

(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 Years Ended December 31, 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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Representation Letter

The entities that are required to be included in the combined financial statements of Fubon Financial Holding Co., Ltd. as of and for the year ended December 31, 2021 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 endorsed and issued into effect by the Financial Supervisory Commission, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Fubon Financial Holding Co., Ltd. and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: Fubon Financial Holding Co., Ltd.

Chairman: Richard M. Tsai

Date: March 10, 2022



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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 December 31, 2021 and 2020, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and cash flows for the years ended December 31, 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 December 31, 2021 and 2020, and their consolidated financial performance and their consolidated cash flows for the years ended December 31, 2021 and 2020, in accordance with the “Regulations Governing the Preparation of Financial Reports by Financial Holding Companies” and with the International Financial Reporting Standards (“IFRSs”), International Accounting Standards (“IASs”), Interpretations developed by the International Financial Reporting Interpretations Committee (“IFRIC”) or the former Standing Interpretations Committee (“SIC”) endorsed and issued into effect 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 year ended December 31, 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 (ah) “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 (ai) “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 (i) “Discounts and loans” and Note 6 (aj) “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 (o) “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 (r) “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:

- Inspected cash flow forecasts, which include evaluating whether the prediction method and discount rate applied by the management are reasonable, as well as comparing the applied discount rate to external information.
- 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 The 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 IFRSs, IASs, IFRC, SIC endorsed and issued into effect 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 year ended December 31, 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)
March 10, 2022

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.

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.

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

Consolidated Balance Sheets

December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

Assets	December 31, 2021		December 31, 2020			December 31, 2021		December 31, 2020			
	Amount	%	Amount	%		Amount	%	Amount	%		
11000	Cash and cash equivalents (notes 6(a) and 8)	\$ 284,688,160	3	274,648,375	3	21000	Deposits from the central bank and banks	\$ 187,098,187	2	154,158,317	2
11500	Due from the central bank and call loans to banks (notes 6(b) and 8)	369,864,008	4	298,287,914	3	21500	Due to the central bank and banks	13,578,776	-	6,965,030	-
12000	Financial assets measured at fair value through profit or loss (notes 6(c) and 8)	1,608,926,656	15	1,388,709,524	15	22000	Financial liabilities measured at fair value through profit or loss (note 6(c))	45,082,336	-	64,412,834	1
12150	Financial assets measured at fair value through other comprehensive income (notes 6(d) and 8)	1,079,516,442	10	944,267,445	10	22300	Financial liabilities for hedging (note 6(f))	9,956,216	-	12,732,722	-
12200	Debt investments measured at amortized cost (notes 6(e) and 8)	3,171,801,140	30	2,821,061,322	31	22500	Securities sold under repurchase agreements (note 6(t))	166,010,990	2	125,031,393	1
12300	Financial assets for hedging (note 6(f))	3,074,240	-	6,889,006	-	22600	Commercial papers issued, net (note 6(u))	29,441,270	-	43,737,971	1
12500	Securities purchased under resell agreements (note 6(g))	73,886,321	1	128,609,254	1	23000	Payables (note 6(v))	196,749,294	2	136,025,909	2
13000	Receivables, net (note 6(h))	255,321,792	3	205,449,786	2	23200	Current tax liabilities	18,076,996	-	13,302,125	-
13200	Current tax assets	1,739,474	-	1,411,871	-	23500	Deposits and remittances (note 6(w))	3,356,054,476	32	2,702,569,379	29
13500	Discounts and loans, net (note 6(i))	2,503,882,694	24	2,120,803,572	23	24000	Bonds payable (note 6(x))	266,168,615	3	269,517,288	3
13700	Reinsurance contract assets, net (note 6(j))	29,309,719	-	25,358,932	-	24400	Other borrowings (notes 6(y) and 8)	1,270,866	-	1,403,553	-
15000	Investments accounted for using equity method, net (note 6(k))	35,937,490	-	33,976,673	-	24600	Provisions (note 6(z))	4,485,442,224	43	4,283,877,294	46
15500	Other financial assets, net (notes 6(n) and 8)	562,842,570	5	508,726,611	6	25500	Other financial liabilities (notes 6(n) and (aa))	609,441,656	6	549,633,626	6
18000	Investment property, net (notes 6(o) and 8)	303,052,029	3	303,764,792	4	26000	Lease liabilities (note 6(q))	21,477,286	-	21,273,724	-
18500	Property and equipment, net (notes 6(p) and 8)	65,372,933	1	58,089,952	1	29300	Deferred tax liabilities (note 6(ac))	27,306,911	-	31,435,452	-
18600	Right-of-use assets, net (note 6(q))	10,051,706	-	6,754,636	-	29500	Other liabilities (note 6(ab))	82,734,730	1	51,593,242	1
19000	Intangible assets, net (note 6(r))	33,848,605	-	33,169,730	-		Total liabilities	9,515,890,829	91	8,467,669,859	92
19300	Deferred tax assets (note 6(ac))	32,087,405	-	28,717,889	-		Equity attributable to owners of parent (note 6(ad)):				
19500	Other assets, net (notes 6(s) and 8)	74,529,942	1	55,755,371	1		Share capital:				
						31101	Common stock	118,049,644	1	102,336,040	1
						31103	Preferred stock	15,999,900	-	12,666,600	-
							Total share capital	<u>134,049,544</u>	<u>1</u>	<u>115,002,640</u>	<u>1</u>
						31500	Capital surplus	<u>173,363,019</u>	<u>2</u>	<u>137,665,154</u>	<u>1</u>
							Retained earnings:				
						32001	Legal reserve	76,665,185	1	68,437,923	1
						32003	Special reserve	29,125,366	-	31,566,980	-
						32011	Undistributed earnings	<u>372,901,683</u>	<u>4</u>	<u>269,819,166</u>	<u>3</u>
							Total retained earnings	<u>478,692,234</u>	<u>5</u>	<u>369,824,069</u>	<u>4</u>
						32500	Total other equity interest	163,464,512	1	140,377,046	2
							Total equity attributable to owners of parent	<u>949,569,309</u>	<u>9</u>	<u>762,868,909</u>	<u>8</u>
						39500	Non-controlling interests (notes 6(m) and (ad))	<u>34,273,188</u>	<u>-</u>	<u>13,913,887</u>	<u>-</u>
							Total equity	<u>983,842,497</u>	<u>9</u>	<u>776,782,796</u>	<u>8</u>
Total assets		\$ 10,499,733,326	100	9,244,452,655	100		Total liabilities and equity	\$ 10,499,733,326	100	9,244,452,655	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 Statements of Comprehensive Income

For the years ended December 31, 2021 and 2020

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

	2021		2020		Change %
	Amount	%	Amount	%	
41000 Interest revenue (note 6(ag))	\$ 168,724,610	35	170,366,798	36	(1)
51000 Less: Interest expenses (note 6(ag))	25,252,957	5	33,072,499	7	(24)
Net interest revenue	143,471,653	30	137,294,299	29	4
Net non-interest revenue					
49800 Net service charge and commissions (note 6(ag))	7,627,866	2	(5,572,988)	(1)	237
49810 Net income of insurance operations (note 6(ag))	160,920,236	33	238,047,263	50	(32)
49820 Gains on financial assets or liabilities measured at fair value through profit or loss (note 6(c))	219,505,298	45	223,491,401	47	(2)
49825 Gains on investment property	6,357,062	1	2,326,012	-	173
49835 Realized gains on financial assets measured at fair value through other comprehensive income (note 6(d))	21,048,187	4	21,478,859	5	(2)
49850 Gains arising from derecognition of financial assets measured at amortized cost (note 6(e))	10,055,561	2	9,730,070	2	3
49870 Foreign exchange losses	(22,224,211)	(4)	(85,190,138)	(18)	74
49880 Impairment losses on assets	(340,851)	-	(397,176)	-	14
49890 Share of profit of associates and joint ventures accounted for using equity method (note 6(k))	1,579,969	-	807,865	-	96
49898 Profits or losses reclassified by applying overlay approach (note 6(c))	(66,496,296)	(14)	(68,688,896)	(14)	3
49900 Net other non-interest revenue (note 6(l))	4,327,703	1	3,179,514	-	36
Net revenue	485,832,177	100	476,506,085	100	2
58100 Bad debt expenses and guarantee liability provisions	(4,587,597)	(1)	(4,372,045)	(1)	5
58300 Net change in provisions for insurance liabilities (note 6(ag))	(243,782,313)	(50)	(306,374,131)	(64)	(20)
Operating expenses:					
58501 Employee benefits expenses (note 6(ag))	(42,479,152)	(9)	(35,316,338)	(7)	20
58503 Depreciation and amortization expenses (note 6(ag))	(6,650,017)	(1)	(6,288,996)	(1)	6
58599 Other general and administrative expenses (notes 6(l) and 6(ag))	(22,743,699)	(5)	(21,026,663)	(5)	8
Total operating expenses	(71,872,868)	(15)	(62,631,997)	(13)	15
Net income before tax from continuing operations	165,589,399	34	103,127,912	22	61
61003 Less: Income tax expenses (note 6(ac))	18,354,467	4	12,156,235	3	51
Net income	147,234,932	30	90,971,677	19	62
69500 Other comprehensive income (losses):					
69560 Items not to be reclassified to profit or loss					
69561 Losses on remeasurements of defined benefit plans	(39,341)	-	(743,897)	-	95
69562 Revaluation gains on property	125,362	-	282,436	-	(56)
69567 Unrealized gains (losses) on equity instruments measured at fair value through other comprehensive income	4,042,391	1	(2,140,838)	-	289
69569 Income tax related to items not to be reclassified to profit or loss (note 6(ac))	633,179	-	1,469,029	-	(57)
Subtotal of items not to be reclassified to profit or loss	4,761,591	1	(1,133,270)	-	520
69570 Items that may be subsequently reclassified to profit or loss					
69571 Exchange differences on translation of foreign operations	(9,377,130)	(2)	(2,989,481)	(1)	(214)
69581 Gains (losses) on financial instruments for hedging	(534,471)	-	489,362	-	(209)
69583 Unrealized gains (losses) on debt instruments measured at fair value through other comprehensive income	(46,088,529)	(10)	29,031,825	7	(259)
69575 Share of other comprehensive income of associates and joint ventures accounted for using equity method - items that may be subsequently reclassified to profit or loss	(437,098)	-	890,750	-	(149)
69590 Other comprehensive income reclassified by applying overlay approach	66,496,296	14	68,688,896	14	(3)
69579 Income tax related to items that may be subsequently reclassified to profit or loss (note 6(ac))	3,740,951	1	(6,199,486)	(1)	160
Subtotal of items that may be subsequently reclassified to profit or loss	13,800,019	3	89,911,866	19	(85)
69500 Other comprehensive income	18,561,610	4	88,778,596	19	(79)
Total comprehensive income	\$ 165,796,542	34	179,750,273	38	(8)
Consolidated net income attributable to:					
69901 Owners of parent	\$ 144,559,046	29	90,272,445	19	60
69903 Non-controlling interests	2,675,886	1	699,232	-	283
	\$ 147,234,932	30	90,971,677	19	
Total comprehensive income attributable to:					
69951 Owners of parent	\$ 165,196,199	34	177,902,601	38	(7)
69953 Non-controlling interests	600,343	-	1,847,672	-	(68)
	\$ 165,796,542	34	179,750,273	38	
Basic earnings per share (in New Taiwan Dollars) (note 6(ae))	\$ 12.49		7.76		

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

Consolidated Statements of Changes in Equity

For the years ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent								Total other equity interest									
	Share capital			Capital surplus	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	Total equity attributable to owners of parent	Non-controlling interests	Total equity	
	Common stock	Preferred stock	Total		Legal reserve	Special reserve	Undistributed earnings	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	-	-	-	-	-	-	90,272,445	90,272,445	-	-	-	-	-	-	-	90,272,445	699,232	90,971,677
Other comprehensive income	-	-	-	-	-	-	(590,409)	(590,409)	(2,837,034)	23,179,058	391,490	253,675	67,233,376	88,220,565	-	87,630,156	1,148,440	88,778,596
Total comprehensive income	-	-	-	-	-	-	89,682,036	89,682,036	(2,837,034)	23,179,058	391,490	253,675	67,233,376	88,220,565	-	177,902,601	1,847,672	179,750,273
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	-	-	-	604,228	-	-	-	-	-	-	-	-	-	-	-	604,228	154,034	758,262
Disposal of investments in equity instruments measured at fair value through other comprehensive income	-	-	-	-	-	-	(7,475,137)	(7,475,137)	-	7,475,137	-	-	-	7,475,137	-	-	-	-
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)
Disposal of investment property	-	-	-	-	-	-	94,548	94,548	-	-	-	(94,548)	-	(94,548)	-	-	-	-
Balance at December 31, 2020	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	-	-	-	-	-	-	144,559,046	144,559,046	-	-	-	-	-	-	-	144,559,046	2,675,886	147,234,932
Other comprehensive income	-	-	-	-	-	-	17,007	17,007	(7,113,413)	(34,225,339)	(433,879)	127,960	62,264,817	20,620,146	-	20,637,153	(2,075,543)	18,561,610
Total comprehensive income	-	-	-	-	-	-	144,576,053	144,576,053	(7,113,413)	(34,225,339)	(433,879)	127,960	62,264,817	20,620,146	-	165,196,199	600,343	165,796,542
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	-	-	-	22,543	-	-	-	-	-	-	-	-	-	-	-	22,543	-	22,543
Issue of shares	5,480,000	3,333,300	8,813,300	43,416,780	-	-	-	-	-	-	-	-	-	-	-	52,230,080	-	52,230,080
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	-	-	-	316,695	-	-	-	-	-	-	-	-	-	-	773,093	1,089,788	791,484	1,881,272
Adjustments of capital surplus for company's cash dividends received by subsidiaries	-	-	-	36,973	-	-	-	-	-	-	-	-	-	-	-	36,973	29,180	66,153
Changes in ownership interests in subsidiaries	-	-	-	1,287,082	-	-	(10,997)	(10,997)	(319,745)	436,344	-	-	273,416	390,015	(53,595)	1,612,505	(1,675,619)	(63,114)
Share-based payments	-	-	-	851,396	-	-	-	-	-	-	-	-	-	-	-	851,396	13	851,409
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	21,233,049	21,233,049
Disposal of investments in equity instruments measured at fair value through other comprehensive income	-	-	-	-	-	-	(2,180,833)	(2,180,833)	-	2,180,833	-	-	-	2,180,833	-	-	-	-
Disposal of investment properties	-	-	-	-	-	-	100,740	100,740	-	-	-	(100,740)	-	(100,740)	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	(2,788)	-	-	-	(2,788)	-	(2,788)	(2,579)	(5,367)
Balance at December 31, 2021	\$ 118,049,644	15,999,900	134,049,544	173,363,019	76,665,185	29,125,366	372,901,683	478,692,234	(26,871,549)	10,059,931	322,363	2,451,220	177,502,547	163,464,512	-	949,569,309	34,273,188	983,842,497

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

Consolidated Statements of Cash Flows
For the years ended December 31, 2021 and 2020
(Expressed in Thousands of New Taiwan Dollars)

	2021	2020
Cash flows from (used in) operating activities:		
Income before income tax	\$ 165,589,399	103,127,912
Adjustments:		
Adjustments to reconcile profit or loss:		
Depreciation expenses	5,077,748	4,917,836
Amortization expenses	1,572,269	1,371,160
Allowance on bad debts	4,579,960	4,241,414
Net gain on financial assets or liabilities at fair value through profit or loss	(52,899,812)	(85,177,114)
Interest expenses	25,252,957	33,072,499
Interest income	(168,724,610)	(170,366,798)
Dividend income	(38,714,298)	(39,774,789)
Net change in insurance liabilities	243,820,625	312,975,728
Net change in provisions for guarantee liabilities	(7,822)	(24,778)
Net change in other provisions	1,997,563	(4,644,042)
Share-based payments	851,409	-
Share of profit of associates and joint ventures accounted for using equity method	(1,589,266)	(943,267)
Loss reclassified by applying overlay approach	66,496,296	68,688,896
Loss on disposal of property and equipment	293,074	19,356
Gain on disposal of investment properties	(88,556)	(30,517)
Gain on disposal of investments	(129,445,534)	(85,796,382)
Loss on disposal of investments accounted for using equity method	6,102	135,402
Impairment loss on financial assets	294,233	422,238
Impairment loss (reversal gain) on non-financial assets	60,269	(25,062)
Unrealized foreign exchange loss	9,342,265	58,394,748
Loss on fair value adjustment of investment property	328,238	3,864,098
Other adjustments	(1,743,089)	(88,301)
Subtotal of adjustments to reconcile profit or loss	<u>(33,239,979)</u>	<u>101,232,325</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Decrease (increase) in due from the central bank and call loans to banks	(6,172,671)	27,297,679
Decrease (increase) in financial assets for hedging and measured at fair value through profit or loss	(63,488,983)	166,810,907
Increase in financial assets measured at fair value through other comprehensive income	(88,189,584)	(176,114,189)
Increase in investments in debt instruments measured at amortized cost	(345,424,122)	(304,113,985)
Increase in securities purchased under agreements to resell	(2,165,702)	(198,776)
Increase in receivables	(21,491,778)	(7,057,676)
Increase in discounts and loans	(233,254,433)	(164,872,338)
Decrease (increase) in reinsurance assets	(1,665,444)	146,311
Increase in other financial assets	(6,011,933)	(13,333,350)
Increase in other assets	(18,068,987)	(12,184,641)
Subtotal of changes in operating assets	<u>(785,933,637)</u>	<u>(483,620,058)</u>
Changes in operating liabilities:		
Increase in due to the central bank and banks	23,853,336	5,203,451
Increase (decrease) in financial liabilities for hedging and measured at fair value through profit or loss	(19,624,589)	28,872,784
Increase (decrease) in securities sold under repurchase agreement	14,335,111	(58,972,632)
Increase (decrease) in payables	45,857,567	(14,205,664)
Increase in deposits and remittances	429,975,659	155,620,144
Decrease in provisions	(949,749)	(820,430)
Increase in other financial liabilities	5,691,836	57,648,500
Increase (decrease) in other liabilities	29,650,064	(1,748,446)
Subtotal of changes in operating liabilities	<u>528,789,235</u>	<u>171,597,707</u>
Subtotal of all adjustments	<u>(290,384,381)</u>	<u>(210,790,026)</u>

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

Consolidated Statements of Cash Flows (CONT'D)

For the years ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	<u>2021</u>	<u>2020</u>
Cash outflow generated from operations	\$ (124,794,982)	(107,662,114)
Interest received	160,970,139	158,936,383
Dividends received	38,899,072	40,400,795
Interest paid	(24,971,546)	(34,514,736)
Income taxes paid	(17,656,212)	(6,292,033)
Net Cash flows from operating activities	<u>32,446,471</u>	<u>50,868,295</u>
Cash flows from (used in) investing activities:		
Acquisition of investments accounted for using equity method	(1,434,179)	(4,081,546)
Net cash flow from acquisition of subsidiaries	(616,214)	-
Proceeds from disposal of subsidiaries	(6,220)	-
Proceeds from capital reduction of investments accounted for using equity method	60,547	-
Acquisition of property and equipment	(2,870,841)	(3,891,151)
Proceeds from disposal of property and equipment	475	4,999
Acquisition of intangible assets	(745,421)	(760,090)
Acquisition of investment properties	(6,067,881)	(58,610,754)
Proceeds from disposal of investment properties	284,225	162,345
Other investing activities	141,550	(25,550)
Net cash flows used in investing activities	<u>(11,253,959)</u>	<u>(67,201,747)</u>
Cash flows from (used in) financing activities:		
Increase in due to the central bank and banks	6,497,839	6,965,030
Increase (decrease) in commercial papers payable	(25,224,748)	14,827,204
Proceeds from issuing bonds	15,834,864	41,623,873
Repayments of bonds	(15,405,035)	(14,304,000)
Proceeds from issuing bank financial debentures	19,907,289	41,553,459
Repayments of bank financial debentures	(22,741,511)	(44,572,376)
Decrease in other borrowings	(132,687)	(527,586)
Repayments of lease liabilities	(3,498,908)	(3,006,926)
Cash dividends paid	(33,550,645)	(23,383,194)
Proceeds from issuing shares	52,230,080	-
Payments to acquire treasury shares	(72,609)	-
Proceeds from sale of treasury shares	1,881,272	-
Change in non-controlling interests	(637,045)	-
Other financing activities	(63,114)	-
Net cash flows from (used in) financing activities	<u>(4,974,958)</u>	<u>19,175,484</u>
Effect of exchange rate changes on cash and cash equivalents	(3,833,580)	(3,868,375)
Net increase (decrease) in cash and cash equivalents	12,383,974	(1,026,343)
Cash and cash equivalents at beginning of period	491,035,150	492,061,493
Cash and cash equivalents at end of period	<u>\$ 503,419,124</u>	<u>491,035,150</u>
Composition of cash and cash equivalents:		
Cash and cash equivalents reported in the statement of financial position	\$ 284,688,160	274,648,375
Due from the central bank and call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7	147,209,121	87,976,297
Securities purchased under resell agreements qualifying for cash and cash equivalents under the definition of IAS 7	71,521,843	128,410,478
Cash and cash equivalents at end of period	<u>\$ 503,419,124</u>	<u>491,035,150</u>

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

Notes to the Consolidated Financial Statements

For the years ended December 31, 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.

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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 March 10, 2022, 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' s 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 comparatives for the prior periods to reflect the application of these amendments. There is no impact on its 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 IFRS Standards. These reliefs relate to modifications of financial instruments and lease contracts or hedging relationships triggered by a replacement of a benchmark interest rate in a contract with a new alternative benchmark rate.

If the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortized cost changed as a result of interest rate benchmark reform, then the Company and its subsidiaries will 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.

When changes were made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, the Company and its subsidiaries first updated the effective interest rate of the financial asset or financial liability to reflect the change that is required by interest rate benchmark reform. Thereafter, the Company and its subsidiaries will apply policies on accounting for modifications to the additional changes.

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 temporary exceptions from certain hedge accounting requirements when a change required by interest rate benchmark reform occurs to a hedged item and/or hedging instrument that permits the hedging relationship to be continued without interruption. The Company and its subsidiaries applied the following reliefs as and when uncertainty arising from interest rate benchmark reform was no longer present with respect to the timing and amount of the interest rate benchmark-based cash flows of the hedged item or hedging instrument:

- the Company and its subsidiaries amended the designation of a hedging relationship to reflect changes that were required by the reform without discontinuing the hedging relationship; and
- when a hedged item in a cash flow hedge was amended to reflect the changes that were required by the reform, the amount accumulated in the cash flow hedge reserve will be deemed to be based on the alternative benchmark rate on which the hedged future cash flows are determined.

The details of the accounting policies and financial risk management are disclosed in Note 4(f) and Note 6(aj).

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

(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 assess that the adoption of the following new amendments, effective for annual period beginning on January 1, 2022, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS 16 “Property, Plant and Equipment – Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts – Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018–2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”

(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:

Standards or Interpretations	Content of amendment	Effective date per IASB
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

(Continued)

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

<u>Standards or Interpretations</u>	<u>Content of amendment</u>	<u>Effective date per IASB</u>
Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information “	The amendment adds a new transition option to IFRS 17 (the ‘ classification overlay’) to alleviate accounting mismatches in comparative information between insurance contract liabilities and related financial assets on the initial application of IFRS 17. It allows presentation of comparative information about financial assets to be presented in a manner that is more consistent with IFRS 9 Financial Instruments.	January 1, 2023

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" (hereinafter referred to as “the Regulations”) and the IFRSs, International Accounting Standards (IASs), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the FSC.

(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).

(Continued)

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

(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.

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.

When the Company and its subsidiaries lose control over a subsidiary, it derecognizes the assets (including any goodwill) and liabilities of the subsidiary, and any related non-controlling interests and other components of equity. Any interest retained in the former subsidiary is measured at fair value when control is lost, with the resulting gain or loss being recognized in profit or loss. The Company and its subsidiaries recognize as gain or loss in profit or loss the difference between (i) the fair value of the consideration received as well as any investment retained in the former subsidiary at its fair value at the date when control is lost; and (ii) the assets (including any goodwill), liabilities of the subsidiary as well as any related non-controlling interests at their carrying amounts at the date when control is lost, as gain or loss in profit or loss. When the Company and its subsidiaries lose control of its subsidiary, it accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if it had directly disposed of the related assets or liabilities.

(Continued)

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

(ii) List of subsidiaries in the consolidated financial statements

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

<u>Name of Investor</u>	<u>Subsidiary</u>	<u>Main Activities</u>	<u>Percentage of Ownership (%)</u>	
			<u>December 31, 2021</u>	<u>December 31, 2020</u>
The Company	Fubon Insurance	Property and casualty insurance	100.00 %	100.00 %
The Company	Taipei Fubon Bank	Banking	100.00 %	100.00 %
The Company	Fubon Life Insurance	Life insurance	100.00 %	100.00 %
The Company	Fubon Securities	Securities business	100.00 %	100.00 %
The Company	Fubon Marketing	Marketing management	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 %
The Company	Fubon Bank (Hong Kong)	Banking	100.00 %	100.00 %
The Company	Fubon AMC	Creditor's rights management	100.00 %	100.00 %
The Company	Taiwan Sport Lottery (Note 1)	IT Software service	100.00 %	100.00 %
The Company	Fubon Asset Management	Investment trust	100.00 %	100.00 %
The Company	JihSun Financial Holding (Note 2 and Note 3)	Financial Holding	58.39 %	- %
The Company and Taipei Fubon Bank	Fubon Bank (China)	Banking	100.00 %	100.00 %
Taipei Fubon Bank	TFB Capital	Venture Capital	100.00 %	100.00 %
Fubon Securities	Fubon Futures	Futures	100.00 %	100.00 %
Fubon Securities	Fubon Investment Service	Investment Service	100.00 %	100.00 %
Fubon Securities	Fubon investment holding BVI (originally called Fubon securities BVI) (Note 4)	Investment Holding	100.00 %	100.00 %
Fubon Securities	Fubon Securities Venture Capital	Venture Capital	100.00 %	100.00 %
Fubon Securities	Xiamen Fubon Securities Equity Investment (Note 5)	Equity Investment	- %	100.00 %
Fubon Securities	Fubon Mintou Venture Capital	Venture Capital	67.00 %	67.00 %
Fubon Securities	Fubon Macquarie Infrastructure Asset Management (Note 6)	Asset Management	- %	100.00 %
Fubon investment holding BVI	Fubon Securities (Hong Kong)	Securities business	100.00 %	100.00 %
Fubon Asset Management	Fubon Convoy Asset Management (Hong Kong) (Note 7)	Asset Management	- %	49.00 %
Fubon Asset Management	Fubon Private Equity	Investment and investment service management	100.00 %	100.00 %

(Continued)

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>December 31, 2021</u>	<u>December 31, 2020</u>
Fubon Asset Management	Fubon Fund Management (Hong Kong)	Asset Management	100.00 %	100.00 %
Fubon Private Equity	Fubon Digital Music Asset Management (Note 8)	Venture Capital	51.00 %	100.00 %
Fubon Digital Music Asset Management	Fubon Digital Music GP Limited (Note 9)	General Partner of Private Equity	100.00 %	- %
Fubon Insurance	Fubon Insurance (Vietnam)	Insurance business	100.00 %	100.00 %
Fubon Insurance	Fubon Insurance Broker (Thailand) (Note 10)	Insurance Broker	48.97 %	48.97 %
Fubon Insurance	Fubon Insurance Broker (Philippines)	Insurance Broker	99.99 %	99.99 %
Fubon Insurance and Fubon Life Insurance	Fubon Property & Casualty Insurance (Xiamen)	Insurance business	80.00 %	80.00 %
Fubon Life Insurance	Fubon Life Insurance (Vietnam)	Insurance business	100.00 %	100.00 %
Fubon Life Insurance	Fubon Life Insurance (Hong Kong)	Insurance business	100.00 %	100.00 %
Fubon Life Insurance	Fubon Hyundai Life Insurance (Note 11)	Insurance business	77.40 %	62.06 %
Fubon Life Insurance	Carter Lane (Guernsey)	Real estate investment and management	100.00 %	100.00 %
Fubon Life Insurance	Bow Bells House (Jersey)	Real estate investment and management	100.00 %	100.00 %
Fubon Life Insurance	Fubon MTL Property (Jersey)	Real estate investment and management	100.00 %	100.00 %
Fubon Life Insurance	Fubon Ellipse (Belgium)	Real estate investment and management	100.00 %	100.00 %
Fubon Life Insurance	Fubon Eurotower (Luxembourg)	Real estate investment and management	100.00 %	100.00 %
Fubon Marketing	Fu Sheng Insurance Agency (originally called Fu Sheng Life Insurance Agent) (Note 12)	Life insurance agent	100.00 %	100.00 %
Fubon Marketing	Fubon Insurance Agency (originally called Fu Sheng Life Insurance Agent) (Note 12)	Property and casualty insurance agent	100.00 %	100.00 %
Fubon Financial Holding Venture Capital	Fubon Sports & Entertainment	Sports service business	100.00 %	100.00 %
Fubon Financial Holding Venture Capital	Fubon Stadium	Stadium management	100.00 %	100.00 %
Fubon Bank (Hong Kong)	Fubon Nominees (Hong Kong) (Note 13)	Financial sector business	100.00 %	100.00 %
Fubon Bank (Hong Kong)	Fubon Credit (Hong Kong) (Note 13)	Financial sector business	100.00 %	100.00 %

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

Name of Investor	Subsidiary	Main Activities	Percentage of Ownership (%)	
			December 31, 2021	December 31, 2020
Fubon Bank (Hong Kong)	FB Securities (Hong Kong) (Note 13)	Securities brokerage	100.00 %	100.00 %
Fubon Bank (Hong Kong)	Fubon Insurance Brokers (Note 13)	Insurance agent	100.00 %	100.00 %
JihSun Financial Holding	JihSun Securities (Note 2)	Securities business	100.00 %	- %
JihSun Financial Holding	JihSun bank (Note 2)	Banking	100.00 %	- %
JihSun Financial Holding	JihSun Property Insurance Agency (Note 2)	Property and casualty insurance agent	100.00 %	- %
JihSun bank	JihSun Life Insurance Agency (Note 2)	Life insurance agent	98.76 %	- %
JihSun Securities	JihSun Futures (Note 2)	Futures	98.14 %	- %
JihSun Securities	JihSun International Investment Holding (Note 2)	Securities business	100.00 %	- %
JihSun Securities	JihSun Securities Investment Consulting (Note 2)	Investment Service	100.00 %	- %
JihSun Securities	JihSun Venture Capital (Note 2)	Venture Capital	100.00 %	- %
JihSun International Investment Holding	JS CRESVALE Securities International (Note 2)	Securities business	100.00 %	- %
JS CRESVALE Securities International	JS CRESVALE Capital (Note 2)	Stock and futures brokerage, sales of mutual funds	100.00 %	- %

Note 1: The dissolution and liquidation of Taiwan Sport Lottery Co., Ltd. was approved by the Board of Directors in August 2021, and the completed liquidation was declared to the court in February 2022.

Note 2: JihSun Financial Holding became a subsidiary on March 30, 2021.

Note 3: Obtaining 53.84% of the shares on March 30, 2021 and continued to increase the shareholding. As of December 31, 2021, the shareholding ratio was 58.39%.

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

Note 5: The dissolution, liquidation and deregistration had been resolved in June 2020.

Note 6: Filed the report with the court to complete the liquidation in July 2021.

Note 7: Fubon Asset Management sold whole shareholding 49% of its shares in September 2021.

Note 8: Fubon Private Equity did not participate in Fubon Digital Music Asset Management's cash capital increase in July 2021, therefore the shareholding of Fubon Digital Music Asset Management decreased to 51%.

Note 9: Became a subsidiary in December 2020.

Note 10: 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.

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

Note 11: Fubon Life Insurance participated in Fubon Hyundai Life Insurance's cash capital increase in June 2021. As of December 31, 2021, the shareholding of Fubon Hyundai Life Insurance increased to 77.40%.

Note 12: 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 13: 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.

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.

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

(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.

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.

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

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.

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.

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

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.

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.

(Continued)

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

(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.

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.

(Continued)

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

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”.

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.

10) Interest rate benchmark reform

When the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortized cost changed as a result of interest rate benchmark reform, the Company and its subsidiaries will 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.

(Continued)

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

When changes were made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, the Company and its subsidiaries will first update the effective interest rate of the financial asset or financial liability to reflect the change that is required by interest rate benchmark reform. Thereafter, the Company and its subsidiaries will apply the policies on accounting for modifications to the additional changes.

(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
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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.

(Continued)

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.

5) Hedges directly affected by interest rate benchmark reform

The Company and its subsidiaries have adopted the Phase 2 amendments and retrospectively applied them from January 1, 2021.

When the basis for determining the contractual cash flows of the hedged item or hedging instrument changes as a result of IBOR reform and therefore there is no longer uncertainty arising about the cash flows of the hedged item or the hedging instrument, the Company and its subsidiaries will 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 amend the description of the hedging instrument only if the following conditions are met:

- it makes a change required by IBOR reform by using an approach other than changing the basis for determining the contractual cash flows of the hedging instrument;
- that the chosen approach is economically equivalent to changing the basis for determining the contractual cash flows of the original hedging instrument; and
- the original hedging instrument is not derecognized.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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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 will 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 will amend the formal hedge documentation for changes required by IBOR reform as mentioned above.

When the interest rate benchmark on which the hedged future cash flows had been based is changed as required by IBOR reform, for the purpose of determining whether the hedged future cash flows are expected to occur, the Company and its subsidiaries will deem that the hedging reserve recognized in OCI for that hedging relationship is based on the alternative benchmark rate on which the hedged future cash flows will be based.

(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.

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

(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.

(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.

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

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.

(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.

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

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.

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.

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

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.

(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

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.

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

(i) 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

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.

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

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.

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 will 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.

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
Notes to the Consolidated Financial Statements

(ii) 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'.

(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.

(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.

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

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.

(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
Notes to the Consolidated Financial Statements

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).

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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- 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).

(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.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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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.

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.

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

(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.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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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.

(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.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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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.

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.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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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.

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”.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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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.

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) Gains or losses on disposal of equity investments of financial assets measured at fair value are recognized at the trading date.
- 5) Dividend revenues are recognized when the Company and its subsidiaries have the defined right to receive the payment.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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- 6) 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.
- 7) 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.

(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.

(ii) Defined benefit plans

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.

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

(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) Share-based payment transaction

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The grant date of the Company and its subsidiaries' cash capital increase reserved for subscription by employees is the date which the employees confirm the number of share granted.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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(x) 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.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

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;
- (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 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.

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.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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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.

(y) 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.

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.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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(z) 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.

(aa) 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.

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

The preparation of the consolidated financial statements in accordance with the "Regulations" and IFRSs endorsed by the 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.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is as follows. Those assumptions and estimation have been updated to reflect the impact of COVID-19 pandemic:

(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(ah).

(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".

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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.

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.

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

(6) Explanation of significant accounts

(a) Cash and Cash Equivalents

	December 31, 2021	December 31, 2020
Cash on hand and petty cash	\$ 9,052,264	7,473,307
Bank deposits	143,718,865	164,619,867
Cash equivalents	22,030,195	22,551,360
Notes and checks for clearing	4,454,478	1,516,208
Due from banks	105,499,172	78,554,375
Less: Guarantee deposits	<u>66,814</u>	<u>66,742</u>
Total	<u>\$ 284,688,160</u>	<u>274,648,375</u>

For consolidated statements of cash flows, cash and cash equivalents include accounts as of December 31, 2021 and 2020, listed below:

	December 31, 2021	December 31, 2020
Cash and cash equivalents in consolidated balance sheets	\$ 284,688,160	274,648,375
Due from the central bank and call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7	147,209,121	87,976,297
Securities purchased under resell agreements qualifying for cash and cash equivalents under the definition of IAS 7	71,521,843	128,410,478
Cash and cash equivalents in consolidated statements of cash flows	<u>\$ 503,419,124</u>	<u>491,035,150</u>

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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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:

	December 31, 2021	December 31, 2020
Loss allowance	<u>\$ 19,454</u>	<u>33,203</u>

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

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

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

	December 31, 2021	December 31, 2020
Call loans to banks	\$ 251,537,408	188,057,021
Deposit reserves	103,755,784	98,101,432
Due from the central bank — others	<u>14,570,816</u>	<u>12,129,461</u>
Total	<u>\$ 369,864,008</u>	<u>298,287,914</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:

	December 31, 2021	December 31, 2020
Deposit reserves for checking account	<u>\$ 15,100,927</u>	<u>20,231,066</u>
Required deposit reserves	<u>\$ 53,105,147</u>	<u>40,703,283</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.

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

The amounts of loss allowance were as follows:

	December 31, 2021	December 31, 2020
Loss allowance	<u>\$ 16,843</u>	<u>9,245</u>

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

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

	December 31, 2021	December 31, 2020
Financial assets mandatorily measured at fair value through profit or loss:		
Non-hedge derivative instruments		
Interest rate contracts	\$ 2,851,054	3,393,637
Currency rate contracts	23,468,779	61,852,472
Options contracts	1,047,269	1,380,711
Cross currency swap contracts	1,966,950	3,894,592
Others	<u>1,264,612</u>	<u>824,059</u>
	<u>30,598,664</u>	<u>71,345,471</u>
Non-derivative financial assets		
Government bonds	7,290,372	6,245,376
Corporate bonds	14,872,401	22,486,995
Financial bonds	43,430,379	41,532,998
Stocks	755,090,708	627,392,872
Beneficiary certificates	579,527,317	522,217,807
Commercial papers	28,191,818	27,256,082
Treasury bills	10,300,845	1,482,244
Beneficiary securities	37,692,470	20,239,443
Negotiable certificates of deposit	7,532,150	4,792,304
Others	<u>2,264,518</u>	<u>4,164,171</u>
	<u>1,486,192,978</u>	<u>1,277,810,292</u>

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

	December 31, 2021	December 31, 2020
Hybrid financial assets		
Convertible corporate bonds	\$ 38,834,025	15,020,655
Structured products	53,250,346	24,533,106
	92,084,371	39,553,761
Financial assets designated as at fair value through profit or loss:		
Structured products	50,643	-
Total	\$ 1,608,926,656	1,388,709,524
Financial liabilities designated as at fair value through profit or loss:		
Structured products	\$ 2,911,435	3,538,009
Exchange traded notes	72,285	87,589
	2,983,720	3,625,598
Held-for-trading financial liabilities:		
Non-hedge derivative instruments		
Interest rate contracts	2,950,790	3,874,221
Currency rate contracts	17,168,054	41,848,898
Options contracts	7,058,264	2,332,569
Others	2,616,529	3,812,300
	29,793,637	51,867,988
Non-derivative financial liabilities		
Stock borrowing and short selling	5,228,682	1,788,152
Bonds borrowing and short selling	7,076,297	7,131,096
	12,304,979	8,919,248
Total	\$ 45,082,336	64,412,834

- (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>December 31, 2021</u>	<u>December 31, 2020</u>
Financial assets measured at fair value through profit or loss:		
Stocks	\$ 736,618,065	619,591,283
Corporate bonds	1,103,513	1,156,253
Financial bonds	39,094,143	35,409,601
Beneficiary securities	2,214,443	2,404,985
Beneficiary certificates	607,159,646	532,927,324
Structured products	52,008,695	21,517,814
Others	<u>1,129,843</u>	<u>1,722,413</u>
Total	<u>\$ 1,439,328,348</u>	<u>1,214,729,673</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>2021</u>	<u>2020</u>
Gains reported as profit or loss under IFRS 9	\$ 203,227,259	161,070,098
Less: Gains reported as profit or loss if applied IAS 39	(136,730,963)	(92,381,202)
Gains reclassified by applying overlay approach	<u>\$ 66,496,296</u>	<u>68,688,896</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>2021</u>	<u>2020</u>
Gains of financial assets before adjustment	<u>\$ 219,505,298</u>	<u>223,491,401</u>
Gains of financial assets after adjustment	<u>\$ 153,009,002</u>	<u>154,802,505</u>

- 2) For the years ended December 31, 2021 and 2020, none of financial assets held by the Insurance subsidiaries has changed conditions and released designation.
- 3) For the years ended December 31, 2021 and 2020, none of financial assets held by the Insurance subsidiaries has been terminated.
- (iv) The sum of financial assets shown above held under repurchase agreement, please refer to Note 6 (t).

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

(d) Financial Assets Measured at Fair Value through Other Comprehensive Income

	<u>December 31,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>
Debt investments measured at fair value through other comprehensive income:		
Government bonds	\$ 375,675,187	345,194,670
Corporate bonds	343,532,356	268,782,882
Financial bonds	195,180,912	224,346,774
Commercial papers	21,574,273	1,022,735
Negotiable certificates of deposits	1,121,937	10,759,405
Beneficiary securities	28,173,848	28,377,997
Discount notes and loans	31,153,100	1,304,287
Treasury bills	-	2,998,824
Less: Guarantee deposits	<u>10,350,848</u>	<u>17,565,246</u>
Subtotal	<u>986,060,765</u>	<u>865,222,328</u>
Equity investments measured at fair value through other comprehensive income:		
Stocks	85,250,172	73,896,303
Others	<u>8,205,505</u>	<u>5,148,814</u>
Subtotal	<u>93,455,677</u>	<u>79,045,117</u>
Total	<u>\$ 1,079,516,442</u>	<u>944,267,445</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

Some of the equity instruments held by the Company and its subsidiaries are not for the purpose of trading; therefore, they have been classified as investment in equity instruments designated 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>2021</u>	<u>2020</u>
Derecognized during the period	\$ 659,627	1,319,030
Held at the end of the period	<u>3,180,978</u>	<u>2,695,735</u>
	<u>\$ 3,840,605</u>	<u>4,014,765</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.

	2021	2020
Fair value	\$ 31,982,293	34,011,021
Accumulated losses on disposal (after tax)	\$ (2,180,833)	(7,475,137)

- (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 (aj) 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.
- (v) The sum of financial assets shown above held under repurchase agreement, please refer to Note 6 (t).

(e) Debt Investments Measured at Amortized Cost

	December 31, 2021	December 31, 2020
Government bonds	\$ 394,336,072	357,406,686
Corporate bonds	1,363,343,558	1,234,501,208
Financial bonds	883,002,408	800,467,924
Negotiable certificates of deposits	391,610,374	344,302,916
Beneficiary securities	74,476,389	45,995,248
Structured products	57,971,940	33,638,581
Others	15,604,858	6,575,936
Less: Guarantee deposits	6,476,281	4,000
Subtotal	3,173,869,318	2,822,884,499
Less: Loss allowance	2,068,178	1,823,177
Total	\$ 3,171,801,140	2,821,061,322

- (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 sale of financial assets measured at amortized cost and the carrying amount of derecognition were as follows:

	2021	2020
Carrying amount of derecognition	\$ 171,448,784	150,113,346
Current gains recognized	\$ 10,055,561	9,730,070

(Continued)

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 increase 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 (aj) for details.
- (v) The guarantee of the debt investments measured at amortized cost provided as pledged assets, please refer to note 8 for details.
- (vi) The sum of financial assets shown above held under repurchase agreement, please refer to Note 6 (t).

- (f) Financial Instruments for Hedging

	December 31, 2021	December 31, 2020
Financial assets for hedging:		
Interest rate swap contracts	\$ 2,958,417	3,254,523
Foreign exchange swap contracts	85,100	3,633,736
Forward exchange contracts	352	747
Cross currency swap contracts	30,371	-
	<u>\$ 3,074,240</u>	<u>6,889,006</u>
Financial liabilities for hedging:		
Interest rate swap contracts	\$ 7,073,038	12,701,324
Foreign exchange swap contracts	1,929,638	31,398
Cross currency swap contracts	953,540	-
	<u>\$ 9,956,216</u>	<u>12,732,722</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.

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

2) Cash flow hedges

The assets of Fubon Life Insurance and its subsidiaries bear floating interest rate and fixed 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 and exchange rate. As Fubon Life Insurance and its subsidiaries assessed that the potential risks could be significant in the future, interest rate swaps and cross currency swaps were contracted for hedging purposes.

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
December 31, 2021					
Fair value hedges					
Forward exchange					
Nominal amount	\$ 287,473	301,505	-	-	-
Average exchange rate (KRW/USD)	1,186.79	1,187.63	-	-	-
Foreign exchange swap					
Nominal amount	\$ 7,810,731	18,042,853	20,759,728	11,387,500	-
Average exchange rate (KRW/USD)	1,143.46	1,157.03	1,148.19	1,153.21	-
Nominal amount	\$ 4,871,185	12,086,009	1,051,692	-	-
Average exchange rate (TWD/USD)	27.60	27.47	27.52	-	-
Cross currency swap					
Nominal amount	\$ -	-	2,492,708	17,425,159	-
Average interest rate	-	-	(0.09)%	0.15 %	-
Average exchange rate (KRW/USD)	-	-	1,126.60	1,148.22	-
Cash flow hedges					
Interest rate swap					
Nominal amount	\$ -	-	-	17,679,822	-
Average fixed interest rate	-	-	-	1.73 %	-
Cross currency swap					
Nominal amount	\$ -	-	-	2,311,597	-
Average interest rate	-	-	-	0.28 %	-
Average exchange rate (KRW/USD)	-	-	-	1,167.82	-

(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
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 %	-

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 2021
		Assets	Liabilities		
December 31, 2021					
Fair value hedges					
— Forward exchange contracts	\$ 588,978	352	-	Financial assets for hedging	(14,166)
— Foreign exchange swap contracts	76,009,698	85,100	1,929,638	Financial assets / liabilities for hedging	(5,679,439)
— Cross currency swap contracts	19,917,867	28,661	911,325	Financial assets / liabilities for hedging	(934,178)
Cash flow hedges					
— Interest rate swap contracts	\$ 17,679,822	403,145	-	Financial assets for hedging	42,190
— Cross currency swap contracts	2,311,597	1,710	42,215	Financial assets / liabilities for hedging	(69,439)

(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					
— Forward exchange contracts	\$ 114,478	747	-	Financial assets for hedging	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 rate swap contracts	\$ 22,227,566	967,144	-	Financial assets for hedging	(899,717)

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 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				
December 31, 2021								
Items designated as hedged								
Financial assets measured at fair value through profit or loss- stocks	\$ 22,198,059	-	1,249,018	-	1,941,213	None	416,478	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	1,334,072	-	96,742	-	111,470	None	39,409	Gains (losses) on financial assets or liabilities measured at fair value through profit or loss
Financial assets measured at amortized cost- bonds and deposits	62,976,218	-	4,536,924	-	4,944,744	None	(86,243)	Gains (losses) on financial assets or liabilities measured at fair value through profit or loss

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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	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

Cash flow hedges

	Fair value changes used to calculate the hedge ineffectiveness for 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
December 31, 2021								
Items designated as hedged								
Floating bonds	\$ 118,047	402,744	Not applicable	(815,911)	12	Gains (losses) on financial assets or liabilities measured at fair value through profit or loss	251,900	Interest revenue
Fixed interest rate bonds	55,899	29,540	Not applicable	(42,426)	-	Not applicable	71,966	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

December 31, 2020	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 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 provision for cash flow hedge to profit or loss	The line item affected by reclassification in profit or loss
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

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:

	Provisions for cash flow hedges		Foreign currency translation reserve from net investment in foreign operation	
	2021	2020	2021	2020
Beginning balance	\$ 966,755	477,393	(19,503)	(19,503)
Total amount recognized in other comprehensive income:				
Cash flow hedges				
Changes in the value of the hedging instruments recognized in other comprehensive income	(858,337)	276,392	-	-
The amount be reclassified from provisions for cash flow hedges to profit or loss	323,866	212,970	-	-
Ending balance	<u>\$ 432,284</u>	<u>966,755</u>	<u>(19,503)</u>	<u>(19,503)</u>

Note: The sheet is prepared on the basis of overall changes of Fubon Life Insurance and its subsidiaries (including non-controlling interests) during the reporting period.

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(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.

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 2021
		Assets	Liabilities		
December 31, 2021					
Fair value hedges					
— Interest rate swap contracts	\$ 175,134,815	1,470,281	5,786,879	Financial assets / liabilities for hedging	2,427,875
	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 swap contracts	\$ 169,465,515	2,104,144	8,994,438	Financial assets / liabilities for hedging	(6,080,282)

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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	Carrying amount		Accumulated adjustment of fair value		Fair value changes used to calculate the hedge ineffectiveness for 2021
	Assets	Liabilities	Assets	Liabilities	
	December 31, 2021				
Hedged items					
Financial bonds payable	\$ -	68,871,786	-	1,036,102	1,009,104
Financial assets measured at fair value through other comprehensive income—government bonds	141,989	-	2,403	-	(367,619)
Financial assets measured at fair value through other comprehensive income—corporate bonds	288,783	-	8,283	-	(61,429)
Financial assets measured at fair value through other comprehensive income—financial bonds	2,396,437	-	27,999	-	(94,808)
Financial assets measured at amortized cost—government bonds	16,101,677	-	1,915,338	-	1,269,060
Financial assets measured at amortized cost—corporate bonds	77,373,584	-	2,983,869	-	(3,529,762)
Financial assets measured at amortized cost—financial bonds	21,052,789	-	414,926	-	(653,348)
	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	\$ -	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

Impact of profit or loss	Gains (losses) on ineffective hedges recognized in profit or loss		The line item in the Statements of Comprehensive Income for ineffective portion
	2021	2020	
Fair value hedges			
Financial bonds payable	\$ (927)	(8,848)	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.

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
December 31, 2021					
Fair value hedges					
Interest rate swap					
Nominal amount	\$ 1,439,598	3,391,360	15,158,748	55,831,001	21,410,583
Average fixed interest rate	4.55 %	4.22 %	4.16 %	3.44 %	3.04 %
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 %

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 Sheets	Fair value changes used to calculate the hedge ineffectiveness for 2021
		Assets	Liabilities		
December 31, 2021					
Fair value hedges					
Interest rate risk					
— Interest rate swap contracts	\$ 97,231,291	1,084,991	1,286,159	Financial assets / liabilities for hedging	(127,663)

(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)

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 2021
	Assets	Liabilities	Assets	Liabilities	
	December 31, 2021				
Hedged items					
Financial assets measured at amortized cost — financial bonds	\$ 99,548,790	-	544,003	-	(65,326)

	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

(g) Securities Purchased Under Resell Agreements

	December 31, 2021	December 31, 2020
Securities purchased under resell agreements	<u>\$ 73,886,321</u>	<u>128,609,254</u>

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

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

(h) Receivables

	December 31, 2021	December 31, 2020
Accounts receivable – credit card	\$ 59,289,980	54,522,438
Accounts receivable – forfeiting	1,355,069	1,810,070
Notes receivable, accounts receivable and acceptance	21,687,772	28,302,810
Accounts receivable – factoring	17,142,047	16,202,113
Interest receivable	44,845,625	44,488,576
Revenues receivable	3,462,089	3,514,697
Premiums receivable	3,212,155	3,569,467
Margin loans receivable	37,410,162	14,189,234
Accounts receivable – settlement	32,599,210	18,447,825
Others	<u>35,832,084</u>	<u>22,035,797</u>
Subtotal	256,836,193	207,083,027
Less: Allowance for doubtful accounts	<u>1,514,401</u>	<u>1,633,241</u>
Total	<u>\$ 255,321,792</u>	<u>205,449,786</u>

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

(i) Discounts and Loans

	December 31, 2021	December 31, 2020
Discounts and overdrafts	\$ 3,289,658	4,660,416
Short-term advances	12,961,791	12,728,029
Accounts receivable – financing	3,508,990	3,197,847
Short-term loans	421,890,357	356,408,409
Short-term secured loans	174,279,915	126,067,413
Medium-term loans	348,710,132	315,769,226
Medium-term secured loans	253,650,931	203,729,798
Long-term loans	103,140,699	96,291,734
Long-term secured loans	1,121,185,362	941,435,582
Insurance policy loans	73,618,926	71,858,425
Import and export bill negotiation	12,875,592	11,402,161
Nonperforming loans	<u>5,018,901</u>	<u>4,778,624</u>
Subtotal	2,534,131,254	2,148,327,664
Less: Allowance for doubtful accounts	29,797,686	26,964,947
Adjustments of premium and discount	<u>450,874</u>	<u>559,145</u>
Total	<u>\$ 2,503,882,694</u>	<u>2,120,803,572</u>

(Continued)

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

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

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

	2021			
	<u>Receivables</u>	<u>Discounts and loans</u>	<u>Other financial assets</u>	<u>Total</u>
Beginning balance	\$ 1,633,241	26,964,947	362,376	28,960,564
Allowance for doubtful accounts	442,918	3,918,168	217,752	4,578,838
Write-off	(998,604)	(3,589,341)	(359,849)	(4,947,794)
Recovery from write-off	26,347	590,705	277,499	894,551
Acquisition through business combinations	432,166	2,086,551	4,671	2,523,388
Effects of exchange rate changes and others	(21,667)	(173,344)	(2,623)	(197,634)
Ending balance	<u>\$ 1,514,401</u>	<u>29,797,686</u>	<u>499,826</u>	<u>31,811,913</u>
	2020			
	<u>Receivables</u>	<u>Discounts and loans</u>	<u>Other financial assets</u>	<u>Total</u>
Beginning balance	\$ 1,548,747	24,128,962	428,891	26,106,600
Allowance for doubtful accounts (reversal)	(81,132)	4,339,500	(26,382)	4,231,986
Write-off	(19,866)	(1,645,662)	(312,641)	(1,978,169)
Recovery from write-off	14,747	402,765	273,048	690,560
Effects of exchange rate changes and others	170,745	(260,618)	(540)	(90,413)
Ending balance	<u>\$ 1,633,241</u>	<u>26,964,947</u>	<u>362,376</u>	<u>28,960,564</u>

(j) Reinsurance Contract Assets

	December 31, 2021	December 31, 2020
Claims recoverable from reinsurers	\$ 3,253,125	2,612,868
Due from reinsurers and ceding companies	6,829,043	6,109,227
Subtotal	<u>10,082,168</u>	<u>8,722,095</u>
Reinsurance reserve assets:		
Ceded unearned premium reserve	8,711,052	7,465,093
Ceded claim reserve	10,357,509	9,013,690
Ceded premium deficiency reserve	155,928	154,658
Ceded liability reserve	3,062	3,396
Subtotal	<u>19,227,551</u>	<u>16,636,837</u>
Total	<u>\$ 29,309,719</u>	<u>25,358,932</u>

(Continued)

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

(k) Investments Accounted for Using Equity Method

The financial information of the individually 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.

	December 31,	December 31,
	2021	2020
Xiamen Bank Co., Ltd.	\$ 15,835,788	15,411,351
Fubon Construction Management Co., Ltd.	136,539	138,706
Line Biz+ Taiwan Co., Ltd.	3,019,604	3,004,698
Fubon Health Management Co., Ltd.	20,003	22,165
Founder Fubon Fund Management Ltd.	347,263	453,352
CITIC Capital Holdings Ltd.	9,259,026	8,608,594
CITIC FUTONG Financial Leasing Ltd.	-	-
Teng Fu Bo Investment Ltd.	345,480	451,517
Star River Energy Corporation	229,381	286,764
Bravelog Sport Technology Co., Ltd.	-	233
Star Shining Energy Corporation	2,638,293	1,893,441
Cofit Healthcare Inc.	-	2,737
Wholox Max Green Power Co., Ltd.	356,145	354,460
Zhong An Life Insurance Ltd.	930,302	1,058,882
Line Bank Co., Ltd.	1,989,005	2,289,773
JihSun Securities Investment Trust Co., Ltd.	240,099	-
Hsin Ting Yi Hao Energy Corporation	150,878	-
Xiamen Jinfuyuan Insurance Surveyors and Loss Adjusters Co.,Ltd.	2,878	-
Sichuan VipFubon Consumer Finance Ltd.	436,806	-
	\$ 35,937,490	33,976,673
	2021	2020
Attributable to the Company and its subsidiaries:		
Net income	\$ 1,589,266	943,267
Other comprehensive income	(437,098)	649,114
Total comprehensive income	\$ 1,152,168	1,592,381

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

The share of profit and ending balance of associates accounted for using equity method whose financial statements were not audited by independent auditors were as follows:

	2021	2020
The share of profit of associates accounted for using equity method	\$ <u>1,436,092</u>	<u>1,518,039</u>
	December 31, 2021	December 31, 2020
Investments accounted for using equity method	\$ <u>19,956,575</u>	<u>15,411,351</u>

The Company and its subsidiaries invest in Sichuan VipFubon Consumer Finance Ltd., totaling CNY125,000 thousand, which constitutes 25% of the ownership interest of Sichuan VipFubon Consumer Finance Ltd.

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.

The Company and its subsidiaries discontinued to recognize their shares of further losses in CITIC FUTONG Financial Leasing Limited and Bravelog Sport Technology Co., Ltd. since they have not incurred any obligations to bear additional loss. The unrecognized loss and accumulated unrecognized loss were as follows.

	2021	2020
Unrecognized loss	\$ <u>94,120</u>	<u>176,449</u>
	December 31, 2021	December 31, 2020
Accumulated unrecognized loss	\$ <u>504,576</u>	<u>410,456</u>

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.

As of December 31, 2021 and 2020, the Company and subsidiaries did not provide any investments accounted for using the equity method as collateral.

(Continued)

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

(l) 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	28,191,615
Financial assets	124,454,772
Receivables	29,903,306
Discounts and loans	166,663,805
Property and equipment	7,313,526
Other assets	4,746,774
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	(17,968,878)
Deposits and remittances	(233,510,550)
Other liabilities	(5,498,394)
Others	(40,879)
Fair Value of Net Identifiable Assets	<u>\$ 52,044,686</u>

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)	24,023,827
Less: Fair value of identifiable net assets	<u>52,044,686</u>
Gain on a bargain purchase	<u>\$ (1,617,867)</u>

(Continued)

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

On December 18, 2020, the Company and its subsidiaries announced the public acquisition of more than 50.01% equity of JihSun Financial Holding. 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. The fair value of the net assets shall be based on the report issued by the external consultant. The fair value of the identifiable net assets acquired by the Company and its subsidiaries on the acquisition date, deducting the purchase price, is recognized as the gain on bargain purchase transaction in accordance with the relevant accounting standards as other non-interest revenue 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 \$488,631,490 thousand for the year ended December 31, 2021. Net income after tax will be \$148,088,252 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 December 31, 2021, the Company and its subsidiaries acquired an additional interest in JihSun Financial Holding for \$2,190,190 thousand in cash, increasing its ownership from 53.84% to 58.39%.

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%.

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:

	2021
Carrying amount of non-controlling interest on acquisition	\$ 15,187,260
Capital increase and acquisition of equity price	(13,511,703)
Movement of other equity interest	(325,423)
Transaction cost	(63,114)
Capital surplus — changes in ownership interests in subsidiaries	\$ 1,287,020

(Continued)

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

(m) 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>	<u>Ownership interest and voting right of non-controlling interest</u>	
		<u>December 31, 2021</u>	<u>December 31, 2020</u>
Fubon Hyundai Life Insurance Co., Ltd.	South Korea	<u>22.60</u> %	<u>37.94</u> %
JihSun Financial Holding	Taiwan	<u>41.61</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.:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Total assets	\$ 539,979,395	511,780,500
Total liabilities	(500,582,954)	(478,452,692)
Non-common equity	<u>(2,350,370)</u>	<u>(2,633,230)</u>
Net assets	<u>\$ 37,046,071</u>	<u>30,694,578</u>
Equity attributable to non-controlling interest	<u>\$ 10,362,502</u>	<u>13,600,997</u>
	<u>2021</u>	<u>2020</u>
Net revenue	<u>\$ 74,535,815</u>	<u>71,797,556</u>
Net income	\$ 4,276,886	2,171,201
Other comprehensive income	<u>(9,473,806)</u>	<u>3,021,867</u>
Total comprehensive income	<u>\$ (5,196,920)</u>	<u>5,193,068</u>
Consolidated net income for the period attributable to non-controlling interests	<u>\$ 1,426,741</u>	<u>823,743</u>
Consolidated other comprehensive income attributable to non-controlling interests	<u>\$ (1,767,162)</u>	<u>1,970,004</u>
Cash flows		
Operating activities	<u>\$ 5,880,328</u>	<u>1,247,370</u>
Investing activities	<u>\$ (11,180,254)</u>	<u>(6,464,296)</u>
Financing activities	<u>\$ 13,889,407</u>	<u>293,030</u>

(Continued)

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

(ii) Summarized financial information of JihSun Financial Holding:

	December 31, 2021
Total assets	\$ 367,427,403
Total liabilities	(314,140,008)
Net assets	<u>\$ 53,287,395</u>
Equity attributable to non-controlling interest	<u>\$ 23,659,975</u>
	For the nine months ended December 31, 2021
Net revenue	<u>\$ 9,456,887</u>
Net income	\$ 3,223,229
Other comprehensive income	1,792,028
Total comprehensive income	<u>\$ 5,015,257</u>
Consolidated net income for the period attributable to non-controlling interests	<u>\$ 1,306,174</u>
Consolidated other comprehensive income attributable to non-controlling interests	<u>\$ 2,427,534</u>
	For the nine months ended December 31, 2021
Cash flows	
Operating activities	<u>\$ 3,247,372</u>
Investing activities	<u>\$ 152,046</u>
Financing activities	<u>\$ (7,136,857)</u>

(Continued)

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

(n) Other Financial Assets, Net

	December 31, 2021	December 31, 2020
Assets on insurance product— separate account	\$ 497,837,270	459,219,800
Margin deposits paid for borrowed securities	5,318,908	4,256,331
Collateral for borrowed securities	92,141	326,261
Overdue receivables	906,645	656,778
Customer margin deposit	30,311,754	20,417,565
Buy nonperforming loan	115,444	199,263
Deposits not qualifying as cash equivalents	30,791,206	26,391,183
Other	<u>336,124</u>	<u>-</u>
Subtotal	565,709,492	511,467,181
Less: Guarantee deposits— others	2,367,096	2,378,194
Allowance for doubtful accounts	<u>499,826</u>	<u>362,376</u>
Total	<u>\$ 562,842,570</u>	<u>508,726,611</u>

- (i) For credit risk, the assessment of impairment and the change of allowance for loss, please refer to note 6 (aj) for details.
- (ii) The guarantee of the other financial assets provided as pledged assets, please refer to note 8 for details.
- (iii) Separate account— insurance product

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

	December 31, 2021	December 31, 2020
Assets on insurance product— separate account:		
Bank deposits	\$ 11,472,251	12,313,698
Financial assets measured at fair value through profit or loss	241,204,470	206,898,554
Receivables	<u>7,480,907</u>	<u>2,622,363</u>
Total	<u>\$ 260,157,628</u>	<u>221,834,615</u>
Liabilities on insurance product — separate account:		
Reserve— insurance contract	\$ 140,207,166	126,936,045
Reserve— investment contract	119,917,141	94,534,553
Payables	<u>33,321</u>	<u>364,017</u>
Total	<u>\$ 260,157,628</u>	<u>221,834,615</u>

(Continued)

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

	2021	2020
Separate account products revenues:		
Premiums income	\$ 29,910,564	26,684,523
Interest revenue	3,154,192	2,174,273
Gains (losses) on financial assets or liabilities measured at fair value through profit or loss	3,750,020	6,971,509
Gains (losses) on foreign exchange	(1,092,188)	(676,974)
Total	<u>\$ 35,722,588</u>	<u>35,153,331</u>
Separate account products expenses:		
Net changes in reserve, Insurance contract	\$ 13,983,238	17,698,552
Insurance claims and payment	18,014,191	14,128,342
Administrative expenses	3,692,725	3,322,695
Other disbursements	32,434	3,742
Total	<u>\$ 35,722,588</u>	<u>35,153,331</u>

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) :

	2021	2020
Rebate	<u>\$ 675,771</u>	<u>564,842</u>

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

	December 31, 2021	December 31, 2020
Assets on corporate and individual annuity insurance products - separate account :		
Bank deposits	\$ 2,700,619	12,468,738
Financial assets measured at fair value through profit or loss	17,659,041	19,852,287
Financial assets measured at fair value through other comprehensive income	152,817,270	152,850,193
Financial assets for hedging	39,790	2,048,704
Loan	25,722,175	33,553,802
Interest receivables	1,290,388	1,206,399
Other receivables	37,450,359	15,405,062
Total	<u>\$ 237,679,642</u>	<u>237,385,185</u>

(Continued)

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

	December 31, 2021	December 31, 2020
Liabilities on corporate and individual annuity insurance products - separate account :		
Financial liabilities measured at fair value through profit or loss	\$ 5,452	852
Financial liabilities for hedging	1,964,448	10,105
Other payables	14,569,458	2,706,855
Insurance separate account value reserve	<u>221,029,778</u>	<u>228,325,889</u>
Total	<u>\$ 237,569,136</u>	<u>231,043,701</u>
	2021	2020
Revenues on corporate and individual annuity insurance products - separate account:		
Interest revenue	\$ 5,567,152	5,042,934
Gains on financial assets or liabilities measured at fair value through profit or loss	1,435,049	5,588,181
Gains on financial assets or liabilities measured at fair value through comprehensive profit or loss	1,115,376	565,094
Reversal of ECL on investments	131,003	395
Gains on foreign exchange	4,564,950	757,143
Other revenues	<u>68,974</u>	<u>70,894</u>
Total	<u>\$ 12,882,504</u>	<u>12,024,641</u>
Expenses on corporate and individual annuity insurance products - separate account:		
Insurance claims and payment	\$ 926	-
Insurance value reserve provisions - separated account	4,423,126	4,378,489
Losses on financial assets or liabilities measured at fair value through profit or loss	5,036,184	2,195,191
Losses on financial assets or liabilities measured at fair value through comprehensive profit or loss	63,783	2,785
Expected credit losses on investments	3,637	299,266
Losses on foreign exchange	213,398	2,661,424
Administrative expenses	3,137,355	2,469,130
Other expenses	<u>4,095</u>	<u>18,356</u>
Total	<u>\$ 12,882,504</u>	<u>12,024,641</u>

(Continued)

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

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

Account	December 31, 2021	December 31, 2020
Financial assets measured at fair value through other comprehensive income	\$ 1,902,767	-

(o) Investment Property

	Land and improvements	Buildings	Investment property under construction	Prepayment for investment property	Right-of-use assets	Total
Balance as of January 1, 2021	\$ 192,610,452	55,511,128	7,972,881	7,933	47,662,398	303,764,792
Additions	123,404	1,569,711	4,174,877	199,889	-	6,067,881
Disposals	(175,756)	(19,913)	-	-	-	(195,669)
Reclassification	(157,868)	1,376,011	(2,372,595)	(7,933)	(1,989,612)	(3,151,997)
Acquisition through business combination	590,762	30,536	-	-	-	621,298
Gains (losses) generated from fair value adjustments	971,479	(1,617,766)	-	-	318,049	(328,238)
Effects of exchange rate changes	(1,477,154)	(2,186,273)	-	-	(62,611)	(3,726,038)
Balance as of December 31, 2021	\$ 192,485,319	54,663,434	9,775,163	199,889	45,928,224	303,052,029
Balance as of January 1, 2020	\$ 132,962,855	60,511,846	5,763,596	60,038	48,721,179	248,019,514
Additions	52,130,955	3,504,129	2,968,324	7,933	(587)	58,610,754
Disposals	(377)	(131,451)	-	-	-	(131,828)
Reclassification	4,873,059	(3,406,296)	(759,039)	(60,038)	-	647,686
Gains (losses) generated from fair value adjustments	2,474,578	(5,036,232)	-	-	(1,302,444)	(3,864,098)
Reclassification	-	-	-	-	270,332	270,332
Effects of exchange rate changes	169,382	69,132	-	-	(26,082)	212,432
Balance as of December 31, 2020	\$ 192,610,452	55,511,128	7,972,881	7,933	47,662,398	303,764,792

Please refer to note 6 (q) for the details of lease liabilities of superfcies.

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

Rental revenue	\$ 7,542,016	7,017,096
Direct operation expenses	\$ 1,727,148	1,622,270
Direct operation expenses belonging to investment properties that did not generate rental income	\$ 166,528	124,124

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.

(Continued)

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

A maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date is as follows:

	December 31, 2021	December 31, 2020
Less than one year	\$ 7,373,424	7,931,330
One to two years	6,774,041	6,970,196
Two to three years	5,953,764	6,348,545
Three to four years	5,155,462	5,474,389
Four to five years	4,020,353	4,687,771
More than five years	<u>22,518,773</u>	<u>24,106,908</u>
	<u>\$ 51,795,817</u>	<u>55,519,139</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 December 31, 2021 and 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: Li Ching-Tang
- 8) DTZ & Cushman & Wakefield Debenham Tie Leuag Limited: Yang Chang-Da, John Bareham, Charles Smith
- 9) Repro International Inc. and Knight Frank LLP: Wu Hung-Hsu, Samuel Beldam
- 10) Colliers International Valuation Taiwan LLP & Colliers International Valuation UK LLP: Gu Jian-Hui, PC Willis, Mark White
- 11) CBRE Limited and CBRE Limited: Shih Fu-Syue, Li Jhieh-Wei, Jonathan White, Max Tulley, Edward Higgins

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

- 12) Jones Lang LaSalle Limited and Jones Lang LaSalle Limited: Jhao Jheng-Yi, Ciou, Bo-Lun, Harriet Costello, Andrew Pirie, Elizabeth Levingston, Roger Meeds
- 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) Colliers International Valuation (Taiwan) Ltd., Daeil Appraisal Board and Colliers International (Hong Kong) Limited: Ku Chien Hui, Hannah Jeong and Kyoungdo Lee
- 16) CBRE Taiwan and CBRE Limited and CBRE Korea Co., Ltd.: Shi Fu Xue, Li Zhi Wei and Alex Chan
- 17) Jones Lang LaSalle Real Estate Appraiser Firm and Jones Lang LaSalle Belgium: Chao Cheng-Yi, Chiu Bo-Lun, Roderick Scrivener
- 18) Repro International Inc. and Knight Frank SA/NV: Wu Hung-Hsu, Filip Derijck
- 19) Savills Plc and Savills Immobilien Beratungs-GmbH: Chang I-Chih, Christian Glock, Thomas Berger
- 20) 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
Notes to the Consolidated Financial Statements

The inputs applied are as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
	<u>Mainly</u>	<u>Mainly</u>
Income capitalization rate	0.25%~5.07%	0.97%~7.90%
Year-end income capitalization rate	1.75%~6.35%	1.71%~7.00%
Discount rate	2.10%~8.15%	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".

After the completion of the hotel superficies of Fubon Life Insurance and its subsidiaries on Linsen S. Rd. during March 2020, the classification of the land superficies has been changed to the real estate complex of superficies. The fair value valuation of the superficies and building has been changed to the Cost Approach and DCF Method of Income Approach. The changes in fair value of the superficies and buildings as a whole and during development were not significant.

After the completion of the Standard Chartered Bank building superficies of Fubon Life Insurance and its subsidiaries during July 2021, the classification of the land superficies has been changed to the real estate complex of superficies. The fair value valuation of the superficies and building has been changed to the Cost Approach and DCF Method of Income Approach. The fair value increases because the Cost Approach includes the development profit contributed by the real estate complex joint contribution.

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 December 31, 2021, the cost to acquire the investment property is \$28,299,074 thousand, 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.

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

(ii) Fubon Insurance

Fubon Insurance 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 December 31, 2021 and 2020.

Valuation agencies as of December 31, 2021 and 2020 were as follows:

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

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:

	December 31, 2021	December 31, 2020
Direct capitalization rate (net)	1.52%~4.65%	1.33%~4.65%
Profit rate	18.00%~22.00%	23.00%
Overall capital interest rate	1.86%~2.56%	1.85%~2.61%

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 properties as of December 31, 2021 were based on the valuations carried out at these dates performed by independent qualified professional appraisers, Dai Guang-Ping, Chang Hung-Kai, Chang Yi-Chih, Yeh Yu-Fen and Yeh Shi-Yu, from the real estate appraisal office, Savills plc, a member of certified ROC real estate appraisals.

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

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

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>December 31,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>
Expected future cash inflows	\$ 4,376,994	4,579,118
Expected future cash outflows	<u>(156,833)</u>	<u>(156,395)</u>
Expected future cash inflows, net	<u>\$ 4,220,161</u>	<u>4,422,723</u>
Discount rate	3.595%	3.595%

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 December 31, 2021 and 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, 2021 and 2020. 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, 2021.

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 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.

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

Reasonable net profit refers to market practices. Total revenue from subject properties are estimated with the assumption that rent level is adjusted within 0.17%~0.25% 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. It is amortized over 10 to 20 years at the rate of 10%~20% of building and construction expenses in principle.

The inputs applied are as follows:

	December 31, 2021	December 31, 2020
Discount rate	2.095%~4.095%	2.345%~4.095%

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.

(v) Fubon AMC

Investment property of Fubon AMC was evaluated by appraisers Zhan Xiu-Ying, Ke Feng-Ru and Ku Chien Hui from Colliers International Real Estate Appraiser Office, in accordance with the “Regulations on Real Estate Appraisal”, and the valuation dates were December 31, 2021 and 2020.

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.

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Profit rate	16.00%~18.00%	16.00%~18.00%
Overall capital interest rate	1.86%~2.80%	1.86%~2.74%
Income capitalization rate	1.30%~3.44%	1.37%~3.08%

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 December 31, 2021 and 2020. Valuation agencies were as follows:

The appraiser was Fang Yao-Ming from Knight Frank Petty Limited on December 31, 2021 and 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.

(vii) JihSun Financial Holdings and its subsidiaries

JihSun Financial Holding and its subsidiaries investment property appraisals were performed by appraisers from professional valuation agencies, and the valuation date were December 31, 2021 and March 31, 2021. JihSun Financial Holding and its subsidiaries have consulted the appraisers about the effectiveness of the original appraisal report of March 31, 2021. As of December 31, 2021, the fair values of the aforementioned investment property were considered valid. The appraisals were performed by the following valuation agencies:

Xinyi Real Estate Appraisers Firm: Chih Wei-Shin and Chi Liang-An.

Savills Plc Real Estate Appraiser Office: Chang Hung-Kai, Chang Yi-Chih, Yeh Yu-Fen and Ye Shi-Yu.

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.

