1,258	13,222	-	8,901	-	8,901
Balance, December 31	\$ 342,334	\$ 94,417	\$ 1,431	\$ 140,007	\$ -	\$ 578,189	\$ 137,733	\$ 715,922

	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 period:								
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 period	(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

d) Discounts and loans

Total carrying value

	For the Year Ended December 31, 2019					
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)	Total
Balance, January 1	\$ 1,372,683,406	\$ 36,083,226	\$ -	\$ 8,673,819	\$ -	\$ 1,417,440,451
Changes due to financial instruments that have been recognized at the beginning of the year:						
Transferred to lifetime ECL	(8,058,974)	8,071,736	-	(12,762)	-	-
Transferred to credit impaired financial assets	(954,440)	(442,011)	-	1,396,451	-	-
Transferred to 12-month ECL	15,701,497	(15,585,937)	-	(115,560)	-	-
Derecognized financial assets in the current year	(661,060,293)	(15,365,328)	-	(2,247,236)	-	(678,672,857)
Originated or purchased financial assets	763,596,070	9,348,325	-	10,993,925	-	783,938,320
Written off as bad debt expense	-	-	-	(1,347,663)	-	(1,347,663)
Effect of exchange rate changes and others	(8,926,528)	(68,538)	-	(58,501)	-	(9,053,567)
Balance, December 31	\$ 1,472,980,738	\$ 22,041,473	\$ -	\$ 17,282,473	\$ -	\$ 1,512,304,684

	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	\$ 1,337,438,503	\$ 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	(11,303,218)	11,333,579	-	(30,361)	-	-
Transferred to credit impaired financial assets	(1,065,076)	(317,348)	-	1,382,424	-	-
Transferred to 12-month ECL	12,755,836	(12,743,567)	-	(12,269)	-	-
Derecognized financial assets in the current year	(657,024,275)	(11,555,870)	-	(3,126,823)	-	(671,706,968)
Originated or purchased financial assets	692,990,483	10,178,317	-	1,609,033	-	704,777,833
Written off as bad debt expense	-	-	-	(1,018,148)	-	(1,018,148)
Effect of exchange rate changes and others	(1,108,847)	64,517	-	(13,825)	-	(1,058,155)
Balance, December 31	\$ 1,372,683,406	\$ 36,083,226	\$ -	\$ 8,673,819	\$ -	\$ 1,417,440,451

Expected credit losses

	For the Year Ended December 31, 2019							
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)	Impairment under IFRS 9	Differences in Impairments According to Law	Total
Balance, January 1	\$ 3,256,660	\$ 411,949	\$ -	\$ 3,298,054	\$ -	\$ 6,966,663	\$ 12,478,927	\$ 19,445,590
Changes due to financial instruments that have been recognized at the beginning of the period:								
Transferred to lifetime ECL	(22,648)	23,293	-	(645)	-	-	-	-
Transferred to credit impaired financial assets	(9,808)	(40,961)	-	50,769	-	-	-	-
Transferred to 12-month ECL	216,100	(108,015)	-	(108,085)	-	-	-	-
Derecognized financial assets in the current period	(2,381,645)	(169,875)	-	(1,460,277)	-	(4,011,797)	-	(4,011,797)
Originated or purchased financial assets	3,176,110	170,355	-	1,104,971	-	4,451,436	-	4,451,436
Impairment differences recognized in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/Nonaccrual Loans"	-	-	-	-	-	-	470,371	470,371
Written off as bad debt expense	-	-	-	(1,347,663)	-	(1,347,663)	-	(1,347,663)
Recoverable bad debt expense	-	-	-	386,772	-	386,772	-	386,772
Effect of exchange rate changes and others	(254,770)	317,024	-	1,030,082	-	1,092,336	-	1,092,336
Balance, December 31	\$ 3,979,999	\$ 603,770	\$ -	\$ 2,953,978	\$ -	\$ 7,537,747	\$ 12,949,298	\$ 20,487,045

	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 period:								
Transferred to lifetime ECL	(18,621)	26,329	-	(7,708)	-	-	-	-
Transferred to credit impaired financial assets	(15,212)	(39,355)	-	54,567	-	-	-	-
Transferred to 12-month ECL	390,915	(388,506)	-	(2,409)	-	-	-	-
Derecognized financial assets in the current period	(2,899,014)	(130,538)	-	(1,066,662)	-	(4,096,214)	-	(4,096,214)
Originated or purchased financial assets	2,449,510	161,489	-	538,803	-	3,149,802	-	3,149,802
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	(504,510)	55,595	-	1,083,712	-	634,797	-	634,797
Balance, December 31	\$ 3,256,660	\$ 411,949	\$ -	\$ 3,298,054	\$ -	\$ 6,966,663	\$ 12,478,927	\$ 19,445,590

e) Other financial assets

Total carrying value

	For the Year Ended December 31, 2019					
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)	Total
Balance, January 1	\$ 231	\$ -	\$ -	\$ 92,755	\$ -	\$ 92,986
Changes due to financial instruments that have been recognized at the beginning of the period:						
Derecognized financial assets in the current period	-	-	-	(1,970)	-	(1,970)
Originated or purchased financial assets	990	-	-	357,265	-	358,255
Written off as bad debt expense	-	-	-	(331,163)	-	(331,163)
Effect of exchange rate changes and others	(4)	-	-	(16)	-	(20)
Balance, December 31	\$ 1,217	\$ -	\$ -	\$ 116,871	\$ -	\$ 118,088

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

	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	\$ 1,210	\$ -	\$ -	\$ 126,436	\$ -	\$ 127,646
Changes due to financial instruments that have been recognized at the beginning of the period:						
Derecognized financial assets in the current period	(1,039)	-	-	(3,142)	-	(4,181)
Originated or purchased financial assets	-	-	-	252,957	-	252,957
Written off as bad debt expense	-	-	-	(284,891)	-	(284,891)
Effect of exchange rate changes and others	60	-	-	1,395	-	1,455
Balance, December 31	\$ 231	\$ -	\$ -	\$ 92,755	\$ -	\$ 92,986

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

Expected credit losses

	For the Year Ended December 31, 2019							
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)	Impairment under IFRS 9	Differences in Impairments According to Law	Total
Balance, January 1	\$ -	\$ -	\$ -	\$ 73,841	\$ -	\$ 73,841	\$ -	\$ 73,841
Changes due to financial instruments that have been recognized at the beginning of the period:								
Derecognized financial assets in the current period	-	-	-	(2,516)	-	(2,516)	-	(2,516)
Originated or purchased financial assets	-	-	-	154,422	-	154,422	-	154,422
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	-	-	-	(331,163)	-	(331,163)	-	(331,163)
Recoverable bad debt expense	-	-	-	310,703	-	310,703	-	310,703
Effect of exchange rate changes and others	-	-	-	(119,989)	-	(119,989)	-	(119,989)
Balance, December 31	\$ -	\$ -	\$ -	\$ 85,298	\$ -	\$ 85,298	\$ -	\$ 85,298

	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 period:								
Derecognized financial assets in the current period	-	-	-	(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

