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

ANNUAL REPORT

2020

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I. Message to Shareholder

The worldwide spread of COVID-19 has put many economies in a standstill since 2020. As a response to the pandemic, governments and central banks adopted stimulus and expansionary measures of various forms, while the Taiwan central bank followed the United States in reducing long-term and short-term interest rates to the lowest level in history, thereby ensuring abundant liquidity in the money market. According to the Directorate General of Budget, Accounting and Statistics, Executive Yuan, Taiwan's economic growth rate was estimated at 2.98% for 2020, up slightly by 0.27% compared to 2019.

Taipei Fubon Bank has long adopted sustainable growth as its core business principle, and enforced it with robust risk management and compliance practices. In 2020, the Bank highlighted "relationship management, product development/packaging, group synergy, and Greater China Region" as its four main strategic focuses for all business activities, and the strategy paid off despite the ongoing pandemic, delivering growth across all business segments at levels that matched our expectations. Overall, the Bank reported consolidated revenues of NT\$49.7 billion, consolidated net income of NT\$19.5 billion, year-end consolidated assets of NT\$3,286.8 billion, year-end loan balance of NT\$1,635.4 billion, and year-end deposit balance of NT\$2,496.6 billion in 2020. The ROA is 0.62% while the ROE is 8.57%

Below are the outcomes of operational strategies implemented in 2020:

(I) Enhanced customer relationship management

Taipei Fubon Bank adheres to a "customer-centric" philosophy and explores innovation and service improvements with a focus on customers' needs, for which it has earned the strong support and trust of its customers. For the institutional banking segment, the Bank created an Institutional Banking Industry Center and a Commercial Banking Sub-industry Center to support regional SME banking. The industry center placed its focus on growing the SME customer base and capitalizing on customers' supply chain shift to Southeast Asia, which yielded strong results as trade financing volume achieved double-digit growth from the previous year and factoring exhibited above-market growth that further increased the Bank's market share. Taipei Fubon Bank still managed to lead Taiwan's banking sector in syndicated loans amidst challenges of COVID-19, ranking 2nd among private banks. Meanwhile, the Bank continued its relentless support for green energy and exerted financial influence to guide businesses toward sustainability. The Bank has also been fully supportive of the government's policies to combat economic challenges given rise by the pandemic; it approved the highest number of business reliefs among private banks, and in doing so helped Taiwanese businesses through difficult times.

In terms of retail banking, the Bank opened eight new branches in Taoyuan, Yunlin, Tainan, Yilan, Hsinchu and Taitung to further expand financial service coverage, and

coordinated with other subsidiaries of the financial group to bring the most comprehensive range of financial services to local residents. By incorporating new financial technologies and expanding usage scenarios to meet customers' spending requirements, the Bank was able to introduce the market's first bank card that accumulated more than one million issues. The Bank also engaged Nutmeg, the largest smart investment platform in Europe, in an alliance to launch its own smart investment platform called Nano Investment. Today, Nano Investment has helped more than 400,000 people customize investment plans for their dreams, gave more than 20,000 investors access to global investment, and grew services to digital accounts across all categories. In 2020, the platform had 1.95 million active digital accounts and saw a 900% increase in the opening of new digital deposit accounts. This increase in digital banking customers presented opportunities to cross-sell innovative products and services between customer segments. In terms of wealth management and mortgage, the Bank ranked 3rd in the market for personal insurance and 2nd in the market for investment-linked insurance, and accumulated NT\$639.8 billion of mortgage balance and NT\$41.1 billion of personal loan balance that represented a 9% and 24% growth, respectively, over 2019. Overall, business growth had been consistent and progressive.

(II) Enhanced product development and packaging

Driven by rapid changes in the banking environment and inspired by new innovations, the Bank completed Taiwan's first experiment for "blockchain interbank transfer and payment application" and received commendation from the authority for "demonstrating spirit of experimentation that is responsible, creative, and in line with future trends." In the meantime, the Bank cooperated pro-actively with Taipei City Government to create a smart payment platform called "Pay Taipei" that integrates multiple payment services for various categories of expense, and optimized features of Fubon credit cards as payment tools. A new J POINTS card offering unlimited cash back at 3% on "JUST LINE UP" was launched during the year; the joyful usage experience, diverse scenarios, and comprehensive services it provides helped stimulate spending growth, and the card alone accumulated single-month spending of more than NT\$30 billion in December 2020 that was unprecedented in the bank's history.

Year 2020 also marked the official commissioning of Nano Investment after passing the Financial Supervisory Commission's financial innovation tests and reviews on June 8. The platform provides investors of different risk attributes and investment goals low-cost and low-barrier access to user-friendly yet professional and globally diversified asset allocation service. Nano Investment currently has more than NT\$1.4 billion of assets under management; it not only represents the Bank's mission to "make banking a part of everyday life," but also showcases the Bank's industry-leading product vision and development capabilities. Furthermore, as a response to the government's disease

prevention policy, the Bank contributed its banking and digital technology expertise to disaster relief, for which it was ranked first by the Financial Supervisory Commission for Proprietary and Public Disaster Relief Program - Efficiency, and claimed first place among private banks in both stages of the two-stage review process.

(III) Expanded group synergy and the banking ecosystem

The group's diverse business involvements from banking, telecommunication, e-commerce to entertainment allows resources to be integrated to create new business models aimed towards customers' needs, financial services that fit customers' lifestyles, and new commercial practices specifically for digital customers. In November 2019, the Bank cooperated with momo.com to issue co-branded credit cards exclusively for momo members. More than 400,000 of the co-branded card were issued in 2020, making it the top e-commerce co-branded card for the year. The Bank has been cooperating with Taiwan Mobile, Fubon Asset Management, Fubon Insurance, Fubon Life, and LINE PAY since 2018 to create an ecosystem of strategic partners. By combining the LINE account with big data and AI technologies, the Bank aims to connect a greater number of merchants to further expand the consumer banking ecosystem, while at the same time introduce diverse, convenient, and practical payment solutions that promote use of financial services, customer attachment, and overall competitiveness.

(IV) Overseas expansion and coordination within the Greater China Region

After acquiring Fubon Bank (China) in 2014, a Ningbo Branch was created under the subsidiary followed by 27 offices located in various parts of the Mainland where Taiwanese businesses clustered. Not only does Fubon Bank (China) have the highest branch count and is the only fully licensed bank among Taiwanese banks in the Mainland, it was also the first Taiwanese bank to issue credit cards in the Mainland after being granted the approval to provide credit card services. Fubon Bank (China) offers a strong customer base comprising large number of Taiwanese businesses and expatriates, and through full-scale business collaboration with Taipei Fubon Bank, bridges were formed to facilitate flow of capital and banking services between Taiwan, Hong Kong, and the Mainland. This collaborative network helped create an efficient cross-border banking ecosystem and established Fubon Bank (China) as the preferred brand of cross-border banking service. Furthermore, the Bank was granted the approval to set up a representative office in Australia as an extension of financial services to overseas customers. This office will contribute to the development of a more comprehensive financial service network, allow better coordination of the Bank's overseas services, improve operating efficiency in

Asia, and open up overseas establishments in the future.

In addition to committing to the 361-degree service spirit, the Bank is also dedicated to fulfilling its sustainability vision. The Bank's ongoing pursuit for improved financial service has been rewarded with "i-service survey- Bank Category-Gold Award" from Commercial Times for two consecutive years; in terms of product innovation, the Bank received commendations from Business Today, The Asset, Global Finance, and many other professional institutions and media local and abroad for being "Best Private Bank," "Digital Banking Services of the Year - Taiwan," "Taiwan - Best for Asset Management," "Best Digital Wealth Management Experience," "Best Digital Robo-Advisor," "Best Credit Card Offering Taiwan," "Top-performing Bank in Property Trust Service for Elders and Persons with Disability," and "Best Disease Crisis Response Team."

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 0.16% and NPL coverage ratio of 777.78%, and capital adequacy ratio sound at 16.47%. Credit rating agencies local and abroad have all awarded the Bank with favorable ratings and stable outlook for its diversified business activities, adequate risk management, reliable source of capital, and strong liquidity.

| Name of rating agency | Long-term rating | Short-term rating | Outlook | Date of rating |
|---------------------------|------------------|-------------------|---------|----------------|
| Moody's Investors Service | A2 | P-1 | Stable | 2020.12.25 |
| Taiwan Ratings Corp. | twAA+ | twA-1+ | Stable | 2020.04.29 |
| S&P Global Inc. | A- | A-2 | Stable | 2020.04.29 |

2021 Business plans

The world is expected to begin recovering from COVID-19 in 2021, and given the current level of fiscal incentives and expansionary measures, and central banks' expectations to remain interest rates unchanged, we are likely to see a mild recovery in the global economy. There has also been a restructuring of the global supply chain, and increased demand for new wealth management solutions from high net worth customers caused by government incentives to attract overseas capital back into Taiwan. To capitalize on these trends, Taipei Fubon Bank will take pro-active steps to adjust assets and liabilities, expand overseas, explore new customer-sourcing business models, anticipate regulatory and market changes, and maximize cross-sale synergy among group subsidiaries. By incorporating the "customer first" mindset into every aspect of management, we hope to

introduce new strategies and differentiated experience that would help sustain profitability amidst uncertainties in the post-pandemic era.

(I) Adjustment of asset/liability structure

The Bank plans to mitigate impact of the low-interest environment by making effective adjustments to its asset and liability structure. These adjustments will emphasize on shifting towards institutional customers and selected industries, and are aimed to increase loan balance to institutional borrowers by capitalizing on capital expenditures of large corporations and financing requirements of returning Taiwanese businesses. In the meantime, the Bank will develop a highly efficient credit factory model to help grow its SME portfolio, and make use of available data and technologies to source customers more precisely for its consumer lending service. Lastly, the Bank will strive to build up foreign currency assets with optimal risk-return profile for additional interest income and profits.

(II) Expansion of overseas presence and opportunities

The Bank will closely monitor opportunities in supply chain shift and expand overseas presence after carefully assessing growth prospects against risks. Resources of overseas subsidiaries and offices will be coordinated to grow business and engagement in local markets, and to support future expansions in terms of overseas presence and assets. An overseas wealth management and gold trading platform will be created to support financial advisory services of overseas branches, including new consumer banking services that are scheduled to commence in Vietnam. This addition will provide the Bank with the diversity needed to offer total solutions for its customers.

(III) Innovative business model for more efficient customer sourcing and cross-selling

Using technology and data as the foundation, the Bank aims to cooperate with business partners on the development of an ecosystem supported by new financial service models and digital customer management strategies for more efficient customer sourcing and cross-selling. By cooperating with businesses from different industries, the Bank will expand its B2B2C model to cover more diverse digital lifestyles and scenarios so that participants may explore customers to their own benefit, while at the same time contribute to increasing credit card and payment service users at low acquisition cost. The Bank will adopt big data analysis for more precise identification of customer segments and needs, so that marketing and cross-selling efforts can be differentiated to achieve greater yields and strengthen customers' loyalty.

(IV)Capitalizing on regulatory and market changes

Not only has the Bank developed a broad variety of exclusive investment products in response to the government's support for the upgrade of the financial industry, it also cooperates with trust and insurance affiliates for the creation of a professional asset management platform aimed at growing the size of high net worth customers, professional investors, and assets under management. Return of overseas capital and Taiwanese businesses presents investment and financial advisory opportunities, as deregulations open up new business models for wealth management service. Following the enactment of new insurance regulations, the Bank will be adjusting its insurance product strategy to make investment-linked policies more attractive to consumers, while at the same time promote protection-oriented whole life insurance through trust and develop high-end health insurance products to satisfy customers' needs for insurance protection and retirement/inheritance planning.

(V) Cross-sale synergy through other group subsidiaries

The Bank will strive to work outside of product and service limitations by engaging other subsidiaries of Fubon Group in cross-selling activities, and increase product/service penetration for the benefit of both parties. Through more productive interactions with Fubon Bank (China), the Bank aims to strengthen relationship with Taiwanese businesses and expatriates, coordinating financial services in Taiwan and the Mainland to help customers source the needed capital for improved financial flexibility.

(VI)"Customer first" mindset in all aspects of management

Taipei Fubon Bank will continue to enforce its integrity culture and fair customer treatment practices by adopting a "customer first" mindset in all aspects of management, from sales personnel, sales practices to sales procedures. This mindset will provide the foundation for a self-adjusting and preventive risk management culture.

Taipei Fubon Bank will continue to optimize and adjust operational strategies with a focus on talent development in 2021, and introduce appropriate levels of agility into organization, project management, and strategic thinking to inspire innovations for further growth to core business activities. Aside from financial talents, the Bank also seeks to recruit talents from other fields of expertise in order to gain access to future financial technologies and associate them with existing products and services to deliver new customer experience. By making financial services readily available in everyday life, we live up to our promise of

inclusive finance. As green finance emerges to become a global trend, Taipei Fubon Bank will work in line with government policies and exert financial influence to support growth and financial stability of the green energy industry. The Bank will also adopt new international capital requirements and embrace its responsibilities in the domestic banking system by maintaining optimal capital efficiency, adequacy, and balanced risk. Our commitment to compliance, integrity, fair customer treatment, and environmental protection serves as the principle for everything we do with respect to corporate social responsibilities and sustainability. In the future, we shall continue bringing full range of financial services to the public and creating values for shareholder, customers, and the society, and strengthen the value of Fubon's brand among consumers.

II. Corporate Profile

1. Introduction

| Item No. | Date | Bank history |
|----------|-------------------|---|
| 1. | April 21, 1969 | The Bank was founded 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 service 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 on July 1, 1984. |
| 2. | January 01, 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. |
| 3. | 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 in support of the government's policy to privatize state-owned enterprises. |
| 4. | November 30, 1999 | The Bank was officially privatized. |
| 5. | December 23, 2002 | To facilitate long-term business development, the Bank became a 100%-owned subsidiary of Fubon Financial Holding and terminated its listing on TWSE the same day. After acquiring Taipei Bank, Fubon Financial Holdings 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. |
| 6. | January 01, 2005 | After two years of coordination, Taipei Bank and Fubon Bank were merged 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 expanded profit potentials for Fubon Financial Holding, but signified a monumental milestone in the development of Taiwan's banking |

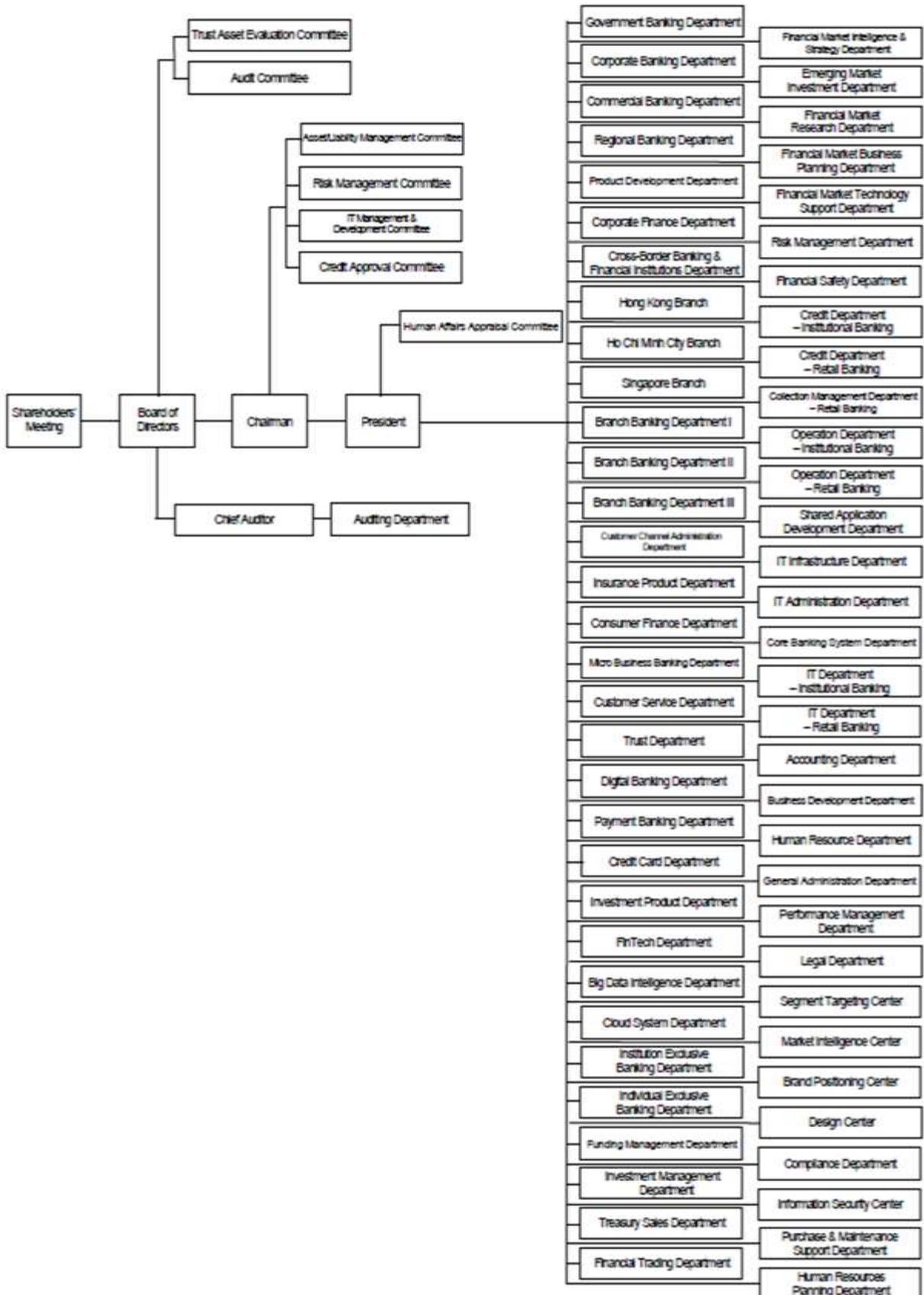
| | | |
|-----|--------------------|--|
| | | history as well. |
| 7. | December 25, 2006 | Fubon Bills used to be a 100%-owned subsidiary of the Bank, but in order to maximize synergies within the financial group, Fubon Bill was merged into the Bank, which successfully resolved the overlap of bills financing service between the two entities. |
| 8. | June 2008 | The Bank established Ho Chi Minh City Branch in Vietnam. |
| 9. | March 06, 2010 | The Bank acquired the Hanoi Branch and Ho Chi Minh City Sub-branch from Chinfon Bank, 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. |
| 10. | September 21, 2010 | Fubon Insurance Agency Co., Ltd. used to be a 100%-owned subsidiary of the Bank; during the board meeting held on this day, 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. |
| 11. | December 31, 2013 | The Bank acquired a 10% equity interest in Fubon Bank (China) |
| 12. | January 07, 2014 | The Bank increased its equity interest in Fubon Bank (China) to 51%, gaining control and making Fubon Bank (China) a subsidiary of the Bank. |
| 13. | May 21, 2015 | The Bank received permission from the Monetary Authority of Singapore to establish the Singapore Branch. The branch later opened for business on March 14, 2016. |
| 14. | April 29, 2016 | Taipei Fubon Bank Life Insurance Agency Co., Ltd. used to be a 100%-owned subsidiary of the Bank; it was merged into the Bank for synergistic benefits and resource integration. |
| 15. | January 06, 2016 | The Bank received permission from the Banking Bureau, Financial Supervisory Commission to close its LA Branch; the actual closure of LA Branch took place on June 30, 2016. |
| 16. | October 12, 2017 | The Bank received permission from the Banking Bureau, 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. |
| 17. | December 26, 2019 | The Bank received approval from Financial Supervisory Commission to incorporate a 100%-owned subsidiary named TFB Capital Co., Ltd., which was granted the permission to commence business on December 9, 2020. |
| 18. | April 22, 2019 | The Bank received approval from Financial Supervisory Commission to establish Sydney Office in Australia. |

2. Organizational Structure

(1) Organization

Taipei Fubon Bank Organizational Chart

2020.11.23



(2) Board Members and Supervisors

| Title | Name | Background and Education |
|--|-----------------|--|
| Chairman (Representative of Fubon Financial) | Eric Chen | CTBC Financial Holding Co., Ltd. - President CTBC Bank Co., Ltd. - President Responsible Person, Taiwan of CitiGroup MBA, University of Missouri |
| Standing Director (Representative of Fubon Financial) | Daniel M. Tsai | Fubon Financial Holding Co., Ltd. - Chairman Fubon Insurance Co., Ltd. - Chairman Fubon Land Development Co., Ltd. - Chairman LL.M., Georgetown University |
| Standing and Independent Director (Representative of Fubon Financial) | Cheng-Chuan Fan | Financial Examination Bureau, Financial Supervisory Commission - Deputy Director General Bureau of Monetary Affairs, Ministry of Finance - Secretary General Bachelor of Law, National Taiwan University |
| Standing and Independent Director (Representative of Fubon Financial) | Terry King | 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 |
| Independent Director (Representative of Fubon Financial) | Alex H. Hu | 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 Bachelor of Statistics, National Chengchi University |
| Independent Director (Representative of Fubon Financial) | Chia-Ji Teng | Taipei City Deputy Mayor Chinese Sustainable City Development Education Foundation - CEO Institute of Environment and Resources, Environmental Protection Administration, Executive Yuan - Director and CEO New Taipei City Government Department of Environmental Protection - Commissioner Ph.D. in Environmental Engineering, University of California, LA Master of Civil Engineering, National Cheng Kung University |
| Independent Director (Representative of Fubon Financial) | Jerry Chen | DBS Bank Taiwan - General Manager Ta Chong Bank - President Citibank Taiwan - Head of Corporate Banking, Head of Financial Peers, Head of SME, and Head of Global Market Institute of Management Science, National Chiao Tung University |
| Director (Representative of Fubon Financial) | Yu-Hung Lin | Taipei City Government - Vice Secretariat Taipei City Government - Counselor Financial Supervisory Commission - Counselor Ph.D. in Economics, Newcastle University Business School Master of Finance, National Taiwan University |
| Director (Representative of Fubon Financial) | Roman Cheng | 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 |
| Director (Representative of Fubon Financial) | Jerry Harn | Taipei Fubon Commercial Bank Co., Ltd. - President CTBC Bank Co., Ltd. - Senior Vice President Citibank Taiwan Taipei Branch - Vice President M.B.A., The Ohio State University |
| Director (Representative of Fubon Financial) | Pei-Hwa Liang | Taipei Fubon Commercial Bank Co., Ltd. - Supervisor, Head of Consumer Banking Fubon Bank (Hong Kong) - Director and President Citibank, N.A - Deputy Director MS in Operations Research, Case Western Reserve University |
| Director (Representative of Fubon Financial) | Kun-San Lin | Taipei Fubon Commercial Bank Co., Ltd. - Supervisor, Vice President Xiamen Bank Co., Ltd. - Branch Manager Ph.D in Economics, Nankai University |

| Title | Name | Background and Education |
|--|-----------------|---|
| | | Master of Finance, National Taiwan University |
| Director (Representative of Fubon Financial) | Hsien-Long Chiu | Fubon Financial Holding Co., Ltd. - Executive Vice President/Chief Auditor Taipei Fubon Commercial Bank Co., Ltd. - Executive Vice President Taiwan Financial Asset Service Corp. - Director Fubon AMC, Ltd. - Director Fubon Real Estate Management Cp., Ltd. - Director Master of Commercial Automation and Administration, National Taipei University of Technology |

Note 1: Service of the Bank's 14th board of directors began 2020.06.12 and ends 2023.6.11.

Note 2: Service of Madam Hsiu-Hui Yuan as director of the Bank's 13th board ended on 2020.06.12. Service of Mr. Yuan-Chi Chao as director of the Bank's 13th board ended on 2020.06.12. Mr. Tsan-Ming Shih resigned from service as director of the Bank's 14th board on 2020.08.20.

(3) Major Shareholder of Major Institutional Shareholder

| Institutional Shareholder | Major Shareholders of Institutional Shareholder |
|---------------------------------|---|
| Fubon Financial Holding Company | <ol style="list-style-type: none"> 1. Taipei City Government , 2. Ming Dong Co. Ltd., 3. Dao Ying Co., Ltd., 4. Richard M. Tsai, 5. Daniel M. Tsai, 6. Hung Fu Investment Co., Ltd., 7. New Labor Pension Fund, 8. Chung Shing Development Co., Ltd., 9. Labor Insurance Fund, and 10. Citibank (Taiwan) in its capacity as Master Custodian for Investment Account of GIC Ptd Ltd. (Singapore) |

Note: The table is prepared based on the most recent book closure date as of July 3, 2020.

III. Business Operations

1. Business Information

(1) Business Segments

| Business category | Main business activities |
|-----------------------|---|
| Institutional banking | Includes corporate banking, international banking, institutional trust, and public treasury services. |
| Retail banking | Includes wealth management, consumer banking, and personal trust service. |
| Financial markets | Includes capital management, investment management, treasury transaction, and treasury solutions service. |
| Overseas subsidiaries | Business activities performed by subsidiary - Fubon Bank (China). |

(2) Breakdown of Total Revenues

| Business category | Weight of business activities | |
|-----------------------|-------------------------------|------|
| | 2019 | 2020 |
| Institutional banking | 28% | 25% |
| Retail banking | 45% | 44% |
| Financial markets | 19% | 23% |

| | | |
|-----------------------|------|------|
| Overseas subsidiaries | 12% | 13% |
| Others | (4)% | (5)% |

(3) Growth and change of main business activities

The worldwide spread of COVID-19 has put many economies in standstill since 2020. As a response to the pandemic, governments adopted stimulus and expansionary measures of various forms, while NTD followed the United States in interest rate cuts to ensure abundant liquidity in the money market. Nevertheless, the Bank still managed to deliver strong business performance by adhering to a customer-oriented philosophy supported by innovative offerings and refined services.

A. Institutional banking:

- (1) Deposits grew in the institutional banking segment; percentage of demand deposits increased as a result. A multitude of deposit products were introduced in response to market changes and in support of the government's efforts to attract capital back into productivity investments in Taiwan. After upgrades were made to the core banking system, the Bank now has the complete funding functions to help customers move capital with greater flexibility
- (2) The Bank has been able to monitor and respond to market changes by launching financing solutions that provide the level of flexibility needed by customers. Overall, loans to SMEs grew by double digits compared to the previous year.
- (3) The world suffered significant loss in trade volume due to the pandemic and the ongoing trade conflict between USA and China. Taiwan, however, reported positive export growth due to excess demand for electronics, which in turn contributed to increased trade financing balance in the Bank's institutional banking segment. The Bank continued growing its SME customer base and capitalizing on customers' supply chain shift to Southeast Asia throughout the year, which yielded strong results as trade financing volume achieved double-digit growth from the previous year and factoring exhibited above-market growth that further increased the Bank's market share.

B. Retail Banking Business:

- (1) Added 8 more branches in Taoyuan, Yunlin, Tainan, Yilan, Hsinchu and Taitung to expand the coverage of and enhance our financial services and to develop branches with features of communities for deepening local finance. Optimized functions on the internet banking platform and users' experience and joined with LINE OA for providing much more precise and convenient financial services to the community of digital clients.
- (2) Many domestic financial institutions introduced financial advisory/investment consultation bots in 2020 in an attempt to make financial services more accessible to investors, which further intensified competition in the market. The Bank's digital investment platform provide investors of different risk attributes and investment goals low-cost and low-barrier access to user-friendly yet professional and globally diversified asset allocation service.
- (3) Wealth transfer and trust are two distinctive trends of wealth management service, and Taipei Fubon Bank has a team of trust experts available to assist customers with personal wealth transfer and tax planning. Depending on customers' needs, the trust team presents customized money trust, shareholding trust, nursing trust, and inheritance plan to help customers transfer assets across generations.
- (4) With high net worth customers, the Bank has assembled a Diamond Team of senior

private bankers supported by experts from different fields of expertise to provide customers with differentiated products, services, and inheritance plans that suit their needs. An offshore investment platform is also being constructed to provide customers with total solutions on asset and liability management.

- (5) Our strategy for the growth of mortgage business emphasis on both purchased house and the non-purchased one, the operation of mortgage business is targeting on groups of good customers and commercial zones in urban areas and by providing high-quality customers the scheme to convert the housing loan into special project as promoted, the business of the non-purchased house loan might have grown.
- (6) Compared with the previous year, the individual credit business has achieved double-digit growth, as we have provided special schemes that targeted different groups of customers through the segment promotion, which has satisfied the demands of different groups of customers and enhanced the competitiveness of our products.
- (7) 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 has the potential to be applied in scenarios such as cross-border remittance and supply chain financing in the future.

C. Financial Market Business:

- (1) The ongoing trade conflict between the USA and China combined with geopolitical disputes in the world gave rise to financial uncertainty, causing capital to be allocated to low-risk assets. Government bond yields of Taiwan and other major countries fell as a result. World's major central banks turned towards expansionary policy in the second half of 2020 as negative impacts of the China-USA trade war continued on the real economy. Credit spread narrowed as a result, while bond prices rose to deliver significant capital gains. As a response, the Bank continued to closely monitor fluctuations in the credit market and make dynamic adjustments to maintain credit quality and medium-/long-term spread of its holding positions. Technological competition between the USA and China has sparked new crisis in the industry, whereas COVID-19 raised market risk overall, and the Bank has been building up positions of top-performing shares at the right timing for additional profitability.
- (2) Owing to Taiwan's effective disease prevention efforts, expanding economy, and inflow of capital from overseas Taiwanese enterprises, there had been increased demand among customers to sell USD, and the Bank had capitalized on this trend by offering favorable quotes and anticipating customers' exchange needs as well as USD movements, which ultimately resulted in profits. Meanwhile, the NTD debt market exhibited higher level of activity compared to the previous year, as an increasing number of businesses took syndicated loans as a means to hedge against exchange rate risk. NTD bonds had benefited from a worldwide interest rate reduction; the rapid fall in bond interest rate created opportunities for traders to gain from trading.
- (3) The COVID-19 pandemic posed uncertainty to customers' operations and increased volatility in the financial market. As a result, customers still favored low-risk products in their purchase. FED's rate cuts in the first half of the year caused a drastic fall in the USD interest rate, which the Bank responded by adopting a more conservative approach with respect to product design and launching new products that aimed to address customers' needs for better investment returns. Furthermore, a broad diversity of products were offered to investors of different risk attributes and needs.

D. Overseas Subsidiaries:

- (1) Fubon Bank (China) has made pro-active efforts to perfect corporate governance and enhance risk management, and managed to expand the size of its operations at the

same time. The subsidiary had its entity credit rating upgraded to AAA by China Chengxin International Credit Rating, long-term credit rating maintained at BBB+ by S&P, and long-term credit rating maintained at Baa1 by Moody's in 2020. During the annual "Golden Investment Awards" organized by Shanghai Securities News, the subsidiary's Privilege 1 series offerings were awarded Outstanding Fixed Income Product of the Year.

- (2) 2020 marked the initial year of credit card service for Fubon Bank (China). In November, the subsidiary cooperated with China Eastern Airlines and VISA to issue a China Eastern Airlines co-branded card, which was also the airline's first co-branded card with a Taiwanese bank. From product design to cardholder's privileges, the co-branded card has been developed with the needs of Taiwanese expatriates in mind, and is intended to make their working lives easier in the Mainland.

2. Business Strategies and Business Plans

(I) Business Plans

Operational plans for 2021

The banking industry is presented with a multitude of challenges and uncertainties in 2021 not only from the COVID-19 pandemic, but also from competition of new financial technologies and online-only banks. For banks that are still involved in conventional services, the key to overcoming the competition lies in their ability to effectively integrate resources and develop innovative products and service models to the mutual benefit of banks and customers. As a response to these new challenges, the Bank will focus on "integrating group resources and offering unique services to customers' needs" as the main strategy for securing earnings growth in 2021. This strategic focus will be enforced in various business segments in the manners described below:

A. Institutional Banking Business:

- (1) Focus on target customers, continually improve service quality and efficiency with customers' needs in mind, and support customers through changes of the global landscape. Enhance industry specialization and anticipate financial needs and opportunities following market changes; assemble a consultative sales team to plan unique and out-of-the-box financial solutions for customers; and enhance service value for strengthened customer relationship and attachment.
- (2) Capitalize on the inflow of capital from returning Taiwanese enterprises by supporting plant construction/expansion needs; target industrial zone tenants and aim to increase penetration of regional customers for additional market share. Enhance customer referrals between group subsidiaries and utilize Fubon Bank (China) as a cross-strait financing platform and contributor to customers' financial flexibility.
- (3) Create a supply chain financing platform using blockchain technology to address issues such as information asymmetry and high cost of trust that are prevalent in conventional supply chain financing. By engaging all parties in a supply chain on the same platform, the Bank is able to ensure the authenticity of transactions and help SMEs gain access to more convenient and diverse range of financial services.

B. Retail Banking Business:

In the era of digital economics, emerging technologies such as big data, cloud computation and machine learning, etc., developed rapidly. Concurrently, the rise of internet-only banks has allowed customers to perform any banking business through the internet; nevertheless, to establish an integrated customer experience, the integration of online and off-line channels shall be an issue that required serious consideration in this

digital age. To compete with online-only banks, Taipei Fubon Bank will devote greater attention to online-offline integration in 2021, combining Internet banking, branch network, existing channels, and the current ecosystem to bring financial services to its vast number of customers in every lifestyle scenario.

- (1) Electronic payment services have prospered in Taiwan in recent years to the point that service providers are pouring significant resources into advertising and marketing in an attempt to win customers over. Taipei Fubon Bank will approach this competition in 2021 by creating new payment scenarios and building an exclusive ecosystem around its own payment service. The Bank will also explore solutions to link digital deposit accounts with various platforms for broader customer reach. Through integration of group resources and referrals from digital customers the Bank aims to bring in new digital deposit accounts and create additional group synergies. The Bank will also tap into LINE's extensive social network by supporting LINE Pay with Fubon's payment service, and thereby create Fubon's own payment ecosystem.
- (2) The competition in the market of credit cards continues to intensify, as the otaku economy is becoming a rage and the payment behavior of Taiwanese people has changed, our credit card business, therefore, formed a strategic affiliation with the Momo shop and Line Pay, which targeted the spending habits and the scenario of Taiwanese people, and focusing on the collaboration between e-commerce platform for online shopping and contactless payment tools; we also put importance on the digital acquisition of customers to speed up the enlargement of our customer base. By implementing the payment application of LINE Pay and providing channels of more diversified and convenient to earn and redeem points, we are able to expand the payment applications and create an ecosystem of life and finance.
- (3) Meet the retirement and inheritance needs of elders and high net worth consumers by introducing suitable insurance, investment, and trust products/services. Aim to satisfy customers' needs throughout different stages in life and improve service experience during the process.
- (4) Target the needs of high net worth customers, and coordinate expertise across group subsidiaries and strategic partners to provide total solutions that help high net worth customers respond to changes around the world. In light of the world's rising anti-money laundering awareness, the Bank will adopt tighter control over its business activities to ensure that high net worth customers' needs are met without compromising compliance.
- (5) Optimize the loan application process of mortgage and credit loan for more convenient digital banking experience and adopt the use of service bots supported by an expanded credit sales team to quickly identify customers' capital requirements.

C. Financial Market Business:

- (1) Through flexible allocation during adjustment period with consideration of changes in market interest rates, and the liquidity, we enhance the effectiveness in the usage of surplus funds and seek to issue bonds, as to disperse and reduce capital costs, also emphasize on asset quality and income; incorporate ESG values as a commitment to responsible investment; and build up medium-/long-term positions with a focus on assets of strong fundamentals.
- (2) In response to the different investment needs of customers, we have strengthened the collaboration with the product design team and enhanced our ability to create products, for providing our customers with different options of diversified products; we were dedicated to create a proprietary electronic trading platform that delivers optimized trading experience to customers.

