

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

CONSOLIDATED FINANCIAL STATEMENTS

**With Independent Auditors' Report
For the Six Months Ended June 30, 2023 and 2022**

ADDRESS: 14F NO. 108, Sec. 1, Tun Hua S. Road, Taipei, Taiwan
TELEPHONE : 886-2-8771-6699

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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安侯建業聯合會計師事務所

KPMG

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

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

Independent Auditors' Report

To the Board of Directors of
Fubon Life Insurance Co., Ltd.

Opinion

We have audited the consolidated financial statements of Fubon Life Insurance Co., Ltd. and its subsidiaries ("the Group"), which comprise the consolidated balance sheets as of June 30, 2023, December 31 and June 30, 2022, the consolidated statements of comprehensive income for the three months and six months ended June 30, 2023 and 2022, changes in equity and cash flows for the six months ended June 30, 2023 and 2022, 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, 2023, December 31 and June 30, 2022, its consolidated financial performance for the three months and six months ended June 30, 2023 and 2022, its consolidated cash flows for the six months ended June 30, 2023 and 2022 in accordance with the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises and with the International Accounting Standards 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 Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing of 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 Norm of Professional Ethics for Certified Public Account of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Emphasis of Matter

We draw attention to Note 12(I) of the consolidated financial statements, which describes that followed by the Regulation of IFRS 9 "Financial Instruments", the major management of Fubon Life Insurance Co., Ltd. and its subsidiaries decided to change the business model of the financial instruments in December 2022 and the reclassification date is January 1, 2023. Our opinion is not modified in respect of this matter.



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 of the current period. 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

Regarding the valuation of financial instruments, please refer to Note 4(G) “Financial instruments” of the consolidated financial statements for the year ended December 2022 for related accounting policy, Note 5 for accounting assumptions and estimation uncertainty of the valuation of financial instruments, Note 6(AC) for details on the information about fair value and fair value hierarchy.

Risk and description of the key audit matter:

Financial instruments that are held by the Group, some of them are valued through models. The valuation methods and important parameters require significant professional judgment. Therefore, the valuation of financial instruments has been identified as a key audit matter in our audit.

Procedures performed:

- Tested the effectiveness internal control procedures applied by management for fair value measurement of financial instruments;
- For financial assets without quoted prices in an active market and measured the fair value by valuation techniques, engaged our internal valuation specialists, selected samples to test valuation models and check the reasonableness of the valuation methodology and the underlying parameters in order to assess whether the valuation techniques were properly adopted in accordance with IFRS13 “Fair Value Measurement”;
- Assessed the presentation and disclosures of financial instruments were in accordance with IFRSs.

2. The valuation of investment property

Regarding the valuation of investment property, please refer to Note 4(K) “Investment property” of the consolidated financial statements for the year ended December 2022 for related accounting policy, Note 5 for accounting assumptions and estimation uncertainty of the valuation of investment property, Note 6(F) for details on the information about the valuation of investment property.

Risk and description of the key audit matter:

According to Regulations Governing the Preparation of Financial Reports by Insurance Enterprises, the fair value of the investment properties that are held by the Group was measured by the external independent appraisers using valuation methods and market evidences in accordance with Regulations on Real Estate Appraisal. The selection of valuation methods requires significant professional judgment. Therefore, the valuation of investment property has been identified as a key audit matter in our audit.



Procedures performed:

- Obtained an understanding of professional appraisal firms' procedures for measuring fair value of investment properties in order to assess whether the professional appraisal firms selected appropriate valuation methods and check whether the firms adopted reasonable key assumptions;
- Confirmed the fair value measurement and disclosures of investment property were in accordance with IFRSs and Regulations Governing Preparation of Financial Reports by Insurance Enterprises;
- Assessed the appropriateness of the fair value of investment property measured by the management based on our understanding of public market information and review report issued by our engaged external appraisal firms.

3. The assessment of insurance liability

Regarding the valuation of insurance liability, please refer to Note 4(S) "Insurance liability" of the consolidated financial statements for the year ended December 2022 for related accounting policy, Note 5 for accounting assumptions and estimation uncertainty of insurance liability, Note 6(V) for details on the information about the assessment of insurance liability.

Risk and description of the key audit matter:

The Group measured insurance liabilities in accordance with "Regulations Governing the Provision of Various Reserves" and relevant administrative rules. Key assumptions and parameters of different types of reserves which involved the professional judgments in the reserve assessment processes, for instance, the life table and the interest rates used for calculating the provision of life insurance liability reserve, the claim development factors and the expected claim rates used in estimating the claim reserve, and mortality rate, lapse rate, morbidity rate, discount rate and other factors used in assessing adequacy of liability reserve, affect the amount of insurance liabilities and net change in insurance liabilities recognized in the financial statements. Therefore, the assessment of insurance liability has been identified as a key audit matter in our audit.

Procedures performed:

- Tested the effectiveness of internal control procedures related to insurance liability;
- Engaged our internal actuarial specialists to perform relevant audit procedures over insurance liability, including:
 - Inspected whether the methods and parameters of insurance liabilities were in accordance with insurance related regulations and administrative rules and relevant practical principles set by the Actuarial Institute of the Republic of China;
 - Selected samples to check the completeness of data used in the calculation of reserves and independently established models to recalculate the amount of reserves;
 - Analyzed the movement in insurance liability, including assessing the reasonableness of the amount of reserves appropriated by the management based on their understanding of the industry and market;



- Conducted liability adequacy test in order to assess the reasonableness of the testing scope and assumptions adopted by the management, including assessing the appropriateness of actuarial assumptions based on the internal data or industry experiences and the characteristics of insurance products.

Other Matter

Fubon Life Insurance Co., Ltd. has prepared its parent-company-only financial statement as of and for the six months ended June 30, 2023 and 2022, on which we have issued an unmodified opinion with an emphasis of matter paragraph.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises and with the International Accounting Standards 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 management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the 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 auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of 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 the Standards on Auditing of the Republic of China, we exercise professional judgment and 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 management.



4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 current period 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 16, 2023

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 LIFE INSURANCE CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

June 30, 2023, December 31 and June 30, 2022

(Expressed In Thousands of New Taiwan Dollars)

Assets		June 30, 2023		December 31, 2022		June 30, 2022		Liabilities and equity		June 30, 2023		December 31, 2022		June 30, 2022	
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%
11000	Cash and cash equivalents (Notes 6(A))	\$ 176,218,984	3	249,234,118	5	213,974,425	4	21000	Accounts payable (Note 6(N))	\$ 39,756,607	1	62,071,931	1	35,209,419	1
12000	Receivables (Note 6(B))	62,421,095	1	57,863,541	1	59,573,803	1	21700	Current tax liabilities	1,953,314	-	810,779	-	1,149,408	-
12600	Current tax assets	9,085,848	-	8,513,885	-	4,429,500	-	23100	Short-term liabilities (Note 6(O))	254,323	-	12,217,500	-	-	-
14110	Financial assets measured at fair value through profit or loss (Note 6(B))	1,390,816,951	24	1,228,330,623	22	1,211,933,854	22	23200	Financial liabilities measured at fair value through profit or loss (Note 6(B))	32,636,736	1	29,234,427	1	57,159,833	1
14190	Financial assets measured at fair value through other comprehensive income (Note 6(B))	312,667,742	5	616,941,928	11	689,559,385	12	23300	Financial liabilities for hedging (Note 6(B))	2,682,598	-	3,954,452	-	6,616,594	-
14130	Financial assets for hedging (Note 6(B))	1,254,586	-	2,602,646	-	847,346	-	23500	Bonds payable (Note 6(P))	72,436,895	1	70,636,657	1	70,125,884	1
14145	Financial assets measured at amortized cost (Note 6(B))	2,662,791,708	46	2,258,170,804	40	2,200,471,163	40	23800	Lease liabilities (Note 6(Q))	15,640,903	-	15,995,344	-	15,891,028	-
14150	Investments accounted for using equity method, net (Note 6(D))	27,047,257	1	26,928,118	1	25,744,021	-	24000	Insurance liabilities (Note 6(V))	4,580,435,530	79	4,548,381,769	81	4,492,686,777	81
14180	Other financial assets, net (Note 6(B))	3,073,781	-	3,349,551	-	2,985,587	-	24800	Reserve for insurance with nature of financial instrument (Note 6(W))	3,430,112	-	3,366,163	-	3,556,938	-
14200	Investment property (Note 6(F))	314,179,884	6	304,777,201	5	303,987,864	6	24900	Reserve for foreign exchange valuation (Note 6(X))	30,382,108	1	37,131,393	1	28,009,238	1
14300	Loans (Note 6(B))	237,448,396	4	249,683,929	5	259,587,167	5	27000	Liabilities reserve (Note 6(R))	11,501,945	-	11,822,552	-	12,338,214	-
15000	Reinsurance assets (Note 6(H))	3,986,188	-	3,709,333	-	3,433,397	-	28000	Deferred tax liabilities	24,779,771	-	20,399,946	1	10,652,521	-
16000	Property and equipment (Note 6(I))	19,349,266	-	19,404,602	-	19,252,494	-	25000	Other liabilities	10,008,392	-	14,307,094	-	16,510,079	-
16700	Right-of-use assets (Note 6(J))	1,234,342	-	1,406,689	-	1,518,619	-	26000	Liabilities on insurance product, separated account (Note 6(M))	494,868,696	9	497,489,045	9	466,261,250	9
17000	Intangible assets (Note 6(K))	5,438,488	-	5,788,413	-	5,428,160	-		Total liabilities	<u>5,320,767,930</u>	<u>92</u>	<u>5,327,819,052</u>	<u>95</u>	<u>5,216,167,183</u>	<u>94</u>
17800	Deferred tax assets	42,521,743	1	61,650,966	1	50,317,389	1		Equity attributable to owners of parent						
18000	Other assets (Note 6(L))	33,831,699	1	34,668,956	1	36,062,490	1	31100	Ordinary shares (Note 6(S))	110,831,140	2	110,831,140	2	110,831,140	2
18900	Assets on insurance product, separated account (Note 6(M))	470,826,500	8	469,805,004	8	444,015,252	8	32000	Capital surplus (Note 6(S))	31,065,427	1	31,149,454	1	31,178,303	1
									Retained earnings (Note 6(S)):						
								33100	Legal reserve	92,537,470	2	79,319,723	1	79,319,723	1
								33200	Special reserve	245,524,832	4	192,822,801	4	192,653,843	4
								33300	Unappropriated retained earnings	25,523,074	-	65,919,778	1	63,209,142	1
									Total retained earnings	<u>363,585,376</u>	<u>6</u>	<u>338,062,302</u>	<u>6</u>	<u>335,182,708</u>	<u>6</u>
								34000	Other equity interest (Note 6(S))	<u>(56,787,277)</u>	<u>(1)</u>	<u>(209,125,102)</u>	<u>(4)</u>	<u>(165,191,983)</u>	<u>(3)</u>
									Total Equity attributable to owners of parent	<u>448,694,666</u>	<u>8</u>	<u>270,917,794</u>	<u>5</u>	<u>312,000,168</u>	<u>6</u>
								36000	Non-controlling interests (Note 6(E)&(S))	<u>4,731,862</u>	<u>-</u>	<u>4,093,461</u>	<u>-</u>	<u>4,954,565</u>	<u>-</u>
									Total equity	<u>453,426,528</u>	<u>8</u>	<u>275,011,255</u>	<u>5</u>	<u>316,954,733</u>	<u>6</u>
Total assets		<u>\$ 5,774,194,458</u>	<u>100</u>	<u>5,602,830,307</u>	<u>100</u>	<u>5,533,121,916</u>	<u>100</u>	Total liabilities and equity		<u>\$ 5,774,194,458</u>	<u>100</u>	<u>5,602,830,307</u>	<u>100</u>	<u>5,533,121,916</u>	<u>100</u>

(See accompany notes to the consolidated financial statements)

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the three months and six months ended June 30, 2023 and 2022

(Expressed In Thousands of New Taiwan Dollars, except earning per share)

	For the three months ended June 30,				For the six months ended June 30,			
	2023		2022		2023		2022	
	Amount	%	Amount	%	Amount	%	Amount	%
Operating Revenues:								
41110 Written premium	\$ 83,307,082	54	75,850,995	56	165,859,554	57	164,084,776	53
51100 Less: Reinsurance expense	725,035	1	735,059	-	1,322,199	1	1,319,339	-
51310 Net change in unearned premiums reserve	223,980	-	222,232	-	441,921	-	487,547	-
Retained earned premium (Note 6(Z))	82,358,067	53	74,893,704	56	164,095,434	56	162,277,890	53
41300 Reinsurance commission received	18,042	-	17,817	-	34,472	-	38,488	-
41400 Total fee income	729,338	-	837,485	1	1,478,531	1	1,781,819	1
Net income (loss) from investments								
41510 Interest income	30,032,743	20	28,662,884	21	59,132,881	21	55,503,256	18
41521 Gains (losses) on financial assets or liabilities measured at fair value through profit or loss (Note 6(B))	12,510,318	8	(171,808,417)	(128)	86,319,863	30	(256,896,419)	(83)
41526 Net gains (losses) from derecognition of financial assets measured at amortized cost (Note 6(B))	14,696	-	51,877	-	5,365	-	6,070,126	2
41527 Realized gains (losses) from financial assets measured at fair value through other comprehensive income	(619,649)	-	184,916	-	(468,911)	-	1,648,834	1
41540 Share of gain (loss) of associates and joint ventures accounted for using equity method	(164,694)	-	390,134	-	342,364	-	(457,997)	-
41550 Foreign exchange gains (losses), investments	37,208,599	24	65,236,785	49	24,897,826	9	119,702,769	39
41560 Net change in reserve for foreign exchange valuation (Note 6(X))	2,527,166	2	(8,809,010)	(7)	6,749,285	2	(17,619,771)	(6)
41570 Gains (losses) on investment property	2,690,584	2	2,118,354	2	5,387,591	2	3,167,273	1
41585 (Reversal of) expected credit impairment loss on investments (Note 6(B))	(1,039,797)	(1)	170,464	-	(1,708,965)	(1)	(1,833,073)	(1)
41590 Other net income (loss) from investments	(1,238,176)	(1)	(2,043,286)	(2)	(1,771,345)	(1)	(2,496,064)	(1)
41600 Profits (losses) reclassified to other comprehensive income using overlay approach (Note 6(B))	(23,454,146)	(15)	146,107,896	109	(78,739,580)	(27)	235,428,075	76
41800 Other operating income	440,644	-	408,034	-	777,750	-	729,165	-
41900 Income on insurance product, separated account (Note 6(M))	12,259,756	8	(1,924,842)	(1)	24,242,784	8	1,131,370	-
Total operating revenue	154,273,491	100	134,494,795	100	290,775,345	100	308,175,741	100
Operating Costs:								
51200 Insurance claim payment	92,450,103	60	73,902,092	55	188,453,605	65	140,610,558	46
41200 Less: Claims recovered from reinsurers	548,618	-	404,389	-	1,093,524	-	857,559	-
Retained claim payment (Note 6(Z))	91,901,485	60	73,497,703	55	187,360,081	65	139,752,999	46
51300 Net change in insurance liability	16,290,974	10	26,043,742	19	27,057,325	9	75,369,366	25
51380 Net change in reserve for insurance with nature of financial instrument	50,751	-	26,279	-	104,765	-	78,494	-
51400 Acquisition expense	18,127	-	7,806	-	24,844	-	13,109	-
51500 Commission expense	5,697,523	4	4,374,921	3	11,622,911	4	9,560,323	3
51700 Finance costs	798,589	-	683,639	1	1,600,113	-	1,351,521	-
51800 Other operating costs	1,365,339	1	790,568	1	2,455,045	1	1,123,108	-
51900 Disbursements on insurance product, separated account (Note 6(M))	12,259,756	8	(1,924,842)	(2)	24,242,784	8	1,131,370	-
Total operating costs	128,382,544	83	103,499,816	77	254,467,868	87	228,380,290	74
Operating expenses:								
58100 General expenses	2,908,450	2	2,792,714	2	5,536,088	2	5,271,609	2
58200 Administrative expenses	1,809,800	1	1,835,589	1	3,453,939	1	3,442,473	1
58300 Staff training expenses	20,616	-	10,548	-	31,300	-	17,825	-
58400 (Reversal of) expected credit impairment loss on non-investments	(738)	-	402	-	(281)	-	6,015	-
Total Operating Expenses	4,738,128	3	4,639,253	3	9,021,046	3	8,737,922	3
Net Operating Income	21,152,819	14	26,355,726	20	27,286,431	10	71,057,529	23
59000 Total non-operating income and expenses (Note 6(AA))	226,683	-	3,319,530	2	475,561	-	3,509,095	1
Profit from continuing operations before income tax	21,379,502	14	29,675,256	22	27,761,992	10	74,566,624	24
63000 Income tax expense (Note 6(T))	(2,688,581)	(2)	(2,699,979)	(2)	(1,940,478)	(1)	(10,877,237)	(3)
Net profit	\$ 18,690,921	12	26,975,277	20	25,821,514	9	63,689,387	21
Other comprehensive (loss) income:								
83100 Items that may not be reclassified subsequently to profit or loss								
83110 Remeasurement of defined benefit plans	\$ 1,723	-	15,992	-	1,913	-	11,555	-
83190 Valuation gains (losses) on equity instruments measured at fair value through other comprehensive income	588,325	-	(2,583,468)	(2)	1,728,766	-	(3,827,291)	(1)
83130 Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	(45,588)	-	(12,670)	-	7,573	-	(4,162)	-
83180 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	31,388	-	(100,876)	-	39,673	-	388,240	-
Total items that may not be reclassified subsequently to profit or loss	575,848	-	(2,681,022)	(2)	1,777,925	-	(3,431,658)	(1)
83200 Items may be reclassified subsequently to profit or loss								
83210 Exchange differences on translation	1,959,818	2	(1,556,605)	(1)	1,910,423	1	72,446	-
83290 Valuation gains (losses) on debt instruments measured at fair value through other comprehensive income	(1,581,592)	(1)	(79,062,583)	(59)	93,798,486	32	(139,078,453)	(45)
83230 Gains (losses) on hedging instrument	(14,132)	-	21,305	-	51,249	-	(353,782)	-
83240 Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	(180,569)	-	(282,070)	-	(131,628)	-	(291,859)	-
83295 Other comprehensive profits (losses) reclassified using overlay approach	23,454,146	15	(146,107,896)	(109)	78,739,580	27	(235,428,075)	(77)
83280 Income tax related to components of other comprehensive income that will be reclassified to profit or loss	(2,902,844)	(2)	22,862,991	17	(23,553,732)	(8)	37,861,982	12
Total items may be reclassified subsequently to profit or loss	20,734,827	14	(204,124,858)	(152)	150,814,378	52	(337,217,741)	(110)
Other comprehensive (loss) income	21,310,675	14	(206,805,880)	(154)	152,592,303	52	(340,649,399)	(111)
85000 Comprehensive (loss) income	\$ 40,001,596	26	(179,830,603)	(134)	178,413,817	61	(276,960,012)	(90)
Net profit attributable to:								
86100 Owners of parent	\$ 18,979,292	12	26,883,933	20	26,227,709	9	63,247,166	21
86200 Non-controlling interests	(288,371)	-	91,344	-	(406,195)	-	442,221	-
	\$ 18,690,921	12	26,975,277	20	25,821,514	9	63,689,387	21
Comprehensive (loss) income attributable to:								
87100 Owners of parent	\$ 40,494,177	26	(176,713,618)	(132)	177,860,899	61	(271,552,075)	(88)
87200 Non-controlling interests	(492,581)	-	(3,116,985)	(2)	552,918	-	(5,407,937)	(2)
	\$ 40,001,596	26	(179,830,603)	(134)	178,413,817	61	(276,960,012)	(90)
97500 Basic earnings per share (NT dollars) (Note 6(U))	\$ 1.71		2.43		2.37		5.71	

(See accompany notes to the consolidated financial statements)

