

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

**Consolidated Financial Statements**

**With Independent Auditors' Report  
For the Six Months Ended June 30, 2022 and 2021**

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

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## Independent Auditors' Report

To the Board of Directors  
Fubon 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 June 30, 2022, December 31 and June 30, 2021, and the consolidated statements of comprehensive income for the three months and six months ended June 30, 2022 and 2021, as well as the consolidated statements of changes in equity and cash flows for the six months ended June 30, 2022 and 2021, 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 June 30, 2022, December 31 and June 30, 2021, and its consolidated financial performance for the three months and six months ended June 30, 2022 and 2021, as well as its consolidated cash flows for the six months ended June 30, 2022 and 2021, 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 International Accounting Standard 34, “Interim Financial Reporting” 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 six months ended June 30, 2022. 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 six months ended June 30, 2022 and 2021, 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 International Accounting Standard 34, “Interim Financial Reporting” 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 six months ended June 30, 2022 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

KPMG

Taipei, Taiwan (Republic of China)  
August 17, 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

June 30, 2022, December 31 and June 30, 2021

(Expressed in Thousands of New Taiwan Dollars)

	June 30, 2022		December 31, 2021		June 30, 2021			June 30, 2022		December 31, 2021		June 30, 2021	
	Amount	%	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%
<b>Assets</b>													
<b>Current assets:</b>													
111100 Cash and cash equivalents (notes 6(a), (ai), (al) and 7)	\$ 25,268,120	17	22,587,378	14	17,776,145	11	211100	\$ 547,017	-	378,366	-	829,322	-
112000 Financial assets measured at fair value through profit or loss – current (notes 6(b), (v), (ah), (ai), (aj), 7 and 8)	21,586,944	15	25,732,459	15	29,383,709	19	212000	16,594,157	11	12,497,834	7	18,397,950	12
113200 Financial assets measured at fair value through other comprehensive income – current (notes 6(c), (ah), (ai), 7 and 8)	14,032,720	9	11,278,945	7	14,679,133	9	214010	14,093,791	9	12,987,755	8	12,088,183	8
114010 Securities purchased under resell agreements (notes 6(d) and (ai))	117,598	-	-	-	-	-	214040	6,805,232	5	10,573,522	6	15,451,050	10
114030 Receivables from pecuniary finance (notes 6(e) and (ai))	13,187,946	9	20,659,851	12	20,847,844	13	214050	1,684,962	1	2,393,580	1	1,835,682	1
114040 Margin deposits for securities refinance (note 6(e))	8,420	-	16,970	-	55,403	-	214070	1,863,501	1	2,736,093	2	1,984,585	1
114050 Receivables from securities refinance (note 6(e))	7,017	-	14,142	-	46,169	-	214080	22,154,682	15	19,478,838	12	13,442,807	8
114060 Receivables from securities borrowing and lending (note 6(f))	9,411,966	6	9,205,283	6	7,443,394	5	214130	28,997,463	20	23,096,908	14	22,236,716	14
114070 Customer margin account (notes 6(g), (ai) and 7)	28,997,463	20	23,096,908	14	22,236,716	14	214140	14,931,931	10	18,563,369	11	29,519,926	19
114090 Collateral for borrowed securities (note 6(ai))	41,144	-	92,141	-	163,390	-	214170	20,832	-	16,849	-	18,673	-
114100 Margin deposits for borrowed securities (notes 6(ai) and 7)	4,535,493	3	4,319,348	3	2,529,753	2	214180	2,273,241	2	3,041,582	2	2,451,878	2
114130 Notes and accounts receivable (notes 6(h) and (ai))	16,088,959	11	18,645,421	11	29,164,602	18	214600	98,118	-	97,716	-	116,535	-
114140 Accounts receivable—related parties (notes 6(h), (ai) and 7)	84,468	-	11,588	-	31,499	-	216000	575,282	-	1,105,424	1	604,235	-
114150 Prepayments	69,974	-	617,838	-	53,513	-	219000	172,567	-	173,487	-	181,483	-
114170 Other receivables	791,658	1	31,502	-	78,685	-		4,088,072	3	20,611,234	12	3,019,716	2
114180 Other receivables—related parties (note 7)	125,212	-	135,145	-	115,162	-		114,900,848	77	127,752,557	76	122,178,741	77
114600 Current tax assets	4,575	-	5,346	-	5,334	-	225100						
119000 Other current assets (notes 6(ai), 7 and 8)	3,360,856	2	20,218,367	12	3,524,076	2	226000	880,307	1	1,320,907	1	1,022,998	1
<b>Total current assets</b>	<u>137,720,533</u>	<u>93</u>	<u>156,668,632</u>	<u>94</u>	<u>148,134,527</u>	<u>93</u>	228000	171,304	-	170,010	-	184,094	-
<b>Non-current assets:</b>							229000	169,593	-	99,978	-	102,224	-
123200 Financial assets measured at fair value through other comprehensive income – non-current (notes 6(i), (ah) and (ai))	4,209,117	3	4,228,192	3	3,318,376	2		6,359	-	6,310	-	6,289	-
124100 Investments accounted for using the equity method (note 6(j))	1,495,789	1	1,901,948	1	1,688,187	1		1,227,563	1	1,597,205	1	1,315,605	1
125000 Property and equipment (notes 6(k), 7 and 8)	1,950,014	1	1,968,494	1	1,711,435	1	301000	116,128,411	78	129,349,762	77	123,494,346	78
125800 Right-of-use assets (notes 6(l) and 7)	338,703	-	337,540	-	360,326	-	302000						
126000 Investment property (notes 6(m), (ah), 7 and 8)	689,162	1	682,582	-	1,033,685	1							
127000 Intangible assets (note 6(n))	121,071	-	123,475	-	101,411	-	304010						
128000 Deferred tax assets	570,944	-	657,155	-	485,943	1	304020						
129000 Other non-current assets (notes 6(o), (p), (q) and 7)	1,398,734	1	1,391,514	1	1,409,589	1	304040						
<b>Total non-current assets</b>	<u>10,773,534</u>	<u>7</u>	<u>11,290,900</u>	<u>6</u>	<u>10,108,952</u>	<u>7</u>	305000						
<b>Total assets</b>	<u>\$ 148,494,067</u>	<u>100</u>	<u>167,959,532</u>	<u>100</u>	<u>158,243,479</u>	<u>100</u>	306000						
								<b>Liabilities and Equity</b>					
								<b>Current liabilities:</b>					
								Short-term borrowings (notes 6(r) and (ai))					
								Commercial paper issued (notes 6(s), (ai) and 7)					
								Financial liabilities measured at fair value through profit or loss—current (notes 6(t), (v), (ah), (ai) and 7)					
								Securities sold under repurchase agreements (notes 6(u) and (ai))					
								Securities financing refundable deposits (notes 6(e) and (ai))					
								Deposits payable for securities financing (notes 6(e) and (ai))					
								Securities lending refundable deposits (note 6(ai))					
								Futures traders' equity (notes 6(ai) and 7)					
								Notes and accounts payable (notes 6(w) and (ai))					
								Notes and accounts payable—related parties (notes 6(w), (ai) and 7)					
								Other payables (note 6(x))					
								Other payables—related parties (notes 6(x) and 7)					
								Current tax liabilities (note 7)					
								Lease liabilities- current (notes 6(z), (ai) and 7)					
								Other current liabilities (notes 6(y), (ai) and 7)					
								<b>Total current liabilities</b>					
								<b>Non-current liabilities:</b>					
								Provisions—non-current (note 6(aa))					
								Lease liabilities- non-current (notes 6(z), (ai) and 7)					
								Deferred tax liabilities					
								Other non-current liabilities (note 7)					
								<b>Total non-current liabilities</b>					
								<b>Total liabilities</b>					
								<b>Equity attributable to shareholders of the company (note 6 (ad)):</b>					
								Share capital					
								Capital surplus					
								Retained earnings:					
								Legal reserve					
								Special reserve					
								Undistributed retained earnings					
								Other equity interests					
								<b>Total equity attributable to shareholders of the company</b>					
								<b>Non-controlling interests</b>					
								<b>Total equity</b>					
								<b>Total liabilities and equity</b>					

(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 three months and six months ended June 30, 2022 and 2021**  
**(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Common Share)**

	For the three months ended June 30				For the six months ended June 30			
	2022		2021		2022		2021	
	Amount	%	Amount	%	Amount	%	Amount	%
<b>Revenue:</b>								
401000 Brokerage handling fee revenue (notes 6(ag) and 7)	\$ 1,566,463	57	3,020,826	71	\$ 3,401,602	57	5,222,799	66
403000 Income from securities lendings	383,023	14	228,396	5	738,853	13	418,553	5
404000 Revenues from underwriting business (notes 6(ag) and 7)	76,290	3	69,312	2	139,654	2	130,705	2
406000 Gains on wealth management (note 7)	7,492	-	7,578	-	29,329	-	16,707	-
410000 Gains on sale of operating securities (notes 6(ag) and 7)	(413,655)	(15)	1,080,986	26	(225,760)	(4)	1,539,098	20
421100 Revenue from providing agency service for stock affairs (note 7)	25,264	1	21,411	1	47,819	1	39,555	1
421200 Interest revenue (notes 6(ag) and 7)	327,988	12	351,069	8	671,790	11	671,541	9
421300 Dividend revenue (notes 6(c) and 7)	266,620	9	77,926	2	334,720	7	113,345	1
421500 Valuation gains (losses) on operating securities measured at fair value through profit or loss (notes 6(ag) and 7)	(1,249,911)	(45)	327,213	8	(1,714,817)	(29)	485,037	6
421600 Gains (losses) on covering of borrowed securities and bonds with resale agreements – short sales	196,831	7	7,689	-	244,806	4	(142,157)	(2)
421610 Valuation gains (losses) on borrowed securities and bonds with resale agreements – short sales at fair value through profit or loss	976,554	35	(191,604)	(5)	1,204,097	20	(187,082)	(2)
422200 Gains (losses) from issuance of call (put) warrants (notes 6(ag) and 7)	114,512	4	(683,872)	(16)	246,661	4	(752,460)	(10)
424300 Revenue from consignment of clearing and settlement	4,976	-	4,718	-	8,523	-	9,808	-
424400 Gains (losses) from derivatives – futures (note 6(v))	(529,139)	(19)	7,113	-	(537,295)	(9)	517,993	7
424500 Gains (losses) from derivatives – OTC (note 6(v))	1,017,677	37	(116,000)	(3)	1,272,605	21	(315,312)	(4)
425300 Expected credit losses (reversal of impairment loss)	1,442	-	(3,468)	-	3,122	-	(14,281)	-
428000 Other operating income (notes 6(ag), (al) and 7)	(5,469)	-	43,259	1	123,556	2	117,648	1
<b>Total Revenue</b>	<u>2,766,958</u>	<u>100</u>	<u>4,252,552</u>	<u>100</u>	<u>5,989,265</u>	<u>100</u>	<u>7,871,497</u>	<u>100</u>
<b>Expenditure and expense:</b>								
501000 Brokerage handling fee expense (note 7)	135,057	5	262,095	6	294,129	5	431,667	6
502000 Proprietary handling fee expense (note 7)	5,382	-	6,387	-	12,118	-	11,439	-
503000 Refinancing processing fee expense	407	-	1,428	-	1,014	-	1,877	-
504000 Underwriting operation processing fee expense	665	-	527	-	1,433	-	1,080	-
521200 Finance costs (notes 6(z), (ag) and 7)	81,739	3	33,638	1	123,443	2	70,446	1
521640 Losses from securities borrowing transactions	83,834	3	10,861	-	120,952	2	35,502	-
524100 Futures commission expense	24,958	1	22,541	1	51,244	1	45,916	1
524300 Expense of clearing and settlement (note 7)	26,579	1	25,609	1	50,480	1	48,029	1
528000 Other operating expenditure (note 7)	18,481	1	16,583	-	38,325	1	29,881	-
531000 Employee benefits expense (notes 6(ab), (af), (ag), 7 and 12)	866,358	31	1,298,829	31	1,817,615	30	2,443,192	31
532000 Depreciation and amortization expense (notes 6(ag) and 12)	96,446	3	94,481	2	191,323	3	192,178	2
533000 Other operating expense (notes 6(m), (z), (ag) and 7)	658,774	24	690,246	16	1,310,000	22	1,253,482	16
<b>Total expenditure and expense</b>	<u>1,998,680</u>	<u>72</u>	<u>2,463,225</u>	<u>58</u>	<u>4,012,076</u>	<u>67</u>	<u>4,564,689</u>	<u>58</u>
<b>Net operating income</b>	<u>768,278</u>	<u>28</u>	<u>1,789,327</u>	<u>42</u>	<u>1,977,189</u>	<u>33</u>	<u>3,306,808</u>	<u>42</u>
<b>Non-operating income and expenses:</b>								
601000 Share of profit (loss) of associates and joint ventures accounted for using equity method	(94,654)	(3)	319,707	7	(389,836)	(7)	542,375	7
602000 Other gains and losses (notes 6(i), (m), (ag) and 7)	167,364	6	155,594	4	294,047	5	368,364	5
<b>Total non-operating income and expenses</b>	<u>72,710</u>	<u>3</u>	<u>475,301</u>	<u>11</u>	<u>(95,789)</u>	<u>(2)</u>	<u>910,739</u>	<u>12</u>
<b>Net income before tax from continuing operations</b>	<u>840,988</u>	<u>31</u>	<u>2,264,628</u>	<u>53</u>	<u>1,881,400</u>	<u>31</u>	<u>4,217,547</u>	<u>54</u>
701000 <b>Less: Income tax expense (note 6(ac))</b>	<u>298,403</u>	<u>11</u>	<u>283,524</u>	<u>7</u>	<u>573,960</u>	<u>10</u>	<u>529,569</u>	<u>7</u>
<b>Net income</b>	<u>542,585</u>	<u>20</u>	<u>1,981,104</u>	<u>46</u>	<u>1,307,440</u>	<u>21</u>	<u>3,687,978</u>	<u>47</u>
805000 <b>Other comprehensive income:</b>								
805500 <b>Items not to be reclassified to profit or loss</b>								
805520 Revaluation gains on property	5,184	-	-	-	5,184	-	889	-
805540 Unrealized gains (losses) from equity instruments measured at fair value through other comprehensive income	(1,531,699)	(55)	253,500	6	(1,272,116)	(21)	724,460	9
805550 Share of other comprehensive income of associates and joint ventures accounted for using equity method - items not to be reclassified to profit or loss	3,581	-	6,055	-	7,528	-	(4,069)	-
805599 Less: Income tax related to items not to be reclassified to profit or loss (note 6(ac))	1,531	-	-	-	1,531	-	109	-
Subtotal of items not to be reclassified to profit or loss	<u>(1,524,465)</u>	<u>(55)</u>	<u>259,555</u>	<u>6</u>	<u>(1,260,935)</u>	<u>(21)</u>	<u>721,171</u>	<u>9</u>
805600 <b>Items that may be subsequently reclassified to profit or loss</b>								
805610 Exchange differences on translation of foreign operations	40,793	1	(40,201)	(1)	76,391	1	(32,544)	-
805615 Unrealized gains (losses) from debt instruments measured at fair value through other comprehensive income	(83,129)	(3)	23,012	1	(208,962)	(3)	(12,976)	-
805699 Less: Income tax related to items that may be subsequently reclassified to profit or loss (note 6(ac))	8,456	-	(8,030)	-	16,187	-	(6,440)	-
Subtotal of items that may be subsequently reclassified to profit or loss	<u>(50,792)</u>	<u>(2)</u>	<u>(9,159)</u>	<u>-</u>	<u>(148,758)</u>	<u>(2)</u>	<u>(39,080)</u>	<u>-</u>
805000 <b>Other comprehensive income</b>	<u>(1,575,257)</u>	<u>(57)</u>	<u>250,396</u>	<u>6</u>	<u>(1,409,693)</u>	<u>(23)</u>	<u>682,091</u>	<u>9</u>
<b>Total comprehensive income</b>	<u>\$ (1,032,672)</u>	<u>(37)</u>	<u>2,231,500</u>	<u>52</u>	<u>(102,253)</u>	<u>(2)</u>	<u>4,370,069</u>	<u>56</u>
<b>Consolidated net income attributable to:</b>								
913200 Owners of parent	\$ 542,660	20	1,981,204	46	1,307,607	21	3,688,163	47
Non-controlling interests	(75)	-	(100)	-	(167)	-	(185)	-
	<u>\$ 542,585</u>	<u>20</u>	<u>1,981,104</u>	<u>46</u>	<u>1,307,440</u>	<u>21</u>	<u>3,687,978</u>	<u>47</u>
<b>Total comprehensive income attributable to:</b>								
Owners of parent	\$ (1,032,597)	(37)	2,231,600	52	(102,086)	(2)	4,370,254	56
Non-controlling interests	(75)	-	(100)	-	(167)	-	(185)	-
	<u>\$ (1,032,672)</u>	<u>(37)</u>	<u>2,231,500</u>	<u>52</u>	<u>(102,253)</u>	<u>(2)</u>	<u>4,370,069</u>	<u>56</u>
<b>Basic earnings per share (in New Taiwan Dollars) (note 6(ae))</b>	<u>\$ 0.51</u>		<u>1.87</u>		<u>1.23</u>		<u>3.47</u>	

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

Consolidated Statements of Changes in Equity  
For the six months ended June 30, 2022 and 2021  
(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							
<b>Balance at January 1, 2021</b>	\$ 10,643,550	1,357	5,154,857	11,035,041	4,164,144	20,354,042	(164,086)	3,196,939	38,893	3,071,746	34,070,695	65,506	34,136,201
Net income	-	-	-	-	3,688,163	3,688,163	-	-	-	-	3,688,163	(185)	3,687,978
Other comprehensive income	-	-	-	-	-	-	(26,104)	707,415	780	682,091	682,091	-	682,091
Total comprehensive income	-	-	-	-	3,688,163	3,688,163	(26,104)	707,415	780	682,091	4,370,254	(185)	4,370,069
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	-	380	-	-	-	-	-	-	-	-	380	-	380
Disposal of equity instruments measured at fair value through other comprehensive income	-	-	-	-	93,685	93,685	-	(93,685)	-	(93,685)	-	-	-
<b>Balance at June 30, 2021</b>	\$ 10,643,550	1,737	5,571,271	11,025,254	3,781,848	20,378,373	(190,190)	3,810,669	39,673	3,660,152	34,683,812	65,321	34,749,133
<b>Balance at January 1, 2022</b>	\$ 10,643,550	68,581	5,571,271	11,025,254	6,889,986	23,486,511	(202,453)	4,508,921	39,673	4,346,141	38,544,783	64,987	38,609,770
Net income	-	-	-	-	1,307,607	1,307,607	-	-	-	-	1,307,607	(167)	1,307,440
Other comprehensive income	-	-	-	-	-	-	60,204	(1,473,550)	3,653	(1,409,693)	(1,409,693)	-	(1,409,693)
Total comprehensive income	-	-	-	-	1,307,607	1,307,607	60,204	(1,473,550)	3,653	(1,409,693)	(102,086)	(167)	(102,253)
Legal reserve	-	-	688,999	-	(688,999)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	58,021	(58,021)	-	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(6,142,966)	(6,142,966)	-	-	-	-	(6,142,966)	-	(6,142,966)
Changes in equity of associates and joint ventures accounted for using equity method	-	1,105	-	-	-	-	-	-	-	-	1,105	-	1,105
Disposal of equity instruments measured at fair value through other comprehensive income	-	-	-	-	(193,786)	(193,786)	-	193,786	-	193,786	-	-	-
<b>Balance at June 30, 2022</b>	\$ 10,643,550	69,686	6,260,270	11,083,275	1,113,821	18,457,366	(142,249)	3,229,157	43,326	3,130,234	32,300,836	64,820	32,365,656

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

**Consolidated Statements of Cash Flows**  
**For the six months ended June 30, 2022 and 2021**  
**(Expressed in Thousands of New Taiwan Dollars)**

	<b>For the six months ended June 30</b>	
	<b>2022</b>	<b>2021</b>
<b>Cash flows from (used in) operating activities, indirect method:</b>		
Income before income tax	\$ 1,881,400	4,217,547
<b>Adjustments:</b>		
Adjustments to reconcile profit (loss):		
Depreciation expense	153,288	155,060
Amortization expense	38,035	37,118
Expected credit losses (reversal of impairment loss)	(3,122)	14,281
Net loss on financial assets or liabilities measured at fair value through profit or loss	(861,016)	488,164
Interest expense	123,443	70,446
Interest revenue (including financial income)	(770,855)	(723,370)
Dividend revenue	(372,639)	(118,942)
Share of loss (profit) of associates and joint ventures accounted for using equity method	389,836	(542,375)
Loss on disposal of property and equipment	-	220
Loss (gain) on disposal of investments	393,905	(1,706,398)
Loss on disposal of investments accounted for using equity method	-	3,195
Loss (gain) on non-operating financial instruments measured at fair value	75,133	(10,786)
Loss (gain) on fair value adjustment of investment property	5,629	(19,297)
Other adjustments	(54)	(727)
<b>Total adjustments to reconcile loss</b>	<b>(828,417)</b>	<b>(2,353,411)</b>
<b>Changes in operating assets and liabilities:</b>		
<b>Changes in operating assets:</b>		
Decrease in financial assets measured at fair value through profit or loss	2,798,401	716,190
Decrease (increase) in securities purchased under resell agreements	(117,598)	170,570
Decrease (increase) in margin loans receivable	7,471,905	(6,658,610)
Decrease (increase) in refinancing margin	8,550	(9,710)
Decrease (increase) in refinancing collateral receivable	7,125	(8,012)
Increase in receivable of securities business money lending	(206,683)	(2,258,223)
Increase in customer margin account	(5,900,555)	(1,819,151)
Decrease in security borrowing collateral price	50,997	162,871
Decrease (increase) in security borrowing margin	(216,145)	1,726,577
Decrease (increase) in notes receivable	(11)	116
Decrease (increase) in accounts receivable	2,785,497	(9,481,942)
Decrease (increase) in accounts receivable - related parties	(72,880)	16,179
Decrease in other prepayments	547,864	11,860
Decrease (increase) in other receivables	(754,891)	11,080
Decrease (increase) in other receivables - related parties	9,933	(44,661)
Increase in financial assets measured at fair value through other comprehensive income	(4,305,704)	(2,602,375)
Decrease in other current assets	16,857,511	1,515,352
Increase in overdue receivable	(1,277)	(2,369)
Subtotal of changes in operating assets	<b>18,962,039</b>	<b>(18,554,258)</b>
<b>Changes in operating liabilities:</b>		
Decrease in securities sold under repurchase agreements	(3,768,290)	(4,340,576)
Increase in financial liabilities measured at fair value through profit or loss	2,941,413	3,550,976
Decrease in securities financing refundable deposits	(708,618)	(292,584)
Decrease in deposits payable for securities financing	(872,592)	(382,786)
Increase in securities lending refundable deposits	2,675,844	44,053
Increase in futures traders' equity	5,900,555	1,819,160
Increase (decrease) in accounts payable	(3,645,216)	10,719,654
Increase in accounts payable - related parties	3,983	1,052
Increase (decrease) in other payables	(785,370)	242,761
Increase in other payables - related parties	402	45,080
Decrease in provisions	(440,600)	(149,273)
Decrease in other current liabilities	(16,523,162)	(1,923,124)
Increase (decrease) in guarantee deposit received	49	(1,015)
Subtotal of changes in operating liabilities	<b>(15,221,602)</b>	<b>9,333,378</b>
<b>Subtotal of changes in operating assets and liabilities</b>	<b>3,740,437</b>	<b>(9,220,880)</b>
Subtotal of all adjustments	<b>2,912,020</b>	<b>(11,574,291)</b>
Cash flows from (used in) operations	4,793,420	(7,356,744)
Interest received	795,773	737,325
Dividends received	132,143	73,467
Interest paid	(107,502)	(72,976)
Income taxes paid	(965,223)	(401,311)
<b>Net Cash flows from (used in) operating activities</b>	<b>4,648,611</b>	<b>(7,020,239)</b>

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 three months and six months ended June 30, 2022 and 2021****(Expressed in Thousands of New Taiwan Dollars)**

	<b>For the six months ended June 30</b>	
	<b>2022</b>	<b>2021</b>
Cash flows used in investing activities:		
Acquisition of property and equipment	\$ (32,374)	(13,344)
Proceeds from disposal of property and equipment	-	24
Decrease in operation guarantee	-	20,000
Decrease (increase) in deposits settlement fund	62,171	(38,942)
Decrease (increase) in refundable deposits	(67,217)	28,801
Acquisition of intangible assets	(18,018)	(10,228)
Acquisition of right-of-use assets	(21)	-
Increase in other non-current assets	(9,838)	(275)
Increase in prepayment for land and building	(3,940)	(1,534)
Increase in prepayments for business facilities	(19,310)	(53,967)
Dividends received	24,956	56,455
<b>Net cash flows from (used in) investing activities</b>	<u>(63,591)</u>	<u>(13,010)</u>
<b>Cash flows from (used in) financing activities:</b>		
Increase in short-term loans	168,651	371,602
Increase in commercial papers payable	4,096,323	14,398,189
Payment of lease liabilities	(96,023)	(100,892)
Cash dividends paid	(6,142,966)	(3,757,517)
<b>Net cash flows from (used in) financing activities</b>	<u>(1,974,015)</u>	<u>10,911,382</u>
Effect of exchange rate changes on cash and cash equivalents	69,737	(28,779)
Net increase (decrease) in cash and cash equivalents	2,680,742	3,849,354
Cash and cash equivalents at beginning of period	<u>22,587,378</u>	<u>13,926,791</u>
Cash and cash equivalents at end of period	<u><u>\$ 25,268,120</u></u>	<u><u>17,776,145</u></u>

See accompanying notes to consolidated financial statements.

