

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

Consolidated Financial Statements

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

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.

Table of contents

Contents	Page
1. Cover Page	1
2. Table of Contents	2
3. Representation Letter	3
4. Independent Auditors' Report	4
5. Consolidated Balance Sheets	5
6. Consolidated Statements of Comprehensive Income	6
7. Consolidated Statements of Changes in Equity	7
8. Consolidated Statements of Cash Flows	8
9. Notes to the Consolidated Financial Statements	
(1) Company history	9
(2) Approval date and procedures of the consolidated financial statements	9
(3) New standards, amendments and interpretations adopted	10~13
(4) Summary of significant accounting policies	13~32
(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty	32~33
(6) Explanation of significant accounts	33~111
(7) Related-party transactions	112~128
(8) Pledged assets	129
(9) Commitments and contingencies	129
(10) Losses Due to Major Disasters	129
(11) Subsequent Events	129
(12) Other	130~133
(13) Other disclosures	
(a) Information on significant transactions	133~134
(b) Information on investees	135
(c) Information on overseas branches and representative offices	135
(d) Information on investment in mainland China	136
(e) Disclosures required for securities firm investing in countries or regions without securities authority	137~138
(14) Segment information	138~139

Representation Letter

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

Company name: Fubon Securities Co., Ltd.

Chairman: Jerry Harn

Date: March 9, 2022



安侯建業聯合會計師事務所
KPMG

台北市110615信義路5段7號68樓(台北101大樓)
68F., TAIPEI 101 TOWER, No. 7, Sec. 5,
Xinyi Road, Taipei City 110615, Taiwan (R.O.C.)

電話 Tel + 886 2 8101 6666
傳真 Fax + 886 2 8101 6667
網址 Web home.kpmg/tw

Independent Auditors' Report

To the Board of Directors
Fubon Securities Co., Ltd.:

Opinion

We have audited the consolidated financial statements of Fubon Securities Co., Ltd. and its subsidiaries (“the Group”), which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and cash flows for the years ended December 31, 2021 and 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2021 and 2020, in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Firms”, “Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants”, 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 audits 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 Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Certified Public Accountants Code of Professional Ethics in the Republic of China (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. The valuation of financial instruments

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

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

We performed our audit procedures by:

- Inspecting the internal control procedures for fair value measurement performed by the management.
- Selecting samples 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”.
- Verifying whether the presentation and disclosure of financial instruments are in accordance with the International Financial Reporting Standards.

2. The valuation of investment property

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

The Group holds several investment properties. The investment property appraisals are performed by appraisers from professional valuation agencies using the valuation techniques provided by the “Regulations on Real Estate Appraisal” and market evidences in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Firms”. 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.

We performed our audit procedures by:

- Inspecting whether the internal control procedure of investment property appraisals performed by professional evaluation agencies is in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”.
- Verifying whether the presentation and disclosure of investment property are in accordance with IFRSs and the “Regulations Governing the Preparation of Financial Reports by Securities Firms”.
- Evaluating the reasonableness of the management’s assessment on the valuation of investment property based on the evidences obtained from the audit team and the external estate appraiser joint firms, as well as appraisal reports and observable market evidences.

Other Matter

Fubon Securities Co., Ltd. has prepared its parent company only financial statements as of and for the years ended December 31, 2021 and 2020, on which we have issued an unmodified opinion.

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

The management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with “the Regulations Governing the Preparation of Financial Reports by Securities Firms”, “Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants” 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, and for such internal control as the management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the management is responsible for assessing the Group’s 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 Group 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 Group’s financial reporting process.

Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

4. Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2021 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Wu, Lin and Lee, Feng Hui.

KPMG

Taipei, Taiwan (Republic of China)

March 9, 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 SECURITIES 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				
Current assets:					Current liabilities:				
111100 Cash and cash equivalents (notes 6(a), (ai), (al) and 7)	\$ 22,587,378	14	13,926,791	11	211100 Short-term borrowings (notes 6(r) and (ai))	\$ 378,366	-	457,720	-
112000 Financial assets measured at fair value through profit or loss – current (notes 6(b), (v), (ah), (ai), (aj), 7 and 8)	25,732,459	15	27,802,772	21	212000 Commercial paper issued (notes 6(s), and (ai))	12,497,834	7	3,999,761	3
113200 Financial assets measured at fair value through other comprehensive income – current (notes 6(c), (ah), (ai), 7 and 8)	11,278,945	7	11,740,842	9	212000 Financial liabilities measured at fair value through profit or loss – current (notes 6(t), (v), (ah), (ai) and 7)	12,987,755	8	7,467,854	6
114010 Securities purchased under resell agreements (notes 6(d) and (ai))	-	-	170,570	-	214010 Securities sold under repurchase agreements (notes 6(u) and (ai))	10,573,522	6	19,791,626	15
114030 Receivables from pecuniary finance (notes 6(e) and (ai))	20,659,851	12	14,189,234	11	214050 Securities financing refundable deposits (notes 6(e) and (ai))	2,393,580	1	2,128,266	2
114040 Margin deposits for securities refinance (note 6(e))	16,970	-	45,693	-	214070 Deposits payable for securities financing (notes 6(e) and (ai))	2,736,093	2	2,367,371	2
114050 Receivables from securities refinance (note 6(e))	14,142	-	38,157	-	214070 Securities lending refundable deposits (note 6(ai))	19,478,838	12	13,398,754	10
114060 Receivables from securities borrowing and lending (note 6(f))	9,205,283	6	5,185,171	4	214080 Futures traders' equity (notes 6(ai) and 7)	23,096,908	14	20,417,556	15
114070 Customer margin account (notes 6(g), (ai) and 7)	23,096,908	14	20,417,565	15	214130 Notes and accounts payable (notes 6(w) and (ai))	18,563,369	11	18,808,091	14
114090 Collateral for borrowed securities (note 6(ai))	92,141	-	326,261	-	214140 Notes and accounts payable – related parties (notes 6(w), (ai) and 7)	16,849	-	17,621	-
114100 Margin deposits for borrowed securities (notes 6(ai) and 7)	4,319,348	3	4,256,330	3	214170 Other payables (note 6(x))	3,041,582	2	2,211,484	2
114130 Notes and accounts receivable (notes 6(h) and (ai))	18,645,421	11	19,656,687	15	214180 Other payables – related parties (notes 6(x) and 7)	97,716	-	71,455	-
114140 Accounts receivable – related parties (notes 6(h), (ai) and 7)	11,588	-	47,678	-	214600 Current tax liabilities (note 7)	1,105,424	1	437,665	-
114150 Prepayments	617,838	-	65,373	-	216000 Lease liabilities- current (notes 6(z), (ai) and 7)	173,487	-	186,300	-
114170 Other receivables	31,502	-	94,303	-	219000 Other current liabilities (notes 6(y), (ai) and 7)	20,611,234	12	4,942,840	4
114180 Other receivables – related parties (note 7)	135,145	-	70,486	-	Total current liabilities	127,752,557	76	96,704,364	73
114600 Current tax assets	5,346	-	5,225	-	Non-Current liabilities:				
119000 Other current assets (notes 6(ai), 7 and 8)	20,218,367	12	5,039,428	4	225100 Provisions – non-current (note 6(aa))	1,320,907	1	1,170,533	1
Total current assets	156,668,632	94	123,078,566	93	226000 Lease liabilities- non-current (notes 6(z), (ai) and 7)	170,010	-	251,831	-
Non-current assets:					228000 Deferred tax liabilities(note 6(ac))	99,978	-	101,856	-
123200 Financial assets measured at fair value through other comprehensive income – non-current (notes 6(i), (ah) and (ai))	4,228,192	3	2,947,193	2	229000 Other non-current liabilities (note 7)	6,310	-	48,672	-
124100 Investments accounted for using the equity method (note 6(j))	1,901,948	1	1,205,956	1	Total non-current liabilities	1,597,205	1	1,572,892	1
125000 Property and equipment (notes 6(k), 7 and 8)	1,968,494	1	1,704,347	1	Total liabilities	129,349,762	77	98,277,256	74
125800 Right-of-use assets (notes 6(l) and 7)	337,540	-	431,570	-	Equity attributable to shareholders of the company (note 6 (ad)):				
126000 Investment property (notes 6(m), (ah), 7 and 8)	682,582	-	1,054,375	1	301000 Share capital	10,643,550	6	10,643,550	8
127000 Intangible assets (note 6(n))	123,475	-	120,382	-	302000 Capital surplus	68,581	-	1,357	-
128000 Deferred tax assets (note 6(ac))	657,155	-	441,041	1	Retained earnings:				
129000 Other non-current assets (notes 6(o), (p), (q), 7 and 8)	1,391,514	1	1,430,027	1	304010 Legal reserve	5,571,271	3	5,154,857	4
Total non-current assets	11,290,900	6	9,334,891	7	304020 Special reserve	11,025,254	7	11,035,041	8
					304040 Undistributed retained earnings	6,889,986	4	4,164,144	3
						23,486,511	14	20,354,042	15
					305000 Other equity interests	4,346,141	3	3,071,746	3
					Total equity attributable to shareholders of the company	38,544,783	23	34,070,695	26
					Non-controlling interests	64,987	-	65,506	-
					Total equity	38,609,770	23	34,136,201	26
Total assets	\$ 167,959,532	100	132,413,457	100	Total liabilities and equity	\$ 167,959,532	100	132,413,457	100

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
FUBON SECURITIES 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	
	Amount	%	Amount	%
Revenue:				
401000	\$ 10,208,028	63	6,371,338	58
403000	991,627	6	775,794	7
404000	409,622	3	323,010	3
406000	45,945	-	16,096	-
410000	2,293,395	14	2,173,136	20
421100	84,035	1	76,851	1
421200	1,413,437	9	1,251,938	11
421300	639,592	4	552,561	5
421500	227,646	2	(49,675)	-
421600	(259,066)	(2)	(6,458)	-
421610	(271,014)	(2)	(79,415)	(1)
422200	(372,503)	(2)	(363,406)	(3)
424300	17,463	-	15,406	-
424400	820,985	5	8,288	-
424500	(470,243)	(3)	(266,502)	(2)
425300	(16,188)	-	3,887	-
428000	358,943	2	133,758	1
	<u>16,121,704</u>	<u>100</u>	<u>10,936,607</u>	<u>100</u>
Total Revenue				
Expenditure and expense:				
501000	888,782	6	487,958	4
502000	24,461	-	15,447	-
503000	3,766	-	3,075	-
504000	4,876	-	2,870	-
521200	150,082	1	345,320	3
521640	123,373	1	6,045	-
524100	89,666	1	88,962	1
524300	97,717	1	85,585	1
528000	59,413	-	52,315	-
531000	4,999,273	31	3,769,244	34
532000	383,068	2	399,656	4
533000	2,646,530	16	2,031,446	19
	<u>9,471,007</u>	<u>59</u>	<u>7,287,923</u>	<u>66</u>
	<u>6,650,697</u>	<u>41</u>	<u>3,648,684</u>	<u>34</u>
Net operating income				
Non-operating income and expenses:				
601000	750,248	5	214,240	2
602000	808,465	5	829,391	8
	<u>1,558,713</u>	<u>10</u>	<u>1,043,631</u>	<u>10</u>
Net income before tax from continuing operations				
701000	8,209,410	51	4,692,315	44
	<u>1,153,009</u>	<u>7</u>	<u>489,045</u>	<u>4</u>
Net income				
	<u>7,056,401</u>	<u>44</u>	<u>4,203,270</u>	<u>40</u>
Other comprehensive income:				
Items not to be reclassified to profit or loss				
805510	(381,414)	(2)	(87,628)	(1)
805520	889	-	34,484	-
805540	1,503,050	9	264,260	2
805550	1,568	-	30,630	-
805599	(76,173)	-	(13,806)	-
	<u>1,200,266</u>	<u>7</u>	<u>255,552</u>	<u>1</u>
Items that may be subsequently reclassified to profit or loss				
805610	(46,728)	-	(40,251)	-
805615	(53,235)	-	9,014	-
805635	(1,216)	-	(2,182)	-
805650	-	-	8	-
805699	(8,361)	-	(7,980)	-
	<u>(92,818)</u>	<u>-</u>	<u>(25,431)</u>	<u>-</u>
	<u>1,107,448</u>	<u>7</u>	<u>230,121</u>	<u>1</u>
Other comprehensive income				
	<u>8,163,849</u>	<u>51</u>	<u>4,433,391</u>	<u>41</u>
Consolidated net income attributable to:				
	7,056,933	44	4,203,608	40
913200	(532)	-	(338)	-
	<u>7,056,401</u>	<u>44</u>	<u>4,203,270</u>	<u>40</u>
Total comprehensive income attributable to:				
	8,164,381	51	4,433,729	41
	(532)	-	(338)	-
	<u>\$ 8,163,849</u>	<u>51</u>	<u>\$ 4,433,391</u>	<u>41</u>
	<u>\$ 6.63</u>	<u>6.63</u>	<u>\$ 2.68</u>	<u>2.68</u>
Basic earnings per share (in New Taiwan Dollars) (note 6(ae))				

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

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

	Equity attributable to owners of parent						Total other equity interest					Non-controlling interests	Total equity
	Share capital		Retained earnings				Exchange differences on translation of foreign operations	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Revaluation gains	Total	Total equity attributable to owners of parent		
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Undistributed earnings	Total							
Balance at January 1, 2020	\$ 16,643,550	-	4,882,237	10,446,642	2,726,200	18,055,079	(130,466)	2,925,878	8,129	2,803,541	37,502,170	65,844	37,568,014
Net income	-	-	-	-	4,203,608	4,203,608	-	-	-	-	4,203,608	(338)	4,203,270
Other comprehensive income	-	-	-	-	(70,153)	(70,153)	(32,263)	301,773	30,764	300,274	230,121	-	230,121
Total comprehensive income	-	-	-	-	4,133,455	4,133,455	(32,263)	301,773	30,764	300,274	4,433,729	(338)	4,433,391
Appropriation and distribution of retained earnings:													
Legal reserve	-	-	272,620	-	(272,620)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	588,399	(588,399)	-	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(1,865,181)	(1,865,181)	-	-	-	-	(1,865,181)	-	(1,865,181)
Changes in equity of associates and joint ventures accounted for using equity method	-	-	-	-	(23)	(23)	-	-	-	-	(23)	-	(23)
Capital reduction	(6,000,000)	-	-	-	-	-	-	-	-	-	(6,000,000)	-	(6,000,000)
Disposal of equity instruments measured at fair value through other comprehensive income	-	-	-	-	30,712	30,712	-	(30,712)	-	(30,712)	-	-	-
Reorganization	-	1,357	-	-	-	-	(1,357)	-	-	(1,357)	-	-	-
Balance at December 31, 2020	<u>10,643,550</u>	<u>1,357</u>	<u>5,154,857</u>	<u>11,035,041</u>	<u>4,164,144</u>	<u>20,354,042</u>	<u>(164,086)</u>	<u>3,196,939</u>	<u>38,893</u>	<u>3,071,746</u>	<u>34,070,695</u>	<u>65,506</u>	<u>34,136,201</u>
Net income	-	-	-	-	7,056,933	7,056,933	-	-	-	-	7,056,933	(532)	7,056,401
Other comprehensive income	-	-	-	-	(305,314)	(305,314)	(38,367)	1,450,349	780	1,412,762	1,107,448	-	1,107,448
Total comprehensive income	-	-	-	-	6,751,619	6,751,619	(38,367)	1,450,349	780	1,412,762	8,164,381	(532)	8,163,849
Appropriation and distribution of retained earnings:													
Legal reserve	-	-	416,414	-	(416,414)	-	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(3,757,517)	(3,757,517)	-	-	-	-	(3,757,517)	-	(3,757,517)
Reversal of special reserve	-	-	-	(9,787)	9,787	-	-	-	-	-	-	-	-
Changes in equity of associates and joint ventures accounted for using equity method	-	-	-	-	-	-	-	-	-	-	631	-	631
Share-based payments	-	66,593	-	-	-	-	-	-	-	-	66,593	13	66,606
Disposal of equity instruments measured at fair value through other comprehensive income	-	-	-	-	138,367	138,367	-	(138,367)	-	(138,367)	-	-	-
Balance at December 31, 2021	<u>\$ 10,643,550</u>	<u>68,581</u>	<u>5,571,271</u>	<u>11,025,254</u>	<u>6,889,986</u>	<u>23,486,511</u>	<u>(202,453)</u>	<u>4,508,921</u>	<u>39,673</u>	<u>4,346,141</u>	<u>38,544,783</u>	<u>64,987</u>	<u>38,609,770</u>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
FUBON SECURITIES 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, indirect method:		
Income before income tax	\$ 8,209,410	4,692,315
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	309,704	322,977
Amortization expense	73,364	76,679
Expected credit losses (reversal of impairment loss)	16,188	(3,887)
Net loss on financial assets or liabilities measured at fair value through profit or loss	279,056	319,070
Interest expense	150,082	345,320
Interest revenue (including financial income)	(1,511,067)	(1,563,670)
Dividend revenue	(758,456)	(635,330)
Share-based payments	66,593	-
Share of profit of associates and joint ventures accounted for using equity method	(750,248)	(214,240)
Loss on disposal of property and equipment	23,484	455
Gain on disposal of investment properties	(81,076)	-
Gain on disposal of investments	(2,398,088)	(1,979,581)
Loss on disposal of investments accounted for using equity method	3,195	-
Loss (gain) on non-operating financial instruments measured at fair value	(33,663)	19,195
Impairment loss on non-financial assets	-	9,207
Loss (gain) on fair value adjustment of investment property	(13,624)	2,604
Other adjustments	(1,028)	(1,899)
Total adjustments to reconcile loss	(4,625,584)	(3,303,100)
Changes in operating assets and liabilities:		
Changes in operating assets:		
Decrease in financial assets measured at fair value through profit or loss	5,056,667	15,326,387
Decrease (increase) in securities purchased under resell agreements	170,570	(170,570)
Increase in margin loans receivable	(6,470,617)	(2,759,682)
Decrease (increase) in refinancing margin	28,723	(21,421)
Decrease (increase) in refinancing collateral receivable	24,015	(17,911)
Increase in receivable of securities business money lending	(4,020,112)	(1,086,948)
Increase in customer margin account	(2,679,343)	(2,697,919)
Decrease in security borrowing collateral price	234,120	47,114
Increase in security borrowing margin	(63,018)	(693,158)
Decrease in notes receivable	87	386
Decrease (increase) in accounts receivable	1,138,712	(8,306,235)
Decrease in accounts receivable - related parties	36,090	33,169
Increase in other prepayments	(552,465)	(14,784)
Decrease (increase) in other receivables	57,199	(53,940)
Increase in other receivables - related parties	(64,659)	(4,750)
Decrease in financial assets measured at fair value through other comprehensive income	640,935	6,683,015
Increase in other current assets	(15,178,939)	(3,284,008)
Decrease (increase) in overdue receivable	(5,458)	2,656
Subtotal of changes in operating assets	(21,647,493)	2,981,401
Changes in operating liabilities:		
Decrease in securities sold under repurchase agreements	(9,218,104)	(18,425,053)
Increase in financial liabilities measured at fair value through profit or loss	4,670,756	1,811,946
Increase (decrease) in securities financing refundable deposits	265,314	(153,385)
Increase (decrease) in deposits payable for securities financing	368,722	(203,771)
Increase (decrease) in securities lending refundable deposits	6,080,084	(544,480)
Increase in futures traders' equity	2,679,352	2,699,462
Decrease in notes payable	-	(59)
Increase (decrease) in accounts payable	(232,468)	7,883,268
Increase (decrease) in accounts payable - related parties	(772)	3,173
Increase in other payables	832,272	575,596
Increase in other payables - related parties	26,261	30,503
Decrease in provisions	(231,040)	(108,874)
Increase in other current liabilities	15,668,394	3,348,957
Increase (decrease) in guarantee deposit received	(994)	686
Subtotal of changes in operating liabilities	20,907,777	(3,082,031)
Subtotal of changes in operating assets and liabilities	(739,716)	(100,630)
Subtotal of all adjustments	(5,365,300)	(3,403,730)
Cash flows used in operations	2,844,110	1,288,585
Interest received	1,381,053	1,704,843
Dividends received	751,812	645,853
Interest paid	(151,841)	(431,364)
Income taxes paid	(618,830)	(290,675)
Net Cash flows from operating activities	4,206,304	2,917,242

See accompanying notes to consolidated financial statements.

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

	<u>2021</u>	<u>2020</u>
Cash flows used in investing activities:		
Proceeds from disposal of subsidiaries	\$ -	2,762
Acquisition of property and equipment	(84,471)	(73,047)
Proceeds from disposal of property and equipment	23	42
Decrease in operation guarantee	40,000	25,000
Decrease (increase) in deposits settlement fund	(60,104)	41,674
Decrease (increase) in refundable deposits	61,581	(4,842)
Acquisition of intangible assets	(38,372)	(34,775)
Acquisition of right-of-use assets	(20)	(20)
Proceeds from disposal of investment properties	205,000	-
Increase in other non-current assets	(3,668)	(9,684)
Increase in prepayment for land and building	(15,856)	-
Increase in prepayments for business facilities	(123,670)	(83,922)
Dividends received	56,455	32,317
Net cash flows from (used in) investing activities	<u>36,898</u>	<u>(104,495)</u>
Cash flows from (used in) financing activities:		
Decrease in short-term loans	(79,354)	(435,419)
Increase (decrease) in commercial papers payable	8,498,073	(499,096)
Payment of lease liabilities	(200,479)	(210,235)
Cash dividends paid	(3,757,517)	(1,865,181)
Capital reduction payments to shareholders	-	(6,000,000)
Change in non-controlling interests	13	-
Net cash flows from (used in) financing activities	<u>4,460,736</u>	<u>(9,009,931)</u>
Effect of exchange rate changes on cash and cash equivalents	(43,351)	(22,075)
Net increase (decrease) in cash and cash equivalents	8,660,587	(6,219,259)
Cash and cash equivalents at beginning of period	13,926,791	20,146,050
Cash and cash equivalents at end of period	<u>\$ 22,587,378</u>	<u>13,926,791</u>

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

Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

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

(1) Company history

FUBON SECURITIES CO., LTD. (the Company) was incorporated on July 11, 1988, as a company limited by shares and with an integrated securities firm license. The Company's operations include securities underwriting, dealing, brokerage, pecuniary, securities financing and refinancing, securities transfer services, dealing brokerage services related to futures, foreign securities brokerage, securities borrowing and lending service, trust operations, offshore securities unit operations, securities investment consulting operations and other operations approved by the authorities.

On September 9, 2000, the Company merged with Universal Securities Co., Ltd.; Chung Zu Securities Co., Ltd; King Sheng Securities Co., Ltd; Wa Hsing Securities Co., Ltd; Shih Lin Securities Co., Ltd; and Happy Securities Co., Ltd. The continuing company is Fubon Securities Co., Ltd. The exchange ratios of stock of the abovementioned merged companies were 1.43 shares, 1.39 shares, 1.32 shares, 0.90 share, 0.92 share and 1.17 shares, respectively, for 1 share of the Company.

Following the enactment of the Financial Holding Company Act in Taiwan, Fubon Financial Holding Co., Ltd. ("Fubon Financial") was established on December 19, 2001, as the holding entity of four financial services companies, including Fubon Securities Co., Ltd., under the Fubon brand name. Shares of Fubon Securities Co., Ltd., Fubon Commercial Bank Co., Ltd. ("Fubon Bank"), Fubon Life Insurance Co., Ltd. ("Fubon Life Insurance"), and Fubon Insurance Co., Ltd. ("Fubon Insurance") were exchanged for shares in Fubon Financial at the following exchange ratios:

	<u>Exchange ratio per Fubon Financial share</u>
Fubon Securities Co., Ltd.	1.5078
Fubon Bank	1.7053
Fubon Life Insurance	0.7556
Fubon Insurance	1

The Company's parent and ultimate parent is Fubon Financial Holding Co., Ltd. The registered address of the Company is 3F and 4F., No.169 Sec. 3, 4, Ren'ai Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.). As of December 31, 2021, there were 34 branches (including head office) established for operating.

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

On March 9, 2022, the consolidated financial statements were presented to the board of directors and authorized for issuance afterward.

(Continued)

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

(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 details of impact on the Group’s adoption of the new amendments beginning January 1, 2021 are as follows :

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

The Group applied the Phase 2 amendments retrospectively. However, in accordance with the exceptions permitted in the Phase 2 amendments, the Group has elected not to restate comparatives for the prior periods to reflect the application of these amendments. Since the Group had no transactions for which the benchmark rate had been replaced with an alternative benchmark rate as of December 31, 2020, there is no impact on its opening equity balances as a result of retrospective application.

The Phase 2 amendments provide practical relief from certain requirements in IFRS Standards. These reliefs relate to modifications of financial instruments and lease contracts or hedging relationships triggered by a replacement of a benchmark interest rate in a contract with a new alternative benchmark rate.

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

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

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

The amendments also provide an exception to use a revised discount rate that reflects the change in interest rate when remeasuring a lease liability because of a lease modification that is required by interest rate benchmark reform.

Finally, the Phase 2 amendments provide a series of temporary exceptions from certain hedge accounting requirements when a change required by interest rate benchmark reform occurs to a hedged item and/or hedging instrument that permits the hedging relationship to be continued without interruption.

The details of the accounting policies are disclosed in note 4 (g) and note 6 (ai).

(Continued)

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

(ii) Other amendments

The following new amendments, effective January 1, 2021, do not have a significant impact on the Group's consolidated financial statements:

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

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

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

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

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

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

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

(Continued)

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

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

(Continued)

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

The Group is 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 Group completes its evaluation.

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

- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”

(4) Summary of significant accounting policies

The 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 consolidated financial statements, the Chinese version shall prevail.

The significant accounting policies adopted in these consolidated financial statements are summarized below. Except for those specifically indicated, the following accounting policies have been applied consistently throughout the periods presented in the consolidated financial statements.

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Firms", "Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants" 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. (the IFRSs endorsed by the FSC).

(b) Basis of preparation

(i) Basis of measurement

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

- 1) Financial instruments measured at fair value through profit or loss (including derivative financial instruments).
- 2) Financial assets measured at fair value through other comprehensive income.
- 3) Investment property.
- 4) The defined benefit liabilities, which is recognized as plan assets at fair value, less, the present value of the defined benefit obligation and the effect of the ceiling.

(ii) Functional and presentation currency

The functional currency of the Group is determined based on the primary economic environment in which the Group entities operate. The consolidated financial statements are presented in New Taiwan Dollars, which is the Company's functional currency. All financial information presented in New Taiwan Dollars has been rounded to the nearest thousand.

(Continued)

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

(c) Principles of consolidation

(i) Principles of preparation of the consolidated financial statements

The consolidated financial statements comprise Fubon Securities Co., Ltd. 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. The Group attributes the profit or loss and each component of other comprehensive income to the owners of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

Changes in ownership interest

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners).

(ii) List of subsidiaries in the consolidated financial statements

Name of investor	Name of subsidiary	Principal activity	Shareholding	
			December 31, 2021	December 31, 2020
The Company	Fubon Futures Co., Ltd.	Futures	100 %	100 %
The Company	Fubon Investment Service Co., Ltd.	Investment Service	100 %	100 %
The Company	Fubon Investment Holding (BVI) Ltd. (originally called Fubon Securities (BVI) Ltd.)	Investment Holding	100 %	100 %
The Company	Fubon Securities Venture Capital Co., Ltd.	Venture Capital	100 %	100 %
The Company	Xiamen Fubon Equity Investment Ltd. (Note 1)	Equity Investment	- %	100 %
The Company	Fubon Mintou Venture Capital Co., Ltd.	Venture Capital	67 %	67 %
The Company	Fubon Macquarie Infrastructure Asset Management Co., Ltd. (Note 2)	Asset management	- %	100 %
Fubon Investment Holding (BVI) Ltd.	Fubon Securities (HK) Ltd.	Securities business	100 %	100 %

Note 1: Xiamen Fubon Equity Investment Ltd. completed dissolution, liquidation and deregistration in June 2021.

Note 2: Fubon Macquarie Infrastructure Asset Management Co., Ltd. has completed its dissolution and liquidation procedures on July 21, 2021.

(d) Foreign currency transactions

(i) Foreign currency transactions

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.

(Continued)

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

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 from acquisition, are translated into the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated into the presentation currency at the average 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 foreign currency translation adjustment related to that foreign operation is reclassified to profit or loss as part of the gains or losses on disposal. When the Group disposes of any part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant cumulative amount of foreign currency translation adjustments is reattributed proportionately to non-controlling interest. When the Group disposes of only part of investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant foreign currency cumulative amount of translation adjustments is reclassified proportionately to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign currency gains and losses arising from such items are considered as part of a net investment in a foreign operation and are recognized in other comprehensive income.

(e) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as noncurrent.

- (i) It expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;
- (ii) It holds the asset primarily for the purpose of trading;
- (iii) It expects to realize the asset within twelve months after the reporting period; or
- (iv) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

(Continued)

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

A liability is classified as current under one of the following criteria, and all other liabilities are classified as noncurrent.

- (i) It expects to settle the liability in its normal operating cycle;
- (ii) It holds the liability primarily for the purpose of trading;
- (iii) The liability is due to be settled within twelve months after the reporting period; or
- (iv) It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(f) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, unrestricted time deposits which may be terminated anytime without impairing the principal and highly liquid investments that are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value.