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

Expected credit losses

	For the Year Ended December 31, 2019							
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)	Impairment under IFRS 9	Differences in Impairments According to Law	Total
Balance, January 1	\$ 185,981	\$ 26,052	\$ -	\$ 805	\$ -	\$ 212,838	\$ 240,377	\$ 453,215
Changes due to financial instruments that have been recognized at the beginning of the year:								
Transferred to lifetime ECL	(2,804)	2,829	-	(25)	-	-	-	-
Transferred to credit impaired financial assets	(299)	(1,017)	-	1,316	-	-	-	-
Transferred to 12-month ECL	5,888	(5,853)	-	(35)	-	-	-	-
Derecognized financial assets in the current year	(84,535)	(14,884)	-	(212)	-	(99,631)	-	(99,631)
Originated or purchased financial assets	74,189	3,185	-	79,586	-	156,960	-	156,960
Impairment differences recognized in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/Nonaccrual Loans"	-	-	-	-	-	-	(39,631)	(39,631)
Effect of exchange rate changes and others	(23,987)	11,330	-	(1,242)	-	(13,899)	-	(13,899)
Balance, December 31	\$ 154,433	\$ 21,642	\$ -	\$ 80,193	\$ -	\$ 256,268	\$ 200,746	\$ 457,014

	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	\$ 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, 2019	December 31, 2018
Irrevocable credit commitments	\$ 218,632,928	\$ 112,580,654
Standby letters of credit	5,360,912	8,295,749
Financial guarantees	22,740,545	27,845,774
Total	\$ 246,734,385	\$ 148,722,177

Fubon Bank (China)

(In Thousands of RMB)

Off-Balance Sheet Item	Maximum Exposure Amount	
	December 31, 2019	December 31, 2018
Standby letters of credit	\$ 289,675	\$ 312,512
Financial guarantees	718,076	965,035
Total	\$ 1,007,751	\$ 1,277,547

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, 2019	Financial Instrument	Property	Guarantee	Others
<u>Category of assets</u>				
Loans	3.61%	59.38%	4.26%	2.77%
Guarantees receivable	5.87%	6.97%	0.83%	1.45%
Acceptances and other credits	0.37%	0.91%	0.03%	-
Financial assets at fair value through profit or loss - debt instruments	-	-	3.79%	-
Financial assets at fair value through other comprehensive income - debt instruments	-	-	9.91%	-
Investments in debt instruments measured at amortized cost	-	-	9.21%	-

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	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 instrument	-	-	8.66%	-
Investments in debt instruments measured at amortized cost	-	-	9.07%	-

Fubon Bank (China)

December 31, 2019	Financial Instrument	Property	Guarantee	Others
<u>Category of assets</u>				
Loans	8.36%	17.12%	-	0.82%
Guarantees receivable	68.02%	25.85%	5.02%	-
Acceptances	46.09%	0.46%	28.14%	-

December 31, 2018	Financial Instrument	Property	Guarantee	Others
<u>Category of assets</u>				
Loans	7.89%	15.64%	-	1.32%
Guarantees receivable	63.36%	27.42%	9.00%	-
Acceptances	21.81%	1.24%	43.58%	-

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, 2019		December 31, 2018	
	Amount	%	Amount	%
Private	\$ 724,035,520	54.11	\$ 681,387,936	52.43
Private enterprise	510,556,765	38.15	466,443,553	35.89
Financial organization	63,057,657	4.71	57,554,699	4.43
Government institution	20,181,907	1.51	31,055,954	2.39
Public enterprise	18,700,765	1.40	62,059,416	4.78
Non-profit organization	1,626,267	0.12	991,959	0.08
Total	\$ 1,338,158,881	100.00	\$ 1,299,493,517	100.00

b) By geographical area

Geographical Area	December 31, 2019		December 31, 2018	
	Amount	%	Amount	%
Domestic	\$ 1,139,251,100	85.14	\$ 1,123,966,924	86.49
Asia	114,369,536	8.55	88,622,271	6.82
America	60,260,221	4.50	68,490,647	5.27
Others	24,278,024	1.81	18,413,675	1.42
Total	\$ 1,338,158,881	100.00	\$ 1,299,493,517	100.00

c) By collateral

By Collateral	December 31, 2019		December 31, 2018	
	Amount	%	Amount	%
Unsecured	\$ 426,121,228	31.84	\$ 416,669,591	32.06
Secured	912,037,653	68.16	882,823,926	67.94
Properties	772,117,285	57.70	735,785,045	56.62
Guarantees	55,483,057	4.15	75,511,380	5.81
Financial instruments	48,208,674	3.60	41,550,277	3.20
Others	36,228,637	2.71	29,977,224	2.31
Total	\$ 1,338,158,881	100.00	\$ 1,299,493,517	100.00

d) Credit risk rating grades

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, 2019	Financial Assets Measured at Amount of 12 Months ECL				Financial Assets with Significant Increase in Credit Risk After Initial Recognition				Credit-impaired Financial Assets	Purchased or Originated Credit-impaired Financial Assets	Allowance for Impairment	Total
	Good	Moderate	Substandard	Total	Good	Moderate	Substandard	Total				
Financial assets at fair value through other comprehensive income - debt instruments	\$ 71,152,062	\$ 500,535	\$ -	\$ 71,652,597	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 25,630	\$ 71,626,967
Investments in debt instruments measured at amortized cost	561,879,382	608,273	-	562,487,655	2,584,439	2,996,209	-	5,580,648	-	-	403,061	567,665,242
Receivables												
Credit card receivables	33,376,988	12,060,204	20,071	45,457,263	-	144,462	447,772	592,234	492,063	-	198,630	46,342,930
Accounts receivable - factoring	13,832,170	1,073,261	-	14,905,431	1,430	2,024,178	-	2,025,608	-	-	209,011	16,722,028
Acceptances	474,249	725,638	-	1,199,887	-	-	-	-	-	-	12,236	1,187,651
Loans												
Personal finance	559,129,574	85,476,869	85,408	644,691,851	-	4,374,037	1,327,787	5,701,824	2,327,913	-	8,643,394	644,078,194
Corporate banking	334,144,756	280,348,476	454,136	614,947,368	-	14,930,694	608,052	15,538,746	13,388,464	-	8,645,305	635,229,273
Other financial assets (bills purchased and nonperforming loans transferred from other than loans)	1,217	-	-	1,217	-	-	-	-	116,871	-	85,298	32,790
Off-balance sheet assets												
Financial commitment	452,273,035	54,604,981	12,220	506,890,236	-	430,151	491,728	921,879	105,860	-	139,413	507,778,562
Guarantees receivable	15,469,711	6,683,133	-	22,152,844	-	566,796	-	566,796	20,905	-	230,329	22,510,216
Credit receivable	2,716,704	2,566,718	-	5,283,422	-	11,279	-	11,279	66,211	-	69,196	5,291,716

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, 2019		December 31, 2018	
	Amount	%	Amount	%
Finance and insurance	\$ 14,301,548	28.67	\$ 14,222,447	37.96
Personal loans	8,149,886	16.34	2,522,757	6.73
Wholesale and retail	7,030,591	14.09	4,865,995	12.99
Manufacturing	4,313,660	8.65	3,671,232	9.80
Real estate	3,679,398	7.37	2,144,199	5.72
Construction	3,315,688	6.64	2,648,112	7.07
Water conservation and environment	2,791,519	5.60	2,497,750	6.67
Others	6,308,662	12.64	4,891,183	13.06
Total (Note)	\$ 49,890,952	100.00	\$ 37,463,675	100.00