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the six months ended June 30, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent													Non-controlling interests	Total equity
	Retained earnings						Other equity items								
	Ordinary Shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Gains (losses) on hedging instruments	Unrealized revaluation surplus	Other comprehensive profit (loss) reclassified using overlay approach	Total	Total equity attributable to owners of parent		
Balance on January 1, 2022	\$ 110,831,140	31,195,960	59,441,192	128,982,016	99,128,673	287,551,881	(14,218,363)	13,338,208	322,364	227,751	169,899,274	169,569,234	599,148,215	10,362,502	609,510,717
Net income	-	-	-	-	63,247,166	63,247,166	-	-	-	-	-	-	63,247,166	442,221	63,689,387
Other comprehensive (loss) income	-	-	-	-	(9,673)	(9,673)	25,311	(112,245,972)	(292,060)	-	(222,276,847)	(334,789,568)	(334,799,241)	(5,850,158)	(340,649,399)
Total comprehensive (loss) income	-	-	-	-	63,237,493	63,237,493	25,311	(112,245,972)	(292,060)	-	(222,276,847)	(334,789,568)	(271,552,075)	(5,407,937)	(276,960,012)
Appropriation and distribution:															
Legal reserve appropriated	-	-	19,878,531	-	(19,878,531)	-	-	-	-	-	-	-	-	-	-
Special reserve appropriated	-	-	-	63,748,199	(63,748,199)	-	-	-	-	-	-	-	-	-	-
Reversal of special reserve	-	-	-	(76,372)	76,372	-	-	-	-	-	-	-	-	-	-
Cash dividends of ordinary shares	-	-	-	-	(15,578,315)	(15,578,315)	-	-	-	-	-	-	(15,578,315)	-	(15,578,315)
Other changes in capital surplus:															
Changes in investments in associates and joint ventures accounted for using equity method	-	(17,657)	-	-	-	-	-	-	-	-	-	-	(17,657)	-	(17,657)
Disposal of equity instruments measured at fair value through other comprehensive income	-	-	-	-	(28,351)	(28,351)	-	28,351	-	-	-	28,351	-	-	-
Balance at June 30, 2022	\$ 110,831,140	31,178,303	79,319,723	192,653,843	63,209,142	335,182,708	(14,193,052)	(98,879,413)	30,304	227,751	(52,377,573)	(165,191,983)	312,000,168	4,954,565	316,954,733
Balance at January 1, 2023	\$ 110,831,140	31,149,454	79,319,723	192,822,801	65,919,778	338,062,302	(11,366,525)	(115,789,494)	(77,295)	227,751	(82,119,539)	(209,125,102)	270,917,794	4,093,461	275,011,255
Net income	-	-	-	-	26,227,709	26,227,709	-	-	-	-	-	-	26,227,709	(406,195)	25,821,514
Other comprehensive (loss) income	-	-	-	-	(9,873)	(9,873)	1,533,529	76,434,196	3,533	-	73,671,805	151,643,063	151,633,190	959,113	152,592,303
Total comprehensive (loss) income	-	-	-	-	26,217,836	26,217,836	1,533,529	76,434,196	3,533	-	73,671,805	151,643,063	177,860,899	552,918	178,413,817
Appropriation and distribution:															
Legal reserve appropriated	-	-	13,217,747	-	(13,217,747)	-	-	-	-	-	-	-	-	-	-
Special reserve appropriated	-	-	-	53,163,988	(53,163,988)	-	-	-	-	-	-	-	-	-	-
Reversal of special reserve	-	-	-	(461,957)	461,957	-	-	-	-	-	-	-	-	-	-
Other changes in capital surplus:															
Changes in investments in associates and joint ventures accounted for using equity method	-	6,901	-	-	-	-	-	-	-	-	-	-	6,901	-	6,901
Changes in ownership interests in subsidiaries	-	(90,928)	-	-	-	-	-	-	-	-	-	-	(90,928)	90,071	(857)
Disposal of equity instruments measured at fair value through other comprehensive income	-	-	-	-	(694,762)	(694,762)	-	694,762	-	-	-	694,762	-	-	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	(4,588)	(4,588)
Balance on June 30, 2023	\$ 110,831,140	31,065,427	92,537,470	245,524,832	25,523,074	363,585,376	(9,832,996)	(38,660,536)	(73,762)	227,751	(8,447,734)	(56,787,277)	448,694,666	4,731,862	453,426,528

(See accompany notes to the consolidated financial statements)

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

FUBON LIFE INSURANCE CO., LTD.AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the six months ended June 30, 2023 and 2022

(Expressed In Thousands of New Taiwan Dollars)

	For the six months ended June 30,	
	2023	2022
Cash flows from (used in) operating activities:		
Profit before tax	\$ 27,761,992	74,566,624
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	553,481	568,986
Amortization expense	212,554	149,732
Net (gain) loss on financial assets or liabilities measured at fair value through profit or loss	(85,584,612)	247,033,952
Net loss (gain) on financial assets or liabilities measured at fair value through other comprehensive income	575,887	(1,429,075)
Net gain on derecognition of financial assets measured at amortized cost	(5,365)	(6,070,126)
Interest expense	1,644,414	1,381,002
Interest income	(59,132,881)	(55,503,256)
Dividend income	(24,092,843)	(16,820,443)
Net change in insurance liabilities	27,499,246	75,856,913
Net change in reserve for insurance with nature of financial instrument	63,949	(815)
Net change in reserve for foreign exchange valuation	(6,749,285)	17,619,771
Expected credit loss of investment	1,708,965	1,833,073
(Reversal of) expected credit loss of non-investment	(281)	6,015
Share of (profit) loss of associates and joint ventures accounted for using equity method	(342,364)	457,997
Loss (Gain) reclassified to other comprehensive income by using overlay approach	78,739,580	(235,428,075)
Loss on disposal of property and equipment	3,999	4,630
Property and equipment transferred to revenues	(9,976)	(6,557)
Unrealized foreign exchange gain	(24,906,357)	(125,094,484)
(Gain) Loss on fair value adjustment of investment property	(2,050,225)	166,525
Other items	160,495	(2,807,279)
Total adjustments to reconcile profit (loss)	<u>(91,711,619)</u>	<u>(98,081,514)</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Decrease in accounts receivable	4,150,339	4,577,984
Decrease (Increase) in financial assets or liabilities measured at fair value through profit or loss	(74,836,524)	20,914,335
Decrease (Increase) in financial assets measured at fair value through other comprehensive income	22,351,746	(64,691,349)
Decrease in financial assets measured at amortized cost	7,111,412	67,299,554
Decrease (Increase) in other financial assets	186,361	(248,101)
Increase in reinsurance assets	(436,197)	(74,492)
Decrease (Increase) in other assets	409,299	(10,510,889)
Total changes in operating assets	<u>(41,063,564)</u>	<u>17,267,042</u>
Changes in operating liabilities:		
Decrease in other payable	(21,227,780)	(48,386,014)
Decrease in provisions	(144,886)	(200,639)
Decrease in other liabilities	(4,298,702)	(1,469,790)
Total changes in operating liabilities	<u>(25,671,368)</u>	<u>(50,056,443)</u>
Total adjustments	<u>(158,446,551)</u>	<u>(130,870,915)</u>
Cash outflow generated from operations	(130,684,559)	(56,304,291)
Interest received	51,397,645	48,524,379
Dividends received	15,396,546	11,264,224
Interest paid	(1,739,965)	(1,567,949)
Dividends paid	-	(15,578,315)
Income taxes paid	(1,768,122)	(12,627,604)
Net Cash flows used in operating activities	<u>(67,398,455)</u>	<u>(26,289,556)</u>
Cash flows (used in) from investing activities:		
Acquisition of investments accounted for using equity method	(300,000)	(5,336,803)
Acquisition of property and equipment	(206,573)	(145,098)
Proceeds from disposal of property and equipment	75	15
Acquisition of intangible assets	(56,812)	(117,420)
Decrease in loans	10,430,213	9,341,839
Acquisition of investment properties	(4,937,477)	(2,322,481)
Net cash flows from investing activities	<u>4,929,426</u>	<u>1,420,052</u>
Cash flows from (used in) financing activities:		
Proceeds from issuing bonds	4,155,887	4,638,618
Repayments of bonds	(1,804,957)	(698,370)
Decrease in notes and bonds issued under repurchase agreement	(11,963,177)	-
Payments of lease liabilities	(564,006)	(506,125)
Change in non-controlling interests	(4,588)	-
Other financing activities	(857)	-
Net cash flows (used in) from financing activities	<u>(10,181,698)</u>	<u>3,434,123</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(364,407)</u>	<u>(12,588)</u>
Net decrease in cash and cash equivalents	<u>(73,015,134)</u>	<u>(21,447,969)</u>
Cash and cash equivalents at beginning of period	249,234,118	235,422,394
Cash and cash equivalents at end of period	<u>\$ 176,218,984</u>	<u>213,974,425</u>

(See accompany notes to the consolidated financial statements)

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended June 30, 2023 and 2022
(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

1. COMPANY HISTORY

Fubon Life Insurance Co., Ltd. (“Fubon Life Insurance” or “Company”), formerly ING Life Insurance Co., Ltd. (“ING Life Insurance”) was established in March 2006. The Company primarily conducts life insurance business.

Originally, the Company is one of the ING group members. On October 20, 2008, the Company’s former parent company, ING Group, announced that it has reached a cooperation agreement with Fubon Financial Holding Co., Ltd. (“Fubon Financial Holding”) to sell the Company effectively on February 11, 2009.

ING Life Insurance swapped shares with Fubon Life Assurance Co. Ltd (“Fubon Life Assurance”). Fubon Life Assurance ceased to legally exist, and the former ING Life Insurance, which was a surviving entity, changed its name to “Fubon Life Insurance Co., Ltd.”. The corporate restructuring was permitted by the Financial Supervisory Commission, Executive Yuan through its letter Gin Guan Bao Li No.09802091401 issued on June 1, 2009.

The consolidated financial statements as of June 30, 2023, December 31 and June 30, 2022 comprise the Company and its subsidiaries (together referred to as the “Group”). Please refer to Note 4(B) for further information. The parent and ultimate parent company of the Group is Fubon Financial Holding.

2. APPROVAL DATE AND PROCEDURES OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were authorized for issuance by the Board of Directors on August 16, 2023.

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, 2023:

- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

In addition, the Group has adopted Amendments to IAS 12 “International Tax Reform – Pillar Two Model Rules” on May 23, 2023. The amendments provide a temporary mandatory exception from deferred tax accounting for the top-up tax, which applies retrospectively, and require new disclosures about the Pillar Two exposure for annual reporting periods beginning on or after January 1, 2023. However, because on December 31, 2022, no new legislation to implement the top-up tax was enacted or substantively enacted in any jurisdiction in which the Group operates and no related deferred taxes were recognised at that date, the retrospective application has no impact on the Group’s consolidated interim financial statements. The Group is closely monitoring developments related to the implementation of the international tax reforms introducing a global minimum top-up tax.

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

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2024, would not have a significant impact on its consolidated financial statements:

<u>Standards or Interpretations</u>	<u>Content of amendment</u>
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement for at least 12 months after the reporting date. The amendments have removed the requirement for a right to be unconditional and instead now require that a right to defer settlement must exist at the reporting date and have substance. The amendments clarify how a company classifies a liability that can be settled in its own shares – e.g. convertible debt.
Amendments to IAS 1 “Non-current Liabilities with Covenants”	After reconsidering certain aspects of the 2020 amendments ¹ , new IAS 1 amendments clarify that only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current. Covenants with which the company must comply after the reporting date (i.e. future covenants) do not affect a liability’s classification at that date. However, when non-current liabilities are subject to future covenants, companies will now need to disclose information to help users understand the risk that those liabilities could become repayable within 12 months after the reporting date.

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

<u>Standards or Interpretations</u>	<u>Content of amendment</u>
Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”	The amendments require the company to disclose information about its supplier finance arrangements that enable users of financial statements to assess the effects of those arrangements on the company’s liabilities and cash flows and on the company’s exposure to liquidity risk.
Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”	<p>The amendments to IFRS 16 Leases introduce a new accounting model that will impact how a seller-lessee accounts for variable lease payments in a sale-and-leaseback transaction.</p> <p>Under this new accounting model for variable payments, a seller-lessee will:</p> <ul style="list-style-type: none"> · include estimated variable lease payments when it initially measures a lease liability arising from a sale-and-leaseback transaction; and · after initial recognition, apply the general requirements for subsequent accounting of the lease liability such that it recognizes no gain or loss relating to the right of use it retains.

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.

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

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

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

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

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

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

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

<u>Standards or Interpretations</u>	<u>Content of amendment</u>	<u>Effective date per IASB</u>
Amendments to IFRS 17 “Insurance Contracts”	<p>The fundamental principles introduced when the Board first issued IFRS 17 in May 2017 remain unaffected. The amendments are designed to:</p> <ul style="list-style-type: none"> ● reduce costs by simplifying some requirements in the Standard; ● make financial performance easier to explain; and ● ease transition by deferring the effective date of the Standard to 2023 and by providing additional relief to reduce the effort required when applying IFRS 17 for the first time. 	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information”	<p>The amendment adds a new transition option to IFRS 17 (the ‘classification overlay’) to alleviate accounting mismatches in comparative information between insurance contract liabilities and related financial assets on the initial application of IFRS 17. It allows presentation of comparative information about financial assets to be presented in a manner that is more consistent with IFRS 9 Financial Instruments.</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.

4. SUMMARY OF MATERIAL 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 Insurance Enterprises (hereinafter referred to as “the Regulations”) and with the International Accounting Standards 34 “Interim Financial Reporting” endorsed and announced by the FSC. The consolidated financial statements do not include all of the information required for full annual consolidated financial statements prepared in accordance with the international financial reporting standards, international accounting standards, and interpretations endorsed by the FSC. (hereinafter referred to as “International financial reporting guidelines recognized by FSC”).

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

Except the following accounting policies mentioned below, the significant accounting policies adopted in the consolidated financial statements are the same as those in the consolidated financial statements for the year ended December 31, 2022. For the related information, please refer to Note 4 of the consolidated financial statements for the year ended December 31, 2022.

(B) Basis of consolidation

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

Investor Company	Subsidiary	Business Type	Stockholder's equity (Holding %)		
			June 30, 2023	December 31, 2022	June 30, 2022
The Company	Fubon Life Insurance (Vietnam) Co., Ltd.	Life insurance	100 %	100 %	100 %
The Company	Fubon Life Insurance (Hong Kong) Co., Ltd. (note)	Life insurance	100 %	100 %	100 %
The Company	Fubon Hyundai Life Insurance Co., Ltd.	Life insurance	77.40 %	77.40 %	77.40 %
The Company	Carter Lane (Guernsey) Ltd.	Real estate investment and management	100 %	100 %	100 %
The Company	Bow Bells House (Jersey) Ltd.	Real estate investment and management	100 %	100 %	100 %
The Company	Fubon MTL Property (Jersey) Ltd.	Real estate investment and management	100 %	100 %	100 %
The Company	Fubon Ellipse (Belgium) S.A.	Real estate investment and management	100 %	100 %	100 %
The Company	Fubon Eurotower (Luxembourg) S. à r.l.	Real estate investment and management	100 %	100 %	100 %

Note: The Company was approved by the Financial Supervisory Commission and the Investment Commission, MOEA to inject capital no greater than HKD 600 million, the procedure is estimated to be completed before the third quarter.

(C) Income Taxes

The income tax expenses have been prepared and disclosed in accordance with paragraph B12 of International Accounting Standards 34 "Interim Financial Reporting".

Income tax expenses for the period are best estimated by multiplying pretax income for the interim reporting period using the effective annual tax rate as forecasted by the management. This should be recognized fully as tax expense for the current period.

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases shall be measured based on the tax rates that have been enacted or substantively enacted at the time of the asset or liability is recovered or settled, and be recognized directly in equity or other comprehensive income as tax expense.

(D) Employee benefits

Pension cost for an interim period is calculated on a year to date basis by using the actuarially determined pension cost rate at the reporting date of prior year, adjusted for significant market fluctuations since the reporting date of prior year and for significant curtailments, settlements, or other significant one-time events.

5. SIGNIFICANT ACCOUNTING ASSUMPTIONS AND JUDGMENTS, AND MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the consolidated financial statements in conformity with the Regulations and IFRSs (in accordance with IAS 34 “Interim Financial Reporting” and 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 continue to monitor the accounting assessing estimates and assumptions and recognize the change in accounting estimates in the period of the change and affected future periods.

The information below is related to major sources of underlying assumption and estimation uncertainty of future forecast, the assumption and estimation uncertainty may have a significant risk of causing an adjustment to the carrying amounts of assets and liabilities within the next financial reporting period. Those assumptions and estimation have been updated to reflect the impact of the Conflict of Ukraine:

- (A) The expected credit losses of the investments in debt instrument, loans classified as subsequently measured at amortized cost or fair value through other comprehensive income and related receivable.

The financial asset impairments of the Group, measuring the loss allowance at an amount equal to 12-month expected credit losses or lifetime expected credit losses, are determined by whether the credit risk of the financial instruments have increased significantly since initial recognition. In order to measure expected credit losses, the Group consider the probability of default (“PD”) of financial asset, issuer or counterparty, and include loss given default (“LGD”) multiplied by exposure at default (“EAD”). Meanwhile, it also considers the impact of the time value of money to calculate the expected credit losses for 12-month and lifetime, respectively. At every reporting date the historical experience, current market situation and forward-looking estimates, etc. are considered by the Group to determine the adopted assumptions and parameters when calculating impairment.

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

For further explanation of the related assumptions and parameters, please refer to Note 6(AD).

(B) Fair value of financial instruments

The fair value of financial instruments without active markets or public markets is based on pricing models or quoted prices from counter parties. If pricing model was used to determine the fair value, to the extent possible, the data which is observable information without adjustments input into the model. The observable information is based on the market parameters with long-term stability to avoid differences caused by the changes in source data. Testing and verification has to be done repeatedly to ensure that the results reflect asset value adequately.

Please refer to Note 6(AD) for sensitivity analysis of financial instruments.

(C) Fair value of investment property

The fair value of investment property is derived from valuation techniques, such as income approach, sales comparison method or cost approach. Assumptions which are used in applying valuation techniques will have impacts on the fair value of investment property.

(D) Insurance liability and provision for investment-linked insurance contracts

The Group measures insurance liabilities in accordance with “Regulations Governing the Provision of Various Reserves”.

Provision of life insurance liability reserve applies lock-in assumption, under which fixed interest rate at the time the policy is issued, instead current market interest rate, is used for providing this reserve.

Reserve for unearned premium is calculated according to the risk of respective insurance, and is decided by the actuary based on the characteristic of respective insurance.

Claim reserve is estimated by Loss Development Triangle Method. The final claim cost is calculated using primary assumptions including claim development factor and expected claim rate. The claim development factor and the expected claim rate are based on the historical claim experience and adjusted by the Group policy such as charge rate and claim management.

The estimation of liability adequacy test follows the “Code of Conduct of Actuarial Practice for the Statements of Financial Accounting Standards No 4” pronounced by the Actuarial Institute of the Republic of China. When the Group assesses liability adequacy reserve, the estimated present value of the future cash flow of insurance contract is based on the reasonable estimate of future insurance payment, premium revenue and relevant expenses. Please refer to Note 6(V).

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

The professional judgment applied to the above-mentioned liability evaluation process will affect the amount recognized for net change in insurance liability, net change in investment-linked insurance contract, insurance liability and provision for investment-linked insurance contract.

6. EXPLANATION OF SIGNIFICANT ACCOUNTS

(A) Cash and cash equivalents

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Cash on hand	\$ 25,663	26,515	28,711
Demand deposits and check deposits	42,132,457	89,958,060	60,143,006
Time deposits	43,622,872	56,584,764	45,582,633
Cash equivalents	<u>90,437,992</u>	<u>102,664,779</u>	<u>108,220,075</u>
	<u>\$ 176,218,984</u>	<u>249,234,118</u>	<u>213,974,425</u>

(B) Financial assets and liabilities

(a) The details of the financial assets and liabilities are as follows:

(1) Receivables:

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Notes receivable	\$ 85,168	56,907	113,933
Interest receivable	32,712,110	32,231,743	31,330,313
Other accounts receivable	30,305,421	26,160,252	28,590,294
Overdue receivable	1,189,316	608,266	253,728
Less: Loss allowance	<u>(1,870,920)</u>	<u>(1,193,627)</u>	<u>(714,465)</u>
	<u>\$ 62,421,095</u>	<u>57,863,541</u>	<u>59,573,803</u>

Movements between the beginning balance and the ending balance for loss allowance for receivables are as follows:

	<u>For the six months ended June 30,</u>	
	<u>2023</u>	<u>2022</u>
Beginning balance	\$ 1,193,627	292,445
Recognition of impairment losses	677,402	423,959
Less: Amounts written off	(3)	(1,219)
Effect of changes in foreign exchange rates and other	<u>(106)</u>	<u>(720)</u>
Ending Balance	<u>\$ 1,870,920</u>	<u>714,465</u>

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

The aging analyses of accounts receivable were determined as follows:

	<u>June 30,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>	<u>June 30,</u> <u>2022</u>
Current / Past due within 3 months	\$ 63,102,771	58,451,998	60,043,116
Past due within 3-6 months	134,462	64,437	5,737
Past due within 6-12 months	510,081	379,941	12,096
Past due for over 12 months	<u>544,701</u>	<u>160,792</u>	<u>227,319</u>
Total	<u>\$ 64,292,015</u>	<u>59,057,168</u>	<u>60,288,268</u>

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

	<u>June 30,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>	<u>June 30,</u> <u>2022</u>
Financial assets mandatorily measured at fair value through profit or loss:			
Derivative instruments not used for hedging			
Forward exchange contracts	\$ 1,558,752	2,651,678	234,703
Foreign exchange swaps	889	17,416,269	99,100
Option contracts	604,888	488,195	467,382
Others	33,233	67,078	41,534
Non-derivative financial assets			
Stocks	545,786,859	448,345,848	476,677,231
Corporate bonds	1,083,622	1,050,834	1,027,290
Financial bonds	45,876,196	45,646,078	39,856,762
Beneficiary certificates	747,371,513	664,050,182	644,469,850
Asset securitization products	2,125,767	1,982,954	2,071,017
Structured products	45,282,909	45,522,531	45,826,550
Others	<u>1,092,323</u>	<u>1,108,976</u>	<u>1,162,435</u>
Total	<u>\$ 1,390,816,951</u>	<u>1,228,330,623</u>	<u>1,211,933,854</u>
	<u>June 30,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>	<u>June 30,</u> <u>2022</u>
Financial liabilities held-for-trading:			
Derivative instruments not used for hedging			
Forward exchange contracts	\$ 2,825,752	3,490,779	1,690,243
Foreign exchange swaps	<u>29,810,984</u>	<u>25,743,648</u>	<u>55,469,590</u>
Total	<u>\$ 32,636,736</u>	<u>29,234,427</u>	<u>57,159,833</u>

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When adopting IFRS 9 since 2018, the Group simultaneously chooses to apply the overlay approach of IFRS 4 “Insurance contract” to present gains and losses on designated financial assets.