(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 Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

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

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

(Continued)

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

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

2) Fair value through other comprehensive income (FVOCI)

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

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

On initial recognition of an equity investment that is not held for trading, the Group 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 derived from equity investments is recognized on the date that the Group's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date.

3) Fair value through profit or loss (FVTPL)

Financial assets that are not measured at amortized cost or at FVOCI are measured at FVTPL, including derivative financial assets. On initial recognition, the Group 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.

(Continued)

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

4) Business model assessment

The Group makes a combined assessment of the objective of the business model of financial assets which best reflect the management and the information delivery. The information considered includes:

- the stated policies and objectives of the portfolio and how they are operating, including whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to related liabilities or expected cash outflows, or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how the risks are managed;
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales, and expectations for future sales.

If the transfer of financial assets to third parties does not meet the derecognition condition, then it cannot be considered as part of the abovementioned sale of financial assets; instead, it is considered consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or managed and evaluated on a fair value basis are measured at FVTPL.

5) Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial assets on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features)

(Continued)

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

6) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, other receivables, guarantee deposits and other financial assets), and debt investments measured at FVOCI.

The Group assesses that whether the credit risk of financial instruments has increased significantly since initial recognition. 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.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12-month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information, which is available without undue cost or effort, including both quantitative and qualitative information, as well as analysis based on the Group's historical experience, credit assessment and forward-looking information.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt investments measured at FVOCI, the loss allowance is charged to profit or loss and is recognized in other comprehensive income instead of reducing the carrying amount of the asset.

7) Derecognition of financial assets

The Group derecognizes 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 Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters 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.

(Continued)

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

(ii) Financial liabilities

1) Financial liabilities

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

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

2) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognizes 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.

3) 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 Group currently has 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.

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

When the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortized cost changed as a result of interest rate benchmark reform, the Group will update the effective interest rate of the financial asset or financial liability to reflect the change that is required by the reform. A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if the following conditions are met:

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

(Continued)

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

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

(iii) Derivative financial instruments

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.

(h) Investment in associates

Associates are those entities in which the Group has the power to exercise significant influence, but not control, over their financial and operating policies.

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

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of those associates, after adjustments to align their accounting policies with those of the Group, from the date on which significant influence commences until the date on which significant influence ceases. The Group recognizes 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.

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

When the Group's 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 Group has incurred legal or constructive obligations or made payments on behalf of the associate.

When the Group subscribes to additional shares in an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment will differ from the amount of the Group's proportionate interest in the net assets of the associate. The Group records such a difference as an adjustment to investments, with the corresponding amount charged or credited to capital surplus. The aforesaid adjustment should first be adjusted under capital surplus. If the capital surplus resulting from changes in ownership interest is not sufficient, the remaining difference is debited to retained earnings.

(i) Bonds investment with agreement

Repo and reverse repo bond transactions are the sale or purchase of bonds coupled with an agreement to repurchase or resell the same or substantially identical bonds at a stated price. The securities sold or purchased are treated as collateral for financing transactions and not as the sale or purchase of trading securities. Repo and reverse repo bond transactions are recorded as bonds sold under repurchase agreements and bonds purchased under resale agreements, respectively.

(Continued)

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

The difference between the selling and the purchase prices during the holding period for repo and reverse repo bond transactions is treated as finance cost or interest income. Repo and reverse repo bonds remain under the original operating account and are unaffected by temporary transfer in or out.

(j) Pecuniary and securities financing and refinancing

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

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

Pecuniary refinancing represents loans from securities finance companies when the Group lacks sufficient funds to perform pecuniary financing. These loans are recorded as refinance borrowings.

Securities refinancing represents borrowing securities from securities finance companies when the Group does not have sufficient securities to perform securities financing. For securities refinancing, the Group pays margin deposits to securities finance companies. These margin deposits are recorded as margin deposits for securities refinance. The Group also provides securities investors' proceeds from selling borrowed securities to securities finance companies as collateral and records them under deposits payable for securities financing and receivables from securities refinance.

(k) Securities lending

The Group lends only the following securities in conducting securities lending business: the securities held for the Group's own account, the securities borrowed through the securities lending system of a securities exchange, and the collateral securities obtained in connection with customer margin purchases when conducting securities trading margin purchase and short sale business.

As the securities held for the Group's own account are for lending to securities borrowers, these securities shall be transferred out from the original account to securities lent for securities financing and measured at fair value. The securities borrowed through the securities lending system of a securities exchange are not reflected in the financial statements of the Group. The collateral securities obtained in connection with customer margin purchases when conducting securities trading margin purchase and short sale business are not reflected in the financial statements of the Group either because these collateral securities are the collateral of the borrowers.

If the collateral from securities lending is other securities, the Group will not have to record them in the financial statements but will have to record them in each borrower's account for each trade. For cash collateral, it will be recognized as securities lending refundable deposits. When the value of the collateral is insufficient, the Group will inform the borrower to make up the difference.

The fee from securities lending business is recognized as income from securities lending.

(Continued)

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

(l) Customer margin account

Customer margin account presented under current assets includes trading margins received from customers and the gains (losses) generated from unsettled futures contracts based on daily market values. The following are included in customer margin account:

- (i) Deposits: Futures commission merchants deposit initial margins and premiums of traders in "customer margin account" accounts at banks.
- (ii) Clearing balances of futures clearing house: Futures commission merchants qualified as clearing members appropriate initial margins and premiums of traders to the clearing balance of the clearing house.
- (iii) Clearing balances of other futures commission merchants: Futures dealers not qualified as clearing members appropriate initial margins and premiums of traders to the clearing balance of futures dealers qualified as clearing members.

(m) Investment property

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

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

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

The Group transfers investment property in or out based on its actual use. Transfers between categories should be based on market values, and accounting treatment should be conducted in accordance with IAS 40 "Investment Property".

(n) Property 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.

(Continued)

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

(ii) 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.

(iii) Subsequent cost

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

(iv) Depreciation

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

Land is not depreciated.

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

Buildings	25~55 years
Transportation equipment	5 years
Office equipment	3~ 5 years
Other equipment	3~ 5 years
Leasehold improvement	3~ 5 years

Depreciation methods, useful lives and residual values are reviewed at the end of the year and adjusted if appropriate.

(Continued)

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

(o) Leases

At inception of a contract, the Group assesses 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.

(i) As a lessee

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

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

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

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

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

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

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change in the evaluation of asset purchase option; or
- there is a change of the assessment on whether it will exercise a purchase, extension or termination option; or
- there is any modifications in the asset, scope or other terms in the lease

(Continued)

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

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 Group accounts 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 Group presents right-of-use assets that do not meet the definition of investment property and lease liabilities as a separate line item respectively in the statement of financial position.

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

From January 1, 2021, when the basis for determining future lease payments changes as required by interest rate benchmark reform, the Group will remeasure the lease liability by discounting the revised lease payments using the revised discount rate that reflects the change to an alternative benchmark interest rate.

(ii) As a lessor

When the Group acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes 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 Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for the 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 Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Group applies IFRS15 to allocate the consideration in the contract.

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 Group recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other income'.

(Continued)

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

(p) Intangible assets

(i) Other intangible assets

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

(ii) Amortization

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

The estimated useful lives for current and comparative periods are as follows:

Operating right	10 years
Computer software	3~5 years

Amortization methods, useful lives and residual values are reviewed at the end of the year and adjusted if appropriate.

(q) Impairment of non-financial instruments

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than deferred tax assets and investment properties, measured at fair value, less costs) 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.

(Continued)

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

(r) Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as interest cost.

Under IAS 37 as endorsed by the FSC, the Group should estimate the costs of dismantling, relocating and restoring the leased assets at the end of the lease term, and the costs are estimated based on discounted present value.

(s) Futures traders' equity

Payables to customers presented under current liabilities correspond to futures trading margin. The account will be recorded as futures trading margin receivable when it becomes a debit balance.

(t) Revenue recognition

The Group's major revenue and cost recognition principles are as follows:

- (i) Brokerage handling fee revenue, futures commission revenue, profit or loss on disposal of trading securities, and relevant brokerage securities transaction charges are recognized at the trading date.
- (ii) Interest income or expense from margin loans, securities financing and refinancing, and bonds purchased under agreements to resell and sold under agreements to repurchase are recognized on an accrual basis.
- (iii) Recognition of service revenue depends on the degree of service delivered.
- (iv) Gains or losses on disposal of equity investments of financial assets measured at fair value are recognized at the trading date.
- (v) Dividend revenue are recognized when the Group has the defined right to receive the payment.
- (vi) Gains or losses on futures and options trade: Trading margin is recognized at cost and measured through mark-to-market valuation. The gains or losses from mark-to-market, reversed futures trading or settled contracts are recognized as gains or losses in the current period; dealing handling fee expenditures are recognized on the date of futures and options transaction.

(u) Employee benefits

(i) Defined contribution plans

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

Pursuant to the ROC Labor Pension Act, the Company and domestic subsidiaries make contribution to the Bureau of Labor Insurance. This contribution is recognized as pension expenses on accrual basis.

(Continued)

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

Foreign subsidiaries make contributions based on the regulation of local government, and these contributions are recognized as pension expenses on accrual basis.

(ii) Defined benefit plans

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

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, 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 Group determines 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 Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) 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 Group has 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.

(iv) Other long-term employee benefits

The Group's 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.

(Continued)

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

(v) 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 Company's parent carried out a cash capital increase and reserved shares for subscription to its subsidiaries' employees. The grant date of a share-based payment award is the date when employees confirmed the number of shares subscribed.

(w) Income tax

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

(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, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

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

- 1) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;
- 2) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- 3) taxable temporary differences arising on the initial recognition of goodwill.

(Continued)

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

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

Deferred income tax assets and liabilities are not offset if they relate to income taxes examined by different tax authorities.

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

(x) Business combination

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

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

For each business combination, the Group measures any noncontrolling interests in the acquiree either at fair value or at the noncontrolling interest's proportionate share of the acquiree's identifiable net assets, if the noncontrolling interests are present ownership interests and entitle their holders to a proportionate share of the Group's net assets in the event of liquidation. Other components of noncontrolling interests are measured at their acquisition-date fair values, unless another measurement basis is required by the IFRSs endorsed by the FSC.

(y) Earnings per share

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

(Continued)

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

(z) Operating segments

An operating segment is a component of the Group 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 Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. Each operating segment consists of standalone financial information.

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

The preparation of the consolidated financial statements in conformity with the regulations governing the preparation of financial reports and IFRS 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 will continually review the estimates and basic assumptions. Changes in accounting estimates will be recognized in the period of change and the future period of their impacts.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next one year is included in the following notes:

(a) Fair value of financial instruments

The fair value of non-active market or non-quoted financial instruments is determined using valuation techniques. Such fair value is based on observable data of similar financial instruments or a valuation model. If there are no observable market parameters, the fair value of financial instruments is evaluated based on appropriate assumptions. If fair value is determined by the valuation model, the model shall be calibrated to ensure that all output data and the results reflect the actual market price. The models use only observable data as possible. Information of major assumptions for determining the fair value of financial instruments and the sensitivity analysis of those assumption, please refer to note 6 (ai).

(b) Fair value of investment property

Fair value is determined using the valuation techniques, including income-based valuation and market-based valuation. The changes of these valuation assumptions will affect the fair value of investment property in the financial statements. Please refer to note 6 (m) for the valuation assumptions of investment property.

(c) Assessment of financial assets' impairment

The allowance loss of the Group's financial assets is estimated based on the assumption of default risk and expected loss rate. The Group considers historical experience, current market conditions and forward-looking estimates on each reporting date to determine the inputs and assumptions to be used in calculating the impairment.

(Continued)

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

(d) Income tax

The Group calculates its income tax in accordance with the local ordinances. The possible difference in tax base and calculation between the Group and the tax authorities leads to the uncertainty of income tax. The Group recognizes related income tax and deferred income tax by assessing possible additional income tax pursuant to the transactions and calculations for the tax. If the final tax determined by the authorities differs from the initial recognized amount, the difference will affect the income tax and deferred income tax accounts. Please refer to note 6 (ac) for the recognition of income tax.

(6) Explanation of significant accounts

(a) Cash and cash equivalents

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Petty cash	\$ 2,090	2,290
Demand deposits and checking accounts	4,449,854	2,761,459
Time deposits	792,287	894,097
Foreign currency deposits	<u>17,343,147</u>	<u>10,268,945</u>
Total	<u>\$ 22,587,378</u>	<u>13,926,791</u>

Please refer to note 6 (ai) for the disclosure of the sensitivity analysis and interest rate risk of the financial assets and financial liabilities of the Group.

(b) Financial assets measured at fair value through profit or loss – current

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Financial assets mandatorily measured at fair value through profit or loss:		
Non-hedge derivative instruments	\$ 774,014	567,952
Non-derivative financial assets	<u>24,958,445</u>	<u>27,234,820</u>
Total	<u>\$ 25,732,459</u>	<u>27,802,772</u>

The related accounts were as follows:

(i) Financial assets mandatorily measured at fair value through profit or loss – non-derivative

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Securities invested by broker	\$ 495,147	855,619
Open-end funds, money market instruments and other securities	498,003	984,796
Operating securities – dealing	11,361,823	18,558,051
Operating securities – underwriting	261,716	402,708
Operating securities – hedging	<u>12,341,756</u>	<u>6,433,646</u>
Total	<u>\$ 24,958,445</u>	<u>27,234,820</u>

(Continued)

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

1) Details of securities invested by broker

	December 31, 2021	December 31, 2020
Securities invested by broker	\$ 596,963	849,016
Valuation adjustment	<u>(101,816)</u>	<u>6,603</u>
Total	<u>\$ 495,147</u>	<u>855,619</u>

2) Details of open-end funds, money market instruments and other securities

	December 31, 2021	December 31, 2020
Open-end funds, money market instruments and other securities	\$ 430,281	950,475
Valuation adjustment	<u>67,722</u>	<u>34,321</u>
Total	<u>\$ 498,003</u>	<u>984,796</u>

3) Operating securities

	December 31, 2021	December 31, 2020
Dealing department – domestic:		
Listed stocks and funds – TWSE	\$ 3,316,807	1,326,203
Listed stocks and funds – TPEX	379,911	386,986
Bonds	3,241,847	2,902,752
Emerging stocks and funds – TPEX	580,936	607,226
Others	<u>311,002</u>	<u>380,847</u>
Subtotal	<u>7,830,503</u>	<u>5,604,014</u>
Dealing department – foreign:		
Stocks and funds	-	71,328
Bonds	<u>3,187,814</u>	<u>12,504,059</u>
Subtotal	<u>3,187,814</u>	<u>12,575,387</u>
Valuation adjustment	<u>343,506</u>	<u>378,650</u>
Total	<u>\$ 11,361,823</u>	<u>18,558,051</u>
	December 31, 2021	December 31, 2020
Underwriting department – domestic:		
Listed stocks – TWSE	\$ -	3,680
Bonds	<u>237,321</u>	<u>361,304</u>
Subtotal	<u>237,321</u>	<u>364,984</u>
Valuation adjustment	<u>24,395</u>	<u>37,724</u>
Total	<u>\$ 261,716</u>	<u>402,708</u>

(Continued)

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

	<u>December 31,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>
Hedging department—domestic:		
Listed stocks and warrants— TWSE	\$ 1,119,705	953,841
Listed stocks and warrants— TPEX	93,964	175,746
Bonds	<u>10,466,373</u>	<u>5,026,645</u>
Subtotal	11,680,042	6,156,232
Valuation adjustment	<u>661,714</u>	<u>277,414</u>
Total	<u><u>\$ 12,341,756</u></u>	<u><u>6,433,646</u></u>

(ii) Financial assets mandatorily measured at fair value through profit or loss— derivatives

	<u>December 31,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>
Futures trading margin— proprietary funds	\$ 593,934	334,742
Interest rate swap contracts	147,538	224,278
IRS portion of asset swap contracts	29,358	6,308
Foreign exchange derivatives	2,769	-
Call options	<u>415</u>	<u>2,624</u>
Total	<u><u>\$ 774,014</u></u>	<u><u>567,952</u></u>

(iii) Related investment profit or loss please refer to note 6(ag).

(iv) Information of fair value and risk management, please refer to notes 6(ah) and (ai).

(v) The guarantee of financial assets measured at fair value through profit or loss— current provided as pledged assets, please refer to note 8 for details.

(c) Financial assets measured at fair value through other comprehensive income— current

	<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	\$ 202,639	-
Financial bonds	-	800,000
Corporate bonds	3,500,240	4,150,331
Foreign bonds	1,516,823	1,204,641
Valuation adjustment	<u>(16,715)</u>	<u>36,487</u>
Subtotal	<u>5,202,987</u>	<u>6,191,459</u>
Equity investments measured at fair value through other comprehensive income:		
Stocks	5,238,046	4,795,480
Valuation adjustment	<u>837,912</u>	<u>753,903</u>
Subtotal	<u>6,075,958</u>	<u>5,549,383</u>
Total	<u><u>\$ 11,278,945</u></u>	<u><u>11,740,842</u></u>

(Continued)

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

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

The Group has assessed that the securities are held within a business model whose objective is achieved by both collecting the contractual cash flows and selling securities. They were classified as financial assets measured at fair value through other comprehensive income.

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

The Group has designated the equity investments as at fair value through other comprehensive income because it intends to hold for long-term strategic purposes.

Dividend incomes from abovementioned financial assets measured at profit or loss through other comprehensive income were as follows:

	<u>2021</u>	<u>2020</u>
Dividend income	\$ <u>509,485</u>	<u>466,478</u>

Dividend incomes from disposed financial assets measured at profit or loss through other comprehensive income within the reporting period were as follows:

	<u>2021</u>	<u>2020</u>
Dividend income	\$ <u>291,733</u>	<u>248,828</u>

For the years ended December 31, 2021 and 2020, the Group has sold the stocks designated as at fair value through other comprehensive income for allocation and reconciliation of the portfolios. The sold stocks had a fair value of \$10,075,123 and \$7,854,987, respectively, and the Group recognized accumulated gain (loss) of \$137,566 and \$39,983. The accumulated gain (loss) has been transferred from other equity interests to retained earnings.

- (iii) Information of fair value and risk management, please refer to note 6 (ah) and (ai) for details.
- (iv) The guarantee of the financial assets measured at fair value through other comprehensive income – current provided as pledged assets, please refer to note 8 for details.

- (d) Securities purchased under resell agreements

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Pecuniary financing	\$ -	<u>170,570</u>
The end date of the holding period	-	2021.01.04
Interest rate range	- %	0.20 %

- (e) Pecuniary and securities financing and refinancing

Securities received and lent for pecuniary and securities financing and refinancing were as follows:

	<u>December 31, 2021</u>		
	<u>Shares (thousands)</u>	<u>Face value</u>	<u>Market value</u>
Collateral securities for pecuniary financing	<u>629,291</u>	\$ <u>6,292,910</u>	<u>36,592,290</u>
Securities lent for securities financing	<u>39,638</u>	\$ <u>396,380</u>	<u>3,019,128</u>

(Continued)

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

	December 31, 2020		
	Shares	Face value	Market value
	(thousands)	\$	
Collateral securities for pecuniary financing	583,246	5,832,460	24,738,415
Securities lent for securities financing	89,499	894,990	2,619,442

Pecuniary finance represents loans extended to securities investors and is accounted for as receivables from pecuniary finance. Such loans are secured by the securities purchased by investors. These securities are not reflected in the financial statements of the Group. These securities will be returned to investors when investors terminate pecuniary financing. As of December 31, 2021 and 2020, the Group had receivables from pecuniary finance amounting to \$20,659,851 and \$14,189,234, respectively, and allowances for uncollectible accounts were \$0. Please refer to note 6 (ai) for the estimation of impairment.

Securities finance represents securities lent to securities investors and is affected by lending to securities investors securities in custody that are received from pecuniary finance or borrowed from securities finance companies when necessary. The investors' deposits for borrowing securities are held by the Group as collateral and recorded under securities financing refundable deposits. In addition, investors are required to deposit the proceeds from sales of borrowed securities. Such deposits are accounted for as deposits payable for securities financing. As of December 31, 2021 and 2020, securities financing refundable deposits amounted to \$2,393,580 and \$2,128,266, respectively, and deposits payable for securities financing amounted to \$2,736,093 and \$2,367,371, respectively.

The guarantees provided to securities finance companies (securities borrowed by the Group in refinancing activities) were as follows:

	December 31, 2021		
	Shares	Face value	Market value
	(thousands)	\$	
Securities borrowed in refinancing activities	238	2,380	14,142

	December 31, 2020		
	Shares	Face value	Market value
	(thousands)	\$	
Securities borrowed in refinancing activities	1,248	12,480	38,157

Securities refinancing is affected by borrowing securities from securities finance companies when the Group does not have sufficient securities to perform securities financing. For securities refinancing, the Group pays margin deposits to securities finance companies. These margin deposits are recorded as margin deposits for securities refinance. The Group also provides proceeds from selling borrowed securities to securities finance companies as collateral and records them under margin deposits for securities refinance and receivables from securities refinance. As of December 31, 2021 and 2020, margin deposits for securities refinance amounted to \$16,970 and \$45,693, respectively, and receivables from securities refinance amounted to \$14,142 and \$38,157, respectively.

As of December 31, 2021 and 2020, the Group provided other securities as collateral due to borrowing securities amounting to \$5,828,356 and \$13,175,601, respectively.

(Continued)

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

(f) Receivables from securities borrowings and lending

	December 31, 2021	December 31, 2020
Receivables from securities borrowings and lending—secured securities purchased or owned by investors as collateral	\$ 9,915	9,028
Receivables from securities borrowings and lending—non restricted	9,195,368	5,176,143
Total	<u>\$ 9,205,283</u>	<u>5,185,171</u>

The Group collects securities purchased or owned by investors as collateral to perform securities borrowing and lending. The calculation of the collateral maintenance ratio should comply with regulations and should not be lower than 130%.

(g) Customer margin account

The details of the Group's customer margin account were as follows:

	December 31, 2021	December 31, 2020
Bank deposits	\$ 16,325,802	13,870,185
Clearing balance of futures clearing house	4,764,981	3,189,776
Clearing balance of other futures commission merchants	2,003,689	3,355,766
Securities	2,436	1,291
Others	-	547
Total	<u>\$ 23,096,908</u>	<u>20,417,565</u>

(h) Notes and accounts receivable

	December 31, 2021	December 31, 2020
Accounts receivable from non-related parties		
Proceeds receivable from customers	\$ 1,294,807	2,621,319
Accounts receivable—brokering	16,622,490	13,420,577
Clearance	-	2,942,849
Securities financing interest receivable	326,636	153,102
Bonds interest receivable	43,645	101,700
Cash dividends receivable	11,622	4,978
Revenues receivable	261,008	168,919
Others	243,143	401,240
Less: Loss allowance	(158,033)	(158,187)
	<u>18,645,318</u>	<u>19,656,497</u>
Notes receivable from non-related parties	103	190
Total	<u>\$ 18,645,421</u>	<u>19,656,687</u>
Accounts receivable from related parties	<u>\$ 11,588</u>	<u>47,678</u>

(Continued)

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

As of December 31, 2021 and 2020, the aging analysis of notes and accounts receivables were as follows:

	December 31, 2021		December 31, 2020	
	Total amount	Impairment	Total amount	Impairment
Not overdue	\$ 18,657,009	-	19,704,365	-
Overdue 0 to 180 days	-	-	-	-
Overdue 181 days to one year	-	-	-	-
Overdue more than one year	158,033	158,033	158,187	158,187
Total	<u>\$ 18,815,042</u>	<u>158,033</u>	<u>19,862,552</u>	<u>158,187</u>

- (i) Financial assets measured at fair value through other comprehensive income – non-current

	December 31, 2021	December 31, 2020
Equity investments measured at fair value through other comprehensive income – non-current:		
Stocks	\$ 587,888	587,888
Valuation adjustment	3,640,304	2,359,305
Total	<u>\$ 4,228,192</u>	<u>2,947,193</u>

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

Dividend incomes from abovementioned equity investments measured at fair value through other comprehensive income – non-current, were as follows:

	2021	2020
Dividend income	<u>\$ 98,299</u>	<u>70,880</u>

For the years ended December 31, 2021 and 2020, the Group has sold the stocks designated as at fair value through other comprehensive income for reconciliation of the portfolios and dissolution and liquidation of the investee. The sold stocks had a fair value of \$476 and \$16,975 and the Group recognized accumulated gain (loss) of \$476 and \$(4,008), respectively. The accumulated gain (loss) had been transferred from other equity interests to retained earnings.

- (ii) Information of fair value and risk management, please refer to notes 6 (ah) and (ai).

- (j) Investments accounted for using the equity method

- (i) Significant associates of the Group were as follows:

Name of associates	Relationship with the Group	Main Operating Location/Country of Registry	Proportion of shareholding and voting rights	
			December 31, 2021	December 31, 2020
Fubon Financial Holding Venture Capital Co., Ltd.	A subsidiary of the Company's parent company Fubon Financial Holding Co., Ltd. that engages in venture capital.	Taiwan	11.20 %	11.20 %

(Continued)

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

A summarized financial information of material significant associates was as follows :

1) Fubon Financial Holding Venture Capital Co., Ltd.