D. Overseas Subsidiaries

Fubon Bank (China) will continue its four strategic goals of "strengthening relationship with Taiwanese enterprises, organizational adjustment, innovative retail, and smart digital transformation," and integrate group resources to provide cross-strait services in unison. In addition to expanding assets and liabilities, actions will also be taken to adjust balance sheet structure, control cost of deposit, and grow credit portfolio with caution. The subsidiary aims to shift its focus towards business activities of low capital requirement and improve professional capabilities as an investment bank in order to provide Taiwanese enterprises with diverse solutions. With the support of retail innovations and robust IT infrastructures, the subsidiary will build on top of its advantage as the first credit card issuer among Taiwanese banks to bring more advanced banking innovations and more convenient services, thereby keep making Fubon Bank (China) the "preferred bank for Taiwanese enterprises and the fastest growing sales platform for Fubon Group."

(II) Market analysis

A. Coverage of banking services

Institutional banking:

Taiwan is one of the major regions for sales and services of institutional banking products, to fulfill customers' demands for cross border finance, we have made good uses of the Bank's overseas deployment and the advantages from integration of domestic and overseas resources, for providing clients with comprehensive cross border service; concurrently, we carefully developed non-Taiwanese customers, continued to enhance the advantages of our 5 overseas branches in Hong Kong, Vietnam and Singapore, and focused on market and customer services within the region.

Retail banking:

Taiwan is our major service region, where we have 132 branches on locations nationwide. In order to satisfy our overseas customers, we have deployed and developed step-by-step the services of personal financial property management, in accordance with local conditions of financial supervision in Hong Kong and Singapore.

B. Future market supply, demand, and growth

The global economy should recover in 2021 as COVID-19 vaccines become available; however, there remains a concern of ongoing geopolitical and trade disputes around the world. Faced with difficult challenges, the Bank will continue seeking growth by adopting a customer-centric focus, and strive to meet the needs of the market and customers across all segments while maintaining rigorous control over business risks.

(1) Institutional banking

- a. Market interest rate will remain low at the COVID-19 level, which presents opportunities to expand demand deposits. NTD deposits have increased further due to NTD's higher interest rate relative to USD; given the current interest rate and exchange rate trends, the current portion of foreign currency deposits is likely to increase.
- b. The ongoing China-USA trade war combined with the COVID-19 pandemic has prompted businesses to reduce dependency on China. Returning Taiwanese enterprises, southbound expansion, and the government's support for green energy investments, rebuild of hazardous/dated buildings, urban renewals etc. all indicate the market's strong desire to invest, which translates into increasing capital

requirements.

- c. There remain uncertainties about the future of COVID-19, which may affect international trade. Nevertheless, there is without a doubt that digital transformation has become the top priority for businesses seeking to adapt to the post-pandemic era.

(2) Retail banking

- a. Due to the success in preventing the outbreak of disease, the annual GDP has raised 2.98% in 2020, the rate of growth in 2021 is estimated as 3.68%, the consumer confidence index is continuously increasing, whereas the economy is recovering, and the private consumption is expected to increase 4.51% in comparison to that of the previous year; though the pandemic is still in effect and the effectiveness of vaccine remained uncertain, the market of consumption loans has shown slight increasing with stableness.
- b. The population of Taiwan is aging at a very fast rate, and being an aged society raises consumers' awareness towards retirement and inheritance planning. FSC has high hope for Trust 2.0 to become the solution for pension planning and security as life expectancy increases. FSC has also made plans to introduce e-trust as a means to simplify current processes for improved efficiency. The more channels consumers have for making mobile insurance applications and premium payments, the easier it is to simplify the insurance application process for higher efficiency.
- c. The Taiwanese people are generally conservative about their investments, with real estate, deposit, savings insurance, and fixed income products making up the majority of their portfolios. Considering reductions in deposit rate combined with strengthened NTD against USD has attracted investors to buy into USD-denominated, globally diversified Nano Investment products. These offerings present strong growth potentials as they meet most people's expectations for wealth accumulation.
- d. The market share of traditional bank account transfer and payments is about NT\$ 678 trillion, making up a huge blue ocean business opportunity of the current payment market, it is observed that the accumulated amount of spending and payment by cash in recent years has reduced by NT\$ 1 trillion; concurrently, the otaku economy is still in a rage, the penetration rate of mobile payments used by Taiwanese people has exceeded 60%, the industry has been actively cooperating with well-known e-wallet players for developing diversified payments scenario, whereas the Bank continues to use technology for developing diversified online banking service. Achieving the objective of “Life is finance, finance is life,” through the creation of a new blue ocean strategy for payments, to fulfill the needs for contactless payments by more groups of customers.
- e. The worldwide spread of COVID-19 has caused anxiety and helplessness among elderly high net worth customers, making them more aware of issues concerning business succession and wealth transfer. In the last couple of years, local banks and competing peers have been approaching private banking customers mainly by offering customized investment plans and exclusive privileges, but in the future, solutions that incorporate other aspects of the financial ecosystem, such as preventive medicine, smart healthcare, and insurance, will undoubtedly meet the expectations of high net worth customers.

(3) Financial market banking

- a. The worldwide spread of COVID-19 has put many economies in a standstill since 2020. As a response to the pandemic, governments adopted stimulus and expansionary measures of various forms, while NTD followed the United States in interest rate cuts to ensure abundant liquidity in the money market. The large scale of fiscal stimulus packages in the US and the extensive infrastructure establishment program that might be released by the new government has raised the expectation of inflation, as the long-term interest rates have rebounded sharply at the beginning of the year, the curve of short-term interest rates in 2021 is expected to keep flat; nevertheless, as the curve of long-term interest rates tends to go steep, which will help to build more asset positions to increase income from interest margin.
 - b. While interest rates may rise due to increased debt offerings and syndicated loans, supply of capital should remain abundant in Taiwan. USD is expected to remain weak given the current level of interest and U.S. fiscal deficit, causing capital to pour further into emerging markets. Meanwhile, news of the pandemic will distract the market, causing significant volatility from time to time.
- (4) Overseas subsidiary
- a. The Mainland government's real estate control measures remain, and in some areas, banks will continue to be subjected to mortgage restrictions. While these measures are likely to put an end to the highly leveraged growth of the real estate market, they facilitate growth of asset management service over the long term. Fubon Bank (China) has long depended on its relationship with reputable developers and agents of various locations for growth of its mortgage portfolio, and will continue exploring and adding new channels.
 - b. With regards to digital transformation of the banking industry, policy makers in the Mainland have made digitalization, AI-assisted service, financial technology, and inclusive finance part of the "14th 5-year plan." As for the local banking industry, it is common for banks to work with external channels and global partners on cross-profession and cross-scenario solutions, and introduce them seamlessly into users' lives and work through banking services and channels. These collaborations provide additional reach to customers and form the foundation for future digitalization efforts.

C. Competitive advantage

(1) Institutional banking:

- a. By upgrading the online loan platform and incorporation of big data and AI technologies, database connection has been established between the SME financing platform and the credit guarantee fund to simplify application procedures and to improve efficiency of data transfer.
- b. With the support of a new banking system, the Bank is able to create an international funding platform that helps customers source capital locally and abroad at greater efficiency in order to capitalize on business activities.
- c. The Bank adopts third-party authentication and integrates key logistics data to enhance the authenticity of trade financing transactions while at the same time simplify the disbursement process. Using financial technologies, the Bank is able to improve process efficiency, lower operating costs, and develop trade-based digital

services to help SMEs improve the competitiveness of their imports and exports.

- d. The Bank has the advantage to integrate resources within the financial group and establish alliance with participants of different industries, and thereby expand the scope of service to customers and generate income from cross-selling activities.

(2) Retail banking:

- a. In the short run, the global monetary easing policy and the low-interest rate environment would remain unchanged, whereas the funding wave continues, the market generally expects that the housing market will show steady price with an increased amount this year, the number of transactions in the housing market of 2021 is estimated to show steady growth in price and amount as it was in 2020; though under the government's measures of housing market credit control, the market's optimism index about house prices has cool down, by focusing on the managing of good customers from branches and through the referral by new subsidiaries of the Group, to meet the customers' needs in funding and continues to optimize online loan application functions for providing more convenient and instant services to maintain positive growth of the mortgage business.
- b. The Bank foresees a small growth of the retail banking market as the pandemic subsides and consumer confidence recovers in 2021, and will try to source new customers through strategy of large-volume card issues, mobile payment service, cross-selling, optimized online application, and introduction of scenario-based financial services incorporating social network, online shopping, and the financial ecosystem.
- c. Taiwan is officially an aged society, and FSC has hope for Trust 2.0 to become the solution for pension planning and security as life expectancy increases, meaning that there is growth opportunity for trust services. Furthermore, the FSC also has plans to introduce digital trust for simplified process and improved efficiency.

(3) Financial market banking

- a. Quotation and Authorization Mechanism and streamlined transaction procedures enable the Bank to provide customers with more convenient and timely access to investments around the world.
- b. Through cooperation with UK and Nutmeg, Taipei Fubon Bank engages world-class investment experts to help customers allocate assets and adjust portfolio according to changes in the capital market. This arrangement saves investors great amount of time and energy and helps them secure consistent returns on investment. Furthermore, the Bank uses a proprietary splitting technology, to perform precise account allocation, that enables investors to get a portfolio that meets their risk tolerance, with the smallest investing amount.

(4) Overseas subsidiaries:

- a. Fubon Bank (China) is currently the largest and most fully licensed Taiwanese bank with the highest number of branches in the Mainland.
- b. In terms of license application, Fubon Bank (China) was the first Taiwanese bank to be granted credit card license, and successfully commenced credit card service on a full scale in the second half of 2020. The subsidiary has also been granted the approval to perform credit asset securitization service, and plans engage pro-actively in asset securitization in the future.
- c. The subsidiary was granted QDII limit in 2020, and plans to launch related services in

2021 to satisfy investors' offshore asset allocation needs.

D. Future opportunities, threats, and response strategies

(1) Opportunities

- a. From a macroeconomic perspective, recent reductions in deposit rate combined with strengthened NTD against USD have attracted investors to buy into USD-denominated, globally diversified Nano Investment products. These offerings present strong growth potentials as they will meet most people's expectations for wealth accumulation.
- b. Fubon Group currently has 12 million customers and Taipei Fubon Bank alone accounts for 6 million customers. The Group operates a vastly diverse range of businesses from telecommunication, banking, cable television to e-commerce, which bring plenty payment scenarios to Fubon's ecosystem. Following the consolidation of e-payment and e-ticket regulations at the end of 2020, electronic payment service providers are now allowed to engage more business activities which open up more opportunities for growth.
- c. As COVID-19 continues to spread, world's major central banks are likely to maintain abundant money supply, thereby creating room for fixed income assets to perform in 2021. Furthermore, Mainland China's discouragement against rising real estate prices will likely increase customers' needs for asset management service.

(2) Threats

- a. The outlook for credit risk of the overall market in the post-epidemic world varies with the industries, as impacted by COVID-19, “uncertainty” will be normal in the future, for industries that are beneficiaries to the new normal after the epidemic will show a better outlook for credit risk; whereas the industries that were greatly impacted by the epidemic will need further observation on future development.
- b. As vaccination plan has been promoted in various countries one after another, the epidemic is beginning to ease, but the mutation of the virus and the protection of vaccines required continued attention, at the same time, the doubts about the safety of vaccines by the public might delay each country to reach a herd immunity threshold and therefore, postpone the recovery of the global economy.
- c. As the financial digital technology has rapidly developed, new entrants have rushed into the market to compete, competitors in the industry also actively invested; in response to complex and varied demands of a large group of customers, it is necessary to keep improving the personal banking business and digital development, in order to master the needs of customers, by providing consistent and immediate service through an appropriate channel, and strengthen overall depth and breadth of customer management, for keeping innovation momentum and profitability, are important challenges in the future.
- d. The effect of expansionary measures has spread to the credit market and slightly reduced asset yields. Competitive pressure for deposits remains intensive, leaving little room to improve interest spread.

(3) Responses to threats

- a. Keep abreast of the capital expenditure of large enterprises and financing needs of Taiwanese entrepreneurs returned from the Chinese mainland and increases credit

balance of legal persons; concurrently, deepen the professional operation of regional industry, and speed up the expansion of SME business territory through an upgrade of online loan platform, at the same time, prudently promote various business and implement risk control before and after loans.

- b. By working with non-financial institutions, the Bank aims to connect customers, merchants, and the payment service provider (bank) to deliver the products/services needed by customers and merchants, and create a self-sustaining ecosystem to establish dominance in the competition. More pro-active digital transformation efforts will be taken, and mobile/Internet banking interfaces will be optimized to deliver optimal consumer experience. Using data insight, The Bank aims to plan products/services precisely as needed by customers, and make short-term, limited time offerings to generate a sense of rarity and differentiation in response to market changes.
- c. In response to the prospects of a "dual cycle economy," Fubon Bank (China) will be taking the initiative to explore and engage high-tech businesses and advanced manufacturers of high strategic importance at various locations and enhancing support for real economic activities. More attention will be directed towards exploring opportunities of industry shift for Taiwanese enterprises, and leveraging the Group's cross-border advantage and Southeast Asian branches to assist Taiwanese enterprises with their global expansion. The Bank will focus on growing supply chain services to customers' upstream and downstream partners, and thereby strengthen relationship with businesses while at the same time gaining control over customers' cash flow. Successful business models will be quickly replicated throughout the Bank to improve the quality of services provided to Taiwanese enterprises.

(III) Research & Development Plans

1. Research and development expenses

| Unit: NTD thousands | | |
|---------------------|---------|---------|
| Year | 2019 | 2020 |
| Amount | 849,231 | 819,778 |

2. Research and development outcomes

- A. Online credit application platform: The Bank shortlists customers of good credit quality and identifiable income. Customers that meet the prescribed criteria are invited to apply for loans online, which can be disbursed in as short as 1 hour.
- B. M+ Fubon Digital Hong Bao: This service was introduced back in December 2017 by combining the Bank's mobile banking service and Taiwan Mobile's "M+ messenger" communication software, which allows deposit account holders of Taipei Fubon Bank to send small amounts of cash to friends and co-workers in a chat room. The M+ service was further enhanced with a 1-to-1 payment feature in July 2018 to allow real-time transfer of funds between Fubon accounts.
- C. LuckyPAY: LuckyPAY is a payment service built under Fubon's mobile banking system,

and is available to the Bank's mobile banking customers without the need to download an additional APP. LuckyPAY gives customers the option to link credit card and Fubon deposit accounts for payment, which effectively makes this service available to young people who have no access to credit card and customers who prefer to transact using bank account. Lucky PAY also began support for "EMV QR Code" in 2020, allowing customers to use LuckyPAY at merchants that support Taiwan PAY. A new payment category - pay.taipei was later added to help "bring banking into every aspect of life."

- D. Blockchain interbank transfer: The Bank received approval from the authority to proceed with sandbox experiment in August 2019 and later completed the experiment in March 2020, for which the authority issued an official correspondence in September recognizing the experiment as a responsible innovation. This experiment involved the use of blockchain technology for recording and exchanging information on account transfer, and simulated payment and account transfer services for consumers and merchants through linkage of deposit accounts. The purpose of this experiment was to determine how blockchain technology could be used to create a distributed ledger for enhanced information security without compromising audit functions and system stability. The experiment was structured to simulate scenarios of small-sum payment within a sandbox, and the results proved blockchain technology capable of passing 40 tests and completing 15,000 transactions with a total value of NT\$20.4 million while achieving expected targets in terms of payment processing, information security control, audit, and system stability.
- E. Departmental Information Security Automation Management System (DIMS): Improves and complements existing information security management efforts in terms of both efficiency and accuracy. Through resource integration and procedure conversion, the Bank has been able to enhance management efficiency of its information workflow, whereas mutual authentication between modules facilitated more efficient control over infrastructure security risks. This project was awarded Information Security Award during "Taiwan Corporate Sustainability Awards."
- F. 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 was recognized by Global Business Outlook, The Digital Banker, The Asset, 2020 Taiwan Corporate Sustainability Awards: Best Risk Governance and Intellectual Anti-hacking Initiative Award, Outstanding IT Transformation Award, Best Cyber Security, and Growth through Innovation Award, and was awarded utility model patent in the Republic of China.
- G. Online credit drawdown for Fubon Business Online (FBO): Credit drawdown instruction is a new function that has been added to FBO for improved digital experience and reduced operating cost. This function allows customers to request for loan drawdown online using digital signature instead of manual signature/seal for authentication, and mail in original copy of the application form on a later date. This process incurs 50% less operating cost.
- H. "Export Declaration Financing" / "B/L Financing": This is an innovative trade financing

service jointly developed by the Bank, custom clearing agents, and freight companies; the service uses transaction information sourced from a third party to verify authenticity of the transaction to be financed, which therefore shortens the turnaround time of financing process to as little as one hour. In addition to shortened time, this new process also allows greater transparency for risk management, eliminates customers' need to prepare hard copy documents (such as sales order, bill of lading, shipping order etc.) prior to financing, and improves export competitiveness for Taiwanese businesses.

- I. Smart Machinery Investment Credit Regulation: To promote smart upgrades and digital transformation across industries, the government has been encouraging businesses to take advantage of various tax privileges made available in "Regulations Governing Investment Credits on Smart Machinery and 5th Generation Mobile Communication for Companies and Limited Partnerships" (i.e. the Smart Machinery Investment Credit Regulation), which has been established under Article 10-1 of Statute for Industrial Innovation. The Bank had 11 purchases of smart machinery in 2019 that were eligible to investment credits; all requests for investment credit were submitted to and approved by the Industrial Development Bureau, Ministry of Economic Affairs, as of June 2020.

3. Research and development plans for the future

A. Estimated R&D expenses for the next year

Unit: NTD thousands

| Item | Estimated R&D expenses for the next year (2021) |
|--------|---|
| Amount | 973,671 |

B. Future R&D plans

- (1) Integrated payment: A merchant-exclusive, online-available collection/payment APP integrating payment services currently available on the market will be introduced to target micro businesses, individuals, and unmanned stores that conventional acquisition services failed to reach.
- (2) Completes full online processes for micro business loan. Not only will the Bank be able to set parameters for different channels, an AI-powered learning module can also be incorporated to have the system approve limits and generate reports automatically, thereby saving time on credit assessment. The new loan service will also support the FSC's progressive deregulation on online credit application and online due diligence for corporate borrowers, and introduce remote services for improved operating efficiency.
- (3) Additional features such as systematic monitoring of high-risk cases and tracking of early alert accounts will help improve debt recovery by more than 30%.
- (4) Built business receivables and payables API for improving the efficiency and convenience of business online banking, providing customers with better online transaction services.

4. Business Development and plans

A. Short-term business plans

- (1) Create/develop an automated transaction platform and introduce/structure high-quality products that conform with market trends to satisfy customers' needs.

- (2) Implement end-to-end online procedures for micro business loan, utilizing digital technologies and integrating different forms of data to improve operating efficiency, customer experience, and satisfaction, and aim to achieve double-digit growth in terms of assets and revenues on a yearly basis.
- (3) Grow overseas exposure of high net worth banking by applying for wealth management license in Singapore, collaborate with Lombard Odier (Switzerland) on the creation of an offshore investment platform that spans across Hong Kong and Singapore, and introduce world-class private banking services to increase market share of service to high net worth customers.
- (4) Consolidate business efforts to selected industries, strengthen relationship with group borrowers, explore cross-selling opportunities and increase SOW. In addition to increasing transactions with medium-size customers, the Bank will also target key industrial zones to penetrate local SMEs, and aim to become customers' main banker.
- (5) Digital customers as a separate segment will be introducing distinctive campaigns and services to promote business growth.
- (6) The Bank will engage LINE Pay and LINE Pay Money in further collaborations to develop payment and transaction acquisition solutions. LINE, as a business partner, contributes a broad range of electronic payment scenarios that can be capitalized to attract new digital deposit accounts.
- (7) The Bank will cooperate pro-actively with subsidiaries of Fubon Group to integrate finance into services such as social media, e-commerce, and telecommunication for additional cross-selling potentials, and create a "Fubon ecosystem" where "banking is in every aspect of life."

B. Long-term business plans

- (1) 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 services that build trust with customers.
- (2) Continue optimization of financial products and services, and cooperate with external channel partners to increase customer count and market share of micro business loans.
- (3) Offer distinctive values and differentiated financial services with a customer-centric focus. Enforce compliance and risk management and make efficient allocation of risky assets. Refine service quality and operating efficiency; recruit top talents and accumulate the capacity to respond to the changing environment.
- (4) Adhere to a premium, unique brand value and offer customized solutions centered around customers' needs; form alliance with top-performing strategic partners to bring exclusive products and services needed by the market; establish reputation as customers' irreplaceable banking partner; and assist high net worth customers in transferring wealth across generations.
- (5) Develop a bond trading platform for customers and peers, offer differentiated products and services, and recommend solutions that meet customers' attributes; bring value to

customers through product uniqueness and shape the Bank's competitive advantage in wealth management.

- (6) Establish overseas debt offering as a source of consistent and diverse long-term capital. Adopt the financial group's ESG guidelines and devise investment plans accordingly.
- (7) Taking data as the core driving force of digital management, to provide customers with a user interface that meets their needs through AI matching, as to segment customers; at the same time, with big data and AI precision marketing, to provide diversified financial services such as personal loans, and wealth management, which will further lead to trans-regional sales of commodities and business growth.
- (8) By utilizing group resources and cooperating with partners of various industries, the Bank strives to integrate customers' data with payment services to create new banking scenarios. By applying big data analysis, the Bank will try to predict customers' spending patterns and design products/privileges/campaigns specifically for a given segment in order to maximize customer sourcing and cross-selling potentials.

5. Employees Profile

A. Taipei Fubon Bank

| Year | | 2019 | 2020 | As of January 31,2021 |
|-----------------------------|--------------------|--------|--------|-----------------------|
| Number of employees | | 6,815 | 6,767 | 6,795 |
| Average age (years) | | 40.77 | 41.24 | 41.28 |
| Average seniority (years) | | 10.76 | 11.18 | 11.21 |
| Education level | Graduate or higher | 19.14% | 19.34% | 19.34% |
| | College/University | 76.05% | 76.04% | 76.04% |
| | Senior high school | 4.75% | 4.59% | 4.59% |
| | Below senior high | 0.06% | 0.03% | 0.03% |

B. Fubon Bank (China)

| Year | | 2019 | 2020 | As of January 31,2021 |
|-----------------------------|--------------------|--------|--------|-----------------------|
| Number of employees | | 1,226 | 1,264 | 1,270 |
| Average age (years) | | 33 | 34 | 34 |
| Average seniority (years) | | 3.7 | 4.3 | 4.4 |
| Education level | Graduate or higher | 25.45% | 26.59% | 26.86% |
| | College/University | 73.90% | 72.86% | 72.59% |
| | Senior high school | 0.65% | 0.55% | 0.55% |
| | Below senior high | 0.00% | 0.00% | 0.00% |

IV. Special Notes

1. Implementation of the Internal Controls System

Taipei Fubon Commercial Bank Co., Ltd.

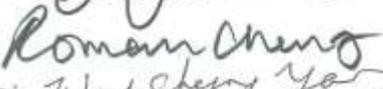
Internal Control System Statement

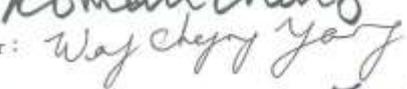
- 1 On behalf of Taipei Fubon Commercial Bank Co., Ltd., we hereby declare that the Company has indeed complied with the "Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries" from January 1, 2020 to December 31, 2020, and established internal control system, implemented risk management, and conducted inspections by an independent audit department to report to the Board of Directors and Audit Committee regularly.
- 2 Concurrent securities business:
The Company has judged whether the design and implementation of the internal control system is effective in accordance with the judgment items of the effectiveness of the internal control system stipulated in the "Regulations Governing the Establishment of Internal Control Systems by Service Enterprises in Securities and Futures Markets" issued by the Securities and Futures Bureau of the Financial Supervisory Commission.
- 3 Concurrent insurance agent business :
 - (1) The Company has judged whether the design and implementation of the Company's internal control system is effective in accordance with the provisions of the "Regulations Governing the Implementation of Internal Control and Audit System and Business Solicitation System of Insurance Agent Companies and Insurance Broker Companies." The judgment items of the internal control system stipulated in the aforementioned regulations shall at least include the following components: 1. Control environment, 2. Risk assessment, 3. Control operations, 4. Information and communication, and 5. Supervision operations.
 - (2) The Company has adopted the above judgment items of the internal control system to inspect the effectiveness of the design and implementation of the internal control system.
 - (3) Based on the inspection results of the preceding point, the Company believes that the design and implementation of the internal control system (including awareness of the soundness of operations, reliability of reporting, and compliance with relevant laws and regulations) during the aforementioned period were effective and it could reasonably ensure the achievement of the aforementioned objectives.
- 4 After careful evaluation, the internal control and compliance with laws and regulations of each unit during this year, except for the matters listed in the attached table, was effectively implemented.
- 5 This statement will become the main content of the Company's annual report and prospectus, and will be made public. If any of the aforementioned disclosed content is false, concealed, etc., the Company will be subjected to legal liability under Article 20, Article 32, Article 171 and Article 174 of the relevant provisions of the Securities and Exchange Act or the Insurance Act.
- 6 This statement was approved by the Company's Board of Directors on March 23, 2021 and the Company hereby declares.

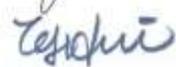
To the Financial Supervisory Commission

Declarant

Chairperson :  (Signature and seal)

President :  (Signature and seal)

Chief Auditor :  (Signature and seal)

Chief Compliance Officer for the Head Office :  (Signature and seal)

March 23, 2021

Taipai Fubon Commercial Bank Co., Ltd.
Internal Control System Enhancements and Improvement Plans

(Reference date : December 31, 2020)

| Matters that should be enhanced | Improvement measures | Estimated time for completion of improvements |
|--|---|--|
| <p>I. For the handling of a credit application, the mechanism of identification and control involving credit to interested parties is inappropriate. In the event that the borrower signs a memorandum of cooperation with an interested party, it cannot effectively detect and identify the interested party, and the legal compliance control mechanism is not effective.</p> <p>Above mentioned was issued a reprimand by the FSC.</p> | <p>(I) The loan of the interested party has been fully settled.</p> <p>(II) "The rules for establishment of Interested Party Advisory Committee" has been added.</p> <p>(III) The "Operational policies for granting loans to or conducting other transactions with interested parties" and the "Identification and control mechanisms to prevent interested parties from applying for loans in the name of others" have been revised.</p> | <p>Improvements have been completed.</p> |
| <p>II. The conversion of the banking information system was carried out without perfect planning and evaluation of the settings of the new core system and peripheral systems before going online, resulting in transaction anomalies occurring after the completion of the system conversion due to interface problems between the new core system and peripheral systems. There are deficiencies of not better handling the planning, evaluation, testing, and verification operations of the system before conversion.</p> <p>Above mentioned was issued a reprimand by the FSC.</p> | <p>(I) A logical index mechanism for file access when creating a new file on the inter-bank trading platform (FEP) has been established.</p> <p>(II) Database monitoring mechanism has been added.</p> <p>(III) The ESB online procedures have been revised, using test tools or writing test programs during the online development and testing phase to shorten test time and improve program quality.</p> | <p>Improvements have been completed.</p> |
| <p>III. Implementation of the principle of fair treatment of customers:</p> <p>(I) The operations of acting on behalf of mortgage borrowers to purchase residential fire insurance had the situations where the premium charged became higher by adding insured items without the consent of the proposer, and salespersons did not properly explain the insurance premium rate to customers.</p> <p>(II) For the handling of the insurance agent business, the KYC operation for solicitation of life insurance products was not implemented, resulting in customers to pay the single premium payment of investment-oriented insurance by credit cards and then pay the credit card bills with a loan. In addition, the loan referrer and the insurance salesperson were the</p> | <p>(I)</p> <ol style="list-style-type: none"> 1. The system design parameters have been revised, a regular review mechanism has been established, and education and training of business personnel have been enhanced. 2. According to the renewal schedule, confirm customer needs, and establish a renewal tracking mechanism. <p>(II) The control measures have been strengthened and the education and training of business personnel has been enhanced</p> | <p>(I)</p> <ol style="list-style-type: none"> 1. Improvements have been completed. 2. Tracking management is scheduled to be completed by the end of March 2021. <p>(II) Improvements have been completed.</p> |

| | | |
|---|--|--|
| <p>same person, and the source of funds for premiums paid was not accurately disclosed in the salesperson's report.</p> | | |
| <p>IV. Credit management of overseas branches:</p> <p>(I) The Hong Kong Branch's handling of credit review, post-loan-approval risk control and other matters is inappropriate.</p> <p>(II) The Hong Kong Branch's handling of the re-activation of dormant accounts, etc. is inappropriate.</p> <p>(III) The registration operation of the responsible person's qualification to the Financial Supervisory Commission is not accurately implemented.</p> <p>(IV) The Singapore Branch's handling of short-term post-import and export financing facility and post-loan operations is inappropriate.</p> <p>(V) The Hong Kong Branch's analysis of borrowers' accounts receivable in handling accounts receivable factoring with recourse is inappropriate.</p> | <p>(I) The "IBD Credit Assessment Operating Guideline," "IBD Credit Facility Approval Authority Policy" and "IBD Credit Approval Guideline" have been revised to strengthen the risk control mechanism.</p> <p>(II) The regulations related to the re-activation of dormant accounts, whether the documents can be supplemented and the control of the accounts during the supplement pending period, requirement of multi-level control for the re-activation of dormant accounts, the establishment of a random inspection mechanism, etc., have been revised.</p> <p>(III) Adopt a checklist to check item by item to avoid similar situations from happening again.</p> <p>(IV) The verification of transaction authenticity, post-loan management tracking, response measures for interbank recovery facility, etc., have been strengthened.</p> <p>(V) The "Regulations Governing Credit Checking for Corporate Finance" has been revised to strengthen the control of accounts receivable analysis.</p> | <p>Improvements have been completed.</p> |



2. 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 2021, the appropriation of the 2020 earnings and dividends per share was proposed by the board of directors as follows:

| | Dividends | Dividend Per Share |
|----------------|-----------------------|--------------------|
| Cash dividends | NTD \$ 14,709,269,810 | NTD \$ 1.2 |

V. Headquarters and Branches Contacts

1. Headquarters

| | |
|---|------------------|
| 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 |

2. Branches

| Domestic Branches | | | |
|-------------------|------------------------|--|------------------|
| Code | Branch | Address | Tel. |
| 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 |

| Domestic Branches | | | |
|--------------------------|-------------------|---|------------------|
| Code | Branch | Address | Tel. |
| 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 |
| 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 | +886-2-2658-2620 |

| Domestic Branches | | | |
|--------------------------|---------------------|---|------------------|
| Code | Branch | Address | Tel. |
| | | 114, Taiwan (R.O.C.) | |
| 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 |
| 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 |

| Domestic Branches | | | |
|--------------------------|------------------------|--|------------------|
| Code | Branch | Address | Tel. |
| 012-6786 | Beizhongli Branch | No.61, Jiuhe 2nd St., Zhongli Dist., Taoyuan City 320, Taiwan (R.O.C.) | +886-3-425-6699 |
| 012-6797 | Sanchong Branch | No.36, Sec. 2, Zhongxiao Rd., Sanchong Dist., New Taipei City 241, Taiwan (R.O.C.) | +886-2-8983-6868 |
| 012-6801 | Fengyuan Branch | No.139, Xiangyang Rd., Fengyuan Dist., Taichung City 420, Taiwan (R.O.C.) | +886-4-2522-0088 |
| 012-6812 | Zhonghe Branch | No.696, Jingping Rd., Zhonghe Dist., New Taipei City 235, Taiwan (R.O.C.) | +886-2-2243-8877 |
| 012-6823 | Gushan Branch | No.308, Mingcheng 4th Rd., Gushan Dist., Kaohsiung City 804, Taiwan (R.O.C.) | +886-7-552-3111 |
| 012-6845 | Fengcheng Branch | No.168, Jianzhong Rd., East Dist., Hsinchu City 300, Taiwan (R.O.C.) | +886-3-571-0187 |
| 012-6856 | Changhua Branch | No.349, Sec. 2, Zhongshan Rd., Changhua City, Changhua County 500, Taiwan (R.O.C.) | +886-4-726-1333 |
| 012-6867 | Donghu Branch | No.69, Sec. 3, Kangning Rd., Neihu Dist., Taipei City 114, Taiwan (R.O.C.) | +886-2-2633-6677 |
| 012-6878 | Yonghe Branch | No.1, Sec. 1, Zhongshan Rd., Yonghe Dist., New Taipei City 234, Taiwan (R.O.C.) | +886-2-8660-1616 |
| 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 |

| Domestic Branches | | | |
|--------------------------|--------------------|---|------------------|
| Code | Branch | Address | Tel. |
| 012-7185 | Chiayi Branch | No.395, Ren'ai Rd., West Dist., Chiayi City 600, Taiwan (R.O.C.) | +886-5-223-1688 |
| 012-7211 | Banqiao Branch | No.266, Sec. 1, Wenhua Rd., Banqiao Dist., New Taipei City 220, Taiwan (R.O.C.) | +886-2-2254-9999 |
| 012-7222 | Beitaichong Branch | No.333, Sec. 4, Wenxin Rd., Beitun Dist., Taichung City 406, Taiwan (R.O.C.) | +886-4-2242-6222 |
| 012-7233 | Sanmin Branch | No.530, Dashun 2nd Rd., Sanmin Dist., Kaohsiung City 807, Taiwan (R.O.C.) | +886-7-387-1299 |
| 012-7244 | Jianguo Branch | No.196, Sec. 2, Jianguo N. Rd., Zhongshan Dist., Taipei City 104, Taiwan (R.O.C.) | +886-2-2515-1775 |
| 012-7255 | Hsinchu Branch | No.141, Zhongzheng Rd., Hsinchu City 300, Taiwan (R.O.C.) | +886-3-527-8988 |
| 012-7266 | Xindian Branch | No.266, Sec. 2, Beixin Rd., Xindian Dist., New Taipei City 231, Taiwan (R.O.C.) | +886-2-2912-9977 |
| 012-7277 | Tianmu Branch | No.36, Tianmu E. Rd., Shilin Dist., Taipei City 111, Taiwan (R.O.C.) | +886-2-2876-3232 |
| 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 |

| Domestic Branches | | | |
|--------------------------|-----------------------------|--|------------------|
| Code | Branch | Address | Tel. |
| 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, Taiwan (R.O.C.) | +886-2-2958-8598 |
| 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 |
| 012-7750 | East Linkou Branch | No.238, Fuxing 1st Rd., Guishan Dist., Taoyuan City 33375, Taiwan (R.O.C.) | +886-3-327-3698 |
| 012-7761 | South Taoyuan Branch | No.791, Zhongshan Rd., Taoyuan Dist., Taoyuan City 33059, Taiwan (R.O.C.) | +886-3-220-2336 |

| Domestic Branches | | | |
|--------------------------|----------------|---|------------------|
| Code | Branch | Address | Tel. |
| 012-7772 | Xinan Branch | No. 151, Sec. 3, Xinyi Rd., Da'an Dist., Taipei City 106094, Taiwan (R.O.C.) | +886-2-2706-3828 |
| 012-7794 | Yilan Branch | 1F-2F., No. 152, Sec. 3, Zhongshan Rd., Yilan City, Yilan County 260, Taiwan (R.O.C.) | +886-3-935-2558 |
| 012-7808 | Taitung Branch | 1F., No. 366, Sec. 1, Zhonghua Rd., Taitung City, Taitung County 950, Taiwan (R.O.C.) | +886-89-33-0389 |
| 012-7820 | Zhunan Branch | No. 52, Huadong St., Zhunan Township, Miaoli County 350, Taiwan (R.O.C.) | +886-37-46-0039 |