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

**Notes to the Consolidated Financial Statements**

**June 30, 2022 and 2021**

**(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. 4, Ren'ai Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.). As of June 30, 2022, there were 34 branches (including head office) established for operating.

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

On August 17, 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 Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2022:

- 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”

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

The Group’s adoption of the new amendments, effective for annual period beginning on January 1, 2023, is expected to have the following impacts:

<b>Standards or Interpretations</b>	<b>Content of amendment</b>
Amendments to IAS 1 “Disclosure of Accounting Policies”	The key amendments to IAS 1 include: <ul style="list-style-type: none"> <li>● requiring companies to disclose their material accounting policies rather than their significant accounting policies;</li> <li>● clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and</li> <li>● clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company’s financial statements.</li> </ul>
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.
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.

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.

(Continued)

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

- (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:

<b>Standards or Interpretations</b>	<b>Content of amendment</b>	<b>Effective date per IASB</b>
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
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	<p>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.</p>	January 1, 2023

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”
- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information “

(Continued)

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

**(4) Summary of significant accounting policies**

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Firms", "Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants" and IAS 34 "Interim Financial Reporting" endorsed and issued into effect by the FSC. The consolidated financial statements do not include all of the information required by the Regulations and International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed and issued into effect by the FSC (TIFRS) for a complete set of the annual consolidated financial statements.

(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.

(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.

(Continued)

**FUBON SECURITIES CO., LTD. AND SUBSIDIARIES**  
**Notes to 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		
			June 30, 2022	December 31, 2021	June 30, 2021
The Company	Fubon Futures Co., Ltd.	Futures	100 %	100 %	100 %
The Company	Fubon Investment Service Co., Ltd.	Investment Service	100 %	100 %	100 %
The Company	Fubon Investment Holding (BVI) Ltd.	Investment Holding	100 %	100 %	100 %
The Company	Fubon Securities Venture Capital Co., Ltd.	Venture Capital	100 %	100 %	100 %
The Company	Fubon Mintou Venture Capital Co., Ltd.	Venture Capital	67 %	67 %	67 %
The Company	Fubon Macquarie Infrastructure Asset Management Co., Ltd. (Note)	Asset management	- %	- %	100 %
Fubon Investment Holding (BVI) Ltd.	Fubon Securities (HK) Ltd.	Securities business	100 %	100 %	100 %

Note : 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.

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.

(Continued)

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

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the 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.

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.

(Continued)

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

(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.

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.

(Continued)

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

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.

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.

(Continued)

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

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)

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.

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

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.

(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.

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

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.

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.

(Continued)

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

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.

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.

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

(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.

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

(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.

(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.

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

(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.

(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' incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

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

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' 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

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.

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.

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

(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'.

(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.

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

(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.

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

(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.

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

When the benefits of the plan are improved, the portion of the increased benefits related to past service costs are recognized in profit or loss immediately. Net interests of the Group's service cost and net defined benefit asset or liability are recognized as employee benefit expenses when they occurred. All remeasurements arising from the defined benefit plan, including actuarial gains and return of plan assets, minus, interests, are recognized into other comprehensive income, and accounted for as retained earnings, and not subsequently reclassified into profit or loss.

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**FUBON SECURITIES CO., LTD. AND SUBSIDIARIES**  
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Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of prior financial year, and adjusted by the prior year end's significant market fluctuations for significant curtailments, settlements, or other significant one-off events.

(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.

(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

The Group estimated and disclosed interim income tax under IAS 34 "Interim Financial Reporting" Appendix B12.

Income tax expense for the interim reporting period is best estimated by multiplying pretax income for the period with the effective annual tax rate as forecasted by the management. This should be recognized fully as tax expense for the current period and allocated to current and deferred taxes based on its proportionate size.

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**Notes to the Consolidated Financial Statements**

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.

The adjustment of prior year's income tax payable is included in the current income tax.

(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.

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.

(Continued)

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

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.

(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 the IAS 34 "Interim Financial Reporting" 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:

(Continued)

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

(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.

(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.

**(6) Explanation of significant accounts**

(a) Cash and cash equivalents

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Petty cash	\$ 2,090	2,090	2,140
Demand deposits and checking accounts	2,980,759	4,449,854	3,926,170
Time deposits	1,726,455	792,287	771,698
Foreign currency deposits	20,558,816	17,343,147	13,076,137
Total	<u>\$ 25,268,120</u>	<u>22,587,378</u>	<u>17,776,145</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.

(Continued)

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

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

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Financial assets mandatorily measured at fair value through profit or loss:			
Non-hedge derivative instruments	\$ 1,229,114	774,014	728,861
Non-derivative financial assets	<u>20,357,830</u>	<u>24,958,445</u>	<u>28,654,848</u>
Total	<u>\$ 21,586,944</u>	<u>25,732,459</u>	<u>29,383,709</u>

The related accounts were as follows:

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

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Securities invested by broker	\$ 558,106	495,147	839,761
Open-end funds, money market instruments and other securities	264,168	498,003	406,477
Operating securities – dealing	6,384,763	11,361,823	17,354,212
Operating securities – underwriting	547,122	261,716	274,877
Operating securities – hedging	<u>12,603,671</u>	<u>12,341,756</u>	<u>9,779,521</u>
Total	<u>\$ 20,357,830</u>	<u>24,958,445</u>	<u>28,654,848</u>

- 1) Details of securities invested by broker

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Securities invested by broker	\$ 706,422	596,963	866,568
Valuation adjustment	<u>(148,316)</u>	<u>(101,816)</u>	<u>(26,807)</u>
Total	<u>\$ 558,106</u>	<u>495,147</u>	<u>839,761</u>

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

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Open-end funds, money market instruments and other securities	\$ 270,180	430,281	368,007
Valuation adjustment	<u>(6,012)</u>	<u>67,722</u>	<u>38,470</u>
Total	<u>\$ 264,168</u>	<u>498,003</u>	<u>406,477</u>

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

3) Operating securities

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Dealing department – domestic:			
Listed stocks and funds – TWSE	\$ 2,235,173	3,316,807	3,363,473
Listed stocks and funds – TPEX	381,620	379,911	372,998
Bonds	2,194,719	3,241,847	2,409,489
Emerging stocks and funds – TPEX	560,080	580,936	704,441
Others	<u>244,880</u>	<u>311,002</u>	<u>431,182</u>
Subtotal	<u>5,616,472</u>	<u>7,830,503</u>	<u>7,281,583</u>
Dealing department – foreign:			
Stocks and funds	-	-	84,814
Bonds	<u>709,495</u>	<u>3,187,814</u>	<u>9,604,410</u>
Subtotal	<u>709,495</u>	<u>3,187,814</u>	<u>9,689,224</u>
Valuation adjustment	<u>58,796</u>	<u>343,506</u>	<u>383,405</u>
Total	<u>\$ 6,384,763</u>	<u>11,361,823</u>	<u>17,354,212</u>
		<b>December 31,</b>	
	<u>June 30, 2022</u>	<u>2021</u>	<u>June 30, 2021</u>
Underwriting department – domestic:			
Listed stocks – TPEX	\$ 776	-	-
Bonds	<u>555,217</u>	<u>237,321</u>	<u>233,412</u>
Subtotal	<u>555,993</u>	<u>237,321</u>	<u>233,412</u>
Valuation adjustment	<u>(8,871)</u>	<u>24,395</u>	<u>41,465</u>
Total	<u>\$ 547,122</u>	<u>261,716</u>	<u>274,877</u>
		<b>December 31,</b>	
	<u>June 30, 2022</u>	<u>2021</u>	<u>June 30, 2021</u>
Hedging department – domestic:			
Listed stocks and warrants – TWSE	\$ 685,956	1,119,705	1,503,347
Listed stocks and warrants – TPEX	64,765	93,964	221,050
Bonds	<u>12,543,405</u>	<u>10,466,373</u>	<u>7,261,633</u>
Subtotal	<u>13,294,126</u>	<u>11,680,042</u>	<u>8,986,030</u>
Valuation adjustment	<u>(690,455)</u>	<u>661,714</u>	<u>793,491</u>
Total	<u>\$ 12,603,671</u>	<u>12,341,756</u>	<u>9,779,521</u>

(Continued)

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

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

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Futures trading margin — proprietary funds	\$ 559,022	593,934	553,836
Interest rate swap contracts	655,404	147,538	169,209
IRS portion of asset swap contracts	7,895	29,358	1,951
Foreign exchange derivatives	4,208	2,769	-
Call options	2,585	415	3,865
<b>Total</b>	<b>\$ <u>1,229,114</u></b>	<b><u>774,014</u></b>	<b><u>728,861</u></b>

- (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>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Debt investments measured at fair value through other comprehensive income:			
Government bonds	\$ 100,183	202,639	102,565
Financial bonds	-	-	800,000
Corporate bonds	1,950,000	3,500,240	3,150,288
Foreign bonds	2,816,922	1,516,823	1,495,563
Valuation adjustment	(230,495)	(16,715)	23,765
Subtotal	<u>4,636,610</u>	<u>5,202,987</u>	<u>5,572,181</u>
Equity investments measured at fair value through other comprehensive income:			
Stocks	9,618,687	5,238,046	8,093,133
Valuation adjustment	(222,577)	837,912	1,013,819
Subtotal	<u>9,396,110</u>	<u>6,075,958</u>	<u>9,106,952</u>
<b>Total</b>	<b>\$ <u>14,032,720</u></b>	<b><u>11,278,945</u></b>	<b><u>14,679,133</u></b>

- (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.

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

- (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>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Dividend income	<u>\$ 206,987</u>	<u>67,025</u>	<u>239,689</u>	<u>87,786</u>

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

	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Dividend income	<u>\$ 101,084</u>	<u>61,255</u>	<u>101,084</u>	<u>68,136</u>

For the three months and six months ended June 30, 2022 and 2021, 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 \$2,127,257, \$2,386,243, \$2,468,091 and \$3,000,453, respectively, and the Group recognized accumulated gain (loss) of \$(262,464), \$72,634, \$(192,952) and \$92,884. 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>June 30, 2022</u>	<u>December 31,</u>		<u>June 30, 2021</u>
		<u>2021</u>		
Pecuniary financing	<u>\$ 117,598</u>	<u>-</u>		<u>-</u>
The end date of the holding period	2022.07.01	-		-
Interest rate range	1.15 %	-	%	- %

- (e) Pecuniary and securities financing and refinancing

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

	<u>June 30, 2022</u>		
	<u>Shares (thousands)</u>	<u>Face value</u>	<u>Market value</u>
Collateral securities for pecuniary financing	<u>429,866</u>	<u>\$ 4,298,660</u>	<u>18,981,743</u>
Securities lent for securities financing	<u>34,982</u>	<u>\$ 349,820</u>	<u>1,775,387</u>

(Continued)

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

	<b>December 31, 2021</b>		
	<b>Shares (thousands)</b>	<b>Face value</b>	<b>Market value</b>
Collateral securities for pecuniary financing	<b>629,291</b>	<b>\$ 6,292,910</b>	<b>36,592,290</b>
Securities lent for securities financing	<b>39,638</b>	<b>\$ 396,380</b>	<b>3,019,128</b>
	<b>June 30, 2021</b>		
	<b>Shares (thousands)</b>	<b>Face value</b>	<b>Market value</b>
Collateral securities for pecuniary financing	<b>661,204</b>	<b>\$ 6,612,040</b>	<b>38,340,284</b>
Securities lent for securities financing	<b>30,000</b>	<b>\$ 300,000</b>	<b>2,296,184</b>

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 June 30, 2022, December 31 and June 30, 2021, the Group had receivables from pecuniary finance amounting to \$13,187,946, \$20,659,851 and \$20,847,844, 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 June 30, 2022, December 31 and June 30, 2021, securities financing refundable deposits amounted to \$1,684,962, \$2,393,580 and \$1,835,682, respectively, and deposits payable for securities financing amounted to \$1,863,501, \$2,736,093 and \$1,984,585, respectively.

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

	<b>June 30, 2022</b>		
	<b>Shares (thousands)</b>	<b>Face value</b>	<b>Market value</b>
Securities borrowed in refinancing activities	<b>159</b>	<b>\$ 1,590</b>	<b>7,017</b>
	<b>December 31, 2021</b>		
	<b>Shares (thousands)</b>	<b>Face value</b>	<b>Market value</b>
Securities borrowed in refinancing activities	<b>238</b>	<b>\$ 2,380</b>	<b>14,142</b>
	<b>June 30, 2021</b>		
	<b>Shares (thousands)</b>	<b>Face value</b>	<b>Market value</b>
Securities borrowed in refinancing activities	<b>989</b>	<b>\$ 9,890</b>	<b>46,169</b>

(Continued)

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

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 June 30, 2022, December 31 and June 30, 2021, margin deposits for securities refinance amounted to \$8,420, \$16,970 and \$55,403, respectively, and receivables from securities refinance amounted to \$7,017, \$14,142 and \$46,169, respectively.

As of June 30, 2022, December 31 and June 30, 2021, the Group provided other securities as collateral due to borrowing securities amounting to \$8,583,586, \$5,828,356 and \$10,141,094, respectively.

(f) Receivables from securities borrowings and lending

	<b>June 30, 2022</b>	<b>December 31, 2021</b>	<b>June 30, 2021</b>
Receivables from securities borrowings and lending—secured securities purchased or owned by investors as collateral	\$ 4,644	9,915	12,089
Receivables from securities borrowings and lending—non restricted	9,407,322	9,195,368	7,431,305
Total	<u>\$ 9,411,966</u>	<u>9,205,283</u>	<u>7,443,394</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:

	<b>June 30, 2022</b>	<b>December 31, 2021</b>	<b>June 30, 2021</b>
Bank deposits	\$ 22,452,643	16,325,802	16,055,913
Clearing balance of futures clearing house	4,235,232	4,764,981	4,203,654
Clearing balance of other futures commission merchants	2,306,435	2,003,689	1,974,960
Securities	3,153	2,436	2,189
Total	<u>\$ 28,997,463</u>	<u>23,096,908</u>	<u>22,236,716</u>

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

## (h) Notes and accounts receivable

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Accounts receivable from non-related parties			
Proceeds receivable from customers	\$ 824,633	1,294,807	2,513,035
Accounts receivable—brokering	14,210,726	16,622,490	26,002,376
Clearance	198	-	21,534
Securities financing interest receivable	315,857	326,636	194,774
Bonds interest receivable	23,079	43,645	40,970
Cash dividends receivable	252,416	11,622	50,453
Revenues receivable	343,457	261,008	201,075
Others	273,689	243,143	298,345
Less: Loss allowance	<u>(155,210)</u>	<u>(158,033)</u>	<u>(158,033)</u>
	<u>16,088,845</u>	<u>18,645,318</u>	<u>29,164,529</u>
Notes receivable from non-related parties	<u>114</u>	<u>103</u>	<u>73</u>
Total	<u>\$ 16,088,959</u>	<u>18,645,421</u>	<u>29,164,602</u>
Accounts receivable from related parties	<u>\$ 84,468</u>	<u>11,588</u>	<u>31,499</u>

As of June 30, 2022, December 31 and June 30, 2021, the aging analysis of notes and accounts receivables were as follows:

	<u>June 30, 2022</u>		<u>December 31, 2021</u>		<u>June 30, 2021</u>	
	<u>Total amount</u>	<u>Impairment</u>	<u>Total amount</u>	<u>Impairment</u>	<u>Total amount</u>	<u>Impairment</u>
Not overdue	\$ 16,173,427	-	18,657,009	-	29,196,101	-
Overdue 0 to 180 days	-	-	-	-	-	-
Overdue 181 days to one year	-	-	-	-	-	-
Overdue more than one year	<u>155,210</u>	<u>155,210</u>	<u>158,033</u>	<u>158,033</u>	<u>158,033</u>	<u>158,033</u>
Total	<u>\$ 16,328,637</u>	<u>155,210</u>	<u>18,815,042</u>	<u>158,033</u>	<u>29,354,134</u>	<u>158,033</u>

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

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Equity investments measured at fair value through other comprehensive income—non-current:			
Stocks	\$ 587,888	587,888	587,888
Valuation adjustment	<u>3,621,229</u>	<u>3,640,304</u>	<u>2,730,488</u>
Total	<u>\$ 4,209,117</u>	<u>4,228,192</u>	<u>3,318,376</u>

(Continued)

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

- (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:

	<b>For the three months ended June 30</b>		<b>For the six months ended June 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	Dividend income	\$ 30,902	5,249	30,902

For the three month and the six month ended June 30, 2022, the Group has not disposed of abovementioned equity investments.