Note: Included only discounts and loans.

b) By geographical area

(In Thousands of RMB)

Geographical Area	December 31, 2019		December 31, 2018	
	Amount	%	Amount	%
East China	\$ 16,794,212	33.66	\$ 13,456,906	35.92
North China	6,334,360	12.70	7,853,423	20.96
Central China	5,907,902	11.84	3,297,339	8.80
Southwest China	5,201,862	10.43	4,070,298	10.86
South China	3,946,711	7.91	3,222,171	8.60
Northwest China	2,862,110	5.74	1,708,910	4.56
Others	8,843,795	17.72	3,854,628	10.30
Total (Note)	\$ 49,890,952	100.00	\$ 37,463,675	100.00

Note: Included only discounts and loans.

c) By collateral

(In Thousands of RMB)

By Collateral	December 31, 2019		December 31, 2018	
	Amount	%	Amount	%
Clean loans	\$ 36,768,580	73.70	\$ 28,154,859	75.15
Guarantee loans	409,016	0.82	495,538	1.32
Collateral loans	12,713,356	25.48	8,813,278	23.53
Pledge loans	8,542,783	17.12	5,857,003	15.64
Mortgage loans	4,170,573	8.36	2,956,275	7.89
Total (Note)	\$ 49,890,952	100.00	\$ 37,463,675	100.00

Note: Included only discounts and loans.

d) The credit quality rating classifications

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.

(In Thousands of RMB)

December 31, 2019	Financial Assets Measured at Amount of 12 Months ECL				Financial Assets with Significant Increase in Credit Risk After Initial Recognition				Credit-impaired Financial Assets	Purchased or Originated Credit-impaired Financial Assets	Allowance for Impairment	Total
	Good	Moderate	Substandard	Total	Good	Moderate	Substandard	Total				
Financial assets at fair value through other comprehensive income - debt instruments	\$ 20,157,352	\$ -	\$ -	\$ 20,157,352	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,564	\$ 20,150,788
Investments in debt instruments measured at amortized cost	13,009,961	-	-	13,009,961	-	-	-	-	-	-	2,011	13,007,950
Receivables												
Acceptances	7,012,599	-	-	7,012,599	-	-	-	-	-	-	40,156	6,972,443
Accounts receivables - factoring	4,238	-	-	4,238	-	-	-	-	-	-	43	4,195
Loans												
Personal finance	7,990,886	-	120,853	8,111,739	20,888	-	5,344	26,232	11,915	-	91,136	8,058,750
Corporate banking	34,753,463	5,983,120	495,169	41,231,752	-	89,008	70,000	159,008	350,306	-	648,606	41,092,460
Financial assets off-balance sheet												
Guarantees receivable	718,076	-	-	718,076	-	-	-	-	-	-	2,737	715,339
Credit receivable	289,675	-	-	289,675	-	-	-	-	-	-	1,443	288,232

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	921	-	31,332	2,491,425
Corporate banking	29,027,227	5,052,803	142,540	34,222,570	-	280,634	18,205	298,839	419,509	-	598,589	34,342,329
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

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, 2019	Financial Instrument	Property	Guarantee	Others
<u>Asset category</u>				
Receivables	0.12%	5.20%	0.17%	1.73%
Loans	3.52%	46.01%	3.65%	2.57%
Other financial assets	-	7.20%	15.35%	-
Off-balance sheet assets	-	2.61%	-	20.85%

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, 2019	Financial Instrument	Property	Guarantee	Others
<u>Asset category</u>				
Loans	-	64.18%	-	0.92%

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, 2019 and 2018 was \$1,451,647 thousand and \$1,393,419 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, 2019 and 2018, the carrying amount of the properties were \$51,883 thousand and \$53,593 thousand, respectively. The collaterals assumed are classified as other assets in the consolidated balance sheets.

d. Liquidity risk

- 1) Source and definition of liquidity risk

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

- 2) Liquidity risk management strategy and principles

Taipei Fubon Bank

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

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

Fubon Bank (China)

- a) The liquidity risk management strategy of Fubon Bank (China) aims not only to meet compliance and regulatory requirements but also to find a sound balance between business performance and adequate liquidity position. By adjusting its short-term and long-term asset allocation and dispersing fund sources on the basis of market conditions, the Bank manages its liquidity risk exposure at an acceptable level to ensure the sustainability of its business operations and maintain its fine reputation.
 - b) Fubon Bank (China) maintains a strategically defined risk appetite for its liquidity management. Daily liquidity management is centralized given the size and complexity of its current business scope, and Fubon Bank (China)'s organization structure is suitable for managing liquidity exposure. The board of directors takes the ultimate responsibility for Fubon Bank (China)'s liquidity risk. The senior management, which is in charge of implementing liquidity management policies and procedures, has authorized the Asset and Liability Management Committee to perform related management duties daily. Liquidity risk assessment reports are prepared by the risk management for submission to the Risk & Related Party Transaction Committee.
 - c) Fubon Bank (China)'s liquidity risk management involves the full participation of staff in the dynamic prevention, scientific quantification and prudent management of risk to ensure Fubon Bank (China) has sufficient funding for its capital growth and various obligations.
- 3) Maturity analysis

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

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

a) Maturity analysis of financial assets and liabilities - NTD

Taipei Fubon Bank

December 31, 2019	0-30 Days	31-90 Days	91-180 Days	181-365 Days	Over 1 Year	Total
Assets						
Cash, call loans and deposits due from/to other banks	\$ 48,389,039	\$ 4,338,755	\$ 3,175,502	\$ 6,359,716	\$ 20,879,826	\$ 83,142,838
Investments in marketable securities (Note 2)	201,127,535	14,253,706	24,098,640	49,433,213	138,566,573	427,479,667
Securities purchased under resell agreements	10,226,853	-	-	-	-	10,226,853
Loans (included overdue loans)	68,988,656	81,869,757	83,730,370	55,874,702	774,492,543	1,064,956,028
Deliverable derivative assets	214,184,929	167,160,564	126,462,412	105,228,617	27,747,619	640,784,141
Non-deliverable derivative assets	3,586,873	-	-	12,639	532,427	4,131,939
Other capital inflow on maturity	28,323,086	10,208,388	10,528,995	6,066,602	55,992,027	111,119,098
Subtotal	574,826,971	277,831,170	247,995,919	222,975,489	1,018,211,015	2,341,840,564
Liabilities						
Due to the Central Bank and other banks	524,225	1,000	306,004	-	117,000	948,229
Deposits and remittances	98,928,372	145,339,341	106,397,292	213,086,483	698,587,236	1,262,338,724
Securities sold under repurchase agreements	9,857,092	6,685,361	307,494	-	-	16,849,947
Payables	392,947	465,261	657,142	820,707	109,678	2,445,735
Bank debentures	2,400,000	3,000,000	-	6,562,639	63,348,122	75,310,761
Deliverable derivative liabilities	205,680,700	228,524,693	169,042,612	116,462,797	22,321,616	742,032,418
Non-deliverable derivative liabilities	3,707,699	-	-	-	34,304	3,742,003
Other capital outflow on maturity	19,603,661	4,468,148	3,709,875	564,516	8,388,237	36,734,437
Subtotal	341,094,696	388,483,804	280,420,419	337,497,142	792,906,193	2,140,402,254

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

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 and investments in debt instruments measured at amortized cost.