| Overseas Branches | | | |
|--------------------------|-------------------------|---|------------------|
| Code | Branch | Address | Telephone |
| 012-9503 | Hong Kong Branch | 16/F, K11 Atelier, Victoria Dockside, 18 Salisbury Road, Tsim Sha Tsui, Kowloon, Hong Kong | +852-2822-7700 |
| 012-9606 | Binh Duong Branch | Unit 1, Floor 2, Minh Sang Plaza, No.888 Binh Duong Boulevard, Thuan Giao Ward, Thuan An Town, Binh Duong Province, Vietnam | +84-274-627-8899 |
| 012-9628 | Hanoi Branch | 22F, Grand Plaza-Charmvit Tower Building, No.117 Tran Duy Hung Street, Trung Hoa Ward, Cau Giay District, Hanoi, Vietnam | +84-24-3772-2212 |
| 012-9639 | Ho Chi Minh City Branch | Level 9 Saigon Centre, Tower 2, 67 Le Loi St, Ben Nghe Ward, District 1, Ho Chi Minh City, Viet Nam | +84-28-3932-5888 |
| 012-9307 | Singapore Branch | 182 Cecil Street #07-03 Frasers Tower Singapore 069547 | +65-6470-9860 |
| 012-9400 | Jakarta | Gedung IDX, Tower 1, Lt. 28, Suite #2804 Jln. Jend. Sudirman Kav. 52-53, Jakarta 12190, Indonesia | +62-215151036 |

| Subsidiary - Fubon Bank (China) | | |
|--|---|------------------|
| Branch | Address | Telephone |
| Headquarter Sub-Branch | 1F, Oriental Financial Plaza Tower A, No.1168 Century Avenue, Pudong, Shanghai 200122, P.R.C. | +86-21-20619888 |
| Shanghai Hongqiao Sub-Branch | No.88 East Ronghua Road, Changning, Shanghai 201103, P.R.C. | +86-21-20292888 |
| Shanghai Xuhui Sub-Branch | 1-3F, No.2020 West Zhongshan Road, Xuhui, Shanghai 200235, P.R.C. | +86-21-20293288 |
| Shanghai Songjiang Sub-Branch | 104-1, No.1, Lane 600, Guangfulin Road, Songjiang, Shanghai 201620, P.R.C. | +86-21-20292900 |
| Shanghai Minhang Sub-Branch | UG, Block B, The MIXC, No.1799 Wuzhong Road, Minhang, Shanghai | +86-21-20292999 |

| | | |
|---|--|------------------|
| | 201103, P.R.C. | |
| Shanghai Xintiandi Sub-Branch | No.188 Madang Road, Huangpu ,Shanghai 200020,P.R.C. | +86-21-20377600 |
| Shanghai JingAn Sub-Branch | No.293 Jiangning Road , Jing'an ,Shanghai 200041, P.R.C. | +86-21-20377500 |
| Shanghai Lujiazui Sub-Branch | 1F,New Shanghai International Tower,No.360 South Pudong Road, Pudong ,Shanghai 200120, P.R.C. | +86-21-20293188 |
| Shanghai Changning Sub-Branch | 1F, Beethoven Square,No.1200 Changning Road, Changning ,Shanghai 200051, P.R.C. | +86-21-20293088 |
| Shanghai Pilot Free Trade Zone Sub-Branch | 1F, Building 2, No.1158 Zhangdong Road, Shanghai 201203, P.R.C. | +86-21-20293030 |
| Shanghai Riyueguang Sub-Branch | 1F, No.618 Xujiahui Rd., Huangpu , Shanghai 200025, P.R.C. | +86-21-20377688 |
| Shanghai Waitan Sub-Branch | 1F,Tower A, No.6 Zhongshan Dongyi Road, Huangpu ,Shanghai 200002, P.R.C. | +86-21-20377588 |
| Shanghai Century Avenue Sub-Branch | 102, Oriental Financial Plaza Tower A, No.1168 Century Avenue, Pudong, Shanghai 200122, P.R.C. | +86-21-20619888 |
| Shenzhen Branch | T1-9A, Building 1, One Shenzhen Bay, No.3088 Zhongxin Road, Nanshan, Shenzhen 518067, P.R.C. | +86-755-23675700 |
| Shenzhen Qianhai Sub-Branch | 1F, Building 1, One Shenzhen Bay, Dongbin Road, Nanshan, Shenzhen 518067, P.R.C. | +86-755-23675800 |
| Tianjin Branch | G/F, Xindu Tower, No.16 Weijin Road, Nankai, Tianjin 300073, P.R.C. | +86-22-27503188 |
| 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 |
| Suzhou Branch | 1-3F, No.188 Xinghai Street, SIP, Suzhou 215021, P.R.C. | +86-512-62555777 |
| Suzhou Kunshan Sub-Branch | No.118 Middle Changjiang Road, Kunshan, Jiangsu 215300, P.R.C. | +86-512-62556777 |
| Nanjing Branch | 1F, Oriental Financial Plaza Tower A, No. 29 Hongwu Road, Qinhuai , Nanjing 210005, P.R.C. | +86-25-51869888 |
| Beijing Branch | 1F, Tower A, International Enterprise Building, No. 35 Financial Street, Xicheng, Beijing 100033, P.R.C. | +86-10-83329666 |
| Chengdu Branch | 1-4F,Weston Tower, No.19, Section 4, South Renmin Road, Chengdu 610042, P.R.C. | +86-28-62807777 |

| | | |
|------------------|---|------------------|
| Wuhan Branch | T1-1-1563、1564、T1-8, Greatwall Complex, No. 9 Zhongbei Road, Wuchang, Wuhan 430071, P.R.C. | +86-27-59007588 |
| Xi'an Branch | Yong Li National Financial Centre, No.6 Jin Ye Road, Gaoxin, Xi'an 710077, P.R.C. | +86-29-65636588 |
| Guangzhou Branch | Suite 3405, 34/F, Pearl River Tower, No.15, Zhujiang West Road, Tianhe, Guangzhou 510623, P.R.C | +86-20-85712888 |
| Chongqing Branch | International Finance Square Unit 6-8, 45 th floor, Office Building T1, NO.1, Qingyun Road, Jiangbei, Chongqing 400024, P.R.C. | +86-23-89197333 |
| NingBo Branch | 13F, Building A, Yinzhou Financial Building, No.68 Shouan West Road, Yinzhou, Ningbo 315194, P.R.C. | +86-574-87861306 |

Appendix

Annual Financial Reports

for 2020 and 2019

**TAIPEI FUBON COMMERCIAL BANK
Co., Ltd. and Subsidiaries**

**Consolidated Financial Statements for the
Years Ended December 31, 2020 and 2019 and
Independent Auditors' Report**

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The Bank and its subsidiaries required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2020 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard 10 “Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we did not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

TAIPEI FUBON COMMERCIAL BANK Co., LTD.

March 23, 2021



勤業眾信

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Fax: +886 (2) 4051-6888
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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, 2020 and 2019, the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2020 and 2019, 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, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2020 and 2019, 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, 2020. 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, 2020 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 and Surplus of Investment Accounted for Using the Equity Method

Refer to Note 4(7) and (13) to the consolidated financial statements for the accounting policies on the impairment of goodwill and surplus of investment accounted for using the equity method. Refer to Note 5.b and c to the consolidated financial statements for the critical estimations and judgments about the impairment of goodwill and surplus of investment accounted for using the equity method. Refer to Note 22 to the consolidated financial statements for the details of the other related information about the impairment of goodwill and surplus of investment accounted for using the equity method.

The assumptions for the recoverable amount of goodwill and surplus of investment accounted for using the equity method 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 and surplus of investment accounted for using the equity method 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, 2020 and 2019 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, 2020 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 23, 2021

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, 2020 AND 2019
(In Thousands of New Taiwan Dollars)**

| ASSETS | 2020 | | 2019 | |
|---|--------------------------------|-------------------|--------------------------------|-------------------|
| | Amount | % | Amount | % |
| CASH AND CASH EQUIVALENTS (Notes 4, 6 and 46) | \$ 83,112,676 | 3 | \$ 132,131,276 | 4 |
| DUE FROM THE CENTRAL BANK AND CALL LOANS TO OTHER BANKS (Notes 6, 7, 46 and 48) | 283,229,316 | 9 | 293,196,237 | 10 |
| FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 8, 16 and 46) | 105,887,055 | 3 | 130,063,150 | 4 |
| FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Notes 4, 9, 11, 16 and 26) | 209,806,937 | 6 | 167,849,976 | 6 |
| INVESTMENTS IN DEBT INSTRUMENTS MEASURED AT AMORTIZED COST (Notes 4, 10, 11, 16, 26 and 48) | 758,578,044 | 23 | 626,517,408 | 21 |
| FINANCIAL ASSETS FOR HEDGING (Notes 4 and 11) | 2,104,144 | - | 1,472,199 | - |
| SECURITIES PURCHASED UNDER RESELL AGREEMENTS (Notes 4, 6, 12 and 46) | 14,042,571 | - | 10,650,566 | - |
| RECEIVABLES, NET (Notes 4, 13 and 46) | 111,500,940 | 3 | 114,476,632 | 4 |
| CURRENT TAX ASSETS (Notes 4, 44 and 46) | 483,661 | - | 236,027 | - |
| DISCOUNTS AND LOANS, NET (Notes 4, 14 and 46) | 1,635,408,234 | 50 | 1,491,817,639 | 49 |
| INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Notes 4 and 17) | 5,433,177 | - | 3,673,187 | - |
| OTHER FINANCIAL ASSETS, NET (Notes 4, 18 and 48) | 19,941,290 | 1 | 5,169,945 | - |
| PROPERTY AND EQUIPMENT, NET (Notes 4 and 19) | 18,177,134 | 1 | 18,684,808 | 1 |
| RIGHT-OF-USE ASSETS, NET (Notes 4, 20 and 46) | 4,075,234 | - | 3,773,346 | - |
| INVESTMENT PROPERTIES (Notes 4 and 21) | 3,212,700 | - | 2,814,200 | - |
| INTANGIBLE ASSETS, NET (Notes 4 and 22) | 14,150,149 | - | 14,095,781 | 1 |
| DEFERRED TAX ASSETS (Notes 4 and 44) | 1,653,901 | - | 1,173,098 | - |
| OTHER ASSETS (Notes 23 and 46) | <u>16,038,402</u> | <u>1</u> | <u>12,035,517</u> | <u>-</u> |
| TOTAL ASSETS | <u>\$ 3,286,835,565</u> | <u>100</u> | <u>\$ 3,029,830,992</u> | <u>100</u> |
| LIABILITIES AND EQUITY | | | | |
| DEPOSITS FROM THE CENTRAL BANK AND BANKS (Notes 24 and 46) | \$ 142,489,522 | 4 | \$ 138,216,119 | 5 |
| DUE TO THE CENTRAL BANK AND BANKS (Notes 25 and 47) | 6,965,030 | - | - | - |
| FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 8 and 46) | 46,978,045 | 2 | 27,381,660 | 1 |
| FINANCIAL LIABILITIES FOR HEDGING (Notes 4 and 11) | 8,994,438 | - | 2,777,420 | - |
| SECURITIES SOLD UNDER REPURCHASE AGREEMENTS (Notes 4, 26 and 46) | 80,157,429 | 3 | 123,303,415 | 4 |
| PAYABLES (Notes 27 and 46) | 46,322,036 | 1 | 60,276,796 | 2 |
| CURRENT TAX LIABILITIES (Notes 4, 44 and 46) | 2,293,774 | - | 2,453,449 | - |
| DEPOSITS AND REMITTANCES (Notes 28 and 46) | 2,496,636,071 | 76 | 2,304,216,527 | 76 |
| BANK DEBENTURES (Notes 11, 29 and 47) | 118,306,675 | 4 | 114,111,801 | 4 |
| OTHER FINANCIAL LIABILITIES (Notes 30 and 46) | 76,449,522 | 2 | 20,190,871 | 1 |
| PROVISIONS (Notes 4, 31 and 32) | 3,402,525 | - | 3,379,854 | - |
| LEASE LIABILITIES (Notes 4, 20, 46 and 47) | 4,093,537 | - | 3,776,863 | - |
| DEFERRED TAX LIABILITIES (Notes 4 and 44) | 1,508,104 | - | 1,322,842 | - |
| OTHER LIABILITIES (Notes 33 and 46) | <u>14,324,666</u> | <u>1</u> | <u>10,425,175</u> | <u>-</u> |
| Total liabilities | <u>3,048,921,374</u> | <u>93</u> | <u>2,811,832,792</u> | <u>93</u> |
| EQUITY (Notes 4 and 34) | | | | |
| Attributable to owners of the Bank | | | | |
| Capital stock | | | | |
| Common stock | <u>122,562,088</u> | <u>4</u> | <u>112,347,556</u> | <u>4</u> |
| Capital surplus | <u>17,363,236</u> | <u>1</u> | <u>14,800,975</u> | <u>-</u> |
| Retained earnings | | | | |
| Legal reserve | 56,207,034 | 2 | 50,177,808 | 1 |
| Special reserve | 4,633,378 | - | 4,117,454 | - |
| Unappropriated earnings | <u>18,608,315</u> | <u>-</u> | <u>20,097,422</u> | <u>1</u> |
| Total retained earnings | <u>79,448,727</u> | <u>2</u> | <u>74,392,684</u> | <u>2</u> |
| Other equity | <u>(237,962)</u> | <u>-</u> | <u>(1,910,303)</u> | <u>-</u> |
| Total equity attributable to owners of the Bank | <u>219,136,089</u> | <u>7</u> | <u>199,630,912</u> | <u>6</u> |
| Non-controlling interests | <u>18,778,102</u> | <u>-</u> | <u>18,367,288</u> | <u>1</u> |
| Total equity | <u>237,914,191</u> | <u>7</u> | <u>217,998,200</u> | <u>7</u> |
| TOTAL LIABILITIES AND EQUITY | <u>\$ 3,286,835,565</u> | <u>100</u> | <u>\$ 3,029,830,992</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, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

| | 2020 | | 2019 | | Percentage Increase (Decrease) % |
|---|---------------------|-------------|---------------------|-------------|---|
| | Amount | % | Amount | % | |
| NET INTEREST INCOME (Notes 4, 35 and 46) | | | | | |
| Interest income | \$ 57,998,150 | 117 | \$ 61,555,365 | 120 | (6) |
| Interest expense | <u>(25,070,189)</u> | <u>(51)</u> | <u>(32,790,603)</u> | <u>(64)</u> | (24) |
| Total net interest income | <u>32,927,961</u> | <u>66</u> | <u>28,764,762</u> | <u>56</u> | 14 |
| NET NON-INTEREST INCOME | | | | | |
| Service fee income, net (Notes 4, 36 and 46) | 11,611,597 | 23 | 12,682,958 | 24 | (8) |
| Gains on financial assets and liabilities at fair value through profit or loss (Note 37) | 2,447,092 | 5 | 7,175,289 | 14 | (66) |
| Realized gains on financial assets at fair value through other comprehensive income (Notes 34 and 38) | 2,246,916 | 5 | 860,717 | 2 | 161 |
| (Losses) gains on derecognition of financial assets at amortized cost (Note 39) | 206,244 | - | (5,257) | - | 4,023 |
| Foreign exchange gains, net (Notes 4 and 40) | 220,836 | - | 1,566,299 | 3 | (86) |
| (Impairment loss on assets) reversal of impairment loss on assets (Notes 4, 9, 10 and 23) | (143,767) | - | 58,433 | - | (346) |
| Share of loss of associates accounted for using the equity method (Note 17) | (241,703) | - | (78,298) | - | 209 |
| Other non-interest income, net (Note 46) | <u>438,038</u> | <u>1</u> | <u>410,236</u> | <u>1</u> | 7 |
| Total net non-interest income | <u>16,785,253</u> | <u>34</u> | <u>22,670,377</u> | <u>44</u> | (26) |
| TOTAL NET REVENUE | <u>49,713,214</u> | <u>100</u> | <u>51,435,139</u> | <u>100</u> | (3) |

ALLOWANCE FOR BAD DEBT
EXPENSE, COMMITMENTS
AND GUARANTEES (Notes 4
and 46)

(2,942,650)

(6)

(2,215,830)

(5)

33
(Continued)

TAIPEI FUBON COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

| | 2020 | | 2019 | | Percentage Increase (Decrease) % |
|--|---------------------|-------------|---------------------|-------------|---|
| | Amount | % | Amount | % | |
| OPERATING EXPENSES (Notes 32, 41, 42, 43 and 46) | | | | | |
| Employee benefits | \$(13,819,499) | (28) | \$(13,979,792) | (27) | (1) |
| Depreciation and amortization | (3,411,353) | (7) | (3,537,695) | (7) | (4) |
| Other general and administrative | <u>(7,640,881)</u> | <u>(15)</u> | <u>(7,329,694)</u> | <u>(14)</u> | 4 |
| Total operating expenses | <u>(24,871,733)</u> | <u>(50)</u> | <u>(24,847,181)</u> | <u>(48)</u> | - |
| INCOME BEFORE INCOME TAX | 21,898,831 | 44 | 24,372,128 | 47 | (10) |
| INCOME TAX EXPENSE (Notes 4 and 44) | <u>(2,362,170)</u> | <u>(5)</u> | <u>(3,734,844)</u> | <u>(7)</u> | (37) |
| NET INCOME FOR THE YEAR | <u>19,536,661</u> | <u>39</u> | <u>20,637,284</u> | <u>40</u> | (5) |
| OTHER COMPREHENSIVE INCOME (LOSS) | | | | | |
| Items that will not be reclassified subsequently to profit or loss: | | | | | |
| Remeasurement of defined benefit plans (Note 34) | (24,482) | - | (125,797) | - | (81) |
| Gains on property revaluation (Note 34) | 278,132 | - | 55,237 | - | 404 |
| Gains (losses) on investments in equity instruments at fair value through other comprehensive income (Note 34) | 1,857,387 | 4 | 581,412 | 1 | 219 |
| Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 44) | <u>(71,232)</u> | <u>-</u> | <u>27,057</u> | <u>-</u> | (363) |
| | <u>2,039,805</u> | <u>4</u> | <u>537,909</u> | <u>1</u> | 279 |

(Continued)

TAIPEI FUBON COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

| | 2020 | | 2019 | | Percentage Increase (Decrease) % |
|--|------------------------------------|------------------------|-------------------------------------|------------------------|---|
| | Amount | % | Amount | % | |
| Items that may be reclassified subsequently to profit or loss: | | | | | |
| Exchange differences on translating foreign operations (Note 34) | \$ (198,217) | - | \$ (1,895,902) | (3) | (90) |
| Gains on investments in debt instruments at fair value through other comprehensive income (Note 34) | (1,030,280) | (2) | 112,729 | - | (1,014) |
| Income tax relating to items that may be reclassified subsequently to profit or loss (Note 44) | <u>343,501</u> <u>(884,996)</u> | <u>1</u> <u>(1)</u> | <u>20,379</u> <u>(1,762,794)</u> | <u>-</u> <u>(3)</u> | 1,586 (50) |
| Other comprehensive loss for the year, net of income tax | <u>1,154,809</u> | <u>3</u> | <u>(1,224,885)</u> | <u>(2)</u> | 194 |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | <u>\$ 20,691,470</u> | <u>42</u> | <u>\$ 19,412,399</u> | <u>38</u> | 7 |
| NET INCOME ATTRIBUTABLE TO | | | | | |
| Owners of the Bank | \$ 18,791,716 | 38 | \$ 20,122,674 | 39 | (7) |
| Non-controlling interests | <u>744,945</u> | <u>1</u> | <u>514,610</u> | <u>1</u> | 45 |
| | <u>\$ 19,536,661</u> | <u>39</u> | <u>\$ 20,637,284</u> | <u>40</u> | (5) |
| TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO | | | | | |
| Owners of the Bank | \$ 20,280,656 | 41 | \$ 19,574,375 | 38 | 4 |
| Non-controlling interests | <u>410,814</u> | <u>1</u> | <u>(161,976)</u> | <u>-</u> | 354 |
| | <u>\$ 20,691,470</u> | <u>42</u> | <u>\$ 19,412,399</u> | <u>38</u> | 7 |
| EARNINGS PER SHARE (NEW TAIWAN DOLLARS) (Note 45) | | | | | |
| Basic | <u>\$ 1.58</u> | | <u>\$ 1.69</u> | | |

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

TAIPEI FUBON COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars)

| | Equity Attributable to Owners of the Bank (Note 34) | | | | | | | | | | | |
|--|---|----------------|-----------------|-------------------|-----------------|-------------------------|---------------|--|---|---------------------|--|----------------|
| | Capital Stock | | Capital Surplus | Retained Earnings | | | | Exchange Differences on Translating Foreign Operations | Other Equity | | Non-controlling Interests (Notes 4 and 34) | Total Equity |
| | Shares (Thousands) | Common Stock | | Legal Reserve | Special Reserve | Unappropriated Earnings | Total | | Unrealized Gains or Losses on Financial Assets at Fair Value Through Other Comprehensive Income | Revaluation Surplus | | |
| BALANCE AT JANUARY 1, 2019 | 10,651,803 | \$ 106,518,023 | \$ 14,800,927 | \$ 44,684,974 | \$ 2,981,736 | \$ 18,287,619 | \$ 65,954,329 | \$ (2,082,733) | \$ 315,276 | \$ 380,201 | \$ 18,529,264 | \$ 204,415,287 |
| Appropriation of the 2018 earnings | | | | | | | | | | | | |
| Legal reserve | - | - | - | 5,492,834 | - | (5,492,834) | - | - | - | - | - | - |
| Special reserve | - | - | - | - | 1,135,718 | (1,135,718) | - | - | - | - | - | - |
| Cash dividends | - | - | - | - | - | (5,829,534) | (5,829,534) | - | - | - | - | (5,829,534) |
| Common stock dividends | 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 | 11,234,756 | 112,347,556 | 14,800,975 | 50,177,808 | 4,117,454 | 20,097,422 | 74,392,684 | (3,376,310) | 1,032,321 | 433,686 | 18,367,288 | 217,998,200 |
| Appropriation of the 2019 earnings | | | | | | | | | | | | |
| Legal reserve | - | - | - | 6,029,226 | - | (6,029,226) | - | - | - | - | - | - |
| Special reserve | - | - | - | - | 515,924 | (515,924) | - | - | - | - | - | - |
| Cash dividends | - | - | - | - | - | (6,776,136) | (6,776,136) | - | - | - | - | (6,776,136) |
| Common stock dividends | 677,613 | 6,776,136 | - | - | - | (6,776,136) | (6,776,136) | - | - | - | - | - |
| Changes in equity of associates and joint ventures accounted for using equity method | - | - | 657 | - | - | - | - | - | - | - | - | 657 |
| Net income for the year ended December 31, 2020 | - | - | - | - | - | 18,791,716 | 18,791,716 | - | - | - | 744,945 | 19,536,661 |
| Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax | - | - | - | - | - | (19,585) | (19,585) | (377,157) | 1,642,769 | 242,913 | (334,131) | 1,154,809 |
| Total comprehensive income (loss) for the year ended December 31, 2020 | - | - | - | - | - | 18,772,131 | 18,772,131 | (377,157) | 1,642,769 | 242,913 | 410,814 | 20,691,470 |
| Issuance of ordinary shares of cash | 343,840 | 3,438,396 | 2,561,604 | - | - | - | - | - | - | - | - | 6,000,000 |
| Disposal of investments in equity instruments at fair value through other comprehensive income | - | - | - | - | - | (163,816) | (163,816) | - | 163,816 | - | - | - |
| BALANCE AT DECEMBER 31, 2020 | 12,256,209 | \$ 122,562,088 | \$ 17,363,236 | \$ 56,207,034 | \$ 4,633,378 | \$ 18,608,315 | \$ 79,448,727 | \$ (3,753,467) | \$ 2,838,906 | \$ 676,599 | \$ 18,778,102 | \$ 237,914,191 |

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, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

| | 2020 | 2019 |
|---|---------------|---------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Income before income tax | \$ 21,898,831 | \$ 24,372,128 |
| Adjustments for: | | |
| Depreciation expense | 2,588,597 | 2,665,787 |
| Amortization expense | 822,756 | 871,908 |
| Provision for bad-debt expense | 2,902,347 | 2,189,112 |
| Net gain on financial assets and liabilities at fair value through profit or loss | (2,447,092) | (7,175,289) |
| Interest expense | 25,070,189 | 32,790,603 |
| Net (gain) loss on derecognition of financial assets at amortized cost | (206,244) | 5,257 |
| Interest income | (57,998,150) | (61,555,365) |
| Dividend income | (722,742) | (339,001) |
| Net change in provision for guarantee liabilities | (24,778) | (59,192) |
| Net change in other provisions | 56,807 | 127,879 |
| Share of loss of associates accounted for using the equity method | 241,703 | 78,298 |
| Loss (gain) on disposal of property and equipment | 681 | (7,599) |
| Property and equipment transferred to expenses | - | 359 |
| Gain on disposal of intangible assets | 10 | - |
| Gain on disposal of other assets | 589 | - |
| Gain on disposal of investment properties | (1,524,174) | (521,716) |
| Impairment loss on financial assets | 126,424 | - |
| Reversal of impairment loss on financial assets | - | (58,433) |
| Impairment loss on non-financial assets | 17,343 | - |
| Loss on fair value adjustment of investment properties | 7,551 | 1,368 |
| Other adjustments | 9,488 | (3,281) |
| Changes in operating assets and liabilities | | |
| Decrease (increase) in due from the Central Bank and call loans to other banks | 26,198,666 | (87,094,277) |
| Decrease in financial assets at fair value through profit or loss | 59,830,600 | 18,852,535 |
| Increase in financial assets at fair value through other comprehensive income | (39,094,225) | (8,574,001) |
| Increase in investments in debt instruments at amortized cost | (126,155,475) | (17,000,121) |
| Increase in securities sold under resell agreements | (198,776) | - |
| Decrease (increase) in receivables | 2,694,217 | (18,642,981) |
| Increase in discounts and loans | (146,301,170) | (95,825,124) |
| (Increase) decrease in other financial assets | (14,697,722) | 9,206,357 |
| Increase in other assets | (4,073,726) | (390,266) |
| Increase (decrease) in deposits from the Central Bank and other banks | 4,273,403 | (529,128) |

| | | |
|--|--------------|--------------|
| Decrease in financial liabilities at fair value through profit or loss | (14,747,011) | (45,996,941) |
| (Decrease) increase in securities sold under repurchase agreements | (43,145,986) | 1,995,872 |
| (Decrease) increase in payables | (12,485,578) | 7,645,441 |
| Increase in deposits and remittances | 192,419,544 | 271,934,737 |
| Increase (decrease) in other financial liabilities | 56,258,651 | (4,949,634) |
| | | (Continued) |

TAIPEI FUBON COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

| | 2020 | 2019 |
|--|----------------------|----------------------|
| Increase in provisions for employee benefits | \$ 102,105 | \$ 83,116 |
| Increase in other liabilities | <u>2,069,327</u> | <u>2,358,844</u> |
| Cash (used in) generated from operations | (66,233,020) | 26,457,252 |
| Interest received | 60,929,564 | 62,909,030 |
| Dividends received | 790,757 | 389,083 |
| Interest paid | (25,716,553) | (30,238,821) |
| Income tax paid | <u>(2,792,751)</u> | <u>(3,254,246)</u> |
| Net cash (used in) generated from operating activities | <u>(33,022,003)</u> | <u>56,262,298</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Acquisition of investments accounted for using the equity method | (2,008,000) | (502,000) |
| Acquisition of property and equipment | (1,037,331) | (898,644) |
| Proceeds from disposal of property and equipment | 721 | 13,746 |
| Acquisition of intangible assets | <u>(434,994)</u> | <u>(272,672)</u> |
| Net cash used in investing activities | <u>(3,479,604)</u> | <u>(1,659,570)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Increase (decrease) in due to the Central Bank and other banks | 6,965,030 | (443,447) |
| Proceeds from issuance of bank debentures | 25,845,718 | 30,476,050 |
| Repayments of bank debentures | (22,230,376) | (9,627,560) |
| Principal repayment of lease obligation | (1,389,723) | (1,383,668) |
| Cash dividends paid | (6,776,136) | (5,829,534) |
| Seasoned equity offering | <u>6,000,000</u> | <u>-</u> |
| Net cash generated from financing activities | <u>8,414,513</u> | <u>13,191,841</u> |
| EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES | <u>(1,501,222)</u> | <u>(3,142,816)</u> |
| NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS | (29,588,316) | 64,651,753 |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR | <u>201,138,079</u> | <u>136,486,326</u> |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | <u>\$171,549,763</u> | <u>\$201,138,079</u> |

(Continued)

TAIPEI FUBON COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (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, 2020 and 2019:

| | December 31 | |
|--|----------------------|----------------------|
| | 2020 | 2019 |
| Cash and cash equivalents in the consolidated balance sheets | \$ 83,112,676 | \$132,131,276 |
| Due from the Central Bank and call loans to other banks qualifying for cash and cash equivalents under the definition of IAS 7 | 74,593,292 | 58,356,237 |
| Securities purchased under resell agreements qualifying for cash and cash equivalents under the definition of IAS 7 | <u>13,843,795</u> | <u>10,650,566</u> |
| Cash and cash equivalents in the consolidated statements of cash flows | <u>\$171,549,763</u> | <u>\$201,138,079</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, 2020 AND 2019 (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.

On December 9, 2020, the Bank established TFB Capital Co., Ltd., which is a subsidiary of the Bank with 100% equity interest.

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

As of December 31, 2020, the Bank had a trust department, an offshore banking unit (“OBU”), 132 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, 2020, Fubon Bank (China) had its headquarters and 26 branches 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 23, 2021.

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

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

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

Upon retrospective application of the amendments, the Bank and its subsidiaries complied the hedge accounting requirements under the assumption that the interest rate benchmark (such as the London Interbank Offered Rate or LIBOR) 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.

- b. The IFRSs endorsed by the Financial Supervisory Commission (FSC) for application starting from 2021

| New IFRSs | Effective Date Announced by IASB |
|---|---|
| Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9” | Effective immediately upon promulgation by the IASB |
| Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2” | January 1, 2021 |
| Amendment to IFRS 16 “Covid-19-Related Rent Concessions” | June 1, 2020 |

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”

“Interest Rate Benchmark Reform - Phase 2” primarily amends IFRS 9, IFRS 7 and IFRS 16 to provide practical relief from the impact of the interest rate benchmark reform.

Changes in the basis for determining contractual cash flows as a result of interest rate benchmark reform

The changes in the basis for determining contractual cash flows of financial assets or financial liabilities are treated by updating the effective interest rate.

Both Non-derivative financial instruments and derivative financial instruments linked to LIBOR interest rate index held by the Bank and its subsidiaries on December 31, 2020 will be affected by changes in interest rate indicators, and the relevant impact is still being evaluated.

Hedging accounting

The amendments provide exceptions to the hedge accounting requirements in the following areas.

- 1) Allow amendment of the designation of a hedging relationship to reflect changes that are required by the reform.
- 2) When a hedged item in a cash flow hedge is amended to reflect the changes that are required by the reform, the amount accumulated in the cash flow hedge reserve will be deemed to be based on the alternative benchmark rate on which the hedged future cash flows are determined.
- 3) When a group of items is designated as a hedged item and an item in the group is amended to reflect the changes that are required by the reform, the hedged items are allocated to sub-groups based on the benchmark rates being hedged.
- 4) If an entity reasonably expects that an alternative benchmark rate will be separately identifiable within a period of 24 months, it is not prohibited from designating the rate as a non-contractually specified risk component if it is not separately identifiable at the designation date.

Disclosure

The amendments will require the Bank and its subsidiaries to disclose additional information about the entity’s exposure to risks arising from interest rate benchmark reform and related risk management activities.

Transition

The Bank and its subsidiaries plan to apply the amendments from January 1, 2021. Application will not impact amounts reported for 2020 or prior periods.

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

| New IFRSs | Effective Date Announced by IASB (Note 1) |
|--|--|
| “Annual Improvements to IFRS Standards 2018-2020” | January 1, 2022 (Note 2) |
| Amendments to IFRS 3 “Reference to the Conceptual Framework” | January 1, 2022 (Note 3) |
| 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, 2023 |
| Amendments to IFRS 17 | January 1, 2023 |
| Amendments to IAS 1 “Classification of Liabilities as Current or Non-current” | January 1, 2023 |
| Amendments to IAS 1 “Disclosure of Accounting Policies” | January 1, 2023 (Note 6) |
| Amendments to IAS 8 “Definition of Accounting Estimates” | January 1, 2023 (Note 7) |
| Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use” | January 1, 2022 (Note 4) |
| Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract” | January 1, 2022 (Note 5) |

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

Note 2: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 3: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 4: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 5: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

Note 6: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 7: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

1) Amendments to IAS 1 “Disclosure of Accounting Policies”

The amendments specify that the Bank and its subsidiaries should refer to the definition of material to determine its material accounting policy information to be disclosed. Accounting policy information is material if it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments also clarify that:

- accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed;
- the Bank and its subsidiaries may consider the accounting policy information as material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial; and
- not all accounting policy information relating to material transactions, other events or conditions is itself material.

The amendments also illustrate that accounting policy information is likely to be considered as material to the financial statements if that information relates to material transactions, other events or conditions and:

- a) the Bank and its subsidiaries changed its accounting policy during the reporting period and this change resulted in a material change to the information in the financial statements;
- b) the Bank and its subsidiaries chose the accounting policy from options permitted by the standards;
- c) the accounting policy was developed in accordance with IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” in the absence of an IFRS that specifically applies;
- d) the accounting policy relates to an area for which the Bank and its subsidiaries is required to make significant judgements or assumptions in applying an accounting policy, and the Bank and its subsidiaries discloses those judgements or assumptions; or
- e) the accounting is complex and users of the financial statements would otherwise not understand those material transactions, other events or conditions.

2) Amendments to IAS 8 “Definition of Accounting Estimates”

The amendments define that accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty. In applying accounting policies, the Bank and its subsidiaries may be required to measure items at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, the Bank and its subsidiaries uses measurement techniques and inputs to develop accounting estimates to achieve the objective. The effects on an accounting estimate of a change in a measurement technique or a change in an input are changes in accounting estimates unless they result from the correction of prior period errors.

In addition to the above effects, 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 financial position and financial performance that 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 in 2020 and 2019, the minimum provision requirements for loan loss coverage are 1.5% and 1.8%, respectively, and the minimum allowances for bad debts are 130% and 120%, 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. Fair value is determined in manner described in Note 52.

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 profit or loss of the hedging instrument (e.g., derivative) and the change in the fair value of 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.

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

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

Investment Properties

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

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

The decision of the Bank and its subsidiaries to transfer items of property into or out of the classification as investment properties depends on the actual use of the assets. The value of a piece of property classified as investment properties should be based on its fair value assessment when transferring it to investment properties and it should be reclassified appropriately. 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 Property and Equipment, Right of Use and Intangible Assets Other than Goodwill

At the end of each reporting period, the Bank and its subsidiaries review the carrying amounts of their property and equipment, right of use 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

The Bank and its subsidiaries determine the current income in accordance with the laws and regulations established by each income tax reporting jurisdiction, and calculate the income tax payable accordingly.

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

a. Current tax

Based on the Income Tax Law in the R.O.C., an additional 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.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be used.

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

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

c. Current and deferred taxes for the period

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

Recognition of Interest Income and Interest Expense

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

Recognition of Service Fee Income and Service Fee Expense

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

Business Combinations

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

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

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

Leases

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.

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 Bank and its subsidiaries take the economic impact of the novel coronavirus pneumonia epidemic into consideration in major accounting 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.

c. Impairment of investments in associates

The Bank and its subsidiaries immediately recognizes impairment losses on its net investment in an associate when there is an indication that the investment may be impaired and the carrying amount may not be recoverable. The Bank and its subsidiaries' management evaluates the impairment based on the estimated future cash flows expected to be generated by the associate. The Bank and its subsidiaries also takes into consideration market conditions and industry development when evaluating the appropriateness of the relevant assumptions.

6. CASH AND CASH EQUIVALENTS

| | <u>December 31</u> | |
|-------------------------------|----------------------|----------------------|
| | 2020 | 2019 |
| Cash on hand | \$ 7,095,145 | \$ 6,584,862 |
| Due from other banks, net | 74,501,323 | 123,951,435 |
| Notes and checks for clearing | <u>1,516,208</u> | <u>1,594,979</u> |
| | <u>\$ 83,112,676</u> | <u>\$132,131,276</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, 2020 and 2019, a loss allowance of \$33,203 thousand and \$23,906 thousand was recognized.