For the three month and the six month ended June 30, 2021, 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 \$9 and \$476 and the Group recognized accumulated gain (loss) of \$9 and \$476, 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:

<b>Name of associates</b>	<b>Relationship with the Group</b>	<b>Main Operating Location/Coun try of Registry</b>	<b>Proportion of shareholding and voting rights</b>		
			<b>June 30, 2022</b>	<b>December 31, 2021</b>	<b>June 30, 2021</b>
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 %	11.20 %

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

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

	<b>December 31,</b>		
	<b>June 30, 2022</b>	<b>2021</b>	<b>June 30, 2021</b>
Current assets	\$ 8,361,540	11,427,239	9,689,560
Non-current assets	5,578,767	6,223,369	6,023,273
Current liabilities	(623,898)	(628,796)	(702,071)
Non-current liabilities	(157,235)	(236,313)	(133,840)
Net assets	<b>\$ 13,159,174</b>	<b>16,785,499</b>	<b>14,876,922</b>
Share of net assets of associates	<b>\$ 13,159,174</b>	<b>16,785,499</b>	<b>14,876,922</b>

(Continued)

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

	<b>For the three months ended June 30</b>		<b>For the six months ended June 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Revenue	<u>\$ (641,906)</u>	<u>3,141,987</u>	<u>(3,200,554)</u>	<u>5,333,443</u>
Net income from continuing operations	\$ (845,124)	2,854,529	(3,480,678)	4,842,639
Other comprehensive income	<u>31,977</u>	<u>54,054</u>	<u>67,215</u>	<u>(36,334)</u>
Total comprehensive income	<u>\$ (813,147)</u>	<u>2,908,583</u>	<u>(3,413,463)</u>	<u>4,806,305</u>
Share of comprehensive income of associates	<u>\$ (813,147)</u>	<u>2,908,583</u>	<u>(3,413,463)</u>	<u>4,806,305</u>
			<b>For the six months ended June 30</b>	
			<b>2022</b>	<b>2021</b>
Share of net assets of associates at the beginning of periods		\$	1,879,932	1,183,940
Changes in capital surplus of associates accounted for using equity method			1,105	380
Total comprehensive income attributable to the Group for the periods			(382,308)	538,306
Dividends received from associates			<u>(24,956)</u>	<u>(56,455)</u>
Share of net assets of associates at the end of periods			1,473,773	1,666,171
Add: Unamortized premium			<u>22,016</u>	<u>22,016</u>
Carrying amount of equity of associates at the end of periods		\$	<u><b>1,495,789</b></u>	<u><b>1,688,187</b></u>

(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, 2022	\$ 1,465,751	354,879	856,275	138	338,157	166,073	3,181,273
Additions	-	-	24,964	-	3,185	4,225	32,374
Reclassification	(6,421)	(958)	807	-	12,676	-	6,104
Disposals	-	-	(1,890)	-	(3,016)	(11,678)	(16,584)
Effect of change in exchange rates	-	-	1,173	-	636	138	1,947
Balance at June 30, 2022	<u>\$ 1,459,330</u>	<u>353,921</u>	<u>881,329</u>	<u>138</u>	<u>351,638</u>	<u>158,758</u>	<u>3,205,114</u>
Balance at January 1, 2021	\$ 1,237,206	370,963	898,772	138	336,773	153,818	2,997,670
Additions	-	-	9,372	-	813	3,159	13,344
Reclassification	33,038	7,576	6,113	-	-	222	46,949
Disposals	-	-	(2,184)	-	(12,176)	(7,102)	(21,462)
Effect of change in exchange rates	-	-	(285)	-	(173)	(38)	(496)
Balance at June 30, 2021	<u>\$ 1,270,244</u>	<u>378,539</u>	<u>911,788</u>	<u>138</u>	<u>325,237</u>	<u>150,059</u>	<u>3,036,005</u>

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

	Land	Buildings	Information Appliance	Transportation equipment	Leasehold improvement	Miscellaneous	Total
Depreciation and impairment loss:							
Balance at January 1, 2022	\$ -	134,425	679,650	138	278,627	119,939	1,212,779
Depreciation	-	3,630	37,491	-	9,976	6,933	58,030
Reclassification	-	(354)	-	-	-	-	(354)
Disposals	-	-	(1,890)	-	(3,016)	(11,678)	(16,584)
Effect of change in exchange rates	-	-	981	-	166	82	1,229
Balance at June 30, 2022	\$ -	<b>137,701</b>	<b>716,232</b>	<b>138</b>	<b>285,753</b>	<b>115,276</b>	<b>1,255,100</b>
Balance at January 1, 2021	\$ -	155,587	734,909	138	284,719	117,970	1,293,323
Depreciation	-	3,651	35,058	-	8,495	6,027	53,231
Reclassification	-	(261)	-	-	-	-	(261)
Disposals	-	-	(2,184)	-	(12,176)	(7,079)	(21,439)
Effect of change in exchange rates	-	-	(252)	-	(15)	(17)	(284)
Balance at June 30, 2021	\$ -	<b>158,977</b>	<b>767,531</b>	<b>138</b>	<b>281,023</b>	<b>116,901</b>	<b>1,324,570</b>
Carrying amounts:							
Balance at January 1, 2022	\$ <b>1,465,751</b>	<b>220,454</b>	<b>176,625</b>	-	<b>59,530</b>	<b>46,134</b>	<b>1,968,494</b>
Balance at June 30, 2022	\$ <b>1,459,330</b>	<b>216,220</b>	<b>165,097</b>	-	<b>65,885</b>	<b>43,482</b>	<b>1,950,014</b>
Balance at January 1, 2021	\$ <b>1,237,206</b>	<b>215,376</b>	<b>163,863</b>	-	<b>52,054</b>	<b>35,848</b>	<b>1,704,347</b>
Balance at June 30, 2021	\$ <b>1,270,244</b>	<b>219,562</b>	<b>144,257</b>	-	<b>44,214</b>	<b>33,158</b>	<b>1,711,435</b>

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

(1) Right-of-use assets

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

	Land	Buildings	Machinery	Transportation equipment	Other equipment	Total
Cost:						
Balance at January 1, 2022	\$ 693	636,536	52,950	5,331	39,877	735,387
Additions	-	94,229	-	-	1,605	95,834
Reductions	(557)	(75,644)	-	-	(2,205)	(78,406)
Effect of changes in exchange rates	-	989	-	-	20	1,009
Balance at June 30, 2022	\$ <b>136</b>	<b>656,110</b>	<b>52,950</b>	<b>5,331</b>	<b>39,297</b>	<b>753,824</b>
Balance at January 1, 2021	\$ 693	637,209	34,740	8,476	41,089	722,207
Additions	-	52,488	22	1,461	3,884	57,855
Reductions	-	(75,459)	(18,903)	(1,972)	(1,673)	(98,007)
Effect of changes in exchange rates	-	(99)	-	-	(90)	(189)
Balance at June 30, 2021	\$ <b>693</b>	<b>614,139</b>	<b>15,859</b>	<b>7,965</b>	<b>43,210</b>	<b>681,866</b>
Accumulated depreciation and impairment losses:						
Balance at January 1, 2022	\$ 541	362,100	13,594	2,919	18,693	397,847
Depreciation	91	84,408	6,138	883	3,738	95,258
Other reductions	(557)	(76,534)	-	-	(1,318)	(78,409)
Effect of changes in exchange rates	-	407	-	-	18	425
Balance at June 30, 2022	\$ <b>75</b>	<b>370,381</b>	<b>19,732</b>	<b>3,802</b>	<b>21,131</b>	<b>415,121</b>
Balance at January 1, 2021	\$ 217	250,387	20,049	3,007	16,977	290,637
Depreciation	160	88,987	6,209	1,502	4,971	101,829
Other reductions	-	(48,510)	(18,903)	(1,972)	(1,449)	(70,834)
Effect of changes in exchange rates	-	(17)	-	-	(75)	(92)
Balance at June 30, 2021	\$ <b>377</b>	<b>290,847</b>	<b>7,355</b>	<b>2,537</b>	<b>20,424</b>	<b>321,540</b>
Carrying amounts:						
Balance at January 1, 2022	\$ <b>152</b>	<b>274,436</b>	<b>39,356</b>	<b>2,412</b>	<b>21,184</b>	<b>337,540</b>
Balance at June 30, 2022	\$ <b>61</b>	<b>285,729</b>	<b>33,218</b>	<b>1,529</b>	<b>18,166</b>	<b>338,703</b>
Balance at January 1, 2021	\$ <b>476</b>	<b>386,822</b>	<b>14,691</b>	<b>5,469</b>	<b>24,112</b>	<b>431,570</b>
Balance at June 30, 2021	\$ <b>316</b>	<b>323,292</b>	<b>8,504</b>	<b>5,428</b>	<b>22,786</b>	<b>360,326</b>

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

(m) Investment property

	<u>Land and land improvements</u>	<u>Buildings</u>	<u>Total</u>
Cost or deemed cost:			
Balance at January 1, 2022	\$ 547,961	134,621	682,582
Net gain (loss) from fair value adjustments	(5,221)	(408)	(5,629)
Reclassification	11,328	881	12,209
Balance at June 30, 2022	<u>\$ 554,068</u>	<u>135,094</u>	<u>689,162</u>
Balance at January 1, 2021	\$ 917,563	136,812	1,054,375
Net gain (loss) from fair value adjustments	18,987	310	19,297
Reclassification	(32,469)	(7,518)	(39,987)
Balance at June 30, 2021	<u>\$ 904,081</u>	<u>129,604</u>	<u>1,033,685</u>
Carrying amount:			
Balance at January 1, 2022	<u>\$ 547,961</u>	<u>134,621</u>	<u>682,582</u>
Balance at June 30, 2022	<u>\$ 554,068</u>	<u>135,094</u>	<u>689,162</u>
Balance at January 1, 2021	<u>\$ 917,563</u>	<u>136,812</u>	<u>1,054,375</u>
Balance at June 30, 2021	<u>\$ 904,081</u>	<u>129,604</u>	<u>1,033,685</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>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Less than one year	\$ 10,083	14,671	17,918
One to two years	6,841	7,448	9,370
Two to three years	5,724	5,834	6,167
Three to four years	5,653	5,356	5,356
Four to five years	3,561	4,405	5,356
More than five years	10,658	10,759	12,486
Total undiscounted lease payments	<u>\$ 42,520</u>	<u>48,473</u>	<u>56,653</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. As of June 30, 2022 and 2021, the fair value of aforementioned investment property on June 30, 2022 and 2021 were considered valid, respectively. 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.

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

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:

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Discount rate	2.095%~4.095%	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 three months and six months ended June 30, 2022 and 2021, rental revenue from investment property amounted to \$4,664, \$4,532, \$9,277 and \$9,036, respectively; direct operating expenses were \$327, \$644, \$784 and \$1,770, respectively; while the direct operating expenses of investment property which did not generate rental revenue amounted to \$218, \$391, \$258 and \$581, respectively.

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

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**FUBON SECURITIES CO., LTD. AND SUBSIDIARIES**  
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## (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, 2022	\$ 25,769	1,017,915	1,925	1,045,609
Acquisitions	-	18,018	-	18,018
Reclassification	-	13,666	-	13,666
Disposals	-	(166)	-	(166)
Effect of change in exchange rates	-	609	-	609
Balance at June 30, 2022	<u>\$ 25,769</u>	<u>1,050,042</u>	<u>1,925</u>	<u>1,077,736</u>
Balance at January 1, 2021	\$ 25,769	949,438	1,925	977,132
Acquisition	-	10,228	-	10,228
Reclassification	-	4,378	-	4,378
Disposals	-	(599)	-	(599)
Effect of change in exchange rates	-	(110)	-	(110)
Balance at June 30, 2021	<u>\$ 25,769</u>	<u>963,335</u>	<u>1,925</u>	<u>991,029</u>
Amortization:				
Balance at January 1, 2022	\$ 25,769	896,365	-	922,134
Amortization	-	34,323	-	34,323
Disposals	-	(166)	-	(166)
Effect of change in exchange rates	-	374	-	374
Balance at June 30, 2022	<u>\$ 25,769</u>	<u>930,896</u>	<u>-</u>	<u>956,665</u>
Balance at January 1, 2021	\$ 25,769	830,981	-	856,750
Amortization	-	33,555	-	33,555
Disposals	-	(599)	-	(599)
Effect of change in exchange rates	-	(88)	-	(88)
Balance at June 30, 2021	<u>\$ 25,769</u>	<u>863,849</u>	<u>-</u>	<u>889,618</u>
Carrying amount:				
Balance at January 1, 2022	<u>\$ -</u>	<u>121,550</u>	<u>1,925</u>	<u>123,475</u>
Balance at June 30, 2022	<u>\$ -</u>	<u>119,146</u>	<u>1,925</u>	<u>121,071</u>
Balance at January 1, 2021	<u>\$ -</u>	<u>118,457</u>	<u>1,925</u>	<u>120,382</u>
Balance at June 30, 2021	<u>\$ -</u>	<u>99,486</u>	<u>1,925</u>	<u>101,411</u>

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**FUBON SECURITIES CO., LTD. AND SUBSIDIARIES**  
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(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, \$660,000 and \$680,000 as of June 30, 2022, December 31 and June 30, 2021, 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 June 30, 2022, December 31 and June 30, 2021. The details were as follows:

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Centralized exchange market	\$ 107,556	159,266	138,721
Taipei Exchange	78,547	85,974	85,975
Taiwan Futures Exchange	<u>122,236</u>	<u>125,270</u>	<u>124,652</u>
Total	<u>\$ 308,339</u>	<u>370,510</u>	<u>349,348</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 June 30, 2022, December 31 and June 30, 2021, the details of overdue receivables were as follows:

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Receivables from failed pecuniary finance contracts and the related interest	\$ 3,600	3,127	12,545
Other overdue receivables	<u>4,485</u>	<u>3,681</u>	<u>2,196</u>
Subtotal	8,085	6,808	14,741
Less: loss allowance	<u>8,073</u>	<u>6,743</u>	<u>14,639</u>
Total	<u>\$ 12</u>	<u>65</u>	<u>102</u>

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**FUBON SECURITIES CO., LTD. AND SUBSIDIARIES**  
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The composition of loss allowance was as follows:

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Beginning balance	\$ 6,743	1,561	1,561
Allowance for doubtful account	1,330	16,205	13,078
Write-off	-	(11,023)	-
Ending balance	<u>\$ 8,073</u>	<u>6,743</u>	<u>14,639</u>

(r) Short-term borrowings

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Unsecured and secured loans	<u>\$ 547,017</u>	<u>378,366</u>	<u>829,322</u>
Interest rate (%) range	1.06%~2.08%	0.60%~1.414%	0.62%~1.065%

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

(s) Commercial paper issued

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Commercial paper issued, par value	\$ 16,600,000	12,500,000	18,400,000
Less: discounts on commercial paper issued	(5,843)	(2,166)	(2,050)
Total	<u>\$ 16,594,157</u>	<u>12,497,834</u>	<u>18,397,950</u>
Interest rate (%) range	0.66%~0.90%	0.34%~0.46%	0.20%~0.29%

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

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Securities purchased under resell agreements — securities lending	\$ 118,026	-	-
Warrant liabilities	160,303	275,443	906,303
Settlement coverage bonds payable of short sale	50,000	49,531	49,757
Liabilities on sale of borrowed securities	5,446,415	5,179,151	5,796,706
Derivative liabilities — OTC	5,866,539	5,003,299	2,757,344
Financial liabilities designated as at fair value through profit or loss	2,452,180	2,480,331	2,577,743
Put options-futures	328	-	330
Total	<u>\$ 14,093,791</u>	<u>12,987,755</u>	<u>12,088,183</u>

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**FUBON SECURITIES CO., LTD. AND SUBSIDIARIES**  
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The related accounts were as follows:

(i) Securities purchased under resell agreements—securities lending

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Securities purchased under resell agreements—securities lending	\$ 117,271	-	-
Valuation adjustment	755	-	-
Total	<u>\$ 118,026</u>	<u>-</u>	<u>-</u>

(ii) Warrant liabilities

The Group was approved by the authorities to issue warrants. As of June 30, 2022, December 31 and June 30, 2021, the details of warrant liabilities were as follows:

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Warrant liabilities	\$ 15,724,684	11,312,247	8,206,733
Change in value of warrant liabilities	<u>(8,846,412)</u>	<u>(1,336,769)</u>	<u>1,057,464</u>
Market value	<u>6,878,272</u>	<u>9,975,478</u>	<u>9,264,197</u>
Warrants redeemed	14,691,065	10,884,379	7,771,718
Change in value of warrants redeemed	<u>(7,973,096)</u>	<u>(1,184,344)</u>	<u>586,176</u>
Market value	<u>6,717,969</u>	<u>9,700,035</u>	<u>8,357,894</u>
Warrant liabilities, net	<u>\$ 160,303</u>	<u>275,443</u>	<u>906,303</u>

(iii) Settlement coverage bonds payable of short sale

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Settlement coverage bonds payable of short sale	\$ 50,000	49,476	49,757
Valuation adjustment	<u>-</u>	<u>55</u>	<u>-</u>
Total	<u>\$ 50,000</u>	<u>49,531</u>	<u>49,757</u>

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

## (iv) Liabilities on sale of borrowed securities

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Hedged:			
Listed stocks – TWSE	\$ 29,646	92,501	223,986
Listed stocks – TPEX	11,641	-	-
Valuation adjustment	<u>(4,586)</u>	<u>22,278</u>	<u>(78,038)</u>
Subtotal	<u>36,701</u>	<u>114,779</u>	<u>145,948</u>
Non-hedged:			
Listed stocks – TWSE	6,267,453	4,748,003	5,309,706
Listed stocks – TPEX	7,953	4,099	12,399
Valuation adjustment	<u>(865,692)</u>	<u>312,270</u>	<u>328,653</u>
Subtotal	<u>5,409,714</u>	<u>5,064,372</u>	<u>5,650,758</u>
Total	<u><u>\$ 5,446,415</u></u>	<u><u>5,179,151</u></u>	<u><u>5,796,706</u></u>

## (v) Derivative liabilities – OTC

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Interest rate swap contracts	\$ 548,829	118,831	173,709
IRS portion of asset swap contracts	109,914	78,762	12,945
Asset swap options	5,207,796	4,804,735	2,570,189
Equity derivatives	-	971	497
Foreign exchange derivatives	<u>-</u>	<u>-</u>	<u>4</u>
Total	<u><u>\$ 5,866,539</u></u>	<u><u>5,003,299</u></u>	<u><u>2,757,344</u></u>

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

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Structured products	\$ 2,403,520	2,408,046	2,494,140
Exchange traded notes	<u>48,660</u>	<u>72,285</u>	<u>83,603</u>
Total	<u><u>\$ 2,452,180</u></u>	<u><u>2,480,331</u></u>	<u><u>2,577,743</u></u>

## (vii) Put options-futures

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Put options-futures	<u>\$ 328</u>	<u>-</u>	<u>330</u>

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

(u) Securities sold under repurchase agreements

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Government bonds	\$ 190,000	100,000	190,000
Corporate bonds and financial bonds	6,615,232	10,473,522	15,261,050
Total	<u>\$ 6,805,232</u>	<u>10,573,522</u>	<u>15,451,050</u>
Interest rate	0.43%~1.78%	0.22%~0.38%	0.14%~0.35%

As of June 30, 2022, December 31 and June 30, 2021, 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 \$6,808,010, \$10,575,996 and \$15,455,577, respectively.

(v) Derivative instruments

As of June 30, 2022, December 31 and June 30, 2021, the derivative instruments for trading were as follows:

	<u>June 30, 2022</u>		<u>December 31, 2021</u>		<u>June 30, 2021</u>	
	<u>Book value</u>	<u>Nominal amount</u>	<u>Book value</u>	<u>Nominal amount</u>	<u>Book value</u>	<u>Nominal amount</u>
Derivative assets:						
Futures trading margin—proprietary funds	\$ 559,022	-	593,934	-	553,836	-
Call options	2,585	-	415	-	3,865	-
Interest rate swap contracts	655,404	52,500,000	147,538	38,600,000	169,209	33,100,000
IRS portion of asset swap contracts	7,895	660,400	29,358	888,500	1,951	984,000
Foreign exchange derivatives	4,208	-	2,769	-	-	-
Derivative liabilities:						
Interest rate swap contracts	\$ 548,829	47,300,000	118,831	35,700,000	173,709	36,500,000
IRS portion of asset swap contracts	109,914	3,927,700	78,762	2,638,700	12,945	1,237,400
Asset swap options	5,207,796	10,579,300	4,804,735	8,458,600	2,570,189	5,488,300
Equity derivatives	-	-	971	-	497	-
Foreign exchange derivatives	-	-	-	-	4	82,818
Put options—futures	328	-	-	-	330	-
Structured products	2,403,520	2,446,500	2,408,046	2,419,835	2,494,140	2,500,172

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.

(Continued)

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

The Group conducted a trading of futures and options for trading purpose, and the details for the six months ended June 30, 2022 and 2021 were as follows:

(i) Futures contracts

- 1) As of June 30, 2022, December 31 and June 30, 2021, the Company's unsettled futures contracts were as follows:

June 30, 2022						
Item	Transaction types	Unsettled part		Contract Value	Fair value	Note
		Buy/Sell	Volume			
Future:						
	10-Year T-Note Futures	Sell	167	\$ (579,874)	(588,474)	
	2-Year T-Note Futures	Sell	324	(2,014,738)	(2,022,900)	
	5-Year T-Note Futures	Sell	302	(994,884)	(1,007,792)	
	E-Micro Gold Futures	Buy	64	34,717	34,386	
	Mini-Dow Jones	Buy	10	45,198	45,754	
	Mini NASDAQ 100	Sell	33	(227,583)	(226,221)	
	MiniS&P500	Sell	5	(28,446)	(28,164)	
	VN30	Sell	44	(6,964)	(6,968)	
	JTI	Sell	3	(12,714)	(12,240)	
	JTM	Sell	57	(23,617)	(23,256)	
	MHI	Sell	21	(17,623)	(17,304)	
	China A50	Buy	98	42,781	43,360	
	China A50	Sell	66	(28,731)	(29,202)	
	M1JY&	Buy	10	27,926	27,557	
	BRF	Sell	7	(23,310)	(22,689)	
	NIFTY 50	Sell	64	(60,151)	(59,829)	
	US, Treasury Bond Futures	Sell	52	(209,652)	(214,300)	
	GDF	Sell	15	(82,779)	(80,593)	
	MNQ	Sell	203	(142,602)	(139,160)	
	MES	Buy	3	1,687	1,690	
	MES	Sell	49	(27,787)	(27,601)	
	SIL	Sell	1	(615)	(605)	
	MYM	Sell	99	(45,531)	(45,297)	
	CL	Sell	7	(22,605)	(22,009)	
	MCH	Sell	16	(4,701)	(4,601)	
	SI	Sell	5	(16,253)	(15,126)	
	UB	Sell	26	(117,488)	(119,300)	
	M2K	Sell	77	(19,994)	(19,549)	
	ESX	Sell	2	(2,171)	(2,135)	
	FIVNM30	Sell	17	(5,185)	(5,228)	
	HHI	Sell	4	(5,883)	(5,752)	
	STW	Buy	319	541,500	532,498	

(Continued)

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

June 30, 2022						
Item	Transaction types	Unsettled part		Contract Value	Fair value	Note
		Buy/Sell	Volume			
	USDX	Sell	30	(93,234)	(93,168)	
	TWN	Buy	6	9,057	9,047	
	HSI	Sell	2	(8,406)	(8,240)	
	MSCI China Free Index Futures	Sell	59	(47,419)	(47,946)	
	MSCI China A50	Sell	11	(19,741)	(20,733)	
	Stock Futures	Buy	1,495	4,203,832	3,949,652	
	MTX	Sell	22	(16,615)	(16,086)	
	Stock Futures	Sell	1,923	(379,286)	(313,793)	
	NYF	Buy	46	55,590	53,177	
	OJF	Buy	5	1,128	1,226	Non-hedge account
	TF	Buy	4	6,362	6,228	Non-hedge account
	ZEF	Buy	5	1,669	1,665	Non-hedge account
	Stock Futures	Buy	700	381,133	342,537	Hedge account
	MTX	Sell	36	(26,410)	(26,323)	Hedge account
	OAF	Sell	20	(6,730)	(7,094)	Hedge account
	OKF	Sell	13	(1,795)	(1,972)	Hedge account
	TE	Sell	78	(219,729)	(207,776)	Hedge account
	TX	Sell	1	(2,923)	(2,925)	Hedge account
	ZFF	Sell	17	(6,794)	(6,617)	Hedge account
	Stock Futures	Sell	647	(127,278)	(111,122)	Hedge account
	Total			<u>\$ (325,661)</u>	<u>(561,313)</u>	

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)	
	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)	

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**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			
	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	
	MTX	Buy	1	910	910	
	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
	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

(Continued)

**FUBON SECURITIES CO., LTD. AND SUBSIDIARIES**  
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December 31, 2021						
Item	Transaction types	Unsettled part		Contract Value	Fair value	Note
		Buy/Sell	Volume			
	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
	OKF	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>	

