

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

**FUBON FINANCIAL HOLDING CO., LTD.
AND SUBSIDIARIES**

Consolidated Financial Statements

**With Independent Auditors' Report
For the Six Months Ended June 30, 2021 and 2020**

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The independent auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and consolidated financial statements, the Chinese version shall prevail.

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Independent Auditors' Report

To the Board of Directors
Fubon Financial Holding Co., Ltd.:

Opinion

We have audited the consolidated financial statements of Fubon Financial Holding Co., Ltd. (“the Company”) and its subsidiaries, which comprise the consolidated balance sheets as of June 30, 2021, December 31 and June 30, 2020, and the consolidated statement of comprehensive income for the three months and six months ended June 30, 2021 and 2020, as well as the consolidated statement of changes in equity and cash flows for the six months ended June 30, 2021 and 2020, and 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 the Company and its subsidiaries as of June 30, 2021, December 31 and June 30, 2020, and their consolidated financial performance for the three months and six months ended June 30, 2021 and 2020, as well as their consolidated cash flows for the six months ended June 30, 2021 and 2020, in accordance with the “Regulations Governing the Preparation of Financial Reports by Financial Holding Companies” and with the International Accounting Standard 34, “Interim Financial Reporting” endorsed by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audit of the consolidated financial statements in accordance with the “Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants”, Rule No. 10802731571 issued by the Financial Supervisory Commission, and the 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 Company and its subsidiaries in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the six months ended June 30, 2021. 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.

1. The valuation of financial instruments

Please refer to Note 4 (f) “Financial instruments” for related accounting policy, Note 5 for accounting assumptions and estimates, and Note 6 (ai) “Disclosure of financial instruments” for details of valuation of financial instruments.

The valuation of several financial instruments of the Company and its subsidiaries are measured using the valuation models, which involved the exercise of professional judgments on valuation techniques and important parameters. Therefore, the valuation of financial instruments has been identified as a key audit matter in our audit.

We performed our audit procedures by:

- Inspected the internal control procedures for fair value measurement performed by the management.
- Selected samples to evaluate whether the quoted prices in active markets for financial assets are appropriate.
- Appointed our valuation specialists to assess the reasonableness of valuation techniques and to test the key parameters of financial assets without active market prices, wherein valuation models are used to ensure that the applied valuation techniques are in accordance with IFRS 13 “Fair Value Measurement”.
- Verified whether the presentation and disclosure of financial instruments are in accordance with the International Financial Reporting Standards.

2. The valuation of insurance liabilities

Please refer to Note 4 (r) “Insurance liability” for related accounting policy, Note 5 for accounting assumptions and estimates, and Note 6 (aj) “Insurance contracts” for details of the valuation of insurance liabilities.

The Company and its subsidiaries measure their insurance liabilities in accordance with the “Regulations Governing the Provision of Various Reserves” and related administrative interpretations. The important parameters, which involved the exercise of professional judgments in determining various statutory reserves, such as claim development factors, expected claim rates and discount rate, will affect the amount, recognized as insurance liabilities, and net movements in insurance liabilities. Therefore, the valuation of insurance liabilities has been identified as a key audit matter in our audit.

We performed our audit procedures by:

- Inspected the effectiveness of internal control procedures related to insurance liabilities.
- Adopted the audit on insurance liabilities performed by our actuarial specialists, which included
 - inspecting whether the calculation and applied parameters are in accordance with the related ordinances, administrative interpretations and code of conduct announced by the Actuarial Institute of the Republic of China;

- assessing the appropriateness of actuarial assumptions derived from empirical data and product specification, and conducting liability adequacy test to assess the reasonableness of test scope and assumptions adopted by the management;
- selecting samples to inspect the completeness of data used in the calculation of reserves and independently setting up models to recalculate the amount of the reserves;
- analyzing movements in insurance liabilities, including assessing the reasonableness of the amount of reserves appropriated by the management based on the understanding of the industry and market.

3. Impairment of discounts and loans

Please refer to Note 4 (q) “Assets impairment” for related accounting policy, Note 5 for accounting assumptions and estimates, and Note 6 (j) “Discounts and loans” and Note 6 (ak) “Financial risk management” for details of the impairment of discounts and loans, respectively.

The 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 are critical judgments and estimates. Therefore, the impairment of discounts and loans has been identified as a key audit matter in our audit.

We performed our audit procedures by:

- Understood whether the management’s methodology, assumptions and inputs used in the impairment model in IFRS 9 appropriately reflect the actual outcome of discounts and loans.
- Assessed the rationality and consistency of significant increase in discounts and loans judged by the 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, as well as selected samples of discounts and loans cases, and verified their completeness and calculation accuracy.
- Considered related guidelines issued by the authorities and examined whether the allowance for loans and receivables complied with the regulation.

4. The valuation of investment property

Please refer to Note 4 (m) “Investment property” for related accounting policy, Note 5 for accounting assumptions and estimates, and Note 6 (p) “Investment property” for details of the valuation of investment properties.

The Company and its subsidiaries hold several investment properties. The investment property appraisals are performed by appraisers from professional valuation agencies using the valuation techniques provided by the “Regulations on Real Estate Appraisal” and market evidences in accordance with the “Regulations Governing the Preparation of Financial Reports” complied by the subsidiaries. The selection of appraising methods involved the exercise of significant professional judgments. Therefore, the valuation of investment properties has been identified as a key audit matters in our audit.

We performed our audit procedures by:

- Inspected the procedure of investment property appraisals performed by professional evaluation agencies and analyzed how they select the appropriate valuation method and adoption of significant assumptions.
- Verified whether the presentation and disclosure of investment property are in accordance with IFRSs and the “Regulations Governing the Preparation of Financial Reports” complied by the subsidiaries.
- Evaluated reasonableness of the management’s assessment on the valuation of investment property based on the evidences obtained from the audit team and the external estate appraisers joint firms, as well as appraisal reports and observable market evidences.

5. The assessment of goodwill impairment

Please refer to Note 4 (q) “Assets impairment” for related accounting policy, Note 5 for accounting assumptions and estimates, and Note 6 (s) “Intangible assets” for details of the assessment of goodwill impairment.

The recoverable amount of goodwill is estimated by using the future cash flows based on the forecast of future operation, which involved the exercise of professional judgments. Therefore, the assessment of goodwill impairment has been identified as a key audit matter in our audit.

We performed our audit procedures by:

- Assessed whether there is any indication that goodwill may be impaired. If there is, the recoverable amount must be estimated.
- Assessed whether there is a significant difference between the actual operating performance and the expected performance of the acquired companies and verified whether the disclosure is reasonable.

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

The 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 Financial Holding Companies” and with the International Accounting Standard 34, “Interim Financial Reporting” endorsed by the Financial Supervisory Commission of the Republic of China, and for such internal control as the 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, the management is responsible for assessing the Company 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 the management either intends to liquidate the Company 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 Company 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 consolidated financial statements.

As part of an audit in accordance with 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 consolidated 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 Company and its subsidiaries' internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
4. Conclude on the appropriateness of the 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 Company and its subsidiaries' ability to continue as a going concern. If we conclude that a material 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 Company 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 and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the six months ended June 30, 2021 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 LEE, FENG HUI and YU, CHI LUNG.

KPMG

Taipei, Taiwan (Republic of China)
August 19, 2021

Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated statement of financial position, financial performance and cash flows in accordance with the 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.

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(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

June 30, 2021, December 31 and June 30, 2020

(Expressed in Thousands of New Taiwan Dollars)

Assets	June 30, 2021		December 31, 2020		June 30, 2020			June 30, 2021		December 31, 2020		June 30, 2020			
	Amount	%	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%		
11000	Cash and cash equivalents (note 6(a))	\$ 237,501,896	3	274,648,375	3	249,080,460	3	21000	Deposits from the central bank and banks	\$ 203,598,901	2	154,158,317	2	192,988,461	2
11500	Due from the central bank and call loans to banks (notes 6(b) and 8)	308,266,837	3	298,287,914	3	304,906,211	3	21500	Due to the central bank and banks	6,222,100	-	6,965,030	-	593,920	-
12000	Financial assets measured at fair value through profit or loss (notes 6(c) and 8)	1,617,967,170	16	1,388,709,524	15	1,376,623,256	16	22000	Financial liabilities measured at fair value through profit or loss (note 6(c))	52,895,186	1	64,412,834	1	37,972,712	-
12150	Financial assets measured at fair value through other comprehensive income (notes 6(d) and 8)	916,618,999	9	944,267,445	10	901,864,394	10	22300	Financial liabilities for hedging (note 6(f))	10,457,162	-	12,732,722	-	16,329,474	-
12200	Debt investments measured at amortized cost (notes 6(e) and 8)	3,059,860,795	31	2,821,061,322	31	2,723,818,735	31	22500	Securities sold under repurchase agreements (note 6(u))	185,310,835	2	125,031,393	1	199,500,375	2
12300	Financial assets for hedging (note 6(f))	3,836,320	-	6,889,006	-	4,323,963	-	22600	Commercial papers issued, net (note 6(v))	47,728,698	-	43,737,971	1	24,554,139	-
12500	Securities purchased under resell agreements (note 6(g))	82,286,940	1	128,609,254	1	58,195,244	1	23000	Payables (note 6(w))	239,484,693	2	136,025,909	2	178,887,925	2
13000	Receivables, net (note 6(h))	250,474,702	3	205,449,786	2	220,028,119	2	23200	Current tax liabilities	15,525,485	-	13,302,125	-	8,572,106	-
13200	Current tax assets	1,512,670	-	1,411,871	-	909,879	-	23500	Deposits and remittances (note 6(x))	3,016,307,064	30	2,702,569,379	29	2,629,416,091	30
13300	Assets classified as held for sale, net (note 6(i))	139,999	-	-	-	45,605	-	24000	Bonds payable (note 6(y))	261,357,264	3	269,517,288	3	242,631,610	3
13500	Discounts and loans, net (note 6(j))	2,419,776,529	24	2,120,803,572	23	2,080,205,605	24	24400	Other borrowings (notes 6(z) and 8)	1,569,322	-	1,403,553	-	1,503,204	-
13700	Reinsurance contract assets, net (note 6(k))	29,478,429	-	25,358,932	-	28,110,176	-	24600	Provisions (note 6(aa))	4,392,990,257	44	4,283,877,294	46	4,160,417,732	47
15000	Investments accounted for using equity method, net (note 6(l))	35,702,262	-	33,976,673	-	30,941,416	-	25500	Other financial liabilities (notes 6(o) and (ab))	576,589,585	6	549,633,626	6	453,308,045	6
15500	Other financial assets, net (notes 6(o) and 8)	531,289,139	5	508,726,611	6	424,991,122	5	26000	Lease liabilities (note 6(r))	21,633,682	-	21,273,724	-	21,140,377	-
18000	Investment property, net (notes 6(p) and 8)	304,867,748	3	303,764,792	4	272,011,636	3	29300	Deferred tax liabilities	26,537,813	-	31,435,452	-	25,240,864	-
18500	Property and equipment, net (notes 6(q) and 8)	62,050,936	1	58,089,952	1	57,720,344	1	29500	Other liabilities (note 6(ac))	56,581,755	1	51,593,242	1	54,891,465	1
18600	Right-of-use assets, net (note 6(r))	8,446,921	-	6,754,636	-	6,848,546	-		Total liabilities	9,114,789,802	91	8,467,669,859	92	8,247,948,500	93
19000	Intangible assets, net (note 6(s))	33,318,819	-	33,169,730	-	31,692,833	-		Equity attributable to owners of parent (note 6(ae)):						
19300	Deferred tax assets	30,620,958	-	28,717,889	-	27,413,839	-		Share capital:						
19500	Other assets, net (notes 6(t) and 8)	56,440,400	1	55,755,371	1	56,377,215	1	31101	Common stock	102,336,040	1	102,336,040	1	102,336,040	1
								31103	Preferred stock	12,666,600	-	12,666,600	-	12,666,600	-
								31107	Stock dividend to be distributed	10,233,604	-	-	-	-	-
									Total share capital	125,236,244	1	115,002,640	1	115,002,640	1
								31500	Capital surplus	128,561,334	1	137,665,154	1	137,060,375	2
									Retained earnings:						
								32001	Legal reserve	76,665,185	1	68,437,923	1	68,437,923	1
								32003	Special reserve	29,125,366	-	31,566,980	-	31,566,980	-
								32011	Undistributed earnings	314,705,749	3	269,819,166	3	223,298,499	3
									Total retained earnings	420,496,300	4	369,824,069	4	323,303,402	4
								32500	Total other equity interest	168,299,853	2	140,377,046	2	20,560,040	-
								32600	Treasury shares	(698,392)	-	-	-	-	-
									Total equity attributable to owners of parent	841,895,339	8	762,868,909	8	595,926,457	7
								39500	Non-controlling interests (note 6(ac))	33,773,328	1	13,913,887	-	12,233,641	-
									Total equity	875,668,667	9	776,782,796	8	608,160,098	7
Total assets		\$ 9,990,458,469	100	9,244,452,655	100	8,856,108,598	100	Total liabilities and equity	\$ 9,990,458,469	100	9,244,452,655	100	8,856,108,598	100	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

Consolidated Statement of Comprehensive Income

For the three months and six months ended June 30, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Common Share)

	For the three months ended June 30				For the six months ended June 30			
	2021		2020		2021		2020	
	Amount	%	Amount	%	Amount	%	Amount	%
41000 Interest revenue (note 6(ah))	\$ 40,967,761	34	43,243,117	39	81,178,143	30	87,716,489	36
51000 Less: Interest expenses (note 6(ah))	6,116,488	5	8,819,964	8	12,200,440	5	19,337,910	8
Net interest revenue	34,851,273	29	34,423,153	31	68,977,703	25	68,378,579	28
Net non-interest revenue								
49800 Net service charge and commissions income (note 6(ah))	2,647,993	2	(1,218,650)	(1)	2,784,748	1	(3,682,528)	(2)
49810 Net income of insurance operations (note 6(ah))	44,975,938	37	62,639,862	56	95,743,114	36	133,652,341	55
49820 Gains on financial assets or liabilities measured at fair value through profit or loss (note 6(c))	88,150,794	72	122,867,723	110	143,035,866	53	7,402,486	3
49825 Gains (losses) on investment property	1,700,740	2	(580,671)	(1)	2,710,914	1	(309,613)	-
49835 Realized gains on financial assets measured at fair value through other comprehensive income (note 6(d))	1,659,940	1	7,028,113	6	16,813,785	6	10,234,644	4
49850 Gains arising from derecognition of financial assets measured at amortized cost (note 6(e))	137,167	-	966,652	1	10,359,484	4	7,285,557	3
49870 Foreign exchange losses	(29,045,843)	(24)	(28,012,005)	(25)	(18,205,069)	(7)	(19,967,915)	(8)
49880 Reversal gains (impairment losses) on assets	70,914	-	(68,944)	-	(200,930)	-	(563,211)	-
49890 Shares of profit of associates and joint ventures accounted for using equity method (note 6(l))	1,676,364	2	195,304	-	2,182,010	1	632,364	-
49898 Profits or losses reclassified by applying overlay approach (note 6(c))	(25,504,817)	(21)	(87,385,794)	(78)	(57,475,963)	(21)	40,214,902	16
49900 Net other non-interest revenue (note 6(m))	553,710	-	637,698	1	2,472,828	1	1,481,967	1
Net revenue	121,874,173	100	111,492,441	100	269,198,490	100	244,759,573	100
58100 Bad debt expenses and guarantee liability provisions	(1,394,103)	(1)	(1,128,287)	(1)	(2,168,730)	(1)	(2,570,603)	(1)
58300 Net change in provisions for insurance liabilities (note 6(ah))	(59,604,442)	(49)	(75,323,578)	(68)	(132,200,176)	(49)	(166,133,315)	(68)
Operating expenses:								
58501 Employee benefits expenses (note 6(ah))	(9,930,555)	(8)	(8,338,321)	(7)	(18,983,462)	(7)	(16,820,865)	(7)
58503 Depreciation and amortization expenses (note 6(ah))	(1,684,858)	(1)	(1,530,612)	(1)	(3,214,923)	(1)	(3,092,853)	(1)
58599 Other general and administrative expenses (note 6(ah))	(5,630,345)	(5)	(5,652,528)	(5)	(10,181,402)	(4)	(10,802,488)	(5)
Total operating expenses	(17,245,758)	(14)	(15,521,461)	(13)	(32,379,787)	(12)	(30,716,206)	(13)
Net income before tax from continuing operations	43,629,870	36	19,519,115	18	102,449,797	38	45,339,449	18
61003 Less: Income tax expenses (note 6(ad))	5,758,447	5	5,228,177	5	13,241,976	5	7,875,453	3
Net income	37,871,423	31	14,290,938	13	89,207,821	33	37,463,996	15
Other comprehensive income (losses):								
Items not to be reclassified to profit or loss								
69561 Losses on remeasurements of defined benefit plans	(1,135)	-	(778)	-	(11,156)	-	(6,850)	-
69562 Revaluation gains on property	105,183	-	34,484	-	99,907	-	34,484	-
69567 Unrealized gains (losses) on equity instruments measured at fair value through other comprehensive income	(5,994,902)	(5)	4,496,747	4	(438,981)	-	(7,819,645)	(3)
69569 Income tax related to items not to be reclassified to profit or loss (note 6(ad))	896,432	1	699,541	1	597,729	-	2,184,416	1
Subtotal of items not to be reclassified to profit or loss	(4,994,422)	(4)	5,229,994	5	247,499	-	(5,607,595)	(2)
Items that may be subsequently reclassified to profit or loss								
69571 Exchange differences on translation of foreign operations	(3,586,716)	(3)	(3,188,595)	(3)	(4,559,018)	(2)	(6,151,238)	(3)
69581 Gains (losses) on financial instruments for hedging	(86,064)	-	30,252	-	(335,029)	-	691,773	-
69583 Unrealized gains (losses) on debt instruments measured at fair value through other comprehensive income	7,751,639	7	21,955,263	19	(34,704,963)	(13)	26,052,605	11
69575 Shares of other comprehensive income of associates and joint ventures accounted for using equity method - items that may be subsequently reclassified to profit or loss	(734,101)	(1)	(419,937)	-	(687,250)	-	(220,266)	-
69590 Other comprehensive income (loss) reclassified by applying overlay approach	25,504,817	21	87,385,794	78	57,475,963	21	(40,214,902)	(16)
69579 Income tax related to items that may be subsequently reclassified to profit or loss (note 6(ad))	(2,588,193)	(2)	(8,335,903)	(7)	4,825,790	2	(127,985)	-
Subtotal of items that may be subsequently reclassified to profit or loss	26,261,382	22	97,426,874	87	22,015,493	8	(19,970,013)	(8)
69500 Other comprehensive income (losses)	21,266,960	18	102,656,868	92	22,262,992	8	(25,577,608)	(10)
Total comprehensive income	\$ 59,138,383	49	116,947,806	105	111,470,813	41	11,886,388	5
Consolidated net income attributable to:								
69901 Owners of parent	\$ 37,043,860	30	14,321,338	13	87,596,312	32	37,284,116	15
69903 Non-controlling interests	827,563	1	(30,400)	-	1,611,509	1	179,880	-
	\$ 37,871,423	31	14,290,938	13	89,207,821	33	37,463,996	15
Total comprehensive income attributable to:								
69951 Owners of parent	\$ 58,000,171	48	115,973,824	104	111,837,051	41	11,564,928	5
69953 Non-controlling interests	1,138,212	1	973,982	1	(366,238)	-	321,460	-
	\$ 59,138,383	49	116,947,806	105	111,470,813	41	11,886,388	5
Basic earnings per share (in New Taiwan Dollars) (note 6(af))	\$ 3.34		1.12		8.28		3.36	

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

Consolidated Statement of Changes in Equity
For the six months ended June 30, 2021 and 2020
(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent								Total other equity interest								Total equity attributable to owners of parent	Non-controlling interests	Total equity
	Share capital			Retained earnings					Exchange differences on translation of foreign operations	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Gains (losses) on financial instruments for hedging	Revaluation gains	Other comprehensive income reclassified by applying overlay approach	Treasury shares					
	Common stock	Preferred stock	Stock dividend to be distributed	Capital surplus	Legal reserve	Special reserve	Undistributed earnings	Total							Total	Total			
Balance at January 1, 2020	\$ 102,336,040	12,666,600	-	115,002,640	137,060,926	62,588,197	104,825,990	143,520,459	310,934,646	(16,601,357)	11,016,686	364,752	2,264,873	47,730,938	44,775,892	-	607,774,104	11,912,181	619,686,285
Net income	-	-	-	-	-	-	-	37,284,116	37,284,116	-	-	-	-	-	-	-	37,284,116	179,880	37,463,996
Other comprehensive income	-	-	-	-	-	-	-	(3,222)	(3,222)	(5,148,960)	14,430,584	553,419	30,764	(35,581,773)	(25,715,966)	-	(25,719,188)	141,580	(25,577,608)
Total comprehensive income	-	-	-	-	-	-	-	37,280,894	37,280,894	(5,148,960)	14,430,584	553,419	30,764	(35,581,773)	(25,715,966)	-	11,564,928	321,460	11,886,388
Appropriation and distribution of retained earnings:																			
Reversal of special reserve – contra equity account	-	-	-	-	-	-	(72,455,455)	72,455,455	-	-	-	-	-	-	-	-	-	-	-
Reversal of special reserve – effects of fair value adjustments from investment property	-	-	-	-	-	-	(803,555)	803,555	-	-	-	-	-	-	-	-	-	-	-
Legal reserve appropriated	-	-	-	-	-	5,849,726	-	(5,849,726)	-	-	-	-	-	-	-	-	-	-	-
Cash dividends of common stock	-	-	-	-	-	-	-	(20,467,208)	(20,467,208)	-	-	-	-	-	-	-	(20,467,208)	-	(20,467,208)
Cash dividends of preferred stock	-	-	-	-	-	-	-	(2,915,986)	(2,915,986)	-	-	-	-	-	-	-	(2,915,986)	-	(2,915,986)
Changes in equity of associates and joint ventures accounted for using equity method	-	-	-	-	(551)	-	-	-	-	-	-	-	-	-	-	-	(551)	-	(551)
Disposal of investments in equity instruments measured at fair value through other comprehensive income	-	-	-	-	-	-	-	(1,500,114)	(1,500,114)	-	1,500,114	-	-	-	1,500,114	-	-	-	-
Changes in disposal of special reserves transferred from investments in equity instruments measured at fair value through other comprehensive income of participating policies from subsidiaries	-	-	-	-	-	-	-	(28,830)	(28,830)	-	-	-	-	-	-	-	(28,830)	-	(28,830)
Balance at June 30, 2020	\$ 102,336,040	12,666,600	-	115,002,640	137,060,375	68,437,923	31,566,980	223,298,499	323,303,402	(21,750,317)	26,947,384	918,171	2,295,637	12,149,165	20,560,040	-	595,926,457	12,233,641	608,160,098
Balance at January 1, 2021	\$ 102,336,040	12,666,600	-	115,002,640	137,665,154	68,437,923	31,566,980	269,819,166	369,824,069	(19,438,391)	41,670,881	756,242	2,424,000	114,964,314	140,377,046	-	762,868,909	13,913,887	776,782,796
Net income	-	-	-	-	-	-	-	87,596,312	87,596,312	-	-	-	-	-	-	-	87,596,312	1,611,509	89,207,821
Other comprehensive income	-	-	-	-	-	-	-	(5,248)	(5,248)	(3,371,320)	(28,433,754)	(268,023)	87,030	56,232,054	24,245,987	-	24,240,739	(1,977,747)	22,262,992
Total comprehensive income	-	-	-	-	-	-	-	87,591,064	87,591,064	(3,371,320)	(28,433,754)	(268,023)	87,030	56,232,054	24,245,987	-	111,837,051	(366,238)	111,470,813
Appropriation and distribution of retained earnings:																			
Reversal of special reserve – effects of fair value adjustments from investment property	-	-	-	-	-	-	(2,441,614)	2,441,614	-	-	-	-	-	-	-	-	-	-	-
Legal reserve appropriated	-	-	-	-	-	8,227,262	-	(8,227,262)	-	-	-	-	-	-	-	-	-	-	-
Cash dividends of common stock	-	-	-	-	-	-	-	(30,700,812)	(30,700,812)	-	-	-	-	-	-	-	(30,700,812)	-	(30,700,812)
Cash dividends of preferred stock	-	-	-	-	-	-	-	(2,915,986)	(2,915,986)	-	-	-	-	-	-	-	(2,915,986)	-	(2,915,986)
Stock dividends from capital surplus	-	-	10,233,604	10,233,604	(10,233,604)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in equity of associates and joint ventures accounted for using equity method	-	-	-	-	5,611	-	-	-	-	-	-	-	-	-	-	-	5,611	-	5,611
Acquisition of company's share by subsidiaries recognized as treasury share	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(719,498)	(719,498)	(616,570)	(1,336,068)
Disposal of company's share by subsidiaries recognized as treasury share transactions	-	-	-	-	621	-	-	-	-	-	-	-	-	-	-	45,446	46,067	38,640	84,707
Changes in ownership interests in subsidiaries	-	-	-	-	1,123,552	-	-	(10,997)	(10,997)	(319,745)	436,345	-	-	273,416	390,016	(24,340)	1,478,231	(1,485,137)	(6,906)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	22,292,377	22,292,377
Disposal of investments in equity instruments measured at fair value through other comprehensive income	-	-	-	-	-	-	-	(3,291,038)	(3,291,038)	-	3,291,038	-	-	-	3,291,038	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	(4,234)	-	-	-	-	(4,234)	-	(4,234)	(3,631)	(7,865)
Balance at June 30, 2021	\$ 102,336,040	12,666,600	10,233,604	125,236,244	128,561,334	76,665,185	29,125,366	314,705,749	420,496,300	(23,129,456)	16,960,276	488,219	2,511,030	171,469,784	168,299,853	(698,392)	841,895,339	33,773,328	875,668,667

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

Consolidated Statement of Cash Flows
For the six months ended June 30, 2021 and 2020
(Expressed in Thousands of New Taiwan Dollars)

	For the six months ended June 30	
	2021	2020
Cash flows from (used in) operating activities:		
Income before income tax	\$ 102,449,797	45,339,449
Adjustments:		
Adjustments to reconcile profit or loss:		
Depreciation expenses	2,468,733	2,428,446
Amortization expenses	746,190	664,407
Allowance on bad debts	2,173,182	2,555,347
Net (gain) loss on financial assets or liabilities at fair value through profit or loss	(49,804,023)	43,143,247
Interest expenses	12,200,440	19,337,910
Interest income	(81,178,143)	(87,716,489)
Dividend income	(11,658,092)	(14,145,142)
Net change in insurance liabilities	135,644,293	169,249,858
Net change in provisions for guarantee liabilities	13,003	(42,455)
Net change in other provisions	(1,415,808)	(1,905,262)
Share of profit of associates and joint ventures accounted for using equity method	(2,188,845)	(632,364)
Loss (gain) reclassified by applying overlay approach	57,475,963	(40,214,902)
Gain on disposal of investment properties	(7,480)	(93)
Gain on disposal of investments	(86,785,566)	(41,729,024)
Loss on disposal of investments accounted for using equity method	3,639	-
Impairment loss on financial assets	234,815	568,722
Reversal gain on non-financial assets	(18,340)	(5,511)
Unrealized foreign exchange loss (gain)	1,713,709	(2,497,919)
Loss on fair value adjustment of investment property	556,167	3,282,880
Other adjustments	(702,826)	(3,576)
Subtotal of adjustments to reconcile profit or loss	(20,528,989)	52,338,080
Changes in operating assets and liabilities:		
Changes in operating assets:		
Decrease (increase) in due from the central bank and call loans to banks	10,933,619	(28,465,361)
Decrease (increase) in financial assets for hedging and measured at fair value through profit or loss	(104,207,049)	87,065,265
Decrease (increase) in financial assets measured at fair value through other comprehensive income	84,706,070	(140,654,346)
Increase in investments in debt instruments measured at amortized cost	(223,570,183)	(148,963,755)
Increase in securities purchased under agreements to resell	(1,061,869)	(93,746)
Increase in receivables	(17,879,404)	(19,571,649)
Increase in discounts and loans	(143,404,504)	(114,041,815)
Increase in reinsurance assets	(1,567,454)	(2,773,114)
Decrease (increase) in other financial assets	(4,781,749)	23,896,170
Decrease (increase) in other assets	724,257	(12,429,350)
Subtotal of changes in operating assets	(400,108,266)	(356,031,701)
Changes in operating liabilities:		
Increase in due to the central bank and banks	40,477,368	43,381,399
Decrease in financial liabilities for hedging and measured at fair value through profit or loss	(18,958,988)	(51,094,110)
Increase in securities sold under repurchase agreement	33,531,893	14,018,393
Increase in payables	52,686,985	3,028,969
Increase in deposits and remittances	89,799,296	70,380,033
Decrease in provisions	(421,660)	(589,082)
Increase in other financial liabilities	5,018,071	7,038,038
Increase in other liabilities	3,572,242	1,521,363
Subtotal of changes in operating liabilities	205,705,207	87,685,003
Subtotal of all adjustments	(214,932,048)	(216,008,618)

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

Consolidated Statement of Cash Flows (CONT'D)

For the six months ended June 30, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	For the six months ended June 30	
	2021	2020
Cash outflow generated from operations	\$ (112,482,251)	(170,669,169)
Interest received	80,852,670	84,261,974
Dividends received	10,394,121	12,392,523
Interest paid	(11,818,869)	(19,823,264)
Income taxes paid	(12,975,502)	(4,321,244)
Net Cash flows used in operating activities	(46,029,831)	(98,159,180)
Cash flows from (used in) investing activities:		
Acquisition of investments accounted for using equity method	(151,818)	(3,363,527)
Net cash flow from acquisition of subsidiaries	637,792	-
Acquisition of property and equipment	(1,002,931)	(2,063,563)
Proceeds from disposal of property and equipment	243	1,448
Acquisition of intangible assets	(313,209)	(220,671)
Acquisition of investment properties	(2,555,590)	(29,367,722)
Proceeds from disposal of investment properties	79,225	470
Other investing activities	(118)	-
Net cash flows used in investing activities	(3,306,406)	(35,013,565)
Cash flows from (used in) financing activities:		
Increase (decrease) in due to the central bank and banks	(857,590)	593,920
Decrease in commercial papers payable	(6,937,320)	(4,356,628)
Proceeds from issuing bonds	1,362,802	370,770
Repayments of bonds	(827,343)	(7,339,150)
Proceeds from issuing bank financial debentures	9,066,466	31,431,171
Repayments of bank financial debentures	(17,857,397)	(27,814,970)
Increase (decrease) in other borrowings	166,247	(427,935)
Repayments of lease liabilities	(2,500,477)	(2,151,539)
Payments to acquire treasury shares	(72,609)	-
Proceeds from sale of treasury shares	84,707	-
Change in non-controlling interests	159	-
Net cash used in financing activities	(18,372,355)	(9,694,361)
Effect of exchange rate changes on cash and cash equivalents	(1,868,787)	(2,899,408)
Net decrease in cash and cash equivalents	(69,577,379)	(145,766,514)
Cash and cash equivalents at beginning of period	491,035,150	492,061,493
Cash and cash equivalents at end of period	\$ 421,457,771	346,294,979
Composition of cash and cash equivalents:		
Cash and cash equivalents reported in the statement of financial position	\$ 237,501,896	249,080,460
Due from the central bank and call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7	102,929,579	39,113,021
Securities purchased under resell agreements qualifying for cash and cash equivalents under the definition of IAS 7	81,026,296	58,101,498
Cash and cash equivalents at end of period	\$ 421,457,771	346,294,979

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the six months ended June 30, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Company history

(a) Fubon Financial Holding Co., Ltd.

Fubon Financial Holding Co., Ltd. (the Company) was established in December 2001 pursuant to the Financial Holding Company Act in Taiwan.

In connection with the formation of the Company, substantially all of the assets and liabilities and related operations of Fubon Insurance Co., Ltd. (Fubon Insurance) were transferred to a new wholly owned subsidiary named Fubon Insurance. The name of the “former” Fubon Insurance Co., Ltd. was changed to Fubon Financial Holding Co., Ltd. Furthermore, shares of Fubon Securities Co., Ltd. (Fubon Securities), Fubon Commercial Bank Co., Ltd. (Fubon Bank), and Fubon Life Assurance Co., Ltd. (Fubon Life Assurance) were exchanged for shares in the Company on December 19, 2001.

On August 28, 2002, shares of Fubon Asset Management Co., Ltd. (Fubon Asset Management) were exchanged for shares in the Company. Starting from March 11, 2011, due to the Company’s corporate restructuring, Fubon Asset Management became a wholly owned subsidiary of Fubon Securities. Starting from December 30, 2019, due to the Company’s corporate restructuring, Fubon Asset Management became a wholly owned subsidiary of the Company.

On December 23, 2002, shares of Taipei Bank Co., Ltd. (Taipei Bank) were exchanged for shares in the Company.

In September 2003, shares of Fubon Marketing Co., Ltd. (Fubon Marketing) were acquired in cash by the Company.

In October 2003, shares of Fubon Financial Holding Venture Capital Co., Ltd. (Fubon Financial Holding Venture Capital) were acquired in cash by the Company.

In March 2004, 75% of the shares of Common Stock of International Bank of Asia, Limited, renamed Fubon Bank Hong Kong Limited (Fubon Bank (Hong Kong)), were acquired in cash by the Company. On June 13, 2011, 25% of the remaining outstanding shares of Common Stock of Fubon Bank (Hong Kong) were acquired in cash by the Company. On August 16, 2012, Fubon Bank (Hong Kong) redeemed the preferred shares of stock of \$4,004,057 held by the Company. On the same date, the Company subscribed in cash of \$4,004,057 for the ordinary shares of stock of Fubon Bank (Hong Kong).

In August 2004, shares of Fubon Asset Management Service Co., Ltd. (Fubon AMC) and Fubon Investment Management Consulting Co., Ltd. (Fubon IMC) were acquired in cash by the Company. On November 7, 2011, the procedures for the liquidation of Fubon IMC were completed.

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

In March 2008, shares of Taiwan Sport Lottery Co., Ltd. (Taiwan Sport Lottery) were acquired in cash by the Company. In September 2008, the Company owned 51% of the shares of Taiwan Sport Lottery. On July 20, 2011, Taiwan Sport Lottery became wholly owned subsidiary of the Company.

On February 11, 2009, all of the equity shares of ING Life Insurance Co., Ltd. (ING Life Insurance) were exchanged for shares in the Company. On June 1, 2009, ING Life Insurance merged with Fubon Life Assurance Co., Ltd., which was renamed Fubon Life Insurance Co., Ltd.

On January 7, 2014, 80% of the shares of First Sino Bank, Limited, which was renamed as Fubon Bank (China) Co., Ltd. from April 2014, were acquired in cash by the Company and Taipei Fubon Bank. On October 20, 2016, 20% of the remaining outstanding shares of Fubon Bank (China) were acquired by the Company. Fubon Bank (China) became a wholly owned subsidiary of the Company.

On March 23, 2021, 53.84% of the shares of JihSun Financial Holding Co., Ltd. (JihSun Financial Holding) were acquired by the Company through the public tender offer. On March 30, 2021, the payments and the settlement were completed. JihSun Financial Holding became a subsidiary of the Company.

The Company is engaged in the financial businesses including banking, financial bills, credit cards, trust, insurance, securities, futures, ventures, investments in foreign financial institutions approved by the government authorities, investments relevant to other financial services approved by the government authorities and investments, which is excluding the participation in the operation, in the services that are outside the scope of Article 36, Paragraph 2 of Financial Holding Company Act, and approved by the government authorities.

(b) Business of consolidated subsidiaries:

- (i) Fubon Insurance was incorporated on December 19, 2001 and assumed all rights and liabilities of the former Fubon Insurance Co., Ltd., which was incorporated in 1961. It is engaged in the business of property and casualty insurance.
- (ii) Fubon Securities was incorporated on July 11, 1988, as a company with an integrated securities firm license. Fubon Securities is engaged in brokerage, margin lending, securities financing and refinancing, securities trading, securities transfer services, securities underwriting, and futures.
- (iii) Taipei Bank started as a financial institution of the Taipei City Government (TCG) in 1969. On July 1, 1984, it was reorganized into a limited liability corporation and it was renamed as City Bank of Taipei Co., Ltd. On January 1, 1993, the bank's name was subsequently changed to Taipei Bank Co., Ltd. On August 1, 1991, Fubon Bank was authorized to operate as a commercial bank and commenced its commercial operations on April 20, 1992.

On January 1, 2005, Taipei Bank merged with Fubon Bank to improve operational efficiency and reduce costs. Taipei Bank was the surviving entity from this merger. However, the name Taipei Bank was changed to Taipei Fubon Bank on the same day.

Taipei Fubon Bank is engaged in authorized operations of commercial banks.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (iv) Fubon Bank (Hong Kong) was founded in 1982. It is engaged in the following operations:
- 1) Retail and consumer banking;
 - 2) Corporate banking;
 - 3) Investment banking;
 - 4) Investment and financial management services; and
 - 5) Properties management and other services.
- (v) Fubon Life Insurance was incorporated on June 3, 1993, under the laws of the Republic of China (ROC). It is engaged in the business of life insurance underwriting.
- Fubon Life Insurance merged with ING Life Insurance (Taiwan) effective June 1, 2009, with ING Life Insurance (Taiwan) was the surviving entity and then changed its name to Fubon Life Insurance Co., Ltd. Fubon Life Insurance is engaged in life insurance, accident insurance, health insurance, and any business related to life insurance.
- (vi) Fubon Bank (China) is engaged in foreign currency services and CNY service to customers, in accordance with the "Regulations Governing Foreign Financial Institutions in the People's Republic of China.
- (vii) JihSun Financial Holding was incorporated on February 5, 2002. The Company is engaged in the financial businesses including banking, financial bills, credit cards, trust, insurance, securities, futures, ventures, investments in foreign financial institutions approved by the government authorities, and investments relevant to other financial services approved by the government authorities.

(2) Approval date and procedures of the consolidated financial statements

On August 19, 2021, the consolidated financial statements were presented to the Board of Directors and authorized for issuance afterward.

(3) New standards, amendments and interpretations adopted:

- (a) The impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. ("FSC") which have already been adopted.

The details of impact on the Company and its subsidiaries' adoption of the new amendments beginning January 1, 2021 are as follows:

- (i) Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform—Phase 2" (the Phase 2 amendments)

The Company and its subsidiaries applied the Phase 2 amendments retrospectively. However, in accordance with the exceptions permitted in the Phase 2 amendments, the Company and its subsidiaries have elected not to restate the prior period to reflect the application of these amendments, including not providing additional disclosures for 2020. There is no impact on opening equity balances as a result of retrospective application.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The Phase 2 amendments provide practical relief from certain requirements in the standards. These reliefs relate to modifications of financial instruments and lease contracts or hedging relationships when a benchmark interest rate in a contract is replaced with a new alternative benchmark rate.

When the basis for determining the contractual cash flows of a financial instrument is changed as a direct consequence of interest rate benchmark reform and is made on an economically equivalent basis, the Phase 2 amendments provide a practical expedient to update the effective interest rate of a financial instrument before applying the existing requirements in the standards. The amendments also provide an exception to use a revised discount rate that reflects the change in interest rate when remeasuring a lease liability because of a lease modification that is required by interest rate benchmark reform. Finally, the Phase 2 amendments provide a series of reliefs from certain hedge accounting requirements when a change required by interest rate benchmark reform occurs to a hedged item and/or hedging instrument, and consequently, the hedge relationship can be continued without any interruption.

The details of the accounting policies are disclosed in Notes 4(f). See also Notes 6(ak) for related disclosures about risks managements.

(ii) Other amendments

The following new amendments, effective January 1, 2021, do not have a significant impact on the Company and its subsidiaries' consolidated financial statements:

- Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”
- Amendments to IFRS 16 “Covid-19-Related Rent Concessions beyond June 30, 2021”

(b) The impact of IFRS issued by the FSC but not yet effective

The Company and its subsidiaries' adoption of the new amendments, effective for annual period beginning on January 1, 2022, are expected to have the following impacts:

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IAS 16 “Property, Plant and Equipment—Proceeds before Intended Use”	The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in profit or loss.	January 1, 2022

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

<u>Standards or Interpretations</u>	<u>Content of amendment</u>	<u>Effective date per IASB</u>
Amendments to IAS 37 “Onerous Contracts— Cost of Fulfilling a Contract”	<p>The amendments clarify that the ‘costs of fulfilling a contract’ comprises the costs that relate directly to the contract as follows:</p> <ul style="list-style-type: none"> • the incremental costs – e.g. direct labor and materials; and • an allocation of other direct costs – e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract. 	January 1, 2022

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

<u>Standards or Interpretations</u>	<u>Content of amendment</u>	<u>Effective date per IASB</u>
Annual Improvements to IFRS Standards 2018–2020	<ul style="list-style-type: none"> • This amendment simplifies the application of IFRS 1 for a subsidiary that becomes a first-time adopter of IFRS Standards later than its parent – i.e. if a subsidiary adopts IFRS Standards later than its parent and applies IFRS 1.D16(a), then a subsidiary may elect to measure cumulative translation differences for all foreign operations at amounts included in the consolidated financial statements of the parent, based on the parent’s date of transition to IFRS Standards. • In determining whether to derecognize a financial liability that has been modified or exchanged, an entity assesses whether the terms are substantially different in accordance with IFRS 9 Financial Instruments. The amendments clarify the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. • The amendments remove the illustration of payments from the lessor relating to leasehold improvements of Illustrative Example 13 accompanying IFRS 16 Leases to avoid any potential for confusion regarding the treatment of lease incentives applying IFRS 16. • The amendments remove the requirement for entities to exclude cash flows for taxation when measuring fair value applying IAS 41 Agriculture. 	January 1, 2022

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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<u>Standards or Interpretations</u>	<u>Content of amendment</u>	<u>Effective date per IASB</u>
Amendments to IFRS 3 “Reference to the Conceptual Framework”	<p>The amendments update references to the Conceptual Framework and add exceptions to the recognition for provisions, contingent liabilities:</p> <ul style="list-style-type: none"> • the acquirer shall apply IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. • the acquirer shall apply IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. 	January 1, 2022

The Company and its subsidiaries are evaluating the impact of its initial adoption of the abovementioned amendments to standards on its consolidated financial position and consolidated financial performance. The results thereof will be disclosed when the Company and its subsidiaries complete the evaluation.

(c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The following new and amended standards, which may be relevant to the Company and its subsidiaries, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

<u>Standards or Interpretations</u>	<u>Content of amendment</u>	<u>Effective date per IASB</u>
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”	<p>The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture.</p> <p>The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.</p>	Effective date to be determined by IASB

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

<u>Standards or Interpretations</u>	<u>Content of amendment</u>	<u>Effective date per IASB</u>
IFRS 17 “Insurance Contracts”	<p>The new standard of accounting for insurance contracts contain recognition, measurement, presentation and disclosure of insurance contracts issued, and the main amendments are as follows:</p> <ul style="list-style-type: none"> ● Recognition: an entity recognizes a group of insurance contracts that it issues from the earliest of : <ul style="list-style-type: none"> - the beginning of the coverage period of the group of contracts; - the date when the first payment from a policyholder in the group because due; and - for a group of onerous contracts, when the group becomes onerous, if facts and circumstances indicate that there is such a group. ● Measurement: on initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. For subsequent measurement, the entity shall estimate the cash flows, discount rates and the adjustment for non-financial risk. ● Presentation and disclosure: the presentation of insurance revenue is based on the provision of service pattern and investment components excluded from insurance revenue. 	January 1, 2023
Amendments to IFRS 17 “Insurance Contracts”	<p>The fundamental principles introduced when the Board first issued IFRS 17 in May 2017 remain unaffected. The amendments are designed to:</p> <ul style="list-style-type: none"> ● reduce costs by simplifying some requirements in the Standard; ● make financial performance easier to explain; and ● ease transition by deferring the effective date of the Standard to 2023 and by providing additional relief to reduce the effort required when applying IFRS 17 for the first time. 	January 1, 2023

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

<u>Standards or Interpretations</u>	<u>Content of amendment</u>	<u>Effective date per IASB</u>
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies”	The key amendments to IAS 1 include: <ul style="list-style-type: none"> ● requiring companies to disclose their material accounting policies rather than their significant accounting policies; ● clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and ● clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company’s financial statements. 	January 1, 2023
Amendments to IAS 8 “Definition of Accounting Estimates”	The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.	January 1, 2023
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	The amendments narrowed the scope of the recognition exemption so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.	January 1, 2023

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The Company and its subsidiaries are evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its consolidated financial position and consolidated financial performance. The results thereof will be disclosed when the Company and its subsidiaries complete its evaluation.

(4) Summary of significant accounting policies:

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Financial Holding Companies" and with the International Accounting Standards ("IASs") 34, "Interim Financial Reporting" endorsed and issued into effect by the FSC.

The consolidated financial statements have not contained all the necessary information that should be disclosed which the consolidated financial statements have been prepared in accordance with the IFRS, IAS and interpretations endorsed and issued into effect by the FSC (TIFRS).

(b) Basis of preparation

(i) Basis of measurement

Except for the following significant accounts, the consolidated financial statements have been prepared on a historical cost basis:

- 1) Financial instruments at fair value through profit or loss are measured at fair value;
- 2) Financial assets at fair value through other comprehensive income are measured at fair value;
- 3) Hedging financial instruments are measured at fair value;
- 4) Investment property is measured at fair value; and
- 5) The defined benefit liabilities (assets) are measured at fair value of the plan assets less the present value of the defined benefit obligation, limited as explained in Note 4 (v).

(ii) Functional and presentation currency

The functional currency of each entity is determined based on the primary economic environment in which the entity operates. The consolidated financial statements are presented in New Taiwan Dollar (TWD), which is the Company's functional currency. All financial information presented in TWD has been rounded to the nearest thousand.

(c) Principles of consolidation

(i) Principles of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and subsidiaries. Subsidiaries are entities controlled by the Company and its subsidiaries. The Company and its subsidiaries control an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Intragroup balances and transactions, and any unrealized income and expenses arising from intragroup transactions are eliminated in preparing the consolidated financial statements. The Company and its subsidiaries attribute the profit or loss and each component of other comprehensive income to the owners of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

The Company and its subsidiaries prepare consolidated financial statements using uniform accounting policies for like transactions and other events in similar circumstances.

Changes in the Company and its subsidiaries' ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received will be recognized directly in equity, and the Company and its subsidiaries will attribute it to the owners of the parent.

(ii) List of subsidiaries in the consolidated financial statements

The following entities have been included in the consolidated financial statements:

Name of Investor	Subsidiary	Main Activities	Percentage of Ownership (%)		
			June 30, 2021	December 31, 2020	June 30, 2020
The Company	Fubon Insurance	Property and casualty insurance	100.00 %	100.00 %	100.00 %
The Company	Taipei Fubon Bank	Banking	100.00 %	100.00 %	100.00 %
The Company	Fubon Life Insurance	Life insurance	100.00 %	100.00 %	100.00 %
The Company	Fubon Securities	Securities business	100.00 %	100.00 %	100.00 %
The Company	Fubon Marketing	Marketing management	100.00 %	100.00 %	100.00 %
The Company, Fubon Life Insurance, Fubon Insurance and Fubon Securities	Fubon Financial Holding Venture Capital	Venture Capital	100.00 %	100.00 %	100.00 %
The Company	Fubon Bank (Hong Kong)	Banking	100.00 %	100.00 %	100.00 %
The Company	Fubon AMC	Creditor's rights management	100.00 %	100.00 %	100.00 %
The Company	Taiwan Sport Lottery	IT Software service	100.00 %	100.00 %	100.00 %
The Company	Fubon Asset Management	Investment trust	100.00 %	100.00 %	100.00 %
The Company	JihSun Financial Holding (Note1 and Note2)	Financial Holding	55.76 %	- %	- %
The Company and Taipei Fubon Bank	Fubon Bank (China)	Banking	100.00 %	100.00 %	100.00 %
Taipei Fubon Bank	TFB Capital (Note 3)	Venture Capital	100.00 %	100.00 %	- %
Fubon Securities	Fubon Futures	Futures	100.00 %	100.00 %	100.00 %
Fubon Securities	Fubon Investment Service	Investment Service	100.00 %	100.00 %	100.00 %
Fubon Securities	Fubon investment holding BVI (originally called Fubon securities BVI) (Note 4)	Investment Holding	100.00 %	100.00 %	100.00 %
Fubon Securities	Fubon Securities Venture Capital	Venture Capital	100.00 %	100.00 %	100.00 %

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

<u>Name of Investor</u>	<u>Subsidiary</u>	<u>Main Activities</u>	<u>Percentage of Ownership (%)</u>		
			<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Fubon Securities	Xiamen Fubon Securities Equity Investment (Note 5)	Equity Investment	- %	100.00 %	100.00 %
Fubon Securities	Fubon Mintou Venture Capital	Venture Capital	67.00 %	67.00 %	67.00 %
Fubon Securities	Fubon Macquarie Infrastructure Asset Management (Note 6)	Asset Management	100.00 %	100.00 %	100.00 %
Fubon investment holding BVI	Fubon Securities (Hong Kong)	Securities business	100.00 %	100.00 %	100.00 %
Fubon investment holding BVI	Fubon Fund Management (Hong Kong) (Note 7)	Asset Management	- %	- %	100.00 %
Fubon Asset Management	Fubon Convoy Asset Management (Hong Kong) (Note 8)	Asset Management	49.00 %	49.00 %	49.00 %
Fubon Asset Management	Fubon Private Equity	Investment and investment service management	100.00 %	100.00 %	100.00 %
Fubon Asset Management	Fubon Fund Management (Hong Kong) (Note 7)	Asset Management	100.00 %	100.00 %	- %
Fubon Private Equity	Fubon Digital Music Asset Management (Note 3)	Venture Capital	100.00 %	100.00 %	- %
Fubon Insurance	Fubon Insurance (Vietnam)	Insurance business	100.00 %	100.00 %	100.00 %
Fubon Insurance	Fubon Insurance Broker (Thailand) (Note 9)	Insurance Broker	48.97 %	48.97 %	48.97 %
Fubon Insurance	Fubon Insurance Broker (Philippines)	Insurance Broker	99.99 %	99.99 %	99.99 %
Fubon Insurance and Fubon Life Insurance	Fubon Property & Casualty Insurance (Xiamen)	Insurance business	80.00 %	80.00 %	80.00 %
Fubon Life Insurance	Fubon Life Insurance (Vietnam)	Insurance business	100.00 %	100.00 %	100.00 %
Fubon Life Insurance	Fubon Life Insurance (Hong Kong)	Insurance business	100.00 %	100.00 %	100.00 %
Fubon Life Insurance	Fubon Hyundai Life Insurance (Note 10)	Insurance business	77.40 %	62.06 %	62.06 %
Fubon Life Insurance	Carter Lane (Guernsey)	Real estate investment and management	100.00 %	100.00 %	100.00 %
Fubon Life Insurance	Bow Bells House (Jersey)	Real estate investment and management	100.00 %	100.00 %	100.00 %
Fubon Life Insurance	Fubon MTL Property (Jersey)	Real estate investment and management	100.00 %	100.00 %	100.00 %
Fubon Life Insurance	Fubon Ellipse (Belgium)	Real estate investment and management	100.00 %	100.00 %	100.00 %
Fubon Life Insurance	Fubon Eurotower (Luxembourg)	Real estate investment and management	100.00 %	100.00 %	100.00 %
Fubon Marketing	Fu Sheng Insurance Agency (originally called Fu Sheng Life Insurance Agent) (Note 11)	Life insurance agent	100.00 %	100.00 %	100.00 %
Fubon Marketing	Fubon Insurance Agency (originally called Fu Sheng Life Insurance Agent) (Note 11)	Property and casualty insurance agent	100.00 %	100.00 %	100.00 %

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

<u>Name of Investor</u>	<u>Subsidiary</u>	<u>Main Activities</u>	<u>Percentage of Ownership (%)</u>		
			<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Fubon Financial Holding Venture Capital	Fubon Sports & Entertainment	Sports service business	100.00 %	100.00 %	100.00 %
Fubon Financial Holding Venture Capital	Fubon Stadium	Stadium management	100.00 %	100.00 %	100.00 %
Fubon Bank (Hong Kong)	Fubon Nominees (Hong Kong) (Note 12)	Financial sector business	100.00 %	100.00 %	100.00 %
Fubon Bank (Hong Kong)	Fubon Credit (Hong Kong) (Note 12)	Financial sector business	100.00 %	100.00 %	100.00 %
Fubon Bank (Hong Kong)	FB Securities (Hong Kong) (Note 12)	Securities brokerage	100.00 %	100.00 %	100.00 %
Fubon Bank (Hong Kong)	Fubon Insurance Brokers (Note 12)	Insurance agent	100.00 %	100.00 %	100.00 %
JihSun Financial Holding	JihSun Securities (Note 1)	Securities business	100.00 %	-	-
JihSun Financial Holding	JihSun bank (Note 1)	Banking	100.00 %	-	-
JihSun Financial Holding	JihSun Property Insurance Agency (Note 1)	Property and casualty insurance agent	100.00 %	-	-
JihSun bank	JihSun Life Insurance Agency (Note 1)	Life insurance agent	98.76 %	-	-
JihSun Securities	JihSun Futures (Note 1)	Futures	98.14 %	-	-
JihSun Securities	JihSun International Investment Holding (Note 1)	Securities business	100.00 %	-	-
JihSun Securities	JihSun Securities Investment Consulting (Note 1)	Investment Service	100.00 %	-	-
JihSun Securities	JihSun Venture Capital (Note 1)	Venture Capital	100.00 %	-	-
JihSun International Investment Holding	JS CRESVALE Securities International (Note 1)	Securities business	100.00 %	-	-
JS CRESVALE Securities International	JS CRESVALE Capital (Note 1)	Stock and futures brokerage, sales of mutual funds	100.00 %	-	-

Note 1: JihSun Financial Holding became a subsidiary on March 30, 2021.

Note 2: Obtaining 53.84% of the shares on March 30, 2021 and continued to increase the shareholding from April 1 to June 30, 2021, raising the shareholding ratio to 55.76%.

Note 3: Became a subsidiary in 2020.

Note 4: Fubon Securities BVI has been renamed as Fubon Investment Holding BVI in March 2021.

Note 5: Xiamen Fubon Securities Equity Investment completed dissolution, liquidation and deregistration in June 2021.

Note 6: The dissolution and liquidation had been resolved in December 2020.

Note 7: Fubon Securities BVI sold 100% equity of Fubon Fund Management (Hong Kong) to Fubon Asset Management in July 2020.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Note 8: In February 2017, Fubon Asset Management and Convoy Asset Management set up Fubon Convoy Asset Management (Hong Kong). After the evaluation, since Fubon Asset Management has direct existing rights to its financial and operating activities, it is regarded as having control over Fubon Convoy Asset Management (Hong Kong).

Note 9: Fubon Insurance Broker (Thailand) is set up by a joint venture between Fubon Insurance and Futai Holding Co., Ltd. etc.. Since Fubon Insurance has subscribed for the shares of Fubon Insurance Broker (Thailand) on November 5, 2013 and has control over operating activities, Fubon Insurance Broker (Thailand) is regarded as a subsidiary.

Note 10: Fubon Hyundai Life Insurance participated in its cash capital increase in June 2021, which resulted in the increase in shareholdings ratio to 77.40%.

Note 11: Fu Sheng Life Insurance Agent and Fu Sheng General Insurance Agent have been renamed as Fu Sheng Insurance Agency and Fubon Insurance Agency, respectively, in February 2021.

Note 12: These entities are the major subsidiaries of Fubon Bank (Hong Kong).

(d) Foreign currency

(i) Foreign currency transaction

Transactions in foreign currencies are translated into the respective functional currencies of the Company and its subsidiaries entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

- 1) an investment in equity securities designated as at fair value through other comprehensive income;
- 2) a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- 3) qualifying cash flow hedges to the extent that the hedges are effective.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into TWD at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into TWD at the average exchange rate. Exchange differences are recognized in other comprehensive income.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Company and its subsidiaries dispose of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Company and its subsidiaries dispose of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, exchange differences arising from such a monetary item that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

(e) 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.

(f) Financial instruments

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company and its subsidiaries become a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

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

On initial recognition, a financial asset is classified as measured at: amortized cost; Fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Company and its subsidiaries changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through other comprehensive income (FVOCI)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

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

Some accounts receivables are held within a business model whose objective is achieved by both collecting contractual cash flows and selling by the Company and its subsidiaries, therefore, those receivables are measured at FVOCI. However, they are included in the 'trade receivables' line item.

On initial recognition of an equity investment that is not held for trading, the Company and its subsidiaries may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Dividend income is recognized in profit or loss on the date on which the Company and its subsidiaries' right to receive payment is established.

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. Trade receivables that the Company and its subsidiaries intend to sell immediately or in the near term are measured at fair value; however, they are included in the 'trade receivables' line item. On initial recognition, the Company and its subsidiaries may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

4) Derecognition of financial assets

The Company and its subsidiaries derecognize a financial asset when the contractual rights to the cash flows from the financial asset expire, or they transfer the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company and its subsidiaries neither transfer nor retain substantially all of the risks and rewards of ownership and they do not retain control of the financial asset.

The Company and its subsidiaries enter into transactions whereby they transfer assets recognized in their statement of balance sheet, but retain either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

5) Overlay approach

The Insurance subsidiaries have applied IFRS 9 since January 1, 2018.

In order to reduce the impact and discrepancy arising from the adoption of IFRS 9 earlier than IFRS 17 (Insurance Contracts), the overlay approach of IFRS 4 "Insurance Contracts" has also been adopted to express the profit or loss of designated financial assets.

6) Other financial assets

a) Investment-linked insurance policy

Fubon Life Insurance and its subsidiaries are engaged in selling investment-linked insurance policies. The payment of premiums, net of administrative expenses, is recorded in a separate account and is used only in the way agreed to by the insured. The assets in these separate accounts are valued at market price on value date and it adopts related ordinances in determining the net asset value.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Fubon Life Insurance and its subsidiaries are engaged in labor pension insurance. Separate accounts should be established to record the value of invested assets. The assets, liabilities, and profit or loss related to the insurance are recorded in these separate accounts, respectively, and should be managed separately from other life insurance assets. The establishment, record, and accounting treatment should be in accordance with regulations announced by local competent authority where Fubon Life Insurance and its subsidiaries locate.

b) Customer margin deposit

Customer margin deposit includes trading margins deposited by customers and the gain or loss generated from unsettled futures contracts based on daily market values.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

2) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

3) Treasury shares

When shares recognized as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is recognized in capital surplus or retained earnings (if the capital surplus is not sufficient to be written down).

4) Preference shares

Non-redeemable preference shares are classified as equity, because they bear discretionary dividends, do not contain any obligations to deliver cash or other financial assets and do not require settlement in a variable number of the Company and its subsidiaries' equity instruments. Discretionary dividends thereon are recognized as equity distributions on approval by the Company and its subsidiaries' shareholders.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

5) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

6) Derecognition of financial liabilities

The Company and its subsidiaries derecognize a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company and its subsidiaries also derecognize a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

7) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Company and its subsidiaries currently have a legally enforceable right to set off the amounts and they intend either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

8) Financial guarantee contract

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

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”.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

9) Futures traders' equity

Future traders' equity represents the net balance of each future trader's deposit and royalty after considering the effect of settlement based on daily closing price. Offsetting is not permitted unless there are similar accounts under the same customer. Future traders' equity is recorded under current liabilities and any debit balance thereon is recorded as futures trading margins receivable.

(iii) Derivative financial instruments and hedge accounting

The Company and its subsidiaries hold derivative financial instruments to hedge their foreign currency and interest rate exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.

The Company and its subsidiaries designate certain hedging instruments (which include derivatives, embedded derivatives and non-derivatives in respect of foreign currency risk) as either fair value hedges, cash flow hedges, or hedges of net investments in foreign operations.

At inception of designated hedging relationships, the Company and its subsidiaries document the risk management objective and strategy for undertaking the hedge. The Company and its subsidiaries also document the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

1) Fair value hedges

The fair value change on qualifying hedging instruments is recognized in profit or loss except when the hedging instrument hedges an equity instrument designated at FVOCI in which case it is recognized in other comprehensive income.

The carrying amount of a hedged item not already measured at fair value is adjusted for the fair value change attributable to the hedged risk with a corresponding entry in profit or loss. For debt instruments measured at FVOCI, the carrying amount is not adjusted as it is already at fair value, but the hedging gain or loss is recognized in profit or loss instead of other comprehensive income. When the hedged item is an equity instrument designated at FVOCI, the hedging gain or loss remains in other comprehensive income to match that of the hedging instrument.

Where hedging gains or losses are recognized in profit or loss, they are recognized in the same line as the hedged item.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. The discontinuation is accounted for prospectively. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortized to profit or loss from that date.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Cash flow hedges

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognized in other comprehensive income and accumulated under ‘other equity—gains (losses) on hedging instruments’, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss.

Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognized hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognized in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. Furthermore, if the Company and its subsidiaries expect that some or all of the loss accumulated in other equity will not be recovered in the future, that amount is immediately reclassified to profit or loss.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. The discontinuation is accounted for prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in other equity remains in equity until, for a hedge of a transaction resulting in the recognition of a non-financial item, it is included in the non-financial item’s cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss. If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in other equity are immediately reclassified to profit or loss.

3) Hedge of a net investment in a foreign operation

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the foreign currency forward contracts relating to the effective portion of the hedge is recognized in other comprehensive income and accumulated in ‘other equity—gains (losses) on hedging instruments’. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss.

Gains and losses on the hedging instrument accumulated in other equity are reclassified to profit or loss on the disposal or partial disposal of the foreign operation.

4) Specific policies applicable for hedges directly affected by Interest Rate Benchmark (IBOR) reform

a) Prospective assessments

For the purpose of evaluating whether the economic relationship between the hedged item and the hedging instrument exists, the Company and its subsidiaries assume that the benchmark interest rate is not altered as a result of IBOR reform.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

b) The ‘highly probable’ assessments for forecast transactions

For a cash flow hedge of a forecast transaction, the Company and its subsidiaries assume that the benchmark interest rate will not be altered as a result of IBOR reform for the purpose of asserting that the forecast transaction is highly probable. Also, for discontinued hedging relationships, the same assumption is applied for determining whether the hedged future cash flows are expected to occur.

c) End of application

The Company and its subsidiaries will cease to apply the above assessments when the uncertainty arising from interest rate benchmark reform is no longer present with respect to the timing and the amount of the interest rate benchmark-based cash flows of the hedged item or hedging instrument, or when the hedging relationship is discontinued.

(iv) Interest rate benchmark reform (policy applicable from January 1, 2021)

1) Modifications of financial instruments

If the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortized cost changes as a result of interest rate benchmark reform, then the Company and its subsidiaries update the effective interest rate of the financial asset or financial liability to reflect the change that is required by the reform.

A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if the following conditions are met:

- the change is necessary as a direct consequence of the reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis – i.e. the basis immediately before the change.

If changes are made to a financial asset or financial liability in addition to changes made to the basis for determining the contractual cash flows required by interest rate benchmark reform, then the Company and its subsidiaries first update the effective interest rate of the financial asset or financial liability to reflect the changes that are required by interest rate benchmark reform. Subsequently, the Company and its subsidiaries apply the policies on accounting for modifications set out above to the additional changes.

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Hedge accounting

a) Changes to the hedged item and/or hedging instrument

When a change required by interest rate benchmark reform occurs to a hedged item and/or hedging instrument, the Company and its subsidiaries amend the hedge documentation of that hedging relationship to reflect the change(s) required by IBOR reform. For this purpose, the hedge designation is amended only to make one or more of the following changes:

- designating an alternative benchmark rate as the hedged risk;
- updating the description of the hedged item, including the description of the designated portion of the cash flows or fair value being hedged; or
- updating the description of the hedging instrument.

The Company and its subsidiaries make a change required by interest rate benchmark reform using an approach other than changing the basis for determining the contractual cash flows of the hedging instrument:

- The Company and its subsidiaries amend the description of the hedging instrument only if the following conditions are met:
- the original hedging instrument is not derecognized; and
- the chosen approach is economically equivalent to changing the basis for determining the contractual cash flows of the original hedging instrument.

The Company and its subsidiaries amend the formal hedge documentation by the end of the reporting period during which a change required by IBOR reform is made to the hedged risk, hedged item or hedging instrument. These amendments in the formal hedge documentation do not constitute the discontinuation of the hedging relationship or the designation of a new hedging relationship.

If changes are made in addition to those changes required by IBOR reform described above, then the Company and its subsidiaries first consider whether those additional changes result in the discontinuation of the hedge accounting relationship. If the additional changes do not result in the discontinuation of the hedge accounting relationship, then the Company and its subsidiaries amend the formal hedge documentation for changes required by IBOR reform as mentioned above.

b) Non-contractually specified risk component

If the Company and its subsidiaries reasonably expect that an alternative benchmark rate will be separately identifiable within a period of 24 months, it designates the rate as a non-contractually specified risk component if it is not separately identifiable at the designation date.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

c) Cash flow hedges

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 is deemed to be based on the alternative benchmark rate on which the hedged future cash flows are determined.

(g) Pecuniary and securities financing and refinancing

Pecuniary finance represents loans extended to securities investors and is accounted for as receivable from pecuniary finance. Such loans are secured by the securities purchased by investors. These securities are not reflected in the financial statements of the Company and its subsidiaries. These securities are returned to investors when investors terminate pecuniary financing.

Securities finance is affected by lending securities custody that are received from pecuniary finance or borrowed from securities finance companies, to investors. Such securities finance is not reflected in the financial statements of the Company and its subsidiaries. The investors' deposits for borrowing securities are held by the Company and its subsidiaries as collateral and are recorded under securities finance margin deposits received. In addition, investors are required to deposit the proceeds from sales of borrowed securities. Such deposits are accounted for as payables to securities financing.

Pecuniary refinancing represents loans from securities finance companies when the Company and its subsidiaries lack sufficient funds to perform pecuniary financing. These loans are recorded as refinance borrowings.

Securities refinancing represents borrowing securities from securities finance companies when the Company and its subsidiaries do not have sufficient securities to perform securities financing. For securities refinancing, the Company and its subsidiaries pay margin deposits to securities finance companies. These margin deposits are recorded as refinance margin deposits. The Company and its subsidiaries also provide securities investors' proceeds from selling borrowed securities to securities finance companies as collateral and records them under receivables from securities refinance.

(h) Securities lending

The Company and its subsidiaries lend securities through the Taiwan Stock Exchange Company. Revenue from securities lending is determined based on the formula for calculating the pricing and bidding of securities lending. Under this formula, the daily closing price of target security is used to multiply the amount of guarantee and transaction rate, so that the outcome is the amount of revenue from securities lending. This revenue is received by the securities firms when the securities are returned.

(i) Repurchase and resell transactions

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

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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(j) Non-current assets held for sale

Non-current assets or disposal groups comprising assets and liabilities that are highly probable to be recovered primarily through sale rather than through continuing use, are reclassified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Company and its subsidiaries' accounting policies. Thereafter, generally, the assets or disposal groups are measured at the lower of their carrying amount and fair value less costs to sell.

Any impairment loss on a disposal group is first allocated to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to assets not within the scope of IAS 36 – Impairment of Assets. Such assets will continue to be measured in accordance with the Company and its subsidiaries' accounting policies.

Impairment losses on assets initially classified as held for sale and any subsequent gains or losses on remeasurement are recognized in profit or loss. Gains are not recognized in excess of the cumulative impairment loss that has been recognized.

Once classified as held for sale, intangible assets and property, plant and equipment are no longer amortized or depreciated, and any equity-accounted investee is no longer equity accounted.

(k) Reinsurance

The Company and its subsidiaries arrange the reinsurance business based on the business need and the related insurance laws to limit the losses caused by certain events. For reinsurance ceded business, the Company and its subsidiaries cannot refuse to fulfill their obligations to the insured even if the reinsurer refuses to fulfill its obligation.

Reinsurance assets, claims recoverable from reinsurers, reinsurance receivable and funds held by ceding companies are periodically assessed for impairment. If the reinsurance asset is impaired, its carrying amount is reduced accordingly and impairment loss thereon is recognized in profit or loss. A reinsurance asset is impaired if, and only if there is objective evidence that the Company and its subsidiaries may not collect all receivables under the terms of the contract as a result of an event that occurred after initial recognition of the reinsurance asset; and the impact of that event to the amounts that the Company and its subsidiaries will receive from the reinsurer can be measured reliably.

The Company and its subsidiaries evaluate the effects of reinsurance with another reinsurer to whom insurance risks are ceded. If reinsurance contracts only cede significant insurance risks (excluding the underwriter risk and time risk), the reinsurance contract is accounted for using deposit accounting. Under this deposit accounting, the insurance premium, minus, the Company and its subsidiaries' retained reinsurance premium (or fee) is recognized as a deposit asset or liability.

Changes of the deposit component are recognized as profit or loss for the period. Interests arising from the deposit component for the contracts which does not transfer any risk or transfer the timing risk only are recognized as interest income or expense and calculated based on the effective interest rates which are determined by the estimates of future cash flows.

Reinsurance shall arrange the impairment losses recognized and/or reversed in accordance with IFRS 4.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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(l) Investment in associates

Associates are those entities in which the Company and its subsidiaries have significant influence, but not control or joint control, over their financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition less any accumulated impairment losses.

The consolidated financial statements include the Company and its subsidiaries' share of the profit or loss and other comprehensive income of those associates, after adjustments to align their accounting policies with those of the Company and its subsidiaries, from the date on which significant influence commences until the date on which significant influence ceases. The Company and its subsidiaries recognize any changes of its proportionate share in the investee within capital surplus, when an associate's equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in actual proportionate share.

Gains and losses resulting from transactions between the Company and its subsidiaries and an associate are recognized only to the extent of unrelated Company and its subsidiaries' interests in the associate.

When the Company and its subsidiaries' share of losses of an associate equals or exceeds its interests in an associate, it discontinues recognizing its share of further losses. After the recognized interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Company and its subsidiaries have incurred legal or constructive obligations or made payments on behalf of the associate.

The Company and its subsidiaries discontinue the use of the equity method and measures the retained interest at fair value from the date when its investment ceases to be an associate. The difference between the fair value of retained interest and proceeds from disposing, and the carrying amount of the investment at the date the equity method was discontinued is recognized in profit or loss. The Company and its subsidiaries account for all the amounts previously recognized in other comprehensive income in relation to that investment on the same basis as would have been required if the associates had directly disposed of the related assets or liabilities. If a gain or loss previously recognized in other comprehensive income would be reclassified to profit or loss (or retained earnings) on the disposal of the related assets or liabilities, the Company and its subsidiaries reclassify the gain or loss from equity to profit or loss (as a reclassification adjustment) (or retained earnings) when the equity method is discontinued. If the Company and its subsidiaries' ownership interest in an associate is reduced while it continues to apply the equity method, the Company and its subsidiaries reclassify the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest to profit or loss.

If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Company and its subsidiaries continue to apply the equity method without remeasuring the retained interest.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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When the Company and its subsidiaries subscribe to additional shares in an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment will differ from the amount of the Company and its subsidiaries' proportionate interest in the net assets of the associate. The Company and its subsidiaries record such a difference as an adjustment to investments, with the corresponding amount charged or credited to capital surplus. The aforesaid adjustment should first be adjusted under capital surplus. If the capital surplus resulting from changes in ownership interest is not sufficient, the remaining difference is debited to retained earnings. If the Company and its subsidiaries' ownership interest is reduced due to the additional subscription to the shares of the associate by other investors, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate will be reclassified to profit or loss on the same basis as would be required if the associate had directly disposed of the related assets or liabilities.

(m) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is initially measured at cost and subsequently at fair value with any change therein recognized in profit or loss.

If the fair value cannot be reliably determined, investment property is measured at the cost, less accumulated depreciation and accumulated impairment losses. After the fair value can be reliably determined, investment property is measured at fair value instead.

Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized in profit or loss. When investment property that was previously classified as property, plant and equipment is sold, any related amount included in 'other equity - revaluation surplus' is transferred to retained earnings.

Rental income from investment property is recognized as other revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

(n) Property and equipment

(i) Recognition and measurement

Property and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and accumulated impairment losses. The cost of property and equipment includes any cost directly attributable to the asset.

If significant parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company and its subsidiaries.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property and equipment.

Land is not depreciated.

Depreciation methods, useful lives and residual values are reviewed at each annual reporting date and adjusted if appropriate.

(iv) Reclassification to investment property

When the use of a property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified accordingly. Any gain arising on this remeasurement is recognized in profit or loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognized in other comprehensive income and presented in 'other equity - revaluation gains'.

Any loss is recognized in profit or loss. However, to the extent that an amount is included in the revaluation surplus for that property, the loss is recognized in other comprehensive income and reduces the revaluation gains within equity.

(o) Leases

(i) Identifying a lease

At inception of a contract, the Company and its subsidiaries assess whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company and its subsidiaries assess whether:

- 1) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and
- 2) the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- 3) the customer has the right to direct the use of the asset throughout the period of use only if either:
 - the customer has the right to direct how and for what purpose the asset is used throughout the period of use; or
 - the relevant decisions about how and for what purpose the asset is used are predetermined and:

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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- the customer has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or
- the customer designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

(ii) As a lessee

The Company and its subsidiaries recognize a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Company and its subsidiaries' incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments (including in-substance fixed payments);
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Company and its subsidiaries' estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- there is a change of its assessment on whether it will exercise an extension or termination option; or
- there is any lease modification

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Company and its subsidiaries account for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Company and its subsidiaries present right-of-use assets that do not meet the definition of investment property and lease liabilities as a separate line item respectively in the statement of financial position.

The Company and its subsidiaries have elected not to recognize right-of-use assets and lease liabilities for short-term leases and leases of low-value assets. The Company and its subsidiaries recognize the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

For sale-and-leaseback transactions, the Company and its subsidiaries apply the requirements for determining when a performance obligation is satisfied in IFRS15 to determine whether the transfer of an asset is accounted for as a sale of the asset. If the transfer of an asset satisfies the requirement of IFRS15 to be accounted for as a sale of the asset, the Company and its subsidiaries derecognize the transferred asset, then measure the right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the right of use retained. Accordingly, the Company and its subsidiaries recognize only the amount of any gain or loss that relates to the rights transferred to the buyer-lessor. For leaseback transaction, the Company and its subsidiaries apply the lessee accounting policy. If the transfer of an asset does not satisfy the requirement of IFRS15 to be accounted for as a sale of the asset, the Company and its subsidiaries will continue to recognize the transferred asset and shall recognize the financial liability equal to the transfer proceeds.

As a practical expedient, the Company and its subsidiaries elect not to assess whether all rent concessions that meets all the following conditions are lease modifications or not:

- 1) the rent concessions occurring as a direct consequence of the Covid-19 pandemic;
- 2) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- 3) any reduction in lease payments affects only payments originally due on or before June 30, 2022; and
- 4) there is no substantive change to other terms and conditions of the lease.

In accordance with the practical expedient, the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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(iii) As a lessor

When the Company and its subsidiaries act as a lessor, they determine at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Company and its subsidiaries make an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Company and its subsidiaries consider certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Company and its subsidiaries are an intermediate lessor, they account for the interests in the head lease and the sub-lease separately. They assess the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease. If a head lease is a short-term lease to which the Company and its subsidiaries apply the exemption described above, then they classify the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Company and its subsidiaries apply IFRS15 to allocate the consideration in the contract.

The Company and its subsidiaries recognize a finance lease receivable at an amount equal to its net investment in the lease. Initial direct costs, such as lessors to negotiate and arrange a lease, are included in the measurement of the net investment. The interest income is recognized over the lease term based on a pattern reflecting a constant periodic rate of return on the net investment in the lease. The Company and its subsidiaries recognize lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other income'.

(iv) Interest rate benchmark reform (policy applicable from January 1, 2021)

When the basis for determining future lease payments changes as required by interest rate benchmark reform, the Company and its subsidiaries remeasure the lease liability by discounting the revised lease payments using the revised discount rate that reflects the change to an alternative benchmark interest rate.

(p) Intangible assets

(i) Recognition and measurement

Goodwill arising on the acquisition of subsidiaries and intangible assets that have uncertain useful lives are measured at cost, less accumulated impairment losses.

Other intangible assets that are acquired by the Company and its subsidiaries and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in profit or loss as incurred.

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(iii) Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill and intangible assets that not have uncertain useful lives, from the date that they are available for use.

Amortization methods, useful lives and residual values are reviewed at each annual reporting date and adjusted if appropriate.

(q) Assets impairment

(i) Financial assets impairment

The principles for recognition of the expected credit loss are within the scope of IFRS 9:

The Company and its subsidiaries assess that whether the credit risk of financial instruments has increased significantly since initial recognition. An entity may determine that a financial asset has not suffered a significant increase in credit risk if the asset has low credit risk at each reporting date. To measure loss allowance, lifetime ECL measurement applies for those financial assets that have suffered a significant increase in credit risk since initial recognition and 12-month ECL measurement for those have not at each reporting date.

1) General approach of measuring expected credit loss:

The Company and its subsidiaries adopt the general approach to recognize expected credit loss on bond instruments and loans classified as financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income and other receivables. The Company and its subsidiaries assess that whether the credit risk of financial instruments has increased significantly since initial recognition and recognize the loss allowance. For financial assets measured at fair value through other comprehensive income, the loss allowance is recognized in other comprehensive income instead of reducing the carrying amount of the asset.

2) Simplified approach of measuring expected credit loss:

The Company and its subsidiaries adopt the simplified approach, 12-month ECL, to measure expected credit loss and recognize loss allowance on lease receivables and account receivables which is in the scope of IFRS 15. Considering historical experience, the Company and its subsidiaries adopt the simplified approach due to the loss rate of non-mentioned receivables and loans from investment-link product is very little.

3) The loss allowance of loans and receivables of the Insurance subsidiaries should pursuant to “Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts by Insurance Enterprises”. The higher of the loss allowance of loans and receivables and abovementioned assessment of expected credit loss is the minimum standard for determining the balance of loss allowance.

4) Pursuant to “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Nonaccrual Loans” (the “Regulations”) issued by the authority, the domestic bank subsidiary evaluates credit losses on the basis of the estimated collectability.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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In accordance with the Regulations, credit assets are classified as normal assets, assets that require special mentioned, assets with substandard, assets with doubtful collectability, and assets on which there is loss. The Bank evaluates value of collaterals of specified loans and assesses recoverability of nonperforming loans. Under the regulations, the domestic bank subsidiary categorizes the credit assets into Normal, Special Mention, Substandard, Doubtful, and Loss, and then make minimum provisions at 1% of the normal credits (other than those loans to ROC government), 2% of special mention, 10% of substandard, 50% of doubtful, and 100% of loss. According to the Ruling No.10010006830 issued by the FSC, the target ratio of the bad debts allowance to total loans should be set for more than 1%. Pursuant to Rule No.10300329440 issued by the FSC, for the banks to have an enhance risk coverage, the minimum provision for the loan loss reserve is 1.5% of the mortgage and construction loans which are 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 “ Risk-Based Loan Categorization” issued by the China Banking and Insurance Regulatory Commission , the foreign bank subsidiary, Fubon Bank (China), divides credit assets into Normal, Special Mentioned, Substandard, Doubtful and Loss. Under the “ Notice of Regulatory Requirements for the Loan Loss Reserves of Fubon Bank (China)” issued by the CBRC Shanghai Office, the lowest standard of loan provision are 1.5% and 1.8%, and of coverage ratios are 120% and 130% for the year 2021 and 2020, respectively. Fubon Bank (China) uses the individual and combined assessment of impairment, and the abovementioned standard as its minimum provision standard. 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.

(ii) Impairment of non-financial assets

At each reporting date, the Company and its subsidiaries review the carrying amounts of the non-financial assets (other than deferred tax assets and investment properties measured at fair value) to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated. Goodwill and other intangible assets which have uncertain useful life are tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or Cash-generating Units (CGUs). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(r) Insurance liability

The reserve for both the insurance contracts and financial instruments with or without discretionary participation feature of the Company and its subsidiaries is provided in accordance with the "Regulations Governing the Provision of Various Reserves", "Regulations for Managing the Various Reserve of Compulsory Automobile Liability Insurance", "Enforcement Rules for the Risk Spreading Mechanism of Residential Earthquake Insurance", "Regulations for the Reserve of Nuclear Insurance", and "Guidance for Enhancing Property Insurances On Disasters (commercial earthquake insurance and typhoon and flood insurance)". The methodologies used to determine the reserve are certified by the appointed actuary who is authorized by the FSC. Except for the reserve for short-term group insurance which is calculated on the actual premiums or the premiums conforming to the rule prescribed in Gin Guan Bao Tsai No.10704504821 letter, whichever is higher, the bases for determining other reserves or provision for liabilities are as follows:

(i) Unearned premium reserves

For property insurance subsidiaries, unearned premium reserves are determined based on the exposure of the unexpired period for the unexpired policies and the policies that have not been terminated. For life insurance subsidiaries, unearned premium reserves for effective insurance contracts with a term below one year and injury insurance contracts with a term over one year are calculated based on the gross premiums of the insurance contracts which yet to mature on the reporting date.

(ii) Claim reserves

The Insurance subsidiaries calculate their claim reserves including reported but not paid and incurred but not reported (IBNR) based on past claim experience and loss adjustment expenses incurred for each line of insurance according to actuarial principles. Reserves for reported but not paid claims shall be estimated on a case-by-case basis based on the relevant information, and reserved based on the type of insurance. Reserves for incurred but not reported claims are provided as follows:

- 1) Health insurance and life insurance with a term below one year: The reserve is provided based on historical claim experiences and expenses along with the insurance types via the method conforming to actuarial principles (e.g., Loss Development Triangle Method).
- 2) Injury insurance: The reserve is provided based on historical claim experiences and expenses via the method conforming to actuarial principles (e.g., Loss Development Triangle Method).

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Liability reserve

The provision for future policy benefits is calculated in accordance with both the modified method of article 12 of the “Enforcement Rules of Insurance Law” and the calculation prescribed by the competent authority.

Commencing from 2003, for effective insurance contracts which adopt the dividend calculation formula prescribed under the Tai Tsai Bao No. 800484251 letter, the policy reserve is provided based on the currently reduced amount of dividend caused by the offset between interest margin and mortality margin for long term effective insurance contracts.

Commencing from 2012, in accordance with the Gin Guan Bao Tsai No. 10102500530 letter and Article 11 of “Value-added and Non-value-added Business Tax Act”, a liability reserve based on 3% of sales is provided for purposes of writing off overdue loans or providing allowance for bad debts when the percentage of overdue loans is lower than 1%. Furthermore, in accordance with article 19 of “Enforcement Rules of Insurance Law”, the Company and its subsidiaries should collect the “catastrophe special reserve” and allocate it as “recovered life insurance liability reserve of catastrophe”.

When an insurer chooses to measure its investment property at fair value, the value of its insurance liabilities must also be measured at fair value. If the results of the measurements indicate that the fair value of the insurance liabilities exceeds the book value, the difference should be reserved for insurance liabilities and retained earnings must be reduced. According to article 9 of the “Regulations Governing the Preparation of Financial Reports by Insurance Enterprises”, subsequent measurement of insurance liability shall be subsequently measured based on the fair value measurement criteria designated by the FSC annually. When the measured fair value of insurance liability is greater than its carrying amount, an improvement plan shall be proposed. When the improvement plan includes the amount of additional reserve to be set aside, the amount of increase in reserve shall be added to the policy reserve and deducted from retained earnings.

(iv) Special reserves

1) Special reserve – special reserves

Special reserve provided for retention business with a term of one year is divided into two categories, which are special catastrophe reserve and special reserves for fluctuation of risks. The new provision of this special reserve, net of income tax, is accounted for under special reserves in equity, in accordance with IAS 12. On January 1, 2013, the special reserve provided prior to December 31, 2012 under liabilities, is transferred, net of income tax, to “Special Reserve” under “Owner’s Equity”, in accordance with IAS 12.

In accordance with the “Guidance for Enhancing Property Insurances On Disasters (commercial earthquake insurance and typhoon and flood insurance)”, other catastrophe special reserves and equalization special reserve (except for compulsory motor TPL insurance, nuclear insurance, governmental earthquake insurance, commercial earthquake insurance, typhoon and flood insurance) recognized under liabilities account before December 31, 2012, are transferred to cover the insufficiencies of catastrophe special reserve and equalization special reserve of commercial earthquake insurance and typhoon and flood insurance until those insufficiencies are fully covered; the excess balance, if any, is recognized, net of income tax, as special reserves in equity in accordance with IAS 12.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

a) Special reserves – special catastrophe reserve

A special catastrophe reserve covering all types of insurance is provided at a rate prescribed by the competent authority. For Fubon Life Insurance, when the actual catastrophe claim exceeding \$30 million, the excess amount is offset against special catastrophe reserve. For Fubon Insurance, when special catastrophe reserve that remains outstanding for over 15 years, it is written off based on the evaluation of an actuary and after being reported to the competent authority for inspection. The balance for write down or reclaim, net of income tax, is offset against the special reserve for catastrophe of equity in accordance with IAS 12.

b) Special reserves – special reserves for fluctuation of risks

If the net amount of actual claim minus the related special catastrophe reserve is lower than the amount of expected claim, special reserves for fluctuation of risks are provided at a rate of 15% of the difference between the net amount of actual claim and the amount of expected claim.

If the net amount of actual claim minus the related special catastrophe reserve is higher than the expected claim amount, the difference is debited to special risk-volatility reserve. However, the amount and type of insurance are reported to the competent authority for inspection. If the total accumulated amount of the special risk-volatility reserve is over 30% of the matured retention premium of the year for Fubon Life Insurance, and the total accumulated amount of the special risk-volatility reserve is over 60% of the matured retention premium of the year for Fubon Insurance, the excess is treated under reclaim rule. The balance for write down or reclaim, net of income tax, is offset against the special reserves for risk-volatility of equity in accordance with IAS 12.

- 2) The pre-bonus pre-tax income of participating life insurance policies sold by life insurance subsidiaries is assessed separately at the end of the year, in accordance with the Regulations. The income/loss and the amount of reclassification to retained earnings of the gains/losses on disposal of investments in equity instruments designated at fair value through other comprehensive income, allocation of participating and nonparticipating life insurance policies are also assessed according to the guidelines, and is reported to the competent authority. Such income is credited/debited to “special reserve-provision for bonus of participating policy”. This reserve is written off on the date of bonus announcement. If this reserve is insufficient, an additional “special reserve - provision for risk of bonus” is made to cover for the deficiency.
- 3) In accordance with subsequent measurement of investment properties from cost model to fair value model, the Company and its subsidiaries should recognize special reserve under liabilities by the net amount of the effects of the first time adoption of investment properties subsequently measured at fair value model deducting incremental amounts of liability reserve. Additionally, commencing from January 1, 2013, the excess amount of the enhancement of liability reserve, calculated in accordance with November 27, 2012 Gin Guan Bao Tsai Order No. 10102515285, could transfer to “liability reserve Insurance contract liability measured at fair value” in accordance with November 30, 2012 Gin Guan Bao Tsai Order No. 10102515281. For remaining outstanding reserve, it is accounted for under special reserve of stockholders’ equity, either recognized by 80% of which at first year or recovered by 5 years with the restriction up to \$10 billion dollars each year.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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(v) Premium deficiency reserve

For property insurance subsidiaries, future losses and expenses for the unexpired policies and the policies that have not been terminated are evaluated. If the expected future losses and expenses exceed the sum of the recognized unearned premium reserve and the expected future premium income, a premium deficiency reserve is recognized for such excess. For life insurance, health insurance, and annuities contracts issued commencing from January 1, 2001, whose contract period is longer than one year, a special premium deficiency reserve is provided based on the unpaid premiums deficiency if the written premiums are less than those used for providing policy reserves.

For life insurance subsidiaries, for effective insurance contracts with a term below 1 year and insurance contracts against injury with a term over 1 year, a premium deficiency reserve is provided by type of insurance if the aggregate amount of unearned premium retention and expected future premium revenue is less than the estimated potential insurance claims and related future expenses.

(vi) Liability adequacy reserve

Liability adequacy reserve is a reserve that is provided depending on the results of the liability adequacy test prescribed under IFRS 4 endorsed by the FSC.

In accordance with the “Code of Conduct of Actuarial Practice under IFRS 4” as pronounced by the Actuarial Institute of the Republic of China, the liability adequacy is tested by product type group (or on the overall Company contracts). Under this liability adequacy test, the net book value of the insurance liability minus the deferred acquisition costs and relevant intangible asset is compared to the estimated present value of future cash flow of the insurance contracts. If the net book value is less than the estimated present value of future cash flow of the insurance contracts, then the difference is recognized as current loss.

(vii) Reserve for insurance contract with nature of financial instruments

In accordance with the “Regulations Governing the Provision of Various Reserves”, provision for financial instruments without discretionary participation feature is accounted for using deposit accounting.

(viii) Insurance liabilities of foreign subsidiaries are life insurance liabilities reserves, unearned premium reserves and claims reserves that are in accordance with the insurance rules where the subsidiaries reside. The amount of these reserves is based on actuarial report issued by local government certified actuaries.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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(s) Foreign exchange fluctuation reserve

Commencing March 1, 2012, life insurance subsidiaries have transferred the partial amounts of special catastrophe reserve and special risk-volatility reserve, covering all types of insurance, into the initial balance of foreign exchange fluctuation reserve. Subsequent provision or write off is made in accordance with the “Guidelines of Foreign Exchange Fluctuation Reserve for Life Insurance Business”. The surplus of hedging cost is reclassified to special reserves. If the earnings for the period are insufficient to be reclassified to special reserves, the provision can be made in the subsequent years with a surplus. The relevant special reserves are reversed only for capital increase or deficit compensation. In accordance with article 9 of “Guidelines of Foreign Exchange Fluctuation Reserve for Life Insurance Business”, if there is net income for the period, a 10% special reserve should be made.

(t) Insurance contracts

An insurance contract is a “contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder”. The Company and its subsidiaries define significant insurance risk as the event which might lead to additional significant payment.

An insurance contract with nature of financial instruments means the contract is able to transfer significant financial risk. Financial risk refers to a risk from possible changes in one or more specified interest rate, financial instrument price, commodity price, foreign exchange rate, price index, tariff index, credit rating, credit index or other variable in the future. If the previously stated variables are non-financial variables, then no financial variables are involved in the contract.

Once a contract has qualified as an insurance contract, it remains an insurance contract until all rights and obligations are extinguished or expired, even if insurance risk becomes insignificant or non-existent. However, some contracts do not transfer any insurance risk to the Company and its subsidiary at inception, although they do transfer insurance risk at a later time. In those cases, the contract is not considered an insurance contract until the risk transfer happens.

(u) Revenue recognition

The Company and its subsidiaries recognize revenue when a performance obligation is satisfied by transferring control of goods or service to a customer.

The accounting policies for the Company and its subsidiaries’ main types of revenue are explained below.

(i) Banking subsidiaries

1) Interest income and expense

Except for financial assets and liabilities reported at fair value through profit or loss, all interest-bearing financial assets and interest-bearing financial liabilities are accrued using the effective interest rate method and are accounted for as interest revenue and interest expense in Consolidated Statements of Comprehensive Income.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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2) Recognition of commission fee revenue and commission fee expense

Commission fee revenue and expense are recognized when loans or other services are provided. Service fees on significant projects are recognized on project completion, for instance, service fees received when the Bank is the arranger of syndicated loans. Commission revenue and fees relating to loan services are amortized through service periods or included in the effective interest rate for loans and receivables.

(ii) Insurance subsidiaries

1) Property insurance subsidiaries

Premium income from direct insurance business is recognized based on the written policies and endorsement. For motor insurance business, income is recognized when premiums are collected before the insurance policy takes effect and underwriting procedures, including the signed policy and issuing of insurance certificates, are completed. For personal accident and health insurance business, income is recognized when premiums are collected before the insurance policy takes effect and underwriting procedures, including the signed policy and issuing of insurance certificates, are completed. Assumed reinsurance premiums for reinsurance assumed business is recognized when the reinsurance statement is received by the insured. For those statements which have not been received by the insured, assumed reinsurance premium is estimated in a reasonable and systematic way. The related acquisition costs (such as: commissions, brokerage fees, reinsurance commissions and etc.) are recognized in the same period without being deferred.

Unearned premium reserves for the compulsory auto liability, the residential earthquake insurance, and the nuclear insurance are determined in accordance with the regulations and rules.

The approaches to determine unearned premiums reserves selected based on the characteristics of the line of business and decided by the actuary (the approaches are not allowed to change without the permission of the Authority). Unearned premium reserve is certified by the appointed actuary.

Tax liabilities related to premium income are recognized on accrual basis, in accordance with Value-added and Non-value-added Business Tax Act, the Stamp Tax Act, and other relevant laws and regulations.

2) Life insurance subsidiaries

a) Fubon Life Insurance

For insurance contracts and financial instruments with discretionary participation, the first and the subsequent period premium is recognized as revenue when the insurance underwriting process is complete and the date for premium payment is due. The policy acquisition costs such as commission expenses are recognized as current expenses when the insurance contract becomes effective.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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Premiums on insurance contracts, which do not belong to investment-linked insurance and which are classified as financial products without discretionary participation feature, are recognized as “reserve for insurance contract with nature of financial instrument”. The insurance acquisition costs are offset against “reserve for insurance contract with nature of financial instrument” when the insurance contracts become effective.

Premiums on insurance contracts, which belong to investment-linked insurance and which are classified as financial products without discretionary participation feature, are recognized as “Liabilities on Insurance Product-Separate Account”, net of related expenses such as the front-end load and investment administration service charge. The insurance acquisition costs relating to investment administration service, including commission expenses and additional charges for the issuance of new contracts, are recognized as “deferred acquisition costs”.

The service charges normally collected from the policyholder of insurance contracts, which do not belong to investment-linked insurance and which are classified as financial products non-discretionary participation feature, include contract administration charge, investment administration charge, rescinding charge and others. These charges are recognized as revenue upon collection. When Fubon Life Insurance receive certain service charge which makes them obligated to provide future service (ex: front-end load charge), this service charge is initially treated as a deferred revenue and is recognized as revenue when the service is provided, are recognized as “deferred service fee revenue”.

b) Fubon Life Insurance (Vietnam)

The insurance revenues and expenses are recognized under the accounting standards endorsed by the local government. Based on the common practice in the insurance industry, the premium income of direct insurance business is recognized as revenue of the year when conditional receipt is delivered after receiving premiums. The relatively incurred expenses, such as commission and direct business expenses, are recognized when they are paid and estimated on accrual basis at year-end.

c) Fubon Life Insurance (Hong Kong)

The premium income of direct insurance business is recognized based on the common practice in the insurance industry. The first period premium is recognized when it is received and the insurance underwriting process is complete, while subsequent period premium is recognized on the scheduled payment date. Acquisition costs, such as commission expenses, are recognized as current expenses accompanying the recognition of premium income.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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d) Fubon Hyundai Life Insurance Co., Ltd.

The premium income of direct insurance business is recognized based on the common practice in the insurance industry. The first and the subsequent period premiums are recognized as revenue when the insurance underwriting process is completed, and when the premium payment is due, respectively. Acquisition costs, according to local authorities, are recognized as deferred costs.

(iii) Securities and Asset Management subsidiaries

The securities and Asset Management subsidiaries' major revenue recognition principles are as follows:

- 1) Brokerage commission, profit or loss on disposal of trading securities, and relevant brokerage securities transaction charges are recognized at the trading date.
- 2) Interest income or expense from margin loans, securities financing and refinancing, and bonds purchased under agreements to resell and sold under agreements to repurchase are recognized on accrual basis.
- 3) Recognition of service revenue depends on the degree of service delivered.
- 4) Management fees are received from providing management services to securities investment trust funds and investors' discretionary investment accounts. Management fees are calculated daily on the net assets of each securities investment trust fund account and investor's discretionary investment account multiplied by the contract rates and are paid monthly by each securities investment trust fund and investor's discretionary investment account.
- 5) Gains or losses on disposal of equity investments of financial assets measured at fair value are recognized at the trading date.
- 6) Dividend revenues are recognized when the Company and its subsidiaries have the defined right to receive the payment.
- 7) Gains or losses on futures and options trade: Trading margin is recognized at cost and measured through mark-to-market valuation. The gains or losses from mark-to-market, reversed futures trading or settled contracts are recognized as gains or losses in the current period; dealing handling fee expenditures are recognized on the date of futures and options transaction.

(v) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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(ii) Defined benefit plans

The past service cost arising from the change of the benefits of a plan are recognized as profit or loss in the current period immediately.

The service cost and net interest of the net defined benefit liability (asset) of the Company and its subsidiaries are recognized as employee benefits expenses when it occurs. Remeasurements of the defined benefit plans, including (a) actuarial gains and losses, (b) return on plan assets, excluding interest, and (c) any change in the effect of the asset ceiling, excluding interest, are recognized in other comprehensive income when it occurs. The amounts recognized in other comprehensive income are transferred to retained earnings, and will not be reclassified subsequently to profit or loss.

Pension cost for an interim period is calculated on a year to date basis by using the actuarially determined pension cost rate at the reporting date of prior year, adjusted for significant market fluctuations since the reporting date of prior year and for significant curtailments, settlements, or other significant one-time events.

The Company and its subsidiaries' net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company and its subsidiaries, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Company and its subsidiaries determine the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company and its subsidiaries recognize gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Other long-term employee benefits

The Company and its subsidiaries' net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognized in profit or loss in the period in which they arise.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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(iv) Termination benefits

Termination benefits are expensed at the earlier of when the Company and its subsidiaries can no longer withdraw the offer of those benefits and when the Company and its subsidiaries recognize costs for a restructuring.

(v) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company and its subsidiaries have a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(vi) Employment benefit - preferential interest on employees' deposits

The bank subsidiary offered 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 treated as employee benefits.

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

(w) Income tax

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

The income tax expenses have been prepared and disclosed in accordance with paragraph B12 of International Financial Reporting Standards 34, Interim Reporting.

Income tax expenses for the period are best estimated by multiplying pretax income for the interim reporting period using the effective annual tax rate as forecasted by the management. This should be recognized fully as tax expense for the current period.

The income tax expenses recognized directly in equity or other comprehensive income arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases, which is measured at tax rates when it is expected to be realized.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

- (i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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- (ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company and its subsidiaries are able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes, if any.

Deferred tax assets and liabilities are offset if the following criteria are met:

- (i) the Company and its subsidiaries have a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - 1) the same taxable entity; or
 - 2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

The Company and domestic subsidiaries file a combined corporate income tax return. However, the measurement of income tax is treated by following the above-mentioned principles. The excess or deficit payment of income tax due to a combined corporate income tax filing is charged to current tax assets or liabilities.

(x) Business combination

The Company and its subsidiaries account for business combinations using the acquisition method. The goodwill arising from an acquisition is measured as the excess of (i) the consideration transferred (which is generally measured at fair value) and (ii) the amount of non-controlling interest in the acquiree, both over the identifiable net assets acquired at the acquisition date. If the amount calculated above is a deficit balance, the Company and its subsidiaries recognized that amount as a gain on a bargain purchase in profit or loss immediately after reassessing whether they have correctly identified all of the assets acquired and all of the liabilities assumed.

All acquisition-related transaction costs are expensed as incurred, except for the issuance of debt or equity instruments.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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For each business combination, the Company and its subsidiaries measure any non-controlling interests in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets, if the non-controlling interests are present ownership interests and entitle their holders to a proportionate share of the Company and its subsidiaries' net assets in the event of liquidation. Other components of non-controlling interests are measured at their acquisition-date fair values, unless another measurement basis is required by the IFRSs endorsed by the FSC.

In a business combination achieved in stages, the Company and its subsidiaries remeasure its previously held equity interest in the acquiree at its acquisition-date fair value, and recognizes the resulting gain or loss, if any, in profit or loss. In prior reporting periods, the Company and its subsidiaries may have recognized changes in the value of its equity interest in the acquiree in other comprehensive income. If so, the amount that was recognized in other comprehensive income will be recognized on the same basis as would be required if the Company and its subsidiaries had disposed directly of the previously held equity interest. If the disposal of the equity interest required a reclassification to profit or loss, such an amount will be reclassified to profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, provisional amounts for the items for which the accounting is incomplete are reported in the Company and its subsidiaries' financial statements. During the measurement period, the provisional amounts recognized at the acquisition date are retrospectively adjusted, or additional assets or liabilities are recognized to reflect new information obtained about facts and circumstances that existed as of the acquisition date. The measurement period will not exceed one year from the acquisition date.

(y) Earnings per share

The Company and its subsidiaries disclose the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares. The effect of any increase in outstanding shares due to the issuance of common stock from capitalization of retained earnings or capital surplus approved in the shareholders' meeting is retroactively adjusted.

(z) Segment information

An operating segment is a component of the Company and its subsidiaries that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Company and its subsidiaries). Operating results of the operating segment are regularly reviewed by the Company and its subsidiaries' chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. Each operating segment consists of standalone financial information.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty

The preparation of the consolidated financial statements in conformity with the Regulations and IFRSs (in accordance with IAS 34 “Interim Financial Reporting” and endorsed and issued into effect by FSC) requires the management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is as follows:

(a) Fair value of financial instruments

The fair value of non-active market or non-quoted financial instruments is determined using valuation techniques. In this case, the fair value is based on observable data of similar financial instruments or valuation model. If there are no observable market parameters, the fair value of financial instruments is evaluated based on appropriate assumptions. When the fair value is determined by the valuation model, the model shall be calibrated to ensure that all output data and the results reflect the actual market price. The models use only observable data as possible.

Information of major assumptions for determining the fair value of financial instruments and the sensitivity analysis of those assumption, please refer to note 6(ai).

(b) Insurance liability and reserve for insurance contract with nature of financial instruments

The Company and its subsidiaries measure insurance liabilities in accordance with the “Regulations Governing the Provision of Various Reserves”.

Provision of life insurance liability reserve applies "lock-in" assumption, under which fixed interest rates at the time the policies are issued, instead current interest market rate is used for providing this reserve.

Reserve for unearned premium is calculated according to the risks of respective insurance, and is determined by the actuary based on the characteristic of respective insurance.

Claim reserve is estimated by Loss Development Triangle Method. The final claim cost is calculated using primary assumptions including claim development factor and expected claim rate. The claim development factor and the expected claim rate are calculated based on the historical claim experience and adjusted by the Company and its subsidiaries’ policy factors such as charge rate and claim management.

The estimation of liability adequacy test follows the “Code of Conduct of Actuarial Practice for the Statements of Financial Accounting Standards No 4” pronounced by the Actuarial Institute of the Republic of China. The estimated present value of the future cash flow of insurance contract when Company and its subsidiaries assess liability adequacy reserve is based on the reasonable estimated future insurance payment, premium revenue and relevant expenses.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The professional judgment applied to the abovementioned liability evaluation process will affect the amount recognized for net changes in insurance liability, net changes in insurance contract with nature of financial instruments, insurance liability and reserve for insurance contract with nature of financial instruments.

- (c) Debt investments and loans classified as financial assets measured at amortized cost or fair value through other comprehensive income, and expected credit loss of its receivables

The Company and its subsidiaries' financial assets impairment which applies Lifetime ECL measurement or 12-month ECL measurement is determined by whether the credit risk has increased significantly since initial recognition. Lifetime ECL measurement applies for those financial assets that have suffered a significant increase in credit risk since initial recognition and 12-month ECL measurement for those have not. To measure expected credit losses, the Company and its subsidiaries consider PD (probability of default) of the financial asset or the issuer or counterparty, which is included in LGD (loss given default). Then LGD is multiplied by EAD (exposure at default). The Company and its subsidiaries consider the impact of the time value of money and estimate the expected credit losses of twelve months and the duration, respectively. The Company and its subsidiaries have considered historical experience, current economic conditions and forward-looking information at the reporting date to determine the assumptions and the selected inputs to be used in calculating the impairments.

- (d) Fair value of investment property

The fair value of investment property is derived from valuation techniques. Assumptions which are used in applying valuation techniques, such as income approach, comparison approach or cost approach, will have impacts on the fair value of investment property.

- (e) Impairment of goodwill

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

- (f) Income taxes and deferred tax assets and liabilities

The Company and its subsidiaries calculate the income tax in accordance with the local ordinances. The possible difference in tax base and calculation between the Company and its subsidiaries and the tax authorities leads to the uncertainty of income tax. The Company and its subsidiaries recognize related income tax and deferred income tax by assessing possible additional income tax pursuant to the transactions and calculations for the tax. If the final tax determined by the authorities differs from the initial recognized amount, the difference will affect the income tax and deferred income tax accounts.

The assessment of the recoverable of deferred tax assets is based on future profitability estimation. If the estimated assumption of profitability has been changed, the Company and its subsidiaries may adjust the recognized amount of deferred tax assets.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(6) Explanation of significant accounts

(a) Cash and Cash Equivalents

	June 30, 2021	December 31, 2020	June 30, 2020
Cash on hand and petty cash	\$ 8,006,546	7,473,307	6,737,051
Bank deposits	133,271,865	164,619,867	137,475,943
Cash equivalents	22,602,724	22,551,360	9,412,578
Notes and checks for clearing	1,327,002	1,516,208	1,612,035
Due from banks	72,360,573	78,554,375	93,909,595
Less: Guarantee deposits	66,814	66,742	66,742
Total	<u>\$ 237,501,896</u>	<u>274,648,375</u>	<u>249,080,460</u>

For consolidated statements of cash flows, cash and cash equivalents include accounts as of June 30, 2021 and 2020, listed below:

	June 30, 2021	June 30, 2020
Cash and cash equivalents in consolidated balance sheets	\$ 237,501,896	249,080,460
Due from the central bank and call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7	102,929,579	39,113,021
Securities purchased under resell agreements qualifying for cash and cash equivalents under the definition of IAS 7	81,026,296	58,101,498
Cash and cash equivalents in consolidated statements of cash flows	<u>\$ 421,457,771</u>	<u>346,294,979</u>

The Company and its subsidiaries assess the loss allowance for cash and cash equivalents by using the expected credit loss model, which is also used to evaluate debt investments. Due to the low credit risk of cash and cash equivalents, loss allowance is recognized based on 12-month expected credit loss.

The amounts of loss allowance were as follows:

	June 30, 2021	December 31, 2020	June 30, 2020
Loss allowance	<u>\$ 37,922</u>	<u>33,203</u>	<u>17,123</u>

For credit risk, the assessment of impairment and the change of loss allowance, please refer to note 6 (ak) for details.

The guarantee deposits are time deposits provided as pledged assets. Please refer to note 8 for details.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(b) Due from the Central Bank and Call Loans to Banks

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Call loans to banks	\$ 181,929,362	188,057,021	178,700,952
Deposit reserves	112,718,283	98,101,432	113,686,274
Due from the central bank – others	<u>13,619,192</u>	<u>12,129,461</u>	<u>12,518,985</u>
Total	<u>\$ 308,266,837</u>	<u>298,287,914</u>	<u>304,906,211</u>

Under a directive issued by the Central Bank of the Republic of China, New Taiwan dollar (TWD)-denominated deposit reserves are determined by applying a prescribed percentage to the average monthly balances of customers' TWD-denominated deposits.

Details of the deposit reserves from Taipei Fubon Bank and JihSun Bank were as follows:

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Deposit reserves for checking account	\$ <u>26,276,800</u>	<u>20,231,066</u>	<u>42,030,295</u>
Required deposit reserves	<u>\$ 49,852,758</u>	<u>40,703,283</u>	<u>40,795,784</u>

The deposit reserves for checking account 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 by applying a prescribed percentage to the balances of foreign-currency deposits. These reserves may be withdrawn anytime but bear no interests.

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

The amounts of loss allowance were as follows:

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Loss allowance	\$ <u>1,687</u>	<u>9,245</u>	<u>929</u>

For credit risk, the assessment of impairment and the change of loss allowance, please refer to note 6 (ak) for details.

The guarantee of due from the central bank and call loans to banks provided as pledged assets, please refer to note 8 for details.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(c) Financial Instruments Measured at Fair Value through Profit or Loss

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Financial assets mandatorily measured at fair value through profit or loss:			
Non-hedge derivative instruments			
Interest rate contracts	\$ 2,934,825	3,393,637	4,338,267
Currency rate contracts	40,132,049	61,852,472	24,718,519
Options contracts	978,018	1,380,711	253,810
Cross currency swap contracts	2,447,962	3,894,592	2,031,393
Others	<u>1,238,127</u>	<u>824,059</u>	<u>840,440</u>
	<u>47,730,981</u>	<u>71,345,471</u>	<u>32,182,429</u>
Non-derivative financial assets			
Government bonds	13,860,942	6,245,376	17,143,977
Corporate bonds	19,608,971	22,486,995	31,478,072
Financial bonds	41,009,197	41,532,998	40,377,108
Stocks	733,008,740	627,392,872	508,659,473
Beneficiary certificates	612,831,828	522,217,807	563,966,223
Commercial papers	26,849,185	27,256,082	48,515,991
Treasury bills	6,799,718	1,482,244	11,479,257
Beneficiary securities	29,417,563	20,239,443	9,651,699
Negotiable certificates of deposit	1,673,343	4,792,304	2,379,197
Others	<u>2,954,791</u>	<u>4,164,171</u>	<u>2,619,797</u>
	<u>1,488,014,278</u>	<u>1,277,810,292</u>	<u>1,236,270,794</u>
Hybrid financial assets			
Convertible corporate bonds	25,196,850	15,020,655	12,984,615
Structured products	<u>57,025,061</u>	<u>24,533,106</u>	<u>95,185,418</u>
	<u>82,221,911</u>	<u>39,553,761</u>	<u>108,170,033</u>
Total	<u>\$ 1,617,967,170</u>	<u>1,388,709,524</u>	<u>1,376,623,256</u>

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Financial liabilities designated as at fair value through profit or loss:			
Structured products	\$ 3,188,155	3,538,009	3,289,588
Exchange traded notes	<u>83,603</u>	<u>87,589</u>	<u>198,718</u>
	<u>3,271,758</u>	<u>3,625,598</u>	<u>3,488,306</u>
Held-for-trading financial liabilities:			
Non-hedge derivative instruments			
Interest rate contracts	3,324,070	3,874,221	4,349,097
Currency rate contracts	23,826,075	41,848,898	15,854,086
Options contracts	4,426,294	2,332,569	1,834,549
Others	<u>5,020,355</u>	<u>3,812,300</u>	<u>2,828,623</u>
	<u>36,596,794</u>	<u>51,867,988</u>	<u>24,866,355</u>
Non-derivative financial liabilities			
Stock borrowing and short selling	5,846,463	1,788,152	468,303
Bonds borrowing and short selling	<u>7,180,171</u>	<u>7,131,096</u>	<u>9,149,748</u>
	<u>13,026,634</u>	<u>8,919,248</u>	<u>9,618,051</u>
Total	<u>\$ 52,895,186</u>	<u>64,412,834</u>	<u>37,972,712</u>

- (i) The guarantee of financial assets measured at fair value through profit or loss provided as pledged assets, please refer to note 8 for details.
- (ii) The Bank subsidiaries are engaged in derivative transactions mainly to accommodate customers' needs, to manage their exposure positions, and to accommodate their fund needs in different currencies.
- (iii) The Insurance subsidiaries have selected to apply the overlay approach of IFRS 4 "Insurance Contracts" to express the profit or loss of designated financial assets when applying IFRS 9 on January 1, 2018.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- 1) The financial assets related to investing activities of issuing insurance contracts and designated to apply the overlay approach were as follows:

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Financial assets measured at fair value through profit or loss:			
Stocks	\$ 713,017,068	619,591,283	496,736,178
Corporate bonds	1,134,897	1,156,253	1,154,471
Financial bonds	36,977,366	35,409,601	29,093,734
Asset securitization products	2,310,593	2,404,985	2,366,812
Beneficiary certificates	630,593,128	532,927,324	563,099,478
Structured products	55,618,601	21,517,814	92,158,560
Others	<u>1,210,402</u>	<u>1,722,413</u>	<u>1,140,710</u>
Total	<u>\$ 1,440,862,055</u>	<u>1,214,729,673</u>	<u>1,185,749,943</u>

The reclassified amount from profit or loss to other comprehensive income of the financial assets designated to apply the overlay approach was as follows:

	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Gains (losses) reported as profit or loss under IFRS 9	\$ 65,049,242	101,650,261	128,201,999	(1,413,090)
Less: Gains reported as profit or loss if applied IAS 39	<u>(39,544,425)</u>	<u>(14,264,467)</u>	<u>(70,726,036)</u>	<u>(38,801,812)</u>
Gains (losses) reclassified by applying overlay approach	<u>\$ 25,504,817</u>	<u>87,385,794</u>	<u>57,475,963</u>	<u>(40,214,902)</u>

The changes in gains (losses) on financial assets measured at fair value through other comprehensive income due to the adjustment of the overlay approach were as follows:

	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Gains of financial assets before adjustment	<u>\$ 88,150,794</u>	<u>122,867,723</u>	<u>143,035,866</u>	<u>7,402,486</u>
Gains of financial assets after adjustment	<u>\$ 62,645,977</u>	<u>35,481,929</u>	<u>85,559,903</u>	<u>47,617,388</u>

- 2) For the six months ended June 30, 2021 and 2020, none of financial assets held by the Insurance subsidiaries has changed conditions and released designation.
- 3) For the six months ended June 30, 2021 and 2020, none of financial assets held by the Insurance subsidiaries has been terminated.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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(d) Financial Assets Measured at Fair Value through Other Comprehensive Income

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Debt investments measured at fair value through other comprehensive income:			
Government bonds	\$ 312,652,125	345,194,670	257,899,230
Corporate bonds	283,275,466	268,782,882	280,476,593
Financial bonds	176,932,866	224,346,774	212,331,744
Commercial papers	20,127,534	1,022,735	1,809,972
Negotiable certificates of deposits	6,191,275	10,759,405	37,973,172
Beneficiary securities	30,217,249	28,377,997	26,360,329
Discount notes and loans	1,260,276	1,304,287	3,156,291
Treasury bills	2,998,929	2,998,824	5,997,669
Less: Guarantee deposits	<u>10,565,796</u>	<u>17,565,246</u>	<u>17,443,066</u>
Subtotal	<u>823,089,924</u>	<u>865,222,328</u>	<u>808,561,934</u>
Equity investments measured at fair value through other comprehensive income:			
Stocks	86,122,037	73,896,303	88,517,844
Others	<u>7,407,038</u>	<u>5,148,814</u>	<u>4,784,616</u>
Subtotal	<u>93,529,075</u>	<u>79,045,117</u>	<u>93,302,460</u>
Total	<u>\$ 916,618,999</u>	<u>944,267,445</u>	<u>901,864,394</u>

(i) Debt investments measured at fair value through other comprehensive income

The Company and its subsidiaries have assessed that the securities are held within a business model whose objective is achieved by both collecting the contractual cash flows and selling securities; therefore, they have been classified as at fair value through other comprehensive income.

(ii) Equity investments measured at fair value through other comprehensive income

Dividend income from abovementioned financial assets measured at fair value through other comprehensive income was as follows:

	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Derecognized during the period	\$ 74,841	8,716	81,722	12,966
Held at the end of the period	<u>822,373</u>	<u>1,065,589</u>	<u>950,695</u>	<u>1,222,785</u>
	<u>\$ 897,214</u>	<u>1,074,305</u>	<u>1,032,417</u>	<u>1,235,751</u>

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The Company and its subsidiaries have sold the stocks designated as at fair value through other comprehensive income for the consideration of assets allocation, management and reconciliation of the portfolios.

	For the three months ended		For the six months ended	
	June 30		June 30	
	2021	2020	2021	2020
Fair value	<u>\$ 8,546,144</u>	<u>5,998,192</u>	<u>14,273,681</u>	<u>8,591,277</u>
Accumulated losses on disposal (after tax)	<u>\$ (1,748,735)</u>	<u>(1,262,546)</u>	<u>(3,291,038)</u>	<u>(1,500,114)</u>

- (iii) Information of credit risk (including the impairment assessment of debt investments and the change of the loss allowance) and market risk, please refer to note 6 (ak) for details.
- (iv) The guarantee of the financial assets measured at fair value through other comprehensive income provided as pledged assets, please refer to note 8 for details.

(e) Debt Investments Measured at Amortized Cost

	June 30, 2021	December 31, 2020	June 30, 2020
	Government bonds	\$ 388,642,155	357,406,686
Corporate bonds	1,341,678,914	1,234,501,208	1,199,225,473
Financial bonds	845,784,862	800,467,924	827,550,490
Negotiable certificates of deposits	362,878,899	344,302,916	302,856,949
Beneficiary securities	63,523,678	45,995,248	40,063,942
Structured products	56,053,841	33,638,581	34,090,744
Others	9,886,492	6,575,936	18,346,656
Less: Guarantee deposits	<u>6,475,573</u>	<u>4,000</u>	<u>4,000</u>
Subtotal	3,061,973,268	2,822,884,499	2,725,898,977
Less: Loss allowance	<u>2,112,473</u>	<u>1,823,177</u>	<u>2,080,242</u>
Total	<u>\$ 3,059,860,795</u>	<u>2,821,061,322</u>	<u>2,723,818,735</u>

- (i) The Company and its subsidiaries have assessed that these financial assets are held to maturity to collect contractual cash flows, which consist solely of payments of principal and interest on principal amount outstanding. Therefore, these investments were classified as debt investments measured at amortized cost.
- (ii) The current gains or losses on disposal of financial assets measured at amortized cost and the carrying amount of derecognition were as follows:

	For the three months ended		For the six months ended	
	June 30		June 30	
	2021	2020	2021	2020
Carrying amount of derecognition	<u>\$ 15,498,714</u>	<u>17,113,484</u>	<u>101,926,008</u>	<u>77,602,797</u>
Current gain recognized	<u>\$ 137,167</u>	<u>966,652</u>	<u>10,359,484</u>	<u>7,285,557</u>

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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- (iii) The reasons for the Company and its subsidiaries to sell the abovementioned financial assets:

The Company and its subsidiaries sold partial financial assets measured at amortized costs, primary since the credit risk of bonds issuers increases, and managed credit concentration risk as well as other sales are infrequent (even if significant in value) or insignificant in value both individually and in aggregate (even if frequent).

- (iv) For credit risk, the assessment of impairment and the change of loss allowance, please refer to note 6 (ak) for details.
- (v) The guarantee of the debt investments measured at amortized cost provided as pledged assets, please refer to note 8 for details.

- (f) Financial Instruments for Hedging

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
<u>Financial assets for hedging</u>			
Interest rate swap contracts	\$ 3,040,056	3,254,523	3,728,505
Currency swap contracts	795,332	3,633,736	595,458
Forward exchange contracts	-	747	-
Cross currency swap contracts	932	-	-
	<u>\$ 3,836,320</u>	<u>6,889,006</u>	<u>4,323,963</u>
	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
<u>Financial liabilities for hedging</u>			
Interest rate swap contracts	\$ 9,588,653	12,701,324	15,886,101
Currency swap contracts	701,741	31,398	443,373
Cross currency swap contracts	166,768	-	-
	<u>\$ 10,457,162</u>	<u>12,732,722</u>	<u>16,329,474</u>

- (i) Fubon Life Insurance and its subsidiaries

- 1) Fair value hedges

Fubon Life Insurance and its subsidiaries hold foreign currency assets. This exposes Fubon Life Insurance and its subsidiaries to the risk that future fair value will fluctuate due to the change in the exchange rate. As Fubon Life Insurance and its subsidiaries assessed that the potential risks could be significant in the future, cross currency swap contracts, forward exchange contracts and foreign exchange swap contracts were contracted for hedging purposes.

- 2) Cash flow hedges

The assets of Fubon Life Insurance and its subsidiaries bear floating interest rate. This exposes Fubon Life Insurance and its subsidiaries to the risk that the future outflow of those assets will fluctuate due to the change in market's interest rate. As Fubon Life Insurance and its subsidiaries assessed that the potential risks could be significant in the future, interest rate swaps were contracted for hedging purposes.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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3) Hedges of a net investment in a foreign operation

There are foreign exchange differences arising from the difference between Fubon Life Insurance and its subsidiaries' own functional currency and that of their foreign operation, which may create a risk exposure. As Fubon Life Insurance and its subsidiaries assessed that the potential risks could be significant, forward exchange contracts were contracted for hedging purposes.

The amount of future cash flow, timing and uncertainty:

	Maturity				
	Less than one month	Between one and three months	Between three months and one year	Between one and five years	More than five years
June 30, 2021					
Fair value hedges					
Foreign exchange swap					
Nominal amount	\$ 501,988	12,136,092	1,301,687	-	-
Average exchange rate (TWD/USD)	27.39	27.42	27.67	-	-
Nominal amount	\$ 5,377,194	26,576,284	29,702,069	6,435,494	-
Average exchange rate (KRW/USD)	1,146.56	1,143.64	1,121.13	1,108.80	-
Cross currency swap					
Nominal amount	\$ -	-	-	10,785,039	-
Average exchange rate (KRW/USD)	-	-	-	1,120.63	-
Cash flow hedges					
Interest rate swap					
Nominal amount	\$ -	-	-	18,147,795	-
Average fixed interest rate	-	-	-	1.74 %	-
December 31, 2020					
Fair value hedges					
Forward exchange					
Nominal amount	\$ -	57,239	-	-	-
Average exchange rate (KRW/USD)	-	1,096.78	-	-	-
Nominal amount	\$ -	57,239	-	-	-
Average exchange rate (TWD/USD)	-	27.70	-	-	-
Foreign exchange swap					
Nominal amount	\$ 4,040,091	28,869,138	38,103,598	497,814	-
Average exchange rate (KRW/USD)	1,166.96	1,125.97	1,160.13	1,129.79	-
Nominal amount	\$ -	9,599,036	-	-	-
Average exchange rate (TWD/USD)	-	27.71	-	-	-
Cash flow hedges					
Interest rate swap					
Nominal amount	\$ -	500,000	-	21,727,566	-
Average fixed interest rate	-	1.47 %	-	1.71 %	-

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	Maturity				
	Less than one month	Between one and three months	Between three months and one year	Between one and five years	More than five years
June 30, 2020					
Fair value hedges					
Foreign exchange swap					
Nominal amount	\$ 443,988	7,736,676	-	-	-
Average exchange rate (KRW/TWD)	40.67	41.21	-	-	-
Nominal amount	\$ 6,500,026	24,817,401	19,665,633	-	-
Average exchange rate (KRW/USD)	1,202.09	1,207.06	1,199.11	-	-
Cash flow hedges					
Interest rate swap					
Nominal amount	\$ -	-	500,000	22,259,961	-
Average fixed interest rate	-	-	1.47 %	1.71 %	-

The hedging instruments used in hedging strategies were as follows:

	Nominal amount of hedging instruments	Carrying amount of hedging instruments		The line item of hedging instruments in Balance Sheet	Fair value changes used to calculate the hedge ineffectiveness for second quarter of 2021
		Assets	Liabilities		
June 30, 2021					
Fair value hedges					
Exchange rate risk					
— Forward exchange contracts	\$ -	-	-	Not applicable	(14,563)
— Foreign exchange swap contracts	82,030,808	795,332	701,741	Financial assets / liabilities for hedging	(2,514,955)
— Cross currency swap	10,785,039	932	166,768	Financial assets / liabilities for hedging	(169,153)
Cash flow hedges					
Interest risk					
— Interest rate swap contracts	\$ 18,147,795	632,077	-	Financial assets for hedging	(2,916)

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	Nominal amount of hedging instruments	Carrying amount of hedging instruments		The line item of hedging instruments in Balance Sheet	Fair value changes used to calculate the hedge ineffectiveness for 2020
		Assets	Liabilities		
December 31, 2020					
Fair value hedges					
Exchange rate risk					
— Forward exchange contracts	\$ 114,478	747	-	Not applicable	8,486
— Foreign exchange swap contracts	81,109,677	3,633,736	31,398	Financial assets / liabilities for hedging	3,440,454
Cash flow hedges					
Interest risk					
— Interest rate swap contracts	\$ 22,227,566	967,144	-	Financial assets for hedging	(899,717)
	Nominal amount of hedging instruments	Carrying amount of hedging instruments		The line item of hedging instruments in Balance Sheet	Fair value changes used to calculate the hedge ineffectiveness for second quarter of 2020
	Assets	Liabilities			
June 30, 2020					
Fair value hedges					
Exchange rate risk					
— Foreign exchange swap contracts	\$ 59,163,724	595,458	443,373	Financial assets / liabilities for hedging	(2,510,286)
Cash flow hedges					
Interest risk					
— Interest rate swap contracts	\$ 22,759,961	1,169,502	-	Financial assets for hedging	(883,943)

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The information of designated hedged items was as follows:

Fair value hedges

	Carrying amount of items designated as hedged		Accumulated adjustment of fair value		Fair value changes used to calculate the hedge ineffectiveness for second quarter of 2021	Items designated as hedged which stop adjusting profit or loss, but still classified as accumulated adjustment of fair value on balance sheet	Ineffective hedges recognized in profit or loss	The line item of hedge ineffectiveness included in profit or loss
	Assets	Liabilities	Assets	Liabilities				
June 30, 2021								
Items designated as hedged								
Financial assets measured at fair value through profit or loss- stocks	\$ 21,004,217	-	577,549	-	824,395	None	259,564	Gains (losses) on financial assets or liabilities measured at fair value through profit or loss
Financial assets measured at fair value through other comprehensive income- bonds	1,557,545	-	38,209	-	36,670	None	18,894	Gains (losses) on financial assets or liabilities measured at fair value through profit or loss
Financial assets measured at amortized cost- bonds and deposits	59,389,220	-	1,875,145	-	1,984,091	None	(131,973)	Gains (losses) on financial assets or liabilities measured at fair value through profit or loss

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	Carrying amount of items designated as hedged		Accumulated adjustment of fair value		Fair value changes used to calculate the hedge ineffectiveness for 2020	Items designated as hedged which stop adjusting profit or loss, but still classified as accumulated adjustment of fair value on balance sheet	Ineffective hedges recognized in profit or loss	The line item of hedge ineffectiveness included in profit or loss
	Assets	Liabilities	Assets	Liabilities				
December 31, 2020								
Items designated as hedged								
Financial assets measured at fair value through profit or loss- stocks	\$ 17,460,282	-	(507,673)	-	(292,328)	None	339,743	Gains (losses) on financial assets or liabilities measured at fair value through profit or loss
Financial assets measured at fair value through other comprehensive income- bonds	628,781	-	(35,059)	-	(33,035)	None	(3,690)	Gains (losses) on financial assets or liabilities measured at fair value through profit or loss
Financial assets measured at amortized cost- bonds and deposits	49,912,311	-	(3,393,550)	-	(3,210,898)	None	(423,374)	Gains (losses) on financial assets or liabilities measured at fair value through profit or loss

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	Carrying amount of items designated as hedged		Accumulated adjustment of fair value		Fair value changes used to calculate the hedge ineffectiveness for second quarter of 2020	Items designated as hedged which stop adjusting profit or loss, but still classified as accumulated adjustment of fair value on balance sheet	Ineffective hedges recognized in profit or loss	The line item of hedge ineffectiveness included in profit or loss
	Assets	Liabilities	Assets	Liabilities				
June 30, 2020								
Items designated as hedged								
Financial assets measured at fair value through profit or loss- stocks	\$ 9,987,796	-	370,438	-	586,920	None	208,866	Gains (losses) on financial assets or liabilities measured at fair value through profit or loss
Financial assets measured at fair value through other comprehensive income- bonds	650,937	-	19,969	-	22,012	None	(2,670)	Gains (losses) on financial assets or liabilities measured at fair value through profit or loss
Financial assets measured at amortized cost-bonds and deposits	47,917,510	-	1,729,101	-	1,836,677	None	(270,873)	Gains (losses) on financial assets or liabilities measured at fair value through profit or loss

Cash flow hedges

	Fair value changes used to calculate the hedge ineffectiveness for second quarter of 2021	Provisions for cash flow hedge	The residual amount of provisions for cash flow that hedge no longer applies the hedging relation of hedging accounting	Changes in the value of the hedging instruments recognized in other comprehensive income	Ineffective hedges recognized in profit or loss	The line item of hedge ineffectiveness included in profit or loss	The amount be reclassified from cash flow hedge to profit or loss	The line item affected by reclassification in profit or loss
June 30, 2021								
Items designated as hedged								
Floating bonds	\$ 48,141	631,726	Not applicable	(463,780)	(38)	Gains (losses) on financial assets or liabilities measured at fair value through profit or loss	128,751	Interest revenue

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	Fair value changes used to calculate the hedge ineffectiveness for 2020	Provisions for cash flow hedge	The residual amount of provisions for cash flow that hedge no longer applies the hedging relation of hedging accounting	Changes in the value of the hedging instruments recognized in other comprehen- sive income	Ineffective hedges recognized in profit or loss	The line item of hedge ineffective- ness included in profit or loss	The amount to be reclassified from provision for cash flow hedge to profit or loss	The line item affected by reclassifi- cation in profit or loss
December 31, 2020								
Items designated as hedged								
Floating bonds	\$ (1,001,932)	966,755	Not applicable	276,392	(427)	Gains (losses) on financial assets or liabilities measured at fair value through profit or loss	212,970	Interest revenue
June 30, 2020								
Items designated as hedged								
Floating bonds	\$ (991,290)	1,169,166	Not applicable	623,574	(481)	Gains (losses) on financial assets or liabilities measured at fair value through profit or loss	68,199	Interest revenue

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The reconciliation of each component of equity applying hedging accounting and an analysis of other comprehensive income of Fubon Life Insurance and its subsidiaries were as follows:

	<u>Provisions for cash flow hedges</u>		<u>Foreign currency translation reserve from net investment in foreign operation</u>	
	<u>For the six months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Beginning balance	\$ 966,755	477,393	(19,503)	(19,503)
Total amount recognized in other comprehensive income:				
Cash flow hedges – Interest risk				
Changes in the value of the hedging instruments recognized in other comprehensive income	(463,780)	623,574	-	-
The amount be reclassified from provisions for cash flow hedges to profit or loss	128,751	68,199	-	-
Ending balance	<u>\$ 631,726</u>	<u>1,169,166</u>	<u>(19,503)</u>	<u>(19,503)</u>

(ii) Taipei Fubon Bank and its subsidiaries

Fair value hedges

Taipei Fubon 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 and bank debentures issued. Since the risk is considered material, Taipei Fubon Bank and its subsidiaries enter into interest rate swap contracts to hedge against this risk.

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The information of interest rate risk hedge was as follows:

	Nominal amount of hedging instruments	Carrying amount of hedging instruments		The line item of hedging instruments in Balance Sheets	Fair value changes used to calculate the hedge ineffectiveness for second quarter of 2021
		Assets	Liabilities		
June 30, 2021					
Fair value hedges					
— Interest rate swap contracts	\$ 164,419,190	1,764,904	7,221,318	Financial assets / liabilities for hedging	1,324,227
December 31, 2020					
Fair value hedges					
— Interest rate swap contracts	\$ 169,465,515	2,104,144	8,994,438	Financial assets / liabilities for hedging	(6,080,282)
June 30, 2020					
Fair value hedges					
— Interest rate swap contracts	\$ 173,591,794	2,521,900	11,152,063	Financial assets / liabilities for hedging	(7,465,207)

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>Carrying amount</u>		<u>Accumulated adjustment of fair value</u>		<u>Fair value changes used to calculate the hedge ineffectiveness for second quarter of 2021</u>
	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>	
	June 30, 2021				
Hedged items					
Financial bonds payable	\$ -	61,704,744	-	1,552,579	495,888
Financial assets measured at fair value through other comprehensive income—government bonds	293,408	-	12,040	-	(358,055)
Financial assets measured at fair value through other comprehensive income—corporate bonds	296,970	-	13,371	-	(56,399)
Financial assets measured at fair value through other comprehensive income—financial bonds	2,635,234	-	65,181	-	(57,838)
Financial assets measured at amortized cost—government bonds	13,012,892	-	1,683,021	-	1,024,801
Financial assets measured at amortized cost—corporate bonds	80,309,704	-	4,498,123	-	(2,039,526)
Financial assets measured at amortized cost—financial bonds	19,197,668	-	737,722	-	(333,677)
	<u>Carrying amount</u>		<u>Accumulated adjustment of fair value</u>		<u>Fair value changes used to calculate the hedge ineffectiveness for 2020</u>
	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>	
December 31, 2020					
Hedged items					
Financial bonds payable	\$ -	69,598,504	-	2,058,565	(838,499)
Financial assets measured at fair value through other comprehensive income—government bonds	2,132,508	-	370,712	-	402,952
Financial assets measured at fair value through other comprehensive income—corporate bonds	1,387,985	-	70,131	-	75,066
Financial assets measured at fair value through other comprehensive income—financial bonds	3,429,000	-	124,194	-	127,070
Financial assets measured at amortized cost—government bonds	6,889,693	-	680,836	-	732,602
Financial assets measured at amortized cost—corporate bonds	81,951,431	-	6,621,026	-	4,704,957
Financial assets measured at amortized cost—financial bonds	18,399,350	-	1,082,948	-	867,286

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>Carrying amount</u>		<u>Accumulated adjustment of fair value</u>		<u>Fair value changes used to calculate the hedge ineffectiveness for second quarter of 2020</u>
	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>	
June 30, 2020					
Hedged items					
Financial bonds payable	\$ -	73,164,905	-	2,485,615	(1,210,441)
Financial assets measured at fair value through other comprehensive income—government bonds	2,703,902	-	693,234	-	703,285
Financial assets measured at fair value through other comprehensive income—corporate bonds	1,086,965	-	66,512	-	67,145
Financial assets measured at fair value through other comprehensive income—financial bonds	3,396,493	-	163,460	-	160,462
Financial assets measured at amortized cost—government bonds	4,016,019	-	515,007	-	541,594
Financial assets measured at amortized cost—corporate bonds	87,029,838	-	8,371,627	-	6,145,492
Financial assets measured at amortized cost—financial bonds	18,398,141	-	1,306,068	-	1,047,954
<u>Impact of profit or loss</u>	<u>Gains (losses) on ineffective hedges recognized in profit or loss</u>				<u>The line item in the Statements of Comprehensive Income for ineffective portion</u>
	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>		
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	
Fair value hedges					
Financial bonds payable	\$ (824)	(214)	(579)	(9,716)	Gains or losses on financial assets or liabilities measured at fair value through profit or loss

(iii) Fubon Bank (Hong Kong) and its subsidiaries

Fair value hedges

Financial assets bearing fixed interest rate may be exposed to the risk of fluctuation in fair value because of the changes in interest rates. Therefore, Fubon Bank (Hong Kong) and its subsidiaries entered into interest rate swap contracts to hedge such interest rate risks.