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

| | <u>December 31</u> | |
|------------------------------------|----------------------|----------------------|
| | 2020 | 2019 |
| Call loans to banks, net | \$172,998,424 | \$185,861,144 |
| Deposit reserves | 98,101,432 | 98,911,480 |
| Due from the Central Bank - others | <u>12,129,460</u> | <u>8,423,613</u> |
| | <u>\$283,229,316</u> | <u>\$293,196,237</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, 2020 and 2019, deposit reserves for checking accounts are amounted to \$20,231,066 thousand and \$33,079,661 thousand, respectively, and the required deposit reserves are amounted to \$40,703,283 thousand and \$37,675,385 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.

On December 31, 2020, allowances of \$5,310 thousand was recognized from the deposits in the Central Bank and call loans to other banks.

8. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | December 31 | |
|--|----------------------|----------------------|
| | 2020 | 2019 |
| <u>Financial assets mandatorily measured as at fair value through profit or loss</u> | | |
| Commercial paper | \$ 26,088,827 | \$ 44,119,678 |
| Convertible corporate bonds | 8,939,975 | 5,232,592 |
| Corporate bonds | 7,137,390 | 12,948,001 |
| Government bonds | 6,042,431 | 15,313,714 |
| Bank debentures | 5,361,843 | 11,189,666 |
| Negotiable certificates of deposits | 4,792,304 | 7,376,400 |
| Others | <u>5,699,645</u> | <u>9,345,717</u> |
| | <u>64,062,415</u> | <u>105,525,768</u> |
| Derivatives | | |
| Currency swap contracts | 32,080,617 | 17,062,583 |
| Others | <u>9,744,023</u> | <u>7,474,799</u> |
| | <u>41,824,640</u> | <u>24,537,382</u> |
| Financial assets at fair value through profit or loss | <u>\$105,887,055</u> | <u>\$130,063,150</u> |
| <u>Held-for-trading financial liabilities</u> | | |
| Derivatives | | |
| Currency swap contracts | \$ 38,158,664 | \$ 20,823,372 |
| Interest rate swap contracts | 3,629,602 | 2,862,246 |
| Cross-currency swap contracts | 3,145,698 | 1,637,812 |
| Others | <u>2,044,081</u> | <u>2,058,230</u> |
| | <u>46,978,045</u> | <u>27,381,660</u> |
| Financial liabilities at fair value through profit or loss | <u>\$ 46,978,045</u> | <u>\$ 27,381,660</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, 2020 and 2019 are summarized as follows:

| | December 31 | |
|-------------------------------|--------------------|-----------------|
| | 2020 | 2019 |
| Currency swap contracts | \$2,861,902,737 | \$3,164,440,050 |
| Interest rate swap contracts | 804,795,655 | 894,779,723 |
| Cross-currency swap contracts | 182,424,190 | 190,369,204 |
| Forward contracts | 95,449,344 | 134,707,638 |
| Option contracts | 61,511,983 | 59,038,161 |
| Equity swap contracts | 7,095,038 | 8,201,220 |
| Futures contracts | 6,885,445 | 54,965,177 |
| Commodity swap contracts | 186,353 | 831,517 |

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

| | December 31 | |
|--|----------------------|----------------------|
| | 2020 | 2019 |
| Investments in equity instruments at fair value through comprehensive income | \$ 16,239,519 | \$ 8,283,845 |
| Investments in debt instruments at fair value through comprehensive income | <u>193,567,418</u> | <u>159,566,131</u> |
| | <u>\$209,806,937</u> | <u>\$167,849,976</u> |

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

| | December 31 | |
|--|----------------------|---------------------|
| | 2020 | 2019 |
| Listed shares and emerging market shares | \$ 9,532,570 | \$ 4,334,305 |
| REITs | 4,847,636 | 2,383,401 |
| Unlisted shares | <u>1,859,313</u> | <u>1,566,139</u> |
| | <u>\$ 16,239,519</u> | <u>\$ 8,283,845</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 2020 and 2019, 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 \$1,348,925 thousand and \$536,659 thousand, respectively. The Bank and its subsidiaries transferred a loss of \$163,816 thousand and a gain of \$75,386 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:

| | For the Year Ended December 31 | |
|---|---|-------------------|
| | 2020 | 2019 |
| <u>Dividend income</u> | | |
| Held at the end of the reporting period | \$ 677,455 | \$ 318,826 |
| Derecognised in the reporting period | <u>45,287</u> | <u>20,175</u> |
| | <u>\$ 722,742</u> | <u>\$ 339,001</u> |

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

| | December 31 | |
|-------------------------------------|----------------------|----------------------|
| | 2020 | 2019 |
| Bank debentures (Note 11) | \$ 86,871,992 | \$ 79,213,261 |
| Government bonds (Note 11) | 59,642,269 | 25,871,655 |
| Corporate bonds (Note 11) | 43,343,624 | 27,701,139 |
| Negotiable certificates of deposits | 1,261,035 | 25,709,377 |
| Others | <u>2,448,498</u> | <u>1,070,699</u> |
| | <u>\$193,567,418</u> | <u>\$159,566,131</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

| | December 31 | |
|-------------------------------------|----------------------|----------------------|
| | 2020 | 2019 |
| Negotiable certificates of deposits | \$335,324,206 | \$274,743,787 |
| Corporate bonds (Note 11) | 175,506,113 | 161,867,103 |
| Bank debentures (Note 11) | 146,740,162 | 126,766,018 |
| Government bonds (Note 11) | 81,745,461 | 51,643,716 |
| Others | <u>19,731,424</u> | <u>11,908,540</u> |
| | 759,047,366 | 626,929,164 |
| Less: Allowance for impairment loss | <u>469,322</u> | <u>411,756</u> |
| | <u>\$758,578,044</u> | <u>\$626,517,408</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>2020</u> | <u>2019</u> |
| <u>Financial assets for hedging</u> | | |
| Fair value hedge - interest rate swap | <u>\$ 2,104,144</u> | <u>\$ 1,472,199</u> |
| <u>Financial liabilities for hedging</u> | | |
| Fair value hedge - interest rate swap | <u>\$ 8,994,438</u> | <u>\$ 2,777,420</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 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, 2020

| 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 | \$ 169,465,515 | 2021.01.25- 2050.02.15 | Financial assets and liabilities for hedging | \$ 2,104,144 | \$ 8,994,438 | \$ (6,080,282) |

| 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 | \$ - | \$ 69,598,504 | \$ - | \$ 2,058,565 | \$ (838,499) |
| Financial assets at fair value through other comprehensive income - government bonds | 2,132,508 | - | 370,712 | - | 402,952 |
| Financial assets at fair value through other comprehensive income - corporate bonds | 1,387,985 | - | 70,131 | - | 75,066 |
| Financial assets at fair value through other comprehensive income - bank debentures | 3,429,000 | - | 124,194 | - | 127,070 |
| Financial assets at amortized cost - government bonds | 6,889,693 | - | 680,836 | - | 732,602 |
| Financial assets at amortized cost - corporate bonds | 81,951,431 | - | 6,621,026 | - | 4,704,957 |
| Financial assets at amortized cost - bank debentures | 18,399,350 | - | 1,082,948 | - | 867,286 |

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) |

For the years ended December 31, 2020 and 2019

| Comprehensive Income | Gains or Losses on Ineffective Hedge Recognized in Comprehensive Income For the Year Ended December 31 | | Comprehensive Income Statement Line Item in Which Hedge Ineffectiveness Is Included |
|----------------------|--|------------|---|
| | 2020 | 2019 | |
| | Fair value hedge Bank debentures | \$ (8,848) | |

12. SECURITIES PURCHASED UNDER RESELL AGREEMENTS

| | December 31 | |
|-------------------------------------|----------------------|----------------------|
| | 2020 | 2019 |
| Bank debentures | \$ 7,712,502 | \$ 1,274,304 |
| Commercial paper | 4,661,202 | 528,946 |
| Corporate bonds | 1,667,487 | 8,247,000 |
| Government bonds | 19,039 | 600,316 |
| | 14,060,230 | 10,650,566 |
| Less: Allowance for impairment loss | 17,659 | - |
| | <u>\$ 14,042,571</u> | <u>\$ 10,650,566</u> |

(Continued)

| | December 31 | |
|------------------------------|---------------------------|------------------------------|
| | 2020 | 2019 |
| Dates of resell agreements | 2021.01.04- 2021.03.29 | 2020.01.02- 2020.03.17 |
| Amounts of resell agreements | \$ 14,046,231 | \$ 10,652,659 (Concluded) |

13. RECEIVABLES, NET

| | December 31 | |
|-------------------------------------|----------------------|----------------------|
| | 2020 | 2019 |
| Credit card receivables | \$ 54,247,374 | \$ 46,541,560 |
| Acceptances | 19,382,924 | 31,519,558 |
| Accounts receivable - factoring | 17,661,731 | 16,949,363 |
| Interest receivables | 12,590,333 | 12,759,786 |
| Accounts receivable | 6,217,568 | 5,189,566 |
| Others | <u>2,240,445</u> | <u>2,232,721</u> |
| | 112,340,375 | 115,192,554 |
| Less: Allowance for impairment loss | <u>839,435</u> | <u>715,922</u> |
| | <u>\$111,500,940</u> | <u>\$114,476,632</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 | |
|--|------------------------|------------------------|
| | 2020 | 2019 |
| Discounts and overdrafts | \$ 358,590 | \$ 1,422,410 |
| Accounts receivable - financing | 3,197,847 | 3,023,292 |
| Short-term loans | 323,200,868 | 320,016,504 |
| Short-term secured loans | 125,723,268 | 97,243,328 |
| Medium-term loans | 288,915,899 | 264,564,828 |
| Medium-term secured loans | 191,093,409 | 167,200,147 |
| Long-term loans | 25,933,223 | 39,851,507 |
| Long-term secured loans | 694,729,883 | 614,283,473 |
| Import and export bill negotiation | 1,740,223 | 1,530,100 |
| Nonperforming loans transferred from loans | <u>3,011,333</u> | <u>3,826,438</u> |
| | 1,657,904,543 | 1,512,962,027 |
| Less: Allowance for impairment loss | 21,937,164 | 20,487,045 |
| Less: Adjustments of premium and discount | <u>559,145</u> | <u>657,343</u> |
| | <u>\$1,635,408,234</u> | <u>\$1,491,817,639</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 | |
|-------------------|-----------------------|----------------------|-------------------------|------|
| | | | 2020 | 2019 |
| TAIPEI FUBON Bank | Fubon Bank (China) | Bank | 51% | 51% |
| TAIPEI FUBON Bank | TFB Capital Co., Ltd. | Venture Investment | 100% | - |

The Bank has invested \$2,000,000 thousand and held 100% of the shares in TFB Capital Co., Ltd. The company was established on December 9, 2020.

b. Material non-controlling interests

| Subsidiary | Principal Place of Business | Percentage of Ownership and Voting Rights Held by Non-controlling Interests | |
|--------------------|-----------------------------|---|------|
| | | 2020 | 2019 |
| Fubon Bank (China) | China | 49% | 49% |

| Subsidiary | Profit Allocated to Non-controlling Interests For the Year Ended December 31 | | Accumulated Non-controlling Interests | |
|--------------------|--|------------|---------------------------------------|---------------|
| | 2020 | 2019 | 2020 | 2019 |
| Fubon Bank (China) | \$ 744,945 | \$ 514,610 | \$ 18,778,102 | \$ 18,367,288 |

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

Fubon Bank (China)

| | December 31 | |
|-------------------------|----------------------|----------------------|
| | 2020 | 2019 |
| Total assets | \$552,782,747 | \$455,853,137 |
| Total liabilities | <u>(512,659,083)</u> | <u>(416,584,159)</u> |
| Equity | <u>\$ 40,123,664</u> | <u>\$ 39,268,978</u> |
| Equity attributable to: | | |

| | | |
|---------------------------|----------------------|----------------------|
| Owners of the Bank | \$ 21,345,562 | \$ 20,901,690 |
| Non-controlling interests | <u>18,778,102</u> | <u>18,367,288</u> |
| | <u>\$ 40,123,664</u> | <u>\$ 39,268,978</u> |

| | For the Year Ended December 31 | |
|---|---|---------------------|
| | 2020 | 2019 |
| Total net revenue | <u>\$ 6,683,235</u> | <u>\$ 6,407,242</u> |
| Net income for the year | \$ 1,520,295 | \$ 1,050,225 |
| Other comprehensive loss for the year | <u>(665,609)</u> | <u>(1,439,610)</u> |
| Total comprehensive income (loss) for the year | <u>\$ 854,686</u> | <u>\$ (389,385)</u> |
| Net income attributable to: | | |
| Owners of the Bank | \$ 775,350 | \$ 535,615 |
| Non-controlling interests | <u>744,945</u> | <u>514,610</u> |
| | <u>\$ 1,520,295</u> | <u>\$ 1,050,225</u> |
| Total comprehensive income (loss) income attributable to: | | |
| Owners of the Bank | \$ 443,872 | \$ (227,409) |
| Non-controlling interests | <u>410,814</u> | <u>(161,976)</u> |
| | <u>\$ 854,686</u> | <u>\$ (389,385)</u> |
| Net cash (outflow) inflow from: | | |
| Operating activities | \$ (3,369,550) | \$ (4,679,597) |
| Investing activities | (396,147) | (233,613) |
| Financing activities | 12,560,598 | 3,733,222 |

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 - 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, 2020 and 2019, were as follows:

| | December 31 | |
|---|--------------------|-------------|
| | 2020 | 2019 |
| Asset securitization | | |
| Financial assets at fair value through profit or loss | \$ 849,266 | \$ 44,272 |
| Financial assets at fair value through other | 6,785,744 | 2,383,401 |

| | | |
|--|----------------------|---------------------|
| comprehensive income | | |
| Investments in debt instruments measured at amortized cost | 16,083,314 | 7,108,231 |
| Trust plan - funds | | |
| Financial assets at fair value through profit or loss | <u>129,896</u> | <u>129,146</u> |
| | <u>\$ 23,848,220</u> | <u>\$ 9,665,050</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, 2020 and 2019.

17. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

| | <u>December 31</u> | |
|---|---------------------------------------|---------------------|
| | <u>2020</u> | <u>2019</u> |
| Associates that are not individually material | <u>\$ 5,433,177</u> | <u>\$ 3,673,187</u> |
| Information of associates that are not individually material: | | |
| | <u>For the Year Ended December 31</u> | |
| | <u>2020</u> | <u>2019</u> |
| The Bank and its subsidiaries' share of: | | |
| Net loss | \$(241,703) | \$ (78,298) |
| Other comprehensive income (loss) | <u>-</u> | <u>-</u> |
| Total comprehensive loss for the year | <u>\$(241,703)</u> | <u>\$ (78,298)</u> |

The Bank has invested \$2,510,000 thousand and held 25.1% of the shares in Line Bank Ltd. The company was established on March 9, 2020.

Except for Line Bank Ltd.'s financial statements which were not audited by independent auditors for the year ended December 31, 2019, the Bank and its subsidiaries' share of profit and other comprehensive income (loss) of the associates for the year ended December 31, 2020 and 2019 was based on the associates' financial statements for the same reporting periods as those of the Bank, which had been audited by independent auditors. The management of the Bank considered that the above-mentioned issue that the invested companies had not been audited by independent auditors had no significant impact.

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

18. OTHER FINANCIAL ASSETS, NET

| | <u>December 31</u> | |
|---|--------------------|--------------|
| | <u>2020</u> | <u>2019</u> |
| Other financial institution deposits not qualifying as cash equivalents | \$ 19,922,610 | \$ 5,137,155 |

| | | |
|---|----------------------|---------------------|
| Nonperforming loans transferred from other than loans | 78,490 | 116,871 |
| Others | - | 1,217 |
| | <u>20,001,100</u> | <u>5,255,243</u> |
| Less: Allowance for impairment loss | <u>59,810</u> | <u>85,298</u> |
| | <u>\$ 19,941,290</u> | <u>\$ 5,169,945</u> |

Refer to Note 53 for information relating to the credit risk management and impairment of other financial assets.

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

19. PROPERTY AND EQUIPMENT, NET

| For the Year Ended December 31, 2020 | | | | | | | | |
|---|---------------------|---------------------|----------------------------------|--------------------------|----------------------------|------------------------|--|----------------------|
| | Land | Buildings | Machinery and Computer Equipment | Transportation Equipment | Office and Other Equipment | Leasehold Improvements | Construction in Progress and Prepayments for Equipment | Total |
| Cost | | | | | | | | |
| Balance at January 1, 2020 | \$ 6,438,049 | \$ 11,130,702 | \$ 3,890,958 | \$ 272,979 | \$ 1,172,060 | \$ 2,730,677 | \$ 1,247,858 | \$ 26,883,283 |
| Additions | - | 22,852 | 229,619 | 11,955 | 32,409 | 73,492 | 667,004 | 1,037,331 |
| Disposals | - | - | (75,555) | (12,102) | (37,729) | (60,165) | - | (185,551) |
| Reclassification | (287,549) | 182,961 | 76,383 | 88 | 7,004 | 22,399 | (504,296) | (868,932) |
| Revaluation surplus | 199,178 | 78,954 | - | - | - | - | - | 278,132 |
| Effect of foreign currency exchange differences | - | 62,051 | 2,521 | (1,184) | 805 | (3,245) | (58) | 60,890 |
| Balance at December 31, 2020 | <u>6,349,678</u> | <u>11,111,598</u> | <u>4,123,926</u> | <u>271,736</u> | <u>1,174,549</u> | <u>2,763,158</u> | <u>1,410,508</u> | <u>27,205,153</u> |
| Accumulated depreciation and impairment | | | | | | | | |
| Balance at January 1, 2020 | - | 2,951,779 | 2,853,138 | 213,333 | 840,627 | 1,339,598 | - | 8,198,475 |
| Depreciation | - | 288,810 | 394,421 | 19,943 | 97,945 | 333,490 | - | 1,134,609 |
| Disposals | - | - | (75,412) | (11,418) | (37,297) | (60,022) | - | (184,149) |
| Reclassification | - | 71,742) | - | - | - | (64,367) | - | (136,109) |
| Effect of foreign currency exchange differences | - | 13,218 | 1,392 | (684) | 1,651 | (384) | - | 15,193 |
| Balance at December 31, 2020 | - | <u>3,182,065</u> | <u>3,173,539</u> | <u>221,174</u> | <u>902,926</u> | <u>1,548,315</u> | - | <u>9,028,019</u> |
| Carrying amount at December 31, 2019 and January 1, 2020 | <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> |
| Carrying amount at December 31, 2020 | <u>\$ 6,349,678</u> | <u>\$ 7,929,533</u> | <u>\$ 950,387</u> | <u>\$ 50,562</u> | <u>\$ 271,623</u> | <u>\$ 1,214,843</u> | <u>\$ 1,410,508</u> | <u>\$ 18,177,134</u> |
| For the Year Ended December 31, 2019 | | | | | | | | |
| | Land | Buildings | Machinery and Computer Equipment | Transportation Equipment | Office and Other Equipment | Leasehold Improvements | Construction in Progress and Prepayments for Equipment | Total |
| Cost | | | | | | | | |
| Balance at January 1, 2019 | \$ 6,404,653 | \$ 11,248,299 | \$ 3,669,659 | \$ 303,556 | \$ 1,261,948 | \$ 2,509,296 | \$ 1,363,658 | \$ 26,761,069 |
| Effect of retrospective application to IFRS 16 | - | - | - | - | (74,817) | - | - | (74,817) |
| Balance at January 1, 2019 (audited after restatement) | 6,404,653 | 11,248,299 | 3,669,659 | 303,556 | 1,187,131 | 2,509,296 | 1,363,658 | 26,686,252 |
| Additions | - | 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 | (19,709) | 74,786 | 68,395 | (2,343) | 11,669 | 199,765 | (629,355) | (296,792) |
| Revaluation surplus | 53,105 | 2,132 | - | - | - | - | - | 55,237 |
| 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> |
| Accumulated depreciation and impairment | | | | | | | | |
| Balance at January 1, 2019 | - | 2,710,755 | 2,484,681 | 222,213 | 803,004 | 1,054,212 | - | 7,274,865 |
| Effect of retrospective application to IFRS 16 | - | - | - | - | (12,337) | - | - | (12,337) |
| Balance at January 1, 2019 (audited after restatement) | - | 2,710,755 | 2,484,681 | 222,213 | 790,667 | 1,054,212 | - | 7,262,528 |
| Depreciation | - | 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>2,951,779</u> | <u>2,853,138</u> | <u>213,333</u> | <u>840,627</u> | <u>1,339,598</u> | - | <u>8,198,475</u> |
| Carrying amount at December 31, 2018 and 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> |

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 improvements | 3-8 years |

20. LEASE ARRANGEMENTS

a. Right-of-use assets

| | December 31 | |
|---|---------------------|---------------------|
| | 2020 | 2019 |
| <u>Carrying amounts</u> | | |
| Buildings | \$ 3,778,105 | \$ 3,669,369 |
| Machinery and computer equipment | 176,009 | 12,868 |
| Transportation equipment | 36,638 | 14,222 |
| Office and other equipment | <u>84,482</u> | <u>76,887</u> |
| | <u>\$ 4,075,234</u> | <u>\$ 3,773,346</u> |
| For the Year Ended December 31 | | |
| | 2020 | 2019 |
| Additions to right-of-use assets | <u>\$ 1,751,502</u> | <u>\$ 701,482</u> |
| Depreciation expense of right-of-use assets | | |
| Buildings | \$ 1,389,783 | \$ 1,413,673 |
| Machinery and computer equipment | 13,384 | 4,477 |
| Transportation equipment | 14,023 | 17,676 |
| Office and other equipment | <u>36,798</u> | <u>37,720</u> |
| | <u>\$ 1,453,988</u> | <u>\$ 1,473,546</u> |

b. Lease liabilities

| | December 31 | |
|------------------|---------------------|---------------------|
| | 2020 | 2019 |
| Carrying amounts | <u>\$ 4,093,537</u> | <u>\$ 3,776,863</u> |

Range of discount rate for lease liabilities was as follows:

| | December 31 | |
|---------------------------------------|--------------------|-------------------|
| | 2020 | 2019 |
| Buildings | 2.19%-4.95% | 2.20%-3.88% |
| Machinery and computer equipment | 0.77%-0.82% | 0.82% |
| Transportation equipment | 0.72%-2.81% | 0.75%-2.80% |
| Office and other equipment | 0.75%-3.51% | 0.75%-3.51% |
| For the Year Ended December 31 | | |
| | 2020 | 2019 |
| Interest expense on lease liabilities | <u>\$ 130,485</u> | <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.

| | For the Year Ended December 31 | |
|--|---|----------------------|
| | 2020 | 2019 |
| Expenses on short term lease contract | \$ 796 | \$ 289 |
| Expenses relating to leases of low-value asset | \$ 12,596 | \$ 13,027 |
| Expenses relating to variable lease payments not included in the measurement of lease liabilities | \$ 57,957 | \$ 52,250 |
| Total cash outflow for leases | <u>\$(1,580,769)</u> | <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.

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:

December 31, 2020

| | 0-30 Days | 31-90 Days | 91 Days - 1 Year | 1-5 Years | Over 5 Years | Total |
|-------------------|------------------|-------------------|-----------------------------|------------------|---------------------|--------------|
| Lease liabilities | \$ 94,173 | \$ 227,936 | \$ 881,099 | \$ 2,416,214 | \$ 899,388 | \$ 4,518,810 |

December 31, 2019

| | 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 |

21. INVESTMENT PROPERTIES

| Item | December 31 | |
|-------------|---------------------|---------------------|
| | 2020 | 2019 |
| Land | \$ 2,803,236 | \$ 2,504,276 |
| Buildings | <u>409,464</u> | <u>309,924</u> |
| | <u>\$ 3,212,700</u> | <u>\$ 2,814,200</u> |

The movements of investment properties are shown below:

| | For the Year Ended December 31 | |
|---|---|---------------------|
| | 2020 | 2019 |
| Balance, beginning of the year | \$ 2,814,200 | \$ 2,794,200 |
| Reclassification | 406,050 | 21,368 |
| Change in fair value of investment properties | <u>(7,550)</u> | <u>(1,368)</u> |
| Balance, end of the year | <u>\$ 3,212,700</u> | <u>\$ 2,814,200</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.

The total amount of the lease payment that will be received in the future when the investment properties are leased out as operating leases is as follows:

| | December 31 | |
|----------------|--------------------|-------------------|
| | 2020 | 2019 |
| Year 1 | \$ 102,666 | \$ 70,720 |
| Year 2 | 87,161 | 64,898 |
| Year 3 | 52,049 | 49,393 |
| Year 4 | 14,532 | 29,309 |
| Year 5 | 6,309 | 11,301 |
| Year 6 onwards | <u>7,164</u> | <u>10,842</u> |
| | <u>\$ 269,881</u> | <u>\$ 236,463</u> |

The fair values of the investment properties as of December 31, 2020 and 2019 were based on the valuations carried out on these dates by independent qualified professional appraisers, Dai Guang-Ping, Chang Hung-Kai, Chang Yi-Chih and Yeh Yu-Fen, from the real estate appraisal office, Savills plc, a duly certified ROC real estate appraiser.

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

| | December 31 | |
|-----------------------------------|---------------------|---------------------|
| | 2020 | 2019 |
| Expected future cash inflows | \$ 4,579,118 | \$ 4,088,022 |
| Expected future cash outflows | <u>(156,395)</u> | <u>(127,871)</u> |
| Expected future cash inflows, net | <u>\$ 4,422,723</u> | <u>\$ 3,960,151</u> |
| Discount rate | 3.595% | 3.845% |

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

The expected future cash inflows generated by investment properties included rental income, interest income on rental deposits and disposal value. Thus, rental income was extrapolated using the Bank's current lease agreements and market rentals, taking into account the annual rental growth rate and an income analysis covering 10 years, with the interest income on rental deposits extrapolated using the interest rate for 1 year; the disposal value was determined using the direct capitalization method under the income approach. The expected future cash outflows incurred by investment properties included expenditures such as land value taxes, house taxes, insurance premium, and maintenance costs. These expenditures were extrapolated on 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, 2020 and 2019, 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, 2020 and 2019, 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 | |
|---------------------------|---------------------------------------|-------------|
| | 2020 | 2019 |
| Rental income | \$ 90,054 | \$ 88,726 |
| Direct operating expenses | 9,961 | 9,522 |

22. INTANGIBLE ASSETS, NET

| | December 31 | |
|---------------------------------------|-----------------------------|-----------------------------|
| | 2020 | 2019 |
| Banking licenses and operating rights | \$ 5,373,859 | \$ 5,335,747 |
| Core deposits | 5,187,234 | 5,470,888 |
| Goodwill | 2,035,062 | 2,018,772 |
| Computer software | 1,507,502 | 1,215,539 |
| Customer relationships | 44,492 | 52,835 |
| Others | <u>2,000</u> | <u>2,000</u> |
| | <u>\$ 14,150,149</u> | <u>\$ 14,095,781</u> |

The movements of intangible assets are listed below:

| | For the Year Ended December 31 | | | | | |
|---|---------------------------------------|-----------------------------|-----------------------------|----------------------------|-----------------------------|-----------------------------|
| | 2020 | | | 2019 | | |
| | Goodwill | Others | Total | Goodwill | Others | Total |
| Balance, beginning of the year | \$ 2,018,772 | \$ 12,077,009 | \$ 14,095,781 | \$ 2,077,594 | \$ 12,690,559 | \$ 14,768,153 |
| Additions | - | 434,994 | 434,994 | - | 272,672 | 272,672 |
| Disposals | - | (10) | (10) | - | - | - |
| Amortizations | - | (770,496) | (770,496) | - | (810,348) | (810,348) |
| Reclassification | - | 279,969 | 279,969 | - | 271,058 | 271,058 |
| Effect of foreign currency exchange differences | <u>16,290</u> | <u>93,621</u> | <u>109,911</u> | <u>(58,822)</u> | <u>(346,932)</u> | <u>(405,754)</u> |
| Balance, end of the year | <u>\$ 2,035,062</u> | <u>\$ 12,115,087</u> | <u>\$ 14,150,149</u> | <u>\$ 2,018,772</u> | <u>\$ 12,077,009</u> | <u>\$ 14,095,781</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 | 23 years |
| Operating rights | 97 years |
| Computer software | 3-10 years |
| Customer relationships | 10-14 years |

For the purpose of goodwill impairment testing, Fubon Bank (China) and branches in Vietnam were deemed as individual cash generating units, and the recoverable amounts of these branches were determined on the basis of their net fair value. The key assumptions used in the net fair value calculation included the business cycle stage, the overall state of the economy, and the profitability and estimated salvage value of Fubon Bank (China) and the Vietnam branches. An assessment by the Bank and its subsidiaries as of December 31, 2020 and 2019, showed there was no material goodwill impairment.

23. OTHER ASSETS

| | December 31 | |
|---------------------|----------------------|----------------------|
| | 2020 | 2019 |
| Refundable deposits | \$ 14,807,150 | \$ 10,693,704 |
| Prepaid expense | 864,573 | 689,090 |
| Others | <u>366,679</u> | <u>652,723</u> |
| | <u>\$ 16,038,402</u> | <u>\$ 12,035,517</u> |

24. DEPOSITS FROM THE CENTRAL BANK AND BANKS

| | December 31 | |
|---|----------------------|----------------------|
| | 2020 | 2019 |
| Call loans | \$141,003,016 | \$128,958,426 |
| Deposit from the Central Bank and banks | 1,266,747 | 8,951,689 |
| Others | <u>219,759</u> | <u>306,004</u> |
| | <u>\$142,489,522</u> | <u>\$138,216,119</u> |

25. DUE TO THE CENTRAL BANK AND BANKS

| | December 31 | |
|-------------------------|---------------------|-------------|
| | 2020 | 2019 |
| Due to the Central Bank | <u>\$ 6,965,030</u> | <u>\$ -</u> |

26. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

| | December 31 | |
|----------------------------------|---------------------------|---------------------------|
| | 2020 | 2019 |
| Corporate bonds | \$ 42,948,951 | \$ 61,894,922 |
| Bank debentures | 31,693,528 | 41,230,338 |
| Government bonds | 5,514,950 | 18,585,393 |
| Others | <u>-</u> | <u>1,592,762</u> |
| | <u>\$ 80,157,429</u> | <u>\$123,303,415</u> |
| Dates of repurchase agreements | 2021.01.04- 2021.04.06 | 2020.01.02- 2020.05.29 |
| Amounts of repurchase agreements | \$ 80,226,653 | \$123,796,025 |

As of December 31, 2020 and 2019, the Bank and its subsidiaries' investments were as follows:

| | December 31 | |
|---|---------------|---------------|
| | 2020 | 2019 |
| Financial assets at fair value through other comprehensive income | \$ 10,993,597 | \$ 22,064,185 |
| Investments in debt instruments measured at amortized cost | 69,901,796 | 105,877,132 |

27. PAYABLES

| | December 31 | |
|---|----------------------|----------------------|
| | 2020 | 2019 |
| Acceptances | \$ 19,382,925 | \$ 31,528,719 |
| Accrued interest | 6,291,785 | 7,760,967 |
| Accrued expenses | 6,186,293 | 5,873,843 |
| Accounts payable - factoring | 3,907,732 | 4,036,650 |
| Accrued payroll and transfer of provisional funds | 3,023,352 | 2,890,598 |
| Accounts payable | 3,514,853 | 3,125,685 |
| Others | <u>4,015,096</u> | <u>5,060,334</u> |
| | <u>\$ 46,322,036</u> | <u>\$ 60,276,796</u> |

28. DEPOSITS AND REMITTANCES

| | December 31 | |
|-----------------|---------------|---------------|
| | 2020 | 2019 |
| Checking | \$ 16,267,942 | \$ 14,180,036 |
| Public treasury | 40,481,574 | 31,370,644 |
| Demand | 670,117,773 | 544,546,479 |
| Savings | 994,517,664 | 918,464,504 |

| | | |
|------------------------------------|------------------------|------------------------|
| Time | 668,721,487 | 709,487,076 |
| Negotiable certificates of deposit | 106,088,995 | 61,202,575 |
| Outward remittances | <u>440,636</u> | <u>24,965,213</u> |
| | <u>\$2,496,636,071</u> | <u>\$2,304,216,527</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, 2020 and 2019 are summarized as follows:

| | December 31 | |
|---|--------------------|--------------|
| | 2020 | 2019 |
| First issue of subordinated bank debentures in 2010; fixed 2.5%; maturity: January 2020 | \$ - | \$ 2,400,000 |
| Fourth issue of subordinated bank debentures in 2010; fixed 2.5%; maturity: March 2020 | - | 2,000,000 |
| Sixth issue of subordinated bank debentures in 2010; fixed 2.05%; maturity: August 2020 | - | 1,900,000 |
| Seventh issue of subordinated bank debentures in 2010; fixed 1.55%; maturity: October 2020 | - | 900,000 |
| Second issue of subordinated bank debentures in 2012; fixed 1.68%; maturity: May 2022 | 4,700,000 | 4,700,000 |
| First issue of subordinated bank debentures in 2013; fixed 1.52%; maturity: August 2020 | - | 3,750,000 |
| 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 | 5,500,000 | 5,500,000 |
| First issue of subordinated bank debentures in 2014; fixed 1.85%; maturity: May 2024 | 4,500,000 | 4,500,000 |
| Second issue of subordinated bank debentures in 2014; fixed 1.98%; maturity: September 2024 | 3,700,000 | 3,700,000 |
| First issue of dominant bank debentures in 2015; 0%; maturity: February 2045 (US\$100,000 thousand) | - | 3,670,693 |
| First issue of dominant bank debentures in 2017; 0%; maturity: January 2047 (US\$200,000 thousand) | - | 6,772,452 |
| First issue of dominant bank debentures in 2017; 0%; maturity: January 2047 (US\$200,000 thousand) | 6,629,430 | 6,762,907 |
| Second issue of subordinated bank debentures in 2017; fixed 1.33%; maturity: September 2024 | 3,000,000 | 3,000,000 |
| Fourth issue of subordinated bank debentures in 2017; fixed 1.3%; maturity: October 2024 | 1,750,000 | 1,750,000 |
| Fifth issue of dominant bank debentures in 2017; 0%; maturity: December 2047 (US\$100,000 thousand) | 3,210,654 | 3,273,090 |
| First issue of dominant bank debentures in 2018; fixed 0.67%; maturity: March 2020 | - | 1,000,000 |
| Second issue of dominant bank debentures in 2018; 0%; maturity: March 2048 (US\$195,000 thousand) | 6,238,284 | 6,344,379 |
| 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 |

(Continued)

| | December 31 | |
|--|----------------------|-------------------------------------|
| | 2020 | 2019 |
| Fifth issue of dominant bank debentures in 2018; 0%; maturity: November 2048 (US\$80,000 thousand) | \$ 2,511,571 | \$ 2,540,857 |
| Sixth issue of dominant bank debentures in 2018; fixed 1.1%; maturity: November 2028 | 3,700,000 | 3,700,000 |
| Seventh issue of subordinated bank debentures in 2018; fixed 2.15%; perpetual | 6,500,000 | 6,500,000 |
| First issue of dominant bank debentures in 2019; fixed 0.98%; maturity: March 2029 | 1,500,000 | 1,500,000 |
| Second issue of dominant bank debentures in 2019; fixed 0.95%; maturity: May 2029 | 1,300,000 | 1,300,000 |
| Third issue of subordinated bank debentures in 2019; fixed 1.9%; perpetual | 3,100,000 | 3,100,000 |
| Fourth issue of subordinated bank debentures in 2019; fixed 1.63%; perpetual | 4,400,000 | 4,400,000 |
| Fifth issue of subordinated bank debentures in 2019; fixed 0.95%; maturity: September 2029 | 6,000,000 | 6,000,000 |
| Sixth issue of dominant bank debentures in 2019; fixed 0.88%; maturity: October 2029 | 6,600,000 | 6,600,000 |
| Seventh issue of dominant bank debentures in 2019; fixed 0.88%; maturity: December 2029 | 3,100,000 | 3,100,000 |
| First issue of dominant bank debentures in 2020; fixed 0.75%; maturity: March 2030 | 5,000,000 | - |
| Second issue of subordinated bank debentures in 2020; fixed 1.60%; perpetual | 3,150,000 | - |
| Third issue of subordinated bank debentures in 2020; fixed 0.70%; maturity: June 2027 | 200,000 | - |
| Third issue of subordinated bank debentures in 2020; fixed 0.80%; maturity: June 2030 | 1,800,000 | - |
| Fourth issue of subordinated bank debentures in 2020; fixed 1.50%; perpetual | 2,850,000 | - |
| Valuation adjustments of bank debentures | <u>2,058,565</u> | <u>1,300,223</u> |
| | <u>\$ 96,498,504</u> | <u>\$105,464,601</u> (Concluded) |