June 30, 2021						
Item	Transaction types	Unsettled part		Contract Value	Fair value	Note
		Buy/Sell	Volume			
Future:						
	10-Year T-Note Futures	Buy	48	\$ 176,617	177,253	
	10-Year T-Note Futures	Sell	378	(1,389,256)	(1,395,867)	
	2-Year T-Note Futures	Sell	334	(2,050,664)	(2,050,867)	
	5-Year T-Note Futures	Buy	80	275,120	275,198	
	5-Year T-Note Futures	Sell	590	(2,034,291)	(2,029,589)	
	MGC	Buy	16	7,926	7,900	
	MGC	Sell	5	(2,474)	(2,469)	
	Mini-Dow Jones	Sell	3	(14,113)	(14,380)	
	Mini NASDAQ 100	Sell	25	(201,054)	(202,740)	
	Mini S&P500	Sell	9	(52,823)	(53,784)	
	MSCI China Free Index Futures	Sell	20	(33,358)	(33,659)	
	VN30	Sell	4	(737)	(741)	
	JTI	Sell	2	(9,809)	(9,804)	
	JTM	Sell	56	(27,724)	(27,452)	
	MHI	Sell	2	(2,065)	(2,055)	
	China A50	Buy	2	963	964	

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June 30, 2021						
Item	Transaction types	Unsettled part		Contract Value	Fair value	Note
		Buy/Sell	Volume			
	China A50	Sell	77	(37,425)	(37,126)	
	M1JY&	Sell	3	(9,573)	(9,413)	
	JNI	Sell	2	(7,292)	(7,251)	
	BRF	Sell	38	(79,213)	(79,027)	
	NIFTY 50	Buy	7	6,209	6,144	
	NIFTY 50	Sell	93	(81,928)	(81,630)	
	US, Treasury Bond Futures	Sell	2	(8,744)	(8,960)	
	HG	Sell	2	(6,153)	(5,987)	
	GDF	Sell	3	(14,867)	(14,812)	
	MNQ	Buy	7	5,529	5,677	
	MNQ	Sell	45	(36,313)	(36,493)	
	MES	Buy	2	1,181	1,195	
	MES	Sell	37	(22,049)	(22,111)	
	SIL	Sell	24	(17,395)	(17,521)	
	MYM	Buy	38	17,932	18,215	
	MYM	Sell	7	(3,310)	(3,355)	
	CL	Buy	3	6,060	6,143	
	CL	Sell	17	(34,868)	(34,809)	
	MCH	Buy	32	12,391	12,141	
	MME	Buy	1	1,869	1,902	
	SIL	Buy	1	3,632	3,650	
	UB	Buy	1	5,339	5,370	
	M2K	Buy	8	2,603	2,573	
	ESX	Buy	2	2,738	2,687	
	FXXP	Sell	4	(3,026)	(2,989)	
	NYF	Buy	3	4,154	4,166	Non-hedge account
	TE	Buy	5	16,361	16,523	Non-hedge account
	TF	Buy	10	14,859	15,050	Non-hedge account
	FITX	Buy	654	2,252,148	2,316,592	Non-hedge account
	Stock Futures	Buy	1,351	1,490,358	1,484,063	Non-hedge account
	MTX	Sell	13	(11,195)	(11,513)	Non-hedge account
	Stock Futures	Sell	577	(162,523)	(183,416)	Non-hedge account
	NYF	Buy	53	72,496	73,471	Hedge account
	Stock Futures	Buy	1,732	279,279	282,109	Hedge account
	OAF	Sell	87	(33,924)	(33,382)	Hedge account
	OBF	Sell	2	(785)	(765)	Hedge account
	OJF	Sell	50	(13,729)	(13,715)	Hedge account
	OKF	Sell	21	(3,618)	(3,669)	Hedge account

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**FUBON SECURITIES CO., LTD. AND SUBSIDIARIES**  
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June 30, 2021						
Item	Transaction types	Unsettled part		Contract Value	Fair value	Note
		Buy/Sell	Volume			
	OOF	Sell	2	(366)	(378)	Hedge account
	TE	Sell	64	(209,533)	(211,494)	Hedge account
	TF	Sell	27	(40,031)	(40,635)	Hedge account
	TX	Sell	79	(277,141)	(279,850)	Hedge account
	ZEF	Sell	2	(828)	(826)	Hedge account
	Stock Futures	Sell	1,010	(395,619)	(402,687)	Hedge account
	Total			<u><u>\$ (2,674,052)</u></u>	<u><u>(2,648,235)</u></u>	

- 2) As of June 30, 2022, December 31 and June 30, 2021, Fubon Futures' unsettled futures contracts were as follow:

June 30, 2022						
Item	Transaction types	Unsettled part		Contract value	Fair value	Note
		Buy/Sell	Volume			
Future:						
	Bond Futures	Buy	24	\$ 149,722	149,800	
	Index Futures	Buy	18	17,779	17,506	
	Stock Futures	Buy	10	2,580	2,440	
	Agricultural Products Futures	Sell	19	(44,257)	(41,165)	
	Bond Futures	Sell	12	(41,986)	(42,273)	
	Index Futures	Sell	7	(18,877)	(18,540)	
	Metal Futures	Sell	5	(16,231)	(13,783)	
	Stock Futures	Sell	326	(24,172)	(22,447)	
	Interest Rate Futures	Sell	7	(33,078)	(32,110)	
	Foreign Exchange Futures	Sell	4	(10,162)	(10,077)	
	Total			<u><u>\$ (18,682)</u></u>	<u><u>(10,649)</u></u>	

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><u>\$ (62,928)</u></u>	<u><u>(64,661)</u></u>	

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

June 30, 2021						
Item	Transaction types	Unsettled part		Contract value	Fair value	Note
		Buy/Sell	Volume			
Future:	Foreign Index Futures	Sell	2	\$ (109)	(111)	
	Total			<u>\$ (109)</u>	<u>(111)</u>	

(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 June 30, 2022, December 31 and June 30, 2021, the Company's unsettled option contracts were as follow:

June 30, 2022						
Item	Volume	Unsettled part		Contract value	Fair value	Note
		Buy/sell	Volume			
Option:	Single Stock Options (call option)	Buy	24	\$ 397	88	Hedge account
	Single Stock Options (put option)	Buy	23	570	938	Hedge account
	TXO (put option)	Buy	15	268	1,118	Hedge account
	Total			<u>\$ 1,235</u>	<u>2,144</u>	

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>	

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

June 30, 2021						
Item	Volume	Unsettled part		Contract value	Fair value	Note
		Buy/sell	Volume			
Option:						
	Single Stock Options (call option)	Buy	127	\$ 4,319	3,177	Hedge account
	Single Stock Options (put option)	Buy	86	1,730	688	Hedge account
	Single Stock Options (call option)	Sell	21	(101)	(72)	Hedge account
	Single Stock Options (put option)	Sell	12	(310)	(258)	Hedge account
	Total			<u>\$ 5,638</u>	<u>3,535</u>	

- 2) As of June 30, 2022, Fubon Futures unsettled option contracts were as follows:

June 30, 2022						
Item	Volume	Unsettled part		Contract value	Fair value	Note
		Buy/sell	Volume			
Option:						
	TXO (call option)	Buy	3	\$ 61	102	
	TXO (put option)	Buy	10	251	339	
	TXO (call option)	Sell	68	(441)	(274)	
	TXO (put option)	Sell	10	(42)	(54)	
	Total			<u>\$ (171)</u>	<u>113</u>	

- 3) As of December 31 and June 30, 2021, 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):

	For the three months ended June 30		For the six months ended June 30	
	2022	2021	2022	2021
Gains (losses) on futures contracts – realized	\$ (100,239)	53,451	(208,754)	542,536
Gains (losses) on futures contracts – unrealized	(420,732)	(25,403)	(328,193)	(5,144)
Gains (losses) on options – realized	(11,722)	(22,217)	(1,688)	(16,211)
Gains (losses) on options – unrealized	<u>3,554</u>	<u>1,282</u>	<u>1,340</u>	<u>(3,188)</u>
Gains (losses) on derivative financial instruments, net – futures	<u>\$ (529,139)</u>	<u>7,113</u>	<u>(537,295)</u>	<u>517,993</u>

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

	<b>For the three months ended June 30</b>		<b>For the six months ended June 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Gains (losses) on valuation exchange	\$ 24,868	(4,592)	72,586	(8,458)
Valuation gains (losses) on asset swap options	998,107	(64,241)	1,341,438	(176,048)
Gains (losses) on maturity of asset swap options	-	3,004	1,191	4,630
Gains (losses) on exercise of asset swap options	(23,050)	(57,400)	(156,058)	(118,814)
Valuation gains (losses) from IRS portion of asset swap contracts	(41,428)	4,002	(69,690)	(8,134)
Gains (losses) on equity derivatives	(30)	3	(14)	3
Gains (losses) on structured products	59,169	3,228	83,061	(8,038)
Valuation gains (losses) on foreign exchange derivatives	41	(4)	91	(453)
Gains (losses) from derivatives – OTC	<b><u>\$ 1,017,677</u></b>	<b><u>(116,000)</u></b>	<b><u>1,272,605</u></b>	<b><u>(315,312)</u></b>

(w) Notes and accounts payable

	<b>June 30, 2022</b>	<b>December 31, 2021</b>	<b>June 30, 2021</b>
	Accounts payable – non-related parties:		
Accounts payable of securities sold for customers	\$ 602,109	747,806	1,479,720
Accounts payable for settlement	10,415,916	15,596,437	27,854,417
Settlement proceeds	2,999,203	1,749,401	69,225
Others	914,703	469,725	116,564
Notes and accounts payable	<b><u>\$ 14,931,931</u></b>	<b><u>18,563,369</u></b>	<b><u>29,519,926</u></b>
Accounts payable – related parties	<b><u>\$ 20,832</u></b>	<b><u>16,849</u></b>	<b><u>18,673</u></b>

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

## (x) Other payables

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Other payables – non-related parties:			
Tax payable	\$ 39,664	54,626	58,367
Employee bonuses payable	1,560,962	2,171,938	1,391,770
Interest payable	24,117	7,597	7,328
Advertisement expense payable	19,035	20,030	20,793
Information technology fees payable	54,893	42,407	47,944
Professional service payable	30,583	32,620	32,238
Discount on brokerage commission payable	239,079	376,823	568,522
Short-term paid leave payable	95,610	118,202	100,944
Pensions payable	19,289	19,545	19,425
Insurance premium Dpayable	40,404	53,583	33,799
Others (no individual accounts for more than \$10,000)	149,605	144,211	170,748
Other payables	<u>\$ 2,273,241</u>	<u>3,041,582</u>	<u>2,451,878</u>
Other payables – related parties	<u>\$ 98,118</u>	<u>97,716</u>	<u>116,535</u>

## (y) Other current liabilities

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Advance receipts	\$ 4,785	5,624	7,747
Receipts under custody	3,025,929	19,312,027	1,792,491
Customer ledgers	999,694	1,201,520	1,075,706
Temporary receipts	52,657	92,061	143,772
Leverage contracts traders' equity	5,007	2	-
Total	<u>\$ 4,088,072</u>	<u>20,611,234</u>	<u>3,019,716</u>

## (z) Lease liabilities

The Group's lease liabilities were as follow:

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Current	<u>\$ 172,567</u>	<u>173,487</u>	<u>181,483</u>
Non-current	<u>\$ 171,304</u>	<u>170,010</u>	<u>184,094</u>

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

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

The amounts recognized in profit or loss were as follows:

	<b>For the three months ended June 30</b>		<b>For the six months ended June 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Interest on lease liabilities	<u>\$ 2,864</u>	<u>3,246</u>	<u>5,479</u>	<u>6,874</u>
Variable lease payments not included in the measurement of lease liabilities	<u>\$ 7,027</u>	<u>8,760</u>	<u>15,093</u>	<u>17,866</u>
Expenses relating to short-term leases	<u>\$ 257</u>	<u>183</u>	<u>474</u>	<u>315</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	<u>\$ 12,943</u>	<u>11,498</u>	<u>25,340</u>	<u>23,370</u>

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

	<b>For the six months ended June 30</b>	
	<b>2022</b>	<b>2021</b>
Total cash outflow for leases	<u>\$ 101,502</u>	<u>107,766</u>

(i) Real estate leases

As of June 30, 2022, 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

	<b>June 30, 2022</b>	<b>December 31, 2021</b>	<b>June 30, 2021</b>
	Provision for employee benefits	\$ 854,344	1,294,990
Decommissioning costs	<u>25,963</u>	<u>25,917</u>	<u>27,878</u>
Total	<u>\$ 880,307</u>	<u>1,320,907</u>	<u>1,022,998</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.

(Continued)

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

(ab) Employee benefits

(i) Defined benefit plans

There was no significant volatility of the market or any significant reimbursement, settlement or other one-time event in the prior fiscal year, the Group used December 31, 2021 and 2020 pension cost measured and disclosed the interim pension cost.

The Group's expenses recognized in profit or loss were as follows:

	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Pension expense (recognized as operating expense)	<u>\$ 4,349</u>	<u>14,262</u>	<u>12,368</u>	<u>22,383</u>

(ii) Defined contribution plans

The Group contributes 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 contributes a fixed amount to the Bureau of Labor Insurance without any additional legal or constructive obligations.

Pension under defined contribution plans has been deposited to Bureau of Labor Insurance. The Group's expenses recognized in profit or loss were as follows:

	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Pension expense (recognized as operating expense)	<u>\$ 28,142</u>	<u>28,382</u>	<u>56,566</u>	<u>55,156</u>

(ac) Income tax

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

	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Current tax expense				
Current period	\$ 240,639	291,129	445,246	565,303
Adjustment for prior periods	(9,394)	2,468	(9,394)	2,468
	<u>231,245</u>	<u>293,597</u>	<u>435,852</u>	<u>567,771</u>
Deferred tax benefit				
Incurrence of temporary differences	67,158	(10,073)	138,108	(38,202)
Income tax expense	<u>\$ 298,403</u>	<u>283,524</u>	<u>573,960</u>	<u>529,569</u>

(Continued)

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

- (ii) The details of income tax expense (benefit) recognized in other comprehensive income were as follows:

	<b>For the three months ended June 30</b>		<b>For the six months ended June 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Items not to be reclassified to profit or loss:				
Revaluation gains	\$ <u>1,531</u>	<u>-</u>	<u>1,531</u>	<u>109</u>
Items that may be subsequently reclassified to profit or loss:				
Exchange differences on translation of foreign operations	\$ <u>8,456</u>	<u>(8,030)</u>	<u>16,187</u>	<u>(6,440)</u>

- (iii) The ROC income tax authorities have examined the income tax returns of the Company all years through 2017. 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 company has recognized the amount of additional tax levied, which was intended to file an appeal within the statutory period in 2017. The income tax returns of Fubon Futures, Fubon Securities Investment Service, Fubon Securities Venture Capital and Fubon Mintou Venture Capital all years through 2020 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

As of June 30, 2022, December 31 and June 30, 2021, 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:

	<b>June 30, 2022</b>	<b>December 31, 2021</b>	<b>June 30, 2021</b>
	Long-term equity investment adjustments	\$ 3,093	1,988
Premium on capital stock	<u>66,593</u>	<u>66,593</u>	<u>-</u>
Total	<u>\$ 69,686</u>	<u>68,581</u>	<u>1,737</u>

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**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.

(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>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Appropriation under Regulations Governing Securities Firms	\$ 10,656,830	10,656,830	10,656,830
Appropriation of bad debts loss expense reserve	10,909	10,909	10,909
Appropriation of the adoption of investment property using the fair value model	383,481	325,460	325,460
Appropriation of Fintech development	<u>32,055</u>	<u>32,055</u>	<u>32,055</u>
	<u>\$ 11,083,275</u>	<u>11,025,254</u>	<u>11,025,254</u>

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:

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## FUBON SECURITIES CO., LTD. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

- 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.

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 29, 2022 and April 28, 2021, as follows:

	<u>2020</u>	<u>2019</u>
Appropriation under Rule No. 1030008251 issued by the FSC	\$ <u><u>58,021</u></u>	<u><u>(9,787)</u></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.

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

On April 29, 2022 and April 28, 2021, the Company's Board of Directors acted on behalf of the shareholders to appropriate the 2021 and 2020 earnings, respectively, as follows:

	2021	2020
Dividends distributed to common shareholders:		
Cash	<b>\$ 6,142,966</b>	<b>3,757,517</b>

(iv) Other equity (net of tax)

	Exchange differences on translation of foreign operations	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Revaluation gains on property	Total
Balance as of January 1, 2022	\$ (202,453)	4,508,921	39,673	4,346,141
Exchange differences on translation of foreign operations	60,204	-	-	60,204
Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	-	(1,577,363)	-	(1,577,363)
Accumulated gains (losses) reclassified to profit or loss on disposal of debt instrument measured at fair value through other comprehensive income	-	96,285	-	96,285
Disposal of equity instruments measured at fair value through other comprehensive income	-	193,786	-	193,786
Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income of the associates accounted for using equity method	-	7,528	-	7,528
Revaluation gains	-	-	3,653	3,653
Balance as of June 30, 2022	<b>\$ (142,249)</b>	<b>3,229,157</b>	<b>43,326</b>	<b>3,130,234</b>
		<b>Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income</b>		
	<b>Exchange differences on translation of foreign operations</b>	<b>comprehensive income</b>	<b>Revaluation gains on property</b>	<b>Total</b>
Balance as of January 1, 2021	\$ (164,086)	3,196,939	38,893	3,071,746
Exchange differences on translation of foreign operations	(26,104)	-	-	(26,104)
Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	-	706,643	-	706,643
Accumulated gains (losses) reclassified to profit or loss on disposal of debt instrument measured at fair value through other comprehensive income	-	4,841	-	4,841
Disposal of equity instruments measured at fair value through other comprehensive income	-	(93,685)	-	(93,685)
Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income of the associates accounted for using equity method	-	(4,069)	-	(4,069)
Revaluation gains	-	-	780	780
Balance as of June 30, 2021	<b>\$ (190,190)</b>	<b>3,810,669</b>	<b>39,673</b>	<b>3,660,152</b>

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

## (v) Non-controlling interests

	<b>For the six months ended June 30</b>	
	<b>2022</b>	<b>2021</b>
Beginning balance	\$ 64,987	65,506
Attributable to non-controlling interests		
Net loss	(167)	(185)
Ending balance	<b><u>\$ 64,820</u></b>	<b><u>65,321</u></b>

## (ae) Earnings per share

	<b>For the three months ended June 30</b>		<b>For the six months ended June 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Net income attributable to ordinary shareholders of the Company	<b><u>\$ 542,660</u></b>	<b><u>1,981,204</u></b>	<b><u>1,307,607</u></b>	<b><u>3,688,163</u></b>
Weighted-average number of ordinary shares outstanding (in thousands)	<b><u>1,064,355</u></b>	<b><u>1,064,355</u></b>	<b><u>1,064,355</u></b>	<b><u>1,064,355</u></b>
Basic earnings per share (dollars)	<b><u>\$ 0.51</u></b>	<b><u>1.87</u></b>	<b><u>1.23</u></b>	<b><u>3.47</u></b>

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.

## (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 three months and six months ended June 30, 2022 and 2021, the estimated employees' compensation were \$831, \$2,244, \$1,866 and \$4,204, 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 three months and six months ended June 30, 2022 and 2021. 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, 2021, 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.

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**FUBON SECURITIES CO., LTD. AND SUBSIDIARIES**  
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## (ag) Revenue and expense

## (i) Brokerage handling fee revenue

	<b>For the three months ended June 30</b>		<b>For the six months ended June 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Centralized securities exchange market	\$ 936,149	2,228,458	2,129,239	3,650,294
Over-the-counter securities exchange	269,439	419,480	551,387	778,579
Futures Exchanges	199,822	209,442	395,449	400,490
Handling fees from securities financing	14,172	14,367	24,473	23,932
Income from dealing with securities lending	32,122	20,551	53,293	37,218
Revenues from sub-broker handling fee	<u>114,759</u>	<u>128,528</u>	<u>247,761</u>	<u>332,286</u>
Total	<b><u>\$ 1,566,463</u></b>	<b><u>3,020,826</u></b>	<b><u>3,401,602</u></b>	<b><u>5,222,799</u></b>

## (ii) Revenues from underwriting business

	<b>For the three months ended June 30</b>		<b>For the six months ended June 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Revenues from underwriting securities on a firm commitment basis	\$ 23,359	33,470	47,172	68,965
Handling fee revenues from underwriting operations	1,705	3,599	5,305	7,119
Revenues from underwriting consultation	5,570	5,790	9,310	9,950
Other revenues from underwriting business	27,738	12,847	40,608	17,789
Commissions income from securities proxy sale	<u>17,918</u>	<u>13,606</u>	<u>37,259</u>	<u>26,882</u>
Total	<b><u>\$ 76,290</u></b>	<b><u>69,312</u></b>	<b><u>139,654</u></b>	<b><u>130,705</u></b>

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

	<b>For the three months ended June 30</b>		<b>For the six months ended June 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Dealing – domestic	\$ (194,749)	529,305	80,248	835,879
Dealing – foreign	(161,338)	5,652	(372,900)	(103,472)
Underwriting – domestic	19,986	63,716	46,844	95,683
Hedging – domestic	<u>(77,554)</u>	<u>482,313</u>	<u>20,048</u>	<u>711,008</u>
Total	<b><u>\$ (413,655)</u></b>	<b><u>1,080,986</u></b>	<b><u>(225,760)</u></b>	<b><u>1,539,098</u></b>

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**FUBON SECURITIES CO., LTD. AND SUBSIDIARIES**  
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(iv) Valuation gains (losses) on operating securities measured at fair value through profit or loss

	<b>For the three months ended June 30</b>		<b>For the six months ended June 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Dealing – domestic	\$ (252,677)	(72,929)	(351,631)	67,548
Dealing – foreign	17,506	35,196	22,194	(102,329)
Underwriting – domestic	(39,265)	(20,817)	(33,265)	3,741
Hedging – domestic	(986,513)	388,805	(1,352,170)	516,077
Settlement coverage bonds payable of short sale	11,038	(3,042)	55	-
<b>Total</b>	<b>\$ (1,249,911)</b>	<b>327,213</b>	<b>(1,714,817)</b>	<b>485,037</b>

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

	<b>For the three months ended June 30</b>		<b>For the six months ended June 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Gains from changes in fair value of call (put) warrants	\$ 7,459,712	3,308,542	15,971,226	6,454,298
Losses on exercise of call (put) warrants before maturity	(6,754)	(95,841)	(16,933)	(139,588)
Losses on changes in fair value upon redemption of call (put) warrants	(7,318,690)	(3,877,977)	(15,661,837)	(7,033,314)
Expenses arising from issuance of call (put) warrants	(19,756)	(18,596)	(45,795)	(33,856)
<b>Total</b>	<b>\$ 114,512</b>	<b>(683,872)</b>	<b>246,661</b>	<b>(752,460)</b>

