

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

**Consolidated Financial Statements for the
Years Ended December 31, 2021 and 2020 and
Independent Auditors' Report**

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The Bank and its subsidiaries required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2021 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard 10 “Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we did not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

TAIPEI FUBON COMMERCIAL BANK Co., LTD.

March 9, 2022

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying consolidated balance sheets of TAIPEI FUBON COMMERCIAL BANK Co., Ltd. (the “Bank”) and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2021 and 2020, the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2021 and 2020, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of TAIPEI FUBON COMMERCIAL BANK Co., Ltd. and its subsidiaries as of December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2021 and 2020, in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, certain other guidelines issued by the local authorities and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC) and SIC Interpretations (SIC) endorsed by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 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.

Key audit matters for the Bank and its subsidiaries’ consolidated financial statements for the year ended December 31, 2021 are stated as follows:

Impairment of Discounts and Loans

Refer to Note 4(8) to the consolidated financial statements for the accounting policies on the impairment of discounts and loans. Refer to Note 5.a to the consolidated financial statements for the critical estimations and judgments about the impairment of discounts and loans. Refer to Notes 14 and 55 to the consolidated financial statements for the details of the other related information about the impairment of discounts and loans.

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

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

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

Impairment of Goodwill and Surplus of Investment Accounted for Using the Equity Method

Refer to Note 4(7) and (13) to the consolidated financial statements for the accounting policies on the impairment of goodwill and surplus of investment accounted for using the equity method. Refer to Note 5.b and c to the consolidated financial statements for the critical estimations and judgments about the impairment of goodwill and surplus of investment accounted for using the equity method. Refer to Notes 17 and 22 to the consolidated financial statements for the details of the other related information about the impairment of goodwill and surplus of investment accounted for using the equity method.

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

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

1. For cash flow forecasting, we assessed the suitability of the forecasting method and discount rate used by the management of the group and compared the discount rate with external information.
2. We considered whether there was a significant difference between the actual operations after the relevant business combination and the expected benefits at the time of acquisition to assess the accuracy of the estimates made by management in the past, and we determined that the disclosures in the consolidated financial statements were appropriate.

Other Matter

We have also audited the parent company only financial statements of TAIPEI FUBON COMMERCIAL BANK Co., Ltd. as of and for the years ended December 31, 2021 and 2020 on which we have issued an unqualified opinion.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 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 Yi-Chun Wu and Zhi-Xian Ke.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 9, 2022

Notice to Readers

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

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

TAIPEI FUBON COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2021 AND 2020
(In Thousands of New Taiwan Dollars)

	2021		2020	
	Amount	%	Amount	%
ASSETS				
CASH AND CASH EQUIVALENTS (Notes 4, 6 and 46)	\$ 106,951,386	3	\$ 83,112,676	3
DUE FROM THE CENTRAL BANK AND CALL LOANS TO OTHER BANKS (Notes 7, 46 and 49)	335,935,208	9	283,229,316	9
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 8, 16 and 46)	105,438,525	3	105,887,055	3
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Notes 4, 9, 11, 16 and 26)	254,368,973	7	209,806,937	6
INVESTMENTS IN DEBT INSTRUMENTS MEASURED AT AMORTIZED COST (Notes 4, 10, 11, 16, 26 and 49)	880,672,482	24	758,578,044	23
FINANCIAL ASSETS FOR HEDGING (Notes 4 and 11)	1,470,281	-	2,104,144	-
SECURITIES PURCHASED UNDER RESELL AGREEMENTS (Notes 4, 12 and 46)	7,518,691	-	14,042,571	-
RECEIVABLES, NET (Notes 4, 13 and 46)	110,863,781	3	111,500,940	3
CURRENT TAX ASSETS (Notes 4, 44 and 46)	356,141	-	483,661	-
DISCOUNTS AND LOANS, NET (Notes 4, 14 and 46)	1,841,327,861	49	1,635,408,234	50
INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Notes 4 and 17)	5,581,954	-	5,433,177	-
OTHER FINANCIAL ASSETS, NET (Notes 4, 18 and 49)	25,577,760	1	19,941,290	1
PROPERTY AND EQUIPMENT, NET (Notes 4 and 19)	17,064,717	1	18,177,134	1
RIGHT-OF-USE ASSETS, NET (Notes 4, 20 and 46)	4,432,993	-	4,075,234	-
INVESTMENT PROPERTIES (Notes 4 and 21)	3,061,400	-	3,212,700	-
INTANGIBLE ASSETS, NET (Notes 4 and 22)	14,940,080	-	14,150,149	-
DEFERRED TAX ASSETS (Notes 4 and 44)	1,346,545	-	1,653,901	-
OTHER ASSETS (Notes 23 and 46)	<u>11,379,806</u>	<u>-</u>	<u>16,038,402</u>	<u>1</u>
TOTAL ASSETS	<u>\$ 3,728,288,584</u>	<u>100</u>	<u>\$ 3,286,835,565</u>	<u>100</u>
LIABILITIES AND EQUITY				
DEPOSITS FROM THE CENTRAL BANK AND BANKS (Notes 24 and 46)	\$ 166,767,039	5	\$ 142,489,522	4
DUE TO THE CENTRAL BANK AND BANKS (Notes 25 and 48)	13,490,286	-	6,965,030	-
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 8 and 46)	23,545,101	1	46,978,045	2
FINANCIAL LIABILITIES FOR HEDGING (Notes 4 and 11)	5,786,879	-	8,994,438	-
SECURITIES SOLD UNDER REPURCHASE AGREEMENTS (Notes 4, 26 and 46)	115,277,521	3	80,157,429	3
PAYABLES (Notes 27 and 46)	46,346,566	1	46,322,036	1
CURRENT TAX LIABILITIES (Notes 4, 44 and 46)	1,535,350	-	2,293,774	-
DEPOSITS AND REMITTANCES (Notes 28 and 46)	2,893,814,783	78	2,496,636,071	76
BANK DEBENTURES (Notes 11, 29 and 48)	113,800,162	3	118,306,675	4
OTHER FINANCIAL LIABILITIES (Notes 30 and 46)	80,162,525	2	76,449,522	2
PROVISIONS (Notes 4, 31 and 32)	3,224,698	-	3,402,525	-
LEASE LIABILITIES (Notes 4, 20, 46 and 48)	4,508,071	-	4,093,537	-
DEFERRED TAX LIABILITIES (Notes 4 and 44)	1,513,676	-	1,508,104	-
OTHER LIABILITIES (Notes 33 and 46)	<u>13,215,367</u>	<u>-</u>	<u>14,324,666</u>	<u>1</u>
Total liabilities	<u>3,482,988,024</u>	<u>93</u>	<u>3,048,921,374</u>	<u>93</u>
EQUITY (Notes 4 and 34)				
Attributable to owners of the Bank				
Capital stock				
Common stock	<u>122,562,088</u>	<u>3</u>	<u>122,562,088</u>	<u>4</u>
Capital surplus	<u>18,491,335</u>	<u>1</u>	<u>17,363,236</u>	<u>1</u>
Retained earnings				
Legal reserve	61,789,528	2	56,207,034	2
Special reserve	2,949,929	-	4,633,378	-
Unappropriated earnings	<u>20,404,170</u>	<u>-</u>	<u>18,608,315</u>	<u>-</u>
Total retained earnings	<u>85,143,627</u>	<u>2</u>	<u>79,448,727</u>	<u>2</u>
Other equity				
Total equity attributable to owners of the Bank	<u>232,900</u>	<u>-</u>	<u>(237,962)</u>	<u>-</u>
Non-controlling interests				
Total equity	<u>226,429,950</u>	<u>6</u>	<u>219,136,089</u>	<u>7</u>
18,870,610	<u>1</u>	<u>18,778,102</u>	<u>-</u>	
TOTAL LIABILITIES AND EQUITY	<u>\$ 3,728,288,584</u>	<u>100</u>	<u>\$ 3,286,835,565</u>	<u>100</u>

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

TAIPEI FUBON COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2021	2020	Percentage Increase (Decrease)		
	Amount	%	Amount	%	%
NET INTEREST INCOME (Notes 4, 35 and 46)					
Interest income	\$ 57,707,666	112	\$ 57,998,150	117	(1)
Interest expense	<u>(19,838,892)</u>	<u>(38)</u>	<u>(25,070,189)</u>	<u>(51)</u>	<u>(21)</u>
Total net interest income	<u><u>37,868,774</u></u>	<u><u>74</u></u>	<u><u>32,927,961</u></u>	<u><u>66</u></u>	<u><u>15</u></u>
NET NON-INTEREST INCOME					
Service fee income, net (Notes 4, 36 and 46)	9,938,904	19	11,611,597	23	(14)
Gains on financial assets and liabilities at fair value through profit or loss (Note 37)	(243,507)	(1)	2,447,092	5	(110)
Realized gains on financial assets at fair value through other comprehensive income (Notes 34 and 38)	1,904,310	4	2,246,916	5	(15)
(Losses) gains on derecognition of financial assets at amortized cost (Note 39)	418,112	1	206,244	-	103
Foreign exchange gains, net (Notes 4 and 40)	1,791,920	3	220,836	-	711
(Impairment loss on assets) reversal of impairment loss on assets (Notes 4, 9, 10 and 12)	(168,196)	-	(143,767)	-	17
Share of loss of associates accounted for using the equity method (Note 17)	(387,751)	(1)	(241,703)	-	60
Other non-interest income, net (Note 46)	<u>401,053</u>	<u>1</u>	<u>438,038</u>	<u>1</u>	<u>(8)</u>
Total net non-interest income	<u><u>13,654,845</u></u>	<u><u>26</u></u>	<u><u>16,785,253</u></u>	<u><u>34</u></u>	<u><u>(19)</u></u>
TOTAL NET REVENUE	<u>51,523,619</u>	<u>100</u>	<u>49,713,214</u>	<u>100</u>	<u>4</u>
ALLOWANCE FOR BAD DEBT EXPENSE, COMMITMENTS AND GUARANTEES (Notes 4 and 46)					
	<u>(3,622,304)</u>	<u>(7)</u>	<u>(2,942,650)</u>	<u>(6)</u>	<u>23</u>

(Continued)

TAIPEI FUBON COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2021	2020	Percentage Increase (Decrease)		
	Amount	%	Amount	%	%
OPERATING EXPENSES (Notes 32, 41, 42, 43 and 46)					
Employee benefits	\$ (14,415,180)	(28)	\$ (13,819,499)	(28)	4
Depreciation and amortization	(3,512,522)	(7)	(3,411,353)	(7)	3
Other general and administrative	<u>(7,713,728)</u>	<u>(15)</u>	<u>(7,640,881)</u>	<u>(15)</u>	1
Total operating expenses	<u>(25,641,430)</u>	<u>(50)</u>	<u>(24,871,733)</u>	<u>(50)</u>	3
INCOME BEFORE INCOME TAX	22,259,885	43	21,898,831	44	2
INCOME TAX EXPENSE (Notes 4 and 44)	<u>(2,705,955)</u>	<u>(5)</u>	<u>(2,362,170)</u>	<u>(5)</u>	15
NET INCOME FOR THE YEAR	<u>19,553,930</u>	<u>38</u>	<u>19,536,661</u>	<u>39</u>	-
OTHER COMPREHENSIVE INCOME (LOSS)					
Items that will not be reclassified subsequently to profit or loss:					
Remeasurement of defined benefit plans (Note 34)	101,179	-	(24,482)	-	513
Gains on property revaluation (Note 34)	-	-	278,132	-	(100)
Gains (losses) on investments in equity instruments at fair value through other comprehensive income (Note 34)	2,497,836	5	1,857,387	4	34
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 44)	<u>(209,515)</u>	<u>(1)</u>	<u>(71,232)</u>	<u>-</u>	194
	<u>2,389,500</u>	<u>4</u>	<u>2,039,805</u>	<u>4</u>	17

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TAIPEI FUBON COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2021	2020	Percentage Increase (Decrease)		
	Amount	%	Amount	%	%
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations (Note 34)	\$ (33,653)	-	\$ (198,217)	-	(83)
Share of other comprehensive income (loss) of associates accounted for using the equity method	(949)	-	-	-	-
Gains on investments in debt instruments at fair value through other comprehensive income (Note 34)	69,944	-	(1,030,280)	(2)	107
Income tax relating to items that may be reclassified subsequently to profit or loss (Note 44)	<u>(133,567)</u>	<u>-</u>	<u>343,501</u>	<u>1</u>	(139)
	<u>(98,225)</u>	<u>-</u>	<u>(884,996)</u>	<u>(1)</u>	(89)
Other comprehensive loss for the year, net of income tax	<u>2,291,275</u>	<u>4</u>	<u>1,154,809</u>	<u>3</u>	98
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 21,845,205</u>	<u>42</u>	<u>\$ 20,691,470</u>	<u>42</u>	6
NET INCOME ATTRIBUTABLE TO					
Owners of the Bank	\$ 18,716,654	36	\$ 18,791,716	38	-
Non-controlling interests	<u>837,276</u>	<u>2</u>	<u>744,945</u>	<u>1</u>	12
	<u>\$ 19,553,930</u>	<u>38</u>	<u>\$ 19,536,661</u>	<u>39</u>	-
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO					
Owners of the Bank	\$ 20,882,612	40	\$ 20,280,656	41	3
Non-controlling interests	<u>962,593</u>	<u>2</u>	<u>410,814</u>	<u>1</u>	134
	<u>\$ 21,845,205</u>	<u>42</u>	<u>\$ 20,691,470</u>	<u>42</u>	6
EARNINGS PER SHARE (NEW TAIWAN DOLLARS) (Note 45)					
Basic	<u>\$ 1.53</u>		<u>\$ 1.58</u>		

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

(Concluded)

TAIPEI FUBON COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
 (In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Bank (Note 34)										Other Equity		
	Capital Stock			Retained Earnings				Exchange Differences on Translating Foreign Operations	Unrealized Gains or Losses on Financial Assets at Fair Value Through Other Comprehensive Income	Revaluation Surplus	Non-controlling Interests (Notes 4 and 34)	Total Equity	
	Shares (Thousands)	Common Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Total						
BALANCE AT JANUARY 1, 2020	11,234,756	\$ 112,347,556	\$ 14,800,975	\$ 50,177,808	\$ 4,117,454	\$ 20,097,422	\$ 74,392,684	\$ (3,376,310)	\$ 1,032,321	\$ 433,686	\$ 18,367,288	\$ 217,998,200	
Appropriation of the 2019 earnings													
Legal reserve	-	-	-	6,029,226	-	(6,029,226)	-	-	-	-	-	-	-
Special reserve	-	-	-	-	515,924	(515,924)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(6,776,136)	(6,776,136)	-	-	-	-	-	(6,776,136)
Common stock dividends	677,613	6,776,136	-	-	-	(6,776,136)	(6,776,136)	-	-	-	-	-	-
Changes in equity of associates and joint ventures accounted for using equity method	-	-	657	-	-	-	-	-	-	-	-	-	657
Net income for the year ended December 31, 2020	-	-	-	-	-	18,791,716	18,791,716	-	-	-	-	744,945	19,536,661
Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	-	(19,585)	(19,585)	(377,157)	1,642,769	242,913	(334,131)	1,154,809	
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	-	18,772,131	18,772,131	(377,157)	1,642,769	242,913	410,814	20,691,470	
Issue of shares	343,840	3,438,396	2,561,604	-	-	-	-	-	-	-	-	-	6,000,000
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	(163,816)	(163,816)	-	163,816	-	-	-	-
BALANCE AT DECEMBER 31, 2020	12,256,209	122,562,088	17,363,236	56,207,034	4,633,378	18,608,315	79,448,727	(3,753,467)	2,838,906	676,599	18,778,102	237,914,191	
Appropriation of the 2020 earnings													
Legal reserve	-	-	-	5,582,494	-	(5,582,494)	-	-	-	-	-	-	-
Special reserve	-	-	-	-	(1,683,449)	1,683,449	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(14,709,270)	(14,709,270)	-	-	-	-	-	(14,709,270)
Changes in equity of associates and joint ventures accounted for using equity method	-	-	1,292	-	-	-	-	-	-	-	-	-	1,292
Net income for the year ended December 31, 2021	-	-	-	-	-	18,716,654	18,716,654	-	-	-	-	837,276	19,553,930
Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	-	-	80,943	80,943	39,643	2,045,372	-	-	125,317	2,291,275
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	18,797,597	18,797,597	39,643	2,045,372	-	-	962,593	21,845,205
Changes in ownership interest in subsidiaries	-	-	877,665	-	-	-	-	29,173	(36,753)	-	-	(870,085)	-
Share-based payments	-	-	249,142	-	-	-	-	-	-	-	-	-	249,142
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	1,606,573	1,606,573	-	(1,606,573)	-	-	-	-
BALANCE AT DECEMBER 31, 2021	12,256,209	\$ 122,562,088	\$ 18,491,335	\$ 61,789,528	\$ 2,949,929	\$ 20,404,170	\$ 85,143,627	\$ (3,684,651)	\$ 3,240,952	\$ 676,599	\$ 18,870,610	\$ 245,300,560	

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

TAIPEI FUBON COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 22,259,885	\$ 21,898,831
Adjustments for:		
Depreciation expense	2,581,900	2,588,597
Amortization expense	930,622	822,756
Provision for bad-debt expense	3,566,665	2,902,347
Net loss (gain) on financial assets and liabilities at fair value through profit or loss	243,507	(2,447,092)
Interest expense	19,838,892	25,070,189
Net gain on derecognition of financial assets at amortized cost	(418,112)	(206,244)
Interest income	(57,707,666)	(57,998,150)
Dividend income	(1,390,715)	(722,742)
Net change in provision for guarantee liabilities	(3,052)	(24,778)
Net change in other provisions	133,162	56,807
Share-based payment	249,142	-
Share of loss of associates accounted for using the equity method	387,751	241,703
Loss on disposal of property and equipment	9,882	681
Property and equipment transferred to expenses	1,397	-
Loss on disposal of intangible assets	-	10
Loss on disposal of other assets	39	589
Gain on disposal of investment properties	(513,595)	(1,524,174)
Impairment loss on financial assets	181,847	126,424
Impairment loss on non-financial assets	-	17,343
Loss on fair value adjustment of investment properties	10,169	7,551
Other adjustments	44	9,488
Changes in operating assets and liabilities		
(Acrease) decrease in due from the Central Bank and call loans to other banks	(4,716,859)	26,198,666
Decrease in financial assets at fair value through profit or loss	13,913,436	59,830,600
Increase in financial assets at fair value through other comprehensive income	(42,041,383)	(39,094,225)
Increase in investments in debt instruments at amortized cost	(124,894,480)	(126,155,475)
Increase in securities sold under resell agreements	(2,165,702)	(198,776)
(Acrease) decrease in receivables	(942,551)	2,694,217
Increase in discounts and loans	(209,005,598)	(146,301,170)
Increase in other financial assets	(5,589,486)	(14,697,722)
Decrease (increase) in other assets	4,613,331	(4,073,726)
Increase in deposits from the Central Bank and other banks	24,277,517	4,273,403
Decrease in financial liabilities at fair value through profit or loss	(37,688,090)	(14,747,011)
Increase (decrease) in securities sold under repurchase agreements	35,120,092	(43,145,986)
Decrease in payables	(378,403)	(12,485,578)
Increase in deposits and remittances	397,178,712	192,419,544
Increase in other financial liabilities	3,713,003	56,258,651

(Continued)

TAIPEI FUBON COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	2021	2020
(Decrease) increase in provisions for employee benefits	\$ (59,616)	\$ 102,105
(Decrease) increase in other liabilities	<u>(3,087,845)</u>	<u>2,069,327</u>
Cash generated from (used in) operations	38,607,842	(66,233,020)
Interest received	61,257,138	60,929,564
Dividends received	1,388,409	790,757
Interest paid	(18,890,677)	(25,716,553)
Income tax paid	<u>(3,367,013)</u>	<u>(2,792,751)</u>
Net cash generated from (used in) operating activities	<u>78,995,699</u>	<u>(33,022,003)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of investments accounted for using the equity method	(542,363)	(2,008,000)
Acquisition of property and equipment	(1,129,191)	(1,037,331)
Proceeds from disposal of property and equipment	11	721
Acquisition of intangible assets	<u>(472,476)</u>	<u>(434,994)</u>
Net cash used in investing activities	<u>(2,144,019)</u>	<u>(3,479,604)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in due to the Central Bank and other banks	6,524,009	6,965,030
Proceeds from issuance of bank debentures	8,500,000	25,845,718
Repayments of bank debentures	(12,044,192)	(22,230,376)
Principal repayment of lease obligation	(1,438,299)	(1,389,723)
Cash dividends paid	(14,709,270)	(6,776,136)
Proceeds from issuing shares	-	6,000,000
Net cash (used in) generated from financing activities	<u>(13,167,752)</u>	<u>8,414,513</u>
 EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES		
	<u>(535,322)</u>	<u>(1,501,222)</u>
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
	63,148,606	(29,588,316)
 CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		
	<u>171,549,763</u>	<u>201,138,079</u>
 CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		
	<u>\$ 234,698,369</u>	<u>\$ 171,549,763</u>

(Continued)

TAIPEI FUBON COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

Reconciliation of the amounts in the consolidated statements of cash flows with the equivalent items reported in the consolidated balance sheets as of December 31, 2021 and 2020:

	December 31	
	2021	2020
Cash and cash equivalents in the consolidated balance sheets	\$ 106,951,386	\$ 83,112,676
Due from the Central Bank and call loans to other banks qualifying for cash and cash equivalents under the definition of IAS 7	122,592,770	74,593,292
Securities purchased under resell agreements qualifying for cash and cash equivalents under the definition of IAS 7	5,154,213	13,843,795
Cash and cash equivalents in the consolidated statements of cash flows	<u>\$ 234,698,369</u>	<u>\$ 171,549,763</u>

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

(Concluded)

TAIPEI FUBON COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

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

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

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

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

On December 31, 2013, the Bank acquired 10% equity interest in First Sino Bank (“FSB”, which was renamed Fubon Bank (China) in April 2014). Fubon Bank (China) is the joint venture bank founded by the Shanghai Pudong Development Bank and Lotus Worldwide Ltd. on March 20, 1997 in Shanghai Pudong in accordance with “Regulations Governing Foreign Financial Institutions in the People’s Republic of China” and acquired an additional 41% equity interest on January 7, 2014. With the Bank’s 51% interest in FSB, the Bank became FSB’s parent company. On June 28, 2021, the Bank acquired additional equity interest again, with FFH and the Bank’s 42.08% and 57.92% interest in FSB.

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

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

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

As of December 31, 2020, the Bank had a trust department, an offshore banking unit (“OBU”), 135 domestic branches (including a business department), 5 overseas branches and 2 preparatory office.

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

Fubon Bank (China) mainly renders foreign currency and RMB services to customers. As of December 31, 2021, Fubon Bank (China) had its headquarters and 25 branches within mainland China.

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

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Bank’s board of directors on March 9, 2022.

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

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

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

The Bank and its subsidiaries elected to apply the practical expedient provided in the amendments to deal with the changes in the basis for determining contractual cash flows of financial assets, financial liabilities or lease liabilities resulting from the interest rate benchmark reform. The changes are accounted for by updating the effective interest rate at the time the basis is changed, provided the changes are necessary as a direct consequence of the reform and the new basis is economically equivalent to the previous basis.

For the hedging relationships that are subject to the reform, the Bank and its subsidiaries apply the following temporary exceptions:

- 1) The changes to the hedging relationship that are needed to reflect the changes required by the reform are treated as a continuation of the existing hedging relationship.
- 2) If an alternative benchmark rate that is reasonably expected to be separately identifiable within a period of 24 months, the Group designates the rate as a non-contractually specified risk component.
- 3) After a cash flow hedging relationship is amended, the amount accumulated in the gain/(loss) on hedging instruments of cash flow hedge is deemed to be based on the alternative benchmark rate on which the hedged future cash flows are determined.
- 4) The Bank and its subsidiaries allocate the hedged items of a group hedge that is subject to the reform to subgroups based on whether the hedged items have been changed to reference an alternative benchmark rate, and designates the hedged benchmark rate separately.

- b. The IFRSs endorsed by the FSC for application starting from 2022

New IFRSs	Effective Date Announced by IASB
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 1)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 2)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 3)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 4)

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

Note 2: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 3: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 4: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

1) Annual Improvements to IFRS Standards 2018-2020

Several standards, including IFRS 9 “Financial Instruments”, were amended in the annual improvements. IFRS 9 requires the comparison of the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received, with that of the cash flows under the original financial liability when there is an exchange or modification of debt instruments. The new terms and the original terms are substantially different if the difference between those discounted present values is at least 10%. The amendments to IFRS 9 clarify that the only fees that should be included in the above assessment are those fees paid or received between the borrower and the lender.

2) Amendments to IFRS 3 “Reference to the Conceptual Framework”

The amendments replace the references to the Conceptual Framework of IFRS 3 and specify that the acquirer shall apply IFRIC 21 “Levies” to determine whether the event that gives rise to a liability for a levy has occurred at the acquisition date.

3) Amendments to IAS 16 “Property, Plant and Equipment: Proceeds before Intended Use”

The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The cost of those items is measured in accordance with IAS 2 “Inventories”. Any proceeds from selling those items and the cost of those items are recognized in profit or loss in accordance with applicable standards.

The amendments are applicable only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021. The Bank and its subsidiaries shall restate its comparative information when it initially applies the aforementioned amendments.

4) Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”

The amendments specify that when assessing whether a contract is onerous, the “cost of fulfilling a contract” includes both the incremental costs of fulfilling that contract (for example, direct labor and materials) and an allocation of other costs that relate directly to fulfilling contracts (for example, an allocation of depreciation for an item of property, plant and equipment used in fulfilling the contract).

The Bank and its subsidiaries will recognize the cumulative effect of the initial application of the amendments in the retained earnings at the date of the initial application.

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

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 9 and IFRS 17 - Comparative Information”	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 2)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 3)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 4)

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

Note 2: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 3: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 4: Except for deferred taxes that will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

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

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

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

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

Basis of Preparation

The consolidated financial statements have been prepared on the historical cost basis, except for financial instruments, investment properties and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets. that are measured at fair value.

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

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

Classification of Current and Non-current Assets and Liabilities

Since the Bank's accounts are a major part of the consolidated accounts and the operating cycle in the banking industry is harder to determine, accounts included in the consolidated financial statements of the Bank and its subsidiaries were not classified as current or non-current. Nevertheless, accounts were properly categorized in accordance with the nature of each account and sequenced by their liquidity. Refer to Note 55 for the maturity analysis of assets and liabilities.

Basis of Consolidation

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

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

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

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

When the Bank's changes in the ownership and equity of the subsidiary do not result in the loss of control, it is treated as an equity transaction. The carrying amount of the bank and non-controlling interests has been adjusted to reflect changes in its relative equity in subsidiaries. The difference between the adjustment amount of non-controlling interests and the fair value of the consideration paid or received is directly recognized as equity and attributable to the Bank.

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

Foreign Currencies

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

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

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

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

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

Cash and Cash Equivalents

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

Investments in Associates

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

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

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

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

Financial Instruments

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

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

a. Financial assets

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

1) Measurement category

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

a) Financial assets at fair value through profit or loss

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

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

Financial assets at fair value through profit or loss are subsequently measured at fair value, with any gain or loss arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note 54.

b) Financial assets at amortized cost

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

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

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

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

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

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

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

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

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

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

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

2) Impairment of financial assets

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

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

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

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

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

Under the loan risk classification guidelines of the China Banking Insurance Regulatory Commission (CBIRC), Fubon Bank (China) classifies its credit assets into normal, concern, subprime, doubtful, and losses. Based on the notice of the CBIRC in 2021 and 2020, the minimum provision requirements for loan loss coverage are 1.5% and 1.8%, respectively, and the minimum allowances for bad debts are 120% and 130%, respectively. Thus, Fubon Bank (China) assesses its credit assets for both individual and collective impairment and complies with these ratio requirements for its minimum reserve.

Credits deemed uncollectible may be written off if the write-off is approved by the board of directors.

