

**FUBON INSURANCE CO., LTD.
AND SUBSIDIARIES**

Consolidated Financial Statements

**With Independent Auditors' Report
For the Years Ended December 31, 2021 and 2020**

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

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Representation Letter

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

Company name: FUBON INSURANCE CO., LTD.
Chairman: CHEN BO-YAU
Date: March 4, 2022



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Independent Auditors' Report

To the Board of Directors of FUBON INSURANCE CO., LTD.:

Opinion

We have audited the consolidated financial statements of FUBON INSURANCE CO., LTD. and its subsidiaries (“the Company 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 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 Fubon Insurance 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 Statements by Insurance Enterprises and with the International Financial Reporting Standards (“IFRSs”), International Accounting Standards (“IASs”), Interpretations developed by the International Financial Reporting Interpretations Committee (“IFRIC”) or the former Standing Interpretations Committee (“SIC”) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company and its subsidiaries in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of 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. Based on our judgment, the key audit matters that should be communicated in our report are described below:

1. The valuation of financial instruments

Please refer to Note 4 (g) “Financial instruments” for related accounting policy, Note 5 (a) for accounting assumptions and estimates, and Note 6 (y) “Fair value and tiers information” for details of valuation of financial instruments.

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

How the matter was addressed in our audit:

- Inspecting the process of the management decision on fair value measurement and disclosure of financial instruments;
- Sample testing to evaluate whether the quoted prices in active markets for financial assets are appropriate;
- Appointing our valuation specialists to assess the reasonableness of valuation techniques and to test the key parameters of financial assets without active market prices, wherein valuation models are used to ensure that the applied valuation techniques are in accordance with IFRS 13 “Fair Value Measurement” ;
- Assessing whether expression and disclosure of financial instruments are in accordance with IFRSs.

2. Valuation of investment property

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

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

How the matter was addressed in our audit:

- Understanding the procedure of investment property appraisals performed by professional agencies, considering whether the professional evaluation agencies select the appropriate valuation method and adoption of significant assumptions or not;
- Ensuring the presentation and disclosure of investment property are in accordance with IFRSs and the “Regulations Governing the Preparation of Financial statements by Insurance Enterprises”;
- Evaluating whether the management’s assessment on the valuation of investment property is reasonable based on the evidences obtained from the audit team and the external estate appraisers joint firms, as well as appraisal reports.

3. Valuation of insurance liability

Please refer to Note 4 (q) “Insurance liability” for related accounting policy, Note 5 (d) for accounting assumptions and estimates, and Note 6 (o) “Insurance liability” for details of the valuation of insurance liability.

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

How the matter was addressed in our audit:

- Testing effectiveness of internal control process on insurance liability.
- Adopting the audit of insurance liabilities performed by our actuarial specialists, including following process:
 - Inspecting whether the calculation and applied parameters are in accordance with the related ordinances, administrative interpretations and code of conduct announced by the Actuarial Institute of the Republic of China;
 - Assessing the reasonableness of actuarial assumptions derived from empirical data and product specification;
 - Sampling inspect the calculation of information’s completeness that provision of reserves used, and establishing model to check the amount of provision reserves;
 - Analyzing the movements in insurance liabilities and evaluating whether change in provision adopted by the management are reasonable based on our understanding of industry and market.

Other Matter

FUBON INSURANCE CO., LTD. has additionally prepared its parent company only financial statements as of and for 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 Insurance Enterprises” and with IFRSs, IASs, IFRIC, 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 Company and its subsidiaries’ ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company and its subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including the Audit Committee) are responsible for overseeing the Company and its subsidiaries’ financial reporting process.

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company and its subsidiaries' internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by 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 Company and its subsidiaries' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Company and its subsidiaries to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company and its subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the years 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 CHUNG, TANTAN and WU, LIN.

KPMG

Taipei, Taiwan (Republic of China)
March 4, 2022

Notes to Readers

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

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

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

Consolidated Balance Sheets

December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	December 31, 2021		December 31, 2020			December 31, 2021		December 31, 2020	
	Amount	%	Amount	%		Amount	%	Amount	%
Assets					Liabilities and Equity				
11000 Cash and cash equivalents (notes 4, 6(a), 7 and 8)	\$ 16,727,855	13	12,616,340	11	Liabilities:				
12000 Receivables (notes 4, 6(b), (c), (d), and (h))	5,657,190	4	5,344,234	5	21000 Accounts payable (notes 4, 6(b), (c), (g), (h) and (o))	\$ 15,615,111	12	13,229,696	11
12600 Current tax assets (notes 4, 6(t))	8,189	-	-	-	21700 Current tax liabilities (notes 4 and 6(t))	395,361	-	657,343	1
14110 Financial assets at fair value through profit or loss (notes 4, 6(i), (y) and (z))	34,705,877	26	30,898,940	26	23200 Financial liabilities at fair value through profit or loss (notes 4, 6(i), (y) and (z))	5,966	-	9,593	-
14145 Financial assets at amortized cost (notes 4, 6(i), (y) and (z))	1,381,474	1	1,396,753	1	24000 Insurance liabilities (notes 4, 6(o), (v) and (w))	64,726,081	49	57,849,326	49
14150 Investments accounted for using equity method, net (notes 4 and 6(i))	172,163	-	451,517	-	23800 Lease liabilities (notes 4, 6(p) and (ac))	864,260	1	212,474	-
14180 Other financial assets, net (notes 4 and 6(i))	-	-	17,192	-	28000 Deferred tax liabilities (notes 4 and 6(t))	1,495,101	1	1,661,675	1
14190 Financial assets at fair value through other comprehensive income (notes 4 and 6(i), (y), (z), and 8)	26,103,411	20	24,482,888	21	25000 Other liabilities	1,804,336	1	1,854,584	2
16700 Right-of-use assets (notes 4 and 6(j))	867,101	1	228,630	-	27000 Provisions (notes 4 and 6(n))	1,238,800	1	1,472,768	1
14200 Investment property (notes 4, 6(k) and 9)	9,600,412	7	10,617,069	9	Total liabilities	<u>86,145,016</u>	<u>65</u>	<u>76,947,459</u>	<u>65</u>
15000 Reinsurance assets (notes 4 and 6(e), (f), (g) and (o))	26,120,126	20	22,584,563	19	Equity attributable to owners of parent (note 6(r))				
16000 Property and equipment (notes 4 and 6(l))	6,365,664	5	4,935,236	4	31000 Share capital	3,178,396	2	3,178,396	3
17000 Intangible assets (notes 4 and 6(m))	214,391	-	227,731	-	32000 Capital surplus	6,178,389	5	6,242,476	5
17800 Deferred tax assets (notes 4 and 6(t))	914,626	1	981,850	1	Retained earnings:				
18000 Other assets	2,740,108	2	3,002,155	3	33100 Legal reserve	3,761,712	3	3,761,712	3
					33200 Special reserve	16,307,888	12	14,990,550	13
					33300 Unappropriated retained earnings	4,832,056	4	4,286,201	4
					Total retained earnings	<u>24,901,656</u>	<u>19</u>	<u>23,038,463</u>	<u>20</u>
					Other equity:				
					34100 Exchange differences on translation of foreign financial statements	(156,626)	-	(134,941)	-
					34210 Revaluation gains (losses) on investments in equity instruments measured at fair value through other comprehensive income	1,095,539	1	(11,462)	-
					34220 Gains (losses) from investments in debt instruments measured at fair value through other comprehensive income	1,637,065	1	2,142,101	2
					34600 Revaluation surplus	223,858	-	214,861	-
					34950 Reserve of overlay approach	7,603,273	6	5,507,173	4
					Total other equity	<u>10,403,109</u>	<u>8</u>	<u>7,717,732</u>	<u>6</u>
					Total equity attributed to owners of parent	<u>44,661,550</u>	<u>34</u>	<u>40,177,067</u>	<u>34</u>
					36000 Non-controlling interests	772,021	1	660,572	1
					Total equity	<u>45,433,571</u>	<u>35</u>	<u>40,837,639</u>	<u>35</u>
Total assets	<u>\$ 131,578,587</u>	<u>100</u>	<u>117,785,098</u>	<u>100</u>	Total liabilities and equity	<u>\$ 131,578,587</u>	<u>100</u>	<u>117,785,098</u>	<u>100</u>

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

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2021 and 2020

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

	2021		2020		Change	
	Amount	%	Amount	%	%	
Operating revenue:						
41110	Written premium (note 6(w))	\$ 54,405,708	108	48,262,599	110	13
41120	Reinsurance premium (note 6(w))	4,462,275	9	4,803,488	11	(7)
	Premium	58,867,983	117	53,066,087	121	
51100	Less: Reinsurance expense(note 6(w))	16,707,723	33	14,066,231	32	19
51310	Net change in unearned premiums reserve (notes 6(o) and (w))	1,472,461	3	1,895,300	4	(22)
	Retained earned premium	40,687,799	81	37,104,556	85	
41300	Reinsurance commission revenue (note 6(w))	2,915,398	6	2,376,915	5	23
	Net income (loss) from investments					
41510	Interest income	907,065	2	977,156	2	(7)
41521	Gains (losses) on financial assets or liabilities at fair value through profit or loss	6,259,799	12	3,755,477	9	67
41527	Realized gains (losses) on financial assets measured at fair value through other comprehensive income	171,269	-	209,243	-	(18)
41540	Share of loss of associates and joint ventures accounted for using equity method (note 6(i))	833,601	2	(424,804)	(1)	296
41550	Foreign exchange gains (losses), investments	204,027	-	(539,166)	(1)	138
41570	Gains (losses) on investment property	405,604	1	383,748	1	6
41585	Expected credit losses or reversal of expected credit losses of investments	(677)	-	711	-	(195)
41590	Other net income (loss) from investments	675	-	283	-	139
41600	Gains (losses) on reclassification under the overlay approach (note 6(i))	(2,046,466)	(4)	(142,137)	-	(1,340)
41800	Other operating income	120,395	-	132,377	-	(9)
	Total operating revenue	50,458,489	100	43,834,359	100	
Operating costs:						
51200	Insurance claim payment (note 6(w))	26,694,088	53	25,973,520	59	3
41200	Less: Claims recovered from reinsurers (note 6(w))	5,812,676	12	5,905,962	13	(2)
	Retained claim payment	20,881,412	41	20,067,558	46	
	Net change in insurance liability reserve (note 6(o))					
51320	Net change in claim reserve (note 6(w))	2,877,515	6	1,150,332	3	150
51330	Net change in liability reserve	15	-	253	-	(94)
51340	Net change in special claim reserve	(51,757)	-	(342,381)	(1)	85
51350	Net change in premium deficiency reserve	5,071	-	(27,101)	-	119
51500	Commission expense (notes 6(v) and (w))	7,879,632	15	7,438,715	17	6
51800	Other operating costs	317,617	1	270,887	-	17
	Total operating costs	31,909,505	63	28,558,263	65	
Operating expenses:						
58100	General expenses	9,283,232	18	8,480,462	19	9
58200	Administrative expenses	783,061	2	708,825	2	10
58300	Staff training expenses	11,233	-	13,189	-	(15)
58400	Expected credit losses or reversal of expected credit losses of non-investments	80,454	-	25,782	-	212
	Total operating expenses	10,157,980	20	9,228,258	21	
	Net operating income	8,391,004	17	6,047,838	14	39

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FUBON INSURANCE CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2021 and 2020

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

	2021		2020		Change	
	Amount	%	Amount	%	%	
Non-operating income and expenses:						
59100	\$ (758)	-	(2,509)	-	70	
59200	-	-	33,126	-	(100)	
59400	(247,235)	-	-	-	-	
59900	(251,765)	(1)	(197,194)	-	(28)	
	<u>(499,758)</u>	<u>(1)</u>	<u>(166,577)</u>	<u>-</u>	<u>-</u>	
62000	Profit from continuing operations before tax	7,891,246	16	5,881,261	14	34
63000	Less: Tax expenses (notes 4 and 6(t))	<u>689,161</u>	<u>2</u>	<u>621,788</u>	<u>2</u>	11
	Profit	<u>7,202,085</u>	<u>14</u>	<u>5,259,473</u>	<u>12</u>	37
83000	Other comprehensive income:					
83100	Components of other comprehensive income that will not be reclassified to profit or loss					
83110	Gains (losses) on remeasurements of defined benefit plans	(64,936)	-	(119,418)	-	46
83120	Gains (losses) on revaluation	12,165	-	3,472	-	250
83190	Revaluation gains (losses) on investments in equity instruments measured at fair value through other comprehensive income	531,755	1	40,139	-	1,225
83180	Less: Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (note 6(t))	98,821	-	(29,897)	-	431
	Total components of other comprehensive income that will not be reclassified to profit or loss	<u>380,163</u>	<u>1</u>	<u>(45,910)</u>	<u>-</u>	928
83200	Components of other comprehensive income that will be reclassified to profit or loss					
83210	Exchange differences on translation of foreign financial statements	(34,916)	-	(48,524)	-	28
83290	Gains (losses) from investments in debt instruments measured at fair value through other comprehensive income	(636,637)	(1)	1,246,726	3	(151)
83295	Other comprehensive income on reclassification under the overlay approach (note 6(i))	2,046,466	4	142,137	-	1,340
83280	Less: Income tax related to components of other comprehensive income that will be reclassified to profit or loss (note 6(t))	(195,405)	-	231,394	-	(184)
	Total components of other comprehensive income that will be reclassified to profit or loss	<u>1,570,318</u>	<u>3</u>	<u>1,108,945</u>	<u>3</u>	42
83000	Total other comprehensive income	<u>1,950,481</u>	<u>4</u>	<u>1,063,035</u>	<u>3</u>	83
85000	Total comprehensive income	<u>\$ 9,152,566</u>	<u>18</u>	<u>6,322,508</u>	<u>15</u>	45
	Profit, attributable to:					
86100	Owners of parent	\$ 6,856,305	13	5,640,488	13	22
86200	Non-controlling interest	<u>345,780</u>	<u>1</u>	<u>(381,015)</u>	<u>(1)</u>	191
		<u>\$ 7,202,085</u>	<u>14</u>	<u>5,259,473</u>	<u>12</u>	
	Comprehensive income attributable to:					
87100	Owners of parent	\$ 8,805,446	17	6,692,065	16	32
87200	Non-controlling interests	<u>347,120</u>	<u>1</u>	<u>(369,557)</u>	<u>(1)</u>	194
		<u>\$ 9,152,566</u>	<u>18</u>	<u>6,322,508</u>	<u>15</u>	
	Earnings per share					
	Basic earnings per share (note 6(u))	<u>\$ 21.57</u>		<u>17.75</u>		

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

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

	Equity attributable to owners of parent												
	Capital						Other equity						
	Ordinary share	Capital surplus	Legal reserve	Special reserve	Retained earnings		Exchange differences on translation of foreign financial statements	Gains (losses) on financial assets measured at fair value through other comprehensive income	Revaluation surplus	Other comprehensive income on reclassification under the overlay approach	Total equity attributable to owners of parent	Non-controlling interests	Total equity
Unappropriated retained earnings					Total								
Balance at January 1, 2020	\$ 3,178,396	5,934,408	3,761,712	13,926,491	3,154,831	20,843,034	(94,919)	841,096	211,689	5,416,779	36,330,483	568,028	36,898,511
Profit	-	-	-	-	5,640,488	5,640,488	-	-	-	-	5,640,488	(381,015)	5,259,473
Other comprehensive income	-	-	-	-	(95,534)	(95,534)	(40,022)	1,093,567	3,172	90,394	1,051,577	11,458	1,063,035
Total comprehensive income	-	-	-	-	5,544,954	5,544,954	(40,022)	1,093,567	3,172	90,394	6,692,065	(369,557)	6,322,508
Appropriation and distribution of retained earnings:													
Special reserve appropriated—Employee training and transferring plan	-	-	-	(1,420)	1,420	-	-	-	-	-	-	-	-
Special reserve appropriated—Increase in investment property that measures subsequently at fair value	-	-	-	2,702	(2,702)	-	-	-	-	-	-	-	-
Special reserve appropriated—Net change in special claim reserve	-	-	-	1,062,777	(1,062,777)	-	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(3,153,549)	(3,153,549)	-	-	-	-	(3,153,549)	-	(3,153,549)
Changes in ownership interests in subsidiaries	-	308,068	-	-	-	-	-	-	-	-	308,068	462,101	770,169
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	(195,976)	(195,976)	-	195,976	-	-	-	-	-
Balance at December 31, 2020	3,178,396	6,242,476	3,761,712	14,990,550	4,286,201	23,038,463	(134,941)	2,130,639	214,861	5,507,173	40,177,067	660,572	40,837,639
Profit	-	-	-	-	6,856,305	6,856,305	-	-	-	-	6,856,305	345,780	7,202,085
Other comprehensive income	-	-	-	-	(51,949)	(51,949)	(21,685)	(85,389)	12,064	2,096,100	1,949,141	1,340	1,950,481
Total comprehensive income	-	-	-	-	6,804,356	6,804,356	(21,685)	(85,389)	12,064	2,096,100	8,805,446	347,120	9,152,566
Appropriation and distribution of retained earnings:													
Special reserve appropriated—Employee training and transferring plan	-	-	-	(1,584)	1,584	-	-	-	-	-	-	-	-
Special reserve appropriated—Increase in investment property that measures subsequently at fair value	-	-	-	30,909	(30,909)	-	-	-	-	-	-	-	-
Special reserve appropriated—Net change in special claim reserve	-	-	-	1,288,013	(1,288,013)	-	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(4,256,876)	(4,256,876)	-	-	-	-	(4,256,876)	-	(4,256,876)
Changes in ownership interests in subsidiaries	-	(157,114)	-	-	-	-	-	-	-	-	(157,114)	(235,671)	(392,785)
Share-based payment transactions	-	93,027	-	-	-	-	-	-	-	-	93,027	-	93,027
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	(687,354)	(687,354)	-	687,354	-	-	-	-	-
Other	-	-	-	-	3,067	3,067	-	-	(3,067)	-	-	-	-
Balance at December 31, 2021	\$ 3,178,396	6,178,389	3,761,712	16,307,888	4,832,056	24,901,656	(156,626)	2,732,604	223,858	7,603,273	44,661,550	772,021	45,433,571

See accompanying notes to consolidated financial statements.

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

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

	2021	2020
Cash flows from (used in) operating activities:		
Profit before tax	\$ 7,891,246	5,881,261
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expenses	305,063	267,228
Amortization expenses	127,447	96,509
Net gain on financial assets or liabilities at fair value through profit or loss	(6,259,799)	(3,755,477)
Net gain on financial assets or liabilities at fair value through other comprehensive income	(171,269)	(209,243)
Interest expenses	55,659	11,937
Interest income	(961,690)	(977,156)
Net change in insurance liabilities	4,303,305	2,676,403
(Reversal of) expected credit loss of investment	677	(711)
Expected credit losses of non-investments	80,454	25,782
Share-based payment transactions	93,027	-
Shares of losses of associates and joint ventures accounted for using equity method	28,271	424,804
Losses reclassified by applying overlay approach	2,046,466	142,137
Losses on disposal of property and equipment	247,993	2,509
Property and equipment transferred to expenses	1,110	-
Gains on disposal of investment properties	-	(89)
Gain on disposal of investments accounted for using equity method	(861,872)	-
Reversal of impairment loss on non-financial assets	(20,452)	(33,126)
Unrealized foreign exchange losses	339,884	939,830
Gains on fair value adjustment of investment property	(60,850)	(21,246)
Other	(187)	(111)
Total adjustments to reconcile profit (loss)	<u>(706,763)</u>	<u>(410,020)</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
(Increase) decrease in notes receivable	(162,945)	6,075
Decreases (increase) in premiums receivable	433,968	(111,281)
Decreases (increase) in other receivable	165,436	(96,995)
Decrease in financial assets at fair value through profit or loss	1,570,542	959,474
Increase in financial assets at fair value through other comprehensive income	(1,987,996)	(291,093)
Decrease in financial assets at amortized cost	-	1,087,715
Decrease in other financial assets	28,990	315,970
(Increase) decrease in reinsurance assets	(1,011,322)	117,370
Decrease (increase) in other assets	222,910	(985,081)
Total changes in operating assets	<u>(740,417)</u>	<u>1,002,154</u>
Changes in operating liabilities:		
Decrease in claims payable	(16,960)	(48,816)
(Decrease) increase in commissions payable	(30,020)	101,420
Increase (decrease) in due to reinsurers and ceding companies	2,521,407	(191,482)
Decrease (increase) in other payable	(44,315)	360,918
Decrease in provisions	(7,906)	(18,606)
Decrease in provisions for employee benefits	(308,804)	(164,638)
Decrease (increase) in other liabilities	(46,911)	508,396
Total changes in operating liabilities	<u>2,066,491</u>	<u>547,192</u>
Total changes in operating assets and liabilities	<u>1,326,074</u>	<u>1,549,346</u>
Total adjustments	<u>619,311</u>	<u>1,139,326</u>
Cash inflow generated from operations	8,510,557	7,020,587
Interest received	956,942	1,039,762
Dividends received	972,162	1,042,658
Interest paid	(53,658)	(11,859)
Income taxes paid	(983,487)	(709,077)
Net cash flows from operating activities	<u>9,402,516</u>	<u>8,382,071</u>
Cash flows from (used in) investing activities:		
Acquisition of investments accounted for using equity method	(1,818)	-
Acquisition of property and equipment	(749,672)	(1,452,033)
Proceeds from disposal of property and equipment	314	1,144
Acquisition of intangible assets	(114,200)	(188,175)
Acquisition of right-of-use assets	-	(5,066)
Proceeds from disposal of investment properties	-	470
Net cash flows used in investing activities	<u>(865,376)</u>	<u>(1,643,660)</u>
Cash flows from (used in) financing activities:		
Cash dividends paid	(4,256,876)	(3,153,549)
Payments of lease liabilities	(127,484)	(115,802)
Net cash flows used in financing activities	<u>(4,384,360)</u>	<u>(3,269,351)</u>
Effect of exchange rate changes on cash and cash equivalents	(41,265)	(79,685)
Net increase in cash and cash equivalents	4,111,515	3,389,375
Cash and cash equivalents at the beginning of period	12,616,340	9,226,965
Cash and cash equivalents at the end of period	<u>\$ 16,727,855</u>	<u>12,616,340</u>

See accompanying notes to consolidated financial statements.

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

Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Share Information and Unless Otherwise Specified)

(1) Company history

FUBON INSURANCE CO., LTD. (the “Company”) was founded on April 17, 1961 and primarily engaged in the business of property and casualty insurance. The enactment of the Financial Holding Company Act in Taiwan in 2001 provided an opportunity to establish Fubon Group as the holding entity of the main financial services company that had been operating under the Fubon brand. Therefore, a new Fubon Insurance (the Company) was established on December 19, 2001. Substantially, all assets and liabilities and related operations of the Old Fubon were transferred to the New Fubon. The Old Fubon was renamed as Fubon Financial Holding Co., Ltd. As of December 31, 2021 and 2020, the composition of the financial report includes the Company and its subsidiaries (hereafter “the Company and its subsidiaries”) as well as the equity of the associates. The primary operating business is property insurance. The parent company and the ultimate controlling company of the Company and its subsidiaries is Fubon Financial Holding Co., Ltd.

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

The consolidated financial statements were authorized for issuance by the board of directors on March 4, 2022.

(3) New standards, amendments and interpretations adopted:

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

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

- Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform—Phase 2”
- Amendments to IFRS 16 “Covid-19-Related Rent Concessions beyond June 30, 2021”

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

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

- Amendments to IAS 16 “Property, Plant and Equipment—Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts—Cost of Fulfilling a Contract”

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

- Annual Improvements to IFRS Standards 2018–2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”

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

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

<u>Standards or Interpretations</u>	<u>Content of amendment</u>	<u>Effective date per IASB</u>
IFRS 17 “Insurance Contracts”	<p>The new standard of accounting for insurance contracts contain recognition, measurement, presentation and disclosure of insurance contracts issued, and the main amendments are as follows:</p> <ul style="list-style-type: none"> ● Recognition: an entity recognizes a group of insurance contracts that it issues from the earliest of : <ul style="list-style-type: none"> - the beginning of the coverage period of the group of contracts; - the date when the first payment from a policyholder in the group because due; and - for a group of onerous contracts, when the group becomes onerous, if facts and circumstances indicate that there is such a group. ● Measurement: on initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. For subsequent measurement, the entity shall estimate the cash flows, discount rates and the adjustment for non-financial risk. ● Presentation and disclosure: the presentation of insurance revenue is based on the provision of service pattern and investment components excluded from insurance revenue. 	January 1, 2023

(Continued)

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

<u>Standards or Interpretations</u>	<u>Content of amendment</u>	<u>Effective date per IASB</u>
Amendments to IFRS 17 “Insurance Contracts”	<p>The fundamental principles introduced when the Board first issued IFRS 17 in May 2017 remain unaffected. The amendments are designed to:</p> <ul style="list-style-type: none"> ● reduce costs by simplifying some requirements in the Standard; ● make financial performance easier to explain; and ● ease transition by deferring the effective date of the Standard to 2023 and by providing additional relief to reduce the effort required when applying IFRS 17 for the first time. 	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies”	<p>The key amendments to IAS 1 include:</p> <ul style="list-style-type: none"> ● requiring companies to disclose their material accounting policies rather than their significant accounting policies; ● clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and ● clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company’s financial statements. 	January 1, 2023
Amendments to IAS 8 “Definition of Accounting Estimates”	<p>The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty.</p> <p>The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.</p>	January 1, 2023
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	<p>The amendments narrowed the scope of the recognition exemption so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.</p>	January 1, 2023

(Continued)

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

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

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

The Company and its subsidiaries do not expect the other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its consolidated financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”

(4) Summary of significant accounting policies

The significant accounting policies presented in the consolidated financial statements are summarized as follows. Unless otherwise indicated, the significant accounting policies have been applied consistently to all periods presented in these consolidated financial statements.

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises (hereinafter referred to as “the Regulations”) and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed and issued into effect by the Financial Supervisory Commission, R.O.C.

(b) Basis of preparation

The consolidated financial reports comprise consolidated balance sheets, consolidated statements of comprehensive income, consolidated statements of changes in equity, and consolidated statements of cash flows and relevant notes.

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

The consolidated financial statements have been prepared on a are historical cost basis except for the financial assets or liabilities measured at fair value through profit or losses (including derivative financial instruments), investment properties, Cash-settled share-based payment liabilities, net defined benefit liability (asset) measured at fair value of pension plan assets minuses present value of defined benefit obligation, and measurement in the effects of the ceiling which is stated at Note 4(z) are measured at fair value. The functional currency of each entity in the Company and its subsidiaries are determined based on the primary economic environment in which the entities operate. The consolidated financial statements are presented in New Taiwan Dollar, which is the Company's functional currency. All financial information presented in New Taiwan Dollar has been rounded to the nearest thousand.

(c) Basis of consolidation

(i) Principle of preparation of the consolidated financial statements

The Company and its subsidiaries have prepared consolidated financial statements in accordance with International Financial Reporting Standards endorsed by the FSC. Under consolidated financial statements, it combines like items of assets, liabilities, equity, income and expenses and offsets the carrying amount of the parent's investment in each subsidiary and the parent's portion of equity of each subsidiary. The Company and its subsidiaries have prepared its financial reports with same reporting dates.

Subsidiaries are entities controlled by the Company and its subsidiaries. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Intragroup balances and transactions, and any unrealized gains arising from intragroup transactions are eliminated in preparing the consolidated financial statements. Unless there is evidence indicating that the assets transferred are impaired, the unrealized losses from intragroup transactions are eliminated.

The Company and its subsidiaries have adopted the same accounting policies for like transactions and events in similar circumstances in the preparation of the consolidated financial statements. If the accounting policies adopted by its subsidiaries are different from those adopted by the Company and its subsidiaries, the Company and its subsidiaries have properly modified former accounting policies to ensure the consistency of all financial reports.

(ii) List of subsidiaries in the consolidated financial statements

Name of investor	Name of subsidiary	Business Type	Shareholding	
			December 31, 2021	December 31, 2020
The Company	Fubon insurance (Vietnam) Co., Ltd	Insurance	100 %	100 %
The Company	Fubon P&C Insurance Co., Ltd	Insurance	40 %	40 %
The Company	Fubon Insurance Broker (Thailand) Co., Ltd	Insurance broker	48.97 %	48.97 %
The Company	Fubon Insurance Broker (Philippines) Co., Ltd	Insurance broker	99.99 %	99.99 %

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

(d) Foreign currency

(i) Foreign currency transaction

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

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

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

(ii) Foreign operations

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

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

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

(Continued)

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

(e) Principle of classifying assets and liabilities as current and non-current

Due to the specific business feature of insurance business, the operating cycle is more difficult to establish, and therefore assets and liabilities are not classified as current or non-current. Nonetheless, the items are classified per their properties and are arranged per their liquidity.

(f) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(g) Financial instruments

(i) Financial assets

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

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

1) Financial assets at fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as below are measured at FVTPL, including derivative financial assets. On initial recognition, the Company and its subsidiaries may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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

2) Financial assets at fair value through other comprehensive income (FVOCI)

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

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

(Continued)

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

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

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

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

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

3) Financial assets measured at amortized cost

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

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

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

4) Overlay approach

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

(ii) Financial liabilities

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

(Continued)

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

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

(iii) Derecognition of financial assets and financial liabilities

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

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

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

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

(iv) Offsetting of financial assets and liabilities

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

(v) Derivative financial instruments

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

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

(Continued)

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

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

(i) Modifications of financial instruments

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

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

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

(ii) Lease modification

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

(i) Investment in associates

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

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

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

(Continued)

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

(j) Bills and bonds purchased/sold under agreements to resell/repurchase

The Company and its subsidiaries engage in trading of bonds sold under repurchase agreements and it is recognized in bonds issued under repurchase agreement. The bonds provided as the guarantees of transactions under repurchase agreements are recognized in financial asset investment accounts and are not affected by the temporary transfer-in or transfer-out of the transactions under repurchase agreements. The financing interest expenses are recognized per the duration of the repurchase agreements on accrual basis.

(k) Securities lending

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

(l) Investment property

Investment property, including the lease property, is the property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition. Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of raw materials and direct labour, and any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalized borrowing costs.

Subsequent measurement of investment property is measured at fair value. Any gain or loss resulted from the fair value change on an investment property is recognized in profit or loss and is conducted per the regulation of IAS 40 "Investment Property" except those that are classified as held-for-sale (or included in the held-for-sale disposal group) in accordance with IFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations".

An investment property is derecognized when it is disposed or it is no longer being used and is not going to retrieve any future economic benefit from the disposal. The gain or loss on the disposal is recognized in profit or loss.

The Company and its subsidiaries based on the actual purpose to determine whether to classify a property into investment property or to classify a property out of investment property. The classification is based on market valuation data of and relevant accounts are dealt with appropriate procedures. Regarding the accounting treatment of the transition of the purpose of the investment property, it is conducted per the regulation of IAS 40 "Investment Property".

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FUBON INSURANCE CO., LTD. AND SUBSIDIARIES
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(m) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

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

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

(ii) Subsequent cost

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

(iii) Depreciation

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

Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

1) Buildings and construction	3-60 years
2) Transportation and communication equipment	3- 5 years
3) Miscellaneous equipment	1-15 years

(iv) Reclassification to investment property

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

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FUBON INSURANCE CO., LTD. AND SUBSIDIARIES
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(n) Leases

(i) Identifying a lease

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

- 1) The contract involves the use of an identified asset- this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and
- 2) The Company and its subsidiaries have the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- 3) The Company and its subsidiaries have the right to direct the use of the asset throughout the period of use only if either the Company and its subsidiaries have the right to direct how and for what purpose the asset is used throughout the period of use, or the relevant decisions about how and for what purpose the asset is used are predetermined and:
 - The Company and its subsidiaries have the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or
 - The Company and its subsidiaries designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Company and its subsidiaries allocate the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Company and its subsidiaries have elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

(ii) As a lessee

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

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

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FUBON INSURANCE CO., LTD. AND SUBSIDIARIES
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The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Company and its subsidiaries' incremental borrowing rate. Generally, the Company and its subsidiaries use its incremental borrowing rate as the discount rate.

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

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

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

- 1) there is a change in future lease payments arising from the change in an index or rate; or
- 2) there is a change in the Company and its subsidiaries' estimate of the amount expected to be payable under a residual value guarantee; or
- 3) there is a change in assessment on whether it will exercise an option to purchase the underlying asset ; or
- 4) there is a change of its assessment on whether it will exercise an extension or termination option; or
- 5) there is any lease modifications such as lease subject, scope or other lease terms

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

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

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

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

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

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

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

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

(iii) As a lessor

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

When the Company and its subsidiaries are an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Company and its subsidiaries apply the exemption described above, then it classifies the sub-lease as an operating lease.

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

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

(o) Intangible assets

(i) Computer software

Computer software is recognized per its cost and amortized in 3-10 years by straight line method.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(iii) Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use.

Amortization methods, useful lives and residual values are reviewed at each annual reporting date and adjusted if appropriate. Such change shall be accounted for as changes in accounting estimates.

(p) Assets impairment

(i) Financial assets impairment

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

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

1) General approach of measuring expected credit loss:

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

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2) Simplified approach of measuring expected credit loss:

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

The allowance for bad debts were assessed by the previously stated method shall not be less than the amount regulated by “Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts by Insurance Enterprises.”

(ii) Impairment of non-financial assets

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

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

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

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

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

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

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(q) Insurance liability

The Company and its subsidiaries determine reserves for insurance contracts in accordance with the “Regulations Governing the Provision of Various Reserves”, “Regulations for Management of the Various Reserve of Compulsory Automobile Liability Insurance”, “Enforcement Rules for the Risk Spreading Mechanism of Residential Earthquake Insurance”, “Regulations for the Reserve of Nuclear Insurance”, and “Directions Concerning Enhanced Natural Disaster Reserve of Property Insurance (Commercial Earthquake Insurance, Typhoon Insurance, and Flood Insurance)” methodologies used to determine the reserve are certified by the appointed actuary who is authorized by the Financial Supervisory Commission, Executive Yuan. Except for the reserve for short-term group insurance which is calculated on the actual premiums or the premiums conforming to the rule prescribed in Jin Guan Bao Tsai No 10704504821 letter, whichever is higher, the bases for determining other reserves or provision for liabilities are as follows:

The methodologies used to determine the reserves are described as follows:

(i) Unearned premium reserve:

Unearned premium reserve is determined based on the exposure of the unexpired period for the unexpired policies and the policies that have been not terminated.

(ii) Claim reserve:

The Company and its subsidiaries shall determine claim reserve, including case reserve and IBNR, using actuarial approaches, based on the historical experiences for each line of business. The case reserve shall be estimated case by case, based on actual relevant information.