(vi) Interest revenue

	<b>For the three months ended June 30</b>		<b>For the six months ended June 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Margin purchase / short sales	\$ 230,297	253,501	485,475	469,992
Bonds interests	32,421	41,626	69,320	106,961
	46,526	33,691	91,705	63,000
Others	18,744	22,251	25,290	31,588
<b>Total</b>	<b>\$ 327,988</b>	<b>351,069</b>	<b>671,790</b>	<b>671,541</b>

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

## (vii) Other operating income

	<b>For the three months ended June 30</b>		<b>For the six months ended June 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Advisory revenue	\$ 14,924	14,196	31,084	25,182
Realized gains (losses) on debt investments measured at fair value through other comprehensive income	(87,052)	(951)	(96,285)	(4,841)
Foreign exchange gains (losses), net	28,046	(16,849)	72,240	(8,428)
Others	38,613	46,863	116,517	105,735
Total	<b><u>\$ (5,469)</u></b>	<b><u>43,259</u></b>	<b><u>123,556</u></b>	<b><u>117,648</u></b>

## (viii) Employee benefits expense

	<b>For the three months ended June 30</b>		<b>For the six months ended June 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Wages and salaries	\$ 750,956	1,172,989	1,580,728	2,186,991
Insurance expense	57,964	55,772	116,180	127,072
Director's remuneration	5,272	4,448	10,279	8,551
Pension expense	33,113	45,434	73,346	81,481
Other employee benefits expense	19,053	20,186	37,082	39,097
Total	<b><u>\$ 866,358</u></b>	<b><u>1,298,829</u></b>	<b><u>1,817,615</u></b>	<b><u>2,443,192</u></b>

## (ix) Depreciation and amortization expense

	<b>For the three months ended June 30</b>		<b>For the six months ended June 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Depreciation expense	\$ 76,645	76,538	153,288	155,060
Amortization expense	19,801	17,943	38,035	37,118
Total	<b><u>\$ 96,446</u></b>	<b><u>94,481</u></b>	<b><u>191,323</u></b>	<b><u>192,178</u></b>

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**FUBON SECURITIES CO., LTD. AND SUBSIDIARIES**  
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## (x) Other operating expense

	<b>For the three months ended June 30</b>		<b>For the six months ended June 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Rental expense	\$ 20,306	20,463	41,056	41,655
Taxes	169,900	250,194	376,065	421,771
Information technology expense	69,660	61,944	137,601	120,174
Postage expense	32,535	30,056	60,577	58,626
Commission expense	9,114	6,287	21,137	29,638
Repair and maintenance expense	36,937	33,992	72,336	68,696
Professional service fees	17,905	12,774	32,093	22,807
Stock borrowing fees	177,313	96,699	334,898	192,627
Depository service expense	37,628	74,937	81,770	123,081
Advertisement expense	15,200	11,038	23,046	19,845
Others	<u>72,276</u>	<u>91,862</u>	<u>129,421</u>	<u>154,562</u>
Total	<b><u>\$ 658,774</u></b>	<b><u>690,246</u></b>	<b><u>1,310,000</u></b>	<b><u>1,253,482</u></b>

## (xi) Finance costs

	<b>For the three months ended June 30</b>		<b>For the six months ended June 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Interest expense of asset swap	\$ 1,554	3,573	5,104	8,601
Interest expense of securities sold under repurchase agreements	12,814	8,102	21,418	19,553
Interest expense and handling fee of commercial paper	25,202	9,304	38,258	15,205
Interest expense of lease liabilities	2,864	3,246	5,479	6,874
Interest expense of margin deposits	31,222	5,010	39,218	10,243
Others	<u>8,083</u>	<u>4,403</u>	<u>13,966</u>	<u>9,970</u>
Total	<b><u>\$ 81,739</u></b>	<b><u>33,638</u></b>	<b><u>123,443</u></b>	<b><u>70,446</u></b>

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

## (xii) Other gains and losses

	<b>For the three months ended June 30</b>		<b>For the six months ended June 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Financial income	\$ 72,041	22,530	99,065	51,829
Losses on disposal of property and equipment	-	(3)	-	(220)
Gains (losses) on disposal of investment	(7,168)	19,478	16,386	54,382
Gains (losses) on fair value adjustment of investment property	(5,629)	-	(5,629)	19,297
Valuation gains (losses) on non-operating financial instruments measured at fair value through profit or loss	(29,469)	321	(75,133)	10,786
Dividend revenue	36,558	5,532	37,919	5,597
Rent revenue	4,664	4,532	9,277	9,036
Facility rental revenue	97,407	95,609	201,900	182,290
Cross-selling revenue	17,031	22,747	58,341	54,983
Cross-selling expense	(28,911)	(24,389)	(75,050)	(51,092)
Others	10,840	9,237	26,971	31,476
<b>Total</b>	<b>\$ 167,364</b>	<b>155,594</b>	<b>294,047</b>	<b>368,364</b>

## (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.

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.

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

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.

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.

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

(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>June 30, 2022</u>			
	<u>Total</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
<b><u>Recurring fair value measurement</u></b>				
<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	\$ 4,217,177	3,808,608	408,569	-
Bond investment	15,318,379	12,864,311	2,454,068	-
Securities invested by broker	558,106	185,684	-	372,422
Others	264,168	264,168	-	-
Financial assets measured at fair value through other comprehensive income				
Stock investment	13,605,227	9,396,110	-	4,209,117
Bond investment	4,636,610	99,235	4,537,375	-
Investment property	689,162	-	-	689,162
Liabilities:				
Financial liabilities measured at fair value through profit or loss				
Held-for-trading financial liabilities	5,614,441	5,496,415	118,026	-
Financial liabilities designated as at fair value through profit or loss	48,660	48,660	-	-
<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	1,229,114	561,607	667,507	-
Liabilities:				
Financial liabilities measured at fair value through profit or loss				
Held-for-trading financial liabilities	6,027,170	160,631	5,866,539	-
Financial liabilities designated as at fair value through profit or loss	2,403,520	-	10,487	2,393,033
<b><u>December 31, 2021</u></b>				
<u>Financial instruments measured at fair value</u>	<u>Total</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
<b><u>Recurring fair value measurement</u></b>				
<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	-	-

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

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.

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

- 4) Transfers between Level 1 and Level 2

There was no significant transfer between Level 1 and Level 2 for the six months ended June 30, 2022 and 2021.

- 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	For the six months ended June 30, 2022							Ending balance
	Beginning balance	Gains (Losses) on Valuation		Increase		Decrease		
		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	\$ 344,464	(24,423)	-	153,405	-	101,024	-	372,422
Financial assets measured at fair value through other comprehensive income	4,228,192	-	(19,075)	-	-	-	-	4,209,117
Investment property	682,582	(5,629)	-	-	12,209	-	-	689,162
<b>Total</b>	<b>\$ 5,255,238</b>	<b>(30,052)</b>	<b>(19,075)</b>	<b>153,405</b>	<b>12,209</b>	<b>101,024</b>	<b>-</b>	<b>5,270,701</b>

  

Name	For the six months ended June 30, 2021							Ending balance
	Beginning balance	Gains (Losses) on Valuation		Increase		Decrease		
		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	(69,164)	-	71,100	-	9,034	12,350	424,809
Financial assets measured at fair value through other comprehensive income	3,518,776	-	371,183	-	-	142,494	429,089	3,318,376
Investment property	1,054,375	19,297	-	-	1,918	-	41,905	1,033,685
<b>Total</b>	<b>\$ 5,017,408</b>	<b>(49,867)</b>	<b>371,183</b>	<b>71,100</b>	<b>1,918</b>	<b>151,528</b>	<b>483,344</b>	<b>4,776,870</b>

Valuation gains (losses) recognized in profit or loss for assets still held were \$(30,052) and \$(49,867) as of June 30, 2022 and 2021, respectively.

Valuation gains (losses) recognized in other comprehensive income for assets still held were \$(19,075) and \$371,183 as of June 30, 2022 and 2021, respectively.

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**FUBON SECURITIES CO., LTD. AND SUBSIDIARIES**  
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b) Reconciliation of financial liabilities measured at fair value in Level 3 of the fair value hierarchy

Name	For the six months ended June 30, 2022							Ending balance
	Beginning balance	Losses (gains) on Valuation		Increase		Decrease		
		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	\$ 2,397,783	(33,514)	-	16,828,368	-	16,799,604	-	2,393,033

Name	For the six months ended June 30, 2021							Ending balance
	Beginning balance	Losses (gains) on Valuation		Increase		Decrease		
		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	(1,592)	-	15,840,286	-	16,887,569	-	2,484,103

Valuation gains recognized in profit or loss for the liabilities still held were \$33,514 and \$1,592, as of June 30, 2022 and 2021, 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:

	June 30, 2022				
	Fair value	Valuation techniques	Significant unobservable inputs	Intervals	Relationship between inputs and fair value
<b>Recurring fair value measurements</b>					
<b>Non-derivative financial instruments</b>					
<b>Assets:</b>					
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	\$ 372,422	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.

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<b>June 30, 2022</b>					
	<b>Fair value</b>	<b>Valuation techniques</b>	<b>Significant unobservable inputs</b>	<b>Intervals</b>	<b>Relationship between inputs and fair value</b>
Financial assets measured at fair value through other comprehensive income					
Stock investment	4,209,117	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	689,162	Note 2	Note 2	Note 2	Note 2
<b><u>Derivative financial instruments</u></b>					
<b>Liabilities:</b>					
Financial liabilities measured at fair value through profit or loss					
Financial liabilities designated as at fair value through profit or loss	2,393,033	Option pricing model	Volatility	1%~80%	The higher the volatility, the higher the fair value.
<b>December 31, 2021</b>					
	<b>Fair value</b>	<b>Valuation techniques</b>	<b>Significant unobservable inputs</b>	<b>Intervals</b>	<b>Relationship between inputs and fair value</b>
<b><u>Recurring fair value measurements</u></b>					
<b><u>Non-derivative financial instruments</u></b>					
<b>Assets:</b>					
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
<b><u>Derivative financial instruments</u></b>					
<b>Liabilities:</b>					
Financial liabilities measured at fair value through profit or loss					
Financial liabilities designated as at fair value through profit or loss	2,397,783	Option pricing model	Volatility	1%~80%	The higher the volatility, the higher the fair value.

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June 30, 2021					
	Fair value	Valuation techniques	Significant unobservable inputs	Intervals	Relationship between inputs and fair value
<b>Recurring fair value measurements</b>					
<b>Non-derivative financial instruments</b>					
<b>Assets:</b>					
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	424,809	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	3,318,376	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	1,033,685	Note 2	Note 2	Note 2	Note 2
<b>Derivative financial instruments</b>					
<b>Liabilities:</b>					
Financial liabilities measured at fair value through profit or loss					
Financial liabilities designated as at fair value through profit or loss	2,484,103	Option pricing model	Volatility	1%~80%	The higher the volatility, the higher the fair value.

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.

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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	June 30, 2022			
	Profit or loss		Other comprehensive income	
	Favorable	Unfavorable	Favorable	Unfavorable
Asset				
Financial assets mandatorily measured at fair value through profit or loss	\$ 37,242	(37,242)	-	-
Financial assets measured at fair value through other comprehensive income	-	-	420,912	(420,912)
Liabilities				
Financial liabilities designated as at fair value through profit or loss	239,303	(239,303)	-	-
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	June 30, 2021			
	Profit or loss		Other comprehensive income	
	Favorable	Unfavorable	Favorable	Unfavorable
Asset				
Financial assets mandatorily measured at fair value through profit or loss	\$ 42,481	(42,481)	-	-
Financial assets measured at fair value through other comprehensive income	-	-	331,838	(331,838)
Liabilities				
Financial liabilities designated as at fair value through profit or loss	248,410	(248,410)	-	-

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

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.

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

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.
- 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.

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

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.

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

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.

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

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.

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**FUBON SECURITIES CO., LTD. AND SUBSIDIARIES**  
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a) Analysis of concentrations of credit risk

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

June 30, 2022						
Credit risk exposure amount – by region						
Financial assets	Taiwan	Hong Kong	Asia	Europe	America	Total
Cash and cash equivalents	\$ 19,448,549	310,738	5,508,823	10	-	25,268,120
Customer margin account	26,691,028	211,224	2,058,936	-	36,275	28,997,463
Financial assets mandatorily measured at fair value through profit or loss – current	16,323,747	-	869,499	-	144,219	17,337,465
Debt securities	14,700,211	-	869,499	-	144,219	15,713,929
Derivatives – OTC	663,299	-	-	-	-	663,299
Derivatives – futures trading margin	559,022	-	-	-	-	559,022
Foreign exchange derivatives	4,208	-	-	-	-	4,208
Other debt securities	394,422	-	-	-	-	394,422
Call Option – futures	2,585	-	-	-	-	2,585
Margin deposits for borrowed securities	4,535,493	-	-	-	-	4,535,493
Other refundable deposits	1,192,962	3,138	-	-	-	1,196,100
Other current assets	1,198,214	1,151,217	-	-	-	2,349,431
Financial assets measured at fair value through other comprehensive income – debt instruments	2,497,958	-	988,325	-	1,150,327	4,636,610
Total	<u>\$ 71,887,951</u>	<u>1,676,317</u>	<u>9,425,583</u>	<u>10</u>	<u>1,330,821</u>	<u>84,320,682</u>
Proportion of the total	<u>85.25 %</u>	<u>1.99 %</u>	<u>11.18 %</u>	<u>- %</u>	<u>1.58 %</u>	<u>100.00 %</u>

  

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>

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

June 30, 2021												
Credit risk exposure amount – by region												
Financial assets	Taiwan	Hong Kong	Asia	Europe	America	Total						
Cash and cash equivalents	\$ 14,965,437	158,209	2,651,968	249	282	17,776,145						
Customer margin account	20,261,756	153,115	1,477,049	25,309	319,487	22,236,716						
Financial assets mandatorily measured at fair value through profit or loss – current	12,358,943	89,244	6,070,872	734,804	2,378,142	21,632,005						
Debt securities	11,205,118	89,244	6,070,872	734,804	2,378,142	20,478,180						
Derivatives – OTC	171,160	-	-	-	-	171,160						
Derivatives – futures trading margin	553,836	-	-	-	-	553,836						
Other debt securities	424,964	-	-	-	-	424,964						
Call option – futures	3,865	-	-	-	-	3,865						
Margin deposits for borrowed securities	2,529,753	-	-	-	-	2,529,753						
Other refundable deposits	1,219,694	2,978	-	-	-	1,222,672						
Other current assets	2,025,201	417,195	-	-	293	2,442,689						
Financial assets measured at fair value through other comprehensive income – debt instruments	3,865,870	-	892,616	640,470	173,225	5,572,181						
Total	<u>\$ 57,226,654</u>	<u>820,741</u>	<u>11,092,505</u>	<u>1,400,832</u>	<u>2,871,429</u>	<u>73,412,161</u>						
Proportion of the total	<u>77.95 %</u>	<u>1.12 %</u>	<u>15.11 %</u>	<u>1.91 %</u>	<u>3.91 %</u>	<u>100.00 %</u>						

  

June 30, 2022												
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	\$ 24,681,772	-	-	-	-	-	-	-	-	-	586,348	25,268,120
Customer margin account	28,997,463	-	-	-	-	-	-	-	-	-	-	28,997,463
Financial assets mandatorily measured at fair value through profit or loss – current	3,444,954	-	271,386	572,185	560,049	166,201	617,744	9,586,835	713,359	146,783	1,257,969	17,337,465
Debt securities	1,821,418	-	271,386	572,185	560,049	166,201	617,744	9,586,835	713,359	146,783	1,257,969	15,713,929
Derivatives – OTC	663,299	-	-	-	-	-	-	-	-	-	-	663,299
Derivatives – futures trading margin	559,022	-	-	-	-	-	-	-	-	-	-	559,022
Foreign exchange derivatives	4,208	-	-	-	-	-	-	-	-	-	-	4,208
Other debt securities	394,422	-	-	-	-	-	-	-	-	-	-	394,422
Call option – futures	2,585	-	-	-	-	-	-	-	-	-	-	2,585
Margin deposits for borrowed securities	4,535,493	-	-	-	-	-	-	-	-	-	-	4,535,493
Other refundable deposits	1,192,962	-	-	-	-	-	-	-	-	-	3,138	1,196,100
Other current assets	862,204	-	-	-	-	-	-	-	-	-	1,487,227	2,349,431
Financial assets measured at fair value through other comprehensive income – debt instruments	2,138,651	99,235	-	436,581	-	-	197,751	1,666,691	-	-	97,701	4,636,610
Total	<u>\$ 65,853,499</u>	<u>99,235</u>	<u>271,386</u>	<u>1,008,766</u>	<u>560,049</u>	<u>166,201</u>	<u>815,495</u>	<u>11,253,526</u>	<u>713,359</u>	<u>146,783</u>	<u>3,432,383</u>	<u>84,320,682</u>
Proportion of the total	<u>78.10 %</u>	<u>0.12 %</u>	<u>0.32 %</u>	<u>1.20 %</u>	<u>0.66 %</u>	<u>0.20 %</u>	<u>0.97 %</u>	<u>13.35 %</u>	<u>0.84 %</u>	<u>0.17 %</u>	<u>4.07 %</u>	<u>100.00 %</u>

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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
Derivative assets—OTC	176,896	-	-	-	-	-	-	-	-	-	-	176,896
Derivative assets—futures trading margin	593,934	-	-	-	-	-	-	-	-	-	-	593,934
Foreign exchange derivatives	2,769	-	-	-	-	-	-	-	-	-	-	2,769
Other debt securities	427,589	-	-	-	-	-	-	-	-	-	-	427,589
Call option—futures	415	-	-	-	-	-	-	-	-	-	-	415
Margin deposits for borrowed securities	4,319,348	-	-	-	-	-	-	-	-	-	-	4,319,348
Other refundable deposits	1,183,752	-	-	-	-	-	-	-	-	-	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
<b>Total</b>	<b>\$ 73,865,330</b>	<b>199,615</b>	<b>400,913</b>	<b>2,289,580</b>	<b>540,501</b>	<b>138,488</b>	<b>1,781,077</b>	<b>10,276,941</b>	<b>1,917,622</b>	<b>173,032</b>	<b>3,079,870</b>	<b>94,662,969</b>
Proportion of the total	<b>78.03 %</b>	<b>0.21 %</b>	<b>0.42 %</b>	<b>2.42 %</b>	<b>0.57 %</b>	<b>0.15 %</b>	<b>1.88 %</b>	<b>10.86 %</b>	<b>2.03 %</b>	<b>0.18 %</b>	<b>3.25 %</b>	<b>100.00 %</b>

June 30, 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	\$ 17,317,279	-	-	-	-	-	-	-	-	-	458,866	17,776,145
Customer margin account	22,236,716	-	-	-	-	-	-	-	-	-	-	22,236,716
Financial assets mandatorily measured at fair value through profit or loss—current	8,105,520	-	396,445	1,293,263	151,963	82,929	761,480	7,949,544	1,253,511	128,338	1,509,012	21,632,005
Debt securities	6,951,695	-	396,445	1,293,263	151,963	82,929	761,480	7,949,544	1,253,511	128,338	1,509,012	20,478,180
Derivatives—OTC	171,160	-	-	-	-	-	-	-	-	-	-	171,160
Derivatives—futures trading margin	553,836	-	-	-	-	-	-	-	-	-	-	553,836
Other debt securities	424,964	-	-	-	-	-	-	-	-	-	-	424,964
Call option—futures	3,865	-	-	-	-	-	-	-	-	-	-	3,865
Margin deposits for borrowed securities	2,529,753	-	-	-	-	-	-	-	-	-	-	2,529,753
Other refundable deposits	1,219,694	-	-	-	-	-	-	-	-	-	2,978	1,222,672
Other current assets	1,923,077	-	-	-	-	-	-	-	-	-	519,612	2,442,689
Financial assets measured at fair value through other comprehensive income—debt instruments	1,692,684	101,943	-	295,619	-	-	706,171	927,181	1,450,608	-	397,975	5,572,181
<b>Total</b>	<b>\$ 55,024,723</b>	<b>101,943</b>	<b>396,445</b>	<b>1,588,882</b>	<b>151,963</b>	<b>82,929</b>	<b>1,467,651</b>	<b>8,876,725</b>	<b>2,704,119</b>	<b>128,338</b>	<b>2,888,443</b>	<b>73,412,161</b>
Proportion of the total	<b>74.95 %</b>	<b>0.14 %</b>	<b>0.54 %</b>	<b>2.17 %</b>	<b>0.21 %</b>	<b>0.11 %</b>	<b>2.00 %</b>	<b>12.09 %</b>	<b>3.68 %</b>	<b>0.17 %</b>	<b>3.94 %</b>	<b>100.00 %</b>

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.

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

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.

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

5. Other debt securities

Other debt securities are mainly the real estate beneficiary securities, such as Fubon R1. 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.

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.

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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:

June 30, 2022											
	Financial assets measured by 12-month ECLs				Lifetime ECLs – not credit-impaired financial assets				Lifetime ECLs – credit-impaired financial assets	Loss allowance	Total
	Moderate risk		High risk	Subtotal	Moderate risk		High risk	Subtotal			
	Low risk	Moderate risk			Low risk	Moderate risk					
Financial assets measured at fair value through other comprehensive income – debt instruments	\$ 3,142,216	1,496,929	-	4,639,145	-	-	-	-	-	2,535	4,636,610
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
	Moderate risk		High risk	Subtotal	Moderate risk		High risk	Subtotal			
	Low risk	Moderate risk			Low risk	Moderate risk					
Financial assets measured at fair value through other comprehensive income – debt instruments	\$ 2,780,464	2,426,467	-	5,206,931	-	-	-	-	-	3,944	5,202,987
June 30, 2021											
	Financial assets measured by 12-month ECLs				Lifetime ECLs – not credit-impaired financial assets				Lifetime ECLs – credit-impaired financial assets	Loss allowance	Total
	Moderate risk		High risk	Subtotal	Moderate risk		High risk	Subtotal			
	Low risk	Moderate risk			Low risk	Moderate risk					
Financial assets measured at fair value through other comprehensive income – debt instruments	\$ 3,010,912	2,565,964	-	5,576,876	-	-	-	-	-	4,695	5,572,181

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.