	December 31, 2021	December 31, 2020
Current assets	\$ 11,427,239	6,089,429
Non-current assets	6,223,369	5,615,720
Current liabilities	(628,796)	(961,893)
Non-current liabilities	(236,313)	(172,167)
Net assets	<u>\$ 16,785,499</u>	<u>10,571,089</u>
Share of net assets of associates	<u>\$ 16,785,499</u>	<u>10,571,089</u>
	2021	2020
Revenue	<u>\$ 7,741,686</u>	<u>2,793,411</u>
Net income from continuing operations	\$ 6,698,644	1,912,858
Other comprehensive income	13,996	273,557
Total comprehensive income	<u>\$ 6,712,640</u>	<u>2,186,415</u>
Share of comprehensive income of associates	<u>\$ 6,712,640</u>	<u>2,186,415</u>
	2021	2020
Share of net assets of associates at the beginning of periods	\$ 1,183,940	971,402
Changes in capital surplus of associates accounted for using equity method	631	(23)
Total comprehensive income attributable to the Group for the periods	751,816	244,878
Dividends received from associates	(56,455)	(32,317)
Share of net assets of associates at the end of periods	1,879,932	1,183,940
Add: Unamortized premium	22,016	22,016
Carrying amount of equity of associates at the end of periods	<u>\$ 1,901,948</u>	<u>1,205,956</u>

(Continued)

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

(k) Property and equipment

Changes in the cost, depreciation, and impairment loss of the property and equipment of the Group were as follows:

	<u>Land</u>	<u>Buildings</u>	<u>Information Appliance</u>	<u>Transportation equipment</u>	<u>Leasehold improvement</u>	<u>Miscellaneous</u>	<u>Total</u>
Cost or deemed cost:							
Balance at January 1, 2021	\$ 1,237,206	370,963	898,772	138	336,773	153,818	2,997,670
Additions	1,995	-	55,619	-	9,189	17,668	84,471
Reclassification	226,550	35,571	29,073	-	15,818	5,088	312,100
Disposals	-	(51,655)	(126,704)	-	(23,330)	(10,437)	(212,126)
Effect of change in exchange rates	-	-	(485)	-	(293)	(64)	(842)
Balance at December 31, 2021	<u>\$ 1,465,751</u>	<u>354,879</u>	<u>856,275</u>	<u>138</u>	<u>338,157</u>	<u>166,073</u>	<u>3,181,273</u>
Balance at January 1, 2020	\$ 1,321,880	404,423	817,925	138	360,505	138,676	3,043,547
Additions	-	-	45,635	-	13,222	14,190	73,047
Reclassification	(84,674)	(33,460)	44,859	-	2,165	8,759	(62,351)
Disposals	-	-	(8,591)	-	(34,846)	(7,238)	(50,675)
Disposal of subsidiary	-	-	(81)	-	(3,730)	(448)	(4,259)
Effect of change in exchange rates	-	-	(975)	-	(543)	(121)	(1,639)
Balance at December 31, 2020	<u>\$ 1,237,206</u>	<u>370,963</u>	<u>898,772</u>	<u>138</u>	<u>336,773</u>	<u>153,818</u>	<u>2,997,670</u>
Depreciation and impairment loss:							
Balance at January 1, 2021	\$ -	155,587	734,909	138	284,719	117,970	1,293,323
Depreciation	-	7,711	71,877	-	17,273	12,409	109,270
Reclassification	-	(261)	-	-	-	-	(261)
Disposals	-	(28,612)	(126,704)	-	(23,330)	(10,410)	(189,056)
Effect of change in exchange rates	-	-	(432)	-	(35)	(30)	(497)
Balance at December 31, 2021	<u>\$ -</u>	<u>134,425</u>	<u>679,650</u>	<u>138</u>	<u>278,627</u>	<u>119,939</u>	<u>1,212,779</u>
Balance at January 1, 2020	\$ -	162,689	675,172	138	323,635	113,700	1,275,334
Depreciation	-	7,210	69,252	-	18,113	11,607	106,182
Reclassification	(2,402)	(21,117)	-	-	(20,347)	-	(43,866)
Impairment	2,402	6,805	-	-	-	-	9,207
Disposals	-	-	(8,590)	-	(34,472)	(7,149)	(50,211)
Disposal of subsidiary	-	-	(67)	-	(2,114)	(125)	(2,306)
Effect of change in exchange rates	-	-	(858)	-	(96)	(63)	(1,017)
Balance at December 31, 2020	<u>\$ -</u>	<u>155,587</u>	<u>734,909</u>	<u>138</u>	<u>284,719</u>	<u>117,970</u>	<u>1,293,323</u>
Carrying amounts:							
Balance at December 31, 2021	<u>\$ 1,465,751</u>	<u>220,454</u>	<u>176,625</u>	<u>-</u>	<u>59,530</u>	<u>46,134</u>	<u>1,968,494</u>
Balance at January 1, 2020	<u>\$ 1,321,880</u>	<u>241,734</u>	<u>142,753</u>	<u>-</u>	<u>36,870</u>	<u>24,976</u>	<u>1,768,213</u>
Balance at December 31, 2020	<u>\$ 1,237,206</u>	<u>215,376</u>	<u>163,863</u>	<u>-</u>	<u>52,054</u>	<u>35,848</u>	<u>1,704,347</u>

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

(Continued)

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

(l) Right-of-use assets

Information about leases of land, buildings, machinery, transportation equipment, and other equipment of the Group was presented below:

	<u>Land</u>	<u>Buildings</u>	<u>Machinery</u>	<u>Transportation equipment</u>	<u>Other equipment</u>	<u>Total</u>
Cost:						
Balance at January 1, 2021	\$ 693	637,209	34,740	8,476	41,089	722,207
Additions	-	96,882	37,112	1,461	6,886	142,341
Reductions	-	(97,377)	(18,902)	(4,606)	(8,001)	(128,886)
Effect of changes in exchange rates	-	(178)	-	-	(97)	(275)
Balance at December 31, 2021	<u>\$ 693</u>	<u>636,536</u>	<u>52,950</u>	<u>5,331</u>	<u>39,877</u>	<u>735,387</u>
Balance at January 1, 2020	\$ -	590,719	24,759	7,022	44,696	667,196
Additions	693	185,150	15,650	4,848	8,747	215,088
Reductions	-	(162,632)	(5,669)	(3,394)	(11,896)	(183,591)
Reclassification	-	24,226	-	-	-	24,226
Effect of changes in exchange rates	-	(254)	-	-	(458)	(712)
Balance at December 31, 2020	<u>\$ 693</u>	<u>637,209</u>	<u>34,740</u>	<u>8,476</u>	<u>41,089</u>	<u>722,207</u>
Accumulated depreciation and impairment losses:						
Balance at January 1, 2021	\$ 217	250,387	20,049	3,007	16,977	290,637
Depreciation	324	175,892	12,448	2,615	9,155	200,434
Other reductions	-	(64,120)	(18,903)	(2,703)	(7,365)	(93,091)
Effect of changes in exchange rates	-	(59)	-	-	(74)	(133)
Balance at December 31, 2021	<u>\$ 541</u>	<u>362,100</u>	<u>13,594</u>	<u>2,919</u>	<u>18,693</u>	<u>397,847</u>
Balance at January 1, 2020	\$ -	158,420	12,660	3,003	12,313	186,396
Depreciation	217	188,638	13,058	3,072	11,810	216,795
Other reductions	-	(116,897)	(5,669)	(3,068)	(6,908)	(132,542)
Reclassification	-	20,347	-	-	-	20,347
Effect of changes in exchange rates	-	(121)	-	-	(238)	(359)
Balance at December 31, 2020	<u>\$ 217</u>	<u>250,387</u>	<u>20,049</u>	<u>3,007</u>	<u>16,977</u>	<u>290,637</u>
Carrying amounts:						
Balance at December 31, 2021	<u>\$ 152</u>	<u>274,436</u>	<u>39,356</u>	<u>2,412</u>	<u>21,184</u>	<u>337,540</u>
Balance at January 1, 2020	<u>\$ -</u>	<u>432,299</u>	<u>12,099</u>	<u>4,019</u>	<u>32,383</u>	<u>480,800</u>
Balance at December 31, 2020	<u>\$ 476</u>	<u>386,822</u>	<u>14,691</u>	<u>5,469</u>	<u>24,112</u>	<u>431,570</u>

(m) Investment property

	<u>Land and land improvements</u>	<u>Buildings</u>	<u>Total</u>
Cost or deemed cost:			
Balance at January 1, 2021	\$ 917,563	136,812	1,054,375
Net gain (loss) from fair value adjustments	(22,728)	36,352	13,624
Reclassification	(225,981)	(35,512)	(261,493)
Disposals	(120,893)	(3,031)	(123,924)
Balance at December 31, 2021	<u>\$ 547,961</u>	<u>134,621</u>	<u>682,582</u>
Balance at January 1, 2020	\$ 833,587	94,293	927,880
Net gain (loss) from fair value adjustments	(32,780)	30,176	(2,604)
Reclassification	116,756	12,343	129,099
Balance at December 31, 2020	<u>\$ 917,563</u>	<u>136,812</u>	<u>1,054,375</u>

(Continued)

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

	<u>Land and land improvements</u>	<u>Buildings</u>	<u>Total</u>
Carrying amount:			
Balance at December 31, 2021	\$ <u>547,961</u>	<u>134,621</u>	<u>682,582</u>
Balance at January 1, 2020	\$ <u>833,587</u>	<u>94,293</u>	<u>927,880</u>
Balance at December 31, 2020	\$ <u>917,563</u>	<u>136,812</u>	<u>1,054,375</u>

- (i) Buildings are leased out as operating leases, and the primary terms of the lease agreements are the same as those of the general lease agreement.
- (ii) A maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date was as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Less than one year	\$ 14,671	15,642
One to two years	7,448	10,796
Two to three years	5,834	3,713
Three to four years	5,356	3,074
Four to five years	4,405	3,074
More than five years	10,759	13,833
Total undiscounted lease payments	\$ <u>48,473</u>	<u>50,132</u>

- (iii) Investment property of the Company was evaluated by appraisers from professional real estate appraisers firm, with fair value as the appraisal basis in accordance with the “Regulations on Real Estate Appraisal”. The valuation dates were on December 31, 2021 and 2020, respectively. The Company has consulted the appraisers about the effectiveness of the original appraisal report. The appraisals were performed by following valuation agencies:

The appraisers were Chih Wei-Sin, Wang Shih-Ming, Chi Liang-An and Tsai Wen-Che from Xinyi Real Estate Appraisers Firm on December 31, 2021.

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

The fair value of investment property is supported by observable evidences in the market. Appraising methods mainly include the DCF method of income.

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

(Continued)

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

Reasonable net profit refers to market practices. Total revenue from subject properties are estimated with the assumption that rent level is adjusted within 0.17%~0.25% minus expected loss due to idled or other reasons and relevant expense raised from operating activities.

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

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

The replacement allowance is calculated in accordance with R.O.C. Real Estate Appraiser Alliance Statement No.5. It is amortized over 10 to 20 years at the rate of 10% ~ 20% of building and construction expenses.

The inputs applied are as follows:

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

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

For the years ended December 31, 2021 and 2020, rental revenue from investment property amounted to \$18,246 and \$21,165, respectively; direct operating expenses were \$2,039 and \$5,176, respectively; while the direct operating expenses of investment property which did not generate rental revenue amounted to \$643 and \$1,571, respectively.

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

(Continued)

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

(n) Intangible assets

The costs and amortization of intangible assets of the Group were as follows:

	<u>Operating rights</u>	<u>Computer software</u>	<u>Other intangible assets</u>	<u>Total</u>
Costs:				
Balance at January 1, 2021	\$ 25,769	949,438	1,925	977,132
Acquisitions	-	38,372	-	38,372
Reclassification	-	30,987	-	30,987
Disposals	-	(676)	-	(676)
Effect of change in exchange rates	-	(206)	-	(206)
Balance at December 31, 2021	<u>\$ 25,769</u>	<u>1,017,915</u>	<u>1,925</u>	<u>1,045,609</u>
Balance at January 1, 2020	\$ 25,769	862,317	1,925	890,011
Acquisition	-	34,775	-	34,775
Reclassification	-	53,521	-	53,521
Disposals	-	(214)	-	(214)
Disposal of subsidiary	-	(616)	-	(616)
Effect of change in exchange rates	-	(345)	-	(345)
Balance at December 31, 2020	<u>\$ 25,769</u>	<u>949,438</u>	<u>1,925</u>	<u>977,132</u>
Amortization:				
Balance at January 1, 2021	\$ 25,769	830,981	-	856,750
Amortization	-	66,215	-	66,215
Disposals	-	(676)	-	(676)
Effect of change in exchange rates	-	(155)	-	(155)
Balance at December 31, 2021	<u>\$ 25,769</u>	<u>896,365</u>	<u>-</u>	<u>922,134</u>
Balance at January 1, 2020	\$ 25,769	761,340	-	787,109
Amortization	-	70,154	-	70,154
Disposals	-	(214)	-	(214)
Effect of change in exchange rates	-	(299)	-	(299)
Balance at December 31, 2020	<u>\$ 25,769</u>	<u>830,981</u>	<u>-</u>	<u>856,750</u>
Carrying amount:				
Balance at December 31, 2021	<u>\$ -</u>	<u>121,550</u>	<u>1,925</u>	<u>123,475</u>
Balance at January 1, 2020	<u>\$ -</u>	<u>100,977</u>	<u>1,925</u>	<u>102,902</u>
Balance at December 31, 2020	<u>\$ -</u>	<u>118,457</u>	<u>1,925</u>	<u>120,382</u>

(Continued)

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

(o) Operating deposits

As stipulated in the Regulations Governing Securities Firms, the Regulations for Securities Brokers Undertaking Pecuniary and Securities Financing, the Regulations Governing Futures Commission Merchants, and the Securities Investment Trust and Consulting Act, the Group has provided time deposits as operating deposits amounting to \$660,000 and \$700,000 as of December 31, 2021 and 2020, respectively, recognized as other non-current assets.

(p) Settlement and clearing funds

As stipulated in the Regulations Governing Securities Firms and the Taiwan Futures Exchange Corporation Criteria for Clearing Membership, the Group has deposited settlement and clearing funds in the TWSE, the Taiwan Futures Exchange, Hong Kong Exchanges and Clearing Limited, and the TPEX as of December 31, 2021 and 2020. The details were as follows:

	December 31, 2021	December 31, 2020
Centralized exchange market	\$ 159,266	124,085
Taipei Exchange	85,974	59,302
Taiwan Futures Exchange	<u>125,270</u>	<u>127,019</u>
Total	<u>\$ 370,510</u>	<u>310,406</u>

(q) Overdue receivables

Some investors failed to settle stock purchases made by pecuniary finance. Therefore, the Group disposed of the securities so purchased by the investors and deducted the proceeds of such sales from receivables from pecuniary finance. In addition, some collateral securities purchased by investors through unsettled pecuniary finance contracts were unable to be disposed of. The Group has persistently tried to settle the aforementioned claims and has recorded the uncollected receivables from such unsettled pecuniary finance contracts and past-maturity corporate bonds as overdue receivables, recorded under other non-current assets.

As of December 31, 2021 and 2020, the details of overdue receivables were as follows:

	December 31, 2021	December 31, 2020
Receivables from failed pecuniary finance contracts and the related interest	\$ 3,127	12,100
Other overdue receivables	<u>3,681</u>	<u>273</u>
Subtotal	6,808	12,373
Less: loss allowance	<u>6,743</u>	<u>1,561</u>
Total	<u>\$ 65</u>	<u>10,812</u>

(Continued)

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

The composition of loss allowance was as follows:

	December 31, 2021	December 31, 2020
Beginning balance	\$ 1,561	33,178
Allowance for doubtful account	16,205	-
Write-off	<u>(11,023)</u>	<u>(31,617)</u>
Ending balance	<u>\$ 6,743</u>	<u>1,561</u>

(r) Short-term borrowings

	December 31, 2021	December 31, 2020
Unsecured and secured loans	<u>\$ 378,366</u>	<u>457,720</u>
Interest rate (%) range	0.60%~1.414%	0.65%~1.15%
Unissued short-term borrowings facilities	<u>\$ 30,168,621</u>	<u>29,362,759</u>

For the details of pledged collateral for short-term borrowings, please refer to note 8.

(s) Commercial paper issued

	December 31, 2021	December 31, 2020
Commercial paper issued, par value	\$ 12,500,000	4,000,000
Less: discounts on commercial paper issued	<u>(2,166)</u>	<u>(239)</u>
Total	<u>\$ 12,497,834</u>	<u>3,999,761</u>
Interest rate (%) range	0.34%~0.46%	0.20%~0.31%
Unissued commercial paper facilities	<u>\$ 37,500,000</u>	<u>33,200,000</u>

All of these commercial papers were underwritten by bills finance corporations and banks.

(t) Financial liabilities measured at fair value through profit or loss — current

	December 31, 2021	December 31, 2020
Securities purchased under resell agreements — securities lending	\$ -	169,769
Warrant liabilities	275,443	376,296
Settlement coverage bonds payable of short sale	49,531	-
Liabilities on sale of borrowed securities	5,179,151	1,618,382
Derivative liabilities — OTC	5,003,299	1,677,807
Financial liabilities designated as at fair value through profit or loss	2,480,331	3,625,598
Put options-futures	<u>-</u>	<u>2</u>
Total	<u>\$ 12,987,755</u>	<u>7,467,854</u>

(Continued)

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

The related accounts were as follows:

(i) Securities purchased under resell agreements— securities lending

	December 31, 2021	December 31, 2020
Securities purchased under resell agreements— securities lending	\$ -	169,991
Valuation adjustment	-	(222)
Total	<u>\$ -</u>	<u>169,769</u>

(ii) Warrant liabilities

The Group was approved by the authorities to issue warrants. As of December 31, 2021 and 2020, the details of warrant liabilities were as follows:

	December 31, 2021	December 31, 2020
Warrant liabilities	\$ 11,312,247	7,963,305
Change in value of warrant liabilities	(1,336,769)	905,416
Market value	9,975,478	8,868,721
Warrants redeemed	10,884,379	7,708,118
Change in value of warrants redeemed	(1,184,344)	784,307
Market value	9,700,035	8,492,425
Warrant liabilities, net	<u>\$ 275,443</u>	<u>376,296</u>

(iii) Settlement coverage bonds payable of short sale

	December 31, 2021	December 31, 2020
Settlement coverage bonds payable of short sale	<u>\$ 49,531</u>	<u>-</u>

(iv) Liabilities on sale of borrowed securities

	December 31, 2021	December 31, 2020
Hedged:		
Listed stocks— TWSE	\$ 92,501	327,167
Valuation adjustment	22,278	(45,862)
Subtotal	<u>114,779</u>	<u>281,305</u>
Non-hedged:		
Listed stocks— TWSE	4,748,003	1,210,134
Listed stocks— TPEx	4,099	17,328
Valuation adjustment	312,270	109,615
Subtotal	<u>5,064,372</u>	<u>1,337,077</u>
Total	<u>\$ 5,179,151</u>	<u>1,618,382</u>

(Continued)

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

(v) Derivative liabilities – OTC

	December 31, 2021	December 31, 2020
Interest rate swap contracts	\$ 118,831	224,479
IRS portion of asset swap contracts	78,762	12,651
Asset swap options	4,804,735	1,440,677
Equity derivatives	971	-
Total	<u>\$ 5,003,299</u>	<u>1,677,807</u>

(vi) Financial liabilities designated as at fair value through profit or loss

	December 31, 2021	December 31, 2020
Structured products	\$ 2,408,046	3,538,009
Exchange traded notes	72,285	87,589
Total	<u>\$ 2,480,331</u>	<u>3,625,598</u>

(vii) Put options-futures

	December 31, 2021	December 31, 2020
Put options-futures	<u>\$ -</u>	<u>2</u>

(u) Securities sold under repurchase agreements

	December 31, 2021	December 31, 2020
Government bonds	\$ 100,000	95,000
Corporate bonds and financial bonds	10,473,522	19,696,626
Total	<u>\$ 10,573,522</u>	<u>19,791,626</u>
Interest rate	0.22%~0.38%	0.15%~0.4%

As of December 31, 2021 and 2020, the bonds sold under repurchase agreements will be due within a year, and will be repurchased with an interest at a contracted price on a specific date. The total amount of repurchase agreements were \$10,575,996 and \$19,797,907, respectively.

(Continued)

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

(v) Derivative instruments

As of December 31, 2021 and 2020, the derivative instruments for trading were as follows:

	December 31, 2021		December 31, 2020	
	Book value	Nominal amount	Book value	Nominal amount
Derivative assets:				
Futures trading margin – proprietary funds	\$ 593,934	-	334,742	-
Call options	415	-	2,624	-
Interest rate swap contracts	147,538	38,600,000	224,278	31,900,000
IRS portion of asset swap contracts	29,358	888,500	6,308	852,300
Foreign exchange derivatives	2,769	-	-	-
Derivative liabilities:				
Interest rate swap contracts	\$ 118,831	35,700,000	224,479	37,800,000
IRS portion of asset swap contracts	78,762	2,638,700	12,651	748,300
Asset swap options	4,804,735	8,458,600	1,440,677	3,798,900
Equity derivatives	971	-	-	-
Put options – futures	-	-	2	-
Structured products	2,408,046	2,419,835	3,538,009	3,540,550

The derivative financial assets as detailed above were recognized as financial assets measured at fair value through profit or loss – current in the financial statements, whereas the derivative financial liabilities were recognized as financial liabilities measured at fair value through profit or loss – current.

The Group conducted a trading of futures and options for trading purpose, and the details for the years ended December 31, 2021 and 2020 were as follows:

(i) Futures contracts

- 1) As of December 31, 2021 and 2020, the Company's unsettled futures contracts were as follows:

December 31, 2021						
Item	Transaction types	Unsettled part		Contract Value	Fair value	Note
		Buy/Sell	Volume			
Future:						
	10-Year T-Note Futures	Buy	16	\$ 58,265	57,801	
	10-Year T-Note Futures	Sell	269	(971,120)	(971,781)	
	2-Year T-Note Futures	Sell	218	(1,317,442)	(1,316,937)	
	5-Year T-Note Futures	Sell	1,203	(4,035,313)	(4,029,736)	
	E-Micro Gold Futures	Sell	16	(8,015)	(8,101)	
	Mini-Dow Jones	Buy	11	55,201	55,169	
	Mini NASDAQ 100	Sell	35	(306,971)	(316,335)	

(Continued)

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

December 31, 2021						
Item	Transaction types	Unsettled part		Contract Value	Fair value	Note
		Buy/Sell	Volume			
	MiniS&P500	Buy	4	26,279	26,351	
	MSCI China Free Index Futures	Sell	9	(11,159)	(11,568)	
	JTI	Sell	5	(23,956)	(23,938)	
	JTM	Sell	12	(5,721)	(5,745)	
	China A50	Buy	10	4,371	4,347	
	China A50	Sell	119	(51,660)	(51,728)	
	M1JY&	Buy	5	15,258	15,052	
	JNI	Sell	2	(6,901)	(6,912)	
	BRF	Sell	41	(89,771)	(88,300)	
	NIFTY 50	Buy	10	9,574	9,658	
	NIFTY 50	Sell	6	(5,736)	(5,795)	
	US, Treasury Bond Futures	Sell	84	(373,655)	(373,160)	
	HG	Buy	1	3,002	3,090	
	GDF	Sell	5	(25,479)	(25,316)	
	MNQ	Buy	121	106,301	109,362	
	MES	Sell	68	(44,285)	(44,798)	
	MYM	Sell	26	(13,034)	(13,040)	
	CL	Buy	23	48,584	47,897	
	MCH	Buy	59	17,004	17,319	
	MME	Sell	3	(5,075)	(5,093)	
	SI	Sell	2	(6,747)	(6,466)	
	M2K	Sell	21	(6,432)	(6,521)	
	ESX	Buy	1	1,340	1,341	
	FIVNM30	Sell	22	(8,572)	(8,638)	
	HHI	Buy	4	5,762	5,871	
	HHI	Sell	4	(5,765)	(5,871)	
	Soybean Future	Buy	3	5,404	5,562	
	STW	Buy	152	300,504	301,852	
	USDX	Sell	18	(47,974)	(47,644)	
	TWN	Buy	1	1,777	1,776	
	HSI	Sell	2	(8,190)	(8,327)	
	TN	Sell	100	(405,854)	(405,473)	
	G2F	Buy	7	3,469	3,587	Non-hedge account
	MTX	Buy	1	910	910	Non-hedge account
	NYF	Buy	3	4,269	4,362	Non-hedge account
	TF	Buy	24	40,386	41,127	Non-hedge account
	TX	Buy	1,053	3,739,364	3,833,520	Non-hedge account
	ZEF	Buy	6	2,622	2,627	Non-hedge account

(Continued)

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

December 31, 2021						
Item	Transaction types	Unsettled part		Contract Value	Fair value	Note
		Buy/Sell	Volume			
	Stock Futures	Buy	972	434,645	443,008	Non-hedge account
	TE	Sell	33	(111,811)	(115,599)	Non-hedge account
	XIF	Sell	1	(1,703)	(1,713)	Non-hedge account
	Stock Futures	Sell	1,712	(362,525)	(374,918)	Non-hedge account
	TF	Buy	6	10,103	10,282	Hedge account
	Stock Futures	Buy	1,049	147,203	152,483	Hedge account
	NYF	Sell	1	(1,401)	(1,454)	Hedge account
	OAF	Sell	5	(1,893)	(1,846)	Hedge account
	OBF	Sell	1	(368)	(359)	Hedge account
	OJF	Sell	33	(8,531)	(8,237)	Hedge account
	OKO	Sell	38	(6,526)	(6,308)	Hedge account
	OOF	Sell	4	(777)	(766)	Hedge account
	SPF	Sell	1	(943)	(956)	Hedge account
	UDF	Sell	5	(3,585)	(3,636)	Hedge account
	UNF	Sell	8	(6,516)	(6,589)	Hedge account
	TE	Sell	110	(375,646)	(385,330)	Hedge account
	TX	Sell	71	(258,491)	(258,568)	Hedge account
	XIF	Sell	13	(22,155)	(22,269)	Hedge account
	ZEF	Sell	132	(56,580)	(57,800)	Hedge account
	Stock Futures	Sell	816	(515,610)	(520,513)	Hedge account
	Total			<u>\$ (4,478,291)</u>	<u>(4,399,730)</u>	

December 31, 2020						
Item	Transaction types	Unsettled part		Contract Value	Fair value	Note
		Buy/Sell	Volume			
Future:	JTI	Sell	2	\$ (9,821)	(9,925)	
	JTM	Buy	22	10,869	10,918	
	China A50	Buy	120	59,152	60,303	
	China A50	Sell	328	(161,034)	(164,828)	
	JNI	Buy	2	7,323	7,560	
	10-Year T-Note Futures	Sell	1,066	(4,168,154)	(4,176,104)	
	5-Year T-Note Futures	Sell	797	(2,846,690)	(2,852,878)	
	E-Micro Gold Futures	Buy	8	4,256	4,301	
	E-Micro Gold Futures	Sell	76	(40,781)	(40,863)	
	HHI	Buy	5	9,574	9,791	
	HHI	Sell	3	(5,740)	(5,875)	
	Mini-Dow Jones	Sell	7	(29,769)	(30,284)	

(Continued)

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

December 31, 2020						
Item	Transaction types	Unsettled part		Contract Value	Fair value	Note
		Buy/Sell	Volume			
	Mini NASDAQ 100	Sell	29	(207,326)	(212,040)	
	MiniS&P500	Sell	15	(78,574)	(79,770)	
	MSCI China Free Index Futures	Sell	9	(14,761)	(15,064)	
	MCH	Buy	5	1,948	1,958	
	MCH	Sell	1	(383)	(392)	
	MHI	Sell	1	(973)	(996)	
	MME	Sell	1	(1,791)	(1,827)	
	M1JY&	Sell	9	(30,747)	(30,926)	
	SI	Sell	2	(7,528)	(7,494)	
	NIFTY 50	Buy	6	4,754	4,772	
	NIFTY 50	Sell	4	(3,184)	(3,181)	
	US, Treasury Bond Futures	Buy	11	53,847	54,050	
	US, Treasury Bond Futures	Sell	297	(1,461,587)	(1,459,359)	
	UB	Buy	2	12,160	12,118	
	HSI	Sell	1	(4,867)	(4,981)	
	HG	Sell	5	(11,478)	(12,480)	
	TN	Sell	159	(703,565)	(705,359)	
	Soybean Future	Buy	3	5,160	5,579	
	Soybean Future	Sell	4	(6,575)	(7,439)	
	GDF	Sell	16	(85,333)	(86,028)	
	MNQ	Buy	11	7,948	8,043	
	MNQ	Sell	10	(7,246)	(7,312)	
	MES	Buy	8	4,212	4,254	
	MES	Sell	8	(4,200)	(4,254)	
	MJY	Buy	1	343	344	
	MYM	Buy	23	9,902	9,950	
	M2K	Buy	20	5,566	5,603	
	CL	Sell	10	(13,566)	(13,766)	
	STW	Buy	300	486,505	498,438	
	FXXP	Sell	1	(680)	(695)	
	ESX	Buy	1	1,236	1,238	
	NYF	Buy	14	16,581	17,073	Non-hedge account
	FITX	Buy	123	348,938	361,079	Non-hedge account
	XIF	Buy	1	1,331	1,363	Non-hedge account
	Stock Futures	Buy	342	213,487	222,250	Non-hedge account
	TF	Sell	5	(6,245)	(6,393)	Non-hedge account

(Continued)

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

December 31, 2020						
Item	Transaction types	Unsettled part		Contract Value	Fair value	Note
		Buy/Sell	Volume			
	Stock Futures	Sell	1,102	(88,951)	(88,577)	Non-hedge account
	NZF	Buy	1	231	238	Hedge account
	OAF	Buy	35	13,024	13,453	Hedge account
	OBF	Buy	1	378	393	Hedge account
	OCO	Buy	7	2,079	2,161	Hedge account
	OJF	Buy	35	9,182	9,627	Hedge account
	OKO	Buy	31	4,861	5,176	Hedge account
	TX	Buy	7	20,553	20,549	Hedge account
	Stock Futures	Buy	3,391	495,528	521,771	Hedge account
	NYF	Sell	41	(48,961)	(50,000)	Hedge account
	TE	Sell	33	(93,539)	(94,684)	Hedge account
	TF	Sell	24	(29,940)	(30,686)	Hedge account
	XIF	Sell	1	(1,365)	(1,363)	Hedge account
	Stock Futures	Sell	461	(44,486)	(44,851)	Hedge account
	Total			<u>\$ (8,408,912)</u>	<u>(8,376,321)</u>	

- 2) As of December 31, 2021 and 2020, Fubon Futures' unsettled futures contracts were as follow:

December 31, 2021						
Item	Transaction types	Unsettled part		Contract value	Fair value	Note
		Buy/Sell	Volume			
Future:	Foreign Index Futures	Buy	4	\$ 5,766	5,868	
	Foreign Interest Rate Futures	Sell	5	(27,364)	(27,282)	
	Foreign Commodity Futures	Sell	20	(41,330)	(43,247)	
	Total			<u>\$ (62,928)</u>	<u>(64,661)</u>	

December 31, 2020						
Item	Transaction types	Unsettled part		Contract value	Fair value	Note
		Buy/Sell	Volume			
Future:	Foreign Index Futures	Sell	2	\$ (10,488)	(10,676)	
	Total			<u>\$ (10,488)</u>	<u>(10,676)</u>	

(Continued)

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

(ii) Option contracts

The Company engaged in market-making business after obtaining approval from the TAIFEX and engaged in structured transaction business approved by the TPEx in February 2002 and July 2003, respectively.

- 1) As of December 31, 2021 and 2020, the Company's unsettled option contracts were as follow:

December 31, 2021						
Item	Volume	Unsettled part		Contract value	Fair value	Note
		Buy/sell	Volume			
Option:						
	Single Stock Options (call option)	Buy	85	\$ 486	414	Hedge account
	Single Stock Options (put option)	Buy	1	6	1	Hedge account
	Total			<u>\$ 492</u>	<u>415</u>	

December 31, 2020						
Item	Volume	Unsettled part		Contract value	Fair value	Note
		Buy/sell	Volume			
Option:						
	Single Stock Options (call option)	Buy	510	\$ 1,573	2,624	hedge account
	Single Stock Options (call option)	Sell	29	(35)	(2)	Hedge account
	Total			<u>\$ 1,538</u>	<u>2,622</u>	

As of December 31, 2021 and 2020, there were no unsettled option contracts from Fubon Futures.