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

(p) Property and Equipment

	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	11,740	32,181	766,470	14,410	556,958	1,489,082	2,870,841
Acquisition through business combination	5,964,641	2,334,620	1,056,836	4,346	961,210	88,057	10,409,710
Disposals	-	(588,687)	(397,516)	(17,079)	(371,098)	-	(1,374,380)
Reclassification	1,384,776	227,065	171,039	31,314	123,586	(1,808,119)	129,661
Effects of exchange rates changes	(6,061)	(144,821)	(76,571)	(1,230)	(171,269)	(66)	(400,018)
Balance as of December 31, 2021	<u>\$ 38,402,476</u>	<u>30,422,116</u>	<u>9,740,117</u>	<u>394,969</u>	<u>12,501,418</u>	<u>1,523,372</u>	<u>92,984,468</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	1,507,235	174,145	581,111	11,955	621,554	995,151	3,891,151
Disposals	(731)	(2)	(143,669)	(29,694)	(337,994)	(1,925)	(514,015)
Reclassification	335,195	941,678	177,362	90	(8,884)	(815,008)	630,433
Effects of exchange rates changes	449	(150,331)	(5,599)	(1,235)	(220,425)	(39)	(377,180)
Balance as of December 31, 2020	<u>\$ 31,047,380</u>	<u>28,561,758</u>	<u>8,219,859</u>	<u>363,208</u>	<u>11,402,031</u>	<u>1,754,418</u>	<u>81,348,654</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	-	1,399,085	830,492	2,270	864,337	-	3,096,184
Depreciations	-	675,641	845,391	26,479	969,039	-	2,516,550
Disposals	-	(318,595)	(396,083)	(16,301)	(349,852)	-	(1,080,831)
Reclassification	-	(32,789)	615	28,953	(32,269)	-	(35,490)
Impairment loss	51,750	24,298	5,391	-	-	-	81,439
Effects of exchange rates changes	-	(35,878)	(60,847)	(864)	(127,430)	-	(225,019)
Balance as of December 31, 2021	<u>\$ 1,065,034</u>	<u>9,478,590</u>	<u>7,444,634</u>	<u>329,287</u>	<u>9,293,990</u>	<u>-</u>	<u>27,611,535</u>
Balance as of January 1, 2020	\$ 1,013,284	5,877,447	5,607,815	287,538	7,551,188	-	20,337,272
Depreciations	-	673,950	759,097	29,331	1,008,342	-	2,470,720
Disposals	-	-	(142,646)	(27,520)	(329,795)	-	(499,961)
Reclassification	(2,402)	1,248,724	12	-	(118,157)	-	1,128,177
Impairment loss	2,402	6,805	-	-	-	-	9,207
Effects of exchange rates changes	-	(40,098)	(4,603)	(599)	(141,413)	-	(186,713)
Balance as of December 31, 2020	<u>\$ 1,013,284</u>	<u>7,766,828</u>	<u>6,219,675</u>	<u>288,750</u>	<u>7,970,165</u>	<u>-</u>	<u>23,258,702</u>
Carrying amounts:							
Balance as of December 31, 2021	<u>\$ 37,337,442</u>	<u>20,943,526</u>	<u>2,295,483</u>	<u>65,682</u>	<u>3,207,428</u>	<u>1,523,372</u>	<u>65,372,933</u>
Balance as of December 31, 2020	<u>\$ 30,034,096</u>	<u>20,794,930</u>	<u>2,000,184</u>	<u>74,458</u>	<u>3,431,866</u>	<u>1,754,418</u>	<u>58,089,952</u>

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 (o) for details.

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

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.

(q) 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:

	<u>Land</u>	<u>Buildings</u>	<u>Machinery</u>	<u>Transportation equipment</u>	<u>Other equipment</u>	<u>Total</u>
Cost:						
Balance at January 1, 2021	\$ 1,347,468	8,137,606	244,076	134,334	307,140	10,170,624
Acquisition through business combination	-	1,191,185	336	68,216	2,547	1,262,284
Additions	-	3,051,670	39,185	45,180	78,720	3,214,755
Deduction and reassessment	-	(1,804,779)	(20,431)	(61,253)	(61,674)	(1,948,137)
Reclassification	1,960,773	2,237	(336)	-	(1,901)	1,960,773
Effect of changes in exchange rates	-	(62,635)	-	(945)	(1,007)	(64,587)
Balance at December 31, 2021	<u>\$ 3,308,241</u>	<u>10,515,284</u>	<u>262,830</u>	<u>185,532</u>	<u>323,825</u>	<u>14,595,712</u>
Balance at January 1, 2020	\$ 1,335,174	7,283,464	57,535	101,167	284,711	9,062,051
Additions	693	2,300,669	192,696	70,497	78,908	2,643,463
Deduction and reassessment	11,601	(1,501,617)	(6,155)	(37,469)	(54,175)	(1,587,815)
Reclassification	-	112,004	-	(21)	-	111,983
Effect of changes in exchange rates	-	(56,914)	-	160	(2,304)	(59,058)
Balance at December 31, 2020	<u>\$ 1,347,468</u>	<u>8,137,606</u>	<u>244,076</u>	<u>134,334</u>	<u>307,140</u>	<u>10,170,624</u>
Accumulated depreciation and impairment losses:						
Balance at January 1, 2021	\$ 40,352	3,150,208	45,470	51,670	128,288	3,415,988
Acquisition through business combination	-	444,012	254	30,427	1,160	475,853
Depreciation, including capitalization	22,938	2,339,948	56,283	62,846	79,183	2,561,198
Deduction	-	(1,719,066)	(19,941)	(48,371)	(60,269)	(1,847,647)
Reclassification	(27,075)	904	(225)	-	(678)	(27,074)
Effect of changes in exchange rates	-	(33,343)	-	(446)	(523)	(34,312)
Balance at December 31, 2021	<u>\$ 36,215</u>	<u>4,182,663</u>	<u>81,841</u>	<u>96,126</u>	<u>147,161</u>	<u>4,544,006</u>
Balance at January 1, 2020	\$ 19,977	2,210,257	21,160	41,007	99,109	2,391,510
Depreciation, including capitalization	20,375	2,268,128	30,465	44,442	83,706	2,447,116
Deduction	-	(1,370,665)	(6,155)	(33,774)	(53,453)	(1,464,047)
Reclassification	-	64,366	-	-	-	64,366
Effect of changes in exchange rates	-	(21,878)	-	(5)	(1,074)	(22,957)
Balance at December 31, 2020	<u>\$ 40,352</u>	<u>3,150,208</u>	<u>45,470</u>	<u>51,670</u>	<u>128,288</u>	<u>3,415,988</u>
Carrying amounts:						
December 31, 2021	<u>\$ 3,272,026</u>	<u>6,332,621</u>	<u>180,989</u>	<u>89,406</u>	<u>176,664</u>	<u>10,051,706</u>
December 31, 2020	<u>\$ 1,307,116</u>	<u>4,987,398</u>	<u>198,606</u>	<u>82,664</u>	<u>178,852</u>	<u>6,754,636</u>

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

(ii) Lease liabilities

The maturity analysis of undiscounted lease payments was as follows:

	<u>December 31,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>
Less than one year	\$ 2,826,150	3,513,316
One to five years	6,095,827	5,140,414
More than five years	<u>25,413,627</u>	<u>26,169,795</u>
Total	<u>\$ 34,335,604</u>	<u>34,823,525</u>

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

	<u>2021</u>	<u>2020</u>
Total cash outflow for leases	<u>\$ 4,229,037</u>	<u>3,752,997</u>

(iii) Other lease information

1) Real estate leases

As of December 31, 2021 and 2020, the Company and its subsidiaries lease land and buildings for office space. The leases of office space run for a period of 1 to 20 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

As of December 31, 2021 and 2020, the Company and its subsidiaries lease land for superficies with lease terms of 50 to 133 years for the purpose of commercial buildings, malls, hotels etc.

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:

	<u>2021</u>	<u>2020</u>
	<u>\$ 37,303</u>	<u>25,871</u>

3) Other leases

The Company and its subsidiaries lease computers, 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.

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

(r) Intangible Assets

	December 31, 2021	December 31, 2020
License and operating rights	\$ 8,233,282	8,727,176
Core deposits	4,844,828	5,187,234
Goodwill	15,707,483	15,910,417
Computer software	3,730,026	2,322,558
Customer relationship	323,051	44,492
Others	1,009,935	977,853
	<u>\$ 33,848,605</u>	<u>33,169,730</u>

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	-	545,293	545,293
Additions	-	745,421	745,421
Disposals	-	(38)	(38)
Amortization	-	(1,506,573)	(1,506,573)
Reclassification	-	1,573,104	1,573,104
Effects of exchange rate changes	(202,934)	(475,398)	(678,332)
Balance as of December 31, 2021	<u>\$ 15,707,483</u>	<u>18,141,122</u>	<u>33,848,605</u>
Balance as of January 1, 2020	\$ 15,884,050	16,829,136	32,713,186
Additions	-	760,090	760,090
Disposals	-	(302)	(302)
Amortization	-	(1,302,561)	(1,302,561)
Reclassification	-	869,047	869,047
Effects of exchange rate changes	26,367	103,903	130,270
Balance as of December 31, 2020	<u>\$ 15,910,417</u>	<u>17,259,313</u>	<u>33,169,730</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), Fubon Hyundai Life Insurance Co., Ltd. and JihSun Financial Holding.

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

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	8 to 20 years
Other	3 to 20 years

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

(s) Other Assets

	December 31, 2021	December 31, 2020
Refundable deposits	\$ 31,953,508	38,188,993
Foreclosed collaterals and residuals taken over	200,070	52,357
Operation guarantee deposits and settlement fund	1,238,185	326,706
Deferred assets	2,195,079	1,951,393
Prepayments	2,733,235	2,102,224
Collections for underwriting stock value	25,777,651	2,090,942
Others	<u>10,432,214</u>	<u>11,042,756</u>
Total	<u><u>\$ 74,529,942</u></u>	<u><u>55,755,371</u></u>

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

(t) Securities Sold under Repurchase Agreements

	December 31, 2021	December 31, 2020
Securities sold under repurchase agreements	<u><u>\$ 166,010,990</u></u>	<u><u>125,031,393</u></u>

(u) Commercial Paper Issued

	December 31, 2021	December 31, 2020
Par value	\$ 29,450,000	43,750,000
Less: Discount on commercial paper issued	8,730	12,029
Total	<u><u>\$ 29,441,270</u></u>	<u><u>43,737,971</u></u>
Interest rate range	0.28%~0.46%	0.20%~0.36%

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

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

(v) Payables

	December 31, 2021	December 31, 2020
Other payables	\$ 56,197,907	26,405,069
Acceptance bill payable	17,422,905	19,382,925
Account payable for securities purchased	42,559,035	25,994,725
Accrued expenses	23,265,228	19,073,233
Accrued interests	8,636,631	8,455,105
Due to reinsurers and ceding companies	12,695,277	9,770,030
Dividends payable	238,607	-
Others	<u>35,733,704</u>	<u>26,944,822</u>
Total	<u>\$ 196,749,294</u>	<u>136,025,909</u>

(w) Deposits and Remittances

	December 31, 2021	December 31, 2020
Checking accounts	\$ 17,117,605	16,186,605
Public treasury deposits	41,395,045	40,481,574
Demand deposits	819,762,586	713,214,249
Time deposits	1,042,788,770	810,847,639
Negotiable certificates of deposit	180,440,060	106,088,995
Savings accounts	1,253,886,832	1,015,309,681
Others	<u>663,578</u>	<u>440,636</u>
Total	<u>\$ 3,356,054,476</u>	<u>2,702,569,379</u>

(x) Bonds Payable

(i) The bonds payable was as follows:

	December 31, 2021	December 31, 2020
Unsecured corporate bonds	\$ 82,600,000	85,500,000
Subordinated corporate bonds	46,436,709	44,803,584
Financial bonds	<u>137,131,906</u>	<u>139,213,704</u>
Total	<u>\$ 266,168,615</u>	<u>269,517,288</u>

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

(ii) Unsecured corporate bonds

Name	Issue period		Issue amount	Interest rate	December 31, 2021	December 31, 2020	Note
	Issue date	Maturity date					
First 2014 unsecured domestic corporate bonds	2014.07.21	2021.07.21	\$ 15,000,000	1.72	\$ -	15,000,000	Note 4
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	Note 4
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	Note 4
First 2018 unsecured domestic corporate bonds-bond A	2018.09.04	2023.09.04	1,700,000	0.85	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	Note 4
Second 2018 unsecured domestic corporate bonds-bond A	2018.11.22	2023.11.22	700,000	0.85	700,000	700,000	Note 2
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	Note 4
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	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	Note 4
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 1
First 2020 unsecured domestic corporate bonds-bond B	2020.07.29	2026.07.29	500,000	0.61	500,000	500,000	Note 3
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 1
Second 2020 unsecured domestic corporate bonds-bond B	2020.09.15	2027.09.15	5,600,000	0.66	5,500,000	5,600,000	Note 4
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 1
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 4
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
First 2021 unsecured domestic corporate bonds-bond A	2021.09.16	2026.09.16	2,300,000	0.50	2,300,000	-	Note 2
First 2021 unsecured domestic corporate bonds-bond B	2021.09.16	2028.09.16	4,800,000	0.58	4,800,000	-	Note 4
First 2021 unsecured domestic corporate bonds-bond C	2021.09.16	2031.09.16	4,100,000	0.65	4,100,000	-	Note 6
First 2021 unsecured domestic corporate bonds-bond D	2021.09.16	2036.09.16	1,000,000	0.73	1,000,000	-	Note 8
					<u>\$ 82,600,000</u>	<u>85,500,000</u>	

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

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

Note 8: Fixed interest, interest payable annually; pay in full upon fifteen 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	December 31, 2021	December 31, 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	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	Note 2
Hyundailife Insurance 5 (private placement)	2015.12.11	2021.06.11	4.65 %	465,820	-	-	523,751	
Hyundailife Insurance 5-2 (private placement)	2015.12.30	2021.06.30	4.65 %	69,873	-	-	78,703	
Hyundailife Insurance 6 (private placement)	2016.04.28	2022.04.28	4.60 %	698,730	1,403	700,133	1,050,048	
Hyundailife Insurance 7 (private placement)	2016.12.28	2022.07.28	4.75 %	465,820	875	466,695	524,585	
Hyundailife Insurance 8 (private placement)	2017.06.26	2023.01.26	4.90 %	209,619	636	210,255	236,231	
Hyundailife Insurance 9 (private placement)	2017.07.20	2023.01.20	4.90 %	186,328	1,029	187,357	211,006	
Hyundailife Insurance 11 (private placement)	2017.12.28	2023.06.28	5.60 %	1,397,460	12,052	1,409,512	1,588,250	
FubonHyundai Insurance 13 (private placement)	2019.09.09	2029.09.09	4.30 % (Note 3)	1,164,550	(2,459)	1,162,091	1,301,650	
FubonHyundai Insurance 14	2019.10.02	2029.10.02	4.25 % (Note 3)	2,329,100	(7,851)	2,321,249	2,599,667	
FubonHyundai Insurance 15 (private placement)	2020.06.24	2030.06.24	4.30 % (Note 3)	349,365	(801)	348,564	390,427	
FubonHyundai Insurance 16	2020.09.21	2030.09.21	4.49 % (Note 3)	1,164,550	(4,443)	1,160,107	1,299,266	
FubonHyundai Insurance 17 (private placement)	2021.04.29	2031.04.29	4.60 % (Note 3)	1,269,360	(3,136)	1,266,224	-	
FubonHyundai Insurance 18	2021.09.14	2031.09.14	4.10 % (Note 3)	2,212,645	(8,123)	2,204,522	-	
Total					\$ (10,818)	46,436,709	44,803,584	

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: 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>December 31,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>
Second issuance of subordinated bank debentures in 2012; fixed 1.68%; maturity: May 25, 2022	\$ 4,700,000	4,700,000
First issuance of subordinated bank debentures in 2013; fixed 1.7%; maturity: August 1, 2023	500,000	500,000
First issuance of subordinated bank debentures in 2014; fixed 1.7%; maturity: May 15, 2021	-	5,500,000
First issuance of subordinated bank debentures in 2014; fixed 1.85%; maturity: May 15, 2024	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
First issuance of dominant bank debentures in 2017; zero interest rate; maturity: January 24, 2047 (US\$200,000 thousand)	-	6,629,430
Second issuance of subordinated bank debentures in 2017; fixed 1.33%; maturity: September 22, 2024	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
Fifth issuance of dominant bank debentures in 2017; zero interest rate; maturity: December 4, 2047 (US\$100,000 thousand)	3,261,773	3,210,654
Second issuance of dominant bank debentures in 2018; zero interest rate; maturity: March 8, 2048 (US\$195,000 thousand)	6,352,767	6,238,284
Third issuance of subordinated bank debentures in 2018; fixed 1.15%; maturity: September 25, 2025	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
Fifth issuance of dominant bank debentures in 2018; zero interest rate; maturity: November 20, 2048 (US\$80,000 thousand)	2,571,144	2,511,571
Sixth issuance of dominant bank debentures in 2018; fixed 1.1%; maturity: November 28, 2028	3,700,000	3,700,000
Seventh issuance of subordinated bank debentures in 2018; fixed 2.15%; perpetual	6,500,000	6,500,000

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

	December 31, 2021	December 31, 2020
First issuance of dominant bank debentures in 2019; fixed 0.98%; maturity: March 20, 2029	\$ 1,300,000	1,500,000
Second issuance of dominant bank debentures in 2019; fixed 0.95%; maturity: May 10, 2029	1,300,000	1,300,000
Third issuance of subordinated bank debentures in 2019; fixed 1.90%; perpetual	3,100,000	3,100,000
Fourth issuance of subordinated bank debentures in 2019; fixed 1.63%; perpetual	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
Sixth issuance of dominant bank debentures in 2019; fixed 0.88%; maturity: October 30, 2029	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
First issuance of dominant bank debentures in 2020; fixed 0.75%; maturity: March 20, 2030	5,000,000	5,000,000
Second issuance of subordinated bank debentures in 2020; fixed 1.60%; perpetual	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
Third issuance of subordinated bank debentures in 2020; fixed 0.80%; maturity: June 22, 2030	1,800,000	1,800,000
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	-
Second issuance of dominant bank debentures in 2021; fixed 0.40%; maturity: September 2, 2026	1,000,000	-
Third issuance of dominant bank debentures in 2021; fixed 0.70%; maturity: September 2, 2031	2,400,000	-
Fourth issuance of dominant bank debentures in 2021; fixed 0.45%; maturity: September 28, 2026	2,700,000	-
Fourth issuance of dominant bank debentures in 2021; fixed 0.52%; maturity: September 28, 2028	1,400,000	-
Valuation adjustments of bank debentures	<u>1,036,102</u>	<u>2,058,565</u>
Subtotal	<u>91,871,786</u>	<u>96,498,504</u>

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
First issuance of 2018 Fubon Bank (China) Tier 2 capital; fixed 5.43%; maturity: December 6, 2028 (CNY 1,000,000 thousand)	\$ 4,346,730	4,363,063
First issuance of 2019 Fubon Bank (China) Tier 2 capital; fixed 5.20%; maturity: April 27, 2029 (CNY 1,000,000 thousand)	4,346,730	4,363,063
First issuance of FBCN in 2020; fixed 4.08%; maturity: January 9, 2025 (CNY 1,000,000 thousand)	4,341,456	4,355,919
First issuance of Fubon Bank (China) bank debentures in 2020; fixed 3.20%; maturity: March 23, 2023 (CNY 1,000,000 thousand)	4,346,730	4,363,063
Second issuance of Fubon Bank (China) bank debentures in 2020; fixed 3.92%; maturity: December 1, 2023 (CNY 1,000,000 thousand)	4,346,730	4,363,063
Subtotal	<u>21,728,376</u>	<u>21,808,171</u>
Total	<u><u>\$ 113,600,162</u></u>	<u><u>118,306,675</u></u>
2) Fubon Bank (Hong Kong) and its subsidiaries		
	<u>December 31, 2021</u>	<u>December 31, 2020</u>
3-year bonds issued in February 2018; fixed 2.55%; maturity: February 2021	\$ -	367,220
3-year bonds issued in August 2018; floating; maturity: August 2021	-	731,931
3-year bonds issued in October 2018; floating; maturity: October 2021	-	951,528
3-year bonds issued in December 2018; fixed 3.25%; maturity: December 2021	-	261,125
2-year bonds issued in March 2019; fixed 2.63%; maturity: March 2021	-	1,099,497
2-year bonds issued in July 2019; floating; maturity: July 2021	-	548,921
3-year bonds issued in August 2019; floating; maturity: August 2022	553,451	566,782
3-year bonds issued in October 2019; fixed 2.39%; maturity: October 2022	816,415	841,175
18-month bonds issued in December 2019; floating; maturity: June 2021	-	365,956
18-month bonds issued in December 2019; fixed 2.58%; maturity: June 2021	-	365,950

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

	<u>December 31,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>
18-month bonds issued in December 2019; fixed 2.45%; maturity: June 2021	\$ -	548,651
3-year bonds issued in December 2019; floating; maturity: December 2022	532,411	548,549
2-year bonds issued in January 2020; floating; maturity: January 2022	532,583	548,278
3-year bonds issued in January 2020; fixed 2.42%; maturity: January 2023	283,523	291,734
1-year bonds issued in February 2020; zero interest rate; maturity: February 2021	-	1,414,349
2-year bonds issued in February 2020; fixed 2.2%; maturity: February 2022	532,492	548,049
3-year bonds issued in February 2020; fixed 2%; maturity: February 2023	919,069	943,687
3-year bonds issued in February 2020; fixed 2.25%; maturity: February 2023	531,716	547,269
1-year bonds issued in March 2020; zero interest rate; maturity: March 2021	-	848,248
2-year bonds issued in March 2020; fixed 2%; maturity: March 2022	1,383,532	1,413,718
2-year bonds issued in March 2020; fixed 2%; maturity: March 2022	553,399	565,473
2-year bonds issued in March 2020; fixed 1.5%; maturity: March 2022	354,896	364,903
2-year bonds issued in April 2020; fixed 1.95%; maturity: April 2022	1,383,786	1,416,739
2-year bonds issued in April 2020; fixed 1.95%; maturity: April 2022	1,383,802	1,416,756
1-year bonds issued in June 2020; zero interest rate; maturity: June 2021	-	564,934
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	-	282,617
1-year bonds issued in July 2020; zero interest rate; maturity: July 2021	-	282,628
1-year bonds issued in August 2020; zero interest rate; maturity: August 2021	-	565,229
1-year bonds issued in August 2020; zero interest rate; maturity: August 2021	-	282,609
1-year bonds issued in September 2020; zero interest rate; maturity: September 2021	-	1,128,861

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
1-year bonds issued in January 2021; fixed 0.45%; maturity: January 2022	\$ 1,107,374	-
1-year bonds issued in January 2021; zero interest rate; maturity: January 2022	1,245,654	-
1-year bonds issued in March 2021; fixed 0.5%; maturity: March 2022	1,419,969	-
1-year bonds issued in March 2021; fixed 0.5%; maturity: March 2022	1,064,970	-
1-year bonds issued in March 2021; fixed 0.5%; maturity: March 2022	355,079	-
1-year bonds issued in April 2021; zero interest rate; maturity: April 2022	829,181	-
1-year bonds issued in May 2021; zero interest rate; maturity: May 2022	829,208	-
1-year bonds issued in June 2021; zero interest rate; maturity: June 2022	1,105,194	-
1-year bonds issued in August 2021; zero interest rate; maturity: August 2022	828,650	-
1-year bonds issued in August 2021; zero interest rate; maturity: August 2022	1,381,142	-
1-year bonds issued in October 2021; zero interest rate; maturity: October 2022	1,104,248	-
Subtotal	<u>\$ 21,031,744</u>	<u>20,907,029</u>
3) JihSun Financial Holding and its subsidiaries		
	<u>December 31, 2021</u>	<u>December 31, 2020</u>
7-year unsecured subordinated financial debentures; fixed 2.2%; maturity: January 2022	<u>\$ 2,500,000</u>	<u>-</u>
Total	<u>\$ 137,131,906</u>	<u>139,213,704</u>
(y) Other Borrowings		
	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Credit and guarantee loan	<u>\$ 1,270,866</u>	<u>1,403,553</u>
Interest rate range	0.60%~1.41%	0.65%~1.68%

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

(Continued)

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

(z) Provisions

(i) Provisions

	December 31, 2021	December 31, 2020
Unearned premium reserves (Note)	\$ 39,758,548	36,590,547
Claim reserves (Note)	35,250,442	30,866,724
Liability reserves (Note)	4,319,970,442	4,125,250,562
Special reserves (Note)	21,309,188	18,593,020
Premium deficiency reserves (Note)	8,438,006	12,669,190
Reserves for insurance contract with nature of financial instrument (Note)	3,557,753	3,448,657
Foreign exchange valuation reserves (Note)	10,389,467	8,481,833
Provisions for guarantee liabilities	235,752	217,134
Provisions for financing commitment	473,244	426,407
Provisions for employment benefits	13,889,624	14,073,181
Others	32,169,758	33,260,039
Total	<u>\$ 4,485,442,224</u>	<u>4,283,877,294</u>

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

(ii) Employee benefits

Provisions for employee benefits were as follows:

	December 31, 2021	December 31, 2020
Defined benefit plans	\$ 12,589,691	12,771,191
Preferential interest rate plan for employees' deposits	611,231	674,673
Other long term employee benefits	686,913	627,201
Others	1,789	116
	<u>\$ 13,889,624</u>	<u>14,073,181</u>

(Continued)

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

1) Defined benefit plans

Reconciliations between the present value of the defined benefit obligation and the fair value of the plan assets were as follows:

	December 31, 2021	December 31, 2020
Present value of the defined benefit obligation	\$ 22,375,888	22,037,482
Fair value of the plan assets	(9,842,423)	(9,285,049)
Net defined benefit liability	<u>\$ 12,533,465</u>	<u>12,752,433</u>
Employee benefits payable	<u>\$ 12,589,691</u>	<u>12,771,191</u>
Prepaid employee benefits (accounted for other assets) recognized as profit or loss	<u>\$ (56,226)</u>	<u>(18,758)</u>

a) Movements in the present value of the defined benefit obligation

Movements in the present value of the defined benefit obligation were as follows:

	2021	2020
Defined benefit obligation on January 1	\$ 22,037,482	21,475,576
Acquisition through business combination	1,325,334	-
Current service cost and interest cost	526,537	615,180
Remeasurements of the net defined benefit liability (asset)		
– Effect of changes in demographic assumptions	203,707	86,014
– Effect of changes in financial assumptions	(473,753)	752,843
– Effect of experience adjustments	473,047	213,681
Past service cost	(8,997)	13,277
Exchange differences of foreign plan	(51,007)	(41,785)
Contributions from the plan participants	11,295	12,600
Benefits paid from the defined benefit obligation	(59,518)	(64,286)
Benefits paid from the plan	(1,608,239)	(1,025,618)
Defined benefit obligation on December 31	<u>\$ 22,375,888</u>	<u>22,037,482</u>

(Continued)

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

b) Movements in the fair value of the plan assets

Movements in the fair value of the plan assets were as follows:

	<u>2021</u>	<u>2020</u>
Fair value of the plan assets on January 1	\$ 9,285,049	8,928,245
Acquisition through business combination	1,041,794	-
Interest income	47,256	85,713
Remeasurements of the net defined benefit liability (asset)		
— Return on plan assets (excluding interest income)	86,564	218,096
Contributions made	1,028,627	1,137,334
Benefits paid from the defined benefit obligation	-	(660)
Exchange differences of foreign plan	(67,297)	(54,482)
Benefits paid from the plan	(1,571,347)	(1,018,388)
Payment of administrative cost	(8,223)	(10,809)
Fair value of the plan assets on December 31	<u>\$ 9,842,423</u>	<u>9,285,049</u>

c) Expense recognized in profit or loss

Expenses recognized in profit or loss were as follows:

	<u>2021</u>	<u>2020</u>
Current service cost	\$ 428,250	417,724
Net interest on the net defined benefit liability (asset)	51,031	111,743
Past service cost and gains or losses on settlement	(8,997)	13,277
	<u>\$ 470,284</u>	<u>542,744</u>

d) Remeasurements of the net defined benefit liability (asset) recognized in other comprehensive income

Remeasurements of the accumulated net defined benefit liability (asset) recognized in other comprehensive income were as follows:

	<u>2021</u>	<u>2020</u>
Cumulative amount on January 1	\$ 6,245,201	5,415,618
Recognized during the period	116,437	834,442
Effects of exchange rates changes	11,635	(4,859)
Cumulative amount on December 31	<u>\$ 6,373,273</u>	<u>6,245,201</u>

(Continued)

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

e) Actuarial assumptions

The principal actuarial assumptions at the end of the reporting periods were as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Discount rate	0.700%~2.600%	0.300%~1.990%
Future salary increases	2.00%~3.00%	2.00%~3.00%

The Company and its subsidiaries expect to make the contributions of \$893,651 thousand to the defined benefit plans within a year after the end of 2021.

The weighted average duration of the defined benefit obligation was 2.9~13.8 years.

f) Sensitivity analysis

When calculating the present value of the defined benefit obligation, the Company and its subsidiaries used judgments and estimations to determine the actuarial assumptions, including discount rate and future salary changes as of the financial statement date. Any changes in the actuarial assumptions may significantly impact the amount of the defined benefit obligation.

The impacts of the actuarial assumptions changes on defined benefit obligation were as follows:

i) The Company and its subsidiaries, excluding Fubon Hyundai Life Insurance

	Impacts on the defined benefit obligation	
	<u>Increase 0.5%</u>	<u>Decrease 0.5%</u>
December 31, 2021		
Discount rate	\$ (835,617)	889,879
Future salary increase	662,539	(537,268)
December 31, 2020		
Discount rate	(886,307)	946,075
Future salary increase	626,410	(588,166)

(Continued)

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

ii) Fubon Hyundai Life Insurance

	Impacts on the defined benefit obligation	
	Increase 1%	Decrease 1%
December 31, 2021		
Discount rate	\$ (26,964)	31,011
Future salary increase	30,588	(27,131)
December 31, 2020		
Discount rate	(21,279)	24,324
Future salary increase	24,083	(21,483)

The above sensitivity analysis studied the impact of a single factor when others remained constant. In practice, the changes may be related to each other. The method adopted for sensitivity analysis was consistent with the method used in calculating the net defined benefit liability. The method and assumptions adopted for sensitivity analysis were the same as those with the prior period.

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:

	2021	2020
Pension Expenses	\$ 1,460,544	1,396,716

3) Preferential interest deposits plan for employees

The obligation arising from the employees' preferential deposits was as follow:

	December 31, 2021	December 31, 2020
Present value of post-employment benefits obligation	\$ 611,231	674,673
Fair value of the plan assets	-	-
Net post-employment benefits liability	\$ 611,231	674,673

(Continued)

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

a) Movements in the present value of post-employment benefits obligation

Movements in the present value of the post-employment benefit obligations were as follows:

	<u>2021</u>	<u>2020</u>
Post-employment benefits obligation on January 1	\$ 674,673	727,297
Current service cost and interest cost	72,302	93,630
Remeasurements loss (gain):		
– Effect of changes in demographic assumptions	(103,258)	-
– Effect of experience adjustments	26,163	(90,544)
Benefits paid from the plan	<u>(58,649)</u>	<u>(55,710)</u>
Post-employment benefit obligation on December 31	<u>\$ 611,231</u>	<u>674,673</u>

b) Expense recognized in profit or loss

Expenses recognized in profit or loss were as follow:

	<u>2021</u>	<u>2020</u>
Current service cost	\$ 46,419	64,538
Interest cost	<u>25,883</u>	<u>29,092</u>
	<u>\$ 72,302</u>	<u>93,630</u>

c) Actuarial gains and losses recognized in other comprehensive income

Accumulated actuarial gains and losses recognized in other comprehensive income were as follows:

	<u>2021</u>	<u>2020</u>
Cumulative amount on January 1	\$ 15,443	105,987
Recognized during the period	<u>(77,095)</u>	<u>(90,544)</u>
Cumulative amount on December 31	<u>\$ (61,652)</u>	<u>15,443</u>

d) Actuarial assumptions

The principal actuarial assumptions of post-employment benefit obligation at the end of the reporting periods were as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Discount rate	4.00 %	4.00 %
Expected return on employees' deposits	2.00 %	2.00 %
Withdrawal percentage of preferential deposits	1.40 %	1.40 %

(Continued)

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

The weighted average duration of the post-employment benefit obligation at the end of 2021 is 9 years.

e) Sensitivity analysis

The impacts of the actuarial assumptions changes on the post-employment benefit obligation were as follows:

	Impacts on the defined benefit obligation	
	<u>Increase 0.5%</u>	<u>Decrease 0.5%</u>
December 31, 2021		
Discount rate	\$ (25,951)	28,214
Withdrawal percentage of preferential deposits	(21,925)	23,649
December 31, 2020		
Discount rate	(32,159)	35,300
Withdrawal percentage of preferential deposits	(27,391)	29,824

The above sensitivity analysis studied the impact of single factor when others remained constant. In practice, the changes may be related to each other. The method and assumptions adopted for sensitivity analysis were the same as prior period.

4) Others

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 nine months ended December 31, 2021
Beginning balance	\$ 39,965
Add: interest	38
Less: payment	<u>(2,757)</u>
Ending balance	<u><u>\$ 37,246</u></u>

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

(aa) Other Financial Liabilities

	December 31, 2021	December 31, 2020
Principal of structured products	\$ 81,542,306	76,377,855
Liabilities on insurance product—separate account	497,726,764	452,878,316
Future traders' equity	30,106,634	20,305,788
Others	<u>65,952</u>	<u>71,667</u>
Total	<u>\$ 609,441,656</u>	<u>549,633,626</u>

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

(ab) Other Liabilities

	December 31, 2021	December 31, 2020
Advance receipts	\$ 8,923,613	7,314,593
Temporary receipts	5,645,861	4,806,933
Guarantee deposits received	7,213,504	10,203,543
Advance premiums	10,184,425	9,136,131
Deferred revenue	3,046,625	2,544,127
Deposit-in for borrowed securities	19,486,449	13,398,754
Collections for underwriting stock value	25,759,369	2,090,932
Others	<u>2,474,884</u>	<u>2,098,229</u>
Total	<u>\$ 82,734,730</u>	<u>51,593,242</u>

(ac) Income Tax

(i) Income tax expenses

The components of income tax expense were as follows:

	2021	2020
Current tax expense		
Current period	\$ 19,532,441	12,633,205
Adjustment for prior periods	(467,485)	(99,684)
Surtax on undistributed earnings	2,143,509	2,621,451
Others	<u>28,093</u>	<u>260,235</u>
	<u>21,236,558</u>	<u>15,415,207</u>
Deferred tax benefit		
Incurrence and reversal of temporary differences	<u>(2,882,091)</u>	<u>(3,258,972)</u>
Total income tax expenses	<u>\$ 18,354,467</u>	<u>12,156,235</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:

	<u>2021</u>	<u>2020</u>
Items not to be reclassified to profit or loss:		
Remeasurements of the defined benefit plans	\$ (74,694)	(142,995)
Revaluation gains on property	(2,597)	28,761
Gains/ losses on valuation of equity instruments measured at fair value through other comprehensive income	(555,888)	(1,354,795)
	<u>\$ (633,179)</u>	<u>(1,469,029)</u>
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	\$ (736,905)	(48,810)
Gains/ losses on financial instruments for hedging	(105,653)	97,872
Gains/ losses on debt instruments measured at fair value through other comprehensive income	(7,077,388)	5,236,496
Share of other comprehensive income of associates and joint ventures accounted for using equity method	45,380	65,191
Other comprehensive income reclassified by applying overlay approach	4,133,615	848,737
	<u>\$ (3,740,951)</u>	<u>6,199,486</u>
	<u>\$ (4,374,130)</u>	<u>4,730,457</u>

The related reconciliation of tax expense and income before income tax were as follows:

	<u>2021</u>	<u>2020</u>
Income before income tax	<u>\$ 165,589,399</u>	<u>103,127,912</u>
Income tax using the Company's domestic tax rate	\$ 33,117,880	20,625,582
Effect of tax rates in foreign branches	211,047	107,309
Permanent differences	(299,775)	(47,774)
Tax-exempt income	(22,454,992)	(15,978,159)
Amount of basic tax greater than regular income tax	6,177,701	4,563,368
Tax implication on investment properties	(11,942)	425,412
Over provision in prior periods	(467,485)	(99,684)
Surtax on undistributed earnings	2,143,509	2,621,451
Others	(61,476)	(61,270)
Total	<u>\$ 18,354,467</u>	<u>12,156,235</u>

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

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following items:

	December 31, 2021	December 31, 2020
Share of loss of associates under equity method	\$ 127,638	106,797
Tax losses	1,392,180	1,565,277
Temporary differences related to investments in subsidiaries	680,977	864,606
Other deductible temporary differences	<u>583,354</u>	<u>1,810,121</u>
	<u>\$ 2,784,149</u>	<u>4,346,801</u>

The share of loss of the associates under equity method was derived from the investing foreign associates under equity method, and the losses are not considered probable to reverse in the foreseeable future.

Those tax losses are not recognized as deferred tax assets for it is not probable that the Company and its subsidiaries will have sufficient taxable income in the future for the realization of the temporary differences.

2) Recognized deferred tax assets and liabilities

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

Deferred tax assets:

	Employee benefits	Fair value gains of financial instruments	Impairment loss on financial assets	Overseas branches/ foreign investment gains	Unrealized foreign exchange gains (losses)	Allowance on bad debts	Loss carry forwards	Others	Total
Balance at January 1, 2021	\$ 2,527,037	3,078,491	706,681	645,190	18,849,920	671,656	-	2,238,914	28,717,889
Recognized as profit and loss	(122,876)	95,490	100,860	(43,903)	3,270,166	(193,068)	-	(535,803)	2,570,866
Recognized as other comprehensive income	96,316	(133,442)	(9,269)	-	-	-	-	726,732	680,337
Recognized as equity	-	(417,622)	-	-	-	-	-	-	(417,622)
Acquisition through business combination	67,493	-	-	-	-	-	-	10,989	78,482
Others	(1,139)	18,495	201	-	-	(2,539)	-	442,435	457,453
Balance at December 31, 2021	\$ 2,566,831	2,641,412	798,473	601,287	22,120,086	476,049	-	2,883,267	32,087,405
Balance at January 1, 2020	\$ 2,496,934	2,307,734	544,789	650,443	8,401,600	435,801	5,201,760	2,187,368	22,226,429
Recognized as profit and loss	(68,510)	(1,674)	179,713	(5,253)	10,448,320	228,494	(5,011,822)	81,950	5,851,218
Recognized as other comprehensive income	98,613	1,736,707	(17,758)	-	-	-	-	(32,781)	1,784,781
Recognized as equity	-	(968,771)	-	-	-	-	-	-	(968,771)
Others	-	4,495	(63)	-	-	7,361	(189,938)	2,377	(175,768)
Balance at December 31, 2020	\$ 2,527,037	3,078,491	706,681	645,190	18,849,920	671,656	-	2,238,914	28,717,889

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

Deferred tax liabilities:

	Employee benefits	Fair value gains of financial instruments	Overseas branches/ foreign investment gains	Unrealized foreign exchange gains	Land value increment tax on investment properties	Others	Total
Balance at January 1, 2021	\$ (25,756)	18,993,821	6,970,779	268,960	3,307,896	1,919,752	31,435,452
Recognized as profit and loss	67,964	(3,432,247)	1,787,535	(69,315)	(97,644)	1,432,482	(311,225)
Recognized as other comprehensive income	12,861	(3,748,025)	-	-	3,761	37,610	(3,693,793)
Recognized as equity	-	(248,225)	-	-	-	-	(248,225)
Acquisition through business combinations	9,846	-	-	-	206,812	68,407	285,065
Others	1,407	(125,744)	-	-	-	(36,026)	(160,363)
Balance at December 31, 2021	\$ 66,322	11,439,580	8,758,314	199,645	3,420,825	3,422,225	27,306,911
Balance at January 1, 2020	\$ (8,048)	10,845,176	6,237,854	452,085	3,169,440	1,540,513	22,237,020
Recognized as profit and loss	15,229	1,505,660	732,925	(183,125)	115,308	406,249	2,592,246
Recognized as other comprehensive income	(35,552)	6,547,259	-	-	23,148	(19,617)	6,515,238
Recognized as equity	-	22,339	-	-	-	-	22,339
Others	2,615	73,387	-	-	-	(7,393)	68,609
Balance at December 31, 2020	\$ (25,756)	18,993,821	6,970,779	268,960	3,307,896	1,919,752	31,435,452

(iii) Income tax assessment situation

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

Company Name	Assessed Year	Assessment Status
The Company	2016	
Taipei Fubon Bank	2016	Administrative remedies have been applied from 2011 to 2014, and plans to apply for administrative remedies before the statutory deadline in 2016
Fubon Insurance	2016	Administrative remedies have been applied in 2012
Fubon Life Insurance	2016	Administrative remedies have been applied from 2012 to 2014, and plans to apply for administrative remedies before the statutory deadline in 2016
Fubon Securities	2016	Administrative remedies have been applied from 2012 to 2014, and plans to apply for administrative remedies before the statutory deadline in 2016
Fubon Assets Management (Note 2)	2019	
Fubon Direct Market Consulting	2016	

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

<u>Company Name</u>	<u>Assessed Year</u>	<u>Assessment Status</u>
Fubon Financial Holding Venture Capital (Note 1)	2019	Administrative remedies have been applied in 2012
Fubon AMC	2016	
Taiwan Sport Lottery	2016	
JihSun Financial Holding	2016	

Note 1: 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 FY2016. According to the said law, it no longer filed consolidated tax returns with the Company since FY 2017 and its tax returns of FY2019 have been assessed.

Note 2: According to Article 49 of Financial Holding Company Act, Fubon Asset Management filed consolidated tax returns with the Company since FY2021.

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 and 2016. 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.

For all the Company and subsidiaries' income tax returns which have already been filed but have not been assessed, the Company and subsidiaries have evaluated the related factors, such as relevant interpretation letters and previous experiences, and consider they have accrued sufficient income tax liabilities.

- (iv) The Company and its subsidiaries' have filed a combined corporate income tax return since 2002 in accordance with the Financial Holding Company Act, Article 49. Details of the Company's receivables from and payables to subsidiaries resulting from combined corporate income tax return filings were as follows:

	December 31, 2021		
	<u>2021 Estimate</u>	<u>Filed in previous years</u>	<u>Total</u>
Linked tax receivables from subsidiaries:			
Taipei Fubon Bank	\$ 1,199,951	-	1,199,951
Fubon Life Insurance	11,723,607	-	11,723,607
Fubon Insurance	378,016	17,345	395,361
Fubon Securities	966,160	132,582	1,098,742
Fubon AMC	32,914	-	32,914
Fubon Asset Management	68,834	-	68,834
Total	<u>\$ 14,369,482</u>	<u>149,927</u>	<u>14,519,409</u>

(Continued)

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

	December 31, 2021		
	2021 Estimate	Filed in previous years	Total
Linked tax payables to subsidiaries:			
Taipei Fubon Bank	\$ -	111,249	111,249
Fubon Life Insurance	-	3,144,355	3,144,355
Fubon Marketing	185	-	185
Total	\$ 185	3,255,604	3,255,789

	December 31, 2020		
	2020 Estimate	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		
	2020 Estimate	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

- (v) 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	December 31, 2021
linked tax payables- JihSun Bank	(523,818)
linked tax receivables- JihSun Property Insurance Agency	-
linked tax receivables- JihSun Securities	475,707

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

(ad) Capital and Other Equity

(i) Share capital

- 1) As of December 31, 2020, the authorized and paid-in capital amounted to \$150,000,000 thousand, with a par value of \$10 per share. Share capital includes common stock and preferred stock. The Company issued common shares amounted to 10,233,604 thousand shares and 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.

Approved by the shareholders' meeting on July 23, 2021, the Company issues new shares out of its capital reserve in the amount of \$10,233,604 thousand divided into 1,023,360 thousand 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. The date of capital increase was September 12, 2021.

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 issued 548,000 thousand shares of common stocks and 333,330 thousand shares of Series C preferred stocks, with the issue price of \$58.9 and \$60 per share, respectively, with the par value of \$10 per share. The Company had received approval from the FSC for this capital increase, with October 26, 2021, as the date of capital increase. The relevant statutory registration procedures had been completed. As of December 31, 2021, the Company issued common shares amounting to 11,804,964 thousand shares and issued irredeemable non cumulative preferred shares amounting to 1,599,990 thousand shares

(Continued)

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

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, B and C Preferred Shares on June 12, 2015, January 28, 2016, November 28, 2017, and April 29, 2021, respectively. All issued shares were recognized as equity.

Preferred stock types Items	Series A	Series B	Series C
Shares of issuance	600,000 thousand	666,660 thousand	333,330 thousand
Par value per share	TWD10		
Issuance price per share	TWD60		
Subscription date	2016.04.22	2018.03.16	2021.10.26
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.	1. 3.00% per annum (7-year IRS 0.6538%+2.3462%) 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.
Dividend issuance	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. 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. 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.		
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	1. Holders of preferred shares have no voting right at the annual shareholders meeting, and cannot elect directors. 2. Holders of preferred shares have voting rights at annual shareholders meeting on items relating to rights of preferred shares holders.		
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.		

(Continued)

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:

	December 31, 2021	December 31, 2020
Additional paid-in capital	\$ 168,744,901	134,752,123
Equity-accounted investees	2,468,348	2,445,805
Changes in ownership interests in subsidiaries	1,523,615	236,533
Sale of treasury stock	583,183	229,515
Other	<u>42,972</u>	<u>1,178</u>
Total	<u>\$ 173,363,019</u>	<u>137,665,154</u>

- a) 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.
- b) 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 December 31, 2021, the balance of such capital surplus was \$4,343 thousand.
- c) Share-based payment

The Company increased cash capital in common stocks and Series C preferred shares for the year ended December 31, 2021. Pursuant to Article 267-1 of the R.O.C. Company Act, the Company shall reserve 10% of the total new shares issued for cash capital increase for the Group's employee pre-emption. The Company's share-based payment transactions are as follows:

Type of agreement	Grant date	Grant quantity (thousand shares)	Vesting conditions
Shares from capital increase by cash reserved for employees (common stocks)	2021/9/11	45,494	Vesting immediately
Shares from capital increase by cash reserved for employees (Series C Preferred shares)	2021/9/11	7,377	Vesting immediately

(Continued)

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

The capital surplus from share-based payment was \$851,396 thousand for the year ended December 31, 2021.

(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

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

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. 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.

(Continued)

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

The amount of appropriations of earnings for 2020 and 2019 was approved by the Shareholders' meeting on July 23, 2021 and June 12, 2020, respectively. These earnings were appropriated as follows:

	<u>2020</u>	<u>2019</u>
Dividend on common stock		
Cash dividends	\$ 30,700,812	20,467,208
Stock dividends (Note)	<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>

Note: 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.

(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.

(Continued)

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

(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	(7,294,934)	-	-	-	-	(7,294,934)
Share of exchange differences on translation of the associates accounted for using equity method	181,521	-	-	-	-	181,521
Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	-	(16,398,048)	-	-	-	(16,398,048)
Accumulated gains (losses) reclassified to profit or loss on disposal of debt investments measured at fair value through other comprehensive income	-	(17,163,188)	-	-	-	(17,163,188)
Disposal of equity instruments measured at fair value through other comprehensive income	-	2,180,833	-	-	-	2,180,833
Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income of the associates accounted for using equity method	-	(664,103)	-	-	-	(664,103)
Fair value changes of financial instruments for hedging	-	-	(433,879)	-	-	(433,879)
Revaluation gains	-	-	-	127,960	-	127,960
Other comprehensive income reclassified by applying overlay approach	-	-	-	-	62,264,817	62,264,817
Changes in ownership interests in subsidiaries	(319,745)	436,344	-	-	273,416	390,015
Revaluation gains from disposal of investment properties	-	-	-	(100,740)	-	(100,740)
Others	-	(2,788)	-	-	-	(2,788)
Balance as of December 31, 2021	<u>\$ (26,871,549)</u>	<u>10,059,931</u>	<u>322,363</u>	<u>2,451,220</u>	<u>177,502,547</u>	<u>163,464,512</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	(3,097,448)	-	-	-	-	(3,097,448)
Share of exchange differences on translation of the associates accounted for using equity method	260,414	-	-	-	-	260,414
Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	-	39,926,840	-	-	-	39,926,840
Accumulated gains (losses) reclassified to profit or loss on disposal of debt investments measured at fair value through other comprehensive income	-	(17,312,927)	-	-	-	(17,312,927)
Disposal of equity instruments measured at fair value through other comprehensive income	-	7,475,137	-	-	-	7,475,137
Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income of the associates accounted for using equity method	-	565,145	-	-	-	565,145
Fair value changes of financial instruments for hedging	-	-	391,490	-	-	391,490
Revaluation gains	-	-	-	253,675	-	253,675
Revaluation gains from disposal of investment properties	-	-	-	(94,548)	-	(94,548)
Other comprehensive income reclassified by applying overlay approach	-	-	-	-	67,233,376	67,233,376
Balance as of December 31, 2020	<u>\$ (19,438,391)</u>	<u>41,670,881</u>	<u>756,242</u>	<u>2,424,000</u>	<u>114,964,314</u>	<u>140,377,046</u>

(Continued)

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

(viii) Non-controlling interests

	<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	791,484	-
Adjustments of capital surplus for company's cash dividends received by subsidiaries	29,180	-
Changes in ownership interests in subsidiaries	(1,675,619)	-
Changes in non-controlling interests	21,233,049	-
Attributable to non-controlling interests		
Net income	2,675,886	699,232
Exchange differences on translation of foreign operations	(1,345,291)	156,778
Gains (losses) on financial assets measured at fair value through other comprehensive income	(851,522)	395,373
Losses on remeasurements of defined benefit plans	18,345	(10,493)
Other comprehensive income reclassified by applying overlay approach	97,865	606,782
Gains (losses) on financial instruments for hedging	5,060	-
Others	(2,566)	154,034
Ending balance	<u>\$ 34,273,188</u>	<u>13,913,887</u>

(ae) Earnings Per Share

	<u>2021</u>	<u>2020</u>
Net income of equity holders	\$ 144,559,046	90,272,445
Less: Declared dividends of preferred stock	2,915,986	2,915,986
Net income of ordinary equity holders	<u>\$ 141,643,060</u>	<u>87,356,459</u>
Weighted average number of common shares outstanding (thousands)	<u>11,342,345</u>	<u>11,256,964</u>
Basic EPS (Dollars)	<u>\$ 12.49</u>	<u>7.76</u>

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.

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

The issuance of new shares from capitalization of the Company's capital reserve was approved by the shareholders' meeting on July 23, 2021. The ex-rights record date is September 12, 2021. When calculating earnings per share, the impact of stock grants has been retrospectively adjusted. The changes of earnings per share for the year ended December 31, 2021 are as follows:

	Before retrospectively adjusted 2020	After retrospectively adjusted 2020
Basic EPS (Dollars)	<u>\$ 8.54</u>	<u>\$ 7.76</u>

(af) 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:

	<u>2021</u>	<u>2020</u>
Employees' compensation	<u>\$ 24,300</u>	<u>\$ 10,000</u>
Directors' remuneration	<u>\$ 135,000</u>	<u>\$ 90,000</u>

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 has 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

(ag) Income and Expenses

(i) Net interest revenue

	<u>2021</u>	<u>2020</u>
Interest revenue:		
Discounts and loans	\$ 52,237,302	50,301,413
Investment in securities	108,584,756	110,401,799
Others	<u>7,902,552</u>	<u>9,663,586</u>
Subtotal	<u>168,724,610</u>	<u>170,366,798</u>
Interest expense:		
Deposits	15,159,939	21,660,632
Debt securities issued	4,483,088	4,916,791
Call loans from the central Bank and banks	724,039	1,809,582
Securities sold under repurchase agreements	715,841	1,574,191
Others	<u>4,170,050</u>	<u>3,111,303</u>
Subtotal	<u>25,252,957</u>	<u>33,072,499</u>
Net interest revenue	<u>\$ 143,471,653</u>	<u>137,294,299</u>

(ii) Net service charge and commissions loss

	<u>2021</u>	<u>2020</u>
Service fee and commission income:		
Brokerage service fees	\$ 15,060,395	6,199,108
Trust and custody services	6,300,821	6,147,100
Credit card service fees	753,011	1,394,589
Commission income	3,783,908	2,920,760
Loan service fees	1,441,964	1,229,634
Others	<u>8,216,319</u>	<u>6,121,484</u>
Subtotal	<u>35,556,418</u>	<u>24,012,675</u>
Service charge and commission expense:		
Commission expense	22,137,496	25,349,556
Interbank service charge	375,316	386,899
Brokerage service charge	1,334,651	487,958
Credit card service charge	1,139,823	1,226,181
Others	<u>2,941,266</u>	<u>2,135,069</u>
Subtotal	<u>27,928,552</u>	<u>29,585,663</u>
Net service charge and commissions loss	<u>\$ 7,627,866</u>	<u>(5,572,988)</u>

(Continued)

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

(iii) Net income of insurance operations

	<u>2021</u>	<u>2020</u>
Premiums income	\$ 473,279,797	589,280,489
Separate account products revenues	48,605,092	47,177,972
Income from insurance business	<u>521,884,889</u>	<u>636,458,461</u>
Acquisition expenses	36,811	43,235
Insurance claims payment	311,207,287	349,879,347
Separate account products expenses	48,605,092	47,177,972
Disbursement toward industry stability	<u>1,115,463</u>	<u>1,310,644</u>
Insurance business expenses	<u>360,964,653</u>	<u>398,411,198</u>
Net income of insurance operations	<u><u>\$ 160,920,236</u></u>	<u><u>238,047,263</u></u>

(iv) Net change in provisions for insurance liabilities

	<u>2021</u>	<u>2020</u>
Net change of claim reserves	\$ 3,457,890	1,991,108
Net change of liability reserves	240,292,121	312,433,298
Net change of special reserves	2,761,381	1,323,503
Net change of reserves for premium deficiency	(4,191,944)	(3,782,577)
Net change of reserves for insurance contract with nature of financial instrument	214,492	200,099
Net change of other reserves	<u>1,248,373</u>	<u>(5,791,300)</u>
	<u><u>\$ 243,782,313</u></u>	<u><u>306,374,131</u></u>

(v) Employee benefits expenses

	<u>2021</u>	<u>2020</u>
Salaries and wages (Note)	\$ 34,104,834	27,903,853
Labor insurance, national health insurance, and group insurance for life	3,745,948	3,070,010
Pension	1,877,203	1,950,560
Director's remuneration	1,236,786	732,798
Other employee benefits expenses	<u>1,514,381</u>	<u>1,659,117</u>
	<u><u>\$ 42,479,152</u></u>	<u><u>35,316,338</u></u>

Note: The Company implemented cash capital increase in accordance with the resolution of the Board of Directors on April 29, 2021, and ten percent of such new shares were reserved for subscription by employees of the company and its subsidiaries, and the Company recognized \$851,409 thousand salary expenses

(Continued)

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

(vi) Depreciation and amortization expenses

	<u>2021</u>	<u>2020</u>
Depreciation expenses	\$ 5,077,748	4,917,836
Amortization expenses	<u>1,572,269</u>	<u>1,371,160</u>
	<u><u>\$ 6,650,017</u></u>	<u><u>6,288,996</u></u>

(vii) Other general and administrative expenses

	<u>2021</u>	<u>2020</u>
Taxation and government fee	\$ 4,910,579	3,852,919
Rental expense	1,069,699	1,028,151
Professional services	2,958,660	2,981,716
Business activities	1,361,851	1,657,262
Cross-selling expense	261,224	217,666
Postage expense	1,447,160	1,315,203
Others	<u>10,734,526</u>	<u>9,973,746</u>
	<u><u>\$ 22,743,699</u></u>	<u><u>21,026,663</u></u>

(ah) 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.

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

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, debt instruments and derivatives 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 derivatives instruments without active market price are categorized in Level 2.

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, debt instruments and derivatives 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.

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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(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	December 31, 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	\$ 758,225,797	753,215,001	520,987	4,489,809
Bond investment	167,949,457	52,952,751	106,359,000	8,637,706
Others	652,102,095	437,178,014	30,703,932	184,220,149
Financial assets measured at fair value through other comprehensive income				
Stock investment	85,250,172	53,849,023	-	31,401,149
Bond investment (Note 1)	961,575,321	621,998,596	317,348,940	22,227,785
Others	43,041,797	8,480,634	33,631,752	929,411
Investment property (Note 2)	264,904,823	-	-	264,904,823
Liabilities:				
Financial liabilities measured at fair value through profit or loss				
Held-for-trading financial liabilities	12,304,979	12,304,979	-	-
Financial liabilities designated as at fair value through profit or loss	72,285	72,285	-	-
<u>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	30,598,664	841,579	28,162,055	1,595,030
Financial assets designated as at fair value through profit or loss	50,643	-	-	50,643
Financial assets for hedging	3,074,240	-	3,074,240	-
Liabilities:				
Financial liabilities measured at fair value through profit or loss				
Held-for-trading financial liabilities	29,793,637	291,306	28,201,771	1,300,560
Financial liabilities designated as at fair value through profit or loss	2,911,435	-	10,263	2,901,172
Financial liabilities for hedging	9,956,216	-	9,956,216	-

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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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)	267,484,905	-	-	267,484,905
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	-

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.

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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 (o) for details.

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
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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 years ended December 31, 2021 and 2020 were due to quoted market price and liquidity.

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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	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	26,688	1,464,982	22,328,374	66,018,454	4,196,632	46,275,481	11,224,071	198,942,694
Financial assets designated as at fair value through profit or loss	-	-	(837)	-	51,480	-	-	-	50,643
Financial assets measured at fair value through other comprehensive income	55,971,458	8,156,662	460,053	138,842	1,963,274	1,463,576	9,386,966	4,208,554	54,558,345
Investment property	267,484,905	621,298	(328,238)	(3,726,038)	1,821,850	(179,452)	337,662	451,840	264,904,823
Total	\$ 485,863,479	8,804,648	1,595,960	18,741,178	69,855,058	5,480,756	56,000,109	15,884,465	518,456,505

(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	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	1,654,871	2,312,313	72,525,524	6,183,180	128,089,044	4,730,228	162,407,116	
Financial assets measured at fair value through other comprehensive income	65,552,785	(679,515)	(1,551,278)	4,312,789	4,549,217	11,172,472	5,040,068	55,971,458	
Investment property	242,195,880	(3,864,098)	212,432	27,605,755	1,399,219	378	63,905	267,484,905	
Total	\$ 520,299,165	(2,888,742)	973,467	104,444,068	12,131,616	139,261,894	9,834,201	485,863,479	

(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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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 (o) 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:

	December 31, 2021	December 31, 2020
Valuation techniques and inputs for level 3 fair value measurements	\$ 483,252,570	454,780,677

Quantitative information of Level 3 inputs of subsidiaries is as follows:

a) Taipei Fubon Bank

	December 31, 2021				
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)	\$ 1,241,652	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.
 <u>Derivative financial instruments</u>					
Assets:					
Financial assets measured at fair value through profit or loss					
Exotic FX option		129 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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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.

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b) Fubon Life Insurance

		December 31, 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	\$ 1,956,536	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%(34%)	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	10.7	The higher the P/E ratio, the higher the fair value.	
			P/B ratio	2.3~12.1(7.2)	The higher the P/B ratio, the higher the fair value.	
			Discounted cash flow	Discount rate	14.16%	The higher the discount rate, the lower the fair value.
			Black-Scholes Model	Risk-free rate	3 year: 0.68%~0.83% 5 year: 1.07%~1.30% 10 year: 1.36%~1.66%	The higher the risk-free rate, the lower the fair value.
			Volatility	3 year: 24.93%~30.47% 5 year: 22.51%~27.51% 6 year: 23.12%~28.26% 35.19%~43.01%	The higher the volatility, the higher the fair value.	
			Underlying stock price	HK\$240,709,625 ~\$294,200,653 US\$3,639,977 ~\$4,448,861	The higher the underlying stock price, the higher the call warrant value but the lower the put option value.	
Financial assets measured at fair value through other comprehensive income	11,378,055	Asset-based Approach	Discount for lack of marketability	5%~70% (16%)	The higher the discount for lack of marketability, the lower the fair value.	
			Non-controlling interest discount	5%~29.7% (19.83%)	The higher the non-controlling interest discount, the lower the fair value.	
			Market approach – comparable company	Discount for lack of marketability	1.64%~28% (17.21%)	The higher the discount for lack of marketability, the lower the fair value.
			P/B ratio	1.5~3.1(2.3)	The higher the P/B ratio, the higher the fair value.	
			Discounted cash flow	Discount rate	1.89%~2.16%	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%~1.99%	The higher the prepayment rate, the higher the fair value.	

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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.	
			Discounted cash flow	P/B ratio	1.4~4.9(2.8)	The higher the P/B ratio, the higher the fair value.	
				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%~51.38% 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%)
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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c) Fubon Insurance

December 31, 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	\$ 1,986,330	Asset-based Approach	Discount for lack of marketability	0%~10% (7%)	The higher the discount for lack of marketability, the lower the fair value. The higher the non-controlling interest discount, the lower the fair value.		
			Non-controlling interest discount	0%~29.7% (18.32%)			
			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. The higher the P/E ratio, the higher the fair value. The higher the P/B ratio, the higher the fair value.
			P/E ratio	10.7			
P/B ratio	1.5~3.1(2.3)						
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. The higher the non-controlling interest discount, the lower the fair value.		
			Non-controlling interest discount	0%~29.7% (13.06%)			
			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. The higher the P/E ratio, the higher the fair value. The higher the P/B ratio, the higher the fair value.
			P/E ratio	14.8			
P/B ratio	2.1~3.0(2.55)						

d) Fubon Securities

December 31, 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					
Securities invested by brokers	\$ 344,464	Evaluation methods of unlisted stock Note 1	The selection of the model is based on the evaluation methods of unlisted stock. Note 1	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	4,228,192	Evaluation methods of unlisted stock Note 1	The selection of the model is based on the evaluation methods of unlisted stock. Note 1	Not applicable	The selection of the model is based on the evaluation methods of unlisted stock.
Derivative financial instruments					
Liabilities:					
Financial liabilities measured at fair value through profit or loss					
Financial liabilities designated as at fair value through profit or loss	2,397,783	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
<u>Recurring fair value measurement</u>						
<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						
	Securities invested by brokers	\$ 444,257	Evaluation methods of unlisted stock Note 1	The selection of the model is based on the evaluation methods of unlisted stock. Note 1	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 Note 1	The selection of the model is based on the evaluation methods of unlisted stock. Note 1	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.
<u>Derivative financial instruments</u>						
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.

Note 1: The selection of evaluation methods of unlisted stock is performed case-by-case.

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e) JihSun Financial Holding

December 31, 2021					
<u>Non-derivative financial instruments</u>	Fair value	Valuation techniques	Significant unobservable inputs	Intervals	Relationship between inputs and fair value
Financial assets measured at fair value through profit or loss	\$ 18,894	Comparable company approach	Evaluation multiplier	2.11	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.
		Net asset value method	Net asset value	Not applicable	Not applicable
Financial assets measured at fair value through other comprehensive income	9,704,205	Comparable company approach	Evaluation multiplier	0.85~ 13.51	The higher the evaluation multiplier, the higher the fair value.
			Discount for lack of marketability	16.58% ~ 34.60%	The higher the discount for lack of marketability, the lower the fair value.
		Discounted cash flow	Long-term revenue growth rate	0.00%~1.48%	The higher the long-term revenue growth rate, the higher the fair value.
			Weighted average cost of capital	10.33%~12.19%	The higher the weighted average cost of capital, the lower the fair value.
			Discount for lack of marketability	19.54%~29.19%	The higher the discount for lack of marketability, the lower the fair value.
		Net asset value method	Net asset value	Not applicable	Not applicable
			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	503,389	Option pricing model	Volatility	14%~55%	The higher the volatility, the higher the fair value.
<u>Derivative financial instruments</u>					
Financial assets measured at fair value through profit or loss	50,643	Quote price of front hand securities	Not applicable	Not applicable	Not applicable

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.

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

- 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

December 31, 2021	Fair value fluctuation reflected on net income		Fair value fluctuation reflected on other comprehensive income	
Items	Positive change (+10%)	Negative change (- 10%)	Positive change (+10%)	Negative change (- 10%)
Assets				
Financial assets measured at fair value through profit or loss				
Financial assets mandatorily \$ measured at fair value through profit or loss	13	(16)	-	-

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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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				
Held-for-trading financial liabilities	1	-	-	-

b) Fubon Life Insurance

December 31, 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	\$ 76,366	(75,486)	15	(16)
Financial assets measured at fair value through other comprehensive income	-	-	19,493	(20,278)
Total	<u>\$ 76,366</u>	<u>(75,486)</u>	<u>19,508</u>	<u>(20,294)</u>

(Continued)

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

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	\$ 39,047	(40,455)	102,132	(164,942)

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

December 31, 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	\$ 34,446	(34,446)	-	-
Financial assets measured at fair value through other comprehensive income	-	-	422,819	(422,819)
Liabilities				
Financial liabilities designated as at fair value through profit or loss	239,778	(239,778)	-	-

(Continued)

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

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)	-	-

d) JihSun Financial Holding

December 31, 2021	Fair value fluctuation reflected on net income		Fair value fluctuation reflected on other comprehensive income	
	Positive change (+1%)	Negative change (-1%)	Positive change (+1%)	Negative change (-1%)
Items				
Assets				
Financial assets measured at fair value through profit or loss	\$ 525	(525)	-	-
Financial assets measured at fair value through other comprehensive income	-	-	191,603	(187,816)

(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.

Items	Book value	Fair value
December 31, 2021		
Financial assets		
Debt investments measured at amortized cost (Note)	\$ 3,178,277,421	3,306,095,994
Financial liabilities		
Bonds payable	266,168,615	268,332,321
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

Note: Included government bonds accounted for refundable deposits.

2) Fair value hierarchy

Financial instruments measured at fair value	December 31, 2021			
	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	\$ 3,306,095,994	1,649,798,885	1,298,458,916	357,838,193
Financial liabilities:				
Bonds payable	268,332,321	79,246,372	177,588,873	11,497,076

(Continued)

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

Financial 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)
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

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.
- 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.

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

(ai) 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	December 31, 2021			
	Unearned premium reserves		Ceded unearned premium reserves	
	Direct business	Reinsurance-assumed business	Reinsurance-ceded business	Retained business
	\$			
Fire insurance	1,313,180	4,476	522,858	794,798
Marine cargo insurance	360,478	797	97,933	263,342
Marine hull fishing vessel	238,109	546	155,446	83,209
Voluntary motor insurance	9,449,155	292,583	509,036	9,232,702
Compulsory motor TPL insurance	2,308,606	779,386	1,385,163	1,702,829
Liability insurance	1,849,240	4,136	456,077	1,397,299
Engineering and nuclear insurance	1,527,060	25,820	1,006,810	546,070
Surety and credit insurance	124,717	569	88,634	36,652
Other property insurance	1,815,870	116	1,209,187	606,799
Accident insurance	3,345,606	11,893	36,542	3,320,957
Typhoon, flood and earthquake insurance	2,014,209	44,497	1,332,383	726,323
Personal and commercial multiple peril insurance	530,567	-	13,596	516,971
Health insurance	1,022,254	1	250,303	771,952
Overseas reinsurance assumed	-	311,722	17,502	294,220
Overseas subsidiaries	1,898,663	998,378	776,765	2,120,276
Less: Accumulated impairment	-	-	(867)	867
Total	\$ 27,797,714	2,474,920	7,857,368	22,415,266

(Continued)

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

Particular	December 31, 2020			
	Unearned premium reserves		Ceded unearned premium reserves	
	Direct business	Reinsurance-assumed business	Reinsurance-ceded business	Retained 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

Reserves above were expressed in net amount and estimated accumulated impairment losses amounted to \$867 and \$8,453 thousand as of December 31, 2021 and 2020, respectively.

- ii) The movements in unearned premium reserves and ceded unearned premium reserves were as follows:

Particular	For the year ended December 31, 2021	
	Unearned premium reserves	Ceded unearned premium reserves
Beginning balance	\$ 27,581,389	6,622,068
Provision	30,284,916	7,861,587
Recovered	(27,581,389)	(6,630,521)
Reversal of impairment loss	-	7,586
Other — effect of change in exchange rates	(12,282)	(3,352)
Ending balance	\$ 30,272,634	7,857,368

(Continued)

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

Particular	For the year ended December 31, 2020	
	Unearned premium reserves	Ceded unearned premium reserves
Beginning balance	\$ 25,463,600	6,409,138
Provision	27,584,101	6,647,543
Recovered	(25,463,600)	(6,422,342)
Reversal of impairment loss	-	4,751
Other — effect of change in exchange rates	(2,712)	(17,022)
Ending balance	\$ 27,581,389	6,622,068

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.

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”.

(Continued)

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

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.

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.

(Continued)

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

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.

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.

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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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.

- 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.

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

- iv) Movements in special reserve – Compulsory automobile liability insurance

Particular	2021	2020
Beginning balance	\$ 333,473	675,379
Provision	340,820	18,796
Recovered	(392,577)	(360,702)
Ending balance	<u>\$ 281,716</u>	<u>333,473</u>

- v) Movements in special reserve – Non-compulsory automobile liability insurance

Particular	2021						
	Liability			Special Reserve			
	Catastrophe	Dangerous Change	Total	Catastrophe	Dangerous Change	Travel Insurance	Total
Beginning balance	\$ 314,980	5,488,187	5,803,167	3,177,525	6,295,514	-	9,473,039
Provision	-	-	-	544,680	955,388	5,054	1,505,122
Recovered	-	-	-	-	(217,109)	-	(217,109)
Ending balance	<u>\$ 314,980</u>	<u>5,488,187</u>	<u>5,803,167</u>	<u>3,722,205</u>	<u>7,033,793</u>	<u>5,054</u>	<u>10,761,052</u>

Particular	2020						
	Liability			Special Reserve			
	Catastrophe	Dangerous Change	Total	Catastrophe	Dangerous Change	Travel Insurance	Total
Beginning balance	\$ 315,455	5,488,187	5,803,642	2,774,719	5,635,543	-	8,410,262
Provision	-	-	-	402,806	818,827	-	1,221,633
Recovered	(475)	-	(475)	-	(158,856)	-	(158,856)
Ending balance	<u>\$ 314,980</u>	<u>5,488,187</u>	<u>5,803,167</u>	<u>3,177,525</u>	<u>6,295,514</u>	<u>-</u>	<u>9,473,039</u>

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”.
- viii) Travel insurance was in accordance with Jin Guan Bao Tsai No.10904939031.

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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	December 31, 2021				
	Note payable (claims)	Indemnity payments payable	Claim reserves		
	Reported and unpaid	Reported but unpaid	Unreported	Total	
Fire insurance	\$ -	275	5,155,605	44,940	5,200,545
Marine cargo insurance	-	508	650,434	173,012	823,446
Marine hull fishing vessel	-	14	271,717	86,499	358,216
Voluntary motor insurance	-	1,107	5,058,893	1,071,498	6,130,391
Compulsory motor TPL insurance	-	12,555	869,127	3,441,929	4,311,056
Liability insurance	-	3,014	1,742,227	776,869	2,519,096
Engineering and Nuclear insurance	-	527	731,129	246,785	977,914
Surety and credit insurance	-	-	130,175	36,230	166,405
Other property insurance	-	450	177,467	233,493	410,960
Accident insurance	-	1,539	483,860	1,355,562	1,839,422
Typhoon, flood and earthquake insurance	-	1,430	382,349	223,835	606,184
Personal and commercial multiple peril insurance	-	189	48,065	92,702	140,767
Health insurance	-	2,318	75,410	223,977	299,387
Overseas reinsurance assumed	-	-	738,431	44,176	782,607
Overseas subsidiaries	-	9,911	1,953,723	1,582,581	3,536,304
Total	\$ -	33,837	18,468,612	9,634,088	28,102,700

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

- ii) Reinsurance assets – the ceded insurance business for the policy holders with reported but unpaid and unreported ceded claim reserves:

Particular	December 31, 2021		
	Reported but unpaid	Unreported	Total
Fire insurance	\$ 3,629,500	24,469	3,653,969
Marine cargo insurance	248,537	76,116	324,653
Marine hull fishing vessel	218,964	69,214	288,178
Voluntary motor insurance	213,412	31,640	245,052
Compulsory motor TPL insurance	334,570	1,672,771	2,007,341
Liability insurance	787,202	178,011	965,213
Engineering and Nuclear insurance	288,920	207,355	496,275
Surety and credit insurance	74,968	27,736	102,704
Other property insurance	99,036	157,918	256,954
Accident insurance	11,972	14,117	26,089
Typhoon, flood and earthquake insurance	248,904	156,293	405,197
Personal and commercial multiple peril insurance	6,227	4,603	10,830
Health insurance	-	42,370	42,370
Overseas reinsurance assumed	14,049	922	14,971
Overseas subsidiaries	574,311	690,097	1,264,408
Less: Accumulated impairment	(1,193)	(454)	(1,647)
Total	\$ 6,749,379	3,353,178	10,102,557

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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	\$ <u>6,029,570</u>	<u>2,692,691</u>	<u>8,722,261</u>

Reserves above were expressed in net amount and the estimated accumulated impairment losses amounted to \$1,647 and \$14,513 thousand as of December 31, 2021 and 2020, respectively.

iii) Movements in claim reserves and ceded claim reserves

Particular	2021	
	Claim reserves	Ceded claim reserves
Beginning balance	\$ 23,863,660	8,722,261
Provision	28,114,595	10,110,194
Recovered	(23,863,660)	(8,736,774)
Reversal of impairment loss	-	12,866
Other – effect of change in exchange rates	(11,895)	(5,990)
Ending Balance	\$ <u>28,102,700</u>	<u>10,102,557</u>

(Continued)

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

Particular	2020	
	Claim reserves	Ceded claim reserves
Beginning balance	\$ 21,385,347	7,378,843
Provision	23,846,071	8,732,123
Recovered	(21,385,347)	(7,421,731)
Reversal of impairment loss	-	28,375
Other — effect of change in exchange rates	17,589	4,651
Ending balance	<u><u>\$ 23,863,660</u></u>	<u><u>8,722,261</u></u>
iv) Non-insurance assets acquired from exercising the rights of retrieve salvage and subrogation		
Particular	2021	2020
Fire insurance	\$ 8,667	5,342
Marine cargo insurance	48,271	26,563
Marine hull fishing vessel	6,439	1,374
Voluntary motor insurance	1,137,840	1,204,270
Compulsory motor TPL insurance	250,389	234,932
Liability insurance	29,597	48,718
Engineering and Nuclear insurance	3,784	20,378
Surety and credit insurance	21,668	36,298
Other property insurance	1,711	276
Accident insurance	2,026	2,379
Personal and commercial multiple peril insurance	2,049	370
Typhoon, flood and earthquake insurance	475,479	15
Health insurance	108	121
Overseas reinsurance assumed	-	-
Overseas subsidiaries	20,596	9,976
Total	<u><u>\$ 2,008,624</u></u>	<u><u>1,591,012</u></u>

(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	2021		2020	
	Liability reserve	Ceded liability reserve	Liability reserve	Ceded liability reserve
Beginning balance	\$ 8,362	-	26,715	-
Provision	15	-	253	-
Maturity refund	(7,906)	-	(18,606)	-
Ending balance	<u>\$ 471</u>	<u>-</u>	<u>8,362</u>	<u>-</u>

(Continued)

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

- e) Premium deficiency reserve
i) Premium deficiency reserve

Particular	December 31, 2021			
	Premium deficiency reserve		Ceded premium deficiency reserve	Retained business
	Direct business	Reinsurance- assumed business	Reinsurance- ceded business	
Fire insurance	\$ 96,794	403	19,312	77,885
Marine cargo insurance	-	-	-	-
Marine hull fishing vessel	8,511	-	-	8,511
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	-	1,888	-	1,888
Overseas subsidiaries	31,692	126,105	136,616	21,181
Total	\$ 136,997	128,396	155,928	109,465

(Continued)

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

<u>Particular</u>	December 31, 2020			
	Premium deficiency reserve		Ceded premium deficiency reserve	
	Reinsurance-assumed business		Reinsurance-ceded business	
	Direct business	Reinsurance-assumed business	Reinsurance-ceded business	Retained business
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

- ii) Loss recognized due to premium deficiency reserve provision — net change of premium deficiency reserve and ceded premium deficiency reserve

<u>Particular</u>	2021									
	Direct underwrite		Reinsurance-assumed		Net change of premium reserve deficiency	Reinsurance-ceded		Net change of ceded premium deficiency reserve	Net provision of premium deficiency reserve	
	Provision	Recovered	Provision	Recovered		Provision	Recovered			
Fire insurance	\$ 96,794	59,612	403	474	37,111	19,312	5,616	13,696	23,415	
Marine cargo insurance	-	-	-	-	-	-	-	-	-	
Marine hull fishing vessel	8,511	19,093	-	-	(10,582)	-	-	-	(10,582)	
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	-	-	1,888	717	1,171	-	-	-	1,171	
Overseas subsidiaries	31,704	39,533	125,877	137,342	(19,294)	136,370	146,369	(9,999)	(9,295)	
Other — effect of change in exchange rates	(12)	(4)	228	2,508	(2,288)	(2,797)	(147)	(2,650)	362	
Total	\$ 136,997	118,234	128,396	141,041	6,118	152,885	151,838	1,047	5,071	

(Continued)

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

Particular	2020									
	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	\$ 59,612	67,131	474	-	(7,045)	5,616	-	5,616	(12,661)	
Marine cargo insurance	-	1,544	-	-	(1,544)	-	-	-	(1,544)	
Marine hull fishing vessel	19,093	26,605	-	254	(7,766)	-	12,094	(12,094)	4,328	
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	-	-	-	717	
Overseas subsidiaries	39,533	70,589	137,342	317,640	(211,354)	146,369	337,540	(191,171)	(20,183)	
Other—effect of change in exchange rates	(4)	(2,231)	2,508	(10,819)	15,554	(147)	(13,459)	13,312	2,242	
Total	\$ <u>118,234</u>	<u>163,638</u>	<u>141,041</u>	<u>307,075</u>	<u>(211,438)</u>	<u>151,838</u>	<u>336,175</u>	<u>(184,337)</u>	<u>(27,101)</u>	

iii) Movements in premium deficiency reserve and ceded premium deficiency reserve

Particular	2021	
	Premium deficiency reserve	Ceded premium deficiency reserve
Beginning balance	\$ 259,275	154,658
Provision	266,195	156,507
Recovered	(259,275)	(154,658)
Other—effect of change in exchange rate	(802)	(579)
Ending balance	<u>\$ 265,393</u>	<u>155,928</u>
Particular	2020	
	Premium deficiency reserve	Ceded premium deficiency reserve
Beginning balance	\$ 470,713	338,138
Provision	260,384	154,910
Recovered	(470,713)	(338,138)
Other—effect of change in exchange rate	(1,109)	(252)
Ending balance	<u>\$ 259,275</u>	<u>154,658</u>

(Continued)

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

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.