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The amount of future cash flow, timing and uncertainty:

	<u>Maturity</u>				
	<u>Less than one month</u>	<u>Between one and three months</u>	<u>Between three months and one year</u>	<u>Between one and five years</u>	<u>More than five years</u>
June 30, 2021					
Fair value hedges					
Interest rate swap					
Nominal amount	\$ 557,401	1,644,332	16,702,173	53,877,689	22,224,031
Average fixed interest rate	2.88 %	3.67 %	4.32 %	3.62 %	3.06 %
December 31, 2020					
Fair value hedges					
Interest rate swap					
Nominal amount	\$ 748,156	2,240,960	9,207,408	61,286,865	20,235,505
Average fixed interest rate	2.98 %	3.20 %	3.54 %	3.87 %	3.15 %
June 30, 2020					
Fair value hedges					
Interest rate swap					
Nominal amount	\$ 459,746	148,304	11,133,593	63,331,735	18,057,605
Average fixed interest rate	3.37 %	4.13 %	3.32 %	3.91 %	3.44 %

The hedging instruments used in hedging strategies were as follows:

	<u>Nominal amount of hedging instruments</u>	<u>Carrying amount of hedging instruments</u>		<u>The line item of hedging instruments in Balance Sheets</u>	<u>Fair value changes used to calculate the hedge ineffectiveness for second quarter of 2021</u>
		<u>Assets</u>	<u>Liabilities</u>		
June 30, 2021					
Fair value hedges					
Interest rate risk					
— Interest rate swap contracts	\$ 95,005,626	643,074	2,367,334	Financial assets / liabilities for hedging	89,705

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	Nominal amount of hedging instruments	Carrying amount of hedging instruments		The line item of hedging instruments in Balance Sheets	Fair value changes used to calculate the hedge ineffectiveness for 2020
		Assets	Liabilities		
December 31, 2020					
Fair value hedges					
Interest rate risk					
— Interest rate swap contracts	\$ 93,718,893	183,235	3,706,886	Financial assets / liabilities for hedging	(43,047)

	Nominal amount of hedging instruments	Carrying amount of hedging instruments		The line item of hedging instruments in Balance Sheets	Fair value changes used to calculate the hedge ineffectiveness for second quarter of 2020
		Assets	Liabilities		
June 30, 2020					
Fair value hedges					
Interest rate risk					
— Interest rate swap contracts	\$ 93,130,982	37,104	4,734,039	Financial assets / liabilities for hedging	(43,756)

The information of designated hedged items was as follows:

	Carrying amount		Accumulated adjustment of fair value		Fair value changes used to calculate the hedge ineffectiveness for second quarter of 2021
	Assets	Liabilities	Assets	Liabilities	
June 30, 2021					
Hedged items					
Financial bonds payable	\$ -	253,557	-	2,369	-
Financial assets measured at amortized cost— financial bonds	97,633,639	-	2,128,324	-	(81,616)

	Carrying amount		Accumulated adjustment of fair value		Fair value changes used to calculate the hedge ineffectiveness for 2020
	Assets	Liabilities	Assets	Liabilities	
December 31, 2020					
Hedged items					
Financial bonds payable	\$ -	1,727,843	-	8,009	-
Financial assets measured at amortized cost— financial bonds	97,388,914	-	3,697,623	-	26,258

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	Carrying amount		Accumulated adjustment of fair value		Fair value changes used to calculate the hedge ineffectiveness for second quarter of 2020
	Assets	Liabilities	Assets	Liabilities	
	June 30, 2020				
Hedged items					
Financial bonds payable	\$ -	2,392,959	-	21,202	-
Financial assets measured at amortized cost— financial bonds	97,119,482	-	4,718,137	-	26,691

(g) Securities Purchased Under Resell Agreements

	June 30, 2021	December 31, 2020	June 30, 2020
Securities purchased under resell agreements	<u>\$ 82,286,940</u>	<u>128,609,254</u>	<u>58,195,244</u>

The maturity of abovementioned securities purchased under resell agreements were all within one year.

(h) Receivables, Net

	June 30, 2021	December 31, 2020	June 30, 2020
Accounts receivable – credit card	\$ 49,538,798	54,522,438	45,335,148
Accounts receivable – forfeiting	2,112,376	1,810,070	1,720,806
Notes receivable, accounts receivable and acceptance	17,737,907	28,302,810	30,693,708
Accounts receivable – factoring	15,165,402	16,202,113	17,960,674
Interest receivable	41,884,802	44,488,576	43,614,534
Revenues receivable	3,614,094	3,514,697	3,498,595
Premiums receivable	5,388,766	3,569,467	5,491,818
Margin loans receivable	37,513,119	14,189,234	10,178,879
Accounts receivable – settlement	55,795,834	18,447,825	43,178,150
Others	<u>23,233,888</u>	<u>22,035,797</u>	<u>19,634,995</u>
Subtotal	251,984,986	207,083,027	221,307,307
Less: Allowance for doubtful accounts	<u>1,510,284</u>	<u>1,633,241</u>	<u>1,279,188</u>
Total	<u>\$ 250,474,702</u>	<u>205,449,786</u>	<u>220,028,119</u>

For credit risk, the assessment of impairment and the change of loss allowance, please refer to note 6 (ak) for details.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(i) Assets Classified as Held for Sale, Net

Fubon Bank (Hong Kong) approved the sale of an investment property by a resolution of the Board of Directors on January 13, 2021, and signed a temporary sale agreement to begin processing the sale in May, according to the sale agreement, it is expected to be sold in August 2021, and the property is listed as assets held for sale. The net amount of assets held for sale was \$139,999 thousand, which was measured at the lower of their carrying amount and fair value less costs to sell.

(j) Discounts and Loans, Net

	June 30, 2021	December 31, 2020	June 30, 2020
Discounts and overdrafts	\$ 3,413,882	4,660,416	4,343,447
Short-term advances	12,929,106	12,728,029	12,589,033
Accounts receivable – financing	2,915,807	3,197,847	3,065,183
Short-term loans	427,782,074	356,408,409	393,963,774
Short-term secured loans	174,713,508	126,067,413	108,690,089
Medium-term loans	341,646,830	315,769,226	301,816,920
Medium-term secured loans	238,011,241	203,729,798	193,649,211
Long-term loans	98,697,284	96,291,734	120,754,379
Long-term secured loans	1,058,386,839	941,435,582	879,791,513
Insurance policy loans	71,684,699	71,858,425	71,079,514
Import and export bill negotiation	14,088,238	11,402,161	11,456,862
Nonperforming loans	<u>5,567,360</u>	<u>4,778,624</u>	<u>5,603,960</u>
Subtotal	2,449,836,868	2,148,327,664	2,106,803,885
Less: Allowance for doubtful accounts	29,532,193	26,964,947	25,988,444
Adjustments of premium and discount	528,146	559,145	609,836
Total	<u>\$ 2,419,776,529</u>	<u>2,120,803,572</u>	<u>2,080,205,605</u>

For credit risk, the assessment of impairment and the change of allowance for loss, please refer to note 6 (ak) for details.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The movements of the allowance for doubtful accounts of loans and receivables were as follows:

	For the six months ended June 30, 2021			
	Receivables	Discounts and loans	Other financial assets	Total
Beginning balance	\$ 1,633,241	26,964,947	362,376	28,960,564
Allowance for doubtful accounts	487,466	1,501,887	192,941	2,182,294
Write-off	(968,166)	(1,126,840)	(124,246)	(2,219,252)
Recovery from write-off	9,238	256,972	140,022	406,232
Acquisition through business combinations	365,242	2,086,551	4,671	2,456,464
Effects of exchange rate changes and others	(16,737)	(151,324)	(344)	(168,405)
Ending balance	<u>\$ 1,510,284</u>	<u>29,532,193</u>	<u>575,420</u>	<u>31,617,897</u>

	For the six months ended June 30, 2020			
	Receivables	Discounts and loans	Other financial assets	Total
Beginning balance	\$ 1,548,747	24,128,962	428,891	26,106,600
Allowance for doubtful accounts (reversal)	(243,522)	2,841,784	10,881	2,609,143
Write-off	(10,824)	(1,007,038)	(130,957)	(1,148,819)
Recovery from write-off	359	206,010	147,081	353,450
Effects of exchange rate changes and others	(15,572)	(181,274)	(612)	(197,458)
Ending balance	<u>\$ 1,279,188</u>	<u>25,988,444</u>	<u>455,284</u>	<u>27,722,916</u>

(k) Reinsurance Contract Assets

	June 30, 2021	December 31, 2020	June 30, 2020
	Claims recoverable from reinsurers	\$ 2,714,297	2,612,868
Due from reinsurers and ceding companies	7,328,564	6,109,227	9,344,025
Subtotal	<u>10,042,861</u>	<u>8,722,095</u>	<u>11,704,722</u>
Reinsurance reserve assets:			
Ceded unearned premium reserve	9,369,878	7,465,093	8,779,995
Ceded claim reserve	9,979,731	9,013,690	7,539,752
Ceded premium deficiency reserve	82,525	154,658	81,959
Ceded liability reserve	3,434	3,396	3,748
Subtotal	<u>19,435,568</u>	<u>16,636,837</u>	<u>16,405,454</u>
Total	<u>\$ 29,478,429</u>	<u>25,358,932</u>	<u>28,110,176</u>

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(l) Investments Accounted for Using Equity Method, Net

(i) Material associate of the Company was as follows:

<u>Name of associate</u>	<u>Relationship with the Company and its subsidiaries</u>	<u>Main business office / Country of Registry</u>	<u>Ownership interest and voting right June 30, 2020</u>
Xiamen Bank	Engages in deposits and loans to commercial bank and plays an important role in developing markets in China for the Company and its subsidiaries	Mainland China	<u>19.95 %</u>

Summarized financial information of material associates was as follows:

Xiamen Bank

	For the six months ended June 30, 2020
Share of net assets of associates at the beginning of the period	\$ 13,418,263
Total comprehensive income attributable to the Company and its subsidiaries for the period	325,891
Dividends received from associates	<u>(201,109)</u>
Book value of equity of associates at the end of the period	<u>\$ 13,543,045</u>

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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(ii) Individually immaterial associates

The reassessment of the financial information of the individually insignificant immaterial associates accounted for using the equity method was summarized below. The financial information was included in the consolidated financial statements of the Company and its subsidiaries.

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Xiamen Bank Co., Ltd.	\$ 15,409,536	15,411,351	-
Fubon Construction Management Co., Ltd.	138,464	138,706	132,050
Line Biz+ Taiwan Co., Ltd.	2,995,203	3,004,698	3,064,010
Fubon Health Management Co., Ltd.	20,707	22,165	12,799
Founder Fubon Fund Management Ltd.	381,483	453,352	563,621
CITIC Capital Holdings Ltd.	9,963,085	8,608,594	8,188,571
Teng Fu Bo Investment Ltd.	551,506	451,517	17
Star River Energy Corporation	299,972	286,764	275,015
Bravelog Sport Technology Co., Ltd.	910	233	3,675
Star Shining Energy Corporation	1,917,563	1,893,441	1,136,036
Cofit Healthcare Inc.		2,737	3,326
Wholex Max Green Power Co., Ltd.	346,779	354,460	356,010
Zhong An Life Insurance Ltd.	996,357	1,058,882	1,236,065
Line Bank Co., Ltd.	2,238,187	2,289,773	2,427,176
JihSun Securities Investment Trust Co., Ltd.	289,831	-	-
Hsin Ting Yi Hao Energy Corporation	149,796	-	-
Xiamen Jinfuyuan Insurance Surveyors and Loss Adjusters Co.,Ltd.	2,883	-	-
	<u>\$ 35,702,262</u>	<u>33,976,673</u>	<u>17,398,371</u>
	<u>For the three months ended June 30</u>	<u>For the six months ended June 30</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>
			<u>2020</u>
Attributable to the Company and its subsidiaries:			
Net income	\$ 1,683,199	(181,151)	2,188,845
Other comprehensive income	(914,284)	(108,293)	(892,640)
Total comprehensive income	<u>\$ 768,915</u>	<u>(289,444)</u>	<u>1,296,205</u>
			<u>(323,647)</u>

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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The share of profit (loss) and ending balance of associates accounted for using equity method whose financial statements were not audited by independent auditors were as follows:

	For the three months ended June 30		For the six months ended June 30	
	2021	2020	2021	2020
The share of profit (loss) of associates accounted for using equity method	<u>\$ 525,555</u>	<u>(90,917)</u>	<u>942,237</u>	<u>(103,655)</u>

	June 30, 2021	December 31, 2020	June 30, 2020
	Investments accounted for using equity method	<u>\$ 22,977,252</u>	<u>15,411,351</u>

The Company and its subsidiaries invest in Line Bank, totaling \$2,510,000 thousand, which constitutes 25.1% of the ownership interest of Line Bank. Line Bank was incorporated on March 9, 2020.

On October 27, 2020, Xiamen Bank was listed on the Shanghai Stock Exchange. Although the Company did not participate in the capital increase of Xiamen Bank's initial public offering and the ownership interest in Xiamen Bank has decreased from 19.95% to 17.95%, the Company still recognizes it as investment accounted for using the equity method after the evaluation.

The Company and its subsidiaries have assessed that the investment amount and investment income of Xiamen Bank have no significant impact on total assets as of June 30, 2021, and net income for the six months ended June 30, 2021. Starting from the third quarter of 2020, Xiamen Bank has been classified as an individually immaterial associate under investments accounted for using the equity method. The share of profit and ending balance of Xiamen Bank were recognized based on the financial statements which were not audited by independent auditors.

The balance of CITIC FUTONG Financial Leasing Limited on June 30, 2021, December 31, 2020 and June 30, 2020 were 0 thousand. The Company and its subsidiaries discontinued to recognize their shares of further losses since they have not incurred any obligations to bear additional loss. The unrecognized loss and accumulated unrecognized loss were as follows.

	For the three months ended June 30		For the six months ended June 30	
	2021	2020	2021	2020
Unrecognized loss	<u>\$ 19,560</u>	<u>17,140</u>	<u>48,534</u>	<u>44,554</u>

	June 30, 2021	December 31, 2020	June 30, 2020
	Accumulated unrecognized loss	<u>\$ 458,990</u>	<u>410,456</u>

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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The Company and its subsidiaries hold under 50% outstanding voting shares of Bravelog Sport Technology Co., Ltd. and Cofit Healthcare Inc. and are the single largest shareholder of the investees. However, the Company and its subsidiaries still cannot obtain more than half of the total number of the investees' directors, and also cannot obtain more than half of the voting rights at a shareholders' meeting. Therefore, it is determined that the Company and its subsidiaries have significant influence on Bravelog Sport Technology Co., Ltd. and Cofit Healthcare Inc.

The Company and its subsidiaries did not participate in the cash capital increase of Cofit Healthcare Inc. in June 2021, resulting in a decline in its shareholding ratio. As a result, the Company and its subsidiaries lose significant influence over Cofit Healthcare Inc., so this equity investment is re-recognized to financial assets measured at fair value through other comprehensive income.

(m) Acquisition of Subsidiary and Non-Controlling Interests

(i) Acquisition of Subsidiary

The Company and its subsidiaries purchased 53.84% shares of JihSun Financial Holding Co., Ltd through tender offers to control the company at March 30, 2021. The price per share is TWD 13, JihSun Financial Holding Co., Ltd is a financial holding company.

Through acquire the control of JihSun Financial Holding, the Company and its subsidiaries acquire the resource and management experience of JihSun Financial Holding to increase overall operating efficiency to provide more comprehensive and diversified financial services to wider customers. This also enhances the overall competitiveness of the Company and its subsidiaries.

1) The following detail is the fair value of identifiable asset and liabilities assumed at acquisition date :

Cash and cash equivalents	\$ 7,336,704
Due from the central bank and call loans to banks	27,191,615
Financial assets	125,985,734
Receivables	29,970,230
Discounts and loans	166,663,805
Property and equipment	5,224,362
Other assets	3,795,933
Deposits from the central bank and banks	(9,967,419)
Financial liabilities	(10,790,617)
Securities sold under repurchase agreements	(27,861,032)
Commercial papers issued	(10,928,047)
Payables	(17,968,879)
Deposits and remittances	(233,510,549)
Other liabilities	<u>(4,825,756)</u>
Fair Value of Net Identifiable Assets	<u><u>\$ 50,316,084</u></u>

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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2) Gain on a bargain purchase

Gain on a bargain purchase due to acquisition is as follows:

Consideration transferred	\$ 26,402,992
Non-controlling interest in the acquiree, if any (proportionate share of the fair value of the identifiable net assets)	23,225,905
Less: Fair value of identifiable net assets	<u>50,316,084</u>
Gain on a bargain purchase	<u><u>\$ (687,187)</u></u>

On December 18, 2020, the Company and its subsidiaries took the third quarter financial report of JihSun Financial Holding as consideration to determine price per share on tender offers. After finishing tender offers on March 23, 2021, the date of completion of the stock delivery on March 30, 2021, is the fair value evaluation benchmark date for acquisition of identifiable net assets. Since there are about six months between the purchase price determination date and fair value evaluation benchmark date for acquisition of identifiable net assets, and during this period, JihSun Financial Holding continues to operate profitably and its net assets increase, the fair value of the identifiable net assets deducting the difference between the accounting cost and the purchase price is recognized as the gain on bargain purchase transaction in accordance with the relevant accounting standards. The Company and its subsidiaries recognized \$687,187 thousand gain on acquisition date as other non-interest incomes under consolidated comprehensive income statement.

If there is information discovered within one year from the acquisition date about facts and circumstances that existed at the acquisition date which leads to an adjustment to the above provision amounts, or any additional provisions as at the acquisition date, then the acquisition accounting account and amount will be revised.

3) Merging and acquisition effect on operation result

If this acquisition happens on January 1, 2021, the Company and its subsidiaries estimate net revenue to be \$271,997,803 thousand for the six months ended June 30. Net income after tax will be \$90,061,141 thousand. When deciding the amount mentioned before, the Company and its subsidiaries assume that acquisition happen on January 1, 2021 and the adjustment of fair value on assumed acquisition date is temporally the same.

(ii) Acquisition of Non-controlling interests

From April 1 to June 30, 2021, the Company and its subsidiaries acquired an additional interest in JihSun Financial Holding for \$933,686 thousand in cash, increasing its ownership from 53.84% to 55.76%.

On June 25, 2021, the Company and its subsidiaries acquired an additional interest in Fubon Hyundai Life Insurance Co., Ltd. through a cash increase of \$11,321,513 thousand, increasing its ownership from 62.06% to 77.40%.

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The effect of changes in the Company and its subsidiaries' ownership interest in the subsidiaries listed above on the owners' equity attributable to the parent company is as follows:

	For the six months ended June 30, 2021
Carrying amount of non-controlling interest on acquisition	\$ 13,740,336
Capital increase and acquisition of equity price	(12,255,199)
Movement of other equity interest	(354,679)
Transaction cost	<u>(6,906)</u>
Capital surplus — changes in ownership interests in subsidiaries	<u><u>\$ 1,123,552</u></u>

(n) Material non-controlling interest of subsidiaries

Information of material non-controlling interests of subsidiaries was as follows:

<u>Name of subsidiary</u>	<u>Main business office / Country of registry</u>	Ownership interest and voting right of non- controlling interest		
		December 31,		
		June 30, 2021	2020	June 30, 2020
Fubon Hyundai Life Insurance Co., Ltd.	South Korea	<u>22.60</u> %	<u>37.94</u> %	<u>37.94</u> %
JihSun Financial Holding	Taiwan	<u>44.24</u> %	<u>-</u> %	<u>-</u> %

Summarized financial information of the aforementioned subsidiaries was as follows, in which the presenting amounts were eliminated before the intra-company transactions between the Company and its subsidiaries, and the influence of the acquisition method occurred by the time the Company acquired aforementioned subsidiaries:

(i) Summarized financial information of Fubon Hyundai Life Insurance Co., Ltd.:

	June 30, 2021	December 31, 2020	June 30, 2020
Total assets	\$ 503,133,910	511,780,500	428,784,771
Total liabilities	(461,506,898)	(478,452,692)	(399,562,588)
Non-common equity	<u>(2,490,337)</u>	<u>(2,633,230)</u>	<u>(2,482,465)</u>
Net assets	<u>\$ 39,136,675</u>	<u>30,694,578</u>	<u>26,739,718</u>
Equity attributable to non-controlling interest	<u>\$ 10,953,491</u>	<u>13,600,997</u>	<u>11,988,574</u>

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Net revenue	\$ <u>28,342,464</u>	<u>19,109,012</u>	<u>48,780,428</u>	<u>34,105,126</u>
Net income	\$ 936,124	32,628	2,999,872	545,681
Other comprehensive income	<u>(74,345)</u>	<u>2,662,152</u>	<u>(6,022,428)</u>	<u>541,761</u>
Total comprehensive income	\$ <u>861,779</u>	<u>2,694,780</u>	<u>(3,022,556)</u>	<u>1,087,442</u>
Consolidated net income for the period attributable to non-controlling interests	\$ <u>355,160</u>	<u>12,379</u>	<u>1,138,136</u>	<u>207,029</u>
Consolidated other comprehensive income attributable to non- controlling interests	\$ <u>314,698</u>	<u>1,015,054</u>	<u>(1,188,877)</u>	<u>357,581</u>
			<u>For the six months ended June 30</u>	
			<u>2021</u>	<u>2020</u>
Cash flows				
Operating activities			\$ <u>(19,035,041)</u>	<u>(2,178,643)</u>
Investing activities			\$ <u>(3,458,808)</u>	<u>(3,919,439)</u>
Financing activities			\$ <u>11,988,109</u>	<u>(907,590)</u>

(ii) Summarized financial information of JihSun Financial Holding:

	<u>June 30, 2021</u>
Total assets	\$ 381,557,263
Total liabilities	<u>(329,527,644)</u>
Net assets	\$ <u>52,029,619</u>
Equity attributable to non-controlling interest	\$ <u>22,522,534</u>
	<u>For the three months ended June 30, 2021</u>
Net revenue	\$ <u>3,204,117</u>
Net income	\$ 1,120,969
Other comprehensive income	<u>1,153,723</u>
Total comprehensive income	\$ <u>2,274,692</u>
Consolidated net income for the period attributable to non-controlling interests	\$ <u>488,576</u>
Consolidated other comprehensive income attributable to non-controlling interests	\$ <u>838,224</u>

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	For the three months ended June 30, 2021		
Cash flows			
Operating activities			\$ <u><u>5,705,798</u></u>
Investing activities			\$ <u><u>(25,427)</u></u>
Financing activities			\$ <u><u>2,320,294</u></u>
 (o) Other Financial Assets, Net			
	June 30, 2021	December 31, 2020	June 30, 2020
Assets on insurance product—separate account	\$ 468,030,214	459,219,800	382,046,619
Margin deposits paid for borrowed securities	3,534,970	4,256,331	3,211,013
Collateral for borrowed securities	163,390	326,261	288,579
Overdue receivables	1,068,593	656,778	937,998
Customer margin deposit	30,117,906	20,417,565	23,443,778
Buy nonperforming loan	147,295	199,263	210,190
Deposits not qualifying as cash equivalents	30,791,702	26,391,183	17,649,179
Other	<u>377,442</u>	<u>-</u>	<u>89</u>
Subtotal	534,231,512	511,467,181	427,787,445
Less: Guarantee deposits—others	2,366,953	2,378,194	2,341,039
Allowance for doubtful accounts	<u>575,420</u>	<u>362,376</u>	<u>455,284</u>
Total	<u><u>\$ 531,289,139</u></u>	<u><u>508,726,611</u></u>	<u><u>424,991,122</u></u>
 (i) For credit risk, the assessment of impairment and the change of allowance for loss, please refer to note 6 (ak) for details.			
 (ii) The guarantee of the other financial assets provided as pledged assets, please refer to note 8 for details.			

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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(iii) Separate account – insurance product

Fubon Life Insurance and its subsidiaries' balances of separate account insurance product were as follows:

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>	
Assets on insurance product – separate account:				
Bank deposits	\$ 12,137,348	12,313,698	12,023,531	
Financial assets measured at fair value through profit or loss	232,015,907	206,898,554	173,353,113	
Receivables	<u>1,718,633</u>	<u>2,622,363</u>	<u>2,555,050</u>	
Total	<u>\$ 245,871,888</u>	<u>221,834,615</u>	<u>187,931,694</u>	
Liabilities on insurance product – separate account:				
Reserve – insurance contract	\$ 137,597,236	126,936,045	105,944,068	
Reserve – investment contract	108,238,941	94,534,553	81,806,232	
Payables	<u>35,711</u>	<u>364,017</u>	<u>181,394</u>	
Total	<u>\$ 245,871,888</u>	<u>221,834,615</u>	<u>187,931,694</u>	
	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Separate account products revenues:				
Premiums income	\$ 4,252,244	6,396,166	14,773,389	10,628,343
Interest revenue	737,284	558,702	1,648,531	1,070,117
Gains (losses) on financial assets or liabilities measured at fair value through profit or loss	3,810,157	11,496,550	6,494,187	(8,457,293)
Gains (losses) on foreign exchange	<u>(216,081)</u>	<u>(140,460)</u>	<u>(550,312)</u>	<u>(258,014)</u>
Total	<u>\$ 8,583,604</u>	<u>18,310,958</u>	<u>22,365,795</u>	<u>2,983,153</u>
Separate account products expenses:				
Net changes in reserve, Insurance contract	\$ 3,544,181	15,394,994	11,158,258	(4,142,115)
Insurance claims and payment	4,124,984	2,119,179	9,358,016	5,517,709
Administrative expenses	913,409	794,512	1,817,399	1,606,520
Other disbursements	<u>1,030</u>	<u>2,273</u>	<u>32,122</u>	<u>1,039</u>
Total	<u>\$ 8,583,604</u>	<u>18,310,958</u>	<u>22,365,795</u>	<u>2,983,153</u>

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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The amounts of Fubon Life Insurance and its subsidiaries earned sales commission in investment-oriented insurance products from counterparties were as follows (recognized as net service charge and commissions loss) :

	For the three months ended		For the six months	
	June 30		ended June 30	
	2021	2020	2021	2020
Rebate	<u>\$ 164,951</u>	<u>122,917</u>	<u>329,955</u>	<u>271,454</u>

Balances of corporate and individual annuity insurance products of Fubon Life Insurance's subsidiaries are as follows:

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Assets on corporate and individual annuity insurance products - separate account :			
Bank deposits	\$ 4,769,423	12,468,738	4,614,793
Financial assets measured at fair value through profit or loss	19,587,000	19,852,287	19,858,484
Financial assets measured at fair value through other comprehensive income	163,899,810	152,850,193	132,700,441
Financial assets for hedging	442,837	2,048,704	379,959
Loan	28,278,211	33,553,802	29,440,013
Interest receivables	1,332,714	1,206,399	1,064,967
Other receivables	<u>3,848,331</u>	<u>15,405,062</u>	<u>6,056,268</u>
Total	<u>\$ 222,158,326</u>	<u>237,385,185</u>	<u>194,114,925</u>
Liabilities on corporate and individual annuity insurance products - separate account :			
Financial liabilities for hedging	\$ 629,194	10,105	222,315
Other payables	2,625,934	2,706,855	1,756,025
Insurance separate account value reserve	216,941,674	228,325,889	184,975,167
Financial liabilities measured at fair value through profit or loss	10,021	852	1,151
Total	<u>\$ 220,206,823</u>	<u>231,043,701</u>	<u>186,954,658</u>

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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	For the three months ended June 30		For the six months ended June 30	
	2021	2020	2021	2020
Revenues on corporate and individual annuity insurance products - separate account:				
Interest revenue	\$ 1,404,177	1,266,292	2,730,811	2,533,174
Gains on financial assets or liabilities measured at fair value through profit or loss	259,030	761,630	1,145,565	1,327,957
Gains on financial assets or liabilities measured at fair value through comprehensive profit or loss	350,458	63,173	937,904	219,605
Reversal of ECL on investments	30,971	(78)	32,072	971
Gains on foreign exchange	88,926	(408,265)	1,831,681	1,651,906
Other revenues	27,089	20,298	57,347	38,371
Total	\$ 2,160,651	1,703,050	6,735,380	5,771,984
Expenses on corporate and individual annuity insurance products - separate account:				
Insurance claims and payment	\$ 265	-	649	-
Insurance value reserve provisions - separated account	1,117,621	2,170,582	2,248,569	2,915,995
Losses on financial assets or liabilities measured at fair value through profit or loss	25,290	(670,166)	2,252,899	2,415,332
Losses on financial assets or liabilities measured at fair value through comprehensive profit or loss	4,763	(8)	41,040	632
Expected credit losses on investments	15,669	1,468	20,288	10,473
Losses on foreign exchange	50,439	136,419	118,407	303,964
Administrative expenses	945,691	58,644	2,050,183	110,351
Other expenses	913	6,111	3,345	15,237
Total	\$ 2,160,651	1,703,050	6,735,380	5,771,984

Fubon Life Insurance and its subsidiaries have provided following government bonds and corporate bonds as collateral for financial instrument transaction:

Account	June 30, 2021	December 31, 2020	June 30, 2020
Financial assets measured at fair value through other comprehensive income	\$ <u>548,415</u>	<u>-</u>	<u>822,107</u>

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(p) Investment Property

	<u>Land and improvements</u>	<u>Buildings</u>	<u>Investment property under construction</u>	<u>Prepayment for investment property</u>	<u>Right-of-use assets</u>	<u>Total</u>
Balance as of January 1, 2021	\$ 192,610,452	55,511,128	7,972,881	7,933	47,662,398	303,764,792
Additions	94,462	16,904	2,444,224	-	-	2,555,590
Disposals	(54,863)	(16,882)	-	-	-	(71,745)
Reclassification	190,717	(70,276)	184,036	(7,933)	-	296,544
Acquisition through business combination	239,552	120,810	-	-	-	360,362
Gains (losses) generated from fair value adjustments	(931,126)	495,498	-	-	(120,539)	(556,167)
Effects of exchange rate changes	(584,407)	(886,386)	-	-	(10,835)	(1,481,628)
Balance as of June 30, 2021	<u>\$ 191,564,787</u>	<u>55,170,796</u>	<u>10,601,141</u>	<u>-</u>	<u>47,531,024</u>	<u>304,867,748</u>
Balance as of January 1, 2020	\$ 132,962,855	60,511,846	5,763,596	60,038	48,721,179	248,019,514
Additions	28,299,074	267,809	797,408	4,018	(587)	29,367,722
Disposals	(377)	-	-	-	-	(377)
Reclassification	106,375	1,069,938	(882,541)	(57,911)	-	235,861
Gains (losses) generated from fair value adjustments	5,401	(2,378,834)	-	-	(909,447)	(3,282,880)
Reclassification	-	-	-	-	270,332	270,332
Effects of exchange rate changes	(743,616)	(1,750,852)	-	-	(104,068)	(2,598,536)
Balance as of June 30, 2020	<u>\$ 160,629,712</u>	<u>57,719,907</u>	<u>5,678,463</u>	<u>6,145</u>	<u>47,977,409</u>	<u>272,011,636</u>

Please refer to note 6 (r) for the details of lease liabilities and interest expenses of superficies.

Rental revenue incurred for investment properties, direct operation expenses, and direct operation expenses belonging to investment properties were as follows:

	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Rental revenue	<u>\$ 1,853,969</u>	<u>1,655,936</u>	<u>3,709,330</u>	<u>3,342,925</u>
Direct operation expenses	<u>\$ 431,027</u>	<u>378,806</u>	<u>885,879</u>	<u>728,848</u>
Direct operation expenses belonging to investment properties that did not generate rental income	<u>\$ 47,383</u>	<u>26,998</u>	<u>92,491</u>	<u>44,118</u>

Investment properties are primary for rental purposes and all of which are operating leases. Main content of such contracts is the same as the terms of general lease contracts.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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A maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date is as follows:

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Less than one year	\$ 7,926,042	7,931,330	6,713,067
One to two years	7,207,992	6,970,196	6,343,731
Two to three years	6,189,515	6,348,545	5,964,316
Three to four years	5,456,400	5,474,389	5,024,749
Four to five years	4,596,999	4,687,771	4,396,254
More than five years	<u>25,708,044</u>	<u>24,106,908</u>	<u>24,948,037</u>
	<u>\$ 57,084,992</u>	<u>55,519,139</u>	<u>53,390,154</u>

Certain investment properties were pledged as collateral, please refer to note 8 for details.

Major contents of investment property of subsidiaries are listed separately as follows:

(i) Fubon Life Insurance and its subsidiaries

Fubon Life Insurance and its subsidiaries' investment property appraisal has been performed by appraisers from professional valuation agencies based on the "Regulations on Real Estate Appraisal" in accordance with the "Regulations Governing the Preparation of Financial Reports by Insurance Companies", and the valuation dates were June 30, 2021, December 31 and June 30, 2020.

- 1) DTZ: Li Gen-Yuan
- 2) Savills Plc: Dai Guang-Ping, Chang Hung-Kai, Chang I-Chih, Yeh Yu-Fen, Liao Chia-Xian, Yeh Shih-Yu
- 3) Repro International Inc.: Wu Hung-Hsu, Tsai You-Xiang, Hsu Hsiang-I
- 4) Jin Han Real Estate Appraisers Joint Firm: Wu Yu-Chun, Hung Chi-Hsiang, Chen I-Chun
- 5) G-Bean Real Estate Appraisers Firms: Chang Neng-Cheng, Li Fang-Cheng
- 6) Colliers International Valuation Taiwan LLP: Ke Feng-Ru, Zhan Xiu-Ying, Gu Jian-Hui
- 7) Hong Bang Real Estate Appraisers Firms: Wen Yang-Yan, Li Ching-Tang
- 8) Colliers International Valuation Taiwan LLP & Colliers International Valuation UK LLP: Gu Jian-Hui, PC Willis, Mark White
- 9) DTZ & Cushman & Wakefield Debenham Tie Leuag Limited: Yang Chang-Da, John Bareham, Charles Smith
- 10) Repro International Inc. and Knight Frank LLP: Wu Hung-Hsu, Samuel Beldam

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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- 11) CBRE Limited and CBRE Limited: Shih Fu-Syue, Li Jhieh-Wei, Jonathan White, Max Tulley
- 12) Jones Lang LaSalle Limited and Jones Lang LaSalle Limited: Jhao Jheng-Yi, Ciou, Bo-Lun, Harriet Costello, Andrew Pirie, Elizabeth Levingston
- 13) Jones Lang LaSalle Limited and Jones Lang LaSalle Limited(Korea): Hsu Kuo-Chun, Andrew Dolan
- 14) Savills Plc, Pacific Appraisal Co., Ltd. and Savills Korea Co., Ltd.: Chang Hung-Kai, Chang I-Chih, Changkue Joo, Minseok Choi, Jungu Kang
- 15) Euro-Asia Real Estate Appraiser Firm and BNP Paribas Real Estate Advisory Belgium S.A.: Chou Shih-Yuan, Jean-Claude Dubois, Nabil Mouloua
- 16) Jones Lang LaSalle Real Estate Appraiser Firm and Jones Lang LaSalle Belgium: Chao Cheng-Yi, Chiu Bo-Lun, Roderick Scrivener
- 17) Repro International Inc. and Knight Frank SA/NV: Wu Hung-Hsu, Filip Derijck
- 18) Savills Plc and Savills Immobilien Beratungs-GmbH: Chang I-Chih, Christian Glock, Thomas Berger
- 19) Repro International Inc., Knight Frank LLP and Knight Frank Valuation & Advisory GmbH & Co. KG: Wu Hung-Hsu, Caroline Bathgate, Christoph Gerlinger

The fair value of investment property is based on a valuation by professional evaluation agency and supported and " Regulations Governing the Preparation of Financial Reports by Insurance Companies " by market evidence. Appraising methods include the comparison approach, income approach (including direct capitalization method and discount cash flow (DCF) method), cost approach, land development analysis of cost approach, and replacement cost method and so on.

Commercial office buildings are appraised mainly using the comparison approach and income approach because of the market liquidity, and easier access to comparable sales and rental cases in the neighboring areas. Marketplaces, hotels and department stores, depending on their characteristics, terms of rental contracts and reference of similar cases are generally appraised using the comparison approach as a primary method as well as cost approach, and direct capitalization method and DCF method of the income approach. Special real estates, such as combinative marketplaces with hotels, or those currently used as hospitals, are appraised mainly by cost approach, as well as comparison approach, and direct capitalization method and DCF method of income approach.

Superficies are appraised using the comparison approach, price rate approach, land development analysis of cost approach, and DCF analysis approach. Factories and buildings planned for urban renewal are appraised by comparison approach, cost approach and land development analysis approach. After vacant land and superficies are developed, they are appraised by the abovementioned approaches according to nature of the completed building.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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The inputs applied are as follows:

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
	Mainly	Mainly	Mainly
Income capitalization rate	0.39%~7.90%	0.97%~7.90%	0.99%~8.00%
Year-end income capitalization rate	1.75%~7.00%	1.71%~7.00%	1.55%~7.00%
Discount rate	2.10%~7.50%	2.20%~7.75%	2.20%~7.75%

Professional valuation agencies use the market extraction method, search several comparable properties similar to the subject property, and consider the liquidity risk and future disposal risk premium to decide on the income capitalization rate and discount rate. The discount rate of investment properties acquired after May 11, 2020 was in accordance with the amended "Regulations Governing the Preparation of Financial Reports by Insurance Enterprises".

The Linsen South Road Hotel superficies of Fubon Life Insurance and its subsidiaries were completed in March 2020. Since the type of rights has been changed from superficies to combination of superficies and construction, the cost method and DCF method were used to evaluate the overall fair value of superficies and construction instead. The overall fair value is not significantly different from the estimated value of the superficies and construction in progress during the development period.

During June 2020, Fubon Life Insurance and its subsidiaries acquired the land on Nangang Yucheng Section. In accordance with Regulations Governing the Preparation of Financial Reports by Insurance Enterprises applicable on or after 11 May, 2020, the land does not meet the criteria set out by Regulation to be measured at fair value, therefore it shall be accounted for in accordance with IAS 40 paragraph 53 and be measured at cost. As of June 30, 2021, the cost to acquire the investment property is \$28,299,074, with reference to the valuation report, the fair value is approximate to the cost amount.

The investment properties held by Fubon Life Insurance and its subsidiaries are subsequently measured at fair value model, and categorized into Level 3. The appraising methods adopted by professional valuation agencies are: (a) direct capitalization of income approach: when the main input, direct capitalization rate increases, the fair value will decrease, and vice versa; (b) discounted cash flow analysis of income approach: when the main inputs, discount rate and year-end income capitalization rate increase, the fair value will decrease, and vice versa.

(ii) Fubon Insurance and its subsidiaries

Fubon Insurance and its subsidiaries' investment property appraisals were performed by appraisers from professional valuation agencies based on the "Regulations on Real Estate Appraisal" in accordance with the "Regulations Governing the Preparation of Financial Reports by Insurance Companies", and valuation dates were June 30, 2021, December 31 and June 30, 2020.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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Valuation agencies as of June 30, 2021, December 31, 2020 were as follows:

- 1) Hong Bang Real Estate Appraisers Firms: Li Ching-Tang
- 2) Kao Yuan Real Estate Appraisers Firms: Chen Bi-Yuan

Valuation agencies as of June 30, 2020 were as follows:

- 1) Zhan-Mao Real Estate Appraisers Firm: Yang Shang-Hong
- 2) Repro International Inc.: Wu Hung-Hsu, Tsai You-Xiang

The fair value of investment property is based on a valuation performed by professional evaluation agency and supported by external market evidence. Appraising methods include the comparison approach, income approach, cost approach and land development analysis of cost approach. Commercial office buildings are appraised using the comparison approach and income approach mostly because of the market liquidity, comparable sales and rental cases in the neighboring areas. Townhouses and land are appraised using the cost method because rare cases of income generated from land and big income gap resulted from different building structure lead to poor accuracy and degree of confidence. The developing land is appraised using comparison approach and land development analysis approach.

The inputs applied are as follows:

	June 30, 2021	December 31, 2020	June 30, 2020
Direct capitalization rate (net)	1.50%~4.65%	1.33%~4.65%	1.00%~5.40%
Profit rate	23.00%	23.00%	18.00%~21.00%
Overall capital interest rate	1.89%~2.57%	1.85%~2.61%	1.30%~3.95%

External appraisers use the market extraction method, search several comparable properties similar to the subject property, and consider the liquidity risk and future disposal risk premium to decide on the direct capitalization rate and discount rate.

(iii) Taipei Fubon Bank

Investment properties are leased out as operating leases with terms of three to ten years. Some of lease contracts included contingent rent clauses. Taipei Fubon Bank can adjust the rent price on a fixed ratio every year.

The fair values of the investment property as of December 31, 2020 and 2019, were based on the valuations carried out at these dates performed by the following independent qualified professional valuers: Dai Kuang-Ping, Chang Hung-Kai, Chang I-Chih and Yeh Yu-Fen from Savills Plc Real Estate Appraiser Office, a member of certified ROC real estate appraisals.

Taipei Fubon Bank has consulted the appraisers about the effectiveness of the original appraisal report. As of June 30, 2021 and 2020, the fair values of the aforementioned investment property at December 31, 2020 and 2019 were considered valid, respectively.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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The fair value of investment properties was measured using the DCF method of income approach. The significant assumptions used were as follows. Fair value will increase when expected future cash inflows increases or discount rate decreases.

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Expected future cash inflows	\$ 4,529,563	4,579,118	3,609,449
Expected future cash outflows	<u>(148,796)</u>	<u>(156,395)</u>	<u>(109,827)</u>
Expected future cash inflows, net	<u>\$ 4,380,767</u>	<u>4,422,723</u>	<u>3,499,622</u>
Discount rate	3.595%	3.595%	3.845%

The market rentals in the area where the investment property is located were between \$1 thousand and \$20 thousand per ping (i.e. 1 ping = 3.3 square meters).

The expected future cash inflows generated by investment property included rental income, interest income on rental deposits and disposal value. The rental income was extrapolated using the Taipei Fubon Bank's current rental rate and market rent price, taking into account the annual rental growth rate; and the income analysis covers a 10-year period. The interest income on rental deposits was extrapolated using the interest rate for one-year time deposit, and the disposal value was determined using the direct capitalization method under the income approach.

The expected future cash outflows incurred by investment property 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 and building and construction expense.

As of June 30, 2021, December 31 and June 30, 2020, the discount rate was based on the interest rate of the two-year time deposits of Chunghwa Post Co., Ltd., plus, 0.75%, and the investment asset-specific risk premiums of 2%.

(iv) Fubon Securities

Investment property of Fubon securities was evaluated by appraisers from professional valuation agencies, in accordance with the "Regulations on Real Estate Appraisal", and the valuation dates were December 31, 2020 and 2019. Fubon Securities has consulted the appraisers about the effectiveness of the original appraisal report. As of June 30, 2021 and 2020, the fair values of the aforementioned investment property at December 31, 2020 and 2019 were considered valid, respectively. The appraisals were performed by following valuation agencies

The appraisers were Chih Wei-Shin, Wang Shih-Ming, Chi Liang-An and Tsai Wen-Che from Xinyi Real Estate Appraisers Firm on December 31, 2020.

The appraiser was Yang Shang-Hong from Zhan-Mao Real Estate Appraisers Firm on December 31, 2019.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The fair value of investment property is supported by observable evidence in the market. Appraising method is mainly the DCF method of income approach.

Commercial office buildings and terraced shops are appraised using the DCF method of income approach mostly due to the market liquidity, comparable sales and rental cases in the neighboring areas.

Reasonable net profit refers to market practices. For the year ended December 31, 2020 and 2019, total revenue from subject properties are estimated with the assumption that rent level is adjusted within 0.17%~0.25% and by 0.83% every year, respectively, minus, expected loss due to idled or other reasons and relevant expense raised from operating activities.

In accordance with the R.O.C. Real Estate Appraiser Alliance Statement No.5, total assessment of the current value of the building refers to the assessed current value of the building released by local governments and is calculated from areas of property right (including public facility). House tax is calculated with total assessment of the current value of the building and tax rate in accordance with the Regulations of House Tax.

Land value tax refers to future publicly announced price of the subject property estimated by the changes of publicly announced price in recent year.

The replacement allowance is calculated in accordance with R.O.C. Real Estate Appraiser Alliance Statement No.5. On December 31, 2020, it is amortized over 10 to 20 years at the rate of 10%~20% of building and construction expenses. On December 31, 2019, it is calculated based on construction cost unit price multiplied by building area and the replacement allowance rate. In principle, the replacement allowance rate is 0.5%.

The inputs applied are as follows:

	June 30, 2021	December 31, 2020	June 30, 2020
Discount rate	2.345%~4.095%	2.345%~4.095%	2.060%~5.645%

The decision of discount rate is based on risk premium method, the consideration on time deposit rates, government bond rates, risk of real estate investment, changes of currencies, changes in real estate prices, etc. Discount rate is based on the two-year time deposit floating rate below ten million of Chunghwa Post Co., Ltd., in consideration of the earning position, liquidity, risk, increment and the difficulty of management, plus, risk premium, in accordance with Rule No.9 of the “Regulations Governing the Preparation of Financial Reports by Securities Firms”. When the discount rate decreases, the fair value will increase, and vice versa.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(v) Fubon AMC

Investment property of Fubon AMC was evaluated by appraisers Zhan Xiu-Ying and Ke Feng-Ru from Colliers International Real Estate Appraiser Office, Li Gen-Yuan from Cushman and Wakefield Real Estate Appraiser Office, and Chang Hung-Kai, Chang Yi-Chih, Tai Kuang-Ping and Yeh Yu-Fen from Savills Plc Real Estate Appraiser Office, in accordance with the “Regulations on Real Estate Appraisal”, and the valuation dates were June 30, 2021, December 31, 2020 and 2019, respectively. Fubon AMC has consulted the appraisers about the effectiveness of the original appraisal report. As of June 30, 2021 and 2020, the fair values of the aforementioned investment property were considered valid.

The fair value of investment property is supported by observable evidence in the market. The main appraising method are comparison approach, direct capitalization method and land development analysis of cost approach.

Land foreclosures and undeveloped vacant land, as well as costs of vacant land, are appraised using the comparison approach and land development analysis. Selling price which is extrapolated using land development analysis is determined according to examples of market transaction. Considering their characteristics, profile of local property market and reference of similar investment properties, commercial office buildings are generally appraised using the comparison approach and direct capitalization method as primary method.

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Profit rate	16.00%~18.00%	16.00%~18.00%	18.00%
Overall capital interest rate	1.86%~2.74%	1.86%~2.74%	3.61%~4.01%
Income capitalization rate	1.34%~3.08%	1.37%~3.08%	1.70%~3.70%

When the profit rate, an overall capital interest rate and the income capitalization rate decrease, the fair value will increase, and vice versa.

(vi) Fubon Bank (Hong Kong)

Investment property of Fubon Bank (Hong Kong) was evaluated by the following appraisers, and the valuation dates were June 30, 2021, December 31, 2020 and July 31, 2020, respectively. Valuation agencies were as follows:

The appraiser was Deng Qi-Zhong from Knight Frank Petty Limited on June 30, 2021.

The appraiser was Fong Li-Sian from Colliers International (Hong Kong) Limited on December 31, 2020.

The appraiser was Fang Yao-Ming from Knight Frank Petty Limited on July 31, 2020.

The fair value of investment property is supported by observable evidence in the market. The appraisal method is the comparison approach, which compares the price of one property to other properties in the area with similar characteristics and income approach which assumes the market rate of return and market rental value to determine the fair value.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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(vii) JihSun Financial Holdings

The subsidiary, JihSun Financial Holding's investment property appraisals were performed by appraisers from professional valuation agencies, and the valuation date was March 31, 2021. The appraisals were performed by the following valuation agencies:

Xinyi Real Estate Appraisers Firm: Wang Shih-Ming. Savills Plc Real Estate Appraiser Office: Chang Hung-Kai, Chang Yi-Chih, Yeh Yu-Fen, Ye Shi-Yu. JihSun Financial Holding has consulted the appraisers about the effectiveness of the original appraisal report. As of June 30, 2021, the fair values of the aforementioned investment property were considered valid, respectively.

The fair value of investment property is supported by observable evidence in the market. Appraising method is mainly the DCF method of income approach. JihSun Financial Holding uses an objective attitude to compare and analyze the market research cases and estimate the income and expenses to obtain the gross value and net value of the evaluated objects.

(q) Property and Equipment, Net

	Land	Buildings	Machinery and computer equipment	Transportation equipment	Other equipment	Prepayment for purchases of equipment, and construction in progress	Total
Cost or deemed cost:							
Balance as of January 1, 2021	\$ 31,047,380	28,561,758	8,219,859	363,208	11,402,031	1,754,418	81,348,654
Additions	9,745	17,224	200,448	7,645	240,273	527,596	1,002,931
Acquisition through business combination	3,671,208	2,567,919	1,056,836	4,346	961,210	88,057	8,349,576
Disposals	-	-	(110,572)	(7,842)	(159,280)	(47)	(277,741)
Reclassification	37,932	(52,965)	72,036	270	38,710	(977,354)	(881,371)
Effects of exchange rates changes	(3,061)	(153,102)	(46,919)	(1,448)	(111,261)	(50)	(315,841)
Balance as of June 30, 2021	<u>\$ 34,763,204</u>	<u>30,940,834</u>	<u>9,391,688</u>	<u>366,179</u>	<u>12,371,683</u>	<u>1,392,620</u>	<u>89,226,208</u>
Balance as of January 1, 2020	\$ 29,205,232	27,596,268	7,610,654	382,092	11,347,780	1,576,239	77,718,265
Additions	1,076,383	20,997	208,322	5,383	243,412	509,066	2,063,563
Disposals	(731)	-	(68,371)	(16,664)	(169,008)	(1,925)	(256,699)
Reclassification	149,470	(297,411)	46,602	-	101,150	(279,989)	(280,178)
Effects of exchange rates changes	(2,646)	(267,523)	(60,012)	(2,974)	(92,138)	(55)	(425,348)
Balance as of June 30, 2020	<u>\$ 30,427,708</u>	<u>27,052,331</u>	<u>7,737,195</u>	<u>367,837</u>	<u>11,431,196</u>	<u>1,803,336</u>	<u>78,819,603</u>
Depreciation and impairment loss:							
Balance as of January 1, 2021	\$ 1,013,284	7,766,828	6,219,675	288,750	7,970,165	-	23,258,702
Acquisition through business combination	-	1,401,016	830,492	2,270	864,337	-	3,098,115
Depreciations	-	339,307	410,126	13,666	482,337	-	1,245,436
Disposals	-	-	(109,860)	(7,418)	(148,120)	-	(265,398)
Reclassification	-	(6,950)	-	-	-	-	(6,950)
Effects of exchange rates changes	-	(34,939)	(36,866)	(1,073)	(81,755)	-	(154,633)
Balance as of June 30, 2021	<u>\$ 1,013,284</u>	<u>9,465,262</u>	<u>7,313,567</u>	<u>296,195</u>	<u>9,086,964</u>	<u>-</u>	<u>27,175,272</u>
Balance as of January 1, 2019	\$ 1,013,284	5,877,447	5,607,815	287,538	7,551,188	-	20,337,272
Depreciations	-	326,517	377,779	15,102	512,145	-	1,231,543
Disposals	-	-	(68,159)	(15,658)	(166,143)	-	(249,960)
Reclassification	(2,402)	(61,445)	-	-	-	-	(63,847)
Impairment loss	2,402	6,805	-	-	-	-	9,207
Effects of exchange rates changes	-	(47,922)	(44,259)	(2,257)	(70,518)	-	(164,956)
Balance as of June 30, 2020	<u>\$ 1,013,284</u>	<u>6,101,402</u>	<u>5,873,176</u>	<u>284,725</u>	<u>7,826,672</u>	<u>-</u>	<u>21,099,259</u>

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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	Land	Buildings	Machinery and computer equipment	Transportation equipment	Other equipment	Prepayment for purchases of equipment, and construction in progress	Total
Carrying amounts:							
Balance as of June 30, 2021	\$ 33,749,920	21,475,572	2,078,121	69,984	3,284,719	1,392,620	62,050,936
Balance as of December 31, 2020	\$ 30,034,096	20,794,930	2,000,184	74,458	3,431,866	1,754,418	58,089,952
Balance as of June 30, 2020	\$ 29,414,424	20,950,929	1,864,019	83,112	3,604,524	1,803,336	57,720,344

Since the Company and its subsidiaries had transferred parts of their private properties to investment properties measured at fair value, the properties were reevaluated on the transferred date. The Company and its subsidiaries determined the recoverable amount at fair value, less, cost of disposal; and the related fair value was determined by using income approach, which is classified under level 3 fair value category. For valuation techniques and key assumptions of fair value measurements, please refer to note 6 (p) for details.

The property and equipment of the Company are depreciated on a straight-line basis based on the following estimated useful life:

Buildings	3 to 61 years
Machinery and computer equipment	3 to 10 years
Transportation equipment	3 to 10 years
Other equipment	1 to 21 years

Certain property was pledged as collateral, please refer to note 8 for details.

(r) Lease Agreement

(i) Right-of-use assets

Information about leases of land, buildings, machinery and transportation equipment of the Company and its subsidiaries is presented below:

	June 30, 2021	December 31, 2020	June 30, 2020
Carrying amounts			
Land — superficies	\$ 1,296,876	1,307,116	1,316,719
Buildings	6,695,746	4,987,398	5,262,372
Machinery	170,341	198,606	41,054
Transportation equipment	110,021	82,664	53,897
Other equipment	173,937	178,852	174,504
	<u>\$ 8,446,921</u>	<u>6,754,636</u>	<u>6,848,546</u>

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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	For the three months ended June 30		For the six months ended June 30	
	2021	2020	2021	2020
Additions	<u>\$ 1,180,895</u>	<u>791,306</u>	<u>2,217,286</u>	<u>1,453,236</u>
Depreciation				
Land – superficies	\$ 3,616	5,039	7,733	10,079
Buildings	602,981	557,184	1,120,053	1,127,246
Machinery	14,027	5,349	27,879	10,971
Transportation equipment	16,660	10,698	27,627	22,261
Other equipment	<u>19,935</u>	<u>20,909</u>	<u>40,005</u>	<u>41,971</u>
Total	<u>\$ 657,219</u>	<u>599,179</u>	<u>1,223,297</u>	<u>1,212,528</u>

(ii) Lease liabilities

The maturity analysis of undiscounted lease payments was as follows:

	June 30, 2021	December 31, 2020	June 30, 2020
	Less than one year	\$ 2,933,029	3,513,316
One to five years	6,376,510	5,140,414	5,031,220
More than five years	<u>25,656,058</u>	<u>26,169,795</u>	<u>26,106,735</u>
Total	<u>\$ 34,965,597</u>	<u>34,823,525</u>	<u>34,874,285</u>

The amounts recognized in the statement of cash flows for the Company and its subsidiaries were as follows:

	For the six months ended June 30	
	2021	2020
Total cash outflow for leases	<u>\$ 2,868,639</u>	<u>2,400,920</u>

(iii) Other lease information

1) Real estate leases

As of June 30, 2021 and 2020, the Company and its subsidiaries lease land and buildings for office space. The leases of office space typically run for a period of 1 to 11 years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract-term.

2) Superficies leases

For the six months ended June 30, 2021 and 2020, the Company and its subsidiaries lease land for superficies with usual lease terms of 50 to 70 years for the purpose of commercial buildings, malls, hotels etc.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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The Company and its subsidiaries have elected to apply the practical expedient of amendments to IFRS 16 "Covid-19-Related Rent Concessions". The amount recognized in profit and loss as following:

For the three months ended June 30		For the six months ended June 30	
2021	2020	2021	2020
\$ -	9,974	1,003	9,974

3) Other leases

The Company and its subsidiaries lease vehicles and equipment, with lease terms of 1 to 8 years.

For short-term or leases of low-value items, the Company and its subsidiaries have elected not to recognize right-of-use assets and lease liabilities for these leases.

(s) Intangible Assets, Net

	June 30, 2021	December 31, 2020	June 30, 2020
	License and operating rights	\$ 8,425,275	8,727,176
Core deposits	4,969,261	5,187,234	5,139,603
Goodwill	15,780,582	15,910,417	15,692,087
Computer software	3,153,221	2,322,558	1,835,816
Customer relationship	39,634	44,492	46,987
Others	950,846	977,853	566,193
	\$ 33,318,819	33,169,730	31,692,833

The movements of intangible assets of the Company and its subsidiaries were as follows:

	Goodwill	Other intangible assets	Total
Cost :			
Balance as of January 1, 2021	\$ 15,910,417	17,259,313	33,169,730
Acquisition through business combinations	-	248,976	248,976
Additions	-	313,209	313,209
Disposals	-	(10)	(10)
Amortization	-	(712,364)	(712,364)
Reclassification	-	764,343	764,343
Effects of exchange rate changes	(129,835)	(335,230)	(465,065)
Balance as of June 30, 2021	\$ 15,780,582	17,538,237	33,318,819

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	Goodwill	Other intangible assets	Total
Balance as of January 1, 2020	\$ 15,884,050	16,829,136	32,713,186
Additions	-	220,671	220,671
Disposal	-	(10)	(10)
Amortization	-	(638,501)	(638,501)
Reclassification	-	122,956	122,956
Effects of exchange rate changes	(191,963)	(533,506)	(725,469)
Balance as of June 30, 2020	<u>\$ 15,692,087</u>	<u>16,000,746</u>	<u>31,692,833</u>

The above license and operating rights, core deposits, customer relationships and goodwill arose from the Company and its subsidiaries' acquisition of the Hanoi branch and Ho Chi Minh City sub branch of Chinfon Bank, which were monitored by the Financial Restructuring Fund, and from the acquisition of ING Life Insurance (Taiwan), Fubon Bank (Hong Kong), Fubon Bank (China), EDA Rhinos professional baseball team (which was renamed as Fubon Guardians), and Fubon Hyundai Life Insurance Co., Ltd.

The above intangible assets, except for banking license and others with an indefinite useful life which is not amortized, are amortized on a straight-line basis and recognized as profit or loss based on the following estimated useful life:

Core deposits	23 years
Operating rights	10 to 97 years
Computer software	3 to 10 years
Customer relationship	10 to 14 years
Other	3 to 20 years

No significant impairment was incurred as of June 30, 2021, December 31 and June 30, 2020, after evaluating the carrying amount of goodwill.

(t) Other Assets

	June 30, 2021	December 31, 2020	June 30, 2020
Refundable deposits	\$ 35,683,292	38,188,993	42,333,098
Foreclosed collaterals and residuals taken over	125,806	52,357	50,304
Operation guarantee deposits and settlement fund	1,247,386	326,706	315,970
Deferred assets	2,094,579	1,951,393	1,415,432
Prepayments	3,108,112	2,102,224	2,797,373
Others	14,181,225	13,133,698	9,465,038
Total	<u>\$ 56,440,400</u>	<u>55,755,371</u>	<u>56,377,215</u>

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(i) Fubon Bank (China) invested CNY 125,000 thousand and held 25% of the shares in the Vip Fubon Consumer Finance Ltd. in Sichuan. The company was in the preparation stage and was recognized as other assets – prepayments.

(ii) Certain other assets were pledged as collateral, please refer to note 8 for details.

(u) Securities Sold under Repurchase Agreements

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Securities sold under repurchase agreements	\$ 185,310,835	125,031,393	199,500,375
	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Due within one year	\$ 182,761,680	125,031,393	199,500,375
Without setting the repurchased date	2,549,155	-	-
	<u>\$ 185,310,835</u>	<u>125,031,393</u>	<u>199,500,375</u>

(v) Commercial Paper Issued, Net

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Par value	\$ 47,740,000	43,750,000	24,560,000
Less: Discount on commercial paper issued	11,302	12,029	5,861
Total	<u>\$ 47,728,698</u>	<u>43,737,971</u>	<u>24,554,139</u>
Interest rate range	0.20%~0.34%	0.20%~0.36%	0.29%~0.47%

Above mentioned commercial papers were underwritten by bills financial corporations and banks.

(w) Payables

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Other payables	\$ 14,917,849	26,405,069	18,788,539
Acceptance bill payable	13,069,569	19,382,925	24,014,553
Account payable for securities purchased	94,024,878	25,994,725	43,538,695
Accrued expenses	17,901,960	19,073,233	13,731,771
Accrued interests	8,823,840	8,455,105	10,012,723
Due to reinsurers and ceding companies	13,004,600	9,770,030	13,857,659
Dividends payable	33,616,798	-	23,383,194
Others	44,125,199	26,944,822	31,560,791
Total	<u>\$ 239,484,693</u>	<u>136,025,909</u>	<u>178,887,925</u>

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(x) Deposits and Remittances

	June 30, 2021	December 31, 2020	June 30, 2020
Checking accounts	\$ 16,672,599	16,186,605	16,387,755
Public treasury deposits	37,183,018	40,481,574	37,871,144
Demand deposits	742,153,832	713,214,249	605,214,742
Time deposits	887,321,530	810,847,639	882,009,459
Negotiable certificates of deposit	117,983,586	106,088,995	98,163,770
Savings accounts	1,214,360,583	1,015,309,681	975,194,410
Remittances	631,916	440,636	14,574,811
Total	<u>\$ 3,016,307,064</u>	<u>2,702,569,379</u>	<u>2,629,416,091</u>

(y) Bonds Payable

(i) The bonds payable was as follows:

	June 30, 2021	December 31, 2020	June 30, 2020
Unsecured corporate bonds	\$ 85,000,000	85,500,000	52,450,000
Subordinated corporate bonds	44,789,307	44,803,584	43,027,561
Financial bonds	131,567,957	139,213,704	147,154,049
Total	<u>\$ 261,357,264</u>	<u>269,517,288</u>	<u>242,631,610</u>

(ii) Unsecured corporate bonds

Name	Issue period		Issue amount	Interest rate	June 30, 2021	December 31, 2020	June 30, 2020	Note
	Issue date	Maturity date						
First 2013 unsecured domestic corporate bonds-bond B	2013.08.28	2020.08.28	\$ 900,000	1.58	-	-	900,000	Note 1
Second 2013 unsecured domestic corporate bonds-bond B	2013.12.18	2020.12.18	2,550,000	1.60	-	-	2,550,000	Note 1
First 2014 unsecured domestic corporate bonds	2014.07.21	2021.07.21	15,000,000	1.72	15,000,000	15,000,000	15,000,000	Note 1
First 2015 unsecured domestic corporate bonds-bond B	2015.03.30	2022.03.30	3,900,000	1.65	3,900,000	3,900,000	3,900,000	Note 1
Second 2015 unsecured domestic corporate bonds-bond B	2015.07.15	2020.07.15	3,500,000	1.35	-	-	3,500,000	Note 2
Second 2015 unsecured domestic corporate bonds-bond C	2015.07.15	2022.07.15	9,400,000	1.65	9,400,000	9,400,000	9,400,000	Note 1
First 2018 unsecured domestic corporate bonds-bond A	2018.09.04	2023.09.04	1,700,000	0.85	1,600,000	1,700,000	1,700,000	Note 2
First 2018 unsecured domestic corporate bonds-bond B	2018.09.04	2025.09.04	8,300,000	0.95	8,300,000	8,300,000	8,300,000	Note 1
Second 2018 unsecured domestic corporate bonds-bond A	2018.11.22	2023.11.22	700,000	0.85	500,000	700,000	700,000	Note 2

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Name	Issue period		Issue amount	Interest rate	June 30, 2021	December 31, 2020	June 30, 2020	Note
	Issue date	Maturity date						
Second 2018 unsecured domestic corporate bonds-bond B	2018.11.22	2025.11.22	1,500,000	0.95	1,500,000	1,500,000	1,500,000	Note 1
First 2019 unsecured domestic corporate bonds-bond A	2019.12.05	2024.12.05	1,200,000	0.77	1,200,000	1,200,000	1,200,000	Note 2
First 2019 unsecured domestic corporate bonds-bond B	2019.12.05	2026.12.05	3,800,000	0.82	3,800,000	3,800,000	3,800,000	Note 1
First 2020 unsecured domestic corporate bonds-bond A	2020.07.29	2024.07.29	2,600,000	0.59	2,600,000	2,600,000	-	Note 3
First 2020 unsecured domestic corporate bonds-bond B	2020.07.29	2026.07.29	500,000	0.61	500,000	500,000	-	Note 4
First 2020 unsecured domestic corporate bonds-bond C	2020.07.29	2028.07.29	1,400,000	0.66	1,400,000	1,400,000	-	Note 5
First 2020 unsecured domestic corporate bonds-bond D	2020.07.29	2032.07.29	1,000,000	0.70	1,000,000	1,000,000	-	Note 7
Second 2020 unsecured domestic corporate bonds-bond A	2020.09.15	2024.09.15	6,500,000	0.59	6,500,000	6,500,000	-	Note 3
Second 2020 unsecured domestic corporate bonds-bond B	2020.09.15	2027.09.15	5,600,000	0.66	5,400,000	5,600,000	-	Note 1
Second 2020 unsecured domestic corporate bonds-bond C	2020.09.15	2030.09.15	7,900,000	0.70	7,900,000	7,900,000	-	Note 6
Third 2020 unsecured domestic corporate bonds-bond A	2020.11.06	2024.11.06	3,000,000	0.59	3,000,000	3,000,000	-	Note 3
Third 2020 unsecured domestic corporate bonds-bond B	2020.11.06	2027.11.06	4,200,000	0.66	4,200,000	4,200,000	-	Note 1
Third 2020 unsecured domestic corporate bonds-bond C	2020.11.06	2030.11.06	7,300,000	0.70	7,300,000	7,300,000	-	Note 6
					<u>\$ 85,000,000</u>	<u>85,500,000</u>	<u>52,450,000</u>	

Note 1: Fixed interest, interest payable annually; pay in full upon seven years.

Note 2: Fixed interest, interest payable annually; pay in full upon five years.

Note 3: Fixed interest, interest payable annually; pay in full upon four years.

Note 4: Fixed interest, interest payable annually; pay in full upon six years.

Note 5: Fixed interest, interest payable annually; pay in full upon eight years.

Note 6: Fixed interest, interest payable annually; pay in full upon ten years.

Note 7: Fixed interest, interest payable annually; pay in full upon twelve years.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Subordinated corporate bonds

Name	Issue Period		Coupon rate	Issue Amount	Unamortized premium (discount) amount	June 30, 2021	December 31, 2020	June 30, 2020	Note
	Issue Date	Maturity Date							
1st Issue of 2016 Perpetual Cumulative Subordinated Corporate Bonds	2016.12.07	Indefinite	3.25 % (Note 1)	\$ 28,500,000	-	\$ 28,500,000	28,500,000	28,500,000	Note 2
1st Issue of 2017 Perpetual Cumulative Subordinated Corporate Bonds	2017.04.21	Indefinite	3.30 % (Note 1)	6,500,000	-	6,500,000	6,500,000	6,500,000	Note 2
Hyundailife Insurance 5 (private placement)	2015.12.11	2021.06.11	4.65 %	493,560	-	-	523,751	495,831	
Hyundailife Insurance 5-2 (private placement)	2015.12.30	2021.06.30	4.65 %	74,034	-	-	78,703	74,601	
Hyundailife Insurance 6 (private placement)	2016.04.28	2022.04.28	4.60 %	740,340	3,811	744,151	1,050,048	992,197	
Hyundailife Insurance 7 (private placement)	2016.12.28	2022.07.28	4.75 %	493,560	1,748	495,308	524,585	495,376	
Hyundailife Insurance 8 (private placement)	2017.06.26	2023.01.26	4.90 %	222,102	994	223,096	236,231	223,028	
Hyundailife Insurance 9 (private placement)	2017.07.20	2023.01.20	4.90 %	197,424	1,615	199,039	211,006	199,452	
Hyundailife Insurance 11 (private placement)	2017.12.28	2023.06.28	5.60 %	1,480,680	17,108	1,497,788	1,588,250	1,501,657	
FubonHyundai Insurance 13 (private placement)	2019.09.09	2029.09.09	4.30 % (Note 3)	1,233,900	(2,748)	1,231,152	1,301,650	1,226,988	
FubonHyundai Insurance 14	2019.10.02	2029.10.02	4.25 % (Note 3)	2,467,800	(8,767)	2,459,033	2,599,667	2,450,397	
FubonHyundai Insurance 15 (private placement)	2020.06.24	2030.06.24	4.30 % (Note 3)	370,170	(890)	369,280	390,427	368,034	
FubonHyundai Insurance 16	2020.09.21	2030.09.21	4.49 % (Note 3)	1,233,900	(4,927)	1,228,973	1,299,266	-	
FubonHyundai Insurance 17	2021.04.29	2031.04.29	4.60 % (Note 3)	1,344,951	(3,464)	1,341,487	-	-	
Total					\$ 4,480	44,789,307	44,803,584	43,027,561	

Note 1: The coupon rate will increase by 1% if Fubon Life Insurance does not redeem the bond in 10 years from the date of issuance.

Note 2: The corporate bond has no maturity date. However, if the Fubon Life Insurance's risk based capital ratio is greater than twice the minimum risk based capital ratio for insurance companies, with the approval from the authority, Fubon Life Insurance will redeem the corporate bond in whole at a redemption price equal to 100% of the principal amount of the bond, plus accrued and unpaid interest to the date of redemption.

Note 3: The coupon rate will reset on the basis of 10-year KTB yield plus interest rate spread if the bond is not redeemed in 5 years from the date of issuance.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iv) Financial Bonds Payable

1) Taipei Fubon Bank and its subsidiaries

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Sixth issuance of subordinated bank debentures in 2010; fixed 2.05%; maturity: August 20, 2020	\$ -	-	1,900,000
Seventh issuance of subordinated bank debentures in 2010; fixed 1.55%; maturity: October 15, 2020	-	-	900,000
Second issuance of subordinated bank debentures in 2012; fixed 1.68%; maturity: May 25, 2022	4,700,000	4,700,000	4,700,000
First issuance of subordinated bank debentures in 2013; fixed 1.52%; maturity: August 1, 2020	-	-	3,750,000
First issuance of subordinated bank debentures in 2013; fixed 1.7%; maturity: August 1, 2023	500,000	500,000	500,000
First issuance of subordinated bank debentures in 2014; fixed 1.7%; maturity: May 15, 2021	-	5,500,000	5,500,000
First issuance of subordinated bank debentures in 2014; fixed 1.85%; maturity: May 15, 2024	4,500,000	4,500,000	4,500,000
Second issuance of subordinated bank debentures in 2014; fixed 1.98%; maturity: September 25, 2024	3,700,000	3,700,000	3,700,000
First issuance of dominant bank debentures in 2017; zero interest rate; maturity: January 24, 2047 (US\$200,000 thousand)	-	6,629,430	6,793,863

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Second issuance of subordinated bank debentures in 2017; fixed 1.33%; maturity: September 22, 2024	\$ 3,000,000	3,000,000	3,000,000
Fourth issuance of subordinated bank debentures in 2017; fixed 1.3%; maturity: October 18, 2024	1,750,000	1,750,000	1,750,000
Fifth issuance of dominant bank debentures in 2017; zero interest rate; maturity: December 4, 2047 (US\$100,000 thousand)	3,217,280	3,210,654	3,289,175
Second issuance of dominant bank debentures in 2018; zero interest rate; maturity: March 8, 2048 (US\$195,000 thousand)	6,258,569	6,238,284	6,383,156
Third issuance of subordinated bank debentures in 2018; fixed 1.15%; maturity: September 25, 2025	1,200,000	1,200,000	1,200,000
Third issuance of subordinated bank debentures in 2018; fixed 1.3%; maturity: September 25, 2028	1,800,000	1,800,000	1,800,000
Fifth issuance of dominant bank debentures in 2018; zero interest rate; maturity: November 20, 2048 (US\$80,000 thousand)	2,526,316	2,511,571	2,563,096
Sixth issuance of dominant bank debentures in 2018; fixed 1.1%; maturity: November 28, 2028	3,700,000	3,700,000	3,700,000
Seventh issuance of subordinated bank debentures in 2018; fixed 2.15%; perpetual	6,500,000	6,500,000	6,500,000

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
First issuance of dominant bank debentures in 2019; fixed 0.98%; maturity: March 20, 2029	\$ 1,300,000	1,500,000	1,500,000
Second issuance of dominant bank debentures in 2019; fixed 0.95%; maturity: May 10, 2029	1,300,000	1,300,000	1,300,000
Third issuance of subordinated bank debentures in 2019; fixed 1.90%; perpetual	3,100,000	3,100,000	3,100,000
Fourth issuance of subordinated bank debentures in 2019; fixed 1.63%; perpetual	4,400,000	4,400,000	4,400,000
Fifth issuance of subordinated bank debentures in 2019; fixed 0.95%; maturity: September 26, 2029	6,000,000	6,000,000	6,000,000
Sixth issuance of dominant bank debentures in 2019; fixed 0.88%; maturity: October 30, 2029	6,600,000	6,600,000	6,600,000
Seventh issuance of dominant bank debentures in 2019; fixed 0.88%; maturity: December 30, 2029	3,100,000	3,100,000	3,100,000
First issuance of dominant bank debentures in 2020; fixed 0.75%; maturity: March 20, 2030	5,000,000	5,000,000	5,000,000
Second issuance of subordinated bank debentures in 2020; fixed 1.60%; perpetual	3,150,000	3,150,000	3,150,000
Third issuance of subordinated bank debentures in 2020; fixed 0.70%; maturity: June 22, 2027	200,000	200,000	200,000
Third issuance of subordinated bank debentures in 2020; fixed 0.80%; maturity: June 22, 2030	1,800,000	1,800,000	1,800,000

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	June 30, 2021	December 31, 2020	June 30, 2020
Fourth issuance of subordinated bank debentures in 2020; fixed 1.50%; perpetual	\$ 2,850,000	2,850,000	-
First issuance of dominant bank debentures in 2021; fixed 0.40%; maturity: January 28, 2026	1,000,000	-	-
Valuation adjustments of bank debentures	1,552,579	2,058,565	2,485,615
Subtotal	<u>84,704,744</u>	<u>96,498,504</u>	<u>101,064,905</u>
First issuance of 2018 Fubon Bank (China) Tier 2 capital; fixed 5.43%; maturity: December 6, 2028 (CNY 1,000,000 thousand)	4,314,552	4,363,063	4,192,000
First issuance of 2019 Fubon Bank (China) Tier 2 capital; fixed 5.20%; maturity: April 27, 2029 (CNY 1,000,000 thousand)	4,314,552	4,363,063	4,192,000
First issuance of FBCN in 2020; fixed 4.08%; maturity: January 9, 2025 (CNY 1,000,000 thousand)	4,309,345	4,355,919	4,185,149
First issuance of Fubon Bank (China) bank debentures in 2020; fixed 3.20%; maturity: March 23, 2023 (CNY 1,000,000 thousand)	4,314,552	4,363,063	4,192,000
Second issuance of Fubon Bank (China) bank debentures in 2020; fixed 3.92%; maturity: December 1, 2023 (CNY 1,000,000 thousand)	4,314,552	4,363,063	-
Subtotal	<u>21,567,553</u>	<u>21,808,171</u>	<u>16,761,149</u>
Total	<u>\$ 106,272,297</u>	<u>118,306,675</u>	<u>117,826,054</u>

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Fubon Bank (Hong Kong) and its subsidiaries

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
10-year bonds issued in November 2010; fixed 6.125%; maturity: November 2020	\$ -	-	5,929,227
3-year bonds issued in September 2017; floating; maturity: September 2020	-	-	1,148,057
3-year bonds issued in February 2018; fixed 2.55%; maturity: February 2021	-	367,220	385,477
2-year bonds issued in July 2018; floating; maturity: July 2020	-	-	765,397
3-year bonds issued in August 2018; floating; maturity: August 2021	717,845	731,931	765,336
3-year bonds issued in October 2018; floating; maturity: October 2021	933,192	951,528	994,981
2-year bonds issued in December 2018; fixed 3.3%; maturity: December 2020	-	-	577,693
3-year bonds issued in December 2018; fixed 3.25%; maturity: December 2021	253,557	261,125	274,441
2-year bonds issued in March 2019; fixed 2.63%; maturity: March 2021	-	1,099,497	1,155,352
1-year bonds issued in July 2019; fixed 2.48%; maturity: July 2020	-	-	593,220
2-year bonds issued in July 2019; floating; maturity: July 2021	538,384	548,921	573,943
3-year bonds issued in August 2019; floating; maturity: August 2022	556,958	566,782	592,336
3-year bonds issued in October 2019; fixed 2.39%; maturity: October 2022	825,100	841,175	879,445

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
18-month bonds issued in December 2019; floating; maturity: June 2021	\$ -	365,956	382,637
18-month bonds issued in December 2019; fixed 2.58%; maturity: June 2021	-	365,950	382,626
18-month bonds issued in December 2019; fixed 2.45%; maturity: June 2021	-	548,651	573,311
3-year bonds issued in December 2019; floating; maturity: December 2022	538,071	548,549	573,499
2-year bonds issued in January 2020; floating; maturity: January 2022	538,022	548,278	572,986
3-year bonds issued in January 2020; fixed 2.42%; maturity: January 2023	286,347	291,734	304,806
1-year bonds issued in February 2020; zero interest rate; maturity: February 2021	-	1,414,349	1,463,667
2-year bonds issued in February 2020; fixed 2.2%; maturity: February 2022	537,862	548,049	572,676
3-year bonds issued in February 2020; fixed 2%; maturity: February 2023	927,228	943,687	984,931
3-year bonds issued in February 2020; fixed 2.25%; maturity: February 2023	537,088	547,269	571,868
1-year bonds issued in March 2020; zero interest rate; maturity: March 2021	-	848,248	877,872
2-year bonds issued in March 2020; fixed 2%; maturity: March 2022	1,390,737	1,413,718	1,475,822
2-year bonds issued in March 2020; fixed 2%; maturity: March 2022	556,281	565,473	590,315

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
2-year bonds issued in March 2020; fixed 1.5%; maturity: March 2022	\$ 358,296	364,903	381,110
6-month bonds issued in April 2020; zero interest rate; maturity: October 2020	-	-	760,437
6-month bonds issued in April 2020; zero interest rate; maturity: October 2020	-	-	380,479
2-year bonds issued in April 2020; fixed 1.95%; maturity: April 2024	1,392,368	1,416,739	1,480,429
2-year bonds issued in April 2020; fixed 1.95%; maturity: April 2022	1,392,384	1,416,756	1,480,410
6-month bonds issued in June 2020, zero interest rate; maturity: December 2020	-	-	295,628
1-year bonds issued in June 2020; zero interest rate; maturity: June 2021	-	564,934	587,581
6-month bonds issued in July 2020; zero interest rate; maturity: January 2021	-	283,663	-
1-year bonds issued in July 2020; zero interest rate; maturity: July 2021	278,566	282,617	-
1-year bonds issued in July 2020; zero interest rate; maturity: July 2021	278,583	282,628	-
1-year bonds issued in August 2020; zero interest rate; maturity: August 2021	557,050	565,229	-
1-year bonds issued in August 2020; zero interest rate; maturity: August 2021	278,520	282,609	-
1-year bonds issued in September 2020; zero interest rate; maturity: September 2021	1,112,915	1,128,861	-

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
1-year bonds issued in January 2021; fixed 0.45%; maturity: January 2022	\$ 1,114,622	-	-
1-year bonds issued in January 2021; zero interest rate; maturity: January 2022	1,250,870	-	-
1-year bonds issued in March 2021; fixed 0.5%; maturity: March 2022	1,434,491	-	-
1-year bonds issued in March 2021; fixed 0.5%; maturity: March 2022	1,075,861	-	-
1-year bonds issued in March 2021; fixed 0.5%; maturity: March 2022	358,926	-	-
1-year bonds issued in April 2021; zero interest rate; maturity: April 2022	832,610	-	-
1-year bonds issued in May 2021; zero interest rate; maturity: May 2022	832,765	-	-
1-year bonds issued in June 2021; zero interest rate; maturity: June 2022	1,110,161	-	-
Subtotal	<u>\$ 22,795,660</u>	<u>20,907,029</u>	<u>29,327,995</u>
3) JihSun Financial Holding and its subsidiaries			
	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
7-year unsecured subordinated financial debentures; fixed 2.2%; maturity: January 2022	\$ <u>2,500,000</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 131,567,957</u>	<u>139,213,704</u>	<u>147,154,049</u>
(z) Other Borrowings			
	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Credit and guarantee loan	\$ <u>1,569,322</u>	<u>1,403,553</u>	<u>1,503,204</u>
Interest rate range	0.62%~1.68%	0.65%~1.68%	0.90%~1.68%

Collaterals pledged for other borrowings, please refer to note 8 for details.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(aa) Provisions

(i) Provisions

	June 30, 2021	December 31, 2020	June 30, 2020
Unearned premium reserves (Note)	\$ 40,509,557	36,590,547	37,622,038
Claim reserves (Note)	33,514,322	30,866,724	27,345,459
Liability reserves (Note)	4,231,222,706	4,125,250,562	3,999,841,674
Special reserves (Note)	19,320,375	18,593,020	17,255,106
Premium deficiency reserves (Note)	10,560,853	12,669,190	15,851,042
Reserves for insurance contract with nature of financial instrument (Note)	3,494,124	3,448,657	3,612,345
Foreign exchange valuation reserves (Note)	7,084,737	8,481,833	11,412,630
Provisions for guarantee liabilities	256,801	217,134	199,318
Provisions for financing commitment	425,310	426,407	191,520
Provisions for employment benefits	13,835,291	14,073,181	13,210,761
Others	32,766,181	33,260,039	33,875,839
Total	\$ <u>4,392,990,257</u>	<u>4,283,877,294</u>	<u>4,160,417,732</u>

Note: For further information of insurance contracts, please refer to note 6 (aj) for details.

(ii) Employee benefits

1) Defined benefit plans

There was no significant volatility of the market or any significant reimbursement, settlement or other one-time event in the prior fiscal year. Therefore, the Company and its subsidiaries used the pension cost as of December 31, 2020 and 2019 to measure and disclose the interim pension cost.

The Company and its subsidiaries' expenses recognized in profit or loss were as follows:

	For the three months ended June 30		For the six months ended June 30	
	2021	2020	2021	2020
Pension expense	\$ <u>143,820</u>	<u>153,510</u>	<u>271,801</u>	<u>305,142</u>

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Defined contribution plans

Pursuant to the ROC Labor Pension Act, the defined contribution plans of the Company and its subsidiaries incorporated in Taiwan make contribution to the Employee's Individual Account of Labor Pension of the Bureau of Labor Insurance by contributing six percent of the worker's monthly wage. Under the defined contribution plans, the Company and its subsidiaries have no legal duty and constructive obligation to pay extra after the appropriated fixed amount to the Bureau of Labor Insurance.

The pension expenses incurred from the contributions to the Bureau of the Labor Insurance and labor management agency regulated by the local authority of the subsidiary were as follows:

	For the three months ended June 30		For the six months ended June 30	
	2021	2020	2021	2020
Pension expense	<u>\$ 387,035</u>	<u>364,213</u>	<u>725,132</u>	<u>705,826</u>

3) Other

JihSun Securities complied with IAS 19 "Employee Benefits." In addition, there is pension plan applicable to the employees officially recruited by March, 1998. For employees applicable to the pension plan mentioned above, JihSun Securities distributed 3% of each employee's salary to the Pension Fund account on a monthly basis. When an employee retires or leaves, the pension or termination payment to the employee will be paid by Pension Fund account, and it is not a defined benefit pension plan. JihSun Securities has no longer distributed pension expense to Pension Fund account since March 1998. By the reporting date, the changes in the Pension Fund account balances were as follows:

	For the three months ended June 30 2021
Beginning balance	\$ 39,965
Add: interest	15
Less: payment	<u>(346)</u>
Ending balance	<u>\$ 39,634</u>

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ab) Other Financial Liabilities

	June 30, 2021	December 31, 2020	June 30, 2020
Principal of structured products	\$ 80,484,727	76,377,855	54,642,680
Liabilities on insurance product— separate account	466,078,711	452,878,316	374,886,352
Future traders' equity	29,954,480	20,305,788	23,739,013
Others	71,667	71,667	40,000
Total	<u>\$ 576,589,585</u>	<u>549,633,626</u>	<u>453,308,045</u>

For related revenue and expenses of insurance separate account instrument regarding liabilities, please refer to note 6 (o), "Other financial assets", for details.

(ac) Other Liabilities

	June 30, 2021	December 31, 2020	June 30, 2020
Advance receipts	\$ 9,737,051	7,314,593	5,830,379
Temporary receipts	5,571,094	4,806,933	5,969,319
Guarantee deposits received	9,823,873	10,203,543	6,619,243
Advance premiums	12,418,844	9,136,131	15,235,022
Deferred revenue	2,891,660	2,544,127	2,556,792
Deposit-in for borrowed securities	13,515,902	13,398,754	16,367,589
Collections for underwriting stock value	179,608	2,090,932	-
Others	2,443,723	2,098,229	2,313,121
Total	<u>\$ 56,581,755</u>	<u>51,593,242</u>	<u>54,891,465</u>

(ad) Income Tax

(i) Income tax expenses

The components of income tax expense (benefit) were as follows:

	For the three months ended June 30		For the six months ended June 30	
	2021	2020	2021	2020
Current tax expense				
Current period	\$ 6,561,014	963,277	13,040,405	5,329,707
Adjustment for prior periods	(481,803)	(30,204)	(536,775)	(44,114)
Surtax on undistributed earnings	2,143,509	2,621,451	2,143,509	2,621,451
Others	205,993	313,077	278,010	490,253
	<u>8,428,713</u>	<u>3,867,601</u>	<u>14,925,149</u>	<u>8,397,297</u>
Deferred tax expense (benefit)				
Incurrence and reversal of temporary differences	(2,670,266)	1,360,576	(1,683,173)	(521,844)
Total income tax expenses	<u>\$ 5,758,447</u>	<u>5,228,177</u>	<u>13,241,976</u>	<u>7,875,453</u>

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Income tax expenses (benefit) recognized directly in other comprehensive income were as follows:

	For the three months ended June 30		For the six months ended June 30	
	2021	2020	2021	2020
Items not to be reclassified to profit or loss:				
Remeasurements of the defined benefit plans	\$ (274)	(189)	(2,699)	(1,658)
Revaluation gains on property	12,843	3,720	12,877	3,720
Gains/ losses on valuation of equity instruments measured at fair value through other comprehensive income	(909,001)	(703,072)	(607,907)	(2,186,478)
	<u>\$ (896,432)</u>	<u>(699,541)</u>	<u>(597,729)</u>	<u>(2,184,416)</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of foreign operations	\$ (197,550)	(164,545)	(312,421)	(539,983)
Gains/ losses on financial instruments for hedging	(17,213)	6,050	(67,006)	138,354
Gains/ losses on debt instruments measured at fair value through other comprehensive income	1,605,875	4,390,857	(5,818,160)	4,992,299
Share of other comprehensive income of associates and joint ventures accounted for using equity method	23,222	(21,657)	32,417	(29,842)
Other comprehensive income reclassified by applying overlay approach	1,173,859	4,125,198	1,339,380	(4,432,843)
	<u>\$ 2,588,193</u>	<u>8,335,903</u>	<u>(4,825,790)</u>	<u>127,985</u>
	<u>\$ 1,691,761</u>	<u>7,636,362</u>	<u>(5,423,519)</u>	<u>(2,056,431)</u>

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Income tax assessment situation

The assessment status of the Company and subsidiaries' income tax returns is as follows:

<u>Company Name</u>	<u>Assessed Year</u>	<u>Assessment Status</u>
The Company	2015	
Taipei Fubon Bank	2015	Administrative remedies have been applied from 2011 to 2014
Fubon Insurance	2015	Administrative remedies have been applied in 2012
Fubon Life Insurance	2015	Administrative remedies have been applied from 2012 to 2014
Fubon Securities	2015	Administrative remedies have been applied from 2010 to 2014
Fubon Assets Management	2019	
Fubon Direct Market Consulting	2015	
Fubon Financial Holding Venture Capital (Note)	2018	Administrative remedies have been applied from 2012 to 2014
Fubon AMC	2015	
Taiwan Sport Lottery	2015	
JihSun Financial Holding	2016	

Note : According to Article 49 of Financial Holding Company Act, Fubon Financial Holding Venture Capital filed consolidated tax returns with the Company until FY2016, and the latest tax return assessed is FY2015. The consolidated return of FY2016 has not been assessed. According to the said law, it no longer filed consolidated tax returns with the Company since FY 2017 and its tax returns of FY2017 and FY2018 have been assessed.

According to Article 49 of Financial Holding Company Act, the Company is the taxpayer for filing the consolidated tax returns. Administrative procedures have been submitted based on the assessment result of tax authorities from 2010 to 2014. The Subsidiary, JihSun Financial Holdings, with its subsidiaries file consolidated tax returns in accordance with Article 49 of the Financial Holding Company Act. JihSun Financial Holdings is the taxpayer for the consolidated tax return, and no administrative relief was filed for the assessed years.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	December 31, 2020		
	Estimate 2020	Filed in previous years	Total
Linked tax receivables from subsidiaries:			
Taipei Fubon Bank	\$ 1,466,738	-	1,466,738
Fubon Life Insurance	5,197,640	-	5,197,640
Fubon Insurance	657,343	17,345	674,688
Fubon Securities	385,744	45,294	431,038
Fubon AMC	29,215	-	29,215
Fubon Asset Management	56,999	-	56,999
Total	\$ 7,793,679	62,639	7,856,318
	December 31, 2020		
	Estimate 2020	Filed in previous years	Total
Linked tax payables to subsidiaries:			
Taipei Fubon Bank	\$ -	111,249	111,249
Fubon Life Insurance	-	5,891,651	5,891,651
Fubon Marketing	175	-	175
Total	\$ 175	6,002,900	6,003,075
	June 30, 2020		
	Estimate for the six months ended June 30, 2020	Filed in previous years	Total
Linked tax receivables from subsidiaries:			
Taipei Fubon Bank	\$ 829,295	29,379	858,674
Fubon Life Insurance	1,891,517	202,804	2,094,321
Fubon Insurance	347,394	20,010	367,404
Fubon Securities	141,028	58,208	199,236
Fubon AMC	15,045	-	15,045
Fubon Asset Management	61,367	-	61,367
Total	\$ 3,285,646	310,401	3,596,047

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	June 30, 2020		
	Estimate for the six months ended June 30, 2020	Filed in previous years	Total
Linked tax payables to subsidiaries:			
Taipei Fubon Bank	\$ -	177,152	177,152
Fubon Life Insurance	-	5,829,714	5,829,714
Fubon Marketing	117	-	117
Total	\$ 117	6,006,866	6,006,983

- (iv) According to Article 49 of Financial Holding Company Act, the Company is Taxpayers for consolidated report. The following is the linked tax payable of Sub-subsidiary, JihSun Securities, JihSun Property Insurance Agency and JihSun Bank:

Items	June 30, 2021
linked tax payables- JihSun Bank	(451,467)
linked tax receivables- JihSun Property Insurance Agency	-
linked tax receivables- JihSun Securities	338,631

(ae) Capital and Other Equity

(i) Share capital

- 1) As of June 30, 2021, December 31 and June 30, 2020, the authorized and paid-in capital all amounted to \$150,000,000 thousand, with a par value of \$10 per share. Share capital includes common stock and preferred stock. Issued common shares amounted to 10,233,604 thousand shares. Issued irredeemable non-cumulative preferred shares amounted to 1,266,660 thousand shares. All issued shares were fully paid, and the non-cumulative preferred shares were recognized as equity.

The issuance of new shares from capitalization of the Company's capital reserve was approved by the shareholders' electronic voting on June 11, 2021, and approved by the shareholders' meeting on July 23, 2021. The Company issue new shares out of its capital reserve in the amount of \$10,233,604 thousand divided into 1,023,360,399 common shares with the par value of \$10 each, with 100 bonus shares to be allocated for every 1,000 new shares issued from the capital reserve of additional paid-in capital. On August 19, 2021, the Board of Directors decided September 12, 2021, as the ex-rights record date of new shares from capital reserve. As of June 30, 2021, the abovementioned new shares were recognized as "stock dividends to be distributed".

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The Company's plan to raise long-term capital (total amount in principle, not exceed 1,500,000 thousand shares) which was approved by the shareholders' meeting on June 12, 2020. The shareholders authorize the Board of Directors with full authority to this plan. As of April 29, 2021, the Board of Directors approved the capital increase by cash, and authorized the Chairman to approve and represent the Company in the execution of documents and arrangements of all matters relating to such plan. The Company decided to issue 548,000 thousand shares of common stocks and 333,330 thousand shares of preferred stocks with the par value of \$10 per share. This capital increase plan was approved by the FSC, but the ex-right date and the issue price will depend on the market condition.

2) Issuance of preferred stock

The shareholders' meeting has approved the amended Articles of Incorporation on rights and obligations of preferred shares on June 12, 2015. The Board of Directors approved the details of issuing Series A and B Preferred Shares on June 12, 2015, January 28, 2016 and November 28, 2017, respectively. All issued shares were recognized as equity.

Preferred stock types Items	Series A	Series B
Shares of issuance	600,000 thousand	666,660 thousand
Par value per share	TWD\$10	
Issuance price per share	TWD\$60	
Subscription date	2016.04.22	2018.03.16
Due date	Perpetual	
Dividend	1.4.10% per annum (7-year IRS 0.885%+3.215%) calculated pursuant to issue price per share. 2.7-year IRS rate will be reset on the day after the 7th anniversary of the issue date ("Issue Date") and the business day after each subsequent 7-year period hereafter.	1.3.60% per annum (7-year IRS 1.17%+2.43%) calculated pursuant to issue price per share. 2.7-year IRS rate will be reset on the day after the 7th anniversary of the issue date ("Issue Date") and the business day after each subsequent 7-year period hereafter.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Preferred stock types Items	Series A	Series B
Dividend issuance	<p>1.Dividends for preferred shares are declared once per year in cash. After shareholders' approval of Issuer's financial statements at its annual shareholders meeting, the board may set record date for distribution of available dividends from the previous year. Dividend distribution for the years of issuance and redemption shall be calculated pursuant to actual issued days of the given year.</p> <p>2.In the year with profit, before Issuer can distribute dividends for preferred shares, Issuer shall set aside out of Issuer's profits: (i) a settlement for payment of tax for the relevant financial year; (ii) an offset of its losses in previous years that have not been previously offset; (iii) a statutory reserve ("Legal Reserve"); and (iv) reserve special reserve pursuant to legal requirement or actual need.</p> <p>3.Issuer has sole discretion on dividend issuance of preferred shares, including its discretion to not declare dividends when no profit is recorded, or insufficient profit is recorded for preferred share dividends, or preferred share dividend declaration would render the Issuer's RBC ratio below level required by law or relevant authorities. The Issuer's cancellation of preferred share dividend declaration shall not be deemed an event of default.</p>	
Excessive dividend distribution	Preferred shares cannot participate in distribution of cash or stock dividends to holders of common shares from profit or additional paid-in capital.	
Redemption of preferred shares	On the day after the 7th anniversary of the Issue Date, Issuer may redeem all or part of outstanding preferred shares at issue price. Rights and obligations of the unredeemed preferred shares shall remain the same as mentioned above.	
Priority of claims in liquidation	Holders of preferred shares shall have the same priority as holders of all subsequently issued preferred share in liquidation.	
Voting right and election right	<p>1.Holders of preferred shares have no voting right at the annual shareholders meeting, and cannot elect directors.</p> <p>2.Holders of preferred shares have voting rights at annual shareholders meeting on items relating to rights of preferred shares holders.</p>	
Conversion right	Preferred shares cannot convert.	
Subscription right	When Issuer conduct rights issue for cash, holders of preferred shares have the same subscription right as holders of common shares.	

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Capital surplus

1) The details of capital surplus were as follows:

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Additional paid-in capital	\$ 124,518,519	134,752,123	134,752,123
Equity-accounted investees	2,451,416	2,445,805	1,841,234
Sale of treasury stock	230,136	229,515	229,515
Changes in ownership interests in subsidiaries	1,360,085	236,533	236,325
Other	1,178	1,178	1,178
Total	<u>\$ 128,561,334</u>	<u>137,665,154</u>	<u>137,060,375</u>

Under related regulations, capital surplus must be used to offset deficit except capital surplus arising from the issuance of shares (issuance in excess of par value, capital surplus from issuance of common stock for combination and treasury stock transactions) and donation may be used to distribute cash dividends or transfer to common stock. However, any capital surplus transferred to common stock should be within a certain percentage of paid-in capital prescribed by law.

According to the Ruling No.10200017220 issued by the FSC on March 7, 2013, the undistributed earnings of financial institutions which are converted into financial holding companies, could be either distributed as cash dividends or accounted for as capital surplus of the financial holding companies, on the converting year, pursuant to Article 47, Paragraph 4 of Financial Holding Company Act. The amount of capital surplus used to increase capital is not subject to restriction under Article 72-1 of Regulations Governing the Offering and Issuance of Securities by Securities Issuers. As of June 30, 2021, the balance of such capital surplus was \$4,343 thousand.

(iii) Legal reserve

Where the Company incurs no loss, it may, pursuant to a resolution to be adopted by a shareholders' meeting, distribute legal reserve by issuing new shares or by cash. However, only the portion of legal reserve which exceeds 25 percent of the paid-in capital may be distributed.

(iv) Special reserve

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Share exchange	\$ 1,669,704	1,669,704	1,669,704
First adoption of IFRSs	1,315,662	1,315,662	1,315,662
Adoption of fair value model of investment property	26,140,000	28,581,614	28,581,614
	<u>\$ 29,125,366</u>	<u>31,566,980</u>	<u>31,566,980</u>

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

According to the regulation stipulated by the Securities and Futures Bureau, in addition to legal reserve, the Company is also required to provide a special reserve equal to the net amount of the current year contra equity account, from the current year's earnings after tax or prior years' undistributed earnings. If a contra equity account is reversed, the reversed portion of special reserve could be distributed as dividends.

In 2014, the Company and its subsidiaries changed the subsequent measurement of investment property from cost model to fair value model. In accordance with Rule No.10310000140 issued by the FSC on February 19, 2014, subsequent measurement for investment property of the financial holding companies shall use the fair value model based on the "Principles for Compiling the Financial Statements of Financial Holding Companies". In order to maintain a stable financial structure, the Company and its subsidiaries shall appropriate a special reserve from retained earnings which amount is equivalent to the incremental retained earnings due to fair value model.

(v) Distribution of earnings

According to the Company's Articles of Incorporation, if after the annual closing of books there is a profit, the Company shall, after having provided for taxes and offset the accumulated losses of previous years, appropriate the legal reserve in accordance with laws and regulations and appropriate the special reserve in accordance with laws and regulations or in light of practical need, and may distribute preferred share dividends. The aforementioned balance, together with the undistributed profits in the previous year, including the reversals of special reserves prescribed by laws, are available for distribution as dividends. The board shall present a proposal on the allocation of profit at a shareholders' meeting for resolution.

The amount of appropriations of earnings for 2020 reached the statutory resolution threshold through electronic transmission on June 11, 2021, and was approved by the Shareholder's meeting on July 23, 2021. On June 12, 2020, the shareholders' meeting resolved to appropriate the 2019 earnings as follows:

	<u>2020</u>	<u>2019</u>
Dividend on common stock		
Cash dividends	\$ 30,700,812	20,467,208
Stock dividends (Note1)	<u>10,233,604</u>	<u>-</u>
Total	<u>\$ 40,934,416</u>	<u>20,467,208</u>
Dividend on preferred stock		
Cash dividend— preferred stock A	\$ 1,476,000	1,476,000
Cash dividend— preferred stock B	<u>1,439,986</u>	<u>1,439,986</u>
Total	<u>\$ 2,915,986</u>	<u>2,915,986</u>

Note1: Stock dividends are issued on the basis of the Additional Paid-In Capital that exceeds the par value of the issuance of ordinary shares.

The relevant information could be accessed from the website of the Market Observation Post System.

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(vi) Dividend policy

The Company will distribute dividends according to the principle of stability and balance taking into account shareholders' profits, accumulation of the Company's capital and impact on the Company's operations. The distribution of dividends for common shares shall not be less than 20% of the distributable profits for the current year (the distributable profits for the current year, after the accumulated losses have been covered, shall exclude the legal reserves, special reserves, the preferred share dividends, the undistributed earnings in the previous years and the reversals of special reserves prescribed by laws). And, pursuant to the Company's operation planning, stock dividends may be declared as reserve for necessary funds, and the remainder may be distributed in cash, provided that cash dividends shall not be less than 10% of the total dividend. Subject to practical need, the above principles of distribution of dividends may be adjusted by resolution at a shareholders' meeting.

The stock dividend policy set forth above is a general principle guideline. The Company may decide upon the most appropriate dividend policy taking into account the actual operating condition of the current year and capital budgeting for the following year.

(vii) Other equity (net of tax)

	Exchange differences on translation of foreign operations	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Gains (losses) on financial instruments for hedging	Revaluation gains	Other comprehensive income reclassified by applying overlay approach	Total
Balance as of January 1, 2021	\$ (19,438,391)	41,670,881	756,242	2,424,000	114,964,314	140,377,046
Exchange differences on translation of foreign operations	(3,500,640)	-	-	-	-	(3,500,640)
Share of exchange differences on translation of the associates accounted for using equity method	129,320	-	-	-	-	129,320
Unrealized losses on financial assets measured at fair value through other comprehensive income	-	(11,858,504)	-	-	-	(11,858,504)
Accumulated gains (losses) reclassified to profit or loss on disposal of debt investments measured at fair value through other comprehensive income	-	(15,726,263)	-	-	-	(15,726,263)
Disposal of equity instruments measured at fair value through other comprehensive income	-	3,291,038	-	-	-	3,291,038
Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income of the associates accounted for using equity method	-	(848,987)	-	-	-	(848,987)
Fair value changes of financial instruments for hedging	-	-	(268,023)	-	-	(268,023)
Revaluation gains	-	-	-	87,030	-	87,030
Other comprehensive income reclassified by applying overlay approach	-	-	-	-	56,232,054	56,232,054
Changes in ownership interests in subsidiaries	(319,745)	436,345	-	-	273,416	390,016
Others	-	(4,234)	-	-	-	(4,234)
Balance as of June 30, 2021	<u>\$ (23,129,456)</u>	<u>16,960,276</u>	<u>488,219</u>	<u>2,511,030</u>	<u>171,469,784</u>	<u>168,299,853</u>
Balance as of January 1, 2020	\$ (16,601,357)	11,016,686	364,752	2,264,873	47,730,938	44,775,892
Exchange differences on translation of foreign operations	(5,029,588)	-	-	-	-	(5,029,588)
Share of exchange differences on translation of the associates accounted for using equity method	(119,372)	-	-	-	-	(119,372)
Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	-	23,500,521	-	-	-	23,500,521
Accumulated gains (losses) reclassified to profit or loss on disposal of debt investments measured at fair value through other comprehensive income	-	(8,998,885)	-	-	-	(8,998,885)
Disposal of equity instruments measured at fair value through other comprehensive income	-	1,500,114	-	-	-	1,500,114
Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income of the associates accounted for using equity method	-	(71,052)	-	-	-	(71,052)
Fair value changes of financial instruments for hedging	-	-	553,419	-	-	553,419
Revaluation gains	-	-	-	30,764	-	30,764
Other comprehensive income reclassified by applying overlay approach	-	-	-	-	(35,581,773)	(35,581,773)
Balance as of June 30, 2020	<u>\$ (21,750,317)</u>	<u>26,947,384</u>	<u>918,171</u>	<u>2,295,637</u>	<u>12,149,165</u>	<u>20,560,040</u>

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(viii) Treasury stock

On June 30, 2021, JihSun securities holds 22,051 thousand shares of Fubon Financial Holding Co., Ltd and the book value per share is \$56.8 and the market price per share is \$73.9 on June 30, 2021. The share-holding is acquired before tender offers. Once the Company has acquired substantive management rights, the Company will process it in accordance with the relevant law.

(ix) Non-controlling interests

	<u>For the six months ended June 30</u>	
	<u>2021</u>	<u>2020</u>
Beginning balance	\$ 13,913,887	11,912,181
Acquisition of company's share by subsidiaries recognized as treasury share	(616,570)	-
Disposal of company's share by subsidiaries recognized as treasury share transactions	38,640	-
Changes in ownership interests in subsidiaries	(1,485,137)	-
Changes in non-controlling interests	22,292,377	-
Attributable to non-controlling interests		
Net income	1,611,509	179,880
Exchange differences on translation of foreign operations	(745,956)	(581,667)
Gains (losses) on financial assets measured at fair value through other comprehensive income	(1,133,112)	925,503
Losses on remeasurements of defined benefit plans	(3,208)	(1,970)
Other comprehensive income reclassified by applying overlay approach	(95,471)	(200,286)
Others	(3,631)	-
Ending balance	<u>\$ 33,773,328</u>	<u>12,233,641</u>

(af) Earnings Per Share

	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Net income of equity holders	\$ 37,043,860	14,321,338	87,596,312	37,284,116
Less: Declared dividends of preferred stock	(2,915,986)	2,915,986	2,915,986	2,915,986
Net income of ordinary equity holders	<u>\$ 34,127,874</u>	<u>11,405,352</u>	<u>84,680,326</u>	<u>34,368,130</u>
Weighted average number of common shares outstanding (thousands)	<u>\$ 10,211,399</u>	<u>10,233,604</u>	<u>10,222,194</u>	<u>10,233,604</u>
Basic EPS (Dollars)	<u>\$ 3.34</u>	<u>1.12</u>	<u>8.28</u>	<u>3.36</u>

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The Company's share-based payment transactions are settled in cash and have no impact on the weighted average number of common shares outstanding. Therefore, diluted EPS is not calculated.

The issuance of new shares from capitalization of the Company's capital reserve was approved by the shareholders' electronic voting on June 11, 2021 and approved by the shareholders' meeting on July 23, 2021. The ex-rights record date is August 19, 2021. If the ex-rights record date earlier than the financial report date, then the retrospective adjustment of earnings per share is as follows:

	For the three months ended June 30		For the six months ended June 30	
	2021	2020	2021	2020
Basic EPS (Dollars)	\$ 3.04	1.01	7.53	3.05

(ag) Employees' compensation and directors' remuneration

In accordance with the Articles of Incorporation, 0.01% to 0.05% of employees' compensation and less than 0.30% of directors' remuneration should be distributed if there is profit for the period. However, if the Company has accumulated deficits, the earnings shall first be offset against any deficit. Employees entitled to receive shares or cash include the employees of the subsidiaries meeting certain requirements.

The amounts of the employees' compensation and the directors' remuneration were as follows:

	For the three months ended June 30		For the six months ended June 30	
	2021	2020	2021	2020
Employees' compensation	\$ 2,500	2,500	10,980	5,000
Directors' remuneration	\$ 17,000	17,000	34,000	34,000

Provisions for employees' compensation and director's remuneration, which are recognized as operating expenses, were calculated based on pre-tax profit before deducting employees' compensation and directors' compensations and multiplied by the prescribed ratios in accordance with the Articles of Incorporation and approved by the Board of Directors. If the actual distribution is different from the estimation, the difference will be accounted for as changes in accounting estimates and recognized in profit or loss in the following year. The shares of stock dividend, if any, would be calculated based on the closing price of the date before the board meeting, with considering the effects of ex dividend and ex right.

For the year ended December 31, 2020, the recognized remunerations to employees and directors were \$10,000 thousand and \$90,000 thousand, respectively. The estimation was different from the actual remuneration amounts that the board meeting decided, which were \$15,980 thousand and \$90,000 thousand, respectively. The difference have been accounted for as changes in accounting estimates and be recognized in profit or loss for year 2021. The relevant information can be accessed from the website of the Market Observation Post System.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ah) Income and Expenses

(i) Net interest revenue

	<u>For the three months</u> <u>ended June 30</u>		<u>For the six months</u> <u>ended June 30</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Interest revenue:				
Discounts and loans	\$ 12,980,650	12,589,179	24,893,733	26,300,671
Investment in securities	25,947,028	28,160,889	52,360,143	55,693,063
Others	<u>2,040,083</u>	<u>2,493,049</u>	<u>3,924,267</u>	<u>5,722,755</u>
Subtotal	<u>40,967,761</u>	<u>43,243,117</u>	<u>81,178,143</u>	<u>87,716,489</u>
Interest expense:				
Deposits	3,653,859	6,058,758	7,126,105	13,160,561
Debt securities issued	1,129,006	1,230,130	2,254,692	2,531,180
Call loans from the central Bank and banks	202,266	500,787	385,847	1,413,334
Securities sold under repurchase agreements	167,534	493,874	332,960	1,212,801
Others	<u>963,823</u>	<u>536,415</u>	<u>2,100,836</u>	<u>1,020,034</u>
Subtotal	<u>6,116,488</u>	<u>8,819,964</u>	<u>12,200,440</u>	<u>19,337,910</u>
Net interest revenue	<u>\$ 34,851,273</u>	<u>34,423,153</u>	<u>68,977,703</u>	<u>68,378,579</u>

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Net service charge and commissions loss

	For the three months ended June 30		For the six months ended June 30	
	2021	2020	2021	2020
Service fee and commission income:				
Brokerage service fees	\$ 4,927,636	1,461,309	7,072,239	2,694,012
Trust and custody services	1,370,076	1,181,821	3,114,185	3,130,898
Credit card service fees	100,769	250,611	326,177	781,245
Commission income	882,297	746,035	1,596,592	2,008,636
Loan service fees	434,487	387,727	731,591	806,487
Others	<u>2,035,652</u>	<u>1,343,788</u>	<u>3,949,466</u>	<u>2,789,579</u>
Subtotal	<u>9,750,917</u>	<u>5,371,291</u>	<u>16,790,250</u>	<u>12,210,857</u>
Service charge and commission expense:				
Commission expense	5,573,275	5,643,779	11,443,756	13,895,677
Interbank service charge	75,515	89,485	193,996	180,934
Brokerage service charge	426,270	109,523	595,842	209,022
Credit card service charge	280,345	218,959	432,881	558,437
Others	<u>747,519</u>	<u>528,195</u>	<u>1,339,027</u>	<u>1,049,315</u>
Subtotal	<u>7,102,924</u>	<u>6,589,941</u>	<u>14,005,502</u>	<u>15,893,385</u>
Net service charge and commissions loss	<u>\$ 2,647,993</u>	<u>(1,218,650)</u>	<u>2,784,748</u>	<u>(3,682,528)</u>

(iii) Net income of insurance operations

	For the three months ended June 30		For the six months ended June 30	
	2021	2020	2021	2020
Premiums income	\$123,382,639	154,765,810	\$254,459,766	306,889,051
Separate account products revenues	10,744,255	20,014,008	29,101,175	8,755,137
Income from insurance business	<u>134,126,894</u>	<u>174,779,818</u>	<u>283,560,941</u>	<u>315,644,188</u>
Acquisition expenses	9,250	7,175	18,114	17,778
Insurance claims payment	78,108,623	91,773,704	158,063,944	172,519,302
Separate account products expenses	10,744,256	20,014,008	29,101,176	8,755,137
Disbursement toward industry stability	288,827	345,069	634,593	699,630
Insurance business expenses	<u>89,150,956</u>	<u>112,139,956</u>	<u>187,817,827</u>	<u>181,991,847</u>
Net income of insurance operations	<u>\$ 44,975,938</u>	<u>62,639,862</u>	<u>95,743,114</u>	<u>133,652,341</u>

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iv) Net change in provisions for insurance liabilities

	For the three months ended June 30		For the six months ended June 30	
	2021	2020	2021	2020
Net change of claim reserves	\$ 840,279	(32,695)	1,914,883	190,476
Net change of liability reserves	63,560,738	81,446,957	133,178,031	168,800,298
Net change of special reserves	(866,542)	(941,593)	750,377	(12,944)
Net change of reserves for premium deficiency	(754,891)	(1,522,281)	(2,005,639)	(590,065)
Net change of reserves for insurance contract with nature of financial instrument	56,944	23,090	114,515	61,444
Net change of other reserves	(3,232,086)	(3,649,900)	(1,751,991)	(2,315,894)
	<u>\$ 59,604,442</u>	<u>75,323,578</u>	<u>132,200,176</u>	<u>166,133,315</u>

(v) Employee benefits expenses

	For the three months ended June 30		For the six months ended June 30	
	2021	2020	2021	2020
Salaries and wages	\$ 8,055,804	6,643,654	15,250,474	13,251,844
Labor insurance, national health insurance, and group insurance for life	889,237	721,252	1,821,476	1,608,661
Pension	523,716	480,827	968,964	954,937
Director's remuneration	96,053	58,547	154,368	116,329
Other employee benefits expenses	365,745	434,041	788,180	889,094
	<u>\$ 9,930,555</u>	<u>8,338,321</u>	<u>18,983,462</u>	<u>16,820,865</u>

(vi) Depreciation and amortization expenses

	For the three months ended June 30		For the six months ended June 30	
	2021	2020	2021	2020
Depreciation expenses	\$ 1,301,245	1,201,481	2,468,733	2,428,446
Amortization expenses	383,613	329,131	746,190	664,407
	<u>\$ 1,684,858</u>	<u>1,530,612</u>	<u>3,214,923</u>	<u>3,092,853</u>

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(vii) Other general and administrative expenses

	For the three months ended June 30		For the six months ended June 30	
	2021	2020	2021	2020
Taxation and government fee	\$ 1,321,257	941,002	2,385,119	1,910,536
Rental expense	323,525	259,439	601,950	494,776
Professional services	662,530	1,413,461	1,107,692	2,210,217
Business activities	275,671	405,161	661,699	1,006,479
Cross-selling expense	59,938	125,063	123,315	263,759
Postage expense	373,674	338,243	647,913	612,716
Others	<u>2,613,750</u>	<u>2,170,159</u>	<u>4,653,714</u>	<u>4,304,005</u>
	<u>\$ 5,630,345</u>	<u>5,652,528</u>	<u>10,181,402</u>	<u>10,802,488</u>

(ai) Disclosure of financial instruments

(i) Fair value information

1) Summary

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Financial instrument is measured at fair value at initial recognition, which mostly refers to transaction price. Except for those measured at amortized cost, financial instruments are measured at fair value on a recurring basis. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities. If the market is not active, the fair value of financial instruments is determined in accordance with (a) valuation techniques, (b) valuation provided by the professional financial information providers which are commonly used by market participants, or (c) quoted prices of the counter party.

2) Definition of fair value hierarchy

a) Level 1 inputs

Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date. An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. Taiwan government bonds, listed equity and debt instruments with market prices are categorized in Level 1.

b) Level 2 inputs

Level 2 inputs are inputs other than quoted market prices included within level 1 that are observable for the asset or liability, either directly (i.e., prices) or indirectly (i.e., derived from prices). Preference stocks, bonds and most derivatives instruments without active market price are categorized in Level 2.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

c) Level 3 inputs

Level 3 inputs are valuation parameters which are not based on the information available in the market or the quoted price from the counter party. The investment in equity and debt instruments without active market prices but based on counter party or inputs other than direct market data as well as most investment property are categorized in Level 3.

When evaluating a financial instrument, if the direct market parameters cannot be obtained, the value of the financial instrument is accessed by the public parameters of other comparable companies. However, the public parameters of other comparable companies are indirectly related; therefore, the financial instrument is within the scope of Level 3. The investments in unlisted stocks are categorized in Level 3.

(ii) Fair value measurement

1) Fair value hierarchy

The following tables present for each of the fair value hierarchy levels of the Company and its subsidiaries:

Financial instruments - instruments measured at fair value	June 30, 2021			
	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Recurring fair value measurement				
<u>Non-derivative financial instruments</u>				
Assets:				
Financial assets measured at fair value through profit or loss				
Financial assets mandatorily measured at fair value through profit or loss				
Stock investment	\$ 736,804,384	731,483,858	511,412	4,809,114
Bond investment	165,322,170	40,734,091	116,485,620	8,102,459
Others	668,109,635	491,965,630	30,329,310	145,814,695
Financial assets measured at fair value through other comprehensive income				
Stock investment	86,122,037	56,895,618	-	29,226,419
Bond investment (Note 1)	808,014,404	496,748,626	288,406,742	22,859,036
Others	33,048,354	7,689,401	23,975,195	1,383,758
Investment property (Note 2)	265,967,533	-	-	265,967,533
Liabilities:				
Financial liabilities measured at fair value through profit or loss				
Held-for-trading financial liabilities	13,026,634	13,026,634	-	-
Financial liabilities designated as at fair value through profit or loss	83,603	83,603	-	-
<u>Derivative financial instruments</u>				
Assets:				
Financial assets measured at fair value through profit or loss	\$ 47,730,981	831,978	45,431,373	1,467,630
Financial assets for hedging	3,836,320	-	3,836,320	-
Liabilities:				
Financial liabilities measured at fair value through profit or loss				
Held-for-trading financial liabilities	36,596,794	2,079,847	33,380,519	1,136,428
Financial liabilities designated as at fair value through profit or loss	3,188,155	-	10,037	3,178,118
Financial liabilities for hedging	10,457,162	-	10,457,162	-
Non-recurring fair value measurement				
Assets classified as held for sale	139,999	-	-	139,999

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Financial instruments - instruments measured at fair value	December 31, 2020			
	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Recurring fair value measurement				
<u>Non-derivative financial instruments</u>				
Assets:				
Financial assets measured at fair value through profit or loss				
Financial assets mandatorily measured at fair value through profit or loss				
Stock investment	\$ 630,663,479	626,161,399	240,265	4,261,815
Bond investment	113,520,948	28,007,079	55,733,524	29,780,345
Others	573,179,626	415,789,928	30,570,079	126,819,619
Financial assets measured at fair value through other comprehensive income				
Stock investment	73,896,303	47,280,167	-	26,616,136
Bond investment (Note 1)	877,261,409	541,684,132	308,360,346	27,216,931
Others	10,674,979	5,545,292	2,991,296	2,138,391
Investment property (Note 2)	267,492,838	-	-	267,492,838
Liabilities:				
Financial liabilities measured at fair value through profit or loss				
Held-for-trading financial liabilities	8,919,248	8,749,479	169,769	-
Financial liabilities designated as at fair value through profit or loss	87,589	87,589	-	-
<u>Derivative financial instruments</u>				
Assets:				
Financial assets measured at fair value through profit or loss	\$ 71,345,471	536,522	69,263,612	1,545,337
Financial assets for hedging	6,889,006	-	6,889,006	-
Liabilities:				
Financial liabilities measured at fair value through profit or loss				
Held-for-trading financial liabilities	51,867,988	378,877	50,215,781	1,273,330
Financial liabilities designated as at fair value through profit or loss	3,538,009	-	5,031	3,532,978
Financial liabilities for hedging	12,732,722	-	12,732,722	-

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

June 30, 2020				
Financial instruments - instruments measured at fair value	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Recurring fair value measurement				
<u>Non-derivative financial instruments</u>				
Assets:				
Financial assets measured at fair value through profit or loss				
Financial assets mandatorily measured at fair value through profit or loss				
Stock investment	\$ 510,919,839	506,360,646	301,207	4,257,986
Bond investment	210,752,815	50,379,443	61,128,616	99,244,756
Others	622,768,173	464,696,237	48,877,940	109,193,996
Financial assets measured at fair value through other comprehensive income				
Stock investment	88,935,245	65,341,238	-	23,594,007
Bond investment (Note 1)	784,482,181	478,090,471	274,517,223	31,874,487
Others	45,890,034	5,895,332	36,515,342	3,479,360
Investment property (Note 2)	238,034,099	-	-	238,034,099
Liabilities:				
Financial liabilities measured at fair value through profit or loss				
Held-for-trading financial liabilities	9,618,051	9,618,051	-	-
Financial liabilities designated as at fair value through profit or loss	198,718	198,718	-	-
<u>Derivative financial instruments</u>				
Assets:				
Financial assets measured at fair value through profit or loss	\$ 32,182,429	602,116	30,058,347	1,521,966
Financial assets for hedging	4,323,963	-	4,323,963	-
Liabilities:				
Financial liabilities measured at fair value through profit or loss				
Held-for-trading financial liabilities	24,866,355	338,683	22,849,823	1,677,849
Financial liabilities designated as at fair value through profit or loss	3,289,588	-	20,066	3,269,522
Financial liabilities for hedging	16,329,474	-	16,329,474	-
Non-recurring fair value measurement				
Asset classified as held for sale	45,605	-	-	45,605

Note 1: Guarantee deposits for government bonds as pledged assets were included.

Note 2: Investment properties which were not measured at fair value were excluded.

2) Valuation techniques for financial instruments measured at fair value

a) Financial instruments

If a financial instrument has a quoted price in an active market, the quoted price is used as fair value. Quoted prices of major stock exchanges and Taipei Exchange, theoretical prices of government bonds, and net asset value of mutual funds, are all basis for measuring the fair value of listed-stocks in exchange, listed stocks in OTC and debt instruments with quoted prices in the active markets.

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES**Notes to the Consolidated Financial Statements**

If the quoted prices from stock exchanges, brokers, underwriters, industry associations, pricing agencies or authorities are timely and frequently, and that the price fairly presents market transaction, the financial instrument is regarded to have a quoted price in an active market. If the aforementioned conditions are not fulfilled, the market is regarded as inactive. Generally, large or significantly wide bid-ask spread, or significantly low trading volume are indications of an inactive market.

Except for financial instruments in the active markets, fair value of others financial instruments is determined by valuation techniques, valuation provided by professional financial information providers which are commonly used by market participants, or quoted prices of the counter party. Necessary inputs required for valuation techniques are from available market information like yield curve of Taipei Exchange.

The Company and its subsidiaries use the valuation techniques commonly accepted by market participants for nonstandard and less complicated financial instruments. Parameters of valuation models are usually from the observable market information.

Valuation of derivatives instruments is based on valuation models commonly accepted by market participants such as discounted cash flow method. Valuation of forward foreign exchange contracts is based on the discounted cash flow models using the quoted forward rate. Valuation of Interest rate derivatives is based on discounted cash flow models, with inputs from observable market information.

b) Non-financial instruments

Fair value of investment property is determined based on the rules stipulating in the “Regulations Governing the Preparation of Financial Reports”. The fair value of investment property is based on a valuation by professional appraisal agency and supported by market evidence. Please refer to Note 6 (p) for details.

The fair value of assets held for sale is based on the transaction price negotiated by both buyer and seller after referring to the market price and appraisal reports.

3) Fair value adjustment

a) Limitations of valuation models and inputs

Limitations of valuation models may lead to insufficient reflection of all relevant elements of the financial and non-financial instruments. Therefore, the estimated value will be adjusted based on other parameters when necessary. The model validation process is required before the Company and its subsidiaries adopt the model price. Therefore, the adjustments are considered to be proper and essential. Price information and parameters for measurement are carefully used, and the adjustments are based on the current market conditions.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

b) Credit risk valuation adjustment

The Company and its subsidiaries incorporate credit risk valuation adjustment into fair value calculations in order to reflect the credit risks of counter party and the credit quality of the Company and its subsidiaries.

Credit risk valuation adjustment is the fair value of the over-the-counter (OTC) derivative contracts that reflect the credit risks of the two parties which includes:

- i) Credit value adjustments (CVA): adjust the valuation on transactions that occurs outside the exchange market, which refers to OTC derivative contracts, to reflect the possibility of the counter parties' delayed payment and default into fair value.
- ii) Debit value adjustments (DVA): adjust the valuation on transactions that occurs outside the exchange market, which refers to OTC derivative contracts, to reflect the possibility of the Company and its subsidiaries' delayed payment and default into fair value.

CVA and DVA are loss expectation and can be measured at the products of PD (probability of default), LGD (loss given default), EAD (exposure at default).

For counterparties with credit ratings from external rating agencies, the PD is based on the corresponded credit ratings. For counterparties without credit ratings from external rating agencies, the PD is estimated on their average probability of impairment from loans and receivables. For counterparties undesirable close position, the PD is 100%.

The Company and its subsidiaries use the fair value of the OTC derivatives as exposure at default (EAD).

60% of LGD is adopted per the "Disclosure guidance of CVA and DVA" under IFRS13 by TWSE.

4) Transfers between Level 1 and Level 2

The transfers between Level 1 and Level 2 for the six months ended June 30, 2021 and 2020 were due to quoted market price and liquidity.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

5) Changes in Level 3 Fair Value Category

The reconciliations of the beginning and ending balances for Level 3 assets are as follows.

Units: In thousands of TWD

Name	For the six months ended June 30, 2021								Ending balance
	Beginning balance	Acquisition through business combinations	Gains (Losses) on Valuation		Increase		Decrease		
			Profit and Loss	Other Comprehensive Income (Note)	Purchased/ Issued	Transferred to Level 3 (a)(b)	Sold/ Disposed/ Settled	Transferred from Level 3 (b)(c)	
Financial assets measured at fair value through profit or loss									
Financial assets mandatorily measured at fair value through profit or loss	\$ 162,407,116	39,912	727,881	10,873,547	22,999,962	2,753,404	28,930,425	10,677,499	160,193,898
Financial assets measured at fair value through other comprehensive income	55,971,458	8,248,387	21,827	(3,370,171)	1,229,088	440,642	5,543,353	3,528,665	53,469,213
Investment property	267,492,838	360,362	(556,167)	(1,481,628)	111,366	268,132	71,745	155,625	265,967,533
Assets Classified as Held for Sale	-	-	-	(981)	-	140,980	-	-	139,999
Total	\$ 485,871,412	8,648,661	193,541	6,020,767	24,340,416	3,603,158	34,545,523	14,361,789	479,770,643

(a) Transferred from level 2 to level 3 due to lack of observable market data that resulted from the decreasing market activities.

(b) The Company and its subsidiaries' policy is to recognize the transfer in and transfer out of Level 3 inputs when the item is transferred or the condition changes. Otherwise, they would have to be recognized as of the beginning or ending of the reporting date.

(c) Transferred from level 3 to level 2 because the observable market data became acquirable.

Note: Valuation of financial assets measured at fair value through profit or loss that recognized as other comprehensive income is the gain or loss reclassified by applying overlay approach.

Name	For the six months ended June 30, 2020								Ending balance
	Beginning balance	Profit and Loss	Gains (Losses) on Valuation		Increase		Decrease		
			Other Comprehensive Income (Note)	Purchased/ Issued	Transferred to Level 3 (a)(b)	Sold/ Disposed/ Settled	Transferred from Level 3 (b)(c)		
Financial assets measured at fair value through profit or loss									
Financial assets mandatorily measured at fair value through profit or loss	\$ 212,550,500	(1,165,285)	(6,147,879)	49,275,428	3,760,825	40,315,833	3,739,052		214,218,704
Financial assets measured at fair value through other comprehensive income	65,552,785	19,673	(4,681,459)	3,079,524	4,578,887	6,489,169	3,112,387		58,947,854
Investment property	242,255,918	(3,282,880)	(2,598,535)	541,572	1,118,401	377			238,034,099
Assets Classified as Held for Sale	46,090		(485)						45,605
Total	\$ 520,405,293	(4,428,492)	(13,428,358)	52,896,524	9,458,113	46,805,379	6,851,439		511,246,262

(a) Transfer from level 2 to level 3 due to lack of observable market data that resulted from the decreasing of market activities.

(b) The Company and its subsidiaries' policy is to recognize the transfer in and transfer out of Level 3 inputs when the item is transferred or the condition changes. Otherwise, they would have to be recognized as of the beginning or ending of the reporting date.

(c) Transfer from level 3 to level 2 because the observable market data became acquirable.

Note: Valuation of financial assets measured at fair value through profit or loss that recognized as other comprehensive income is the gain or loss reclassified by applying overlay approach.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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The reconciliations of the beginning and ending balances for Level 3 liabilities are as follows.

Units: In thousands of TWD

Name	For the six months ended June 30, 2021							Ending balance
	Beginning balance	Acquisition through business combinations	Valuation (gains) losses reflected on profit or loss	Increase		Decrease		
				Purchased/ Issued	Transferred to Level 3	Sold/ Disposed/ Settled	Transferred from Level 3	
Financial liabilities measured at fair value through profit or loss								
Held-for-trading financial liabilities	\$ 1,273,330	-	(15,081)	362	-	122,183	-	1,136,428
Financial liabilities designated as at fair value through profit or loss	3,532,978	509,935	(2,264)	17,347,701	-	18,210,232	-	3,178,118
Total	\$ 4,806,308	509,935	(17,345)	17,348,063	-	18,332,415	-	4,314,546

Name	For the six months ended June 30, 2020							Ending balance
	Beginning balance	Valuation (gains) losses reflected on profit or loss	Increase		Decrease			
			Purchased/ Issued	Transferred to Level 3	Sold/ Disposed/ Settled	Transferred from Level 3		
Financial liabilities measured at fair value through profit or loss								
Held-for-trading financial liabilities	\$ 2,168,661	(199,003)	1,266	-	-	293,075	-	1,677,849
Financial liabilities designated as at fair value through profit or loss	3,371,565	(626)	38,006,756	-	-	38,108,173	-	3,269,522
Total	\$ 5,540,226	(199,629)	38,008,022	-	-	38,401,248	-	4,947,371

The aforementioned gains and losses on the valuation are included in current profit or loss and other comprehensive income, and changes in unrealized gains or losses related to assets and liabilities held on the account are as follows:

	For the six months ended June 30	
	2021	2020
Changes in unrealized gains or losses		
Recognized as profit or loss	\$ <u>(558,544)</u>	<u>(5,018,994)</u>
Recognized as other comprehensive income	\$ <u>6,757,562</u>	<u>(9,720,914)</u>

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

6) Valuation Techniques and Inputs for Level 3 Fair Value Measurements

Financial assets and liabilities measured at fair value through profit or loss, financial assets measured at fair value through other comprehensive income, investment property and assets classified as held for sale of the Company and its subsidiaries are categorized into Level 3.

The Company and its subsidiaries' financial assets and liabilities measured at fair value through profit or loss and financial assets measured at fair value through other comprehensive income categorized into Level 3 refer to the valuation provided by the professional information providers which are commonly used by market participants, and quoted prices of the counter party, because they lack quoted prices in an active market.

Investment property categorized into Level 3 is determined based on the rule stipulating in the "Regulations Governing the Preparation of Financial Reports" and evaluated by the professional appraisal agency with the support of market evidence. Please refer to note 6 (p) for details.

Because of the inability to measure the fair value reliably due to the significant unobservable inputs, quantitative information is not disclosed.

The fair value of the aforementioned assets is as follows:

	June 30, 2021	December 31, 2020	June 30, 2020
Valuation techniques and inputs for level 3 fair value measurements	\$ 455,418,253	454,780,677	486,242,245

Quantitative information of Level 3 inputs of subsidiaries is as follows:

a) Taipei Fubon Bank

	June 30, 2021				
Name	Fair value	Valuation techniques	Significant unobservable inputs	Intervals	Relationship between inputs and fair value
Recurring fair value measurement					
Non-derivative financial instruments					
Assets:					
Financial assets measured at fair value through profit or loss					
Credit linked note (CLN)	\$ 1,406,460	Exotic option model	Recovery rate of transaction object	30%~50%	Recovery rate and fair value are not in a linear relationship. The change of recovery rate will cause the change of recovery probability at first, and both of them then indirectly influence fair value simultaneously.
Financial assets measured at fair value through other comprehensive income					
Asset-backed securities (ABS)	215,728	Discounted cash flow	Real interest rate	3.75~6.8%	The lower the real interest rate, the higher the fair value.

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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December 31, 2020					
Name	Fair value	Valuation techniques	Significant unobservable inputs	Intervals	Relationship between inputs and fair value
<u>Recurring fair value measurement</u>					
<u>Non-derivative financial instruments</u>					
Assets:					
Financial assets measured at fair value through profit or loss					
Credit linked note (CLN)	\$ 3,015,292	Exotic option model	Recovery rate of transaction object	30%~50%	Recovery rate and fair value are not in a linear relationship. The change of recovery rate will cause the change of recovery probability at first, and both of them then indirectly influence fair value simultaneously.
Asset-backed securities (ABS)	218,153	Discounted cash flow	Real interest rate	4.8%	The lower the real interest rate, the higher the fair value.
Financial assets measured at fair value through other comprehensive income					
Asset-backed securities (ABS)	479,937	Discounted cash flow	Real interest rate	3.2%~6.2%	The lower the real interest rate, the higher the fair value.
<u>Derivative financial instruments</u>					
Assets:					
Financial assets measured at fair value through profit or loss					
Exotic FX option	\$ 8,495	Exotic FX option model	Scaling parameter	50%~80%	Scaling parameter and fair value are not in a linear relationship. The higher the scaling parameter, the closer it is to stochastic volatility model. On the contrary, the lower the scaling parameter, the closer it is to regional volatility model.
Liabilities:					
Financial liabilities measured at fair value through profit or loss					
Exotic FX option	4,372	Exotic FX option model	Scaling parameter	50%~80%	Scaling parameter and fair value are not in a linear relationship. The higher the scaling parameter, the closer it is to stochastic volatility model. On the contrary, the lower the scaling parameter, the closer it is to regional volatility model.

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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June 30, 2020					
Name	Fair value	Valuation techniques	Significant unobservable inputs	Intervals	Relationship between inputs and fair value
<u>Recurring fair value measurement</u>					
<u>Non-derivative financial instruments</u>					
Assets:					
Financial assets measured at fair value through profit or loss					
Credit linked note (CLN)	\$ 2,995,945	Exotic option model	Recovery rate of transaction object	30%~50%	Recovery rate and fair value are not in a linear relationship. The change of recovery rate will cause the change of recovery probability at first, and both of them then indirectly influence fair value simultaneously.
Asset-backed securities (ABS)	83,840	Discounted cash flow	Real interest rate	3.4%	The lower the real interest rate, the higher the fair value.
<u>Derivative financial instruments</u>					
Assets:					
Financial assets measured at fair value through profit or loss					
Exotic FX option	\$ 5,200	Exotic FX option model	Scaling parameter	50%~80%	Scaling parameter and fair value are not in a linear relationship. The higher the scaling parameter, the closer it is to stochastic volatility model. On the contrary, the lower the scaling parameter, the closer it is to regional volatility model.
Liabilities:					
Financial liabilities measured at fair value through profit or loss					
Exotic FX option	1,488	Exotic FX option model	Scaling parameter	50%~80%	Scaling parameter and fair value are not in a linear relationship. The higher the scaling parameter, the closer it is to stochastic volatility model. On the contrary, the lower the scaling parameter, the closer it is to regional volatility model.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

b) Fubon Life Insurance

June 30, 2021						
Name	Fair value	Valuation techniques	Significant unobservable inputs	Intervals	Relationship between inputs and fair value	
Financial assets measured at fair value through profit or loss	\$ 1,851,686	Asset-based Approach	Discount for lack of marketability	5%	The higher the discount for lack of marketability, the lower the fair value.	
			Non-controlling interest discount	5%	The higher the non-controlling interest discount, the lower the fair value.	
			Market approach – comparable company	Discount for lack of marketability	0%~60%(26.67%)	The higher the discount for lack of marketability, the lower the fair value.
			Income multiplier	1.3	The higher the income multiplier, the higher the fair value.	
			P/E ratio	13.6	The higher the P/E ratio, the higher the fair value.	
			P/B ratio	1.8~7.8 (4.1)	The higher the P/B ratio, the higher the fair value.	
			Discounted cash flow	Discount rate	5.95%	The higher the discount rate, the lower the fair value.
			Black-Scholes Model	Risk-free rate	3 year: 0.26%~0.32% 5 year: 0.61%~0.75% 10 year: 0.97%~1.43%	The higher the risk-free rate, the lower the fair value.
			Volatility	3 year: 45.13%~55.16% 5 year: 52.83%~64.57% 6 year: 59.96%~73.28%	The higher the volatility, the higher the fair value.	
			Financial assets measured at fair value through other comprehensive income	11,532,978	Asset-based Approach	Discount for lack of marketability
Non-controlling interest discount	0%~29.7% (16.23%)	The higher the non-controlling interest discount, the lower the fair value.				
Market approach – comparable company	Discount for lack of marketability	7.85%~28%(19.28%)				The higher the discount for lack of marketability, the lower the fair value.
P/B ratio	2.2~2.9(2.55)	The higher the P/B ratio, the higher the fair value.				
Discounted cash flow	Discount rate	0.95%~1.66%				The higher the discount rate, the lower the fair value.
Credit spread	0.22%~18.32%	The higher the credit spread, the lower the fair value.				
Prepayment rate	0%~1.96%	The higher the prepayment rate, the higher the fair value.				