Profit or loss from futures contracts and options were as follows (recognized as gains (losses) from derivatives – futures):

	<u>2021</u>	<u>2020</u>
Gains (losses) on futures contracts – realized	\$ 801,531	(136,444)
Gains (losses) on futures contracts – unrealized	46,634	20,859
Gains (losses) on options – realized	(26,019)	122,610
Gains (losses) on options – unrealized	<u>(1,161)</u>	<u>1,263</u>
Gains (losses) on derivative financial instruments, net – futures	<u>\$ 820,985</u>	<u>8,288</u>

(Continued)

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

The Group entered into interest rate swaps, asset swaps, and structured notes expressed in the statements of comprehensive income as follows (recognized as gains (losses) from derivatives – OTC):

	<u>2021</u>	<u>2020</u>
Gains (losses) on valuation exchange	\$ 24,747	(2,225)
Valuation gains (losses) on asset swap options	(176,248)	(79,734)
Gains (losses) on maturity of asset swap options	22,954	19,138
Gains (losses) on exercise of asset swap options	(274,934)	(181,283)
Valuation gains (losses) from IRS portion of asset swap contracts	(49,906)	(15,666)
Gains (losses) on equity derivatives	(223)	-
Gains (losses) on structured products	(16,176)	(5,343)
Valuation gains (losses) on foreign exchange derivatives	(457)	(1,389)
Gains (losses) from derivatives—OTC	<u>\$ (470,243)</u>	<u>(266,502)</u>

(w) Notes and accounts payable

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Accounts payable—non-related parties:		
Accounts payable of securities sold for customers	\$ 747,806	1,628,117
Accounts payable for settlement	15,596,437	17,017,584
Settlement proceeds	1,749,401	105,161
Others	<u>469,725</u>	<u>57,229</u>
Notes and accounts payable	<u>\$ 18,563,369</u>	<u>18,808,091</u>
Notes payable—related parties	\$ -	83
Accounts payable—related parties	<u>16,849</u>	<u>17,538</u>
Notes and accounts payable —related parties	<u>\$ 16,849</u>	<u>17,621</u>

(Continued)

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

(x) Other payables

	December 31, 2021	December 31, 2020
Other payables – non-related parties:		
Tax payable	\$ 54,626	44,382
Employee bonuses payable	2,171,938	1,456,395
Interest payable	7,597	9,522
Advertisement expense payable	20,030	14,894
Information technology fees payable	42,407	26,972
Professional service payable	32,620	32,389
Discount on brokerage commission payable	376,823	357,687
Short-term paid leave payable	118,202	108,892
Pensions payable	19,545	17,804
Insurance premium Dpayable	53,583	28,555
Others (no individual accounts for more than \$10,000)	<u>144,211</u>	<u>113,992</u>
Other payables	<u>\$ 3,041,582</u>	<u>2,211,484</u>
Other payables – related parties	<u>\$ 97,716</u>	<u>71,455</u>

(y) Other current liabilities

	December 31, 2021	December 31, 2020
Advance receipts	\$ 5,624	5,457
Receipts under custody	19,312,027	4,112,984
Customer ledgers	1,201,520	766,510
Temporary receipts	<u>92,063</u>	<u>57,889</u>
Total	<u>\$ 20,611,234</u>	<u>4,942,840</u>

(z) Lease liabilities

The Group's lease liabilities were as follow:

	December 31, 2021	December 31, 2020
Current	<u>\$ 173,487</u>	<u>186,300</u>
Non-current	<u>\$ 170,010</u>	<u>251,831</u>

For the maturity analysis, please refer to note 6 (ai).

(Continued)

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

The amounts recognized in profit or loss were as follows:

	<u>2021</u>	<u>2020</u>
Interest on lease liabilities	\$ <u>13,367</u>	<u>15,513</u>
Variable lease payments not included in the measurement of lease liabilities	\$ <u>35,282</u>	<u>38,111</u>
Expenses relating to short-term leases	\$ <u>882</u>	<u>1,485</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ <u>49,144</u>	<u>49,256</u>

The amounts recognized in the statement of cash flows for the Group were as follows:

	<u>2021</u>	<u>2020</u>
Total cash outflow for leases	\$ <u>213,847</u>	<u>225,748</u>

(i) Real estate leases

As of December 31, 2021, the Group leases buildings for office space. The leases of office space typically run for a period of 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.

(ii) Other leases

The Group leases vehicles and equipment, with lease terms of 3 to 8 years.

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

(aa) Provisions—non-current

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Provision for employee benefits	\$ 1,294,990	1,141,990
Decommissioning costs	<u>25,917</u>	<u>28,543</u>
Total	\$ <u>1,320,907</u>	<u>1,170,533</u>

The Group should estimate the costs of dismantling, relocating, and restoring the leased assets at the end of the lease term, and the costs are estimated based on discounted present value. The discount rate was the one-year time deposit rate from Chunghwa Post Co., Ltd.

For the Group's provision for its employee benefit and employee benefit plan, please refer to note 6 (ab).

(Continued)

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

(ab) Employee benefits

The Group's provision for employee benefit were as follows:

	December 31, 2021	December 31, 2020
Defined benefit plan	\$ 1,244,646	1,054,969
Compensated absences liability	8,405	5,995
Consolation plan	<u>41,939</u>	<u>81,026</u>
Total	<u>\$ 1,294,990</u>	<u>1,141,990</u>

(i) Defined benefit plans

The reconciliations of defined benefit obligation and plan assets were as follows:

	December 31, 2021	December 31, 2020
Present value of the defined benefit obligation	\$ 1,591,024	1,535,017
Fair value of the plan assets	<u>(346,378)</u>	<u>(480,048)</u>
Defined benefit obligation, net	<u>\$ 1,244,646</u>	<u>1,054,969</u>

The Group established the pension fund account for the defined benefit plan in Bank of Taiwan. The plan, under the Labor Standards Law, provides benefits based on an employee's length of service and average monthly salary of six-month period prior to retirement.

1) Composition of plan assets

The Group allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds. With regard to the utilization of the funds, minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with interest rates offered by the local banks.

The Group's labor pension reserve account balance amounted to \$346,378 at the end of the reporting period. 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.

(Continued)

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

2) Movements in present value of the defined benefit obligations

The movement in present value of the defined benefit obligations of the Group were as follows:

	<u>2021</u>	<u>2020</u>
Defined benefit obligation on January 1	\$ 1,535,017	1,537,224
Current service cost and interest	16,181	21,682
Remeasurement of the net defined benefit (liability) asset		
– Effect of changes in demographic assumptions	(62,448)	-
– Effect of changes in financial assumptions	(40,426)	52,588
– Effect of experience adjustments	491,338	50,256
Benefits paid by the company	(35,048)	(12,087)
Benefits paid from the plan	<u>(313,590)</u>	<u>(114,646)</u>
Defined benefit obligation on December 31	<u>\$ 1,591,024</u>	<u>1,535,017</u>

3) Movements in fair value of the plan assets

The movements in fair value of the plan assets were as follows:

	<u>2021</u>	<u>2020</u>
Fair value of the plan assets on January 1	\$ 480,048	425,598
Interest income	1,860	2,991
Remeasurements of net defined benefit assets		
– Return on the plan assets (excluding interest income)	7,050	15,216
Contributed by the participant of the plan	171,010	150,888
Benefits paid from the plan	<u>(313,590)</u>	<u>(114,645)</u>
Fair value of the plan assets on December 31	<u>\$ 346,378</u>	<u>480,048</u>

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss of the Group were as follows:

	<u>2021</u>	<u>2020</u>
Current service costs	\$ 10,139	10,565
Interest of the net defined liability	<u>4,182</u>	<u>8,126</u>
	<u>\$ 14,321</u>	<u>18,691</u>

(Continued)

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

5) Actuarial losses recognized in other comprehensive income

The Group's actuarial losses recognized in other comprehensive income were as follows:

	<u>2021</u>	<u>2020</u>
Cumulative amount on January 1	\$ 1,041,464	953,832
Recognized during the period	381,414	87,628
Cumulative amount on December 31	<u>\$ 1,422,878</u>	<u>1,041,460</u>

6) Actuarial assumptions

The following are the principal actuarial assumptions at the measurement date:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Discount rates	0.75%~0.80%	0.40%
Future salary increases	2.25%~2.50%	2.25%~2.50%

The Group expected the contributions of \$17,446 to be paid to its benefit plans within one year after the reporting date for the year ended December 31, 2021.

The weighted average duration of the defined benefit obligation is 7.1~8.3 years.

7) Sensitivity analysis

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

The impacts of the actuarial assumptions changes on defined benefit obligation as of December 31, 2021 and 2020:

	Impact on the defined benefit obligation	
	<u>Increase 0.5%</u>	<u>Decrease 0.5%</u>
December 31, 2021		
Discount rate	(54,903)	58,129
Future salary increases	56,944	(54,359)
December 31, 2020		
Discount rate	(72,375)	77,588
Future salary increases	75,723	(71,426)

The aforementioned sensitivity analysis is used to analyze the impact when one assumption changes and other assumptions remain constant. In practice, many changes in assumptions might be correlated. The sensitivity analysis is consistent with the method used in calculating the amounts of the net retirement liability on the balance sheet.

(Continued)

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

The methods and assumptions adopted for sensitivity analysis are consistent with those of the previous period.

(ii) Defined contribution plans

The Group contributed 6% of each employee's monthly wages to a labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. The Group contributed a fixed amount to the Bureau of Labor Insurance without any additional legal or constructive obligations.

The Group paid the pension costs of \$116,712 and \$96,836 to the Bureau of Labor Insurance under the pension plan for the years ended December 31, 2021 and 2020, respectively.

(ac) Income tax

(i) Income tax

The components of income tax expenses (benefits) were as follows:

	<u>2021</u>	<u>2020</u>
Current tax expense		
Current period	\$ 1,205,233	480,799
Adjustment for prior periods	<u>81,234</u>	<u>17,744</u>
	<u>1,286,467</u>	<u>498,543</u>
Deferred tax benefit		
Incurrence of temporary differences	<u>(133,458)</u>	<u>(9,498)</u>
Income tax expense	<u>\$ 1,153,009</u>	<u>489,045</u>

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

	<u>2021</u>	<u>2020</u>
Items not to be reclassified to profit or loss:		
Remeasurements of the defined benefit plans	\$ (76,282)	(17,526)
Revaluation gains	<u>109</u>	<u>3,720</u>
	<u>\$ (76,173)</u>	<u>(13,806)</u>
Items that may be subsequently reclassified to profit or loss:		
Exchange differences on translation of foreign operations	<u>\$ (8,361)</u>	<u>(7,980)</u>

(Continued)

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

Reconciliations of income tax expense and income before tax were as follows:

	<u>2021</u>	<u>2020</u>
Income before tax	\$ <u>8,209,410</u>	<u>4,692,315</u>
Income tax based on domestic tax rate	\$ 1,641,882	938,463
Temporary differences	112,381	246
Permanent differences	25,083	3,248
Income tax exemption	(446,807)	(473,709)
Domestic investment gain under equity method	(150,050)	(42,848)
Deferred income tax	(100,282)	(10,646)
Revaluation on investment property-Land Value Increment Tax	(16,608)	1,149
Prior year income tax adjustment	81,234	17,744
Income basic tax	5,508	54,684
Unrecognized deferred tax assets from taxable loss	402	916
Others	266	(202)
Total	\$ <u>1,153,009</u>	<u>489,045</u>

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets

The components of unrecognized deferred tax assets were as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Taxable loss	\$ <u>4,154</u>	<u>4,281</u>

Taxable loss complies with ROC Income Tax Act, loss from previous 10 years confirmed by taxing authorities can be deducted from current year's net profit before being taxed. The account was not recognized as deferred income tax asset because the chance for the subsidiary to have enough taxable income for temporary differences is low.

2) Recognized deferred tax assets and liabilities

The movements in the deferred tax assets and liabilities are as follow :

Deferred tax liabilities:

	<u>Unrealized taxable financial instrument valuation</u>	<u>Foreign investment profit</u>	<u>Investment property under fair value method</u>	<u>Revaluation on investment property- Land Value Increment Tax</u>	<u>Others</u>	<u>Total</u>
Balance at January 1 2021	\$ 101	-	29,121	72,355	279	101,856
Debit (Credit) Income statement	(101)	19,826	17,423	(39,239)	104	(1,987)
Debit (Credit) Other comprehensive income	-	-	-	109	-	109
Balance at December 31 2021	\$ <u>-</u>	<u>19,826</u>	<u>46,544</u>	<u>33,225</u>	<u>383</u>	<u>99,978</u>

(Continued)

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

	Unrealized taxable financial instrument valuation	Foreign investment profit	Investment property under fair value method	Revaluation on investment property- Land Value Increment Tax	Others	Total
Balance at January 1 2020	\$ 1,335	-	29,649	67,486	268	98,738
Debit (Credit) Income statement	(1,234)	-	(528)	1,149	11	(602)
Debit (Credit) Other comprehensive income	-	-	-	3,720	-	3,720
Balance at December 31 2020	\$ 101	-	29,121	72,355	279	101,856

Deferred tax assets:

	Defined benefit plans	Unrealized taxable financial instrument valuation	Cumulative translation adjustment	Lawsuit loss	Investment property under fair value method	Foreign investment loss	Other	Total
Balance at January 1 2021	\$ 210,087	36,774	30,141	2,422	19,671	(4,670)	146,616	441,041
(Debit) Credit Income statement	-	39,449	-	(240)	(13,843)	4,670	101,435	131,471
(Debit) Credit Other comprehensive income	76,282	-	8,361	-	-	-	-	84,643
Balance at December 31 2021	\$ 286,369	76,223	38,502	2,182	5,828	-	248,051	657,155
Balance at January 1 2020	\$ 192,561	16,625	22,161	4,487	25,707	37,494	107,604	406,639
(Debit) Credit Income statement	-	20,149	-	(2,065)	(6,036)	(42,164)	39,012	8,896
(Debit) Credit Other comprehensive income	17,526	-	7,980	-	-	-	-	25,506
Balance at December 31 2020	\$ 210,087	36,774	30,141	2,422	19,671	(4,670)	146,616	441,041

(iii) The ROC income tax authorities have examined the income tax returns of the Company all years through 2016. For the reconciliation items recognized by the tax authorities from 2010 to 2014 and 2016, the Company has filed an appeal within the statutory period. The income tax returns of Fubon Futures, Fubon Securities Investment Service, Fubon Securities Venture Capital and Fubon Mintou Venture Capital all years through 2019 have been assessed by the tax authorities. The income tax returns of Fubon Macquarie Infrastructure Asset Management all year through 2021 have been assessed by the tax authorities.

(ad) Capital and other equity

(i) Share Capital

On July 22, 2020, the Board of Directors resolved the cash capital reduction amounting to \$6,000,000. The record date of the capital reduction was on November 2, 2020. The legal procedure has been completed.

As of December 31, 2021 and 2020, the total value of nominal ordinary shares amounted to \$26,000,000. Face value of each share is \$10, so in total there were 2,600,000 ordinary shares, and the paid-in capital were \$10,643,550.

(ii) Capital surplus

The Company's capital surplus was as follows:

	December 31, 2021	December 31, 2020
Long-term equity investment adjustments	\$ 1,988	1,357
Premium on capital stock	66,593	-
Total	\$ 68,581	1,357

(Continued)

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

According to the ROC Company Act, capital surplus should be used to offset the accumulated deficit first, and could be used to distribute as stock or cash dividends using the realized capital surplus. The aforementioned realized capital surplus includes the amount derived from the issuance of new shares at a premium and the income from endowments received by the Company. The share capital capitalized in any one year may not exceed 10% of the Company's paid-in capital under the Regulations Governing the Offering and Issuance of Securities by Securities Issuers.

Share-based payment

The Company's parent, Fubon Financial Holding Co., Ltd, carried out cash capital increase in common stocks and Series C preferred shares for the year 2021. Pursuant to Article 267-1 of the R.O.C. Company Act, the Company shall reserve 10% of the total new shares issued for cash capital increase for subscription to employees of Fubon Financial Holding and its subsidiaries. The Group's share-based payment transactions were as follows:

<u>Type of agreement</u>	<u>Grant date</u>	<u>Grant quantity (thousand shares)</u>	<u>Vesting conditions</u>
Shares from capital increase by cash reserved for employees (common stocks)	2021/9/11	3,559	Vesting immediately
Shares from capital increase by cash reserved for employees (Series C Preferred Shares)	2021/9/11	663	Vesting immediately

The Group has recognized its capital surplus from share-based payment amounting to \$66,593 for the year 2021.

(iii) Retained earnings

1) Legal reserve

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

2) Special reserve

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Appropriation under Regulations Governing Securities Firms	\$ 10,656,830	10,656,830
Appropriation of bad debts loss expense reserve	10,909	10,909
Appropriation of the adoption of investment property using the fair value model	325,460	335,247
Appropriation of Fintech development	<u>32,055</u>	<u>32,055</u>
	<u>\$ 11,025,254</u>	<u>11,035,041</u>

(Continued)

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

According to the Regulations Governing Securities Firms, the Company must retain 20% of its after-tax annual earnings as special reserve until it is equal to share capital. Special Reserve can only be used to offset the accumulated deficit or be converted to share capital when it reaches an amount equals to one-half of paid-in capital.

According to Rule No. 1010032090 issued by the FSC, reserve for bad debt was transferred to special reserve on January 1, 2013. The special reserve can only be used to offset an accumulated deficit, or be converted to share capital, when it reaches an amount equal to one-half of issued share capital.

In 2014, the Company changed the subsequent measurement of investment property from cost model to fair value model. According to the rule issued by the FSC, the Company recognized the same amount of net increase in fair value as special reserve at the first-time adoption of fair value model. When allocating distributable earnings every year, the Company recognizes special reserve in the following order:

- a) If there is a net increase of fair value generated from the adoption of fair value model in the current period, the Company should recognize the same amount of increase as special reserve from its current profit or loss or prior unappropriated earnings. If there was an accumulated net increase in the prior period, the Company should recognize the same amount of increase from its prior unappropriated earnings as special reserve which could not be distributed. When there was the deduction of accumulated net increase of fair value or disposal of investment property, the Company should reverse and distribute the earnings to cover the deduction or the disposal.
- b) The difference between the deduction of other equity and the special reserve recognized due to the first-time adoption of IFRSs, the Company should retain its special reserve from the current profit or loss and unappropriated earnings in the prior period. If there was the deduction of accumulation in other equity, the Company should recognize its special reserve from the unappropriated earnings in the prior period which could not be distributed. When reversing the deduction of other equity, the Company can distribute its reversed earnings.

According to Rule No.10500278285 issued by the FSC on August 5, 2016, for the development of Fintech, the Company should retain 0.5% of its after-tax net income as special reserve upon distributing its annual earnings from 2016 to 2018 in order to guarantee the right of its employees. Also, upon distributing the earnings of 2017, the expenditure on staff education training, staff transfer, or resettlement arising from the development of Fintech, could be reversed from those special reserve.

However, according to Rule No. 1080321644 issued by the FSC on July 10, 2019, the abovementioned rule has been abolished, and the special reserve may not be appropriated beginning 2019. If any of the abovementioned expenditure arise, they could still be reversed from those special reserve.

(Continued)

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

According to the regulations, the Company decided to appropriate or reverse its special reserve via Board of Directors' meeting on behalf of the shareholders held on April 28, 2021 and April 21, 2020, as follows:

	<u>2020</u>	<u>2019</u>
Appropriation under Rule No. 1030008251 issued by the FSC	\$ (9,787)	8,071
Appropriation under Regulations Governing Securities Firms	-	580,328
	<u>\$ (9,787)</u>	<u>588,399</u>

3) Unappropriated earnings

In accordance with Articles of Incorporation, 10% of annual earnings after offsetting accumulated deficit (if any) is to be retained as legal reserve and thereafter, appropriate or reverse the special reserve in accordance with laws and regulations. The remaining of the unappropriated earnings together with the prior year unappropriated earnings including the reverse from the special reserve, which is to be distributed as the common stock dividends upon the approval of the shareholders' meeting.

The authority of the shareholders' meeting has been fully executed by the Board of Directors since the Company became a 100%-owned subsidiary of Fubon Financial Holding Co., Ltd.

On April 28, 2021 and April 21, 2020, the Company's Board of Directors acted on behalf of the shareholders to appropriate the 2020 and 2019 earnings, respectively, as follows:

	<u>2020</u>	<u>2019</u>
Dividends distributed to common shareholders:		
Cash	<u>\$ 3,757,517</u>	<u>1,865,181</u>

(iv) Other equity (net of tax)

	<u>Exchange differences on translation of foreign operations</u>	<u>Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income</u>	<u>Revaluation gains on property</u>	<u>Total</u>
Balance as of January 1, 2021	\$ (164,086)	3,196,939	38,893	3,071,746
Exchange differences on translation of foreign operations	(38,367)	-	-	(38,367)
Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	-	1,458,835	-	1,458,835
Accumulated gains (losses) reclassified to profit or loss on disposal of debt instrument measured at fair value through other comprehensive income	-	(10,235)	-	(10,235)
Disposal of equity instruments measured at fair value through other comprehensive income	-	(138,367)	-	(138,367)
Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income of the associates accounted for using equity method	-	1,749	-	1,749
Revaluation gains	-	-	780	780
Balance as of December 31, 2021	<u>\$ (202,453)</u>	<u>4,508,921</u>	<u>39,673</u>	<u>4,346,141</u>

(Continued)

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

	Exchange differences on translation of foreign operations	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Revaluation gains on property	Total
Balance as of January 1, 2020	\$ (130,466)	2,925,878	8,129	2,803,541
Exchange differences on translation of foreign operations	(32,271)	-	-	(32,271)
Share of exchange differences on translation of the associates and subsidiaries accounted for using equity method	8	-	-	8
Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	-	397,005	-	397,005
Accumulated gains (losses) reclassified to profit or loss on disposal of debt instrument measured at fair value through other comprehensive income	-	(125,913)	-	(125,913)
Disposal of equity instruments measured at fair value through other comprehensive income	-	(30,712)	-	(30,712)
Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income of the associates accounted for using equity method	-	30,681	-	30,681
Revaluation gains	-	-	30,764	30,764
Disposal of subsidiary	(1,357)	-	-	(1,357)
Balance as of December 31, 2020	<u>\$ (164,086)</u>	<u>3,196,939</u>	<u>38,893</u>	<u>3,071,746</u>

(v) Non-controlling interests

	2021	2020
Beginning balance	\$ 65,506	65,844
Attributable to non-controlling interests		
Net loss	(532)	(338)
Others	13	-
Ending balance	<u>\$ 64,987</u>	<u>65,506</u>

(ae) Earnings per share

	2021	2020
Net income attributable to ordinary shareholders of the Company	\$ <u>7,056,933</u>	<u>4,203,608</u>
Weighted-average number of ordinary shares outstanding (in thousands)	<u>1,064,355</u>	<u>1,565,994</u>
Basic earnings per share (dollars)	\$ <u>6.63</u>	<u>2.68</u>

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

(Continued)

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

(af) Employees' compensation and remuneration to directors and supervisors

In accordance with the Articles of Incorporation, 0.1% of the employees' compensation should be distributed if there is profit for the period. However, if the Company has accumulated losses, the earnings shall first be offset against any deficit. Employees entitled to receive shares or cash include the employees of the subsidiaries meeting certain requirements.

For the years ended December 31, 2021 and 2020, the estimated employees' compensation were \$8,024 and \$4,618, respectively, and remuneration to directors and supervisors was \$0. The amounts were calculated by using the income before tax, minus, employees' compensation and remuneration to directors and supervisors, multiple by the employees' compensation and remuneration to directors and supervisors quotient as the estimation basis; which is to be assigned in the Articles of Incorporation, and recognized as operating expenses for the years ended December 31, 2021 and 2020. If the actual distribution is different from the estimation, the difference will be dealt as changes in accounting estimates and recognized in profit or loss in the following year.

For the year ended December 31, 2020, the amounts for employees' compensation was the same as the amounts for actual distribution. The relevant information has been disclosed in the website of the Market Observation Post System.

(ag) Revenue and expense

(i) Brokerage handling fee revenue

	<u>2021</u>	<u>2020</u>
Centralized securities exchange market	\$ 6,997,476	3,732,193
Over-the-counter securities exchange	1,713,328	1,171,150
Futures Exchanges	763,506	728,498
Handling fees from securities financing	57,010	41,458
Income from dealing with securities lending	76,513	74,888
Revenues from sub-broker handling fee	600,195	623,151
Total	<u>\$ 10,208,028</u>	<u>6,371,338</u>

(ii) Revenues from underwriting business

	<u>2021</u>	<u>2020</u>
Revenues from underwriting securities on a firm commitment basis	\$ 159,130	160,354
Handling fee revenues from underwriting operations	29,116	25,068
Revenues from underwriting consultation	18,700	14,670
Other revenues from underwriting business	143,577	72,900
Commissions income from securities proxy sale	59,099	50,018
Total	<u>\$ 409,622</u>	<u>323,010</u>

(Continued)

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

(iii) Gains (losses) on sale of operating securities

	<u>2021</u>	<u>2020</u>
Dealing – domestic	\$ 1,347,913	1,297,490
Dealing – foreign	(156,850)	278,582
Underwriting – domestic	213,964	101,462
Hedging – domestic	<u>888,368</u>	<u>495,602</u>
Total	<u>\$ 2,293,395</u>	<u>2,173,136</u>

(iv) Valuation gains (losses) on operating securities measured at fair value through profit or loss

	<u>2021</u>	<u>2020</u>
Dealing – domestic	\$ (11,828)	33,497
Dealing – foreign	(131,442)	96,326
Underwriting – domestic	(13,329)	26,880
Hedging – domestic	384,300	(206,378)
Settlement coverage bonds payable of short sale	<u>(55)</u>	<u>-</u>
Total	<u>\$ 227,646</u>	<u>(49,675)</u>

(v) Gains (losses) from issuance of call (put) warrants

	<u>2021</u>	<u>2020</u>
Gains from changes in fair value of call (put) warrants	\$ 15,324,927	13,338,489
Losses on exercise of call (put) warrants before maturity	(205,609)	(197,823)
Losses on changes in fair value upon redemption of call (put) warrants	(15,410,209)	(13,448,464)
Expenses arising from issuance of call (put) warrants	<u>(81,612)</u>	<u>(55,608)</u>
Total	<u>\$ (372,503)</u>	<u>(363,406)</u>

(vi) Interest revenue

	<u>2021</u>	<u>2020</u>
Margin purchase / short sales	\$ 1,023,022	628,533
Dividend yield of fund	10,681	13,930
Bonds interests	205,122	474,712
Others	<u>174,612</u>	<u>134,763</u>
Total	<u>\$ 1,413,437</u>	<u>1,251,938</u>

(vii) Other operating income

	<u>2021</u>	<u>2020</u>
Realized gains (losses) on debt investments measured at fair value through other comprehensive income	\$ 10,236	125,913
Foreign exchange gains (losses), net	3,645	(162,929)
Others	<u>345,062</u>	<u>170,774</u>
Total	<u>\$ 358,943</u>	<u>133,758</u>

(Continued)

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

(viii) Employee benefits expense

	<u>2021</u>	<u>2020</u>
Wages and salaries	\$ 4,472,827	3,284,766
Insurance expense	260,636	201,476
Director's remuneration	25,300	14,257
Pension expense	197,092	149,578
Other employee benefits expense	<u>43,418</u>	<u>119,167</u>
Total	<u>\$ 4,999,273</u>	<u>3,769,244</u>

The Company's parent, Fubon Financial Holding Co., Ltd, carried out cash capital increase in accordance with the resolution of the Board of Directors on April 29, 2021, and ten percent of such new shares were reserved for subscription to employees of Fubon Financial Holding and its subsidiaries. The Group has recognized salary expenses amounting to \$66,605.

(ix) Depreciation and amortization expense

	<u>2021</u>	<u>2020</u>
Depreciation expense	\$ 309,704	322,977
Amortization expense	<u>73,364</u>	<u>76,679</u>
Total	<u>\$ 383,068</u>	<u>399,656</u>

(x) Other operating expense

	<u>2021</u>	<u>2020</u>
Rental expense	\$ 85,561	90,202
Taxes	883,289	512,661
Information technology expense	240,278	231,687
Postage expense	124,591	117,094
Commission expense	58,257	32,824
Repair and maintenance expense	145,307	133,960
Professional service fees	57,174	85,900
Stock borrowing fees	404,054	387,950
Depository service expense	251,375	137,000
Advertisement expense	53,321	14,737
Others	<u>343,323</u>	<u>287,431</u>
Total	<u>\$ 2,646,530</u>	<u>2,031,446</u>

(Continued)

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

(xi) Finance costs

	<u>2021</u>	<u>2020</u>
Interest expense of asset swap	\$ 16,840	9,151
Interest expense of securities sold under repurchase agreements	39,003	178,565
Interest expense and handling fee of commercial paper	37,300	17,169
Interest expense of lease liabilities	13,367	15,513
Interest expense of margin deposits	22,745	96,923
Others	<u>20,827</u>	<u>27,999</u>
Total	<u>\$ 150,082</u>	<u>345,320</u>

(xii) Other gains and losses

	<u>2021</u>	<u>2021</u>
Financial income	\$ 97,630	311,732
Losses on disposal of property and equipment	(23,484)	(455)
Gains on disposal of investment property	81,076	-
Gains on disposal of investment	66,509	64,054
Gains (losses) on fair value adjustment of investment property	13,624	(2,604)
Valuation gains (losses) on non-operating financial instruments measured at fair value through profit or loss	33,663	(19,195)
Dividend revenue	118,864	82,769
Rent revenue	18,246	21,165
Facility rental revenue	387,034	291,831
Cross-selling revenue	118,377	67,334
Cross-selling expense	(172,566)	(39,373)
Impairment loss on property and equipment	-	(9,207)
Others	<u>69,492</u>	<u>61,340</u>
Total	<u>\$ 808,465</u>	<u>829,391</u>

(ah) Disclosure of financial instruments

(i) Fair value information

1) Summary

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

(Continued)

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

Initially, financial instruments should be measured at fair value, which mostly refers to transaction price. Except for those measured at amortized cost, financial instruments are subsequently measured at fair value. A quoted market in an active market provides the most reliable evidence of fair value. If the market is not active, the Group determines the fair value of financial instruments in accordance with (a) the calculation of valuation techniques, (b) valuation provided by the professional electronic information company and commonly used by market participants, or (c) quoted prices of the counter party.