3) Derecognition of financial assets

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

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

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

b. Equity instruments

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

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

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

c. Financial liabilities

1) Subsequent measurement

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

a) Financial liabilities at fair value through profit or loss

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

Financial liabilities held for trading are stated at fair value, with any gain or loss arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest or dividend paid on the financial liability. Fair value is determined in manner described in Note 52.

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

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

For a financial liability designated as at fair value through profit or loss, the amount of changes in fair value attributable to changes in the credit risk of the liability is presented in other comprehensive income and will not be subsequently reclassified to profit or loss. The remaining amount of changes in the fair value of that liability which incorporates any interest or dividend paid on the financial liability is presented in profit or loss. The gain or loss accumulated in other comprehensive income will be transferred to retained earnings when the financial liabilities are derecognized. If this accounting treatment related to credit risk would create or enlarge an accounting mismatch, all changes in fair value of the liability are presented in profit or loss. Fair value is determined in the manner described in Note 54.

b) Financial guarantee contracts

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

2) Derecognition of financial liabilities

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

d. Derivative financial instruments

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

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

e. Modification of financial instruments

When a financial instrument is modified, the Group assesses whether the modification will result in derecognition. If modification of a financial instrument results in derecognition, it is accounted for as derecognition of financial assets or liabilities. If the modification does not result in derecognition, the Group recalculates the gross carrying amount of the financial asset or the amortized cost of the financial liability based on the modified cash flows discounted at the original effective interest rate with any modification gain or loss recognized in profit or loss. The cost incurred is adjusted to the carrying amount of the modified financial asset or financial liability and amortized over the modified remaining period.

For the changes in the basis for determining contractual cash flows of financial assets or financial liabilities resulting from the interest rate benchmark reform, the Group elects to apply the practical expedient in which the changes are accounted for by updating the effective interest rate at the time the basis is changed, provided the changes are necessary as a direct consequence of the reform and the new basis is economically equivalent to the previous basis. When multiple changes are made to a financial asset or a financial liability, the Group first applies the practical expedient to those changes required by interest rate benchmark reform, and then applies the requirements of modification of financial instruments to the other changes that cannot apply the practical expedient.

Hedge Accounting

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

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

Fair value hedges

The change in the profit or loss of the hedging instrument (e.g., derivative) and the change in the fair value of the hedged item attributable to the hedged risk are recognized in profit or loss in the line item relating to the hedged item.

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

Repurchase and Resell Transactions

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

Property and Equipment

Property and equipment (P&E) are stated at cost, less accumulated depreciation and accumulated impairment loss.

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

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

Investment Properties

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

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

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

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

Goodwill

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

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

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

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

Intangible Assets

a. Intangible assets acquired separately

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

b. Intangible assets acquired in a business combination

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

c. Derecognition of intangible assets

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

Impairment of Property and Equipment, Right of Use and Intangible Assets Other than Goodwill

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

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

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

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

Employee Benefits

a. Short-term employee benefits

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

b. Retirement benefits

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

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

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

c. Other long-term employee benefits

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

d. Employee benefit - employees' preferential deposits

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

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

Share-based Payment

Equity-settled share-based payment arrangements is based on the fair value of the payment date, and during the vesting period of the reward, the expense is recognized and the relative equity is increased. The recognized fee is adjusted according to the expected amount of rewards that meet the service conditions and non-market-priced vested conditions; and the final recognized amount is measured on the basis of the amount of rewards that meet the service requirements and non-market-priced vested conditions on the vesting day.

The non-vested conditions for the share-based payment of rewards have been reflected in the measurement of the daily fair value of the share-based payment, and the difference between the expected and actual results do not need to be verified and adjusted.

The bank and its subsidiary or parent handle Cash-settled share-based payment plan that reserved for employees to subscribe. The day when the number of shares to be subscribed by the employee is confirmed as the date of the share-based payment.

Income Tax

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

a. Current tax

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

Based on the Income Tax Law in the R.O.C., an additional unappropriated earnings is provided for as income tax in the year the shareholders approve to retain earnings.

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

b. Deferred tax

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

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

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

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

c. Current and deferred taxes for the period

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

Recognition of Interest Income and Interest Expense

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

Recognition of Service Fee Income and Service Fee Expense

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

Business Combinations

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

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

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

Leases

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

a. The Bank and its subsidiaries as lessor

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

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

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

b. The Bank and its subsidiaries as lessee

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

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

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

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

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The Bank and its subsidiaries' considers the recent development of the COVID-19 in Taiwan and its economic environment implications when making its critical accounting estimates in cash flow projections, growth rate, discount rate, profitability, etc. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

a. Estimated impairment loss on discounts and loans

Estimated impairment loss on discounts and loans was based on the assumptions about the probability of default and the expected loss rate made by the Bank and its subsidiaries. The Bank and its subsidiaries considered historical experience, existing market conditions, and forward-looking estimates in making the assumptions and in choosing the inputs to the impairment assessment. Refer to Note 55 for related information about material assumptions adopted. When the actual cash flows in the future are less than expected, a material impairment loss may arise.

b. Impairment of goodwill

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

c. Impairment of investments in associates

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

6. CASH AND CASH EQUIVALENTS

	December 31	
	2021	2020
Cash on hand	\$ 6,991,702	\$ 7,095,145
Due from other banks, net	95,837,183	74,501,323
Notes and checks for clearing	<u>4,122,501</u>	<u>1,516,208</u>
	<u><u>\$ 106,951,386</u></u>	<u><u>\$ 83,112,676</u></u>

Cash and cash equivalents are assessed for impairment using the approach similar to those used for investments in debt instruments. The Bank and its subsidiaries consider their cash and cash equivalents to have low credit risk, so their loss allowance evaluation is on a 12-month expected credit loss basis. As of December 31, 2021 and 2020, a loss allowance of \$19,454 thousand and \$33,203 thousand was recognized.

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

	December 31	
	2021	2020
Call loans to banks, net	\$ 229,087,348	\$ 172,998,424
Deposit reserves	94,081,795	98,101,432
Due from the Central Bank - others	<u>12,766,065</u>	<u>12,129,460</u>
	<u><u>\$ 335,935,208</u></u>	<u><u>\$ 283,229,316</u></u>

Under a directive issued by the Central Bank of China, the New Taiwan dollar (“NTD”)-denominated deposit reserves are determined by applying a prescribed percentage to the average monthly balances of customers’ NTD-denominated deposits. As of December 31, 2021 and 2020, deposit reserves for checking accounts are amounted to \$11,970,864 thousand and \$20,231,066 thousand, respectively, and the required deposit reserves are amounted to \$46,608,291 thousand and \$40,703,283 thousand, respectively. The deposit reserves for checking accounts are not interest bearing and may be withdrawn anytime. The required deposit reserves are subject to withdrawal restrictions. In addition, foreign-currency deposit reserves are determined at a prescribed percentage of the balances of foreign-currency deposits. These reserves may be withdrawn anytime but bear no interests.

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

The Bank and its subsidiaries assess the allowances for due from the Central Bank and call loans to other banks with the expected credit loss model. The assessment method is the same as for the debt instrument investment.

Due to the low credit risk of due from the Central Bank and call loans to other banks, the allowance is recognized as 12-month expected credit losses. On December 31, 2021 and 2020, allowances of \$15,755 thousand and \$5,310 thousand was recognized from the deposits in the Central Bank and call loans to other banks.

The deposits in the Central Bank and call loans to other banks pledged as collateral are disclosed in Note 49.

8. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2021	2020
<u>Financial assets mandatorily measured as at fair value through profit or loss</u>		
Convertible corporate bonds	\$ 26,792,295	\$ 8,939,975
Commercial paper	25,549,297	26,088,827
Government bonds	6,802,583	6,042,431
Corporate bonds	6,057,056	7,137,390
Bank debentures	4,336,236	5,361,843
Negotiable certificates of deposits	7,532,150	4,792,304
Others	<u>8,675,986</u>	<u>5,699,645</u>
	<u>85,745,603</u>	<u>64,062,415</u>
Derivatives		
Currency swap contracts	12,922,018	32,080,617
Others	<u>6,770,904</u>	<u>9,744,023</u>
	<u>19,692,922</u>	<u>41,824,640</u>
Financial assets at fair value through profit or loss	<u>\$ 105,438,525</u>	<u>\$ 105,887,055</u>
<u>Held-for-trading financial liabilities</u>		
Bonds and securities lending	\$ 148,564	\$ -
Derivatives		
Currency swap contracts	15,223,774	38,158,664
Interest rate swap contracts	2,771,650	3,629,602
Cross-currency swap contracts	1,955,778	3,145,698
Option contracts	2,036,082	875,370
Others	<u>1,409,253</u>	<u>1,168,711</u>
	<u>23,396,537</u>	<u>46,978,045</u>
	<u>\$ 23,545,101</u>	<u>\$ 46,978,045</u>

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

The contract (notional) amounts of the Bank and its subsidiaries' outstanding derivative financial instruments as of December 31, 2021 and 2020 are summarized as follows:

	December 31	
	2021	2020
<u>Currency swap contracts</u>		
Interest rate swap contracts	\$ 2,957,397,826	\$ 2,861,902,737
Forward contracts	893,448,654	804,795,655
Cross-currency swap contracts	182,107,824	95,449,344
Option contracts	122,044,560	182,424,190
Futures contracts	92,153,711	61,511,983
Equity swap contracts	12,173,645	6,885,445
Commodity swap contracts	6,940,929	7,095,038
Credit default swap contracts	455,386	186,353
	43,467	-

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31	
	2021	2020
Investments in equity instruments at fair value through comprehensive income	\$ 30,839,956	\$ 16,239,519
Investments in debt instruments at fair value through comprehensive income	<u>223,529,017</u>	<u>193,567,418</u>
	<u><u>\$ 254,368,973</u></u>	<u><u>\$ 209,806,937</u></u>

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

	December 31	
	2021	2020
Listed shares and emerging market shares	\$ 20,906,785	\$ 9,532,570
REITs	7,955,086	4,847,636
Unlisted shares	<u>1,978,085</u>	<u>1,859,313</u>
	<u><u>\$ 30,839,956</u></u>	<u><u>\$ 16,239,519</u></u>

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

For the years ended 2021 and 2020, the Bank and its subsidiaries sold part of their shares designated as at fair value through other comprehensive income in order to manage and adjust the investment portfolio. The sold investments in equity instruments (shares, REITs) had fair values of \$5,050,834 thousand and \$1,348,925 thousand, respectively. The Bank and its subsidiaries transferred a gain of \$1,855,308 thousand and a loss of \$186,155 thousand from other equity to retained earnings.

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

	For the Year Ended December 31	
	2021	2020
<u>Dividend income</u>		
Held at the end of the reporting period	\$ 1,356,307	\$ 677,455
Derecognised in the reporting period	<u>34,408</u>	<u>45,287</u>
	<u><u>\$ 1,390,715</u></u>	<u><u>\$ 722,742</u></u>

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

	December 31	
	2021	2020
Bank debentures (Note 11)	\$ 81,156,137	\$ 86,871,992
Government bonds (Note 11)	54,584,813	59,642,269
Corporate bonds (Note 11)	53,077,326	43,343,624
Interbank lending	27,302,989	-
Others	<u>7,407,752</u>	<u>3,709,533</u>
	<u><u>\$ 223,529,017</u></u>	<u><u>\$ 193,567,418</u></u>

Refer to Note 55 for information relating to the credit risk management and impairment of debt instruments at fair value through other comprehensive income.

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

10. INVESTMENTS IN DEBT INSTRUMENTS MEASURED AT AMORTIZED COST

	December 31	
	2021	2020
Negotiable certificates of deposits	\$ 366,561,518	\$ 335,324,206
Corporate bonds (Note 11)	194,156,639	175,506,113
Bank debentures (Note 11)	184,044,410	146,740,162
Government bonds (Note 11)	95,856,802	81,745,461
Others	<u>40,661,227</u>	<u>19,731,424</u>
	<u>881,280,596</u>	<u>759,047,366</u>
Less: Allowance for impairment loss	<u>608,114</u>	<u>469,322</u>
	<u><u>\$ 880,672,482</u></u>	<u><u>\$ 758,578,044</u></u>

Refer to Note 55 for information relating to the credit risk management and impairment of investments in debt instruments measured at amortized cost.

Investments in debt instruments measured at amortized cost sold under repurchase agreements are disclosed in Note 26, and those pledged as collateral are disclosed in Note 49.

11. FINANCIAL INSTRUMENTS FOR HEDGING

	December 31	
	2021	2020
<u><u>Financial assets for hedging</u></u>		
Fair value hedge - interest rate swap	<u><u>\$ 1,470,281</u></u>	<u><u>\$ 2,104,144</u></u>
<u><u>Financial liabilities for hedging</u></u>		
Fair value hedge - interest rate swap	<u><u>\$ 5,786,879</u></u>	<u><u>\$ 8,994,438</u></u>

Fair Value Hedges

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

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

December 31, 2021

Hedging Instrument	Notional Amount	Maturity	Line Item in Balance Sheet	Carrying Amount		Change In Value Used for Calculating Hedge Ineffectiveness
				Asset	Liability	
Fair value hedge Interest rate swap contracts	\$ 175,134,815	2022.01.24-2050.02.15	Financial assets and liabilities for hedging	\$ 1,470,281	\$ 5,786,879	\$ 2,427,875
Hedged Items						
Hedged Items			Carrying Amount		Accumulated Amount of Fair Value Adjustments	
			Asset	Liability	Asset	Liability
Fair value hedge Bank debentures			\$ -	\$ 68,871,786	\$ -	\$ 1,036,102
Financial assets at fair value through other comprehensive income - government bonds			141,989	-	2,403	-
Financial assets at fair value through other comprehensive income - corporate bonds			288,783	-	8,283	-
Financial assets at fair value through other comprehensive income - bank debentures			2,396,437	-	27,999	-
Financial assets at amortized cost - government bonds			16,101,677	-	1,915,338	-
Financial assets at amortized cost - corporate bonds			77,373,584	-	2,983,869	-
Financial assets at amortized cost - bank debentures			21,052,789	-	414,926	-
						(367,619)
						(61,429)
						(94,808)
						1,269,060
						(3,529,762)
						(653,348)

December 31, 2020

Hedging Instrument	Notional Amount	Maturity	Line Item in Balance Sheet	Carrying Amount		Change In Value Used for Calculating Hedge Ineffectiveness
				Asset	Liability	
Fair value hedge Interest rate swap contracts	\$ 169,465,515	2021.01.25-2050.02.15	Financial assets and liabilities for hedging	\$ 2,104,144	\$ 8,994,438	\$ (6,080,282)

Hedged Items	Carrying Amount		Accumulated Amount of Fair Value Adjustments		Change in Value Used for Calculating Hedge	Ineffectiveness
	Asset	Liability	Asset	Liability		
Fair value hedge						
Bank debentures	\$ -	\$ 69,598,504	\$ -	\$ 2,058,565	\$ (838,499)	
Financial assets at fair value through other comprehensive income - government bonds	2,132,508	-	370,712	-	402,952	
Financial assets at fair value through other comprehensive income - corporate bonds	1,387,985	-	70,131	-	75,066	
Financial assets at fair value through other comprehensive income - bank debentures	3,429,000	-	124,194	-	127,070	
Financial assets at amortized cost - government bonds	6,889,693	-	680,836	-	732,602	
Financial assets at amortized cost - corporate bonds	81,951,431	-	6,621,026	-	4,704,957	
Financial assets at amortized cost - bank debentures	18,399,350	-	1,082,948	-	867,286	

For the years ended December 31, 2021 and 2020

Comprehensive Income	Gains or Losses on Ineffective Hedge Recognized in Comprehensive Income		Comprehensive Income Statement Line Item in Which Hedge Ineffectiveness Is Included	
	For the Year Ended December 31			
	2021	2020		
Fair value hedge				
Bank debentures	\$ (927)	\$ (8,848)	Financial assets and liabilities at fair value through profit or loss	

12. SECURITIES PURCHASED UNDER RESELL AGREEMENTS

	December 31	
	2021	2020
Bank debentures	\$ 4,339,225	\$ 7,712,502
Corporate bonds	2,412,703	1,667,487
Government bonds	770,638	19,039
Commercial paper	-	4,661,202
	7,522,566	14,060,230
Less: Allowance for impairment loss	3,875	17,659
	\$ 7,518,691	\$ 14,042,571
Dates of resell agreements	2022.01.04- 2022.03.30	2021.01.04- 2021.03.29
Amounts of resell agreements	\$ 7,532,717	\$ 14,046,231

13. RECEIVABLES, NET

	December 31	
	2021	2020
Credit card receivables	\$ 58,229,403	\$ 54,247,374
Acceptances	17,406,022	19,382,924
Accounts receivable - factoring	18,328,433	17,661,731
Interest receivables	11,405,319	12,590,333
Accounts receivable	2,464,549	6,217,568
Others	<u>3,529,742</u>	<u>2,240,445</u>
Less: Allowance for impairment loss	<u>111,363,468</u>	<u>112,340,375</u>
	<u>499,687</u>	<u>839,435</u>
	<u><u>\$ 110,863,781</u></u>	<u><u>\$ 111,500,940</u></u>

The Bank and its subsidiaries have accrued an allowance for impairment loss on receivables. Refer to Note 55 for information relating to the credit risk management and impairment of receivables.

14. DISCOUNTS AND LOANS, NET

	December 31	
	2021	2020
Discounts and overdrafts	\$ 557,952	\$ 358,590
Accounts receivable - financing	3,508,990	3,197,847
Short-term loans	347,989,937	323,200,868
Short-term secured loans	147,316,602	125,723,268
Medium-term loans	307,054,254	288,915,899
Medium-term secured loans	214,273,665	191,093,409
Long-term loans	30,300,400	25,933,223
Long-term secured loans	808,748,858	694,729,883
Import and export bill negotiation	2,449,068	1,740,223
Nonperforming loans transferred from loans	<u>3,153,186</u>	<u>3,011,333</u>
	<u>1,865,352,912</u>	<u>1,657,904,543</u>
Less: Allowance for impairment loss	23,594,147	21,937,164
Less: Adjustments of premium and discount	<u>430,904</u>	<u>559,145</u>
	<u><u>\$ 1,841,327,861</u></u>	<u><u>\$ 1,635,408,234</u></u>

The Bank and its subsidiaries have an allowance for impairment loss on discounts and loans. Refer to Note 55 for information relating to the credit risk management and impairment of discounts and loans.

15. SUBSIDIARIES

- a. Subsidiaries included in the consolidated financial statements

Investor	Investee	Nature of Activities	Percentage of Ownership	
			December 31	2021
TAIPEI FUBON Bank	Fubon Bank (China)	Bank	57.92	51.00
TAIPEI FUBON Bank	TFB Capital Co., Ltd.	Venture Investment	100.00	100.00

On June 28, 2021, the Bank participated in issuance of ordinary shares of cash by RMB1,000,000 thousand by Fubon Bank (China), and its shareholding ratio increased from 51% to 57.92%. The Bank has invested \$2,000,000 thousand and held 100% of the shares in TFB Capital Co., Ltd. The company was established on December 9, 2020.

b. Material non-controlling interests

Subsidiary	Principal Place of Business	Percentage of Ownership and Voting Rights Held by Non-controlling Interests	
		December 31 2021	2020
Fubon Bank (China)	China	42.08	49.00
Subsidiary	Profit Allocated to Non-controlling Interests For the Year Ended December 31	Accumulated Non-controlling Interests December 31	
	2021	2020	2021
Fubon Bank (China)	\$ 837,276	\$ 744,945	\$ 18,870,610
			\$ 18,778,102

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

Fubon Bank (China)

	December 31	
	2021	2020
Total assets	\$ 627,420,125	\$ 552,782,747
Total liabilities	(580,781,256)	(512,659,083)
Equity	<u>\$ 46,638,869</u>	<u>\$ 40,123,664</u>
Equity attributable to:		
Owners of the Bank	\$ 27,768,259	\$ 21,345,562
Non-controlling interests	18,870,610	18,778,102
	<u>\$ 46,638,869</u>	<u>\$ 40,123,664</u>
	For the Year Ended December 31	
	2021	2020
Total net revenue	<u>\$ 7,433,650</u>	<u>\$ 6,683,235</u>
Net income for the year	\$ 1,863,857	\$ 1,520,295
Other comprehensive loss for the year	330,068	(665,609)
Total comprehensive income (loss) for the year	<u>\$ 2,193,925</u>	<u>\$ 854,686</u>

(Continued)

	For the Year Ended December 31	
	2021	2020
Net income attributable to:		
Owners of the Bank	\$ 1,026,581	\$ 775,350
Non-controlling interests	<u>837,276</u>	<u>744,945</u>
	<u><u>\$ 1,863,857</u></u>	<u><u>\$ 1,520,295</u></u>
Total comprehensive income (loss) income attributable to:		
Owners of the Bank	\$ 1,231,332	\$ 443,872
Non-controlling interests	<u>962,593</u>	<u>410,814</u>
	<u><u>\$ 2,193,925</u></u>	<u><u>\$ 854,686</u></u>
Net cash (outflow) inflow from:		
Operating activities	\$ 23,357,960	\$ (3,369,550)
Investing activities	(803,136)	(396,147)
Financing activities	4,748,934	12,560,598
		(Concluded)

16. INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES

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

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

- b. The carrying amounts of the Bank and its subsidiaries' involvement with the structured entities, which were recognized in the consolidated balance sheets as of December 31, 2021 and 2020, were as follows:

	December 31	
	2021	2020
Asset securitization		
Financial assets at fair value through profit or loss	\$ 919,266	\$ 849,266
Financial assets at fair value through other comprehensive income	10,516,343	6,785,744
Investments in debt instruments measured at amortized cost	32,867,179	16,083,314
Trust plan - funds		
Financial assets at fair value through profit or loss	<u>128,971</u>	<u>129,896</u>
	<u><u>\$ 44,431,759</u></u>	<u><u>\$ 23,848,220</u></u>

The amount of the maximum exposure to loss is the carrying amount of the assets held by the Bank.

- c. The Bank and its subsidiaries did not provide any financial support to the unconsolidated structured entities for the years ended December 31, 2021 and 2020.

17. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2021	2020
Associates that are not individually material	\$ <u>5,581,954</u>	\$ <u>5,433,177</u>
Information of associates that are not individually material:		
	For the Year Ended December 31	
	2021	2020
The Bank and its subsidiaries' share of:		
Net loss	\$ (387,751)	\$ (241,703)
Other comprehensive income (loss)	<u>(949)</u>	<u>-</u>
Total comprehensive loss for the year	\$ <u>(388,700)</u>	\$ <u>(241,703)</u>

The subsidiaries of the Bank Fubon Bank (China) invested RMB 125,000 thousand and held 25% of the shares in Sichuan Vip Fubon Consumer Finance Ltd.

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

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

18. OTHER FINANCIAL ASSETS, NET

	December 31	
	2021	2020
Other financial institution deposits not qualifying as cash equivalents	\$ 25,573,976	\$ 19,922,610
Nonperforming loans transferred from other than loans	<u>46,996</u>	<u>78,490</u>
	<u>25,620,972</u>	<u>20,001,100</u>
Less: Allowance for impairment loss	<u>43,212</u>	<u>59,810</u>
	<u>\$ 25,577,760</u>	<u>\$ 19,941,290</u>

Refer to Note 55 for information relating to the credit risk management and impairment of other financial assets.

Refer to Note 49 for information relating to other financial assets pledged as security.

19. PROPERTY AND EQUIPMENT, NET

	For the Year Ended December 31, 2021							
	Land	Buildings	Machinery and Computer Equipment	Transportation Equipment	Office and Other Equipment	Leasehold Improvements	Construction in Progress and Prepayments for Equipment	Total
Cost								
Balance at January 1, 2021	\$ 6,349,678	\$ 11,111,598	\$ 4,123,926	\$ 271,736	\$ 1,174,549	\$ 2,763,158	\$ 1,410,508	\$ 27,205,153
Additions	-	12,798	316,315	13,362	46,341	78,331	662,044	1,129,191
Disposals	-	-	(112,951)	(8,714)	(69,116)	(64,366)	-	(255,147)
Reclassification	127,876	13,255	65,368	269	11,167	113,116	(1,440,662)	(1,109,611)
Effect of foreign currency exchange differences	-	(25,682)	(4,608)	(723)	(2,648)	(4,346)	(50)	(38,057)
Balance at December 31, 2021	<u>6,477,554</u>	<u>11,111,969</u>	<u>4,388,050</u>	<u>275,930</u>	<u>1,160,293</u>	<u>2,885,893</u>	<u>631,840</u>	<u>26,931,529</u>
Accumulated depreciation and impairment								
Balance at January 1, 2021	\$ -	\$ 3,182,065	\$ 3,173,539	\$ 221,174	\$ 902,926	\$ 1,548,315	\$ -	\$ 9,028,019
Depreciation	-	293,635	376,656	18,339	90,482	317,660	-	1,096,772
Disposals	-	-	(112,031)	(8,419)	(68,583)	(56,221)	-	(245,254)
Reclassification	-	-	615	-	-	-	-	615
Effect of foreign currency exchange differences	-	(4,566)	(3,443)	(465)	(2,134)	(2,732)	-	(13,340)
Balance at December 31, 2021	<u>-</u>	<u>3,471,134</u>	<u>3,435,336</u>	<u>230,629</u>	<u>922,691</u>	<u>1,807,022</u>	<u>-</u>	<u>9,866,812</u>
Carrying amount at December 31, 2020 and January 1, 2021	<u>\$ 6,349,678</u>	<u>\$ 7,929,533</u>	<u>\$ 950,387</u>	<u>\$ 50,562</u>	<u>\$ 271,623</u>	<u>\$ 1,214,843</u>	<u>\$ 1,410,508</u>	<u>\$ 18,177,134</u>
Carrying amount at December 31, 2021	<u>\$ 6,477,554</u>	<u>\$ 7,640,835</u>	<u>\$ 952,714</u>	<u>\$ 45,301</u>	<u>\$ 237,602</u>	<u>\$ 1,078,871</u>	<u>\$ 631,840</u>	<u>\$ 17,064,717</u>
	For the Year Ended December 31, 2020							
	Land	Buildings	Machinery and Computer Equipment	Transportation Equipment	Office and Other Equipment	Leasehold Improvements	Construction in Progress and Prepayments for Equipment	Total
Cost								
Balance at January 1, 2020	\$ 6,438,049	\$ 11,130,702	\$ 3,890,958	\$ 272,979	\$ 1,172,060	\$ 2,730,677	\$ 1,247,858	\$ 26,883,283
Additions	-	22,852	229,619	11,955	32,409	73,492	667,004	1,037,331
Disposals	-	-	(75,555)	(12,102)	(37,729)	(60,165)	-	(185,551)
Reclassification	(287,549)	(182,961)	76,383	88	7,004	22,399	(504,296)	(868,932)
Revaluation surplus	199,178	78,954	-	-	-	-	-	278,132
Effect of foreign currency exchange differences	-	62,051	2,521	(1,184)	805	(3,245)	(58)	60,890
Balance at December 31, 2020	<u>6,349,678</u>	<u>11,111,598</u>	<u>4,123,926</u>	<u>271,736</u>	<u>1,174,549</u>	<u>2,763,158</u>	<u>1,410,508</u>	<u>27,205,153</u>
Accumulated depreciation and impairment								
Balance at January 1, 2020	-	2,951,779	2,853,138	213,333	840,627	1,339,598	-	8,198,475
Depreciation	-	288,810	394,421	19,943	97,945	333,490	-	1,134,609
Disposals	-	-	(75,412)	(11,418)	(37,297)	(60,022)	-	(184,149)
Reclassification	-	(71,742)	-	-	-	(64,367)	-	(136,109)
Effect of foreign currency exchange differences	-	13,218	1,392	(684)	1,651	(384)	-	15,193
Balance at December 31, 2020	<u>-</u>	<u>3,182,065</u>	<u>3,173,539</u>	<u>221,174</u>	<u>902,926</u>	<u>1,548,315</u>	<u>-</u>	<u>9,028,019</u>
Carrying amount at December 31, 2019 and January 1, 2020	<u>\$ 6,438,049</u>	<u>\$ 8,178,923</u>	<u>\$ 1,037,820</u>	<u>\$ 59,646</u>	<u>\$ 331,433</u>	<u>\$ 1,391,079</u>	<u>\$ 1,247,858</u>	<u>\$ 18,684,808</u>
Carrying amount at December 31, 2020	<u>\$ 6,349,678</u>	<u>\$ 7,929,533</u>	<u>\$ 950,387</u>	<u>\$ 50,562</u>	<u>\$ 271,623</u>	<u>\$ 1,214,843</u>	<u>\$ 1,410,508</u>	<u>\$ 18,177,134</u>

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

Buildings	3-61 years
Machinery and computer equipment	3-6 years
Transportation equipment	3-6 years
Office and other equipment	2-21 years
Leasehold improvements	3-8 years

20. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2021	2020
Carrying amounts		
Buildings	\$ 4,163,615	\$ 3,778,105
Machinery and computer equipment	136,936	176,009
Transportation equipment	38,474	36,638
Office and other equipment	93,968	84,482
	<u>\$ 4,432,993</u>	<u>\$ 4,075,234</u>

	For the Year Ended December 31	
	2021	2020
Additions to right-of-use assets	<u>\$ 1,858,728</u>	<u>\$ 1,751,502</u>
Depreciation expense of right-of-use assets		
Buildings	\$ 1,388,796	\$ 1,389,783
Machinery and computer equipment	39,967	13,384
Transportation equipment	20,900	14,023
Office and other equipment	<u>35,465</u>	<u>36,798</u>
	<u>\$ 1,485,128</u>	<u>\$ 1,453,988</u>

b. Lease liabilities

	December 31	
	2021	2020
Carrying amounts	<u>\$ 4,508,071</u>	<u>\$ 4,093,537</u>

Range of discount rate for lease liabilities was as follows:

	December 31	
	2021	2020
Buildings	0.34%-4.96%	2.19%-4.95%
Machinery and computer equipment	0.35%-0.82%	0.77%-0.82%
Transportation equipment	0.52%-3.50%	0.72%-2.81%
Office and other equipment	0.55%-3.51%	0.75%-3.51%

	For the Year Ended December 31	
	2021	2020
Interest expense on lease liabilities	<u>\$ 156,632</u>	<u>\$ 130,485</u>

c. Other lease information

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

	For the Year Ended December 31	
	2021	2020
Expenses on short term lease contract	<u>\$ 2,429</u>	<u>\$ 796</u>
Expenses relating to leases of low-value asset	<u>\$ 12,848</u>	<u>\$ 12,596</u>
Expenses relating to variable lease payments not included in the measurement of lease liabilities	<u>\$ 58,732</u>	<u>\$ 57,957</u>
Total cash outflow for leases	<u>\$ (1,645,632)</u>	<u>\$ (1,580,769)</u>

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

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

The maturity analysis for lease liabilities is as follows:

December 31, 2021

	0-30 Days	31-90 Days	91 Days - 1 Year	1-5 Years	Over 5 Years	Total
Lease liabilities	\$ 117,137	\$ 247,820	\$ 1,046,719	\$ 2,891,132	\$ 606,090	\$ 4,908,898

December 31, 2020

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

21. INVESTMENT PROPERTIES

Item	December 31	
	2021	2020
Land	\$ 2,656,160	\$ 2,803,236
Buildings	<u>405,240</u>	<u>409,464</u>
	<u><u>\$ 3,061,400</u></u>	<u><u>\$ 3,212,700</u></u>

The movements of investment properties are shown below:

	For the Year Ended December 31	
	2021	2020
Balance, beginning of the year	\$ 3,212,700	\$ 2,814,200
Reclassification	(141,131)	406,050
Change in fair value of investment properties	<u>(10,169)</u>	<u>(7,550)</u>
Balance, end of the year	<u><u>\$ 3,061,400</u></u>	<u><u>\$ 3,212,700</u></u>

The investment properties were leased out as operating leases with terms of 3 to 10 years. Some of the lease contracts included clauses requiring the lessees to pay contingent rentals at a specified percentage every year.