The financial assets related to the investing activities of the issued insurance contracts to which the Group designates to apply the overlay approach are listed as follows:

	<u>June 30,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>	<u>June 30,</u> <u>2022</u>
Financial assets measured at fair value through profit or loss:			
Stocks	\$ 545,786,859	448,345,848	476,677,231
Corporate bonds	1,083,622	1,050,834	1,027,290
Financial bonds	45,876,196	45,646,078	39,856,762
Beneficiary certificates	747,371,513	664,050,182	644,469,850
Asset securitization products	2,125,767	1,982,954	2,071,017
Structured products	45,282,909	45,522,531	45,826,550
Others	1,092,323	1,108,976	1,048,332
Total	<u>\$ 1,388,619,189</u>	<u>1,207,707,403</u>	<u>1,210,977,032</u>

The amount reclassified between profit or loss and other comprehensive income of these designated financial assets applying the overlay approach is as follows:

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Gains (losses) reported in profit or loss for applying IFRS 9	\$ 51,304,926	(118,722,432)	131,551,428	(163,091,245)
Less: Gains reported in profit or loss if applied IAS 39	(27,850,780)	(27,385,464)	(52,811,848)	(72,336,830)
Gains (losses) on reclassified under the overlay approach	<u>\$ 23,454,146</u>	<u>(146,107,896)</u>	<u>78,739,580</u>	<u>(235,428,075)</u>

Due to the overlay approach adjustments, changes of gains (losses) on financial assets measured at fair value through profit or loss are as follows:

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Gains (losses) before adjustments	<u>\$ 12,510,318</u>	<u>(171,808,417)</u>	<u>86,319,863</u>	<u>(256,896,419)</u>
Gains (losses) after adjustments	<u>\$ (10,943,828)</u>	<u>(25,700,521)</u>	<u>7,580,283</u>	<u>(21,468,344)</u>

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
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The Group did not designate financial asset which did not meet the condition to apply overlay approach previously but met the condition for the six months ended June 30, 2023 and 2022, nor did the Group release the designation.

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

	<u>June 30,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>	<u>June 30,</u> <u>2022</u>
Debt instruments measured at fair value through other comprehensive income:			
Government bonds	\$ 143,296,529	207,738,433	273,946,086
Corporate bonds	88,947,366	264,486,511	265,176,109
Financial bonds	39,498,456	98,409,237	105,663,208
Asset securitization products	13,303,066	23,282,895	24,073,370
Loans	19,294	26,623	41,608
Others	<u>15,002,458</u>	<u>11,504,685</u>	<u>1,999,846</u>
Subtotal	<u>300,067,169</u>	<u>605,448,384</u>	<u>670,900,227</u>
Equity instruments measured at fair value through other comprehensive income:			
Stocks	22,233,860	21,029,174	28,162,802
Less: Statutory deposits	<u>(9,633,287)</u>	<u>(9,535,630)</u>	<u>(9,503,644)</u>
Total	<u>\$ 312,667,742</u>	<u>616,941,928</u>	<u>689,559,385</u>

1) Equity instruments measured at fair value through other comprehensive income

Part of equity instruments is not held for trading. Therefore, they have been designated as equity instruments measured at fair value through other comprehensive income.

The Group's dividend income related to equity instruments designated to be measured at fair value through other comprehensive income is recognized as follows:

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Derecognized during the period	\$ -	90,000	-	90,000
Held at the end of the period	84,521	129,759	106,976	129,759
Total	<u>\$ 84,521</u>	<u>219,759</u>	<u>106,976</u>	<u>219,759</u>

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The Group has sold stocks designated to be measured at fair value through other comprehensive income as a result of managing and rearranging portfolio. Details are as follows:

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Fair value at disposal	\$ <u>288,272</u>	<u>1,839,398</u>	<u>522,917</u>	<u>2,146,333</u>
Cumulative losses on disposal (after tax)	\$ <u>(278,568)</u>	<u>(276)</u>	<u>(698,969)</u>	<u>(26,488)</u>

- 2) Please refer to Note 6(AD) for further information of credit risk and market risk.
- 3) The guarantee of the financial assets measured at fair value through other comprehensive income provided as pledged assets, please refer to Note 8 “Assets Pledged as Security”.
- 4) As of December 31, 2022, the Group's provided repurchase agreement on financial assets measured at fair value through other comprehensive income which carrying amount was \$5,879,628 thousand. There is no repurchase agreement on financial assets measured at fair value through other comprehensive income on June 30, 2023 and 2022.
- 5) The Group assesses the impairment of financial assets on June 30, 2023 and 2022. Please refer to Note 6(AD) for the movement in the loss allowance of debt instruments measured at FVOCI.
- 6) The Group changed its business model, and reclassified the financial assets on January 1, 2023, please refer to Note 12(I).

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
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(4) Financial instruments used for hedging:

The details are as follows:

	<u>June 30,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>	<u>June 30,</u> <u>2022</u>
Fair Value hedge:			
Financial assets for hedging:			
Forward exchange contracts	\$ 118,321	4,920	-
Foreign exchange swaps	976,848	2,226,971	791,474
Financial liabilities for hedging:			
Forward exchange contracts	(8,839)	(98,784)	-
Foreign exchange swaps	(823,358)	(1,355,157)	(3,501,750)
Cross currency swaps	(1,271,524)	(2,008,993)	(2,673,650)
Cash flow hedge:			
Financial assets for hedging:			
Interest rate swaps	6,505	38,781	54,740
Cross currency swaps	152,912	331,974	1,132
Financial liabilities for hedging:			
Interest rate swaps	(205,491)	(267,089)	(146,294)
Cross currency swaps	(373,386)	(224,429)	(294,900)
Total	<u>\$ (1,428,012)</u>	<u>(1,351,806)</u>	<u>(5,769,248)</u>

(5) Financial assets measured at amortized cost

	<u>June 30,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>	<u>June 30,</u> <u>2022</u>
Government bonds	\$ 335,441,988	277,286,319	279,184,041
Corporate bonds	1,351,857,377	1,100,246,103	1,069,378,787
Financial bonds	865,030,321	779,953,215	752,853,087
Asset securitization products	55,894,789	45,000,453	43,636,823
Structured products	57,877,950	57,921,750	57,845,800
Negotiable certificates of deposit	6,227,000	6,141,600	5,945,200
Less: Statutory deposits	<u>(6,443,288)</u>	<u>(6,442,087)</u>	<u>(6,440,874)</u>
Subtotal	<u>2,665,886,137</u>	<u>2,260,107,353</u>	<u>2,202,402,864</u>
Less: Loss allowance	<u>(3,094,429)</u>	<u>(1,936,549)</u>	<u>(1,931,701)</u>
Total	<u>\$ 2,662,791,708</u>	<u>2,258,170,804</u>	<u>2,200,471,163</u>

- 1) Please refer to Note 6(AD) for further information of credit risk.
- 2) The guarantee of financial assets measured at amortized cost provided as pledged assets, please refer to Note 8 “Assets Pledged as Security”.

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- 3) As of June 30, 2023 and December 31, 2022, the Group's provided repurchase agreement on financial assets measured at amortized cost which carrying amount were \$238,478 thousand and \$8,836,429 thousand, respectively. There is no repurchase agreement on financial assets measured at amortized cost on June 30, 2022.
- 4) The Group assesses the impairment of financial asset on June 30, 2023 and 2022. Please refer to Note 6(AD) for the movements in the loss allowance of financial assets measured at amortized cost.
- 5) The gains/losses on sale of financial assets measured at amortized cost and the carrying amount at the date of derecognition are as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2023	2022	2023	2022
Carrying amount at the date of derecognition	\$ 929,696	5,618,308	1,058,757	89,832,120
Gains on sale	\$ 14,722	51,877	5,391	6,065,286

The Group sold financial assets measured at amortized cost, primarily since the credit risk of bonds issuers increases as well as other sales are infrequent (even if significant in value) or insignificant in value both individually and in aggregate (even if frequent).

- 6) The Group changed its business model, and reclassified the financial assets on January 1, 2023, please refer to Note 12(I).
- (6) Other financial assets, net:

	June 30, 2023	December 31, 2022	June 30, 2022
Cash in bank	\$ 4,545,008	4,820,527	4,456,569
Less: Statutory deposits	(1,468,192)	(1,468,129)	(1,467,990)
Subtotal	3,076,816	3,352,398	2,988,579
Less: Loss allowance	(3,035)	(2,847)	(2,992)
Total	\$ 3,073,781	3,349,551	2,985,587

- 1) The guarantee of other financial assets provided as pledged assets, please refer to Note 8 "Assets Pledged as Security".
- 2) Please refer to Note 6(AD) for the movement in the loss allowance of other financial assets for the six months ended June 30, 2023 and 2022.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(7) Loans:

	<u>June 30,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>	<u>June 30,</u> <u>2022</u>
Life insurance loans	\$ 72,492,579	73,429,784	72,664,854
Premium loans	13,225,277	13,255,621	13,132,719
Secured loans	148,189,209	159,825,224	172,116,465
Unsecured loans	5,266,691	5,043,120	3,714,937
Overdue receivables	6,316	16,402	6,316
Less: Loss allowance	<u>(1,731,676)</u>	<u>(1,886,222)</u>	<u>(2,048,124)</u>
	<u>\$ 237,448,396</u>	<u>249,683,929</u>	<u>259,587,167</u>

The reconciliations in loss allowance of loans for the six months ended June 30, 2023 and 2022, please refer to Note 6(AD).

- (b) The carrying amounts of investments managed by the discretionary investment management companies are as follows:

	<u>June 30,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>	<u>June 30,</u> <u>2022</u>
Cash and cash equivalents	\$ 12,689,268	15,385,202	14,443,512
Stocks	15,189,811	8,088,528	10,140,197
Financial bonds	19,926,132	17,748,950	16,786,595
Corporate bonds	158,730,763	147,747,149	143,246,160
Government bonds	-	-	377,120
Total	<u>\$ 206,535,974</u>	<u>188,969,829</u>	<u>184,993,584</u>

The limits of discretionary investment management agreements are as follows:

(Unit: thousands dollar)

NTD	<u>13,000,000</u>	<u>13,000,000</u>	<u>13,000,000</u>
USD	<u>3,500,000</u>	<u>3,500,000</u>	<u>3,500,000</u>
KRW	<u>-</u>	<u>-</u>	<u>142,000,000</u>

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(c) The Group details of the expected credit loss recognized and/or reversed of investments as follows.

	For the three months ended June 30,		For the six months ended June 30,	
	2023	2022	2023	2022
Receivable (excluding interest receivable from loans)	\$ (328,203)	(386,030)	(680,497)	(412,894)
Financial assets measured at fair value through other comprehensive income	(49,679)	100,373	(35,765)	(803,204)
Financial assets measured at amortized cost	(722,183)	448,665	(1,112,351)	(686,912)
Other financial asset, net	(690)	1,674	(169)	262
Loans and their interest receivable	60,958	5,782	119,817	69,675
Total	\$ (1,039,797)	170,464	(1,708,965)	(1,833,073)

(C) Derivatives and hedging accounting

(a) Derivatives

(1) The details of the derivatives are as follows:

	June 30, 2023		December 31, 2022		June 30, 2022	
	Book Value	Nominal amount	Book Value	Nominal amount	Book Value	Nominal amount
Financial assets (liabilities)						
Forward exchange contracts	\$ (1,157,518)	306,127,883	(932,965)	445,549,562	(1,455,540)	282,605,045
Foreign exchange swaps	(29,656,605)	1,195,050,514	(7,455,565)	1,180,219,538	(58,080,766)	1,260,227,954
Cross currency swaps	(1,491,998)	17,906,329	(1,901,448)	26,635,841	(2,967,418)	23,043,377
Option contracts	604,888	1,391,584	488,195	1,378,842	467,382	1,326,353
Interest rate swaps	(198,986)	18,025,046	(228,308)	18,516,864	(91,554)	18,244,506
Others	33,233	155,761	67,078	153,616	41,534	148,643
Total	\$ (31,866,986)	1,538,657,117	(9,963,013)	1,672,454,263	(62,086,362)	1,585,595,878

(2) Derivatives are accounted for as follows:

	June 30, 2023						
	Forward Exchange Contracts	Foreign Exchange Swaps	Cross Currency Swaps	Option Contracts	Interest Rate Swaps	Others	Total
Financial assets measured at fair value through profit or loss	\$ 1,558,752	889	-	604,888	-	33,233	2,197,762
Financial liabilities measured at fair value through profit or loss	(2,825,752)	(29,810,984)	-	-	-	-	(32,636,736)
Financial assets for hedging	118,321	976,848	152,912	-	6,505	-	1,254,586
Financial liabilities for hedging	(8,839)	(823,358)	(1,644,910)	-	(205,491)	-	(2,682,598)
Total	\$ (1,157,518)	(29,656,605)	(1,491,998)	604,888	(198,986)	33,233	(31,866,986)

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	December 31, 2022						
	Forward Exchange Contracts	Foreign Exchange Swaps	Cross Currency Swaps	Option Contracts	Interest Rate Swaps	Others	Total
Financial assets measured at fair value through profit or loss	\$ 2,651,678	17,416,269	-	488,195	-	67,078	20,623,220
Financial liabilities measured at fair value through profit or loss	(3,490,779)	(25,743,648)	-	-	-	-	(29,234,427)
Financial assets for hedging	4,920	2,226,971	331,974	-	38,781	-	2,602,646
Financial liabilities for hedging	(98,784)	(1,355,157)	(2,233,422)	-	(267,089)	-	(3,954,452)
Total	<u>\$ (932,965)</u>	<u>(7,455,565)</u>	<u>(1,901,448)</u>	<u>488,195</u>	<u>(228,308)</u>	<u>67,078</u>	<u>(9,963,013)</u>
	June 30, 2022						
	Forward Exchange Contracts	Foreign Exchange Swaps	Cross Currency Swaps	Option Contracts	Interest Rate Swaps	Others	Total
Financial assets measured at fair value through profit or loss	\$ 234,703	99,100	-	467,382	-	41,534	842,719
Financial liabilities measured at fair value through profit or loss	(1,690,243)	(55,469,590)	-	-	-	-	(57,159,833)
Financial assets for hedging	-	791,474	1,132	-	54,740	-	847,346
Financial liabilities for hedging	-	(3,501,750)	(2,968,550)	-	(146,294)	-	(6,616,594)
Total	<u>\$ (1,455,540)</u>	<u>(58,080,766)</u>	<u>(2,967,418)</u>	<u>467,382</u>	<u>(91,554)</u>	<u>41,534</u>	<u>(62,086,362)</u>

As of June 30, 2023, December 31 and June 30, 2022, the Group does not possess derivatives through discretionary investment management agreement.

- (3) The Group enters into forward exchange contracts, foreign exchange swaps, interest rate swaps, and cross currency swaps primarily to hedge against exchange risk from foreign-currency denominated investments and interest rate fluctuation risk from bond investments.
- (4) The unrealized gain or loss resulting from changes in fair value of financial derivatives is recognized in gains (losses) on financial assets or liabilities measured at fair value through profit or loss:

	For the three months ended June 30,		For the six months ended June 30,	
	2023	2022	2023	2022
	<u>\$ (13,410,009)</u>	<u>(33,092,543)</u>	<u>(21,999,294)</u>	<u>(67,351,385)</u>

(b) Hedge accounting

(1) Fair value hedge

The Group is exposed to fair value fluctuation risk of foreign-currency denominated assets which arises from variations in the exchange rates. The Group assessed that the risk might be significant, and therefore entered into cross currency swaps, forward exchange contracts and foreign exchange swaps to hedge such risk.

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(2) Cash flow hedge

The Group is exposed to cash flow risk of floating-rate assets and fixed-rate assets held arising from variations in the market interest rates and exchange rates. The Group assessed that the risk might be significant, and therefore entered into interest rate swaps and cross currency swaps to hedge such risk.

(3) Hedges of net investments in foreign operations

Net investments in foreign operations held by the Group apply different functional currencies compared to the Group. This creates exchange rate risks due to the movement of the exchange rates. The Group assessed that the risk might be significant, and therefore entered into forward exchange contracts to hedge such risk.

The amount, timing and uncertainty of future cash flows:

	Maturity				
	< 1 month	1~3 months	3 months ~ 1 year	1~5 years	>5 years
June 30, 2023					
Fair value hedge					
Forward exchange contracts					
Nominal amount	\$ 170,256	294,078	363,110	-	-
Average exchange rate (KRW/USD)	1,290.57	1,300.27	1,284.42	-	-
Nominal amount	\$ 321,654	5,598,014	-	-	-
Average exchange rate (NTD/USD)	30.46	30.45	-	-	-
Foreign exchange swaps					
Nominal amount	\$ 4,659,603	20,387,329	17,187,813	18,125,434	-
Average exchange rate (KRW/USD)	1,270.82	1,301.47	1,318.48	1,266.29	-
Nominal amount	\$ 955,683	-	4,608,310	-	-
Average exchange rate (NTD/USD)	28.98	-	29.49	-	-
Cross currency swaps					
Nominal amount	\$ 1,622,414	3,678,898	4,415,053	-	-
Average interest rate	0.15 %	0.28 %	0.34 %	-	-
Average exchange rate (KRW/USD)	1,147.81	1,165.42	1,186.18	-	-
Cash flow hedge					
Interest rate swaps					
Nominal amount	\$ -	2,381,827	12,809,934	2,833,285	-
Average fixed interest rate	-	1.25 %	1.63 %	2.78 %	-
Cross currency swaps					
Nominal amount	\$ -	1,503,700	1,143,896	5,542,368	-
Average interest rate	-	0.29 %	(0.03)%	(0.74)%	-
Average exchange rate (KRW/USD)	-	1,160.64	1,216.60	1,315.45	-

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

	Maturity				
	<u>< 1 month</u>	<u>1~3 months</u>	<u>3 months ~ 1 year</u>	<u>1~5 years</u>	<u>>5 years</u>
December 31, 2022					
Fair value hedge					
Forward exchange contracts					
Nominal amount	\$ 9,809	-	281,669	-	-
Average exchange rate (KRW/USD)	1,341.35	-	1,280.81	-	-
Nominal amount		-	2,793,176	-	-
Average exchange rate (NTD/USD)			31.44		
Foreign exchange swaps					
Nominal amount	\$ 946,252	7,824,394	29,571,297	12,255,193	-
Average exchange rate (KRW/USD)	1,164.57	1,163.72	1,301.91	1,318.07	-
Nominal amount	\$ 77,416	-	7,766,392	-	-
Average exchange rate (NTD/USD)	29.75	-	29.55	-	-
Cross currency swaps					
Nominal amount	\$ 1,514,738	1,968,899	14,657,711	-	-
Average interest rate	(0.09)%	(0.03)%	0.19 %	-	-
Average exchange rate (KRW/USD)	1,127.10	1,119.16	1,154.35	-	-
Cash flow hedge					
Interest rate swaps					
Nominal amount	\$ -	-	6,256,129	12,260,735	-
Average fixed interest rate	-	-	1.39 %	1.92 %	-
Cross currency swaps					
Nominal amount	\$ -	-	2,425,137	6,069,356	-
Average interest rate	-	-	0.28 %	(0.74)%	-
Average exchange rate (KRW/USD)	-	-	1,167.82	1,315.34	-

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

	<u>Maturity</u>				
	<u>< 1 month</u>	<u>1~3 months</u>	<u>3 months ~ 1 year</u>	<u>1~5 years</u>	<u>>5 years</u>
June 30, 2022					
Fair value hedge					
Foreign exchange swaps					
Nominal amount	\$ 9,292,820	9,526,409	26,737,746	6,331,767	-
Average exchange rate (KRW/USD)	1,195.73	1,221.63	1,199.94	1,238.56	-
Nominal amount	\$ 5,486,948	4,343,179	3,806,282	-	-
Average exchange rate (NTD/USD)	27.68	28.49	29.18	-	-
Cross currency swaps					
Nominal amount	\$ -	-	10,014,991	9,451,175	-
Average interest rate	-	-	(0.04)%	0.29 %	-
Average exchange rate (KRW/USD)	-	-	1,120.63	1,171.91	-
Cash flow hedge					
Interest rate swaps					
Nominal amount	\$ -	-	582,630	17,661,876	-
Average fixed interest rate	-	-	1.21 %	1.76 %	-
Cross currency swaps					
Nominal amount	\$ -	-	-	3,577,211	-
Average interest rate	-	-	-	0.01 %	-
Average exchange rate (KRW/USD)	-	-	-	1,202.89	-

The hedging instruments used in hedging strategies are as follows:

	<u>Nominal amount of hedging instruments</u>	<u>Carrying amount of hedging instruments</u>		<u>The line item in Balance Sheet that includes the hedging instruments</u>	<u>The change in fair value of the hedging instrument used as the basis for recognizing hedge ineffectiveness for 2023 Q2</u>
		<u>Assets</u>	<u>Liabilities</u>		
June 30, 2023					
Fair value hedge					
— Forward exchange contracts	\$ 6,747,112	118,321	8,839	Financial assets/ liabilities for hedging	120,296
— Foreign exchange swaps	65,924,172	976,848	823,358	Financial assets/ liabilities for hedging	(1,712,293)
— Cross currency swaps	9,716,365	-	1,271,524	Financial liabilities for hedging	(774,670)
Cash flow hedge					
— Interest rate swaps	\$ 18,025,046	6,505	205,491	Financial assets/ liabilities for hedging	(207,477)
— Cross currency swaps	8,189,964	152,912	373,386	Financial assets/ liabilities for hedging	(366,024)