2) Definition of fair value hierarchy

a) Level 1

Level 1 means fair value of the financial instruments is based on quoted market prices of identical financial instruments in an active market. The definition of active market refers to a market that satisfies all of the following conditions:

- i) The products traded in the market are homogeneous.
- ii) Willing parties are available anytime in the market.
- iii) Price information is available for the public.

b) Level 2

Level 2 means fair value of the financial instruments is based on inputs other than quoted prices in active markets, including observable input parameters that are obtained directly (i.e., prices) or indirectly (i.e., derived from prices) in active markets. For instance:

- i) Quoted prices of similar financial instruments in active markets. The fair value of financial instruments is inferred from the recent trading price of similar financial instruments. Whether products are similar should be judged based on their characteristics and trading rules. Fair value of financial instruments should be based on observable trading prices adjusted over time, trading conditions, the impact of related parties, and correlation of price with similar financial instruments.
- ii) Quoted prices of similar financial instruments in non-active markets.
- iii) Fair value using valuation models. The inputs of valuation models (i.e., interest rates, yield curve, volatility, etc.) are based on available data in the market and should be observable. Observable inputs are those that can be obtained from the market and reflect the expectations of market participants.
- iv) The majority of the input parameters is derived from observable market data or can be validated by their correlation with observable market data.

(Continued)

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

c) Level 3

Level 3 means inputs in this level are not based on direct market data. For instance, historical volatility used in valuation options is an unobservable input because it cannot represent all market participants' expectations regarding future volatility.

(ii) Measured at fair value

1) Fair value hierarchy

The Group's financial instruments and investment properties measured at fair value are evaluated on a recurring basis. Information of fair value hierarchy was as follows:

<u>Financial instruments measured at fair value</u>	<u>December 31, 2021</u>			
	<u>Total</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
<u>Recurring fair value measurement</u>				
<u>Non-derivative financial instruments</u>				
Assets:				
Financial assets measured at fair value through profit or loss				
Financial assets mandatorily measured at fair value through profit or loss				
Stock investment	\$ 6,171,044	5,830,855	340,189	-
Bond investment	17,794,251	11,827,473	5,966,778	-
Securities invested by broker	495,147	125,012	25,671	344,464
Others	498,003	498,003	-	-
Financial assets measured at fair value through other comprehensive income				
Stock investment	10,304,150	6,075,958	-	4,228,192
Bond investment	5,202,987	199,615	5,003,372	-
Investment property	682,582	-	-	682,582
Liabilities:				
Financial liabilities measured at fair value through profit or loss				
Held-for-trading financial liabilities	5,228,682	5,228,682	-	-
Financial liabilities designated as at fair value through profit or loss	72,285	72,285	-	-
<u>Derivative financial instruments</u>				
Assets:				
Financial assets measured at fair value through profit or loss				
Financial assets mandatorily measured at fair value through profit or loss	774,014	597,118	176,896	-
Liabilities:				
Financial liabilities measured at fair value through profit or loss				
Held-for-trading financial liabilities	5,278,742	276,414	5,002,328	-
Financial liabilities designated as at fair value through profit or loss	2,408,046	-	10,263	2,397,783

(Continued)

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

<u>Financial instruments measured at fair value</u>	<u>December 31, 2020</u>			
	<u>Total</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Recurring fair value measurement				
<u>Non-derivative financial instruments</u>				
Assets:				
Financial assets measured at fair value through profit or loss				
Financial assets mandatorily measured at fair value through profit or loss				
Stock investment	\$ 4,155,874	3,915,609	240,265	-
Bond investment	21,238,531	6,623,408	14,615,123	-
Securities invested by broker	855,619	352,173	59,189	444,257
Others	984,796	984,796	-	-
Financial assets measured at fair value through other comprehensive income				
Stock investment	8,496,576	5,549,383	-	2,947,193
Bond investment	6,191,459	-	5,619,876	571,583
Investment property	1,054,375	-	-	1,054,375
Liabilities:				
Financial liabilities measured at fair value through profit or loss				
Held-for-trading financial liabilities	1,788,151	1,618,382	169,769	-
Financial liabilities designated as at fair value through profit or loss	87,589	87,589	-	-
<u>Derivative financial instruments</u>				
Assets:				
Financial assets measured at fair value through profit or loss				
Financial assets mandatorily measured at fair value through profit or loss	567,952	337,366	230,586	-
Liabilities:				
Financial liabilities measured at fair value through profit or loss				
Held-for-trading financial liabilities	2,054,105	376,298	1,677,807	-
Financial liabilities designated as at fair value through profit or loss	3,538,009	-	5,031	3,532,978

2) Valuation techniques

a) Financial instruments

Financial assets are recognized based on the quoted market price. However, if the market price is unavailable, then the fair value is determined based on certain valuation techniques. The estimates and assumptions of the valuation techniques adopted by the Group are identical to those of other market participants.

If a market for a derivative financial instrument is not active, an entity shall apply different valuation techniques for different financial instruments. For options on futures, an entity could apply the Black Scholes model, Black 76 model, or Merton model as a valuation basis. For fixed-income securities that do not have an active market, the discounted cash flow valuation will be applied to interest rate swap contracts, and the binary tree approach will be applied to bond options.

(Continued)

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

b) Non-financial instruments

Fair value of investment property is determined based on the rules stipulating in the Regulation Governing Preparation of Financial Reports by Securities Firms. The fair value of investment property is based on a valuation set by a professional appraisal agency and supported by market evidences, or appraised by using the income approach of discounted cash flow method. Please refer to note 6 (m) for details.

3) Fair value adjustment

a) Limitation of evaluation models and uncertainty inputs

The output of the evaluation model is an approximate amount, and the valuation techniques may not reflect all relevant elements of the Group's financial instrument and non-financial instrument. Therefore, the estimated value will be adjusted based on other parameters, such as model risk or liquidity risk. According to the Group's policy of the fair value model management and pertinent control procedure, the management believes that in order to express the fair value of the financial and non-financial instrument in balance sheet, the adjustments are proper and essential. Price information and parameters for measurement are carefully used, and the adjustments are based on the current market conditions.

b) Credit risk valuation adjustment

Credit risk valuation adjustment is the fair value of the over-the-counter (OTC) derivative contracts that reflect the credit risks of the two parties, and it is mainly divided into:

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

CVA and DVA are loss expectation and can be measured at the products of PD (probability of default), LGD (loss given default), EAD (exposure at default). The Group uses the fair value of OTC derivatives as exposure at default (EAD).

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

The Group includes the credit risk valuation adjustment in calculating its fair value in order to reflect the credit risks of its counter party and the credit quality of the Group.

(Continued)

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

4) Transfers between Level 1 and Level 2

There was no significant transfer between Level 1 and Level 2 for the years ended December 31, 2021 and 2020.

5) Reconciliation for Level 3 of the fair value hierarchy

a) Reconciliation of financial assets measured at fair value in Level 3 of the fair value hierarchy

Name	2021							
	Beginning balance	Gains (Losses) on Valuation		Increase		Decrease		Ending balance
		Profit and Loss	Other Comprehensive Income	Purchased/ Issued	Transferred to Level 3	Disposed/ Sold	Transferred from Level 3	
Financial assets mandatorily measured at fair value through profit or loss	\$ 444,257	(124,185)	-	81,900	-	45,884	11,624	344,464
Financial assets measured at fair value through other comprehensive income	3,518,776	-	1,280,999	-	-	142,494	429,089	4,228,192
Investment property	1,054,375	13,624	-	-	1,918	123,924	263,411	682,582
Total	\$ 5,017,408	(110,561)	1,280,999	81,900	1,918	312,302	704,124	5,255,238

Name	2020							
	Beginning balance	Gains (Losses) on Valuation		Increase		Decrease		Ending balance
		Profit and Loss	Other Comprehensive Income	Purchased/ Issued	Transferred to Level 3	Disposed/ Sold	Transferred from Level 3	
Financial assets mandatorily measured at fair value through profit or loss	\$ 647,319	(3,266)	-	333,205	92,118	390,517	234,602	444,257
Financial assets measured at fair value through other comprehensive income	2,653,795	-	378,780	1,193,779	-	707,578	-	3,518,776
Investment property	927,880	(2,604)	-	-	129,722	-	623	1,054,375
Total	\$ 4,228,994	(5,870)	378,780	1,526,984	221,840	1,098,095	235,225	5,017,408

Valuation gains (losses) recognized in profit or loss for assets still held were \$(110,561) and \$(5,870) as of December 31, 2021 and 2020, respectively.

Valuation gains (losses) recognized in other comprehensive income for assets still held were \$1,280,999 and \$378,780 as of December 31, 2021 and 2020, respectively.

b) Reconciliation of financial liabilities measured at fair value in Level 3 of the fair value hierarchy

Name	2021							
	Beginning balance	Losses (gains) on Valuation		Increase		Decrease		Ending balance
		Profit and Loss	Other Comprehensive Income	Purchased/ Issued	Transferred to Level 3	Disposed/ Sold	Transferred from Level 3	
Financial liabilities designated as at fair value through profit or loss	\$ 3,532,978	(5,059)	-	37,688,273	-	38,818,409	-	2,397,783

Name	2020							
	Beginning balance	Losses (gains) on Valuation		Increase		Decrease		Ending balance
		Profit and Loss	Other Comprehensive Income	Purchased/ Issued	Transferred to Level 3	Disposed/ Sold	Transferred from Level 3	
Financial liabilities designated as at fair value through profit or loss	\$ 3,371,565	(947)	-	39,049,722	-	38,887,362	-	3,532,978

(Continued)

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

Valuation gains recognized in profit or loss for the liabilities still held were \$5,059 and \$947, as of December 31, 2021 and 2020, respectively.

6) Quantitative information of fair value on significant unobservable inputs (Level 3)

Financial assets measured at fair value through profit or loss, financial assets measured at fair value through other comprehensive income, investment property and financial liabilities designated as at fair value through profit or loss of the Group are categorized into Level 3.

The Group uses unadjusted transaction price or third party pricing information. Therefore, there is no need to disclose quantitative information.

Most level 3 inputs, which lack quoted prices in an active market, are referred to the valuation commonly used by market participants or quoted prices of the counter party. The inputs are irrelevant to each other.

Quantitative information of Level 3 inputs was as follows:

	December 31, 2021				
	Fair value	Valuation techniques	Significant unobservable inputs	Intervals	Relationship between inputs and fair value
<u>Recurring fair value measurements</u>					
<u>Non-derivative financial instruments</u>					
Assets:					
Financial assets measured at fair value through profit or loss					
Financial assets mandatorily measured at fair value through profit or loss					
Securities invested by broker	\$ 344,464	Evaluation methods of unlisted stock (Note 1)	The selection of the model is based on the evaluation methods of unlisted stock. (Note 1)	Not applicable	The selection of the model is based on the evaluation methods of unlisted stock.
Financial assets measured at fair value through other comprehensive income					
Stock investment	4,228,192	Evaluation methods of unlisted stock (Note 1)	The selection of the model is based on the evaluation methods of unlisted stock. (Note 1)	Not applicable	The selection of the model is based on the evaluation methods of unlisted stock.
Investment property	682,582	Note 2	Note 2	Note 2	Note 2
<u>Derivative financial instruments</u>					
Liabilities:					
Financial liabilities measured at fair value through profit or loss					
Financial liabilities designated as at fair value through profit or loss	2,397,783	Option pricing model	Volatility	1%~80%	The higher the volatility, the higher the fair value.

(Continued)

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

December 31, 2020					
	Fair value	Valuation techniques	Significant unobservable inputs	Intervals	Relationship between inputs and fair value
Recurring fair value measurements					
Non-derivative financial instruments					
Assets:					
Financial assets measured at fair value through profit or loss					
Financial assets mandatorily measured at fair value through profit or loss					
Securities invested by broker	444,257	Evaluation methods of unlisted stock (Note 1)	The selection of the model is based on the evaluation methods of unlisted stock. (Note 1)	Not applicable	The selection of the model is based on the evaluation methods of unlisted stock.
Financial assets measured at fair value through other comprehensive income					
Stock investment	2,947,193	Evaluation methods of unlisted stock (Note 1)	The selection of the model is based on the evaluation methods of unlisted stock. (Note 1)	Not applicable	The selection of the model is based on the evaluation methods of unlisted stock.
Bond investment	571,583	BVAL valuation technique of Bloomberg	BVAL scores	Not applicable	The higher the BVAL scores, the higher the fair value.
Investment property	1,054,375	Note 2	Note 2	Note 2	Note 2
Derivative financial instruments					
Liabilities:					
Financial liabilities measured at fair value through profit or loss					
Financial liabilities designated as at fair value through profit or loss	3,532,978	Option pricing model	Volatility	1%~80%	The higher the volatility, the higher the fair value.

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

Note 2: The fair value of investment property has been performed by appraisers from professional valuation agencies based on the 'Regulations Governing the Preparation of Financial Reports by Securities Firms'. The main appraising method is the use of the discounted cash flow analysis of the income method. Please refer to note 6 (m) for details.

7) Measurement procedure of Level 3 inputs

The financial instruments valuation team of the Group's risk management department is in charge of examining the fair value by using the independent source data in order to make the valuation results approximate the market condition. The team also confirms that the data source are independent, reliable, and consistent with the other information and can be represented as the exercise price, as well as corrects the valuation model periodically, conducts back testing, updates the inputs and information required for the valuation model, and other essential fair value adjustments, to ensure the consequences of valuation are reasonable.

Investment property is regularly appraised by professional appraisers commissioned by the General Affairs department in conformity with the Regulations Governing the Preparation of financial Reports by Securities Firms.

(Continued)

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

The Risk Management department and the General Affairs department make the fair value valuation policies and procedures on the financial instruments and investment properties, respectively, and ensure that those policies comply with the relevant IFRSs.

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

While under different models or using different parameters may lead to different results, fair value measurement for financial instruments of the Group is reasonable. The following tables shows the valuation impacts from 10% input parameters changes on Level 3 financial instruments.

Name	December 31, 2021			
	Profit or loss		Other comprehensive income	
	Favorable	Unfavorable	Favorable	Unfavorable
Asset				
Financial assets mandatorily measured at fair value through profit or loss	\$ 34,446	(34,446)	-	-
Financial assets measured at fair value through other comprehensive income	-	-	422,819	(422,819)
Liabilities				
Financial liabilities designated as at fair value through profit or loss	239,778	(239,778)	-	-
Name	December 31, 2020			
	Profit or loss		Other comprehensive income	
	Favorable	Unfavorable	Favorable	Unfavorable
Asset				
Financial assets mandatorily measured at fair value through profit or loss	\$ 44,426	(44,426)	-	-
Financial assets measured at fair value through other comprehensive income	-	-	351,878	(351,878)
Liabilities				
Financial liabilities designated as at fair value through profit or loss	353,298	(353,298)	-	-

- (iii) Fair value of financial instruments not carried at fair value

- 1) Fair value information

The Group's financial instruments that are not measured at fair value include cash and cash equivalents, securities purchased under resell agreements, pecuniary finance and securities finance, receivables from securities borrowing and lending, collateral for borrowed securities, margin deposits for borrowed securities, accounts receivable, notes receivable, other receivables, operating deposits, settlement and clearing funds, refundable deposits, short-term borrowings, commercial paper issued, securities sold under repurchase agreement, accounts payable, notes payable, other payables, and other financial assets. Since their book value is a reasonable approximation to the fair value, no fair value disclosure is necessary.

(Continued)

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

2) Valuation techniques

The methods and hypothesis that the Group used in estimating the financial instruments not measured at fair value are as follows:

- a) The carrying amount of financial instruments are estimated by using the book value. It is considered to be reasonable since the maturity date is short. This method is applied to cash and cash equivalents, securities purchased under resell agreements, pecuniary finance and securities finance, receivables from securities borrowing and lending, collateral for borrowed securities, margin deposits for borrowed securities, accounts receivable, notes receivable, other receivables, short-term borrowings, commercial paper issued, securities sold under repurchase agreement, accounts payable, notes payable and other payables.
- b) Because operating deposits, settlement and clearing funds, and refundable deposits do not have specified maturity date, their fair value are estimated based on their book value on the reporting day.

(ai) Financial risk management

(i) Risk management mechanisms

1) Risk management objectives

The risk management policy aims to establish an overall risk management policy and management mechanisms of the Group. The risk management policy rules the orientation, process, and procedure so as to identify, measure, monitor and control all matters of risk management. In addition, the objective of the risk management policy is to establish systems to manage the risk exposure of the Group, integrate with international risk management standards, and comply with the regulations of the authorities.

2) Risk management mechanisms

The Group has formulated and executed a written overall risk management system:

- a) Risk management policy: risk management categories (including risk management culture, risk management organization and risk management process); scopes of risk management policy (including market risk, credit risk, liquidity risk (i.e. funding liquidity risk and liquidation risk), operational risk (i.e. system and event risk), legal risk and compliance; modification, amendments and waivers of the policies, regulations, and standards; application procedure for risk limits; risk control of investment; asset and liability management; large credit exposure management.

(Continued)

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

- b) Implementation standard of risk management system: The Group sets risk management standards for the purpose of establishing risk management mechanisms, ensuring the integrity of the risk management system, and improving the efficiency of risk management. The standards include division of risk responsibility, the scope of risk management, market risk management mechanisms (risk management procedures, management mechanisms of risk limits, valuation management, risk factors management, model testing management), credit risk management mechanisms (management of credit risk rating, credit monitoring after transactions, high-risk-customer supervision, credit enhancement, and credit risk mitigation), liquidity risk management mechanisms (market liquidity risk management and funding liquidity risk management), operational risk management mechanisms (KPI and risk monitoring), legal risk and compliance management, and exceptional management.
- c) Risk management of each business department: The Group sets risk mechanisms on the basis of different features and requirements for the business of different departments, including the equity derivatives department, dealing department, bond department, and relevant regulations on risk management. The relevant departments should follow the standards of risk management, including relevant control requirements for market risk, credit risk, operational risk, liquidity risk, and legal risk.

3) Risk management organizational framework

In order to control the overall risk of the Group effectively, the Risk Management Department was established to take responsibility for risk management. The Risk Management Department of the Group functions independently and implements risk management systems. The risk management organization includes the board of directors, Risk and Asset-Liability Management Committee, risk management department, risk management implementation units, and business units. Through division of responsibilities and specialization, the Group cultivates compliance and risk management culture to ensure risk management works efficiently.

4) Risk management procedures

The risk management procedures of the Group include risk identification, risk measurement, risk monitoring, and risk reports. The risk assessments and strategies are as follows:

- a) Credit risk
 - i) Strategies and processes

The Group has established credit risk management systems. And to control the credit risk of regulatory capital, the Group has implemented risk monitoring and risk rating policies.

(Continued)

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

The target of credit risk management of the Group is to reach risk-return optimization and use credit risk management instruments to recognize, measure, manage, and monitor credit risks. Through implementation of the risk management systems and standards, the Group can ensure those functions have been implemented.

ii) Risk reporting and information measurement

The operation of credit risk management of the Group includes:

1. Authorization structure and reporting procedures
2. Credit risk evaluation before transactions
3. Management of credit rating
4. Credit monitoring after transactions
5. Control measures for credit risk mitigation
6. Quantitative measurements of credit risk

In addition, the Group monitors the credit status of the counterparty, compares it with authorized credit risk limits in a daily basis, and regularly submits risk management reports to the Risk and Asset-Liability Management Committee. Listed companies are separated into different ratings, and credit ratings are from S&P, Moody's, Fitch, and Taiwan Ratings. If events or situations occur that prejudice the Group's rights, urgent measures would be adopted immediately to assert its claim.

b) Liquidity risk

i) Strategies and processes

Liquidity risk includes market liquidity risk and funding liquidity risk. The Group has established and implemented liquidity risk management policies.

Strategies such as obtaining steady, low interest rates and sufficient capital, increasing assets, repaying matured loans, and lowering the funding liquidity risk were used by the Group as liquidity risk management policies for prevention of a cash flow deficit.

The amount and duration of funding needs of various departments are taken into consideration when the Company implements capital management.

The Group has also drawn up a capital allocation plan to react to abnormal capital flows or cope with emergency events.

(Continued)

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

ii) Risk reporting and information measurement

The management and monitoring of liquidity risk includes maintaining appropriate funds, capital allocation, and liquidity management on a daily basis, monitoring the indicators and limits of liquidity risk management, and establishing emergency strategies to control liquidity risk effectively and to adopt emergency measures immediately.

c) Market risk

i) Strategies and processes

The Group sets complete risk management policies and standards by separating financial instruments positions into interest rate, exchange rate, equity security, and other instruments. The Group sets the overall firewall mechanism between front, middle and back office. Market risk management procedures are controlled independently by the middle office, which engages in risk identification, risk measurement, limit monitoring, profit and loss monitoring, risk reporting, and valuation reporting of fair value.

ii) Risk reporting and information measurement

The Group sets the trading position and profit or loss limit mechanisms and the stop-loss regulations to manage trading positions and the profit or loss situation effectively. In addition, the middle office is responsible for daily monitoring of risk limits (including the analysis of the risk sensitivity factors of Delta, Vega, and DV01) to manage trading positions, management of profit or loss, and management procedures for over-limit exceptions. Cooperating with the Risk Management Division of Fubon Financial Holding Co., Ltd. and improving market risk and related control measures help the Group to implement market risk management more effectively.

5) Hedging strategy

The Group's hedging trading is mainly for the purpose of hedging the risk of underlying stock price fluctuations after warrants are issued. A dynamic hedging strategy is adopted to hedge warrants. This means that traders calculate required hedging positions on the basis of the price fluctuation rate of underlying stocks and Delta, and engage in hedge trading within the market risk limits. After hours, according to actual situations, the Group should establish hedging positions to show the effectiveness of evaluating hedging to relevant authorities and traders.

(ii) Risk analysis

1) Credit risk presentation and disclosure

The Group has exposure to credit risk, including issuer credit risk, counterparty credit risk, and credit risk of underlying assets.

(Continued)

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

Issuer credit risk is the risk that an issuer of financial debt instruments or a bank will default and be unable to fulfill the repayment obligation, or go into bankruptcy or liquidation, and thereby cause the Group to suffer a financial loss.

Counterparty credit risk is the risk that a counterparty will default on a transaction and fail to pay due to price movement in the underlying securities of the Group's derivatives, and thereby cause the Group to suffer a financial loss.

Credit risk of underlying assets is the risk that an underlying asset of an instrument held by the Company will have its credit quality weakened, its risk premium increased, or its credit rating downgraded, or that the issuer will be unable to meet the contractual obligation, and thereby cause the Group to suffer a financial loss.

The Group faced credit risk arising from financial assets including bank deposits, debt securities, over-the-counter (OTC) derivative transactions, securities under resale/repurchase agreements, securities borrowing and lending, refundable deposits, futures trading margin, other refundable deposits, and receivables.

a) Analysis of concentrations of credit risk

The maximum credit risk exposure amount of financial assets by region and industry was as described in the following tables:

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

(Continued)

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

December 31, 2020											
Credit risk exposure amount – by region											
Financial assets	Taiwan	Hong Kong	Asia	Europe	America	Total					
Cash and cash equivalents	\$ 10,681,086	113,097	3,132,128	192	288	13,926,791					
Customer margin account	17,061,799	141,080	3,076,527	36,168	101,991	20,417,565					
Financial assets mandatorily measured at fair value through profit or loss – current	10,951,957	173,104	9,916,316	229,540	1,573,308	22,844,225					
Debt securities	9,829,330	173,104	9,916,316	229,540	1,573,308	21,721,598					
Derivatives – OTC	230,586	-	-	-	-	230,586					
Derivatives – futures trading margin	334,742	-	-	-	-	334,742					
Other debt securities	554,675	-	-	-	-	554,675					
Call option – futures	2,624	-	-	-	-	2,624					
Margin deposits for borrowed securities	4,256,330	-	-	-	-	4,256,330					
Other refundable deposits	1,220,169	12,362	-	-	-	1,232,531					
Other current assets	4,181,959	87,177	-	-	2,809	4,271,945					
Financial assets measured at fair value through other comprehensive income – debt instruments	4,569,467	-	611,856	684,681	325,455	6,191,459					
Total	<u>\$ 52,922,767</u>	<u>526,820</u>	<u>16,736,827</u>	<u>950,581</u>	<u>2,003,851</u>	<u>73,140,846</u>					
Proportion of the total	<u>72.36 %</u>	<u>0.72 %</u>	<u>22.88 %</u>	<u>1.30 %</u>	<u>2.74 %</u>	<u>100.00 %</u>					

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

(Continued)

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

December 31, 2020												
Credit risk exposure amount—by industry												
Financial assets	Financial service	Central and local government agencies	Retail and wholesale	Construction and building materials	Biotechnology industry	Food and travel industry	Shipping industry	Electronic industry	Chemical industry	Motor Vehicle Industry	Other services	Total
Cash and cash equivalents	\$ 13,566,507	-	-	-	-	-	-	-	-	-	360,284	13,926,791
Customer margin account	20,417,565	-	-	-	-	-	-	-	-	-	-	20,417,565
Financial assets mandatorily measured at fair value through profit or loss—current	7,412,536	202,945	31,794	1,439,687	264,719	642,254	351,831	5,219,928	4,954,460	224,975	2,099,096	22,844,225
Debt securities	6,289,909	202,945	31,794	1,439,687	264,719	642,254	351,831	5,219,928	4,954,460	224,975	2,099,096	21,721,598
Derivatives—OTC	230,586	-	-	-	-	-	-	-	-	-	-	230,586
Derivatives—futures trading margin	334,742	-	-	-	-	-	-	-	-	-	-	334,742
Other debt securities	554,675	-	-	-	-	-	-	-	-	-	-	554,675
Call option—futures	2,624	-	-	-	-	-	-	-	-	-	-	2,624
Margin deposits for borrowed securities	4,256,330	-	-	-	-	-	-	-	-	-	-	4,256,330
Other refundable deposits	1,232,531	-	-	-	-	-	-	-	-	-	-	1,232,531
Other current assets	4,271,945	-	-	-	-	-	-	-	-	-	-	4,271,945
Financial assets measured at fair value through other comprehensive income—debt instruments	1,816,808	-	-	-	-	-	1,358,855	1,150,764	1,836,471	-	28,561	6,191,459
Total	\$ 52,974,222	202,945	31,794	1,439,687	264,719	642,254	1,710,686	6,370,692	6,790,931	224,975	2,487,941	73,140,846
Proportion of the total	72.43 %	0.28 %	0.04 %	1.97 %	0.36 %	0.88 %	2.34 %	8.71 %	9.28 %	0.31 %	3.40 %	100.00 %

The Group's exposure to credit risk is derived mainly from the financial industry and Taiwan because the Group deposits cash in different financial institutions and holds debt securities issued or guaranteed by the banks; also, most of the Group's counterparties of derivative transactions, investments in debt securities, and security lending are financial institutions in Taiwan.

b) Introduction to credit risk of financial assets

i) Cash and cash equivalents

Cash and cash equivalents include time deposits, demand deposits, checking accounts, and short-term bills, with trading counterparties being mainly domestic financial institutions.

ii) Financial assets measured at fair value—current

1. Debt securities

The Group holds positions in debt securities, including bonds, convertible bonds, and bond funds, which were issued by domestic companies. The details of debt securities are as follows:

a. Convertible bonds

The convertible bonds held by the Group are primarily issued by domestic companies with good credit scores. To control exposure to credit risk from convertible bonds, the Group transfers credit risk to external investors by asset swaps.

b. Bond funds

The underlying assets of bond funds held by the Group are mainly domestic fixed income securities.

(Continued)

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

2. Bonds with repurchase/resale agreements (RP/RS) undertaking

The main counterparties of RP/RS are financial institutions. When engaging in RS transactions, the Group provided the underlying bonds as collateral which could reduce the exposure to credit risk of its counterparties.

3. Derivatives—over-the-counter (OTC)

When the Group engages in OTC derivatives, it will sign an ISDA agreement with each counterparty. This provides the contractual framework within which dealing activity across a full range of over-the-counter (OTC) products is conducted, and contractually binds both parties to apply close-out netting across all outstanding transactions covered by an agreement if either party defaults or another pre-agreed termination event occurs. The parties execute a Credit Support Annex (CSA) in conjunction with the ISDA Master Agreement. Under a CSA, collateral is passed between the parties to mitigate the counterparty risk inherent in outstanding positions.

OTC derivatives held by the Group include interest rate swaps, convertible bond asset swaps, and equity options. The counterparties are all from the financial industry and are mainly based in Taiwan.

4. Derivatives—futures trading margin

For trading on the centralized exchange market, the Group deposits futures trading margin into an account designated by the Group as a guarantee of future funding to fulfill a contractual obligation. Fubon Futures and Yuanta Futures Co., Ltd. are the Group's futures commission merchants. Since Fubon Futures is a 100%-owned subsidiary, the credit risk is very low.