(Continued)

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

June 30, 2022							
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	\$ 19,759,297	5,508,823	-	-	-	-	25,268,120
Customer margin account	28,997,463	-	-	-	-	-	28,997,463
Financial assets mandatorily measured at fair value through profit or loss – current	9,539,736	7,543,696	254,033	-	-	-	17,337,465
Debt securities	8,440,502	7,019,394	254,033	-	-	-	15,713,929
Derivatives – OTC	138,997	524,302	-	-	-	-	663,299
Derivatives – futures trading margin	559,022	-	-	-	-	-	559,022
Foreign exchange derivatives	4,208	-	-	-	-	-	4,208
Other debt securities	394,422	-	-	-	-	-	394,422
Call option – futures	2,585	-	-	-	-	-	2,585
Margin deposits for borrowed securities	4,535,493	-	-	-	-	-	4,535,493
Other refundable deposits	1,196,100	-	-	-	-	-	1,196,100
Other current assets	2,349,431	-	-	-	-	-	2,349,431
Financial assets measured at fair value through other comprehensive income – debt instruments	3,142,216	1,496,929	-	-	-	2,535	4,636,610
Subtotal	<u>69,519,736</u>	<u>14,549,448</u>	<u>254,033</u>	<u>-</u>	<u>-</u>	<u>2,535</u>	<u>84,320,682</u>
Proportion of the total	82.45 %	17.25 %	0.30 %	-	-	-	100.00 %
Receivables	<u>22,857,370</u>	<u>6,016,842</u>	<u>402,579</u>	<u>-</u>	<u>155,210</u>	<u>155,210</u>	<u>29,276,791</u>
Accounts receivable	16,081,603	7,242	-	-	155,210	155,210	16,088,845
Receivables from pecuniary finance	6,775,767	6,009,600	402,579	-	-	-	13,187,946
Total	<u>\$ 92,377,106</u>	<u>20,566,290</u>	<u>656,612</u>	<u>-</u>	<u>155,210</u>	<u>157,745</u>	<u>113,597,473</u>
Proportion of the total	<u>81.32 %</u>	<u>18.10 %</u>	<u>0.58 %</u>	<u>-</u>	<u>0.14 %</u>	<u>0.14 %</u>	<u>100.00 %</u>

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

December 31, 2021							
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	\$ 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	<u>29,817,090</u>	<u>8,893,257</u>	<u>594,822</u>	<u>-</u>	<u>158,033</u>	<u>158,033</u>	<u>39,305,169</u>
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**

June 30, 2021							
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	\$ 15,124,177	2,651,968	-	-	-	-	17,776,145
Customer margin account	22,236,716	-	-	-	-	-	22,236,716
Financial assets mandatorily measured at fair value through profit or loss – current	14,677,698	6,535,627	418,680	-	-	-	21,632,005
Debt securities	13,638,324	6,421,176	418,680	-	-	-	20,478,180
Derivatives – OTC	56,709	114,451	-	-	-	-	171,160
Derivatives – futures trading margin	553,836	-	-	-	-	-	553,836
Other debt securities	424,964	-	-	-	-	-	424,964
Call option – futures	3,865	-	-	-	-	-	3,865
Margin deposits for borrowed securities	2,529,753	-	-	-	-	-	2,529,753
Other refundable deposits	1,222,672	-	-	-	-	-	1,222,672
Other current assets	2,442,689	-	-	-	-	-	2,442,689
Financial assets measured at fair value through other comprehensive income – debt instruments	3,010,912	2,565,964	-	-	-	4,695	5,572,181
Subtotal	<u>61,244,617</u>	<u>11,753,559</u>	<u>418,680</u>	<u>-</u>	<u>-</u>	<u>4,695</u>	<u>73,412,161</u>
Proportion of the total	<u>83.43 %</u>	<u>16.01 %</u>	<u>0.57 %</u>	<u>- %</u>	<u>- %</u>	<u>0.01 %</u>	<u>100.00 %</u>
Receivables	<u>39,556,169</u>	<u>9,987,184</u>	<u>469,020</u>	<u>-</u>	<u>158,033</u>	<u>158,033</u>	<u>50,012,373</u>
Accounts receivable	29,156,491	8,038	-	-	158,033	158,033	29,164,529
Receivables from pecuniary finance	10,399,678	9,979,146	469,020	-	-	-	20,847,844
Total	<u>\$ 100,800,786</u>	<u>21,740,743</u>	<u>887,700</u>	<u>-</u>	<u>158,033</u>	<u>162,728</u>	<u>123,424,534</u>
Proportion of the total	<u>81.67 %</u>	<u>17.61 %</u>	<u>0.72 %</u>	<u>- %</u>	<u>0.13 %</u>	<u>0.13 %</u>	<u>100.00 %</u>

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

As seen in the above tables, the Group had no financial assets which were overdue but not impaired. 0.58% 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.

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**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 and operating lease payment receivable 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 six months ended June 30, 2022 and 2021.

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**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.

The evaluation of whether the credit risk of the debt instrument measured at fair value through other comprehensive income has increased significantly, is 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.

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

vi) Changes in loss allowance

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

As of June 30, 2022 and 2021, the reconciliations of the beginning and ending balances for loss allowance of debt instruments measured at fair value through other comprehensive income were as follows:

	For the six months ended June 30, 2022						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	\$ 3,944	-	-	-	-	3,944	3,944
Changes due to financial instruments recognized as at beginning:							
– Derecognition of financial assets at current period	(1,455)	-	-	-	-	(1,455)	(1,455)
Originated or purchased new financial assets	1,032	-	-	-	-	1,032	1,032
Effects of exchange rate changes and others	(986)	-	-	-	-	(986)	(986)
Ending balance	<u>\$ 2,535</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,535</u>	<u>2,535</u>
	For the six months ended June 30, 2021						
	12-month ECLs	Lifetime ECLs (collectively assessed)	Lifetime ECLs (individually assessed)	Lifetime ECLs (not purchased or originated credit-impaired financial assets)	Lifetime ECLs (purchased or originated credit-impaired financial assets)	The loss allowances provided in accordance with IFRS 9	Total
Beginning balance	\$ 5,161	-	-	-	-	5,161	5,161
Changes due to financial instruments recognized as at beginning:							
– Derecognition of financial assets at current period	(3,214)	-	-	-	-	(3,214)	(3,214)
Originated or purchased new financial assets	2,856	-	-	-	-	2,856	2,856
Effects of exchange rate changes and others	(108)	-	-	-	-	(108)	(108)
Ending balance	<u>\$ 4,695</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,695</u>	<u>4,695</u>

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**FUBON SECURITIES CO., LTD. AND ITS SUBSIDIARIES**  
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For the six months ended June 30, 2022 and 2021, 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 June 30, 2022 and 2021, the reconciliations of the beginning and ending balances for loss allowance of accounts receivable, other receivables and overdue receivables were as follows:

	For the six months ended June 30, 2022						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	\$ -	-	161,229	5,538	-	166,767	166,767
Originated or purchased new financial assets	-	-	1,288	553	-	1,841	1,841
Effects of exchange rate changes and others	-	-	(3,484)	-	-	(3,484)	(3,484)
Ending balance	<u>\$ -</u>	<u>-</u>	<u>159,033</u>	<u>6,091</u>	<u>-</u>	<u>165,124</u>	<u>165,124</u>
	For the six months ended June 30, 2021						
	12-month ECLs	Lifetime ECLs (collectively assessed)	Lifetime ECLs (individually assessed)	Lifetime ECLs (not purchased or originated credit-impaired financial assets)	Lifetime ECLs (purchased or originated credit-impaired financial assets)	The loss allowances provided in accordance with IFRS 9	Total
Beginning balance	\$ -	-	158,802	1,599	-	160,401	160,401
Originated or purchased new financial assets	-	-	767	3,517	-	4,284	4,284
Effects of exchange rate changes and others	-	-	(616)	11,068	-	10,452	10,452
Ending balance	<u>\$ -</u>	<u>-</u>	<u>158,953</u>	<u>16,184</u>	<u>-</u>	<u>175,137</u>	<u>175,137</u>

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 \$162,451, \$165,690 and \$166,071, respectively, which has yet to be recovered, and therefore, the loss allowance amounting to \$155,210, \$158,033 and \$158,033, respectively, after considering the actual recovery, had been recognized, as of June 30, 2022, December 31 and June 30, 2021.

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

vii) Impairment loss

As of June 30, 2022, December 31 and June 30, 2021, 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 June 30, 2022, December 31 and June 30, 2021, 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 June 30, 2022, December 31 and June 30, 2021, 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.

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**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

	June 30, 2022					
		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	\$ 11,555,688	7,667,084	5,788,138	257,210	-	25,268,120
Customer margin account	28,997,463	-	-	-	-	28,997,463
Financial assets mandatorily measured at fair value through profit or loss—current	18,882,673	-	-	-	2,704,271	21,586,944
Open-end funds, money market instruments and other securities	264,168	-	-	-	-	264,168
Operating securities	16,831,285	-	-	-	2,309,849	19,141,134
Derivatives—OTC	663,299	-	-	-	-	663,299
Derivatives—futures trading margin	559,022	-	-	-	-	559,022
Foreign exchange derivatives	4,208	-	-	-	-	4,208
Other debt securities	-	-	-	-	394,422	394,422
Call option—futures	2,585	-	-	-	-	2,585
Securities invested by broker	558,106	-	-	-	-	558,106
Financial assets measured at fair value through other comprehensive income—current and non-current	154,699	-	-	9,173,548	8,913,590	18,241,837
Securities sold under repurchase agreements	117,598	-	-	-	-	117,598
Receivables from pecuniary finance	11,473,513	1,186,915	395,638	131,880	-	13,187,946
Collateral for borrowed securities	41,144	-	-	-	-	41,144
Margin deposits for borrowed securities	4,535,493	-	-	-	-	4,535,493
Accounts receivable (included related parties)	16,124,290	29,370	16,494	3,159	-	16,173,313
Total	<u>\$ 91,882,561</u>	<u>8,883,369</u>	<u>6,200,270</u>	<u>9,565,797</u>	<u>11,617,861</u>	<u>128,149,858</u>
Proportion of the total	<u>71.70 %</u>	<u>6.93 %</u>	<u>4.84 %</u>	<u>7.46 %</u>	<u>9.07 %</u>	<u>100.00 %</u>

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

<b>Financial liabilities</b>	<b>June 30, 2022</b>					<b>Total</b>
	<b>Cash flow deficit</b>					
	<b>0-30 days</b>	<b>31-90 days</b>	<b>91-180 days</b>	<b>181 days-1 year</b>	<b>&gt;1 year</b>	
Short-term borrowings	\$ 547,017	-	-	-	-	547,017
Commercial paper issued	16,594,157	-	-	-	-	16,594,157
Held-for-trading financial liabilities – current	11,641,611	-	-	-	-	11,641,611
Call (put) warrants	160,303	-	-	-	-	160,303
Derivatives – OTC	5,866,539	-	-	-	-	5,866,539
Liabilities on sale of borrowed securities	5,446,415	-	-	-	-	5,446,415
Securities purchased under resell agreements – pecuniary refinancing	118,026	-	-	-	-	118,026
Short covering bonds	50,000	-	-	-	-	50,000
Put option – futures	328	-	-	-	-	328
Financial liabilities designated as at fair value through profit or loss	2,452,180	-	-	-	-	2,452,180
Securities sold under repurchase agreements	6,805,232	-	-	-	-	6,805,232
Securities financing refundable deposits	1,465,917	151,646	50,549	16,850	-	1,684,962
Deposits payable for securities financing	1,621,246	167,715	55,905	18,635	-	1,863,501
Securities lending refundable deposits	22,154,682	-	-	-	-	22,154,682
Futures traders' equity	28,997,463	-	-	-	-	28,997,463
Accounts payable (included related parties)	14,952,742	14	5	2	-	14,952,763
Lease liabilities – current and non-current (Note)	16,859	33,070	46,892	81,840	180,664	359,325
Receipts under custody	3,025,739	190	-	-	-	3,025,929
<b>Total</b>	<b>\$ 110,274,845</b>	<b>352,635</b>	<b>153,351</b>	<b>117,327</b>	<b>180,664</b>	<b>111,078,822</b>
Proportion of the total	<b>99.28 %</b>	<b>0.32 %</b>	<b>0.14 %</b>	<b>0.10 %</b>	<b>0.16 %</b>	<b>100.00 %</b>
Cash inflow	91,882,561	8,883,369	6,200,270	9,565,797	11,617,861	128,149,858
Cash outflow	110,274,845	352,635	153,351	117,327	180,664	111,078,822
Net cash inflow	(18,392,284)	8,530,734	6,046,919	9,448,470	11,437,197	17,071,036

Note: The disclosed amounts include accrued interests.

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

<u>Financial assets</u>	December 31, 2021					<u>Total</u>
	Cash flow deficit					
	0-30 days	31- 90 days	91- 180 days	181 days- 1 year	>1 year	
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
Other debt securities	-	-	-	-	427,589	427,589
Call option—futures	415	-	-	-	-	415
Securities invested by broker	495,147	-	-	-	-	495,147
Foreign exchange derivatives	2,769	-	-	-	-	2,769
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
<b>Total</b>	<b>\$ 95,819,090</b>	<b>6,189,969</b>	<b>4,965,376</b>	<b>7,879,354</b>	<b>15,798,339</b>	<b>130,652,128</b>
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>

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

<b>Financial liabilities</b>	<b>December 31, 2021</b>					<b>Total</b>
	<b>Cash flow deficit</b>					
	<b>0-30 days</b>	<b>31-90 days</b>	<b>91-180 days</b>	<b>181 days-1 year</b>	<b>&gt;1 year</b>	
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 agreement	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
<b>Total</b>	<b>\$ 120,807,720</b>	<b>1,124,422</b>	<b>147,189</b>	<b>133,082</b>	<b>181,207</b>	<b>122,393,620</b>
Proportion of the total	<b>98.70 %</b>	<b>0.92 %</b>	<b>0.12 %</b>	<b>0.11 %</b>	<b>0.15 %</b>	<b>100.00 %</b>
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	<b>(24,988,630)</b>	<b>5,065,547</b>	<b>4,818,187</b>	<b>7,746,272</b>	<b>15,617,132</b>	<b>8,258,508</b>

Note: The disclosed amounts include accrued interests.

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

<b>Financial assets</b>	<b>June 30, 2021</b>					<b>Total</b>
	<b>Cash flow deficit</b>					
	<b>0-30 days</b>	<b>31- 90 days</b>	<b>91- 180 days</b>	<b>181 days- 1 year</b>	<b>&gt;1 year</b>	
Cash and cash equivalents	\$ 8,759,158	1,174,069	7,547,231	295,687	-	17,776,145
Customer margin account	22,236,716	-	-	-	-	22,236,716
Financial assets mandatorily measured at fair value through profit or loss—current	17,588,099	-	-	-	11,795,610	29,383,709
Open-end funds, money market instruments and other securities	406,477	-	-	-	-	406,477
Operating securities	15,613,000	-	-	-	11,370,646	26,983,646
Derivatives—OTC	171,160	-	-	-	-	171,160
Derivatives—futures trading margin	553,836	-	-	-	-	553,836
Other debt securities	-	-	-	-	424,964	424,964
Call option—futures	3,865	-	-	-	-	3,865
Securities invested by broker	839,761	-	-	-	-	839,761
Financial assets measured at fair value through other comprehensive income—current and non-current	140,472	453,936	-	9,199,212	8,203,889	17,997,509
Receivables from pecuniary finance	18,137,624	1,876,306	625,435	208,479	-	20,847,844
Collateral for borrowed securities	163,390	-	-	-	-	163,390
Margin deposits for borrowed securities	2,529,753	-	-	-	-	2,529,753
Accounts receivable (included related parties)	29,162,128	18,256	13,696	1,948	-	29,196,028
<b>Total</b>	<b>\$ 98,717,340</b>	<b>3,522,567</b>	<b>8,186,362</b>	<b>9,705,326</b>	<b>19,999,499</b>	<b>140,131,094</b>
Proportion of the total	<u>70.45 %</u>	<u>2.51 %</u>	<u>5.84 %</u>	<u>6.93 %</u>	<u>14.27 %</u>	<u>100.00 %</u>

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

<b>Financial liabilities</b>	<b>June 30, 2021</b>					<b>Total</b>
	<b>Cash flow deficit</b>					
	<b>0-30 days</b>	<b>31-90 days</b>	<b>91-180 days</b>	<b>181 days-1 year</b>	<b>&gt;1 year</b>	
Short-term borrowings	\$ 829,322	-	-	-	-	829,322
Commercial paper issued	18,397,950	-	-	-	-	18,397,950
Held-for-trading financial liabilities – current	9,510,440	-	-	-	-	9,510,440
Call (put) warrants	906,303	-	-	-	-	906,303
Derivatives – OTC	2,757,340	-	-	-	-	2,757,340
Liabilities on sale of borrowed securities	5,796,706	-	-	-	-	5,796,706
Short covering bonds	49,757	-	-	-	-	49,757
Put option – futures	330	-	-	-	-	330
Foreign exchange derivatives	4	-	-	-	-	4
Financial liabilities designated as at fair value through profit or loss	2,577,743	-	-	-	-	2,577,743
Securities sold under repurchase agreements	15,451,050	-	-	-	-	15,451,050
Securities financing refundable deposits	1,597,044	165,211	55,070	18,357	-	1,835,682
Deposits payable for securities financing	1,726,589	178,613	59,537	19,846	-	1,984,585
Securities lending refundable deposits	13,442,807	-	-	-	-	13,442,807
Futures traders' equity	22,236,716	-	-	-	-	22,236,716
Accounts payable (included related parties)	29,538,569	21	7	2	-	29,538,599
Lease liabilities – current and non-current (Note)	16,607	31,956	47,285	87,966	196,662	380,476
Receipts under custody	1,792,320	171	-	-	-	1,792,491
<b>Total</b>	<b>\$ 117,117,157</b>	<b>375,972</b>	<b>161,899</b>	<b>126,171</b>	<b>196,662</b>	<b>117,977,861</b>
Proportion of the total	<b>99.27 %</b>	<b>0.32 %</b>	<b>0.14 %</b>	<b>0.11 %</b>	<b>0.16 %</b>	<b>100.00 %</b>
Cash inflow	98,717,340	3,522,567	8,186,362	9,705,326	19,999,499	140,131,094
Cash outflow	117,117,157	375,972	161,899	126,171	196,662	117,977,861
Net cash inflow	(18,399,817)	3,146,595	8,024,463	9,579,155	19,802,837	22,153,233

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.

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**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.

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**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.

**FUBON SECURITIES CO., LTD. AND SUBSIDIARIES**  
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Value at Risk (VaR)

VaR is defined as 'the worst expected loss over a target horizon with 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:

<b>For the three months ended June 30, 2022</b>			
<b>VaR (in thousands)</b>	<b>High</b>	<b>Low</b>	<b>Average</b>
Foreign exchange rate \$	1,094	934	1,034
Interest rate	38,154	27,581	31,158
Equity	51,560	37,337	45,558
Fluctuation	3,958	2,543	3,426

<b>For the three months ended June 30, 2021</b>			
<b>VaR (in thousands)</b>	<b>High</b>	<b>Low</b>	<b>Average</b>
Foreign exchange rate \$	755	435	543
Interest rate	57,454	19,397	38,060
Equity	81,194	59,813	73,241
Fluctuation	7,428	4,137	5,855

<b>For the six months ended June 30, 2022</b>			
<b>VaR (in thousands)</b>	<b>High</b>	<b>Low</b>	<b>Average</b>
Foreign exchange rate \$	1,300	280	857
Interest rate	38,154	10,358	25,692
Equity	60,524	36,583	46,356
Fluctuation	3,992	1,042	2,820

<b>For the six months ended June 30, 2021</b>			
<b>VaR (in thousands)</b>	<b>High</b>	<b>Low</b>	<b>Average</b>
Foreign exchange rate \$	1,983	260	798
Interest rate	57,454	19,397	37,911
Equity	82,708	45,358	69,686
Fluctuation	9,175	4,137	7,179

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

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.

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**FUBON SECURITIES CO., LTD. AND SUBSIDIARIES**  
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4) Interest rate benchmark reform

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 (referred to as ‘IBOR reform’). The Group has exposures to IBORs on its financial instruments that will be replaced or reformed as part of these market-wide initiatives. 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 Group's remaining IBOR exposures at the reporting date are corporate debt securities indexed to US dollar LIBOR. The alternative reference rate for US dollar LIBOR is the Secured Overnight Financing Rate (SOFR). In March 2022, the Financial Conduct Authority announced that US dollar setting (except for one-week and two-month US dollar settings) will either cease to be provided or no longer be representative after June 30, 2023. The Group had finished the process of implementing the appropriate fallback clauses for all US dollar LIBOR-indexed exposures by the end of 2021. The position indexed to US dollar LIBOR will be cleared out and the position indexed to SOFR will be established before the US dollar LIBOR ceases to be provided.

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.

	<b>December 31, 2021</b>	
	<b>Total amount of unreformed contracts</b>	<b>Amount without appropriate fallback clause</b>
Financial assets (USD LIBOR)		
Bond Investments	\$ 83,067	-
	<b>June 30, 2021</b>	
	<b>Total amount of unreformed contracts</b>	<b>Amount without appropriate fallback clause</b>
Financial assets (USD LIBOR)		
Bond Investments	\$ 585,269	-
Financial liabilities (USD LIBOR)		
Securities sold under repurchase agreements	552,080	-

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(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:

<u>Types of financial assets</u>	<u>June 30, 2022</u>	
	<u>Carrying amount of the transferred financial assets</u>	<u>Carrying amount of relevant financial liabilities</u>
Financial assets measured at fair value through profit or loss		
Under repurchase agreements	\$ 1,664,626	2,374,956
Convertible bonds transferred to counter parties of asset exchange option	4,489,506	4,047,111
Financial assets measured at fair value through other comprehensive income		
Under repurchase agreements	4,508,705	4,430,276
<u>Types of financial assets</u>	<u>December 31, 2021</u>	
	<u>Carrying amount of the transferred financial assets</u>	<u>Carrying amount of relevant financial liabilities</u>
Financial assets measured at fair value through profit or loss		
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

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Types of financial assets	June 30, 2021	
	Carrying amount of the transferred financial assets	Carrying amount of relevant financial liabilities
Financial assets measured at fair value through profit or loss		
Under repurchase agreements	\$ 10,692,660	10,077,464
Convertible bonds transferred to counter parties of asset exchange option	1,466,259	1,226,552
Financial assets measured at fair value through other comprehensive income		
Under repurchase agreements	5,174,619	5,373,586

(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:

June 30, 2022						
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	\$ 670,092	-	670,092	-	-	670,092
Repurchase agreements	117,598	-	117,598	117,598	-	-
Total	<u>\$ 787,690</u>	<u>-</u>	<u>787,690</u>	<u>117,598</u>	<u>-</u>	<u>670,092</u>

June 30, 2022						
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	\$ 5,866,867	-	5,866,867	-	-	5,866,867
Repurchase agreements	6,805,232	-	6,805,232	6,805,232	-	-
Total	<u>\$ 12,672,099</u>	<u>-</u>	<u>12,672,099</u>	<u>6,805,232</u>	<u>-</u>	<u>5,866,867</u>

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December 31, 2021						
Financial assets under offsetting or general agreement of net amount settlement or similar norms						
Financial assets	Total recognized financial assets (a)	Total recognized financial liabilities offsetting on the balance 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	\$ 180,080	-	180,080	-	-	180,080

December 31, 2021						
Financial liabilities under offsetting or general agreement of net amount settlement or similar norms						
Financial liabilities	Total recognized financial liabilities (a)	Total recognized financial assets offsetting on the balance 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	\$ 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

June 30, 2021						
Financial assets under offsetting or general agreement of net amount settlement or similar norms						
Financial assets	Total recognized financial assets (a)	Total recognized financial liabilities offsetting on the balance 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	\$ 175,025	-	175,025	-	-	175,025

June 30, 2021						
Financial liabilities under offsetting or general agreement of net amount settlement or similar norms						
Financial liabilities	Total recognized financial liabilities (a)	Total recognized financial assets offsetting on the balance 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	\$ 2,757,674	-	2,757,674	-	-	2,757,674
Repurchase agreements	15,451,050	-	15,451,050	15,451,050	-	-
Total	\$ 18,208,724	-	18,208,724	15,451,050	-	2,757,674

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

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## (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 June 30, 2022, December 31 and June 30, 2021, the carrying amounts of the unconsolidated structured entities recognized by the Group were as below:

<b>June 30, 2022</b>	<b>Asset securitization products</b>
<b>Assets possessed</b>	
— Financial assets measured at fair value through profit or loss— current	\$ <u><u>394,422</u></u>
<b>December 31, 2021</b>	<b>Asset securitization products</b>
<b>Assets possessed</b>	
— Financial assets measured at fair value through profit or loss— current	\$ <u><u>427,589</u></u>
<b>June 30, 2021</b>	<b>Asset securitization products</b>
<b>Assets possessed</b>	
— Financial assets measured at fair value through profit or loss— current	\$ <u><u>424,964</u></u>

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

- (iii) For the six months ended June 30, 2022 and 2021, 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.