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

	Nominal amount of hedging instruments	Carrying amount of hedging instruments		The line item in Balance Sheet that includes the hedging instrument	The change in fair value of the hedging instrument used as the basis for recognizing hedge ineffectiveness for 2022
		Assets	Liabilities		
December 31, 2022					
Fair value hedge					
– Forward exchange contracts	\$ 3,084,654	4,920	98,784	Financial assets/ liabilities for hedging	(104,955)
– Foreign exchange swaps	58,440,944	2,226,971	1,355,157	Financial assets/ liabilities for hedging	(2,275,962)
– Cross currency swaps	18,141,348	-	2,008,993	Financial liabilities for hedging	(1,679,084)
Cash flow hedge					
– Interest rate swaps	\$ 18,516,864	38,781	267,089	Financial assets/ liabilities for hedging	309,471
– Cross currency swaps	8,494,493	331,974	224,429	Financial assets/ liabilities for hedging	(14,391)

	Nominal amount of hedging instruments	Carrying amount of hedging instruments		The line item in Balance Sheet that includes the hedging instrument	The change in fair value of the hedging instrument used as the basis for recognizing hedge ineffectiveness for 2022 Q2
		Assets	Liabilities		
June 30, 2022					
Fair value hedge					
– Forward exchange contracts	\$ -	-	-	Not applicable	(9,447)
– Foreign exchange swaps	65,525,151	791,474	3,501,750	Financial assets/ liabilities for hedging	(3,388,611)
– Cross currency swaps	19,466,166	-	2,673,650	Financial liabilities for hedging	(1,859,397)
Cash flow hedge					
– Interest rate swaps	\$ 18,244,506	54,740	146,294	Financial assets/ liabilities for hedging	345,436
– Cross currency swaps	3,577,211	1,132	294,900	Financial assets/ liabilities for hedging	(400,754)

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

The information of designated hedged items are as follows:

Fair value hedge:

	Carrying amount of hedged items		The accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item		The line item in Balance Sheet that includes the hedging instrument	The change in fair value of the hedged item used as the basis for recognizing hedge ineffectiveness for	Accumulated amount of fair value adjustments that are still recognized on balance sheet but discontinued adjusting gains and losses on hedged items	Hedge ineffectiveness recognized in profit or loss	The line item in the statement of comprehensive income that includes the recognized hedge ineffectiveness
	Assets	Liabilities	Assets	Liabilities					
	Assets	Liabilities	Assets	Liabilities					
June 30, 2023									
Hedged items									
Stocks	\$ 13,384,928	-	139,733	-	Financial assets measured at fair value through profit or loss	302,686	None	190,280	Gains (losses) on financial assets or liabilities measured at fair value through profit or loss
Bonds	18,357,571	-	619,533	-	Financial assets measured at fair value through other comprehensive income	614,547	None	(60,059)	Gains (losses) on financial assets or liabilities measured at fair value through profit or loss
Bonds and deposits	50,084,097	-	1,480,438	-	Financial assets measured at amortized cost	1,452,320	None	(127,335)	Gains (losses) on financial assets or liabilities measured at fair value through profit or loss
December 31, 2022									
Hedged items									
Stocks	\$ 12,044,161	-	(408,742)	-	Financial assets measured at fair value through profit or loss	(64,726)	None	99,719	Gains (losses) on financial assets or liabilities measured at fair value through profit or loss
Bonds	-	-	-	-	Financial assets measured at fair value through other comprehensive income	4,321	None	2,640	Gains (losses) on financial assets or liabilities measured at fair value through profit or loss
Bonds and deposits	70,367,628	-	5,627,673	-	Financial assets measured at amortized cost	5,392,127	None	1,169,362	Gains (losses) on financial assets or liabilities measured at fair value through profit or loss

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

	Carrying amount of hedged items		The accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item		The line item in Balance Sheet that includes the hedging instrument	The change in fair value of the hedged item used as the basis for recognizing hedge ineffectiveness for 2022 Q2	Accumulated amount of fair value adjustments that are still recognized on balance sheet but discontinues adjusting gains and losses on hedged items	Hedge ineffectiveness recognized in profit or loss	The line item in the statement of comprehensive income that includes the recognized hedge ineffectiveness
			Assets	Liabilities					
	Assets	Liabilities	Assets	Liabilities					
June 30, 2022									
Hedged items									
Stocks	\$ 15,678,103	-	613,090	-	Financial assets measured at fair value through profit or loss	718,268	None	327,602	Gains (losses) on financial assets or liabilities measured at fair value through profit or loss
Bonds	-	-	-	-	Financial assets measured at fair value through other comprehensive income	4,342	None	2,653	Gains (losses) on financial assets or liabilities measured at fair value through profit or loss
Bonds and deposits	67,442,922	-	5,405,484	-	Financial assets measured at amortized cost	5,524,918	None	659,818	Gains (losses) on financial assets or liabilities measured at fair value through profit or loss

Cash flow hedge

	The change in value of the hedged item used as the basis for recognizing hedge ineffectiveness for 2023 Q2	Cash flow hedge reserve	The amount remained in the cash flow hedge reserve from discontinued hedge accounting	The change in value of the hedging instrument that were recognized in other comprehensive income	Hedge ineffectiveness recognized in profit or loss	The line item in the statement of comprehensive income that includes the recognized hedge ineffectiveness	The amount reclassified from the cash flow hedge reserve to profit or loss	The line item in the statement of comprehensive income that includes the reclassification adjustment
June 30, 2023								
Hedged items								
Floating-rate bonds	\$ (203,756)	(199,560)	Not applicable	147,496	(157)	Financial costs	(118,017)	Interest income
Fixed-rate bonds	345,911	179,282	Not applicable	(320,676)	-	Not applicable	342,446	Gains (losses) on financial assets or liabilities measured at fair value through profit or loss
December 31, 2022								
Hedged items								
Floating-rate bonds	\$ 528,182	(229,039)	Not applicable	(718,927)	330	Financial costs	87,144	Interest income
Fixed-rate bonds	(1,032,372)	157,512	Not applicable	140,767	-	Not applicable	(12,795)	Gains (losses) on financial assets or liabilities measured at fair value through profit or loss

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

June 30, 2022	The change in value of the hedged item used as the basis for recognizing hedge ineffectiveness for 2022 Q2	Cash flow hedge reserve	The amount remained in the cash flow hedge reserve from discontinued hedge accounting	The change in value of the hedging instrument that were recognized in other comprehensive income	Hedge ineffectiveness recognized in profit or loss	The line item in the statement of comprehensive income that includes the recognized hedge ineffectiveness	The amount reclassified from the cash flow hedge reserve to profit or loss	The line item in the statement of comprehensive income that includes the reclassification adjustment
Hedged items								
Floating-rate bonds	\$ 459,121	(92,747)	Not applicable	(601,072)	793	Financial costs	105,581	Interest income
Fixed-rate bonds	263,035	171,249	Not applicable	(259,289)	-	Not applicable	400,998	Gains (losses) on financial assets or liabilities measured at fair value through profit or loss

The reconciliation of each component of equity applying hedging accounting and an analysis of other comprehensive income are as follows:

	Cash flow hedge reserve		Foreign currency translation reserve from net investment in foreign operation	
	For the six months ended June 30,		For the six months ended June 30,	
	2023	2022	2023	2022
Opening balance	\$ (71,527)	432,284	(19,503)	(19,503)
Total amount recognized in other comprehensive income:				
Cash flow hedge				
The change in value of hedging instruments that were recognized in other comprehensive income		(173,180)	(860,361)	-
The amount reclassified from cash flow hedge reserve to profit or loss		224,429	506,579	-
Ending balance	\$ (20,278)	78,502	(19,503)	(19,503)

Note: The sheet is prepared on basis of overall changes of the Group (includes non-controlling interests) during the reporting period.

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(D) Investments accounted for using equity method, net

The investment under equity method of the Group on the balance sheet date is as follows:

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Associates	\$ 26,600,148	26,460,655	25,226,126
Joint ventures	447,109	467,463	517,895
	<u>\$ 27,047,257</u>	<u>26,928,118</u>	<u>25,744,021</u>

(a) Associates

Relevant information of associates of the Group is as follows:

Name of Associate	Book Value			Ownership interest and voting right percentage		
	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
CITIC Capital Holdings Limited	\$ 9,378,031	9,566,427	9,935,887	Percentage of ownership interests: 18.00%	Percentage of ownership interests: 18.00%	Percentage of ownership interests: 18.00%
				Percentage of voting rights: 21.37%	Percentage of voting rights: 21.37%	Percentage of voting rights: 21.37%
Hyundai Card Co., Ltd.	8,817,370	9,101,131	7,893,423	10.00 %	10.00 %	10.00 %
Fubon Financial Holdings Venture Capital Co., Ltd.	4,222,044	3,897,241	3,482,755	25.00 %	25.00 %	25.00 %
Star River Energy Co., Ltd.	217,842	210,435	219,406	20.00 %	20.00 %	20.00 %
Star Shining Energy Co., Ltd.	2,182,818	2,173,122	2,164,507	30.00 %	30.00 %	30.00 %
Whole Max Green Power Co., Ltd.	487,706	347,793	334,550	30.00 %	30.00 %	30.00 %
Sinergy 1st Co., Ltd	300,739	149,773	149,524	30.00 %	30.00 %	30.00 %
Aquastar Energy Corporation	179,819	179,852	179,993	30.00 %	30.00 %	30.00 %
ZA Life Limited	813,779	834,881	866,081	35.00 %	35.00 %	35.00 %
	<u>\$ 26,600,148</u>	<u>26,460,655</u>	<u>25,226,126</u>			

Summarized financial information of the individually immaterial associates accounted for using equity method was as follows. The financial information was included in the consolidated financial statements of the Group.

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Attributable to the Group:				
Profit or loss after tax from continuing operations	\$ (150,391)	368,109	345,810	(490,100)
Other comprehensive (loss) income	(218,629)	(302,142)	(121,253)	(280,561)
Comprehensive (loss) income	<u>\$ (369,020)</u>	<u>65,967</u>	<u>224,557</u>	<u>(770,661)</u>

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

Group share of profit (loss) of associates and investments were recognized based on the financial report of the investee companies that have not been audited were as follows:

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Share of profit (loss) of associates accounted for using equity method	\$ <u>(98,284)</u>	<u>82,729</u>	<u>(13,072)</u>	<u>37,647</u>
		<u>June 30,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>	<u>June 30,</u> <u>2022</u>
Investments accounted for using equity method		\$ <u>4,182,703</u>	<u>984,654</u>	<u>11,807,484</u>

In May 2022, the Group subscribed for Hyundai Card Co., Ltd. for \$5,156,803 thousand in cash, holding 10% of the equity interest, and the provisional bargain purchase gain of \$2,997,794 thousand was recognized in the consolidated statement of comprehensive income as the non-operating income and expense in the financial statements for the six months ended June 30, 2022. During the measurement period, after new information is obtained about facts and circumstances that existed at the acquisition date, the Group adjusted the bargain purchase gain to \$3,556,251 thousand in December 2022.

(b) Joint venture interest:

The following summarized Fubon Property & Casualty Insurance Co., Ltd. financial adjustment information of the rights and the carrying amount within the financial report of the Group.

	<u>June 30,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>	<u>June 30,</u> <u>2022</u>
Proportion of ownership interest	<u>40 %</u>	<u>40 %</u>	<u>40 %</u>
Assets	\$ <u>7,207,361</u>	<u>8,889,700</u>	<u>9,969,790</u>
Liabilities	\$ <u>6,089,590</u>	<u>7,721,042</u>	<u>8,675,053</u>
Net assets of the Group (carrying amount of joint venture)	\$ <u>447,109</u>	<u>467,463</u>	<u>517,895</u>

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Operating revenue	\$ <u>1,182,263</u>	<u>1,001,902</u>	<u>1,956,842</u>	<u>2,003,381</u>
Profit or loss after tax from continuing operations	\$ (35,759)	55,063	(8,615)	80,258
Other comprehensive (loss) income	(18,820)	18,505	(7,004)	(38,649)
Comprehensive income (loss)	\$ <u>(54,579)</u>	<u>73,568</u>	<u>(15,619)</u>	<u>41,609</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Attributable to the Group:				
Profit or loss after tax from continuing operations	\$ (14,303)	22,025	(3,446)	32,103
Other comprehensive (loss) income	(7,528)	7,402	(2,802)	(15,460)
Comprehensive income (loss)	<u>\$ (21,831)</u>	<u>29,427</u>	<u>(6,248)</u>	<u>16,643</u>

(c) Guarantee

The Group does not pledge or guarantee any of its investments accounted for using equity method.

(E) Material non-controlling interests of subsidiaries

The material non-controlling interests of subsidiaries were as follows:

<u>Subsidiaries</u>	<u>Main operation place</u>	<u>Percentage of non-controlling interests</u>		
		<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Fubon Hyundai Life Insurance Co., Ltd.	Korea	<u>22.60 %</u>	<u>22.60 %</u>	<u>22.60 %</u>

The following information of the aforementioned subsidiaries have been prepared in accordance with the “International financial reporting guidelines recognized by FSC”. The fair value adjustment made at the acquisition date and adjustments of relevant differences in accounting principles between the Group are included in this information. Intragroup transactions were not eliminated in this information.

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Total assets	\$ 449,051,458	511,577,972	461,101,641
Total liabilities	(435,030,697)	(500,237,727)	(445,530,194)
Equity that belongs to non-ordinary shares	(2,490,432)	(2,465,815)	(2,312,528)
Net assets	<u>\$ 11,530,329</u>	<u>8,874,430</u>	<u>13,258,919</u>
Non-controlling interests	<u>\$ 4,731,862</u>	<u>4,093,461</u>	<u>4,954,565</u>

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
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	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Operating revenue	\$ <u>18,839,623</u>	<u>15,022,338</u>	<u>37,806,173</u>	<u>29,229,559</u>
Net profit	\$ (1,275,980)	404,178	(1,797,323)	1,956,731
Other comprehensive (loss) income	(964,355)	(14,006,294)	4,483,284	(25,781,724)
Comprehensive (loss) income	\$ <u>(2,240,335)</u>	<u>(13,602,116)</u>	<u>2,685,961</u>	<u>(23,824,993)</u>
Net profit, attributable to non-controlling interests	\$ <u>(288,371)</u>	<u>91,344</u>	<u>(406,195)</u>	<u>442,221</u>
Comprehensive (loss) income, attributable to non-controlling interests	\$ <u>(492,581)</u>	<u>(3,116,985)</u>	<u>552,918</u>	<u>(5,407,937)</u>

	<u>For the six months ended June 30,</u>	
	<u>2023</u>	<u>2022</u>
Net cash flows from (used in) operating activities	\$ <u>(10,462,145)</u>	<u>(21,514,338)</u>
Net cash flows from (used in) investing activities	\$ <u>(380,753)</u>	<u>(1,972,488)</u>
Net cash flows from (used in) financing activities	\$ <u>(9,416,077)</u>	<u>3,897,807</u>

(F) Investment property

	<u>Prepayments for building, land and equipment</u>						<u>Right-of-use asset</u>	<u>Total</u>
	<u>Land</u>	<u>Buildings and other facilities</u>	<u>Construction in progress</u>	<u>land and equipment</u>	<u>asset</u>	<u>Total</u>		
Balance of January 1, 2023	\$ 179,462,243	61,563,441	15,183,127	1,163,737	47,404,653	-	304,777,201	
Addition	2,305,963	2,033,447	537,401	9,095	29,282	-	4,915,188	
Subsequent expenditures	-	5,172	-	17,117	-	-	22,289	
Gains (losses) on fair value adjustments	4,668,706	(3,892,576)	-	-	1,274,095	-	2,050,225	
Reclassification	1,433,041	12,195,801	(12,042,183)	(1,035,789)	-	-	550,870	
Effect of changes in foreign exchange rates	603,181	1,187,633	-	-	73,297	-	1,864,111	
Balance of June 30, 2023	\$ <u>188,473,134</u>	<u>73,092,918</u>	<u>3,678,345</u>	<u>154,160</u>	<u>48,781,327</u>	<u>-</u>	<u>314,179,884</u>	
Balance of January 1, 2022	\$ 183,363,660	60,291,969	9,775,163	72,969	48,850,609	-	302,354,370	
Addition (Note)	85,854	(31,230)	2,236,341	15,588	-	-	2,306,553	
Subsequent expenditures	-	9,885	-	6,043	-	-	15,928	
Remeasurement	-	-	-	-	321,006	-	321,006	
Gains (losses) on fair value adjustments	2,359,174	(1,222,148)	-	-	(1,303,551)	-	(166,525)	
Reclassification	-	837	168,980	(837)	-	-	168,980	
Effect of changes in foreign exchange rates	(407,716)	(552,943)	-	-	(51,789)	-	(1,012,448)	
Balance of June 30, 2022	\$ <u>185,400,972</u>	<u>58,496,370</u>	<u>12,180,484</u>	<u>93,763</u>	<u>47,816,275</u>	<u>-</u>	<u>303,987,864</u>	

Note: Settlement adjustments for cost were included.

For lease liabilities and interest expense due to possession of superficies by the Group, please refer to Note 6(Q).

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

In accordance with the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises, the Group engaged appraisers from professional valuation firms listing below to evaluate the fair value of investment properties based on the Regulations on Real Estate Appraisal, and the appraisal dates are June 30, 2023, December 31 and June 30, 2022:

- (a) DTZ Cushman & Wakefield Real Estate Appraiser Office: Lee Ken Yuan, Tsai Chia Ho, Hu Chun Chun and Yang Chang Da
- (b) Savills Valuation and Professional Services: Tai Kuang Ping, Chang Hung Kai, Chang Yi Chih, Yeh Yu Fen and Yeh Shih Yu
- (c) REPro International Appraisals: Wu Hong Hsu, Tsai You Shiang and Hsu Hsiang I
- (d) Jin Han Real Estate Appraisers Joint Firm: Wu Yu Chun, Hung Chi Hsiang and Chen Yi Jun
- (e) G-Beam Real Estate Appraisers Firm: Chang Neng Cheng and Li Fang Cheng and Lai Jin Wei
- (f) Colliers International Valuation (Taiwan) Ltd.: Ke Fong Ru and Ku Chien Hui
- (g) Hong Bang Real Estate Appraisers Joint Firm: Li Qing Tang
- (h) CBRE Taiwan and CBRE Limited: Shi Fu Xue, Li Zhi Wei, Jonathan White, Edward Higgins and Luke Heracleous
- (i) Jones Lang LaSalle Taiwan and Jones Lang LaSalle Limited: Qiu Bai Lun, Hsu Kuo Chun, You Shu Fen, Andrew Pirie, Elizabeth Levingston and Roger Meeds
- (j) Colliers International Valuation (Taiwan) Ltd., Daeil Appraisal Board and Colliers International (Hong Kong) Limited: Ku Chien Hui, Hannah Jeong and Kyoungdo Lee
- (k) CBRE Taiwan and CBRE Korea Co., Ltd.: Shi Fu Xue, Li Zhi Wei and Alex Chan
- (l) DTZ Cushman & Wakefield Real Estate Appraiser Office and Cushman & Wakefield Belgium SA: Charlie Yang, Emeric Inghels and Gregory Lamarche
- (m) Savills Valuation and Professional Services and Savills Belux Group sa: Chang Hung Kai, Melchior de La Pom é lie and David Poole
- (n) Colliers International Valuation (Taiwan) Ltd. and Colliers International Valuation GmbH: Ku Chien Hui, Kamill Georg Wipyewski, Robert Becker and Dmitry Stul
- (o) DTZ Cushman & Wakefield Real Estate Appraiser Office and C&W (U.K.) LLP German Branch: Charlie Yang, Martin Belik and Peter Fleischmann

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

The fair value of investment property is evaluated by the appraisers from market-based evidence and Regulations Governing the Preparation of Financial Reports by Insurance Enterprises. Appraisal methods include Sales Comparison Method, Income Approach (including Direct Capitalization Method and Discounted Cash Flow Method), Cost Approach and Cost Approach - Land Development Analysis, and so on.

Commercial office buildings are appraised by Sales Comparison Method and Income Approach mostly because of the market liquidity, comparable sale and rental cases in the neighboring areas. Shopping malls, hotels and department stores, given its characteristics, terms of lease contracts and reference of similar investment properties, are appraised mainly by Sales Comparison Method as well as Cost Approach, Direct Capitalization Method or DCF method of Income Approach. Special properties such as complex properties of malls and hotels or hospitals are appraised mainly by Cost Approach, as well as Sales Comparison Method, Direct Capitalization Method and DCF Method of Income Approach.

Superficies are appraised by Sales Comparison Method, Price Ratio Method, Cost Approach - Land Development Analysis, and Discounted Cash Flow Method. Factories and buildings planned for urban renewal are appraised by Sales Comparison Method, Cost Approach and Land Development Analysis Approach. Vacant land and superficies after completion of construction are appraised by the methods mentioned above regarding the nature of completed buildings.