5. Other debt securities

Other debt securities are mainly the real estate beneficiary securities, Fubon R1 and Fubon R2. Because of the good quality of entrusted assets and the above-average quality of renters in the asset pool, the Group has low credit risk.

iii) Margin deposits for borrowed securities

This includes relevant disclosures of collateral for borrowed securities and margin deposits for borrowed securities. When borrowing the underlying securities from the holder, the Group should deposit the margin in the designated bank account. Because it holds the underlying securities as collateral, the Group will be able to effectively decrease credit exposure to the holder.

(Continued)

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

iv) Other refundable deposits

Other refundable deposits mainly include operating deposits, settlement and clearing funds, and refundable deposits. Operating deposits are mainly deposited in credit-worthy banks. Clearing and settlement funds are deposited in the TWSE and are used as compensation when a market securities trading party does not fulfill delivery obligations. The institutional credit risk of the abovementioned deposits is low. Refundable deposits arise when the Group deposits cash or other assets as guarantees. Since the deposit are placed in various financial institutions and each amount is not large, the credit risk is dispersed and the credit exposure of the overall refundable deposits is minimal.

v) Other current assets

Other current assets of the Group are cash provided for pledge or restricted use to domestic financial institutions with good credit.

c) Credit risk quality classification definitions

i) Credit Risk quality classification definitions

Low Risk: an indicator assigned to financial instruments deemed to have low default risk, that the borrower possesses good credit quality, information transparency, and the capacity to meet financial commitment.

Moderate Risk: an indicator assigned to financial instruments deemed to have moderate default risk. And requires monitoring on the borrower that possesses an average level of credit quality, the capacity to fulfill debt contractual obligations, and the capacity to adapt business cycle.

High Risk: an indicator assigned to financial instruments deemed to have higher default risk. And requires close monitoring on the borrower that possesses weak credit quality, the capacity to fulfill debt contractual obligations.

Impaired: the company or the target did not perform its obligation according to the contracts, and the potential estimated loss of the Group has reached the standard of impairment. The information of credit risk quality was as follows:

December 31, 2021										
Financial assets measured by 12-month ECLs				Lifetime ECLs – not credit-impaired financial assets				Lifetime ECLs – credit- impaired financial assets	Loss allowance	Total
Low risk		Moderate risk	High risk	Low risk		Moderate risk	High risk			
Subtotal	Subtotal	Subtotal	Subtotal	Subtotal	Subtotal	Subtotal				
\$ 2,780,464	2,426,467	-	5,206,931	-	-	-	-	-	3,944	5,202,987

Financial assets measured at fair value through other comprehensive income – debt instruments

(Continued)

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

December 31, 2020

	Financial assets measured by 12-month ECLs				Lifetime ECLs – not credit-impaired financial assets				Lifetime ECLs – credit-impaired financial assets	Loss allowance	Total
	Low risk	Moderate risk	High risk	Subtotal	Low risk	Moderate risk	High risk	Subtotal			
Financial assets measured at fair value through other comprehensive income – debt instruments	\$ 2,681,128	3,515,492	-	6,196,620	-	-	-	-	-	5,161	6,191,459

Internal credit risk classification and external credit rating of Group were as follows. There were no direct relations between the internal and the external credit rating in the chart, and they were used to present the similarity of credit quality.

December 31, 2021

Financial assets	Financial assets credit quality and classification							Total
	Low risk	Moderate risk	High risk	Overdue but not impaired	Impaired	Loss allowance		
Cash and cash equivalents	\$ 18,572,222	4,015,156	-	-	-	-	22,587,378	
Customer margin account	23,096,908	-	-	-	-	-	23,096,908	
Financial assets mandatorily measured at fair value through profit or loss – current	11,004,396	7,580,507	667,125	-	-	-	19,252,028	
Debt securities	9,918,132	7,465,168	667,125	-	-	-	18,050,425	
Derivatives – OTC	61,557	115,339	-	-	-	-	176,896	
Derivatives – futures trading margin	593,934	-	-	-	-	-	593,934	
Foreign exchange derivatives	2,769	-	-	-	-	-	2,769	
Other debt securities	427,589	-	-	-	-	-	427,589	
Call option – futures	415	-	-	-	-	-	415	
Margin deposits for borrowed securities	4,319,348	-	-	-	-	-	4,319,348	
Other refundable deposits	1,191,054	-	-	-	-	-	1,191,054	
Other current assets	19,013,266	-	-	-	-	-	19,013,266	
Financial assets measured at fair value through other comprehensive income – debt instruments	2,780,464	2,426,467	-	-	-	3,944	5,202,987	
Subtotal	<u>79,977,658</u>	<u>14,022,130</u>	<u>667,125</u>	<u>-</u>	<u>-</u>	<u>3,944</u>	<u>94,662,969</u>	
Proportion of the total	84.49 %	14.81 %	0.70 %	- %	- %	- %	100.00 %	
Receivables	29,817,090	8,893,257	594,822	-	158,033	158,033	39,305,169	
Accounts receivable	18,637,661	7,657	-	-	158,033	158,033	18,645,318	
Receivables from pecuniary finance	11,179,429	8,885,600	594,822	-	-	-	20,659,851	
Total	\$ <u>109,794,748</u>	<u>22,915,387</u>	<u>1,261,947</u>	<u>-</u>	<u>158,033</u>	<u>161,977</u>	<u>133,968,138</u>	
Proportion of the total	<u>81.96 %</u>	<u>17.10 %</u>	<u>0.94 %</u>	<u>- %</u>	<u>0.12 %</u>	<u>0.12 %</u>	<u>100.00 %</u>	

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

(Continued)

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

December 31, 2020							
Financial assets credit quality and classification							
Financial assets	Low risk	Moderate risk	High risk	Overdue but not impaired	Impaired	Loss allowance	Total
Cash and cash equivalents	\$ 10,794,663	3,132,128	-	-	-	-	13,926,791
Customer margin account	20,417,565	-	-	-	-	-	20,417,565
Financial assets mandatorily measured at fair value through profit or loss – current	15,800,913	6,712,097	331,215	-	-	-	22,844,225
Debt securities	14,837,595	6,552,788	331,215	-	-	-	21,721,598
Derivatives – OTC	71,277	159,309	-	-	-	-	230,586
Derivatives – futures trading margin	334,742	-	-	-	-	-	334,742
Other debt securities	554,675	-	-	-	-	-	554,675
Call option – futures	2,624	-	-	-	-	-	2,624
Margin deposits for borrowed securities	4,256,330	-	-	-	-	-	4,256,330
Other refundable deposits	1,232,531	-	-	-	-	-	1,232,531
Other current assets	4,271,945	-	-	-	-	-	4,271,945
Financial assets measured at fair value through other comprehensive income – debt instruments	2,681,128	3,515,492	-	-	-	5,161	6,191,459
Subtotal	<u>59,455,075</u>	<u>13,359,717</u>	<u>331,215</u>	<u>-</u>	<u>-</u>	<u>5,161</u>	<u>73,140,846</u>
Proportion of the total	81.29 %	18.27 %	0.45 %	-	-	0.01 %	100.00 %
Receivables	26,480,771	6,942,476	422,484	-	158,187	158,187	33,845,731
Accounts receivable	19,648,114	8,383	-	-	158,187	158,187	19,656,497
Receivables from pecuniary finance	6,832,657	6,934,093	422,484	-	-	-	14,189,234
Total	<u>\$ 85,935,846</u>	<u>20,302,193</u>	<u>753,699</u>	<u>-</u>	<u>158,187</u>	<u>163,348</u>	<u>106,986,577</u>
Proportion of the total	<u>80.32 %</u>	<u>18.98 %</u>	<u>0.70 %</u>	<u>-</u>	<u>0.15 %</u>	<u>0.15 %</u>	<u>100.00 %</u>

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

As seen in the above tables, the Group had no financial assets which were overdue but not impaired. 0.94% of normal assets were classified in the high risk category. Those assets mainly were receivables from pecuniary finance. The details of assets classified as high risk were as follows:

1. Cash and cash equivalents: To fulfill daily settlement payments and remittance operations, a certain amount is required to be deposited to the main delivery banks for the brokerage business and other operations. The management of the Group periodically reviews the financial condition, operation, and credit risk.
2. Debt securities: To control exposure to credit risk from convertible bonds, the Group transfers credit risk to external investors by asset swaps.
3. Receivables from pecuniary finance: A risk of financial loss arose from price fluctuation in the underlying securities. To lower credit risk, the Group has closely monitored market volatility of underlying assets and set strict controls over counterparty credit risk.

(Continued)

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

- ii) Determination on the credit risk that has increased significantly since initial recognition

The Group determines whether the credit risk of financial instruments applying the impairment requirements in IFRS 9 increased significantly since the initial recognition on each reporting date. For this assessment, the Group considers the reasonable and supportable information that shows the credit risk increased significantly since initial recognition (including forward-looking information). The main considerations include: internal/external credit rating, overdue situation, credit spreads, quantitative and qualitative information.

- iii) Definitions for default and credit impairment of financial assets

The Group uses the same definitions for default and credit impairment of financial assets. If one or more of the following conditions are met, the Group determines that the financial assets have been defaulted and credit-impaired:

1. Quantitative indicators

When financial assets-receivables are overdue for more than 90 days.

2. Qualitative indicators

If there is evidence that the borrower or the issuer will be unable to pay the contract, or show that the borrower or the issuer has significant financial difficulties, such as:

- The borrower / issuer has filed for bankruptcy or is likely to file a bankruptcy.
- The borrower / issuer has died or the company is dissolved.
- The financial instrument's contract of the borrower's or issuer's has defaulted.
- The financial market of the financial asset disappeared due to the financial difficulties of the borrower or the issuer.
- Due to financial or contractual reasons related to the financial difficulties of the borrower / issuer, the creditor of the borrower / issuer gives the borrower a concession that would not have been considered.
- Purchase or originate financial assets at a substantial discount that reflects the credit losses have occurred.

(Continued)

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

The aforementioned definition of breach of contract and credit impairment applies to all financial assets held by the Group, and is consistent with the definition used for the purpose of internal credit risk management for financial assets, and is also applied to the relevant impairment assessment model.

If a financial asset no longer meets the definition of default and credit impairment for a period of time, it is deemed to return to the state of compliance and is no longer considered defaulted and credit-impaired.

iv) Expected credit loss measurement

1. Adopted methods and assumptions

If the financial assets are of low credit risk or no significant increase in credit risk, the 12-month expected credit losses will be recognized. If the financial assets are significantly increased in credit risk or the credits have been impaired, the expected credit losses for a lifetime will be recognized.

In order to measure expected credit losses, the Group adopts Probability of default ("PD"), and include Loss given default ("LGD") and Exposure at default ("EAD"), and consider the impact of the time value of money, to calculate the expected credit losses for 12 months and for a lifetime, respectively.

Default probability is how likely the issuer or the counterparty breaches the contract, and the loss given default is the rate of loss due to default by the issuer or the counterparty. The Group calculates the default probability and loss given default based on the regularly published information from international credit rating agencies (Moody's), internal historical information (such as credit losses experience), current observable data and forward-looking general economic information (such as gross domestic production), after adjusting the historical data.

The estimation techniques or material assumptions made by the Group to assess expected credit losses have no significant changes for the year ended December 31, 2021 and 2020.

(Continued)

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

v) Forward-looking information considerations

The Group takes forward-looking information into account when judging whether the credit risk of a financial instrument has increased significantly since its initial recognition, and when the expected credit loss is measured. The Group uses historical data to analyze and identify the economic factors that affect the credit risk and expected credit losses of various asset portfolios. Regarding the economic factors and its impact on expected credit losses vary according to the types of financial instruments.

To judge of the debt instrument investment held by the Group that is measured at fair value through other comprehensive income whether its credit risk has increased significantly, based on the external rating ratings announced by international credit rating agencies (Moody's). It is one of its quantitative indicators, and the expected credit loss is measured by reference to the external rating scale and Moody's regularly published default rate and loss given default information. The forward-looking macroeconomic condition is considered, and are appropriately adjusted.

(Continued)

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

For the years ended December 31, 2021 and 2020, there was no significant change in the loss allowance resulting from significant changes in the total carrying amount.

2. Changes in loss allowance of accounts receivable, other receivables and overdue receivables

As of December 31, 2021 and 2020, the reconciliations of the beginning and ending balances for loss allowance of accounts receivable, other receivables and overdue receivables were as follows:

	For the years ended December 31, 2021						Total
	12-month ECLs	Lifetime ECLs (collectively assessed)	Lifetime ECLs (individually assessed)	Lifetime ECLs (not purchased or originated credit-impaired financial assets)	Lifetime ECLs (purchased or originated credit-impaired financial assets)	The loss allowances provided in accordance with IFRS 9	
Beginning balance	\$ -	-	158,802	1,599	-	160,401	160,401
Originated or purchased new financial assets	-	-	2,749	4,416	-	7,165	7,165
Effects of exchange rate changes and others	-	-	(322)	(477)	-	(799)	(799)
Ending balance	<u>\$ -</u>	<u>-</u>	<u>161,229</u>	<u>5,538</u>	<u>-</u>	<u>166,767</u>	<u>166,767</u>
	For the years ended December 31, 2020						
	12-month ECLs	Lifetime ECLs (collectively assessed)	Lifetime ECLs (individually assessed)	Lifetime ECLs (not purchased or originated credit-impaired financial assets)	Lifetime ECLs (purchased or originated credit-impaired financial assets)	The loss allowances provided in accordance with IFRS 9	Total
Beginning balance	\$ -	-	159,944	31,977	-	191,921	191,921
Originated or purchased new financial assets	-	-	-	1,301	-	1,301	1,301
Effects of exchange rate changes and others	-	-	(1,142)	(31,679)	-	(32,821)	(32,821)
Ending balance	<u>\$ -</u>	<u>-</u>	<u>158,802</u>	<u>1,599</u>	<u>-</u>	<u>160,401</u>	<u>160,401</u>

Affected by the sharp plummet in the US stock market in February, 2018, Fubon Futures Co., Ltd. had an unpaid amount of future exchange margins receivable amounting to \$165,690 and \$166,570, respectively, which has yet to be recovered, and therefore, the loss allowance amounting to \$158,033 and \$158,187, respectively, after considering the actual recovery, had been recognized, as of December 31, 2021 and 2020.

(Continued)

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

vii) Impairment loss

As of December 31, 2021 and 2020, the Group's receivables from pecuniary finance recovery periods were principally less than a year or an operating cycle (not more than half a year). Thus, it was assumed that book value approximated fair value without discounting at an appropriate interest rate.

As of December 31, 2021 and 2020, in accordance with the “Regulations Governing Margin and Stock Loans by Securities Firms”, the Group had charged the margin for margin purchases to its customers and held all securities purchased as collateral. The Group sets a margin ratio of around 120% to manage receivables from pecuniary finance. If the stock price fluctuates too much to maintain margin ratio of 120%, the Group will inform the customers to repay part of the financing, replenish the deposit margin, or increase the amount of collateral to make up the balance. As of December 31, 2021 and 2020, the Group had no impairment loss on receivables from pecuniary finance, taking historical experience and the recoverable amount of collateral into account.

Some investors failed to settle stock purchases made by pecuniary finance. Therefore, the Group disposed of the securities so purchased by the investors and deducted the proceeds of such sales from receivables from pecuniary finance. In addition, some collateral securities purchased by investors through unsettled pecuniary finance contracts were unable to be disposed of.

The Group has persistently tried to settle the aforementioned claims, and recorded the uncollected receivables from such unsettled pecuniary finance contracts and the past-maturity corporate bonds as overdue receivables.

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

2) Liquidity risk presentation and disclosure

Liquidity risk is the risk that the Group cannot provide sufficient funding for asset size growth or matured liabilities, does not have sufficient cash to meet obligations to counterparties, or cannot raise emergency funding to cover funding gaps.

a) Liquidity risk measurement analysis

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

(Continued)

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

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

Note: The disclosed amounts include accrued interests.

(Continued)

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

Financial assets	December 31, 2020					Total
	Cash flow deficit					
	0-30 days	31-90 days	91-180 days	181 days-1 year	>1 year	
Cash and cash equivalents	\$ 7,507,443	3,346,604	2,767,434	305,310	-	13,926,791
Customer margin account	20,417,565	-	-	-	-	20,417,565
Financial assets mandatorily measured at fair value through profit or loss—current	12,430,029	83,676	-	-	15,289,067	27,802,772
Open-end funds, money market instruments and other securities	984,796	-	-	-	-	984,796
Operating securities	10,021,662	83,676	-	-	14,734,392	24,839,730
Derivatives—OTC	230,586	-	-	-	-	230,586
Derivatives—futures trading margin	334,742	-	-	-	-	334,742
Other debt securities	-	-	-	-	554,675	554,675
Call option—futures	2,624	-	-	-	-	2,624
Securities invested by broker	855,619	-	-	-	-	855,619
Financial assets measured at fair value through other comprehensive income—current and non-current	142,189	600,144	100,081	5,548,516	8,297,105	14,688,035
Securities purchased under resell agreements	170,570	-	-	-	-	170,570
Receivables from pecuniary finance	12,060,849	1,418,923	425,677	283,785	-	14,189,234
Collateral for borrowed securities	326,261	-	-	-	-	326,261
Margin deposits for borrowed securities	4,256,330	-	-	-	-	4,256,330
Accounts receivable (included related parties)	19,669,996	17,486	13,386	3,062	245	19,704,175
Total	\$ 76,981,232	5,466,833	3,306,578	6,140,673	23,586,417	115,481,733
Proportion of the total	66.66 %	4.73 %	2.86 %	5.32 %	20.43 %	100.00 %

(Continued)

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

Financial liabilities	December 31, 2020					
	Cash flow deficit					Total
	0-30 days	31- 90 days	91- 180 days	181 days- 1 year	>1 year	
Short-term borrowings	\$ 333,720	124,000	-	-	-	457,720
Commercial paper issued	3,999,761	-	-	-	-	3,999,761
Held-for-trading financial liabilities – current	3,842,256	-	-	-	-	3,842,256
Call (put) warrants	376,296	-	-	-	-	376,296
Derivatives – OTC	1,677,807	-	-	-	-	1,677,807
Liabilities on sale of borrowed securities	1,618,382	-	-	-	-	1,618,382
Securities purchased under resell agreements – securities lending	169,769	-	-	-	-	169,769
Put option – futures	2	-	-	-	-	2
Financial liabilities designated as at fair value through profit or loss	3,625,598	-	-	-	-	3,625,598
Securities sold under repurchase agreements	19,791,626	-	-	-	-	19,791,626
Securities financing refundable deposits	1,809,026	212,827	63,848	42,565	-	2,128,266
Deposits payable for securities financing	2,012,266	236,737	71,021	47,347	-	2,367,371
Securities lending refundable deposits	13,398,754	-	-	-	-	13,398,754
Futures traders' equity	20,417,556	-	-	-	-	20,417,556
Accounts payable (included related parties)	18,824,425	395	529	220	60	18,825,629
Lease liabilities – current and non-current (Note)	17,805	35,079	51,484	93,246	259,713	457,327
Receipts under custody	4,112,810	173	-	1	-	4,112,984
Total	\$ 92,185,603	609,211	186,882	183,379	259,773	93,424,848
Proportion of the total	98.67 %	0.65 %	0.20 %	0.20 %	0.28 %	100.00 %
Cash inflow	76,981,232	5,466,833	3,306,578	6,140,673	23,586,417	115,481,733
Cash outflow	92,185,603	609,211	186,882	183,379	259,773	93,424,848
Net cash inflow	(15,204,371)	4,857,622	3,119,696	5,957,294	23,326,644	22,056,885

Note: The disclosed amounts include accrued interests.

As of the reporting date, the cash flows of the Group have shown a significant increase in its net cash in-flow in most of the periods. The Group maintains great net cash in-flow to accumulated capital deficit for a long-term period which shows the Group could sustain adequate quality of capital volatility.

b) Liquidity risk management

In order to allocate capital effectively, the Group utilizes liquidity risk management mechanisms to evaluate and monitor short-term cash flow requirements for various types of business, and considers local short-term, cross-border, or cross-market demand for capital.

(Continued)

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

The Financial Department provides capital requirement evaluation information to the Risk Management Department, and the Risk Management Department provides a capital deficit analysis stress test evaluation report to the Financial Department every six months to evaluate the Group's related action taken while facing periods of high market volatility. If a stressful situation occurs, the department reports the results to the management and performs the following procedures to prevent the occurrence of a stressful event when necessary.

In order to increase liquidity reserve, the Group sells the low-risk assets of dealing positions from the trading departments. The Group disposes of high-liquidity stocks, government bonds, and other securities in order to respond to adverse shocks affecting the market. The Group also uses secured loan credit lines and long-term financing credit lines from banks and bills corporations to implement the Group's capital allocation emergency response plan.

3) Market risk analyses

Market risk is defined as an unfavorable change in market prices (such as interest rates, exchange rates, stock prices, and commodity prices) which may cause a potential loss on or off the balance sheet. According to the Group's internal administrative policies, the positions in the trading book are for the purpose of market risk measurement and management.

Trading book positions fit the following definitions:

- a) Positions held for earning profits from changes in bid-ask spread or changes in price and interest rate.
- b) Positions held for brokerage business or dealing trading.
- c) Positions held for offsetting risk from other positions (either entirely or partly).
- d) Positions held for trading within approved market risk limits.

Trading book positions should not be under any restrictive trading terms and should be completely hedged against risks.

i) Guidelines and procedures

The Group has enacted comprehensive policies on market risk management and has established mechanisms for deal execution, clearing, and settlement. Based on the risk factors they are exposed to, trading book positions are categorized in the following four groups: interest rate instruments, exchange rate instruments, securities, and commodities. The Group has established management policies and market risk limits that implement the risk management systems to identify, measure, monitor, and control the market risk.

(Continued)

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

ii) Organization and framework

Under the supervision of the board of directors, the Risk and Asset-Liability Management Committee is composed of the senior managers from each department, while the chairman of the board oversees this committee. To improve market risk management, the committee supervises the suitability of market risk exposures and the effectiveness of market risk management.

The Risk Management Department is responsible for formulating policies and procedures on market risk management, for executing market risk limits control, for reporting market risk events immediately, and for verifying valuation models independently. In addition, the independent Audit Department, which is under the board of directors, plays the role of the third line of defense in the market risk management framework.

iii) Procedure for market risk control, reporting and verification

The Risk Management Department is responsible for monitoring the daily risk limit (including the analysis of risk sensitivity factors such as Delta, Vega, DV01, and VaR), notional quota, and profit and loss (P&L). Based on the authorized daily limit, this department controls the quota used and the monthly / yearly P&L. However, a position exceeding the approved limit is treated as an exceptional case to be monitored. The Group has established related mechanisms and procedures for VaR limit management while also applying back-testing to check the VaR model calculation and the effectiveness of the valuation methodology. The Group also keeps upgrading and improving its trading system with a market risk control function. Moreover, the valuation models and VaR models are verified independently by the Risk Management Department to ensure their effectiveness and stability.

iv) Market risk measurement of trading book

The Group's market risk measurement of the trading book includes individual risk measures (such as Greeks) and integrated risk measures (such as VaR and stress-testing). The integrated measures provide consistent and comparable measurement across different trading desks or risk types.

(Continued)

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

Value at Risk (VaR)

VaR is defined as 'the worst expected loss over a target horizon with given level of confidence and normal market environment'. The Group adopts Historical Simulation risk models to evaluate the one-day worst loss on current net positions, with a 99% confidence level. Historical Simulation is used to calculate Common VaR and Stressed VaR, which reflects the impact on positions held by the Group in the historical scenario. To conform to the Basel Committee on Banking Supervision's suggestion after the financial crisis in 2008, a new Stressed VaR used a 12-month period of market turmoil to assess potential losses above the 99% confidence level used in the VaR model. The outcome of the Historical Simulation was easier to explain and understand, and the method could also avoid mistaken risk factor hypotheses being used. To ensure the quality of VaR measures, the Group executes statistical hypothesis testing and back-testing periodically. In addition to Bernoulli trials, the Group has also adopted statistical tests suggested by the Basel Committee after the financial crisis. VaR and Stressed VaR information on the trading book is as follows:

2021			
VaR (in thousands)	High	Low	Average
Foreign exchange rate \$	1,983	118	611
Interest rate	57,454	19,397	31,925
Equity	86,447	45,358	68,674
Fluctuation	9,175	1,671	5,172
2020			
VaR (in thousands)	High	Low	Average
Foreign exchange rate \$	2,479	602	1,428
Interest rate	146,644	10,489	75,553
Equity	163,660	49,864	94,816
Fluctuation	38,526	2,281	13,859

(The highest and lowest VaR in the table may appear on different dates; therefore, its diversification effect is not significant. Hence, it is not disclosed in the table.)

Stress testing

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

(Continued)

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

Some techniques can be used when executing stress testing, such as sensitivity analysis, scenario analysis, and maximum loss analysis. The Group selected and implemented stress testing periodically within the scope of market risk set by the Fubon Financial Holding risk control system. The result from the stress testing would be reported to the Risk and Asset-Liability Management Committee as a reference for management setting each managerial objective and quota.

Sensitivity analysis

Sensitivity analysis is used to measure the impact and effect of the products and portfolios when these are changes in the factors of a specific market. The Group uses the following sensitivities to measure and monitor the risk exposure based on each type of risk.

1. Delta: Measure the changing value of a specific asset whose price changes 1%.
 2. Gamma: Measure the changing Delta value of a specific asset whose price changes 1%.
 3. Vega: Measure the changing value of a specific asset whose price volatility changes 1%.
 4. Price Value of Basis Point (PVBP): Measure the changing value of the yield rate curve when it moves 1 bp in parallel.
- 4) Interest rate benchmark reform
- a) Overview

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative nearly risk-free rates. The Group has exposures to IBORs on its financial instruments that will be reformed as part of these market-wide initiatives. The Group's main IBOR exposure December 31, 2021 was indexed to US dollar LIBOR. The alternative reference rate for US dollar LIBOR is the Secured Overnight Financing Rate (SOFR). As of December 31, 2021, it is still unclear when the announcement that will set a date for the termination of the publication of US dollar LIBOR will take place. Nevertheless, the Group had finished the process of implementing appropriate fallback provisions for all US dollar LIBOR indexed exposures by the end of 2021.

The Risk Management Department monitors and manages the Group's transition to alternative rates, evaluates the extent to which contracts reference IBOR cash flows and valuation profit/loss, and provides periodic reports to management of interest rate risk and risks arising from IBOR reform.

(Continued)

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

b) Non-derivative financial assets

The Group's IBOR exposures to non-derivative financial assets as of December 31, 2020 were corporate bonds indexed to USD LIBOR. As explained above, in respect of USD LIBOR exposures, the Group has been a party to agreements that introduce fallback clauses into all such instruments. These clauses automatically switch the instrument from USD LIBOR to SOFR as and when USD LIBOR ceases. It is unclear when the announcement that will set a date for the termination of the publication of USD LIBOR will take place.

c) Non-derivative financial liabilities

These clauses of floating-rate liabilities automatically switch the instrument from USD LIBOR to SOFR as and when USD LIBOR ceases. It is unclear when the announcement that will set a date for the termination of the publication of USD LIBOR will take place. The Group's IBOR exposures to non-derivative financial liabilities as at December 31, 2021 were floating-rate bond issues indexed to USD LIBOR.

d) Derivatives

The Group holds interest rate swaps for risk management purposes. The interest rate swaps have floating legs that are indexed to either TAIBOR or TAIBIRO2. The Group's derivative instruments are governed by contracts based on the International Swaps and Derivatives Association (ISDA)'s master agreements.

e) Total amounts of unreformed contracts, including those with an appropriate fallback clause

The Group monitors the progress of transition from IBORs to new benchmark rates by reviewing the total amounts of contracts that have yet to transition to an alternative benchmark rate and the amounts of such contracts that include an appropriate fallback clause. The Group considers that a contract is not yet transitioned to an alternative benchmark rate when interest under the contract is indexed to a benchmark rate that is still subject to IBOR reform, even if it includes a fallback clause that deals with the cessation of the existing IBOR (referred to as an 'unreformed contract').

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

	December 31, 2021	
	Total amount of unreformed contracts	Amount without appropriate fallback clause
Financial assets (USD LIBOR)		
Bond Investments	\$ 83,067	-

(Continued)

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

	January 1, 2021	
	Total amount of unreformed contracts	Amount without appropriate fallback clause
Financial assets (USD LIBOR)		
Bond Investments	\$ 821,930	-
Financial liabilities (USD LIBOR)		
Securities sold under repurchase agreements	634,777	-

(iii) Transfer of financial assets

Transferred financial assets that are not completely derecognized

The transferred financial assets of the Group that are not qualified for de-recognition in the daily operation are mainly debt securities under repurchased agreements. Since the right to receive cash flow is transferred and it reflects the associated liabilities to repurchase transferred financial assets at fixed price in future period, the Group cannot use, sell or pledge these transferred financial assets during the valid transaction period. However, since the Group still bears the interest rate risk and credit risk, transferred financial assets are not completely derecognized.

The Group splits the convertible bonds into corporate bonds and option, and sells them to separate investors with varying needs. Because the transactions involved ownership transfer, the entry for disposal of corporate bonds is the same as the normal bond transactions. The agreed exchanged interest payments are recorded as net value and evaluate at the market price as of balance sheet date.