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

	December 31	
	2021	2020
Year 1	\$ 96,285	\$ 102,666
Year 2	57,384	87,161
Year 3	20,422	52,049
Year 4	11,164	14,532
Year 5	8,252	6,309
Year 6 onwards	<u>7,860</u>	<u>7,164</u>
	<u><u>\$ 201,367</u></u>	<u><u>\$ 269,881</u></u>

The fair values of the investment properties as of December 31, 2021 were based on the valuations carried out on these dates 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 duly certified ROC real estate appraiser.

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

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

	December 31	
	2021	2020
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><u>\$ 4,220,161</u></u>	<u><u>\$ 4,422,723</u></u>
Discount rate	3.595%	3.595%

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

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

As of December 31, 2021 and 2020, the discount rate was based on the interest rate for two-year time deposits as posted by Chunghwa Post Co., Ltd., plus 0.75%, and an asset-specific risk premium of 2%.

For the years ended December 31, 2021 and 2020, the rental income and direct operating expense from investment properties of the Bank and its subsidiaries were as follows:

	For the Year Ended December 31	
	2021	2020
Rental income	\$ 100,566	\$ 90,054
Direct operating expenses	11,283	9,961

22. INTANGIBLE ASSETS, NET

	December 31	
	2021	2020
Banking licenses and operating rights	\$ 5,349,747	\$ 5,373,859
Core deposits	4,844,828	5,187,234
Goodwill	2,028,320	2,035,062
Computer software	2,679,652	1,507,502
Customer relationships	35,533	44,492
Others	<u>2,000</u>	<u>2,000</u>
	<u><u>\$ 14,940,080</u></u>	<u><u>\$ 14,150,149</u></u>

The movements of intangible assets are listed below:

	For the Year Ended December 31					
	2021			2020		
	Goodwill	Others	Total	Goodwill	Others	Total
Balance, beginning of the year	\$ 2,035,062	\$ 12,115,087	\$ 14,150,149	\$ 2,018,772	\$ 12,077,009	\$ 14,095,781
Additions	-	472,476	472,476	-	434,994	434,994
Disposals	-	-	-	-	(10)	(10)
Amortizations	-	(885,591)	(885,591)	-	(770,496)	(770,496)
Reclassification	-	1,249,960	1,249,960	-	279,969	279,969
Effect of foreign currency exchange differences	<u>(6,742)</u>	<u>(40,172)</u>	<u>(46,914)</u>	<u>16,290</u>	<u>93,621</u>	<u>109,911</u>
Balance, end of the year	<u><u>\$ 2,028,320</u></u>	<u><u>\$ 12,911,760</u></u>	<u><u>\$ 14,940,080</u></u>	<u><u>\$ 2,035,062</u></u>	<u><u>\$ 12,115,087</u></u>	<u><u>\$ 14,150,149</u></u>

The above core deposits, customer relationships, banking licenses, operating rights, and goodwill from the Bank's acquisitions from the Hanoi branch and Ho Chi Minh City sub branch of Chinfon Bank, which were monitored by Financial Restructuring Fund and Fubon Bank (China).

Except for intangible assets that have indefinite useful lives, the other intangible assets are amortized on a straight-line basis over their estimated useful lives as follows:

Core deposits	23 years
Operating rights	97 years
Computer software	3-10 years
Customer relationships	10-14 years

For the purpose of goodwill impairment testing, Fubon Bank (China) and branches in Vietnam were deemed as individual cash generating units, and the recoverable amounts of these branches were determined on the basis of their net fair value. The key assumptions used in the net fair value calculation included the business cycle stage, the overall state of the economy, and the profitability and estimated salvage value of Fubon Bank (China) and the Vietnam branches. An assessment by the Bank and its subsidiaries as of December 31, 2021 and 2020, showed there was no material goodwill impairment.

23. OTHER ASSETS

	December 31	
	2021	2020
Refundable deposits	\$ 10,361,837	\$ 14,807,150
Prepaid expense	623,986	864,573
Others	<u>393,983</u>	<u>366,679</u>
	<u><u>\$ 11,379,806</u></u>	<u><u>\$ 16,038,402</u></u>

24. DEPOSITS FROM THE CENTRAL BANK AND BANKS

	December 31	
	2021	2020
Call loans	\$ 150,995,533	\$ 141,003,016
Deposit from the Central Bank and banks	15,596,139	1,266,747
Others	<u>175,367</u>	<u>219,759</u>
	<u><u>\$ 166,767,039</u></u>	<u><u>\$ 142,489,522</u></u>

25. DUE TO THE CENTRAL BANK AND BANKS

	December 31	
	2021	2020
Due to the Central Bank	\$ 12,797,450	\$ 6,965,030
Due to interbank	<u>692,836</u>	<u>-</u>
	<u><u>\$ 13,490,286</u></u>	<u><u>\$ 6,965,030</u></u>

26. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

	December 31	
	2021	2020
Corporate bonds	\$ 71,368,674	\$ 42,948,951
Bank debentures	35,463,407	31,693,528
Government bonds	<u>8,445,440</u>	<u>5,514,950</u>
	<u><u>\$ 115,277,521</u></u>	<u><u>\$ 80,157,429</u></u>
Dates of repurchase agreements	2022.01.03- 2022.03.31	2021.01.04- 2021.04.06
Amounts of repurchase agreements	\$ 115,355,907	\$ 80,226,653

As of December 31, 2021 and 2020, the Bank and its subsidiaries' investments were as follows:

	December 31	
	2021	2020
Financial assets at fair value through other comprehensive income	\$ 8,502,569	\$ 10,993,597
Investments in debt instruments measured at amortized cost	109,232,034	69,901,796

27. PAYABLES

	December 31	
	2021	2020
Acceptances	\$ 17,406,022	\$ 19,382,925
Accrued interest	6,694,718	6,291,785
Accrued expenses	6,230,068	6,186,293
Accounts payable - factoring	4,565,458	3,907,732
Accrued notes and checks	3,174,864	1,388,751
Accrued payroll and transfer of provisional funds	2,872,224	3,023,352
Accounts payable	1,519,270	3,514,853
Others	<u>3,883,942</u>	<u>2,626,345</u>
	<u><u>\$ 46,346,566</u></u>	<u><u>\$ 46,322,036</u></u>

28. DEPOSITS AND REMITTANCES

	December 31	
	2021	2020
Checking	\$ 16,228,221	\$ 16,267,942
Public treasury	41,395,045	40,481,574
Demand	739,079,915	670,117,773
Savings	1,074,184,841	994,517,664
Time	841,997,123	668,721,487
Negotiable certificates of deposit	180,266,060	106,088,995
Outward remittances	<u>663,578</u>	<u>440,636</u>
	<u><u>\$ 2,893,814,783</u></u>	<u><u>\$ 2,496,636,071</u></u>

29. BANK DEBENTURES

Taipei Fubon Bank

To maintain its capital adequacy ratio and the medium-term to long-term working capital, the Bank had applied and obtained approval from the FSC to issue bank debentures. The outstanding balances of bank debentures as of December 31, 2021 and 2020 are summarized as follows:

	December 31	
	2021	2020
Second issue of subordinated bank debentures in 2012; fixed 1.68%; maturity: May 2022	\$ 4,700,000	\$ 4,700,000
First issue of subordinated bank debentures in 2013; fixed 1.7%; maturity: August 2023	500,000	500,000
First issue of subordinated bank debentures in 2014; fixed 1.7%; maturity: May 2021	-	5,500,000
First issue of subordinated bank debentures in 2014; fixed 1.85%; maturity: May 2024	4,500,000	4,500,000
Second issue of subordinated bank debentures in 2014; fixed 1.98%; maturity: September 2024	3,700,000	3,700,000
First issue of dominant bank debentures in 2017; 0%; maturity: January 2047 (US\$200,000 thousand)	-	6,629,430
Second issue of subordinated bank debentures in 2017; fixed 1.33%; maturity: September 2024	3,000,000	3,000,000
Fourth issue of subordinated bank debentures in 2017; fixed 1.3%; maturity: October 2024	1,750,000	1,750,000
Fifth issue of dominant bank debentures in 2017; 0%; maturity: December 2047 (US\$100,000 thousand)	3,261,773	3,210,654
Second issue of dominant bank debentures in 2018; 0%; maturity: March 2048 (US\$195,000 thousand)	6,352,767	6,238,284
Third issue of subordinated bank debentures in 2018; fixed 1.15%; maturity: September 2025	1,200,000	1,200,000
Third issue of subordinated bank debentures in 2018; fixed 1.3%; maturity: September 2028	1,800,000	1,800,000
Fifth issue of dominant bank debentures in 2018; 0%; maturity: November 2048 (US\$80,000 thousand)	2,571,144	2,511,571
Sixth issue of dominant bank debentures in 2018; fixed 1.1%; maturity: November 2028	3,700,000	3,700,000
Seventh issue of subordinated bank debentures in 2018; fixed 2.15%; perpetual	6,500,000	6,500,000
First issue of dominant bank debentures in 2019; fixed 0.98%; maturity: March 2029	1,500,000	1,500,000
Second issue of dominant bank debentures in 2019; fixed 0.95%; maturity: May 2029	1,300,000	1,300,000
Third issue of subordinated bank debentures in 2019; fixed 1.9%; perpetual	3,100,000	3,100,000
Fourth issue of subordinated bank debentures in 2019; fixed 1.63%; perpetual	4,400,000	4,400,000
Fifth issue of subordinated bank debentures in 2019; fixed 0.95%; maturity: September 2029	6,000,000	6,000,000
Sixth issue of dominant bank debentures in 2019; fixed 0.88%; maturity: October 2029	6,600,000	6,600,000

(Continued)

	December 31	
	2021	2020
Seventh issue of dominant bank debentures in 2019; fixed 0.88%; maturity: December 2029	\$ 3,100,000	\$ 3,100,000
First issue of dominant bank debentures in 2020; fixed 0.75%; maturity: March 2030	5,000,000	5,000,000
Second issue of subordinated bank debentures in 2020; fixed 1.60%; perpetual	3,150,000	3,150,000
Third issue of subordinated bank debentures in 2020; fixed 0.70%; maturity: June 2027	200,000	200,000
Third issue of subordinated bank debentures in 2020; fixed 0.80%; maturity: June 2030	1,800,000	1,800,000
Fourth issue of subordinated bank debentures in 2020; fixed 1.50%;perpetual	2,850,000	2,850,000
First issue of subordinated bank debentures in 2021; fixed 0.4%; maturity: January 2026	1,000,000	-
Fourth issue of subordinated bank debentures in 2021; fixed 0.4%; maturity: September 2026	1,000,000	-
Sixth issue of subordinated bank debentures in 2021; fixed 0.7%; maturity: September 2031	2,400,000	-
Seventh issue of subordinated bank debentures in 2021; fixed 0.45%; maturity: September 2026	2,700,000	-
First issue of subordinated bank debentures in 2021; fixed 0.52%; maturity: September 2028	1,400,000	-
Valuation adjustments of bank debentures	<u>1,036,102</u>	<u>2,058,565</u>
	<u><u>\$ 92,071,786</u></u>	<u><u>\$ 96,498,504</u></u>
		(Concluded)

Fubon Bank (China)

In order to increase the capital adequacy ratio, Fubon Bank (China) optimized the matching structure of medium and long-term assets and liabilities, increase stable sources of medium and long-term liabilities, and support the development of medium and long-term asset. The outstanding balances of bank debentures as of December 31, 2021 and 2020 are summarized as follows:

	December 31	
	2021	2020
Tier-2 capital bond (first period); fixed rate of 5.43%; maturity: December 2028 (RMB 1,000,000 thousand)	\$ 4,346,730	\$ 4,363,063
Tier-2 capital bond (first period); fixed rate of 5.20%; maturity: April 2029 (RMB 1,000,000 thousand)	4,346,730	4,363,063
FBCN, fixed rate of 4.08%; maturity: January 2025 (RMB 1,000,000 thousand)	4,341,456	4,355,919
Capital bond; fixed rate of 3.20%; maturity: March 2023 (RMB 1,000,000 thousand)	4,346,730	4,363,063
Capital bond; fixed rate of 3.92%; maturity: December 2023 (RMB 1,000,000 thousand)	<u>4,346,730</u>	<u>4,363,063</u>
	<u><u>\$ 21,728,376</u></u>	<u><u>\$ 21,808,171</u></u>

30. OTHER FINANCIAL LIABILITIES

	December 31	
	2021	2020
Principal amount of structured products	\$ 80,096,572	\$ 76,377,855
Others	<u>65,953</u>	<u>71,667</u>
	<u><u>\$ 80,162,525</u></u>	<u><u>\$ 76,449,522</u></u>

31. PROVISIONS

	December 31	
	2021	2020
Provisions for employee benefits (Note 32)	\$ 2,484,430	\$ 2,645,223
Reserve for financial commitments	333,342	260,736
Reserve for losses on guarantees	212,990	217,134
Others	<u>193,936</u>	<u>279,432</u>
	<u><u>\$ 3,224,698</u></u>	<u><u>\$ 3,402,525</u></u>

Refer to Note 55 for information relating to the credit risk management and impairment of reserve for losses on guarantees, other reserves - letters of credit and financial commitments.

32. EMPLOYEE BENEFITS PLANS

	December 31	
	2021	2020
Provisions for employee benefits		
Defined benefit plans	\$ 1,684,791	\$ 1,728,140
Preferential interest rate plan for employees' deposits	611,231	674,673
Other long-term employee benefits plan	188,294	242,294
Others	<u>114</u>	<u>116</u>
	<u><u>\$ 2,484,430</u></u>	<u><u>\$ 2,645,223</u></u>

a. Defined contribution plans

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

The total expense recognized in profit or loss for the years ended December 31, 2021 and 2020 were \$333,161 thousand and \$321,587 thousand, respectively, which represents contributions payable to these plans by the Bank at rates specified in the rules of the plan.

b. Defined benefit plans

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

The amounts included in the consolidated balance sheets in respect of the Bank's defined benefit plans were as follows:

	December 31	
	2021	2020
Present value of defined benefit obligation	\$ 3,330,386	\$ 3,499,583
Fair value of plan assets	<u>(1,645,595)</u>	<u>(1,771,443)</u>
Net defined benefit liability	<u><u>\$ 1,684,791</u></u>	<u><u>\$ 1,728,140</u></u>

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

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

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability (Asset)
Balance at January 1, 2021	<u>\$ 3,499,583</u>	<u>\$ (1,771,443)</u>	<u>\$ 1,728,140</u>
Service cost			
Current service cost	47,351	-	47,351
Past service cost	(8,997)	-	(8,997)
Net interest expense (income)	<u>13,682</u>	<u>(6,857)</u>	<u>6,825</u>
Recognized in profit or loss	<u>52,036</u>	<u>(6,857)</u>	<u>45,179</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(24,847)	(24,847)
Actuarial loss - changes in financial assumptions	(116,177)	-	(116,177)
Actuarial loss - experience adjustments	51,475	-	51,475
Actuarial loss - demography adjustments	<u>65,465</u>	<u>-</u>	<u>65,465</u>
Recognized in other comprehensive income	<u>763</u>	<u>(24,847)</u>	<u>(24,084)</u>
Contributions from the employer	-	(41,577)	(41,577)
Benefits paid	<u>(221,996)</u>	<u>199,129</u>	<u>(22,867)</u>
Balance at December 31, 2021	<u><u>\$ 3,330,386</u></u>	<u><u>\$ (1,645,595)</u></u>	<u><u>\$ 1,684,791</u></u>
			(Concluded)

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

- 1) Investment risk: The plan assets are invested in domestic/and foreign/equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government or corporate bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

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

	December 31	
	2021	2020
Discount rate	0.75%	0.40%
Expected rate of salary increase	2.25%	2.25%

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

	December 31	
	2021	2020
Discount rate		
0.5% increase	<u>\$ (156,541)</u>	<u>\$ (185,010)</u>
0.5% decrease	<u>\$ 167,726</u>	<u>\$ 198,621</u>
Expected rate of salary increase		
0.5% increase	<u>\$ 164,517</u>	<u>\$ 194,124</u>
0.5% decrease	<u>\$ (155,209)</u>	<u>\$ (182,829)</u>

As mentioned above, the sensitivity analysis presented above was based on the assumption that there would be a change in each of the actuarial assumptions and that all other assumptions would remain constant. However, it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. The change in the present value of the defined benefit obligation was measured using the project unit credit method.

	December 31	
	2021	2020
Expected contributions to the plan for the next year	<u>\$ 42,633</u>	<u>\$ 44,000</u>
Average duration of the defined benefit obligation	10 years	11 years
c. Preferential interest rate plan for employees' deposits		

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

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

	December 31	
	2021	2020
Present value of funded retired benefit obligation	\$ 611,231	\$ 674,673
Fair value of plan assets	<u>—</u>	<u>—</u>
Net liability arising from retired benefit obligation	<u>\$ 611,231</u>	<u>\$ 674,673</u>

Movements in the net funded retired benefit liability (asset) were as follows:

	Present Value of the Funded Retired Benefit Obligation	Fair Value of the Plan Assets	Net Funded Retired Benefit Liability (Asset)
Balance at January 1, 2020	<u>\$ 727,297</u>	\$ _____	<u>\$ 727,297</u>
Service cost			
Current service cost	64,538	-	64,538
Net interest expense	<u>29,092</u>	_____	<u>29,092</u>
Recognized in profit or loss	<u>93,630</u>	_____	<u>93,630</u>
Remeasurement			
Actuarial loss - experience adjustments	(90,544)	-	(90,544)
Recognized in other comprehensive income	<u>(90,544)</u>	_____	<u>(90,544)</u>
Benefits paid	<u>(55,710)</u>	_____	<u>(55,710)</u>
Balance at December 31, 2020	<u>\$ 674,673</u>	\$ _____	<u>\$ 674,673</u>
Balance at January 1, 2021	<u>\$ 674,673</u>	\$ _____	<u>\$ 674,673</u>
Service cost			
Current service cost	46,419	-	46,419
Net interest expense	<u>25,883</u>	_____	<u>25,883</u>
Recognized in profit or loss	<u>72,302</u>	_____	<u>72,302</u>
Remeasurement			
Actuarial loss - experience adjustments	26,163	-	26,163
Actuarial loss - demography adjustments	(103,258)	-	(103,258)
Recognized in other comprehensive income	<u>(77,095)</u>	_____	<u>(77,095)</u>
Benefits paid	<u>(58,649)</u>	_____	<u>(58,649)</u>
Balance at December 31, 2021	<u>\$ 611,231</u>	\$ _____	<u>\$ 611,231</u>

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

	December 31	
	2021	2020
Discount rate	4.0%	4.0%
Expected return on employees' deposits	2.0%	2.0%
Withdrawal percentage of preferential deposits	1.4%	1.4%

If possible reasonable change in each of the significant actuarial assumptions occurred and all other assumptions remained constant, the present value of the funded retired benefit obligation would increase (decrease) as follows:

	December 31	
	2021	2020
Discount rate		
0.5% increase	<u>\$ (25,951)</u>	<u>\$ (32,159)</u>
0.5% decrease	<u>\$ 28,214</u>	<u>\$ 35,300</u>
Withdrawal percentage of preferential deposits		
0.5% increase	<u>\$ (21,925)</u>	<u>\$ (27,391)</u>
0.5% decrease	<u>\$ 23,649</u>	<u>\$ 29,824</u>

The sensitivity analysis presented above was based on the assumption that there would be a change in each of the actuarial assumptions and that all other assumptions would remain constant. However, it was unlikely that the change in assumptions occurred in isolation of one another as some of the assumptions might have been correlated. The change in the present value of the funded retired benefit obligation was measured by the project unit credit method and the method.

	December 31	
	2021	2020
Average duration of the funded retired benefit obligation	9 years	10 years

d. Defined contribution plans of overseas subsidiaries

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

For the years ended December 31, 2021 and 2020, Fubon Bank (China), the Bank's overseas subsidiary, recognized expenses of \$86,115 thousand and \$68,983 thousand, respectively.

33. OTHER LIABILITIES

	December 31	
	2021	2020
Advance receipts	\$ 7,966,534	\$ 6,381,632
Guarantee deposits received	4,135,542	5,972,993
Suspended accounts and payments for clearing	831,821	1,629,205
Others	<u>281,470</u>	<u>340,836</u>
	<u><u>\$ 13,215,367</u></u>	<u><u>\$ 14,324,666</u></u>

34. EQUITY

a. Capital stock

Common stock

	December 31	
	2021	2020
Number of shares authorized (in thousands)	<u>13,000,000</u>	<u>13,000,000</u>
Amount of capital stock authorized	<u>\$ 130,000,000</u>	<u>\$ 130,000,000</u>
Number of shares issued and received (in thousands)	<u>12,256,209</u>	<u>12,256,209</u>
Amount of outstanding and issued shares (par value of NT\$10)	<u>\$ 122,562,088</u>	<u>\$ 122,562,088</u>

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

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

b. Capital surplus

	December 31	
	2021	2020
<u>Distributed to offset a deficit, provide cash, or transfer to capital</u>		
Arising from consolidation	\$ 7,490,431	\$ 7,490,431
Arising from issuance of common shares	10,121,242	9,872,100
<u>Distributed to offset a deficit</u>		
Changes in the equity of investee accounted for using the equity method	1,997	705
Changes in ownership interests in subsidiaries	<u>877,665</u>	<u>-</u>
	<u>\$ 18,491,335</u>	<u>\$ 17,363,236</u>

The capital surplus arising from shares issued in excess of par (from the issuance of common shares, issuance of shares in a business combination, and treasury stock transactions, etc.) and donations may be used to offset a deficit; in addition, when the Bank has no deficit, the capital surplus may be distributed as cash dividends or transferred to capital (limited to a prescribed certain percentage of the Bank's paid-in capital and once a year).

The share-based payments is that the cash increase of common stock and preferred stock - C handled by FFH in 2021, and 10% of the total number of new shares to be issued will be reserved for subscription by employees of FFHs and its subsidiaries, according to the corporation law.

Share-based payments transactions between the bank and its subsidiaries were as follows:

Agreement Type	Fair Value At Grant Date	Units	Vested Conditions
Cash-settled share-based payment plan that reserved for employees to subscribe (common stock)	2021.09.11	13,311	Immediately vested
Cash-settled share-based payment plan that reserved for employees to subscribe (preferred stock - C)	2021.09.11	2,477	Immediately vested

The Capital surplus generated by the bank and its subsidiaries' Share-based payments in 2021 is \$249,142 thousand.

c. Special reserve

	December 31	
	2021	2020
Appropriations by TAIPEIBANK under its Articles of Incorporation	\$ 1,285,676	\$ 1,285,676
Transferred from trading loss reserve	123,497	123,497
Deduction arising from the first-time adoption of IFRSs and the debits to other equity items	237,962	1,910,303
Application of the fair value model to investment properties	1,070,934	1,077,569
Expenditure of employees' financial technology development	<u>231,860</u>	<u>236,333</u>
	<u><u>\$ 2,949,929</u></u>	<u><u>\$ 4,633,378</u></u>

Under Rule No. 1090150022 issued by the FSC on March 31, 2021 and the directive titled “Questions and Answers for Special Reserves Appropriated Following the Adoption of IFRSs,” on the first-time adoption of IFRSs, a company should appropriate to a special reserve an amount that is the same as the sum of unrealized revaluation increment and cumulative translation differences (gains) transferred to retained earnings as a result of the company’s use of exemptions under IFRS 1. However, at the date of transition to IFRSs, if the increase in retained earnings that resulted from all IFRSs adjustments is not sufficient for this appropriation, only the increase in retained earnings that resulted from all IFRSs adjustments would be appropriated to special reserve. The special reserve appropriated as above may be reversed to retained earnings in proportion to the usage, disposal or reclassification of the related assets and thereafter distributed. The special reserve appropriated on the first-time adoption of IFRSs may be used to offset deficits in subsequent years. Earnings should be appropriated until any shortage of the aforementioned special reserve is appropriated in subsequent years if the company has earnings and the original need to appropriate a special reserve is not eliminated.

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

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

Under Rule No. 10510001510 issued by the FSC on May 25, 2016, a public bank shall appropriate to special reserve 0.5% to 1% of net income from 2016 through 2018. From fiscal year 2017, the Bank can reverse the amount of expenditure of employees’ transfer and settlement arising from financial technology development within the amount of the above special reserve. However, under Rule No. 10802714560, from fiscal year 2019, the Bank should not appropriate special reserve for financial technology development and protection of the Bank’s employees’ rights. Furthermore, the Bank should reverse the abovementioned appropriations for expenditure of employees’ transfer and settlement and necessary expenditure on employees’ educational courses for financial technology and the Bank’s business development.

d. Appropriation of earnings and dividend policy

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

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

On November 12, 2009, the FSC prescribed regulations, stated in Article 50 of the Banking Act, for sound finance and business practices. On April 30, 2012, these regulations were amended, specifying the criteria for sound finance and business.