- 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.

(Continued)

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

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.

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.

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

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.
 - 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.

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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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 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.

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

- b) Insurance risk information
- i) The sensitivity test of insurance risk

Test Hypothesis

		2021					
		Change of 1% expected rate of loss					
Particular	Insurance revenue	Expected rate of loss	Effect on profit or loss		Effect on Equity		
			Before reinsurance	After reinsurance	Before reinsurance	After reinsurance	
Fire insurance	\$ 2,388,918	59.7%	22,565	8,118	18,052	6,494	
Marine cargo insurance	1,420,295	61.5%	13,631	7,369	10,905	5,895	
Marine hull fishing vessel	574,146	71.2%	5,679	1,157	4,543	926	
Voluntary motor insurance	18,435,084	66.9%	177,401	167,874	141,921	134,299	
Compulsory motor TPL insurance	6,443,841	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	
Liability insurance	3,370,143	68.1%	32,530	24,571	26,024	19,657	
Engineering and Nuclear insurance	1,861,670	61.1%	24,202	3,615	19,362	2,892	
Surety and credit insurance	267,807	67.9%	2,603	703	2,082	562	
Other property insurance	4,429,947	66.3%	30,276	9,241	24,221	7,393	
Accident insurance	6,066,217	67.9%	60,990	59,999	48,792	47,999	
Typhoon, flood and earthquake insurance	4,241,392	68.7%	41,397	11,357	33,118	9,086	
Personal and commercial multiple peril insurance	1,057,809	68.2%	10,711	10,192	8,569	8,154	
Health insurance	2,282,420	61.5%	18,511	14,685	14,809	11,748	
Overseas reinsurance assumed	684,795	61.1%	7,029	7,177	5,623	5,742	
Overseas subsidiaries	5,343,499	64.3%	51,821	39,557	41,457	31,646	

		2020					
		Change of 1% expected rate of loss					
Particular	Insurance revenue	Expected rate of loss	Effect on profit or loss		Effect on Equity		
			Before reinsurance	After reinsurance	Before reinsurance	After reinsurance	
Fire insurance	\$ 2,271,563	60.7%	22,483	10,936	17,986	8,749	
Marine cargo insurance	1,202,942	61.6%	11,718	6,027	9,374	4,822	
Marine hull fishing vessel	711,192	71.9%	6,972	1,206	5,578	965	
Voluntary motor insurance	16,894,975	66.7%	160,143	151,849	128,114	121,479	
Compulsory motor TPL insurance	6,332,534	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	
Liability insurance	3,084,551	68.2%	30,404	22,669	24,323	18,135	
Engineering and Nuclear insurance	2,082,070	60.7%	17,204	4,764	13,763	3,811	
Surety and credit insurance	256,360	68.1%	2,463	699	1,970	559	
Other property insurance	1,243,204	66.3%	10,428	3,119	8,342	2,495	
Accident insurance	6,159,882	68.5%	58,690	57,983	46,952	46,386	
Typhoon, flood and earthquake insurance	4,155,085	69.1%	37,224	9,665	29,779	7,732	
Personal and commercial multiple peril insurance	1,084,568	68.2%	10,444	9,705	8,355	7,764	
Health insurance	1,304,518	62.0%	11,312	10,897	9,050	8,718	
Overseas reinsurance assumed	368,841	62.0%	4,124	4,643	3,299	3,714	
Overseas subsidiaries	5,913,802	64.1%	63,663	36,661	50,930	29,329	

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

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. The top 5 insurances in terms of proportion for the year ended December 31, 2021 are voluntary motor insurance, compulsory motor TPL insurance, accident insurance, other property insurance and typhoon, flood and earthquake insurance. The top 5 insurances in terms of proportion for the year ended December 31, 2020 are voluntary motor insurance, compulsory motor TPL insurance, accident insurance, typhoon, flood and earthquake insurance and liability insurance. The voluntary motor insurance has the highest proportion accounts for 31.3% and 31.8% for the years ended December 31, 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.

The proportion of underwriting and reinsurance-assumed premiums is as follows:

Insurance type	2021		2020	
	Amount	%	Amount	%
Fire insurance	\$ 2,388,918	4.1 %	2,271,563	4.3 %
Marine cargo insurance	1,420,295	2.4 %	1,202,942	2.3 %
Marine hull fishing vessel	574,146	1.0 %	711,192	1.3 %
Voluntary motor insurance	18,435,084	31.3 %	16,894,975	31.8 %
Compulsory motor TPL insurance	6,443,841	10.9 %	6,332,534	11.9 %
Liability insurance	3,370,143	5.7 %	3,084,551	5.8 %
Engineering and nuclear insurance	1,861,670	3.2 %	2,082,070	3.9 %
Surety and credit insurance	267,807	0.4 %	256,360	0.5 %
Other property insurance	4,429,947	7.5 %	1,243,204	2.3 %
Accident insurance	6,066,217	10.3 %	6,159,882	11.6 %
Typhoon, flood and earthquake insurance	4,241,392	7.2 %	4,155,085	7.8 %
Personal and commercial multiple peril insurance	1,057,809	1.8 %	1,084,568	2.1 %
Health insurance	2,282,420	3.9 %	1,304,518	2.5 %
Foreign business	684,795	1.2 %	368,841	0.7 %
Overseas subsidiaries	5,343,499	9.1 %	5,913,802	11.2 %
Total	<u>\$ 58,867,983</u>	<u>100.0 %</u>	<u>53,066,087</u>	<u>100.0 %</u>

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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 years ended December 31, 2021 and 2020, the top 5 insurances in terms of proportion are voluntary motor insurance, accident insurance, compulsory motor TPL insurance, liability insurance and health insurance. The voluntary motor insurance which has the highest proportion accounts for 41.4% and 41.0% for the years ended December 31, 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.

The proportion of retained business premium is as follows:

Insurance type	2021		2020	
	Amount	%	Amount	%
Fire insurance	\$ 861,673	2.0 %	1,009,859	2.6 %
Marine cargo insurance	781,858	1.8 %	618,155	1.6 %
Marine hull fishing vessel	128,287	0.3 %	147,726	0.4 %
Voluntary motor insurance	17,454,193	41.4 %	16,012,577	41.0 %
Compulsory motor TPL insurance	4,165,579	9.9 %	4,080,699	10.5 %
Liability insurance	2,572,823	6.1 %	2,338,509	6.0 %
Engineering and nuclear insurance	309,791	0.7 %	511,120	1.3 %
Surety and credit insurance	71,054	0.2 %	76,320	0.2 %
Other property insurance	1,550,655	3.7 %	368,315	0.9 %
Accident insurance	5,972,721	14.2 %	6,078,397	15.6 %
Typhoon, flood and earthquake insurance	1,125,980	2.7 %	1,095,413	2.8 %
Personal and commercial multiple peril insurance	1,007,235	2.4 %	1,010,428	2.6 %
Health insurance	1,643,628	3.9 %	1,247,373	3.2 %
Foreign business	688,353	1.6 %	416,864	1.1 %
Overseas subsidiaries	3,826,430	9.1 %	3,988,101	10.2 %
Total	<u>\$ 42,160,260</u>	<u>100.0 %</u>	<u>38,999,856</u>	<u>100.0 %</u>

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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	December 31, 2021					
	≤2016	2017	2018	2019	2020	2021
At the end of occurrence year	-	24,309,303	25,571,020	29,375,370	30,579,554	34,192,567
The first year	-	22,554,927	23,790,630	28,086,166	28,588,523	-
The second year	-	22,477,480	23,304,569	27,519,691	-	-
The third year	-	22,316,509	23,161,621	-	-	-
The fourth year	-	22,289,374	-	-	-	-
Estimation of accumulated claims	-	22,289,374	23,161,621	27,519,691	28,588,523	34,192,567
Accumulated claims paid	-	21,949,708	22,708,641	25,984,643	23,348,355	14,707,310
Subtotal	946,410	339,666	452,980	1,535,048	5,240,168	19,485,257
Reconciliations (Note)						398,165
Consolidated write-offs						(294,994)
Total amount recognized in balance sheet						28,102,700

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

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

<u>Occurrence year</u>	<u>December 31, 2021</u>					
	<u>≤2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
At the end of occurrence year	-	18,979,319	19,890,784	22,065,014	22,555,266	25,117,628
The first year	-	17,775,179	18,877,191	21,037,512	21,458,479	-
The second year	-	17,651,858	18,684,193	20,841,757	-	-
The third year	-	17,527,494	18,581,182	-	-	-
The fourth year	-	17,512,771	-	-	-	-
Estimation of accumulated claims	-	17,512,771	18,581,182	20,841,757	21,458,479	25,117,628
Accumulated claims paid	-	17,280,515	18,265,423	20,020,953	18,718,229	11,975,701
Subtotal	349,335	232,256	315,759	820,804	2,740,250	13,141,927
Reconciliations (Note)						399,812
Total amount recognized in balance sheet						18,000,143

<u>Occurrence year</u>	<u>December 31, 2020</u>					
	<u>≤2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
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

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 December 31, 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.

(Continued)

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. For the years ended December 31, 2021 and 2020, the unauthorized reinsurance expenses amounted to \$62,115 thousand and \$245,382 thousand, respectively.
4. As of December 31, 2021 and 2020, the reserve for unauthorized reinsurance amounted to \$77,589 and \$274,272 thousand, respectively. The components of this account include: (a) The unearned premium reserve of \$33,172 and \$128,035 thousand, respectively. (b) The claims recoverable from reinsurers of paid claims overdue in nine months amounted to \$740 and \$18,037 thousand, respectively. (c) The claims recoverable from reinsurers which were reported but unpaid amounted to \$43,677 and \$128,200 thousand, respectively.

(Continued)

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

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.

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.

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

(ii) Fubon Life Insurance and its subsidiaries

1) Various reserves

a) Unearned premium reserves

	December 31, 2021		
	Insurance contracts	Financial instruments with discretionary participation	Total
Individual life insurance	\$ 7,575	-	7,575
Individual injury insurance	4,653,365	-	4,653,365
Individual health insurance	2,703,088	-	2,703,088
Group insurance	2,016,055	-	2,016,055
Investment-linked insurance	105,831	-	105,831
Gross reserve	<u>9,485,914</u>	<u>-</u>	<u>9,485,914</u>
Deduction of provision for reinsurance ceded			
Individual life insurance	674,981	-	674,981
Individual injury insurance	18,200	-	18,200
Individual health insurance	25,151	-	25,151
Group insurance	124,609	-	124,609
Investment-linked insurance	10,743	-	10,743
Total ceded reserve	<u>853,684</u>	<u>-</u>	<u>853,684</u>
Net reserve	<u>\$ 8,632,230</u>	<u>-</u>	<u>8,632,230</u>
	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>

(Continued)

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

The movements in unearned premium reserves were as follows:

	2021		
	Insurance contracts	Financial instruments with discretionary participation	Total
Beginning balance	\$ 9,009,158	-	9,009,158
Current provisions	9,490,135	-	9,490,135
Current reclaims	(9,002,346)	-	(9,002,346)
Gain and loss on foreign exchange	(11,033)	-	(11,033)
Ending balance	<u>9,485,914</u>	<u>-</u>	<u>9,485,914</u>
Deduction of provision for ceded reinsurance			
Beginning balance	843,025	-	843,025
Current provisions	855,090	-	855,090
Current reclaims	(841,250)	-	(841,250)
Gain and loss on foreign exchange	(3,181)	-	(3,181)
Ending balance	<u>853,684</u>	<u>-</u>	<u>853,684</u>
Net ending balance	<u>\$ 8,632,230</u>	<u>-</u>	<u>8,632,230</u>
	2020		
	Insurance contracts	Financial instruments with discretionary participation	Total
Beginning balance	\$ 9,051,877	-	9,051,877
Current provisions	9,005,280	-	9,005,280
Current reclaims	(9,048,190)	-	(9,048,190)
Gain and loss on foreign exchange	191	-	191
Ending balance	<u>9,009,158</u>	<u>-</u>	<u>9,009,158</u>
Deduction of provision for ceded reinsurance			
Beginning balance	801,616	-	801,616
Current provisions	842,246	-	842,246
Current reclaims	(800,469)	-	(800,469)
Gain and loss on foreign exchange	(368)	-	(368)
Ending balance	<u>843,025</u>	<u>-</u>	<u>843,025</u>
Net ending balance	<u>\$ 8,166,133</u>	<u>-</u>	<u>8,166,133</u>

(Continued)

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

b) Claim reserves

	December 31, 2021		
	Insurance contracts	Financial instruments with discretionary participation	Total
Individual life insurance			
— Reported but not paid	\$ 3,519,282	63,517	3,582,799
— Incurred but not reported	241,913	-	241,913
Individual injury insurance			
— Reported but not paid	163,857	-	163,857
— Incurred but not reported	713,126	-	713,126
Individual health insurance			
— Reported but not paid	559,016	-	559,016
— Incurred but not reported	1,042,889	-	1,042,889
Group insurance			
— Reported but not paid	119,435	-	119,435
— Incurred but not reported	536,307	-	536,307
Investment-linked insurance			
— Reported but not paid	142,269	-	142,269
— Incurred but not reported	46,131	-	46,131
Total reserve	<u>7,084,225</u>	<u>63,517</u>	<u>7,147,742</u>
Deduction of provision for reinsurance ceded			
Individual life insurance	139,371	-	139,371
Individual injury insurance	34,016	-	34,016
Individual health insurance	66,451	-	66,451
Group insurance	2,787	-	2,787
Investment-linked insurance	12,327	-	12,327
Total ceded reserve	<u>254,952</u>	<u>-</u>	<u>254,952</u>
Net reserve	<u>\$ 6,829,273</u>	<u>63,517</u>	<u>6,892,790</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

The movements in claims reserve were as follows:

	2021		
	Insurance contracts	Financial instruments with discretionary participation	Total
Beginning balance	\$ 6,983,784	19,280	7,003,064
Current provisions	7,256,990	63,517	7,320,507
Current reclaims	(6,733,699)	(19,280)	(6,752,979)
Gain and loss on foreign exchange	(422,850)	-	(422,850)
Ending balance	<u>7,084,225</u>	<u>63,517</u>	<u>7,147,742</u>
Deduction of provision for ceded reinsurance			
Beginning balance	291,429	-	291,429
Current provisions	264,250	-	264,250
Current reclaims	(277,097)	-	(277,097)
Gain and loss on foreign exchange	(23,630)	-	(23,630)
Ending balance	<u>254,952</u>	<u>-</u>	<u>254,952</u>
Net ending balance	<u><u>\$ 6,829,273</u></u>	<u><u>63,517</u></u>	<u><u>6,892,790</u></u>
	2020		
	Insurance contracts	Financial instruments with discretionary participation	Total
Beginning balance	\$ 6,116,625	4,294	6,120,919
Current provisions	6,835,666	19,280	6,854,946
Current reclaims	(5,985,109)	(4,294)	(5,989,403)
Gain and loss on foreign exchange	16,602	-	16,602
Ending balance	<u>6,983,784</u>	<u>19,280</u>	<u>7,003,064</u>
Deduction of provision for ceded reinsurance			
Beginning balance	265,714	-	265,714
Current provisions	282,875	-	282,875
Current reclaims	(258,108)	-	(258,108)
Gain and loss on foreign exchange	948	-	948
Ending balance	<u>291,429</u>	<u>-</u>	<u>291,429</u>
Net ending balance	<u><u>\$ 6,692,355</u></u>	<u><u>19,280</u></u>	<u><u>6,711,635</u></u>

(Continued)

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

c) Liability reserve:

	December 31, 2021		
	Insurance contracts	Financial instruments with discretionary participation	Total
Life insurance	\$ 3,752,790,408	-	3,752,790,408
Injury insurance	876,544	-	876,544
Health insurance	350,987,780	-	350,987,780
Annuity insurance	61,862,498	153,045,681	214,908,179
Investment-linked insurance	184,636	-	184,636
Total (Note 1)	<u>4,166,701,866</u>	<u>153,045,681</u>	<u>4,319,747,547</u>
Deduction of liability reserve ceded			
Life insurance	<u>3,062</u>	<u>-</u>	<u>3,062</u>
Net reserve (Note 1)	<u>\$ 4,166,698,804</u>	<u>153,045,681</u>	<u>4,319,744,485</u>

Note 1: As of December 31, 2021, liability reserve amounted to \$4,319,969,971 thousand after adding the “liability reserve— payment for pending policyholders”, amounted to \$4,319,966,909 thousand after subtracting the liability reserve ceded.

	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	<u>3,396</u>	<u>-</u>	<u>3,396</u>
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.

(Continued)

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

The movements in the liability reserve were as follows:

	2021		
	Insurance contracts	Financial instruments with discretionary participation	Total
Beginning balance	\$ 3,988,658,250	136,383,812	4,125,042,062
Current provisions	606,536,557	32,122,471	638,659,028
Current reclaims	(383,125,194)	(15,241,979)	(398,367,173)
Gain and loss on foreign exchange	(45,367,747)	(218,623)	(45,586,370)
Ending balance	<u>4,166,701,866</u>	<u>153,045,681</u>	<u>4,319,747,547</u>
Deduction of liability reserve ceded			
Beginning balance	3,396	-	3,396
Current provisions	(251)	-	(251)
Gain and loss on foreign exchange	(83)	-	(83)
Ending balance	<u>3,062</u>	<u>-</u>	<u>3,062</u>
Net ending balance	<u>\$ 4,166,698,804</u>	<u>153,045,681</u>	<u>4,319,744,485</u>
	2020		
	Insurance contracts	Financial instruments with discretionary participation	Total
Beginning balance	\$ 3,718,539,384	134,998,329	3,853,537,713
Current provisions	709,081,406	18,053,443	727,134,849
Current reclaims	(398,033,627)	(16,667,960)	(414,701,587)
Gain and loss on foreign exchange	(40,928,913)	-	(40,928,913)
Ending balance	<u>3,988,658,250</u>	<u>136,383,812</u>	<u>4,125,042,062</u>
Deduction of liability reserve ceded			
Beginning balance	3,380	-	3,380
Current provisions	217	-	217
Gain and loss on foreign exchange	(201)	-	(201)
Ending balance	<u>3,396</u>	<u>-</u>	<u>3,396</u>
Net ending balance	<u>\$ 3,988,654,854</u>	<u>136,383,812</u>	<u>4,125,038,666</u>

(Continued)

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

d) Special reserves

	December 31, 2021				
	Insurance contracts	Financial instruments with discretionary participation		Others	Total
Dividend provision for participation policies	\$ 14,572,038	-	-	14,572,038	
Valuation surplus gain for investment property	-	-	652,267	652,267	
Total	\$ 14,572,038	-	652,267	15,224,305	

	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	

The movements in special reserves were as follows:

	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	3,972,856	-	-	3,972,856	
Reversal of dividend provision for participation policies	(1,275,487)	-	-	(1,275,487)	
Disposal gains (losses) of participating policies on equity instruments at fair value through other comprehensive income	115,769	-	-	115,769	
Gain and loss on foreign exchange	(45,213)	-	-	(45,213)	
Ending balance	\$ 14,572,038	-	652,267	15,224,305	

(Continued)

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

	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	2,922,411	-	-	2,922,411
Reversal of dividend provision for participation policies	(1,292,902)	-	-	(1,292,902)
Disposal gains (losses) of participating policies on equity instruments at fair value through other comprehensive income	69,135	-	-	69,135
Gain and loss on foreign exchange	(16,781)	-	-	(16,781)
Ending balance	\$ 11,804,113	-	652,267	12,456,380

e) Premium deficiency reserve

	December 31, 2021		
	Insurance contracts	Financial instruments with discretionary participation	Total
Individual life insurance	\$ 8,075,967	-	8,075,967
Individual health insurance	96,646	-	96,646
Total	\$ 8,172,613	-	8,172,613

	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

The movements in premium deficiency reserve were as follows:

	2021		
	Insurance contracts	Financial instruments with discretionary participation	Total
Beginning balance	\$ 12,409,915	-	12,409,915
Current reversal, net	(4,197,015)	-	(4,197,015)
Gain and loss on foreign exchange	(40,287)	-	(40,287)
Ending balance	<u>\$ 8,172,613</u>	<u>-</u>	<u>8,172,613</u>
	2020		
	Insurance contracts	Financial instruments with discretionary participation	Total
Beginning balance	\$ 16,272,680	-	16,272,680
Current reversal, net	(3,755,476)	-	(3,755,476)
Gain and loss on foreign exchange	(107,289)	-	(107,289)
Ending balance	<u>\$ 12,409,915</u>	<u>-</u>	<u>12,409,915</u>

(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	December 31, 2021	December 31, 2020
Liability reserve	\$ 4,277,766,369	4,086,588,292
Unearned premium reserves	9,483,196	9,006,419
Premium deficiency reserve	7,989,560	12,176,236
Special reserves	14,158,264	11,826,846
Claim reserves	<u>3,482,276</u>	<u>3,178,556</u>
Carrying amount of insurance liabilities	4,312,879,665	4,122,776,349
Difference between the fair value of insurance obligation acquired from business combination and insurance liability measured through accounting policy	4,168,172	4,770,388
Carrying amount of insurance liabilities after adjustment	<u>\$ 4,317,047,837</u>	<u>4,127,546,737</u>
Current estimate of future cash flows under its insurance liabilities	<u>\$ 3,531,643,286</u>	<u>3,172,796,827</u>
Total liability adequacy reserve	<u>\$ -</u>	<u>-</u>

The liability adequacy test method adopted by Fubon Life Insurance as of December 31, 2021 and 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.

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.

(Continued)

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

- g) Special reserve (catastrophic risk reserve and contingency risk reserve):

	December 31, 2021			
	Insurance contracts	Financial instruments with discretionary participation	Others	Total
Catastrophic risk reserve	\$ 4,474,956	-	-	4,474,956
Contingency risk reserve	2,689,148	-	-	2,689,148
Total	\$ 7,164,104	-	-	7,164,104
	December 31, 2020			
	Insurance contracts	Financial instruments with 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

- 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:

	December 31, 2021	December 31, 2020
Life insurance	\$ 3,406,581	3,380,989
Investment-linked insurance	151,172	67,668
Total	\$ 3,557,753	3,448,657
	2021	2020
Beginning balance	\$ 3,448,657	3,591,736
Current premiums collected	4,113	1,983
Current claims payment	(109,045)	(344,968)
Current net provision for legal reserve	214,028	199,906
Ending balance	\$ 3,557,753	3,448,657

(Continued)

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

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.

To increase the ability to mitigate foreign exchange risk and to reduce hedging costs, Fubon Life Insurance and its subsidiaries applied to the FSC in 2021 to appropriate foreign currency translation reserve amounting to \$ 3,000,000 thousand, and was issued with an approval in the form of Jin Guan Bao Shou Letter No.1100436192 in December 14, 2021.

2. The movements in foreign exchange fluctuation reserve were as follows:

	<u>2021</u>	<u>2020</u>
Beginning balance	\$ 8,481,833	13,273,010
Current provision :		
Compulsory provision	4,918,707	5,457,013
Additional provision	<u>6,124,987</u>	<u>1,760,840</u>
Subtotal	<u>11,043,694</u>	<u>7,217,853</u>
Recovered	<u>(9,136,060)</u>	<u>(12,009,030)</u>
Ending balance	<u>\$ 10,389,467</u>	<u>8,481,833</u>

3. Effect of foreign exchange fluctuation reserve

<u>Item</u>	<u>Unapplied amount</u>	<u>Applied amount</u>	<u>Effected amount</u>
December 31, 2021			
Foreign exchange fluctuation reserve	\$ -	10,389,467	(10,389,467)
Owner's equity	605,854,625	599,148,215	6,706,410
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

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

Item	2021			2020		
	Unapplied amount	Applied amount	Effected amount	Unapplied amount	Applied amount	Effected amount
Net income	\$ 103,796,677	102,270,570	1,526,107	56,758,297	60,591,239	(3,832,942)
Earnings per share	9.37	9.23	0.14	5.12	5.47	(0.35)

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:

	2021	2020
Beginning balance	\$ 1,702,798	896,504
Addition	361,212	854,316
Amortization	(69,010)	(48,022)
Ending balance	<u>\$ 1,995,000</u>	<u>1,702,798</u>

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:

	2021	2020
Beginning balance	\$ 2,200,602	1,798,348
Addition	492,892	475,542
Amortization	(88,666)	(73,288)
Ending balance	<u>\$ 2,604,828</u>	<u>2,200,602</u>

(Continued)

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

j) Retained earned premiums and retained claims payment.

i) Retained earned premiums

	2021		
	Insurance contracts	Financial instruments with discretionary participation	Total
Direct written premium	\$ 406,321,353	29,676,163	435,997,516
Reinsurance premium	-	-	-
Premium income	<u>406,321,353</u>	<u>29,676,163</u>	<u>435,997,516</u>
Less: Reinsurance premium expenditure	(2,574,075)	-	(2,574,075)
Net change in unearned premium reserve	(473,949)	-	(473,949)
Subtotal	<u>(3,048,024)</u>	<u>-</u>	<u>(3,048,024)</u>
Retained earned premiums	<u><u>\$ 403,273,329</u></u>	<u><u>29,676,163</u></u>	<u><u>432,949,492</u></u>
	2020		
	Insurance contracts	Financial instruments with discretionary participation	Total
Direct written premium	\$ 539,082,624	15,836,974	554,919,598
Reinsurance premium	-	-	-
Premium income	<u>539,082,624</u>	<u>15,836,974</u>	<u>554,919,598</u>
Less: Reinsurance premium expenditure	(2,502,533)	-	(2,502,533)
Net change in unearned premium reserve	84,686	-	84,686
Subtotal	<u>(2,417,847)</u>	<u>-</u>	<u>(2,417,847)</u>
Retained earned premiums	<u><u>\$ 536,664,777</u></u>	<u><u>15,836,974</u></u>	<u><u>552,501,751</u></u>

(Continued)

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

ii) Retained claims payment

	2021		
	Insurance contracts	Financial instruments with discretionary participation	Total
Claims payment incurred	\$ 276,470,418	15,751,595	292,222,013
Reinsurance claims payment incurred	41	-	41
Insurance claims payment	276,470,459	15,751,595	292,222,054
Less: Claims payment recovered from reinsures	(1,896,178)	-	(1,896,178)
Retained claims payment	<u>\$ 274,574,281</u>	<u>15,751,595</u>	<u>290,325,876</u>
	2020		
	Insurance contracts	Financial instruments with discretionary participation	Total
Claims payment incurred	\$ 314,579,053	17,142,541	331,721,594
Reinsurance claims payment incurred	59	-	59
Insurance claims payment	314,579,112	17,142,541	331,721,653
Less: Claims payment recovered from reinsures	(1,909,864)	-	(1,909,864)
Retained claims payment	<u>\$ 312,669,248</u>	<u>17,142,541</u>	<u>329,811,789</u>

(Continued)

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

- 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 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.

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

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.

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.

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

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.

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.

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

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 its business. Fubon Life Insurance currently adopts Standard and Poor's A- or above as its guideline regarding newly incorporated reinsurers.

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.

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

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.
 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.

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

c) Information of insurance risk

i) Sensitivity of insurance risk – insurance contracts and financial instruments with discretionary feature:

	2021			
	Change in assumption		Change in income before tax	Change in stockholder's equity
Mortality/Morbidity	Increase	10 %	(3,611,598)	(2,881,174)
Rate of return	Decrease	0.1 %	(4,824,048)	(3,848,996)
Expense (fixed expense)	Increase	5 %	(616,700)	(489,202)
Lapse and surrender rate	Increase	10 %	212,063	169,133
	2020			
	Change in assumption		Change in income before tax	Change in stockholder's equity
Mortality/Morbidity	Increase	10 %	(3,526,776)	(2,813,462)
Rate of return	Decrease	0.1 %	(4,450,777)	(3,551,627)
Expense (fixed expense)	Increase	5 %	(530,071)	(420,118)
Lapse and surrender rate	Increase	10 %	213,601	170,779

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.

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.

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

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:

December 31, 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	5,722,272	-
2016	5,070,166	6,224,855	6,352,169	6,382,360	6,398,819	6,407,560	-	-
2017	5,431,814	6,649,814	6,807,062	6,829,081	6,844,046	-	-	11,678
2018	5,723,578	7,033,233	7,151,192	7,182,104	-	-	-	25,994
2019	6,173,797	7,578,255	7,721,571	-	-	-	-	45,409
2020	6,426,045	7,929,362	-	-	-	-	-	197,145
2021	6,524,430	-	-	-	-	-	-	1,661,696
IBNR Reserve								1,941,922
Plus: RBNA Reserve (including sub-subsidiaries while excluding Fubon Hyundai Life Insurance)								1,524,481
The balance of claim reserve								3,466,403

December 31, 2021 (Fubon Hyundai Life Insurance)

Occurrence year	Development year					Claim provision
	1	2	3	4	5	
2017	1,443,807	1,755,623	1,803,088	1,816,430	1,821,883	-
2018	1,426,438	1,768,230	1,811,271	1,832,568	-	4,507
2019	1,448,148	1,780,032	1,818,589	-	-	27,792
2020	1,431,362	1,757,986	-	-	-	83,144
2021	1,511,179	-	-	-	-	505,821
IBNR Reserve						621,264
Plus: RBNA Reserve						3,042,895
The balance of claim reserve						3,664,159

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

Note 1: Amount shown above excludes investment contracts.

Note 2: As of December 31, 2021 and 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 \$17,180 and \$16,771 thousand, respectively.

2. Development trend of retained claims payments

Cumulative claims payments from prior years are as follows:

December 31, 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	5,588,945	5,599,161	-
2016	5,068,488	6,111,210	6,238,474	6,267,558	6,284,017	6,292,750	-	-
2017	5,412,545	6,505,146	6,662,242	6,684,260	6,699,135	-	-	11,599
2018	5,708,571	6,880,386	6,998,334	7,028,672	-	-	-	25,896
2019	6,156,966	7,379,306	7,521,834	-	-	-	-	45,016
2020	6,423,414	7,751,871	-	-	-	-	-	193,793
2021	6,503,673	-	-	-	-	-	-	1,657,116
IBNR Reserve								1,933,420
Plus: RBNA Reserve (including sub-subsidiaries while excluding Fubon Hyundai Life Insurance)								1,476,235
The balance of claim reserve								3,409,655

December 31, 2021 (Fubon Hyundai Life Insurance)

Occurrence year	Development year					Claim provision
	1	2	3	4	5	
2017	1,058,910	1,294,965	1,327,700	1,337,697	1,340,917	-
2018	1,084,243	1,345,237	1,372,861	1,388,026	-	3,552
2019	1,092,606	1,347,497	1,378,440	-	-	21,899
2020	1,071,637	1,324,774	-	-	-	65,516
2021	1,126,677	-	-	-	-	398,577
IBNR Reserve						489,544
Plus: RBNA Reserve						2,978,476
The balance of claim reserve						3,468,020

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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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

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

Note 1: Amount shown above excludes investment contracts.

Note 2: As of December 31, 2021 and 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 \$15,115 and \$14,716 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.

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

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:

December 31, 2021

Units: In million

Maturity date	< 1 year	1~3 years	3~5 years	> 5 years	Unable to classify (note2)	Total
Provision	30,980	43,013	42,547	3,951,493	294,873	4,362,906
Proportion	0.7 %	1.0 %	1.0 %	90.6 %	6.7 %	100.0 %

(Continued)

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

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 %

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
Notes to the Consolidated Financial Statements

(aj) 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
Notes to the Consolidated Financial Statements

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 the 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 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 Risk Management Division 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 the Risk Management 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.

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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

	2021					Total
	<u>12-month ECLs</u>	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	(78,003,049)	-	-	-	-	(78,003,049)
Originated or purchased new financial assets	109,707,747	-	-	-	-	109,707,747
Effects of exchange rate changes and others	(1,709,798)	-	-	-	-	(1,709,798)
Ending balance	<u>\$ 223,867,748</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>223,867,748</u>

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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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	\$ 158,804,922	-	-	-	-	158,804,922
Changes due to recognition of financial instruments at beginning:						
— Derecognition of financial assets at current period	(99,753,204)	-	-	-	-	(99,753,204)
Originated or purchased new financial assets	133,942,630	-	-	-	-	133,942,630
Effects of exchange rate changes and others	878,500	-	-	-	-	878,500
Ending balance	<u>\$ 193,872,848</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>193,872,848</u>

Expected credit losses

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	\$ 101,443	-	-	-	-	101,443	3,833	105,276
Changes due to recognition of financial instruments at beginning:								
— Derecognition of financial assets at current period	(41,306)	-	-	-	-	(41,306)	-	(41,306)
Originated or purchased new financial assets	89,202	-	-	-	-	89,202	-	89,202
Impairment difference recognized in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Nonaccrual Loans"	-	-	-	-	-	-	(3,882)	(3,882)
Effects of exchange rate changes and others	(9,317)	-	-	-	-	(9,317)	49	(9,268)
Ending balance	<u>\$ 140,022</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>140,022</u>	<u>-</u>	<u>140,022</u>
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	\$ 46,073	-	-	-	-	46,073	8,937	55,010
Changes due to recognition of financial instruments at beginning:								
— Derecognition of financial assets at current period	(25,103)	-	-	-	-	(25,103)	-	(25,103)
Originated or purchased new financial assets	72,093	-	-	-	-	72,093	-	72,093
Impairment difference recognized in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Nonaccrual Loans"	-	-	-	-	-	-	(4,722)	(4,722)
Effects of exchange rate changes and others	8,380	-	-	-	-	8,380	(382)	7,998
Ending balance	<u>\$ 101,443</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>101,443</u>	<u>3,833</u>	<u>105,276</u>

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

	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	(4,950)	-	4,950	-	-	-	-	-
— Derecognition of financial assets at current period	(30,258)	-	(146,748)	-	-	(177,006)	-	(177,006)
Originated or purchased new financial assets	64,945	-	58,570	-	-	123,515	-	123,515
Impairment differences recognized in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Nonaccrual Loans"	-	-	-	-	-	-	28	28
Effects of exchange rate changes and others	(7,056)	-	118,084	-	-	111,028	1	111,029
Ending balance	<u>\$ 207,276</u>	<u>-</u>	<u>262,017</u>	<u>-</u>	<u>-</u>	<u>469,293</u>	<u>29</u>	<u>469,322</u>

iii) Receivables

Total carrying value

	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	(576,675)	576,777	-	(102)	-	-
— Transfer to credit-impaired financial assets	(148,373)	(90,383)	-	238,756	-	-
— Transfer to 12-month ECLs	379,452	(378,967)	-	(485)	-	-
— Derecognition of financial assets at current period	(52,451,423)	(1,181,067)	-	(300,797)	-	(53,933,287)
Originated or purchased new financial assets	56,412,536	678,041	-	52,788	-	57,143,365
Write-off	-	-	-	(7,592)	-	(7,592)
Effects of exchange rate changes and others	(186,055)	(344,602)	-	-	-	(530,657)
Ending balance	<u>\$ 92,508,520</u>	<u>987,678</u>	<u>-</u>	<u>467,660</u>	<u>-</u>	<u>93,963,858</u>

Note: Included only acceptances, accounts receivable—factoring and credit card receivables.

	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	(718,478)	718,529	-	(51)	-	-
— Transfer to credit-impaired financial assets	(155,113)	(80,112)	-	235,225	-	-
— Transfer to 12-month ECLs	272,721	(272,466)	-	(255)	-	-
— Derecognition of financial assets at current period	(62,811,558)	(2,201,722)	-	(298,897)	-	(65,312,177)
Originated or purchased new financial assets	60,886,907	978,672	-	67,649	-	61,933,228
Write-off	-	-	-	(10,642)	-	(10,642)
Effects of exchange rate changes and others	(295,997)	(32,864)	-	-	-	(328,861)
Ending balance	<u>\$ 89,079,058</u>	<u>1,727,879</u>	<u>-</u>	<u>485,092</u>	<u>-</u>	<u>91,292,029</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

	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	\$ 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	(5,493)	5,538	57	(102)	-	-	-	-
— Transfer to credit-impaired financial assets	(1,913)	(10,959)	-	12,872	-	-	-	-
— Transfer to 12-month ECLs	15,488	(15,224)	(32)	(232)	-	-	-	-
— Derecognition of financial assets at current period	(223,823)	(33,905)	-	(30,102)	-	(287,830)	-	(287,830)
Originated or purchased new financial assets	125,505	19,160	-	533,207	-	677,872	-	677,872
Impairment difference recognized in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Nonaccrual Loans"	-	-	-	-	-	-	24,454	24,454
Write-off	-	-	-	(761,254)	-	(761,254)	-	(761,254)
Effects of exchange rate changes and others	(25,170)	12,912	(186)	19,454	-	7,010	-	7,010
Ending balance	<u>\$ 172,430</u>	<u>47,767</u>	<u>542</u>	<u>102,761</u>	<u>-</u>	<u>323,500</u>	<u>176,187</u>	<u>499,687</u>
	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	(6,584)	6,587	51	(54)	-	-	-	-
— Transfer to credit-impaired financial assets	(2,879)	(15,286)	-	18,165	-	-	-	-
— Transfer to 12-month ECLs	19,551	(19,306)	-	(245)	-	-	-	-
— Derecognition of financial assets at current period	(254,889)	(50,689)	(794)	(23,017)	-	(329,389)	-	(329,389)
Originated or purchased new financial assets	229,426	34,468	31	190,490	-	454,415	-	454,415
Impairment difference recognized in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Nonaccrual Loans"	-	-	-	-	-	-	14,000	14,000
Write-off	-	-	-	(18,526)	-	(18,526)	-	(18,526)
Recovery from write-off	-	-	-	141	-	141	-	141
Effects of exchange rate changes and others	(39,123)	20,054	(16)	21,957	-	2,872	-	2,872
Ending balance	<u>\$ 287,836</u>	<u>70,245</u>	<u>703</u>	<u>328,918</u>	<u>-</u>	<u>687,702</u>	<u>151,733</u>	<u>839,435</u>

(Continued)

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

iv) Discounts and loans

Total carrying value

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	\$ 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	(17,621,125)	17,648,463	-	(27,338)	-	-
— Transfer to credit-impaired financial assets	(1,498,497)	(763,777)	-	2,262,274	-	-
— Transfer to 12-month ECLs	23,218,413	(22,036,334)	-	(1,182,079)	-	-
— Derecognition of financial assets at current period	(717,512,947)	(36,740,994)	-	(1,324,970)	-	(755,578,911)
Originated or purchased new financial assets	930,864,810	32,357,720	-	2,028,318	-	965,250,848
Write-off	-	-	-	(1,864,930)	-	(1,864,930)
Effects of exchange rate changes and others	41,608	(143,607)	-	(128,398)	-	(230,397)
Ending balance	<u>\$ 1,796,341,792</u>	<u>59,946,663</u>	<u>-</u>	<u>8,633,553</u>	<u>-</u>	<u>1,864,922,008</u>
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	(34,105,634)	34,140,081	-	(34,447)	-	-
— Transfer to credit-impaired financial assets	(1,495,751)	(817,985)	-	2,313,736	-	-
— Transfer to 12-month ECLs	4,947,463	(4,851,805)	-	(95,658)	-	-
— Derecognition of financial assets at current period	(704,192,523)	(11,090,489)	-	(13,356,849)	-	(728,639,861)
Originated or purchased new financial assets	841,623,189	30,643,320	-	4,413,603	-	876,680,112
Write-off	-	-	-	(1,644,602)	-	(1,644,602)
Effects of exchange rate changes and others	(907,952)	(439,403)	-	(7,580)	-	(1,354,935)
Ending balance	<u>\$ 1,578,849,530</u>	<u>69,625,192</u>	<u>-</u>	<u>8,870,676</u>	<u>-</u>	<u>1,657,345,398</u>

(Continued)

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

Expected credit losses

	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	(122,189)	123,867	-	(1,678)	-	-	-	-
– Transfer to credit-impaired financial assets	(15,960)	(86,150)	-	102,110	-	-	-	-
– Transfer to 12-month ECLs	551,542	(500,610)	-	(50,932)	-	-	-	-
– Derecognition of financial assets at current period	(3,256,234)	(572,071)	-	(680,812)	-	(4,509,117)	-	(4,509,117)
Originated or purchased new financial assets	2,755,384	571,185	-	819,022	-	4,145,591	-	4,145,591
Impairment difference recognized in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Nonaccrual Loans"	-	-	-	-	-	-	2,218,392	2,218,392
Write-off	-	-	-	(1,864,930)	-	(1,864,930)	-	(1,864,930)
Recovery from write-off	-	-	-	435,942	-	435,942	-	435,942
Effects of exchange rate changes and others	(975,991)	315,411	-	1,891,743	-	1,231,163	(58)	1,231,105
Ending balance	<u>\$ 4,210,247</u>	<u>1,501,988</u>	<u>-</u>	<u>2,807,656</u>	<u>-</u>	<u>8,519,891</u>	<u>15,074,256</u>	<u>23,594,147</u>
	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	(71,803)	73,270	-	(1,467)	-	-	-	-
– Transfer to credit-impaired financial assets	(11,136)	(153,913)	-	165,049	-	-	-	-
– Transfer to 12-month ECLs	138,756	(136,844)	-	(1,912)	-	-	-	-
– Derecognition of financial assets at current period	(2,542,031)	(136,434)	-	(2,093,584)	-	(4,772,049)	-	(4,772,049)
Originated or purchased new financial assets	3,613,781	720,443	-	1,008,277	-	5,342,501	-	5,342,501
Impairment difference recognized in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Nonaccrual Loans"	-	-	-	-	-	-	(93,680)	(93,680)
Write-off	-	-	-	(1,644,602)	-	(1,644,602)	-	(1,644,602)
Recovery from write-off	-	-	-	384,147	-	384,147	-	384,147
Effects of exchange rate changes and others	166,129	680,064	-	1,387,305	-	2,233,498	304	2,233,802
Ending balance	<u>\$ 5,273,695</u>	<u>1,650,356</u>	<u>-</u>	<u>2,157,191</u>	<u>-</u>	<u>9,081,242</u>	<u>12,855,922</u>	<u>21,937,164</u>

(Continued)

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

v) Other financial assets

Total carrying value

	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	-	-	-	(28,377)	-	(28,377)
Originated or purchased new financial assets	-	-	-	239,959	-	239,959
Write-off	-	-	-	(247,112)	-	(247,112)
Effects of exchange rate changes and others	-	-	-	4,036	-	4,036
Ending balance	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>46,996</u>	<u>-</u>	<u>46,996</u>

Note: Included only outperforming and bill purchased transferred from other than loans.

	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	(1,217)	-	-	(70,049)	-	(71,266)
Originated or purchased new financial assets	-	-	-	235,249	-	235,249
Write-off	-	-	-	(242,876)	-	(242,876)
Effects of exchange rate changes and others	-	-	-	39,295	-	39,295
Ending balance	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>78,490</u>	<u>-</u>	<u>78,490</u>

Note: Included only outperforming and bill purchased transferred from other than loans.

Expected credit losses

	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	-	-	-	(15,226)	-	(15,226)	-	(15,226)
Originated or purchased new financial assets	-	-	-	31,007	-	31,007	-	31,007
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	-	-	-	(247,112)	-	(247,112)	-	(247,112)
Recovery from write-off	-	-	-	278,792	-	278,792	-	278,792
Effects of exchange rate changes and others	-	-	-	(64,059)	-	(64,059)	-	(64,059)
Ending balance	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>43,212</u>	<u>-</u>	<u>43,212</u>	<u>-</u>	<u>43,212</u>

(Continued)

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

	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	\$ -	-	-	85,298	-	85,298	-	85,298
Changes due to recognition of financial instruments at beginning:								
— Derecognition of financial assets at current period	-	-	-	(41,697)	-	(41,697)	-	(41,697)
Originated or purchased new financial assets	-	-	-	59,274	-	59,274	-	59,274
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	-	-	-	(242,876)	-	(242,876)	-	(242,876)
Recovery from write-off	-	-	-	291,011	-	291,011	-	291,011
Effects of exchange rate changes and others	-	-	-	(91,200)	-	(91,200)	-	(91,200)
Ending balance	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>59,810</u>	<u>-</u>	<u>59,810</u>	<u>-</u>	<u>59,810</u>

vi) Provisions for guarantee liabilities, loan commitments and other— letter of credit

Expected credit losses

	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	\$ 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	(3,075)	3,248	-	(173)	-	-	-	-
— Transfer to credit-impaired financial assets	(310)	(866)	-	1,176	-	-	-	-
— Transfer to 12-month ECLs	18,088	(18,005)	-	(83)	-	-	-	-
— Derecognition of financial assets at current period	(115,583)	(23,923)	-	(410)	-	(139,916)	-	(139,916)
Originated or purchased new financial assets	118,838	65,563	-	2,672	-	187,073	-	187,073
Impairment difference recognized in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Nonaccrual Loans"	-	-	-	-	-	-	26,261	26,261
Effects of exchange rate changes and others	(30,668)	18,858	-	4,975	-	(6,835)	-	(6,835)
Ending balance	<u>\$ 260,579</u>	<u>108,463</u>	<u>-</u>	<u>10,987</u>	<u>-</u>	<u>380,029</u>	<u>173,761</u>	<u>553,790</u>

	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	\$ 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	(1,841)	1,909	-	(68)	-	-	-	-
— Transfer to credit-impaired financial assets	(199)	(819)	-	1,018	-	-	-	-
— Transfer to 12-month ECLs	10,734	(10,595)	-	(139)	-	-	-	-
— Derecognition of financial assets at current period	(87,827)	(6,430)	-	(79,305)	-	(173,562)	-	(173,562)
Originated or purchased new financial assets	291,185	58,189	-	863	-	350,237	-	350,237
Impairment difference recognized in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Nonaccrual Loans"	-	-	-	-	-	-	(53,246)	(53,246)
Effects of exchange rate changes and others	(93,196)	(308)	-	268	-	(93,236)	-	(93,236)
Ending balance	<u>\$ 273,289</u>	<u>63,588</u>	<u>-</u>	<u>2,830</u>	<u>-</u>	<u>339,707</u>	<u>147,500</u>	<u>487,207</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)

<u>Off-balance sheet items</u>	Maximum exposure amount	
	December 31, 2021	December 31, 2020
Irrevocable loan commitments	\$ 234,840,927	205,630,105
Standby letters of credit	9,431,754	7,186,731
Financial guarantees	20,451,067	19,154,887
Total	\$ 264,723,748	231,971,723

Fubon Bank (China)

Units: In thousands of CNY

<u>Off-balance sheet items</u>	Maximum exposure amount	
	December 31, 2021	December 31, 2020
Irrevocable loan commitments	\$ 1,012,836	1,085,711
Standby letters of credit	85,364	148,583
Financial guarantees	349,345	690,938
Total	\$ 1,447,545	1,925,232

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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)

December 31, 2021					
<u>Assets</u>	<u>Financial instruments</u>	<u>Properties</u>	<u>Guarantees</u>	<u>Others</u>	
Loans	3.48 %	61.95 %	4.84 %	1.52 %	
Guarantees receivable	9.25 %	9.62 %	0.97 %	1.94 %	
Acceptances and other credits	1.05 %	0.85 %	0.02 %	-	
Financial assets measured at fair value through profit or loss—Debt instruments	-	-	4.86 %	-	
Financial assets measured at fair value through other comprehensive income—Debt instruments	-	-	4.77 %	-	
Debt investments measured at amortized cost	-	-	8.09 %	-	
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

Fubon Bank (China)

December 31, 2021			
<u>Assets</u>	<u>Financial instruments</u>	<u>Properties</u>	<u>Guarantees</u>
Loans	7.08 %	20.29 %	3.05 %
Guarantees receivable	67.04 %	18.72 %	11.41 %
Acceptances	38.94 %	3.84 %	42.41 %
December 31, 2020			
<u>Assets</u>	<u>Financial instruments</u>	<u>Properties</u>	<u>Guarantees</u>
Loans	9.18 %	21.30 %	2.14 %
Guarantees receivable	74.70 %	19.51 %	4.54 %
Acceptances	46.83 %	2.86 %	39.89 %

1) 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.

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.

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

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>December 31, 2021</u>		<u>December 31, 2020</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Private	\$ 918,224,097	55.70	790,527,801	53.93
Private enterprise	589,457,458	35.76	544,866,454	37.17
Financial organization	65,630,503	3.98	68,301,762	4.66
Government institution	50,122,926	3.04	33,229,923	2.27
Public enterprise	24,764,287	1.50	27,124,815	1.85
Non-profit organization	370,396	0.02	1,703,206	0.12
Total	<u>\$ 1,648,569,667</u>	<u>100.00</u>	<u>1,465,753,961</u>	<u>100.00</u>

ii) By geographical area

<u>Area</u>	<u>December 31, 2021</u>		<u>December 31, 2020</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Domestic	\$ 1,446,358,294	87.73	1,264,805,865	86.29
Asia	99,343,459	6.03	98,300,567	6.71
America	65,211,630	3.96	71,710,088	4.89
Others	37,656,284	2.28	30,937,441	2.11
Total	<u>\$ 1,648,569,667</u>	<u>100.00</u>	<u>1,465,753,961</u>	<u>100.00</u>

iii) By collateral

<u>Collateral</u>	<u>December 31, 2021</u>		<u>December 31, 2020</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Unsecured	\$ 489,098,425	29.67	461,009,822	31.45
Secured	1,159,471,242	70.33	1,004,744,139	68.55
Properties	998,421,321	60.56	845,049,686	57.65
Guarantees	78,120,142	4.74	74,319,149	5.07
Financial collaterals	58,014,537	3.52	54,266,743	3.70
Others	24,915,242	1.51	31,108,561	2.13
Total	<u>\$ 1,648,569,667</u>	<u>100.00</u>	<u>1,465,753,961</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.

December 31, 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	\$ 86,342,851	61,304	-	86,404,155	-	-	-	-	-	-	31,914	86,372,241
Debt investments measured at amortized cost	759,831,890	1,546,392	-	761,378,282	11,052,795	978,802	-	12,031,597	-	-	557,370	772,852,509
Receivables												
Credit card receivables	42,014,181	14,428,789	29,226	56,472,196	-	193,239	752,882	946,121	467,660	-	151,647	57,734,330
Accounts receivable -factoring	16,897,050	1,396,472	-	18,293,522	-	-	-	-	-	-	216,298	18,077,224
Acceptances	915,269	591,030	-	1,506,299	-	41,557	-	41,557	-	-	15,763	1,532,093
Loans												
Personal finance	690,372,601	126,135,493	169,941	816,678,035	-	3,137,188	3,781,193	6,918,381	2,392,973	-	10,865,473	815,123,916
Corporate banking	364,009,052	381,901,209	3,635,739	749,546,000	-	25,355,727	2,202,428	27,558,155	4,786,886	-	9,173,773	772,717,268
Other financial assets (bill purchased and nonperforming loans transferred from other than loans)	-	-	-	-	-	-	-	-	46,996	-	43,212	3,784
Off-balance sheet assets												
Financing commitments	527,599,576	58,837,864	16,344	586,453,784	-	1,727,376	1,143,218	2,870,594	80,207	-	301,208	589,103,377
Guarantees receivable	13,729,180	6,565,833	-	20,295,013	-	156,054	-	156,054	-	-	206,713	20,244,354
Credit receivable	5,372,478	3,941,964	-	9,314,442	-	94,702	22,610	117,312	-	-	7,454	9,424,300

(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

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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

<u>Industry</u>	<u>December 31, 2021</u>		<u>December 31, 2020</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Personal loans	\$ 25,189,195	42.60	11,913,221	22.61
Finance and insurance	10,434,341	17.65	10,202,250	19.36
Wholesale and retailing	7,056,911	11.93	7,710,129	14.63
Manufacturing	4,374,656	7.40	4,280,492	8.12
Construction	3,740,065	6.32	4,760,100	9.03
Water conservation and environment	2,462,334	4.16	4,630,112	8.79
Real estate	2,254,135	3.81	3,815,850	7.24
Others	3,622,834	6.13	5,388,789	10.22
Total (Note)	<u>\$ 59,134,471</u>	<u>100.00</u>	<u>52,700,943</u>	<u>100.00</u>

Note: Included only discounts and loans.

ii) By geographical area

Units: In thousands of CNY

<u>Area</u>	<u>December 31, 2021</u>		<u>December 31, 2020</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
East China	\$ 12,760,115	21.58	19,031,222	36.11
North China	5,996,284	10.14	5,212,542	9.89
Central China	4,036,742	6.83	4,683,371	8.89
South west region	3,992,834	6.75	5,479,080	10.40
South China	3,620,095	6.12	2,692,015	5.11
North west region	2,253,096	3.81	2,662,664	5.05
Others	26,475,305	44.77	12,940,049	24.55
Total (Note)	<u>\$ 59,134,471</u>	<u>100.00</u>	<u>52,700,943</u>	<u>100.00</u>

Note: Included only discounts and loans.

iii) By collateral

Units: In thousands of CNY

<u>Collateral</u>	<u>December 31, 2021</u>		<u>December 31, 2020</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Credit loans	\$ 41,146,110	69.58	35,509,289	67.38
Guarantees loans	1,804,257	3.05	1,129,808	2.14
Collateral loans	16,184,104	27.37	16,061,846	30.48
Mortgage loans	11,997,684	20.29	11,223,112	21.30
Pledge loans	4,186,420	7.08	4,838,734	9.18
Total (Note)	<u>\$ 59,134,471</u>	<u>100.00</u>	<u>52,700,943</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

	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
	December 31, 2021	Low risk	Medium risk	High risk	Total	Low risk	Medium risk	High risk				
Financial assets measured at fair value through other comprehensive income – debt instruments	\$ 31,624,599	-	-	31,624,599	-	-	-	-	-	-	24,916	31,599,683
Debt investments measured at amortized cost	23,545,962	-	-	23,545,962	-	-	48,000	48,000	-	-	11,674	23,582,288
Receivables												
Acceptances	3,648,298	-	-	3,648,298	-	-	-	-	-	-	10,673	3,637,625
Accounts receivable -factoring	8,031	-	-	8,031	-	-	-	-	-	-	124	7,907
Credit card receivables	79,008	-	-	79,008	-	-	-	-	-	-	1,006	78,002
Loans												
Personal finance	24,702,211	-	340,725	25,042,936	53,588	-	32,431	86,019	60,240	-	197,398	24,991,797
Corporate banking	23,910,824	3,105,571	881,099	27,897,494	-	5,773,587	-	5,773,587	274,194	-	620,435	33,324,840
Off-balance sheet assets												
Loan commitments	1,383,582	-	-	1,383,582	-	-	-	-	-	-	7,393	1,376,189
Guarantees receivable	349,345	-	-	349,345	-	-	-	-	-	-	1,444	347,901
Credit receivable	85,364	-	-	85,364	-	-	-	-	-	-	1	85,363

(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	\$ 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

(Continued)

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)

December 31, 2021	Financial instruments	Properties	Guarantees	Other
<u>Assets</u>				
Receivables	- %	2.11 %	0.88 %	0.83 %
Loans	- %	48.09 %	26.34 %	2.29 %
Other financial assets	- %	- %	5.16 %	- %

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 %

Fubon Bank (China)

December 31, 2021	Financial instruments	Properties	Guarantees
<u>Assets</u>			
Loans	2.66 %	6.84 %	4.58 %

December 31, 2020	Financial instruments	Properties	Guarantees
<u>Assets</u>			
Loans	3.41 %	34.50 %	8.51 %

iii) The outstanding contract amount of the financial assets that have been written off, and there are recourse activities on them.

As of December 31, 2021 and 2020, the outstanding contract amount of the financial assets that have been written off and still have recourse activities, amounting to \$2,079,991 and \$1,847,671 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 December 31, 2021 and 2020, the carrying value amounted to \$52,161 and \$52,357 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	December 31, 2021		December 31, 2020	
	Amount	%	Amount	%
Industrial enterprise	\$ 155,616,208	4.89	126,879,232	4.29
Public business	122,870,917	3.86	119,466,321	4.04
Mortgage backed securities	39,571,252	1.24	41,831,878	1.42
Financial sector	1,081,488,696	34.00	1,037,224,098	35.11
Consumer staples	281,665,875	8.86	244,816,762	8.29
Government	605,593,970	19.04	577,283,983	19.54
Technology	78,947,493	2.48	60,513,873	2.05
Raw material	76,863,643	2.42	71,492,909	2.42
Consumer discretionary	62,474,922	1.96	56,234,661	1.90
Energy	202,907,877	6.38	152,270,855	5.15
Asset backed securities	27,261,924	0.86	14,056,099	0.48
Telecommunication	212,896,675	6.69	205,415,025	6.95
Others	232,956,922	7.32	247,133,374	8.36
Subtotal	3,181,116,374	100.00	2,954,619,070	100.00
Fair value adjustment from business combinations	(71,218)	-	(104,614)	-
Total	<u>\$ 3,181,045,156</u>	<u>100.00</u>	<u>2,954,514,456</u>	<u>100.00</u>

Credit risk exposure—by geographic area

Financial assets	December 31, 2021		December 31, 2020	
	Amount	%	Amount	%
Taiwan	\$ 641,855,851	20.18	654,999,661	22.17
Asia except Taiwan	415,015,914	13.05	419,133,610	14.19
North America	1,309,815,866	41.17	1,139,392,552	38.56
Middle and South America	105,786,287	3.32	85,128,216	2.88
Europe	501,997,442	15.78	489,177,355	16.56
Africa/Middle East	206,645,014	6.50	166,787,676	5.64
Subtotal	3,181,116,374	100.00	2,954,619,070	100.00
Fair value adjustment from business combinations	(71,218)	-	(104,614)	-
Total	<u>\$ 3,181,045,156</u>	<u>100.00</u>	<u>2,954,514,456</u>	<u>100.00</u>

(Continued)

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

	December 31, 2021												
	stage1				stage2				stage3			Loss allowance	Total
	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		
Accounts receivable— interest receivable	\$ 29,071,829	1,130,945	326	30,203,100	91	104	2	197	180	1	181	33,744	30,169,734
Financial assets measured at fair value through other comprehensive income—debt instruments	678,326,206	16,183,201	-	694,509,407	11,479	4,171	-	15,650	44,783	-	44,783	(Note 1)	694,569,840
Financial assets measured at amortized cost (note 2)	2,059,402,184	50,868,277	-	2,110,270,461	-	-	-	-	-	-	-	1,256,846	2,109,013,615
Other financial assets	3,941,183	290,446	-	4,231,629	-	-	-	-	-	-	-	3,136	4,228,493
Loans (note 2)	219,405,340	50,346,378	433,436	270,185,154	316,194	704,474	1,721	1,022,389	703,775	838	704,613	2,214,576	269,697,580
Total	\$ 2,990,146,742	118,819,247	433,762	3,109,399,751	327,764	708,749	1,723	1,038,236	748,738	839	749,577	3,508,302	3,107,679,262

(Continued)

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 (note2)	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

Note 1: For loss allowance of financial assets measured at fair value through other comprehensive income - debt instruments, please refer to note 6 (aj) (iii) 2) h).

Note 2: As of December 31, 2021 and 2020, fair value adjustments from business combinations of financial assets measured at amortized cost and loans were \$(26,426) thousand and \$(44,792) thousand, as well as \$(71,102) thousand and \$(33,512) thousand, respectively.

(Continued)

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.

(Continued)

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.

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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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
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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	(457)	1,429	4	(976)	-	-	-	-
– Transfer to credit-impaired financial assets	(92)	(1,493)	(1)	1,586	-	-	-	-
– Transfer to 12-month ECLs	4,183	(3,482)	(59)	(642)	-	-	-	-
– Derecognition of financial assets at current period	(6,454)	(13,284)	(33)	(7,345)	(3)	(27,119)	-	(27,119)
Originated or purchased new financial assets	19,895	1,238	-	372	-	21,505	-	21,505
Impairment difference recognized in accordance with "Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts by Insurance Enterprises"	-	-	-	-	-	-	(321,554)	(321,554)
Write-off	-	-	-	(5,015)	-	(5,015)	-	(5,015)
Changes in models/risk parameters	(3,974)	(1,628)	562	12,904	(28)	7,836	-	7,836
Effects of exchange rate changes and others	(3,067)	(2,691)	-	(4,936)	-	(10,694)	-	(10,694)
Balance as of December 31, 2021	<u>\$ 35,954</u>	<u>12,395</u>	<u>793</u>	<u>55,952</u>	<u>33</u>	<u>105,127</u>	<u>2,109,375</u>	<u>2,214,502</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	(334)	590	131	(387)	-	-	-	-
— Transfer to credit-impaired financial assets	(49)	(1,824)	-	1,873	-	-	-	-
— Transfer to 12-month ECLs	4,055	(2,812)	(34)	(1,209)	-	-	-	-
— Derecognition of financial assets at current period	(4,550)	(6,249)	(34)	(17,209)	-	(28,042)	-	(28,042)
Originated or purchased new financial assets	8,195	1,007	-	69	64	9,335	-	9,335
Impairment difference recognized in accordance with "Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts by Insurance Enterprises"	-	-	-	-	-	-	18,328	18,328
Recovery from write-off	-	-	-	(1,237)	-	(1,237)	-	(1,237)
Changes in models/risk parameters	(1,168)	7,138	61	24,186	-	30,217	-	30,217
Effects of exchange rate changes and others	333	(95)	-	283	-	521	-	521
Balance as of December 31, 2020	<u>\$ 25,920</u>	<u>32,306</u>	<u>320</u>	<u>60,004</u>	<u>64</u>	<u>118,614</u>	<u>2,430,929</u>	<u>2,549,543</u>

Note: As of December 31, 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
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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	(255)	496	-	(241)	-	-
– Transfer to credit-impaired financial assets	(431)	(3,315)	-	3,746	-	-
– Transfer to 12-month ECLs	5,779	(225)	-	(5,554)	-	-
– Derecognition of financial assets at current period	(139,675)	(11,501)	-	(61,299)	-	(212,475)
Originated or purchased new financial assets	212,277	-	-	328	-	212,605
Write-off	(114)	(141)	-	(4,248)	-	(4,503)
Changes in models/risk parameters	(22,880)	279	-	7,772	-	(14,829)
Effects of exchange rate changes and others	(2,266)	(447)	-	(5,704)	-	(8,417)
Balance as of December 31, 2021	<u>\$ 320,062</u>	<u>1,502</u>	<u>-</u>	<u>143,623</u>	<u>-</u>	<u>465,187</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	(2,824)	2,824	-	-	-	-
– Transfer to credit-impaired financial assets	(3,400)	(7,038)	-	10,438	-	-
– Transfer to 12-month ECLs	2,576	(2,576)	-	-	-	-
– Derecognition of financial assets at current period	(100,359)	(31,702)	-	(180,137)	-	(312,198)
Originated or purchased new financial assets	109,108	-	-	52	-	109,160
Write-off	(268)	(1,548)	-	(6,572)	-	(8,388)
Changes in models/risk parameters	21,229	5,290	-	129,622	-	156,141
Effects of exchange rate changes and others	(9,743)	(2,982)	-	(5,694)	-	(18,419)
Balance as of December 31, 2020	<u>\$ 267,627</u>	<u>16,356</u>	<u>-</u>	<u>208,823</u>	<u>-</u>	<u>492,806</u>

Note: The reconciliation is conducted according to the overall changes of Fubon Life Insurance and its subsidiaries (includes non-controlling interests) 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 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	(146,000)	-	-	-	-	(146,000)
Originated or purchased new financial assets	194,241	-	-	-	-	194,241
Changes in models/risk parameters	191,467	-	-	-	-	191,467
Effects of exchange rate changes and others	(26,998)	-	-	-	-	(26,998)
Balance as of December 31, 2021	\$ 1,256,846	-	-	-	-	1,256,846

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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	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	\$ 734,130	-	-	229,774	-	963,904
Changes due to financial instruments recognized as at beginning:						
— Derecognition of financial assets at current period	(145,061)	-	-	(229,774)	-	(374,835)
Originated or purchased new financial assets	375,502	-	-	-	-	375,502
Changes in models/risk parameters	119,285	-	-	-	-	119,285
Effects of exchange rate changes and others	(39,720)	-	-	-	-	(39,720)
Balance as of December 31, 2020	<u>\$ 1,044,136</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,044,136</u>

Note: The reconciliation is conducted according to the overall changes of Fubon Life Insurance and its subsidiaries (includes non-controlling interests) 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
Changes due to financial instruments recognized as at beginning:						
— Derecognition of financial assets at current period	(1,250)	-	-	-	-	(1,250)
Originated or purchased new financial assets	169	-	-	-	-	169
Changes in models/risk parameters	1,661	-	-	-	-	1,661
Effects of exchange rate changes and others	(48)	-	-	-	-	(48)
Balance as of December 31, 2021	<u>\$ 3,136</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,136</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	\$ 352	-	-	-	-	352
Changes due to financial instruments recognized as at beginning:						
— Derecognition of financial assets at current period	(68)	-	-	-	-	(68)
Originated or purchased new financial assets	1,552	-	-	-	-	1,552
Recovery	742	-	-	-	-	742
Effects of exchange rate changes and others	26	-	-	-	-	26
Balance as of December 31, 2020	<u>\$ 2,604</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,604</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.

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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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.
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

December 31, 2021						
By area	Taiwan	Asia except Taiwan	North America	Central and South America	Europe	Total
Exposure amount	\$ 58,935,416	8,592,715	9,476,131	614,494	7,310,515	84,929,271
Ratio of the total	69.39 %	10.12 %	11.16 %	0.72 %	8.61 %	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 %

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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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.

	December 31, 2021		December 31, 2020	
	Book value	Maximum exposure	Book value	Maximum exposure
<u>Non-derivative financial instruments</u>				
Financial assets				
Cash and cash equivalents	\$ 16,727,855	16,727,855	12,616,340	12,616,340
Receivables	5,657,190	5,657,190	5,344,234	5,344,234
Current tax assets	8,189	8,189	-	-
Financial assets measured at fair value through profit or loss	34,591,952	34,591,952	30,549,142	30,549,142
Financial assets measured at amortized cost	1,381,474	1,381,474	1,396,753	1,396,753
Other financial assets	-	-	17,192	17,192
Financial assets measured at fair value through other comprehensive income	26,103,411	26,103,411	24,482,888	24,482,888
Reinsurance contract assets	8,004,273	8,004,273	7,085,576	7,085,576
Other assets	2,448,697	2,448,697	2,687,461	2,687,461
Financial liabilities				
Payables	15,615,111	15,615,111	13,229,696	13,229,696
Current tax liabilities	395,361	395,361	657,343	657,343
Lease liabilities	864,260	864,260	212,474	212,474
Other liabilities	448,809	448,809	623,650	623,650
<u>Derivative financial instruments</u>				
Financial assets				
Financial assets measured at fair value through profit or loss	113,925	113,925	349,798	349,798
Financial liabilities				
Financial liabilities measured at fair value through profit or loss	5,966	5,966	9,593	9,593

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:

December 31, 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	\$ 24,275,161	-	-	24,275,161	-	-	-	-	-	-	24,275,161
Financial assets measured at amortized cost	1,381,939	-	-	1,381,939	-	-	-	-	-	465	1,381,474
Total	\$ 25,657,100	-	-	25,657,100	-	-	-	-	-	465	25,656,635

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

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:

December 31, 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	\$ 9,004,995	971,829	167,302	280,974	10,425,100
Expected credit loss	-	33,752	7,848	65,245	106,845

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

(Continued)

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

- 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.
 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.

(Continued)

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

- 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.

- ii) Forward-looking information considerations

Fubon Insurance 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. The default probability used by Fubon Insurance and its subsidiaries in relation to the impairment assessment is based on the default probability information published by Moody’s on a regular basis and contains forward-looking general economic information.

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

iii) The estimation techniques or material assumptions made by Fubon Insurance and its subsidiaries to assess expected credit losses have no significant changes during the reporting period.

iv) Changes in loss allowance

1. Changes in loss allowance of debt instrument measured at fair value through other comprehensive income

	2021			
	12-month ECLs	Lifetime ECLs (collective assessment)	Lifetime ECLs (individual assessment)	Impairment recognized due to IFRS 9
Beginning balance	\$ 9,455	-	-	9,455
Changes due to recognition of financial instruments at beginning:				
— Derecognition of financial assets at current period	(380)	-	-	(380)
Purchased or originated financial assets	2,011	-	-	2,011
Effects of exchange rate changes and others	(920)	-	-	(920)
Ending balance	<u>\$ 10,166</u>	<u>-</u>	<u>-</u>	<u>10,166</u>
	2020			
	12-month ECLs	Lifetime ECLs (collective assessment)	Lifetime ECLs (individual assessment)	Impairment recognized due to IFRS 9
Beginning balance	\$ 9,434	-	-	9,434
Changes due to recognition of financial instruments at beginning:				
— Derecognition of financial assets at current period	(347)	-	-	(347)
Purchased or originated financial assets	658	-	-	658
Effects of exchange rate changes and others	(290)	-	-	(290)
Ending balance	<u>\$ 9,455</u>	<u>-</u>	<u>-</u>	<u>9,455</u>

2. Changes in loss allowance of financial assets measured at amortized cost

	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	(40)	-	-	(40)
Ending balance	<u>\$ 465</u>	<u>-</u>	<u>-</u>	<u>465</u>

(Continued)

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

	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	(29)	-	-	(29)
Ending balance	\$ 505	-	-	505

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.

(Continued)

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

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	December 31, 2021					
	Credit risk exposure amount – by region					
	Taiwan	Hong Kong	Asia	Europe	America	Total
Cash and cash equivalents	\$ 18,417,327	154,617	4,015,156	278	-	22,587,378
Customer margin account	21,093,219	113,829	1,550,437	25,196	314,227	23,096,908
Financial assets mandatorily measured at fair value through profit or loss – current	15,847,826	-	1,566,983	109,943	1,727,276	19,252,028
Debt securities	14,646,223	-	1,566,983	109,943	1,727,276	18,050,425
Derivatives – OTC	176,896	-	-	-	-	176,896
Derivatives – Futures trading margin	593,934	-	-	-	-	593,934
Foreign exchange derivatives	2,769	-	-	-	-	2,769
Other debt securities	427,589	-	-	-	-	427,589
Call option – Futures	415	-	-	-	-	415
Margin deposits for borrowed securities	4,319,348	-	-	-	-	4,319,348
Other refundable deposits	1,183,752	7,302	-	-	-	1,191,054
Other current assets	18,856,135	155,600	-	-	1,531	19,013,266
Financial assets measured at fair value through other comprehensive income – Debt instruments	4,140,076	-	1,062,911	-	-	5,202,987
Total	\$ 83,857,683	431,348	8,195,487	135,417	2,043,034	94,662,969
Proportion of the total	88.58 %	0.46 %	8.66 %	0.14 %	2.16 %	100.00 %

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	\$ 52,922,767	526,820	16,736,827	950,581	2,003,851	73,140,846
Proportion of the total	72.36 %	0.72 %	22.88 %	1.30 %	2.74 %	100.00 %

(Continued)

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Notes to the Consolidated Financial Statements

December 31, 2021												
Credit risk exposure amount—by industry												
Financial assets	Central and local										Other services	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		
Cash and cash equivalents	\$ 21,862,195	-	-	-	-	-	-	-	-	-	725,183	22,587,378
Customer margin account	23,096,908	-	-	-	-	-	-	-	-	-	-	23,096,908
Financial assets mandatorily measured at fair value through profit or loss—current	5,049,280	-	400,913	1,855,287	540,501	138,488	1,126,210	8,828,944	514,319	173,032	625,054	19,252,028
Debt securities	3,847,677	-	400,913	1,855,287	540,501	138,488	1,126,210	8,828,944	514,319	173,032	625,054	18,050,425
Derivatives—OTC	176,896	-	-	-	-	-	-	-	-	-	-	176,896
Derivatives—futures trading margin	593,934	-	-	-	-	-	-	-	-	-	-	593,934
Foreign exchange derivatives	2,769	-	-	-	-	-	-	-	-	-	-	2,769
Other debt securities	427,589	-	-	-	-	-	-	-	-	-	-	427,589
Call options—Futures	415	-	-	-	-	-	-	-	-	-	-	415
Margin deposits for borrowed securities	4,319,348	-	-	-	-	-	-	-	-	-	-	4,319,348
Other refundable deposits	1,183,752	-	-	-	-	-	-	-	-	-	7,302	1,191,054
Other current assets	17,290,935	-	-	-	-	-	-	-	-	-	1,722,331	19,013,266
Financial assets measured at fair value through other comprehensive income—debt instruments	1,062,912	199,615	-	434,293	-	-	654,867	1,447,997	1,403,303	-	-	5,202,987
Total	\$ 73,865,330	199,615	400,913	2,289,580	540,501	138,488	1,781,077	10,276,941	1,917,622	173,032	3,079,870	94,662,969
Proportion of the total	78.03 %	0.21 %	0.42 %	2.42 %	0.57 %	0.15 %	1.88 %	10.86 %	2.03 %	0.18 %	3.25 %	100.00 %

December 31, 2020												
Credit risk exposure amount—by industry												
Financial assets	Central and local										Other services	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		
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 options—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	72.43 %	0.28 %	0.04 %	1.97 %	0.36 %	0.88 %	2.34 %	8.71 %	9.28 %	0.31 %	3.40 %	100.00 %

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.

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.

(Continued)

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

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.

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.