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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December 31, 2020						
Name	Fair value	Valuation techniques	Significant unobservable inputs	Intervals	Relationship between inputs and fair value	
Financial assets measured at fair value through profit or loss	\$ 1,656,307	Asset-based Approach	Discount for lack of marketability	5%	The higher the discount for lack of marketability, the lower the fair value.	
			Non-controlling interest discount	5%	The higher the non-controlling interest discount, the lower the fair value.	
			Market approach – comparable company	Discount for lack of marketability	25%~60%(32%)	The higher the discount for lack of marketability, the lower the fair value.
				Income multiplier	1.3	The higher the income multiplier, the higher the fair value.
				P/E ratio	14.8	The higher the P/E ratio, the higher the fair value.
				P/B ratio	1.4~4.9 (2.8)	The higher the P/B ratio, the higher the fair value.
			Discounted cash flow	Discount rate	7.84%~16.07%	The higher the discount rate, the lower the fair value.
			Black-Scholes Model	Risk-free rate	3 year: 0.11%~0.14% 5 year: 0.32%~0.39% 10 year: 0.67%~0.82%	The higher the risk-free rate, the lower the fair value.
				Volatility	3 year: 42.20%~51.58% 5 year: 52.39%~64.04% 6 year: 58.35%~71.32%	The higher the volatility, the higher the fair value.
Financial assets measured at fair value through other comprehensive income	16,494,736	Asset-based Approach	Discount for lack of marketability	0%~70% (11.67%)	The higher the discount for lack of marketability, the lower the fair value.	
			Non-controlling interest discount	0%~29.7% (14.88%)	The higher the non-controlling interest discount, the lower the fair value.	
			Market approach – comparable company	Discount for lack of marketability	4.13%~32.50% (21.66%)	The higher the discount for lack of marketability, the lower the fair value.
				P/B ratio	2.1~3.0 (2.55)	The higher the P/B ratio, the higher the fair value.
			Discounted cash flow	Discount rate	0.91%~1.34%	The higher the discount rate, the lower the fair value.
				Credit spread	0.22%~18.35%	The higher the credit spread, the lower the fair value.
				Prepayment rate	0%~1.99%	The higher the prepayment rate, the higher the fair value.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

June 30, 2020						
Name	Fair value	Valuation techniques	Significant unobservable inputs	Intervals	Relationship between inputs and fair value	
Financial assets measured at fair value through profit or loss	\$ 1,639,686	Asset-based Approach	Discount for lack of marketability	5%	The higher the discount for lack of marketability, the lower the fair value.	
			Non-controlling interest discount	5%	The higher the non-controlling interest discount, the lower the fair value.	
			Market approach – comparable company	Discount for lack of marketability	25%	The higher the discount for lack of marketability, the lower the fair value.
				Income multiplier	1.1	The higher the income multiplier, the higher the fair value.
				P/E ratio	11.5~14.3(12.9)	The higher the P/E ratio, the higher the fair value.
			Discounted cash flow	P/B ratio	2.0~4.8(3.4)	The higher the P/B ratio, the higher the fair value.
				Discount rate	8.19%~15.96%	The higher the discount rate, the lower the fair value.
Financial assets measured at fair value through other comprehensive income	16,940,529	Asset-based Approach	Black-Scholes Model	43.92%~54.98%	The higher the volatility, the higher the fair value.	
			Discount for lack of marketability	0%~70%(12.92%)	The higher the discount for lack of marketability, the lower the fair value.	
			Non-controlling interest discount	0%~29.7% (18.18%)	The higher the non-controlling interest discount, the lower the fair value.	
			Market approach – comparable company	Discount for lack of marketability	22%~29.68% (25.42%)	The higher the discount for lack of marketability, the lower the fair value.
				P/B ratio	2.0~2.8 (2.4)	The higher the P/B ratio, the higher the fair value.
			Discounted cash flow	Discount rate	1.13%~1.52%	The higher the discount rate, the lower the fair value.
				Credit spread	0.22%~18.36%	The higher the credit spread, the lower the fair value.
		Prepayment rate	0%~2.04%	The higher the prepayment rate, the higher the fair value.		

c) Fubon Insurance

June 30, 2021						
Name	Fair value	Valuation techniques	Significant unobservable inputs	Intervals	Relationship between inputs and fair value	
Financial assets measured at fair value through other comprehensive income	\$ 1,780,287	Asset-based Approach	Discount for lack of marketability	0%~10% (7%)	The higher the discount for lack of marketability, the lower the fair value.	
			Non-controlling interest discount	0%~29.7% (18.32%)	The higher the non-controlling interest discount, the lower the fair value.	
			Market approach – comparable company	Discount for lack of marketability	22%~28% (25%)	The higher the discount for lack of marketability, the lower the fair value.
				P/E ratio	13.6	The higher the P/E ratio, the higher the fair value.
				P/B ratio	2.2~2.9 (2.55)	The higher the P/B ratio, the higher the fair value.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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December 31, 2020					
Name	Fair value	Valuation techniques	Significant unobservable inputs	Intervals	Relationship between inputs and fair value
Financial assets measured at fair value through other comprehensive income	\$ 1,685,574	Asset-based Approach	Discount for lack of marketability	0%~10% (5%)	The higher the discount for lack of marketability, the lower the fair value.
			Non-controlling interest discount	0%~29.7% (13.06%)	The higher the non-controlling interest discount, the lower the fair value.
			Discount for lack of marketability	22%~28% (25%)	The higher the discount for lack of marketability, the lower the fair value.
			P/E ratio	14.8	The higher the P/E ratio, the higher the fair value.
Market approach – comparable company			P/B ratio	2.1~3.0 (2.55)	The higher the P/B ratio, the higher the fair value.
June 30, 2020					
Name	Fair value	Valuation techniques	Significant unobservable inputs	Intervals	Relationship between inputs and fair value
Financial assets measured at fair value through other comprehensive income	\$ 1,622,920	Asset-based Approach	Discount for lack of marketability	0%~10% (6.43%)	The higher the discount for lack of marketability, the lower the fair value.
			Non-controlling interest discount	0%~29.7% (17.30%)	The higher the non-controlling interest discount, the lower the fair value.
			Discount for lack of marketability	22%~28% (25%)	The higher the discount for lack of marketability, the lower the fair value.
			P/E ratio	14.3	The higher the P/E ratio, the higher the fair value.
Market approach – comparable company			P/B ratio	2.0~2.8 (2.4)	The higher the P/B ratio, the higher the fair value.

d) Fubon Securities

June 30, 2021					
Fair value	Valuation techniques	Significant unobservable inputs	Intervals	Relationship between inputs and fair value	
Recurring fair value measurement					
Non-derivative financial instruments					
Assets:					
Financial assets measured at fair value through profit or loss					
Financial assets mandatorily measured at fair value through profit or loss					
\$ 424,809	Evaluation methods of unlisted stock	The selection of the model is based on the evaluation methods of unlisted stock.	Not applicable	The selection of the model is based on the evaluation methods of unlisted stock.	
Financial assets measured at fair value through other comprehensive income					
3,318,376	Evaluation methods of unlisted stock	The selection of the model is based on the evaluation methods of unlisted stock.	Not applicable	The selection of the model is based on the evaluation methods of unlisted stock.	
Liabilities:					
Financial liabilities measured at fair value through profit or loss					
2,484,103	Option pricing model	Volatility	1%~80%	The higher the volatility, the higher the fair value.	

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		December 31, 2020				
		Fair value	Valuation techniques	Significant unobservable inputs	Intervals	Relationship between inputs and fair value
Recurring fair value measurement						
Non-derivative financial instruments						
Assets:						
Financial assets measured at fair value through profit or loss						
Financial assets mandatorily measured at fair value through profit or loss						
	Securities invested by brokers	444,257	Evaluation methods of unlisted stock	The selection of the model is based on the evaluation methods of unlisted stock.	Not applicable	The selection of the model is based on the evaluation methods of unlisted stock.
Financial assets measured at fair value through other comprehensive income						
	Stock investment	2,947,193	Evaluation methods of unlisted stock	The selection of the model is based on the evaluation methods of unlisted stock.	Not applicable	The selection of the model is based on the evaluation methods of unlisted stock.
	Bond Investment	571,583	Bloomberg BVAL valuation method	BVAL valuation score	Not applicable	The higher the BVAL score, the higher the fair value.
Liabilities:						
Financial liabilities measured at fair value through profit or loss						
	Financial liabilities designated as at fair value through profit or loss	3,532,978	Option pricing model	Volatility	1%~80%	The higher the volatility, the higher the fair value.
		June 30, 2020				
		Fair value	Valuation techniques	Significant unobservable inputs	Intervals	Relationship between inputs and fair value
Recurring fair value measurement						
Non-derivative financial instruments						
Assets:						
Financial assets measured at fair value through profit or loss						
Financial assets mandatorily measured at fair value through profit or loss						
	Stock investment	\$ 361	Evaluation methods of unlisted stock	The selection of the model is based on the evaluation methods of unlisted stock.	Not applicable	The selection of the model is based on the evaluation methods of unlisted stock.
	Bond investment	367,471	Bloomberg BVAL valuation method	BVAL valuation score	Not applicable	The higher the BVAL score, the higher the fair value.
	Securities invested by brokers	371,263	Evaluation methods of unlisted stock	The selection of the model is based on the evaluation methods of unlisted stock.	Not applicable	The selection of the model is based on the evaluation methods of unlisted stock.
Financial assets measured at fair value through other comprehensive income						
	Stock investment	2,563,479	Evaluation methods of unlisted stock	The selection of the model is based on the evaluation methods of unlisted stock.	Not applicable	The selection of the model is based on the evaluation methods of unlisted stock.
	Bond investment	912,018	Bloomberg BVAL valuation method	BVAL valuation score	Not applicable	The higher the BVAL score, the higher the fair value.
Liabilities:						
Financial liabilities measured at fair value through profit or loss						
	Financial liabilities designated as at fair value through profit or loss	3,269,522	Option pricing model	Volatility	1%~80%	The higher the volatility, the higher the fair value.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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e) JihSun Financial Holding

June 30, 2021					
Fair value	Valuation techniques	Significant unobservable inputs	Intervals	Relationship between inputs and fair value	
Financial assets measured at fair value through profit or loss	18,114	Comparable company approach	Evaluation multiplier	1.85	The higher the evaluation multiplier, the higher the fair value.
			Discount for lack of marketability	20.00%	The higher the discount for lack of marketability, the lower the fair value.
Financial assets measured at fair value through other comprehensive income	8,855,824	Comparable company approach	Evaluation multiplier	0.84 ~ 15.12	The higher the evaluation multiplier, the higher the fair value.
		Discounted cash flow	Long-term revenue growth rate	0.00%~1.36%	The higher the discount for lack of marketability, the lower the fair value.
			Weighted average cost of capital	9.85%~11.71%	The higher the long-term revenue growth rate, the higher the fair value.
		Net asset value method	Net asset value	Not applicable	The higher the weighted average cost of capital, the lower the fair value.
			Discount for lack of marketability	21.23%	The higher the discount for lack of marketability, the lower the fair value.
Financial liabilities measured at fair value through profit or loss	694,014	Option pricing model	Volatility	20% ~ 73%	The higher the volatility, the higher the fair value.

7) Valuation procedure of Level 3 inputs

When the Company and its subsidiaries' fair value measurement uses both unobservable inputs and observable inputs which need a significant adjustment based on the parameters of unobservable inputs, the asset or liability is categorized into Level 3. Level 3 inputs come from:

- a) Prices referring from the professional finance information providers, which are not different for each acquirer and which shall be acquired by specific facility.
- b) Prices referring from quoted prices of the counter party or evaluation agency. Price information is provided on a monthly or a quarterly basis and shall be kept properly.
- c) Prices referring from the evaluation of equity investment using market method and model evaluation.
- d) Price referring from the evaluation of loans using discounted cash flow method.
- e) Price referring from the evaluation of derivative instruments using model evaluation.

Investment property is appraised by professional appraisers in accordance with the valuation techniques announced by the FSC.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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- 8) Sensitivity analysis of Level 3 fair value if reasonably possible alternative assumptions used

While under different models or using different parameters may lead to different results, fair value measurement for financial instruments and investment properties of the Company and its subsidiaries is reasonable.

The following tables shows the valuation impacts from input parameters changes on Level 3 financial instruments.

- a) Taipei Fubon Bank

Units : In thousands

June 30, 2021	Fair value fluctuation reflected on net income		Fair value fluctuation reflected on other comprehensive income	
	Positive change (+10%)	Negative change (- 10%)	Positive change (+10%)	Negative change (- 10%)
Items				
Assets				
Financial assets measured at fair value through profit or loss				
Financial assets mandatorily \$ measured at fair value through profit or loss	18	(22)	-	-
Financial assets measured at fair value through other comprehensive income	-	-	535	(919)
Liabilities				
Financial liabilities measured at fair value through profit or loss				
Financial liabilities mandatorily \$ measured at fair value through profit or loss	-	-	-	-
Financial liabilities measured at fair value through other comprehensive income	-	-	1,070	(1,855)

December 31, 2020	Fair value fluctuation reflected on net income		Fair value fluctuation reflected on other comprehensive income	
	Positive change (+10%)	Negative change (- 10%)	Positive change (+10%)	Negative change (- 10%)
Items				
Assets				
Financial assets measured at fair value through profit or loss				
Financial assets mandatorily \$ measured at fair value through profit or loss	1,700	(2,700)	-	-
Financial assets measured at fair value through other comprehensive income	-	-	1,070	(1,855)
Liabilities				
Financial liabilities measured at fair value through profit or loss				
Financial liabilities measured at fair value through other comprehensive income	-	-	-	-

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June 30, 2020	Fair value fluctuation reflected on net income		Fair value fluctuation reflected on other comprehensive income	
	Positive change (+10%)	Negative change (- 10%)	Positive change (+10%)	Negative change (- 10%)
Items				
Assets				
Financial assets measured at fair value through profit or loss				
Financial assets mandatorily \$ measured at fair value through profit or loss	109	(103)	-	-
Financial assets measured at fair value through other comprehensive income	-	-	3	(3)
Liabilities				
Financial liabilities measured at fair value through profit or loss				
Held-for-trading financial liabilities	13	(12)	-	-

b) Fubon Life Insurance

June 30, 2021	Fair value fluctuation reflected on net income		Fair value fluctuation reflected on other comprehensive income (Note)	
	Positive change (+10%)	Negative change (- 10%)	Positive change (+10%)	Negative change (- 10%)
Items				
Assets				
Financial assets measured at fair value through profit or loss	\$ 38,395	(39,531)	1,294	(27)
Financial assets measured at fair value through other comprehensive income	-	-	98,505	(99,193)
Total	<u>\$ 38,395</u>	<u>(39,531)</u>	<u>99,799</u>	<u>(99,220)</u>
December 31, 2020	Fair value fluctuation reflected on net income		Fair value fluctuation reflected on other comprehensive income (Note)	
	Positive change (+10%)	Negative change (- 10%)	Positive change (+10%)	Negative change (- 10%)
Items				
Assets				
Financial assets measured at fair value through profit or loss	\$ 39,047	(40,455)	15,179	(14,421)
Financial assets measured at fair value through other comprehensive income	-	-	86,953	(150,521)
Total	<u>\$ 39,047</u>	<u>(40,455)</u>	<u>102,132</u>	<u>(164,942)</u>

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

June 30, 2020	Fair value fluctuation reflected on other comprehensive income (Note)	
	Positive change (+10%)	Negative change (-10%)
Items		
Assets		
Financial assets measured at fair value through profit or loss	30,786	(29,186)
Financial assets measured at fair value through other comprehensive income	270,984	(269,411)
Total	\$ 301,770	(298,597)

Note: Fair value fluctuation reflected on other comprehensive income of financial assets measured at fair value through profit or loss is the reclassification by applying overlay approach.

c) Fubon Securities

June 30, 2021	Fair value fluctuation reflected on net income		Fair value fluctuation reflected on other comprehensive income	
	Positive change (+10%)	Negative change (-10%)	Positive change (+10%)	Negative change (-10%)
Items				
Assets				
Financial assets mandatorily measured at fair value through profit or loss	\$ 42,481	(42,481)	-	-
Financial assets measured at fair value through other comprehensive income	-	-	331,838	(331,838)
Liabilities				
Financial liabilities designated as at fair value through profit or loss	248,410	(248,410)	-	-

December 31, 2020	Fair value fluctuation reflected on net income		Fair value fluctuation reflected on other comprehensive income	
	Positive change (+10%)	Negative change (-10%)	Positive change (+10%)	Negative change (-10%)
Items				
Assets				
Financial assets mandatorily measured at fair value through profit or loss	\$ 44,426	(44,426)	-	-
Financial assets measured at fair value through other comprehensive income	-	-	351,878	(351,878)
Liabilities				
Financial liabilities designated as at fair value through profit or loss	353,298	(353,298)	-	-

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

<u>June 30, 2020</u>	<u>Fair value fluctuation reflected on net income</u>		<u>Fair value fluctuation reflected on other comprehensive income</u>	
	<u>Items</u>	<u>Positive change (+10%)</u>	<u>Negative change (-10%)</u>	<u>Positive change (+10%)</u>
Assets				
Financial assets mandatorily measured at fair value through profit or loss	\$ 73,910	(73,910)	-	-
Financial assets measured at fair value through other comprehensive income	-	-	347,550	(347,550)
Liabilities				
Financial liabilities designated as at fair value through profit or loss	326,952	(326,952)	-	-

d) JihSun Financial Holding

<u>June 30, 2021</u>	<u>Fair value fluctuation reflected on net income</u>		<u>Fair value fluctuation reflected on other comprehensive income</u>	
	<u>Items</u>	<u>Positive change (+1%)</u>	<u>Negative change (-1%)</u>	<u>Positive change (+1%)</u>
Assets				
Financial assets measured at fair value through profit or loss	\$ 927	(927)	-	-
Financial assets measured at fair value through other comprehensive income	-	-	142,974	(142,974)

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Estimated Fair Value of Financial Instruments Not Carried at Fair Value

1) Fair value information

In addition to the following items, the Company and its subsidiaries' financial instruments that are not measured at fair value include cash and cash equivalents, due from the central bank and call loans to banks, securities purchased under resell agreements, receivables, partial other financial assets, discounts and loans, deposit from and due to the central bank and banks, securities sold under repurchase agreements, commercial papers issued, payables, deposits and remittances, other borrowings and other financial liabilities. Since their book value is a reasonable approximation to fair value, there is no fair value disclosure.

<u>Items</u>	<u>Book value</u>	<u>Fair value</u>
June 30, 2021		
Financial assets		
Debt investments measured at amortized cost (Note)	\$ 3,066,336,368	3,206,385,167
Financial liabilities		
Bonds payable	261,357,264	264,878,115
December 31, 2020		
Financial assets		
Debt investments measured at amortized cost (Note)	2,821,065,322	3,054,947,608
Financial liabilities		
Bonds payable	269,517,288	273,039,013
June 30, 2020		
Financial assets		
Debt investments measured at amortized cost (Note)	2,723,822,735	2,884,319,669
Financial liabilities		
Bonds payable	242,631,610	246,339,577

Note: Included government bonds accounted for refundable deposits.

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Fair value hierarchy

June 30, 2021				
Financial instruments measured at fair value	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Financial assets:				
Debt investments measured at amortized cost	\$ 3,206,385,167	1,627,714,951	1,242,842,778	335,827,438
Financial liabilities:				
Bonds payable	264,878,115	72,769,901	182,179,972	9,928,242
December 31, 2020				
Financial instruments measured at fair value	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Financial assets:				
Debt investments measured at amortized cost	\$ 3,054,947,608	1,520,027,318	1,231,651,374	303,268,916
Financial liabilities:				
Bonds payable	273,039,013	77,853,451	185,183,844	10,001,718
June 30, 2020				
Financial instruments measured at fair value	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Financial assets:				
Debt investments measured at amortized cost	\$ 2,884,319,669	1,312,525,476	1,253,528,490	318,265,703
Financial liabilities:				
Bonds payable	246,339,577	81,436,805	156,705,297	8,197,475

3) Valuation techniques

The methods and hypothesis that the Company and its subsidiaries used in estimating the financial instrument not measured at fair value are as follows:

- a) Fair value of the financial instrument of which the maturity date is short, or the future price is closed to the book value is estimated by using its book value. This method is applied to cash and cash equivalents, due from the central bank and call loans to banks, securities purchased under resell agreements, receivables, partial other financial assets, discounts and loans, deposit from and due to the central bank and banks, securities sold under repurchase agreements, commercial papers issued, payables, deposits and remittances, other borrowings and other financial liabilities.

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES**Notes to the Consolidated Financial Statements**

- b) Since principal of discounts and loans, deposits, structured products, commercial paper issued and other borrowings are all interest-bearing financial assets or liabilities, their book value is proximate to fair value. Book value of overdue receivables is the estimated recoverable amount after deducting allowances for bad debts. Therefore, the fair value of the above financial assets and liabilities is its book value.
- c) If debt investments measured at amortized cost and bonds payable have quoted prices in active market, its fair value will be market price. If there is no market price for reference, the fair value will be estimated by using the valuation technique. The estimates and assumptions used by the Company and its subsidiaries in the evaluation technique are consistent with the information used by the market participants when pricing the financial instruments, and the information is available to the Company and its subsidiaries.

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(aj) Insurance Contracts

(i) Fubon Insurance and its subsidiaries

1) Various reserves

a) Unearned premium reserves

i) Detail of unearned premium reserves and ceded unearned premium reserves

Particular	June 30, 2021			
	Unearned premium reserves		Ceded unearned premium reserves	Retained business
	Direct business	Reinsurance- assumed business	Reinsurance- ceded business	
Fire insurance	\$ 1,444,025	4,226	480,402	967,849
Marine cargo insurance	422,353	717	163,852	259,218
Marine hull fishing vessel	282,330	1,774	203,235	80,869
Voluntary motor insurance	9,221,285	297,493	511,518	9,007,260
Compulsory motor TPL insurance	2,278,357	760,015	1,367,014	1,671,358
Liability insurance	1,857,471	2,290	463,871	1,395,890
Engineering and nuclear insurance	2,302,051	28,391	1,702,970	627,472
Surety and credit insurance	150,953	646	104,485	47,114
Other property insurance	1,940,172	276	1,294,410	646,038
Accident insurance	3,249,346	12,811	45,183	3,216,974
Typhoon, flood and earthquake insurance	2,260,196	46,732	1,274,774	1,032,154
Personal and commercial multiple peril insurance	565,816	-	28,417	537,399
Health insurance	1,057,240	2	301,590	755,652
Overseas reinsurance assumed	-	344,312	5,496	338,816
Overseas subsidiaries	1,972,195	835,955	574,106	2,234,044
Less: Accumulated impairment	-	-	(3,430)	3,430
Total	\$ 29,003,790	2,335,640	8,517,893	22,821,537

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Particular	December 31, 2020			
	Unearned premium reserves		Ceded unearned premium reserves	Retained business
	Direct business	Reinsurance-assumed business	Reinsurance-ceded business	
	Particular	Direct business	Reinsurance-assumed business	Reinsurance-ceded business
Fire insurance	\$ 1,178,020	7,180	440,821	744,379
Marine cargo insurance	303,762	345	85,487	218,620
Marine hull fishing vessel	227,737	4,715	161,797	70,655
Voluntary motor insurance	8,825,338	221,411	480,838	8,565,911
Compulsory motor TPL insurance	2,288,015	748,217	1,372,809	1,663,423
Liability insurance	1,735,544	674	454,686	1,281,532
Engineering and nuclear insurance	2,083,527	27,860	1,511,902	599,485
Surety and credit insurance	117,188	614	81,882	35,920
Other property insurance	413,487	151	246,850	166,788
Accident insurance	3,380,889	9,350	42,115	3,348,124
Typhoon, flood and earthquake insurance	1,914,254	42,787	1,220,958	736,083
Personal and commercial multiple peril insurance	543,903	-	15,009	528,894
Health insurance	590,905	-	20,356	570,549
Overseas reinsurance assumed	-	167,404	6,194	161,210
Overseas subsidiaries	1,827,499	920,613	488,817	2,259,295
Less: Accumulated impairment	-	-	(8,453)	8,453
Total	\$ 25,430,068	2,151,321	6,622,068	20,959,321

Particular	June 30, 2020			
	Unearned premium reserves		Ceded unearned premium reserves	Retained business
	Direct business	Reinsurance-assumed business	Reinsurance-ceded business	
	Particular	Direct business	Reinsurance-assumed business	Reinsurance-ceded business
Fire insurance	\$ 1,467,130	5,842	680,639	792,333
Marine cargo insurance	359,424	418	150,133	209,709
Marine hull fishing vessel	307,516	8,194	232,547	83,163
Voluntary motor insurance	8,354,425	226,476	440,560	8,140,341
Compulsory motor TPL insurance	2,226,390	732,671	1,335,833	1,623,228
Liability insurance	1,742,845	379	468,973	1,274,251
Engineering and nuclear insurance	2,348,132	29,005	1,676,723	700,414
Surety and credit insurance	137,860	611	96,229	42,242
Other property insurance	307,415	58	164,319	143,154
Accident insurance	3,091,955	9,419	28,564	3,072,810
Typhoon, flood and earthquake insurance	2,446,863	45,799	1,519,092	973,570
Personal and commercial multiple peril insurance	541,388	-	38,742	502,646
Health insurance	642,307	-	36,166	606,141
Overseas reinsurance assumed	-	308,612	38	308,574
Overseas subsidiaries	1,696,831	1,557,913	1,119,249	2,135,495
Less: Accumulated impairment	-	-	(26,496)	26,496
Total	\$ 25,670,481	2,925,397	7,961,311	20,634,567

Reserves above were expressed in net amount and estimated accumulated impairment losses amounted to \$3,430 thousand, \$8,453 thousand and \$26,496 as of June 30, 2021, December 31 and June 30, 2020, respectively.

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- ii) The movements in unearned premium reserves and ceded unearned premium reserves were as follows:

Particular	For the six months ended June 30, 2021	
	Unearned premium reserves	Ceded unearned premium reserves
Beginning balance	\$ 27,581,389	6,622,068
Provision	31,371,500	8,529,245
Recovered	(27,581,389)	(6,630,521)
Reversal of impairment loss	-	5,023
Other—effect of change in exchange rates	(32,070)	(7,922)
Ending balance	<u><u>\$ 31,339,430</u></u>	<u><u>8,517,893</u></u>

Particular	For the six months ended June 30, 2020	
	Unearned premium reserves	Ceded unearned premium reserves
Beginning balance	\$ 25,463,600	6,409,138
Provision	28,690,310	8,024,303
Recovered	(25,463,600)	(6,422,342)
Recognized impairment loss	-	(13,292)
Other—effect of change in exchange rates	(94,432)	(36,496)
Ending balance	<u><u>\$ 28,595,878</u></u>	<u><u>7,961,311</u></u>

Fubon Insurance and its subsidiaries provide unearned premium reserves according to the Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises amended by Financial Supervisory Commission, Executive Yuan, Jin Guan Bao Tsai No.10102501561 on February 7, 2012. Under the Regulations, the unearned premiums of effective insurance contracts which have not matured yet or insurance contracts which are not yet effective is calculated in accordance with the unexpired risk for every type of insurance, and unearned premium reserves are also provided accordingly. The method of providing the reserve mentioned above, which is noted in the insurance product application filed with the Authority, is decided by actuaries in according to type of insurance. This method cannot be changed, unless approved by the Authority.

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Based on local regulations, unearned premium reserves are provided for compulsory automobile liability insurance, nuclear insurance and resident earthquake insurance as follows:

1. The unearned premiums reserves for compulsory private and commercial automobile liability are provided based on the “Regulations for Deposit and Management of the Reserve of Compulsory Automobile Liability Insurance”.
2. The unearned premiums reserves for nuclear insurance are provided based on the “Regulations for the Reserve of Nuclear Insurance”.
3. The unearned premiums reserves for resident earthquake insurance are provided according to the “Enforcement Rules for the Risk Spreading Mechanism for Resident Earthquake Insurance”.

b) Special reserve

- i) Special reserve is divided into “catastrophe special reserve” and “special reserves for fluctuation of risks”. The provision, after deducting income tax in accordance with IAS 12, should be accounted for as special reserve under equity. The offset or recovered amount, after deducting income tax in accordance with IAS 12, could be recognized as special reserve under equity. Commencing from January 1, 2013, special reserve which was initially accounted for under liability should be recognized under equity. Furthermore, in accordance with “ Directions for Non-Life Insurance Enterprises Strengthening Reserves for Natural Disaster (Commercial Earthquake, Typhoon and Flood Insurance)”, except for compulsory motor TPL insurance, nuclear insurance, residential earthquake insurance and commercial earthquake, typhoon and flood insurance, all catastrophe special reserve and equalization special reserve recognized under liability before December 31, 2012 should first replenish the reserves of commercial earthquake, typhoon and flood insurance before deducting the income tax in accordance with IAS 12, accounted for as special reserve under equity as of January 1, 2013.

1. Catastrophe special reserve

A catastrophe special reserve is provided for all types of insurance based on a rate prescribed by the competent authority.

For the actual catastrophe claim exceeding \$30 million, and in the total property insurance industry, the insurance category of the whole compensation exceeding to \$2 billion, the excess amount is offset against special catastrophe reserve.

For special catastrophe reserve that remains outstanding for over 15 years, it is written off based on the evaluation of an actuary and after being reported to the competent authority for inspection.

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2. Special reserves for fluctuation of risks

If the actual insurance claim and loss adjustment expenses for a particular type of insurance are less than the expected amount determined by the FSC, an additional special reserve equal to 15% of the amount of the different is provided.

In accordance with the letter Jin Guan Bao Tsai No.10002509161 issued by Financial Supervisory Commission, Executive Yuan, R.O.C on June 16, 2011, if the net balance of the actual claims for earthquake, typhoon and flood damages from commercial and personal accident insurance after deducting the special catastrophe reserve is less than the expected claims determined by the FSC, an additional special reserve equal to 75% of the amount of the difference is provided. Expected claims are calculated at no less than 60% of expected loss.

The excess amount of actual claims over the expected claims, after deducting the special catastrophe reserve, is offset against variation special reserve. If the variation special reserve of the insurance mentioned above is insufficient, the deficiency is offset against the variation special reserve of other kind of insurance. The type and amount of deduction should be reported to the FSC.

In the event that the accumulated amount of special reserves for fluctuation of risks exceeds 60% of the retained earned premium, the amount in excess shall be subject to recovery under the applicable rules.

ii) The segment requirements of special assets

Fubon Insurance and its subsidiaries provide independent accounting and disclosures for Compulsory Automobile Liability Insurance activities (the Insurance) according to the “Regulations of Compulsory Automobile Liability Insurance”.

According to the Regulations for Deposit and Management of the Reserve of Compulsory Automobile Liability Insurance Article 5 special reserve provided by the insurer, the insurer shall deposit the reserve with a financial institution as a time deposit or treasury bills. Provided that with the approval of the competent authority, the insurer may purchase the following domestic securities:

1. Government bonds excluding exchangeable bonds.
2. Financial bonds, negotiable certificates of deposits, bank's acceptance bill, and financial institution guaranteed commercial paper. Yet financial bonds are restricted to normal financial bonds.

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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The amount of the treasury bonds and time deposits listed above shall not be less than 30% of the recent audited or reviewed matured retention insurance premium, and the authority can increase the percentage depending on the operating circumstances of Fubon Insurance and its subsidiaries.

The balance of special reserve that is less than 30% of the recent audited or reviewed matured retention insurance premium shall all be used to purchase treasury bonds or be put in time deposits.

According to the “Regulations for Deposit and Management of the Reserve for Compulsory Automobile Liability Insurance” article 6, except for the special reserve provided as prescribed in the preceding article, funds held by an insurer for this insurance shall be deposited in a financial institution in the form of demand deposits and time deposits. However, with the approval of the authority, an insurer may purchase any of the following domestic securities:

1. Treasury bills.
2. Negotiable certificates of deposits, bank’s acceptance bill, and financial institution guaranteed commercial paper.
3. Bonds sold under repurchase agreements.

The amount of the demand deposits listed above shall not be less than (i) 45% of the capital held by the Fubon Insurance and its subsidiaries after deducting the special reserve, and (ii) 30% of the recent audited or reviewed matured retention insurance premium. The authority can increase such demand deposits beyond the prescribed minimum percentage depending on the operating circumstances of Fubon Insurance and its subsidiaries.

If the amount of the unearned premium and claims reserve does not exceed 30% of the recent audited or reviewed matured retention insurance premium, all of the insurance capital of the insurance shall all be put in deposits.

Under article 11 of the “Regulations for Deposits and Management of the Reserve of Compulsory Automobile Liability Insurance”, the related reserves are transferred to the successor in the event that the property insurance company decides to discontinue its operations or suspend its insurance activity.

The property insurance company is officially forced to discontinue operating and liquidate, ordered to dissolve, or abolish the license of the insurance business, while no other insurer undertake the insurance business. After the insurance reserves are settled, and the special reserve balance is positive, the related reserves should be transferred to the Legal Foundation of Traffic Accidents Special Compensation Fund.

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- iii) The special reserve for compulsory private and commercial automobile, as well as motorcycle liability insurance are in accordance with the “Regulations for Deposits and Management of the Reserve for Compulsory Automobile Liability Insurance” and Jin Guan Bao Yi No.11004107771.
- iv) Movements in special reserve – Compulsory automobile liability insurance

Particular	For the six months ended June 30	
	2021	2020
Beginning balance	\$ 333,473	675,379
Provision	98,991	6,914
Recovered	(150,854)	(262,647)
Ending balance	\$ 281,610	419,646

- v) Movements in special reserve – Non-compulsory automobile liability insurance

Particular	For the six months ended June 30, 2021					
	Liability			Special Reserve		
	Catastrophe	Dangerous Change	Total	Catastrophe	Dangerous Change	Total
Beginning balance (same as ending balance)	\$ 314,980	5,488,187	5,803,167	3,177,525	6,295,514	9,473,039

Particular	For the six months ended June 30, 2020					
	Liability			Special Reserve		
	Catastrophe	Dangerous Change	Total	Catastrophe	Dangerous Change	Total
Beginning balance (same as ending balance)	\$ 315,455	5,488,187	5,803,642	2,774,719	5,635,543	8,410,262

Note: The special reserve above covers all the insurances except for the special reserve for compulsory automobile liability insurance, which was recognized before January 1, 2011.

- vi) The special reserve for nuclear insurance was provided in accordance with the “Regulations for the Reserve of Nuclear Insurance”.
- vii) The special reserve for resident earthquake insurance was provided in accordance with the “Regulations for danger diversified mechanism for Resident earthquake insurance”.

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

c) Claim reserves

- i) The debt for policy holder of claims reported and unpaid, reported but unpaid, and unreported:

Particular	June 30, 2021				
	Note payable (claims)	Indemnity payments payable	Claim reserves		
	Reported and unpaid	Reported but unpaid	Unreported	Total	
Fire insurance	\$ -	206,026	5,637,381	143,695	5,781,076
Marine cargo insurance	-	1,725	661,600	158,373	819,973
Marine hull fishing vessel	-	144	265,933	125,603	391,536
Voluntary motor insurance	-	45,722	4,535,292	1,034,549	5,569,841
Compulsory motor TPL insurance	-	18,978	919,670	3,064,284	3,983,954
Liability insurance	-	11,155	1,629,121	764,078	2,393,199
Engineering and Nuclear insurance	-	1,438	648,463	196,135	844,598
Surety and credit insurance	-	392	131,300	34,929	166,229
Other property insurance	-	4,197	156,754	164,325	321,079
Accident insurance	-	13,488	424,713	1,303,910	1,728,623
Typhoon, flood and earthquake insurance	-	1,139	139,515	217,396	356,911
Personal and commercial multiple peril insurance	-	485	47,756	91,039	138,795
Health insurance	-	1,613	83,543	247,441	330,984
Overseas reinsurance assumed	-	-	406,849	36,091	442,940
Overseas subsidiaries	-	14,407	1,702,347	1,443,384	3,145,731
Total	\$ -	320,909	17,390,237	9,025,232	26,415,469

Particular	December 31, 2020				
	Note payable (claims)	Indemnity payments payable	Claim reserves		
	Reported and unpaid	Reported but unpaid	Unreported	Total	
Fire insurance	\$ -	316	4,058,442	26,923	4,085,365
Marine cargo insurance	-	2,690	727,722	148,438	876,160
Marine hull fishing vessel	-	14	278,713	130,150	408,863
Voluntary motor insurance	-	2,017	4,377,280	983,165	5,360,445
Compulsory motor TPL insurance	-	16,635	884,510	3,058,721	3,943,231
Liability insurance	-	5,492	1,715,276	744,477	2,459,753
Engineering and Nuclear insurance	-	375	659,601	176,628	836,229
Surety and credit insurance	-	17	134,712	34,046	168,758
Other property insurance	-	42	145,938	124,048	269,986
Accident insurance	-	12,789	319,557	1,242,901	1,562,458
Typhoon, flood and earthquake insurance	-	4,148	151,225	204,912	356,137
Personal and commercial multiple peril insurance	-	95	37,307	89,524	126,831
Health insurance	-	2,927	47,018	146,449	193,467
Overseas reinsurance assumed	-	-	460,545	32,262	492,807
Overseas subsidiaries	-	3,240	1,661,274	1,061,896	2,723,170
Total	\$ -	50,797	15,659,120	8,204,540	23,863,660

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Particular	June 30, 2020				
	Note payable (claims)	Indemnity payments payable	Claim reserves		
			Reported but unpaid	Unreported	Total
Fire insurance	\$ -	8,537	2,420,428	78,626	2,499,054
Marine cargo insurance	-	1,362	860,246	170,571	1,030,817
Marine hull fishing vessel	-	14	439,646	149,945	589,591
Voluntary motor insurance	-	58,257	3,844,371	920,199	4,764,570
Compulsory motor TPL insurance	-	34,611	825,977	3,020,456	3,846,433
Liability insurance	-	11,433	1,693,543	737,024	2,430,567
Engineering and Nuclear insurance	-	3,946	673,857	145,322	819,179
Surety and credit insurance	-	225	171,676	40,583	212,259
Other property insurance	-	1,377	142,925	135,199	278,124
Accident insurance	-	20,783	309,136	1,231,692	1,540,828
Typhoon, flood and earthquake insurance	-	360	144,829	203,294	348,123
Personal and commercial multiple peril insurance	-	863	42,557	116,976	159,533
Health insurance	-	2,655	33,753	120,450	154,203
Overseas reinsurance assumed	-	-	433,927	32,292	466,219
Overseas subsidiaries	-	9,005	1,368,728	971,896	2,340,624
Total	\$ -	153,428	13,405,599	8,074,525	21,480,124

- ii) Reinsurance assets – the ceded insurance business for the policy holders with reported but unpaid and unreported ceded claim reserves:

Particular	June 30, 2021		
	Reported but unpaid	Unreported	Total
Fire insurance	\$ 4,016,231	46,934	4,063,165
Marine cargo insurance	334,047	69,562	403,609
Marine hull fishing vessel	208,652	101,911	310,563
Voluntary motor insurance	186,287	31,063	217,350
Compulsory motor TPL insurance	335,922	1,455,160	1,791,082
Liability insurance	709,430	179,694	889,124
Engineering and Nuclear insurance	223,808	146,495	370,303
Surety and credit insurance	78,061	26,038	104,099
Other property insurance	94,079	99,282	193,361
Accident insurance	1,902	10,332	12,234
Typhoon, flood and earthquake insurance	74,616	153,125	227,741
Personal and commercial multiple peril insurance	6,504	5,415	11,919
Health insurance	13,275	58,750	72,025
Overseas reinsurance assumed	14,151	349	14,500
Overseas subsidiaries	483,795	526,502	1,010,297
Less: Accumulated impairment	(1,216)	(702)	(1,918)
Total	\$ 6,779,544	2,909,910	9,689,454

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Particular	December 31, 2020		
	Reported but unpaid	Unreported	Total
Fire insurance	\$ 3,064,347	9,635	3,073,982
Marine cargo insurance	421,058	69,170	490,228
Marine hull fishing vessel	227,872	108,035	335,907
Voluntary motor insurance	174,532	30,648	205,180
Compulsory motor TPL insurance	321,255	1,442,555	1,763,810
Liability insurance	801,176	180,616	981,792
Engineering and Nuclear insurance	217,650	124,030	341,680
Surety and credit insurance	83,285	25,691	108,976
Other property insurance	93,085	80,809	173,894
Accident insurance	2,193	6,061	8,254
Typhoon, flood and earthquake insurance	78,290	146,167	224,457
Personal and commercial multiple peril insurance	508	6,351	6,859
Health insurance	603	4,945	5,548
Overseas reinsurance assumed	15,437	96	15,533
Overseas subsidiaries	540,805	459,869	1,000,674
Less: Accumulated impairment	(12,526)	(1,987)	(14,513)
Total	\$ 6,029,570	2,692,691	8,722,261

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

<u>Particular</u>	June 30, 2020		
	<u>Reported but unpaid</u>	<u>Unreported</u>	<u>Total</u>
Fire insurance	\$ 1,550,136	24,093	1,574,229
Marine cargo insurance	545,732	80,820	626,552
Marine hull fishing vessel	374,841	128,592	503,433
Voluntary motor insurance	151,955	27,946	179,901
Compulsory motor TPL insurance	264,308	1,427,530	1,691,838
Liability insurance	750,474	190,442	940,916
Engineering and Nuclear insurance	235,016	104,468	339,484
Surety and credit insurance	116,688	31,620	148,308
Other property insurance	87,753	90,333	178,086
Accident insurance	3,728	5,016	8,744
Typhoon, flood and earthquake insurance	78,546	147,515	226,061
Personal and commercial multiple peril insurance	660	8,197	8,857
Health insurance	57	2,216	2,273
Overseas reinsurance assumed	16,172	224	16,396
Overseas subsidiaries	436,166	400,182	836,348
Less: Accumulated impairment	(13,591)	(2,448)	(16,039)
Total	\$ <u>4,598,641</u>	<u>2,666,746</u>	<u>7,265,387</u>

Reserves above were expressed in net amount and the estimated accumulated impairment losses amounted to \$1,918 thousand, \$14,513 thousand and \$16,039 thousand as of June 30, 2021, December 31 and June 30, 2020, respectively.

iii) Movements in claim reserves and ceded claim reserves

<u>Particular</u>	For the six months ended June 30, 2021	
	<u>Claim reserves</u>	<u>Ceded claim reserves</u>
Beginning balance	\$ 23,863,660	8,722,261
Provision	26,449,238	9,705,392
Recovered	(23,863,660)	(8,736,774)
Reversal of impairment loss	-	12,595
Other — effect of change in exchange rates	(33,769)	(14,020)
Ending Balance	\$ <u>26,415,469</u>	<u>9,689,454</u>

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Particular	For the six months ended June 30, 2020	
	Claim reserves	Ceded claim reserves
Beginning balance	\$ 21,385,347	7,378,843
Provision	21,540,805	7,303,636
Recovered	(21,385,347)	(7,421,731)
Reversal of impairment loss	-	26,849
Other – effect of change in exchange rates	(60,681)	(22,210)
Ending balance	\$ 21,480,124	7,265,387

iv) Non-insurance assets acquired from exercising the rights of retrieve salvage and subrogation

Particular	For the three months ended June 30		For the six months ended June 30	
	2021	2020	2021	2020
Fire insurance	\$ 5	5,011	57	5,064
Marine cargo insurance	785	6,094	5,388	9,500
Marine hull fishing vessel	-	1,374	6,403	1,374
Voluntary motor insurance	313,576	283,739	577,495	477,832
Compulsory motor TPL insurance	77,724	50,366	127,254	106,396
Liability insurance	6,962	27,779	16,305	37,318
Engineering and Nuclear insurance	-	247	-	1,272
Surety and credit insurance	12,671	11,596	14,975	25,376
Other property insurance	27	59	145	195
Accident insurance	331	90	544	1,154
Personal and commercial multiple peril insurance	20	95	529	223
Typhoon, flood and earthquake insurance	68	-	475,397	15
Health insurance	45	-	47	1
Overseas reinsurance assumed	-	-	-	-
Overseas subsidiaries	8,783	2,384	12,538	3,983
Total	\$ 420,997	388,834	1,237,077	669,703

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Claim reserves are provided to conform the “Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises” amended by Financial Supervisory Commission, Executive Yuan, Jin Guan Bao Tsai No.10102501561 on February 7, 2012. Property insurance business shall calculate claim reserves including reported but not paid and incurred but not reported (IBNR) based on past claim experience and loss adjustment expenses incurred for each line of insurance according to actuarial principles. Reserves for reported but not paid claims shall be estimated and reserved on a case-by-case basis based on relevant information. The claim reserves in the preceding paragraph should be released in the following year and then calculated and reserved again based on the current-year information.

The method of reserving mentioned in the preceding paragraph will be evaluated and determined by the appointed actuary, and reported to the competent authority for recordation. The preceding provision applies to any subsequent changes thereto.

- d) Liability reserve
- i) The formula for calculating reserve is reported to the authority and the current interest rate is used for discounting purposes to calculate the present value of the reserve.
- ii) Movements in liability reserve and ceded liability reserve:

Particular	For the six months ended June 30			
	2021		2020	
	Liability reserve	Ceded liability reserve	Liability reserve	Ceded liability reserve
Beginning balance	\$ 8,362	-	26,715	-
Provision	32	-	158	-
Maturity refund	(4,296)	-	(10,192)	-
Ending balance	\$ 4,098	-	16,681	-

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- e) Premium deficiency reserve
i) Premium deficiency reserve

<u>Particular</u>	<u>June 30, 2021</u>			
	<u>Premium deficiency reserve</u>		<u>Ceded premium deficiency reserve</u>	
	<u>Direct business</u>	<u>Reinsurance-assumed business</u>	<u>Reinsurance-ceded business</u>	<u>Retained business</u>
Fire insurance	\$ 82,707	279	-	82,986
Marine cargo insurance	-	-	-	-
Marine hull fishing vessel	21,019	-	-	21,019
Voluntary motor insurance	-	-	-	-
Compulsory motor TPL insurance	-	-	-	-
Liability insurance	-	-	-	-
Engineering and Nuclear insurance	-	-	-	-
Surety and credit insurance	-	-	-	-
Other property insurance	-	-	-	-
Accident insurance	-	-	-	-
Typhoon, flood and earthquake insurance	-	-	-	-
Personal and commercial multiple peril insurance	-	-	-	-
Health insurance	-	-	-	-
Overseas reinsurance assumed	-	992	-	992
Overseas subsidiaries	25,749	74,636	82,525	17,860
Total	\$ 129,475	75,907	82,525	122,857

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

<u>Particular</u>	<u>December 31, 2020</u>			
	<u>Premium deficiency reserve</u>		<u>Ceded premium deficiency reserve</u>	
	<u>Direct business</u>	<u>Reinsurance-assumed business</u>	<u>Reinsurance-ceded business</u>	<u>Retained business</u>
Fire insurance	\$ 59,612	474	5,616	54,470
Marine cargo insurance	-	-	-	-
Marine hull fishing vessel	19,093	-	-	19,093
Voluntary motor insurance	-	-	-	-
Compulsory motor TPL insurance	-	-	-	-
Liability insurance	-	-	-	-
Engineering and Nuclear insurance	-	-	-	-
Surety and credit insurance	-	-	-	-
Other property insurance	-	-	-	-
Accident insurance	-	-	-	-
Typhoon, flood and earthquake insurance	-	-	-	-
Personal and commercial multiple peril insurance	-	-	-	-
Health insurance	-	-	-	-
Overseas reinsurance assumed	-	717	-	717
Overseas subsidiaries	39,529	139,850	149,042	30,337
Total	\$ 118,234	141,041	154,658	104,617
	<u>June 30, 2020</u>			
<u>Particular</u>	<u>Premium deficiency reserve</u>		<u>Ceded premium deficiency reserve</u>	
	<u>Direct business</u>	<u>Reinsurance-assumed business</u>	<u>Reinsurance-ceded business</u>	<u>Retained business</u>
Fire insurance	\$ 64,427	-	-	64,427
Marine cargo insurance	1,722	-	-	1,722
Marine hull fishing vessel	24,272	141	6,018	18,395
Voluntary motor insurance	-	-	-	-
Compulsory motor TPL insurance	-	-	-	-
Liability insurance	-	-	-	-
Engineering and Nuclear insurance	-	-	-	-
Surety and credit insurance	-	-	-	-
Other property insurance	-	-	-	-
Accident insurance	-	-	-	-
Typhoon, flood and earthquake insurance	-	-	-	-
Personal and commercial multiple peril insurance	-	-	-	-
Health insurance	-	-	-	-
Overseas reinsurance assumed	-	165	-	165
Overseas subsidiaries	29,893	74,079	75,941	28,031
Total	\$ 120,314	74,385	81,959	112,740

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

ii) Loss recognized due to premium deficiency reserve provision — net change of premium deficiency reserve and ceded premium deficiency reserve

For the six months ended June 30, 2021									
Particular	Direct underwrite		Reinsurance-assumed		Net change of premium deficiency reserve	Reinsurance-ceded		Net change of ceded premium deficiency reserve	Net provision of premium deficiency reserve
	Provision	Recovered	Provision	Recovered		Provision	Recovered		
Fire insurance	\$ 82,707	59,612	279	474	22,900	-	5,616	(5,616)	28,516
Marine cargo insurance	-	-	-	-	-	-	-	-	-
Marine hull fishing vessel	21,019	19,093	-	-	1,926	-	-	-	1,926
Voluntary motor insurance	-	-	-	-	-	-	-	-	-
Compulsory motor TPL insurance	-	-	-	-	-	-	-	-	-
Liability insurance	-	-	-	-	-	-	-	-	-
Engineering and Nuclear insurance	-	-	-	-	-	-	-	-	-
Surety and credit insurance	-	-	-	-	-	-	-	-	-
Other property insurance	-	-	-	-	-	-	-	-	-
Accident insurance	-	-	-	-	-	-	-	-	-
Typhoon, flood and earthquake insurance	-	-	-	-	-	-	-	-	-
Personal and commercial multiple peril insurance	-	-	-	-	-	-	-	-	-
Health insurance	-	-	-	-	-	-	-	-	-
Overseas reinsurance assumed	-	-	992	717	275	-	-	-	275
Overseas subsidiaries	25,911	39,533	75,131	137,342	(75,833)	83,072	146,369	(63,297)	(12,536)
Other — effect of change in exchange rates	(162)	(4)	(495)	2,508	(3,161)	(3,664)	(147)	(3,517)	356
Total	\$ 129,475	118,234	75,907	141,041	(53,893)	79,408	151,838	(72,430)	18,537

For the six months ended June 30, 2020									
Particular	Direct underwrite		Reinsurance-assumed		Net change of premium deficiency reserve	Reinsurance-ceded		Net change of ceded premium deficiency reserve	Net provision of premium deficiency reserve
	Provision	Recovered	Provision	Recovered		Provision	Recovered		
Fire insurance	\$ 64,427	67,131	-	-	(2,704)	-	-	-	(2,704)
Marine cargo insurance	1,722	1,544	-	-	178	-	-	-	178
Marine hull fishing vessel	24,272	26,605	141	254	(2,446)	6,018	12,094	(6,076)	3,630
Voluntary motor insurance	-	-	-	-	-	-	-	-	-
Compulsory motor TPL insurance	-	-	-	-	-	-	-	-	-
Liability insurance	-	-	-	-	-	-	-	-	-
Engineering and Nuclear insurance	-	-	-	-	-	-	-	-	-
Surety and credit insurance	-	-	-	-	-	-	-	-	-
Other property insurance	-	-	-	-	-	-	-	-	-
Accident insurance	-	-	-	-	-	-	-	-	-
Typhoon, flood and earthquake insurance	-	-	-	-	-	-	-	-	-
Personal and commercial multiple peril insurance	-	-	-	-	-	-	-	-	-
Health insurance	-	-	-	-	-	-	-	-	-
Overseas reinsurance assumed	-	-	165	-	165	-	-	-	165
Overseas subsidiaries	30,232	70,589	75,183	317,640	(282,814)	77,073	337,540	(260,467)	(22,347)
Other — effect of change in exchange rates	(339)	(2,231)	(1,104)	(10,819)	11,607	(4,044)	(13,459)	9,415	2,192
Total	\$ 120,314	163,638	74,385	307,075	(276,014)	79,047	336,175	(257,128)	(18,886)

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- iii) Movements in premium deficiency reserve and ceded premium deficiency reserve

Particular	For the six months ended June 30, 2021	
	Premium deficiency reserve	Ceded premium deficiency reserve
Beginning balance	\$ 259,275	154,658
Provision	206,906	83,752
Recovered	(259,275)	(154,658)
Other – effect of change in exchange rates	(1,524)	(1,227)
Ending balance	<u>\$ 205,382</u>	<u>82,525</u>
	For the six months ended June 30, 2020	
Particular	Premium deficiency reserve	Ceded premium deficiency reserve
Beginning balance	\$ 470,713	338,138
Provision	201,993	88,304
Recovered	(470,713)	(338,138)
Other – effect of change in exchange rates	(7,294)	(6,345)
Ending balance	<u>\$ 194,699</u>	<u>81,959</u>

Premium deficiency reserve is provided to conform to the “Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises” amended by the FSC, Jin Guan Bao Tsai No.10102501561 on February 7, 2012. Non-life insurance companies are required to estimate future claim payments and related expenses by evaluating the insurance contracts which have not matured, and the risks covered by those contracts. If the expenditures are lower than the premium, non-life insurance companies are required to provide the premium deficiency reserve. The methodology for providing premium deficiency reserve or change in the said methodology is decided by the actuaries and reported to the Authority. Fubon Insurance and its subsidiaries had applied their methodology for providing premium deficiency reserve to the FSC and was approved by Jin Guan Bao Yi No.1080439733 on December 9, 2019.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- 2) Nature and extent of the insurance contract risk
- a) Objectives, policies, procedures and methods for the insurance contract risk management

- i) Objectives and policies of the risk management

Risk management policy is established to conform to “The Code of Conduct of Risk Management Practice for Insurance Companies” , “ The Implementation of Internal Control and Audit System for Insurance Companies” and “Risk Management Policy of Fubon Financial Holding Co., Ltd.”, which is regarded as the top guiding principle. This policy is intended to define the overall organization structure, provide risk management guidance and fit the relevant principals into the daily process for every unit to form a culture of risk management and to ensure that Fubon Insurance and its subsidiaries shall maximize shareholder’s value under stable operation.

- ii) Structure, organization and responsibility

The Board of Directors are responsible for effectively integrating the risk management system of Fubon Insurance and its subsidiaries, and developing the audit and monitor function. The organization and scope are as follows:

1. Board of Directors

- a. Identify all potential risks in the operations of insurance industry, ensure the effectiveness of the overall risk management of Fubon Insurance and take the ultimate responsibilities.
- b. Ensure that Fubon Insurance has established proper risk management functions and cultures, authorize proper risk management policy and allocate resources efficiently.
- c. Evaluate the overall effect of the risks, capital required by governmental authorities and related regulations on the capital allocation.

2. Risk Management Committee

Establish and convene Risk Management Committee in accordance with Fubon Insurance’s organization rules governing the Risk Management Committee. Develop risk management policies, structures, and organizational functions according to their responsibilities, Risk Management Committee implements risk management decisions of the Board of Directors and regularly reviews the development, construction and execution effectiveness of Fubon Insurance and its subsidiaries’ overall risk management mechanism. Risk Management Committee meet with the Board of Directors to report the current progress of risk management decisions on time and offer necessary advices for improvement.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

3. Chief Risk Officer

Fubon Insurance and its subsidiaries set up a position “Chief Risk Officer” (CRO) to deal with risk management matters, including strategy planning, supervising Fubon Insurance and its subsidiaries to create and to follow the risk management system, monitoring the appropriateness of risk exposure and the effectiveness of risk management, supervising Fubon Insurance and its subsidiaries’ Risk Management Department.

4. Risk Management Department

- a. Responsible for monitoring, measuring, and revaluing daily risks.
- b. Assist the execution / implementation of risk management policies approved by the Board of Directors.
- c. Set up the risk tolerance level and the limitations based on the risk appetite.
- d. Summarize the relative information provided by each unit, and help each unit follow the policies and the limits.
- e. Regular propose risk management related reports.
- f. Regularly monitor the risk limits and the utilization of risk limits of respective business unit.
- g. Assist in carrying out the stress test.
- h. If necessary, proceed the back testing.
- i. Other risk management related duties.

5. Business Units

- a. Each business unit shall assign risk management personnel to effectively assist the unit in executing risk management related to operations.
- b. The supervisors of business units are responsible for the daily risk’s management and report of the affiliation units and take necessary countermeasures. In addition, supervisors should oversee the regularly communicating the relevant information about risk management to the risk management department.

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- c. The responsibilities of business units to execute risk management operations are as follows:
 - i. Recognize the potential risks and measure it. Report risk management information and risk exposure to the risk management department regularly.
 - ii. Regularly examine each kind of business risk and limitations to ensure that the risk limitation is under control.
 - iii. Monitor risk exposure and report any situation when the exposure exceeds the limitation and take the necessary procedures.
 - iv. Make sure all business units are properly enforced under internal control and follow the rules and standards.
 - v. Assist in the related data collection of the operation risk.
- iii) Scope and nature of risk reporting or measurement system

Fubon Insurance and its subsidiaries measure insurance risk in consideration of factors including: commodity pricing, check and ratify insurance, claims processing, catastrophe, reinsurance and reserves. Fubon Insurance and its subsidiaries establish the key risk indicator for monitoring key risks.

Considering risk appetite and tolerance, Fubon Insurance and its subsidiaries set up the limitation by single reserved and single accident to control it. In the meantime, they set up the risk tolerance for all major risks (including insurance risk, market risk, credit risk and operation risk) by each scenario to avoid the overall risk exposures exceed the tolerance.

Each responsible department of Fubon Insurance and its subsidiaries' monitor relevant risk benchmark on a monthly or quarterly basis, and provides the monitoring results to the risk management department for reporting to Risk Management Committee. The Risk Management department collects all risk management reports and risk monitoring indicators semiannually and reports the overall situation to the Risk Management Committee and the Board of Directors. The report explains the risk exposure, how the policies worked and other related issues.

- iv) The procedures and methods of the insurance risk management

Insurance risk refers to the risk resulting from unexpected changes from benefit payments, related charges after collecting insurance premiums and undertaking the risk transferred from the insurant.

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Fubon Insurance and its subsidiaries set up the code of conduct for insurance risk management to serve as a guideline of insurance risk management. They also establish relevant risk management methods for the scope of insurance risk management in terms of the risk elements such as underwriting, reinsurance, catastrophe, claim, product design and pricing and provision.

Insurance risk management procedures include risk identification, risk measurement, risk monitoring, and risk responding. To ensure the timeliness, reliability and security of risk management information, except for different tiers disclosure per regulation, Fubon Insurance and its subsidiaries also update and archive relevant documents properly via the responsibility of each tiers.

Fubon Insurance and its subsidiaries set up another risk tolerance, risk limit and critical risk indicators to facilitate management and reports to the Risk Management Committee based on the frequency for each management indicators. If any risk tolerance, risk limit or critical risk management indicators over the limits, the subordinate unit shall provide the explanation of the excess risk and the improvement reviewed by the insurance risk team. The explanation will be submitted to the Risk Management Committee for approval. After approval, the risk management department shall track the improvement process based on the conditions of the approval.

- b) Insurance risk information
- i) The sensitivity test of insurance risk

Test Hypothesis

Particular	Insurance revenue	Expected rate of loss	For the three months ended June 30, 2021			
			Change of 1% expected rate of loss			
			Effect on profit or loss		Effect on Equity	
			Before reinsurance	After reinsurance	Before reinsurance	After reinsurance
Fire insurance	\$ 865,656	60.9%	5,888	2,723	4,710	2,178
Marine cargo insurance	375,143	61.5%	4,130	2,168	3,304	1,734
Marine hull fishing vessel	188,479	71.3%	1,519	261	1,215	209
Voluntary motor insurance	4,426,944	66.7%	43,962	41,593	35,170	33,274
Compulsory motor TPL insurance	1,535,626	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Liability insurance	757,942	68.2%	8,108	6,115	6,486	4,892
Engineering and Nuclear insurance	312,954	60.7%	5,359	933	4,287	746
Surety and credit insurance	95,753	68.1%	568	174	454	139
Other property insurance	1,850,974	66.3%	4,712	1,434	3,770	1,147
Accident insurance	1,431,200	68.5%	15,383	15,147	12,306	12,118
Typhoon, flood and earthquake insurance	1,533,730	68.5%	10,279	3,042	8,223	2,434
Personal and commercial multiple peril insurance	250,469	68.2%	2,696	2,567	2,157	2,054
Health insurance	782,330	62.0%	3,605	3,187	2,884	2,550
Overseas reinsurance assumed	148,508	62.9%	1,757	1,699	1,406	1,359
Overseas subsidiaries	1,398,208	64.3%	12,740	10,074	10,192	8,059

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the three months ended June 30, 2020

Particular	Insurance revenue	Expected rate of loss	Change of 1% expected rate of loss			
			Effect on profit or loss		Effect on Equity	
			Before reinsurance	After reinsurance	Before reinsurance	After reinsurance
Fire insurance	\$ 806,584	61.0%	6,810	2,884	5,448	2,307
Marine cargo insurance	313,163	61.6%	3,691	1,611	2,953	1,289
Marine hull fishing vessel	225,746	72.2%	1,649	259	1,319	207
Voluntary motor insurance	3,980,707	66.6%	38,591	37,436	30,873	29,949
Compulsory motor TPL insurance	1,550,581	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Liability insurance	695,331	68.4%	7,511	5,595	6,009	4,476
Engineering and Nuclear insurance	795,249	60.6%	5,048	1,205	4,038	964
Surety and credit insurance	91,106	68.3%	559	158	447	126
Other property insurance	291,788	66.3%	2,705	769	2,164	615
Accident insurance	1,377,640	69.7%	14,463	14,321	11,570	11,457
Typhoon, flood and earthquake insurance	1,575,767	68.0%	9,292	2,228	7,434	1,782
Personal and commercial multiple peril insurance	250,763	68.2%	2,500	2,316	2,000	1,853
Health insurance	434,534	64.1%	2,722	2,599	2,178	2,079
Overseas reinsurance assumed	129,773	63.5%	1,099	1,096	879	877
Overseas subsidiaries	1,475,785	64.8%	17,683	8,958	14,146	7,166

For the six months ended June 30, 2021

Particular	Insurance revenue	Expected rate of loss	Change of 1% expected rate of loss			
			Effect on profit or loss		Effect on Equity	
			Before reinsurance	After reinsurance	Before reinsurance	After reinsurance
Fire insurance	\$ 1,441,731	60.9%	11,787	5,103	9,430	4,082
Marine cargo insurance	818,387	61.4%	6,994	3,886	5,595	3,109
Marine hull fishing vessel	361,965	71.1%	3,103	578	2,482	462
Voluntary motor insurance	9,160,015	66.8%	86,880	82,266	69,504	65,813
Compulsory motor TPL insurance	3,057,831	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Liability insurance	1,722,989	68.2%	15,994	12,014	12,795	9,611
Engineering and Nuclear insurance	1,295,795	60.7%	10,767	1,773	8,614	1,418
Surety and credit insurance	157,750	68.0%	1,240	349	992	279
Other property insurance	2,298,627	66.3%	7,718	2,257	6,174	1,806
Accident insurance	2,929,705	68.5%	30,578	30,094	24,462	24,075
Typhoon, flood and earthquake insurance	2,384,462	68.9%	20,346	5,557	16,277	4,446
Personal and commercial multiple peril insurance	555,996	68.2%	5,341	5,084	4,273	4,067
Health insurance	1,158,458	62.0%	6,921	6,339	5,537	5,071
Overseas reinsurance assumed	486,706	63.0%	3,118	3,040	2,494	2,432
Overseas subsidiaries	2,853,286	64.2%	27,612	20,844	22,090	16,675

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the six months ended June 30, 2020						
Particular	Insurance revenue	Expected rate of loss	Change of 1% expected rate of loss			
			Effect on profit or loss		Effect on Equity	
			Before reinsurance	After reinsurance	Before reinsurance	After reinsurance
Fire insurance	\$ 1,424,464	60.9%	13,546	5,936	10,837	4,749
Marine cargo insurance	710,516	61.5%	6,269	3,160	5,015	2,528
Marine hull fishing vessel	431,949	71.8%	3,344	488	2,675	390
Voluntary motor insurance	8,254,195	66.6%	76,600	74,296	61,280	59,437
Compulsory motor TPL insurance	3,040,450	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Liability insurance	1,561,345	68.3%	15,190	11,240	12,152	8,992
Engineering and Nuclear insurance	1,527,191	60.6%	8,890	2,057	7,112	1,646
Surety and credit insurance	148,917	68.3%	1,182	316	946	253
Other property insurance	616,696	66.3%	5,469	1,554	4,375	1,243
Accident insurance	2,914,765	69.7%	29,040	28,746	23,232	22,997
Typhoon, flood and earthquake insurance	2,779,625	68.2%	18,111	4,604	14,489	3,683
Personal and commercial multiple peril insurance	566,327	68.2%	5,286	4,913	4,229	3,930
Health insurance	763,391	64.1%	5,387	5,241	4,310	4,193
Overseas reinsurance assumed	327,367	63.6%	2,323	2,310	1,858	1,848
Overseas subsidiaries	3,908,154	64.6%	37,608	18,585	30,086	14,868

ii) Explanation of the risk concentration

1. Proportion of underwriting and reinsurance-assumed premiums

The insurance contracts which Fubon Insurance and its subsidiaries underwrite are separated in various types of insurances and not concentrated in any single type of insurance. For the three months ended June 30, 2021, the top 5 insurances in terms of proportion are voluntary motor insurance, other property insurance, compulsory motor TPL insurance, typhoon, flood and earthquake insurance and accident insurance. For the three months ended June 30, 2020, the top 5 insurances in terms of proportion are voluntary motor insurance, typhoon, flood and earthquake insurance, compulsory motor TPL insurance, accident insurance and fire insurance. And for the six months ended June 30, 2021 and 2020, the top 5 insurances in terms of proportion are voluntary motor insurance, compulsory motor TPL insurance, accident insurance, typhoon, flood and earthquake insurance and other property insurance (as of June 30, 2020, is liability insurance). The voluntary motor insurance has the highest proportion accounts for 27.7%, 28.4%, 29.8% and 28.4% for the three months and six months ended June 30, 2021 and 2020, respectively. Although the proportion is slightly higher than other insurances, the loss experience of voluntary motor insurance is stable, and the risk variation is low. There is no concentration risk in other insurances.

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The proportion of underwriting and reinsurance-assumed premiums is as follows:

Insurance type	For the three months ended June 30			
	2021		2020	
	Amount	%	Amount	%
Fire insurance	\$ 865,656	5.4 %	806,584	5.8 %
Marine cargo insurance	375,143	2.4 %	313,163	2.2 %
Marine hull fishing vessel	188,479	1.2 %	225,746	1.6 %
Voluntary motor insurance	4,426,944	27.7 %	3,980,707	28.4 %
Compulsory motor TPL insurance	1,535,626	9.6 %	1,550,581	11.1 %
Liability insurance	757,942	4.7 %	695,331	5.0 %
Engineering and nuclear insurance	312,954	2.0 %	795,249	5.7 %
Surety and credit insurance	95,753	0.6 %	91,106	0.7 %
Other property insurance	1,850,974	11.6 %	291,788	2.1 %
Accident insurance	1,431,200	9.0 %	1,377,640	9.8 %
Typhoon, flood and earthquake insurance	1,533,730	9.6 %	1,575,767	11.3 %
Personal and commercial multiple peril insurance	250,469	1.6 %	250,763	1.8 %
Health insurance	782,330	4.9 %	434,534	3.1 %
Foreign business	148,508	0.9 %	129,773	0.9 %
Overseas subsidiaries	1,398,208	8.8 %	1,475,785	10.5 %
Total	<u>\$ 15,953,916</u>	<u>100.0 %</u>	<u>13,994,517</u>	<u>100.0 %</u>

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Insurance type	For the six months ended June 30			
	2021		2020	
	Amount	%	Amount	%
Fire insurance	\$ 1,441,731	4.7 %	1,424,464	4.9 %
Marine cargo insurance	818,387	2.7 %	710,516	2.5 %
Marine hull fishing vessel	361,965	1.2 %	431,949	1.5 %
Voluntary motor insurance	9,160,015	29.8 %	8,254,195	28.4 %
Compulsory motor TPL insurance	3,057,831	10.0 %	3,040,450	10.5 %
Liability insurance	1,722,989	5.6 %	1,561,345	5.4 %
Engineering and nuclear insurance	1,295,795	4.2 %	1,527,191	5.3 %
Surety and credit insurance	157,750	0.5 %	148,917	0.5 %
Other property insurance	2,298,627	7.5 %	616,696	2.1 %
Accident insurance	2,929,705	9.5 %	2,914,765	10.1 %
Typhoon, flood and earthquake insurance	2,384,462	7.8 %	2,779,625	9.6 %
Personal and commercial multiple peril insurance	555,996	1.8 %	566,327	2.0 %
Health insurance	1,158,458	3.8 %	763,391	2.6 %
Foreign business	486,706	1.6 %	327,367	1.1 %
Overseas subsidiaries	<u>2,853,286</u>	<u>9.3 %</u>	<u>3,908,154</u>	<u>13.5 %</u>
Total	<u>\$ 30,683,703</u>	<u>100.0 %</u>	<u>28,975,352</u>	<u>100.0 %</u>

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2. The proportion of retained business premium

Fubon Insurance and its subsidiaries evaluate the proportion of retained premium with retained business. For the three months ended June 30, 2021, the top 5 insurances with the highest proportion are voluntary motor insurance, accident insurance, compulsory motor TPL insurance, liability insurance and other property insurance. For the three months ended June 30, 2020, the top 5 insurances in terms of proportion are voluntary motor insurance, accident insurance, compulsory motor TPL insurance, typhoon, flood and earthquake insurance and liability insurance. And for the six months ended June 30, 2021 and 2020, the top 5 insurances in terms of proportion are voluntary motor insurance, accident insurance, compulsory motor TPL insurance, liability insurance and typhoon, flood and earthquake insurance. The voluntary motor insurance which has the highest proportion accounts for 37.7%, 37.9%, 39.8% and 39.4% for the three months and six months ended June 30, 2021 and 2020, respectively. Fubon Insurance and its subsidiaries considered that the loss experience of voluntary motor insurance is stable and retained all the reinsurance. For other insurances, Fubon Insurance and its subsidiaries evaluated the possibility of significant accumulated loss and arranged appropriate reinsurance contracts to diversify the risk and there is no risk concentration.

In addition, the insurance which is likely to result in significant accumulated loss is catastrophe insurance (for example, earthquake, typhoon and flood), and insurances that are likely to result in accumulated losses are property insurance (fire insurance and engineering insurance), marine insurance and accident insurance. To avoid the operating risk resulting from the underwriting risk concentration, Fubon Insurance and its subsidiaries have bought catastrophe reinsurance contracts in advance for abovementioned insurances to diversify the risk.

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The proportion of retained business premium is as follows:

Insurance type	For the three months ended June 30			
	2021		2020	
	Amount	%	Amount	%
Fire insurance	\$ 471,768	4.2 %	249,739	2.5 %
Marine cargo insurance	199,018	1.8 %	147,621	1.5 %
Marine hull fishing vessel	38,665	0.4 %	46,500	0.5 %
Voluntary motor insurance	4,183,015	37.7 %	3,755,755	37.9 %
Compulsory motor TPL insurance	999,585	9.0 %	999,792	10.1 %
Liability insurance	614,797	5.5 %	543,506	5.5 %
Engineering and nuclear insurance	87,960	0.8 %	128,280	1.3 %
Surety and credit insurance	28,079	0.3 %	26,138	0.3 %
Other property insurance	582,754	5.2 %	84,205	0.9 %
Accident insurance	1,411,740	12.7 %	1,359,633	13.8 %
Typhoon, flood and earthquake insurance	577,426	5.2 %	627,174	6.3 %
Personal and commercial multiple peril insurance	248,218	2.2 %	247,414	2.5 %
Health insurance	462,532	4.2 %	389,233	3.9 %
Foreign business	147,443	1.3 %	130,471	1.3 %
Overseas subsidiaries	1,057,201	9.5 %	1,152,254	11.7 %
Total	\$ 11,110,201	100.0 %	9,887,715	100.0 %

Insurance type	For the six months ended June 30			
	2021		2020	
	Amount	%	Amount	%
Fire insurance	\$ 733,774	3.4 %	557,799	2.8 %
Marine cargo insurance	429,156	2.0 %	322,506	1.6 %
Marine hull fishing vessel	68,008	0.3 %	88,393	0.4 %
Voluntary motor insurance	8,667,919	39.8 %	7,831,679	39.4 %
Compulsory motor TPL insurance	1,978,833	9.1 %	1,958,795	9.8 %
Liability insurance	1,315,714	6.0 %	1,188,368	6.0 %
Engineering and nuclear insurance	205,657	0.9 %	341,192	1.7 %
Surety and credit insurance	46,107	0.2 %	44,316	0.2 %
Other property insurance	704,970	3.2 %	188,171	0.9 %
Accident insurance	2,878,225	13.2 %	2,879,394	14.6 %
Typhoon, flood and earthquake insurance	851,758	3.9 %	826,814	4.2 %
Personal and commercial multiple peril insurance	516,883	2.4 %	504,995	2.5 %
Health insurance	818,995	3.8 %	717,448	3.6 %
Foreign business	479,886	2.2 %	327,997	1.6 %
Overseas subsidiaries	2,084,703	9.6 %	2,131,972	10.7 %
Total	\$ 21,780,588	100.0 %	19,909,839	100.0 %

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

iii) Claim development trend:

1. Sum of accumulated and reported claims

Occurrence year	June 30, 2021					
	≤2016	2017	2018	2019	2020	2021
At the end of occurrence year	-	24,287,658	25,551,137	29,353,916	30,553,007	18,087,870
The first year	-	22,537,766	23,774,598	28,068,926	28,508,615	-
The second year	-	22,460,220	23,288,246	27,672,214	-	-
The third year	-	22,299,094	23,106,696	-	-	-
The fourth year	-	22,258,324	-	-	-	-
Estimation of accumulated claims	-	22,258,324	23,106,696	27,672,214	28,508,615	18,087,870
Accumulated claims paid	-	21,888,795	22,491,712	24,876,086	20,446,347	4,624,955
Subtotal	992,857	369,529	614,984	2,796,128	8,062,268	13,462,915
Reconciliations (Note)						371,734
Consolidated write-offs						(254,946)
Total amount recognized in balance sheet						26,415,469

Occurrence year	December 31, 2020					
	≤2015	2016	2017	2018	2019	2020
At the end of occurrence year	-	31,778,264	24,323,460	25,583,206	29,389,087	30,595,561
The first year	-	29,515,981	22,565,953	23,800,116	28,096,617	-
The second year	-	29,071,459	22,487,820	23,314,193	-	-
The third year	-	28,815,561	22,326,909	-	-	-
The fourth year	-	28,739,348	-	-	-	-
Estimation of accumulated claims	-	28,739,348	22,326,909	23,314,193	28,096,617	30,595,561
Accumulated claims paid	-	28,546,101	21,811,655	22,392,190	23,692,466	13,791,599
Subtotal	859,016	193,247	515,254	922,003	4,404,151	16,803,962
Reconciliations (Note)						333,528
Consolidated write-offs						(167,501)
Total amount recognized in balance sheet						23,863,660

Occurrence year	June 30, 2020					
	≤2015	2016	2017	2018	2019	2020
At the end of occurrence year	-	31,657,349	24,228,978	25,491,099	29,293,411	14,517,465
The first year	-	29,410,324	22,489,760	23,723,648	28,975,496	-
The second year	-	28,965,676	22,406,316	23,250,782	-	-
The third year	-	28,708,562	22,296,771	-	-	-
The fourth year	-	28,620,114	-	-	-	-
Estimation of accumulated claims	-	28,620,114	22,296,771	23,250,782	28,975,496	14,517,465
Accumulated claims paid	-	28,366,811	21,575,089	21,929,003	20,994,566	4,466,195
Subtotal	967,406	253,303	721,682	1,321,779	7,980,930	10,051,270
Reconciliations (Note)						337,346
Consolidated write-offs						(153,592)
Total amount recognized in balance sheet						21,480,124

Note: Reconciliations are non-distributable paid off claims.

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2. Sum of accumulated and reported claims, net

Occurrence year	June 30, 2021					
	≤2016	2017	2018	2019	2020	2021
At the end of occurrence year	-	18,961,350	19,874,888	22,049,173	22,539,166	13,172,483
The first year	-	17,760,441	18,864,005	21,024,345	21,346,210	-
The second year	-	17,636,789	18,670,779	20,839,398	-	-
The third year	-	17,512,309	18,551,299	-	-	-
The fourth year	-	17,474,173	-	-	-	-
Estimation of accumulated claims	-	17,474,173	18,551,299	20,839,398	21,346,210	13,172,483
Accumulated claims paid	-	17,222,101	18,139,878	19,522,412	16,690,875	3,850,261
Subtotal	394,327	252,072	411,421	1,316,986	4,655,335	9,322,222
Reconciliations (Note)						373,652
Total amount recognized in balance sheet						16,726,015

Occurrence year	December 31, 2020					
	≤2015	2016	2017	2018	2019	2020
At the end of occurrence year	-	18,231,178	18,989,193	19,899,534	22,073,832	22,564,438
The first year	-	17,296,399	17,783,502	18,884,404	21,045,011	-
The second year	-	17,249,023	17,660,524	18,691,525	-	-
The third year	-	17,142,214	17,536,223	-	-	-
The fourth year	-	17,116,714	-	-	-	-
Estimation of accumulated claims	-	17,116,714	17,536,223	18,691,525	21,045,011	22,564,438
Accumulated claims paid	-	16,977,774	17,186,834	18,057,387	18,886,198	11,311,593
Subtotal	259,233	138,940	349,389	634,138	2,158,813	11,252,845
Reconciliations (Note)						348,041
Total amount recognized in balance sheet						15,141,399

Occurrence year	June 30, 2020					
	≤2015	2016	2017	2018	2019	2020
At the end of occurrence year	-	18,147,793	18,898,570	19,819,462	21,994,669	11,058,495
The first year	-	17,223,435	17,710,620	18,817,679	21,587,288	-
The second year	-	17,175,449	17,587,033	18,639,662	-	-
The third year	-	17,068,067	17,488,714	-	-	-
The fourth year	-	17,021,419	-	-	-	-
Estimation of accumulated claims	-	17,021,419	17,488,714	18,639,662	21,587,288	11,058,495
Accumulated claims paid	-	16,836,905	16,986,244	17,709,433	17,037,639	3,686,832
Subtotal	322,827	184,514	502,470	930,229	4,549,649	7,371,663
Reconciliations (Note)						353,385
Total amount recognized in balance sheet						14,214,737

Note: Reconciliations are non-distributable paid off claims, and cumulative impairment.

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

c) Credit risk, liquidity risk and market risk

i) Credit risk

The credit risk of insurance contracts comes mainly from reinsurance business. That is, the reinsurers' default or bad financial condition which leads to the inability to pay the reinsurance claims. Reinsurance contracts are arranged in accordance with the "Regulations Governing Insurance Enterprises Engaging in Operating Reinsurance and Other Risk Spreading Mechanisms". The reinsurers with whom Fubon Insurance and its subsidiaries reinsure are mostly reinsurers with better credit rating and qualify as authorized reinsurers. Relevant risk control procedures are also established to regularly keep track and monitor changes in the credit rating of reinsurers.

In compliance with article 5 of the "Regulations Governing the Provision of Unauthorized Reinsurance Reserves for Insurance Company", transactions with unauthorized reinsurers are disclosed in the notes of financial statements which include summary of unauthorized reinsurance contracts and types of reinsurance, reinsurance premium expense of unauthorized reinsurance contracts, as well as general description of the amount of unauthorized reserve and its components.

1. As of June 30, 2021, the major unqualified reinsurance counterparties are listed below:
 - a. AMERICAN INTERNATIONAL GROUP UK LTD.: The facultative reinsurance of engineering insurance.
 - b. MILLI REASURANS T.A.S. (SINGAPORE BRANCH): The treaty reinsurance of fire insurance.
 - c. ASIA CAPITAL REINSURANCE GROUP PTE LTD. (HONG KONG BRANCH): The facultative reinsurance of commercial fire insurance.
 - d. Asia Capital Reinsurance Group Pte Ltd.: The facultative reinsurance of marine insurance.
 - e. Trust International Insurance and Reinsurance CO. B.S.C. (C) TRUST RE: The treaty reinsurance of marine insurance.
 - f. BRIGHTSTAR RE LTD.: The facultative reinsurance of new types of insurance.
 - g. RiverStone Insurance (UK) Limited.: The treaty reinsurance of engineering insurance.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2. As of December 31, 2020, the major unqualified reinsurance counterparties are listed below:
 - a. Asia Capital Reinsurance Group Pte Ltd.: The facultative reinsurance of engineering insurance.
 - b. ASIA CAPITAL REINSURANCE GROUP PTE LTD. (HONG KONG BRANCH): The treaty reinsurance of fire insurance.
 - c. SPACIOM LIMITED: The facultative reinsurance of commercial fire insurance.
 - d. AMERICAN STEAMSHIP OWNERS MUTUAL PROTECTION AND INDEMNITY ASSOCIATION, INC: The facultative reinsurance of marine insurance.
 - e. MILLI REASURANS T.A.S. (SINGAPORE BRANCH) TRUST RE: The treaty reinsurance of marine insurance.
 - f. BRIGHTSTAR RE. LTD.: The facultative reinsurance of new types of insurance.
 - g. TRUST INTERNATIONAL INSURANCE AND REINSURANCE CO. B.S.C (C)TRUST RE, LABUAN: The treaty reinsurance of engineering insurance.
 - h. PAOFOONG INSURANCE COMPANY (HONG KONG) LIMITED: The facultative reinsurance of personal fire insurance.
3. As of June 30, 2020, the major unqualified reinsurance counterparties are listed below:
 - a. Asia Capital Reinsurance Group Pte Ltd.: The facultative reinsurance of engineering insurance.
 - b. ASIA CAPITAL REINSURANCE GROUP PTE LTD. (HONG KONG BRANCH): The treaty reinsurance of fire insurance.
 - c. SPACIOM LIMITED: The facultative reinsurance of commercial fire insurance.
 - d. Trust International Insurance and Reinsurance CO. B.S.C. (C) TRUST RE: The facultative reinsurance of marine insurance.
 - e. MILLI REASURANS T.A.S. (SINGAPORE BRANCH) TRUST RE: The treaty reinsurance of marine insurance contracts.
 - f. BRIGHTSTAR RE. LTD.: The facultative reinsurance of new types of insurance.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- g. TRUST INTERNATIONAL INSURANCE AND REINSURANCE CO. B.S.C (C)TRUST RE, LABUAN: The treaty reinsurance of engineering insurance.
 - h. PAOFOONG INSURANCE COMPANY (HONG KONG) LIMITED: The facultative reinsurance of personal fire insurance.
4. For the three months and six months ended June 30, 2021 and 2020, the unauthorized reinsurance expenses amounted to \$9,932 thousand, \$38,399 thousand, \$21,883 thousand and \$130,424 thousand, respectively.
 5. As of June 30, 2021, December 31 and June 30, 2020, the reserve for unauthorized reinsurance amounted to \$98,746 thousand, \$274,272 thousand and \$579,763 thousand, respectively. The components of this account include: (a) The unearned premium reserve of \$68,866 thousand, \$128,035 thousand and \$405,274 thousand, respectively. (b) The claims recoverable from reinsurers of paid claims overdue in nine months amounted to \$18,377 thousand, \$18,037 thousand and \$30,023 thousand, respectively. (c) The claims recoverable from reinsurers which were reported but unpaid amounted to \$11,503 thousand, \$128,200 thousand and \$144,466 thousand, respectively.

ii) Liquidity risk

Insurance contracts which Fubon Insurance and its subsidiaries undertake are mostly policies that expire within 1 year. The liquidity risk from insurance contracts depends on whether Fubon Insurance and its subsidiaries' assets are able to cover significant claims in time when material claims occur. That is the liquidity risk of insurance contracts is mainly capital liquidity risk. Therefore, Fubon Insurance and its subsidiaries currently regularly review the liquidity risk management indicators to ensure that cash and cash equivalents, and realizable assets are greater than the liquidity risk limit to avoid liquidity shortages.

iii) Market risk

The market risk of insurance contracts arises mainly from the reserves provided for these insurance contracts, such as fluctuation of market interest rate.

According to the "Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprise", the provisions which Fubon Insurance and its subsidiaries provided consist of the unearned premium reserve, claims reserve, special reserve, premium deficiency reserve, liability adequacy reserve and liability reserves. Unearned premium reserve of 3-year accident insurance is discounted with the interest rates set by competent authorities. Unearned premium reserve, claims reserve, special reserve, premium deficiency reserve and liability adequacy reserve of other insurance contracts are not discounted at the market rate. Therefore, changes in market interest rate do not have an impact on the estimated reserves.

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Liability reserve is the repaid liability reserves provided for long-term fire insurance. Although this type of insurance product is not for sale anymore the liability reserve is still provided for the effective but unexpired insurance policies. Provision of liability reserve is determined by future repayments and the discount rate refers to unexpired average terms and previous markets rate trends. Since the product is not for sale anymore and only few are still effective, fluctuations of market rate do not have significant impact on provision of liability reserve and income of Fubon Insurance and its subsidiaries.

(ii) Fubon Life Insurance and its subsidiaries

1) Various reserves

a) Unearned premium reserves

	June 30, 2021		
	Insurance contracts	Financial instruments with discretionary participation	Total
Individual life insurance	\$ 7,137	-	7,137
Individual injury insurance	4,494,691	-	4,494,691
Individual health insurance	2,749,529	-	2,749,529
Group insurance	1,813,912	-	1,813,912
Investment-linked insurance	104,858	-	104,858
Gross reserve	<u>9,170,127</u>	<u>-</u>	<u>9,170,127</u>
Deduction of provision for reinsurance ceded			
Individual life insurance	662,040	-	662,040
Individual injury insurance	18,593	-	18,593
Individual health insurance	35,941	-	35,941
Group insurance	124,123	-	124,123
Investment-linked insurance	11,288	-	11,288
Total ceded reserve	<u>851,985</u>	<u>-</u>	<u>851,985</u>
Net reserve	<u>\$ 8,318,142</u>	<u>-</u>	<u>8,318,142</u>

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	December 31, 2020		
	Insurance contracts	Financial instruments with discretionary participation	Total
Individual life insurance	\$ 7,094	-	7,094
Individual injury insurance	4,272,426	-	4,272,426
Individual health insurance	2,882,272	-	2,882,272
Group insurance	1,743,034	-	1,743,034
Investment-linked insurance	104,332	-	104,332
Gross reserve	<u>9,009,158</u>	<u>-</u>	<u>9,009,158</u>
Deduction of provision for reinsurance ceded			
Individual life insurance	655,049	-	655,049
Individual injury insurance	19,180	-	19,180
Individual health insurance	34,861	-	34,861
Group insurance	122,787	-	122,787
Investment-linked insurance	11,148	-	11,148
Total ceded reserve	<u>843,025</u>	<u>-</u>	<u>843,025</u>
Net reserve	<u>\$ 8,166,133</u>	<u>-</u>	<u>8,166,133</u>
	June 30, 2020		
	Insurance contracts	Financial instruments with discretionary participation	Total
Individual life insurance	\$ 10,013	-	10,013
Individual injury insurance	4,073,170	-	4,073,170
Individual health insurance	3,143,768	-	3,143,768
Group insurance	1,697,428	-	1,697,428
Investment-linked insurance	101,781	-	101,781
Gross reserve	<u>9,026,160</u>	<u>-</u>	<u>9,026,160</u>
Deduction of provision for reinsurance ceded			
Individual life insurance	651,447	-	651,447
Individual injury insurance	19,601	-	19,601
Individual health insurance	19,734	-	19,734
Group insurance	116,860	-	116,860
Investment-linked insurance	11,043	-	11,043
Total ceded reserve	<u>818,685</u>	<u>-</u>	<u>818,685</u>
Net reserve	<u>\$ 8,207,475</u>	<u>-</u>	<u>8,207,475</u>

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

b) Claim reserves

	June 30, 2021		
	Insurance contracts	Financial instruments with discretionary participation	Total
Individual life insurance			
— Reported but not paid	\$ 3,689,779	50,036	3,739,815
— Incurred but not reported	259,052	-	259,052
Individual injury insurance			
— Reported but not paid	160,418	-	160,418
— Incurred but not reported	661,436	-	661,436
Individual health insurance			
— Reported but not paid	457,496	-	457,496
— Incurred but not reported	1,112,325	-	1,112,325
Group insurance			
— Reported but not paid	84,470	-	84,470
— Incurred but not reported	490,233	-	490,233
Investment-linked insurance			
— Reported but not paid	90,071	-	90,071
— Incurred but not reported	43,537	-	43,537
Total reserve	<u>7,048,817</u>	<u>50,036</u>	<u>7,098,853</u>
Deduction of provision for reinsurance ceded			
Individual life insurance	166,151	-	166,151
Individual injury insurance	33,093	-	33,093
Individual health insurance	72,317	-	72,317
Group insurance	10,278	-	10,278
Investment-linked insurance	8,438	-	8,438
Total ceded reserve	<u>290,277</u>	<u>-</u>	<u>290,277</u>
Net reserve	<u>\$ 6,758,540</u>	<u>50,036</u>	<u>6,808,576</u>

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	December 31, 2020		
	Insurance contracts	Financial instruments with discretionary participation	Total
Individual life insurance			
— Reported but not paid	\$ 3,362,803	19,280	3,382,083
— Incurred but not reported	287,062	-	287,062
Individual injury insurance			
— Reported but not paid	196,781	-	196,781
— Incurred but not reported	712,998	-	712,998
Individual health insurance			
— Reported but not paid	526,665	-	526,665
— Incurred but not reported	1,182,517	-	1,182,517
Group insurance			
— Reported but not paid	92,716	-	92,716
— Incurred but not reported	508,772	-	508,772
Investment-linked insurance			
— Reported but not paid	66,615	-	66,615
— Incurred but not reported	46,855	-	46,855
Total reserve	<u>6,983,784</u>	<u>19,280</u>	<u>7,003,064</u>
Deduction of provision for reinsurance ceded			
Individual life insurance	175,477	-	175,477
Individual injury insurance	33,780	-	33,780
Individual health insurance	73,664	-	73,664
Group insurance	3,101	-	3,101
Investment-linked insurance	5,407	-	5,407
Total ceded reserve	<u>291,429</u>	<u>-</u>	<u>291,429</u>
Net reserve	<u>\$ 6,692,355</u>	<u>19,280</u>	<u>6,711,635</u>

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	June 30, 2020		
	Insurance contracts	Financial instruments with discretionary participation	Total
Individual life insurance			
— Reported but not paid	\$ 2,782,589	13,803	2,796,392
— Incurred but not reported	261,404	-	261,404
Individual injury insurance			
— Reported but not paid	165,581	-	165,581
— Incurred but not reported	576,942	-	576,942
Individual health insurance			
— Reported but not paid	441,803	-	441,803
— Incurred but not reported	1,006,273	-	1,006,273
Group insurance			
— Reported but not paid	86,861	-	86,861
— Incurred but not reported	438,910	-	438,910
Investment-linked insurance			
— Reported but not paid	43,301	-	43,301
— Incurred but not reported	47,868	-	47,868
Total reserve	<u>5,851,532</u>	<u>13,803</u>	<u>5,865,335</u>
Deduction of provision for reinsurance ceded			
Individual life insurance	153,965	-	153,965
Individual injury insurance	36,768	-	36,768
Individual health insurance	67,215	-	67,215
Group insurance	10,377	-	10,377
Investment-linked insurance	6,040	-	6,040
Total ceded reserve	<u>274,365</u>	<u>-</u>	<u>274,365</u>
Net reserve	<u>\$ 5,577,167</u>	<u>13,803</u>	<u>5,590,970</u>

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The movements in claims reserve were as follows:

	For the six months ended June 30, 2021		
	Insurance contracts	Financial instruments with discretionary participation	Total
Beginning balance	\$ 6,983,784	19,280	7,003,064
Current provisions	7,110,835	50,036	7,160,871
Current reclaims	(6,832,748)	(19,280)	(6,852,028)
Gain and loss on foreign exchange	(213,054)	-	(213,054)
Ending balance	<u>7,048,817</u>	<u>50,036</u>	<u>7,098,853</u>
Deduction of provision for ceded reinsurance			
Beginning balance	291,429	-	291,429
Current provisions	293,719	-	293,719
Current reclaims	(282,799)	-	(282,799)
Gain and loss on foreign exchange	(12,072)	-	(12,072)
Ending balance	<u>290,277</u>	<u>-</u>	<u>290,277</u>
Net ending balance	<u>\$ 6,758,540</u>	<u>50,036</u>	<u>6,808,576</u>
	For the six months ended June 30, 2020		
	Insurance contracts	Financial instruments with discretionary participation	Total
Beginning balance	\$ 6,116,625	4,294	6,120,919
Current provisions	5,874,579	13,803	5,888,382
Current reclaims	(5,947,202)	(4,294)	(5,951,496)
Gain and loss on foreign exchange	(192,470)	-	(192,470)
Ending balance	<u>5,851,532</u>	<u>13,803</u>	<u>5,865,335</u>
Deduction of provision for ceded reinsurance			
Beginning balance	265,714	-	265,714
Current provisions	275,858	-	275,858
Current reclaims	(255,894)	-	(255,894)
Gain and loss on foreign exchange	(11,313)	-	(11,313)
Ending balance	<u>274,365</u>	<u>-</u>	<u>274,365</u>
Net ending balance	<u>\$ 5,577,167</u>	<u>13,803</u>	<u>5,590,970</u>

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

c) Liability reserve:

	June 30, 2021		
	Insurance	Financial	
	contracts	instruments	
		with	
		discretionary	Total
		participation	
Life insurance	\$ 3,677,664,071	-	3,677,664,071
Injury insurance	904,075	-	904,075
Health insurance	340,074,170	-	340,074,170
Annuity insurance	65,509,716	146,671,084	212,180,800
Investment-linked insurance	171,091	-	171,091
Total (Note 1)	<u>4,084,323,123</u>	<u>146,671,084</u>	<u>4,230,994,207</u>
Deduction of liability reserve ceded			
Life insurance	3,434	-	3,434
Net reserve (Note 1)	<u>\$ 4,084,319,689</u>	<u>146,671,084</u>	<u>4,230,990,773</u>

Note 1: As of June 30, 2021, liability reserve amounted to \$4,231,218,608 thousand after adding the “liability reserve— payment for pending policyholders”, amounted to \$4,231,215,174 thousand after subtracting the liability reserve ceded.

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	December 31, 2020		
	Insurance contracts	Financial instruments with discretionary participation	Total
Life insurance	\$ 3,588,377,113	-	3,588,377,113
Injury insurance	989,107	-	989,107
Health insurance	330,227,927	-	330,227,927
Annuity insurance	68,909,373	136,383,812	205,293,185
Investment-linked insurance	154,730	-	154,730
Total (Note 2)	<u>3,988,658,250</u>	<u>136,383,812</u>	<u>4,125,042,062</u>
Deduction of liability reserve ceded			
Life insurance	3,396	-	3,396
Net reserve (Note 2)	<u>\$ 3,988,654,854</u>	<u>136,383,812</u>	<u>4,125,038,666</u>

Note 2: As of December 31, 2020, liability reserve amounted to \$4,125,242,200 thousand after adding the “liability reserve— payment for pending policyholders”, amounted to \$4,125,238,804 thousand after subtracting the liability reserve ceded.

	June 30, 2020		
	Insurance contracts	Financial instruments with discretionary participation	Total
Life insurance	\$ 3,484,767,210	-	3,484,767,210
Injury insurance	1,097,656	-	1,097,656
Health insurance	317,708,818	-	317,708,818
Annuity insurance	63,979,138	131,916,727	195,895,865
Investment-linked insurance	152,523	-	152,523
Total (Note 3)	<u>3,867,705,345</u>	<u>131,916,727</u>	<u>3,999,622,072</u>
Deduction of liability reserve ceded			
Life insurance	3,748	-	3,748
Net reserve (Note 3)	<u>\$ 3,867,701,597</u>	<u>131,916,727</u>	<u>3,999,618,324</u>

Note 3: As of June 30, 2020, liability reserve amounted to \$3,999,824,993 thousand after adding the “liability reserve— payment for pending policyholders”, amounted to \$3,999,821,245 thousand after subtracting the liability reserve ceded.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The movements in the liability reserve were as follows:

	For the six months ended June 30, 2021		
	Insurance contracts	Financial instruments with discretionary participation	Total
Beginning balance	\$ 3,988,658,250	136,383,812	4,125,042,062
Current provisions	416,704,182	17,625,802	434,329,984
Current reclaims	(293,962,145)	(7,189,740)	(301,151,885)
Gain and loss on foreign exchange	(27,077,164)	(148,790)	(27,225,954)
Ending balance	<u>4,084,323,123</u>	<u>146,671,084</u>	<u>4,230,994,207</u>
Deduction of liability reserve ceded			
Beginning balance	3,396	-	3,396
Current provisions	100	-	100
Gain and loss on foreign exchange	(62)	-	(62)
Ending balance	<u>3,434</u>	<u>-</u>	<u>3,434</u>
Net ending balance	<u>\$ 4,084,319,689</u>	<u>146,671,084</u>	<u>4,230,990,773</u>
	For the six months ended June 30, 2020		
	Insurance contracts	Financial instruments with discretionary participation	Total
Beginning balance	\$ 3,718,539,384	134,998,329	3,853,537,713
Current provisions	286,542,363	6,345,206	292,887,569
Current reclaims	(114,660,201)	(9,426,808)	(124,087,009)
Gain and loss on foreign exchange	(22,716,201)	-	(22,716,201)
Ending balance	<u>3,867,705,345</u>	<u>131,916,727</u>	<u>3,999,622,072</u>
Deduction of liability reserve ceded			
Beginning balance	3,380	-	3,380
Current provisions	420	-	420
Gain and loss on foreign exchange	(52)	-	(52)
Ending balance	<u>3,748</u>	<u>-</u>	<u>3,748</u>
Net ending balance	<u>\$ 3,867,701,597</u>	<u>131,916,727</u>	<u>3,999,618,324</u>

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

d) Special reserves

	June 30, 2021			
	Insurance contracts	Financial instruments with discretionary participation	Others	Total
Dividend provision for participation policies	\$ 12,583,331	-	-	12,583,331
Valuation surplus gain for investment property	-	-	652,267	652,267
Total	\$ 12,583,331	-	652,267	13,235,598

	December 31, 2020			
	Insurance contracts	Financial instruments with discretionary participation	Others	Total
Dividend provision for participation policies	\$ 11,804,113	-	-	11,804,113
Valuation surplus gain for investment property	-	-	652,267	652,267
Total	\$ 11,804,113	-	652,267	12,456,380

	June 30, 2020			
	Insurance contracts	Financial instruments with discretionary participation	Others	Total
Dividend provision for participation policies	\$ 10,379,551	-	-	10,379,551
Valuation surplus gain for investment property	-	-	652,267	652,267
Total	\$ 10,379,551	-	652,267	11,031,818

The movements in special reserves were as follows:

	For the six months ended June 30, 2021			
	Insurance contracts	Financial instruments with discretionary participation	Others	Total
Beginning balance	\$ 11,804,113	-	652,267	12,456,380
Provision for dividend provision for participating policies	802,240	-	-	802,240
Gain and loss on foreign exchange	(23,022)	-	-	(23,022)
Ending balance	\$ 12,583,331	-	652,267	13,235,598

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	For the six months ended June 30, 2020			
	Insurance contracts	Financial instruments with discretionary participation	Others	Total
Beginning balance	\$ 10,122,250	-	652,267	10,774,517
Provision for dividend provision for participating policies	275,550	-	-	275,550
Gain and loss on foreign exchange	(18,249)	-	-	(18,249)
Ending balance	\$ 10,379,551	-	652,267	11,031,818

e) Premium deficiency reserve

	June 30, 2021		
	Insurance contracts	Financial instruments with discretionary participation	Total
Individual life insurance	\$ 10,234,369	-	10,234,369
Individual health insurance	121,102	-	121,102
Total	\$ 10,355,471	-	10,355,471

	December 31, 2020		
	Insurance contracts	Financial instruments with discretionary participation	Total
Individual life insurance	\$ 12,272,305	-	12,272,305
Individual health insurance	137,610	-	137,610
Total	\$ 12,409,915	-	12,409,915

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	June 30, 2020		
	Insurance contracts	Financial instruments with discretionary participation	Total
Individual life insurance	\$ 15,486,750	-	15,486,750
Individual health insurance	169,593	-	169,593
Total	\$ 15,656,343	-	15,656,343

The movements in premium deficiency reserve were as follows:

	For the six months ended June 30, 2021		
	Insurance contracts	Financial instruments with discretionary participation	Total
Beginning balance	\$ 12,409,915	-	12,409,915
Current reversal, net	(2,024,176)	-	(2,024,176)
Gain and loss on foreign exchange	(30,268)	-	(30,268)
Ending balance	\$ 10,355,471	-	10,355,471

	For the six months ended June 30, 2020		
	Insurance contracts	Financial instruments with discretionary participation	Total
Beginning balance	\$ 16,272,680	-	16,272,680
Current reversal, net	(571,180)	-	(571,180)
Gain and loss on foreign exchange	(45,157)	-	(45,157)
Ending balance	\$ 15,656,343	-	15,656,343

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

f) Liability adequacy reserve

Based on the actuary's liability adequacy test report, the results of reserve testing were as follows:

Insurance contracts and financial instruments with discretionary participation	June 30, 2021	December 31, 2020	June 30, 2020
Liability reserve	\$ 4,192,331,036	4,086,588,292	3,963,817,678
Unearned premium reserves	9,167,404	9,006,419	9,020,341
Premium deficiency reserve	10,139,742	12,176,236	15,274,559
Special reserves	12,414,554	11,826,846	10,565,704
Claim reserves	<u>3,137,052</u>	<u>3,178,556</u>	<u>2,634,534</u>
Carrying amount of insurance liabilities	4,227,189,788	4,122,776,349	4,001,312,816
Difference between the fair value of insurance obligation acquired from business combination and insurance liability measured through accounting policy	4,427,746	4,770,388	4,575,973
Carrying amount of insurance liabilities after adjustment	<u>\$ 4,231,617,534</u>	<u>4,127,546,737</u>	<u>4,005,888,789</u>
Current estimate of future cash flows under its insurance liabilities	<u>\$ 3,357,592,174</u>	<u>3,172,796,827</u>	<u>3,063,172,903</u>
Total liability adequacy reserve	<u>\$ -</u>	<u>-</u>	<u>-</u>

The liability adequacy test method adopted by Fubon Life Insurance as of June 30, 2021, December 31 and June 30, 2020, was as the following:

Test method	Gross Premium Valuation (GPV)
Group	All insurance contracts
Significant assumption	The discount rate assumption for future years was set up based on the assets allocation and the weighted average return on investments of Fubon Life Insurance.

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The liability adequacy test has included the results of Fubon Life Insurance and Fubon Hyundai Life Insurance Co., Ltd. The provision of Fubon Life Insurance's other subsidiaries are excluded due to the fact that they only account for very little portion and it is not expected to affect the result of the sensitivity analysis.

- g) Special reserve (catastrophic risk reserve and contingency risk reserve):

June 30, 2021				
Financial instruments with discretionary participation				
	Insurance contracts	discretionary participation	Others	Total
Catastrophic risk reserve	\$ 4,190,962	-	-	4,190,962
Contingency risk reserve	2,714,766	-	-	2,714,766
Total	\$ 6,905,728	-	-	6,905,728
December 31, 2020				
Financial instruments with discretionary participation				
	Insurance contracts	discretionary participation	Others	Total
Catastrophic risk reserve	\$ 4,190,962	-	-	4,190,962
Contingency risk reserve	2,714,766	-	-	2,714,766
Total	\$ 6,905,728	-	-	6,905,728
June 30, 2020				
Financial instruments with discretionary participation				
	Insurance contracts	discretionary participation	Others	Total
Catastrophic risk reserve	\$ 3,918,059	-	-	3,918,059
Contingency risk reserve	2,725,244	-	-	2,725,244
Total	\$ 6,643,303	-	-	6,643,303

- h) Other reserves

- i) Reserve for insurance contract with nature of financial instruments

Financial instruments without discretionary participation features and the movements in the related reserve were as follows:

	June 30, 2021	December 31, 2020	June 30, 2020
Life insurance	\$ 3,379,630	3,380,989	3,602,305
Investment-linked insurance	114,494	67,668	10,040
Total	\$ 3,494,124	3,448,657	3,612,345

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	For the six months ended June 30	
	2021	2020
Beginning balance	\$ 3,448,657	3,591,736
Current premiums collected	224	453
Current claims payment	(69,004)	(41,288)
Current net provision for legal reserve	114,247	61,444
Ending balance	\$ 3,494,124	3,612,345

ii) Foreign exchange fluctuation reserve

1. Hedging strategy and risk exposure

Fubon Life Insurance and its subsidiaries' foreign exchange hedging strategy is primarily perfect hedge, together with natural hedge and currency proxy hedge. To ensure the effectiveness and appropriateness of hedging, the rationality of the hedging cost is considered and the hedging strategy and hedging proportion are vigorously adjusted. The frequency and level of foreign exchange hedge considers the foreign exchange fluctuation risk.

2. The movements in foreign exchange fluctuation reserve were as follows:

	For the six months ended June 30	
	2021	2020
Beginning balance	\$ 8,481,833	13,273,010
Current provision :		
Compulsory provision	2,479,849	2,687,314
Additional provision	2,437,258	1,344,517
Subtotal	4,917,107	4,031,831
Recovered	(6,314,203)	(5,892,211)
Ending balance	\$ 7,084,737	11,412,630

3. Effect of foreign exchange fluctuation reserve

Item	Unapplied amount	Applied amount	Effected amount
June 30, 2021			
Foreign exchange fluctuation reserve	\$ -	7,084,737	(7,084,737)
Owner's equity	580,220,779	576,158,153	4,062,626

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

<u>Item</u>	<u>Unapplied amount</u>	<u>Applied amount</u>	<u>Effectuated amount</u>			
December 31, 2020						
Foreign exchange fluctuation reserve	\$ -	8,481,833	(8,481,833)			
Owner's equity	489,716,795	484,536,492	5,180,303			
June 30, 2020						
Foreign exchange fluctuation reserve	\$ -	11,412,630	(11,412,630)			
Owner's equity	345,969,124	338,444,183	7,524,941			
For the six months ended June 30						
	2021			2020		
<u>Item</u>	<u>Unapplied amount</u>	<u>Applied amount</u>	<u>Effectuated amount</u>	<u>Unapplied amount</u>	<u>Applied amount</u>	<u>Effectuated amount</u>
Net income	\$ 64,445,550	65,563,227	(1,117,677)	21,886,785	23,375,089	(1,488,304)
Earnings per share	5.81	5.92	(0.11)	1.97	2.11	(0.14)

- i) Deferred acquisition cost and deferred handling fees
- i) Deferred acquisition cost

The additional transaction costs incurred on investment administrative work were deferred in connection with the sales of investment-linked insurance policies, classified as financial instrument without discretionary participation features. The movements in these deferred acquisition costs were as follows:

	For the six months ended June 30	
	2021	2020
Beginning balance	\$ 1,702,798	896,504
Addition	209,393	307,214
Amortization	(33,448)	(20,176)
Ending balance	<u>\$ 1,878,743</u>	<u>1,183,542</u>

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

ii) Deferred service fees

The service fees incurred on investment management service were deferred in connection with the sales of investment-linked insurance policies, which are classified as financial instrument without discretionary participation features. The movements in deferred service fees were as follows:

	For the six months ended June 30	
	2021	2020
Beginning balance	\$ 2,200,602	1,798,348
Addition	230,165	193,649
Amortization	(43,868)	(34,200)
Ending balance	<u>\$ 2,386,899</u>	<u>1,957,797</u>

j) Retained earned premiums and retained claims payment.

i) Retained earned premiums

	For the three months ended June 30, 2021		
	Insurance contracts	Financial instruments with discretionary participation	Total
Direct written premium	\$ 106,787,339	7,366,800	114,154,139
Reinsurance premium	-	-	-
Premium income	<u>106,787,339</u>	<u>7,366,800</u>	<u>114,154,139</u>
Less: Reinsurance premium expenditure	(688,052)	-	(688,052)
Net change in unearned premium reserve	(108,801)	-	(108,801)
Subtotal	<u>(796,853)</u>	<u>-</u>	<u>(796,853)</u>
Retained earned premiums	<u>\$ 105,990,486</u>	<u>7,366,800</u>	<u>113,357,286</u>

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	For the three months ended June 30, 2020		
	Insurance contracts	Financial instruments with discretionary participation	Total
Direct written premium	\$ 143,780,323	2,598,044	146,378,367
Reinsurance premium	-	-	-
Premium income	143,780,323	2,598,044	146,378,367
Less: Reinsurance premium expenditure	(668,581)	-	(668,581)
Net change in unearned premium reserve	153	-	153
Subtotal	(668,428)	-	(668,428)
Retained earned premiums	<u>\$ 143,111,895</u>	<u>2,598,044</u>	<u>145,709,939</u>
	For the six months ended June 30, 2021		
	Insurance contracts	Financial instruments with discretionary participation	Total
Direct written premium	\$ 219,702,142	16,475,708	236,177,850
Reinsurance premium	-	-	-
Premium income	219,702,142	16,475,708	236,177,850
Less: Reinsurance premium expenditure	(1,260,400)	-	(1,260,400)
Net change in unearned premium reserve	(155,902)	-	(155,902)
Subtotal	(1,416,302)	-	(1,416,302)
Retained earned premiums	<u>\$ 218,285,840</u>	<u>16,475,708</u>	<u>234,761,548</u>

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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	For the six months ended June 30, 2020		
	Insurance contracts	Financial instruments with discretionary participation	Total
Direct written premium	\$ 284,660,007	5,294,122	289,954,129
Reinsurance premium	-	-	-
Premium income	284,660,007	5,294,122	289,954,129
Less: Reinsurance premium expenditure	(1,204,915)	-	(1,204,915)
Net change in unearned premium reserve	39,173	-	39,173
Subtotal	(1,165,742)	-	(1,165,742)
Retained earned premiums	\$ 283,494,265	5,294,122	288,788,387
ii) Retained claims payment			

	For the three months ended June 30, 2021		
	Insurance contracts	Financial instruments with discretionary participation	Total
Claims payment incurred	\$ 70,011,607	3,504,323	73,515,930
Reinsurance claims payment incurred	2	-	2
Insurance claims payment	70,011,609	3,504,323	73,515,932
Less: Claims payment recovered from reinsures	(552,748)	-	(552,748)
Retained claims payment	\$ 69,458,861	3,504,323	72,963,184

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	For the three months ended June 30, 2020		
	Insurance contracts	Financial instruments with discretionary participation	Total
Claims payment incurred	\$ 82,662,345	4,506,273	87,168,618
Reinsurance claims payment incurred	22	-	22
Insurance claims payment	82,662,367	4,506,273	87,168,640
Less: Claims payment recovered from reinsures	(448,065)	-	(448,065)
Retained claims payment	\$ 82,214,302	4,506,273	86,720,575
	For the six months ended June 30, 2021		
	Insurance contracts	Financial instruments with discretionary participation	Total
Claims payment incurred	\$ 141,801,637	7,296,529	149,098,166
Reinsurance claims payment incurred	24	-	24
Insurance claims payment	141,801,661	7,296,529	149,098,190
Less: Claims payment recovered from reinsures	(1,047,439)	-	(1,047,439)
Retained claims payment	\$ 140,754,222	7,296,529	148,050,751

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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	For the six months ended June 30, 2020		
	Insurance contracts	Financial instruments with discretionary participation	Total
Claims payment incurred	\$ 153,652,708	9,619,744	163,272,452
Reinsurance claims payment incurred	42	-	42
Insurance claims payment	153,652,750	9,619,744	163,272,494
Less: Claims payment recovered from reinsures	(846,794)	-	(846,794)
Retained claims payment	\$ 152,805,956	9,619,744	162,425,700

- 2) Nature and extent of insurance contract risk
- a) Objectives, policies procedures and methods for the insurance contract risk management.
- i) The organization of risk management

Risk Management Committee, convened by independent directors and subordinated to the Board, supervises the overall risk management of Fubon Life Insurance and reports the recent progress of risk management to the Board regularly. In order to effectively review the risk management operation, specific committees are set up:

1. Assets and Liabilities Management Committee: The chairman of Fubon Life Insurance or appointed personnel serves as the chairman of the committee. As part of its oversight responsibility, the committee considers the balance between assets and liabilities, set up strategic target of assets and liabilities and supervise the execution process.
2. Operational Risk Management Committee: It is convened by the president to supervise and manage the operational risk of Fubon Life Insurance in order to ensure that management adopts appropriate risk management procedures within its authority. Furthermore, in order to assist all business units to carry out risk control and to coordinate other risk control affairs, Fubon Life Insurance's Board of Directors designates a chief risk officer to handle a risk management department which is independent of all business units. This risk management department executes or assists to execute risk control in accordance with the risk management policy, organization rules governing the Risk Management Committee and organization rules governing the risk related committee. Fubon Life Insurance has established diverse risk

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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management policy and regulation, early warning and assessment of stop-loss limit mechanism, internal tiers authorization system and criteria for risk measurement to facilitate effective risk management.

The risk management mechanism of Fubon Life Insurance's subsidiaries is handled in accordance with relevant government regulations and Fubon Life Insurance's risk management regulations. It manages and controls risks such as market, credit and liquidity and regularly measures and evaluates the overall investment position as well as issues internal control reports for managing and evaluating various risks.

ii) Risk management policy

A Risk Management Policy was announced with the consent of the Board of Directors. This policy regulates the strategy and target as well as the mechanism of risk management. The risk management strategy is in line with the regulation on overall operation target, management strategy and risk management. It aims to establish appropriate risk management system and management procedures purposely to identify, evaluate, measure, supervise, respond to and report potential risk. Through the establishment of risk management policies, clear risk management objectives, control methods and responsibilities, to ensure that the operating capital is adequate and to create shareholder profits.

Subsidiaries of Fubon Life Insurance also have established the risk management policies or procedures as the basis for risk management.

b) Insurance risk management

i) Underwriting risk management

Underwriting risk refers to the unexpected risk arising from soliciting new insurance policies, reviewing underwriting business, and relevant expenditure disbursement. In order to control underwriting risk, Fubon Life Insurance has classified it into the following types to facilitate the control process, which consists of evaluating information and resources to determine how an individual will be classified.

1. Risk of policyholder concealment
2. Risk of insurance content
3. Occupational and financial risk
4. Risk of health conditions
5. Risk of the lack of experience of the underwriter
6. Risk of retention
7. Risk of operation quality.

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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Aside from establishing “Underwriting Systems and Procedures” based on the “Regulations Governing new insurance Policy Soliciting, Underwriting and Claim Settlement of Insurance Enterprises”, a code of conduct for underwriting operation is also established to serve as a guide for underwriting risk control. Considering the experience and professional skills of the underwriters, different levels of authorization are established and the underwriting amount for each underwriter personnel is regulated to control the appropriateness of underwriting assessment and to supervise the correctness and timeliness of underwriting operation.

ii) Claim risk management

Claim risk refers to the risk arising from adopting inappropriate or negligent procedures on claims settlement procedure. In order to control claim risk, Fubon Life Insurance establishes the “Claim Settlement System and Procedures” based on the “Regulations Governing New Insurance Policy Soliciting, Underwriting and Claim Settlement of Insurance Enterprises” and builds standard operation procedure, to reduce risk arose from claim operational negligence, and to implement Financial Consumer Protection System. Furthermore, Fubon Life Insurance monitors the correctness and timeliness through the tiers authorization management and professional training of the claims personnel.

iii) Product design and pricing risk management

Product design and pricing risk refer to the risk arising from the impropriety, inconsistency or unexpected change of the data related to the product content, clauses and rates. To insure risk control at the point of the pre and after sales of insurance products, internal code of conduct and control procedure were established based on “Regulation governing the procedure before the sales of insurance product” issued by authorities for the insurance product design, inspection, sales preparation to control the risk related to each phases and procedure of product development. In terms of product design, feasibility analysis of new product is conducted and a conference is held to confirm before relevant issue submission. A pre-market meeting is also convened before product launch to ensure that the related activities are completed. In terms of product pricing, aside from certain quantitative risk control mechanism such as risk control procedure, profit test and sensitivity analysis, an assets allocation plan is also set up. Fubon Life Insurance takes into consideration of the characteristics of asset and liabilities for asset allocation and conforms to sales review meeting regularly after sales.

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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iv) Reserve risk management

Reserve-related risk refers to the risk arising from underestimating the liabilities from insufficient written premium provision to cover future obligation. In order to control the reserve-risk, the reserve-risk is categorized into the legality of reserve provision and completeness of operating procedures. To ensure the legality of reserves provision, the Regulatory Self-Inspection Compliance manual has been established and audit procedures are executed regularly to ensure that all sorts of reserves conform to what is required by law. Also “Standard Operating Procedures” manual is established. The provisions of this manual maybe updated regularly as the law changes. The operating procedures manual covers ranges from system administration, data access and report generation. Furthermore, several controls are established within the framework to ensure the accuracy of the calculation.

v) Catastrophe risk and reinsurance risk

To avoid risk concentration and catastrophe compensation, the following controls are established.

1. Catastrophe risk

Based on Fubon Life Insurance’s experience, the retention and reinsurance limits are set up and are regularly reviewed. These limits are also applicable to insurance for calamities like earthquakes, typhoons, and air-crash by using scenario analysis and take into account the inter-insurance accumulated losses derived from risk accumulation.

2. Reinsurance risk

An annual reinsurance risk management plan is established in conformity with the “Regulations Governing Insurance Enterprises Engaging in Operating Reinsurance and Other Risk Spreading Mechanisms” as part of Fubon Life Insurance’s annual reinsurance policy. This plan includes retention risk management, ceded insurance risk management, assumed insurance risk management, intra-group in conjunction with reinsurance risk management.

The credit rating of the reinsurers is monitored monthly. The credit rating is evaluated based on article 7 and 8 of “Regulations Governing Insurance Enterprises Engaging in Operating Reinsurance and Other Risk Spreading Mechanisms”. Under these regulations, reinsurers or insurance organizations with a credit rating above a certain level from an international credit rating agency (i.e. BBB- or higher by Standard & Poor’s Corporation or its equivalent credit rating from agencies endorsed by the authority) are eligible as reinsurers to whom an insurance enterprise may cede it business. Fubon Life Insurance currently adopts Standard and Poor’s A- or above as its guideline regarding newly incorporated reinsurers.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

vi) Assets and liabilities combination risk

1. To enhance the overall assets and liabilities allocation, maintain adequate liquidity, and improve capital performance with expectation of the maximum risk return on overall revenue, the management monitors compliance of Fubon Life Insurance with the relevant government regulations. In addition, through the establishment of Assets and Liabilities Management Committee, the management keeps track of the issues related to the cash flow allocation of assets and liabilities, and establishes assets and liabilities management related regulation which enable Fubon Life Insurance to sustain adequate capital to cover the potential risk from business operation.
2. Under the Company's Article of Incorporate, the Assets and Liabilities Management Committee must hold meetings at least once per quarter and the responsible department in Fubon Life Insurance and its subsidiaries performs the cash flow test using the spot interest rate and estimates the earnings at the end of each year to ensure the company's solvency. In addition, the Risk-Based Capital ratio is examined and simulated via important elements to execute sensitivity analysis which serves as the reference for capital adequacy decision. Furthermore, the change between Venture Capital and equity fund is analyzed to identify the reason for such changes and capital liquidity risk analysis is performed by using the accumulated net cash flow in a year and the accumulated net cash flow in 5 years as the benchmark for risk management.

vii) Risk management report

1. A Risk Management Committee is set up under the supervision of the Board of Directors. The independent directors acting as the conveners, and hold a meeting quarterly. According to its organization rules, the major duties of the committee are to:
 - a. Set up and modify policy and structure of risk management.
 - b. Set up and modify the quantitative and qualitative criteria for risk measurement.
 - c. Adjust risk types as environment change.
 - d. Set up risk limit allocation and the way of undertaking risk.
 - e. Submit risk management report to the Board of Directors regularly and authorize to competent departments.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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2. The committee also reviews the overall risk management. Aside from supervising the implementation of risk management policies to ensure that Fubon Life Insurance meets the strategic target, the committee reviews the effectiveness and feasibility of risk management mechanism. It also submits reports to the Board of Directors to ensure that the risk management is enforced effectively.
- c) Information of insurance risk
- i) Sensitivity of insurance risk – insurance contracts and financial instruments with discretionary feature:

For the six months ended June 30, 2021				
	Change in		Change in	Change in
	assumption		income before	stockholder's
			tax	equity
Mortality/Morbidity	Increase	10 %	(1,758,393)	(1,402,611)
Rate of return	Decrease	0.1 %	(2,383,850)	(1,901,858)
Expense (fixed expense)	Increase	5 %	(252,960)	(200,322)
Lapse and surrender rate	Increase	10 %	99,980	79,683

For the six months ended June 30, 2020				
	Change in		Change in	Change in
	assumption		income before	stockholder's
			tax	equity
Mortality/Morbidity	Increase	10 %	(1,652,324)	(1,317,901)
Rate of return	Decrease	0.1 %	(2,161,070)	(1,724,544)
Expense (fixed expense)	Increase	5 %	(242,705)	(192,291)
Lapse and surrender rate	Increase	10 %	114,047	91,206

The sensitivity analysis requires evaluating the impact to the profit before tax/ equity under the circumstance in which only one factor changes and the others remain constant.

Fubon Life Insurance uses a tax rate of 20% of pre-tax income and Fubon Hyundai Life Insurance uses a tax rate of 24.2% of pre-tax income, respectively, as well as other factors, including mortality, morbidity, rate of return, expense rate and lapse rate, in evaluating the impact on equity. The sensitivity analysis does not include the information of Vietnam Fubon Life Insurance and Fubon Life Insurance (Hong Kong). Such exclusion is due to the fact that the retention of earned premiums accounted for very little proportion of the consolidated retention of earned premiums and is not expected to affect the result of the sensitivity analysis.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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ii) Insurance risk concentration

Fubon Life Insurance and its subsidiaries sell insurances, which include life insurance, annuity insurance, accident insurance and health insurance. Since insurance contracts are mainly issued in Taiwan, the insurance risk is concentrated in Taiwan.

iii) Claim development trend

1. Development trend of claims payment incurred

Cumulative claims payments from prior years and the balance adjusted to Fubon Life Insurance and its subsidiaries' consolidated balance sheets are as follows:

June 30, 2021 (Fubon Life Insurance)

Occurrence year	Development year							Claim provision
	1	2	3	4	5	6	7	
2015	4,605,165	5,558,277	5,666,297	5,694,273	5,706,798	5,713,169	5,718,333	-
2016	5,070,166	6,224,855	6,352,169	6,382,360	6,398,819	6,402,074	-	5,438
2017	5,431,814	6,649,814	6,807,062	6,829,081	6,840,427	-	-	17,540
2018	5,723,578	7,033,233	7,151,192	7,171,914	-	-	-	33,083
2019	6,173,797	7,578,255	7,672,991	-	-	-	-	134,405
2020	6,426,045	7,648,202	-	-	-	-	-	1,026,843
2021	2,614,864	-	-	-	-	-	-	658,866
IBNR Reserve								1,876,175
Plus: RBNA Reserve (including sub-subsidiaries while excluding Fubon Hyundai Life Insurance)								1,245,826
The balance of claim reserve								3,122,001

June 30, 2021 (Fubon Hyundai Life Insurance)

Occurrence year	Development year					Claim provision
	1	2	3	4	5	
2017	1,494,947	1,849,647	1,909,455	1,932,556	1,938,623	-
2018	1,497,267	1,837,264	1,879,593	1,895,806	-	6,663
2019	1,508,001	1,849,993	1,891,399	-	-	30,265
2020	1,564,737	1,917,305	-	-	-	96,732
2021	1,534,624	-	-	-	-	539,658
IBNR Reserve						673,318
Plus: RBNA Reserve						3,286,444
The balance of claim reserve						3,959,762

December 31, 2020 (Fubon Life Insurance)

Occurrence year	Development year							Claim provision
	1	2	3	4	5	6	7	
2014	4,172,446	5,113,019	5,173,291	5,183,758	5,193,828	5,205,225	5,210,855	-
2015	4,605,165	5,558,277	5,666,297	5,694,273	5,706,798	5,713,169	-	-
2016	5,070,166	6,224,855	6,352,169	6,382,360	6,398,819	-	-	10,911
2017	5,431,814	6,649,814	6,807,062	6,829,081	-	-	-	23,369
2018	5,723,578	7,033,233	7,151,192	-	-	-	-	40,009
2019	6,173,797	7,578,255	-	-	-	-	-	222,010
2020	6,426,045	-	-	-	-	-	-	1,679,779
IBNR Reserve								1,976,078
Plus: RBNA Reserve (including sub-subsidiaries while excluding Fubon Hyundai Life Insurance)								1,186,850
The balance of claim reserve								3,162,928

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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December 31, 2020 (Fubon Hyundai Life Insurance)

Occurrence year	Development year					Claim provision
	1	2	3	4	5	
2016	1,587,573	1,914,147	1,974,261	2,003,391	2,011,606	-
2017	1,617,571	1,966,913	2,020,090	2,034,920	-	7,971
2018	1,598,140	1,981,066	2,028,861	-	-	34,875
2019	1,622,289	1,993,613	-	-	-	108,952
2020	1,585,312	-	-	-	-	593,557
IBNR Reserve						745,355
Plus: RBNA Reserve						3,078,010
The balance of claim reserve						3,823,365

June 30, 2020 (Fubon Life Insurance)

Occurrence year	Development year							Claim provision
	1	2	3	4	5	6	7	
2014	4,172,446	5,113,019	5,173,291	5,183,758	5,193,828	5,205,225	5,209,006	-
2015	4,605,165	5,558,277	5,666,297	5,694,273	5,706,798	5,710,293	-	1,547
2016	5,070,166	6,224,855	6,352,169	6,382,360	6,392,529	-	-	9,464
2017	5,431,814	6,649,814	6,807,062	6,819,073	-	-	-	21,408
2018	5,723,578	7,033,233	7,112,487	-	-	-	-	90,092
2019	6,173,797	7,333,468	-	-	-	-	-	924,283
2020	2,415,790	-	-	-	-	-	-	599,832
IBNR Reserve								1,646,626
Plus: RBNA Reserve (including sub-subsidiaries while excluding Fubon Hyundai Life Insurance)								972,456
The balance of claim reserve								2,619,082

June 30, 2020 (Fubon Hyundai Life Insurance)

Occurrence year	Development year					Claim provision
	1	2	3	4	5	
2016	1,425,386	1,783,518	1,824,453	1,849,979	1,853,863	-
2017	1,490,250	1,844,424	1,904,043	1,926,537	-	695
2018	1,492,604	1,831,566	1,871,013	-	-	33,527
2019	1,503,246	1,840,056	-	-	-	93,643
2020	1,550,183	-	-	-	-	540,411
IBNR Reserve						668,276
Plus: RBNA Reserve						2,561,482
The balance of claim reserve						3,229,758

Note 1: Amount shown above excludes investment contracts.

Note 2: As of June 30, 2021, December 31 and June 30, 2020, except for the IBNR reserve of investment-linked products that are not estimated based on claim development trend and the IBNR Reserve of sub-subsidiaries (excluding Fubon Hyundai Life Insurance), the IBNR claim reserves from direct businesses amounted to \$17,090 thousand, \$16,771 thousand and \$16,495 thousand, respectively.

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2. Development trend of retained claims payments

Cumulative claims payments from prior years are as follows:

June 30, 2021 (Fubon Life Insurance)

Occurrence year	Development year							Claim provision
	1	2	3	4	5	6	7	
2015	4,587,144	5,435,512	5,543,341	5,571,173	5,583,694	5,590,065	5,593,930	-
2016	5,068,488	6,111,210	6,238,474	6,267,558	6,284,017	6,287,272	-	5,387
2017	5,412,545	6,505,146	6,662,242	6,684,260	6,695,116	-	-	17,414
2018	5,708,571	6,880,386	6,998,334	7,018,029	-	-	-	32,894
2019	6,156,966	7,379,306	7,473,446	-	-	-	-	132,208
2020	6,423,414	7,549,797	-	-	-	-	-	1,015,684
2021	2,603,633	-	-	-	-	-	-	656,426
IBNR Reserve								1,860,013
Plus: RBNA Reserve (including sub-subsidiaries while excluding Fubon Hyundai Life Insurance)								1,189,867
The balance of claim reserve								3,049,880

June 30, 2021 (Fubon Hyundai Life Insurance)

Occurrence year	Development year					Claim provision
	1	2	3	4	5	
2017	1,075,102	1,343,139	1,385,057	1,400,950	1,404,659	-
2018	1,104,385	1,377,271	1,406,937	1,417,424	-	5,230
2019	1,155,173	1,404,739	1,433,439	-	-	23,754
2020	1,175,609	1,438,787	-	-	-	75,922
2021	1,154,845	-	-	-	-	423,559
IBNR Reserve						528,465
Plus: RBNA Reserve						3,215,200
The balance of claim reserve						3,743,665

December 31, 2020 (Fubon Life Insurance)

Occurrence year	Development year							Claim provision
	1	2	3	4	5	6	7	
2014	4,166,511	4,992,049	5,052,316	5,062,783	5,072,770	5,083,544	5,089,793	-
2015	4,587,144	5,435,512	5,543,341	5,571,173	5,583,694	5,588,945	-	-
2016	5,068,488	6,111,210	6,238,474	6,267,558	6,284,017	-	-	10,808
2017	5,412,545	6,505,146	6,662,242	6,684,260	-	-	-	23,210
2018	5,708,571	6,880,386	6,998,334	-	-	-	-	39,734
2019	6,156,966	7,379,306	-	-	-	-	-	217,968
2020	6,423,414	-	-	-	-	-	-	1,678,552
IBNR Reserve								1,970,272
Plus: RBNA Reserve (including sub-subsidiaries while excluding Fubon Hyundai Life Insurance)								1,123,415
The balance of claim reserve								3,093,687

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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December 31, 2020 (Fubon Hyundai Life Insurance)

Occurrence year	Development year					Claim provision
	1	2	3	4	5	
2016	1,121,798	1,372,305	1,421,150	1,439,091	1,442,793	-
2017	1,186,353	1,450,816	1,487,490	1,498,628	-	6,408
2018	1,214,752	1,507,156	1,537,726	-	-	28,039
2019	1,224,076	1,509,256	-	-	-	87,594
2020	1,188,178	-	-	-	-	477,201
IBNR Reserve						599,242
Plus: RBNA Reserve						3,003,990
The balance of claim reserve						3,603,232

June 30, 2020 (Fubon Life Insurance)

Occurrence year	Development year							Claim provision
	1	2	3	4	5	6	7	
2014	4,166,511	4,992,049	5,052,316	5,062,783	5,072,770	5,084,166	5,087,946	-
2015	4,587,144	5,435,512	5,543,341	5,571,173	5,583,694	5,587,189	-	1,501
2016	5,068,488	6,111,210	6,238,474	6,267,558	6,277,727	-	-	9,327
2017	5,412,545	6,505,146	6,662,242	6,674,253	-	-	-	21,136
2018	5,708,571	6,880,386	6,959,640	-	-	-	-	88,616
2019	6,156,966	7,235,848	-	-	-	-	-	911,792
2020	2,413,518	-	-	-	-	-	-	598,730
IBNR Reserve								1,631,102
Plus: RBNA Reserve (including sub-subsidiaries while excluding Fubon Hyundai Life Insurance)								916,462
The balance of claim reserve								2,547,564

June 30, 2020 (Fubon Hyundai Life Insurance)

Occurrence year	Development year					Claim provision
	1	2	3	4	5	
2016	1,007,747	1,259,548	1,286,916	1,306,873	1,308,939	-
2017	1,071,726	1,339,037	1,380,822	1,396,296	-	552
2018	1,100,956	1,373,020	1,401,385	-	-	26,591
2019	1,151,533	1,396,637	-	-	-	74,270
2020	1,163,720	-	-	-	-	428,612
IBNR Reserve						530,025
Plus: RBNA Reserve						2,498,965
The balance of claim reserve						3,028,990

Note 1: Amount shown above excludes investment contracts.

Note 2: As of June 30, 2021, December 31 and June 30, 2020 except for the IBNR reserve of investment-linked products that are not estimated based on claim development trend and the IBNR Reserve of sub-subsidiaries (excluding Fubon Hyundai Life Insurance), the IBNR reserve from retained business amounted to \$15,032 thousand, \$14,716 thousand and \$14,416 thousand, respectively.

Claim reserves are provided based on the expected claims payment and relevant handling fee of RBNA and IBNR claims. Such provisions involve vast uncertainty, estimates and judgments which are highly complicated. Any change of estimate or judgment is regarded as a change in accounting estimate and the amount of change is recognized as a current gain or loss. For some claims, notifications to Fubon Life Insurance and its subsidiaries may be delayed. In addition, estimating the potential IBNR claims involves vast past loss experience and subjective judgment; therefore, it is difficult to confirm whether the estimated claims reserve on the balance sheet date will equal to the final claim compensation amount. The estimate of claims reserve is based on the information currently available. However, the final result may deviate from the original estimate due to the subsequent development.

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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The table above demonstrates the development trend of claims (excluding those claims that need confirmation within one year). The vertical shaft represents the year in which the claim event occurred, and the horizontal shaft represents the development years. Each slash represents the accumulated compensation amount at the end of each year. The compensation amount refers to the claims whether they are finalized or not. It explains how Fubon Life Insurance and its subsidiaries estimate the compensation amount of each year as time passed. The scenario and trend which affect the provision of claims reserve may not be the same as they will be in the future. Therefore, the estimated future compensation amount cannot be determined by the claim development trend.

d) The credit risk, liquidity risk and market risk of insurance contracts

i) Credit risk

The credit risk of insurance contracts arises mainly from the inability of the reinsurers to fulfill its obligation from the reinsurance contracts which will result in financial losses. Fubon Life Insurance and its subsidiaries monitor the credit rating of its reinsurers monthly to ensure that they meet the minimum regulatory requirements. It also selects reinsurers prudently to reduce the potential loss.

ii) Liquidity risk

The liquidity risk of insurance contract arises mainly from the inability to obtain sufficient funds or turn assets into cash in order to fulfill payment of financial obligations as they are due. Aside from regularly reviewing the maturity analysis of insurance contracts, Fubon Life Insurance and its subsidiaries also review short-term and mid-term liquidity risk benchmark through the Assets and Liabilities Management Committee to lower the relevant risk by using Asset Liability Matching (ALM). The Committee also sets the response strategy in advance for potential payments in order to ensure timeliness of liquidity risk management and to avoid inadequate liquidity.