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

The appropriation of earnings is approved at the shareholders' meeting held in, and reflected in the financial statements of, the year following the year of earnings generation. Under the Financial Holdings Company Law, the Bank's board of directors is designated to exercise the power of the shareholders' meeting, and the regulations on the shareholders' meeting, which are included in the Company Law, will not prevail.

On April 28, 2021 and April 21, 2020, the Bank's board of directors exercised the power and authority of the shareholders' meeting and approved the appropriations of the 2020 and 2019 earnings, respectively. The appropriations were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	2020	2019	2020	2019
Legal reserve	\$ 5,582,494	\$ 6,029,226		
Special reserve	(1,683,449)	515,924		
Stock dividends	-	6,776,136	\$ -	\$ 0.60
Cash dividends	14,709,270	6,776,136	1.20	0.60

e. Other equity items

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

	For the Year Ended December 31	
	2021	2020
Balance, beginning of the year	\$ (3,753,467)	\$ (3,376,310)
Recognized during the year		
Exchange differences on translating financial statements of foreign operations	39,643	(377,157)
Other comprehensive income recognized during the year	39,643	(377,157)
Changes in ownership interests in subsidiaries	29,173	-
Balance, end of the year	\$ (3,684,651)	\$ (3,753,467)

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

	For the Year Ended December 31	
	2021	2020
Balance, beginning of the year	\$ 2,838,906	\$ 1,032,321
Unrealized gains		
Debt instruments	12,326	749,286
Equity instruments	2,308,381	1,816,477
Adjustments of allowance for debt debenture	11,356	24,605
Share from associates accounted for using the equity method	(949)	-
Reclassification adjustment		
Disposal of investments in debt instruments	(285,742)	(947,599)
Other comprehensive income recognized during the year	2,045,372	1,642,769
Cumulative unrealized gains (losses) of equity instruments transferred to retained earnings due to disposal	(1,606,573)	163,816
Changes in ownership interests in subsidiaries	(36,753)	-
Balance, end of the year	\$ 3,240,952	\$ 2,838,906

- 3) Gains on property revaluation

	For the Year Ended December 31	
	2021	2020
Balance, beginning of the year	\$ 676,599	\$ 433,686
Recognized during the year		
Gains on property revaluation	-	242,913
Other comprehensive income recognized during the year	-	242,913
Balance, end of the year	\$ 676,599	\$ 676,599

f. Non-controlling interests

	For the Year Ended December 31	
	2021	2020
Balance, beginning of the year	\$ 18,778,102	\$ 18,367,288
Attributable to non-controlling interests:		
Net income for the year	837,276	744,945
Other comprehensive income recognized during the year		
Exchange differences arising from the translations of financial statements of foreign operations	(73,295)	178,940
Unrealized losses on financial assets at fair value through other comprehensive income	198,612	(513,071)
Changes in ownership interests in subsidiaries	<u>(870,085)</u>	<u>-</u>
Balance, end of the year	<u>\$ 18,870,610</u>	<u>\$ 18,778,102</u>

35. NET INTEREST INCOME

	For the Year Ended December 31	
	2021	2020
<u>Interest income</u>		
Discounts and loans	\$ 38,128,335	\$ 36,818,894
Investments in debt instruments measured at amortized cost	12,162,266	12,387,722
Investments in debt instruments measured at fair value through other comprehensive income	4,249,124	4,091,057
Due from banks and call loans to banks	2,036,770	3,593,156
Others	<u>1,131,171</u>	<u>1,107,321</u>
	<u>57,707,666</u>	<u>57,998,150</u>
<u>Interest expense</u>		
Deposits	13,288,493	18,199,893
Structured products	3,305,627	1,956,398
Bank debentures	1,762,239	1,786,178
Call loans from and due to the Central Bank and other banks	680,182	1,687,591
Securities sold under repurchase agreements	536,416	1,177,173
Deposits from the Central Bank and other banks	102,495	113,667
Others	<u>163,440</u>	<u>149,289</u>
	<u>19,838,892</u>	<u>25,070,189</u>
Net interest	<u>\$ 37,868,774</u>	<u>\$ 32,927,961</u>

Interest income and interest expense shown on the table above exclude those from financial assets and liabilities at fair value through profit or loss.

36. SERVICE FEE INCOME, NET

	For the Year Ended December 31	
	2021	2020
Service fee income		
Trust and custody business	\$ 5,836,404	\$ 6,202,883
Insurance service fee income	4,001,237	4,168,841
Credit card business	1,562,410	2,316,270
Loan service	1,244,863	1,060,712
Others	<u>1,756,963</u>	<u>1,524,976</u>
	<u>14,401,877</u>	<u>15,273,682</u>
Service fee expense		
Credit card business	1,113,465	1,226,188
Loan service	1,794,014	946,588
Interbank service fee	375,418	277,993
Office space expense	365,437	386,900
Others	<u>814,639</u>	<u>824,416</u>
	<u>4,462,973</u>	<u>3,662,085</u>
Net service fee	<u>\$ 9,938,904</u>	<u>\$ 11,611,597</u>

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

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

	For the Year Ended December 31	
	2021	2020
Interest income	\$ 530,486	\$ 1,045,057
Dividend income	<u>16,247</u>	<u>90,926</u>
Realized gains (losses)		
Corporate bonds	284,338	23,765
Government bonds	151,648	551,590
Stock	62,625	183,988
Bank debentures	43,458	(97,793)
Negotiable certificate of deposit	26,338	123,877
Derivatives	(539,053)	264,927
Others	<u>(48,964)</u>	<u>51,865</u>
	<u>(19,610)</u>	<u>1,102,219</u>
Gains (losses) on valuation		
Convertible corporate bonds	770,573	726,347
Stock	127,896	(204,393)
Government bonds	21,122	30,180
Negotiable certificate of deposits	(18,816)	(81,585)
Bank debentures	<u>(67,477)</u>	<u>28,422</u>

(Continued)

	For the Year Ended December 31	
	2021	2020
Corporate bonds	\$ (231,812)	\$ 67,228
Derivatives	(1,319,971)	(318,750)
Others	<u>(52,145)</u>	<u>(38,559)</u>
	<u>(770,630)</u>	<u>208,890</u>
	<u><u>\$ (243,507)</u></u>	<u><u>\$ 2,447,092</u></u>
		(Concluded)

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

	For the Year Ended December 31	
	2021	2020
Dividend income	\$ 1,390,715	\$ 722,742
Bank debentures	357,078	910,538
Government bonds	118,843	444,634
Corporate bonds	37,272	157,999
Others	<u>402</u>	<u>11,003</u>
	<u><u>\$ 1,904,310</u></u>	<u><u>\$ 2,246,916</u></u>

39. GAIN ON DERECOGNITION OF FINANCIAL ASSETS AT AMORTIZED COST

	For the Year Ended December 31	
	2021	2020
Corporate bonds	\$ 326,036	\$ 176,915
Bank debentures	132,879	2,228
Beneficiary securities	(52,145)	21,101
Others	<u>11,342</u>	<u>6,000</u>
	<u><u>\$ 418,112</u></u>	<u><u>\$ 206,244</u></u>

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

40. FOREIGN EXCHANGE GAINS (LOSSES)

	For the Year Ended December 31	
	2021	2020
General exchange gains	\$ 1,801,735	\$ 304,643
Exchange losses from private capital	<u>(9,815)</u>	<u>(83,807)</u>
	<u><u>\$ 1,791,920</u></u>	<u><u>\$ 220,836</u></u>

41. EMPLOYEE BENEFITS EXPENSE

	For the Year Ended December 31	
	2021	2020
Salaries and wages	\$ 12,164,589	\$ 11,749,747
Labor insurance, national health insurance, and group life insurance	1,179,170	887,192
Post-employment benefit expense	558,333	578,944
Other employee benefits expense	<u>513,088</u>	<u>603,616</u>
	<u><u>\$ 14,415,180</u></u>	<u><u>\$ 13,819,499</u></u>

In accordance with the resolution of the board of directors of FFH on April 29, 2021, when processing cash capital increase, 10% of the total number of shares to be reserved was subscribed by employees of FFH and its subsidiaries, the bank and its subsidiaries subscribed recognized salary expenses \$249,142 thousand.

For compliance with the Articles of Incorporation of the Bank, the Bank stipulates the distribution of employees' compensation at rates of 1% to 5% of net profit before income tax and employees' compensation, but the Bank should not make appropriations from earnings if it has a deficit. On March 9, 2022 and March 22, 2021 by the approval of Board of Directors the employees' estimated compensation were \$232,088 thousand and \$212,848 thousand, representing 1% of the base net profit.

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

On March 23, 2021 and March 19, 2020, the Bank's board of directors proposed amounts of employees' compensation that were the same as the accrued amounts reflected in the consolidated financial statements for the years ended December 31, 2020 and 2019.

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

42. DEPRECIATION AND AMORTIZATION

	For the Year Ended December 31	
	2021	2020
Depreciation	\$ 2,581,900	\$ 2,588,597
Amortization	<u>930,622</u>	<u>822,756</u>
	<u><u>\$ 3,512,522</u></u>	<u><u>\$ 3,411,353</u></u>

43. GENERAL AND ADMINISTRATIVE

	For the Year Ended December 31	
	2021	2020
Taxation and government fee	\$ 1,727,444	\$ 1,667,784
Marketing	1,098,019	1,249,608
Equipment repair	813,142	1,042,121
Rental	747,803	715,038
Insurance	662,202	605,818
Others	<u>2,665,118</u>	<u>2,360,512</u>
	<u>\$ 7,713,728</u>	<u>\$ 7,640,881</u>

44. INCOME TAX

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

a. Income tax recognized in profit or loss

The major components of income tax expense were as follows:

	For the Year Ended December 31	
	2021	2020
Current tax		
Current year	\$ 2,572,130	\$ 2,512,326
Adjustments for prior years	<u>(77,497)</u>	<u>(113,865)</u>
	2,494,633	2,398,461
Deferred tax		
Current year	<u>211,322</u>	<u>(36,291)</u>
Income tax expense recognized in profit or loss	<u>\$ 2,705,955</u>	<u>\$ 2,362,170</u>

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

	For the Year Ended December 31	
	2021	2020
Income tax expense calculated at the statutory rate (20%)	\$ 4,451,977	\$ 4,379,766
Tax-exempt income	(2,377,357)	(2,422,158)
Unqualified items in determining taxable income	557,650	358,893
Effect of differences in domestic and overseas tax rates	32,494	1,468
Unrecognized deductible temporary differences	83,085	(78,899)
Basic tax payable difference	-	202,387
Others	<u>(41,894)</u>	<u>(79,287)</u>
Income tax expense recognized in profit or loss	<u>\$ 2,705,955</u>	<u>\$ 2,362,170</u>

b. Income tax recognized in equity

	December 31	
	2021	2020
Current tax		
Disposal of investments in equity instruments at fair value through other comprehensive income	\$ 248,450	\$ (22,339)
Deferred tax		
Disposal of investments in equity instruments at fair value through other comprehensive income	(248,450)	22,339
	\$ _____ -	\$ _____ -

c. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2021	2020
<u>Deferred tax</u>		
Recognized during the year		
Remeasurement of defined benefit plan	\$ 20,236	\$ (4,897)
Property revaluation increments	-	35,219
Unrealized gains (losses) on financial assets at fair value through other comprehensive income	322,846	(302,591)
	\$ 343,082	\$ (272,269)

d. Current tax assets and liabilities

	December 31	
	2021	2020
Current tax assets		
Linked-tax receivable	\$ 111,249	\$ 111,249
Prepaid income tax and income tax refund receivable	244,892	372,412
	\$ 356,141	\$ 483,661
Current tax liabilities		
Linked-tax payable	\$ 1,199,951	\$ 1,466,738
Income tax payable	335,399	827,036
	\$ 1,535,350	\$ 2,293,774

e. Deferred tax assets and liabilities

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

For the year ended December 31, 2021

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Recognized in Equity	Exchange Differences	Closing Balance
<u>Deferred tax assets</u>						
Temporary differences						
Allowance for credit losses	\$ 587,041	\$ (189,759)	\$ -	\$ -	\$ (2,540)	\$ 394,742
Employee benefit plans	595,916	(4,482)	(20,236)	-	-	571,198
Profit or loss on financial instruments	274,278	53,560	(127,560)	225	(4,196)	196,307
Unrealized gain (loss) on revaluation of buildings	5,762	(4,766)	-	-	-	996
Others	190,904	(7,041)	-	-	(561)	183,302
	<u>\$ 1,653,901</u>	<u>\$ (152,488)</u>	<u>\$ (147,796)</u>	<u>\$ 225</u>	<u>\$ (7,297)</u>	<u>\$ 1,346,545</u>

Deferred tax liabilities

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Recognized in Equity	Exchange Differences	Closing Balance
<u>Deferred tax liabilities</u>						
Temporary differences						
Share of gain of associates accounted for using the equity method	\$ 810,484	\$ 205,316	\$ -	\$ -	\$ -	\$ 1,015,800
Land value increment tax	377,098	1,699	-	-	-	378,797
Profit or loss on financial instruments	230,252	(147,414)	195,286	(248,225)	(323)	29,576
Intangible assets	90,270	(767)	-	-	-	89,503
	<u>\$ 1,508,104</u>	<u>\$ 58,834</u>	<u>\$ 195,286</u>	<u>\$ (248,225)</u>	<u>\$ (323)</u>	<u>\$ 1,513,676</u>

For the year ended December 31, 2020

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

Deferred tax liabilities

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

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

	For the Year Ended December 31	
	2021	2020
Loss carryforwards		
Expiry in 2030	\$ 957	\$ 957
Expiry in 2031	<u>11,560</u>	<u>-</u>
	<u>\$ 12,517</u>	<u>\$ 957</u>

- g. The income tax returns of the Bank through 2016 were assessed by the Taipei National Tax Administration (TNTA). The Bank disagreed with the tax authorities' assessment of the Bank's 2012 to 2013 additional amount returns on its sports lottery program and applied for a re-examination.
- h. Income tax returns of Fubon Bank (China) through 2020 had been assessed by the Shanghai Municipal Office, SAT and the Shanghai Municipal Bureau of Local Taxation.

45. EARNINGS PER SHARE

(In New Taiwan Dollars)

	For the Year Ended December 31	
	2021	2020
Basic earnings per share		
From continuing operations	<u>\$ 1.53</u>	<u>\$ 1.58</u>

The earnings and weighted average number of common stock outstanding in the computation of earnings per share from continuing operations were as follows:

Net Income for the Year

	For the Year Ended December 31	
	2021	2020
Income used in computing basic earnings per share		
Income for the year attributable to owners of the Bank	<u>\$ 18,716,654</u>	<u>\$ 18,791,716</u>

Shares

(In Thousand Shares)

	For the Year Ended December 31	
	2021	2020
Weighted average number of common stock used in computing basic earnings per share	<u>12,256,209</u>	<u>11,928,340</u>

46. RELATED-PARTY TRANSACTIONS

Except for those disclosed in other notes to the financial statements, as of December 31, 2021 and December 31, 2020, the related party transactions between the Bank and its subsidiaries are as follows:

a. Related parties

Related Party	Relationship with the Bank and Its Subsidiaries
Fubon Financial Holdings Co., Ltd. (“FFH”)	Parent company
Fubon Real Estate Management Co., Ltd.	Equity-method investee of the Bank
Line Biz+ Taiwan Ltd. (“Line Biz+”)	Equity-method investee of the Bank
Line Bank Taiwan Limited (“Line Bank”)	Equity-method investee of the Bank
Fubon Insurance Co., Ltd. (“Fubon Insurance”)	Subsidiary of FFH
Fubon Life Insurance Co., Ltd. (“Fubon Life Insurance”)	Subsidiary of FFH
Fubon Securities Co., Ltd. (“Fubon Securities”)	Subsidiary of FFH
Fubon Bank (Hong Kong) Limited (“Fubon Bank (Hong Kong)”)	Subsidiary of FFH
Fubon Asset Management Co., Ltd. (“Fubon Asset Management”)	Subsidiary of FFH
Fubon Securities Investment Trust Co., Ltd. (“Fubon Securities Investment Trust”)	Subsidiary of FFH
Fubon Future Co., Ltd. (“Fubon Future”)	Equity-method investee of subsidiary of FFH
Jih Sun Securities Co., Ltd. (“Jih Sun Securities”)	Equity-method investee of subsidiary of FFH
Jih Sun International Bank Co., Ltd. (“Jih Sun Bank”)	Equity-method investee of subsidiary of FFH
Taipei City Government (“TCG”) and its departments	Major shareholder of parent company
Chung Hsing Land Development Co., Ltd. (“CHLDC”)	Major shareholder of parent company
Taiwan Life Insurance Co., Ltd. (“Taiwan Life Insurance”)	Related party in substance
Taiwan Mobile Co., Ltd. (“Taiwan Mobile”)	Related party in substance
Taiwan High Speed Rail Corp. (“Taiwan High Speed Rail”)	Related party in substance
Taiwan Fixed Network Co., Ltd. (“Taiwan Fixed Network”)	Related party in substance
Fubon Charity Foundation (Fubon Charity)	Related party in substance
Yong Hsin Shing Ye Co., Ltd. (Yong Hsin)	Related party in substance
Beijing Global Media Technology Co., Ltd (“Beijing Global”)	Related party in substance
Mediatek (Shenzhen) Inc. (“Mediatek (Shenzhen)”)	Related party in substance
Mstar Semiconductor Inc. (“Mstar Semiconductor”)	Related party in substance
CTBC Bank Co., Ltd. (CTBC Bank)	Related party in substance
Alpha Networks Inc. (Alpha Networks)	Related party in substance
Wuxi Huanyu Enterprise Management Services Limited. (Wuxi Huanyu)	Related party in substance
China Construction No. 6 Bureau Construction Engineering Co., Ltd. (China Construction)	Related party in substance
Others	Directors, supervisors, managers and their relatives within the second degree of consanguinity

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

For the Year Ended December 31, 2021								Reversal of Allowance Gain (Allowance for Impairment Loss)
	Ending Balance	Highest Balance for the Year	% of the Account Balance	Allowance for Impairment Loss	Rate (%)	Interest Income		
1) Loans	<u>\$ 23,511,026</u>	<u>\$ 33,023,403</u>	<u>1.28</u>	<u>\$ 40,970</u>	<u>0-14.71</u>	<u>\$ 99,832</u>		<u>\$ 7,355</u>
December 31, 2021								
Category	Number of Accounts or Name of Related Party	Highest Balance	Ending Balance	Normal	Overdue	Type of Collateral	Is the Transaction at Arm's Length?	
Consumer loans for employees	91	\$ 61,692	\$ 34,560	✓	\$ -	None	Yes	
Housing mortgage loans	281	3,803,793	2,883,845	✓	-	Property	Yes	
Others	Department of Rapid Transit Systems, TCG	17,690,210	11,000,000	✓	-	Public treasury guarantees	Yes	
	Department of Finance, TCG	6,000,000	5,000,000	✓	-	Credit guarantees (Approval date on February 21, 2012.	Yes	
	Department of Urban Development, TCG	4,346,133	4,252,926	✓	-	Public treasury guarantees	Yes	
	Alpha Networks	572,213	-	✓	-	Credit guarantees (Approval date on February 21, 2012.	Yes	
	Jih Sun Securities	200,000	-	✓	-	FFH listed it as related party on January 29, 2021)	Yes	
	Yong Hsin	44,000	44,000	✓	-	Credit guarantees (Approval date on December 17, 2019,	Yes	
	Beijing Global	87,542	78,241	✓	-	FFH listed it as related party on March 30, 2021)	Yes	
	China Construction	217,337	217,337	✓	-	Land (excluding buildings) (with construction plan)	Yes	
	Other	483	117	✓	-	Bank deposit certificate	Yes	
						Credit guarantees	Yes	
						Credit guarantee fund	Yes	
							Yes	
		<u>\$ 33,023,403</u>	<u>\$ 23,511,026</u>					
For the Year Ended December 31, 2020								
	Ending Balance	Highest Balance for the Year	% of the Account Balance	Allowance for Impairment Loss	Rate (%)	Interest Income	Reversal of Allowance Gain (Allowance for Impairment Loss)	
1) Loans	<u>\$ 20,819,223</u>	<u>\$ 24,714,285</u>	<u>1.27</u>	<u>\$ 38,409</u>	<u>0-14.97</u>	<u>\$ 147,182</u>	<u>\$ 11,344</u>	

December 31, 2020								
Category	Number of Accounts or Name of Related Party	Highest Balance	Ending Balance	Normal	Overdue	Type of Collateral	Is the Transaction at Arm's Length?	
Consumer loans for employees	74	\$ 75,332	\$ 33,702	✓	\$ -	None	Yes	
Housing mortgage loans	277	4,556,968	2,890,785	✓	-	Property	Yes	
Others	Department of Rapid Transit Systems, TCG Department of Finance, TCG Department of Urban Development, TCG Taipei Municipal Secured Swan Loans Service Fubon Securities Yong Hsin Beijing Global Other	16,614,579 1,000,000 2,352,806 17 27,120 44,000 41,449 2,014	15,462,761 - 2,346,133 - - 44,000 41,449 393	✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓	- - - - - - - -	Public treasury guarantees Credit guarantees Public treasury guarantees Public treasury guarantees Listed company shares Land (excluding buildings) (with construction plan) Bank deposit certificate Credit guarantee fund	Yes Yes Yes Yes Yes Yes Yes Yes	
		<u>\$ 24,714,285</u>	<u>\$ 20,819,223</u>					

	For the Year Ended December 31							
	2021				2020			
	Ending Balance	% of the Account Balance	Rate (%)	Interest Income (Expense)	Ending Balance	% of the Account Balance	Rate (%)	Interest Income (Expense)
2) Deposits	<u>\$ 166,155,526</u>	<u>5.74</u>	0-5.87	<u>\$ (225,551)</u>	<u>\$ 156,304,387</u>	<u>6.26</u>	0-5.87	<u>\$ (386,781)</u>
3) Call loans to other banks	<u>\$ -</u>	<u>-</u>	0.09-0.11	<u>\$ 38</u>	<u>\$ -</u>	<u>-</u>	1.55-2.40	<u>\$ 745</u>
4) Due from other banks	<u>\$ 359,688</u>	<u>0.38</u>	0-5.40	<u>\$ 1,526</u>	<u>\$ 561,499</u>	<u>0.75</u>	0-5.40	<u>\$ 2,058</u>
5) Call loans	<u>\$ -</u>	<u>-</u>	0.04-0.27	<u>\$ (35)</u>	<u>\$ -</u>	<u>-</u>	0.09-2.45	<u>\$ (454)</u>

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

6) Guarantees

Related Party	December 31, 2021					
	Highest Balance in the Current Year	Ending Balance	Reserve for Losses on Guarantees	Rate	Type of Collateral	
	\$ -	\$ -	\$ -	-	-	-
December 31, 2020						
Related Party	Highest Balance in the Current Year	Ending Balance	Reserve for Losses on Guarantees	Rate	Type of Collateral	
TCG (Department of Finance)	\$ 1,213	\$ -	\$ -	1%	Public treasury guarantees	

7) Securities

Related Party	Type	For the Year Ended December 31	
		2021	2020
CTBC Bank	Bonds purchased	\$ 3,158,247	\$ -
CTBC Bank	Bonds sold	411,355	-
Fubon Life Insurance	Bonds purchased	-	2,733,495
Fubon Life Insurance	Bonds sold	1,215,313	338,986
TCG	Bonds purchased	1,600,000	-
Taiwan Life Insurance	Bonds sold	-	2,000,000
Related Party	Type	December 31	
		2021	2020
Taiwan High Speed Rail	Bonds sold under repurchase agreements	\$ 1,665,000	\$ 2,103,000
Directors, supervisors, managers and their relatives within the second degree of consanguinity	Bonds sold under repurchase agreements	2,190,914	2,276,503
Related Party	Type	December 31	
		2021	2020
Jih Sun Securities	Bank debentures issued	\$ 200,000	\$ -

8) Mutual fund and stock transactions

Fund	December 31			
	2021		2020	
	Units (In Thousands)	Amount	Units (In Thousands)	Amount
Fubon No. 1 REIT	57,680	\$ 1,033,626	57,680	\$ 1,059,582
Fubon No. 2 REIT	8,648	136,033	1,848	31,619

Fubon No. 2 REIT Investment Trust Fund increased by 6,800 thousand units. The bank used the closing price on June 28, 2021 as the purchase price, and used a huge matching transaction method through securities brokers Fubon Securities by \$109,480 thousand.

Related Party	Type	December 31	
		2021	2020
Fubon Securities	Discretionary Investment Transaction Net Assets	\$ 2,676,387	\$ -

9) Derivative financial instruments

Related Party	Derivative Instrument	Contract Period	Contract (Notional) Amount	Gains (Losses) on Valuation	December 31, 2021	
					Account	Balance
Fubon Life Insurance	Currency swap contracts	2021.10.27-2022.12.30	\$ 20,287,425	\$ (104,195)	Revaluation of financial liabilities at fair value through profit or loss	\$ 104,195
Jih Sun Bank	Interest rate	2018.03.05-2024.03.25	1,476,892	(14,353)	Revaluation of financial assets at fair value through profit or loss	13,329
Jih Sun Bank	Interest rate	2018.08.31-2023.09.04	1,000,000	3,804	Revaluation of financial liabilities at fair value through profit or loss	2,111

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

10) Transaction of credit asset

Related Party	Type	For the Year Ended December 31	
		2021	2020
Fubon Bank (Hong Kong)	Bond sold	\$ 361,460	\$ 1,459,155

11) Lease

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

a) Guarantee deposits

Related Party	December 31	
	2021	2020
Fubon Asset Management	\$ 13,385	\$ 13,385
Fubon Securities	8,831	9,128
Fubon Insurance	525	525
Taiwan Mobile	444	444
Others	601	985
	<u>\$ 23,786</u>	<u>\$ 24,467</u>

b) Rental revenue

Related Party	For the Year Ended December 31	
	2021	2020
Fubon Securities	\$ 55,143	\$ 41,233
Fubon Asset Management	8,349	8,076
Fubon Insurance	3,284	3,284
Taiwan Mobile	2,843	2,843
Fubon Life Insurance	-	666
Others	<u>2,127</u>	<u>2,978</u>
	<u><u>\$ 71,746</u></u>	<u><u>\$ 59,080</u></u>

c) Refundable deposits

Related Party	December 31	
	2021	2020
CHLDC	\$ 35,342	\$ 35,342
Fubon No. 2 REIT	26,319	25,960
Fubon Insurance	19,337	26,011
Fubon Life Insurance	10,318	8,081
TCG	7,536	7,496
Fubon No. 1 REIT	4,709	6,748
Others	<u>7,739</u>	<u>7,315</u>
	<u><u>\$ 111,300</u></u>	<u><u>\$ 116,953</u></u>

d) Rental expense

Related Party	For the Year Ended December 31	
	2021	2020
CHLDC	\$ 15,273	\$ 14,103
Taiwan Fixed Network Co., Ltd.	15,162	14,059
Fubon Charity	5,923	4
Fubon No. 2 REIT	2,698	2,206
Fubon Insurance	1,992	1,998
Fubon No. 1 REIT	1,134	720
Fubon Life Insurance	487	120
Others	<u>840</u>	<u>764</u>
	<u><u>\$ 43,509</u></u>	<u><u>\$ 33,974</u></u>

e) Lease agreement

Right-of-use assets

Related Party	December 31	
	2021	2020
CHLDC	\$ 645,502	\$ 118,365
Fubon No. 2 REIT	298,633	268,297
Fubon Insurance	270,872	219,661
Fubon Life Insurance	53,263	43,910
TCG	52,094	74,256
Fubon No. 1 REIT	1,408	296,506
Others	<u>182,420</u>	<u>147,897</u>
	<u><u>\$ 1,504,192</u></u>	<u><u>\$ 1,168,892</u></u>

Lease liabilities

Related Party	December 31	
	2021	2020
CHLDC	\$ 430,308	\$ 106,988
Fubon Life Insurance	183,590	152,014
Fubon No. 2 REIT	168,580	136,330
Fubon Charity	61,139	5,847
TCG	35,767	15,147
Taiwan Fixed Network Co., Ltd.	9,809	16,169
Fubon No. 1 REIT	4,662	39,335
Fubon Insurance	1,370	102,375
Others	<u>52,679</u>	<u>61,134</u>
	<u><u>\$ 947,904</u></u>	<u><u>\$ 635,339</u></u>

Depreciation expense on right-of-use assets

Related Party	For the Year Ended December 31	
	2021	2020
CHLDC	\$ 211,307	\$ 202,095
Fubon No. 2 REIT	99,220	98,085
Fubon Insurance	91,941	99,016
Fubon Life Insurance	40,159	37,576
TCG	33,025	33,015
Fubon No. 1 REIT	23,231	26,009
Others	<u>36,800</u>	<u>40,067</u>
	<u><u>\$ 535,683</u></u>	<u><u>\$ 535,863</u></u>

Interest expense on lease liabilities

Related Party	For the Year Ended December 31	
	2021	2020
Fubon Life Insurance	\$ 18,839	\$ 4,409
Fubon Insurance	6,080	4,895
Fubon No. 2 REIT	5,636	6,112
CHLDC	1,674	914
Fubon No. 1 REIT	1,647	5,262
TCG	811	1,562
Others	2,147	2,441
	<u>\$ 36,834</u>	<u>\$ 25,595</u>
Value of contract		
Related Party	December 31	
	2021	2020
CHLDC	\$ 680,654	\$ 125,417
Fubon Life Insurance	362,383	357,298
Fubon No. 2 REIT	303,886	294,291
Fubon Insurance	228,154	312,131
TCG	101,780	45,830
Fubon No. 1 REIT	54,781	78,579
Others	240,064	150,893
	<u>\$ 1,971,702</u>	<u>\$ 1,364,439</u>

12) Insurance expense

Related Party	For the Year Ended December 31	
	2021	2020
Fubon Insurance	\$ 95,502	\$ 88,864
Fubon Life Insurance	73,488	71,352
Others	972	339
	<u>\$ 169,962</u>	<u>\$ 160,555</u>

13) Marketing collaboration

The Bank entered into a collaboration arrangement with Fubon Securities for deal settlement of securities, cost sharing, and cross-selling. Under this contract, the expense allocation was based on the average balance that the customers of Fubon Securities deposited in the Bank. The allocation costs for office space that the Bank paid to Fubon Securities were \$375,418 thousand and \$277,993 thousand for the years ended December 31, 2021 and 2020, respectively.