(Continued)

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

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
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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:

		December 31, 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	\$	2,780,464	2,426,467	-	5,206,931	-	-	-	-	-	3,944	5,202,987

		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

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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December 31, 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	\$ 18,572,222	4,015,156	-	-	-	-	22,587,378
Customer margin account	23,096,908	-	-	-	-	-	23,096,908
Financial assets mandatorily measured at fair value through profit or loss – current	11,004,396	7,580,507	667,125	-	-	-	19,252,028
Debt securities	9,918,132	7,465,168	667,125	-	-	-	18,050,425
Derivative assets – OTC	61,557	115,339	-	-	-	-	176,896
Derivative assets – Futures trading margin	593,934	-	-	-	-	-	593,934
Foreign exchange derivatives	2,769	-	-	-	-	-	2,769
Other debt securities	427,589	-	-	-	-	-	427,589
Call option – Futures	415	-	-	-	-	-	415
Margin deposits for borrowed securities	4,319,348	-	-	-	-	-	4,319,348
Other refundable deposits	1,191,054	-	-	-	-	-	1,191,054
Other current assets	19,013,266	-	-	-	-	-	19,013,266
Financial assets measured at fair value through other comprehensive income – debt instruments	2,780,464	2,426,467	-	-	-	3,944	5,202,987
Subtotal	79,977,658	14,022,130	667,125	-	-	3,944	94,662,969
Proportion of the total	84.49 %	14.81 %	0.70 %	- %	- %	- %	100.00 %
Receivables	29,817,090	8,893,257	594,822	-	158,033	158,033	39,305,169
Accounts receivable	18,637,661	7,657	-	-	158,033	158,033	18,645,318
Receivables from pecuniary finance	11,179,429	8,885,600	594,822	-	-	-	20,659,851
Total	\$ 109,794,748	22,915,387	1,261,947	-	158,033	161,977	133,968,138
Proportion of the total	81.96 %	17.10 %	0.94 %	- %	0.12 %	0.12 %	100.00 %

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	59,455,075	13,359,717	331,215	-	-	5,161	73,140,846
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	\$ 85,935,846	20,302,193	753,699	-	158,187	163,348	106,986,577
Proportion of the total	80.32 %	18.98 %	0.70 %	- %	0.15 %	0.15 %	100.00 %

Note: There is no purchased or originated credit-impaired financial in the above financial assets.

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As seen in above tables, Fubon Securities and its subsidiaries have no financial assets which are overdue but not impaired. 0.94% of normal assets are classified under high risk category. Those assets mainly are receivables from pecuniary finance and air transportation convertible bonds. 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.
- 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.

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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.

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.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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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 years ended December 31, 2021 and 2020.

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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vi) Changes in loss allowance

1. Changes in loss allowance of debt instruments measured at fair value through other comprehensive income

As of December 31, 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:

	2021					The loss allowances measured in accordance with IFRS 9	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)		
Beginning balance	\$ 5,161	-	-	-	-	5,161	5,161
Changes due to financial instruments recognized as at beginning:							
– Derecognition of financial assets at current period	(3,908)	-	-	-	-	(3,908)	(3,908)
Originated or purchased new financial assets	3,244	-	-	-	-	3,244	3,244
Effects of exchange rate changes and others	(553)	-	-	-	-	(553)	(553)
Ending balance	<u>\$ 3,944</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,944</u>	<u>3,944</u>

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	2020					The loss allowances measured in accordance with IFRS 9	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)		
Beginning balance	\$ 7,343	-	-	-	-	7,343	7,343
Changes due to financial instruments recognized as at beginning:							
– Derecognition of financial assets at current period	(4,267)	-	-	-	-	(4,267)	(4,267)
Originated or purchased new financial assets	2,021	-	-	-	-	2,021	2,021
Effects of exchange rate changes and others	64	-	-	-	-	64	64
Ending balance	<u>\$ 5,161</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,161</u>	<u>5,161</u>

For the years ended December 31, 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 December 31, 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:

	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	-	-	2,749	4,416	-	7,165	7,165
Effects of exchange rate changes and others	-	-	(322)	(477)	-	(799)	(799)
Ending balance	<u>\$ -</u>	<u>-</u>	<u>161,229</u>	<u>5,538</u>	<u>-</u>	<u>166,767</u>	<u>166,767</u>

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	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	-	-	-	1,301	-	1,301	1,301
Effects of exchange rate changes and others	-	-	(1,142)	(31,679)	-	(32,821)	(32,821)
Ending balance	<u>\$ -</u>	<u>-</u>	<u>158,802</u>	<u>1,599</u>	<u>-</u>	<u>160,401</u>	<u>160,401</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 \$165,690 and \$166,570 thousand, respectively, which has yet to be recovered, and therefore, the loss allowance amounting to \$158,033 and \$158,187 thousand, respectively, after considering the actual recovery, had been recognized, as of December 31, 2021 and 2020.

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vii) Impairment loss

As of December 31, 2021 and 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 December 31, 2021 and 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 December 31, 2021 and 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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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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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.

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.

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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 derivate 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.

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.

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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.

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

	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	(944)	-	944	-	-	-
— Derecognition of financial assets at current period	(17,037)	-	-	-	-	(17,037)
Originated or purchased new financial assets	14,969	-	-	-	-	14,969
Effects of exchange rate changes and others	(33,552)	-	5,125	-	-	(28,427)
Ending balance	<u>\$ 49,563</u>	<u>-</u>	<u>6,069</u>	<u>-</u>	<u>-</u>	<u>55,632</u>

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	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:						
– Derecognition of financial assets at current period	(19,476)	-	-	-	-	(19,476)
Originated or purchased new financial assets	22,408	-	-	-	-	22,408
Effects of exchange rate changes and others	40,579	-	-	-	-	40,579
Ending balance	<u>\$ 86,127</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>86,127</u>

ii) Discounts and Loans

	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	(14,458)	-	14,458	-	-	-	
– Transfer to 12-month ECLs	9,873	-	(9,873)	-	-	-	
– Derecognition of financial assets at current period	(69,283)	-	(7,924)	-	-	(77,207)	
Originated or purchased new financial assets	86,979	-	36,745	-	-	123,724	
Write-off	-	-	(444,159)	-	-	(444,159)	
Effects of exchange rate changes and others	(73,574)	-	293,221	-	-	219,647	
Ending balance	<u>\$ 169,019</u>	<u>-</u>	<u>330,104</u>	<u>-</u>	<u>-</u>	<u>499,123</u>	

	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	(3,008)	-	3,008	-	-	-
– Transfer to 12-month ECLs	19,862	-	(19,862)	-	-	-
– Derecognition of financial assets at current period	(36,664)	-	(10,517)	-	-	(47,181)
Originated or purchased new financial assets	150,968	-	21,856	-	-	172,824
Write-off	-	-	(23,870)	-	-	(23,870)
Effects of exchange rate changes and others	4,341	-	281,047	-	-	285,388
Ending balance	<u>\$ 229,484</u>	<u>-</u>	<u>447,634</u>	<u>-</u>	<u>-</u>	<u>677,118</u>

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iii) Off-balance sheet guarantees and commitments

Units: In thousands of HKD

	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	\$ 16,296	-	5,263	-	-	21,559
Effects of exchange rate changes and others	10,797	-	794	-	-	11,591
Ending balance	<u>\$ 27,093</u>	<u>-</u>	<u>6,057</u>	<u>-</u>	<u>-</u>	<u>33,150</u>
	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	18,169	-	5,539	-	-	23,708
Ending balance	<u>\$ 34,465</u>	<u>-</u>	<u>10,802</u>	<u>-</u>	<u>-</u>	<u>45,267</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):

Units: In thousands of HKD

Off-balance sheet items	Maximum exposure to credit risk	
	December 31, 2021	December 31, 2020
Irrevocable loan commitments	\$ 2,136,689	2,775,348
Standby letters of credit	271,043	155,214
Financial guarantees	118,753	172,495
Total	<u>\$ 2,526,485</u>	<u>3,103,057</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	December 31, 2021		
	Collaterals	General agreement of net amount settlement	Other credit enhancement tools
Discounts and loans	36.78 %	-	41.40 %
Financial assets measured at amortized cost			
— Bonds investments	-	%	4.68 %

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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	December 31, 2020		
	Collaterals	General agreement of net amount settlement	Other credit enhancement tools
On-balance sheet items			
Discounts and loans	39.26 %	-	34.88 %
Financial assets measured at amortized cost			
— Bonds investments	-	-	6.85 %

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

Industry and area	Units: In thousands of HKD			
	December 31, 2021		December 31, 2020	
	Amount	%	Amount	%
Gross advances for use in Hong Kong industrial, commercial and financial				
Property development	\$ 3,344,349	5.42	3,351,855	5.93
Property investment	9,090,959	14.73	7,867,895	13.92
Financial concerns	1,344,558	2.18	1,935,165	3.42
Stockbrokers	2,509,286	4.07	2,501,549	4.43
Wholesale and retail trade	1,131,287	1.83	1,104,961	1.96
Manufacturing	2,284,229	3.70	2,259,969	4.00
Transport and transport equipment	847,235	1.37	304,104	0.54
Entertainment	-	-	27,351	0.05
Information technology	910,675	1.48	533,402	0.94
Electricity and gas	671,607	1.09	341,597	0.60
Others	5,592,341	9.06	4,390,044	7.77
Individuals				
Project plan	3,009	0.01	3,627	0.01
Loan for the purchase of other residential properties	11,677,085	18.92	9,988,744	17.68
Credit card advances	722,854	1.17	745,129	1.32
Others	3,939,223	6.39	3,686,143	6.52
	44,068,697	71.42	39,041,535	69.09
Trade finance	5,278,034	8.55	5,163,614	9.14
Gross advances for use in Hong Kong	49,346,731	79.97	44,205,149	78.23
Gross advances for use outside Hong Kong	12,356,334	20.03	12,300,700	21.77
Gross advances to customers	\$ 61,703,065	100.00	56,505,849	100.00

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

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.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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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.

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.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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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.

- 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.

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

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

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.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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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.

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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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.

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

	December 31, 2021						Total
	Taiwan	Hong Kong	Asia	Europe	America	Other	
Financial assets							
Financial assets at fair value \$ through profit or loss – current	2,623,666	105,539	419,919	-	-	-	3,149,124
Financial assets at fair value through other comprehensive income – current	18,524,820	57,745	376,435	-	56,014	29,054	19,044,068
Security borrowing deposits	999,560	-	-	-	-	-	999,560
Financial assets at fair value through profit or loss – non-current	-	2,047	1,705	-	-	-	3,752
Financial assets at fair value through other comprehensive income – non-current	8,851,244	16,477	22,187	-	-	-	8,889,908
Refinancing guaranty deposits	8,541	-	-	-	-	-	8,541
Guaranteed proceeds receivable from refinancing	7,226	-	-	-	-	-	7,226
Receivable of securities business money lending	11,165	-	-	-	-	-	11,165
Receivable of money lending – any use	753,804	-	-	-	-	-	753,804
Margin loans receivable	16,750,311	-	-	-	-	-	16,750,311
Future exchanges margins receivable	1,216	-	-	-	-	-	1,216
Total	\$ 48,531,553	181,808	820,246	-	56,014	29,054	49,618,675
Percentage by area	97.81 %	0.37 %	1.65 %	- %	0.11 %	0.06 %	100.00 %

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

	December 31, 2021								Total
	Central or local government	Individual	Financial industry	Manufacturing	Electronics	Service	Construction	Funds	
Financial assets									
Financial assets at fair value through profit or loss – current	\$ 487,789	-	605,980	992,167	934,801	35,161	78,274	14,952	3,149,124
Financial assets at fair value through other comprehensive income – current	1,974,804	-	2,574,237	8,272,067	6,165,215	57,745	-	-	19,044,068
Security borrowing deposits	-	-	999,560	-	-	-	-	-	999,560
Financial assets at fair value through profit or loss – non-current	-	-	-	-	-	-	3,752	-	3,752
Financial assets at fair value through other comprehensive income – non-current	-	-	8,863,492	7,831	10,536	-	8,049	-	8,889,908
Refinancing guaranty deposits	-	-	8,541	-	-	-	-	-	8,541
Guaranteed proceeds receivable from refinancing	-	-	7,226	-	-	-	-	-	7,226
Receivable of securities business money lending	-	11,165	-	-	-	-	-	-	11,165
Receivable of money lending – any use	-	672,804	81,000	-	-	-	-	-	753,804
Margin loans receivable	-	15,981,886	630,999	4,669	2,712	25,724	104,321	-	16,750,311
Future exchanges margins receivable	-	1,216	-	-	-	-	-	-	1,216
Total	\$ 2,462,593	16,667,071	13,771,035	9,276,734	7,113,264	118,630	194,396	14,952	49,618,675
Percentage by industry	<u>4.96 %</u>	<u>33.59 %</u>	<u>27.75 %</u>	<u>18.70 %</u>	<u>14.34 %</u>	<u>0.24 %</u>	<u>0.39 %</u>	<u>0.03 %</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

	December 31, 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	\$ 80,521	-	-	80,521	-	-	-	-	-	51	80,470
Future exchanges margins receivable	-	-	-	-	-	-	-	-	47,560	46,344	1,216
Receivables – impaired	-	-	-	-	-	-	-	-	1,972	1,972	-
Other receivables – impaired	-	-	-	-	-	-	-	-	52,425	49,568	2,857
Overdue receivables	-	-	-	-	-	-	-	-	1,758	1,758	-

2. Credit quality analysis on investments in securities

Units: In thousands of TWD

	December 31, 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	\$ 15,414,090	-	-	15,414,090	-	-	-	-	-	15,414,090	10,671

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:

	December 31, 2021
Various guarantee proceeds	\$ 2,276,200
Unused amount of issued letter of credit	183,648
Amount of irrevocable credit commitments of credit card	17,968,606
Amount of issued and irrevocable loan commitments	<u>16,195,502</u>
Total	<u><u>\$ 36,623,956</u></u>

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

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>December 31, 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	\$ 11,186	-	-	11,186
Loans discounted	127,494,717	-	4,426,253	131,920,970
<u>Off-balance sheet items</u>				
Unused amount of issued letter of credit	22,963	-	3,254	26,217
Various guarantee proceeds	785,534	-	184,864	970,398
Total	<u>\$ 128,314,400</u>	<u>-</u>	<u>4,614,371</u>	<u>132,928,771</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>December 31, 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>\$ 634,353</u>	<u>-</u>	<u>19,546</u>	<u>653,899</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.

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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>December 31, 2021</u>	
	<u>Amount</u>	<u>%</u>
Private business	\$ 81,027,796	45.52
Individual	95,565,035	53.69
Financial institution	1,389,146	0.78
Others	10,374	0.01
Total	<u>\$ 177,992,351</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>December 31, 2021</u>	
	<u>Amount</u>	<u>%</u>
No Collateral:		
Credit	\$ 46,071,381	25.88
Collateral by:		
Stocks	14,984,197	8.42
Bonds	527,266	0.30
Real estate	112,158,735	63.01
Movables	1,628,982	0.92
Notes receivable	767,148	0.43
Guaranty	1,087,930	0.61
Others	766,712	0.43
subtotal	<u>131,920,970</u>	<u>74.12</u>
Total	<u>\$ 177,992,351</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

	December 31, 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			
On-balance sheet items											
Receivables											
— Credit card business	\$ 141,064	80,939	27,237	249,240	529	34,552	78,865	113,946	35,028	14,137	384,077
— Interest receivable-loans	108,319	24,202	5,461	137,982	281	179	599	1,059	1,306	580	139,767
— Acceptances receivable	16,883	-	-	16,883	-	-	-	-	-	169	16,714
— Accounts receivable factoring without recourse	-	6,313	-	6,313	-	-	-	-	-	71	6,242
— Derivatives default settlement receivable	-	-	-	-	-	-	-	-	316,933	305,527	11,406
— Other receivables from counterfeit fraud and legal advances	-	-	-	-	-	-	-	-	5,684	5,684	-
Loans discounted	136,355,733	32,017,520	8,067,790	176,441,043	246,396	233,410	258,618	738,424	812,884	2,216,689	175,775,662
Other financial assets											
— Temporary payments for other	190,533	34,814	1,360	226,707	197	5,223	3,468	8,888	107	1,824	233,878
Off-balance sheet items											
Guaranty	1,549,853	643,952	82,395	2,276,200	-	-	-	-	-	22,762	2,253,438
Letter of credit	150,704	30,330	-	181,034	-	-	2,614	2,614	-	46	183,602
Loan commitments	54,534,727	20,398,388	1,663,764	76,596,879	20,376	68,630	239,780	328,786	152	22,193	76,903,624
Total	<u>\$ 193,047,816</u>	<u>53,236,458</u>	<u>9,848,007</u>	<u>256,132,281</u>	<u>267,779</u>	<u>341,994</u>	<u>583,944</u>	<u>1,193,717</u>	<u>1,172,094</u>	<u>2,589,682</u>	<u>255,908,410</u>

(Continued)

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

2. Credit quality analysis of security investments

Items	December 31, 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	\$ 33,415,683	-	-	33,415,683	-	-	-	-	33,415,683	14,237	
Debt investments measured at amortized cost											
– Debt investments	37,644,155	-	-	37,644,155	-	-	-	-	37,644,155	6,303	
Total	\$ 71,059,838	-	-	71,059,838	-	-	-	-	71,059,838	20,540	

(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

	December 31, 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	\$ 37,877,108	5,754,421	3,453,672	6,272,490	27,253,840	80,611,531
Investment in marketable securities (Note 2)	232,437,078	22,999,525	33,173,578	42,022,698	212,923,403	543,556,282
Securities purchased under resell agreements	100,000	-	-	-	-	100,000
Loans (included overdue loans)	65,493,018	96,407,049	116,298,895	90,743,602	1,005,302,375	1,374,244,939
Deliverable derivative assets	145,281,188	148,941,604	101,826,447	144,158,200	46,820,526	587,027,965
Non-deliverable derivative assets	2,648,342	-	12,106	-	645,891	3,306,339
Other capital inflow on maturity	35,817,660	9,536,047	11,576,668	6,390,360	27,470,571	90,791,306
Total assets	\$ 519,654,394	283,638,646	266,341,366	289,587,350	1,320,416,606	2,679,638,362
Liabilities						
Deposits from the central bank and banks	\$ 11,883,009	2,000	175,367	-	101,000	12,161,376
Deposits and remittances	128,976,663	189,952,178	114,044,600	207,125,529	898,965,463	1,539,064,433
Securities sold under repurchase agreements	2,537,018	2,256,379	-	-	-	4,793,397
Payables	233,620	309,427	289,439	493,386	61,842	1,387,714
Financial bonds payable and due to the central bank and banks	-	-	4,712,106	12,797,450	74,785,276	92,294,832
Deliverable derivative liabilities	192,414,367	209,468,801	134,382,501	158,055,002	64,386,662	758,707,333
Non-deliverable derivative liabilities	2,955,045	-	-	-	73,879	3,028,924
Other capital outflow on maturity	19,535,644	4,188,742	2,453,337	504,033	9,114,461	35,796,217
Total liabilities	\$ 358,535,366	406,177,527	256,057,350	378,975,400	1,047,488,583	2,447,234,226

(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

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

	December 31, 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	\$ 2,668,935	853,000	830,000	566,000	-	4,917,935
Investment in marketable securities (Note 2)	1,347,869	51,145	125,470	160,717	9,801,167	11,486,368
Securities purchased under resell agreements	68,344	44,116	-	-	-	112,460
Loans (included overdue loans)	1,238,009	677,806	556,456	302,623	1,418,278	4,193,172
Deliverable derivative assets	11,523,741	8,784,562	5,544,568	6,020,149	2,327,759	34,200,779
Non-deliverable derivative assets	40,076	-	-	-	27,915	67,991
Other capital inflow on maturity	966,457	285,493	45,958	8,986	67,670	1,374,564
Total assets	\$ 17,853,431	10,696,122	7,102,452	7,058,475	13,642,789	56,353,269
Liabilities						
Deposits from the central bank and banks	\$ 2,081,943	1,984,000	80,000	150,000	-	4,295,943
Deposits and remittances	4,410,388	5,091,400	3,948,153	3,768,269	4,741,994	21,960,204
Securities sold under repurchase agreements	2,367,705	1,139,614	-	-	-	3,507,319
Payables	14,206	21,334	11,051	1,078	5	47,674
Financial bonds payable	-	-	-	-	456,509	456,509
Deliverable derivative liabilities	6,700,734	6,143,057	4,478,019	5,571,452	1,676,715	24,569,977
Non-deliverable derivative liabilities	88,870	176	374	835	197,424	287,679
Other capital outflow on maturity	209,380	58,703	9,040	22,036	366,103	665,262
Total liabilities	\$ 15,873,226	14,438,284	8,526,637	9,513,670	7,438,750	55,790,567

(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						
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	\$ 15,199,892	8,873,664	7,204,752	5,515,724	11,667,107	48,461,139
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	\$ 14,359,358	11,540,483	5,236,237	7,521,060	9,230,577	47,887,715

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.

(Continued)

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

	December 31, 2021					
	0-30 days	31-90 days	91-365 days	Over 1 year	Undetermined	Total
Assets						
Cash and due from / call loans to banks	\$ 10,190,000	-	-	-	7,921,328	18,111,328
Investment in marketable securities (Note)	1,166,715	807,699	8,050,062	56,301,944	10,391	66,336,811
Securities purchased under resell agreements	991,147	-	-	-	-	991,147
Loans (included overdue loans)	7,999,390	11,987,475	29,294,641	25,222,203	-	74,503,709
Deliverable derivative assets	73,048,461	47,280,794	52,382,128	-	-	172,711,383
Non-deliverable derivative assets	2,024	2,533	13,107	245	-	17,909
Other capital inflow on maturity	407,875	27,356	19,926	3,546,354	624,122	4,625,633
Total assets	\$ 93,805,612	60,105,857	89,759,864	85,070,746	8,555,841	337,297,920
Liabilities						
Deposits from the central bank and banks	\$ 3,379,153	1,265,219	1,889,189	-	-	6,533,561
Due to the central bank and banks	-	-	160,082	-	-	160,082
Deposits and remittances	23,235,282	4,805,108	14,609,371	29,909,167	-	72,558,928
Securities sold under repurchase agreements	2,209,460	-	-	-	-	2,209,460
Payables	723,430	1,131,851	2,131,463	533	-	3,987,277
Financial bonds payable	20,342	32,000	165,842	5,859,892	-	6,078,076
Deliverable derivatives liabilities	73,064,668	47,293,640	52,405,070	-	-	172,763,378
Non-deliverable derivatives liabilities	1,406	3,322	20,626	119	-	25,473
Other capital outflow on maturity	5,092,632	4,756,975	6,642,822	104,397	433	16,597,259
Total liabilities	\$ 107,726,373	59,288,115	78,024,465	35,874,108	433	280,913,494

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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

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.

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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

	December 31, 2021					
	0-30 days	31-90 days	91-180 days	181-365 days	Over 1 year	Total
Assets						
Deliverable derivative assets						
– Forward contracts	\$ 537,382	2,160,770	385,020	338,157	-	3,421,329
– Currency swap	139,898,848	139,096,831	99,090,419	119,735,546	17,190,956	515,012,600
– Cross currency swap	4,844,958	7,684,003	2,351,008	24,084,497	29,629,570	68,594,036
Subtotal	<u>145,281,188</u>	<u>148,941,604</u>	<u>101,826,447</u>	<u>144,158,200</u>	<u>46,820,526</u>	<u>587,027,965</u>
Non-deliverable derivative assets						
– Foreign exchange derivative instruments	378,802	-	-	-	-	378,802
– Interest rate derivative instruments – hedging	-	-	12,106	-	645,891	657,997
– Interest rate derivative instruments – non-hedging	1,892,690	-	-	-	-	1,892,690
– Equity derivative instruments	376,850	-	-	-	-	376,850
Subtotal	<u>2,648,342</u>	<u>-</u>	<u>12,106</u>	<u>-</u>	<u>645,891</u>	<u>3,306,339</u>
Liabilities						
Deliverable derivative liabilities						
– Forward contracts	\$ 2,203,296	2,615,557	84,223	-	-	4,903,076
– Currency swap	183,623,221	202,175,694	131,015,778	144,085,692	35,352,606	696,252,991
– Cross currency swap	6,587,850	4,677,550	3,282,500	13,969,310	29,034,056	57,551,266
Subtotal	<u>192,414,367</u>	<u>209,468,801</u>	<u>134,382,501</u>	<u>158,055,002</u>	<u>64,386,662</u>	<u>758,707,333</u>
Non-deliverable derivative liabilities						
– Foreign exchange derivative instruments	378,802	-	-	-	-	378,802
– Interest rate derivative instrument – hedging	-	-	-	-	73,879	73,879
– Interest rate derivative instruments – non-hedging	2,205,228	-	-	-	-	2,205,228
– Equity derivative instruments	371,015	-	-	-	-	371,015
Subtotal	<u>2,955,045</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>73,879</u>	<u>3,028,924</u>

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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>

Note: The above amounts include only New Taiwan dollar amounts (exclude foreign currencies) held by headquarter and domestic branches of Taipei Fubon Bank.

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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

	December 31, 2021					
	0-30 days	31-90 days	91-180 days	181-365 days	Over 1 year	Total
Assets						
Deliverable derivative assets						
– Forward contracts	\$ 354,787	417,567	117,111	75,222	-	964,687
– Currency swap	10,948,954	8,211,995	5,317,457	5,460,927	1,289,759	31,229,092
– Cross currency swap	220,000	155,000	110,000	484,000	1,038,000	2,007,000
Subtotal	<u>11,523,741</u>	<u>8,784,562</u>	<u>5,544,568</u>	<u>6,020,149</u>	<u>2,327,759</u>	<u>34,200,779</u>
Non-deliverable derivative assets						
– Foreign exchange derivative instruments	23,112	-	-	-	-	23,112
– Interest rate derivative instruments – hedging	-	-	-	-	27,915	27,915
– Interest rate derivative instruments – non-hedging	16,612	-	-	-	-	16,612
– Equity derivative instruments	155	-	-	-	-	155
– Commodity derivative instruments	197	-	-	-	-	197
Subtotal	<u>40,076</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,915</u>	<u>67,991</u>
Liabilities						
Deliverable derivative liabilities						
– Forward contracts	\$ 395,073	417,961	154,390	67,986	-	1,035,410
– Currency swap	6,136,903	5,462,667	4,246,863	4,660,767	626,259	21,133,459
– Cross currency swap	168,758	262,429	76,766	842,699	1,050,456	2,401,108
Subtotal	<u>6,700,734</u>	<u>6,143,057</u>	<u>4,478,019</u>	<u>5,571,452</u>	<u>1,676,715</u>	<u>24,569,977</u>
Non-deliverable derivative liabilities						
– Foreign exchange derivative instruments	25,133	-	-	-	-	25,133
– Interest rate derivative instruments – hedging	22	176	374	835	197,424	198,831
– Interest rate derivative instruments – non-hedging	63,366	-	-	-	-	63,366
– Equity derivative instruments	160	-	-	-	-	160
– Commodity derivative instruments	189	-	-	-	-	189
Subtotal	<u>88,870</u>	<u>176</u>	<u>374</u>	<u>835</u>	<u>197,424</u>	<u>287,679</u>

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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					
	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>

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

	December 31, 2021				
	0~30 days	31~90 days	91~365 days	Over 1 year	Total
Assets					
Deliverable derivative assets					
– Forward contracts	\$ 1,222,130	321,193	872,939	-	2,416,262
– Currency swap	<u>71,826,331</u>	<u>46,959,601</u>	<u>51,509,189</u>	-	<u>170,295,121</u>
Subtotal	<u>73,048,461</u>	<u>47,280,794</u>	<u>52,382,128</u>	-	<u>172,711,383</u>
Non-deliverable derivative assets					
– Interest rate derivative instruments – non-hedging	2,024	2,533	13,107	245	17,909
Liabilities					
Deliverable derivative liabilities					
– Forward contracts	\$ 1,219,196	317,244	863,293	-	2,399,733
– Currency swap	<u>71,845,472</u>	<u>46,976,396</u>	<u>51,541,777</u>	-	<u>170,363,645</u>
Subtotal	<u>73,064,668</u>	<u>47,293,640</u>	<u>52,405,070</u>	-	<u>172,763,378</u>
Non-deliverable derivative liabilities					
– Interest rate derivative instruments – non-hedging	1,406	3,322	20,626	119	25,473

Units: In thousands of CNY

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

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

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

December 31, 2021	0-30 days	31-90 days	91-180 days	181-365 days	Over 1 year	Total
Irrevocable loan commitments	\$ 234,840,927	-	-	-	-	234,840,927
Standby letters of credit	9,431,754	-	-	-	-	9,431,754
Financial guarantees	14,974,107	2,755,400	-	-	2,721,560	20,451,067
Total	\$ 259,246,788	2,755,400	-	-	2,721,560	264,723,748

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	\$ 223,582,931	1,785,400	26,196	3,632,475	2,944,721	231,971,723

Fubon Bank (China)

Units: In thousands of CNY

December 31, 2021	0-30 days	31-90 days	91-365 days	Over 1 year	Total
Irrevocable loan commitments	\$ 45,049	-	495,662	472,125	1,012,836
Standby letters of credit	19,086	66,278	-	-	85,364
Financial guarantees	5,635	92,690	234,226	16,794	349,345
Total	\$ 69,770	158,968	729,888	488,919	1,447,545

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

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.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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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.

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:

	December 31, 2021				
	Less than 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
Accounts payable	\$ 83,307,991	227,231	-	-	83,535,222
Bonds payables (Note)	3,730,449	6,092,630	32,889,023	40,031,212	82,743,314
Total	<u>\$ 87,038,440</u>	<u>6,319,861</u>	<u>32,889,023</u>	<u>40,031,212</u>	<u>166,278,536</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	66,360,141	81,483,649
Total	<u>\$ 47,114,538</u>	<u>8,238,153</u>	<u>4,206,327</u>	<u>66,360,141</u>	<u>125,919,159</u>

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.

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

The maturity structure of the derivative financial liabilities of Fubon Life Insurance and its subsidiaries is listed below:

	December 31, 2021				
	Less than 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
Financial liabilities measured at fair value through profit or loss	\$ 865,611	-	-	-	865,611
Financial liabilities for hedging	1,726,796	1,156,382	-	-	2,883,178
Total	<u>\$ 2,592,407</u>	<u>1,156,382</u>	<u>-</u>	<u>-</u>	<u>3,748,789</u>

	December 31, 2020				
	Less than 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
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>

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.

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

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.

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.

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

- iv) The maturity analyses of financial assets and liabilities are as follows:

	December 31, 2021							Total
	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	
The maturity analysis of financial assets								
Financial assets measured at fair value through other comprehensive income	\$ 1,966,418	2,383,476	2,579,538	6,105,268	2,887,039	5,538,877	2,814,545	24,275,161
Financial assets measured at amortized cost	-	-	-	-	107,337	1,274,137	-	1,381,474
	<u>\$ 1,966,418</u>	<u>2,383,476</u>	<u>2,579,538</u>	<u>6,105,268</u>	<u>2,994,376</u>	<u>6,813,014</u>	<u>2,814,545</u>	<u>25,656,635</u>

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

	December 31, 2020							Total
	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	
The maturity analysis of financial assets								
Financial asset measured 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>

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:

	December 31, 2021					Total
	Less than 1 year	1 to 3 years	3 to 5 years	5 to 10 years	No maturity date	
Maturity analysis of financial assets	<u>\$ 113,925</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>113,925</u>
Maturity analysis of financial liabilities	<u>\$ 5,966</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,966</u>

	December 31, 2020					Total
	Less than 1 year	1 to 3 years	3 to 5 years	5 to 10 years	No maturity date	
Maturity analysis of financial assets	<u>\$ 349,798</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>349,798</u>
Maturity analysis of financial liabilities	<u>\$ 9,593</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,593</u>

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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	December 31, 2021					
	Cash flow gap					
	0-30 days	31-90 days	91-180 days	181-365 days	Over 1 year	Total
Cash and cash equivalents	\$ 11,972,555	4,510,306	4,538,193	1,546,324	20,000	22,587,378
Customer margin account	23,096,908	-	-	-	-	23,096,908
Financial assets mandatorily measured at fair value though profit or loss — current	19,338,092	-	-	-	6,394,367	25,732,459
Open-end funds, money market instruments and other securities	498,003	-	-	-	-	498,003
Operating securities	17,570,928	-	-	-	5,966,778	23,537,706
Derivatives — OTC	176,896	-	-	-	-	176,896
Derivatives — Futures trading margin	593,934	-	-	-	-	593,934
Foreign exchange derivatives	2,769	-	-	-	-	2,769
Other debt securities	-	-	-	-	427,589	427,589
Call option — Futures	415	-	-	-	-	415
Securities invested by brokers	495,147	-	-	-	-	495,147
Financial assets measured at fair value through other comprehensive income — current and non-current	-	-	-	6,123,165	9,383,972	15,507,137
Receivables from pecuniary finance	18,387,267	1,652,788	413,197	206,599	-	20,659,851
Collateral for borrowed securities	92,141	-	-	-	-	92,141
Margin deposits for borrowed securities	4,319,348	-	-	-	-	4,319,348
Accounts receivables(including related party)	18,612,779	26,875	13,986	3,266	-	18,656,906
Total	<u>\$ 95,819,090</u>	<u>6,189,969</u>	<u>4,965,376</u>	<u>7,879,354</u>	<u>15,798,339</u>	<u>130,652,128</u>
Proportion of the total	<u>73.34 %</u>	<u>4.74 %</u>	<u>3.80 %</u>	<u>6.03 %</u>	<u>12.09 %</u>	<u>100.00 %</u>

(Continued)

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

Financial liabilities	December 31, 2021					
	Cash flow gap					
	0-30 days	31-90 days	91-180 days	181-365 days	Over 1 year	Total
Short-term borrowings	\$ 198,366	180,000	-	-	-	378,366
Commercial papers issued	11,997,834	500,000	-	-	-	12,497,834
Held-for-trading financial liabilities – current	10,507,424	-	-	-	-	10,507,424
Call (put) warrants	275,443	-	-	-	-	275,443
Derivatives – OTC	5,002,328	-	-	-	-	5,002,328
Liabilities in sale of borrowed securities	5,179,151	-	-	-	-	5,179,151
Replenishable bond	49,531	-	-	-	-	49,531
Equity derivative instruments	971	-	-	-	-	971
Financial liabilities designated as at fair value through profit or loss	2,480,331	-	-	-	-	2,480,331
Securities sold under repurchase agreements	10,573,522	-	-	-	-	10,573,522
Securities financing refundable deposits	2,130,286	191,486	47,872	23,936	-	2,393,580
Deposits payable for securities financing	2,435,123	218,887	54,722	27,361	-	2,736,093
Securities lending refundable deposits	19,478,838	-	-	-	-	19,478,838
Futures customers' equity	23,096,908	-	-	-	-	23,096,908
Accounts payable(including related party)	18,580,137	59	15	7	-	18,580,218
Lease liabilities – current and non-current (Note)	17,083	33,832	44,579	81,778	181,207	358,479
Receipts under custody	19,311,868	158	1	-	-	19,312,027
Total	\$ 120,807,720	1,124,422	147,189	133,082	181,207	122,393,620
Proportion of the total	98.70 %	0.92 %	0.12 %	0.11 %	0.15 %	100.00 %
Cash inflow	95,819,090	6,189,969	4,965,376	7,879,354	15,798,339	130,652,128
Cash outflow	120,807,720	1,124,422	147,189	133,082	181,207	122,393,620
Net cash flow	(24,988,630)	5,065,547	4,818,187	7,746,272	15,617,132	8,258,508

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

	December 31, 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	\$ 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	<u>98.67 %</u>	<u>0.65 %</u>	<u>0.20 %</u>	<u>0.20 %</u>	<u>0.28 %</u>	<u>100.00 %</u>
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.

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.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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.

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.

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

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.

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 2021, 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 2021:

- 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
Notes to the Consolidated Financial Statements

c) The maturity analysis of non-derivative financial liabilities

Units: In thousands of HKD

	December 31, 2021					Total
	0-30 days	31-90 days	91-180 days	181-365 days	Over 1 year	
Non-derivative financial liabilities measured at fair value through profit or loss	\$ -	1,951,043	-	-	-	1,951,043
Securities sold under repurchase agreements	2,955,814	2,413,231	1,056,894	-	-	6,425,939
Others	44,580,738	33,259,386	12,687,767	3,432,232	576,145	94,536,268

Units: In thousands of HKD

	December 31, 2020					Total
	0-30 days	31-90 days	91-180 days	181-365 days	Over 1 year	
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

d) The maturity analysis of derivative financial liabilities

i) Net settlement derivative instruments

Units: In thousands of HKD

	December 31, 2021					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	\$ 7,821,795	4,504,407	1,252,178	1,182,907	-	14,761,287
– Interest rate derivative instruments	-	-	-	-	734,700	734,700
Derivative financial liabilities for hedging						
– Interest rate derivative instruments	405,431	955,102	2,481,468	1,787,659	21,753,389	27,383,049
Total	\$ 8,227,226	5,459,509	3,733,646	2,970,566	22,488,089	42,879,036

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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
Derivatives 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

ii) The maturity analysis of off-balance sheet items

Units: In thousands of HKD

	December 31, 2021					Total
	0-30 days	31-90 days	91-180 days	181-365 days	Over 1 year	
Irrevocable loan commitments	\$ 152	247,438	184,455	428,704	1,275,940	2,136,689
Standby letters of credit	55,300	183,509	32,234	-	-	271,043
Financial guarantees	1,528	28,847	6,082	6,851	75,445	118,753
Total	\$ 56,980	459,794	222,771	435,555	1,351,385	2,526,485

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

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.

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

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.
- 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.

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

- 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.
 - 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 fund liquidity analysis, management indicators and quotas of indicators shall be established so as to formulate response strategies and prevent fund liquidity crisis occurring.

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

- 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 fund 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 fund liquidity risk.
 - iv. Risk management division monitors external warning indicators to control the warning of fund liquidity risk.
 - v. Risk management division produces fund liquidity risk management report to top executives regularly. The report includes indicators of JihSun Bank’s fund liquidity risk management and tables of gap analysis. The risk management division monitors and analyzes the fund liquidity risk profiles and then submits a report to the Assets and Liabilities Management Committee. The regularly fund 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 indicators of fund 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. Setting scenarios for stress test for fund 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.

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

- v. 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.

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

December 31, 2021

	<u>Within 3 months</u>	<u>3 to 12 months</u>	<u>Over 1 year</u>	<u>Total</u>
Deposits from the central bank and banks	\$ 6,769,230	2,548,071	4,067,567	13,384,868
Due to the central bank and banks	88,490	-	-	88,490
Securities sold under repurchase agreements	17,363,090	-	-	17,363,090
Commercial papers issued—net	5,696,934	-	-	5,696,934
Payables	17,361,703	76,119	49,739	17,487,561
Deposits	54,577,766	56,277,211	125,661,838	236,516,815
Bonds payable	2,500,000	-	-	2,500,000
Other financial liabilities	7,214,844	288,024	1,157,709	8,660,577
Lease liabilities	72,031	197,406	600,877	870,314
Deposits from securities borrowing (listed in other liabilities)	7,611	-	-	7,611

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

2021.12.31

	<u>Within 3 months</u>	<u>3 to 12 months</u>	<u>Over 1 year</u>	<u>Total</u>
Call (Put) warrants	\$ 9,437	-	-	9,437
Foreign currency swap	14,567	-	-	14,567
FX options	-	662	69,983	70,645
Interest rate instruments	82,598	-	-	82,598
Equity instruments	57,352	-	-	57,352
Structured instruments	478,009	25,380	-	503,389
Total	\$ 641,963	26,042	69,983	737,988

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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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

	December 31, 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	\$ 1,640	211,230	200,195	829,521	16,726,020	17,968,606
Unused amount of issued letter of credit	68,768	109,580	5,300	-	-	183,648
Various guarantee proceeds	397,222	468,633	511,457	120,000	778,888	2,276,200
Amount of issued and irrevocable loan commitments	2,229,088	2,946,053	2,885,781	4,805,986	3,328,594	16,195,502

(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.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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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 Risk Management Department to examine important market risk policies and quota and to monitor the Bank's important change of credit risk information and quota compliance.

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.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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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.

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:

Common VaR	2021			End of period
	Highest	Lowest	Average	
Equity group	\$ 11,572	2,951	5,750	8,338
Interest rate group	46,091	18,486	29,585	21,720
Exchange rate group	25,913	3,501	11,810	8,095
Volatility group	2,229	324	1,099	324
Diversification effect	-	-	(17,648)	(14,080)
Common VaR of trading book			\$ <u>30,596</u>	<u>24,397</u>

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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<u>Common VaR</u>	2020			End of period
	Highest	Lowest	Average	
Equity group	\$ 19,004	3,241	11,616	3,241
Interest rate group	418,303	30,581	102,201	30,606
Exchange rate group	56,415	5,339	18,331	12,308
Volatility group	5,520	947	2,614	1,487
Diversification effect	-	-	(34,617)	(16,001)
Common VaR of trading book			\$ 100,145	31,641

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.

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 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.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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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 December 31, 2021 and 2020, and all other factors been held constant, the net interest revenue would have decreased/increased by \$1 million and \$4 million, respectively.

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 December 31, 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.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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The sensitivity analysis for equity positions of banking book is listed below:

	<u>December 31, 2021</u>		<u>December 31, 2020</u>	
	<u>Effect on profit or loss</u>	<u>Effect on equity</u>	<u>Effect on profit or loss</u>	<u>Effect on equity</u>
Stock prices increased by 10%	\$ -	2,886,187	-	1,438,021
Stock prices decreased by 10%	-	(2,886,187)	-	(1,438,021)

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, the following sensitivity analysis is the method to evaluate interest rate which increases or decreases 50 basis points:

	<u>December 31, 2021</u>		<u>December 31, 2020</u>	
	<u>Effect on profit or loss</u>	<u>Effect on equity</u>	<u>Effect on profit or loss</u>	<u>Effect on equity</u>
Interest rate increased by 50 basis points	\$ (134,726)	(292,144)	(104,373)	(325,314)
Interest rate decreased by 50 basis points	134,904	463,602	104,372	272,645

Units: In thousands of CNY

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:

	<u>December 31, 2021</u>		<u>December 31, 2020</u>	
	<u>Effect on profit or loss</u>	<u>Effect on equity</u>	<u>Effect on profit or loss</u>	<u>Effect on equity</u>
Foreign exchange rate for USD and HKD against CNY increased by 5%	\$ (157,371)	128,905	(104,925)	23,821
Foreign exchange rate for USD and HKD against CNY decreased by 5%	157,371	(128,905)	104,925	(23,821)

Units: In thousands of CNY

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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 December 31, 2021 and 2020.

Taipei Fubon Bank (The Bank)

	December 31, 2021			December 31, 2020		
	Original	Rate	TWD	Original	Rate	TWD
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 26,389,601	27.6892	730,705,802	21,032,120	28.3720	596,722,267
CNY	13,420,726	4.3568	58,470,857	10,090,398	4.3631	44,025,043
HKD	9,284,871	3.5515	32,975,397	11,582,880	3.6599	42,391,881
AUD	4,234,768	20.1198	85,202,805	2,683,661	21.8691	58,689,267
JPY	137,064,199	0.2405	32,969,697	104,540,630	0.2750	28,750,764
<u>Non-monetary items</u>						
USD	132,575	27.6892	3,670,883	205,431	28.3720	5,828,479
JPY	8,199,511	0.2405	1,972,327	5,796,576	0.2750	1,594,174
CNY	633,081	4.3568	2,758,179	725,419	4.3631	3,165,049
HKD	168,840	3.5515	599,637	39,642	3.6599	145,085
AUD	95,871	20.1198	1,928,899	76,123	21.8691	1,664,750
<u>Investments accounted for using equity method</u>						
CNY	6,372,718	4.3568	27,764,389	4,891,139	4.3631	21,340,401
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	\$ 37,095,796	27.6892	1,027,151,329	27,954,676	28.3720	793,128,664
CNY	16,547,810	4.3568	72,094,803	13,985,754	4.3631	61,020,728
HKD	8,552,170	3.5515	30,373,194	8,120,740	3.6599	29,720,884
AUD	604,017	20.1198	12,152,725	752,612	21.8691	16,458,957
EUR	367,257	31.3279	11,505,381	-	-	-
JPY	-	-	-	26,308,572	0.2750	7,235,384
<u>Non-monetary items</u>						
USD	377,892	27.6892	10,463,517	545,844	28.3720	15,486,654
JPY	5,255,520	0.2405	1,264,173	6,085,401	0.2750	1,673,607
CNY	580,290	4.3568	2,528,182	617,166	4.3631	2,692,733
HKD	32,946	3.5515	117,009	41,171	3.6599	150,680
AUD	4,257	20.1198	85,658	1,592	21.8691	34,811

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Fubon Bank (China)

	December 31, 2021			December 31, 2020		
	Original	Rate	CNY	Original	Rate	CNY
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 3,115,964	6.3757	19,866,450	772,954	6.5249	5,043,445
JPY	210,936	0.0554	11,689	842,662	0.0632	53,287
HKD	165,887	0.8176	135,629	143,166	0.8416	120,494
EUR	3,309	7.2197	23,891	460	8.0250	3,689
<u>Non-monetary items</u>						
USD	5,295	6.3757	33,759	603	6.5249	3,935
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	6,740,359	6.3757	42,974,510	5,069,925	6.5249	33,080,753
JPY	682,956	0.0554	37,846	1,267,357	0.0632	80,143
HKD	39,551	0.8176	32,337	16,201	0.8416	13,636
EUR	10,640	7.2197	76,817	25,273	8.0250	202,813
<u>Non-monetary items</u>						
USD	169,653	6.3757	1,081,656	605,824	6.5249	3,952,943

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 December 31, 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.

	December 31, 2021	
	The total amounts of unreformed contracts	Without appropriate fallback clause amount
Financial assets linked to USD LIBOR		
Discounts and loans	\$ 66,360,633	66,360,633
Debts investments	40,661,759	31,380,708
	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 GBP LIBOR		
Discounts and loans	1,634,403	1,634,403
Financial assets linked to EUR LIBOR		
Discounts and loans	196,238	196,238
Financial assets linked to JPY LIBOR		
Discounts and loans	315,592	315,592

The following tables show the carrying amounts of unreformed contracts, and include derivative instruments at notional value without appropriate fallback clauses:

	December 31, 2021	
	The total amounts of unreformed contracts	Without appropriate fallback clause amount
Financial instrument linked to USD LIBOR		
Interest rate swap contracts	\$ 140,025,831	-
Foreign exchange swap contracts	4,079,166	-
Equity swap contracts	2,266,080	-
Cross currency swap contracts	7,989,290	-
Financial instrument linked to GPB LIBOR		
Interest rate swap contracts	187,095	-

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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	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.

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.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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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

December 31, 2021			
Risk factor	Variation	Change in profit or loss	Change in equity
Equity risk (Price index)	Price incline by 10%	-	91,864,200
	Price decline by 10%	-	(91,864,200)
Interest rate risk (Yield curve)	Yield curve (USD) incline by 50BPS	(7,661)	(37,974,192)
	Yield curve (TWD) incline by 50BPS	-	(12,075,660)
	Yield curve (Other) incline by 50BPS	(315)	(385,037)
	Yield curve (USD) decline by 50BPS	7,686	39,938,887
	Yield curve (TWD) decline by 50BPS	-	11,859,856
	Yield curve (Other) decline by 50BPS	316	396,949
Exchange rate risk (Currency exchange rate)	TWD to all currency incline by 3%	(8,127,924)	(12,684,667)
	TWD to all currency decline by 3%	8,127,924	12,684,667

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

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Sensitivity analysis (Fubon Hyundai Life Insurance)

Units: In thousands of KRW

December 31, 2021			
Risk factor	Variation	Change in profit or loss	Change in equity
Equity risk (Price index)	Price incline by 10%	-	172,860,729
	Price decline by 10%	-	(172,860,729)
Interest rate risk (Yield curve)	Yield curve (USD) incline by 50BPS	-	(564,906)
	Yield curve (KRW) incline by 50BPS	-	(73,937,391)
	Yield curve (Other) incline by 50BPS	-	(35,680)
	Yield curve (USD) decline by 50BPS	-	575,666
	Yield curve (KRW) decline by 50BPS	-	76,795,637
	Yield curve (Other) decline by 50BPS	-	35,799
Exchange rate risk (Currency exchange rate)	KRW to all currency incline by 3%	18,558,265	-
	KRW to all currency decline by 3%	(18,558,265)	-

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)	-

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, and funds for foreign investments in TWD.

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 \$(160) thousand and \$(109) thousand in profit or loss and \$(1,022,417) thousand and \$(807,398) thousand in equity of Fubon Life Insurance on December 31, 2021 and 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 (1,518,878) thousand and \$(1,570,193)KRW thousand in equity of Fubon Hyundai Life Insurance Co., Ltd on December 31, 2021 and 2020, respectively.

(Continued)

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

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.

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').

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

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.

	December 31, 2021	
	The total amounts of unreformed contracts	Without appropriate fallback clause amount
Financial assets linked to USD LIBOR		
Bond investment (Note)	\$ 32,062,449	-
Asset securitization group	27,414,430	-
Structured products	316,390	316,390

Note: this includes 31,131,770 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:

	December 31, 2021	
	The total amounts of unreformed contracts	Without appropriate fallback clause amount
Financial instrument linked to USD LIBOR		
Interest rate swap	\$ 7,137,098	-
	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.

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

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
Notes to the Consolidated Financial Statements

i) Fubon Insurance

Units: In thousands of TWD

Common VaR	December 31, 2021		
	Average	Highest	Lowest
Fixed income group	\$ 504,169	703,220	361,950
Equity group	2,085,177	2,634,621	1,629,003
Fund group	125,164	212,572	75,188
Asset securitization group	90,999	101,267	56,429
Total position	2,210,565	2,729,511	1,649,536

Common VaR	December 31, 2020		
	Average	Highest	Lowest
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

ii) Fubon Property and Casualty Insurance

Units: In thousands of TWD

Common VaR	December 31, 2021		
	Average	Highest	Lowest
Fixed income group	\$ 14,828	45,967	11,301
Equity group	75,782	102,246	45,987
Total position	77,566	133,694	46,421

Common VaR	December 31, 2020		
	Average	Highest	Lowest
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

Note 1: VaR was adopted for the years ended December 31, 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.

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

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.

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.

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

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.

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.

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

Common VaR information of trading book was as follows:

Units: In thousands of TWD

2021			
Common VaR	Highest	Lowest	Average
Foreign exchange rate	\$ 1,983	118	611
Interest rate	57,454	19,397	31,925
Equity	86,447	45,358	68,674
Fluctuation	9,175	1,671	5,172

Units: In thousands of TWD

2020			
Common VaR	Highest	Lowest	Average
Foreign exchange rate	\$ 2,479	602	1,428
Interest rate	146,644	10,489	75,553
Equity	163,660	49,864	94,816
Fluctuation	38,526	2,281	13,859

(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.

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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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 (PVBP): Measure the changing value of the yield rate curve when it moves 1 bp in parallel.
- v) Interest Rate Benchmark Reform—Phase 2 Amendment
1. Overview

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, the Group had finished the process of amending contractual terms or implementing appropriate fallback provisions in response to IBOR reform beyond the end of 2021.

Risk Management Department monitor and manage the transition to alternative rates, evaluates the extent to which contracts reference IBOR cash flows and valuation profit/loss, reports the interest rate risk and the risks arising from the interest rate benchmark reform regularly.

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

2. Non-derivative financial assets

Fubon Securities and its subsidiaries are exposed to USD LIBOR which is subject to non-derivative financial assets of interest rate benchmark reform, on December 31, 2021. The exposures arise on USD LIBOR-connected debt. As mentioned above, risk exposures of USD LIBOR, consolidated company had added the fallback clause to these financial instruments. SOFR is expected to replace USD LIBOR automatically when USD LIBOR application ceased, which does not have a certain date.

3. Non-derivative financial liabilities

Fubon Securities and its subsidiaries (had adopted) fluctuated liabilities interest rate benchmark on December 31, 2021. And are exposed to USD LIBOR which is subject to non-derivative financial liabilities of interest rate benchmark reform. The exposures arise on USD LIBOR-connected non-secured loan. SOFR is expected to replace USD LIBOR automatically when USD LIBOR application ceased, which does not have a certain date.

4. Derivative instruments

The fluctuated-interest exchange contract held by Fubon Securities and its subsidiaries for risk management purpose is connected to TAIBOR or TAIBIRO2. The derivative instruments of the consolidated company are restricted by ISDA Master Agreement.

5. The amount affected by the uncertainty of interest rate benchmark 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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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The following tables show the total amounts of unreformed contracts and those without appropriate fallback clause. The amounts of financial assets and liabilities are shown at their carrying amounts.

	December 31, 2021	
	the total amounts of unreformed contracts	Without appropriate fallback clause amount
Financial assets linked to USD LIBOR		
Debts investments	\$ 83,067	-
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.

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.

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

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.

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.

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

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	December 31, 2021		
	Average	Highest	Lowest
Foreign exchange risk	\$ 293	1,995	24
Interest rate risk	16	114	-
Total risk	301	1,983	26

Units: In thousands of HKD

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

e) Sensitivity information of interest rate risk, foreign exchange risk and equity risk

Units: In thousands of HKD

December 31, 2021			
Main risk	Variance	Influenced amount	
		Equity	profit or loss
Foreign exchange risk	10% increase in HKD	-	(174,700)
Foreign exchange risk	10% decrease in HKD	-	174,700
Interest rate risk	+100 basis points shift in yield curves	352,341	(521,059)
Interest rate risk	-100 basis points shift in yield curves	(352,341)	521,056
Equity risk	10% increase in equity prices	-	-
Equity risk	10% decrease in equity prices	-	-

(Continued)

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

Units: In thousands of HKD

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	-100 basis points shift in yield curves	(721,317)	470,588
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.

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').

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

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.

	Units: In thousands of HKD December 31, 2021	
	the total amounts of unreformed contracts	Without appropriate fallback clause amount
Financial assets linked to USD LIBOR		
Discounts and loans	\$ 9,017,828	-
Debts investments	155,935	-
Financial liabilities linked to USD LIBOR		
Bonds payable	155,935	-

	Units: In thousands of HKD 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 December 31, 2021	
	the total amounts of unreformed contracts	Without appropriate fallback clause amount
Financial instrument linked to USD LIBOR		
Interest rate swap contracts	\$ 27,280,048	-

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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	Units: In thousands of HKD 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	-

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				
	December 31, 2021	Average	The highest	The lowest
99%C.L.1 day(VaR)				
Total of departments	16,045	31,788	53,130	12,042
Covariance adjustments	(5,766)	(11,138)	(9,923)	(4,647)
Securities in all	10,279	20,650	43,207	7,395

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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2. The table of Value at Risk by risk factors

Unit: In thousands of TWD

99%C.L.1 day(VaR)	For the year ended December 31, 2021		
	Average	The highest	The lowest
Exchange rate	16	-	-
Interest rate	2,229	1,919	1,335
Equity price	20,959	43,938	7,409
Securities in all	20,650	43,207	7,395

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.

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.

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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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 2021.12.31</u>
Equity Price risk	Equity securities prices decreased by 20%	(78,759)
Interest Rate risk	Interest rate curve shift up 100bps	(46,330)
Exchange Rate risk	Foreign currency depreciate 7% against TWD	(18,374)

- 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.

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 year ended December 31, 2021		
	<u>Average</u>	<u>Highest</u>	<u>Lowest</u>
Exchange Rate risk	691	1,434	101
Interest Rate risk	964	1,306	53
Equity Price risk	244	417	-
Securities in all	1,195	2,578	114

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.

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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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.

iii) Sensitivity analysis

Unit: In thousands of TWD

December 31, 2021			
Risk Item	Movement	Amount	
		Profit and loss	Equity
Interest Rate Risk	Interest rate curve shift up 100bps	13,155	(304,389)
	Interest rate curve shift down 100bps	(13,435)	301,602
Exchange Rate Risk	Foreign currency appreciate 7% against TWD	(4,414)	386,276
	Foreign currency depreciate 7% against TWD	4,414	(386,276)
Equity Price Risk	Equity price appreciate 20%	-	1,508
	Equity price depreciate 20%	-	(1,508)

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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- b) Exchange rate risk concentration information of JihSun Financial Holding and its subsidiaries

		Unit: In thousands		
		December 31, 2021		
		Foreign currency amount	Exchange rate	TWD amount
<u>Financial assets</u>				
<u>Monetary items</u>				
USD	\$	986,147	27.688/ 27.679	27,303,133
JPY		3,498,748	0.2405/ 0.2404	841,107
EUR		7,297	31.329/ 31.321	228,630
AUD		56,458	20.095/ 20.067	1,134,499
HKD		342,722	3.550/ 3.549	1,216,528
CNY		1,530,251	4.346/ 4.342	6,650,441
ZAR		202,043	1.736/ 1.735	350,549
Others (Note)		-	-	243,046
		Unit: In thousands		
		December 31, 2021		
		Foreign currency amount	Exchange rate	TWD amount
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD	\$	981,794	27.688/ 27.679	27,183,132
JPY		2,530,127	0.2405/ 0.2404	608,245
EUR		21,125	31.329/ 31.321	661,827
AUD		55,977	20.095/ 20.067	1,124,851
HKD		238,504	3.550/ 3.549	846,656
CNY		867,419	4.346/ 4.342	3,769,800
ZAR		495,882	1.736/ 1.735	860,358
Others (Note)		-	-	239,081

Note: Other currencies that are less than to TWD 100 million are disclosed aggregately.

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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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. On the reporting date, JihSun Financial Holding and its subsidiaries listed some financial instruments related risks linked to the London Interbank Offered Rate (LIBOR). LIBOR is also part of the change in interest rate benchmark reform. Consultations and possible regulatory changes are in progress for the discontinuation of sterling LIBOR, but JihSun Financial Holding and its subsidiaries plan to implement appropriate fallback provisions in response to IBOR reform.

JihSun Financial Holding and its subsidiaries anticipate that IBOR reform will impact its operational and risk management processes. 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 clauses with its derivative counterparties, updating of contractual terms, and revision of operational controls related to the reform. Financial risk is predominantly limited to interest rate risk.

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.

	December 31, 2021	
	the total amounts of unreformed contracts	Without appropriate fallback clause amount
Financial assets linked to USD LIBOR		
Debts investments	\$ 3,359,170	3,359,170
Discounts and loans	10,823,024	10,823,024

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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	<u>January 1, 2021</u>	
	<u>the total amounts of unreformed contracts</u>	<u>Without appropriate fallback clause amount</u>
Financial assets linked to USD LIBOR		
Debts investments	\$ 4,444,002	4,444,002
Discounts and loans	9,058,067	9,058,067

The following tables show the carrying amounts of unreformed contracts, and include derivative instruments at notional value without appropriate fallback clauses:

	<u>December 31, 2021</u>	
	<u>the total amounts of unreformed contracts</u>	<u>Without appropriate fallback clause amount</u>
Financial instrument linked to USD LIBOR		
FX options	\$ 224,273	224,273
Interest rate instruments	1,661,280	1,661,280
Equity instruments	311,767	311,767

	<u>January 1, 2021</u>	
	<u>the total amounts of unreformed contracts</u>	<u>Without appropriate fallback clause amount</u>
Financial instrument linked to USD LIBOR		
FX options	\$ 267,571	267,571
Interest rate instruments	3,131,150	3,131,150
Equity instruments	109,306	109,306

(Continued)

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

(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:

<u>Types of financial assets</u>	<u>December 31, 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 other comprehensive income		
Repurchase agreements	\$ 8,502,569	7,967,562
Debt investments measured at amortized cost		
Repurchase agreements	109,232,034	107,309,959
<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 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

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:

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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As of December 31, 2021, there is no transfer of financial assets in the Fubon Life Insurance and its subsidiaries.

Units: In thousands of TWD

Types of financial assets	December 31, 2020				
	Carrying amount of the transferred financial assets	Carrying amount of relevant financial liabilities	Fair value of the transferred financial assets	Fair value of relevant financial liabilities	Fair value net position
Financial assets measured at fair value through profit or loss					
Security lending agreements	\$ 1,106,214	-	1,106,214	-	1,106,214

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 December 31, 2021 and 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.

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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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.

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>December 31, 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	\$ 5,896,198	5,730,188
Convertible bonds transferred to counter parties of asset exchange option	3,387,428	2,745,192
Financial assets measured at fair value through other comprehensive income		
Repurchase agreements	4,911,943	4,843,334
<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	\$ 14,401,552	13,809,829
Convertible bonds transferred to counter parties of asset exchange option	846,166	737,445
Financial assets measured at fair value through other comprehensive income		
Repurchase agreements	6,018,986	5,981,797

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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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

December 31, 2021					
Types of financial assets	Carrying amount of the transferred financial assets	Carrying amount of relevant financial liabilities	Fair value of the transferred financial assets	Fair value of relevant financial liabilities	Fair value net position
Financial assets measured at amortized cost					
Repurchase agreements	\$ 6,669,045	6,420,232	6,705,494	6,420,232	285,262

Unit: In thousands of HKD

December 31, 2020					
Types of financial assets	Carrying amount of the transferred financial assets	Carrying amount of relevant financial liabilities	Fair value of the transferred financial assets	Fair value of relevant financial liabilities	Fair value net position
Financial assets measured at amortized cost					
Repurchase agreements	\$ 7,260,688	6,853,334	7,264,953	6,853,334	411,619

(Continued)

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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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:

December 31, 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>17,576,072</u>	<u>17,363,090</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).

(Continued)

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

(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.

The offsetting information of financial assets and financial liabilities is shown below:

December 31, 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)	\$ 21,163,203	-	21,163,203	16,768,863	2,462,956	1,931,384
Securities purchased under resell agreements	7,522,566	-	7,522,566	7,522,566	-	-
Total	\$ 28,685,769	-	28,685,769	24,291,429	2,462,956	1,931,384

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FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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December 31, 2021						
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)	\$ 29,183,416	-	29,183,416	15,678,091	8,322,615	5,182,710
Securities sold under repurchase agreements	115,277,521	-	115,277,521	114,860,635	51,647	365,239
Total	\$ 144,460,937	-	144,460,937	130,538,726	8,374,262	5,547,949

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

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

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:

December 31, 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	\$ 66,418,633	-	66,418,633	753,331	1,508,274	64,157,028
Securities purchased under resell agreements	61,862,191	-	61,862,191	61,862,191	-	-
Total	\$ 128,280,824	-	128,280,824	62,615,522	1,508,274	64,157,028

December 31, 2021						
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	\$ 3,748,788	-	3,748,788	3,412,006	36,828	299,954

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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

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	\$ 2,792,033	-	2,792,033	2,214,918	40,572	536,543

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:

December 31, 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	\$ 113,925	-	113,925	5,966	-	107,959

(Continued)

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

December 31, 2021						
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	\$ 5,966	-	5,966	5,966	-	-

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

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	Pledged cash collaterals	
Derivative financial instruments	\$ 9,593	-	9,593	9,593	-	-

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.

(Continued)

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

The offsetting information of financial assets and liabilities is shown below:

December 31, 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	\$ 180,080	-	180,080	-	-	180,080
December 31, 2021						
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	\$ 5,003,299	-	5,003,299	-	-	5,003,299
Repurchase agreements	10,573,522	-	10,573,522	10,573,522	-	-
Total	\$ 15,576,821	-	15,576,821	10,573,522	-	5,003,299
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

(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 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

Note: Netting settlement agreements and non-cash collaterals are included.

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

December 31, 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	\$ 335,218	-	335,218	257,280	-	77,938

(Continued)

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

December 31, 2021						
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	\$ 385,258	-	385,258	257,280	-	127,978
Securities sold under repurchase agreements	6,420,232	-	6,420,232	-	-	6,420,232
Total	\$ 6,805,490	-	6,805,490	257,280	-	6,548,210

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

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

Note: Netting settlement agreements and non-cash collaterals are included.

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.

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

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:

December 31, 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	\$ 133,313	-	133,313	25,558	-	107,755
Structured products	50,643	-	50,643	-	-	50,643
Total	\$ 183,956	-	183,956	25,558	-	158,398

December 31, 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	\$ 225,162	-	225,162	25,558	-	199,604
Repurchase agreements	17,363,090	-	17,363,090	17,363,090	-	-
Structured products	503,389	-	503,389	-	-	503,389
Total	\$ 18,091,641	-	18,091,641	17,388,648	-	702,993

Note: Netting settlement agreements and non-cash collaterals are included.

(Continued)

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

(ak) 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:

December 31, 2021	Asset securitization products	Property trust plans
Assets possessed		
— Financial assets measured at fair value through profit or loss	\$ 919,266	128,971
— Financial assets measured at fair value through other comprehensive income	10,516,343	-
— Debt investments measured at amortized cost	32,867,179	-
Total assets possessed	<u>\$ 44,302,788</u>	<u>128,971</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	16,083,314	-
Total assets possessed	<u>\$ 23,718,324</u>	<u>129,896</u>

The maximum exposure of the possible loss from the entity is the carrying amount of the assets possessed.

(Continued)

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

- 3) For the years ended December 31, 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 December 31, 2021 and 2020, Fubon Life Insurance and its subsidiaries offered \$28,898,543 thousand and \$32,022,662 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>December 31, 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	\$ 163,696,428	34,626,786
– Financial assets measured at fair value through other comprehensive income	-	25,612,591
– Financial assets measured at amortized cost	-	41,607,276
– Loan	-	22,276,651
Total assets possessed	<u>\$ 163,696,428</u>	<u>124,123,304</u>

<u>December 31, 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	\$ 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>

The maximum exposure of the possible loss from the entity is the carrying amount of the assets possessed.

- c) For the years ended December 31, 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.

(Continued)

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

(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:

<u>December 31, 2021</u>	<u>Private equity fund</u>	<u>Asset securitization products</u>
Assets possessed		
— Financial assets measured at fair value through profit or loss	\$ 67,646	2,037,143
— Financial assets measured at amortized cost	-	107,338
Total assets possessed	<u>\$ 67,646</u>	<u>2,144,481</u>
<u>December 31, 2020</u>	<u>Private equity fund</u>	<u>Asset securitization products</u>
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>

The maximum exposure of the possible loss from an entity is the carrying amount of the assets possessed.

- 3) For the years ended December 31, 2021 and 2020, Fubon Insurance and its subsidiaries did not offer any financial support to those unconsolidated private equity fund and asset securitization products.

(Continued)

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

(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:

December 31, 2021	Asset securitization products
Assets possessed	
— Financial assets measured at fair value through profit or loss - current	\$ <u>427,589</u>
December 31, 2020	Asset securitization products
Assets possessed	
— Financial assets measured at fair value through profit or loss - current	\$ <u>554,675</u>

The maximum exposure of the possible loss from the entity is the carrying amount of the assets possessed.

- 3) For the years ended December 31, 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

(Continued)

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

- 2) The carrying amounts of the unconsolidated structured entities recognized by other subsidiaries were as below:

December 31, 2021	Private fund investment	Asset securitization products
Assets possessed		
— Financial assets measured at fair value through profit or loss	\$ <u>132,784</u>	<u>105,524</u>
December 31, 2020	Private fund investment	Asset securitization products
Assets possessed		
— Financial assets measured at fair value through profit or loss	\$ <u>199,683</u>	<u>111,347</u>

The maximum exposure of the possible loss from the entity is the carrying amount of the assets possessed.

- 3) For the years ended December 31, 2021 and 2020, other subsidiaries did not offer any financial support to those unconsolidated private investment fund and asset securitization products.

(al) 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

(am) Significant impact of related foreign currency information

	December 31, 2021			December 31, 2020		
	Foreign currency (in thousands)	Exchange rate (in dollars)	TWD	Foreign currency (in thousands)	Exchange rate (in dollars)	TWD
Financial assets:						
Monetary items						
USD	\$ 125,553,209	27.689 /27.690 /27.507 /27.611 /27.688 /27.679	3,476,399,752	105,629,708	28.372 /28.244 /28.39	2,998,200,780
HKD	73,574,995	3.551 /3.552 /3.550 /3.549	261,255,859	71,225,295	3.66	260,677,367
CNY	144,074,228	4.347 /4.357 /4.346 /4.342	626,486,107	133,498,985	4.360 /4.338 /4.363	581,748,870
Non-Monetary items						
USD	16,198,004	27.689 /27.865 /27.690 /27.611	448,509,629	12,902,054	28.372 /28.39	366,061,819
EUR	1,426,302	31.287 /31.359	44,726,764	872,230	34.841	30,389,423
CNY	4,800,361	4.347 /4.357	20,907,152	10,633,276	4.360 /4.338 /4.363	46,371,789
Derivatives						
USD	351,681	27.689 /27.690 /27.611	9,690,441	1,099,290	28.372 /28.39	31,192,220
Investments accounted for using equity method						
CNY	3,903,674	4.347	16,968,215	3,739,679	4.363	16,316,220
HKD	2,869,600	3.551	10,189,328	2,641,387	3.66	9,667,476
Financial liabilities:						
Monetary items						
USD	50,197,003	27.689 /27.690 /27.688 /27.679	1,390,055,454	37,754,854	28.372	1,072,234,394
HKD	68,813,242	3.551 /3.552 /3.550 /3.549	244,347,148	61,953,974	3.66	226,743,938
CNY	108,685,497	4.357 /4.346 /4.342	472,584,858	96,180,997	4.363	419,016,042
Non-Monetary items						
USD	1,392,422	27.689	38,559,138	2,059,712	28.372	58,496,613
CNY	612,575	4.357	2,668,516	622,722	4.363	2,717,791
Derivatives						
USD	182,290	27.689 /27.611 /27.690	5,039,140	228,629	28.372 /28.39	6,503,404

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

(an) Non-cash trading investing and financing activities

	January 1, 2021	Changes in cash flows from financing activities	Non-cash adjustment					December 31, 2021
			Acquisition through business combinations	Effect of exchange rate changes	Fair value fluctuation	Other changes	Other	
Bonds payable	\$ 269,517,288	(2,404,393)	1,800,000	(2,242,786)	(1,022,462)	520,968	-	266,168,615
Lease liabilities	21,273,724	(3,498,908)	791,927	(36,212)	-	3,676,885	(730,130)	21,477,286
	<u>\$ 290,791,012</u>	<u>(5,903,301)</u>	<u>2,591,927</u>	<u>(2,278,998)</u>	<u>(1,022,462)</u>	<u>4,197,853</u>	<u>(730,130)</u>	<u>287,645,901</u>

	January 1, 2020	Changes in cash flows from financing activities	Non-cash adjustment					December 31, 2020
			Acquisition through business combinations	Effect of exchange rate changes	Fair value fluctuation	Other changes	Others	
Bonds payable	\$ 245,932,480	24,300,956	24,300,956	(2,271,283)	758,342	796,793	-	269,517,288
Lease liabilities	21,606,081	(3,006,926)	791,927	(38,096)	-	2,228,813	483,852	21,273,724
	<u>\$ 267,538,561</u>	<u>21,294,030</u>	<u>24,300,956</u>	<u>(2,309,379)</u>	<u>758,342</u>	<u>3,025,606</u>	<u>483,852</u>	<u>290,791,012</u>

(ao) 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		December 31, 2021				
		Non-performing loan (NPL) (Note 1)	Total loans	NPL Ratio (%) (Note 2)	Loan loss reserves (LLR)	Coverage ratio (%) (Note 3)
Corporate loan	Secured	1,103,077	245,384,121	0.45	2,742,343	248.61
	Unsecured	393,011	448,736,293	0.09	5,370,202	1,366.43
Consumer loan	Mortgage (Note 4)	301,006	516,465,543	0.06	7,736,036	2,570.06
	Cash card	-	875	-	18	-
	Micro credit (Note 5)	48,451	51,562,518	0.09	557,797	1,151.26
	Others (Note 6)	Secured	757,266	309,646,374	0.24	3,257,358
Unsecured		34,905	36,471,352	0.10	375,492	1,075.75
Total		2,637,716	1,608,267,076	0.16	20,039,246	759.72
		Overdue receivables	Accounts receivable	Delinquency ratio (%)	Allowance for credit losses	Coverage ratio (%)
Credit card		28,316	59,266,845	0.05	327,108	1,155.21
Accounts receivable – factoring with no recourse (Note 7)		-	16,973,364	-	202,069	-
Excluded NPL as a result of debt consultation and loans agreement (Note 8)				13,533		
Excluded overdue receivables as a result of debt consultation and loans agreements (Note 8)				34,379		
Excluded NPL as a result of debt solvency and restart plan (Note 9)				361,463		
Excluded overdue receivables as a result of debt solvency and restart plan (Note 9)				372,342		

(Continued)

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

		December 31, 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	1,137,458	212,882,833	0.53	2,321,182	204.07
	Unsecured	378,696	428,413,278	0.09	5,466,082	1,443.40
Consumer loan	Mortgage (Note 4)	360,416	421,539,060	0.09	6,310,690	1,750.95
	Cash card	-	1,124	-	23	-
	Micro credit (Note 5)	61,236	41,132,084	0.15	461,215	753.18
	Others (Note 6)					
	Secured	323,978	287,022,079	0.11	3,078,556	950.24
	Unsecured	55,206	36,915,407	0.15	383,445	694.57
Total		2,316,990	1,427,905,865	0.16	18,021,193	777.78
		Overdue receivables	Accounts receivable	Delinquency ratio (%)	Allowance for credit losses	Coverage ratio (%)
Credit card		37,178	56,250,962	0.07	325,357	875.13
Accounts receivable – factoring with no recourse (Note 7)		-	15,851,661	-	190,385	-
Excluded NPL as a result of debt consultation and loans agreement (Note 8)		20,224				
Excluded overdue receivables as a result of debt consultation and loans agreements (Note 8)		47,326				
Excluded NPL as a result of debt solvency and restart plan (Note 9)		379,419				
Excluded overdue receivables as a result of debt solvency and restart plan (Note 9)		381,102				

JihSun Bank

Units: In thousands of TWD, %

		December 31, 2021				
Item		Non-performing loan (NPL)	Total loans	NPL Ratio (%)	Loan loss reserves (LLR)	Coverage ratio (%)
Corporate loan	Secured	168,183	44,891,363	0.37	546,017	324.66
	Unsecured	68,970	49,809,376	0.14	582,521	844.60
Consumer loan	Mortgage	57,045	46,295,882	0.12	697,870	1,223.37
	Cash card	-	-	-	-	-
	Micro credit	259	400,867	0.06	5,513	2,128.57
	Others					
	Secured	33,637	36,413,741	0.09	377,585	1,122.53
	Unsecured	1,637	181,122	0.90	7,183	438.79
Total		329,731	177,992,351	0.19	2,216,689	672.27
		Overdue receivable	Account receivable	Delinquency ratio (%)	Allowance for credit losses	Coverage ratio (%)
Credit card		1,503	633,916	0.24	15,961	1,061.94
Account receivable factoring with no recourse		-	6,313	-	71	-

(Continued)

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

	December 31, 2021	
	Excluded NPL	Excluded overdue receivables
As a result of debt consultation and loans agreement (Note 8)	7,809	-
As a result of debt solvency and restart plan (Note 9)	6,026	4,480
Total	13,835	4,480

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, %

December 31, 2021			
Rank (Note 1)	Group name (Note 2)	Credit extensions balance (Note 3)	% of net asset value
1	A group (other electronic component manufacturing industry)	11,217,456	4.95
2	B group (laptops, tablets, servers, camera, industrial computers, smart phones, original equipment manufacturing and online software and hardware factories)	9,324,370	4.12
3	C group (other electronic component manufacturing industry)	8,800,000	3.89
4	D group (semiconductor assembly and testing industry)	8,160,079	3.60
5	E group (footwear and garment manufacture)	7,583,638	3.35
6	F group (cement manufacture)	6,948,868	3.07
7	G group (residential and building development, rental and sales)	6,945,000	3.07
8	H group (petrochemical raw material manufacturing industry)	6,869,260	3.03
9	I group (computers and related equipment and software development)	6,249,414	2.76
10	J group (passive electronic components manufacturing industry)	6,094,790	2.69

(Continued)

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

Units: In thousands of TWD, %

December 31, 2020			
Rank (Note 1)	Group name (Note 2)	Credit extensions balance (Note 3)	% of net asset value
1	A group (LCD and its component manufacturing industry)	10,218,511	4.66
2	B group (other electronic component manufacturing industry)	9,321,456	4.25
3	C group (laptops, tablets, servers, camera, industrial computers, smart phones, original equipment manufacturing and online software and hardware factories)	9,262,599	4.23
4	D group (semiconductor assembly and testing industry)	9,185,707	4.19
5	E group (other electronic component manufacturing industry)	8,200,000	3.74
6	F group (petrochemical raw material manufacturing industry)	8,157,159	3.72
7	G group (computers and related equipment and software development)	6,589,925	3.01
8	H group (passive electronic components manufacturing industry)	6,162,365	2.81
9	I group (non-governmental financing)	5,497,423	2.51
10	J group (real estate)	5,398,119	2.46

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.