When engaging in convertible bond option transactions, buyers pay premium to obtain the right to purchase or sell a security at a predetermined price on or before a specified day; sellers have the corresponding obligation to sell his options at a predetermined price on or before a specified day. The premium of the options will be shown on the balance sheet.

Notional amounts of the option should be recorded by memorandum entries. When options' owner fulfills the obligation, the Group will sell repurchase bonds to options' owner. Thus, the entry for disposal of corporate bonds is the same as the normal bond transactions. However, the Group still has the right to control the underlying interest; therefore, the financial assets are not derecognized in their entirety. Analysis of financial assets that are not completely derecognized and the associated liabilities are as follows:

Types of financial assets	December 31, 2021	
	Carrying amount of the transferred financial assets	Carrying amount of relevant financial liabilities
Financial assets measured at fair value through profit or loss		
Under repurchase agreements	\$ 5,896,198	5,730,188
Convertible bonds transferred to counter parties of asset exchange option	3,387,428	2,745,192
Financial assets measured at fair value through other comprehensive income		
Under repurchase agreements	4,911,943	4,843,334

(Continued)

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

Types of financial assets	December 31, 2020	
	Carrying amount of the transferred financial assets	Carrying amount of relevant financial liabilities
Financial assets measured at fair value through profit or loss		
Under repurchase agreements	\$ 14,401,552	13,809,829
Convertible bonds transferred to counter parties of asset exchange option	846,166	737,445
Financial assets measured at fair value through other comprehensive income		
Under repurchase agreements	6,018,986	5,981,797

(iv) Offsetting of financial assets and financial liabilities

The Group does not hold any financial instruments contract which meet Section 42 of the FSC endorsed by IAS 32. Therefore, the financial assets and financial liabilities will be offset on the balance sheet.

Although the Group does not engage in transactions that meet the offsetting condition in IFRSs, it has signed net settlement contracts of similar agreements with counterparties, such as repurchase agreements and resell agreements. If both parties choose to net settle, the abovementioned executable net settlement contracts or similar agreements will be allowed to be settled in net amount after offsetting the financial assets and financial liabilities. Otherwise, the transaction will be settled in gross amount. However, if one party defaults, the other party could choose to net settle.

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

December 31, 2021						
Financial assets under offsetting or general agreement of net amount settlement or similar norms						
	Total recognized financial assets	Total recognized financial liabilities offsetting on the balance sheet	Net amount of financial assets on the balance sheets	Relevant amount not offset on the balance sheet (d)		Net amount
Financial assets	(a)	(b)	(c)=(a)-(b)	Financial instrument (note)	Cash received as collaterals	(e)=(c)-(d)
Derivative financial assets	\$ 180,080	-	180,080	-	-	180,080

December 31, 2021						
Financial liabilities under offsetting or general agreement of net amount settlement or similar norms						
	Total recognized financial liabilities	Total recognized financial assets offsetting on the balance sheet	Net amount of financial liabilities on the balance sheets	Relevant amount not offset on the balance sheet (d)		Net amount
Financial liabilities	(a)	(b)	(c)=(a)-(b)	Financial instrument (note)	Pledged cash Collaterals	(e)=(c)-(d)
Derivative financial liabilities	\$ 5,003,299	-	5,003,299	-	-	5,003,299
Repurchase agreements	10,573,522	-	10,573,522	10,573,522	-	-
Total	\$ 15,576,821	-	15,576,821	10,573,522	-	5,003,299

(Continued)

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

December 31, 2020						
Financial assets under offsetting or general agreement of net amount settlement or similar norms						
Financial assets	Total recognized financial assets (a)	Total recognized financial liabilities offsetting on the balance sheet (b)	Net amount of financial assets on the balance sheets (c)=(a)-(b)	Relevant amount not offset on the balance sheet (d)		Net amount (e)=(c)-(d)
				Financial instrument (note)	Cash received as collaterals	
Derivative financial assets	\$ 233,210	-	233,210	-	-	233,210
Resell agreements	170,570	-	170,570	170,570	-	-
Total	<u>\$ 403,780</u>	<u>-</u>	<u>403,780</u>	<u>170,570</u>	<u>-</u>	<u>233,210</u>

December 31, 2020						
Financial liabilities under offsetting or general agreement of net amount settlement or similar norms						
Financial liabilities	Total recognized financial liabilities (a)	Total recognized financial assets offsetting on the balance sheet (b)	Net amount of financial liabilities on the balance sheets (c)=(a)-(b)	Relevant amount not offset on the balance sheet (d)		Net amount (e)=(c)-(d)
				Financial instrument (note)	Pledged cash Collaterals	
Derivative financial liabilities	\$ 1,677,809	-	1,677,809	-	-	1,677,809
Repurchase agreements	19,791,626	-	19,791,626	19,791,626	-	-
Total	<u>\$ 21,469,435</u>	<u>-</u>	<u>21,469,435</u>	<u>19,791,626</u>	<u>-</u>	<u>1,677,809</u>

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

(aj) Structured entities

Unconsolidated structured entities

- (i) The Group holds the following types of equity of unconsolidated structured entities. The fund was derived from the Group and an outside third-party.

Types of structured entity	Characteristic and purpose	Equity owned by the Group
Assets securitization products	Invest in assets securitization products to gain profit	Invest in asset-backed securities issued by the entity

- (ii) As of December 31, 2021 and 2020, the carrying amounts of the unconsolidated structured entities recognized by the Group were as below:

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

(Continued)

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

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

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

(iii) For the years ended December 31, 2021 and 2020, the Group did not offer any financial support to those unconsolidated private investment funds and asset securitization products.

(ak) Capital management

(i) Capital adequacy ratio

The Group sets objectives for managing capital to safeguard the capacity to continue to operate, to continue to provide a return to shareholders, and to protect the interests of other related parties, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to the shareholders, reduce the capital for redistribution to shareholders, issue new shares, or sell assets to settle any liabilities. The Group calculates and declares the capital adequacy ratio in accordance with the Regulations Governing Securities Firms.

The capital adequacy ratios that the Company declared to the authorities were as follows (expressed in millions of TWD):

	December 31, 2021	December 31, 2020
Net amount of eligible regulatory capital	<u>\$ 27,907</u>	<u>25,878</u>
Overall risk equivalent	<u>\$ 8,221</u>	<u>7,767</u>
Regulatory capital adequacy ratio	<u>339 %</u>	<u>333 %</u>

- 1) Capital adequacy ratio = Net amount of eligible regulatory capital/Overall risk equivalent
- 2) Net amount of eligible regulatory capital = Tier 1 capital + Tier 2 capital + Tier 3 capital – Deductions.
- 3) Overall risk equivalent = Equivalent amount of market risk + Equivalent amount of credit risk + Equivalent amount of operational risk.

(Continued)

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

(ii) Capital adequacy ratio management

When executing the stress tests for the capital adequacy ratio, the Risk Management Department sets situations and events based on market fluctuations and changes in interest rates, and predictions regarding the financial environment and the overall economy. When the results of the stress tests reach the limit, the Risk Management Department will implement the procedures below:

- 1) Evaluate the impact on capital adequacy from the occurrence of the situations and events.
- 2) Identify the factor in the situation or event which has the greatest impact on the capital adequacy ratio.
- 3) Evaluate strategies to cope with the situation or event.
- 4) Report to top management, adjust the allocation of the risk-weighted assets, or execute a capital replenishment plan.

(al) Others

The significant foreign currency financial assets and financial liabilities were as follows:

	December 31, 2021			December 31, 2020		
	Foreign currency (in thousands)	Exchange rate (in dollars)	TWD	Foreign currency (in thousands)	Exchange rate (in dollars)	TWD
Financial assets:						
Monetary items:						
USD	643,510	27.6892	17,818,268	355,838	28.3720	10,095,836
HKD	53,173	3.5508	188,808	74,177	3.6599	271,480
EUR	262	31.2870	8,185	188	34.8817	6,558
JPY	40,290	0.2403	9,682	24,812	0.2750	6,824
GBP	114	37.2550	4,234	36	38.7528	1,395
CNY	13,099	4.3467	56,937	13,714	4.3631	59,836
Non-monetary items:						
USD	274,315	27.6892	7,595,551	619,842	28.3720	17,586,157
CNY	-	-	-	2,070	4.3631	9,032
EUR	3	31.2870	102	6	34.8817	215
HKD	519	3.5508	1,845	561	3.6599	2,053
JPY	6,157	0.2403	1,480	5,260	0.2750	1,447
Financial liabilities:						
Monetary items:						
USD	7,000	27.6892	193,824	10,000	28.3720	283,720
EUR	145	31.2870	4,542	-	-	-
Non-monetary items:						
USD	844,813	27.6892	23,392,194	907,981	28.3720	25,761,215

Because the Group has various kinds of functional currency, it uses the way of summarization to disclose the information on exchange gains or losses from monetary items. For the years ended December 31, 2021 and 2020, the exchange gains (losses), including realized and unrealized, amounted to \$3,645 and \$(162,929), respectively.

(Continued)

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

(7) Related-party transactions

(a) Names and relationships of related parties

<u>Name of related party</u>	<u>Relationship</u>
Fubon Financial Holding Co., Ltd. (Fubon Financial Holding)	Parent company of the Company
Fubon Insurance Co., Ltd. (Fubon Insurance)	Subsidiary of Fubon Financial Holding
Fubon Life Insurance Co., Ltd. (Fubon Life Insurance)	Subsidiary of Fubon Financial Holding
Taipei Fubon Commercial Bank Co., Ltd. (Taipei Fubon Bank)	Subsidiary of Fubon Financial Holding
Fubon Bank (Hong Kong) Limited (Fubon Bank (HK))	Subsidiary of Fubon Financial Holding
Fubon Asset Management Co., Ltd (Fubon Asset Management)	Subsidiary of Fubon Financial Holding
Fubon Sports & Entertainment Co., Ltd. (Fubon Sports & Entertainment)	Sub-subsidiary of Fubon Financial Holding
Fubon Fund Management (Hong Kong) Limited (Fubon Fund Management (HK))	Sub-subsidiary of Fubon Financial Holding
Chung Hsing Construction Co., Ltd. (Chung Hsing Construction)	A major stockholder of Fubon Financial Holding
Taiwan Mobile Co., Ltd. (Taiwan Mobile)	Related parties in substance
Xiamen Bank Co., Ltd (Xiamen Bank)	Related parties in substance
Far Eastern International Bank Co., Ltd. (Far Eastern International Bank)	Related parties in substance
Taiwan Stock Exchange Co., Ltd. (TWSE)	Related parties in substance
Taiwan Futures Exchange Co., Ltd. (Taifex)	Related parties in substance
Taipei Exchange (TPEX)	Related parties in substance
Taiwan Fixed Network Co., Ltd. (Taiwan Fixed Network)	Related parties in substance
Ming-Dong Industrial Co., Ltd. (Ming-Dong Industrial)	Related parties in substance
MediaTek Inc. (MTK)	Related parties in substance
Mytrex Health Technologies Inc. (Mytrex)	Related parties in substance
Kiwi Technology Inc. (Kiwitec)	Related parties in substance
Fubon Property Management Co., Ltd. (Fubon Property Management)	Related parties in substance
Sinew Pharma Inc. (Sinew)	Related parties in substance
CHO Pharma, Inc. (CHO)	Related parties in substance

(Continued)

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

Name of related party	Relationship
Fubon Charity Foundation	Related parties in substance
Long Time Technology Co., Ltd. (Long Time Technology)	Related parties in substance
Yuen Foong Yu Consumer Products Co., Ltd. (Yuen Foong Yu Consumer Products)	Related parties in substance
CTBC Bank Co., Ltd. (CTBC Bank)	Related parties in substance
CTBC Securities Co., Ltd.	Related parties in substance
Jih Sun Securities Co., Ltd. (Jih Sun Securities)	Related parties in substance
O-Bank Co., Ltd. (O-Bank)	Related parties in substance
Taiwan Business Bank, Ltd. (Taiwan Business Bank)	Related parties in substance
Funds managed by Fubon Asset Management	Related parties in substance
Others	Directors, supervisors, managers and their relatives up to the second degree, affiliates and the related parties in substance

(b) Compensation to executive officers

	2021	2020
Salaries and other short-term employee benefits	\$ 379,101	308,747
Post-employment benefits	8,192	5,140
Termination benefits	9,485	-
Other long-term employee benefits	1,530	1,474
Share-based payments	6,436	-
	<u>\$ 404,744</u>	<u>315,361</u>

For share-based payment information please refer to note 6 (ad).

(c) Significant transactions with related parties

1) Bank deposits, short-term borrowings, and other current assets.

As of December 31, 2021 and 2020, cash deposited in Taipei Fubon Bank and Fubon Bank (HK) was as follows:

	December 31, 2021		December 31, 2020	
	Amount	%	Amount	%
Demand deposits (excluding settlement accounts)	\$ 2,527,166	57.81	1,675,471	62.04
Demand deposits (recognized as customer margin accounts)	\$ 378,810	4.02	347,051	4.73
Checking account	\$ 16,140	24.39	43,212	70.93
Time deposits	\$ 445,000	56.17	504,000	56.37
Restricted time deposits	\$ 105,000	100.00	105,000	100.00
Foreign currency deposits (excluding settlement accounts)	\$ 514,540	10.81	691,085	12.76
Foreign time deposits	\$ 12,583,857	100.00	4,851,215	100.00

(Continued)

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

As of December 31, 2021 and 2020, the Group had bank deposits in Xiamen Bank, Far Eastern International Bank and Taiwan Business Bank of \$665,734 and \$1,570,004, respectively.

For the years ended December 31, 2021 and 2020, the Group recognized interest revenue in the amount of \$28,531 and \$64,964, respectively, from deposits in Taipei Fubon Bank, Fubon Bank (HK), Far Eastern International Bank and CTBC Bank. The interest rates for the years ended December 31, 2021 and 2020, were 0.005%~0.44% and 0.005~0.35%, respectively.

As of December 31, 2021 and 2020, the Group had provided time deposits in Taipei Fubon Bank as operating deposits and warrant deposits amounted to \$660,000 and \$700,000, respectively.

These were no balances of short-term borrowings from Taipei Fubon Bank as of December 31, 2021 and 2020, and unused credit facilities from Taipei Fubon Bank amounted to \$6,000,000. As of December 31, 2021 and 2020, the carrying value of land and buildings pledged to Taipei Fubon Bank were \$1,445,167 and \$1,609,450, respectively, and time deposits pledged to Taipei Fubon Bank for short-term borrowing were all \$105,000. The Group also provided stock investments amounting to \$2,369,200 and \$3,763,200 (recognized as financial assets measured at fair value through other comprehensive income) and beneficiary securities amounting to \$0 and \$553,777 (recognized as financial assets measured at fair value through profit or loss) to Taipei Fubon Bank as collateral for short-term borrowings and overdrafts as of December 31, 2021 and 2020, respectively.

- 2) The Group has bought the following funds issued by Fubon Asset Management:

<u>Name of related party</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Funds managed by Fubon Asset Management	<u>\$ 68,423</u>	<u>191,265</u>

(Continued)

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

- 3) Operating securities— dealing (recognized as financial assets measured at fair value through profit or loss— current)

The details of related parties' securities held by the Group were as follows:

<u>Name of securities</u>	<u>December 31, 2021</u>	
	<u>Cost</u>	<u>Gains (losses) on valuation</u>
Fubon Taiwan Technology Tracker Fund	\$ 126,256	2,367
Fubon MSCI ACWI IMI Select Future Mobility Top 30 Capped ETF	14,022	11
Fubon FTSE TWSE Taiwan 50 ETF	68,204	986
Fubon TOPIX Leveraged 2X Index ETF	21,548	584
Fubon TOPIX Inverse -1x Index ETF	14,676	(125)
Fubon ICE FactSet Taiwan Core Semiconductor ETF	16,654	191
Fubon MSCI Taiwan ETF	31,035	1,226
Fubon TWSE Corporate Governance 100 ETF	71,265	785
Fubon NIFTY -1 Inverse Index ETF	10,164	76
Fubon Hang Seng H-Share Inverse Index ETF	25,468	86
Fubon NASDAQ-100 2X Leveraged Index ETF	69,346	5,192
Fubon TAIEX Daily 1X Inverse ETF	10,329	(407)
Fubon SSE180 ETF	10,332	47
Fubon REIT I Fund	243,380	184,209
Fubon Taiwan Small-Mid Cap Alpha Momentum 50 ETF	13,118	143
Others (no individual related party accounts for more than \$10,000)	90,602	989
Total	<u>\$ 836,399</u>	<u>196,360</u>

(Continued)

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

Name of securities	December 31, 2020	
	Cost	Gains (losses) on valuation
Fubon Taiwan Technology Tracker Fund	\$ 20,346	199
Fubon FTSE TWSE Taiwan 50 ETF	34,623	375
Fubon MSCI Taiwan ETF	42,933	2,455
Fubon TWSE Corporate Governance 100 ETF	43,224	531
Fubon NASDAQ-100 ETF	23,575	904
Fubon NASDAQ-100 2X Leveraged Index ETF	86,270	6,944
Fubon NASDAQ-100 1X Inverse Index ETF	39,242	(809)
Fubon TAIEX Daily 1X Inverse ETF	30,225	(980)
Fubon Hang Seng H-Share Inverse Index ETF	23,145	(3,981)
Fubon SSE180 Leveraged 2X Index ETF	15,850	367
Fubon China Policy Bank Bond ETF	296,030	(1,849)
Fubon Emerging Market USD Investment Grade Bond ETF	63,487	(1,891)
Fubon REIT I Fund	243,380	194,947
Fubon REIT II Fund	77,483	38,865
Others (no individual related party accounts for more than \$10,000)	86,853	9
Total	\$ 1,126,666	236,086

Name of securities	2021	
	Dividend revenue	Gains (losses) on disposal
Fubon NASDAQ-100 2X Leveraged Index ETF	\$ -	23,825
Fubon FTSE Vietnam ETF	-	36,179
Fubon REIT II Fund	-	31,997
CHO	-	12,549
Yuen Foong Yu Consumer Products	1,231	26,546
Long Time Technology	-	14,425
Others (no individual related party accounts for more than \$10,000)	23,541	63,535
Total	\$ 24,772	209,056

(Continued)

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

<u>Name of securities</u>	2020	
	<u>Dividend revenue</u>	<u>Gains (losses) on disposal</u>
Fubon Taiwan Technology Tracker Fund	\$ -	11,822
Fubon FTSE TWSE Taiwan 50 ETF	1,288	18,330
Fubon S&P 500 VIX Short-Term Futures ETF	-	151,218
Fubon NIFTY 2X Leveraged Index ETF	-	19,557
Fubon NASDAQ-100 2X Leveraged Index ETF	-	53,601
Fubon 1-5 Years US High Yield Bond Ex China	1,130	(10,509)
Fubon TWSE Corporate Governance 100 ETF	1,736	22,274
Mytrex	8	13,691
Sinew	-	11,698
Kiwitec	-	(12,589)
Others (no individual related party accounts for more than \$10,000)	18,364	11,399
Total	\$ <u>22,526</u>	<u>290,492</u>

For the years ended December 31, 2021 and 2020, the interest revenue arise from operating securities—bonds were \$0 and \$3,210, respectively; and the interest revenue arise from operating securities—others were \$10,681 and \$11,412, respectively.

- 4) Operating securities—underwriting (recognized as financial assets measured at fair value through profit or loss—current)

The details of related parties' securities held by the Group were as follows:

<u>Name of securities</u>	2020	
	<u>Dividend revenue</u>	<u>Gains (losses) on disposal</u>
Others (no individual related party accounts for more than \$10,000)	\$ -	<u>(3,248)</u>

- 5) Operating securities—hedging (recognized as financial assets measured at fair value through profit or loss—current)

The details of related parties' securities held by the Group were as follows:

<u>Name of securities</u>	December 31, 2021	
	<u>Cost</u>	<u>Gains (losses) on valuation</u>
MTK	\$ 86,976	3,490
Others (no individual related party accounts for more than \$10,000)	5,477	(61)
Total	\$ <u>92,453</u>	<u>3,429</u>

(Continued)

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

Name of securities	December 31, 2020	
	Cost	Gains (losses) on valuation
MTK	\$ 23,294	596
Others (no individual related party accounts for more than \$10,000)	4,992	328
Total	<u>\$ 28,286</u>	<u>924</u>

Name of securities	2021	
	Dividend revenue	Gains (losses) on disposal
MTK	\$ 9,217	14,487
Call (put) warrants issued by Jih Sun Securities	-	64,211
Others (no individual related party accounts for more than \$10,000)	213	3,595
Total	<u>\$ 9,430</u>	<u>82,293</u>

Name of securities	2020	
	Dividend revenue	Gains (losses) on disposal
Fubon S&P 500 VIX Short-Term Futures ETF	\$ -	36,408
MTK	345	(10,137)
Others (no individual related party accounts for more than \$10,000)	-	6,234
Total	<u>\$ 345</u>	<u>32,505</u>

- 6) Financial assets measured at fair value through other comprehensive income – current

The details of related parties' shares held by the Group were as follows:

Name of securities	December 31, 2021		
	Cost	Shares	Gain (loss) on valuation
Taiwan Mobile	<u>\$ 1,428,277</u>	<u>17,242</u>	<u>295,924</u>

Name of securities	December 31, 2020		
	Cost	Shares	Gain (loss) on valuation
Taiwan Mobile	<u>\$ 1,428,277</u>	<u>17,242</u>	<u>276,957</u>

Name of securities	2021	
	Dividend revenue	Gains (losses) on disposal
Taiwan Mobile	<u>\$ 74,133</u>	<u>-</u>

(Continued)

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

Name of securities	2020	
	Dividend revenue	Gains (losses) on disposal
Taiwan Mobile	\$ 96,150	36,102

7) Derivative financial instrument transaction

December 31, 2021					
Name of related party	Derivative instrument contract	Contract duration	Nominal amounts	Financial statement balance	
				Account	Balance
Far Eastern International Bank	Cross Currency Swap (CCS)	2017.02.21~2023.07.13	\$ 600,000	CCS contract value (assets)	1,963
Far Eastern International Bank	Cross Currency Swap (CCS)	2018.01.09~2023.02.27	1,500,000	CCS contract value (liabilities)	8,866
CTBC Securities Co., Ltd.	IRS Portion of Asset Swap	2019.11.05~2022.10.29	20,000	IRS Portion of Asset Swap (liabilities)	337

December 31, 2020					
Name of related party	Derivative instrument contract	Contract duration	Nominal amounts	Financial statement balance	
				Account	Balance
Far Eastern International Bank	Cross Currency Swap (CCS)	2017.02.21~2023.07.13	\$ 600,000	CCS contract value (assets)	5,206
Far Eastern International Bank	Cross Currency Swap (CCS)	2018.01.09~2023.02.27	1,500,000	CCS contract value (liabilities)	17,485
CTBC Securities Co., Ltd.	IRS Portion of Asset Swap	2019.11.05~2022.10.29	20,000	IRS Portion of Asset Swap (liabilities)	529

8) Structured products

Name of related party	December 31, 2021	December 31, 2020
Jih Sun Securities	\$ 51,480	-

9) Bond transaction

a) Bond purchased

Name of related party	2021	2020
Fubon Life Insurance	\$ 307,284	2,549,268
O-Bank	-	101,887
Total	\$ 307,284	2,651,155

b) Bond sold

Name of related party	2021	2020
Fubon Life Insurance	\$ -	1,299,610
O-Bank	-	1,310,833
Taiwan Business Bank	200,000	-
Total	\$ 200,000	2,610,443

(Continued)

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

c) Other securities sold

<u>Name of related party</u>	<u>2021</u>	<u>2020</u>
Taipei Fubon Bank	\$ <u>109,480</u>	<u>-</u>
10) Customer margin account		
<u>Name of related party</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Taifex	\$ <u>4,764,981</u>	<u>3,189,776</u>
11) Accounts receivable		
<u>Name of related party</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Funds managed by Fubon Asset Management	\$ -	38,505
Others (no individual related party accounts for more than \$10,000)	11,588	9,173
Total	\$ <u>11,588</u>	<u>47,678</u>
12) Other receivables		
<u>Name of related party</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Taipei Fubon Bank	\$ 109,233	50,271
Fubon Life Insurance	21,515	13,155
Others (no individual related party accounts for more than \$10,000)	4,397	7,060
Total	\$ <u>135,145</u>	<u>70,486</u>
13) Settlement and clearing funds (recognized as other non-current assets)		
<u>Name of related party</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
TWSE	\$ 156,840	114,590
Taifex	125,270	127,019
TPEX	<u>85,974</u>	<u>59,302</u>
Total	\$ <u>368,084</u>	<u>300,911</u>
14) Refundable deposits (recognized as other non-current assets)		
<u>Name of related party</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
TPEX	\$ 106,050	121,000
Others (no individual related party accounts for more than \$10,000)	27,987	32,052
Total	\$ <u>134,037</u>	<u>153,052</u>

(Continued)

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

15) Futures traders' equity

As of December 31, 2021 and 2020, related parties' deposits for initial and maintenance margins for futures trading were as follows:

<u>Name of related party</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Taipei Fubon Bank	\$ 205,118	111,769
Fund managed by Fubon Asset Management	4,726,619	6,728,904
Total	<u>\$ 4,931,737</u>	<u>6,840,673</u>

16) Deal on credit

As of December 31, 2021 and 2020, the Group had receivables from the other related parties' pecuniary finance amounted to \$52,991 and \$51,250, respectively.

17) Notes and accounts payable

<u>Name of related party</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Taifex	\$ 16,849	17,538
Others (no individual related party accounts for more than \$10,000)	-	83
Total	<u>\$ 16,849</u>	<u>17,621</u>

18) Other payables

<u>Name of related party</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Taipei Fubon Bank	\$ 21,210	6,636
Fubon Sports & Entertainment	10,219	7,889
TWSE	43,115	39,940
TPEX	16,922	11,368
Others (no individual related party accounts for more than \$10,000)	6,250	5,622
Total	<u>\$ 97,716</u>	<u>71,455</u>

19) Receipts under custody (recognized as other current liabilities)

<u>Name of related party</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Fubon Fund Management (HK)	\$ 14,543	-
Others (no individual related party accounts for more than \$10,000)	642	68
Total	<u>\$ 15,185</u>	<u>68</u>

(Continued)

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

20) Current tax assets and current tax liabilities

The Company has designated Fubon Financial Holding as the taxpayer to file a combined corporate income tax return starting from the year 2002. As of December 31, 2021 and 2020, current tax liabilities of the Company were \$1,098,742 and \$431,038, respectively.

21) Revenue from providing agency service for stock affairs

<u>Name of related party</u>	<u>2021</u>	<u>2020</u>
Fubon Financial Holding	\$ 34,451	28,964
Others (no individual related party accounts for more than \$10,000)	8,712	8,566
Total	<u>\$ 43,163</u>	<u>37,530</u>

22) Brokerage commission (recognized as brokerage handling fee revenue)

<u>Name of related party</u>	<u>2021</u>	<u>2020</u>
Fubon Life Insurance	\$ 110,113	130,871
Taipei Fubon Bank	77,988	77,765
Fubon Insurance	10,800	9,105
Others (no individual related party accounts for more than \$10,000)	130,735	96,070
Total	<u>\$ 329,636</u>	<u>313,811</u>

23) Revenues from underwriting securities on a firm commitment basis (recognized as revenue from underwriting business)

<u>Name of related party</u>	<u>2021</u>	<u>2020</u>
Fubon Financial Holding	\$ 9,500	18,700
Others (no individual related party accounts for more than \$10,000)	1,500	729
Total	<u>\$ 11,000</u>	<u>19,429</u>

24) Commissions income from securities proxy sale (recognized as revenue from underwriting business)

<u>Name of related party</u>	<u>2021</u>	<u>2020</u>
Fubon Asset Management	<u>\$ 58,702</u>	<u>49,770</u>

25) Other revenue from underwriting business (recognized as revenue from underwriting business)

<u>Name of related party</u>	<u>2021</u>	<u>2020</u>
Fubon Financial Holding	\$ 10,811	3,000
Others (no individual related party accounts for more than \$10,000)	3,350	1,700
Total	<u>\$ 14,161</u>	<u>4,700</u>

(Continued)

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

- 26) Expenses arising from issuance of call (put) warrants (recognized as gains (losses) from issuance of call (put) warrants)

<u>Name of related party</u>	<u>2021</u>	<u>2020</u>
TWSE	\$ 67,720	44,172
TPEX	13,892	10,438
Others (no individual related party accounts for more than \$10,000)	-	998
Total	<u>\$ 81,612</u>	<u>55,608</u>

- 27) Dividend income (recognized as other gains and losses)

<u>Name of related party</u>	<u>2021</u>	<u>2020</u>
Taifex	\$ 24,394	14,410
TWSE	52,582	36,036
Others (no individual related party accounts for more than \$10,000)	9	1,480
Total	<u>\$ 76,985</u>	<u>51,926</u>

- 28) Facility rental revenue (recognized as other gains and losses)

<u>Name of related party</u>	<u>2021</u>	<u>2020</u>
Taipei Fubon Bank	<u>\$ 374,459</u>	<u>278,441</u>

- 29) Cross-selling revenue (recognized as other gains and losses)

<u>Name of related party</u>	<u>2021</u>	<u>2020</u>
Fubon Life Insurance	\$ 87,629	61,555
Taipei Fubon Bank	23,784	155
Others (no individual related party accounts for more than \$10,000)	6,964	5,624
Total	<u>\$ 118,377</u>	<u>67,334</u>

- 30) Cross-selling expense (recognized as other gains and losses):

<u>Name of related party</u>	<u>2021</u>	<u>2020</u>
Taipei Fubon Bank	\$ 168,994	38,361
Others (no individual related party accounts for more than \$10,000)	3,572	1,012
Total	<u>\$ 172,566</u>	<u>39,373</u>

- 31) Rent revenue (recognized as other gains and losses)

<u>Name of related party</u>	<u>2021</u>	<u>2020</u>
Others (no individual related party accounts for more than \$10,000)	<u>\$ 7,050</u>	<u>10,618</u>

(Continued)

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

- 32) Other non-operating revenue (recognized as other gains and losses)

<u>Name of related party</u>	<u>2021</u>	<u>2020</u>
Fubon Asset Management	\$ 10,078	4,876
Others (no individual related party accounts for more than \$10,000)	2,296	3,193
Total	<u>\$ 12,374</u>	<u>8,069</u>

- 33) Brokerage handling fee expense (recognized as brokerage handling fee expense and proprietary handling fee expense)

<u>Name of related party</u>	<u>2021</u>	<u>2020</u>
TWSE	\$ 616,908	278,673
Taifex	125,812	114,752
TPEX	170,024	108,046
Total	<u>\$ 912,744</u>	<u>501,471</u>

- 34) Settlement service fee expense

<u>Name of related party</u>	<u>2021</u>	<u>2020</u>
Taifex	<u>\$ 97,717</u>	<u>85,585</u>

- 35) Other operating expense

<u>Name of related party</u>	<u>2021</u>	<u>2020</u>
Others (no individual related party accounts for more than \$10,000)	<u>\$ 14,712</u>	<u>14,537</u>

- 36) Insurance expense (recognized as employee benefit expense and other operating expense)

<u>Name of related party</u>	<u>2021</u>	<u>2020</u>
Fubon Life Insurance	\$ 22,106	21,588
Fubon Insurance	11,758	-
Total	<u>\$ 33,864</u>	<u>21,588</u>

- 37) Rental expense (recognized as other operating expense)

<u>Name of related party</u>	<u>2021</u>	<u>2020</u>
Others (no individual related party accounts for more than \$10,000)	<u>\$ 27,911</u>	<u>26,060</u>

The calculation of rent between the Group and related parties was based on market price, and paid monthly.