14) Compensation of key management personnel

	For the Year Ended December 31	
	2021	2020
Short-term employee benefits	\$ 750,433	\$ 552,805
Post-employment benefits	5,333	4,988
Others	<u>1,127</u>	<u>986</u>
	<u><u>\$ 756,893</u></u>	<u><u>\$ 558,779</u></u>

15) Linked-tax system

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

	December 31	
	2021	2020
Linked-tax receivable (included in current tax assets)	\$ 111,249	\$ 111,249
Linked-tax payable (included in current tax liabilities)	1,220,830	1,466,738

16) Others

	December 31	
	2021	2020
Receivables - Fubon Life Insurance	\$ 367,305	\$ 157,107
Receivables - others	75,691	53,516
Payables - others	131,316	67,686
Principals of structured products - Mstar Semiconductor	468,838	401,402
Principals of structured products - Mediatek (Shenzhen)	1,177,529	130,892
Principals of structured - Wuxi Huanyu	19,865	-
Principals of structured products - others	36,142	64,079
Refundable deposits - Fubon Futures Co., Ltd	205,118	111,769
Other prepayments - Line Bank	12,460	-

	For the Year Ended December 31	
	2021	2020
Service fee income - Fubon Life Insurance	\$ 5,049,228	\$ 5,415,936
Service fee income - others	1,261,890	579,672
Other income - others	43,457	29,473
Service fee expenses - others	2,453,212	1,083,632
Operating expenses - others	392,011	367,414

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

47. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

On June 28, 2021, the Bank subscribed for additional new shares of Fubon Bank (China) at a percentage different from its existing ownership percentage, and increased its continuing interest from 51% to 57.92%.

The above transactions were accounted for as equity transactions, since the Group did not cease to have control over these subsidiaries.

	Fubon Bank (China) For the Year Ended December 31
Consideration paid	\$ (4,321,280)
The proportionate share of the carrying amount of the net assets of the subsidiary transferred to owners interests	5,191,365
Reatribution of other equity to (from) non-controlling interests	
Exchange differences on translating the financial statements of foreign operations	(29,173)
Unrealized gain or loss on financial assets at fair value through other comprehensive income	<u>36,753</u>
Differences recognized from equity transactions	<u>\$ 877,665</u>
<u>Line items adjusted for equity transactions</u>	
Capital surplus - difference between consideration received or paid and the carrying amount of the subsidiaries' net assets during actual acquisition	<u>\$ 877,665</u>

48. CASH FLOW INFORMATION

Changes in Liabilities Arising from Financing Activities

For the year ended December 31, 2021

	Opening Balance	Cash Flows	Non-cash Changes				Others	Closing Balance
			Change in Exchange Rate	Change in Fair Value	Other Changes			
Due to the Central Bank and banks	\$ 6,965,030	\$ 6,524,009	\$ 1,247	\$ -	\$ -	\$ -	\$ -	\$ 13,490,286
Bank debentures	118,306,675	(3,544,192)	(477,108)	(1,022,463)	537,250			113,800,162
Lease obligation	<u>4,093,537</u>	<u>(1,438,299)</u>	<u>(4,932)</u>	<u>-</u>	<u>2,006,366</u>	<u>-</u>	<u>(148,601)</u>	<u>4,508,071</u>
	<u><u>\$129,365,242</u></u>	<u><u>\$ 1,541,518</u></u>	<u><u>\$ (480,793)</u></u>	<u><u>\$ (1,022,463)</u></u>	<u><u>\$ 2,543,616</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (148,601)</u></u>	<u><u>\$ 131,798,519</u></u>

For the year ended December 31, 2020

	Opening Balance	Cash Flows	Non-cash Changes				Others	Closing Balance
			Change in Exchange Rate	Change in Fair Value	Other Changes			
Due to the Central Bank and banks	\$ -	\$ 6,965,030	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,965,030
Bank debentures	114,111,801	3,615,342	(1,004,652)	758,342	825,842			118,306,675
Lease obligation	<u>3,776,863</u>	<u>(1,389,723)</u>	<u>(14,917)</u>	<u>-</u>	<u>1,854,823</u>	<u>-</u>	<u>(133,509)</u>	<u>4,093,537</u>
	<u><u>\$117,888,664</u></u>	<u><u>\$ 9,190,649</u></u>	<u><u>\$ (1,019,569)</u></u>	<u><u>\$ 758,342</u></u>	<u><u>\$ 2,680,665</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (133,509)</u></u>	<u><u>\$ 129,365,242</u></u>

49. PLEDGED ASSETS

The following assets had been provided as refundable deposits:

	December 31	
	2021	2020
Deposit reserves (due from the Central Bank and call loans to other banks)	\$ 15,000,000	\$ 10,000,000
Negotiable certificates of deposit of the Central Bank (included in investments in debt instruments measured at amortized cost)	19,996,289	19,995,487
Government bonds (included in investments in debt instruments measured at amortized cost)	1,546,051	1,768,798
Due from other banks (included in other financial assets)	<u>2,678,379</u>	<u>2,471,225</u>
	<u><u>\$ 39,220,719</u></u>	<u><u>\$ 34,235,510</u></u>

Of the above deposit reserves which is due from the Central Bank and call loans to other banks, a total of \$15,000,000 thousand and \$10,000,000 thousand as of December 31, 2021 and 2020 had been provided for as collateral for undertaking the loans and applies to the Central Bank for guarantee loan refinancing for small and medium enterprises impacted by severe special infections pneumonia epidemic. As of December 31, 2021 and 2020, a total of \$10,000,000 thousand had been provided for as collateral for day-term overdraft to comply with the CB's clearing system requirement for real-time gross settlement (RTGS). The unused overdraft amount at the end of the day may be treated as liquidity reserve. As of December 31, 2021 and 2020, certificates of deposit (CD) of the Central Bank and negotiable certificates of deposit (NCD) of the Central Bank amounting to \$10,000,000 thousand had been provided to the Central Bank as collateral for the Bank's foreign-currency call loans.

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

50. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

- a. Except for those disclosed in other notes of the accompanying consolidated financial statements, as of December 31, 2021 and 2020, the Bank and its subsidiaries had commitments as follows:

	December 31	
	2021	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
Trust deposits	1,902,187	2,122,776
Entrusted loans	1,902,187	2,122,776
Entrusted 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

- b. As of December 31, 2021 and 2020, the capital expenditure commitment amount were \$912,126 thousand and \$1,050,408 thousand, respectively.

51. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

On August 13, 2021 and January 25, 2022, the Bank and the authority approved the investment of Hyundai Card Co., Ltd. at the amount of \$5,095,000 thousands based on the shareholding ratio in February 2022.

52. TRUST BUSINESS UNDER THE TRUST LAW

The trust-related items shown below were managed by the Bank's Trust Department. However, these items were not included in the Bank and its subsidiaries' consolidated financial statements.

Balance Sheets of Trust Accounts December 31, 2021 and 2020					
	2021	2020		2021	2020
Bank deposits	\$ 8,240,493	\$ 5,838,635	Payables	\$ 6,801	\$ 3,746
Short-term investments			Capital		
Mutual funds	197,671,102	146,971,154	Money	308,913,596	266,570,612
Bonds	63,913,493	84,451,311	Marketable securities	8,494,466	13,571,251
Stock	36,071,771	33,575,338	Real estate	46,583,216	39,096,701
Structured products	<u>15,451,313</u>	<u>11,270,174</u>		<u>363,991,278</u>	<u>319,238,564</u>
	<u>313,107,679</u>	<u>276,267,977</u>			
Receivables	<u>374</u>	<u>743</u>	Securities investment trust fund under custody	<u>233,914,123</u>	<u>195,931,715</u>
Securities investment trust fund under custody	<u>233,914,123</u>	<u>195,931,715</u>	Reserves and cumulative earnings		
			Cumulative earnings	(15,064,648)	(13,536,250)
Real estate			Net income	<u>14,743,127</u>	<u>12,861,105</u>
Land	34,370,946	29,834,901			
Construction in progress	7,699,087	4,772,490		<u>(321,521)</u>	<u>(675,145)</u>
Buildings	<u>257,979</u>	<u>1,852,419</u>			
	<u>42,328,012</u>	<u>36,459,810</u>			
Total trust assets	<u>\$ 597,590,681</u>	<u>\$ 514,498,880</u>	Total trust liabilities	<u>\$ 597,590,681</u>	<u>\$ 514,498,880</u>

Trust Income Statements For the Years Ended December 31, 2021 and 2020

	2021	2020
Trust income		
Interest income	\$ 10,704,701	\$ 9,345,042
Others	171,966	367,065
Cash dividends	1,232,603	1,121,321
Realized capital income - common stock	1,609,094	694,443
Unrealized capital income - common stock	86,858	93,830
Realized capital income - mutual funds	5,787,789	5,255,644
Realized capital income - bonds	316,230	2,817,304
Realized capital income - structured products	2,718	7,206
Distribution from beneficial certificates	<u>60,417</u>	<u>22,561</u>
	<u>19,972,376</u>	<u>19,724,416</u>
Trust expense		
Trust administrative expense	898,755	739,188
Supervision fee	458	271
Service fee	7,885	21,041
Income tax expense	11	220
Others	318,924	285,270
Realized capital loss - common stock	48,303	152,024
Unrealized capital loss - common stock	245	12

(Continued)

	2021	2020
Realized capital loss - mutual funds	\$ 2,821,675	\$ 5,001,285
Realized capital loss - bonds	970,078	114,971
Realized capital loss - structured products	<u>162,915</u>	<u>549,029</u>
	<u>5,229,249</u>	<u>6,863,311</u>
Net income	<u>\$ 14,743,127</u>	<u>\$ 12,861,105</u> (Concluded)

**Trust Property of Trust Accounts
December 31, 2021 and 2020**

Investment Portfolio	2021	2020
Bank deposits	\$ 8,240,493	\$ 5,838,635
Short-term investments		
Mutual funds	197,671,102	146,971,154
Bonds	63,913,493	84,451,311
Stock	36,071,771	33,575,338
Structured products	<u>15,451,313</u>	<u>11,270,174</u>
Receivables	<u>313,107,679</u>	<u>276,267,977</u>
	<u>374</u>	<u>743</u>
Security investment trust fund under custody	<u>233,914,123</u>	<u>195,931,715</u>
Real estate		
Land	34,370,946	29,834,901
Construction in progress	7,699,087	4,772,490
Buildings	<u>257,979</u>	<u>1,852,419</u>
	<u>42,328,012</u>	<u>36,459,810</u>
	<u><u>\$ 597,590,681</u></u>	<u><u>\$ 514,498,880</u></u>

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

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

Refer to Note 46 for the cross-selling revenues and expenses for the years ended December 31, 2021 and 2020.

54. FINANCIAL INSTRUMENTS

a. Fair value

1) Overview

Fair value is the price that would be received to sell assets or paid to transfer liabilities in orderly transactions between market participants at the measurement date.

All financial instruments are initially measured at fair value, which is usually the transaction price in many cases. Financial assets are subsequently measured at fair value, except those measured at amortized cost. Quoted market prices in active markets provide the most reliable evidence of fair value. The fair value of financial instruments is measured by marking-to-model or, if the market is inactive, by referring to the quoted prices from Bloomberg or Reuters or from the counterparty.

2) The levels of the fair value hierarchy are described below:

a) Level 1

Level 1 financial instruments are traded in an active market and have quoted prices for identical assets or liabilities. An active market has the following conditions:

- i. All financial instruments traded in the market are homogeneous.
- ii. Willing buyers and sellers are found in the market all the time.
- iii. The public can access the price information easily.

The products categorized in this level usually have high liquidity or are traded in the futures market or exchanges, such as the spot foreign exchange, listed stock and the Taiwan treasury benchmark index bond.

b) Level 2

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

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

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

c) Level 3

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

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

b. Specific financial instruments measured at fair value

1) Fair value hierarchy

The fair value of the Bank and its subsidiaries' financial instruments and properties are measured on a recurring basis. The fair value hierarchy of these financial instruments and investment properties as of December 31, 2021 and 2020 was as follows:

Item	December 31, 2021			
	Total	Level 1	Level 2	Level 3
<u>Measured on a recurring basis</u>				
Non-derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss				
Financial assets mandatorily measured as at fair value through profit or loss				
Stock investments	\$ 1,793,855	\$ 1,714,619	\$ -	\$ 79,236
Bond investments	45,229,823	28,404,577	9,313,828	7,511,418
Others	38,721,925	1,375,305	27,910,156	9,436,464
Financial assets at fair value through other comprehensive income				
Stock investments	22,884,870	20,906,785	-	1,978,085
Bond investments	188,818,276	35,458,288	150,033,307	3,326,681
Others	42,665,827	8,480,634	33,631,753	553,440
Investment properties	3,061,400	-	-	3,061,400
Liabilities				
Financial liabilities at fair value through profit or loss	148,564	148,564	-	-
Derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss	19,692,922	444,381	18,177,814	1,070,727
Financial assets for hedging	1,470,281	-	1,470,281	-
Liabilities				
Financial liabilities at fair value through profit or loss	23,396,537	5,454	22,090,523	1,300,560
Financial liabilities for hedging	5,786,879	-	5,786,879	-

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

2) Fair value measurement technique

a) Financial instruments

The financial assets should be measured by marking to market.

This method should be employed at the first place. Following are the principles to be observed when using marking-to-market:

- i. Ensure the consistency and integrity of market data.
- ii. The source of market data should be transparent, easy to access, and independent.
- iii. Listed securities with representative quoted prices should be valued at closing prices.
- iv. Fair value of unlisted securities with no closing prices are evaluated based on prices quoted by independent brokers.
- v. The guidelines provided by the regulatory authorities should be followed.

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

- i. Model inputs should be consistent and complete.

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

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

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

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

b) Non-financial instruments

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

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

3) Fair value adjustment

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

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

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

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

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

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

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

4) Transfers between Level 1 and Level 2

The Bank and its subsidiaries regularly review and enhance the liquidity of quotes to improve the quality of evaluation information. For the year ended December 31, 2021 and 2020, the Bank and its subsidiaries transferred part of the NTD Bonds from Level 1 to Level 2 because the Bank and its subsidiaries determined these investments were not in an active market.

5) Reconciliation of Level 3 items

a) Reconciliation of Level 3 assets

For the Year Ended December 31, 2021

Name	Beginning Balance	Gains (Losses) on Valuation		Increase		Decrease		Ending Balance
		Profit and Loss	Other Comprehensive Income	Purchase/ Issue	Transfer to Level 3	Disposal/ Sale	Transfer Out of Level 3	
Financial assets at fair value through profit or loss								
Financial assets mandatorily measured as at fair value through profit or loss	\$ 14,546,351	\$ (182,102)	\$ -	\$ 13,024,615	\$ 4,117,171	\$ 6,883,720	\$ 6,524,470	\$ 18,097,845
Financial assets at fair value through other comprehensive income	6,266,005	(96,601)	1,438,825	1,944,724	1,463,576	2,339,130	2,819,194	5,858,205
Investment properties	3,212,700	(10,169)	-	-	-	-	-	3,061,400

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

For the Year Ended December 31, 2020

Name	Beginning Balance	Gains (Losses) on Valuation		Increase		Decrease		Ending Balance
		Profit and Loss	Other Comprehensive Income	Purchase/ Issue	Transfer to Level 3	Disposal/ Sale	Transfer Out of Level 3	
Financial assets at fair value through profit or loss								
Financial assets mandatorily measured as at fair value through profit or loss	\$ 15,257,648	\$ (1,125,117)	\$ -	\$ 14,318,287	\$ 6,052,866	\$ 15,461,707	\$ 4,495,626	\$ 14,546,351
Financial assets at fair value through other comprehensive income	5,425,650	(239,431)	285,416	2,382,407	3,638,916	1,578,911	3,648,042	6,266,005
Investment properties	2,814,200	(7,550)	-	-	709,653	-	-	3,212,700

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

As of December 31, 2021 and 2020, valuation losses of \$276,983 thousand and \$910,087 thousand, respectively, were included in profit or loss, and valuation gains of \$212,266 thousand and \$354,261 thousand, respectively, were included in other comprehensive income for assets still held.

b) Reconciliation of Level 3 liabilities

For the Year Ended December 31, 2021

Name	Beginning Balance	Valuation Gain/Loss Reflected on Profit or Loss	Increase		Decrease		Ending Balance
			Purchase/ Issued	Transfer to Level 3	Disposed	Transfer Out of Level 3	
Financial liabilities at fair value through profit or loss Held-for-trading financial liabilities	\$ 1,273,330	\$ 292,789	\$ 1,616	\$ -	\$ 267,175	\$ -	\$ 1,300,560

For the Year Ended December 31, 2020

Name	Beginning Balance	Valuation Gain/Loss Reflected on Profit or Loss	Increase		Decrease		Ending Balance
			Purchase/ Issued	Transfer to Level 3	Disposed	Transfer Out of Level 3	
Financial liabilities at fair value through profit or loss Held-for-trading financial liabilities	\$ 2,168,661	\$ (498,878)	\$ 1,266	\$ -	\$ 397,719	\$ -	\$ 1,273,330

As of December 31, 2021 and 2020, valuation losses of \$238,224 thousand and gains of \$183,835 thousand, respectively, had been included in profit and loss for liabilities still held.

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

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

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

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

December 31, 2021

Name	Products	Fair Value	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-average)	Relationships between Inputs and Fair Value
Items measured at fair value based on repeatability:						
Financial assets at fair value through profit or loss	Credit-linked notes (CLN)	\$ 1,241,652	Complex option model	Default recovery rate	30%-50%	The default recovery rate and the fair value do not have linear relationship. The changes of default recovery rate would first change the default recovery chances then affect the fair value.
<u>Derivative financial assets</u>						
Financial assets at fair value through profit or loss	Foreign exchange option (FX Option)	129	Complex foreign exchange option model	Proportion parameter	50%-80%	The proportion parameter and the fair value do not have linear relationship. The increase in proportion parameter would approximate to stochastic volatility model, otherwise it would approximate to regional volatility model.

December 31, 2020

Name	Products	Fair Value	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-average)	Relationships between Inputs and Fair Value
Items measured at fair value based on repeatability:						
Financial assets at fair value through profit or loss	Credit-linked notes (CLN)	\$ 3,015,292	Complex option model	Default recovery rate	30%-50%	The default recovery rate and the fair value do not have linear relationship. The changes of default recovery rate would first change the default recovery chances then affect the fair value.
Financial assets at fair value through profit or loss	Asset-backed security (ABS)	218,153	Discounted cash flow method	Real interest rate	4.8%	The decrease in real interest rate would result in an increase in fair value
Financial assets at fair value through other comprehensive income	Asset-backed security (ABS)	479,937	Discounted cash flow method	Real interest rate	3.2%-6.2%	The decrease in real interest rate would result in an increase in fair value
<u>Derivative financial assets</u>						
Financial assets at fair value through profit or loss	Foreign exchange option (FX Option)	8,495	Complex foreign exchange option model	Proportion parameter	50%-80%	The proportion parameter and the fair value do not have linear relationship. The increase in proportion parameter would approximate to stochastic volatility model, otherwise it would approximate to regional volatility model.
<u>Derivative financial liabilities</u>						
Financial liabilities at fair value through profit or loss	Foreign exchange option (FX Option)	(4,372)	Complex foreign exchange option model	Proportion parameter	50%-80%	The proportion parameter and the fair value do not have linear relationship. The increase in proportion parameter would approximate to stochastic volatility model, otherwise it would approximate to regional volatility model.

7) Valuation processes for Level 3 fair value measurements

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

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

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

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

Name	December 31, 2021			
	Effect on Profit and Loss		Effect on Other Comprehensive Income	
	Favorable	Unfavorable	Favorable	Unfavorable
<u>Assets</u>				
Financial assets at fair value through profit or loss				
Financial assets mandatorily measured at fair value through profit or loss	\$ 13	\$ (16)	\$ -	\$ -

Name	December 31, 2020			
	Effect on Profit and Loss		Effect on Other Comprehensive Income	
	Favorable	Unfavorable	Favorable	Unfavorable
<u>Assets</u>				
Financial assets at fair value through profit or loss				
Financial assets mandatorily measured at fair value through profit or loss	\$ 1,700	\$ (2,700)	\$ -	\$ -
Financial assets at fair value through other comprehensive income	-	-	1,070	(1,855)
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss				
Held-for-trading financial liabilities	1	-	-	-

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

1) Fair value information of financial instruments

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

Items	December 31, 2021	
	Carrying Amount	Fair Value
<u>Financial assets</u>		
Investments in debt instruments measured at amortized cost	\$ 880,672,482	\$ 888,373,755
<u>Financial liabilities</u>		
Bank debentures	113,800,162	113,873,996
Items	December 31, 2020	
	Carrying Amount	Fair Value
<u>Financial assets</u>		
Investments in debt instruments measured at amortized cost	\$ 758,578,044	\$ 773,479,693
<u>Financial liabilities</u>		
Bank debentures	118,306,675	119,124,997

2) Fair value hierarchy of financial instruments

Assets and Liabilities	December 31, 2021			
	Total	Level 1	Level 2	Level 3
<u>Financial assets</u>				
Investments in debt instruments measured at amortized cost	\$ 888,373,755	\$ 218,477,127	\$ 539,001,250	\$ 130,895,378
<u>Financial liabilities</u>				
Bank debentures	113,873,996	79,452,463	34,421,533	-

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

3) Measurement technique

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

- a) The carrying amounts of financial instruments such as cash and cash equivalents, due from the Central Bank and call loans to other banks, securities purchased under resell agreements, receivables, part of other financial assets, due to the Central Bank and other banks, funds borrowed from the Central Bank and other banks, securities sold under repurchase agreements, payables, and remittances approximate their fair value because of the short maturities of these instruments.
- b) Discounts and loans, deposits, and principals of structured products are interest-earning financial assets/interest-bearing financial liabilities; thus, their carrying amounts approximate their fair value. The carrying amounts of nonperforming loans are estimated at their recoverable amounts after considering the reserve for impairment loss; thus the carrying amounts are regarded as fair value.
- c) Investments in debt instruments measured at amortized cost and bank debentures are based on their quoted prices in an active market. For those instruments with no quoted market prices, their fair values are determined using valuation techniques incorporating estimates and assumptions consistent with those generally used by other market participants to price financial instruments.

55. FINANCIAL RISK MANAGEMENT

a. Overview

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

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

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

b. Risk management framework

Taipei Fubon Bank

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

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

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

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

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

The Credit Review Committee is headed by the general manager who appointed members with considerable qualifications. The committees is responsible for reviewing the credit-related cases with certain authority and those that needed the review by the Credit Review Committee and to execute brainstorming and lower the credit risk.

Fubon Bank (China)

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

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

c. Credit risk

1) Credit risk definitions and sources

Taipei Fubon Bank

Credit risk refers to the risk of losses caused by borrowers, debtors, or counterparties' failure to fulfill their contractual obligations because of deteriorating financial position or other factors. It arises principally from businesses such as discounts, loans, credit cards, due from or call loans to banks, debt investments, derivatives etc., but also from off-balance sheet products such as guarantees, acceptance, letters of credit and other commitments.

Fubon Bank (China)

Credit risk is the primary risk faced by Fubon Bank (China), and it mainly comes from commercial lending (discounts, negotiations, acceptance bills, issued letters of credit, standby letters of credit, bank guarantees, etc.), financial derivative contracts, and security investments.

2) Strategy/objectives/policies and procedures

Taipei Fubon Bank

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

Fubon Bank (China)

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

3) Credit risk management framework

Taipei Fubon Bank

- a) To strengthen risk management function, under the supervision of the board of directors, the Bank has established the Risk Management Committee, which is composed of senior management and chaired by the Chairman, to examine credit risk policies and quotas and to monitor the information and changes in the Bank's significant credit risk and the qualification status of quotas.
- b) To enhance the independence of credit risk management, the Bank has established the Risk Management Division, which is responsible for measuring the Bank's risk exposure; monitoring risk limits; reporting; and coordinating the development of the mechanism for managing credit risk and validating risk models.
- c) Under the risk management controller, there are legal and personal credit risk management units which are responsible for performing credit review, post-loan management, collection and credit management.
- d) The Bank has established the Credit Review Committee of corporate banking and the Credit Review Committee of personal finance to review credit above a certain limit to strengthen control over cases involving large credit amounts.
- e) The audit department, which is under the supervision of the board of directors, conducts the third defense line of examining independently the effectiveness of internal control functions.

Fubon Bank (China)

Fubon Bank (China)'s current credit risk management is based on its comprehensive risk management system. The Risk Management Department and credit management department are responsible for identifying, quantifying, monitoring, controlling and reporting on Fubon Bank (China)'s credit risk.

4) Credit risk measurement, control and reporting

Taipei Fubon Bank

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

Fubon Bank (China)

- a) The credit risk control process includes credit policy development, credit approval, early warning and collection. Credit risk supervision includes the regular follow-up of high-risk cases, exposure limit control of country risk, and customer credit grading management; and real-estate loan monitoring and other monthly monitoring, which includes high risk exposure towards industry concentration and the concentration of single clients/group clients and its affiliated parties.
- b) Fubon Bank (China) makes a regular credit portfolio stress test based on the actual status of the credit portfolio. The stress test results, including changes in results due to differences in risk triggers, will be reported at the board meeting and serve as reference for risk management and decision-making.
- c) The credit management system of Fubon Bank (China) has modules for credit approval, loan ledger management, collateral information maintenance, customer grading management and - five-category asset classification for bank loans. The system can support credit risk management effectively.