The maturity analysis of insurance contracts of Fubon Life Insurance and its subsidiaries were as below:

June 30, 2021

Units: In million

Maturity date	< 1 year	1~3 years	3~5 years	> 5 years	Unable to classify (note2)	Total
Provision	49,692	37,044	47,974	3,846,278	292,933	4,273,921
Proportion	1.2 %	0.9 %	1.1 %	90.0 %	6.8 %	100.0 %

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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December 31, 2020

Units: In million

Maturity date	< 1 year	1~3 years	3~5 years	> 5 years	Unable to classify (note2)	Total
Provision	81,419	35,138	60,344	3,704,169	287,847	4,168,917
Proportion	1.9 %	0.8 %	1.4 %	89.0 %	6.9 %	100.0 %

June 30, 2020

Units: In million

Maturity date	< 1 year	1~3 years	3~5 years	> 5 years	Unable to classify (note2)	Total
Provision	112,650	54,931	50,322	3,547,144	279,318	4,044,365
Proportion	2.8 %	1.4 %	1.2 %	87.7 %	6.9 %	100.0 %

Note1: Reserve for insurance contract with nature of financial instrument is included.

Note2: The "Unable to classify" includes interest-linked product, authorized additional provision and provision for bad debt allowance. The amounts above exclude provision for separate account, foreign exchange fluctuation reserve and appraisal increment of real estate.

iii) Market risk

Market risk refers to the risk caused by the adverse changes in market prices in terms of interest rates, foreign exchange rates, stock prices, and commodity prices. Fubon Life Insurance and its subsidiaries measure market risk from insurance contract according to discount rate assumption prescribed by the authorities. This assumption may not be consistent with changes in market interest rates. Unless the liability adequacy test disclosed the need to provide more reserve, the change in market risk factors would not have significant impact on profit or loss and equity.

Guided by Assets and Liabilities Management Committee, Fubon Life Insurance and its subsidiaries take into account the financial environment, economic indicators, liability properties and ALM, to choose appropriate investment target through risk control mechanism. Under the consent of regulatory framework and market environment, choosing and acquisition of long-term assets is monitored by the Assets and Liabilities Management Committee. This is to allow assets and liabilities to match better in terms of payment terms and profits, to pursue long-term management and to protect the rights of policyholders; as well as to reduce the potential losses arose from the impact of the market risk on insurance contract.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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(ak) Financial risk management

(i) Risk management organization structure

The Company has established a sound risk management organization framework. The Board of Directors is responsible for overseeing the Company's governance in building solid risk management system and control mechanism to ensure the effectiveness of risk management operations, approving the Company's risk management policies and regulations, and reviewing important risk management reports. The Audit Committee assists the Board of Directors in overseeing the Company's risk management and control issues. The Risk Management Committee, which is subordinate to the Chairman of the Board of Directors, reviews the Company's risk management strategy, structure, systems and policies, and oversees the Company and its subsidiaries' overall risks including credit risk, market risk, operational risk, insurance risk, liquidity risk, asset liability risk, capital adequacy, reputation risk, emerging risk and climate change, etc. Personal Data Protection Committee, which is subordinate to the Risk Management Committee, oversees the Company and its subsidiaries' protection of important personal information to strengthen the management of personal information protection.

(ii) Risk management policies

The Company has employed comprehensive risk management policies in respect of credit risk, market risk, operational risk, insurance risk, liquidity risk, asset liability risk, capital adequacy risk, reputation risk, emerging risk, climate change, etc., implemented by all units and subsidiaries across the Company and its subsidiaries to effectively identify, evaluate, response, monitor and report various risks respectively. The Company adopts three lines of defense risk management system to implement comprehensive risk management.

A full set of risk limits, loss limits and trading delegation limits, risk exposure evaluation and monitoring measurements by quantitative and qualitative methods as well as early warning systems have been all in place in line with risk attributes to proactively monitor and manage various major risks.

(iii) Credit Risk

Major subsidiaries are listed separately as follows:

1) Taipei Fubon Bank (The Bank) and its subsidiaries

a) Credit risk definitions and sources

Taipei Fubon Bank (The Bank)

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

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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Fubon Bank (China)

Credit risk faced by Fubon Bank (China) mainly comes from commercial lending (including mortgage, discounts, negotiations, credits, acceptance bills, issued letters of credit, standby letters of credit, bank guarantees, etc.), financial derivative contracts, and securities investments.

- b) Strategy, objectives, policies and procedures

Taipei Fubon Bank (The Bank)

The Bank has established solid credit risk policies and procedures. A robust credit risk strategy taking into account of 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, manage and monitor credit risks including default, counterparty and concentration risks.

Fubon Bank (China)

The credit risk management strategy of Fubon Bank (China) effectively conducts risk control through a comprehensive credit risk management (CRMS) system under the guidance of the Board's risk appetite, taking into consideration the international economic development and regional industry trends. The CRMS system covers the implementation of risk management policies on credit management regulation, credit approvals, post-loan policies, etc. Fubon Bank (China)'s risk management goal is toward credit asset protection, realization of the optimal ratio of risk and revenue by using credit risk management tools to manage expected losses effectively. The credit risk management procedures include identification, measurement, monitor and control of credit risk.

- c) Credit risk management framework

Taipei Fubon Bank (The Bank)

- i) 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 President to examine important credit risk policies and quota and to monitor the Bank's important change of credit risk information and quota compliance.
- ii) 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 the Risk Control Development Division coordinating the development of the mechanism for managing credit risk and validating risk models.
- iii) Credit risk management divisions of corporate finance and personal finance under the chief risk officer are responsible of credit investigation, examination, post disbursement management, overdue receivables and debt management.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- iv) The Bank has established an Institutional Credit Review Committee, and a Retail Credit Review Committee respectively to review credit above a certain limit to strengthen control over cases involving large credit amounts.
- v) The Audit Department, which is under the supervision of the Board of Directors, conducts the third defense line examining the effectiveness of internal control functions independently.

Fubon Bank (China)

The credit risk management of Fubon Bank (China) is based on its comprehensive risk management system. The Risk Department and Credit Approval & Administration Department are responsible for identifying, quantifying, managing, controlling and reporting credit risk.

- d) Credit risk measurement, control and reporting

Taipei Fubon Bank (The Bank)

The Bank has established credit risk measurements and control procedures including underwriting, risk rating, limit control, account maintenance, pre-settlement limit control and collection management systems, which enable the Bank to manage limit controls on country risk, single legal entity and group concentration risk and industry concentration risk effectively. Other than aforementioned control procedure, the Bank has established vigorous review and early warning mechanism to ensure the Bank to undertake proper courses of actions on credit risk management.

The Bank regularly performs the credit risk stress testing based on the guidelines issued by the FSC, and continues to develop scenario analysis and stress test approaches to provide senior management with an assessment of risk tolerance, as well as to provide the reference of credit portfolio management.

The Bank has completed risk data warehousing system, risk-weighted assets calculation system and internal risk rating system. The development and revision of score card and rating models are validated independently by Risk Research and Development Division to monitor the model performance and stability.

Fubon Bank (China)

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; the real-estate loan monitoring and other monthly monitoring include the industry concentration and the concentration of a single client / group clients and their affiliated parties.

Fubon Bank (China) regularly performs 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 the reference for risk management and decision-making.

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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.

- e) Control mechanism for credit risk hedging or risk reduction

Taipei Fubon Bank (The 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 based on stringent evaluation of obligor risk and facility risk. Furthermore, the Bank has set a centralized approval process with documented guidelines and dual authorizations. Appropriate collaterals are required based on borrowers' financials and debt service capabilities to mitigate credit risk.

Fubon Bank (China)

Fubon Bank (China) sets up the approval authority limitation based on customer risk grading and loan classification, guarantee and sub-guarantee criteria, and investment portfolio management based on the "Institutional Banking Credit Risk Management Policy". Fubon Bank (China) strengthens the risk identification according to the customer's risk grading and the criteria of business customer entry. The credit quality control is done through strict and through due diligent and approval procedure and counter sign of credit officers from both sales department and risk department. Fubon Bank (China) will require suitable collateral in order to enhance the risk mitigation due to the loan risk. In addition, there is post-loan management, which includes continual loan monitoring and taking note of any early risk-warning signals.

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

- i) Credit assets

On each reporting date, the Bank and its subsidiaries assess the change in the default risk of discounts and loans, receivables, loan commitments, as well as other credit assets during existing period to determine whether the credit risk has increased significantly since initial recognition. To make this assessment, the Bank and its subsidiaries, based on the internal credit risk management objectives, make risk segments by classifying financial assets according to the debtors' internal ratings, overdue conditions, and the region where the collateral is located, as well as considering reasonable and corroborative information that shows the credit risk has increased significantly since initial recognition (including forward-looking information). The main indicators are as follows:

1. The financial assets are overdue for more than 30 days;
2. The debtor's internal or external rating is significantly degraded;

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

3. The credit risk of any product held by the same debtor has increased significantly;
4. The existing or expected adverse changes in the operating, financial or economic conditions that are expected to result in a significant change in the borrower's ability to perform obligations;
5. Actual or expected significant changes in the borrower's operating results.

ii) Debt investments

On each reporting date, the Bank and its subsidiaries assess the change in the default risk of debt investments measured at amortized cost and debt investments measured at fair value through other comprehensive income during existing period to determine whether the credit risk has increased significantly since initial recognition. To make this assessment, the Bank and its subsidiaries consider each reasonable and corroborative information that shows the credit risk has increased significantly since initial recognition (including forward-looking information). The main indicators are as follows:

1. Significant changes in the internal and external ratings of the financial assets or the debtor;
2. The fair value of financial assets is significantly lower than its amortized cost;
3. The existing or expected adverse changes in the operating, financial or economic conditions that are expected to result in a significant change in the borrower's ability to perform obligations;
4. Actual or expected significant changes in the borrower's operating results;
5. The credit risk of other financial instruments of the same borrower has increased significantly.

If it is unable to identify whether the credit risk of financial assets has increased significantly after the initial recognition, except for those with low credit risk on the reporting date, lifetime ECLs is applied.

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

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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g) Definitions for default and credit impairment of financial assets

i) Credit assets

The Bank and its subsidiaries use the same definitions for default and credit impairment of financial assets. If one or more of the following conditions are met, The Bank and its subsidiaries determine that the financial assets are defaulted and credit-impaired:

1. Financial assets are overdue for more than 90 days;
2. Financial assets are recognized as overdue loans or bad debts;
3. The debtor or the issuer occurs financial difficulties;
4. The debt contract terms are modified due to the debtor's financial difficulties;
5. The debtor has filed for bankruptcy or is likely to file for bankruptcy;
6. The debtor has reorganized or is likely to reorganize;
7. The financial assets are originated credit-impaired.

The aforementioned definitions apply to the credit assets held by the Bank and its subsidiaries, and are consistent with the definitions used for internal credit risk management of relevant financial assets and applied to related impairment assessment models.

If a financial asset no longer meets the definitions for default and credit impairment on the reporting date, it is deemed to return to the state of compliance and is no longer considered defaulted and credit-impaired.

ii) Debt investments

If one or more of the following conditions are met, the Bank and its subsidiary determined that the financial assets are defaulted and credit-impaired:

1. Principal and interest repayment of the financial assets is not in accordance with the issuing conditions;
2. The issuer occurs financial difficulties;
3. The issuer has filed for bankruptcy or is likely to file for bankruptcy;
4. The issuer has reorganized or is likely to reorganize;
5. The financial assets are originated credit-impaired.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The aforementioned definitions apply to the debt investments held by the Bank and its subsidiary, and are consistent with the definitions used for internal credit risk management of relevant financial assets and applied to related impairment assessment models.

If a financial asset no longer meets the definitions for default and credit impairment on the reporting date, it is deemed to return to the state of compliance and is no longer considered defaulted and credit-impaired.

h) Write-off policies

If one the following events occurs, non-performing loans and overdue receivables shall be recognized as bad debts after deducting the recoverable portion.

- i) The loan cannot be recovered in full or in part because the debtor has dissolved, gone into hiding, reached a settlement, declared bankruptcy, or for other reasons.
- ii) The collateral and the property of the primary/subordinate debtor have been appraised at a very low value or become insufficient to repay the loan after the subtraction of senior mortgages; or the execution cost approaches or possibly exceeds the amount that the Bank and its subsidiaries might collect where there is no financial benefit in execution.
- iii) The primary/subordinate debtor's collateral has failed to sell at successive auctions where the price of such collateral has been successively lowered, and there is no financial benefit to be derived from the bank's taking possession of such collateral.
- iv) Non-performing loans and overdue receivables are yet to be recovered for two years after over the expired date.

Write-off financial assets held by the Bank and its subsidiaries might have recourse activities in progress and continually conduct recourse procedures in accordance with related policies.

i) Assessment of expected credit loss

i) Credit assets

For the assessment of expected credit loss, the Bank and its subsidiaries divide credit assets into different groups by the borrower's credit risk characteristics, including industry, credit risk rating, overdue status and collaterals, to correspond with different risk parameters.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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The Bank and its subsidiaries adopt the 12-months ECLs to evaluate the loss allowance of financial instruments whose credit risk do not increase significantly since initial recognition, and adopt the lifetime ECLs to evaluate the loss allowance of financial instruments whose credit risk has increased significantly since initial recognition or of that are credit-impaired.

The Bank and its subsidiaries consider both the 12-month and lifetime probability of default (“PD”) of the borrower with the loss given default (“LGD”), multiplying, the exposure at default (“EAD”), as well as the impact of time value, to calculate the 12-month ECLs and lifetime ECLs, respectively.

“PD” refers to the borrower’s probability to default and “LGD” refers to losses caused by the default . The Bank and its subsidiaries apply the “PD” and “LGD” to the credit business according to each group’s historical information (such as credit loss experience) from internal statistical data, and adjust historical data based on current observable and forward-looking macroeconomic information.

The Bank takes into account the forward-looking information, such as the industry prospect, estimated financial status, and corporate potential, for each case’s internal rating when reviewing the credit business. One of the abovementioned indicators that shows the credit risk of credit assets has increased significantly is the internal rating change. In addition, the assessment of expected credit loss is based on the credit risk group and related parameters.

Fubon Bank (China) assesses the domestic and foreign macroeconomic environment, and the related external banking environment and calculates the weighted scores as the forward-looking information for the PD calculation.

The Bank and its subsidiaries evaluate “EAD” with the carrying amount and interest receivables of financial assets. Estimations of the 12-month ECLs and lifetime ECLs of loan commitments are based on the “Guidelines for IFRS9 Impairment Assessment Methodology” issued by the Bank’s Association. The off-balance sheet exposure items adopt the standard of credit conversion factor from “Guidelines for the calculation of bank’s regulatory capital and risk weighted assets— Credit Risk Standardized Approach” . The credit conversion factor is used to calculate the portion of the loan commitments expected to be used within 12 months after the reporting date and within expected lifetime, in order to determine the amount of “EAD” for calculating expected credit losses.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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ii) Debt investments

The Bank and its subsidiaries adopt the 12-months ECLs to evaluate the loss allowance of financial instruments whose credit risk do not increase significantly since initial recognition, and adopt the lifetime ECLs to evaluate the loss allowance of financial instruments whose credit risk has increased significantly since initial recognition or of that are credit-impaired.

The Bank and its subsidiaries consider both the 12-month and lifetime probability of default (“PD”) of the issuer with the loss given default (“LGD”), multiplying, the exposure at default (“EAD”), as well as the impact of time value, to calculate the 12-month ECLs and lifetime ECLs, respectively.

Probability of default and recovery rate are calculated based on probability of default and loss given default regularly announced by external credit rating agencies. As the international credit rating agencies have considered the forward-looking information when assessing credit ratings. The Bank considers the forward-looking information to be appropriate and also observes and periodically updates the changes in parameters. “EAD” is evaluated by the carrying amount and interest receivables of financial assets. Amortized cost of each future period is calculated by lifetime exposure on straight-line basis.

j) Assessment of expected credit loss

i) Financial assets measured at fair value through other comprehensive income
— debt instruments

Total carrying value

	For the six months ended June 30, 2021					Total
	12-month ECLs	Lifetime ECLs (collective assessment)	Lifetime ECLs (individual assessment)	Lifetime ECLs (neither purchased nor originated credit-impaired financial assets)	Lifetime ECLs (purchased or originated credit-impaired financial assets)	
Beginning balance	\$ 193,872,848	-	-	-	-	193,872,848
Changes due to recognition of financial instruments at beginning:						
— Derecognition of financial assets at current period	(59,474,046)	-	-	-	-	(59,474,046)
Originated or purchased new financial assets	46,429,603	-	-	-	-	46,429,603
Effects of exchange rate changes and others	(2,072,680)	-	-	-	-	(2,072,680)
Ending balance	<u>\$ 178,755,725</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>178,755,725</u>

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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	For the six months ended June 30, 2020					Total
	12-month ECLs	Lifetime ECLs (collective assessment)	Lifetime ECLs (individual assessment)	Lifetime ECLs (neither purchased nor originated credit-impaired financial assets)	Lifetime ECLs (purchased or originated credit-impaired financial assets)	
Beginning balance	\$ 158,804,922	-	-	-	-	158,804,922
Changes due to recognition of financial instruments at beginning:						
— Derecognition of financial assets at current period	(68,776,704)	-	-	-	-	(68,776,704)
Originated or purchased new financial assets	114,884,429	-	-	-	-	114,884,429
Effects of exchange rate changes and others	(4,028,282)	-	-	-	-	(4,028,282)
Ending balance	<u>\$ 200,884,365</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>200,884,365</u>

Expected credit losses

	For the six months ended June 30, 2021							Total
	12-month ECLs	Lifetime ECLs (collective assessment)	Lifetime ECLs (individual assessment)	Lifetime ECLs (neither purchased nor originated credit-impaired financial assets)	Lifetime ECLs (purchased or originated credit-impaired financial assets)	Amount of impairment recorded in accordance with IFRS 9	Impairment difference recognized in accordance with the regulations	
Beginning balance	\$ 101,443	-	-	-	-	101,443	3,833	105,276
Changes due to recognition of financial instruments at beginning:								
— Derecognition of financial assets at current period	(18,409)	-	-	-	-	(18,409)	-	(18,409)
Originated or purchased new financial assets	72,814	-	-	-	-	72,814	-	72,814
Impairment difference recognized in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Nonaccrual Loans"	-	-	-	-	-	-	4,125	4,125
Effects of exchange rate changes and others	(14,848)	-	-	-	-	(14,848)	52	(14,796)
Ending balance	<u>\$ 141,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>141,000</u>	<u>8,010</u>	<u>149,010</u>

	For the six months ended June 30, 2020							Total
	12-month ECLs	Lifetime ECLs (collective assessment)	Lifetime ECLs (individual assessment)	Lifetime ECLs (neither purchased nor originated credit-impaired financial assets)	Lifetime ECLs (purchased or originated credit-impaired financial assets)	Amount of impairment recorded in accordance with IFRS 9	Impairment difference recognized in accordance with the regulations	
Beginning balance	\$ 46,073	-	-	-	-	46,073	8,937	55,010
Changes due to recognition of financial instruments at beginning:								
— Derecognition of financial assets at current period	(17,269)	-	-	-	-	(17,269)	-	(17,269)
Originated or purchased new financial assets	24,178	-	-	-	-	24,178	-	24,178
Impairment difference recognized in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Nonaccrual Loans"	-	-	-	-	-	-	(5,580)	(5,580)
Effects of exchange rate changes and others	(3,225)	-	-	-	-	(3,225)	(443)	(3,668)
Ending balance	<u>\$ 49,757</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>49,757</u>	<u>2,914</u>	<u>52,671</u>

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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ii) Debt investments measured at amortized cost

Total carrying value

	For the six months ended June 30, 2021					Total
	12-month ECLs	Lifetime ECLs (collective assessment)	Lifetime ECLs (individual assessment)	Lifetime ECLs (neither purchased nor originated credit-impaired financial assets)	Lifetime ECLs (purchased or originated credit-impaired financial assets)	
Beginning balance	\$ 743,476,762	-	7,185,793	-	-	750,662,555
Changes due to recognition of financial instruments at beginning:						
— Transfer to lifetime ECLs	(884,787)	-	884,787	-	-	-
— Derecognition of financial assets at current period	(300,116,793)	-	(19,365)	-	-	(300,136,158)
Originated or purchased new financial assets	361,083,761	-	-	-	-	361,083,761
Effects of exchange rate changes and others	(5,411,916)	-	(141,723)	-	-	(5,553,639)
Ending balance	<u>\$ 798,147,027</u>	<u>-</u>	<u>7,909,492</u>	<u>-</u>	<u>-</u>	<u>806,056,519</u>

	For the six months ended June 30, 2020					Total
	12-month ECLs	Lifetime ECLs (collective assessment)	Lifetime ECLs (individual assessment)	Lifetime ECLs (neither purchased nor originated credit-impaired financial assets)	Lifetime ECLs (purchased or originated credit-impaired financial assets)	
Beginning balance	\$ 618,737,524	-	5,580,648	-	-	624,318,172
Changes due to recognition of financial instruments at beginning:						
— Transfer to lifetime ECLs	(299,484)	-	299,484	-	-	-
— Derecognition of financial assets at current period	(201,463,741)	-	(150,560)	-	-	(201,614,301)
Originated or purchased new financial assets	282,551,196	-	116,186	-	-	282,667,382
Effects of exchange rate changes and others	(10,401,446)	-	(201,334)	-	-	(10,602,780)
Ending balance	<u>\$ 689,124,049</u>	<u>-</u>	<u>5,644,424</u>	<u>-</u>	<u>-</u>	<u>694,768,473</u>

Expected credit losses

	For the six months ended June 30, 2021							Total
	12-month ECLs	Lifetime ECLs (collective assessment)	Lifetime ECLs (individual assessment)	Lifetime ECLs (neither purchased nor originated credit-impaired financial assets)	Lifetime ECLs (purchased or originated credit-impaired financial assets)	Amount of impairment recorded in accordance with IFRS 9	Impairment difference recognized in accordance with the regulations	
Beginning balance	\$ 207,276	-	262,017	-	-	469,293	29	469,322
Changes due to recognition of financial instruments at beginning:								
— Transfer to 12-month ECLs	(663)	-	663	-	-	-	-	-
— Derecognition of financial assets at current period	(16,184)	-	(426)	-	-	(16,610)	-	(16,610)
Originated or purchased new financial assets	98,356	-	40	-	-	98,396	-	98,396
Impairment differences recognized in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Nonaccrual Loans"	-	-	-	-	-	-	102	102
Effects of exchange rate changes and others	(35,371)	-	37,538	-	-	2,167	(1)	2,166
Ending balance	<u>\$ 253,414</u>	<u>-</u>	<u>299,832</u>	<u>-</u>	<u>-</u>	<u>553,246</u>	<u>130</u>	<u>553,376</u>

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	For the six months ended June 30, 2020							
	12-month ECLs	Lifetime ECLs (collective assessment)	Lifetime ECLs (individual assessment)	Lifetime ECLs (neither purchased nor originated credit-impaired financial assets)	Lifetime ECLs (purchased or originated credit-impaired financial assets)	Amount of impairment recorded in accordance with IFRS 9	Impairment difference recognized in accordance with the regulations	Total
Beginning balance	\$ 184,595	-	227,161	-	-	411,756	-	411,756
Changes due to recognition of financial instruments at beginning:								
— Transfer to lifetime ECLs	(439)	-	439	-	-	-	-	-
— Derecognition of financial assets at current period	(13,230)	-	(86)	-	-	(13,316)	-	(13,316)
Originated or purchased new financial assets	47,541	-	4,739	-	-	52,280	-	52,280
Impairment differences recognized in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Nonaccrual Loans"	-	-	-	-	-	-	-	-
Effects of exchange rate changes and others	(12,487)	-	(3,623)	-	-	(16,110)	-	(16,110)
Ending balance	<u>\$ 205,980</u>	<u>-</u>	<u>228,630</u>	<u>-</u>	<u>-</u>	<u>434,610</u>	<u>-</u>	<u>434,610</u>

iii) Receivables

Total carrying value

	For the six months ended June 30, 2021					
	12-month ECLs	Lifetime ECLs (collective assessment)	Lifetime ECLs (individual assessment)	Lifetime ECLs (neither purchased nor originated credit-impaired financial assets)	Lifetime ECLs (purchased or originated credit-impaired financial assets)	Total
Beginning balance	\$ 89,079,058	1,727,879	-	485,092	-	91,292,029
Changes due to recognition of financial instruments at beginning:						
— Transfer to lifetime ECLs		(445,440)	445,724	-	(284)	-
— Transfer to credit-impaired financial assets		(62,873)	(59,143)	-	122,016	-
— Transfer to 12-month ECLs		351,845	(351,662)	-	(183)	-
— Derecognition of financial assets at current period		(60,751,726)	(1,154,951)	-	(156,819)	(62,063,496)
Originated or purchased new financial assets		48,864,963	767,408	-	24,176	49,656,547
Write-off		-	-	-	(3,606)	(3,606)
Effects of exchange rate changes and others		301,170	(617,132)	-	-	(315,962)
Ending balance	<u>\$ 77,336,997</u>	<u>758,123</u>	<u>-</u>	<u>470,392</u>	<u>-</u>	<u>78,565,512</u>

Note: Included only acceptances, accounts receivable— factoring and credit card receivables.

	For the six months ended June 30, 2020					
	12-month ECLs	Lifetime ECLs (collective assessment)	Lifetime ECLs (individual assessment)	Lifetime ECLs (neither purchased nor originated credit-impaired financial assets)	Lifetime ECLs (purchased or originated credit-impaired financial assets)	Total
Beginning balance	\$ 91,900,576	2,617,842	-	492,063	-	95,010,481
Changes due to recognition of financial instruments at beginning:						
— Transfer to lifetime ECLs		(462,238)	462,390	-	(152)	-
— Transfer to credit-impaired financial assets		(68,649)	(53,509)	-	122,158	-
— Transfer to 12-month ECLs		235,203	(235,022)	-	(181)	-
— Derecognition of financial assets at current period		(61,637,904)	(2,254,965)	-	(152,692)	(64,045,561)
Originated or purchased new financial assets		56,996,648	1,692,008	-	28,000	58,716,656
Write-off		-	-	-	(5,668)	(5,668)
Effects of exchange rate changes and others		(1,335,729)	(60,763)	-	-	(1,396,492)
Ending balance	<u>\$ 85,627,907</u>	<u>2,167,981</u>	<u>-</u>	<u>483,528</u>	<u>-</u>	<u>88,279,416</u>

Note: Included only acceptances, accounts receivable— factoring and credit card receivables.

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Expected credit losses

	For the six months ended June 30, 2021							
	12-month ECLs	Lifetime ECLs (collective assessment)	Lifetime ECLs (individual assessment)	Lifetime ECLs (neither purchased nor originated credit-impaired financial assets)	Lifetime ECLs (purchased or originated credit-impaired financial assets)	Amount of impairment recorded in accordance with IFRS 9	Impairment difference recognized in accordance with the regulations	Total
Beginning balance	\$ 287,836	70,245	703	328,918	-	687,702	151,733	839,435
Changes due to recognition of financial instruments at beginning:								
– Transfer to lifetime ECLs	(5,345)	5,613	12	(280)	-	-	-	-
– Transfer to credit-impaired financial assets	(1,027)	(8,908)	-	9,935	-	-	-	-
– Transfer to 12-month ECLs	13,634	(13,565)	-	(69)	-	-	-	-
– Derecognition of financial assets at current period	(224,746)	(34,089)	-	(7,882)	-	(266,717)	-	(266,717)
Originated or purchased new financial assets	190,258	17,358	-	518,340	-	725,956	-	725,956
Impairment difference recognized in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Nonaccrual Loans"	-	-	-	-	-	-	26,254	26,254
Write-off	-	-	-	(754,905)	-	(754,905)	-	(754,905)
Recovery from write-off	-	-	-	1,125	-	1,125	-	1,125
Effects of exchange rate changes and others	(12,396)	13,594	(117)	3,923	-	5,004	(1)	5,003
Ending balance	<u>\$ 248,214</u>	<u>50,248</u>	<u>598</u>	<u>99,105</u>	<u>-</u>	<u>398,165</u>	<u>177,986</u>	<u>576,151</u>
	For the six months ended June 30, 2020							
	12-month ECLs	Lifetime ECLs (collective assessment)	Lifetime ECLs (individual assessment)	Lifetime ECLs (neither purchased nor originated credit-impaired financial assets)	Lifetime ECLs (purchased or originated credit-impaired financial assets)	Amount of impairment recorded in accordance with IFRS 9	Impairment difference recognized in accordance with the regulations	Total
Beginning balance	\$ 342,334	94,417	1,431	140,007	-	578,189	137,733	715,922
Changes due to recognition of financial instruments at beginning:								
– Transfer to lifetime ECLs	(6,997)	7,146	6	(155)	-	-	-	-
– Transfer to credit-impaired financial assets	(1,639)	(12,674)	-	14,313	-	-	-	-
– Transfer to 12-month ECLs	16,619	(16,442)	-	(177)	-	-	-	-
– Derecognition of financial assets at current period	(228,976)	(51,015)	(1)	(10,444)	-	(290,436)	-	(290,436)
Originated or purchased new financial assets	142,506	39,953	-	13,007	-	195,466	-	195,466
Impairment difference recognized in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Nonaccrual Loans"	-	-	-	-	-	-	37,064	37,064
Write-off	-	-	-	(9,879)	-	(9,879)	-	(9,879)
Effects of exchange rate changes and others	(23,846)	12,888	262	(8,137)	-	(18,833)	-	(18,833)
Ending balance	<u>\$ 240,001</u>	<u>74,273</u>	<u>1,698</u>	<u>138,535</u>	<u>-</u>	<u>454,507</u>	<u>174,797</u>	<u>629,304</u>

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

iv) Discounts and loans

Total carrying value

	For the six months ended June 30, 2021					Total
	12-month ECLs	Lifetime ECLs (collective assessment)	Lifetime ECLs (individual assessment)	Lifetime ECLs (neither purchased nor originated credit-impaired financial assets)	Lifetime ECLs (purchased or originated credit-impaired financial assets)	
Beginning balance	\$ 1,578,849,530	69,625,192	-	8,870,676	-	1,657,345,398
Changes due to recognition of financial instruments at beginning:						
— Transfer to lifetime ECLs	(22,374,274)	22,450,017	-	(75,743)	-	-
— Transfer to credit-impaired financial assets	(903,739)	(988,069)	-	1,891,808	-	-
— Transfer to 12-month ECLs	14,619,157	(14,561,489)	-	(57,668)	-	-
— Derecognition of financial assets at current period	(552,305,517)	(25,207,560)	-	(752,328)	-	(578,265,405)
Originated or purchased new financial assets	707,119,811	17,066,953	-	597,729	-	724,784,493
Write-off	-	-	-	(607,422)	-	(607,422)
Effects of exchange rate changes and others	(1,909,564)	(629,735)	-	(54,922)	-	(2,594,221)
Ending balance	<u>\$ 1,723,095,404</u>	<u>67,755,309</u>	<u>-</u>	<u>9,812,130</u>	<u>-</u>	<u>1,800,662,843</u>
	For the six months ended June 30, 2020					
	12-month ECLs	Lifetime ECLs (collective assessment)	Lifetime ECLs (individual assessment)	Lifetime ECLs (neither purchased nor originated credit-impaired financial assets)	Lifetime ECLs (purchased or originated credit-impaired financial assets)	Total
Beginning balance	\$ 1,472,980,738	22,041,473	-	17,282,473	-	1,512,304,684
Changes due to recognition of financial instruments at beginning:						
— Transfer to lifetime ECLs	(18,953,357)	19,009,313	-	(55,956)	-	-
— Transfer to credit-impaired financial assets	(659,333)	(707,348)	-	1,366,681	-	-
— Transfer to 12-month ECLs	3,062,635	(3,049,299)	-	(13,336)	-	-
— Derecognition of financial assets at current period	(522,940,654)	(6,632,189)	-	(7,144,309)	-	(536,717,152)
Originated or purchased new financial assets	629,331,753	11,589,364	-	8,714,121	-	649,635,238
Write-off	-	-	-	(957,569)	-	(957,569)
Effects of exchange rate changes and others	4,116,321	2,872,033	-	(9,985,409)	-	(2,997,055)
Ending balance	<u>\$ 1,566,938,103</u>	<u>45,123,347</u>	<u>-</u>	<u>9,206,696</u>	<u>-</u>	<u>1,621,268,146</u>

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Expected credit losses

	For the six months ended June 30, 2021							Total
	12-month ECLs	Lifetime ECLs (collective assessment)	Lifetime ECLs (individual assessment)	Lifetime ECLs (neither purchased nor originated credit-impaired financial assets)	Lifetime ECLs (purchased or originated credit-impaired financial assets)	Amount of impairment recorded in accordance with IFRS 9	Impairment difference recognized in accordance with the regulations	
Beginning balance	\$ 5,273,695	1,650,356	-	2,157,191	-	9,081,242	12,855,922	21,937,164
Changes due to recognition of financial instruments at beginning:								
— Transfer to lifetime ECLs	(150,212)	170,092	-	(19,880)	-	-	-	-
— Transfer to credit-impaired financial assets	(10,170)	(84,717)	-	94,887	-	-	-	-
— Transfer to 12-month ECLs	213,117	(207,830)	-	(5,287)	-	-	-	-
— Derecognition of financial assets at current period	(2,545,216)	(332,675)	-	(372,822)	-	(3,250,713)	-	(3,250,713)
Originated or purchased new financial assets	2,139,004	144,271	-	214,557	-	2,497,832	-	2,497,832
Impairment difference recognized in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Nonaccrual Loans"	-	-	-	-	-	-	1,509,779	1,509,779
Write-off	-	-	-	(607,422)	-	(607,422)	-	(607,422)
Recovery from write-off	-	-	-	190,895	-	190,895	-	190,895
Effects of exchange rate changes and others	(1,052,579)	296,757	-	1,050,737	-	294,915	(192)	294,723
Ending balance	\$ 3,867,639	1,636,254	-	2,702,856	-	8,206,749	14,365,509	22,572,258
	For the six months ended June 30, 2020							
	12-month ECLs	Lifetime ECLs (collective assessment)	Lifetime ECLs (individual assessment)	Lifetime ECLs (neither purchased nor originated credit-impaired financial assets)	Lifetime ECLs (purchased or originated credit-impaired financial assets)	Amount of impairment recorded in accordance with IFRS 9	Impairment difference recognized in accordance with the regulations	Total
Beginning balance	\$ 3,979,999	603,770	-	2,953,978	-	7,537,747	12,949,298	20,487,045
Changes due to recognition of financial instruments at beginning:								
— Transfer to lifetime ECLs	(52,938)	70,440	-	(17,502)	-	-	-	-
— Transfer to credit-impaired financial assets	(19,737)	(149,011)	-	168,748	-	-	-	-
— Transfer to 12-month ECLs	62,955	(55,255)	-	(7,700)	-	-	-	-
— Derecognition of financial assets at current period	(1,933,710)	(99,866)	-	(975,182)	-	(3,008,758)	-	(3,008,758)
Originated or purchased new financial assets	2,280,233	430,621	-	174,559	-	2,885,413	-	2,885,413
Impairment difference recognized in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Nonaccrual Loans"	-	-	-	-	-	-	342,724	342,724
Write-off	-	-	-	(957,569)	-	(957,569)	-	(957,569)
Recovery from write-off	-	-	-	196,413	-	196,413	-	196,413
Effects of exchange rate changes and others	(77,980)	813,097	-	1,038,050	-	1,773,167	-	1,773,167
Ending balance	\$ 4,238,822	1,613,796	-	2,573,795	-	8,426,413	13,292,022	21,718,435

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

v) Other financial assets

Total carrying value

	For the six months ended June 30, 2021					Total
	12-month ECLs	Lifetime ECLs (collective assessment)	Lifetime ECLs (individual assessment)	Lifetime ECLs (neither purchased nor originated credit-impaired financial assets)	Lifetime ECLs (purchased or originated credit-impaired financial assets)	
Beginning balance	\$ -	-	-	78,490	-	78,490
Changes due to recognition of financial instruments at beginning:						
— Derecognition of financial assets at current period	-	-	-	(1,656)	-	(1,656)
Originated or purchased new financial assets	-	-	-	144,997	-	144,997
Write-off	-	-	-	(124,246)	-	(124,246)
Effects of exchange rate changes and others	-	-	-	(140)	-	(140)
Ending balance	\$ -	-	-	97,445	-	97,445

Note: Included only outperforming and bill purchased transferred from other than loans.

	For the six months ended June 30, 2020					Total
	12-month ECLs	Lifetime ECLs (collective assessment)	Lifetime ECLs (individual assessment)	Lifetime ECLs (neither purchased nor originated credit-impaired financial assets)	Lifetime ECLs (purchased or originated credit-impaired financial assets)	
Beginning balance	\$ 1,217	-	-	116,871	-	118,088
Changes due to recognition of financial instruments at beginning:						
— Derecognition of financial assets at current period	-	-	-	(1,505)	-	(1,505)
Originated or purchased new financial assets	1	-	-	130,110	-	130,111
Write-off	-	-	-	(130,846)	-	(130,846)
Effects of exchange rate changes and others	(1,129)	-	-	(612)	-	(1,741)
Ending balance	\$ 89	-	-	114,018	-	114,107

Note: Included only outperforming and bill purchased transferred from other than loans.

Expected credit losses

	For the six months ended June 30, 2021							Total
	12-month ECLs	Lifetime ECLs (collective assessment)	Lifetime ECLs (individual assessment)	Lifetime ECLs (neither purchased nor originated credit-impaired financial assets)	Lifetime ECLs (purchased or originated credit-impaired financial assets)	Amount of impairment recorded in accordance with IFRS 9	Impairment difference recognized in accordance with the regulations	
Beginning balance	\$ -	-	-	59,810	-	59,810	-	59,810
Changes due to recognition of financial instruments at beginning:								
— Derecognition of financial assets at current period	-	-	-	(1,610)	-	(1,610)	-	(1,610)
Originated or purchased new financial assets	-	-	-	54,510	-	54,510	-	54,510
Impairment difference recognized in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Nonaccrual Loans"	-	-	-	-	-	-	-	-
Write-off	-	-	-	(124,246)	-	(124,246)	-	(124,246)
Recovery from write-off	-	-	-	140,365	-	140,365	-	140,365
Effects of exchange rate changes and others	-	-	-	(50,552)	-	(50,552)	-	(50,552)
Ending balance	\$ -	-	-	78,277	-	78,277	-	78,277

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	For the six months ended June 30, 2020							
	12-month ECLs	Lifetime ECLs (collective assessment)	Lifetime ECLs (individual assessment)	Lifetime ECLs (neither purchased nor originated credit-impaired financial assets)	Lifetime ECLs (purchased or originated credit-impaired financial assets)	Amount of impairment recorded in accordance with IFRS 9	Impairment difference recognized in accordance with the regulations	Total
Beginning balance	\$ -	-	-	85,298	-	85,298	-	85,298
Changes due to recognition of financial instruments at beginning:								
— Derecognition of financial assets at current period	-	-	-	(1,813)	-	(1,813)	-	(1,813)
Originated or purchased new financial assets	-	-	-	42,357	-	42,357	-	42,357
Impairment difference recognized in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Nonaccrual Loans"	-	-	-	-	-	-	-	-
Write-off	-	-	-	(130,846)	-	(130,846)	-	(130,846)
Recovery from write-off	-	-	-	147,081	-	147,081	-	147,081
Effects of exchange rate changes and others	-	-	-	(58,969)	-	(58,969)	-	(58,969)
Ending balance	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>83,108</u>	<u>-</u>	<u>83,108</u>	<u>-</u>	<u>83,108</u>

vi) Provisions for guarantee liabilities, loan commitments and other— letter of credit

Expected credit losses

	For the six months ended June 30, 2021							
	12-month ECLs	Lifetime ECLs (collective assessment)	Lifetime ECLs (individual assessment)	Lifetime ECLs (neither purchased nor originated credit-impaired financial assets)	Lifetime ECLs (purchased or originated credit-impaired financial assets)	Amount of impairment recorded in accordance with IFRS 9	Impairment difference recognized in accordance with the regulations	Total
Beginning balance	\$ 273,289	63,588	-	2,830	-	339,707	147,500	487,207
Changes due to recognition of financial instruments at beginning:								
— Transfer to lifetime ECLs	(4,114)	4,232	-	(118)	-	-	-	-
— Transfer to credit-impaired financial assets	(111)	(469)	-	580	-	-	-	-
— Transfer to 12-month ECLs	11,685	(11,655)	-	(30)	-	-	-	-
— Derecognition of financial assets at current period	(83,029)	(15,479)	-	(305)	-	(98,813)	-	(98,813)
Originated or purchased new financial assets	77,036	21,621	-	810	-	99,467	-	99,467
Impairment difference recognized in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Nonaccrual Loans"	-	-	-	-	-	-	36,271	36,271
Effects of exchange rate changes and others	(50,826)	21,504	-	922	-	(28,400)	-	(28,400)
Ending balance	<u>\$ 223,930</u>	<u>83,342</u>	<u>-</u>	<u>4,689</u>	<u>-</u>	<u>311,961</u>	<u>183,771</u>	<u>495,732</u>

	For the six months ended June 30, 2020							
	12-month ECLs	Lifetime ECLs (collective assessment)	Lifetime ECLs (individual assessment)	Lifetime ECLs (neither purchased nor originated credit-impaired financial assets)	Lifetime ECLs (purchased or originated credit-impaired financial assets)	Amount of impairment recorded in accordance with IFRS 9	Impairment difference recognized in accordance with the regulations	Total
Beginning balance	\$ 154,433	21,642	-	80,193	-	256,268	200,746	457,014
Changes due to recognition of financial instruments at beginning:								
— Transfer to lifetime ECLs	(2,456)	2,466	-	(10)	-	-	-	-
— Transfer to credit-impaired financial assets	(65)	(503)	-	568	-	-	-	-
— Transfer to 12-month ECLs	9,792	(9,718)	-	(74)	-	-	-	-
— Derecognition of financial assets at current period	(48,457)	(5,446)	-	(79,498)	-	(133,401)	-	(133,401)
Originated or purchased new financial assets	87,931	12,104	-	24,204	-	124,239	-	124,239
Impairment difference recognized in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Nonaccrual Loans"	-	-	-	-	-	-	(37,404)	(37,404)
Effects of exchange rate changes and others	1,872	5,625	-	2,041	-	9,538	-	9,538
Ending balance	<u>\$ 203,050</u>	<u>26,170</u>	<u>-</u>	<u>27,424</u>	<u>-</u>	<u>256,644</u>	<u>163,342</u>	<u>419,986</u>

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

k) Maximum exposure to credit risk

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

Taipei Fubon Bank (The Bank)

Off-balance sheet items	Maximum exposure amount		
	June 30, 2021	December 31, 2020	June 30, 2020
Irrevocable loan commitments	\$ 219,450,558	205,630,105	215,042,685
Standby letters of credit	9,941,078	7,186,731	7,192,212
Financial guarantees	20,955,375	19,154,887	18,578,789
Total	\$ 250,347,011	231,971,723	240,813,686

Fubon Bank (China)

Units: In thousands of CNY

Off-balance sheet items	Maximum exposure amount		
	June 30, 2021	December 31, 2020	June 30, 2020
Irrevocable loan commitments	\$ 961,425	1,085,711	1,270,222
Standby letters of credit	28,161	148,583	292,390
Financial guarantees	464,801	690,938	683,908
Total	\$ 1,454,387	1,925,232	2,246,520

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The maximum exposures of assets and off-balance sheet items pledged as collaterals or other credit enhancements are as follows:

Taipei Fubon Bank (The Bank)

June 30, 2021					
<u>Assets</u>	<u>Financial instruments</u>	<u>Properties</u>	<u>Guarantees</u>	<u>Others</u>	
Loans	3.74 %	59.19 %	4.74 %	1.98 %	
Guarantees receivable	10.21 %	9.92 %	0.81 %	1.71 %	
Acceptances and other credits	1.32 %	0.97 %	-	%	
Financial assets measured at fair value through profit or loss—Debt instruments	-	%	-	%	6.99 %
Financial assets measured at fair value through other comprehensive income—Debt instruments	-	%	-	%	6.20 %
Debt investments measured at amortized cost	-	%	-	%	8.48 %
December 31, 2020					
<u>Assets</u>	<u>Financial instruments</u>	<u>Properties</u>	<u>Guarantees</u>	<u>Others</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 measured at fair value through profit or loss—Debt instruments	-	%	-	%	8.16 %
Financial assets measured at fair value through other comprehensive income—Debt instruments	-	%	-	%	9.71 %
Debt investments measured at amortized cost	-	%	-	%	8.52 %

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

<u>June 30, 2020</u>				
<u>Assets</u>	<u>Financial instruments</u>	<u>Properties</u>	<u>Guarantees</u>	<u>Others</u>
Loans	3.53 %	57.14 %	4.54 %	2.51 %
Guarantees receivable	9.81 %	14.51 %	1.01 %	1.71 %
Acceptances and other credits	0.24 %	0.88 %	0.01 %	-
Financial assets measured at fair value through profit or loss—Debt instruments	-	-	5.80 %	-
Financial assets measured at fair value through other comprehensive income—Debt instruments	-	-	11.97 %	-
Debt investments measured at amortized cost	-	-	9.65 %	-

Fubon Bank (China)

<u>June 30, 2021</u>				
<u>Assets</u>	<u>Financial instruments</u>	<u>Properties</u>	<u>Guarantees</u>	<u>Others</u>
Loans	7.58 %	20.99 %	3.62 %	-
Guarantees receivable	62.38 %	26.55 %	9.06 %	-
Acceptances	35.33 %	5.39 %	40.15 %	-

<u>December 31, 2020</u>				
<u>Assets</u>	<u>Financial instruments</u>	<u>Properties</u>	<u>Guarantees</u>	<u>Others</u>
Loans	9.18 %	21.30 %	2.14 %	-
Guarantees receivable	74.70 %	19.51 %	4.54 %	-
Acceptances	46.83 %	2.86 %	39.89 %	-

<u>June 30, 2020</u>				
<u>Assets</u>	<u>Financial instruments</u>	<u>Properties</u>	<u>Guarantees</u>	<u>Others</u>
Loans	9.14 %	19.71 %	0.77 %	-
Guarantees receivable	65.58 %	26.07 %	6.80 %	-
Acceptances	54.93 %	2.15 %	28.85 %	-

l) Concentrations of credit risk exposure

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

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Credit risk concentrations can arise in Taipei Fubon 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. Taipei Fubon Bank and its subsidiaries maintain a diversified portfolio, limit their exposure to any one geographic region, country or individual creditor and monitor the exposure continually in order to manage credit risk.

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

Taipei Fubon Bank (The Bank)

i) By industry

<u>Industry</u>	<u>June 30, 2021</u>		<u>December 31, 2020</u>		<u>June 30, 2020</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Private	\$ 846,906,605	53.84	790,527,801	53.93	755,413,759	52.58
Private enterprise	580,439,710	36.90	544,866,454	37.17	561,497,435	39.09
Financial organization	67,662,660	4.30	68,301,762	4.66	76,345,486	5.31
Government institution	47,532,874	3.02	33,229,923	2.27	17,162,920	1.20
Public enterprise	30,265,063	1.92	27,124,815	1.85	24,466,908	1.70
Non-profit organization	351,147	0.02	1,703,206	0.12	1,746,566	0.12
Total	<u>\$ 1,573,158,059</u>	<u>100.00</u>	<u>1,465,753,961</u>	<u>100.00</u>	<u>1,436,633,074</u>	<u>100.00</u>

ii) By geographical area

<u>Area</u>	<u>June 30, 2021</u>		<u>December 31, 2020</u>		<u>June 30, 2020</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Domestic	\$ 1,368,292,025	86.98	1,264,805,865	86.29	1,212,975,004	84.43
Asia	97,316,412	6.19	98,300,567	6.71	113,497,525	7.90
America	75,369,921	4.79	71,710,088	4.89	80,450,547	5.60
Others	32,179,701	2.04	30,937,441	2.11	29,709,998	2.07
Total	<u>\$ 1,573,158,059</u>	<u>100.00</u>	<u>1,465,753,961</u>	<u>100.00</u>	<u>1,436,633,074</u>	<u>100.00</u>

iii) By collateral

<u>Collateral</u>	<u>June 30, 2021</u>		<u>December 31, 2020</u>		<u>June 30, 2020</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Unsecured	\$ 499,558,518	31.76	461,009,822	31.45	484,680,286	33.74
Secured	1,073,599,541	68.24	1,004,744,139	68.55	951,952,788	66.26
Properties	910,208,437	57.86	845,049,686	57.65	801,744,679	55.81
Guarantees	72,893,129	4.63	74,319,149	5.07	63,667,939	4.43
Financial collaterals	59,824,617	3.80	54,266,743	3.70	51,192,779	3.56
Others	30,673,358	1.95	31,108,561	2.13	35,347,391	2.46
Total	<u>\$ 1,573,158,059</u>	<u>100.00</u>	<u>1,465,753,961</u>	<u>100.00</u>	<u>1,436,633,074</u>	<u>100.00</u>

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

iv) Credit risk rating grades

The credit risk defined by Taipei Fubon Bank is as follow:

1. Low Risk: Exposures demonstrate a good capacity to meet financial commitments, with low default risk and/or low levels of expected loss.
2. Medium Risk: Exposures require closer monitoring and demonstrate an average to fair capacity to meet financial commitments, with moderate default risk.
3. High Risk: Exposures require varying degrees of special attention and default risk is of greater concern.

June 30, 2021	Financial assets measured by 12-month ECLs				Financial assets whose credit risk has increased significantly since initial recognition				Credit-impaired financial assets	Purchased or originated credit-impaired financial assets	Loss allowance	Total
	Low risk	Medium risk	High risk	Total	Low risk	Medium risk	High risk	Total				
Financial assets measured at fair value through other comprehensive income – debt instruments	\$ 79,371,140	-	-	79,371,140	-	-	-	-	-	-	30,703	79,340,437
Debt investments measured at amortized cost	704,108,099	1,307,532	-	705,415,631	6,645,237	1,264,255	-	7,909,492	-	-	499,996	712,825,127
Receivables												
Credit card receivables	33,938,078	13,326,047	19,704	47,283,829	-	183,672	566,893	750,565	470,392	-	133,742	48,371,044
Accounts receivable -factoring	15,423,135	1,393,638	-	16,816,773	-	-	-	-	-	-	203,372	16,613,401
Acceptances	475,434	805,082	-	1,280,516	-	7,558	-	7,558	-	-	13,231	1,274,843
Loans												
Personal finance	637,112,744	113,969,085	111,298	751,193,127	-	3,346,041	1,581,029	4,927,070	2,421,073	-	9,981,158	748,560,112
Corporate banking	393,288,519	332,033,087	3,302,738	728,624,344	-	38,811,249	2,074,809	40,886,058	5,561,272	-	9,080,471	765,991,203
Other financial assets (bill purchased and nonperforming loans transferred from other than loans)	-	-	-	-	-	-	-	-	97,445	-	78,277	19,168
Off-balance sheet assets												
Financing commitments	509,215,201	54,682,050	8,669	563,905,920	-	3,386,406	666,193	4,052,599	66,229	-	226,987	567,797,761
Guarantees receivable	12,719,393	7,992,660	-	20,712,053	-	242,324	998	243,322	-	-	211,984	20,743,391
Credit receivable	4,653,995	4,990,283	-	9,644,278	-	296,800	-	296,800	-	-	5,051	9,936,027

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

December 31, 2020	Financial assets measured by 12-month ECLs				Financial assets whose credit risk has increased significantly since initial recognition				Credit-impaired financial assets	Purchased or originated credit-impaired financial assets	Loss allowance	Total
	Low risk	Medium risk	High risk	Total	Low risk	Medium risk	High risk	Total				
Financial assets measured at fair value through other comprehensive income – debt instruments	\$ 86,701,192	218,679	-	86,919,871	-	-	-	-	-	-	34,246	86,885,625
Debt investments 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 (bill purchased and nonperforming loans transferred from other than loans)	-	-	-	-	-	-	-	-	78,490	-	59,810	18,680
Off-balance sheet assets												
Financing commitments	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

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

June 30, 2020	Financial assets measured by 12-month ECLs				Financial assets whose credit risk has increased significantly since initial recognition				Credit-impaired financial assets	Purchased or originated credit-impaired financial assets	Loss allowance	Total
	Low risk	Medium risk	High risk	Total	Low risk	Medium risk	High risk	Total				
Financial assets measured at fair value through other comprehensive income – debt instruments	\$ 86,789,657	150,159	-	86,939,816	-	-	-	-	-	-	32,108	86,907,708
Debt investments measured at amortized cost	602,791,051	667,026	-	603,458,077	1,114,671	4,529,753	-	5,644,424	-	-	425,464	608,677,037
Receivables												
Credit card receivables	31,995,369	11,653,406	19,422	43,668,197	-	207,152	481,506	688,658	483,528	-	167,428	44,672,955
Accounts receivable -factoring	16,020,304	1,332,842	-	17,353,146	1,989	1,436,084	-	1,438,073	-	-	228,005	18,563,214
Acceptances	485,350	646,173	-	1,131,523	-	41,250	-	41,250	-	-	11,969	1,160,804
Loans												
Personal finance	579,798,678	87,331,275	97,553	667,227,506	-	9,540,624	1,550,021	11,090,645	2,422,089	-	8,963,633	671,776,607
Corporate banking	381,319,274	297,402,526	1,529,532	680,251,332	2,707	28,887,540	2,526,649	31,416,896	5,039,216	-	8,983,021	707,724,423
Other financial assets (bill purchased and nonperforming loans transferred from other than loans)	89	-	-	89	-	-	-	-	114,018	-	83,108	30,999
Off-balance sheet assets												
Financing commitments	473,121,882	54,581,395	11,699	527,714,976	-	1,194,932	540,930	1,735,862	174,579	-	157,663	529,467,754
Guarantees receivable	13,299,014	4,800,114	-	18,099,128	-	479,661	-	479,661	-	-	188,500	18,390,289
Credit receivable	4,294,807	2,869,637	-	7,164,444	-	5,070	-	5,070	22,698	-	25,380	7,166,832

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Fubon Bank (China)

i) By industry

Units: In thousands of CNY

Industry	June 30, 2021		December 31, 2020		June 30, 2020	
	Amount	%	Amount	%	Amount	%
Personal loans	\$ 19,299,736	31.18	11,913,221	22.61	7,972,465	14.93
Finance and insurance	14,566,939	23.54	10,202,250	19.36	12,662,587	23.72
Wholesale and retailing	7,637,454	12.34	7,710,129	14.63	8,575,924	16.06
Construction	4,599,125	7.43	4,760,100	9.03	4,424,475	8.29
Manufacturing	4,287,060	6.93	4,280,492	8.12	4,528,035	8.48
Real estate	3,677,350	5.94	3,815,850	7.24	3,913,029	7.33
Water conservation and environment	3,400,127	5.49	4,630,112	8.79	4,521,369	8.47
Others	4,427,372	7.15	5,388,789	10.22	6,794,402	12.72
Total (Note)	<u>\$ 61,895,163</u>	<u>100.00</u>	<u>52,700,943</u>	<u>100.00</u>	<u>53,392,286</u>	<u>100.00</u>

Note: Included only discounts and loans.

ii) By geographical area

Units: In thousands of CNY

Area	June 30, 2021		December 31, 2020		June 30, 2020	
	Amount	%	Amount	%	Amount	%
East China	\$ 19,313,434	31.20	19,031,222	36.11	19,901,501	37.27
Central China	5,323,266	8.60	4,683,371	8.89	5,272,398	9.88
North China	4,828,063	7.80	5,212,542	9.89	6,325,485	11.85
South west region	4,617,195	7.46	5,479,080	10.40	6,764,294	12.67
South China	4,471,894	7.23	2,692,015	5.11	3,127,176	5.86
North west region	2,711,473	4.38	2,662,664	5.05	2,869,504	5.37
Others	20,629,838	33.33	12,940,049	24.55	9,131,928	17.10
Total (Note)	<u>\$ 61,895,163</u>	<u>100.00</u>	<u>52,700,943</u>	<u>100.00</u>	<u>53,392,286</u>	<u>100.00</u>

Note: Included only discounts and loans.

iii) By collateral

Units: In thousands of CNY

Collateral	June 30, 2021		December 31, 2020		June 30, 2020	
	Amount	%	Amount	%	Amount	%
Credit loans	\$ 41,966,194	67.81	35,509,289	67.38	37,578,744	70.38
Guarantees loans	2,242,474	3.62	1,129,808	2.14	409,399	0.77
Collateral loans	17,686,495	28.57	16,061,846	30.48	15,404,143	28.85
Mortgage loans	12,993,382	20.99	11,223,112	21.30	10,524,051	19.71
Pledge loans	4,693,113	7.58	4,838,734	9.18	4,880,092	9.14
Total (Note)	<u>\$ 61,895,163</u>	<u>100.00</u>	<u>52,700,943</u>	<u>100.00</u>	<u>53,392,286</u>	<u>100.00</u>

Note: Included only discounts and loans.

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

iv) Credit risk rating grades

The credit risk defined by Fubon Bank (China) is as follow:

1. Low risk: Exposures demonstrate a good capacity to meet financial commitments, with low default risk and/or low levels of expected loss.
2. Medium risk: Exposures require closer monitoring and demonstrate an average to fair capacity to meet financial commitments, with moderate default risk.
3. High risk: Exposures require varying degrees of special attention and default risk is of greater concern.

Units: In thousands of CNY

June 30, 2021	Financial assets measured by 12-month ECLs				Financial assets whose credit risk has increased significantly since initial recognition				Credit-impaired financial assets	Purchased or originated credit-impaired financial assets	Loss allowance	Total
	Low risk	Medium risk	High risk	Total	Low risk	Medium risk	High risk	Total				
Financial assets measured at fair value through other comprehensive income – debt instruments	\$ 23,034,740	-	-	23,034,740	-	-	-	-	-	-	27,240	23,007,500
Debt investments measured at amortized cost	21,492,706	-	-	21,492,706	-	-	-	-	-	-	12,372	21,480,334
Receivables												
Acceptances	2,726,273	-	-	2,726,273	-	-	-	-	-	-	32,226	2,694,047
Accounts receivable -factoring	3,443	-	-	3,443	-	-	-	-	-	-	52	3,391
Credit card receivables	41,343	-	-	41,343	-	-	-	-	-	-	484	40,859
Loans												
Personal finance	19,072,479	-	120,781	19,193,260	36,045	-	17,054	53,099	53,377	-	212,794	19,086,942
Corporate banking	29,994,779	4,324,928	2,872,478	37,192,185	-	5,032,523	-	5,032,523	370,719	-	600,878	41,994,549
Off-balance sheet assets												
Loan commitments	1,187,956	-	-	1,187,956	-	-	-	-	-	-	7,522	1,180,434
Guarantees receivable	464,801	-	-	464,801	-	-	-	-	-	-	4,409	460,392
Credit receivable	28,161	-	-	28,161	-	-	-	-	-	-	54	28,107

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

December 31, 2020	Financial assets measured by 12-month ECLs				Financial assets whose credit risk has increased significantly since initial recognition				Credit-impaired financial assets	Purchased or originated credit-impaired financial assets	Loss allowance	Total
	Low risk	Medium risk	High risk	Total	Low risk	Medium risk	High risk	Total				
Financial assets measured at fair value through other comprehensive income – debt instruments	\$ 24,513,278	-	-	24,513,278	-	-	-	-	-	-	16,577	24,496,701
Debt investments 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 receivable -factoring	37,065	-	-	37,065	-	-	-	-	-	-	491	36,574
Credit card receivables	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
Off-balance sheet assets												
Loan commitments	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

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

June 30, 2020	Financial assets measured by 12-month ECLs				Financial assets whose credit risk has increased significantly since initial recognition				Credit-impaired financial assets	Purchased or originated credit-impaired financial assets	Loss allowance	Total
	Low risk	Medium risk	High risk	Total	Low risk	Medium risk	High risk	Total				
Financial assets measured at fair value through other comprehensive income – debt instruments	\$ 27,181,428	-	-	27,181,428	-	-	-	-	-	-	4,833	27,176,595
Debt investments measured at amortized cost	20,435,585	-	-	20,435,585	-	-	-	-	-	-	2,182	20,433,403
Receivables												
Acceptances	5,448,898	-	-	5,448,898	-	-	-	-	-	-	22,187	5,426,711
Accounts receivable -factoring	149,030	-	-	149,030	-	-	-	-	-	-	2,822	146,208
Credit card receivables	2,034	-	-	2,034	-	-	-	-	-	-	38	1,996
Loans												
Personal finance	7,901,598	-	21,004	7,922,602	7,366	-	10,979	18,345	31,518	-	113,683	7,858,782
Corporate banking	37,179,452	6,569,367	680,503	44,429,322	-	508,369	97,286	605,655	384,844	-	786,074	44,633,747
Off-balance sheet assets												
Loan commitments	1,337,008	-	-	1,337,008	-	1,220	-	1,220	-	-	8,077	1,330,151
Guarantees receivable	683,908	-	-	683,908	-	-	-	-	-	-	2,581	681,327
Credit receivable	292,390	-	-	292,390	-	-	-	-	-	-	899	291,491

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- m) The financial effects of credit risk mitigation policies
 - i) Collaterals and other credit enhancement

In order to effectively manage collaterals, The Bank and its subsidiary establish strict collateral management system and control procedures, which specify the acceptable types of collaterals, suitable quantity, correspond exposure, collect/disposal regulations, appraisal, and revaluation methods, etc. The main collaterals for financial assets are as follows:

1. Real estate
2. Personal property
3. Deposits
4. Securities
5. Rights and Guarantees

The related collateral documents shall be obtained and the information of collateral shall be described in loan contract and transaction contract before issuing and transacting.

The collateral must be legally enforceable, and its guarantee value can be realized within a reasonable time. To make an objective and fair assessment on the guarantee capacity and value of the collateral, and to ensure that the collateral has operational benefits.

The nature of collaterals and the impact of changes in market and economic on the value of object should be considered, and the value of collaterals should be reviewed appropriately.

Regular and occasional inspections or field inspections of collaterals are used to understand their use, storage, and maintenance, so as to avoid situations in which collateral may be sold, leased, pledged, relocated, or disposed.

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

ii) The amount of collaterals of impaired financial assets

The Bank and its subsidiaries actively clean up the impaired financial assets, observe its collateral closely and recognize impairment loss. The impacts of collaterals on the carrying amount of credit-impaired financial assets are as follows:

Taipei Fubon Bank (The Bank)

June 30, 2021	Financial instruments	Properties	Guarantees	Other
<u>Assets</u>				
Receivables	0.05 %	3.07 %	0.53 %	0.84 %
Loans	1.37 %	43.20 %	16.43 %	2.62 %
Other financial assets	- %	- %	18.41 %	- %
Off-balance sheet assets	- %	- %	- %	- %

December 31, 2020	Financial instruments	Properties	Guarantees	Other
<u>Assets</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	- %	- %	- %	- %

June 30, 2020	Financial instruments	Properties	Guarantees	Other
<u>Assets</u>				
Receivables	- %	2.10 %	0.18 %	1.04 %
Loans	- %	46.04 %	9.81 %	4.50 %
Other financial assets	- %	7.27 %	15.73 %	- %
Off-balance sheet assets	- %	4.22 %	- %	18.86 %

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Fubon Bank (China)

June 30, 2021	Financial instruments	Properties	Guarantees	Other
<u>Assets</u>				
Loans	4.14 %	32.27 %	2.11 %	- %
December 31, 2020				
<u>Assets</u>				
Loans	3.41 %	34.50 %	8.51 %	- %
June 30, 2020				
<u>Assets</u>				
Loans	0.16 %	60.10 %	4.26 %	- %

- iii) The outstanding contract amount of the financial assets that have been written off, and there are recourse activities on them.

As of June 30, 2021, December 31 and June 30, 2020, the outstanding contract amount of the financial assets that have been written off and still have recourse activities, amounting to \$724,221 thousand, \$1,847,671 thousand and \$1,080,578 thousand, were held by the Bank.

- iv) The nature, policy and carrying amount of the obtained collaterals (Foreclosed collaterals and residuals taken over)

Fubon Bank (China) handles foreclosed collaterals in accordance with “ The Administration of Collaterals in Banks”.

The foreclosed collaterals of Fubon Bank (China) are houses and buildings. As of June 30, 2021, December 31 and June 30, 2020, the carrying value amounted to \$51,775 thousand, \$52,357 thousand and \$50,304 thousand, respectively. Foreclosed collaterals are accounted for as other assets in the consolidated balance sheets.

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Fubon Life Insurance and its subsidiaries

Credit risk refers to the risk resulted from the deterioration of the credit status of the investment, the descending of credit rating, the credit risk event which can be attributed to the default of contracts, and the default of the issuers or counterparties for fulfilling their obligation. Fubon Life Insurance and its subsidiaries may suffer losses from these incidents.

a) Analysis of concentrations of credit risk

The following are credit risk exposure of Fubon Life Insurance and its subsidiaries' debt instruments, derivative instruments and loans distributed by industry and geographic area.

Credit risk exposure—by industry

Financial assets	June 30, 2021		December 31, 2020		June 30, 2020	
	Amount	%	Amount	%	Amount	%
Industrial enterprise	\$ 137,917,204	4.52	126,879,232	4.29	117,487,360	4.09
Public business	126,006,530	4.13	119,466,321	4.04	120,213,837	4.18
Mortgage backed securities	41,810,153	1.37	41,831,878	1.42	41,477,103	1.44
Financial sector	1,075,942,705	35.30	1,037,224,098	35.11	1,113,952,795	38.73
Consumer staples	257,721,820	8.45	244,816,762	8.29	232,616,704	8.09
Government	552,228,740	18.12	577,283,983	19.54	432,655,178	15.05
Technology	70,051,843	2.30	60,513,873	2.05	59,561,534	2.07
Raw material	71,888,966	2.36	71,492,909	2.42	70,510,137	2.45
Consumer discretionary	60,623,510	1.99	56,234,661	1.90	63,999,862	2.23
Energy	182,563,551	5.99	152,270,855	5.15	152,341,418	5.30
Asset backed securities	20,305,536	0.67	14,056,099	0.48	14,694,201	0.51
Telecommunication	210,776,400	6.91	205,415,025	6.95	204,949,117	7.13
Others	240,406,152	7.89	247,133,374	8.36	251,024,821	8.73
Subtotal	3,048,243,110	100.00	2,954,619,070	100.00	2,875,484,067	100.00
Fair value adjustment from business combinations	(124,608)	-	(104,614)	-	(212,594)	-
Total	<u>\$ 3,048,118,502</u>	<u>100.00</u>	<u>2,954,514,456</u>	<u>100.00</u>	<u>2,875,271,473</u>	<u>100.00</u>

Credit risk exposure—by geographic area

Financial assets	June 30, 2021		December 31, 2020		June 30, 2020	
	Amount	%	Amount	%	Amount	%
Taiwan	\$ 655,135,342	21.49	654,999,661	22.17	549,001,618	19.09
Asia except Taiwan	417,443,143	13.69	419,133,610	14.19	402,443,674	14.00
North America	1,235,157,900	40.52	1,139,392,552	38.56	1,175,261,246	40.87
Middle and South America	89,098,880	2.92	85,128,216	2.88	72,971,997	2.54
Europe	477,815,763	15.68	489,177,355	16.56	536,663,760	18.66
Africa/Middle East	173,592,082	5.70	166,787,676	5.64	139,141,772	4.84
Subtotal	3,048,243,110	100.00	2,954,619,070	100.00	2,875,484,067	100.00
Fair value adjustment from business combinations	(124,608)	-	(104,614)	-	(212,594)	-
Total	<u>\$ 3,048,118,502</u>	<u>100.00</u>	<u>2,954,514,456</u>	<u>100.00</u>	<u>2,875,271,473</u>	<u>100.00</u>

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

b) Credit risk quality classification definitions

In terms of credit risk quality, Fubon Life Insurance and its subsidiaries categorize the quality into three levels, which are low risk, medium risk and high risk based on the credit rating. The definition of each level is as follows:

- i) Low risk: The issuers or the counterparties are rated as robust or above to fulfill their obligation of the contracts. Even under various negative news or disadvantageous economic conditions, the companies are capable of dealing with the situations.
- ii) Medium risk: The issuers or the counterparties have lower capability of fulfilling their obligation. Negative news or disadvantageous economic conditions may weaken their financial statuses and result in the doubt of asset impairment or the loss of Fubon Life Insurance and its subsidiaries.
- iii) High risk: The possibility that the issuers or counterparties fulfill their obligation is remote and mainly relies on the business environment. Negative news or disadvantageous economic conditions will lower their ability and willingness to fulfill their obligation.

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

iv) The credit quality information is shown below:

Credit analysis of financial assets

	June 30, 2021												
	stage1				stage2				stage3				
	Low risk	Medium risk	High risk	Total	Low risk	Medium risk	High risk	Total	Credit- impaired financial assets	Purchased or originated credit-impaired financial assets	Total	Loss allowance	Total
Accounts receivable— interest receivable	\$ 27,618,957	916,018	353	28,535,328	114	141	2	257	141	1	142	34,633	28,501,094
Financial assets measured at fair value through other comprehensive income—debt instruments	568,201,646	1,976,972	-	570,178,618	54,935	4,843	-	59,778	60,961	-	60,961	(Note 1)	570,299,357
Financial assets measured at amortized cost (note 2)	2,019,652,170	56,698,819	-	2,076,350,989	-	-	-	-	-	-	-	1,278,655	2,075,072,334
Other financial assets	5,093,752	413,448	-	5,507,200	-	-	-	-	-	-	-	1,782	5,505,418
Loans (note 2)	218,464,471	53,968,574	469,686	272,902,731	329,328	811,275	1,524	1,142,127	694,284	858	695,142	2,397,653	272,342,347
Total	\$ 2,839,030,996	113,973,831	470,039	2,953,474,866	384,377	816,259	1,526	1,202,162	755,386	859	756,245	3,712,723	2,951,720,550

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	December 31, 2020												
	stage1				stage2				stage3				
	Low risk	Medium risk	High risk	Total	Low risk	Medium risk	High risk	Total	Credit-impaired financial assets	Purchased or originated credit-impaired financial assets	Total	Loss allowance	Total
Accounts receivable— interest receivable	\$ 28,139,048	1,198,609	374	29,338,031	120	165	2	287	122	1	123	34,624	29,303,817
Financial assets measured at fair value through other comprehensive income—debt instruments	650,593,869	9,270,324	-	659,864,193	145,938	7,002	-	152,940	73,271	-	73,271	(Note 1)	660,090,404
Financial assets measured at amortized cost (note 2)	1,853,717,864	65,068,129	-	1,918,785,993	-	-	-	-	-	-	-	1,044,136	1,917,741,857
Other financial assets	4,466,692	964,324	-	5,431,016	-	-	-	-	-	-	-	2,604	5,428,412
Loans (note 2)	223,276,817	57,304,262	508,151	281,089,230	274,462	1,703,053	3,410	1,980,925	762,338	877	763,215	2,549,617	281,283,753
Total	\$ 2,760,194,290	133,805,648	508,525	2,894,508,463	420,520	1,710,220	3,412	2,134,152	835,731	878	836,609	3,630,981	2,893,848,243

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	June 30, 2020												
	stage1				stage2				stage3				
	Low risk	Medium risk	High risk	Total	Low risk	Medium risk	High risk	Total	Credit- impaired financial assets	Purchased or originated credit-impaired financial assets	Total	Loss allowance	Total
Accounts receivable— interest receivable	\$ 27,823,105	1,372,910	403	29,196,418	118	3,461	10,141	13,720	304,601	-	304,601	68,394	29,446,345
Financial assets measured at fair value through other comprehensive income—debt instruments	570,271,951	17,834,427	-	588,106,378	291,627	-	-	291,627	1,811,906	-	1,811,906	(Note 1)	590,209,911
Financial assets measured at amortized cost (note 2)	1,792,517,596	66,255,549	-	1,858,773,145	-	481,763	974,599	1,456,362	2,243,607	-	2,243,607	1,280,980	1,861,192,134
Other financial assets	7,347,172	1,028,356	-	8,375,528	-	-	-	-	-	-	-	4,828	8,370,700
Loans (note2)	<u>221,694,952</u>	<u>58,183,429</u>	<u>546,425</u>	<u>280,424,806</u>	<u>245,259</u>	<u>1,717,451</u>	<u>1,858</u>	<u>1,964,568</u>	<u>726,983</u>	<u>-</u>	<u>726,983</u>	<u>2,592,199</u>	<u>280,524,158</u>
Total	<u>\$ 2,619,654,776</u>	<u>144,674,671</u>	<u>546,828</u>	<u>2,764,876,275</u>	<u>537,004</u>	<u>2,202,675</u>	<u>986,598</u>	<u>3,726,277</u>	<u>5,087,097</u>	<u>-</u>	<u>5,087,097</u>	<u>3,946,401</u>	<u>2,769,743,248</u>

Note 1: For loss allowance of financial assets measured at fair value through other comprehensive income - debt instruments, please refer to note 6 (ak) (iii) 2) h).

Note 2: As of June 30, 2021, December 31 and June 30, 2020, fair value adjustments from business combinations of financial assets measured at amortized cost and loans were \$(61,145) thousand and \$(63,463) thousand, \$(71,102) thousand \$(33,512) thousand as well as \$(140,402) thousand and \$(72,192) thousand, respectively.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- c) Determination on the credit risk that has increased significantly since initial recognition
- i) Fubon Life Insurance and its subsidiaries determine whether the credit risk of financial instruments applying the impairment requirements in IFRS 9 increased significantly since the initial recognition on each reporting date. For this assessment, Fubon Life Insurance and its subsidiaries consider the reasonable and supportable information that shows the credit risk increased significantly since initial recognition (including forward-looking information). The main considerations include: external credit rating, market price decline, credit spreads, quantitative and qualitative information.
 - ii) It may be assumed that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date.
- d) The definition of default and credit-impaired financial assets

Fubon Life Insurance and its subsidiaries' definition of default on financial assets is as follows. If one or more conditions are met, it is determined that the financial asset has defaulted. However, it is not limited to this, all obviously objective evidences as a result of the inability of the debt or its credit-linked company to be repaid are treated as a breach of contract and the impairment procedure will be proceeded.

- i) Bankruptcy:
Enter bankruptcy procedures in accordance with the "Bankruptcy Law", resolution for dissolution or takeover by the government, recognition of failure to pay loans on maturity date etc.
- ii) Failure to pay:
After the expiration of the grace period, the principal or interest could not be paid on contract.
- iii) Debt restructuring:
Due to financial difficulties, after renegotiating with Fubon Life Insurance and its subsidiaries for debt reduction, extension or re-planning. Impairment on debt instrument held by Fubon Life Insurance and its subsidiaries arise from the issuer's application for debt restructuring.
- iv) Repudiation or moratorium:
Unilaterally refuses or denies any legality or validity of debt, and refuses or defers payment.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

v) Cross default or accelerated expiry:

A credit default of a credit-linked company or related institution's other debts or similar events that caused the early repayment of debt or breach of contract.

vi) The company completely suspended its operations because of local government orders.

e) Measurement of expected credit loss

i) The methodology and assumption applied

Expected credit loss is a probability weighted estimate of credit losses for a specific period, and the period is based on whether the credit risk of the financial instruments have increased significantly since initial recognition. If the financial assets are determined to have low credit risk or no significant increase in credit risk, an amount equal to 12-month expected credit losses will be recognized. The impairment requirement is to recognize lifetime expected credit losses for all financial instruments for which there have been significant increases in credit risk since initial recognition or credit impaired. In order to measure expected credit losses, Fubon Life Insurance and its subsidiaries adopt probability of default ("PD"), and include loss given default ("LGD") and exposure at default ("EAD"), and consider the impact of the time value of money, to calculate the expected credit losses for 12-month and lifetime, respectively.

ii) Forward-looking information considerations

The default probability and loss given default, which Fubon Life Insurance and its subsidiaries used in debt instruments, are based on the information released periodically by Moody's, an international credit rating agency. The default rate includes the prediction of future macroeconomic status and implicit market data in order to adjust the default rate to forward looking PDs, the loss given default is based on the recovery rate of bonds by Moody's. The amount of exposure is measured by the amortized cost of the financial assets plus accrued interest. The default probability and loss given default used by Fubon Life Insurance and its subsidiaries for loans are internal historical information (such as credit loss experience) which is adjusted based on current observable data and forward-looking macroeconomic information (e.g. consumer price index and the unemployment rate, etc.). The amount of exposure is measured by the amortized cost (including accrued interest).

The estimation techniques or material assumptions made by Fubon Life Insurance and its subsidiaries to assess expected credit losses have no significant changes during the year.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

f) Policies to hedge or mitigate credit risk

i) Collateral

Fubon Life Insurance and its subsidiaries require full collateral from the borrowers and set up lending policies to decrease credit risk. The amount of loan is evaluated based on borrower's ability to pay back, the type of collateral and the difficulty of its liquidation to ensure collection. Besides, creditor protection, collateral terms and offsetting terms are all addressed in the credit contract in case of any occurrence of credit event, of which the amount may be deductible, loan repayment schedule may be shortened or deemed as matured, in order to mitigate credit risks.

ii) Enhancement of other credits

Fubon Life Insurance and its subsidiaries have offsetting terms within credit contracts, which clearly define that all cash payments from debtors may be offset against their liabilities upon a credit event, in order to mitigate credit risk.

For the clients whom Fubon Life Insurance and its subsidiaries consider to be incompetent to repay the loans, Fubon Life Insurance and its subsidiaries would request one or more joint guarantors to enhance the guarantee for the creditor's right.

g) The maximum credit risk exposure of Fubon Life Insurance and its subsidiaries

The maximum credit risk exposure of the assets on the consolidated balance sheet, excluding collaterals or other credit enhancement tools, is the carrying amount of the assets.

The maximum exposure of assets used as collaterals, master netting agreement and other credit enhancements is the carrying amount on the consolidated balance sheet.

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

h) Changes in the loss allowance

The reconciliations in loss allowance of loans are as follows:

	<u>12-month ECLs</u>	<u>Lifetime ECLs (collectively assessed)</u>	<u>Lifetime ECLs (individually assessed)</u>	<u>Lifetime ECLs (neither purchased nor originated credit-impaired financial assets)</u>	<u>Lifetime ECLs (purchased or originated credit-impaired financial assets)</u>	<u>The loss allowances measured in accordance with IFRS 9</u>	<u>Impairment difference recognized in accordance with "Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts by Insurance Enterprises"</u>	<u>Total</u>
Balance as of January 1, 2021	\$ 25,920	32,306	320	60,004	64	118,614	2,430,929	2,549,543
Changes due to financial instruments recognized as at beginning:								
— Transfer to lifetime ECLs	(346)	1,251	7	(912)	-	-	-	-
— Transfer to credit-impaired financial assets	(50)	(1,003)	-	1,053	-	-	-	-
— Transfer to 12-month ECLs	1,775	(1,329)	(76)	(370)	-	-	-	-
— Derecognition of financial assets at current period	(4,404)	(12,411)	(12)	(4,572)	(1)	(21,400)	-	(21,400)
Originated or purchased new financial assets	8,005	575	-	-	-	8,580	-	8,580
Impairment difference recognized in accordance with "Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts by Insurance Enterprises"	-	-	-	-	-	-	(167,735)	(167,735)
Write-off	-	-	-	(4,850)	-	(4,850)	-	(4,850)
Changes in models/risk parameters	4,271	3,596	902	30,563	(29)	39,303	-	39,303
Effects of exchange rate changes and others	(1,418)	(1,607)	-	(2,837)	-	(5,862)	-	(5,862)
Balance as of June 30, 2021	<u>\$ 33,753</u>	<u>21,378</u>	<u>1,141</u>	<u>78,079</u>	<u>34</u>	<u>134,385</u>	<u>2,263,194</u>	<u>2,397,579</u>

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>12-month ECLs</u>	<u>Lifetime ECLs (collectively assessed)</u>	<u>Lifetime ECLs (individually assessed)</u>	<u>Lifetime ECLs (neither purchased nor originated credit-impaired financial assets)</u>	<u>Lifetime ECLs (purchased or originated credit-impaired financial assets)</u>	<u>The loss allowances measured in accordance with IFRS 9</u>	<u>Impairment difference recognized in accordance with "Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts by Insurance Enterprises"</u>	<u>Total</u>
Balance as of January 1, 2020	\$ 19,438	34,551	196	53,635	-	107,820	2,412,601	2,520,421
Changes due to financial instruments recognized as at beginning:								
— Transfer to lifetime ECLs	(270)	536	139	(405)	-	-	-	-
— Transfer to credit-impaired financial assets	(2)	(1,248)	-	1,250	-	-	-	-
— Transfer to 12-month ECLs	3,508	(2,330)	(38)	(1,140)	-	-	-	-
— Derecognition of financial assets at current period	(2,422)	(4,004)	(14)	(12,668)	-	(19,108)	-	(19,108)
Originated or purchased new financial assets	2,900	242	-	-	66	3,208	-	3,208
Impairment difference recognized in accordance with "Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts by Insurance Enterprises"	-	-	-	-	-	-	92,077	92,077
Changes in models/risk parameters	(5,110)	(674)	38	6,261	-	515	-	515
Effects of exchange rate changes and others	(951)	(1,930)	-	(2,107)	-	(4,988)	-	(4,988)
Balance as of June 30, 2020	<u>\$ 17,091</u>	<u>25,143</u>	<u>321</u>	<u>44,826</u>	<u>66</u>	<u>87,447</u>	<u>2,504,678</u>	<u>2,592,125</u>

Note: As of June 30, 2021 and 2020, the loss allowance of loans from investment-linked insurance policies amounted to \$74 thousand were not included in abovementioned reconciliations

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The reconciliations in loss allowance of financial assets measured at fair value through other comprehensive income are as follows:

	12-month ECLs	Lifetime ECLs (collectively assessed)	Lifetime ECLs (individually assessed)	Lifetime ECLs (neither purchased nor originated credit- impaired financial assets)	Lifetime ECLs (purchased or originated credit- impaired financial assets)	The loss allowances measured in accordance with IFRS 9
Balance as of January 1, 2021	\$ 267,627	16,356	-	208,823	-	492,806
Changes due to financial instruments recognized as at beginning:						
– Transfer to lifetime ECLs	(922)	922	-	-	-	-
– Transfer to credit-impaired financial assets	(459)	(3,452)	-	3,911	-	-
– Transfer to 12-month ECLs	2,239	(762)	-	(1,477)	-	-
– Derecognition of financial assets at current period	(124,719)	(8,571)	-	(37,481)	-	(170,771)
Originated or purchased new financial assets	50,222	-	-	-	-	50,222
Write-off	(17)	(27)	-	(3,394)	-	(3,438)
Changes in models/risk parameters	(15,172)	928	-	8,545	-	(5,699)
Effects of exchange rate changes and others	(1,110)	(6)	-	(75)	-	(1,191)
Balance as of June 30, 2021	<u>\$ 177,689</u>	<u>5,388</u>	<u>-</u>	<u>178,852</u>	<u>-</u>	<u>361,929</u>

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	12-month ECLs	Lifetime ECLs (collectively assessed)	Lifetime ECLs (individually assessed)	Lifetime ECLs (neither purchased nor originated credit- impaired financial assets)	Lifetime ECLs (purchased or originated credit- impaired financial assets)	The loss allowances measured in accordance with IFRS 9
Balance as of January 1, 2020	\$ 251,308	54,088	-	261,114	-	566,510
Changes due to financial instruments recognized as at beginning:						
– Transfer to lifetime ECLs	(4,044)	4,044	-	-	-	-
– Transfer to credit-impaired financial assets	(969)	(7,591)	-	8,560	-	-
– Transfer to 12-month ECLs	3,305	(3,305)	-	-	-	-
– Derecognition of financial assets at current period	(58,181)	(21,286)	-	(16,270)	-	(95,737)
Originated or purchased new financial assets	122,367	-	-	52	-	122,419
Recovery	-	-	-	(1,113)	-	(1,113)
Changes in models/risk parameters	13,732	5,584	-	(55,603)	-	(36,287)
Effects of exchange rate changes and others	(8,280)	(3,584)	-	(9,136)	-	(21,000)
Balance as of June 30, 2020	<u>\$ 319,238</u>	<u>27,950</u>	<u>-</u>	<u>187,604</u>	<u>-</u>	<u>534,792</u>

Note: The reconciliation is conducted according to the overall changes of Fubon Life Insurance and its subsidiaries during a reporting period, so the loss allowance balance of the subsidiary when it was acquired by Fubon Life Insurance is included.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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The reconciliations in loss allowance of financial assets measured at amortized cost are as follows:

	12-month ECLs	Lifetime ECLs (collectively assessed)	Lifetime ECLs (individually assessed)	Lifetime ECLs (neither purchased nor originated credit- impaired financial assets)	Lifetime ECLs (purchased or originated credit- impaired financial assets)	The loss allowances measured in accordance with IFRS 9
Balance as of January 1, 2021	\$ 1,044,136	-	-	-	-	1,044,136
Changes due to financial instruments recognized as at beginning:						
— Derecognition of financial assets at current period	(114,328)	-	-	-	-	(114,328)
Originated or purchased new financial assets	151,485	-	-	-	-	151,485
Changes in models/risk parameters	218,032	-	-	-	-	218,032
Effects of exchange rate changes and others	(20,670)	-	-	-	-	(20,670)
Balance as of June 30, 2021	<u>\$ 1,278,655</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,278,655</u>

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>12-month ECLs</u>	<u>Lifetime ECLs (collectively assessed)</u>	<u>Lifetime ECLs (individually assessed)</u>	<u>Lifetime ECLs (neither purchased nor originated credit- impaired financial assets)</u>	<u>Lifetime ECLs (purchased or originated credit- impaired financial assets)</u>	<u>The loss allowances measured in accordance with IFRS 9</u>
Balance as of January 1, 2020	\$ 734,130	-	-	229,774	-	963,904
Changes due to financial instruments recognized as at beginning:						
— Transfer to lifetime ECLs	(1,587)	-	1,587	-	-	-
— Derecognition of financial assets at current period	(81,057)	-	-	-	-	(81,057)
Originated or purchased new financial assets	197,004	-	-	-	-	197,004
Changes in models/risk parameters	114,414	-	193,464	(91,128)	-	216,750
Effects of exchange rate changes and others	(11,677)	-	(2,890)	(1,054)	-	(15,621)
Balance as of June 30, 2020	<u>\$ 951,227</u>	<u>-</u>	<u>192,161</u>	<u>137,592</u>	<u>-</u>	<u>1,280,980</u>

Note: The reconciliation is conducted according to the overall changes of Fubon Life Insurance and its subsidiaries during a reporting period, so the loss allowance balance of the subsidiary when it was acquired by Fubon Life Insurance is included.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The reconciliations in loss allowance of other financial assets are as follows:

	12-month ECLs	Lifetime ECLs (collectively assessed)	Lifetime ECLs (individually assessed)	Lifetime ECLs (neither purchased nor originated credit- impaired financial assets)	Lifetime ECLs (purchased or originated credit- impaired financial assets)	The loss allowances measured in accordance with IFRS 9
Balance as of January 1, 2021	\$ 2,604	-	-	-	-	2,604
Originated or purchased new financial assets	102	-	-	-	-	102
Changes in models/risk parameters	(900)	-	-	-	-	(900)
Effects of exchange rate changes and others	(24)	-	-	-	-	(24)
Balance as of June 30, 2021	<u>\$ 1,782</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,782</u>
				Lifetime ECLs (neither purchased nor originated credit- impaired financial assets)	Lifetime ECLs (purchased or originated credit- impaired financial assets)	The loss allowances measured in accordance with IFRS 9
Balance as of January 1, 2020	\$ 352	-	-	-	-	352
Changes due to financial instruments recognized as at beginning:						
— Derecognition of financial assets at current period	(67)	-	-	-	-	(67)
Originated or purchased new financial assets	65	-	-	-	-	65
Changes in models/risk parameters	3,065	-	-	-	-	3,065
Effects of exchange rate changes and others	1,413	-	-	-	-	1,413
Balance as of June 30, 2020	<u>\$ 4,828</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,828</u>

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

3) Fubon Insurance and its subsidiaries

Credit risk is the risk Fubon Insurance and its subsidiaries would suffered from the loss due to the downgrade of borrower's credit rating or borrower failing to make payments, the counterparty's failure or refusing to meet its obligation. The risk includes but not limited to the following risks: the credit risk of the issuer, the counterparty and the underlying assets.

Credit risk mainly comes from the trading of financial instruments generated from operating activity of Fubon Insurance and its subsidiaries. Fubon Insurance and its subsidiaries decreases the probability of a larger loss resulting from any single credit risk event due to the over concentration of the portfolios through regular analysis and monitor.

a) Management process of credit risk

i) Risk identification

Fubon Insurance and its subsidiaries' management process of credit risk could identify the existing and potential risk, analyze the source of the major risk of the operation and the product, and plan proper control system.

ii) Risk measurement

When measuring credit risk, Fubon Insurance and its subsidiaries consider the factors including the content of contracts, the condition of the market, securities or guarantees, the variation of the future probable risk of the counterparty and evaluating the risk in asset portfolios with credit risk except for individual risk. Also, by collecting related information of credit rating, Fubon Insurance and its subsidiaries analyze and quantitatively measure the credit risk in accordance with the level of business and practical settlement methods and calculates the credit risk capital based on the rules stipulated by the authority. For financial assets at amortized cost and at fair value through other comprehensive income or other credit position, depending on the practical settlement methods, Fubon Insurance and its subsidiaries measure the credit risk by referring to the expected loss formula ($ECL=EAD \times PD \times LGD$).

iii) Risk monitoring

Based on the process of risk monitoring established, Fubon Insurance and its subsidiaries review and monitor the credit limit usage and over-limit circumstances regularly with proper disposition. Through proper and frequent monitoring and hierarchical control system, the responsible person could submit the report by related rules when finding mistakes and unusual events. When the relevant unit gets aware of significant credit risk event, it should notify risk management department of Fubon Insurance and its subsidiaries and deal with the problem according to the Company's guidelines related to the reporting of significant credit risk event to control the timeliness of the dealing process.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

iv) Risk responding

When an event of credit risk occurs, the head of any related unit involved or who has authority to deal with the event would respond to the event immediately, and report to risk management department by following the authorization table of Fubon Insurance and its subsidiaries. Subsequently, the reason of the event would be investigated, the remediation plan would be developed, and the progress of actions would be followed.

b) Credit risk management mechanism

Credit risk management mechanism includes:

i) Credit risk management before transaction:

Before Fubon Insurance and its subsidiaries are engaged in investment and transaction business, a completed evaluation and analysis will be performed on subject of investments and transactions, issuer, credit and financial position information of counterparty and guarantee agency and it also will confirm the legality of the transaction. Meanwhile, Fubon Insurance and its subsidiaries will confirm if transaction counterparty, issuer and guarantee agency exceeded credit limits. In case of involving in the decision-making process of complex structured instrument, Fubon Insurance should follow the authorization level related to credit risk management, and have proper notification process and operating activities.

ii) Management of credit limit by hierarchy:

Considering the complexity and characteristics of the investment assets, Fubon Insurance and its subsidiaries set credit hierarchical management system and manages them by different hierarchy, including the following:

1. By counterparty, issuer and guarantee agency, set credit limit and manage by different hierarchy.
2. By country, set credit limit and manage hierarchically.

Besides, it will re-examine credit limit when inside or outside economic circumstances have changed severely.

iii) Credit risk management after transaction:

1. Examine credit status periodically: Periodically review the overall credit market conditions to understand trends in the credit markets and get an early warning to credit risk. Meanwhile, periodically examine credit status of counterparty, issuer and guarantee agency to fully disclose their risk situation.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2. Control credit risk limit by each position: Measure credit exposure amount monthly, compare with authorized credit risk limit and monitor the risk. Classification of the measuring credit exposure amount of Fubon Insurance and its subsidiaries includes: counterparty, issuer, guarantee agency, country and commodity. According to different business characteristics, Fubon Insurance and its subsidiaries take individual or portfolio management approach to review the changes in credit status in connection with the transaction balance or position periodically.

c) Concentrations of credit risk

To control credit concentration risk, Fubon Insurance and its subsidiaries confirm that a loss resulting from any single credit risk event will not exceed credit risk limit through regular statistic and monitor concentration as follows:

i) Concentrations of credit risk—by geographical area

June 30, 2021						
By area	Taiwan	Asia except Taiwan	North America	Central and South America	Europe	Total
Exposure amount	\$ 55,743,868	9,419,606	8,454,707	624,571	7,335,247	81,577,999
Ratio of the total	68.33 %	11.55 %	10.36 %	0.77 %	8.99 %	100.00 %
December 31, 2020						
By area	Taiwan	Asia except Taiwan	North America	Central and South America	Europe	Total
Exposure amount	\$ 51,473,029	9,000,990	8,991,431	648,299	7,333,786	77,447,535
Ratio of the total	66.46 %	11.62 %	11.61 %	0.84 %	9.47 %	100.00 %
June 30, 2020						
By area	Taiwan	Asia except Taiwan	North America	Central and South America	Europe	Total
Exposure amount	\$ 43,793,985	9,892,408	10,969,923	625,593	7,221,598	72,503,507
Ratio of the total	60.40 %	13.65 %	15.13 %	0.86 %	9.96 %	100.00 %

d) Credit risk exposure

Maximum credit risk exposure of Fubon Insurance and its subsidiaries' financial assets (without considering collateral or other credit enhancements instruments) is the net amount of book values less the offset amount recognized in accordance with IAS 32 and the net expected credit-impaired recognized in accordance with IFRS 9.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	June 30, 2021		December 31, 2020		June 30, 2020	
	Book value	Maximum exposure	Book value	Maximum exposure	Book value	Maximum exposure
<u>Non-derivative financial instruments</u>						
Financial assets						
Cash and cash equivalents	\$ 12,300,215	12,300,215	12,616,340	12,616,340	9,313,954	9,313,954
Receivables	7,925,483	7,925,483	5,344,234	5,344,234	7,493,861	7,493,861
Financial assets measured at fair value through profit or loss	35,985,204	35,985,204	30,549,142	30,549,142	26,241,253	26,241,253
Financial assets measured at amortized cost	1,381,199	1,381,199	1,396,753	1,396,753	1,450,655	1,450,655
Other financial assets	7,266	7,266	17,192	17,192	-	-
Financial assets measured at fair value through other comprehensive income	23,802,561	23,802,561	24,482,888	24,482,888	24,904,717	24,904,717
Reinsurance contract assets	8,422,983	8,422,983	7,085,576	7,085,576	10,337,980	10,337,980
Other assets	2,464,765	2,464,765	2,687,461	2,687,461	1,614,421	1,614,421
Financial liabilities						
Payables	16,588,548	16,588,548	13,229,696	13,229,696	16,565,092	16,565,092
Current tax liabilities	451,299	451,299	657,343	657,343	347,395	347,395
Lease liabilities	228,922	228,922	212,474	212,474	207,546	207,546
Other liabilities	467,135	467,135	623,650	623,650	114,233	114,233
<u>Derivative financial instruments</u>						
Financial assets						
Financial assets measured at fair value through profit or loss	249,971	249,971	349,798	349,798	100,688	100,688
Financial liabilities						
Financial liabilities measured at fair value through profit or loss	16,750	16,750	9,593	9,593	3,819	3,819

e) Credit quality analysis

For credit quality, Fubon Insurance and its subsidiaries periodically follow credit rating information issued by credit rating agency, and based on the rating, classified as low risk, medium risk and high risk as follows:

- i) Low risk: Issuer or counterparty is capable of fulfilling contractual commitments. Even under variable negative news or unfavorable economic conditions, their financial condition is good enough to cope with it.
- ii) Medium risk: Issuer or counterparty has poor ability to fulfill contractual commitments. Variable negative news or unfavorable economic conditions may weaken its financial condition, and trigger concerns of assets impairment or cause loss to Fubon Insurance and its subsidiaries.
- iii) High risk: The possibility of issuer or counterparty to fulfill contractual commitments is poor and depends on operating environment, variable negative news or unfavorable economic conditions will reduce its ability and willingness to fulfill obligations.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- iv) The impaired amount refers to the amount provided for all financial assets based on the regulations of accounting standards. Under the principle of conservations, the amount is able to reflect the current value of the impairment. The information of credit quality is shown as follows:

June 30, 2021											
	Financial assets measured by amount of 12-month ECLs				Lifetime ECLs— not credit-impaired financial assets				Lifetime ECLs— credit-impaired financial assets	Impairment allowance	Total
	Low risk	Medium risk	High risk	Total	Low risk	Medium risk	High risk	Total			
Financial assets measured at fair value through other comprehensive income— debt instruments	\$ 22,160,303	-	-	22,160,303	-	-	-	-	-	-	22,160,303
Financial assets measured at amortized cost	1,381,666	-	-	1,381,666	-	-	-	-	-	467	1,381,199
Total	\$ 23,541,969	-	-	23,541,969	-	-	-	-	-	467	23,541,502

December 31, 2020											
	Financial assets measured by amount of 12-month ECLs				Lifetime ECLs— not credit-impaired financial assets				Lifetime ECLs— credit-impaired financial assets	Impairment allowance	Total
	Low risk	Medium risk	High risk	Total	Low risk	Medium risk	High risk	Total			
Financial assets measured at fair value through other comprehensive income— debt instruments	\$ 22,622,365	-	-	22,622,365	-	-	-	-	-	-	22,622,365
Financial assets measured at amortized cost	1,397,258	-	-	1,397,258	-	-	-	-	-	505	1,396,753
Total	\$ 24,019,623	-	-	24,019,623	-	-	-	-	-	505	24,019,118

June 30, 2020											
	Financial assets measured by amount of 12-month ECLs				Lifetime ECLs— not credit-impaired financial assets				Lifetime ECLs— credit-impaired financial assets	Impairment allowance	Total
	Low risk	Medium risk	High risk	Total	Low risk	Medium risk	High risk	Total			
Financial assets measured at fair value through other comprehensive income— debt instruments	\$ 22,897,767	-	-	22,897,767	-	-	-	-	-	-	22,897,767
Financial assets measured at amortized cost	1,451,181	-	-	1,451,181	-	-	-	-	-	526	1,450,655
Total	\$ 24,348,948	-	-	24,348,948	-	-	-	-	-	526	24,348,422

Note: There is no purchased or originated credit impaired financial assets in the above financial assets.

For all notes receivable, accounts receivable and due from reinsurers and ceding companies, Fubon Insurance and its subsidiaries apply the simplified approach to estimate the expected credit loss, the analysis is as follows:

June 30, 2021					
	Not overdue	30 days overdue	90 days overdue	90 days and above overdue	Total
Expected credit loss rate	0%	2%~5%	10%~25%	25%~100%	
Carrying amount	\$ 11,843,509	1,207,142	208,298	383,159	13,642,108
Expected credit loss	-	27,962	17,252	150,157	195,371

December 31, 2020					
	Not overdue	30 days overdue	90 days overdue	90 days and above overdue	Total
Expected credit loss rate	0%	2%~5%	10%~25%	25%~100%	
Carrying amount	\$ 8,654,273	1,129,637	177,676	283,774	10,245,360
Expected credit loss	-	26,362	13,576	69,494	109,432

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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	June 30, 2020				Total
	Not overdue	30 days overdue	90 days overdue	90 days and above overdue	
Expected credit loss rate	0%	2%~5%	10%~25%	25%~100%	
Carrying amount	\$ 13,663,558	1,483,175	199,573	320,397	15,666,703
Expected credit loss	-	31,271	14,393	86,317	131,981

f) Determination on the credit risk that has increased significantly since initial recognition

i) It may be assumed that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. Judgment criteria: External credit rating above investment grade (BBB-).

ii) Fubon Insurance and its subsidiaries determine whether the credit risk of financial instruments applying the impairment requirements in IFRS 9 increased significantly since the initial recognition on each reporting date. For this assessment, Fubon Insurance and its subsidiaries consider the reasonable and supportable information that shows the credit risk increased significantly since initial recognition (including forward-looking information). The main considerations include: external credit rating, overdue situation, credit spreads, and other market information related to the issuer or debtor, etc.

g) Definitions for default and credit impairment of financial assets

Fubon Insurance and its subsidiaries use the same definitions for default and credit impairment of financial assets. If one or more of the following conditions are met, Fubon Insurance and its subsidiaries determine that the financial assets are defaulted and credit-impaired:

i) Quantitative indicators: When financial assets-receivables are overdue for more than 90 days, it is determined that the financial assets have been breached and the credit is impaired.

ii) Qualitative indicators: If there is evidence that the issuer or the debtor will be unable to pay the contract, or show that the issuer or the debtor has significant financial difficulties, such as:

1. The issuer or the debtor has filed for bankruptcy or is likely to file a bankruptcy.
2. The financial instrument's contract of the issuer's or debtor's has defaulted.
3. The financial market of the financial asset disappeared due to the financial difficulties of the issuer or the debtor.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

4. Purchase or originate financial assets at a substantial discount that reflects the credit losses have occurred.
- iii) The aforementioned definition of breach of contract and credit impairment applies to all financial assets held by Fubon Insurance and its subsidiaries, and is consistent with the definition used for the purpose of internal credit risk management for financial assets, and is also applied to the relevant impairment assessment model.
- iv) If a financial asset no longer meets the definition of default and credit impairment for six consecutive months, it is deemed to return to the state of compliance and is no longer considered defaulted and credit-impaired.
- h) Assessment of expected credit loss
- i) Adopted methods and assumptions

For Fubon Insurance and its subsidiaries, if the financial assets are of low credit risk or no significant increase in credit risk, the 12-month expected credit losses will be recognized. If the financial assets are significantly increased in credit risk or the credits have been impaired, the expected credit losses for a lifetime will be recognized.

In order to measure expected credit losses, Fubon Insurance and its subsidiaries adopt probability of default ("PD"), and include loss given default ("LGD") and exposure at default ("EAD"), and consider the impact of the time value of money, to calculate the expected credit losses for 12 months and lifetime, respectively.

Default probability is how likely the issuer or debtor breaches the contract, and the loss given default is the rate of loss due to default by the issuer or debtor. The default probability and loss given default used by Fubon Insurance and its subsidiaries, related impairment assessments are based on information on the default rate and loss given default regularly announced by Moody's.

Fubon Insurance and its subsidiaries measure its exposure to breach of contract by the total amount of the amortized cost of financial instruments and interest receivable.

In order to determine if the credit risk has increased significantly since the initial recognition, Fubon Insurance and its subsidiaries assess the expected default risk during the existence of financial instruments on the reporting day, the rules for determination are as follows:

The financial instrument has the original rating, and is non-investment grade on the reporting date, and it falls at least one notch than the original score.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2. Changes in loss allowance of financial assets measured at amortized cost

For the six months ended June 30, 2021				
	12-month ECLs	Lifetime ECLs (collective assessment)	Lifetime ECLs (individual assessment)	Impairment recognized due to IFRS 9
Beginning balance	\$ 505	-	-	505
Effects of exchange rate changes and others	(38)	-	-	(38)
Ending balance	<u>\$ 467</u>	<u>-</u>	<u>-</u>	<u>467</u>
For the six months ended June 30, 2020				
	12-month ECLs	Lifetime ECLs (collective assessment)	Lifetime ECLs (individual assessment)	Impairment recognized due to IFRS 9
Beginning balance	\$ 1,167	-	-	1,167
Changes due to recognition of financial instruments at beginning:				
– Derecognition of financial assets at current period	(633)	-	-	(633)
Effects of exchange rate changes and others	(8)	-	-	(8)
Ending balance	<u>\$ 526</u>	<u>-</u>	<u>-</u>	<u>526</u>

4) Fubon Securities and its subsidiaries

Fubon Securities and its subsidiaries have exposure to credit risk, including issuer credit risk, counterparty credit risk and credit risk of underlying assets.

Issuer credit risk is the risk that an issuer of financial debt instruments or a bank will default and be unable to fulfill the repayment obligation, or go into bankruptcy or liquidation, and thereby cause Fubon Securities and its subsidiaries to suffer a financial loss.

Counterparty credit risk is the risk that a counterparty will default on a transaction and fail to pay due to price movement in the underlying securities of Fubon Securities and its subsidiaries' derivatives, and thereby cause Fubon Securities and its subsidiaries to suffer a financial loss.

Credit risk of underlying assets is the risk that an underlying asset of an instrument held by Fubon Securities will have its credit quality weakened, its risk premium increased, or its credit rating downgraded, or that the issuer will be unable to meet the contractual obligation, and thereby cause Fubon Securities and its subsidiaries to suffer a financial loss.

Fubon Securities and its subsidiaries face credit risk arising from financial assets including bank deposits, debt securities, over the counter (OTC) derivative transactions, repurchase agreements, reverse sell agreements, securities borrowing and lending, refundable deposits, futures trading margin, other refundable deposits, and receivables.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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a) Analysis of concentrations of credit risk

The maximum credit risk exposure amount of financial assets by region and by industry was as described in the following tables:

Financial assets	June 30, 2021					
	Credit risk exposure amount – by region					
	Taiwan	Hong Kong	Asia	Europe	America	Total
Cash and cash equivalents	\$ 14,965,437	158,209	2,651,968	249	282	17,776,145
Customer margin account	20,261,756	153,115	1,477,049	25,309	319,487	22,236,716
Financial assets mandatorily measured at fair value through profit or loss – current	12,358,943	89,244	6,070,872	734,804	2,378,142	21,632,005
Debt securities	11,205,118	89,244	6,070,872	734,804	2,378,142	20,478,180
Derivatives – OTC	171,160	-	-	-	-	171,160
Derivatives – Futures trading margin	553,836	-	-	-	-	553,836
Other debt securities	424,964	-	-	-	-	424,964
Call option – Futures	3,865	-	-	-	-	3,865
Margin deposits for borrowed securities	2,529,753	-	-	-	-	2,529,753
Other refundable deposits	1,219,694	2,978	-	-	-	1,222,672
Other current assets	2,025,201	417,195	-	-	293	2,442,689
Financial assets measured at fair value through other comprehensive income – Debt instruments	3,865,870	-	892,616	640,470	173,225	5,572,181
Total	<u>\$ 57,226,654</u>	<u>820,741</u>	<u>11,092,505</u>	<u>1,400,832</u>	<u>2,871,429</u>	<u>73,412,161</u>
Proportion of the total	<u>77.95 %</u>	<u>1.12 %</u>	<u>15.11 %</u>	<u>1.91 %</u>	<u>3.91 %</u>	<u>100.00 %</u>
Financial assets	December 31, 2020					
	Credit risk exposure amount – by region					
	Taiwan	Hong Kong	Asia	Europe	America	Total
Cash and cash equivalents	\$ 10,681,086	113,097	3,132,128	192	288	13,926,791
Customer margin account	17,061,799	141,080	3,076,527	36,168	101,991	20,417,565
Financial assets mandatorily measured at fair value through profit or loss – current	10,951,957	173,104	9,916,316	229,540	1,573,308	22,844,225
Debt securities	9,829,330	173,104	9,916,316	229,540	1,573,308	21,721,598
Derivatives – OTC	230,586	-	-	-	-	230,586
Derivatives – Futures trading margin	334,742	-	-	-	-	334,742
Other debt securities	554,675	-	-	-	-	554,675
Call option – Futures	2,624	-	-	-	-	2,624
Margin deposits for borrowed securities	4,256,330	-	-	-	-	4,256,330
Other refundable deposits	1,220,169	12,362	-	-	-	1,232,531
Other current assets	4,181,959	87,177	-	-	2,809	4,271,945
Financial assets measured at fair value through other comprehensive income – Debt instruments	4,569,467	-	611,856	684,681	325,455	6,191,459
Total	<u>\$ 52,922,767</u>	<u>526,820</u>	<u>16,736,827</u>	<u>950,581</u>	<u>2,003,851</u>	<u>73,140,846</u>
Proportion of the total	<u>72.36 %</u>	<u>0.72 %</u>	<u>22.88 %</u>	<u>1.30 %</u>	<u>2.74 %</u>	<u>100.00 %</u>

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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Financial assets	June 30, 2020					
	Credit risk exposure amount—by region					
	Taiwan	Hong Kong	Asia	Europe	America	Total
Cash and cash equivalents	\$ 15,720,080	132,057	810,053	2,646,463	333	19,308,986
Customer margin account	18,150,751	1,822,922	3,386,263	35,849	47,993	23,443,778
Financial assets mandatorily measured at fair value through profit or loss — current	19,391,268	238,010	7,128,589	236,658	2,314,967	29,309,492
Debt securities	18,313,377	238,010	7,128,589	236,658	2,314,967	28,231,601
Derivatives—OTC	349,146	-	-	-	-	349,146
Derivatives—Futures trading margin	226,521	-	-	-	-	226,521
Foreign exchange derivatives	1,317	-	-	-	-	1,317
Other debt securities	497,179	-	-	-	-	497,179
Call option—Futures	3,728	-	-	-	-	3,728
Margin deposits for borrowed securities	3,211,013	-	-	-	-	3,211,013
Other refundable deposits	1,221,504	5,775	308	-	-	1,227,587
Other current assets	1,759,942	72,676	-	-	-	1,832,618
Financial assets measured at fair value through other comprehensive income—Debt instruments	6,794,976	61,171	2,464,050	856,447	1,379,963	11,556,607
Total	<u>\$ 66,249,534</u>	<u>2,332,611</u>	<u>13,789,263</u>	<u>3,775,417</u>	<u>3,743,256</u>	<u>89,890,081</u>
Proportion of the total	<u>73.70 %</u>	<u>2.60 %</u>	<u>15.34 %</u>	<u>4.20 %</u>	<u>4.16 %</u>	<u>100.00 %</u>

Financial assets	June 30, 2021											
	Credit risk exposure amount—by industry											
	Financial service	Central and local government agencies	Retail and wholesale	Building and material	Biotechnology industry	Food and travel industry	Shipping industry	Electronic industry	Chemical industry	Motor vehicle industry	Other services	Total
Cash and cash equivalents	\$ 17,317,279	-	-	-	-	-	-	-	-	-	458,866	17,776,145
Customer margin account	22,236,716	-	-	-	-	-	-	-	-	-	-	22,236,716
Financial assets mandatorily measured at fair value through profit or loss — current	8,105,520	-	396,445	1,293,263	151,963	82,929	761,480	7,949,544	1,253,511	128,338	1,509,012	21,632,005
Debt securities	6,951,695	-	396,445	1,293,263	151,963	82,929	761,480	7,949,544	1,253,511	128,338	1,509,012	20,478,180
Derivatives—OTC	171,160	-	-	-	-	-	-	-	-	-	-	171,160
Derivatives—futures trading margin	553,836	-	-	-	-	-	-	-	-	-	-	553,836
Other debt securities	424,964	-	-	-	-	-	-	-	-	-	-	424,964
Call options—Futures	3,865	-	-	-	-	-	-	-	-	-	-	3,865
Margin deposits for borrowed securities	2,529,753	-	-	-	-	-	-	-	-	-	-	2,529,753
Other refundable deposits	1,219,694	-	-	-	-	-	-	-	-	-	2,978	1,222,672
Other current assets	1,923,077	-	-	-	-	-	-	-	-	-	519,612	2,442,689
Financial assets measured at fair value through other comprehensive income—debt instruments	1,692,684	101,943	-	295,619	-	-	706,171	927,181	1,450,608	-	397,975	5,572,181
Total	<u>\$ 55,024,723</u>	<u>101,943</u>	<u>396,445</u>	<u>1,588,882</u>	<u>151,963</u>	<u>82,929</u>	<u>1,467,651</u>	<u>8,876,725</u>	<u>2,704,119</u>	<u>128,338</u>	<u>2,888,443</u>	<u>73,412,161</u>
Proportion of the total	<u>74.95 %</u>	<u>0.14 %</u>	<u>0.54 %</u>	<u>2.17 %</u>	<u>0.21 %</u>	<u>0.11 %</u>	<u>2.00 %</u>	<u>12.09 %</u>	<u>3.68 %</u>	<u>0.17 %</u>	<u>3.94 %</u>	<u>100.00 %</u>

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

December 31, 2020												
Credit risk exposure amount — by industry												
Financial assets	Central and local											Total
	Financial service	government agencies	Retail and wholesale	Building and material	Biotechnology industry	Food and travel industry	Shipping industry	Electronic industry	Chemical industry	Motor vehicle industry	Other services	
Cash and cash equivalents	\$ 13,566,507	-	-	-	-	-	-	-	-	-	360,284	13,926,791
Customer margin account	20,417,565	-	-	-	-	-	-	-	-	-	-	20,417,565
Financial assets mandatorily measured at fair value through profit or loss — current	7,412,536	202,945	31,794	1,439,687	264,719	642,254	351,831	5,219,928	4,954,460	224,975	2,099,096	22,844,225
Debt securities	6,289,909	202,945	31,794	1,439,687	264,719	642,254	351,831	5,219,928	4,954,460	224,975	2,099,096	21,721,598
Derivatives — OTC	230,586	-	-	-	-	-	-	-	-	-	-	230,586
Derivatives — futures trading margin	334,742	-	-	-	-	-	-	-	-	-	-	334,742
Other debt securities	554,675	-	-	-	-	-	-	-	-	-	-	554,675
Call option — Futures	2,624	-	-	-	-	-	-	-	-	-	-	2,624
Margin deposits for borrowed securities	4,256,330	-	-	-	-	-	-	-	-	-	-	4,256,330
Other refundable deposits	1,232,531	-	-	-	-	-	-	-	-	-	-	1,232,531
Other current assets	4,271,945	-	-	-	-	-	-	-	-	-	-	4,271,945
Financial assets measured at fair value through other comprehensive income — Debt instruments	1,816,808	-	-	-	-	-	1,358,855	1,150,764	1,836,471	-	28,561	6,191,459
Total	\$ 52,974,222	202,945	31,794	1,439,687	264,719	642,254	1,710,686	6,370,692	6,790,931	224,975	2,487,941	73,140,846
Proportion of the total	<u>72.43 %</u>	<u>0.28 %</u>	<u>0.04 %</u>	<u>1.97 %</u>	<u>0.36 %</u>	<u>0.88 %</u>	<u>2.34 %</u>	<u>8.71 %</u>	<u>9.28 %</u>	<u>0.31 %</u>	<u>3.40 %</u>	<u>100.00 %</u>

June 30, 2020												
Credit risk exposure amount — by industry												
Financial assets	Central and local											Total
	Financial service	government agencies	Retail and wholesale	Building and material	Biotechnology industry	Food and travel industry	Shipping industry	Electronic industry	Chemical industry	Motor vehicle industry	Other services	
Cash and cash equivalents	\$ 18,686,012	-	-	-	-	-	-	-	-	-	622,974	19,308,986
Customer margin account	23,443,778	-	-	-	-	-	-	-	-	-	-	23,443,778
Financial assets mandatorily measured at fair value through profit or loss — current	9,277,973	2,781,446	1,858	1,306,469	172,248	411,598	1,687,034	4,649,057	5,015,074	407,365	3,599,370	29,309,492
Debt securities	8,200,082	2,781,446	1,858	1,306,469	172,248	411,598	1,687,034	4,649,057	5,015,074	407,365	3,599,370	28,231,601
Derivatives — OTC	349,146	-	-	-	-	-	-	-	-	-	-	349,146
Derivatives — futures trading margin	226,521	-	-	-	-	-	-	-	-	-	-	226,521
Foreign exchange derivatives	1,317	-	-	-	-	-	-	-	-	-	-	1,317
Other debt securities	497,179	-	-	-	-	-	-	-	-	-	-	497,179
Call options — Futures	3,728	-	-	-	-	-	-	-	-	-	-	3,728
Margin deposits for borrowed securities	3,211,013	-	-	-	-	-	-	-	-	-	-	3,211,013
Other refundable deposits	1,221,812	-	-	-	-	-	-	-	-	-	5,775	1,227,587
Other current assets	978,293	-	-	-	-	-	-	-	-	-	854,325	1,832,618
Financial assets measured at fair value through other comprehensive income — debt instruments	3,402,240	-	-	201,010	-	401,637	1,355,490	2,761,554	2,103,499	-	1,331,177	11,556,607
Total	\$ 60,221,121	2,781,446	1,858	1,507,479	172,248	813,235	3,042,524	7,410,611	7,118,573	407,365	6,413,621	89,890,081
Proportion of the total	<u>66.99 %</u>	<u>3.10 %</u>	<u>- %</u>	<u>1.68 %</u>	<u>0.19 %</u>	<u>0.90 %</u>	<u>3.39 %</u>	<u>8.24 %</u>	<u>7.92 %</u>	<u>0.45 %</u>	<u>7.14 %</u>	<u>100.00 %</u>

Fubon Securities and its subsidiaries' exposure to credit risk is derived mainly from the financial industry and Taiwan because the Fubon Securities and its subsidiaries deposit cash in different financial institutions and hold debt securities issued or guaranteed by the banks; also, most of the Fubon Securities and its subsidiaries' counterparties of derivative transactions, investments in debt securities, and security lending are financial institutions in Taiwan.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

b) Credit risk of financial assets

i) Cash and cash equivalents

Cash and cash equivalents included time deposits, demand deposits, checking accounts and short-term bills, with trading counterparties being mainly domestic financial institutions.

ii) Financial assets measured at fair value—current

1. Debt securities

Fubon Securities and its subsidiaries hold positions in debt securities, including bonds, convertible bonds and bond funds, which are issued by domestic companies. The details of debt securities are as follows:

a. Convertible bonds

Convertible bonds held by Fubon Securities and its subsidiaries are primarily issued by domestic companies with good credit scores. To control exposure to credit risk from convertible bonds, Fubon Securities and its subsidiaries transfer credit risk to external investors by asset swaps.

b. Bond funds

The underlying assets of bond funds held by Fubon Securities and its subsidiaries are mainly fixed income securities.

2. Bonds with repurchase/resell agreement (RP/RS) undertaking

The main counterparties of RP/RS are financial institutions. When engaging in RS transactions, Fubon Securities and its subsidiaries provide the underlying bonds as collateral which could reduce the exposure to credit risk of its counterparties.

3. Derivatives—Over-the-Counter (OTC)

When Fubon Securities and its subsidiaries engage in OTC derivatives, it would sign an ISDA agreement with each counterparty. This provides the contractual framework within which dealing activity across a full range of over-the-counter (OTC) products is conducted, and contractually binds both parties to apply close-out netting across all outstanding transactions covered by an agreement if either party defaults or another pre-agreed termination event occurs. The parties execute a Credit Support Annex (CSA) in conjunction with the ISDA Master Agreement. Under a CSA, collateral is passed between the parties to mitigate the counterparty risk inherent in outstanding positions.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

OTC derivatives held by Fubon Securities and its subsidiaries include interest rate swap, convertible bond asset swaps and equity options. The counterparties are all from the financial industry and are mainly based in Taiwan.

4. Derivatives – futures trading margin

For trading on the centralized futures market, Fubon Securities and its subsidiaries deposit futures trading margin into an account designated by Fubon Securities and its subsidiaries as a guarantee of future funding to fulfill a contractual obligation. Fubon Futures and Yuanta Futures are futures commission merchants. Since Fubon Futures is a 100%-owned subsidiary, the credit risk is very low.

5. Other debt securities

Other debt securities are mainly the real estate beneficiary securities, Fubon R1 and Fubon R2. Because of the good quality of entrusted assets and the above-average quality of renters in the asset pool, Fubon Securities and its subsidiaries have low credit risk.

iii) Margin deposits for borrowed securities

This includes relevant disclosures of collateral for borrowed securities and margin deposits for borrowed securities. When borrowing the underlying securities from the holder, Fubon Securities and its subsidiaries should deposit the margin in the designated bank account. Because it holds the underlying securities as collateral, Fubon Securities and its subsidiaries will be able to effectively decrease credit exposure to the holder.

iv) Other refundable deposits

Other refundable deposits mainly include operating deposits, clearing and settlement funds and refundable deposits. Operating deposits are mainly deposited in credit-worthy banks. Clearing and settlement funds are deposited in the TWSE. They are used as compensation when a market securities trading party does not fulfill delivery obligations. The credit risk of institutions where funds are deposited is minimal. Refundable deposits arise when Fubon Securities and its subsidiaries' deposit cash or other assets as guarantees. Because deposits are placed in various financial institutions and each deposit amount is low, the credit risk is dispersed, and the credit exposure of the overall refundable deposit is minimal.

v) Other current assets

Other current assets of Fubon Securities and its subsidiaries are cash provided for pledge or restricted use to domestic financial institutions with good credit.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

vi) Customer margin account

Customer margin account is the bank account that Fubon Futures deposits in its initial margins and its premium of traders. The bank account is at low-credit-risk financial institutions.

c) Credit risk quality classification definitions

i) Credit Risk quality classification definitions

In terms of credit risk quality, Fubon Securities and its subsidiaries categorize the quality into three levels, which are low risk, medium risk and high risk, based on the credit rating. The definition of each level is as follow:

Low Risk: exposures demonstrate a good capacity to meet financial commitments, with low default risk and/or low levels of expected loss.

Medium Risk: exposures require closer monitoring and demonstrate an average to fair capacity to meet financial commitments, with medium default risk.

High Risk: exposures require varying degrees of special attention and default risk is of greater concern.

Impaired: Fubon Securities and its subsidiaries or the target do not perform its obligation according to the contracts and the potential estimated loss has reached the standard of impairment. The information of credit risk quality was as follow:

		June 30, 2021										
		Financial assets measured by 12-month ECLs				Lifetime ECLs – not credit-impaired financial assets				Lifetime ECLs – credit-impaired financial assets	Impairment allowance	Total
		Low risk	Medium risk	High risk	Subtotal	Low risk	Medium risk	High risk	Subtotal			
Financial assets measured fair value through other comprehensive income – debt instruments	\$	3,010,912	2,565,964	-	5,576,876	-	-	-	-	-	4,695	5,572,181
		December 31, 2020										
		Financial assets measured by 12-month ECLs				Lifetime ECLs – not credit-impaired financial assets				Lifetime ECLs – credit-impaired financial assets	Impairment allowance	Total
		Low risk	Medium risk	High risk	Subtotal	Low risk	Medium risk	High risk	Subtotal			
Financial assets measured fair value through other comprehensive income – debt instruments	\$	2,681,128	3,515,492	-	6,196,620	-	-	-	-	-	5,161	6,191,459
		June 30, 2020										
		Financial assets measured by 12-month ECLs				Lifetime ECLs – not credit-impaired financial assets				Lifetime ECLs – credit-impaired financial assets	Impairment allowance	Total
		Low risk	Medium risk	High risk	Subtotal	Low risk	Medium risk	High risk	Subtotal			
Financial assets measured fair value through other comprehensive income – debt instruments	\$	11,110,137	453,676	-	11,563,813	-	-	-	-	-	7,206	11,556,607

Internal credit risk classification and external credit rating of Fubon Securities and its subsidiaries were as follows. There were no direct relations between the internal and the external credit rating in the chart, and they were used to present the similarity of credit quality.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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June 30, 2021							
Financial assets credit quality and classification							
Financial assets	Low risk	Medium risk	High risk	Overdue but not impaired	Impaired	Impairment allowance	Total
Cash and cash equivalents	\$ 15,124,177	2,651,968	-	-	-	-	17,776,145
Customer margin account	22,236,716	-	-	-	-	-	22,236,716
Financial assets mandatorily measured at fair value through profit or loss – current	14,677,698	6,535,627	418,680	-	-	-	21,632,005
Debt securities	13,638,324	6,421,176	418,680	-	-	-	20,478,180
Derivative assets – OTC	56,709	114,451	-	-	-	-	171,160
Derivative assets – Futures trading margin	553,836	-	-	-	-	-	553,836
Other debt securities	424,964	-	-	-	-	-	424,964
Call option – Futures	3,865	-	-	-	-	-	3,865
Margin deposits for borrowed securities	2,529,753	-	-	-	-	-	2,529,753
Other refundable deposits	1,222,672	-	-	-	-	-	1,222,672
Other current assets	2,442,689	-	-	-	-	-	2,442,689
Financial assets measured at fair value through other comprehensive income – debt instruments	3,010,912	2,565,964	-	-	-	4,695	5,572,181
Subtotal	<u>61,244,617</u>	<u>11,753,559</u>	<u>418,680</u>	<u>-</u>	<u>-</u>	<u>4,695</u>	<u>73,412,161</u>
Proportion of the total	83.43 %	16.01 %	0.57 %	-	-	0.01 %	100.00 %
Receivables	39,556,169	9,987,184	469,020	-	158,033	158,033	50,012,373
Accounts receivable	29,156,491	8,038	-	-	158,033	158,033	29,164,529
Receivables from pecuniary finance	10,399,678	9,979,146	469,020	-	-	-	20,847,844
Total	<u>\$ 100,800,786</u>	<u>21,740,743</u>	<u>887,700</u>	<u>-</u>	<u>158,033</u>	<u>162,728</u>	<u>123,424,534</u>
Proportion of the total	<u>81.67 %</u>	<u>17.61 %</u>	<u>0.72 %</u>	<u>- %</u>	<u>0.13 %</u>	<u>0.13 %</u>	<u>100.00 %</u>

Note: There is no purchased or originated credit-impaired financial in the above financial assets.

December 31, 2020							
Financial assets credit quality and classification							
Financial assets	Low risk	Medium risk	High risk	Overdue but not impaired	Impaired	Impairment allowance	Total
Cash and cash equivalents	\$ 10,794,663	3,132,128	-	-	-	-	13,926,791
Customer margin account	20,417,565	-	-	-	-	-	20,417,565
Financial assets mandatorily measured at fair value through profit or loss – current	15,800,913	6,712,097	331,215	-	-	-	22,844,225
Debt securities	14,837,595	6,552,788	331,215	-	-	-	21,721,598
Derivative assets – OTC	71,277	159,309	-	-	-	-	230,586
Derivative assets – Futures trading margin	334,742	-	-	-	-	-	334,742
Other debt securities	554,675	-	-	-	-	-	554,675
Call option – Futures	2,624	-	-	-	-	-	2,624
Margin deposits for borrowed securities	4,256,330	-	-	-	-	-	4,256,330
Other refundable deposits	1,232,531	-	-	-	-	-	1,232,531
Other current assets	4,271,945	-	-	-	-	-	4,271,945
Financial assets measured at fair value through other comprehensive income – debt instruments	2,681,128	3,515,492	-	-	-	5,161	6,191,459
Subtotal	<u>59,455,075</u>	<u>13,359,717</u>	<u>331,215</u>	<u>-</u>	<u>-</u>	<u>5,161</u>	<u>73,140,846</u>
Proportion of the total	81.29 %	18.27 %	0.45 %	-	-	0.01 %	100.00 %
Receivables	26,480,771	6,942,476	422,484	-	158,187	158,187	33,845,731
Accounts receivable	19,648,114	8,383	-	-	158,187	158,187	19,656,497
Receivables from pecuniary finance	6,832,657	6,934,093	422,484	-	-	-	14,189,234
Total	<u>\$ 85,935,846</u>	<u>20,302,193</u>	<u>753,699</u>	<u>-</u>	<u>158,187</u>	<u>163,348</u>	<u>106,986,577</u>
Proportion of the total	<u>80.32 %</u>	<u>18.98 %</u>	<u>0.70 %</u>	<u>- %</u>	<u>0.15 %</u>	<u>0.15 %</u>	<u>100.00 %</u>

Note: There is no purchased or originated credit-impaired financial in the above financial assets.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Financial assets	June 30, 2020						
	Financial assets credit quality and classification						
	Low risk	Medium risk	High risk	Overdue but not impaired	Impaired	Impairment allowance	Total
Cash and cash equivalents	\$ 16,657,597	2,651,389	-	-	-	-	19,308,986
Customer margin account	23,443,778	-	-	-	-	-	23,443,778
Financial assets mandatorily measured at fair value through profit or loss – current	25,465,304	3,844,188	-	-	-	-	29,309,492
Debt securities	24,632,219	3,599,382	-	-	-	-	28,231,601
Derivative assets – OTC	104,340	244,806	-	-	-	-	349,146
Derivative assets – Futures trading margin	226,521	-	-	-	-	-	226,521
Foreign exchange derivatives	1,317	-	-	-	-	-	1,317
Other debt securities	497,179	-	-	-	-	-	497,179
Call option – Futures	3,728	-	-	-	-	-	3,728
Margin deposits for borrowed securities	3,211,013	-	-	-	-	-	3,211,013
Other refundable deposits	1,227,587	-	-	-	-	-	1,227,587
Other current assets	1,832,618	-	-	-	-	-	1,832,618
Financial assets measured at fair value through other comprehensive income – debt instruments	11,110,137	453,676	-	-	-	7,206	11,556,607
Subtotal	82,948,034	6,949,253	-	-	-	7,206	89,890,081
Proportion of the total	92.28 %	7.73 %	- %	- %	- %	0.01 %	100.00 %
Receivables	21,954,438	4,945,222	353,476	-	158,366	158,366	27,253,136
Accounts receivable	17,065,565	8,692	-	-	158,366	158,366	17,074,257
Receivables from pecuniary finance	4,888,873	4,936,530	353,476	-	-	-	10,178,879
Total	\$ 104,902,472	11,894,475	353,476	-	158,366	165,572	117,143,217
Proportion of the total	89.55 %	10.15 %	0.30 %	- %	0.14 %	0.14 %	100.00 %

Note: There is no purchased or originated credit-impaired financial in the above financial assets.

As seen in above tables, Fubon Securities and its subsidiaries have no financial assets which are overdue but not impaired. 0.72% of normal assets are classified under high risk category. Those assets mainly are receivables from pecuniary finance. The details of assets classified as high risk are as follows:

1. Cash and cash equivalents: To fulfill daily settlement payments and remittance operations, it is required to deposit a certain amount to the main delivery lines for the brokerage business and other operations. The management of Fubon Securities and its subsidiaries periodically review the financial condition, operation and credit risk.
2. Debt securities: To control exposure to credit risk from convertible bonds, Fubon Securities and its subsidiaries transfer credit risk to external investors by asset swaps.
3. Receivables from pecuniary finance: The risk of financial loss arises from price fluctuation in the underlying securities. To lower credit risk, Fubon Securities and its subsidiaries closely monitor market volatility of underlying assets and set strict control over counterparty credit risk.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- ii) Determination on the credit risk that has increased significantly since initial recognition

Fubon Securities and its subsidiaries determine whether the credit risk of financial instruments applying the impairment requirements in IFRS 9 increased significantly since the initial recognition on each reporting date. For this assessment, Fubon Securities and its subsidiaries consider the reasonable and supportable information that shows the credit risk increased significantly since initial recognition (including forward-looking information). The main considerations include: internal/external credit rating, overdue situation, credit spreads, quantitative and qualitative information.

- iii) Definitions for default and credit impairment of financial assets

Fubon Securities and its subsidiaries use the same definitions for default and credit impairment of financial assets. If one or more of the following conditions are met, Fubon Securities and its subsidiaries determine that the financial assets has been defaulted and credit-impaired:

1. Quantitative indicators

When financial assets-receivables are overdue for more than 90 days.

2. Qualitative indicators

If there is evidence that the borrower or the issuer will be unable to pay the contract, or show that the borrower or the issuer has significant financial difficulties, such as:

- The borrower / issuer has filed for bankruptcy or is likely to file a bankruptcy.
- The borrower / issuer has died or the company is dissolved.
- The financial instrument's contract of the borrower's or issuer's has defaulted.
- The financial market of the financial asset disappeared due to the financial difficulties of the borrower or the issuer.
- Due to financial or contractual reasons related to the financial difficulties of the borrower / issuer, the creditor of the borrower / issuer gives the borrower a concession that would not have been considered.
- Purchase or originate financial assets at a substantial discount that reflects the credit losses have occurred.

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The aforementioned definition of breach of contract and credit impairment applies to all financial assets held by Fubon Securities and its subsidiaries, and is consistent with the definition used for the purpose of internal credit risk management for financial assets, and is also applied to the relevant impairment assessment model.

If a financial asset no longer meets the definition of default and credit impairment for a period of time, it is deemed to return to the state of compliance and is no longer considered defaulted and credit-impaired.

iv) Expected credit loss measurement

1. Adopted methods and assumptions

For Fubon Securities and its subsidiaries, if the financial assets are of low credit risk or no significant increase in credit risk, the 12-month expected credit losses will be recognized. If the financial assets are significantly increased in credit risk or the credits have been impaired, the expected credit losses for a lifetime will be recognized.

In order to measure expected credit losses, Fubon Securities and its subsidiaries adopt Probability of default ("PD"), and include Loss given default ("LGD") and Exposure at default ("EAD"), and consider the impact of the time value of money, to calculate the expected credit losses for 12 months and for a lifetime, respectively.

Default probability is how likely the issuer or the counterparty breaches the contract, and the loss given default is the rate of loss due to default by the issuer or the counterparty. Fubon Securities and its subsidiaries calculate the default probability and loss given default based on the regularly published information from international credit rating agencies (Moody's), internal historical information (such as credit losses experience), current observable data and forward-looking general economic information (such as gross domestic production), after adjusting the historical data.

The estimation techniques or material assumptions made by Fubon Securities and its subsidiaries to assess expected credit losses have no significant changes for the six months ended June 30, 2021 and 2020.

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v) Forward-looking information considerations

Fubon Securities and its subsidiaries take forward-looking information into account when judging whether the credit risk of a financial instrument has increased significantly since its initial recognition, and when the expected credit loss is measured. Fubon Securities and its subsidiaries use historical data to analyze and identify the economic factors that affect the credit risk and expected credit losses of various asset portfolios. Regarding the economic factors and its impact on expected credit losses vary according to the types of financial instruments.

One of the determinations of whether the credit risk of debt investments measured at fair value through other comprehensive income held by Fubon Securities and its subsidiaries has increased significantly, is based on the external ratings from international credit rating agencies (Moody's). The expected credit losses calculation is referred to the external rating scale and Moody's regularly published default rate and loss given default information. The forward-looking macroeconomic condition is considered and is appropriately adjusted.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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vi) Changes in loss allowance

1. Changes in loss allowance of debt instruments measured at fair value through other comprehensive income

As of June 30, 2021 and 2020, the reconciliations of the beginning and ending balances for loss allowance of debt instruments measured at fair value through other comprehensive income were as follows:

	For the six months ended June 30, 2021						Total
	12-month ECLs	Lifetime ECLs (collectively assessed)	Lifetime ECLs (individually assessed)	Lifetime ECLs (not purchased or originated credit- impaired financial assets)	Lifetime ECLs (purchased or originated credit- impaired financial assets)	The loss allowances measured in accordance with IFRS 9	
Beginning balance	\$ 5,161	-	-	-	-	5,161	5,161
Changes due to financial instruments recognized as at beginning:							
– Derecognition of financial assets at current period	(3,214)	-	-	-	-	(3,214)	(3,214)
Originated or purchased new financial assets	2,856	-	-	-	-	2,856	2,856
Effects of exchange rate changes and others	(108)	-	-	-	-	(108)	(108)
Ending balance	<u>\$ 4,695</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,695</u>	<u>4,695</u>

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	For the six months ended June 30, 2020						Total
	12-month ECLs	Lifetime ECLs (collectively assessed)	Lifetime ECLs (individually assessed)	Lifetime ECLs (not purchased or originated credit- impaired financial assets)	Lifetime ECLs (purchased or originated credit- impaired financial assets)	The loss allowances measured in accordance with IFRS 9	
Beginning balance	\$ 7,343	-	-	-	-	7,343	7,343
Changes due to financial instruments recognized as at beginning:							
– Derecognition of financial assets at current period	(1,638)	-	-	-	-	(1,638)	(1,638)
Originated or purchased new financial assets	2,578	-	-	-	-	2,578	2,578
Effects of exchange rate changes and others	(1,077)	-	-	-	-	(1,077)	(1,077)
Ending balance	<u>\$ 7,206</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,206</u>	<u>7,206</u>

For the six months ended June 30, 2021 and 2020, there was no significant change in the allowance loss resulting from significant changes in the total carrying amount.