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.

(Continued)

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

JihSun Bank

Units: In thousands of TWD, %

December 31, 2021			
Rank	Group name	Credit extensions balance	% of net asset value
1	A group – real estate development	4,227,729	18.13
2	B group – other amusement and recreation activities	2,969,730	12.73
3	C group – manufacture of man-made fibers	2,846,468	12.21
4	D group – other general merchandise retail	2,753,089	11.81
5	E group – financial leasing	2,581,600	11.07
6	F group – real estate development	2,094,868	8.98
7	G group – wholesale electronic and communication equipment and parts	2,018,826	8.66
8	H group – manufacture of other electronic parts and components not elsewhere classified	1,999,217	8.57
9	I group – financial leasing	1,875,000	8.04
10	J group – other computer peripheral equipment manufacture	1,541,505	6.61

(iii) Interest rate sensitivity information

Interest Rate Sensitivity (TWD)

Taipei Fubon Bank

Units: In thousands of TWD, %

December 31, 2021						
Items	1-90 days	91-180 days	181-365 days	Over 1 year	Total	
Interest rate-sensitive assets	\$ 1,597,147,403	79,760,214	50,903,565	183,481,780	1,911,292,962	
Interest rate-sensitive liabilities	457,795,560	1,001,654,565	78,235,494	95,907,692	1,633,593,311	
Interest rate sensitivity gap	1,139,351,843	(921,894,351)	(27,331,929)	87,574,088	277,699,651	
Net worth						217,820,902
Ratio of interest rate-sensitive assets to liabilities (%)						117.00
Ratio of the interest rate sensitivity gap to net worth (%)						127.49

(Continued)

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

Units: In thousands of TWD, %

December 31, 2020					
Items	1-90 days	91-180 days	181-365 days	Over 1 year	Total
Interest rate-sensitive assets	\$ 1,407,723,622	108,979,498	72,022,518	122,963,325	1,711,688,963
Interest rate-sensitive liabilities	430,155,788	909,761,929	74,987,666	91,454,850	1,506,360,233
Interest rate sensitivity gap	977,567,834	(800,782,431)	(2,965,148)	31,508,475	205,328,730
Net worth					209,449,527
Ratio of interest rate-sensitive assets to liabilities (%)					113.63
Ratio of the interest rate sensitivity gap to net worth (%)					98.03

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).

JihSun Bank

Units: In thousands of TWD, %

December 31, 2021					
Items	1-90 days	91-180 days	181-365 days	Over 1 year	Total
Interest rate-sensitive assets	\$ 213,510,845	2,606,293	1,600,057	21,010,286	238,727,481
Interest rate-sensitive liabilities	78,273,508	128,252,524	13,681,947	2,090,995	222,298,974
Interest rate sensitivity gap	135,237,337	(125,646,231)	(12,081,890)	18,919,291	16,428,507
Net worth					22,928,529
Ratio of interest rate-sensitive assets to liabilities (%)					107.39
Ratio of the interest rate sensitivity gap to net worth (%)					71.65

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)

(Continued)

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

Interest Rate Sensitivity (USD)

Taipei Fubon Bank

Units: In thousands of USD, %

December 31, 2021						
Items	1-90 days	91-180 days	181-365 days	Over 1 year	Total	
Interest rate-sensitive assets	\$ 15,351,304	1,583,436	1,206,495	10,127,386	28,268,621	
Interest rate-sensitive liabilities	32,073,990	4,077,261	2,253,459	725,417	39,130,127	
Interest rate sensitivity gap	(16,722,686)	(2,493,825)	(1,046,964)	9,401,969	(10,861,506)	
Net worth						286,656
Ratio of interest rate-sensitive assets to liabilities (%)						72.24
Ratio of the interest rate sensitivity gap to net worth (%)						(3,789.04)

Units: In thousands of USD, %

December 31, 2020						
Items	1-90 days	91-180 days	181-365 days	Over 1 year	Total	
Interest rate-sensitive assets	\$ 12,802,510	1,342,420	796,173	8,040,886	22,981,989	
Interest rate-sensitive liabilities	26,380,282	1,498,618	1,379,800	868,053	30,126,753	
Interest rate sensitivity gap	(13,577,772)	(156,198)	(583,627)	7,172,833	(7,144,764)	
New worth						293,144
Ratio of interest rate-sensitive assets to liabilities (%)						76.28
Ratio of the interest rate sensitivity gap to net worth (%)						(2,437.29)

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).

(Continued)

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

JihSun Bank

Units: In thousands of USD, %

December 31, 2021						
Items	1-90 days	91-180 days	181-365 days	Over 1 year	Total	
Interest rate-sensitive assets	\$ 527,916	88,472	40,355	167,555	824,298	
Interest rate-sensitive liabilities	86,046	673,210	79,591	559	839,406	
Interest rate sensitivity gap	441,870	(584,738)	(39,236)	166,996	(15,108)	
Net worth						16,159
Ratio of interest rate-sensitive assets to liabilities (%)						98.20
Ratio of the interest rate sensitivity gap to net worth (%)						(93.50)

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)

(iv) Profitability

Taipei Fubon Bank

Unit: %

Item	2021	2020
Return on total assets	Before income tax	0.63
	After income tax	0.62
Return on net worth	Before income tax	9.21
	After income tax	8.57
Profit margin	37.95	39.30

JihSun Bank

Unit: %

Item	2021
Return on total assets	Before income tax
	After income tax
Return on net worth	Before income tax
	After income tax
Profit margin	16.05

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

(Continued)

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

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

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

Note 4: Income before (after) income tax represents income for the years ended December 31, 2021 and 2020.

(v) Maturity analysis

Maturity Analysis of Assets and Liabilities (TWD)

Taipei Fubon Bank

Units: In thousands of TWD

December 31, 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	\$ 2,679,638,362	201,533,004	318,121,390	283,638,646	266,341,366	289,587,350	1,320,416,606
Main capital outflow on maturity	3,286,647,943	140,681,412	266,835,468	504,140,555	403,001,891	672,864,483	1,299,124,134
Gap	(607,009,581)	60,851,592	51,285,922	(220,501,909)	(136,660,525)	(383,277,133)	21,292,472

Units: In thousands of TWD

December 31, 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	\$ 2,464,372,110	226,392,218	295,708,368	284,722,231	285,960,795	285,622,987	1,085,965,511
Main capital outflow on maturity	3,001,234,386	135,472,883	252,998,420	454,735,200	419,777,736	573,304,991	1,164,945,156
Gap	(536,862,276)	90,919,335	42,709,948	(170,012,969)	(133,816,941)	(287,682,004)	(78,979,645)

Note: The above amounts are book value of assets and liabilities held by headquarter and domestic branches of Taipei Fubon Bank and denominated in New Taiwan dollars.

JihSun Bank

Units: In thousands of TWD

December 31, 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	\$ 250,020,060	25,820,696	36,444,556	34,397,603	14,244,259	17,105,765	122,007,181
Main capital outflow on maturity	304,300,973	10,191,504	17,225,273	29,411,628	34,516,593	59,454,301	153,501,674
Gap	(54,280,913)	15,629,192	19,219,283	4,985,975	(20,272,334)	(42,348,536)	(31,494,493)

Note: Listed amounts of the head office and domestic branches held by JihSun Bank (excluding foreign currency amounts) are denominated in New Taiwan dollars.

(Continued)

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

Maturity Analysis of Assets and Liabilities (USD)
Taipei Fubon Bank

Units: In thousands of USD

December 31, 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	\$ 79,879,239	28,389,030	15,857,036	10,240,452	9,227,686	16,165,035
Main capital outflow on maturity	87,234,722	27,889,228	20,401,484	12,823,941	15,081,278	11,038,791
Gap	(7,355,483)	499,802	(4,544,448)	(2,583,489)	(5,853,592)	5,126,244

Units: In thousands of USD

December 31, 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	\$ 70,819,614	26,180,045	14,703,763	9,391,345	7,103,968	13,440,493
Main capital outflow on maturity	77,282,679	29,010,863	17,711,658	7,936,655	12,086,804	10,536,699
Gap	(6,463,065)	(2,830,818)	(3,007,895)	1,454,690	(4,982,836)	2,903,794

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

December 31, 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	\$ 847,928	345,932	86,387	115,267	69,867	230,475
Main capital outflow on maturity	1,041,656	115,775	133,887	126,523	253,714	411,757
Gap	(193,728)	230,157	(47,500)	(11,256)	(183,847)	(181,282)

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

Taipei Fubon Bank

			December 31, 2021		December 31, 2020	
			Consolidated	Bank	Consolidated	Bank
Eligible capital	Common equity Tier 1		222,669,900	208,427,937	217,355,971	204,298,710
	Additional Tier 1 capital		20,648,451	11,806,751	20,661,156	13,341,282
	Tier 2 capital		43,658,426	24,426,561	43,068,578	26,017,108
	Eligible capital		286,976,777	244,661,249	281,085,705	243,657,100
Risk-weighted assets	Credit risk	Standardized approach	1,955,638,055	1,535,265,134	1,701,291,850	1,342,090,151
		Internal rating-based approach	-	-	-	-
		Securitization	45,713,460	13,174,185	30,828,486	6,445,398
	Operational risk	Basic indicator approach	-	-	-	-
		Standardized approach / Alternative standardized approach	89,984,513	77,441,188	88,091,225	76,651,650
		Advance measurement approach	-	-	-	-
	Market risk	Standardized approach	82,258,437	74,179,062	60,268,425	53,918,663
		Internal models approach	-	-	-	-
	Total risk-weighted assets		2,173,594,465	1,700,059,569	1,880,479,986	1,479,105,862
	Capital adequacy ratio			13.20 %	14.39 %	14.95 %
Common equity-based capital ratio			10.24 %	12.26 %	11.56 %	13.81 %
Tier 1 risk-based capital ratio			11.19 %	12.95 %	12.66 %	14.71 %
Ratio of financial leverage			6.12 %	6.57 %	6.83 %	7.36 %

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

JihSun Bank

			December 31, 2021
Eligible capital	Common equity Tier 1		23,012,679
	Non-common equity (Additional Tier 1 Capital)		-
	Tier 2 capital		2,009,432
	Eligible capital		25,022,111
Risk-weighted assets	Credit risk	Standardized approach	158,269,355
		Internal rating-based approach	-
		Securitization	-
	Operational risk	Basic indicator approach	7,354,417
		Standardized approach / Alternative standardized approach	-
		Advance measurement approach	-
	Market risk	Standardized approach	477,517
		Internal models approach	-
	Total risk-weighted assets		166,101,289
Capital adequacy ratio			15.06 %
Common equity-based capital ratio			13.85 %
Tier 1 risk-based capital ratio			13.85 %
Ratio of financial leverage			7.80 %

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 current and prior year's capital adequacy ratio should be disclosed in the annual reports. In addition to current and prior year's capital adequacy, capital adequacy ratio at the end of the prior year should be disclosed in the semi-annual reports.

Note 3: The formula:

Eligible capital = Net common equity Tier 1 capital + Net non-common equity as 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 non-common equity as additional Tier 1 capital) ÷ Total risk-weighted assets.

Ratio of financial leverage = Net Tier 1 capital of current quarter ÷ Exposure measurement of current quarter.

Note 4: For the 1st quarter and the 3rd quarter financial reports, the table of capital adequacy ratio is not required to be disclosed

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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
JihSun Securities Investment Trust Co., Ltd. (JihSun Securities Investment Trust)	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
Shanghai Fubon Bank (China) Public-Benefit Charity Foundation	Related parties in substance
Taiwan Fixed Network Co., Ltd. (Taiwan Fixed Network)	Related parties in substance
TFN Media Co., Ltd. (TFN Media)	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

(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>
Convoy Financial Services Limited (Convoy Financial Services)	Related parties in substance
Lion Travel Co., Ltd. (Lion Travel)	Related parties in substance
Formosa Petrochemical Corporation (FPCC)	Related parties in substance
Taihsin Property Insurance Agent Co., Ltd. (Taihsin Property Insurance Agent)	Related parties in substance
O-Bank Co., Ltd. (O-Bank)	Related parties in substance
Taiwan Business Bank Co., Ltd. (Taiwan Business Bank)	Related parties in substance
China United Insurance Holding Co., Ltd. (China United Insurance Holding)	Related parties in substance
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
LINE Taiwan Limited	Related parties in substance
Taiwan Shin Kong Security Co., Ltd. (Taiwan Shin Kong Security)	Related parties in substance
Nutmeg Saving and Investment Ltd.	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
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
Mstar Semi (Shenzhen) Inc. (Mstar Semi)	Related parties in substance
Wuxi GIH Innovation Industrial Development Inc. (Wuxi GIH)	Related parties in substance
The Non-Life Insurance Association of China (Non-Life Insurance Association)	Related parties in substance
Taiwan Securities Association	Related parties in substance
Tokio Marine Newa Insurance Co., Ltd. (Tokio Marine Newa Insurance)	Related parties in substance
Yuanlon Motor Co., Ltd.(Yuanlon Motor)	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>
Yuchang Motor Co., Ltd. (Yuchang Motor)	Related parties in substance
Yumin Motor Co., Ltd. (Yumin Motor)	Related parties in substance
Yushin Motor Co., Ltd. (Yushin Motor)	Related parties in substance
Chenlong Motor Co., Ltd. (Chenlong Motor)	Related parties in substance
Huilien Motor Co., Ltd. (Huilien 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
Taiwan Life Insurance Co., Ltd. (Taiwan Life Insurance)	Related parties in substance
Crystalvue Medical Corporation (Crystalvue Medical)	Related parties in substance
Thermaltake Technology Co., Ltd. (Thermaltake Technology)	Related parties in substance
Century Development Corporation (Century Development)	Related parties in substance
UUPON Inc.	Related parties in substance
Alpha Networks Inc. (Alpha Networks)	Related parties in substance
Fubon Industrial Co., Limited (Fujian) (Fubon Industrial (Fujian))	Related parties in substance
CTBC Bank Co., Ltd. (CTBC Bank)	Related parties in substance
YFY Inc. (YFY)	Related parties in substance
CAPITAL TARGET LIMITED	Related parties in substance (Note)
Dao Ying Co., Ltd. (Dao Ying)	Related parties in substance
TAIPEI FOREIGN EXCHANGE MARKET DEVELOPMENT FOUNDATION (Taipei FOREX Inc.)	Related parties in substance
Fuli Property Insurance Agent Co., Ltd. (Fuli Property Insurance Agent)	Related parties in substance
China Construction No.6 Bureau Construction Engineering Co.,Ltd. (China Construction No.6 Bureau)	Related parties in substance
DIGIFLOW COMPANY LIMITED	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>
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: Acquired JihSun Financial Holding shareholdings to become the related parties in substance from March of 2021.

(b) Significant transactions with related parties

(i) Insurance revenue and insurance receivable:

	<u>2021</u>	<u>2020</u>
Insurance Revenue:		
Carplus Auto Leasing	\$ 329,616	284,077
Taiwan High Speed Rail	109,646	107,808
FPCC	-	133,150
Taiwan Mobile	42,829	36,174
Taipei City Government	63,336	18,618
Taipei New Horizon	15,949	16,059
momo	59,486	55,791
Taiwan Pelican Express	25,999	27,877
Kbro	20,652	21,146
YFY	12,286	-
Yeong Jia Leh Cable TV	11,053	11,740
Carplus Auto Leasing	16,102	2,981
Crystalvue Medical	11,946	14,217
Related parties in substance (individual)	795,625	1,226,139
Others (not related company or person accounts for more than \$10,000 thousand or 10%)	150,810	127,366
Total	<u>\$ 1,665,335</u>	<u>2,083,143</u>

(Continued)

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

	December 31, 2021	December 31, 2020
Insurance receivable:		
Taiwan High Speed Rail	\$ 90,507	86,747
Taipei New Horizon	15,650	15,780
momo	11,214	11,578
Carplus Auto Leasing	1,682	12,998
Others (not related company or person accounts for more than \$10,000 thousand or 10%)	26,584	13,819
Total	\$ 145,637	140,922

Premium rates were calculated in accordance with the relevant provisions of the Insurance Act, and were not materially different from the general trading terms.

(ii) Rental revenue and guarantee deposits:

	2021	2020
Rental revenue:		
momo	\$ 156,596	136,210
Thermaltake Technology	14,966	12,461
Kbro Media	57,316	57,009
Kbro	22,767	22,320
TFN Media	12,391	12,140
Taiwan Fixed Network	35,504	43,070
Taiwan Mobile	47,683	39,111
Hyundai Commercial Co., Ltd.	19,413	18,338
JihSun Securities Investment Trust	15,034	-
Sharehope Medicine	24,750	-
Others (not related company or person accounts for more than \$10,000 thousand or 10%)	8,998	13,970
Total	\$ 415,418	354,629

(Continued)

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

All the above leases were operating leases. The leasing term was not materially different from that with unrelated parties.

	<u>December 31,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>
Guarantee deposits:		
momo	\$ 41,639	39,653
Fubon Art Foundation	26,884	3
Sharehope Medicine	17,912	-
Taiwan Fixed Network	8,467	10,915
Taiwan Mobile	11,821	9,279
Others (not related company or person accounts for more than \$10,000 thousand or 10%)	31,353	29,032
Total	<u>\$ 138,076</u>	<u>88,882</u>

Performance guarantee:

	<u>December 31,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>
Kbro Media	\$ 27,135	27,135
Sharehope Medicine(Note)	267,956	-
Total	<u>\$ 295,091</u>	<u>27,135</u>

Note: Sharehope Medicine and Taoyuan Min Sheng General Hospital (non-related party) paid \$267,956 thousand jointly for performance bond.

(iii) Refundable deposits

	<u>December 31,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>
Refundable deposits:		
Taipei City Government	\$ 1,294,130	1,269,359
Chung Hsing Land Development	37,436	37,436
Fubon REIT I Fund	53,005	52,597
Fubon REIT II Fund	36,409	37,855
Others (not related company or person accounts for more than \$10,000 thousand or 10%)	17,477	29,549
Total	<u>\$ 1,438,457</u>	<u>1,426,796</u>

(Continued)

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

(iv) Right-of-use assets and lease liabilities

<u>Name of related party</u>	Right-of-use asset	
	December 31, 2021	December 31, 2020
Taipei City Government	\$ 29,672,653	29,099,277
Taiwan Fixed Network	19,624	63,506
Chung Hsing Land Development	446,111	141,423
Ming-Dong Industrial	25,019	48,871
Fubon Charity Foundation	65,111	13,385
Fubon REIT I Fund	284,208	171,847
Fubon REIT II Fund	235,470	177,312
Taiwan Mobile	11,552	3,493
Fubon Industrial(Fujian)	8,403	-
Carplus Auto Leasing	2,326	2,499
Related parties in substance	99,945	131,934
Others (not related company or person accounts for more than \$10,000 thousand or 10%)	2,092	2,673
Total	\$ 30,872,514	29,856,220

<u>Name of related party</u>	Lease liability	
	December 31, 2021	December 31, 2020
Taipei City Government	\$ 7,755,928	7,810,472
Taiwan Fixed Network	22,085	68,287
Chung Hsing Land Development	453,760	141,194
Ming-Dong Industrial	25,829	49,517
Fubon Charity Foundation	66,098	13,642
Fubon REIT I Fund	278,298	172,836
Fubon REIT II Fund	243,681	182,840
Taiwan Mobile	11,397	3,523
Fubon Industrial(Fujian)	8,752	-
Carplus Auto Leasing	2,350	2,168
Related parties in substance	101,620	131,717
Others (not related company or person accounts for more than \$10,000 thousand or 10%)	1,906	2,391
Total	\$ 8,971,704	8,578,587

(Continued)

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

Name of related party	Value of Contract	
	December 31, 2021	December 31, 2020
Taipei City Government	\$ 41,844,969	37,784,572
Taiwan Fixed Network	232,455	234,259
Chung Hsing Land Development	719,995	164,994
Ming-Dong Industrial	105,180	97,824
Fubon Charity Foundation	75,146	33,736
Fubon REIT I Fund	563,743	601,535
Fubon REIT II Fund	420,896	449,747
Taiwan Mobile	31,959	19,540
Fubon Industrial(Fujian)	17,290	-
Carplus Auto Leasing	4,258	18,512
Related parties in substance	178,021	175,184
Others (not related company or person accounts for more than \$10,000 thousand or 10%)	2,843	2,845
Total	\$ 44,196,755	39,582,748

Name of related party	Interest expense	
	2021	2020
Taipei City Government	\$ 241,678	243,909
Taiwan Fixed Network	1,144	2,508
Chung Hsing Land Development	19,883	5,352
Ming-Dong Industrial	1,300	2,124
Fubon Charity Foundation	554	532
Fubon REIT I Fund	10,514	8,351
Fubon REIT II Fund	8,550	6,826
Taiwan Mobile	78	198
Fubon Industrial(Fujian)	648	-
Carplus Auto Leasing	44	115
Related parties in substance	4,185	5,227
Others (not related company or person accounts for more than \$10,000 thousand or 10%)	82	45
Total	\$ 288,660	275,187

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

(v) Other deposits

	<u>December 31, 2021</u>	<u>December 31, 2020</u>	<u>Note</u>
Taiwan Futures Exchange	\$ 229,670	-	Futures trading margin/ Excess margin
TPEX	133,256	121,000	Structured products / Bonds trading margin
Others (not related company or person accounts for more than \$10,000 thousand or 10%)	2,776	1,438	
Total	<u>\$ 365,702</u>	<u>122,438</u>	

(vi) Deposits

1) Bank deposits

<u>Name of related party</u>	<u>December 31, 2021</u>		<u>December 31, 2020</u>	
	<u>Amount</u>	<u>Interest rate range %</u>	<u>Amount</u>	<u>Interest rate range %</u>
Xiamen Bank	\$ 196,446	0.35~1.73	121,047	0.05~1.89
Far Eastern Bank	8,417,169	0~0.40	2,564,268	0.05~0.55
Taiwan Business Bank	6,813,241	0.04~0.34	-	
O-Bank	-		<u>2,027,065</u>	0.04~0.48
Total	<u>\$ 15,426,856</u>		<u>4,712,380</u>	

2) Deposits in related parties

<u>Name of related party</u>	<u>December 31, 2021</u>		<u>December 31, 2020</u>	
	<u>Amount</u>	<u>Interest rate range %</u>	<u>Amount</u>	<u>Interest rate range %</u>
Others	<u>\$ 96,496,281</u>	0~5.87	<u>83,406,755</u>	0~5.87

3) Due to banks

<u>Name of related party</u>	<u>December 31, 2021</u>		<u>December 31, 2020</u>	
	<u>Amount</u>	<u>Interest rate range %</u>	<u>Amount</u>	<u>Interest rate range %</u>
Xiamen Bank	<u>\$ 161,535</u>	5.2~5.4	<u>158,161</u>	5.2~5.4

(Continued)

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

4) Due from banks

Name of related party	December 31, 2021		December 31, 2020	
	Amount	Interest rate range %	Amount	Interest rate range %
Xiamen Bank	\$ 245,970	0.01~0.05	73,040	0.01~0.05

(vii) Loans

Name of related party	December 31, 2021		December 31, 2020	
	Amount	Interest rate range %	Amount	Interest rate range %
Others	\$ 24,550,741	0~14.71	20,819,223	0~14.97

Units: In thousands of TWD

December 31, 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	95	64,320	36,962	✓	-	None	None
House mortgages	343	4,248,921	3,284,328	✓	-	Real estate	None
Others	Department of Rapid Transit Systems, Taipei City Government	17,690,210	11,000,000	✓	-	Public treasury guarantees	None
	Department of Finance, Taipei City Government	6,000,000	5,000,000	✓	-	Credit guarantees	None
	Department of Urban Development, Taipei City Government	4,346,133	4,252,926	✓	-	Public treasury guarantees	None
	Alpha Networks	572,213	-	✓	-	Credit guarantees (The approval date of the bank subsidiary was on February 21, 2012. The Company lists as a stakeholder since January 29, 2021.)	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	87,542	78,241	✓	-	Certificate of deposit	None
	China Construction No.6 Bureau	217,337	217,337	✓	-	Credit guarantees	None
	Other loans	647,606	636,947	✓	-	Credit Guarantee Fund, real estate, securities and Debt	None
Total		33,918,282	24,550,741				

(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 Finance, Taipei City Government	1,000,000	-	✓	-	Credit 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
	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				

(viii) Guarantees

December 31, 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

(ix) Details of financing activities:

1) Secured loans

December 31, 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	34 related parties in substance	\$ 237,266	233,051	Normal loans	Real estate	None

(Continued)

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

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

The transaction terms between related parties are identical to those of other market participants.

2) Life insurance loans:

December 31, 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	92 related parties in substance	\$ 48,368	40,724	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

The transaction terms between related parties are identical to those of other market participants.

(x) Derivative financial instruments (notional amount)

Name of related party	Financial instrument	December 31, 2021	December 31, 2020
CTBC Securities	IRS portion of asset swap	\$ 20,000	20,000
Far Eastern Bank	Interest rate swap contracts	2,676,892	2,100,000
Total		<u>\$ 2,696,892</u>	<u>2,120,000</u>

(Continued)

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

(xi) Other income

1) Service fees

<u>Name of related party</u>	<u>2021</u>	<u>2020</u>
momo	\$ 137,254	79,627
Taiwan Mobile	166,066	159,921
LINE Biz+ Taiwan	293,432	40,613
DIGIFLOW COMPANY LIMITED	15,783	2,592
Others (not related company or person accounts for more than \$10,000 thousand or 10%)	75,402	37,674
Total	<u>\$ 687,937</u>	<u>320,427</u>

2) Management income

<u>Name of related party</u>	<u>2021</u>	<u>2020</u>
Funds managed by Fubon Asset Management and authorization accounts	<u>\$ 1,235,236</u>	<u>1,167,112</u>

3) Sales commissions

<u>Name of related party</u>	<u>2021</u>	<u>2020</u>
Funds managed by Fubon Asset Management and authorization accounts	<u>\$ 54,763</u>	<u>106,876</u>

4) Handling fee income

<u>Name of related party</u>	<u>2021</u>	<u>2020</u>
Funds managed by Fubon Asset Management	\$ 89,224	56,851
Related parties in substance (individual)	42,314	31,066
Others (not related company or person accounts for more than \$10,000 thousand or 10%)	7,287	3,207
Total	<u>\$ 138,825</u>	<u>91,124</u>

5) Sponsorship income, sales revenue, royalty income and unearned revenue

<u>Name of related party</u>	<u>2021</u>	<u>2020</u>
Taiwan Mobile	\$ 46,781	43,081
momo	44,838	40,395
Taiwan Win TV	52,385	59,177
Others (not related company or person accounts for more the \$10,000 thousand or 10%)	3,131	1,777
Total	<u>\$ 147,135</u>	<u>144,430</u>

(Continued)

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

- 6) The details of unearned revenues generated from aforementioned transactions were as follows:

Name of related party	December 31, 2021	December 31, 2020
Funds managed by Fubon Asset Management	\$ 19,031	-
Taiwan Mobile	9,388	25,295
momo	-	21,262
Total	<u>\$ 28,419</u>	<u>46,557</u>

- (xii) Other expenses

Name of related party	Category	2021	2020
Taiwan Fixed Network	Phone expenses, telecom expenses and rental expenses	\$ 290,244	299,431
Taiwan Mobile	Phone expenses, telecom expenses, marketing fee, service fee	58,730	62,571
Fubon Property Management	Management fees and service fee	239,406	242,798
Taiwan Stock Exchange	Brokerage commissions, computer information fee, issuing call warrant fee, dealing fee and rental expenses	1,014,511	347,594
Taiwan Futures Exchange	Brokerage commissions, clearing and settlement fee	371,775	200,391
TPEX	Brokerage commissions, computer information fee, issuing call warrant fee	286,925	126,396
Convoy Financial Services	Commission expenses and sales bonus	9,740	11,462
Taihsin Property Insurance Agent	Acquisition commission and service fees	286,714	259,717
Lion Travel	Other expenses	10,848	256
Fubon REIT I Fund	Management fee, transportation expenses and rental expenses	31,157	30,236
momo	Service fees	322,780	437,663

(Continued)

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

<u>Name of related party</u>	<u>Category</u>	<u>2021</u>	<u>2020</u>
Chung Hsing Land Development	rental expenses	\$ 23,133	21,826
LINE Biz+ Taiwan	Service fees	1,889,520	441,436
CTBC Bank	commission expenses and service fees	35,446	-
Fubon Land Development	consultant service fee and service fees	33,040	6,032
Easycard	Service fees	19,561	28,455
Tokio Marine Newa Insurance	Reinsurance expenses and rental expenses	37,017	43,039
Non-Life Insurance Association	Membership fee, training expenses, postage expenses and advertising expenses	15,023	16,137
Funds Managed by Fubon Asset Management	Service fees	13,951	10,925
LINE Taiwan Limited	Service fees	5,514	12,355
Taiwan Shin Kong Security	Service fees, security fees and equipment maintenance fees	13,124	11,281
Nutmeg Saving and Investment Ltd.	Service fees	8,204	11,447
Taiwan Securities Association	Membership fee and training expenses	11,539	7,398
Taipei FOREX Inc.	Service fees	13,199	135
Fuli Property Insurance Agent	commission expenses and service fees	12,035	3,878
Taiwan Business Bank	commission expenses	16,560	-
Others (not related company or person accounts for more than \$10,000 thousand or 10%)	Service fees, commission expenses, rental expenses and other expenses	84,456	55,255
Total		\$ 5,154,152	2,688,114

(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>2021</u>	<u>2020</u>
Taiwan Mobile	\$ 215,007	215,076
Taiwan High Speed Rail	6,558	10,085
Taipei City Government	12,256	14,525
Carplus Auto Leasing	178,665	179,680
Yuanlon Motor	10,512	12,892
Tokio Marine Nawa Insurance	128,446	109,339
Yuchang Motor	35,695	34,793
Yumin Motor	20,604	19,967
Yushin Motor	12,219	12,886
Chenlong Motor	11,135	10,409
Huilien Motor	12,796	11,032
Others (not related company or person accounts for more than \$10,000 thousand or 10%)	32,240	44,062
Total	\$ 676,133	674,746

(xiv) Bonds and bills transaction

1) Bonds sold under repurchase agreement

<u>Name of related party</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Taiwan High Speed Rail	\$ 1,665,000	2,103,000
Directors, supervisors, managers and their relatives up to the second degree, affiliates and the related parties in substance	2,190,914	2,276,503
Total	\$ 3,855,914	4,379,503

2) Bonds/bills sold and purchased

a) Bonds sold/matured

<u>Name of related party</u>	<u>2021</u>	<u>2020</u>
CTBC Bank	\$ 411,355	-
Taiwan Life Insurance	-	2,000,000
O-Bank	-	1,310,833
Taiwan Mobile	301,580	-
Taiwan Business Bank	1,200,000	-
Taipei City Government	597,207	-
Far Eastern Bank	-	900,000
Total	\$ 2,510,142	4,210,833

(Continued)

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

b) Bonds purchased

<u>Name of related party</u>	<u>2021</u>	<u>2020</u>
Taipei City Government	\$ 1,600,000	-
CTCB Bank	3,158,247	-
O-Bank	-	101,887
Total	<u>\$ 4,758,247</u>	<u>101,887</u>

3) Bonds payable

<u>Name of related party</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Hyundai Commercial Co., Ltd.	\$ 232,910	260,940
Hyundai Commercial Co., Ltd. (Note)	<u>2,329,100</u>	<u>2,609,400</u>
Total	<u>\$ 2,562,010</u>	<u>2,870,340</u>

Interest Expense

<u>Name of related party</u>	<u>2021</u>	<u>2020</u>
Hyundai Commercial Co., Ltd.	\$ 13,661	168,596
Hyundai Commercial Co., Ltd. (Note)	<u>150,273</u>	<u>-</u>
Total	<u>\$ 163,934</u>	<u>168,596</u>

Note: recognized as equity of the Company and its subsidiaries.

(xv) Donations

<u>Name of related party</u>	<u>2021</u>	<u>2020</u>
Taipei Fubon Commercial Bank Charity Foundation	\$ 27,100	27,100
Fubon Art Foundation	70,000	48,001
Fubon Cultural and Education Foundation	64,410	56,999
Fubon Charity Foundation	66,831	55,938
Taipei City Government	30,000	-
Shanghai Fubon Bank (China) Public-Benefit Charity Foundation	17,356	8,570
Others (not related company or person accounts for more than \$10,000 thousand or 10%)	5,100	5,180
Total	<u>\$ 280,797</u>	<u>201,788</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>December 31, 2021</u>	<u>December 31, 2020</u>
Taiwan Mobile	\$ 12,657	437
Funds managed by Fubon Asset Management	(130,223)	91,938
Taiwan Stock Exchange	(67,303)	(39,419)
Taiwan Futures Exchange	(28,113)	(13,707)
TPEX	(26,046)	(11,351)
Taiwan Win TV	29,400	61,500
Taihsin Property Insurance Agent	(3,098)	(20,670)
CAPITAL TARGET LIMITED	(262,607)	-
Hyundai Commercial Co., Ltd.	(11,058)	1,899
Hyundai Mobis Co., Ltd.	12,044	6,718
Others (not related company or person accounts for more than \$10,000 thousand or 10%)	1,823	9,365
Total	<u>\$ (472,524)</u>	<u>86,710</u>

(xvii) Futures traders' equity

<u>Name of related party</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Funds managed by Fubon Asset Management	<u>\$ 4,726,619</u>	<u>6,728,904</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>December 31, 2021</u>	<u>December 31, 2020</u>
Funds managed by Fubon Asset Management	\$ 12,878,145	14,504,184
Funds managed by JihSun Securities Investment Trust	900,991	-
Total	<u>\$ 13,779,136</u>	<u>14,504,184</u>

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>December 31, 2021</u>	<u>December 31, 2020</u>
Fubon REIT I Fund	\$ 3,523,090	3,611,561
Fubon REIT II Fund	2,323,604	2,527,455
Total	<u>\$ 5,846,694</u>	<u>6,139,016</u>

(Continued)

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

(xix) Clearing and settlement fund

<u>Name of related party</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Taiwan Stock Exchange	\$ 239,203	114,590
Taiwan Futures Exchange	239,277	127,019
TPEX	159,977	59,302
Total	<u>\$ 638,457</u>	<u>300,911</u>

(xx) Deal on credit

As of December 31, 2021 and 2020, the Company and its subsidiaries had receivables from other related parties' pecuniary finance amounting to \$52,991 thousand and \$51,250 thousand, respectively.

(xxi) Customer margin account

<u>Name of related party</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Taiwan Futures Exchange	<u>\$ 6,653,763</u>	<u>3,189,776</u>

(xxii) Principal of structured products

<u>Name of related party</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Mstar Semi	\$ 468,838	401,402
MediaTek (Shenzhen)	1,177,529	130,892
Wuxi GIH	19,865	-
Related parties in substance	29,497	57,270
Others (not related company or person accounts for more than \$10,000 thousand or 10%)	6,645	6,809
Total	<u>\$ 1,702,374</u>	<u>596,373</u>

(xxiii) Transaction for retirement pension savings:

<u>Name of related party</u>	<u>Retirement Pension</u>		<u>Handing fee income</u>	
	<u>Savings</u>		<u>2021</u>	<u>2020</u>
	<u>December 31, 2021</u>	<u>December 31, 2020</u>		
Hyundai Mobis Co., Ltd.	\$ 6,729,533	7,507,987	16,366	14,765
Hyundai Commercial Co., Ltd.	1,031,717	1,043,668	5,185	3,945
Total	<u>\$ 7,761,250</u>	<u>8,551,655</u>	<u>21,551</u>	<u>18,710</u>

(Continued)

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

(xxiv) 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>2021</u>	<u>2020</u>
Dao Ying	\$ -	210,000
Fubon Land Development	206,999	21,371
Taipei City Government	436,631	135
Others (not related company or person accounts for more than \$10,000 or 10%)	-	2,564
Total	\$ <u>643,630</u>	<u>234,070</u>

The Company and its subsidiaries signed contract and bought the land and building from Dao Ying in June 2020, the price is \$210,000 thousand. The Company and its subsidiaries have paid off all the balance on November 3, 2020. Due to the termination of the urban regeneration case, Fubon Land Development returned the capacity transfer land purchased amounting to \$142,242 thousand in 2016 in 2021. In addition, due to the reconstruction of urban unsafe and old buildings, \$436,588 thousand was paid in advance to the Taipei City Government. The Company and its subsidiaries have paid off all the balance on October 8, 2021.

(xxv) Shares undertaken from related parties are as follows:

<u>Name of related party</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Century Development	\$ 367,191	208,801
China United Insurance Holding	9,961,589	13,887,072
UUPON Inc.	-	10,749
Others (not related company or person accounts for more than \$10,000 thousand or 10%)	10,721	5,733
Total	\$ <u>10,339,501</u>	<u>14,112,355</u>

(c) Compensation to executive officers

Executive officers' compensation comprised:

	<u>2021</u>	<u>2020</u>
Short-term employee benefits	\$ 3,558,747	2,585,929
Post-employment benefits	54,422	47,764
Termination benefits	9,485	-
Other long-term employee benefits	6,107	5,777
	\$ <u>3,628,761</u>	<u>2,639,470</u>

For share-based payment information please refer to note 6 (ad).

(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>December 31, 2021</u>	<u>December 31, 2020</u>
Taipei Fubon Bank	\$ <u>17,767,784</u>	<u>31,683,189</u>

- b) The investment balance details:

- i) Balance of investment

<u>Name of security</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Fubon Life Insurance - non-cumulative perpetual subordinated corporate bonds	\$ <u>20,287,671</u>	<u>20,711,671</u>

- ii) Interest receivables

<u>Name of related party</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Fubon Life Insurance	\$ <u>552,329</u>	<u>552,329</u>

- iii) Interest revenue

<u>Name of related party</u>	<u>2021</u>	<u>2020</u>
Fubon Life Insurance	\$ <u>720,000</u>	<u>720,000</u>

(Continued)

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

c) Income tax receivables

<u>Name of related party</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Fubon Life Insurance	\$ 11,723,607	5,197,640
Taipei Fubon Bank	1,199,951	1,466,738
Fubon Insurance	395,361	674,688
Fubon Securities	<u>1,098,742</u>	<u>431,038</u>
Total	<u>\$ 14,417,661</u>	<u>7,770,104</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
Fubon Life Insurance Co., Ltd. (Fubon Life Insurance)	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
Taiwan Life Insurance Co., Ltd. (Taiwan Life Insurance)	Related parties in substance
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
Dao Ying Co., Ltd.(Dao Ying)	Related parties in substance
Far Eastern International Bank Co., Ltd. (Far Eastern Bank)	Related parties in substance
Fubon Land Development Co., Ltd. (Fubon Land Development)	Related parties in substance
Tokio Marine Nawa Insurance Co., Ltd. (Tokio Marine Nawa Insurance)	Related parties in substance
Formosa Petrochemical Corporation(FPCC)	Related parties in substance
Taipei City Government	A major stockholder of the Company
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>December 31, 2021</u>	<u>December 31, 2020</u>
Taipei Fubon Bank	\$ 2,511,281	1,553,902
Xiamen Bank	196,446	113,552
O-Bank	-	527,065
Far Eastern Bank	541,106	106
Total	<u>\$ 3,248,833</u>	<u>2,194,625</u>

b) Premium revenues with related party were as follows:

<u>Name of related party</u>	<u>2021</u>	<u>2020</u>
Carplus Auto Leasing	\$ 327,730	282,300
Taipei Fubon Bank	139,942	127,967
FPCC	-	132,301
Others (not related company or person accounts for more than \$10,000 thousand or 10%)	145,914	137,325
Total	<u>\$ 613,586</u>	<u>679,893</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.

c) Financial bonds transaction

<u>Name of related party</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Taiwan Life Insurance	<u>\$ 500,000</u>	<u>500,000</u>

d) Rental revenues

<u>Name of related party</u>	<u>2021</u>	<u>2020</u>
Taipei Fubon Bank	<u>\$ 94,257</u>	<u>100,996</u>

All the above leases were operating leases. The leasing term was not materially different from that with unrelated parties.

e) Insurance claim payment

<u>Name of related party</u>	<u>2021</u>	<u>2020</u>
Taiwan Mobile	\$ 215,007	215,076
Carplus Auto Leasing	178,665	179,680
Tokio Marine Newa Insurance	128,446	104,372
Total	<u>\$ 522,118</u>	<u>499,128</u>

(Continued)

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

- f) Balance of Fubon REIT I Fund and Fubon REIT II Fund:

<u>Name of related party</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Fubon REIT I Fund	\$ 1,018,232	1,043,802
Fubon REIT II Fund	1,018,911	1,108,300
Total	<u>\$ 2,037,143</u>	<u>2,152,102</u>

- g) Acquisition commission and service fees were as follows:

<u>Name of related party</u>	<u>2021</u>	<u>2020</u>
Taihsin Property Insurance Agent	<u>\$ 286,714</u>	<u>259,717</u>

- h) Acquisition of property and equipment was as follows :

<u>Name of related party</u>	<u>Category</u>	<u>2021</u>	<u>2020</u>
Dao Ying	Land and buildings	\$ -	210,000
Fubon Land Development	Land	142,242	-
Taipei City Government	Prepayments for buildings/land	436,588	-
Total		<u>\$ 578,830</u>	<u>210,000</u>

Fubon Insurance and its subsidiaries signed contract and bought the land and building from Dao Ying in June 2020, the price is \$210,000 thousand. Fubon Insurance and its subsidiaries have paid off all the balance on November 3, 2020. Due to the termination of the urban regeneration case, Fubon Land Development returned the capacity transfer land purchased amounting to \$142,242 thousand in 2016 in 2021. In addition, due to the reconstruction of urban unsafe and old buildings, \$436,588 thousand was paid in advance to the Taipei City Government. Fubon Insurance and its subsidiaries have paid off all the balance on October 8, 2021.

- i) Right-of-use asset and lease liability

<u>Name of related party</u>	<u>Right-of-use asset</u>	
	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Fubon Life Insurance	<u>\$ 670,386</u>	<u>41,128</u>

<u>Name of related party</u>	<u>Lease liability</u>	
	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Fubon Life Insurance	<u>\$ 688,016</u>	<u>41,559</u>

(Continued)

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

Name of related party	Value of Contract	
	December 31, 2021	December 31, 2020
Fubon Life Insurance	\$ 807,498	61,484
Name of related party	2021	2020
Fubon Life Insurance	\$ 9,605	1,518

(iii) Fubon Life Insurance and its subsidiaries

1) Name and relationship of related party

Name of related party	Relationship with the Company
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 Asset Management Co., Ltd. (Fubon Asset Management)	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
Taiwan Fixed Network Co., Ltd. (Taiwan Fixed Network)	Related parties in substance
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
China United Insurance Holding Co., Ltd. (China United Insurance Holding)	Related parties in substance
Sharehope Medicine Co., Ltd. (Sharehope Medicine)	Related parties in substance
Taiwan Business Bank Co., Ltd. (Taiwan Business Bank)	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>
Fubon Property Management Co., Ltd. (Fubon Property Management)	Related parties in substance
momo.com Inc. (momo)	Related parties in substance
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>December 31, 2021</u>	<u>December 31, 2020</u>
Taipei Fubon Bank:		
Check deposits	\$ 142,199	36,851
Demand deposits	21,344,113	8,790,547
Time deposits	12,379,172	20,779,172
O-Bank:		
Time deposits	-	1,500,000
Fubon Bank (Hong Kong):		
Demand deposits	2,912,609	342,416
Time deposits	-	753,122
Far Eastern Bank:		
Time deposits	6,400,000	1,000,000
Taiwan Business Bank:		
Demand deposits	255,641	-
Time deposits	6,500,000	-
Total	<u>\$ 49,933,734</u>	<u>33,202,108</u>

(Continued)

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

b) Loans

Secured loans

December 31, 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	34 related parties in substance	\$ 237,266	233,051	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	\$ 297,666	289,863	Normal loan	Real Estate	None

The transaction terms are identical to those of other market participants.

c) Discretionary investment from related parties

Name of related party	December 31, 2021	December 31, 2020
Fubon Asset Management	\$ 4,935,706	3,839,152

d) Transaction for retirement pension savings:

Name of related party	Retirement Pension Savings	
	December 31, 2021	December 31, 2020
Hyundai Mobis Co., Ltd.	\$ 6,729,533	7,507,987
Hyundai Commercial Co., Ltd.	1,031,717	1,043,668
Total	\$ 7,761,250	8,551,655

e) Certain investment funds held from related parties are as follows:

Fund	December 31, 2021	December 31, 2020
Funds managed by Fubon Asset Management	\$ 11,408,691	12,852,756
Funds managed by JihSun Securities Investment Trust	900,991	-
Total	\$ 12,309,682	12,852,756

f) Shares undertaken from related parties are as follows:

Name of related party	December 31, 2021	December 31, 2020
Century Development	\$ 367,191	208,801
China United Insurance Holding	9,961,589	13,887,072
Total	\$ 10,328,780	14,095,873

(Continued)

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

- g) Balance of Fubon REIT I Fund and Fubon REIT II Fund:

<u>Name of related party</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Fubon REIT I Fund	\$ 1,017,623	1,043,177
Fubon REIT II Fund	1,146,953	1,247,576
Total	<u>\$ 2,164,576</u>	<u>2,290,753</u>

- h) Bond transactions and derivatives financial instruments transactions:

- i) Bonds sold/matured

<u>Name of related party</u>	<u>2021</u>	<u>2020</u>
Fubon Securities	\$ 307,284	2,549,268
Taipei Fubon Bank	-	2,733,495
Taiwan Business Bank	1,000,000	-
Far Eastern Bank	-	900,000
Total	<u>\$ 1,307,284</u>	<u>6,182,763</u>

- ii) Issuing bonds

<u>Name of related party</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Hyundai Commercial Co., Ltd.	\$ 232,910	260,940
Hyundai Commercial Co., Ltd. (Note)	2,329,100	2,609,400
Total	<u>\$ 2,562,010</u>	<u>2,870,340</u>

Interest Expense

<u>party</u>	<u>2021</u>	<u>2020</u>
Hyundai Commercial Co., Ltd.	\$ 13,661	168,596
Hyundai Commercial Co., Ltd. (Note)	150,273	-
Total	<u>\$ 163,934</u>	<u>168,596</u>

Note: recognized as equity of the Company and its subsidiaries.

- iii) Derivative financial instruments (notional amount)

The contract amounts

<u>Name of related party</u>	<u>Financial instrument</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Taipei Fubon Bank	Foreign exchange swap contracts	<u>\$ 20,213,700</u>	<u>16,172,040</u>

(Continued)

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

i) Other receivables:

<u>Name of related party</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Fubon Financial Holdings	\$ 3,144,355	5,891,651
Fubon Insurance	282,316	229,798
Total	<u>\$ 3,426,671</u>	<u>6,121,449</u>

j) Premium Income:

<u>Name of related party</u>	<u>2021</u>	<u>2020</u>
Taipei Fubon Bank	\$ 102,484	100,651
Related parties in substance	61,785	112,175
Others (not related company or person accounts for more than \$10,000 thousand or 10%)	776,520	1,151,295
Total	<u>\$ 940,789</u>	<u>1,364,121</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) Performance guarantee and rental revenue

i) Performance guarantee

<u>Name of related party</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Sharehope Medicine (Note)	<u>\$ 267,956</u>	<u>-</u>

Note: Sharehope Medicine and Taoyuan Min Sheng General Hospital (non-related party) paid \$267,956 thousand jointly for performance bond.

ii) Rental revenue

<u>Name of related party</u>	<u>2021</u>	<u>2020</u>
momo	<u>\$ 156,596</u>	<u>136,210</u>

l) Leasing transaction:

i) Refundable deposits:

<u>Name of related party</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>	<u>Note</u>
Taipei City Government	<u>\$ 1,286,594</u>	<u>1,269,359</u>	Bid bond / Superficies Performance bond

(Continued)

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

ii) Right-of-use asset and lease liability

<u>Name of related party</u>	Right-of-use asset	
	December 31, 2021	December 31, 2020
Taiwan Fixed Network	\$ 7,893	44,830
Fubon REIT I Fund	255,471	53,310
Fubon Insurance	193,319	-
Related parties in substance	98,972	131,934
Total	\$ 555,655	230,074

<u>Name of related party</u>	Lease liability	
	December 31, 2021	December 31, 2020
Taiwan Fixed Network	\$ 10,363	49,577
Fubon REIT I Fund	250,887	53,692
Fubon Insurance	182,977	-
Related parties in substance	100,800	131,717
Total	\$ 545,027	234,986

<u>Name of related party</u>	Value of Contract	
	December 31, 2021	December 31, 2020
Taiwan Fixed Network	\$ 196,822	198,617
Fubon REIT I Fund	366,751	344,193
Fubon Insurance	285,116	-
Related parties in substance	176,236	175,184
Total	\$ 1,024,925	717,994

<u>party</u>	Interest expense	
	2021	2020
Taiwan Fixed Network	\$ 1,003	2,320
Fubon REIT I Fund	7,806	3,363
Fubon Insurance	8,913	1,553
Related parties in substance	4,122	5,227
Total	\$ 21,844	12,463

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

iii) Right-of-use asset and lease liability – Investment property – Superficies

Name of related party	Right-of-use asset	
	December 31, 2021	December 31, 2020
Taipei City Government	\$ 29,637,791	29,084,654
	Lease liability	
Name of related party	December 31, 2021	December 31, 2020
Taipei City Government	\$ 7,720,161	7,795,325
	Value of Contract	
Name of related party	December 31, 2021	December 31, 2020
Taipei City Government	\$ 41,743,189	41,743,189
	Interest expense	
party	2021	2020
Taipei City Government	\$ 240,004	242,995

The above-mentioned leases were operating leases. The leasing term was not materially different from that with unrelated parties.

m) Integrate business revenue and cross-selling commission:

Name of related party	2021	2020
Fubon Insurance	\$ 1,174,009	833,434

n) Other expenses are as follows:

party	Category	2021	2020
Fubon Property Management	Management fee and investment property expense	\$ 126,628	134,349
Taiwan Fixed Network	Telecom expense and network equipment rental expenses	104,231	113,953
Total		\$ 230,859	248,302

(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
Taiwan Business Bank Co., Ltd. (Taiwan Business Bank)	Related parties in substance
O-Bank Co., Ltd. (O-Bank)	Related parties in substance
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:

<u>Items</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Demand deposits (excluding settlement accounts)	<u>\$ 2,527,166</u>	<u>1,675,471</u>
Demand deposits (booked as customer margin accounts)	<u>\$ 378,810</u>	<u>347,051</u>
Time deposits	<u>\$ 445,000</u>	<u>504,000</u>
Pledged time deposit	<u>\$ 105,000</u>	<u>105,000</u>
Foreign currency deposits (excluding settlement accounts)	<u>\$ 514,540</u>	<u>691,085</u>
Foreign time deposit	<u>\$ 12,583,857</u>	<u>4,851,215</u>

As of December 31, 2021 and 2020, Fubon Securities and its subsidiaries had put bank deposits in Far Eastern Bank, Xiamen Bank and Taiwan Business Bank amounting to \$665,734 thousand and \$1,570,004 thousand, respectively.

As of December 31, 2021 and 2020, Fubon Securities and its subsidiaries had put time deposits in Taipei Fubon Bank as operating deposits refundable deposits amounting to \$660,000 thousand and \$700,000 thousand, respectively.

Balances of short-term borrowings from Taipei Fubon Bank as of December 31, 2021 and 2020, were all nil, unused credit facilities from Taipei Fubon Bank were all \$6,000,000 thousand. As of December 31, 2021 and 2020, the carrying value of lands and buildings pledged to Taipei Fubon Bank were \$1,445,167 thousand and \$1,609,450 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 \$2,369,200 thousand and \$3,763,200 thousand (recognized as financial assets measured at fair value through other comprehensive income) and beneficiary securities amounting to \$0 thousand and \$553,777 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 December 31, 2021 and 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>December 31, 2021</u>	<u>December 31, 2020</u>
Funds managed by Fubon Asset Management	\$ <u>68,423</u>	<u>191,265</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>December 31, 2021</u>	
	<u>Cost</u>	<u>Gains (losses) on valuation</u>
Fubon REIT I Fund	\$ 243,380	184,209
Fubon Taiwan Technology Tracker Fund	126,256	2,367
Total	\$ <u>369,636</u>	<u>186,576</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>2020</u>	
	<u>Dividend revenue</u>	<u>Gains (losses) on valuation</u>
Fubon S&P 500 VIX Short-Term Futures ETF	\$ -	<u>151,218</u>

- d) 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>	<u>December 31, 2021</u>	
	<u>Cost</u>	<u>Gains (losses) on valuation</u>
Taiwan Mobile	\$ <u>1,428,277</u>	<u>295,924</u>

<u>Name of security</u>	<u>December 31, 2020</u>	
	<u>Cost</u>	<u>Gains (losses) on valuation</u>
Taiwan Mobile	\$ <u>1,428,277</u>	<u>276,957</u>

(Continued)

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

e) Derivative financial instrument transaction

Unit: In thousands of TWD

December 31, 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)	1,963
Far Eastern Bank	Cross Currency Swap (CCS)	2018.01.09~2023.02.27	1,500,000	CCS contract value (liabilities)	8,866

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

f) Transaction of property

i) Bond purchased

Name of related party	2021	2020
O-Bank	\$ -	<u>101,887</u>

ii) Bond sold

Name of related party	2021	2020
Fubon Life Insurance	\$ -	1,299,610
O-Bank	-	1,310,833
Taiwan Business Bank	200,000	-
Total	<u>\$ 200,000</u>	<u>2,610,443</u>

iii) Other securities sold

Name of related party	2021	2020
Taipei Fubon Bank	<u>\$ 109,480</u>	<u>-</u>

g) Customer margin account

Name of related party	December 31, 2021	December 31, 2020
Taiwan Futures Exchange	<u>\$ 4,764,981</u>	<u>3,189,776</u>

(Continued)

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

h) Settlement and clearing funds

<u>Name of related party</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Taiwan Stock Exchange	\$ 156,840	114,590
Taiwan Futures Exchange	125,270	127,019
Total	<u>\$ 282,110</u>	<u>241,609</u>

i) Refundable deposits

<u>Name of related party</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
TPEX	<u>\$ 106,050</u>	<u>121,000</u>

j) Other receivables

<u>Name of related party</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Taipei Fubon Bank	<u>\$ 109,233</u>	<u>50,271</u>

k) 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>December 31, 2021</u>	<u>December 31, 2020</u>
Taipei Fubon Bank	\$ 205,118	111,769
Funds managed by Fubon Asset Management	4,726,619	6,728,904
Total	<u>\$ 4,931,737</u>	<u>6,840,673</u>

l) Brokerage commission (recognized as brokerage service fees income)

<u>Name of related party</u>	<u>2021</u>	<u>2020</u>
Fubon Life Insurance	\$ 110,113	130,871
Others (not related company or person accounts for more than \$10,000 thousand or 10%)	130,735	96,070
Total	<u>\$ 240,848</u>	<u>226,941</u>

(Continued)

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

m) Facility rental revenue

<u>Name of related party</u>	<u>2021</u>	<u>2020</u>
Taipei Fubon Bank	\$ <u>374,459</u>	<u>278,441</u>

n) Brokerage handling fee expense

<u>Name of related party</u>	<u>2021</u>	<u>2020</u>
Taiwan Stock Exchange	\$ 616,905	278,673
Taiwan Futures Exchange	125,812	114,752
TPEX	<u>170,024</u>	<u>108,046</u>
Total	\$ <u>912,741</u>	<u>501,471</u>

o) Right-of-use asset and lease liability

<u>Name of related party</u>	<u>Right-of-use asset</u>	
	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Taipei Fubon Bank	\$ <u>83,275</u>	<u>135,854</u>

<u>Name of related party</u>	<u>Lease liability</u>	
	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Taipei Fubon Bank	\$ <u>86,606</u>	<u>138,807</u>

<u>Name of related party</u>	<u>Value of Contract</u>	
	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Taipei Fubon Bank	\$ <u>216,524</u>	<u>225,440</u>

<u>Name of related party</u>	<u>Interest expense</u>	
	<u>2021</u>	<u>2020</u>
Taipei Fubon Bank	\$ <u>3,897</u>	<u>4,138</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
Fubon Asset Management Co., Ltd. (Fubon Asset Management)	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
MediaTek (Shenzhen) Inc. (MediaTek (Shenzhen))	Related parties in substance
Mstar Semi (Shenzhen) Inc. (Mstar Semi)	Related parties in substance
CTBC Bank Co., Ltd. (CTBC Bank)	Related parties in substance
Alpha Networks Inc. (Alpha Networks)	Related parties in substance
JihSun Securities	Related parties in substance
JihSun Bank	Related parties in substance
Yong Hsin Shing Ye Co., Ltd. (Yong Hsin Shing Ye)	Related parties in substance
Taiwan Life Insurance Co., Ltd. (Taiwan Life Insurance)	Related parties in substance
China Construction No.6 Bureau Construction Engineering Co.,Ltd. (China Construction No.6 Bureau)	Related parties in substance

(Continued)

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

Name of related party	Relationship with the Company
Others	Directors, supervisors, managers and their relatives up to the second degree; affiliated and the related parties in substance

2) Significant transactions with related parties

a) Deposits and loans

Item	2021		
	December 31, 2021 Ending balance	Interest rate/ service fee rate (%)	Interest revenue (expense)
Loans	\$ 23,511,026	0~14.71	99,832
Deposits	\$ 166,155,526	0~5.87	(225,551)
Due to banks	\$ 359,688	0~5.40	1,526

Units: In thousands of TWD

December 31, 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	91	\$ 61,692	34,560	✓	-	None	None
Residential mortgage loans	281	3,803,793	2,883,845	✓	-	Real estate	None
Others	Department of Rapid Transit systems, Taipei City Government	17,690,210	11,000,000	✓	-	Public treasury guarantees	None
	Department of Finance, Taipei City Government	6,000,000	5,000,000	✓	-	Credit guarantees	None
	Department of Urban Development, Taipei City Government	4,346,133	4,252,926	✓	-	Public treasury guarantees	None
	Alpha Networks	572,213	-	✓	-	Credit guarantees (The approval date was on February 21, 2012. The parent company, Fubon Financial Holdings lists as a stakeholder since January 29, 2021.)	None

(Continued)

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

December 31, 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		
Others	JihSun Securities	200,000	-	✓	-	Credit guarantees (The approval date was on December 17, 2019. The parent company, Fubon Financial Holdings lists as a stakeholder since March 30 2021.)	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	87,542	78,241	✓	-	Certificate of deposit	None
	China Construction No.6 Bureau	217,337	217,337	✓	-	Credit guarantees	None
	Other loans	483	117	✓	-	Credit Guarantee Fund	None
Total		\$ 33,023,403	23,511,026				

Item	2020		
	December 31, 2020 Ending balance	Interest rate/ service fee rate (%)	Interest revenue (expense)
Loans	\$ <u>20,819,223</u>	0~14.97	<u>147,182</u>
Deposits	\$ <u>156,304,387</u>	0~5.87	<u>(386,781)</u>
Due to banks	\$ <u>561,499</u>	0~5.40	<u>2,058</u>

(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	-	✓	-	Credit 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
	Fubon Securities	27,120	-	✓	-	Domestic listed stocks	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		\$ 24,714,285	20,819,223				None

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.

(Continued)

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

b) Bond transactions:

<u>Name of related party</u>	<u>Subject</u>	<u>Transaction types</u>	<u>2021</u>	<u>2020</u>
CTBC Bank	Bonds	Bonds purchased	\$ 3,158,247	-
CTBC Bank	Bonds	Bonds sold	411,355	-
Taiwan Life Insurance	Bonds	Bonds sold	-	2,000,000
Fubon Life Insurance	Bonds	Bonds sold	1,215,313	338,986
Taipei City Government	Bonds	Bonds purchased	1,600,000	-
			December 31,	December 31,
			2021	2020
<u>Name of related party</u>	<u>Subject</u>	<u>Transaction types</u>		
Taiwan High Speed Rail	Bonds	Repurchase agreement	\$ 1,665,000	2,103,000
Directors, supervisors, managers and their relatives up to the second degree; affiliated and the related parties in substance	Bonds	Repurchase agreement	2,190,914	2,276,503
			December 31,	December 31,
			2021	2020
<u>Name of related party</u>	<u>Subject</u>			
JihSun Securities	Financial bonds issued by Taipei Fubon Bank		<u>\$ 200,000</u>	<u>-</u>

c) Fund and stock transactions

<u>Name of Funds</u>	<u>December 31,</u>	<u>December 31,</u>
	<u>2021</u>	<u>2020</u>
Fubon REIT I Fund	\$ 1,033,626	1,059,582
Fubon REIT II Fund	136,033	31,619
Total	<u>\$ 1,169,659</u>	<u>1,091,201</u>

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.

<u>Name of related party</u>	<u>Subject</u>	<u>December 31,</u>	<u>December 31,</u>
		<u>2021</u>	<u>2020</u>
Fubon Asset Management	Discretionary Investment Transaction Net Assets	<u>\$ 2,676,387</u>	<u>-</u>

(Continued)

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

d) Derivative financial instruments

Units: In thousands of TWD

December 31, 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	2021.10.27~2022.12.30	\$ 20,287,425	(104,195)	Valuation adjustment of financial liability measured at fair value through profit or loss	104,195
JihSun Bank	Interest rate swap contracts	2018.08.31~2023.09.04	1,000,000	3,804	Valuation adjustment of financial liability measured at fair value through profit or loss	2,111
JihSun Bank	Interest rate swap contracts	2018.03.05~2024.03.25	1,476,892	(14,353)	Valuation adjustment of financial asset measured at fair value through profit or loss	13,329

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

(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	
	December 31, 2021	December 31, 2020
Fubon Life Insurance	\$ 270,872	219,661
Fubon Insurance	1,408	296,506
Taipei City Government	53,263	43,910
Chung Hsing Land Development	645,502	118,365
Fubon REIT II Fund	298,633	268,297
Others	182,420	147,897
	\$ 1,452,098	1,094,636

<u>Name of related party</u>	Lease liability	
	December 31, 2021	December 31, 2020
Fubon Life Insurance	\$ 183,590	152,014
Fubon Insurance	1,370	102,375
Taipei City Government	35,767	15,147
Chung Hsing Land Development	430,308	106,988
Fubon REIT II Fund	168,580	136,330
Others	52,679	61,134
	\$ 872,294	573,988

<u>Name of related party</u>	Value of Contract	
	December 31, 2021	December 31, 2020
Fubon Life Insurance	\$ 362,383	357,298
Fubon Insurance	228,154	312,131
Taipei City Government	101,780	45,830
Chung Hsing Land Development	680,654	125,417
Fubon REIT II Fund	303,886	294,291
Others	240,064	150,893
	\$ 1,916,921	1,285,860

(Continued)

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

<u>Name of related party</u>	<u>Interest expense</u>	
	<u>2021</u>	<u>2020</u>
Fubon Life Insurance	\$ 5,636	6,112
Fubon Insurance	1,647	5,262
Taipei City Government	1,674	914
Chung Hsing Land Development	18,839	4,409
Fubon REIT II Fund	6,080	4,895
Others	2,147	2,441
	<u>\$ 36,023</u>	<u>24,033</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>2021</u>	<u>2020</u>
Fubon Bank (Hong Kong)	Sold	<u>\$ 361,460</u>	<u>1,459,155</u>

- g) Others

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Receivables – Fubon Financial Holdings	\$ 111,249	111,249
Receivables – Fubon Life Insurance	367,305	157,107
Payables – Others	131,316	67,686
Principal of structured products – MediaTek (Shenzhen)	1,177,529	130,892
Principal of structured products – Mstar Semi	468,838	401,402
Refundable deposits – Fubon Futures	205,118	111,769
	<u>2021</u>	<u>2020</u>
Service fee income – Fubon Life Insurance	\$ 5,049,228	5,415,936
Service fee income – Others	1,261,890	579,672
Service expense – Others	2,453,212	1,083,632
Operating expenses – Others	392,011	367,414

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.

(Continued)

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

(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 Fund Management (Hong Kong) Limited (Fubon Fund Management (Hong Kong))	Company controlled by Fubon Financial Holdings
Xiamen Bank Co., Ltd. (Xiamen Bank)	Related parties in substance
Fubon Digital Music GP Limited	Company controlled by Fubon Financial Holdings

2) Significant transactions with related parties

a) Bank deposits

<u>Name of related party</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Taipei Fubon Bank	\$ <u>9,211</u>	<u>179,985</u>

b) Deposits and remittances

<u>Name of related party</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Fubon Life Insurance (Hong Kong)	\$ <u>2,917,175</u>	<u>1,097,029</u>
Fubon Fund Management (Hong Kong)	\$ <u>104,173</u>	<u>94,019</u>
Fubon Digital Music GP Limited	\$ <u>132,299</u>	<u>-</u>

c) Deposits from the central bank and banks

<u>Name of related party</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Taipei Fubon Bank	\$ <u>209,407</u>	<u>404,928</u>
Xiamen Bank	\$ <u>245,970</u>	<u>73,040</u>

d) Commission income

<u>Name of related party</u>	<u>2021</u>	<u>2020</u>
Fubon Life Insurance (Hong Kong)	\$ <u>272,778</u>	<u>49,135</u>

(Continued)

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

(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
Fubon Life Insurance Co., Ltd. (Fubon Life Insurance)	Company controlled by Fubon Financial Holdings

2) Significant transactions with related parties

a) Bank deposits

<u>Name of related party</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Taipei Fubon Bank	\$ <u>975,038</u>	<u>1,313,504</u>

b) Advertisement sponsorship income

<u>Name of related party</u>	<u>2021</u>	<u>2020</u>
Fubon Life Insurance	\$ 164,505	152,340
Taipei Fubon Bank	<u>109,225</u>	<u>106,240</u>
Total	\$ <u>273,730</u>	<u>258,580</u>

(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>December 31, 2021</u>	<u>December 31, 2020</u>
Taipei Fubon Bank	\$ <u>190,708</u>	<u>129,427</u>

(Continued)

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

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>2021</u>	<u>2020</u>
Fubon Insurance	\$ 479,339	452,013
Fubon Life Insurance	235,212	236,918
Total	<u>\$ 714,551</u>	<u>688,931</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

2) Significant transactions with related parties

a) Bank deposits

<u>Name of related party</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Taipei Fubon Bank	\$ 235,108	32,859
Fubon Bank (Hong Kong)	236,204	105,178
Total	<u>\$ 471,312</u>	<u>138,037</u>

b) Financial Assets at Fair Value through profit or loss

<u>Name of related party</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Funds managed by Fubon Asset Management	<u>\$ 776,731</u>	<u>776,420</u>

c) Operating revenue

<u>Name of related party</u>	<u>2021</u>	<u>2020</u>
Funds managed by Fubon Asset Management	<u>\$ 1,235,236</u>	<u>1,167,112</u>

(Continued)

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

d) Sales commissions

<u>Name of related party</u>	<u>2021</u>	<u>2020</u>
Funds managed by Fubon Asset Management	\$ <u>54,763</u>	<u>106,876</u>

e) 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>December 31, 2021</u>	<u>December 31, 2020</u>
Funds managed by Fubon Asset Management	\$ <u>2,690,608</u>	<u>3,920,282</u>

f) Accounts receivable

<u>Name of related party</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Funds managed by Fubon Asset Management	\$ <u>119,490</u>	<u>97,164</u>

g) Temporary receipts

<u>Name of related party</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Funds managed by Fubon Asset Management	\$ <u>250,058</u>	<u>-</u>

(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>
CAPITAL TARGET LIMITED	Major shareholder holding more than 10% stock of JihSun Financial Holding (Note)
Fubon Financial Holding Co., Ltd (Fubon Financial Holdings)	Largest shareholder of JihSun Financial Holding (Note)
Taipei Fubon Bank Co., Ltd. (Taipei Fubon Bank)	Company controlled by Fubon Financial Holdings (Note)
Taipei Exchange (TPEX)	Related parties in substance (Note)
Taiwan Mobile Co., Ltd. (Taiwan Mobile)	Related parties in substance (Note)
Taiwan Futures Exchange Corporation (Taiwan Futures Exchange)	Related parties in substance (Note)
Taiwan Stock Exchange Corporation (Taiwan Stock Exchange)	Related parties in substance (Note)
Financial Information Service Co., Ltd. (Financial Information Service)	Related parties in substance (Note)

(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>
Far Eastern International Bank Co., Ltd. (Far Eastern Bank)	Related parties in substance (Note)
Taipei City Government	A major stockholder of Fubon Financial Holdings (Note)
Others	The directors, managers and supervisors of JihSun Financial Holding and its subsidiaries and their spouse, Fubon Group and Fubon Group's other related parties in substance

Note: Related parties from the end of the first quarter 2021, and the incomes/losses were disclosed from April 1, 2021.

2) Significant related party transactions

a) Bank deposits (accounted for cash and cash equivalents):

<u>Name of related party</u>	<u>December 31, 2021</u>	
	<u>Amount</u>	<u>Interest Rate Range%</u>
Far Eastern Bank	\$ <u>808,634</u>	0~0.4%

b) Deposits (accounted for deposits and remittances):

<u>Name of related party</u>	<u>December 31, 2021</u>	
	<u>Amount</u>	<u>Interest Rate Range%</u>
TPEX	\$ 226,000	0~1.02%
Others	<u>631,554</u>	0~3.4%
Total	\$ <u>857,554</u>	

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

December 31, 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	4	2,628	2,402	✓	-	None	None
House mortgages	62	445,128	400,483	✓	-	Real estate	None
Others	Other loans	647,123	636,830	✓	-	Real estate, Securities and Debt	None

(Continued)

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

As of December 31, 2021, there were no overdue loans from the related parties. Allowance for bad debts is estimated in accordance with the accounting policy of 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 JinSun 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	December 31, 2021
CAPITAL TARGET LIMITED	\$ 262,607

e) Derivatives transactions with related parties were as follows:

December 31, 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	(9,361)	Financial liability measured at fair value through profit or loss	8,980
Taipei Fubon Bank	Interest rate swap contracts	2018.8.31~2023.9.4	TWD1,300,000	2,118	Financial asset at fair value through profit or loss	1,998
Taipei Fubon Bank	Interest rate swap contracts	2018.5.15~2024.3.25	TWD1,200,000	(4,490)	Financial liability measured at fair value through profit or loss	4,152
Far Eastern Bank	Interest rate swap contracts	2016.9.14~2021.9.16	USD 10,000	(28)	Financial liability measured at fair value through profit or loss	-
Far Eastern Bank	Interest rate swap contracts	2018.12.18~2022.12.20	TWD 300,000	705	Financial asset at fair value through profit or loss	705

f) Future Excess Margin of related parties

Name of related party	December 31, 2021
Taiwan Futures Exchange	\$ 224,708

(Continued)

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

g) Securities transaction

i) Sales of bonds

<u>Name of related party</u>	<u>2021</u>
Fubon Financial Holdings	\$ 404,150
Taiwan Mobile	301,580
Taipei City Government	<u>597,207</u>
Total	<u>\$ 1,302,937</u>

h) Equity instruments of related parties

i) Ending balance

<u>Name of related party</u>	<u>December 31, 2021</u>
Taiwan Futures Exchange	\$ 1,889,934
Taiwan Stock Exchange	5,568,785
Financial Information Service	<u>261,268</u>
Total	<u>\$ 7,719,987</u>

ii) Gain or loss from the disposal

<u>Name of related party</u>	<u>2021</u>
Fubon Financial Holdings	<u>\$ 723,774</u>

iii) Dividend revenue

<u>Name of related party</u>	<u>2021</u>
Taiwan Stock Exchange	<u>\$ 127,567</u>

i) Customer margin account of related parties

<u>Name of related party</u>	<u>December 31, 2021</u>
Taiwan Futures Exchange	<u>\$ 1,888,782</u>

j) Clearing and settlement fund of related parties

<u>Name of related party</u>	<u>December 31, 2021</u>
Taiwan Futures Exchange	<u>\$ 114,007</u>

k) Brokering handling fee and proprietary handling fee expense

<u>Name of related party</u>	<u>2021</u>
Taiwan Stock Exchange	<u>\$ 268,545</u>

(Continued)

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>December 31, 2021</u>	<u>December 31, 2020</u>
Demand deposits (accounted for refundable deposits)	Note 1	\$ 10,676	-
Demand deposits (accounted for other financial assets)	Performance bond and the guarantees of foreign currency clearing transaction warranty	188,840	15,000
Checking accounts (accounted for other financial assets)	Note 1	69	79
Time deposits (accounted for other assets)	Bank loans	116,012	-
Time deposits (accounted for refundable deposits)	Guarantee deposits for Insurance business and performance bond	1,040,482	1,051,436
Time deposits (accounted for refundable deposits)	Note 1	1,378,848	1,378,763
Time deposits (accounted for refundable deposits)	Guarantee deposits for Insurance business	14,580	14,736
Deposit reserves (accounted for due from the central bank and call loans to banks)	Collaterals for project finance	16,000,000	10,000,000
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	19,996,289	19,995,487
Due from banks (accounted for other financial assets)	Note 1	2,678,379	2,471,225
Stocks (accounted for financial assets measured at fair value through other comprehensive income)	Bank loans	4,178,691	-
Government bonds (accounted for financial assets measured at fair value through profit or loss)	Note 1	-	100,674
Government bonds (accounted for financial assets measured at fair value through other comprehensive income)	Note 1	99,807	-

(Continued)

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

<u>Pledged assets</u>	<u>Purpose of pledge</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Government bonds (accounted for financial assets measured at fair value through profit or loss)	Pledged for securities trading guarantee	\$ -	7,131
Government bonds (accounted for financial assets measured at fair value through other comprehensive income)	Pledged for securities trading guarantee	6,931,098	-
Government bonds (accounted for financial assets measured at fair value through other comprehensive income)	Note 1	1,206,814	-
Government bonds (accounted for debt investment measured at amortized cost)	Note 1	7,601,271	3,182,017
Government bonds (accounted for refundable deposits)	Guarantee deposits for Insurance business, performance bond and margin deposit for trust business	16,823,130	17,569,246
Corporate bonds (accounted for debt investment measured at amortized cost)	Pledged for repurchase agreement and overdrafts of collateral	23,188,264	22,050,091
Financial bonds (accounted for debt investment measured at amortized cost)	Pledged for repurchase agreement	1,026,548	3,476,015
Commercial paper (accounted for debt investment measured at amortized cost)	Pledged for repurchase agreement	-	313,398
Investment property – land and buildings	Bank loans and collaterals	468,881	298,641
Property and equipment – land and buildings	Bank loans and collaterals	1,721,154	400,476
Total		<u>\$ 104,669,833</u>	<u>82,324,415</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, (l) guarantee deposit for insurance business and (m) claims litigation.