(Continued)

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

- 38) Stock borrowing fees (recognized as other operating expense)

<u>Name of related party</u>	<u>2021</u>	<u>2020</u>
Fubon Life Insurance	\$ 21,192	73,849
Jih Sun Securities	11,040	-
Others (no individual related party accounts for more than \$10,000)	901	-
Total	<u>\$ 33,133</u>	<u>73,849</u>

- 39) Advertisement expense (recognized as other operating expense)

<u>Name of related party</u>	<u>2021</u>	<u>2020</u>
Fubon Sports & Entertainment	\$ 25,135	22,775
Others (no individual related party accounts for more than \$10,000)	1,534	51
Total	<u>\$ 26,669</u>	<u>22,826</u>

- 40) Information technology expense (recognized as other operating expense)

<u>Name of related party</u>	<u>2021</u>	<u>2020</u>
TWSE	\$ 23,986	15,967
TPEX	11,919	7,932
Others (no individual related party accounts for more than \$10,000)	3,727	3,548
Total	<u>\$ 39,632</u>	<u>27,447</u>

- 41) Postage expense (recognized as other operating expense)

<u>Name of related party</u>	<u>2021</u>	<u>2020</u>
Taiwan Fixed Network	\$ 13,858	13,220
Others (no individual related party accounts for more than \$10,000)	3,417	3,300
Total	<u>\$ 17,275</u>	<u>16,520</u>

- 42) Donations (recognized as other operating expense)

<u>Name of related party</u>	<u>2021</u>	<u>2020</u>
Others (no individual related party accounts for more than \$10,000)	<u>\$ 12,574</u>	<u>10,572</u>

- 43) Management fees (recognized as other operating expense)

<u>Name of related party</u>	<u>2021</u>	<u>2020</u>
Fubon Property Management	\$ 9,840	11,796
Others (no individual related party accounts for more than \$10,000)	1,636	1,691
Total	<u>\$ 11,476</u>	<u>13,487</u>

(Continued)

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

- 44) Fubon Securities BVI sold 100% equity of Fubon Fund Management (Hong Kong) Limited to Fubon Asset Management amounting to HKD12,153 thousand. The transfer had been completed in July 2020.
- 45) Right-of-use assets and lease liabilities

Name of related party	Right-of-use Asset	
	December 31, 2021	December 31, 2020
Taipei Fubon Bank	\$ 83,275	135,854
Taiwan Fixed Network	1,494	1,954
Chung Hsing Construction	23,496	34,638
Ming-Dong Industrial	7,149	12,529
Fubon Charity Foundation	4,841	7,747
Fubon REIT I Fund	5,007	26,185
Fubon REIT II Fund	13,936	27,712
Fubon Life Insurance	15,604	21,897
Fubon Insurance	21,119	19,538
Total	\$ 175,921	288,054

Name of related party	Lease liability	
	December 31, 2021	December 31, 2020
Taipei Fubon Bank	\$ 86,606	138,807
Taiwan Fixed Network	1,517	1,967
Chung Hsing Construction	23,453	34,206
Ming-Dong Industrial	7,429	12,772
Fubon Charity Foundation	4,959	7,795
Fubon REIT I Fund	5,184	26,960
Fubon REIT II Fund	14,170	28,225
Fubon Life Insurance	16,297	22,553
Fubon Insurance	21,458	20,032
Total	\$ 181,073	293,317

(Continued)

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

<u>Name of related party</u>	<u>Value of Contract</u>	
	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Taipei Fubon Bank	\$ 216,524	225,440
Taiwan Fixed Network	2,397	2,397
Chung Hsing Construction	39,341	39,577
Ming-Dong Industrial	18,990	18,990
Fubon Charity Foundation	9,182	9,182
Fubon REIT I Fund	43,880	65,641
Fubon REIT II Fund	26,493	56,139
Fubon Life Insurance	46,839	40,898
Fubon Insurance	41,929	45,110
Total	<u>\$ 445,575</u>	<u>503,374</u>

<u>Name of related party</u>	<u>Interest expense</u>	
	<u>2021</u>	<u>2020</u>
Taipei Fubon Bank	3,897	4,138
Taiwan Fixed Network	29	27
Chung Hsing Construction	1,044	943
Ming-Dong Industrial	354	544
Fubon Charity Foundation	224	160
Fubon REIT I Fund	542	1,217
Fubon REIT II Fund	663	952
Fubon Life Insurance	646	979
Fubon Insurance	627	969
Total	<u>8,026</u>	<u>9,929</u>

- 46) Other transactions with related parties with amounts not exceeding \$10 million were as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Assets and liabilities:		
Guarantee deposit received	\$ 1,157	2,181
Performance bond of ETNs	3,000	2,000
Other prepayments	5,140	2,876
Temporary receipts	2	3,718
Others (no individual related items for more than \$2,000)	2,554	2,237
Total	<u>\$ 11,853</u>	<u>13,012</u>

(Continued)

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

	<u>2021</u>	<u>2020</u>
Revenue:		
Financial revenue	\$ 4,740	9,248
Other non-operating revenue	3,267	3,970
Other revenue from underwriting business	2,186	-
Revenues from wealth management business	6,558	8,818
Revenues from securities advisory service	2,160	2,160
Others (no individual item accounts for more than \$2,000)	480	809
Total	<u>\$ 19,391</u>	<u>25,005</u>
Expense:		
Incidental expenses	\$ 6,982	4,319
Employee training expense	3,437	2,907
Association service charge	5,901	4,083
Professional services expense	2,074	2,666
Employees' traveling expenses	5,037	-
Others (no individual item accounts for more than \$2,000)	3,652	6,063
Total	<u>\$ 27,083</u>	<u>20,038</u>

The price and payment terms of related-party transactions mentioned above are not significantly different from those of non-related parties.

(Continued)

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

(8) Pledged assets

The carrying values of pledged assets were as follows:

<u>Pledged assets</u>	<u>Pledged object</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Time deposits (accounted for other current assets)	Bank loan and overdraft	\$ 105,000	105,000
Beneficiary securities (accounted for financial assets measured at fair value through profit or loss – current)	Bank loan	-	553,777
Stocks (accounted for financial assets measured at fair value through other comprehensive income – current)	Bank loan	2,369,200	3,763,200
Bonds (accounted for financial assets measured at fair value through profit or loss – current)	Reserves for trust business	-	50,337
Bonds (accounted for financial assets measured at fair value through profit or loss – current)	Guarantee for bond business	-	50,337
Bonds (accounted for financial assets measured at fair value through other comprehensive income – current)	Reserves for trust business	49,824	-
Bonds (accounted for financial assets measured at fair value through other comprehensive income – current)	Guarantee for bond business	49,983	-
Property and equipment – land and buildings	Bank loan	1,509,787	1,254,193
Investment property – land and buildings	Bank loan	682,582	1,054,375
		<u>\$ 4,766,376</u>	<u>6,831,219</u>

(9) Commitments and contingencies: None

(10) Losses Due to Major Disasters: None.

(11) Subsequent Events: None.

(Continued)

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

(12) Other

- (a) A summary of current-period employee benefits, depreciation, and amortization, by function, is as follows:

By function By account	Years ended December 31 2021			Years ended December 31 2020		
	Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Employee benefits expense:						
Wage and salaries	\$ -	4,472,827	4,472,827	-	3,284,766	3,284,766
Insurance expense	-	260,636	260,636	-	201,476	201,476
Pension expense	-	197,092	197,092	-	149,578	149,578
Directors' remuneration	-	25,300	25,300	-	14,257	14,257
Other employee benefits	-	43,418	43,418	-	119,167	119,167
Depreciation expense	-	309,704	309,704	-	322,977	322,977
Amortization expense	-	73,364	73,364	-	76,679	76,679

(b) Legal compliance

- (i) In accordance with an SFB ruling, there are certain standards for financial ratios as prescribed by the RGFCM. The Company's financial ratios were as follows:

Rule	Formula	December 31 2021		December 31 2020		Standard	Within the standard
		Calculation	Ratio	Calculation	Ratio		
No. 17	Stockholders' equity	380,471	387.73	379,828	398.21	≥ 1	Satisfactory
	Total liabilities - futures traders' equity	981		954			
No. 17	Current assets	1,766,267	7,176.86	734,391	3,358.26	≥ 1	Satisfactory
	Current liabilities	246		219			
No. 22	Stockholders' equity	380,471	95.12 %	379,828	94.96 %	≥ 60%	Satisfactory
	Minimum paid-in capital	400,000		400,000		≥ 40%	
No. 22	Adjusted net working capital	1,551,448	347.03 %	669,469	462.76 %	≥ 20%	Satisfactory
	Customer margin required	447,060		144,670		≥ 15%	

- (ii) In accordance with an SFB ruling, there are certain standards for financial ratios as prescribed by the RGFCM. Financial ratios of Fubon Futures Co., Ltd. were as follows:

Rule	Formula	December 31 2021		December 31 2020		Standard	Within the standard
		Calculation	Ratio	Calculation	Ratio		
No. 17	Stockholders' equity	2,135,468	12.20	2,099,551	12.67	≥ 1	Satisfactory
	Total liabilities - futures traders' equity	175,018		165,698			
No. 17	Current assets	27,449,046	1.06	23,269,338	1.07	≥ 1	Satisfactory
	Current liabilities	25,839,874		21,693,917			
No. 22	Stockholders' equity	2,135,468	355.91 %	2,099,551	349.93 %	≥ 60%	Satisfactory
	Minimum paid-in capital	600,000		600,000		≥ 40%	
No. 22	Adjusted net working capital	1,969,168	39.55 %	1,886,636	43.66 %	≥ 20%	Satisfactory
	Customer margin required	4,978,941		4,321,574		≥ 15%	

(Continued)

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

(c) Special risk of futures brokering business

Future trading with low margins provides greater financial leverage. Although there is potential to produce large profits, it is equally possible to generate huge losses. When the market trend is unfavorable, futures commission merchants (FCMs) can ask customers for extra funds in order to maintain the margin balance. If customers cannot provide extra margins in a given period, FCMs have the right to settle the futures contracts on behalf of the customers. If there are losses after settlement, customers must reimburse the Company for the losses after netting the margin. If the futures market trend deviates from customers' expectations, original margins can be completely lost. On the other hand, the Group has a major risk, market price risk, when engaging in dealing business. That means the market price of futures contracts and options is affected by changes in the index of the investment object. The Group will suffer a loss if the price of the market index changes in reverse of the investment object. However, the Group sets stop-loss points based on risk management to control the risk.

(d) According to Rule Letter No.1030026386 issued by the Regulations for Securities Brokers Undertaking Pecuniary and Securities Financing, the Group provided the following information:

	(In thousands of USD)	
	December 31, 2021	December 31, 2020
Bank deposits	\$ 17,740	10,651
Stocks	32,756	15,465
Bonds	11,940	33,895
Funds	2,890	1,264
Structured products	15,629	12,055

(e) Because the US stocks had plummeted sharply on February 6, 2018, resulting in the equity of customer margin deposit to be negative. The clients of Fubon Futures Co., Ltd. breached the contract due to their failure to fully pay the additional guarantee deposits within three working days after having been noticed. Therefore, Fubon Futures Co., Ltd. had to recognize the future exchanges margins receivable with the approximate amount of \$185 million. This matter had been reported to the Taiwan Futures Exchange. As of December 31, 2021, the unpaid amount was \$165,690 thousand. After considering the actual recovery situation, Fubon Futures Co., Ltd. had recognized the allowance for doubtful accounts amounting to \$158,033 thousand.

(Continued)

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

(f) According to Article 17 of Enforcement Rules of the Trust Enterprise Act, the details of trust balance sheet, trust income statement, and trust catalog of property were as follows:

(i) Trust balances sheet

Trust Balances Sheet
December 31, 2021 and 2020
(expressed in thousands of TWD)

Trust assets	December 31, 2021	December 31, 2020	Trust liabilities	December 31, 2021	December 31, 2020
Bank deposits	\$ 83,683	72,752	Payables	\$ 643	257
Short-term investments			Trust capital	10,820,336	13,140,820
Funds	5,563,691	3,410,529	Net income	9,691,350	4,656,435
Stocks	12,671,998	8,016,339	Accumulated losses	(353,155)	(5,009,590)
Borrowed securities	1,763,253	1,223,979			
Receivables	76,549	64,323			
Total trust assets	\$ 20,159,174	12,787,922	Total trust liabilities	\$ 20,159,174	12,787,922

(ii) Trust income statement

Trust Income Statement
For the years ended December 31, 2021 and 2020
(expressed in thousands of TWD)

	2021	2020
Trust Revenues		
Interest revenue	\$ 38	60
Dividend revenue	514,238	154,542
Rental revenue	9,308	4,881
Borrowed securities compensation	21,275	4,942
Realized gains on investments	371,185	78,469
Unrealized gains on investments	8,961,745	4,635,704
Subtotal	9,877,789	4,878,598
Trust Expenses		
Management fee	1,968	1,020
Commission expense	2,528	568
Other expense	1	6
Realized losses on investments	20,533	27,202
Unrealized losses on investments	161,409	193,367
Subtotal	186,439	222,163
Income before tax	9,691,350	4,656,435
Income tax expense	-	-
Net income	\$ 9,691,350	4,656,435

(Continued)

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

(iii) Trust catalog of property

Trust catalog of property

December 31, 2021 and 2020

(expressed in thousands of TWD)

Item	December 31, 2021	December 31, 2020
Bank deposits	\$ 83,683	72,752
Short-term investments		
Funds	5,563,691	3,410,529
Stocks	12,671,998	8,016,339
Borrowed securities	1,763,253	1,223,979
Receivables	76,549	64,323
Total	<u>\$ 20,159,174</u>	<u>12,787,922</u>

(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 Group:

- (i) Financing provided to others: None.
- (ii) Endorsements/guarantees provided to others: None.
- (iii) Acquisition of individual real estate at price of at least NT\$300,000million or 20% of the paid-in capital: None.
- (iv) Disposal of individual real estate at price of at least NT\$300,000million or 20% of the paid-in capital: None.
- (v) Discount on brokerage trading fee to related parties amounting to at least NT\$5,000million: None.
- (vi) Receivables from related parties amounting to at least NT\$100,000million or 20% of the paid-in capital: None.
- (vii) Details of material transactions between parent company and subsidiaries:

Number (Note I)	Name of company	Name of counter-party	Existing relationship with counter- party (Note II)	Transaction details			
				Account name	Amount	Terms of trading	Percentage of total consolidated revenue or total assets
0	Fubon Securities Co., Ltd.	Fubon Futures Co., Ltd.	1	Other receivables-related parties-other	30,243	Not materially different from the general trading terms.	0.02 %
0	Fubon Securities Co., Ltd.	Fubon Securities Investment Service Co., Ltd.	1	Other payables-related parties	22,512	Not materially different from the general trading terms.	0.01 %

(Continued)

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

Number (Note I)	Name of company	Name of counter-party	Existing relationship with counter- party (Note II)	Transaction details			
				Account name	Amount	Terms of trading	Percentage of total consolidated revenue or total assets
0	Fubon Securities Co., Ltd.	Fubon Securities Investment Service Co., Ltd.	1	Professional service expense- advisory	160,570	Not materially different from the general trading terms.	1.00 %
0	Fubon Securities Co., Ltd.	Fubon Futures Co., Ltd.	1	Futures commission revenue- the operation of futures introducing broker business	110,133	Not materially different from the general trading terms.	0.68 %
0	Fubon Securities Co., Ltd.	Fubon Futures Co., Ltd.	1	Other non-operating revenue	29,985	Not materially different from the general trading terms.	0.19 %
0	Fubon Securities Co., Ltd.	Fubon Securities (HK) Ltd.	1	Brokerage commission revenue	10,242	Not materially different from the general trading terms.	0.06 %
1	Fubon Futures Co., Ltd.	Fubon Securities Co., Ltd.	2	Customer margin account-bank deposits	2,604,940	Not materially different from the general trading terms.	1.55 %
1	Fubon Futures Co., Ltd.	Fubon Securities Co., Ltd.	2	Futures trader's equity-commission merchant	1,398,440	Not materially different from the general trading terms.	0.83 %
1	Fubon Futures Co., Ltd.	Fubon Securities Co., Ltd.	2	Futures trader's equity- customer	1,206,500	Not materially different from the general trading terms.	0.72 %
1	Fubon Futures Co., Ltd.	Fubon Securities Co., Ltd.	2	Other payables-related parties	30,243	Not materially different from the general trading terms.	0.02 %
1	Fubon Futures Co., Ltd.	Fubon Securities Co., Ltd.	2	Futures commission expense- the operation of futures introducing broker business	110,133	Not materially different from the general trading terms.	0.68 %
1	Fubon Futures Co., Ltd.	Fubon Securities Co., Ltd.	2	Professional service expense- other	29,985	Not materially different from the general trading terms.	0.19 %
2	Fubon Securities Investment Service Co., Ltd.	Fubon Securities Co., Ltd.	2	Accounts receivable- related parties	22,510	Not materially different from the general trading terms.	0.01 %
2	Fubon Securities Investment Service Co., Ltd.	Fubon Securities Co., Ltd.	2	Advisory revenue- securities	160,570	Not materially different from the general trading terms.	1.00 %
3	Fubon Securities (HK) Ltd.	Fubon Securities Co., Ltd.	2	Brokerage handling fee expense- centralized	11,847	Not materially different from the general trading terms.	0.07 %

Note I: The numbers indicate the following:

1. 0 means the parent.
2. The subsidiaries are sequentially numbered from 1.

Note II: Types of existing relationship with the counter-party are indicated as follows:

1. Parent to subsidiaries.
2. Subsidiaries to parent.

(Continued)

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

(b) Related information on investee companies (excluding information on investees in Mainland China)

For the years ended December 31, 2021, the related information on investee companies was as follows (excluding information on investees in Mainland China):

Name of investor	Name of investee	Location	Date of establishment	FSC Rule No.	Major operations	Initial investment (Amount)		Ending balance			Revenue of investee	Net income of investee	Investment income (losses)	Cash dividend	Notes
						Ending balance	Beginning balance	Shares	Ratio of shares	Book value					
Fubon Securities Co., Ltd.	Fubon Futures Co., Ltd.	Taipei City	May 7, 1998		Futures	1,424,128	1,424,128	140,000	100.00 %	2,135,434	830,893	95,136	95,136	84,020	The transaction was eliminated when the Company compiled its consolidated financial report.
"	Fubon Investment Holding (BVI) Ltd.	British Virgin Islands	April 3, 1997	No.40335	Investment holding	1,078,338	1,078,338	26,926	100.00 %	800,446	-	34,487	34,487	-	"
"	Fubon Securities Investment Services Co., Ltd.	Taipei City	April 14, 1987		Investment service	90,444	90,444	9,000	100.00 %	99,035	162,730	161	161	-	"
"	Fubon Securities Venture Capital Co., Ltd.	Taipei City	September 11, 2015		Venture Capital	300,000	300,000	30,000	100.00 %	232,920	(55,854)	(72,871)	(72,871)	20,476	"
"	Fubon Mintou Venture Capital Co., Ltd.	Taipei City	May 26, 2017		Venture Capital	134,000	134,000	13,400	67.00 %	131,944	-	(1,611)	(1,079)	-	"
"	Fubon Macquarie Infrastructure Asset Management Co., Ltd.	Taipei City	September 12, 2019		Asset management	-	15,300	-	- %	-	-	(1)	(1)	-	"
Fubon Securities Co., Ltd.	Fubon Financial Holding Venture Capital Co., Ltd.	Taipei City	October 17, 2003		Venture capital	649,970	649,970	76,358	11.20 %	1,901,948	7,741,686	6,698,644	750,248	56,455	Investments accounted for using the equity method
Fubon Investment Holding (BVI) Ltd.	Fubon Securities (HK) Ltd.	Hong Kong	July 29, 2010	No.0990010266	Securities business	1,098,242	1,098,242	220,248	100.00 %	744,978	105,944	35,482	35,482	-	The transaction was eliminated when the Company compiled its consolidated financial report.

(c) Information on overseas branches and representative offices: None.

(Continued)

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

(d) Information on investment in mainland China

In 2016, the FSC and the Investment Commission, MOEA have approved the establishment of Fubon Securities Equity Investment Ltd. in Mainland China. Fubon Securities Equity Investment Ltd. has reduced its share capital from CNY 200 million to CNY 10 million in September 2020 and was renamed as Xiamen Fubon Securities Equity Investment Ltd. Xiamen Fubon Securities Equity Investment completed dissolution, liquidation, and deregistration in June 2021, and has remitted the remaining investment amount.

(i) Information on investment in Mainland China

(In Thousands of TWD)

Name of the investee in Mainland China	Major operations	Issued capital	Method of investment (note 1)	Beginning remittance balance – Cumulative investment (amount) from Taiwan	Current remittance/recoverable investment (amount)		Ending remittance balance Cumulative investment (amount) from Taiwan	Net income of investee	Direct/indirect shareholdings (%) in the company	Current investment gains and losses	Book value	Remittance of investment income as of current period
					Remittance amount	Recoverable amount						
Xiamen Fubon Securities Equity Investment Ltd.	Equity Investment	-	(Note 1)	47,905	-	6,570	41,335	3,151	- %	3,151	-	-

Note 1: The unrecoverable investment amount was recognized as loss on investments.

(ii) Limitation on investment in Mainland China

Name	Aggregate investment amount remitted from Taiwan to Mainland China at the end of the period	Approved investment (amount) by Ministry of Economic Affairs Investment Commission	Limitation on investment in Mainland China in accordance with regulations of Ministry of Economic Affairs Investment Commission (Note 2)
Fubon Securities Co., Ltd.	-	-	23,126,870

Note 1: Investment types are as follows.

1. Direct investment in Mainland China.
2. Investment in Mainland China companies through a company established in a third region.
3. Others.

Note 2: The net value calculated by the Company on December 31, 2021.

(Continued)

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

- (e) Related information on investee companies in other countries which do not have any securities authority:

In accordance with the Rule No. 10703209011 issued by the FSC on June 1, 2018, the Group should disclose the following information on investing in the foreign business in British Virgin Islands (BVI) as of December 31, 2021.

- (i) Condensed balance sheet and income statement:

- 1) Balance sheet

(In Thousands of USD)

Items	Fubon Investment Holding (BVI)
Bank deposits and other assets	\$ 2,003
Investments accounted for using equity method	26,905
Total asset	28,908
Share capital	26,926
Capital surplus	45
Retained earnings	1,869
Other equity interests	68
Total stockholders' equity	28,908

- 2) Statement of comprehensive income

(In Thousands of USD)

Items	Fubon Investment Holding (BVI)
Operating expenses	(42)
Non-operating revenue and expenses	\$ 1,276
Net income before tax	1,234
Net income after tax	1,234

- (ii) Securities held as of December 31, 2021, were as follows:

(In Thousands of USD)

Holding company	Security	Listed name	December 31, 2021	
			Shares (In thousands)	Amounts
Fubon Investment Holding (BVI) Ltd.	Equity investment: Fubon Securities (HK) Ltd.	Investment accounted for using equity method (shareholding ratio: 100.00%)	220,248	\$ <u>26,905</u>

(Continued)

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

- (iii) Derivative financial instruments business and source of capital: None.
- (iv) Asset management revenue from advisory, service, and litigation: None.

(14) Segment information

(a) Operating segment information

The Group offers different products and services based on the strategies of the Group, the main businesses, and geographical area. The various types of business are administered separately and have different finance and marketing strategies. The following are the segments the Group should report:

- (i) Dealing business: With its own funds, the dealing business engaged in trading securities, bonds, futures, options, and related listed stock instruments approved by the authorities, and undertook profit and loss risks.
- (ii) Equity derivatives business: Engaged in warrant liabilities, structured products, equity derivative instruments, and related business.
- (iii) Investment banking business: Engaged in helping business enterprises to have an initial public offering or to register on the emerging or listed market, in underwriting and selling securities, in helping business enterprises to raise funds, and related business.
- (iv) Brokerage business: Engaged in brokerage trading, margin trading, and futures brokerage services.
- (v) Fubon Futures Co., Ltd.: Engaged in the business of domestic and international futures brokerage services and futures investment consultancy, accepting appointments to handle futures trading, and assisting in or performing closing for other non-closing futures brokers.
- (vi) Fubon Investment Holding (BVI) Ltd.: Engaged in domestic and international brokerage trades and other related investment activities.
- (vii) Others: Fubon Investment Service Co., Ltd.: Accepted appointments to provide research and analyses related to securities investment advice or recommendations, and other investment advisory services. Fubon Securities Venture Capital Co., Ltd.: Engaged in venture capital services. Fubon Mintou Venture Capital Co., Ltd.: Engaged in venture capital services.

(b) Reportable segment profit or loss

The Group does not allocate tax expenses or extraordinary activity gains or losses to reporting segments. The reportable amount is similar to that in the report used by the chief operating decision maker.

The operating segment accounting policies are similar to those described in note 4 "Significant Accounting Policies". The income of the operating segments is based on income before tax, which also serves as the basis for performance measurement. The sales and transfers between departments are regarded as third-party sales and transfers and are measured by current market value.

(Continued)

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

(c) The Group's business information and reconciliation

		2020								
		Dealing business	Equity derivatives business	Investment bank business	Brokerage business	Fubon Futures Co., Ltd.	Fubon Investment Holding (BVI) Ltd.	Others	Adjustment and reversal	Total
Revenues:										
	Revenue from external customers	\$ 1,606,632	884,485	843,221	11,995,338	830,964	110,616	135,824	(285,376)	16,121,704
	Revenue between segments	(98,389)	(27,431)	89,650	75,419	-	-	(39,249)	-	-
	Total revenues	\$ 1,508,243	857,054	932,871	12,070,757	830,964	110,616	96,575	(285,376)	16,121,704
	Segment income (note)	\$ 991,609	297,351	530,414	6,361,742	114,045	34,487	(65,835)	(54,403)	8,209,410
		2021								
		Dealing business	Equity derivatives business	Investment bank business	Brokerage business	Fubon Futures Co., Ltd.	Fubon Investment Holding (BVI) Ltd.	Others	Adjustment and reversal	Total
Revenues:										
	Revenue from external customers	\$ 1,563,832	403,481	828,518	7,412,188	759,456	102,889	145,645	(279,402)	10,936,607
	Revenue between segments	5,581	(18,387)	76,516	19,759	-	-	(83,469)	-	-
	Total revenues	\$ 1,569,413	385,094	905,034	7,431,947	759,456	102,889	62,176	(279,402)	10,936,607
	Segment income (note)	\$ 1,202,564	115,054	441,131	3,455,070	151,946	(4,074)	(567,261)	(102,115)	4,692,315

Note: Income tax expense information is not included in segments information.

The aforementioned significant reconciliation of reporting segments does not include segment information and the offsetting of transactions between parent and subsidiaries. The decision maker of the Group does not make decisions based on the assets and liabilities of the operating segment, therefore, the Group's business information and reconciliation were not disclosed.