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2. Changes in loss allowance of accounts receivable, other receivables and overdue receivables

As of June 30, 2021 and 2020, the reconciliations of the beginning and ending balances for loss allowance of accounts receivable, other receivables and overdue receivables were as follows:

	For the six months ended June 30, 2021						
	12-month ECLs	Lifetime ECLs (collectively assessed)	Lifetime ECLs (individually assessed)	Lifetime ECLs (not purchased or originated credit-impaired financial assets)	Lifetime ECLs (purchased or originated credit-impaired financial assets)	The loss allowances measured in accordance with IFRS 9	Total
Beginning balance	\$ -	-	158,802	1,599	-	160,401	160,401
Originated or purchased new financial assets	-	-	767	3,517	-	4,284	4,284
Effects of exchange rate changes and others	-	-	(616)	11,068	-	10,452	10,452
Ending balance	<u>\$ -</u>	<u>-</u>	<u>158,953</u>	<u>16,184</u>	<u>-</u>	<u>175,137</u>	<u>175,137</u>

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	For the six months ended June 30, 2020						Total
	12-month ECLs	Lifetime ECLs (collectively assessed)	Lifetime ECLs (individually assessed)	Lifetime ECLs (not purchased or originated credit-impaired financial assets)	Lifetime ECLs (purchased or originated credit-impaired financial assets)	The loss allowances measured in accordance with IFRS 9	
Beginning balance	\$ -	-	159,944	31,977	-	191,921	191,921
Originated or purchased new financial assets	-	-	-	1,196	-	1,196	1,196
Effects of exchange rate changes and others	-	-	(371)	(117)	-	(488)	(488)
Ending balance	<u>\$ -</u>	<u>-</u>	<u>159,573</u>	<u>33,056</u>	<u>-</u>	<u>192,629</u>	<u>192,629</u>

Affected by the sharp plummet in US stocks in February, 2018, Fubon Futures had an unpaid amount of future exchange margins receivable amounting to \$166,071 thousand, \$166,570 thousand and \$167,059 thousand, respectively, which has yet to be recovered, and therefore, the loss allowance amounting to \$158,033 thousand, \$158,187 thousand and \$158,366 thousand, respectively, after considering the actual recovery, had been recognized, as of June 30, 2021, December 31 and June 30, 2020.

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vii) Impairment loss

As of June 30, 2021, December 31 and June 30, 2020, Fubon Securities and its subsidiaries' receivables from pecuniary finance recovery period were principally less than a year or an operating cycle (not more than a year and a half). Thus, it was assumed that book value approximated fair value without discounting at an appropriate interest rate.

As of June 30, 2021, December 31 and June 30, 2020, in accordance with the "Regulations Governing Margin and Stock Loans by Securities Firms", Fubon Securities and its subsidiaries had charged the margin for margin purchases to their customers, and held all securities purchased as collaterals. Fubon Securities set a margin ratio of around 120% to manage receivables from pecuniary finance. If the stock price fluctuates too much to maintain margin ratio of 120%, Fubon Securities and its subsidiaries will inform the customers to repay part of the financing, replenish the deposit margin, or increase the amount of collaterals to make up the balance. As of June 30, 2021, December 31 and June 30, 2020, Fubon Securities and its subsidiaries had no impairment loss on receivables from pecuniary finance, taking historical experience and the recoverable amount of collateral into account.

Some investors failed to settle stock purchases made by pecuniary finance. Therefore, Fubon Securities and its subsidiaries disposed of the securities so purchased by the investors and deducted the proceeds of such sales from receivables due to pecuniary finance. In addition, some collateral securities purchased by investors through unsettled pecuniary finance contracts were unable to be disposed of.

Fubon Securities and its subsidiaries have persistently tried to settle the aforementioned claims, and recorded the uncollected receivables from such unsettled pecuniary finance contracts and the past-maturity corporate bonds as overdue receivables.

5) Fubon Bank (Hong Kong) and its subsidiaries

The following disclosure related to Fubon Bank (Hong Kong) and its subsidiaries is all expressed in thousands of HKD, unless otherwise stated.

a) Sources and definition of credit risk

Credit risk is the risk of suffering financial loss in the event that any of Fubon Bank (Hong Kong) and its subsidiaries' customers or counterparties fail to fulfill their obligation to Fubon Bank (Hong Kong) and its subsidiaries. It arises mainly from loans and advances, debt securities held, and counterparty credit risk arising from derivative contracts entered into with customers or counterparties. It also arises from trading and treasury activities.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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b) Strategy, objectives, policies and procedures

Fubon Bank (Hong Kong) and its subsidiaries manage credit risk through a framework of controls to ensure credit risk taking activities are based on sound principles and in line with the overall business objectives of Fubon Bank (Hong Kong) and its subsidiaries. It has established a set of credit policies and procedures, which define the credit risk taking criteria, the credit approval upper limit delegated from the Board of Directors, credit monitoring processes, credit rating and sorting systems, and loan impairment criteria.

The credit risk management process is designed to facilitate early detection of customer, industry, or product risk exposures that require special monitoring. The overall portfolio risk is subject to continuous monitoring. The general risk management report covers information including large-scale risk assumptions, national risk assumptions, industry risk assumptions, loan quality, and loan depreciation, then it is submitted to the Credit Committee, the Executive Credit Committee, and the Risk Committee.

c) Credit risk management framework

The Board of Directors have delegated credit approval authorities to the following in descending order of authority: The Executive Credit Committee, the Credit Committee and the Wholesale Credit Committee. The Executive Credit Committee serves as the credit committee of the Board of Directors to review and approve credits that require the approval from the Board of Directors. In addition, it approves Fubon Bank (Hong Kong) and its subsidiaries' credit policies and credit risk profile, taking into consideration relevant law and regulations.

The Credit Committee is a management level committee that provides management oversight of Fubon Bank (Hong Kong) and its subsidiaries' credit risk management. It ensures that Fubon Bank (Hong Kong) and its subsidiaries have in place an effective credit risk management framework and that its credit risks are within the credit policies and credit risk profile as specified by the Board of Directors or its delegated committees. The Credit Committee reviews and endorses credit policies and the credit risk profile for the Executive Credit Committee's approval, and reviews and approves credit related guidelines. It also conducts ongoing review of the market environment and makes necessary policy recommendations to the Executive Credit Committee to ensure that the credit risk profile of Fubon Bank (Hong Kong) and its subsidiaries is within the established risk appetite of Fubon Bank (Hong Kong) and its subsidiaries. The Credit Committee also reviews and approves credits that are within the authority as delegated by the Board of Directors.

The Wholesale Credit Committee reviews and approves wholesale credits that are within its authority as delegated by the Board of Directors.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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The credit units, Enterprise Credit Risk Management Department, Special Assets Management Department and Retail Credit Risk Oversight & Data Analytics Team, provide centralized management of credit risk for corporate credits and retail credits respectively. They are responsible for:

- i) independent evaluation of corporate credit applications;
- ii) monitoring loan portfolios and conducting regular analysis;
- iii) managing problematical corporate credits to achieve the highest recovery;
- iv) recommending loan classification, impairment and charge-off;
- v) reporting to the Credit Committee and Executive Credit Committee regularly on aspects of the loan portfolio.

Compliance reviews are conducted by independent unit on an ongoing basis to ensure compliance with applicable laws and regulations, standards, guidelines and codes of practice. The internal audit function of Fubon Bank (Hong Kong) and its subsidiaries is an independent appraisal function set up with the primary objective of evaluating the internal control system and compliance with laws, regulatory guidelines and internal control policies.

Credit risk limits are set at different levels, including portfolio and individual customer levels, taking into consideration various factors including market situation, capital requirements, and the returns.

- d) Risk report and evaluation system

Specific policies and measures to address different kinds of credit related activities are set out below:

- i) Institutional Banking

Credit risk from institutional bank is managed by conducting thorough credit evaluation, credit risk mitigation through collateral and guarantee, internal credit rating system and post-approval monitoring system. Subject to the size of the credit, the value of collateral and the internal credit rating of the client, different levels of credit approval agencies are required. Credit decision takes into account facility structure, tenor, the repayment ability of the obligor and credit mitigation through collateral and guarantee.

Fubon Bank (Hong Kong) and its subsidiaries have established limits for credit exposure to individual industry and customer groups, regardless of whether the credit exposure is funded or non-funded. Fubon Bank (Hong Kong) and its subsidiaries also undertake ongoing credit review and monitoring at several levels. The relevant policies and procedures also take into account the rules under the Hong Kong Banking Ordinance, regulatory requirements of the HKMA and best market practices.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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ii) Retail Banking

Credit risk from Retail Banking is product driven, arising from retail loan products such as credit cards, unsecured personal loans, merchant receivable financing, mortgage loans and loans secured with wealth management products. Because of the homogeneous nature of these products, credit risk management is primarily based on statistical analyses of risks with respect to different types of product, collateral and customer. Fubon Bank (Hong Kong) and its subsidiaries determine product terms and desired customer profiles on a regular basis by developing, validating and fine-tuning internal scorecards and stress testing models.

iii) Counterparty credit risk

Unlike on-balance sheet instruments, where the credit risk is generally represented by the principal value of loans or other financial instruments, counterparty credit risk means counterparty default risk, credit valuation adjustment risk and settlement risk. Counterparty credit risk exposure means an exposure to counterparty credit risk, which involves situation in which Fubon Bank (Hong Kong) and its subsidiaries enter into a derivatives or non-same day spot foreign currency exchange settlement transaction with a counterparty which may subsequently fail to meet its obligations on or before the final settlement of the transactions. These credit exposures are managed as part of the overall credit limits to the counterparties and central clearing counterparty. In evaluating the credit risk associated with counterparty, financial strength is always the primary considerations. Fubon Bank (Hong Kong) and its subsidiaries use the current exposure method for the purpose of providing capital for such counterparty exposures.

Wrong way risk occurs when the credit exposure to a counterparty is adversely correlated with the credit quality of the counterparty. Credit exposures and potential losses may increase as a result of adverse change in market conditions. Fubon Bank (Hong Kong) and its subsidiaries have set up policies and procedures to control wrong-way risk.

iv) Credit-related commitments

The risks involved in credit-related commitments and contingencies are essentially the same as the credit risk involved in extending loan facilities to customers. These transactions are, therefore, subject to the same credit application, portfolio management and collateral requirements as for loan transactions.

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v) Concentration of credit risk

Concentration of credit risk exists when changes in geographic, economic or industry factors similarly affect groups of clients or counterparties whose aggregate credit exposure is material in relation to Fubon Bank (Hong Kong) and its subsidiaries' total exposures. Fubon Bank (Hong Kong) and its subsidiaries' financial risk exposure are diversified by client group, industry and product, but are concentrated in Hong Kong.

e) Mitigation or hedging policy, and monitoring strategy and procedure

Fubon Bank (Hong Kong) and its subsidiaries' credit evaluation focuses primarily on the obligor's repayment ability from its cash flow and financial condition. In addition, Fubon Bank (Hong Kong) and its subsidiaries employ various credit risk mitigation measures such as appropriate facility structuring, posting of collateral and/or third-party support as well as transfer of risk to other third-parties, which form an integral part of the credit risk management process. Credit and market concentration risks of credit risk reduction measures used by Fubon Bank (Hong Kong) and its subsidiaries are minimal. The most commonly used credit risk mitigation measures are provided below:

Collateral

Fubon Bank (Hong Kong) and its subsidiaries hold collateral against taking credit risk mainly in the form of cash deposits, marketable securities, and mortgage interest over property and guarantees. Fubon Bank (Hong Kong) and its subsidiaries have in place policies and procedures that govern the assessment, acceptance and the periodic valuation of the collateral. Collateral taken to secure credit risk is revalued periodically ranging from daily to annually depending on the type of collateral. For treasury operations, collateral taken is marked to market daily.

Master netting agreements

Collateral generally is not held over credit risk extended to banks, except when securities are held as part of reverse repurchase and securities borrowing activity. However, where applicable, Fubon Bank (Hong Kong) and its subsidiaries manage credit exposure to banks by entering into master netting arrangements whenever it is appropriate and feasible to do so. The netting arrangement results in the settlement of counterparty exposure on a net basis in the event a default occurs.

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Fubon Bank (Hong Kong) and its subsidiaries' preferred agreement for documenting derivatives activity is the ISDA Master Agreement which covers the contractual framework within which dealing activity across a full range of over-the-counter derivative instruments is conducted and contractually binds both parties to apply close-out netting across all outstanding transactions covered by an agreement if either party defaults or following other pre-agreed termination events.

It is also common for Fubon Bank (Hong Kong) and its subsidiaries to execute a Credit Support Annex in conjunction with the ISDA Master Agreement with the counterparty to mitigate the inherent market risk of derivative instruments.

f) Determination on credit risk significantly increase

Fubon Bank (Hong Kong) reviews the credit risk of financial assets at the reporting date to determine if the credit risk of individual financial assets have increased significantly since the initial recognition. Fubon Bank (Hong Kong) mainly considers the following in order to make a decision:

- i) The financial asset is overdue for 30 days or more
- ii) The debtor's internal credit rating declined significantly
- iii) The debtor's external credit rating dropped significantly
- iv) The debtor's industry was identified as a high-risk industry and its internal credit rating was low or individual indicators reached an early warning level
- v) Debtor was classified at the category of extra attention by Fubon Bank (Hong Kong)

g) The definition of breach of contract

Fubon Bank (Hong Kong) uses the same definitions for default and credit impairment of financial assets. If one or more of the following conditions are met, Fubon Bank (Hong Kong) determines that the financial assets have been defaulted and credit-impaired:

- i) Quantitative indicators

When financial assets-receivables are overdue for more than 90 days.

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ii) Qualitative indicators

If there is evidence that the borrower will be unable to pay the contract, or show that the borrower has significant financial difficulties, such as:

1. The borrower has filed for bankruptcy or is likely to file a bankruptcy.
2. The borrower has died or the company is dissolved.
3. The financial instrument's contract of the borrower's has been breached.
4. The financial market of the financial asset disappeared due to the financial difficulties of the borrower.
5. Due to financial or contractual reasons related to the financial difficulties of the borrower, the creditor of the borrower gives the borrower a concession that would not have been considered.
6. Purchase or originate financial assets at a substantial discount that reflects the credit losses have occurred.

h) Expected credit losses measurement

Fubon Bank (Hong Kong) classifies different types of financial assets into different groups based on their product categories and debtor identities, so that expected credit losses can be calculated to correspond to different risk parameters.

For Fubon Bank (Hong Kong), if there is no significant increase in credit risk of financial assets, the 12-month expected credit losses will be recognized. If the financial assets are significantly increase in credit risk, the expected credit losses for a lifetime will be recognized.

When Fubon Bank (Hong Kong) provides expected credit losses, it will consider the debtor's probability of default, and include loss given default and exposure at default, and consider the impact of the time value of money to calculate the corresponding expected credit loss.

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Default probability is how likely the issuer or debtor breaches the contract, and the loss given default is the rate of loss due to default by the issuer or debtor. The default probability and loss given default used by Fubon Bank (Hong Kong) are based on the historical information of internal credit losses of each combination and makes corresponding adjustments based on the current observable data and forward-looking general economic information. If individual portfolios do not have a history of credit losses, Fubon Bank (Hong Kong) will use similar combinations of credit loss history or external credit loss histories for the portfolio. In terms of loss given default, Fubon Bank (Hong Kong) mainly bases on the market value of individual collateral, and makes corresponding adjustments based on the relevant forward-looking general economic information. In determining the amount of breach of contract, Fubon Bank (Hong Kong) will consider historical data and will make an estimate of its future withdrawal amount for the amount of commitment not yet withdrawn on the statement date, to be included in the amount of breach of contractual risk.

i) Financial assets measured at amortized cost

	Units: In thousands of HKD					
	For the six months ended June 30, 2021					
	12-month ECLs	Lifetime ECLs (collectively assessed)	Lifetime ECLs (individually assessed)	Lifetime ECLs (not purchased or originated credit- impaired financial assets)	Lifetime ECLs (purchased or originated credit- impaired financial assets)	The loss allowances measured in accordance with IFRS 9
Beginning balance	\$ 86,127	-	-	-	-	86,127
Changes due to financial instruments recognized as at beginning:						
– Transfer to lifetime ECLs	(576)	-	576	-	-	-
– Derecognition of financial assets at current period	(10,818)	-	-	-	-	(10,818)
Originated or purchased new financial assets	9,952	-	-	-	-	9,952
Effects of exchange rate changes and others	(14,154)	-	7,969	-	-	(6,185)
Ending balance	<u>\$ 70,531</u>	<u>-</u>	<u>8,545</u>	<u>-</u>	<u>-</u>	<u>79,076</u>
	For the six months ended June 30, 2020					
	12-month ECLs	Lifetime ECLs (collectively assessed)	Lifetime ECLs (individually assessed)	Lifetime ECLs (not purchased or originated credit- impaired financial assets)	Lifetime ECLs (purchased or originated credit- impaired financial assets)	The loss allowances measured in accordance with IFRS 9
Beginning balance	\$ 42,616	-	-	-	-	42,616
Changes due to financial instruments recognized as at beginning:						
– Transfer to lifetime ECLs	(38)	-	38	-	-	-
– Derecognition of financial assets at current period	(12,696)	-	-	-	-	(12,696)
Originated or purchased new financial assets	14,383	-	-	-	-	14,383
Effects of exchange rate changes and others	47,245	-	5,261	-	-	52,506
Ending balance	<u>\$ 91,510</u>	<u>-</u>	<u>5,299</u>	<u>-</u>	<u>-</u>	<u>96,809</u>

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ii) Discounts and Loans

For the six months ended June 30, 2021						Units: In thousands of HKD
	12-month ECLs	Lifetime ECLs (collectively assessed)	Lifetime ECLs (individually assessed)	Lifetime ECLs (not purchased or originated credit- impaired financial assets)	Lifetime ECLs (purchased or originated credit- impaired financial assets)	The loss allowances measured in accordance with IFRS 9
Beginning balance	\$ 229,482	-	447,636	-	-	677,118
Changes due to financial instruments recognized as at beginning:						
– Transfer to lifetime ECLs	(13,277)	-	13,277	-	-	-
– Transfer to 12-month ECLs	3,526	-	(3,526)	-	-	-
– Derecognition of financial assets at current period	(40,974)	-	(14,923)	-	-	(55,897)
Originated or purchased new financial assets	78,592	-	9,471	-	-	88,063
Write-off	-	-	(142,817)	-	-	(142,817)
Effects of exchange rate changes and others	(36,413)	-	153,992	-	-	117,579
Ending balance	<u>\$ 220,936</u>	<u>-</u>	<u>463,110</u>	<u>-</u>	<u>-</u>	<u>684,046</u>
For the six months ended June 30, 2020						
	12-month ECLs	Lifetime ECLs (collectively assessed)	Lifetime ECLs (individually assessed)	Lifetime ECLs (not purchased or originated credit- impaired financial assets)	Lifetime ECLs (purchased or originated credit- impaired financial assets)	The loss allowances measured in accordance with IFRS 9
Beginning balance	\$ 93,985	-	195,972	-	-	289,957
Changes due to financial instruments recognized as at beginning:						
– Transfer to lifetime ECLs	(3,197)	-	3,197	-	-	-
– Transfer to 12-month ECLs	16,309	-	(16,309)	-	-	-
– Derecognition of financial assets at current period	(28,961)	-	(10,199)	-	-	(39,160)
Originated or purchased new financial assets	64,471	-	27,747	-	-	92,218
Write-off	-	-	(12,773)	-	-	(12,773)
Effects of exchange rate changes and others	22,645	-	85,515	-	-	108,160
Ending balance	<u>\$ 165,252</u>	<u>-</u>	<u>273,150</u>	<u>-</u>	<u>-</u>	<u>438,402</u>

iii) Off-balance sheet guarantees and commitments

For the six months ended June 30, 2021						Units: In thousands of HKD
	12-month ECLs	Lifetime ECLs (collectively assessed)	Lifetime ECLs (individually assessed)	Lifetime ECLs (not purchased or originated credit- impaired financial assets)	Lifetime ECLs (purchased or originated credit- impaired financial assets)	The loss allowances measured in accordance with IFRS 9
Beginning balance	\$ 16,296	-	5,263	-	-	21,559
Effects of exchange rate changes and others	16,362	-	1,674	-	-	18,036
Ending balance	<u>\$ 32,658</u>	<u>-</u>	<u>6,937</u>	<u>-</u>	<u>-</u>	<u>39,595</u>

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For the six months ended June 30, 2020						
	12-month ECLs	Lifetime ECLs (collectively assessed)	Lifetime ECLs (individually assessed)	Lifetime ECLs (not purchased or originated credit- impaired financial assets)	Lifetime ECLs (purchased or originated credit- impaired financial assets)	The loss allowances measured in accordance with IFRS 9
Beginning balance	\$ 16,296	-	5,263	-	-	21,559
Effects of exchange rate changes and others	21,484	-	5,335	-	-	26,819
Ending balance	<u>\$ 37,780</u>	<u>-</u>	<u>10,598</u>	<u>-</u>	<u>-</u>	<u>48,378</u>

i) The maximum exposure to credit risk

The balance sheet is not considering the maximum exposure to credit risk of the guarantees and other credit instruments being the same as their book value. The maximum exposure to credit risk of financial instruments off balance sheet is as follows (not considering the guarantees or other credit instruments):

Off-balance sheet items	Units: In thousands of HKD Maximum exposure to credit risk		
	December 31,		
	June 30, 2021	2020	June 30, 2020
Irrevocable loan commitments	\$ 2,545,233	2,775,348	2,343,010
Standby letters of credit	332,395	155,214	141,338
Financial guarantees	143,485	172,495	169,384
Total	<u>\$ 3,021,113</u>	<u>3,103,057</u>	<u>2,653,732</u>

The maximum exposure of assets and off-balance sheet items pledged as collaterals, general agreement of net amount settlement and other credit enhancement tools are as follows:

On-balance sheet items	June 30, 2021		
	General agreement of net amount settlement		
	Collaterals	General agreement of net amount settlement	Other credit enhancement tools
Discounts and loans	38.60 %	-	44.72 %
Financial assets measured at amortized cost			
— Bonds investments	-	-	5.25 %
On-balance sheet items	December 31, 2020		
	General agreement of net amount settlement		
	Collaterals	General agreement of net amount settlement	Other credit enhancement tools
Discounts and loans	39.26 %	-	34.88 %
Financial assets measured at amortized cost			
— Bonds investments	-	-	6.85 %

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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<u>On-balance sheet items</u>	June 30, 2020		
	<u>Collaterals</u>	<u>General agreement of net amount settlement</u>	<u>Other credit enhancement tools</u>
Discounts and loans	39.05 %	-	23.28 %
Financial assets measured at amortized cost			
– Bonds investments	-	-	5.96 %

j) The significant concentrations of the credit risk

Concentration of credit risk exists when changes in geographic, economic or industry factors similarly affect groups of borrowers or market counterparties whose aggregate credit exposure is material in relation to Fubon Bank (Hong Kong) and its subsidiaries' total exposures. Fubon Bank (Hong Kong) and its subsidiaries' financial risk exposure are diversified by obligor group, industry and product, but are concentrated in Hong Kong.

Information of loans and nonperforming loans in different industries, areas and guarantees with significant concentration of credit risk is as follow:

i) By industry and by area

<u>Industry and area</u>	<u>June 30, 2021</u>		<u>December 31, 2020</u>		<u>June 30, 2020</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Units: In thousands of HKD						
Gross advances for use in Hong Kong industrial, commercial and financial						
Property development	\$ 2,993,572	5.18	3,351,855	5.93	2,992,245	5.67
Property investment	7,905,949	13.67	7,867,895	13.92	8,348,817	15.81
Financial concerns	1,439,212	2.49	1,935,165	3.42	1,901,280	3.60
Stockbrokers	3,214,926	5.56	2,501,549	4.43	2,132,714	4.04
Wholesale and retail trade	975,731	1.69	1,104,961	1.96	877,486	1.66
Manufacturing	2,123,166	3.67	2,259,969	4.00	2,246,316	4.25
Transport and transport equipment	295,552	0.51	304,104	0.54	279,734	0.53
Entertainment	25,695	0.04	27,351	0.05	27,900	0.05
Information technology	710,675	1.23	533,402	0.94	374,060	0.71
Electricity and gas	463,203	0.80	341,597	0.60	322,958	0.61
Others	4,467,121	7.72	4,390,044	7.77	3,958,088	7.50
Individuals						
Project plan	3,312	0.01	3,627	0.01	3,924	0.01
Loan for the purchase of other residential properties	10,294,512	17.80	9,988,744	17.68	9,516,059	18.02
Credit card advances	707,439	1.22	745,129	1.32	747,157	1.42
Others	3,985,535	6.89	3,686,143	6.52	3,645,735	6.90
	39,605,600	68.48	39,041,535	69.09	37,374,473	70.78
Trade finance	5,819,489	10.06	5,163,614	9.14	4,997,572	9.47
Gross advances for use in Hong Kong	45,425,089	78.54	44,205,149	78.23	42,372,045	80.25
Gross advances for use outside Hong Kong	12,410,362	21.46	12,300,700	21.77	10,427,995	19.75
Gross advances to customers	<u>\$ 57,835,451</u>	<u>100.00</u>	<u>56,505,849</u>	<u>100.00</u>	<u>52,800,040</u>	<u>100.00</u>

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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	June 30, 2020										
	stage1				stage2				stage3	Loss allowance	Total
	Low risk	Medium risk	High risk	Total	Low risk	Medium risk	High risk	Total			
Discounts and loans											
Personal finance											
– Mortgage	\$ 15,971,329	-	-	15,971,329	-	204,007	-	204,007	-	9,927	16,165,409
– Consumer loans	2,313,886	-	-	2,313,886	-	5,216	-	5,216	5,661	24,927	2,299,836
Corporate finance											
– Commercial loans	31,937,159	-	-	31,937,159	-	1,984,201	-	1,984,201	378,581	403,548	33,896,393
Due from the central bank and call loans to banks	7,811,688	-	-	7,811,688	-	-	-	-	-	1,665	7,810,023
Financial assets measured at amortized cost – debt instruments	39,229,062	-	1,802,024	41,031,086	32,180	-	-	32,180	-	95,144	40,968,122
Off-balance sheet items:											
Guarantee and commitments	28,985,369	-	-	28,985,369	-	1,432,055	-	1,432,055	-	48,378	30,369,046

6) JihSun Financial Holding and its subsidiaries

a) Credit risk management

i) JihSun Securities' business

In addition to the execution of credit risk management by the risk management department independent of the business unit, each business unit under the jurisdiction of JihSun Securities also has a risk control unit. In addition to the hierarchical implementation of relevant internal regulations, and the execution of relevant reports, credit risk management also reveals and analyzes the risk profile of various risks through the establishment of scientific methods and the establishment of credit risk measurement indicators, so as to effectively assess the exposure of credit risks, and as a basis for JihSun Securities to manage and monitor overall credit risk. In order to prevent the issuer or counterparty from worsening financial position or credit status, which results in failure to perform its contractual obligations, and cause the risk of loss of the rights of JihSun Securities due to default, JihSun Securities integrates internal credit rating and external credit rating, establishing the credit rating classification system, setting the credit risk limit of the issuer and the counterparty to control the credit risk. JihSun Securities' credit risk management is maintaining the capital adequacy within the range of bearable credit risk and helping to achieve a balance between risk and reward.

ii) JihSun Bank's business

In order to make sure the credit risks are controlled under tolerance area, the process of JihSun Bank's credit risk includes risk recognition, risk evaluation, risk measurement, risk monitoring and risk reporting. To response to credit risks, if a client of consumer banking meets one of principles and conditions on the negative listing, JihSun Bank would not be willing to lend to avoid risk. As for corporate banking, JihSun Bank avoids choosing clients who have poor ratings, such as default, and alert clients. However, JihSun Bank still takes the extent of overall credit risk into account and assesses whether the collaterals or guarantees could reduce expected losses to a controllable level.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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JihSun Bank establishes a consistent method based on its business characteristics to evaluate asset quality and classification, calculates and controls its risk exposure and regularly reviews and verifies its allowance for bad debts. The credit assets of the bank are classified into 5 categories. Normal credit assets shall be classified as “Category One”. According to the status of the loan collaterals and the length of overdue, the remaining unsound credit assets should be classified as category two to category five, and be named as attention, substandard, doubtful, and loss, respectively. To manage problematic credit, JihSun Bank will make regulations as the basis of management of problematic loans and remaining debt.

Based on business characteristics and sizes, JihSun Bank builds up the grade of credit quality, supervises, collects credit information of all counterparties and credit clients, and sets up the management objectives through the regulations of credit risk management and credit policy to reduce default and concentration risks. The systems of credit risk measurement are described as follows:

1. Corporate banking

To evaluate credit risk, JihSun Bank has to do credit investigation and financial analysis by using relevant information provided by the credit clients and conduct credit rating after understanding the profiles of companies and industries. To accurately quantify credit risks, JihSun Bank has to develop various probable default models (PD) and complete a credit rating system for corporate banking. In addition to the probability of default model (PD), loss given default model (LGD) is also established by JihSun Bank. The properties of credit risk measurement system are:

- a. The risk premium is the expected loss which is measured by probability of default (PD), loss given default (LGD), and exposure at default, and it is treated as the basis of corporate credit pricing.
- b. Risk concentration control: The credit rating generated by the corporate credit rating system is the basis of JihSun Bank’s corporate credit limits. The credit balance of each credit rating cannot exceed a certain percentage of the total corporate credit balance. Lower quality of credit is granted for high risk credit clients who have poor credit ratings.
- c. Post loan risk warning: Credit rating is used in the post loan management and monitoring every warning situation.
- d. Monitor the extent of credit risk: Monitors can evaluate the extent of credit risk based on the segregation method of credit rating, and corporate group.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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2. Consumer banking

To measure credit risks of the credit clients, JihSun Bank must review the basic information such as age and occupation of the credit clients when extending consumer credit. To further quantify credit risks, JihSun Bank develops model to quantify risks of consumer banking. Currently, JihSun Bank has established the scoring card including credit loans, automobile loans, mortgage loans and credit card, behavioral scoring card, the probability of default model (PD). JihSun Bank will use these scoring cards, behavioral scoring card, and models to control credit risk effectively and enhance post loan management.

3. Investment

JihSun Bank manages the risk of debt instruments by external institutions or internal mechanism such as credit rating, credit quality of bond, country, and counterparty risk to identify credit risk.

The counterparties of JihSun Bank's derivative transactions and financial peers shall be deemed as mostly above investment grade and will be controlled according to their credit limit (including interbank credit limit); for counterparties that have no credit rating or are classified as non-investment grade, the transactions are prohibited. For general customers, credit exposure is controlled in accordance with the derivative instrument risk limit that is approved when applying for the credit by following a general procedure.

- b) Credit risks are divided into four levels and the definition of each level is described as follows:

Level	Definition
Low risk	High transparency of information and strong capacity to meet debt obligations. Low probability of default.
Medium risk	Average transparency of information and capacity to meet debt obligations. Moderate probability of default.
High risk	Low capacity to meet debt obligations and is vulnerable to external economic conditions. High probability of default.
Default	Indicates that the company or the subject has failed to perform its obligations in accordance with the contract or in line with JihSun Bank's internal management system listed in the defaulter or default level.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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- c) Judgment for the credit risk which has increased significantly since the initial recognition
- i) JihSun Financial Holding and its subsidiaries assess the change of default risk of various credit assets/financial assets during the expected duration of each reporting date to determine if the credit risk has increased significantly since initial recognition. In order to make this assessment, JihSun Financial Holding and its subsidiaries consider that the credit risk has increased significantly since the initial recognition of reasonable and corroborative information (including forward-looking information). The main considerations include: significant downgrades of internal credit ratings or external evaluations of various types of credit assets, significant downgrades of the internal credit ratings or external evaluations of various types of financial assets, when contract payments/financial assets are overdue for more than 30 days, being included in the alert accounts, having bad credit noted accounts according to JihSun Financial Holding and its subsidiaries' internal management system, credit risk of other financial instruments of the same borrower having been in default or credit impaired, etc.
- ii) Low credit risk: If it is determined that the credit risk of various loans/financial assets at the reporting date is low, it can be assumed that the credit risk of various loans/financial assets has not increased significantly since the date of initial recognition.
- d) Assets write-off policy
- JihSun Financial Holding and its subsidiaries determine the debts that cannot be recovered, which are reported to separate Board of Directors of separate company for approval and then written-off. If the debts are recovered after written-off, the balance of the allowance losses will be adjusted.
- e) Definition of various loans/financial assets being default or credit impaired
- JihSun Financial Holding and its subsidiaries' definition of various loans/financial assets being default is the same as judgment of various loans/financial assets being credit impaired. If one or more of the following conditions are matched, the financial asset is determined to be in default and credit impaired:
- i) a) Quantitative indicators: The borrower's payment stipulated in the contract is overdue for more than 90 days.
- ii) b) Qualitative indicators: If there is evidence that the borrower will be unable to pay the contract, or that the borrower has significant financial distress, such as:
1. Applied for reorganization or bankruptcy proceedings.
 2. The Company has listed as an overdue receivable.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

3. According to the internal management system, it is included in the defaulting account or negotiated account.
 4. According to the internal management system, it has bad credit alert account, related loan and financial assets were judged as financial assets impaired.
 5. The external rating is the default level.
- iii) The aforementioned financial assets that have been in default or with credit impaired, if no longer meet the definition of default of contract and credit impairment, are deemed to return to the state of normal contract status (have been cured) and are no longer considered as financial assets that have been in default or credit impaired.
- f) Measurement of expected credit loss (ECL)
- i) Adopted methods and assumptions

For various types of credit assets/financial assets with low credit risk and no significant increase in credit risk since the initial recognition, the 12-month expected credit loss amount is used to measure the allowance loss. For various loans/financial assets that have been significantly increased in credit risk or credit impaired since the initial recognition, the lifetime expected credit loss amount is used to measure the allowance loss.

To measure the expected credit loss, consider the borrower's/debtor's probability of default (PD) for the next 12 months and its lifetime, and then include the loss given default (LGD) multiplied by exposure at default (EAD), and consider the impact of the time value of money, calculate the expected credit losses for 12 months and lifetime, respectively.

PD is the default probability of the borrower/debtor, and LGD is the rate of loss caused by default by the borrower/debtor. PD and LGD used in the impairment assessment for various loans businesses or investment business of JihSun Financial Holding and its subsidiaries are calculated after adjusting historical data based on internal historical information (such as credit loss experience) of each combination, and based on the current observable information and forward-looking general economic information (such as unemployment rate and GDP, etc.) JihSun Financial Holding and its subsidiaries' relevant impairment assessments of investment business which used external credit rating to determine PD, calculated based on the corresponding rating of external credit rating and internal credit rating. The LGD of JihSun Financial Holding and its subsidiaries' investment business is calculated based on recovery rate on Moody's various bonds (distinguished into secured main order bonds, unsecured main order bonds and subordinated debentures).

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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ii) Consideration of forward-looking information

When JihSun Financial Holding and its subsidiaries measure ECL in various types of credit assets or financial assets, it takes forward-looking information into consideration, performs forward-looking model estimations based on the nature of different lending, and establishes credit risk link models based on past default rates and overall economic information. The model estimates the relationship between default rate and overall economic information and establishes a model to forecast the value of the overall economic information to predict the default rate in the next year. Then, forward-looking adjustments are made to the ECL. In principle, the validity of the above-mentioned forward-looking model is examined every year.

g) JihSun Bank's policy of mitigation of credit risk

i) Collateral

For risk events with low probability of default but large loss given, JihSun Bank takes actions such as call for additional collateral, guarantor and on balance sheet netting in order to mitigate or transfer risks. When the credit cases are evaluated to be of low probability of default and small loss given, JihSun Bank would bear the risk.

ii) Credit extension limit and credit risk concentration control

To avoid excessive concentration of credit risk, JihSun Bank has built up limits of credit balance for a same person, same related parties, same affiliated enterprises, same enterprise group and the category of industry, collaterals and countries, respectively.

iii) General conventions of net settlement

The transactions of JihSun Bank are usually settled on a gross basis, net settlement is set with certain counterparties or in the case of default when all the transaction with the counterparty are terminated and settled on a net basis to reduce credit risk.

h) Credit risk analysis

JihSun Securities and its subsidiaries

The credit risks to which JihSun Securities exposes are the risks that an issuer or a counterparty fail to perform a contractual obligation and lead to loss of the JihSun Securities.

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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The following disclosed financial assets that may be subject to default.

i) Credit risk concentration analysis

The two tables below present the credit risk exposure of financial assets by area and by industry:

Credit risk exposure — by area

Units: In thousands of TWD

	June 30, 2021						Total
	Taiwan	Hong Kong	Asia	Europe	America	Other	
Financial assets							
Financial assets at fair value \$ through profit or loss — current	7,600,783	182,341	839,626	-	9,151	-	8,631,901
Financial assets at fair value through other comprehensive income — current	28,870,441	118,562	856,299	201,850	603,553	29,876	30,680,581
Security borrowing deposits	1,005,217	-	-	-	-	-	1,005,217
Financial assets at fair value through profit or loss — non-current	-	2,149	-	-	-	-	2,149
Financial assets at fair value through other comprehensive income — non-current	8,036,812	3,660	6,268	-	-	-	8,046,740
Refinancing guaranty deposits	1,838	-	-	-	-	-	1,838
Guaranteed proceeds receivable from refinancing	1,517	-	-	-	-	-	1,517
Receivable of securities business money lending	10,899	-	-	-	-	-	10,899
Receivable of money lending — any use	646,451	-	-	-	-	-	646,451
Margin loans receivable	16,665,275	-	-	-	-	-	16,665,275
Future exchanges margins receivable	1,269	-	-	-	-	-	1,269
Total	\$ 62,840,502	306,712	1,702,193	201,850	612,704	29,876	65,693,837
Percentage by area	<u>95.65 %</u>	<u>0.47 %</u>	<u>2.59 %</u>	<u>0.31 %</u>	<u>0.93 %</u>	<u>0.05 %</u>	<u>100.00 %</u>

Note: The column Asia in the table of the credit risk concentration analysis by area in which Taiwan and Hong Kong are excluded.

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Credit risk exposure — by industry

Units: In thousands of TWD

	June 30, 2021								Total
	Central or local government	Individual	Financial industry	Manufacterin g	Electronics	Service	Construction	Funds	
Financial assets									
Financial assets at fair value through profit or loss — current	\$ 1,182,639	-	1,255,676	2,104,267	2,881,843	862,924	242,685	101,867	8,631,901
Financial assets at fair value through other comprehensive income — current	7,902,065	-	4,443,676	9,521,767	8,616,465	118,562	78,046	-	30,680,581
Security borrowing deposits	-	-	1,005,217	-	-	-	-	-	1,005,217
Financial assets at fair value through profit or loss — non-current	-	-	-	-	-	-	2,149	-	2,149
Financial assets at fair value through other comprehensive income — non-current	-	-	8,037,853	1,477	3,500	-	3,910	-	8,046,740
Refinancing guaranty deposits	-	-	1,838	-	-	-	-	-	1,838
Guaranteed proceeds receivable from refinancing	-	-	1,517	-	-	-	-	-	1,517
Receivable of securities business money lending	-	6,161	-	-	4,738	-	-	-	10,899
Receivable of money lending — any use	-	520,875	125,576	-	-	-	-	-	646,451
Margin loans receivable	-	15,760,675	720,753	1,132	7,273	3,049	172,393	-	16,665,275
Future exchanges margins receivable	-	1,269	-	-	-	-	-	-	1,269
Total	\$ 9,084,704	16,288,980	15,592,106	11,628,643	11,513,819	984,535	499,183	101,867	65,693,837
Percentage by industry	<u>13.83 %</u>	<u>24.80 %</u>	<u>23.72 %</u>	<u>17.70 %</u>	<u>17.53 %</u>	<u>1.50 %</u>	<u>0.76 %</u>	<u>0.16 %</u>	<u>100.00 %</u>

ii) Maximum exposure to credit risk

Without taking collateral or other credit enhanced instruments into account, the maximum exposure to credit risk of on-balance sheet financial assets is equal to their carrying values.

iii) Collateral and other credit enhancements

Dealing in securities trading, margin financing and securities lending business is conducted according to the regulations of the competent authority. The customer of JihSun Securities uses the stock bought by financing as collateral to apply for financing. The financing ratio is subject to legal regulation. However, JihSun Securities may give different financing ratio depending on the degree of the stock's risk in accordance with internal risk control system. If the stock price of its individual stocks fluctuates too violently, it will then control the position of the purchase of financing or the limit of the amount of financing so as to avoid the risk of excessive concentration of collateral. After the daily settlement, the price of the financing and short-selling balance of each credit account will be priced. When the customer's total guarantee retention rate is lower than the maintenance rate stipulated in the law, the customer is notified to make up the payment. The customer fails to make the payment within the prescribed time limit and the maintenance rate is not reached, JihSun Securities will dispose of the collateral to ensure the claims.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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iv) Credit risk explanations of different financial assets are as follows:

1. Financial assets at fair value through profit or loss—current

a. Bonds

Bonds and convertible bonds are included.

b. Stocks

The main stock positions include proprietary positions, underwriting positions, hedging positions and warrant positions.

c. Derivative financial instruments—OTC

When JihSun Securities trades derivative financial instruments with the counterparty over OTC (Over-the-Counter) market, ISDA master agreement is necessary between two parties. The derivative financial instruments over OTC include structured products and interest rate swap (IRS). The counterparties are all financial institutions in Taiwan.

d. Future exchanges margins

The futures margin is the margin required to participate in futures trades in the exchange market. It includes the position held for trading or hedging purpose.

e. Buy options—futures

The option position is the market value of the premiums paid to buy option contracts of Taiwan Future Exchange for holding for sale or hedging purpose, of which the risk is quite low.

f. Open end funds and money market instruments

Open end funds and money market instruments position are higher liquidity financial assets such as money market funds and short term bills, etc.

2. Financial assets at fair value through other comprehensive income—current

Financial assets at fair value through other comprehensive income—current position is proprietary trading position.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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3. Securities purchased under resell agreements

The securities purchased under resell agreements of JihSun Securities are bond transactions with terms to resale. JihSun Securities signs up master agreement with the counterparties, whereby the two parties agree to transact at an aimed price, given interest rate and interval, and agree to resell at the price as promised prior to the due date. The counterparties are all domestic financial institutions. Considering that JihSun Securities holds the bonds as collateral, the exposed amount is reduced effectively.

4. Securities borrowing deposits

Securities borrowing deposits is the caution money paid to the counterparty for securities lending or short sale.

5. Financial assets at fair value through other comprehensive income—non current

The financial assets at fair value through other comprehensive income — non-current held by JihSun Securities are mainly composed of domestic financial institutions and related with long-term investments.

6. Refinancing guaranty deposits, guaranteed proceeds receivable from refinancing and guaranteed price deposits for security borrowing

The refinancing guaranty deposits, guaranteed proceeds receivable from refinancing and guaranteed price deposits for security borrowing are all from domestic financial institutions.

7. Margin loans receivable, receivable of securities business money lending and receivable of money lending—any use

Margin loans receivable, receivable of securities business money lending and receivable of money lending—any use are mainly from domestic individuals.

8. Financial assets at fair value through profit or loss—non-current

Financial assets at fair value through profit or loss—non-current position are underwriting position.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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v) Credit risk quality level

Some of the financial assets held by JihSun Securities, such as cash and cash equivalents, financial assets at fair value through profit or loss, securities purchased under resell agreements, refundable deposits, accounts receivable and other receivables (unimpaired) are identified with relatively low credit risks, because these assets' counterparties have good credit ratings. Apart from the above, the credit quality of the remaining financial assets is analyzed as follows:

1. Credit quality analysis on receivables

Units: In thousands of TWD

	June 30, 2021										
	12-month ECL				Lifetime ECL—without impairment				Lifetime ECL – with impairment	Accumulated impairment	Net amount
	Low risk	Medium risk	High risk	Total	Low risk	Medium risk	High risk	Total			
Interest receivable from investment in debt instruments	\$ 121,413	-	-	121,413	-	-	-	-	-	55	121,358
Future exchanges margins receivable	-	-	-	-	-	-	-	-	47,619	46,350	1,269
Receivables – impaired	-	-	-	-	-	-	-	-	1,972	1,972	-
Other receivables – impaired	-	-	-	-	-	-	-	-	60,716	57,627	3,089
Overdue receivables	-	-	-	-	-	-	-	-	2,620	2,620	-

2. Credit quality analysis on investments in securities

Units: In thousands of TWD

	June 30, 2021										
	12-month ECL				Lifetime ECL—without impairment				Lifetime ECL – with impairment	Accumulated impairment	(Note)
	Low risk	Medium risk	High risk	Total	Low risk	Medium risk	High risk	Total			
Financial assets measured at fair value through other comprehensive income											
Debt investments	\$ 24,037,299	-	-	24,037,299	-	-	-	-	-	24,037,299	13,781

Note: Accumulated impairment on investments in debt instruments designated at fair value through other comprehensive income are adjusted to other equity items.

JihSun Bank

i) Maximum exposure to credit risk

Without taking collateral or other credit enhancement instruments into account, the maximum exposure to credit risk of on balance sheet financial assets is equal to their book values. The maximum exposure to credit risk of off balance sheet financial instruments are as follows:

	<u>June 30, 2021</u>
Various guarantee proceeds	\$ 2,579,562
Unused amount of issued letter of credit	427,697
Amount of irrevocable credit commitments of credit card	18,564,821
Amount of issued and irrevocable loan commitments	<u>16,842,036</u>
Total	<u>\$ 38,414,116</u>

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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The related information of maximum exposure to credit risk about the on-balance sheet and off-balance sheet items held for collateral, netting agreements and other credit enhancement obtained is as follows:

<u>June 30, 2021</u>	<u>Collateral</u>	<u>Netting agreement</u>	<u>Other credit enhancement obtained</u>	<u>Total</u>
<u>On-balance sheet items</u>				
Receivables				
— Derivatives default settlement receivable	\$ 11,440	-	-	11,440
Loans discounted	124,858,593	-	3,946,363	128,804,956
<u>Off-balance sheet items</u>				
Unused amount of issued letter of credit	19,631	-	12,131	31,762
Various guarantee proceeds	746,380	-	286,137	1,032,517
Total	<u>\$ 125,636,044</u>	<u>-</u>	<u>4,244,631</u>	<u>129,880,675</u>

- ii) The related quantitative information of credit impaired financial assets held for collateral, netting agreements and other credit enhancement obtained is as follows:

<u>June 30, 2021</u>	<u>Collateral</u>	<u>Netting agreement</u>	<u>Other credit enhancement obtained</u>	<u>Total</u>
<u>On-balance sheet items</u>				
Loans discounted	<u>\$ 815,052</u>	<u>-</u>	<u>22,875</u>	<u>837,927</u>

- iii) The relevant collateral and other credit enhancement disclosures of financial instruments not applied the impairment rules in IFRS 9

In order to reduce credit risk, JihSun Bank requires the counterparty based on the ISDA contract to provide Credit Support Annex (CSA) for derivative commodity transactions. Similar to the margin of margin trading, although both parties bear debts from each other, due to changes in market prices, one party may incur losses due to insolvency. Therefore, even if the market price changes, the two parties will provide credit support items. The two parties will still perform their obligations or they will use the credit support provided by the defaulting party to protect the rights of the non-defaulting parties.

- iv) Information on concentrations of credit risk

Concentrations of credit risk exist when counter parties to financial instrument transactions are individuals or groups engaged in similar activities with similar economic characteristics, which would impair their ability to meet contractual obligations under negative economic or other conditions.

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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The credit risk concentration originates from assets, liabilities or off balance sheet items that are generated by the transaction (irrespective of the product or service), performance, execution or cross category exposure combination, including credit extension, deposits and call loans to banks, securities investment, receivables and derivatives instruments. There is no significant concentration of credit risk within JihSun Bank in terms of a single client or counterparty to a transaction, and the transaction amount of a single client or counterparty does not account for a significant amount of JihSun Bank balance of discounts and loans and non-accrual account. The following table illustrates the diversification of the loan portfolio among geographical regions, industry sectors and collateral types.

1. By Industry

<u>Industry</u>	<u>June 30, 2021</u>	
	<u>Amount</u>	<u>%</u>
Private business	\$ 73,061,952	43.86
Individual	92,544,437	55.55
Financial institution	970,588	0.58
Others	10,663	0.01
Total	<u>\$ 166,587,640</u>	<u>100.00</u>

2. By Area

JihSun Bank primarily engages its business in Taiwan and there is no significant geographically concentrated credit risk.

3. By Collateral

<u>Collateral</u>	<u>June 30, 2021</u>	
	<u>Amount</u>	<u>%</u>
No Collateral:		
Credit	\$ 37,782,684	22.68
Collateral by:		
Stocks	14,249,589	8.55
Bonds	494,134	0.30
Real estate	110,239,742	66.18
Movables	1,825,037	1.10
Notes receivable	611,657	0.37
Guaranty	1,100,886	0.65
Others	283,911	0.17
subtotal	<u>128,804,956</u>	<u>77.32</u>
Total	<u>\$ 166,587,640</u>	<u>100.00</u>

(Continued)

Notes to the Consolidated Financial Statements

v) Credit quality and impairment analysis of financial assets

Some financial assets held by JihSun Bank and its subsidiaries, such as cash and cash equivalents, due from the Central bank, call loans to banks, financial assets at fair value through profit or loss, securities purchased under resell agreements, refundable deposits, interest receivable due from the Central bank and government bonds, receivable from pre issuing trading bonds, and other receivables financial holdings, are excluded from this analysis since most of the counterparties are normally with good credit quality and can be considered as low credit risk. Below tables provide the credit quality analysis for other financial assets of JihSun Bank and its subsidiaries.

1. Credit quality analysis of discounts and loans as well as receivables

	June 30, 2021										
	12-month ECL				Lifetime ECL—without impairment				Lifetime ECL – with	Accumulated	Net amount
	Low risk	Medium risk	High risk	Total	Low risk	Medium risk	High risk	Total	impairment	impairment	
On-balance sheet items											
Receivables											
— Credit card business	\$ 124,695	79,379	30,217	234,291	388	35,124	86,973	122,485	39,501	16,205	380,072
— Interest receivable-loans	96,286	25,610	5,042	126,938	167	241	999	1,407	1,433	552	129,226
— Acceptances receivable	17,374	-	-	17,374	-	-	-	-	-	174	17,200
— Accounts receivable factoring without recourse	-	224,175	-	224,175	-	-	-	-	-	2,242	221,933
— Derivatives default settlement receivable	-	-	-	-	-	-	-	-	319,987	233,750	86,237
— Other receivables from counterfeit fraud and legal advances	-	-	-	-	-	-	-	-	4,527	4,527	-
Loans discounted	123,618,167	32,610,211	8,349,363	164,577,741	210,941	301,678	432,906	945,525	1,064,374	2,107,065	164,480,575
Other financial assets											
— Temporary payments for other	155,033	26,866	1,147	183,046	360	4,225	3,472	8,057	95	1,518	189,680
Off-balance sheet items											
Guaranty	1,212,600	1,323,858	43,104	2,579,562	-	-	-	-	-	25,796	2,553,766
Letter of credit	385,608	37,701	-	423,309	-	-	4,388	4,388	-	159	427,538
Loan commitments	64,290,080	23,405,023	2,456,107	90,151,210	20,577	149,222	101,623	271,422	16,660	23,752	90,415,540
Total	<u>\$ 189,899,843</u>	<u>57,732,823</u>	<u>10,884,980</u>	<u>258,517,646</u>	<u>232,433</u>	<u>490,490</u>	<u>630,361</u>	<u>1,353,284</u>	<u>1,446,577</u>	<u>2,415,740</u>	<u>258,901,767</u>

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2. Credit quality analysis of security investments

Items	June 30, 2021										
	12-month ECL				Lifetime ECL – without impairment				Lifetime ECL-with impairment	Total	Accumulated impairment
	Low risk	Medium risk	High risk	Total	Low risk	Medium risk	High risk	Total			
Financial assets measured at fair value through other comprehensive income											
– Debt investments	\$ 33,600,017	-	-	33,600,017	-	-	-	-	33,600,017	12,203	
Debt investments measured at amortized cost											
– Debt investments	33,547,137	-	-	33,547,137	-	-	-	-	33,547,137	4,032	
Total	\$ 67,147,154	-	-	67,147,154	-	-	-	-	67,147,154	16,235	

(iv) Liquidity risk

Major subsidiaries are listed separately as follows:

1) Taipei Fubon Bank (The Bank) and its subsidiaries

a) Source and definition of liquidity risk

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

b) Management strategy and principles

Taipei Fubon Bank (The Bank)

- i) The Bank's strategy is to lower liquidity risk by acquiring stable, low interest rate, sufficient funding to cover asset size growth and meet obligation on matured liabilities and to escape gaps from between funding availability and demand.
- ii) 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. The Bank not only pays attention to maturities of long-term and short-term securities to match the timing of large-amount loan drawdown and repayment, but also analyzes the stability and percentages of various types of deposits to manage funding liquidity.
- iii) The Bank has set funding liquidity risk limit indicators to monitor and manage the liquidity risk of the Bank. The general manager is authorized to set up the funding liquidity risk limit within the scope of regulations and risk appetite and regularly reports to Assets and Liabilities Management Committee and the Board of Directors (Managing Directors).

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Fubon Bank (China)

- i) The liquidity risk management strategy of Fubon Bank (China) aims not only at meeting compliance and regulatory requirements but also finding sound balance between business performance and adequate liquidity position. By adjusting its short-term and long-term assets allocation and dispersing sources of funds on the basis of market conditions, Fubon Bank (China) manages its liquidity risk exposure at an acceptable level to ensure its sustainable business operations and sound reputation.
 - ii) The liquidity risk management of Fubon Bank (China) is centralized given the size and complexity of its current business scope with an organizational structure suitable for its liquidity exposure. The Board of Directors take the ultimate responsibility of the bank's liquidity risk management. The management is in charge of implementations of liquidity management, authoring the Asset & Liability Management Committee (ALCO) to implement daily management duties. Liquidity risk assessment reports are submitted via ALCO to the Risk & Related Party Transaction Committee and Board of Directors on a quarterly basis.
 - iii) The liquidity risk management of Fubon Bank (China) involves the full participation of staff in the dynamic prevention, scientific quantification and prudent management of risk to ensure that Fubon Bank (China) has sufficient funding for its capital growth and various obligations.
- c) Maturity analysis

The Bank's management policy is to match the maturities and interest rates of assets and liabilities, and to control the un-matched gap. Because of uncertain terms and different conditions, the maturities and interest rates of assets and liabilities usually do not match perfectly, and may result in a potential gain or loss. To maintain proper liquidity, the Bank uses appropriate ways to group assets and liabilities in order to evaluate liquidity and to monitor the ratios of short-term negative funding gap to total asset in major currencies.

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

An analysis of cash inflow and outflow in assets and liabilities held by Taipei Fubon Bank and its subsidiaries for managing liquidity risk for the remaining periods from the balance sheet date to the contractual maturity dates. The maturity analysis of financial assets and liabilities, derivatives assets and liabilities, and off-balance sheet items in main currencies was as follows (except for non-deliverable derivatives, all were non-discounted contractual cash flow):

i) The maturity analysis of financial assets and liabilities - TWD

Taipei Fubon Bank (The Bank)

Units: In thousands of TWD

	June 30, 2021					
	0-30 days	31-90 days	91-180 days	181-365 days	Over 1 year	Total
Assets						
Cash and due from / call loans to banks	\$ 47,147,781	4,736,935	3,890,257	5,739,328	25,916,825	87,431,126
Investment in marketable securities (Note 2)	221,070,503	14,507,758	35,945,147	56,175,584	147,545,018	475,244,010
Securities purchased under resell agreements	410,128	-	-	-	-	410,128
Loans (included overdue loans)	70,329,601	88,999,558	115,467,287	91,582,080	926,503,415	1,292,881,941
Deliverable derivative assets	111,458,702	154,438,260	121,222,390	116,172,327	27,116,297	530,407,976
Non-deliverable derivative assets	2,853,519	-	-	27,769	839,148	3,720,436
Other capital inflow on maturity	30,119,729	8,764,530	10,477,127	5,938,118	65,507,792	120,807,296
Total assets	\$ 483,389,963	271,447,041	287,002,208	275,635,206	1,193,428,495	2,510,902,913
Liabilities						
Deposits from the central bank and banks	\$ 23,877,356	1,000	-	175,367	117,000	24,170,723
Deposits and remittances	105,256,191	156,925,813	128,904,166	190,173,365	857,763,263	1,439,022,798
Securities sold under repurchase agreements	2,920,205	201,669	10,601	58,112	-	3,190,587
Payables	293,850	518,988	359,793	334,321	64,090	1,571,042
Financial bonds payable	-	-	-	10,846,897	67,483,999	78,330,896
Deliverable derivative liabilities	177,591,196	176,073,287	179,312,304	119,846,025	39,453,769	692,276,581
Non-deliverable derivative liabilities	3,181,194	-	-	-	3,075	3,184,269
Other capital outflow on maturity	26,304,155	512,739	419,180	5,077,831	9,145,736	41,459,641
Total liabilities	\$ 339,424,147	334,233,496	309,006,044	326,511,918	974,030,932	2,283,206,537

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Units: In thousands of TWD

	December 31, 2020					
	0-30 days	31-90 days	91-180 days	181-365 days	Over 1 year	Total
Assets						
Cash and due from / call loans to banks	\$ 45,033,022	4,955,087	3,247,167	5,532,064	23,023,971	81,791,311
Investment 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
Total assets	\$ 522,100,586	284,722,231	285,960,795	285,622,987	1,085,965,511	2,464,372,110
Liabilities						
Deposits from the central bank and 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
Financial bonds payable and due to the central bank and banks	-	-	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
Total liabilities	\$ 344,937,922	367,668,439	289,177,594	312,104,708	925,442,128	2,239,330,791

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Units: In thousands of TWD

	June 30, 2020					
	0-30 days	31-90 days	91-180 days	181-365 days	Over 1 year	Total
Assets						
Cash and due from / call loans to banks	\$ 55,969,487	5,086,477	3,905,718	5,887,021	22,379,370	93,228,073
Investment in marketable securities (Note 2)	207,203,636	16,164,256	27,527,678	91,796,105	113,651,230	456,342,905
Securities purchased under resell agreements	9,285,538	-	-	-	-	9,285,538
Loans (included overdue loans)	62,030,221	74,239,086	99,408,797	64,530,481	823,218,467	1,123,427,052
Deliverable derivative assets	163,656,214	204,602,670	146,315,823	129,388,576	21,161,176	665,124,459
Non-deliverable derivative assets	4,291,438	1,344	2,667	15,218	1,010,653	5,321,320
Other capital inflow on maturity	28,074,937	8,393,478	9,990,501	5,799,661	58,476,657	110,735,234
Total assets	<u>\$ 530,511,471</u>	<u>308,487,311</u>	<u>287,151,184</u>	<u>297,417,062</u>	<u>1,039,897,553</u>	<u>2,463,464,581</u>
Liabilities						
Deposits from the central bank and banks	\$ 26,007	1,000	-	219,759	121,000	367,766
Deposits and remittances	117,146,317	166,959,574	128,227,288	193,274,767	733,744,579	1,339,352,525
Securities sold under repurchase agreements	8,908,546	662,660	10,951	-	-	9,582,157
Payables	380,312	765,480	553,898	539,139	89,766	2,328,595
Financial bonds payable	-	5,651,344	902,667	5,515,218	68,502,008	80,571,237
Deliverable derivative liabilities	221,518,859	239,280,739	163,889,496	122,868,050	31,122,427	778,679,571
Non-deliverable derivative liabilities	4,267,032	-	-	-	8,646	4,275,678
Other capital outflow on maturity	21,240,007	537,143	326,765	5,030,608	9,772,407	36,906,930
Total liabilities	<u>\$ 373,487,080</u>	<u>413,857,940</u>	<u>293,911,065</u>	<u>327,447,541</u>	<u>843,360,833</u>	<u>2,252,064,459</u>

Note1: The above amounts include only New Taiwan dollar amounts (exclude foreign currencies) held by the headquarter and domestic branches of Taipei Fubon Bank.

Note2: Investment in marketable securities includes financial assets measured at fair value through profit or loss, financial assets measured at fair value through other comprehensive income and debt investments measured at amortized cost.

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

ii) The maturity analysis of financial assets and liabilities - USD

Taipei Fubon Bank (The Bank)

Units: In thousands of USD

	June 30, 2021					
	0-30 days	31-90 days	91-180 days	181-365 days	Over 1 year	Total
Assets						
Cash and due from / call loans to banks	\$ 1,541,929	396,000	219,500	826,000	-	2,983,429
Investment in marketable securities (Note 2)	727,527	60,659	46,573	194,787	9,265,248	10,294,794
Securities purchased under resell agreements	71,159	31,013	-	-	-	102,172
Loans (included overdue loans)	1,008,827	870,673	519,328	411,282	1,450,125	4,260,235
Deliverable derivative assets	10,071,475	6,986,804	7,093,290	5,100,767	1,419,420	30,671,756
Non-deliverable derivative assets	25,006	-	-	-	31,682	56,688
Other capital inflow on maturity	1,073,868	272,202	64,881	9,507	53,939	1,474,397
Total assets	\$ 14,519,791	8,617,351	7,943,572	6,542,343	12,220,414	49,843,471
Liabilities						
Deposits from the central bank and banks	\$ 1,695,742	1,799,000	330,000	35,000	-	3,859,742
Deposits and remittances	3,409,412	3,689,859	2,832,721	3,000,658	4,275,223	17,207,873
Securities sold under repurchase agreements	972,742	1,840,806	588,701	-	-	3,402,249
Payables	13,351	20,128	10,313	804	4	44,600
Financial bonds payable	-	-	-	-	455,436	455,436
Deliverable derivative liabilities	5,815,998	6,255,640	4,930,865	4,950,699	984,101	22,937,303
Non-deliverable derivative liabilities	76,796	50	181	1,687	248,019	326,733
Other capital outflow on maturity	483,194	87,976	20,360	4,413	442,188	1,038,131
Total liabilities	\$ 12,467,235	13,693,459	8,713,141	7,993,261	6,404,971	49,272,067

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Units: In thousands of USD

	December 31, 2020					
	<u>0-30 days</u>	<u>31-90 days</u>	<u>91-180 days</u>	<u>181-365 days</u>	<u>Over 1 year</u>	<u>Total</u>
Assets						
Cash and due from / call loans to banks	\$ 1,829,036	553,000	855,000	589,500	-	3,826,536
Investment 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 (included 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
Total assets	<u>\$ 15,199,892</u>	<u>8,873,664</u>	<u>7,204,752</u>	<u>5,515,724</u>	<u>11,667,107</u>	<u>48,461,139</u>
Liabilities						
Deposits from the central bank and 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
Financial bonds payable	-	-	-	-	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
Total liabilities	<u>\$ 14,359,358</u>	<u>11,540,483</u>	<u>5,236,237</u>	<u>7,521,060</u>	<u>9,230,577</u>	<u>47,887,715</u>

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Units: In thousands of USD

	June 30, 2020					
	0-30 days	31-90 days	91-180 days	181-365 days	Over 1 year	Total
Assets						
Cash and due from / call loans to banks	\$ 1,963,040	1,115,000	1,016,000	726,000	-	4,820,040
Investment in marketable securities (Note 2)	727,371	25,012	53,324	180,348	8,343,644	9,329,699
Securities purchased under resell agreements	657	4,215	-	-	-	4,872
Loans (included overdue loans)	1,544,837	479,784	456,226	242,153	1,459,477	4,182,477
Deliverable derivative assets	10,566,807	9,042,746	6,210,864	4,567,447	1,066,939	31,454,803
Non-deliverable derivative assets	34,106	-	-	11	50,292	84,409
Other capital inflow on maturity	802,081	254,373	71,685	11,475	722,377	1,861,991
Total assets	\$ 15,638,899	10,921,130	7,808,099	5,727,434	11,642,729	51,738,291
Liabilities						
Deposits from the central bank and banks	\$ 3,124,198	867,000	-	-	-	3,991,198
Deposits and remittances	2,520,329	2,678,469	1,395,532	1,969,357	5,738,078	14,301,765
Securities sold under repurchase agreements	861,934	1,821,315	779,504	-	-	3,462,753
Payables	15,253	19,605	9,475	683	24	45,040
Financial bonds payable	-	-	-	-	690,948	690,948
Deliverable derivative liabilities	7,845,101	8,100,944	5,503,165	4,825,748	792,204	27,067,162
Non-deliverable derivative liabilities	48,107	-	216	997	361,230	410,550
Other capital outflow on maturity	957,377	70,073	37,658	5,906	335,117	1,406,131
Total liabilities	\$ 15,372,299	13,557,406	7,725,550	6,802,691	7,917,601	51,375,547

Note1 : The above amounts include only USD amounts held by headquarter, domestic branches and offshore banking units of Taipei Fubon Bank.

Note2 : Investment in marketable securities includes financial assets measured at fair value through profit or loss, financial assets measured at fair value through other comprehensive income and debt investments measured at amortized cost.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

iii) The maturity analysis of financial assets and liabilities - CNY

Fubon Bank (China)

Units: In thousands of CNY

	June 30, 2021					Total
	0-30 days	31-90 days	91-365 days	Over 1 year	Undetermined	
Assets						
Cash and due from / call loans to banks	\$ 5,840,818	-	-	-	8,215,257	14,056,075
Investment in marketable securities (Note)	387,340	726,323	2,730,142	46,678,859	15,911	50,538,575
Securities purchased under resell agreements	514,876	-	-	-	-	514,876
Loans (included overdue loans)	6,570,178	9,934,951	29,478,057	24,476,543	-	70,459,729
Deliverable derivative assets	63,371,101	40,308,244	88,283,552	297,644	-	192,260,541
Non-deliverable derivative assets	7,205	13,185	7,563	-	-	27,953
Other capital inflow on maturity	949,606	950,690	1,083,528	-	761,546	3,745,370
Total assets	\$ 77,641,124	51,933,393	121,582,842	71,453,046	8,992,714	331,603,119
Liabilities						
Deposits from the central bank and banks	\$ 547,353	1,999,289	2,810,606	-	-	5,357,248
Deposits and remittances	40,167,942	8,979,676	18,453,811	18,300,737	-	85,902,166
Securities sold under repurchase agreements	4,936,502	-	-	-	-	4,936,502
Payables	969,284	947,221	1,083,528	539	-	3,000,572
Financial bonds payable	20,357	-	197,857	5,974,539	-	6,192,753
Deliverable derivatives liabilities	63,400,877	40,359,974	88,247,422	297,726	-	192,305,999
Non-deliverable derivatives liabilities	1,823	3,723	11,751	-	-	17,297
Other capital outflow on maturity	4,319,518	6,969,556	5,365,431	-	6,677	16,661,182
Total liabilities	\$ 114,363,656	59,259,439	116,170,406	24,573,541	6,677	314,373,719

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Units: In thousands of CNY

	December 31, 2020					
	0-30 days	31-90 days	91-365 days	Over 1 year	Undetermined	Total
Assets						
Cash and due from / call loans to 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 (included 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
Total assets	\$ 67,853,569	58,864,441	124,717,164	66,104,948	9,186,254	326,726,376
Liabilities						
Deposits from the central bank and 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
Financial bonds payable	20,342	32,000	165,842	6,078,077	-	6,296,261
Deliverable derivatives liabilities	51,760,242	44,749,139	99,165,790	-	-	195,675,171
Non-deliverable derivatives 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
Total liabilities	\$ 97,160,809	68,212,050	124,082,932	22,597,698	6,677	312,060,166

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Units: In thousands of CNY

	June 30, 2020					
	0-30 days	31-90 days	91-365 days	Over 1 year	Undetermined	Total
Assets						
Cash and due from / call loans to banks	\$ 3,362,884	-	-	-	7,107,383	10,470,267
Investments in marketable securities (Note)	9,494,085	2,324,308	2,376,731	39,088,403	-	53,283,527
Loans (included overdue loans)	4,525,363	8,479,634	25,446,112	20,646,190	-	59,097,299
Deliverable derivative assets	34,631,818	47,725,999	69,544,543	473,747	-	152,376,107
Non deliverable derivative assets	43,304	16,036	33,020	1,901	-	94,261
Other capital inflow on maturity	2,198,342	1,189,441	3,018,475	-	19,849	6,426,107
Total assets	\$ 54,255,796	59,735,418	100,418,881	60,210,241	7,127,232	281,747,568
Liabilities						
Deposits from the central bank and banks	\$ 2,970,294	3,592,631	2,191,761	-	-	8,754,686
Deposits and remittances	34,853,091	16,165,091	21,346,531	8,394,875	-	80,759,588
Securities sold under repurchase agreements	4,249,201	-	-	-	-	4,249,201
Payables	1,857,932	1,171,099	2,882,824	544	-	5,912,399
Financial bonds payable	20,400	-	158,700	5,077,600	-	5,256,700
Deliverable derivatives liabilities	34,621,529	47,687,410	69,494,086	473,830	-	152,276,855
Non-deliverable derivatives liabilities	950	326	740	74	-	2,090
Other capital outflow on maturity	2,771,190	4,075,680	3,563,780	59,600	46,677	10,516,927
Total liabilities	\$ 81,344,587	72,692,237	99,638,422	14,006,523	46,677	267,728,446

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

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

iv) The maturity analysis of derivatives assets and liabilities - TWD

Taipei Fubon Bank (The Bank)

Units: In thousands of TWD

	June 30, 2021					
	0-30 days	31-90 days	91-180 days	181-365 days	Over 1 year	Total
Assets						
Deliverable derivative assets						
– Forward contracts	\$ 1,151,902	1,491,057	584,025	1,547,806	-	4,774,790
– Currency swap	108,179,673	142,025,949	103,796,320	100,622,257	3,446,007	458,070,206
– Cross currency swap	2,127,127	10,921,254	16,842,045	14,002,264	23,670,290	67,562,980
Subtotal	<u>111,458,702</u>	<u>154,438,260</u>	<u>121,222,390</u>	<u>116,172,327</u>	<u>27,116,297</u>	<u>530,407,976</u>
Non-deliverable derivative assets						
– Foreign exchange derivative instruments	289,644	-	-	-	-	289,644
– Interest rate derivative instruments – hedging	-	-	-	27,769	839,148	866,917
– Interest rate derivative instruments – non-hedging	2,166,273	-	-	-	-	2,166,273
– Equity derivative instruments	397,602	-	-	-	-	397,602
Subtotal	<u>2,853,519</u>	<u>-</u>	<u>-</u>	<u>27,769</u>	<u>839,148</u>	<u>3,720,436</u>
Liabilities						
Deliverable derivative liabilities						
– Forward contracts	\$ 2,244,129	1,911,669	178,724	27,798	-	4,362,320
– Currency swap	169,736,187	167,823,348	175,033,380	104,145,937	15,511,254	632,250,106
– Cross currency swap	5,610,880	6,338,270	4,100,200	15,672,290	23,942,515	55,664,155
Subtotal	<u>177,591,196</u>	<u>176,073,287</u>	<u>179,312,304</u>	<u>119,846,025</u>	<u>39,453,769</u>	<u>692,276,581</u>
Non-deliverable derivative liabilities						
– Foreign exchange derivative instruments	289,644	-	-	-	-	289,644
– Interest rate derivative instrument – hedging	-	-	-	-	3,075	3,075
– Interest rate derivative instruments – non-hedging	2,503,140	-	-	-	-	2,503,140
– Equity derivative instruments	388,410	-	-	-	-	388,410
Subtotal	<u>3,181,194</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,075</u>	<u>3,184,269</u>

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Units: In thousands of TWD

	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 swap	125,769,111	125,473,061	80,578,243	125,405,947	-	457,226,362
– Cross currency swap	24,150,605	33,382,839	22,872,465	17,364,319	24,151,135	121,921,363
Subtotal	<u>151,328,391</u>	<u>161,823,911</u>	<u>104,476,027</u>	<u>144,319,747</u>	<u>24,237,528</u>	<u>586,185,604</u>
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	<u>3,243,715</u>	<u>-</u>	<u>6,238</u>	<u>-</u>	<u>986,418</u>	<u>4,236,371</u>
Liabilities						
Deliverable derivative liabilities						
– Forward contracts	\$ 2,547,224	2,138,964	344,669	-	-	5,030,857
– Currency swap	164,046,997	175,739,617	155,341,130	96,495,385	16,091,952	607,715,081
– Cross currency swap	5,828,050	10,826,805	7,170,820	18,946,740	27,559,075	70,331,490
Subtotal	<u>172,422,271</u>	<u>188,705,386</u>	<u>162,856,619</u>	<u>115,442,125</u>	<u>43,651,027</u>	<u>683,077,428</u>
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	<u>3,399,750</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,399,750</u>

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Units: In thousands of TWD

	June 30, 2020					
	0-30 days	31-90 days	91-180 days	181-365 days	Over 1 year	Total
Assets						
Deliverable derivative assets						
– Forward contracts	\$ 353,864	2,157,297	2,280,644	3,417,681	849,772	9,059,258
– Currency swap	152,020,172	187,426,286	134,954,727	85,146,704	165,879	559,713,768
– Cross currency swap	11,282,178	15,019,087	9,080,452	40,824,191	20,145,525	96,351,433
Subtotal	<u>163,656,214</u>	<u>204,602,670</u>	<u>146,315,823</u>	<u>129,388,576</u>	<u>21,161,176</u>	<u>665,124,459</u>
Non-deliverable derivative assets						
– Foreign exchange derivative instruments	756,667	-	-	-	-	756,667
– Interest rate derivative instruments – hedging	-	1,344	2,667	15,218	1,010,653	1,029,882
– Interest rate derivative instruments – non-hedging	3,303,878	-	-	-	-	3,303,878
– Equity derivative instruments	230,893	-	-	-	-	230,893
Subtotal	<u>4,291,438</u>	<u>1,344</u>	<u>2,667</u>	<u>15,218</u>	<u>1,010,653</u>	<u>5,321,320</u>
Liabilities						
Deliverable derivative liabilities						
– Forward contracts	\$ 2,131,216	1,444,347	122,523	-	-	3,698,086
– Currency swap	210,000,443	222,926,302	149,233,663	99,194,325	12,971,537	694,326,270
– Cross currency swap	9,387,200	14,910,090	14,533,310	23,673,725	18,150,890	80,655,215
Subtotal	<u>221,518,859</u>	<u>239,280,739</u>	<u>163,889,496</u>	<u>122,868,050</u>	<u>31,122,427</u>	<u>778,679,571</u>
Non-deliverable derivative liabilities						
– Foreign exchange derivative instruments	756,667	-	-	-	-	756,667
– Interest rate derivative instrument-hedging	-	-	-	-	8,646	8,646
– Interest rate derivative instruments – non-hedging	3,275,202	-	-	-	-	3,275,202
– Equity derivative instruments	235,163	-	-	-	-	235,163
Subtotal	<u>4,267,032</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,646</u>	<u>4,275,678</u>

Note: The above amounts include only New Taiwan dollar amounts (exclude foreign currencies) held by headquarter and domestic branches of Taipei Fubon Bank.

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

v) The maturity analysis of derivative assets and liabilities - USD

Taipei Fubon Bank (The Bank)

Units: In thousands of USD

	June 30, 2021					
	0-30 days	31-90 days	91-180 days	181-365 days	Over 1 year	Total
Assets						
Deliverable derivative assets						
– Forward contracts	\$ 376,574	253,489	127,791	120,527	-	878,381
– Currency swap	9,504,901	6,523,315	6,825,499	4,455,240	580,420	27,889,375
– Cross currency swap	190,000	210,000	140,000	525,000	839,000	1,904,000
Subtotal	<u>10,071,475</u>	<u>6,986,804</u>	<u>7,093,290</u>	<u>5,100,767</u>	<u>1,419,420</u>	<u>30,671,756</u>
Non-deliverable derivative assets						
– Foreign exchange derivative instruments	14,221	-	-	-	-	14,221
– Interest rate derivative instruments – hedging	-	-	-	-	31,682	31,682
– Interest rate derivative instruments – non-hedging	10,519	-	-	-	-	10,519
– Equity derivative instruments	173	-	-	-	-	173
– Commodity derivative instruments	93	-	-	-	-	93
Subtotal	<u>25,006</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,682</u>	<u>56,688</u>
Liabilities						
Deliverable derivative liabilities						
– Forward contracts	\$ 331,303	299,121	251,669	157,129	-	1,039,222
– Currency swap	5,408,573	5,571,245	4,104,411	4,315,051	167,239	19,566,519
– Cross currency swap	76,122	385,274	574,785	478,519	816,862	2,331,562
Subtotal	<u>5,815,998</u>	<u>6,255,640</u>	<u>4,930,865</u>	<u>4,950,699</u>	<u>984,101</u>	<u>22,937,303</u>
Non-deliverable derivative liabilities						
– Foreign exchange derivative instruments	16,275	-	-	-	-	16,275
– Interest rate derivative instruments – hedging	19	50	181	1,687	248,019	249,956
– Interest rate derivative instruments – non-hedging	60,233	-	-	-	-	60,233
– Equity derivative instruments	176	-	-	-	-	176
– Commodity derivative instruments	93	-	-	-	-	93
Subtotal	<u>76,796</u>	<u>50</u>	<u>181</u>	<u>1,687</u>	<u>248,019</u>	<u>326,733</u>

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Units: In thousands of USD

	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 swap	9,340,060	6,948,739	5,452,018	3,948,627	586,234	26,275,678
– Cross currency swap	201,438	357,277	235,000	640,000	934,000	2,367,715
Subtotal	<u>10,262,816</u>	<u>7,521,854</u>	<u>5,723,782</u>	<u>4,598,074</u>	<u>1,520,234</u>	<u>29,626,760</u>
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 instruments – non-hedging	12,067	-	-	-	-	12,067
– Equity derivative instruments	161	-	-	-	-	161
– Commodity derivative instruments	149	-	-	-	-	149
Subtotal	<u>28,719</u>	<u>2</u>	<u>-</u>	<u>-</u>	<u>39,173</u>	<u>67,894</u>
Liabilities						
Deliverable derivative liabilities						
– Forward contracts	\$ 255,170	341,783	74,377	12,694	34,486	718,510
– Currency swap	6,310,398	4,945,259	2,954,293	5,040,690	2,993	19,253,633
– Cross currency swap	839,336	1,148,672	681,576	593,025	813,300	4,075,909
Subtotal	<u>7,404,904</u>	<u>6,435,714</u>	<u>3,710,246</u>	<u>5,646,409</u>	<u>850,779</u>	<u>24,048,052</u>
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 instruments – non-hedging	46,686	-	-	-	-	46,686
– Equity derivative instruments	179	-	-	-	-	179
– Commodity derivative instruments	149	-	-	-	-	149
Subtotal	<u>64,504</u>	<u>-</u>	<u>320</u>	<u>826</u>	<u>304,228</u>	<u>369,878</u>

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Units: In thousands of USD

	June 30, 2020					
	0-30 days	31-90 days	91-180 days	181-365 days	Over 1 year	Total
Assets						
Deliverable derivative assets						
– Forward contracts	\$ 564,945	211,458	132,127	20,287	-	928,817
– Currency swap	9,696,862	8,351,288	5,603,737	3,764,883	471,939	27,888,709
– Cross currency swap	305,000	480,000	475,000	782,277	595,000	2,637,277
Subtotal	<u>10,566,807</u>	<u>9,042,746</u>	<u>6,210,864</u>	<u>4,567,447</u>	<u>1,066,939</u>	<u>31,454,803</u>
Non-deliverable derivative assets						
– Foreign exchange derivative instruments	22,169	-	-	-	-	22,169
– Interest rate derivative instruments – hedging	-	-	-	11	50,292	50,303
– Interest rate derivative instruments – non-hedging	11,288	-	-	-	-	11,288
– Equity derivative instruments	199	-	-	-	-	199
– Commodity derivative instruments	450	-	-	-	-	450
Subtotal	<u>34,106</u>	<u>-</u>	<u>-</u>	<u>11</u>	<u>50,292</u>	<u>84,409</u>
Liabilities						
Deliverable derivative liabilities						
– Forward contracts	\$ 151,666	168,948	165,698	106,747	34,886	627,945
– Currency swap	7,323,890	7,495,979	5,040,281	3,342,175	95,456	23,297,781
– Cross currency swap	369,545	436,017	297,186	1,376,826	661,862	3,141,436
Subtotal	<u>7,845,101</u>	<u>8,100,944</u>	<u>5,503,165</u>	<u>4,825,748</u>	<u>792,204</u>	<u>27,067,162</u>
Non-deliverable derivative liabilities						
– Foreign exchange derivative instruments	22,992	-	-	-	-	22,992
– Interest rate derivative instruments – hedging	17	-	216	997	361,230	362,460
– Interest rate derivative instruments – non-hedging	24,381	-	-	-	-	24,381
– Equity derivative instruments	270	-	-	-	-	270
– Commodity derivative instruments	447	-	-	-	-	447
Subtotal	<u>48,107</u>	<u>-</u>	<u>216</u>	<u>997</u>	<u>361,230</u>	<u>410,550</u>

Note: The above amounts include only USD amounts held by headquarter, domestic branches and offshore banking units of Taipei Fubon Bank.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

vi) The maturity analysis of derivative assets and liabilities - CNY

Fubon Bank (China)

		Units: In thousands of CNY				
		June 30, 2021				
		0~30 days	31~90 days	91~365 days	Over 1 year	Total
Assets						
Deliverable derivative assets						
– Forward contracts	\$	488,853	741,411	1,421,021	-	2,651,285
– Currency swap		62,882,248	39,566,833	86,862,531	297,644	189,609,256
Subtotal		63,371,101	40,308,244	88,283,552	297,644	192,260,541
Non-deliverable derivative assets						
– Interest rate derivative instruments – non-hedging		1,956	3,771	7,563	-	13,290
– Options		5,249	9,414	-	-	14,663
Subtotal		7,205	13,185	7,563	-	27,953
Liabilities						
Deliverable derivative liabilities						
– Forward contracts	\$	490,143	741,776	1,409,619	-	2,641,538
– Currency swap		62,910,734	39,618,198	86,837,803	297,726	189,664,461
Subtotal		63,400,877	40,359,974	88,247,422	297,726	192,305,999
Non-deliverable derivative liabilities						
– Interest rate derivative instruments – non-hedging		1,823	3,721	11,751	-	17,295
– Options		-	2	-	-	2
Subtotal		1,823	3,723	11,751	-	17,297
		Units: In thousands of CNY				
		December 31, 2020				
		0~30 days	31~90 days	91~365 days	Over 1 year	Total
Asset						
Deliverable derivatives assets						
– Forward contracts	\$	78,827	49,099	466,391	-	594,317
– Currency swap		51,215,041	44,467,684	98,671,092	-	194,353,817
Subtotal		51,293,868	44,516,783	99,137,483	-	194,948,134
Non-deliverable derivatives assets						
– Interest rate derivatives instruments – non-hedging		1,710	2,045	3,258	-	7,013
– Options		23,193	38,153	66,629	-	127,975
Subtotal		24,903	40,198	69,887	-	134,988
Liabilities						
Deliverable derivatives liabilities						
– Forward contracts	\$	80,408	50,558	450,470	-	581,436
– Currency swap		51,679,834	44,698,581	98,715,320	-	195,093,735
Subtotal		51,760,242	44,749,139	99,165,790	-	195,675,171
Non-deliverable derivatives liabilities						
– Interest rate derivatives instruments – non-hedging		1,105	1,139	1,234	-	3,478
– Options		-	101	1,138	-	1,239
Subtotal		1,105	1,240	2,372	-	4,717

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Units: In thousands of CNY

	June 30, 2020				
	0-30 days	31-90 days	91-365 days	Over 1 year	Total
Assets					
Deliverable derivative assets					
– Forward contracts	\$ 122,485	91,356	423,890	-	637,731
– Currency swap	34,034,877	47,235,276	65,976,282	473,747	147,720,182
– Options	474,456	399,367	3,143,239	-	4,017,062
– Equity exchange	-	-	1,132	-	1,132
Subtotal	<u>34,631,818</u>	<u>47,725,999</u>	<u>69,544,543</u>	<u>473,747</u>	<u>152,376,107</u>
Non-deliverable derivative assets					
– Interest rate derivative instruments – non-hedging	43,304	16,036	33,020	1,901	94,261
Liabilities					
Deliverable derivative liabilities					
– Forward contracts	\$ 121,128	91,281	441,012	-	653,421
– Currency swap	34,022,545	47,196,490	65,908,703	473,830	147,601,568
– Options	477,856	399,639	3,143,239	-	4,020,734
– Equity exchange	-	-	1,132	-	1,132
Subtotal	<u>34,621,529</u>	<u>47,687,410</u>	<u>69,494,086</u>	<u>473,830</u>	<u>152,276,855</u>
Non-deliverable derivative liabilities					
– Interest rate derivative instruments – non-hedging	950	326	740	74	2,090

vii) The maturity analysis of off-balance sheet items

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

Taipei Fubon Bank (The Bank)

Units: In thousands of TWD

June 30, 2021	0-30 days	31-90 days	91-180 days	181-365 days	Over 1 year	Total
Irrevocable loan commitments	\$ 219,450,558	-	-	-	-	219,450,558
Standby letters of credit	9,941,078	-	-	-	-	9,941,078
Financial guarantees	15,402,645	2,706,000	-	-	2,846,730	20,955,375
Total	<u>\$ 244,794,281</u>	<u>2,706,000</u>	<u>-</u>	<u>-</u>	<u>2,846,730</u>	<u>250,347,011</u>

Units: In thousands of TWD

December 31, 2020	0-30 days	31-90 days	91-180 days	181-365 days	Over 1 year	Total
Irrevocable loan 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	<u>\$ 223,582,931</u>	<u>1,785,400</u>	<u>26,196</u>	<u>3,632,475</u>	<u>2,944,721</u>	<u>231,971,723</u>

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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Units: In thousands of TWD

June 30, 2020	0-30 days	31-90 days	91-180 days	181-365 days	Over 1 year	Total
Irrevocable loan commitments	\$ 215,042,685	-	-	-	-	215,042,685
Standby letters of credit	7,192,212	-	-	-	-	7,192,212
Financial guarantees	11,461,827	2,927,596	-	26,196	4,163,170	18,578,789
Total	\$ 233,696,724	2,927,596	-	26,196	4,163,170	240,813,686

Fubon Bank (China)

Units: In thousands of CNY

June 30, 2021	0-30 days	31-90 days	91-365 days	Over 1 year	Total
Irrevocable loan commitments	\$ -	5,937	253,022	702,466	961,425
Standby letters of credit	6,055	3,768	15,341	2,997	28,161
Financial guarantees	10,519	191,495	216,237	46,550	464,801
Total	\$ 16,574	201,200	484,600	752,013	1,454,387

Units: In thousands of CNY

December 31, 2020	0-30 days	31-90 days	91-365 days	Over 1 year	Total
Irrevocable loan 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

Units: In thousands of CNY

June 30, 2020	0-30 days	31-90 days	91-365 days	Over 1 year	Total
Irrevocable loan commitments	108,709	-	189,155	972,358	1,270,222
Standby letters of credit	\$ 141,380	151,010	-	-	292,390
Financial guarantees	95,589	190,784	378,958	18,577	683,908
Total	\$ 345,678	341,794	568,113	990,935	2,246,520

2) Fubon Life Insurance and its subsidiaries

The liquidity risk of financial instruments is divided into capital liquidity risk and market liquidity risk. Capital liquidity risk refers to the risk that Fubon Life Insurance does not possess sufficient cash and is not able to raise funds in time and finally failed to fulfill the obligation (debt repayment). Market liquidity risk refers to the risk that Fubon Life Insurance is not able to settle or offset current position with reasonable market price due to the shallow market depth or market disorder or the oversized possession of the investment position and finally Fubon Life Insurance may suffer from losses.

In terms of capital liquidity risk, Fubon Life Insurance and its subsidiaries manage it in two aspects, short term and mid-to-long term. In addition to the capital liquidity ratio set up for the index of measurement and control of short-term liquidity, relevant departments have established prompt capital report mechanism and apply proper currency market instruments for daily capital movement. Mid-to-long term capital liquidity management is reviewed by the Assets and Liabilities Management Committee. The cash flow analysis model is applied to monitor the coordination of assets and liabilities in order to lower related risks.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Regarding the market liquidity risk, the risk management department of Fubon Life Insurance and its subsidiaries establishes monitoring mechanism in terms of daily transaction concentration, investment position limit and current assets deployment in order to avoid market liquidity risk.

In addition, Fubon Life Insurance and its subsidiaries establish complete crisis management and responding mechanism to cope with significant capital demand of unusual or emergent situations.

Fubon Life Insurance and its subsidiaries possess sufficient operating funds, including cash and cash equivalent and securities with excellent liquidity such as government bond, to cover the investments and debt repayments. Therefore, the liquidity risk of Fubon Life Insurance and its subsidiaries is extremely low. In addition, the derivative financial instruments Fubon Life Insurance and its subsidiaries engage in, such as delivery forward exchange contracts and foreign exchange swaps, are all of highly liquid currencies. The possibility that they are not able to be sold at reasonable prices in the market is minimum, and therefore the market liquidity risk is low. Furthermore, forward exchange contracts and foreign exchange swaps, which matured are mostly rolled forward and the capital to pay for the settlements is sufficient. Thus, the capital liquidity risk is insignificant.

The maturity structure of the non-derivative financial liabilities of Fubon Life Insurance and its subsidiaries is listed below:

	June 30, 2021				
	Less than 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
Accounts payable	\$ 68,032,198	227,939	-	-	68,260,137
Bonds payables (Note)	3,552,803	6,324,067	4,303,753	64,625,606	78,806,229
Total	<u>\$ 71,585,001</u>	<u>6,552,006</u>	<u>4,303,753</u>	<u>64,625,606</u>	<u>147,066,366</u>
	December 31, 2020				
	Less than 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
Accounts payable	\$ 44,212,556	222,954	-	-	44,435,510
Bonds payable (Note)	2,901,982	8,015,199	4,206,327	64,367,812	79,491,320
Total	<u>\$ 47,114,538</u>	<u>8,238,153</u>	<u>4,206,327</u>	<u>64,367,812</u>	<u>123,926,830</u>
	June 30, 2020				
	Less than 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
Accounts payable	\$ 50,202,557	185,907	-	-	50,388,464
Short-term debts	248,838	-	-	-	248,838
Bonds payables (Note)	2,803,767	7,753,894	4,068,114	63,521,238	78,147,013
Total	<u>\$ 53,255,162</u>	<u>7,939,801</u>	<u>4,068,114</u>	<u>63,521,238</u>	<u>128,784,315</u>

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Note: The disclosed amounts include estimated interests and thus cannot be equal to the relevant accounts in the financial statements. In addition, the bonds payable has no maturity date, the contractual cash flows are calculated based on a remaining maturity of 10 years.

The maturity structure of the derivative financial liabilities of Fubon Life Insurance and its subsidiaries is listed below:

	June 30, 2021				
	<u>Less than 1 year</u>	<u>1 to 3 years</u>	<u>3 to 5 years</u>	<u>Over 5 years</u>	<u>Total</u>
Financial liabilities measured at fair value through profit or loss	\$ 3,247,441	-	-	-	3,247,441
Financial liabilities for hedging	562,517	305,992	-	-	868,509
Total	<u>\$ 3,809,958</u>	<u>305,992</u>	<u>-</u>	<u>-</u>	<u>4,115,950</u>
	December 31, 2020				
	<u>Less than 1 year</u>	<u>1 to 3 years</u>	<u>3 to 5 years</u>	<u>Over 5 years</u>	<u>Total</u>
Financial liabilities measured at fair value through profit or loss	\$ 2,760,635	-	-	-	2,760,635
Financial liabilities for hedging	31,398	-	-	-	31,398
Total	<u>\$ 2,792,033</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,792,033</u>
	June 30, 2020				
	<u>Less than 1 year</u>	<u>1 to 3 years</u>	<u>3 to 5 years</u>	<u>Over 5 years</u>	<u>Total</u>
Financial liabilities measured at fair value through profit or loss	\$ 1,244,698	1,153	-	-	1,245,851
Financial liabilities for hedging	443,373	-	-	-	443,373
Total	<u>\$ 1,688,071</u>	<u>1,153</u>	<u>-</u>	<u>-</u>	<u>1,689,224</u>

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

3) Fubon Insurance and its subsidiaries

Liquidity risks are divided into “funding liquidity risk” and “market liquidity risk.” Fubon Insurance and its subsidiaries monitor liquidity risks in compliance with their risk management rules. Funding liquidity risk is the risk that the entity cannot provide sufficient funding to meet the needs for the growth of asset level and the settlement of the obligation of matured liabilities, which caused late-payment to counterparties or called for an emergency fund raising requirement to cover the funding gaps. Market liquidity risk is the loss incurred as a market participant unable to easily exit a position on a prevailing market price or to liquidate a position immediately while not hitting the best price due to insufficiency of market depth or market transparency, or market failure.

a) Management process of liquidity risk

i) Risk identification

To achieve liquidity risk management goal, Fubon Insurance and its subsidiaries identify potential liquidity risk factors encountered during operation process. Those risk factors are such as funding liquidity risk factors, market liquidity risk factors and characteristics of products being traded.

ii) Risk measurement

Fubon Insurance and its subsidiaries measure the possibility of occurrence and the degree of negative impact of risk events and risk factors by qualitative or quantitative method, and compare these influences with risk limits set by the management which is used as a basis for the setting of the priority in risk control and the response measures subsequently.

iii) Risk monitoring

Fubon Insurance and its subsidiaries establish liquidity risk monitoring procedure to review and monitor utilization of various risk limits monthly. An action would be taken if the risk limits are breached. Fubon Insurance and its subsidiaries have established proper monitor frequency and hierarchical reporting mechanism to deal with whenever there is any abnormal situation occurred or deficiency identified. A specific reporting procedure would be followed to ensure the timely response to significant liquidity risk.

iv) Risk responding

As liquidity risk occurs, the head of any related unit being impacted or relevant unit with the authority to deal with the event would respond to the event immediately, and report to risk management and related departments in accordance with the established authorization. Afterwards, every related unit would work with risk management department to investigate the underlying reason for the event, and develop a remediation plan, and risk management department would monitor the progress of the follow up actions.

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- b) Liquidity risk management mechanism
- i) Management strategies of funding liquidity risk in operation and investment are as follows: ensuring balance of capital inflow and outflow, examining and predicting capital demand at present and in the future in accordance with strategies of operational management and investment activities, establishing critical indicators of funding liquidity risk, and making appropriate adjustment with business strategy and market condition.

Fubon Insurance and its subsidiaries manage the liquidity risk efficiently in two aspects, short-term and medium-long term. Besides setting the percentage of liquid assets in total assets and the net everyday cash flow as standards of measurement and control, Fubon Insurance and its subsidiaries have already established the immediate cash-using information system, using proper market monetary instruments or foreign exchange instruments to allocate daily cash. Medium-long term liquidity management decreases related risk through annual reviewing on the assessment report of using assets and liabilities and applying the model of cash flow analysis to monitor the using of assets and liabilities.

- ii) Market liquidity risk management mainly considers the proportionality of trade volumes and holding position. Fubon Insurance and its subsidiaries set up key indicators of market liquidity risk management in accordance with the market size, depth, dimension and liquidity of each product, as well as with the operation strategy and target budget. In order to avoid market liquidity risk, Fubon Insurance and its subsidiaries establish control mechanism to concentrate for daily transactions and investment position limits.
- iii) Fubon Insurance and its subsidiaries establish complete risk management system to deal with the mass demand of cash in abnormal or urgent condition. To monitor daily net cash flow, Fubon Insurance and its subsidiaries have established immediate cash flow estimation system and preserved proper amount of equivalent cash for future response. Financial department and accounting office provide risk management department with the condition of cash liquidity monthly, while risk management department also regularly reviews the limitation of market liquidity risk and it should inform the Risk Management Committee with the indicators of the market liquidity risk and the management of the limitation. If the management indicator approaches the limitation, it should enhance the intention of the capital variation.

Fubon Insurance and its subsidiaries possess sufficient operating capital, government bonds and other securities to satisfy the capital demand in investment, pay liabilities matured and execute contracts' obligation. Therefore, the liquidity risk is low and in compliance with rules.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

iv) The maturity analyses of financial assets and liabilities are as follows:

		June 30, 2021							
		Less than one year	1 to 3 years	3 to 5 years	5 to 10 years	10 to 20 years	More than 20 years	No maturity date	Total
The maturity analysis of financial assets									
	Financial assets measured at fair value through profit or loss	\$ 86,291	-	-	-	-	-	-	86,291
	Financial assets measured at fair value through other comprehensive income	1,127,103	2,517,196	3,014,174	4,843,573	2,957,608	5,388,122	2,312,527	22,160,303
	Financial assets measured at amortized cost	-	-	-	-	119,883	1,261,316	-	1,381,199
		<u>\$ 1,213,394</u>	<u>2,517,196</u>	<u>3,014,174</u>	<u>4,843,573</u>	<u>3,077,491</u>	<u>6,649,438</u>	<u>2,312,527</u>	<u>23,627,793</u>
		December 31, 2020							
		Less than one year	1 to 3 year	3 to 5 year	5 to 10 year	10 to 20 year	More than 20 year	No maturity date	Total
The maturity analysis of financial assets									
	Financial asset at fair value through profit or loss	-	87,261	-	-	-	-	-	87,261
	Financial assets measured at fair value through other comprehensive income	287,624	2,880,695	2,975,201	4,929,436	3,519,356	5,757,982	2,272,071	22,622,365
	Financial assets measured at amortized cost	-	-	-	-	133,817	1,262,936	-	1,396,753
		<u>\$ 287,624</u>	<u>2,967,956</u>	<u>2,975,201</u>	<u>4,929,436</u>	<u>3,653,173</u>	<u>7,020,918</u>	<u>2,272,071</u>	<u>24,106,379</u>
		June 30, 2020							
		Less than one year	1 to 3 years	3 to 5 years	5 to 10 years	10 to 20 years	More than 20 years	No maturity date	Total
The maturity analysis of financial assets									
	Financial asset measured at fair value through profit or loss	\$ 293,440	-	-	-	30,914	-	-	324,354
	Financial assets measured at fair value through other comprehensive income	458,008	2,320,147	2,617,814	5,474,601	3,351,993	6,575,204	2,100,000	22,897,767
	Financial assets measured at amortized cost	-	-	-	-	151,934	1,298,721	-	1,450,655
		<u>\$ 751,448</u>	<u>2,320,147</u>	<u>2,617,814</u>	<u>5,474,601</u>	<u>3,534,841</u>	<u>7,873,925</u>	<u>2,100,000</u>	<u>24,672,776</u>

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

c) The maturity analyses of derivative financial assets and liabilities

All of the forward rate contracts and swap contracts are not held for trading, but mainly for avoiding the foreign exchange rate risk generated from the foreign investment capital. Being high liquidity monetary, whose probability of being unable to sale in the market is extremely small, the liquidity risk of the currency held is low. Matured forward rate contracts and swap contracts almost will be continued and there is enough capital for settlement. Therefore, the liquidity risk of the capital is low. The maturity analysis of derivative financial instruments is as follows:

		June 30, 2021					
		Less than 1 year	1 to 3 years	3 to 5 years	5 to 10 years	No maturity date	
		Total					
Maturity analysis of financial assets	\$	<u>249,971</u>	-	-	-	-	<u>249,971</u>
Maturity analysis of financial liabilities	\$	<u>16,750</u>	-	-	-	-	<u>16,750</u>
		December 31, 2020					
		Less than 1 year	1 to 3 year	3 to 5 year	5 to 10 year	No maturity date	
		Total					
Maturity analysis of financial assets	\$	<u>349,798</u>	-	-	-	-	<u>349,798</u>
Maturity analysis of financial liabilities	\$	<u>9,593</u>	-	-	-	-	<u>9,593</u>
		June 30, 2020					
		Less than 1 year	1 to 3 years	3 to 5 years	5 to 10 years	No maturity date	
		Total					
Maturity analysis of financial assets	\$	<u>100,688</u>	-	-	-	-	<u>100,688</u>
Maturity analysis of financial liabilities	\$	<u>3,819</u>	-	-	-	-	<u>3,819</u>

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

4) Fubon Securities and its subsidiaries

Liquidity risk is the risk that Fubon Securities and its subsidiaries cannot provide sufficient funding for asset size growth or matured liabilities, do not have sufficient cash to meet obligations to counterparties, or cannot raise emergency funding to cover funding gaps.

a) Capital liquidity risk measurement analysis

Financial assets	June 30, 2021					
	Cash flow gap					
	0-30 days	31-90 days	91-180 days	181-365 days	Over 1 year	Total
Cash and cash equivalents	\$ 8,759,158	1,174,069	7,547,231	295,687	-	17,776,145
Customer margin account	22,236,716	-	-	-	-	22,236,716
Financial assets mandatorily measured at fair value through profit or loss — current	17,588,099	-	-	-	11,795,610	29,383,709
Open-end funds, money market instruments and other securities	406,477	-	-	-	-	406,477
Operating securities	15,613,000	-	-	-	11,370,646	26,983,646
Derivatives — OTC	171,160	-	-	-	-	171,160
Derivatives — Futures trading margin	553,836	-	-	-	-	553,836
Other debt securities	-	-	-	-	424,964	424,964
Call option — Futures	3,865	-	-	-	-	3,865
Securities invested by brokers	839,761	-	-	-	-	839,761
Financial assets measured at fair value through other comprehensive income — current and non-current	140,472	453,936	-	9,199,212	8,203,889	17,997,509
Receivables from pecuniary finance	18,137,624	1,876,306	625,435	208,479	-	20,847,844
Collateral for borrowed securities	163,390	-	-	-	-	163,390
Margin deposits for borrowed securities	2,529,753	-	-	-	-	2,529,753
Accounts receivables(including related party)	29,162,128	18,256	13,696	1,948	-	29,196,028
Total	<u>\$ 98,717,340</u>	<u>3,522,567</u>	<u>8,186,362</u>	<u>9,705,326</u>	<u>19,999,499</u>	<u>140,131,094</u>
Proportion of the total	<u>70.45 %</u>	<u>2.51 %</u>	<u>5.84 %</u>	<u>6.93 %</u>	<u>14.27 %</u>	<u>100.00 %</u>

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

<u>Financial liabilities</u>	June 30, 2021					
	Cash flow gap					
	<u>0-30 days</u>	<u>31-90 days</u>	<u>91-180 days</u>	<u>181-365 days</u>	<u>Over 1 year</u>	<u>Total</u>
Short-term borrowings	\$ 829,322	-	-	-	-	829,322
Commercial papers issued	18,397,950	-	-	-	-	18,397,950
Held-for-trading financial liabilities — current	9,510,440	-	-	-	-	9,510,440
Call (put) warrants	906,303	-	-	-	-	906,303
Derivatives—OTC	2,757,340	-	-	-	-	2,757,340
Liabilities in sale of borrowed securities	5,796,706	-	-	-	-	5,796,706
Replenishable bond	49,757	-	-	-	-	49,757
Put option—Futures	330	-	-	-	-	330
Foreign exchange derivatives	4	-	-	-	-	4
Financial liabilities designated as at fair value through profit or loss	2,577,743	-	-	-	-	2,577,743
Securities sold under repurchase agreements	15,451,050	-	-	-	-	15,451,050
Securities financing refundable deposits	1,597,044	165,211	55,070	18,357	-	1,835,682
Deposits payable for securities financing	1,726,589	178,613	59,537	19,846	-	1,984,585
Securities lending refundable deposits	13,442,807	-	-	-	-	13,442,807
Futures customers' equity	22,236,716	-	-	-	-	22,236,716
Accounts payable(including related party)	29,538,569	21	7	2	-	29,538,599
Lease liabilities—current and non-current (Note)	16,607	31,956	47,285	87,966	196,662	380,476
Receipts under custody	1,792,320	171	-	-	-	1,792,491
Total	\$ 117,117,157	375,972	161,899	126,171	196,662	117,977,861
Proportion of the total	99.27 %	0.32 %	0.14 %	0.11 %	0.16 %	100.00 %
Cash inflow	98,717,340	3,522,567	8,186,362	9,705,326	19,999,499	140,131,094
Cash outflow	117,117,157	375,972	161,899	126,171	196,662	117,977,861
Net cash flow	(18,399,817)	3,146,595	8,024,463	9,579,155	19,802,837	22,153,233

Note: The disclosed amounts include estimated interests.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

<u>Financial assets</u>	December 31, 2020					
	Cash flow gap					
	<u>0-30 days</u>	<u>31-90 days</u>	<u>91-180 days</u>	<u>181-365 days</u>	<u>Over 1 year</u>	<u>Total</u>
Cash and cash equivalents	\$ 7,507,443	3,346,604	2,767,434	305,310	-	13,926,791
Customer margin account	20,417,565	-	-	-	-	20,417,565
Financial assets mandatorily measured at fair value through profit or loss—current	12,430,029	83,676	-	-	15,289,067	27,802,772
Open-end funds, money market instruments and other securities	984,796	-	-	-	-	984,796
Operating securities	10,021,662	83,676	-	-	14,734,392	24,839,730
Derivatives—OTC	230,586	-	-	-	-	230,586
Derivatives—Futures trading margin	334,742	-	-	-	-	334,742
Other debt securities	-	-	-	-	554,675	554,675
Call option—Futures	2,624	-	-	-	-	2,624
Securities invested by brokers	855,619	-	-	-	-	855,619
Financial assets measured at fair value through other comprehensive income—current and non-current	142,189	600,144	100,081	5,548,516	8,297,105	14,688,035
Bond purchased under resell agreement	170,570	-	-	-	-	170,570
Receivables from pecuniary finance	12,060,849	1,418,923	425,677	283,785	-	14,189,234
Collateral for borrowed securities	326,261	-	-	-	-	326,261
Margin deposits for borrowed securities	4,256,330	-	-	-	-	4,256,330
Accounts receivables(including related party)	19,669,996	17,486	13,386	3,062	245	19,704,175
Total	<u>\$ 76,981,232</u>	<u>5,466,833</u>	<u>3,306,578</u>	<u>6,140,673</u>	<u>23,586,417</u>	<u>115,481,733</u>
Proportion of the total	<u>66.66 %</u>	<u>4.73 %</u>	<u>2.86 %</u>	<u>5.32 %</u>	<u>20.43 %</u>	<u>100.00 %</u>

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Financial liabilities	December 31, 2020					
	Cash flow gap					
	0-30 days	31-90 days	91-180 days	181-365 days	Over 1 year	Total
Short-term borrowings	\$ 333,720	124,000	-	-	-	457,720
Commercial papers issued	3,999,761	-	-	-	-	3,999,761
Held-for-trading financial liabilities — current	3,842,256	-	-	-	-	3,842,256
Call (put) warrants	376,296	-	-	-	-	376,296
Derivatives — OTC	1,677,807	-	-	-	-	1,677,807
Liabilities in sale of borrowed securities	1,618,382	-	-	-	-	1,618,382
Bonds purchased under resell agreement — Borrowed securities	169,769	-	-	-	-	169,769
Put option — futures	2	-	-	-	-	2
Financial liabilities designated as at fair value through profit or loss	3,625,598	-	-	-	-	3,625,598
Securities sold under repurchase agreements	19,791,626	-	-	-	-	19,791,626
Securities financing refundable deposits	1,809,026	212,827	63,848	42,565	-	2,128,266
Deposits payable for securities financing	2,012,266	236,737	71,021	47,347	-	2,367,371
Securities lending refundable deposits	13,398,754	-	-	-	-	13,398,754
Futures customers' equity	20,417,556	-	-	-	-	20,417,556
Accounts payable(including related party)	18,824,425	395	529	220	60	18,825,629
Lease liabilities — current and non-current (Note)	17,805	35,079	51,484	93,246	259,713	457,327
Receipts under custody	4,112,810	173	-	1	-	4,112,984
Total	\$ 92,185,603	609,211	186,882	183,379	259,773	93,424,848
Proportion of the total	98.67 %	0.65 %	0.20 %	0.20 %	0.28 %	100.00 %
Cash inflow	76,981,232	5,466,833	3,306,578	6,140,673	23,586,417	115,481,733
Cash outflow	92,185,603	609,211	186,882	183,379	259,773	93,424,848
Net cash flow	(15,204,371)	4,857,622	3,119,696	5,957,294	23,326,644	22,056,885

Note: The disclosed amounts include estimated interests.

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

<u>Financial assets</u>	June 30, 2020					
	Cash flow gap					
	<u>0-30 days</u>	<u>31-90 days</u>	<u>91-180 days</u>	<u>181-365 days</u>	<u>Over 1 year</u>	<u>Total</u>
Cash and cash equivalents	\$ 9,452,312	7,329,244	2,010,022	188,420	328,988	19,308,986
Customer margin account	23,443,778	-	-	-	-	23,443,778
Financial assets mandatorily measured at fair value through profit or loss — current	16,008,842	2,008,540	202,211	451,468	18,605,714	37,276,775
Open-end funds, money market instruments and other securities	3,955,549	-	-	-	-	3,955,549
Operating securities	10,614,333	2,007,223	202,211	451,468	18,108,535	31,383,770
Derivatives — OTC	349,146	-	-	-	-	349,146
Derivatives — Futures trading margin	226,521	-	-	-	-	226,521
Foreign exchange derivatives	-	1,317	-	-	-	1,317
Other debt securities	-	-	-	-	497,179	497,179
Call option — Futures	3,728	-	-	-	-	3,728
Securities invested by brokers	859,565	-	-	-	-	859,565
Financial assets measured at fair value through other comprehensive income — current and non-current	706,339	1,470,821	57,604	9,123,091	11,635,931	22,993,786
Receivables from pecuniary finance	8,346,681	1,221,466	305,366	305,366	-	10,178,879
Collateral for borrowed securities	288,579	-	-	-	-	288,579
Margin deposits for borrowed securities	3,211,013	-	-	-	-	3,211,013
Accounts receivables(including related party)	17,096,800	14,769	5,615	4,469	-	17,121,653
Total	\$ 78,554,344	12,044,840	2,580,818	10,072,814	30,570,633	133,823,449
Proportion of the total	<u>58.70 %</u>	<u>9.00 %</u>	<u>1.93 %</u>	<u>7.53 %</u>	<u>22.84 %</u>	<u>100.00 %</u>

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	June 30, 2020					
	Cash flow gap					
	0-30 days	31-90 days	91-180 days	181-365 days	Over 1 year	Total
Financial liabilities						
Short-term borrowings	\$ 623,204	-	-	-	-	623,204
Commercial papers issued	6,409,411	-	-	-	-	6,409,411
Held-for-trading financial liabilities — current	2,316,438	-	-	-	-	2,316,438
Call (put) warrants	334,465	-	-	-	-	334,465
Derivatives — OTC	1,513,664	-	-	-	-	1,513,664
Liabilities in sale of borrowed securities	468,303	-	-	-	-	468,303
Put option — futures	6	-	-	-	-	6
Financial liabilities designated as at fair value through profit or loss	3,488,306	-	-	-	-	3,488,306
Securities sold under repurchase agreements	31,466,418	-	-	-	-	31,466,418
Securities financing refundable deposits	1,353,252	198,037	49,509	49,509	-	1,650,307
Deposits payable for securities financing	1,493,014	218,490	54,622	54,622	-	1,820,748
Securities lending refundable deposits	16,367,589	-	-	-	-	16,367,589
Futures customers' equity	23,739,014	-	-	-	-	23,739,014
Accounts payable(including related party)	17,273,735	2,060	6,237	4,336	971	17,287,339
Lease liabilities — current and non-current (Note)	20,094	37,835	53,653	98,924	259,500	470,006
Receipts under custody	1,139,968	165	-	-	-	1,140,133
Total	\$ 105,690,443	456,587	164,021	207,391	260,471	106,778,913
Proportion of the total	98.98 %	0.43 %	0.16 %	0.19 %	0.24 %	100.00 %
Cash inflow	78,554,344	12,044,840	2,580,818	10,072,814	30,570,633	133,823,449
Cash outflow	105,690,443	456,587	164,021	207,391	260,471	106,778,913
Net cash flow	(27,136,099)	11,588,253	2,416,797	9,865,423	30,310,162	27,044,536

Note: The disclosed amounts include estimated interests.

As of the reporting date, the cash flows of Fubon Securities and its subsidiaries have shown a significant increase in net cash inflow in most of the periods. Fubon Securities and its subsidiaries maintained great net cash inflow to accumulated capital deficit for a long-term period which shows Fubon Securities and its subsidiaries could sustain adequate quality of capital volatility.

b) Capital liquidity risk management

In order to allocate capital effectively, Fubon Securities and its subsidiaries utilize liquidity risk management mechanisms to evaluate and monitor short-term cash flow requirements for various types of business, and consider local short-term, cross-border, or cross-market demand for capital.

The Financial Department provides capital requirement evaluating information to the Risk Management Department, and the Risk Management Department provides a capital deficit analysis stress test evaluation report to the Financial Department every six months to evaluate Fubon Securities and its subsidiaries' related action taken while facing periods of high market volatility. If a stressful situation occurs, the department reports the result to the management and performs the following procedures to prevent the occurrence of a stressful event when necessary.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

In order to increase liquidity reserve, Fubon Securities and its subsidiaries sell the low-risk assets of dealing positions from trading departments. Fubon Securities and its subsidiaries dispose of high-liquidity stocks, government bonds, and other securities in order to respond to adverse shocks affecting the market. Fubon Securities and its subsidiaries also use secured loan credit lines and long-term financing credit lines from banks and bills corporations to implement Fubon Securities and its subsidiaries' capital allocation emergency response plan.

5) Fubon Bank (Hong Kong) and its subsidiaries

The following disclosures related to Fubon Bank (Hong Kong) are all expressed in thousands of HKD, unless otherwise stated.

a) Management strategy and principles

The purpose of liquidity management is to ensure sufficient cash flows to meet all financial commitment and to capitalize on opportunities for business expansion. This includes Fubon Bank (Hong Kong) and its subsidiaries' ability to meet deposit withdrawals either on demand or at contractual maturity, to repay borrowings as they mature, to comply with the statutory liquidity maintenance ratio, and to make new loans and investments as opportunities arise.

Fubon Bank (Hong Kong) and its subsidiaries have a Liquidity Risk Management Policy which covers Fubon Bank (Hong Kong) and its subsidiaries' liquidity risk management strategy, a mechanism to identify, measure, monitor and control liquidity risks, and also Fubon Bank (Hong Kong) and its subsidiaries' contingency funding plan. A Liquidity Risk Management Guideline covers risk measurement, risk reporting and operational requirements in implementing Fubon Bank (Hong Kong) and its subsidiaries' liquidity management strategy. The policy and guideline are both reviewed by the Asset and Liability Committee ("ALCO"). The policy and guideline are approved by Risk Committee of the Board ("RCB") and the ALCO respectively.

RCB reviews and approves Fubon Bank (Hong Kong) and its subsidiaries' risk appetite statement at least annually. Fubon Bank (Hong Kong) and its subsidiaries' liquidity risk management strategy is to maintain a healthy liquidity position with adequate stock of liquid assets, well-diversified funding structure relying on a broad customer deposit portfolio with prudent loan-to-deposit ratio and money market funding ratio to support Fubon Bank (Hong Kong) and its subsidiaries' liquidity needs under both normal and stressed conditions.

It is the responsibility of Fubon Bank (Hong Kong) and its subsidiaries' management to ensure compliance with local regulatory requirements and limits set by RCB. Liquidity is managed on a daily basis by Fubon Bank (Hong Kong)'s Funding Desk unit. The Funding Desk unit is responsible for ensuring that Fubon Bank (Hong Kong) and its subsidiaries have adequate liquidity for all operations, ensuring that the funding mix is appropriate so as to avoid maturity mismatches and to minimize price and reinvestment rate risk in the case of a maturity gap, and monitoring relevant markets for the adequacy of funding and liquidity.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Compliance with liquidity and funding requirements is monitored by the ALCO and is reported to the RCB on a regular basis. This process includes:

- i) maintaining balances within relevant regulatory requirements;
- ii) predicting cash flows under various stress scenarios and considering the level of liquid assets necessary in relation thereto;
- iii) maintaining adequate intraday liquidity position and assessing how the intraday liquidity profile will change in conditions of stress.
- iv) monitoring balance sheet liquidity and loan to deposit ratios against internal requirements;
- v) maintaining a diverse range of funding sources with adequate back-up facilities;
- vi) managing the concentration and profile of debt maturities;
- vii) managing lending commitment to customers within pre-determined management alert triggers;
- viii) managing debt financing plans;
- ix) monitoring depositor concentration in order to avoid undue reliance on large individual depositors and ensuring a satisfactory overall funding mix;
- x) setting up funding contingency plans, which identify early indicators of stress conditions and describe actions to be taken in the event of difficulties arising from systematic or other crises, while minimizing adverse long-term implications for the business; and
- xi) managing liquidity on a legal entity and on a group basis. Intragroup funding transactions are carried out at arm's length and treated in the same way as transactions with non-related third parties and controlled within pre-determined management alert triggers.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

b) Qualitative explanation

i) The management of funding and liquidity risk

As part of its liquidity risk management, Fubon Bank (Hong Kong) and its subsidiaries focus on a number of components, including maintaining sufficient liquid assets, maintaining diversified sources of liquidity, reserving necessary funding capacity and contingent planning. Fubon Bank (Hong Kong) and its subsidiaries manage liquidity risk by holding sufficient liquid assets (e.g. cash and short-term funds and securities) of appropriate quality to ensure that short term funding requirements are covered within prudential level. Debt securities held are marked to the market on daily basis to ensure their market liquidity. Fubon Bank (Hong Kong) and its subsidiaries also adopt a funding strategy that is to achieve diversification of funding by controlling the concentration of top deposits, wholesale funding and reliance of foreign exchange swap markets. Moreover, adequate standby facilities are maintained to provide strategic liquidity to meet unexpected and material cash outflows in the ordinary course of business.

In addition to observing the statutory liquidity ratio, Fubon Bank (Hong Kong) and its subsidiaries have established different liquidity risk metrics, including but not limited to the liquidity maintenance ratio, loan-to-deposit ratio, cumulative cash flow gap, concentration of funding sources and medium-term funding ratio to measure and analyze its liquidity risks. Financial Management Division is responsible for measurement and monitoring of these liquidity metrics and reporting to the ALCO regularly.

ii) Core deposits

Fubon Bank (Hong Kong) and its subsidiaries monitor the stability of customer deposits by means of the core deposit ratio, which is the ratio of core deposits to total customer deposits. Fubon Bank (Hong Kong) and its subsidiaries categorize customer deposits into core deposits after taking into consideration of nature of deposits, relationship history with customers and stability of customer's total balance. An alert trigger level is set on the core deposits ratio which is monitored by the ALCO. In 2020, the core deposit ratio maintained above 25%.

iii) Loan to deposit ratio

Fubon Bank (Hong Kong) and its subsidiaries emphasize the importance of customer deposits as a source of funds to finance lending to customers, and mitigate against reliance on short-term interbank funding. A limit on the loan to deposit ratio is established and approved by the RCB and monitored by the ALCO.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

iv) Cash flow forecasting and stress testing

Fubon Bank (Hong Kong) and its subsidiaries conduct cash flow analysis and cash flow forecasting arising from on-and off-balance sheet items over a set of time horizons on a regular basis to identify funding needs in specific time buckets. Fubon Bank (Hong Kong) and its subsidiaries also regularly perform stress tests on its liquidity position to ensure that proper liquidity is maintained. In the stress test, both on-and off-balance sheet items with a cash flow impact are considered, with applicable hypothetical and historical assumptions. Three stressed scenarios, namely an institution-specific crisis scenario, a general market crisis scenario, and a combined scenario are adopted with minimum survival period defined pursuant to HKMA's Supervisory Policy Manual guideline "Sound Systems and Controls for Liquidity Risk Management". Stress testing assumptions are reviewed and approved by the ALCO regularly to ensure their continued appropriateness.

v) Liquidity Cushion

Fubon Bank (Hong Kong) and its subsidiaries maintain a stock of high-quality readily liquefiable assets as a liquidity cushion against a range of stressed scenarios. The eligible assets are unencumbered, low credit risk and low market risk. The liquidity cushion is segregated from debt securities held for trading purposes. A certain portion of the liquidity cushion is made up of the most liquid and readily marketable assets (such as debt securities issued by government or multinational development banks) that can be easily liquidated to meet funding needs in the initial phase of liquidity stress.

The size of the liquidity cushion shall be adequate to meet Fubon Bank (Hong Kong) and its subsidiaries' day-to-day liquidity needs and also emergency funding needs under both normal and stress market conditions. The minimum required size of the liquidity cushion is determined with reference to the funding gap generated from the Fubon Bank (Hong Kong) and its subsidiaries' regular liquidity stress testing results. Management alert triggers are established by the ALCO to ensure sufficient size of liquidity cushion is maintained and appropriate diversification among the liquidity cushion is achieved. The size and mix of the liquidity cushion is reviewed by the ALCO regularly.

Size and portfolio of liquidity cushion were maintained above all relevant management alert triggers throughout the year 2020:

- net long position of Exchange Fund Bills/Notes held was maintained at not less than HKD 2.0 billion;
- assets eligible for Lenders of Last Resort purpose was maintained at not less than 30% of total customer deposits;
- level 1 high-quality readily liquefiable assets were maintained at not less than 9% of total customer deposits;

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- non-financial institution high-quality readily liquefiable assets were maintained at not less than 26% of total customer deposits; and
- total high-quality readily liquefiable assets were maintained at not less than 32% of total customer deposits.

vi) Contingent liquidity risk

Fubon Bank (Hong Kong) and its subsidiaries provide customers with committed and standby facilities. These facilities increase the funding requirements of Fubon Bank (Hong Kong) and its subsidiaries when customers drawdown. The liquidity risk associated with the potential drawdown on committed facilities is factored into our stressed scenarios and a management alert trigger is set for these facilities.

vii) Contingency funding plan

Fubon Bank (Hong Kong) and its subsidiaries have formulated a Contingency Funding Plan (“CFP”) that describes Fubon Bank (Hong Kong) and its subsidiaries’ strategy for dealing with any liquidity problem and the procedures for making up cash flow deficits in emergency situations. The CFP is designed to be pro-active and pre-emptive. Fubon Bank (Hong Kong) and its subsidiaries utilize early warning indicators, which cover both qualitative and quantitative measures, monitoring both internal and external factors. Should there be any early signs of significant impact on Fubon Bank (Hong Kong) and its subsidiaries’ liquidity position, the management would be informed for their consideration. Once the CFP is triggered, a Crisis Management Team, which is led by the senior management, is formed to handle the crisis. Strategy and procedures in obtaining contingency funding, as well as roles and responsibilities of parties concerned are clearly stated. The CFP also includes the analysis of cash flow projections to estimate potential liquidity needs under stress scenarios.

The CFP is subject to regular testing to ensure its effectiveness and operational feasibility, particularly in respect of the availability of the contingency sources of funding listed in it. The CFP is also subject to review and update on a regular basis to ensure it remains robust over time. Any changes to the CFP would be approved by the RCB.

Moreover, in accordance with the HKMA’s Supervisory Policy Manual guideline “Recovery Planning”, Fubon Bank (Hong Kong) and its subsidiaries have established a Recovery Plan, which has been approved by the Board. The Recovery Plan helps ensure that Fubon Bank (Hong Kong) and its subsidiaries are able to recover quickly from period of severe stress and preserve or restore its liquidity level. The Recovery Plan is subject to a regular, at least annual, review and update.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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c) The maturity analysis of non-derivative financial liabilities

Units: In thousands of HKD

	June 30, 2021					
	0-30 days	31-90 days	91-180 days	181-365 days	Over 1 year	Total
Non-derivative financial liabilities measured at fair value through profit or loss	\$ -	1,500,502	499,960	-	-	2,000,462
Securities sold under repurchase agreements	1,813,138	3,390,263	1,036,427	-	-	6,239,828
Others	43,711,194	29,565,851	9,144,376	6,319,405	1,116,421	89,857,247

Units: In thousands of HKD

	December 31, 2020					
	0-30 days	31-90 days	91-180 days	181-365 days	Over 1 year	Total
Non-derivative financial liabilities measured at fair value through profit or loss	\$ 813,493	1,134,961	-	-	-	1,948,454
Securities sold under repurchase agreements	1,485,662	3,993,944	1,436,541	-	-	6,916,147
Others	43,808,666	29,551,425	7,866,765	3,405,471	3,042,810	87,675,137

Units: In thousands of HKD

	June 30, 2020					
	0-30 days	31-90 days	91-180 days	181-365 days	Over 1 year	Total
Non-derivative financial liabilities measured at fair value through profit or loss	\$ 999,979	1,299,754	-	-	-	2,299,733
Securities sold under repurchase agreements	1,826,260	2,901,438	-	1,436,208	-	6,163,906
Others	43,686,988	27,943,874	8,454,641	5,372,378	3,706,676	89,164,557

d) The maturity analysis of derivative financial liabilities

i) Net settlement derivative instruments

Units: In thousands of HKD

	June 30, 2021					
	0-30 days	31-90 days	91-180 days	181-365 days	Over 1 year	Total
Derivative financial liabilities measured at fair value through profit or loss						
– Foreign exchange derivative instruments	\$ 10,903,068	2,440,012	1,904,795	2,269,002	-	17,516,877
– Interest rate derivative instruments	-	20,000	-	-	750,500	770,500
Derivative financial liabilities for hedging						
– Interest rate derivative instruments	155,297	458,126	827,073	3,826,306	21,202,639	26,469,441
Total	\$ 11,058,365	2,918,138	2,731,868	6,095,308	21,953,139	44,756,818

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Units: In thousands of HKD

	December 31, 2020					Total
	0-30 days	31-90 days	91-180 days	181-365 days	Over 1 year	
Derivative financial liabilities measured at fair value through profit or loss						
– Foreign exchange derivative instruments	\$ 10,133,454	1,869,481	1,592,634	2,870,205	446,518	16,912,292
– Interest rate derivative instruments	-	-	-	20,000	766,300	786,300
Derivative financial liabilities for hedging						
– Interest rate derivative instruments	204,421	612,305	1,077,535	1,438,237	22,274,638	25,607,136
Total	\$ 10,337,875	2,481,786	2,670,169	4,328,442	23,487,456	43,305,728

Units: In thousands of HKD

	June 30, 2020					Total
	0-30 days	31-90 days	91-180 days	181-365 days	Over 1 year	
Derivative financial liabilities measured at fair value through profit or loss						
– Foreign exchange derivative instruments	\$ 6,885,229	2,795,762	2,339,298	2,438,629	595,219	15,054,137
– Interest rate derivative instruments	-	-	-	-	794,200	794,200
Derivatives financial liabilities for hedging						
– Interest rate derivative instruments	120,129	38,751	1,015,224	1,893,922	21,266,583	24,334,609
Total	\$ 7,005,358	2,834,513	3,354,522	4,332,551	22,656,002	40,182,946

ii) The maturity analysis of off-balance sheet items

Units: In thousands of HKD

	June 30, 2021					Total
	0-30 days	31-90 days	91-180 days	181-365 days	Over 1 year	
Irrevocable loan commitments	\$ 412	354,533	355,607	191,981	1,642,700	2,545,233
Standby letters of credit	80,622	152,674	99,099	-	-	332,395
Financial guarantees	12,458	2,141	4,853	115,674	8,359	143,485
Total	\$ 93,492	509,348	459,559	307,655	1,651,059	3,021,113

Units: In thousands of HKD

	December 31, 2020					Total
	0-30 days	31-90 days	91-180 days	181-365 days	Over 1 year	
Irrevocable loan commitments	\$ 300,202	29,720	386,782	412,567	1,646,077	2,775,348
Standby letters of credit	45,900	81,975	27,339	-	-	155,214
Financial guarantees	12,459	61,448	6,446	16,645	75,497	172,495
Total	\$ 358,561	173,143	420,567	429,212	1,721,574	3,103,057

Units: In thousands of HKD

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	June 30, 2020					Total
	0-30 days	31-90 days	91-180 days	181-365 days	Over 1 year	
Irrevocable loan commitments	\$ 196	255,716	200,087	605,993	1,281,018	2,343,010
Standby letters of credit	81,249	34,913	25,176	-	-	141,338
Financial guarantees	6,840	10,109	5,465	119,190	27,780	169,384
Total	\$ 88,285	300,738	230,728	725,183	1,308,798	2,653,732

6) JihSun Financial Holding and its subsidiaries

a) Fund liquidity risk management

i) Definition and sources of liquidity risk

Liquidity risk refers to the inability to liquidate assets or obtain financing to meet its due obligations, and thus impact JihSun Financial Holding and its subsidiaries' earnings or shareholders' equity.

ii) Liquidity risk management

The liquidity risk management can be divided into three parts: JihSun Financial Holding, JihSun Securities and JihSun Bank as follows:

1. JihSun Financial Holding

JihSun Financial Holding's controlling categories of fund liquidity risk management include the source of funds, funding gap, fund applications and liquidity risk managerial indicators. The controlling contents are as follows:

- a. Source of funds: The time schedule and cost, the stability and the diversification of source should be assured.
- b. Funding gap: JihSun Financial Holding controls the funding gaps on different due days to manage the funds better.
- c. Fund applications: JihSun Financial Holding evaluates the investment target, duration and the rate of return. The short term should take its safety and liquidity into consideration.
- d. Liquidity risk managerial indicators are based on liquidity ratio. The risk management division reviews the exposure status of liquidity risk from assets and liabilities on a monthly basis.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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- e. Each unit follows its internal regulation, executes the risk management by hierarchical authorization and submits relative reports. When a significant risk event occurs, such as excess of the limit, quality degradation assessed, exceeding warning indicator or large loss given, etc., the business departments should report to the risk management division. When necessary, the risk management division may convene the risk management committee to determine responding measures and report to the latest audit committee and board meeting.

2. JihSun Securities

The scope of fund liquidity risk management includes fund sources, credit management, fund gaps, fund applications and liquidity risk managerial indicators. The contents of control are as follows:

- a. Source of funds: The time schedule and cost, the stability and the diversification of source should be assured.
- b. Credit management: JihSun Securities maintains the stability of credit limit, controls the collateral rate to lower the fund cost, and maintains sufficient credit line to respond to funding demand.
- c. Funding gap: JihSun Securities controls the funding gaps on different due days to manage the funds better.
- d. Fund applications: JihSun Securities evaluates the investment target, duration and the rate of return. The short term application of funds should mainly depend on its safety and liquidity.
- e. Liquidity risk managerial indicators are based on liquidity ratio. The risk management division reviews the exposure status of liquidity risk from assets and liabilities on a monthly basis.
- f. Each unit follows its internal regulation, executes the risk management by hierarchical authorization and submits relative reports. When a significant risk event occurs, such as excess of the limit, quality degradation assessed, exceeding warning indicator or large loss given, etc., the business departments should report to the risk management division. When necessary, the risk management division may convene the risk management committee to determine responding measures and report to the latest audit committee and board meeting.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- g. If significant default on settlement or financial distress takes place and lead to JihSun Securities' disability in repaying debts, which results in difficulties in operation or disorder in securities market, corresponding measures are as follows:
 - i. Actively disposes of current assets and short term investments, such as stocks, benefit certificate fixed income fund.
 - ii. Pledge or dispose of properties and equipment.
 - iii. Borrow from non-banking and insurance institutions (should report to the authority in two days from the date of occurrence of the borrowing event).
 - iv. Ask the competent authority for a bailout.
 - v. Plan in advanced directing against how to raise fund in emergency and the related documents should also be prepared beforehand.
- 3. JihSun Bank
 - a. Strategies

In addition to meeting the relevant liquidity preparation requirements of the competent authorities and the minimum current ratio, a liquidity analysis, management indicators and quotas of indicators shall be established so as to formulate response strategies and prevent liquidity crisis occurring.
 - b. Management process
 - i. Financial investment division uses the daily estimated funding gap as the basis for allocation of funds.
 - ii. The risk management division conducts stress tests of liquidity to assess the level of risk it can bear when encountering crisis and the result will be reported to senior management.
 - iii. Financial investment division convenes "Asset Liability Management Committee" every month to review JihSun Bank's liquidity risk.
 - iv. Risk management division monitors external warning indicators to control the warning of liquidity risk.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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- v. Risk management division produces liquidity risk management report to top executives every month. The report includes internal indicators of JihSun Bank's liquidity risk management and tables of gap analysis. The risk management division monitors and analyzes the liquidity risk profiles and then submits a report to the Assets and Liabilities Management Committee. The monthly liquidity risk analysis report will be reported to the top executives, audit committee and Board of Directors.
- c. Evaluation method
- i. Prepare tables of structure analysis of maturity in accordance with the competent authority.
 - ii. Prepare tables of funding gap that predicts the loan and deposit in TWD and foreign currency in three months in order to assess the fund liquidity analysis.
 - iii. The internal indicators of liquidity risk management are "LTD ratio of TWD and foreign currency", "liquidity reserve ratio", "ratio of the amount of liquidity gap of New Taiwan Dollar that will mature within 30 days to total assets", "liquidity coverage ratio" and "net stable funding ratio". Limit of indicators are set in accordance with risk tolerance level to develop coping strategies.
 - iv. In addition to internal indicators, JihSun Bank also uses external indicators. For example, when its credit ratings are downgraded or when it's significantly penalized by the competent authority, contingency measures will be initiated by the emergency response team.
 - v. Setting scenarios for stress test for liquidity is in order to assess JihSun Bank's duration under stress scenarios. Appropriate strategies for capital allocation and countermeasures are developed when it's necessary.
 - vi. JihSun Bank sets "Business Crisis Contingency Measures" in accordance with the "Operational Measures when Handling Business Crisis for Financial Institutions" issued by FSC. When JihSun Bank faces abnormal deposits withdrawals, a serious shortage of funds or other huge loss of liquidity, relevant procedures will be carried out.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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b) Liquidity risk analysis

i) Maturity analysis of non derivatives liabilities

Table below shows the analysis of cash outflows of non derivatives liabilities based on time remaining until the contractual maturity date. The amount disclosed is based on the contractual cash flows and may be different from that included in the consolidated balance sheets.

Units: In thousands of TWD

	June 30, 2021			
	Within 3 months	3 to 12 months	Over 1 year	Total
Deposits from the central bank and banks	\$ 1,928,409	2,394,414	4,814,303	9,137,126
Due to the central bank and banks	-	102,950	-	102,950
Securities sold under repurchase agreements	26,706,025	-	-	26,706,025
Commercial papers issued—net	13,535,465	-	-	13,535,465
Payables	24,353,721	351,660	49,919	24,755,300
Deposits	56,250,560	62,511,165	119,265,167	238,026,892
Bonds payable	-	2,500,000	-	2,500,000
Other financial liabilities	7,884,174	255,408	1,134,868	9,274,450
Lease liabilities	70,129	177,320	503,471	750,920
Deposits from securities borrowing (listed in other liabilities)	73,096	-	-	73,096

ii) Maturity analysis of derivatives liabilities

Table below shows the analysis of cash outflows of derivatives liabilities based on the maturity date:

Units: In thousands of TWD

	2021.6.30			
	Within 3 months	3 to 12 months	Over 1 year	Total
Call (Put) warrants	\$ 1,168,980	-	-	1,168,980
Foreign currency swap	5,565	-	-	5,565
FX options	217	-	61,606	61,823
TXO options	1,592	-	-	1,592
Interest rate instruments	129,620	-	-	129,620
Equity instruments	7,265	-	-	7,265
Structured instruments	692,943	1,071	-	694,014
Total	<u>\$ 2,006,182</u>	<u>1,071</u>	<u>61,606</u>	<u>2,068,859</u>

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

iii) Maturity analysis of off-balance sheet items

Table below shows the maturity analysis of off balance sheet items for the JihSun Bank. The amount of the guarantee and committed credit lines will be allocated to the earliest period when such obligation can be exercised anytime by clients.