b) Maturity analysis of financial assets and liabilities - USD

Taipei Fubon Bank

(In Thousands of U.S. Dollars)

December 31, 2019	0-30 Days	31-90 Days	91-180 Days	181-365 Days	Over 1 Year	Total
Assets						
Cash, call loans and deposits due from/to other banks	\$ 2,555,978	\$ 1,278,500	\$ 580,000	\$ 617,000	\$ -	\$ 5,031,478
Investments in marketable securities (Note 2)	664,568	35,059	87,043	108,420	7,148,351	8,043,441
Loans (including overdue loans)	518,292	544,032	416,113	201,960	1,479,590	3,159,987
Deliverable derivative assets	10,821,227	8,734,666	6,013,381	4,903,407	740,164	31,212,845
Non-deliverable derivative assets	28,792	2	12	58	30,717	59,581
Other capital inflow on maturity	742,157	271,674	52,613	7,649	373,990	1,448,083
Subtotal	15,331,014	10,863,933	7,149,162	5,838,494	9,772,812	48,955,415
Liabilities						
Due to the Central Bank and other banks	2,171,655	605,000	-	50,000	-	2,826,655
Deposits and remittances	3,410,771	2,550,072	1,439,761	1,576,038	5,159,147	14,135,789
Securities sold under repurchase agreements	1,250,879	1,101,945	-	-	-	2,352,824
Payables	21,973	20,789	7,225	1,821	84	51,892
Bank debentures	-	-	-	-	1,001,386	1,001,386
Deliverable derivative liabilities	9,426,597	6,588,024	4,661,828	4,559,987	902,749	26,139,185
Non-deliverable derivative liabilities	34,411	46	146	154	85,964	120,721
Other capital outflow on maturity	1,192,292	77,298	27,960	10,125	600,272	1,907,947
Subtotal	17,508,578	10,943,174	6,136,920	6,198,125	7,749,602	48,536,399

(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

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 and investments in debt instruments measured at amortized cost.

c) Maturity analysis of derivative assets and liabilities - RMB

Fubon Bank (China)

(In Thousands of RMB)

December 31, 2019	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	\$ 3,018,276	\$ -	\$ -	\$ -	\$ 6,286,564	\$ 9,304,840
Investments in marketable securities (Note)	6,600,333	258,180	3,852,010	27,815,702	-	38,526,225
Securities purchased under resell agreements	98,009	-	-	-	-	98,009
Loans (including overdue loans)	5,306,637	6,558,488	24,466,333	18,538,091	-	54,869,549
Deliverable derivative assets	17,890,959	19,126,103	37,635,589	693,126	-	75,345,777
Non-deliverable derivative assets	161	156	349	-	-	666
Other capital inflow on maturity	1,068,023	2,411,505	4,110,464	-	19,675	7,609,667
Subtotal	33,982,398	28,354,432	70,064,745	47,046,919	6,306,239	185,754,733
Liabilities						
Due to the Central Bank and other banks	1,879,598	2,893,480	2,059,619	-	-	6,832,697
Deposits and remittances	29,301,968	9,939,290	18,756,384	19,561,103	-	77,558,745
Securities sold under repurchase agreements	1,850,009	806,840	100,996	-	-	2,757,845
Payables	589,488	2,407,226	4,110,464	543	-	7,107,721
Bank debentures	-	-	106,300	2,902,400	-	3,008,700
Lease Liability	-	10,900	51,081	76,965	-	138,946
Deliverable derivative liabilities	17,895,445	19,189,258	37,660,154	690,771	-	75,435,628
Non-deliverable derivative liabilities	435	508	1,195	-	-	2,138
Other capital outflow on maturity	-	-	-	-	96,677	96,677
Subtotal	51,516,943	35,247,502	62,846,193	23,231,782	96,677	172,939,097

(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	13,066,016	12,775,366	33,336,592	682,450	-	59,860,424
Non-deliverable derivative assets	53	2,989	1,952	-	-	4,994
Other capital inflow on maturity	1,393,594	1,161,734	2,089,324	-	18,239	4,662,891
Subtotal	30,476,396	22,495,072	56,719,077	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	13,057,545	12,779,725	33,288,151	680,096	-	59,805,517
Non-deliverable derivative liabilities	150	3,429	3,167	-	-	6,746
Other capital outflow on maturity	-	-	-	-	3,122	3,122
Subtotal	44,578,685	29,673,586	48,895,098	7,214,003	3,122	130,364,494

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

d) Maturity analysis of derivatives assets and liabilities - NTD

Taipei Fubon Bank

December 31, 2019	0-30 Days	31-90 Days	91-180 Days	181-365 Days	Over 1 Year	Total
Assets						
Deliverable derivative assets						
Forward contracts	\$ 394,444	\$ 1,054,622	\$ 2,389,652	\$ 3,620,993	\$ 3,694,607	\$ 11,154,318
Currency swaps	202,952,999	148,151,467	98,399,750	66,884,953	2,082,392	518,471,561
Cross-currency swaps	10,837,486	17,954,475	25,673,010	34,722,671	21,970,620	111,158,262
Subtotal	214,184,929	167,160,564	126,462,412	105,228,617	27,747,619	640,784,141
Non-deliverable derivative assets						
Foreign exchange derivative instruments	664,401	-	-	-	-	664,401
Interest rate derivative instruments - hedging	-	-	-	12,639	532,427	545,066
Interest rate derivative instruments - non-hedging	2,297,473	-	-	-	-	2,297,473
Equity derivative instruments	624,999	-	-	-	-	624,999
Subtotal	3,586,873	-	-	12,639	532,427	4,131,939
Liabilities						
Deliverable derivative liabilities						
Forward contracts	2,074,590	1,594,430	116,235	-	-	3,785,255
Currency swaps	194,477,310	221,189,783	158,537,727	78,379,247	5,008,651	657,592,718
Cross-currency swaps	9,128,800	5,740,480	10,388,650	38,083,550	17,312,965	80,654,445
Subtotal	205,680,700	228,524,693	169,042,612	116,462,797	22,321,616	742,032,418
Non-deliverable derivative liabilities						
Foreign exchange derivative instruments	664,401	-	-	-	-	664,401
Interest rate derivative instruments - hedging	-	-	-	-	34,304	34,304
Interest rate derivative instruments - non-hedging	2,416,855	-	-	-	-	2,416,855
Equity derivative instruments	626,443	-	-	-	-	626,443
Subtotal	3,707,699	-	-	-	34,304	3,742,003