(Continued)

**FUBON SECURITIES CO., LTD. AND SUBSIDIARIES**  
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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 Company 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):

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Net amount of eligible regulatory capital	\$ <u>23,435</u>	<u>27,907</u>	<u>24,794</u>
Overall risk equivalent	\$ <u>8,444</u>	<u>8,221</u>	<u>10,199</u>
Regulatory capital adequacy ratio	<u>278 %</u>	<u>339 %</u>	<u>243 %</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.

(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.

(Continued)

**FUBON SECURITIES CO., LTD. AND SUBSIDIARIES**  
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## (al) Others

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

	June 30, 2022			December 31, 2021			June 30, 2021		
	Foreign currency (in thousands)	Exchange rate (in dollars)	TWD	Foreign currency (in thousands)	Exchange rate (in dollars)	TWD	Foreign currency (in thousands)	Exchange rate (in dollars)	TWD
Financial assets:									
Monetary items:									
USD	705,282	29.7288	20,967,190	643,510	27.6892	17,818,268	463,366	27.8700	12,914,010
HKD	34,560	3.7896	130,970	53,173	3.5508	188,808	88,270	3.5893	316,828
EUR	235	31.0265	7,303	262	31.2870	8,185	272	33.1278	9,011
JPY	46,106	0.2181	10,056	40,290	0.2403	9,682	34,431	0.2523	8,687
GBP	88	36.0806	3,193	114	37.2550	4,234	90	38.5593	3,470
CNY	12,875	4.4365	57,118	13,099	4.3467	56,937	17,099	4.3146	73,775
Non-monetary items:									
USD	218,054	29.7288	6,482,495	274,315	27.6892	7,595,551	458,380	27.8700	12,775,051
EUR	8	31.0265	248	3	31.2870	102	13	33.1278	415
HKD	42,324	3.7896	160,391	519	3.5508	1,845	218	3.5893	782
JPY	7,047	0.2181	1,537	6,157	0.2403	1,480	7,472	0.2523	1,885
Financial liabilities:									
Monetary items:									
USD	11,000	29.7288	327,017	7,000	27.6892	193,824	20,000	27.8700	557,400
EUR	-	-	-	145	31.2870	4,542	-	-	-
Non-monetary items:									
USD	839,097	29.7288	24,945,364	844,813	27.6892	23,392,194	836,533	27.8700	23,314,175

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 three months and six months ended June 30, 2022 and 2021, the exchange gains (losses), including realized and unrealized, amounted to \$28,046, \$(16,849), \$72,240 and \$(8,428), respectively.

## (7) Related-party transactions

## (a) Names and relationships of related parties

Name of related party	Relationship
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

(Continued)

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

<u>Name of related party</u>	<u>Relationship</u>
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
Airoha Technology Co., Ltd. (Airoha Technology)	Related parties in substance
CHO Pharma, Inc. (CHO)	Related parties in substance
Fubon Charity Foundation	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
Taiwan Business Bank, Ltd. (Taiwan Business Bank)	Related parties in substance
eChem Solutions Co., Ltd (eChem Solutions)	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

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**FUBON SECURITIES CO., LTD. AND SUBSIDIARIES**  
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## (b) Compensation to executive officers

	<b>For the three months ended June 30</b>		<b>For the six months ended June 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Salaries and other short-term employee benefits	\$ 45,598	47,907	90,684	101,417
Post-employment benefits	975	1,223	1,980	2,406
Termination benefits	-	9,485	-	9,485
Other long-term employee benefits	305	416	649	787
	<b><u>\$ 46,878</u></b>	<b><u>59,031</u></b>	<b><u>93,313</u></b>	<b><u>114,095</u></b>

## (c) Significant transactions with related parties

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

As of June 30, 2022, December 31 and June 30, 2021, cash deposited in Taipei Fubon Bank and Fubon Bank (HK) was as follows:

	<b>June 30, 2022</b>		<b>December 31, 2021</b>		<b>June 30, 2021</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Demand deposits (excluding settlement accounts)	<b><u>\$ 2,130,884</u></b>	<b><u>76.28</u></b>	<b><u>2,527,166</u></b>	<b><u>57.81</u></b>	<b><u>2,553,248</u></b>	<b><u>82.54</u></b>
Demand deposits (recognized as customer margin accounts)	<b><u>\$ 362,986</u></b>	<b><u>7.31</u></b>	<b><u>378,810</u></b>	<b><u>4.02</u></b>	<b><u>464,308</u></b>	<b><u>5.39</u></b>
Checking account	<b><u>\$ 54,374</u></b>	<b><u>44.06</u></b>	<b><u>16,140</u></b>	<b><u>24.39</u></b>	<b><u>100,840</u></b>	<b><u>57.95</u></b>
Time deposits	<b><u>\$ 455,000</u></b>	<b><u>26.35</u></b>	<b><u>445,000</u></b>	<b><u>56.17</u></b>	<b><u>420,000</u></b>	<b><u>52.55</u></b>
Restricted time deposits	<b><u>\$ 105,000</u></b>	<b><u>100.00</u></b>	<b><u>105,000</u></b>	<b><u>100.00</u></b>	<b><u>105,000</u></b>	<b><u>100.00</u></b>
Foreign currency deposits (excluding settlement accounts)	<b><u>\$ 272,378</u></b>	<b><u>2.44</u></b>	<b><u>514,540</u></b>	<b><u>10.81</u></b>	<b><u>350,299</u></b>	<b><u>3.47</u></b>
Foreign time deposits	<b><u>\$ 9,381,340</u></b>	<b><u>100.00</u></b>	<b><u>12,583,857</u></b>	<b><u>100.00</u></b>	<b><u>5,608,465</u></b>	<b><u>100.00</u></b>

As of June 30, 2022, December 31 and June 30, 2021, the Group had bank deposits in Far Eastern International Bank, Taiwan Business Bank and CTBC Bank of \$1,488,692, \$665,734 and \$1,278,810, respectively.

For the three months and six months ended June 30, 2022 and 2021, the Group recognized interest revenue in the amount of \$22,166, \$4,017, \$35,160 and \$9,968, respectively, from deposits in Taipei Fubon Bank, Fubon Bank (HK) and Far Eastern International Bank. The interest rates for the six months ended June 30, 2022 and 2021, were 0.135%~2.45% and 0.001~ 0.40%, respectively.

For the three months and six months ended June 30, 2021, the Group recognized interest revenue in the amount of \$12 and \$12, respectively, from deposits in Xiamen Bank. The interest rates for the six months ended June 30, 2021, were 0.05%, respectively.

As of June 30, 2022, December 31 and June 30, 2021, the Group had provided time deposits in Taipei Fubon Bank as operating deposits and warrant deposits amounted to \$660,000, \$660,000 and \$680,000, respectively.

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**FUBON SECURITIES CO., LTD. AND SUBSIDIARIES**  
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These were no balances of short-term borrowings from Taipei Fubon Bank as of June 30, 2022, December 31 and June 30, 2021, and unused credit facilities from Taipei Fubon Bank amounted to \$6,000,000. As of June 30, 2022, December 31 and June 30, 2021, the carrying value of land and buildings pledged to Taipei Fubon Bank were \$1,441,978, \$1,445,167 and \$1,605,551, 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 \$6,331,792, \$2,369,200 and \$4,852,700 (recognized as financial assets measured at fair value through other comprehensive income) to Taipei Fubon Bank as collateral for short-term borrowings and overdrafts as of June 30, 2022, December 31 and June 30, 2021, respectively.

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

<u>Name of related party</u>	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Funds managed by Fubon Asset Management	\$ <u>69,990</u>	<u>68,423</u>	<u>113,317</u>

- 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>June 30, 2022</u>	
	<u>Cost</u>	<u>Gains (losses) on valuation</u>
Funds managed by Fubon Asset Management	\$ 678,800	(14,798)
eChem Solutions	55,676	38,479
Fubon REIT I Fund	243,380	151,042
MTK	118,535	(31,372)
Airoha Technology	47,187	2,740
Others (no individual related party accounts for more than \$10,000)	<u>14,892</u>	<u>(226)</u>
Total	<u>\$ 1,158,470</u>	<u>145,865</u>

  

<u>Name of securities</u>	<u>December 31, 2021</u>	
	<u>Cost</u>	<u>Gain (loss) on valuation</u>
Funds managed by Fubon Asset Management	\$ 578,744	11,248
Fubon REIT I Fund	243,380	184,209
Others (no individual related party accounts for more than \$10,000)	<u>14,275</u>	<u>903</u>
Total	<u>\$ 836,399</u>	<u>196,360</u>

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

<u>Name of securities</u>	<b>June 30, 2021</b>	
	<u>Cost</u>	<u>Gains (losses) on valuation</u>
Funds managed by Fubon Asset Management	\$ 1,161,412	10,061
Fubon REIT I Fund	243,380	181,584
Yuen Foong Yu Consumer Products	19,572	16,309
Others (no individual related party accounts for more than \$10,000)	<u>22,093</u>	<u>(166)</u>
Total	<u>\$ 1,446,457</u>	<u>207,788</u>

  

<u>Name of securities</u>	<b>For the three months ended June 30, 2022</b>	
	<u>Dividend revenue</u>	<u>Gain (loss) on disposal</u>
Funds managed by Fubon Asset Management	\$ 3,260	(84,832)
MTK	13,472	(11,121)
CHO	-	10,599
eChem Solutions	-	15,912
Others (no individual related party accounts for more than \$10,000)	<u>202</u>	<u>3,353</u>
Total	<u>\$ 16,934</u>	<u>(66,089)</u>

  

<u>Name of securities</u>	<b>For the three months ended June 30, 2021</b>	
	<u>Dividend revenue</u>	<u>Gain (loss) on disposal</u>
Funds managed by Fubon Asset Management	\$ 657	70,382
Fubon REIT II Fund	-	31,997
Yuen Foong Yu Consumer Products	-	14,663
Others (no individual related party accounts for more than \$10,000)	<u>9</u>	<u>2,818</u>
Total	<u>\$ 666</u>	<u>119,860</u>

  

<u>Name of securities</u>	<b>For the six months ended June 30, 2022</b>	
	<u>Dividend revenue</u>	<u>Gains (losses) on disposal</u>
Funds managed by Fubon Asset Management	\$ 3,440	(102,305)
MTK	13,472	(11,106)
CHO	-	31,351
eChem Solutions	-	27,745
Others (no individual related party accounts for more than \$10,000)	<u>202</u>	<u>7,024</u>
Total	<u>\$ 17,114</u>	<u>(47,291)</u>

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

<u>Name of securities</u>	<b>For the six months ended June 30, 2021</b>	
	<u>Dividend revenue</u>	<u>Gains (losses) on disposal</u>
Funds managed by Fubon Asset Management	\$ 6,093	100,015
Fubon REIT II Fund	-	31,997
Yuen Foong Yu Consumer Products	-	14,663
Others (no individual related party accounts for more than \$10,000)	9	13,835
<b>Total</b>	<b>\$ 6,102</b>	<b>160,510</b>

For the three months and six months ended June 30, 2022 and 2021, and the interest revenue arise from operating securities— others were \$11,465, \$9,290, \$11,465 and \$10,681, respectively.

- 4) 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>	<b>June 30, 2022</b>	
	<u>Cost</u>	<u>Gains (losses) on valuation</u>
MTK	\$ 26,510	(3,358)
Others (no individual related party accounts for more than \$10,000)	7,280	(624)
<b>Total</b>	<b>\$ 33,790</b>	<b>(3,982)</b>

<u>Name of securities</u>	<b>December 31, 2021</b>	
	<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)
<b>Total</b>	<b>\$ 92,453</b>	<b>3,429</b>

<u>Name of securities</u>	<b>June 30, 2021</b>	
	<u>Cost</u>	<u>Gains (losses) on valuation</u>
Funds managed by Fubon Asset Management	\$ 37,706	845
MTK	164,003	1,935
Call (put) warrants issued by Jih Sun Securities	8,361	13,176
Others (no individual related party accounts for more than \$10,000)	8,177	3,980
<b>Total</b>	<b>\$ 218,247</b>	<b>19,936</b>

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

<u>Name of securities</u>	<b>For the three months ended June 30, 2022</b>	
	<b>Dividend revenue</b>	<b>Gain (loss) on disposal</b>
MTK	\$ 1,358	(7,436)
Others (no individual related party accounts for more than \$10,000)	-	(790)
<b>Total</b>	<b>\$ 1,358</b>	<b>(8,226)</b>

<u>Name of securities</u>	<b>For the three months ended June 30, 2021</b>	
	<b>Dividend revenue</b>	<b>Gain (loss) on disposal</b>
Call (put) warrants issued by Jih Sun Securities	-	58,828
Others (no individual related party accounts for more than \$10,000)	176	(1,443)
<b>Total</b>	<b>\$ 176</b>	<b>57,385</b>

<u>Name of securities</u>	<b>For the six months ended June 30, 2022</b>	
	<b>Dividend revenue</b>	<b>Gains (losses) on disposal</b>
MTK	\$ 1,358	(15,807)
Others (no individual related party accounts for more than \$10,000)	-	(3,046)
<b>Total</b>	<b>\$ 1,358</b>	<b>(18,853)</b>

<u>Name of securities</u>	<b>For the six months ended June 30, 2021</b>	
	<b>Dividend revenue</b>	<b>Gains (losses) on disposal</b>
Call (put) warrants issued by Jih Sun Securities	-	58,828
Others (no individual related party accounts for more than \$10,000)	176	491
<b>Total</b>	<b>\$ 176</b>	<b>59,319</b>

- 5) Financial assets measured at fair value through other comprehensive income — current

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

<u>Name of securities</u>	<b>June 30, 2022</b>		
	<b>Cost</b>	<b>Shares</b>	<b>Gain (loss) on valuation</b>
Taiwan Mobile	\$ 1,428,277	17,242	433,860

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

December 31, 2021			
Name of securities	Cost	Shares	Gain (loss) on valuation
Taiwan Mobile	\$ <u>1,428,277</u>	<u>17,242</u>	<u>295,924</u>
June 30, 2021			
Name of securities	Cost	Shares	Gain (loss) on valuation
Taiwan Mobile	\$ <u>1,428,277</u>	<u>17,242</u>	<u>330,408</u>

6) Derivative financial instrument transaction

June 30, 2022					
Name of related party	Derivative instrument contract	Contract duration	Nominal amounts	Financial statement balance	
				Account	Balance
Far Eastern International Bank	Cross Currency Swap (CCS)	2018.01.09~2023.07.13	1,800,000	CCS contract value (liabilities)	5,101
CTBC Securities Co., Ltd.	IRS Portion of Asset Swap	2019.11.05~2022.10.29	20,000	IRS Portion of Asset Swap (liabilities)	170

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

June 30, 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)	3,457
Far Eastern International Bank	Cross Currency Swap (CCS)	2018.01.09~2023.02.27	1,500,000	CCS contract value (liabilities)	13,589
CTBC Securities Co., Ltd.	IRS Portion of Asset Swap	2019.11.05~2022.10.29	20,000	IRS Portion of Asset Swap (liabilities)	1,023

7) Structured products

Name of related party	June 30, 2022	December 31, 2021	June 30, 2021
Jih Sun Securities	\$ <u>127,710</u>	<u>51,480</u>	<u>-</u>

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

## 8) Bond transaction

## a) Bond sold

<u>Name of related party</u>	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	2022	2021	2022	2021
Funds managed by Jih Sun Securities	\$ -	-	50,473	-

## b) Other securities sold

<u>Name of related party</u>	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	2022	2021	2022	2021
Taipei Fubon Bank	\$ -	109,480	-	109,480

## 9) Customer margin account

<u>Name of related party</u>	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Taifex	\$ 4,235,232	4,764,981	4,203,654

## 10) Accounts receivable

<u>Name of related party</u>	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Funds managed by Fubon Asset Management	\$ 65,954	-	14,428
Others (no individual related party accounts for more than \$10,000)	18,514	11,588	17,071
Total	\$ 84,468	11,588	31,499

## 11) Other receivables

<u>Name of related party</u>	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Taipei Fubon Bank	\$ 70,326	109,233	76,617
Fubon Life Insurance	22,732	21,515	18,351
Taifex	28,530	2,255	1,428
Others (no individual related party accounts for more than \$10,000)	3,624	2,142	18,766
Total	\$ 125,212	135,145	115,162

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**FUBON SECURITIES CO., LTD. AND SUBSIDIARIES**  
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## 12) Other Prepayments

<u>Name of related party</u>	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Others (no individual related party accounts for more than \$10,000)	\$ <u>10,036</u>	<u>5,140</u>	<u>7,429</u>

## 13) Margin deposits for borrowed securities (recognized as margin deposits for borrowed securities)

<u>Name of related party</u>	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
TWSE	\$ <u>287,161</u>	<u>-</u>	<u>781,893</u>

## 14) Settlement and clearing funds (recognized as other non-current assets)

<u>Name of related party</u>	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
TWSE	\$ 106,514	156,840	137,731
Taifex	122,236	125,270	124,652
TPEX	78,547	85,974	85,975
Total	\$ <u>307,297</u>	<u>368,084</u>	<u>348,358</u>

## 15) Refundable deposits (recognized as other non-current assets)

<u>Name of related party</u>	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
TPEX	\$ 176,300	106,050	99,000
Others (no individual related party accounts for more than \$10,000)	27,978	27,987	26,008
Total	\$ <u>204,278</u>	<u>134,037</u>	<u>125,008</u>

## 16) Commercial paper issued

<u>Name of related party</u>	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
CTBC Bank	\$ -	<u>-</u>	<u>5,100,000</u>

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

## 17) Futures traders' equity

As of June 30, 2022, December 31 and June 30, 2021, related parties' deposits for initial and maintenance margins for futures trading were as follows:

<u>Name of related party</u>	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Taipei Fubon Bank	\$ 416,379	205,118	163,418
Fund managed by Fubon Asset Management	6,037,793	4,726,619	5,457,033
Total	<u>\$ 6,454,172</u>	<u>4,931,737</u>	<u>5,620,451</u>

## 18) Deal on credit

As of June 30, 2022, December 31 and June 30, 2021, the Group had receivables from the other related parties' pecuniary finance amounted to \$68,638, \$52,991 and \$61,901, respectively.

## 19) Notes and accounts payable

<u>Name of related party</u>	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Taifex	<u>\$ 20,832</u>	<u>16,849</u>	<u>18,673</u>

## 20) Other payables

<u>Name of related party</u>	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Taipei Fubon Bank	\$ 25,182	21,210	18,622
Fubon Sports & Entertainment	6,309	10,219	5,527
TWSE	28,684	43,115	75,120
TPEX	8,809	16,922	12,873
Others (no individual related party accounts for more than \$10,000)	29,134	6,250	4,393
Total	<u>\$ 98,118</u>	<u>97,716</u>	<u>116,535</u>

## 21) Receipts under custody (recognized as other current liabilities)

<u>Name of related party</u>	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Fubon Fund Management (HK)	\$ 19,588	14,543	-
Others (no individual related party accounts for more than \$10,000)	713	642	68
Total	<u>\$ 20,301</u>	<u>15,185</u>	<u>68</u>

(Continued)

**FUBON SECURITIES CO., LTD. AND SUBSIDIARIES**  
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22) 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 June 30, 2022, December 31 and June 30, 2021, current tax liabilities of the Company were \$560,764, \$1,098,742 and \$590,088, respectively.