(iii) Special reserve

Special reserve comprises two parts, catastrophe reserve and risk-volatility reserve. The provision each year is recognized in special reserve under equity account with the amount deducted by income tax. The amount is calculated based on IAS 12. For the amount which should be written off or reclaimed, the Company and its subsidiaries write off and reclaim it via special reserve under equity account with the amount deducted by income tax. From January 1, 2013, the special reserve provided in liability account is reclassified to special reserve in equity account following the regulation of IAS 12. In accordance with “Notice to Reserve Enforcement of Insurance Companies for Natural Disaster Insurance (Commercial Earthquake Insurance and Typhoon and Flood Insurance)”, Property insurance companies, effective from January 1, 2013, should first fill the special catastrophe reserve and risk volatility reserve for commercial earthquake insurance and typhoon and flood insurance to maximum amount with the special catastrophe reserve and risk volatility reserve, which was in liability account and was provided before December 31, 2012, in the equity account. The amount provided is deducted by income tax. The reserves mentioned (before December 31, 2012) exclude the insurances below:

- compulsory automobile liability insurance;
- nuclear insurance;
- governmental residential earthquake insurance;

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FUBON INSURANCE CO., LTD. AND SUBSIDIARIES
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- commercial earthquake insurance;
- typhoon and flood insurance.

1) Catastrophe special reserve

Catastrophe special reserve for each line of business shall be determined based on ratios regulated by the Authority.

An event is defined as a catastrophe event if, and only if, (a) the event is announced by the Government; and (b) the net losses caused by the event exceed over NT\$ 2 billion dollars for the whole insurance industry; and (c) the losses caused by the event exceed over NT\$ 30 million dollars for the individual company. The portion of the losses shall be recovered from catastrophe special reserve.

Catastrophe special reserve can be released after 15 years based on the mechanism decided by the appointed actuary and filed to the Authority.

2) Risk volatility special reserve

If the actual loss, after deducting catastrophe special reserve, is less than the expected loss, an equalization special reserve shall be recognized at 15% of that difference.

If the actual loss, after deducting the catastrophe special reserve recovered for the line of business, exceeds the expected loss, the amount of that difference shall be recovered from the equalization special reserve. If the equalization special reserve is insufficient to deduct for a specific line of business, it can be released from other line of business. The amount released and the line of business from which shall follow the related regulations.

If the cumulative equalization special reserve exceeds 60% of the net earned premium, the equalization special reserve shall be released by that difference.

(iv) Premium deficiency reserve

The Company and its subsidiaries shall evaluate the future losses and expenses for the unexpired policies and the policies that have been not terminated. If the expected future losses and expenses exceed the sum of the recognized unearned premium reserve and the expected future premium income, a premium deficiency reserve shall be recognized at the amount of that difference.

(v) Liability adequacy reserve

In accordance with IFRS 4, the Company and its subsidiaries should assess whether its recognized insurance liabilities are adequate, using current estimates of future cash flows at the end of each reporting period. If that assessment shows that the carrying amount of its insurance liabilities (less related intangible assets) is inadequate, the entire deficiency shall be recognized as a liability adequacy reserve.

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(r) Insurance contracts

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

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

(s) Reinsurance ceded business

The Company and its subsidiaries arrange the reinsurance business based on the business need and the related insurance laws to limit the losses caused by certain events. For reinsurance ceded business, the Company and its subsidiaries shall not refuse to fulfill its’ obligation to its insurers even if the reinsurer refuse to fulfill its’ obligation.

The Company and its subsidiaries recognized reinsurance charges based on reinsurance contracts. The consideration regarding the duration covered by the financial statements is consistent with the premium income. On the balance sheet date, the Company and its subsidiaries estimate the unpaid reinsurance expense via a reasonable and systematic method. Relevant income (such as reinsurance commission income) is recognized in the same period and related insurance profit or loss is not deferred.

Reinsurance assets, including ceded unearned premium reserve, ceded claim reserve, ceded policy reserve, ceded premium deficiency reserve, and ceded liability adequacy reserve, are determined in accordance with the Regulations for the Various Reserves by Insurance Enterprises amended by Financial Supervisory Commission and reinsurance contract term to the right of reinsurer. Paid claims which should be recovered from reinsurers is accounted as "Claims and payments recoverable from reinsurers".

The Company and its subsidiaries shall periodically assess the impairment of the reinsurance assets described above, claims recoverable from reinsurers, reinsurance receivable and funds held by ceding companies. If the Company and its subsidiaries’ reinsurance asset is impaired, the Company and its subsidiaries shall reduce its carrying amount accordingly and recognize that impairment loss in profit or loss. A reinsurance asset is impaired if, and only if (a) there is objective evidence, as a result of an event that occurred after initial recognition of the reinsurance asset, that the Company and its subsidiaries may not receive all amounts due to it under the terms of the contract; and (b) that event has a reliably measurable impact on the amounts that the Company and its subsidiaries will receive from the reinsurer.

The estimation of claims and payments recoverable from reinsurers is the same as the one applying on claim liabilities. Reinsurance assets is represented in gross amount. Otherwise, it would be disclosed in net amount when all counterparties have a legally enforceable right to set off the amounts.

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FUBON INSURANCE CO., LTD. AND SUBSIDIARIES
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Despite considering whether to transfer significant insurance risk or not, the Company and its subsidiaries further evaluate whether reinsurance contracts would transfer both underwriting risk (the possibility of significant loss) and time risk (the variance of the timing of cash flows) to reinsurers. The Company and its subsidiaries evaluate the effects insurance with another insurer to cede risk that it has insured. If a reinsurance contract only cedes the significant insurance risk but not the underwriting risk and time risk, the contract is recognized via deposit accounting. The premium minus the company retained reinsurance premium (or fee) is recognized as deposit asset or liability.

Changes in deposit asset are recognized in profit or loss. The interest income from deposits which does not transfer any risk or transfer only time risk is calculated with effective interest method. Effective interest is computed based on the estimation of future cash flows and recognized as interest revenue or expenses.

(t) Coinsurance organization, coinsurance business and guarantee fund agreement

The Company and its subsidiaries signed coinsurance contract of the compulsory automobile liability insurance with all the member companies which approved by the government to operate the compulsory automobile liability coinsurance. It was agreed that all business of compulsory automobile liability insurance should be covered by the coinsurance institution or the Company and its subsidiaries should pay the penalty and be audited by the auditor of the coinsurance organization. The business of the coinsurance was calculated based on pure premium and distribute by coinsurance percentage. Any member companies which participate in coinsurance cannot drop out from the coinsurance organization at their own choice except for those that are shut down or liquidated. If the companies stop to operate the compulsory automobile liability insurance, it should drop out from the coinsurance organization at the same time and the responsibility of unearned premiums applies natural expiry.

The Company and its subsidiaries signed “Contract Fulfillment Guarantee Coinsurance Contract of Tourism Industry” with property insurance companies and reinsurance companies which conduct contract fulfillment guarantee of tourism industry. The contract regulates that all the contract fulfillment guarantee business is covered by the contract. The company which violates the rules is obligated to pay a penalty and the coinsurance team is entitled to audit the company.

Coinsurance business undertaken is calculated based on the coinsurance premium received (Risk premium). Each member company undertakes its respective portion of the responsibility without joint responsibility. The member can drop out from the coinsurance organization three months before next year by sending a written statement. The original undertaken responsibility will cease to exist at the end of the year and the member company which drops out from the coinsurance organization will be held responsible for the unfinished part of the responsibility until its natural expiry.

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(u) Income recognition and acquisition costs

Premium income direct business is recognized based on the written policies and endorsement. For auto insurance business, income is recognized when premiums are collected before the insurance policy takes effect and also underwriting procedures including the signed policy and issuing of insurance certificates are completed. For personal accident and health insurance business, income is recognized when premiums are collected before the insurance policy takes effect and also underwriting procedures including the signed policy and issuing of insurance certificates are completed. For those statements have not been received, assumed reinsurance premium shall be estimated by a reasonable and systematic method on the balance sheet date. The related acquisition costs (such as: commissions, brokerages, fees, reinsurance commissions etc.) is recognized in the same period without deferring.

Unearned premium reserve is determined based on the exposure of the unexpired period for the unexpired policies and the policies that have been not terminated.

Unearned premium reserve for the compulsory auto liability is determined in accordance with the Regulations for Management of the Various Reserve of Compulsory Automobile Liability Insurance.

Unearned premium reserve for the residential earthquake insurance is determined in accordance with the Enforcement Rules for the Risk Spreading Mechanism of Residential Earthquake Insurance.

Unearned premium reserve for the nuclear insurance is determined in accordance with the Regulations for the Reserve of Nuclear Insurance.

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

Income tax, based on Value-added and Non-value-added Business Tax Act, the Stamp Tax Act, and other relevant laws and regulations, related to the premium income shall be recognized on accrual basis.

(v) The cost of insurance claims

Loss for direct business is recognized based on the paid losses for the reported claims. Loss shall be estimated case by case, based on the actual relevant information, and recognized as the net change in reported but unpaid reserve for the claims which have been not yet paid, either have been determined or not been determined by the claim department.

Assumed reinsurance loss for reinsurance assumed business is recognized when the statement is arrival. For those statements have not been received, assumed reinsurance, loss shall be estimated in a reasonable and systematic way and recognized as the net change in loss reserve.

Unreported loss for direct written business and reinsurance assumed business shall be estimated using actuarial methodologies, based on the historical experience, and recognized as net change in the IBNR.

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FUBON INSURANCE CO., LTD. AND SUBSIDIARIES
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Claim payment and expense which should be recovered from reinsurers according to ceded reinsurance contracts, would be recognized as: (1) recoverable claim insurance payment when it is paid; (2) net change of claim reserve when it is reported but unpaid and unpaid claims.

The loss reserve is not discounted.

The loss reserve for compulsory automobile liability insurance is determined in accordance with the Regulations for Management of the Various Reserve of Compulsory Automobile Liability Insurance.

The loss reserve for residential earthquake insurance is determined in accordance with the Enforcement Rules for the Risk Spreading Mechanism of Residential Earthquake Insurance.

The loss reserve for nuclear insurance is determined based on the Regulations for the Reserve of Nuclear Insurance.

(w) Salvage and subrogation

Salvage legally acquired from the claim procedure for direct written business shall be valued and recognized at its fair value. Subrogation legally acquired shall be recognized when the actual recovery is definite (the inflow of the economic benefits in the future is more likely than not), and its amount can be reliably measured.

(x) Share-based payment

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

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

The grant date of the Parent company's cash capital increase reserved for subscription by the Company's employees is the date which the employees confirm the number of share granted.

(y) Income taxes

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

(i) Current income tax

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

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Income tax expenses for the period are best estimated by multiplying pre-tax income for the interim reporting period using the effective annual tax rate as forecasted by the management.

The surtax on undistributed earnings, computed according to the ROC Income Tax Act, is charged to current income tax expense in the year when stockholders decide not to distribute the earnings.

(ii) Deferred income tax

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

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

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

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

(z) Employee benefit

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

(ii) Defined benefit plans

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

(Continued)

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

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

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

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

The pension cost in the interim period was calculated and disclosed on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior fiscal year.

(iii) Other long-term employee benefit

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

(iv) Short-term employee benefits

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

(aa) Earnings per share

The Company and its subsidiaries disclose the Company's basic earnings per share attributable to ordinary equity holders of the Company. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding.

(ab) Segment information

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

(Continued)

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

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

The preparation of the consolidated financial statements in conformity with the Regulations and IFRSs endorsed by the FSC requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

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

The relevant information of assumption and estimate uncertainty has material risk that may result in material adjustment is as followings:

(a) Fair value of financial instrument

Financial instruments without active market or quoted market prices are measured using the valuation models or counterparty prices. When using the valuation model, all the models measured using the observable factors as inputs as much as possible and the inputs cannot be adjusted manually. In principle, the models used the factors can be long-term stably accessed in the market. To avoid the data source changed causing the gap of the financial report between the difference financial years. The models need to be adjusted and verified repeatedly to ensure the output can be measured the value of financial instruments properly.

(b) Expected credit loss

The impairment of financial assets of the Company and its subsidiaries were evaluated by identifying the credit risk of financial assets has significantly increased or not at the reporting date if the credit risk of financial asset has not significant incurred, the 12-month expected credit loss should be adopted to evaluate, or the lifetime credit loss evaluation should be adopted. To evaluate the expected credit losses for 12-month and lifetime, the Company and its subsidiaries consider the default probability of financial assets or issuers or counterparties, and loss given default rate multiplying the exposure at default, taking into account the time value of money as well evaluate 12-month and lifetime loss. The Company and its subsidiaries consider historical experiences, current market conditions and forward-looking estimates to the assumptions and input values to be used in determining the impairment loss.

(c) Fair value of property investment

The fair value of investment property is measured using valuation methods, including the income approach, market approach, and so on. Variations of assumptions used in these models will influence the reporting fair value of property investment.

(d) Insurance liability

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

Unearned premium reserve is estimated based on the exposure of the unexpired period of each business line. The provision of reserves is determined by actuarial specialists in accordance with of characteristics each business line.

(Continued)

FUBON INSURANCE CO., LTD. AND SUBSIDIARIES
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Claim reserve is estimated in accordance with actuarial principles based on historical claim experiences and expenses. The final claim cost is calculated based on primary assumptions of claim reserve are loss development factors and expected claim ratio. The loss development factors and expected claim ratio of each business line are calculated based on historical claim experience and adjusted by company's policies such as insurance rate and claim management.

The estimation of liability adequacy reserve is in accordance with the "Statement of Financial Accounting Standards No. 40 of principles of actuarial practice – insurance contracts and liability adequacy test" pronounced by the Actuarial Institute of the Republic of China. The expected present value of the contracts' future cash flows used in estimated liability adequacy reserve is based on reasonable estimate of future insurance claims, premium revenues and relative expenses.

The professional judgment used in the above process will affect the amount recognized, including net change in insurance liability, net change in reserve for the insurance contract with the nature of financial products, and the provision of insurance liability and reserve for the insurance contract with the nature of financial products.

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2021	December 31, 2020
Cash on hand	\$ 55	90
Cash in bank	12,289,175	10,266,120
Marketable securities	4,505,439	2,416,872
Less: Statutory deposits	<u>(66,814)</u>	<u>(66,742)</u>
Total	<u>\$ 16,727,855</u>	<u>12,616,340</u>

The statutory deposit refers to the time deposits that serve as collateral and is recognized as guarantee deposits paid. Please refer to Note 8 for further information.

(b) Receivables and Payables

(i) Receivables

	December 31, 2021	December 31, 2020
Receivables of insurance contracts (Note 6(c))	\$ 4,168,962	4,437,153
Notes receivable-Not for insurance contracts (Note 6(d))	16,629	13,699
Other receivables (Note 6(h))	<u>1,471,599</u>	<u>893,382</u>
Total	<u>\$ 5,657,190</u>	<u>5,344,234</u>

(Continued)

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

(ii) Payables

	December 31, 2021	December 31, 2020
Payables of insurance contracts (Note 6(c))	\$ 981,607	1,011,824
Due to reinsurers and ceding companies (Note 6(g))	10,710,048	8,201,892
Other payables (Note 6(h))	3,889,619	3,965,183
Indemnity payments payables (Note 6(o))	33,837	50,797
Total	<u>\$ 15,615,111</u>	<u>13,229,696</u>

(c) Receivables (payables) of insurance contracts

(i) Receivables of insurance contracts

Item	December 31, 2021			Total
	Notes receivable	Premiums receivable	Overdue receivable	
Voluntary moto insurance	\$ -	91,217	-	91,217
Compulsory auto liability insurance	-	52,581	-	52,581
Compulsory motorcycle liability insurance	-	42,251	-	42,251
Fire insurance	-	799,384	40,039	839,423
Personal insurance	-	1,128,271	9,012	1,137,283
Marine hull insurance	-	56,809	6,022	62,831
Fishing vessel insurance	-	45,786	28	45,814
Casualty insurance	-	803,110	23,676	826,786
Marine insurance	-	180,316	12,800	193,116
Other	<u>911,880</u>	<u>12,616</u>	<u>419</u>	<u>924,915</u>
Total	911,880	3,212,341	91,996	4,216,217
Less: Allowance for bad debts	(5,558)	(28,220)	(13,477)	(47,255)
Net	<u>\$ 906,322</u>	<u>3,184,121</u>	<u>78,519</u>	<u>4,168,962</u>

(Continued)

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

Item	December 31, 2020			
	Notes receivable	Premiums receivable	Overdue receivable	Total
Voluntary moto insurance	\$ -	152,922	-	152,922
Compulsory auto liability insurance	-	63,565	-	63,565
Compulsory motorcycle liability insurance	-	63,178	-	63,178
Fire insurance	-	863,023	60,390	923,413
Personal insurance	-	1,208,039	384	1,208,423
Marine hull insurance	-	59,873	2,826	62,699
Fishing vessel insurance	-	45,307	240	45,547
Casualty insurance	-	947,114	93,791	1,040,905
Marine insurance	-	153,984	10,893	164,877
Other	751,568	12,462	2,977	767,007
Total	751,568	3,569,467	171,501	4,492,536
Less: Allowance for bad debts	(5,370)	(21,002)	(29,011)	(55,383)
Net	<u>\$ 746,198</u>	<u>3,548,465</u>	<u>142,490</u>	<u>4,437,153</u>

As of December 31, 2021 and 2020, the notes receivable of overdue receivable are amounted to \$419 and \$1,060, respectively, and the premiums receivable amounted to \$91,577 and \$170,441, respectively.

(ii) Aging of receivables

	December 31, 2021	December 31, 2020
Under 90 days	\$ 4,058,394	4,260,771
91~365 days	157,335	217,484
More than 366 days	17,285	28,042

(Continued)

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

(iii) Payables of insurance contracts

Item	December 31, 2021		
	Commission payables	Service charge payables	Total
Fire insurance	\$ 55,931	-	55,931
Casualty insurance	127,889	-	127,889
Marine insurance	21,921	-	21,921
Fishing vessel insurance	954	-	954
Marine hull insurance	2,707	-	2,707
Personal insurance	389,949	-	389,949
Voluntary moto insurance	214,267	-	214,267
Compulsory auto liability insurance	-	19,082	19,082
Compulsory motorcycle liability insurance	-	10,086	10,086
Other	134,631	4,190	138,821
Total	\$ 948,249	33,358	981,607

Item	December 31, 2020		
	Commission payables	Service charge payables	Total
Fire insurance	\$ 61,706	-	61,706
Casualty insurance	151,113	-	151,113
Marine insurance	21,088	-	21,088
Fishing vessel insurance	534	-	534
Marine hull insurance	1,705	-	1,705
Personal insurance	394,685	-	394,685
Voluntary moto insurance	213,973	-	213,973
Compulsory auto liability insurance	-	19,877	19,877
Compulsory motorcycle liability insurance	-	10,439	10,439
Other	132,516	4,188	136,704
Total	\$ 977,320	34,504	1,011,824

The counterparties of above payables are usually sales representatives, insurance brokers, insurance agents and policy holders.

(Continued)

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

(d) Notes receivable – not for insurance contracts

	December 31, 2021	December 31, 2020
Notes receivable	\$ 16,797	13,761
Less: Allowance for bad debts	(168)	(62)
Net	<u>\$ 16,629</u>	<u>13,699</u>

(e) Reinsurance Assets

	December 31, 2021	December 31, 2020
Claims and payments recoverable from reinsurers (Note 6(f))	\$ 1,871,609	1,400,500
Due from reinsurers and ceding companies, net (Note 6(g))	6,132,664	5,685,076
Reinsurance reserve assets (Note 6(o))	18,115,853	15,498,987
Total	<u>\$ 26,120,126</u>	<u>22,584,563</u>

(f) Claims and payments recoverable from reinsurers

Type	December 31, 2021	December 31, 2020
Fire insurance	\$ 431,448	275,203
Marine cargo insurance	244,155	71,295
Marine hull/Fishing vessel/ Aviation insurance	128,667	171,577
Voluntary moto insurance	175,636	208,354
Compulsory moto TPL insurance	587,051	525,682
Liability insurance	35,858	37,416
Engineering and nuclear insurance	31,818	(60,457)
Surety and credit insurance	3,968	7,917
Other property insurance	110,574	53,094
Personal accident insurance	9,328	3,844
Personal and commercial multiple peril insurance	2,599	1,894
Typhoon, flood and earthquake insurance	36,022	111,604
Health insurance	79,584	4,737
Foreign business	-	-
Total	1,876,708	1,412,160
Less: Allowance for bad debts	(5,099)	(11,660)
Net	<u>\$ 1,871,609</u>	<u>1,400,500</u>

(Continued)

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

(g) Due from (to) reinsurers and ceding companies

(i) Reinsurance receivables

Item	December 31, 2021	December 31, 2020
	Due from reinsurers and ceding companies	Due from reinsurers and ceding companies
Fire insurance	\$ 230,314	154,510
Marine cargo insurance	22,545	25,927
Marine hull/Fishing vessel / Aviation insurance	10,018	5,882
Voluntary moto insurance	313,443	261,950
Compulsory moto TPL insurance	218,491	202,989
Liability insurance	185,469	68,690
Engineering and nuclear insurance	483,258	422,351
Surety and credit insurance	1,252	1,279
Other property insurance	408,334	1,322,824
Personal accident insurance	93,933	46,583
Personal and commercial multiple peril insurance	-	-
Typhoon, flood and earthquake insurance	25,427	24,367
Health insurance	-	-
Foreign business	223,570	186,701
Total	2,216,054	2,724,053
Less: Allowance for bad debts	(14,937)	(14,077)
Net	<u>\$ 2,201,117</u>	<u>2,709,976</u>

(Continued)

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

(ii) Reinsurance payables

Item	December 31, 2021		
	Due to reinsurers and ceding companies	Other	Total
Fire insurance	\$ 111,595	-	111,595
Marine cargo insurance	18,122	-	18,122
Marine hull/ Fishing vessel/ Aviation insurance	6,381	-	6,381
Voluntary moto insurance	127,144	-	127,144
Compulsory moto TPL insurance	-	-	-
Liability insurance	77,575	-	77,575
Engineering and nuclear insurance	216,071	-	216,071
Surety and credit insurance	1,182	-	1,182
Other property insurance	(311,754)	-	(311,754)
Personal accident insurance	57,262	-	57,262
Personal and commercial multiple peril insurance	-	-	-
Typhoon, flood and earthquake insurance	1,142	-	1,142
Health insurance	-	-	-
Overseas reinsurance assumed	<u>225,007</u>	<u>-</u>	<u>225,007</u>
Total	<u>\$ 529,727</u>	<u>-</u>	<u>529,727</u>

(Continued)

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

Item	December 31, 2020		
	Due to reinsurers and ceding companies	Other	Total
Fire insurance	\$ 70,336	-	70,336
Marine cargo insurance	11,811	-	11,811
Marine hull/Fishing vessel/ Aviation insurance	4,796	-	4,796
Voluntary moto insurance	121,062	-	121,062
Compulsory moto TPL insurance	-	-	-
Liability insurance	29,339	-	29,339
Engineering and nuclear insurance	159,965	-	159,965
Surety and credit insurance	413	-	413
Other property insurance	379,280	-	379,280
Personal accident insurance	17,403	-	17,403
Personal and commercial multiple peril insurance	5	-	5
Typhoon, flood and earthquake insurance	994	-	994
Health insurance	-	-	-
Overseas reinsurance assumed	207,666	-	207,666
Total	<u>\$ 1,003,070</u>	<u>-</u>	<u>1,003,070</u>

(iii) Due from (to) reinsurers and ceding companies – holding reinsurance

Item	December 31, 2021	
	Due from reinsurers and ceding companies	Due to reinsurers and ceding companies
Hannover Rueck SE Malaysian Branch	\$ 646,449	1,352,879
CENTRAL REINSURANCE CORPORATION	526,626	1,437,680
INSURANCE COMPANY OF NORTH AMERICA (TAIWAN BRANCH)	189,700	476,537
Other companies	<u>2,613,257</u>	<u>6,913,225</u>
Total	3,976,032	<u>10,180,321</u>
Less: Allowance for bad debts	<u>(44,485)</u>	
Net	<u>\$ 3,931,547</u>	

(Continued)

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

Item	December 31, 2020	
	Due from reinsurers and ceding companies	Due to reinsurers and ceding companies
CENTRAL REINSURANCE CORPORATION	\$ 349,195	990,356
INSURANCE COMPANY OF NORTH AMERICA (TAIWAN BRANCH)	167,657	361,269
HOTAI INSURANCE CO., LTD	148,977	-
HANNOVER RUECK SE	72,096	-
Other companies	2,277,085	5,847,197
Total	3,015,010	<u>7,198,822</u>
Less: Allowance for bad debts	(39,910)	
Net	<u>\$ 2,975,100</u>	

As of December 31, 2021 and 2020, overdue receivables of due from reinsurers and ceding companies are \$362,491 and \$295,534, respectively, and the allowance for bad debts for above are amounted to \$59,422 and \$53,987, respectively.

(h) Other accounts receivables (payables)

(i) Other receivables

	December 31, 2021	December 31, 2020
Related parties	\$ 16,534	4,426
Non-related parties	1,455,517	889,426
Total	1,472,051	893,852
Less: Allowance for bad debts	(452)	(470)
Net	<u>\$ 1,471,599</u>	<u>893,382</u>

As of December 31, 2021 and 2020, overdue receivables of non-related party are \$2,269 and \$3,050, respectively and there is no allowance for bad debts.

(Continued)

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

(ii) Other payables

	December 31, 2021	December 31, 2020
Related parties	\$ 377,942	209,806
Non-related parties	<u>3,511,677</u>	<u>3,755,377</u>
Total	<u>\$ 3,889,619</u>	<u>3,965,183</u>

(i) Financial assets and liabilities

(i) Financial assets and liabilities measured at fair value through profit or loss

	December 31, 2021	December 31, 2020
Financial assets mandatorily measured at fair value through profit or loss:		
Non-hedge derivative instruments		
Currency rate contracts	\$ 112,295	349,798
FX forward contract	1,630	-
Non-derivative financial assets		
Stock	21,303,520	17,296,863
Beneficiary certificate	13,288,432	13,165,018
Other fixed income products	<u>-</u>	<u>87,261</u>
Total	<u>\$ 34,705,877</u>	<u>30,898,940</u>
Held-for-trading financial liabilities:		
Non-hedge derivative instruments		
Currency rate contracts	\$ 5,966	5,981
FX forward contract	<u>-</u>	<u>3,612</u>
Total	<u>\$ 5,966</u>	<u>9,593</u>

(Continued)

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

1) Derivative financial instruments not for hedging

Derivative financial instruments are used for hedging foreign exchange risk and interest rate risk arising from operating, financing and investing activities. As of December 31, 2021 and 2020, the financial assets mandatorily measured at fair value through profit or loss and the held-for-trading financial liabilities which did not apply to hedge accounting are as follows:

	December 31, 2021		
	Contract amount	Currency	Maturity period
Currency rate contracts	USD <u>535,000</u>	USD to NTD	2022.01.10~2022.12.15
FX forward contract sold	EUR <u>5,249</u>	EUR to USD	2022.01.18~2022.03.28
	December 31, 2020		
	Contract amount	Currency	Maturity period
Currency rate contracts	USD <u>490,000</u>	USD to NTD	2021.01.11~2021.10.08
FX forward contract	EUR <u>2,543</u>	EUR to USD	2021.01.19

2) Overlay approach

From January 1, 2018, the Company and its subsidiaries adopted IFRS 9 and elected to apply the overlay approach under the IFRS 4 “Insurance Contracts” to recognize the profit and loss for the designated financial assets.

Among designated financial assets at fair value through profit or loss under the overlay approach were as follows:

	December 31, 2021	December 31, 2020
Financial assets measured at fair value through profit or loss		
Stock	\$ 21,270,510	17,249,492
Beneficiary certificate	<u>12,732,038</u>	<u>12,569,093</u>
Total	<u>\$ 34,002,548</u>	<u>29,818,585</u>

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

The Company and its subsidiaries reclassified between profit or loss and other comprehensive income under the overlay approach during the years ended December 31, 2021 and 2020 were as follow:

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
The amount reported in profit or loss for the designated financial assets applying IFRS 9	\$ 6,446,578	3,519,371
Less: The amount that would have been reported in profit or loss for the designated financial assets if the Company and its subsidiaries had applied IAS 39	(4,400,112)	(3,377,234)
The amount reclassified under the overlay approach	<u>\$ 2,046,466</u>	<u>142,137</u>

Due to the adjustment of the overlay approach, the gains on financial assets at fair value through profit or loss of the Company and its subsidiaries decrease from \$6,446,578 to \$4,400,112 and the gains decrease from \$3,519,371 to \$3,377,234 for the years ended December 31, 2021 and 2020.

The Company and its subsidiaries did not designate financial assets previously not qualified for the overlay approach but then qualified for the years ended December 31, 2021 and 2020 for the overlay approach.

The Company and its subsidiaries did not de-designate any financial asset for the years ended December 31, 2021 and 2020.

(ii) Financial assets measured at fair value through other comprehensive income

	<u>December 31,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>
Debt investments measured at fair value through other comprehensive income:		
Government bonds	\$ 6,333,010	6,409,090
Corporate bonds	11,490,963	10,215,910
Financial bonds	6,451,188	5,997,365
Guarantee deposits	(464,066)	(484,898)
Subtotal	<u>23,811,095</u>	<u>22,137,467</u>
Equity investments measured at fair value through other comprehensive income:		
Stocks	<u>2,292,316</u>	<u>2,345,421</u>
Total	<u>\$ 26,103,411</u>	<u>24,482,888</u>

(Continued)

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

- 1) Investment in debt instruments measured at fair value through other comprehensive income

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

- 2) Investment in equity instruments measured at fair value through other comprehensive income

For the years ended December 31, 2021 and 2020, the Company and its subsidiaries recognized dividend income from abovementioned financial assets measured at fair value through other comprehensive income amounting to \$102,439 and \$95,349, respectively.

For the years ended December 31, 2021 and 2020, dividend income from disposed financial assets measured at fair value through other comprehensive income within the same period amounting to \$2,323 and \$13,039, respectively.

For the years ended December 31, 2021 and 2020, the Company and its subsidiaries disposed shares designated as measured at fair value through other comprehensive income due to assets allocation, managing and adjusting portfolios. The shares were sold at a fair value of \$580,857 and \$1,177,215, respectively; and the accumulated loss were \$687,354 and \$195,976, respectively. The accumulated loss had been transferred from other equity to retained earnings.

- 3) Certain government bonds were pledged as statutory deposits. Please refer to Note 8 for further information.
- 4) The Company and its subsidiaries had assessed the impairment of the debt instruments of financial assets measured at fair value through other comprehensive income as of December 31, 2021 and 2020. Please refer to Note 6 (z) for the change in allowance for credit losses attribute to the above financial assets.

- (iii) Investment in debt instruments at amortized cost

	December 31, 2021	December 31, 2020
Financial bonds	\$ 1,274,550	1,263,376
Bonds securitization	<u>107,389</u>	<u>133,882</u>
Subtotal	1,381,939	1,397,258
Less: Loss allowance	<u>(465)</u>	<u>(505)</u>
Total	<u>\$ 1,381,474</u>	<u>1,396,753</u>

- 1) The Company and its subsidiaries assessed that the investments were held within a business model whose objective is achieved by collecting the contractual cash flows and for which the contractual cash flows are fully be paid for the principal and interests incurred. Therefore, they were classified as investment in debt instruments at amortized cost.

(Continued)

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

- 2) The Company and its subsidiaries had assessed the impairment of the financial assets measured at amortized cost as of December 31, 2021 and 2020. Please refer to Note 6 (z) for the change in allowance for credit losses attribute to the above financial assets.

(iv) Investment under equity method

The Company and its subsidiaries' investment under equity method at reporting date:

	<u>December 31,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>
Associates	<u>\$ 172,163</u>	<u>451,517</u>

1) Associates

The information of Associates is as follows:

<u>Name of Associate</u>	<u>Relationship with the Company and its subsidiaries</u>	<u>Registration Country</u>	<u>Owner's equity and percentage of voting right</u>	
			<u>December 31, 2021</u>	<u>December 31, 2020</u>
Shenzhen Teng Fu Bo Investment Limited	Investment consultant	China	8.167 %	16.667 %
Xiamen Jinfuyuan Insurance Surveyors and Loss Adjusters Co.,Ltd.	Insurance risk and loss assessment	China	24.96 %	- %

The summarized financial information for the associates that are not individually material accounted for using the equity method is as following:

	<u>December 31,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>
Carrying amount of individually insignificant associates' equity	<u>\$ 172,163</u>	<u>451,517</u>

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Attributed to the Company and its subsidiaries:		
Profit and loss from continuing operations	(28,271)	(424,804)
Other comprehensive income	-	-
Total comprehensive income	<u>(28,271)</u>	<u>(424,804)</u>

2) Guarantee

The investment in the equity method of the Company and its subsidiaries have not been provided as a pledge guarantee as of December 31, 2021 and 2020.

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

(v) Other financial assets:

	December 31, 2021	December 31, 2020
Cash in bank	\$ 973,668	1,001,886
Less: Statutory deposits-other	<u>(973,668)</u>	<u>(984,694)</u>
	<u>\$ -</u>	<u>17,192</u>

The statutory deposit refers to the time deposits that serve as collateral and is recognized as guarantee deposits paid. Please refer to Note 8 for further information.