(Continued)

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

(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:

	December 31, 2021	December 31, 2020
Undrawn credit card commitments	\$ 363,113,486	336,600,474
Collections for customers	41,045,556	27,237,789
Agency loans payable	9,746,795	10,069,141
Designated deposits	1,902,187	2,122,776
Designated loans	1,902,187	2,122,776
Designated financial management	28,955,829	29,854,564
Marketable securities under custody	490,725,224	428,683,040
Management for book-entry government bonds	152,981,100	142,270,300

- (ii) Taipei Fubon Bank and its subsidiaries' capital expenditure commitment were \$912,126 thousand and \$1,050,408 thousand as of December 31, 2021 and 2020.

(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:

	December 31, 2021	December 31, 2020
New construction	\$ 8,710,687	10,777,176
Purchase of investment property	25,556	-
Total	\$ 8,736,243	10,777,176

(Continued)

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

- (iii) The unfunded commitments (ceiling) of Fubon Life Insurance and its subsidiaries' private fund agreements were as below (in thousands):

	December 31, 2021	December 31, 2020
USD	<u>\$ 3,596,637</u>	<u>3,272,748</u>
EUR	<u>\$ 690,998</u>	<u>846,595</u>
KRW	<u>\$ 219,199,797</u>	<u>220,695,935</u>
TWD	<u>\$ 282,000</u>	<u>240,000</u>

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 December 31, 2021, investments amounted to \$1,200 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.

(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 \$476,628 thousand, of which approximately \$327,070 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 December 31, 2021.
- (ii) The unfunded commitments (ceiling) of Fubon Insurance and its subsidiaries' private equity agreements were as below (in thousands):

	December 31, 2021	December 31, 2020
USD	<u>\$ 12,377</u>	<u>12,683</u>
EUR	<u>\$ 13,011</u>	<u>14,506</u>

Note: The unfunded commitments do not include the commitments which have been traded but not settled.

(Continued)

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

(d) 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) 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 December 31, 2021
Less than one year	\$ 2,608
Between one and five years	<u>17,220</u>
Total	<u>\$ 19,828</u>

- (iii) JihSun Financial Holding and its subsidiaries have contingent liability of lawsuits arising from daily 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.

(iv) Other significant commitments and contingencies of Sub-subsidiaries, JihSun Bank

	December 31, 2021
Acted as an agent for various collections	\$ 22,403
Handled several guarantees	2,276,200
Outstanding bank acceptance liabilities	16,883
Letters of credit	183,648
Acted as custodian of post-dated checks for its clients (excluding next day's checks for clearing)	6,119,146
Loans commitments (including revocable loan commitments)	58,957,211
Credit card commitments	<u>17,968,606</u>
Total	<u>\$ 85,544,097</u>

(Continued)

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

- (v) Other significant commitments and contingencies of Sub-subsidiaries, JihSun Securities
- 1) As of December 31, 2021, JihSun Securities had issued post-dated checks for future rental payments, which amounted to \$18,543 thousand.
 - 2) As of December 31, 2021, in connection with securities financing activities, JihSun Securities held client-owned stocks which amounted to approximately 517,285,075 shares. JihSun Securities lent client-owned stocks which amounted to approximately 26,812,000 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 August 13, 2021 and January 25, 2022, Taipei Fubon Bank and the authority approved the investment of Hyundai Card Co., Ltd. at the amount of \$5,095,000 thousand based on the shareholding ratio in February 2022.
- (b) On August 17, 2021, a Board meeting of Fubon Insurance has resolved to participate in the capital injection for Fubon insurance broker (Thailand) Co., Ltd. The total capital injection in cash amounted to THD 4,000 thousand (the total capital of Fubon insurance broker (Thailand) Co., Ltd after the capital injection was THD 10,000 thousand), and Fubon Insurance invested THD 1,958.9 thousand. The case was approved and registered by the local authorities on January 24, 2022, and that date was the base date for capital injection. After the capital injection, Fubon Insurance invested THD 4,897.3 thousand in total, and the shareholding was 48.97%.
- (c) In August 2021, the dissolution and liquidation of the subsidiary Taiwan Sport Lottery was approved by the Board of Directors. The report was filed with the court and completed the liquidation in February 2022.

(12) Other

- (a) 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 December 31, 2021, the unpaid amount was \$165,690 thousand. After considering the actual recovery situation, Fubon Futures Co., Ltd. had recognized the allowance for doubtful accounts amounting to \$158,033 thousand.

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

(b) 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.

(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. For the years ended December 31, 2021 and 2020, the estimated amounts were as follows:

	<u>2021</u>	<u>2020</u>
Fubon Insurance	\$ 3,009,064	2,074,009
Taipei Fubon Bank	54,225	75,589
Fubon Life Insurance	161,098	175,128
Fubon Securities	164,319	34,515

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

(c) Capital adequacy ratios

Unit: In millions of TWD, %

December 31, 2021			
Item	Ownership interest	Eligible capital	Legal capital
The Company	100.00	949,497	1,010,507
Taipei Fubon Bank	100.00	244,661	178,506
Fubon Bank (Hong Kong)	100.00	45,141	30,785
Fubon Bank (China)	42.08	18,805	14,473
Fubon Securities	100.00	27,907	12,332
Fubon Insurance and Fubon Life Insurance	100.00	610,528	358,812
Fubon Asset Management	100.00	3,814	2,146
Fubon Financial Holding Venture Capital	53.80	9,030	4,548
Taiwan Sport Lottery	100.00	1	1
Others	100.00	2,807	1,761
Less: deductible items		(1,040,036)	(988,043.00)
Subtotal		872,155	625,828
Consolidated capital adequacy ratio (Note)			139.36

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 133.51% on December 31, 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, %

December 31, 2020			
Item	Ownership interest	Eligible capital	Legal capital
The Company	100.00	762,801	870,879
Taipei Fubon Bank	100.00	243,657	155,306
Fubon Bank (Hong Kong)	100.00	46,686	30,032
Fubon Bank (China)	49.00	18,835	14,162
Fubon Securities	100.00	25,878	11,651
Fubon Insurance and Fubon Life Insurance	100.00	451,121	291,900
Fubon Asset Management	100.00	3,461	1,992
Fubon Financial Holding Venture Capital	53.80	5,687	2,981
Taiwan Sport Lottery	100.00	98	49
Others	100.00	2,606	1,665
Less: deductible items		(903,740)	(854,788)
Subtotal		657,090	525,829
Consolidated capital adequacy ratio			124.96

(d) Eligible capital

Unit: In thousands of TWD

December 31, 2021	
Item	Amount
Common stock	118,049,644
Tier 1 Capital Instruments	15,999,900
Other preferred stock and subordinated bonds	-
Advanced Capital	-
Capital surplus	173,363,019
Legal reserve	76,665,185
Special reserve	29,125,366
Accumulated profit and loss	372,901,683
Equity adjustment	163,464,512
Less: Goodwill and other intangible assets	7,547
Less: Deferred assets	64,623
Less: Treasury stock	-
Consolidated eligible capital	949,497,139

(Continued)

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

Unit: In thousands of TWD

December 31, 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	137,665,154
Legal reserve	68,437,923
Special reserve	31,566,980
Accumulated profit and loss	269,819,166
Equity adjustment	140,377,046
Less: Goodwill and other intangible assets	3,699
Less: Deferred assets	63,926
Less: Treasury stock	-
Consolidated eligible capital	762,801,284

- (e) 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.
- (f) Financial information classified by business type:

For the year ended December 31, 2021

Units: In thousands of TWD

Item	Banking	Insurance	Securities	Others (Note)	Consolidation
Net interest revenue	42,489,049	96,896,818	1,195,509	2,890,277	143,471,653
Net non-interest revenue	15,140,936	301,215,715	16,309,268	9,694,605	342,360,524
Net revenue	57,629,985	398,112,533	17,504,777	12,584,882	485,832,177
Bad debt expenses and guarantee liability provisions	(4,525,743)	81,284	(17,390)	(125,748)	(4,587,597)
Net change in provisions for insurance liability	-	(244,347,535)	-	565,222	(243,782,313)
Operating expenses	(28,983,028)	(30,575,580)	(8,815,738)	(3,498,522)	(71,872,868)
Income from continuing operations before income tax	24,121,214	123,270,702	8,671,649	9,525,834	165,589,399
Income tax benefit (expense)	(3,007,717)	(12,371,306)	(1,272,210)	(1,703,234)	(18,354,467)
Net income	21,113,497	110,899,396	7,399,439	7,822,600	147,234,932

(Continued)

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

For the year ended December 31, 2020

Units: In thousands of TWD

Item	Banking	Insurance	Securities	Others	Consolidation
Net interest revenue	37,433,739	98,999,358	873,234	(12,032)	137,294,299
Net non-interest revenue	17,953,566	309,876,803	11,052,912	328,505	339,211,786
Net revenue	55,387,305	408,876,161	11,926,146	316,473	476,506,085
Bad debt expenses and guarantee liability provisions	(4,578,936)	199,437	1,790	5,664	(4,372,045)
Net change in provisions for insurance liability	-	(307,112,045)	-	737,914	(306,374,131)
Operating expenses	(28,253,468)	(29,334,924)	(6,887,255)	1,843,650	(62,631,997)
Income from continuing operations before income tax	22,554,901	72,628,629	5,040,681	2,903,701	103,127,912
Income tax benefit (expense)	(2,489,809)	(5,954,174)	(594,720)	(3,117,532)	(12,156,235)
Net income	20,065,092	66,674,455	4,445,961	(213,831)	90,971,677

Note: Including JihSun Financial Holding and its subsidiaries.

(Continued)

g) Financial statements of Fubon Financial Holding Co., Ltd.

FUBON FINANCIAL HOLDING CO., LTD.**Balance Sheets****December 31, 2021 and 2020****(Expressed in thousands of New Taiwan Dollars)**

Assets	December 31, 2021		December 31, 2020			December 31, 2021		December 31, 2020	
	Amount	%	Amount	%		Amount	%	Amount	%
Cash and cash equivalents	\$ 17,772,789	2	31,690,146	4	Commercial papers issued, net	\$ 11,246,503	1	39,738,209	4
Financial assets measured at fair value through profit or loss	20,287,671	2	20,711,671	2	Payables	836,268	-	796,835	-
Securities purchased under resell agreements	-	-	39,955	-	Current tax liabilities	19,314,833	2	16,217,397	2
Receivables, net	558,911	-	554,816	-	Bonds payable	82,700,000	8	85,500,000	9
Current tax assets	14,697,105	1	8,017,099	1	Lease liabilities	259,929	-	49,285	-
Investments accounted for using equity method, net	1,016,753,530	95	849,487,750	93	Deferred tax liabilities	6,532,109	-	5,507,869	1
Property and equipment, net	45,477	-	22,200	-	Other liabilities	13,295	-	15,478	-
Right-of-use assets, net	257,380	-	49,816	-	Total liabilities	<u>120,902,937</u>	<u>11</u>	<u>147,825,073</u>	<u>16</u>
Intangible assets, net	7,547	-	3,699	-	Equity:				
Deferred tax assets	3,570	-	2,904	-	Share capital:				
Other assets, net	88,266	-	113,926	-	Common stock	118,049,644	11	102,336,040	11
					Preferred stock	15,999,900	2	12,666,600	2
					Total share capital	<u>134,049,544</u>	<u>13</u>	<u>115,002,640</u>	<u>13</u>
					Capital surplus	173,363,019	16	137,665,154	15
					Retained earnings:				
					Legal reserve	76,665,185	7	68,437,923	8
					Special reserve	29,125,366	3	31,566,980	3
					Undistributed earnings	<u>372,901,683</u>	<u>35</u>	<u>269,819,166</u>	<u>30</u>
					Total retained earnings	<u>478,692,234</u>	<u>45</u>	<u>369,824,069</u>	<u>41</u>
					Total other equity interest	<u>163,464,512</u>	<u>15</u>	<u>140,377,046</u>	<u>15</u>
					Total equity	<u>949,569,309</u>	<u>89</u>	<u>762,868,909</u>	<u>84</u>
Total assets	<u>\$ 1,070,472,246</u>	<u>100</u>	<u>910,693,982</u>	<u>100</u>	Total liabilities and equity	<u>\$ 1,070,472,246</u>	<u>100</u>	<u>910,693,982</u>	<u>100</u>

FUBON FINANCIAL HOLDING CO., LTD.
Statement of Comprehensive Income
For the years ended December 31, 2021 and 2020
(Expressed in thousands of New Taiwan Dollars, except earnings per share)

	2021		2020		Percentage change
	Amount	%	Amount	%	
Revenue :					
Share of profit of associates and joint ventures accounted for using equity method	\$ 145,427,828	99	94,055,450	99	55
Other revenues	<u>1,940,316</u>	<u>1</u>	<u>949,507</u>	<u>1</u>	104
Net revenue	<u>147,368,144</u>	<u>100</u>	<u>95,004,957</u>	<u>100</u>	55
Expense:					
Operating expenses	1,051,744	1	896,641	1	17
Other expenses and losses	<u>911,291</u>	<u>1</u>	<u>921,592</u>	<u>1</u>	(1)
Total expenses	<u>1,963,035</u>	<u>2</u>	<u>1,818,233</u>	<u>2</u>	8
Net income before tax from continuing operations	145,405,109	98	93,186,724	98	56
Income tax expenses	<u>846,063</u>	<u>-</u>	<u>2,914,279</u>	<u>3</u>	(71)
Net income	<u>\$ 144,559,046</u>	<u>98</u>	<u>90,272,445</u>	<u>95</u>	60
Other comprehensive income:					
Items not to be reclassified to profit or loss					
Losses on remeasurements of defined benefit plans	(20,829)	-	(90)	-	(23,043)
Unrealized gains (losses) on equity instruments measured at fair value through other comprehensive income	-	-	-	-	-
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	3,589,296	2	(1,151,194)	(1)	412
Less: income tax related to items not to be reclassified to profit or loss	<u>(414)</u>	<u>-</u>	<u>-</u>	<u>-</u>	-
Subtotal of items not to be reclassified to profit or loss	<u>3,568,881</u>	<u>2</u>	<u>(1,151,284)</u>	<u>(1)</u>	410
Items that may be subsequently reclassified to profit or loss					
Exchange differences on translation of foreign financial statements	(1,294,033)	(1)	(2,020,416)	(2)	36
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	18,362,305	13	90,801,856	95	(80)
Less: income tax related to items that may be reclassified subsequently to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	-
Subtotal of items that may be reclassified subsequently to profit or loss	<u>17,068,272</u>	<u>12</u>	<u>88,781,440</u>	<u>93</u>	(81)
Other comprehensive income, net of income tax	<u>20,637,153</u>	<u>14</u>	<u>87,630,156</u>	<u>92</u>	(76)
Total comprehensive income	<u>\$ 165,196,199</u>	<u>112</u>	<u>177,902,601</u>	<u>187</u>	(7)
Basic earnings per share (in New Taiwan Dollars)	<u>\$ 12.49</u>		<u>7.76</u>		

FUBON FINANCIAL HOLDING CO., LTD.
Statement of Changes in Equity
For the years ended December 31, 2021 and 2020
(Expressed in thousands of New Taiwan Dollars)

	Share capital			Retained earnings				Total other equity interest							Treasury shares	Total equity
	Common stock	Preferred stock	Total	Capital surplus	Legal reserve	Special reserve	Undistributed earnings	Total	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 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	-	-	-	-	-	-	90,272,445	90,272,445	-	-	-	-	-	-	-	90,272,445
Other comprehensive income	-	-	-	-	-	-	(590,409)	(590,409)	(2,837,034)	23,179,058	391,490	253,675	67,233,376	88,220,565	-	87,630,156
Total comprehensive income	-	-	-	-	-	-	89,682,036	89,682,036	(2,837,034)	23,179,058	391,490	253,675	67,233,376	88,220,565	-	177,902,601
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	-	-	-	604,228	-	-	-	-	-	-	-	-	-	-	-	604,228
Disposal of investments in equity instruments measured at fair value through other comprehensive income	-	-	-	-	-	-	(7,475,137)	(7,475,137)	-	7,475,137	-	-	-	7,475,137	-	-
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)
Disposal of investment properties	-	-	-	-	-	-	94,548	94,548	-	-	-	(94,548)	-	(94,548)	-	-
Balance at December 31, 2020	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	-	-	-	-	-	-	144,559,046	144,559,046	-	-	-	-	-	-	-	144,559,046
Other comprehensive income	-	-	-	-	-	-	17,007	17,007	(7,113,413)	(34,225,339)	(433,879)	127,960	62,264,817	20,620,146	-	20,637,153
Total comprehensive income	-	-	-	-	-	-	144,576,053	144,576,053	(7,113,413)	(34,225,339)	(433,879)	127,960	62,264,817	20,620,146	-	165,196,199
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)	-	-	-	-	-	-	-	-	-	-	-	22,543
Changes in equity of associates and joint ventures accounted for using equity method	-	-	-	22,543	-	-	-	-	-	-	-	-	-	-	-	22,543
Issue of shares	5,480,000	3,333,300	8,813,300	43,416,780	-	-	-	-	-	-	-	-	-	-	-	52,230,080
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	-	-	-	316,695	-	-	-	-	-	-	-	-	-	-	773,093	1,089,788
Adjustments of capital surplus for company's cash dividends received by subsidiaries	-	-	-	36,973	-	-	-	-	-	-	-	-	-	-	-	36,973
Changes in ownership interests in subsidiaries	-	-	-	1,287,082	-	-	(10,997)	(10,997)	(319,745)	436,344	-	-	273,416	390,015	(53,595)	1,612,505
Share-based payments	-	-	-	851,396	-	-	-	-	-	-	-	-	-	-	-	851,396
Disposal of investments in equity instruments measured at fair value through other comprehensive income	-	-	-	-	-	-	(2,180,833)	(2,180,833)	-	2,180,833	-	-	-	2,180,833	-	-
Disposal of investment properties	-	-	-	-	-	-	100,740	100,740	-	-	-	(100,740)	-	(100,740)	-	-
Other	-	-	-	-	-	-	-	-	-	(2,788)	-	-	-	(2,788)	-	(2,788)
Balance at December 31, 2021	\$ 118,049,644	15,999,900	134,049,544	173,363,019	76,665,185	29,125,366	372,901,683	478,692,234	(26,871,549)	10,059,931	322,363	2,451,220	177,502,547	163,464,512	-	949,569,309

FUBON FINANCIAL HOLDING CO., LTD.
Statement of Cash Flows
For the years ended December 31, 2021 and 2020
(Expressed in thousands of New Taiwan Dollars)

	2021	2020
Cash flows from (used in) operating activities:		
Income before income tax	\$ 145,405,109	93,186,724
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expenses	40,961	47,363
Amortization expenses	16,500	11,667
Net gain on financial assets or liabilities at fair value through profit or loss	(296,000)	(937,745)
Interest expense	887,608	901,981
Interest income	(19,172)	(6,106)
Share-based payments	10,600	-
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	(145,427,828)	(94,190,928)
Loss on disposal of investments accounted for using equity method	-	135,478
Other adjustments	(1,617,434)	(20)
Subtotal of adjustments to reconcile profit (loss)	(146,404,765)	(94,038,310)
Changes in operating assets and liabilities:		
Decrease (increase) in other assets	12,066	(46,090)
Increase in payables	133,872	79,524
Increase (decrease) in other liabilities	(26,153)	4,724
Subtotal of all adjustments	(146,284,980)	(94,000,152)
Cash used in operating activities	(879,871)	(813,428)
Interest received	735,077	723,656
Dividends received	31,814,483	12,363,366
Interest paid	(978,429)	(925,094)
Income tax refund (paid)	(3,404,645)	1,342,777
Net cash flows from operating activities	27,286,615	12,691,277
Cash flows from (used in) investing activities:		
Acquisition of investments accounted for using equity method	(28,593,181)	(6,000,000)
Proceeds from capital reduction of investments accounted for using equity method	96,500	6,000,000
Acquisition of property and equipment	(34,339)	(12,969)
Acquisition of intangible assets	(2,460)	(1,251)
Net cash flows used in investing activities	(28,533,480)	(14,220)
Cash flows from (used in) financing activities:		
Increase (decrease) in commercial papers issued	(28,491,706)	15,326,299
Proceeds from issuing bonds	12,200,000	40,000,000
Repayments of bonds	(15,000,000)	(13,050,000)
Repayment of lease liabilities	(32,023)	(40,981)
Cash dividends paid	(33,616,798)	(23,383,194)
Proceeds from issuing shares	52,230,080	-
Net cash flows from (used in) financing activities	(12,710,447)	18,852,124
Net increase (decrease) in cash and cash equivalents	(13,957,312)	31,529,181
Cash and cash equivalents at beginning of period	31,730,101	200,920
Cash and cash equivalents at end of period	\$ 17,772,789	31,730,101
Components of cash and cash equivalents:		
Cash and cash equivalents recognized in balance sheet	\$ 17,772,789	31,690,146
Securities purchased under resell agreements qualifying for cash and cash equivalents under the definition of IAS 7	-	39,955
Cash and cash equivalents at end of period	\$ 17,772,789	31,730,101

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

(h) Subsidiaries' concise balance sheets and concise statements of comprehensive income

(i) Concise Balance sheets

	Taipei Fubon Bank	
	December 31,	December 31,
	2021	2020
Cash and cash equivalents	\$ 82,835,472	78,008,207
Due from the central bank and call loans to banks	280,077,743	237,909,936
Financial assets measured at fair value through profit or loss	98,053,708	89,063,120
Financial assets measured at fair value through other comprehensive income	116,955,293	103,898,191
Debt investments measured at amortized cost	778,166,643	664,207,555
Financial assets for hedging	1,470,281	2,104,144
Securities purchased under resell agreements	3,217,080	6,645,475
Receivables, net	89,105,184	84,387,109
Current income tax assets	355,978	301,752
Discounts and loans, net	1,587,841,184	1,409,386,672
Investments accounted for using equity method	34,882,923	28,772,609
Other financial assets, net	22,941,087	16,015,400
Property and equipment, net	11,315,579	12,266,942
Right-of-use assets, net	3,733,454	3,646,001
Investment property	3,061,400	3,212,700
Intangible assets, net	3,012,530	1,834,174
Deferred tax assets	676,290	662,589
Other assets	11,051,325	15,773,695
Total assets	\$ 3,128,753,154	2,758,096,271

(Continued)

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

	Taipei Fubon Bank	
	December 31, 2021	December 31, 2020
Deposits to the central bank and banks	\$ 138,637,841	130,120,675
Due to the central bank and banks	12,797,450	6,965,030
Financial liabilities measured at fair value through profit or loss	18,698,106	29,654,454
Financial liabilities for hedging	5,786,879	8,994,438
Securities sold under repurchase agreements	105,682,766	79,284,816
Payables	24,663,350	23,537,532
Current tax liabilities	1,516,075	2,293,774
Deposits and remittances	2,471,541,281	2,130,739,617
Bonds payable	92,071,786	96,498,504
Other financial liabilities	9,219,338	8,112,886
Provisions	3,186,284	3,358,941
Lease liabilities	3,803,318	3,659,659
Deferred tax liabilities	1,505,749	1,447,214
Other liabilities	<u>13,212,981</u>	<u>14,292,642</u>
Total liabilities	<u>2,902,323,204</u>	<u>2,538,960,182</u>
Common stock	122,562,088	122,562,088
Capital surplus	18,491,335	17,363,236
Retained earnings	85,143,627	79,448,727
Other equity	<u>232,900</u>	<u>(237,962)</u>
Total equity	<u>226,429,950</u>	<u>219,136,089</u>
Total liabilities and equity	<u><u>\$ 3,128,753,154</u></u>	<u><u>2,758,096,271</u></u>

(Continued)

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

	Fubon Insurance	
	December 31, 2021	December 31, 2020
Cash and cash equivalents	\$ 15,183,608	11,257,790
Receivables	4,600,836	5,024,419
Financial assets measured at fair value through profit or loss	33,508,053	29,721,471
Financial assets measured at amortized cost	1,381,474	1,396,753
Investments accounted for using equity method, net	1,262,263	1,185,776
Financial assets measured at fair value through other comprehensive income	25,544,286	23,937,308
Right-of-use assets	789,142	133,254
Investment property	9,600,412	10,617,069
Reinsurance contract assets	21,695,775	17,838,926
Property and equipment	5,941,946	4,498,689
Intangible assets	204,044	216,342
Deferred tax assets	914,626	981,850
Other assets	832,939	830,116
Total assets	\$ 121,459,404	107,639,763
Payables	\$ 13,081,436	9,829,091
Current tax liabilities	395,361	657,343
Financial liabilities measured at fair value through profit or loss	5,966	9,593
Insurance liabilities	58,545,692	52,481,020
Lease liabilities	795,741	132,166
Deferred tax liabilities	1,495,101	1,661,675
Other liabilities	1,239,757	1,219,040
Provisions	1,238,800	1,472,768
Total liabilities	76,797,854	67,462,696
Common stock	3,178,396	3,178,396
Capital surplus	6,178,389	6,242,476
Retained earnings	24,901,656	23,038,463
Other equity	10,403,109	7,717,732
Total equity	44,661,550	40,177,067
Total liabilities and equity	\$ 121,459,404	107,639,763

(Continued)

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

	Fubon Life Insurance	
	December 31, 2021	December 31, 2020
Cash and cash equivalents	\$ 199,134,282	272,204,658
Receivables	40,023,473	37,854,603
Current tax assets	4,111,049	6,555,917
Financial assets measured at fair value through profit or loss	1,360,810,799	1,166,557,175
Financial assets measured at fair value through other comprehensive income	656,463,281	620,237,436
Financial assets for hedging	403,145	967,144
Financial assets measured at amortized cost	1,984,538,169	1,812,155,822
Investments accounted for using equity method, net	77,687,950	67,008,737
Other financial assets, net	-	1,022,000
Investment property	254,213,588	246,697,274
Loans	245,154,571	265,330,874
Reinsurance contract assets	3,208,656	2,615,585
Property and equipment	19,088,075	19,765,506
Right-of-use assets	1,458,624	2,062,280
Intangible assets	335,005	314,212
Deferred tax assets	29,383,825	25,196,645
Other assets	22,035,645	22,774,506
Assets on insurance product, separate account	259,753,401	221,018,122
Total assets	<u>\$ 5,157,803,538</u>	<u>4,790,338,496</u>

(Continued)

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

	Fubon Life Insurance	
	December 31, 2021	December 31, 2020
Payables	\$ 43,215,141	26,789,182
Current tax liabilities	12,541,679	6,280,649
Financial liabilities measured at fair value through profit or loss	862,260	2,752,838
Bonds payable	55,000,000	55,000,000
Lease liabilities	15,487,411	16,361,184
Insurance liabilities	4,125,514,649	3,929,856,611
Reserve for insurance contract with nature of financial instrument futures	3,557,753	3,448,657
Foreign exchange valuation reserve	10,389,467	8,481,833
Provisions	8,148,726	8,412,606
Deferred tax liabilities	16,670,803	19,861,393
Other liabilities	7,514,033	7,538,929
Liabilities on insurance product, separate account	<u>259,753,401</u>	<u>221,018,122</u>
Total liabilities	<u>4,558,655,323</u>	<u>4,305,802,004</u>
Common stock	110,831,140	110,831,140
Capital surplus	31,195,960	29,895,752
Retained earnings	287,551,881	195,600,003
Other equity	<u>169,569,234</u>	<u>148,209,597</u>
Total equity	<u>599,148,215</u>	<u>484,536,492</u>
Total liabilities and equity	<u><u>\$ 5,157,803,538</u></u>	<u><u>4,790,338,496</u></u>

(Continued)

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

	Fubon Securities	
	December 31,	December 31,
	2021	2020
Current assets	\$ 128,232,186	97,773,911
Financial assets measured at fair value through other comprehensive income — non-current	4,034,105	2,785,616
Investments accounted for using equity method	5,301,727	4,668,850
Property and equipment	1,934,794	1,667,376
Right-of-use assets	304,538	406,089
Investment property	682,582	1,054,375
Intangible assets	105,233	104,624
Deferred tax assets	613,055	397,845
Other non-current assets	<u>1,104,814</u>	<u>1,109,851</u>
Total assets	<u>\$ 142,313,034</u>	<u>109,968,537</u>
Current liabilities	\$ 102,226,976	74,368,351
Provisions — non-current	1,280,718	1,136,505
Lease liabilities — non-current	157,282	245,469
Deferred tax liabilities	99,863	101,845
Other non-current liabilities	<u>3,412</u>	<u>45,672</u>
Total liabilities	<u>103,768,251</u>	<u>75,897,842</u>
Common stock	10,643,550	10,643,550
Capital surplus	68,581	1,357
Retained earnings	23,486,511	20,354,042
Other equity	<u>4,346,141</u>	<u>3,071,746</u>
Total equity	<u>38,544,783</u>	<u>34,070,695</u>
Total liabilities and equity	<u>\$ 142,313,034</u>	<u>109,968,537</u>

(Continued)

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

	Unit: In thousands of HKD	
	Fubon Bank (Hong Kong)	
	December 31,	December 31,
	2021	2020
Cash and cash equivalents	\$ 3,259,429	5,258,786
Due from the central bank and call loans to banks	3,083,838	4,114,513
Financial assets measured at fair value through profit or loss	2,368,511	513,377
Financial assets measured at fair value through other comprehensive income	783,682	1,316,272
Debt investments measured at amortized cost, net	42,009,331	39,185,811
Financial assets for hedging	305,564	50,066
Receivables, net	869,823	1,366,950
Discounts and loans, net	61,203,943	55,828,731
Current tax asset	1,436	5
Investment property	14,000	49,500
Property and equipment	1,110,363	1,135,229
Right-of-use assets	38,182	55,151
Deferred tax assets	84	6
Other assets	519,075	889,737
Total assets	\$ 115,567,261	109,764,134

(Continued)

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

	Unit: In thousands of HKD	
	Fubon Bank (Hong Kong)	
	December 31,	December 31,
	2021	2020
Deposits from the central bank and banks	\$ 1,958,657	3,188,305
Financial liabilities measured at fair value through profit or loss	1,988,091	2,016,499
Financial liabilities for hedging	362,218	1,012,845
Securities sold under repurchase agreements	6,420,232	6,853,334
Payables	1,155,537	1,121,585
Current tax liabilities	19,751	94,185
Deposits and remittances	84,420,921	76,538,430
Bonds payable	5,923,127	5,712,500
Provisions	95,506	138,059
Lease liabilities	40,893	58,398
Deferred tax liabilities	104,747	178,242
Other liabilities	450,477	258,346
Total liabilities	102,940,157	97,170,728
Common stock	4,830,448	4,830,448
Capital surplus and legal reserve	151,900	1,288
Undistributed earnings	7,076,757	6,743,709
Other equity	567,999	1,017,961
Total equity	12,627,104	12,593,406
Total liabilities and equity	\$ 115,567,261	109,764,134

Note: The concise balance sheet of Fubon Bank (Hong Kong) as of December 31, 2021 and 2020, were presented fairly in accordance with the IFRSs endorsed by the FSC (note 4 (c)), which were not prepared in conformity with the Hong Kong Companies Ordinance. Fubon Bank (Hong Kong) has submitted the financial statements for the year ended December 31, 2020 to the Company Registry of Hong Kong, and will submit the financial statements for the year ended December 31, 2021 in accordance with section 3 of Schedule 662 and Form 6 to the Hong Kong Companies Ordinance within the legal term. The independent auditors have issued unmodified audit reports for the years ended December 31, 2021 and 2020 (Any emphasis matters to the user of financial reports and statements made under section 2 of Schedule 406, section 2 or 3 of Schedule 407 to the Hong Kong Companies Ordinance were not included.).

(Continued)

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

	Fubon Asset Management	
	December 31, 2021	December 31, 2020
Current assets	\$ 3,263,009	2,864,899
Financial assets measured at fair value through other comprehensive income — non-current	331,231	329,683
Investments accounted for using equity method	507,711	583,293
Property and equipment	23,947	25,272
Right-of-use assets	15,147	42,743
Intangible assets	117	184
Deferred tax assets	24,132	22,571
Other non-current assets	125,671	114,003
Total assets	\$ 4,290,965	3,982,648
Current liabilities	\$ 416,952	450,846
Provisions — non-current	57,109	57,591
Lease liabilities — non-current	2,551	12,766
Total liabilities	476,612	521,203
Common stock	2,710,085	2,503,445
Capital surplus	549,384	541,072
Retained earnings	603,066	462,013
Other equity	(48,182)	(45,085)
Total equity	3,814,353	3,461,445
Total liabilities and equity	\$ 4,290,965	3,982,648

(Continued)

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

	Fubon Marketing	
	December 31, 2021	December 31, 2020
Current assets	\$ 179,404	175,440
Investments accounted for using equity method	293,489	291,556
Right-of-use assets	2,448	1,652
Intangible assets	174	38
Other non-current assets	10,848	110
Total assets	\$ 486,363	468,796
Current liabilities	\$ 12,202	10,167
Provisions — non-current	167	12,199
Lease liabilities — non-current	1,503	523
Deferred tax liabilities	4,081	-
Total liabilities	17,953	22,889
Common stock	145,000	145,000
Capital surplus	9,880	-
Retained earnings	313,530	300,907
Total equity	468,410	445,907
Total liabilities and equity	\$ 486,363	468,796

(Continued)

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

	Fubon Financial Holding Venture Capital	
	December 31, 2021	December 31, 2020
Current assets	\$ 11,097,175	5,863,035
Financial assets measured at fair value through profit or loss – non-current	3,857,789	3,667,549
Financial assets measured at fair value through other comprehensive income – non-current	1,818,875	1,350,774
Investments accounted for using equity method	166,529	175,876
Property and equipment	1,115	106
Right-of-use assets	2,165	4,706
Intangible assets	140	116
Deferred tax assets	7,638	18,511
Other non-current assets	1,297	1,059
Total assets	\$ 16,952,723	11,081,732
Current liabilities	\$ 84,886	432,812
Provisions – non-current	7,675	5,785
Lease liabilities – non-current	892	1,340
Deferred tax liabilities	73,771	70,706
Total liabilities	167,224	510,643
Common stock	6,815,000	5,640,000
Capital surplus	1,352,714	1,347,080
Retained earnings	8,302,115	3,281,058
Other equity	315,670	302,951
Total equity	16,785,499	10,571,089
Total liabilities and equity	\$ 16,952,723	11,081,732

(Continued)

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

	Fubon AMC	
	December 31, 2021	December 31, 2020
Current assets	\$ 254,255	272,262
Investments accounted for using equity method	-	-
Property and equipment	399	520
Right-of-use assets	14,891	23,034
Investment property	2,372,478	2,175,134
Intangible assets	1,632	1,731
Deferred tax assets	378,325	372,965
Other non-current assets	13,397	13,399
Total assets	\$ 3,035,377	2,859,045
Current liabilities	\$ 118,188	63,233
Long-term bank borrowings	440,000	490,000
Provisions – non-current	24,211	26,969
Lease liabilities – non-current	6,912	15,064
Deferred tax liabilities	102,120	100,776
Other non-current liabilities	4,677	2,591
Total liabilities	696,108	698,633
Common stock	2,500,000	2,500,000
Capital surplus	3,142	2,314
Retained earnings	(15,922)	(193,951)
Other equity	(147,951)	(147,951)
Total equity	2,339,269	2,160,412
Total liabilities and equity	\$ 3,035,377	2,859,045
	Taiwan Sport Lottery	
	December 31, 2021	December 31, 2020
Current assets	\$ 854	97,571
Total assets	\$ 854	97,571
Current liabilities	\$ -	50
Total liabilities	-	50
Common stock	792	97,292
Retained earnings	62	229
Total equity	854	97,521
Total liabilities and equity	\$ 854	97,571

(Continued)

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

	Units: In thousands of CNY	
	Fubon Bank (China)	
	December 31, 2021	December 31, 2020
Cash and cash equivalents	\$ 5,507,427	1,198,232
Due from the central bank and call loans to banks	12,850,456	10,517,111
Financial assets measured at fair value through profit or loss	1,411,337	3,855,992
Financial assets measured at fair value through other comprehensive income	31,515,201	24,273,944
Financial assets measured at amortized cost	23,582,288	21,629,412
Securities purchased under resell agreements	989,620	1,695,391
Receivables, net	5,006,021	6,217,824
Current tax assets	-	41,693
Discounts and loans, net	58,316,637	51,803,415
Investments accounted for using equity method, net	100,491	-
Other financial assets	606,588	899,801
Property and equipment, net	1,081,363	1,103,671
Right-of-use assets, net	160,600	97,958
Intangible assets, net	93,272	95,697
Deferred tax assets	154,197	227,205
Other assets, net	75,529	60,670
Total assets	\$ 141,451,027	123,718,016
Deposits from the central bank and banks	\$ 6,499,764	2,993,260
Due to the central bank and banks	159,392	-
Financial liabilities measured at fair value through profit or loss	1,115,090	3,970,511
Securities sold under repurchase agreements	2,207,350	200,000
Payables	4,987,511	5,224,921
Current tax liabilities	4,434	-
Deposits and remittances	97,147,571	84,320,650
Bonds payable	4,997,896	4,997,180
Other financial liabilities	16,321,047	15,662,537
Provisions	8,838	9,989
Lease liabilities	162,081	99,443
Deferred tax liabilities	1,824	13,956
Other liabilities	575	7,365
Total liabilities	133,613,373	117,499,812
Common stock	2,445,382	2,100,000
Capital surplus	747,795	93,177
Retained earnings	4,707,839	4,192,095
Other equity	(63,362)	(167,068)
Total equity	7,837,654	6,218,204
Total liabilities and equity	\$ 141,451,027	123,718,016

Note: The concise balance sheet of Fubon Bank (China) as of December 31, 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	
	December 31, 2021	December 31, 2020
Cash and cash equivalents	\$ 26,020,942	19,964,784
Receivables	17,002,142	5,616,023
Current tax assets	200,910	198,425
Financial assets measured at fair value through profit or loss	40,838,240	33,022,413
Financial assets measured at fair value through other comprehensive income	54,810,763	61,881,958
Financial assets for hedging	115,823	3,634,483
Financial assets measured at amortized cost	95,046,993	85,929,687
Other financial assets, net	2,561,734	2,087,316
Investment property	2,225,002	2,036,047
Loans	53,423,958	47,965,567
Reinsurance contract assets	301,312	290,539
Property and equipment	254,946	274,996
Right-of-use assets	176,267	99,020
Intangible assets	715,754	713,601
Deferred tax assets	27,254	-
Other assets	1,178,369	1,774,237
Assets on insurance product, separate account	<u>238,083,870</u>	<u>238,201,678</u>
Total assets	<u>\$ 532,984,279</u>	<u>503,690,774</u>

(Continued)

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

	<u>Fubon Hyundai Life Insurance</u>	
	<u>December 31,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>
Payables	\$ 37,999,145	16,109,728
Financial liabilities measured at fair value through profit or loss	3,351	7,797
Financial liabilities for hedging	2,883,178	31,398
Bonds payable	11,419,188	9,762,334
Lease liabilities	185,472	101,940
Insurance liabilities	205,987,085	211,397,553
Provisions	295,052	334,887
Deferred tax liabilities	-	1,401,938
Other liabilities	1,592,354	2,770,962
Liabilities on insurance product, separate account	<u>237,973,364</u>	<u>231,860,194</u>
Total liabilities	<u>498,338,189</u>	<u>473,778,731</u>
Common stock	32,305,359	21,277,811
Capital surplus	1,008,058	1,064,267
Retained earnings	3,570,630	1,042,647
Other equity	<u>(2,237,957)</u>	<u>6,527,318</u>
Total equity	<u>34,646,090</u>	<u>29,912,043</u>
Total liabilities and equity	<u>\$ 532,984,279</u>	<u>503,690,774</u>

Note: The concise balance sheet of Fubon Hyundai Life Insurance as of December 31, 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/> December 31, 2021
Cash and cash equivalents	\$ 399,484
Receivables, net	475,707
Current tax assets	70,877
Investments accounted for using equity method	57,236,987
Property and equipment, net	523
Right-of-use assets, net	7,795
Intangible assets, net	562
Other assets, net	7,008
Total assets	\$ 58,198,943
Commercial paper issued, net	\$ 3,647,272
Payables	855,752
Current tax liabilities	436,860
Provisions	1,419
Lease liabilities	7,841
Deferred tax liabilities	2,686
Other liabilities	1,174
Total liabilities	4,953,004
Common stock	38,347,145
Capital surplus	142,483
Retained earnings	6,958,071
Other equity	7,827,128
Treasury stock	(28,888)
Total equity	53,245,939
Total liabilities and equity	\$ 58,198,943

(Continued)

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

	<u>JihSun Bank</u> <u>December 31,</u> <u>2021</u>
Cash and cash equivalents	\$ 4,310,081
Due from the central bank and call loans to banks	21,978,756
Financial assets measured at fair value through profit or loss	133,313
Financial assets measured at fair value through other comprehensive income	34,276,181
Debt investments measured at amortized cost	37,637,852
Securities purchased under resell agreements	-
Receivables, net	1,561,941
Current tax assets	32,823
Discounts and loans, net	175,755,692
Investments accounted for using equity method, net	51,937
Other financial assets, net	1,407,718
Property and equipment, net	3,341,938
Right-of-use assets, net	634,459
Investment property, net	271,940
Intangible assets, net	104,394
Other assets, net	<u>336,381</u>
Total assets	\$ <u>281,835,406</u>
Deposits from the central bank and banks	\$ 13,384,868
Due to the central bank and banks	88,490
Financial liabilities measured at fair value through profit or loss	225,162
Payables	1,422,365
Current tax liabilities	-
Deposits and remittances	238,444,675
Bonds payable	2,500,000
Other financial liabilities	1,445,733
Provisions	171,717
Lease liabilities	642,720
Deferred tax liabilities	39,338
Other liabilities	<u>151,050</u>
Total liabilities	<u>258,516,118</u>
Common stock	18,448,253
Retained earnings	4,309,743
Other equity	<u>561,292</u>
Total equity	<u>23,319,288</u>
Total liabilities and equity	\$ <u>281,835,406</u>

(Continued)

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

	JihSun Securities <hr/> December 31, 2021
Current assets	\$ 64,795,601
Financial assets measured at fair value through other comprehensive income — non-current	8,206,651
Investments accounted for using equity method	3,920,819
Property and equipment	1,608,072
Right-of-use assets	227,810
Investment property	82,635
Intangible assets	129,832
Deferred tax assets	71,347
Other non-current assets	996,127
Total assets	\$ 80,038,894
Current liabilities	\$ 45,515,905
Lease liabilities	228,603
Deferred tax liabilities	40,967
Other non-current liabilities	344,401
Total liabilities	46,129,876
Common stock	11,572,127
Capital surplus	1,298,456
Retained earnings	13,817,438
Other equity	7,220,997
Total equity	33,909,018
Total liabilities and equity	\$ 80,038,894

(Continued)

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

(ii) Concise Statements of comprehensive income

	Taipei Fubon Bank	
	2021	2020
Interest revenue	\$ 35,456,030	38,980,392
Interest expense	(8,098,733)	(13,496,279)
Net interest revenue	27,357,297	25,484,113
Net non-interest revenues	17,746,110	18,320,246
Net revenue	45,103,407	43,804,359
Bad debt expenses and guarantee liability provisions	(3,007,548)	(1,874,712)
Operating expenses	(20,806,684)	(20,674,282)
Income before income tax	21,289,175	21,255,365
Less: income tax expense	2,572,521	2,463,649
Net income	18,716,654	18,791,716
Other comprehensive income (net of income tax)	2,165,958	1,488,940
Total comprehensive income	\$ 20,882,612	20,280,656
Earnings per share (In New Taiwan Dollars)	\$ 1.53	1.58
	Fubon Insurance	
	2021	2020
Operating Revenue	\$ 45,418,898	39,471,721
Operating cost	(28,200,170)	(24,885,210)
Operating expenses	(9,160,918)	(8,153,678)
Net operating income	8,057,810	6,432,833
Non-operating income and expense	(517,971)	(188,570)
Income before income tax	7,539,839	6,244,263
Less: income tax expense	683,534	603,775
Net income	6,856,305	5,640,488
Other comprehensive income (net of income tax)	1,949,141	1,051,577
Total comprehensive income	\$ 8,805,446	6,692,065
Basic earnings per share (In New Taiwan Dollars)	\$ 21.57	17.75

(Continued)

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

	Fubon Life Insurance	
	2021	2020
Operating Revenue	\$ 653,724,712	718,889,641
Operating cost	(524,867,788)	(637,307,535)
Operating expenses	<u>(17,566,505)</u>	<u>(17,461,508)</u>
Operating income	111,290,419	64,120,598
Non-operating income and expense	<u>1,230,048</u>	<u>939,929</u>
Income before income tax	112,520,467	65,060,527
Less: income tax expense	<u>10,249,897</u>	<u>4,469,288</u>
Net income	<u>102,270,570</u>	<u>60,591,239</u>
Other comprehensive income (net of income tax)	<u>18,102,705</u>	<u>86,134,653</u>
Total comprehensive income	<u>\$ 120,373,275</u>	<u>146,725,892</u>
Basic earnings per share (In New Taiwan Dollars)	<u>\$ 9.23</u>	<u>5.47</u>
	Fubon Securities	
	2021	2020
Revenue	\$ 15,358,631	10,180,056
Expenses	<u>(8,724,225)</u>	<u>(6,529,087)</u>
Net operating income	6,634,406	3,650,969
Non-operating income and expense	<u>1,548,239</u>	<u>1,000,887</u>
Income before income tax	8,182,645	4,651,856
Less: income tax expense	<u>1,125,712</u>	<u>448,248</u>
Net income	<u>7,056,933</u>	<u>4,203,608</u>
Other comprehensive income (net of income tax)	<u>1,107,448</u>	<u>230,121</u>
Total comprehensive income	<u>\$ 8,164,381</u>	<u>4,433,729</u>
Basic earnings per share (In New Taiwan Dollars)	<u>\$ 6.63</u>	<u>2.68</u>

(Continued)

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

	Unit: In thousands of HKD	
	Fubon Bank (Hong Kong)	
	2021	2020
Interest revenue	\$ 1,818,151	2,442,923
Interest expense	(532,537)	(1,260,345)
Net interest revenue	1,285,614	1,182,578
Net non-interest revenues	413,512	306,633
Net revenue	1,699,126	1,489,211
Bad debt expenses and guarantee liability provisions	(251,387)	(429,456)
Operating expenses	(929,816)	(887,564)
Income before income tax	517,923	172,191
Income tax expense	83,967	33,500
Net income	433,956	138,691
Other comprehensive income (net of income tax)	(400,259)	213,706
Total comprehensive income	\$ 33,697	352,397

Note: The concise comprehensive income statements of Fubon Bank (Hong Kong) for the years ended December 31, 2021 and 2020, were presented fairly in accordance with the IFRSs endorsed by the FSC (note 4 (3)), which were not prepared in conformity with the Hong Kong Companies Ordinance. Fubon Bank (Hong Kong) has submitted the financial statements for the year ended December 31, 2020 to the Company Registry of Hong Kong, and will submit the financial statements for the year ended December 31, 2021 in accordance with section 3 of Schedule 662 and Form 6 to the Hong Kong Companies Ordinance within the legal term. The independent auditors have issued unmodified audit reports for the years ended December 31, 2021 and 2020 (Any emphasis matters to the user of financial reports and statements made under section 2 of Schedule 406, section 2 or 3 of Schedule 407 to the Hong Kong Companies Ordinance were not included.).

(Continued)

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

	Fubon Asset Management	
	<u>2021</u>	<u>2020</u>
Operating Revenue	\$ 1,478,106	1,317,483
Operating expenses	<u>(889,302)</u>	<u>(828,535)</u>
Operating income	588,804	488,948
Non-operating income and expense	<u>(122,285)</u>	<u>(166,253)</u>
Income before income tax	466,519	322,695
Less: income tax expense	<u>119,216</u>	<u>105,709</u>
Net income	<u>347,303</u>	<u>216,986</u>
Other comprehensive income (net of income tax)	<u>(2,707)</u>	<u>(6,401)</u>
Total comprehensive income	<u>\$ 344,596</u>	<u>210,585</u>
Net income attributable to:		
Owners of parent	\$ 347,303	242,800
Equity attributable to former owner of business combination under control	-	(25,814)
	<u>\$ 347,303</u>	<u>216,986</u>
Comprehensive income attributable to:		
Owners of parent	\$ 344,596	237,618
Equity attributable to former owner of business combination under control	-	(27,033)
	<u>\$ 344,596</u>	<u>210,585</u>
Basic earnings per share (In New Taiwan Dollars)	<u>\$ 1.28</u>	<u>0.90</u>
	Fubon Marketing	
	<u>2021</u>	<u>2020</u>
Operating Revenue	\$ 1,104	1,524
Operating cost	(853)	(1,115)
Operating expenses	<u>(20,060)</u>	<u>(17,989)</u>
Operating loss	(19,809)	(17,580)
Non-operating income and expense	<u>199,931</u>	<u>201,016</u>
Income before income tax	180,122	183,436
Less: income tax expense	-	-
Net income	<u>180,122</u>	<u>183,436</u>
Other comprehensive income (net of income tax)	<u>(1,135)</u>	<u>1,413</u>
Total comprehensive income	<u>\$ 178,987</u>	<u>184,849</u>
Basic earnings per share (In New Taiwan Dollars)	<u>\$ 12.42</u>	<u>12.65</u>

(Continued)

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

	Fubon Financial Holding Venture Capital	
	<u>2021</u>	<u>2020</u>
Operating Revenue	\$ 7,024,301	2,173,613
Operating expenses	<u>(139,331)</u>	<u>(83,366)</u>
Operating income	6,884,970	2,090,247
Non-operating income and expense	<u>(17,706)</u>	<u>(76,440)</u>
Income before income tax	6,867,264	2,013,807
Less: income tax expense	<u>168,620</u>	<u>100,949</u>
Net income	<u>6,698,644</u>	<u>1,912,858</u>
Other comprehensive income (net of income tax)	<u>13,996</u>	<u>273,557</u>
Total comprehensive income	<u>\$ 6,712,640</u>	<u>2,186,415</u>
Basic earnings per share (In New Taiwan Dollars)	<u>\$ 9.83</u>	<u>2.81</u>
	Fubon AMC	
	<u>2021</u>	<u>2020</u>
Operating Revenue	\$ 278,428	249,240
Operating expenses	<u>(133,558)</u>	<u>(115,853)</u>
Operating income	144,870	133,387
Non-operating income and expense	<u>76,397</u>	<u>37,697</u>
Income before income tax	221,267	171,084
Less: income tax expense	<u>43,279</u>	<u>34,747</u>
Net income	<u>177,988</u>	<u>136,337</u>
Other comprehensive income (net of income tax)	<u>41</u>	<u>1,074</u>
Total comprehensive income	<u>\$ 178,029</u>	<u>137,411</u>
Basic earnings per share (In New Taiwan Dollars)	<u>\$ 0.71</u>	<u>0.55</u>
	Taiwan Sport Lottery	
	<u>2021</u>	<u>2020</u>
Operating Revenue	\$ -	-
Operating expenses	<u>(220)</u>	<u>(90)</u>
Operating loss	(220)	(90)
Non-operating income and expense	<u>166</u>	<u>216</u>
Income before income tax	(54)	126
Less: income tax expense	<u>-</u>	<u>-</u>
Net income	<u>(54)</u>	<u>126</u>
Other comprehensive income (net of income tax)	<u>-</u>	<u>-</u>
Total comprehensive income	<u>\$ (54)</u>	<u>126</u>
Basic earnings per share (In New Taiwan Dollars)	<u>\$ (0.01)</u>	<u>0.01</u>

(Continued)

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

	Units: In thousands of CNY	
	Fubon Bank (China)	
	2021	2020
Interest revenue	\$ 5,128,899	4,466,690
Interest expense	(2,706,954)	(2,729,728)
Net interest revenue	2,421,945	1,736,962
Net non-interest revenues	(708,690)	(177,210)
Net revenue	<u>1,713,255</u>	<u>1,559,752</u>
Bad debt expenses and guarantee liability provisions	(141,685)	(249,238)
Operating expenses	(1,025,230)	(893,367)
Income before income tax	546,340	417,147
Less: income tax expense (benefit)	<u>30,754</u>	<u>(23,683)</u>
Net income	<u>515,586</u>	<u>440,830</u>
Other comprehensive income (net of income tax)	<u>103,862</u>	<u>(241,068)</u>
Total comprehensive income	<u>\$ 619,448</u>	<u>199,762</u>

Note: The concise statements of comprehensive income of Fubon Bank (China) for the years ended December 31, 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	
	2021	2020
Operating Revenue	\$ 74,512,606	71,652,264
Operating cost	(66,717,957)	(66,852,789)
Operating expenses	(2,171,781)	(2,015,761)
Net operating income	5,622,868	2,783,714
Non-operating income and expense	(43,528)	(27,086)
Income before income tax	5,579,340	2,756,628
Less: income tax expense	<u>1,213,961</u>	<u>713,759</u>
Net income	<u>4,365,379</u>	<u>2,042,869</u>
Other comprehensive income (net of income tax)	<u>(5,425,745)</u>	<u>2,605,054</u>
Total comprehensive income	<u>\$ (1,060,366)</u>	<u>4,647,923</u>

Note: The concise statements of comprehensive income of Fubon Hyundai Life Insurance for the years ended December 31, 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
	2021
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	\$ 4,157,099
Other revenues	30,898
Subtotal of revenues	4,187,997
Operating expenses	(113,606)
Other expenses and losses	(10,081)
Income before income tax	4,064,310
Less: income tax expense (benefit)	(10,720)
Net Income	4,075,030
Other comprehensive income (net of income tax)	2,289,444
Total comprehensive income	\$ 6,364,474
Earnings per share (In New Taiwan Dollars)	\$ 1.06
	JihSun Bank
	2021
Interest revenue	\$ 3,441,072
Less: Interest expense	666,749
Net interest revenue	2,774,323
Net non-interest revenues	1,086,177
Net revenue	3,860,500
Bad debt expenses and guarantee liability provisions(reversal gains)	(178,334)
Operating expenses	(3,002,087)
Income before income tax	680,079
Income tax expense	(60,359)
Net income	619,720
Other comprehensive income	40,048
Total comprehensive income	\$ 659,768
Earnings per share (In New Taiwan Dollars)	\$ 0.34

(Continued)

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

	JihSun Securities 2021
Revenues	\$ 8,442,043
Service charge and commission expenses	(458,875)
Employee benefits expenses	(2,619,205)
Share of profit of associates and joint ventures accounted for using equity method	50,207
Operating expenses	(1,400,801)
Other gain and loss	218,632
Income before income tax	4,232,001
Income tax expense	(694,598)
Net income	3,537,403
Other comprehensive income	2,250,541
Total comprehensive income	\$ 5,787,944
Earnings per share (In New Taiwan Dollars)	\$ 3.06

(i) Profitability of the Company and bank, insurance and security subsidiaries

December 31, 2021

Unit: %													
Item	Consolidation	The Company	Taipei Fubon Bank	Fubon Bank (Hong Kong)	Fubon Bank (China)	Fubon Life Insurance	Fubon Hyundai Life Insurance	Fubon Insurance	Fubon Securities	JihSun Financial Holding	JihSun Securities	JihSun Bank	
Return on total assets	Before income tax	1.68 %	14.68 %	0.72 %	0.46 %	0.41 %	2.26 %	1.08 %	6.58 %	6.49 %	7.31 %	5.31 %	0.24 %
	After income tax	1.49 %	14.59 %	0.64 %	0.39 %	0.39 %	2.06 %	0.85 %	5.99 %	5.59 %	7.33 %	4.44 %	0.22 %
Return on equity	Before income tax	18.81 %	16.98 %	9.56 %	4.11 %	7.77 %	20.77 %	17.37 %	17.77 %	22.54 %	8.00 %	13.43 %	2.94 %
	After income tax	16.73 %	16.88 %	8.40 %	3.44 %	7.34 %	18.87 %	13.59 %	16.16 %	19.44 %	8.02 %	11.22 %	2.68 %
Profit margin		30.31 %	98.70 %	41.50 %	25.54 %	30.09 %	15.64 %	5.86 %	15.10 %	45.95 %	97.54 %	42.85 %	16.05 %

December 31, 2020

Unit: %										
Item	Consolidation	The Company	Taipei Fubon Bank	Fubon Bank (Hong Kong)	Fubon Bank (China)	Fubon Life Insurance	Fubon Hyundai Life Insurance	Fubon Insurance	Fubon Securities	Fubon Bank
Return on total assets	Before income tax	1.16 %	11.54 %	0.79 %	0.16 %	0.37 %	1.42 %	0.60 %	6.01 %	4.03 %
	After income tax	1.02 %	11.17 %	0.70 %	0.13 %	0.39 %	1.32 %	0.44 %	5.43 %	3.65 %
Return on equity	Before income tax	14.77 %	13.60 %	10.15 %	1.39 %	6.82 %	15.83 %	10.37 %	16.32 %	13.00 %
	After income tax	13.03 %	13.17 %	8.97 %	1.12 %	7.21 %	14.74 %	7.69 %	14.74 %	11.75 %
Profit margin		19.09 %	95.95 %	42.90 %	9.31 %	28.26 %	8.43 %	2.85 %	14.29 %	41.29 %

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 December 31, 2021 and 2020.

Note 5: The return on assets and return on equity are presented annualized ratios.

- (j) Since Russia launched an invasion of Ukraine in February 2022, Russia was subject to severe international sanctions, and international credit rating agencies have followed suit by downgrading the credit rating for Russian bonds. The Company and its subsidiaries are closely monitoring and evaluating the credit risk of Russian bonds, the relevant bonds' ability to pay interest and principal, and will continuously evaluate the credit risk and recognize the expected credit loss associated to the risk.

(Continued)

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

(13) Other disclosures

(a) Information on significant transactions:

For the year ended December 31, 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	Related 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 Receivable - reimbursable expenditure	No	74,000	-	-	4%-6%	1	-	-	-	None	-	116,963	13,772,102
2	Fubon Asset Management Service Co., Ltd.	Ruo-Shuei Environment Integration Co., Ltd.	Accounts Receivable - reimbursable expenditure	No	108,000	108,000	-	4%-6%	1	-	-	-	None	-	116,963	13,772,102
3	Fubon Asset Management Service Co., Ltd.	De-Cheng International Development Co., Ltd.	Accounts receivable - reimbursable expenditure	No	108,000	108,000	-	4%-6%	1	-	-	-	None	-	116,963	13,772,102

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 December 31, 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 December 31, 2021.

(ii) Endorsement and guarantees for others: None

(iii) Marketable securities held as of December 31, 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	December 31, 2021				Remark
				No. of shares	Carrying amount	Shareholding ratio	Market price	
Fubon Securities Venture Capital Co., Ltd.	Timing Pharmaceutical Co., Ltd.	-	Financial assets measured at fair value through profit or loss	1,300	19,604	1.51	19,604	Unlisted stock
"	PocketNet Technology Inc.	-	"	1,078	7,392	1.66	7,392	"
"	Amis Technology Co., Ltd.	-	"	48,750	34,462	22.06	34,462	"
"	Noodoe Inc.	-	"	450	65,313	5.99	65,313	"
"	Cinema Pro Limited	-	"	2,800	5,650	14.69	5,650	"
"	SHUN YUAN Technology Co., Ltd	-	"	818	50,886	2.68	50,886	"
"	Cheng Mei Instrument Technology Co., Ltd.	-	"	1,300	24,921	3.51	24,921	"

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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	December 31, 2021				Remark
				No. of shares	Carrying amount	Shareholding ratio	Market price	
Fubon Securities Venture Capital Co., Ltd.	Huang Chieh Metal Holdings Co., Ltd.	-	Financial assets measured at fair value through profit or loss	495	24,369	0.91	24,369	Unlisted stock
"	Artlux Inc.	-	"	392	5,377	0.63	5,377	"
"	Hyena Inc.	-	"	700	47,698	3.68	47,698	"
"	Mega Union Technology Incorporated	-	"	400	22,556	1.11	22,556	"
"	Leadpower-semi Co., Ltd.	-	"	400	14,548	3.95	14,548	"
"	3S System Technology Inc	-	"	255	5,147	0.81	5,147	"
"	APEX Flight Academy	-	"	1,313	-	3.42	-	"
"	Yuen Foong Yu Consumer Products Co., Ltd.	-	"	804	40,361	0.30	40,361	Listed stock
"	Iscom Online International Information Inc.	-	"	700	16,541	3.50	16,541	Unlisted stock
"	DINGZING ADVANCED MATERIALS INCORPORATED	-	"	300	25,671	0.49	25,671	Emerging stock
Fubon Mintou Venture Capital Co., Ltd.	Mega Diamond Money Market Fund	-	"	4,018	50,934	-	50,934	Beneficiary certificates
"	FSITC Taiwan Money Market	-	"	3,293	50,950	-	50,950	"
"	Capital Money Market Fund	-	"	3,120	50,840	-	50,840	"
"	Yuanta De-Li Money Market Fund	-	"	2,472	40,708	-	40,708	"
Fubon Futures Co., Ltd.	United Microelectronics Corporation	-	"	45,801	2,977	-	2,977	Listed stock
"	Fubon China Policy Bank Bond 0-1 ETF	Fund managed under a subsidiary company's manager of the Company	"	390	16,010	9.71	16,010	Beneficiary securities
"	Fubon Hang Seng China Enterprises INI	"	"	500	6,800	-	6,800	"
"	JKO S&P GSCI Soybeans ER Futures ETF	-	"	1,500	32,370	-	32,370	"
"	JKO Dow Jones Copper ER Futures ETF	-	"	500	14,120	-	14,120	"
"	Yuanta Daily U.S. Treasury 20+ Year Bond Bull 2X ETF	-	"	500	12,375	-	12,375	"
"	Cathay Financial Holding Co., Ltd. Preferred Stock A	-	"	17	1,698	-	1,698	Preferred stock
"	China Steel Corporation Preferred Stock A	-	Financial assets measured at fair value through other comprehensive income	17	884	0.04	884	"
"	TAISHIN FINANCIAL HOLDING CO., LTD. Class E Preferred Shares II	-	"	9	467	-	467	"
"	Taiwan Futures Exchange Co., Ltd.	Related parties in substance	"	1,742	194,088	0.47	194,088	Unlisted stock

(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	December 31, 2021				Remark
				No. of shares	Carrying amount	Shareholding ratio	Market price	
Fubon Asset Management Co., Ltd.	Fubon China CSI 500 Index ETF	Fund managed under Fubon Asset Management Co., Ltd.	Financial assets measured at fair value through profit or loss	500	12,240	-	12,240	Beneficiary certificates
"	Fubon Taiwan Technology ETF	"	"	858	115,049	-	115,049	"
"	Fubon MSCI Taiwan ETF	"	"	28	2,774	-	2,774	"
"	Fubon SSE180 ETF	"	"	240	8,865	-	8,865	"
"	Fubon FTSE TWSE Taiwan 50 ETF	"	"	11	874	-	874	"
"	Fubon SZSE 100 ETF	"	"	17	280	-	280	"
"	Fubon TOPIX ETF	"	"	7	174	-	174	"
"	Fubon NIFTY ETF	"	"	9	253	-	253	"
"	Fubon NASDAQ 100 ETF	"	"	6	361	-	361	"
"	Fubon 1-3 Years US Treasury Bond ETF	"	"	2,500	91,575	-	91,575	"
"	Fubon FTSE Developed Europe ETF	"	"	8	187	-	187	"
"	Fubon S&P US Preferred Stock ETF	"	"	9	146	-	146	"
"	Fubon China Policy Bank Bond ETF	"	"	7,337	146,527	-	146,527	"
"	Fubon Dow Jones Taiwan High-Quality Dividend 30 ETF	"	"	1,250	24,812	-	24,812	"
"	Cathay FTSE Chinese Policy Bank Bond 5+ Years ETF	"	"	1,190	50,944	-	50,944	"
"	Fubon China Policy Bank Bond 0-1 ETF	"	"	175	7,184	-	7,184	"
"	Fubon 7-15 Years Europe USD Banking ETF	"	"	2,490	90,312	-	90,312	"
"	Fubon China Growth Fund TWD	"	"	3,089	34,292	-	34,292	"
"	Fubon Taiwan Sustainable Development High Dividend Fund	"	"	2,491	39,813	-	39,813	"
"	Fubon Chi Hsiang Money Market	"	"	8,636	136,694	-	136,694	"
"	Fubon Fund	"	"	742	22,197	-	22,197	"
"	Eastspring Investments Well Pool Money Market Fund	"	"	6,664	91,558	-	91,558	"
"	Fubon Taiwan Core Semi ETF	"	"	2,425	42,122	-	42,122	"
"	Yuanta Daily U.S. Treasury 20+ Year Bond Bear 1X ETF	"	"	500	6,580	-	6,580	"
"	103 Central Government Development Bond 13	"	Financial assets measured at fair value through other comprehensive income	-	309,210	-	309,210	Government bond
"	Fund Rich Securities Co., Ltd.	Related parties in substance	"	2,018	22,021	3.00	22,021	Unlisted stock

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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	December 31, 2021				Remark
				No. of shares	Carrying amount	Shareholding ratio	Market price	
Fubon Fund Management (HK) Limited	ChinaAMC Hang Seng TECH Index ETF	Fund managed under Fubon Fund Management (HK) Limited	Financial assets measured at fair value through profit or loss	100	2,540	-	2,540	Beneficiary certificates
"	CSOP Huatai-PineBridge CSI Photovoltaic Industry ETF	"	"	100	4,055	-	4,055	"
"	Global X China Biotech ETF	"	"	8	2,615	-	2,615	"
"	Global X China Consumer Brand ETF	"	"	13	3,186	-	3,186	"
"	Global X China Electric Vehicle and Battery ETF	"	"	6	3,565	-	3,565	"
Fubon Marketing Co., Ltd.	Allianz Global Investors All Seasons Return Fund of Bond Funds B	-	"	1,057	9,816	-	9,816	"
"	Allianz Global Investors All Seasons Harvest Fund of Bond Funds B	-	"	1,176	9,654	-	9,654	"
"	Allianz Global Investors Taiwan Fund A	-	"	73	5,925	-	5,925	"
"	Allianz Global Investors China Strategic Growth Fund	-	"	81	2,411	-	2,411	"
"	Capital Global Abundant Income Fund of Fund B	-	"	1,321	11,714	-	11,714	"
"	Fubon Taiwan Sustainable Development High Dividend Fund B	Fund managed under a subsidiary company's manager of the Company	"	500	7,975	-	7,975	"
"	Capital Global Financial Bond Fund B	-	"	521	4,777	-	4,777	"
"	Franklin Templeton SinoAm AI Hi-Tech Fund	-	"	467	5,207	-	5,207	"
"	Fubon AI New Trends Multi-Asset Fund-A	Fund managed under a subsidiary company's manager of the Company	"	596	11,522	-	11,522	"
"	Allianz Global Investors Income and Growth Fund-B	-	"	890	9,869	-	9,869	"
"	Capital Small-And-Medium Cap Fund	-	"	21	2,043	-	2,043	"
"	Eastspring Investments China Fund CNH	-	"	90	8,727	-	8,727	"
"	Millerful R1	-	"	500	5,180	-	5,180	Beneficiary securities
"	Fubon R1	Related parties in substance	"	1,391	24,927	-	24,927	"
"	Fubon R2	"	"	1,380	21,707	-	21,707	"
"	Cathay R1	-	"	380	6,889	-	6,889	"
"	Cathay R2	-	"	950	18,629	-	18,629	"

(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	December 31, 2021				Remark
				No. of shares	Carrying amount	Shareholding ratio	Market price	
Fubon Insurance Agency Co., Ltd.	Allianz Global Investors All Seasons Harvest Fund of Bond Funds B	-	Financial assets measured at fair value through profit or loss	2,311	18,963	-	18,963	Beneficiary certificates
"	Allianz Global Investors Taiwan Intelligence Trends Fund	-	"	156	15,677	-	15,677	"
"	Allianz Global Investors All Seasons Double Income Fund of Funds TWD B	-	"	1,865	20,128	-	20,128	"
"	Allianz Global Investors Income and Growth Fund-B	-	"	1,845	20,463	-	20,463	"
"	Capital Aggressive Allocation Fund of Funds B	-	"	1,371	14,759	-	14,759	"
"	Fubon AI New Trends Multi-Asset Fund-A	Fund managed under a subsidiary company's manager of the Company	"	260	5,021	-	5,021	"
"	Capital Small-And-Medium Cap Fund	-	"	51	5,037	-	5,037	"
"	Capital Strategic Growth Fund	-	"	100	5,111	-	5,111	"
"	Millerful R1	-	"	1,249	12,940	-	12,940	Beneficiary securities
"	Cathay R2	-	"	722	14,158	-	14,158	"
"	Fubon R1	Related parties in substance	"	61	1,093	-	1,093	"
"	96 Central Government Bond 7	-	Financial assets measured at amortized cost	-	274	-	272	Government bond
Fu Sheng Insurance Agency Co., Ltd.	Allianz Global Investors All Seasons Return Fund of Bond Funds B	-	Financial assets measured at fair value through profit or loss	783	7,265	-	7,265	Beneficiary certificates
"	Allianz Global Investors All Seasons Harvest Fund of Bond Funds B	-	"	879	7,213	-	7,213	"
"	Allianz Global Investors Income and Growth Fund-B	-	"	636	7,049	-	7,049	"
"	Fubon AI New Trends Multi-Asset Fund-A	Fund managed under a subsidiary company's manager of the Company	"	293	5,668	-	5,668	"
"	Allianz Global Investors Taiwan Fund A	-	"	71	5,793	-	5,793	"
"	96 Central Government Bond 7	-	Financial assets measured at amortized cost	-	274	-	272	Government bond

(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	December 31, 2021				Remark
				No. of shares	Carrying amount	Shareholding ratio	Market price	
Fubon Financial Holding Venture Capital Co., Ltd.	Franklin Templeton Sinoam Money Market Fund	-	Financial assets measured at fair value through profit or loss	7,981	83,434	-	83,434	Beneficiary certificates
"	Yuanta USD Money Market Fund USD	-	"	1,292	382,157	-	382,157	"
"	momo.com. Inc.	Related parties in substance	"	4,185	6,800,138	2.30	6,800,138	Listed stock
"	Tanvex BioPharma, Inc.	-	"	6,064	352,318	1.72	352,318	"
"	Drewloong Precision Inc.	-	"	186	18,957	0.52	18,957	"
"	An Shin Food Service Co., Ltd.	-	"	97	6,631	0.30	6,631	TPEX listed stock
"	KD Holding Corporation	-	"	470	109,946	0.68	109,946	"
"	Taiwan Microloops Corp.	-	"	1,000	60,070	2.67	60,070	Emerging stock
"	One Production Co., Ltd.	-	"	1,131	27,103	10.43	27,103	"
"	Long time tech. Co., Ltd.	Related parties in substance	"	10,000	596,700	8.31	596,700	"
"	TwI Biotechnology Co., Ltd.	-	"	2,700	43,011	4.00	43,011	"
"	TaiRx, Inc.	Related parties in substance	"	2,760	146,666	3.09	146,666	"
"	Inergy Technology Inc.	-	"	1,600	247,920	3.94	247,920	"
"	Alar Pharmaceuticals Inc.	-	"	4,977	231,729	8.73	231,729	"
"	VisEra Technologies Company Limited	-	"	580	294,512	0.20	294,512	"
"	HD Renewable Energy Co., Ltd.	-	"	5,441	414,781	7.77	414,781	"
"	Media Asia Group Holdings Ltd.	-	"	9,919	41,911	0.33	41,911	Hong Kong listed stock
"	ConforMIS, Inc.	-	"	100	2,108	0.05	2,108	US listed stock
"	H&Q AP Greater China Growth Fund	-	"	-	-	4.00	-	Private fund
"	Grand Academy Investment, L.P.	-	"	-	101,106	4.17	101,106	"
"	Starview Heights Investment, L.P.	-	"	-	31,678	4.17	31,678	"
"	Bigbest Solutions, Inc.	Related parties in substance	"	8,000	57,920	11.43	57,920	Unlisted stock
"	Century Development Corporation	"	"	3,509	39,617	1.00	39,617	"
"	StemCyte Inc.	"	"	14,075	70,153	10.46	70,153	"
"	Sunny Pharmtech Inc.	"	"	13,622	158,556	9.83	158,556	"
"	Asian Crown International Co., Ltd.	"	"	824	-	6.94	-	"
"	DETKET Technology Inc.	"	"	990	5,326	13.38	5,326	"
"	TeTanTi Agricultural Biotechnology Co., Ltd.	"	"	1,500	16,875	6.00	16,875	"
"	Airoha Technology Corp.	"	"	497	230,937	0.54	230,937	"
"	Elixiron Immunotherapeutics Limited	-	"	2,010	45,637	2.36	45,637	"

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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	December 31, 2021				Remark
				No. of shares	Carrying amount	Shareholding ratio	Market price	
Fubon Financial Holding Venture Capital Co., Ltd.	Beseye Cloud Security Co., Ltd.	Related parties in substance	Financial assets measured at fair value through profit or loss	6,200	30,380	29.83	30,380	Unlisted stock
"	UUPON Inc.	"	"	1,161	6,028	17.50	6,028	"
"	Jeoutai Technology	"	"	2,714	37,349	8.06	37,349	"
"	Annji Pharmaceutical Co., Ltd.	"	"	7,688	212,047	12.33	212,047	"
"	TIPCO International Limited	-	"	1	2,493	4.54	2,493	"
"	Phalanx Biotech Group	-	"	29	311	0.04	311	"
"	Lonestar Heart Inc.	-	"	294	-	4.01	-	"
"	DoDoPal Holdings Ltd.	-	"	42	-	6.78	-	"
"	Crystal Bright Development Limited, BVI	-	"	10	-	1.91	-	"
"	Eva Technologies Co., Ltd.	-	"	1,340	2,747	6.50	2,747	"
"	ABG II-WX Limited, BVI	-	"	-	1,637,521	9.30	1,637,521	"
"	BRIM Biotechnology, Inc.	-	"	1,300	45,500	1.88	45,500	"
"	Aeolus Robotics	-	"	6,000	27,689	8.60	27,689	"
"	RenalPro Medical, Inc.	-	"	1,562	15,136	12.68	15,136	"
"	Artlux Corporation	-	"	2,784	38,169	4.76	38,169	"
"	Black Light Surgical, Inc	-	"	628	27,689	3.23	27,689	"
"	Triller Acquisition LLC	-	"	3,000	17,444	4.19	17,444	"
"	Ever Victory Global Ltd.	-	"	5,000	161,982	0.81	161,982	"
"	SuperMetalix, Inc	-	"	788	83,068	6.67	83,068	"
"	OmniEyes Co., Ltd.	Related parties in substance	"	5,840	108,633	19.39	108,633	"
"	ACP Barite Investment L.P.	-	"	-	398,993	7.50	398,993	"
"	New Epoch Capital L.P	-	"	-	149,081	3.50	149,081	"
"	Leadpower-semi Co., Ltd.	-	"	550	20,004	5.44	20,004	"
"	T-E Pharma Holding	-	"	3,750	26,997	1.43	26,997	"
"	Kbro Media Co., Ltd.	Related parties in substance	Financial assets measured at fair value through other comprehensive income	7,638	94,328	11.66	94,328	"
"	Diamond Bioventure	"	"	25,000	353,750	5.00	353,750	"
"	Star River Energy Corporation	"	"	1,341	22,549	1.49	22,549	"
"	Star Shining Energy Corporation	"	"	49,000	654,683	7.00	654,683	"
"	Wholex Max Green Power Co., Ltd.	"	"	1,090	16,252	1.00	16,252	"
"	Fubon Hospitality Management Co., Ltd.	"	"	5,000	8,150	17.86	8,150	"
"	Xin-Yao Bioventure Co., Ltd.	"	"	17,500	178,150	5.00	178,150	"
"	Omniad Media Incorporation	-	"	7,675	-	10.21	-	"
"	Yuan tai Foreign	-	"	240	26,345	2.00	26,345	"
"	Taiwania Capital Management Corporation	-	"	20,720	38,539	8.29	38,539	"

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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	December 31, 2021				Remark
				No. of shares	Carrying amount	Shareholding ratio	Market price	
Fubon Financial Holding Venture Capital Co., Ltd.	Dragon Tiger Capital Partners Ltd. B class	-	Financial assets measured at fair value through other comprehensive income	1	-	7.00	-	Unlisted stock
"	Dragon Tiger Capital Partners Ltd. C class	-	"	-	-	35.00	-	"
"	P. LEAGUE+	Related parties in substance	"	500	2,340	10.00	2,340	"
"	Cofit Healthcare Inc.	"	"	275	223	10.20	223	"
"	FOOTPRINTKU INC.	"	Financial assets measured at fair value through profit or loss	1,800	50,724	8.32	50,724	"
"	Jing Ying Investment Co., Ltd.	"	Financial assets measured at fair value through other comprehensive income	7,805	78,050	5.00	78,050	"
"	Teng Fu Bo Investment Limited	"	"	26,124	296,376	3.50	296,376	"
"	Evergreen Aviation Technologies Corp	-	"	780	49,140	0.22	49,140	"
Fubon Sports & Entertainment Co., Ltd.	CHOXUE Holdings	-	"	297,974	-	1.66	-	"
TFB Capital Co., Ltd.	Eastspring Investments Well Pool Money Market Fund	-	Financial assets measured at fair value through profit or loss	2,179	29,941	-	29,941	Beneficiary certificates
"	Allianz US Low Average Duration High Yield Fund	-	"	24,095	260,978	-	260,978	"
"	PineBridge Global ESG Quantitative Bond Fund	-	"	25,084	255,344	-	255,344	"
"	Nomura Fallen Angel High Yield Bond Fund	-	"	25,484	258,331	-	258,331	"
"	Nomura Global Financial Bond Fund	-	"	14,403	156,774	-	156,774	"
"	Allianz Global Investors US Bond Fund	-	"	852	254,679	-	254,679	"
"	Hyena Inc.	-	"	500	34,070	2.63	34,070	Unlisted stock
"	Teng Fu Bo Investment Limited	Related parties in substance	Financial assets measured at fair value through other comprehensive income	37,320	425,612	5.00	425,612	"
JihSun Futures Co., Ltd.	Taiwan Futures Exchange Co., Ltd.	"	"	7,156,583	644,593	1.70	644,593	"
"	Yuanta GreTai 50 ETF Feeder Fund	-	Financial assets measured at fair value through profit or loss	1,000,000	21,240	-	21,240	Beneficiary certificates
"	Yuanta Hi-Tech Equity Fund	-	"	275,255	11,395	-	11,395	"
"	Yuanta Real Multi-Asset Fund	-	"	1,002,004	9,980	-	9,980	"
JihSun Venture Capital Co., Ltd.	Basecom Telecommunication Co., Ltd.	-	"	600,000	18,876	3.23	18,876	Unlisted stock

(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	December 31, 2021				Remark
				No. of shares	Carrying amount	Shareholding ratio	Market price	
JS CRESVALE Securities International Limited	Hong Kong and China Gas 2023 RMB Bond	-	Financial assets measured at fair value through profit or loss	-	8,685	-	8,685	Bond
"	Hong Kong government 2024 HKD Inflation-linked Bond	-	"	-	39,956	-	39,956	"
"	Lenovo Group 2022 USD Bond	-	"	-	11,127	-	11,127	"
"	Country Garden Services Holdings 2022 HKD Convertible Bond	-	"	-	34,851	-	34,851	Convertible bond
"	Link Real Estate Investment Trust 2024 HKD Convertible Bond	-	"	-	56,897	-	56,897	"
"	Luye Pharma Group 2024 USD Convertible Bond	-	"	-	16,639	-	16,639	"
"	Micropoint Scientific 2026 USD Convertible Bond	-	"	-	32,199	-	32,199	"
"	CK Hutchison Holdings Ltd.	-	Financial assets measured at fair value through other comprehensive income	10,000	1,785	-	1,785	Listed stock
"	CLP Holdings Ltd.	-	"	6,500	1,817	-	1,817	"
"	Sun Hung Kai Properties Ltd.	-	"	10,000	3,357	-	3,357	"
"	Guangdong Investment Ltd.	-	"	188,000	6,612	-	6,612	"
"	China Overseas Land & Investment Ltd.	-	"	26,000	1,703	-	1,703	"
"	China Construction Bank Corporation	Related parties in substance	"	190,000	3,641	-	3,641	"
"	China Mobile Ltd.	-	"	20,000	3,322	-	3,322	"
"	CK Infrastructure Holdings Ltd.	-	"	24,000	4,229	-	4,229	"
"	China Resources Land Ltd.	-	"	14,000	1,630	-	1,630	"
"	HKBN Ltd.	-	"	97,000	3,294	0.01	3,294	"
"	CITIC Telecom International Holdings Ltd.	-	"	420,000	3,920	0.01	3,920	"
"	China Vanke Co., Ltd.	-	"	21,100	1,358	-	1,358	"
"	BOC Hong Kong (Holdings) Ltd.	-	"	22,000	1,995	-	1,995	"
"	Link Real Estate Investment Trust	-	Financial assets measured at fair value through profit or loss	7,000	1,705	-	1,705	Trust Fund
"	Fortune Real Estate Investment Trust	-	"	72,000	2,047	-	2,047	Beneficiary securities

(Continued)

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

- (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			December 31, 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	Investments accounted for using equity method	Public tender offer	Subsidiary	-	-	2,237,565	33,141,890 (Note 1)	-	-	-	-	2,237,565	33,141,890
Fubon Life Insurance	Fubon Hyundai Life Insurance	Investments accounted for using equity method	Fubon Hyundai Life Insurance	Subsidiary	83,736	19,726,811	91,598	9,307,127 (Note 2)	-	-	-	-	175,334	29,033,938
Fubon Life Insurance	Star Shining Energy Corporation	Investments accounted for using equity method	Star Shining Energy Corporation	associates	150,000	1,535,630	60,000	603,934 (Note 3)	-	-	-	-	210,000	2,139,564
Fubon Property and Casualty Insurance Co., Ltd.	Teng Fu Bo Investment Limited	Investments accounted for using equity method	Fubon Financial Holding Venture Capital, TFB Capital	associates	-	451,517	-	-	724,863	282,232 (Note 4)	861,872 (Note 5)	-	-	169,285
Taipei Fubon Bank	Fubon Bank (China)	Investments accounted for using equity method	Fubon Bank (China)	Subsidiary	-	21,340,401	-	6,423,988 (Note 2)	-	-	-	-	-	27,764,389
Taipei Fubon Bank	Nutmeg Saving and Investment Limited	Financial assets measured at fair value through other comprehensive income	JPMorgan Chase Holdings LLC	-	1,470	531,769	-	-	1,470	1,766,751	531,769 (Note 6)	1,158,208	-	-
Fubon Bank (China)	Sichuan VipFubon Consumer Finance Ltd.	Investments accounted for using equity method	Sichuan VipFubon Consumer Finance Ltd.	associates	-	-	-	436,806 (Note 7)	-	-	-	-	-	436,806

Note 1: Included the initial costs of JihSun Financial Holding invested by Fubon Financial Holding amounting to \$28,593,181 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.