Units: In thousands of TWD

	June 30, 2021					
	0-30 days	31-90 days	91-180 days	181 days -1 year	Over 1 year	Total
Amount of irrevocable credit commitments of credit card	\$ 1,913	1,331,241	2,538,393	1,413,866	13,279,408	18,564,821
Unused amount of issued letter of credit	232,766	142,363	52,568	-	-	427,697
Various guarantee proceeds	545,000	460,500	30,000	765,174	778,888	2,579,562
Amount of issued and irrevocable loan commitments	2,363,333	3,066,560	2,769,941	5,146,889	3,495,313	16,842,036

iv) Maturity analysis of capital expenditure commitment

The capital expenditure commitment of JihSun Financial Holding and its subsidiaries is the contractual commitments signed for obtaining buildings, equipment and intangible assets.

Maturity analysis of capital expenditure commitment of JihSun Financial Holding and its subsidiaries is as follows:

Units: In thousands of TWD

	June 30, 2021
Less than one year	\$ 19,019
Between one and five years	26,613
	\$ 45,632

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(v) Market risk

Major subsidiaries are listed separately as follows:

1) Taipei Fubon Bank (The Bank) and its subsidiaries

a) The definition and classification of market risk

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 and its subsidiaries' 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.

b) Market risk strategy and procedures

Taipei Fubon Bank (The Bank)

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

Fubon Bank (China)

Pursuant to the guidance of relevant laws and regulations, a series of policies and procedures regarding market risk management policies and procedure control are stipulated to regulate internal control of market risks as well as trading strategies and limits. IT systems are also established to identify, quantify, monitor and control market risks, ensuring that market risk exposures of Fubon Bank (China) are managed strongly and effectively.

c) Organization and framework

Taipei Fubon Bank (The Bank)

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 President which is appointed by the Chairman to examine important market risk policies and quota and to monitor the Bank's important change of credit risk information and quota compliance.

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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The Risk Management Department under the Chief Risk Officer is responsible for formulating policies on and procedures for market risk management, enforcing market risk limits, reporting market risk events timely and validating valuation models independently. The Independent Audit Department under the Board of Directors is an added support for 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 and approving institutes the market risk management policies and procedures. The Risk & Related Party Transaction Committee, under the Board of Directors, is responsible for approving market risk limits and 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 front trading desk and back settlement desk, is responsible for implementing market risk policies authorized by the Board and the senior management. Internal Audit Department is responsible for reviewing and evaluating the effectiveness and independence of the risk management system. Compliance Department, on the other hand, is accountable for monitoring compliance risk and reporting to the Board and senior management.

d) Market risk management, control and reporting

The Risk 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.

e) Measurement of trading book market risk

Taipei Fubon Bank (The Bank)

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

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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i) VaR (Value at Risk)

VaR is a tool that measures “the worst expected loss over a given time horizon under normal market conditions at a given level of confidence.” The Bank adopts various risk models to evaluate the worst loss on current net positions within one day, with a 99% confidence level. The Bank adopts the historical simulation to calculate current VaR and stressed VaR, covering most market risk scenarios. To ensure the VaR’s quality, the Bank performs back-testing and statistical tests regularly.

VaR information of trading book is shown below:

<u>Common VaR</u>	<u>For the six months ended June 30, 2021</u>			
	<u>Highest</u>	<u>Lowest</u>	<u>Average</u>	<u>End of period</u>
Equity group	\$ 7,547	2,951	3,991	7,547
Interest rate group	46,091	20,344	32,159	39,158
Exchange rate group	18,517	3,501	10,814	14,066
Volatility group	2,229	964	1,525	964
Diversification effect	-	-	(14,218)	(24,827)
Common VaR of trading book			<u>\$ 34,271</u>	<u>36,908</u>

<u>Common VaR</u>	<u>For the six months ended June 30, 2020</u>			
	<u>Highest</u>	<u>Lowest</u>	<u>Average</u>	<u>End of period</u>
Equity group	\$ 19,004	10,895	14,645	13,393
Interest rate group	418,303	44,274	163,639	104,498
Exchange rate group	56,415	5,339	19,851	18,237
Volatility group	5,520	947	2,671	5,520
Diversification effect	-	-	(45,457)	(40,453)
Common VaR of trading book			<u>\$ 155,349</u>	<u>101,195</u>

Note: The highest and lowest VaRs may occur on different dates; the related diversification effects were not disclosed in the above table because it has no significant meaning.

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

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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ii) Stress testing

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

Fubon Bank (China)

To manage the trading book market risks, Fubon Bank (China) has set appropriate market risk measurements and relevant risk limits based on its trading products and the features and complexity of its risk exposures, including position limits on notional amounts, net exposures of foreign currencies, stop-loss limits of various products, and sensitivity limits. Fubon Bank (China)'s main currency businesses of trading book are spot trade and options. The main interest rate businesses of trading book are bonds, currency forward, currency swap and CNY interest rate swap. The market risk level is normal.

The Risk Management Department also performs stress tests on trading book on a quarterly basis to evaluate Fubon Bank (China)'s ability to sustain loss of market value of its trading book when main market risk factors such as interest rates and exchange rates move adversely.

f) Banking Book Market Risk

Taipei Fubon Bank (The Bank)

i) Interest rate risk

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

Banking book interest rate risk refers to possible loss due to unfavorable changes in interest rates for the banking book portfolio. One of the methods used to determine exposure to interest rate risks is earnings analysis, which focuses on the effects interest rate changes on the earnings of the banking book portfolio, especially earnings in the short term. Had the interest rate increased/decreased 1bps (basis points) as of June 30, 2021, December 31 and June 30, 2020, and all other factors been held constant, the earnings would have decreased/increased by \$4 million, \$12 million and \$4 million, respectively.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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ii) 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 branch's investment accounted for using the equity method. These exchange rate differences are reflected under either the statement of comprehensive income or "exchange differences on translation of foreign operations under equity.

The Bank has a foreign exchange business, overseas branches, overseas subsidiaries branch's investment accounted for using the equity method. As of June 30, 2021, the percentage of the exchange differences on translation of foreign operation is immaterial when compared with the Bank's entire foreign currency position.

iii) Equity securities 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 the stockholder's equity, the Bank holds these investments for a long term and has strict regulations on buying or selling these investments.

The sensitivity analysis for equity positions of banking book is listed below:

	June 30, 2021		December 31, 2020		June 30, 2020	
	Effect on profit or loss	Effect on equity	Effect on profit or loss	Effect on equity	Effect on profit or loss	Effect on equity
Stock prices increased by 10%	\$ -	2,402,779	-	1,438,021	-	1,202,147
Stock prices decreased by 10%	-	(2,402,779)	-	(1,438,021)	-	(1,202,147)

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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Fubon Bank (China)

i) Interest rate risk

The interest rate risk of Fubon Bank (China) is mainly from the risk of interest repricing. Calculate the repricing gap of interest-rate sensitive assets and liabilities according to the standardized measurement framework designated by local regulatory authorities, and set risk indicators for monitoring. Assuming the other conditions remain the same, which increases or decreases 50 basis points to evaluate risk.

	June 30, 2021		December 31, 2020		Units: In thousands of CNY June 30, 2020	
	Effect on profit or loss	Effect on equity	Effect on profit or loss	Effect on equity	Effect on profit or loss	Effect on equity
	Interest rate increased by \$ 50 basis points	(124,395)	(231,640)	(104,373)	(325,314)	(115,379)
Interest rate decreased by 50 basis points	124,382	233,466	104,372	272,645	115,554	263,615

ii) Exchange rate risk

Fubon Bank (China) uses CNY to perform the loan/deposit and inter-bank borrowing and foreign currency is composed of USD. In order to effectively control the exchange rate risk, Fubon Bank (China) establishes the foreign exchange gap controlling conditions and simultaneously conducts the foreign currency sensitivity analysis on assets/liabilities, based on its risk-taking ability and operating strategy. Assuming CNY appreciates or depreciates 5% compared to all foreign currency spot rate and forward rate, the outcome is as follows:

	June 30, 2021		December 31, 2020		Units: In thousands of CNY June 30, 2020	
	Effect on profit or loss	Effect on equity	Effect on profit or loss	Effect on equity	Effect on profit or loss	Effect on equity
	Foreign exchange rate for USD and HKD against CNY increased by 5%	\$ (186,860)	151,960	(104,925)	23,821	61,760
Foreign exchange rate for USD and HKD against CNY decreased by 5%	186,860	(151,960)	104,925	(23,821)	(61,760)	(18,115)

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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g) Foreign currency rate risk information

The table below shows the Bank and its subsidiaries' foreign currency risk information for financial assets and liabilities denominated in foreign currency at carrying value as of June 30, 2021, December 31 and June 30, 2020.

Taipei Fubon Bank (The Bank)

	June 30, 2021			December 31, 2020			June 30, 2020		
	Original	Rate	TWD	Original	Rate	TWD	Original	Rate	TWD
<u>Financial assets</u>									
<u>Monetary items</u>									
USD	\$ 22,513,155	27.8700	627,440,806	21,032,120	28.3720	596,722,267	23,336,862	29.6602	692,177,009
CNY	12,368,600	4.3146	53,364,966	10,090,398	4.3631	44,025,043	7,254,672	4.1920	30,411,654
HKD	10,926,434	3.5893	39,217,781	11,582,880	3.6599	42,391,881	14,216,973	3.8271	54,409,678
AUD	2,912,810	20.8979	60,871,679	2,683,661	21.8691	58,689,267	2,264,702	20.3077	45,991,112
JPY	-	-	-	104,540,630	0.2750	28,750,764	83,242,344	0.2754	22,925,302
EUR	761,947	33.1278	25,241,623	-	-	-	-	-	-
<u>Non-monetary items</u>									
USD	146,814	27.8700	4,091,709	205,431	28.3720	5,828,479	212,193	29.6602	6,293,686
JPY	-	-	-	5,796,576	0.2750	1,594,174	3,125,407	0.2754	860,776
CNY	402,156	4.3146	1,735,125	725,419	4.3631	3,165,049	213,434	4.1920	894,719
HKD	107,337	3.5893	385,260	39,642	3.6599	145,085	89,967	3.8271	344,314
AUD	89,433	20.8979	1,868,966	76,123	21.8691	1,664,750	65,337	20.3077	1,326,845
EUR	1,427	33.1278	47,281	-	-	-	-	-	-
<u>Investments accounted for using equity method</u>									
CNY	6,206,560	4.3146	26,778,525	4,891,139	4.3631	21,340,401	4,903,558	4.1920	20,555,566
<u>Financial liabilities</u>									
<u>Monetary items</u>									
USD	\$ 30,863,393	27.8700	860,161,657	27,954,676	28.3720	793,128,664	28,079,729	29.6602	832,851,777
CNY	13,936,423	4.3146	60,129,422	13,985,754	4.3631	61,020,728	11,961,716	4.1920	50,143,752
HKD	11,158,078	3.5893	40,049,211	8,120,740	3.6599	29,720,884	13,767,080	3.8271	52,687,981
AUD	640,216	20.8979	13,379,185	752,612	21.8691	16,458,957	1,317,078	20.3077	26,746,875
EUR	258,730	33.1278	8,571,165	-	-	-	-	-	-
JPY	-	-	-	26,308,572	0.2750	7,235,384	25,539,990	0.2754	7,033,774
<u>Non-monetary items</u>									
USD	369,279	27.8700	10,291,791	545,844	28.3720	15,486,654	512,662	29.6602	15,205,677
JPY	-	-	-	6,085,401	0.2750	1,673,607	3,960,351	0.2754	1,090,734
CNY	374,168	4.3146	1,614,367	617,166	4.3631	2,692,733	185,353	4.1920	777,005
HKD	10,109	3.5893	36,282	41,171	3.6599	150,680	90,638	3.8271	346,879
AUD	2,813	20.8979	58,794	1,592	21.8691	34,811	1,623	20.3077	32,954
EUR	2,688	33.1278	89,064	-	-	-	-	-	-

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Fubon Bank (China)

	June 30, 2021			December 31, 2020			June 30, 2020		
	Original	Rate	CNY	Original	Rate	CNY	Original	Rate	CNY
<u>Financial assets</u>									
<u>Monetary items</u>									
USD	\$ 1,980,411	6.4601	12,793,655	772,954	6.5249	5,043,445	504,258	7.0795	3,569,897
JPY	232,240	0.0584	13,569	842,662	0.0632	53,287	786,222	0.0658	51,740
HKD	183,211	0.8321	152,446	143,166	0.8416	120,494	57,731	0.9134	52,734
EUR	1,906	7.6862	14,650	460	8.0250	3,689	17,553	7.9610	139,739
<u>Non-monetary items</u>									
USD	31,278	6.4601	202,057	603	6.5249	3,935	41,792	7.0795	295,863
<u>Financial liabilities</u>									
<u>Monetary items</u>									
USD	5,441,575	6.4601	35,153,119	5,069,925	6.5249	33,080,753	3,924,564	7.0795	27,783,950
JPY	836,751	0.0584	48,890	1,267,357	0.0632	80,143	1,272,932	0.0658	83,769
HKD	-	-	-	16,201	0.8416	13,636	-	-	-
AUD	6,812	4.8528	33,056	-	-	-	11,084	4.8657	53,930
EUR	9,089	7.6862	69,856	25,273	8.0250	202,813	5,183	7.9610	41,264
<u>Non-monetary items</u>									
USD	321,499	6.4601	2,076,916	605,824	6.5249	3,952,943	14,350	7.0795	101,592

h) Effect of interest rate benchmark reform

Taipei Fubon Bank and its subsidiaries are exposed to USD LIBOR which is subject to interest rate benchmark reform. The exposures arise on derivatives and non-derivative financial assets and liabilities. SOFR (Secured Overnight Financing Rate) is expected to replace USD LIBOR. There are key differences between USD LIBOR and SOFR. USD LIBOR is “forward looking”, which implies market expectation over future interest rates, and includes a credit spread over the risk-free rate. SOFR is currently a “backward-looking” rate, based on interest rates from actual transactions, and excludes a credit spread. To transition existing contracts and agreements that reference USD LIBOR to SOFR, adjustments for these differences might need to be applied to SOFR to enable the two benchmark rates to be economically equivalent.

The Bank and its subsidiaries established a USD LIBOR transition project plan. This transition project is considering changes to risk management policies, internal processes, IT systems and valuation models, as well as managing any related tax and accounting implications. As at June 30, 2021, changes required to IT systems and internal processes have been identified and have been partially implemented. Taipei Fubon Bank and its subsidiaries’ communication with financial instrument counterparties about amending the existing contract has been underway with an aim to finalize the amendment before the termination of LIBOR quotation.

Risks arising from the transition relate principally to the potential impact of interest rate basis risk. If the bilateral negotiations with Taipei Fubon Bank and its subsidiaries’ counterparties are not successfully concluded before the cessation of USD LIBOR, there are significant uncertainties with regard to the interest rate that would apply. This gives rise to additional interest rate risk that was not anticipated when the contracts were entered into. If a hedged financial instrument and the related hedging derivative instrument are transitioned to alternative benchmark rates at different times, it could result in hedge ineffectiveness.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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The following tables show the carrying amounts of non-derivative financial assets and liabilities of unreformed contracts, and those without appropriate fallback clauses.

	June 30, 2021	
	The total amounts of unreformed contracts	Without appropriate fallback clause amount
Financial assets linked to USD LIBOR		
Discounts and loans	\$ 62,675,157	62,675,157
Debts investments	37,395,679	29,270,831
Financial assets linked to EUR LIBOR		
Discounts and loans	1,183,834	1,183,834
Financial assets linked to GBP LIBOR		
Discounts and loans	1,765,536	1,765,536
Financial assets linked to JPY LIBOR		
Discounts and loans	856,800	856,800
Financial assets linked to CHF LIBOR		
Discounts and loans	5,860	5,860
	January 1, 2021	
	The total amounts of unreformed contracts	Without appropriate fallback clause amount
Financial assets linked to USD LIBOR		
Discounts and loans	\$ 47,547,072	47,547,072
Debts investments	36,349,132	29,034,173
Financial assets linked to EUR LIBOR		
Discounts and loans	1,634,403	1,634,403
Financial assets linked to GBP LIBOR		
Discounts and loans	196,238	196,238
Financial assets linked to JPY LIBOR		
Discounts and loans	315,592	315,592

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The following tables show the carrying amounts of unreformed contracts, and include derivative instruments at notional value without appropriate fallback clauses:

	June 30, 2021	
	The total amounts of unreformed contracts	Without appropriate fallback clause amount
Financial instrument linked to USD LIBOR		
Interest rate swap contracts	\$ 120,029,958	-
Foreign exchange swap contracts	5,113,024	-
Equity swap contracts	2,387,898	-
Cross currency swap contracts	1,114,799	-
Financial instrument linked to GBP LIBOR		
Interest rate swap contracts	192,796	-
	January 1, 2021	
	The total amounts of unreformed contracts	Without appropriate fallback clause amount
Financial instrument linked to USD LIBOR		
Interest rate swap contracts	\$ 116,193,384	-
Foreign exchange swap contract	6,829,128	-
Equity swap contracts	1,336,319	-
Cross currency swap contracts	280,950	-
Financial instrument linked to GBP LIBOR		
Interest rate swap contracts	193,764	-
2) Fubon Life Insurance and its subsidiaries		

Market risk refers to the risk that the value of assets decreases due to disadvantageous movement of the market price and this may result in a loss to Fubon Life Insurance and its subsidiaries. The risk factors of the market price fluctuation include interest rates, foreign exchange rates, stock prices, and commodity prices.

Guided by Assets and Liabilities Management Committee and other operations, Fubon Life Insurance takes financial environment, all the economic indicators, liability risk properties and ALM into account, to choose appropriate investment target through risk control mechanism. Under the consent of regulatory framework and market environment, choosing and acquisition of long-term assets is monitored by the Assets and Liabilities Management Committee or other operations. This is to allow assets and liabilities to coordinate better in terms of payment terms and profits, to pursue long term business and protect the rights of policyholders. This will also reduce the influence on insurance contract caused by market risk and eventually lower the potential loss to Fubon Life Insurance and its subsidiaries.

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Fubon Life Insurance and its subsidiaries widely apply various risk management instruments to measure market risk. The primary methods adopted would be Value at Risk (VaR) and Sensitivity Analysis. By using these two instruments, Fubon Life Insurance and its subsidiaries are able to measure, monitor and manage market risk completely and effectively.

a) Value at Risk

Value at Risk is to apply statistical techniques to measure the maximum potential loss of the investment portfolio resulted from market risk factor variation in a given period of time and under certain confidence interval. Fubon Life Insurance and its subsidiaries apply 99% as the confidence interval to predict the VaR in the next 10 days.

The VaR model applied to manage risk shall be examined retrospectively and continuously to ensure that Fubon Life Insurance and its subsidiaries are able to measure the maximum potential risk of the portfolios reasonably, completely and accurately.

b) Sensitivity analysis

Besides using VaR to manage market risk, Fubon Life Insurance and its subsidiaries adopt sensitivity analysis to serve as a basis for corporate risk analysis, risk alert and operation management. Sensitivity analysis is to measure the amount changed in the portfolio value resulted from the variation of single risk factor. This will facilitate Fubon Life Insurance and its subsidiaries to understand how each variation of risk factors may influence the portfolios in certain extreme scenarios.

Sensitivity analysis (Fubon Life Insurance)

Units: In thousands of TWD

June 30, 2021			
Risk factor	Variation	Change in profit or loss	Change in equity
Equity risk (Price index)	Price incline by 10%	-	85,530,240
	Price decline by 10%	-	(85,530,240)
Interest rate risk (Yield curve)	Yield curve (USD) incline by 50BPS	(7,517)	(31,634,423)
	Yield curve (TWD) incline by 50BPS	-	(10,063,879)
	Yield curve (Other) incline by 50BPS	(517)	(405,836)
	Yield curve (USD) decline by 50BPS	7,542	32,168,203
	Yield curve (TWD) decline by 50BPS	-	9,923,414
	Yield curve (Other) decline by 50BPS	519	418,713
Exchange rate risk (Currency exchange rate)	TWD to all currency incline by 3%	(11,317,203)	(10,979,156)
	TWD to all currency decline by 3%	11,317,203	10,979,156

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

December 31, 2020			
Risk factor	Variation	Change in profit or loss	Change in equity
Equity risk (Price index)	Price incline by 10%	-	71,818,435
	Price decline by 10%	-	(71,818,435)
Interest rate risk (Yield curve)	Yield curve (USD) incline by 50BPS	(4,857)	(27,924,431)
	Yield curve (TWD) incline by 50BPS	-	(10,473,416)
	Yield curve (Other) incline by 50BPS	(340)	(943,636)
	Yield curve (USD) decline by 50BPS	5,318	29,285,017
	Yield curve (TWD) decline by 50BPS	-	7,358,187
	Yield curve (Other) decline by 50BPS	341	1,003,412
Exchange rate risk (Currency exchange rate)	TWD to all currency incline by 3%	(10,085,355)	(9,940,517)
	TWD to all currency decline by 3%	10,085,355	9,940,517
June 30, 2020			
Risk factor	Variation	Change in profit or loss	Change in equity
Equity risk (Price index)	Price incline by 10%	-	60,515,059
	Price decline by 10%	-	(60,515,059)
Interest rate risk (Yield curve)	Yield curve (USD) incline by 50BPS	(4,024)	(34,053,641)
	Yield curve (TWD) incline by 50BPS	-	(8,977,376)
	Yield curve (Other) incline by 50BPS	(567)	(2,385,875)
	Yield curve (USD) decline by 50BPS	4,406	35,645,654
	Yield curve (TWD) decline by 50BPS	-	8,864,823
	Yield curve (Other) decline by 50BPS	569	2,490,251
Exchange rate risk (Currency exchange rate)	TWD to all currency incline by 3%	(10,550,862)	(9,449,207)
	TWD to all currency decline by 3%	10,550,862	9,449,207

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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Sensitivity analysis (Fubon Hyundai Life Insurance)

Units: In thousands of KRW

June 30, 2021			
Risk factor	Variation	Change in profit or loss	Change in equity
Equity risk (Price index)	Price incline by 10%	-	146,216,424
	Price decline by 10%	-	(146,216,424)
Interest rate risk (Yield curve)	Yield curve (USD) incline by 50BPS	-	(602,464)
	Yield curve (KRW) incline by 50BPS	-	(75,152,830)
	Yield curve (Other) incline by 50BPS	-	(121,042)
	Yield curve (USD) decline by 50BPS	-	615,044
	Yield curve (KRW) decline by 50BPS	-	78,100,770
	Yield curve (Other) decline by 50BPS	-	121,657
Exchange rate risk (Currency exchange rate)	KRW to all currency incline by 3%	11,375,830	-
	KRW to all currency decline by 3%	(11,375,830)	-
December 31, 2020			
Risk factor	Variation	Change in profit or loss	Change in equity
Equity risk (Price index)	Price incline by 10%	-	112,520,439
	Price decline by 10%	-	(112,520,439)
Interest rate risk (Yield curve)	Yield curve (USD) incline by 50BPS	-	(646,620)
	Yield curve (KRW) incline by 50BPS	-	(76,276,488)
	Yield curve (USD) decline by 50BPS	-	661,307
	Yield curve (KRW) decline by 50BPS	-	79,328,178
Exchange rate risk (Currency exchange rate)	KRW to all currency incline by 3%	5,859,050	-
	KRW to all currency decline by 3%	(5,859,050)	-
June 30, 2020			
Risk factor	Variation	Change in profit or loss	Change in equity
Equity risk (Price index)	Price incline by 10%	-	77,519,368
	Price decline by 10%	-	(77,519,368)
Interest rate risk (Yield curve)	Yield curve (USD) incline by 50BPS	-	(765,183)
	Yield curve (KRW) incline by 50BPS	-	(58,880,270)
	Yield curve (USD) decline by 50BPS	-	783,926
	Yield curve (KRW) decline by 50BPS	-	61,309,434
Exchange rate risk (Currency exchange rate)	KRW to all currency incline by 3%	(4,283,721)	-
	KRW to all currency decline by 3%	4,283,721	-

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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Note 1: The sensitivity analysis of equity risk and interest rate risk mainly includes financial assets measured at fair value through profit or loss and financial assets measured at fair value through other comprehensive income. The scenario of equity risk includes stock and fund but excludes monetary funds and bond funds. As for the scenario of interest rate risk, it includes bonds and bond funds. The sensitivity analysis of exchange rate variation excludes foreign currency insurance policy assets and OIU assets.

Note 2: The abovementioned sensitivity analysis is a scenario assumed that the impact of changes in risk factor on fair value is based on other factors which remained constant.

Note 3: Assuming other factors remain the same, an upward parallel shift in the yield curve for individual currency of 1 bps will affect \$(161) thousand, \$(109) thousand and \$(98) thousand in profit or loss and \$(846,035) thousand, \$(807,398) thousand and \$(931,507) thousand in equity of Fubon Life Insurance on June 30, 2021, December 31 and June 30, 2020, respectively.

Note 4: Assuming other factors remain the same, an upward parallel shift in the yield curve for individual currency of 1 bps will affect KRW (1,546,547) thousand, \$(1,570,193) thousand and KRW (1,216,867) thousand in equity of Fubon Hyundai Life Insurance Co., Ltd on June 30, 2021, December 31 and June 30, 2020, respectively.

Hong Kong and Vietnam subsidiaries are considered insignificant to the consolidated disclosures after Fubon Life Insurance and its subsidiaries' assessment; therefore, the data of Hong Kong and Vietnam subsidiaries are not disclosed.

c) Interest Rate Benchmark Reform—Phase 2 Amendment

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative nearly risk-free rates. Fubon Life Insurance and its subsidiaries have exposures to IBORs on its financial instruments that will be reformed as part of these market-wide initiatives. Fubon Life Insurance and its subsidiaries' s main IBOR exposure at the reporting date is USD LIBOR, which is planned to be discontinued by the middle of 2023, and the alternative reference rate for USD LIBOR is the Secured Overnight Financing Rate (SOFR). Consultations and possible regulatory changes are in progress for the discontinuation of USD LIBOR, and this may mean that USD LIBOR continues to be published beyond the middle of 2023, but Fubon Life Insurance and its subsidiaries plan to finish the process of amending contractual terms or implementing appropriate fallback provisions in response to IBOR reform by the middle of 2023.

Fubon Life Insurance and its subsidiaries anticipate that IBOR reform will impact its operational and risk management processes and hedge accounting. The main risks to which Fubon Life Insurance and its subsidiaries are exposed as a result of IBOR reform are operational. For example, the renegotiation of borrowing contracts through bilateral negotiation with counterparties, implementing new fallback provisions with its derivative counterparties, updating of contractual terms, and revision of operational controls related to the reform.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Fubon Life Insurance and its subsidiaries monitor and manage the transition to alternative rates. Fubon Life Insurance and its subsidiaries evaluate the extent to which contracts reference IBOR cash flows, whether such contracts will need to be amended as a result of IBOR reform and how to manage communication about IBOR reform with counterparties. Fubon Life Insurance and its subsidiaries report to the Board of Directors semiannually. Fubon Life Insurance and its subsidiaries provide periodic reports to management on interest rate risk and the risks arising from IBOR reform.

Fubon Life Insurance and its subsidiaries monitor the progress of transition from IBORs to new benchmark rates by reviewing the total amounts of contracts that have yet to transition to an alternative benchmark rate and the amounts of such contracts that include an appropriate fallback provision. Fubon Life Insurance and its subsidiaries consider that a contract is not yet transitioned to an alternative benchmark rate when interest under the contract is indexed to a benchmark rate that is still subject to IBOR reform, even if it includes a fallback provision that deals with the cessation of the existing IBOR (referred to as an 'unreformed contract').

The following tables show the carrying amounts of non-derivative financial assets and liabilities of unreformed contracts and those without appropriate fallback clauses.

	June 30, 2021	
	The total amounts of unreformed contracts	Without appropriate fallback clause amount
Financial assets linked to USD LIBOR		
Bond investment (Note)	\$ 31,928,662	-
Asset securitization group	20,469,564	-
Structured products	335,455	335,455

Note: this includes 30,992,236 thousand bonds which transfer interest rate benchmark one year before maturity and does not affect significantly to contract cash flow.

	January 1, 2021	
	The total amounts of unreformed contracts	Without appropriate fallback clause amount
Financial assets linked to USD LIBOR		
Bond investment (Note)	\$ 34,982,791	-
Asset securitization group	14,227,202	-
Structured products	370,067	370,067

Note: this includes 32,635,607 thousand bonds which transfer interest rate benchmark one year before maturity and does not affect significantly to contract cash flow.

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The following tables show the carrying amounts of unreformed contracts, and include derivative instruments at notional value without appropriate fallback clauses:

	June 30, 2021	
	The total amounts of unreformed contracts	Without appropriate fallback clause amount
Financial instrument linked to USD LIBOR		
Interest rate swap	\$ 7,601,543	-
	January 1, 2021	
	The total amounts of unreformed contracts	Without appropriate fallback clause amount
Financial instrument linked to USD LIBOR		
Interest rate swap	\$ 10,518,919	2,354,876

3) Fubon Insurance and its subsidiaries

Market risk is the risk of losses in the value of assets in a given period resulting from unfavorable changes in the asset's market prices. Fubon Insurance and its subsidiaries management set a monitor system on the concentration of daily transactions, established a sound crisis response mechanism to deal with working capital demand due to emergency or abnormal event.

a) Management process of market risk

i) Risk identification

To achieve market risk management goal, Fubon Insurance and its subsidiaries have identified potential market risk factors encountered during operation process. Positions in different financial instruments were classified into four categories, mainly interest, foreign exchange rate, equity security and commodity.

ii) Risk measurement

1. Establish a risk quantification model, adopt basic statistical measurement, sensitivity analysis and scenario analysis etc., for different risk factors to measure market risk.
2. Analyze outcome from the risk model for better market risk planning, supervision and control.

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

3. Measure possible losses from the holding position daily under normal market fluctuation and perform stress testing monthly.
4. Evaluate accuracy of the risk model by retroactive testing or other methodologies.

iii) Risk monitoring

Fubon Insurance and its subsidiaries have established market risk monitoring procedure to review and monitor utilization of various risk limits monthly. An action would be taken if the risk limit is breached. Fubon Insurance and its subsidiaries have established proper monitoring frequency and hierarchical reporting mechanism to ensure proper reporting whenever there is any abnormal situation occurred or any deficiency identified. A specific reporting procedure would be followed to ensure the control of timing in dealing with significant market risk.

iv) Risk responding

As market risk occurs, the head of any related unit being impacted or in-charge unit with relevant authority would respond to the event immediately, and report to risk management and related departments based on the established authorization. Afterwards, every related unit would work with risk management department to investigate the underlying reason for the risk event, develop a remediation plan, and risk management department would monitor the progress of the follow up actions.

b) Concentration of market risk

The main counterparty and buyer of financial instruments of Fubon Insurance and its subsidiaries are companies in financial industry. There are rules about limitation of the government bonds, fixed income bonds, bonds, convertible bonds, funds, stocks, derivative financial instruments, structured notes and bonds securitization to control the risk.

c) Market risk management mechanism

i) Risk tolerance management

Risk tolerance refers to the maximum amount of risk an entity is willing to withstand. Market risk tolerance is submitted to and approved by the Risk Management Committee annually.

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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ii) Risk limit management

Establishment of risk limits is to put risk tolerance management into practice. Risk limits for different financial products were made by trading position, investment position and hedging position separately. When setting risk limits, various factors were taken into account, such as risk tolerance, business history, expected budget target, market liquidity of a specific product, historical utilization of risk limits, traders' trading experiences, trading system and supports by the operation department. The amendments of risk limits should first be proposed to Risk Control Department of the Company and signed by internal delegates. After reviewed by the Risk Management Committee of the Company and Fubon Insurance, the amendments are presented to the Board of Directors. Under system support, Fubon Insurance and its subsidiaries' limits include VaR and foreign exchange risk.

iii) Valuation management

Commodity is evaluated based on the market value if it is available. If the market value is not readily available, the product value will be calculated using the latest market price, quotation from the counterparty or valuation model.

d) Risk value model

Risk value is a statistical estimate of probable worst outcome during normal fluctuation. Fubon Insurance and its subsidiaries use value at risk (VaR) model to measure the potential maximum loss in value of an investment portfolio at risk over a period of ten-day for a 99% confidence interval with respect to different market factors.

Fubon Insurance and its subsidiaries apply retroactive testing which provides estimates of the accuracy of VaR model to check whether a VaR methodology is being used appropriately, completely and accurately in measuring the potential maximum loss in value of an investment portfolio. The retroactive testing procedure consists of calculating the number or percentage of times that the actual portfolio returns fall outside the VaR estimate. A VaR is computed over a period of one year with reconciled profit and loss on a daily basis. Fubon Insurance and its subsidiaries periodically monitor the outcome of the aforementioned model and test the accuracy of parameters and assumptions being used.

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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i) Fubon Insurance

Units: In thousands of TWD			
June 30, 2021			
<u>Common VaR</u>	<u>Average</u>	<u>Highest</u>	<u>Lowest</u>
Fixed income group	\$ 583,019	703,220	466,083
Equity group	2,039,512	2,488,965	1,697,445
Fund group	147,516	212,572	79,475
Asset securitization group	95,643	101,267	56,429
Total position	2,252,844	2,729,511	1,813,534
December 31, 2020			
<u>Common VaR</u>	<u>Average</u>	<u>Highest</u>	<u>Lowest</u>
Fixed income group	\$ 1,622,211	5,357,269	448,384
Equity group	1,972,152	2,866,271	573,929
Fund group	99,356	211,137	64,338
Asset securitization group	83,591	130,608	19,821
Total position	3,055,004	5,580,126	662,895
June 30, 2020			
<u>Common VaR</u>	<u>Average</u>	<u>Highest</u>	<u>Lowest</u>
Fixed income group	\$ 2,244,503	5,357,269	448,384
Equity group	1,768,317	2,866,271	573,929
Fund group	109,596	211,137	64,338
Asset securitization group	83,333	130,608	19,821
Total position	3,051,805	5,580,126	662,895

ii) Fubon Property and Casualty Insurance

Units: In thousands of TWD			
June 30, 2021			
<u>Common VaR</u>	<u>Average</u>	<u>Highest</u>	<u>Lowest</u>
Fixed income group	\$ 15,800	102,246	12,473
Equity group	79,694	91,589	12,435
Total position	82,616	133,694	59,057
December 31, 2020			
<u>Common VaR</u>	<u>Average</u>	<u>Highest</u>	<u>Lowest</u>
Fixed income group	\$ 9,422	12,843	4,581
Equity group	70,995	93,198	54,116
Total position	71,290	94,746	53,516

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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<u>Common VaR</u>	<u>June 30, 2020</u>		
	<u>Average</u>	<u>Highest</u>	<u>Lowest</u>
Fixed income group	\$ 6,917	9,329	4,581
Equity group	68,300	76,178	54,116
Total position	68,129	76,457	53,516

Note 1: VaR was adopted for the six months ended June 30, 2021 and 2020 and for the year ended December 31, 2020.

Note 2: VaR was computed over a period of ten days.

Since Vietnam, Thailand and Philippines subsidiaries did not have any investment, it was unnecessary to disclose their risk value.

4) Fubon Securities and its subsidiaries

Market risk is defined as an unfavorable change in market prices (such as interest rates, exchange rates, stock prices and commodity prices) which may cause a potential loss on or off the balance sheet. According to Fubon Securities and its subsidiaries' internal administrative policies, the positions in the trading book are for the purpose of market risk measurement and management.

Trading book positions fit the following definitions:

- a) Positions held for earning profits from changes in bid-ask spread or changes in price and interest rate.
- b) Positions held for brokerage business or dealing trading.
- c) Positions held for offsetting risk from other positions (either entirely or partly).
- d) Positions held for trading within approved market risk limits.

Trading book positions should not be under any restrictive trading terms and should be completely hedged against risks.

i) Guidelines and Procedures

Fubon Securities and its subsidiaries have enacted comprehensive policies of market risk management and have established mechanism for deal execution, clearing and settlement. Based on the risk factors they are exposed to trading book positions are categorized in the following four groups: interest rates instruments, exchange rates instruments, securities and commodities. Fubon Securities and its subsidiaries have established management policies and market risk limits that implement the risk management systems to identify, measure, monitor and control the market risk.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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ii) Organization and Framework

Under the supervision of the Board of Directors, the Risk and Asset-liability Management Committee is composed of the senior managers from each department, while the chairman of the board oversees this committee. To improve market risk management, the Committee supervises the suitability of market risk exposures and the effectiveness of market risk management.

The Risk Management Department is responsible for formulating policies and procedures on market risk management, for executing market risk limits control, for reporting market risk events immediately, and for verifying valuation models independently. In addition, the independent Audit Department, which is under the Board of Directors, plays the role of the third line of defense in the market risk management framework.

iii) Procedure for Market Risk Control, Reporting and Verification

The Risk Management Department is responsible for monitoring the daily risk limit (including the analysis of risk sensitivity factors such as Delta, Vega, DV01, and VaR etc.), notional quota, and profit and loss (P&L). Based on the authorized daily limit, this department controls the quota used and the monthly / yearly P&L. However, a position exceeding the approved limit is treated as an exceptional case to be monitored. Fubon Securities and its subsidiaries have established related mechanism and procedures for VaR limit management while also applying back-testing to check the VaR model calculation and the effectiveness of the valuation methodology. Fubon Securities and its subsidiaries also keep upgrading and improving its trading system with a market risk control function. Moreover, the valuation models and VaR models are verified independently by the Risk Management Department to ensure their effectiveness and stability.

iv) Market Risk Measurement of Trading Book

Fubon Securities and its subsidiaries' market risk measurement of the trading book includes individual risk measures (such as Greeks) and integrated risk measures (such as VaR and stress-testing). The integrated measures provide consistent and comparable measurement across different trading desks or risk types.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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Value at Risk (VaR)

VaR is defined as ‘the worst expected loss over a target horizon with a given level of confidence and normal market environment’. Fubon Securities and its subsidiaries adopt Historical Simulation risk models to evaluate the one-day worst loss on current net positions, with a 99% confidence level. Historical Simulation is used to calculate Common VaR and Stressed VaR, which reflects the impact on position held by Fubon Securities and its subsidiaries in the historical scenario. To conform to Basel Committee on Banking Supervision’s suggestion after the financial crisis in 2008, a new Stressed VaR used a 12-month period of market turmoil to assess potential losses above the 99% confidence level used in the VaR model. The outcome of Historical Simulation was easier to explain and understand, and the method could also avoid mistaken risk factor hypotheses being used. To ensure the quality of VaR measures, Fubon Securities and its subsidiaries execute statistical hypothesis testing and back-testing periodically. In addition to Bernoulli trials, Fubon Securities and its subsidiaries have also adopted statistical tests suggested by the Basel Committee after the financial crisis.

Common VaR information of trading book was as follows:

Units: In thousands of TWD

For the three months ended June 30, 2021			
Common VaR	Highest	Lowest	Average
Foreign exchange rate	\$ 755	435	543
Interest rate	57,454	19,397	38,060
Equity	81,194	59,813	73,241
Fluctuation	7,428	4,137	5,855
For the three months ended June 30, 2020			
Common VaR	Highest	Lowest	Average
Foreign exchange rate	\$ 1,066	602	772
Interest rate	124,220	69,850	101,671
Equity	112,089	93,646	100,183
Fluctuation	38,526	14,498	27,769
For the six months ended June 30, 2021			
Common VaR	Highest	Lowest	Average
Foreign exchange rate	\$ 1,983	260	798
Interest rate	57,454	19,397	37,911
Equity	82,708	45,358	69,686
Fluctuation	9,175	4,137	7,179

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the six months ended June 30, 2020

Common VaR	Highest	Lowest	Average
Foreign exchange rate	\$ 1,622	602	992
Interest rate	124,220	10,489	73,647
Equity	163,660	49,864	95,991
Fluctuation	38,526	6,297	22,900

(The highest and lowest VaR in the table may appear on different dates, so its diversification effect is not significant. Therefore, it is not disclosed in the table.)

Stress Testing

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

Some techniques can be used when executing stress testing, such as sensitivity analysis, scenario analysis, and maximum loss analysis. Fubon Securities and its subsidiaries selected and implemented stress testing periodically within the scope of market risk set by the Company's risk control system. The result from the stress testing would be reported to the Risk and Asset-Liability Management Committee as a reference for management setting each managerial objective and quota.

Sensitivity analysis

Sensitivity analysis is used to measure the impact and effect of the products and portfolios when these are changes in the factors of a specific market. Fubon Securities and its subsidiaries use the following sensitivities to measure and monitor the risk exposure based on each type of risk.

1. Delta: Measure the changing value of a specific asset whose price changes 1%.
2. Gamma: Measure the changing Delta value of a specific asset whose price changes 1%.
3. Vega: Measure the changing value of a specific asset whose price volatility changes 1%.
4. Price Value of Basis Point (PVBPP): Measure the changing value of the yield rate curve when it moves 1 bp in parallel.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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v) Interest Rate Benchmark Reform—Phase 2 Amendment

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative nearly risk-free rates. Fubon Securities and its subsidiaries have exposures to IBORs on its financial instruments that will be reformed as part of these market-wide initiatives. Fubon Securities and its subsidiaries' main IBOR exposure at the reporting date is sterling LIBOR, which is planned to be discontinued by the end of 2021, and the alternative reference rate for sterling LIBOR is the Secured Overnight Financing Rate (SOFR). Consultations and possible regulatory changes are in progress for the discontinuation of sterling LIBOR, and this may mean that sterling LIBOR continues to be published beyond the end of 2021, but the Group plans to finish the process of amending contractual terms or implementing appropriate fallback provisions in response to IBOR reform by the end of 2021.

Fubon Securities and its subsidiaries anticipate that IBOR reform will impact its operational and risk management processes and hedge accounting. The main risks to which the Group is exposed as a result of IBOR reform are operational. For example, updating of contractual terms, and revision of operational controls related to the reform. Financial risk is predominantly limited to interest rate risk.

Department of Risk Management monitors and manages the transition to alternative rates, evaluates the extent to which contracts reference IBOR cash flows and gains and losses on the valuation, and provides periodic reports to management on interest rate risk and the risks arising from IBOR reform.

Fubon Securities and its subsidiaries monitor the progress of transition from IBORs to new benchmark rates by reviewing the total amounts of contracts that have yet to transition to an alternative benchmark rate and the amounts of such contracts that include an appropriate fallback provision. Fubon Securities and its subsidiaries consider that a contract is not yet transitioned to an alternative benchmark rate when interest under the contract is indexed to a benchmark rate that is still subject to IBOR reform, even if it includes a fallback provision that deals with the cessation of the existing IBOR (referred to as an 'unreformed contract').

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Notes to the Consolidated Financial Statements

The following tables show the carrying amounts of non-derivative financial assets and liabilities of unreformed contracts, and those without appropriate fallback clauses.

	June 30, 2021	
	the total amounts of unreformed contracts	Without appropriate fallback clause amount
Financial assets linked to USD LIBOR		
Debts investments	\$ 585,269	-
Financial liabilities linked to USD LIBOR		
Securities sold under repurchase agreements	552,080	-
January 1, 2021		
	the total amounts of unreformed contracts	Without appropriate fallback clause amount
Financial assets linked to USD LIBOR		
Debts investments	\$ 821,930	-
Financial liabilities linked to USD LIBOR		
Securities sold under repurchase agreements	634,777	-

5) Fubon Bank (Hong Kong) and its subsidiaries

The following disclosures related to Fubon Bank (Hong Kong) are all expressed in thousands of HKD, unless otherwise stated.

a) The definition and classification of market risk

Market risk arises on all market risk sensitive financial instruments, including securities, foreign exchange contracts, equity and other derivative instruments, as well as from balance sheet or structural positions. Fubon Bank (Hong Kong) and its subsidiaries transact in the money market, foreign exchange market, equity market and capital market giving rise to market risk exposures. Positions are taken as a result of the execution of customers' orders, market making activities, and offsetting transactions in order to hedge Fubon Bank (Hong Kong) and its subsidiaries' open position. Fubon Bank (Hong Kong) and its subsidiaries do not engage in significant proprietary trading.

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

b) Guidelines and procedures

The objective of market risk management is to avoid excessive exposure of earnings and equity to loss and to reduce Fubon Bank (Hong Kong) and its subsidiaries' exposure to the volatility inherent in financial instruments.

The Board of Directors reviews and approves policies concerning market risk management, including handling authorizations and limits. The Board of Directors has delegated the responsibility for continuing general market risk management to the Asset and Liability Committee. The committee is responsible for determining future business strategies in response to Fubon Bank (Hong Kong) and its subsidiaries' forecasts of interest rate movements. The committee also reviews and formulates financing policies and ensures compliance with various risk management objectives.

Fubon Bank (Hong Kong) and its subsidiaries have also established clear market risk policies, including limits, reporting lines and control procedures, which are reviewed regularly and approved by the Board of Directors. Market risk is managed within various limits approved by the Board of Directors. These limits are determined for each financial instrument and include limits on product volume, gross and net positions, position concentrations, mark to market limits, stop loss limits and risk position limits. The Asset and Liability Committee reviews and approves these restrictions, which are approved by the Board of Directors at least once a year. Regular monitoring is performed daily and the results are reported to the members of the Asset and Liability Committee. The risk exposures are also reported to the Risk Committee at least monthly.

The sale of derivatives to customers as risk management products and the subsequent use of derivatives to manage the resulting position is an integral part of Fubon Bank (Hong Kong) and its subsidiaries' business activities. These instruments are also used to manage Fubon Bank (Hong Kong) and its subsidiaries' own exposures to market risk as part of its asset and liability management process. The principal derivative instruments used by Fubon Bank (Hong Kong) and its subsidiaries are interest and foreign exchange rate related contracts, which are primarily over-the-counter derivatives. Fubon Bank (Hong Kong) and its subsidiaries also purchases exchange traded derivatives. Most of Fubon Bank (Hong Kong) and its subsidiaries' derivatives positions have been entered into to meet customer demand and to hedge these and other positions.

One of the tools used by Fubon Bank (Hong Kong) and its subsidiaries to monitor and limit market risk exposure is Value-at-risk (VaR). VaR is one of the techniques that estimates the potential losses that could occur on risk positions as a result of movements in market rates and prices over a specified time horizon and to a given level of confidence. The calculation uses the historical simulation method as the means to estimate the statistical confidence level.

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The VaR technique is only effective for potential loss events which are not correlated. Fubon Bank (Hong Kong) and its subsidiaries therefore augment its VaR limits with other positions and sensitivity limit structures. Additionally, Fubon Bank (Hong Kong) and its subsidiaries apply a wide range of sensitivity analysis and stress testing, both on individual portfolios and on Fubon Bank (Hong Kong) and its subsidiaries' consolidated positions to assess the potential impact on Fubon Bank (Hong Kong) and its subsidiaries' earnings as a result of extreme movements in market prices.

c) Organization and framework

The Board of Directors reviews and approves policies concerning market risk management, including handling authorizations and limits. The Board of Directors has delegated the responsibility for continuing general market risk management to the Asset and Liability Committee. The committee is responsible for determining future business strategies in response to Fubon Bank (Hong Kong) and its subsidiaries' forecasts of interest rate movements. The committee also reviews and formulates financing policies and ensures compliance with various risk management objectives.

d) Evaluation technique of market risk: Value at risk (VaR). Fubon Bank (Hong Kong) adopts various risk models to evaluate the worst loss on current net positions within one day, with a 99% confidence level.

The following table shows the relevant market risk VaR:

Units: In thousands of HKD

VaR	June 30, 2021		
	Average	Highest	Lowest
Foreign exchange risk	\$ 482	1,606	82
Interest rate risk	21	114	-
Total risk	488	1,623	90
VaR	December 31, 2020		
	Average	Highest	Lowest
Foreign exchange risk	\$ 189	2,013	63
Interest rate risk	30	461	-
Total risk	218	2,002	54
VaR	June 30, 2020		
	Average	Highest	Lowest
Foreign exchange risk	\$ 209	2,013	63
Interest rate risk	31	461	-
Total risk	243	2,002	54

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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e) Sensitivity information of interest rate risk, foreign exchange risk and equity risk

Units: In thousands of HKD

June 30, 2021			
Main risk	Variance	Influenced amount	
		Equity	profit or loss
Foreign exchange risk	10% increase in HKD	-	(137,500)
Foreign exchange risk	10% decrease in HKD	-	137,500
Interest rate risk	+100 basis points shift in yield curves	700,268	(486,268)
Interest rate risk	-100 basis points shift in yield curves	(700,268)	486,268
Equity risk	10% increase in equity prices	-	-
Equity risk	10% decrease in equity prices	-	-

December 31, 2020			
Main risk	Variance	Influenced amount	
		Equity	profit or loss
Foreign exchange risk	10% increase in HKD	-	(129,800)
Foreign exchange risk	10% decrease in HKD	-	129,800
Interest rate risk	+100 basis points shift in yield curves	721,317	(470,588)
Interest rate risk	-100basis points shift in yield curve	(721,317)	470,588
Equity risk	10% increase in equity prices	-	-
Equity risk	10% decrease in equity prices	-	-

June 30, 2020			
Main risk	Variance	Influenced amount	
		Equity	profit or loss
Foreign exchange risk	10% increase in HKD	-	(108,300)
Foreign exchange risk	10% decrease in HKD	-	108,300
Interest rate risk	+100 basis points shift in yield curves	4,330	(444,059)
Interest rate risk	-100 basis points shift in yield curves	(4,330)	444,059
Equity risk	10% increase in equity prices	-	-
Equity risk	10% decrease in equity prices	-	-

f) Interest Rate Benchmark Reform—Phase 2 Amendment

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative nearly risk-free rates. Fubon Bank (Hong Kong) has exposures to IBORs on its financial instruments that will be reformed as part of these market-wide initiatives. Fubon Bank's (Hong Kong) main IBOR exposure at the reporting date is sterling LIBOR, which is planned to be discontinued by the end of 2021, and the alternative reference rate for sterling LIBOR is the Secured Overnight Financing Rate (SOFR). Consultations and possible regulatory changes are in progress for the discontinuation of sterling LIBOR, and this may mean that sterling LIBOR continues to be published beyond the end of 2021, but Fubon Bank (Hong Kong) plans to finish the process of amending contractual terms or implementing appropriate fallback provisions in response to IBOR reform by the end of 2021.

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Fubon Bank (Hong Kong) anticipates that IBOR reform will impact its operational and risk management processes and hedge accounting. The main risks to which the Group is exposed as a result of IBOR reform are operational. For example, the renegotiation of borrowing contracts through bilateral negotiation with counterparties, implementing new fallback provisions with its derivative counterparties, updating of contractual terms, and revision of operational controls related to the reform.

IBOR Reform Monitoring Committee is formed to handle the related issues of IBOR Reform. The Committee provides periodic reports to management on interest rate risk and the risks arising from IBOR reform.

Fubon Bank (Hong Kong) monitors the progress of transition from IBORs to new benchmark rates by reviewing the total amounts of contracts that have yet to transition to an alternative benchmark rate and the amounts of such contracts that include an appropriate fallback provision. Fubon Bank (Hong Kong) considers that a contract is not yet transitioned to an alternative benchmark rate when interest under the contract is indexed to a benchmark rate that is still subject to IBOR reform, even if it includes a fallback provision that deals with the cessation of the existing IBOR (referred to as an 'unreformed contract').

The following tables show the carrying amounts of non-derivative financial assets and liabilities of unreformed contracts and those without appropriate fallback clauses.

Units: In thousands of HKD

	June 30, 2021	
	the total amounts of unreformed contracts	Without appropriate fallback clause amount
Financial assets linked to USD LIBOR		
Discounts and loans	\$ 9,368,596	-
Debts investments	155,297	-
Financial liabilities linked to USD LIBOR		
Bonds payable	155,297	-

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	January 1, 2021	
	the total amounts of unreformed contracts	Without appropriate fallback clause amount
Financial assets linked to USD LIBOR		
Discounts and loans	\$ 8,734,802	8,734,802
Debts investments	456,123	-
Financial liabilities linked to USD LIBOR		
Bonds payable	155,041	-

The following tables show the carrying amounts of unreformed contracts, and include derivative instruments at notional value without appropriate fallback clauses:

Units: In thousands of HKD

	June 30, 2021	
	the total amounts of unreformed contracts	Without appropriate fallback clause amount
Financial instrument linked to USD LIBOR		
Interest rate swap contracts	\$ 26,296,441	-

	January 1, 2021	
	the total amounts of unreformed contracts	Without appropriate fallback clause amount
Financial instrument linked to USD LIBOR		
Interest rate swap contracts	\$ 24,962,376	-

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

6) JihSun Financial Holding and its subsidiaries

a) Market risk analysis

Market risk results from the changes in market prices, such as price risk, interest rates risk, foreign exchange rates risk and product risk will cause the risk of loss.

JihSun Securities

i) Value at Risk (VaR)

Value at risk is the risk measure of the maximal expected loss on a specific portfolio for given time horizon and confidence level under normal market. JihSun Securities currently adopts 99% C.L.1 day to measure the risk of loss on portfolio. JihSun Securities exercises back testing to evaluate the appropriateness of Value at Risk model on a daily basis to ensure that the greatest probable risk can be evaluated effectively.

1. Value at Risk

Unit: In thousands of TWD

	June 30, 2021	Average	The highest	The lowest
99%C.L.1 day(VaR)				
Total of departments	38,405	39,866	53,130	30,613
Covariance adjustments	(17,816)	(13,507)	(9,923)	(16,234)
Securities in all	20,589	26,359	43,207	14,379

2. The table of Value at Risk by risk factors

Unit: In thousands of TWD

99%C.L.1 day(VaR)	For the six months ended June 30, 2021		
	Average	The highest	The lowest
Exchange rate	16	-	13
Interest rate	2,631	1,919	4,678
Equity price	26,654	43,938	13,041
Securities in all	26,359	43,207	14,379

Note: The risk value of exchange rate, interest rate and equity price showed on the highest and the lowest column in the table are disclosed on the dates with the highest and lowest VaR during the period.

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

ii) Stress testing

Stress tests carried out by JihSun Securities include single factor sensitivity test, historical scenario test and self-defined scenario test. These tests are conducted to understand the impact on JihSun Securities' portfolio assuming a recurrence of significant international and domestic events or an occurrence of self-defined extreme condition.

The data applied for stress test in the extreme scenario used by JihSun Securities considered the following factors to simulate the probable loss.

1. Single factor sensitivity test:

The purpose of this test is to observe the change in the value of the portfolio while specific risk factors change. For example, when the risk factor is stock price of listed company, the single factor sensitivity test evaluates the change in the value of the portfolio due to the change in stock price.

2. Historical scenario test:

The purpose of this test is to simulate the portfolio under a historical period, where the shocks are applied to following the historical returns.

3. Self-defined scenario test:

This test is similar to the single factor sensitivity test and in addition, takes into consideration the correlation of risk factors.

The table of stress testing

Unit : In thousands of TWD

<u>Risk factor</u>	<u>Movements</u>	<u>Changes in gain and loss of positions 2021.6.30</u>
Equity Price risk	Equity securities prices decreased by 20%	(288,622)
Interest Rate risk	Interest rate curve shift up 100bps	(73,019)
Exchange Rate risk	Foreign currency depreciate 7% against TWD	(42,233)

iii) Except for the indicators aforementioned, the different internal control mechanism and risk control indicators for each department are set up according to the natures and products of each department.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

JihSun Bank

i) Value at Risk (VaR)

Incompliance with Basel Internal Model Approach for Market Risk, JihSun Bank updates market data on a daily basis. Exponentially weighted moving average (EWMA) is applied to compute volatility based on the market price range for the past year. Additionally, correlation of different market risk factor is considered and assumption of price changed of risk factor follow certain pattern is made. With an assistance of a computer, simulation of possible price path is identified. JihSun Bank uses the simulation as the basis of investment portfolio's profit allocation. Monte Carlo simulations may be applied to compute Value at Risk of 99% confidence interval. Variance covariance matrices or Historical simulations can also be applied. Furthermore, JihSun Bank would exercise back testing to evaluate the appropriateness of Value at Risk model on a daily basis.

Tables shown as below are the Value at Risk portfolios of JihSun Bank:

Unit: In thousands of TWD

99%C.L.1 day(VaR)	For the six months ended June 30, 2021		
	<u>Average</u>	<u>Highest</u>	<u>Lowest</u>
Exchange Rate risk	729	1,434	494
Interest Rate risk	1,285	1,306	1,080
Equity Price risk	244	417	172
Securities in all	1,488	2,578	923

Note: The risk value of exchange, interest rate and equity instrument showed on the highest and the lowest column in the table are disclosed on the dates with the highest and lowest VaR during the period.

ii) Stress testing

Stress testing is used to measure the potential maximum loss of risk weighted assets under the worst hypothetical scenarios. The stress test of JihSun Bank is composed by three parts: (1) Single factor sensitivity test: The purpose of this test is to observe the change on a portfolio's value whenever a specific risk factor changes. Assuming that the risk factor is the stock price of common stocks, the single factor sensitivity test is to evaluate the value change on a portfolio when the stock price changes. (2) Historical scenario test: The purpose of this test is to simulate the portfolio under a historical period, where the portfolio is applied to following the historical returns. (3) Custom scenario test: This test is similar to the single factor sensitivity test and in addition, takes the correlation of risk factors into consideration.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

iii) Sensitivity analysis

Unit: In thousands of TWD

June 30, 2021			
Risk Item	Movement	Amount	
		Profit and loss	Equity
Interest	Interest rate curve shift up 100bps	17,683	(323,820)
Rate Risk	Interest rate curve shift down 100bps	(17,967)	321,844
Exchange Rate Risk	Foreign currency appreciate 7% against TWD	(22,579)	481,344
	Foreign currency depreciate 7% against TWD	22,579	(481,344)
Equity Price Risk	Equity price appreciate 20%	-	1,234
	Equity price depreciate 20%	-	(1,234)

b) Exchange rate risk concentration information of JihSun Financial Holding and its subsidiaries

Unit: In thousands

	June 30, 2021			
	Foreign currency amount	Exchange rate	TWD amount	
Financial assets				
Monetary items				
USD	\$ 1,209,878	27.871/	27.858	33,717,065
JPY	2,072,433		0.2521	522,460
EUR	23,841	33.157/	33.150	790,495
AUD	59,489	20.945/	20.936	1,245,989
HKD	323,387	3.589/	3.587	1,160,386
CNY	1,494,901	4.312/	4.308	6,445,986
ZAR	421,891	1.950/	1.945	822,676
NZD	5,612		19.487	109,370
Others (Note)	-	-		167,313

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	June 30, 2021			
	Foreign currency amount	Exchange rate		TWD amount
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD	\$ 1,192,202	27.871/	27.858	33,225,497
JPY	2,043,415		0.2521	515,145
EUR	17,988	33.157/	33.150	596,416
AUD	59,036	20.945/	20.936	1,236,516
HKD	234,769	3.589/	3.587	842,529
CNY	1,027,901	4.312/	4.308	4,432,305
ZAR	507,416	1.950/	1.945	989,461
NZD	5,614		19.487	109,393
Others (Note)	-	-		186,419

Note: Other currencies that are less than to TWD 100 million are disclosed aggregately.

c) Interest Rate Benchmark Reform—Phase 2 Amendment

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative nearly risk-free rates. JihSun Financial Holding and its subsidiaries have exposures to IBORs on its financial instruments that will be reformed as part of these market-wide initiatives. JihSun Financial Holding and its subsidiaries' main IBOR exposure at the reporting date is sterling LIBOR, which is planned to be discontinued by the end of 2021. Consultations and possible regulatory changes are in progress for the discontinuation of sterling LIBOR, and this may mean that sterling LIBOR continues to be published beyond the end of 2021, but JihSun Financial Holding and its subsidiaries plan to finish the process of amending contractual terms or implementing appropriate fallback provisions in response to IBOR reform by the end of 2021.

JihSun Financial Holding and its subsidiaries anticipate that IBOR reform will impact its operational and risk management processes and hedge accounting. The main risks to which JihSun Financial Holding and its subsidiaries are exposed as a result of IBOR reform are operational. For example, the renegotiation of borrowing contracts through bilateral negotiation with counterparties, implementing new fallback provisions with its derivative counterparties, updating of contractual terms, and revision of operational controls related to the reform.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

JihSun Financial Holding and its subsidiaries monitor the progress of transition from IBORs to new benchmark rates by reviewing the total amounts of contracts that have yet to transition to an alternative benchmark rate and the amounts of such contracts that include an appropriate fallback provision. JihSun Financial Holding and its subsidiaries consider that a contract is not yet transitioned to an alternative benchmark rate when interest under the contract is indexed to a benchmark rate that is still subject to IBOR reform, even if it includes a fallback provision that deals with the cessation of the existing IBOR (referred to as an 'unreformed contract').

The following tables show the carrying amounts of non-derivative financial assets and liabilities of unreformed contracts, and those without appropriate fallback clauses.

	June 30, 2021	
	the total amounts of unreformed contracts	Without appropriate fallback clause amount
Financial assets linked to USD LIBOR		
Debts investments	\$ 3,923,127	3,923,127
	January 1, 2021	
	the total amounts of unreformed contracts	Without appropriate fallback clause amount
Financial assets linked to USD LIBOR		
Debts investments	\$ 4,444,002	4,444,002

The following tables show the carrying amounts of unreformed contracts, and include derivative instruments at notional value without appropriate fallback clauses:

	June 30, 2021	
	the total amounts of unreformed contracts	Without appropriate fallback clause amount
Financial instrument linked to USD LIBOR		
FX options	\$ 228,542	-
Interest rate instruments	3,901,940	-
Equity instruments	261,987	-

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	January 1, 2021	
	the total amounts of unreformed contracts	Without appropriate fallback clause amount
Financial instrument linked to USD LIBOR		
FX options	\$ 267,571	-
Interest rate instruments	3,131,150	-
Equity instruments	109,306	-

(vi) Transfer of financial assets

1) Taipei Fubon Bank and its subsidiaries

a) Transferred financial assets that are not completely derecognized

The transferred financial assets of Taipei Fubon Bank and its subsidiaries that are not qualified for de-recognition in the daily operation are mainly debt securities under repurchase agreements or equity securities under lending agreements. Since the right to receive cash flow is transferred and it reflects the associated liabilities to repurchase transferred financial assets at fixed price in future period, Taipei Fubon Bank and its subsidiaries cannot use, sell or pledge these transferred financial assets during the valid transaction period. However, since Taipei Fubon Bank and its subsidiaries still bear the interest rate risk and credit risk, transferred financial assets are not completely derecognized.

Analysis of financial assets that are not completely derecognized and the associated liabilities are shown in following table:

Types of financial assets	June 30, 2021	
	Carrying amount of the transferred financial assets	Carrying amount of relevant financial liabilities
Financial assets measured at fair value through other comprehensive income		
Repurchase agreements	\$ 7,191,941	6,664,943
Debt investments measured at amortized cost		
Repurchase agreements	116,578,707	114,108,401
Types of financial assets	December 31, 2020	
	Carrying amount of the transferred financial assets	Carrying amount of relevant financial liabilities
Financial assets measured at fair value through other comprehensive income		
Repurchase agreements	\$ 10,993,597	10,327,127
Debt investments measured at amortized cost		
Repurchase agreements	69,901,796	69,830,302

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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<u>Types of financial assets</u>	June 30, 2020	
	<u>Carrying amount of the transferred financial assets</u>	<u>Carrying amount of relevant financial liabilities</u>
Financial assets measured at fair value through other comprehensive income		
Repurchase agreements	\$ 19,233,150	18,055,858
Debt investments measured at amortized cost		
Repurchase agreements	134,299,731	126,389,844

2) Fubon Life Insurance and its subsidiaries

The transferred financial assets of Fubon Life Insurance and its subsidiaries that are not qualified for de-recognition in the daily operation are mainly equity securities under lending agreements. Since the right to receive cash flow is transferred and it reflects the associated liabilities to repurchase transferred financial assets at fixed price in future period, Fubon Life Insurance and its subsidiaries cannot use, sell or pledge these transferred financial assets during the valid transaction period. Therefore, Fubon Life Insurance and its subsidiaries do not completely derecognize the transferred assets. The table below discloses the information of financial assets that are not completely derecognized and the associated financial liabilities:

Units: In thousands of TWD

<u>Types of financial assets</u>	June 30, 2021				
	<u>Carrying amount of the transferred financial assets</u>	<u>Carrying amount of relevant financial liabilities</u>	<u>Fair value of the transferred financial assets</u>	<u>Fair value of relevant financial liabilities</u>	<u>Fair value net position</u>
Financial assets measured at fair value through profit or loss					
Security lending agreements	\$ 480,906	-	480,906	-	480,906

Units: In thousands of TWD

<u>Types of financial assets</u>	December 31, 2020				
	<u>Carrying amount of the transferred financial assets</u>	<u>Carrying amount of relevant financial liabilities</u>	<u>Fair value of the transferred financial assets</u>	<u>Fair value of relevant financial liabilities</u>	<u>Fair value net position</u>
Financial assets measured at fair value through profit or loss					
Security lending agreements	\$ 1,106,214	-	1,106,214	-	1,106,214

Units: In thousands of TWD

<u>Types of financial assets</u>	June 30, 2020				
	<u>Carrying amount of the transferred financial assets</u>	<u>Carrying amount of relevant financial liabilities</u>	<u>Fair value of the transferred financial assets</u>	<u>Fair value of relevant financial liabilities</u>	<u>Fair value net position</u>
Financial assets measured at fair value through profit or loss					
Security lending agreements	\$ 7,991	-	7,991	-	7,991
Financial assets measured at amortized cost					
Securities sold under repurchase agreement	173,215	248,838	242,683	248,838	(6,155)

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

3) Fubon Insurance and its subsidiaries

Transferred financial assets that are completely derecognized

The transferred financial assets of Fubon Insurance and its subsidiaries that are not qualified for de-recognition in the daily operation are mainly debt securities under repurchase agreements or equity securities under lending agreements. Since the right to receive cash flow is transferred and it reflects the associated liabilities to repurchase transferred financial assets at fixed price in future period, Fubon Insurance and its subsidiaries cannot use, sell or pledge these transferred financial assets during the valid transaction period. However, since Fubon Insurance and its subsidiaries still bear the interest rate risk and credit risk, transferred financial assets are not completely derecognized.

There is no financial asset which is not completely derecognized on June 30, 2021, December 31 and June 30, 2020.

4) Fubon Securities and its subsidiaries

Transferred financial assets that are not completely derecognized

The transferred financial assets of Fubon Securities and its subsidiaries that are not qualified for de-recognition in the daily operation are mainly debt securities under repurchase agreements. Since the right to receive cash flow is transferred and it reflects the associated liabilities to repurchase transferred financial assets at fixed price in future period, Fubon Securities and its subsidiaries cannot use, sell or pledge these transferred financial assets during the valid transaction period. However, since Fubon Securities and its subsidiaries still bear the interest rate risk and credit risk, transferred financial assets are not completely derecognized.

Fubon Securities and its subsidiaries split the convertible bonds into corporate bonds and option, and sell them to separate investors with varying needs. Because the transactions involved ownership transfer, the entry for disposal of corporate bonds is the same as the normal bond transactions. The agreed exchanged interest payments are recorded as net value and evaluate at the market price as of balance sheet date.

When engaging in convertible bond option transactions, buyers pay premium to obtain the right to purchase or sell a security at a predetermined price on or before a specified day; sellers have the corresponding obligation to sell his options at a predetermined price on or before a specified day. The premium of the options will be shown on the balance sheet.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Notional amounts of the option should be recorded by memorandum entries. When options' owner fulfills his obligation, Fubon Securities and its subsidiaries will sell repurchased bonds to options' owner. Thus, the entry for disposal of corporate bonds is the same as the normal bond transactions. However, Fubon Securities and its subsidiaries still have the right to control the underlying interest; therefore, the financial assets are not derecognized in their entirety. Analyses of financial assets that are not completely derecognized and the associated liabilities are as follows.

<u>Types of financial assets</u>	<u>June 30, 2021</u>	
	<u>Carrying amount of the transferred financial assets</u>	<u>Carrying amount of relevant financial liabilities</u>
Financial assets measured at fair value through profit or loss		
Repurchase agreements	\$ 15,867,279	15,451,050
Convertible bonds transferred to counter parties of asset exchange option	1,466,259	1,226,552
<u>Types of financial assets</u>	<u>December 31, 2020</u>	
	<u>Carrying amount of the transferred financial assets</u>	<u>Carrying amount of relevant financial liabilities</u>
Financial assets measured at fair value through profit or loss		
Repurchase agreements	\$ 20,420,538	19,791,626
Convertible bonds transferred to counter parties of asset exchange option	846,166	737,445
<u>Types of financial assets</u>	<u>June 30, 2020</u>	
	<u>Carrying amount of the transferred financial assets</u>	<u>Carrying amount of relevant financial liabilities</u>
Financial assets measured at fair value through profit or loss		
Repurchase agreements	\$ 32,515,279	31,466,418
Convertible bonds transferred to counter parties of asset exchange option	883,066	830,138

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

5) Fubon Bank (Hong Kong) and its subsidiaries

Transferred financial assets that are not completely derecognized

The transferred financial assets of Fubon Bank (Hong Kong) and its subsidiaries that are not qualified for de-recognition in the daily operation are mainly debt securities under repurchase agreements or equity securities under lending agreements. Since the right to receive cash flow is transferred and it reflects the associated liabilities to repurchase transferred financial assets at fixed price in future period, Fubon Bank (Hong Kong) and its subsidiaries cannot use, sell or pledge these transferred financial assets during the valid transaction period. However, since Fubon Bank (Hong Kong) and its subsidiaries still bear the interest rate risk and credit risk, transferred financial assets are not completely derecognized. The table below shows the financial assets that are not completely derecognized and the associated liabilities.

Unit: In thousands of HKD

<u>Types of financial assets</u>	<u>June 30, 2021</u>				
	<u>Carrying amount of the transferred financial assets</u>	<u>Carrying amount of relevant financial liabilities</u>	<u>Fair value of the transferred financial assets</u>	<u>Fair value of relevant financial liabilities</u>	<u>Fair value net position</u>
Financial assets measured at amortized cost					
Repurchase agreements	\$ 6,524,397	6,235,390	6,536,583	6,235,390	301,193

Unit: In thousands of HKD

<u>Types of financial assets</u>	<u>December 31, 2020</u>				
	<u>Carrying amount of the transferred financial assets</u>	<u>Carrying amount of relevant financial liabilities</u>	<u>Fair value of the transferred financial assets</u>	<u>Fair value of relevant financial liabilities</u>	<u>Fair value net position</u>
Financial assets measured at amortized cost					
Repurchase agreements	\$ 7,260,688	6,853,334	7,264,953	6,853,334	411,619

Unit: In thousands of HKD

<u>Types of financial assets</u>	<u>June 30, 2020</u>				
	<u>Carrying amount of the transferred financial assets</u>	<u>Carrying amount of relevant financial liabilities</u>	<u>Fair value of the transferred financial assets</u>	<u>Fair value of relevant financial liabilities</u>	<u>Fair value net position</u>
Financial assets measured at amortized cost					
Repurchase agreements	\$ 6,534,238	6,098,460	6,463,660	6,098,460	365,200

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

6) JihSun Financial Holding and its subsidiaries

Transferred financial assets that are not completely derecognized:

The transferred financial assets of JihSun Financial Holding and its subsidiaries that are not qualified for de-recognition in the daily operation are mainly debt securities under repurchase agreements. Since the right to receive cash flow is transferred and it reflects the associated liabilities to repurchase transferred financial assets at fixed price in future period, JihSun Financial Holding and its subsidiaries cannot use, sell or pledge these transferred financial assets during the valid transaction period. However, since JihSun Financial Holding and its subsidiaries still bear the interest rate risk and credit risk, transferred financial assets are not completely derecognized.

Analysis of financial assets that are not completely derecognized and the associated liabilities are shown in following table:

June 30, 2021					
Category of financial assets	Carrying amount of the transferred financial assets	Carrying amount of relevant financial liabilities	Fair value of transferred financial assets (Note)	Fair value of related financial liabilities (Note)	Fair value net position (Note)
Financial assets measured at fair value through profit or loss					
Repurchase agreements	\$ <u>27,478,834</u>	<u>26,706,025</u>	<u>-</u>	<u>-</u>	<u>-</u>

Note: The counter parties of securities sold under repurchase agreements with JihSun Securities and JihSun Bank have the rights of recourse not only on the transferred assets but also on assets of JihSun Securities and JihSun Bank. There is no need to disclose fair value of transferred assets, fair value of related financial liabilities and fair value net position according to IFRS 7 p42 D (d).

(vii) Offsetting financial assets and financial liabilities

1) Taipei Fubon Bank and its subsidiaries

Taipei Fubon Bank and its subsidiaries did not hold any financial instruments which meet Section 42 of the IAS 32 endorsed by the FSC. Therefore, the financial instrument will be offset on the balance sheet.

Although Taipei Fubon Bank and its subsidiaries do not engage in any transactions that meet the offsetting condition in IFRSs, they have signed net settlement contracts of similar agreements with counterparties, such as global master repurchase agreement, global securities lending agreement and similar repurchase agreement or reverse-repurchase agreement. If both parties choose to net settle, the abovementioned executable net settlement contracts or similar agreements will be allowed to be settled in net amount after offsetting the financial assets and financial liabilities. Otherwise, the transaction will be settled in gross amount. However, if one party defaults, the other party could choose to net settle.

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The offsetting information of financial assets and financial liabilities is shown below:

June 30, 2021						
Financial assets under offsetting or general agreement of net amount settlement or similar norms						
Financial assets	Total recognized financial assets (a)	Total recognized financial liabilities offsetting on the balance sheets (b)	Net amount of financial assets on the balance sheets (c)=(a)-(b)	Relevant amount not offset on the balance sheets (d)		Net amount (e)=(c)-(d)
				Financial instruments (Note 1)	Cash received as collaterals	
Derivative financial instruments (Note 2)	\$ 28,971,948	-	28,971,948	21,840,326	4,376,066	2,755,556
Securities purchased under resell agreements	5,496,913	-	5,496,913	5,496,913	-	-
Total	\$ 34,468,861	-	34,468,861	27,337,239	4,376,066	2,755,556
Financial liabilities under offsetting or general agreement of net amount settlement or similar norms						
Financial liabilities	Total recognized financial liabilities (a)	Total recognized financial assets offsetting on the balance sheets (b)	Net amount of financial liabilities on the balance sheets (c)=(a)-(b)	Relevant amount not offset on the balance sheets (d)		Net amount (e)=(c)-(d)
				Financial instruments (Note 1)	Pledged cash Collaterals	
Derivative financial instruments (Note 2)	\$ 35,365,041	-	35,365,041	20,945,299	9,905,414	4,514,328
Securities sold under repurchase agreements	120,773,344	-	120,773,344	120,754,110	19,234	-
Total	\$ 156,138,385	-	156,138,385	141,699,409	9,924,648	4,514,328
December 31, 2020						
Financial assets under offsetting or general agreement of net amount settlement or similar norms						
Financial assets	Total recognized financial assets (a)	Total recognized financial liabilities offsetting on the balance sheets (b)	Net amount of financial assets on the balance sheets (c)=(a)-(b)	Relevant amount not offset on the balance sheets (d)		Net amount (e)=(c)-(d)
				Financial instruments (Note 1)	Cash received as collaterals	
Derivative financial instruments (Note 2)	\$ 43,928,784	-	43,928,784	33,827,993	4,400,522	5,700,269
Securities purchased under resell agreements	14,042,571	-	14,042,571	13,931,249	-	111,322
Total	\$ 57,971,355	-	57,971,355	47,759,242	4,400,522	5,811,591

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

December 31, 2020						
Financial liabilities under offsetting or general agreement of net amount settlement or similar norms						
Financial liabilities	Total recognized financial liabilities (a)	Total recognized financial assets offsetting on the balance sheets (b)	Net amount of financial liabilities on the balance sheets (c)=(a)-(b)	Relevant amount not offset on the balance sheets (d)		Net amount (e)=(c)-(d)
				Financial instruments (Note 1)	Pledged cash Collaterals	
Derivative financial instruments (Note 2)	\$ 55,972,483	-	55,972,483	32,858,922	13,361,156	9,752,405
Securities sold under repurchase agreements	80,157,429	-	80,157,429	80,155,921	-	1,508
Total	\$ 136,129,912	-	136,129,912	113,014,843	13,361,156	9,753,913
June 30, 2020						
Financial assets under offsetting or general agreement of net amount settlement or similar norms						
Financial assets	Total recognized financial assets (a)	Total recognized financial liabilities offsetting on the balance sheets (b)	Net amount of financial assets on the balance sheets (c)=(a)-(b)	Relevant amount not offset on the balance sheets (d)		Net amount (e)=(c)-(d)
				Financial instruments (Note 1)	Cash received as collaterals	
Derivative financial instruments (Note 2)	\$ 21,224,902	-	21,224,902	14,528,824	2,809,307	3,886,771
Securities purchased under resell agreements	9,443,800	-	9,443,800	9,154,573	-	289,227
Total	\$ 30,668,702	-	30,668,702	23,683,397	2,809,307	4,175,998
Financial liabilities under offsetting or general agreement of net amount settlement or similar norms						
Financial liabilities	Total recognized financial liabilities (a)	Total recognized financial assets offsetting on the balance sheets (b)	Net amount of financial liabilities on the balance sheets (c)=(a)-(b)	Relevant amount not offset on the balance sheets (d)		Net amount (e)=(c)-(d)
				Financial instruments (Note 1)	Pledged cash Collaterals	
Derivative financial instruments (Note 2)	\$ 32,689,933	-	32,689,933	12,980,221	16,409,239	3,300,473
Securities sold under repurchase agreements	144,445,702	-	144,445,702	144,437,859	-	7,843
Total	\$ 177,135,635	-	177,135,635	157,418,080	16,409,239	3,308,316

Note 1: Netting settlement agreement and non-cash financial collaterals are included.

Note 2: Derivative financial assets for hedging are included.

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Fubon Life Insurance and its subsidiaries

Although Fubon Life Insurance and its subsidiaries do not engage in transactions that meet the offsetting condition in IFRSs, they have signed net settlement contracts of similar agreements with counterparties. If both parties choose to net settle, the abovementioned executable net settlement contracts or similar agreements will be allowed to be settled in net amount after offsetting the financial assets and financial liabilities. Otherwise, the transaction will be settled in gross amount. However, if one party defaults, the other party could choose to net settle. Relevant information is shown as follows:

June 30, 2021						
Financial assets under general agreement of net amount settlement or similar norms						
	Total Recognized financial assets (a)	Total recognized financial liabilities offsetting on the balance sheets (b)	Net amount of financial assets on the balance sheets (c)=(a)-(b)	Relevant amount not offset on the balance sheets (d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash received as collaterals	
Derivative financial instruments and structured deposits	\$ 74,609,003	-	74,609,003	2,132,138	1,425,272	71,051,593
Securities purchased under resell agreements	74,081,529	-	74,081,529	73,810,010	-	271,519
Total	\$ 148,690,532	-	148,690,532	75,942,148	1,425,272	71,323,112
Financial liabilities under general agreement of net amount settlement or similar norms						
	Total Recognized financial liabilities (a)	Total recognized financial assets offsetting on the balance sheets (b)	Net amount of financial liabilities on the balance sheets (c)=(a)-(b)	Relevant amount not offset on the balance sheets (d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Pledged cash Collaterals	
Derivative financial instruments	\$ 4,115,950	-	4,115,950	2,527,865	1,737,695	(149,610)

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

December 31, 2020						
Financial assets under general agreement of net amount settlement or similar norms						
	Total Recognized financial assets (a)	Total recognized financial liabilities offsetting on the balance sheets (b)	Net amount of financial assets on the balance sheets (c)=(a)-(b)	Relevant amount not offset on the balance sheets (d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash received as collaterals	
Derivative financial instruments and structured deposits	\$ 64,253,422	-	64,253,422	3,018,105	3,416,820	57,818,497
Securities purchased under resell agreements	111,939,286	-	111,939,286	110,388,990	-	1,550,296
Total	\$ 176,192,708	-	176,192,708	113,407,095	3,416,820	59,368,793
Financial liabilities under general agreement of net amount settlement or similar norms						
	Total recognized financial liabilities (a)	Total recognized financial assets offsetting on the balance sheets (b)	Net amount of financial liabilities on the balance sheets (c)=(a)-(b)	Relevant amount not offset on the balance sheets (d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Pledged cash collaterals	
Derivative financial instruments	\$ 2,792,033	-	2,792,033	2,214,918	40,572	536,543
June 30, 2020						
Financial assets under general agreement of net amount settlement or similar norms						
	Total recognized financial assets (a)	Total recognized financial liabilities offsetting on the balance sheets (b)	Net amount of financial assets on the balance sheets (c)=(a)-(b)	Relevant amount not offset on the balance sheets (d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash received as collaterals	
Derivative financial instruments and structured deposits	\$ 47,164,354	-	47,164,354	1,288,165	1,551,515	44,324,674
Securities purchased under resell agreements	47,337,898	-	47,337,898	45,867,400	-	1,470,498
Total	\$ 94,502,252	-	94,502,252	47,155,565	1,551,515	45,795,172

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

June 30, 2020

Financial liabilities under general agreement of net amount settlement or similar norms						
	Total recognized financial liabilities (a)	Total recognized financial assets offsetting on the balance sheets (b)	Net amount of financial liabilities on the balance sheets (c)=(a)-(b)	Relevant amount not offset on the balance sheets (d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Pledged cash collaterals	
Derivative financial instruments	\$ 1,689,224	-	1,689,224	1,429,536	10,678	249,010
Securities sold under repurchase agreements	248,838	-	248,838	242,683	-	6,155
Total	\$ 1,938,062	-	1,938,062	1,672,219	10,678	255,165

Note: General agreement of net amount settlement and non-cash collateral are included.

3) Fubon Insurance and its subsidiaries

Although Fubon Insurance and its subsidiaries do not engage in transactions that meet the offsetting condition in IFRSs, they have signed net settlement contracts of similar agreements with counterparties. If both parties choose to net settle, the abovementioned executable net settlement contracts or similar agreements will be allowed to be settled in net amount after offsetting the financial assets and financial liabilities. Otherwise, the transaction will be settled in gross amount. However, if one party defaults, the other party could choose to net settle. Relevant information is shown as follows:

June 30, 2021

Financial assets under general agreement of net amount settlement or similar norms						
	Total recognized financial assets (a)	Total recognized financial liabilities offsetting on the balance sheets (b)	Net amount of financial assets on the balance sheets (c)=(a)-(b)	Relevant amount not offset on the balance sheets (d)		Net amount (e)=(c)-(d)
				Financial instruments	Cash received as collaterals	
Derivative financial instruments	\$ 249,971	-	249,971	16,750	-	233,221

Financial liabilities under general agreement of net amount settlement or similar norms						
	Total recognized financial liabilities (a)	Total recognized financial assets offsetting on the balance sheets (b)	Net amount of financial liabilities on the balance sheets (c)=(a)-(b)	Relevant amount not offset on the balance sheets (d)		Net amount (e)=(c)-(d)
				Financial instruments	Pledged cash collaterals	
Derivative financial instruments	\$ 16,750	-	16,750	16,750	-	-

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

December 31, 2020						
Financial assets under general agreement of net amount settlement or similar norms						
	Total recognized financial assets (a)	Total recognized financial liabilities offsetting on the balance sheets (b)	Net amount of financial assets on the balance sheets (c)=(a)-(b)	Relevant amount not offset on the balance sheets (d)		Net amount (e)=(c)-(d)
				Financial instruments	Cash received as collaterals	
Derivative financial instruments	\$ 349,798	-	349,798	9,593	-	340,205
Financial liabilities under general agreement of net amount settlement or similar norms						
	Total recognized financial liabilities (a)	Total recognized financial assets offsetting on the balance sheets (b)	Net amount of financial liabilities on the balance sheets (c)=(a)-(b)	Relevant amount not offset on the balance sheets (d)		Net amount (e)=(c)-(d)
				Financial instruments	Pledged cash collaterals	
Derivative financial instruments	\$ 9,593	-	9,593	9,593	-	-
June 30, 2020						
Financial assets under general agreement of net amount settlement or similar norms						
	Total recognized financial assets (a)	Total recognized financial liabilities offsetting on the balance sheets (b)	Net amount of financial assets on the balance sheets (c)=(a)-(b)	Relevant amount not offset on the balance sheets (d)		Net amount (e)=(c)-(d)
				Financial instruments	Cash received as collaterals	
Derivative financial instruments	\$ 100,688	-	100,688	3,819	-	96,869
June 30, 2020						
Financial liabilities under general agreement of net amount settlement or similar norms						
	Total recognized financial liabilities (a)	Total recognized financial assets offsetting on the balance sheets (b)	Net amount of financial liabilities on the balance sheets (c)=(a)-(b)	Relevant amount not offset on the balance sheets (d)		Net amount (e)=(c)-(d)
				Financial instruments	Pledged cash collaterals	
Derivative financial instruments	\$ 3,819	-	3,819	3,819	-	-

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

4) Fubon Securities and its subsidiaries

Fubon Securities and its subsidiaries did not hold any financial instruments contract which meets Section 42 of IAS 32 endorsed by the FSC. Therefore, the financial assets and financial liabilities will be offset on the balance sheet.

Although Fubon Securities and its subsidiaries do not engage in transactions that meet the offsetting condition in IFRSs, they have signed net settlement contracts of similar agreements with counterparties. If both parties choose to net settle, the abovementioned executable net settlement contracts or similar agreements will be allowed to be settled in net amount after offsetting the financial assets and financial liabilities. Otherwise, the transaction will be settled in gross amount. However, if one party defaults, the other party could choose to net settle.

The offsetting information of financial assets and liabilities is shown below:

June 30, 2021						
Financial assets under general agreement of net amount settlement or similar norms						
	Total recognized financial assets (a)	Total recognized financial liabilities offsetting on the balance sheets (b)	Net amount of financial assets on the balance sheets (c)=(a)-(b)	Relevant amount not offset on the balance sheets (d)		Net amount (e)=(c)-(d)
				Financial instruments (note)	Cash received as collaterals	
Derivative financial assets	\$ 175,025	-	175,025	-	-	175,025
Financial liabilities under general agreement of net amount settlement or similar norms						
	Total recognized financial liabilities (a)	Total recognized financial assets offsetting on the balance sheets (b)	Net amount of financial liabilities on the balance sheets (c)=(a)-(b)	Relevant amount not offset on the balance sheets (d)		Net amount (e)=(c)-(d)
				Financial instruments (note)	Pledged cash collaterals	
Derivative financial liabilities	\$ 2,757,674	-	2,757,674	-	-	2,757,674
Repurchase agreements	15,451,050	-	15,451,050	15,451,050	-	-
Total	\$ 18,208,724	-	18,208,724	15,451,050	-	2,757,674

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

December 31, 2020

Financial assets under general agreement of net amount settlement or similar norms						
	Total recognized financial assets (a)	Total recognized financial liabilities offsetting on the balance sheets (b)	Net amount of financial assets on the balance sheets (c)=(a)-(b)	Relevant amount not offset on the balance sheets (d)		Net amount (e)=(c)-(d)
				Financial instruments (note)	Cash received as collaterals	
Derivative financial assets	\$ 233,210	-	233,210	-	-	233,210
Resell agreements	170,570	-	170,570	170,570	-	-
Total	\$ 403,780	-	403,780	170,570	-	233,210

Financial liabilities under general agreement of net amount settlement or similar norms						
	Total recognized financial liabilities (a)	Total recognized financial assets offsetting on the balance sheets (b)	Net amount of financial liabilities on the balance sheets (c)=(a)-(b)	Relevant amount not offset on the balance sheets (d)		Net amount (e)=(c)-(d)
				Financial instruments (note)	Pledged cash collaterals	
Derivative financial liabilities	\$ 1,677,809	-	1,677,809	-	-	1,677,809
Repurchase agreements	19,791,626	-	19,791,626	19,791,626	-	-
Total	\$ 21,469,435	-	21,469,435	19,791,626	-	1,677,809

June 30, 2020

Financial assets under general agreement of net amount settlement or similar norms						
	Total recognized financial assets (a)	Total recognized financial liabilities offsetting on the balance sheets (b)	Net amount of financial assets on the balance sheets (c)=(a)-(b)	Relevant amount not offset on the balance sheets (d)		Net amount (e)=(c)-(d)
				Financial instruments (note)	Cash received as collaterals	
Derivative financial assets	\$ 354,191	-	354,191	-	-	354,191

Financial liabilities under general agreement of net amount settlement or similar norms						
	Total recognized financial liabilities (a)	Total recognized financial assets offsetting on the balance sheets (b)	Net amount of financial liabilities on the balance sheets (c)=(a)-(b)	Relevant amount not offset on the balance sheets (d)		Net amount (e)=(c)-(d)
				Financial instruments (note)	Pledged cash collaterals	
Derivative financial liabilities	\$ 1,513,670	-	1,513,670	-	-	1,513,670
Repurchase agreements	31,466,418	-	31,466,418	31,466,418	-	-
Total	\$ 32,980,088	-	32,980,088	31,466,418	-	1,513,670

Note: Netting settlement agreements and non-cash collaterals are included.

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

5) Fubon Bank (Hong Kong) and its subsidiaries

Fubon Bank (Hong Kong) and its subsidiaries hold financial instruments contracts which meet Section 42 of IAS 32 endorsed by the FSC. Therefore, the financial assets and financial liabilities will be offset on the balance sheet.

Although Fubon Bank (Hong Kong) and its subsidiaries do not engage in transactions that meet the offsetting condition in IFRSs, they have signed net settlement contracts of similar agreements with counterparties, such as global master repurchase agreement, global securities lending agreement and similar repurchase agreement or reverse-repurchase agreement. If both parties choose to net settle, the abovementioned executable net settlement contracts or similar agreements will be allowed to be settled in net amount after offsetting the financial assets and financial liabilities. Otherwise, the transaction will be settled in gross amount. However, if one party defaults, the other party could choose to net settle. Relevant information is shown as follows:

Units: In thousands of HKD

June 30, 2021						
Financial assets under general agreement of net amount settlement or similar norms						
	Total recognized financial assets (a)	Total recognized financial liabilities offsetting on the balance sheets (b)	Net amount of financial assets on the balance sheets (c)=(a)-(b)	Relevant amount not offset on the balance sheets (d)		Net amount (e)=(c)-(d)
				Financial instruments (note)	Cash received as collaterals	
Derivative financial instruments	\$ 141,463	-	141,463	139,462	-	2,001
Financial liabilities under general agreement of net amount settlement or similar norms						
	Total recognized financial liabilities (a)	Total recognized financial assets offsetting on the balance sheet (b)	Net amount of financial liabilities on the balance sheets (c)=(a)-(b)	Relevant amount not offset on the balance sheets (d)		Net amount (e)=(c)-(d)
				Financial instruments (note)	Pledged cash collaterals	
Derivative financial instruments	\$ 410,777	-	410,777	139,462	-	271,315
Securities sold under repurchase agreements	6,235,390	-	6,235,390	-	-	6,235,390
Total	\$ 6,646,167	-	6,646,167	139,462	-	6,506,705

Units: In thousands of HKD

December 31, 2020						
Financial assets under general agreement of net amount settlement or similar norms						
	Total recognized financial assets (a)	Total recognized financial liabilities offsetting on the balance sheets (b)	Net amount of financial assets on the balance sheets (c)=(a)-(b)	Relevant amount not offset on the balance sheets (d)		Net amount (e)=(c)-(d)
				Financial instruments (note)	Cash received as collaterals	
Derivative financial instruments	\$ 119,457	-	119,457	43,433	-	76,024

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

December 31, 2020						
Financial liabilities under general agreement of net amount settlement or similar norms						
	Total recognized financial liabilities (a)	Total recognized financial assets offsetting on the balance sheets (b)	Net amount of financial liabilities on the balance sheets (c)=(a)-(b)	Relevant amount not offset on the balance sheets (d)		Net amount (e)=(c)-(d)
				Financial instruments (note)	Pledged cash collaterals	
Derivative financial instruments	\$ 526,008	-	526,008	43,433	-	482,575
Securities sold under repurchase agreements	6,853,334	-	6,853,334	-	-	6,853,334
Total	\$ 7,379,342	-	7,379,342	43,433	-	7,335,909

Units: In thousands of HKD

June 30, 2020						
Financial assets under general agreement of net amount settlement or similar norms						
	Total recognized financial assets (a)	Total recognized financial liabilities offsetting on the balance sheets (b)	Net amount of financial assets on the balance sheets (c)=(a)-(b)	Relevant amount not offset on the balance sheets (d)		Net amount (e)=(c)-(d)
				Financial instruments (note)	Cash received as collaterals	
Derivative financial instruments	\$ 519,948	-	519,948	24,194	-	495,754

Financial liabilities under general agreement of net amount settlement or similar norms						
	Total recognized financial liabilities (a)	Total recognized financial assets offsetting on the balance sheets (b)	Net amount of financial liabilities on the balance sheets (c)=(a)-(b)	Relevant amount not offset on the balance sheets (d)		Net amount (e)=(c)-(d)
				Financial instruments (note)	Pledged cash collaterals	
Derivative financial instruments	\$ 1,298,292	-	1,298,292	24,194	-	1,274,098
Securities sold under repurchase agreements	6,098,460	-	6,098,460	-	-	6,098,460
Total	\$ 7,396,752	-	7,396,752	24,194	-	7,372,558

Note: Netting settlement agreements and non-cash collaterals are included.

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

6) JihSun Financial Holding and its subsidiary

JihSun Financial Holding and its subsidiaries did not hold any financial instruments contract which meets Section 42 of IAS 32 endorsed by the FSC. Therefore, the financial assets and financial liabilities will be offset on the balance sheet.

Although JihSun Financial Holding and its subsidiaries do not engage in transactions that meet the offsetting condition in IFRSs, they have signed net settlement contracts of similar agreements with counterparties. If both parties choose to net settle, the abovementioned executable net settlement contracts or similar agreements will be allowed to be settled in net amount after offsetting the financial assets and financial liabilities. Otherwise, the transaction will be settled in gross amount. However, if one party defaults, the other party could choose to net settle.

The offsetting information of financial assets and liabilities is shown below:

June 30, 2021						
Financial assets under general agreement of net amount settlement or similar norms						
	Total recognized financial assets	Total recognized financial liabilities offsetting on the balance sheets	Net amount of financial assets on the balance sheets	Relevant amount not offset on the balance sheets (d)		Net amount
	(a)	(b)	(c)=(a)-(b)	Financial instruments (note)	Cash received as collaterals	(e)=(c)-(d)
Derivative financial instruments	\$ 98,017	-	98,017	42,096	-	55,921
Resell agreements	26,545	-	26,545	26,545	-	-
Total	\$ 124,562	-	124,562	68,641	-	55,921

June 30, 2021						
Financial liabilities under general agreement of net amount settlement or similar norms						
	Total recognized financial liabilities	Total recognized financial assets offsetting on the balance sheets	Net amount of financial assets on the balance sheets	Relevant amount not offset on the balance sheets (d)		Net amount
	(a)	(b)	(c)=(a)-(b)	Financial instruments (note)	Pledged cash collaterals	(e)=(c)-(d)
Derivative financial instruments	\$ 898,287	-	898,287	42,096	-	856,191
Repurchase agreements	26,706,025	-	26,706,025	26,706,025	-	-
Total	\$ 27,604,312	-	27,604,312	26,748,121	-	856,191

Note: Netting settlement agreements and non-cash collaterals are included.

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(al) Structured entities

(i) Taipei Fubon Bank and its subsidiaries

- 1) Taipei Fubon Bank and its subsidiaries hold the following types equity of unconsolidated structured entities. The fund is from Taipei Fubon Bank and its subsidiaries and an external third-party.

Types of structured entity	Characteristic and purpose	Equity owned by Taipei Fubon Bank and its subsidiaries
Assets securitization products	Invest in assets securitization products to gain profit	Invest in asset backed securities issued by unconsolidated structured entities
Property trust plans	Invest in property trust plans to gain repayments of debts	Invest in trust issued by unconsolidated structured entities

- 2) The carrying amounts of the unconsolidated structured entities recognized by Taipei Fubon Bank and its subsidiaries were as below:

June 30, 2021	Asset securitization products	Property trust plans
Assets possessed		
— Financial assets measured at fair value through profit or loss	\$ 1,222,803	128,016
— Financial assets measured at fair value through other comprehensive income	10,197,815	-
— Debt investments measured at amortized cost	<u>28,152,247</u>	-
Total assets possessed	<u>\$ 39,572,865</u>	<u>128,016</u>
December 31, 2020	Asset securitization products	Property trust plans
Assets possessed		
— Financial assets measured at fair value through profit or loss	\$ 849,266	129,896
— Financial assets measured at fair value through other comprehensive income	6,785,744	-
— Debt investments measured at amortized cost	<u>16,083,314</u>	-
Total assets possessed	<u>\$ 23,718,324</u>	<u>129,896</u>

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

<u>June 30, 2020</u>	<u>Asset securitization products</u>	<u>Property trust plans</u>
Assets possessed		
– Financial assets measured at fair value through profit or loss	\$ 17,238	124,803
– Financial assets measured at fair value through other comprehensive income	4,451,054	-
– Debt investments measured at amortized cost	<u>9,700,207</u>	<u>-</u>
Total assets possessed	<u>\$ 14,168,499</u>	<u>124,803</u>

The maximum exposure of the possible loss from the entity is the carrying amount of the assets possessed.

- 3) For the six months ended June 30, 2021 and 2020, Taipei Fubon Bank and its subsidiaries did not offer any financial support to those unconsolidated asset securitization products and property trust plans.
- (ii) Fubon Life Insurance and its subsidiaries
- 1) Consolidated structured entities
- The consolidated structured entity of Fubon Life Insurance and its subsidiaries is the real estate investment and management entity. The structured entity is consolidated because the involvement in it exposes Fubon Life Insurance and its subsidiaries to variability of returns from performance and their influence over it. As of June 30, 2021, December 31 and June 30, 2020, Fubon Life Insurance and its subsidiaries offered \$30,592,389 thousand, \$32,022,662 thousand and \$31,490,362 thousand of non-contractual obligation loan for the entity, respectively.
- 2) Unconsolidated structured entities
- a) Fubon Life Insurance and its subsidiaries hold the following types equity of unconsolidated structured entities. The fund is from Fubon Life Insurance and its subsidiaries and an external third-party.

Types of structured entity	Characteristic and purpose	Equity owned by Fubon Life Insurance and its subsidiaries
Private fund investment	Invest in private fund issued by outside fund manager to gain profit	Invest in the fund units issued by the funds or limited partnership equity
Assets securitization products, REIT and collateral asset	Invest in assets securitization products, REIT and collateral asset to gain profit	Investment in asset-backed securities issued by unconsolidated structured entities, principle and income

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- b) The carrying amounts of the unconsolidated structured entities recognized by Fubon Life Insurance and its subsidiaries were as below:

<u>June 30, 2021</u>	<u>Private fund investment</u>	<u>Asset securitization products, REIT and asset-based loan</u>
Assets possessed		
– Financial assets measured at fair value through profit or loss	\$ 132,010,450	26,031,093
– Financial assets measured at fair value through other comprehensive income	-	27,156,712
– Financial assets measured at amortized cost	-	35,369,034
– Loan	-	16,822,873
Total assets possessed	<u>\$ 132,010,450</u>	<u>105,379,712</u>

<u>December 31, 2020</u>	<u>Private fund investment</u>	<u>Asset securitization products, REIT and asset-based loan</u>
Assets possessed		
– Financial assets measured at fair value through profit or loss	\$ 112,466,536	17,126,728
– Financial assets measured at fair value through other comprehensive income	-	26,439,889
– Financial assets measured at amortized cost	-	29,909,723
– Loan	-	16,954,973
Total assets possessed	<u>\$ 112,466,536</u>	<u>90,431,313</u>

<u>June 30, 2020</u>	<u>Private fund investment</u>	<u>Asset securitization products and REIT</u>
Assets possessed		
– Financial assets measured at fair value through profit or loss	\$ 87,477,923	7,671,510
– Financial assets measured at fair value through other comprehensive income	-	26,276,489
– Financial assets measured at amortized cost	-	30,360,837
Total assets possessed	<u>\$ 87,477,923</u>	<u>64,308,836</u>

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The maximum exposure of the possible loss from the entity is the carrying amount of the assets possessed.

- c) For the six months ended June 30, 2021 and 2020, Fubon Life Insurance and its subsidiaries did not offer any financial support to those unconsolidated private fund investment, asset securitization products, REITs and asset-based loan.

(iii) Fubon Insurance and its subsidiaries

- 1) Fubon Insurance and its subsidiaries possess the equities of the following structured entities which are not included in the consolidated financial statements. The fund is from Fubon Insurance and its subsidiaries and an external third party:

Types of structured entity	Characteristic and purpose	Equity owned by Fubon Insurance and its subsidiaries
Private equity fund	Invest in funds that cannot be traded in a public market	Invest in the fund units issued by the funds or limited partnership equity
Assets securitization products	Invest in assets securitization products of commercial real estate	Invest in asset-backed securities issued by the entity

- 2) The carrying amounts of the assets related to the structured entities recognized by Fubon Insurance and its subsidiaries but not yet included in the consolidated financial statements were as follows:

June 30, 2021	Private equity fund	Asset securitization products
Assets possessed		
— Financial assets measured at fair value through profit or loss	\$ 86,037	2,054,212
— Financial assets measured at amortized cost	-	119,883
Total assets possessed	<u>\$ 86,037</u>	<u>2,174,095</u>
December 31, 2020	Private equity fund	Asset securitization products
Assets possessed		
— Financial assets measured at fair value through profit or loss	\$ 87,879	2,152,102
— Financial assets measured at amortized cost	-	133,817
Total assets possessed	<u>\$ 87,879</u>	<u>2,285,919</u>

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

<u>June 30, 2020</u>	<u>Private equity fund</u>	<u>Asset securitization products</u>
Assets possessed		
— Financial assets measured at fair value through profit or loss	\$ 83,427	1,925,130
— Financial assets measured at amortized cost	-	151,934
Total assets possessed	<u>\$ 83,427</u>	<u>2,077,064</u>

The maximum exposure of the possible loss from an entity is the carrying amount of the assets possessed.

- 3) For the six months ended June 30, 2021 and 2020, Fubon Insurance and its subsidiaries did not offer any financial support to those unconsolidated private equity fund and asset securitization products.
- (iv) Fubon Securities and its subsidiaries
- 1) Fubon Securities and its subsidiaries hold the following types equity of unconsolidated structured entities. The fund is from Fubon Securities and its subsidiaries and an external third-party.

Types of structured entity	Characteristic and purpose	Equity owned by Fubon Securities and its subsidiaries
Assets securitization products	Invest in assets securitization products to gain profit	Invest in asset backed securities issued by the entity

- 2) The carrying amounts of the unconsolidated structured entities recognized by Fubon Securities and its subsidiaries were as below:

<u>June 30, 2021</u>	<u>Asset securitization products</u>
Assets possessed	
— Financial assets measured at fair value through profit or loss - current	<u>\$ 424,964</u>
<u>December 31, 2020</u>	<u>Asset securitization products</u>
Assets possessed	
— Financial assets measured at fair value through profit or loss - current	<u>\$ 554,675</u>

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

June 30, 2020	Asset securitization products
Assets possessed	
— Financial assets measured at fair value through profit or loss - current	\$ <u><u>497,179</u></u>

The maximum exposure of the possible loss from the entity is the carrying amount of the assets possessed.

- 3) For the six months ended June 30, 2021 and 2020, Fubon Securities and its subsidiaries did not offer any financial support to those unconsolidated asset securitization products.
- (v) Other subsidiaries
- 1) Other subsidiaries hold the following types equity of unconsolidated structured entities. The fund is from the subsidiaries and an external third-party.

Types of structured entity	Characteristic and purpose	Equity owned by other subsidiaries
Private fund investment	Invest in private fund to gain profit	Invest in the fund units issued by the funds or limited partnership equity
Assets securitization products	Invest in assets securitization products to gain profit	Invest in asset backed securities issued by the entity

- 2) The carrying amounts of the unconsolidated structured entities recognized by other subsidiaries were as below:

June 30, 2021	Private fund investment	Asset securitization products
Assets possessed		
— Financial assets measured at fair value through profit or loss	\$ <u><u>133,651</u></u>	<u><u>107,307</u></u>
December 31, 2020	Private fund investment	Asset securitization products
Assets possessed		
— Financial assets measured at fair value through profit or loss	\$ <u><u>199,683</u></u>	<u><u>111,347</u></u>

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

June 30, 2020	Private fund investment	Asset securitization products
Assets possessed		
— Financial assets measured at fair value through profit or loss	\$ <u>220,352</u>	<u>68,735</u>

The maximum exposure of the possible loss from the entity is the carrying amount of the assets possessed.

- 3) For the six months ended June 30, 2021 and 2020, other subsidiaries did not offer any financial support to those unconsolidated private investment fund and asset securitization products.

(am) Capital Management

(i) General information

Objectives for managing capital are as follows:

- 1) The Company's basic objective of capital management shall be in compliance with the capital requirements of FSC and achieve the statutory capital adequacy ratio. The qualified capital calculation is in accordance with regulation by competent authorities.
- 2) Maintain an optimal capital structure to respond to possible operational or economic risks, to sustain future development of the business, and to make appropriate and effective capital allocation through dynamic adjustment.

(ii) Procedure for capital management

The Company maintained capital adequacy ratio to meet the requirements of the authority and report to the authority every quarter.

The Company complies with the "Regulations Governing the Consolidated Capital Adequacy of Financial Holding Companies". The subsidiaries shall comply with the related capital adequacy norms, and overseas subsidiaries shall comply with local ordinances.

The Capital is managed by the authority of the Company according to the Company Capital Adequacy Monitoring Standard, and set internal control indicators for capital adequacy ratio.

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(an) Significant impact of related foreign currency information

	June 30, 2021			December 31, 2020			June 30, 2020		
	Foreign currency (in thousands)	Exchange rate (in dollars)	TWD	Foreign currency (in thousands)	Exchange rate (in dollars)	TWD	Foreign currency (in thousands)	Exchange rate (in dollars)	TWD
Financial assets:									
Monetary items									
USD	\$ 114,218,315	27.870 /27.756 /27.886	3,183,745,516	105,629,708	28.372 /28.244 /28.39	2,998,200,780	106,728,438	29.6602 /29.541 /29.537	3,165,363,338
HKD	71,653,954	3.589	257,184,209	71,225,295	3.66	260,677,367	70,542,552	3.827	269,973,388
CNY	136,110,004	4.314	586,491,751	133,498,985	4.360 /4.338 /4.363	581,748,870	131,233,704	4.1920	550,140,658
Non-Monetary items									
USD	14,836,594	27.870 /27.886	413,499,656	12,902,054	28.372 /28.39	366,061,819	11,509,607	29.6602 /29.66 /29.661 /29.537	341,368,859
HKD	1,519,526	3.589	5,320,680	1,808,938	3.66	6,627,844	6,614,319	3.8270	25,313,394
EUR	1,084,908	33.127 /33.137	35,951,009	872,230	34.841	30,389,423	715,436	33.2636 /33.24589	23,785,681
CNY	7,328,045	4.314	31,605,242	10,633,276	4.360 /4.338 /4.363	46,371,789	7,517,290	4.192 /4.194 /4.192	31,515,003
Derivatives									
USD	700,048	28.531 /27.870 /27.886	19,512,628	1,099,290	28.372 /28.39	31,192,220	414,197	29.6602 /29.537	12,282,573
Investments accounted for using equity method									
CNY	3,788,395	4.314	16,345,408	3,739,679	4.363	16,316,220	3,076,569	4.1920	14,106,683
HKD	3,053,620	3.589	10,959,442	2,641,387	3.66	9,667,476	2,139,628	3.827	9,424,636
Financial liabilities:									
Monetary items									
USD	43,344,099	27.870	1,208,370,455	37,754,854	28.372	1,072,234,394	37,598,384	29.660	1,115,176,751
HKD	67,430,129	3.589	242,023,965	61,953,974	3.66	226,743,938	65,871,606	3.827	252,097,221
CNY	101,162,599	4.314	435,707,436	96,180,997	4.363	419,016,042	99,446,781	4.1920	416,880,642
Non-Monetary items									
USD	1,527,374	27.870	42,568,681	2,059,712	28.372	58,496,613	1,548,101	29.6602	45,916,978
CNY	508,732	4.314	2,194,951	-	-	-	-	-	-
Derivatives									
USD	232,846	27.870	6,496,775	228,629	28.372 /28.39	6,503,404	57,145	29.6602 /29.537	1,693,050

Note: Each balance listed is greater than 5% of total monetary items.

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ao) Non-cash trading investing and financing activities

	January 1, 2021	Changes in cash flows from financing activities	Non-cash adjustment					June 30, 2021
			Acquisition through business combinations	Effect of exchange rate changes	Fair value fluctuation	Other changes	Other	
Bonds payable	\$ 269,517,288	(8,255,472)	1,800,000	(1,463,325)	(505,986)	264,759	-	261,357,264
Lease liabilities	21,273,724	(2,500,477)	791,927	(25,576)	-	2,462,246	(368,162)	21,633,682
	<u>\$ 290,791,012</u>	<u>(10,755,949)</u>	<u>2,591,927</u>	<u>(1,488,901)</u>	<u>(505,986)</u>	<u>2,727,005</u>	<u>(368,162)</u>	<u>282,990,946</u>

	January 1, 2020	Changes in cash flows from financing activities	Non-cash adjustment					June 30, 2020
			Acquisition through business combinations	Effect of exchange rate changes	Fair value fluctuation	Other changes	Others	
Bonds payable	\$ 245,932,480	(3,352,179)	(1,159,132)	1,210,441	-	-	-	242,631,610
Lease liabilities	21,606,081	(2,151,539)	(45,816)	-	1,482,270	249,381	-	21,140,377
	<u>\$ 267,538,561</u>	<u>(5,503,718)</u>	<u>(1,204,948)</u>	<u>1,210,441</u>	<u>1,482,270</u>	<u>249,381</u>	<u>-</u>	<u>263,771,987</u>

(ap) The following disclosures are only applicable to Taipei Fubon Bank and JihSun Bank, in accordance with relevant regulations

(i) Asset quality of overdue loans and overdue receivables

Taipei Fubon Bank

Units: In thousands of TWD, %

Item		June 30, 2021				
		Non-performing loan (NPL) (Note 1)	Total loans	NPL Ratio (%) (Note 2)	Loan loss reserves (LLR)	Coverage ratio (%) (Note 3)
Corporate loan	Secured	1,083,163	225,334,070	0.48	2,530,851	233.65
	Unsecured	743,440	465,336,913	0.16	5,550,142	746.55
Consumer loan	Mortgage (Note 4)	287,626	469,222,668	0.06	7,024,181	2,442.12
	Cash card	-	972	-	19	-
	Micro credit (Note 5)	83,193	43,465,410	0.19	505,049	607.08
	Others (Note 6)					
	Secured	771,251	293,465,455	0.26	3,065,915	397.52
	Unsecured	36,550	37,236,302	0.10	385,472	1,054.64
Total		3,005,223	1,534,061,790	0.20	19,061,629	634.28
		Overdue receivables	Accounts receivable	Delinquency ratio (%)	Allowance for credit losses	Coverage ratio (%)
Credit card		52,714	49,745,402	0.11	318,945	605.05
Accounts receivable – factoring with no recourse (Note 7)		-	14,719,251	-	180,594	-
Excluded NPL as a result of debt consultation and loans agreement (Note 8)		16,438				
Excluded overdue receivables as a result of debt consultation and loans agreements (Note 8)		39,693				
Excluded NPL as a result of debt solvency and restart plan (Note 9)		364,655				
Excluded overdue receivables as a result of debt solvency and restart plan (Note 9)		374,617				

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

		June 30, 2020				
Item		Non-performing loan (NPL) (Note 1)	Total loans	NPL Ratio (%) (Note 2)	Loan loss reserves (LLR)	Coverage ratio (%) (Note 3)
Corporate loan	Secured	1,139,542	187,162,248	0.61	2,125,944	186.56
	Unsecured	757,907	457,910,356	0.17	5,999,914	791.64
Consumer loan	Mortgage (Note 4)	332,167	422,431,509	0.08	6,319,029	1,902.37
	Cash card	-	1,310	-	26	-
	Micro credit (Note 5)	79,589	35,862,950	0.22	420,038	527.76
	Others (Note 6)	244,762	254,835,327	0.10	2,667,537	1,089.85
	Unsecured	37,064	39,853,820	0.09	414,166	1,117.43
Total		2,591,031	1,398,057,520	0.19	17,946,654	692.65
		Overdue receivables	Accounts receivable	Delinquency ratio (%)	Allowance for credit losses	Coverage ratio (%)
Credit card		43,757	47,769,021	0.09	315,641	721.35
Accounts receivable – factoring with no recourse (Note 7)		-	17,070,413	-	204,798	-
Excluded NPL as a result of debt consultation and loans agreement (Note 8)		24,991				
Excluded overdue receivables as a result of debt consultation and loans agreements (Note 8)		56,303				
Excluded NPL as a result of debt solvency and restart plan (Note 9)		359,085				
Excluded overdue receivables as a result of debt solvency and restart plan (Note 9)		378,085				

JihSun Bank

Units: In thousands of TWD, %

		June 30, 2021				
Item		Non-performing loan (NPL)	Total loans	NPL Ratio (%)	Loan loss reserves (LLR)	Coverage ratio (%)
Corporate loan	Secured	171,864	45,559,495	0.38	587,392	341.78
	Unsecured	59,555	41,007,354	0.15	474,300	796.41
Consumer loan	Mortgage	58,142	44,334,060	0.13	665,870	1,145.25
	Cash card	-	-	-	-	-
	Micro credit	132	393,308	0.03	5,724	4,336.36
	Others	63,049	35,084,271	0.18	365,292	579.38
	Unsecured	2,257	209,152	1.08	8,487	376.03
Total		354,999	166,587,640	0.21	2,107,065	593.54
		Overdue receivable	Account receivable	Delinquency ratio (%)	Allowance for credit losses	Coverage ratio (%)
Credit card		2,002	587,475	0.34	17,723	885.26
Account receivable factoring with no recourse		-	224,175	-	2,242	-

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	June 30, 2021	
	Excluded NPL	Excluded overdue receivables
As a result of debt consultation and loans agreement (Note 8)	9,815	-
As a result of debt solvency and restart plan (Note 9)	7,052	4,615
Total	16,867	4,615

Note 1: For loan business: Overdue loans represent the amounts of reported overdue loans pursuant to the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/Nonaccrual Loans” issued by the MOF.

For credit card business: Overdue receivables are regulated by the Banking Bureau letter dated July 6, 2005 (Ref. No. 0944000378).

Note 2: For loan business: $NPL\ Ratio = NPL / Total\ Loans$.

For credit card business: $Delinquency\ Ratio = Overdue\ receivable / Account\ receivable$.

Note 3: For loan business: $Coverage\ Ratio = LLR / NPL$

For credit card business: $Coverage\ Ratio = Allowance\ for\ credit\ losses / Overdue\ receivables$.

Note 4: Household mortgage means the purpose of financing is to purchase, build, or fix up the dwelling, and the dwelling owned by the borrower, spouse, or children fully secures the loan.

Note 5: Micro credit is regulated by the Banking Bureau letter dated December 19, 2005 (Ref. No. 09440010950).

Note 6: Others in consumer loan refer to secured or non-secured loans excluding mortgage, cash card, micro credit, and credit card.

Note 7: Accounts receivable – factoring with no recourse: As required by the Banking Bureau letter dated July 19, 2005 (Ref. No. 094000494), provision for bad debt is recognized once no compensation is received from the factoring or insurance company.

Note 8: The amounts of excluded NPL and excluded overdue receivables through financial debt negotiation and loan agreement were disclosed based on the interpretation issued by the Banking Bureau dated April 25, 2006 (Ref. 09510001270).

Note 9: The amounts of excluded NPL and excluded overdue receivables through debt solvency and restart plan were disclosed based on the interpretation issued by the Banking Bureau dated September 15, 2008 (Ref. 09700318940) and September 20, 2016 (Ref. 10500134790).

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Concentration of credit extensions

Taipei Fubon Bank

Units: In thousands of TWD, %

June 30, 2021			
Rank (Note 1)	Group name (Note 2)	Credit extensions balance (Note 3)	% of net asset value
1	A group (petrochemicals manufacturing industry)	11,662,615	5.40
2	B group (other electronic component manufacturing industry)	11,184,543	5.18
3	C group (LCD and its component manufacturing industry)	9,501,233	4.40
4	D group (other electronic component manufacturing industry)	8,200,000	3.80
5	E group (computer and related equipment and software development)	7,136,781	3.30
6	F group (laptops, tablets, servers, cameras, industrial computers, smart phones, original equipment manufacturing and online software and hardware factories)	7,123,093	3.30
7	G group (passive electronic components manufacturing industry)	6,151,048	2.85
8	H group (semiconductor assembly and testing industry)	6,147,032	2.85
9	I group (Footwear and garment manufacturing)	5,815,518	2.69
10	J group (real estate industry, retail and service)	5,713,343	2.64

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Units: In thousands of TWD, %

June 30, 2020			
Rank (Note 1)	Group name (Note 2)	Credit extensions balance (Note 3)	% of net asset value
1	A group (other electronic parts and components manufacturing not elsewhere classified)	12,832,241	6.35
2	B group (semiconductor packaging and testing industry)	9,656,550	4.78
3	C group (LCD and its component manufacturing industry)	9,597,890	4.75
4	D group (petrochemicals manufacturing industry)	8,403,410	4.16
5	E group (other electronic parts and components manufacturing not elsewhere classified)	8,200,000	4.06
6	F group (laptops, tablets, servers, cameras, industrial computers, smart phones, original equipment manufacturing and online software and hardware factories)	6,792,518	3.36
7	G group (computer and its peripheral equipment and software wholesale industry)	6,210,514	3.07
8	H group (real estate industry)	6,193,161	3.06
9	I group (laptops, tablets, servers, cameras, industrial computers, smart phones, original equipment manufacturing and online software and hardware factories)	5,804,806	2.87
10	J group (passive electronic components manufacturing industry)	5,656,621	2.80

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 a group enterprise, the total amount of credit, endorsement or other transactions of the entire group enterprise must be listed and disclosed by code and line of industry. The industry of the group enterprise should be presented as the industry of the member firm 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: Groups enterprise refers to a group of corporate entities as defined by Article 6 of the Supplementary Provisions to the Taiwan Stock Exchange Corporation Criteria for Review of Securities Listings.

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Note 3: The total amount of credits, endorsements or other transactions is the sum of various loans (including import and export negotiations, discounted, 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.

JihSun Bank

Units: In thousands of TWD, %

June 30, 2021			
Rank	Group name	Credit extensions balance	% of net asset value
1	A group – real estate development	3,836,294	16.55
2	B group – manufacture of man-made fibers	2,605,268	11.24
3	C group – other amusement and recreation activities	2,463,830	10.63
4	D group – real estate development	2,424,314	10.46
5	E group – other general merchandise retail	2,417,706	10.43
6	F group – financial leasing	1,992,025	8.59
7	G group – manufacture of other electronic parts and components not elsewhere classified	1,875,000	8.09
8	H group – wholesale electronic and communication equipment and parts	1,629,056	7.03
9	I group – financial leasing	1,322,632	5.71
10	J group – manufacture of other electronic parts and components not elsewhere classified	1,316,684	5.68

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Interest rate sensitivity information

Interest Rate Sensitivity (TWD)

Taipei Fubon Bank

Units: In thousands of TWD, %

June 30, 2021						
Items	1-90 days	91-180 days	181-365 days	Over 1 year	Total	
Interest rate-sensitive assets	\$ 1,456,381,521	110,208,197	68,353,744	166,451,694	1,801,395,156	
Interest rate-sensitive liabilities	400,668,238	966,550,729	72,382,777	90,202,967	1,529,804,711	
Interest rate sensitivity gap	1,055,713,283	(856,342,532)	(4,029,033)	76,248,727	271,590,445	
Net worth						211,635,726
Ratio of interest rate-sensitive assets to liabilities (%)						117.75
Ratio of the interest rate sensitivity gap to net worth (%)						128.33

Units: In thousands of TWD, %

June 30, 2020						
Items	1-90 days	91-180 days	181-365 days	Over 1 year	Total	
Interest rate-sensitive assets	\$ 1,264,283,333	108,461,074	106,267,285	144,694,514	1,623,706,206	
Interest rate-sensitive liabilities	420,745,435	831,305,064	79,801,973	86,556,844	1,418,409,316	
Interest rate sensitivity gap	843,537,898	(722,843,990)	26,465,312	58,137,670	205,296,890	
Net worth						197,376,596
Ratio of interest rate-sensitive assets to liabilities (%)						114.47
Ratio of the interest rate sensitivity gap to net worth (%)						104.01

Note 1: The above amounts include only New Taiwan Dollar amounts held by the Bank of Taipei Fubon Bank, and exclude contingent assets and contingent liabilities.

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

Note 3: Interest rate 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).

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

JihSun Bank

Units: In thousands of TWD, %

June 30, 2021					
Items	1-90 days	91-180 days	181-365 days	Over 1 year	Total
Interest rate-sensitive assets	\$ 206,571,875	2,774,147	529,925	19,570,463	229,446,410
Interest rate-sensitive liabilities	61,790,684	131,024,858	20,984,895	2,381,361	216,181,798
Interest rate sensitivity gap	144,781,191	(128,250,711)	(20,454,970)	17,189,102	13,264,612
Net worth					22,866,322
Ratio of interest rate-sensitive assets to liabilities (%)					106.14
Ratio of the interest rate sensitivity gap to net worth (%)					58.01

Note 1: Listed amounts of the head office, domestic branches, offshore banking unit and overseas branches held by JihSun Bank. (excluding foreign currency amounts) are denominated in New Taiwan dollars.

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

Note 3: Interest-rate 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 (USD)

Taipei Fubon Bank

Units: In thousands of USD, %

June 30, 2021					
Items	1-90 days	91-180 days	181-365 days	Over 1 year	Total
Interest rate-sensitive assets	\$ 12,569,558	796,557	1,386,555	9,255,598	24,008,268
Interest rate-sensitive liabilities	26,704,815	3,672,408	1,524,729	637,032	32,538,984
Interest rate sensitivity gap	(14,135,257)	(2,875,851)	(138,174)	8,618,566	(8,530,716)
Net worth					155,364
Ratio of interest rate-sensitive assets to liabilities (%)					73.78
Ratio of the interest rate sensitivity gap to net worth (%)					(5,490.79)

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Units: In thousands of USD, %

June 30, 2020						
Items	1-90 days	91-180 days	181-365 days	Over 1 year	Total	
Interest rate-sensitive assets	\$ 14,849,085	2,020,130	1,044,532	7,749,315	25,663,062	
Interest rate-sensitive liabilities	25,436,527	2,301,924	1,633,274	905,157	30,276,882	
Interest rate sensitivity gap	(10,587,442)	(281,794)	(588,742)	6,844,158	(4,613,820)	
New worth						131,904
Ratio of interest rate-sensitive assets to liabilities (%)						84.76
Ratio of the interest rate sensitivity gap to net worth (%)						(3,497.86)

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

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

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

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

JihSun Bank

Units: In thousands of USD, %

June 30, 2021						
Items	1-90 days	91-180 days	181-365 days	Over 1 year	Total	
Interest rate-sensitive assets	\$ 707,522	56,615	37,961	111,661	913,759	
Interest rate-sensitive liabilities	116,205	749,222	63,293	915	929,635	
Interest rate sensitivity gap	591,317	(692,607)	(25,332)	110,746	(15,876)	
Net worth						11,187
Ratio of interest rate-sensitive assets to liabilities (%)						98.29
Ratio of the interest rate sensitivity gap to net worth (%)						(141.91)

Note 1: Listed amounts of the head office, domestic branches and offshore banking unit held by JihSun Bank (excluding contingent assets and liabilities) are denominated in USD.

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

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

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

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iv) Profitability

Taipei Fubon Bank

Unit: %

		For the six months ended June 30	
Item		2021	2020
Return on total assets	Before income tax	0.33	0.38
	After income tax	0.29	0.33
Return on net worth	Before income tax	4.72	5.45
	After income tax	4.14	4.74
Profit margin		39.37	40.00

JihSun Bank

Unit: %

		For the six months ended June 30
Item		2021
Return on total assets	Before income tax	0.20
	After income tax	0.19
Return on net worth	Before income tax	2.41
	After income tax	2.22
Profit margin		25.44

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

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

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

Note 4: Income before (after) income tax represents income for the six months ended June 30, 2021 and 2020.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(v) Maturity analysis

Maturity Analysis of Assets and Liabilities (TWD)

Taipei Fubon Bank

Units: In thousands of TWD

June 30, 2021							
	The amount for the remaining period to maturity						
	Total	0-10 days	11-30 days	31-90 days	91-180 days	181-365 days	Over 1 year
Main capital inflow on maturity	\$ 2,510,902,913	216,236,862	267,153,101	271,447,041	287,002,208	275,635,206	1,193,428,495
Main capital outflow on maturity	3,081,530,050	151,500,560	234,154,585	426,695,491	447,699,037	603,897,903	1,217,582,474
Gap	(570,627,137)	64,736,302	32,998,516	(155,248,450)	(160,696,829)	(328,262,697)	(24,153,979)

Units: In thousands of TWD

June 30, 2020							
	The amount for the remaining period to maturity						
	Total	0-10 days	11-30 days	31-90 days	91-180 days	181-365 days	Over 1 year
Main capital inflow on maturity	\$ 2,463,464,581	299,464,141	231,047,330	308,487,311	287,151,184	297,417,062	1,039,897,553
Main capital outflow on maturity	2,971,705,944	155,927,905	258,713,649	496,166,886	417,374,485	574,374,380	1,069,148,639
Gap	(508,241,363)	143,536,236	(27,666,319)	(187,679,575)	(130,223,301)	(276,957,318)	(29,251,086)

Note: The above amounts are book value of assets and liabilities held by headquarter and domestic branches of Taipei Fubon Bank and denominated is New Taiwan dollars.

JihSun Bank

Units: In thousands of TWD

June 30, 2021							
	The amount for the remaining period to maturity						
	Total	0-10 days	11-30 days	31-90 days	91-180 days	181-365 days	Over 1 year
Main capital inflow on maturity	\$ 243,262,306	27,654,469	37,017,731	29,056,791	16,818,217	13,794,546	118,920,552
Main capital outflow on maturity	307,337,537	8,562,488	13,304,233	28,088,528	40,734,480	68,976,042	147,671,766
Gap	(64,075,231)	19,091,981	23,713,498	968,263	(23,916,263)	(55,181,496)	(28,751,214)

Note: Listed amounts of the head office and domestic branches held by JihSun Bank (excluding foreign currency amounts) are denominated in New Taiwan dollars.

Maturity Analysis of Assets and Liabilities (USD)

Taipei Fubon Bank

Units: In thousands of USD

June 30, 2021						
	The amount for the remaining period to maturity					
	Total	0-30 days	31-90 days	91-180 days	181-365 days	Over 1 year
Main capital inflow on maturity	\$ 70,903,652	24,547,493	13,282,839	9,924,123	8,790,970	14,358,227
Main capital outflow on maturity	77,474,589	23,584,281	20,100,165	12,703,264	11,691,118	9,395,761
Gap	(6,570,937)	963,212	(6,817,326)	(2,779,141)	(2,900,148)	4,962,466

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Units: In thousands of USD

June 30, 2020						
	The amount for the remaining period to maturity					
	Total	0-30 days	31-90 days	91-180 days	181-365 days	Over 1 year
Main capital inflow on maturity	\$ 77,513,905	25,527,313	18,908,564	11,237,633	8,551,066	13,289,329
Main capital outflow on maturity	82,628,698	29,265,509	22,758,285	11,420,958	10,190,350	8,993,596
Gap	(5,114,793)	(3,738,196)	(3,849,721)	(183,325)	(1,639,284)	4,295,733

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

JihSun Bank

Units: In thousands of USD

June 30, 2021						
	The amount for the remaining period to maturity					
	Total	0-30 days	31-90 days	91-180 days	181-365 days	Over 1 year
Main capital inflow on maturity	\$ 1,030,027	382,718	310,239	58,587	74,978	203,505
Main capital outflow on maturity	1,234,684	166,045	170,657	198,255	261,053	438,674
Gap	(204,657)	216,673	139,582	(139,668)	(186,075)	(235,169)

Note1: Listed amounts of the head office and domestic branches and offshore banking unit held by JihSun Bank are denominated in U.S. dollars. The amounts were listed by book value unless there is additional statement. Non-recorded amount shall not be listed. (For example: planning to issue negotiable certificates of deposit, bonds or stocks.)

Note2: The supplementary disclosure of information shall be provided, if the overseas assets accounts for more than 10% to the total assets.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(vi) Statement of capital adequacy

			June 30, 2021		December 31, 2020		June 30, 2020	
			Consolidated	Bank	Consolidated	Bank	Consolidated	Bank
Eligible capital	Common equity Tier 1		211,924,300	198,439,066	217,355,971	204,298,710	200,746,998	188,727,661
	Additional Tier 1 capital		20,623,198	11,997,021	20,661,156	13,341,282	17,609,305	10,638,312
	Tier 2 capital		42,549,118	23,576,572	43,068,578	26,017,108	43,596,997	28,180,880
	Eligible capital		275,096,616	234,012,659	281,085,705	243,657,100	261,953,300	227,546,853
Risk-weighted assets	Credit risk	Standardized approach	1,837,909,538	1,440,137,229	1,701,291,850	1,342,090,151	1,869,342,081	1,517,233,312
		Internal rating-based approach	-	-	-	-	-	-
		Securitization	50,413,514	11,284,839	30,828,486	6,445,398	4,938,342	3,889,667
	Operational risk	Basic indicator approach	-	-	-	-	-	-
		Standardized approach / Alternative standardized approach	88,091,225	76,651,650	88,091,225	76,651,650	83,446,625	73,315,188
		Advance measurement approach	-	-	-	-	-	-
	Market risk	Standardized approach	67,784,938	58,205,375	60,268,425	53,918,663	69,455,563	62,642,750
		Internal models approach	-	-	-	-	-	-
	Total risk-weighted assets		2,044,199,215	1,586,279,093	1,880,479,986	1,479,105,862	2,027,182,611	1,657,080,917
	Capital adequacy ratio			13.46 %	14.75 %	14.95 %	16.47 %	12.92 %
Common equity-based capital ratio			10.37 %	12.51 %	11.56 %	13.81 %	9.90 %	11.39 %
Tier 1 risk-based capital ratio			11.38 %	13.27 %	12.66 %	14.71 %	10.77 %	12.03 %
Ratio of financial leverage			6.42 %	6.86 %	6.83 %	7.36 %	6.38 %	6.81 %

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:

Eligible capital = Net common equity Tier 1 capital + Net additional Tier 1 capital + Net Tier 2 capital.

Total risk-weighted assets = Risk-weighted assets for credit risk + (Capital requirements for operational risk + Capital requirement for market risk) × 12.5.

Total capital adequacy ratio = Eligible capital ÷ Total risk-weighted assets.

Common equity-based capital ratio = Net common equity Tier 1 capital ÷ Total risk-weighted assets.

Tier 1 risk-based capital ratio = (Net common equity Tier 1 capital + Net additional Tier 1 capital) ÷ Total risk-weighted assets.

Ratio of financial leverage = Net Tier 1 capital ÷ Exposure measurement.

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(7) Related-party transactions:

(a) Names and relationships of related parties

<u>Name of related party</u>	<u>Relationship with the Company and its subsidiaries</u>
Fubon Property Management Co., Ltd. (Fubon Property Management)	Related parties in substance
Taiwan Stock Exchange Corporation (Taiwan Stock Exchange)	Related parties in substance
Taipei Exchange (TPEX)	Related parties in substance
Taiwan Futures Exchange Corporation (Taiwan Futures Exchange)	Related parties in substance
momo.com Inc. (momo)	Related parties in substance
Fubon Land Development Co., Ltd. (Fubon Land Development)	Related parties in substance
Fubon Charity Foundation	Related parties in substance
Fubon Art Foundation	Related parties in substance
Fubon Cultural and Educational Foundation	Related parties in substance
Taipei Fubon Commercial Bank Charity Foundation	Related parties in substance
Funds Managed by Fubon Asset Management	Related parties in substance
Funds Managed by JihSun Securities Investment Trust	Related parties in substance (Note 4)
Taiwan Fixed Network Co., Ltd. (Taiwan Fixed Network)	Related parties in substance
Taiwan High Speed Rail Corporation (Taiwan High Speed Rail)	Related parties in substance
Taiwan Mobile Co., Ltd. (Taiwan Mobile)	Related parties in substance
Taipei New Horizon Co., Ltd. (Taipei New Horizon)	Related parties in substance
Taiwan Pelican Express Co., LTD. (Taiwan Pelican Express)	Related parties in substance
Kbro Co., Ltd.(Kbro)	Related parties in substance
Kbro Media Co., Ltd. (Kbro Media)	Related parties in substance
Far Eastern International Bank Co., Ltd. (Far Eastern Bank)	Related parties in substance
Xiamen Bank Co., Ltd. (Xiamen Bank)	Related parties in substance
Formosa Petrochemical Corporation(FPCC)	Related parties in substance (Note 2)
Taihsin Property Insurance Agent Co., Ltd. (Taihsin Property Insurance Agent)	Related parties in substance
O-Bank Co., Ltd. (O-Bank)	Related parties in substance (Note 1)
China United Insurance Holding Co., Ltd. (China United Insurance Holding)	Related parties in substance (Note 1)

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

<u>Name of related party</u>	<u>Relationship with the Company and its subsidiaries</u>
Taiwan Win TV Media Co., Ltd. (Taiwan Win TV)	Related parties in substance
LINE Biz+ Taiwan Co., Ltd. (LINE Biz+ Taiwan)	Related parties in substance
Yeong Jia Leh Cable TV Co., Ltd. (Yeong Jia Leh Cable TV)	Related parties in substance
Sharehope Medicine Co., Ltd. (Sharehope Medicine)	Related parties in substance (Note 4)
Yong Hsin Shing Ye Co., Ltd. (Yong Hsin Shing Ye)	Related parties in substance
Easycard Corporation (Easycard)	Related parties in substance
Carplus Auto Leasing Corporation (Carplus Auto Leasing)	Related parties in substance
Beijing Global Media Technology Co., Ltd. (Beijing Global)	Related parties in substance
MediaTek (Shenzhen) Inc. (MediaTek (Shenzhen))	Related parties in substance (Note 3)
MediaTek (Chengdu) Inc. (MediaTek Software)	Related parties in substance (Note 3)
Mstar Semi (Shenzhen) Inc. (Mstar Semi)	Related parties in substance (Note 3)
Wuxi GIH Innovation Industrial Development Inc. (Wuxi GIH)	Related parties in substance (Note 5)
Tokio Marine Newa Insurance Co., Ltd. (Tokio Marine Newa Insurance)	Related parties in substance
Yuchang Motor Co., Ltd. (Yuchang Motor)	Related parties in substance
Yumin Motor Co., Ltd. (Yumin Motor)	Related parties in substance
Hyundai Mobis Co., Ltd.	Related parties in substance
Hyundai Commercial Co., Ltd.	Related parties in substance
Line Bank Co., Ltd. (Line Bank)	Related parties in substance
CTBC Securities Co., Ltd. (CTBC Securities)	Related parties in substance (Note 1)
Taiwan Life Insurance Co., Ltd. (Taiwan Life Insurance)	Related parties in substance (Note 1)
Crystalvue Medical Corporation (Crystalvue Medical)	Related parties in substance (Note 1)
Thermaltake Technology Co., Ltd. (Thermaltake Technology)	Related parties in substance (Note 3)
Century Development Corporation (Century Development)	Related parties in substance
UUPON Inc.	Related parties in substance

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

<u>Name of related party</u>	<u>Relationship with the Company and its subsidiaries</u>
Alpha Networks Inc. (Alpha Networks)	Related parties in substance (Note 4)
Fubon Industrial Co., Limited (Fujian) (Fubon Industrial (Fujian))	Related parties in substance
CTBC Bank Co., Ltd. (CTBC Bank)	Related parties in substance (Note 4)
YFY Inc. (YFY)	Related parties in substance (Note 5)
CAPITAL TARGET LIMITED	Related parties in substance (Note 4)
Dao Ying Co., Ltd. (Dao Ying)	Related parties in substance
Chung Hsing Land Development Co., Ltd. (Chung Hsing Land Development)	A major stockholder of the Company
Ming-Dong Industrial Co., Ltd. (Ming-Dong Industrial)	A major stockholder of the Company
Taipei City Government	A major stockholder of the Company
Others	Directors, supervisors, managers and their relatives up to the second degree, affiliates and the related parties in substance

Note 1: Related parties in substance from the second quarter of 2020.