(j) Right-of-use assets

The Company and its subsidiaries lease many assets including land and buildings, vehicles, machinery and IT equipment. Information about leases for which the company and its subsidiaries as a lessee was presented below:

	Buildings and constructions	Other equipment	communication equipment	Total
Balance at January 1, 2021	\$ 316,860	66,274	22,415	405,549
Additions	765,430	22,925	7,522	795,877
Disposal/ Write-off	(79,335)	(9,534)	(10,123)	(98,992)
Effect of change in exchange rate	<u>(1,060)</u>	<u>-</u>	<u>(262)</u>	<u>(1,322)</u>
Balance at December 31, 2021	<u>\$ 1,001,895</u>	<u>79,665</u>	<u>19,552</u>	<u>1,101,112</u>
Balance at January 1, 2020	\$ 256,803	60,441	24,498	341,742
Additions	117,280	9,247	2,363	128,890
Disposal/ Write-off	(56,924)	(3,414)	(4,228)	(64,566)
Effect of change in exchange rate	<u>(299)</u>	<u>-</u>	<u>(218)</u>	<u>(517)</u>
Balance at December 31, 2020	<u>\$ 316,860</u>	<u>66,274</u>	<u>22,415</u>	<u>405,549</u>
Accumulated depreciation and impairment losses:				
Balance at January 1, 2021	\$ 134,294	28,360	14,265	176,919
Depreciation for the year	125,562	17,195	6,014	148,771
Disposal/ Write-off	(71,711)	(9,124)	(10,123)	(90,958)
Effect of change in exchange rate	<u>(551)</u>	<u>-</u>	<u>(170)</u>	<u>(721)</u>
Balance at December 31, 2021	<u>\$ 187,594</u>	<u>36,431</u>	<u>9,986</u>	<u>234,011</u>
Balance at January 1, 2020	\$ 100,124	14,694	8,467	123,285
Depreciation for the year	89,598	16,484	8,850	114,932
Disposal/ Write-off	(55,522)	(2,818)	(2,988)	(61,328)
Effect of change in exchange rate	<u>94</u>	<u>-</u>	<u>(64)</u>	<u>30</u>
Balance at December 31, 2020	<u>\$ 134,294</u>	<u>28,360</u>	<u>14,265</u>	<u>176,919</u>

(Continued)

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

	<u>Buildings and constructions</u>	<u>Other equipment</u>	<u>communication equipment</u>	<u>Total</u>
Carrying amount:				
Balance at December 31, 2021	\$ <u>814,301</u>	<u>43,234</u>	<u>9,566</u>	<u>867,101</u>
Balance at January 1, 2020	\$ <u>156,679</u>	<u>45,747</u>	<u>16,031</u>	<u>218,457</u>
Balance at December 31, 2020	\$ <u>182,566</u>	<u>37,914</u>	<u>8,150</u>	<u>228,630</u>

As of December 31, 2021 and 2020, the Company and its subsidiaries leased office, transportation vehicles and office equipment under operating leases. Please refer to Note 6 (p).

(k) Investment property

	<u>Land</u>	<u>Buildings and constructions</u>	<u>Total</u>
Balance, January 1, 2021	\$ 8,196,380	2,420,689	10,617,069
Reclassification from property, plant and equipment	17,035	16,875	33,910
Reclassification to property, plant and equipment	(997,140)	(114,277)	(1,111,417)
Net (loss) gain on fair value adjustment	(35,665)	96,515	60,850
Balance, December 31, 2021	\$ <u>7,180,610</u>	<u>2,419,802</u>	<u>9,600,412</u>
Balance, January 1, 2020	\$ 8,143,426	2,541,395	10,684,821
Reclassification from property, plant and equipment	5,306	14,179	19,485
Reclassification to property, plant and equipment	(80,888)	(27,214)	(108,102)
Disposal	(377)	(4)	(381)
Net (loss) gain on fair value adjustment	128,913	(107,667)	21,246
Balance, December 31, 2020	\$ <u>8,196,380</u>	<u>2,420,689</u>	<u>10,617,069</u>

For the years ended December 31, 2021 and 2020, the rent revenue from investment property amounted to \$344,754 and \$362,413 respectively; for the years ended December 31, 2021 and 2020, the direct operating expense amounted to \$45,058 and \$55,454, respectively, of which \$2,846 and \$2,268, respectively belong to the investment properties which do not generate rent revenue directly.

In accordance with Regulations Governing the Preparation of Financial Statements by Insurance Companies, the Company and its subsidiaries apply the following professional real estate appraiser's accreditation result that performs the appraisal in accordance with Regulations on Real Estate Appraisal as the base to evaluate the fair value of real estates. The appraisal date was December 31, 2021 and 2020. These appraiser firms are as follows:

The appraiser firm on December 31, 2021 and , 2020.

- (i) Hong-Bang Real Estate Appraisers Firm: Li Ching Tang
- (ii) Affluence Real Estate Appraiser Firm: Chen Bi Yuan

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

The fair value of investment properties is determined by professional appraisal institutions based on market evidence. The valuation methods are primarily Sales Comparison Approach, Income Approach (Including direct capitalization method and discounted cash flow method), Cost Approach and Land Development Analysis Method of Cost Approach. The valuation method of office buildings adopts mainly Sales Comparison Approach and Income Approach because they are easier to circulate within the market and it is easier to obtain sales and rental information of similar object in the neighborhood. For townhouse and land, it usually adopts Cost Approach to evaluate because it's hard to find out the cases of Land and the size of townhouse exists huge difference that all result in a large diversity in total income and poor accuracy and reliability. The Land in development is evaluated by sales comparison approach and Land Development analysis method of cost approach.

Primary parameters applied are listed below:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Direct capitalization rate (Net)	1.52%~4.65%	1.33%~4.65%
Profit rate	18.00%~22.00%	23.00%
Capital interest rate	1.86%~2.56%	1.85%~2.61%

External appraisers apply market extraction method and collect the information of the transaction in the neighborhood which the objects' characteristics are similar to the target real estate. They also consider the market liquidity and risk premium of future disposal to determine the direct capitalization rate and discount rate.

The primary operation of investment properties is operating lease. Please refer to Notes 6 (q). The content of lease contracts is the same as that in general lease.

As of December 31, 2021 and 2020, all investment properties are not pledged.

(1) Property, plant and equipment

	<u>Land</u>	<u>Buildings and constructions</u>	<u>Machinery and computer equipment</u>	<u>Other equipment</u>	<u>Prepayment for purchases of equipment, and construction in progress</u>	<u>Leasehold improvements</u>	<u>Total</u>
Cost or deemed cost							
Balance, January 1, 2021	\$ 3,383,763	1,817,113	822,406	266,947	233,764	209,968	6,733,961
Purchase	9,744	14,435	102,152	19,813	585,383	18,145	749,672
Transferred from investment property	997,140	114,277	-	-	-	-	1,111,417
Transferred from prepayment for purchases of equipment, and construction in progress	142,242	3,257	31,542	476	-	444	177,961
Transferred to investment property	(5,376)	(19,743)	-	-	-	-	(25,119)
Disposal	-	(536,361)	(6,240)	(15,319)	-	(6,065)	(563,985)
Reclassified to land	-	-	-	-	(142,242)	-	(142,242)
Reclassified to buildings and constructions	-	-	-	-	(3,257)	-	(3,257)
Reclassified to leasehold improvements	-	-	-	-	(444)	-	(444)
Reclassified to machinery and computer equipment	-	-	-	-	(31,542)	-	(31,542)
Reclassified to other equipment	-	-	-	-	(476)	-	(476)
Transferred to expenses	-	-	(13)	-	(1,097)	-	(1,110)
Effect of changes in foreign exchange rates	-	(2,856)	(468)	(880)	(7)	(649)	(4,860)
Balance, December 31, 2021	<u>\$ 4,527,513</u>	<u>1,390,122</u>	<u>949,379</u>	<u>271,037</u>	<u>640,082</u>	<u>221,843</u>	<u>7,999,976</u>

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

	<u>Land</u>	<u>Buildings and constructions</u>	<u>Machinery and computer equipment</u>	<u>Other equipment</u>	<u>Prepayment for purchases of equipment, and construction in progress</u>	<u>Leasehold improvements</u>	<u>Total</u>
Balance, January 1, 2020	\$ 2,021,786	1,777,165	782,429	268,112	174,929	201,140	5,225,561
Purchase	1,180,770	24,150	35,672	14,083	188,471	8,887	1,452,033
Transferred from investment property	80,888	27,214	-	-	-	-	108,102
Transferred from prepayment for purchase of equipment, and construction in progress	104,386	2,685	21,405	-	-	1,184	129,660
Transferred from leasehold improvements	-	-	-	111	-	-	111
Transferred to investment property	(3,336)	(16,768)	-	-	-	-	(20,104)
Disposal	(731)	-	(18,017)	(14,563)	-	(1,192)	(34,503)
Reclassified to land	-	-	-	-	(104,386)	-	(104,386)
Reclassified to buildings and constructions	-	-	-	-	(2,685)	-	(2,685)
Reclassified to leasehold improvements	-	-	-	-	(1,184)	-	(1,184)
Reclassified to machinery and computer equipment	-	-	-	-	(21,405)	-	(21,405)
Reclassified to other equipment	-	-	-	-	-	(111)	(111)
Effect of changes in foreign exchange rates	-	2,667	917	(796)	24	60	2,872
Balance, December 31, 2020	<u>\$ 3,383,763</u>	<u>1,817,113</u>	<u>822,406</u>	<u>266,947</u>	<u>233,764</u>	<u>209,968</u>	<u>6,733,961</u>
Depreciation and impairment loss							
Balance, January 1, 2021	\$ -	762,294	645,533	220,277	-	170,621	1,798,725
Depreciation for the year	-	49,592	72,721	14,613	-	19,366	156,292
Transferred to investment property	-	(3,374)	-	-	-	-	(3,374)
Disposal	-	(289,314)	(6,019)	(14,653)	-	(5,692)	(315,678)
Effect of changes in foreign exchange rates	-	(233)	(340)	(636)	-	(444)	(1,653)
Balance, December 31, 2021	<u>\$ -</u>	<u>518,965</u>	<u>711,895</u>	<u>219,601</u>	<u>-</u>	<u>183,851</u>	<u>1,634,312</u>
Balance, January 1, 2020	\$ -	713,202	598,504	217,779	-	151,526	1,681,011
Depreciation for the year	-	52,935	63,783	16,059	-	19,519	152,296
Transferred from leasehold improvements	-	-	-	111	-	-	111
Transferred to investment property	-	(4,091)	-	-	-	-	(4,091)
Disposal	-	-	(17,369)	(12,995)	-	(486)	(30,850)
Reclassified to other equipment	-	-	-	-	-	(111)	(111)
Effect of changes in foreign exchange rates	-	248	615	(677)	-	173	359
Balance, December 31, 2020	<u>\$ -</u>	<u>762,294</u>	<u>645,533</u>	<u>220,277</u>	<u>-</u>	<u>170,621</u>	<u>1,798,725</u>
Carrying amount:							
Balance, December 31, 2021	<u>\$ 4,527,513</u>	<u>871,157</u>	<u>237,484</u>	<u>51,436</u>	<u>640,082</u>	<u>37,992</u>	<u>6,365,664</u>
Balance, January 1, 2020	<u>\$ 2,021,786</u>	<u>1,063,963</u>	<u>183,925</u>	<u>50,333</u>	<u>174,929</u>	<u>49,614</u>	<u>3,544,550</u>
Balance, December 31, 2020	<u>\$ 3,383,763</u>	<u>1,054,819</u>	<u>176,873</u>	<u>46,670</u>	<u>233,764</u>	<u>39,347</u>	<u>4,935,236</u>

The Company and its subsidiaries elected to apply the previous GAAP revaluation as the deemed cost on the transition date when adopting IFRSs endorsed by FSC. As of December 31, 2021 and 2020, the revaluation increment which is included in the cost amounted to \$630,021 on all dates.

As of December 31, 2021 and 2020, the property, plant and equipment of the Company and its subsidiaries had not been pledged as collateral for their loans.

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

(m) Intangible assets

	<u>Computer software</u>
Costs:	
Balance, January 1, 2021	\$ 899,187
Purchase	114,200
Disposal	(563)
Effect of changes in foreign exchange rates	<u>(854)</u>
Balance, December 31, 2021	<u><u>\$ 1,011,970</u></u>
Balance, January 1, 2020	\$ 712,414
Purchase	188,175
Disposal	(156)
Effect of changes in foreign exchange rates	<u>(1,246)</u>
Balance, December 31, 2020	<u><u>\$ 899,187</u></u>
Accumulated amortization:	
Balance, January 1, 2021	\$ 671,456
Amortization for the year	127,447
Disposal	(563)
Effect of changes in foreign exchange rates	<u>(761)</u>
Balance, December 31, 2021	<u><u>\$ 797,579</u></u>
Balance, January 1, 2020	\$ 576,243
Amortization for the year	96,509
Disposal	(156)
Effect of changes in foreign exchange rates	<u>(1,140)</u>
Balance, December 31, 2020	<u><u>\$ 671,456</u></u>
Carrying amount:	
Balance, December 31, 2021	<u><u>\$ 214,391</u></u>
Balance, January 1, 2020	<u><u>\$ 136,171</u></u>
Balance, December 31, 2020	<u><u>\$ 227,731</u></u>

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

(n) Provisions

	December 31, 2021	December 31, 2020
Decommissioning liabilities	\$ 9,900	-
Employee benefit liabilities	<u>1,228,900</u>	<u>1,472,768</u>
	<u>\$ 1,238,800</u>	<u>1,472,768</u>

(i) Decommissioning liabilities

	Decommissioning liabilities
Balance, January 1, 2021	\$ -
Provisions made during the year	9,894
Unwinding of discount	<u>6</u>
Balance, January 1, 2021	<u>\$ 9,900</u>

(ii) Employee benefit

	December 31, 2021	December 31, 2020
Defined benefit plan	\$ 1,161,916	1,371,723
Pension plan	57,873	101,045
Other long-term employee benefits	<u>9,111</u>	<u>-</u>
Total	<u>\$ 1,228,900</u>	<u>1,472,768</u>

1) Defined benefit plans

The present value of the defined benefit obligations and the fair value adjustments of plan assets for the Company and its subsidiaries were as follows:

	December 31, 2021	December 31, 2020
Present value of defined benefit obligations	\$ 2,353,898	2,337,917
Fair value of plan assets	<u>(1,191,982)</u>	<u>(966,194)</u>
Deficit in the plan	<u>1,161,916</u>	<u>1,371,723</u>
Net defined benefit liabilities (assets)	<u>\$ 1,161,916</u>	<u>1,371,723</u>

The Company and its subsidiaries make defined benefit plans contributions to the pension fund account with Bank of Taiwan that provide pension for employees upon retirement. Plans (covered by the Labor Standards Law) entitle a retired employee to receive an retirement benefits based on years of service and average monthly salary for the six months prior to retirement.

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

a) Composition of plan assets

The Company and its subsidiaries allocate pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with interest rates offered by local banks.

The Company and its subsidiaries' Bank of Taiwan labor pension reserve account balance amounted to \$1,191,982 and \$966,194 as of December 31, 2021 and 2020. For information on the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

b) Movements in present value of the defined benefit obligations

The movements in present value of defined benefit obligations for the Company and its subsidiaries were as follows:

	<u>For the years ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Defined benefit obligation at January 1	\$ 2,337,917	2,289,293
Current serviced costs and interests	24,214	33,607
Remeasurements loss (gain):		
Actuarial gains or losses arising from changes of demographic assumptions	10,046	-
Actuarial gains or losses arising from changes of financial assumptions	(18,748)	112,645
Actuarial gains or losses arising from experience adjustments	94,098	29,843
Benefits paid	(91,246)	(113,180)
Benefits paid by the company	<u>(2,383)</u>	<u>(14,291)</u>
Defined benefit obligation at December 31	<u>\$ 2,353,898</u>	<u>2,337,917</u>

(Continued)

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

c) Movements of defined benefit plan assets

The movements in the present value of the defined plan assets for the Company and its subsidiaries were as follows:

	For the years ended December 31	
	2021	2020
Fair value of plan assets at January 1	\$ 966,194	815,146
Interest income	4,106	7,013
Remeasurements gain		
- Expected return on plan assets, excluding current interest	20,460	23,070
Contributions paid by the employer	292,468	234,145
Benefit paid	(91,246)	(113,180)
Fair value of plan assets at December 31	<u>\$ 1,191,982</u>	<u>966,194</u>

d) Expense recognized in profit or loss

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

	For the years ended December 31	
	2021	2020
Current service cost	\$ 15,081	16,485
Net interest of net liabilities for defined benefit obligations	5,027	10,109
	<u>\$ 20,108</u>	<u>26,594</u>

e) Remeasurement of net defined liability (asset) recognized in other comprehensive income

For the years ended December 31, 2021 and 2020, the remeasurement of net defined liability (asset) recognized accumulatively in other comprehensive income was as follows:

	For the years ended December 31	
	2021	2020
Cumulative amount at January 1	\$ 1,538,117	1,418,699
Recognized during the period	64,936	119,418
Cumulative amount at December 31	<u>\$ 1,603,053</u>	<u>1,538,117</u>

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

f) Actuarial assumptions

The principal actuarial assumptions at the reporting date were as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Discount rate	0.750 %	0.400 %
Future salary increase rate	2.25 %	2.00 %

The expected allocation payment to be made by the Company and its subsidiaries to the defined benefit plans for the one-year period after the reporting date is \$306,300. The weighted average lifetime of the defined benefit plan is 7.6 years.

g) Sensitivity Analysis

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

	<u>Impact on the defined benefit obligations</u>	
	<u>Increase 0.5%</u>	<u>Decrease 0.5%</u>
At December 31, 2021		
Discount rate	(87,312)	92,665
Future salary increase rate	138,100	(43,822)
At December 31, 2020		
Discount rate	(112,383)	120,496
Future salary increase rate	118,077	(111,331)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2021 and 2020.

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

2) Defined contribution plans

The present value of the pension plan obligations and the fair value adjustments of plan assets for the Company and its subsidiaries was as follows:

	<u>December 31,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>
Total present value of obligations	\$ 57,873	101,045
Fair value of plan assets	-	-
Deficit in the plan	<u>57,873</u>	<u>101,045</u>
Recognized defined benefit liabilities	<u>\$ 57,873</u>	<u>101,045</u>

a) Movements in present value of the pension plan obligations

The movements in present value of pension plan obligations for the Company and its subsidiaries were as follows:

	<u>For the years ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Pension plan obligations on January 1	\$ 101,045	43,841
Current serviced costs and interests	2,868	3,462
Remeasurement of net other long-term employee benefit liability		
Actuarial gains or losses arising from changes of demographic assumptions	(46,279)	(9,714)
Actuarial gains or losses arising from changes of financial assumptions	(522)	3,350
Actuarial adjustments arising from experience adjustments	761	60,106
Pension plan obligations on December 31	<u>\$ 57,873</u>	<u>101,045</u>

b) Expense recognized in profit or loss

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

	<u>For the years ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Current service cost	\$ 2,475	3,133
Net interest of pension plan	393	329
Remeasurement of net pension plan	<u>(46,040)</u>	<u>53,742</u>
	<u>\$ (43,172)</u>	<u>57,204</u>

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

c) Actuarial assumptions

The principal actuarial assumptions at the reporting date were as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Discount rate	0.750 %	0.400 %
Future salary increase rate	2.25 %	2.00 %

d) Sensitivity Analysis

For the years ended December 31, 2021 and 2020, the effects of adopting significant actuarial assumptions to pension plan obligations were as follows:

	<u>Impact on the defined benefit obligations</u>	
	<u>Increase 0.5%</u>	<u>Decrease 0.5%</u>
At December 31, 2021		
Discount rate	(2,407)	2,589
Future salary increase rate	3,869	(1,211)
At December 31, 2020		
Discount rate	(4,731)	5,114
Future salary increase rate	4,917	(4,759)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2021 and 2020.

(iii) Defined contribution plan

The Company and its subsidiaries allocate 6% of each employee's monthly wages to the personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Company and its subsidiaries allocate a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligations.

The pension costs incurred from the contributions to the Bureau of the Labor Insurance and labor management agency regulated by the local authority of the subsidiary amounted to \$95,382 and \$96,034 for the years ended December 31, 2021 and 2020, respectively.

(Continued)

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

(o) Insurance liabilities

	December 31, 2021	December 31, 2020
Unearned premium reserve	\$ 30,272,634	27,581,389
Guarantee reserve	471	8,362
Special reserve	6,084,883	6,136,640
Claims reserve	28,102,700	23,863,660
Premium deficiency reserve	<u>265,393</u>	<u>259,275</u>
	<u>64,726,081</u>	<u>57,849,326</u>
Ceded unearned premium reserve	7,857,368	6,622,068
Ceded claim reserve	10,102,557	8,722,261
Ceded premium deficiency reserve	<u>155,928</u>	<u>154,658</u>
	<u>18,115,853</u>	<u>15,498,987</u>
Net	<u>\$ 46,610,228</u>	<u>42,350,339</u>

(Continued)

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

(i) Unearned premium reserve

1) Detail of reserve for unearned premiums and reserve for unearned premiums ceded

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

(Continued)

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

Item	December 31, 2020			
	Unearned premium reserve		Reserve for unearned ceded	
	Direct business	Reinsurance assumed business	Reinsurance ceded business	Retained business
Fire insurance	\$ 1,178,020	7,180	440,821	744,379
Marine cargo insurance	303,762	345	85,487	218,620
Marine hull/Fishing vessel/ Aviation insurance	227,737	4,715	161,797	70,655
Voluntary moto insurance	8,825,338	221,411	480,838	8,565,911
Compulsory moto TPL insurance	2,288,015	748,217	1,372,809	1,663,423
Liability insurance	1,735,544	674	454,686	1,281,532
Engineering and nuclear insurance	2,083,527	27,860	1,511,902	599,485
Surety and credit insurance	117,188	614	81,882	35,920
Other property insurance	413,487	151	246,850	166,788
Personal accident insurance	3,380,889	9,350	42,115	3,348,124
Typhoon, flood and earthquake insurance	1,914,254	42,787	1,220,958	736,083
Personal and commercial multiple peril insurance	543,903	-	15,009	528,894
Health insurance	590,905	-	20,356	570,549
Overseas reinsurance assumed	-	167,404	6,194	161,210
Overseas subsidiaries	1,827,499	920,613	488,817	2,259,295
Less: Accumulated impairment	-	-	(8,453)	8,453
Total	<u>\$ 25,430,068</u>	<u>2,151,321</u>	<u>6,622,068</u>	<u>20,959,321</u>

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

(Continued)

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

- 2) The movements in reserve for unearned premiums and reserve for unearned premiums ceded were as follows:

<u>Item</u>	<u>For the year ended December 31, 2021</u>	
	<u>Unearned premium reserve</u>	<u>Reserve for unearned premiums ceded</u>
Beginning balance	\$ 27,581,389	6,622,068
Provision	30,284,916	7,861,587
Recovery	(27,581,389)	(6,630,521)
Reversal of impairment losses	-	7,586
Other — effect of changes in foreign exchange rates	(12,282)	(3,352)
Ending balance	<u>\$ 30,272,634</u>	<u>7,857,368</u>
	<u>For the year ended December 31, 2020</u>	
<u>Item</u>	<u>Unearned premium reserve</u>	<u>Reserve for unearned premiums ceded</u>
Beginning balance	\$ 25,463,600	6,409,138
Provision	27,584,101	6,647,543
Recovery	(25,463,600)	(6,422,342)
Reversal of impairment losses	-	4,751
Other — effect of changes in foreign exchange rates	(2,712)	(17,022)
Ending balance	<u>\$ 27,581,389</u>	<u>6,622,068</u>

The Company and its subsidiaries provide the reserve for unearned premiums according to the Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises amended by Financial Supervisory Commission, Executive Yuan, Jin Guan Bao Tsai No.10102501561 on February 7, 2012. Under the Regulations, the unearned premiums of effective insurance contracts which have not matured yet or insurance contracts which are not yet effective is calculated in accordance with the unexpired risk for every type of insurance, and the reserve for unearned premiums is also provided accordingly. The method of providing the reserve mentioned above, which is noted in the insurance product application filed with the Authority, is decided by actuaries in according to type of insurance. This method cannot be changed, unless approved by the Authority.

(Continued)

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

Based on local regulations, the reserve for unearned premiums is provided for compulsory automobile liability insurance, nuclear insurance and resident earthquake insurance as follows:

- a) The unearned premium reserve for compulsory private passenger automobile liability is provided based on the Regulations for Deposit and Management of the Reserve of Compulsory Automobile Liability Insurance.
- b) The unearned premium reserve for nuclear insurance is provided based on The Regulations for the Reserve of Nuclear Insurance.
- c) The unearned premium reserve for resident earthquake insurance is provided according to the Enforcement Rules for the Risk Spreading Mechanism for Resident Earthquake Insurance.

(ii) Special reserve

- 1) Special reserve comprises two parts, catastrophe reserve and risk volatility reserve. The provision each year is recognized in special reserve under equity account with the amount deducted by income tax. The amount is calculated based on IAS 12. For the amount which should be written off or reclaimed, the Company and its subsidiaries write off and reclaim it via special reserve under equity account with the amount deducted by income tax. From January 1, 2013, the special reserve provided in liability account is reclassified to special reserve in equity account following the regulation of IAS 12. In accordance with “Notice to Reserve Enforcement of Insurance Companies for Natural Disaster Insurance (Commercial Earthquake Insurance and Typhoon and Flood Insurance)” , Property insurance companies, effective from January 1, 2013, should first fill the special catastrophe reserve and risk volatility reserve for commercial earthquake insurance and typhoon and flood insurance to maximum amount with the special catastrophe reserve and risk volatility reserve, which was in liability account and was provided before December 31, 2012, in the equity account. The amount provided is deducted by income tax. The reserves mentioned (before December 31, 2012) exclude the insurances as below: compulsory automobile liability insurance, nuclear insurance, governmental residential earthquake insurance, commercial earthquake insurance and typhoon and flood insurance.

a) Catastrophe special reserve

Catastrophe special reserve for each line of business shall be determined based on ratios regulated by the Authority.

An event is defined as a catastrophe event if, and only if, (a) the event is announced by the Government; and (b) the net losses caused by the event exceed over NT\$ 2 billion dollars for the whole insurance industry; and (c) the losses caused by the event exceed over NT\$ 30 million dollars for the individual company. The portion of the losses over NT\$ 30 million dollars shall be recovered from catastrophe special reserve.

Catastrophe special reserve can be released after 15 years based on the mechanism decided by the appointed actuary and filed to the Authority.

(Continued)

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

b) Equalization special reserve

If the actual loss, after deducting catastrophe special reserve, is less than the expected loss, an equalization special reserve shall be recognized at 15% of that difference.

In addition, according to Jin Guan Bao Tsai No 10002509161 on June 16, 2011, for commercial earthquake insurance and typhoon and flood insurance, if the actual claim of the retention, deducted by the balance of the insurance written off by catastrophe special reserve, is lower than the expected claim, then a equalization special reserve shall be provided based on 75% of the difference. The expected claim shall not be less than 60% of the expected rate of loss.

If the actual loss, after deducting the catastrophe special reserve recovered for the line of business retention, exceeds the expected loss, the amount of that difference shall be recovered from the equalization special reserve. If the equalization special reserve is insufficient to deduct for a specific line of business, it can be released from other line of business. The amount released and the line of business from which shall follow the related regulations.

If the cumulative equalization special reserve exceeds 60% of the net earned premium, the equalization special reserve shall be released by that difference.

2) Segmentation of specific assets

The Company and its subsidiaries are engaged in compulsory moto TPL insurance (hereinafter referred to as "this insurance") accounting to Compulsory Automobile Liability Insurance Law has independent operations and accounting.

According to the Regulations for Deposit and Management of the Reserve of Compulsory Automobile Liability Insurance Article 5 special reserve provided by the insurer, the insurer shall deposit the reserve with a financial institution as a time deposit or treasury bills. Provided that with the approval of the competent authority, the insurer may purchase the following domestic securities:

- a) Government bonds, not including exchangeable government bonds.
- b) Financial bonds, negotiable certificates of deposit, bankers' acceptances, and commercial paper guaranteed by a financial institution, provided that financial bonds shall be limited to ordinary financial bonds only.

The amount of time deposits and treasury bills placed in a financial institution under the preceding paragraph shall not be less than 30 percent of the total amount of the insurer's retained earned pure premiums for this insurance in the most recent period, as audited or reviewed by a certified public accountant. The competent authority may raise that percentage to a level it deems appropriate based on the insurer's operational status.

(Continued)

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

If the balance of the insurer's special reserve is less than 30 percent of the total amount of the insurer's retained earned pure premiums for this insurance in the most recent period, as audited or reviewed by a certified public accountant, then the full amount of its special reserve shall be deposited in a financial institution as a time deposit or treasury bills.

According to article 6 of the "Regulations for Deposit and Management of the Reserve of Compulsory Automobile Liability Insurance", except for the special reserve provided as prescribed in the preceding article, funds held by an insurer for this insurance shall be deposited in a financial institution in the form of demand deposits and time deposits, provided that with the approval of the competent authority, an insurer may purchase any of the following domestic securities:

- a) Treasury bills.
- b) Negotiable certificates of deposit, bankers' acceptances, and commercial paper guaranteed by a financial institution.
- c) Government bonds in a repo transaction.

The amount of demand deposits deposited in financial institutions under the first paragraph shall not be less than 45 percent of the balance remaining after subtracting the amount of special reserves from the amount of funds held by the insurer due to the operation of this insurance, or less than 30 percent of the retained earned pure premium for the most recent period as audited or reviewed by a certified public accountant. The competent authority may raise the percentage of deposits required by the insurer to a level it deems appropriate based on the insurer's operational status.

If the total amount of unearned premium reserve and loss reserve of the insurer with respect to this insurance is less than 30 percent of the retained earned pure premiums of this Insurance for the most recent period as audited or reviewed by a certified public accountant, the funds held by the insurer through its conduct of this Insurance shall be deposited in full with a financial institution in the form of deposits.

Accounting to the Regulations for Deposit and Management of the Reserve of Compulsory Automobile Liability Insurance Article 11 when an insurer suspends business operations or terminates its operation of this Insurance, the various reserves for this Insurance shall be transferred into the various reserves provided for handling of this Insurance by the other insurer that assumes the business.

When an insurer has been duly ordered to suspend business and undergo rehabilitation, ordered to dissolve, or its permission to operate this Insurance business has been revoked, and no other insurer is to assume this Insurance business, and there is no outstanding liability under this insurance and the balance of the special reserve is positive, the assets corresponding to the special reserve shall be transferred to the Motor Vehicle Accident Compensation Fund.

(Continued)

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

- 3) The special reserve for compulsory private passenger auto liability, compulsory commercial auto liability and compulsory motorcycle liability were provided based on the Regulations for Deposit and Management of the Reserve of Compulsory Automobile Liability Insurance and Jin Guan Bao Yi No.11004107771.
- 4) Special reserve – compulsory moto TPL insurance

Item	For the years ended December 31,	
	2021	2020
Beginning balance	\$ 333,473	675,379
Provision	340,820	18,796
Recovery	(392,577)	(360,702)
Ending balance	<u>\$ 281,716</u>	<u>333,473</u>

- 5) Special reserve – non-compulsory auto liability insurance

Item	For the year ended December 31, 2021						
	Liabilities			Special reserve			
	Catastrophe	Dangerous change	Total	Catastrophe	Dangerous change	Travel-safety insurance	Total
Beginning	\$ 314,980	5,488,187	5,803,167	3,177,525	6,295,514	-	9,473,039
Provision	-	-	-	544,680	955,388	5,054	1,505,122
Recovered	-	-	-	-	(217,109)	-	(217,109)
Ending balance	<u>\$ 314,980</u>	<u>5,488,187</u>	<u>5,803,167</u>	<u>3,722,205</u>	<u>7,033,793</u>	<u>5,054</u>	<u>10,761,052</u>

Item	For the year ended December 31, 2020						
	Liabilities			Special reserve			
	Catastrophe	Dangerous change	Total	Catastrophe	Dangerous change	Travel-safety insurance	Total
Beginning	\$ 315,455	5,488,187	5,803,642	2,774,719	5,635,543	-	8,410,262
Provision	-	-	-	402,806	818,827	-	1,221,633
Recovered	(475)	-	(475)	-	(158,856)	-	(158,856)
Ending balance	<u>\$ 314,980</u>	<u>5,488,187</u>	<u>5,803,167</u>	<u>3,177,525</u>	<u>6,295,514</u>	<u>-</u>	<u>9,473,039</u>

Note: The special reserve above covers all the insurances except for the special reserve for compulsory automobile liability insurance, which was recognized before January 1, 2011.

- 6) The special reserve for nuclear insurance was provided based on the Regulations for the Reserve of Nuclear Insurance.
- 7) Resident earthquake insurance was based on the Regulations for Danger Diversified Mechanism for Resident Earthquake Insurance.
- 8) Travel-safety insurance was based on Jin Guan Bao Yi No. 10904939031.

(Continued)

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

(iii) Claim reserve

1) Liabilities for claims are to be paid, reported but unpaid and incurred but not reported.

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

(Continued)

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

Item	December 31, 2020				
	Note payable (claims)	Claims payable	Claim reserve		
	Reported to be paid	Reported but unpaid	IBNR	Total	
Fire insurance	\$ -	316	4,058,442	26,923	4,085,365
Marine cargo insurance	-	2,690	727,722	148,438	876,160
Marine hull/ Fishing vessel/Aviation insurance	-	14	278,713	130,150	408,863
Voluntary moto insurance	-	2,017	4,377,280	983,165	5,360,445
Compulsory moto TPL insurance	-	16,635	884,510	3,058,721	3,943,231
Liability insurance	-	5,492	1,715,276	744,477	2,459,753
Engineering and nuclear insurance	-	375	659,601	176,628	836,229
Surety and credit insurance	-	17	134,712	34,046	168,758
Other property insurance	-	42	145,938	124,048	269,986
Personal accident insurance	-	12,789	319,557	1,242,901	1,562,458
Typhoon, flood and earthquake insurance	-	4,148	151,225	204,912	356,137
Personal and commercial multiple peril insurance	-	95	37,307	89,524	126,831
Health insurance	-	2,927	47,018	146,449	193,467
Overseas reinsurance assumed	-	-	460,545	32,262	492,807
Overseas subsidiaries	-	3,240	1,661,274	1,061,896	2,723,170
Total	<u>\$ -</u>	<u>50,797</u>	<u>15,659,120</u>	<u>8,204,540</u>	<u>23,863,660</u>

(Continued)

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

- 2) Reinsurance assets - the insurance ceded business for the policy holders with reported but unpaid claims or unreported claims

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

(Continued)

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

Item	December 31, 2020		
	Reported but unpaid	IBNR	Total
Fire insurance	\$ 3,064,347	9,635	3,073,982
Marine cargo insurance	421,058	69,170	490,228
Marine hull/ Fishing vessel/ Aviation insurance	227,872	108,035	335,907
Voluntary moto insurance	174,532	30,648	205,180
Compulsory moto TPL insurance	321,255	1,442,555	1,763,810
Liability insurance	801,176	180,616	981,792
Engineering and nuclear insurance	217,650	124,030	341,680
Surety and credit insurance	83,285	25,691	108,976
Other property insurance	93,085	80,809	173,894
Personal accident insurance	2,193	6,061	8,254
Typhoon, flood and earthquake insurance	78,290	146,167	224,457
Personal and commercial multiple peril insurance	508	6,351	6,859
Health insurance	603	4,945	5,548
Overseas reinsurance assumed	15,437	96	15,533
Overseas subsidiaries	540,805	459,869	1,000,674
Less: Accumulated impairment	<u>(12,526)</u>	<u>(1,987)</u>	<u>(14,513)</u>
Total	<u>\$ 6,029,570</u>	<u>2,692,691</u>	<u>8,722,261</u>

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

(Continued)

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

3) Movements in claim reserve and claim ceded reserve

<u>Item</u>	<u>For the year ended December 31, 2021</u>	
	<u>Claim reserve</u>	<u>Claim reserve ceded</u>
Beginning balance	\$ 23,863,660	8,722,261
Provision	28,114,595	10,110,194
Recovery	(23,863,660)	(8,736,774)
Reversal of impairment loss	-	12,866
Other-effect of changes in foreign exchange rates	(11,895)	(5,990)
Ending balance	<u>\$ 28,102,700</u>	<u>10,102,557</u>

<u>Item</u>	<u>For the year ended December 31, 2020</u>	
	<u>Claim reserve</u>	<u>Claim reserve ceded</u>
Beginning balance	\$ 21,385,347	7,378,843
Provision	23,846,071	8,732,123
Recovery	(21,385,347)	(7,421,731)
Reversal of impairment loss	-	28,375
Other-effect of changes in foreign exchange rates	17,589	4,651
Ending balance	<u>\$ 23,863,660</u>	<u>8,722,261</u>

(Continued)

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

- 4) Acquisition of non-insurance assets from exercising the right of retrieve-salvage and subrogation

Item	For the years ended December 31,	
	2021	2020
Fire insurance	\$ 8,667	5,342
Marine cargo insurance	48,271	26,563
Marine hull/ Fishing vessel/ Aviation insurance	6,439	1,374
Voluntary moto insurance	1,137,840	1,204,270
Compulsory moto TPL insurance	250,389	234,932
Liability insurance	29,597	48,718
Engineering and nuclear insurance	3,784	20,378
Surety and credit insurance	21,668	36,298
Other property insurance	1,711	276
Personal accident insurance	2,026	2,379
Personal and commercial multiple peril insurance	2,049	370
Typhoon, flood and earthquake insurance	475,479	15
Health insurance	108	121
Overseas reinsurance assumed	-	-
Overseas subsidiaries	<u>20,596</u>	<u>9,976</u>
Total	<u>\$ 2,008,624</u>	<u>1,591,012</u>

The Company provides claims reserve according to the Regulations Governing the Provision of Various Reserves by Insurance Enterprises amended by Financial Supervisory Commission, Executive Yuan, Jin Guan Bao Tsai No.10102501561 on February 7, 2012. Non-life insurance companies should calculate the claims reserve divided into reported but unpaid claims and IBNR based on the past claim experience and payments, using the actuary methodology. Regarding to the claims reserve for reported but not paid, it should be estimated based on actual situation by each case. The claim reserve has been provided, return at final accounting in next year, and then provide it according to actual final accounting data in that very year.