Parameters primarily used are as below:

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
	approx	approx	approx
Capitalization rate	0.26%~6.00%	0.25%~5.75%	0.25%~5.20%
Capitalization rate at the period end	1.76%~6.10%	1.70%~5.90%	1.74%~6.35%
Discount rate	2.87%~8.25%	2.82%~8.25%	2.48%~8.15%

External appraisers use the market extraction method, search several comparable properties similar to the subject property, and consider the liquidity risk and future disposal risk premium to decide the capitalization rate and discount rate. Decision of discount rate is according to “Regulations Governing the Preparation of Financial Reports by Insurance Enterprises” which is after amending when the Group acquired target on May 11, 2020.

Buildings that finished constructing within the first half of the year 2023, due to the change in the type of the subject to combination compound of house and land, external appraisers used the cost method and the discounted cash flow analysis method instead to evaluate the compound as a whole, thus increasing the fair value compared to the developing period.

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

Due to the Group can not evaluate the fair value of the land obtained after May 11, 2020, using a method that complies with the “Regulations Governing the Preparation of Financial Reports by Insurance Enterprises”, the carrying amount is evaluated by cost. As of June 30, 2023, December 31 and June 30, 2022, the amounts are \$32,038,078 thousand, \$28,299,074 thousand and \$28,384,928 thousand, respectively.

The investment properties held by the Group are subsequently measured at fair value and are classified in the level 3 of the fair value hierarchy. The valuation techniques and significant inputs used by the professional appraisal firms are as follows:

- (a) The direct capitalization method of the income approach: When the direct capitalization rate increases, the fair value of investment properties will decrease, and vice versa.
- (b) The discounted cash flow analysis method of the income approach: When the discount rate and year-end income capitalization rate increase, the fair value of investment properties will decrease, and vice versa.

Investment properties are primarily held for lease under operating leases, and the main terms of these leases are the same as general lease contracts. Please refer to Note 6(G).

As of June 30, 2023, December 31 and June 30, 2022, investment properties owned by the Group were not pledged.

(G) Operating lease

The Group leases out investment property as operating leases, please refer to Note 6(F).

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Rental income of investment property	\$ <u>2,007,517</u>	<u>1,901,389</u>	<u>3,990,671</u>	<u>3,816,425</u>
Direct operating expenses arising from the investment property	\$ <u>509,241</u>	<u>412,984</u>	<u>993,412</u>	<u>809,376</u>
Direct operating expenses arising from the investment property that did not generate rental income during the period	\$ <u>84,793</u>	<u>38,639</u>	<u>128,759</u>	<u>77,245</u>

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

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Less than one year	\$ 8,268,278	7,819,191	7,667,970
One to two years	7,654,770	7,421,322	6,681,457
Two to three years	6,527,943	6,546,490	5,874,374
Three to four years	5,623,057	5,226,846	4,927,054
Four to five years	4,478,078	4,642,037	4,152,929
More than five years	<u>27,307,012</u>	<u>24,658,673</u>	<u>21,682,685</u>
Total undiscounted lease payments	<u>\$ 59,859,138</u>	<u>56,314,559</u>	<u>50,986,469</u>

(H) Reinsurance assets

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Claims recoverable from reinsurers	\$ 1,434,975	1,233,460	1,228,507
Due from reinsurers and ceding companies	454,744	635,404	484,813
Overdue receivables	1,570,019	1,158,281	890,614
Less: Loss allowance	<u>(658,958)</u>	<u>(507,517)</u>	<u>(302,936)</u>
Subtotal	<u>2,800,780</u>	<u>2,519,628</u>	<u>2,300,998</u>
Reinsurance reserve assets:			
Ceded reinsurance unearned premiums reserve	916,763	908,957	885,197
Ceded reinsurance claim reserve	265,868	277,721	243,934
Ceded reinsurance liability reserve	<u>2,777</u>	<u>3,027</u>	<u>3,268</u>
Subtotal	<u>1,185,408</u>	<u>1,189,705</u>	<u>1,132,399</u>
Total	<u>\$ 3,986,188</u>	<u>3,709,333</u>	<u>3,433,397</u>

(I) Property and equipment — net

	<u>June 30, 2023</u>			
<u>Assets</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Accumulated impairment loss</u>	<u>Carrying Amount</u>
Land	\$ 15,297,952	-	1,013,284	14,284,668
Buildings	5,289,569	1,417,502	45,259	3,826,808
Computer equipment	2,351,498	1,634,922	-	716,576
Transportation equipment	19	19	-	-
Other equipment	1,491,679	1,338,294	-	153,385
Leasehold improvements	910,782	861,636	-	49,146
Construction in progress	193,465	-	-	193,465
Prepayments for equipment	<u>125,218</u>	<u>-</u>	<u>-</u>	<u>125,218</u>
Total	<u>\$ 25,660,182</u>	<u>5,252,373</u>	<u>1,058,543</u>	<u>19,349,266</u>

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

Assets	December 31, 2022			
	Cost	Accumulated Depreciation	Accumulated impairment loss	Carrying Amount
Land	\$ 15,299,846	-	1,013,284	14,286,562
Buildings	5,292,938	1,354,411	45,259	3,893,268
Computer equipment	2,397,757	1,684,407	-	713,350
Transportation equipment	19	19	-	-
Other equipment	1,516,061	1,337,803	-	178,258
Leasehold improvements	944,308	877,084	-	67,224
Construction in progress	168,934	-	-	168,934
Prepayments for equipment	97,006	-	-	97,006
Total	\$ 25,716,869	5,253,724	1,058,543	19,404,602

Assets	June 30, 2022			
	Cost	Accumulated Depreciation	Accumulated impairment loss	Carrying Amount
Land	\$ 15,296,562	-	1,013,284	14,283,278
Buildings	5,282,451	1,288,156	45,259	3,949,036
Computer equipment	2,204,926	1,597,470	-	607,456
Transportation equipment	19	19	-	-
Other equipment	1,491,049	1,301,713	-	189,336
Leasehold improvements	949,026	884,567	-	64,459
Construction in progress	83,299	-	-	83,299
Prepayments for equipment	75,630	-	-	75,630
Total	\$ 25,382,962	5,071,925	1,058,543	19,252,494

The changes in property and equipment of the Group are as follows:

	Land	Buildings	Computer equipment	Transportation equipment	Other equipment	Leasehold improvements	Construction in progress	Prepayments for equipment	Total
Cost									
Balance of January 1, 2023	\$ 15,299,846	5,292,938	2,397,757	19	1,516,061	944,308	168,934	97,006	25,716,869
Purchase and acquisition	-	-	77,963	-	13,193	4,742	17,157	93,518	206,573
Estimated cost of derecognition	-	-	-	-	-	-	-	(3,391)	(3,391)
Disposal	-	-	(160,798)	-	(28,400)	(36,288)	-	-	(225,486)
Reclassification	-	-	60,553	-	4,279	(2,109)	7,374	(61,898)	8,199
Effect of changes in foreign exchange rates	(1,894)	(3,369)	(23,977)	-	(13,454)	129	-	(17)	(42,582)
Balance of June 30, 2023	<u>15,297,952</u>	<u>5,289,569</u>	<u>2,351,498</u>	<u>19</u>	<u>1,491,679</u>	<u>910,782</u>	<u>193,465</u>	<u>125,218</u>	<u>25,660,182</u>
Accumulated depreciation									
Balance of January 1, 2023	\$ -	1,354,411	1,684,407	19	1,337,803	877,084	-	-	5,253,724
Depreciation	-	64,012	127,386	-	40,537	19,800	-	-	251,735
Disposal	-	-	(159,950)	-	(27,356)	(35,275)	-	-	(222,581)
Effect of changes in foreign exchange rates	-	(921)	(16,921)	-	(12,690)	27	-	-	(30,505)
Balance of June 30, 2023	<u>-</u>	<u>1,417,502</u>	<u>1,634,922</u>	<u>19</u>	<u>1,338,294</u>	<u>861,636</u>	<u>-</u>	<u>-</u>	<u>5,252,373</u>
Accumulated impairment loss									
Balance of January 1, 2023	\$ <u>1,013,284</u>	<u>45,259</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,058,543</u>
Balance of June 30, 2023	\$ <u>1,013,284</u>	<u>45,259</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,058,543</u>

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
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	<u>Land</u>	<u>Buildings</u>	<u>Computer equipment</u>	<u>Transportation equipment</u>	<u>Other equipment</u>	<u>Leasehold improvements</u>	<u>Construction in progress</u>	<u>Prepayments for equipment</u>	<u>Total</u>
Cost									
Balance of January 1, 2022	\$ 15,297,373	5,283,893	2,156,615	19	1,503,378	950,693	48,150	38,506	25,278,627
Purchase and acquisition	-	-	36,293	-	6,890	11,966	27,909	62,040	145,098
Estimated cost of derecognition	-	-	-	-	-	233	-	-	233
Disposal	-	-	(5,727)	-	(13,895)	(15,341)	-	-	(34,963)
Reclassification	-	-	24,179	-	-	54	7,240	(24,757)	6,716
Effect of changes in foreign exchange rates	(811)	(1,442)	(6,434)	-	(5,324)	1,421	-	(159)	(12,749)
Balance of June 30, 2022	<u>15,296,562</u>	<u>5,282,451</u>	<u>2,204,926</u>	<u>19</u>	<u>1,491,049</u>	<u>949,026</u>	<u>83,299</u>	<u>75,630</u>	<u>25,382,962</u>
Accumulated depreciation									
Balance of January 1, 2022	\$ -	1,222,659	1,498,725	19	1,269,924	872,269	-	-	4,863,596
Depreciation	-	65,876	109,522	-	48,526	25,762	-	-	249,686
Disposal	-	-	(5,674)	-	(11,536)	(14,740)	-	-	(31,950)
Effect of changes in foreign exchange rates	-	(379)	(5,103)	-	(5,201)	1,276	-	-	(9,407)
Balance of June 30, 2022	<u>-</u>	<u>1,288,156</u>	<u>1,597,470</u>	<u>19</u>	<u>1,301,713</u>	<u>884,567</u>	<u>-</u>	<u>-</u>	<u>5,071,925</u>
Accumulated impairment loss									
Balance of January 1, 2022	\$ <u>1,013,284</u>	<u>45,259</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,058,543</u>
Balance of June 30, 2022	<u>\$ 1,013,284</u>	<u>45,259</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,058,543</u>
Net									
Balance of June 30, 2023	<u>\$ 14,284,668</u>	<u>3,826,808</u>	<u>716,576</u>	<u>-</u>	<u>153,385</u>	<u>49,146</u>	<u>193,465</u>	<u>125,218</u>	<u>19,349,266</u>
Balance of December 31, 2022	<u>\$ 14,286,562</u>	<u>3,893,268</u>	<u>713,350</u>	<u>-</u>	<u>178,258</u>	<u>67,224</u>	<u>168,934</u>	<u>97,006</u>	<u>19,404,602</u>
Balance of June 30, 2022	<u>\$ 14,283,278</u>	<u>3,949,036</u>	<u>607,456</u>	<u>-</u>	<u>189,336</u>	<u>64,459</u>	<u>83,299</u>	<u>75,630</u>	<u>19,252,494</u>

Significant components of buildings include architecture constructions, engineering constructions, elevator equipment constructions, air conditioner constructions, fire-prevention constructions, mechanical parking equipment, and solar power equipment. These are depreciated based on major useful lives of 50, 15, 10, 8 and 5 years, respectively or the remaining useful lives.

(J) Right-of-use assets

	<u>June 30,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>	<u>June 30,</u> <u>2022</u>
Carrying amount			
Land	\$ 390,013	393,021	396,028
Buildings	810,676	974,702	1,082,329
Transportation equipment	8,351	8,135	6,158
Other equipment	<u>25,302</u>	<u>30,831</u>	<u>34,104</u>
	<u>\$ 1,234,342</u>	<u>1,406,689</u>	<u>1,518,619</u>
	<u>For the three months ended June 30,</u> <u>2023</u>	<u>2022</u>	<u>For the six months ended June 30,</u> <u>2023</u>
Increase	<u>\$ 97,199</u>	<u>48,965</u>	<u>151,580</u>
Depreciation expense			
Land	\$ -	-	-
Buildings	151,181	158,261	321,570
Transportation equipment	1,257	1,309	2,699
Other equipment	<u>1,618</u>	<u>1,810</u>	<u>3,481</u>
Total	<u>\$ 154,056</u>	<u>161,380</u>	<u>311,461</u>
	<u>327,921</u>		

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(K) Intangible assets

	<u>June 30,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>	<u>June 30,</u> <u>2022</u>
Goodwill	\$ 1,612,499	1,672,457	1,568,489
Development costs	613,875	700,355	645,548
Computer software	399,291	445,517	379,305
Business license	2,764,318	2,919,792	2,787,696
Others	<u>48,505</u>	<u>50,292</u>	<u>47,122</u>
	<u>\$ 5,438,488</u>	<u>5,788,413</u>	<u>5,428,160</u>

The changes of the intangible assets are as follows:

	<u>Goodwill</u>	<u>Other intangible</u> <u>assets</u>	<u>Total</u>
Cost:			
Balance of January 1, 2023	\$ 1,672,457	7,634,782	9,307,239
Purchase and acquisition	-	56,812	56,812
Disposal	-	(2,348)	(2,348)
Reclassification	-	2,800	2,800
Effect of changes in foreign exchange rates	<u>(59,958)</u>	<u>(213,248)</u>	<u>(273,206)</u>
Balance of June 30, 2023	<u>\$ 1,612,499</u>	<u>7,478,798</u>	<u>9,091,297</u>
Balance of January 1, 2022	\$ 1,594,156	7,030,193	8,624,349
Purchase and acquisition	-	117,420	117,420
Disposal	-	(285)	(285)
Reclassification	-	4,070	4,070
Effect of changes in foreign exchange rates	<u>(25,667)</u>	<u>(83,551)</u>	<u>(109,218)</u>
Balance of June 30, 2022	<u>\$ 1,568,489</u>	<u>7,067,847</u>	<u>8,636,336</u>
Accumulated amortization and impairment:			
Balance of January 1, 2023	\$ -	3,518,826	3,518,826
Amortization	-	212,554	212,554
Disposal	-	(2,181)	(2,181)
Effect of changes in foreign exchange rates	<u>-</u>	<u>(76,390)</u>	<u>(76,390)</u>
Balance of June 30, 2023	<u>\$ -</u>	<u>3,652,809</u>	<u>3,652,809</u>
Balance of January 1, 2022	\$ -	3,084,675	3,084,675
Amortization	-	149,732	149,732
Disposal	-	(275)	(275)
Effect of changes in foreign exchange rates	<u>-</u>	<u>(25,956)</u>	<u>(25,956)</u>
Balance of June 30, 2022	<u>\$ -</u>	<u>3,208,176</u>	<u>3,208,176</u>
Carrying amount:			
Balance of June 30, 2023	<u>\$ 1,612,499</u>	<u>3,825,989</u>	<u>5,438,488</u>
Balance of December 31, 2022	<u>\$ 1,672,457</u>	<u>4,115,956</u>	<u>5,788,413</u>
Balance of June 30, 2022	<u>\$ 1,568,489</u>	<u>3,859,671</u>	<u>5,428,160</u>

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The above stated goodwill of the Group was attributed to the acquisition of controlling power of subsidiary, Fubon Hyundai Life Insurance Co., Ltd. in September 2018.

Goodwill generated from a business combination should be tested for impairment on an annual basis. The Group regards Fubon Hyundai Life Insurance Co., Ltd. as a cash generating unit, uses appropriate discount rate to estimate recoverable amount of Fubon Hyundai Life, and calculates the carrying value of net assets to evaluate whether to recognize impairment.

(L) Other assets

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Prepayments	\$ 941,060	1,344,699	1,068,467
Deferred acquisition cost	2,256,532	2,158,159	2,077,724
Refundable deposits	25,526,434	26,245,180	27,716,404
Other assets - other	5,167,384	4,980,629	5,254,889
Less: Accumulated impairment	<u>(59,711)</u>	<u>(59,711)</u>	<u>(54,994)</u>
Total	<u>\$ 33,831,699</u>	<u>34,668,956</u>	<u>36,062,490</u>

The Group periodically assesses whether there is any indication that a portion of the carry amount for other assets is impaired. Fair value less cost to sale is measured to determine the recoverable amount, the amounts determined is based on expert's valuation report, and the recognition of impairment focuses on recoverable amounts that are lower than the carrying amount. The aforementioned fair value is based on significant unobservable inputs, and is therefore classified under level 3.

Articles 141 and 142 of the Insurance Act require insurance industry to place a government statutory deposit equal to 15% of its paid-in capital. Such deposits will not be returned until cessation of business and liquidation has been completed. In accordance with the regulations of the competent authority in Vietnam, insurance companies shall deposit 2% of legal capital in local banks in Vietnam as operating guarantee deposits. The Group used government bonds and saving deposits for the operating guarantee deposits, the details of which were as follows:

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Government bonds (Book value)	<u>\$ 16,076,575</u>	<u>15,977,717</u>	<u>15,944,518</u>
Cash in bank	<u>\$ 15,839</u>	<u>15,612</u>	<u>15,324</u>

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(M) Insurance product — separate account

Detailed account balances of the investment insurance products, separate accounts are as follows:

	<u>June 30,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>	<u>June 30,</u> <u>2022</u>
Assets on insurance product, separate account:			
Cash in bank	\$ 11,165,676	12,043,010	12,082,130
Financial assets measured at fair value through profit or loss	272,509,879	246,518,822	234,462,777
Accounts receivable	<u>1,825,864</u>	<u>1,319,530</u>	<u>1,516,926</u>
Total	<u>\$ 285,501,419</u>	<u>259,881,362</u>	<u>248,061,833</u>
Liabilities on insurance product, separate account:			
Reserve — Insurance contract	\$ 138,959,046	129,837,793	126,560,745
Reserve — Investment contract	146,511,468	130,010,488	121,471,799
Accounts payable	<u>30,905</u>	<u>33,081</u>	<u>29,289</u>
Total	<u>\$ 285,501,419</u>	<u>259,881,362</u>	<u>248,061,833</u>

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Income on insurance product, separate account:				
Premiums income	\$ 3,069,907	4,473,112	6,179,261	9,192,891
Interest income	831,281	786,666	1,628,841	1,569,644
Gains or losses on financial assets and liabilities measured at fair value through profit or loss	4,821,138	(13,368,305)	8,423,463	(18,906,333)
Gains or losses on foreign exchange	171,486	43,307	172,435	(110,167)
Total	<u>\$ 8,893,812</u>	<u>(8,065,220)</u>	<u>16,404,000</u>	<u>(8,253,965)</u>
Disbursements on insurance product, separate account:				
Net changes in reserve, insurance contract	\$ 4,716,305	(11,502,330)	8,766,792	(15,629,331)
Insurance claims and payment	3,298,790	2,453,163	5,814,760	5,484,806
Administrative expenses	901,639	981,710	1,820,296	1,888,749
Other disbursements	<u>(22,922)</u>	<u>2,237</u>	<u>2,152</u>	<u>1,811</u>
Total	<u>\$ 8,893,812</u>	<u>(8,065,220)</u>	<u>16,404,000</u>	<u>(8,253,965)</u>

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

Sales rebate earned from counterparty for investment-linked insurance products are as follows (recognized in fee income):

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Sales rebate earned from counterparty for investment-linked insurance products	\$ <u>183,497</u>	<u>164,528</u>	<u>350,167</u>	<u>333,579</u>

Detailed account balances of the business (individual) annuity insurance products - separate accounts are as follows:

	<u>June 30,</u>	<u>December 31,</u>	<u>June 30,</u>
	<u>2023</u>	<u>2022</u>	<u>2022</u>
Assets on business (individual) annuity insurance products, separate accounts:			
Cash in bank	\$ 4,422,697	2,586,365	5,027,992
Financial assets measured at fair value through profit or loss	20,716,520	16,055,614	18,461,210
Financial assets measured at fair value through other comprehensive income	126,355,876	127,098,518	137,932,962
Financial assets for hedging	964,931	1,778,258	211,433
Loans	27,207,224	33,641,356	31,470,719
Interests receivable	1,220,769	1,217,800	1,319,534
Other accounts receivable	<u>4,437,064</u>	<u>27,545,731</u>	<u>1,529,569</u>
Total	<u>\$ 185,325,081</u>	<u>209,923,642</u>	<u>195,953,419</u>
Liabilities on business (individual) annuity insurance products, separate accounts:			
Financial liabilities for hedging	\$ 1,310,321	2,129,372	4,763,970
Other accounts payable	145,529	13,653,153	713,146
Reserve — Insurance contract	207,911,427	201,055,408	212,722,301
Short-term liabilities	<u>-</u>	<u>20,769,750</u>	<u>-</u>
Total	<u>\$ 209,367,277</u>	<u>237,607,683</u>	<u>218,199,417</u>

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Income on business (individual) annuity insurance products, separate accounts:				
Interest income	\$ 1,655,157	1,540,486	3,261,318	3,068,089
Gains on financial assets and liabilities measured at fair value through profit or loss	173,182	265,965	563,760	671,701
Realized gains from financial assets measured at fair value through other comprehensive income	-	11,301		86,915
Reversal of ECL on investments	18,009	10,843	33,703	39,970
Gains on foreign exchange	405,844	3,818,445	2,048,586	5,016,240
Other income	<u>1,113,752</u>	<u>493,338</u>	<u>1,931,417</u>	<u>502,420</u>
Total	<u>\$ 3,365,944</u>	<u>6,140,378</u>	<u>7,838,784</u>	<u>9,385,335</u>

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Disbursements on business (individual) annuity insurance products, separate accounts:				
Insurance claims and payment	\$ -	766	-	2,344
Current provisions of separate accounts	2,561,485	1,139,981	4,802,585	2,296,269
Losses on financial assets and liabilities measured at fair value through profit or loss	657,411	5,240,465	2,284,650	6,909,094
Realized losses from financial assets measured at fair value through other comprehensive income	5,594	2,097	5,594	2,097
Recognition of ECL on investments	2,307	(6,125)	8,343	3,108
Losses on foreign exchange	51,784	(21,010)	120,500	42,015
Administrative expenses	86,804	(215,799)	476,421	127,735
Other expenses	559	3	140,691	2,673
Total	<u>\$ 3,365,944</u>	<u>6,140,378</u>	<u>7,838,784</u>	<u>9,385,335</u>

The subsidiary provides government bonds as collateral which is classified as financial assets measured at fair value through other comprehensive income. As of June 30, 2023, December 31 and June 30, 2022, the carrying amount of the collateral were \$665,186 thousand, \$1,303,589 thousand and \$5,433,973 thousand, respectively.