23) Revenue from providing agency service for stock affairs

<u>Name of related party</u>	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Fubon Financial Holding	\$ 11,681	7,256	22,763	14,484
Others (no individual related party accounts for more than \$10,000)	<u>2,364</u>	<u>2,383</u>	<u>4,454</u>	<u>4,249</u>
Total	<u>\$ 14,045</u>	<u>9,639</u>	<u>27,217</u>	<u>18,733</u>

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

<u>Name of related party</u>	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Fubon Life Insurance	\$ 17,962	24,436	44,228	62,216
Taipei Fubon Bank	14,946	19,000	29,157	39,178
Funds managed by Fubon Asset Management	18,766	18,657	44,436	38,447
Others (no individual related party accounts for more than \$10,000)	<u>13,463</u>	<u>13,946</u>	<u>25,435</u>	<u>28,097</u>
Total	<u>\$ 65,137</u>	<u>76,039</u>	<u>143,256</u>	<u>167,938</u>

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

<u>Name of related party</u>	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Fubon Asset Management	<u>\$ 17,910</u>	<u>13,601</u>	<u>35,451</u>	<u>26,863</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>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
TWSE	\$ 17,602	16,142	40,375	29,166
Others (no individual related party accounts for more than \$10,000)	<u>2,154</u>	<u>2,454</u>	<u>5,420</u>	<u>4,690</u>
Total	<u>\$ 19,756</u>	<u>18,596</u>	<u>45,795</u>	<u>33,856</u>

- 27) Advisory revenue (recognized as other operating income)

<u>Name of related party</u>	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Jih Sun Securities	\$ 5,640	-	10,300	-
Others (no individual related party accounts for more than \$10,000)	<u>1,620</u>	<u>540</u>	<u>2,160</u>	<u>1,080</u>
Total	<u>\$ 7,260</u>	<u>540</u>	<u>12,460</u>	<u>1,080</u>

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

<u>Name of related party</u>	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Taifex	\$ 26,954	-	26,954	-
Others (no individual related party accounts for more than \$10,000)	<u>2</u>	<u>1</u>	<u>5</u>	<u>4</u>
Total	<u>\$ 26,956</u>	<u>1</u>	<u>26,959</u>	<u>4</u>

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

<u>Name of related party</u>	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Taipei Fubon Bank	<u>\$ 94,516</u>	<u>92,384</u>	<u>196,026</u>	<u>175,685</u>

(Continued)

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

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

<u>Name of related party</u>	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Fubon Life Insurance	\$ 14,188	10,953	51,080	39,725
Taipei Fubon Bank	1,313	10,258	3,966	11,795
Others (no individual related party accounts for more than \$10,000)	<u>1,530</u>	<u>1,536</u>	<u>3,295</u>	<u>3,463</u>
Total	<u>\$ 17,031</u>	<u>22,747</u>	<u>58,341</u>	<u>54,983</u>

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

<u>Name of related party</u>	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Taipei Fubon Bank	\$ 28,146	24,071	73,754	50,258
Others (no individual related party accounts for more than \$10,000)	<u>765</u>	<u>318</u>	<u>1,296</u>	<u>834</u>
Total	<u>\$ 28,911</u>	<u>24,389</u>	<u>75,050</u>	<u>51,092</u>

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

<u>Name of related party</u>	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Others (no individual related party accounts for more than \$10,000)	<u>\$ 1,721</u>	<u>995</u>	<u>2,432</u>	<u>10,130</u>

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

<u>Name of related party</u>	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
TWSE	\$ 79,554	196,259	183,978	308,500
Taifex	33,780	33,280	65,981	61,558
TPEX	<u>26,933</u>	<u>42,403</u>	<u>55,660</u>	<u>72,526</u>
Total	<u>\$ 140,267</u>	<u>271,942</u>	<u>305,619</u>	<u>442,584</u>

(Continued)

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

- 34) Settlement service fee expense

<u>Name of related party</u>	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Taifex	\$ <u>26,579</u>	<u>25,609</u>	<u>50,480</u>	<u>48,029</u>

- 35) Insurance expense (recognized as employee benefit expense and other operating expense)

<u>Name of related party</u>	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Fubon Life Insurance	\$ 5,602	5,438	11,195	10,786
Others (no individual related party accounts for more than \$10,000)	<u>3,016</u>	<u>3,171</u>	<u>6,787</u>	<u>4,867</u>
Total	<u>\$ 8,618</u>	<u>8,609</u>	<u>17,982</u>	<u>15,653</u>

- 36) Rental expense (recognized as other operating expense)

<u>Name of related party</u>	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Others (no individual related party accounts for more than \$10,000)	<u>\$ 12,373</u>	<u>13,470</u>	<u>12,702</u>	<u>13,741</u>

The calculation of rent between the Group and related parties was based on market price, and paid monthly.

- 37) Stock borrowing fees (recognized as other operating expense)

<u>Name of related party</u>	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Fubon Life Insurance	\$ 2,506	14,932	3,706	19,929
Jih Sun Securities	35,392	7,369	60,000	7,368
Others (no individual related party accounts for more than \$10,000)	<u>4,157</u>	<u>-</u>	<u>7,295</u>	<u>180</u>
Total	<u>\$ 42,055</u>	<u>22,301</u>	<u>71,001</u>	<u>27,477</u>

(Continued)

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

- 38) Advertisement expense (recognized as other operating expense)

<u>Name of related party</u>	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Fubon Sports & Entertainment	\$ 5,598	6,205	11,013	11,649
Others (no individual related party accounts for more than \$10,000)	30	130	114	469
Total	<u>\$ 5,628</u>	<u>6,335</u>	<u>11,127</u>	<u>12,118</u>

- 39) Information technology expense (recognized as other operating expense)

<u>Name of related party</u>	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
TWSE	\$ 6,531	7,643	12,900	13,103
Others (no individual related party accounts for more than \$10,000)	4,354	3,673	8,689	7,192
Total	<u>\$ 10,885</u>	<u>11,316</u>	<u>21,589</u>	<u>20,295</u>

- 40) Right-of-use assets and lease liabilities

<u>Name of related party</u>	<u>Right-of-use Asset</u>		
	<u>December 31,</u>	<u>2021</u>	<u>June 30, 2021</u>
<u>June 30, 2022</u>			
Taipei Fubon Bank	\$ 58,377	83,275	110,124
Taiwan Fixed Network	1,266	1,494	1,726
Chung Hsing Construction	17,278	23,496	29,817
Ming-Dong Industrial	4,481	7,149	9,861
Fubon Charity Foundation	3,400	4,841	6,306
Fubon REIT I Fund	50,049	5,007	16,196
Fubon REIT II Fund	18,273	13,936	18,164
Fubon Life Insurance	9,154	15,604	16,025
Fubon Insurance	19,676	21,119	12,064
Total	<u>\$ 181,954</u>	<u>175,921</u>	<u>220,283</u>

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

<u>Name of related party</u>	<b>Lease liability</b>		
	<b>December 31,</b>		
	<b>June 30, 2022</b>	<b>2021</b>	<b>June 30, 2021</b>
Taipei Fubon Bank	\$ 61,063	86,606	113,285
Taiwan Fixed Network	1,289	1,517	1,743
Chung Hsing Construction	17,219	23,453	29,569
Ming-Dong Industrial	4,684	7,429	10,123
Fubon Charity Foundation	3,502	4,959	6,389
Fubon REIT I Fund	50,257	5,184	16,587
Fubon REIT II Fund	18,488	14,170	18,298
Fubon Life Insurance	9,558	16,297	16,679
Fubon Insurance	19,976	21,458	12,431
Total	<b>\$ 186,036</b>	<b>181,073</b>	<b>225,104</b>

<u>Name of related party</u>	<b>Value of Contract</b>		
	<b>December 31,</b>		
	<b>June 30, 2022</b>	<b>2021</b>	<b>June 30, 2021</b>
Taipei Fubon Bank	\$ 216,524	216,524	225,440
Taiwan Fixed Network	2,397	2,397	2,397
Chung Hsing Construction	39,341	39,341	39,577
Ming-Dong Industrial	18,990	18,990	18,990
Fubon Charity Foundation	9,182	9,182	9,182
Fubon REIT I Fund	58,282	43,880	64,396
Fubon REIT II Fund	26,590	26,493	56,139
Fubon Life Insurance	46,839	46,839	40,898
Fubon Insurance	41,929	41,929	45,110
Total	<b>\$ 460,074</b>	<b>445,575</b>	<b>502,129</b>

<u>Name of related party</u>	<b>Interest expense</b>			
	<b>For the three months</b>		<b>For the six months</b>	
	<b>ended June 30</b>		<b>ended June 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Taipei Fubon Bank	\$ 572	1,031	1,249	2,162
Taiwan Fixed Network	6	7	12	15
Chung Hsing Construction	168	274	362	564
Ming-Dong Industrial	46	95	104	200
Fubon Charity Foundation	33	59	73	124
Fubon REIT I Fund	465	166	482	365
Fubon REIT II Fund	147	154	260	376
Fubon Life Insurance	95	155	218	333
Fubon Insurance	175	125	347	282
Total	<b>\$ 1,707</b>	<b>2,066</b>	<b>3,107</b>	<b>4,421</b>

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

- 41) Other transactions with related parties with amounts not exceeding \$10 million were as follows:

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>	
Assets and liabilities:				
Performance bond of ETNs	\$ 3,000	3,000	3,000	
Others (no individual related items for more than \$2,000)	3,156	3,713	3,901	
Total	<u>\$ 6,156</u>	<u>6,713</u>	<u>6,901</u>	
	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Revenue:				
Rental revenue	\$ 1,876	1,703	3,704	3,405
Financial revenue	21	(2,219)	1,589	2,183
Revenues from underwriting consultation	-	-	3,500	-
Other revenue from underwriting business	2,250	-	3,250	-
Revenues from wealth management business	1,207	1,754	2,707	3,528
Others (no individual item accounts for more than \$2,000)	762	836	1,710	1,733
Total	<u>\$ 6,116</u>	<u>2,074</u>	<u>16,460</u>	<u>10,849</u>
	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Expense:				
Association service charge	\$ 2,080	3,005	3,409	4,432
Incidental expenses	1,042	3,317	2,773	4,747
Management fees	2,386	2,450	4,881	5,514
Postage expenses	4,558	4,336	8,877	8,720
Financial cost	367	2,123	383	2,305
Donations	3,198	2,470	6,235	5,614
Other operating expense	4,112	5,186	9,755	8,224
Others (no individual item accounts for more than \$2,000)	3,378	2,724	6,911	5,110
Total	<u>\$ 21,121</u>	<u>25,611</u>	<u>43,224</u>	<u>44,666</u>

The price and payment terms of related-party transactions mentioned above are not significantly different from those of non-related parties.

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**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>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Time deposits (accounted for other current assets)	Bank loan and overdraft	\$ 105,000	105,000	105,000
Stocks (accounted for financial assets measured at fair value through other comprehensive income – current)	Bank loan and guarantee for securities borrowing	2,565,484	2,369,200	4,852,700
Stocks (accounted for financial assets measured at fair value through other comprehensive income – non-current)	Bank loan	3,939,792	-	-
Bonds (accounted for financial assets measured at fair value through other comprehensive income – current)	Reserves for trust business	49,618	49,824	50,971
Bonds (accounted for financial assets measured at fair value through other comprehensive income – current)	Guarantee for bond business	49,617	49,983	50,972
Property and equipment – land and buildings	Bank loan	1,499,131	1,509,787	1,291,879
Investment property – land and buildings	Bank loan	689,162	682,582	1,033,685
		<u>\$ 8,897,804</u>	<u>4,766,376</u>	<u>7,385,207</u>

**(9) Commitments and contingencies: None**

**(10) Losses Due to Major Disasters: None.**

**(11) Subsequent Events: None.**

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**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	For the three months ended June 30, 2022			For the three months ended June 30, 2021		
	Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Employee benefits expense:						
Wage and salaries	\$ -	750,956	750,956	-	1,172,989	1,172,989
Insurance expense	-	57,964	57,964	-	55,772	55,772
Pension expense	-	33,113	33,113	-	45,434	45,434
Directors' remuneration	-	5,272	5,272	-	4,448	4,448
Other employee benefits	-	19,053	19,053	-	20,186	20,186
Depreciation expense	-	76,645	76,645	-	76,538	76,538
Amortization expense	-	19,801	19,801	-	17,943	17,943

By function By account	For the six months ended June 30 2022			For the six months ended June 30 2021		
	Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Employee benefits expense:						
Wage and salaries	\$ -	1,580,728	1,580,728	-	2,186,991	2,186,991
Insurance expense	-	116,180	116,180	-	127,072	127,072
Pension expense	-	73,346	73,346	-	81,481	81,481
Directors' remuneration	-	10,279	10,279	-	8,551	8,551
Other employee benefits	-	37,082	37,082	-	39,097	39,097
Depreciation expense	-	153,288	153,288	-	155,060	155,060
Amortization expense	-	38,035	38,035	-	37,118	37,118

- (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	June 30 2022		June 30 2021		Standard	Within the standard
		Calculation	Ratio	Calculation	Ratio		
No. 17	Stockholders' equity	380,791	347.79	380,147	288.26	≥ 1	Satisfactory
	Total liabilities - futures traders' equity	1,095		1,319			
No. 17	Current assets	1,321,316	3,673.06	1,522,040	2,608.04	≥ 1	Satisfactory
	Current liabilities	360		584			
No. 22	Stockholders' equity	380,791	95.20 %	380,147	95.04 %	≥ 60% ≥ 40%	Satisfactory
	Minimum paid-in capital	400,000		400,000			
No. 22	Adjusted net working capital	1,136,158	294.77 %	1,292,518	274.04 %	≥ 20% ≥ 15%	Satisfactory
	Customer margin required	385,441		471,653			

(Continued)

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

- (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	June 30 2022		June 30 2021		Standard	Within the standard
		Calculation	Ratio	Calculation	Ratio		
No. 17	Stockholders' equity	2,140,255	11.13	2,083,899	14.81	≥ 1	Satisfactory
	Total liabilities - futures traders' equity	192,366		140,750			
No. 17	Current assets	32,787,624	1.05	26,257,212	1.06	≥ 1	Satisfactory
	Current liabilities	31,190,849		24,712,554			
No. 22	Stockholders' equity	2,140,255	356.71 %	2,083,899	347.32 %	≥ 60%	Satisfactory
	Minimum paid-in capital	600,000		600,000			
No. 22	Adjusted net working capital	1,882,902	40.42 %	1,875,055	44.27 %	≥ 20%	Satisfactory
	Customer margin required	4,657,901		4,235,715			

- (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 of its offshore securities business:

	(In thousands of USD)		
	June 30, 2022	December 31, 2021	June 30, 2021
Bank deposits	\$ 13,127	17,740	15,336
Stocks	25,238	32,756	29,303
Bonds	10,064	11,940	12,732
Funds	3,447	2,890	1,264
Structured products	9,073	15,629	13,933

- (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 June 30, 2022, the unpaid amount was \$162,451 thousand. After considering the actual recovery situation, Fubon Futures Co., Ltd. had recognized the allowance for doubtful accounts amounting to \$155,210 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

June 30, 2022, December 31 and June 30, 2021

(expressed in thousands of TWD)

Trust assets	June 30, 2022	December 31, 2021	June 30, 2021	Trust liabilities	June 30, 2022	December 31, 2021	June 30, 2021
Bank deposits	\$ 101,135	83,683	288,394	Payables	\$ 2,361	643	1,299
Short-term investments				Trust capital	3,295,974	10,820,336	11,647,884
Funds	6,072,877	5,563,691	5,631,658	Net income	2,536,847	9,691,350	6,373,281
Stocks	6,634,876	12,671,998	9,608,033	Accumulated surplus (loss)	9,338,195	(353,155)	(353,155)
Borrowed securities	1,544,693	1,763,253	2,110,349				
Receivables	819,796	76,549	30,875				
<b>Total trust assets</b>	<b>\$ 15,173,377</b>	<b>20,159,174</b>	<b>17,669,309</b>	<b>Total trust liabilities</b>	<b>\$ 15,173,377</b>	<b>20,159,174</b>	<b>17,669,309</b>

(ii) Trust income statement

Trust Income Statement

For the six months ended June 30, 2022 and 2021

(expressed in thousands of TWD)

	For the six months ended June 30	
	2022	2021
Trust Revenues		
Interest revenue	\$ 10	8
Dividend revenue	822,624	22,880
Rental revenue	6,138	3,766
Borrowed securities compensation	73,459	2,010
Realized gains on investments	30,063	242,133
Unrealized gains on investments	2,419,388	6,256,888
Subtotal	3,351,682	6,527,685
Trust Expenses		
Management fee	1,301	795
Commission expense	3,307	222
Other expense	-	1
Realized losses on investments	28,200	6,062
Unrealized losses on investments	782,027	147,324
Subtotal	814,835	154,404
Income before tax	2,536,847	6,373,281
Income tax expense	-	-
<b>Net income</b>	<b>\$ 2,536,847</b>	<b>6,373,281</b>

(Continued)

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

(iii) Trust catalog of property

Trust catalog of property

June 30, 2022, December 31 and June 30, 2021

(expressed in thousands of TWD)

Item	June 30, 2022	December 31, 2021	June 30, 2021
Bank deposits	\$ 101,135	83,683	288,394
Short-term investments			
Funds	6,072,877	5,563,691	5,631,658
Stocks	6,634,876	12,671,998	9,608,033
Borrowed securities	1,544,693	1,763,253	2,110,349
Receivables	819,796	76,549	30,875
Total	<u>\$ 15,173,377</u>	<u>20,159,174</u>	<u>17,669,309</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.

(Continued)

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

(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	14,273	Not materially different from the general trading terms.	4.61 %
0	Fubon Securities Co., Ltd.	Fubon Securities Investment Service Co., Ltd.	1	Other payables-related parties	11,268	Not materially different from the general trading terms.	2.59 %
0	Fubon Securities Co., Ltd.	Fubon Futures Co., Ltd.	1	Accounts receivable- related parties	10,070	Not materially different from the general trading terms.	1.78 %
0	Fubon Securities Co., Ltd.	Fubon Securities Investment Service Co., Ltd.	1	Professional service expense- advisory	67,600	Not materially different from the general trading terms.	0.01 %
0	Fubon Securities Co., Ltd.	Fubon Futures Co., Ltd.	1	Futures commission revenue- the operation of futures introducing broker business	61,114	Not materially different from the general trading terms.	0.01 %
0	Fubon Securities Co., Ltd.	Fubon Futures Co., Ltd.	1	Other non-operating revenue	14,068	Not materially different from the general trading terms.	- %
1	Fubon Futures Co., Ltd.	Fubon Securities Co., Ltd.	2	Customer margin account-bank deposits	2,039,645	Not materially different from the general trading terms.	0.01 %
1	Fubon Futures Co., Ltd.	Fubon Securities Co., Ltd.	2	Futures trader's equity- customer	1,088,220	Not materially different from the general trading terms.	0.01 %
1	Fubon Futures Co., Ltd.	Fubon Securities Co., Ltd.	2	Futures trader's equity- commission merchant	951,425	Not materially different from the general trading terms.	0.01 %
1	Fubon Futures Co., Ltd.	Fubon Securities Co., Ltd.	2	Other payables-related parties	14,273	Not materially different from the general trading terms.	4.61 %
1	Fubon Futures Co., Ltd.	Fubon Securities Co., Ltd.	2	Accounts payable-related parties	10,070	Not materially different from the general trading terms.	1.78 %
1	Fubon Futures Co., Ltd.	Fubon Securities Co., Ltd.	2	Futures commission expense- the operation of futures introducing broker business	61,114	Not materially different from the general trading terms.	0.01 %
1	Fubon Futures Co., Ltd.	Fubon Securities Co., Ltd.	2	Professional service expense- other	14,067	Not materially different from the general trading terms.	- %
2	Fubon Securities Investment Service Co., Ltd.	Fubon Securities Co., Ltd.	2	Accounts receivable- related parties	11,267	Not materially different from the general trading terms.	2.59 %
2	Fubon Securities Investment Service Co., Ltd.	Fubon Securities Co., Ltd.	2	Advisory revenue- securities	67,600	Not materially different from the general trading terms.	0.01 %

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 six months ended June 30, 2022, 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 %	2,140,255	437,774	59,035	59,035	58,371	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 %	842,276	-	5,931	5,931	-	"
"	Fubon Securities Investment Services Co., Ltd.	Taipei City	April 14, 1987		Investment service	90,444	90,444	9,000	100.00 %	104,923	80,060	5,888	5,888	-	"
"	Fubon Securities Venture Capital Co., Ltd.	Taipei City	September 11, 2015		Venture Capital	300,000	300,000	30,000	100.00 %	206,166	(19,803)	(26,754)	(26,754)	-	"
"	Fubon Mintou Venture Capital Co., Ltd.	Taipei City	May 26, 2017		Venture Capital	134,000	134,000	13,400	67.00 %	131,605	-	(508)	(339)	-	"
"	Fubon Financial Holding Venture Capital Co., Ltd.	Taipei City	October 17, 2003		Venture capital	649,970	649,970	141,424	11.20 %	1,495,789	(3,200,554)	(3,480,678)	(389,836)	24,956	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 %	782,737	33,693	5,945	5,945	-	The transaction was eliminated when the Company compiled its consolidated financial report.

(c) Information on overseas branches and representative offices: None.

(d) Information on investment in mainland China: None.

(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 June 30, 2022.

- (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	26,329
Total asset	28,332
Share capital	26,926
Capital surplus	45
Retained earnings	1,910
Other equity interests	(549)
Total stockholders' equity	28,332

- 2) Statement of comprehensive income

( In Thousands of USD)

Items	Fubon Investment Holding (BVI)
Operating expenses	(3)
Non-operating revenue and expenses	\$ 209
Net income before tax	206
Net income after tax	206

- (ii) Securities held as of June 30, 2022, were as follows:

(In Thousands of USD)

Holding company	Security	Listed name	June 30, 2022	
			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>26,926</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

		For the three months ended June 30 2022							
	Dealing business	Equity derivatives business	Investment banking business	Brokerage business	Fubon Futures Co., Ltd.	Fubon Investment Holding (BVI) Ltd.	Others	Adjustment and reversal	Total
Revenue between segments	\$ 210,683	223,173	9,369	2,119,173	227,027	18,999	26,800	(68,266)	2,766,958
Segment income (Note)	\$ 68,131	27,483	(66,535)	1,033,699	47,955	5,357	(253,742)	(21,360)	840,988
		For the three months ended June 30 2021							
	Dealing business	Equity derivatives business	Investment banking business	Brokerage business	Fubon Futures Co., Ltd.	Fubon Investment Holding (BVI) Ltd.	Others	Adjustment and reversal	Total
Revenue between segments	\$ 230,232	170,819	212,275	3,419,479	224,164	25,533	35,122	(65,072)	4,252,552
Segment income (Note)	\$ 39,682	46,380	136,846	1,862,330	36,087	7,146	167,375	(31,218)	2,264,628
		For the six months ended June 30 2022							
	Dealing business	Equity derivatives business	Investment banking business	Brokerage business	Fubon Futures Co., Ltd.	Fubon Investment Holding (BVI) Ltd.	Others	Adjustment and reversal	Total
Revenue between segments	\$ 422,019	440,756	134,108	4,559,972	441,458	35,714	92,389	(137,151)	5,989,265
Segment income (Note)	\$ 123,260	83,168	(2,999)	2,324,136	73,188	5,931	(681,524)	(43,760)	1,881,400
		For the six months ended June 30 2021							
	Dealing business	Equity derivatives business	Investment banking business	Brokerage business	Fubon Futures Co., Ltd.	Fubon Investment Holding (BVI) Ltd.	Others	Adjustment and reversal	Total
Revenue between segments	\$ 589,740	380,862	527,597	5,966,766	432,518	49,786	59,289	(135,061)	7,871,497
Segment income (Note)	\$ 317,838	137,145	357,014	3,172,468	61,993	11,859	204,179	(44,949)	4,217,547

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.