Fubon Bank (China)

In order to increase the capital adequacy ratio, Fubon Bank (China) optimized the matching structure of medium and long-term assets and liabilities, increase stable sources of medium and long-term liabilities, and support the development of medium and long-term asset. The outstanding balances of bank debentures as of December 31, 2020 and 2019 are summarized as follows:

| | December 31 | |
|--|----------------------|---------------------|
| | 2020 | 2019 |
| Tier-2 capital bond (first period); fixed rate of 5.43%; maturity: December 2028 (RMB1,000,000 thousand) | \$ 4,363,063 | \$ 4,323,600 |
| Tier-2 capital bond (first period); fixed rate of 5.20%; maturity: April 2029 (RMB1,000,000 thousand) | 4,363,063 | 4,323,600 |
| FBCN, fixed rate of 4.08%; maturity: January 2025 (RMB 1,000,000 thousand) | 4,355,919 | - |
| Capital bond; fixed rate of 3.20%; maturity: March 2023 (RMB 1,000,000 thousand) | 4,363,063 | - |
| Capital bond; fixed rate of 3.92%; maturity: December 2023 (RMB 1,000,000 thousand) | <u>4,363,063</u> | <u>-</u> |
| | <u>\$ 21,808,171</u> | <u>\$ 8,647,200</u> |

30. OTHER FINANCIAL LIABILITIES

| | December 31 | |
|---|----------------------|----------------------|
| | 2020 | 2019 |
| Principal amount of structured products | \$ 76,377,855 | \$ 20,190,871 |
| Others | <u>71,667</u> | <u>-</u> |
| | <u>\$ 76,449,522</u> | <u>\$ 20,190,871</u> |

31. PROVISIONS

| | December 31 | |
|--|---------------------|---------------------|
| | 2020 | 2019 |
| Provisions for employee benefits (Note 32) | \$ 2,645,223 | \$ 2,518,637 |
| Reserve for financial commitments | 260,736 | 139,413 |
| Reserve for losses on guarantees | 217,134 | 242,163 |
| Others | <u>279,432</u> | <u>479,641</u> |
| | <u>\$ 3,402,525</u> | <u>\$ 3,379,854</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

| | December 31 | |
|---|---------------------|---------------------|
| | 2020 | 2019 |
| Provisions for employee benefits | | |
| Defined benefit plans | \$ 1,728,140 | \$ 1,604,933 |
| Preferential interest rate plan for employees' deposits | 674,673 | 727,297 |
| Other long-term employee benefits plan | 242,294 | 186,281 |
| Others | <u>116</u> | <u>126</u> |
| | <u>\$ 2,645,223</u> | <u>\$ 2,518,637</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, 2020 and 2019 were \$321,587 thousand and \$317,257 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:

| | December 31 | |
|---|---------------------|---------------------|
| | 2020 | 2019 |
| Present value of defined benefit obligation | \$ 3,499,583 | \$ 3,396,971 |
| Fair value of plan assets | <u>(1,771,443)</u> | <u>(1,792,038)</u> |
| Net defined benefit liability | <u>\$ 1,728,140</u> | <u>\$ 1,604,933</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, 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> |
| Balance at January 1, 2020 | <u>\$ 3,396,971</u> | <u>\$(1,792,038)</u> | <u>\$ 1,604,933</u> |
| Service cost | | | |
| Current service cost | 47,581 | - | 47,581 |
| Past service cost | 13,277 | - | 13,277 |
| Net interest expense (income) | <u>24,716</u> | <u>(12,959)</u> | <u>11,757</u> |
| Recognized in profit or loss | <u>85,574</u> | <u>(12,959)</u> | <u>72,615</u> |
| Remeasurement | | | |
| Return on plan assets (excluding amounts included in net interest) | - | (61,249) | (61,249) |
| Actuarial loss - changes in financial assumptions | 121,777 | - | 121,777 |
| Actuarial loss - experience adjustments | <u>54,498</u> | <u>-</u> | <u>54,498</u> |
| Recognized in other comprehensive income | <u>176,275</u> | <u>(61,249)</u> | <u>115,026</u> |
| Contributions from the employer | - | (43,300) | (43,300) |
| Benefits paid | <u>(159,237)</u> | <u>138,103</u> | <u>(21,134)</u> |
| Balance at December 31, 2020 | <u>\$ 3,499,583</u> | <u>\$(1,771,443)</u> | <u>\$ 1,728,140</u> |

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

- 1) Investment risk: The plan assets are invested in domestic/and foreign/equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the

mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

- 2) Interest risk: A decrease in the government or corporate bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

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

| | December 31 | |
|----------------------------------|--------------------|-------------|
| | 2020 | 2019 |
| Discount rate | 0.40% | 0.75% |
| Expected rate of salary increase | 2.25% | 2.25% |

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

| | December 31 | |
|----------------------------------|--------------------|--------------------|
| | 2020 | 2019 |
| Discount rate | | |
| 0.5% increase | <u>\$(185,010)</u> | <u>\$(179,841)</u> |
| 0.5% decrease | <u>\$ 198,621</u> | <u>\$ 194,148</u> |
| Expected rate of salary increase | | |
| 0.5% increase | <u>\$ 194,124</u> | <u>\$ 187,407</u> |
| 0.5% decrease | <u>\$(182,829)</u> | <u>\$(175,496)</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.

| | December 31 | |
|--|--------------------|------------------|
| | 2020 | 2019 |
| Expected contributions to the plan for the next year | <u>\$ 44,000</u> | <u>\$ 43,560</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 | |
|---|--------------------|-------------------|
| | 2020 | 2019 |
| Present value of funded retired benefit obligation | \$ 674,673 | \$ 727,297 |
| Fair value of plan assets | <u>-</u> | <u>-</u> |
| Net liability arising from retired benefit obligation | <u>\$ 674,673</u> | <u>\$ 727,297</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, 2019 | \$ 703,435 | \$ - | \$ 703,435 |
| 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> |
| Balance at January 1, 2020 | <u>\$ 727,297</u> | <u>\$ -</u> | <u>\$ 727,297</u> |
| Service cost | | | |
| Past service cost | 64,538 | - | 64,538 |
| Net interest expense | <u>29,092</u> | <u>-</u> | <u>29,092</u> |
| Recognized in profit or loss | <u>93,630</u> | <u>-</u> | <u>93,630</u> |
| Remeasurement | | | |
| Actuarial loss - experience adjustments | <u>(90,544)</u> | <u>-</u> | <u>(90,544)</u> |
| Recognized in other comprehensive income | <u>(90,544)</u> | <u>-</u> | <u>(90,544)</u> |
| Benefits paid | <u>(55,710)</u> | <u>-</u> | <u>(55,710)</u> |
| Balance at December 31, 2020 | <u>\$ 674,673</u> | <u>\$ -</u> | <u>\$ 674,673</u> |

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

| December 31 | |
|--------------------|-------------|
| 2020 | 2019 |

| | | |
|--|------|------|
| Discount rate | 4.0% | 4.0% |
| Expected return on employees' deposits | 2.0% | 2.0% |
| Withdrawal percentage of preferential deposits | 1.4% | 1.4% |

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:

| | December 31 | |
|--|--------------------|-------------------|
| | 2020 | 2019 |
| Discount rate | | |
| 0.5% increase | <u>\$(32,159)</u> | <u>\$(35,275)</u> |
| 0.5% decrease | <u>\$ 35,300</u> | <u>\$ 38,479</u> |
| Withdrawal percentage of preferential deposits | | |
| 0.5% increase | <u>\$(27,391)</u> | <u>\$(27,115)</u> |
| 0.5% decrease | <u>\$ 29,824</u> | <u>\$ 29,230</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.

| | December 31 | |
|---|--------------------|-------------|
| | 2020 | 2019 |
| Average duration of the funded retired benefit obligation | 10 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, 2020 and 2019, Fubon Bank (China), the Bank's overseas subsidiary, recognized expenses of \$68,983 thousand and \$50,579 thousand, respectively.

33. OTHER LIABILITIES

| | December 31 | |
|--|----------------------|----------------------|
| | 2020 | 2019 |
| Advance receipts | \$ 6,381,632 | \$ 3,869,129 |
| Guarantee deposits received | 5,972,993 | 4,322,081 |
| Suspended accounts and payments for clearing | 1,629,205 | 1,766,035 |
| Others | <u>340,836</u> | <u>467,930</u> |
| | <u>\$ 14,324,666</u> | <u>\$ 10,425,175</u> |

34. EQUITY

a. Capital stock

Common stock

| | <u>December 31</u> | |
|---|----------------------|----------------------|
| | <u>2020</u> | <u>2019</u> |
| Number of shares authorized (in thousands) | <u>13,000,000</u> | <u>13,000,000</u> |
| Amount of capital stock authorized | <u>\$130,000,000</u> | <u>\$130,000,000</u> |
| Number of shares issued and received (in thousands) | <u>12,256,209</u> | <u>11,234,756</u> |
| Amount of outstanding and issued shares (par value of NT\$10) | <u>\$122,562,088</u> | <u>\$112,347,556</u> |

On October 29, 2020, the Bank's board of directors exercised the power and authority of the shareholders' meeting and approved the capital increase \$6,000,000 thousand by SEO and to issue 343,840 thousand shares. On December 4, 2020, these transactions were approved by competent authority, and the record date was December 15, 2020.

On April 21, 2020, the Bank's board of directors exercised the power and authority of the shareholders' meeting and resolved to capitalize \$6,776,136 thousand of retained earnings and to issue 677,613 thousand shares. On July 24, 2020, these transactions were approved by competent authority, and the record date was August 10, 2020.

b. Capital surplus

| | <u>December 31</u> | |
|--|----------------------|----------------------|
| | <u>2020</u> | <u>2019</u> |
| <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 | 9,872,100 | 7,310,496 |
| <u>Distributed to offset a deficit</u> | | |
| Changes in the equity of investee accounted for using the equity method | <u>705</u> | <u>48</u> |
| | <u>\$ 17,363,236</u> | <u>\$ 14,800,975</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

| | December 31 | |
|--|---------------------|---------------------|
| | 2020 | 2019 |
| 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 | 1,910,303 | 1,387,256 |
| Application of the fair value model to investment properties | 1,077,569 | 1,080,091 |
| Expenditure of employees' financial technology development | <u>236,333</u> | <u>240,934</u> |
| | <u>\$ 4,633,378</u> | <u>\$ 4,117,454</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 21, 2020 and April 24, 2019, the Bank's board of directors exercised the power and authority of the shareholders' meeting and approved the appropriations of the 2019 and 2018 earnings, respectively. The appropriations were as follows:

| | Appropriation of Earnings | | Dividends Per Share | |
|-----------------|----------------------------------|--------------|----------------------------|-------------|
| | 2019 | 2018 | (NT\$) | |
| | | | 2019 | 2018 |
| Legal reserve | \$ 6,029,226 | \$ 5,492,834 | | |
| Special reserve | 515,924 | 1,135,718 | | |
| Stock dividends | 6,776,136 | 5,829,533 | \$ 0.60 | \$ 0.55 |
| Cash dividends | 6,776,136 | 5,829,534 | 0.60 | 0.55 |

The appropriations of earnings for 2020 had been proposed by the Bank's board of directors on March 23, 2021. The appropriations and dividends per share were as follows:

| | Appropriation of Earnings | Dividends Per Share (NT\$) |
|-----------------------------|----------------------------------|-----------------------------------|
| Legal reserve | \$ 5,582,494 | |
| Reversal of special reserve | (1,683,449) | |
| Cash dividends | 14,709,270 | \$ 1.20 |

The appropriations of earnings for 2020 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

| | For the Year Ended December 31 | |
|---|---|----------------------|
| | 2020 | 2019 |
| Balance, beginning of the year | <u>\$(3,376,310)</u> | <u>\$(2,082,733)</u> |
| Recognized during the year | | |
| Exchange differences on translating financial statements of foreign operations | <u>(377,157)</u> | <u>(1,293,577)</u> |
| Other comprehensive income recognized during the year | <u>(377,157)</u> | <u>(1,293,577)</u> |
| Balance, end of the year | <u>\$(3,753,467)</u> | <u>\$(3,376,310)</u> |

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

| | For the Year Ended December 31 | |
|---|---|---------------------|
| | 2020 | 2019 |
| Balance, beginning of the year | \$ 1,032,321 | \$ 315,276 |
| Unrealized gains | | |
| Debt instruments | 749,286 | 608,291 |
| Equity instruments | 1,816,477 | 585,062 |
| Adjustments of allowance for debt debenture | 24,605 | (88,850) |
| Reclassification adjustment | | |
| Disposal of investments in debt instruments | <u>(947,599)</u> | <u>(312,072)</u> |
| Other comprehensive income recognized during the year | <u>1,642,769</u> | <u>792,431</u> |
| Cumulative unrealized gains (losses) of equity instruments transferred to retained earnings due to disposal | <u>163,816</u> | <u>(75,386)</u> |
| Balance, end of the year | <u>\$ 2,838,906</u> | <u>\$ 1,032,321</u> |

3) Gains on property revaluation

| | For the Year Ended December 31 | |
|--|---|---------------|
| | 2020 | 2019 |
| Balance, beginning of the year | \$ 433,686 | \$ 380,201 |
| Recognized during the year | | |
| Gains on property revaluation | <u>242,913</u> | <u>53,485</u> |
| Other comprehensive income recognized during the year | <u>242,913</u> | <u>53,485</u> |

Balance, end of the year

\$ 676,599

\$ 433,686

f. Non-controlling interests

| | For the Year Ended December 31 | |
|---|---|----------------------|
| | 2020 | 2019 |
| Balance, beginning of the year | \$ 18,367,288 | \$ 18,529,264 |
| Attributable to non-controlling interests: | | |
| Net income for the year | 744,945 | 514,610 |
| Other comprehensive income recognized during the year | | |
| Exchange differences arising from the translations of financial statements of foreign operations | 178,940 | (602,325) |
| Unrealized losses on financial assets at fair value through other comprehensive income | <u>(513,071)</u> | <u>(74,261)</u> |
| Balance, end of the year | <u>\$ 18,778,102</u> | <u>\$ 18,367,288</u> |

35. NET INTEREST INCOME

| | For the Year Ended December 31 | |
|--|---|----------------------|
| | 2020 | 2019 |
| <u>Interest income</u> | | |
| Discounts and loans | \$ 36,818,894 | \$ 38,288,890 |
| Investments in debt instruments measured at amortized cost | 12,387,722 | 13,032,633 |
| Investments in debt instruments measured at fair value through other comprehensive income | 4,091,057 | 3,919,668 |
| Due from banks and call loans to banks | 3,593,156 | 4,919,180 |
| Others | <u>1,107,321</u> | <u>1,394,994</u> |
| | <u>57,998,150</u> | <u>61,555,365</u> |
| <u>Interest expense</u> | | |
| Deposits | 16,991,187 | 22,770,771 |
| Structured products | 1,956,398 | 852,480 |
| Bank debentures | 1,786,178 | 2,151,539 |
| Call loans from and due to the Central Bank and other banks | 1,687,591 | 3,397,615 |
| Deposits from the Central Bank and other banks | 1,322,373 | 1,255,219 |
| Securities sold under repurchase agreements | 1,177,173 | 2,118,900 |
| Others | <u>149,289</u> | <u>244,079</u> |
| | <u>25,070,189</u> | <u>32,790,603</u> |
| Net interest | <u>\$ 32,927,961</u> | <u>\$ 28,764,762</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 | |
|------------------------------|---|----------------------|
| | 2020 | 2019 |
| Service fee income | | |
| Trust and custody business | \$ 6,202,883 | \$ 5,087,847 |
| Insurance service fee income | 4,168,841 | 5,475,722 |
| Credit card business | 2,316,270 | 1,993,095 |
| Loan service | 1,060,712 | 1,226,440 |
| Others | <u>1,524,976</u> | <u>1,533,925</u> |
| | <u>15,273,682</u> | <u>15,317,029</u> |
| Service fee expense | | |
| Credit card business | 1,226,188 | 964,078 |
| Loan service | 946,588 | 184,625 |
| Interbank service fee | 386,900 | 384,068 |
| Office space expense | 277,993 | 238,058 |
| Others | <u>824,416</u> | <u>863,242</u> |
| | <u>3,662,085</u> | <u>2,634,071</u> |
| Net service fee | <u>\$ 11,611,597</u> | <u>\$ 12,682,958</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 | |
|-----------------------------------|---|---------------------|
| | 2020 | 2019 |
| Interest income | <u>\$ 1,045,057</u> | <u>\$ 1,282,032</u> |
| Dividend income | <u>90,926</u> | <u>47,662</u> |
| Realized gains (losses) | | |
| Currency swap contracts | 915,772 | 4,909,615 |
| Government bonds | 551,590 | 647,065 |
| Option contracts | 397,194 | (40,151) |
| Stock | 183,988 | 180,860 |
| Negotiable certificate of deposit | 123,877 | 34,643 |
| Cross-currency swap contracts | (48,441) | (400,563) |
| Interest rate swap contracts | (244,474) | 216,591 |
| Forward contracts | (705,418) | (109,784) |
| Others | <u>(71,869)</u> | <u>298,798</u> |
| | <u>1,102,219</u> | <u>5,737,074</u> |
| Gains (losses) on valuation | | |
| Convertible corporate bonds | 726,347 | 183,817 |

| | | |
|-------------------------|-----------|-------------|
| Currency swap contracts | 122,647 | 69,819 |
| Forward contracts | 56,102 | (358,783) |
| Stock | (204,393) | 222,432 |
| | | (Continued) |

**For the Year Ended December
31**

| | 2020 | 2019 |
|------------------------------|---------------------|------------------------------------|
| Interest rate swap contracts | \$ (479,832) | \$ (163,326) |
| Others | <u>(11,981)</u> | <u>154,562</u> |
| | <u>208,890</u> | <u>108,521</u> |
| | <u>\$ 2,447,092</u> | <u>\$ 7,175,289</u> (Concluded) |

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

**For the Year Ended December
31**

| | 2020 | 2019 |
|------------------|---------------------|-------------------|
| Bank debentures | \$ 910,538 | \$ 316,881 |
| Dividend income | 722,742 | 339,001 |
| Government bonds | 444,634 | 81,749 |
| Corporate bonds | 157,999 | 122,792 |
| Others | <u>11,003</u> | <u>294</u> |
| | <u>\$ 2,246,916</u> | <u>\$ 860,717</u> |

39. GAIN ON DERECOGNITION OF FINANCIAL ASSETS AT AMORTIZED COST

**For the Year Ended December
31**

| | 2020 | 2019 |
|------------------------|-------------------|-------------------|
| Corporate bonds | \$ 176,915 | \$ (40,135) |
| Beneficiary securities | 21,101 | 33,939 |
| Government bonds | 6,000 | 864 |
| Others | <u>2,228</u> | <u>75</u> |
| | <u>\$ 206,244</u> | <u>\$ (5,257)</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**

| | 2020 | 2019 |
|--|-------------|-------------|
|--|-------------|-------------|

| | | |
|--------------------------------------|-------------------|---------------------|
| General exchange gains | \$ 304,643 | \$ 1,610,663 |
| Exchange losses from private capital | <u>(83,807)</u> | <u>(44,364)</u> |
| | <u>\$ 220,836</u> | <u>\$ 1,566,299</u> |

41. EMPLOYEE BENEFITS EXPENSE

| | For the Year Ended December 31 | |
|--|---|----------------------|
| | 2020 | 2019 |
| Salaries and wages | \$ 11,749,747 | \$ 11,821,690 |
| Labor insurance, national health insurance, and group life insurance | 887,192 | 973,313 |
| Post-employment benefit expense | 578,944 | 553,346 |
| Other employee benefits expense | <u>603,616</u> | <u>631,443</u> |
| | <u>\$ 13,819,499</u> | <u>\$ 13,979,792</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 23, 2021 and March 19, 2020 by the approval of Board of Directors the employees' estimated compensation were \$212,848 thousand and \$236,155 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 19, 2020 and March 20, 2019, 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, 2019 and 2018.

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 | |
|--------------|---|---------------------|
| | 2020 | 2019 |
| Depreciation | \$ 2,588,597 | \$ 2,665,787 |
| Amortization | <u>822,756</u> | <u>871,908</u> |
| | <u>\$ 3,411,353</u> | <u>\$ 3,537,695</u> |

43. GENERAL AND ADMINISTRATIVE

| | For the Year Ended December 31 | |
|-----------------------------|---|--------------|
| | 2020 | 2019 |
| Taxation and government fee | \$ 1,667,784 | \$ 1,720,799 |
| Marketing | 1,249,608 | 1,152,895 |
| Equipment repair | 1,042,121 | 977,382 |
| Rental | 715,038 | 609,336 |

| | | |
|-----------|---------------------|---------------------|
| Insurance | 605,818 | 549,684 |
| Others | <u>2,360,512</u> | <u>2,319,598</u> |
| | <u>\$ 7,640,881</u> | <u>\$ 7,329,694</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 | |
|---|---|---------------------|
| | 2020 | 2019 |
| Current tax | | |
| Current year | \$ 2,512,326 | \$ 3,466,066 |
| Adjustments for prior years | <u>(113,865)</u> | <u>53,745</u> |
| | 2,398,461 | 3,519,811 |
| Deferred tax | | |
| Current year | <u>(36,291)</u> | <u>215,033</u> |
| Income tax expense recognized in profit or loss | <u>\$ 2,362,170</u> | <u>\$ 3,734,844</u> |

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

| | For the Year Ended December 31 | |
|---|---|---------------------|
| | 2020 | 2019 |
| Income tax expense calculated at the statutory rate (20%) | \$ 4,379,766 | \$ 4,874,426 |
| Tax-exempt income | (2,422,158) | (1,669,803) |
| Unqualified items in determining taxable income | 358,893 | 232,517 |
| Effect of differences in domestic and overseas tax rates | 1,468 | 145,470 |
| Unrecognized deductible temporary differences | (78,899) | 98,650 |
| Basic tax payable difference | 202,387 | - |
| Others | <u>(79,287)</u> | <u>53,584</u> |
| Income tax expense recognized in profit or loss | <u>\$ 2,362,170</u> | <u>\$ 3,734,844</u> |

b. Income tax recognized in equity

| | December 31 | |
|--|--------------------|-------------|
| | 2020 | 2019 |
| Current tax | | |
| Disposal of investments in equity instruments at fair value through other comprehensive income | <u>\$(22,339)</u> | <u>\$ -</u> |
| Deferred tax | | |
| Disposal of investments in equity instruments at fair value through other comprehensive income | <u>22,339</u> | <u>-</u> |
| | <u>\$ -</u> | <u>\$ -</u> |

c. Income tax recognized in other comprehensive income

| | For the Year Ended December 31 | |
|---|---|--------------------|
| | 2020 | 2019 |
| <u>Deferred tax</u> | | |
| Recognized during the year | | |
| Remeasurement of defined benefit plan | \$ (4,897) | \$ (25,159) |
| Property revaluation increments | 35,219 | 1,752 |
| Unrealized gains (losses) on financial assets at fair value through other comprehensive income | <u>(302,591)</u> | <u>(24,029)</u> |
| | <u>\$ (272,269)</u> | <u>\$ (47,436)</u> |

d. Current tax assets and liabilities

| | December 31 | |
|---|---------------------|---------------------|
| | 2020 | 2019 |
| Current tax assets | | |
| Linked-tax receivable | \$ 111,249 | \$ 177,152 |
| Prepaid income tax and income tax refund receivable | <u>372,412</u> | <u>58,875</u> |
| | <u>\$ 483,661</u> | <u>\$ 236,027</u> |
| Current tax liabilities | | |
| Linked-tax payable | \$ 1,466,738 | \$ 1,880,151 |
| Income tax payable | <u>827,036</u> | <u>573,298</u> |
| | <u>\$ 2,293,774</u> | <u>\$ 2,453,449</u> |

e. Deferred tax assets and liabilities

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

For the year ended December 31, 2020

| | Opening Balance | Recognized in Profit or Loss | Recognized in Other Com- prehensive Income | Recognized in Equity | Exchange Differences | Closing Balance |
|--|---------------------|---------------------------------|---|-------------------------|-------------------------|---------------------|
| <u>Deferred tax assets</u> | | | | | | |
| Temporary differences | | | | | | |
| Allowance for credit losses | \$ 353,113 | \$ 226,567 | \$ - | \$ - | \$ 7,361 | \$ 587,041 |
| Employee benefit plans | 561,822 | 29,197 | 4,897 | - | - | 595,916 |
| Profit or loss on financial instruments | 66,196 | (11,248) | 214,898 | - | 4,432 | 274,278 |
| Unrealized gain (loss) on revaluation of buildings | 20,422 | 1,131 | (15,791) | - | - | 5,762 |
| Others | <u>171,545</u> | <u>16,980</u> | <u>-</u> | <u>-</u> | <u>2,379</u> | <u>190,904</u> |
| | <u>\$ 1,173,098</u> | <u>\$ 262,627</u> | <u>\$ 204,004</u> | <u>\$ -</u> | <u>\$ 14,172</u> | <u>\$ 1,653,901</u> |

(Continued)

| | Opening Balance | Recognized in Profit or Loss | Recognized in Other Comprehensive Income | Recognized in Equity | Exchange Differences | Closing Balance |
|---|---------------------|------------------------------|--|----------------------|----------------------|---------------------|
| <u>Deferred tax liabilities</u> | | | | | | |
| Temporary differences | | | | | | |
| Share of gain of associates accounted for using the equity method | \$ 655,415 | \$ 155,069 | \$ - | \$ - | \$ - | \$ 810,484 |
| Land value increment tax | 354,792 | 2,878 | 19,428 | - | - | 377,098 |
| Profit or loss on financial instruments | 220,389 | 70,365 | (87,693) | 22,339 | 4,852 | 230,252 |
| Intangible assets | <u>92,246</u> | <u>(1,976)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>90,270</u> |
| | <u>\$ 1,322,842</u> | <u>\$ 226,336</u> | <u>\$ (68,265)</u> | <u>\$ 22,339</u> | <u>\$ 4,852</u> | <u>\$ 1,508,104</u> |

(Concluded)

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 |
| Profit or loss on financial instruments | 159,221 | (92,861) | 633 | (797) | 66,196 |
| Unrealized gain (loss) on revaluation of buildings | 24,001 | (3,153) | (426) | - | 20,422 |
| Others | <u>138,552</u> | <u>37,722</u> | <u>-</u> | <u>(4,672)</u> | <u>171,545</u> |
| | <u>\$ 1,193,574</u> | <u>\$ (28,722)</u> | <u>\$ 25,366</u> | <u>\$ (17,120)</u> | <u>\$ 1,173,098</u> |

Deferred tax liabilities

| | | | | | |
|---|---------------------|-------------------|--------------------|-----------------|---------------------|
| 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 |
| Profit or loss on financial instruments | 157,839 | 86,618 | (23,396) | (672) | 220,389 |
| Intangible assets | <u>100,268</u> | <u>(8,022)</u> | <u>-</u> | <u>-</u> | <u>92,246</u> |
| | <u>\$ 1,159,273</u> | <u>\$ 186,311</u> | <u>\$ (22,070)</u> | <u>\$ (672)</u> | <u>\$ 1,322,842</u> |

- f. Deductible temporary differences, unused loss carryforwards for which no deferred tax assets have been recognized in the consolidated balance sheets

For the Year Ended December 31

| | 2020 | 2019 |
|--------------------|---------------|-------------|
| Loss carryforwards | | |
| Expiry in 2030 | <u>\$ 957</u> | <u>\$ -</u> |

- g. The income tax returns of the Bank through 2015 were assessed by the Taipei National Tax Administration (TNTA). The Bank disagreed with the tax authorities' assessment of the Bank's 2012 to 2013 additional amount returns on its sports lottery program and applied for a re-examination.
- h. Income tax returns of Fubon Bank (China) through 2019 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

| | 2020 | 2019 |
|----------------------------|----------------|----------------|
| Basic earnings per share | | |
| From continuing operations | <u>\$ 1.58</u> | <u>\$ 1.69</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:

| | <u>Before Retrospective Adjustment</u> For the Year Ended December 31, 2019 | <u>After Retrospective Adjustment</u> For the Year Ended December 31, 2019 |
|--------------------------|---|--|
| Basic earnings per share | <u>\$ 1.79</u> | <u>\$ 1.69</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 | |
|--|-----------------------------------|----------------------|
| | 2020 | 2019 |
| Income used in computing basic earnings per share | | |
| Income for the year attributable to owners of the Bank | <u>\$ 18,791,716</u> | <u>\$ 20,122,674</u> |

Shares

(In Thousand Shares)

| | For the Year Ended December 31 | |
|---|-----------------------------------|-------------------|
| | 2020 | 2019 |
| Weighted average number of common stock used in computing basic earnings per share | <u>11,928,340</u> | <u>11,912,369</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 Insurance Co., Ltd. (“Fubon Insurance”) | Subsidiary of FFH |
| Fubon Life Insurance Co., Ltd. (“Fubon Life Insurance”) | Subsidiary of FFH |
| Fubon Securities Co., Ltd. (“Fubon Securities”) | Subsidiary of FFH |
| Fubon Bank (Hong Kong) Limited (“Fubon Bank (Hong Kong)”) | Subsidiary of FFH |
| Fubon Asset Management Co., Ltd. (“Fubon Asset Management”) | Subsidiary of FFH |
| Fubon Securities Investment Trust Co., Ltd. (“Fubon Securities Investment Trust”) | Subsidiary of FFH |
| Fubon Future Co., Ltd. (“Fubon Future”) | Equity-method investee of subsidiary of FFH |
| Fu Sheng Life Insurance Agent (“Fu Sheng Life”) | Equity-method investee of subsidiary of FFH (Rename to “Fu Sheng Insurance Agency” on February 25, 2020) |
| Fu Sheng General Insurance Agent (“Fu Sheng General”) | Equity-method investee of subsidiary of FFH (rename to “Fubon Insurance Agency” on February 25, 2020) |
| 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 Life Insurance Co., Ltd. (“Taiwan Life Insurance”) | Related party in substance |
| Taiwan Mobile Co., Ltd. (“Taiwan Mobile”) | Related party in substance |
| 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 |
| Beijing Global Media Technology Co., Ltd (“Beijing Global”) | Related party in substance |
| Mediatek (Shenzhen) Inc. (“Mediatek (Shenzhen)”) | Related party in substance |
| Mstar Semiconductor Inc. (“Mstar Semiconductor”) | Related party in substance |
| Others | Directors, supervisors, managers and their relatives within the second degree of consanguinity |

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

| For the Year Ended December 31, 2020 | | | | | | | | |
|--------------------------------------|---|------------------------------|--------------------------|-------------------------------|----------------------|-----------------------------|--|---------------------------|
| | 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 | <u>\$ 20,775,223</u> | <u>\$ 24,670,285</u> | <u>1.27</u> | <u>\$ 38,409</u> | 0-14.97 | <u>\$ 147,182</u> | <u>\$ 11,344</u> | |
| December 31, 2020 | | | | | | | | |
| 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 | 74 | \$ 75,332 | \$ 33,702 | ✓ | \$ - | None | Yes | |
| Housing mortgage loans | 277 | 4,556,968 | 2,890,785 | ✓ | - | Property | Yes | |
| Others | Department of Rapid Transit Systems, TCG | 16,614,579 | 15,462,761 | ✓ | - | Public treasury guarantees | Yes | |
| | Department of Finance, TCG | 1,000,000 | - | ✓ | - | Credit guarantees | Yes | |
| | Department of Urban Development, TCG | 2,352,806 | 2,346,133 | ✓ | - | Public treasury guarantees | Yes | |
| | Taipei Municipal Secured Swan Loans Service | 17 | - | ✓ | - | Public treasury guarantees | Yes | |
| | Fubon Securities | 27,120 | - | ✓ | - | Listed company shares | Yes | |
| | Beijing Global | 41,449 | 41,449 | ✓ | - | Bank deposit certificate | Yes | |
| | Other | <u>2,014</u> | <u>393</u> | ✓ | - | Credit guarantee fund | Yes | |
| | | <u>\$ 24,670,285</u> | <u>\$ 20,775,223</u> | | | | | |
| For the Year Ended December 31, 2019 | | | | | | | | |
| | 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 | <u>\$ 14,143,190</u> | <u>\$ 41,254,420</u> | <u>0.95</u> | <u>\$ 49,753</u> | 0-14.97 | <u>\$ 179,730</u> | <u>\$ (2,814)</u> | |
| 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 | <u>1,076</u> | <u>914</u> | ✓ | - | Credit guarantee fund | Yes | |
| | | <u>\$ 41,254,420</u> | <u>\$ 14,143,190</u> | | | | | |
| For the Year Ended December 31 | | | | | | | | |
| | 2020 | | | | 2019 | | | |
| | Ending Balance | % of the Account Balance | Rate (%) | Interest Income (Expense) | Ending Balance | % of the Account Balance | Rate (%) | Interest Income (Expense) |
| 2) Deposits | <u>\$ 156,304,387</u> | <u>6.26</u> | 0-5.87 | <u>\$ (386,781)</u> | <u>\$ 85,190,203</u> | <u>3.70</u> | 0-8.50 | <u>\$ (514,909)</u> |
| 3) Call loans to other banks | <u>\$ -</u> | <u>-</u> | 1.55-2.40 | <u>\$ 745</u> | <u>\$ -</u> | <u>-</u> | - | <u>\$ -</u> |

| | | | | | | | | |
|-------------------------|-------------------|-------------|-----------|-----------------|-------------------|-------------|--------|-----------------|
| 4) Due from other banks | \$ <u>561,499</u> | <u>0.75</u> | 0-5.40 | \$ <u>2,058</u> | \$ <u>262,601</u> | <u>0.21</u> | 0-5.40 | \$ <u>2,459</u> |
| 5) Call loans | \$ <u>-</u> | <u>-</u> | 0.09-2.45 | \$ <u>(454)</u> | \$ <u>-</u> | <u>-</u> | - | \$ <u>-</u> |

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

6) Guarantees

| December 31, 2020 | | | | | |
|-----------------------------|--|-----------------------|---|-------------|----------------------------|
| Related Party | Highest Balance in the Current Year | Ending Balance | Reserve for Losses on Guarantees | Rate | Type of Collateral |
| TCG (Department of Finance) | \$ 1,213 | \$ - | \$ - | 1% | Public treasury 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 |

7) Securities

| | | For the Year Ended December 31 | |
|-----------------------|-----------------|---------------------------------------|-------------|
| Related Party | Type | 2020 | 2019 |
| Fu Sheng General | Bonds sold | \$ - | \$ 2,426 |
| Fu Sheng Life | Bonds sold | - | 2,426 |
| Fubon Life Insurance | Bonds purchased | 2,733,495 | 983,706 |
| Fubon Life Insurance | Bonds sold | 338,986 | - |
| Taiwan Life Insurance | Bonds sold | 2,000,000 | - |

| | | December 31 | |
|--|--|--------------------|--------------|
| Related Party | Type | 2020 | 2019 |
| Taiwan High Speed Rail | Bonds sold under repurchase agreements | \$ 2,103,000 | \$ 9,390,000 |
| Directors, supervisors, managers and their relatives within the second degree of consanguinity | Bonds sold under repurchase agreements | 2,276,503 | 3,577,233 |