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

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, 2019	0-30 Days	31-90 Days	91-180 Days	181-365 Days	Over 1 Year	Total
Assets						
Deliverable derivative assets						
Forward contracts	\$ 436,205	\$ 718,834	\$ 176,745	\$ 73,549	\$ -	\$ 1,405,333
Currency swaps	10,085,022	7,814,560	5,486,636	3,594,858	167,887	27,148,963
Cross-currency swaps	300,000	201,272	350,000	1,235,000	572,277	2,658,549
Subtotal	10,821,227	8,734,666	6,013,381	4,903,407	740,164	31,212,845
Non-deliverable derivative assets						
Foreign exchange derivative instruments	13,507	-	-	-	-	13,507
Interest rate derivative instruments - hedging	-	2	12	58	30,717	30,789
Interest rate derivative - non-hedging	13,925	-	-	-	-	13,925
Equity derivative instruments	(6)	-	-	-	-	(6)
Product derivative instruments	1,366	-	-	-	-	1,366
Subtotal	28,792	2	12	58	30,717	59,581
Liabilities						
Deliverable derivative liabilities						
Forward contracts	242,955	375,771	80,873	54,901	479	754,979
Currency swaps	8,831,882	5,877,109	3,900,955	3,562,482	164,776	22,337,204
Cross-currency swaps	351,760	335,144	680,000	942,604	737,494	3,047,002
Subtotal	9,426,597	6,588,024	4,661,828	4,559,987	902,749	26,139,185
Non-deliverable derivative liabilities						
Foreign exchange derivative instruments	14,100	-	-	-	-	14,100
Interest rate derivative instruments - hedging	-	46	146	154	85,964	86,310
Interest rate derivative - non-hedging	18,596	-	-	-	-	18,596
Equity derivative instruments	357	-	-	-	-	357
Product derivative instruments	1,358	-	-	-	-	1,358
Subtotal	34,411	46	146	154	85,964	120,721

(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

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, 2019	0-30 Days	31-90 Days	91-365 Days	Over 1 Year	Total
<u>Assets</u>					
Deliverable derivative assets					
Forward contracts	\$ 27,917	\$ 366,763	\$ 170,228	\$ 340,729	\$ 905,637
Currency swaps	17,277,332	18,100,331	35,343,013	352,397	71,073,073
Options	585,710	659,009	2,120,631	-	3,365,350
Cross-currency swaps	-	-	1,717	-	1,717
Subtotal	17,890,959	19,126,103	37,635,589	693,126	75,345,777
Non-deliverable derivative assets					
Interest rate derivatives - non-hedging	161	156	349	-	666
<u>Liabilities</u>					
Deliverable derivative liabilities					
Forward contracts	28,223	374,492	168,253	352,396	923,364
Currency swaps	17,281,512	18,153,895	35,369,553	338,375	71,143,335
Options	585,710	660,871	2,120,631	-	3,367,212
Cross-currency swaps	-	-	1,717	-	1,717
Subtotal	17,895,445	19,189,258	37,660,154	690,771	75,435,628
Non-deliverable derivatives					
Interest rate derivatives - non-hedging	435	508	1,195	-	2,138

(In Thousands of RMB)

December 31, 2018	0-30 Days	31-90 Days	91-365 Days	Over 1 Year	Total
<u>Assets</u>					
Deliverable derivative assets					
Forward contracts	\$ 632,065	\$ 190,777	\$ 698,569	\$ 340,729	\$ 1,862,140
Currency swaps	9,494,343	9,594,843	26,816,438	341,721	46,247,345
Options	2,937,303	2,551,461	5,821,586	-	11,310,350
Equity swaps	2,305	-	-	-	2,305
Cross-currency swaps	-	438,285	-	-	438,285
Subtotal	13,066,016	12,775,366	33,336,593	682,450	59,860,425
Non-deliverable derivative assets					
Interest rate derivatives - non-hedging	53	2,989	1,952	-	4,994
<u>Liabilities</u>					
Deliverable derivative liabilities					
Forward contracts	636,879	190,778	697,204	341,721	1,866,582
Currency swaps	9,472,239	9,545,122	26,727,761	338,375	46,083,497
Options	2,946,123	2,585,876	5,863,185	-	11,395,184
Equity swaps	2,305	-	-	-	2,305
Cross-currency swaps	-	457,949	-	-	457,949
Subtotal	13,057,546	12,779,725	33,288,150	680,096	59,805,517
Non-deliverable derivatives					
Interest rate derivatives - non-hedging	150	3,429	3,167	-	6,746

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, 2019	0-30 Days	31-90 Days	91-180 Days	181-365 Days	Over 1 Year	Total
Irrevocable credit commitments	\$ 218,632,928	\$ -	\$ -	\$ -	\$ -	\$ 218,632,928
Standby letters of credit	5,360,912	-	-	-	-	5,360,912
Financial guarantees	11,734,349	1,659,870	3,102,282	2,085,373	4,158,671	22,740,545
Total	\$ 235,728,189	\$ 1,659,870	\$ 3,102,282	\$ 2,085,373	\$ 4,158,671	\$ 246,734,385

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

Fubon Bank (China)

(In Thousands of RMB)

December 31, 2019	0-30 Days	31-90 Days	91-365 Days	Over 1 Year	Total
Standby letters of credit	\$ 138,336	\$ 84,139	\$ 67,200	\$ -	\$ 289,675
Financial guarantees	47,342	128,664	504,188	37,882	718,076
Total	\$ 185,678	\$ 212,803	\$ 571,388	\$ 37,882	\$ 1,007,751

(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

e. Market risk

1) Market risk definition and classifications

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

2) Market risk strategy and procedures

Taipei Fubon Bank

The Bank has comprehensive policies on market risk management and has a systematic mechanism for deal execution, clearing and settlement. The Bank's market risk policies and other market risk limits are made by market risk strategies according to different risk factors, which 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 chairman, to review related significant market risk policies and limits, monitor the information and changes in significant market risk and qualification quotas.

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, institutes 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 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 management of the market risk includes methods for determining degrees (known as the “Greeks”) of sensitivity to risk through different trading desks or business desks 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, 2019			
	Highest	Lowest	Mean	End of Year
Equity	\$ 17,761	\$ 519	\$ 4,542	\$ 17,761
Interest rate	63,542	33,796	47,221	57,931
Exchange rate	11,598	2,594	7,554	2,594
Volatility	2,440	222	1,231	1,745
Diversification effect	-	-	<u>(14,745)</u>	<u>(21,806)</u>
Common VaR of trading book			<u>\$ 45,803</u>	<u>\$ 58,225</u>

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>

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 Management Department also performs stress tests quarterly recorded in the trading book to evaluate the ability of Fubon Bank (China)'s ability to sustain loss on the market value 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, 2019 and 2018 and all other factors been held constant, the earnings would have decreased/increased by \$5 million and \$4 million, respectively.

b) Exchange rate risk

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

The Bank's overseas branches and these branches' long-term equity-method investments have foreign exchange businesses. The percentage of the foreign currency operating funds used for the foreign exchange business operations is low when compared with the Bank's entire foreign currency position. As of December 31, 2019, for the operating funds of overseas branches, the Bank considers the ratio of exchange differences on translating foreign operations to the equity of the Bank's owners to be immaterial.

c) Equity risk

The Bank's equity instruments as shown in the banking book have two groups. The first consists of investments in accordance with Article 74 of the Banking Act. The second group refers to investments in promising companies with a higher cash dividend payout ratio. For the second group, even though changes in equity prices may influence shareholders' equity, the Bank holds these investments for 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			
	2019		2018	
	Influence on Profit and Loss	Influence on Other Equity	Influence on Profit and Loss	Influence on Other Equity
Stock price increase by 10%	\$ -	\$ 671,771	\$ -	\$ 429,230
Stock price decrease by 10%	-	(671,771)	-	(429,230)

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			
	2019		2018	
	Impact on Profit and Loss	Impact on Other Equity	Impact on Profit and Loss	Impact on Other Equity
Interest rate increases 50 basis points	\$ (84,821)	\$ (180,626)	\$ (7,076)	\$ (97,588)
Interest rate decreases 50 basis points	84,865	198,683	7,076	100,692

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			
	2019		2018	
	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	\$ (79,854)	\$ 33,472	\$ 13,404	\$ 40,261
USD and HKD depreciate by 5% against the RMB	79,854	(33,472)	(13,404)	(40,261)

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, 2019 and 2018.