5) Credit risk mitigation

Taipei Fubon Bank

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

Fubon Bank (China)

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

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

a) Credit assets

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

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

b) Debt instruments

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

- i. Significant changes in the internal and external ratings of financial assets or debtors;
- ii. The fair value of financial assets is significantly lower than the amortized cost;
- iii. Adverse changes in the current or projected operating, financial or economic conditions that are expected to result in significant changes in the ability of the borrower to perform its debt obligations;
- iv. Significant changes in actual or expected operating results of the borrower;
- v. Significant increase in the credit risk of other financial instruments of the same borrower.

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

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

7) Definition of default and credit impaired financial assets

a) Credit assets

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

- i. Financial assets that are overdue for more than 90 days;
- ii. Financial assets are recognized as overdue loans or bad debts;
- iii. The debtors or issuers are undergoing financial difficulties;
- iv. Changes in the conditions of the debt contract due to the financial difficulties of the debtor;
- v. The debtor has claimed bankruptcy or is likely to claim bankruptcy;
- vi. The debtor has undergone a reorganization or is likely to request a reorganization;
- vii. Credit losses have occurred at the time of the creation of the financial assets.

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

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

b) Debt instruments

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

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

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

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

8) Write-off policy

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

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

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

9) Assessment of expected credit losses

a) Credit assets

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

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

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

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

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

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

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

b) Debt instruments

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

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

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

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

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

Total carrying value

	For the Year Ended December 31, 2021					
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)	Total
Balance, January 1	\$ 193,872,848	\$ -	\$ -	\$ -	\$ -	\$ 193,872,848
Changes due to financial instruments that have been recognized at the beginning of the period:						
Derecognized financial assets in the current period	(78,003,049)	-	-	-	-	(78,003,049)
Originated or purchased financial assets	109,707,747	-	-	-	-	109,707,747
Effect of exchange rate changes and others	(1,709,798)	—	—	—	—	(1,709,798)
Balance, December 31	\$ 223,867,748	\$ -	\$ -	\$ -	\$ -	\$ 223,867,748

	For the Year Ended December 31, 2020					
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)	Total
Balance, January 1	\$ 158,804,922	\$ -	\$ -	\$ -	\$ -	\$ 158,804,922
Changes due to financial instruments that have been recognized at the beginning of the period:						
Derecognized financial assets in the current period	(99,753,204)	-	-	-	-	(99,753,204)
Originated or purchased financial assets	133,942,630	-	-	-	-	133,942,630
Effect of exchange rate changes and others	878,500	-	-	-	-	878,500
Balance, December 31	\$ 193,872,848	\$ -	\$ -	\$ -	\$ -	\$ 193,872,848

Expected credit losses

	For the Year Ended December 31, 2021							
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Lifetime ECL (Non-purchased or Originated Credit- impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit- impaired Financial Assets)	Impairment under IFRS 9	Differences in Impairments According to Law	Total
Balance, January 1	\$ 101,443	\$ -	\$ -	\$ -	\$ -	\$ 101,443	\$ 3,833	\$ 105,276
Changes due to financial instruments that have been recognized at the beginning of the period:								
Derecognized financial assets in the current period	(41,306)	-	-	-	-	(41,306)	-	(41,306)
Originated or purchased financial assets	89,202	-	-	-	-	89,202	-	89,202
Impairment differences recognized in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/Nonaccrual Loans"	-	-	-	-	-	-	(3,882)	(3,882)
Effect of exchange rate changes and others	(9,317)	-	-	-	-	(9,317)	49	(9,268)
Balance, December 31	\$ 140,022	\$ -	\$ -	\$ -	\$ -	\$ 140,022	\$ -	\$ 140,022

	For the Year Ended December 31, 2020							
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Lifetime ECL (Non-purchased or Originated Credit- impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit- impaired Financial Assets)	Impairment under IFRS 9	Differences in Impairments According to Law	Total
Balance, January 1	\$ 46,073	\$ -	\$ -	\$ -	\$ -	\$ 46,073	\$ 8,937	\$ 55,010
Changes due to financial instruments that have been recognized at the beginning of the period:								
Derecognized financial assets in the current period	(25,103)	-	-	-	-	(25,103)	-	(25,103)
Originated or purchased financial assets	72,093	-	-	-	-	72,093	-	72,093
Impairment differences recognized in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/Nonaccrual Loans"	-	-	-	-	-	-	(4,722)	(4,722)
Effect of exchange rate changes and others	8,380	-	-	-	-	8,380	(382)	7,998
Balance, December 31	\$ 101,443	\$ -	\$ -	\$ -	\$ -	\$ 101,443	\$ 3,833	\$ 105,276

b) Investments in debt instruments at amortized cost

Total carrying value

	For the Year Ended December 31, 2021					
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)	Total
Balance, January 1	\$ 743,476,762	\$ -	\$ 7,185,793	\$ -	\$ -	\$ 750,662,555
Changes of financial instruments that have been identified at the beginning of the period:						
Transfer to lifetime ECL	(5,461,286)	-	5,461,286	-	-	-
Transferred to 12-month ECL	282,800	-	(282,800)	-	-	-
Derecognizing financial assets during the current period	(379,878,184)	-	(41,766)	-	-	(379,919,950)
Originated or purchased financial assets	511,599,807	-	214,908	-	-	511,814,715
Effect of exchange rate changes and others	(6,293,677)	_____	(297,180)	_____	_____	(6,590,857)
Balance, December 31	\$ 863,726,222	\$ -	\$ 12,240,241	\$ -	\$ -	\$ 875,966,463

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

Expected credit losses

	For the Year Ended December 31, 2021							
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Lifetime ECL (Non-purchased or Originated Credit- impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit- impaired Financial Assets)	Impairment under IFRS 9	Differences in Impairments According to Law	Total
Balance, January 1	\$ 207,276	\$ -	\$ 262,017	\$ -	\$ -	\$ 469,293	\$ 29	\$ 469,322
Changes due to financial instruments that have been recognized at the beginning of the period:								
Transferred to lifetime ECL	(4,474)	-	4,474	-	-	-	-	-
Transferred to 12-month ECL	2,315	-	(2,315)	-	-	-	-	-
Derecognized financial assets in the current period	(48,680)	-	(797)	-	-	(49,477)	-	(49,477)
Originated or purchased financial assets	80,722	-	47,737	-	-	128,459	-	128,459
Impairment differences recognized in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/ Nonaccrual Loans"	-	-	-	-	-	-	(29)	(29)
Effect of exchange rate changes and others	(26,081)	_____	85,920	_____	_____	59,839	_____	59,839
Balance, December 31	\$ 211,078	\$ -	\$ 397,036	\$ -	\$ -	\$ 608,114	\$ -	\$ 608,114

	For the Year Ended December 31, 2020							
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Lifetime ECL (Non-purchased or Originated Credit- impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit- impaired Financial Assets)	Impairment under IFRS 9	Differences in Impairments According to Law	Total
Balance, January 1	\$ 184,595	\$ -	\$ 227,161	\$ -	\$ -	\$ 411,756	\$ -	\$ 411,756
Changes due to financial instruments that have been recognized at the beginning of the period:								
Transferred to lifetime ECL	(4,950)	-	4,950	-	-	-	-	-
Derecognized financial assets in the current period	(30,258)	-	(146,748)	-	-	(177,006)	-	(177,006)
Originated or purchased financial assets	64,945	-	58,570	-	-	123,515	-	123,515
Impairment differences recognized in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/ Nonaccrual Loans"	-	-	-	-	-	-	28	28
Effect of exchange rate changes and others	(7,056)	-	118,084	-	-	111,028	1	111,029
Balance, December 31	<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>

c) Receivables

Total carrying value

	For the Year Ended December 31, 2021					
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Lifetime ECL (Non-purchased or Originated Credit- impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit- impaired Financial Assets)	Total
Balance, January 1	\$ 89,079,058	\$ 1,727,879	\$ -	\$ 485,092	\$ -	\$ 91,292,029
Changes due to financial instruments that have been recognized at the beginning of the period:						
Transferred to lifetime ECL	(576,675)	576,777	-	(102)	-	-
Transferred to credit impaired financial assets	(148,373)	(90,383)	-	238,756	-	-
Transferred to 12-month ECL	379,452	(378,967)	-	(485)	-	-
Derecognized financial assets in the current period	(52,451,423)	(1,181,067)	-	(300,797)	-	(53,933,287)
Originated or purchased financial assets	56,412,536	678,041	-	52,788	-	57,143,365
Written off as bad debt expense	-	-	-	(7,592)	-	(7,592)
Effect of exchange rate changes and others	(186,055)	(344,602)	-	-	-	(530,657)
Balance, December 31	<u>\$ 92,508,520</u>	<u>\$ 987,678</u>	<u>\$ -</u>	<u>\$ 467,660</u>	<u>\$ -</u>	<u>\$ 93,963,858</u>

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

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

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

Expected credit losses

	For the Year Ended December 31, 2021							
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Lifetime ECL (Non-purchased or Originated Credit- impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit- impaired Financial Assets)	Impairment under IFRS 9	Differences in Impairments According to Law	Total
Balance, January 1	\$ 287,836	\$ 70,245	\$ 703	\$ 328,918	\$ -	\$ 687,702	\$ 151,733	\$ 839,435
Changes due to financial instruments that have been recognized at the beginning of the period:								
Transferred to lifetime ECL	(5,493)	5,538	57	(102)	-	-	-	-
Transferred to credit impaired financial assets	(1,913)	(10,959)	-	12,872	-	-	-	-
Transferred to 12-month ECL	15,488	(15,224)	(32)	(232)	-	-	-	-
Derecognized financial assets in the current period	(223,823)	(33,905)	-	(30,102)	-	(287,830)	-	(287,830)
Originated or purchased financial assets	125,505	19,160	-	533,207	-	677,872	-	677,872
Impairment differences recognized in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/ Nonaccrual Loans"	-	-	-	-	-	-	24,454	24,454
Written off as bad debt expense	-	-	-	(761,254)	-	(761,254)	-	(761,254)
Effect of exchange rate changes and others	(25,170)	12,912	(186)	19,454	-	7,010	-	7,010
Balance, December 31	<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>

	For the Year Ended December 31, 2020							
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Lifetime ECL (Non-purchased or Originated Credit- impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit- impaired Financial Assets)	Impairment under IFRS 9	Differences in Impairments According to Law	Total
Balance, January 1	\$ 342,334	\$ 94,417	\$ 1,431	\$ 140,007	\$ -	\$ 578,189	\$ 137,733	\$ 715,922
Changes due to financial instruments that have been recognized at the beginning of the period:								
Transferred to lifetime ECL	(6,584)	6,587	51	(54)	-	-	-	-
Transferred to credit impaired financial assets	(2,879)	(15,286)	-	18,165	-	-	-	-
Transferred to 12-month ECL	19,551	(19,306)	-	(245)	-	-	-	-
Derecognized financial assets in the current period	(254,889)	(50,689)	(794)	(23,017)	-	(329,389)	-	(329,389)
Originated or purchased financial assets	229,426	34,468	31	190,490	-	454,415	-	454,415
Impairment differences recognized in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/ Nonaccrual Loans"	-	-	-	-	-	-	14,000	14,000
Written off as bad debt expense	-	-	-	(18,526)	-	(18,526)	-	(18,526)
Recoveries of bad debts	-	-	-	141	-	141	-	141
Effect of exchange rate changes and others	(39,123)	20,054	(16)	21,957	-	2,872	-	2,872
Balance, December 31	<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>

d) Discounts and loans

Total carrying value

	For the Year Ended December 31, 2021					
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)	Total
Balance, January 1	\$ 1,578,849,530	\$ 69,625,192	\$ -	\$ 8,870,676	\$ -	\$ 1,657,345,398
Changes due to financial instruments that have been recognized at the beginning of the year:						
Transferred to lifetime ECL	(17,621,125)	17,648,463	-	(27,338)	-	-
Transferred to credit impaired financial assets	(1,498,497)	(763,777)	-	2,262,274	-	-
Transferred to 12-month ECL	23,218,413	(22,036,334)	-	(1,182,079)	-	-
Derecognized financial assets in the current year	(717,512,947)	(36,740,994)	-	(1,324,970)	-	(755,578,911)
Originated or purchased financial assets	930,864,810	32,357,720	-	2,028,318	-	965,250,848
Written off as bad debt expense	-	-	-	(1,864,930)	-	(1,864,930)
Effect of exchange rate changes and others	41,608	(143,607)	-	(128,398)	-	(230,397)
Balance, December 31	\$ 1,796,341,792	\$ 59,946,663	\$ -	\$ 8,633,553	\$ -	\$ 1,864,922,008

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

Expected credit losses

	For the Year Ended December 31, 2021							
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Lifetime ECL (Non-purchased or Originated Credit- impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit- impaired Financial Assets)	Impairment under IFRS 9	Differences in Impairments According to Law	Total
Balance, January 1	\$ 5,273,695	\$ 1,650,356	\$ -	\$ 2,157,191	\$ -	\$ 9,081,242	\$ 12,855,922	\$ 21,937,164
Changes due to financial instruments that have been recognized at the beginning of the period:								
Transferred to lifetime ECL	(122,189)	123,867	-	(1,678)	-	-	-	-
Transferred to credit impaired financial assets	(15,960)	(86,150)	-	102,110	-	-	-	-
Transferred to 12-month ECL	551,542	(500,610)	-	(50,932)	-	-	-	-
Derecognized financial assets in the current period	(3,256,234)	(572,071)	-	(680,812)	-	(4,509,117)	-	(4,509,117)
Originated or purchased financial assets	2,755,384	571,185	-	819,022	-	4,145,591	-	4,145,591
Impairment differences recognized in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/ Nonaccrual Loans"	-	-	-	-	-	-	2,218,392	2,218,392
Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/ Nonaccrual Loans"	-	-	-	-	-	-	-	-
Written off as bad debt expense	-	-	-	(1,864,930)	-	(1,864,930)	-	(1,864,930)
Recoverable bad debt expense	-	-	-	435,942	-	435,942	-	435,942
Effect of exchange rate changes and others	(975,991)	315,411	-	1,891,743	-	1,231,163	(58)	1,231,105
Balance, December 31	\$ 4,210,247	\$ 1,501,988	\$ -	\$ 2,807,656	\$ -	\$ 8,519,891	\$ 15,074,256	\$ 23,594,147

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

e) Other financial assets

Total carrying value

	For the Year Ended December 31, 2021					
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)	Total
Balance, January 1	\$ -	\$ -	\$ -	\$ 78,490	\$ -	\$ 78,490
Changes due to financial instruments that have been recognized at the beginning of the period:						
Derecognized financial assets in the current period	-	-	-	(28,377)	-	(28,377)
Originated or purchased financial assets	-	-	-	239,959	-	239,959
Written off as bad debt expense	-	-	-	(247,112)	-	(247,112)
Effect of exchange rate changes and others	—	—	—	4,036	—	4,036
Balance, December 31	\$ —	\$ —	\$ —	\$ 46,996	\$ —	\$ 46,996

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

	For the Year Ended December 31, 2020					
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)	Total
Balance, January 1	\$ 1,217	\$ -	\$ -	\$ 116,871	\$ -	\$ 118,088
Changes due to financial instruments that have been recognized at the beginning of the period:						
Derecognized financial assets in the current period	(1,217)	-	-	(70,049)	-	(71,266)
Originated or purchased financial assets	-	-	-	235,249	-	235,249
Written off as bad debt expense	-	-	-	(242,876)	-	(242,876)
Effect of exchange rate changes and others	—	—	—	39,295	—	39,295
Balance, December 31	\$ —	\$ —	\$ —	\$ 78,490	\$ —	\$ 78,490

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

Expected credit losses

	For the Year Ended December 31, 2021							
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Lifetime ECL (Non-purchased or Originated Credit- impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit- impaired Financial Assets)	Impairment under IFRS 9	Differences in Impairments According to Law	Total
Balance, January 1	\$ -	\$ -	\$ -	\$ 59,810	\$ -	\$ 59,810	\$ -	\$ 59,810
Changes due to financial instruments that have been recognized at the beginning of the period:								
Derecognized financial assets in the current period	-	-	-	(15,226)	-	(15,226)	-	(15,226)
Originated or purchased financial assets	-	-	-	31,007	-	31,007	-	31,007
Impairment differences recognized in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/ Nonaccrual Loans"	-	-	-	-	-	-	-	-
Write-off to bad debt expense	-	-	-	(247,112)	-	(247,112)	-	(247,112)
Recoverable bad debt expense	-	-	-	278,792	-	278,792	-	278,792
Effect of exchange rate changes and others	—	—	—	(64,059)	—	(64,059)	—	(64,059)
Balance, December 31	\$ -	\$ -	\$ -	\$ 43,212	\$ -	\$ 43,212	\$ -	\$ 43,212

	For the Year Ended December 31, 2020							
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Lifetime ECL (Non-purchased or Originated Credit- impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit- impaired Financial Assets)	Impairment under IFRS 9	Differences in Impairments According to Law	Total
Balance, January 1	\$ -	\$ -	\$ -	\$ 85,298	\$ -	\$ 85,298	\$ -	\$ 85,298
Changes due to financial instruments that have been recognized at the beginning of the period:								
Derecognized financial assets in the current period	-	-	-	(41,697)	-	(41,697)	-	(41,697)
Originated or purchased financial assets	-	-	-	59,274	-	59,274	-	59,274
Impairment differences recognized in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/ Nonaccrual Loans"	-	-	-	-	-	-	-	-
Write-off to bad debt expense	-	-	-	(242,876)	-	(242,876)	-	(242,876)
Recoverable bad debt expense	-	-	-	291,011	-	291,011	-	291,011
Effect of exchange rate changes and others	—	—	—	(91,200)	—	(91,200)	—	(91,200)
Balance, December 31	\$ -	\$ -	\$ -	\$ 59,810	\$ -	\$ 59,810	\$ -	\$ 59,810

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

Expected credit losses

	For the Year Ended December 31, 2021							
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)	Impairment under IFRS 9	Differences in Impairments According to Law	Total
Balance, January 1	\$ 273,289	\$ 63,588	\$ -	\$ 2,830	\$ -	\$ 339,707	\$ 147,500	\$ 487,207
Changes due to financial instruments that have been recognized at the beginning of the year:								
Transferred to lifetime ECL	(3,075)	3,248	-	(173)	-	-	-	-
Transferred to credit impaired financial assets	(310)	(866)	-	1,176	-	-	-	-
Transferred to 12-month ECL	18,088	(18,005)	-	(83)	-	-	-	-
Derecognized financial assets in the current year	(115,583)	(23,923)	-	(410)	-	(139,916)	-	(139,916)
Originated or purchased financial assets	118,838	65,563	-	2,672	-	187,073	-	187,073
Impairment differences recognized in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/ Nonaccrual Loans"	-	-	-	-	-	-	26,261	26,261
Effect of exchange rate changes and others	(30,668)	18,858	-	4,975	-	(6,835)	-	(6,835)
Balance, December 31	\$ 260,579	\$ 108,463	\$ -	\$ 10,987	\$ -	\$ 380,029	\$ 173,761	\$ 553,790

	For the Year Ended December 31, 2020							
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)	Impairment under IFRS 9	Differences in Impairments According to Law	Total
Balance, January 1	\$ 154,433	\$ 21,642	\$ -	\$ 80,193	\$ -	\$ 256,268	\$ 200,746	\$ 457,014
Changes due to financial instruments that have been recognized at the beginning of the year:								
Transferred to lifetime ECL	(1,841)	1,909	-	(68)	-	-	-	-
Transferred to credit impaired financial assets	(199)	(819)	-	1,018	-	-	-	-
Transferred to 12-month ECL	10,734	(10,595)	-	(139)	-	-	-	-
Derecognized financial assets in the current year	(87,827)	(6,430)	-	(79,305)	-	(173,562)	-	(173,562)
Originated or purchased financial assets	291,185	58,189	-	863	-	350,237	-	350,237
Impairment differences recognized in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/ Nonaccrual Loans"	-	-	-	-	-	-	(53,246)	(53,246)
Effect of exchange rate changes and others	(93,196)	(308)	-	268	-	(93,236)	-	(93,236)
Balance, December 31	\$ 273,289	\$ 63,588	\$ -	\$ 2,830	\$ -	\$ 339,707	\$ 147,500	\$ 487,207

11) Maximum exposure to credit risk

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

Taipei Fubon Bank

Off-Balance Sheet Item	Maximum Exposure Amount	
	December 31, 2021	December 31, 2020
Irrevocable credit 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)

(In Thousands of RMB)

Off-Balance Sheet Item	Maximum Exposure Amount	
	December 31, 2021	December 31, 2020
Irrevocable credit 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

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

Taipei Fubon Bank

December 31, 2021	Financial Instrument	Property	Guarantee	Others
<u>Category of assets</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 at fair value through profit or loss - debt instruments	-	-	4.86%	-
Financial assets at fair value through other comprehensive income - debt instruments	-	-	4.77%	-
Investments in debt instruments measured at amortized cost	-	-	8.09%	-

December 31, 2020	Financial Instrument	Property	Guarantee	Others
<u>Category of assets</u>				
Loans	3.68%	59.03%	5.20%	2.16%
Guarantees receivable	8.96%	10.40%	0.70%	1.47%
Acceptances and other credits	0.36%	1.09%	0.01 %	-
Financial assets at fair value through profit or loss - debt instruments	-	-	8.16%	-
Financial assets at fair value through other comprehensive income - debt instruments	-	-	9.71%	-
Investments in debt instruments measured at amortized cost	-	-	8.52%	-

Fubon Bank (China)

December 31, 2021	Financial Instrument	Property	Guarantee
<u>Category of assets</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	Financial Instrument	Property	Guarantee
<u>Category of assets</u>			
Loans	9.18%	21.30%	2.14%
Guarantees receivable	74.70%	19.51%	4.54%
Acceptances	46.83%	2.86%	39.89%

12) Concentration of credit risk exposure

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

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

Taipei Fubon Bank

a) By industry

By Industry	December 31, 2021		December 31, 2020	
	Amount	%	Amount	%
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	\$ 1,648,569,667	100.00	\$ 1,465,753,961	100.00

b) By geographical area

Geographical Area	December 31, 2021		December 31, 2020	
	Amount	%	Amount	%
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	\$ 1,648,569,667	100.00	\$ 1,465,753,961	100.00

c) By collateral

By Collateral	December 31, 2021		December 31, 2020	
	Amount	%	Amount	%
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 instruments	58,014,537	3.52	54,266,743	3.70
Others	24,915,242	1.51	31,108,561	2.13
Total	\$ 1,648,569,667	100.00	\$ 1,465,753,961	100.00

d) Credit risk rating grades

Taipei Fubon Bank

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

December 31, 2021	Financial Assets Measured at Amount of 12 Months ECL				Financial Assets with Significant Increase in Credit Risk After Initial Recognition				Credit-impaired Financial Assets	Purchased or Originated Credit-impaired Financial Assets	Allowance for Impairment	Total
	Good	Moderate	Substandard	Total	Good	Moderate	Substandard	Total				
Financial assets at fair value through other comprehensive income - debt instruments	\$ 86,342,851	\$ 61,304	\$ -	\$ 86,404,155	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 31,914	\$ 86,372,241
Investments in debt instruments 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 (bills purchased and nonperforming loans transferred from other than loans)	-	-	-	-	-	-	-	-	-	46,996	-	43,212
Off-balance sheet assets												
Financial commitment	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

December 31, 2020	Financial Assets Measured at Amount of 12 Months ECL				Financial Assets with Significant Increase in Credit Risk After Initial Recognition				Credit-impaired Financial Assets	Purchased or Originated Credit-impaired Financial Assets	Allowance for Impairment	Total
	Good	Moderate	Substandard	Total	Good	Moderate	Substandard	Total				
Financial assets at fair value through other comprehensive income - debt instruments	\$ 86,701,192	\$ 218,679	\$ -	\$ 86,919,871	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 34,246	\$ 86,885,625
Investments in debt instruments measured at amortized cost	647,945,190	1,141,581	-	649,086,771	5,897,801	1,287,992	-	7,185,793	-	-	449,820	655,822,744
Receivables												
Credit card receivables	38,920,289	13,999,327	20,111	52,939,727	-	241,484	535,513	776,997	485,092	-	160,778	54,041,038
Accounts receivable - factoring	15,263,151	1,290,826	-	16,553,977	57,844	888,193	-	946,037	-	-	213,279	17,286,735
Acceptances	357,521	794,110	-	1,151,631	-	4,845	-	4,845	-	-	11,839	1,144,637
Loans												
Personal finance	595,736,350	100,149,627	105,004	695,990,981	-	10,677,250	1,614,390	12,291,640	2,520,220	-	9,345,268	701,457,573
Corporate banking	361,853,565	300,051,789	3,066,879	664,972,233	-	44,954,929	1,432,714	46,387,643	5,245,148	-	8,675,925	707,929,099
Other financial assets (bills purchased and nonperforming loans transferred from other than loans)	-	-	-	-	-	-	-	-	-	78,490	-	59,810
Off-balance sheet assets												
Financial commitment	474,892,309	56,408,694	9,729	531,310,732	-	2,355,026	647,534	3,002,560	55,581	-	243,965	534,124,908
Guarantees receivable	11,123,095	7,520,191	-	18,643,286	-	507,687	3,914	511,601	-	-	193,640	18,961,247
Credit receivable	4,242,942	2,595,608	-	6,838,550	-	348,181	-	348,181	-	-	6,018	7,180,713

Fubon Bank (China)

a) By industry

(In Thousands of RMB)

By Industry	December 31, 2021		December 31, 2020	
	Amount	%	Amount	%
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 retail	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)	\$ 59,134,471	100.00	\$ 52,700,943	100.00

Note: Included only discounts and loans.

b) By geographical area

(In Thousands of RMB)

Geographical Area	December 31, 2021		December 31, 2020	
	Amount	%	Amount	%
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
Southwest China	3,992,834	6.75	5,479,080	10.40
South China	3,620,095	6.12	2,692,015	5.11
Northwest China	2,253,096	3.81	2,662,664	5.05
Others	26,475,305	44.77	12,940,049	24.55
Total (Note)	\$ 59,134,471	100.00	\$ 52,700,943	100.00

Note: Included only discounts and loans.

c) By collateral

(In Thousands of RMB)

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

Note: Included only discounts and loans.

d) The credit quality rating classifications

Fubon Bank (China)

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

(In Thousands of RMB)

December 31, 2021	Financial Assets Measured at Amount of 12 Months ECL				Financial Assets with Significant Increase in Credit Risk After Initial Recognition				Credit-impaired Financial Assets	Purchased or Originated Credit-impaired Financial Assets	Allowance for Impairment	Total	
	Good	Moderate	Substandard	Total	Good	Moderate	Substandard	Total					
Financial assets at fair value through other comprehensive income - debt instruments	\$ 31,624,599	\$ -	\$ -	\$ 31,624,599	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 24,916	\$ 31,599,683	
Investments in debt instruments 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 receivables - 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	
Financial assets off-balance sheet													
Reserve for financial 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

December 31, 2020	Financial Assets Measured at Amount of 12 Months ECL				Financial Assets with Significant Increase in Credit Risk After Initial Recognition				Credit-impaired Financial Assets	Purchased or Originated Credit-impaired Financial Assets	Allowance for Impairment	Total	
	Good	Moderate	Substandard	Total	Good	Moderate	Substandard	Total					
Financial assets at fair value through other comprehensive income - debt instruments	\$ 24,513,278	\$ -	\$ -	\$ 24,513,278	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16,577	\$ 24,496,701	
Investments in debt instruments measured at amortized cost	21,633,882	-	-	21,633,882	-	-	-	-	-	-	4,470	21,629,412	
Receivables													
Acceptances	4,177,443	-	-	4,177,443	-	-	-	-	-	-	-	31,926	4,145,517
Accounts receivables - factoring	37,065	-	-	37,065	-	-	-	-	-	-	-	491	36,574
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	
Financial assets off-balance sheet													
Reserve for financial 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

13) Financial impact of credit risk mitigation policy

a) Collateral and other credit enhancements

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

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

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

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

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

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

b) The collateral amount of impaired financial assets

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

Taipei Fubon Bank

December 31, 2021	Financial Instrument	Property	Guarantee	Others
<u>Asset category</u>				
Receivables	-	2.11%	0.88%	0.83%
Loans	-	48.09%	26.34%	2.29%
Other financial assets	-	-	5.16%	-

December 31, 2020	Financial Instrument	Property	Guarantee	Others
<u>Asset category</u>				
Receivables	0.01%	2.17%	0.27%	1.02%
Loans	1.37%	46.74%	15.30%	29.41%
Other financial assets	-	-	22.85%	29.35%

Fubon Bank (China)

December 31, 2021	Financial Instrument	Property	Guarantee
<u>Asset category</u>			
Loans	2.66%	6.84%	4.58%

December 31, 2020	Financial Instrument	Property	Guarantee
<u>Asset category</u>			
Loans	3.41%	34.50%	8.51%

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

The contract amount outstanding of the Bank's financial assets that were written off and still have recourse activities as of December 31, 2021 and 2020 was \$2,079,991 thousand and \$1,847,671 thousand.