8) Mutual fund and stock transactions

| December 31 | |
|--------------------|-------------|
| 2020 | 2019 |

| Fund | Units (In Thousands) | Amount | Units (In Thousands) | Amount |
|------------------|---------------------------------|---------------|---------------------------------|---------------|
| Fubon No. 1 REIT | 57,680 | \$ 1,059,582 | 57,680 | \$ 922,880 |
| Fubon No. 2 REIT | 1,848 | 31,619 | 1,848 | 25,521 |

9) Derivative financial instruments

| December 31, 2020 | | | | | | |
|-----------------------------------|-------------------------|-----------------------|----------------------------|-----------------------------|---|------------|
| Related Party | Derivative Instrument | Contract Period | Contract (Notional) Amount | Gains (Losses) on Valuation | Balance Sheet | |
| | | | | | Account | Balance |
| Fubon Life Insurance | Currency swap contracts | 2020.10.28-2021.02.26 | \$ 10,376,535 | \$ (163,953) | Revaluation of financial liabilities at fair value through profit or loss | \$ 163,953 |
| Fubon Life Insurance | Currency swap contracts | 2020.12.14-2021.01.29 | 5,938,219 | 19,435 | Revaluation of financial assets at fair value through profit or loss | 19,435 |
| Fubon Securities Investment Trust | Currency swap contracts | 2020.12.17-2021.03.22 | 67,680 | 393 | Revaluation of financial assets at fair value through profit or loss | 393 |

| December 31, 2019 | | | | | | |
|-----------------------------------|------------------------------|-----------------------|----------------------------|-----------------------------|---|-----------|
| Related Party | Derivative Instrument | Contract Period | Contract (Notional) Amount | Gains (Losses) on Valuation | Balance Sheet | |
| | | | | | Account | Balance |
| Fubon Bank (Hong Kong) | Interest rate swap contracts | 2010.11.26-2020.03.19 | \$ 1,159,316 | \$ (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 |

10) Transaction of credit asset

| Related Party | Type | For the Year Ended December 31 | |
|------------------------|-----------|--------------------------------|--------------|
| | | 2020 | 2019 |
| Fubon Bank (Hong Kong) | Bond sold | \$ 1,459,155 | \$ 2,631,072 |

11) 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 | |
|------------------------|------------------|------------------|
| | 2020 | 2019 |
| Fubon Asset Management | \$ 13,385 | \$ 13,341 |
| Fubon Securities | 9,128 | 5,227 |
| Fubon Insurance | 525 | 525 |
| Taiwan Mobile | 444 | 444 |
| Fubon Life Insurance | - | 1,481 |
| Others | 985 | 624 |
| | <u>\$ 24,467</u> | <u>\$ 21,642</u> |

b) Rental revenue

| Related Party | For the Year Ended December 31 | |
|------------------------|---------------------------------------|------------------|
| | 2020 | 2019 |
| Fubon Securities | \$ 41,233 | \$ 32,649 |
| Fubon Asset Management | 8,076 | 8,049 |
| Fubon Insurance | 3,284 | 3,284 |
| Taiwan Mobile | 2,843 | 2,843 |
| Fubon Life Insurance | 666 | 8,899 |
| Others | <u>2,978</u> | <u>2,907</u> |
| | <u>\$ 59,080</u> | <u>\$ 58,631</u> |

c) Refundable deposits

| Related Party | December 31 | |
|----------------------|--------------------|-------------------|
| | 2020 | 2019 |
| CHLDC | \$ 35,342 | \$ 31,382 |
| Fubon Insurance | 26,011 | 26,011 |
| Fubon No. 2 REIT | 25,960 | 25,846 |
| Fubon No. 1 REIT | 6,748 | 7,497 |
| Fubon Life Insurance | 8,081 | 8,075 |
| TCG | 7,496 | 4,386 |
| Others | <u>7,315</u> | <u>5,697</u> |
| | <u>\$ 116,953</u> | <u>\$ 108,894</u> |

d) Rental expense

| Related Party | For the Year Ended December 31 | |
|--------------------------------|---------------------------------------|------------------|
| | 2020 | 2019 |
| CHLDC | \$ 14,103 | \$ 13,496 |
| Taiwan Fixed Network Co., Ltd. | 14,059 | 12,176 |
| Fubon Insurance | 1,998 | 1,983 |
| Fubon No. 2 REIT | 2,206 | 1,856 |
| Fubon No. 1 REIT | 720 | 613 |
| Fubon Life Insurance | 120 | 120 |
| Others | <u>768</u> | <u>544</u> |
| | <u>\$ 33,974</u> | <u>\$ 30,788</u> |

e) Lease agreement

Right-of-use assets

| Related Party | December 31 | |
|----------------------|---------------------|---------------------|
| | 2020 | 2019 |
| Fubon Insurance | \$ 296,506 | \$ 296,506 |
| Fubon No. 2 REIT | 268,297 | 195,664 |
| Fubon Life Insurance | 219,661 | 219,661 |
| CHLDC | 118,365 | 382,608 |
| Fubon No. 1 REIT | 74,256 | 64,679 |
| TCG | 43,910 | 80,564 |
| Others | <u>147,897</u> | <u>106,328</u> |
| | <u>\$ 1,168,892</u> | <u>\$ 1,346,010</u> |

Lease liabilities

| Related Party | December 31 | |
|--------------------------------|--------------------|-------------------|
| | 2020 | 2019 |
| Fubon Life Insurance | \$ 152,014 | \$ 186,788 |
| Fubon No. 2 REIT | 136,330 | 107,046 |
| CHLDC | 106,988 | 194,605 |
| Fubon Insurance | 102,375 | 201,157 |
| Fubon No. 1 REIT | 39,335 | 41,341 |
| Taiwan Fixed Network Co., Ltd. | 16,169 | 13,424 |
| TCG | 15,147 | 48,419 |
| Others | <u>66,981</u> | <u>59,493</u> |
| | <u>\$ 635,339</u> | <u>\$ 852,273</u> |

Depreciation expense on right-of-use assets

| Related Party | For the Year Ended December 31 | |
|----------------------|---------------------------------------|-------------------|
| | 2020 | 2019 |
| CHLDC | \$ 202,095 | \$ 191,042 |
| Fubon Insurance | 99,016 | 98,745 |
| Fubon No. 2 REIT | 98,085 | 96,425 |
| Fubon Life Insurance | 37,576 | 37,484 |
| TCG | 33,015 | 32,925 |
| Fubon No. 1 REIT | 26,009 | 28,428 |
| Others | <u>40,067</u> | <u>41,175</u> |
| | <u>\$ 535,863</u> | <u>\$ 526,224</u> |

Interest expense on lease liabilities

| Related Party | For the Year Ended December 31 | |
|----------------------|---------------------------------------|------------------|
| | 2020 | 2019 |
| Fubon Life Insurance | \$ 6,112 | \$ 7,247 |
| Fubon Insurance | 5,262 | 8,694 |
| Fubon No. 2 REIT | 4,895 | 4,665 |
| CHLDC | 4,409 | 9,704 |
| Fubon No. 1 REIT | 1,562 | 1,427 |
| TCG | 914 | 2,042 |
| Others | <u>2,441</u> | <u>2,277</u> |
| | <u>\$ 25,595</u> | <u>\$ 36,056</u> |

Value of contract

| Related Party | December 31 | |
|----------------------|---------------------|---------------------|
| | 2020 | 2019 |
| Fubon Life Insurance | \$ 357,298 | \$ 357,298 |
| Fubon Insurance | 312,131 | 312,131 |
| Fubon No. 2 REIT | 294,291 | 299,248 |
| CHLDC | 125,417 | 593,120 |
| Fubon No. 1 REIT | 78,579 | 87,291 |
| TCG | 45,830 | 102,559 |
| Others | <u>150,893</u> | <u>137,641</u> |
| | <u>\$ 1,364,439</u> | <u>\$ 1,889,288</u> |

12) Insurance expense

| Related Party | For the Year Ended December 31 | |
|----------------------|---------------------------------------|-------------------|
| | 2020 | 2019 |
| Fubon Insurance | \$ 88,864 | \$ 84,211 |
| Fubon Life Insurance | 71,352 | 71,798 |
| Others | <u>339</u> | <u>330</u> |
| | <u>\$ 160,555</u> | <u>\$ 156,339</u> |

13) Marketing collaboration

The Bank entered into a collaboration arrangement with Fubon Securities for deal settlement of securities, cost sharing, and cross-selling. Under this contract, the expense allocation was based on the average balance that the customers of Fubon Securities deposited in the Bank. The allocation costs for office space that the Bank paid to Fubon Securities were \$277,993 thousand and \$238,058 thousand for the years ended December 31, 2020 and 2019, respectively.

14) Compensation of key management personnel

| | For the Year Ended December 31 | |
|------------------------------|---|-------------------|
| | 2020 | 2019 |
| Short-term employee benefits | \$ 552,805 | \$ 490,739 |
| Post-employment benefits | 4,988 | 4,531 |
| Others | <u>986</u> | <u>1,093</u> |
| | <u>\$ 558,779</u> | <u>\$ 496,363</u> |

15) Linked-tax system

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

| | December 31 | |
|--|--------------------|-------------|
| | 2020 | 2019 |
| Linked-tax receivable (included in current tax assets) | \$ 111,249 | \$ 177,152 |
| Linked-tax payable (included in current tax liabilities) | 1,466,738 | 1,880,151 |

16) Others

| | December 31 | |
|---|---|--------------|
| | 2020 | 2019 |
| Receivables - Fubon Life Insurance | \$ 157,107 | \$ 136,330 |
| Receivables - others | 53,516 | 49,818 |
| Payables - others | 67,686 | 98,252 |
| Other prepayments - Line Bank | - | 275,046 |
| Principals of structured products - Mstar Semiconductor | 401,402 | - |
| Principals of structured products - Mediatek (Shenzhen) | 130,892 | - |
| Principals of structured products - others | 64,079 | 60,327 |
| Refundable deposits - Fubon Futures Co., Ltd | 11,769 | 99,683 |
| | For the Year Ended December 31 | |
| | 2020 | 2019 |
| Service fee income - Fubon Life Insurance | \$ 5,415,936 | \$ 6,461,776 |
| Service fee income - others | 579,672 | 763,803 |
| Other income - others | 29,473 | 27,312 |
| Service fee expenses - others | 1,083,632 | 221,772 |
| Operating expenses - others | 367,414 | 309,778 |

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, 2020

| | 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 | \$ - | \$ 6,965,030 | \$ - | \$ - | \$ - | \$ - | \$ 6,965,030 |
| Bank debentures | 114,111,801 | 3,615,342 | (1,004,652) | 758,342 | 825,842 | - | 118,306,675 |
| Lease obligation | <u>3,776,863</u> | <u>(1,389,723)</u> | <u>(14,917)</u> | <u>-</u> | <u>1,854,823</u> | <u>(133,509)</u> | <u>4,093,537</u> |
| | <u>\$ 117,888,664</u> | <u>\$ 9,190,649</u> | <u>\$ (1,019,569)</u> | <u>\$ 758,342</u> | <u>\$ 2,680,665</u> | <u>\$ (133,509)</u> | <u>\$ 129,365,242</u> |

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 | <u>4,538,248</u> | <u>(1,383,668)</u> | <u>(24,146)</u> | <u>-</u> | <u>779,659</u> | <u>(133,230)</u> | <u>3,776,863</u> |
| | <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> |

48. PLEDGED ASSETS

The following assets had been provided as refundable deposits:

| | December 31 | |
|---|----------------------|----------------------|
| | 2020 | 2019 |
| Deposit reserves (due from the Central Bank and call loans to other banks) | \$ 10,000,000 | \$ - |
| Negotiable certificates of deposit of the Central Bank (included in investments in debt instruments measured at amortized cost) | 19,995,487 | 28,993,597 |
| Government bonds (included in investments in debt instruments measured at amortized cost) | 1,768,798 | 1,875,603 |
| Due from other banks (included in other financial assets) | <u>2,471,225</u> | <u>2,236,134</u> |
| | <u>\$ 34,235,510</u> | <u>\$ 33,105,334</u> |

Of the above deposit reserves which is due from the Central Bank and call loans to other banks, a total of \$10,000,000 thousand as of December 31, 2020 had been provided for as collateral for undertaking the loans and applies to the Central Bank for guarantee loan refinancing for small and medium enterprises impacted by severe special infections pneumonia epidemic. As of December 31, 2020 and 2019, a total of \$10,000,000 thousand had been provided for as collateral for day-term overdraft to comply with the CB's clearing system requirement for real-time gross settlement (RTGS). The unused overdraft amount at the end of the day may be treated as liquidity reserve. As of December 31, 2020 and 2019, certificates of deposit (CD) of the Central Bank and negotiable certificates of deposit (NCD) of the Central Bank amounting to \$10,000,000 thousand had been provided to the Central Bank as collateral for the Bank's foreign-currency call loans.

In addition, certificates of deposit (CD) of the Central Bank and negotiable certificates of deposit (NCD) of the Central Bank amounting to \$9,000,000 thousand as of December 31, 2019 had been provided to the

Mega International Commercial Bank as collaterals for USD clearing transactions.

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

49. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

- a. Except for those disclosed in other notes of the accompanying consolidated financial statements, as of December 31, 2020 and 2019, the Bank and its subsidiaries had commitments as follows:

| | December 31 | |
|--|--------------------|---------------|
| | 2020 | 2019 |
| Undrawn credit card commitments | \$336,600,474 | \$296,074,805 |
| Collections for customers | 27,237,789 | 21,364,486 |
| Agency loans payable | 10,069,141 | 10,451,295 |
| Trust deposits | 2,122,776 | 2,066,173 |
| Entrusted loans | 2,122,776 | 2,066,173 |
| Entrusted financial management | 29,854,564 | 28,680,903 |
| Travelers' checks consigned-in | - | 271,639 |
| Marketable securities under custody | 428,683,040 | 398,607,167 |
| Management for book-entry government bonds | 142,270,300 | 73,516,000 |

- b. As of December 31, 2020 and 2019, the capital expenditure commitment amount were \$1,050,408 thousand and \$1,097,955 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, 2020 and 2019 | | | | | |
| | 2020 | 2019 | | 2020 | 2019 |
| Bank deposits | \$ 5,838,635 | \$ 4,396,108 | Payables | \$ 3,746 | \$ 2,982 |
| Short-term investments | | | Capital | | |
| Mutual funds | 146,971,154 | 148,317,991 | Money | 266,570,612 | 250,758,517 |
| Bonds | 84,451,311 | 67,154,025 | Marketable securities | 13,571,251 | 13,451,236 |
| Stock | 33,575,338 | 29,360,311 | Real estate | 39,096,701 | 35,993,872 |
| Structured products | 11,270,174 | 15,470,116 | | <u>319,238,564</u> | <u>300,203,625</u> |
| Receivables | 743 | 517 | Securities investment trust fund under custody | 195,931,715 | 141,185,813 |
| | <u>276,268,720</u> | <u>260,302,960</u> | | | |
| Securities investment trust fund under custody | 195,931,715 | 141,185,813 | Reserves and cumulative earnings | | |
| | | | Cumulative earnings | (13,536,250) | (11,618,858) |
| Real estate | | | Net income | 12,861,105 | 10,207,431 |
| Land | 29,834,901 | 28,206,231 | | <u>(675,145)</u> | <u>(1,411,427)</u> |
| Construction in progress | 4,772,490 | 5,859,177 | | | |
| Buildings | 1,852,419 | 30,704 | | | |
| | <u>36,459,810</u> | <u>34,096,112</u> | | | |
| Total trust assets | <u>\$ 514,498,880</u> | <u>\$ 439,980,993</u> | Total trust liabilities | <u>\$ 514,498,880</u> | <u>\$ 439,980,993</u> |

Trust Income Statements
For the Years Ended December 31, 2020 and 2019

| | 2020 | 2019 |
|---|----------------------|----------------------|
| Trust income | | |
| Interest income | \$ 9,345,042 | \$ 8,740,389 |
| Others | 367,065 | 393,453 |
| Cash dividends | 1,121,321 | 1,068,634 |
| Realized capital income - common stock | 694,443 | 79,646 |
| Unrealized capital income - common stock | 93,830 | 24,705 |
| Realized capital income - mutual funds | 5,255,644 | 2,178,251 |
| Realized capital income - bonds | 2,817,304 | 2,136,403 |
| Realized capital income - structured products | 7,206 | 14,313 |
| Distribution from beneficial certificates | <u>22,561</u> | <u>13,479</u> |
| | <u>19,724,416</u> | <u>14,649,273</u> |
| Trust expense | | |
| Trust administrative expense | 739,188 | 578,588 |
| Supervision fee | 271 | 268 |
| Service fee | 21,041 | 8,477 |
| Income tax expense | 220 | 159 |
| Others | 285,270 | 214,871 |
| Realized capital loss - common stock | 152,024 | 91,298 |
| Unrealized capital loss - common stock | 12 | 178 |
| Realized capital loss - mutual funds | 5,001,285 | 3,066,049 |
| Realized capital loss - bonds | 114,971 | 116,003 |
| Realized capital loss - structured products | <u>549,029</u> | <u>365,951</u> |
| | <u>6,863,311</u> | <u>4,441,842</u> |
| Net income | <u>\$ 12,861,105</u> | <u>\$ 10,207,431</u> |

Trust Property of Trust Accounts
December 31, 2020 and 2019

| Investment Portfolio | 2020 | 2019 |
|--|-----------------------|-----------------------|
| Bank deposits | <u>\$ 5,838,635</u> | <u>\$ 4,396,108</u> |
| Short-term investments | | |
| Mutual funds | 146,971,154 | 148,317,991 |
| Bonds | 84,451,311 | 67,154,025 |
| Stock | 33,575,338 | 29,360,311 |
| Structured products | 11,270,174 | 15,470,116 |
| Receivables | <u>743</u> | <u>517</u> |
| | <u>276,268,720</u> | <u>260,302,960</u> |
| Security investment trust fund under custody | <u>195,931,715</u> | <u>141,185,813</u> |
| Real estate | | |
| Land | 29,834,901 | 28,206,231 |
| Construction in progress | 4,772,490 | 5,859,177 |
| Buildings | <u>1,852,419</u> | <u>30,704</u> |
| | <u>36,459,810</u> | <u>34,096,112</u> |
| | <u>\$ 514,498,880</u> | <u>\$ 439,980,993</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, 2020 and 2019.

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, 2020 and 2019 was as follows:

| Item | December 31, 2020 | | | |
|---|-------------------|------------|-------------|-----------|
| | 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 | \$ 197,294 | \$ 151,958 | \$ - | \$ 45,336 |
| Bond investments | 30,496,931 | 15,992,292 | 5,907,413 | 8,597,226 |
| Others | 33,368,190 | 25,654 | 28,379,872 | 4,962,664 |
| Financial assets at fair value through other comprehensive income | | | | |
| Stock investments | 11,391,883 | 9,532,570 | - | 1,859,313 |
| Bond investments | 189,857,885 | 42,338,197 | 144,156,311 | 3,363,377 |
| Others | 8,557,169 | 5,545,293 | 1,968,561 | 1,043,315 |
| Investment properties | 3,212,700 | - | - | 3,212,700 |
| Derivative financial instruments | | | | |
| Assets | | | | |
| Financial assets at fair value through profit or loss | 41,824,640 | 310,925 | 40,572,590 | 941,125 |
| Financial assets for hedging | 2,104,144 | - | 2,104,144 | - |
| Liabilities | | | | |
| Financial liabilities at fair value through profit or loss | 46,978,045 | 2,580 | 45,702,135 | 1,273,330 |
| Financial liabilities for hedging | 8,994,438 | - | 8,994,438 | - |

| 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 | - |

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, 2020, 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, 2019 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, 2020

| 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 | \$ 15,257,648 | \$ (1,125,117) | \$ - | \$ 14,318,287 | \$ 6,052,866 | \$ 15,461,707 | \$ 4,495,626 | \$ 14,546,351 |
| Financial assets at fair value through other comprehensive income | 5,425,650 | (239,431) | 285,416 | 2,382,407 | 3,638,916 | 1,578,911 | 3,648,042 | 6,266,005 |
| Investment properties | 2,814,200 | (7,550) | - | - | 709,653 | - | 303,603 | 3,212,700 |

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, 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.

As of December 31, 2020 and 2019, valuation losses of \$910,087 thousand and \$736,173 thousand, respectively, were included in profit or loss, and valuation gains of \$354,261 thousand and \$36,738 thousand, respectively, were included in other comprehensive income for assets still held.

b) Reconciliation of Level 3 liabilities

For the Year Ended December 31, 2020

| 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 | \$ 2,168,661 | \$ (498,878) | \$ 1,266 | \$ - | \$ 397,719 | \$ - | \$ 1,273,330 |

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 |

As of December 31, 2020 and 2019, valuation gains of \$183,835 thousand and gains of \$359,282 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, 2020

| 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) | \$ 3,015,292 | 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 | Asset-backed security (ABS) | 218,153 | Discounted cash flow method | Real interest rate | 4.8% | The decrease in real interest rate would result in an increase in fair value |
| Financial assets at fair value through other comprehensive income | Asset-backed security (ABS) | 479,937 | Discounted cash flow method | Real interest rate | 3.2%-6.2% | 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) | 8,495 | 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 option (FX Option) | (4,372) | 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, 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. |
| <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. |

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, 2020 | | | |
|--|---------------------------|-------------|--------------------------------------|-------------|
| | 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 | \$ 1,700 | \$ (2,700) | \$ - | \$ - |
| Financial assets at fair value through other comprehensive income | - | - | 1,070 | (1,855) |
| <u>Liabilities</u> | | | | |
| Financial liabilities at fair value through profit or loss | | | | |
| Held-for-trading financial liabilities | 1 | - | - | - |

| 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) | \$ - | \$ - |

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, 2020 | |
|--|-------------------|---------------|
| | Carrying Amount | Fair Value |
| <u>Financial assets</u> | | |
| Investments in debt instruments measured at amortized cost | \$758,578,044 | \$773,479,693 |
| <u>Financial liabilities</u> | | |
| Bank debentures | 118,306,675 | 119,124,997 |

| 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 |

2) Fair value hierarchy of financial instruments

| Assets and Liabilities | December 31, 2020 | | | |
|--|-------------------|----------------|----------------|---------------|
| | Total | Level 1 | Level 2 | Level 3 |
| <u>Financial assets</u> | | | | |
| Investments in debt instruments measured at amortized cost | \$ 773,479,693 | \$ 191,537,219 | \$ 507,944,757 | \$ 73,997,717 |
| <u>Financial liabilities</u> | | | | |
| Bank debentures | 119,124,997 | 77,853,451 | 41,271,546 | - |

| 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 | - |

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, information security 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, 2020 | | | | | 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 | \$ 158,804,922 | \$ - | \$ - | \$ - | \$ - | \$ 158,804,922 |
| Changes due to financial instruments that have been recognized at the beginning of the period: | | | | | | |
| Derecognized financial assets in the current period | (99,753,204) | - | - | - | - | (99,753,204) |
| Originated or purchased financial assets | 133,942,630 | - | - | - | - | 133,942,630 |
| Effect of exchange rate changes and others | 878,500 | - | - | - | - | 878,500 |
| Balance, December 31 | \$ 193,872,848 | \$ - | \$ - | \$ - | \$ - | \$ 193,872,848 |

| | 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 | \$ 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 |

Expected credit losses

| | For the Year Ended December 31, 2020 | | | | | | | |
|---|--------------------------------------|--------------------------------------|--------------------------------------|---|---|-------------------------|---|------------|
| | 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 | \$ 46,073 | \$ - | \$ - | \$ - | \$ - | \$ 46,073 | \$ 8,937 | \$ 55,010 |
| Changes due to financial instruments that have been recognized at the beginning of the period: | | | | | | | | |
| Derecognized financial assets in the current period | (25,103) | - | - | - | - | (25,103) | - | (25,103) |
| Originated or purchased financial assets | 72,093 | - | - | - | - | 72,093 | - | 72,093 |
| Impairment differences recognized in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/ Nonaccrual Loans" | - | - | - | - | - | - | (4,722) | (4,722) |
| Effect of exchange rate changes and others | 8,380 | - | - | - | - | 8,380 | (382) | 7,998 |
| Balance, December 31 | \$ 101,443 | \$ - | \$ - | \$ - | \$ - | \$ 101,443 | \$ 3,833 | \$ 105,276 |

| | 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 |

b) Investments in debt instruments at amortized cost

Total carrying value

| | For the Year Ended December 31, 2020 | | | | | |
|--|--------------------------------------|--------------------------------------|--------------------------------------|---|---|----------------|
| | 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 | \$ 618,737,524 | \$ - | \$ 5,580,648 | \$ - | \$ - | \$ 624,318,172 |
| Changes of financial instruments that have been identified at the beginning of the period: | | | | | | |
| Transfer to lifetime ECL | (3,711,961) | - | 3,711,961 | - | - | - |
| Derecognizing financial assets during the current period | (271,135,152) | - | (3,394,207) | - | - | (274,529,359) |
| Originated or purchased financial assets | 407,646,344 | - | 1,629,044 | - | - | 409,275,388 |
| Effect of exchange rate changes and others | (8,059,993) | - | (341,653) | - | - | (8,401,646) |
| Balance, December 31 | \$ 743,476,762 | \$ - | \$ 7,185,793 | \$ - | \$ - | \$ 750,662,555 |

| | 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 |

Expected credit losses

| | For the Year Ended December 31, 2020 | | | | | | | |
|---|--------------------------------------|--------------------------------------|--------------------------------------|---|---|-------------------------|---|------------|
| | 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 | \$ 184,595 | \$ - | \$ 227,161 | \$ - | \$ - | \$ 411,756 | \$ - | \$ 411,756 |
| Changes due to financial instruments that have been recognized at the beginning of the period: | | | | | | | | |
| Transferred to lifetime ECL | (4,950) | - | 4,950 | - | - | - | - | - |
| Derecognized financial assets in the current period | (30,258) | - | (146,748) | - | - | (177,006) | - | (177,006) |
| Originated or purchased financial assets | 64,945 | - | 58,570 | - | - | 123,515 | - | 123,515 |
| Impairment differences recognized in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/ Nonaccrual Loans" | - | - | - | - | - | - | 28 | 28 |
| Effect of exchange rate changes and others | (7,056) | - | 118,084 | - | - | 111,028 | 1 | 111,029 |
| Balance, December 31 | \$ 207,276 | \$ - | \$ 262,017 | \$ - | \$ - | \$ 469,293 | \$ 29 | \$ 469,322 |

| | 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) | Impairment under IFRS 9 | Differences in Impairments According to Law | |
| 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 |

c) Receivables

Total carrying value

| | For the Year Ended December 31, 2020 | | | | | | 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 | \$ 91,900,576 | \$ 2,617,842 | \$ - | \$ 492,063 | \$ - | \$ 95,010,481 | |
| Changes due to financial instruments that have been recognized at the beginning of the period: | | | | | | | |
| Transferred to lifetime ECL | (718,478) | 718,529 | - | (51) | - | - | |
| Transferred to credit impaired financial assets | (155,113) | (80,112) | - | 235,225 | - | - | |
| Transferred to 12-month ECL | 272,721 | (272,466) | - | (255) | - | - | |
| Derecognized financial assets in the current period | (62,811,558) | (2,201,722) | - | (298,897) | - | (65,312,177) | |
| Originated or purchased financial assets | 60,886,907 | 978,672 | - | 67,649 | - | 61,933,228 | |
| Written off as bad debt expense | - | - | - | (10,642) | - | (10,642) | |
| Effect of exchange rate changes and others | (295,997) | (32,864) | - | - | - | (328,861) | |
| Balance, December 31 | \$ 89,079,058 | \$ 1,727,879 | \$ - | \$ 485,092 | \$ - | \$ 91,292,029 | |

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

| | 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 | \$ 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.

Expected credit losses

| | For the Year Ended December 31, 2020 | | | | | | | |
|---|--------------------------------------|--------------------------------------|--------------------------------------|---|---|-------------------------|---|------------|
| | 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 | \$ 342,334 | \$ 94,417 | \$ 1,431 | \$ 140,007 | \$ - | \$ 578,189 | \$ 137,733 | \$ 715,922 |
| Changes due to financial instruments that have been recognized at the beginning of the period: | | | | | | | | |
| Transferred to lifetime ECL | (6,584) | 6,587 | 51 | (54) | - | - | - | - |
| Transferred to credit impaired financial assets | (2,879) | (15,286) | - | 18,165 | - | - | - | - |
| Transferred to 12-month ECL | 19,551 | (19,306) | - | (245) | - | - | - | - |
| Derecognized financial assets in the current period | (254,889) | (50,689) | (794) | (23,017) | - | (329,389) | - | (329,389) |
| Originated or purchased financial assets | 229,426 | 34,468 | 31 | 190,490 | - | 454,415 | - | 454,415 |
| Impairment differences recognized in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/ Nonaccrual Loans" | - | - | - | - | - | - | 14,000 | 14,000 |
| Written off as bad debt expense | - | - | - | (18,526) | - | (18,526) | - | (18,526) |
| Recoveries of bad debts | - | - | - | 141 | - | 141 | - | 141 |
| Effect of exchange rate changes and others | (39,123) | 20,054 | (16) | 21,957 | - | 2,872 | - | 2,872 |
| Balance, December 31 | \$ 287,836 | \$ 70,245 | \$ 703 | \$ 328,918 | \$ - | \$ 687,702 | \$ 151,733 | \$ 839,435 |

| | 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 |

d) Discounts and loans

Total carrying value

| | For the Year Ended December 31, 2020 | | | | | |
|--|--------------------------------------|--------------------------------------|--------------------------------------|---|---|------------------|
| | 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 | \$ 1,472,980,738 | \$ 22,041,473 | \$ - | \$ 17,282,473 | \$ - | \$ 1,512,304,684 |
| Changes due to financial instruments that have been recognized at the beginning of the year: | | | | | | |
| Transferred to lifetime ECL | (34,105,634) | 34,140,081 | - | (34,447) | - | - |
| Transferred to credit impaired financial assets | (1,495,751) | (817,985) | - | 2,313,736 | - | - |
| Transferred to 12-month ECL | 4,947,463 | (4,851,805) | - | (95,658) | - | - |
| Derecognized financial assets in the current year | (704,192,523) | (11,090,489) | - | (13,356,849) | - | (728,639,861) |
| Originated or purchased financial assets | 841,623,189 | 30,643,320 | - | 4,413,603 | - | 876,680,112 |
| Written off as bad debt expense | - | - | - | (1,644,602) | - | (1,644,602) |
| Effect of exchange rate changes and others | (907,952) | (439,403) | - | (7,580) | - | (1,354,935) |
| Balance, December 31 | \$ 1,578,849,530 | \$ 69,625,192 | \$ - | \$ 8,870,676 | \$ - | \$ 1,657,345,398 |

| | 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 |

Expected credit losses

| | For the Year Ended December 31, 2020 | | | | | | | |
|---|--------------------------------------|--------------------------------------|--------------------------------------|---|---|-------------------------|---|---------------|
| | 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 | \$ 3,979,999 | \$ 603,770 | \$ - | \$ 2,953,978 | \$ - | \$ 7,537,747 | \$ 12,949,298 | \$ 20,487,045 |
| Changes due to financial instruments that have been recognized at the beginning of the period: | | | | | | | | |
| Transferred to lifetime ECL | (71,803) | 73,270 | - | (1,467) | - | - | - | - |
| Transferred to credit impaired financial assets | (11,136) | (153,913) | - | 165,049 | - | - | - | - |
| Transferred to 12-month ECL | 138,756 | (136,844) | - | (1,912) | - | - | - | - |
| Derecognized financial assets in the current period | (2,542,031) | (136,434) | - | (2,093,584) | - | (4,772,049) | - | (4,772,049) |
| Originated or purchased financial assets | 3,613,781 | 720,443 | - | 1,008,277 | - | 5,342,501 | - | 5,342,501 |
| Impairment differences recognized in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/ Nonaccrual Loans" | - | - | - | - | - | - | (93,680) | (93,680) |
| Written off as bad debt expense | - | - | - | (1,644,602) | - | (1,644,602) | - | (1,644,602) |
| Recoverable bad debt expense | - | - | - | 384,147 | - | 384,147 | - | 384,147 |
| Effect of exchange rate changes and others | 166,129 | 680,064 | - | 1,387,305 | - | 2,233,498 | 304 | 2,233,802 |
| Balance, December 31 | \$ 5,273,695 | \$ 1,650,356 | \$ - | \$ 2,157,191 | \$ - | \$ 9,081,242 | \$ 12,855,922 | \$ 21,937,164 |

| | 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) | Impairment under IFRS 9 | Differences in Impairments According to Law | |
| 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 |

e) Other financial assets

Total carrying value

| | For the Year Ended December 31, 2020 | | | | | |
|--|--------------------------------------|--------------------------------------|--------------------------------------|---|---|------------|
| | 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 | \$ 1,217 | \$ - | \$ - | \$ 116,871 | \$ - | \$ 118,088 |
| Changes due to financial instruments that have been recognized at the beginning of the period: | | | | | | |
| Derecognized financial assets in the current period | (1,217) | - | - | (70,049) | - | (71,266) |
| Originated or purchased financial assets | - | - | - | 235,249 | - | 235,249 |
| Written off as bad debt expense | - | - | - | (242,876) | - | (242,876) |
| Effect of exchange rate changes and others | - | - | - | 39,295 | - | 39,295 |
| Balance, December 31 | \$ - | \$ - | \$ - | \$ 78,490 | \$ - | \$ 78,490 |

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

| | 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.