The methodology for providing claims reserve is decided by actuaries and reported to the authority. If there is any change, it should adopt the same procedures as fore-mentioned.

(Continued)

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

(iv) Liability reserve

- 1) The formula for calculating liability reserve is reported to the authority and the current interest rate is used for discounting purposes of calculating the present value of the liability reserve.
- 2) Movements in liability reserve and liability-ceded reserve:

Item	For the years ended December 31,			
	2021		2020	
	Liability reserve	Liability reserve ceded	Liability reserve	Liability reserve ceded
Beginning balance	\$ 8,362	-	26,715	-
Provision	15	-	253	-
Principal returned	(7,906)	-	(18,606)	-
Ending balance	<u>\$ 471</u>	<u>-</u>	<u>8,362</u>	<u>-</u>

(v) Premium deficiency reserve

- 1) Premium deficiency reserve

Item	December 31, 2021			
	Premium deficiency reserve		Premium deficiency reserve ceded	
	Direct business	Reinsurance ceded-in	Reinsurance ceded-out	Retention
Fire insurance	\$ 96,794	403	19,312	77,885
Marine cargo insurance	-	-	-	-
Marine hull/ Fishing vessel/ Aviation insurance	8,511	-	-	8,511
Voluntary moto insurance	-	-	-	-
Compulsory moto TPL insurance	-	-	-	-
Liability insurance	-	-	-	-
Engineering and nuclear insurance	-	-	-	-
Surety and credit insurance	-	-	-	-
Other property insurance	-	-	-	-
Personal accident insurance	-	-	-	-
Typhoon, flood and earthquake insurance	-	-	-	-
Personal and commercial multiple peril insurance	-	-	-	-
Health insurance	-	-	-	-
Overseas reinsurance assumed	-	1,888	-	1,888
Overseas subsidiaries	<u>31,692</u>	<u>126,105</u>	<u>136,616</u>	<u>21,181</u>
Total	<u>\$ 136,997</u>	<u>128,396</u>	<u>155,928</u>	<u>109,465</u>

(Continued)

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

December 31, 2020				
Item	Premium deficiency reserve		Premium deficiency reserve ceded	Retention
	Direct business	Reinsurance ceded-in	Reinsurance ceded-out	
Fire insurance	\$ 59,612	474	5,616	54,470
Marine cargo insurance	-	-	-	-
Marine hull/ Fishing vessel/ Aviation insurance	19,093	-	-	19,093
Voluntary moto insurance	-	-	-	-
Compulsory moto TPL insurance	-	-	-	-
Liability insurance	-	-	-	-
Engineering and nuclear insurance	-	-	-	-
Surety and credit insurance	-	-	-	-
Other property insurance	-	-	-	-
Personal accident insurance	-	-	-	-
Typhoon, flood and earthquake insurance	-	-	-	-
Personal and commercial multiple peril insurance	-	-	-	-
Health insurance	-	-	-	-
Overseas reinsurance assumed	-	717	-	717
Overseas subsidiaries	39,529	139,850	149,042	30,337
Total	<u>\$ 118,234</u>	<u>141,041</u>	<u>154,658</u>	<u>104,617</u>

(Continued)

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

2) The net change of premium deficiency reserve and premium deficiency reserve ceded

Item	For the year ended December 31, 2021									
	Direct underwrite		Reinsurance ceded-in		The net change of premium deficiency	Reinsurance ceded-out		The net change of premium ceded deficiency	Net deposit of premium deficiency reserve	
	Provision	Recovery	Provision	Recovery		Provision	Recovery			
Fire insurance	\$ 96,794	59,612	403	474	37,111	19,312	5,616	13,696	23,415	
Marine cargo insurance	-	-	-	-	-	-	-	-	-	
Marine hull/ Fishing vessel/ Aviation insurance	8,511	19,093	-	-	(10,582)	-	-	-	(10,582)	
Voluntary moto insurance	-	-	-	-	-	-	-	-	-	
Compulsory moto TPL insurance	-	-	-	-	-	-	-	-	-	
Liability insurance	-	-	-	-	-	-	-	-	-	
Engineering and nuclear insurance	-	-	-	-	-	-	-	-	-	
Surety and credit insurance	-	-	-	-	-	-	-	-	-	
Other property insurance	-	-	-	-	-	-	-	-	-	
Personal accident insurance	-	-	-	-	-	-	-	-	-	
Typhoon, flood and earthquake insurance	-	-	-	-	-	-	-	-	-	
Personal and commercial multiple peril insurance	-	-	-	-	-	-	-	-	-	
Health insurance	-	-	-	-	-	-	-	-	-	
Overseas reinsurance assumed	-	-	1,888	717	1,171	-	-	-	1,171	
Overseas subsidiaries	31,704	39,533	125,877	137,342	(19,294)	136,370	146,369	(9,999)	(9,295)	
Other—effect of changes in foreign exchange rate	(12)	(4)	228	2,508	(2,288)	(2,797)	(147)	(2,650)	362	
Total	\$ 136,997	118,234	128,396	141,041	6,118	152,885	151,838	1,047	5,071	

Item	For the year ended December 31, 2020									
	Direct underwrite		Reinsurance ceded-in		The net change of premium deficiency	Reinsurance ceded-out		The net change of premium ceded deficiency	Net deposit of premium deficiency reserve	
	Provision	Recovery	Provision	Recovery		Provision	Recovery			
Fire insurance	\$ 59,612	67,131	474	-	(7,045)	5,616	-	5,616	(12,661)	
Marine cargo insurance	-	1,544	-	-	(1,544)	-	-	-	(1,544)	
Marine hull/ Fishing vessel/ Aviation insurance	19,093	26,605	-	254	(7,766)	-	12,094	(12,094)	4,328	
Voluntary moto insurance	-	-	-	-	-	-	-	-	-	
Compulsory moto TPL insurance	-	-	-	-	-	-	-	-	-	
Liability insurance	-	-	-	-	-	-	-	-	-	
Engineering and nuclear insurance	-	-	-	-	-	-	-	-	-	
Surety and credit insurance	-	-	-	-	-	-	-	-	-	
Other property insurance	-	-	-	-	-	-	-	-	-	
Personal accident insurance	-	-	-	-	-	-	-	-	-	
Typhoon, flood and earthquake insurance	-	-	-	-	-	-	-	-	-	
Personal and commercial multiple peril insurance	-	-	-	-	-	-	-	-	-	
Health insurance	-	-	-	-	-	-	-	-	-	
Overseas reinsurance assumed	-	-	717	-	717	-	-	-	717	
Overseas subsidiaries	39,533	70,589	137,342	317,640	(211,354)	146,369	337,540	(191,171)	(20,183)	
Other—effect of changes in foreign exchange rate	(4)	(2,231)	2,508	(10,819)	15,554	(147)	(13,459)	13,312	2,242	
Total	\$ 118,234	163,638	141,041	307,075	(211,438)	151,838	336,175	(184,337)	(27,101)	

(Continued)

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

- 3) Movements in net premium deficiency reserve net premium deficiency ceded reserve net change

<u>Item</u>	<u>For the year ended December 31, 2021</u>	
	<u>Premium deficiency reserve</u>	<u>Ceding premium deficiency reserve</u>
Beginning balance	\$ 259,275	154,658
Provision	266,195	156,507
Recovery	(259,275)	(154,658)
Other — effect of changes in foreign exchange rates	(802)	(579)
Ending balance	<u>\$ 265,393</u>	<u>155,928</u>
	<u>For the year ended December 31, 2020</u>	
<u>Item</u>	<u>Premium deficiency reserve</u>	<u>Ceding premium deficiency reserve</u>
Beginning balance	\$ 470,713	338,138
Provision	260,384	154,910
Recovery	(470,713)	(338,138)
Other — effect of changes in foreign exchange rates	(1,109)	(252)
Ending balance	<u>\$ 259,275</u>	<u>154,658</u>

The Company and its subsidiaries provide Premium deficiency reserve according to the Regulations Governing the Provision of Various Reserves by Insurance Enterprises amended by Financial Supervisory Commission, Executive Yuan, Jin Guan Bao Tsai No.10102501561 on February 7, 2012. Non-life insurance companies should evaluate the claim payments and expense which will be incurred in the future and compare the fore-mentioned expenditures to the premium based on insurance policy without expiration or the accepting risk which is not terminative. If the expenditures are lower than the premium, non-life insurance companies should provide the differences as the premium deficiency reserve. The methodology for providing premium deficiency reserve is decided by actuaries and reported to the Authority. If there is any change, it should adopt the same procedures as the afore-mentioned. The Company and its subsidiaries reported its methodology for providing premium deficiency reserve on December 9, 2019 and obtained the approval issued by Financial Supervisory Commission, Executive Yuan, Jin Guan Bao Yi No.1080439733.

(Continued)

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

(p) Lease liabilities

The future minimum lease payments of the Company and its subsidiaries' lease liabilities were as follows:

	<u>December 31,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>
Less than one year	\$ 238,514	87,360
Between one and five years	692,894	131,797
More than five years	<u>2,100</u>	<u>4,379</u>
	<u>\$ 933,508</u>	<u>223,536</u>

For the years ended December 31, 2021 and 2020, the Company and its subsidiaries recognized its lease liabilities amounting to \$785,982 and \$123,824, respectively with an interest rate of 1.42%~9.00% and 1.42%~9.00%, respectively. The lease liabilities are due from December 31, 2022 to December 9, 2026 and from October 31, 2020 to May 31, 2030.

The amounts recognized in profit or loss were as follows:

	<u>For the years ended December 31,</u> <u>2021</u>	<u>2020</u>
Interest on lease liabilities	<u>\$ 17,320</u>	<u>6,634</u>
Variable lease payments not included in the measurement of lease liabilities	<u>\$ 36,359</u>	<u>34,401</u>
Expenses relating to short-term leases	<u>\$ 43,421</u>	<u>46,100</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	<u>\$ 57,834</u>	<u>46,867</u>

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

	<u>For the years ended December 31,</u> <u>2021</u>	<u>2020</u>
Total cash outflow for leases	<u>\$ 280,423</u>	<u>249,726</u>

(i) Real estate leases

The Company and its subsidiaries lease buildings for their office space. The leases of office space typically run for a period for 2 to 10 years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

(Continued)

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

(ii) Other leases

The Company and its subsidiaries lease vehicles and equipment, with lease terms of 2 to 8 years.

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

(q) Operating leases

(i) Leases as lessor

The Company and its subsidiaries lease out their investment property. The Company and its subsidiaries have classified these leases as operating leases, because it does not transfer substantially all of the risks and rewards incidental to the ownership of the assets. Please refer to Note 6(k).

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

	December 31, 2021	December 31, 2020
Less than one year	\$ 307,933	342,354
One to two years	258,243	193,189
Two to three years	136,233	146,290
Three to four years	26,003	33,777
Four to five years	14,853	17,594
More than five years	<u>42,541</u>	<u>31,317</u>
	<u>\$ 785,806</u>	<u>764,521</u>

(r) Capital and other equity

(i) Share capital

As of December 31, 2021 and 2020, the Company's authorized capital amount are both \$20,000,000, and the face value of each share is \$10, total shares outstanding amounted to 2,000,000 thousand shares. The paid-in capitals were amounted to \$3,178,396.

(Continued)

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

(ii) Capital surplus

The details of this account were as follows:

	December 31, 2021	December 31, 2020
Additional paid-in capital	\$ 5,911,934	5,818,907
Adjustment of capital increase of the subsidiaries	115,501	115,501
Changes in ownership interests in subsidiaries	<u>150,954</u>	<u>308,068</u>
Total	<u>\$ 6,178,389</u>	<u>6,242,476</u>

According to Company Act, capital surplus should be offset a deficit when legal reserve is not sufficient to offset losses, and then be capitalized or issuing cash dividends. According to “Regulations Governing the Offering and Issuance of Securities by Securities Issuers”, the amount of additional paid-in capital to be used to increase capital shall not exceed 10% of total paid-in capital.

Share-based payment

The parent company- Fubon Financial Holding Company managed the cash increase in common stocks and Series C preferred shares for the year ended December 31, 2021. In accordance with the Company Act Article 267-1, 10% of the issuance of new shares should be reserved for the employees of the Holding Company and its qualifying subsidiaries. The Company’s share-based payment transactions are as follows:

<u>Agreement type</u>	<u>Grant date</u>	<u>Number of shares granted (thousand shares)</u>	<u>Vesting conditions</u>
Cash capital increase reserved for employee subscription (Common stocks)	2021/9/11	4,971	Vesting immediately
Cash capital increase reserved for employee subscription (Series C preferred shares)	2021/9/11	715	Vesting immediately

The capital surplus generated by the Company’s share-based payment transaction for the year ended December 31, 2021 was \$93,027.

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

(iii) Retained earnings

1) Legal reserve

The Company's Articles of Incorporation requires that 20% of the annual income after tax shall be provided as legal reserve until it is equal to the paid in capital. The Company is able to issue new stock or cash dividend from legal reserve if there is no deficit as long as the legal reserve is over 25% of the paid in capital.

2) Special reserve

Under the Company's Articles of Incorporation, a special reserve equal to current year shareholders' equity contra account, is provided from current year's net income and prior years' inappropriate retained earnings. If a reversal of shareholders' equity contra account occurs, the reversed portion of the special reserve could be distributed as dividends.

3) Undistributed retained earnings appropriated

Under the Company's Articles of Incorporation, the Company's net income after deduction of income tax and losses (if any), should provide 20% as legal reserve, and then the remaining sum shall be used to provide special reserve according to Insurance Act and regulations of various reserve provision and the special reserve shall be written off or recovered per relevant rules. The remaining balance may be distributed as dividend according to the resolution of the shareholders' meeting.

The resolution of the shareholders' meeting held on April 23, 2021 and April 21, 2020 and decided the distribution of retained earnings for the years ended December 31, 2020 and 2019. The details of remuneration paid to directors and supervisors were as follows:

	For the years ended December 31,	
	2020	2019
Dividends distributed to ordinary shareholders		
Cash	\$ 4,256,876	3,153,549

The relevant information about the employee bonuses remuneration paid to directors and supervisors, which were approved by the board of directors and under the consent of the shareholders' meeting, can be obtained on the website of Market Observation Post System.

(Continued)

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

4) Other equity items

The movements in other equity items were as follows:

	Exchange difference on translation of foreign financial statements	Gain or loss on financial assets measured at fair value through other comprehensive income	Revaluation surplus	Other comprehensive income on reclassification under the overlay approach	Total
Balance at January 1, 2021	\$ (134,941)	2,130,639	214,861	5,507,173	7,717,732
Foreign exchange differences (after-tax-amount)	(21,685)	-	-	-	(21,685)
Share of other comprehensive income of associates and joint ventures accounted for using equity method	-	6,826	-	(726)	6,100
Gains or losses on valuation of financial assets measured at fair value through other comprehensive income	-	(92,215)	-	-	(92,215)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	687,354	-	-	687,354
Revaluation increment	-	-	12,064	-	12,064
Other comprehensive income on reclassification under the overlay approach	-	-	-	2,096,826	2,096,826
Others	-	-	(3,067)	-	(3,067)
Balance at December 31, 2021	<u>\$ (156,626)</u>	<u>2,732,604</u>	<u>223,858</u>	<u>7,603,273</u>	<u>10,403,109</u>
Balance at January 1, 2020	\$ (94,919)	841,096	211,689	5,416,779	6,374,645
Foreign exchange differences (after-tax-amount)	(40,022)	-	-	-	(40,022)
Share of other comprehensive income of associates and joint ventures accounted for using equity method	-	(2,270)	-	8,905	6,635
Gains or losses on valuation of financial assets measured at fair value through other comprehensive income	-	1,095,837	-	-	1,095,837
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	195,976	-	-	195,976
Revaluation increment	-	-	3,172	-	3,172
Other comprehensive income on reclassification under the overlay approach	-	-	-	81,489	81,489
Balance at December 31, 2020	<u>\$ (134,941)</u>	<u>2,130,639</u>	<u>214,861</u>	<u>5,507,173</u>	<u>7,717,732</u>

(Continued)

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

(s) Employee compensation

Under the Company's Articles of Incorporation, if the Company profits, 0.1% to 5.0% of the Company's profit shall be distributed as employees' compensation. However, the company's accumulated losses shall have been covered. Qualification requirements of employees entitled to receive cash including the employees of subsidiaries of the company should meet certain specific requirements set by the board of directors.

The employee compensation that the Company estimates are \$37,552 and \$31,000 for the years ended December 31, 2021 and 2020, respectively. The estimation of employees' remuneration is based on the net income before tax, before minus employees' compensation, multiply the ratio specified in the Articles of Incorporation, and recognized as operating expenses.

The employee compensation that the Company estimated and actual number in 2020 did not have any difference. The related information can be obtained on the website of Market Observation Post System.

(t) Income tax

(i) Income tax expense

The components of income tax expense in the years 2021 and 2020 were listed below:

	For the years ended December 31,	
	2021	2020
Current income tax expense		
Current period	\$ 725,025	744,481
Adjustment for prior periods	(33,098)	(18,974)
	<u>691,927</u>	<u>725,507</u>
Deferred income tax expenses		
Origination and reversal of temporary differences	(2,766)	(103,719)
Income tax expense	<u><u>\$ 689,161</u></u>	<u><u>621,788</u></u>

(Continued)

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

- (ii) The details of income tax expense (benefit) recognized under other comprehensive income for the years ended December 31, 2021 and 2020 were as follows:

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Items that will not be reclassified subsequently to profit or loss:		
Revaluation gains or losses on investments in equity instruments measured at fair value through other comprehensive income	\$ 111,707	(6,313)
Remeasurement from defined benefit plans	(12,987)	(23,884)
Revaluation surplus	<u>101</u>	<u>300</u>
	<u>\$ 98,821</u>	<u>(29,897)</u>
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign financial statements	\$ (5,421)	(10,006)
Unrealized gains (losses) on debt instruments at fair value through other comprehensive income	(141,439)	203,015
Other comprehensive income on reclassification under the overlay approach	(48,545)	38,385
	<u>\$ (195,405)</u>	<u>231,394</u>

Reconciliation of income tax and profit before tax for the years ended December 31, 2021 and 2020 were as follows:

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Profit excluding income tax	<u>\$ 7,891,246</u>	<u>5,881,261</u>
Income tax calculated on net income	1,513,595	1,266,866
Tax-exempt securities transaction (income) loss	(700,617)	(533,279)
Loss of foreign investment	(135,892)	(17,243)
Tax-exempt Cash dividend	(114,392)	(126,575)
Underestimated (overestimated) prior income tax	(33,098)	(18,974)
Income basic tax	116,841	37,207
Other	<u>42,724</u>	<u>13,786</u>
	<u>\$ 689,161</u>	<u>621,788</u>

(Continued)

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

(iii) Deferred tax assets and liabilities

Changing of deferred tax assets and liabilities for the years ended December 31, 2021 and 2020 were as follows:

	For the year ended December 31, 2021			
	Beginning of the period	Recognized in profit or loss	Recognized in other comprehensive income	End of the period
Temporary difference				
Allowance for bad debt exceeding limit	\$ 15,340	(3,978)	-	11,362
Unrealized exchange losses (gains)	(266,218)	69,299	-	(196,919)
(Gains) losses on financial assets valuation	(90,095)	36,792	-	(53,303)
Losses on investment under equity method	415,090	(48,574)	-	366,516
Impairment loss	74,976	(3,752)	-	71,224
Reserve for land increment tax	(637,842)	(7,197)	-	(645,039)
Effect of investment property	(218,034)	(11,897)	-	(229,931)
Employee benefit liabilities — the difference of pension contribution	(11,362)	(61,761)	-	(73,123)
Employee benefit liability — non-leave to be paid	33,838	309	-	34,147
Other	-	33,491	-	33,491
Right-of-use assets-decommissioning costs	-	34	-	34
Employee benefit liability — remeasurement from defined benefit plans	271,825	-	12,987	284,812
Unrealized losses (gains) on financial assets at fair value through other comprehensive income — equity instruments	111,707	-	(111,707)	-
Unrealized losses (gains) on financial assets at fair value through other comprehensive income — debt instruments	(437,824)	-	141,439	(296,385)
Other comprehensive income through overlay approach	25,338	-	48,545	73,883
Exchange differences on translation of foreign financial statements	33,736	-	5,421	39,157
Revaluation surplus	(300)	-	(101)	(401)
	<u>\$ (679,825)</u>	<u>2,766</u>	<u>96,584</u>	<u>(580,475)</u>
Information presented in the balance sheet is as follows:				
Deferred tax assets	\$ 981,850			914,626
Deferred tax liabilities	(1,661,675)			(1,495,101)
Total	<u>\$ (679,825)</u>			<u>(580,475)</u>

(Continued)

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

	For the year ended December 31, 2020			
	Beginning of the period	Recognized in profit or loss	Recognized in other comprehensive income	End of the period
Temporary difference				
Allowance for bad debt exceeding limit	\$ 12,272	3,068	-	15,340
Unrealized exchange losses (gains)	(449,325)	183,107	-	(266,218)
(Gains) losses on financial assets valuation	(49,168)	(40,927)	-	(90,095)
Losses on investment under equity method	378,178	36,912	-	415,090
Impairment loss	81,763	(6,787)	-	74,976
Reserve for land increment tax	(625,941)	(11,901)	-	(637,842)
Effect of investment property	(196,925)	(21,109)	-	(218,034)
Employee benefit liabilities — the difference of pension contribution	21,569	(32,931)	-	(11,362)
Employee benefit liability — non-leave to be paid	39,379	(5,541)	-	33,838
Employee benefit liability — remeasurement from defined benefit plans	247,941	-	23,884	271,825
Unrealized losses (gains) on financial assets at fair value through other comprehensive income — equity instruments	105,394	-	6,313	111,707
Unrealized losses (gains) on financial assets at fair value through other comprehensive income — debt instruments	(234,809)	-	(203,015)	(437,824)
Other comprehensive income through overlay approach	63,723	-	(38,385)	25,338
Effect of leased liabilities	172	(172)	-	-
Exchange differences on translation of foreign financial statements	23,730	-	10,006	33,736
Revaluation surplus	-	-	(300)	(300)
	<u>\$ (582,047)</u>	<u>103,719</u>	<u>(201,497)</u>	<u>(679,825)</u>
Information presented in the balance sheet is as follows:				
Deferred tax assets	\$ 974,121			981,850
Deferred tax liabilities	(1,556,168)			(1,661,675)
Total	<u>\$ (582,047)</u>			<u>(679,825)</u>

- (iv) The Company, its parent company and the parent company's major subsidiaries have filed consolidated income tax returns since 2002.
- (v) In regard to all taxes filed for the year of assessment but pending for verification, the Company and its subsidiaries assess correlation factors which include relevant regulations, past experience and determined that sufficient income tax liability is reliably estimated.
- (vi) The Company's tax returns for the year 2016 were assessed by the tax authorities.

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

(u) Earnings per share

The calculation of basic earnings per share was shown as follows:

	For the years ended December 31,	
	2021	2020
Profit attributable to ordinary shareholders of the Company	\$ 6,856,305	5,640,488
Weighted average number of ordinary shares (thousands shares)	317,840	317,840
Basic earnings per share (in dollars)	\$ 21.57	17.75

(v) Disclosure of acquisition cost of insurance contracts

Acquisition cost of insurance contracts

Item	For the year ended December 31, 2021					
	Commission expense	Agent fee	Charge	Reinsurance commission expense	Other cost	Total
Fire insurance	\$ 178,604	-	(1)	467	-	179,070
Marine cargo insurance	115,560	-	127	101	-	115,788
Marine hull/ Fishing vessel/ Aviation insurance	11,915	-	24	226	-	12,165
Voluntary moto insurance	2,216,515	-	263	168,142	-	2,384,920
Compulsory moto TPL insurance	-	-	393,283	-	-	393,283
Liability insurance	390,098	-	135	1,460	-	391,693
Engineering and nuclear insurance	66,960	-	263	6,388	-	73,611
Surety and credit insurance	29,494	-	-	3	-	29,497
Other property insurance	896,354	-	-	2	-	896,356
Personal accident insurance	1,190,768	-	3	3,018	-	1,193,789
Personal and commercial multiple peril insurance	230,640	-	-	-	-	230,640
Typhoon, flood and earthquake insurance	190,061	-	1,198	922	-	192,181
Health insurance	531,773	-	-	-	-	531,773
Overseas business	-	-	30,990	139,983	-	170,973
Overseas subsidiaries	485,670	-	-	598,223	-	1,083,893
Total	\$ 6,534,412	-	426,285	918,935	-	7,879,632

(Continued)

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

Item	For the year ended December 31, 2020					Total
	Commission expense	Agent fee	Charge	Reinsurance commission expense	Other cost	
Fire insurance	\$ 199,460	-	(343)	684	-	199,801
Marine cargo insurance	96,633	-	155	1	-	96,789
Marine hull/ Fishing vessel/ Aviation insurance	20,904	-	1,195	(180)	-	21,919
Voluntary moto insurance	2,092,281	-	156	124,916	-	2,217,353
Compulsory moto TPL insurance	-	-	391,846	-	-	391,846
Liability insurance	344,355	-	53	31	-	344,439
Engineering and nuclear insurance	79,719	-	532	8,081	-	88,332
Surety and credit insurance	26,850	-	-	-	-	26,850
Other property insurance	281,071	-	-	-	-	281,071
Personal accident insurance	1,206,824	-	(21)	779	-	1,207,582
Personal and commercial multiple peril insurance	232,418	-	-	-	-	232,418
Typhoon, flood and earthquake insurance	194,397	-	1,209	897	-	196,503
Health insurance	336,937	-	-	-	-	336,937
Overseas business	-	-	23,933	69,847	-	93,780
Overseas subsidiaries	456,798	-	-	1,246,297	-	1,703,095
Total	\$ 5,568,647	-	418,715	1,451,353	-	7,438,715

(w) Disclosure of insurance cost-benefit analysis

(i) Direct underwriting business cost-benefit analysis

Item	For the year ended December 31, 2021					
	Premium revenue	Net change in unearned premium reserve	Insurance contract acquisition cost	Insurance claim payment	Net change in claim reserve	Gain/Loss
Non-compulsory insurance	\$ 49,232,651	2,355,898	6,534,412	19,650,811	3,333,307	8,236,690
Compulsory insurance	5,173,057	20,591	393,283	3,730,542	405,885	(525,566)
Total	\$ 54,405,708	2,376,489	6,927,695	23,381,353	3,739,192	7,711,124

Item	For the year ended December 31, 2020					
	Premium revenue	Net change in unearned premium reserve	Insurance contract acquisition cost	Insurance claim payment	Net change in claim reserve	Gain/Loss
Non-compulsory insurance	\$ 43,142,488	2,488,626	5,568,647	19,453,163	1,434,471	6,140,064
Compulsory insurance	5,120,111	93,099	391,846	3,842,686	138,090	(154,433)
Total	\$ 48,262,599	2,581,725	5,960,493	23,295,849	1,572,561	5,985,631

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

(ii) Reinsurance cost-benefit analysis

For the year ended December 31, 2021						
Item	Reinsurance Premium	Net change in unearned premium reserve	Reinsurance commission expense	Reinsurance claim payment	Net change in claim reserve	Gain/Loss
Non-compulsory insurance	\$ 3,191,491	295,869	951,937	1,995,142	549,803	(591,067)
Compulsory insurance	1,270,784	31,169	-	1,317,593	(38,060)	(39,918)
Total	<u>\$ 4,462,275</u>	<u>327,038</u>	<u>951,937</u>	<u>3,312,735</u>	<u>511,743</u>	<u>(630,985)</u>
For the year ended December 31, 2020						
Item	Reinsurance Premium	Net change in unearned premium reserve	Reinsurance commission expense	Reinsurance claim payment	Net change in claim reserve	Gain/Loss
Non-compulsory insurance	\$ 3,591,065	(482,443)	1,478,222	1,299,416	853,573	551,529
Compulsory insurance	1,212,423	21,219	-	1,378,255	34,590	(221,641)
Total	<u>\$ 4,803,488</u>	<u>(461,224)</u>	<u>1,478,222</u>	<u>2,677,671</u>	<u>888,163</u>	<u>329,888</u>

(iii) Gain/Loss on reinsurance contracts

For the year ended December 31, 2021						
Item	Reinsurance expense	Net change in unearned premium reserve	Reinsurance commission received	Claims recovered from reinsurers	Net change in ceded claim reserve	Gain/Loss
Non-compulsory insurance	\$ 14,429,461	1,218,712	2,915,398	3,576,124	1,129,889	5,252,659
Compulsory insurance	2,278,262	12,354	-	2,236,552	243,531	(214,175)
Total	<u>\$ 16,707,723</u>	<u>1,231,066</u>	<u>2,915,398</u>	<u>5,812,676</u>	<u>1,373,420</u>	<u>5,038,484</u>
For the year ended December 31, 2020						
Item	Reinsurance expense	Net change in unearned premium reserve	Reinsurance commission received	Claims recovered from reinsurers	Net change in ceded claim reserve	Gain/Loss
Non-compulsory insurance	\$ 11,814,396	169,341	2,376,915	3,601,484	1,223,915	4,408,315
Compulsory insurance	2,251,835	55,860	-	2,304,478	86,477	(194,980)
Total	<u>\$ 14,066,231</u>	<u>225,201</u>	<u>2,376,915</u>	<u>5,905,962</u>	<u>1,310,392</u>	<u>4,213,335</u>

(x) Nature and scope of insurance contract risk

(i) Insurance contract risk management objective, policy, procedure and method.

1) Risk management policy and objective

The Company and its subsidiaries according to the Risk Management Practice Principles for Insurance Enterprises, the Regulations Governing the Implementation of Internal Control and Audit Systems by Insurance Enterprises and Fubon Financial Holding Co., Ltd. Risk Management Policy prescribed risk management policy to ensure conservatism operating to pursuit of shareholder value maximization.

(Continued)

FUBON INSURANCE CO., LTD. AND SUBSIDIARIES
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2) Risk management framework organization responsibility and accountability

Risk Management Committee and Independent Risk Management Department are subordinate to the Board. Their related responsibility is as followed:

- a) The Board of Directors
 - i) Aware of all risks related to operating in the insurance industry, ensures the efficacy of risk management, and assumes ultimate responsibility.
 - ii) Assures that the company establishes the appropriate risk management mechanism and culture, approves appropriate risk management policies, and achieves an optimal allocation of resources.
 - iii) Consider the effects of aggregating all risk information from the overall perspective of the company, the statutory capital required by the authorities, and relevant regulations that could potentially affect capital allocation.
- b) Risk Management Committee

The Risk Management Committee was formed pursuant to the Risk Management Committee Charter. In discharge of its duties, the committee sets risk management policies, structure, organizational function and executes the Board's risk management decisions. The committee also oversees the overall development, establishment and performance of the Company and its subsidiaries' risk management mechanism, reporting to the Board on the implementation of risk management and proposing necessary improvement.
- c) Chief Risk Officer

A Chief Risk Officer is appointed by the Company and its subsidiaries and held accountable for the overall operation of risk management, from strategic planning, supervising the Company and its subsidiaries' establishment of and compliance with the risk management protocols, monitoring the adequacy of risk exposure and effectiveness of risk control mechanism, overseeing the risk management department of the Company and its subsidiaries.
- d) Risk Management Department
 - i) Risk monitoring, measuring, evaluating of Company daily routine affairs.
 - ii) Assist in the formulation and the implementation of the risk management policies and strategies approved by the Board.
 - iii) Follow the Company's risk appetite and set risk tolerance and limit
 - iv) Summarize risk information, coordinated and communicated for carrying out policy and quota of each group.
 - v) Risk management report is proposed regularly.
 - vi) Monitor the risk of each operating groups regularly.

(Continued)

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

- vii) Assistance of pressure test.
- viii) Back testing. (if necessary)
- ix) Others
- e) Operating Segments
 - i) Execute risk management independent and help to execute risk management effectively.
 - ii) Be responsible for preparing daily risk report, taking actions and conveying risk management information to risk management department regularly.
 - iii) The responsibilities of operating segments are as follows:
 1. Recognize, measure and report the risk information to Risk Management Department regularly.
 2. Review risks and restrictions and ensure the effectiveness of risk tolerance policies.
 3. Monitor risk exposure and measure the risk exceed the tolerance.
 4. Ensure the effectiveness of internal control.
 5. Gather the information which is related to operational risk.
- 3) Scope and nature of risk reporting and measurement system

The Company and its subsidiaries measure insurance risks against each of their risk factors: commodity price, underwriting, claims, catastrophe, reinsurance and reserve; It monitors key risks by setting key risk indicators.