Taipei Fubon Bank

	December 31, 2019		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary item			
USD	\$ 21,565,566	30.1121	\$ 649,384,480
AUD	2,351,050	21.0897	49,582,939
RMB	10,818,405	4.3236	46,774,456
HKD	10,952,929	3.8678	42,363,739
EUR	1,123,961	33.7543	37,938,517
Nonmonetary item			
USD	244,036	30.1121	7,348,436
RMB	530,773	4.3236	2,294,850
EUR	21,402	33.7543	722,410
HKD	167,279	3.8678	647,002
AUD	256	21.0897	5,399
Investments accounted for using the equity method			
RMB	4,834,326	4.3236	20,901,690

(Continued)

	December 31, 2019		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial liabilities</u>			
Monetary item			
USD	\$ 27,183,459	30.1121	\$ 818,551,036
RMB	12,859,250	4.3236	55,598,253
AUD	1,713,941	21.0897	36,146,502
HKD	8,408,855	3.8678	32,523,769
EUR	234,408	33.7543	7,912,278
Nonmonetary item			
USD	264,581	30.1121	7,967,090
RMB	352,256	4.3236	1,523,014
HKD	176,663	3.8678	683,297
EUR	1,048	33.7543	35,375
AUD	1,189	21.0897	25,076
			(Concluded)

	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

	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

Fubon Bank (China)**December 31, 2019**

	Foreign Currencies	Exchange Rate	RMB
<u>Financial assets</u>			
Monetary item			
USD	\$ 495,643	6.9762	\$ 3,457,705
JPY	1,403,655	0.0641	89,974
HKD	19,546	0.8958	17,509
EUR	5,034	7.8155	39,343
Nonmonetary item			
USD	48,815	6.9762	340,543
<u>Financial liabilities</u>			
Monetary item			
USD	3,201,232	6.9762	22,332,435
JPY	1,689,023	0.0641	108,266
HKD	332,594	0.8958	297,938
EUR	3,956	7.8155	30,918
Nonmonetary item			
USD	47,643	6.9762	332,367

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

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, 2019	
	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	\$ 22,064,185	\$ 21,102,694
Investments in debt instruments measured at amortized cost	105,877,132	102,200,721

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

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, 2019

Financial Assets	Recognized Financial Assets - Gross Amount	Netted Financial Liabilities Recognized on the Balance Sheet - Gross Amount	Recognized Financial Assets - Net Amount	Related Amount Not Netted on the Balance Sheet		Net Amount
				Financial Instruments (Note 1)	Cash Received as Collaterals	
Derivative instruments (Note 2)	\$ 26,009,581	\$ -	\$ 26,009,581	\$ 18,062,343	\$ 2,472,518	\$ 5,474,720
Securities purchased under resell agreements	<u>10,650,566</u>	<u>-</u>	<u>10,650,566</u>	<u>10,382,865</u>	<u>-</u>	<u>267,701</u>
	<u>\$ 36,660,147</u>	<u>\$ -</u>	<u>\$ 36,660,147</u>	<u>\$ 28,445,208</u>	<u>\$ 2,472,518</u>	<u>\$ 5,742,421</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)	\$ 30,159,080	\$ -	\$ 30,159,080	\$ 15,980,011	\$ 8,370,347	\$ 5,808,722
Securities sold under repurchased agreements	<u>123,303,415</u>	<u>-</u>	<u>123,303,415</u>	<u>123,299,052</u>	<u>-</u>	<u>4,363</u>
	<u>\$ 153,462,495</u>	<u>\$ -</u>	<u>\$ 153,462,495</u>	<u>\$ 139,279,063</u>	<u>\$ 8,370,347</u>	<u>\$ 5,813,085</u>

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>

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

Note 2: Including derivative financial assets for hedging.

54. 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, 2019, the Bank and its subsidiaries had met the authorities’ minimum requirements for capital adequacy ratio.

55. 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, 2019

Rank (Note 1)	Group Name (Note 2)	Credit Extensions Balance (Note 3)	% to Net Asset Value
1	Group A (semiconductor assembly and testing industry)	\$ 10,367,939	5.19
2	Group B (LCD and its component manufacturing industry)	9,564,439	4.79
3	Group C (petrochemical raw material manufacturing industry)	8,220,778	4.12
4	Group D (other electronic component manufacturing industry)	7,706,520	3.86
5	Group E (ocean transport industry)	7,162,292	3.59
6	Group F (computers and related equipment and software development)	6,593,213	3.30
7	Group G (other electronic component manufacturing industry)	6,318,254	3.16
8	Group H (real estate industry, retail, and service)	5,751,411	2.88
9	Group I (laptops, tablets, servers, camera, industrial computers, smart phones, original equipment manufacturing and online software and hardware factories)	5,531,187	2.77
10	Group J (laptops, desktops, tablets and data center holdings)	5,420,195	2.72

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

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, 2019**

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 1,233,264,613	\$ 72,952,180	\$ 60,249,252	\$ 173,057,672	\$ 1,539,523,717
Interest rate-sensitive liabilities	414,607,769	765,260,939	87,348,572	78,059,609	1,345,276,889
Interest rate sensitivity gap	818,656,844	(692,308,759)	(27,099,320)	94,998,063	194,246,828
Net worth					189,350,833
Ratio of interest rate-sensitive assets to liabilities					114.44%
Ratio of the interest rate sensitivity gap to net worth					102.59%

**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%

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, 2019

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

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 14,033,076	\$ 1,178,681	\$ 1,107,265	\$ 6,687,142	\$ 23,006,164
Interest rate-sensitive liabilities	23,306,983	1,530,069	1,573,584	1,492,701	27,903,337
Interest rate sensitivity gap	(9,273,907)	(351,388)	(466,319)	5,194,441	(4,897,173)
Net worth					244,091
Ratio of interest rate-sensitive assets to liabilities					82.45%
Ratio of the interest rate sensitivity gap to net worth					(2,006.29%)

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%)

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, 2019	For the Year Ended December 31, 2018
Return on total assets	Before income tax	0.85	0.82
	After income tax	0.72	0.70
Return on equity	Before income tax	11.54	11.03
	After income tax	9.77	9.38
Profit margin		40.12	41.06

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, 2019 and 2018.

e. Maturity analysis of assets and liabilities

Maturity Analysis of Assets and Liabilities (New Taiwan Dollars)
December 31, 2019

	Total	The Amount for the Remaining Period to Maturity					
		0-10 Days	11-30 Days	31-90 Days	91-180 Days	181-365 Days	Over 1 Year
Main capital inflow on maturity	\$ 2,341,840,564	\$ 316,005,864	\$ 258,821,107	\$ 277,831,170	\$ 247,995,919	\$ 222,975,489	\$ 1,018,211,015
Main capital outflow on maturity	2,857,047,904	187,857,434	192,472,448	466,954,176	398,125,977	572,908,257	1,038,729,612
Gap	(515,207,340)	128,148,430	66,348,659	(189,123,006)	(150,130,058)	(349,932,768)	(20,518,597)