Note 2: Not related parties in substance from the second quarter of 2020.

Note 3: Related parties in substance from the third quarter of 2020.

Note 4: Related parties in substance from the first quarter of 2021.

Note 5: Related parties in substance from the second quarter of 2021.

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(b) Significant transactions with related parties

(i) Insurance revenue and insurance receivable:

	For the three months ended June 30		For the six months ended June 30	
	2021	2020	2021	2020
Insurance Revenue:				
FPCC	\$ -	131,142	-	133,150
Taiwan Mobile	26,101	4,105	32,385	26,688
Taiwan High Speed Rail	4,497	3,940	9,986	10,958
Taipei City Government	1,329	2,534	59,643	13,288
momo	4,990	5,234	37,926	33,948
Taiwan Pelican Express	2,432	2,952	24,767	21,594
Kbro	14,868	17,790	17,032	19,725
YFY	-	-	11,289	-
Yeong Jia Leh Cable TV	290	283	9,608	11,088
Carplus Auto Leasing	83,591	69,310	173,763	150,914
Line Bank	1,629	1,423	13,229	1,423
Crystalvue Medical	11,386	14,006	11,788	14,006
Related parties in substance (individual)	159,051	313,989	448,202	735,229
Others (not related company or person accounts for more than \$10,000 thousand or 10%)	44,809	5,665	76,482	67,100
Total	\$ 354,973	572,373	926,100	1,239,111
	June 30, 2021	December 31, 2020	June 30, 2020	
Insurance receivable:				
Taiwan Mobile	\$ 389	3,396	13,596	
Taiwan High Speed Rail	2,013	86,747	2,302	
Taipei City Government	41,259	1,213	4,259	
Taipei New Horizon	-	15,780	-	
momo	792	11,578	985	
Kbro	16,575	474	18,173	
Line Bank	10,171	-	1,423	
Carplus Auto Leasing	2,390	12,998	25,372	
YFY	11,289	-	-	
Others (not related company or person accounts for more than \$10,000 thousand or 10%)	6,579	8,736	13,933	
Total	\$ 91,457	140,922	80,043	

Premium rates were calculated in accordance with the relevant provisions of the Insurance Act, and were not materially different from the general trading terms.

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Rental revenue and guarantee deposits:

	For the three months ended June 30		For the six months ended June 30	
	2021	2020	2021	2020
Rental revenue:				
momo	\$ 36,877	33,510	73,126	67,021
Kbro Media	12,922	12,850	25,843	25,701
Kbro	5,580	5,580	11,160	11,160
Thermaltake Technology	5,023	-	12,479	-
Taiwan Fixed Network	8,415	10,594	18,860	21,227
Taiwan Mobile	12,346	9,794	22,836	19,728
Hyundai Commercial Co., Ltd.	5,542	4,507	10,226	8,960
Others (not related company or person accounts for more than \$10,000 thousand or 10%)	14,519	6,895	22,017	12,469
Total	<u>\$ 101,224</u>	<u>83,730</u>	<u>196,547</u>	<u>166,266</u>

All the above leases were operating leases. The leasing term was not materially different from that with unrelated parties.

	June 30, 2021	December 31, 2020	June 30, 2020
	Advanced real estate receipts:		
Kbro Media	\$ -	-	25,984
Others (not related company or person accounts for more than \$10,000 thousand or 10%)	7,387	7,067	7,254
Total	<u>\$ 7,387</u>	<u>7,067</u>	<u>33,238</u>

	June 30, 2021	December 31, 2020	June 30, 2020
	Guarantee deposits:		
momo	\$ 41,639	39,653	34,282
Fubon Art Foundation	26,884	3	-
Sharehope Medicine	17,912	-	-
Taiwan Fixed Network	8,476	10,915	10,915
Taiwan Mobile	12,388	9,279	821
Others (not related company or person accounts for more than \$10,000 thousand or 10%)	31,961	29,032	28,531
Total	<u>\$ 139,260</u>	<u>88,882</u>	<u>74,549</u>

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Performance guarantee:

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Kbro Media	\$ 27,135	27,135	27,135
Sharehope Medicine	267,956	-	-
Total	<u>\$ 295,091</u>	<u>27,135</u>	<u>27,135</u>

(iii) Refundable deposits

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Refundable deposits:			
Chung Hsing Land Development	\$ 37,436	37,436	37,436
Fubon REIT I Fund	52,967	52,597	52,737
Fubon REIT II Fund	36,284	37,855	38,218
Others (not related company or person accounts for more than \$10,000 thousand or 10%)	28,524	29,549	18,929
Total	<u>\$ 155,211</u>	<u>157,437</u>	<u>147,320</u>

(iv) Right-of-use assets and lease liabilities

<u>Name of related party</u>	<u>Right-of-use asset</u>		
	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Taipei City Government	\$ 28,850,946	29,099,277	29,240,515
Taiwan Fixed Network	41,497	63,506	76,266
Chung Hsing Land Development	558,954	141,423	126,894
Ming-Dong Industrial	36,951	48,871	60,824
Fubon Charity Foundation	8,889	13,385	12,758
Fubon REIT I Fund	381,195	171,847	264,633
Fubon REIT II Fund	304,912	177,312	253,732
Taiwan Mobile	1,681	3,493	5,335
Fubon Industrial(Fujian)	10,975	-	-
Carplus Auto Leasing	1,143	2,499	4,425
Related parties in substance	116,449	131,934	148,549
Others (not related company or person accounts for more than \$10,000 thousand or 10%)	2,385	2,673	59
Total	<u>\$ 30,315,977</u>	<u>29,856,220</u>	<u>30,193,990</u>

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

<u>Name of related party</u>	Lease liability		
	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Taipei City Government	\$ 7,648,884	7,810,472	7,702,554
Taiwan Fixed Network	45,107	68,287	81,490
Chung Hsing Land Development	562,622	141,194	129,510
Ming-Dong Industrial	37,772	49,517	61,044
Fubon Charity Foundation	9,069	13,642	12,990
Fubon REIT I Fund	374,449	172,836	265,675
Fubon REIT II Fund	308,929	182,840	256,233
Taiwan Mobile	1,616	3,523	5,394
Fubon Industrial(Fujian)	11,265	-	-
Carplus Auto Leasing	1,031	2,168	4,258
Related parties in substance	117,263	131,717	146,741
Others (not related company or person accounts for more than \$10,000 thousand or 10%)	2,151	2,391	47
Total	\$ <u>9,120,158</u>	<u>8,578,587</u>	<u>8,665,936</u>

<u>Name of related party</u>	Value of Contract		
	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Taipei City Government	\$ 41,844,969	37,784,572	37,841,301
Taiwan Fixed Network	233,750	234,259	227,436
Chung Hsing Land Development	720,231	164,994	720,611
Ming-Dong Industrial	105,038	97,824	97,824
Fubon Charity Foundation	28,592	33,736	52,617
Fubon REIT I Fund	601,935	601,535	606,169
Fubon REIT II Fund	450,541	449,747	449,539
Taiwan Mobile	19,540	19,540	19,540
Fubon Industrial(Fujian)	17,307	-	-
Carplus Auto Leasing	5,372	18,512	11,204
Related parties in substance	176,764	175,184	175,184
Others (not related company or person accounts for more than \$10,000 thousand or 10%)	2,844	2,845	1,689
Total	\$ <u>44,206,883</u>	<u>39,582,748</u>	<u>40,203,114</u>

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Name of related party	Interest expense			
	For the three months ended June 30		For the six months ended June 30,	
	2021	2020	2021	2020
Taipei City Government	\$ 60,055	60,448	118,375	119,798
Taiwan Fixed Network	330	639	742	1,387
Chung Hsing Land Development	5,206	1,279	10,821	3,058
Ming-Dong Industrial	352	555	750	1,158
Fubon Charity Foundation	86	123	192	284
Fubon REIT I Fund	3,426	2,380	4,655	4,532
Fubon REIT II Fund	2,240	1,594	3,634	3,030
Taiwan Mobile	19	54	47	116
Fubon Industrial(Fujian)	171	-	359	-
Carplus Auto Leasing	10	29	21	58
Related parties in substance	1,075	1,333	2,207	2,733
Others (not related company or person accounts for more than \$10,000 thousand or 10%)	20	1	43	3
Total	<u>\$ 72,990</u>	<u>68,435</u>	<u>141,846</u>	<u>136,157</u>

(v) Other deposits

	June 30, 2021	December 31, 2020	June 30, 2020	Note
	\$			
Taipei City Government	1,300,443	1,269,359	1,261,407	Bid bond / Superficies Performance bond
Taiwan Stock Exchange	781,893	-	-	Margin deposits for borrowed securities
Taiwan Futures Exchange	459,167	-	-	Futures trading margin/ Excess margin
TPEX	118,353	121,000	112,000	Structured products / Bonds trading margin
Others (not related company or person accounts for more than \$10,000 thousand or 10%)	3,276	1,438	1,540	
Total	<u>\$ 2,663,132</u>	<u>1,391,797</u>	<u>1,374,947</u>	

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(vi) Deposits

1) Bank deposits

Name of related party	June 30, 2021		December 31, 2020		June 30, 2020	
	Amount	Interest rate range %	Amount	Interest rate range %	Amount	Interest rate range %
Xiamen Bank	\$ 81,808	0.05~1.725	121,047	0.05~1.89	1,005,444	0.05~1.89
Far Eastern Bank	2,148,024	0~0.4	2,564,268	0.005~0.55	3,724	0.05~0.12
O-Bank	1,626,082	0.04~0.48	2,027,065	0.04~0.48	2,143,135	0.16~0.78
CTBC Bank	11,736,225	0.01~0.18	-	-	-	-
Total	<u>\$ 15,592,139</u>		<u>4,712,380</u>		<u>3,152,303</u>	

2) Deposits in related parties

Name of related party	June 30, 2021		December 31, 2020		June 30, 2020	
	Amount	Interest rate range %	Amount	Interest rate range %	Amount	Interest rate range %
Others	<u>\$ 83,240,579</u>	0~4.8	<u>83,406,755</u>	0~5.87	<u>79,664,973</u>	0~5.87

(vii) Loans

Name of related party	June 30, 2021		December 31, 2020		June 30, 2020	
	Amount	Interest rate range %	Amount	Interest rate range %	Amount	Interest rate range %
Others	<u>\$ 22,748,585</u>	0~14.71	<u>20,775,223</u>	0~14.97	<u>13,327,349</u>	0~14.97

Units: In thousands of TWD

June 30, 2021							
Category	Amount or name of related party	Highest balance	Ending balance	Compliance Situation		Type of collateral	Differences in transaction terms between related and non related parties
				Normal	Overdue		
Consumer loans	92	53,649	42,179	✓	-	None	None
House mortgages	357	3,879,824	3,346,617	✓	-	Real estate	None
Others	Department of Rapid Transit Systems, Taipei City Government	15,462,761	8,000,000	✓	-	Public treasury guarantees	None
	Department of Finance, Taipei City Government	6,000,000	6,000,000	✓	-	Clean credit	None
	Department of Urban Development, Taipei City Government	4,346,133	4,304,095	✓	-	Public treasury guarantees	None
	Alpha Networks	572,213	557,399	✓	-	Clean credit	None
	Yong Hsin Shing Ye	44,000	44,000	✓	-	Building and land for construction (not including building) (there with a construction plan)	None
	Beijing Global	86,894	86,894	✓	-	Certificate of deposit	None
	Other loans	378,367	367,401	✓	-	Credit Guarantee Fund, real estate, securities and Debt	None
Total		30,823,841	22,748,585				

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Units: In thousands of TWD

December 31, 2020							
Category	Amount or name of related party	Highest balance	Ending balance	Compliance Situation		Type of collateral	Differences in transaction terms between related and non related parties
				Normal	Overdue		
Consumer loans	74	75,332	33,702	✓	-	None	None
House mortgages	277	4,556,968	2,890,785	✓	-	Real estate	None
Others	Department of Rapid Transit systems, Taipei City Government	16,614,579	15,462,761	✓	-	Public treasury guarantees	None
	Department of Urban Development, Taipei City Government	2,352,806	2,346,133	✓	-	Public treasury guarantees	None
	Taipei Municipal Secured Small Loans Service	17	-	✓	-	Public treasury guarantees	None
	Department of Finance, Taipei City Government	1,000,000	-	✓	-	Clean credit	None
	Yong Hsin Shing Ye	44,000	44,000	✓	-	Building and land for construction (not including building) (there with a construction plan)	None
	Beijing Global	41,449	41,449	✓	-	Certificate of deposit	None
	Other loans	2,014	393	✓	-	Credit Guarantee Fund	None
Total		24,687,165	20,819,223				

Units: In thousands of TWD

June 30, 2020							
Category	Amount or name of related party	Highest balance	Ending balance	Compliance Situation		Type of collateral	Differences in transaction terms between related and non related parties
				Normal	Overdue		
Consumer loans	108	60,822	46,956	✓	-	None	None
House mortgages	351	4,215,644	3,379,289	✓	-	Real estate	None
Others	Department of Urban Development, Taipei City Government	439,911	392,943	✓	-	Public treasury guarantees	None
	Department of Rapid Transit systems, Taipei City Government	16,614,579	9,462,761	✓	-	Public treasury guarantees	None
	Taipei Municipal Secured Small Loans Service	17	-	✓	-	Public treasury guarantees	None
	Yong Hsin Shing Ye	44,000	44,000	✓	-	Building and land for construction (not including building) (there with a construction plan)	None
	Other loans	1,514	1,400	✓	-	Credit Guarantee Fund	None
Total		21,376,487	13,327,349				

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(viii) Guarantees

June 30, 2021: None.

Units: In thousands of TWD

December 31, 2020					
Related party	Highest balance for the period	Ending balance	Provision	Rates (%)	Type of collateral
Department of Finance, Taipei City Government	1,213	-	-	1%	Public treasury guarantees

June 30, 2020					
Related party	Highest balance for the period	Ending balance	Provision	Rates (%)	Type of collateral
Department of Finance, Taipei City Government	1,213	1,186	-	1%	Public treasury guarantees

(ix) Details of financing activities:

1) Secured loans

June 30, 2021						
Category	Numbers or name of related party	Highest balance	Ending balance	Compliance situation	Type of collateral	Difference in transaction terms between related and unrelated parties
Residential mortgage loans	38 related parties in substance	\$ 282,784	266,717	Normal loans	Real estate	None

December 31, 2020						
Category	Numbers or name of related party	Highest balance	Ending balance	Compliance situation	Type of collateral	Difference in transaction terms between related and unrelated parties
Residential mortgage loans	38 related parties in substance	\$ 297,666	289,863	Normal loans	Real estate	None

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

June 30, 2020						
Category	Numbers or name of related party	Highest balance	Ending balance	Compliance situation	Type of collateral	Difference in transaction terms between related and unrelated parties
Residential mortgage loans	52 related parties in substance	\$ 435,845	431,030	Normal loans	Real estate	None

The transaction terms between related parties are identical to those of other market participants.

2) Life insurance loans:

June 30, 2021						
Category	Numbers or name of related party	Highest balance	Ending balance	Compliance situation	Type of collateral	Difference in transaction terms between related and nonrelated parties
Life insurance loans	89 related parties in substance	\$ 36,439	29,589	Normal loans	Policy value	None

December 31, 2020						
Category	Numbers or name of related party	Highest balance	Ending balance	Compliance situation	Type of collateral	Difference in transaction terms between related and nonrelated parties
Life insurance loans	78 related parties in substance	\$ 40,289	30,681	Normal loans	Policy value	None

June 30, 2020						
Category	Numbers or name of related party	Highest balance	Ending balance	Compliance situation	Type of collateral	Difference in transaction terms between related and nonrelated parties
Life insurance loans	108 related parties in substance	\$ 45,276	38,255	Normal loans	Policy value	None

The transaction terms between related parties are identical to those of other market participants.

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(x) Derivative financial instruments (notional amount)

<u>Name of related party</u>	<u>Financial instrument</u>	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
CTBC Securities	IRS portion of asset swap	\$ 20,000	20,000	35,000
CTBC Bank	Foreign exchange	54,025,776	-	-
Far Eastern Bank	Interest rate swap contracts	2,410,000	2,100,000	2,100,000
Total		<u>\$ 56,455,776</u>	<u>2,120,000</u>	<u>2,135,000</u>

(xi) Other income

1) Service fees

<u>Name of related party</u>	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
momo	\$ 26,947	17,331	48,836	39,656
Taiwan Mobile	39,368	39,631	79,554	79,769
LINE Biz+ Taiwan	61,635	987	95,775	1,005
Others (not related company or person accounts for more than \$10,000 thousand or 10%)	28,516	5,861	43,246	18,115
Total	<u>\$ 156,466</u>	<u>63,810</u>	<u>267,411</u>	<u>138,545</u>

2) Management income

<u>Name of related party</u>	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Funds managed by Fubon Asset Management and authorization accounts	<u>\$ 306,597</u>	<u>274,868</u>	<u>587,071</u>	<u>561,648</u>

3) Sales commissions

<u>Name of related party</u>	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Funds managed by Fubon Asset Management and authorization accounts	<u>\$ 12,862</u>	<u>29,229</u>	<u>23,166</u>	<u>63,993</u>

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

4) Handling fee income

<u>Name of related party</u>	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Funds managed by Fubon Asset Management	\$ 18,657	13,834	38,447	24,529
Related parties in substance (natural person)	9,374	-	15,690	-
Others (not related company or person accounts for more than \$10,000 thousand or 10%)	207	5,384	582	10,496
Total	<u>\$ 28,238</u>	<u>19,218</u>	<u>54,719</u>	<u>35,025</u>

5) Sponsorship income, sales revenue, royalty income and unearned revenue

<u>Name of related party</u>	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Taiwan Mobile	\$ 10,977	13,362	25,004	23,639
momo	12,500	16,984	23,768	20,713
Taiwan Win TV	-	23,028	-	23,028
Others (not related company or person accounts for more the \$10,000 thousand or 10%)	403	478	596	996
Total	<u>\$ 23,880</u>	<u>53,852</u>	<u>49,368</u>	<u>68,376</u>

The details of unearned revenues generated from aforementioned transactions were as follows:

<u>Name of related party</u>	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
	Taiwan Mobile	\$ 14,400	25,295
momo	12,600	21,262	9,600
Taiwan Win TV	-	-	34,115
Others (not related company or person accounts for more than \$10,000 thousand or 10%)	571	-	572
Total	<u>\$ 27,571</u>	<u>46,557</u>	<u>58,999</u>

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(xii) Other expenses

Name of related party	Category	For the three months ended June 30		For the six months ended June 30	
		2021	2020	2021	2020
Taiwan Fixed Network	Phone expenses, telecom expenses, network equipment rental expenses, maintenance expenses and rental expenses	\$ 73,888	72,564	131,561	131,222
Taiwan Mobile	Phone expenses, telecom expenses, marketing fee, service fee, rental expenses	15,327	16,291	30,591	32,684
Fubon Property Management	Management fees and investment property expenses	55,948	59,354	116,513	122,084
Taiwan Stock Exchange	Brokerage commissions, computer information fee, issuing call warrant fee, dealing fee and rental expenses	340,748	78,684	472,596	147,514
Taiwan Futures Exchange	Brokerage commissions, clearing and settlement fee and dealing fee	110,547	42,733	162,317	99,294
TPEX	Brokerage commissions	75,327	31,157	111,333	55,458
Taihsin Property Insurance Agent	Acquisition commission and service fees	70,381	60,040	155,673	131,661
Fubon REIT I Fund	Management fee, transportation expenses and rental expenses	8,698	8,121	15,278	15,015
momo	Service fees	77,574	87,701	158,620	145,377
LINE Biz+ Taiwan	Service fees	524,624	-	997,590	15,243
CTBC Bank	commission expenses	20,092	-	20,092	-
Fubon Land Development	consultant service fee	25,135	268	26,360	3,359
Easycard	Service fees	9,338	-	12,132	17,315
Others (not related company or person accounts for more than \$10,000 thousand or 10%)	Service fees, commission expenses, rental expenses and other expenses	98,127	53,972	98,208	68,239
Total		<u>\$ 1,505,754</u>	<u>510,885</u>	<u>2,508,864</u>	<u>984,465</u>

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(xiii) Insurance claims and payments are as below:

<u>Name of related party</u>	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Taiwan Mobile	\$ 47,809	50,201	98,902	106,306
Carplus Auto Leasing	39,764	47,535	80,706	90,074
Tokio Marine Newa Insurance	29,710	27,132	55,234	54,681
Yuchang Motor	7,289	7,909	15,984	16,109
Yumin Motor	4,847	4,795	10,080	11,273
Others (not related company or person accounts for more than \$10,000 thousand or 10%)	29,450	26,596	48,343	49,366
Total	<u>\$ 158,869</u>	<u>164,168</u>	<u>309,249</u>	<u>327,809</u>

(xiv) Bonds and bills transaction

1) Bonds sold under repurchase agreement

<u>Name of related party</u>	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Taiwan High Speed Rail	\$ -	2,103,000	5,938,000
Directors, supervisors, managers and their relatives up to the second degree, affiliates and the related parties in substance	2,230,205	2,276,503	2,455,342
Total	<u>\$ 2,230,205</u>	<u>4,379,503</u>	<u>8,393,342</u>

2) Bonds/bills sold and purchased

a) Bonds sold

<u>Name of related party</u>	<u>For the six months ended June 30</u>	
	<u>2021</u>	<u>2020</u>
CTCB Bank	<u>\$ 411,355</u>	<u>-</u>

b) Bonds purchased

<u>Name of related party</u>	<u>For the six months ended June 30</u>	
	<u>2021</u>	<u>2020</u>
Taipei City Government	\$ 900,000	-
CTCB Bank	3,158,247	-
Total	<u>\$ 4,058,247</u>	<u>-</u>

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

3) Financial bond and Government bond transactions

<u>Name of related party</u>	Balance of bonds		
	<u>June 30, 2021</u>	December 31, 2020	<u>June 30, 2020</u>
Far Eastern Bank	\$ 1,000,000	1,000,000	1,000,000
Taiwan Life Insurance	500,000	500,000	500,000
Taiwan Mobile	602,598	-	-
Taipei City Government	600,000	-	-
CTBC Bank	8,816,500	-	-
Total	<u>\$ 11,519,098</u>	<u>1,500,000</u>	<u>1,500,000</u>

4) Bonds payable

<u>Name of related party</u>	December 31,		
	<u>June 30, 2021</u>	2020	<u>June 30, 2020</u>
Hyundai Commercial Co., Ltd.	\$ 246,780	260,940	246,000
Hyundai Commercial Co., Ltd. (Note)	2,467,800	2,609,400	2,460,000
Total	<u>\$ 2,714,580</u>	<u>2,870,340</u>	<u>2,706,000</u>

Note: recognized as equity of the Company and its subsidiaries.

Interest Expense

<u>Name of related party</u>	For the three months ended June 30		For the six months ended June 30	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	Hyundai Commercial Co., Ltd.	<u>\$ 42,108</u>	<u>41,176</u>	<u>84,134</u>

(xv) Donations

<u>Name of related party</u>	For the three months ended June 30		For the six months ended June 30	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Taipei Fubon Commercial Bank Charity Foundation	\$ 298	17,800	18,440	17,800
Fubon Art Foundation	19,486	25,797	26,320	26,140
Fubon Cultural and Education Foundation	20,032	25,397	30,697	25,803
Fubon Charity Foundation	30,054	32,198	48,196	39,732
Others (not related company or person accounts for more than \$10,000 thousand or 10%)	22,619	100	5,100	5,100
Total	<u>\$ 92,489</u>	<u>101,292</u>	<u>128,753</u>	<u>114,575</u>

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(xvi) Other receivables and payables

<u>Name of related party</u>	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Taiwan Mobile	\$ 13,892	437	12,200
Funds managed by Fubon Asset Management	113,242	91,938	194,223
Taiwan Stock Exchange	(113,386)	(39,419)	(24,353)
Taiwan Futures Exchange	(31,697)	(13,707)	5,135
TPEX	(20,011)	(11,351)	(10,252)
Dao Ying	-	-	105,000
Taiwan Win TV	-	61,500	58,286
Taihsin Property Insurance Agent	(23,392)	(20,670)	(20,564)
CAPITAL TARGET LIMITED	(254,607)	-	-
Hyundai Commercial Co., Ltd.	(11,726)	1,899	1,422
Related parties in substance (natural person)	14,268	(1,038)	-
Others (not related company or person accounts for more than \$10,000 thousand or 10%)	7,649	17,821	4,023
Total	\$ (305,768)	87,410	325,120

(xvii) Futures traders' equity

<u>Name of related party</u>	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Funds managed by Fubon Asset Management	\$ <u>5,457,033</u>	<u>6,728,904</u>	<u>7,515,262</u>

(xviii) The details of the fund's balance from related parties Fubon Asset Management and JihSun Securities Investment Trust Co., Ltd. were as follows:

<u>Name of related party</u>	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Funds managed by Fubon Asset Management	\$ 14,017,476	14,504,184	14,458,957
Funds managed by JihSun Securities Investment Trust	648,855	-	-
Total	\$ <u>14,666,331</u>	<u>14,504,184</u>	<u>14,458,957</u>

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The Company and its subsidiaries have acquired Fubon REIT I Fund and Fubon REIT II Fund as follows:

<u>Name of related party</u>	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Fubon REIT I Fund	\$ 3,501,464	3,611,561	3,276,322
Fubon REIT II Fund	2,376,782	2,527,455	2,159,637
Total	<u>\$ 5,878,246</u>	<u>6,139,016</u>	<u>5,435,959</u>

(xix) Commercial paper issued

<u>Name of related party</u>	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
CTBC Bank	<u>\$ 5,100,000</u>	<u>-</u>	<u>-</u>

(xx) Clearing and settlement fund

<u>Name of related party</u>	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Taiwan Stock Exchange	\$ 248,364	114,590	114,590
Taiwan Futures Exchange	240,756	127,019	125,549
TPEX	159,977	59,302	59,302
Total	<u>\$ 649,097</u>	<u>300,911</u>	<u>299,441</u>

(xxi) Deal on credit

As of June 30, 2021, December 31 and June 30, 2020, the Company and its subsidiaries had receivables from other related parties' pecuniary finance amounting to \$61,901 thousand, \$51,250 thousand and \$67,722 thousand, respectively.

(xxii) Customer margin account

<u>Name of related party</u>	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Taiwan Futures Exchange	<u>\$ 6,237,820</u>	<u>3,189,776</u>	<u>2,820,361</u>

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(xxiii) Prepaid expense

<u>Name of related party</u>	<u>Category</u>	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Taipei City Government	Prepaid rental expense-superficies, temporary payment	\$ 15,000	-	-
Others (not related company or person accounts for more than \$10,000 or 10%)		3,783	2,002	1,309
Total		<u>\$ 18,783</u>	<u>2,002</u>	<u>1,309</u>

(xxiv) Principal of structured products

<u>Name of related party</u>	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
MediaTek Software	\$ 380,543	-	209,600
Mstar Semi	437,366	401,402	-
MediaTek (Shenzhen)	340,850	130,892	-
Wuxi GIH	21,141	-	-
Related parties in substance	51,990	57,270	-
Others (not related company or person accounts for more than \$10,000 thousand or 10%)	6,689	6,809	37,525
Total	<u>\$ 1,238,579</u>	<u>596,373</u>	<u>247,125</u>

(xxv) Transaction for retirement pension savings:

<u>Name of related party</u>	<u>Retirement Pension Savings</u>			<u>Handing fee income</u>			
	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
				<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Hyundai Mobis Co., Ltd.	\$ 7,170,844	7,507,987	6,756,127	4,204	5,110	8,439	10,385
Hyundai Commercial Co., Ltd.	982,592	1,043,668	956,292	1,326	1,252	2,641	2,643
Total	<u>\$ 8,153,436</u>	<u>8,551,655</u>	<u>7,712,419</u>	<u>5,530</u>	<u>6,362</u>	<u>11,080</u>	<u>13,028</u>

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(xxvi) Acquisition of property and equipment

The details of acquisition of property and equipment from related parties were as follows:

<u>Name of related party</u>	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Dao-Ying Industrial	\$ -	210,000	-	210,000
Fubon Land Development	24,471	424	28,572	424
Others (not related company or person accounts for more than \$10,000 or 10%)	22	2,594	43	2,594
Total	<u>\$ 24,493</u>	<u>213,018</u>	<u>28,615</u>	<u>213,018</u>

The Company and its subsidiaries signed contract and bought the land and building from affiliates on June 2020, the price is \$210,000 thousand. The Company and its subsidiaries have paid of all the balance on November 3, 2020. There were no real estate transaction with related parties for the six months ended June 30, 2021.

(xxvii) Shares undertaken from related parties are as follows:

<u>Name of related party</u>	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Century Development	\$ 279,702	208,801	176,278
China United Insurance Holding	10,208,187	13,887,072	8,188,570
UUPON Inc.	-	10,749	-
Others (not related company or person accounts for more than \$10,000 thousand or 10%)	13,019	5,733	5,418
Total	<u>\$ 10,500,908</u>	<u>14,112,355</u>	<u>8,370,266</u>

(c) Compensation to executive officers

Executive officers' compensation comprised:

	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Short-term employee benefits	\$ 446,016	387,104	936,952	839,261
Post-employment benefits	12,064	11,058	23,724	23,073
Termination benefits	(29)	-	9,485	-
Other long-term employee benefits	1,575	1,366	3,016	2,821
	<u>\$ 459,626</u>	<u>399,528</u>	<u>973,177</u>	<u>865,155</u>

For share-based payment information please refer to note 6 (ae).

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (d) Information on related party transactions amounting to more than \$100,000 thousand

If a transaction occurs between two subsidiaries, only one subsidiary needs to disclose its related party information, and the inter-company transaction is eliminated in the consolidated financial statements.

- (i) The Company

- 1) Name and relationship of related party

<u>Name of related party</u>	<u>Relationship with the Company and its subsidiaries</u>
Fubon Life Insurance Co., Ltd. (Fubon Life Insurance)	The subsidiary
Fubon Insurance Co., Ltd. (Fubon Insurance)	The subsidiary
Fubon Securities Co., Ltd. (Fubon Securities)	The subsidiary
Taipei Fubon Bank Co., Ltd. (Taipei Fubon Bank)	The subsidiary

- 2) Significant transactions with related parties were as follows:

- a) Bank deposits

<u>Name of related party</u>	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Taipei Fubon Bank	\$ <u>1,336,325</u>	<u>31,683,189</u>	<u>1,343,809</u>

- b) The investment balance details:

- i) Balance of investment

<u>Name of security</u>	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Fubon Life Insurance - non- cumulative perpetual subordinated corporate bonds	\$ <u>20,788,630</u>	<u>20,711,671</u>	<u>20,376,630</u>

- ii) Interest receivables

<u>Name of related party</u>	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Fubon Life Insurance	\$ <u>189,370</u>	<u>552,329</u>	<u>189,370</u>

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

iii) Interest revenue

<u>Name of related party</u>	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Fubon Life Insurance	\$ <u>175,507</u>	<u>179,507</u>	<u>357,041</u>	<u>357,041</u>

c) Income tax receivables

<u>Name of related party</u>	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Fubon Life Insurance	\$ 9,231,365	5,197,640	2,094,321
Taipei Fubon Bank	1,016,643	1,466,738	858,674
Fubon Insurance	468,644	674,688	367,404
Fubon Securities	590,089	431,038	199,237
Total	\$ <u>11,306,741</u>	<u>7,770,104</u>	<u>3,519,636</u>

(ii) Fubon Insurance and its subsidiaries

1) Name and relationship of related party

<u>Name of related party</u>	<u>Relationship with the Company</u>
Taipei Fubon Bank Co., Ltd. (Taipei Fubon Bank)	Company controlled by Fubon Financial Holdings
Xiamen Bank (China) Co., Ltd. (Xiamen Bank)	Related parties in substance
Taiwan Mobile Co., Ltd. (Taiwan Mobile)	Related parties in substance
O-Bank Co., Ltd. (O-Bank)	Related parties in substance (related parties in substance from the second quarter of 2020)
Taiwan Life Insurance Co., Ltd. (Taiwan Life Insurance)	Related parties in substance (related parties in substance from the second quarter of 2020)
Taihsin Property Insurance Agent Co., Ltd. (Taihsin Property Insurance Agent)	Related parties in substance
Carplus Auto Leasing Corporation (Carplus Auto Leasing)	Related parties in substance
Formosa Petrochemical Corporation (FPCC)	Related parties in substance
Dao Ying Co., Ltd. (Dao Ying)	Related parties in substance
Funds managed by JihSun Securities Investment Trust	Related parties in substance (related parties in substance from the first quarter of 2021)
Others	Directors, supervisors, managers and their close relatives, etc.

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Significant transactions with related parties were as follows:

a) Bank deposits

<u>Name of related party</u>	<u>June 30, 2021</u>	<u>December 31,</u>	
		<u>2020</u>	<u>June 30, 2020</u>
Taipei Fubon Bank	\$ 2,265,557	1,553,902	1,832,716
Xiamen Bank	81,808	113,552	197,862
O-Bank	626,082	527,065	1,143,135
Total	\$ <u>2,973,447</u>	<u>2,194,519</u>	<u>3,173,713</u>

b) Premium revenues with related party were as follows:

<u>Name of related party</u>	<u>For the three months ended</u>		<u>For the six months ended</u>	
	<u>June 30</u>		<u>June 30</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Carplus Auto Leasing	\$ 83,135	68,868	172,832	150,023
FPCC	-	131,142	-	132,301
Total	\$ <u>83,135</u>	<u>200,010</u>	<u>172,832</u>	<u>282,324</u>

c) Financial bonds transaction

<u>Name of related party</u>	<u>Balance of Financial Bonds</u>			
	<u>December 31,</u>		<u>June 30, 2020</u>	
	<u>June 30, 2021</u>	<u>2020</u>		
Taiwan Life Insurance	\$ <u>500,000</u>	<u>500,000</u>	<u>500,000</u>	

d) Insurance claim payment

<u>Name of related party</u>	<u>For the three months ended</u>		<u>For the six months ended</u>	
	<u>June 30</u>		<u>June 30</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Taiwan Mobile	\$ <u>47,809</u>	<u>50,201</u>	<u>98,902</u>	<u>106,306</u>

e) Certain investment funds purchased from related parties are as follows:

<u>Fund</u>	<u>June 30, 2021</u>	<u>December 31,</u>	
		<u>2020</u>	<u>June 30, 2020</u>
Funds managed by JihSun Securities Investment Trust	\$ <u>448,109</u>	-	-

f) Balance of Fubon REIT I Fund and Fubon REIT II Fund:

<u>Name of related party</u>	<u>June 30, 2021</u>	<u>December 31,</u>	
		<u>2020</u>	<u>June 30, 2020</u>
Fubon REIT I Fund	\$ 1,011,982	1,043,802	947,206
Fubon REIT II Fund	1,042,230	1,108,300	947,011
Total	\$ <u>2,054,212</u>	<u>2,152,102</u>	<u>1,894,217</u>

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

g) Acquisition commission and service fees were as follows:

<u>Name of related party</u>	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Taihsin Property Insurance Agent	\$ <u>70,381</u>	<u>60,040</u>	<u>155,673</u>	<u>131,661</u>

h) Acquisition of property and equipment was as follows :

<u>Name of related party</u>	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Dao Ying	\$ <u>-</u>	<u>210,000</u>	<u>-</u>	<u>210,000</u>

Fubon Insurance and its subsidiaries signed contract and bought the land and building from affiliates on June 2020, the price is \$210,000 thousand. Fubon Insurance and its subsidiaries have paid of all the balance on November 3, 2020. There were no real estate transaction with related parties for the six months ended June 30, 2021.

(iii) Fubon Life Insurance and its subsidiaries

1) Name and relationship of related party

<u>Name of related party</u>	<u>Relationship with the Company</u>
Fubon Financial Holdings Co., Ltd. (Fubon Financial Holdings)	Parent Company
Fubon Securities Co., Ltd. (Fubon Securities)	Company controlled by Fubon Financial Holdings
Taipei Fubon Bank Co., Ltd. (Taipei Fubon Bank)	Company controlled by Fubon Financial Holdings
Fubon Insurance Co., Ltd. (Fubon Insurance)	Company controlled by Fubon Financial Holdings
Fubon Bank (Hong Kong) Limited (Fubon Bank (Hong Kong))	Company controlled by Fubon Financial Holdings
Taipei City Government	A major shareholder of Fubon Financial Holdings
Funds Managed by Fubon Asset Management	Related parties in substance
Hyundai Commercial Co., Ltd.	Related parties in substance
Hyundai Mobis Co., Ltd.	Related parties in substance
Funds Managed by JihSun Securities Investment Trust	Related parties in substance (related parties in substance from the first quarter of 2021)
Taiwan Fixed Network Co., Ltd. (Taiwan Fixed Network)	Related parties in substance

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

<u>Name of related party</u>	<u>Relationship with the Company</u>
Century Development Corporation (Century Development)	Related parties in substance
Far Eastern International Bank Co., Ltd (Far Eastern Bank)	Related parties in substance
O-Bank Co., Ltd. (O-Bank)	Related parties in substance (related parties in substance from the second quarter of 2020)
China United Insurance Holding Co., Ltd. (China United Insurance Holding)	Related parties in substance (related parties in substance from the second quarter of 2020)
CTBC Bank Co., Ltd. (CTBC Bank)	Related parties in substance (related parties in substance from the second quarter of 2021)
Sharehope Medicine Co., Ltd. (Sharehope Medicine)	Related parties in substance (related parties in substance from the second quarter of 2021)
Others	Directors, supervisors, managers and their spouse or relatives up to the second degree; affiliates and the related parties in subsidiary

2) Significant transactions with related parties

a) Bank deposits

<u>Nature of deposits</u>	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Taipei Fubon Bank:			
Demand deposits	\$ 25,508,912	8,790,547	11,234,343
Time deposits	11,979,173	20,779,172	5,379,172
O-Bank:			
Time deposits	1,000,000	1,500,000	1,000,000
Fubon Bank (Hong Kong):			
Demand deposits	3,302,295	342,416	523,663
Time deposits	-	753,122	-
Far Eastern Bank:			
Time deposits	-	1,000,000	-
CTBC Bank:			
Demand deposits	139,356	-	-
Time deposits	10,500,000	-	-
Structured time deposit	1,040,909	-	-
Total	\$ 53,470,645	33,165,257	18,137,178

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

b) Loans

Secured loans

June 30, 2021						
Category	Numbers or name of related party	Highest Balance	Ending Balance	Compliance situation	Type of Collateral	Differences in transaction terms between related and non related parties
Residential mortgage loans	38 related parties in substance	\$ <u>282,784</u>	<u>266,717</u>	Normal loan	Real Estate	None
December 31, 2020						
Category	Numbers or name of related party	Highest Balance	Ending Balance	Compliance situation	Type of Collateral	Differences in transaction terms between related and non related parties
Residential mortgage loans	38 related parties in substance	\$ <u>297,666</u>	<u>289,863</u>	Normal loan	Real Estate	None
June 30, 2020						
Category	Numbers or name of related party	Highest Balance	Ending Balance	Compliance situation	Type of Collateral	Differences in transaction terms between related and non related parties
Residential mortgage loans	52 related parties in substance	\$ <u>435,845</u>	<u>431,030</u>	Normal loan	Real Estate	None

The transaction terms are identical to those of other market participants.

c) Discretionary investment from related parties

<u>Name of related party</u>	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Fubon Asset Management	\$ <u>4,406,212</u>	<u>3,839,152</u>	<u>3,303,863</u>

d) Transaction for retirement pension savings:

Name of related party	Retirement Pension Savings			Handing fee income			
	June 30, 2021	December 31, 2020	June 30, 2020	For the three months ended June 30		For the six months ended June 30	
				2021	2020	2021	2020
Hyundai Mobis Co., Ltd.	\$ 7,170,844	7,507,987	6,756,127	4,204	5,110	8,439	10,385
Hyundai Commercial Co., Ltd.	982,592	1,043,668	956,292	1,326	1,252	2,641	2,643
Total	<u>\$ 8,153,436</u>	<u>8,551,655</u>	<u>7,712,419</u>	<u>5,530</u>	<u>6,362</u>	<u>11,080</u>	<u>13,028</u>

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- e) Certain investment funds purchased from related parties are as follows:

Fund	June 30, 2021	December 31, 2020	June 30, 2020
Funds managed by Fubon Asset Management	\$ 11,912,741	12,852,756	12,652,460
Funds managed by JihSun Securities Investment Trust	200,746	-	-
Total	\$ 12,113,487	12,852,756	12,652,460

- f) Shares undertaken from related parties are as follows:

Name of related party	June 30, 2021	December 31, 2020	June 30, 2020
Century Development	\$ 279,702	208,801	176,278
China United Insurance Holding	10,208,187	13,887,072	8,188,570
Total	\$ 10,487,889	14,095,873	8,364,848

- g) Balance of Fubon REIT I Fund and Fubon REIT II Fund:

Name of related party	June 30, 2021	December 31, 2020	June 30, 2020
Fubon REIT I Fund	\$ 1,011,377	1,043,177	946,639
Fubon REIT II Fund	1,173,202	1,247,576	1,066,017
Total	\$ 2,184,579	2,290,753	2,012,656

- h) Bond transactions and derivatives financial instruments transactions:

- i) Sales of bonds

Name of related party	For the six months ended June 30	
	2021	2020
Fubon Securities	\$ -	1,515,405
Taipei Fubon Bank	-	1,287,313
Total	\$ -	2,802,718

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

ii) Bonds payable

<u>Name of related party</u>	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Hyundai Commercial Co., Ltd.	\$ 246,780	260,940	246,000
Hyundai Commercial Co., Ltd. (Note)	2,467,800	2,609,400	2,460,000
Total	\$ 2,714,580	2,870,340	2,706,000

Note: recognized as equity of the Company and its subsidiaries.

iii) Financial bonds transaction

<u>Name of related party</u>	<u>Balance of Financial Bonds</u>		
	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Far Eastern Bank	\$ 1,000,000	1,000,000	1,900,000
CTBC Bank	8,816,500	-	-
Total	\$ 9,816,500	1,000,000	1,900,000

iv) Derivative financial instruments (notional amount)

The contract amounts

<u>Name of related party</u>	<u>Financial instrument</u>	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Taipei Fubon Bank	Foreign exchange swap contracts	\$ 18,394,200	16,172,040	11,270,800
CTBC Bank	Foreign exchange swap contracts	51,977,550	-	-
		\$ 70,371,750	16,172,040	11,270,800

i) Other receivables:

<u>Name of related party</u>	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Fubon Financial Holdings	\$ 5,216,203	5,891,651	5,829,714
Fubon Insurance	499,539	229,798	215,456
Total	\$ 5,715,742	6,121,449	6,045,170

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

j) Premium Income:

<u>Name of related party</u>	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	Others (not related company or person accounts for more than \$10,000 thousand or 10%)	<u>\$ 163,659</u>	<u>314,590</u>	<u>440,614</u>

Premium rates were calculated in accordance with the relevant provisions of the Insurance Act, and were not materially different from the general trading terms.

k) Leasing transaction:

i) Refundable deposits:

<u>Name of related party</u>	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>	<u>Note</u>
Taipei City Government	<u>\$ 1,300,443</u>	<u>1,269,359</u>	<u>1,261,407</u>	Bid bond / Superficies Performance bond

ii) Right-of-use asset and lease liability – building and construction

<u>Name of related party</u>	<u>Right-of-use asset</u>		
	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Taiwan Fixed Network	\$ 26,266	44,830	63,203
Fubon REIT I Fund	296,565	53,310	110,622
Fubon Insurance	242,251	-	49,563
Related parties in substance	115,585	131,934	148,549
Total	<u>\$ 680,667</u>	<u>230,074</u>	<u>371,937</u>

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Name of related party	Lease liability		
	June 30, 2021	December 31, 2020	June 30, 2020
Taiwan Fixed Network	\$ 29,883	49,577	68,433
Fubon REIT I Fund	289,853	53,692	110,427
Fubon Insurance	226,517	-	47,574
Related parties in substance	116,380	131,717	146,741
Total	\$ 662,633	234,986	373,175

Name of related party	Value of Contract		
	June 30, 2021	December 31, 2020	June 30, 2020
Taiwan Fixed Network	\$ 198,108	198,617	201,427
Fubon REIT I Fund	348,366	344,193	351,161
Fubon Insurance	285,317	-	281,276
Related parties in substance	175,184	175,184	175,184
Total	\$ 1,006,975	717,994	1,009,048

Name of related party	Interest expense			
	For the three months ended June 30		For the six months ended June 30	
	2021	2020	2021	2020
Taiwan Fixed Network	\$ 293	616	665	1,313
Fubon REIT I Fund	2,604	1,033	2,907	1,984
Fubon Insurance	2,333	492	4,854	1,194
Related parties in substance	1,063	1,333	2,182	2,733
Total	\$ 6,293	3,474	10,608	7,224

iii) Right-of-use asset and lease liability – Investment property – Superficies

Name of related party	Right-of-use asset		
	June 30, 2021	December 31, 2020	June 30, 2020
Taipei City Government	\$ 28,799,436	29,084,654	29,209,294

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

<u>Name of related party</u>	Lease liability		
	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Taipei City Government	\$ <u>7,597,568</u>	<u>7,795,325</u>	<u>7,671,538</u>

<u>Name of related party</u>	Value of Contract		
	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Taipei City Government	\$ <u>41,743,189</u>	<u>41,743,189</u>	<u>37,738,742</u>

<u>Name of related party</u>	Interest expense			
	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Taipei City Government	\$ <u>59,586</u>	<u>60,167</u>	<u>117,411</u>	<u>119,208</u>

The above-mentioned leases were operating leases. The leasing term was not materially different from that with unrelated parties.

iv) Performance guarantee:

<u>Name of related party</u>	December 31,		
	<u>June 30, 2021</u>	<u>2020</u>	<u>June 30, 2020</u>
Sharehope Medicine	\$ <u>267,956</u>	<u>-</u>	<u>-</u>

l) Integrate business revenue and cross-selling commission:

<u>Name of related party</u>	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	Fubon Insurance	\$ <u>311,251</u>	<u>229,627</u>	<u>513,642</u>

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iv) Fubon Securities and its subsidiaries

1) Name and relationship with related party

<u>Name of related party</u>	<u>Relationship with the Company</u>
Fubon Life Insurance Co., Ltd. (Fubon Life Insurance)	Company controlled by Fubon Financial Holdings
Taipei Fubon Bank Co., Ltd. (Taipei Fubon Bank)	Company controlled by Fubon Financial Holdings
Fubon Bank (Hong Kong) Limited (Fubon Bank (Hong Kong))	Company controlled by Fubon Financial Holdings
Far Eastern International Bank Co., Ltd. (Far Eastern Bank)	Related parties in substance
Xiamen Bank Co., Ltd. (Xiamen Bank)	Related parties in substance
Taiwan Mobile Co., Ltd. (Taiwan Mobile)	Related parties in substance
Funds managed by Fubon Asset Management	Related parties in substance
Taiwan Stock Exchange Corporation (Taiwan Stock Exchange)	Related parties in substance
Taiwan Futures Exchange Corporation (Taiwan Futures Exchange)	Related parties in substance
Taipei Exchange (TPEX)	Related parties in substance
Medicatek Inc. (Medicatek)	Related parties in substance
CTBC Securities Co., Ltd. (CTBC Securities)	Related parties in substance (related parties in substance from the second quarter of 2020)
CTBC Bank Co., Ltd. (CTBC Bank)	Related parties in substance (related parties in substance from the second quarter of 2021)
Chuang Hsing Land Development Co., Ltd. (Chuang Hsing Land Development)	A major shareholder of Fubon Financial Holdings
Others	Directors, supervisors, managers and their spouse or relatives up to the second degree; affiliated and the related parties in substance

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Significant transactions with related parties

a) Bank deposits, cash equivalents, short-term borrowings, and other current assets

Cash deposits in Taipei Fubon Bank and Fubon Bank (Hong Kong) were as follows:

Items	June 30, 2021	December 31, 2020	June 30, 2020
Demand deposits (excluding settlement accounts)	\$ <u>2,553,248</u>	<u>1,675,471</u>	<u>1,011,609</u>
Demand deposits (booked as customer margin accounts)	\$ <u>464,308</u>	<u>347,051</u>	<u>339,917</u>
Checking accounts	\$ <u>100,840</u>	<u>43,212</u>	<u>63,230</u>
Time deposits	\$ <u>420,000</u>	<u>504,000</u>	<u>559,000</u>
Pledged time deposit	\$ <u>105,000</u>	<u>105,000</u>	<u>105,000</u>
Foreign currency deposits (excluding settlement accounts)	\$ <u>350,299</u>	<u>691,085</u>	<u>212,631</u>
Foreign time deposit	\$ <u>5,608,465</u>	<u>4,851,215</u>	<u>4,327,317</u>

As of June 30, 2021, December 31 and June 30, 2020, Fubon Securities and its subsidiaries had put bank deposits in Xiamen Bank, Far Eastern Bank and CTBC Bank amounting to \$1,278,810 thousand, \$1,570,004 thousand and \$807,594 thousand, respectively.

As of June 30, 2021, December 31 and June 30, 2020, Fubon Securities and its subsidiaries had put time deposits in Taipei Fubon Bank as operating deposits refundable deposits and warrant deposits amounting to \$680,000 thousand, \$700,000 thousand and \$705,000 thousand, respectively.

Balances of short-term borrowings from Taipei Fubon Bank as of June 30, 2021, December 31 and June 30, 2020, were all nil, unused credit facilities from Taipei Fubon Bank were all \$6,000,000 thousand. As of June 30, 2021, December 31 and June 30, 2020, the carrying value of lands and buildings pledged to Taipei Fubon Bank were \$1,605,551 thousand, \$1,609,450 thousand and \$1,597,642 thousand, respectively, and time deposits pledged to Taipei Fubon Bank for short-term borrowing were all \$105,000 thousand. Fubon Securities also provided stock investments amounting to \$4,852,700 thousand, \$3,763,200 thousand and \$4,444,700 thousand (recognized as financial assets measured at fair value through other comprehensive income) and beneficiary securities amounting to \$0 thousand, \$553,777 thousand and \$496,392 thousand (recognized as financial assets measured at fair value through profit or loss) to Taipei Fubon Bank as collateral for short-term borrowings and overdrafts as of June 30, 2021, December 31 and June 30, 2020.

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- b) Fubon Asset Management's funds purchased by Fubon Securities and its subsidiaries were as follow:

<u>Name of Funds</u>	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Funds managed by Fubon Asset Management	\$ <u>113,317</u>	<u>191,265</u>	<u>137,390</u>

- c) Operating securities-dealing

The details of related parties' securities held by Fubon Securities and its subsidiaries were as follows:

<u>Name of security</u>	<u>June 30, 2021</u>	
	<u>Cost</u>	<u>Gains (losses) on valuation</u>
Fubon FTSE TWSE Taiwan 50 ETF	\$ 261,204	4,037
Fubon REIT I Fund	243,380	181,584
Fubon China Policy Bank Bond ETF	296,183	102
Fubon TWSE Corporate Governance 100 ETF	117,816	1,803
Total	\$ <u>918,583</u>	<u>187,526</u>

<u>Name of security</u>	<u>December 31, 2020</u>	
	<u>Cost</u>	<u>Gains (losses) on valuation</u>
Fubon REIT I Fund	\$ 243,380	194,947
Fubon China Policy Bank Bond ETF	296,030	(1,849)
Total	\$ <u>539,410</u>	<u>193,098</u>

<u>Name of security</u>	<u>June 30, 2020</u>	
	<u>Cost</u>	<u>Gains (losses) on valuation</u>
Fubon REIT I Fund	\$ 243,380	154,383
Fubon China Policy Bank Bond ETF	151,096	(5,306)
Fubon Emerging Market USD Investment Grade Bond ETF	141,179	(7,001)
Fubon TWSE Corporate Governance 100 ETF	134,692	2,237
Total	\$ <u>670,347</u>	<u>144,313</u>

<u>Name of security</u>	<u>For the three months ended June 30, 2021</u>	
	<u>Dividend revenue</u>	<u>Gains (losses) on valuation</u>
Fubon S&P 500 VIX Short-Term Futures ETF	\$ -	<u>(75,160)</u>

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

<u>Name of security</u>	For the six months ended June 30, 2020	
	<u>Dividend revenue</u>	<u>Gains (losses) on valuation</u>
Fubon S&P 500 VIX Short-Term Futures ETF	\$ -	<u>161,221</u>

d) Operating securities-hedging

The details of related parties' securities held by Fubon Securities and its subsidiaries were as follows:

<u>Name of security</u>	June 30, 2021	
	<u>Cost</u>	<u>Gains (losses) on valuation</u>
Medicatek	\$ <u>164,003</u>	<u>1,935</u>

e) Finance assets measured at fair value through other comprehensive income

The balance of related parties' shares held by Fubon Securities and its subsidiaries and the gain or loss on valuation were as follows:

<u>Name of security</u>	June 30, 2021	
	<u>Cost</u>	<u>Gains (losses) on valuation</u>
Taiwan Mobile	\$ <u>1,428,277</u>	<u>330,408</u>

<u>Name of security</u>	December 31, 2020	
	<u>Cost</u>	<u>Gains (losses) on valuation</u>
Taiwan Mobile	\$ <u>1,428,277</u>	<u>276,957</u>

<u>Name of security</u>	June 30, 2020	
	<u>Cost</u>	<u>Gains (losses) on valuation</u>
Taiwan Mobile	\$ <u>1,682,697</u>	<u>554,045</u>

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

f) Derivative financial instrument transaction

Unit: In thousands of TWD

June 30, 2021					
Name of related party	Derivative instrument contract	Contract duration	Nominal amounts	Financial statement balance	
				Account	Balance
Far Eastern Bank	Cross Currency Swap (CCS)	2017.02.21~ 2023.07.13	\$ 600,000	CCS contract value (assets)	3,457
Far Eastern Bank	Cross Currency Swap (CCS)	2018.01.09~ 2023.02.27	1,500,000	CCS contract value (liabilities)	13,589
CTBC Securities	IRS portion of asset swap	2019.11.05~ 2022.10.29	20,000	IRS portion of asset swap contract value (liabilities)	1,023

December 31, 2020					
Name of related party	Derivative instrument contract	Contract duration	Nominal amounts	Financial statement balance	
				Account	Balance
Far Eastern Bank	Cross Currency Swap (CCS)	2017.02.21~ 2023.07.13	\$ 600,000	CCS contract value (assets)	5,206
Far Eastern Bank	Cross Currency Swap (CCS)	2018.01.09~ 2023.02.27	1,500,000	CCS contract value (liabilities)	17,485
CTBC Securities	IRS portion of asset swap	2019.11.05~ 2022.10.29	20,000	IRS portion of asset swap contract value (liabilities)	529

June 30, 2020					
Name of related party	Derivative instrument contract	Contract duration	Nominal amounts	Financial statement balance	
				Account	Balance
Far Eastern Bank	Cross Currency Swap (CCS)	2017.02.21~ 2023.07.13	\$ 600,000	CCS contract value (assets)	7,564
Far Eastern Bank	Cross Currency Swap (CCS)	2018.01.09~ 2023.02.27	1,500,000	CCS contract value (liabilities)	23,843
CTBC Securities	IRS portion of asset swap	2018.07.27~ 2022.10.29	35,000	IRS portion of asset swap contract value (liabilities)	959

g) Transaction of property

i) Bond sold

Name of related party	For the three months ended June 30		For the six months ended June 30	
	2021	2020	2021	2020
Fubon Life Insurance	\$ -	-	-	428,003

ii) Other securities sold

Name of related party	For the three months ended June 30		For the six months ended June 30	
	2021	2020	2021	2020
Taipei Fubon Bank	\$ 109,480	-	109,480	-

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

h) Customer margin account

<u>Name of related party</u>	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Taiwan Futures Exchange	\$ <u>4,203,654</u>	<u>3,189,776</u>	<u>2,820,361</u>

i) Margin deposits for borrowed securities

<u>Name of related party</u>	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Taiwan Stock Exchange	\$ <u>781,893</u>	<u>-</u>	<u>-</u>

j) Settlement and clearing funds

<u>Name of related party</u>	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Taiwan Stock Exchange	\$ 137,731	114,590	114,590
Taiwan Futures Exchange	124,652	127,019	125,549
Total	\$ <u>262,383</u>	<u>241,609</u>	<u>240,139</u>

k) Refundable deposits

<u>Name of related party</u>	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
TPEX	\$ <u>99,000</u>	<u>121,000</u>	<u>112,000</u>

l) Commercial paper issued

<u>Name of related party</u>	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
CTBC Bank	\$ <u>5,100,000</u>	<u>-</u>	<u>-</u>

m) Futures traders' equity

Related parties engaging in futures have Fubon Futures traders' equity deposited in Fubon Securities and its subsidiaries were as follow:

<u>Name of related party</u>	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Taipei Fubon Bank	\$ 163,418	111,769	128,415
Funds managed by Fubon Asset Management	5,457,033	6,728,904	7,515,262
Total	\$ <u>5,620,451</u>	<u>6,840,673</u>	<u>7,643,677</u>

n) Facility rental revenue

<u>Name of related party</u>	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Taipei Fubon Bank	\$ <u>92,384</u>	<u>67,358</u>	<u>175,685</u>	<u>131,944</u>

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

o) Brokerage handling fee expense

<u>Name of related party</u>	<u>For the three months ended</u>		<u>For the six months ended</u>	
	<u>June 30</u>		<u>June 30</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Taiwan Stock Exchange	\$ <u>196,259</u>	<u>62,149</u>	<u>308,500</u>	<u>113,213</u>

p) Right-of-use asset and lease liability

<u>Name of related party</u>	<u>Right-of-use asset</u>		
	<u>December 31,</u>		
	<u>June 30, 2021</u>	<u>2020</u>	<u>June 30, 2020</u>
Taipei Fubon Bank	\$ 110,124	135,854	86,752
Chuang Hsing Land Development	29,817	34,638	30,588
Total	\$ <u>139,941</u>	<u>170,492</u>	<u>117,340</u>

<u>Name of related party</u>	<u>Lease liability</u>		
	<u>December 31,</u>		
	<u>June 30, 2021</u>	<u>2020</u>	<u>June 30, 2020</u>
Taipei Fubon Bank	\$ 113,285	138,807	88,736
Chuang Hsing Land Development	29,569	34,206	31,373
Total	\$ <u>142,854</u>	<u>173,013</u>	<u>120,109</u>

<u>Name of related party</u>	<u>Value of Contract</u>		
	<u>December 31,</u>		
	<u>June 30, 2021</u>	<u>2020</u>	<u>June 30, 2020</u>
Taipei Fubon Bank	\$ 225,440	225,440	148,356
Chuang Hsing Land Development	39,577	39,577	127,491
Total	\$ <u>265,017</u>	<u>265,017</u>	<u>275,847</u>

<u>Name of related party</u>	<u>Interest expense</u>			
	<u>For the three months ended</u>		<u>For the six months ended</u>	
	<u>June 30</u>		<u>June 30</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Taipei Fubon Bank	\$ 1,031	811	2,162	1,712
Chuang Hsing Land Development	274	297	564	673
Total	\$ <u>1,305</u>	<u>1,108</u>	<u>2,726</u>	<u>2,385</u>

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(v) Taipei Fubon Bank and its subsidiaries

1) Name and relationship with related party

<u>Name of related party</u>	<u>Relationship with the Company</u>
Fubon Financial Holding Co., Ltd. (Fubon Financial Holdings)	Parent Company
Fubon Securities Co., Ltd. (Fubon Securities)	Company controlled by Fubon Financial Holdings
Fubon Bank (Hong Kong) Limited (Fubon Bank (Hong Kong))	Company controlled by Fubon Financial Holdings
Fubon Life Insurance Co., Ltd. (Fubon Life Insurance)	Company controlled by Fubon Financial Holdings
Fubon Insurance Co., Ltd. (Fubon Insurance)	Company controlled by Fubon Financial Holdings
Fubon Futures Co., Ltd. (Fubon Futures)	Company controlled by Fubon Financial Holdings
Taipei City Government	A major shareholder of Fubon Financial Holdings
Chung Hsing Land Development Co., Ltd. (Chung Hsing Land Development)	A major shareholder of Fubon Financial Holdings
Taiwan High Speed Rail Co., Ltd. (Taiwan High Speed Rail)	Related parties in substance
Beijing Global Media Technology Co., Ltd. (Beijing Global)	Related parties in substance (related parties in substance from fourth quarter of 2020)
MediaTek (Shenzhen) Inc. (MediaTek (Shenzhen))	Related parties in substance (related parties in substance from second quarter of 2020)
MediaTek (Chengdu) Inc. (MediaTek (Chengdu))	Related parties in substance (related parties in substance from second quarter of 2020)
Mstar Semi (Shenzhen) Inc. (Mstar Semi)	Related parties in substance (related parties in substance from second quarter of 2020)
CTBC Bank Co., Ltd. (CTBC Bank)	Related parties in substance (related parties in substance from first quarter of 2021)
Alpha Networks Inc. (Alpha Networks)	Related parties in substance (related parties in substance from first quarter of 2021)
JihSun Securities	Related parties in substance (related parties in substance from first quarter of 2021)
JihSun Bank	Related parties in substance (related parties in substance from first quarter of 2021)
Yong Hsin Shing Ye Co., Ltd. (Yong Hsin Shing Ye)	Related parties in substance
Others	Directors, supervisors, managers and their relatives up to the second degree; affiliated and the related parties in substance

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- 2) Significant transactions with related parties
 a) Deposits and loans

Item	For the six months ended June 30, 2021		
	June 30, 2021 Ending balance	Interest rate/ service fee rate (%)	Interest revenue (expense)
Loans	\$ 21,916,730	0~14.71	45,078
Due to banks	\$ 560,050	0~5.40	734
Deposits	\$ 133,260,976	0~5.87	(106,926)

Units: In thousands of TWD

June 30, 2021							
Category	Amount or name of related party	Highest balance	Ending balance	Compliance Situation		Type of collateral	Differences in transaction terms between related and non related parties
				Normal	Overdue		
Consumer loans	90	\$ 52,621	41,263	✓	-	None	None
Residential mortgage loans	290	3,387,027	2,882,766	✓	-	Real estate	None
Others	Department of Rapid Transit systems, Taipei City Government	15,462,761	8,000,000	✓	-	Public treasury guarantees	None
	Department of Finance, Taipei City Government	6,000,000	6,000,000	✓	-	Clean credit	None
	Department of Urban Development, Taipei City Government	4,346,133	4,304,095	✓	-	Public treasury guarantees	None
	Beijing Global	86,894	86,894	✓	-	Certificate of deposit	None
	Yong Hsin Shing Ye	44,000	44,000	✓	-	Building and land for construction	None
	Alpha Networks	572,213	557,399	✓	-	Clean credit	None
	JihSun Securities	200,000	-	✓	-	Clean credit	None
	Other loans	483	313	✓	-	Credit Guarantee Fund	None
Total		\$ 30,152,132	21,916,730				

Item	December 31, 2020		
	Ending balance	Interest rate/ service fee rate (%)	Interest revenue (expense)
Loans	\$ 20,755,223	0~14.97	147,182
Due to banks	\$ 561,499	0~5.40	2,058
Deposits	\$ 156,304,387	0~5.87	(386,781)

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Units: In thousands of TWD

December 31, 2020							
Category	Amount or name of related party	Highest balance	Ending balance	Compliance Situation		Type of collateral	Differences in transaction terms between related and non related parties
				Normal	Overdue		
Consumer loans	74	\$ 75,332	33,702	✓	-	None	None
Residential mortgage loans	277	4,556,968	2,890,785	✓	-	Real estate	None
Others	Department of Rapid Transit systems, Taipei City Government	16,614,579	15,462,761	✓	-	Public treasury guarantees	None
	Department of Finance, Taipei City Government	1,000,000	-	✓	-	Clean credit	None
	Department of Urban Development, Taipei City Government	2,352,806	2,346,133	✓	-	Public treasury guarantees	None
	Taipei Municipal Secured Small Loans Service	17	-	✓	-	Public treasury guarantees	None
	Fubon Securities	27,120	-	✓	-	Construction, land and listed stocks	None
	Beijing Global	41,449	41,449	✓	-	Certificate of deposit	None
	Other loans	2,014	393	✓	-	Credit Guarantee Fund	None
Total		\$ 24,670,285	20,775,223				

For the six months ended June 30, 2020

Item	June 30, 2020 Ending balance	Interest rate/ service fee rate (%)	Interest revenue (expense)
Due to banks	\$ <u>395,936</u>	0~5.40	<u>979</u>
Deposits	\$ <u>106,521,746</u>	0~5.87	<u>(213,721)</u>
Call loans to banks	\$ <u>239,466</u>	0.79	<u>(263)</u>

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Units: In thousands of TWD

June 30, 2020							
Category	Amount or name of related party	Highest balance	Ending balance	Compliance Situation		Type of collateral	Differences in transaction terms between related and nonrelated parties
				Normal	Overdue		
Consumer loans	108	\$ 60,822	46,956	✓	-	None	None
Residential mortgage loans	351	4,215,644	3,379,289	✓	-	Real estate	None
Others	Department of Rapid Transit systems, Taipei City Government	16,614,579	9,462,761	✓	-	Public treasury guarantees	None
	Department of Urban Development, Taipei City Government	439,911	392,943	✓	-	Public treasury guarantees	None
	Taipei Municipal Secured Small Loans Service	17	-	✓	-	Public treasury guarantees	None
	Yong Hsin Shing Ye	44,000	44,000	✓	-	Building and land for construction (not including building) (there with a construction plan)	None
	Other loans	1,514	1,400	✓	-	Credit Guarantee Fund	None
Total		\$ 21,376,487	13,327,349				

In accordance with Article 32 and Article 33 of the Banking Law, except for the amount of consumer loans and loans to the government, no credit can be granted for unsecured credit; at the time, there should be full guarantees, and their conditions must not be better than other similar credit grantees.

b) Bond transactions were as follows:

Name of related party	Subject	Transaction types	For the six months ended June 30		
			2021	2020	
Fubon Life Insurance	Bonds	Bonds sold	\$ 1,215,313	204,003	
Taipei City Government	Bonds	Bonds purchased	900,000	-	
CTCB Bank	Bonds	Bonds purchased	3,158,247	-	
CTCB Bank	Bonds	Bonds sold	411,355	-	
Name of related party	Subject	Transaction types	June 30, 2021	December 31, 2020	June 30, 2020
Taiwan High Speed Rail	Bonds	Repurchase agreement	\$ -	2,103,000	5,938,000
Directors, supervisors, managers and their relatives up to the second degree; affiliated and the related parties in substance	Bonds	Repurchase agreement	2,230,205	2,276,503	2,455,342

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

c) Fund and stock transactions

<u>Name of Funds</u>	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Fubon REIT I Fund	\$ 1,027,281	1,059,582	961,526
Fubon REIT II Fund	139,146	31,619	27,018
Total	\$ 1,166,427	1,091,201	988,544

Fubon REIT II Fund increased by 6,800 thousand units. Taipei Fubon Bank and its subsidiaries used the closing price on June 28, 2021, as the purchase price, and used a huge matching transaction method through Fubon Securities purchasing the Fubon REIT II Fund by \$109,480 thousand.

d) Derivative financial instruments

Units: In thousands of TWD

June 30, 2021						
Name of Related party	Derivative instruments	Contract period	Contract (notional) amount	Gains (losses) on valuation	Balance Sheet	
					Account	Balance
Fubon Life Insurance	Foreign currency swap contracts	2021.04.27~ 2021.09.30	\$ 12,577,770	(37,554)	Valuation adjustment of financial liability measured at fair value through profit or loss	37,554
Fubon Life Insurance	Foreign currency swap contracts	2021.05.26~ 2021.08.31	5,848,920	3,270	Valuation adjustment of financial asset at fair value through profit or loss	3,270
JihSun Bank	Interest rate swap contracts	2018.08.31~ 2023.09.04	1,300,000	1,699	Valuation adjustment of financial liability at fair value through profit or loss	4,216
JihSun Bank	Interest rate swap contracts	2018.03.05~ 2024.04.25	1,478,700	(6,375)	Valuation adjustment of financial asset at fair value through profit or loss	21,306
CTBC Bank	Foreign currency swap contracts	2020.08.25~ 2022.04.18	2,048,226	13,104	Valuation adjustment of financial asset at fair value through profit or loss	16,160

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Units: In thousands of TWD

December 31, 2020						
Name of Related party	Derivative instruments	Contract period	Contract (notional) amount	Gains (losses) on valuation	Balance Sheet	
					Account	Balance
Fubon Life Insurance	Foreign currency swap contracts	2020.10.28~2021.02.26	\$ 10,376,535	(163,953)	Valuation adjustment of financial liability measured at fair value through profit or loss	163,953
Fubon Life Insurance	Foreign currency swap contracts	2020.12.14~2021.01.29	5,938,219	19,435	Valuation adjustment of financial asset measured at fair value through profit or loss	19,435

Units: In thousands of TWD

June 30, 2020						
Name of Related party	Derivative instruments	Contract period	Contract (notional) amount	Gains (losses) on valuation	Balance Sheet	
					Account	Balance
Fubon Life Insurance	Foreign currency swap contracts	2020.06.24~2020.09.30	\$ 2,663,820	3,971	Valuation adjustment of financial asset at fair value through profit or loss	3,971
Fubon Life Insurance	Foreign currency swap contracts	2020.05.26~2020.08.31	8,660,634	(61,378)	Valuation adjustment of financial liability at fair value through profit or loss	61,378

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

e) Lease

Lease agreement

<u>Name of related party</u>	Right-of-use asset		
	June 30, 2021	December 31, 2020	June 30, 2020
Fubon Life Insurance	\$ 219,661	219,661	219,661
Fubon Insurance	296,506	296,506	296,506
Taipei City Government	97,174	43,910	80,564
Chung Hsing Land Development	645,502	118,365	382,608
Fubon REIT II Fund	298,633	268,297	268,297
Others	131,994	147,897	109,060
	\$ 1,689,470	1,094,636	1,356,696

<u>Name of related party</u>	Lease liability		
	June 30, 2021	December 31, 2020	June 30, 2020
Fubon Life Insurance	\$ 133,753	152,014	169,659
Fubon Insurance	51,635	102,375	152,191
Taipei City Government	51,316	15,147	31,016
Chung Hsing Land Development	533,053	106,988	98,137
Fubon REIT II Fund	215,825	136,330	183,643
Others	44,585	66,981	53,697
	\$ 1,030,167	579,835	688,343

<u>Name of related party</u>	Value of Contract		
	June 30, 2021	December 31, 2020	June 30, 2020
Fubon Life Insurance	\$ 321,588	357,298	357,298
Fubon Insurance	312,131	312,131	312,131
Taipei City Government	101,780	45,830	102,559
Chung Hsing Land Development	680,654	125,417	593,120
Fubon REIT II Fund	303,886	294,291	294,291
Others	176,292	150,893	131,934
	\$ 1,896,331	1,285,860	1,791,333

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

<u>Name of related party</u>	Interest expense			
	For the three months ended		For the six months ended	
	June 30		June 30	
	2021	2020	2021	2020
Fubon Life Insurance	\$ 1,239	1,560	2,545	3,197
Fubon Insurance	532	1,419	1,281	3,056
Taipei City Government	469	281	964	590
Chung Hsing Land Development	4,932	984	10,257	2,385
Fubon REIT II Fund	1,621	1,322	2,676	2,105
Others	460	490	982	992
	<u>\$ 9,253</u>	<u>6,056</u>	<u>18,705</u>	<u>12,325</u>

The house rental expenses which are from the leasing contracts with related parties of Taipei Fubon Bank and its subsidiaries refer the quotation of nearby buildings or entrust Real Estate Appraisers Firms to analysis. The rental expenses are calculated with the number of pings rented by related parties monthly or quarterly.

f) Transaction of credit asset

<u>Name of related party</u>	<u>Transaction types</u>	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Fubon Bank (Hong Kong)	Sold	<u>\$ 361,460</u>	<u>1,459,155</u>	<u>888,150</u>

g) Others

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Receivables – Fubon Financial Holdings	\$ 111,249	111,249	177,152
Receivables – Fubon Life Insurance	165,241	157,107	463,513
Principal of structured products – MediaTek Software	380,543	-	209,600
Principal of structured products – MediaTek (Shenzhen)	340,850	130,892	-
Principal of structured products – Mstar Semi	437,366	401,402	-
Refundable deposits – Fubon Futures	163,426	111,769	128,424

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	For the three months ended		For the six months ended	
	June 30		June 30	
	2021	2020	2021	2020
Service fee income— Fubon Life Insurance	\$ 1,076,560	1,398,073	2,441,781	3,124,909
Service fee income— Others	290,726	115,416	541,979	229,115
Service expense—Others	656,530	152,256	1,257,891	268,759
Operating expenses — Others	82,175	126,244	195,201	192,362

Transactions between Taipei Fubon 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.

(vi) Fubon Bank (Hong Kong)

1) Name and relationship with related party

<u>Name of related party</u>	<u>Relationship with the Company</u>
Taipei Fubon Bank Co., Ltd. (Taipei Fubon Bank)	Company controlled by Fubon Financial Holdings
Fubon Life Insurance (Hong Kong) Limited (Fubon Life Insurance (Hong Kong))	Company controlled by Fubon Financial Holdings
Fubon Bank (China) Co., Ltd. (Fubon Bank (China))	Company controlled by Fubon Financial Holdings
Fubon Fund Management (Hong Kong) Limited (Fubon Fund Management (Hong Kong))	Related parties in substance
Xiamen Bank Co., Ltd. (Xiamen Bank)	Related parties in substance

2) Significant transactions with related parties

a) Deposits and remittances

<u>Name of related party</u>	Units: In thousands of HKD		
	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Taipei Fubon Bank	\$ <u>115,859</u>	<u>110,640</u>	<u>57,343</u>
Fubon Life Insurance (Hong Kong)	\$ <u>922,326</u>	<u>299,745</u>	<u>143,496</u>
Fubon Fund Management (Hong Kong)	\$ <u>45,460</u>	<u>25,689</u>	<u>11,594</u>

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

b) Deposits from the central bank and banks

		Units: In thousands of HKD	
		December 31,	
<u>Name of related party</u>	<u>June 30, 2021</u>	<u>2020</u>	<u>June 30, 2020</u>
Xiamen Bank	\$ <u>46,594</u>	<u>19,957</u>	<u>32,905</u>

c) Deposits in Taipei Fubon Bank

		Units: In thousands of HKD	
		December 31,	
<u>Name of related party</u>	<u>June 30, 2021</u>	<u>2020</u>	<u>June 30, 2020</u>
Taipei Fubon Bank	\$ <u>2,148</u>	<u>49,178</u>	<u>15,173</u>

d) Loans

		Units: In thousands of HKD	
		December 31,	
<u>Name of related party</u>	<u>June 30, 2021</u>	<u>2020</u>	<u>June 30, 2020</u>
Fubon Bank (China)	\$ <u>-</u>	<u>-</u>	<u>62,002</u>

e) Commission income

		Units: In thousands of HKD	
		For the six months ended June 30	
<u>Name of related party</u>		<u>2021</u>	<u>2020</u>
Fubon Life Insurance (Hong Kong)	\$	<u>36,212</u>	<u>6,149</u>

(vii) Fubon Financial Holding Venture Capital and its subsidiaries

1) Name and relationship with related party

<u>Name of related party</u>	<u>Relationship with the Company</u>
Taipei Fubon Bank Co., Ltd. (Taipei Fubon Bank)	Company controlled by Fubon Financial Holdings

2) Significant transactions with related parties

a) Bank deposits

		December 31,	
<u>Name of related party</u>	<u>June 30, 2021</u>	<u>2020</u>	<u>June 30, 2020</u>
Taipei Fubon Bank	\$ <u>391,478</u>	<u>1,313,504</u>	<u>637,820</u>

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(viii) Fubon Marketing and its subsidiaries

1) Name and relationship with related party

<u>Name of related party</u>	<u>Relationship with the Company</u>
Fubon Insurance Co., Ltd. (Fubon Insurance)	Company controlled by Fubon Financial Holdings
Fubon Life Insurance Co., Ltd. (Fubon Life Insurance)	Company controlled by Fubon Financial Holdings
Taipei Fubon Bank Co., Ltd. (Taipei Fubon Bank)	Company controlled by Fubon Financial Holdings

2) Significant transactions with related parties

a) Bank deposits

<u>Name of related party</u>	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Taipei Fubon Bank	\$ <u>100,790</u>	<u>129,427</u>	<u>270,603</u>

b) Operating revenue

Remuneration of commissions and project service fees due to the appointment of agents by related parties, to sell their products or provide consulting services, their related details are as follows:

<u>Name of related party</u>	<u>For the six months ended June 30</u>	
	<u>2021</u>	<u>2020</u>
Fubon Insurance	\$ 237,256	223,216
Fubon Life Insurance	114,278	118,080
Total	\$ <u>351,534</u>	<u>341,296</u>

(ix) Fubon Asset Management and its subsidiaries

1) Name and relationship with related party

<u>Name of related party</u>	<u>Relationship with the Company</u>
Taipei Fubon Bank Co., Ltd. (Taipei Fubon Bank)	Company controlled by Fubon Financial Holdings
Fubon Bank (Hong Kong) Limited. (Fubon Bank (Hong Kong))	Company controlled by Fubon Financial Holdings
Funds managed by Fubon Asset Management	Related parties in substance

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Significant transactions with related parties

a) Bank deposits

<u>Name of related party</u>	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Taipei Fubon Bank	\$ 41,503	32,859	133,387
Fubon Bank (Hong Kong)	173,485	105,178	56,375
Total	<u>\$ 214,988</u>	<u>138,037</u>	<u>189,762</u>

b) Financial Assets at Fair Value through profit or loss

<u>Name of related party</u>	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Funds managed by Fubon Asset Management	<u>\$ 746,309</u>	<u>776,420</u>	<u>687,313</u>

c) Operating revenue

<u>Name of related party</u>	<u>For the six months ended June 30</u>	
	<u>2021</u>	<u>2020</u>
Funds managed by Fubon Asset Management	<u>\$ 587,071</u>	<u>561,648</u>

d) The Company and its subsidiaries hold the funds issued by Fubon Asset Management which is traded outside the exchange market (excluding the index funds)

<u>Name of related party</u>	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Funds managed by Fubon Asset Management	<u>\$ 3,539,667</u>	<u>3,920,282</u>	<u>2,273,130</u>

e) Accounts receivable

<u>Name of related party</u>	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Funds managed by Fubon Asset Management	<u>\$ 106,517</u>	<u>97,164</u>	<u>158,714</u>

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(x) JihSun Financial Holding and its subsidiaries

1) Name and relationship with related party

<u>Name of related party</u>	<u>Relationship with the Company</u>
JihSun Securities Investment Trust Co., Ltd. (JihSun Securities Investment Trust)	Related parties in substance
CAPITAL TARGET LIMITED	Major shareholder holding more than 10% stock of JihSun Financial Holding (Note 1)
Fubon Financial Holding Co., Ltd (Fubon Financial Holdings)	Largest shareholder of JihSun Financial Holding
Taipei Fubon Bank Co., Ltd. (Taipei Fubon Bank)	Company controlled by Fubon Financial Holdings (Note 2)
Taipei Exchange (TPEX)	Related parties in substance (Note 2)
Taiwan Mobile Co., Ltd. (Taiwan Mobile)	Related parties in substance (Note 2)
Taiwan Futures Exchange Corporation (Taiwan Futures Exchange)	Related parties in substance (Note 2)
Taiwan Stock Exchange Corporation (Taiwan Stock Exchange)	Related parties in substance (Note 2)
Financial Information Service Co., Ltd. (Financial Information Service)	Related parties in substance (Note 2)
Far Eastern International Bank Co., Ltd. (Far Eastern Bank)	Related parties in substance (Note 2)
MediaTek Inc. (MediaTek)	Related parties in substance (Note 2)
Taipei City Government	A major stockholder of Fubon Financial Holdings (Note 2)
Others	Directors, supervisors and managers of JihSun Financial Holding and its subsidiaries

Note 1: This company does not have any trading and business activities.

Note 2: Related parties in substance from the first quarter of 2021.

2) Significant related party transactions

a) Bank deposits (accounted for cash and cash equivalents):

<u>Name of related party</u>	<u>June 30, 2021</u>	
	<u>Amount</u>	<u>Interest Rate Range%</u>
Far Eastern Bank	\$ <u>918,334</u>	0~0.4%

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

b) Deposits (accounted for deposits and remittances):

Name of related party	June 30, 2021	
	Amount	Interest Rate Range%
JihSun Securities Investment Trust	\$ 106,242	0~1.02%
TPEX	226,000	0~1.02%
Others	521,670	0~4.35%
Total	\$ 853,912	

The above interest rates on deposits are substantially the same as comparable transactions with non-related parties except for the preferential interest rates for employees' savings in JihSun Bank within ascertain amount.

c) Loans

June 30, 2021							
Category	Amount or name of related party	Highest balance	Ending balance	Compliance Situation		Type of collateral	Differences in transaction terms between related and non related parties
				Normal	Overdue		
Employee Consumer Loan	2	1,028	916	✓	-	None	None
House mortgages	67	492,797	463,851	✓	-	Real estate	None
Others	Other loans	377,884	367,088	✓	-	Real estate, Securities and Debt	None

As of June 30, 2021, there were no overdue loans from the related parties. Allowance for bad debts is estimated in accordance with the accounting policy of the JihSun Financial Holding's subsidiary, JihSun Bank. In relation to the related party credit policy, JihSun Bank follows the requirements under Articles 32, 33, 33-1, 33-2, 33-4, 33-5 of the Banking Act, and does not provide credit loans without collateral. For collateralized loans, the collaterals shall consists of full guarantees, and the terms (including interest rate, collateral and its related appraisal, guarantor requirement, loan term, repayment method of principal and interest, etc.) must not be superior to the other parties for similar types of loan. Financing provided to the same related party, which individually or cumulatively amounts to \$100,000 thousand or 1% of the Bank's net worth, whichever is lower, must be presented to the Board of Directors and Supervisors for deliberation. Moreover, the meeting must be attended by more than two thirds of the directors and approved by more than three fourths of the directors in attendance. The terms and conditions of loans to related parties are not superior to those given to non related parties.

d) The payables with related parties were as follows:

Name of related party	June 30, 2021
Payables	
CAPITAL TARGET LIMITED	\$ 254,607

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

e) Derivatives transactions with related parties were as follows:

June 30, 2021						
Name of related party	Derivative instruments	Contract period	Contract (notional) amount	Gains (losses) on valuation	Balance Sheet	
					Account	Balance
Taipei Fubon Bank	Interest rate swap contracts	2018.3.5~2023.3.7	USD 10,000	(13,811)	Financial liability measured at fair value through profit or loss	13,509
Taipei Fubon Bank	Interest rate swap contracts	2018.8.31~2023.9.4	TWD1,300,000	4,249	Financial asset at fair value through profit or loss	4,130
Taipei Fubon Bank	Interest rate swap contracts	2018.5.15~2024.3.25	TWD1,200,000	(7,952)	Financial liability measured at fair value through profit or loss	7,613
Far Eastern Bank	Interest rate swap contracts	2016.9.14~2021.9.16	USD 10,000	(1,717)	Financial liability measured at fair value through profit or loss	1,697
Far Eastern Bank	Interest rate swap contracts	2018.12.18~2022.12.20	TWD 300,000	1,252	Financial asset at fair value through profit or loss	1,252

f) Shares undertaken from related parties are as follows:

Name of related party	June 30, 2021
MediaTek	\$ <u>449,254</u>

g) Future Excess Margin of related parties (accounted for cash and cash equivalent)

Name of related party	June 30, 2021
Taiwan Futures Exchange	\$ <u>389,887</u>

h) Securities of related parties

Name of related party	June 30, 2021
Taipei City Government	\$ <u>300,000</u>

i) Equity instruments and debt instruments of related parties

i) Equity instruments

Name of related party	June 30, 2021
Fubon Financial Holdings	\$ 1,629,569
Taiwan Futures Exchange	1,899,141
Taiwan Stock Exchange	4,979,258
Financial Information Service	<u>263,685</u>
Total	\$ <u>8,771,653</u>

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

ii) Debt instruments

<u>Name of related party</u>	<u>June 30, 2021</u>
Fubon Financial Holdings	\$ 502,377
Taiwan Mobile	602,598
Taipei Fubon Bank	205,456
Taipei City Government	300,000
Total	<u>\$ 1,610,431</u>

j) Customer margin account of related parties

<u>Name of related party</u>	<u>June 30, 2021</u>
Taiwan Futures Exchange	<u>\$ 2,034,165</u>

k) Clearing and settlement fund of related parties

<u>Name of related party</u>	<u>June 30, 2021</u>
Taiwan Futures Exchange	\$ 116,104
Taiwan Stock Exchange	110,631
Total	<u>\$ 226,735</u>

l) Brokering handling fee and proprietary handling fee expense

<u>Name of related party</u>	<u>For the three months ended June 30 2021</u>
Taiwan Stock Exchange	<u>\$ 106,066</u>

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(8) Pledged assets

The fair value of assets provided by Company for being pledged as collateral is as follows:

<u>Pledged assets</u>	<u>Purpose of pledge</u>	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Demand deposits (accounted for refundable deposits)	Note 1	\$ 32,268	-	-
Demand deposits (accounted for other financial assets)	Performance bond	15,000	15,000	15,000
Checking accounts (accounted for other financial assets)	Note 1	74	79	74
Time deposits (accounted for other financial assets)	Bank loans	376,006	-	-
Time deposits (accounted for refundable deposits)	Guarantee deposits for Insurance business and performance bond	1,040,540	1,051,436	1,013,417
Time deposits (accounted for restricted assets)	Full fiduciary discretionary deposits and performance bond	-	-	15,021
Time deposits (accounted for refundable deposits)	Note 1	1,378,696	1,378,763	1,379,026
Time deposits (accounted for refundable deposits)	Guarantee deposits for Insurance business	14,532	14,736	15,337
Deposit reserves(accounted for Due from the Central Bank and Call Loans to Banks)	Collaterals for project finance	11,000,000	10,000,000	5,000,000
Negotiable Certificate of Deposit (accounted for debt investments measured at amortized cost)	Collaterals for day term overdraft as liquidity reserve, collaterals for call loans of foreign currency and USD clearing transaction warranty	19,996,779	19,995,487	19,995,258
Due from banks (accounted for other financial assets)	Note 1	2,829,756	2,471,225	2,394,248

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

<u>Pledged assets</u>	<u>Purpose of pledge</u>	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Stocks (accounted for financial assets measured at fair value through other comprehensive income)	Bank loans	\$ 4,139,335	-	-
Government bonds (accounted for financial assets measured at fair value through profit or loss)	Note 1	101,943	100,674	100,780
Government bonds (accounted for financial assets measured at fair value through profit or loss)	Pledged for securities trading guarantee	-	7,131	8,801,308
Government bonds (accounted for financial assets measured at fair value through other comprehensive income)	Note 1	330,074	-	779,346
Government bonds (accounted for debt investment measured at amortized cost)	Note 1	5,308,655	3,182,017	6,545,445
Government bonds (accounted for refundable deposits)	Guarantee deposits for Insurance business, performance bond and margin deposit for trust business	17,037,369	17,569,246	17,447,065
Corporate bonds (accounted for debt investment measured at amortized cost)	Pledged for repurchase agreement and overdrafts of collateral	22,135,933	22,050,091	20,179,647
Financial bonds (accounted for debt investment measured at amortized cost)	Pledged for repurchase agreement	950,735	3,476,015	5,082,940
Commercial paper (accounted for debt investment measured at amortized cost)	Pledged for repurchase agreement	-	313,398	467,714

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

<u>Pledged assets</u>	<u>Purpose of pledge</u>	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Investment property— land and buildings	Bank loans and collaterals	\$ 441,371	298,641	414,322
Property and equipment—land and buildings	Bank loans and collaterals	1,714,097	400,476	497,906
Total		<u>\$ 88,843,163</u>	<u>82,324,415</u>	<u>90,143,854</u>

Note 1: Those 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) superficies performance bond, (e) new construction guarantee deposit, (f) foreign governments for the Bank's potential obligations on its overseas operations, (g) transactions for bonds business, (h) collaterals for derivatives transactions, (i) overdrafts of collateral, (j) securities brokerage deposit, (k) collaterals required for capital scheduling and (l) claims litigation.

(9) Commitments and contingencies:

(a) Taipei Fubon Bank and its subsidiaries

- (i) Except for disclosed in other notes of consolidated financial statements, Taipei Fubon Bank and its subsidiary had commitments as follows:

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Undrawn credit card commitments	\$ 356,579,486	336,600,474	321,561,748
Collections for customers	28,713,307	27,237,789	23,686,652
Agency loans payable	9,905,758	10,069,141	10,257,514
Designated deposits	1,644,635	2,122,776	2,297,688
Designated loans	1,644,635	2,122,776	2,297,688
Designated financial management	30,417,678	29,854,564	27,753,220
Travelers' checks consigned-in	-	-	267,450
Marketable securities under custody	455,665,449	428,683,040	412,310,461
Management for book-entry government bonds	165,406,500	142,270,300	79,336,300

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(b) Fubon Life Insurance and its subsidiaries

(i) Fubon Life Insurance and its subsidiaries have contingent liability of lawsuits arising from operating activities. Other than cases which have already made provision, several lawsuits are still in process and appointed to lawyers. Fubon Life Insurance and its subsidiaries will recognize relevant losses when professional opinions and reasonable estimated loss are available.

(ii) Significant unrecognized commitment

The signed but unrecognized new construction contract and acquisitions amount of investment and owner-occupied properties of Fubon Life Insurance and its subsidiaries are as follows:

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
New construction	\$ 9,668,274	10,777,176	12,368,537
Purchase of investment property	76,669	-	-
Purchase of owner-occupied property	-	-	438,751
Total	<u>\$ 9,744,943</u>	<u>10,777,176</u>	<u>12,807,288</u>

(iii) The unfunded commitments (ceiling) of Fubon Life Insurance and its subsidiaries' private fund agreements were as below (in thousands):

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
USD	\$ 3,250,069	3,272,748	2,892,560
EUR	\$ 923,729	846,595	658,289
KRW	\$ 215,471,077	220,695,935	216,660,314
TWD	\$ 422,000	240,000	240,000

Note: The unfunded commitments do not include the commitments which have been traded but not settled.

(iv) Fubon Life Insurance and its subsidiaries signed a joint investment contract on March 31, 2020 to participate in the capital increase for cash of Star Shining Energy Corporation by installments for 3 years, with the total maximum investment amount of \$1,500 million. As of June 30, 2021, investments amounted to \$600 million were paid.

(v) Fubon Life Insurance and its subsidiaries signed a joint investment contract on March 23, 2021 to invest for Hsin Ting Yi Hao Energy Corporation in two installments, with the total maximum investment amount of \$300 million. On April 23, 2021, according to the contract, investments amounted to \$150 million were paid.

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(c) Fubon Insurance and its subsidiaries

- (i) Fubon Insurance and its subsidiaries have several insurance disputes and are requested to pay indemnities amounting to approximately \$490,548 thousand, of which approximately \$339,345 thousand has been reinsured. The difference not covered by reinsurance related to these claims has been accrued. These cases are still pending with the district court and have not been resolved as of June 30, 2021.
- (ii) The unfunded commitments (ceiling) of Fubon Insurance and its subsidiaries' private equity agreements were as below (in thousands):

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
USD	\$ <u>12,458</u>	<u>12,683</u>	<u>13,258</u>
EUR	\$ <u>13,776</u>	<u>14,506</u>	<u>13,519</u>

Note: The unfunded commitments do not include the commitments which have been traded but not settled.

(d) Fubon Securities and its subsidiaries

There were several disputes that former brokers have had with their clients due to securities brokerage transactions. Taiwan Supreme Court has remanded the case and rejected the appeal of Mr. Chou. Fubon Securities obtained the final judgment in its favor, and the case has been closed in September 2020. The balances of indemnificatory loss payable, resulting from the litigation with customers for stock business were as follows:

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Indemnificatory loss payable	\$ <u>-</u>	<u>-</u>	<u>11,526</u>

For the six months ended June 30, 2021 and 2020, Fubon Securities recognized indemnification loss of \$0 thousand in both periods.

(e) JihSun Financial Holding and its subsidiaries

- (i) An advisory company had informed and requested JihSun Financial Holding to pay for the consultancy fees in 2009. In accordance with JihSun Financial Holding internal evaluations and the opinions from the appointed lawyer, JihSun Financial Holding could use three reasons to defend its position. One reason was that the consultancy agreement did not complete the legal procedure within JihSun Financial Holding. Another was that the case of capital increase was not included in the range of the consultancy agreement. Therefore, JihSun Financial Holding considered it unnecessary to estimate and pay the requested amount.
- (ii) JihSun Financial Holding and its subsidiaries have contingent liability of lawsuits arising from operating activities. Other than cases which have already made provision, several lawsuits are still in process. JihSun Financial Holding and its subsidiaries will adjust the relevant losses according to the litigation status.

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Other significant commitments and contingencies of Sub-subsidiaries, JihSun Bank

	June 30, 2021
Acted as an agent for various collections	\$ 30,268
Handled several guarantees	2,579,562
Outstanding bank acceptance liabilities	17,374
Letters of credit	427,697
Acted as custodian of post-dated checks for its clients (excluding next day's checks for clearing)	8,392,296
Loans commitments (including revocable loan commitments)	71,874,471
Credit card commitments	18,564,821
Total	\$ 101,886,489

(iv) Other significant commitments and contingencies of Sub-subsidiaries, JihSun Securities

- 1) As of June 30, 2021, JihSun Securities had issued post-dated checks for future rental payments, which amounted to \$9,671 thousand.
- 2) As of June 30, 2021, in connection with securities financing activities, JihSun Securities held client-owned stocks which amounted to approximately 542,778,467 shares. JihSun Securities lent client-owned stocks which amounted to approximately 22,134,000 shares and had received refundable deposits in full from the clients for the lent securities.

(10) Losses Due to Major Disasters: None.

(11) Subsequent Events

- (a) On June 28, 2021, a subsidiary of Convoy Global Holdings Limited submitted a letter of intent to Fubon Asset Management for the acquisition of equity, proposing to acquire the 24.96% equity of Fubon Convoy Asset Management (Hong Kong) held by Fubon Asset Management. Fubon Asset Management has passed the aforementioned equity transfer proposal conditionally through a resolution of the Board of Directors on July 20, 2021, and reported to the competent authority for review on July 22, 2021, and signed an equity transfer agreement on August 5, 2021.
- (b) On July 15, 2021, the directors of Fubon Digital Music Asset Management approved the capital increase and issuance of new shares of Ample Fortune Capital Limited, and set July 29, 2021 as the capital increase base date. Fubon Digital Music Asset Management has received the capital increase from Ample Fortune Capital Limited base. Therefore, Fubon Private Equity's shareholding ratio in Fubon Digital Music Asset Management has been reduced from 100% to 51%.
- (c) On July 21, 2021, Fubon Macquarie Infrastructure Asset Management Co., Ltd. has filed the report with the court to complete the liquidation.
- (d) On August 19, 2021, the Board of Directors approved the dissolution and liquidation of the subsidiary Taiwan Sport Lottery.

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(12) Other

(a) Operation of Taiwan Sport Lottery

Taiwan Sport Lottery was established to operate a sport lottery business entrusted by Taipei Fubon Bank. Ministry of Finance assigned Taipei Fubon Bank to handle the issuance of sport lottery operations. In accordance with the provisions, the right of sport lottery operations was expired on December 31, 2013. Taiwan Sport Lottery (held by CTBC Bank) is the new issuer after January 1, 2014.

(b) The US stocks had plummeted on February 6, 2018, resulting in the equity of customer margin to be negative. The clients of Fubon Futures Co., Ltd. breached the contract due to their failure to fully pay the additional guarantee deposits within three working days after having been noticed. Therefore, Fubon Futures Co., Ltd. had to recognize the future exchanges margins receivable with the approximate amount of \$185 million. This matter had been reported to the Taiwan Futures Exchange. As of June 30, 2021, the unpaid amount was \$166,071 thousand. After considering the actual recovery situation, Fubon Futures Co., Ltd. had recognized the allowance for doubtful accounts amounting to \$158,033 thousand.

(c) Business or trading behaviors within subsidiaries:

(i) Business or trading behaviors:

Please refer to note 7 for related-party transactions.

(ii) Integrate business activities:

Subsidiaries operating in cross-selling, under the Company, included Taipei Fubon Bank Co. Ltd., Fubon Insurance Co. Ltd., Fubon Life Insurance Co. Ltd., Fubon Securities Co. Ltd., Fubon Futures Co. Ltd., Fubon Insurance Agency Co. Ltd. and Fu Sheng Insurance Agency Co. Ltd. The cooperation among the subsidiaries, from planning their products, advocating different channels to train their personnel on cross-selling, and increasing cooperation in digital service, makes their relationship much closer and brings multi-business benefits.

(iii) Cross utilization of information:

In accordance with Financial Holding Company Act, Marketing Collaboration Agreement for Financial Holdings Company and its subsidiaries, and the self-discipline standard for financial holding company and its subsidiaries, the Company and its subsidiaries which joined the cross-selling business signed the “Agreement of Privacy Exchange” to keep the customers’ data confidential or to limit the use of the data. In addition, they also announced the “Jointly Privacy Statement” and disclosed the statement in each subsidiary’s website and the Company’s website, as well as facilitate customers to online searching and browsing.

(iv) Locations and business utilities:

The Company has been approved to conduct integrate business activities in “operation place” by the authorities. Thus, the customers can directly handle their relevant businesses in banking, securities and futures operation places.

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (v) Allocation on revenues, costs, expenses, profits and losses:

Allocation of Revenue, Cost and Expense is calculated based on the proportion of actual sales among subsidiaries. As of the second quarter of 2021, the estimated amounts were as follows:

	For the six months ended	
	June 30	
	2021	2020
Fubon Insurance	\$ 1,285,933	995,900
Taipei Fubon Bank	30,151	42,986
Fubon Life Insurance	86,915	86,636
Fubon Securities	52,048	7,488

- (d) Capital adequacy ratios

Unit: In millions of TWD, %

June 30, 2021			
Item	Ownership interest	Eligible capital	Legal capital
The Company	100.00	842,157	966,600
Taipei Fubon Bank	100.00	234,013	166,559
Fubon Bank (Hong Kong)	100.00	45,084	29,451
Fubon Bank (China)	42.08	17,791	13,663
Fubon Securities	100.00	24,794	15,299
Fubon Insurance and Fubon Life Insurance	100.00	565,827	333,472
Fubon Asset Management	100.00	3,588	1,978
Fubon Financial Holding Venture Capital	53.80	8,004	4,039
Taiwan Sport Lottery	100.00	97	49
Others	100.00	2,624	1,617
Less: deductible items		(996,185)	(945,420)
Subtotal		747,794	587,307
Consolidated capital adequacy ratio (Note)			127.33

Note: The Company purchased 53.84% shares of JihSun Financial Holding through tender on March 30, 2021. JihSun Financial Holding became a subsidiary of the Company. The ultimate goal of the Company is to obtain 100% equity of JihSun Financial Holding and carry out subsequent mergers in accordance with relevant laws and regulations. The Company has been approved by the authority to apply the capital adequacy ratios in point 5 of the “Regulations Governing Financial Holding Company Act, Bank Investing in Financial Holding Company, Bank, Insurance Company, and Securities Firms” during the consolidation period, so that 20% of the investment amount can be used to calculate the legal capital requirements for JihSun Financial Holding. The Company’s proforma group capital adequacy ratio was 122.75% on June 30, 2021, which did not comply with the aforementioned capital adequacy ratio provision principle.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Unit: In millions of TWD, %

June 30, 2020			
Item	Ownership interest	Eligible capital	Legal capital
The Company	100.00	595,897	702,797
Taipei Fubon Bank	100.00	227,547	173,994
Fubon Bank (Hong Kong)	100.00	48,680	30,714
Fubon Bank (China)	49.00	17,785	14,100
Fubon Securities	100.00	27,243	12,378
Fubon Insurance and Fubon Life Insurance	100.00	346,122	246,042
Fubon Asset Management	100.00	3,419	1,889
Fubon Financial Holding Venture Capital	53.80	5,290	2,744
Taiwan Sport Lottery	100.00	97	49
Others	100.00	2,432	1,559
Less: deductible items		(728,582)	(688,935)
Subtotal		545,930	497,331
Consolidated capital adequacy ratio			109.77

(e) Eligible capital

Unit: In thousands of TWD

June 30, 2021	
Item	Amount
Common stock	112,349,134
Tier 1 Capital Instruments	12,666,600
Other preferred stock and subordinated bonds	-
Advanced Capital	-
Capital surplus	128,407,210
Legal reserve	76,665,185
Special reserve	29,125,366
Accumulated profit and loss	314,705,749
Equity adjustment	168,299,853
Less: Goodwill and other intangible assets	4,175
Less: Deferred assets	58,016
Less: Treasury stock	-
Consolidated eligible capital	842,156,906

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Unit: In thousands of TWD

June 30, 2020	
Item	Amount
Common stock	102,336,040
Tier 1 Capital Instruments	12,666,600
Other preferred stock and subordinated bonds	-
Advanced Capital	-
Capital surplus	137,060,375
Legal reserve	68,437,923
Special reserve	31,566,980
Accumulated profit and loss	223,298,499
Equity adjustment	20,560,040
Less: Goodwill and other intangible assets	3,504
Less: Deferred assets	25,888
Less: Treasury stock	-
Consolidated eligible capital	595,897,065

- (f) Please refer to the attachment for the aggregate lending, guarantee or other transactions taken place between all subsidiaries of a financial holding company and the same person, same relative party or the same affiliate.
- (g) Financial information classified by business type:

For the six months ended June 30, 2021

Units: In thousands of TWD

Item	Banking	Insurance	Securities	Others	Consolidation
Net interest revenue	20,402,306	47,069,626	556,976	948,795	68,977,703
Net non-interest revenue	7,483,331	179,140,849	8,094,195	5,502,412	200,220,787
Net revenue	27,885,637	226,210,475	8,651,171	6,451,207	269,198,490
Bad debt expenses and guarantee liability provisions	(2,164,240)	(33,435)	(14,737)	43,682	(2,168,730)
Net change in provisions for insurance liability	-	(132,469,961)	-	269,785	(132,200,176)
Operating expenses	(13,625,059)	(13,609,154)	(4,236,841)	(908,733)	(32,379,787)
Income from continuing operations before income tax	12,096,338	80,097,925	4,399,593	5,855,941	102,449,797
Income tax benefit (expense)	(1,528,731)	(9,153,632)	(581,293)	(1,978,320)	(13,241,976)
Net income	10,567,607	70,944,293	3,818,300	3,877,621	89,207,821

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the six months ended June 30, 2020

Units: In thousands of TWD

Item	Banking	Insurance	Securities	Others	Consolidation
Net interest revenue	18,228,885	49,755,143	402,336	(7,785)	68,378,579
Net non-interest revenue	10,501,792	160,828,226	4,598,315	452,661	176,380,994
Net revenue	28,730,677	210,583,369	5,000,651	444,876	244,759,573
Bad debt expenses and guarantee liability provisions	(2,734,568)	158,235	(705)	6,435	(2,570,603)
Net change in provisions for insurance liability	-	(166,409,020)	-	275,705	(166,133,315)
Operating expenses	(13,803,386)	(15,045,455)	(2,948,412)	1,081,047	(30,716,206)
Income from continuing operations before income tax	12,192,723	29,287,129	2,051,534	1,808,063	45,339,449
Income tax benefit (expense)	(1,591,876)	(3,179,130)	(279,116)	(2,825,331)	(7,875,453)
Net income	10,600,847	26,107,999	1,772,418	(1,017,268)	37,463,996

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(h) Financial statements of Fubon Financial Holding Co., Ltd.

FUBON FINANCIAL HOLDING CO., LTD.
Balance Sheets
June 30, 2021, December 31 and June 30, 2020
(Expressed in thousands of New Taiwan Dollars)

Assets	June 30, 2021		December 31, 2020		June 30, 2020		Liabilities and Equity	June 30, 2021		December 31, 2020		June 30, 2020	
	Amount	%	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%
Cash and cash equivalents	\$ 1,341,329	-	31,690,146	4	1,344,596	-	Commercial papers issued, net	\$ 15,795,283	2	39,738,209	4	18,144,729	3
Financial assets measured at fair value through profit or loss	20,788,630	2	20,711,671	2	20,376,630	3	Payables	34,658,442	3	796,835	-	24,254,109	3
Securities purchased under resell agreements	-	-	39,955	-	209,821	-	Current tax liabilities	18,525,034	2	16,217,397	2	12,080,995	2
Receivables, net	189,370	-	554,816	-	189,483	-	Bonds payable	85,500,000	8	85,500,000	9	52,450,000	7
Current tax assets	11,562,351	1	8,017,099	1	3,842,842	1	Lease liabilities	47,024	-	49,285	-	61,479	-
Investments accounted for using equity method, net	968,426,325	97	849,487,750	93	682,101,345	96	Deferred tax liabilities	6,044,585	1	5,507,869	1	5,294,783	1
Property and equipment, net	21,823	-	22,200	-	15,131	-	Other liabilities	18,230	-	15,478	-	11,376	-
Right-of-use assets, net	48,094	-	49,816	-	62,340	-	Total liabilities	160,588,598	16	147,825,073	16	112,297,471	16
Intangible assets, net	4,175	-	3,699	-	3,504	-	Equity:						
Deferred tax assets	3,876	-	2,904	-	3,673	-	Share capital:						
Other assets, net	97,964	-	113,926	-	74,563	-	Common stock	102,336,040	10	102,336,040	11	102,336,040	14
							Preferred stock	12,666,600	1	12,666,600	2	12,666,600	2
							Stock dividend to be distributed	10,233,604	1	-	-	-	-
							Total share capital	<u>125,236,244</u>	<u>12</u>	<u>115,002,640</u>	<u>13</u>	<u>115,002,640</u>	<u>16</u>
							Capital surplus	128,561,334	13	137,665,154	15	137,060,375	19
							Retained earnings:						
							Legal reserve	76,665,185	8	68,437,923	8	68,437,923	10
							Special reserve	29,125,366	3	31,566,980	3	31,566,980	4
							Undistributed earnings	<u>314,705,749</u>	<u>31</u>	<u>269,819,166</u>	<u>30</u>	<u>223,298,499</u>	<u>32</u>
							Total retained earnings	<u>420,496,300</u>	<u>42</u>	<u>369,824,069</u>	<u>41</u>	<u>323,303,402</u>	<u>46</u>
							Total other equity interest	168,299,853	17	140,377,046	15	20,560,040	3
							Treasury shares	(698,392)	-	-	-	-	-
							Total equity	<u>841,895,339</u>	<u>84</u>	<u>762,868,909</u>	<u>84</u>	<u>595,926,457</u>	<u>84</u>
Total assets	\$ 1,002,483,937	100	910,693,982	100	708,223,928	100	Total liabilities and equity	\$ 1,002,483,937	100	910,693,982	100	708,223,928	100

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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FUBON FINANCIAL HOLDING CO., LTD.
Statement of Comprehensive Income
For the three months and six months ended June 30, 2021 and 2020
(Expressed in thousands of New Taiwan Dollars, except earnings per share)

	For the three months ended June 30				For the six months ended June 30			
	2021		2020		2021		2020	
	Amount	%	Amount	%	Amount	%	Amount	%
Revenue :								
Share of profit of associates and joint ventures accounted for using equity method	\$ 38,841,038	99	17,801,875	101	89,028,990	99	40,623,258	99
Other revenues	220,009	1	(197,844)	(1)	1,138,611	1	245,901	1
Net revenue	<u>39,061,047</u>	<u>100</u>	<u>17,604,031</u>	<u>100</u>	<u>90,167,601</u>	<u>100</u>	<u>40,869,159</u>	<u>100</u>
Expense:								
Operating expenses	181,182	-	180,587	1	374,454	-	348,703	1
Other expenses and losses	241,718	1	214,735	1	496,189	1	458,114	1
Total expenses	<u>422,900</u>	<u>1</u>	<u>395,322</u>	<u>2</u>	<u>870,643</u>	<u>1</u>	<u>806,817</u>	<u>2</u>
Net income before tax from continuing operations	38,638,147	99	17,208,709	98	89,296,958	99	40,062,342	98
Income tax expenses	1,594,287	4	2,887,371	16	1,700,646	2	2,778,226	7
Net income	<u>37,043,860</u>	<u>95</u>	<u>14,321,338</u>	<u>82</u>	<u>87,596,312</u>	<u>97</u>	<u>37,284,116</u>	<u>91</u>
Other comprehensive income:								
Items not to be reclassified to profit or loss								
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method - items not to be reclassified to profit or loss	(5,321,451)	(14)	5,222,695	30	(76,952)	-	(5,634,412)	(14)
Less: income tax related to items not to be reclassified to profit or loss	-	-	-	-	-	-	-	-
Subtotal of items not to be reclassified to profit or loss	<u>(5,321,451)</u>	<u>(14)</u>	<u>5,222,695</u>	<u>30</u>	<u>(76,952)</u>	<u>-</u>	<u>(5,634,412)</u>	<u>(14)</u>
Items that may be subsequently reclassified to profit or loss								
Exchange differences on translation of foreign financial statements	(1,092,679)	(3)	(1,450,376)	(8)	(902,956)	(1)	(1,443,148)	(4)
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method - items that may be subsequently reclassified to profit or loss	27,370,441	70	97,880,167	556	25,220,647	28	(18,641,628)	(46)
Less: income tax related to items that may be reclassified subsequently to profit or loss	-	-	-	-	-	-	-	-
Subtotal of items that may be reclassified subsequently to profit or loss	<u>26,277,762</u>	<u>67</u>	<u>96,429,791</u>	<u>548</u>	<u>24,317,691</u>	<u>27</u>	<u>(20,084,776)</u>	<u>(50)</u>
Other comprehensive income, net of income tax	20,956,311	53	101,652,486	578	24,240,739	27	(25,719,188)	(64)
Total comprehensive income	<u>\$ 58,000,171</u>	<u>148</u>	<u>115,973,824</u>	<u>660</u>	<u>111,837,051</u>	<u>124</u>	<u>11,564,928</u>	<u>27</u>
Basic earnings per share (in New Taiwan Dollars)	<u>\$ 3.34</u>		<u>1.12</u>		<u>8.28</u>		<u>3.36</u>	

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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FUBON FINANCIAL HOLDING CO., LTD.
Statement of Changes in Equity
For the six months ended June 30, 2021 and 2020
(Expressed in thousands of New Taiwan Dollars)

	Share capital				Capital surplus	Retained earnings				Total other equity interest							Treasury shares	Total equity
	Common stock	Preferred stock	Stock dividend to be distributed	Total		Legal reserve	Special reserve	Undistributed earnings		Exchange differences on translation of foreign operations	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Gains (losses) on financial instruments for hedging	Revaluation gains	Other comprehensive income reclassified by applying overlay approach				
								Total	Total					Total	Total			
Balance at January 1, 2020	\$ 102,336,040	12,666,600	-	115,002,640	137,060,926	62,588,197	104,825,990	143,520,459	310,934,646	(16,601,357)	11,016,686	364,752	2,264,873	47,730,938	44,775,892	-	607,774,104	
Net income	-	-	-	-	-	-	-	37,284,116	37,284,116	-	-	-	-	-	-	-	37,284,116	
Other comprehensive income	-	-	-	-	-	-	-	(3,222)	(3,222)	(5,148,960)	14,430,584	553,419	30,764	(35,581,773)	(25,715,966)	-	(25,719,188)	
Total comprehensive income	-	-	-	-	-	-	-	37,280,894	37,280,894	(5,148,960)	14,430,584	553,419	30,764	(35,581,773)	(25,715,966)	-	11,564,928	
Appropriation and distribution of retained earnings:																		
Reversal of special reserve -- contra equity account	-	-	-	-	-	-	(72,455,455)	72,455,455	-	-	-	-	-	-	-	-	-	
Reversal of special reserve -- effects of fair value adjustments from investment property	-	-	-	-	-	-	(803,555)	803,555	-	-	-	-	-	-	-	-	-	
Legal reserve appropriated	-	-	-	-	-	5,849,726	-	(5,849,726)	-	-	-	-	-	-	-	-	-	
Cash dividends of common stock	-	-	-	-	-	-	-	(20,467,208)	(20,467,208)	-	-	-	-	-	-	-	(20,467,208)	
Cash dividends of preferred stock	-	-	-	-	-	-	-	(2,915,986)	(2,915,986)	-	-	-	-	-	-	-	(2,915,986)	
Changes in equity of associates and joint ventures accounted for using equity method	-	-	-	-	(551)	-	-	-	-	-	-	-	-	-	-	-	(551)	
Disposal of investments in equity instruments measured at fair value through other comprehensive income	-	-	-	-	-	-	-	(1,500,114)	(1,500,114)	-	1,500,114	-	-	-	1,500,114	-	-	
Changes in disposal of special reserves transferred from investments in equity instruments measured at fair value through other comprehensive income of participating policies from subsidiaries	-	-	-	-	-	-	-	(28,830)	(28,830)	-	-	-	-	-	-	-	(28,830)	
Balance at June 30, 2020	\$ 102,336,040	12,666,600	-	115,002,640	137,060,375	68,437,923	31,566,980	223,298,499	323,303,402	(21,750,317)	26,947,384	918,171	2,295,637	12,149,165	20,560,040	-	595,926,457	
Balance at January 1, 2021	\$ 102,336,040	12,666,600	-	115,002,640	137,665,154	68,437,923	31,566,980	269,819,166	369,824,069	(19,438,391)	41,670,881	756,242	2,424,000	114,964,314	140,377,046	-	762,868,909	
Net income	-	-	-	-	-	-	-	87,596,312	87,596,312	-	-	-	-	-	-	-	87,596,312	
Other comprehensive income	-	-	-	-	-	-	-	(5,248)	(5,248)	(3,371,320)	(28,433,754)	(268,023)	87,030	56,232,054	24,245,987	-	24,240,739	
Total comprehensive income	-	-	-	-	-	-	-	87,591,064	87,591,064	(3,371,320)	(28,433,754)	(268,023)	87,030	56,232,054	24,245,987	-	111,837,051	
Appropriation and distribution of retained earnings:																		
Reversal of special reserve -- effects of fair value adjustments from investment property	-	-	-	-	-	-	(2,441,614)	2,441,614	-	-	-	-	-	-	-	-	-	
Legal reserve appropriated	-	-	-	-	-	8,227,262	-	(8,227,262)	-	-	-	-	-	-	-	-	-	
Cash dividends of common stock	-	-	-	-	-	-	-	(30,700,812)	(30,700,812)	-	-	-	-	-	-	-	(30,700,812)	
Cash dividends of preferred stock	-	-	-	-	-	-	-	(2,915,986)	(2,915,986)	-	-	-	-	-	-	-	(2,915,986)	
Stock dividends from capital surplus	-	-	10,233,604	10,233,604	(10,233,604)	-	-	-	-	-	-	-	-	-	-	-	-	
Changes in equity of associates and joint ventures accounted for using equity method	-	-	-	-	5,611	-	-	-	-	-	-	-	-	-	-	-	5,611	
Acquisition of company's share by subsidiaries recognized as treasury share	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(719,498)	(719,498)	
Disposal of company's share by subsidiaries recognized as treasury share transactions	-	-	-	-	621	-	-	-	-	-	-	-	-	-	-	45,446	46,067	
Changes in ownership interests in subsidiaries	-	-	-	-	1,123,552	-	-	(10,997)	(10,997)	(319,745)	436,345	-	-	273,416	390,016	(24,340)	1,478,231	
Disposal of investments in equity instruments measured at fair value through other comprehensive income	-	-	-	-	-	-	-	(3,291,038)	(3,291,038)	-	3,291,038	-	-	-	3,291,038	-	-	
Other	-	-	-	-	-	-	-	-	-	-	(4,234)	-	-	-	(4,234)	-	(4,234)	
Balance at June 30, 2021	\$ 102,336,040	12,666,600	10,233,604	125,236,244	128,561,334	76,665,185	29,125,366	314,705,749	420,496,300	(23,129,456)	16,960,276	488,219	2,511,030	171,469,784	168,299,853	(698,392)	841,895,339	

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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FUBON FINANCIAL HOLDING CO., LTD.

Statement of Cash Flows

For the six months ended June 30, 2021 and 2020

(Expressed in thousands of New Taiwan Dollars)

	For the six months ended	
	June 30	
	2021	2020
Cash flows from (used in) operating activities:		
Income before income tax	\$ 89,296,958	40,062,342
Adjustments:		
Adjustments to reconcile profit (loss)		
Depreciation expenses	19,368	23,197
Amortization expenses	8,004	5,189
Net gain on financial assets or liabilities at fair value through profit or loss	(434,000)	(239,745)
Interest expense	484,964	449,556
Interest income	(12,330)	(531)
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	(89,028,990)	(40,623,258)
Other adjustments	(687,169)	-
Subtotal of adjustments to reconcile profit (loss)	(89,650,153)	(40,385,592)
Changes in operating assets and liabilities:		
Increase (decrease) in other assets	9,080	(1,065)
Decrease in payables	(133,725)	(106,299)
Increase in other liabilities	2,038	622
Subtotal of all adjustments	(89,772,760)	(40,492,334)
Cash used in operating activities	(475,802)	(429,992)
Interest received	734,816	720,454
Dividends received	23,161,197	12,363,365
Interest paid	(106,429)	(212,766)
Income tax refund (paid)	(2,402,517)	1,302,830
Net cash flows from operating activities	20,911,265	13,743,891
Cash flows from (used in) investing activities:		
Acquisition of investments accounted for using equity method	(27,336,678)	-
Acquisition of property and equipment	(3,580)	(2,699)
Acquisition of intangible assets	(779)	(310)
Net cash used in investing activities	(27,341,037)	(3,009)
Cash flows from (used in) financing activities:		
Increase in commercial papers issued	(23,942,926)	(6,267,181)
Repayments of bonds	-	(6,100,000)
Repayment of lease liabilities	(16,074)	(20,204)
Net cash used in financing activities	(23,959,000)	(12,387,385)
Net increase (decrease) in cash and cash equivalents	(30,388,772)	1,353,497
Cash and cash equivalents at beginning of period	31,730,101	200,920
Cash and cash equivalents at end of period	\$ 1,341,329	1,554,417
Components of cash and cash equivalents:		
Cash and cash equivalents recognized in balance sheet	\$ 1,341,329	1,344,596
Securities purchased under resell agreements qualifying for cash and cash equivalents under the definition of IAS 7	-	209,821
Cash and cash equivalents at end of period	\$ 1,341,329	1,554,417

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(i) Subsidiaries' concise balance sheets and concise statements of comprehensive income

(i) Concise Balance sheets

	Taipei Fubon Bank	
	June 30, 2021	June 30, 2020
Cash and cash equivalents	\$ 48,824,223	76,301,979
Due from the central bank and call loans to banks	222,390,556	256,911,996
Financial assets measured at fair value through profit or loss	72,915,412	113,806,236
Financial assets measured at fair value through other comprehensive income	105,866,675	101,123,189
Debt investments measured at amortized cost	719,743,993	618,869,739
Financial assets for hedging	1,764,904	2,521,900
Securities purchased under resell agreements	3,275,480	9,443,800
Receivables, net	78,238,039	79,594,015
Current income tax assets	355,925	236,027
Discounts and loans, net	1,514,551,315	1,379,501,030
Investments accounted for using equity method	34,140,735	26,178,802
Other financial assets, net	20,797,565	7,874,849
Property and equipment, net	11,623,507	12,805,090
Right-of-use assets, net	4,055,294	3,399,674
Investment property	3,212,700	2,509,700
Intangible assets, net	2,527,150	1,730,843
Deferred tax assets	707,543	673,141
Other assets	12,804,050	21,439,242
Total assets	\$ 2,857,795,066	2,714,921,252

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	Taipei Fubon Bank	
	June 30, 2021	June 30, 2020
Deposits to the central bank and banks	\$ 160,404,206	152,963,820
Due to the central bank and banks	6,119,150	593,920
Financial liabilities measured at fair value through profit or loss	18,599,460	20,450,634
Financial liabilities for hedging	7,221,318	11,152,063
Securities sold under repurchase agreements	99,496,174	126,645,674
Payables	37,821,310	29,804,021
Current tax liabilities	1,502,573	1,487,021
Deposits and remittances	2,193,157,896	2,038,468,074
Bonds payable	84,904,744	101,064,905
Other financial liabilities	8,402,626	10,791,392
Provisions	3,417,982	3,267,613
Lease liabilities	4,091,418	3,414,112
Deferred tax liabilities	1,400,476	1,400,716
Other liabilities	<u>15,209,215</u>	<u>11,261,627</u>
Total liabilities	<u>2,641,748,548</u>	<u>2,512,765,592</u>
Common stock	122,562,088	119,123,692
Capital surplus	18,241,384	14,801,152
Retained earnings	74,304,081	70,678,171
Other equity	<u>938,965</u>	<u>(2,447,355)</u>
Total equity	<u>216,046,518</u>	<u>202,155,660</u>
Total liabilities and equity	<u>\$ 2,857,795,066</u>	<u>2,714,921,252</u>

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	Fubon Insurance	
	June 30, 2021	June 30, 2020
Cash and cash equivalents	\$ 10,870,560	7,736,250
Receivables	7,595,329	7,178,007
Financial assets measured at fair value through profit or loss	34,971,752	25,435,157
Financial assets measured at amortized cost	1,381,199	1,450,655
Investments accounted for using equity method, net	1,168,702	1,052,767
Financial assets measured at fair value through other comprehensive income	23,259,055	24,457,682
Right-of-use assets	147,718	136,617
Investment property	10,664,552	10,689,378
Reinsurance contract assets	21,632,615	18,331,346
Property and equipment	4,543,833	4,259,872
Intangible assets	190,567	152,712
Deferred tax assets	901,785	1,012,178
Other assets	849,098	899,896
Total assets	\$ 118,176,765	102,792,517
Payables	\$ 12,910,068	11,520,207
Current tax liabilities	451,299	347,395
Financial liabilities measured at fair value through profit or loss	16,750	3,819
Insurance liabilities	58,367,043	51,042,904
Lease liabilities	145,404	133,796
Deferred tax liabilities	1,580,513	1,698,566
Other liabilities	2,316,864	1,654,190
Provisions	1,221,366	1,315,738
Total liabilities	77,009,307	67,716,615
Common stock	3,178,396	3,178,396
Capital surplus	6,242,476	5,934,408
Retained earnings	22,391,510	20,188,312
Other equity	9,355,076	5,774,786
Total equity	41,167,458	35,075,902
Total liabilities and equity	\$ 118,176,765	102,792,517

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	Fubon Life Insurance	
	June 30, 2021	June 30, 2020
Cash and cash equivalents	\$ 222,219,544	168,751,104
Receivables	43,313,797	60,602,834
Current tax assets	5,905,357	6,323,987
Financial assets measured at fair value through profit or loss	1,373,243,014	1,140,906,943
Financial assets measured at fair value through other comprehensive income	530,689,674	576,647,492
Financial assets for hedging	632,077	1,169,502
Financial assets measured at amortized cost	1,954,740,979	1,762,586,141
Investments accounted for using equity method, net	80,936,509	57,212,008
Other financial assets, net	999,200	4,021,014
Investment property	248,592,392	217,535,254
Loans	254,183,688	269,175,917
Reinsurance contract assets	2,812,413	2,361,773
Property and equipment	19,488,833	19,367,822
Right-of-use assets	2,585,881	2,371,991
Intangible assets	279,374	287,835
Deferred tax assets	27,323,498	24,261,862
Other assets	24,384,376	21,994,323
Assets on insurance product, separate account	245,411,944	187,375,477
Total assets	\$ 5,037,742,550	4,522,953,279

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	Fubon Life Insurance	
	June 30, 2021	June 30, 2020
Payables	\$ 61,698,706	42,589,450
Current tax liabilities	10,047,277	3,023,473
Financial liabilities measured at fair value through profit or loss	3,225,212	1,241,236
Bonds payable	55,000,000	55,000,000
Lease liabilities	15,526,741	16,439,460
Insurance liabilities	4,029,365,355	3,833,143,523
Reserve for insurance contract with nature of financial instrument futures	3,494,124	3,612,345
Foreign exchange valuation reserve	7,084,737	11,412,630
Provisions	8,394,144	8,078,124
Deferred tax liabilities	15,757,057	14,727,913
Other liabilities	6,579,100	7,865,465
Liabilities on insurance product, separate account	<u>245,411,944</u>	<u>187,375,477</u>
Total liabilities	<u>4,461,584,397</u>	<u>4,184,509,096</u>
Common stock	110,831,140	110,831,140
Capital surplus	30,971,288	29,572,216
Retained earnings	258,264,240	164,357,315
Other equity	<u>176,091,485</u>	<u>33,683,512</u>
Total equity	<u>576,158,153</u>	<u>338,444,183</u>
Total liabilities and equity	<u><u>\$ 5,037,742,550</u></u>	<u><u>4,522,953,279</u></u>

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	Fubon Securities	
	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Current assets	\$ 121,941,387	110,091,851
Financial assets measured at fair value through other comprehensive income — non-current	3,136,956	2,421,333
Investments accounted for using equity method	5,095,247	5,634,288
Property and equipment	1,679,437	1,672,770
Right-of-use assets	333,326	395,019
Investment property	1,033,685	1,054,419
Intangible assets	87,110	72,204
Deferred tax assets	442,252	368,378
Other non-current assets	<u>1,096,725</u>	<u>1,081,129</u>
Total assets	\$ <u>134,846,125</u>	<u>122,791,391</u>
Current liabilities	\$ 98,888,854	84,222,687
Provisions — non-current	987,105	1,029,700
Lease liabilities — non-current	180,884	234,602
Deferred tax liabilities	102,181	106,889
Other non-current liabilities	<u>3,289</u>	<u>4,302</u>
Total liabilities	<u>100,162,313</u>	<u>85,598,180</u>
Common stock	10,643,550	16,643,550
Capital surplus	1,737	-
Retained earnings	20,378,373	17,734,236
Other equity	<u>3,660,152</u>	<u>2,815,425</u>
Total equity	<u>34,683,812</u>	<u>37,193,211</u>
Total liabilities and equity	\$ <u>134,846,125</u>	<u>122,791,391</u>

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	Unit: In thousands of HKD	
	Fubon Bank (Hong Kong)	
	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Cash and cash equivalents	\$ 4,139,738	5,773,667
Due from the central bank and call loans to banks	3,706,485	3,076,045
Financial assets measured at fair value through profit or loss	1,846,717	3,309,846
Financial assets measured at fair value through other comprehensive income	811,873	1,055,707
Debt investments measured at amortized cost, net	39,981,531	40,968,121
Financial assets for hedging	179,166	9,695
Receivables, net	1,067,352	2,119,236
Discounts and loans, net	57,151,406	52,361,638
Current tax asset	44,055	169
Assets classified as held for sale	39,005	11,916
Investment property	13,500	-
Property and equipment	1,126,137	1,140,613
Right-of-use assets	43,555	58,774
Deferred tax assets	6	9
Other assets	680,478	573,220
Total assets	\$ <u>110,831,004</u>	<u>110,458,656</u>

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	Fubon Bank (Hong Kong)	
	June 30, 2021	June 30, 2020
Deposits from the central bank and banks	\$ 3,133,725	2,919,609
Financial liabilities measured at fair value through profit or loss	2,060,662	2,361,048
Financial liabilities for hedging	659,561	1,236,978
Securities sold under repurchase agreements	6,235,390	6,098,460
Payables	1,095,244	1,773,185
Current tax liabilities	9,673	68,753
Deposits and remittances	78,195,083	75,362,032
Bonds payable	6,351,080	7,663,242
Provisions	123,207	82,296
Lease liabilities	46,687	61,781
Deferred tax liabilities	97,341	145,046
Other liabilities	<u>415,823</u>	<u>405,790</u>
Total liabilities	<u>98,423,476</u>	<u>98,178,220</u>
Common stock	4,830,448	4,830,448
Capital surplus and legal reserve	77,984	77,346
Undistributed earnings	6,889,692	6,605,235
Other equity	<u>609,404</u>	<u>767,407</u>
Total equity	<u>12,407,528</u>	<u>12,280,436</u>
Total liabilities and equity	<u>\$ 110,831,004</u>	<u>110,458,656</u>

Note: The concise balance sheet of Fubon Bank (Hong Kong) as of June 30, 2021 and 2020, was presented fairly in accordance with the with the IFRSs endorsed by the FSC (note 4 (c)), which was not prepared in conformity with the Hong Kong Companies Ordinance.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	Fubon Asset Management	
	June 30, 2021	June 30, 2020 (Restatement) (Note)
Current assets	\$ 2,837,568	2,639,385
Financial assets measured at fair value through other comprehensive income – non-current	333,164	326,898
Investments accounted for using equity method	585,577	645,114
Property and equipment	23,115	14,247
Right-of-use assets	28,066	52,282
Intangible assets	207	97
Deferred tax assets	25,527	24,491
Other non-current assets	122,719	120,884
Total assets	\$ 3,955,943	3,823,398
Current liabilities	\$ 302,378	281,769
Provisions – non-current	59,959	52,112
Lease liabilities – non-current	5,592	24,094
Deferred tax liabilities	-	33
Total liabilities	367,929	358,008
Common stock	2,710,085	2,503,445
Capital surplus	541,072	541,072
Retained earnings	385,887	437,088
Other equity	(49,030)	(62,726)
Equity attributable to former owner of business combination under common control	-	46,511
Total equity	3,588,014	3,465,390
Total liabilities and equity	\$ 3,955,943	3,823,398

Note: Fubon Asset Management has acquired 100% equity of Fubon Fund Management (Hong Kong) from Fubon Securities BVI in July 2020. According to the (100) Letter No.390 explanation issued by the Accounting Research and Development Foundation, the transaction is the business combination under common control, and book value method shall be applied. Therefore, Fubon Asset Management has restated the comparative information of the prior period as the subsidiary was acquired from the beginning.

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	Fubon Marketing	
	June 30, 2021	June 30, 2020
Current assets	\$ 183,114	165,970
Investments accounted for using equity method	204,675	194,770
Right-of-use assets	972	1,527
Intangible assets	120	-
Other non-current assets	110	85
Total assets	\$ 388,991	362,352
Current liabilities	\$ 6,412	5,475
Provisions – non-current	12,599	13,688
Lease liabilities – non-current	380	337
Total liabilities	19,391	19,500
Common stock	145,000	145,000
Retained earnings	224,600	197,852
Total equity	369,600	342,852
Total liabilities and equity	\$ 388,991	362,352

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	Fubon Financial Holding Venture Capital	
	June 30, 2021	June 30, 2020
Current assets	\$ 9,390,158	5,402,372
Financial assets measured at fair value through profit or loss – non-current	4,173,776	3,691,932
Financial assets measured at fair value through other comprehensive income – non-current	1,283,293	940,422
Investments accounted for using equity method	153,460	156,545
Property and equipment	212	140
Right-of-use assets	3,875	6,421
Intangible assets	170	256
Deferred tax assets	7,278	3,674
Other non-current assets	1,301	1,012
Total assets	\$ 15,013,523	10,202,774
Current liabilities	\$ 75,871	267,831
Provisions – non-current	6,099	5,708
Lease liabilities – non-current	952	3,086
Deferred tax liabilities	53,680	92,871
Total liabilities	136,602	369,496
Common stock	6,815,000	5,640,000
Capital surplus	1,350,471	1,347,080
Retained earnings	6,447,735	2,930,567
Other equity	263,715	(84,369)
Total equity	14,876,921	9,833,278
Total liabilities and equity	\$ 15,013,523	10,202,774

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	Fubon AMC	
	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Current assets	\$ 239,320	200,593
Investments accounted for using equity method	-	-
Property and equipment	334	775
Right-of-use assets	18,932	4,021
Investment property	2,200,641	2,172,017
Intangible assets	1,615	1,890
Deferred tax assets	368,622	362,948
Other non-current assets	13,397	13,356
Total assets	<u>\$ 2,842,861</u>	<u>2,755,600</u>
Current liabilities	\$ 51,344	35,550
Long-term bank borrowings	400,000	510,000
Provisions – non-current	23,977	29,931
Lease liabilities – non-current	11,027	489
Deferred tax liabilities	97,939	88,491
Other non-current liabilities	4,266	2,111
Total liabilities	<u>588,553</u>	<u>666,572</u>
Common stock	2,500,000	2,500,000
Capital surplus	2,314	2,314
Retained earnings	(100,055)	(265,335)
Other equity	(147,951)	(147,951)
Total equity	<u>2,254,308</u>	<u>2,089,028</u>
Total liabilities and equity	<u>\$ 2,842,861</u>	<u>2,755,600</u>
	Taiwan Sport Lottery	
	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Current assets	\$ 97,523	97,499
Total assets	<u>\$ 97,523</u>	<u>97,499</u>
Current liabilities	\$ 59	40
Total liabilities	<u>59</u>	<u>40</u>
Common stock	97,292	97,292
Retained earnings	172	167
Total equity	<u>97,464</u>	<u>97,459</u>
Total liabilities and equity	<u>\$ 97,523</u>	<u>97,499</u>

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	Units: In thousands of CNY	
	Fubon Bank (China)	
	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Cash and cash equivalents	\$ 5,119,219	977,713
Due from the central bank and call loans to banks	8,928,067	9,489,768
Financial assets measured at fair value through profit or loss	2,585,227	645,504
Financial assets measured at fair value through other comprehensive income	22,850,451	27,113,976
Financial assets measured at amortized cost	21,480,334	20,433,403
Securities purchased under resell agreements	514,407	-
Receivables, net	3,782,807	6,494,479
Current tax assets	37,834	-
Discounts and loans, net	61,081,491	52,492,529
Other financial assets	773,972	780,578
Property and equipment, net	1,084,033	1,121,331
Right-of-use assets, net	136,445	107,772
Intangible assets, net	90,824	47,027
Deferred tax assets	168,520	155,604
Other assets, net	198,788	66,783
Total assets	\$ 128,832,419	119,926,467
Deposits from the central bank and banks	\$ 5,310,543	8,652,950
Financial liabilities measured at fair value through profit or loss	2,212,110	342,480
Securities sold under repurchase agreements	4,931,490	4,246,190
Payables	3,812,975	6,768,804
Current tax liabilities	-	23,039
Deposits and remittances	83,525,383	79,049,758
Bonds payable	4,997,896	3,997,134
Other financial liabilities	16,400,430	10,470,250
Provisions	11,985	17,557
Lease liabilities	139,314	111,556
Deferred tax liabilities	1,108	430
Other liabilities	6,787	46,772
Total liabilities	121,350,021	113,726,920
Common stock	2,445,382	2,100,000
Capital surplus	747,795	93,177
Retained earnings	4,411,508	4,053,334
Other equity	(122,287)	(46,964)
Total equity	7,482,398	6,199,547
Total liabilities and equity	\$ 128,832,419	119,926,467

Note: The concise balance sheet of Fubon Bank (China) as of June 30, 2021 and 2020, were presented fairly in accordance with the IFRSs endorsed by the FSC, which were not prepared in conformity with the local ordinance.