The Company and its subsidiaries consider the risk-bearing capacity of its underwriting businesses and sets per retention limit and per occurrence limit to implement risk management and control. Meanwhile, using scenario simulation method, the Company and its subsidiaries set risk tolerance for key risks (insurance risk, market risk, credit risk and operational risk) to ensure that the overall risk does not exceed the Company and its subsidiaries' risk appetite.

Each authorities of the Company and its subsidiaries monitors relevant risk management indicators monthly or quarterly, summarizes and provides the results to the risk management department, which would then report to the Risk Management Committee. The risk management department summarizes risk management reports and risk monitoring indicators every six months, prepares overall risk management reports and represents the overall risk acceptance of the Company and its subsidiaries to the Risk Management Committee and Board of directors, and reviews the operations of risk management mechanism and other specific risk management issues.

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

4) Insurance risk process and method

Insurance risk means paying the claim and other related expense of the loss caused by unexpected events after the insurance industry receives premium and take the risk that transfer from the insured.

The Company and its subsidiaries prescribed risk management policy to measure: underwrite, reinsurance, catastrophic, claims, commodity price and reserve.

The risk management processes include risk identification, risk measurement, risk monitoring and risk responding. To ensure the timeliness, reliability and safety of risk management information, except for the tiers' disclosure per the regulations, the Company and its subsidiaries also update and keep the relevant risk management documents and report through tiers authorization.

In addition, the Company and its subsidiaries manage insurance risk by establishing risk tolerance, risk limit and critical risk indicators and reports to the Risk Management Committee per the reporting frequencies of respective indicators. If the risk tolerance, risk limit or critical risk exceeds the limit of the indicators, the responsible unit shall submit an explanation for the limit breach and a solution of improvement. The explanation and solution shall be reviewed by the insurance risk team then submitted to the Risk Management Committee. Once approved, the Risk Management Department shall keep track of the improvement per the content approved.

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

(ii) Insurance risk information

1) Insurance risk sensitivity analysis

Test assumptions

Item	For the year ended December 31, 2021						
	Insurance revenue	Expected rate of loss	Expected loss ratio increase or decrease in 1%				
			Effect on Profit or Loss		Effect on Equity		
			Before reinsurance	After reinsurance	Before reinsurance	After reinsurance	
Fire insurance	\$ 2,388,918	59.7%	22,565	8,118	18,052	6,494	
Marine cargo insurance	1,420,295	61.5%	13,631	7,369	10,905	5,895	
Marine hull/Fishing vessel / Aviation insurance	574,146	71.2%	5,679	1,157	4,543	926	
Voluntary motor insurance	18,435,084	66.9%	177,401	167,874	141,921	134,299	
Compulsory motor TPL insurance	6,443,841	No applicable	No applicable	No applicable	No applicable	No applicable	
Liability insurance	3,370,143	68.1%	32,530	24,571	26,024	19,657	
Engineering and nuclear insurance	1,861,670	61.1%	24,202	3,615	19,362	2,892	
Surety and credit insurance	267,807	67.9%	2,603	703	2,082	562	
Other property insurance	4,429,947	66.3%	30,276	9,241	24,221	7,393	
Personal accident insurance	6,066,217	67.9%	60,990	59,999	48,792	47,999	
Typhoon, flood and earthquake insurance	4,241,392	68.7%	41,397	11,357	33,118	9,086	
Personal and commercial multiple peril insurance	1,057,809	68.2%	10,711	10,192	8,569	8,154	
Health insurance	2,282,420	61.5%	18,511	14,685	14,809	11,748	
Overseas reinsurance assumed	684,795	61.1%	7,029	7,177	5,623	5,742	
Overseas subsidiaries	5,343,499	64.3%	51,821	39,557	41,457	31,646	

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

Item	For the year ended December 31, 2020					
	Insurance revenue	Expected rate of loss	Expected loss ratio increase or decrease in 1%			
			Effect on Profit or Loss		Effect on Equity	
			Before reinsurance	After reinsurance	Before reinsurance	After reinsurance
Fire insurance	\$ 2,271,563	60.7%	22,483	10,936	17,986	8,749
Marine cargo insurance	1,202,942	61.6%	11,718	6,027	9,374	4,822
Marine hull/Fishing vessel / Aviation insurance	711,192	71.9%	6,972	1,206	5,578	965
Voluntary motor insurance	16,894,975	66.7%	160,143	151,849	128,114	121,479
Compulsory motor TPL insurance	6,332,534	No applicable	No applicable	No applicable	No applicable	No applicable
Liability insurance	3,084,551	68.2%	30,404	22,669	24,323	18,135
Engineering and nuclear insurance	2,082,070	60.7%	17,204	4,764	13,763	3,811
Surety and credit insurance	256,360	68.1%	2,463	699	1,970	559
Other property insurance	1,243,204	66.3%	10,428	3,119	8,342	2,495
Personal accident insurance	6,159,882	68.5%	58,690	57,983	46,952	46,386
Typhoon, flood and earthquake insurance	4,155,085	69.1%	37,224	9,665	29,779	7,732
Personal and commercial multiple peril insurance	1,084,568	68.2%	10,444	9,705	8,355	7,764
Health insurance	1,304,518	62.0%	11,312	10,897	9,050	8,718
Overseas reinsurance assumed	368,841	62.0%	4,124	4,643	3,299	3,714
Overseas subsidiaries	5,913,802	64.1%	63,663	36,661	50,930	29,329

2) Concentration of insurance risk

a) The premium proportion of underwriting and reinsurance.

The insurance contracts which the Company and its subsidiaries underwrite are separated in various types of insurances and not concentrated in any single type of insurance. For the year ended December 31, 2021, the top 5 insurances in terms of proportion are voluntary moto insurance, compulsory moto TPL insurance, personal accident insurance, other property insurance and typhoon, flood and earthquake insurance. For the year ended December 31, 2020, the top 5 insurances in terms of proportion are voluntary moto insurance, compulsory moto TPL insurance, personal accident insurance, typhoon, flood and earthquake insurance and liability insurance. The voluntary moto insurance has the highest proportion accounts for 31.3% and 31.8% for the years ended December 31, 2021 and 2020, respectively. Although the proportion is slightly higher than other insurances, the loss experience of voluntary moto insurance is stable, and the risk variation is low. There is no concentration risk in other insurances.

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

The premium proportion of underwriting insurance and reinsurance:

Type	For the years ended December 31,			
	2021		2020	
	Amount	Percentage	Amount	Percentage
Fire insurance	\$ 2,388,918	4.1 %	2,271,563	4.3 %
Marine cargo insurance	1,420,295	2.4 %	1,202,942	2.3 %
Marine hull/ Fishing vessel / Aviation insurance	574,146	1.0 %	711,192	1.3 %
Voluntary moto insurance	18,435,084	31.3 %	16,894,975	31.8 %
Compulsory moto TPL insurance	6,443,841	10.9 %	6,332,534	11.9 %
Liability insurance	3,370,143	5.7 %	3,084,551	5.8 %
Engineering and nuclear insurance	1,861,670	3.2 %	2,082,070	3.9 %
Surety and credit insurance	267,807	0.4 %	256,360	0.5 %
Other property insurance	4,429,947	7.5 %	1,243,204	2.3 %
Personal accident insurance	6,066,217	10.3 %	6,159,882	11.6 %
Typhoon, flood and earthquake insurance	4,241,392	7.2 %	4,155,085	7.8 %
Personal and commercial multiple peril insurance	1,057,809	1.8 %	1,084,568	2.1 %
Health insurance	2,282,420	3.9 %	1,304,518	2.5 %
Overseas business	684,795	1.2 %	368,841	0.7 %
Overseas subsidiaries	5,343,499	9.1 %	5,913,802	11.2 %
Total	\$ 58,867,983	100.0 %	53,066,087	100.0 %

b) Percentage of retained premium

The Company and its subsidiaries evaluate the proportion of retained premium with retained business. For the years ended December 31, 2021 and 2020, the top 5 insurances with the highest proportion are voluntary moto insurance, personal accident insurance, compulsory moto TPL insurance, liability insurance and health insurance. The voluntary moto insurance which has the highest proportion accounts for 41.4% and 41.0%, for the years ended December 31, 2021 and 2020, respectively. The Company and its subsidiaries considered that the loss experience of voluntary moto insurance is stable and retained all the reinsurance. For other insurances, the Company and its subsidiaries evaluated the possibility of significant accumulated loss and arranged appropriate reinsurance contracts to diversify the risk and there is no risk concentration.

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

In addition, the insurance which is likely to result in significant accumulated loss is catastrophe insurance (For example, earthquake, typhoon and flood) and the insurances which are likely to result in accumulation are property insurance (fire insurance and engineering insurance), marine insurance and personal accident insurance. To avoid the operating risk resulting from the underwriting risk concentration, the Company and its subsidiaries have bought catastrophe reinsurance contracts in advance for abovementioned insurances to diversify the risk.

The percentage of retained premium was as follows:

Type	For the years ended December 31,			
	2021		2020	
	Amount	Percentage	Amount	Percentage
Fire insurance	\$ 861,673	2.0 %	1,009,859	2.6 %
Marine cargo insurance	781,858	1.8 %	618,155	1.6 %
Marine hull/ Fishing vessel / Aviation insurance	128,287	0.3 %	147,726	0.4 %
Voluntary moto insurance	17,454,193	41.4 %	16,012,577	41.0 %
Compulsory moto TPL insurance	4,165,579	9.9 %	4,080,699	10.5 %
Liability insurance	2,572,823	6.1 %	2,338,509	6.0 %
Engineering and nuclear insurance	309,791	0.7 %	511,120	1.3 %
Surety and credit insurance	71,054	0.2 %	76,320	0.2 %
Other property insurance	1,550,655	3.7 %	368,315	0.9 %
Personal accident insurance	5,972,721	14.2 %	6,078,397	15.6 %
Typhoon, flood and earthquake insurance	1,125,980	2.7 %	1,095,413	2.8 %
Personal and commercial multiple peril insurance	1,007,235	2.4 %	1,010,428	2.6 %
Health insurance	1,643,628	3.9 %	1,247,373	3.2 %
Overseas business	688,353	1.6 %	416,864	1.1 %
Overseas subsidiaries	3,826,430	9.1 %	3,988,101	10.2 %
Total	<u>\$ 42,160,260</u>	<u>100.0 %</u>	<u>38,999,856</u>	<u>100.0 %</u>

(Continued)

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

c) Claims trend

i) Accumulated reported claims - gross

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

Occurrence year	December 31, 2020					
	≤2015	2016	2017	2018	2019	2020
At the end of occurrence year	-	31,778,264	24,323,460	25,583,206	29,389,087	30,595,561
The first year	-	29,515,981	22,565,953	23,800,116	28,096,617	-
The second year	-	29,071,459	22,487,820	23,314,193	-	-
The third year	-	28,815,561	22,326,909	-	-	-
The fourth year	-	28,739,348	-	-	-	-
Estimation of accumulated claims	-	28,739,348	22,326,909	23,314,193	28,096,617	30,595,561
Cumulative payment to date	-	28,546,101	21,811,655	22,392,190	23,692,466	13,791,599
Subtotal	859,016	193,247	515,254	922,003	4,404,151	16,803,962
Reconciliations (Note)						333,528
Consolidated write-offs						(167,501)
Total amount recognized on balance sheet						23,863,660

Note: Reconciliations are paid-distributable claims expense.

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FUBON INSURANCE CO., LTD. AND SUBSIDIARIES
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ii) Accumulated reported claims - net

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

Occurrence year	December 31, 2020					
	≤2015	2016	2017	2018	2019	2020
At the end of occurrence year	-	18,231,178	18,989,193	19,899,534	22,073,832	22,564,438
The first year	-	17,296,399	17,783,502	18,884,404	21,045,011	-
The second year	-	17,249,023	17,660,524	18,691,525	-	-
The third year	-	17,142,214	17,536,223	-	-	-
The fourth year	-	17,116,714	-	-	-	-
Estimation of accumulated claims	-	17,116,714	17,536,223	18,691,525	21,045,011	22,564,438
Cumulative payment to date	-	16,977,774	17,186,834	18,057,387	18,886,198	11,311,593
Subtotal	259,233	138,940	349,389	634,138	2,158,813	11,252,845
Reconciliations (Note)						348,041
Total amount recognized on balance sheet						15,141,399

Note: Reconciliations are paid-distributable claims expense and cumulative impairment.

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

(iii) Credit risk, Liquidity risk, Market risk

1) Credit risk

The credit risk of insurance contracts comes mainly from reinsurance business (The reinsurers' default or bad financial condition which leads to the incapability of paying the reinsurance claims). The Company and its subsidiaries arrange their reinsurance contracts in accordance with "Regulations Governing Insurance Enterprises Engaging in Operating Reinsurance and Other Risk Spreading Mechanisms". The reinsurers which the Company and its subsidiaries engage are mostly with certain credit rating and are qualified for the criteria for authorized reinsurer. The Company and its subsidiaries also established relevant risk control procedures to regularly track and monitor and credit rating change of reinsurers.

Compliance with the "Regulations Governing the Provision of Unauthorized Reinsurance Reserves for Insurance Company" No.5, the transaction with unauthorized reinsurers shall be represented in the notes of financial statements and the content shall include the summary of unauthorized reinsurance contracts and types of reinsurance, the reinsurance premium expense of unauthorized reinsurance contracts and general description of the amount of unauthorized reserve and its components.

- a) Until December 31, 2021 the major unauthorized reinsurance companies that the Company and its subsidiaries had transactions with are as follows:
- i) AMERICAN INTERNATIONAL GROUP UK LTD. etc.: Facultative reinsurance of engineering insurance.
 - ii) MILLI REASURANS T.A.S. (SINGAPORE BRANCH) etc.: Treaty reinsurance of fire insurance.
 - iii) ASIA CAPITAL REINSURANCE GROUP PTE LTD. (HONG KONG BRANCH) etc.: Facultative reinsurance of commercial fire insurance.
 - iv) Asia Capital Reinsurance Group Pte Ltd.: Facultative reinsurance of marine insurance.
 - v) Trust International Insurance and Reinsurance CO. B.S.C. (C) TRUST RE etc.: Treaty reinsurance of marine insurance.
 - vi) BRIGHTSTAR RE. LTD etc.: Facultative reinsurance of casualty insurance.
 - vii) RiverStone Insurance (UK) limited etc.: Treaty reinsurance of engineering insurance.

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

- b) Until December 31, 2020, the major unauthorized reinsurance companies that the Company and its subsidiaries had transactions with are as follows:
- i) Asia Capital Reinsurance Group Pte Ltd. etc.: Facultative reinsurance of engineering insurance.
 - ii) ASIA CAPITAL REINSURANCE GROUP PTE LTD (HONG KONG BRANCH) etc.: Treaty reinsurance of fire insurance.
 - iii) SPACIOM LIMITED etc.: Facultative reinsurance of commercial fire insurance.
 - iv) AMERICAN STEAMSHIP OWNERS MUTUAL PROTECTION AND INDEMNITY ASSOCIATION, INC etc.: Facultative reinsurance of marine insurance.
 - v) MILLI REASURANS T.A.S (SINGAPORE BRANCH) TRUST RE etc.: Treaty reinsurance of marine insurance.
 - vi) BRIGHTSTAR RE. LTD etc.: Facultative reinsurance of casualty insurance.
 - vii) TRUST INTERNATIONAL INSURANCE AND REINSURANCE CO. B.S.C (C) TRUST RE, LABUAN etc.: Treaty reinsurance of engineering insurance.
 - viii) PAOFOONG INSURANCE COMPANY (HONG KONG) LIMITED: Facultative reinsurance of individual fire insurance.
- c) As of the years ended December 31, 2021 and 2020, the expenses for reinsurance, which were dealt with unauthorized reinsurance company, amounted to \$62,115 and \$245,382, respectively.
- d) As of December 31, 2021 and 2020, the unauthorized reinsurance reserves amounted to \$77,589 and \$274,272, respectively. The components of this account include: (a) unearned premium reserve amounted to \$33,172 and \$128,035, respectively. (b) claims recoverable from reinsurers of paid claims overdue in nine months amounted to \$740 and \$18,037, respectively. (c) claims recoverable from reinsurers which were reported but unpaid amounted to \$43,677 and \$128,200, respectively.
- 2) Liquidity risk

The Company and its subsidiaries' written insurance contract was most for a one-year policy period. Significant claims will lead to insurance contract liquidity risk which may cause funding liquidity risk, so the Company and its subsidiaries evaluated liquidity risk with current ratio. To ensure that the total amount of cash, cash equivalent and assets which can be transferred into cash is larger than the risk limit of capital liquidity in order to prevent insufficient liquidity.

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FUBON INSURANCE CO., LTD. AND SUBSIDIARIES
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3) Market risk

The market risk of insurance contracts comes mainly from the market risk of the various reserves provided for insurance contracts, such as the variation of market interest rate.

According to “ Regulations Governing the Provision of Reserves for Insurance Companies”, the reserves which the Company and its subsidiaries provide include unearned premium reserve, claims reserve, special reserve, premium deficiency reserve, liability adequacy reserve and liability reserve. None of the reserves is discounted by market interest rate except the unearned premium of three-years period personal accident insurance which is calculated by using the interest rate the competent authority enacted. The variation of market interest rate does not have influence over the estimated reserve.

Liability reserve is provided for long-term return premium fire insurance (this insurance operation has been terminated). Currently it is provided for effective and undue policies. The discount rate which is applied for the provision of liability reserve takes into account the average remaining years and the trend of past market interest rate. Yet the product ceased to exist and the remaining effective policies are not many. After the evaluation the variation of market interest rate does not have significant influence over the provision of liability reserves and the profit or loss of the Company and its subsidiaries.

(y) Fair value and tiers information

(i) Fair value information

1) Definition of fair value

Fair value refers to the price which market participants can collect from selling assets or pay from transferring liability on the measurement date in an orderly market. Financial instrument is measured at fair value at initial recognition, which mostly refers to transaction price. Except for those measured at amortized cost, financial instruments are measured at fair value on a recurring basis. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities. If the market is not active, the fair value of financial instruments is determined in accordance with valuation techniques, valuation provided by the professional information providers which are commonly used by market participants, or quoted prices of the counter party.

2) Definition of the 3 tiers of fair value

a) First tier

The input of this tier is the public quote of the same financial instrument in an active market. An active market is a market that meets all the conditions listed below: Products traded in the market is of homogeneity; it is able to reach buyer and seller anytime in the market and the price information can be accessed by the public. The equity instruments and debt instruments with public quote in an active market possessed by the Company and its subsidiaries belong to the first tier.

(Continued)

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

b) Second tier

The input of this tier refers to observable price except public quote in an active market, including direct observable input parameters (such as price) or indirect observable input parameters (derivation from price). The bond instruments without public quotes in an active market and the derivative financial instruments of the Company and its subsidiaries belong to the second tier.

c) Third tier

Third tier inputs are valuation parameters which are not based on the information available in the market or the quoted price comes from the counter party. The investment in equity and debt instruments without active market prices but based on counter party and part of the debt instruments evaluated by self-built models as well as most investment property is categorized in third tier.

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

(ii) Measured at fair value

1) Tier information of the fair value

The financial instruments measured at fair value and investment properties possessed by the Company and its subsidiaries are both measured at fair value based on repeatability. The fair value tier information of the Company and its subsidiaries is as follows:

Assets and liabilities	Total	December 31, 2021		
		Quoted prices in active markets for identical assets (1st Tier)	Significant other observable inputs (2nd Tier)	Significant unobservable inputs (3rd Tier)
Repeatability fair value measurement				
<u>Non-derivative financial assets and liabilities</u>				
Assets:				
Financial assets at fair value through profit or loss				
Security Investment	\$ 21,303,520	21,303,520	-	-
Other	13,288,432	13,133,305	83,749	71,378
Financial assets at fair value through other comprehensive income				
Security Investment	2,292,316	305,876	-	1,986,440
Bond Investment (Note)	24,275,161	18,661,460	2,714,280	2,899,421
Investment property	9,600,412	-	-	9,600,412
<u>Derivative financial assets and liabilities</u>				
Assets:				
Financial assets at fair value through profit or loss	113,925	-	113,925	-
Liabilities:				
Financial liabilities at fair value through profit or loss	5,966	-	5,966	-

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FUBON INSURANCE CO., LTD. AND SUBSIDIARIES
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Assets and liabilities	December 31, 2020			
	Total	Quoted prices in active markets for identical assets (1st Tier)	Significant other observable inputs (2nd Tier)	Significant unobservable inputs (3rd Tier)
<u>Repeatable fair value measurement</u>				
<u>Non-derivative financial assets and liabilities</u>				
Assets:				
Financial assets at fair value through profit or loss				
Security Investment	\$ 17,296,863	17,283,961	-	12,902
Other	13,252,279	13,027,224	131,066	93,989
Financial assets at fair value through other comprehensive income				
Security Investment	2,345,421	659,737	-	1,685,684
Bond Investment (Note)	22,622,365	16,730,463	3,338,993	2,552,909
Investment property	10,617,069	-	-	10,617,069
<u>Derivative financial assets and liabilities</u>				
Assets:				
Financial assets at fair value through profit or loss	349,798	-	349,798	-
Liabilities:				
Financial liabilities at fair value through profit or loss	9,593	-	9,593	-

Note: Includes securities serving as government bond of refundable deposits.

- 2) Valuation techniques of fair value measurement
- a) Financial instruments

If there is a public quote in an active market for the financial instrument such as the market price announced by Taiwan Stock Exchange or Taipei Exchange, the theoretical price of central government bonds and the net asset value of funds from Securities Investment Trust and Consulting Association of the R.O.C., the market price is regarded as the fair value of the financial instrument. The fair value of some financial instruments are obtained from the quote or model valuation techniques of the trade counterparties. The fair value derived from valuation techniques can be calculated by applying models with reference to the present fair value of other substantially similar financial instruments, discounted cash flow method or other valuation techniques (including accessible market data such as yield curve of Taipei Exchange). Regarding financial instruments with higher complexity, the Company and its subsidiaries measure the fair values with the quote of the trade counterparties or by purchased or self-developed valuation models using valuation methods or techniques widely accepted in the industry.

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FUBON INSURANCE CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The method and assumptions the Company and its subsidiaries apply when estimating the fair value of financial instrument are as follows: If there is a quoted price in an active market, the market price is the fair value. The fair value of investments without active market, might include domestic or foreign financial bonds, corporate bonds, beneficiary certificates and preferred stocks, is determined per the order below (1) OTC yield rate/clean price or the fair value of corporate bonds (2) Quote or model price from the trade counterparties.

The fair value of derivative financial instruments is the price which the Company and its subsidiaries should receive or pay assuming it terminates the contracts on the balance sheet date. Generally, it includes the unrealized profit or loss of the unsettled contracts in the period. The valuation of the Company and its subsidiaries' derivative financial instruments is based on valuation model commonly used by the public such as Discounted Cash Flow Method. The Company and its subsidiaries value FX forward contracts with simple cash discounted method and the spot exchange rate on the balance sheet day. Which could also refer to the quotes of the trade counterparties.

b) Non-financial instruments

The determination of the fair value of investment properties is, in accordance with Regulations Governing the Preparation of Financial Reports by Insurance Companies, based on the accreditation of professional appraisal institutions. The appraisal institutions conduct the accreditation with the support of market evidence. Please refer to Note 6(k) for further information.

3) Adjustment of fair value

All valuation models have their limits and may not be able to reflect all relevant factors of the financial instruments possessed by the Company and its subsidiaries. Therefore, the estimates of the valuation models may be adjusted based on additional parameters. Because the fair value valuation models of the Company and its subsidiaries are equipped with verification procedures, the valuation adjustment is adequate and necessary. The price information and parameters used in the valuation process are assessed with prudence and are adjusted based on current market status.

4) Transfer between the first tier and the second tier

For the year ended December 31, 2021, investment instruments measured at fair value through other comprehensive income with a carrying amount of \$694,427 were transferred from first tier to second tier because activeness of source is lower than original; investment instruments measured at fair value through other comprehensive income with a carrying amount of \$990,649 were transferred from second tier to first tier because activeness of source is greater than original.

For the year ended December 31, 2020, investment instruments measured at fair value through other comprehensive income with a carrying amount of \$1,377,721 were transferred from first tier to second tier because activeness of source is lower than original; investment instruments measured at fair value through other comprehensive income with a carrying amount of \$568,736 were transferred from second tier to first tier because activeness of source is greater than original.

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5) Changes of the third-tier financial assets

Changes of financial assets categorized in the third tier

Name	For the year ended December 31, 2021							Balance at the end of the year
	Balance at the beginning of the year	Valuation profit or loss		Increase		Decrease		
		Recognized in profit or loss	Recognized in other comprehensive income	Purchase or issue	Transfer to the 3rd tier from other tiers	Sale, disposal or settlement	Transferring to other tiers from the 3rd tier	
Financial assets measured at fair value through profit or loss	\$ 106,891	20,073	-	-	-	55,586	-	71,378
Financial assets measured at fair value through other comprehensive income	4,238,593	199,471	717,500	-	-	29,467	240,236	4,885,861
Investment properties	10,617,069	60,850	-	-	33,910	-	1,111,417	9,600,412
Total	\$ 14,962,553	280,394	717,500	-	33,910	85,053	1,351,653	14,557,651

Name	For the year ended December 31, 2020							Balance at the end of the year
	Balance at the beginning of the year	Valuation profit or loss		Increase		Decrease		
		Recognized in profit or loss	Recognized in other comprehensive income	Purchase or issue	Transfer to the 3rd tier from other tiers	Sale, disposal or settlement	Transferring to other tiers from the 3rd tier	
Financial assets measured at fair value through profit or loss	\$ 169,554	(27,892)	-	1,562	-	36,333	-	106,891
Financial assets measured at fair value through other comprehensive income	3,898,759	2,572	337,262	-	-	-	-	4,238,593
Investment properties	10,684,821	21,246	-	-	19,485	381	108,102	10,617,069
Total	\$ 14,753,134	(4,074)	337,262	1,562	19,485	36,714	108,102	14,962,553

For the years ended December 31,

2021 **2020**

For the valuation profit or loss recognized in current profit or loss, the change of unrealized profit or loss which can be attributed to the assets and liabilities possessed by the Company and its subsidiaries

\$ 255,468 2,094

For the valuation profit or loss recognized in other comprehensive income, the changes of unrealized profit or loss which can be attributed to the assets and liabilities possessed by the Company and its subsidiaries

\$ 787,783 337,262

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FUBON INSURANCE CO., LTD. AND SUBSIDIARIES
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- 6) Quantified information of the fair value measurement of significant unobservable inputs (the third tier).

The financial instruments which are classified as third tier are including FVTPL, FVOCI and investment property. In accordance with the Regulations Governing Preparation of Financial and Operational Reports, the fair value of investment property is determined by professional appraisal institutions based on market evidence. (The details please refer to note 6(k)). Because the relationship between significant unobservable inputs and the fair value cannot be fully controlled, as of December 31, 2021 and 2020, the fair value without quantified information for disclosure is \$2,970,909 and \$2,659,910, respectively. The details of fair value mentioned above are as follows:

December 31, 2021					
Item	Fair value	Valuation technique	Significant unobservable inputs	Interval (Average)	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets measured at fair value through other comprehensive income	\$ 1,986,330	Asset-based approach	Discount for the lack of liquidity	0%~10% (7%)	The estimated fair value would increase(decrease) if: <ul style="list-style-type: none"> • the discount for the lack of liquidity were lower (higher);or • the non-controlling interest discount were lower (higher) .
		Market-based approach—comparable companies	Discount for the lack of liquidity Price-earning ratio Price-to-book ratio	22%~28% (25%) 10.7 1.5~3.1 (2.3)	
Investment properties	9,600,412	Note 6(k)			
December 31, 2020					
Item	Fair value	Valuation technique	Significant unobservable inputs	Interval (Average)	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets measured at fair value through other comprehensive income	\$ 1,685,574	Asset-based approach	Discount for the lack of liquidity	0%~10% (5.00%)	The estimated fair value would increase(decrease) if: <ul style="list-style-type: none"> • the discount for the lack of liquidity were lower (higher);or • the non-controlling interest discount were lower (higher) .
		Market-based approach—comparable companies	Discount for the lack of liquidity Price-earning ratio Price-to-book ratio	22%~28% (25%) 14.8 2.1~3.0 (2.55)	
Investment properties	10,617,069	Note 6(k)			

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7) Valuation procedure of the third-tier inputs

When the Company and its subsidiaries' fair value measurement uses both unobservable inputs and observable inputs which need a significant adjustment based on the parameters of unobservable inputs, the asset or liability is categorized into third tier. The third-tier inputs come from:

- a) Prices referring from the professional finance information providers (Bloomberg), which are not different for each acquirer despite having a low activeness of source and which shall be acquired by specific facility.
- b) Prices referring from quoted prices of the counter party or evaluation agency. Price information is provided on a monthly or a quarterly basis and shall be kept properly. Valuation shall be reviewed regularly to ensure the consistency with reference pricing source and the reasonability of the valuation.
- c) Self-built complex model to evaluate the price of debt instruments, the model is highly complex, and the relevant parameters may not be directly taken from the open market.
- d) Prices referring from the evaluation of equity investment using market method or assets method.

Investment property is appraised by professional appraisers in accordance with the valuation techniques announced by the FSC.

8) Sensitivity analysis of the third-tier fair value if reasonably possible alternative assumptions used

Financial instruments and investment properties of the Company and its subsidiaries are reasonable. The only financial instruments currently classified at the third-tier and measured fair value by its own models are zero-coupon callable bonds and cumulated perpetual subordinated debts. Because the parameters used in its evaluation are directly or indirectly taken from open-market information, there is no need to conduct sensitivity analysis, which might replace the assumptions.

FUBON INSURANCE CO., LTD. AND SUBSIDIARIES
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(iii) Financial instruments not measured at fair value

1) Fair value information

Except those listed in the table below, for financial instruments not measured at fair value, such as cash and cash equivalents, account receivables, reinsurance contract assets, account payables and other financial liabilities, the carrying amount is a reasonable approximation of the fair value. Therefore, the Company and its subsidiaries do not disclose the fair value.

<u>Item</u>	<u>Book value</u>	<u>Fair value</u>
December 31, 2021		
Financial assets		
Financial assets measured at amortized cost	\$ 1,381,474	1,291,118
December 31, 2020		
Financial assets		
Financial assets measured at amortized cost	1,396,753	1,354,110

2) Fair value information

<u>Item</u>	<u>Total</u>	<u>December 31, 2021</u>		
		<u>Quoted prices in active markets for identical assets (1st Tier)</u>	<u>Significant other observable inputs (2nd Tier)</u>	<u>Significant unobservable inputs (3rd Tier)</u>
Financial assets:				
Financial assets measured at amortized cost	\$ 1,291,118	830,675	16,484	443,959
<u>Item</u>	<u>Total</u>	<u>December 31, 2020</u>		
		<u>Quoted prices in active markets for identical assets (1st Tier)</u>	<u>Significant other observable inputs (2nd Tier)</u>	<u>Significant unobservable inputs (3rd Tier)</u>
Financial assets:				
Financial assets measured at amortized cost	\$ 1,354,110	851,159	-	502,951

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FUBON INSURANCE CO., LTD. AND SUBSIDIARIES
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3) Value method

The assumption and the methods of estimating financial instruments not measured at fair value used by the Company and its subsidiaries are as follows:

- a) The fair value of short-term financial commodity is estimated by the carrying amount of balance sheet. The carrying amount is the reasonable basis to estimate the fair value, because the maturity date of the commodity is near. The method applied on cash and equivalent cash, accounts receivables, current tax asset, guarantee deposits paid, accounts payables, current tax liability and other financial liabilities.
- b) If investments assets measured at amortized cost have transaction price or quotes of the market makers, use the recent transaction price and quotes as the basis of estimating fair value. If without market value, discounted cash flow method or the quotes of the counterparties are used to calculate fair value or the quoted prices of the counter party.

(z) Financial risk information

(i) Risk management system

1) The organization structure of risk management

The board of directors is ultimately responsible for the risk management of the Company and its subsidiaries. Other relevant departments include Establishment of Risk Management Committee and Independent Risk Management Department. The general manager acts as the coordinator in the committee who appoints the vice coordinator, executive secretary and the conveners and members of each group. The difference between the groups of the committee is nature of the risks. In the 18th board meeting taking place on August 22, 2013, the Board resolved to establish a position of Director of Risk Management who is in charge of the risk management of the company and participates in the Company's important decision making to execute risk management.

2) Objectives and policies of the risk management

The risk management policy of the Company and its subsidiaries include risk management strategy and objective, risk management organization and responsibility, main types of risk, risk appetite, and risk management operation and documentation. This policy is intended to define the overall organization structure, to ensure that the Company shall maximize shareholder's value, to improve confidence level of the insured, and to ensure the corporate image. The objective of risk management is established to conform to related regulations from authority and to achieve business objectives.

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FUBON INSURANCE CO., LTD. AND SUBSIDIARIES
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The Risk management procedures include risk identification, risk measurement, risk processing, risk monitoring, risk responding and information, communication and documentation. In addition, the Company and its subsidiaries established management principles and regulated measurement and assessment methods in terms of primary risks such as market risk, liquidity risk, credit risk, operation risk and insurance risk and provides risk reports to monitor various risks regularly.

With respect to information, communication and documentation, the risk management of the Company and its subsidiaries ensure the timeliness, reliability and security of the information and discloses information per different tiers to make sure that each competent authority fully understands and complies with relevant regulations. Furthermore, risk management papers and reports are documented, updated and preserved under appropriate delegation.

(ii) Risk management process, and principles of measurement and control

1) Credit risk

Credit risk is the risk the Company and its subsidiaries would suffer from the loss due to the downgrade of borrower's credit rating or borrower failing to make payments, the counterparty's failure or refusing to meet its obligation. The risk includes but not limited to the following risks: the credit risk of the issuer, the counterparty and the underlying assets.