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

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, 2019

(In Thousands of U.S. Dollars)

	Total	The Amount for the Remaining Period to Maturity				
		0-30 Days	31-90 Days	91-180 Days	181-365 Days	Over 1 Year
Capital inflow on maturity	\$ 84,164,041	\$ 32,558,939	\$ 18,997,091	\$ 12,465,246	\$ 8,910,917	\$ 11,231,848
Capital outflow on maturity	90,560,842	38,032,763	20,879,371	11,360,649	11,422,961	8,865,098
Gap	(6,396,801)	(5,473,824)	(1,882,280)	1,104,597	(2,512,044)	2,366,750

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				
		1-30 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

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

56. STATEMENT OF CAPITAL ADEQUACY

Analysis		Year (Note 2)		December 31, 2019		December 31, 2018	
		Consolidation	Standalone	Consolidation	Standalone		
Regulatory capital	Net common equity Tier 1 capital	\$ 196,586,555	\$ 186,929,937	\$ 181,088,191	\$ 173,945,127		
	Net additional Tier 1 capital	15,375,148	7,665,764	7,535,526	237,525		
	Net Tier 2 capital	41,212,947	25,961,979	36,946,319	22,377,621		
	Regulatory capital	253,174,650	220,557,680	225,570,036	196,560,273		
Risk-weighted assets	Credit risk	Standardized approach	1,734,607,737	1,413,885,320	1,537,630,004	1,285,291,652	
		Internal rating - based approach	-	-	-	-	
		Securitization	2,850,559	2,850,559	1,179,928	1,179,928	
	Operational risk	Basic indicator approach	-	-	-	-	
		Standardized approach/ alternative standardized approach	83,446,625	73,315,188	77,798,950	68,197,950	
		Advanced measurement approach	-	-	-	-	
	Market risk	Standardized approach	75,399,750	71,437,775	55,272,575	51,063,500	
		Internal models approach	-	-	-	-	
	Total risk-weighted assets		1,896,304,671	1,561,488,842	1,671,881,457	1,405,733,030	
	Total capital adequacy ratio		13.35%	14.12%	13.49%	13.98%	
Common equity Tier 1 ratio		10.37%	11.97%	10.83%	12.37%		
Tier 1 capital ratio		11.18%	12.46%	11.28%	12.39%		
Leverage ratio		6.49%	6.88%	6.53%	6.79%		

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.

57. 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, 2019

	Personal Finance	Corporate Banking	Financial Market	Overseas Subsidiary	Others	Total
Net interest income	\$ 11,452,988	\$ 10,992,038	\$ 1,320,305	\$ 5,439,677	\$ (440,246)	\$ 28,764,762
Net interest income (external)	5,984,570	7,869,972	9,423,835	5,738,405	(252,020)	28,764,762
Inter-segment revenues (expenses)	5,468,418	3,122,066	(8,103,530)	(298,728)	(188,226)	-
Net non-interest income	<u>11,804,532</u>	<u>3,237,157</u>	<u>8,568,498</u>	<u>967,566</u>	<u>(1,907,376)</u>	<u>22,670,377</u>
Net revenue	\$ <u>23,257,520</u>	\$ <u>14,229,195</u>	\$ <u>9,888,803</u>	\$ <u>6,407,243</u>	\$ <u>(2,347,622)</u>	\$ <u>51,435,139</u>
Net profit (loss) before income tax	\$ <u>12,533,945</u>	\$ <u>10,675,139</u>	\$ <u>8,966,787</u>	\$ <u>1,888,133</u>	\$ <u>(9,691,876)</u>	\$ <u>24,372,128</u>

For the year ended December 31, 2018

	Personal Finance	Corporate Banking	Financial Market	Overseas Subsidiary	Others	Total
Net interest income	\$ 11,112,002	\$ 10,472,964	\$ 168,039	\$ 4,579,219	\$ (6,888)	\$ 26,325,336
Net interest income (external)	5,957,026	5,651,440	9,610,686	5,228,309	(122,125)	26,325,336
Inter-segment revenues (expenses)	5,154,976	4,821,524	(9,442,647)	(649,090)	115,237	-
Net non-interest income	<u>10,047,578</u>	<u>2,790,994</u>	<u>7,813,453</u>	<u>64,564</u>	<u>(1,195,556)</u>	<u>19,521,033</u>
Net revenue	\$ <u>21,159,580</u>	\$ <u>13,263,958</u>	\$ <u>7,981,492</u>	\$ <u>4,643,783</u>	\$ <u>(1,202,444)</u>	\$ <u>45,846,369</u>
Net profit (loss) before income tax	\$ <u>11,305,342</u>	\$ <u>10,029,870</u>	\$ <u>6,359,955</u>	\$ <u>1,018,863</u>	\$ <u>(6,576,048)</u>	\$ <u>22,137,982</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>2019</u>	<u>2018</u>
Taiwan	\$ 39,123,947	\$ 35,996,502
Asia	<u>12,311,192</u>	<u>9,849,867</u>
	\$ <u>51,435,139</u>	\$ <u>45,846,369</u>

58. 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: None.
 - 7) Allowance of service fees to related parties amounting to at least NT\$5 million: None.
 - 8) Receivables from related parties amounting to at least NT\$300 million or 10% of the paid-in capital: None.
 - 9) Sale of nonperforming loans: None.
 - 10) Financial asset securitization: None.
 - 11) Other significant transactions which may affect the decisions of users of financial reports: None.
 - 12) The related information and proportionate share in investees: Table 4.
 - 13) Derivative transactions: Note 8.
- c. Information on investments in mainland China: Table 5.
- d. Business relationships and significant transactions among the parent company and subsidiaries: Table 3.

TAIPEI FUBON COMMERCIAL BANK CO., LTD.

OVERDUE LOANS AND RECEIVABLES
DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars, %)

Item		December 31, 2019					December 31, 2018					
		Nonperforming Loans (NPL) (Note 1)	Total Loans	NPL Ratio (Note 2)	Loan Loss Reserves (LLR)	Coverage Ratio (Note 3)	Nonperforming Loans (NPL) (Note 1)	Total Loans	NPL Ratio (Note 2)	Loan Loss Reserves (LLR)	Coverage Ratio (Note 3)	
Corporate loans	Secured	\$ 1,211,058	\$ 177,601,730	0.68%	\$ 2,041,355	168.56%	\$ 512,971	\$ 191,823,786	0.27%	\$ 1,978,548	385.70%	
	Unsecured	605,919	398,196,121	0.15%	5,780,224	953.96%	1,047,609	379,345,823	0.28%	5,592,090	533.80%	
Consumer finance	Mortgage (Note 4)	283,224	416,748,750	0.07%	6,223,997	2,197.55%	348,528	412,056,212	0.08%	6,164,429	1,768.70%	
	Cash card	-	1,585	-	32	-	11	2,446	0.45%	49	445.45%	
	Microcredit (Note 5)	85,996	33,051,998	0.26%	394,500	458.74%	52,312	27,798,268	0.19%	318,822	609.46%	
	Other (Note 6)	Secured	191,913	234,961,880	0.08%	2,467,311	1,285.64%	112,861	201,103,666	0.06%	2,165,679	1,918.89%
		Unsecured	46,311	36,691,445	0.13%	381,280	823.30%	45,339	38,598,716	0.12%	412,684	910.22%
Total		2,424,421	1,297,253,509	0.19%	17,288,699	713.11%	2,119,631	1,250,728,917	0.17%	16,632,301	784.68%	
		Overdue Receivables	Receivables	Delinquency Ratio	Allowance for Credit Loss	Coverage Ratio	Overdue Receivables	Receivables	Delinquency Ratio	Allowance for Credit Loss	Coverage Ratio	
Credit card		46,087	50,293,334	0.09%	312,156	677.32%	38,070	39,946,004	0.10%	315,808	829.55%	
Accounts receivable - factoring with no recourse (Note 7)		-	15,925,424	-	195,027	-	-	19,189,941	-	218,250	-	
Excluded NPL as a result of debt negotiations and loan agreements (Note 8)		31,904					50,809					
Excluded overdue receivables as a result of debt negotiations and loan agreements (Note 8)		66,372					92,625					
Excluded NPL as a result of consumer debt clearance (Note 9)		344,332					854,417					
Excluded overdue receivables as a result of consumer debt clearance (Note 9)		379,585					402,004					