Note 3: Included the initial cost of Star Shining Energy Corporation invested by Fubon Life Insurance amounting to \$600,000 thousand. The remainders are shares of profit or other comprehensive income accounting for using the equity method.

Note 4: Included the initial cost of Teng Fu Bo Investment Limited sold by Fubon Property and Casualty Insurance Co., Ltd. amounting to \$273,602 thousand. The remainders are shares of profit or other comprehensive income accounting for using the equity method and capital surplus.

Note 5: The inter-company transactions had been eliminated in the preparation of the consolidated financial statement.

Note 6: Included the initial cost of Nutmeg Saving and Investment Limited sold by Taipei Fubon Bank amounting to \$608,543 thousand. The remainders are valuation adjustments measured at fair value.

Note 7: Included the initial cost of Sichuan VipFubon Consumer Finance invested by Fubon Bank (China) amounting to \$542,363 thousand. The remainders are shares of profit or other comprehensive income accounting for using the equity method.

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

- (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			December 31, 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 Capital	ABG II-WX Limited, BVI	Financial assets measured at fair value through profit or loss	ABG II-WX Limited.	-	-	1,369,014	-	-	-	717,510	(268,507) (Note 1)	652,134	-	1,637,521
Fubon Financial Holding Venture Capital	New Epoch capital	Financial assets measured at fair value through profit or loss	New Epoch capital	-	-	-	-	501,579 (Note 2)	-	348,533	352,498 (Note 2)	(10,988)	-	149,081
Fubon Financial Holding Venture Capital	A.T. Holding	Financial assets measured at fair value through profit or loss	A.T. Holding	-	280	200,018	-	-	280	414,667	200,018 (Note 3)	144,007	-	-
TFB Capital	Allianz Global Investors Taiwan Money Market Fund	Financial assets measured at fair value through profit and loss	-	-	-	-	30,053	380,000 (Note 4)	30,053	380,140	380,000 (Note 4)	140	-	-
TFB Capital	Capital Money Market Fund	Financial assets measured at fair value through profit and loss	-	-	-	-	23,034	375,000 (Note 5)	23,034	375,130	375,000 (Note 5)	130	-	-
TFB Capital	Eastspring Investments Well Pool Money Market Fund	Financial assets measured at fair value through profit and loss	-	-	-	-	26,957	370,000 (Note 6)	24,778	340,230	340,059 (Note 6)	148	2,179	29,941
TFB Capital	Teng Fu Bo Investment Limited	Financial assets measured at fair value through other comprehensive income	Fubon Property and Casualty Insurance Co., Ltd.	Related parties in substance	-	-	37,320	425,612 (Note 7)	-	-	-	-	37,320	425,612

Note1: Included the initial costs of ABG II-WX Limited. sold by Fubon Financial Holding Venture Capital amounting to \$65,376 thousand, with the remainder being recognized as valuation adjustments measured at fair value.

Note2: Included the initial costs of New Epoch capital purchased by Fubon Financial Holding Venture Capital amounting to \$512,955 thousand, with the remainder being recognized as valuation adjustments measured at fair value and the initial costs of New Epoch capital sold by Fubon Financial Holding Venture Capital amounting to \$359,521 thousand, with the remainder being recognized as valuation adjustments measured at fair value.

Note3: Included the initial costs of A.T. Holding sold by Fubon Financial Holding Venture Capital amounting to \$270,660 thousand, with the remainder being recognized as valuation adjustments measured at fair value.

Note4: Included the initial costs of Allianz Global Investors Taiwan Money Market Fund purchased by TFB Capital amounting to \$380,000 thousand and the initial costs of Allianz Global Investors Taiwan Money Market Fund sold by TFB Capital amounting to \$380,000 thousand.

Note5: Included the initial costs of Capital Money Market Fund purchased by TFB Capital amounting to \$375,000 thousand and the initial costs of Capital Money Market Fund sold by TFB Capital amounting to \$375,000 thousand.

Note6: Included the initial costs of Eastspring Investments Well Pool Money Market Fund purchased by TFB Capital amounting to \$370,000 thousand and the initial costs of Eastspring Investments Well Pool Money Market Fund sold by TFB Capital amounting to \$340,082 thousand, with the remainder being recognized as valuation adjustments measured at fair value.

Note7: Included the initial costs of Teng Fu Bo Investment Limited purchased by TFB Capital amounting to \$425,612 thousand.

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

- (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
- (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	1,199,951 (Note 1)	-	-	-	-	-
"	Fubon Life Insurance	"	11,723,607 (Note 1)	-	-	-	-	-
"	Fubon Insurance	"	395,361 (Note 1)	-	-	-	-	-
"	Fubon Securities	"	1,098,742 (Note 1)	-	-	-	-	-
"	Fubon Life Insurance	"	552,329	-	-	-	-	-
Fubon Life Insurance	Fubon Financial Holding	Parent Company	3,144,355 (Note 2)	-	-	-	-	-
Taipei Fubon Bank	Fubon Life Insurance	Subsidiary of the Parent	367,305	-	-	-	-	-
JihSun Financial Holding	JihSun Securities	Subsidiary Company	475,707 (Note 1)	-	-	-	-	-
JihSun Bank	JihSun Financial Holding	Parent Company	523,818 (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.

Note 3: 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(ah).
- (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	72,303 KRW 3,104,345	78,777 KRW 3,229,218	3,046 KRW 124,873	None	None
2021.06.29	Korea Asset Management Corporation	Mortgage loan	38,037 KRW 1,633,113	41,148 KRW 1,686,737	1,308 KRW 53,624	None	None
2021.09.29	Korea Asset Management Corporation	Mortgage loan	26,151 KRW 1,122,775	28,173 KRW 1,154,854	783 KRW 32,079	None	None
2021.12.28	Korea Asset Management Corporation	Mortgage loan	32,135 KRW 1,379,722	35,486 KRW 1,454,654	1,828 KRW 74,932	None	None

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

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 December 31, 2021, and average exchange rate for the year ended December 31, 2021.

- 2) The information of a transaction of NPL disposition up to \$1,000,000 thousand should be disclosed: None

(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	Gain and loss on financial assets and liabilities measured at fair value through profit or loss	720,000	Same as non related-party transactions	0.15 %
0	Fubon Financial Holding	Fubon Life Insurance	1	Current tax assets	11,723,607	Same as non related-party transactions	0.11 %
0	Fubon Financial Holding	Fubon Life Insurance	1	Financial assets measured at fair value through profit or loss	20,287,671	Same as non related-party transactions	0.19 %
0	Fubon Financial Holding	Taipei Fubon Bank	1	Cash and cash equivalents	17,767,784	Same as non related-party transactions	0.17 %
1	Taipei Fubon Bank	Fubon Life Insurance	3	Net service fee revenue	5,049,228	Same as non related-party transactions	1.04 %
2	Fubon Life Insurance	Taipei Fubon Bank	3	Cash and cash equivalents	33,865,484	Same as non related-party transactions	0.32 %
2	Fubon Life Insurance	Fubon Insurance	3	Net insurance service revenue	1,174,009	Same as non related-party transactions	0.24 %
3	Fubon Securities	Taipei Fubon Bank	3	Cash and cash equivalents	16,462,369	Same as non related-party transactions	0.16 %
3	Fubon Securities	Taipei Fubon Bank	3	Other non-interest revenue, net	374,459	Same as non related-party transactions	0.08 %
4	Fubon Insurance Agency	Fubon Insurance	3	Net service fee and commission income	479,339	Same as non related-party transactions	0.10 %
5	Fubon Bank (Hong Kong)	Fubon Life Insurance (Hong Kong)	3	Net service fee and commission income	272,778	Same as non related-party transactions	0.06 %

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 December 31, 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%	40,661,262	6,412,390	317,840	-	317,840	100.00%		
	Fubon Life Insurance Co., Ltd.	Taipei	Life insurance	100.00%	580,331,318	102,834,910	11,083,114	-	11,083,114	100.00%		
	Fubon Securities Co., Ltd.	Taipei	Securities	100.00%	38,566,788	7,062,518	1,064,355	-	1,064,355	100.00%		
	Taipei Fubon Bank Co., Ltd.	Taipei	Banking	100.00%	224,144,485	18,643,404	12,256,209	-	12,256,209	100.00%		
	Fubon Marketing Co., Ltd.	Taipei	Marketing and management consult	100.00%	468,576	179,854	14,500	-	14,500	100.00%		
	Fubon Financial Holding Venture Capital Co., Ltd.	Taipei	Venture Capital	53.80%	9,586,397	4,242,950	366,617	-	681,500	100.00%		
	Fubon Bank Hong Kong Limited	Hong Kong	Banking	100.00%	47,836,013	1,513,073	1,641,273	-	1,641,273	100.00%		
	Fubon Asset Management Service Co., Ltd.	Taipei	Creditor's rights management	100.00%	2,340,001	178,258	250,000	-	250,000	100.00%		
	Taiwan Sport Lottery Co., Ltd.	Taipei	IT Software Service	100.00%	854	(54)	9,729	-	9,729	100.00%		
	Fubon Asset Management Co., Ltd.	Taipei	Asset management	100.00%	3,814,372	347,320	271,009	-	271,009	100.00%		
	Fubon Bank(China) Co., Ltd.	Mainland China	Banking	42.08%	20,025,786	837,276	-	-	-	100.00%		
	Xiamen Bank Co., Ltd.	Mainland China	Banking	17.95%	15,835,788	1,522,305	473,755	-	473,755	17.95%		
	JihSun Financial Holding Co., Ltd	Taipei	Financial Holding	58.39%	33,141,890	1,653,624	2,237,565	-	2,237,565	58.39%		
	Sichuan VipFubon Consumer Finance Ltd.	Mainland China	Loan for Personal Consumption	10.52%	183,808	(44,749)	-	-	-	25.00%		
	Fubon Insurance	Fubon Brokers (Thailand) Co., Ltd.	Thailand	Insurance brokers	48.97%	33,977	7,027	29	-	29	48.97%	
		Fubon Insurance (Vietnam) Co., Ltd.	Vietnam	Insurance Business	100.00%	721,375	6,856	-	-	-	100.00%	
Fubon Insurance Broker (Philippines) Co., Ltd.		Philippines	Insurance brokers	99.99%	15,831	3,343	200	-	200	99.99%		
Fubon Property and Casualty Insurance Co., Ltd		Mainland China	Property insurance	40.00%	491,080	225,639	-	-	-	80.00%		
Teng Fu Bo Investment Limited		Mainland China	Investment advisory	3.27%	67,714	333,451	-	-	-	15.04%		
Xiamen Jinfuyuan Insurance Surveyors and Loss Adjusters Co.,Ltd.		Mainland China	Insurance risk and loss assessment	9.98%	1,151	(11)	-	-	-	19.96%		
Fubon Life Insurance	Fubon Life Insurance (Vietnam) Co., Ltd.	Vietnam	Life Insurance business	100.00%	1,556,792	(9,925)	-	-	-	100.00%		
	Fubon Life Insurance (Hong Kong) Ltd.	Hong Kong	Life Insurance business	100.00%	12,503,816	702,433	2,675,000	-	2,675,000	100.00%		
	Fubon Hyundai Life Insurance Co.,Ltd.	Korea	Life Insurance business	77.40%	29,033,938	2,850,144	175,334	-	175,334	77.40%		
	Carter Lane (Guernsey) Limited	Guernsey Island	Investment property leasing	100.00%	2,939,441	122,162	41,515	-	41,515	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 Life Insurance	Bow Bells House (Jersey) Limited	Jersey Island	Investment property leasing	100.00%	1,136,926	(198,008)	46,173	-	46,173	100.00%		
	Fubon MTL Property (Jersey) Limited	Jersey Island	Investment property leasing	100.00%	4,848,721	724,629	92,581	-	92,581	100.00%		
	Fubon Ellipse (Belgium) S.A.	Belgium Brussels	Investment property leasing	100.00%	1,861,539	(157,339)	1,134	-	1,134	100.00%		
	Fubon Eurotower (Luxembourg) S.a.r.l	Luxembourg	Investment property leasing	100.00%	6,818,548	287,403	220	-	220	100.00%		
	CITIC Capital Holdings Ltd.	Hong Kong	Capital holdings	18.00%	9,259,026	679,566	13,980	-	13,980	18.00%		
	Fubon Financial Holding Venture Capital Co., Ltd.	Taipei	Venture Capital	25.00%	4,389,337	1,668,825	170,375	-	681,500	100.00%		
	Star River Energy Co., Ltd.	Taipei	Energy Technology Service	20.00%	213,444	22,213	18,044	-	19,385	21.49%		
	Star Shining Energy Co., Ltd.	Taipei	Energy Technology Service	30.00%	2,139,564	28,982	210,000	-	259,000	37.00%		
	Wholex Max Green Power Co., Ltd.	Taipei	Energy Technology Service	30.00%	344,900	14,271	32,700	-	33,790	31.00%		
	Hsin Ting Yi Hao Energy Corporation	Taipei	Energy Technology Service	30.00%	150,878	878	15,000	-	15,000	30.00%		
	ZhongAn Life Insurance Ltd.	Hong Kong	Life Insurance business	35.00%	930,302	(98,419)	350,000	-	350,000	35.00%		
	Fubon Property and Casualty Insurance Co., Ltd.	Mainland China	Property insurance	40.00%	491,080	225,639	-	-	-	80.00%		
	Teng Fu Bo Investment Limited	Mainland China	Investment advisory	3.27%	67,714	333,451	-	-	-	15.04%		
	Xiamen Jinfuyuan Insurance Surveyors and Loss Adjusters Co., Ltd.	Mainland China	Insurance risk and loss assessment	9.98%	1,151	(11)	-	-	-	19.96%		
	Fubon Securities	Fubon Futures Co., Ltd.	Taipei	Futures	100.00%	2,135,434	95,136	140,000	-	140,000	100.00%	
		Fubon Investment Holding (BVI) Ltd.	British Virgin Islands	Investment Holding	100.00%	800,446	34,487	26,926	-	26,926	100.00%	
Fubon Securities investment Services Co., Ltd.		Taipei	Investment Consulting	100.00%	99,035	161	9,000	-	9,000	100.00%		
Fubon Securities Venture Capital Co., Ltd.		Taipei	Venture Capital	100.00%	232,920	(72,871)	30,000	-	30,000	100.00%		
Fubon Mintou Venture Capital Co., Ltd.		Taipei	Venture Capital	67.00%	131,944	(1,079)	13,400	-	13,400	67.00%		
Fubon Macquarie Infrastructure Asset Management		Taipei	Asset management	-%	-	(1)	-	-	-	-%		
Fubon Financial Holding Venture Capital Co., Ltd.		Taipei	Venture Capital	11.20%	1,901,948	750,248	76,358	-	681,500	100.00%		
Fubon Securities (HK) Ltd.		Hong Kong	Securities	100.00%	744,978	35,482	220,248	-	220,248	100.00%		
Taipei Fubon Bank	Xiamen Fubon Securities Equity Investment Ltd.	Mainland China	Equity Investment	-%	-	3,151	-	-	-	-%		
	Fubon Real Estate Management Co., Ltd.	Taipei	Investigation, consultation, management and real estate evaluation of construction plans	30.00%	136,539	4,797	6,964	-	6,964	30.00%		
	Line BIZ+ Taiwan Limited	Taipei	Third-Party Payment Services	19.99%	3,019,604	13,614	10,936	-	10,936	19.99%		

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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	
Taipei Fubon Bank	Fubon Bank (China) Ltd. Co.,	Mainland China	Banking	57.92%	27,764,389	1,026,580	-	-	-	100.00%	
	Line Bank Co., Ltd.	Taipei	Banking	25.10%	1,989,005	(299,819)	251,000	-	251,000	25.10%	
	TFB Capital Co., Ltd.	Taipei	Venture Capital	100.00%	1,973,386	(26,087)	200,000	-	200,000	100.00%	
	Sichuan VipFubon Consumer Finance Ltd.	Mainland China	Loan for Personal Consumption	14.48%	252,998	(61,594)	-	-	-	25.00%	
Fubon Marketing	Fu Sheng Insurance Agency Co., Ltd.	Taipei	Life Insurance Agent	100.00%	69,380	24,208	3,000	-	3,000	100.00%	
	Fubon Insurance Agency Co., Ltd.	Taipei	Property and Casualty Insurance Agent	100.00%	224,109	171,039	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%	94,822	(6,344)	10,227	-	10,227	100.00%	
	Fubon Stadium Co., Ltd.	Taipei	Stadium service	100.00%	51,704	1,027	5,841	-	5,841	100.00%	
	Fubon Health Management Co., Ltd.	Taipei	Aesthetic medicine	24.27%	20,003	(2,286)	5,000	-	5,000	24.27%	
	Bravelog Sport Technology Co., Ltd.	Taipei	Sport Training	32.61%	-	(3,624)	1,500	-	1,500	32.61%	
Fubon Asset Management Co., Ltd.	Founder Fubon Fund Asset Management Co., Ltd.	Mainland China	Fund Management	33.30%	347,263	(104,205)	-	-	-	33.30%	
	Fubon Convoy Asset Management (Hong Kong) Limited	Hong Kong	Asset management	-%	-	(3,531)	-	-	-	-%	
	Fubon Private Equity Co., Ltd.	Taipei	Investment and Investment service management	100.00%	14,246	(11,142)	3,000	-	3,000	100.00%	
	Fubon Fund Management (HK) Ltd.	Hong Kong	Asset management	100.00%	146,203	(57,338)	800	-	800	100.00%	
Fubon Bank (Hong Kong) (Note)	Fubon Digital Music Asset Management Co., Ltd.	Taipei	Venture Capital	51.00%	(795)	(3,304)	255	-	255	51.00%	
	Fubon Digital Music GP Limited	Cayman Islands	General partner of private fund	100.00%	514	(878)	50	-	50	100.00%	
	FB Credit (Hong Kong) Limited	Hong Kong	Financial sector business	100.00%	HKD 90,629	HKD (27)	65,000,000	-	65,000,000	100.00%	
	FB Securities (Hong Kong) Limited	Hong Kong	Securities broker	100.00%	HKD 159,511	HKD 37,345	8,000	-	8,000	100.00%	
JihSun Financial Holding	Fubon Nominees (Hong Kong) Limited	Hong Kong	Nominees service	100.00%	HKD 145	HKD (2)	-	-	-	100.00%	
	Fubon Insurance Broker Limited	Hong Kong	Insurance brokers	100.00%	HKD 4,022	HKD (394)	500	-	500	100.00%	
	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%	33,909,261	2,892,741	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%	23,319,411	379,361	1,844,825	-	1,844,825	100.00%	
	JihSun International Property Insurance Agency Co., Ltd.	Taipei	Property insurance agency	100.00%	8,315	(21)	500	-	500	100.00%	
	JihSun Futures Co., Ltd.	Taipei	Domestic and foreign futures brokerage, proprietary trading and futures consulting	98.14%	2,150,375	43,816	68,696	-	68,696	98.14%	
	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%	1,122,821	(27,389)	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%	66,086	(1,932)	10,000	-	10,000	100.00%	
	JihSun Venture Capital Co., Ltd	Taipei	Venture capital	100.00%	282,659	(7,830)	30,000	-	30,000	100.00%	
	JihSun Securities Investment Trust Co., Ltd.	Taipei	Securities investment trust business and discretionary investment business	20.00%	298,878	11,618	7,800	-	7,800	20.00%	
	JihSun Life Insurance Agency Co., Ltd.	Taipei	Life insurance agency	98.76%	51,937	11,462	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%	1,038,003	(28,621)	440,000	-	440,000	100.00%	
	JS Cresvale Capital Limited	Hong Kong	Stock brokerage, futures brokerage, sales of mutual funds.	100.00%	76,220	(28)	2,000	-	2,000	100.00%	

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.

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

(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 December 31, 2021	Net income from investee	Percentage of Ownership	Equity in the Earnings (gains)	Carrying value as of December 31, 2021	Accumulated inward remittance of earnings as of December 31, 2021
					Outflow	Inflow						
Fubon Bank (China)	Banking	10,629,415 (CNY2,445,382)	Direct investment in Mainland China	42,122,872	4,321,280	-	46,444,152	2,237,087 (CNY515,588)	100.00 %	1,863,856	47,790,175	168,999
Sichuan VipFubon Consumer Finance Ltd.	Loan for Personal Consumption	2,173,365 (CNY500,000)	Indirect investment in Mainland China	-	-	-	-	(425,373) (CNY98,037)	25.00 %	(106,343)	436,806	-

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 December 31, 2021	Net income from investee	Percentage of Ownership	Equity in the Earnings (gains)	Carrying value as of December 31, 2021	Accumulated inward remittance of earnings as of December 31, 2021
					Outflow	Inflow						
Xiamen Bank	Banking	11,471,576 (CNY2,639,128)	(Note 1)	N/A. Investment of Fubon Bank (Hong Kong)	-	-	-	8,482,103 (CNY1,954,895) (Note 2)	17.95 %	1,522,305	15,835,788	783,827

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. The net income from investee was based on December 31, 2021 financial statements announced by Xiamen Bank, which were not audited by independent auditors.

3) Upper limit on investment:

Company	Accumulated investment in Mainland China as of December 31, 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)	569,741,585
Taipei Fubon Bank Co., Ltd.	24,579,578 (CNY5,093,113)	24,579,578 (CNY5,093,113)	135,857,970

Note: The paid-in capital and profit or loss in foreign currencies are converted into TWD using CNY closing exchange rate on December 31, 2021, and the CNY average exchange rate for the year ended December 31, 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 December 31, 2021, the total investment of Fubon Life Insurance and Fubon Insurance amounted to CNY 896 million.

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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%. On August 13, 2020, Fubon Property and Casualty Insurance Co., Ltd shareholders' meeting has passed a resolution to dispose of 8.5% shareholding in Shenzhen Teng Fu Bo Investment Limited. The disposal was approved by the competent authority on October 6, 2021. The shareholding was sold to Fubon Financial Holding Venture Capital Co., Ltd. and TFB Capital Co., Ltd., with the total proceeds of CNY 165,589 thousand. The equity transfer was completed on October 15, 2021, which resulted in the shareholdings to decrease from 16.667% to 8.167%. As of December 31, 2021, total investment is CNY 60,956 thousand.

On April 8, 2021, Fubon Property and Casualty Insurance Co., Ltd. acquired 24.96% shares of Xiamen Jinfuyuan Insurance Surveyors and Loss Adjusters Co., Ltd. As of December 31, 2021, total investment is CNY 668 thousand.

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 December 31, 2021	Net income from investee	Percentage of Ownership	Equity in the Earnings (gains)	Carrying value as of December 31, 2021	Accumulated inward remittance of earnings as of December 31, 2021
					Outflow	Inflow						
Fubon Property and Casualty Insurance Limited	Property Insurance	4,868,338 (CNY1,120,000)	1	4,310,273	-	-	4,310,273	564,099	80.00 %	451,278	982,160	-
Teng Fu Bo Investment Limited (Note 6)	Investment advisory	3,244,399 (CNY746,400)	3	-	-	-	-	(624,898)	6.54 %	(22,594) (Note 7)	135,428	-
Xiamen Jinfuyuan Insurance Surveyors and Loss Adjusters Co.,Ltd.	Insurance risk and loss assessment	8,693 (CNY2,000)	3	-	-	-	-	(1,309)	19.96 %	(22)	2,302	-

2) Information of Fubon Financial Holding Venture Capital and TFB Capital'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 December 31, 2021	Net income from investee	Percentage of Ownership	Equity in the Earnings (gains)	Carrying value as of December 31, 2021	Accumulated inward remittance of earnings as of December 31, 2021
					Outflow	Inflow						
Teng Fu Bo Investment Limited (Note 6)	Investment advisory	3,244,399 (CNY746,400)	1	76	724,863	-	724,863	(624,898)	8.50 %	(75,915)	176,195	-

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

3) 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 December 31, 2021	Net income from investee	Percentage of Ownership	Equity in the Earnings (gains)	Carrying value as of December 31, 2021	Accumulated inward remittance of earnings as of December 31, 2021
					Outflow	Inflow						
CITIC Fulljoy (Dalian) Limited	Real estate development	1,278,282 (HKD360,000)	2	-	-	-	-	2,575 CNY594	18.00 %	464 CNY107	Note 3	-
Shang Hsing Real Estate (Shenyang) Limited	Real estate leasing	1,775,392 (HKD500,000)	2	-	-	-	-	(50,952) CNY(11,743)	18.00 %	(9,171) CNY(2,114)	Note 3	-
CITIC Capital Holdings (Tianjin) Ltd.	Investment Holdings	19,544,772 (CNY4,496,431)	2	-	-	-	-	2,616,607 CNY603,057	12.27 %	321,073 CNY73,999	Note 3	-
Hui Zhi Ju Xin(Shenzhen) Investment Ltd.	Investment Management	434,673 (CNY100,000)	2	-	-	-	-	136,713 CNY31,509	12.27 %	16,775 CNY3,866	Note 3	-
Shanghai Ling Hui Business Information Consultancy Ltd.	Real estate leasing	3,231,068 (CNY743,333)	2	-	-	-	-	(131,990) CNY(30,420)	8.76 %	(11,561) CNY(2,665)	Note 3	-
Shanghai Jing Rong Industrial Development Ltd.	Real estate leasing	1,634,370 (CNY376,000)	2	-	-	-	-	(51,241) CNY(11,810)	8.76 %	(4,488) CNY(1,034)	Note 3	-
Murkden Tzu Tsai Heating & Development Ltd	Real estate leasing	282,537 (CNY65,000)	2	-	-	-	-	(566,646) CNY(130,596)	18.00 %	(101,996) CNY(23,507)	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 Huizhi Juxin Investment Management Co., Ltd., Shanghai Yuhui Business Information Consulting Co., Ltd., Shanghai Jingrong Industrial Development Co., Ltd., Shenyang Zucai Heating Development Co., Ltd., etc., a total of 107 companies.

Note 5: The foreign currency is converted into TWD using CNY closing exchange rate on December 31, 2021 and average exchange rate for the year ended December 31, 2021.

Note 6: The Company and its subsidiaries also indirectly invested in WeSure Insurance Ltd. through Teng Fu Bo Investment Ltd.

Note 7: Income recognized from investee company does not include the gain from disposal of investment amounting to \$689,496 thousand.

4) Upper limit on investment:

Units: In thousands of TWD

Company	Accumulated investment in Mainland China as of December 31, 2021	Investment amounts authorized by investment commission, MOEA	Upper limit on investment
Fubon Life Insurance Co., Ltd.	25,781,503	25,781,597	359,488,929
Fubon Insurance Co., Ltd.	2,154,951 (CNY448,000)	2,154,951 (CNY448,000)	26,796,930
TFB Capital Co., Ltd.	425,612 (CNY97,405)	425,612 (CNY97,405)	1,184,037
Fubon Financial Holding Venture Capital Co., Ltd.	299,251 (CNY68,184)	299,251 (CNY68,184)	10,071,299

Note: 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.

(Continued)

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 December 31, 2021	Net income from investee	Percentage of Ownership	Equity in the Earnings (gains) (Note 4)	Carrying value as of December 31, 2021	Accumulated inward remittance of earnings as of December 31, 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 December 31, 2021	Investment amounts authorized by investment commission, MOEA	Upper limit on investment (Note 2)
Fubon Securities Co., Ltd.	- (CNY-)	- (CNY-)	23,126,870

Note 1: Direct investment in Mainland China.

Note 2: It was calculated by Fubon Securities' net value as of December 31, 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 December 31, 2021	Net income from investee	Percentage of Ownership	Equity in the Earnings (gains) (Note 4)	Carrying value as of December 31, 2021	Accumulated inward remittance of earnings as of December 31, 2021
					Outflow	Inflow						
CITIC FUTONG Financial Leasing Ltd.	Financial leasing	4,046,956 (CNY931,034)	(Note 1)	1,356,479	-	-	1,356,479	(376,442)	25 %	-	-	-

Company	Accumulated investment in Mainland China as of December 31, 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)	1,403,561

Note 1: Direct investment in Mainland China.

Note 2: It was calculated by Fubon AMC's net value as of December 31, 2021.

Note 3: The amount above is converted into TWD using CNY closing exchange rate on December 31, 2021 and average exchange rate for the year ended December 31, 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 (k) for details.

(Continued)

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

- (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 December 31, 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 December 31, 2021	Net income from investee	Percentage of Ownership	Equity in the Earnings (gains)	Carrying value as of December 31, 2021	Accumulated inward remittance of earnings as of December 31, 2021
					Outflow	Inflow						
Founder Fubon Fund Management Limited	Fund raising and asset management	2,868,842 (CNY660,000)	(Note 1)	1,029,119	-	-	1,029,119	(312,927)	33.30 %	(104,205)	347,263	-

Company	Accumulated investment in Mainland China as of December 31, 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)	2,288,612

Note 1: Direct investment in Mainland China.

Note 2: It was calculated by Fubon Asset Management's net value as of December 31, 2021.

Note 3: The amount above is converted into TWD using CNY closing exchange rate on December 31, 2021 and average exchange rate for the year ended December 31, 2021.

- (d) Major shareholders:

Units: In shares

Shareholder's Name	Shareholding	Shares	Percentage
Taipei City Government		1,542,766,140	11.50 %
Ming-Dong Industrial Co., Ltd.		984,218,456	7.34 %
Dao-Ying Industrial Co., Ltd.		899,885,339	6.71 %

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.

(Continued)

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

(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(f).

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.

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:

	2021						Adjustment and reversal (Note)	Total
	Bank business	Insurance business	Insurance business	Securities business	Others	Others		
Net interest revenue								
Revenue by external customers	\$ 42,610,387	905,883	96,633,730	1,172,083	2,149,570	-	143,471,653	
Revenue between segments	(121,338)	257	(643,052)	23,426	(17,234)	757,941	-	
Net interest revenue	42,489,049	906,140	95,990,678	1,195,509	2,132,336	757,941	143,471,653	
Other net revenue								
Revenue by external customers	9,748,867	20,466,518	282,251,302	15,009,147	14,884,690	-	342,360,524	
Revenue between segments	5,392,069	(472,132)	(1,029,972)	1,300,120	147,149,172	(152,339,257)	-	
Other net revenue	15,140,936	19,994,386	281,221,330	16,309,267	162,033,862	(152,339,257)	342,360,524	
Net revenue	57,629,985	20,900,526	377,212,008	17,504,776	164,166,198	(151,581,316)	485,832,177	
Bad debt expense and reserve for guarantees	(4,525,744)	(80,459)	161,744	(17,390)	(192,672)	66,924	(4,587,597)	
Net change in provision for insurance reserve	-	(2,830,844)	(241,516,691)	-	-	565,222	(243,782,313)	
Operating expenses	(28,983,028)	(10,097,977)	(20,477,603)	(8,815,738)	(7,443,385)	3,944,863	(71,872,868)	
Net income (loss) before income tax	\$ 24,121,213	7,891,246	115,379,458	8,671,648	156,530,141	(147,004,307)	165,589,399	
Net income (loss) after income tax	\$ 21,113,496	7,202,085	103,697,312	7,399,439	154,838,973	(147,016,373)	147,234,932	
Assets	\$ 4,138,467,338	131,578,587	5,711,407,795	172,532,801	1,459,173,208	(1,113,426,403)	10,499,733,326	
Liabilities	\$ 3,848,506,290	86,145,016	5,101,897,078	130,109,442	436,722,472	(87,489,469)	9,515,890,829	

(Continued)

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

	2020						Total
	Bank business	Insurance business	Insurance business	Securities business	Others	Adjustment and reversal	
Net interest revenue							
Revenue by external customers	\$ 37,593,404	963,058	98,665,985	809,876	(738,024)	-	137,294,299
Revenue between segments	(159,665)	2,415	(632,100)	63,358	(19,022)	745,014	-
Net interest revenue	<u>37,433,739</u>	<u>965,473</u>	<u>98,033,885</u>	<u>873,234</u>	<u>(757,046)</u>	<u>745,014</u>	<u>137,294,299</u>
Other net revenue							
Revenue by external customers	12,776,420	15,298,382	297,684,416	10,365,883	3,086,685	-	339,211,786
Revenue between segments	5,177,146	(373,303)	(2,732,692)	687,029	94,987,490	(97,745,670)	-
Other net revenue	<u>17,953,566</u>	<u>14,925,079</u>	<u>294,951,724</u>	<u>11,052,912</u>	<u>98,074,175</u>	<u>(97,745,670)</u>	<u>339,211,786</u>
Net revenue	<u>55,387,305</u>	<u>15,890,552</u>	<u>392,985,609</u>	<u>11,926,146</u>	<u>97,317,129</u>	<u>(97,000,656)</u>	<u>476,506,085</u>
Bad debt expense and reserve for guarantees	(4,578,936)	(25,712)	225,149	1,790	5,664	-	(4,372,045)
Net change in provision for insurance reserve	-	(781,103)	(306,330,942)	-	-	737,914	(306,374,131)
Operating expenses	(28,253,468)	(9,202,475)	(20,132,449)	(6,887,255)	(1,725,185)	3,568,835	(62,631,997)
Net income (loss) before income tax	<u>\$ 22,554,901</u>	<u>5,881,262</u>	<u>66,747,367</u>	<u>5,040,681</u>	<u>95,597,608</u>	<u>(92,693,907)</u>	<u>103,127,912</u>
Net income (loss) after income tax	<u>\$ 20,065,092</u>	<u>5,259,473</u>	<u>61,414,982</u>	<u>4,445,961</u>	<u>92,505,201</u>	<u>(92,719,032)</u>	<u>90,971,677</u>
Assets	<u>\$ 3,688,377,443</u>	<u>117,785,098</u>	<u>5,317,443,245</u>	<u>136,415,637</u>	<u>925,988,778</u>	<u>(941,557,546)</u>	<u>9,244,452,655</u>
Liabilities	<u>\$ 3,404,553,998</u>	<u>76,947,460</u>	<u>4,819,305,757</u>	<u>98,812,327</u>	<u>149,844,940</u>	<u>(81,794,623)</u>	<u>8,467,669,859</u>

Note: Including JihSun Financial Holding and its subsidiaries.

(c) Geographic information

	2021	2020
Taiwan	\$ 436,606,419	420,069,427
Asia	47,104,495	56,433,641
Others	2,121,263	3,017
	<u>\$ 485,832,177</u>	<u>476,506,085</u>

(d) Major customer information

There is no revenue from transactions with single external customer amounted to 10% or more of the Company's revenues.

(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.

December 31, 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	618,877,741	62.86%
Taiwan Semiconductor Manufacturing Company, Ltd.	171,126,568	17.38%
The Mainland Area Government Agencies and Financial Institutions	152,804,048	15.52%
Verizon Communications Inc	54,409,230	5.53%
AT&T Inc.	53,118,730	5.40%
JPMorgan Chase & Co.	51,585,649	5.24%
Taiwan Power Company	47,085,717	4.78%
Citigroup Inc	46,610,294	4.73%
iShares Trust	46,189,354	4.69%
United Mexican States	43,628,538	4.43%
Capital Investment Trust Corporation	42,912,790	4.36%
National Treasury Administration, Ministry of Finance	37,975,071	3.86%
Kingdom of Saudi Arabia	37,382,641	3.80%
AllianceBernstein (Luxembourg) S.a.r.l	37,289,464	3.79%
Bank of America Corporation	37,232,448	3.78%
Wells Fargo & Co.	36,098,762	3.67%
Republic of Indonesia	36,012,873	3.66%
United Microelectronics Corp	35,010,254	3.56%
State of Qatar	34,615,663	3.52%
Electricite de France	33,076,143	3.36%
China Development Bank	30,780,173	3.13%
Goldman Sachs Group, Inc.	29,655,679	3.01%
Morgan Stanley	29,302,508	2.98%
PIMCO Funds	28,131,232	2.86%
Federative Republic of Brazil	28,091,376	2.85%
PIMCO Funds: Global Investors Series plc	28,067,620	2.85%
Hong Kong Special Administrative Region Government	28,033,369	2.85%
HON HAI Precision Industry Co Ltd	26,626,953	2.70%
CPC Corporation, Taiwan	25,961,906	2.64%
Republic of Korea	25,782,010	2.62%
MediaTek Inc	25,658,604	2.61%
Bank of Tokyo-Mitsubishi UFJ Ltd	25,030,992	2.54%
Deutsche Bank AG	24,945,442	2.53%
Hua Nan Commercial Bank Ltd	24,427,192	2.48%
E.Sun Bank	24,280,672	2.47%
Yuanta Securities Investment Trust Co Ltd	23,636,670	2.40%
First Commercial Bank	23,619,743	2.40%
Freddie Mac	23,298,538	2.37%
Chinatrust Financial Holding Co Ltd	23,234,220	2.36%
Credit Agricole Corporate and Investment Bank	23,224,409	2.36%
QNB Finance Ltd	23,130,253	2.35%
BNP Paribas SA	22,969,679	2.33%
Bank of Nova Scotia	22,310,217	2.27%
Corporacion Nacional del Cobre de Chile	22,241,702	2.26%
Gennie Mae	22,238,471	2.26%
Russian Federation	22,051,874	2.24%
Comcast Corporation	22,000,734	2.23%
First Abu Dhabi Bank PJSC	21,478,135	2.18%
Barclays Bank plc	21,149,889	2.15%
China Steel Corporation	20,852,129	2.12%
momo.com Inc	20,848,263	2.12%
Formosa Chemicals & Fibre Corp	19,752,391	2.01%
Republic of Colombia	19,587,327	1.99%
Taiwan Mobile Co Ltd	19,303,056	1.96%
Republic of South Africa	18,900,189	1.92%
National Australia Bank	18,806,571	1.91%
Cathay Securities Investment Trust Co Ltd	18,376,165	1.87%

(Continued)

Name	Total amount of aggregate lending, guarantee or other transactions	% of net asset value of financial holding company
Commonwealth Bank of Australia	18,353,755	1.86%
The State of Israel	18,342,087	1.86%
CTBC Investments Co Ltd	17,545,806	1.78%
Santander International Products PLC	16,861,621	1.71%
Taishin International Bank	16,557,644	1.68%
Romania	16,417,040	1.67%
Natixis	16,374,501	1.66%
Raytheon Technologies Corp	16,176,366	1.64%
Formosa Plastics Corporation	16,072,127	1.63%
CVS Health Corp	15,928,925	1.62%
Xiamen Bank Co Ltd	15,856,767	1.61%
Lloyds Bank plc	15,827,054	1.61%
International Bills Finance Corporation	15,658,577	1.59%
Amgen Inc	15,651,631	1.59%
United Arab Emirates	15,552,835	1.58%
Cooperatieve Rabobank U.A.	15,373,066	1.56%
Royal Bank of Canada	15,302,128	1.55%
Saudi Arabian Oil Company	15,254,791	1.55%
Oracle Corp	15,188,226	1.54%
MDGH GMTN RSC Ltd	15,174,219	1.54%
Microsoft Corp	15,120,362	1.54%
Anheuser-Busch InBev Worldwide Inc.	15,089,845	1.53%
Republic of Peru	14,701,081	1.49%
Fannie Mae	14,495,668	1.47%
Cathay United Bank	14,488,168	1.47%
Bayer US Finance II LLC	14,299,470	1.45%
JPMorgan Asset Management Europe SARL	14,279,077	1.45%
Novatek Microelectronics Corp Ltd	14,271,269	1.45%
EQT Fund Management S.a r.l	14,132,410	1.44%
IBM Corp.	14,041,875	1.43%
Vodafone Group plc	13,757,055	1.40%
AbbVie Inc	13,614,023	1.38%
HSBC Holdings plc	13,595,076	1.38%
Korea Housing Finance Corporation	13,584,710	1.38%
Realtek Semiconductor Corp	13,573,045	1.38%
Barclays plc	13,552,378	1.38%
The Shanghai Commercial & Savings Bank Ltd	13,497,809	1.37%
Apple Inc.	13,420,597	1.36%
Westpac Banking Corporation	13,351,623	1.36%
UnitedHealth Group Inc	13,310,883	1.35%
Comision Federal de Electricidad	13,170,186	1.34%
GlobalWafers Co Ltd	13,159,347	1.34%
Pertamina Persero PT	13,106,541	1.33%
SPDR SeriesTrust	13,104,244	1.33%
Australia and New Zealand Banking Group Limited	13,072,398	1.33%
Intel Corporation	12,854,565	1.31%
Mizuho Bank Ltd	12,704,033	1.29%
Altria Group Inc	12,699,144	1.29%
Amazon.com Inc	12,697,400	1.29%
Societe Generale SA	12,668,136	1.29%
Qatar Energy	12,523,683	1.27%
UBS AG	12,503,842	1.27%
Union Pacific Corp	12,494,014	1.27%
BBVA Global Markets B.V.	12,379,823	1.26%
Shell International Finance B.V.	12,363,352	1.26%
Kroger Co/The	12,335,160	1.25%
Republic of Chile	12,063,406	1.23%
Enterprise Products Operating LLC	11,896,969	1.21%
Robeco Luxembourg S.A.	11,565,942	1.17%
Perusahaan Perseroan Persero PT Perusahaan Listrik Negara	11,537,816	1.17%
Chinatrust Commercial Bank	11,450,514	1.16%
Anthem Inc	11,387,481	1.16%
ADCB Finance Cayman Ltd	11,373,396	1.16%
United Parcel Service Inc	11,355,275	1.15%
Walt Disney Co/The	11,213,920	1.14%

(Continued)

Name	Total amount of aggregate lending, guarantee or other transactions	% of net asset value of financial holding company
China Bills Finance Corp	11,131,750	1.13%
Department of Rapid Transit Systems, Taipei City Government	11,000,000	1.12%
Morgan Stanley Finance LLC	10,995,334	1.12%
Mega Financial Holding Co Ltd	10,910,793	1.11%
ABN AMRO Bank N.V.	10,869,240	1.10%
Quanta Computer Inc	10,766,073	1.09%
BPCE SA	10,697,835	1.09%
The Export-Import Bank of China	10,547,330	1.07%
Phillips 66	10,504,041	1.07%
Taiwan Cement Corp.	10,451,270	1.06%
America Movil SAB de CV	10,401,139	1.06%
Sumitomo Mitsui Financial Group Inc	10,373,172	1.05%
Nan Ya Plastics Corp	10,292,826	1.05%
Republic of Turkey	10,248,299	1.04%
United States of America	10,233,403	1.04%
KGI Bank Co Ltd	10,107,225	1.03%
General Electric Company	10,042,599	1.02%
Vanguard International Semiconductor Corporation	9,990,865	1.01%
China United Insurance Group Co., Ltd	9,961,589	1.01%
Banco Santander S.A.	9,942,416	1.01%
Chunghwa Telecom Co Ltd	9,926,190	1.01%
TransCanada PipeLines Limited	9,755,135	0.99%
Duke Energy Corporation	9,742,950	0.99%
Parade Technologies, Ltd.	9,672,348	0.98%
CITIC Capital Holdings Limited	9,590,250	0.97%
Home Depot Inc	9,555,850	0.97%
Taoyuan City Government	9,500,000	0.96%
Waste Management Inc.	9,326,398	0.95%
Manulife Financial Corp	9,252,810	0.94%
Virginia Electric and Power Co	9,252,470	0.94%
Consolidated Edison Co of New York Inc	9,210,165	0.94%
Nomura International Funding Pte Ltd	9,203,268	0.93%
PepsiCo, Inc	9,193,436	0.93%
CSX Corp	9,155,834	0.93%
Travelers Cos Inc	9,112,232	0.93%
Tiger Global Management, LLC	9,088,474	0.92%
Metlife Inc	9,085,314	0.92%
Catcher Technology Co Ltd	9,018,398	0.92%
Tyson Foods Inc	8,992,563	0.91%
Cigna Corp	8,965,189	0.91%
Cathay Financial Holding Co Ltd	8,904,212	0.90%
Pegatron Corporation	8,875,928	0.90%
Kohlberg Kravis Roberts & Co. L.P.	8,775,032	0.89%
National Bank of Canada	8,760,356	0.89%
Bristol-Myers Squibb Co	8,755,925	0.89%
Yuanta Securities Co Ltd	8,742,290	0.89%
Woori Financial Group Inc	8,571,064	0.87%
Petronas Capital Ltd	8,520,608	0.87%
Telefonica Emisiones SA	8,505,720	0.86%
Burlington Northern Santa Fe LLC	8,504,368	0.86%
BlackRock Global Funds	8,496,721	0.86%
Gilead Sciences Inc	8,489,481	0.86%
Mondelez International Inc	8,452,852	0.86%
3M Company	8,420,710	0.86%
Fuh Hwa Securities Investment Trust Co Ltd	8,405,938	0.85%
Taishin Financial Holdings Co Ltd	8,355,250	0.85%
Norfolk Southern Corp	8,298,474	0.84%
Malayan Banking Berhad	8,284,422	0.84%
Texas Instruments Inc	8,147,796	0.83%
Sumitomo Mitsui Banking Corporation	8,101,764	0.82%
KGI Securities Investment Trust Co Ltd	8,082,323	0.82%
CITIC Limited	8,055,481	0.82%
Taiwan Cooperative Bank	8,037,667	0.82%
Bank of East Asia Limited	8,032,221	0.82%
UBAM	8,026,004	0.82%

(Continued)

Name	Total amount of aggregate lending, guarantee or other transactions	% of net asset value of financial holding company
Yuanta Financial Holding Co Ltd	7,938,809	0.81%
Prudential Financial, Inc.	7,899,338	0.80%
SG Issuer SA	7,891,664	0.80%
Advanced Micro Devices Inc	7,825,247	0.79%
Applied Materials Inc.	7,817,597	0.79%
Monetary Authority of Singapore	7,794,048	0.79%
Vale Overseas Limited	7,754,855	0.79%
Stryker Corp	7,744,573	0.79%
Northrop Grumman	7,590,290	0.77%
Lockheed Martin Corp.	7,560,466	0.77%
Yuanta Commercial Bank Co Ltd	7,545,405	0.77%
FedEx Corp	7,515,925	0.76%
Citigroup Global Markets Holdings Inc	7,441,620	0.76%
Bank of China Ltd	7,332,725	0.74%
WPG Holdings Co Ltd	7,257,986	0.74%
Goldman Sachs Finance Corp International Ltd	7,174,858	0.73%
eMemory Technology Inc	7,158,002	0.73%
Credit Suisse Group AG	7,118,797	0.72%
Canadian Imperial Bank of Commerce	7,068,049	0.72%
Hung Poo Real Estate Development Corp	6,774,076	0.69%
Anheuser-Busch InBev Finance Inc	6,773,081	0.69%
Emirates NBD Bank PJSC	6,709,386	0.68%
AIA Group Ltd	6,706,288	0.68%
Merck & Co Inc	6,700,071	0.68%
Equinor ASA	6,669,083	0.68%
Korea Development Bank	6,651,274	0.68%
Exxon Mobil Corp	6,599,949	0.67%
Taipei City Government	6,592,713	0.67%
Halliburton Co	6,591,600	0.67%
Zoetis Inc	6,534,220	0.66%
The Export-Import Bank of Korea	6,498,736	0.66%
Yageo Corp	6,470,230	0.66%
Unimicron Technology Corp	6,462,948	0.66%
Lowe's Companies Inc.	6,435,726	0.65%
Hong Kong Mortgage Corporation Limited	6,408,705	0.65%
Abu Dhabi Commercial Bank PJSC	6,327,762	0.64%
Deutsche Telekom AG	6,321,528	0.64%
Bank SinoPac Co Ltd	6,299,902	0.64%
SAP SE	6,264,618	0.64%
Bank of Montreal	6,255,212	0.64%
Chang Hwa Commercial Bank, Ltd.	6,253,880	0.64%
Visa Inc.	6,247,859	0.63%
Credit Agricole SA	6,202,429	0.63%
Industrial and Commercial Bank of China	6,189,904	0.63%
ASE Technology Holding Co Ltd	6,160,313	0.63%
Uni-President Enterprises Corporation	6,153,303	0.63%
AES Holding Co., Ltd.	6,046,225	0.61%
Delta Electronics Inc	6,020,718	0.61%
New Taipei City Government	6,000,000	0.61%
Advanced Semiconductor Engineering Inc	5,972,713	0.61%
Mega Bills Finance Co Ltd	5,968,136	0.61%
Petroleos Mexicanos	5,928,538	0.60%
AirTAC Internaional Group	5,895,577	0.60%
Taichung City Government	5,870,000	0.60%
Sherwin-Williams Co/The	5,820,387	0.59%
Nien Made Enterprise Co Ltd	5,795,064	0.59%
Standard Charter Bank	5,777,658	0.59%
General Mills Inc	5,753,190	0.58%
Siemens Financieringsmaatschappij NV	5,731,127	0.58%
Fidelity Funds	5,718,309	0.58%
Bank of Taiwan	5,656,792	0.57%
Innolux Corporation	5,656,479	0.57%
T. Rowe Price - US Mutual Funds	5,553,278	0.56%
Macquarie Infrastructure and Real Assets (Europe) Limited	5,525,761	0.56%
Suncor Energy Inc	5,505,728	0.56%

(Continued)

Name	Total amount of aggregate lending, guarantee or other transactions	% of net asset value of financial holding company
DH Europe Finance II Sarl	5,470,131	0.56%
Pfizer Inc	5,469,262	0.56%
AU Optronics Corp	5,433,934	0.55%
Far Eastern International Bank Co Ltd	5,428,581	0.55%
Humana Inc	5,382,218	0.55%
Estee Lauder Companies Inc	5,363,629	0.54%
MTR Corporation Cayman Islands Ltd	5,327,440	0.54%
American Express Company	5,291,895	0.54%
Neuberger Berman Investment Funds plc	5,286,608	0.54%
Land Bank of Taiwan	5,284,866	0.54%
Gold East Trading (Hong Kong) Co Ltd	5,284,813	0.54%
Meta Platforms Inc	5,265,088	0.53%
Taiwan Finance Corporation	5,253,047	0.53%
Novartis Capital Corp	5,241,637	0.53%
Walmart Inc	5,191,771	0.53%
Infineon Technologies AG	5,187,453	0.53%
NIKE Inc	5,183,911	0.53%
Advent International Corporation	5,165,859	0.52%
Coca-Cola Co/The	5,142,760	0.52%
DBS Bank Ltd	5,137,883	0.52%
Mega International Commercial Bank Co Ltd	5,137,681	0.52%
Duke Energy Carolinas LLC	5,117,997	0.52%
Kinsus Interconnect Technology Corp	5,079,488	0.52%
Fujitsu Ltd.	5,006,372	0.51%
NVIDIA Corp	5,004,706	0.51%
Tainan City Government	5,000,000	0.51%
Evergreen Marine Corp Taiwan Ltd	4,993,429	0.51%
Starbucks Corp	4,992,085	0.51%
Phison Electronics Corporation	4,962,160	0.50%
HSBC Bank (Taiwan) Limited	4,957,349	0.50%
Canadian Natural Resources Ltd	4,911,038	0.50%
The Philippines	4,908,882	0.50%
ConocoPhillips Co	4,898,749	0.50%
AXA IM Fixed Income Investment Strategies	4,890,578	0.50%
Macquarie Infrastru Manageme (Asia) Pty	4,812,487	0.49%
Valero Energy Corp	4,776,739	0.49%
Carlyle Investment Management L.L.C.	4,776,667	0.49%
PTTEP Treasury Center Co Ltd	4,750,322	0.48%
POU Chen Corp	4,731,202	0.48%
Johnson & Johnson	4,707,558	0.48%
KEB Hana Bank	4,679,197	0.48%
AstraZeneca plc	4,658,595	0.47%
Walgreens Boots Alliance Inc	4,607,998	0.47%
Hotai Finance Co Ltd	4,597,742	0.47%
American International Group, Inc.	4,577,974	0.47%
China Airlines Ltd	4,567,593	0.46%
Goldman Sachs Funds SICAV	4,556,943	0.46%
Kreditanstalt fuer Wiederaufbau	4,550,978	0.46%
BlackRock Fund Advisors	4,536,607	0.46%
Chow Tai Fook Enterprises Limited	4,520,640	0.46%
Taiwan Stock Exchange	4,507,871	0.46%
President Chain Store Corporation	4,482,118	0.46%
Far East Horizon Ltd	4,429,956	0.45%
Oneness Biotech Co., Ltd.	4,425,169	0.45%
Two Sigma Advisers, LP	4,389,239	0.45%
HSBC Continental Europe SA	4,386,695	0.45%
Kaohsiung City Government	4,365,717	0.44%
Dah Chung Bills Finance Corp	4,305,039	0.44%
Asustek Computer Inc	4,281,922	0.43%
Kraft Heinz Food Co	4,280,515	0.43%
Yunneng Wind Power Co Ltd	4,259,856	0.43%
Department of Urban Development, Taipei City Government	4,252,926	0.43%
Coatue Management, L.L.C.	4,217,662	0.43%
Cisco Systems Inc.	4,213,560	0.43%
Vivo Capital, LLC	4,208,198	0.43%

(Continued)

Name	Total amount of aggregate lending, guarantee or other transactions	% of net asset value of financial holding company
Taishin Securities Investment Trust Co Ltd	4,203,922	0.43%
Vietnam Joint Stock Commercial Bank for Industry and Trade	4,170,296	0.42%
Chubb INA Holdings Inc	4,157,003	0.42%
HSBC USA Inc	4,152,128	0.42%
The People's Republic of China	4,150,959	0.42%
Wistron Corp	4,145,757	0.42%
First Financial Holding Co Ltd	4,142,666	0.42%
Minth Group Limited	4,135,724	0.42%
Marathon Petroleum Corp	4,113,018	0.42%
Eclat Textile Co Ltd	4,103,684	0.42%
ING Groep NV	4,096,751	0.42%
AXA World Funds	4,056,672	0.41%
Blackstone Management Partners L.L.C.	4,035,728	0.41%
McDonald's Corp	4,022,194	0.41%
Blackstone Liquid Credit Strategies LLC	4,013,050	0.41%
Asian Development Bank	4,004,996	0.41%
State Grid Overseas Investment 2014 Ltd	3,979,383	0.40%
LYB International Finance III LLC	3,969,998	0.40%
GE Capital Intl Funding Co Unlimited Co	3,965,431	0.40%
International Games System Co Ltd	3,956,919	0.40%
King Slide Works Co Ltd	3,953,499	0.40%
Lite-On Technology Corporation	3,937,838	0.40%
Lexington Partners L.P.	3,929,140	0.40%
Synnex Technology International Corp	3,872,525	0.39%
CIMB Bank Berhad	3,858,762	0.39%
Rogers Communications Inc	3,854,707	0.39%
Faraday Technology Corp	3,850,330	0.39%
ING Bank N.V.	3,827,846	0.39%
Woori Bank	3,819,200	0.39%
SINBON Electronics Co Ltd	3,804,440	0.39%
MasterCard, Inc.	3,779,496	0.38%
Barings LLC	3,763,494	0.38%
TWDC Enterprises 18 Corp	3,751,050	0.38%
Simplo Technology Co Ltd	3,748,172	0.38%
Hongkong Land Holdings Ltd	3,741,853	0.38%
Ardian Investment UK Limited	3,737,447	0.38%
AMERICAN TOWER CORP	3,725,003	0.38%
Korea Electric Power Corporation	3,723,597	0.38%
Thoma Bravo, LLC	3,702,458	0.38%
JT International Financial Services BV	3,696,996	0.38%
King Yuan Electronics Co Ltd	3,683,262	0.37%
Florida Power & Light Company	3,661,276	0.37%
Micro-Star International Co Ltd	3,659,013	0.37%
Heineken NV	3,635,706	0.37%
Shinhan Bank Co Ltd	3,616,900	0.37%
YUE YUEN INDUSTRIAL (HOLDINGS) LTD	3,599,591	0.37%
Alibaba Group Holding Limited	3,598,034	0.37%
First Securities Investment Trust Co Ltd	3,592,363	0.36%
Seven & I Holdings Co Ltd	3,554,199	0.36%
Chailease Holding Company Limited	3,526,961	0.36%
Gazprom PJSC Via Gaz Capital SA	3,523,103	0.36%
Fubon No.1 Real Estate Investment Trust Fund	3,523,090	0.36%
Dow Chemical Company	3,502,015	0.36%
HongKong Electric Finance Ltd	3,461,005	0.35%
UBS Group AG	3,450,429	0.35%
CLP Power Hong Kong Financing Ltd	3,448,424	0.35%
INTUITIVE SURGICAL INC	3,424,637	0.35%
Link Finance (Cayman) 2009 Limited	3,419,186	0.35%
Warburg Pincus LLC	3,407,437	0.35%
Petrobras Global Finance BV	3,384,543	0.34%
Corning Incorporated	3,374,099	0.34%
NB Alternatives Advisers LLC	3,344,110	0.34%
New Taimall Global Company Pte Ltd	3,344,000	0.34%
ASML Holding NV	3,339,438	0.34%
KEYENCE CORP	3,338,295	0.34%

(Continued)

Name	Total amount of aggregate lending, guarantee or other transactions	% of net asset value of financial holding company
Chi Meng Construction Co Ltd	3,328,667	0.34%
Intesa Sanpaolo SpA	3,327,839	0.34%
Formosa Ha Tinh (Cayman) Limited	3,322,699	0.34%
Bank of Communications	3,298,876	0.34%
Formosa Petrochemical Corp	3,293,817	0.33%
Abbott Laboratories	3,274,609	0.33%
Capital Securities Corp	3,254,133	0.33%
Far Eastern New Century Corporation	3,253,924	0.33%
HSBC Bank plc	3,233,816	0.33%
Banco de Credito e Inversiones	3,229,019	0.33%
Sun Hung Kai Properties (Capital Market) Limited	3,223,449	0.33%
Far Eastone Telecommunications Co Ltd	3,218,196	0.33%
Tencent Holdings Limited	3,217,842	0.33%
Baker Hughes Holdi LLC / B H Co-Obligor	3,189,895	0.32%
Eli Lilly and Co	3,179,155	0.32%
Cheng Shin Rubber Industry Co Ltd	3,156,075	0.32%
Jaysanlyn Construction Co Ltd	3,156,000	0.32%
Banco Bilbao Vizcaya Argentaria, S.A.	3,148,913	0.32%
Airport Authority Hong Kong	3,131,271	0.32%
Intesa Sanpaolo Bank Ireland PLC	3,114,430	0.32%
IBF Securities Co Ltd	3,109,986	0.32%
Schroder International Selection Fund	3,099,921	0.31%
Makalot Industrial Co Ltd	3,076,438	0.31%
PGIM Ltd	3,073,142	0.31%
Li Fu Investment Co Ltd	3,062,000	0.31%
FIH Mobile Limited	3,045,808	0.31%
Ardentec Corp	3,043,023	0.31%
Macquarie Group Limited	3,042,643	0.31%
Ecolab Inc	3,031,108	0.31%
Archer-Daniels-Midland Co	3,022,332	0.31%
LINE BIZ+ Taiwan Limited	3,012,231	0.31%
2. Same natural person and his/her spouse and relatives by blood within the second degree of kinship, as well as enterprises in		
Ho 000 000 and his/her related parties	26,628,669	2.70%
Wei 000 000 and his/her related parties	24,748,612	2.51%
Huang 000 000 and his/her related parties	19,769,318	2.01%
Hung 000 000 and his/her related parties	18,468,277	1.88%
Chen 000 000 and his/her related parties	13,615,059	1.38%
Chen 000 000 and his/her related parties	13,615,059	1.38%
Peng 000 000 and his/her related parties	10,915,637	1.11%
Huang 000 000 and his/her related parties	10,309,748	1.05%
Sheng 000 000 and his/her related parties	10,306,481	1.05%
Chen 000 000 and his/her related parties	9,933,202	1.01%
Chen 000 000 and his/her related parties	9,142,175	0.93%
Chang 000 000 and his/her related parties	7,879,203	0.80%
Yang 000 000 and his/her related parties	7,786,615	0.79%
Tuan 000 000 and his/her related parties	7,274,076	0.74%
Yu 000 000 and his/her related parties	6,341,760	0.64%
Wang 000 000 and his/her related parties	6,337,425	0.64%
Chang 000 000 and his/her related parties	5,434,208	0.55%
Hu 000 000 and his/her related parties	5,296,922	0.54%
Chou 000 000 and his/her related parties	5,202,917	0.53%
Kuo 000 000 and his/her related parties	5,202,917	0.53%
Chang 000 000 and his/her related parties	5,113,345	0.52%
Chang 000 000 and his/her related parties	4,995,799	0.51%
Sung 000 000 and his/her related parties	4,604,475	0.47%
Ting 000 000 and his/her related parties	4,579,692	0.47%
Huang 000 000 and his/her related parties	4,314,521	0.44%
Yang 000 000 and his/her related parties	4,212,567	0.43%
Chang 000 000 and his/her related parties	4,208,832	0.43%
Wang 000 000 and his/her related parties	4,078,667	0.41%
Hsu 000 000 and his/her related parties	3,945,775	0.40%
Yeh 000 000 and his/her related parties	3,873,794	0.39%
Liu 000 000 and his/her related parties	3,812,800	0.39%
Lu 000 000 and his/her related parties	3,809,642	0.39%
Huang 000 000 and his/her related parties	3,708,691	0.38%

(Continued)

Name	Total amount of aggregate lending, guarantee or other transactions	% of net asset value of financial holding company
Tsai 000 000 and his/her related parties	3,432,428	0.35%
Lee 000 000 and his/her related parties	3,411,080	0.35%
Lin 000 000 and his/her related parties	3,344,598	0.34%
Cheng 000 000 and his/her related parties	3,321,947	0.34%
Wu 000 000 and his/her related parties	3,163,670	0.32%
Lien 000 000 and his/her related parties	3,012,541	0.31%
3. Same affiliate		
The Central Government of the Republic of China and the supervisory authorities	656,852,811	66.72%
Taiwan Semiconductor Manufacturing Company, Ltd. and its affiliates	186,319,595	18.93%
JPMorgan Chase & Co. and its affiliates	70,651,534	7.18%
Blackrock Inc and its affiliates	60,260,388	6.12%
Allianz SE and its affiliates	59,325,527	6.03%
Citigroup Inc and its affiliates	56,057,982	5.69%
Chinatrust Financial Holding Co Ltd and its affiliates	54,297,111	5.52%
United Microelectronics Corp and its affiliates	54,073,790	5.49%
AT&T Inc. and its affiliates	53,118,730	5.40%
Yuanta Financial Holding Co Ltd and its affiliates	48,418,558	4.92%
Cathay Financial Holding Co Ltd and its affiliates	47,709,220	4.85%
Morgan Stanley and its affiliates	43,149,427	4.38%
Capital Investment Trust Corporation and its affiliates	42,912,790	4.36%
Goldman Sachs Group, Inc. and its affiliates	42,061,839	4.27%
Taiwan Mobile Co Ltd and its affiliates	40,151,319	4.08%
Bank of America Corporation and its affiliates	40,054,206	4.07%
HON HAI Precision Industry Co Ltd and its affiliates	39,513,845	4.01%
Wells Fargo & Co. and its affiliates	38,340,021	3.89%
Public Investment Fund Kingdom of Saudi Arabia and the supervisory authorities	37,936,424	3.85%
AllianceBernstein Holding LP and its affiliates	37,289,464	3.79%
Barclays plc and its affiliates	34,702,267	3.52%
Hong Kong Special Administrative Region Government and the supervisory authorities	34,609,117	3.52%
Abu Dhabi Commercial Bank PJSC and its affiliates	33,633,408	3.42%
First Financial Holding Co Ltd and its affiliates	32,554,486	3.31%
HSBC Holdings plc and its affiliates	32,469,884	3.30%
Taishin Financial Holdings Co Ltd and its affiliates	31,155,161	3.16%
China Development Bank and its affiliates	31,044,918	3.15%
Banco Santander S.A. and its affiliates	30,977,320	3.15%
Credit Agricole SA and its affiliates	30,255,509	3.07%
China Steel Corporation and its affiliates	28,383,544	2.88%
Hua Nan Financial Holdings Co Ltd and its affiliates	27,908,991	2.83%
BPCE SA and its affiliates	27,072,335	2.75%
Republic of Korea and the supervisory authorities	26,375,845	2.68%
Mitsubishi UFJ Financial Group Inc and its affiliates	26,341,166	2.68%
Anheuser-Busch InBev NV and its affiliates	26,027,129	2.64%
CPC Corporation, Taiwan and its affiliates	25,961,906	2.64%
MediaTek Inc and its affiliates	25,889,541	2.63%
Deutsche Bank AG and its affiliates	25,731,914	2.61%
Qatar National Bank and its affiliates	24,890,646	2.53%
E.Sun Financial Holding Co Ltd and its affiliates	24,285,430	2.47%
Mega Financial Holding Co Ltd and its affiliates	24,087,856	2.45%
Formosa Chemicals & Fibre Corp and its affiliates	23,476,218	2.38%
Bank of Nova Scotia and its affiliates	23,328,871	2.37%
BNP Paribas SA and its affiliates	22,969,679	2.33%
Formosa Plastics Corporation and its affiliates	22,639,052	2.30%
Blackstone Inc and its affiliates	22,471,351	2.28%
Comcast Corporation and its affiliates	22,199,288	2.25%
Taipei City Government and the supervisory authorities	21,845,639	2.22%
China Investment Corp and its affiliates	21,711,282	2.21%
Far Eastern New Century Corporation and its affiliates	20,954,328	2.13%
Societe Generale SA and its affiliates	20,559,801	2.09%
China Development Financial Holding Corp and its affiliates	20,057,268	2.04%
Commonwealth Bank of Australia and its affiliates	19,736,713	2.00%
Waterland Financial Holdings Co Ltd and its affiliates	18,905,627	1.92%
National Australia Bank and its affiliates	18,834,238	1.91%

(Continued)

Name	Total amount of aggregate lending, guarantee or other transactions	% of net asset value of financial holding company
Sumitomo Mitsui Financial Group Inc and its affiliates	18,584,879	1.89%
CITIC Limited and its affiliates	18,347,902	1.86%
Macquarie Group Limited and its affiliates	18,235,807	1.85%
Lloyds Banking Group plc and its affiliates	18,219,589	1.85%
Fubon Financial Holding Co Ltd and its affiliates	16,955,854	1.72%
Saudi Arabian Oil Co and its affiliates	16,380,927	1.66%
UBS Group AG and its affiliates	16,170,590	1.64%
Uni-President Enterprises Corporation and its affiliates	16,089,313	1.63%
YFY Inc and its affiliates	16,074,246	1.63%
Cooperatieve Rabobank U.A. and its affiliates	15,787,933	1.60%
Taiwan Cement Corp. and its affiliates	15,728,581	1.60%
Duke Energy Corporation and its affiliates	15,629,773	1.59%
State Street Corporation and its affiliates	15,627,917	1.59%
Banco Bilbao Vizcaya Argentaria, S.A. and its affiliates	15,528,736	1.58%
Sino-American Silicon Products Inc and its affiliates	15,394,977	1.56%
Royal Bank of Canada and its affiliates	15,302,128	1.55%
Walt Disney Co/The and its affiliates	14,964,969	1.52%
General Electric Company and its affiliates	14,925,464	1.52%
ASE Technology Holding Co Ltd and its affiliates	14,714,693	1.49%
Bayer AG and its affiliates	14,299,470	1.45%
Pegatron Corporation and its affiliates	14,297,980	1.45%
Mizuho Financial Group, Inc. and its affiliates	14,090,429	1.43%
Quanta Computer Inc and its affiliates	13,961,945	1.42%
Australia and New Zealand Banking Group Limited and its affiliates	13,883,303	1.41%
Realtek Semiconductor Corp and its affiliates	13,868,045	1.41%
Westpac Banking Corporation and its affiliates	13,597,380	1.38%
Land Bank of Taiwan and its affiliates	13,595,463	1.38%
CK Hutchison Holdings Ltd and its affiliates	13,571,773	1.38%
Pertamina Persero PT and its affiliates	13,557,735	1.38%
The Shanghai Commercial & Savings Bank Ltd and its affiliates	13,498,506	1.37%
Nan Ya Plastics Corp and its affiliates	13,446,417	1.37%
Apple Inc. and its affiliates	13,420,597	1.36%
Neuberger Berman Holdings LLC and its affiliates	13,335,732	1.35%
Royal Dutch Shell PLC and its affiliates	13,238,538	1.34%
Amazon.com Inc and its affiliates	12,697,400	1.29%
Woori Financial Group Inc and its affiliates	12,390,264	1.26%
Yageo Corp and its affiliates	12,361,653	1.26%
Robeco Institutional Asset Management B.V. and its affiliates	12,196,742	1.24%
WPG Holdings Co Ltd and its affiliates	11,889,522	1.21%
Prudential Financial, Inc. and its affiliates	11,875,414	1.21%
Credit Suisse Group AG and its affiliates	11,703,469	1.19%
Perusahaan Perseroan Persero PT Perusahaan Listrik Negara and its affiliates	11,537,816	1.17%
Chunghwa Telecom Co Ltd and its affiliates	11,448,625	1.16%
United Parcel Service Inc and its affiliates	11,355,275	1.15%
KKR & Co Inc and its affiliates	11,352,302	1.15%
O-Bank Co Ltd and its affiliates	11,314,814	1.15%
China Orient Asset Management Corporation and its affiliates	11,114,904	1.13%
Nomura Holdings Inc and its affiliates	10,932,429	1.11%
ABN AMRO Bank N.V. and its affiliates	10,869,240	1.10%
POU Chen Corp and its affiliates	10,824,540	1.10%
AU Optronics Corp and its affiliates	10,652,896	1.08%
Phillips 66 and its affiliates	10,594,020	1.08%
Dominion Energy Inc and its affiliates	10,429,506	1.06%
United States of America and the supervisory authorities	10,425,341	1.06%
Berkshire Hathaway Inc and its affiliates	10,387,920	1.06%
Taiwan Cooperative Financial Holding Co.,Ltd. and its affiliates	10,350,507	1.05%
TransCanada PipeLines Limited and its affiliates	10,175,672	1.03%
Industrial and Commercial Bank of China and its affiliates	10,052,856	1.02%
Simplo Technology Co Ltd and its affiliates	9,794,397	0.99%
AXA SA and its affiliates	9,712,989	0.99%
Home Depot Inc/The and its affiliates	9,555,850	0.97%
CSX Corp and its affiliates	9,414,209	0.96%
Waste Management Inc and its affiliates	9,326,398	0.95%
Manulife Financial Corp and its affiliates	9,252,810	0.94%
ALLIED GROUP and its affiliates	9,146,580	0.93%