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	Fubon Hyundai Life Insurance	
	June 30, 2021	June 30, 2020
Cash and cash equivalents	\$ 8,540,331	16,697,426
Receivables	5,246,563	4,492,413
Current tax assets	-	100,492
Financial assets measured at fair value through profit or loss	50,165,996	25,518,829
Financial assets measured at fair value through other comprehensive income	58,591,130	49,448,890
Financial assets for hedging	796,264	595,458
Financial assets measured at amortized cost	93,429,809	79,684,975
Other financial assets, net	2,714,288	1,967,808
Investment property	1,982,307	1,923,141
Loans	48,732,974	42,830,277
Reinsurance contract assets	243,113	226,857
Property and equipment	243,253	263,075
Right-of-use assets	200,838	96,420
Intangible assets	658,322	252,506
Other assets	1,476,040	2,373,669
Assets on insurance product, separate account	<u>222,618,270</u>	<u>194,671,142</u>
Total assets	<u>\$ 495,639,498</u>	<u>421,143,378</u>

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	Fubon Hyundai Life Insurance	
	June 30, 2021	June 30, 2020
Payables	\$ 4,685,826	6,529,527
Current tax liabilities	175,656	-
Financial liabilities measured at fair value through profit or loss	22,229	4,615
Financial liabilities for hedging	868,509	443,372
Bonds payable	9,761,622	7,976,966
Lease liabilities	200,547	96,407
Insurance liabilities	214,844,887	185,076,057
Provisions	362,709	326,586
Deferred tax liabilities	560,100	955,463
Other liabilities	5,049,657	5,650,106
Liabilities on insurance product, separate account	<u>220,666,768</u>	<u>187,510,876</u>
Total liabilities	<u>457,198,510</u>	<u>394,569,975</u>
Common stock	32,450,943	21,120,996
Capital surplus	1,064,266	4,758,559
Retained earnings	4,079,155	(3,649,979)
Other equity	<u>846,624</u>	<u>4,343,827</u>
Total equity	<u>38,440,988</u>	<u>26,573,403</u>
Total liabilities and equity	<u>\$ 495,639,498</u>	<u>421,143,378</u>

Note: The concise balance sheet of Fubon Hyundai Life Insurance as of June 30, 2021 and 2020, were presented fairly in accordance with the IFRSs endorsed by the FSC, which were not prepared in conformity with the local ordinance.

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	JihSun Financial Holding <hr/> June 30, 2021
Cash and cash equivalents	\$ 695,211
Receivables, net	378,199
Current tax assets	70,877
Investments accounted for using equity method	54,441,993
Property and equipment, net	347
Right-of-use assets, net	8,093
Intangible assets, net	714
Other assets	9,048
Total assets	\$ 55,604,482
Commercial paper issued, net	\$ 2,429,571
Payables	799,144
Current tax liabilities	374,355
Provisions	1,487
Lease liabilities	8,125
Deferred tax liabilities	2,928
Other liabilities	1,171
Total liabilities	3,616,781
Common stock	37,724,523
Capital surplus	142,483
Retained earnings	6,757,977
Other equity	7,362,718
Total equity	51,987,701
Total liabilities and equity	\$ 55,604,482

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>JihSun Bank</u>
	<u>June 30, 2021</u>
Cash and cash equivalents	\$ 4,584,188
Due from the central bank and call loans to banks	33,052,143
Financial assets measured at fair value through profit or loss	98,017
Financial assets measured at fair value through other comprehensive income	34,425,199
Debt investments measured at amortized cost	33,543,105
Securities purchased under resell agreements	26,545
Receivables, net	1,850,111
Discounts and loans, net	164,453,509
Investments accounted for using equity method, net	40,678
Other financial assets, net	1,362,160
Property and equipment, net	3,322,733
Right-of-use assets, net	494,618
Investment property, net	391,550
Intangible assets, net	97,299
Other assets, net	<u>322,961</u>
Total assets	\$ <u>278,064,816</u>
Deposits to the central bank and banks	\$ 9,137,126
Due to the central bank and banks	102,950
Financial liabilities measured at fair value through profit or loss	204,273
Payables	1,075,590
Current tax liabilities	39,527
Deposits and remittances	239,623,896
Bonds payable	2,500,000
Other financial liabilities	1,393,260
Provisions	166,959
Lease liabilities	501,769
Deferred tax liabilities	43,351
Other liabilities	<u>93,345</u>
Total liabilities	<u>254,882,046</u>
Common stock	18,448,253
Retained earnings	4,223,307
Other equity	<u>511,210</u>
Total equity	<u>23,182,770</u>
Total liabilities and equity	\$ <u>278,064,816</u>

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	JihSun Securities <hr/> June 30, 2021
Current assets	\$ 82,108,959
Financial assets measured at fair value through profit or loss – non-current	-
Financial assets measured at fair value through other- comprehensive income – non-current	7,389,079
Investments accounted for using equity method	3,976,212
Property and equipment	1,610,375
Right-of-use assets	255,324
Investment property	95,997
Intangible assets	141,335
Deferred tax assets	30,597
Other non-current assets	<u>1,022,663</u>
Total assets	\$ <u>96,630,541</u>
Current liabilities	\$ 65,019,588
Lease liabilities	255,480
Deferred tax liabilities	34,774
Other non-current liabilities	<u>70,416</u>
Total liabilities	<u>65,380,258</u>
Common stock	11,572,127
Capital surplus	1,298,456
Retained earnings	11,573,031
Other equity	<u>6,806,669</u>
Total equity	<u>31,250,283</u>
Total liabilities and equity	\$ <u>96,630,541</u>

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Concise Statements of comprehensive income

	Taipei Fubon Bank	
	For the six months ended June 30	
	2021	2020
Interest revenue	\$ 17,282,363	21,370,598
Interest expense	(3,945,839)	(8,777,179)
Net interest revenue	13,336,524	12,593,419
Net non-interest revenues	8,517,017	10,030,141
Net revenue	21,853,541	22,623,560
Bad debt expenses and guarantee liability provisions	(1,415,264)	(1,279,869)
Operating expenses	(9,809,748)	(10,038,268)
Income before income tax	10,628,529	11,305,423
Less: income tax expense	1,241,189	1,453,259
Net income	9,387,340	9,852,164
Other comprehensive income (net of income tax)	1,361,791	(551,457)
Total comprehensive income	\$ 10,749,131	9,300,707
Earnings per share (In New Taiwan Dollars)	\$ 0.77	0.83
	Fubon Insurance	
	For the six months ended June 30	
	2021	2020
Operating Revenue	\$ 22,926,517	19,117,560
Operating cost	(13,933,504)	(12,246,637)
Operating expenses	(4,146,455)	(3,832,560)
Net operating income	4,846,558	3,038,363
Non-operating income and expense	(108,893)	(87,439)
Income before income tax	4,737,665	2,950,924
Less: income tax expense	446,627	344,509
Net income	4,291,038	2,606,415
Other comprehensive income (net of income tax)	956,229	(707,447)
Total comprehensive income	\$ 5,247,267	1,898,968
Basic earnings per share (In New Taiwan Dollars)	\$ 13.50	8.20

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	Fubon Life Insurance	
	For the six months ended June 30	
	2021	2020
Operating Revenue	\$ 353,605,060	348,998,786
Operating cost	(273,348,478)	(315,259,847)
Operating expenses	<u>(7,627,621)</u>	<u>(8,282,577)</u>
Operating income	72,628,961	25,456,362
Non-operating income and expense	<u>535,015</u>	<u>527,298</u>
Income before income tax	73,163,976	25,983,660
Less: income tax expense	<u>7,600,749</u>	<u>2,608,571</u>
Net income	<u>65,563,227</u>	<u>23,375,089</u>
Other comprehensive income (net of income tax)	<u>24,603,880</u>	<u>(22,417,969)</u>
Total comprehensive income	<u>\$ 90,167,107</u>	<u>957,120</u>
Basic earnings per share (In New Taiwan Dollars)	<u>\$ 5.92</u>	<u>2.11</u>
	Fubon Securities	
	For the six months ended June 30	
	2021	2020
Revenue	\$ 7,460,083	4,222,785
Expenses	<u>(4,193,430)</u>	<u>(3,091,122)</u>
Net operating income	3,266,653	1,131,663
Non-operating income and expense	<u>933,061</u>	<u>621,327</u>
Income before income tax	4,199,714	1,752,990
Less: income tax expense	<u>511,551</u>	<u>189,549</u>
Net income	<u>3,688,163</u>	<u>1,563,441</u>
Other comprehensive income (net of income tax)	<u>682,091</u>	<u>(7,196)</u>
Total comprehensive income	<u>\$ 4,370,254</u>	<u>1,556,245</u>
Basic earnings per share (In New Taiwan Dollars)	<u>\$ 3.47</u>	<u>0.94</u>

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	Unit: In thousands of HKD	
	Fubon Bank (Hong Kong)	
	For the six months ended June 30	
	2021	2020
Interest revenue	\$ 911,913	1,421,249
Interest expense	(274,250)	(812,842)
Net interest revenue	637,663	608,407
Net non-interest revenues	217,585	102,351
Net revenue	855,248	710,758
Bad debt expenses and guarantee liability provisions	(141,160)	(185,443)
Operating expenses	(448,015)	(458,446)
Income before income tax	266,073	66,869
Income tax expense	43,393	13,000
Net income	222,680	53,869
Other comprehensive income (net of income tax)	(408,557)	(14,440)
Total comprehensive income	\$ (185,877)	39,429

Note 1: The concise comprehensive income statements of Fubon Bank (Hong Kong) for the six months ended June 30, 2021 and 2020, were presented fairly in accordance with the with the IFRSs endorsed by the FSC (note 4 (3)), which were not prepared in conformity with the Hong Kong Companies Ordinance.

Note 2: Since Fubon Bank (Hong Kong) is a limited company, there is no information about earning per share.

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	Fubon Asset Management	
	For the six months ended June 30	
	2021	2020
		(Restatement)
		(Note)
Operating Revenue	\$ 655,522	642,652
Operating expenses	(406,688)	(362,187)
Operating income	248,834	280,465
Non-operating income and expense	(66,583)	(36,305)
Income before income tax	182,251	244,160
Less: income tax expense	51,737	61,380
Net income	130,514	182,780
Total comprehensive income	\$ 130,514	182,780
Net income attributable to:		
Owners of parent	\$ 130,514	209,060
Equity attributable to former owner of business combination under control	-	(26,279)
	\$ 130,514	182,781
Comprehensive income attributable to:		
Owners of parent	\$ 126,569	195,260
Equity attributable to former owner of business combination under control	-	(27,033)
	\$ 126,569	168,227
Basic earnings per share (In New Taiwan Dollars)	\$ 0.48	0.77

Note: Fubon Asset Management has acquired 100% equity of Fubon Fund Management (Hong Kong) from Fubon Securities BVI in July 2020. According to the (100) Letter No.390 explanation issued by the Accounting Research and Development Foundation, the transaction is the business combination under common control, and book value method shall be applied. Therefore, Fubon Asset Management has restated the comparative information of the prior period as the subsidiary was acquired from the beginning.

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	Fubon Marketing	
	For the six months ended June 30	
	2021	2020
Operating Revenue	\$ 498	706
Operating cost	(382)	(505)
Operating expenses	<u>(8,299)</u>	<u>(8,482)</u>
Operating loss	(8,183)	(8,281)
Non-operating income and expense	<u>98,240</u>	<u>90,075</u>
Income before income tax	90,057	81,794
Less: income tax expense	<u>-</u>	<u>-</u>
Net income	<u>90,057</u>	<u>81,794</u>
Other comprehensive income (net of income tax)	<u>-</u>	<u>-</u>
Total comprehensive income	<u>\$ 90,057</u>	<u>81,794</u>
Basic earnings per share (In New Taiwan Dollars)	<u>\$ 6.21</u>	<u>5.64</u>
	Fubon Financial Holding Venture	
	Capital	
	For the six months ended June 30	
	2021	2020
Operating Revenue	\$ 4,965,783	1,532,754
Operating expenses	<u>(50,739)</u>	<u>(28,269)</u>
Operating income	4,915,044	1,504,485
Non-operating income and expense	<u>(27,292)</u>	<u>(4,538)</u>
Income before income tax	4,887,752	1,499,947
Less: income tax expense	<u>45,112</u>	<u>(14,966)</u>
Net income	<u>4,842,640</u>	<u>1,514,913</u>
Other comprehensive income (net of income tax)	<u>(36,334)</u>	<u>(66,309)</u>
Total comprehensive income	<u>\$ 4,806,306</u>	<u>1,448,604</u>
Basic earnings per share (In New Taiwan Dollars)	<u>\$ 7.11</u>	<u>2.22</u>

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	Fubon AMC	
	For the six months ended June 30	
	2021	2020
Operating Revenue	\$ 138,429	119,873
Operating expenses	(44,568)	(53,334)
Operating income	93,861	66,539
Non-operating income and expense	26,821	16,546
Income before income tax	120,682	83,085
Less: income tax expense	26,786	17,058
Net income	93,896	66,027
Total comprehensive income	\$ 93,896	66,027
Basic earnings per share (In New Taiwan Dollars)	\$ 0.38	0.26
	Taiwan Sport Lottery	
	For the six months ended June 30	
	2021	2020
Operating Revenue	\$ -	-
Operating expenses	(45)	(45)
Operating loss	(45)	(45)
Non-operating income and expense	101	109
Income before income tax	56	64
Less: income tax expense	-	-
Net income	56	64
Other comprehensive income (net of income tax)	-	-
Total comprehensive income	\$ 56	64
Basic earnings per share (In New Taiwan Dollars)	\$ 0.01	0.01

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Units: In thousands of CNY

	Fubon Bank (China)	
	For the six months ended June 30	
	2021	2020
Interest revenue	\$ 2,376,041	2,147,992
Interest expense	(1,280,391)	(1,377,542)
Net interest revenue	1,095,650	770,450
Net non-interest revenues	(330,022)	150,112
Net revenue	765,628	920,562
Bad debt expenses and guarantee liability provisions	(54,974)	(173,110)
Operating expenses	(461,148)	(424,636)
Income before income tax	249,506	322,816
Less: income tax expense (benefit)	30,093	20,749
Net income	219,413	302,067
Other comprehensive income (net of income tax)	44,780	(120,965)
Total comprehensive income	\$ 264,193	181,102

Note: The concise statements of comprehensive income of Fubon Bank (China) for the six months ended June 30, 2021 and 2020, were presented fairly in accordance with the IFRSs endorsed by the FSC, which were not prepared in conformity with the local ordinance.

	Fubon Hyundai Life Insurance	
	For the six months ended June 30	
	2021	2020
Operating Revenue	\$ 48,803,687	34,076,373
Operating cost	(43,711,134)	(32,435,019)
Operating expenses	(1,075,621)	(979,022)
Net operating income	4,016,932	662,332
Non-operating income and expense	(1,136)	1,691
Income before income tax	4,015,796	664,023
Less: income tax expense	970,830	189,952
Net income	3,044,966	474,071
Other comprehensive income (net of income tax)	(4,215,491)	1,912,648
Total comprehensive income	\$ (1,170,525)	2,386,719

Note: The concise statements of comprehensive income of Fubon Hyundai Life Insurance for the six months ended June 30, 2021 and 2020, were presented fairly in accordance with the IFRSs endorsed by the FSC, which were not prepared in conformity with the local ordinance.

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	JihSun Financial Holding <hr/> For the six months ended June 30 <hr/> 2021
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	\$ 2,001,440
Other revenues	<u>30,595</u>
Subtotal of revenues	<u>2,032,035</u>
Operating expenses	(57,453)
Other expenses and losses	<u>(4,472)</u>
Income before income tax	1,970,110
Less: income tax expense (benefit)	<u>(3,379)</u>
Net Income	<u>1,973,489</u>
Other comprehensive income (net of income tax)	<u>1,651,075</u>
Total comprehensive income	<u>\$ 3,624,564</u>
Earnings per share (In New Taiwan Dollars)	<u>\$ 0.52</u>
	JihSun Bank <hr/> For the six months ended June 30 <hr/> 2021
Interest revenue	\$ 1,742,532
Less: Interest expense	<u>349,073</u>
Net interest revenue	1,393,459
Net non-interest revenues	<u>624,204</u>
Net revenue	<u>2,017,663</u>
Bad debt expenses and guarantee liability provisions(reversal gains)	40,935
Operating expenses	<u>(1,502,126)</u>
Income before income tax	556,472
Income tax expense	<u>(43,268)</u>
Net income	<u>513,204</u>
Other comprehensive income	<u>10,046</u>
Total comprehensive income	<u>\$ 523,250</u>
Earnings per share (In New Taiwan Dollars)	<u>\$ 0.28</u>

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>JihSun Securities</u> For the six months ended June 30 2021
Revenues	\$ 3,983,202
Service charge and commission expenses	(232,091)
Employee benefits expenses	(1,353,306)
Share of profit of associates and joint ventures accounted for using equity method	34,300
Operating expenses	(705,858)
Other gain and loss	<u>99,803</u>
Income before income tax	1,826,050
Income tax expense	<u>(337,870)</u>
Net income	<u>1,488,180</u>
Other comprehensive income	<u>1,641,029</u>
Total comprehensive income	<u>\$ 3,129,209</u>
Earnings per share (In New Taiwan Dollars)	<u>\$ 1.29</u>

(j) Profitability of the Company and bank, insurance and security subsidiaries
June 30, 2021

Unit: %												
Item	Consolidation	The Company	Taipei Fubon Bank	Fubon Bank (Hong Kong)	Fubon Bank (China)	Fubon Life Insurance	Fubon Insurance	Fubon Securities	JihSun Financial Holding	JihSun Securities	JihSun Bank	
Return on total assets	Before income tax	2.13 %	18.67 %	0.76 %	0.48 %	0.40 %	2.98 %	8.39 %	6.86 %	7.26 %	4.15 %	0.40 %
	After income tax	1.86 %	18.31 %	0.67 %	0.40 %	0.35 %	2.67 %	7.60 %	6.03 %	7.27 %	3.38 %	0.37 %
Return on equity	Before income tax	24.80 %	22.26 %	9.77 %	4.26 %	7.28 %	27.59 %	23.30 %	24.43 %	7.85 %	12.10 %	4.82 %
	After income tax	21.59 %	21.83 %	8.63 %	3.56 %	6.41 %	24.72 %	21.10 %	21.46 %	7.87 %	9.86 %	4.45 %
Profit margin		33.14 %	97.69 %	42.96 %	26.04 %	28.66 %	18.54 %	18.72 %	49.44 %	97.33 %	38.26 %	25.44 %

June 30, 2020

Unit: %									
Item	Consolidation	The Company	Taipei Fubon Bank	Fubon Bank (Hong Kong)	Fubon Bank (China)	Fubon Life Insurance	Fubon Insurance	Fubon Securities	
Return on total assets	Before income tax	1.04 %	11.34 %	0.85 %	0.12 %	0.58 %	1.17 %	5.82 %	2.88 %
	After income tax	0.86 %	10.55 %	0.74 %	0.10 %	0.54 %	1.05 %	5.14 %	2.57 %
Return on equity	Before income tax	14.77 %	13.31 %	11.26 %	1.09 %	10.57 %	15.38 %	16.53 %	9.39 %
	After income tax	12.20 %	12.39 %	9.81 %	0.88 %	9.89 %	13.83 %	14.60 %	8.37 %
Profit margin		15.31 %	92.26 %	43.55 %	7.58 %	32.81 %	6.70 %	13.63 %	37.02 %

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 net worth of equity.
Note 3: Profit margin = Income after income tax/Total operating revenues.
Note 4: Income before (after) income tax is the income for the years ended June 30, 2021 and 2020.
Note 5: The return on assets and return on equity are presented annualized ratios.

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(13) Other disclosures

(a) Information on significant transactions:

For the six months ended June 30, 2021, according to the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies, the related information on significant transactions by the Company and subsidiaries that should be further disclosed as follows:

(i) Loans to others:

Units: In thousands of TWD

Number (Note 1)	Name of lender	Name of borrower	Account name	Relate d party	Highest balance of financing to other parties during the period	Ending balance (Note 2)	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower (Note 3)	Transaction amount for business between two parties	Reasons for short- term financing	Allowance for bad debt	Collateral		Individual funding loan limits (Note 4)	Maximum limit of fund financing (Note 5)
													Item	Value		
1	Fubon Asset Management Service Co., Ltd.	Chang-Hao Construction Co., Ltd.	Accounts Payable - reimbursable expenditure	No	74,000	-	-	4%-6%	1	-	-	-	None	-	112,715	14,609,133

Note 1: Serial number is determined as follows:

- (1) 0 represents parent company.
- (2) Subsidiaries are numbered in a sequence of Arabic numerals from 1 based on company category.

Note 2: Those ending balances are effective credit/amount as of the reporting date.

Note 3: The natures of loans are determined as follows:

- (1) Please fill 1 if the category belongs to business relation.
- (2) Please fill 2 if the category belongs to short-term loan.

Note 4: The limit to the individual borrower: 5% of the creditor's net worth on June 30, 2021.

Note 5: The total limit of the loan: 7 times of the creditor's net worth, deducting capital infusion and real estate purchase on June 30, 2021.

(ii) Endorsement and guarantees for others: None

(iii) Marketable securities held as of June 30, 2021:

Units: In thousands of TWD / Thousands shares

Held company name	Held company name securities type and name	securities type and name with the securities issuer	Account	June 30, 2021				Remark
				No. of shares	Carrying amount	Shareholding ratio	Market price	
Fubon Futures Co., Ltd.	Fubon China Policy Bank Bond 0-1 ETF	Fund managed under a subsidiary company's manager of the Company	Financial assets measured at fair value through profit or loss	390	15,822	-	15,822	Beneficiary certificates
"	JKO Pion Money Market Fund	-	"	1,721	20,044	-	20,044	"
"	SinoPac STOXXUSA 500 ETF	-	"	500	13,870	-	13,870	"
"	Fubon Hang Seng China Enterprises INI	Fund managed under a subsidiary company's manager of the Company	"	500	5,455	-	5,455	"
"	Fubon Taiwan Sustainable Development High Dividend Fund A	"	"	1,877	26,577	-	26,577	"
"	Yuanta Global NexGen Communication Innovative Technology ETF	-	"	500	14,740	-	14,740	"
"	CTBC Financial Holding Co., Ltd. Preferred Shares B	-	"	16	1,016	-	1,016	Listed stock

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				No. of shares	Carrying amount	Shareholding ratio	Market price	
Fubon Futures Co., Ltd.	Cathay Financial Holding Co., Ltd. Preferred Stock A	-	Financial assets measured at fair value through profit or loss	3,264	204,653	0.41	204,653	Listed stock
"	Cathay Financial Holding Co., Ltd. Preferred Stock B	-	"	824	51,912	0.12	51,912	"
"	China Steel Corporation Preferred Stock A	-	Financial assets measured at fair value through other comprehensive income	17	877	0.04	877	"
"	Hon Hai Precision Industry Co., Ltd.	-	"	5	560	0.04	560	"
"	WPG Holdings Limited	-	"	50	2,555	2.98	2,555	"
"	Pegatron Corporation	-	"	62	4,266	2.33	4,266	"
"	Taiwan Futures Exchange Co., Ltd.	Related parties in substance	"	1,742	181,419	0.47	181,419	Unlisted stock
Fubon Marketing Co., Ltd.	Franklin Templeton SinoAm Asia Pacific Balanced Fund-B	-	Financial assets measured at fair value through profit or loss	464	4,761	-	4,761	Beneficiary certificates
"	Franklin Templeton SinoAm AI Hi-Tech Fund	-	"	467	5,113	-	5,113	"
"	Fubon China Multi-Asset Fund-A	Fund managed under a subsidiary company's manager of the Company	"	146	11,403	-	11,403	"
"	Fubon AI New Trends Multi-Asset Fund-A	"	"	442	7,373	-	7,373	"
"	Allianz Global Investors All Seasons Harvest Fund of Bond Funds B	-	"	1,176	10,072	-	10,072	"
"	Allianz Global Investors All Seasons Return Fund Of Bond Funds B	-	"	1,057	10,130	-	10,130	"
"	Allianz Global Investors Taiwan Fund A	-	"	134	9,309	-	9,309	"
"	Allianz Global Investors China Strategic Growth Fund	-	"	81	2,579	-	2,579	"
"	Fubon Taiwan Sustainable Development High Dividend Fund B	Fund managed under a subsidiary company's manager of the Company	"	500	7,075	-	7,075	"
"	Capital Global Abundant Income Fund Of Fund B	-	"	1,321	12,004	-	12,004	"
"	Capital Global Financial Bond Fund B	-	"	521	4,924	-	4,924	"
"	Capital Large Cap Growth Fund	-	"	49	3,086	-	3,086	"
"	Millerful R1	-	"	500	5,420	-	5,420	Beneficiary securities
"	Fubon R1	Related parties in substance	"	1,391	24,774	-	24,774	"
"	Fubon R2	Related parties in substance	"	1,380	22,204	-	22,204	"
"	Cathay R1	-	"	380	6,844	-	6,844	"
"	Cathay R2	-	"	950	19,000	-	19,000	"

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				No. of shares	Carrying amount	Shareholding ratio	Market price	
Fu Sheng Insurance Agency Co., Ltd.	96 Central Government Bond 7	-	Financial assets measured at amortized cost	-	2,297	-	2,297	Government Bond
"	Allianz Global Investors All Seasons Harvest Fund of Bond Funds-B	-	Financial assets measured at fair value through profit or loss	879	7,525	-	7,525	Beneficiary certificates
"	Allianz Global Investors All Seasons Return Fund Of Bond Funds-B	-	"	783	7,498	-	7,498	"
"	Allianz Global Investors Income and Growth Fund-B	-	"	457	5,059	-	5,059	"
"	Allianz Global Investors Taiwan Fund -A	-	"	34	2,378	-	2,378	"
"	Fubon AI New Trends Multi-Asset Fund-A	Fund managed under a subsidiary company's manager of the Company	"	293	4,897	-	4,897	"
Fubon Insurance Agency Co., Ltd.	96 Central Government Bond 7	-	Financial assets measured at amortized cost	-	2,297	-	2,297	Government Bond
"	Allianz Global Investors All Seasons Harvest Fund of Bond Funds-B	-	Financial assets measured at fair value through profit or loss	2,311	19,783	-	19,783	Beneficiary certificates
"	Allianz Global Investors Taiwan Intelligence Trends Fund	-	"	72	5,943	-	5,943	"
"	Allianz Global Investors Income and Growth Fund-B	-	"	1,845	20,426	-	20,426	"
"	Capital Chinese Golden Age Equity	-	"	229	7,255	-	7,255	"
"	Fubon AI New Trends Multi-Asset Fund-A	Fund managed under a subsidiary company's manager of the Company	"	260	4,337	-	4,337	"
"	Capital Aggressive Allocation Fund of Funds B	-	"	446	4,955	-	4,955	"
"	Capital Large Cap Growth Fund	-	"	102	6,438	-	6,438	"
"	Fubon R1	Related parties in substance	Financial assets measured at fair value through profit or loss	61	1,087	-	1,087	Beneficiary securities
"	Cathay R2	-	"	722	14,440	-	14,440	"
"	Millerful R1	-	"	1,249	13,539	-	13,539	"
Fubon Asset Management Co., Ltd.	Fubon Taiwan Technology ETF	Fund managed under Fubon Asset Management	"	1,016	126,976	-	126,976	Beneficiary certificates
"	Fubon MSCI Taiwan ETF	"	"	21	2,028	-	2,028	"
"	Fubon SSE180 ETF	"	"	239	9,162	-	9,162	"
"	Fubon FTSE TWSE Taiwan 50 ETF	"	"	11	912	-	912	"
"	Fubon SZSE 100 ETF	"	"	15	262	-	262	"
"	Fubon TOPIX ETF	"	"	9	237	-	237	"
"	Fubon NIFTY ETF	"	"	9	226	-	226	"
"	Fubon NASDAQ 100 ETF	"	"	8	397	-	397	"
"	Fubon FTSE Developed Europe ETF	"	"	10	231	-	231	"

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				No. of shares	Carrying amount	Shareholding ratio	Market price	
Fubon Asset Management Co., Ltd.	Fubon S&P US Preferred Stock ETF	Fund managed under Fubon Asset Management	Financial assets measured at fair value through profit or loss	6	95	-	95	Beneficiary certificates
"	Fubon China Policy Bank Bond ETF	"	"	7,337	144,837	-	144,837	"
"	Fubon Chi Hsiang Money Market	"	"	8,636	136,583	-	136,583	"
"	Eastspring Investments Well Pool Money Market Fund	-	"	6,664	91,471	-	91,471	"
"	Fubon China Growth Fund TWD	Fund managed under Fubon Asset Management	"	3,089	37,659	-	37,659	"
"	Fubon 1-3 Years US Treasury Bond ETF	"	"	2,500	93,175	-	93,175	"
"	Fubon Taiwan Sustainable Development High Dividend Fund A	"	"	2,491	35,279	-	35,279	"
"	Fubon China CSI 500 Index ETF	"	"	500	11,420	-	11,420	"
"	Fubon Dow Jones Taiwan High-Quality Dividend 30 ETF	"	"	1,250	26,938	-	26,938	"
"	Cathay FTSE Chinese Policy Bank Bond 5+ Years ETF	-	"	1,190	49,623	-	49,623	"
"	Fubon China Policy Bank Bond 0-1 ETF	Fund managed under Fubon Asset Management	"	175	7,100	-	7,100	"
"	Fubon India and Indonesia Sovereign Bond Fund A	"	"	961	9,533	-	9,533	"
"	Fubon 7-15 Years Europe USD Banking ETF	"	"	2,490	93,275	-	93,275	"
"	Fubon Taiwan Core Semi ETF	"	"	650	9,984	-	9,984	"
"	Yuanta Daily U.S. Treasury 20+ Year Bond Bear 1X ETF	-	"	1,000	13,700	-	13,700	"
"	103 Central Government Development Bond 13	-	Financial assets measured at fair value through other comprehensive income	-	313,692	-	313,692	Government Bond
Fubon Asset Management Co., Ltd.	Fund Rich Securities Co., Ltd.	Related party in substance	"	2,018	19,472	3.36	19,472	Unlisted stock
Fubon Investment Service Co., Ltd.	Fubon Chi-Hsiang Money Market	Fund managed under a subsidiary company's manager of the Company	Financial assets measured at fair value through profit or loss	2,400	37,958	-	37,958	Beneficiary certificates
Fubon Securities Venture Capital Co., Ltd.	Timing Pharmaceutical Co., Ltd.	-	"	1,300	23,348	1.51	23,348	Unlisted stock
"	EVA Technologies Co., Ltd.	-	"	818	47,689	2.68	47,689	"
"	APEX Flight Academy	-	"	1,313	-	3.71	-	"
"	PocketNet Technology Inc.	-	"	1,078	3,524	1.66	3,524	"
"	Amis Technology Co., Ltd.	-	"	48,750	86,023	22.06	86,023	"
"	Noodoe Inc.	-	"	450	75,944	5.99	75,944	"

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				No. of shares	Carrying amount	Shareholding ratio	Market price	
Fubon Securities Venture Capital Co., Ltd.	GNT Biotech & Medicals Corporation	-	Financial assets measured at fair value through profit or loss	700	18,711	3.10	18,711	Unlisted stock
"	Iscom Online International Information Inc.	-	"	700	11,312	3.59	11,312	"
"	Cheng Mei Instrument Technology Co., Ltd.	-	"	1,300	26,416	4.43	26,416	"
"	Huang Chieh Metal Holdings Co., Ltd.	-	"	495	17,508	0.91	17,508	"
"	Cinema Pro Limited	-	"	2,800	19,820	14.69	19,820	"
"	Mega Union Technology Incorporated	-	"	220	9,900	0.61	9,900	"
"	Leadpower-semi Co., Ltd.	-	"	400	11,200	3.95	11,200	"
"	3S System Technology Inc.	-	"	255	4,752	0.81	4,752	"
"	Taiwan Microloops Corp.	-	"	500	18,855	1.34	18,855	"
"	Artlux Corporation	-	"	392	2,635	0.67	2,635	"
"	Yuen Foong Yu Consumer Products Co., Ltd.	-	"	804	60,863	0.33	60,863	Emerging stock
"	Hyena Inc.	-	"	700	47,173	3.68	47,173	Unlisted stock
Fubon Mintou Venture Capital Co., Ltd.	Yuanta De-Li Money Market Fund	-	"	2,472	40,671	-	40,671	Beneficiary certificates
"	FSITC Taiwan Money Market	-	"	3,293	50,894	-	50,894	"
"	Mega Diamond Money Market Fund	-	"	4,018	50,887	-	50,887	"
"	Capital Money Market Fund	-	"	3,120	50,794	-	50,794	"
Fubon Financial Holding Venture Capital Co., Ltd.	Franklin Templeton Sinoam Money Market Fund.	-	"	7,981	83,343	-	83,343	"
"	Yuanta USD Money Market Fund USD	-	"	1,292	384,378	-	384,378	"
"	H&Q AP Greater China Growth Fund	-	"	-	-	4.00	-	Private fund
"	momo.com. Inc.	Related party in substance	"	3,219	6,067,815	2.30	6,067,815	Listed stock
"	Tanvex BioPharma, Inc.	-	"	6,064	351,106	1.94	351,106	"
"	Drewloong Precision Inc.	-	"	186	19,793	0.52	19,793	"
"	Media Asia Group Holdings Ltd.	-	"	9,919	58,742	0.34	58,742	Hong Kong listed stock
"	ConforMIS, Inc.	-	"	100	3,205	0.05	3,205	US listed stock
"	An Shin Food Service Co., Ltd.	-	"	97	6,486	0.30	6,486	TPEX listed stock
"	KD Holding Corporation	-	"	470	107,597	0.68	107,597	"
"	SynCore Biotechnology Co.	-	"	1,300	64,155	1.13	64,155	"
"	One Production Co., Ltd.	Related party in substance	"	1,148	32,654	10.58	32,654	Emerging stock
"	Long time tech. Co., Ltd.	Related party in substance	"	10,000	560,300	8.31	560,300	"
"	TwI Biotechnology Co., Ltd.	-	"	2,700	55,026	4.00	55,026	"
"	TaiRx, Inc.	Related parties in substance	"	2,760	78,246	3.09	78,246	"

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				No. of shares	Carrying amount	Shareholding ratio	Market price	
Fubon Financial Holding Venture Capital Co., Ltd.	Inergy Technology Inc.	-	Financial assets measured at fair value through profit or loss	1,600	125,856	3.94	125,856	Emerging stock
"	Artilux Corporation	-	"	2,784	18,708	4.76	18,708	Unlisted stock
"	TIPCO International Limited	-	"	1	2,514	4.54	2,514	"
"	Lonestar Heart Inc.	-	"	294	-	4.01	-	"
"	ABG Grail Limited	-	"	-	172,410	4.00	172,410	"
"	Aeolus Robotics	-	"	5,000	-	10.02	-	"
"	RenalPro Medical, Inc.	-	"	1,239	-	10.06	-	"
"	Triller Acquisition LLC	-	"	3,000	20,902	4.19	20,902	"
"	OmniEyes Co., Ltd.	Related party in substance	"	4,244	36,159	20.05	36,159	"
"	New Epoch Capital L.P	-	"	-	501,659	7.20	501,659	"
"	Leadpower-semi CO., LTD.	-	"	550	15,400	5.44	15,400	"
"	T-E Pharma Holding	-	"	3,750	41,921	1.27	41,921	"
"	Phalanx Biotech Group	-	"	29	408	0.12	408	"
"	Jeoutai Technology	Related party in substance	"	2,714	38,923	8.06	38,923	"
"	Century Development Corporation	Related party in substance	"	3,509	30,178	1.00	30,178	"
"	StemCyte Inc.	Related party in substance	"	14,075	82,379	10.46	82,379	"
"	UUPON Inc.	Related party in substance	"	1,162	8,583	17.50	8,583	"
"	DoDoPal Holdings Ltd.	-	"	42	-	6.78	-	"
"	Crystal Bright Development Limited, BVI	-	"	10	-	1.91	-	"
"	Asian Crown International Co., Ltd.	Related party in substance	"	824	-	6.94	-	"
"	Alliance Digital Tech Co., Ltd.	-	"	900	-	2.16	-	"
"	Airoha Technology Corp.	Related party in substance	"	497	210,558	0.54	210,558	"
"	DETKET Technology Inc.	Related party in substance	"	990	6,692	13.38	6,692	"
"	Eva Technologies Co., Ltd.	-	"	1,340	2,734	6.50	2,734	"
"	ABG II-WX Limited, BVI	-	"	-	1,588,255	9.30	1,588,255	"
"	Sunny Pharmtech Inc.	Related party in substance	"	13,622	175,583	10.52	175,583	"
"	A.T.Holding Ltd.	-	"	280	200,072	2.35	200,072	"
"	Alar Pharmaceuticals Inc.	-	"	4,977	252,483	8.73	252,483	"
"	TeTanTi Agricultural Biotechnology Co., Ltd.	Related party in substance	"	1,500	16,590	6.00	16,590	"
"	Beseye Cloud Security Co., Ltd.	Related party in substance	"	3,700	15,873	22.04	15,873	"
"	Annji Pharmaceutical Co., Ltd.	Related party in substance	"	52,100	114,620	11.80	114,620	"
"	Bigbest Solutions, Inc.	Related party in substance	"	8,000	57,440	11.43	57,440	"
"	HD Renewable Energy Co., Ltd.	-	"	2,941	69,471	5.88	69,471	"
"	Ever Victory Global Ltd.	-	"	5,000	192,303	0.81	192,303	"

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				No. of shares	Carrying amount	Shareholding ratio	Market price	
Fubon Financial Holding Venture Capital Co., Ltd.	Taiwan Microloops Corp.	-	Financial assets measured at fair value through profit or loss	1,000	37,710	2.67	37,710	Unlisted stock
"	ACP Barite Investment L.P.	-	"	-	382,080	7.50	382,080	"
"	VisEra Technologies Company Limited	-	"	580	275,430	0.20	275,430	Emerging stock
"	Grand Academy Investment, L.P.	-	"	-	101,766	4.17	101,766	Private Fund
"	Starview Heights Investment, L.P.	-	"	-	31,885	4.17	31,885	"
"	Omniad Media Incorporation	-	Financial assets measured at fair value through other comprehensive income	7,675	-	10.21	-	Unlisted stock
"	Yuan tai Foreign	-	"	240	25,495	2.00	25,495	"
"	P. LEAGUE+	Related party in substance	"	500	2,020	10.00	2,020	"
"	Kbro Media Co., Ltd.	Related party in substance	"	7,638	136,260	11.66	136,260	"
"	Diamond Bioventure	Related party in substance	"	22,500	456,750	5.00	456,750	"
"	Cofit Healthcare Inc.	Related party in substance	"	275	25	10.20	25	"
"	Dragon Tiger Capital Partners Ltd. B class	-	"	1	-	7.00	-	"
"	Dragon Tiger Capital Partners Ltd. C class	-	"	-	-	35.00	-	"
"	Xin-Yao Bioventure Co., Ltd.	Related party in substance	"	17,500	210,000	5.00	210,000	"
"	Fubon Hospitality Management Co., Ltd.	Related party in substance	"	5,000	9,850	17.86	9,850	"
"	Star River Energy Corporation	Related party in substance	"	1,760	20,434	1.49	20,434	"
"	Star Shining Energy Corporation	Related party in substance	"	35,000	362,950	7.00	362,950	"
"	Wholox Max Green Power Co., Ltd.	Related party in substance	"	1,090	23,871	1.00	23,871	"
"	Taiwania Capital Management Corporation	-	"	20,720	35,638	8.29	35,638	"
Fubon Sports & Entertainment Co., Ltd.	CHOXUE Holdings	-	"	298	-	1.66	-	"
TFB Capital Co., Ltd.	Hyena Inc.	-	Financial assets measured at fair value through profit or loss	500	33,695	2.63	33,695	"
JihSun Futures Co., Ltd.	Taiwan Futures Exchange Corporation	Related party in substance	Financial assets measured at fair value through other comprehensive income	6,278	35,019	1.70	647,733	"
"	Yuanta GreTai 50 ETF Feeder Fund	-	Financial assets measured at fair value through profit or loss	1,000	10,000	18.83	18,130	Beneficiary certificates
"	Yuanta Global NexGen Communication Innovative Technology ETF	-	"	500	12,739	0.19	14,740	"

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				No. of shares	Carrying amount	Shareholding ratio	Market price	
JihSun Venture Capital Co., Ltd.	Basecom Telecommunication Co., Ltd.	-	Financial assets measured at fair value through profit or loss	600	33,000	3.23	18,114	Unlisted stock
JS CRESVALE Securities International Limited	Hong Kong and China Gas 2023 RMB Bond	-	"	-	8,513	-	8,639	Bond
"	Hong Kong government 2024 HKD Inflation-linked Bond	-	"	-	29,571	-	29,715	"
"	Yuexiu Property 2023 USD Bond	-	"	-	11,607	-	11,608	"
"	Industrial and Commercial Bank of China 2022 USD Floating Rate Bond	-	"	-	13,987	-	13,990	"
"	Lenovo Group 2022 USD Bond	-	"	-	11,217	-	11,350	"
"	Sunac China Holdings 19APR2023 USD Bond	-	"	-	11,267	-	11,556	"
"	Road King Infrastructure 2023 USD Bond	-	"	-	17,477	-	17,386	"
"	Tencent Holdings 2024 Floating Rate USD Bond	-	"	-	11,131	-	11,204	"
"	Powerlong Real Estate Holdings 2023 USD Bond	-	"	-	17,308	-	17,282	"
"	Country Garden Holdings 2022 USD Bond	-	"	-	17,347	-	17,221	"
"	Sunac China Holdings 09JUL2023 USD Bond	-	"	-	11,148	-	11,361	"
"	Country Garden Services Holdings 2022 HKD Convertible Bond	-	"	-	7,221	-	7,313	Convertible bond
"	Link Real Estate Investment Trust 2024 HKD Convertible Bond	-	"	-	56,560	-	58,311	"
"	Luye Pharma Group 2024 USD Convertible Bond	-	"	-	11,200	-	11,584	"
"	China Overseas Holdings 2023 USD Convertible Bond	-	"	-	62,532	-	64,951	"
"	China Yangtze Power 2021 USD Convertible Bond	-	"	-	11,326	-	11,264	"
"	Microport Scientific 2026 USD Convertible Bond	-	"	-	16,643	-	17,175	"
"	Sun Hung Kai Properties Ltd.	-	Financial assets measured at fair value through other comprehensive income	5	1,915	-	2,075	Hong Kong listed stock
"	Guangdong Investment Ltd.	-	"	26	1,294	-	1,041	"

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Held company name	Held company name securities type and name	securities type and name with the securities issuer	Account	June 30, 2021				Remark
				No. of shares	Carrying amount	Shareholding ratio	Market price	
JS CRESVALE Securities International Limited	Beijing Enterprises Water Group Ltd	-	Financial assets measured at fair value through other comprehensive income	140	1,645	-	1,476	Hong Kong listed stock
"	China Overseas Land & Investment Ltd.	-	"	29	1,921	-	1,835	"
"	China Mobile Ltd.	-	"	11	1,803	-	1,916	"
"	HKBN Ltd.	-	"	47	1,956	-	1,585	"
"	Fortune Real Estate Investment Trust	-	Financial assets measured at fair value through profit or loss	72	1,851	-	2,149	Beneficiary securities

- (iv) Cumulative purchase or sales of the same investee's capital stock up to \$300,000 thousand or 10% of paid-in capital:

Units: In Thousands of TWD / Thousands shares

Purchase or sale company	Marketable securities type and name	Account	Counter-party	Relation-ship	January 1, 2021		Purchase		Sale				June 30, 2021		
					No. of shares	Amounts	No. of shares	Accounts	No. of shares	Sales price	Book value	Disposal gain or loss	No. of shares	Accounts	
Fubon Financial Holding	JihSun Financial Holding	Investment accounted for using equity method, net	Public tender offer	Subsidiary	-	-	2,103,456	28,385,189 (Note 1)	-	-	-	-	-	2,103,456	28,385,189
Fubon Life Insurance	Fubon Hyundai Life Insurance	Investments accounted for using equity method, net	Fubon Hyundai Life Insurance	Subsidiary	83,736	19,726,811	91,598	10,946,710 (Note 2)	-	-	-	-	-	175,334	30,673,521
Taipei Fubon Bank	Fubon Bank (China)	Investments accounted for using equity method, net	Fubon Bank (China)	-	-	21,340,401	-	5,438,124 (Note 2)	-	-	-	-	-	-	26,778,525

Note 1: Included the initial costs of JihSun Financial Holding invested by Fubon Financial Holding amounting to \$27,336,678 thousand and the remainders are shares of profit or other comprehensive income accounting for using equity method or capital surplus or the subsidiary's purchase of shares of the parent company as treasury stock and gain recognized in bargain purchase transaction.

Note 2: Included the initial costs of Fubon Hyundai Life Insurance invested by Fubon Life Insurance amounting to \$11,321,513 thousand, and the initial costs of Fubon Bank (China) invested by Fubon Life Insurance amounting to \$4,321,280 thousand. The remainders are shares of profit or other comprehensive income accounting for using the equity method and capital surplus.

- (v) Acquisition or disposal amount of the same securities up to \$300,000 thousand or 10% of paid-in capital:

Units: In Thousands of TWD / Thousands shares

Purchase of sales company	Marketable securities type and name	Account	Counter-party	Relation-ship	January 1, 2021		Purchase		Sales				June 30, 2021	
					No. of shares	Amounts	No. of shares	Amounts	No. of shares	Sales price	Book value	Deposit gain or loss	No. of shares	Amounts
Fubon Financial Holding Venture	ABG II-WX Limited, BVI	Financial assets measured at fair value through profit or loss	ABG II-WX Limited.	-	-	1,369,014	-	-	-	424,027	219,241 (Note)	384,801	-	1,588,255

Note: Including the initial costs of ABG II-WX Limited, sold by Fubon Financial Holding Venture Capital amounting to \$39,226 thousand, with the remainder being recognized as valuation adjustments measured at fair value.

- (vi) Obtain of real estate up to \$300,000 thousand or 10% of paid-in capital: None
- (vii) Disposal of real estate up to \$300,000 thousand or 10% of paid-in capital: None
- (viii) Discount of commission fees for transaction with related parties up to \$5,000 thousand: None

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ix) Receivables from related parties up to \$300,000 thousand or 10% of paid-in capital:

Unit: In thousands of TWD

Company of accounted for receivable	Counter-party	Relation-ship	Balance of receivables from related party	Turnover rate	Post-due receivables – related parties		Subsequently received amount of receivables from related party	Allowance for doubtful accounts
					Amount	Resolution		
The Company	Taipei Fubon Bank	Subsidiary of the Company	1,016,643 (Note 1)	-	-	-	-	-
"	Fubon Life Insurance	"	9,231,365 (Note 1)	-	-	-	-	-
"	Fubon Insurance	"	468,644 (Note 1)	-	-	-	-	-
"	Fubon Securities	"	590,089 (Note 1)	-	-	-	-	-
Fubon Life Insurance	Fubon Financial Holding	Parent Company	5,216,203 (Note 2)	-	-	-	-	-
"	Fubon Insurance	Subsidiary of the Parent	499,539	-	-	-	-	-
JihSun Financial Holding	JihSun Securities	Subsidiary Company	338,631 (Note 1)	-	-	-	-	-
JihSun Bank	JihSun Financial Holding	Parent Company	490,994 (Note 3)	-	-	-	-	-

Note 1: The tax receivable by tax link mainly of subsidiary of company estimated payment that Company or JihSun Financial Holding should be paid.

Note 2: The tax receivables to the subsidiaries, which derived from tax receivable of the Company as a result of combined income tax declaration starting from 2002.

Note 3: Among them, there is \$451,467 thousand of the tax receivables to the subsidiaries, which derived from tax receivable of JihSun Financial Holding as a result of combined income tax declaration.

Note 4: The inter-company transactions have been eliminated.

(x) Transactions of financial derivatives: for future information please refer to notes 6(c), 6(f) and 6(ai).

(xi) Transaction information of NPL disposition:

1) Summary of transaction information of NPL disposition:

Unit: In Thousands of TWD

Trade date	Counterparty	Debt component	Book value (Note)	Sale price	Gains (Losses) on disposal	Additional term	Relationship
2021.03.30	Korea Asset Management Corporation	Mortgage loan	76,609 KRW 3,104,345	79,691 KRW 3,229,218	3,131 KRW 124,873	None	None
2020.06.29	Korea Asset Management Corporation	Mortgage loan	40,302 KRW 1,633,113	41,625 KRW 1,686,737	1,344 KRW 53,624	None	None

Note 1: The book value is the NPL amount, less, allowance for doubtful accounts.

Note 2: The foreign currency is converted into TWD using closing exchange rate on June 30, 2021, and average exchange rate for the six months ended June 30, 2021.

2) The information of a transaction of NPL disposition up to \$1,000,000 thousand should be disclosed: None

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(xii) Types of securitization instruments and other relevant information approved to issue pursuant to financial assets securitization rules or real estate securitization rules: None

(xiii) Business relationships and significant inter-company transactions

Unit: In thousands of TWD

No.	Company	Counter-party	Relationship	Transaction details			Rates of operation income/total asset
				Accounts	Amounts	Transaction terms	
0	Fubon Financial Holding	Fubon Life Insurance	1	Financial assets measured at fair value through profit or loss	20,788,630	Same as non related-party transactions	0.21 %
0	Fubon Financial Holding	Fubon Life Insurance	1	Current tax assets	9,231,365	Same as non related-party transactions	0.09 %
0	Fubon Financial Holding	Fubon Life Insurance	1	Gain and loss on financial assets and liabilities measured at fair value through profit or loss	357,041	Same as non related-party transactions	0.13 %
1	Taipei Fubon Bank	Fubon Life Insurance	3	Net service fee revenue	2,441,781	Same as non related-party transactions	0.91 %
2	Fubon Life Insurance	Taipei Fubon Bank	3	Cash and cash equivalents	37,521,296	Same as non related-party transactions	0.38 %
2	Fubon Life Insurance	Fubon Financial Holding	2	Current tax assets	5,216,203	Same as non related-party transactions	0.05 %
2	Fubon Life Insurance	Fubon Insurance	3	Net insurance service revenue	513,642	Same as non related-party transactions	0.19 %
3	Fubon Securities	Taipei Fubon Bank	3	Cash and cash equivalents	9,493,437	Same as non related-party transactions	0.10 %
3	Fubon Securities	Taipei Fubon Bank	3	Other non-interest revenue, net	175,685	Same as non related-party transactions	0.07 %
4	Fubon Insurance Agency	Fubon Insurance	3	Net service fee and commission income	237,256	Same as non related-party transactions	0.09 %

Note 1: Serial number is determined as follows:

1. 0 represents parent company.
2. Subsidiaries are numbered in a sequence of Arabic numerals from 1 based on the companies' category.

Note 2: The relation category among traders is determined as follows:

1. Parent to subsidiary.
2. Subsidiary to parent.
3. Subsidiary to subsidiary.

Note 3: Above listed are the significant transactions that comprised over 0.05% of the consolidated revenue or total assets.

(xiv) Other significant transactions that may have substantial influence upon the decision made by financial statement user: None.

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(b) Related information of investees companies:

As of June 30, 2021 was as follows:

(In Thousands of New Taiwan Dollars)

Name of investor company	Name of investee Company	Address	Main business scope	Shareholding ratio	Book Value	Investment gain(loss) recognized	Aggregate shareholding of the Company and its subsidiaries				Note	
							Number of shares	Number of proforma shares	Total			
									Number of shares	Shareholding ratio		
Fubon Financial Holding	Fubon Insurance Co., Ltd.	Taipei	Property insurance	100.00%	37,616,799	4,209,667	317,840	-	317,840	100.00%		
	Fubon Life Insurance Co., Ltd.	Taipei	Life insurance	100.00%	556,812,608	65,753,817	11,083,114	-	11,083,114	100.00%		
	Fubon Securities Co., Ltd.	Taipei	Securities	100.00%	34,680,175	3,668,107	1,064,355	-	1,064,355	100.00%		
	Taipei Fubon Bank Co., Ltd.	Taipei	Banking	100.00%	213,845,450	9,405,319	12,256,209	-	12,256,209	100.00%		
	Fubon Marketing Co., Ltd.	Taipei	Marketing and management consult	100.00%	369,822	89,845	14,500	-	14,500	100.00%		
	Fubon Financial Holding Venture Capital Co., Ltd.	Taipei	Venture Capital	53.80%	8,500,084	3,095,434	366,617	-	681,500	100.00%		
	Fubon Bank Hong Kong Limited	Hong Kong	Banking	100.00%	47,555,596	782,158	1,641,273	-	1,641,273	100.00%		
	Fubon Asset Management Service Co., Ltd.	Taipei	Creditor's rights management	100.00%	2,254,939	94,065	250,000	-	250,000	100.00%		
	Taiwan Sport Lottery Co., Ltd.	Taipei	IT Software Service	100.00%	97,464	56	9,729	-	9,729	100.00%		
	Fubon Asset Management Co., Ltd.	Taipei	Asset management	100.00%	3,588,028	130,527	271,009	-	271,009	100.00%		
	Fubon Bank(China) Co., Ltd.	Mainland China	Banking	42.08%	19,310,635	375,411	-	-	-	100.00%		
	Xiamen Bank Co., Ltd.	Mainland China	Banking	17.95%	15,409,536	838,885	473,755	-	473,755	17.95%		
	JihSun Financial Holding Co., Ltd	Taipei	Financial Holding	55.76%	28,385,189	585,700	2,103,456	-	2,103,456	55.76%		
	Fubon Insurance	Fubon Brokers (Thailand) Co., Ltd.	Thailand	Insurance brokers	48.97%	30,245	1,741	29	-	29	48.97%	
		Fubon Insurance (Vietnam) Co., Ltd.	Vietnam	Insurance Business	100.00%	734,846	22,788	-	-	-	100.00%	
		Fubon Property and Casualty Insurance Co., Ltd	Mainland China	Property insurance	40.00%	390,212	(33,282)	-	-	-	80.00%	
Fubon Insurance Brokers (Philippines) Co., Ltd.		Philippines	Insurance brokers	99.99%	13,399	127	200	-	200	99.99%		
Teng Fu Bo Investment Limited	Mainland China	Investment advisory	6.67%	220,602	42,282	-	-	-	13.33%			

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Name of investor company	Name of investee Company	Address	Main business scope	Shareholding ratio	Book Value	Investment gain(loss) recognized	Aggregate shareholding of the Company and its subsidiaries				Note
							Number of shares	Number of proforma shares	Total		
									Number of shares	Shareholding ratio	
Fubon Insurance	Xiamen Jinfuyuan Insurance Surveyors and Loss Adjusters Co.,Ltd.	Mainland China	Insurance risk and loss assessment	9.98%	1,153	-	-	-	-	19.96%	
Fubon Life Insurance	Fubon Life Insurance (Vietnam) Co., Ltd.	Vietnam	Life Insurance business	100.00%	1,554,695	(6,870)	-	-	-	100.00%	
	Fubon Property and Casualty Insurance Co., Ltd.	Mainland China	Property insurance	40.00%	390,212	(33,282)	-	-	-	80.00%	
	Carter Lane (Guernsey) Limited	Guernsey Island	Investment property leasing	100.00%	2,973,467	54,224	41,515	-	41,515	100.00%	
	Bow Bells House (Jersey) Limited	Jersey Island	Investment property leasing	100.00%	1,408,544	33,569	46,173	-	46,173	100.00%	
	Fubon MTL Property (Jersey) Limited	Jersey Island	Investment property leasing	100.00%	4,916,529	631,577	92,581	-	92,581	100.00%	
	CITIC Capital Holdings Ltd.	Hong Kong	Capital holdings	18.00%	9,963,085	1,367,459	13,980	-	13,980	18.00%	
	Fubon Hyundai Life Insurance Co.,Ltd.	Korea	Life Insurance business	77.40%	30,673,521	1,861,736	175,334	-	175,334	77.40%	
	Fubon Life Insurance (Hong Kong) Ltd.	Hong Kong	Life Insurance business	100.00%	13,523,504	385,486	2,675,000	-	2,675,000	100.00%	
	Fubon Ellipse (Belgium) S.A.	Belgium Brussels	Investment property leasing	100.00%	2,075,241	(54,687)	1,134	-	1,134	100.00%	
	Fubon Eurotower (Luxembourg) S.a.r.l	Luxembourg	Investment property leasing	100.00%	7,225,954	300,149	220	-	220	100.00%	
	Teng Fu Bo Investment Limited	Mainland China	Investment advisory	6.67%	220,602	42,282	-	-	-	13.33%	
	Fubon Financial Holding Venture Capital Co., Ltd.	Taipei	Venture Capital	25.00%	3,912,192	1,204,824	170,375	-	681,500	100.00%	
	Star River Energy Co., Ltd.	Taipei	Energy Technology Service	20.00%	279,152	12,292	23,680	-	25,440	21.49%	
	Star Shining Energy Co., Ltd.	Taipei	Energy Technology Service	30.00%	1,555,188	19,559	150,000	-	185,000	37.00%	
	Wholox Max Green Power Co., Ltd.	Taipei	Energy Technology Service	30.00%	335,428	4,798	32,700	-	33,790	31.00%	
	ZhongAn Life Insurance Ltd.	Hong Kong	Life Insurance business	35.00%	996,357	(35,623)	350,000	-	350,000	35.00%	
	Xiamen Jinfuyuan Insurance Surveyors and Loss Adjusters Co.,Ltd.	Mainland China	Insurance risk and loss assessment	9.98%	1,153	-	-	-	-	19.96%	
	Hsin Ting Yi Hao Energy Corporation	Taipei	Energy Technology Service	30.00%	149,797	(203)	15,000	-	15,000	30.00%	
Fubon Securities	Fubon Futures Co., Ltd.	Taipei	Futures	100.00%	2,083,899	49,993	140,000	-	140,000	100.00%	

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Name of investor company	Name of investee Company	Address	Main business scope	Shareholding ratio	Book Value	Investment gain(loss) recognized	Aggregate shareholding of the Company and its subsidiaries				Note	
							Number of shares	Number of proforma shares	Total			
									Number of shares	Shareholding ratio		
Fubon Securities	Fubon Investment Holding (BVI) Ltd.	British Virgin Islands	Investment Holding	100.00%	787,589	11,859	26,926	-	26,926	100.00%		
	Fubon Securities investment Services Co., Ltd.	Taipei	Investment Consulting	100.00%	101,381	1,433	9,000	-	9,000	100.00%		
	Fubon Financial Holding Venture Capital Co., Ltd.	Taipei	Venture Capital	11.20%	1,688,187	542,375	76,358	-	681,500	100.00%		
	Fubon Securities Venture Capital Co., Ltd.	Taipei	Venture Capital	100.00%	289,127	(16,529)	30,000	-	30,000	100.00%		
	Xiamen Fubon Securities Equity Investment Ltd.	Mainland China	Equity Investment	-%	-	3,151	-	-	-	-%		
	Fubon Mintou Venture Capital Co., Ltd.	Taipei	Venture Capital	67.00%	132,622	(375)	13,400	-	13,400	67.00%		
	Fubon Macquarie Infrastructure Asset Management	Taipei	Asset management	100.00%	12,442	(1)	1,530	-	1,530	100.00%		
	Fubon Securities (HK) Ltd.	Hong Kong	Securities	100.00%	731,219	12,314	220,248	-	220,248	100.00%		
	Taipei Fubon Bank	Fubon Construction Management Co., Ltd.	Taipei	Construction Management, real estate valuation	30.00%	138,464	(242)	6,964	-	6,964	30.00%	
		Line BIZ+ Taiwan Limited	Taipei	Third-Party Payment Services	19.99%	2,995,203	(9,978)	10,936	-	10,936	19.99%	
Fubon Bank (China) Ltd.		Mainland China	Banking	57.92%	26,778,525	390,734	-	-	-	100.00%		
Line Bank Co., Ltd.		Taipei	Banking	25.10%	2,238,187	(51,586)	251,000	-	251,000	25.10%		
TFB Capital Co., Ltd.		Taipei	Venture Capital	100.00%	1,990,356	(8,674)	200,000	-	200,000	100.00%		
Fubon Marketing	Fu Sheng Insurance Agency Co., Ltd.	Taipei	Life Insurance Agent	100.00%	62,174	10,327	3,000	-	3,000	100.00%		
	Fubon Insurance Agency Co., Ltd.	Taipei	Property and Casualty Insurance Agent	100.00%	142,501	84,684	3,000	-	3,000	100.00%		
Fubon AMC	CITC Futong Financial Leasing Ltd.	Mainland China	Financial Leasing	25.00%	-	-	-	-	-	25.00%		
Fubon Financial Holding Venture Capital Co., Ltd.	Fubon Sports & Entertainment Co., Ltd.	Taipei	Sports service business	100.00%	81,465	(18,792)	10,227	-	10,227	100.00%		
	Fubon Stadium Co., Ltd.	Taipei	Stadium management	100.00%	50,378	(105)	5,841	-	5,841	100.00%		
	Fubon Health Management Co., Ltd.	Taipei	Aesthetic medicine	24.27%	20,707	(1,458)	5,000	-	5,000	24.27%		
	Bravelog Sport Technology Co., Ltd.	Taipei	Sport Training	32.61%	910	(2,714)	1,500	-	1,500	32.61%		

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Name of investor company	Name of investee Company	Address	Main business scope	Shareholding ratio	Book Value	Investment gain(loss) recognized	Aggregate shareholding of the Company and its subsidiaries				Note
							Number of shares	Number of proforma shares	Total		
									Number of shares	Shareholding ratio	
Fubon Asset Management Co., Ltd.	Founder Fubon Fund Asset Management Co., Ltd.	Mainland China	Fund Management	33.30%	381,483	(67,272)	-	-	-	33.30%	
	Fubon Convoy Asset Management (Hong Kong) Limited	Hong Kong	Asset management	49.00%	5,152	(184)	6,860	-	6,860	49.00%	
Fubon Asset Management Co., Ltd.	Fubon Private Equity Co., Ltd.	Taipei	Investment and investment service management	100.00%	19,680	(5,529)	3,000	-	3,000	100.00%	
	Fubon Fund Management (HK) Ltd.	Hong Kong	Asset management	100.00%	179,262	(25,971)	800	-	800	100.00%	
	Fubon Digital Music Asset Management Co., Ltd.	Taipei	Investment and investment service management	100.00%	2,427	(19)	255	-	255	100.00%	
Fubon Bank (Hong Kong) (Note)	FB Credit (Hong Kong) Limited	Hong Kong	Financial sector business	100.00%	HKD 90,509	HKD (147)	65,000	-	65,000	100.00%	
	FB Securities (Hong Kong) Limited	Hong Kong	Securities broker	100.00%	HKD 165,365	HKD 23,199	8,000	-	8,000	100.00%	
	Fubon Nominees (Hong Kong) Limited	Hong Kong	Nominees service	100.00%	HKD 145	HKD (2)	-	-	-	100.00%	
	Fubon Insurance Broker Limited	Hong Kong	Insurance broker	100.00%	HKD 4,187	HKD (51)	500	-	500	100.00%	
JihSun Financial Holding	JihSun Securities Co., Ltd	Taipei	Securities brokerage, securities trading, securities underwriting, securities margin purchases and short sales, stock transaction agency services, futures trading, auxiliary services for futures trading, stock warrant issuance, trust business and offshore securities unit (OSU)	100.00%	31,250,576	843,568	1,157,213	-	1,157,213	100.00%	

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Name of investor company	Name of investee Company	Address	Main business scope	Shareholding ratio	Book Value	Investment gain(loss) recognized	Aggregate shareholding of the Company and its subsidiaries				Note
							Number of shares	Number of proforma shares	Total		
									Number of shares	Shareholding ratio	
JihSun Financial Holding	JihSun International Commercial Bank Co., Ltd.	Taipei	General deposits, loans and discounts, government bond investment and collection, stocks, short-term securities, financial bonds, and other businesses approved by the competent authority of the Central Government. The trust business includes domestic and overseas fund trust transaction and employee investment trust	100.00%	23,182,873	272,825	1,844,825	-	1,844,825	100.00%	
	JihSun International Property Insurance Agency Co., Ltd.	Taipei	Property insurance agency	100.00%	8,544	29	500	-	500	100.00%	
	JihSun Futures Co., Ltd.	Taipei	Domestic and foreign futures brokerage, proprietary trading and futures consulting	98.14%	2,181,975	13,505	68,696	-	68,696	98.14%	

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Name of investor company	Name of investee Company	Address	Main business scope	Shareholding ratio	Book Value	Investment gain(loss) recognized	Aggregate shareholding of the Company and its subsidiaries				Note
							Number of shares	Number of proforma shares	Total		
									Number of shares	Shareholding ratio	
JihSun Financial Holding	JihSun International Investment Holding Company Limited	Cayman Islands	Securities brokerage and proprietary trading, guidance regarding corporate finance and public offering, securities underwriting, securities research and analysis, corporate and personal financial planning and investment consultation, financing services, investment trust, futures services, the holding company recognizes the investment gains and losses	100.00%	1,155,290	(4,627)	54,600	-	54,600	100.00%	
	JihSun Securities Investment Consulting Co.,Ltd	Taipei	To accept the entrustment of providing securities investment research related services.	100.00%	67,199	(501)	10,000	-	10,000	100.00%	
	JihSun Venture Capital Co., Ltd	Taipei	Venture capital	100.00%	281,916	(8,573)	30,000	-	30,000	100.00%	
	JihSun Securities Investment Trust Co., Ltd.	Taipei	Securities investment trust business and discretionary investment business	20.00%	289,832	2,572	7,800	-	7,800	20.00%	
	JihSun Life Insurance Agency Co., Ltd.	Taipei	Life insurance agency	98.76%	40,678	(127)	494	-	494	98.76%	
	JS Cresvale Securities International Limited	Hong Kong	Brokerage, proprietary trading, underwriting and other related securities business authorized by Hong Kong government	100.00%	1,070,272	(5,503)	440,000	-	440,000	100.00%	
	JS Cresvale Capital Limited	Hong Kong	Stock brokerage, futures brokerage, sales of mutual funds.	100.00%	77,051	(14)	2,000	-	2,000	100.00%	

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Note : The details of consolidated entities of Fubon Bank (Hong Kong) are its main subsidiaries and investment companies which are accounted for using the equity method and have a significant influence.

(c) Information on investment in Mainland China:

(i) Information on investment in Mainland China of the Company and Fubon Taipei Bank:

1) Information of the Company and Fubon Taipei Bank's investee in Mainland China:

Units: In thousands of TWD / CNY

Investee Company	Main Business	Total Amount of Paid-in Capital (thousand)	Investment types	Accumulated outflow of Investment from Taiwan as of January 1, 2021	Investment flows		Accumulated outflow of investment from Taiwan as of June 30, 2021	Net income from investee	Percentage of Ownership	Equity in the Earnings (gains)	Carrying value as of June 30, 2021	Accumulated inward remittance of earnings as of June 30, 2021
					Outflow	Inflow						
Fubon Bank (China)	Banking	10,550,726 (CNY2,445,382)	Direct investment in Mainland China	42,122,872	4,321,280 (Note)	-	46,444,152	952,944 (CNY219,413)	100 %	766,145	46,089,160	168,999

Note: Based on Rule No. 10900196820 approved by the Investment Commission under the Ministry of Economic Affairs, the authorized investment amount is CNY 1,000,000 thousand.

2) Information of the Company and Fubon Bank (Hong Kong)'s investee in Mainland China:

Units: In thousands of TWD / CNY

Investee Company	Main Business	Total Amount of Paid-in Capital	Investment types	Accumulated outflow of Investment from Taiwan as of January 1, 2021	Investment flows		Accumulated outflow of investment from Taiwan as of June 30, 2021	Net income from investee	Percentage of Ownership	Equity in the Earnings (gains)	Carrying value as of June 30, 2021	Accumulated inward remittance of earnings as of June 30, 2021
					Outflow	Inflow						
Xiamen Bank	Banking	11,386,655 (CNY2,639,128)	(Note 1)	N/A. Investment of Fubon Bank (Hong Kong)	-	-	-	(Note2)	17.95 %	838,885	15,409,536	414,583

Note 1: The company has invested in the mainland China directly rather than invested through 100% owned subsidiary, Fubon Bank (Hong Kong), since November 30, 2018.

Note 2: Xiamen Bank was listed on October 27, 2020. Since Xiamen Bank did not announce related financial information in this quarter, it could not be declared in other regions under local securities authority. However, related gains and losses have been recognized.

3) Upper limit on investment:

Company	Accumulated investment in Mainland China as of June 30, 2021	Investment amounts authorized by investment commission, MOEA	Upper limit on investment
Fubon Financial Holding Co., Ltd.	21,864,574 (CNY4,491,338)	29,682,633 (CNY6,131,035)	505,137,203
Taipei Fubon Bank Co., Ltd.	24,579,578 (CNY5,093,113)	24,579,578 (CNY5,093,113)	129,627,911

Note: The paid-in capital and profit or loss in foreign currencies are converted into TWD using CNY closing exchange rate on June 30, 2021, and the CNY average exchange rate for the six months ended June 30, 2021.

- (ii) Fubon Life Insurance and Fubon Insurance set up Fubon Property and Casualty Insurance Ltd., which engaged in the insurance business in Mainland China in 2010. The related registration procedure had been approved by Insurance Bureau of FSC, the Investment Commission, MOEA and CBIRC. In 2012, Fubon Life Insurance and Fubon Insurance signed a joint investment contract with Xiamen Port Holding Group, wherein Fubon Life Insurance, Fubon Insurance and Xiamen Port Holding Group would be holding 40%, 40% and 20% shares, respectively, of Fubon Property and Casualty Insurance Ltd. As of June 30, 2021, the total investment of Fubon Life Insurance and Fubon Insurance amounted to CNY 896 million.

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Fubon Property and Casualty Insurance Ltd. originally held 31.1% of the total investment of Teng Fu Bo Investment Limited. On July 16, 2020, the Board of Fubon Property and Casualty Insurance Ltd. had resolved not to participate in the capital increase of Teng Fu Bo Investment Limited. It has been approved by the China Banking and Insurance Regulatory Commission on August 19, 2020, and the percentage of ownership of Fubon Property and Casualty Insurance Ltd. decreased from 31.1% to 16.667%. As of June 30, 2021, the total investment of Fubon Property and Casualty Insurance Ltd. amounted to CNY 124.4 million. On August 13, 2020, Fubon Property & Casualty Insurance Co., Ltd shareholders' meeting has passed a resolution to dispose of 8.5% shareholding in Shenzhen Teng Fu Bo Investment Limited. Once the transfer of equity is completed, the shareholdings will be reduced from 16.667% to 8.167%. As of the date of passing the consolidated financial report, the transaction has yet to be approved by the competent authorities.

On April 8, 2021, Fubon Property & Casualty Insurance Co., Ltd. acquired 24.96% shares of Xiamen Jinfuyuan Insurance Surveyors and Loss Adjusters Co., Ltd. As of June 30, 2021, total investment is CNY 688 thousand.

Fubon Life Insurance indirectly acquired ownership of 12 companies, including CITIC Fulljoy (Dalian) Ltd., by acquiring the ownership of Hong Kong CITIC Capital Holdings Ltd.

1) Information of Fubon Insurance and Fubon Life Insurance's investees in Mainland China

Units: In thousands of TWD / CNY

Investee Company	Main Business	Total Amount of Paid-in Capital	Investment types (Note 1)	Accumulated outflow of Investment from Taiwan as of January 1, 2021	Investment flows		Accumulated outflow of investment from Taiwan as of June 30, 2021	Net income from investee	Percentage of Ownership	Equity in the Earnings (gains)	Carrying value as of June 30, 2021	Accumulated inward remittance of earnings as of June 30, 2021
					Outflow	Inflow						
Fubon Property and Casualty Insurance Limited	Property Insurance	4,832,298 (CNY1,120,000)	1	4,310,273	-	-	4,310,273	(83,204)	80.00 %	(66,564)	780,424	-
Teng Fu Bo Investment Limited	Investment advisory	3,220,382 (CNY746,400)	3	-	-	-	-	634,216	13.34 %	84,564	441,204	-
Xiamen Jinfuyuan Insurance Surveyors and Loss Adjusters Co., Ltd.	Insurance risk and loss assessment	8,629 (CNY2,000)	3	-	-	-	-	(1,203)	19.96 %	-	2,306	-

2) Information of Fubon Life Insurance's investees in Mainland China:

Units: In thousands

Investee Company	Main Business	Total Amount of Paid-in Capital	Investment types (Note 1)	Accumulated outflow of Investment from Taiwan as of January 1, 2021	Investment flows		Accumulated outflow of investment from Taiwan as of June 30, 2021	Net income from investee	Percentage of Ownership	Equity in the Earnings (gains)	Carrying value as of June 30, 2021	Accumulated inward remittance of earnings as of June 30, 2021
					Outflow	Inflow						
CITIC Fulljoy (Dalian) Limited	Real estate development	1,292,133 (HKD 360,000)	2	-	-	-	-	28,118 CNY 6,474	18.00 %	5,061 CNY 1,165	Note 3	-
Shang Hsing Real Estate (Shenyang) Limited	Real estate leasing	1,794,629 (HKD 500,000)	2	-	-	-	-	(23,049) CNY (5,307)	18.00 %	(4,149) CNY (955)	Note 3	-
CITIC Capital Holdings (Tianjin) Ltd.	Investment Holdings	19,400,085 (CNY 4,496,431)	2	-	-	-	-	247,061 CNY 56,885	12.27 %	30,316 CNY 6,980	Note 3	-
Hui Zhi Ju Xin (Shenzhen) Investment Ltd.	Investment Management	431,455 (CNY 100,000)	2	-	-	-	-	227,061 CNY 52,280	12.27 %	27,862 CNY 6,415	Note 3	-
Zhong An Tai Xin (Shenzhen) Equity Investment and Fund Management Ltd.	Investment advisory	43,146 (CNY 10,000)	2	-	-	-	-	(4,791) CNY (1,103)	18.00 %	(862) CNY (199)	Note 3	-
CITIC Capital Asset Management (Shenzhen) Ltd.	Investment advisory	43,146 (CNY 10,000)	2	-	-	-	-	(57,034) CNY (13,132)	18.00 %	(10,266) CNY (2,364)	Note 3	-
Sai Chi Culture Tourism (Chengdu) Ltd.	Real estate leasing	2,403,637 (CNY 557,100)	2	-	-	-	-	(6,411) CNY (1,476)	12.58 %	(806) CNY (186)	Note 3	-

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Investee Company	Main Business	Total Amount of Paid-in Capital	Investment types (Note 1)	Accumulated outflow of Investment from Taiwan as of January 1, 2021	Investment flows		Accumulated outflow of investment from Taiwan as of June 30, 2021	Net income from investee	Percentage of Ownership	Equity in the Earnings (gains)	Carrying value as of June 30, 2021	Accumulated inward remittance of earnings as of June 30, 2021
					Outflow	Inflow						
Jin Rui Tong Investment Consultancy (Chengdu) Ltd.	Real estate leasing	792,467 (CNY 183,673)	2	-	-	-	(17,373) CNY (4,000)	6.41 %	(1,114) CNY (257)	Note 3	-	
Tianjin Xinze Equity Investment and Fund Management Ltd.	Investment advisory	107,864 (CNY 25,000)	2	-	-	-	(6,185) CNY (1,424)	18.00 %	(1,113) CNY (256)	Note 3	-	
Shanghai Ling Hui Business Information Consultancy Ltd.	Real estate leasing	3,207,149 (CNY 743,333)	2	-	-	-	(68,765) CNY (15,833)	8.76 %	(6,023) CNY (1,387)	Note 3	-	
Shanghai Jing Rong Industrial Development Ltd.	Real estate leasing	1,622,272 (CNY 376,000)	2	-	-	-	(8,765) CNY (2,018)	8.76 %	(768) CNY (177)	Note 3	-	
Murkden Tzu Tsai Heating & Development Ltd.	Real estate leasing	1,137,514 (CNY 263,646)	2	-	-	-	(121,170) CNY (27,899)	18.00 %	(21,811) CNY (5,022)	Note 3	-	

Note 1: Investment types are as follows.

1. Direct investment in Mainland China.
2. Investment in Mainland China companies through CITIC Capital Holdings Ltd., a company established in a third region.
3. Others.

Note 2: The recognition of equity in the earnings is based on the audited financial statements of the investees.

Note 3: The carrying amount of each investment at the period end was not available from the audited financial statements of the third region company.

Note 4: Fubon Life Insurance and its subsidiaries through CITIC Capital Holdings Limited have investments in Mainland China including the following disclosed companies: Zhongxin Fengyue (Dalian) Co., Ltd., Xiang Xin Real Estate (Shenyang) Co., Ltd., CITIC Capital Equity Investment (Tianjin) Co., Ltd., Shenzhen Huihui Xun Investment Management Co., Ltd., Zhong An Taixin (Shenzhen) Equity Investment Fund Management Co., Ltd., CITIC Capital (Shenzhen) Asset Management Co., Ltd., Siqi Cultural Tourism (Chengdu) Co., Ltd., Chengdu Jinruitong Investment Management Co., Ltd., Tianjin Xinze Equity Investment Fund Management Co., Ltd., Shanghai Yuhui Business Information Consulting Co., Ltd., Shanghai Jingrong Industrial Development Co., Ltd., Shenyang Zucui Heating Development Co., Ltd., etc., a total of 95 companies.

Note 5: The foreign currency is converted into TWD using CNY closing exchange rate on June 30, 2021 and average exchange rate for the six months ended June 30, 2021.

Note 6: The Company and its subsidiaries also indirectly invested in WeSure Insurance Ltd. through Teng Fu Bo Investment Ltd.

3) Upper limit on investment:

Units: In thousands of TWD

Company	Accumulated investment in Mainland China as of June 30, 2021	Investment amounts authorized by investment commission, MOEA	Upper limit on investment
Fubon Life Insurance Co., Ltd.	25,781,503	25,935,254	345,694,892
Fubon Insurance Co., Ltd.	2,154,951 (CNY448,000)	2,154,951 (CNY448,000)	24,700,475

Note 1: The limits of Fubon Life Insurance Co., Ltd. and Fubon Insurance Co., Ltd. investment were \$230,463,261 thousand, and \$16,466,983 thousand respectively, according to the Regulations Governing Foreign Investments by Insurance Companies.

Note 2: Fubon Life Insurance cancelled the unremitted investment amount of CNY 12 million, which had been approved by the Investment Commission, MOEA, Jing Shen (2) Letter No. 10900168540 on June 19, 2020.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (iii) In 2016, the FSC and the Investment Commission, MOEA have approved the establishment of Fubon Securities Equity Investment Ltd. in Mainland China. Fubon Securities Equity Investment Ltd. has reduced its share capital from CNY 200 million to CNY 10 million in September 2020 and was renamed as Xiamen Fubon Securities Equity Investment Ltd. Xiamen Fubon Securities Equity Investment completed dissolution, liquidation, and deregistration in June 2021, and has remitted the remaining investment amount.

Units: In thousands of TWD / CNY

Investee Company	Main Business	Total Amount of Paid-in Capital	Investment types	Accumulated outflow of Investment from Taiwan as of January 1, 2021	Investment flows		Accumulated outflow of investment from Taiwan as of June 30, 2021	Net income from investee	Percentage of Ownership	Equity in the Earnings (gains)	Carrying value as of June 30, 2021	Accumulated inward remittance of earnings as of June 30, 2021
					Outflow	Inflow						
Xiamen Fubon Securities Equity Investment Ltd.	Equity Investment	- (CNY-)	(Note 1)	47,905	-	6,570	41,335	3,151	- %	3,151	-	-

Note: The unrecoverable investment amount was recognized as loss on investments.

Company	Accumulated investment in Mainland China as of June 30, 2021	Investment amounts authorized by investment commission, MOEA	Upper limit on investment (Note 2)
Fubon Securities Co., Ltd.	- (CNY-)	- (CNY-)	20,810,287

Note 1: Direct investment in Mainland China.

Note 2: It was calculated by Fubon Securities' net value as of June 30, 2021.

- (iv) Fubon AMC acquired 25% ownership of CITIC FUTONG Financial Leasing Co., Ltd. on May 8, 2015. The investment amounted to CNY270,000 thousand.

Units: In thousands of TWD / CNY

Investee Company	Main Business	Total Amount of Paid-in Capital	Investment types	Accumulated outflow of Investment from Taiwan as of January 1, 2021	Investment flows		Accumulated outflow of investment from Taiwan as of June 30, 2021	Net income from investee	Percentage of Ownership	Equity in the Earnings (gains) (Note 4)	Carrying value as of June 30, 2021	Accumulated inward remittance of earnings as of June 30, 2021
					Outflow	Inflow						
CITIC FUTONG Financial Leasing Ltd.	Financial leasing	4,016,996 (CNY931,034)	(Note 1)	1,356,479	-	-	1,356,479	(213,800)	25 %	-	-	-

Company	Accumulated investment in Mainland China as of June 30, 2021	Investment amounts authorized by investment commission, MOEA	Upper limit on investment (Note 2)
Fubon Assets Management Service Co., Ltd.	1,356,479 (CNY270,000)	1,356,479 (CNY270,000)	1,352,584

Note 1: Direct investment in Mainland China.

Note 2: It was calculated by Fubon AMC's net value as of June 30, 2021.

Note 3: The amount above is converted into TWD using CNY closing exchange rate on June 30, 2021 and average exchange rate for the six months ended June 30, 2021.

Note 4: Fubon AMC discontinued to recognize their shares of further losses of CITIC FUTONG Financial Leasing Limited on December 31, 2019 since it has not incurred any obligations. Please refer to Note 6 (f) for details.

- (v) Fubon Asset Management and Founder Securities Co., Ltd. co-invested in Founder Fubon Fund Management Ltd., which had been approved by the FSC and the Investment Commission, MOEA. As of June 30, 2021, Fubon Asset Management contributed the paid-in capital of Founder Fubon Fund Management Ltd. amounting to CNY219,780 thousand.

Units: In thousands of TWD / CNY

Investee Company	Main Business	Total Amount of Paid-in Capital	Investment types	Accumulated outflow of Investment from Taiwan as of January 1, 2021	Investment flows		Accumulated outflow of investment from Taiwan as of June 30, 2021	Net income from investee	Percentage of Ownership	Equity in the Earnings (gains)	Carrying value as of June 30, 2021	Accumulated inward remittance of earnings as of June 30, 2021
					Outflow	Inflow						
Founder Fubon Fund Management Limited	Fund raising and asset management	2,847,604 (CNY660,000)	(Note 1)	1,029,119	-	-	1,029,119	(202,018)	33.30 %	(67,272)	381,483	-

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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Company	Accumulated investment in Mainland China as of June 30, 2021	Investment amounts authorized by investment commission, MOEA	Upper limit on investment (Note 2)
Fubon Asset Management Co., Ltd.	1,029,119 (CNY219,780)	1,029,119 (CNY219,780)	2,152,808

Note 1: Direct investment in Mainland China.

Note 2: It was calculated by Fubon Asset Management's net value as of June 30, 2021.

Note 3: The amount above is converted into TWD using CNY closing exchange rate on June 30, 2021 and average exchange rate for the six months ended June 30, 2021.

(d) Major shareholders:

Units: In shares

Shareholder's Name	Shareholding	Shares	Percentage
Taipei City Government		1,341,479,793	11.66 %
Ming-Dong Industrial Co., Ltd.		864,774,989	7.51 %
Dao-Ying Industrial Co., Ltd.		790,676,429	6.87 %

Note: (i) The information of major shareholders who hold 5 percent or more of the issuer's common stocks and preferred stocks, including treasury stocks, is provided by Taiwan Depository and Clearing Corp. for every quarter. The share capital disclosed on financial report and the actual numbers of dematerialized securities may be different due to their discrepancies calculation basis.

(ii) If the shareholder entrusts the shares to the trust, the shareholding will be disclosed by the trustee's account individually. As for those shareholders who are responsible for the declaration of insiders' shareholding with more than 10 percent in accordance with the Securities and Exchange Act, their shareholdings shall include their own shares and the trust in which they have the authority to decide the allocation of their trust assets. Please refer to the Market Observation Post System for information on the insiders' shareholding.

(14) Segment Information:

(a) Operating segment information

The reportable segments of the Company are as follows:

- (i) Bank business: Engaged in banking business.
- (ii) Insurance business: Providing a variety of life and property insurance services.
- (iii) Life insurance business: Providing a variety of life and property insurance services.
- (iv) Securities business: Engaged in securities business.
- (v) Others: Engaged in financial holding venture capital and asset management business, etc.

Financial information classified by business type please refer to note 12(g).

The Company reports segments information by business type to offer different business and services. All of these business types are administered separately and have different finance and marketing strategies.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The Company does not allocate tax expenses to reporting segments. The accounting policies of the operating segments are the same as those described in Note 2. The income of the operating segments is based on income before tax, which also serves as the basis for the performance measurement. The sales and transfer between the departments are regarded as third party sales and transfer, and are measured at current market value.

(b) Business information

Operating Segments information was as follows:

For the three months ended June 30, 2021							
	Bank business	Property insurance business	Life insurance business	Securities business	Others	Adjustment and elimination	Total
Net revenues							
Revenue by external customers	\$ 12,665,709	5,869,166	93,094,755	4,176,517	6,068,026	-	121,874,173
Revenue between segments	1,020,479	(132,399)	124,945	452,668	39,168,158	(40,633,851)	-
Total	<u>\$ 13,686,188</u>	<u>5,736,767</u>	<u>93,219,700</u>	<u>4,629,185</u>	<u>45,236,184</u>	<u>(40,633,851)</u>	<u>121,874,173</u>
Segment income (Note)	<u>\$ 5,704,047</u>	<u>2,481,712</u>	<u>29,650,165</u>	<u>2,352,679</u>	<u>42,946,447</u>	<u>(39,505,180)</u>	<u>43,629,870</u>
For the three months ended June 30, 2020							
	Bank business	Property insurance business	Life insurance business	Securities business	Others	Adjustment and elimination	Total
Net revenues							
Revenue by external customers	\$ 13,769,021	3,518,561	89,762,658	3,196,429	1,245,772	-	111,492,441
Revenue between segments	1,318,600	(91,683)	(575,509)	286,004	17,860,475	(18,797,887)	-
Total	<u>\$ 15,087,621</u>	<u>3,426,878</u>	<u>89,187,149</u>	<u>3,482,433</u>	<u>19,106,247</u>	<u>(18,797,887)</u>	<u>111,492,441</u>
Segment income (Note)	<u>\$ 6,943,210</u>	<u>1,117,134</u>	<u>8,449,290</u>	<u>1,764,304</u>	<u>18,767,608</u>	<u>(17,522,431)</u>	<u>19,519,115</u>
For the six months ended June 30, 2021							
	Bank business	Property insurance business	Life insurance business	Securities business	Others	Adjustment and elimination	Total
Net revenues							
Revenue by external customers	\$ 25,232,053	11,134,691	216,052,048	7,838,974	8,940,724	-	269,198,490
Revenue between segments	2,653,584	(210,840)	(765,424)	812,197	89,486,363	(91,975,880)	-
Total	<u>\$ 27,885,637</u>	<u>10,923,851</u>	<u>215,286,624</u>	<u>8,651,171</u>	<u>98,427,087</u>	<u>(91,975,880)</u>	<u>269,198,490</u>
Segment income (Note)	<u>\$ 12,096,338</u>	<u>4,694,179</u>	<u>75,403,746</u>	<u>4,399,593</u>	<u>95,757,235</u>	<u>(89,901,294)</u>	<u>102,449,797</u>
Segment assets	<u>\$ 3,795,098,479</u>	<u>128,711,299</u>	<u>5,548,223,572</u>	<u>162,213,270</u>	<u>1,403,209,891</u>	<u>(1,046,998,042)</u>	<u>9,990,458,469</u>
For the six months ended June 30, 2020							
	Bank business	Property insurance business	Life insurance business	Securities business	Others	Adjustment and elimination	Total
Net revenues							
Revenue by external customers	\$ 25,916,931	7,397,096	205,078,180	4,571,989	1,795,377	-	244,759,573
Revenue between segments	2,813,746	(155,469)	(1,736,437)	428,662	40,621,135	(41,971,637)	-
Total	<u>\$ 28,730,677</u>	<u>7,241,627</u>	<u>203,341,743</u>	<u>5,000,651</u>	<u>42,416,512</u>	<u>(41,971,637)</u>	<u>244,759,573</u>
Segment income (Note)	<u>\$ 12,192,723</u>	<u>2,877,456</u>	<u>26,409,673</u>	<u>2,051,535</u>	<u>41,748,939</u>	<u>(39,940,877)</u>	<u>45,339,449</u>
Segment assets	<u>\$ 3,624,981,890</u>	<u>113,921,669</u>	<u>4,968,656,363</u>	<u>151,398,118</u>	<u>721,796,281</u>	<u>(724,645,723)</u>	<u>8,856,108,598</u>

Note: Income tax expense information is not included in segments information.

(Continued)

Attachment

The aggregate lending, guarantee or other transactions taken place between all subsidiaries of a financial holding company and same person, same relatives or same affiliate.

June 30, 2021

Units: In thousands of TWD, %

Name	Total amount of aggregate lending, guarantee or other transactions	% of net asset value of financial holding company
I. Same natural person or same juridical person		
The Central Government of the Republic of China	587,594,592	66.99%
Taiwan Semiconductor Manufacturing Company, Ltd.	153,073,663	17.45%
The Mainland Area Government Agencies and Financial Institutions	135,205,121	15.41%
Capital Investment Trust Corporation	58,951,243	6.72%
Taiwan Power Company	58,356,189	6.65%
National Treasury Administration, Ministry of Finance	55,773,562	6.36%
AT&T Inc.	51,410,475	5.86%
Verizon Communications Inc	51,373,925	5.86%
JPMorgan Chase & Co.	49,793,719	5.68%
Citigroup Inc	42,633,286	4.86%
United Mexican States	40,554,699	4.62%
AllianceBernstein (Luxembourg) S.a.r.l	38,306,203	4.37%
iShares Trust	36,830,933	4.20%
Bank of America Corporation	36,066,745	4.11%
Wells Fargo & Co.	35,431,883	4.04%
Yuanta Securities Investment Trust Co Ltd	35,271,739	4.02%
Republic of Indonesia	33,452,899	3.81%
Kingdom of Saudi Arabia	32,506,697	3.71%
Electricite de France	32,257,868	3.68%
China Development Bank	31,697,114	3.61%
Hua Nan Commercial Bank Ltd	31,122,678	3.55%
State of Qatar	29,676,330	3.38%
China Steel Corporation	29,559,174	3.37%
Morgan Stanley	29,238,354	3.33%
PIMCO Funds	28,620,832	3.26%
PIMCO Funds: Global Investors Series plc	28,486,140	3.25%
Goldman Sachs Group, Inc.	27,233,029	3.10%
HON HAI Precision Industry Co Ltd	27,170,367	3.10%
Republic of Korea	26,837,156	3.06%
Bank of Tokyo-Mitsubishi UFJ Ltd	24,929,561	2.84%
Hong Kong Special Administrative Region Government	24,902,014	2.84%
MediaTek Inc	24,412,011	2.78%
Credit Agricole Corporate and Investment Bank	23,934,350	2.73%
Deutsche Bank AG	23,607,767	2.69%
BNP Paribas SA	23,509,910	2.68%
Federative Republic of Brazil	23,397,442	2.67%
Freddie Mac	23,171,762	2.64%
First Abu Dhabi Bank PJSC	22,315,067	2.54%
Bank of Nova Scotia	22,215,511	2.53%
First Commercial Bank	22,168,224	2.53%
QNB Finance Ltd	21,996,915	2.51%

(Continued)

Name	Total amount of aggregate lending, guarantee or other transactions	% of net asset value of financial holding company
United Microelectronics Corp	21,981,499	2.51%
Comcast Corporation	21,469,368	2.45%
Chinatrust Financial Holding Co Ltd	21,017,817	2.40%
Barclays Bank plc	20,750,034	2.37%
Republic of Colombia	20,534,479	2.34%
Formosa Chemicals & Fibre Corp	20,345,733	2.32%
The Shanghai Commercial & Savings Bank Ltd	20,331,626	2.32%
Taiwan Mobile Co Ltd	20,115,808	2.29%
Gennie Mae	19,685,489	2.24%
E.Sun Bank	19,459,563	2.22%
CTBC Investments Co Ltd	19,238,038	2.19%
Corporacion Nacional del Cobre de Chile	19,171,746	2.19%
KGI Securities Investment Trust Co Ltd	18,610,205	2.12%
momo.com Inc	18,603,065	2.12%
Cathay Securities Investment Trust Co Ltd	18,571,427	2.12%
The State of Israel	18,482,733	2.11%
National Australia Bank	18,064,796	2.06%
Commonwealth Bank of Australia	17,290,908	1.97%
Taishin International Bank	17,021,147	1.94%
Formosa Plastics Corporation	17,006,590	1.94%
Oracle Corp	16,890,209	1.93%
Santander International Products PLC	16,666,329	1.90%
Lloyds Bank plc	15,779,118	1.80%
Cathay United Bank	15,345,045	1.75%
Cooperatieve Rabobank U.A.	15,321,837	1.75%
Xiamen Bank Co Ltd	15,279,840	1.74%
Fuh Hwa Securities Investment Trust Co Ltd	15,184,256	1.73%
Republic of South Africa	15,065,235	1.72%
Natixis	15,022,083	1.71%
Yuanta Securities Co Ltd	14,903,014	1.70%
Australia and New Zealand Banking Group Limited	14,882,581	1.70%
Fannie Mae	14,652,742	1.67%
Anheuser-Busch InBev Worldwide Inc.	14,651,175	1.67%
JPMorgan Asset Management Europe SARL	14,623,228	1.67%
Amgen Inc	14,542,974	1.66%
Microsoft Corp	14,486,695	1.65%
Raytheon Technologies Corp	14,433,240	1.65%
Royal Bank of Canada	14,414,458	1.64%
Russian Federation	14,311,816	1.63%
UBS AG	14,123,398	1.61%
Romania	14,056,472	1.60%
Vodafone Group plc	13,903,317	1.59%
HSBC Holdings plc	13,886,224	1.58%
Korea Housing Finance Corporation	13,662,817	1.56%
Barclays plc	13,597,784	1.55%
AbbVie Inc	13,429,003	1.53%
SPDR SeriesTrust	13,371,451	1.52%
CVS Health Corp	13,306,118	1.52%
Comision Federal de Electricidad	13,129,262	1.50%
Westpac Banking Corporation	13,088,760	1.49%

(Continued)

Name	Total amount of aggregate lending, guarantee or other transactions	% of net asset value of financial holding company
Altria Group Inc	12,818,646	1.46%
Chinatrust Commercial Bank	12,764,104	1.46%
Mizuho Bank Ltd	12,742,042	1.45%
United Arab Emirates	12,721,702	1.45%
General Electric Company	12,623,828	1.44%
Nan Ya Plastics Corp	12,574,111	1.43%
Mega Bills Finance Co Ltd	12,562,367	1.43%
Amazon.com Inc	12,531,791	1.43%
International Bills Finance Corporation	12,476,287	1.42%
IBM Corp.	12,441,176	1.42%
Saudi Arabian Oil Company	12,403,925	1.41%
BBVA Global Markets B.V.	12,330,753	1.41%
GlobalWafers Co Ltd	12,286,203	1.40%
Societe Generale SA	12,218,744	1.39%
Mega Financial Holding Co Ltd	12,180,550	1.39%
Pertamina Persero PT	12,112,969	1.38%
Enterprise Products Operating LLC	12,069,683	1.38%
New Taipei City Government	12,000,000	1.37%
Bayer US Finance II LLC	11,902,518	1.36%
Shell International Finance B.V.	11,866,448	1.35%
Anheuser-Busch InBev Finance Inc	11,830,336	1.35%
CPC Corporation, Taiwan	11,806,494	1.35%
Robeco Luxembourg S.A.	11,770,030	1.34%
Union Pacific Corp	11,536,770	1.32%
Yuanta Commercial Bank Co Ltd	11,506,574	1.31%
Intel Corporation	11,340,980	1.29%
ADCB Finance Cayman Ltd	11,262,384	1.28%
Walt Disney Co/The	11,204,864	1.28%
Evergreen Marine Corp Taiwan Ltd	11,078,830	1.26%
KGI Bank Co Ltd	11,057,867	1.26%
Apple Inc.	10,992,913	1.25%
Anthem Inc	10,853,867	1.24%
Chunghwa Telecom Co Ltd	10,771,216	1.23%
Cathay Financial Holding Co Ltd	10,760,823	1.23%
Perusahaan Perseroan Persero PT Perusahaan Listrik Negara	10,729,809	1.22%
UnitedHealth Group Inc	10,708,149	1.22%
PepsiCo, Inc	10,596,678	1.21%
MDGH-GMTN BV	10,554,488	1.20%
Morgan Stanley Finance LLC	10,512,189	1.20%
Taiwan Cement Corp.	10,263,054	1.17%
China United Insurance Group Co., Ltd	10,208,187	1.16%
CITIC Capital Holdings Limited	10,116,525	1.15%
The Export-Import Bank of China	10,106,638	1.15%
Sumitomo Mitsui Financial Group Inc	10,096,112	1.15%
AU Optronics Corp	9,953,634	1.13%
Kroger Co/The	9,866,866	1.12%
United Parcel Service Inc	9,787,537	1.12%
Catcher Technology Co Ltd	9,776,942	1.11%
Duke Energy Corporation	9,665,516	1.10%
Home Depot Inc	9,646,279	1.10%

(Continued)

Name	Total amount of aggregate lending, guarantee or other transactions	% of net asset value of financial holding company
Republic of Peru	9,635,028	1.10%
America Movil SAB de CV	9,570,474	1.09%
Taishin Financial Holdings Co Ltd	9,468,834	1.08%
Manulife Financial Corp	9,342,216	1.07%
EQT Fund Management S.a r.l	9,239,190	1.05%
Metlife Inc	9,189,309	1.05%
Travelers Cos Inc	9,109,363	1.04%
Nomura International Funding Pte Ltd	9,071,339	1.03%
ABN AMRO Bank N.V.	9,007,624	1.03%
Yuanta Financial Holding Co Ltd	8,958,950	1.02%
Banco Santander S.A.	8,855,120	1.01%
Quanta Computer Inc	8,843,416	1.01%
Phillips 66	8,783,438	1.00%
National Bank of Canada	8,755,794	1.00%
Cigna Corp	8,727,708	1.00%
BlackRock Global Funds	8,709,251	0.99%
China Bills Finance Corp	8,629,515	0.98%
UBAM	8,514,493	0.97%
Yang Ming Marine Transport Corp	8,509,118	0.97%
BlackRock Fund Advisors	8,450,850	0.96%
TransCanada PipeLines Limited	8,330,413	0.95%
Prudential Financial, Inc.	8,285,571	0.94%
Yageo Corp	8,271,459	0.94%
Burlington Northern Santa Fe LLC	8,263,545	0.94%
Taiwan Cooperative Bank	8,258,973	0.94%
Sumitomo Mitsui Banking Corporation	8,230,199	0.94%
Advanced Micro Devices Inc	8,192,428	0.93%
Tyson Foods Inc	8,167,286	0.93%
Woori Financial Group Inc	8,160,801	0.93%
SG Issuer SA	8,153,236	0.93%
CITIC Limited	8,147,079	0.93%
Department of Rapid Transit Systems, Taipei City Government	8,000,000	0.91%
Waste Management Inc.	7,982,473	0.91%
FedEx Corp	7,938,803	0.91%
Gilead Sciences Inc	7,882,475	0.90%
Bristol-Myers Squibb Co	7,731,267	0.88%
Sino-American Silicon Products Inc	7,599,822	0.87%
WPG Holdings Co Ltd	7,569,406	0.86%
Republic of Chile	7,516,068	0.86%
Formosa Ha Tinh (Cayman) Limited	7,469,170	0.85%
CSX Corp	7,449,233	0.85%
Kohlberg Kravis Roberts & Co. L.P.	7,408,495	0.84%
Bank of China Ltd	7,370,159	0.84%
3M Company	7,363,398	0.84%
Win Semiconductors Corp	7,340,493	0.84%
Consolidated Edison Co of New York Inc	7,338,206	0.84%
Tiger Global Management, LLC	7,317,465	0.83%
Credit Suisse Group AG	7,070,549	0.81%
Lockheed Martin Corp.	7,054,858	0.80%
Rogers Communications Inc	7,016,518	0.80%

(Continued)

Name	Total amount of aggregate lending, guarantee or other transactions	% of net asset value of financial holding company
Realtek Semiconductor Corp	6,967,755	0.79%
Norfolk Southern Corp	6,956,635	0.79%
Cheng Shin Rubber Industry Co Ltd	6,925,143	0.79%
Goldman Sachs Finance Corp International Ltd	6,913,669	0.79%
Taipei City Government	6,899,664	0.79%
Novatek Microelectronics Corp Ltd	6,878,458	0.78%
Telefonica Emisiones SA	6,863,737	0.78%
Pegatron Corporation	6,847,488	0.78%
Texas Instruments Inc	6,829,075	0.78%
Republic of Turkey	6,820,739	0.78%
BPCE SA	6,813,558	0.78%
Alibaba Group Holding Limited	6,811,817	0.78%
Bank of Taiwan	6,790,495	0.77%
AirTAC Internaional Group	6,776,594	0.77%
Equinor ASA	6,726,032	0.77%
Vale Overseas Limited	6,706,675	0.76%
Industrial and Commercial Bank of China	6,656,302	0.76%
Chang Hwa Commercial Bank, Ltd.	6,653,276	0.76%
Visa Inc.	6,650,224	0.76%
Malayan Banking Berhad	6,593,129	0.75%
Mondelez International Inc	6,542,439	0.75%
Virginia Electric and Power Co	6,542,175	0.75%
AIA Group Ltd	6,521,684	0.74%
Applied Materials Inc.	6,509,680	0.74%
Exxon Mobil Corp	6,486,350	0.74%
Kiwoom Securities Co Ltd	6,357,881	0.72%
SAP SE	6,298,721	0.72%
Uni-President Enterprises Corporation	6,254,849	0.71%
The Export-Import Bank of Korea	6,229,448	0.71%
Citigroup Global Markets Holdings Inc	6,186,920	0.71%
Canadian Imperial Bank of Commerce	6,107,744	0.70%
ASE Technology Holding Co Ltd	6,087,575	0.69%
Stryker Corp	6,014,150	0.69%
Bank SinoPac Co Ltd	5,975,481	0.68%
Petroleos Mexicanos	5,969,927	0.68%
Nien Made Enterprise Co Ltd	5,952,663	0.68%
Kaohsiung City Government	5,939,892	0.68%
Estee Lauder Companies Inc	5,928,997	0.68%
Standard Charter Bank	5,926,753	0.68%
Coca-Cola Co/The	5,922,876	0.68%
Innolux Corporation	5,838,258	0.67%
NIKE Inc	5,837,784	0.67%
Deutsche Telekom AG	5,799,287	0.66%
Petronas Capital Ltd	5,796,856	0.66%
Siemens Financieringsmaatschappij NV	5,783,094	0.66%
ConocoPhillips Co	5,773,534	0.66%
Fidelity Funds	5,772,527	0.66%
Korea Development Bank	5,732,480	0.65%
Merck & Co Inc	5,697,732	0.65%
Gold East Trading (Hong Kong) Co Ltd	5,676,705	0.65%

(Continued)

Name	Total amount of aggregate lending, guarantee or other transactions	% of net asset value of financial holding company
Hotai Finance Co Ltd	5,648,955	0.64%
T. Rowe Price - US Mutual Funds	5,639,808	0.64%
Bank of East Asia Limited	5,576,285	0.64%
DBS Bank Ltd	5,575,781	0.64%
Parade Technologies, Ltd.	5,572,823	0.64%
Pfizer Inc	5,519,311	0.63%
DH Europe Finance II Sarl	5,510,652	0.63%
Hong Kong Mortgage Corporation Limited	5,500,077	0.63%
Taichung City Government	5,500,000	0.63%
POU Chen Corp	5,410,880	0.62%
Neuberger Berman Investment Funds plc	5,381,258	0.61%
Lite-On Technology Corporation	5,344,307	0.61%
Mega International Commercial Bank Co Ltd	5,341,790	0.61%
HSBC Bank (Taiwan) Limited	5,339,148	0.61%
American Express Company	5,328,749	0.61%
Sherwin-Williams Co/The	5,317,161	0.61%
Bank of China Group Investment Limited	5,309,316	0.61%
Novartis Capital Corp	5,279,914	0.60%
Taishin Securities Investment Trust Co Ltd	5,209,259	0.59%
Emirates NBD Bank PJSC	5,184,715	0.59%
Bank of Montreal	5,148,070	0.59%
Carlyle Investment Management L.L.C.	5,104,732	0.58%
Kreditanstalt fuer Wiederaufbau	5,077,587	0.58%
Far East Horizon Ltd	5,072,483	0.58%
Suncor Energy Inc	5,059,877	0.58%
Lowe's Companies Inc.	5,037,843	0.57%
Land Bank of Taiwan	5,011,257	0.57%
eMemory Technology Inc	4,979,697	0.57%
Canadian Natural Resources Ltd	4,974,707	0.57%
AXA IM Fixed Income Investment Strategies	4,974,027	0.57%
Phison Electronics Corporation	4,944,197	0.56%
Allianz Securities Investment Trust Co Ltd	4,891,873	0.56%
Macquarie Infrastru Manageme (Asia) Pty	4,868,334	0.56%
Starbucks Corp	4,860,994	0.55%
Johnson & Johnson	4,838,632	0.55%
President Chain Store Corporation	4,798,172	0.55%
Credit Agricole SA	4,786,145	0.55%
DUKE ENERGY CAROLINAS, LLC	4,744,853	0.54%
MTR Corporation Cayman Islands Ltd	4,711,404	0.54%
Chow Tai Fook Enterprises Limited	4,704,056	0.54%
Wistron Corp	4,700,149	0.54%
AstraZeneca plc	4,696,896	0.54%
General Mills Inc	4,689,648	0.53%
First Financial Holding Co Ltd	4,687,147	0.53%
Walmart Inc	4,667,563	0.53%
Walgreens Boots Alliance Inc	4,653,295	0.53%
Goldman Sachs Funds SICAV	4,641,464	0.53%
American International Group, Inc.	4,625,293	0.53%
SINBON Electronics Co Ltd	4,623,075	0.53%
Haitong International Securities Group Limited	4,552,278	0.52%

(Continued)

Name	Total amount of aggregate lending, guarantee or other transactions	% of net asset value of financial holding company
Asian Development Bank	4,461,051	0.51%
Synnex Technology International Corp	4,426,958	0.50%
Formosa Petrochemical Corp	4,413,759	0.50%
Halliburton Co	4,404,732	0.50%
Advanced Semiconductor Engineering Inc	4,352,173	0.50%
ING Bank N.V.	4,320,859	0.49%
HSBC Continental Europe SA	4,318,410	0.49%
Department of Urban Development, Taipei City Government	4,304,095	0.49%
Fujitsu Ltd.	4,304,042	0.49%
Abu Dhabi Commercial Bank PJSC	4,292,612	0.49%
Kraft Heinz Food Co	4,282,776	0.49%
International Games System Co Ltd	4,243,070	0.48%
Far Eastern New Century Corporation	4,199,722	0.48%
AXA World Funds	4,182,978	0.48%
NH Investment and Securities Co Ltd	4,170,449	0.48%
ING Groep NV	4,147,496	0.47%
Macquarie Infrastructure and Real Assets (Europe) Limited	4,144,331	0.47%
Monetary Authority of Singapore	4,143,925	0.47%
Yunneng Wind Power Co Ltd	4,129,903	0.47%
Humana Inc	4,122,826	0.47%
HSBC USA Inc	4,085,607	0.47%
State Grid Overseas Investment 2014 Ltd	4,056,029	0.46%
NORTHROP GRUMMAN	4,055,748	0.46%
Asustek Computer Inc	4,020,962	0.46%
China UnionPay Co Ltd	4,013,595	0.46%
Two Sigma Advisers, LP	4,011,804	0.46%
Tainan City Government	4,000,000	0.46%
Finance Bureau Kaohsiung City Government	4,000,000	0.46%
GE Capital Intl Funding Co Unlimited Co	3,995,249	0.46%
Korea Electric Power Corporation	3,987,468	0.45%
Aerospace Industrial Development Corporation	3,966,093	0.45%
Taiwan Business Bank	3,955,986	0.45%
Far EasTone Telecommunications Co Ltd	3,941,284	0.45%
Advent International Corporation	3,936,457	0.45%
Cisco Systems Inc.	3,886,177	0.44%
Hongkong Land Holdings Ltd	3,877,228	0.44%
ASML Holding NV	3,862,898	0.44%
Shinhan Bank Co Ltd	3,811,697	0.43%
Woori Bank	3,809,335	0.43%
JPMorgan Chase Bank, N.A.	3,802,204	0.43%
KEB Hana Bank	3,795,548	0.43%
TWDC Enterprises 18 Corp	3,777,324	0.43%
Zoetis Inc	3,740,569	0.43%
Taiwan Stock Exchange	3,719,970	0.42%
Tencent Holdings Limited	3,695,012	0.42%
Vivo Capital, LLC	3,683,138	0.42%
Heineken NV	3,667,158	0.42%
Eclat Textile Co Ltd	3,655,560	0.42%
Makalot Industrial Co Ltd	3,639,316	0.41%
CLP Power Hong Kong Financing Ltd	3,619,628	0.41%

(Continued)

Name	Total amount of aggregate lending, guarantee or other transactions	% of net asset value of financial holding company
Hua Nan Investment Trust Corp	3,595,628	0.41%
Bright Smart Securities International (HK) Limited	3,589,300	0.41%
Oneness Biotech Co., Ltd.	3,570,919	0.41%
Gazprom PJSC Via Gaz Capital SA	3,555,263	0.41%
McDonald's Corp	3,551,950	0.40%
Shin Kong Investment Trust Co Ltd	3,541,071	0.40%
Walsin Technology Corp	3,538,347	0.40%
Link Finance (Cayman) 2009 Limited	3,535,350	0.40%
Dow Chemical Company	3,518,922	0.40%
Baker Hughes a GE Co LLC/B H Co-Obligor	3,512,608	0.40%
UBS Group AG	3,512,130	0.40%
Marathon Petroleum Corp	3,503,235	0.40%
Fubon No.1 Real Estate Investment Trust Fund	3,501,464	0.40%
Blackstone Management Partners L.L.C.	3,497,083	0.40%
HongKong Electric Finance Ltd	3,486,581	0.40%
United States of America	3,485,171	0.40%
Dah Chung Bills Finance Corp	3,463,189	0.39%
PTTEP Treasury Center Co Ltd	3,419,710	0.39%
Chevron Corp	3,416,802	0.39%
International Finance Corporation	3,407,214	0.39%
Petrobras Global Finance BV	3,405,805	0.39%
Corning Incorporated	3,398,023	0.39%
CIMB Bank Berhad	3,382,730	0.39%
United Strength Element Limited	3,375,752	0.38%
Hung Pu Real Estate Development Co., Ltd.	3,367,753	0.38%
Taiwan Paiho Ltd	3,358,521	0.38%
New Taimall Global Company Pte Ltd	3,355,000	0.38%
Intesa Sanpaolo SpA	3,349,798	0.38%
Taiwan Cooperative Securities Investment Trust Co Ltd	3,344,391	0.38%
Valero Energy Corp	3,330,734	0.38%
King Yuan Electronics Co Ltd	3,330,145	0.38%
Sun Hung Kai Properties (Capital Market) Limited	3,318,947	0.38%
Delta Electronics Inc	3,260,137	0.37%
Intesa Sanpaolo Bank Ireland PLC	3,239,136	0.37%
Agricultural Bank of China	3,218,601	0.37%
Banco Bilbao Vizcaya Argentaria, S.A.	3,211,810	0.37%
KOOKMIN BANK	3,211,291	0.37%
HSBC Bank plc	3,206,674	0.37%
Blackstone Liquid Credit Strategies LLC	3,203,198	0.37%
Schroder International Selection Fund	3,167,495	0.36%
Taiwan Finance Corporation	3,164,780	0.36%
Uni-President Assets Management Corp	3,162,810	0.36%
Cheng Loong Corp	3,146,466	0.36%
Grand Bills Finance Corp	3,142,148	0.36%
The Philippines	3,102,945	0.35%
AIRPORT AUTHORITY HONG KONG	3,081,587	0.35%
PTTEP Canada International Finance Ltd	3,081,258	0.35%
FIH Mobile Limited	3,065,696	0.35%
Flexium Interconnect Inc	3,053,119	0.35%
Unimicron Technology Corp	3,041,916	0.35%

(Continued)

Name	Total amount of aggregate lending, guarantee or other transactions	% of net asset value of financial holding company
Lixil Corp	3,023,714	0.34%
Li Fu Investment Co Ltd	3,002,000	0.34%
UNITED OVERSEAS BANK LTD	3,000,673	0.34%
2. Same natural person and his/her spouse and relatives by blood within the second degree of kinship, as well as enterprises in which the principal or his/her spouse is the responsible person.		
Ho 000 000 and his/her related parties	27,172,267	3.10%
Huang 000 000 and his/her related parties	20,363,325	2.32%
Lin 000 000 and his/her related parties	18,722,647	2.13%
Hung 000 000 and his/her related parties	18,570,651	2.12%
Peng 000 000 and his/her related parties	16,148,995	1.84%
Chen Chang 000 000 and his/her related parties	12,976,239	1.48%
Chen 000 000 and his/her related parties	12,976,239	1.48%
Huang 000 000 and his/her related parties	12,591,467	1.44%
Sheng 000 000 and his/her related parties	12,587,985	1.44%
Chen 000 000 and his/her related parties	10,779,127	1.23%
Chen 000 000 and his/her related parties	10,599,406	1.21%
Chang 000 000 and his/her related parties	9,889,552	1.13%
Yang 000 000 and his/her related parties	9,653,186	1.10%
Sun 000 000 and his/her related parties	7,605,565	0.87%
Sung 000 000 and his/her related parties	6,267,583	0.71%
Chung 000 000 and his/her related parties	5,378,030	0.61%
Chang 000 000 and his/her related parties	5,369,105	0.61%
Hsu 000 000 and his/her related parties	5,352,217	0.61%
Hu 000 000 and his/her related parties	5,225,962	0.60%
Yang 000 000 and his/her related parties	5,218,139	0.59%
Lu 000 000 and his/her related parties	4,922,638	0.56%
Huang 000 000 and his/her related parties	4,901,317	0.56%
Yeh 000 000 and his/her related parties	4,716,429	0.54%
Yu 000 000 and his/her related parties	4,645,997	0.53%
Wang 000 000 and his/her related parties	4,642,173	0.53%
Cheng 000 000 and his/her related parties	4,441,889	0.51%
Lee 000 000 and his/her related parties	4,357,658	0.50%
Liu 000 000 and his/her related parties	4,048,348	0.46%
Liu 000 000 and his/her related parties	3,682,800	0.42%
Tuan 000 000 and his/her related parties	3,667,753	0.42%
Huang 000 000 and his/her related parties	3,393,894	0.39%
Lin 000 000 and his/her related parties	3,355,646	0.38%
3. Same affiliate		
The Central Government of the Republic of China and the supervisory	643,368,154	73.35%
Taiwan Semiconductor Manufacturing Company, Ltd. and its affiliates	159,390,554	18.17%
Yuanta Financial Holding Co Ltd and its affiliates	73,186,646	8.34%
JPMorgan Chase & Co. and its affiliates	71,092,771	8.11%
Allianz SE and its affiliates	62,560,051	7.13%
Capital Investment Trust Corporation and its affiliates	58,951,260	6.72%
Blackrock Inc and its affiliates	55,032,173	6.27%
Chinatrust Financial Holding Co Ltd and its affiliates	54,832,348	6.25%
Citigroup Inc and its affiliates	51,951,276	5.92%
AT&T Inc. and its affiliates	51,410,475	5.86%
Cathay Financial Holding Co Ltd and its affiliates	49,903,165	5.69%
Morgan Stanley and its affiliates	42,782,338	4.88%

(Continued)

Name	Total amount of aggregate lending, guarantee or other transactions	% of net asset value of financial holding company
HON HAI Precision Industry Co Ltd and its affiliates	41,791,778	4.76%
Goldman Sachs Group, Inc. and its affiliates	39,528,659	4.51%
Bank of America Corporation and its affiliates	39,065,394	4.45%
Taiwan Mobile Co Ltd and its affiliates	38,718,873	4.41%
AllianceBernstein Holding LP and its affiliates	38,306,590	4.37%
Wells Fargo & Co. and its affiliates	37,621,037	4.29%
Hua Nan Financial Holdings Co Ltd and its affiliates	37,025,301	4.22%
China Steel Corporation and its affiliates	35,812,251	4.08%
Mega Financial Holding Co Ltd and its affiliates	34,907,265	3.98%
Barclays plc and its affiliates	34,347,819	3.92%
Taishin Financial Holdings Co Ltd and its affiliates	33,512,579	3.82%
HSBC Holdings plc and its affiliates	32,959,805	3.76%
China Development Financial Holding Corp and its affiliates	32,935,688	3.75%
China Development Bank and its affiliates	32,042,265	3.65%
First Financial Holding Co Ltd and its affiliates	31,493,429	3.59%
Anheuser-Busch InBev NV and its affiliates	30,689,023	3.50%
Hong Kong Special Administrative Region Government and the supervisory authorities	30,560,948	3.48%
Credit Agricole SA and its affiliates	30,430,268	3.47%
United Microelectronics Corp and its affiliates	29,569,472	3.37%
Banco Santander S.A. and its affiliates	29,167,034	3.33%
Formosa Plastics Corporation and its affiliates	27,877,813	3.18%
Abu Dhabi Commercial Bank PJSC and its affiliates	27,502,983	3.14%
Republic of Korea and the supervisory authorities	27,431,637	3.13%
Mitsubishi UFJ Financial Group Inc and its affiliates	25,688,992	2.93%
Formosa Chemicals & Fibre Corp and its affiliates	24,841,931	2.83%
MediaTek Inc and its affiliates	24,622,569	2.81%
Deutsche Bank AG and its affiliates	24,305,794	2.77%
China Investment Corp and its affiliates	23,904,568	2.73%
BNP Paribas SA and its affiliates	23,509,910	2.68%
Qatar National Bank and its affiliates	23,390,413	2.67%
Bank of Nova Scotia and its affiliates	22,215,511	2.53%
BPCE SA and its affiliates	21,835,641	2.49%
Comcast Corporation and its affiliates	21,670,877	2.47%
Sino-American Silicon Products Inc and its affiliates	21,117,664	2.41%
Far Eastern New Century Corporation and its affiliates	20,394,639	2.33%
Societe Generale SA and its affiliates	20,371,981	2.32%
The Shanghai Commercial & Savings Bank Ltd and its affiliates	20,331,747	2.32%
CITIC Limited and its affiliates	20,163,206	2.30%
The Blackstone Group Inc and its affiliates	20,057,554	2.29%
E.Sun Financial Holding Co Ltd and its affiliates	19,573,106	2.23%
Taipei City Government and the supervisory authorities	19,203,759	2.19%
Uni-President Enterprises Corporation and its affiliates	18,761,307	2.14%
Sumitomo Mitsui Financial Group Inc and its affiliates	18,608,736	2.12%
Lloyds Banking Group plc and its affiliates	18,185,907	2.07%
National Australia Bank and its affiliates	18,175,238	2.07%
UBS Group AG and its affiliates	17,678,081	2.02%
Commonwealth Bank of Australia and its affiliates	17,613,994	2.01%
General Electric Company and its affiliates	17,543,223	2.00%
YFY Inc and its affiliates	17,516,929	2.00%

(Continued)

Name	Total amount of aggregate lending, guarantee or other transactions	% of net asset value of financial holding company
Fubon Financial Holding Co Ltd and its affiliates	16,167,538	1.84%
Nan Ya Plastics Corp and its affiliates	15,764,295	1.80%
Cooperatieve Rabobank U.A. and its affiliates	15,754,421	1.80%
Australia and New Zealand Banking Group Limited and its affiliates	15,646,688	1.78%
Banco Bilbao Vizcaya Argentaria, S.A. and its affiliates	15,542,563	1.77%
Duke Energy Corporation and its affiliates	15,204,443	1.73%
Fuh Hwa Securities Investment Trust Co Ltd and its affiliates	15,185,016	1.73%
Waterland Financial Holdings Co Ltd and its affiliates	15,089,243	1.72%
Walt Disney Co/The and its affiliates	14,982,188	1.71%
Royal Bank of Canada and its affiliates	14,414,458	1.64%
CK Hutchison Holdings Ltd and its affiliates	14,206,492	1.62%
AU Optronics Corp and its affiliates	14,007,671	1.60%
Yageo Corp and its affiliates	13,901,437	1.58%
State Street Corporation and its affiliates	13,900,649	1.58%
Evergreen Marine Corp Taiwan Ltd and its affiliates	13,738,399	1.57%
Macquarie Group Limited and its affiliates	13,557,477	1.55%
Saudi Arabian Oil Co and its affiliates	13,537,285	1.54%
Advanced Semiconductor Engineering Inc and its affiliates	13,533,027	1.54%
Taiwan Cooperative Financial Holding Co.,Ltd. and its affiliates	13,527,335	1.54%
Woori Finance Holdings Co Ltd and its affiliates	13,484,970	1.54%
Mizuho Financial Group, Inc. and its affiliates	13,379,631	1.53%
Westpac Banking Corporation and its affiliates	13,341,273	1.52%
Land Bank of Taiwan and its affiliates	13,337,098	1.52%
Taiwan Cement Corp. and its affiliates	12,845,945	1.46%
Royal Dutch Shell PLC and its affiliates	12,747,877	1.45%
Pertamina Persero PT and its affiliates	12,580,505	1.43%
Amazon.com Inc and its affiliates	12,531,791	1.43%
Kaohsiung City Government and the supervisory authorities	12,439,892	1.42%
Robeco Institutional Asset Management B.V. and its affiliates	12,403,991	1.41%
New Taipei City Government and the supervisory authorities	12,000,000	1.37%
Neuberger Berman Holdings LLC and its affiliates	11,972,024	1.36%
Bayer AG and its affiliates	11,902,518	1.36%
CPC Corporation, Taiwan and its affiliates	11,806,494	1.35%
Credit Suisse Group AG and its affiliates	11,477,586	1.31%
Chunghwa Telecom Co Ltd and its affiliates	11,467,757	1.31%
Nomura Holdings Inc and its affiliates	11,453,672	1.31%
China Orient Asset Management Corporation and its affiliates	11,386,442	1.30%
Win Semiconductors Corp and its affiliates	11,069,010	1.26%
Apple Inc. and its affiliates	10,992,913	1.25%
Shin Kong Financial Holding Co Ltd and its affiliates	10,922,127	1.25%
Quanta Computer Inc and its affiliates	10,767,882	1.23%
Perusahaan Perseroan Persero PT Perusahaan Listrik Negara and its	10,729,809	1.22%
Industrial and Commercial Bank of China and its affiliates	10,673,244	1.22%
WPG Holdings Co Ltd and its affiliates	10,531,384	1.20%
Prudential Financial, Inc. and its affiliates	10,492,349	1.20%
Berkshire Hathaway Inc and its affiliates	10,168,774	1.16%
AXA SA and its affiliates	9,941,453	1.13%
Synnex Technology International Corp and its affiliates	9,840,767	1.12%
United Parcel Service Inc and its affiliates	9,787,537	1.12%
Catcher Technology Co Ltd and its affiliates	9,776,942	1.11%

(Continued)

Name	Total amount of aggregate lending, guarantee or other transactions	% of net asset value of financial holding company
POU Chen Corp and its affiliates	9,659,754	1.10%
Home Depot Inc/The and its affiliates	9,646,279	1.10%
Manulife Financial Corp and its affiliates	9,487,036	1.08%
KKR & Co Inc and its affiliates	9,409,569	1.07%
Travelers Cos Inc/The and its affiliates	9,137,976	1.04%
ABN AMRO Bank N.V. and its affiliates	9,007,624	1.03%
Yang Ming Marine Transport Corp and its affiliates	8,953,442	1.02%
Phillips 66 and its affiliates	8,874,007	1.01%
SK Group and its affiliates	8,832,586	1.01%
TransCanada PipeLines Limited and its affiliates	8,754,651	1.00%
Express Scripts Holding Co and its affiliates	8,727,708	1.00%
Deutsche Telekom AG and its affiliates	8,654,563	0.99%
State Grid Corporation of China and its affiliates	8,640,698	0.99%
O-Bank Co Ltd and its affiliates	8,629,515	0.98%
China National Offshore Oil Corporation and its affiliates	8,473,970	0.97%
ING Groep NV and its affiliates	8,468,355	0.97%
Sun Hung Kai & Co Limited and its affiliates	8,392,252	0.96%
Conocophillips and its affiliates	8,193,881	0.93%
Pegatron Corporation and its affiliates	8,162,975	0.93%
China Petrochemical Corporation and its affiliates	7,986,298	0.91%
Waste Management Inc and its affiliates	7,982,473	0.91%
Vale S.A. and its affiliates	7,753,807	0.88%
CSX Corp and its affiliates	7,699,058	0.88%
Dominion Energy Inc and its affiliates	7,591,584	0.87%
Danaher Corp and its affiliates	7,579,815	0.86%
Chow Tai Fook Enterprises Limited and its affiliates	7,510,684	0.86%
Lite-On Technology Corporation and its affiliates	7,478,634	0.85%
Realtek Semiconductor Corp and its affiliates	7,322,755	0.83%
Compal Electronics Inc and its affiliates	7,079,892	0.81%
PTT PCL and its affiliates	7,022,822	0.80%
Cheng Shin Rubber Industry Co Ltd and its affiliates	6,925,143	0.79%
Kiwoom Securities Co Ltd and its affiliates	6,878,816	0.78%
Telefonica SA and its affiliates	6,863,737	0.78%
Standard Chartered PLC and its affiliates	6,848,186	0.78%
AirTAC Internaional Group and its affiliates	6,806,461	0.78%
Taiwan Financial Holdings Co Ltd and its affiliates	6,800,748	0.78%
T Rowe Price Group Inc and its affiliates	6,769,569	0.77%
Hotai Motor Co Ltd and its affiliates	6,659,210	0.76%
Chang Hwa Commercial Bank, Ltd. and its affiliates	6,653,276	0.76%
Pfizer Inc and its affiliates	6,634,492	0.76%
Malayan Banking Berhad and its affiliates	6,593,129	0.75%
Intesa Sanpaolo SpA and its affiliates	6,588,933	0.75%
AIA Group Ltd and its affiliates	6,524,148	0.74%
Chailease Holding Company Limited and its affiliates	6,421,828	0.73%
Wistron Corp and its affiliates	6,389,001	0.73%
LyondellBasell Industries NV and its affiliates	6,369,514	0.73%
Lotte Corporation and its affiliates	6,294,162	0.72%
Hana Financial Group Inc and its affiliates	6,252,641	0.71%
Shinhan Financial Group Co Ltd and its affiliates	6,179,633	0.70%
FIL Ltd and its affiliates	6,179,214	0.70%

(Continued)

Name	Total amount of aggregate lending, guarantee or other transactions	% of net asset value of financial holding company
MTR Corporation Limited and its affiliates	6,167,115	0.70%
Nien Made Enterprise Co Ltd and its affiliates	5,952,663	0.68%
DBS Group Holdings Ltd and its affiliates	5,869,130	0.67%
Innolux Corporation and its affiliates	5,838,258	0.67%
Korea Development Bank and its affiliates	5,835,415	0.67%
Chevron Corporation and its affiliates	5,826,985	0.66%
Hawaii Asia Holdings Limited and its affiliates	5,826,911	0.66%
Petroliam Nasional Berhad and its affiliates	5,796,856	0.66%
Siemens AG and its affiliates	5,783,094	0.66%
Vingroup Joint Stock Company and its affiliates	5,713,343	0.65%
Microbio Co Ltd and its affiliates	5,663,416	0.65%
Bank of East Asia Limited and its affiliates	5,576,285	0.64%
Korea Electric Power Corporation and its affiliates	5,559,033	0.63%
Taichung City Government and the supervisory authorities	5,500,000	0.63%
Two Sigma and its affiliates	5,493,324	0.63%
Qisda Corporation and its affiliates	5,449,606	0.62%
Jardine Matheson Holdings Ltd and its affiliates	5,389,765	0.61%
Asustek Computer Inc and its affiliates	5,334,334	0.61%
Novartis AG and its affiliates	5,279,914	0.60%
Walsin Technology Corp and its affiliates	5,221,347	0.60%
CLP Holdings Ltd and its affiliates	5,164,503	0.59%
Republic of Singapore and the supervisory authorities	5,118,071	0.58%
Sinochem Group and its affiliates	5,072,483	0.58%
Legend Holdings Corp and its affiliates	5,059,209	0.58%
Lowe's Companies Inc. and its affiliates	5,037,843	0.57%
Formosa Petrochemical Corp and its affiliates	4,971,158	0.57%
Phison Electronics Corporation and its affiliates	4,944,197	0.56%
Walgreens Boots Alliance Inc and its affiliates	4,918,199	0.56%
KB Financial Group Inc and its affiliates	4,911,828	0.56%
Sun Hung Kai Properties Limited and its affiliates	4,899,054	0.56%
Hung Tai Construction Co Ltd and its affiliates	4,870,130	0.56%
Haitong Securities Co Ltd and its affiliates	4,844,768	0.55%
Zurich Insurance Group AG and its affiliates	4,826,704	0.55%
SINBON Electronics Co Ltd and its affiliates	4,730,364	0.54%
Macronix International Co Ltd and its affiliates	4,720,501	0.54%
Walmart Inc and its affiliates	4,667,563	0.53%
Temasek Holdings Pte Ltd and its affiliates	4,654,303	0.53%
American International Group, Inc. and its affiliates	4,625,293	0.53%
China Merchants Bank Co., Limited and its affiliates	4,524,506	0.52%
Swire Pacific Limited and its affiliates	4,490,564	0.51%
Bank of Communications and its affiliates	4,348,276	0.50%
Fujitsu Ltd. and its affiliates	4,304,042	0.49%
Kraft Heinz Company and its affiliates	4,282,776	0.49%
Taiwan Broadband Communications Company Ltd and its affiliates	4,248,046	0.48%
Tencent Holdings Limited and its affiliates	4,246,518	0.48%
International Games System Co Ltd and its affiliates	4,243,070	0.48%
Wisdom Marine Lines Co Limited and its affiliates	4,233,767	0.48%
NextEra Energy Inc and its affiliates	4,220,606	0.48%
Yulon Motor Co Ltd and its affiliates	4,197,044	0.48%
Highwealth Construction Corp. and its affiliates	4,179,842	0.48%

(Continued)

Name	Total amount of aggregate lending, guarantee or other transactions	% of net asset value of financial holding company
Chang Wah Electronmaterials Inc and its affiliates	4,175,110	0.48%
NH Investment and Securities Co Ltd and its affiliates	4,170,449	0.48%
Yip Mow Lum Group and its affiliates	4,023,498	0.46%
Bridge Investment Group Holdings and its affiliates	4,000,682	0.46%
CTCI Corp and its affiliates	4,000,424	0.46%
Aerospace Industrial Development Corporation and its affiliates	3,966,093	0.45%
International Finance Corporation and its affiliates	3,964,937	0.45%
Taiwan Business Bank and its affiliates	3,955,986	0.45%
Samsung Electronics Co Ltd and its affiliates	3,936,427	0.45%
Link Real Estate Investment Trust and its affiliates	3,933,097	0.45%
Cisco Systems Inc. and its affiliates	3,886,177	0.44%
Wan Hai Lines Ltd and its affiliates	3,864,509	0.44%
Marathon Petroleum Corp and its affiliates	3,815,649	0.44%
Taiwan Paiho Ltd and its affiliates	3,770,317	0.43%
TotalEnergies SE and its affiliates	3,716,717	0.42%
Far East Consortium International Limited and its affiliates	3,666,460	0.42%
Baker Hughes Co and its affiliates	3,661,487	0.42%
Eclat Textile Co Ltd and its affiliates	3,655,560	0.42%
OJSC Gazprom and its affiliates	3,555,263	0.41%
United States of America and the supervisory authorities	3,539,110	0.40%
Cheng Loong Corp and its affiliates	3,521,465	0.40%
Simon Property Group Inc and its affiliates	3,457,250	0.39%
Li Fu Investment Co Ltd and its affiliates	3,437,010	0.39%
Petroleo Brasileiro S.A. and its affiliates	3,405,805	0.39%
King Yuan Electronics Co Ltd and its affiliates	3,400,377	0.39%
Corning Incorporated and its affiliates	3,398,023	0.39%
CIMB Group and its affiliates	3,382,730	0.39%
Fortuna Development Corporation and its affiliates	3,372,258	0.38%
Hung Pu Real Estate Development Corp and its affiliates	3,367,753	0.38%
Eternal Chemical Co., Ltd. and its affiliates	3,358,218	0.38%
New Taimall Global Company Pte Ltd and its affiliates	3,355,000	0.38%
Chang Yih Construction Co Ltd and its affiliates	3,338,000	0.38%
CMC Inc and its affiliates	3,288,192	0.37%
Schroders Group and its affiliates	3,274,595	0.37%
Delta Electronics Inc and its affiliates	3,260,137	0.37%
Unimicron Technology Corp and its affiliates	3,235,500	0.37%
Brookfield Asset Management Inc and its affiliates	3,228,483	0.37%
Agricultural Bank of China and its affiliates	3,218,601	0.37%
Kerry Logistics Network Limited and its affiliates	3,197,187	0.36%
Lei Shing Hong Limited and its affiliates	3,136,585	0.36%
Kinder Morgan Inc and its affiliates	3,117,702	0.36%
Chubb Ltd and its affiliates	3,113,535	0.35%
Flexium Interconnect Inc and its affiliates	3,067,817	0.35%
Vanguard Group Inc/The and its affiliates	3,060,573	0.35%