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, 2019
(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 Bank Taiwan Limited	Investments accounted for using equity method	Line Bank Taiwan Limited Preparatory Office	-	-	\$ -	Note 1	\$ 452,755 (Note 2)	-	\$ -	\$ -	\$ -	Note 1	\$ 452,755

Note 1: The investee is in the preparation stage and has not yet issued stocks.

Note 2: Include cost of acquisition and gains recognized under the equity method.

TAIPEI FUBON COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
 FOR THE YEAR ENDED DECEMBER 31, 2019
 (In Thousands of New Taiwan Dollars)

No. (Note 1)	Transaction Company	Counter-party	Flow of Transactions (Note 2)	Description of Transactions			
				Financial Statement Account	Transaction Amount	Transaction Item	Percentage to Consolidated Revenue/Assets (Note 3)
0	TAIPEI FUBON COMMERCIAL BANK Co., Ltd.	Fubon Bank (China)	a	Cash and cash equivalents	\$ 70,503	Note 4	-
		Fubon Bank (China)	a	Other financial assets	3,675,085	Note 4	0.12
		Fubon Bank (China)	a	Due from the Central Bank and call loans to other banks	1,505,605	Note 4	0.05
		Fubon Bank (China)	a	Receivables, net	62,478	Note 4	-
		Fubon Bank (China)	a	Interest income	298,728	Note 4	0.58
		Fubon Bank (China)	a	Deposits from the Central Bank and banks	70	Note 4	-
1	Fubon Bank (China)	TAIPEI FUBON COMMERCIAL BANK Co., Ltd.	b	Deposits from the Central Bank and banks	5,251,193	Note 4	0.17
		TAIPEI FUBON COMMERCIAL BANK Co., Ltd.	b	Payables	62,478	Note 4	-
		TAIPEI FUBON COMMERCIAL BANK Co., Ltd.	b	Interest expense	298,728	Note 4	0.58
		TAIPEI FUBON COMMERCIAL BANK Co., Ltd.	b	Cash and cash equivalents	70	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, 2019

(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	\$ 31,520	\$ 4,680	\$ 780	-	780	3.94	Note 2	
	Taiwan Futures Exchange Corporation	Taipei	Futures exchange and settlement	4,471	1.26	351,839	15,395	10,013	-	10,013	3.00	Note 2	
	Taiwan Asset Management Corporation	Taipei	Purchasing for financial institutions' loan assets	18,000	1.70	211,140	11,700	18,000	-	18,000	1.70	Note 2	
	Taiwan Financial Asset Service Co., Ltd.	Taipei	Auction	10,000	5.88	76,200	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	308,882	32,064	11,876	-	11,876	2.28	Note 2	
	Sunny Asset Management Corporation	Taipei	Purchasing for financial institutions' loan assets	503	8.39	7,018	650	503	-	503	8.39	Note 2	
	Fubon Bank (China)	China	Banking	-	51.00	20,901,690	535,615	-	-	-	51.00	Note 1	
	Taiwan Mobile Payment Co., Ltd.	Taipei	Mobile payment and business	1,800	3.00	7,506	-	1,800	-	1,800	3.00	Note 2	
	Nutmeg Saving and Investment Limited	England	Financial technology	1,470	7.50	489,945	-	1,470	-	1,470	7.50	Note 2	
	Ascentek Venture Capital Corp.	Kaohsiung	Venture capital investment	1,129	4.28	10,872	769	1,129	-	1,129	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	3,088,896	(50,823)	10,936	-	10,936	19.99	Note 1	
	Line Bank Taiwan Limited Preparatory Office	Taipei	Banking	Note 3	25.10	452,755	(49,245)	Note 3	-	Note 3	25.10	Note 4	
	<u>Non-financial related</u>												
	Taipei Rapid Transit Corporation	Taipei	Public transportation										
	Taiwan Power Company	Taipei	Management of power facilities	14	0.0014	119	6	14	-	14	0.0014	Note 2	
Fubon Real Estate Management Co., Ltd.	Taipei	Investigation, consultation, management and real estate evaluation of construction plans	374	0.0011	2,117	-	374	-	374	0.0011	Note 2		
Easy Card Investment Holding Co., Ltd.	Taipei	Issue and research of IC card	6,964	30.00	131,536	21,770	6,964	-	6,964	30.00	Note 1		
Taiwan High Speed Rail Corporation	Taipei	Management of high speed rail	5,108	4.91	52,050	5,436	5,108	-	5,108	4.91	Note 2		
Taiwan Aerospace Corp.	Taipei	Aerospace industry	20,278	0.36	778,660	22,711	52,379	-	52,379	0.93	Note 2		
			1,700	1.25	16,931	850	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, 2019.

Note 2: The investment gain (loss) was the cash dividends recognized for the year ended December 31, 2019.

Note 3: The investee is in the preparation stage and has not yet issued stocks.

Note 4: The investment loss was recognized according to financial statements which were not audited by independence auditors.

TAIPEI FUBON COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company Name	Main Businesses and Products	Paid-in Capital (Note 1)	Method of Investment	Accumulated Outward Remittance for Investments from Taiwan as of January 1, 2019	Remittance of Funds		Accumulated Outward Remittance for Investments from Taiwan as of December 31, 2019	Net Income (Loss) of the Investee (Note 1)	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2019	Accumulated Repatriation of Investment Income as of December 31, 2019 (Note 3)	Note
					Outward	Inward							
Fubon Bank (China)	Banking	\$ 9,079,560 (RMB 2,100,000)	Direct investment in mainland China	\$ 20,258,298	\$ -	\$ -	\$ 20,258,298	\$ 1,435,253 (RMB 320,652)	51	\$ 535,615	\$ 20,901,690	\$ 107,737	

Accumulated Outward Remittance for Investments in Mainland China as of December 31, 2019 (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)	\$ 119,778,547

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, 2019 and the average exchange rate for that period of 2019, respectively.

Note 2: Based on Rule No. 10300002750 approved by the Investment Commission under the Ministry of Economic Affairs on January 6, 2014, the authorized investment amount is US\$743,500 thousand (RMB4,093,113 thousand).

Note 3: The amounts were accumulated from the start date of the investment to the end of the period.

d. Business relationships and significant transactions among the parent company and subsidiaries: Table 3.