Expected credit losses

| | For the Year Ended December 31, 2020 | | | | | | | |
|---|--------------------------------------|--|--|--|--|----------------------------|--|-----------|
| | 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 | \$ - | \$ - | \$ - | \$ 85,298 | \$ - | \$ 85,298 | \$ - | \$ 85,298 |
| Changes due to financial instruments that have been recognized at the beginning of the period: | | | | | | | | |
| Derecognized financial assets in the current period | - | - | - | (41,697) | - | (41,697) | - | (41,697) |
| Originated or purchased financial assets | - | - | - | 59,274 | - | 59,274 | - | 59,274 |
| 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 | - | - | - | (242,876) | - | (242,876) | - | (242,876) |
| Recoverable bad debt expense | - | - | - | 291,011 | - | 291,011 | - | 291,011 |
| Effect of exchange rate changes and others | - | - | - | (91,200) | - | (91,200) | - | (91,200) |
| Balance, December 31 | \$ - | \$ - | \$ - | \$ 59,810 | \$ - | \$ 59,810 | \$ - | \$ 59,810 |

| | 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 |

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

Expected credit losses

| | For the Year Ended December 31, 2020 | | | | | | | |
|---|--------------------------------------|--------------------------------------|--------------------------------------|---|---|-------------------------|---|------------|
| | 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 | \$ 154,433 | \$ 21,642 | \$ - | \$ 80,193 | \$ - | \$ 256,268 | \$ 200,746 | \$ 457,014 |
| Changes due to financial instruments that have been recognized at the beginning of the year: | | | | | | | | |
| Transferred to lifetime ECL | (1,841) | 1,909 | - | (68) | - | - | - | - |
| Transferred to credit impaired financial assets | (199) | (819) | - | 1,018 | - | - | - | - |
| Transferred to 12-month ECL | 10,734 | (10,595) | - | (139) | - | - | - | - |
| Derecognized financial assets in the current year | (87,827) | (6,430) | - | (79,305) | - | (173,562) | - | (173,562) |
| Originated or purchased financial assets | 291,185 | 58,189 | - | 863 | - | 350,237 | - | 350,237 |
| Impairment differences recognized in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/ Nonaccrual Loans" | - | - | - | - | - | - | (53,246) | (53,246) |
| Effect of exchange rate changes and others | (93,196) | (308) | - | 268 | - | (93,236) | - | (93,236) |
| Balance, December 31 | \$ 273,289 | \$ 63,588 | \$ - | \$ 2,830 | \$ - | \$ 339,707 | \$ 147,500 | \$ 487,207 |

| | 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 |

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, 2020 | December 31, 2019 |
| Irrevocable credit commitments | \$205,630,105 | \$218,632,928 |
| Standby letters of credit | 7,186,731 | 5,360,912 |
| Financial guarantees | 19,154,887 | 22,740,545 |
| Total | \$231,971,723 | \$246,734,385 |

Fubon Bank (China)

(In Thousands of RMB)

| Off-Balance Sheet Item | Maximum Exposure Amount | |
|--------------------------------|-------------------------|-------------------|
| | December 31, 2020 | December 31, 2019 |
| Irrevocable credit commitments | \$ 1,085,711 | \$ - |
| Standby letters of credit | 148,583 | 289,675 |
| Financial guarantees | 690,938 | 718,076 |
| Total | \$ 1,925,232 | \$ 1,007,751 |

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, 2020 | Financial Instrument | Property | Guarantee | Others |
|--|----------------------|----------|-----------|--------|
| <u>Category of assets</u> | | | | |
| Loans | 3.68% | 59.03% | 5.20% | 2.16% |
| Guarantees receivable | 8.96% | 10.40% | 0.70% | 1.47% |
| Acceptances and other credits | 0.36% | 1.09% | 0.01% | - |
| Financial assets at fair value through profit or loss - debt instruments | - | - | 8.16% | - |
| Financial assets at fair value through other comprehensive income - debt instruments | - | - | 9.71% | - |
| Investments in debt instruments measured at amortized cost | - | - | 8.52% | - |

| 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% | - |

Fubon Bank (China)

| December 31, 2020 | Financial Instrument | Property | Guarantee | Others |
|---------------------------|-----------------------------|-----------------|------------------|---------------|
| <u>Category of assets</u> | | | | |
| Loans | 9.18% | 21.30% | - | 6.69% |
| Guarantees receivable | 74.70% | 19.51% | 4.54% | - |
| Acceptances | 46.83% | 2.86% | 39.89% | - |

| 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% | - |

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, 2020 | | December 31, 2019 | |
|-------------------------|-------------------|--------|-------------------|--------|
| | Amount | % | Amount | % |
| Private | \$ 790,527,801 | 53.93 | \$ 724,035,520 | 54.11 |
| Private enterprise | 544,866,454 | 37.17 | 510,556,765 | 38.15 |
| Financial organization | 68,301,762 | 4.66 | 63,057,657 | 4.71 |
| Government institution | 33,229,923 | 2.27 | 18,700,765 | 1.40 |
| Public enterprise | 27,124,815 | 1.85 | 20,181,907 | 1.51 |
| Non-profit organization | 1,703,206 | 0.12 | 1,626,267 | 0.12 |
| Total | \$1,465,753,961 | 100.00 | \$1,338,158,881 | 100.00 |

b) By geographical area

| Geographical Area | December 31, 2020 | | December 31, 2019 | |
|-------------------|-------------------|--------|-------------------|--------|
| | Amount | % | Amount | % |
| Domestic | \$1,264,805,865 | 86.29 | \$1,139,251,100 | 85.14 |
| Asia | 98,300,567 | 6.71 | 114,369,536 | 8.55 |
| America | 71,710,088 | 4.89 | 60,260,221 | 4.50 |
| Others | 30,937,441 | 2.11 | 24,278,024 | 1.81 |
| Total | \$1,465,753,961 | 100.00 | \$1,338,158,881 | 100.00 |

c) By collateral

| By Collateral | December 31, 2020 | | December 31, 2019 | |
|-----------------------|-------------------|--------|-------------------|--------|
| | Amount | % | Amount | % |
| Unsecured | \$ 461,009,822 | 31.45 | \$ 426,121,228 | 31.84 |
| Secured | 1,004,744,139 | 68.55 | 912,037,653 | 68.16 |
| Properties | 845,049,686 | 57.65 | 772,117,285 | 57.70 |
| Guarantees | 74,319,149 | 5.07 | 55,483,057 | 4.15 |
| Financial instruments | 54,266,743 | 3.70 | 48,208,674 | 3.60 |
| Others | 31,108,561 | 2.13 | 36,228,637 | 2.71 |
| Total | \$1,465,753,961 | 100.00 | \$1,338,158,881 | 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, 2020 | 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 | \$ 86,701,192 | \$ 218,679 | \$ - | \$ 86,919,871 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 34,246 | \$ 86,885,625 |
| Investments in debt instruments measured at amortized cost | 647,945,190 | 1,141,581 | - | 649,086,771 | 5,897,801 | 1,287,992 | - | 7,185,793 | - | - | 449,820 | 655,822,744 |
| Receivables | | | | | | | | | | | | |
| Credit card receivables | 38,920,289 | 13,999,327 | 20,111 | 52,939,727 | - | 241,484 | 535,513 | 776,997 | 485,092 | - | 160,778 | 54,041,038 |
| Accounts receivable - factoring | 15,263,151 | 1,290,826 | - | 16,553,977 | 57,844 | 888,193 | - | 946,037 | - | - | 213,279 | 17,286,735 |
| Acceptances | 357,521 | 794,110 | - | 1,151,631 | - | 4,845 | - | 4,845 | - | - | 11,839 | 1,144,637 |
| Loans | | | | | | | | | | | | |
| Personal finance | 595,736,350 | 100,149,627 | 105,004 | 695,990,981 | - | 10,677,250 | 1,614,390 | 12,291,640 | 2,520,220 | - | 9,345,268 | 701,457,573 |
| Corporate banking | 361,853,565 | 300,051,789 | 3,066,879 | 664,972,233 | - | 44,954,929 | 1,432,714 | 46,387,643 | 5,245,148 | - | 8,675,925 | 707,929,099 |
| Other financial assets (bills purchased and nonperforming loans transferred from other than loans) | - | - | - | - | - | - | - | - | 78,490 | - | 59,810 | 18,680 |
| Off-balance sheet assets | | | | | | | | | | | | |
| Financial commitment | 474,892,309 | 56,408,694 | 9,729 | 531,310,732 | - | 2,355,026 | 647,534 | 3,002,560 | 55,581 | - | 243,965 | 534,124,908 |
| Guarantees receivable | 11,123,095 | 7,520,191 | - | 18,643,286 | - | 507,687 | 3,914 | 511,601 | - | - | 193,640 | 18,961,247 |
| Credit receivable | 4,242,942 | 2,595,608 | - | 6,838,550 | - | 348,181 | - | 348,181 | - | - | 6,018 | 7,180,713 |

| 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 | - | - | 309,011 | 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 |

Fubon Bank (China)

a) By industry

(In Thousands of RMB)

| By Industry | December 31, 2020 | | December 31, 2019 | |
|------------------------------------|-------------------|--------|-------------------|--------|
| | Amount | % | Amount | % |
| Personal loans | \$ 11,913,221 | 22.61 | \$ 8,149,886 | 16.34 |
| Finance and insurance | 10,202,250 | 19.36 | 14,301,548 | 28.67 |
| Wholesale and retail | 7,710,129 | 14.63 | 7,030,591 | 14.09 |
| Construction | 4,760,100 | 9.03 | 3,315,688 | 6.64 |
| Water conservation and environment | 4,630,112 | 8.79 | 2,791,519 | 5.60 |
| Manufacturing | 4,280,492 | 8.12 | 4,313,660 | 8.65 |
| Real estate | 3,815,850 | 7.24 | 3,679,398 | 7.37 |
| Others | 5,388,789 | 10.22 | 6,308,662 | 12.64 |
| Total (Note) | \$ 52,700,943 | 100.00 | \$ 49,890,952 | 100.00 |

Note: Included only discounts and loans.

b) By geographical area

(In Thousands of RMB)

| Geographical Area | December 31, 2020 | | December 31, 2019 | |
|-------------------|-------------------|--------|-------------------|--------|
| | Amount | % | Amount | % |
| East China | \$ 19,031,222 | 36.11 | \$ 16,794,212 | 33.66 |
| Southwest China | 5,479,080 | 10.40 | 5,201,862 | 10.43 |
| North China | 5,212,542 | 9.89 | 6,334,360 | 12.70 |
| Central China | 4,683,371 | 8.89 | 5,907,902 | 11.84 |
| South China | 2,692,015 | 5.11 | 3,946,711 | 7.91 |
| Northwest China | 2,662,664 | 5.05 | 2,862,110 | 5.74 |
| Others | 12,940,049 | 24.55 | 8,843,795 | 17.72 |
| Total (Note) | \$ 52,700,943 | 100.00 | \$ 49,890,952 | 100.00 |

Note: Included only discounts and loans.

c) By collateral

(In Thousands of RMB)

| By Collateral | December 31, 2020 | | December 31, 2019 | |
|------------------|-------------------|--------|-------------------|--------|
| | Amount | % | Amount | % |
| Clean loans | \$ 33,112,106 | 62.83 | \$ 36,768,580 | 73.70 |
| Guarantee loans | 3,526,991 | 6.69 | 409,016 | 0.82 |
| Collateral loans | 16,061,846 | 30.48 | 12,713,356 | 25.48 |
| Pledge loans | 11,223,112 | 21.30 | 8,542,783 | 17.12 |
| Mortgage loans | 4,838,734 | 9.18 | 4,170,573 | 8.36 |
| Total (Note) | \$ 52,700,943 | 100.00 | \$ 49,890,952 | 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, 2020 | 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 | \$ 24,513,278 | \$ - | \$ - | \$ 24,513,278 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 16,577 | \$ 24,496,701 |
| Investments in debt instruments measured at amortized cost | 21,633,882 | - | - | 21,633,882 | - | - | - | - | - | - | 4,470 | 21,629,412 |
| Receivables | | | | | | | | | | | | |
| Acceptances | 4,177,443 | - | - | 4,177,443 | - | - | - | - | - | - | 31,926 | 4,145,517 |
| Accounts receivables - factoring | 37,065 | - | - | 37,065 | - | - | - | - | - | - | 491 | 36,574 |
| xxx | 10,441 | - | - | 10,441 | - | - | - | - | - | - | 104 | 10,337 |
| Loans | | | | | | | | | | | | |
| Personal finance | 11,771,941 | - | 63,691 | 11,835,632 | 21,738 | - | 11,361 | 33,099 | 44,490 | - | 186,242 | 11,726,979 |
| Corporate banking | 32,004,162 | 4,699,686 | 1,399,362 | 38,103,210 | - | 2,306,519 | 169,149 | 2,475,668 | 208,843 | - | 711,285 | 40,076,436 |
| Financial assets off-balance sheet | | | | | | | | | | | | |
| xxx | 1,203,166 | - | - | 1,203,166 | - | - | - | - | - | - | 3,844 | 1,199,322 |
| Guarantees receivable | 690,938 | - | - | 690,938 | - | - | - | - | - | - | 5,385 | 685,553 |
| Credit receivable | 148,583 | - | - | 148,583 | - | - | - | - | - | - | 761 | 147,822 |

| 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 |

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, 2020 | Financial Instrument | Property | Guarantee | Others |
|--------------------------|-----------------------------|-----------------|------------------|---------------|
| <u>Asset category</u> | | | | |
| Receivables | 0.01% | 2.17% | 0.27% | 1.02% |
| Loans | 1.37% | 46.74% | 15.30% | 29.41% |
| Other financial assets | - | - | 22.85% | 29.35% |
| Off-balance sheet assets | - | - | - | - |

| 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% |

Fubon Bank (China)

| December 31, 2020 | Financial Instrument | Property | Guarantee | Others |
|--------------------------|-----------------------------|-----------------|------------------|---------------|
| <u>Asset category</u> | | | | |
| Loans | 3.41% | 34.50% | - | 10.50% |

| December 31, 2019 | Financial Instrument | Property | Guarantee | Others |
|--------------------------|-----------------------------|-----------------|------------------|---------------|
| <u>Asset category</u> | | | | |
| Loans | - | 64.18% | - | 0.92% |

- 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, 2020 and 2019 was \$1,847,671 thousand and \$1,451,647 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, 2020 and 2019, the carrying amount of the properties were \$52,357 thousand and \$51,883 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 and its subsidiaries' management policy is to match maturities of and interest rates for assets and liabilities, i.e., because of uncertainties of terms and conditions or types, the maturities of and interest rates for assets and liabilities usually do not match perfectly, resulting in potential gain or loss. To maintain proper liquidity, the Bank and its subsidiaries 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, 2020 | 0-30 Days | 31-90 Days | 91-180 Days | 181-365 Days | Over 1 Year | Total |
|---|---------------|--------------|--------------|--------------|---------------|---------------|
| Assets | | | | | | |
| Cash, call loans and deposits due from/to other banks | \$ 45,033,022 | \$ 4,955,087 | \$ 3,247,167 | \$ 5,532,064 | \$ 23,023,971 | \$ 81,791,311 |
| Investments in marketable securities (Note 2) | 214,094,925 | 34,025,168 | 55,851,830 | 61,802,333 | 105,710,374 | 471,484,630 |
| Securities purchased under resell agreements | 6,327,639 | - | - | - | - | 6,327,639 |
| Loans (included overdue loans) | 68,125,657 | 74,568,811 | 111,190,871 | 67,964,525 | 871,447,890 | 1,193,297,754 |
| Deliverable derivative assets | 151,328,391 | 161,823,911 | 104,476,027 | 144,319,747 | 24,237,528 | 586,185,604 |
| Non-deliverable derivative assets | 3,243,715 | - | 6,238 | - | 986,418 | 4,236,371 |
| Other capital inflow on maturity | 33,947,237 | 9,349,254 | 11,188,662 | 6,004,318 | 60,559,330 | 121,048,801 |
| Subtotal | 522,100,586 | 284,722,231 | 285,960,795 | 285,622,987 | 1,085,965,511 | 2,464,372,110 |
| Liabilities | | | | | | |
| Due to the Central Bank and other banks | 10,720,409 | 1,000 | 219,759 | - | 117,000 | 11,058,168 |
| Deposits and remittances | 138,531,760 | 172,610,537 | 113,137,941 | 192,748,415 | 801,156,993 | 1,418,185,646 |
| Securities sold under repurchase agreements | 3,109,123 | 1,680,526 | 508,000 | - | - | 5,297,649 |
| Payables | 256,836 | 265,377 | 247,325 | 303,250 | 381,940 | 1,454,728 |
| Bank debentures | - | - | 9,418,312 | 3,052,930 | 71,333,974 | 83,805,216 |
| Deliverable derivative liabilities | 172,422,271 | 188,705,386 | 162,856,619 | 115,442,125 | 43,651,027 | 683,077,428 |
| Non-deliverable derivative liabilities | 3,399,750 | - | - | - | - | 3,399,750 |
| Other capital outflow on maturity | 16,497,773 | 4,405,613 | 2,789,638 | 557,988 | 8,801,194 | 33,052,206 |
| Subtotal | 344,937,922 | 367,668,439 | 289,177,594 | 312,104,708 | 925,442,128 | 2,239,330,791 |

| 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 |

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, 2020 | 0-30 Days | 31-90 Days | 91-180 Days | 181-365 Days | Over 1 Year | Total |
|---|--------------|------------|-------------|--------------|-------------|--------------|
| Assets | | | | | | |
| Cash, call loans and deposits due from/to other banks | \$ 1,829,036 | \$ 553,000 | \$ 855,000 | \$ 589,500 | \$ - | \$ 3,826,536 |
| Investments in marketable securities (Note 2) | 619,141 | 55,087 | 88,197 | 121,155 | 8,500,828 | 9,384,408 |
| Securities purchased under resell agreements | 4,196 | 6,465 | - | - | - | 10,661 |
| Loans (including overdue loans) | 1,111,368 | 474,306 | 494,450 | 202,843 | 1,548,371 | 3,831,338 |
| Deliverable derivative assets | 10,262,816 | 7,521,854 | 5,723,782 | 4,598,074 | 1,520,234 | 29,626,760 |
| Non-deliverable derivative assets | 28,719 | 2 | - | - | 39,173 | 67,894 |
| Other capital inflow on maturity | 1,344,616 | 262,950 | 43,323 | 4,152 | 58,501 | 1,713,542 |
| Subtotal | 15,199,892 | 8,873,664 | 7,204,752 | 5,515,724 | 11,667,107 | 48,461,139 |
| Liabilities | | | | | | |
| Due to the Central Bank and other banks | 2,863,474 | 495,000 | 30,000 | - | - | 3,388,474 |
| Deposits and remittances | 2,544,000 | 3,022,082 | 1,474,645 | 1,870,285 | 7,007,370 | 15,918,382 |
| Securities sold under repurchase agreements | 1,005,173 | 1,499,136 | - | - | - | 2,504,309 |
| Payables | 14,877 | 21,035 | 9,615 | 1,449 | 8 | 46,984 |
| Bank debentures | - | - | - | - | 692,879 | 692,879 |
| Deliverable derivative liabilities | 7,404,904 | 6,435,714 | 3,710,246 | 5,646,409 | 850,779 | 24,048,052 |
| Non-deliverable derivative liabilities | 64,504 | - | 320 | 826 | 304,228 | 369,878 |
| Other capital outflow on maturity | 462,426 | 67,516 | 11,411 | 2,091 | 375,313 | 918,757 |
| Subtotal | 14,359,358 | 11,540,483 | 5,236,237 | 7,521,060 | 9,230,577 | 47,887,715 |

(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 |

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, 2020 | 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 | \$ 3,464,661 | \$ - | \$ - | \$ - | \$ 8,259,706 | \$ 11,724,367 |
| Investments in marketable securities (Note) | 4,063,991 | 1,462,219 | 2,788,932 | 44,744,133 | 10,391 | 53,069,666 |
| Securities purchased under resell agreements | 1,699,977 | - | - | - | - | 1,699,977 |
| Loans (including overdue loans) | 6,108,623 | 11,560,949 | 20,135,930 | 21,360,815 | - | 59,166,317 |
| Deliverable derivative assets | 51,293,868 | 44,516,783 | 99,137,483 | - | - | 194,948,134 |
| Non-deliverable derivative assets | 24,903 | 40,198 | 69,887 | - | - | 134,988 |
| Other capital inflow on maturity | 1,197,546 | 1,284,292 | 2,584,932 | - | 916,157 | 5,982,927 |
| Subtotal | 67,853,569 | 58,864,441 | 124,717,164 | 66,104,948 | 9,186,254 | 326,726,376 |
| Liabilities | | | | | | |
| Due to the Central Bank and other banks | 791,924 | 1,587,412 | 658,304 | - | - | 3,037,640 |
| Deposits and remittances | 39,473,671 | 15,004,117 | 15,585,772 | 16,519,081 | - | 86,582,641 |
| Securities sold under repurchase agreements | 200,025 | - | - | - | - | 200,025 |
| Payables | 516,229 | 1,284,292 | 2,547,204 | 540 | - | 4,348,265 |
| Bank debentures | 20,342 | 32,000 | 165,842 | 6,078,077 | - | 6,296,261 |
| Deliverable derivative liabilities | 51,760,242 | 44,749,139 | 99,165,790 | - | - | 195,675,171 |
| Non-deliverable derivative liabilities | 1,105 | 1,240 | 2,372 | - | - | 4,717 |
| Other capital outflow on maturity | 4,397,271 | 5,553,850 | 5,957,648 | - | 6,677 | 15,915,446 |
| Subtotal | 97,160,809 | 68,212,050 | 124,082,932 | 22,597,698 | 6,677 | 312,060,166 |

(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 |
| 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 | 35,236,602 | 62,795,112 | 23,154,817 | 96,677 | 172,800,151 |

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, 2020 | 0-30 Days | 31-90 Days | 91-180 Days | 181-365 Days | Over 1 Year | Total |
|--|--------------|--------------|--------------|--------------|-------------|--------------|
| Assets | | | | | | |
| Deliverable derivative assets | | | | | | |
| Forward contracts | \$ 1,408,675 | \$ 2,968,011 | \$ 1,025,319 | \$ 1,549,481 | \$ 86,393 | \$ 7,037,879 |
| Currency swaps | 125,769,111 | 125,473,061 | 80,578,243 | 125,405,947 | - | 457,226,362 |
| Cross-currency swaps | 24,150,605 | 33,382,839 | 22,872,465 | 17,364,319 | 24,151,135 | 121,921,363 |
| Subtotal | 151,328,391 | 161,823,911 | 104,476,027 | 144,319,747 | 24,237,528 | 586,185,604 |
| Non-deliverable derivative assets | | | | | | |
| Foreign exchange derivative instruments | 410,203 | - | - | - | - | 410,203 |
| Interest rate derivative instruments - hedging | - | - | 6,238 | - | 986,418 | 992,656 |
| Interest rate derivative instruments - non-hedging | 2,553,478 | - | - | - | - | 2,553,478 |
| Equity derivative instruments | 280,034 | - | - | - | - | 280,034 |
| Subtotal | 3,243,715 | - | 6,238 | - | 986,418 | 4,236,371 |
| Liabilities | | | | | | |
| Deliverable derivative liabilities | | | | | | |
| Forward contracts | 2,547,224 | 2,138,964 | 344,669 | - | - | 5,030,857 |
| Currency swaps | 164,046,997 | 175,739,617 | 155,341,130 | 96,495,385 | 16,091,952 | 607,715,081 |
| Cross-currency swaps | 5,828,050 | 10,826,805 | 7,170,820 | 18,946,740 | 27,559,075 | 70,331,490 |
| Subtotal | 172,422,271 | 188,705,386 | 162,856,619 | 115,442,125 | 43,651,027 | 683,077,428 |
| Non-deliverable derivative liabilities | | | | | | |
| Foreign exchange derivative instruments | 410,203 | - | - | - | - | 410,203 |
| Interest rate derivative instruments - non-hedging | 2,705,884 | - | - | - | - | 2,705,884 |
| Equity derivative instruments | 283,663 | - | - | - | - | 283,663 |
| Subtotal | 3,399,750 | - | - | - | - | 3,399,750 |

| 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 |

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, 2020 | 0-30 Days | 31-90 Days | 91-180 Days | 181-365 Days | Over 1 Year | Total |
|--|------------|------------|-------------|--------------|-------------|------------|
| Assets | | | | | | |
| Deliverable derivative assets | | | | | | |
| Forward contracts | \$ 721,318 | \$ 215,838 | \$ 36,764 | \$ 9,447 | \$ - | \$ 983,367 |
| Currency swaps | 9,340,060 | 6,948,739 | 5,452,018 | 3,948,627 | 586,234 | 26,275,678 |
| Cross-currency swaps | 201,438 | 357,277 | 235,000 | 640,000 | 934,000 | 2,367,715 |
| Subtotal | 10,262,816 | 7,521,854 | 5,723,782 | 4,598,074 | 1,520,234 | 29,626,760 |
| Non-deliverable derivative assets | | | | | | |
| Foreign exchange derivative instruments | 16,342 | - | - | - | - | 16,342 |
| Interest rate derivative instruments - hedging | - | 2 | - | - | 39,173 | 39,175 |
| Interest rate derivative - non-hedging | 12,067 | - | - | - | - | 12,067 |
| Equity derivative instruments | 161 | - | - | - | - | 161 |
| Product derivative instruments | 149 | - | - | - | - | 149 |
| Subtotal | 28,719 | 2 | - | - | 39,173 | 67,894 |
| Liabilities | | | | | | |
| Deliverable derivative liabilities | | | | | | |
| Forward contracts | 255,170 | 341,783 | 74,377 | 12,694 | 34,486 | 718,510 |
| Currency swaps | 6,310,398 | 4,945,259 | 2,954,293 | 5,040,690 | 2,993 | 19,253,633 |
| Cross-currency swaps | 839,336 | 1,148,672 | 681,576 | 593,025 | 813,300 | 4,075,909 |
| Subtotal | 7,404,904 | 6,435,714 | 3,710,246 | 5,646,409 | 850,779 | 24,048,052 |
| Non-deliverable derivative liabilities | | | | | | |
| Foreign exchange derivative instruments | 17,465 | - | - | - | - | 17,465 |
| Interest rate derivative instruments - hedging | 25 | - | 320 | 826 | 304,228 | 305,399 |
| Interest rate derivative - non-hedging | 46,686 | - | - | - | - | 46,686 |
| Equity derivative instruments | 179 | - | - | - | - | 179 |
| Product derivative instruments | 149 | - | - | - | - | 149 |
| Subtotal | 64,504 | - | 320 | 826 | 304,228 | 369,878 |

(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 |

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, 2020 | 0-30 Days | 31-90 Days | 91-365 Days | Over 1 Year | Total |
|---|------------------|-------------------|--------------------|--------------------|--------------|
| <u>Assets</u> | | | | | |
| Deliverable derivative assets | | | | | |
| Forward contracts | \$ 78,827 | \$ 49,099 | \$ 466,391 | \$ - | \$ 594,317 |
| Currency swaps | 51,215,041 | 44,467,684 | 98,671,092 | - | 194,353,817 |
| Options | 51,293,868 | 44,516,783 | 99,137,483 | - | 194,948,134 |
| Cross-currency swaps | | | | | |
| Subtotal | 1,710 | 2,045 | 3,258 | - | 7,013 |
| Non-deliverable derivative assets | 23,193 | 38,153 | 66,629 | - | 127,975 |
| Interest rate derivatives - non-hedging | 24,903 | 40,198 | 69,887 | - | 134,988 |
| <u>Liabilities</u> | | | | | |
| Deliverable derivative liabilities | | | | | |
| Forward contracts | 80,408 | 50,558 | 450,470 | - | 581,436 |
| Currency swaps | 51,679,834 | 44,698,581 | 98,715,320 | - | 195,093,735 |
| Options | 51,760,242 | 44,749,139 | 99,165,790 | - | 195,675,171 |
| Cross-currency swaps | | | | | |
| Subtotal | 1,105 | 1,139 | 1,234 | - | 3,478 |
| Non-deliverable derivatives | - | 101 | 1,138 | - | 1,239 |
| Interest rate derivatives - non-hedging | 1,105 | 1,240 | 2,372 | - | 4,717 |

(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 |

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, 2020 | 0-30 Days | 31-90 Days | 91-180 Days | 181-365 Days | Over 1 Year | Total |
|--------------------------------|-----------------------|---------------------|--------------------|---------------------|---------------------|-----------------------|
| Irrevocable credit commitments | \$ 205,630,105 | \$ - | \$ - | \$ - | \$ - | \$ 205,630,105 |
| Standby letters of credit | 7,186,731 | - | - | - | - | 7,186,731 |
| Financial guarantees | 10,766,095 | 1,785,400 | 26,196 | 3,632,475 | 2,944,721 | 19,154,887 |
| Total | \$ 223,582,931 | \$ 1,785,400 | \$ 26,196 | \$ 3,632,475 | \$ 2,944,721 | \$ 231,971,723 |

| 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 |

Fubon Bank (China)

(In Thousands of RMB)

| December 31, 2020 | 0-30 Days | 31-90 Days | 91-365 Days | Over 1 Year | Total |
|--------------------------------|-------------------|-------------------|--------------------|--------------------|---------------------|
| Irrevocable credit commitments | \$ 78,299 | \$ 5,600 | \$ 219,264 | \$ 782,548 | \$ 1,085,711 |
| Standby letters of credit | 49,683 | 35,518 | 63,382 | - | 148,583 |
| Financial guarantees | 84,483 | 96,507 | 348,673 | 161,275 | 690,938 |
| Total | \$ 212,465 | \$ 137,625 | \$ 631,319 | \$ 943,823 | \$ 1,925,232 |

(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 |

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, 2020 | | | |
|----------------------------|--------------------------------------|----------|------------|-------------|
| | Highest | Lowest | Mean | End of Year |
| Equity | \$ 19,004 | \$ 3,241 | \$ 11,616 | \$ 3,241 |
| Interest rate | 418,303 | 30,581 | 102,201 | 30,606 |
| Exchange rate | 56,415 | 5,339 | 18,331 | 12,308 |
| Volatility | 5,520 | 947 | 2,614 | 1,487 |
| Diversification effect | - | - | (34,617) | (16,001) |
| Common VaR of trading book | | | \$ 100,145 | \$ 31,641 |

| 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 | - | - | (14,745) | (21,806) |

Common VaR of trading book \$ 45,803 \$ 58,225

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, 2020 and 2019 and all other factors been held constant, the earnings would have decreased/increased by \$12 million and \$5 million, respectively.

b) Exchange rate risk

Banking book exchange rate risk refers to the risk of loss due to unfavorable changes in exchange rates for the Bank's foreign currency operating funds to be used for the launch of a

foreign exchange business, the establishment of overseas branches or overseas subsidiaries' branches' investments accounted for using the equity method. These exchange rate differences are reflected under either the statement of comprehensive income or under exchange differences on translating foreign operations in equity.

The Bank's overseas branches and these branches' long-term equity-method investments have foreign exchange businesses. The percentage of the foreign currency operating funds used for the foreign exchange business operations is low when compared with the Bank's entire foreign currency position. As of December 31, 2020, 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 | | | |
|-----------------------------|-------------------------------------|----------------------------------|-------------------------------------|----------------------------------|
| | 2020 | | 2019 | |
| | Influence on Profit and Loss | Influence on Other Equity | Influence on Profit and Loss | Influence on Other Equity |
| Stock price increase by 10% | \$ - | \$ 1,438,021 | \$ - | \$ 671,771 |
| Stock price decrease by 10% | - | (1,438,021) | - | (671,771) |

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 | | | |
|---|----------------------------------|-------------------------------|----------------------------------|-------------------------------|
| | 2020 | | 2019 | |
| | Impact on Profit and Loss | Impact on Other Equity | Impact on Profit and Loss | Impact on Other Equity |
| Interest rate increases 50 basis points | \$(104,373) | \$(325,314) | \$ (84,821) | \$(180,626) |
| Interest rate decreases 50 basis points | 104,372 | 272,645 | 84,865 | 198,683 |

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 | | | |
|---|------------------------------------|---------------------------------|------------------------------------|---------------------------------|
| | 2020 | | 2019 | |
| | 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 | \$(104,925) | \$ 23,821 | \$ (79,854) | \$ 33,472 |
| USD and HKD depreciate by 5% against the RMB | 104,925 | (23,821) | 79,854 | (33,472) |

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, 2020 and 2019.

Taipei Fubon Bank

| | December 31, 2020 | | |
|--|-----------------------|------------------|-----------------------|
| | Foreign Currencies | Exchange Rate | New Taiwan Dollars |
| <u>Financial assets</u> | | | |
| Monetary item | | | |
| USD | \$ 21,032,120 | 28.3720 | \$596,722,267 |
| AUD | 2,683,661 | 21.8691 | 58,689,267 |
| RMB | 10,090,398 | 4.3631 | 44,025,043 |
| HKD | 11,582,880 | 3.6599 | 42,391,881 |
| JPY | 104,540,630 | 0.2750 | 28,750,764 |
| Nonmonetary item | | | |
| USD | 205,431 | 28.3720 | 5,828,479 |
| RMB | 725,419 | 4.3631 | 3,165,049 |
| AUD | 76,123 | 21.8691 | 1,664,750 |
| JPY | 5,796,576 | 0.2750 | 1,594,174 |
| HKD | 39,642 | 3.6599 | 145,085 |
| Investments accounted for using the equity method | | | |
| RMB | 4,891,139 | 4.3631 | 21,340,401 |

(Continued)

| | December 31, 2020 | | |
|------------------------------|---------------------------|----------------------|---------------------------|
| | Foreign Currencies | Exchange Rate | New Taiwan Dollars |
| <u>Financial liabilities</u> | | | |
| Monetary item | | | |
| USD | \$ 27,954,676 | 28.3720 | \$793,128,664 |
| RMB | 13,985,754 | 4.3631 | 61,020,728 |
| HKD | 8,120,740 | 3.6599 | 29,720,884 |
| AUD | 752,612 | 21.8691 | 16,458,957 |
| JPY | 26,308,572 | 0.2750 | 7,235,384 |
| Nonmonetary item | | | |
| USD | 545,844 | 28.3720 | 15,486,654 |
| RMB | 617,166 | 4.3631 | 2,692,733 |
| JPY | 6,085,401 | 0.2750 | 1,673,607 |
| HKD | 41,171 | 3.6599 | 150,680 |
| AUD | 1,592 | 21.8691 | 34,811 |
| | | | (Concluded) |

| | 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 |

| | | | |
|------------------------------|------------|---------|-------------|
| <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 |

Fubon Bank (China)**December 31, 2020**

| | Foreign Currencies | Exchange Rate | RMB |
|-------------------------|-------------------------------|--------------------------|--------------|
| <u>Financial assets</u> | | | |
| Monetary item | | | |
| USD | \$ 772,954 | 6.5249 | \$ 5,043,445 |
| HKD | 143,166 | 0.8416 | 120,494 |
| EUR | 460 | 8.0250 | 3,689 |
| JPY | 842,662 | 0.0632 | 53,287 |
| Nonmonetary item | | | |
| USD | 603 | 6.5249 | 3,935 |

Financial liabilities

| | | | |
|------------------|-----------|--------|------------|
| Monetary item | | | |
| USD | 5,069,925 | 6.5249 | 33,080,753 |
| HKD | 16,201 | 0.8416 | 13,636 |
| EUR | 25,273 | 8.0250 | 202,813 |
| JPY | 1,267,357 | 0.0632 | 80,143 |
| Nonmonetary item | | | |
| USD | 605,824 | 6.5249 | 3,952,943 |

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 |

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, 2020 | |
|---|---|--|
| | 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 | \$ 10,993,597 | \$ 10,327,127 |
| Investments in debt instruments measured at amortized cost | 69,901,796 | 69,830,302 |

| 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 |

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, 2020

| 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) | \$ 43,928,784 | \$ - | \$ 43,928,784 | \$ 33,827,993 | \$ 4,400,522 | \$ 5,700,269 |
| Securities purchased under resell agreements | <u>14,042,571</u> | <u>-</u> | <u>14,042,571</u> | <u>13,931,249</u> | <u>-</u> | <u>111,322</u> |
| | <u>\$ 57,971,355</u> | <u>\$ -</u> | <u>\$ 57,971,355</u> | <u>\$ 47,759,242</u> | <u>\$ 4,400,522</u> | <u>\$ 5,811,591</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) | \$ 55,972,483 | \$ - | \$ 55,972,483 | \$ 32,858,922 | \$ 13,361,156 | \$ 9,752,405 |
| Securities sold under repurchased agreements | <u>80,157,429</u> | <u>-</u> | <u>80,157,429</u> | <u>80,155,921</u> | <u>-</u> | <u>1,508</u> |
| | <u>\$ 136,129,912</u> | <u>\$ -</u> | <u>\$ 136,129,912</u> | <u>\$ 113,014,843</u> | <u>\$ 13,361,156</u> | <u>\$ 9,753,913</u> |

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> |

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, 2020, 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, 2020

| Rank (Note 1) | Group Name (Note 2) | Credit Extensions Balance (Note 3) | % to Net Asset Value |
|--------------------------|--|---|-------------------------------------|
| 1 | Group A (LCD and its component manufacturing industry) | \$ 10,218,511 | 4.66 |
| 2 | Group B (other electronic component manufacturing industry) | 9,321,456 | 4.25 |
| 3 | Group C (laptops, tablets, servers, camera, industrial computers, smart phones, original equipment manufacturing and online software and hardware factories) | 9,262,599 | 4.23 |
| 4 | Group D (semiconductor assembly and testing industry) | 9,185,707 | 4.19 |
| 5 | Group E (other electronic component manufacturing industry) | 8,200,000 | 3.74 |
| 6 | Group F (petrochemical raw material manufacturing industry) | 8,157,159 | 3.72 |
| 7 | Group G (computers and related equipment and software development) | 6,589,925 | 3.01 |
| 8 | Group H (passive electronic components manufacturing industry) | 6,162,365 | 2.81 |
| 9 | Group I (non-governmental financing) | 5,497,423 | 2.51 |
| 10 | Group J (real estate) | 5,398,119 | 2.46 |