(N) Accounts payable

	<u>June 30,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>	<u>June 30,</u> <u>2022</u>
Notes payable	\$ 271	128	7
Expense payable	6,955,987	7,599,094	5,391,273
Commissions payable	1,965,691	1,861,580	1,794,634
Insurance and reinsurance claims payable	11,596,226	10,931,905	10,622,671
Due to reinsurers and ceding companies	2,960,037	2,543,504	2,385,155
Insurance product — separate accounts payable	6,220,580	28,548,234	2,859,227
Investments payable	7,397,035	7,758,403	9,831,585
Other payable	2,660,780	2,829,083	2,324,867
Total	<u>\$ 39,756,607</u>	<u>62,071,931</u>	<u>35,209,419</u>

(O) Short-term liabilities

	<u>June 30,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>	<u>June 30,</u> <u>2022</u>
Notes and bonds issued under repurchase agreement	\$ 254,323	12,217,500	-
Repurchase price	255,239	12,238,956	-
Repurchase interest	3.5%	4.3%~4.9%	-

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(P) Bonds payable

The information of bonds issued by the Group were as follows:

Name	Outstanding period		Rate %	Face Amount	(Discount) Premium	June 30, 2023	December 31, 2022	June 30, 2022	Note
	Date of Issuance	Maturity							
The first issue of 2016 perpetual cumulative subordinated corporate bond	2016.12.07	No maturity date	3.25 % (Note 1)	\$ 28,500,000	-	28,500,000	28,500,000	28,500,000	Note2
The first issue of 2017 perpetual cumulative subordinated corporate bond	2017.04.21	No maturity date	3.30 % (Note 1)	6,500,000	-	6,500,000	6,500,000	6,500,000	Note2
The first issue of 2018 perpetual non-cumulative subordinated corporate bond (private placement)	2018.03.27	No maturity date	3.60 % (Note 3)	20,000,000	-	20,000,000	20,000,000	20,000,000	Note4
Hyundailife Insurance 7 (private placement)	2016.12.28	2022.07.28	4.75 %	471,180	-	-	-	458,435	
Hyundailife Insurance 8 (private placement)	2017.06.26	2023.01.26	4.90 %	212,031	-	-	219,959	206,579	
Hyundailife Insurance 9 (private placement)	2017.07.20	2023.01.20	4.90 %	188,472	-	-	195,536	183,864	
Hyundailife Insurance 11 (private placement)	2017.12.28	2023.06.28	5.60 %	1,413,540	-	-	1,470,251	1,382,865	
FubonHyundai Insurance 13 (private placement)	2019.09.09	2029.09.09	4.30 % (Note 5)	1,177,950	(2,065)	1,175,885	1,219,460	1,143,514	
FubonHyundai Insurance 14	2019.10.02	2029.10.02	4.25 % (Note 5)	2,355,900	(6,604)	2,349,296	2,436,178	2,284,300	
FubonHyundai Insurance 15 (private placement)	2020.06.24	2030.06.24	4.30 % (Note 5)	353,385	(688)	352,697	365,768	342,989	
FubonHyundai Insurance 16	2020.09.21	2030.09.21	4.49 % (Note 5)	1,177,950	(3,844)	1,174,106	1,217,534	1,141,634	
FubonHyundai Insurance 17 (private placement)	2021.04.29	2031.04.29	4.60 % (Note 5)	1,283,966	(2,750)	1,281,216	1,328,707	1,245,970	
FubonHyundai Insurance 18	2021.09.14	2031.09.14	4.10 % (Note 5)	2,238,105	(7,152)	2,230,953	2,313,534	2,169,365	
FubonHyundai Insurance 19 (private placement)	2022.04.08	2032.04.08	5.10 % (Note 5)	1,177,950	(4,128)	1,173,822	1,217,278	1,141,431	
FubonHyundai Insurance 20	2022.06.28	2032.06.28	6.20 % (Note 5)	3,533,850	(11,857)	3,521,993	3,652,452	3,424,938	
FubonHyundai Insurance 23	2023.04.26	2033.04.26	7.30 % (Note 5)	1,884,720	(7,867)	1,876,853	-	-	
FubonHyundai Insurance 24	2023.06.16	2033.06.16	7.28 % (Note 5)	2,308,782	(8,708)	2,300,074	-	-	
Total					\$ (55,663)	72,436,895	70,636,657	70,125,884	

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

Note1: Fixed rate from the date of issuance, plus 1% if the group does not redeem the bond in 10 years from the date of issuance.

Note2: After 10 years of issuance, if the Group's risk-based capital ratio after redemption, upon calculation, is more than one time of the required minimum risk-based capital ratio at the time of calculation, with the consent of the Competent Authority, the bonds may be redeemed earlier at face value plus accrued interest.

Note3: After 10 years of issuance, if the bond is not redeemed, the coupon rate will be readjusted to 10 year benchmark yield rate plus the spread at the time of issuance.

Note4: After 10 years of issuance, if the Group's risk-based capital ratio after redemption, upon calculation, is more than one time of the required minimum risk-based capital ratio at the time of calculation, with the consent of the Competent Authority, the bonds may be redeemed at face value plus accrued interest once a year, after competent authority approved.

Note5: After 5 years of issuance, if the bond is not redeemed, the coupon rate will be readjusted to 10 year KTB rate plus the spread at the time of issuance.

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	2023	2022	2023	2022
Interest Expense	<u>\$ 671,610</u>	<u>599,165</u>	<u>1,312,928</u>	<u>1,183,702</u>

(Q) Lease liabilities

The Group's undiscounted lease payments maturity analysis:

	<u>June 30,</u>	<u>December 31,</u>	<u>June 30,</u>
	2023	2022	2022
Less than one year	\$ 994,374	1,080,160	1,094,540
One to three years	1,292,860	1,360,580	1,514,676
Three to five years	3,021,660	1,087,733	1,024,622
More than five years	<u>22,495,760</u>	<u>24,826,705</u>	<u>24,856,085</u>
	<u>\$ 27,804,654</u>	<u>28,355,178</u>	<u>28,489,923</u>

The amounts 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>	
	2023	2022	2023	2022
Interest on lease liabilities	<u>\$ 60,412</u>	<u>45,898</u>	<u>104,294</u>	<u>92,422</u>
Variable lease payments not included in the measurement of lease liabilities	<u>\$ 3,004</u>	<u>2,851</u>	<u>5,896</u>	<u>5,767</u>
Expenses relating to short-term leases	<u>\$ 2,487</u>	<u>3,377</u>	<u>5,141</u>	<u>6,627</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	<u>\$ 1,905</u>	<u>2,070</u>	<u>3,260</u>	<u>3,722</u>

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

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

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	2023	2022	2023	2022
Total cash outflow for leases	\$ <u>174,272</u>	<u>192,310</u>	<u>742,344</u>	<u>775,474</u>

The amounts recognized in the costs of the building were as follows:

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	2023	2022	2023	2022
Capitalization of interest	\$ <u>71,997</u>	<u>87,776</u>	<u>157,984</u>	<u>173,212</u>

(a) Office leases

As of June 30, 2023, December 31 and June 30, 2022, the Group leases buildings as offices with lease terms of two to five years.

(b) Superficies leases

As of June 30, 2023, December 31 and June 30, 2022, the Group leases land for superficies with lease terms of fifty to one hundred and thirty three years for the purpose of commercial buildings, malls, hotels etc.

The Group elected to apply the amendments made to IFRS 16 “Covid-19-Related Rent Concessions” as a practical expedient. The amounts recognized in profit or loss were \$1,562 thousand and \$1,323 thousand for the three months and six months ended June 30, 2022, respectively.

(c) Other leases

The Group leases computer, machinery and transportation equipment with lease terms of one to six years. If these leases are 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.

(R) Liabilities reserve

	<u>June 30,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>	<u>June 30,</u> <u>2022</u>
Decommissioning liability	\$ 109,452	116,606	105,253
Employee benefits liabilities	6,990,166	7,067,117	7,887,876
Other liabilities reserve	<u>4,402,327</u>	<u>4,638,829</u>	<u>4,345,085</u>
	<u>\$ 11,501,945</u>	<u>11,822,552</u>	<u>12,338,214</u>

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(a) Decommissioning liability

	<u>Decommissioning liability</u>
Balance of January 1, 2023	\$ 116,606
Increase of liabilities reserves	2,207
Reversal of liabilities reserves	(6,816)
Discounting and amortization of liabilities reserves	949
Reclassification to other income	(3,160)
Effect of changes in foreign exchange rates	<u>(334)</u>
Balance of June 30, 2023	<u>\$ 109,452</u>
Balance of January 1, 2022	\$ 101,294
Increase of liabilities reserves	9,719
Reversal of liabilities reserves	(6,412)
Discounting and amortization of liabilities reserves	595
Reclassification to other income	(145)
Effect of changes in foreign exchange rates	<u>202</u>
Balance of June 30, 2022	<u>\$ 105,253</u>

(b) Employee benefit

(1) Defined benefit plan

There was no significant volatility of the market, any significant reimbursement, settlement, or other one-time event in the prior fiscal year. Therefore, the Group used the pension cost as of December 31, 2022 and 2021 to measure and disclose the interim pension cost.

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

	For the three months ended June 30,		For the six months ended June 30,	
	2023	2022	2023	2022
Pension expenses	\$ 90,178	92,460	181,548	177,241
Pension (Survivor relief)	<u>1,907</u>	<u>1,761</u>	<u>6,022</u>	<u>3,522</u>
Total	<u>\$ 92,085</u>	<u>94,221</u>	<u>187,570</u>	<u>180,763</u>

(2) Defined contribution plan

The Group's pension expenses under the defined contribution plan were as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2023	2022	2023	2022
Pension expenses	<u>\$ 153,940</u>	<u>146,222</u>	<u>299,754</u>	<u>284,107</u>

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(S) Shareholders' equity

(a) Common stock

As of June 30, 2023, December 31 and June 30, 2022, the Company had authorized capital of \$150,000,000 thousand, and issued common stock of \$110,831,140 thousand, with a \$10 par value per share.

(b) Capital surplus

The capital surplus arising from shares issued in excess of par and donations may be used to offset a deficit; in addition, when the Company has no deficit, the capital surplus may be distributed as cash dividends, or transferred to capital (limited to 10% of the paid-in capital and once a year).

	<u>June 30,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>	<u>June 30,</u> <u>2022</u>
Additional paid-in capital	\$ 7,463,192	7,463,192	7,463,192
Changes in ownership interests in subsidiaries	938,520	1,029,448	1,029,448
Changes in equity of associates and joint ventures accounted for using equity method	2,188,477	2,181,576	2,210,425
Consolidation excess	20,340,460	20,340,460	20,340,460
Other	<u>134,778</u>	<u>134,778</u>	<u>134,778</u>
Total	<u>\$ 31,065,427</u>	<u>31,149,454</u>	<u>31,178,303</u>

(c) Retained earnings and earnings appropriation

(1) Legal reserve

If the Company has no deficit and the legal reserve exceeds 25% of paid-in capital, the excess may be transferred to capital or distributed in cash pursuant to the resolution of the shareholders. If the Company intends to distribute in cash, Gin Guan Bao Tsai No.10202501991 shall be followed.

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(2) Special reserve

	<u>June 30,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>	<u>June 30,</u> <u>2022</u>
Recovered contingency risk reserve	\$ 9,915,778	9,517,079	9,517,079
Catastrophic risk reserve and contingency risk reserve	7,326,037	7,326,037	7,164,104
Foreign currency translation reserve	56,350,258	49,016,432	49,016,432
Real estate increment recovered	2,609,068	2,609,068	2,609,068
Gains from the fluctuation of subsequent fair value measurement of investment property	22,842,557	23,295,317	23,295,317
The gains or losses on disposal of unexpired debt instruments	26,147,207	25,330,288	25,330,288
Bargain purchase gain	2,845,001	-	-
Net reduction of other shareholder's equity	40,437,442	-	-
Variable interest rate product segmented assets	9,933,386	9,933,386	9,933,386
Other	<u>67,118,098</u>	<u>65,795,194</u>	<u>65,788,169</u>
Total	<u>\$ 245,524,832</u>	<u>192,822,801</u>	<u>192,653,843</u>

1) Special reserve for catastrophic risk reserve and contingency risk reserve

In accordance with Tai Tsai Pao No.0920700594, recovered contingency risk reserve can be transferred to special reserve regardless of whether the Company has earnings next year or not, pursuant to the resolution of the shareholders. Under the “Regulations Governing the Provision of Various Reserves”, commencing from January 1, 2011, the special reserves for catastrophic risk reserve and contingency risk reserve for net of reinsurance business with the term below 1 year are provided annually. These reserves, net of income tax, are classified as special reserve under retained earnings. For more details, please refer to Note 4(S) of the consolidated financial statements for the year ended 2022.

2) Special reserve for foreign currency translation reserve

The special reserve appropriated according to the “Guidance for Reserve for Foreign Exchange Valuation of Life Insurance Enterprises”, please refer to Note 4(U) of the consolidated financial statements for the year ended 2022.

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

3) Special reserve for real estate increment recovered

In accordance with Jin Guan Bao Tsai No. 10102515281 on November 30, 2012, special reserves for real estate increment due to the first-time adoption of IFRSs are allowed to recover 80% in the first year or in five years and transferred to special reserve under equity. The limitation of the recoverable amount is \$10 billion per year.

4) Special reserve for investment property subsequently measured at fair value

In accordance with Gin Guan Bao Tsai No.10904917647, the Company should appropriate special reserve for investment property in restricting distributed earnings, based on the net after-tax effects of the first-time adoption of investment property measured at fair value model and the accumulated net after-tax gains on subsequent fair value measurements, respectively. The special reserve subsequently can only be used for effective contracts according to IFRS 17 “Insurance Contract”, life insurance industry effective insurance contract liability estimated at fair value and estimate method required by the competent authorities to fulfill liabilities from insurance contract. Subsequently when related assets are disposed, the special reserve could be reversed in the proportion of initial recognition and requires the approval from the competent authorities. The distribution of the reversed amount will need to be in accordance with Gin Guan Bao Tsai No.10202501992.

5) Special reserve for the gains or losses on disposal of unexpired debt instruments

From January 1, 2019, in accordance with Gin Guan Bao Tsai No.10804501381 on June 25, 2019, the gains (losses) on disposal of unexpired debt instruments with the deduction of 20% tax rate should be appropriated as (recovered from) special reserve. The Company can reverse special reserve based on the amortization calculated with the residual periods to expiry dates. Debt instruments with uncertain expiration date could be amortized for 10 years.

6) Special reserve for bargain purchase gain

In accordance with Jin Guan Bao Tsai No.10302153881 on February 10, 2015, the increase in retained earnings from bargain purchase gains, which is recognized due to mergers from self or subsidiaries, should recognize the same amount of special reserve and is barred from reversing within a year. After the expiration of one year, the special reserve can be used to cover the accumulated losses. If the value of the underlying asset after valuation is similar to that during the merger, yet to incur unexpected significant impairment, and being reviewed by the CPA, the special reserve can be recognized as capital.

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

In accordance with Bao Ju (Tsai) No.1120414605 on April 12, 2023, in order to maintain the sound and stability of financial structure, bargain purchase gains obtained through the equity method that has no cash inflow should follow the Jin Guan Bao Tsai No.10302153881 on February 10, 2015.

7) Special reserve for net reduction of other shareholder's equity

In accordance with Jin Guan Bao Tsai No.11004920441 on June 11, 2021, a portion of earnings shall be appropriated as special reserve during the earnings distribution. For the current debit balance on other equity interest, an equivalent amount of special reserve shall be appropriated from the after-tax net profit in the period, plus items other than the after-tax net profit in the period, that are included in the undistributed current period earnings. If the special reserve is insufficient, the Company should appropriate it from undistributed prior-period earnings. For the debit balance on other equity interest pertaining to prior periods, an equivalent amount of special reserve is appropriated from the undistributed prior-period earnings. If the Company has already appropriated a portion of earnings to special reserve under the preceding subparagraph, the Company shall make supplemental appropriation of special reserve for any difference between the amount it has already allocated and the amount mentioned above. The special reserve can be reversed due to net reduction of the debit balance of other shareholders' equity.

8) Special reserve for variable interest rate product segmented assets

In accordance with Gin Guan Bao Tsai No.10804963711 on January 16, 2020, from July 1, 2020, if the life insurance industry still has surplus retained earnings for distribution after appropriating special reserves in accordance with other laws and regulations at the end of financial year, it should further appropriate special reserve in accordance with "Guidance for Product with Variable Interest Rate of Life Insurance Enterprises".

9) Other special reserve

In accordance with the Gin Guan Bao Tsai No.10502066461 on July 13, 2016, the Company should appropriate special reserve, from 0.5% to 1% of net profit when distributing earnings from the year 2016 through 2018. From the following year of the special reserve appropriated, the Company can reverse the same amount of expenses for the purpose of providing transforming trainings and safeguarding rights and interests of employees within the remaining balance of appropriated special reserve. Gin Guan Bao Tsai No.10804932431 was published on July 30, 2019, prior to the replacement of said document, the rule stated that starting on or after 2019, special reserves cannot be appropriated. However, if there are the above aforementioned transforming trainings and safeguarding rights expenses, based on the above special reserve amount, the Company can reverse the same amount of expenses.

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

In accordance with the Gin Guan Bao Tsai No.11004908861 on March 26, 2021, life insurance industries should appropriate special reserve from all net profits after tax relating to disability insurance from 2020. If the net profit after tax of current year is insufficient to be appreciated, it shall be made up in the subsequent years. If there is a loss from disability insurance in the subsequent years, the special reverse can be reversed from initially recognition.

In accordance with Gin Guan Bao Tsai No. 10904939031 on October 29, 2020, beginning from 2021 the life insurance industry is required, after the end of each fiscal year, to act in accordance with the "Table of Standard Premiums for Accident, Death and Disability Benefits under Individual Travel Accident Insurance" to take a prescribed share of premium income and set it aside to the special reserve account under owners' equity. This prescribed share is calculated as follows: (10% of total premium income) – (20% nominal tax).

(3) Distribution of earnings

Under the Company's Article of Incorporation, the annual earnings are first used to pay taxes, cover prior years' losses, and in accordance with relevant laws, appropriate 20% of the above net amount as legal reserves until the legal reserves equals to the Company's paid-in capital. Appropriate special reserves in accordance with laws or with a resolution of shareholders if necessary. The remaining of earnings can be distributed with a resolution from the board of directors and shareholders' approval. If the Company has profits, the Company should allocate an amount ranged from 0.01% to 0.05% of the profits as employee compensation. If there is any difference between the actual distribution and the estimated amount, the difference will be recognized in the profit or loss in the current period.

Employee compensation has been estimated an amount of \$7,480 thousand and \$18,630 thousand for the years of 2022 and 2021, respectively. There is no difference between the actual distribution and the estimated amount for the year of 2021.

The information of the employee compensation approved by board of directors can be found on Market Observation Post System.

The Company executed the resolution approved by the board of directors on behalf of the shareholders' meeting on June 15, 2022 to distribute cash dividends which amounted to \$15,578,315 thousand from the undistributed retained earnings of 2021. The ex-dividend record date is June 22, 2022.