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

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

The properties of the collaterals held by Fubon Bank (China) are houses and buildings. As of December 31, 2021 and 2020, the carrying amount of the properties were \$52,161 thousand and \$52,357 thousand, respectively. The collaterals assumed are classified as other assets in the consolidated balance sheets.

d. Liquidity risk

- 1) Source and definition of liquidity risk

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

- 2) Liquidity risk management strategy and principles

Taipei Fubon Bank

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

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

Fubon Bank (China)

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

3) Maturity analysis

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

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

a) Maturity analysis of financial assets and liabilities - NTD

Taipei Fubon Bank

December 31, 2021	0-30 Days	31-90 Days	91-180 Days	181-365 Days	Over 1 Year	Total
<u>Assets</u>						
Cash, call loans and deposits due from/to other banks	\$ 37,877,108	\$ 5,754,421	\$ 3,453,672	\$ 6,272,490	\$ 27,253,840	\$ 80,611,531
Investments 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
Subtotal	519,654,394	283,638,646	266,341,366	289,587,350	1,320,416,606	2,679,638,362
<u>Liabilities</u>						
Due to the Central Bank and other 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
Bank debentures	-	-	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
Subtotal	358,535,366	406,177,527	256,057,350	378,975,400	1,047,488,583	2,447,234,226

December 31, 2020	0-30 Days	31-90 Days	91-180 Days	181-365 Days	Over 1 Year	Total
<u>Assets</u>						
Cash, call loans and deposits due from/to other banks	\$ 45,033,022	\$ 4,955,087	\$ 3,247,167	\$ 5,532,064	\$ 23,023,971	\$ 81,791,311
Investments in marketable securities (Note 2)	214,094,925	34,025,168	55,851,830	61,802,333	105,710,374	471,484,630
Securities purchased under resell agreements	6,327,639	-	-	-	-	6,327,639
Loans (included overdue loans)	68,125,657	74,568,811	111,190,871	67,964,525	871,447,890	1,193,297,754
Deliverable derivative assets	151,328,391	161,823,911	104,476,027	144,319,747	24,237,528	586,185,604
Non-deliverable derivative assets	3,243,715	-	6,238	-	986,418	4,236,371
Other capital inflow on maturity	33,947,237	9,349,254	11,188,662	6,004,318	60,559,330	121,048,801
Subtotal	522,100,586	284,722,231	285,960,795	285,622,987	1,085,965,511	2,464,372,110
<u>Liabilities</u>						
Due to the Central Bank and other banks	10,720,409	1,000	219,759	-	117,000	11,058,168
Deposits and remittances	138,531,760	172,610,537	113,137,941	192,748,415	801,156,993	1,418,185,646
Securities sold under repurchase agreements	3,109,123	1,680,526	508,000	-	-	5,297,649
Payables	256,836	265,377	247,325	303,250	381,940	1,454,728
Bank debentures	-	-	9,418,312	3,052,930	71,333,974	83,805,216
Deliverable derivative liabilities	172,422,271	188,705,386	162,856,619	115,442,125	43,651,027	683,077,428
Non-deliverable derivative liabilities	3,399,750	-	-	-	-	3,399,750
Other capital outflow on maturity	16,497,773	4,405,613	2,789,638	557,988	8,801,194	33,052,206
Subtotal	344,937,922	367,668,439	289,177,594	312,104,708	925,442,128	2,239,330,791

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

Note 2: Investments in marketable securities include financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and investments in debt instruments measured at amortized cost.

b) Maturity analysis of financial assets and liabilities - USD

Taipei Fubon Bank

(In Thousands of U.S. Dollars)

December 31, 2021	0-30 Days	31-90 Days	91-180 Days	181-365 Days	Over 1 Year	Total
Assets						
Cash, call loans and deposits due from/to other banks	\$ 2,668,935	\$ 853,000	\$ 830,000	\$ 566,000	\$ -	\$ 4,917,935
Investments 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 (including 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
Subtotal	17,853,431	10,696,122	7,102,452	7,058,475	13,642,789	56,353,269
Liabilities						
Due to the Central Bank and other 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
Bank debentures	-	-	-	-	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
Subtotal	15,873,226	14,438,284	8,526,637	9,513,670	7,438,750	55,790,567

(In Thousands of U.S. Dollars)

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

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

Note 2: Investments in marketable securities include financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and investments in debt instruments measured at amortized cost.

c) Maturity analysis of derivative assets and liabilities - RMB

Fubon Bank (China)

(In Thousands of RMB)

December 31, 2021	0-30 Days	31-90 Days	91- 365 Days	Over 1 Year	No Maturity Date	Total
Assets						
Cash, call loans and deposits due from/to other banks	\$ 10,190,000	\$ -	\$ -	\$ -	\$ 7,921,328	\$ 18,111,328
Investments 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 (including 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
Subtotal	93,805,612	60,105,857	89,759,864	85,070,746	8,555,841	337,297,920
Liabilities						
Due to the Central Bank and other banks	3,379,153	1,265,219	1,889,189	-	-	6,533,561
Deposits and remittances	-	-	160,082	-	-	160,082
Securities sold under repurchase agreements	23,235,282	4,805,108	14,609,371	29,909,167	-	72,558,928
Payables	2,209,460	-	-	-	-	2,209,460
Bank debentures	723,430	1,131,851	2,131,463	533	-	3,987,277
Deliverable derivative liabilities	20,342	32,000	165,842	5,859,892	-	6,078,076
Non-deliverable derivative liabilities	73,064,668	47,293,640	52,405,070	-	-	172,763,378
Other capital outflow on maturity	1,406	3,322	20,626	119	-	25,473
Subtotal	5,092,632	4,756,975	6,642,822	104,397	433	16,597,259
	107,726,373	59,288,115	78,024,465	35,874,108	433	280,913,494

(In Thousands of RMB)

December 31, 2020	0-30 Days	31-90 Days	91- 365 Days	Over 1 Year	No Maturity Date	Total
Assets						
Cash, call loans and deposits due from/to other banks	\$ 3,464,661	\$ -	\$ -	\$ -	\$ 8,259,706	\$ 11,724,367
Investments in marketable securities (Note)	4,063,991	1,462,219	2,788,932	44,744,133	10,391	53,069,666
Securities purchased under resell agreements	1,699,977	-	-	-	-	1,699,977
Loans (including overdue loans)	6,108,623	11,560,949	20,135,930	21,360,815	-	59,166,317
Deliverable derivative assets	51,293,868	44,516,783	99,137,483	-	-	194,948,134
Non-deliverable derivative assets	24,903	40,198	69,887	-	-	134,988
Other capital inflow on maturity	1,197,546	1,284,292	2,584,932	-	916,157	5,982,927
Subtotal	67,853,569	58,864,441	124,717,164	66,104,948	9,186,254	326,726,376
Liabilities						
Due to the Central Bank and other banks	791,924	1,287,412	658,304	-	-	3,037,640
Deposits and remittances	39,473,671	15,004,117	15,585,772	16,519,081	-	86,582,641
Securities sold under repurchase agreements	200,025	-	-	-	-	200,025
Payables	516,229	1,284,292	2,547,204	540	-	4,348,265
Bank debentures	20,342	32,000	165,842	6,078,077	-	6,296,261
Deliverable derivative liabilities	51,760,242	44,749,139	99,165,790	-	-	195,675,171
Non-deliverable derivative liabilities	1,105	1,240	2,372	-	-	4,717
Other capital outflow on maturity	4,397,271	5,553,850	5,957,648	-	6,677	15,915,446
Subtotal	97,160,809	68,212,050	124,082,932	22,597,698	6,677	312,060,166

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

d) Maturity analysis of derivatives assets and liabilities - NTD

Taipei Fubon Bank

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

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

Note: The above amounts include only New Taiwan dollar amounts held by the headquarters and onshore branches.

e) Maturity analysis of derivative assets and liabilities - USD

Taipei Fubon Bank

(In Thousands of U.S. Dollars)

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

(In Thousands of U.S. Dollars)

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

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

f) Maturity analysis of derivative assets and liabilities - RMB

Fubon Bank (China)

(In Thousands of RMB)

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

(In Thousands of RMB)

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

g) Maturity analysis of off-balance sheet items

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

Taipei Fubon Bank

December 31, 2021	0-30 Days	31-90 Days	91-180 Days	181-365 Days	Over 1 Year	Total
Irrevocable credit 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

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

Fubon Bank (China)

(In Thousands of RMB)

December 31, 2021	0-30 Days	31-90 Days	91-365 Days	Over 1 Year	Total
Irrevocable credit 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

(In Thousands of RMB)

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

e. Market risk

1) Market risk definition and classifications

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

2) Market risk strategy and procedures

Taipei Fubon Bank

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

Fubon Bank (China)

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

3) Market risk management framework

Taipei Fubon Bank

Under the supervision of its board of directors, the Bank has established the Market Risk Management Committee, which is composed of senior management and chaired by the Bank's chairman, to review related significant market risk policies and limits, monitor the information and changes in significant market risk and qualification quotas.

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

Fubon Bank (China)

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

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

4) Market risk measurement, control and reporting

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

5) Measurement of trading book market risk

Taipei Fubon Bank

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

a) Value at Risk (“VaR”)

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

Trading book VaR information is shown below:

Common VaR	For the Year Ended December 31, 2021			
	Highest	Lowest	Mean	End of Year
Equity	\$ 11,572	\$ 2,951	\$ 5,750	\$ 8,338
Interest rate	46,091	18,486	29,585	21,720
Exchange rate	25,913	3,501	11,810	8,095
Volatility	2,229	324	1,099	324
Diversification effect			(17,648)	(14,080)
Common VaR of trading book			\$ 30,596	\$ 24,397

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

Note: The highest and lowest VaRs may occur on different dates; the related diversification effects were not disclosed in the above table because these effects were not significant.

The above VaRs are calculated on the basis of changes in risk factors. If one product includes several risk factors, it would be classified under different risk factors. For example, forward contracts are exposed to interest rate risk and exchange rate risk; foreign exchange option is exposed to exchange rate risk and volatility risk.

b) Stress testing

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

Fubon Bank (China)

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

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

6) Measurement of banking book market risk

Taipei Fubon Bank

a) Interest rate risk

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

Banking book interest rate risk refers to possible loss due to unfavorable changes in interest rates for the banking book portfolio. One of the methods used to determine exposure to interest rate risks is earnings analysis, which focuses on the effects interest rate changes on the earnings of the banking book portfolio, especially earnings in the short term. Had the interest rate increased/decreased 1bps (basis points) as of December 31, 2021 and 2020 and all other factors been held constant, the earnings would have decreased/increased by \$12 million and \$12 million, respectively.

b) Exchange rate risk

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

The Bank's overseas branches and these branches' long-term equity-method investments have foreign exchange businesses. The percentage of the foreign currency operating funds used for the foreign exchange business operations is low when compared with the Bank's entire foreign currency position. As of December 31, 2020, for the operating funds of overseas branches, the Bank considers the ratio of exchange differences on translating foreign operations to the equity of the Bank's owners to be immaterial.

c) Equity risk

The Bank's equity instruments as shown in the banking book have two groups. The first consists of investments in accordance with Article 74 of the Banking Act. The second group refers to investments in promising companies with a higher cash dividend payout ratio. For the second group, even though changes in equity prices may influence shareholders' equity, the Bank holds these investments for a long term and has strict regulations on buying or selling these investments.

The sensitivity analysis for the second equity positions group is listed below:

	December 31			
	2021		2020	
	Influence on Profit and Loss	Influence on Other Equity	Influence on Profit and Loss	Influence on Other Equity
Stock price increase by 10%	\$ -	\$ 2,886,187	\$ -	\$ 1,438,021
Stock price decrease by 10%	-	(2,886,187)	-	(1,438,021)

Fubon Bank (China)

a) Interest rate risk

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

(In Thousands of RMB)

	December 31			
	2021		2020	
	Impact on Profit and Loss	Impact on Other Equity	Impact on Profit and Loss	Impact on Other Equity
Interest rate increases 50 basis points	\$ (134,726)	\$ (292,144)	\$ (104,373)	\$ (325,314)
Interest rate decreases 50 basis points	134,904	463,602	104,372	272,645

b) Exchange rate risk

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

(In Thousands of RMB)

	December 31			
	2021		2020	
	Influence on Profit and Loss	Influence on Other Equity	Influence on Profit and Loss	Influence on Other Equity
USD and HKD appreciate by 5% against the RMB	\$ (157,371)	\$ 128,905	\$ (104,925)	\$ 23,821
USD and HKD depreciate by 5% against the RMB	157,371	(128,905)	104,925	(23,821)

7) Effect of interest rate benchmark reform

The 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. The 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 the Group's 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 transited to alternative benchmark rates at different times, it could result in hedge ineffectiveness.

The following table contains book values about total amount that yet deformed and amount that not yet had the contingency clause of the non-derivative financial instruments:

	December 31, 2021	Amount That Not Yet Had the Contingency Clause
	Total Amount That Yet Reformed	Total Amount That Yet Reformed
Financial instrument linked to USD LIBOR		
Discounts and loans	\$ 66,360,633	\$ 66,360,633
Debt investments	<u>40,661,759</u>	<u>31,380,708</u>
	<u><u>\$ 107,022,392</u></u>	<u><u>\$ 97,741,341</u></u>
Financial instrument linked to USD LIBOR		
Discounts and loans	\$ 47,547,072	\$ 47,547,072
Debt investments	<u>36,349,132</u>	<u>29,034,173</u>
	<u><u>83,896,204</u></u>	<u><u>76,581,245</u></u>
Financial instrument linked to GBP LIBOR		
Discounts and loans	<u>1,634,403</u>	<u>1,634,403</u>
Financial instrument linked to EUR LIBOR		
Discounts and loans	<u>196,238</u>	<u>196,238</u>
Financial instrument linked to JPY LIBOR		
Discounts and loans	<u>315,592</u>	<u>315,592</u>
Total of non-derivative financial instruments effected by interest rate benchmark reform	<u><u>\$ 86,042,437</u></u>	<u><u>\$ 78,727,478</u></u>

The following table contains the contract amount about total amount that yet deformed and amount that not yet had the contingency clause of the derivative financial instruments:

	December 31, 2021	
	Total Amount	Amount That Not Yet Had the Contingency Clause
	That Yet Reformed	
Financial instrument linked to USD LIBOR		
Interest rate swap contracts	\$ 140,025,831	\$ -
Exchange rate swap contracts	4,079,166	-
Equity swap contracts	2,266,080	-
Cross-currency swap contracts	<u>7,989,290</u>	<u>-</u>
	<u><u>154,360,367</u></u>	<u><u>-</u></u>
Financial instrument linked to GBP LIBOR		
Interest rate swap contracts	<u>187,095</u>	<u>-</u>
Total of non-derivative financial instruments effected by interest rate benchmark reform		
	<u><u>\$ 154,547,462</u></u>	<u><u>\$ -</u></u>
	January 1, 2021	
	Total Amount	Amount That Not Yet Had the Contingency Clause
	That Yet Reformed	
Financial instrument linked to USD LIBOR		
Interest rate swap contracts	\$ 116,193,384	\$ -
Exchange rate swap contracts	6,829,128	-
Equity swap contracts	1,336,319	-
Cross-currency swap contracts	<u>280,950</u>	<u>-</u>
	<u><u>124,639,781</u></u>	<u><u>-</u></u>
Financial instrument linked to GBP LIBOR		
Interest rate swap contracts	<u>193,764</u>	<u>-</u>
Total of non-derivative financial instruments effected by interest rate benchmark reform		
	<u><u>\$ 124,833,545</u></u>	<u><u>\$ -</u></u>

8) Foreign currency rate risk information

The table below shows the foreign currency risk information on the carrying amounts of all financial assets and liabilities denominated in currency unit as of December 31, 2021 and 2020.

Taipei Fubon Bank

	December 31, 2021		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary item			
USD	\$ 26,389,601	27.6892	\$ 730,705,802
AUD	4,234,768	20.1198	85,202,805
RMB	13,420,726	4.3568	58,470,857
HKD	9,284,871	3.5515	32,975,397
JPY	137,064,199	0.2405	32,969,697
Nonmonetary item			
USD	132,575	27.6892	3,670,883
RMB	633,081	4.3568	2,758,179
JPY	8,199,511	0.2405	1,972,327
AUD	95,871	20.1198	1,928,899
HKD	168,840	3.5515	599,637
Investments accounted for using the equity method			
RMB	6,372,718	4.3568	27,764,389
<u>Financial liabilities</u>			
Monetary item			
USD	37,095,796	27.6892	1,027,151,329
RMB	16,547,810	4.3568	72,094,803
HKD	8,552,170	3.5515	30,373,194
AUD	604,017	20.1198	12,152,725
EUR	367,257	31.3279	11,505,381
Nonmonetary item			
USD	377,892	27.6892	10,463,517
RMB	580,290	4.3568	2,528,182
JPY	5,255,520	0.2405	1,264,173
HKD	32,946	3.5515	117,009
AUD	4,257	20.1198	85,658

	December 31, 2020		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary item			
USD	\$ 21,032,120	28.3720	\$ 596,722,267
AUD	2,683,661	21.8691	58,689,267
RMB	10,090,398	4.3631	44,025,043
HKD	11,582,880	3.6599	42,391,881
JPY	104,540,630	0.2750	28,750,764
Nonmonetary item			
USD	205,431	28.3720	5,828,479
RMB	725,419	4.3631	3,165,049
AUD	76,123	21.8691	1,664,750
JPY	5,796,576	0.2750	1,594,174
HKD	39,642	3.6599	145,085
Investments accounted for using the equity method			
RMB	4,891,139	4.3631	21,340,401
<u>Financial liabilities</u>			
Monetary item			
USD	27,954,676	28.3720	793,128,664
RMB	13,985,754	4.3631	61,020,728
HKD	8,120,740	3.6599	29,720,884
AUD	752,612	21.8691	16,458,957
JPY	26,308,572	0.2750	7,235,384
Nonmonetary item			
USD	545,844	28.3720	15,486,654
RMB	617,166	4.3631	2,692,733
JPY	6,085,401	0.2750	1,673,607
HKD	41,171	3.6599	150,680
AUD	1,592	21.8691	34,811

Fubon Bank (China)

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

f. Transfers of financial assets

Transfers of financial assets not qualifying for derecognition

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

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

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

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

Category of Financial Assets	December 31, 2021	
	Transferred Financial Assets - Book Value	Related Financial Liabilities - Book Value
<u>Transactions under repurchase agreements</u>		
Financial assets at fair value through other comprehensive income	\$ 8,502,569	\$ 7,967,562
Investments in debt instruments measured at amortized cost	109,232,034	107,309,959
Category of Financial Assets	December 31, 2020	
	Transferred Financial Assets - Book Value	Related Financial Liabilities - Book Value
<u>Transactions under repurchase agreements</u>		
Financial assets at fair value through other comprehensive income	\$ 10,993,597	\$ 10,327,127
Investments in debt instruments measured at amortized cost	69,901,796	69,830,302

g. Offsetting of financial assets and financial liabilities

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

The Bank and its subsidiaries are not engaged in transactions that met offsetting criteria in IFRSs, but they sign net settlement contracts or similar agreements with counterparties, ex: Global master repurchase agreement, global securities lending agreement and similar repurchasing agreement or reverse-repurchasing agreement. These executable net settlement contracts or similar agreements allow repurchase transactions to be settled with amount after netting financial assets and liabilities as agreed upon by the transacting parties. If one party defaults on a contract, the other one may choose net settlement.

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

December 31, 2021

	Netted Financial Liabilities Recognized on the Balance Sheet - Gross Amount			Related Amount Not Netted on the Balance Sheet		Net Amount
	Recognized Financial Assets - Gross Amount	Recognized Financial Assets - Net Amount	Financial Instruments (Note 1)	Cash Received as Collaterals		
Financial Assets						
Derivative instruments (Note 2)	\$ 21,163,203	\$ -	\$ 21,163,203	\$ 16,768,863	\$ 2,462,956	\$ 1,931,384
Securities purchased under resell agreements	<u>7,522,566</u>	<u>-</u>	<u>7,522,566</u>	<u>7,522,566</u>	<u>-</u>	<u>-</u>
	<u>\$ 28,685,769</u>	<u>\$ -</u>	<u>\$ 28,685,769</u>	<u>\$ 24,291,429</u>	<u>\$ 2,462,956</u>	<u>\$ 1,931,384</u>
Financial Liabilities	Netted Financial Assets Recognized on the Balance Sheet - Gross Amount			Related Amount Not Netted on the Balance Sheet		Net Amount
	Recognized Financial Liabilities - Gross Amount	Recognized Financial Liabilities - Net Amount	Financial Instruments (Note 1)	Cash Collaterals Pledged		
Derivative instruments (Note 2)	\$ 29,183,416	\$ -	\$ 29,183,416	\$ 15,678,091	\$ 8,322,615	\$ 5,182,710
Securities sold under repurchased agreements	<u>115,277,521</u>	<u>-</u>	<u>115,277,521</u>	<u>114,860,635</u>	<u>51,647</u>	<u>365,239</u>
	<u>\$ 144,460,937</u>	<u>\$ -</u>	<u>\$ 144,460,937</u>	<u>\$ 130,538,726</u>	<u>\$ 8,374,262</u>	<u>\$ 5,547,949</u>

December 31, 2020

	Netted Financial Liabilities Recognized on the Balance Sheet - Gross Amount			Related Amount Not Netted on the Balance Sheet		Net Amount
	Recognized Financial Assets - Gross Amount	Recognized Financial Assets - Net Amount	Financial Instruments (Note 1)	Cash Received as Collaterals		
Financial Assets						
Derivative instruments (Note 2)	\$ 43,928,784	\$ -	\$ 43,928,784	\$ 33,827,993	\$ 4,400,522	\$ 5,700,269
Securities purchased under resell agreements	<u>14,042,571</u>	<u>-</u>	<u>14,042,571</u>	<u>13,931,249</u>	<u>-</u>	<u>111,322</u>
	<u>\$ 57,971,355</u>	<u>\$ -</u>	<u>\$ 57,971,355</u>	<u>\$ 47,759,242</u>	<u>\$ 4,400,522</u>	<u>\$ 5,811,591</u>
Financial Liabilities	Netted Financial Assets Recognized on the Balance Sheet - Gross Amount			Related Amount Not Netted on the Balance Sheet		Net Amount
	Recognized Financial Liabilities - Gross Amount	Recognized Financial Liabilities - Net Amount	Financial Instruments (Note 1)	Cash Collaterals Pledged		
Derivative instruments (Note 2)	\$ 55,972,483	\$ -	\$ 55,972,483	\$ 32,858,922	\$ 13,361,156	\$ 9,752,405
Securities sold under repurchased agreements	<u>80,157,429</u>	<u>-</u>	<u>80,157,429</u>	<u>80,155,921</u>	<u>-</u>	<u>1,508</u>
	<u>\$ 136,129,912</u>	<u>\$ -</u>	<u>\$ 136,129,912</u>	<u>\$ 113,014,843</u>	<u>\$ 13,361,156</u>	<u>\$ 9,753,913</u>

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

Note 2: Including derivative financial assets for hedging.

56. CAPITAL MANAGEMENT

a. Overview

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

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

b. Capital management procedures

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

1) Net Tier 1 capital

- a) Net common equity Tier 1 capital: Mainly includes common stock, capital surplus, retained earnings, other equity, and non-controlling interests, deducted by regulatory adjustment items in accordance with the rules for calculation methods issued by the authorities.
- b) Net additional Tier 1 capital: Mainly includes non-cumulative perpetual preferred stock, non-cumulative perpetual subordinated debts, and the capital issued by the Bank's subsidiaries but not held by the Bank, deducted by regulatory adjustment items in accordance with the rules for calculation methods issued by the authorities.

2) Net Tier 2 capital

Mainly includes long-term subordinated debts, the capital issued by the Bank's subsidiaries but not held by the Bank, operational reserves and loan-loss provisions, and so on, deducted by regulatory adjustment items in accordance with the rules for calculation methods issued by the authorities.

The Bank evaluates capital adequacy regularly as well as the future demand for capital and raises the capital if needed to maintain capital adequacy.

c. Statement of capital adequacy

As of December 31, 2021, the Bank and its subsidiaries had met the authorities' minimum requirements for capital adequacy ratio.

57. ASSET QUALITY, CONCENTRATION OF CREDIT EXTENSIONS, INTEREST RATE SENSITIVITY, PROFITABILITY AND MATURITY ANALYSIS OF ASSETS AND LIABILITIES

Except for profitability described in item (d) below, the following information only refers to the Bank.

a. Asset quality

See Table 1.

b. Concentration of credit extensions

December 31, 2022

Rank (Note 1)	Group Name (Note 2)	Credit Extensions Balance (Note 3)	% to Net Asset Value
1	Group A (other electronic component manufacturing industry)	\$ 11,217,456	4.95
2	Group B (laptops, tablets, servers, camera, industrial computers, smart phones, original equipment manufacturing and online software and hardware factories)	9,324,370	4.12
3	Group C (other electronic component manufacturing industry)	8,800,000	3.89
4	Group D (semiconductor assembly and testing industry)	8,160,079	3.60
5	Group E (footwear and Garment Manufacturing)	7,583,638	3.35
6	Group F (cement manufacturing)	6,948,868	3.07
7	Group G (residential and building development, rental and sales)	6,945,000	3.07
8	Group H (petrochemical raw material manufacturing industry)	6,869,260	3.03
9	Group I (computers and related equipment and software development)	6,249,414	2.76
10	Group J (passive electronic components manufacturing industry)	6,094,790	2.69

December 31, 2021

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

Note 1: The list shows ranking by total amounts of credit, endorsement or other transactions (excluding those of government-owned or state-run enterprises). If the borrower is a member of any of the above groups, the total amount of credit, endorsement or other transactions of the entire group must be listed and disclosed by code and line of industry. The industry of the Bank and its subsidiaries should be represented by the industry of the entity with the highest risk exposure. The lines of industry should be described in accordance with the Standard Industrial Classification System of the Republic of China published by the Directorate-General of Budget, Accounting and Statistics under the Executive Yuan.

Note 2: A group refers to a combination of corporate entities as defined by Article 6 of the Supplementary Provisions to the Taiwan Stock Exchange Corporation Criteria for Review of Securities Listings.

Note 3: The total amount of credits, endorsements or other transactions is the sum of various loans (including import and export negotiations, discounts, overdrafts, unsecured and secured short-term loans, margin loans receivable, unsecured and secured medium-term loans, unsecured and secured long-term loans and overdue loans), exchange bills negotiated, accounts receivable factored without recourse, acceptances, and guarantees.

c. Interest rate sensitivity information

Interest Rate Sensitivity (New Taiwan Dollars)
December 31, 2021

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One 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%

Interest Rate Sensitivity (New Taiwan Dollars)
December 31, 2020

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

Note 1: The above amounts included only New Taiwan dollar amounts held by the onshore branches of the Bank (i.e., excluding foreign currency). In compliance with the Central Bank's supervision policies, the above data are prepared for off-site monitoring on the 15th of the next month.

Note 2: Interest rate-sensitive assets and liabilities represent interest-earning assets and interest-bearing liabilities whose revenue or costs are affected by interest rate changes.

Note 3: Interest rate sensitivity gap = Interest rate-sensitive assets - Interest rate-sensitive liabilities.

Note 4: Ratio of interest-rate sensitive assets to liabilities = Interest-rate sensitive assets ÷ Interest rate-sensitive liabilities (New Taiwan dollars).