(Continued)

Name	Total amount of aggregate lending, guarantee or other transactions	% of net asset value of financial holding company
Travelers Cos Inc/The and its affiliates	9,140,638	0.93%
Shin Kong Financial Holding Co Ltd and its affiliates	9,123,371	0.93%
Deutsche Telekom AG and its affiliates	9,117,967	0.93%
Evergreen Marine Corp Taiwan Ltd and its affiliates	9,022,913	0.92%
Catcher Technology Co Ltd and its affiliates	9,018,398	0.92%
Express Scripts Holding Co and its affiliates	8,965,189	0.91%
Republic of Singapore and the supervisory authorities	8,751,438	0.89%
SK Group and its affiliates	8,715,619	0.89%
Chailease Holding Company Limited and its affiliates	8,566,618	0.87%
Petroliam Nasional Berhad and its affiliates	8,520,608	0.87%
Telefonica SA and its affiliates	8,505,720	0.86%
Vale S.A. and its affiliates	8,445,520	0.86%
Fuh Hwa Securities Investment Trust Co Ltd and its affiliates	8,405,938	0.85%
Synnex Technology International Corp and its affiliates	8,398,860	0.85%
Malayan Banking Berhad and its affiliates	8,284,422	0.84%
State Grid Corporation of China and its affiliates	8,035,315	0.82%
Bank of East Asia Limited and its affiliates	8,032,221	0.82%
ING Groep NV and its affiliates	7,925,165	0.81%
Kaohsiung City Government and the supervisory authorities	7,865,717	0.80%
PTT PCL and its affiliates	7,823,046	0.79%
LyondellBasell Industries NV and its affiliates	7,623,278	0.77%
KB Financial Group Inc and its affiliates	7,543,345	0.77%
Danaher Corp and its affiliates	7,526,711	0.76%
Asustek Computer Inc and its affiliates	7,360,983	0.75%
Chow Tai Fook Enterprises Limited and its affiliates	7,327,982	0.74%
Conocophillips and its affiliates	7,296,399	0.74%
Yulon Motor Co Ltd and its affiliates	7,252,809	0.74%
Korea Development Bank and its affiliates	7,063,938	0.72%
China Petrochemical Corporation and its affiliates	6,977,753	0.71%
Hana Financial Group Inc and its affiliates	6,960,007	0.71%
Shinhan Financial Group Co Ltd and its affiliates	6,944,787	0.71%
MTR Corporation Limited and its affiliates	6,880,234	0.70%
Hung Poo Real Estate Development Corp and its affiliates	6,774,076	0.69%
Standard Chartered PLC and its affiliates	6,761,777	0.69%
AIA Group Ltd and its affiliates	6,706,971	0.68%
Wistron Corp and its affiliates	6,610,543	0.67%
Microbio Co Ltd and its affiliates	6,598,410	0.67%
Pfizer Inc and its affiliates	6,561,338	0.67%
Unimicron Technology Corp and its affiliates	6,480,774	0.66%
Intesa Sanpaolo SpA and its affiliates	6,442,269	0.65%
Lowe's Companies Inc. and its affiliates	6,435,726	0.65%
Chang Hwa Commercial Bank, Ltd. and its affiliates	6,253,880	0.64%
FIL Ltd and its affiliates	6,102,985	0.62%
Delta Electronics Inc and its affiliates	6,020,718	0.61%
New Taipei City Government and the supervisory authorities	6,000,000	0.61%
AirTAC Internaional Group and its affiliates	5,992,485	0.61%
Two Sigma and its affiliates	5,903,295	0.60%
Taichung City Government and the supervisory authorities	5,870,000	0.60%
Sinochem Group and its affiliates	5,850,270	0.59%
Nien Made Enterprise Co Ltd and its affiliates	5,795,064	0.59%
Taiwan Broadband Communications Company Ltd and its affiliates	5,789,047	0.59%
Siemens AG and its affiliates	5,731,127	0.58%
Innolux Corporation and its affiliates	5,674,636	0.58%
Taiwan Financial Holdings Co Ltd and its affiliates	5,656,792	0.57%
Compal Electronics Inc and its affiliates	5,510,785	0.56%
China National Offshore Oil Corporation and its affiliates	5,496,805	0.56%
Hawaii Asia Holdings Limited and its affiliates	5,481,397	0.56%
DBS Group Holdings Ltd and its affiliates	5,454,842	0.55%
Walsin Technology Corp and its affiliates	5,337,940	0.54%
Novartis AG and its affiliates	5,241,637	0.53%
Hotai Motor Co Ltd and its affiliates	5,227,605	0.53%
Walmart Inc and its affiliates	5,191,771	0.53%
Bank of Communications and its affiliates	5,185,448	0.53%
China Airlines Ltd and its affiliates	5,105,278	0.52%
Jardine Matheson Holdings Ltd and its affiliates	5,096,769	0.52%

(Continued)

Name	Total amount of aggregate lending, guarantee or other transactions	% of net asset value of financial holding company
Rio Tinto PLC and its affiliates	5,088,987	0.52%
Lotte Corporation and its affiliates	5,079,649	0.52%
Lite-On Technology Corporation and its affiliates	5,056,732	0.51%
NextEra Energy Inc and its affiliates	5,018,056	0.51%
Fujitsu Ltd. and its affiliates	5,006,372	0.51%
CLP Holdings Ltd and its affiliates	4,989,963	0.51%
Phison Electronics Corporation and its affiliates	4,962,160	0.50%
Walgreens Boots Alliance Inc and its affiliates	4,870,137	0.49%
Far East Consortium International Limited and its affiliates	4,789,172	0.49%
Sun Hung Kai Properties Limited and its affiliates	4,782,981	0.49%
Vingroup Joint Stock Company and its affiliates	4,745,518	0.48%
Korea Electric Power Corporation and its affiliates	4,715,757	0.48%
Zurich Insurance Group AG and its affiliates	4,654,272	0.47%
Swire Pacific Limited and its affiliates	4,649,857	0.47%
Chang Wah Electronmaterials Inc and its affiliates	4,622,299	0.47%
American International Group, Inc. and its affiliates	4,577,974	0.47%
Chubb Ltd and its affiliates	4,495,121	0.46%
Hung Tai Construction Co Ltd and its affiliates	4,443,703	0.45%
Marathon Petroleum Corp and its affiliates	4,423,175	0.45%
Formosa Petrochemical Corp and its affiliates	4,401,383	0.45%
Temasek Holdings Pte Ltd and its affiliates	4,399,897	0.45%
Legend Holdings Corp and its affiliates	4,368,380	0.44%
The People's Republic of China and the supervisory authorities	4,335,243	0.44%
Kraft Heinz Company and its affiliates	4,280,515	0.43%
Yunneng Wind Power Co Ltd and its affiliates	4,259,856	0.43%
Cisco Systems Inc. and its affiliates	4,213,560	0.43%
Vietnam Joint Stock Commercial Bank for Industry and Trade and its affiliates	4,170,296	0.42%
Fortuna Development Corporation and its affiliates	4,147,685	0.42%
King's Town Construction Co Ltd and its affiliates	4,142,548	0.42%
Tencent Holdings Limited and its affiliates	4,138,719	0.42%
Minh Group Limited and its affiliates	4,135,724	0.42%
Jaysanlyn Construction Co Ltd and its affiliates	4,126,000	0.42%
Eclat Textile Co Ltd and its affiliates	4,103,684	0.42%
Win Semiconductors Corp and its affiliates	4,034,937	0.41%
Highwealth Construction Corp. and its affiliates	4,014,686	0.41%
Bridge Investment Group Holdings and its affiliates	3,977,088	0.40%
Link Real Estate Investment Trust and its affiliates	3,961,746	0.40%
International Games System Co Ltd and its affiliates	3,956,919	0.40%
Chang Yih Construction Co Ltd and its affiliates	3,937,000	0.40%
Beijing Enterprises Group Company Limited and its affiliates	3,914,890	0.40%
Der Chao Construction Co Ltd and its affiliates	3,878,667	0.39%
SINBON Electronics Co Ltd and its affiliates	3,873,794	0.39%
CIMB Group and its affiliates	3,858,762	0.39%
Simon Property Group Inc and its affiliates	3,848,574	0.39%
USI Corporation and its affiliates	3,740,683	0.38%
Macronix International Co Ltd and its affiliates	3,737,374	0.38%
King Yuan Electronics Co Ltd and its affiliates	3,729,780	0.38%
Micro-Star International Co Ltd and its affiliates	3,659,013	0.37%
TotalEnergies SE and its affiliates	3,654,423	0.37%
SoftBank Group Corp. and its affiliates	3,634,405	0.37%
Seven & i Holdings Co Ltd and its affiliates	3,607,837	0.37%
Tung Ho Steel Enterprise Corporation and its affiliates	3,583,507	0.36%
Brookfield Asset Management Inc and its affiliates	3,562,100	0.36%
OJSC Gazprom and its affiliates	3,523,103	0.36%
Li Fu Investment Co Ltd and its affiliates	3,517,010	0.36%
China Merchants Bank Co., Limited and its affiliates	3,471,644	0.35%
Schroders Group and its affiliates	3,416,829	0.35%
CTCI Corp and its affiliates	3,415,616	0.35%
Petroleo Brasileiro S.A. and its affiliates	3,384,543	0.34%
Cheng Loong Corp and its affiliates	3,377,580	0.34%
Corning Incorporated and its affiliates	3,374,099	0.34%
New Taimall Global Company Pte Ltd and its affiliates	3,344,000	0.34%
Baker Hughes Co and its affiliates	3,337,761	0.34%
Yip Mow Lum Group and its affiliates	3,334,462	0.34%
PCCW Limited and its affiliates	3,303,867	0.34%

(Continued)

Name	Total amount of aggregate lending, guarantee or other transactions	% of net asset value of financial holding company
Capital Securities Corp and its affiliates	3,254,133	0.33%
Cheng Shin Rubber Industry Co Ltd and its affiliates	3,156,075	0.32%
Wisdom Marine Lines Co Limited and its affiliates	3,130,810	0.32%
Lotes Co Ltd and its affiliates	3,124,908	0.32%
HP Inc. and its affiliates	3,120,245	0.32%
Compeq Manufacturing Co and its affiliates	3,105,771	0.32%
Enbridge Inc and its affiliates	3,092,401	0.31%
Kinder Morgan Inc and its affiliates	3,084,992	0.31%
Goldsun Building Materials Co Ltd and its affiliates	3,079,191	0.31%
Yang Ming Marine Transport Corp and its affiliates	3,075,932	0.31%
Wan Hai Lines Ltd and its affiliates	3,066,056	0.31%
International Finance Corporation and its affiliates	3,034,613	0.31%

(Continued)

Fubon Financial Holding Co., Ltd. and subsidiaries

Statement of Cash and Cash Equivalents

December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

<u>Items</u>	<u>Summary</u>	<u>Amounts</u>
Cash on hand and petty cash	Petty cash	\$ 139,446
	Cash on hand	<u>8,912,818</u>
	Subtotal	<u>9,052,264</u>
Bank deposits	Checking accounts	1,022,111
	Demand deposits	31,067,677
	Time deposits	47,164,244
	Foreign currency deposits	<u>64,464,833</u>
	Subtotal	<u>143,718,865</u>
Cash equivalents	Commercial papers	3,935,276
	Negotiable certificates of deposits	13,400,000
	Treasury bills	3,926,298
	Others	<u>768,621</u>
	Subtotal	<u>22,030,195</u>
Notes and checks for clearing		<u>4,454,478</u>
Due from banks		<u>105,499,172</u>
		284,754,974
Less: Guarantee deposits		<u>66,814</u>
Total		<u><u>\$ 284,688,160</u></u>

(Continued)

Fubon Financial Holding Co., Ltd. and subsidiaries

**Statement of Financial Assets Measured at Fair
Value through Profit or Loss**

December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Name of financial instruments	Summary	Shares (in thousands)		Gross amount	Interest rate (%)	Acquisition costs	Fair value		Changes in fair value attributable to changes in credit risk	Note
		Par value					Unit price	Total amount		
Financial assets mandatorily measured at fair value through profit or loss:										
Non-derivative financial assets:										
Government bonds	Maturity: 2023.09.18 ~2051.12.23	-	\$ -	7,258,468	0.31~3.53	7,295,738	-	7,290,372	-	
Corporate bonds	Maturity: 2022.03.16 ~2075.07.30 and perpetual	-	-	14,741,397	0.49~7.45	14,812,039	-	14,872,401	-	
Financial bonds	Maturity: 2022.03.02 ~2031.09.13 and perpetual	-	-	43,714,081	0.45~7.38	43,799,266	-	43,430,379	-	
Stocks		6,512,005	-	-	-	589,560,553	-	755,090,708	-	
Beneficiary certificates		559,947,388	-	-	-	561,959,631	-	579,527,317	-	
Commercial papers	Maturity: 2022.01.07 ~2022.11.28	-	-	25,602,678	0.26~1.80	28,215,254	-	28,191,818	-	
Others (Note 1)		-	-	-	-	<u>50,081,403</u>	-	<u>57,789,983</u>	-	
Total						<u>1,295,723,884</u>		<u>1,486,192,978</u>		
Non-hedge derivative instruments:										
Interest rate contracts		-	-	-	-	-	-	2,851,054	-	
Currency rate contracts										
Currency swap contracts		-	-	-	-	-	-	20,600,119	-	
Forward exchange contracts		-	-	-	-	-	-	2,868,660	-	
Options contracts		-	-	-	-	-	-	1,047,269	-	
Cross currency swap contracts		-	-	-	-	-	-	1,966,950	-	
Others (Note 1)		-	-	-	-	-	-	<u>1,264,612</u>	-	
Total								<u>30,598,664</u>		
Hybrid financial assets:										
Convertible corporate bonds	Maturity: 2022.03.05 ~2026.12.20 and perpetual	-	-	35,149,776	0.00~1.90	36,461,041	-	38,834,025	-	
Structured products	Maturity: 2023.05.10 ~2036.08.26 and perpetual	-	-	56,007,824	2.23~3.80	57,602,852	-	53,250,346	-	
						<u>94,063,893</u>		<u>92,084,371</u>		
Financial assets designated as at fair value through profit or loss:										
Structured products		-	-	-	-	<u>51,480</u>	-	<u>50,643</u>	-	
Total						<u>\$ 1,389,839,257</u>		<u>1,608,926,656</u>		

Note 1: Individual balance is not greater than 5% of total amount.

Note 2: Financial assets measured at fair value through profit or loss sold under repurchase agreements amounted to \$7,892,170 thousand.

(Continued)

Fubon Financial Holding Co., Ltd. and subsidiaries

Statement of Financial Assets Measured at Fair Value through Other Comprehensive Income

December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Name of financial instruments	Summary	Shares (in thousands)	Par value	Gross amount	Interest rate (%)	Acquisition costs	Loss allowance	Fair value		Note
								Unit price	Total amount	
Government bonds	Maturity: 2022.02.05~2060.12.01 and perpetual	-	\$ -	\$ 362,454,362	0.13~6.38	373,607,880	133,084	-	75,675,187	Note 2, Note 4 and Note 5
Corporate bonds	Maturity: 2022.01.04~2061.08.05 and perpetual	-	-	319,396,303	0.32~10.20	332,915,690	145,243	-	43,532,356	Note 6
Financial bonds	Maturity: 2022.01.25~2052.07.21 and perpetual	-	-	186,902,176	0.30~8.25	190,004,594	104,316	-	95,180,912	Note 7
Commercial papers	Maturity: 2022.01.03~2022.03.28	-	-	21,584,700	0.34~0.80	21,576,521	-	-	21,574,273	
Negotiable certificates of deposits	Maturity: 2022.06.10~2024.08.07	-	-	1,120,366	0.78~1.70	1,119,540	383	-	1,121,937	
Beneficiary securities	Maturity: 2022.03.04~2049.04.25	-	-	29,372,114	1.65~6.80	28,483,923	2,255	-	28,173,848	
Discount notes and loans	Maturity: 2022.01.04~2024.10.25	-	-	31,294,036	0.00~19.90	31,294,036	213,781	-	31,153,100	
Stocks		3,963,086	-	-	-	79,526,637	Not applicable	-	85,250,172	Note 3
Others (Note 1)		-	-	-	-	7,589,013	-	-	8,205,505	
Total						<u>\$ 1,066,117,834</u>	<u>599,062</u>	-	89,867,290	
Less: Guarantee deposits									10,350,848	
Net amount									<u>\$79,516,442</u>	

Note 1: Individual balance is not greater than 5% of total amount.

Note 2: \$8,237,719 thousand was pledged.

Note 3: \$4,178,691 thousand was pledged.

Note 4: The par value of government bonds pledged as operation guarantee deposits was \$10,125,200 thousand.

Note 5: The par value of financial assets measured at fair value through other comprehensive income sold under repurchase agreements amounted to \$2,074,804 thousand.

Note 6: The par value of financial assets measured at fair value through other comprehensive income sold under repurchase agreements amounted to \$18,064,743 thousand.

Note 7: The par value of financial assets measured at fair value through other comprehensive income sold under repurchase agreements amounted to \$8,620,446 thousand.

(Continued)

Fubon Financial Holding Co., Ltd. and subsidiaries
Statement of Debt Investments Measured at Amortized Cost
December 31, 2021
(Expressed in thousands of New Taiwan Dollars)

<u>Name of Bonds</u>	<u>Summary</u>	<u>Shares (in thousands)</u>	<u>Par value</u>	<u>Amounts</u>	<u>Interest rate(%)</u>	<u>Loss allowance</u>	<u>Unamortized premium (discount) amount</u>	<u>Book value</u>	<u>Note</u>
Government bonds	Maturity: 2022.03.07~2071.04.19 and perpetual	-	\$ -	\$ 368,533,364	0.13~10.63	(440,327)	25,802,708	393,895,745	Note 2, Note 6 and Note 9
Corporate bonds	Maturity: 2022.01.11~2098.03.01	-	-	1,267,038,872	0.01~10.50	(1,147,446)	96,304,686	1,362,196,112	Note 3 and Note 7
Financial bonds	Maturity: 2022.01.12~2098.02.15 and perpetual	-	-	799,372,456	0.88~10.00	(410,203)	83,629,952	882,592,205	Note 4 and Note 8
Negotiable certificates of deposits	Maturity: 2021.12.31~2036.05.20	-	-	391,646,192	0.34~6.45	(35,956)	(35,818)	391,574,418	Note 5
Beneficiary securities	Maturity: 2023.04.01~2052.01.01	-	-	74,945,763	0.00~5.63	(5,000)	(469,374)	74,471,389	
Others (Note 1)		-	-	<u>73,578,323</u>	0.00~6.00	<u>(29,246)</u>	<u>(1,525)</u>	<u>73,547,552</u>	
Total				<u>\$ 2,975,114,970</u>		<u>(2,068,178)</u>	<u>205,230,629</u>	<u>3,178,277,421</u>	
Less: Guarantee deposits								<u>6,476,281</u>	
Net amount								<u>\$ 3,171,801,140</u>	

Note 1: Individual balance is not greater than 5% of total amount.

Note 2: \$7,601,271 thousand were pledged.

Note 3: \$23,188,264 thousand were pledged.

(Continued)

- Note 4: \$1,026,548 thousand were pledged.
- Note 5: \$19,996,289 thousand were pledged.
- Note 6: The par value of government bonds sold under repurchase agreements amounted to \$9,694,908 thousand.
- Note 7: The par value of corporate bonds sold under repurchase agreements amounted to \$70,281,544 thousand.
- Note 8: The par value of financial bonds pledged as sold under repurchase agreements amounted to \$29,255,583 thousand.
- Note 9: Debt Investment Measured at Amortized Cost pledges as operation guarantee deposits was \$6,504,000 thousand.

Fubon Financial Holding Co., Ltd. and subsidiaries

Statement of Financial Assets for Hedging

December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Please refer to note 6 (f) for details.

**Statement of Securities Purchased under Resell
Agreements**

Items	Par value	Book value	Note
Government bonds	\$ 2,745,143	2,578,858	
Corporate bonds	29,603,335	29,344,703	
Financial bonds	7,125,449	6,990,350	
Commercial papers	35,017,700	34,972,410	
	\$ 74,491,627	73,886,321	

(Continued)

Fubon Financial Holding Co., Ltd. and subsidiaries

Statement of Receivables

December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

<u>Items</u>	<u>Amount</u>	<u>Allowance for doubtful accounts</u>	<u>Adjustments of premium and discount</u>	<u>Net amount</u>	<u>Note</u>
Accounts receivable – credit card	\$ 59,289,980	170,157	-	59,119,823	
Accounts receivable – forfeiting	1,355,069	14,766	-	1,340,303	
Notes receivable, accounts receivable and acceptance					
Notes receivable	1,504,185	5,727	-	1,498,458	
Accounts receivable	2,760,682	5,695	-	2,754,987	
Acceptance	17,422,905	62,323	-	17,360,582	
Subtotal	<u>21,687,772</u>	<u>73,745</u>	<u>-</u>	<u>21,614,027</u>	
Accounts receivable – factoring	17,142,047	202,140	-	16,939,907	
Interest receivable	44,845,625	359,255	-	44,486,370	
Revenues receivable	3,462,089	14	-	3,462,075	
Premiums receivable	3,212,155	28,220	-	3,183,935	
Margin loans receivable	37,410,162	-	-	37,410,162	
Accounts receivable – settlement	32,599,210	305,527	-	32,293,683	
Others (Note)	35,832,084	360,577	-	35,471,507	
	<u>\$ 256,836,193</u>	<u>1,514,401</u>	<u>-</u>	<u>255,321,792</u>	

Note: Individual balance is not greater than 5% of total amount.

(Continued)

Fubon Financial Holding Co., Ltd. and subsidiaries

Statement of Discounts and Loans

December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Please refer to note 6 (i) for details.

Statement of Reinsurance Contract Assets

(1) Details of claims recoverable from reinsurers

<u>Items</u>	<u>Summary</u>	<u>Amounts</u>	<u>Note</u>
Insurance business			
Fire insurance		\$ 431,448	
Marine cargo insurance		244,155	
Marine hull fishing vessel insurance		128,667	
Voluntary motor insurance		175,636	
Compulsory motor TPL insurance		587,051	
Liability insurance		35,858	
Other property insurance		110,574	
Others (Note)		<u>163,319</u>	
		1,876,708	
Less: Allowance for doubtful accounts		<u>(5,099)</u>	
		<u>1,871,609</u>	
Life insurance business			
Central Reinsurance Corporation		97,471	
Assicurazioni Generali SPA_GEN		85,250	
Munich Reinsurance Company Liaison		655,422	
Hannover Rueckversicherung-AG		399,993	
Others (Note)		<u>143,380</u>	
		<u>1,381,516</u>	
		<u>\$ 3,253,125</u>	

(Continued)

Fubon Financial Holding Co., Ltd. and subsidiaries

Statement of Reinsurance Contract Assets (Cont.)

December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

(2) Details of due from reinsurers and ceding companies

Items	Summary	Amounts	Note
Insurance business			
Reinsurance receivables			
Fire insurance		\$ 230,314	
Voluntary motor insurance		313,443	
Compulsory motor TPL insurance		218,491	
Liability insurance		185,469	
Engineering and nuclear insurance		483,258	
Other property insurance		408,334	
Overseas reinsurance assumed		223,570	
Injury insurance		93,933	
Other (Note)		<u>59,242</u>	
		2,216,054	
Less: Allowance for doubtful accounts		<u>(14,937)</u>	
Subtotal		<u>2,201,117</u>	
Due from other reinsurance			
CENTRAL REINSURANCE CORPORATION		526,626	
INSURANCE COMPANY OF NORTH AMERICA (TAIWAN BRANCH)		189,700	
Hannover Rueck SE Malaysian Branch		646,449	
Others (Note)		<u>2,521,506</u>	
		3,884,281	
Less: Allowance for doubtful accounts		<u>(44,485)</u>	
Subtotal		<u>3,839,796</u>	
		<u>6,040,913</u>	
Life insurance business			
Due from other reinsurance			
General Reinsurance AG		108,138	
Central Reinsurance Corporation		441,031	
Switzerland Reinsurance Company Liaison		59,623	
Korean Re		70,021	
Others (Note)		<u>109,317</u>	
Subtotal		<u>788,130</u>	
		<u>\$ 6,829,043</u>	

(Continued)

Fubon Financial Holding Co., Ltd. and subsidiaries

Statement of Reinsurance Contract Assets (Cont.)

December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

(3) Details of reinsurance reserve assets

<u>Items</u>	<u>Summary</u>	<u>Amounts</u>	<u>Note</u>
Ceded unearned premium reserve		\$ 8,711,052	
Ceded claim reserve		10,357,509	
Ceded premium deficiency reserve		155,928	
Ceded liability reserve		<u>3,062</u>	
		<u>\$ 19,227,551</u>	

Note : Individual balance is not greater than 5% of total amount.

(Continued)

Fubon Financial Holding Co., Ltd. and subsidiaries
Statement of Changes in Investments Accounted for Using Equity Method
For the year ended December 31, 2021
(Expressed in thousands of New Taiwan Dollars except for unit price)

Name	Beginning balance		Increase		Decrease		Ending balance			Market price or net worth		Guarantee, pledge or lending	Note
	Thousand shares	Amount	Thousand shares	Amount	Thousand shares	Amount	Thousand shares	Ownership interest	Amount	Unit price	Total amount		
Xiamen Bank Co., Ltd.	473,755	\$ 15,411,351	-	1,523,603	-	1,099,166	473,755	17.95 %	15,835,788	29.99	14,209,067	None	
Fubon Construction Management Co., Ltd.	6,964	138,706	-	4,797	-	6,964	6,964	30.00 %	136,539	19.61	136,539	"	
Line Biz+ Taiwan Co., Ltd.	10,936	3,004,698	-	14,906	-	-	10,936	19.99 %	3,019,604	80.24	877,471	"	
Fubon Health Management Co., Ltd.	5,000	22,165	-	124	-	2,286	5,000	24.27 %	20,003	4.00	20,003	"	
Founder Fubon Fund Management Co., Ltd.	-	453,352	-	-	-	106,089	-	33.30 %	347,263	-	347,263	"	
CITIC Capital Holdings Ltd.	13,980	8,608,594	-	917,991	-	267,559	13,980	18.00 %	9,259,026	624.21	8,726,328	"	
CITIC FUTONG Financial Leasing Limited	-	-	-	-	-	-	-	25.00 %	-	-	-	"	
Teng Fu Bo Investment Limited	-	451,517	-	-	-	106,037	-	16.67 %	345,480	-	345,480	"	
Star River Energy Corporation	25,440	286,764	-	23,867	6,055	81,250	19,385	21.49 %	229,381	11.83	229,381	"	
Bravelog Sport Technology Co., Ltd.	1,500	233	-	3,391	-	3,624	1,500	32.61 %	-	-	-	"	
Star Shining Energy Corporation	185,000	1,893,441	74,000	780,657	-	35,805	259,000	37.00 %	2,638,293	10.19	2,638,293	"	
Cofit Healthcare Inc.	275	2,737	-	964	275	3,701	-	- %	-	-	-	"	
Wholax Max Green Power Co., Ltd.	33,790	354,460	-	14,795	-	13,110	33,790	31.00 %	356,145	10.55	356,145	"	
Line Bank Co., Ltd.	251,000	2,289,773	-	-	-	300,768	251,000	25.10 %	1,989,005	7.92	1,989,005	"	
Zhong An Life Insurance Ltd.	350,000	1,058,882	-	225	-	128,805	350,000	35.00 %	930,302	0.75	261,999	"	
JihSun Securities Investment Trust Co., Ltd.	-	-	7,800	251,799	-	11,700	7,800	20.00 %	240,099	38.32	298,878	"	
Xiamen Jinfuyuan Insurance Surveyors and Loss Adjusters Co., Ltd.	-	-	-	2,905	-	27	-	24.96 %	2,878	-	2,878	"	
Hsin Ting Yi Hao Energy Corporation	-	-	15,000	150,878	-	-	15,000	30.00 %	150,878	10.06	150,878	"	
Sichuan VipFubon Consumer Finance Ltd.	-	-	-	543,149	-	106,343	-	25.00 %	436,806	-	436,806	"	
		<u>\$ 33,976,673</u>		<u>4,234,051</u>		<u>2,273,234</u>			<u>35,937,490</u>				

(Continued)

Fubon Financial Holding Co., Ltd. and subsidiaries

Statement of Other Financial Assets

December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Please refer to note 6 (n) for details.

Statement of Changes in Investment Property

For the year ended December 31, 2021

Please refer to note 6 (o) for details.

Statement of Change in Property and Equipment

Please refer to note 6 (p) for details.

(Continued)

Fubon Financial Holding Co., Ltd. and subsidiaries
Statement of Changes in Accumulated Depreciation
of Property and Equipment
For the year ended December 31, 2021
(Expressed in thousands of New Taiwan Dollars)

Please refer to note 6 (p) for details.

Statement of Changes in Accumulated Impairment
Loss of Property and Equipment

Please refer to note 6 (p) for details.

Statement of Changes in Right-of-Use Assets

Please refer to note 6 (q) for details.

(Continued)

Fubon Financial Holding Co., Ltd. and subsidiaries
Statement of Changes in Accumulated Depreciation
of Right-of-Use Assets

For the year ended December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Please refer to note 6 (q) for details.

Statement of Changes in Intangible Assets

Please refer to note 6 (r) for details.

Statement of Deferred Tax Assets

December 31, 2021

Please refer to note 6 (ac) for details.

(Continued)

Fubon Financial Holding Co., Ltd. and subsidiaries**Statement of Other Assets****December 31, 2021****(Expressed in thousands of New Taiwan Dollars)**

Please refer to note 6 (s) for details.

Statement of Financial Liabilities Measured at Fair Value through Profit or Loss

Please refer to note 6 (c) for details.

Statement of Financial Liabilities for Hedging

Please refer to note 6 (f) for details.

(Continued)

Fubon Financial Holding Co., Ltd. and subsidiaries
Statement of Securities Sold under Repurchase Agreements
December 31, 2021
(Expressed in thousands of New Taiwan Dollars)

Items	Par value	Book value	Note
Government bonds	\$ 7,299,624	10,945,174	
Corporate bonds	114,069,832	118,098,829	
Financial bonds	31,544,552	36,966,987	
	\$ 152,914,008	166,010,990	

(Continued)

Fubon Financial Holding Co., Ltd. and subsidiaries

Statement of Commercial Papers Issued

December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Items	Guarantee	Duration of the contract	Interest rate range	Issued amount	Amounts		Note
					Unamortized discount on commercial paper issued	Book value	
Commercial paper	Hua Nan Commercial Bank	2021.11.05~ 2022.02.14	0.40%~0.42%	\$ 2,500,000	456	2,499,544	
	China Bills Finance Corporation	2021.11.02~ 2022.03.24	0.36%~0.43%	3,850,000	1,273	3,848,727	
	Taishin International Bank	2021.10.26~ 2022.03.28	0.28%~0.41%	2,450,000	852	2,449,148	
	Mega Bills Finance Corporation	2021.11.02~ 2022.03.02	0.39%~0.42%	1,700,000	431	1,699,569	
	China Trust Commercial Bank	2021.11.12~ 2022.02.14	0.38%~0.43%	5,800,000	1,505	5,798,495	
	Cathy United Bank	2021.11.12~ 2022.02.14	0.43%	1,000,000	475	999,525	
	Union Bank of Taiwan	2021.10.07~ 2022.03.24	0.32%~0.46%	5,270,000	1,639	5,268,361	
	Grand Bills Finance Corporation	2021.11.11~ 2022.03.22	0.43%~0.46%	810,000	475	809,525	
	Taiwan Finance Corporation	2021.12.27~ 2022.01.20	0.41%	300,000	64	299,936	
	Ta Ching Bills Finance Corporation	2021.10.05~ 2022.03.24	0.32%~0.41%	2,280,000	905	2,279,095	
	Yuanta Commercial Bank	2021.12.10~ 2022.01.17	0.36%~0.40%	2,200,000	225	2,199,775	
	KGI Commercial Bank	2021.12.30~ 2022.01.24	0.34%	600,000	129	599,871	
	Bank SinoPac	2021.11.12~ 2022.03.16	0.38%~0.41%	390,000	279	389,721	
	Sunny Bank	2021.11.10~ 2022.01.07	0.35%	300,000	22	299,978	
				<u>\$ 29,450,000</u>	<u>8,730</u>	<u>29,441,270</u>	

(Continued)

Fubon Financial Holding Co., Ltd. and subsidiaries

Statement of Payables

December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Please refer to note 6 (v) for details.

Statement of Deposits and Remittances

<u>Items</u>	<u>Amounts</u>	<u>Note</u>
Checking accounts	\$ 17,117,605	
Public treasury deposits	41,395,045	
Demand deposits	819,762,586	
Time deposits	1,042,788,770	
Negotiable certificates of deposits	180,440,060	
Savings accounts		
Demand savings deposits	883,197,550	
Staff demand savings deposits	7,363,470	
Round-amount savings	149,179,917	
Withdrawals of interest savings	213,370,543	
Regular deposits	775,352	
Subtotal	1,253,886,832	
Remittances		
Drafts and telegraphic transfers payable	642,306	
Outward remittances	12,694	
Subtotal	655,000	
Foreign exchange credit	8,578	
	<u>\$ 3,356,054,476</u>	

(Continued)

Fubon Financial Holding Co., Ltd. and subsidiaries

Statement of Bonds Payable

December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Name	Trustee Organization	Issue period	Interest payment date	Coupon rate %	Amounts					Guidelines for the Repayment	Guarantee	Note
					Issued amount	Replied	Ending balance	Unamortized premium (discount) amount	Book value			
Corporate bonds:												
First 2015 unsecured domestic corporate bonds—B	Mega International Commercial Bank Co., Ltd. trust department	2015.03.30~2022.03.30		Coupon rate of Bond B: 1.65%	\$ 3,900,000	-	3,900,000	-	3,900,000	Please refer to note 6 (x) for details.		
Second 2015 unsecured domestic corporate bonds—C	"	2015.07.15~2022.07.15		Coupon rate of Bond C: 1.65%	9,400,000	-	9,400,000	-	9,400,000	"		
First 2018 unsecured domestic corporate bonds—A	"	2018.09.04~2023.09.04		Coupon rate of Bond A: 0.85%	1,700,000	-	1,700,000	-	1,700,000	"		
First 2018 unsecured domestic corporate bonds—B	"	2018.09.04~2025.09.04		Coupon rate of Bond B: 0.95%	8,300,000	-	8,300,000	-	8,300,000	"		
Second 2018 unsecured domestic corporate bonds—A	"	2018.11.22~2023.11.22		Coupon rate of bond A: 0.85%	700,000	-	700,000	-	700,000	"		
Second 2018 unsecured domestic corporate bonds—B	"	2018.11.22~2025.11.22		Coupon rate of Bond B: 0.95%	1,500,000	-	1,500,000	-	1,500,000	"		
First 2019 unsecured domestic corporate bonds—A	"	2019.12.05~2024.12.05		Coupon rate of Bond A: 0.77%	1,200,000	-	1,200,000	-	1,200,000	"		
First 2019 unsecured domestic corporate bonds—B	"	2019.12.05~2026.12.05		Coupon rate of Bond B: 0.82%	3,800,000	-	3,800,000	-	3,800,000	"		
First 2020 unsecured domestic corporate bonds—A	"	2020.07.29~2024.07.29		Coupon rate of Bond A: 0.59%	2,600,000	-	2,600,000	-	2,600,000	"		
First 2020 unsecured domestic corporate bonds—B	"	2020.07.29~2026.07.29		Coupon rate of Bond B: 0.61%	500,000	-	500,000	-	500,000	"		
First 2020 unsecured domestic corporate bonds—C	"	2020.07.29~2028.07.29		Coupon rate of Bond C: 0.66%	1,400,000	-	1,400,000	-	1,400,000	"		
First 2020 unsecured domestic corporate bonds—D	"	2020.07.29~2032.07.29		Coupon rate of Bond D: 0.70%	1,000,000	-	1,000,000	-	1,000,000	"		

(Continued)

Fubon Financial Holding Co., Ltd. and subsidiaries

Statement of Bonds Payable (Cont.)

December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Name	Trustee Organization	Issue period	Interest payment date	Coupon rate %	Amounts					Guidelines for the Repayment	Guarantee	Note
					Issued amount	Replied	Ending balance	Unamortized premium (discount) amount	Book value			
Second 2020 unsecured domestic corporate bonds—A	Mega International Commercial Bank Co., Ltd. trust department	2020.09.15~2024.09.15		Coupon rate of Bond A: 0.59%	\$ 6,500,000	-	6,500,000	-	6,500,000	Please refer to note 6 (x) for details.		
Second 2020 unsecured domestic corporate bonds—B	"	2020.09.15~2027.09.15		Coupon rate of Bond B: 0.66%	5,600,000	-	5,600,000	-	5,500,000	"		
Second 2020 unsecured domestic corporate bonds—C	"	2020.09.15~2030.09.15		Coupon rate of Bond C: 0.70%	7,900,000	-	7,900,000	-	7,900,000	"		
Third 2020 unsecured domestic corporate bonds—A	"	2020.11.06~2024.11.06		Coupon rate of Bond A: 0.59%	3,000,000	-	3,000,000	-	3,000,000	"		
Third 2020 unsecured domestic corporate bonds—B	"	2020.11.06~2027.11.06		Coupon rate of Bond B: 0.66%	4,200,000	-	4,200,000	-	4,200,000	"		
Third 2020 unsecured domestic corporate bonds—C	"	2020.11.06~2030.11.06		Coupon rate of Bond C: 0.70%	7,300,000	-	7,300,000	-	7,300,000	"		
First 2021 unsecured domestic corporate bonds—A	"	2021.09.16~2026.09.16		Coupon rate of Bond A: 0.50%	2,300,000	-	2,300,000	-	2,300,000	"		
First 2021 unsecured domestic corporate bonds—B	"	2021.09.16~2028.09.16		Coupon rate of Bond B: 0.58%	4,800,000	-	4,800,000	-	4,800,000	"		
First 2021 unsecured domestic corporate bonds—C	"	2021.09.16~2031.09.16		Coupon rate of Bond C: 0.65%	4,100,000	-	4,100,000	-	4,100,000	"		
First 2021 unsecured domestic corporate bonds—D	"	2021.09.16~2036.09.16		Coupon rate of Bond D: 0.73%	1,000,000	-	1,000,000	-	1,000,000	"		

(Continued)

Fubon Financial Holding Co., Ltd. and subsidiaries

Statement of Bonds Payable (Cont.)

December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Name	Trustee Organization	Issue period	Interest payment date	Coupon rate %	Amounts					Guidelines for the Repayment	Guarantee	Note
					Issued amount	Replied	Ending balance	Unamortized premium (discount) amount	Book value			
Fubon Life Insurance Co., Ltd. 1st Issue of 2016 Perpetual Cumulative Subordinated Corporate Bonds	BANK SINOPAC CO., LTD.	2016.12.07~ Indefinite		Coupon rate: 3.25%	\$ 28,500,000	-	28,500,000	-	28,500,000	Please refer to note 6 (x) for details.		
Fubon Life Insurance Co., Ltd. 1st Issue of 2017 Perpetual Cumulative Subordinated Corporate Bonds	"	2017.04.21~ Indefinite		Coupon rate: 3.30%	6,500,000	-	6,500,000	-	6,500,000	"		
Hyundailife Insurance 6(private placement)	Woori Bank	2016.04.28~2022.04.28		Coupon rate: 4.60%	698,730	-	698,730	1,403	700,133	"		
Hyundailife Insurance 7(private placement)	"	2016.12.28~2022.07.28		Coupon rate: 4.75%	465,820	-	465,820	875	466,695	"		
Hyundailife Insurance 8(private placement)	"	2017.06.26~2023.01.26		Coupon rate: 4.90%	209,619	-	209,619	636	210,255	"		
Hyundailife Insurance 9(private placement)	"	2017.07.20~2023.01.20		Coupon rate: 4.90%	186,328	-	186,328	1,029	187,357	"		
Hyundailife Insurance 11 (private placement)	"	2017.12.28~2023.06.28		Coupon rate: 5.60%	1,397,460	-	1,397,460	12,052	1,409,512	"		
Hyundailife Insurance 13 (private placement)	"	2019.09.09~2029.09.09		Coupon rate: 4.30%	1,164,550	-	1,164,550	(2,459)	1,162,091	"		
Hyundailife Insurance 14	"	2019.10.02~2029.10.02		Coupon rate: 4.25%	2,329,100	-	2,329,100	(7,851)	2,321,249	"		
Hyundailife Insurance 15 (private placement)	"	2020.06.24~2030.06.24		Coupon rate: 4.30%	349,365	-	349,365	(801)	348,564	"		
Hyundailife Insurance 16	"	2020.09.21~2030.09.21		Coupon rate: 4.49%	1,164,550	-	1,164,550	(4,443)	1,160,107	"		
Hyundailife Insurance 17 (private placement)	"	2021.04.29~2031.04.29		Coupon rate: 4.60%	1,269,360	-	1,269,360	(3,136)	1,266,224	"		
Hyundailife Insurance 18	"	2021.09.14~2031.09.14		Coupon rate: 4.10%	2,212,645	-	2,212,645	(8,123)	2,204,522	"		
Subtotal					<u>129,147,527</u>	<u>-</u>	<u>129,147,527</u>	<u>(10,818)</u>	<u>129,036,709</u>			

(Continued)

Fubon Financial Holding Co., Ltd. and subsidiaries

Statement of Bonds Payable (Cont.)

December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Name	Trustee Organization	Issue period	Interest payment date	Coupon rate %	Amounts					Guidelines for the Repayment	Guarantee	Note
					Issued amount	Replied	Ending balance	Unamortized premium (discount) amount	Book value			
Financial bonds:					\$							
Second issuance of subordinated bank debentures in 2012	None	2012.05.25~2022.05.25		Coupon rate: fixed 1.68%	4,700,000	-	4,700,000	-	4,700,000	Note 1		
First issuance of subordinated bank debentures in 2013—B	"	2013.08.01~2023.08.01		Coupon rate: fixed 1.70%	500,000	-	500,000	-	500,000	"		
First issuance of subordinated bank debentures in 2014—B	"	2014.05.15~2024.05.15		Coupon rate: fixed 1.85%	4,500,000	-	4,500,000	-	4,500,000	"		
Second issuance of subordinated bank debentures in 2014	"	2014.09.25~2024.09.25		Coupon rate: fixed 1.98%	3,700,000	-	3,700,000	-	3,700,000	"		
Second issuance of subordinated bank debentures in 2017	"	2017.09.22~2024.09.22		Coupon rate: fixed 1.33%	3,000,000	-	3,000,000	-	3,000,000	Note 1		
Fourth issuance of subordinated bank debentures in 2017	"	2017.10.18~2024.10.18		Coupon rate: fixed 1.30%	1,750,000	-	1,750,000	-	1,750,000	"		
Fifth issuance of dominant bank debentures in 2017	"	2017.12.04~2047.12.04		zero interest rate, Internal Rate of Return 4.10%	3,261,773	-	3,261,773	-	3,261,773	Note 2		
Second issuance of dominant bank debentures in 2018	"	2018.03.08~2048.03.08		zero interest rate, Internal Rate of Return 4.35%	6,352,767	-	6,352,767	-	6,352,767	Note 2		
Third issuance of subordinated bank debentures in 2018—A	"	2018.09.25~2025.09.25		Coupon rate: fixed 1.15%	1,200,000	-	1,200,000	-	1,200,000	Note 1		
Third issuance of subordinated bank debentures in 2018—B	"	2018.09.25~2028.09.25		Coupon rate: fixed 1.30%	1,800,000	-	1,800,000	-	1,800,000	"		
Fifth issuance of dominant bank debentures in 2018	"	2018.11.20~2048.11.20		zero interest rate, Internal Rate of Return 4.90%	2,571,144	-	2,571,144	-	2,571,144	Note 2		
Sixth issuance of dominant bank debentures in 2018	"	2018.11.28~2028.11.28		Coupon rate: fixed 1.10%	3,700,000	-	3,700,000	-	3,700,000	Note 1		

(Continued)

Fubon Financial Holding Co., Ltd. and subsidiaries

Statement of Bonds Payable (Cont.)

December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Name	Trustee Organization	Issue period	Interest payment date	Coupon rate %	Amounts					Guidelines for the Repayment	Guarantee	Note
					Issued amount	Replied	Ending balance	Unamortized premium (discount) amount	Book value			
Seventh issuance of subordinated bank debentures in 2018	None	2018.12.18~perpetual		Coupon rate: fixed 2.15%	\$ 6,500,000	-	6,500,000	-	6,500,000	Note 3		
First issuance of dominant bank debentures in 2019	"	2019.03.20~2029.03.20		Coupon rate: fixed 0.98%	1,300,000	-	1,300,000	-	1,300,000	Note 1		
Second issuance of dominant bank debentures in 2019	"	2019.05.10~2029.05.10		Coupon rate: fixed 0.95%	1,300,000	-	1,300,000	-	1,300,000	"		
Third issuance of subordinated bank debentures in 2019	"	2019.06.25~perpetual		Coupon rate: fixed 1.9%	3,100,000	-	3,100,000	-	3,100,000	Note 3		
Fourth issuance of subordinated bank debentures in 2019	"	2019.09.26~perpetual		Coupon rate: fixed 1.63%	4,400,000	-	4,400,000	-	4,400,000	Note 3		
Fifth issuance of subordinated bank debentures in 2019	"	2019.09.26~2029.09.26		Coupon rate: fixed 0.95%	6,000,000	-	6,000,000	-	6,000,000	Note 1		
Sixth issuance of dominant bank debentures in 2019	"	2019.10.30~2029.10.30		Coupon rate: fixed 0.88%	6,600,000	-	6,600,000	-	6,600,000	"		
Seventh issuance of dominant bank debentures in 2019	"	2019.12.30~2029.12.30		Coupon rate: fixed 0.88%	3,100,000	-	3,100,000	-	3,100,000	"		
First issuance of dominant bank debentures in 2020	"	2020.03.20~2030.03.20		Coupon rate: fixed 0.75%	5,000,000	-	5,000,000	-	5,000,000	"		
Second issuance of subordinated bank debentures in 2020	"	2020.06.22~perpetual		Coupon rate: fixed 1.60%	3,150,000	-	3,150,000	-	3,150,000	Note 3		
Third issuance of subordinated bank debentures in 2020—A	"	2020.06.22~2027.06.22		Coupon rate: fixed 0.70%	200,000	-	200,000	-	200,000	Note 1		

(Continued)

Fubon Financial Holding Co., Ltd. and subsidiaries

Statement of Bonds Payable (Cont.)

December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Name	Trustee Organization	Issue period	Interest payment date	Coupon rate %	Amounts					Guidelines for the Repayment	Guarantee	Note
					Issued amount	Replied	Ending balance	Unamortized premium (discount) amount	Book value			
Third issuance of subordinated bank debentures in 2020—B	None	2020.06.22~2030.06.22		Coupon rate: fixed 0.80%	\$ 1,800,000	-	1,800,000	-	1,800,000	Note 1		
Fourth issuance of subordinated bank debentures in 2020	"	2020.08.10~perpetual		Coupon rate: fixed 1.50%	2,850,000	-	2,850,000	-	2,850,000	Note 3		
First issuance of dominant bank debentures in 2021	"	2021.01.28~2026.01.28		Coupon rate: fixed 0.40%	1,000,000	-	1,000,000	-	1,000,000	Note 1		
Second issuance of dominant bank debentures in 2021	"	2021.09.02~2026.09.02		Coupon rate: fixed 0.40%	1,000,000	-	1,000,000	-	1,000,000	"		
Third issuance of subordinated bank debentures in 2021	"	2021.09.02~2031.09.02		Coupon rate: fixed 0.70%	2,400,000	-	2,400,000	-	2,400,000	"		
Fourth issuance of dominant bank debentures in 2021—A	"	2021.09.28~2026.09.28		Coupon rate: fixed 0.45%	2,700,000	-	2,700,000	-	2,700,000	"		
Fourth issuance of dominant bank debentures in 2021—B	"	2021.09.28~2028.09.28		Coupon rate: fixed 0.52%	1,400,000	-	1,400,000	-	1,400,000	"		
1-year bonds issued in January 2021		2021.01.11~2022.01.10		zero interest rate	1,242,099	-	1,242,099	3,555	1,245,654			
1-year bonds issued in January 2021		2021.01.12~2022.01.11		Coupon rate: fixed 0.45%	1,104,088	-	1,104,088	3,286	1,107,374			
2-year bonds issued in January 2020		2020.01.20~2022.01.20		Coupon rate: floating	532,618	-	532,618	(35)	532,583			
2-year bonds issued in February 2020		2020.02.27~2022.02.28		Coupon rate: fixed 2.20%	532,618	-	532,618	(126)	532,492			
1-year bonds issued in March 2021		2021.03.16~2022.03.16		Coupon rate: fixed 0.50%	1,420,313	-	1,420,313	(344)	1,419,969			
1-year bonds issued in March 2021		2021.03.19~2022.03.18		Coupon rate: fixed 0.50%	1,065,235	-	1,065,235	(265)	1,064,970			
1-year bonds issued in March 2021		2021.03.23~2022.03.22		Coupon rate: fixed 0.50%	355,079	-	355,079	-	355,079			
2-year bonds issued in March 2020		2020.03.04~2022.03.04		Coupon rate: fixed 2.00%	1,375,938	-	1,375,938	7,594	1,383,532			
2-year bonds issued in March 2020		2020.03.04~2022.03.07		Coupon rate: fixed 2.00%	550,375	-	550,375	3,024	553,399			

(Continued)

Fubon Financial Holding Co., Ltd. and subsidiaries

Statement of Bonds Payable (Cont.)

December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Name	Trustee Organization	Issue period	Interest payment date	Coupon rate %	Amounts					Guidelines for the Repayment	Guarantee	Note
					Issued amount	Replied	Ending balance	Unamortized premium (discount) amount	Book value			
2-year bonds issued in March 2020		2020.03.18~2022.03.18		Coupon rate: fixed 1.50%	\$ 355,078	-	355,078	(182)	354,896			
1-year bonds issued in April 2021		2021.04.29~2022.04.29		zero interest rate	827,139	-	827,139	2,042	829,181			
2-year bonds issued in April 2020		2020.04.23~2022.04.25		Coupon rate: fixed 1.95%	1,375,938	-	1,375,938	7,864	1,383,802			
2-year bonds issued in April 2020		2020.04.23~2022.04.29		Coupon rate: fixed 1.95%	1,375,938	-	1,375,938	7,848	1,383,786			
1-year bonds issued in May 2021		2021.05.04~2022.05.04		zero interest rate	827,139	-	827,139	2,069	829,208			
1-year bonds issued in June 2021		2021.06.17~2022.06.16		zero interest rate	1,102,852	-	1,102,852	2,342	1,105,194			
1-year bonds issued in August 2021		2021.08.06~2022.08.05		zero interest rate	829,546	-	829,546	(896)	828,650			
1-year bonds issued in August 2021		2021.08.19~2022.08.19		zero interest rate	1,382,578	-	1,382,578	(1,436)	1,381,142			
3-year bonds issued in August 2019		2019.08.08~2022.08.08		Coupon rate: floating	550,375	-	550,375	3,076	553,451			
1-year bonds issued in Octobor 2021		2021.10.12~2022.10.12		zero interest rate	1,107,383	-	1,107,383	(3,135)	1,104,248			
3-year bonds issued in Octobor 2019		2019.10.29~2022.10.31		Coupon rate: fixed 2.39%	816,680	-	816,680	(265)	816,415			
3-year bonds issued in December 2019		2019.12.10~2022.12.10		Coupon rate: floating	532,618	-	532,618	(207)	532,411			
3-year bonds issued in January 2020		2020.01.31~2023.01.31		Coupon rate: fixed 2.42%	284,063	-	284,063	(540)	283,523			
3-year bonds issued in February 2020		2020.02.25~2023.02.24		Coupon rate: fixed 2.00%	923,204	-	923,204	(4,135)	919,069			
3-year bonds issued in February 2020		2020.02.27~2023.02.27		Coupon rate: fixed 2.25%	532,618	-	532,618	(902)	531,716			
First issuance of 2018 Fubon Bank (China) Tier 2 capital		2018.12.06~2028.12.06		Coupon rate: fixed 5.43%	4,346,730	-	4,346,730	-	4,346,730	Note 4		
First issuance of 2019 Fubon Bank (China) Tier 2 capital		2019.04.27~2029.04.27		Coupon rate: fixed 5.20%	4,346,730	-	4,346,730	-	4,346,730	"		
First issuance of FBCN in 2020	KGI Securities	2020.01.09~2025.01.09		Coupon rate: fixed 4.08%	4,341,456	-	4,341,456	-	4,341,456	Note 1		

(Continued)

Fubon Financial Holding Co., Ltd. and subsidiaries

Statement of Bonds Payable (Cont.)

December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Name	Trustee Organization	Issue period	Interest payment date	Coupon rate %	Amounts					Guidelines for the Repayment	Guarantee	Note
					Issued amount	Replied	Ending balance	Unamortized premium (discount) amount	Book value			
First issuance of Fubon Bank (China) bank debentures in 2020	CITIC Securities, Bank of China Limited, Shanghai Pudong Development Bank Co., Ltd., China Merchants Bank Co.,Ltd, Bank of Jiangsu	2020.03.23~2023.03.23		Coupon rate: fixed 3.20%	\$ 4,346,730	-	4,346,730	-	4,346,730	Note 5		
Second issuance of Fubon Bank (China) bank debentures in 2020	Bank of China Limited, CITIC Securities, China Merchants Bank Co.,Ltd, Shanghai Pudong Development Bank Co., Ltd., Bank of Jiangsu	2020.12.01~2023.12.01		Coupon rate: fixed 3.92%	4,346,730	-	4,346,730	-	4,346,730	"		
2015 JIHSUN unsecured subordinated financial debentures		2015.01.30~2022.01.30		Coupon rate: fixed 2.20%	2,500,000	-	2,500,000	-	2,500,000			
Valuation adjustments of bank debentures					-	-	1,036,102	-	1,036,102			
Subtotal					<u>136,065,572</u>	<u>-</u>	<u>137,101,674</u>	<u>30,232</u>	<u>137,131,906</u>			
					<u>\$ 265,213,099</u>	<u>-</u>	<u>266,249,201</u>	<u>19,414</u>	<u>266,168,615</u>			

Note 1: Pay in full upon maturity.

Note 2: Pay in full upon maturity except for redemption.

Note 3: Perpetual bond. The Company will redeem the bond if the bond is not redeemed in 5 years and a month in compliance with Regulations No.9.

Note 4: Pay in full upon maturity. The issuer will redeem the bond based the principal amount or in whole with the approval from the authority in the end of fifth year.

Note 5: Pay in full upon maturity. The issuer could not redeem the bond before the redemption date, and the bondholders could not require the issuer to redeem the bond before the redemption date.

(Continued)

Fubon Financial Holding Co., Ltd. and subsidiaries

Statement of Changes in Provisions

For the year ended December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

<u>Items</u>	<u>Beginning balance</u>	<u>Net changes for the period</u>	<u>Other changes</u>	<u>Ending balance</u>	<u>Note</u>
Liability reserves	\$ 4,125,250,562	240,292,121	(45,572,241)	4,319,970,442	
Unearned premium reserves	36,590,547	1,946,410	1,221,591	39,758,548	
Special reserves	18,593,020	2,761,381	(45,213)	21,309,188	
Claim reserves	30,866,724	3,457,890	925,828	35,250,442	
Provisions for guarantee liabilities	217,134	(7,821)	26,439	235,752	
Provisions for financing commitment	426,407	30,679	16,158	473,244	
Premium deficiency reserves	12,669,190	(4,191,944)	(39,240)	8,438,006	
Foreign exchange valuation reserves	8,481,833	1,907,634	-	10,389,467	
Reserves for insurance with nature of financial instrument	3,448,657	214,492	(105,396)	3,557,753	
Provisions for employment benefits	14,073,181	581,927	(765,484)	13,889,624	
Others	<u>33,260,039</u>	<u>(600,012)</u>	<u>(490,269)</u>	<u>32,169,758</u>	
	<u>\$ 4,283,877,294</u>	<u>246,392,757</u>	<u>(44,827,827)</u>	<u>4,485,442,224</u>	

(Continued)

Fubon Financial Holding Co., Ltd. and subsidiaries

Statement of Other Financial Liabilities

December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Please refer to note 6 (aa) for details.

Statement of Lease Liabilities

<u>Items</u>	<u>Summary</u>	<u>Period</u>	<u>Discount rate</u>	<u>Ending balance</u>	<u>Note</u>
Land, superficies	Lease land for superficies	50 to 133 years	3.15%~4.56%	\$ 14,651,562	
Buildings	Lease land and buildings for offices	1 to 20 years	0.34%~7.00%	6,293,858	
Machinery		1 to 8 years	0.35%~1.80%	181,939	
Transportation equipment		1 to 8 years	0.52%~7.00%	163,076	
Other equipment		1 to 8 years	0.55%~19.00%	186,851	
				<u>\$ 21,477,286</u>	

Statement of Deferred Tax Liabilities

Please refer to note 6 (ac) for details.

(Continued)

Fubon Financial Holding Co., Ltd. and subsidiaries

Statement of Other Liabilities

December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Please refer to note 6 (ab) for details.

Statement of Interest Revenue

For the year ended December 31, 2021

<u>Items</u>	<u>Amounts</u>	<u>Note</u>
Discounts and loans	\$ 52,237,302	
Financial bonds	35,285,474	
Corporate bonds	51,475,840	
Government bonds	16,143,646	
Others (Note)	<u>13,582,348</u>	
	<u>\$ 168,724,610</u>	

Note: Individual balance is not greater than 5% of total amount.

(Continued)

Fubon Financial Holding Co., Ltd. and subsidiaries

Statement of Interest Expenses

For the year ended December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

<u>Items</u>	<u>Amounts</u>	<u>Note</u>
Deposits	\$ 15,159,939	
Debt securities issued	4,483,088	
Call loans to the central Bank and banks	724,039	
Securities sold under repurchase agreements	715,841	
Others (Note)	<u>4,170,050</u>	
	<u><u>\$ 25,252,957</u></u>	

Note: Individual balance is not greater than 5% of total amount.

(Continued)

Fubon Financial Holding Co., Ltd. and subsidiaries
Statement of Net Service Charge and Commissions Loss
For the year ended December 31, 2021
(Expressed in thousands of New Taiwan Dollars)

<u>Items</u>	<u>Amounts</u>	<u>Note</u>
Brokerage service fees:		
In the centralized securities exchange market	\$ 6,924,234	
In the OTC market	1,674,121	
Futures brokerage service fee revenue	759,320	
Others (Note)	<u>5,702,720</u>	
Subtotal	<u>15,060,395</u>	
Commission income:		
Reinsurance commission income	3,539,583	
Others commission income	<u>244,325</u>	
Subtotal	<u>3,783,908</u>	
Trust and custody services fees	6,300,821	
Loan service fees	1,441,964	
Credit card service fees	753,011	
Others (Note)	<u>8,216,319</u>	
Total service fee and commission income	<u>35,556,418</u>	
Brokerage service charge	<u>1,334,651</u>	
Insurance commission expense:		
Reinsurance commission expense	951,937	
Insurance commission expense	20,319,421	
Others (Note)	<u>866,138</u>	
Subtotal	<u>22,137,496</u>	
Credit card service charge	<u>1,139,823</u>	
Interbank service charge	<u>375,316</u>	
Others (Note)	<u>2,941,266</u>	
Total service charge and commission expense	<u>27,928,552</u>	
Total	<u><u>\$ 7,627,866</u></u>	

Note: Individual balance is not greater than 5% of total amount.

(Continued)

Fubon Financial Holding Co., Ltd. and subsidiaries

Statement of Net Income of Insurance Operations

For the year ended December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Items	Amounts	Note
Premiums income:		
Life insurance	\$ 378,784,962	
Health insurance	47,047,332	
Others (Note)	<u>47,447,503</u>	
Subtotal	<u>473,279,797</u>	
Separate account products revenues:		
Premiums income	29,910,564	
Gains (losses) on financial assets or liabilities measured at fair value through profit and loss	3,750,020	
Others	<u>2,062,004</u>	
Subtotal	<u>35,722,588</u>	
Revenues on corporate and individual annuity insurance products - separated account:		
Interest revenue	5,567,152	
Gains (losses) on financial assets or liabilities measured at fair value through profit and loss	1,435,049	
Realized gains (losses) on financial assets measured at fair value through other comprehensive income	1,115,376	
Reversal of ECL on investments	131,003	
Gains on foreign exchange	4,564,950	
Others (Note)	<u>68,974</u>	
Subtotal	<u>12,882,504</u>	
Total income from insurance business	<u>521,884,889</u>	
Acquisition expenses	<u>36,811</u>	
Insurance claims payment:		
Life insurance	259,350,528	
Health insurance	26,905,804	
Others (Note)	<u>24,950,955</u>	
Subtotal	<u>311,207,287</u>	
Separate account products expenses:		
Insurance claim payments	18,014,191	
Net insurance separate account value reserve	13,983,238	
Administrative expenses	3,692,725	
Others (Note)	<u>32,434</u>	
Subtotal	<u>35,722,588</u>	
Expenses on corporate and individual annuity insurance products - separate account:		
Insurance value reserve provisions - separated account	4,423,126	
Losses on financial assets or liabilities measured at fair value through profit and loss	5,036,184	
Realized losses on financial assets measured at fair value through comprehensive income	63,783	
Expected credit losses (reversal gains) on investments	3,637	
Losses on foreign exchange	213,398	
Administrative expenses	3,137,355	
Others (Note)	<u>5,021</u>	
Subtotal	<u>12,882,504</u>	
Disbursement toward industry stability	<u>1,115,463</u>	
Total insurance business expenses	<u>360,964,653</u>	
Total	<u><u>\$ 160,920,236</u></u>	

Note: Individual balance is not greater than 5% of total amount.

(Continued)

Fubon Financial Holding Co., Ltd. and subsidiaries
Statement of Gains (Losses) on Financial Assets and Liabilities
Measured at Fair Value through Profit or Loss
For the year ended December 31, 2021
(Expressed in thousands of New Taiwan Dollars)

Items	Amounts	Note
Gains (losses) on disposal:		
Stocks	\$ 83,862,043	
Beneficiary certificates	18,017,949	
Foreign exchange swap contracts	35,548,832	
Others (Note)	<u>(5,710,546)</u>	
Subtotal	<u>131,718,278</u>	
Gains (losses) on valuation:		
Stocks	65,547,011	
Beneficiary certificates	6,053,759	
Foreign exchange swap contracts	(21,406,642)	
Others (Note)	<u>(1,648,942)</u>	
Subtotal	<u>48,545,186</u>	
Dividend income	34,873,693	
Interest revenue	4,354,614	
Others	<u>13,527</u>	
	<u>\$ 219,505,298</u>	

Note: Individual balance is not greater than 5% of total amount.

(Continued)

Fubon Financial Holding Co., Ltd. and subsidiaries
Statement of Gains (Losses) on Investment Property
For the year ended December 31, 2021
(Expressed in thousands of New Taiwan Dollars)

<u>Items</u>	<u>Amounts</u>	<u>Note</u>
Rental revenue	\$ 7,542,016	
Gains on disposal	88,556	
Changes in fair value	(328,238)	
Taxes	(921,530)	
Other gains or losses	(23,742)	
	<u>\$ 6,357,062</u>	

Statement of Realized Gains (Losses) on Financial
Assets Measured at Fair Value through Other
Comprehensive Income

<u>Items</u>	<u>Amounts</u>	<u>Note</u>
Dividend revenue	\$ 3,840,605	
Gains on disposal:		
Government bonds	8,112,003	
Corporate bonds	4,987,110	
Financial bonds	4,109,981	
Others (Note)	(1,512)	
	<u>17,207,582</u>	
	<u>\$ 21,048,187</u>	

Note: Individual balance is not greater than 5% of total amount.

(Continued)

Fubon Financial Holding Co., Ltd. and subsidiaries

**Statement of Gains (Losses) Arising from
Derecognition of Financial Assets Measured at
Amortized Cost**

For the year ended December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Items	Amounts	Note
Government bonds	\$ (875,560)	
Financial bonds	1,627,249	
Corporate bonds	9,356,017	
Others (Note)	<u>(52,145)</u>	
	<u>\$ 10,055,561</u>	

Note: Individual balance is not greater than 5% of total amount.

Statement of Foreign Exchange Gains (Losses)

Items	Amounts	Note
Financial instruments	\$ (45,990,258)	
Others (Note)	<u>23,766,047</u>	
	<u>\$ (22,224,211)</u>	

Note: Individual balance is not greater than 5% of total amount.

(Continued)

Fubon Financial Holding Co., Ltd. and subsidiaries
Statement of Reversal Gains (Impairment Losses)
on Assets

For the year ended December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

<u>Items</u>	<u>Impairment losses</u>	<u>Reversal gains</u>	<u>Note</u>
Debt instruments measured at amortized cost	\$ (257,266)	-	
Reinsurance contract assets	-	20,451	
Property and equipment	(81,438)	-	
Debt investments measured at fair value through other comprehensive income	(36,388)	-	
Securities purchased under resell agreements	-	13,651	
Others (Note)	-	139	
	<u>\$ (375,092)</u>	<u>34,241</u>	

Note: Individual balance is not greater than 5% of total amount.

(Continued)

Fubon Financial Holding Co., Ltd. and subsidiaries
Statement of Share of Profit of Associates and Joint
Ventures Accounted for Using Equity Method
For the year ended December 31, 2021
(Expressed in thousands of New Taiwan Dollars)

Items	Amounts	Note
Investment income recognized under equity method:		
Xiamen Bank Co., Ltd.	\$ 1,522,305	
Fubon Construction Management Co., Ltd.	4,797	
CITIC Capital Holdings Ltd.	679,566	
Star River Energy Corporation	23,867	
Star Shining Energy Corporation	35,744	
Wholox Max Green Power Co., Ltd.	14,795	
Cofit Healthcare Inc.	964	
Line Biz+ Taiwan Co., Ltd.	13,614	
JihSun Securities Investment Trust Co., Ltd.	11,618	
Hsin Ting Yi Hao Energy Corporation	878	
	<u>2,308,148</u>	
Investment loss recognized under equity method:		
Fubon Health Management Co., Ltd.	(2,286)	
Founder Fubon Fund Management Co., Ltd.	(104,205)	
Teng Fu Bo Investment Limited	(104,159)	
Bravelog Sport Technology Co., Ltd.	(3,624)	
ZongAn Life Insurance Ltd.	(98,419)	
Line Bank Co., Ltd.	(299,819)	
Xiamen Jinfuyuan Insurance Surveyors and Loss Adjusters Co.,Ltd.	(27)	
Sichuan VipFubon Consumer Finance Ltd.	(106,343)	
	<u>(718,882)</u>	
Loss on disposal of investments accounted for using equity method	(9,297)	
	<u>\$ 1,579,969</u>	

(Continued)

Fubon Financial Holding Co., Ltd. and subsidiaries

Statement of Net Other Non-Interest Revenue

For the year ended December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

<u>Items</u>	<u>Amounts</u>	<u>Note</u>
Expenses from issuance of call (put) warrants	\$ (88,738)	
Revenue from providing agency service for stock affairs	78,292	
Losses on property disposal	(268,738)	
Other revenue	4,534,281	
Others (Note)	72,606	
	<u>\$ 4,327,703</u>	

Note: Individual balance is not greater than 5% of total amount.

Statement of Bad Debt Expenses and Guarantee

Liability Provisions

<u>Items</u>	<u>Amounts</u>	<u>Note</u>
Discounts and loans	\$ 3,918,168	
Receivables	442,918	
Others (Note)	226,511	
	<u>\$ 4,587,597</u>	

Note: Individual balance is not greater than 5% of total amount.

(Continued)

Fubon Financial Holding Co., Ltd. and subsidiaries

**Statement of Net Change in Provisions for
Insurance Liabilities**

For the year ended December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Please refer to note 6 (ag) for details.

Statement of Employee Benefits Expenses

Items	Amounts			Total	Note
	Employee benefit expenses	Net non- interest revenue	Other general and administrative expenses		
Salaries and wages	\$ 34,104,834	12,074,335	296,173	46,475,342	
Labor insurance, national health insurance, and group insurance for life	3,745,948	-	20,504	3,766,452	
Pension	1,877,203	181,910	3,495	2,062,608	
Director's remuneration	1,236,786	44	6,855	1,243,685	
Other employee benefit expenses	1,514,381	37,541	1,151,741	2,703,663	
Total	\$ 42,479,152	12,293,830	1,478,768	56,251,750	

(1) For the years ended December 31, 2021 and 2020, there were 45,081 and 44,461 employees, including Life Insurance agent, respectively. And among that, there were 88 and 92 directors who were not employees, respectively.

(2) The average employee benefit for the year was \$1,223 thousand. (“Total employee benefit expenses minus total director's remuneration” divided by “total employees minus directors who were not employees”)

The average employee benefit for the previous year was \$1,142 thousand. (“Total employee benefit expenses minus total director's remuneration” divided by “total employees minus directors who were not employees”)

(3) The average salaries and wages for the year was \$1,033 thousand. (“Total employee benefit expenses” divided by “total employees minus directors who were not employees”)

The average salaries and wages for the previous year was \$953 thousand. (“Total employee benefit expenses” divided by “total employees minus directors who were not employees”)

(Continued)

- (4) Changes in the average salaries and wages was 8%. (“The average salaries and wages for the year minus the average salaries and wages for the previous year” divided by “the average salaries and wages for the previous year”)
- (5) For the years ended December 31, 2021 and 2020, the supervisor remunerations were \$1,325 thousand and \$1,179 thousand, respectively.
- (6) The details of the Company’s remuneration policy :

(a) Director Remuneration Policy

The Company has a set of “Director Remuneration Policy” (referred to as the Policy below) established in accordance with the Articles of Incorporation. The Policy has been reviewed by the Remuneration Committee and approved by the Board of Directors; they provide a clear outline to the scope of directors’ remuneration, including share of profits, compensation, travel allowances and meeting attendance fees.

(vi) Salary

Salaries of Chairman and other Chairmen shall be determined by the Remuneration Committee and the Board of Directors after taking into consideration their participation and contribution to the Company’s operations. Independent director’s fixed monthly salaries are specified in the Policy. If any independent directors also hold concurrent positions in the subsidiaries, the salaries shall be paid by the subsidiaries according to its regulations.

(vii) Remuneration

- 1) Directors' remuneration is allocated according to the terms of the Articles of Incorporation, and is subject to a maximum of 0.3% of current year profit. The percentage and amount of directors' remuneration is subject to special resolution by the Board of Directors, and final approval of shareholders in a shareholders' meeting. Amounts will be paid in cash at the percentage prescribed in this Policy after the shareholders’ meeting.
- 2) Remuneration standards for the Company’s directors shall take into consideration of directors' remunerations of competitors in the same industry and directors’ participation and contribution to the Company’s management, therefore, the performance evaluation of directors includes in the directors' alignment of the goals and missions of the Company, awareness of the duties, participation in the operation of the Company, management of internal relationship and communication, the directors’ professionalism and continuing education and internal control and the weight distribution criteria are based on the directors' position, the positions of each functional committee and the meritorious bonuses for special contributions, etc., and are approved by the Board of Directors after annual deliberation by the remuneration committee and nominating committee.

(viii) Other income from professional practice

- 1) Travel allowances are paid to the respective Directors on a monthly basis according to the Policy. The meeting attendance fees of Functional Committees are paid according to the attendance record at the meetings.
- 2) If any other costs incurred by participation in business operation of the Company such as traveling expense and entertainment, the procedure of application and receive shall comply with “Directions of the Domestic and Overseas Travel Allowance Disbursement” and “Regulations on Examination of Expenses and Verification Process”.

The subsidiaries’ directors' remuneration shall be paid in compliance with “Director Remuneration Policy” which was adopted by the subsidiaries. In principle, salaries of Chairman, Vice Chairman and other Chairmen who conduct business continuously shall be approved by the Board of Directors, and fixed salaries are paid to independent directors. Travel allowances of attendance in the Board of Directors and Functional Committees are paid to subsidiaries’ directors and supervisors according to the Policy.

(b) Manager and Employee Remuneration Policy

(i) Payments standards and procedure establishment of remuneration

In order to meet marketing competitiveness, attract and stabilize talents, the Company and its subsidiaries' employees are paid reasonable remuneration based on their personal qualifications and responsibilities which have taken into consideration of remunerations of competitors in the same industry. Year-end bonuses, promotion and salary raise depend on yearly performance review according to "Performance Assessment Policy". To connect with managers' remuneration and company performance, the Company has a set of "Manager Performance Assessment and Remuneration Policy" after taking into consideration of managers' overall performance and relevant reasonableness of anticipated risks. And establish "Remuneration and Nominating Committee" to view the remunerations of management periodically and report to the Board of Directors.

(ii) Salary structure

The salary structure of the Company and its subsidiaries' employees and managers was classified as salaries, allowances and performance bonuses, etc..

Performance bonuses are paid according to personal and corporate performance, and specified in the Articles of Incorporation. Employees' compensation should be distributed proportionally on the basis of profit, if there is profit for the period.

Fubon Financial Holding Co., Ltd. and subsidiaries

Statement of Depreciation and Amortization

Expenses

For the year ended December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Please refer to note 6 (ag) for details.

Statement of Other General and Administrative

Expenses

Please refer to note 6 (ag) for details.