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(d) Other equity items (net — after tax)

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Gains (losses) on hedging instruments	Unrealized revaluation surplus	Other comprehensive profits (losses) reclassified using overlay approach	Total
Balance, January 1, 2023	\$ (11,366,525)	(115,789,494)	(77,295)	227,751	(82,119,539)	(209,125,102)
Foreign exchange translation difference	1,608,779	-	-	-	-	1,608,779
Foreign exchange translation differences in the share of associates accounted for using equity method	(75,250)	-	-	-	-	(75,250)
Changes in fair value of hedging instruments	-	-	36,662	-	-	36,662
Changes in fair value of hedging instruments in the share of associates accounted for using equity method	-	-	(33,129)	-	-	(33,129)
Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	-	75,830,757	-	-	-	75,830,757
Accumulated (gains) losses reclassified to profit or loss on disposal of debt instruments measured at fair value through other comprehensive income	-	575,890	-	-	-	575,890
Disposal of equity instruments measured at fair value through other comprehensive income reclassified to unappropriated earnings	-	698,969	-	-	-	698,969
Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income in the share of associates and joint ventures accounted for using equity method	-	27,549	-	-	-	27,549
Disposal of equity instruments measured at fair value through other comprehensive income in the share of associates accounted for using equity method	-	(4,207)	-	-	-	(4,207)
Profit or loss reclassified using overlay approach	-	-	-	-	73,674,246	73,674,246
Profit or loss reclassified using overlay approach in the share of joint ventures accounted for using equity method	-	-	-	-	(2,441)	(2,441)
Balance, June 30, 2023	<u>\$ (9,832,996)</u>	<u>(38,660,536)</u>	<u>(73,762)</u>	<u>227,751</u>	<u>(8,447,734)</u>	<u>(56,787,277)</u>

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Gains (losses) on hedging instruments	Unrealized revaluation surplus	Other comprehensive profits (losses) reclassified using overlay approach	Total
Balance, January 1, 2022	\$ (14,218,363)	13,338,208	322,364	227,751	169,899,274	169,569,234
Foreign exchange translation difference	241,572	-	-	-	-	241,572
Foreign exchange translation differences in the share of associates accounted for using equity method	(216,261)	-	-	-	-	(216,261)
Changes in fair value of hedging instruments	-	-	(313,253)	-	-	(313,253)
Changes in fair value of hedging instruments in the share of associates accounted for using equity method	-	-	21,193	-	-	21,193
Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	-	(110,844,603)	-	-	-	(110,844,603)
Accumulated (gains) losses reclassified to profit or loss on disposal of debt instruments measured at fair value through other comprehensive income	-	(1,415,441)	-	-	-	(1,415,441)
Disposal of equity instruments measured at fair value through other comprehensive income reclassified to unappropriated earnings	-	26,488	-	-	-	26,488
Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income in the share of associates and joint ventures accounted for using equity method	-	14,072	-	-	-	14,072
Disposal of equity instruments measured at fair value through other comprehensive income in the share of associates accounted for using equity method	-	1,863	-	-	-	1,863
Profit or loss reclassified using overlay approach	-	-	-	-	(222,264,119)	(222,264,119)
Profit or loss reclassified using overlay approach in the share of joint ventures accounted for using equity method	-	-	-	-	(12,728)	(12,728)
Balance, June 30, 2022	<u>\$ (14,193,052)</u>	<u>(98,879,413)</u>	<u>30,304</u>	<u>227,751</u>	<u>(52,377,573)</u>	<u>(165,191,983)</u>

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(e) Non-controlling interests

	For the six months ended June 30,	
	2023	2022
Beginning balance	\$ 4,093,461	10,362,502
Increase (decrease) of non-controlling interests (Note)	(4,588)	-
Changes in ownership interests in subsidiaries	90,071	-
Shares attributable to non-controlling interests		
Net income	(406,195)	442,221
Exchange differences on translation of foreign financial statements	(74,638)	(93,383)
Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income and other equity interest	1,033,436	(5,758,755)
Remeasurement of defined benefit plans	315	1,980
Ending balance	<u>\$ 4,731,862</u>	<u>4,954,565</u>

Note: The change includes that Fubon Hyundai Life Insurance Co., Ltd. early redeemed KRW \$60 billion unsecured hybrid bonds in February 2023, and issued KRW \$60 billion unsecured hybrid bonds by private placement in the same month, which were acquired by enterprises other than the Group.

(T) Income taxes

According to the amendment announced by local tax authorities on March 14, 2023, the subsidiary, Fubon Hyundai Life Insurance Co., Ltd. reduced the local income tax rate by 0.1% and adjusted its applicable tax rate range from 23.2% to 23.1%.

(a) Income tax (expense) profit were as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2023	2022	2023	2022
Current expense tax				
Current period	\$ 43,360	1,300,092	(1,777,570)	(935,432)
Adjustments for prior period	6,213	193,393	6,213	357,194
Foreign withholding tax	(668,021)	(360,432)	(802,056)	(564,513)
Subtotal	(618,448)	1,133,053	(2,573,413)	(1,142,751)
Deferred expense tax				
Reversal and recognition of temporary differences	(2,069,645)	(3,833,032)	633,423	(9,734,486)
Income tax rate change	(488)	-	(488)	-
Income tax expense	<u>\$ (2,688,581)</u>	<u>(2,699,979)</u>	<u>(1,940,478)</u>	<u>(10,877,237)</u>

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

The details of income tax (expense) profit recognized in 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>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Items that may not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	\$ (397)	(3,870)	(519)	(2,796)
Valuation gains/ losses on equity instruments measured at fair value through other comprehensive income	29,051	(101,119)	37,455	386,923
Share of other comprehensive income of associates and joint ventures accounted for using equity method - Items may not be reclassified into profit or loss	2,734	4,113	2,737	4,113
Items may be reclassified subsequently to profit or loss:				
Exchange differences on translation	(356,473)	253,986	(376,282)	75,742
Gains/ losses on hedging instruments	2,778	(9,051)	(10,767)	64,805
Valuation gains/ losses on debt instruments measured at fair value through other comprehensive income	531,821	13,893,492	(18,531,994)	25,576,052
Other comprehensive profits/ losses reclassified using overlay approach	(3,115,807)	8,668,238	(4,661,784)	12,096,616
Share of other comprehensive income of associates and joint ventures accounted for using equity method - Items may be reclassified into profit or loss	34,837	56,326	27,095	48,767
	<u>\$ (2,871,456)</u>	<u>22,762,115</u>	<u>(23,514,059)</u>	<u>38,250,222</u>

For the three months and six months ended June 30, 2023, the details of income tax (expense) profit recognized in other comprehensive profit of loss both include the income tax rate change \$30,151 thousand from Fubon Hyundai Life Insurance Co., Ltd.

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

- (b) Fubon Financial Holding Company, the parent company of the Company, appointed to be the taxpayer itself; therefore, commencing from 2010, income tax return and undistributed retained earnings based on the income tax return has been filed a combined income tax return with Fubon Financial Holding Company and its qualifying subsidiaries.
- (c) In regard to all taxes filed for the year but not approved yet, the Group evaluated correlation factors which include relevant regulations and previous experiences, and determined that sufficient income tax liability is reliably estimated.
- (d) For the approved income tax filed by the Company up to the 2017, in regard to the adjustments determined by the tax authority, the Company has proposed administrative remedies for the adjustments determined by the tax authority for the years 2013, 2014, 2016 and 2017, the Company will apply for administrative remedy within the statutory time limit.

(U) Earnings per share

The Group's earnings per share calculated based on simple capital structure are as follows:

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Profit attributable to ordinary shareholders of the Company	\$ <u>18,979,292</u>	<u>26,883,933</u>	<u>26,227,709</u>	<u>63,247,166</u>
Weighted average number of ordinary shares (thousand shares)	<u>11,083,114</u>	<u>11,083,114</u>	<u>11,083,114</u>	<u>11,083,114</u>
Basic earnings per share (dollar)	\$ <u>1.71</u>	<u>2.43</u>	<u>2.37</u>	<u>5.71</u>

(V) Insurance liabilities

	<u>June 30,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>	<u>June 30,</u> <u>2022</u>
Unearned premium reserves	\$ 10,813,987	10,367,322	10,003,745
Claim reserves	7,238,775	7,183,374	6,797,666
Liability reserves	4,536,419,526	4,504,597,101	4,449,546,192
Special reserves	19,827,150	19,321,529	18,408,040
Premium deficiency reserves	<u>6,136,092</u>	<u>6,912,443</u>	<u>7,931,134</u>
Total	<u>\$ 4,580,435,530</u>	<u>4,548,381,769</u>	<u>4,492,686,777</u>

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

The details of provision for insurance contracts and financial instruments with discretionary participation feature for this account balance and reconciliation were as follows:

(a) The unearned premium reserves for these insurance products are as follows:

	June 30, 2023		
	Insurance Contracts	Financial instruments with discretionary participation	Total
Individual life insurance	\$ 7,428	-	7,428
Individual injury insurance	5,580,038	-	5,580,038
Individual health insurance	2,794,012	-	2,794,012
Group insurance	2,312,993	-	2,312,993
Investment-linked insurance	119,516	-	119,516
Gross reserve	<u>10,813,987</u>	<u>-</u>	<u>10,813,987</u>
Deduction of provision for reinsurance ceded			
Individual life insurance	708,754	-	708,754
Individual injury insurance	14,693	-	14,693
Individual health insurance	29,090	-	29,090
Group insurance	153,105	-	153,105
Investment-linked insurance	11,121	-	11,121
Total ceded reserve	<u>916,763</u>	<u>-</u>	<u>916,763</u>
Net reserve	<u>\$ 9,897,224</u>	<u>-</u>	<u>9,897,224</u>
	December 31, 2022		
	Insurance Contracts	Financial instruments with discretionary participation	Total
Individual life insurance	\$ 7,804	-	7,804
Individual injury insurance	5,232,833	-	5,232,833
Individual health insurance	2,754,563	-	2,754,563
Group insurance	2,258,377	-	2,258,377
Investment-linked insurance	113,745	-	113,745
Gross reserve	<u>10,367,322</u>	<u>-</u>	<u>10,367,322</u>
Deduction of provision for reinsurance ceded			
Individual life insurance	689,327	-	689,327
Individual injury insurance	15,899	-	15,899
Individual health insurance	34,185	-	34,185
Group insurance	158,671	-	158,671
Investment-linked insurance	10,875	-	10,875
Total ceded reserve	<u>908,957</u>	<u>-</u>	<u>908,957</u>
Net reserve	<u>\$ 9,458,365</u>	<u>-</u>	<u>9,458,365</u>

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

	June 30, 2022		
	Insurance	Financial	
	Contracts	instruments with	Total
		discretionary	
		participation	
	<u> </u>	<u> </u>	<u> </u>
Individual life insurance	\$ 7,244	-	7,244
Individual injury insurance	4,908,986	-	4,908,986
Individual health insurance	2,755,393	-	2,755,393
Group insurance	2,218,520	-	2,218,520
Investment-linked insurance	<u>113,602</u>	-	<u>113,602</u>
Gross reserve	<u>10,003,745</u>	<u>-</u>	<u>10,003,745</u>
Deduction of provision for reinsurance ceded			
Individual life insurance	677,048	-	677,048
Individual injury insurance	18,586	-	18,586
Individual health insurance	31,664	-	31,664
Group insurance	146,940	-	146,940
Investment-linked insurance	<u>10,959</u>	-	<u>10,959</u>
Total ceded reserve	<u>885,197</u>	<u>-</u>	<u>885,197</u>
Net reserve	<u>\$ 9,118,548</u>	<u>-</u>	<u>9,118,548</u>

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

The changes in unearned premium reserves for these insurance products are as follows:

For the six months ended June 30, 2023			
	Insurance Contracts	Financial instruments with discretionary participation	Total
Beginning balance	\$ 10,367,322	-	10,367,322
Current provisions	10,807,565	-	10,807,565
Current reclaims	(10,356,963)	-	(10,356,963)
Gain and loss on foreign exchange	(3,937)	-	(3,937)
Ending balance	10,813,987	-	10,813,987
Less: Provision for ceded reinsurance			
Beginning balance	908,957	-	908,957
Current provision	916,484	-	916,484
Current reclaim	(907,803)	-	(907,803)
Gain and loss on foreign exchange	(875)	-	(875)
Ending balance	916,763	-	916,763
Net ending balance	\$ 9,897,224	-	9,897,224
For the six months ended June 30, 2022			
	Insurance Contracts	Financial instruments with discretionary participation	Total
Beginning balance	\$ 9,485,914	-	9,485,914
Current provisions	10,005,030	-	10,005,030
Current reclaims	(9,485,955)	-	(9,485,955)
Gain and loss on foreign exchange	(1,244)	-	(1,244)
Ending balance	10,003,745	-	10,003,745
Less: Provision for ceded reinsurance			
Beginning balance	853,684	-	853,684
Current provision	885,198	-	885,198
Current reclaim	(853,670)	-	(853,670)
Gain and loss on foreign exchange	(15)	-	(15)
Ending balance	885,197	-	885,197
Net ending balance	\$ 9,118,548	-	9,118,548

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(b) The components of claim reserves are as follows:

	June 30, 2023		
	Insurance Contracts	Financial instruments with discretionary participation	Total
Individual life insurance			
— reported but not paid	\$ 3,196,522	5,327	3,201,849
— incurred but not reported	226,525	-	226,525
Individual injury insurance			
— reported but not paid	169,932	-	169,932
— incurred but not reported	692,535	-	692,535
Individual health insurance			
— reported but not paid	631,350	-	631,350
— incurred but not reported	1,117,625	-	1,117,625
Group insurance			
— reported but not paid	132,299	-	132,299
— incurred but not reported	657,426	-	657,426
Investment-linked insurance			
— reported but not paid	366,821	-	366,821
— incurred but not reported	42,413	-	42,413
Gross reserve	<u>7,233,448</u>	<u>5,327</u>	<u>7,238,775</u>
Deduction of provision for reinsurance ceded:			
Individual life insurance	126,043	-	126,043
Individual injury insurance	31,287	-	31,287
Individual health insurance	61,524	-	61,524
Group insurance	34,444	-	34,444
Investment-linked insurance	<u>12,570</u>	<u>-</u>	<u>12,570</u>
Total ceded reserve	<u>265,868</u>	<u>-</u>	<u>265,868</u>
Net reserve	<u>\$ 6,967,580</u>	<u>5,327</u>	<u>6,972,907</u>

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

	December 31, 2022		
	Insurance Contracts	Financial instruments with discretionary participation	Total
Individual life insurance			
— reported but not paid	\$ 2,951,748	57,981	3,009,729
— incurred but not reported	258,701	-	258,701
Individual injury insurance			
— reported but not paid	200,667	-	200,667
— incurred but not reported	688,951	-	688,951
Individual health insurance			
— reported but not paid	694,952	-	694,952
— incurred but not reported	1,164,023	-	1,164,023
Group insurance			
— reported but not paid	144,072	-	144,072
— incurred but not reported	714,359	-	714,359
Investment-linked insurance			
— reported but not paid	259,791	-	259,791
— incurred but not reported	48,129	-	48,129
Gross reserve	<u>7,125,393</u>	<u>57,981</u>	<u>7,183,374</u>
Deduction of provision for reinsurance ceded:			
Individual life insurance	131,691	-	131,691
Individual injury insurance	30,926	-	30,926
Individual health insurance	68,120	-	68,120
Group insurance	37,157	-	37,157
Investment-linked insurance	9,827	-	9,827
Total ceded reserve	<u>277,721</u>	<u>-</u>	<u>277,721</u>
Net reserve	<u>\$ 6,847,672</u>	<u>57,981</u>	<u>6,905,653</u>

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

	June 30, 2022		
	Insurance Contracts	Financial instruments with discretionary participation	Total
Individual life insurance			
— reported but not paid	\$ 3,213,421	62,939	3,276,360
— incurred but not reported	244,854	-	244,854
Individual injury insurance			
— reported but not paid	169,071	-	169,071
— incurred but not reported	696,653	-	696,653
Individual health insurance			
— reported but not paid	531,521	-	531,521
— incurred but not reported	1,018,965	-	1,018,965
Group insurance			
— reported but not paid	150,939	-	150,939
— incurred but not reported	530,137	-	530,137
Investment-linked insurance			
— reported but not paid	136,731	-	136,731
— incurred but not reported	42,435	-	42,435
Gross reserve	<u>6,734,727</u>	<u>62,939</u>	<u>6,797,666</u>
Deduction of provision for reinsurance ceded:			
Individual life insurance	119,712	-	119,712
Individual injury insurance	31,582	-	31,582
Individual health insurance	63,255	-	63,255
Group insurance	15,647	-	15,647
Investment-linked insurance	13,738	-	13,738
Total ceded reserve	<u>243,934</u>	<u>-</u>	<u>243,934</u>
Net reserve	<u>\$ 6,490,793</u>	<u>62,939</u>	<u>6,553,732</u>

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

The movements in claim reserves are as follows:

For the six months ended June 30, 2023			
	Insurance Contracts	Financial instruments with discretionary participation	Total
Beginning balance	\$ 7,125,393	57,981	7,183,374
Current provisions	7,214,915	5,327	7,220,242
Current reclaims	(6,995,310)	(57,981)	(7,053,291)
Gain and loss on foreign exchange	(111,550)	-	(111,550)
Ending balance	7,233,448	5,327	7,238,775
Less: Provision for ceded reinsurance			
Beginning balance	277,721	-	277,721
Current provision	264,985	-	264,985
Current reclaim	(270,158)	-	(270,158)
Gain and loss on foreign exchange	(6,680)	-	(6,680)
Ending balance	265,868	-	265,868
Net ending balance	\$ 6,967,580	5,327	6,972,907
For the six months ended June 30, 2022			
	Insurance Contracts	Financial instruments with discretionary participation	Total
Beginning balance	\$ 7,084,225	63,517	7,147,742
Current provisions	6,786,522	62,939	6,849,461
Current reclaims	(7,081,031)	(63,517)	(7,144,548)
Gain and loss on foreign exchange	(54,989)	-	(54,989)
Ending balance	6,734,727	62,939	6,797,666
Less: Provision for ceded reinsurance			
Beginning balance	254,952	-	254,952
Current provision	246,795	-	246,795
Current reclaim	(254,851)	-	(254,851)
Gain and loss on foreign exchange	(2,962)	-	(2,962)
Ending balance	243,934	-	243,934
Net ending balance	\$ 6,490,793	62,939	6,553,732

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(c) The components of liability reserves are as follows:

	June 30, 2023		
	Insurance Contracts	Financial instruments with discretionary participation	Total
Life insurance	\$ 3,936,272,349	-	3,936,272,349
Injury insurance	794,103	-	794,103
Health insurance	387,553,869	-	387,553,869
Annuity insurance	70,710,987	140,602,595	211,313,582
Investment-linked insurance	229,746	-	229,746
Total (Note 1)	4,395,561,054	140,602,595	4,536,163,649
Less: Ceded liability reserve			
Life insurance	2,777	-	2,777
Net ending balance (Note 1)	\$ 4,395,558,277	140,602,595	4,536,160,872

Note 1: As of June 30, 2023, after adding the “liability reserve — pending payment for policyholders”, liability reserve amounted to \$4,536,419,526 thousand, less ceded liability reserve, the total amounted to \$4,536,416,749 thousand.

	December 31, 2022		
	Insurance Contracts	Financial instruments with discretionary participation	Total
Life insurance	\$ 3,918,243,879	-	3,918,243,879
Injury insurance	819,887	-	819,887
Health insurance	376,867,091	-	376,867,091
Annuity insurance	62,634,722	145,575,777	208,210,499
Investment-linked insurance	212,414	-	212,414
Total (Note 2)	4,358,777,993	145,575,777	4,504,353,770
Less: Ceded liability reserve			
Life insurance	3,027	-	3,027
Net ending balance (Note 2)	\$ 4,358,774,966	145,575,777	4,504,350,743

Note 2: As of December 31, 2022, after adding the “liability reserve — pending payment for policyholders”, liability reserve amounted to \$4,504,597,101 thousand, less ceded liability reserve, the total amounted to \$4,504,594,074 thousand.

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

	June 30, 2022		
	Insurance Contracts	Financial instruments with discretionary participation	Total
Life insurance	\$ 3,871,877,651	-	3,871,877,651
Injury insurance	844,979	-	844,979
Health insurance	363,867,340	-	363,867,340
Annuity insurance	61,061,323	151,457,418	212,518,741
Investment-linked insurance	192,092	-	192,092
Total (Note 3)	<u>4,297,843,385</u>	<u>151,457,418</u>	<u>4,449,300,803</u>
Less: Ceded liability reserve			
Life insurance	3,268	-	3,268
Net ending balance (Note 3)	<u>\$ 4,297,840,117</u>	<u>151,457,418</u>	<u>4,449,297,535</u>

Note 3: As of June 30, 2022, after adding the “liability reserve — pending payment for policyholders”, liability reserve amounted to \$4,449,546,192 thousand, less ceded liability reserve, the total amounted to \$4,449,542,924 thousand.