Interest Rate Sensitivity (U.S. Dollars)
December 31, 2021

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

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 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%)

Interest Rate Sensitivity (U.S. Dollars)
December 31, 2020

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

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

Note 1: The above amounts include only USD amounts held by the Bank, and exclude contingent assets and contingent liabilities.

Note 2: Interest rate-sensitive assets and liabilities represent interest-earnings assets and interest-bearing liabilities whose revenue or costs are affected by interest rate changes.

Note 3: Interest rate-sensitive gap = Interest rate-sensitive assets - Interest rate-sensitive liabilities.

Note 4: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets ÷ Interest rate-sensitive liabilities (U.S. dollars).

d. Profitability

(%)

Item	For the Year Ended December 31, 2021	For the Year Ended December 31, 2020
Return on total assets	Before income tax	0.63
	After income tax	0.56
Return on equity	Before income tax	9.21
	After income tax	8.09
Profit margin	37.95	39.30

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

Note 2: Return on equity = Income before (after) income tax ÷ Average equity.

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

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

e. Maturity analysis of assets and liabilities

Maturity Analysis of Assets and Liabilities (New Taiwan Dollars)
December 31, 2021

	Total	The Amount for the Remaining Period to Maturity					
		0-10 Days	11-30 Days	31-90 Days	91-180 Days	181-365 Days	Over 1 Year
Main capital inflow on maturity	\$ 2,679,638,362	\$ 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

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

	Total	The Amount for the Remaining Period to Maturity					
		0-10 Days	11-30 Days	31-90 Days	91-180 Days	181-365 Days	Over 1 Year
Main capital inflow on maturity	\$ 2,464,372,110	\$ 226,392,218	\$ 295,708,368	\$ 284,722,231	\$ 285,960,795	\$ 285,622,987	\$ 1,085,965,511
Main capital outflow on maturity	3,001,234,386	135,472,883	252,998,420	454,735,200	419,777,736	573,304,991	1,164,945,156
Gap	(536,862,276)	90,919,335	42,709,948	(170,012,969)	(133,816,941)	(287,682,004)	(78,979,645)

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

Maturity Analysis of Assets and Liabilities (U.S. Dollars)
December 31, 2021

(In Thousands of U.S. Dollars)

	Total	The Amount for the Remaining Period to Maturity					
		0-30 Days	31-90 Days	91-180 Days	181-365 Days	Over 1 Year	
Capital inflow on maturity	\$ 79,879,239	\$ 28,389,030	\$ 15,857,036	\$ 10,240,452	\$ 9,227,686	\$ 16,165,035	
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	

Maturity Analysis of Assets and Liabilities (U.S. Dollars)
December 31, 2020

(In Thousands of U.S. Dollars)

	Total	The Amount for the Remaining Period to Maturity					
		0-30 Days	31-90 Days	91-180 Days	181-365 Days	Over 1 Year	
Capital inflow on maturity	\$ 70,819,614	\$ 26,180,045	\$ 14,703,763	\$ 9,391,345	\$ 7,103,968	\$ 13,440,493	
Capital outflow on maturity	77,282,679	29,010,863	17,711,658	7,936,655	12,086,804	10,536,699	
Gap	(6,463,065)	(2,830,818)	(3,007,895)	1,454,690	(4,982,836)	2,903,794	

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

58. STATEMENT OF CAPITAL ADEQUACY

Analysis	Year (Note 2)	December 31, 2021		December 31, 2020	
		Consolidation	Standalone	Consolidation	Standalone
Regulatory capital	Net common equity Tier 1 capital	\$ 222,669,900	\$ 208,427,937	\$ 217,355,971	\$ 204,298,710
	Net additional Tier 1 capital	20,648,451	11,806,751	20,661,156	13,341,282
	Net Tier 2 capital	43,658,426	24,426,561	43,068,578	26,017,108
	Regulatory capital	286,976,777	244,661,249	281,085,705	243,657,100
Risk-weighted assets	Standardized approach	1,955,638,055	1,535,265,134	1,701,291,850	1,342,090,151
	Credit risk	Internal rating - based approach	-	-	-
	Securitization	45,713,460	13,174,185	30,828,486	6,445,398
	Operational risk	Basic indicator approach	-	-	-
Market risk	Standardized approach/ alternative standardized approach	89,984,513	77,441,188	88,091,225	76,651,650
	Advanced measurement approach	-	-	-	-
	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
Total capital adequacy ratio		13.20%	14.39%	14.95%	16.47%
Common equity Tier 1 ratio		10.24%	12.26%	11.56%	13.81%
Tier 1 capital ratio		11.19%	12.95%	12.66%	14.71%
Leverage ratio		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:

- 1) Regulatory capital = Net common equity Tier 1 capital + Net additional Tier 1 capital + Net Tier 2 capital.
- 2) Total risk-weighted assets = Risk-weighted assets for credit risk + (Capital requirements for operational risk + Capital requirement for market risk) × 12.5.
- 3) Total capital adequacy ratio = Regulatory capital ÷ Total risk-weighted assets.
- 4) Common equity Tier 1 ratio = Net common equity Tier 1 capital ÷ Total risk-weighted assets.
- 5) Tier 1 capital ratio = (Net common equity Tier 1 capital + Net additional Tier 1 capital) ÷ Total risk-weighted assets.
- 6) Leverage ratio = Net Tier 1 capital ÷ Exposure measurement.

59. SEGMENT INFORMATION

The segment information reported to the chief operating decision maker for assessment of segment performance focuses on the nature of business operations and pretax profit or loss.

The accounting standards and policies mentioned in Note 4 apply to all the business segments. Under IFRS 8 “Operating Segments,” the Bank and its subsidiaries report the following:

- a. Personal finance group: Responsible for wealth management, trust and consumer finance business, etc.
- b. Corporate banking group: Responsible for corporate and investment banking and public treasury, etc.

- c. Financial market group: Responsible for financial markets, etc.
- d. Overseas subsidiary: On the business operations of the Bank's subsidiary, Fubon Bank (China).
- e. Others: Business segments other than the above groups.

The Bank and its subsidiaries' segmental and geographical information of revenue and operating results were as follows:

a. Segmental revenue and operating results

For the year ended December 31, 2021

	Personal Finance	Corporate Banking	Financial Market	Overseas Subsidiary	Others	Total
Net interest income	\$ 10,240,510	\$ 9,222,148	\$ 8,446,240	\$ 10,508,587	\$ (548,711)	\$ 37,868,774
Net interest income (external)	9,596,749	8,362,318	9,747,991	10,510,858	(349,142)	37,868,774
Inter-segment revenues (expenses)	643,761	859,830	(1,301,751)	(2,271)	(199,569)	-
Net non-interest income	<u>10,962,073</u>	<u>3,283,258</u>	<u>5,153,907</u>	<u>(3,074,938)</u>	<u>(2,669,455)</u>	<u>13,654,845</u>
Net revenue	<u>\$ 21,202,583</u>	<u>\$ 12,505,406</u>	<u>\$ 13,600,147</u>	<u>\$ 7,433,649</u>	<u>\$ (3,218,166)</u>	<u>\$ 51,523,619</u>
Net profit (loss) before income tax	<u>\$ 9,049,012</u>	<u>\$ 8,427,032</u>	<u>\$ 12,952,292</u>	<u>\$ 2,370,521</u>	<u>\$ (10,538,972)</u>	<u>\$ 22,259,885</u>

For the year ended December 31, 2020

	Personal Finance	Corporate Banking	Financial Market	Overseas Subsidiary	Others	Total
Net interest income	\$ 10,137,543	\$ 9,396,326	\$ 6,460,338	\$ 7,442,546	\$ (508,792)	\$ 32,927,961
Net interest income (external)	7,426,651	7,714,372	9,782,541	7,563,685	440,712	32,927,961
Inter-segment revenues (expenses)	2,710,892	1,681,954	(3,322,203)	(121,139)	(949,504)	-
Net non-interest income	<u>11,750,436</u>	<u>2,884,020</u>	<u>4,828,807</u>	<u>(759,310)</u>	<u>(1,918,700)</u>	<u>16,785,253</u>
Net revenue	<u>\$ 21,887,979</u>	<u>\$ 12,280,346</u>	<u>\$ 11,289,145</u>	<u>\$ 6,683,236</u>	<u>\$ (2,427,492)</u>	<u>\$ 49,713,214</u>
Net profit (loss) before income tax	<u>\$ 10,550,712</u>	<u>\$ 8,616,854</u>	<u>\$ 10,434,657</u>	<u>\$ 1,787,392</u>	<u>\$ (9,490,784)</u>	<u>\$ 21,898,831</u>

b. Geographical information

The Bank and its subsidiaries' net income is classified according to geographical location of the operating department, information is as follows:

	For the Year Ended December 31	
	2021	2020
Taiwan	\$ 40,360,313	\$ 38,750,013
Asia	<u>11,163,306</u>	<u>10,963,201</u>
	<u>\$ 51,523,619</u>	<u>\$ 49,713,214</u>

60. ADDITIONAL DISCLOSURES

- a. Relevant information of material transaction:

No.	Item	Explanation
1	Acquired and disposed of investment at costs or prices of at least NT\$300 million or 10% of the issued capital	Table 2
2	Acquisition of individual real estates at costs of at least NT\$300 million or 10% of the issued capital	None
3	Disposal of individual real estates at prices of at least NT\$300 million or 10% of the issued capital	None
4	Allowance for service fee to related parties amounting to at least NT\$5 million	None
5	Receivables from related parties amounting to at least NT\$300 million or 10% of the issued capital	Table 3
6	Trading information - sale of non-performing loans	None
7	Financial asset securitization	None
8	Related parties transaction	Table 4
9	Other significant transactions which may affect the decisions of financial report users	None
10	Derivative transactions	Note 8

- b. Information related to subsidiary:

No.	Item	Explanation
1	Financing provided	None
2	Endorsements/guarantees provided	None
3	Marketable securities held	Table 5
4	Acquisition and disposal of marketable securities at costs or prices of at least NT\$300 million or 10% of the issued capital	Table 6
5	Derivative transactions	Note 8

Note: Subsidiaries which belong to financial, insurance, securities industries and its main business registration include financing provided, endorsements/guarantees provided, acquisition and disposal of marketable securities do not need to disclose above information.

- c. The related information and proportionate share in investees: Table 7.

- d. Information on investments in mainland China: Table 8.

TABLE 1**TAIPEI FUBON COMMERCIAL BANK CO., LTD.**
OVERDUE LOANS AND RECEIVABLES
DECEMBER 31, 2021 AND 2020
(In Thousands of New Taiwan Dollars, %)

Item		December 31, 2021					December 31, 2020				
		Nonperforming Loans (NPL) (Note 1)	Total Loans	NPL Ratio (Note 2)	Loan Loss Reserves (LLR)	Coverage Ratio (Note 3)	Nonperforming Loans (NPL) (Note 1)	Total Loans	NPL Ratio (Note 2)	Loan Loss Reserves (LLR)	Coverage Ratio (Note 3)
Corporate loans	Secured	\$ 1,103,077	\$ 245,384,121	0.45%	\$ 2,742,343	248.61%	\$ 1,137,458	\$ 212,882,833	0.53%	\$ 2,321,182	204.07%
	Unsecured	393,011	448,736,293	0.09%	5,370,202	1,366.43%	378,696	428,413,278	0.09%	5,466,082	1,443.40%
Consumer finance	Mortgage (Note 4)	301,006	516,465,543	0.06%	7,736,036	2,570.06%	360,416	421,539,060	0.09%	6,310,690	1,750.95%
	Cash card	-	875	-	18	-	-	1,124	-	23	-
	Microcredit (Note 5)	48,451	51,562,518	0.09%	557,797	1,151.26%	61,236	41,132,084	0.15%	461,215	753.18%
	Other (Note 6)	Secured	757,266	309,646,374	0.24%	3,257,358	430.15%	323,978	287,022,079	0.11%	3,078,556
Total		34,905	36,471,352	0.10%	375,492	1,075.75%	55,206	36,915,407	0.15%	383,445	694.57%
Total		2,637,716	1,608,267,076	0.16%	20,039,246	759.72%	2,316,990	1,427,905,865	0.16%	18,021,193	777.78%
		Overdue Receivables	Receivables	Delinquency Ratio	Allowance for Credit Loss	Coverage Ratio	Overdue Receivables	Receivables	Delinquency Ratio	Allowance for Credit Loss	Coverage Ratio
Credit card		28,316	59,266,845	0.05%	327,108	1,155.21%	37,178	56,250,962	0.07%	325,357	875.13%
Accounts receivable - factoring with no recourse (Note 7)		-	16,973,364	-	202,069	-	-	15,851,661	-	190,385	-
Excluded NPL as a result of debt negotiations and loan agreements (Note 8)				13,533					20,224		
Excluded overdue receivables as a result of debt negotiations and loan agreements (Note 8)				34,379					47,326		
Excluded NPL as a result of consumer debt clearance (Note 9)				361,463					379,419		
Excluded overdue receivables as a result of consumer debt clearance (Note 9)				372,342					381,102		

Note 1: These are the reported overdue loans as defined in the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/Nonaccrual Loans" issued by the Ministry of Finance. For credit cards, overdue receivables are subject to the Banking Bureau's regulations dated July 6, 2005 (Ref. No. 0944000378).

Note 2: For loans, NPL ratio = NPL/Total loans.
For credit cards, delinquency ratio = Overdue receivables/Accounts receivable.

Note 3: For loans, coverage ratio = LLR/NPL.
For credit cards, coverage ratio = Allowance for credit losses/Overdue receivables.

Note 4: Household mortgage refers to loans granted for the purchase, construction or repair of the residence owned by the borrower or the borrower's spouse or children, and the residence is used to secure the loan fully.

Note 5: Microcredits are subject to the Banking Bureau's regulations dated December 19, 2005 (Ref. No. 09440010950).

Note 6: Other consumer loans refer to secured or unsecured loans excluding mortgages, cash cards, microcredits, and credit cards.

Note 7: Under the Banking Bureau's requirements in its letter dated July 19, 2005 (Ref. No. 094000494), an allowance for bad debts should be recognized within three months once no compensation is obtained from a factoring or insurance company for accounts receivable-factoring with no recourse.

Note 8: The disclosure of excluded NPLs and excluded overdue receivables resulting from debt negotiations and loan agreements are based on the Banking Bureau's requirement dated April 25, 2006 (Ref. No. 09510001270).

Note 9: The disclosure of excluded NPLs and excluded overdue receivables resulting from consumer debt clearance is based on the Banking Bureau's requirement dated September 15, 2008 (Ref. No. 09700318940) and September 20, 2016 (Ref. No. 10500134790).

TABLE 2**TAIPEI FUBON COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES****CAPITAL STOCK ACQUIRED OR DISPOSED OF AT COST OR PRICES OF AT LEAST NT\$300 MILLION OR 10% OF THE PAID-IN CAPITAL****FOR THE YEAR ENDED DECEMBER 31, 2021**

(In Thousands of New Taiwan Dollars)

Company Name	Type and Name of Marketable Securities	Account	Counterparty	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Units	Amount	Units (In thousands)	Amount	Units	Amount	Carrying Value	Gain (Loss) on Disposal	Units (In thousands)	Amount
Taipei Fubon Commercial Bank Co., Ltd.	Fubon Bank (China)	Investments accounted for using equity method	Line Bank Taiwan Limited	Investee of Investments accounted for using equity method	-	\$ 21,340,401	-	\$ 6,423,988 (Note 1)	-	\$ -	\$ -	\$ -	-	\$ 27,764,389
	Nutmeg Saving and Investment Limited	Financial assets at fair value through other comprehensive income	JPMorgan Chase Holdings LLC	-	1,470	531,769	-	-	1,470	1,766,751	531,769 (Note 2)	1,158,208	-	-
Fubon Bank (China)	Sichuan Vip Fubon Consumer Finance Ltd.	Investments accounted for using equity method	Sichuan Vip Fubon Consumer Finance Ltd.	Investee of Investments accounted for using equity method	-	-	-	436,806 (Note 1)	-	-	-	-	-	436,806

Note 1: Include cost of acquisition, capital surplus, gains recognized under the equity method, unrealized losses on financial asset at fair value through other comprehensive income and exchange difference on translating foreign operations.

Note 2: Include the initial cost of Nutmeg Saving and Investment Limited sold by Taipei Fubon Commercial Bank Co., Ltd. amounting to \$608,543 thousands, with the remainder being recognized as valuation adjustments measured at fair value.

TABLE 3**TAIPEI FUBON COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES****RECEIVABLES FROM RELATED PARTIES AMOUNTING TO LEAST NT\$300 MILLION OR 10% OF THE PAID-IN CAPITAL****DECEMBER 31, 2021****(In Thousands of New Taiwan Dollars)**

Company Name	Related Party	Relationship	Receivable Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
TAIPEI FUBON COMMERCIAL BANK Co., Ltd.	Fubon Life Insurance Co., Ltd	Subsidiary of FHH	\$ 367,305	Not applicable	None	Not applicable	None	None

TABLE 4**TAIPEI FUBON COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES****INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS****FOR THE YEAR ENDED DECEMBER 31, 2021**

(In Thousands of New Taiwan Dollars)

No. (Note 1)	Transaction Company	Counter-party	Flow of Transactions (Note 2)	Description of Transactions			
				Financial Statement Account	Transaction Amount	Transaction Item	Percentage to Consolidated Revenue/Assets (Note 3)
0	TAIPEI FUBON COMMERCIAL BANK Co., Ltd. (the "Bank")	Fubon Bank (China)	a	Cash and cash equivalents	\$ 123,456	Note 4	-
		Fubon Bank (China)	a	Deposits from the Central Bank and banks	65	Note 4	-
		Fubon Bank (China)	a	Bank debentures	3,871	Note 4	-
		Fubon Bank (China)	a	Interest income	2,271	Note 4	-
		Fubon Bank (China)	a	Service fee income	1,290	Note 4	-
		TFB Capital Co., Ltd.	a	Receivables, net	1,235	Note 4	-
		TFB Capital Co., Ltd.	a	Deposit and remittances	759	Note 4	-
		TFB Capital Co., Ltd.	a	Other liabilities	112	Note 4	-
		TFB Capital Co., Ltd.	a	Interest income	54	Note 4	-
		TFB Capital Co., Ltd.	a	Interest expense	1,495	Note 4	-
		TFB Capital Co., Ltd.	a	Service fee expense	14	Note 4	-

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

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

Note 2: The flow of transactions among related parties is as follows:

- a. Parent company to subsidiary.
- b. Subsidiary to parent company.
- c. Between subsidiaries.

Note 3: For calculating the percentages, the asset or liability account is divided by total consolidated assets, and the revenue or expense account is divided by the total consolidated net revenue of the period.

Note 4: For the transactions between the Bank and related parties, the terms are similar to those transacted with unrelated parties.

Note 5: The transactions and balances above had been eliminated in the preparation of consolidated financial statement.

TABLE 5**TAIPEI FUBON COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES****MARKETABLE SECURITIES HELD****DECEMBER 31, 2021**

(In Thousands of New Taiwan Dollars)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2021				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
TFB Capital Co., Ltd.	<u>Stock</u>	- Related party in substance	Financial assets at fair value through profit or loss	500	\$ 34,070	2.63	\$ 34,070	Unlisted stocks
	Hyena Inc.		Financial assets at fair value through other comprehensive income	37,320	425,612	5.00	425,612	Unlisted stocks
	<u>Beneficiary certificates</u>	-	Financial assets at fair value through profit or loss	2,179	29,941	-	29,941	Beneficiary certificates
	Eastspring Investments Well Pool Money Market Fund		Financial assets at fair value through profit or loss	24,095	260,978	-	260,978	Beneficiary certificates
	Allianz US Low Average Duration High Yield Fund		Financial assets at fair value through profit or loss	25,084	255,344	-	255,344	Beneficiary certificates
	PineBridge Global ESG Quantitative Bond Fund		Financial assets at fair value through profit or loss	25,484	258,331	-	258,331	Beneficiary certificates
	Nomura Fallen Angel High Yield Bond Fund		Financial assets at fair value through profit or loss	14,403	156,774	-	156,774	Beneficiary certificates
	Nomura Global Financial Bond Fund		Financial assets at fair value through profit or loss	852	254,679	-	254,679	Beneficiary certificates
	Allianz Global Investors Fund		Financial assets at fair value through profit or loss					

TABLE 6**TAIPEI FUBON COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES**

**MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COST OR PRICES OF AT LEAST NT\$300 MILLION OR 10% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2021**
(In Thousands of New Taiwan Dollars)

Company Name	Type and Name of Marketable Securities	Account	Counterparty	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Units (In Thousands)	Amount	Units (In Thousands)	Amount	Units (In Thousands)	Amount	Carrying Value	Gain (Loss) on Disposal	Units (In Thousands)	Amount
TFB Capital Co., Ltd.	Allianz US Low Average Duration High Yield Fund	Financial assets at fair value through profit and loss	Fubon Insurance Co., Ltd.	Subsidiary of FFH	-	\$ -	30,053	\$ 380,000	30,053	\$ 380,140	\$ 380,000	\$ 140	-	-
	Capital Money Market Fund	Financial assets at fair value through profit and loss			-	-	23,034	375,000	23,034	375,130	375,000	130	-	-
	Eastspring Investments Well Pool Money Market Fund	Financial assets at fair value through profit and loss			-	-	26,957	370,000	24,778	340,230	340,059 (Note)	148	2,179	29,941
	Teng Fu Bo Investmet Limited	Financial assets at fair value through other comprehensive income			-	-	37,320	425,612	-	-	-	-	37,320	425,612

Note: Include the initial cost of Eastspring Investments Well Pool Money Market Fund sold by TFB Capital Co., Ltd. amounting to \$340,082 thousands, with the remainder being recognized as valuation adjustments measured at fair value.

TABLE 7

TAIPEI FUBON COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES
INFORMATION ON INVESTEES
DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Held at End-period			Investment Gain (Loss)	The Bank and Related Enterprises Consolidated Investment			Note	
				Shares (Thousands)	Percentage of Ownership	Carrying Amount		Shares (Thousands)	Imitated Shares	Total		
								Shares (Thousands)	Percentage of Ownership			
TAIPEI FUBON COMMERCIAL BANK Co., Ltd.	<u>Financial-related</u>											
	Taipei Foreign Exchange Inc.	Taipei	Foreign exchange market maker	780	3.94	\$ 51,441	\$ 5,850	860	-	860	4.34	Note 2
	Taiwan Futures Exchange Corporation	Taipei	Futures exchange and settlement	5,301	1.26	518,059	15,112	34,597	-	34,597	8.52	Note 2
	Taiwan Asset Management Corporation	Taipei	Purchasing for financial institutions' loan assets	18,000	1.70	343,440	11,700	18,000	-	18,000	1.70	Note 2
	Taiwan Financial Asset Service Co., Ltd.	Taipei	Auction	10,000	5.88	76,500	1,000	15,000	-	15,000	8.82	Note 2
	Financial Information Service Co., Ltd.	Taipei	Planning and developing the information systems of banking institutions and managing the information web system	12,201	2.34	477,190	33,553	18,678	-	18,678	3.58	Note 2
	Sunny Asset Management Corporation	Taipei	Purchasing for financial institutions' loan assets	503	8.39	11,094	928	602	-	602	10.03	Note 2
	Fubon Bank (China)	China	Banking	-	57.92	27,764,389	1,026,580	-	-	-	100.00	Note 1
	Taiwan Mobile Payment Co., Ltd.	Taipei	Mobile payment and business	1,800	3.00	7,002	-	2,400	-	2,400	4.00	-
	Ascentek Venture Capital Corp.	Kaohsiung	Venture capital investment	-	-	-	3,574	-	-	-	-	Note 2
	Line Biz+ Taiwan Limited	Taipei	Third-party payment service industry	10,936	19.99	3,019,604	13,614	10,936	-	10,936	19.99	-
	Line Bank Taiwan Limited	Taipei	Banking	251,000	25.10	1,989,005	(299,819)	251,000	-	251,000	25.10	Note 1
	TFB Capital Co., Ltd.	Taipei	Venture capital investment	200,000	100.00	1,973,386	(26,087)	200,000	-	200,000	100.00	Note 1
	<u>Non-financial related</u>											
	Taipei Rapid Transit Corporation	Taipei	Public transportation	14	-	81	-	14	-	14	-	-
	Taiwan Power Company	Taipei	Management of power facilities	374	-	2,719	-	374	-	374	-	-
	Fubon Real Estate Management Co., Ltd.	Taipei	Investigation, consultation, management and real estate evaluation of construction plans	6,964	30.00	136,539	4,797	6,964	-	6,964	30.00	Note 1
	Easy Card Investment Holding Co., Ltd.	Taipei	Issue and research of IC card	5,108	4.91	48,014	4,439	5,108	-	5,108	4.91	Note 2
	Taiwan High Speed Rail Corporation	Taipei	Management of high speed rail	20,278	0.36	600,217	21,291	20,278	-	20,278	0.36	Note 2
	Taiwan Aerospace Corp.	Taipei	Aerospace industry	1,700	1.25	16,932	340	3,400	-	3,400	2.51	Note 2
Fubon Bank (China)	<u>Financial-related</u>											
	Sichuan Vip Fubon Consumer Finance Ltd.	China	Personal consumption loan	-	25.00	436,806	(106,343)	-	-	-	25.00	Note 1

Note 1: The investment gain (loss) was based on the investee's audited financial statements for the year ended December 31, 2021.

Note 2: The investment gain (loss) was the cash dividends recognized for the year ended December 31, 2021.

TABLE 8

TAIPEI FUBON COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

**INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2021**
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company Name	Main Businesses and Products	Paid-in Capital	Method of Investment (Note 1)	Accumulated Outward Remittance for Investments from Taiwan as of January 1, 2021	Remittance of Funds		Accumulated Outward Remittance for Investments from Taiwan as of December 31, 2021	Net Income (Loss) of the Investee (Note 1)	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2021	Accumulated Repatriation of Investment Income as of December 31, 2021 (Note 5)	Note
					Outward	Inward							
Fubon Bank (China)	Banking	\$ 10,629,415 (RMB 2,445,382)	Direct investment in mainland China	\$ 20,258,298	\$ 4,321,280	\$ -	\$ 24,579,578	\$ 2,237,087 (RMB 515,588)	57.92	\$ 1,026,580	\$ 27,764,389	\$ 107,737	
Sichuan Vip Fubon Consumer Finance Ltd.	Personal consumption loan	2,173,365 (RMB 500,000)	Others	-	-	-	-	(425,373) (RMB 98,037)	14.48	(RMB 61,594) (14,196)	252,998	-	
Teng Fu Bo Investmet Limited	Investment Consulting	3,244,399 (RMB 746,400)	Others	-	425,612	-	425,612	(706,370) (RMB 162,799)	5.00	-	425,612	-	

	Accumulated Outward Remittance for Investments in Mainland China as of December 31, 2021	Investment Amounts Authorized by Investment Commission, MOEA (Notes 1 and 2)	Upper Limit on the Amount of Investments, as Stipulated by the Investment Commission, MOEA
Taipei Fubon Commercial Bank Co., Ltd.	\$ 24,579,578 (RMB 5,093,113)	\$ 24,579,578 (RMB 5,093,113)	\$ 135,857,970
TFB Capital Co., Ltd.	425,612 (RMB 97,405)	425,612 (RMB 97,405)	1,184,037

Note 1: The method of investment divided into the following three type, which can be listed by type only:

- a. Direct investment in mainland China.
- b. Reinvesting in mainland China through third-region companies.
- c. Others.

Note 2: The investment gain (loss) was based on the investee's audited financial statements for the year ended December 31, 2021.

Note 3: The foreign currency of paid-in capital and net income was converted into New Taiwan dollars at the exchange rate on December 31, 2021 and the average exchange rate for that period of 2021, respectively.

Note 4: Based on Rule No. 10300002750 approved by the Investment Commission under the Ministry of Economic Affairs, the authorized investment amount is RMB4,093,113 thousand; Based on Rule No. 10900196820 approved by the Investment Commission under the Ministry of Economic Affairs, the authorized investment amount is RMB1,000,000 thousand; Based on Rule No. 11000235080 approved by the Investment Commission under the Ministry of Economic Affairs, the authorized investment amount is RMB97,405 thousand.

Note 5: The amounts were accumulated from the start date of the investment to the end of the period.