Credit risk mainly comes from the trading of financial instruments generated from operating activity of the Company and its subsidiaries. The Company and its subsidiaries decrease the probability of a larger loss resulting from any single credit risk event due to the over concentration of the portfolios through regular analysis and monitor as follows:

a) Management process of credit risk

i) Risk identification

The Company and its subsidiaries' management process of credit risk could identify the existing and potential risk, analyze the source of the major risk of the operation and the product, and plan proper control system.

ii) Risk measurement

When measuring credit risk, the Company and its subsidiaries consider the factors including the content of contracts, the condition of the market, securities or guarantees, the variation of the future probable risk of the counterparty and evaluating the risk in asset portfolios with credit risk except for individual risk. Also, by collecting related information of credit rating, the Company and its subsidiaries analyze and quantitatively measure the credit risk in accordance with the level of business and practical settlement methods and calculate the credit risk capital based on the rules stipulated by the authority. For AC, FVOCI and other credit position, depending on the practical settlement methods, the Company measures the credit risk by referring to the expected loss formula ($ECL = EAD \times PD \times LGD$).

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FUBON INSURANCE CO., LTD. AND SUBSIDIARIES
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iii) Risk monitoring

Based on the process of risk monitoring established, the Company and its subsidiaries review and monitor the credit limit and the condition of exceeding the limit regularly with proper disposition. Through proper and monitoring frequent and hierarchical control system, the responsible person could submit the report by related rules when finding mistakes and unusual events. When the relevant unit gets aware of significant credit risk event, it should notify risk management department of the Company and its subsidiaries by email and deal with the problem according to Fubon Financial Holding's guidelines related to the reporting of significant credit risk event to control the timeliness of the dealing process.

iv) Risk responding

When an event of credit risk occurs, the head of any related unit involved or who has authority to deal with the event would respond to the event immediately, and report to risk management department by following authorization table of the Company and its subsidiaries. Afterwards, the reason of the event would be investigated, the remediation plan would be developed and the progress of actions would be followed.

b) Credit risk management mechanism

Credit risk management mechanism includes:

i) Credit risk management before transaction:

Before the Company and its subsidiaries are engaged in investment and transaction business, a completed evaluation and analysis will be performed on subject of investments and transactions, issuer, credit and financial position information of counterparty and guarantee agency and it also will confirm the legality of the transaction. Meanwhile, the Company and its subsidiaries will confirm if transaction counterparty, issuer and guarantee agency exceed credit limits. In case of involving in the decision-making process of complex structured instrument, the Company and its subsidiaries should follow the authorization level related to credit risk management and have proper notification process and operating activities.

ii) Management of credit limit by hierarchy:

Considering the complexity and characteristics of the investment assets, the Company and its subsidiaries set credit hierarchical management system and manages them by different hierarchy, including the following:

1. By counterparty, issuer and guarantee agency, set credit limit and manage by different hierarchy.
2. By country, set credit limit and manage hierarchically.

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FUBON INSURANCE CO., LTD. AND SUBSIDIARIES
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Besides, it will reexamine credit limit when inside or outside economic circumstances have changed severely.

iii) Credit risk management after transaction:

1. Examine credit status periodically: Periodically review the overall credit market conditions to understand trends in the credit markets and get an early warning to credit risk. Also periodically examine credit status of counterparty, issuer and guarantee agency to fully reveal their risk situation.
2. Control credit risk limit by each position: Measure credit exposure amount monthly, compare with authorized credit risk limit and monitor the risk. Classification of the measuring credit exposure amount of the Company and its subsidiaries include: counterparty, issuer, guarantee agency, country and commodity. According to different business characteristics, the Company and its subsidiaries take individual or portfolio management approach to review the changes in credit status in connection with the transaction balance or position periodically.

c) Concentration of credit risk

In order to control the asset concentration risk, there are limits for single transactions and total transaction amounts with each counterparty, to ensure the risk is under control to certain degree.

i) Concentration of credit risk - district

December 31, 2021						
By area	Taiwan	Rest of Asia	North America	Central and South America	Europe	Total
Exposure amount	\$ 58,935,416	8,592,715	9,476,131	614,494	7,310,515	84,929,271
Ratio of the total	69.39 %	10.12 %	11.16 %	0.72 %	8.61 %	100.00 %

December 31, 2020						
By area	Taiwan	Rest of Asia	North America	Central and South America	Europe	Total
Exposure amount	\$ 51,473,029	9,000,990	8,991,431	648,299	7,333,786	77,447,535
Ratio of the total	66.46 %	11.62 %	11.61 %	0.84 %	9.47 %	100.00 %

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d) Credit risk exposure

Under IFRS 9 and IAS 32, maximum credit risk exposure (without considering collateral or other credit enhancements instruments) is carrying value deducted by expected credit loss.

Non-Derivatives Financial Instruments	December 31, 2021	
	Book value	Maximum credit risk exposure
Financial assets:		
Cash and cash equivalents	\$ 16,727,855	16,727,855
Receivables	5,657,190	5,657,190
Current tax assets	8,189	8,189
Financial assets at fair value through profit or loss	34,591,952	34,591,952
Financial assets at amortized cost	1,381,474	1,381,474
Financial assets at fair value through other comprehensive income	26,103,411	26,103,411
Reinsurance assets	8,004,273	8,004,273
Other assets	2,448,697	2,448,697
Financial liabilities:		
Accounts payable	15,615,111	15,615,111
Current tax liabilities	395,361	395,361
Lease liabilities	864,260	864,260
Other liabilities	448,809	448,809
Derivatives Financial Instruments		
Financial assets:		
Financial assets at fair value through profit or loss	\$ 113,925	113,925
Financial liabilities:		
Financial liabilities at fair value through profit or loss	5,966	5,966

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<u>Non-Derivatives Financial Instruments</u>	<u>December 31, 2020</u>	
	<u>Book value</u>	<u>Maximum credit risk exposure</u>
Financial assets:		
Cash and cash equivalents	\$ 12,616,340	12,616,340
Receivables	5,344,234	5,344,234
Financial assets at fair value through profit or loss	30,549,142	30,549,142
Financial assets at amortized cost	1,396,753	1,396,753
Other financial assets	17,192	17,192
Financial assets at fair value through other comprehensive income	24,482,888	24,482,888
Reinsurance assets	7,085,576	7,085,576
Other assets	2,687,461	2,687,461
Financial liabilities:		
Accounts payable	13,229,696	13,229,696
Current tax liabilities	657,343	657,343
Lease liabilities	212,474	212,474
Other liabilities	623,650	623,650
 <u>Derivatives Financial Instruments</u>		
Financial assets:		
Financial assets at fair value through profit or loss	\$ 349,798	349,798
Financial liabilities:		
Financial liabilities at fair value through profit or loss	9,593	9,593

e) Credit quality analysis

The Company and its subsidiaries periodically follow credit rating information issued by credit rating agency, and based on the rating, classified as low risk, moderate risk and high risk as following table:

- i) Low risk: The issuers or the counterparties are rated as robust or above to fulfill their obligation of the contracts. Even under various negative news or disadvantageous economic conditions, the companies are capable of dealing with the situations.
- ii) Medium risk: The issuers or the counterparties have lower capability of fulfilling their obligation. Negative news or disadvantageous economic conditions may weaken their financial statuses and result in the doubt of asset impairment or the loss of Fubon Life Insurance and its subsidiaries.

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- iii) High risk: The possibility that the issuers or counterparties fulfill their obligation is remote and mainly relies on the business environment. Negative news or disadvantageous economic conditions will lower their ability and willingness to fulfill their obligation.
- iv) The impaired items represent the amount of loss allowance provided for financial assets based on the regulations of accounting standards. Under the principle of prudence, the impaired amount is able to reflect the current value of the impaired assets. The information of credit quality is as follow:

	December 31, 2021										
	12-month ECL				Lifetime ECL (not credit-impaired financial assets)				Lifetime ECL (credit-impaired financial assets)	Impairment allowance	Total
	Low risk	Medium risk	High risk	Subtotal	Low risk	Medium risk	High risk	Subtotal			
Financial assets at fair value through other comprehensive income—debt instruments	\$ 24,275,161	-	-	24,275,161	-	-	-	-	-	-	24,275,161
Financial assets at amortized cost	1,381,939	-	-	1,381,939	-	-	-	-	-	465	1,381,474
Total	\$ 25,657,100	-	-	25,657,100	-	-	-	-	-	465	25,656,635

	December 31, 2020										
	12-month ECL				Lifetime ECL (not credit-impaired financial assets)				Lifetime ECL (credit-impaired financial assets)	Impairment allowance	Total
	Low risk	Medium risk	High risk	Subtotal	Low risk	Medium risk	High risk	Subtotal			
Financial assets at fair value through other comprehensive income—debt instruments	\$ 22,622,365	-	-	22,622,365	-	-	-	-	-	-	22,622,365
Financial assets at amortized cost	1,397,258	-	-	1,397,258	-	-	-	-	-	505	1,396,753
Total	\$ 24,019,623	-	-	24,019,623	-	-	-	-	-	505	24,019,118

Note: The Company and its subsidiaries do not purchase new impairment financial assets.

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

For all notes receivable, accounts receivable and repayable receivable, the Company and its subsidiaries apply the simplified approach to estimate the expected credit impairment, the analysis is as follows:

	December 31, 2021				Total
	Current	1 to 30 days past due	31 to 90 days past	More than 90 days past	
Expected credit loss rate	0%	2%~5%	10%~25%	25%~100%	
Gross carrying amount	\$ 9,004,995	971,829	167,302	280,974	10,425,100
Loss allowance provision	-	33,752	7,848	65,245	106,845

	December 31, 2020				Total
	Current	1 to 30 days past due	31 to 90 days past	More than 90 days past	
Expected credit loss rate	0%	2%~5%	10%~25%	25%~100%	
Gross carrying amount	\$ 8,654,273	1,129,637	177,676	283,774	10,245,360
Loss allowance provision	-	26,362	13,576	69,494	109,432

- f) Determining the credit risk has increased significantly since initial recognition
- i) If it is determined that the credit risk of a financial instrument at the reporting date is low, it can be assumed that the credit risk of the financial instrument has not increased significantly since the date of initial recognition. Judgment criteria: external credit rating above investment grade (BBB-).
 - ii) At each reporting date, the Company and its subsidiaries assessed all the financial instruments applicable for IFRS 9 to determine whether the credit risk has increased significantly since the initial recognition. In order to make this assessment, the Company and its subsidiaries consider reasonable and supportable information (including forward-looking information) that is indicative of significant increases in credit risk since initial recognition. The criteria include external credit rating, overdue status, credit spreads, and other market information related to the issuers or debtors.
- g) Definitions of default and credit-impaired financial assets

The definition of a financial asset default is the same as the assessment of a credit impairment in a financial asset. When one or more of the following events are met, the financial assets are credit-impaired.

- i) Quantitative indicators: When accounts receivable of financial assets are overdue for more than 90 days, it is determined that the financial assets have been credit-impaired.

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FUBON INSURANCE CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- ii) Qualitative indicators: If there is evidence that the issuer or the debtor will be unable to pay the contract, or has significant financial difficulties, such as:
 1. the issuers or debtors are bankrupt or probably going to enter bankruptcy or financial reorganization;
 2. the contracts of other financial instruments of issuers or debtors have been default;
 3. The financial market for the financial asset disappeared due to the financial difficulties of the issuers or the debtors;
 4. The purchase or origination of a financial asset at a considerable amount of discount that reflects the incurred credit losses.
- iii) The above definition of default and credit impairment applies to all financial assets held by the Company and its subsidiaries and is consistent with the definition of the relevant financial assets used for internal credit risk management purposes and is also used in the relevant impairment assessment model.
- iv) If a financial asset no longer meets the definition of default and credit-impaired for six consecutive months, it is deemed to return to the state of compliance and is no longer considered to be a financial asset that has been default or credit-impaired.
- h) Measuring the expected credit losses
 - i) The methods and assumptions

If the credit risk on a financial instrument has not increased significantly since initial recognition, the Company and its subsidiaries shall measure the allowance for impairment of the financial instrument using the 12-month expected credit losses; if the credit risk on a financial instrument has increased significantly since initial recognition, the Company and its subsidiaries shall measure the allowance for impairment using the lifetime expected credit losses.

In order to measure expected credit losses, the Company and its subsidiaries consider the default probability (Probability of default, "PD") of financial assets or issuers or debtors, and loss given default rate ("LGD") multiplying the exposure at default ("EAD"), taking into account the time value of money as well evaluate 12-month and lifetime loss.

Default probability is the probability that the issuers' or the debtors' defaults, and the loss given default rate is the rate of loss caused by default by the issuers or debtors. The relevant indicators used by the Company and its subsidiaries are based on the default rate and loss given default rate published by Moody's.

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FUBON INSURANCE CO., LTD. AND SUBSIDIARIES
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The Company and its subsidiaries measure the Exposure at default based on the amortized cost of financial instruments plus accrued interest. At reporting date, the Company and its subsidiaries assess the expected change in default risk during the life time of the financial instrument to determine if the credit risk has increased significantly since the initial recognition. The rules for determination are as follows: The financial instruments have the original rating, and at the reporting date is a non-investment grade, and it falls not more than one notch from the originally obtained.

ii) Consideration of forward-looking information

The Company and its subsidiaries obtain forward-looking information which it takes into consideration when determining whether the credit risk of financial instruments have increased significantly since initial recognition and assessing the expected credit losses. The default probability used for impairment assessment of the Company and its subsidiaries is based on the information which already includes forward-looking general economic information published by Moody's.

iii) For the year ended December 31, 2021, there were no significant changes in evaluation techniques or material assumptions used in the measurement of expected credit losses.

iv) The changes in allowance for credit losses:

1. The changes in allowance for credit losses- investment in debt instruments measured at fair value through other comprehensive income.

	For the year ended December 31, 2021			The provision of impairment in accordance with IFRS 9
	12-month ECL	Lifetime ECL (assessed on collective)	Lifetime ECL (assessed on individual)	
Beginning balance	\$ 9,455	-	-	9,455
Changes in financial instruments that have been identified at the beginning of the period:				
– The financial assets that have been derecognized	(380)	-	-	(380)
Originated or purchased new financial assets	2,011	-	-	2,011
Foreign exchange and other movement	(920)	-	-	(920)
Ending balance	<u>\$ 10,166</u>	<u>-</u>	<u>-</u>	<u>10,166</u>

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FUBON INSURANCE CO., LTD. AND SUBSIDIARIES
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	For the year ended December 31, 2020			
	12-month ECL	Lifetime ECL (assessed on collective)	Lifetime ECL (assessed on individual)	The provision of impairment in accordance with IFRS 9
Beginning balance	\$ 9,434	-	-	9,434
Changes in financial instruments that have been identified at the beginning of the period:				
— The financial assets that have been derecognized	(347)	-	-	(347)
Originated or purchased new financial assets	658	-	-	658
Foreign exchange and other movement	(290)	-	-	(290)
Ending balance	<u>\$ 9,455</u>	<u>-</u>	<u>-</u>	<u>9,455</u>

2. The changes in allowance for credit losses- Investment in debt instruments at amortized cost.

	For the year ended December 31, 2021			
	12-month ECL	Lifetime ECL (assessed on collective)	Lifetime ECL (assessed on individual)	The provision of impairment in accordance with IFRS 9
Beginning balance	\$ 505	-	-	505
Foreign exchange and other movement	(40)	-	-	(40)
Ending balance	<u>\$ 465</u>	<u>-</u>	<u>-</u>	<u>465</u>

	For the year ended December 31, 2020			
	12-month ECL	Lifetime ECL (assessed on collective)	Lifetime ECL (assessed on individual)	The provision of impairment in accordance with IFRS 9
Beginning balance	\$ 1,167	-	-	1,167
Changes in financial instruments that have been identified at the beginning of the period:				
— The financial assets that have been derecognized	(633)	-	-	(633)
Foreign exchange and other movement	(29)	-	-	(29)
Ending balance	<u>\$ 505</u>	<u>-</u>	<u>-</u>	<u>505</u>

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

2) Liquidity risk

Liquidity risk is divided into two types: “market liquidity risk” and” funding liquidity risk.” The Company and its subsidiaries monitored liquidity risk in compliance with its risk management rules. Funding liquidity risk is the risk that the entity cannot provide sufficient funding to meet the needs for the growth of asset level and the settlement of the obligation of matured liabilities, which caused late payment to counterparties or called for an emergency fund raising requirement to cover the funding gaps. Market liquidity risk is the loss incurred as a market participant unable to easily exit a position on a prevailing market price or to liquidate a position immediately while not hitting the best price due to insufficiency of market depth or market transparency, or market failure.

a) Management process of liquidity risk

i) Risk identification

To achieve liquidity risk management goal, the Company and its subsidiaries identified potential liquidity risk factors encountered during operation process. Those risk factors were such as funding liquidity risk factors, market liquidity risk factors and characteristics of products being traded.

ii) Risk measurement

The Company and its subsidiaries measured the possibility of occurrence and the degree of negative impact of risk events and risk factors by qualitative or quantitative method and compared these influences with risk limits set by the management which was used as a basis for the setting of the priority in risk control and the response measures subsequently.

iii) Risk monitoring

The Company and its subsidiaries will periodically monitor the outcome of the afore-mentioned model and test the accuracy of parameters and assumptions being used. established liquidity risk monitoring procedure to review and monitor utilization of various risk limits monthly. An action would be taken if the risk limits are breached. The Company and its subsidiaries have established proper monitor frequency and hierarchical reporting mechanism to deal with whenever there is any abnormal situation occurred or deficiency identified. A specific reporting procedure would be followed to ensure the timely response to significant liquidity risk.

iv) Risk responding

As liquidity risk occurs, the head of any related unit being impacted or relevant unit with the authority to deal with the event would respond to the event immediately, and report to risk management and related departments in accordance with the established authorization. Afterwards, every related unit would work with risk management department to investigate the underlying reason for the event, and develop a remediation plan, and risk management department would monitor the progress of the follow up actions.

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FUBON INSURANCE CO., LTD. AND SUBSIDIARIES
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- b) Liquidity risk management mechanism
- i) Management strategy of funding liquidity risk in operation and investment were as follows: ensure balance of capital inflow and outflow, examine and predict capital demand at present and in the future in accordance with strategies of operational management and investment activities, establish critical indicators of funding liquidity risk, and make appropriate adjustment with business strategy and market condition.

The Company and its subsidiaries manage the liquidity risk efficiently in two aspects, short-term and medium long term. Besides setting the percentage of liquid assets in total assets and the net everyday cash flow as standards of measurement and control, the Company and its subsidiaries have already established the immediate cash using information system, using proper market monetary instruments or foreign exchange instruments to allocate daily cash. Medium-long term liquidity management decreases related risk through annual reviewing on the assessment report of using assets and liabilities and applying the model of cash flow analysis to monitor the using of assets and liabilities.

- ii) For the liquidity risk management in the market, consider the transaction volume mainly, the strategy of sales development and the target of budget, according to the market size, dimension and market liquidity of every product, to set the key indicators of the liquidity risk in the market. For lower liquidity products, avoiding the occurrence liquidity risk, the Company and its subsidiaries control the transaction amount and the transaction conditions in every transaction.
- iii) The Company and its subsidiaries established complete risk management system to deal with the mass demand of cash in abnormal or urgent condition. Monitoring daily net cash flow, the Company and its subsidiaries established immediate cash flow estimation system and preserved proper amount of equivalent cash for future response. Financial department and accounting office provide risk management department with the condition of cash liquidity monthly, while risk management department also regularly reviews the limitation of market liquidity risk and it should inform the risk management committee with the indicators of the market liquidity risk and the management of the limitation. If the management indicator approaches the limitation, it should enhance the intention of the capital variation.

Possessing sufficient operating capital, government bonds and other securities to satisfy the capital demand in investment, pay liabilities matured and execute contracts' obligation, the Company and its subsidiaries confront low liquidity in compliance with rules.

FUBON INSURANCE CO., LTD. AND SUBSIDIARIES
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iv) The maturity analysis is as follows:

		December 31, 2021							
		less than one year	1 to 3 year	3 to 5 year	5 to 10 year	10 to 20 year	more than 20 years	no maturity date	Total
The maturity analysis of financial assets									
	Financial assets measured at fair value through other comprehensive income	\$ 1,966,418	2,383,476	2,579,538	6,105,268	2,887,039	5,538,877	2,814,545	24,275,161
	Financial assets measured at amortized cost	-	-	-	-	107,337	1,274,137	-	1,381,474
		<u>\$ 1,966,418</u>	<u>2,383,476</u>	<u>2,579,538</u>	<u>6,105,268</u>	<u>2,994,376</u>	<u>6,813,014</u>	<u>2,814,545</u>	<u>25,656,635</u>
		December 31, 2020							
		less than one year	1 to 3 year	3 to 5 year	5 to 10 year	10 to 20 year	more than 20 years	no maturity date	Total
The maturity analysis of financial assets									
	Financial assets at fair through profit or loss	-	87,261	-	-	-	-	-	87,261
	Financial assets measured at fair value through other comprehensive income	287,624	2,880,695	2,975,201	4,929,436	3,519,356	5,757,982	2,272,071	22,622,365
	Financial assets measured at amortized cost	-	-	-	-	133,817	1,262,936	-	1,396,753
		<u>\$ 287,624</u>	<u>2,967,956</u>	<u>2,975,201</u>	<u>4,929,436</u>	<u>3,653,173</u>	<u>7,020,918</u>	<u>2,272,071</u>	<u>24,106,379</u>

3) The maturity analyses of derivative assets and liabilities

All of the forward rate contracts and swap contracts are not held for trading, but mainly for avoiding the foreign exchange rate risk generated from the foreign investment capital. Being high liquidity monetary, whose probability of being unable to sale in the market is extremely small, the liquidity risk of the currency held is low. Matured forward rate contracts and swap contracts almost will be continued and there is enough capital for settlement. Therefore, the liquidity risk of the capital is low. The maturity analysis of derivative financial instruments is as follows:

		December 31, 2021					Total
		less than one year	1 to 3 year	3 to 5 year	5 to 10 year	no maturity date	Total
The maturity analysis of financial assets		<u>\$ 113,925</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>113,925</u>
The maturity analysis of financial liabilities		<u>\$ 5,966</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,966</u>
		December 31, 2020					Total
		less than one year	1 to 3 year	3 to 5 year	5 to 10 year	no maturity date	Total
The maturity analysis of financial assets		<u>\$ 349,798</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>349,798</u>
The maturity analysis of financial liabilities		<u>\$ 9,593</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,593</u>

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FUBON INSURANCE CO., LTD. AND SUBSIDIARIES
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4) Market risk

Market risk is the risk of losses in the value of assets in a given period resulting from unfavorable changes in the asset's market prices. To prevent the occurrence of market risk, the management has set a monitor system based on the internal management policies and relevant regulations. Moreover, the Company and its subsidiaries also established a sound crisis response mechanism to deal with emergency or abnormal event.

a) Management process of market risk

i) Risk identification

To achieve market risk management goal, the Company and its subsidiaries identified potential market risk factors encountered during operation process. Positions held by the Company and its subsidiaries in different financial instruments were classified into four categories, mainly interest, foreign exchange rate, equity security and commodity, according to accounting standards.

ii) Risk measurement

1. Establish a risk quantification model, adopting basic statistical measurement, sensitivity analysis and scenario analysis etc., for different risk factors to measure market risk.
2. The risk measurement model is closely integrated with daily risk management. Analyze outcome from the risk model for better market risk planning, supervision and control.
3. Measure possible losses from the holding position daily under normal market fluctuation and perform stress testing monthly.
4. Evaluate accuracy of the risk model by retroactive testing or other methodologies, when adopting statistical method to measure market risk.

iii) Risk monitoring

The Company and its subsidiaries established market risk monitoring procedure to review and monitor utilization of various risk limits monthly. An action would be taken if the risk limit is breached. The Company and its subsidiaries have established proper monitoring frequency and hierarchical reporting mechanism to ensure proper reporting whenever there is any abnormal situation occurred or any deficiency identified. A specific reporting procedure would be followed to ensure the control of timing in dealing with significant market risk.

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FUBON INSURANCE CO., LTD. AND SUBSIDIARIES
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iv) Risk responding

As market risk occurs, the head of any related unit being impacted or in charge unit with relevant authority would respond to the event immediately, and report to risk management and related departments based on the established authorization. Afterwards, every related unit would work with risk management department to investigate the underlying reason for the risk event, develop a remediation plan, and risk management department would monitor the progress of the follow up actions.

b) Concentration of market risk

The mainly counterparty and buyer of financial instruments of the Company and its subsidiaries were financial industry. There were rules about limitation of the government bonds, fixed income bonds, bonds, convertible bonds, funds, stocks, derivative financial instruments, structured notes and bonds securitization to control the risk.

c) Market risk management mechanism

i) Risk tolerance management

Risk tolerance refers to the maximum amount of risk an entity is willing to withstand. Market risk tolerance is submitted to and approved by the risk management committee annually.

ii) Risk limit management

Establishment of risk limits is to put risk tolerance management into practice. Risk limits for different financial products were made by trading position, investment position and hedging position separately. When setting risk limits, various factors were taken into account, such as risk tolerance, business history, expected budget target, market liquidity of a specific product, historical utilization of risk limits, traders' trading experiences, trading system and supports by the operation department. The amendment of risk limits should be approved in advance by the Company's risk department; after being signed and authorized through internal delegation, it is then submitted to the risk management committee for review before being presented to the Board of Directors for approval. Under system support, the Company and its subsidiaries' limits include VaR and foreign exchange risk.

iii) Valuation management

Commodity was evaluated based on the market value if it is available. If the market value is not readily available, the product value will be calculated by the latest market price, quotation from the counterparty or valuation model.

FUBON INSURANCE CO., LTD. AND SUBSIDIARIES
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d) Risk value model

Risk value is a statistical estimate of probable worst outcome during normal fluctuation. The Company and its subsidiaries used value at risk (VaR) model to measure the potential maximum loss in value of an investment portfolio at risk over a period of ten days for a 99% confidence interval with respect to different market factors.

The Company and its subsidiaries applied retroactive testing which provides estimates of the accuracy of VaR model to check whether a VaR methodology is being used appropriately, completely and accurately in measuring the potential maximum loss in value of an investment portfolio. The retroactive testing procedure consists of calculating the number or percentage of times that the actual portfolio returns fall outside the VaR estimate. A VaR was computed over a period of one year with reconciled profit and loss on a daily basis. The Company and its subsidiaries will periodically monitor the outcome of the afore-mentioned model and test the accuracy of parameters and assumptions being used.

i) The Company

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

Common VaR	December 31, 2020		
	Average	Highest	Lowest
Fixed income group	\$ 1,622,211	5,357,269	448,384
Equity group	1,972,152	2,866,271	573,929
Fund group	99,356	211,137	64,338
Asset securitization group	83,591	130,608	19,821
Total position	3,055,004	5,580,126	662,895

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ii) Subsidiary - Fubon Property Insurance

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

Common VaR	December 31, 2020		
	Average	Highest	Lowest
Fixed income group	\$ 9,422	12,843	4,581
Equity group	70,995	93,198	54,116
Total position	71,290	94,746	53,516

Note 1: VaR was adopted from January 1 to December 31, 2021 and January 1 to December 31, 2020.

Note 2: VaR was computed over a period of ten days.

The subsidiaries in Vietnam, Thailand and Philippines don't need to disclose the information of VaR due to having no investment position.

(iii) Transfer of financial assets

Among the routine operational transactions, the Company and its subsidiaries' financial assets that are not derecognized in their entirety are mostly loaned equity securities under securities lending agreement. In such transactions, the contractual rights to the cash flows from the assets has been transferred to other parties and the Company and its subsidiaries reflect the associated financial liabilities of repurchasing the equity securities loaned at fixed prices in future periods. Since the Company and its subsidiaries are not allowed to use, sell, or pledge the transferred financial assets during the effective period of the agreement, the financial assets are not derecognized in their entirety, but the Company and its subsidiaries still bear the risks of interest rates and credit loans. As of December 31, 2021 and 2020, the Company and its subsidiaries did not have any derecognized transfer of financial assets.

(iv) Offsetting financial asset and financial liability

The Company and its subsidiaries have some offsetting condition not following the standards but has signed some commitments or similar protocol specification with counterparty. If it settles on a net basis, financial assets and financial liabilities can be offset to settle. If not, it settles on a total basis. But if anything against commitment occurs, another party of the transaction can choose to settle on a net basis. The details are as follows:

	December 31, 2021				
	Financial asset which available offset master netting arrangement or similar agreement standard			Not offset amount in financial statement	
	Total recognized financial assets (a)	Total recognized financial liability has offset in financial statement (b)	Net recognized financial assets (c)=(a)-(b)	(d)	
	Financial instruments	Collateralized cash	Total (e)=(c) (d)		
Derivative financial instruments	\$ 113,925	-	113,925	5,966	-
	<u>113,925</u>	<u>-</u>	<u>113,925</u>	<u>5,966</u>	<u>-</u>
			<u>107,959</u>		

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FUBON INSURANCE CO., LTD. AND SUBSIDIARIES
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December 31, 2021						
Financial liability which available offset master netting arrangement or similar agreement standard						
	Total recognized financial liability (a)	Total recognized financial asset has offset in financial statement (b)	Net recognized financial liability (c)=(a)-(b)	Not offset amount in financial statement (d)		Total (e)=(c) (d)
				Financial instruments	Collateralized cash	
Derivative financial instruments	\$ 5,966	-	5,966	5,966	-	-

December 31, 2020						
Financial asset which Available offset Master netting arrangement or similar Agreement standard						
	Total recognized financial assets (a)	Total recognized financial liability has offset in financial statement (b)	Net recognized financial assets (c)=(a)-(b)	Not offset amount in financial statement (d)		Total (e)=(c) (d)
				Financial instruments	Collateralized cash	
Derivative financial instruments	\$ 349,798	-	349,798	9,593	-	340,205

December 31, 2020						
Financial liability which Available offset Master netting arrangement or similar Agreement standard						
	Total recognized financial liability (a)	Total recognized financial asset has offset in financial statement (b)	Net recognized financial liability (c)=(a)-(b)	Not offset amount in financial statement (d)		Total (e)=(c) (d)
				Financial instruments	Collateralized cash	
Derivative financial instruments	\$ 9,593	-	9,593	9,593	-	-

(aa) Capital Management

The target of capital management of the Company and its subsidiaries are ensuring the ability of going concern to realize the benefit of shareholders, protect the interests of the other stakeholders, and maintain an optimal capital structure to reduce the cost of funds. In order to maintain or adjust the structure of Capital, the Company and its subsidiaries may adjust the dividends paid to shareholders, deduct capital by returning cash to stockholders, issue new shares, or sell assets to pay the liabilities.

The Company and its subsidiaries control the capital based on the liabilities to capital ratio, calculated as the company's net liabilities divided by its total capital. Net liabilities include total liabilities minus cash and Cash and Cash equivalents. Total capital consists of the components of equity, such as Common stock, Capital surplus - additional paid-in capital, Retained earnings, Other equity, and Non-controlling interest, and Net liabilities.

As of December 31, 2021, the method of capital management of the Company and its subsidiaries remains the same.

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(ab) Structured entities not included in the consolidated financial statements

- (i) The Company and its subsidiaries possess the equities of the following structured entities which are not included in the consolidated financial statements. The fund is from the Company and its subsidiaries and an outside third party:

<u>Types of structured entity</u>	<u>Characteristic and purpose</u>	<u>Equity owned by the Company and its subsidiaries</u>
Private equity fund	Invests in funds that cannot be traded in a public market	Invests in the fund units issued by the funds or limited partnership equity
Assets securitization products	Invests in assets securitization products of commercial real estate	Asset-backed securities issued by the entity

- (ii) The carrying amount of the assets related to the structured entities recognized by the Company and its subsidiaries but not yet included in the consolidated financial statements on December 31, 2021 and 2020, is as follows:

<u>December 31, 2021</u>	<u>Private equity fund</u>	<u>Asset securitization products</u>
Assets possessed by the Company and its subsidiaries		
-Financial assets at fair value through profit or loss	\$ 67,646	2,037,143
-Financial assets at amortized cost	-	107,338
Total assets possessed by the Company and its subsidiaries	<u>\$ 67,646</u>	<u>2,144,481</u>
<u>December 31, 2020</u>	<u>Private equity fund</u>	<u>Asset securitization products</u>
Assets possessed by the Company and its subsidiaries		
-Financial assets at fair value through profit or loss	\$ 87,879	2,152,102
-Financial assets at amortized cost	-	133,817
Total assets possessed by the Company and its subsidiaries	<u>\$ 87,879</u>	<u>2,285,919</u>

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

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FUBON INSURANCE CO., LTD. AND SUBSIDIARIES
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(iii) The Company and its subsidiaries did not provide any financial support for the private equity funds and the asset securitization products not included in the consolidated financial statements for the years ended December 31, 2021 and 2020.