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) | 6,593,213 | 3.30 |

| | | | |
|----|--|-----------|------|
| | development) | | |
| 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 |

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, 2020**

| Items | 1 to 90 Days | 91 to 180 Days | 181 Days to One Year | Over One Year | Total |
|---|------------------|----------------|----------------------|----------------|------------------|
| Interest rate-sensitive assets | \$ 1,407,723,622 | \$ 108,979,498 | \$ 72,022,518 | \$ 122,963,325 | \$ 1,711,688,963 |
| Interest rate-sensitive liabilities | 430,155,788 | 909,761,929 | 74,987,666 | 91,454,850 | 1,506,360,233 |
| Interest rate sensitivity gap | 977,567,834 | (800,782,431) | (2,965,148) | 31,508,475 | 205,328,730 |
| Net worth | | | | | 209,449,527 |
| Ratio of interest rate-sensitive assets to liabilities | | | | | 113.36% |
| Ratio of the interest rate sensitivity gap to net worth | | | | | 98.03% |

**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% |

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, 2020

(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 | \$ 12,802,510 | \$ 1,342,420 | \$ 796,173 | \$ 8,040,886 | \$ 22,981,989 |
| Interest rate-sensitive liabilities | 26,380,282 | 1,498,618 | 1,379,800 | 868,053 | 30,126,753 |
| Interest rate sensitivity gap | (13,577,772) | (156,198) | (583,627) | 7,172,833 | (7,144,764) |
| Net worth | | | | | 293,144 |
| Ratio of interest rate-sensitive assets to liabilities | | | | | 76.28% |
| Ratio of the interest rate sensitivity gap to net worth | | | | | (2,437.29%) |

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%) |

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, 2020 | For the Year Ended December 31, 2019 |
|------------------|------------------------|--------------------------------------|--------------------------------------|
| | Return on total assets | Before income tax | 0.69 |
| | After income tax | 0.62 | 0.72 |
| Return on equity | Before income tax | 9.61 | 11.54 |
| | After income tax | 8.57 | 9.77 |
| Profit margin | | 39.30 | 40.12 |

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, 2020 and 2019.

e. Maturity analysis of assets and liabilities

Maturity Analysis of Assets and Liabilities (New Taiwan Dollars)
December 31, 2020

| | 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 | \$ 2,464,372,110 | \$ 226,392,218 | \$ 295,708,368 | \$ 284,722,231 | \$ 285,960,795 | \$ 285,622,987 | \$ 1,085,965,511 |
| Main capital outflow on maturity | 3,001,234,386 | 135,472,883 | 252,998,420 | 454,735,200 | 419,777,736 | 573,304,991 | 1,164,945,156 |
| Gap | (536,862,276) | 90,919,335 | 42,709,948 | (170,012,969) | (133,816,941) | (287,682,004) | (78,979,645) |

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) |

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, 2020

(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 | \$ 70,819,614 | \$ 26,180,045 | \$ 14,703,763 | \$ 9,391,345 | \$ 7,103,968 | \$ 13,440,493 |
| Capital outflow on maturity | 77,282,679 | 29,010,863 | 17,711,658 | 7,936,655 | 12,086,804 | 10,536,699 |
| Gap | (6,463,065) | (2,830,818) | (3,007,895) | 1,454,690 | (4,982,836) | 2,903,794 |

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 | | | | |
|-----------------------------|---------------|---|---------------|---------------|--------------|---------------|
| | | 1-30 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 |

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, 2020 | | December 31, 2019 | |
|----------------------------|----------------------------------|--|----------------|-------------------|----------------|-------------------|--|
| | | Consolidation | Standalone | Consolidation | Standalone | | |
| Regulatory capital | Net common equity Tier 1 capital | \$ 217,355,971 | \$ 204,298,710 | \$ 196,586,555 | \$ 186,929,937 | | |
| | Net additional Tier 1 capital | 20,661,156 | 13,341,282 | 15,375,148 | 7,665,764 | | |
| | Net Tier 2 capital | 43,068,578 | 26,017,108 | 41,212,947 | 25,961,979 | | |
| | Regulatory capital | 281,085,705 | 243,657,100 | 253,174,650 | 220,557,680 | | |
| Risk-weighted assets | Credit risk | Standardized approach | 1,701,291,850 | 1,342,090,151 | 1,734,607,737 | 1,413,885,320 | |
| | | Internal rating - based approach | - | - | - | - | |
| | | Securitization | 30,828,486 | 6,445,398 | 2,850,559 | 2,850,559 | |
| | Operational risk | Basic indicator approach | - | - | - | - | |
| | | Standardized approach/ alternative standardized approach | 88,091,225 | 76,651,650 | 83,446,625 | 73,315,188 | |
| | | Advanced measurement approach | - | - | - | - | |
| | Market risk | Standardized approach | 60,268,425 | 53,918,663 | 75,399,750 | 71,437,775 | |
| | | Internal models approach | - | - | - | - | |
| | Total risk-weighted assets | | 1,880,479,986 | 1,479,105,862 | 1,896,304,671 | 1,561,488,842 | |
| | Total capital adequacy ratio | | 14.95% | 16.47% | 13.35% | 14.12% | |
| Common equity Tier 1 ratio | | 11.56% | 13.81% | 10.37% | 11.97% | | |
| Tier 1 capital ratio | | 12.66% | 14.71% | 11.18% | 12.46% | | |
| Leverage ratio | | 6.83% | 7.36% | 6.49% | 6.88% | | |

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, 2020

| | Personal Finance | Corporate Banking | Financial Market | Overseas Subsidiary | Others | Total |
|-------------------------------------|----------------------|----------------------|----------------------|---------------------|-----------------------|----------------------|
| Net interest income | \$ 10,136,357 | \$ 9,391,759 | \$ 6,460,338 | \$ 7,442,547 | \$ (503,040) | \$ 32,927,961 |
| Net interest income (external) | 7,423,453 | 8,390,771 | 9,782,541 | 7,563,686 | (232,490) | 32,927,961 |
| Inter-segment revenues (expenses) | 2,712,904 | 1,000,988 | (3,322,203) | (121,139) | (270,550) | - |
| Net non-interest income | <u>11,516,162</u> | <u>2,834,994</u> | <u>5,183,400</u> | <u>(759,311)</u> | <u>(1,989,992)</u> | <u>16,785,253</u> |
| Net revenue | <u>\$ 21,652,519</u> | <u>\$ 12,226,753</u> | <u>\$ 11,643,738</u> | <u>\$ 6,683,236</u> | <u>\$ (2,493,032)</u> | <u>\$ 49,713,214</u> |
| Net profit (loss) before income tax | <u>\$ 10,269,514</u> | <u>\$ 8,565,448</u> | <u>\$ 10,789,249</u> | <u>\$ 1,787,393</u> | <u>\$ (9,512,773)</u> | <u>\$ 21,898,831</u> |

For the year ended December 31, 2019

| | Personal Finance | Corporate Banking | Financial Market | Overseas Subsidiary | Others | Total |
|-------------------------------------|----------------------|----------------------|---------------------|---------------------|-----------------------|----------------------|
| Net interest income | \$ 11,453,051 | \$ 10,991,973 | \$ 1,320,305 | \$ 5,439,677 | \$ (440,244) | \$ 28,764,762 |
| Net interest income (external) | 5,984,634 | 7,870,863 | 9,423,835 | 5,738,405 | (252,975) | 28,764,762 |
| Inter-segment revenues (expenses) | 5,468,417 | 3,121,110 | (8,103,530) | (298,728) | (187,269) | - |
| Net non-interest income | <u>11,858,363</u> | <u>3,236,216</u> | <u>8,568,497</u> | <u>967,566</u> | <u>(1,960,265)</u> | <u>22,670,377</u> |
| Net revenue | <u>\$ 23,311,414</u> | <u>\$ 14,228,189</u> | <u>\$ 9,888,802</u> | <u>\$ 6,407,243</u> | <u>\$ (2,400,509)</u> | <u>\$ 51,435,139</u> |
| Net profit (loss) before income tax | <u>\$ 12,830,444</u> | <u>\$ 10,322,856</u> | <u>\$ 8,966,787</u> | <u>\$ 1,888,133</u> | <u>\$ (9,636,092)</u> | <u>\$ 24,372,128</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:

| | For the Year Ended December 31 | |
|--------|---------------------------------------|----------------------|
| | 2020 | 2019 |
| Taiwan | \$ 38,750,013 | \$ 39,123,947 |
| Asia | <u>10,963,201</u> | <u>12,311,192</u> |
| | <u>\$ 49,713,214</u> | <u>\$ 51,435,139</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: Table 3.
 - 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 6.

TABLE 1

TAIPEI FUBON COMMERCIAL BANK CO., LTD.

OVERDUE LOANS AND RECEIVABLES
DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars, %)

| Item | December 31, 2020 | | | | | December 31, 2019 | | | | | | |
|--|------------------------------------|----------------------------|--------------------|--------------------------|----------------------------------|------------------------------------|----------------------------|--------------------|--------------------------|----------------------------------|-----------------------|-----------|
| | 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 | \$ 1,137,458 | \$ 212,882,833 | 0.53% | \$ 2,321,182 | 204.07% | \$ 1,211,058 | \$ 177,601,730 | 0.68% | \$ 2,041,355 | 168.56% | |
| | Unsecured | 378,696 | 428,413,278 | 0.09% | 5,466,082 | 1,443.40% | 605,919 | 398,196,121 | 0.15% | 5,780,224 | 953.96% | |
| Consumer finance | Mortgage (Note 4) | 360,416 | 421,539,060 | 0.09% | 6,310,690 | 1,750.95% | 283,224 | 416,748,750 | 0.07% | 6,223,997 | 2,197.55% | |
| | Cash card | - | 1,124 | - | 23 | - | - | 1,585 | - | 32 | - | |
| | Microcredit (Note 5) | 61,236 | 41,132,084 | 0.15% | 461,215 | 753.18% | 85,996 | 33,051,998 | 0.26% | 394,500 | 458.74% | |
| | Other (Note 6) | Secured | 323,978 | 287,022,079 | 0.11% | 3,078,556 | 950.24% | 191,913 | 234,961,880 | 0.08% | 2,467,311 | 1,285.64% |
| | | Unsecured | 55,206 | 36,915,407 | 0.15% | 383,445 | 694.57% | 46,311 | 36,691,445 | 0.13% | 381,280 | 823.30% |
| Total | 2,316,990 | 1,427,905,865 | 0.16% | 18,021,193 | 777.78% | 2,424,421 | 1,297,253,509 | 0.19% | 17,288,699 | 713.11% | | |
| | | Overdue Receivables | Receivables | Delinquency Ratio | Allowance for Credit Loss | Coverage Ratio | Overdue Receivables | Receivables | Delinquency Ratio | Allowance for Credit Loss | Coverage Ratio | |
| Credit card | | 37,178 | 56,250,962 | 0.07% | 325,357 | 875.13% | 46,087 | 50,293,334 | 0.09% | 312,156 | 677.32% | |
| Accounts receivable - factoring with no recourse (Note 7) | | - | 15,851,661 | - | 190,385 | - | - | 15,925,424 | - | 195,027 | - | |
| Excluded NPL as a result of debt negotiations and loan agreements (Note 8) | | | | 20,224 | | | | | 31,904 | | | |
| Excluded overdue receivables as a result of debt negotiations and loan agreements (Note 8) | | | | 47,326 | | | | | 66,372 | | | |
| Excluded NPL as a result of consumer debt clearance (Note 9) | | | | 379,419 | | | | | 344,332 | | | |
| Excluded overdue receivables as a result of consumer debt clearance (Note 9) | | | | 381,102 | | | | | 379,585 | | | |

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, 2020
(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 | - | (Note 1) | \$ 452,755 (Note 2) | 200,800 | \$ 1,837,018 (Note 2) | - | \$ - | \$ - | \$ - | 251,000 | \$ 2,289,773 |
| | TFB Capital Co., Ltd. | Investments accounted for using equity method | TFB Capital Co., Ltd. | - | - | - | 200,000 | 1,999,031 (Note 2) | - | - | - | - | 200,000 | 1,999,031 |

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

SUMMARY OF SALES OF NON-PERFORMING LOANS

DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars)

Summary of sales of non-performing loans:

| Transaction Date | Counterparty | Loans Composition | Carrying Amount (Note 1) | Selling Price | Gain (or Loss) on Disposal (Note 2) | Additional Agreed Terms | Relationship |
|---|---|--|---------------------------------|----------------------|--|--------------------------------|---------------------|
| <u>Fubon Bank (China)</u> April 23, 2020 | Shanghai Win & Shengjia Asset Management Co., Ltd. | Mortgage loans, secured loans and credit loans | \$ 34,703 | \$ 36,163 | \$ 1,460 | None | None |
| December 31, 2020 | China Orient Asset Management Co., Ltd. - Liaoning. | Mortgage loans, secured loans and credit loans | 251,218 | 642,721 | 391,503 | None | None |

Note 1: The carrying amount is the amount of debt less the allowance for doubtful accounts.

Note 2: The portion of the transaction price of selling non-performing debts that is higher than the book value has been used to increase the allowance for bad debts.

TAIPEI FUBON COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEEES
DECEMBER 31, 2020
(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 | \$ 40,934 | \$ 4,680 | \$ 780 | \$ - | \$ 780 | 3.94 | Note 2 | |
| | Taiwan Futures Exchange Corporation | Taipei | Futures exchange and settlement | 4,650 | 1.26 | 431,247 | 11,625 | 4,650 | - | 4,650 | 1.26 | Note 2 | |
| | Taiwan Asset Management Corporation | Taipei | Purchasing for financial institutions' loan assets | 18,000 | 1.70 | 281,880 | 11,700 | 18,000 | - | 18,000 | 1.70 | Note 2 | |
| | Taiwan Financial Asset Service Co., Ltd. | Taipei | Auction | 10,000 | 5.88 | 76,400 | 800 | 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 | 12,201 | 2.34 | 407,521 | 32,658 | 12,201 | - | 12,201 | 2.34 | Note 2 | |
| | Sunny Asset Management Corporation | Taipei | Purchasing for financial institutions' loan assets | 503 | 8.39 | 9,313 | 1,242 | 503 | - | 503 | 8.39 | Note 2 | |
| | Fubon Bank (China) | China | Banking | - | 51.00 | 21,340,401 | 775,350 | - | - | - | 100.00 | Note 1 | |
| | Taiwan Mobile Payment Co., Ltd. | Taipei | Mobile payment and business | 1,800 | 3.00 | 7,218 | - | 1,800 | - | 1,800 | 3.00 | - | |
| | Nutmeg Saving and Investment Limited | England | Financial technology | 1,470 | 7.39 | 531,769 | - | 1,470 | - | 1,470 | 7.39 | - | |
| | Ascentek Venture Capital Corp. | Kaohsiung | Venture capital investment | 56 | 4.28 | 2,934 | 443 | 56 | - | 56 | 4.28 | Note 2 | |
| | P.K. Venture Capital Investment Corp. | Taipei | Venture capital investment | 241 | 5.00 | - | - | 241 | - | 241 | 5.00 | - | |
| | Line Biz+ Taiwan Limited | Taipei | Third-party payment service industry | 10,936 | 19.99 | 3,004,698 | (84,855) | 10,936 | - | 10,936 | 19.99 | Note 1 | |
| | Line Bank Taiwan Limited | Taipei | Banking | 251,000 | 25.10 | 2,289,773 | (170,982) | 251,000 | - | 251,000 | 25.10 | Note 1 | |
| | TFB Capital Co., Ltd. | Taipei | Venture capital investment | 200,000 | 100.00 | 1,999,031 | (969) | 200,000 | - | 200,000 | 100.00 | Note 1 | |
| | | | | | | | | | | | | | |
| | | <u>Non-financial related</u> | | | | | | | | | | | |
| | | Taipei Rapid Transit Corporation | Taipei | Public transportation | 14 | 0.0014 | 106 | 7 | 14 | - | 14 | 0.0014 | Note 2 |
| | | Taiwan Power Company | Taipei | Management of power facilities | 374 | 0.0011 | 2,405 | - | 374 | - | 374 | 0.0011 | - |
| | | Fubon Real Estate Management Co., Ltd. | Taipei | Investigation, consultation, management and real estate evaluation of construction plans | 6,964 | 30.00 | 138,706 | 14,134 | 6,964 | - | 6,964 | 30.00 | Note 1 |
| | Easy Card Investment Holding Co., Ltd. | Taipei | Issue and research of IC card | 5,108 | 4.91 | 51,130 | 6,306 | 5,108 | - | 5,108 | 4.91 | Note 2 | |
| | Taiwan High Speed Rail Corporation | Taipei | Management of high speed rail | 20,278 | 0.36 | 642,800 | 24,538 | 20,278 | - | 20,278 | 0.36 | Note 2 | |
| | Taiwan Aerospace Corp. | Taipei | Aerospace industry | 1,700 | 1.25 | 16,456 | 850 | 1,700 | - | 1,700 | 1.25 | Note 2 | |

Note 1: The investment gain (loss) was based on the investee's audited financial statements for the year ended December 31, 2020.

Note 2: The investment gain (loss) was the cash dividends recognized for the year ended December 31, 2020.

TAIPEI FUBON COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| Investee Company Name | Main Businesses and Products | Paid-in Capital | Method of Investment | Accumulated Outward Remittance for Investments from Taiwan as of January 1, 2020 | Remittance of Funds | | Accumulated Outward Remittance for Investments from Taiwan as of December 31, 2020 | Net Income (Loss) of the Investee (Note 1) | % Ownership of Direct or Indirect Investment | Investment Gain (Loss) | Carrying Amount as of December 31, 2020 | Accumulated Repatriation of Investment Income as of December 31, 2020 (Note 3) | Note |
|-----------------------|------------------------------|---------------------------------|-------------------------------------|--|---------------------|--------|--|--|--|------------------------|---|--|------|
| | | | | | Outward | Inward | | | | | | | |
| Fubon Bank (China) | Banking | \$ 9,162,432 (RMB 2,100,000) | Direct investment in mainland China | \$ 20,258,298 | \$ - | \$ - | \$ 20,258,298 | \$ 1,888,872 (RMB 440,830) | 51% | \$ 775,350 | \$ 21,340,401 | \$ 107,737 | |

| Accumulated Outward Remittance for Investments in Mainland China as of December 31, 2020 | 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) | \$ 131,481,653 |

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, 2020 and the average exchange rate for that period of 2020, 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.

TAIPEI FUBON COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars)

| No. (Note 1) | Transaction Company | Counter-party | Flow of Transaction s (Note 2) | Description of Transactions | | | |
|-----------------|--|--|---|---|-----------------------|---------------------|---|
| | | | | Financial Statement Account | Transaction Amount | Transaction Item | Percentage to Consolidated Revenue/Asset s (Note 3) |
| 0 | TAIPEI FUBON COMMERCIAL BANK Co., Ltd. (the "Bank") | Fubon Bank (China) | a | Cash and cash equivalents | \$ 123,427 | Note 4 | - |
| | | Fubon Bank (China) | a | Due from the Central Bank and call loans to other banks | 567,439 | Note 4 | 0.02% |
| | | Fubon Bank (China) | a | Receivables, net | 12,597 | Note 4 | - |
| | | Fubon Bank (China) | a | Deposits from the Central Bank and banks | 67 | Note 4 | - |
| | | Fubon Bank (China) | a | Interest income | 121,139 | Note 4 | 0.24% |
| | | Fubon Bank (China) | a | Service fee income | 6,451 | Note 4 | 0.01% |
| | | TFB Capital Co., Ltd. | a | Receivables, net | 2,329 | Note 4 | - |
| | | TFB Capital Co., Ltd. | a | Right-of-use assets, net | 1,836 | Note 4 | - |
| | | TFB Capital Co., Ltd. | a | Deposit and remittances | 1,999,855 | Note 4 | 0.06% |
| | | TFB Capital Co., Ltd. | a | Guarantee deposits received | 108 | Note 4 | - |
| | | TFB Capital Co., Ltd. | a | Interest income | 6 | Note 4 | - |
| | | TFB Capital Co., Ltd. | a | Interest expense | 18 | Note 4 | - |
| | | TFB Capital Co., Ltd. | a | Other non-interest income, net | 13 | Note 4 | - |
| | | TFB Capital Co., Ltd. | a | Depreciation and amortization expense | 29 | Note 4 | - |
| 1 | Fubon Bank (China) | TAIPEI FUBON COMMERCIAL BANK Co., Ltd. | b | Cash and cash equivalents | 67 | Note 4 | - |
| | | TAIPEI FUBON COMMERCIAL BANK Co., Ltd. | b | Deposits from the Central Bank and banks | 690,866 | Note 4 | 0.02% |
| | | TAIPEI FUBON COMMERCIAL BANK Co., Ltd. | b | Payables | 12,597 | Note 4 | - |
| | | TAIPEI FUBON COMMERCIAL BANK Co., Ltd. | b | Bank debentures | 5,161 | Note 4 | - |
| | | TAIPEI FUBON COMMERCIAL BANK Co., Ltd. | b | Interest expense | 122,429 | Note 4 | 0.25% |
| 2 | TFB Capital Co., Ltd. | TAIPEI FUBON COMMERCIAL BANK Co., Ltd. | b | Cash and cash equivalents | 1,999,855 | Note 4 | 0.06% |
| | | TAIPEI FUBON COMMERCIAL BANK Co., Ltd. | b | Right-of-use assets, net | 1,849 | Note 4 | - |
| | | TAIPEI FUBON COMMERCIAL BANK Co., Ltd. | b | Other assets, net | 108 | Note 4 | - |
| | | TAIPEI FUBON COMMERCIAL BANK Co., Ltd. | b | Payables | 500 | Note 4 | - |

| | | | | | | |
|--|--|---|---------------------------------------|-------|--------|---|
| | TAIPEI FUBON COMMERCIAL BANK Co., Ltd. | b | Lease liabilities | 1,829 | Note 4 | - |
| | TAIPEI FUBON COMMERCIAL BANK Co., Ltd. | b | Interest income | 18 | Note 4 | - |
| | TAIPEI FUBON COMMERCIAL BANK Co., Ltd. | b | Interest expense | 6 | Note 4 | - |
| | TAIPEI FUBON COMMERCIAL BANK Co., Ltd. | b | Depreciation and amortization expense | 29 | Note 4 | - |

Note 1: The parent company and subsidiaries are numbered as follows:

- a. Parent: 0.
- b. Subsidiaries are numbered sequentially from 1.

(Continued)

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.

(Concluded)

TABLE 1**TAIPEI FUBON COMMERCIAL BANK CO., LTD.****OVERDUE LOANS AND RECEIVABLES
DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars, %)**

| Item | | December 31, 2020 | | | | | December 31, 2019 | | | | |
|--|----------------------|------------------------------------|--------------------|--------------------------|----------------------------------|-------------------------|------------------------------------|--------------------|--------------------------|----------------------------------|-------------------------|
| | | 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 | \$ 1,137,458 | \$ 212,882,833 | 0.53% | \$ 2,321,182 | 204.07% | \$ 1,211,058 | \$ 177,601,730 | 0.68% | \$ 2,041,355 | 168.56% |
| | Unsecured | 378,696 | 428,413,278 | 0.09% | 5,466,082 | 1,443.40% | 605,919 | 398,196,121 | 0.15% | 5,780,224 | 953.96% |
| Consumer finance | Mortgage (Note 4) | 360,416 | 421,539,060 | 0.09% | 6,310,690 | 1,750.95% | 283,224 | 416,748,750 | 0.07% | 6,223,997 | 2,197.55% |
| | Cash card | - | 1,124 | - | 23 | - | - | 1,585 | - | 32 | - |
| | Microcredit (Note 5) | 61,236 | 41,132,084 | 0.15% | 461,215 | 753.18% | 85,996 | 33,051,998 | 0.26% | 394,500 | 458.74% |
| | Other (Note 6) | Secured | 323,978 | 287,022,079 | 0.11% | 3,078,556 | 950.24% | 191,913 | 234,961,880 | 0.08% | 2,467,311 |
| Unsecured | | 55,206 | 36,915,407 | 0.15% | 383,445 | 694.57% | 46,311 | 36,691,445 | 0.13% | 381,280 | 823.30% |
| Total | | 2,316,990 | 1,427,905,865 | 0.16% | 18,021,193 | 777.78% | 2,424,421 | 1,297,253,509 | 0.19% | 17,288,699 | 713.11% |
| | | Overdue Receivables | Receivables | Delinquency Ratio | Allowance for Credit Loss | Coverage Ratio | Overdue Receivables | Receivables | Delinquency Ratio | Allowance for Credit Loss | Coverage Ratio |
| Credit card | | 37,178 | 56,250,962 | 0.07% | 325,357 | 875.13% | 46,087 | 50,293,334 | 0.09% | 312,156 | 677.32% |
| Accounts receivable - factoring with no recourse (Note 7) | | - | 15,851,661 | - | 190,385 | - | - | 15,925,424 | - | 195,027 | - |
| Excluded NPL as a result of debt negotiations and loan agreements (Note 8) | | 20,224 | | | | | 31,904 | | | | |
| Excluded overdue receivables as a result of debt negotiations and loan agreements (Note 8) | | 47,326 | | | | | 66,372 | | | | |
| Excluded NPL as a result of consumer debt clearance (Note 9) | | 379,419 | | | | | 344,332 | | | | |
| Excluded overdue receivables as a result of consumer debt clearance (Note 9) | | 381,102 | | | | | 379,585 | | | | |

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, 2020
(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 | - | (Note 1) | \$ 452,755 (Note 2) | 200,800 | \$ 1,837,018 (Note 2) | - | \$ - | \$ - | \$ - | 251,000 | \$ 2,289,773 |
| | TFB Capital Co., Ltd. | Investments accounted for using equity method | TFB Capital Co., Ltd. | - | - | - | 200,000 | 1,999,031 (Note 2) | - | - | - | - | 200,000 | 1,999,031 |

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

SUMMARY OF SALES OF NON-PERFORMING LOANS

DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars)

Summary of sales of non-performing loans:

| Transaction Date | Counterparty | Loans Composition | Carrying Amount (Note 1) | Selling Price | Gain (or Loss) on Disposal (Note 2) | Additional Agreed Terms | Relationship |
|---|---|--|---------------------------------|----------------------|--|--------------------------------|---------------------|
| <u>Fubon Bank (China)</u> April 23, 2020 | Shanghai Win & Shengjia Asset Management Co., Ltd. | Mortgage loans, secured loans and credit loans | \$ 34,703 | \$ 36,163 | \$ 1,460 | None | None |
| December 31, 2020 | China Orient Asset Management Co., Ltd. - Liaoning. | Mortgage loans, secured loans and credit loans | 251,218 | 642,721 | 391,503 | None | None |

Note 1: The carrying amount is the amount of debt less the allowance for doubtful accounts.

Note 2: The portion of the transaction price of selling non-performing debts that is higher than the book value has been used to increase the allowance for bad debts.

TAIPEI FUBON COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEEES
 DECEMBER 31, 2020
 (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 | \$ 40,934 | \$ 4,680 | \$ 780 | \$ - | \$ 780 | 3.94 | Note 2 | |
| | Taiwan Futures Exchange Corporation | Taipei | Futures exchange and settlement | 4,650 | 1.26 | 431,247 | 11,625 | 4,650 | - | 4,650 | 1.26 | Note 2 | |
| | Taiwan Asset Management Corporation | Taipei | Purchasing for financial institutions' loan assets | 18,000 | 1.70 | 281,880 | 11,700 | 18,000 | - | 18,000 | 1.70 | Note 2 | |
| | Taiwan Financial Asset Service Co., Ltd. | Taipei | Auction | 10,000 | 5.88 | 76,400 | 800 | 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 | 12,201 | 2.34 | 407,521 | 32,658 | 12,201 | - | 12,201 | 2.34 | Note 2 | |
| | Sunny Asset Management Corporation | Taipei | Purchasing for financial institutions' loan assets | 503 | 8.39 | 9,313 | 1,242 | 503 | - | 503 | 8.39 | Note 2 | |
| | Fubon Bank (China) | China | Banking | - | 51.00 | 21,340,401 | 775,350 | - | - | - | 100.00 | Note 1 | |
| | Taiwan Mobile Payment Co., Ltd. | Taipei | Mobile payment and business | 1,800 | 3.00 | 7,218 | - | 1,800 | - | 1,800 | 3.00 | - | |
| | Nutmeg Saving and Investment Limited | England | Financial technology | 1,470 | 7.39 | 531,769 | - | 1,470 | - | 1,470 | 7.39 | - | |
| | Ascentek Venture Capital Corp. | Kaohsiung | Venture capital investment | 56 | 4.28 | 2,934 | 443 | 56 | - | 56 | 4.28 | Note 2 | |
| | P.K. Venture Capital Investment Corp. | Taipei | Venture capital investment | 241 | 5.00 | - | - | 241 | - | 241 | 5.00 | - | |
| | Line Biz+ Taiwan Limited | Taipei | Third-party payment service industry | 10,936 | 19.99 | 3,004,698 | (84,855) | 10,936 | - | 10,936 | 19.99 | Note 1 | |
| | Line Bank Taiwan Limited | Taipei | Banking | 251,000 | 25.10 | 2,289,773 | (170,982) | 251,000 | - | 251,000 | 25.10 | Note 1 | |
| | TFB Capital Co., Ltd. | Taipei | Venture capital investment | 200,000 | 100.00 | 1,999,031 | (969) | 200,000 | - | 200,000 | 100.00 | Note 1 | |
| | | | | | | | | | | | | | |
| | | <u>Non-financial related</u> | | | | | | | | | | | |
| | | Taipei Rapid Transit Corporation | Taipei | Public transportation | 14 | 0.0014 | 106 | 7 | 14 | - | 14 | 0.0014 | Note 2 |
| | | Taiwan Power Company | Taipei | Management of power facilities | 374 | 0.0011 | 2,405 | - | 374 | - | 374 | 0.0011 | - |
| | | Fubon Real Estate Management Co., Ltd. | Taipei | Investigation, consultation, management and real estate evaluation of construction plans | 6,964 | 30.00 | 138,706 | 14,134 | 6,964 | - | 6,964 | 30.00 | Note 1 |
| | Easy Card Investment Holding Co., Ltd. | Taipei | Issue and research of IC card | 5,108 | 4.91 | 51,130 | 6,306 | 5,108 | - | 5,108 | 4.91 | Note 2 | |
| | Taiwan High Speed Rail Corporation | Taipei | Management of high speed rail | 20,278 | 0.36 | 642,800 | 24,538 | 20,278 | - | 20,278 | 0.36 | Note 2 | |
| | Taiwan Aerospace Corp. | Taipei | Aerospace industry | 1,700 | 1.25 | 16,456 | 850 | 1,700 | - | 1,700 | 1.25 | Note 2 | |

Note 1: The investment gain (loss) was based on the investee's audited financial statements for the year ended December 31, 2020.

Note 2: The investment gain (loss) was the cash dividends recognized for the year ended December 31, 2020.

TAIPEI FUBON COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

**INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

| Investee Company Name | Main Businesses and Products | Paid-in Capital | Method of Investment | Accumulated Outward Remittance for Investments from Taiwan as of January 1, 2020 | Remittance of Funds | | Accumulated Outward Remittance for Investments from Taiwan as of December 31, 2020 | Net Income (Loss) of the Investee (Note 1) | % Ownership of Direct or Indirect Investment | Investment Gain (Loss) | Carrying Amount as of December 31, 2020 | Accumulated Repatriation of Investment Income as of December 31, 2020 (Note 3) | Note |
|-----------------------|------------------------------|---------------------------------|-------------------------------------|--|---------------------|--------|--|--|--|------------------------|---|--|------|
| | | | | | Outward | Inward | | | | | | | |
| Fubon Bank (China) | Banking | \$ 9,162,432 (RMB 2,100,000) | Direct investment in mainland China | \$ 20,258,298 | \$ - | \$ - | \$ 20,258,298 | \$ 1,888,872 (RMB 440,830) | 51% | \$ 775,350 | \$ 21,340,401 | \$ 107,737 | |

| Accumulated Outward Remittance for Investments in Mainland China as of December 31, 2020 | 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) | \$ 131,481,653 |

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, 2020 and the average exchange rate for that period of 2020, 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.

TAIPEI FUBON COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)**

| No. (Note 1) | Transaction Company | Counter-party | Flow of Transaction s (Note 2) | Description of Transactions | | | |
|-----------------|--|--|---|---|-----------------------|---------------------|---|
| | | | | Financial Statement Account | Transaction Amount | Transaction Item | Percentage to Consolidated Revenue/Asset s (Note 3) |
| 0 | TAIPEI FUBON COMMERCIAL BANK Co., Ltd. (the "Bank") | Fubon Bank (China) | a | Cash and cash equivalents | \$ 123,427 | Note 4 | - |
| | | Fubon Bank (China) | a | Due from the Central Bank and call loans to other banks | 567,439 | Note 4 | 0.02% |
| | | Fubon Bank (China) | a | Receivables, net | 12,597 | Note 4 | - |
| | | Fubon Bank (China) | a | Deposits from the Central Bank and banks | 67 | Note 4 | - |
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| | | TFB Capital Co., Ltd. | a | Receivables, net | 2,329 | Note 4 | - |
| | | TFB Capital Co., Ltd. | a | Right-of-use assets, net | 1,836 | Note 4 | - |
| | | TFB Capital Co., Ltd. | a | Deposit and remittances | 1,999,855 | Note 4 | 0.06% |
| | | TFB Capital Co., Ltd. | a | Guarantee deposits received | 108 | Note 4 | - |
| | | TFB Capital Co., Ltd. | a | Interest income | 6 | Note 4 | - |
| | | TFB Capital Co., Ltd. | a | Interest expense | 18 | Note 4 | - |
| | | TFB Capital Co., Ltd. | a | Other non-interest income, net | 13 | Note 4 | - |
| | | TFB Capital Co., Ltd. | a | Depreciation and amortization expense | 29 | Note 4 | - |
| 1 | Fubon Bank (China) | TAIPEI FUBON COMMERCIAL BANK Co., Ltd. | b | Cash and cash equivalents | 67 | Note 4 | - |
| | | TAIPEI FUBON COMMERCIAL BANK Co., Ltd. | b | Deposits from the Central Bank and banks | 690,866 | Note 4 | 0.02% |
| | | TAIPEI FUBON COMMERCIAL BANK Co., Ltd. | b | Payables | 12,597 | Note 4 | - |
| | | TAIPEI FUBON COMMERCIAL BANK Co., Ltd. | b | Bank debentures | 5,161 | Note 4 | - |
| | | TAIPEI FUBON COMMERCIAL BANK Co., Ltd. | b | Interest expense | 122,429 | Note 4 | 0.25% |
| 2 | TFB Capital Co., Ltd. | TAIPEI FUBON COMMERCIAL BANK Co., Ltd. | b | Cash and cash equivalents | 1,999,855 | Note 4 | 0.06% |
| | | TAIPEI FUBON COMMERCIAL BANK Co., Ltd. | b | Right-of-use assets, net | 1,849 | Note 4 | - |
| | | TAIPEI FUBON COMMERCIAL BANK Co., Ltd. | b | Other assets, net | 108 | Note 4 | - |
| | | TAIPEI FUBON COMMERCIAL BANK Co., Ltd. | b | Payables | 500 | Note 4 | - |
| | | TAIPEI FUBON COMMERCIAL BANK Co., Ltd. | b | Lease liabilities | 1,829 | Note 4 | - |
| | | TAIPEI FUBON COMMERCIAL BANK Co., Ltd. | b | Interest income | 18 | Note 4 | - |
| | | TAIPEI FUBON COMMERCIAL BANK Co., Ltd. | b | Interest expense | 6 | Note 4 | - |
| | | TAIPEI FUBON COMMERCIAL BANK Co., Ltd. | b | Depreciation and amortization expense | 29 | Note 4 | - |

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- a. Parent: 0.
- b. Subsidiaries are numbered sequentially from 1.

(Continued)

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.

(Concluded)

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