(ac) Investing and financing activities not affecting current cash flow

The Company and its subsidiaries' investing and financing activities which did not affect the current cash flow for the years ended December 31, 2021 and 2020 were as follows:

1. For details of right-of-use assets under leases, please refer to note 6(j)).

2. Reconciliation of liabilities arising from financing activities were as follows:

	For the years ended December 31,	
	2021	2020
Beginning balance	\$ 212,474	207,912
Cash flows from financing activities		
Payment of lease liabilities	(127,484)	(115,802)
Net cash flows from financing activities	(127,484)	(115,802)
Effect of exchange rate changes	(487)	(189)
Others		
Other changes in leased liabilities		
Sign/ update lease contracts	777,762	120,475
Interest expense	17,320	6,634
Interest payment	(15,325)	(6,556)
Net increase in leased liabilities	779,757	120,553
Ending balance	\$ 864,260	212,474

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Notes to the Consolidated Financial Statements

(7) Related-party transactions:

(a) Names and relationship of related parties

Name of Related Party	Relationship with the Company and its subsidiaries
Fubon Financial Holding Co., Ltd.	Parent company
Fubon Life Insurance Co., Ltd.	The same parent company
Taipei Fubon Commercial Bank Co., Ltd.	The same parent company
Fubon Securities Co., Ltd.	The same parent company
Fubon Direct Marketing Consulting Co., Ltd.	The same parent company
Fubon Financial Holding Venture Capital	The same parent company
Fubon Assets Management Co., Ltd.	The same parent company
Fubon Bank (Hong Kong) Limited	The same parent company
Taiwan Sports Lottery	The same parent company
Fubon Securities Investment Trust Co., Ltd.	The same parent company
Jih Sun Financial Holding Co., Ltd.	A subsidiary of Fubon Holdings holding 53.84% shares
Xiamen Bank Co., Ltd.	The associate of Fubon Financial Holding Co., Ltd. under Equity Method
Fubon Bank (China) Co., Ltd.	A Subsidiary of Fubon Financial Holdings and Taipei Fubon Commercial Bank Holding 100% Shares
Fubon Life Insurance (Vietnam) Co., Ltd.	The investee recognized under Equity Method
Carter Lane (Guernsey) Limited	The investee recognized under Equity Method
Bow Bells House (Jersey) Limited	The investee recognized under Equity Method
Fubon Life Insurance (Hong Kong) Co., Ltd.	The investee recognized under Equity Method
Fubon MTL Property (Jersey) Limited	The investee recognized under Equity Method
Fubon Ellipse (Belgium) Limited	The investee recognized under Equity Method
Fubon Hyundai Life Insurance Co., Ltd.	The investee recognized under Equity Method
Fubon Eurotower (Luxembourg) SARL	The investee recognized under Equity Method
Fubon Futures Co., Ltd.	The investee recognized under Equity Method
Fubon Securities Investment Consulting Co., Ltd.	The investee recognized under Equity Method
Fubon Securities Venture Capital Co., Ltd.	The investee recognized under Equity Method
Fubon Venture Capital Co., Ltd.	The investee recognized under Equity Method
Fubon Investment Holding (BVI) Ltd.	The investee recognized under Equity Method
Fubon Securities (HK) Ltd.	The investee recognized under Equity Method
Fubon Fund Management (Hong Kong) Limited	The investee recognized under Equity Method

(Continued)

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

Name of Related Party	Relationship with the Company and its subsidiaries
Fu Sheng Insurance Agency Co., Ltd.	The investee recognized under Equity Method
Fubon Insurance Agency Co., Ltd.	The investee recognized under Equity Method
Fubon Sports & Entertainment Co., Ltd.	The investee recognized under Equity Method
Fubon Stadium Co., Ltd.	The investee recognized under Equity Method
Fubon Credit (Hong Kong) Ltd.	The investee recognized under Equity Method
Fubon Securities (Hong Kong) Ltd.	The investee recognized under Equity Method
Fubon Nominees (Hong Kong) Limited	The investee recognized under Equity Method
Fubon Insurance Brokers Limited	The investee recognized under Equity Method
Admiralty Finance Company Limited	The investee recognized under Equity Method
Aquarius (Nominees) Limited	The investee recognized under Equity Method
Fubon Property Management Co., Ltd.	The investee recognized under Equity Method
Founder Fubon Fund Management Limited	The investee recognized under Equity Method
Citic Futong Financial Leasing Limited	The investee recognized under Equity Method
Citic Capital Holdings Limited	The investee recognized under Equity Method
Fubon Health Management Consulting Co., Ltd.	The investee recognized under Equity Method
Bravelog Sport Technology Co., Ltd.	The investee recognized under Equity Method
Shing Ho Energy Co., Ltd.	The investee recognized under Equity Method
Shing Yau Energy Co., Ltd.	The investee recognized under Equity Method
Line Biz+ Taiwan Limited	The investee recognized under Equity Method
Ho Shih Shuo Power Co., Ltd.	The investee recognized under Equity Method
LINE Bank Co., Ltd.	The investee recognized under Equity Method
Fubon Private Equity Co., Ltd.	The investee recognized under Equity Method
Fubon Digital Music Asset Management Co., Ltd.	The investee recognized under Equity Method
Fubon Digital Music GP Limited	The investee recognized under Equity Method
Jih Sun Securities Co., Ltd.	The investee recognized under Equity Method
Jih Sun Futures Co., Ltd.	The investee recognized under Equity Method
Jih Sun International Investment Holding Company Limited	The investee recognized under Equity Method
JS CRESVALE Securities International Limited	The investee recognized under Equity Method
JS CRESVALE Capital Limited	The investee recognized under Equity Method
Jih Sun Securities Investment Consulting Co., Ltd.	The investee recognized under Equity Method
Jih Sun Venture Capital Co., Ltd.	The investee recognized under Equity Method

(Continued)

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

<u>Name of Related Party</u>	<u>Relationship with the Company and its subsidiaries</u>
JihSun International Commercial Bank Co., Ltd.	The investee recognized under Equity Method
Jih Sun Life Insurance Agency Co., Ltd.	The investee recognized under Equity Method
Jih Sun International Property Insurance Agency Co., Ltd.	The investee recognized under Equity Method
Jih Sun Securities Investment Trust Co., Ltd.	The investee recognized under Equity Method
XinDing Number One Energy Co., Ltd.	The investee recognized under Equity Method
Sichuan Vip Fubon Consumer Finance Co., Ltd.	The investee recognized under Equity Method
TFB Capital Co., Ltd.	The investee recognized under Equity Method
Shenzhen Teng Fu Bo Investment Limited	The associate of Fubon P&C Insurance Co., Ltd. under equity method
Xiamen Jinfuyuan Insurance Surveyors and Loss Adjusters Limited	The associate of Fubon P&C Insurance Co., Ltd. under equity method
ZA Life Limited	The associate of Fubon Life Insurance (Hong Kong) Co., Ltd. under Equity method
Fubon Multimedia Technology Co, Ltd.	Affiliates
Taiwan Mobile Co., Ltd.	Affiliates
Taiwan Pelican Express Co., Ltd.	Affiliates
Taiwan High Speed Railway Co., Ltd.	Affiliates
Taipei City Government	Affiliates
Taipei Culture Foundation Co, Ltd.	Affiliates
Carplus Auto Leasing Co., Ltd.	Affiliates
Yeong Jia Leh Cable TV Co., Ltd.	Affiliates
Taihsin Property Insurance Agent Co., Ltd.	Affiliates
Tokio Marine Newa Insurance Co., Ltd.	Affiliates
Kbro Media Co., Ltd.	Affiliates
Formosa Petrochemical Co., Ltd.	Affiliates
Crystalvue Medical Co., Ltd.	Affiliates
O-Bank Co., Ltd.	Affiliates
Far Eastern International Bank Co., Ltd.	Affiliates
Taiwan Business Bank, Ltd.	Affiliates
Yuchang Motor Co., Ltd.	Affiliates
Empower Motor Co., Ltd.	Affiliates
Dao Ying Industrial Co., Ltd.	Affiliates
Taiwan Life Insurance Co., Ltd.	Affiliates
YFY Inc.	Affiliates

(Continued)

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

Name of Related Party	Relationship with the Company and its subsidiaries
Fuli Property insurance Agent Co., Ltd.	Affiliates
Fubon Industrial Fujian Limited	Affiliates
Fubon Charity Foundation	Affiliates
Yuanlong Motor Co., Ltd.	Affiliates
Yuxin Motor Co., Ltd	Affiliates
Chenglong Motor Co., Ltd.	Affiliates
Huilian Automobile Co., Ltd	Affiliates
Fubon Land Development Co., Ltd.	Affiliates
Fubon Property Management Co., Ltd.	Affiliates
Taiwan Fixed Network Co., Ltd.	Affiliates
Other related parties	Directors, supervisors, managers, chairman of the board, general manager and their close relatives and other affiliates, etc.

(Continued)

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

(b) Significant transactions with related parties are as follows:

(i) The details of premium were as follows:

1) Premium

Names of related parties	For the years ended December 31,			
	2021		2020	
	Amount	%	Amount	%
Taipei Fubon Commercial Bank Co., Ltd.	\$ 139,942	0.24	127,967	0.24
Fubon Life Insurance Co., Ltd.	67,943	0.11	65,473	0.12
Fubon Multimedia Technology Co., Ltd.	40,607	0.07	37,732	0.07
Fubon Securities Co., Ltd.	14,667	0.02	14,539	0.03
Taiwan Mobile Co., Ltd.	41,133	0.07	34,870	0.07
Taiwan Pelican Express Co., Ltd.	22,616	0.04	22,437	0.04
Taiwan High Speed Railway Co., Ltd.	89,664	0.15	90,321	0.17
Taipei City Government	63,162	0.11	18,618	0.04
Taipei Culture Foundation Co, Ltd	15,650	0.03	15,780	0.03
Formosa Petrochemical Co., Ltd.	-	-	132,301	0.25
Kbro Media Co., Ltd.	19,978	0.03	20,597	0.04
LINE Bank Co., Ltd.	13,247	0.02	1,530	-
Carplus Auto Leasing Co., Ltd.	327,730	0.56	282,300	0.53
Yeong Jia Leh Cable TV Co., Ltd.	9,157	0.02	10,652	0.02
Crystalvue Medical Co., Ltd.	11,946	0.02	14,217	0.03
YFY Inc.	12,286	0.02	-	-
Others (accounts with balances of less than \$10,000 thousands)	145,914	0.25	137,325	0.26
	\$ 1,035,642		1,026,659	

(Continued)

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

2) Premium revenue receivables

<u>Names of related parties</u>	<u>December 31, 2021</u>		<u>December 31, 2020</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Taipei Fubon Commercial Bank Co., Ltd.	\$ 23,041	0.71	23,100	0.63
Taiwan High Speed Railway Co., Ltd.	90,507	2.78	86,747	2.35
Fubon Multimedia Technology Co., Ltd.	11,214	0.34	11,578	0.31
Taipei Culture Foundation Co, Ltd.	15,650	0.48	15,780	0.43
Carplus Auto Leasing Co., Ltd.	1,682	0.05	12,998	0.35
Others (accounts with balances of less than \$10,000 thousands)	39,168	1.20	25,794	0.70
	<u>\$ 181,262</u>		<u>175,997</u>	

The terms of transactions were similar to those of non-related parties.

(ii) Rental revenue

<u>Names of related parties</u>	<u>For the years ended December 31,</u>			
	<u>2021</u>		<u>2020</u>	
	<u>Rental Revenue</u>	<u>%</u>	<u>Rental Revenue</u>	<u>%</u>
Taipei Fubon Commercial Bank Co., Ltd.	\$ 94,257	27.34	100,996	27.87
Fubon Life Insurance Co., Ltd.	91,309	26.49	92,614	25.55
Fubon Financial Holding Co., Ltd.	18,788	5.45	25,053	6.91
Fubon Sports and Entertainment Co., Ltd.	14,325	4.16	14,224	3.93
Jih Sun Securities Investment Trust Co., Ltd.	10,249	2.97	-	-
Others (accounts with balances of less than \$10,000 thousands)	34,689	10.06	34,934	9.64
	<u>\$ 263,617</u>		<u>267,821</u>	

(Continued)

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

<u>Names of related parties</u>	<u>December 31, 2021</u>		<u>December 31, 2020</u>	
	<u>Guarantee deposit received</u>	<u>%</u>	<u>Guarantee deposit received</u>	<u>%</u>
Taipei Fubon Commercial Bank Co., Ltd.	\$ 19,458	4.34	26,011	4.17
Fubon Life Insurance Co., Ltd.	23,760	5.30	24,290	3.89
Others (accounts with balances of less than \$10,000 thousands)	14,411	3.21	18,308	2.94
	<u>\$ 57,629</u>		<u>68,609</u>	

The terms of transactions were similar with those of non-related parties.

- (iii) Investments purchased from Fubon No.1 and No.2 REIT were as follows:

<u>Names of funds</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Fubon No.1 REIT	\$ 1,018,232	1,043,802
Fubon No.2 REIT	1,018,911	1,108,300
	<u>\$ 2,037,143</u>	<u>2,152,102</u>

- (iv) Investments purchased from Fubon Securities Investment Trust Co., Ltd. were as follows:

<u>Names of related parties</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Taiwan Life Insurance Co., Ltd.	<u>\$ 500,000</u>	<u>500,000</u>

- (v) Other accounts receivable (payable) and prepaid (advance receipts)

- 1) Other accounts receivable and prepaid

	<u>December 31, 2021</u>		<u>December 31, 2020</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Fubon Life Insurance Co., Ltd.	\$ 13,390	0.76	3,267.00	0.27
Others (accounts with balances of less than \$10,000 thousands)	3,678	0.21	2,037	0.17
	<u>\$ 17,068</u>	<u>0.97</u>	<u>5,304</u>	<u>0.44</u>

(Continued)

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

2) Accounts payable and advance receipts

	December 31, 2021		December 31, 2020	
	Amount	%	Amount	%
Taipei Fubon Commercial Bank Co., Ltd.	\$ 21,746	0.35	5,224	0.08
Fubon Securities Co., Ltd.	110,184	1.77	1,366	0.02
Fubon Life Insurance Co., Ltd.	248,589	3.99	202,805	3.27
Fubon Insurance Agency Co., Ltd.	222,118	3.57	215,637	3.48
Taihsin Property Insurance Agent Co., Ltd.	3,098	0.05	20,671	0.33
Others (accounts with balances of less than \$10,000 thousands)	9,065	0.15	10,350	0.17
	\$ 614,800	9.88	450,829	7.27

(vi) Consolidated Tax Return System

Commencing from 2002, Fubon Financial Holding Company, the parent company of the Company and its subsidiaries, elected to be the tax payer itself. Tax payable (includes estimates payables pending for verification) and tax receivable are and current income tax asset, respectively liability recognized in current income tax liability and asset recognized in current income tax asset.

	December 31, 2021	December 31, 2020
Current income tax liability (recognized in current income tax liability)	\$ 395,361	657,343

(vii) Deposits

Names of related parties	December 31, 2021	December 31, 2020
Taipei Fubon Commercial Bank Co., Ltd.	\$ 2,511,281	1,553,902
O-Bank Co., Ltd.	-	527,065
Fubon Bank (China) Co., Ltd.	5,683	8,601
Xiamen Bank Co., Ltd.	196,446	113,552
Far Eastern International Bank Co., Ltd.	541,106	106
Taiwan Business Bank Ltd.	57,577	-
JihSun International Commercial Bank Co., Ltd.	77,801	-
	\$ 3,389,894	2,203,226

(Continued)

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

(viii) Acquisition of property and equipment

<u>Names of related parties</u>	<u>Type</u>	<u>For the years ended December 31,</u>	
		<u>2021</u>	<u>2020</u>
Fubon Land Development Co., Ltd.	Land	\$ 142,242	-
Dao Ying Industrial Co., Ltd.	Land and buildings	-	210,000
Taipei City Government	Prepayment for buildings	436,588	-
		<u>\$ 578,830</u>	<u>210,000</u>

The Company and its subsidiaries signed contracts and bought the land and buildings from Dao Ying Industrial Co., Ltd. on June 2020, the purchase price is \$210,000 and had paid off all the balance on November 3, 2020. In 2021, the Company and its subsidiaries and Fubon property Management Co., Ltd. were terminated due to the urban renewal case, and returned \$142,242 of land capacity transfer which purchased in 2016. In addition, due to the case of reconstruction of urban unsafe and old buildings in this year, the Company and its subsidiaries repaid capacity cash \$436,588 for Taipei City Government, and had paid off on October 8, 2021. Please refer to Note 13 for information on property, plant and equipment.

(ix) Joint Marketing revenue

<u>Names of related parties</u>	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Fubon Life Insurance Co., Ltd.	\$ 9,676	19,846
Others (accounts with balances of less than \$10,000 thousands)	159	162
	<u>\$ 9,835</u>	<u>20,008</u>

(x) Commission expenses

<u>Names of related parties</u>	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Fubon Insurance Agency Co., Ltd.	\$ 476,902	457,335
Taipei Fubon Commercial Bank Co., Ltd.	15,824	41,001
Taihsin Property Insurance Agent Co., Ltd.	286,714	259,717
Fuli Property Insurance Agent Co., Ltd.	12,035	3,878
Others (accounts with balances of less than \$10,000 thousands)	6,568	537
	<u>\$ 798,043</u>	<u>762,468</u>

(xi) Reinsurance expense

<u>Names of related parties</u>	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Tokio Marine Newa Insurance Co., Ltd.	\$ 36,994	43,039

(Continued)

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

(xii) Marketing expense

<u>Names of related parties</u>	For the years ended December 31,	
	2021	2020
Fubon Life Insurance Co., Ltd.	\$ 1,162,818	795,409
Others (accounts with balances of less than \$10,000 thousands)	17,325	15,418
	<u>\$ 1,180,143</u>	<u>810,827</u>

(xiii) Administrative service fee

<u>Names of related parties</u>	For the years ended December 31,	
	2021	2020
Fubon Property Management Co., Ltd.	\$ 29,451	22,920
Others (accounts with balances of less than \$10,000 thousands)	166	157
	<u>\$ 29,617</u>	<u>23,077</u>

(xiv) Insurance expenses

<u>Names of related parties</u>	For the years ended December 31,	
	2021	2020
Fubon Life Insurance Co., Ltd.	\$ 43,376	42,460
Others (accounts with balances of less than \$10,000 thousands)	939	1,004
	<u>\$ 44,315</u>	<u>43,464</u>

(xv) Retained claim payment

<u>Names of related parties</u>	For the years ended December 31,	
	2021	2020
Taiwan Mobile Co., Ltd.	\$ 215,007	215,076
Taiwan High Speed Railway Co., Ltd.	6,558	10,085
Taipei City Government	12,256	14,525
Carplus Auto Leasing Co., Ltd.	178,665	179,680
Yuanlong Motor Co., Ltd.	10,512	12,892
Tokio Marine Newa Insurance Co., Ltd.	128,446	104,372
Yuchang Motor Co., Ltd.	35,695	34,793
Empower Motor Co, Ltd.	20,604	19,967
Yuxin Motor Co, Ltd.	12,219	12,886
Chenglong Motor Co, Ltd.	11,135	10,409
Huilian Automobile Co., Ltd	12,796	11,032
Others (accounts with balances of less than \$10,000 thousands)	32,261	51,424
	<u>\$ 676,154</u>	<u>677,141</u>

(Continued)

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

(xvi) Securities brokerage expenses

<u>Names of related parties</u>	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Taipei Fubon Commercial Bank Co., Ltd.	\$ 189,112	155,152
Fubon Securities Co., Ltd.	10,800	9,105
	<u>\$ 199,912</u>	<u>164,257</u>

(xvii) Right-of-use assets and lease liabilities-buildings and constructions

<u>Names of related parties</u>	<u>Right-of-use assets</u>	
	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Taipei Fubon Commercial Bank Co., Ltd.	\$ 10,643	13,685
Fubon Life Insurance Co., Ltd.	670,386	41,128
Fubon No.2 REIT	17,764	3,232
Fubon Industrial Fujian Limited	8,403	425
Others (accounts with balances of less than \$10,000 thousands)	5,314	3,686
	<u>\$ 712,510</u>	<u>62,156</u>

<u>Names of related parties</u>	<u>Lease liabilities</u>	
	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Taipei Fubon Commercial Bank Co., Ltd.	\$ 10,995	13,837
Fubon Life Insurance Co., Ltd.	688,016	41,559
Fubon No.2 REIT	18,018	3,377
Fubon Industrial Fujian Limited	8,752	-
Others (accounts with balances of less than \$10,000 thousands)	5,168	3,473
	<u>\$ 730,949</u>	<u>62,246</u>

<u>Names of related parties</u>	<u>Total contract price</u>	
	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Taipei Fubon Commercial Bank Co., Ltd.	\$ 16,612	16,612
Fubon Life Insurance Co., Ltd.	807,498	61,484
Fubon No.2 REIT	25,689	25,107
Fubon Industrial Fujian Limited	17,290	474
Others (accounts with balances of less than \$10,000 thousands)	8,268	15,236
	<u>\$ 875,357</u>	<u>118,913</u>

(Continued)

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

<u>Names of related parties</u>	Interest Expense	
	For the years ended December 31,	
	2021	2020
Taipei Fubon Commercial Bank Co., Ltd.	\$ 441	272
Fubon Life Insurance Co., Ltd.	9,605	1,518
Fubon No.2 REIT	508	247
Fubon Industrial Fujian Limited	648	-
Others (accounts with balances of less than \$10,000 thousands)	218	169
	<u>\$ 11,420</u>	<u>2,206</u>
 (xviii) Operating service fee		
<u>Names of related parties</u>	For the years ended December 31,	
	2021	2020
Taiwan Mobile Co., Ltd.	<u>\$ 19,112</u>	<u>14,334</u>
 (xix) Telephone communications service fee		
<u>Names of related parties</u>	For the years ended December 31,	
	2021	2020
Taiwan fixed Network Co., Ltd.	\$ 25,252	26,150
Others (accounts with balances of less than \$10,000 thousands)	3,362	4,339
	<u>\$ 28,614</u>	<u>30,489</u>
 (xx) Donation expense		
<u>Names of related parties</u>	For the years ended December 31,	
	2021	2020
Fubon Charity Foundation	\$ 10,314	5,647
Others (accounts with balances of less than \$10,000 thousands)	10,906	8,787
	<u>\$ 21,220</u>	<u>14,434</u>
 (xxi) Advertisement expense		
<u>Names of related parties</u>	For the years ended December 31,	
	2021	2020
Fubon Sports & Entertainment Co., Ltd.	\$ 21,632	20,029
Others (accounts with balances of less than \$10,000 thousands)	7,919	7,894
	<u>\$ 29,551</u>	<u>27,923</u>

(Continued)

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

(xxii) Rent expense

<u>Names of related parties</u>	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Taiwan Fixed Network Co., Ltd.	\$ 19,970	13,883
Others (accounts with balances of less than \$10,000 thousands)	1,163	978
	<u>\$ 21,133</u>	<u>14,861</u>

(xxiii) Consulting expense

<u>Names of related parties</u>	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Fubon Land Development Co., Ltd.	\$ 24,475	-
Others (accounts with balances of less than \$10,000 thousands)	488	520
	<u>\$ 24,963</u>	<u>520</u>

(xxiv) Refundable deposite

<u>Item</u>	<u>December 31,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>
Fubon Life Insurance Co., Ltd.	\$ 39,874	3,064
Others (accounts with balances of less than \$10,000 thousands)	3,365	4,525
	<u>\$ 43,239</u>	<u>7,589</u>

(Continued)

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

(xxv) Other transactions with related parties (accounts with balances of less than \$10,000)

<u>Item</u>	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Interest revenue	\$ 3,428	5,419
Postage	4,965	4,371
Expense for security lending and borrowing	1	-
Revenue for security lending and borrowing	226	-
Training expense	2,346	1,484
Information equipment expense	1,161	4,555
Social expense	249	938
Governments bonds	221	213
Printing expense	3,035	14
Membership dues	2,042	1,368
Marketing promotion fee	162	422
Book and Magazine fee	-	103
Miscellaneous expense	3,428	1,351
Miscellaneous revenue	185	184
Reinsurance commission expense	23	78
Reinsurance commission revenue	3,170	3,920
	December 31,	December 31,
<u>Item</u>	<u>2021</u>	<u>2020</u>
Due from reinsurers and ceding companies	\$ 52	354
Due to reinsurers and ceding companies	1,289	1,054

(c) Major management remuneration information

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Short term employee benefits	\$ 166,812	144,972
Retirement benefit	996	1,305
Other long-term employee benefits	678	625
	\$ 168,486	146,902

Please refer to Note 6 (r) for a description of the share-based payment.

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

(8) Pledged assets:

(a) As of December 31, 2021 and 2020, the assets pledged or mortgaged were as follows:

<u>Pledged Assets</u>	<u>Purpose of pledge</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Time deposit	Guarantee for the insurance business and security deposits	\$ 1,040,482	1,051,436
Government bond	Guarantee for the insurance business	464,066	484,898
Total		<u>\$ 1,504,548</u>	<u>1,536,334</u>

(b) Pursuant to the requirements of Articles No.141 and No.142 of the Insurance Law, government bonds with book value of \$464,066 and \$484,898 as of December 31, 2021 and 2020, respectively, were deposited with the Central Bank of the Republic China as guarantee for the insurance business.

(9) Commitments and contingencies:

- (a) The Company and its subsidiaries had several insurance lawsuits and were required to pay indemnities of \$476,628, of which approximately \$327,070 were reinsured. The claim had been accrued. These cases have not been resolved with District Court of Appeal as of December 31, 2021.
- (b) The unfunded commitments for the Company and its subsidiaries' signed private equity agreements (Unit: thousand dollars):

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
USD	<u>\$ 12,377</u>	<u>12,683</u>
EUR	<u>\$ 13,011</u>	<u>14,506</u>

Note: The unfunded commitments excluded unsettled trades are informed but not deliver.

(10) Significant losses due to major disasters: None**(11) Significant subsequent events:**

On August 17, 2021, a board meeting has resolved to participate in the capital injection for the subsidiary Fubon insurance broker (Thailand) Co., Ltd. The total capital injection in cash amounted to THD \$4,000 (the total capital of Fubon insurance broker (Thailand) Co., Ltd after the capital injection was THD \$10,000), and the Company invested THD \$1,958.9. The case was approved and registered by the local authorities on January 24, 2022, and that date was the base date for capital injection. After the capital injection, the Company invested THD \$4,897.3 in total, and the shareholding was 48.97%.

(Continued)

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

(12) Other:

(a) A summary of personal expenses, depreciation, depletion and amortization:

	For the years ended December 31,					
	2021			2020		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Personal expenses:						
Salaries (Note)	914,789	3,737,177	4,651,966	825,378	3,429,103	4,254,481
Insurance	-	365,106	365,106	-	300,639	300,639
Pension	-	72,318	72,318	-	179,832	179,832
Remuneration of directors	-	18,988	18,988	-	7,854	7,854
Others	-	219,167	219,167	-	206,206	206,206
Depreciation	-	305,063	305,063	-	267,228	267,228
Depletion	-	-	-	-	-	-
Amortization	-	127,447	127,447	-	96,509	96,509

Note: On April 29, 2021, the parent company Fubon Financial Holdings Co., Ltd., in accordance with the resolution of the board of directors, retained 10% of the total issued shares for subscription by employees of financial holdings and subsidiaries, and the Company recognized salary expenses \$93,027.

(Continued)

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

(b) Disclosure of earned retention premium by compulsory and non-compulsory insurance

For the year ended December 31, 2021

Item	Premium Revenue (1)	Reinsurance Premium (2)	Reinsurance Expense (3)	Retained premium (4)=(1)+(2)-(3)	Net change in unearned premium reserve (5)	Retained earned premium (6)=(4)-(5)	Notes
Non-Compulsory insurance:							
Residential fire insurance	\$ 91,210	-	-	91,210	(5,752)	96,962	
Long-term residential fire insurance	(416)	-	(10)	(406)	(30,863)	30,457	
Commercial fire insurance	2,288,489	9,635	1,527,255	770,869	87,540	683,329	
Long-term commercial fire insurance	-	-	-	-	(506)	506	
Inland cargo insurance	310,109	-	65,109	245,000	13,247	231,753	
Marine cargo insurance	1,106,802	3,384	573,328	536,858	31,475	505,383	
Marine hull insurance	305,564	127	241,286	64,405	8,519	55,886	
Fishing vessel insurance	162,585	1,147	108,325	55,407	3,248	52,159	
Aviation insurance	103,420	1,303	96,248	8,475	787	7,688	
Private passenger auto physical damage insurance	6,848,293	261,234	554,197	6,555,330	195,994	6,359,336	
Commercial passenger auto physical damage insurance	343,493	10,081	15,912	337,662	32,945	304,717	
Private passenger auto liability insurance	9,062,626	227,349	396,767	8,893,208	396,777	8,496,431	
Commercial passenger auto liability insurance	1,648,296	33,712	14,015	1,667,993	41,075	1,626,918	
Personal liability insurance	2,823,909	6,083	518,074	2,311,918	94,296	2,217,622	
Professional liability insurance	539,996	155	279,246	260,905	21,471	239,434	
Engineering insurance	1,829,507	21,370	1,551,879	298,998	(53,071)	352,069	
Nuclear insurance	-	10,793	-	10,793	(344)	11,137	
Surety bonds	82,067	1,140	21,983	61,224	(887)	62,111	
Credit insurance	184,600	-	174,770	9,830	1,619	8,211	
Other property insurance	4,429,549	398	2,879,292	1,550,655	440,011	1,110,644	
Accident insurance	6,042,459	23,758	93,496	5,972,721	(27,167)	5,999,888	
Commercial earthquake insurance	2,127,667	17,639	1,484,025	661,281	(1,399)	662,680	
Personal multiple insurance	1,020,886	-	43,999	976,887	(10,430)	987,317	
Commercial multiple insurance	36,923	-	6,575	30,348	(1,493)	31,841	
Typhoon and flood insurance	1,474,475	5,116	1,088,093	391,498	(8,709)	400,207	
Governmental earthquake insurance	550,325	66,170	543,294	73,201	348	72,853	
One-year health insurance	2,282,418	2	638,792	1,643,628	201,403	1,442,225	
Foreign reinsurance	-	684,795	(3,558)	688,353	133,010	555,343	
Overseas subsidiaries	3,537,399	1,806,100	1,517,069	3,826,430	(130,089)	3,956,519	
Subtotal	49,232,651	3,191,491	14,429,461	37,994,681	1,433,055	36,561,626	
Compulsory insurance:							
Compulsory private passenger auto liability insurance	1,824,255	474,397	738,849	1,559,803	11,671	1,548,132	
Compulsory commercial auto liability insurance	501,764	87,535	269,265	320,034	(2,664)	322,698	
Compulsory motorcycle liability insurance	2,847,038	708,852	1,270,148	2,285,742	30,399	2,255,343	
Subtotal	5,173,057	1,270,784	2,278,262	4,165,579	39,406	4,126,173	
Total	\$ 54,405,708	4,462,275	16,707,723	42,160,260	1,472,461	40,687,799	

(Continued)

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

For the year ended December 31, 2020

Item	Premium Revenue (1)	Reinsurance Premium (2)	Reinsurance Expense (3)	Retained premium (4)=(1)+(2)-(3)	Net change in unearned premium reserve (5)	Retained earned premium (6)=(4)-(5)	Notes
Non-Compulsory insurance:							
Residential fire insurance	\$ 292,928	-	-	292,928	3,340	289,588	
Long-term residential fire insurance	(357)	-	(14)	(343)	(50,816)	50,473	
Commercial fire insurance	1,969,724	9,273	1,261,718	717,279	(35,175)	752,454	
Long-term commercial fire insurance	(5)	-	-	(5)	(1,060)	1,055	
Inland cargo insurance	280,735	-	64,230	216,505	9,835	206,670	
Marine cargo insurance	920,558	1,649	520,557	401,650	5,597	396,053	
Marine hull insurance	340,210	(3,445)	257,209	79,556	7,317	72,239	
Fishing vessel insurance	143,012	1,228	87,085	57,155	11,258	45,897	
Aviation insurance	224,999	5,188	219,172	11,015	8,514	2,501	
Private passenger auto physical damage insurance	6,376,251	170,798	475,276	6,071,773	305,533	5,766,240	
Commercial passenger auto physical damage insurance	277,173	7,645	13,127	271,691	(20,923)	292,614	
Private passenger auto liability insurance	8,297,230	154,315	377,449	8,074,096	576,164	7,497,932	
Commercial passenger auto liability insurance	1,586,212	25,351	16,546	1,595,017	(33,122)	1,628,139	
Personal liability insurance	2,568,224	1,074	468,330	2,100,968	56,877	2,044,091	
Professional liability insurance	515,114	139	277,712	237,541	14,762	222,779	
Engineering insurance	2,043,050	27,316	1,570,950	499,416	36,761	462,655	
Nuclear insurance	-	11,704	-	11,704	(271)	11,975	
Surety bonds	87,435	1,105	24,152	64,388	281	64,107	
Credit insurance	167,820	-	155,888	11,932	6,115	5,817	
Other property insurance	1,242,730	474	874,889	368,315	56,395	311,920	
Accident insurance	6,143,730	16,152	81,485	6,078,397	280,118	5,798,279	
Commercial earthquake insurance	2,105,046	20,106	1,487,216	637,936	85,043	552,893	
Personal multiple insurance	1,045,179	-	67,343	977,836	38,774	939,062	
Commercial multiple insurance	39,389	-	6,797	32,592	1,145	31,447	
Typhoon and flood insurance	1,430,556	4,432	1,046,856	388,132	40,065	348,067	
Governmental earthquake insurance	537,259	57,686	525,600	69,345	3,792	65,553	
One-year health insurance	1,304,518	-	57,145	1,247,373	157,719	1,089,654	
Foreign reinsurance	-	368,841	(48,023)	416,864	(48,317)	465,181	
Overseas subsidiaries	3,203,768	2,710,034	1,925,701	3,988,101	321,121	3,666,980	
Subtotal	<u>43,142,488</u>	<u>3,591,065</u>	<u>11,814,396</u>	<u>34,919,157</u>	<u>1,836,842</u>	<u>33,082,315</u>	
Compulsory insurance:							
Compulsory private passenger auto liability insurance	1,782,889	464,202	719,127	1,527,964	2,204	1,525,760	
Compulsory commercial auto liability insurance	509,143	90,582	272,687	327,038	893	326,145	
Compulsory motorcycle liability insurance	2,828,079	657,639	1,260,021	2,225,697	55,361	2,170,336	
Subtotal	<u>5,120,111</u>	<u>1,212,423</u>	<u>2,251,835</u>	<u>4,080,699</u>	<u>58,458</u>	<u>4,022,241</u>	
Total	<u>\$ 48,262,599</u>	<u>4,803,488</u>	<u>14,066,231</u>	<u>38,999,856</u>	<u>1,895,300</u>	<u>37,104,556</u>	

(Continued)

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

(c) Disclosure of retained claim payment by compulsory and non-compulsory insurance

For the year ended December 31, 2021

Item	Claim (1)	Claim payment (2)	Reinsurance claim payment (3)	Claims recovered from reinsurance (4)	Retained claim payment (5) = (1)+(2)+(3)-(4)	Notes
Non-Compulsory insurance:						
Residential fire insurance	\$ 20,184	-	-	-	20,184	
Long-term residential fire insurance	1,149	-	-	55	1,094	
Commercial fire insurance	1,903,803	-	18,697	1,204,020	718,480	
Long-term commercial fire insurance	-	-	-	-	-	
Inland cargo insurance	82,667	-	-	2,974	79,693	
Marine cargo insurance	598,840	-	67	371,839	227,068	
Marine hull insurance	82,312	-	-	52,529	29,783	
Fishing vessel insurance	13,831	-	-	2,748	11,083	
Aviation insurance	52,838	-	-	51,233	1,605	
Private passenger auto physical damage insurance	3,585,388	-	146,093	308,089	3,423,392	
Commercial passenger auto physical damage insurance	193,114	-	6,099	9,116	190,097	
Private passenger auto liability insurance	4,868,982	-	130,304	232,880	4,766,406	
Commercial passenger auto liability insurance	1,085,829	-	19,092	8,964	1,095,957	
Personal liability insurance	1,060,230	-	971	122,660	938,541	
Professional liability insurance	59,016	-	-	19,247	39,769	
Engineering insurance	357,548	-	9,794	172,690	194,652	
Nuclear insurance	-	-	4	-	4	
Surety bonds	10,889	-	965	6,246	5,608	
Credit insurance	(6,196)	-	-	860	(7,056)	
Other property insurance	698,601	-	656	428,815	270,442	
Accident insurance	2,915,165	69	3,440	28,773	2,889,901	
Commercial earthquake insurance	16,897	-	-	3,412	13,485	
Personal multiple insurance	114,982	-	-	7,908	107,074	
Commercial multiple insurance	13,353	-	-	-	13,353	
Typhoon and flood insurance	(410,289)	-	-	(308,034)	(102,255)	
Governmental earthquake insurance	-	-	-	-	-	
One-year health insurance	634,827	-	-	148,530	486,297	
Foreign reinsurance	-	-	375,390	(8,470)	383,860	
Overseas subsidiaries	1,696,782	-	1,283,570	709,040	2,271,312	
Subtotal	<u>19,650,742</u>	<u>69</u>	<u>1,995,142</u>	<u>3,576,124</u>	<u>18,069,829</u>	
Compulsory insurance:						
Compulsory private passenger auto liability insurance	1,341,123	-	351,321	804,372	888,072	
Compulsory commercial auto liability insurance	489,542	-	34,031	293,591	229,982	
Compulsory motorcycle liability insurance	1,899,877	-	932,241	1,138,589	1,693,529	
Subtotal	<u>3,730,542</u>	<u>-</u>	<u>1,317,593</u>	<u>2,236,552</u>	<u>2,811,583</u>	
Total	<u>\$ 23,381,284</u>	<u>69</u>	<u>3,312,735</u>	<u>5,812,676</u>	<u>20,881,412</u>	

(Continued)

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

For the year ended December 31, 2020

Item	Claim (1)	Claim payment (2)	Reinsurance claim payment (3)	Claims recovered from reinsurance (4)	Retained claim payment (5) = (1)+(2)+(3)-(4)	Notes
Non-Compulsory insurance:						
Residential fire insurance	\$ 20,110	-	-	-	20,110	
Long-term residential fire insurance	2,309	-	-	112	2,197	
Commercial fire insurance	989,846	-	351	377,431	612,766	
Long-term commercial fire insurance	-	-	-	-	-	
Inland cargo insurance	61,594	-	-	3,251	58,343	
Marine cargo insurance	580,857	-	102	369,636	211,323	
Marine hull insurance	129,570	-	-	59,535	70,035	
Fishing vessel insurance	247,968	-	188	225,854	22,302	
Aviation insurance	18,060	-	-	16,890	1,170	
Private passenger auto physical damage insurance	3,417,828	-	103,128	299,672	3,221,284	
Commercial passenger auto physical damage insurance	149,869	-	5,043	7,792	147,120	
Private passenger auto liability insurance	4,708,597	-	91,972	224,624	4,575,945	
Commercial passenger auto liability insurance	1,166,281	-	14,263	10,940	1,169,604	
Personal liability insurance	1,152,988	-	4	196,718	956,274	
Professional liability insurance	51,114	-	-	14,130	36,984	
Engineering insurance	1,184,172	-	8,583	827,538	365,217	
Nuclear insurance	-	-	46	-	46	
Surety bonds	19,553	-	61	7,738	11,876	
Credit insurance	16,238	-	-	36,572	(20,334)	
Other property insurance	349,459	-	55	176,857	172,657	
Accident insurance	2,865,960	210	1,989	16,961	2,851,198	
Commercial earthquake insurance	37,787	-	50	13,966	23,871	
Personal multiple insurance	180,984	-	5	10,001	170,988	
Commercial multiple insurance	8,827	-	-	52	8,775	
Typhoon and flood insurance	134,213	-	44	119,904	14,353	
Governmental earthquake insurance	-	-	73	-	73	
One-year health insurance	450,655	-	-	5,274	445,381	
Foreign reinsurance	-	-	240,805	9,005	231,800	
Overseas subsidiaries	1,508,114	-	832,654	571,031	1,769,737	
Subtotal	<u>19,452,953</u>	<u>210</u>	<u>1,299,416</u>	<u>3,601,484</u>	<u>17,151,095</u>	
Compulsory insurance:						
Compulsory private passenger auto liability insurance	1,497,894	-	323,394	898,629	922,659	
Compulsory commercial auto liability insurance	649,720	-	23,253	389,231	283,742	
Compulsory motorcycle liability insurance	1,695,072	-	1,031,608	1,016,618	1,710,062	
Subtotal	<u>3,842,686</u>	<u>-</u>	<u>1,378,255</u>	<u>2,304,478</u>	<u>2,916,463</u>	
Total	<u>\$ 23,295,639</u>	<u>210</u>	<u>2,677,671</u>	<u>5,905,962</u>	<u>20,067,558</u>	

(Continued)

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

(d) Disclosure of each dangerous unit's retention limit:

The details of each dangerous unit's retention limit were as follows:

- (i) Fire insurance: \$1 billion.
- (ii) Marine insurance:
 - 1) Fishing vessels insurance: \$1 billion.
 - 2) Marine hull insurance: \$1 billion.
 - 3) Marine cargo insurance: \$1 billion.
- (iii) Casualty insurance:
 - 1) General liability insurance: \$1 billion.
 - 2) Professional liability insurance: \$1 billion.
 - 3) Other property insurance: \$1 billion.
 - 4) Fidelity and surety insurance: \$1 billion.
 - 5) Accident insurance: \$1 billion.
 - 6) Credit insurance: \$1 billion.
 - 7) Comprehensive commercial liability insurance: \$1 billion.
 - 8) Comprehensive personal liability insurance: \$ 100 million
- (iv) Engineer insurance:
 - 1) Engineer insurance: \$1 billion.
 - 2) Engineer bond insurance: \$1 billion.
 - 3) Nuclear insurance: \$1 billion.
- (v) Motor insurance:
 - 1) Physical loss insurance: \$50 million.
 - 2) Third party liability insurance (including twice the insured amount or tenfold of the insured amount): \$ 250 million

(Continued)

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

(e) Reserves accrued and recovered for compulsory motor and motorcycle insurance:

For the year ended December 31, 2021

Type	Beginning	Provision	Recovery	Ending	Note
Unearned premium reserve					
Compulsory auto liability insurance	\$ 607,997	617,004	(607,997)	617,004	
Compulsory motorcycle liability insurance	1,055,426	1,085,825	(1,055,426)	1,085,825	
Special reserve					
Compulsory auto liability insurance	474,528	249,167	-	723,695	
Compulsory motorcycle liability insurance	(141,055)	91,653	(392,577)	(441,979)	
Claim reserve					
Compulsory auto liability insurance	1,069,324	970,417	(1,069,324)	970,417	
Compulsory motorcycle liability insurance	1,110,097	1,333,298	(1,110,097)	1,333,298	
Total	\$ 4,176,317	4,347,364	(4,235,421)	4,288,260	

For the year ended December 31, 2020

Type	Beginning	Provision	Recovery	Ending	Note
Unearned premium reserve					
Compulsory auto liability insurance	\$ 604,900	607,997	(604,900)	607,997	
Compulsory motorcycle liability insurance	1,000,065	1,055,426	(1,000,065)	1,055,426	
Special reserve					
Compulsory auto liability insurance	455,732	18,796	-	474,528	
Compulsory motorcycle liability insurance	219,647	-	(360,702)	(141,055)	
Claim reserve					
Compulsory auto liability insurance	1,077,865	1,069,324	(1,077,865)	1,069,324	
Compulsory motorcycle liability insurance	1,015,353	1,110,097	(1,015,353)	1,110,097	
Total	\$ 4,373,562	3,861,640	(4,058,885)	4,176,317	

(Continued)

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

(f) Financial assets and liabilities that have significant influence are listed below:

	December 31, 2021		
	<u>Amount</u>	<u>Rate</u>	<u>NT\$ Amount</u>
<u>Financial Assets</u>			
<u>Monetary Item (Note 1)</u>			
USD	\$ 613,388	27.6892	16,984,210
CNY	615,469	4.3467	2,675,276
VND	867,340,030	0.0012	1,053,818
<u>Non-Monetary Item (Note 1)</u>			
USD	224,410	27.6892	6,213,737
CNY	279,364	4.3467	1,214,321
<u>Derivative Financial instrument (Note 1)</u>			
USD	4,114	27.6892	113,925
<u>Long-term equity investment under equity method</u>			
CNY	39,607	4.3467	172,163
<u>Financial Liabilities</u>			
<u>Derivative Financial Instrument (Note 1)</u>			
USD	215	27.6892	5,966

(Continued)

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

	December 31, 2020		
	Amount	Rate	NT\$ Amount
<u>Financial Assets</u>			
<u>Monetary Item (Note 1)</u>			
USD	\$ 633,233	28.3720	17,966,049
CNY	507,970	4.3631	2,216,305
<u>Non-Monetary Item (Note 1)</u>			
USD	164,616	28.3720	4,670,483
CNY	352,106	4.3631	1,536,262
<u>Derivative Financial Instrument (Note 1)</u>			
USD	12,329	28.3720	349,798
<u>Long-term equity investment under equity method</u>			
CNY	103,486	4.3631	451,517
<u>Financial Liabilities</u>			
<u>Derivative Financial Instrument (Note 1)</u>			
USD	338	28.3720	9,593

Note 1: For each period, the balance in New Taiwan Dollars after conversion in the respective currency accounts for more than 5% of the total item.

The Company and its subsidiaries' exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets at amortized cost etc. that are denominated in foreign currency. A weakening (strengthening) of 3% of the NTD against other foreign currencies would have increased (decreased) the net profits by \$859,025 and \$843,769 for the years ended December 31, 2021 and 2020, respectively. This analysis assumes that all over other variables remain constant for the years ended December 31, 2021 and 2020.

Since the Company and its subsidiaries have many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the years ended December 31, 2021 and 2020, foreign exchange gain (loss) (including realized and unrealized portions) amounted to \$126,344 and \$(562,396), respectively.

(Continued)

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

- (g) The Company and its subsidiaries are expected within 12 months of the balance sheet date or exceed the total amount paid or recovered after 12 months is as following:

<u>Assets</u>	<u>December 31, 2021</u>		
	<u>Recovered within 12 months</u>	<u>Recovered after 12 months</u>	<u>Total</u>
Cash and cash equivalents	\$ 16,727,855	-	16,727,855
Receivables	5,657,190	-	5,657,190
Current tax assets	8,189	-	8,189
Financial assets at fair value through profit or loss	34,705,877	-	34,705,877
Financial assets at amortized cost	-	1,381,474	1,381,474
Investments accounted for using equity method, net	-	172,163	172,163
Financial assets at fair value through other comprehensive income	1,966,418	24,136,993	26,103,411
Right-of-use assets	-	867,101	867,101
Investment properties	-	9,600,412	9,600,412
Reinsurance assets	26,120,126	-	26,120,126
Property and equipment	-	6,365,664	6,365,664
Intangible assets	-	214,391	214,391
Deferred tax assets	79,000	835,626	914,626
Other assets	-	2,740,108	2,740,108
Total assets	<u>\$ 85,264,655</u>	<u>46,313,932</u>	<u>131,578,587</u>

<u>Liabilities</u>	<u>December 31, 2021</u>		
	<u>Paid within 12 months</u>	<u>Paid after 12 months</u>	<u>Total</u>
Accounts payable	\$ 15,615,111	-	15,615,111
Current tax liabilities	395,361	-	395,361
Financial liabilities measured at fair value through profit or loss	5,966	-	5,966
Insurance liabilities	64,726,081	-	64,726,081
Lease liabilities	211,045	653,215	864,260
Deferred tax liabilities	250,221	1,244,880	1,495,101
Other liabilities	-	1,804,336	1,804,336
Provisions	-	1,238,800	1,238,800
Total liabilities	<u>\$ 81,203,785</u>	<u>4,941,231</u>	<u>86,145,016</u>

(Continued)

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

Assets	December 31, 2020		
	Recovered within 12 months	Recovered after 12 months	Total
Cash and cash equivalents	\$ 12,616,340	-	12,616,340
Receivables	5,344,234	-	5,344,234
Financial assets at fair value through profit or loss	30,811,679	87,261	30,898,940
Financial assets at amortized cost	-	1,396,753	1,396,753
Investment accounted for using equity method, net	-	451,517	451,517
Other financial assets	-	17,192	17,192
Financial assets at fair value through other comprehensive income	287,624	24,195,264	24,482,888
Right-of-use assets	-	228,630	228,630
Investment properties	-	10,617,069	10,617,069
Reinsurance assets	22,584,563	-	22,584,563
Property and equipment	-	4,935,236	4,935,236
Intangible assets	-	227,731	227,731
Deferred tax assets	49,179	932,671	981,850
Other assets	-	3,002,155	3,002,155
Total assets	\$ 71,693,619	46,091,479	117,785,098

Liabilities	December 31, 2020		
	Paid within 12 months	Paid after 12 months	Total
Accounts payable	\$ 13,229,696	-	13,229,696
Current tax liabilities	657,343	-	657,343
Financial liabilities measured at fair value through profit or loss	9,593	-	9,593
Insurance liabilities	57,849,326	-	57,849,326
Lease liabilities	82,201	130,273	212,474
Deferred tax liabilities	356,313	1,305,362	1,661,675
Other liabilities	-	1,854,584	1,854,584
Provisions	-	1,472,768	1,472,768
Total liabilities	\$ 72,184,472	4,762,987	76,947,459

(Continued)

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

(h) Compulsory auto liability insurance

(i) Compulsory auto liability insurance assets and liabilities

Item	Amount		Item	Amount	
	December 31, 2021	December 31, 2020		December 31, 2021	December 31, 2020
<u>Assets</u>			<u>Liabilities</u>		
Cash and cash in bank	\$ 3,964,672	3,895,504	Claims payable	\$ 12,555	16,635
Notes receivable	50,994	51,775	Due to reinsurers and ceding companies	602,123	590,864
Premiums receivable	70,603	92,622	Unearned premium reserve	3,087,992	3,036,232
Claims recoverable from reinsurers	587,051	525,682	Claim reserve	4,311,056	3,943,231
Due from reinsurers and ceding companies	218,491	202,989	Special reserve	281,716	333,473
Financial assets at fair value through other comprehensive income	-	-	Temporary receipts and suspense accounts	1,473	13,257
Ceded unearned premium reserve	1,385,163	1,372,809			
Ceded claim reserve	2,007,341	1,763,810			
Temporary payments and suspense accounts	12,600	28,501			
Total Assets	<u>\$ 8,296,915</u>	<u>7,933,692</u>	Total Liabilities	<u>\$ 8,296,915</u>	<u>7,933,692</u>

(ii) Compulsory auto liability insurance revenues and cost

Item	For the years ended December 31,	
	2021	2020
Operating revenues	\$ 2,752,738	2,660,760
Pure premium	3,797,104	3,753,058
Reinsurance premium	1,270,784	1,212,423
Premium	5,067,888	4,965,481
Less : Reinsurance expense	(2,278,262)	(2,251,835)
Net change in unearned premium reserve	(39,406)	(58,458)
Retained earned premium	2,750,220	2,655,188
Interest income	2,518	5,572
Operating costs	2,884,120	2,660,760
Insurance claim payment	3,730,542	3,842,686
Reinsurance claim payment	1,317,593	1,378,255
Less : Claims recovered from reinsurers	(2,236,552)	(2,304,478)
Retained claim payment	2,811,583	2,916,463
Net change in claim reserve	124,294	86,203
Net change in special reserve	(51,757)	(341,906)

(Continued)

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

- (i) When conducting business or transaction, joint business promotion as well as information and facilities sharing with Fubon Financial Holdings Co., Ltd and other associates, the method to split income, cost, expense and profit or loss is to directly attribute them to each counterparties based on the business characteristics.
- (j) The details of the market values of investments which were held for investment purpose by the discretionary investment trust fund: None.
- (k) Information regarding to discontinued operations: None.
- (l) Material revolutions of adjustments of organization and management policy: None.
- (m) Material influence because of the regulations changed: None.
- (n) The loan because of paying large amount of claims: None.
- (o) Disclosure of catastrophe special reserve and equalization special reserve:

For the years ended December 31, 2021 and 2020, the influence on the Company and its subsidiaries for not applying the notification on net income before tax, liabilities, and equity of the Company and its subsidiaries resulted in a decrease of \$0, a decrease of \$5,336,836, an increase of \$2,474,731, a decrease of \$475, a decrease of \$5,336,836, and an increase of \$2,706,351, respectively. The influence on the Company and its subsidiaries for not applying the notification both had no influence in the EPS.

- (p) Disclosure of the special reserve for resident earthquake insurance:

For the years ended December 31, 2021 and 2020, the influence on the Company and its subsidiaries for not applying the notification on net income before tax, liabilities, and equity of the Company and its subsidiaries both resulted in a decrease of \$382,238 and an increase of \$305,790. The influence on the Company and its subsidiaries for not applying the notification both had no influence in the EPS.

- (q) Disclosure of the special reserve for nuclear insurance:

For the years ended December 31, 2021 and 2020, the influence on the Company and its subsidiaries for not applying the notification on liabilities and equity of the Company and its subsidiaries both resulted in a decrease of \$84,093 and an increase of \$67,274.

FUBON INSURANCE CO., LTD. AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

(13) Other disclosures:

(a) Information on significant transactions:

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Company and its subsidiaries:

(i) Acquisition of property and equipment over 100 million or 20% of capital:

(In Thousands of New Taiwan Dollars)

Company	Property Name	Occurrence Date	Amount	Amount Paid	Counterparty	Relationship	Previous transfer information, as the counterparty is a related party				Reference for price	Purpose and usage	Others
							Owner	Relations with the issuer	Transfer Date	Amount			
Fubon Insurance Co., Ltd.	No. 13, 3th Subsection, Zhongzheng Section, Zhongzheng District, Taipei City	2021.01.13	142,242	Paid in accordance with the contract	Fubon Property Management Co., Ltd.	Related party	○-Chun Hsieh	-	2016.09.06	142,242	According to the appraisal reports issued by real estate appraiser firms	Capacity-transfer land	None

(ii) Disposal of property and equipment over 100 million or 20% of capital:

(In Thousands of New Taiwan Dollars)

Name of company	Type of property	Transaction date	Acquisition date	Book value	Transaction amount	Amount actually receivable	Gain from disposal	Counter-party	Nature of relationship	Purpose of disposal	Price reference	Other terms
Fubon Insurance Co., Ltd.	No. 237, Sec. 1, Chien Kuo S. Road, Taipei, Taiwan	2021.12.29	1985.03.01	242,341	-	-	(242,341)			Reconstruction of urban unsafe and old buildings		None
Fubon Insurance Co., Ltd.	No. 74, Section 3, Ren'ai Road, Da'an District, Taipei City	2021.12.29	2020.05.05	2,259	-	-	(2,259)			Reconstruction of urban unsafe and old buildings		None
Fubon Insurance Co., Ltd.	No. 76, Section 3, Ren'ai Road, Da'an District, Taipei City	2021.12.29	2020.05.05, 2020.11.03	2,447	-	-	(2,447)			Reconstruction of urban unsafe and old buildings		None

(iii) Sales and purchase with related party over 100 million or 20% of capital: Please refer to note 7.

(iv) Account receivable with related party over 100 million or 20% of capital: Please refer to note 7.

(v) Information on derivative transactions:None6 (i)

(vi) The significant influence on invested company:

For the year ended December 31, 2021

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	Fubon insurance Co., Ltd.	Fubon insurance (Vietnam) Co., Ltd	1	Due from reinsurers and ceding companies	6,619	The same as normal transaction	0.01 %
"	"	"	"	Due to reinsurers and ceding companies	451	"	- %
"	"	"	"	Unearned premium reserve	29,539	"	0.02 %
"	"	"	"	Claim reserve	19,972	"	0.02 %
"	"	"	"	Reinsurance premium	54,730	"	0.11 %
"	"	"	"	Reinsurance commission expense	12,619	"	0.03 %
"	"	"	"	Reinsurance claim payment	2,607	"	0.01 %
"	"	"	"	Reinsurance expense	308	"	- %
"	"	"	"	Reinsurance commission revenue	37	"	- %
"	"	Fubon P&C Insurance Co., Ltd.	"	Due from reinsurers and ceding companies	176,780	"	0.13 %
"	"	"	"	Due to reinsurers and ceding companies	158,263	"	0.12 %
"	"	"	"	Unearned premium reserve	95,102	"	0.07 %
"	"	"	"	Claim reserve	266,140	"	0.20 %
"	"	"	"	Ceded claim reserve	8,882	"	0.01 %
"	"	"	"	Ceded unearned premium reserve	92,684	"	0.07 %

(Continued)

FUBON INSURANCE CO., LTD. AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			Percentage of the consolidated net revenue or total assets
				Account name	Amount	Trading terms	
0	Fubon insurance Co., Ltd.	Fubon P&C Insurance Co., Ltd.	1	Ceded premium deficiency reserve	61	The same as normal transaction	- %
"	"	"	"	Reinsurance premium	194,680	"	0.39 %
"	"	"	"	Reinsurance commissions expense	62,567	"	0.12 %
"	"	"	"	Reinsurance claim payment	43,302	"	0.09 %
"	"	"	"	Reinsurance expense	252,280	"	0.50 %
"	"	"	"	Reinsurance commission revenue	103,240	"	0.20 %
"	"	"	"	Claims recovered from reinsurance	(21)	"	- %
1	Fubon insurance (Vietnam) Co., Ltd	Fubon insurance Co., Ltd.	2	Due to insurers and ceding companies	6,619	"	0.01 %
"	"	"	"	Due from reinsurers and ceding companies	451	"	- %
"	"	"	"	Ceded unearned premium reserve	29,539	"	0.02 %
"	"	"	"	Ceded claim reserve	19,972	"	0.02 %
"	"	"	"	Reinsurance premium	308	"	- %
"	"	"	"	Reinsurance commission expense	37	"	- %
"	"	"	"	Reinsurance expense	54,730	"	0.11 %
"	"	"	"	Reinsurance commission revenue	12,619	"	0.03 %
"	"	"	"	Claims recovered from reinsurance	2,607	"	0.01 %
2	Fubon P&C Insurance Co., Ltd	"	"	Due to reinsurers and ceding companies	176,780	"	0.13 %
"	"	"	"	Due from reinsurers and ceding companies	158,263	"	0.12 %
"	"	"	"	Ceded unearned premium reserve	95,102	"	0.07 %
"	"	"	"	Ceded claim reserve	266,140	"	0.20 %
"	"	"	"	Claim reserve	8,882	"	0.01 %
"	"	"	"	Unearned premium reserve	92,684	"	0.07 %
"	"	"	"	Premium deficiency reserve	61	"	- %
"	"	"	"	Reinsurance expense	194,680	"	0.39 %
"	"	"	"	Reinsurance commission revenue	62,567	"	0.12 %
"	"	"	"	Claims recovered from reinsurance	43,302	"	0.09 %
"	"	"	"	Reinsurance premium	252,280	"	0.50 %
"	"	"	"	Reinsurance commission expense	103,240	"	0.20 %
"	"	"	"	Reinsurance claim payment	(21)	"	- %

Note 1: Each number represents the following definitions:

- (1) Zero stands for the parent company.
- (2) Subsidiaries are coded from No.1 per respective companies.

Note 2: Transaction relationship is as follows:

- (1) Parent company to subsidiary company.
- (2) Subsidiary company to parent company.

(b) Information on investees:

The followings are the information on investees for the year ended December 31, 2021 (investment in Mainland China is not included):

(In Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2021			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2021	December 31, 2020	Shares (thousands)	Percentage of owner	Carrying value			
Fubon insurance Co., Ltd.	Fubon insurance broker (Thailand) Co., Ltd	Thailand	brokerage	2,765	2,765	29,384	48.97 %	33,977	14,348	7,027	Write off under consolidated financial statements
Fubon insurance Co., Ltd.	Fubon insurance (Vietnam) Co., Ltd	Vietnam	insurance	841,606	841,606	-	100.00 %	721,375	6,856	6,856	-
Fubon insurance Co., Ltd.	Fubon insurance broker (Philippines) Co.	Philippines	brokerage	14,260	14,260	199,994	99.99 %	15,831	3,343	3,343	-

(Continued)

FUBON INSURANCE CO., LTD. AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

(c) Information on investment in Mainland China:

- (i) The Company had been permitted by the Supervisory Commission, R.O.C. (“FSC”), Financial Investment Commission, Ministry of Economic Affairs and China Banking and Insurance Regulatory Commission to found Fubon Property and Casualty Insurance Co., Ltd. for insurance business operation in Mainland China with Fubon Life Insurance Co., Ltd in 2010. In 2012, the Company, Fubon Life Insurance Co., Ltd and Xiamen Port Holding Group signed a joint venture contract to share the ownership of 40%, 40% and 20%, respectively. As of December 31, 2021, Fubon Property & Casualty Insurance Co., Ltd has accumulated its investment CNY \$448 million.

Property & Casualty Insurance Co., Ltd. originally invested in Shenzhen Teng Fu Bo Investment Co. 31.1% shareholdings. On July 16, 2020, a board meeting has resolved not to participate in the capital injection for Shenzhen Teng Fu Bo Investment Co., the capital injection was approved by local authorities on August 19, 2020, which resulted in the decrease in shareholdings from 31.1% to 16.667%. On August 13, 2020, Fubon Property & Casualty Insurance Co., Ltd. shareholders’ meeting has passed a resolution to dispose of 8.5% shareholding in Shenzhen Teng Fu Bo Investment Limited. The case was approved by the authority on October 6, 2021 to sale to Fubon Financial Holding Venture Capital and TFB Capital Co., Ltd. The total selling price was CNY \$165,589, and the equity transfer was completed on October 15, 2021. The proportion dropped from 16.667% to 8.167%. As of December 31, 2021, 2021, Fubon Property & Casualty Insurance Co., Ltd has invested an accumulative amount of CNY \$60,956.

Fubon Property & Casualty Insurance Co., Ltd. acquired 24.96% of the equity of Xiamen Jinfuyuan Insurance Surveyors and Loss Adjusters Co.,Ltd. on April 8, 2021. As of December 31, 2021, Fubon Property & Casualty Insurance Co., Ltd. has invested a total of CNY \$668.

- 1) The names of investees in Mainland China, the main businesses and products, and other information:

(In Thousands of New Taiwan Dollars)

Name of investee	Main businesses and products	Total amount of paid-in capital (Note 2)	Method of investment (Note 1)	Accumulated outflow of investment from Taiwan as of January 1, 2021	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2021	Net income (losses) of the investee	Percentage of ownership	Investment income (losses)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow						
Fubon P&C Insurance Co., Ltd.	Property Insurance	4,868,338 (CNY1,120,000)	(a)	2,154,951	-	-	2,154,951	564,099	40.00%	225,639	491,080	-
Shenzhen Teng Fu Bo Investment Ltd. (Note 3, 4)	Investment consultation	3,244,399 (CNY746,400)	(c)	-	-	-	-	(624,898)	3.27%	333,451	67,714	-
Xiamen Jinfuyuan Insurance Surveyors and Loss Adjusters Co.,Ltd.	Insurance risk and loss assessment	8,693 (CNY2,000)	(c)	-	-	-	-	(1,309)	9.98%	(11)	1,151	-

Note 1 : Investment method is divided into three categories and is listed as follows:

- (a) Directly invest in a Chinese company.
(b) Reinvest in the existing company in the third party and use the company to invest in a Chinese company.
(c) Other methods.

Note 2 : The Company and its subsidiaries translate all foreign currency items with the spot exchange rate as of December 31, 2021 or the average exchange rate for the year ended December 31, 2021.

Note 3 : The Company and its subsidiaries indirectly invested in WeSure Insurance Ltd. through Teng Fu Bo Investment Ltd..

Note 4 : Investment gains and losses recognized in the current period includes gain on disposal of investments \$344,748 and the loss of \$11,297 from related companies and joint ventures recognized by equity method.

- 2) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2021	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
2,154,951 (CNY 448,000)	2,154,951 (CNY 448,000)	26,796,930

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FUBON INSURANCE CO., LTD. AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

- 3) Capital status and its profit and loss : : No Significant investment
 4) Amount and provision methods of reserves please refer to Note 6 (o)

	December 31, 2021	December 31, 2020
Unearned premium reserve	\$ 2,635,728	2,395,555
Claim reserve	2,996,825	2,499,582
Premium deficiency reserve	144,435	165,912
	\$ 5,776,988	5,061,049

- 5) Ratio accounted for the total premium revenue of the parent company: 8.90%
 6) Ratio accounted for the total claim payment of the parent company: 11.97%
 7) The pricing, payment condition, unrealized profit and loss of significant transactions with the investee in China:
 — Amount, ratio and the ending balance of relevant receivables and payables of core business items such as the insurance policy which the policy holder is the investee: None.
 — Amount and profit and loss of property transaction: None.
 — The highest balance, ending balance, interest rate interval and current interest amount of financing: None.
 — Other significant transactions which would influence current profit and loss and other financial condition, such as the provision or receipt of labor service: None.
 8) Reinsurance transaction with foreign insurance in Mainland China:

Names of companies	Amount
PICC Reinsurance Company Limited	\$ (5,121)
DaJia Insurance Group Co., Ltd.	13,351
The People's Insurance Company (HK) Of China Limited	(17,908)
PICC PROPERTY AND CASUALTY CO., LTD.	(668)
PICC PROPERTY AND CASUALTY CO., LTD. SHANGHAI BRANCH	(20)
PICC Property and Casualty Company Limited SHENZHEN BRANCH	(19,707)
China Life Property & Casualty Insurance Company Limited	13,194
CHINA CONTINENT PROPERTY & CASUALTY INSURANCE CO., LTD.	11,011
CHINA TAIPING INSURANCE (HK) CO., LTD.	(9,763)
CHINA TAIPING INSURANCE (SG) CO., LTD.	(2,495)
CHINA PACIFIC PROPERTY INSURANCE (HK) CO., LTD.	(6,929)
CHINA PACIFIC PROPERTY INSURANCE CO., LTD.	(3,229)
Ping An Property & Casualty Insurance Co. of China Ltd.	90,625
CHINA REINSURANCE (GROUP) CORPORATION	1,190
China Reinsurance (Group) Corporation Singapore Branch	(62,232)
CHINA PROPERTY & CASUALTY REINSURANCE CO., LTD.	656
China United Property Insurance Company	135,702
Bank of China Insurance Company Limited	6,992
TIANAN LIFE INSURANCE COMPANY LIMITED OF CHINA	9,054
TAIPING REINSURANCE CO., LTD.	(75,964)
Yong An Property Insurance Company Ltd.	1,240
Qianhai Reinsurance Co., Ltd.	(21,250)
TK.CN INSURANCE CO., LTD.	1
LLOYDS SYND. 1084 CSL (Chaucer)	(7,743)

(Continued)

FUBON INSURANCE CO., LTD. AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

<u>Names of companies</u>	<u>Amount</u>
LLOYDS SYND. 1084 CSL (CHAUCER, SG)	\$ (22,146)
LLOYDS SYND. 2088 CNR	(325)
Zking Property & Casualty Insurance Co., Ltd.	4,099
Huatai Property & Casualty Insurance Co., Ltd.	9,680
Sunshine Property & Casualty Insurance Co., Ltd.	33,964
Champion Property & Casualty Insurance Company Limited	1,510
Yanzhao Property & Casualty Insurance Co., Ltd.	1,881
Mitsui Sumitomo insurance(China) Company Limited	1,814
Samsung Property & Casualty Insurance Company (China), Ltd.	(13,951)
Chubb Insurance(China) Company Limited	(147)
Swiss Re Corporate Solutions Insurance China Ltd.	(11,301)
Hannover Ruckversicherung AG Shanghai Branch	(220,292)
AXA Tianping P&C Insurance Co.,Ltd.	(46,025)
Korean Reinsurance Company_SH	(1,060)
General Reinsurance AG Shanghai Branch	(20)
The Tokio Marine&Nichido Fire insurance Company(China) Limited	(2,025)
Cathay Insurance Co., Ltd.	7,329
Allianz Jingdong General Insurance Company Ltd.	5,559
KBFG Insurance (China) Co., Ltd.	79
Lloyd's Insurance Company (China) Ltd.	(903)
Liberty Mutua Insurance Company(China) Limited	(9,256)
MUNICH REINSURANCE COMPANY BEIJING BRANCH	(18,449)
Sompo Japan Nipponkoa Insurance(China) Co., Limited	39,546
Nipponkoa Insurance(China) Co., Limited	4,335
Swiss Reinsurance Company Beijing Branch	(11)
Hyundai Insurance (China) Company Limited	(17,842)
XL Reinsurance (China) Company Limited	(4,076)
Generali China Insurance Co.,Ltd.	(12,846)
Starr Property and Casualty(China) Co., Limited	(227)
9) Insurance transaction with people, company, or other organization in Mainland China: None.	
(ii) Information on significant transactions of investment in Mainland China: None.	

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

(14) Segment information:

(a) General information

The Company and its subsidiaries run their insurance business and provide insurance contract product in accordance with local insurance laws. They distinguish their reporting sectors by areas, including Taiwan, Vietnam and China, which are the main operating regions of the Company and its subsidiaries. The operating sectors of the Company and its subsidiaries report their profit or loss based on the net income before tax, the value of which is the foundation of performance evaluation and consistent with the report used by their decision makers. The accounting policies of the operating sectors are the same as significant accounting policies summary in note 4.

Other operating segments of the Company and its subsidiaries primarily conduct property insurance business and provide relevant products per the regulations of “Insurance Act”. The abovementioned segments did not reach the quantitative threshold of reportable segment for the years ended December 31, 2021 and 2020.

(b) Segment information

	For the year ended December 31, 2021			
	Taiwan area	Other area	Adjustment and reversal (note)	Total
Revenues				
Revenue by external customers	\$ 45,176,033	5,460,919	(178,463)	50,458,489
Revenue between segments	242,865	-	(242,865)	-
Total revenues	\$ 45,418,898	5,460,919	(421,328)	50,458,489
Segment income	\$ 7,539,839	594,272	(242,865)	7,891,246
Segment total assets	\$ 121,459,404	12,235,939	(2,116,756)	131,578,587
Segment total liabilities	\$ 76,797,854	10,201,655	(854,493)	86,145,016
	For the year ended December 31, 2020			
	Taiwan area	Other area	Adjustment and reversal (note)	Total
Revenues				
Revenue by external customers	\$ 39,656,276	4,227,000	(48,917)	43,834,359
Revenue between segments	(184,555)	-	184,555	-
Total revenues	\$ 39,471,721	4,227,000	135,638	43,834,359
Segment income	\$ 6,244,263	(547,557)	184,555	5,881,261
Segment total assets	\$ 107,639,763	11,762,738	(1,617,403)	117,785,098
Segment total liabilities	\$ 67,462,696	9,916,390	(431,627)	76,947,459

Note : The related adjustment and consolidated write-off entries are for preparing consolidated financial report.

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

(c) Important client information

The Company and its subsidiaries do not receive premium revenue from any single customer which exceeds 10% of the direct written premiums received and there is no need to disclose major customer information.