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

The movements in the liability reserves are as follows:

	For the six months ended June 30, 2023		
	Insurance Contracts	Financial instruments with discretionary participation	Total
Beginning balance	\$ 4,358,777,993	145,575,777	4,504,353,770
Current provisions	342,991,719	3,151,645	346,143,364
Current reclaims	(310,640,850)	(8,322,457)	(318,963,307)
Gain and loss on foreign exchange	4,432,192	197,630	4,629,822
Ending balance	4,395,561,054	140,602,595	4,536,163,649
Less: Ceded liability reserve			
Beginning balance	3,027	-	3,027
Current reclaims	(284)	-	(284)
Gain and loss on foreign exchange	34	-	34
Ending balance	2,777	-	2,777
Net ending balance	\$ 4,395,558,277	140,602,595	4,536,160,872

	For the six months ended June 30, 2022		
	Insurance Contracts	Financial instruments with discretionary participation	Total
Beginning balance	\$ 4,166,701,866	153,045,681	4,319,747,547
Current provisions	366,970,639	4,998,128	371,968,767
Current reclaims	(292,122,995)	(7,017,254)	(299,140,249)
Gain and loss on foreign exchange	56,293,875	430,863	56,724,738
Ending balance	4,297,843,385	151,457,418	4,449,300,803
Less: Ceded liability reserve			
Beginning balance	3,062	-	3,062
Current reclaims	(15)	-	(15)
Gain and loss on foreign exchange	221	-	221
Ending balance	3,268	-	3,268
Net ending balance	\$ 4,297,840,117	151,457,418	4,449,297,535

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(d) The components of special reserves for these insurance products are as follows:

	June 30, 2023			
	Insurance Contracts	Financial instruments with discretionary participation	Others	Total
Dividend provision for participating policies	\$ 18,931,566	-	-	18,931,566
Dividend risk reserve	243,317	-	-	243,317
Valuation surplus gain for investment property	-	-	652,267	652,267
Total	\$ 19,174,883	-	652,267	19,827,150

	December 31, 2022			
	Insurance Contracts	Financial instruments with discretionary participation	Others	Total
Dividend provision for participating policies	\$ 18,669,262	-	-	18,669,262
Valuation surplus gain for investment property	-	-	652,267	652,267
Total	\$ 18,669,262	-	652,267	19,321,529

	June 30, 2022			
	Insurance Contracts	Financial instruments with discretionary participation	Others	Total
Dividend provision for participating policies	\$ 17,755,773	-	-	17,755,773
Valuation surplus gain for investment property	-	-	652,267	652,267
Total	\$ 17,755,773	-	652,267	18,408,040

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

The movements in special reserves are as follows:

	For the six months ended June 30, 2023			
	Insurance Contracts	Financial instruments with discretionary participation	Others	Total
Beginning balance	\$ 18,669,262	-	652,267	19,321,529
Provision for participating policies dividend reserve	1,544,473	-	-	1,544,473
Recover for participating policies dividend reserve	(1,303,412)	-	-	(1,303,412)
Provision of dividend risk reserve	243,317	-	-	243,317
Gain and loss on foreign exchange	21,243	-	-	21,243
Ending balance	\$ 19,174,883	-	652,267	19,827,150

	For the six months ended June 30, 2022			
	Insurance Contracts	Financial instruments with discretionary participation	Others	Total
Beginning balance	\$ 14,572,038	-	652,267	15,224,305
Provision for participating policies dividend reserve	4,398,309	-	-	4,398,309
Recover for participating policies dividend reserve	(1,278,095)	-	-	(1,278,095)
Gain and loss on foreign exchange	63,521	-	-	63,521
Ending balance	\$ 17,755,773	-	652,267	18,408,040

(e) The components of premium deficiency reserves are as follows:

	June 30, 2023		
	Insurance Contracts	Financial instruments with discretionary participation	Total
Individual life insurance	\$ 6,093,372	-	6,093,372
Individual health insurance	42,720	-	42,720
Total	\$ 6,136,092	-	6,136,092

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

	December 31, 2022		
	Insurance Contracts	Financial instruments with discretionary participation	Total
Individual life insurance	\$ 6,854,454	-	6,854,454
Individual health insurance	57,989	-	57,989
Total	\$ 6,912,443	-	6,912,443

	June 30, 2022		
	Insurance Contracts	Financial instruments with discretionary participation	Total
Individual life insurance	\$ 7,847,696	-	7,847,696
Individual health insurance	83,438	-	83,438
Total	\$ 7,931,134	-	7,931,134

The movements in premium deficiency reserve are as follows:

	For the six months ended June 30, 2023		
	Insurance Contracts	Financial instruments with discretionary participation	Total
Beginning balance	\$ 6,912,443	-	6,912,443
Current reversal, net	(779,518)	-	(779,518)
Gain and loss on foreign exchange	3,167	-	3,167
Ending balance	\$ 6,136,092	-	6,136,092

	For the six months ended June 30, 2022		
	Insurance Contracts	Financial instruments with discretionary participation	Total
Beginning balance	\$ 8,172,613	-	8,172,613
Current provision, net	(292,350)	-	(292,350)
Gain and loss on foreign exchange	50,871	-	50,871
Ending balance	\$ 7,931,134	-	7,931,134

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(f) Liability adequacy reserve:

Based on the actuary's liability adequacy test report, the results of reserve testing are as follows:

Insurance contracts and financial instruments with discretionary participation	June 30, 2023	December 31, 2022	June 30, 2022
Liability reserves	\$ 4,476,311,989	4,448,386,611	4,398,472,043
Unearned premium reserves	10,811,154	10,364,407	10,000,875
Premium deficiency reserves	6,028,815	6,787,110	7,768,631
Special reserves	17,472,595	17,638,119	16,908,586
Claim reserves	<u>4,208,439</u>	<u>4,056,565</u>	<u>3,336,819</u>
The carrying amount of the related insurance liabilities	4,514,832,992	4,487,232,812	4,436,486,954
Difference between the fair value of insurance obligation acquired from business combination and insurance liability measured through accounting policy	4,060,408	4,298,114	4,055,559
Insurance liability at adjusted carrying value	<u>\$ 4,518,893,400</u>	<u>4,491,530,926</u>	<u>4,440,542,513</u>
Current estimate of future cash flows under its insurance liabilities	<u>\$ 3,809,359,165</u>	<u>4,198,101,165</u>	<u>3,826,481,818</u>
Total liability adequacy reserve	<u>\$ -</u>	<u>-</u>	<u>-</u>

The liability adequacy test method adopted by the Group for June 30, 2023, December 31 and June 30, 2022:

Test method	Gross Premium Valuation (GPV)
Group	All insurance contracts
Significant assumption	The discount rate assumption for future years was set up based on the assets allocation and the weighted average return on investment.

The liability adequacy test has included the results of Fubon Hyundai Life Insurance Co., Ltd. The provision of other subsidiaries are excluded due to the fact that they only account for very little portion and it is not expected to affect the result of the sensitivity analysis.

IFRS 17 was adopted in Korea starting from January 1, 2023. Since the first quarter of 2023, the subsidiary, Fubon Hyundai Life Insurance Co., Ltd has replaced the "Current estimate of future cash flows under insurance liabilities" by the best estimate of liabilities based on IFRS 17 in the liability adequacy test. In addition, since the separate account amount of the best estimate liability under IFRS 17 cannot be taken apart, it includes both general account and the separate account amounts.

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(g) Special reserve (Catastrophic risk reserve and contingency risk reserve):

June 30, 2023				
	Insurance Contracts	Financial instruments with discretionary participation	Others	Total
Catastrophic risk reserve	\$ 4,773,944	-	-	4,773,944
Contingency risk reserve	<u>2,552,093</u>	-	-	<u>2,552,093</u>
Total	<u>\$ 7,326,037</u>	<u>-</u>	<u>-</u>	<u>7,326,037</u>

December 31, 2022				
	Insurance Contracts	Financial instruments with discretionary participation	Others	Total
Catastrophic risk reserve	\$ 4,773,944	-	-	4,773,944
Contingency risk reserve	<u>2,552,093</u>	-	-	<u>2,552,093</u>
Total	<u>\$ 7,326,037</u>	<u>-</u>	<u>-</u>	<u>7,326,037</u>

June 30, 2022				
	Insurance Contracts	Financial instruments with discretionary participation	Others	Total
Catastrophic risk reserve	\$ 4,474,956	-	-	4,474,956
Contingency risk reserve	<u>2,689,148</u>	-	-	<u>2,689,148</u>
Total	<u>\$ 7,164,104</u>	<u>-</u>	<u>-</u>	<u>7,164,104</u>

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(W) Reserve for insurance with nature of financial instrument

Financial instruments without discretionary participation features, and the movements in the related reserve are as follows:

	June 30, 2023	December 31, 2022	June 30, 2022
Life insurance	\$ 3,207,983	3,184,863	3,394,553
Investment-linked insurance	222,129	181,300	162,385
Total	\$ 3,430,112	3,366,163	3,556,938

	For the six months ended June 30,	
	2023	2022
Beginning balance	\$ 3,366,163	3,557,753
Current claims payment	(41,610)	(81,813)
Current net provision for legal reserve	105,559	80,998
Ending balance	\$ 3,430,112	3,556,938

(X) Reserve for foreign exchange valuation

(a) Hedging strategy and risk exposure

The foreign exchange hedging strategy is the primarily perfect hedge, together with natural hedge and currency proxy hedge. To ensure the effectiveness and appropriateness of hedging, the rationality of the hedging cost is considered and the hedging strategy and hedging proportion are dynamically adjusted. The interval of foreign exchange hedge ratio is determined by the bearing capability of foreign exchange risk.

(b) The movements in reserve for foreign exchange valuation are as follows:

	For the six months ended June 30,	
	2023	2022
Beginning balance	\$ 37,131,393	10,389,467
Current provision:		
Compulsory provision	1,055,320	2,540,660
Additional provision	1,739,290	18,329,697
Subtotal	2,794,610	20,870,357
Current recovery	(9,543,895)	(3,250,586)
Ending balance	\$ 30,382,108	28,009,238

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(c) Effect of the reserve for foreign exchange valuation

<u>Item</u>	<u>Not applied amount</u>	<u>Applied amount</u>	<u>Effect</u>
June 30, 2023			
Foreign exchange valuation reserve	\$ -	30,382,108	(30,382,108)
Equity attributable to owners of parent	471,395,189	448,694,666	22,700,523
December 31, 2022			
Foreign exchange valuation reserve	-	37,131,393	(37,131,393)
Equity attributable to owners of parent	299,017,745	270,917,794	28,099,951
June 30, 2022			
Foreign exchange valuation reserve	-	28,009,238	(28,009,238)
Equity attributable to owners of parent	332,802,395	312,000,168	20,802,227

<u>Item</u>	<u>For the six months ended June 30, 2023</u>			<u>For the six months ended June 30, 2022</u>		
	<u>Not applied amount</u>	<u>Applied amount</u>	<u>Effect</u>	<u>Not applied amount</u>	<u>Applied amount</u>	<u>Effect</u>
Net profit attributable to owners of parent	\$ 20,828,281	26,227,709	(5,399,428)	77,342,983	63,247,166	14,095,817
Earnings per share	1.88	2.37	(0.49)	6.98	5.71	1.27

(Y) Deferred acquisition cost and deferred handling fee

(a) Deferred acquisition cost

The additional transaction costs incurred on investment administrative work were deferred in connection with the sales of investment-linked insurance policies, classified as financial instrument without discretionary participation features. The movements in these deferred acquisition costs are as follows:

	<u>For the six months ended June 30,</u>	
	<u>2023</u>	<u>2022</u>
Beginning balance	\$ 2,158,159	1,995,000
Addition	140,826	121,159
Amortization	(42,453)	(38,435)
Ending balance	<u>\$ 2,256,532</u>	<u>2,077,724</u>

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
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(b) Deferred handling fees

The handling fees incurred on investment administrative work were likewise deferred in connection with the sales of investment-linked insurance policies, classified as financial instrument without discretionary participation features. The movements in these deferred handling fees are as follows:

	For the six months ended June 30,	
	2023	2022
Beginning balance	\$ 3,080,908	2,604,828
Addition	386,275	290,540
Amortization	(62,064)	(53,212)
Ending balance	\$ 3,405,119	2,842,156

(Z) Retained earned premium and retained claims payment

(a) Retained earned premium

	For the three months ended June 30, 2023		
	Insurance	Financial	Total
	Contracts	instruments with discretionary participation	
Direct written premiums	\$ 82,083,111	1,223,971	83,307,082
Reinsurance premiums	-	-	-
Premium income	82,083,111	1,223,971	83,307,082
Less: Reinsurance premium ceded	(725,035)	-	(725,035)
Net change in unearned premium reserves	(223,980)	-	(223,980)
Subtotal	(949,015)	-	(949,015)
Retained earned premiums	\$ 81,134,096	1,223,971	82,358,067

	For the three months ended June 30, 2022		
	Insurance	Financial	Total
	Contracts	instruments with discretionary participation	
Direct written premiums	\$ 75,017,582	833,413	75,850,995
Reinsurance premiums	-	-	-
Premium income	75,017,582	833,413	75,850,995
Less: Reinsurance premium ceded	(735,059)	-	(735,059)
Net change in unearned premium reserves	(222,232)	-	(222,232)
Subtotal	(957,291)	-	(957,291)
Retained earned premiums	\$ 74,060,291	833,413	74,893,704

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

	For the six months ended June 30, 2023		
	Insurance Contracts	Financial instruments with discretionary participation	Total
Direct written premiums	\$ 163,734,978	2,124,576	165,859,554
Reinsurance premiums	-	-	-
Premium income	<u>163,734,978</u>	<u>2,124,576</u>	<u>165,859,554</u>
Less: Reinsurance premium ceded	(1,322,199)	-	(1,322,199)
Net change in unearned premium reserves	(441,921)	-	(441,921)
Subtotal	<u>(1,764,120)</u>	<u>-</u>	<u>(1,764,120)</u>
Retained earned premiums	<u><u>\$ 161,970,858</u></u>	<u><u>2,124,576</u></u>	<u><u>164,095,434</u></u>

	For the six months ended June 30, 2022		
	Insurance Contracts	Financial instruments with discretionary participation	Total
Direct written premiums	\$ 160,624,984	3,459,792	164,084,776
Reinsurance premiums	-	-	-
Premium income	<u>160,624,984</u>	<u>3,459,792</u>	<u>164,084,776</u>
Less: Reinsurance premium ceded	(1,319,339)	-	(1,319,339)
Net change in unearned premium reserves	(487,547)	-	(487,547)
Subtotal	<u>(1,806,886)</u>	<u>-</u>	<u>(1,806,886)</u>
Retained earned premiums	<u><u>\$ 158,818,098</u></u>	<u><u>3,459,792</u></u>	<u><u>162,277,890</u></u>

(b) Retained claims payment

	For the three months ended June 30, 2023		
	Insurance Contracts	Financial instruments with discretionary participation	Total
Claims payment incurred	\$ 88,033,025	4,417,070	92,450,095
Reinsurance claims payment incurred	8	-	8
Insurance claims payment	<u>88,033,033</u>	<u>4,417,070</u>	<u>92,450,103</u>
Less: Claims payment recovered from reinsurers	(548,618)	-	(548,618)
Retained claims payment	<u><u>\$ 87,484,415</u></u>	<u><u>4,417,070</u></u>	<u><u>91,901,485</u></u>

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

	For the three months ended June 30, 2022		
	Insurance Contracts	Financial instruments with discretionary participation	Total
Claims payment incurred	\$ 70,108,611	3,793,478	73,902,089
Reinsurance claims payment incurred	3	-	3
Insurance claims payment	70,108,614	3,793,478	73,902,092
Less: Claims payment recovered from reinsurers	(404,389)	-	(404,389)
Retained claims payment	\$ 69,704,225	3,793,478	73,497,703

	For the six months ended June 30, 2023		
	Insurance Contracts	Financial instruments with discretionary participation	Total
Claims payment incurred	\$ 179,874,747	8,578,834	188,453,581
Reinsurance claims payment incurred	24	-	24
Insurance claims payment	179,874,771	8,578,834	188,453,605
Less: Claims payment recovered from reinsurers	(1,093,524)	-	(1,093,524)
Retained claims payment	\$ 178,781,247	8,578,834	187,360,081

	For the six months ended June 30, 2022		
	Insurance Contracts	Financial instruments with discretionary participation	Total
Claims payment incurred	\$ 133,333,247	7,277,286	140,610,533
Reinsurance claims payment incurred	25	-	25
Insurance claims payment	133,333,272	7,277,286	140,610,558
Less: Claims payment recovered from reinsurers	(857,559)	-	(857,559)
Retained claims payment	\$ 132,475,713	7,277,286	139,752,999

(AA) Non-operating income and expenses

	For the three months ended June 30,		For the six months ended June 30,	
	2023	2022	2023	2022
Losses on disposal of assets	\$ (958)	(2,604)	(4,166)	(4,640)
The bargain purchase gain	-	2,997,794	-	2,997,794
Other non-operating income and expenses	227,641	324,340	479,727	515,941
Total	\$ 226,683	3,319,530	475,561	3,509,095

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(AB) The nature and extent of risks arising from insurance contracts

(a) The objectives, policies, processes and methods used for managing risks arising from insurance contracts.

(1) The organization of risk management

Please refer to Note 6(AD)(a) for further explanation.

(2) Risk management strategy

Please refer to Note 6(AD)(a) for further explanation.

(b) Insurance risk management

(1) Underwriting risk management

Underwriting risk refers to the unexpected risk arising from soliciting new insurance policies, and relevant expenditures. In order to manage underwriting risk, the Company has classified underwriting risk into the following types:

1) Risk of policyholder concealment

2) Risk of insurance content

3) Occupational and financial risk

4) Risk of health conditions

5) Risk of the lack of experience of the underwriter

6) Risk of retention

7) Risk of operation quality

Aside from establishing “Underwriting Systems and Procedures” based on the “Regulations Governing New Insurance Solicitation Policy, Underwriting and Claim Settlement of Insurance Enterprises”, a code of conduct for underwriting operation is also established to serve as a guide for underwriting risk control. Considering the experience and professional skills of the underwriters, different levels of authorization are established and the underwriting amount for each underwriter personnel is regulated to control the propriety of underwriting assessment and to monitor the accuracy and timeliness of underwriting operation.

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(2) Claim risk management

Claim risk refers to the risk arising from adopting inappropriate or negligent procedures on claims settlement procedure. In order to manage claim risks the Group abides by the “ Regulations Governing new insurance policy Soliciting, Underwriting and Claim Settlement of Insurance Enterprises” and established a “ Claim Settlement System and Procedures” and a standard operating procedure to decrease the risk of negligence when processing claims, in order to protect the financial consumers’ rights. The Company also monitors the accuracy, timeliness, by implementing levels of authority and by enhancing professional training for claims personnel.

(3) Product design and pricing risk management

Product design and pricing risk refers to the risk arising from the impropriety, inconsistency or unexpected change of the data related to the product content, clauses and rates. To insure risk control at the point of the pre and after sales of insurance products, internal code of conduct and control procedure were established based on “ Regulation governing the procedure before the sales of insurance product” issued by authorities for the insurance product design, inspection, sales preparation to control the risk related to each phases and procedure of product development. In terms of product design, feasibility of new product is analyzed and an internal meeting is held before a new product is launched. A pre-market meeting is also convened before product launch to ensure that the related activities are completed. In terms of product pricing, aside from certain quantitative risk control mechanism such as risk control procedure, profit test and sensitivity analysis, an assets allocation plan is also set up. They also set assets allocation plans, which take into the characteristics of the requirement of asset and liabilities management, and conform to sales review meeting regularly after sales.

(4) Reserve-risk management

Reserve-related risk refers to the risk arising from underestimating the liabilities from insufficient written premium provision to cover future obligation. In order to control the reserve-risk, the reserve-risk is categorized into the statutory compliance of reserve provision and completeness of operating procedures. To ensure the legality of reserves provision, the Regulatory Self-Inspection Compliance manual has been established and audit procedures are executed regularly to ensure that all sorts of reserves conform to what is required by law. Also, “Standard Operating Procedures” manual is established. The provisions of this manual maybe updated regularly as the law changes. The operating procedures manual covers ranges from system administration, data access and report generation. Furthermore, several control points are established within the framework to ensure the accuracy of the calculation.

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(5) Catastrophic risk and reinsurance risk

To avoid risk concentration and catastrophic compensation, the following controls are established.

1) Catastrophic risk

Based on the Company's experience, the retention and reinsurance limits are set up and are regularly reviewed. These limits are also applicable to insurance for calamities like earthquakes, typhoons, and air-crash by using scenario analysis. The catastrophic losses that may arise from life insurance and accident insurance are likewise considered in evaluation of catastrophic risk.

2) Reinsurance risk

An annual reinsurance risk management plan is established in conformity with the "Regulations Governing Insurance Enterprises Engaging in Operating Reinsurance and Other Risk Spreading Mechanisms" as part of the Company's annual reinsurance policy. This plan includes retention risk management, ceded insurance risk management, assumed insurance risk management, intergroup reinsurance risk management.

The credit rating of the reinsurers is also monitored monthly. Such credit rating is based on Article 7 and Article 8 of "Regulations Governing Insurance Enterprises Engaging in Operating Reinsurance and Other Risk Spreading Mechanisms". Under this Article, reinsurers or insurance organizations with a credit rating above a certain level from an international credit rating agency (The credit rating should be BBB or higher from Standard & Poor's Corporation or comparable rating assigned by other credit rating agencies authorized by the Authority) are eligible as reinsurers to whom an insurance enterprise may cede it business. The Company currently adopts Standard and Poor's A- or above as its guideline.

(6) Assets and liabilities combination risk

- 1) To enhance the overall assets and liabilities allocation, maintain adequate liquidity, and improve the capital performance with the expectation of the maximum risk return on overall revenue, management monitor compliance of the Company with the relevant government regulations. Also, through the establishment of Assets and Liabilities Management Committee, management keep track of the issues related to the cash flow allocation of assets and liabilities, and to establish assets and liabilities management related regulation which enable the Company to sustain adequate capital to cover the potential risk from business operation.

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

- 2) Under the Article of Organization Rules for the Assets and Liabilities Management Committee, the meeting must be held at least once per quarter and the responsible department in the Company performs the cash flow test using the spot interest rate and estimates the earnings at the end of each year to ensure the ability of discharging of the Company. Also, the Risk-Based Capital ratio is examined and simulated via important elements to execute sensitivity analysis which serves as the reference for capital adequacy decision. Furthermore, the change between Venture Capital and equity fund is analyzed periodically to identify the reason for such changes and capital liquidity risk analysis is performed by using the accumulated net cash flow in a year and the accumulated net cash flow in 5 years as the benchmark for risk management.

(7) Risk management report

- 1) A Risk Management Committee is set up under the supervision of the Board of Directors. The independent directors act as the conveners and hold a meeting quarterly. According to its organization rules, the major duties of the committee are to
 - (I) Set up and modify policy and structure of risk management
 - (II) Set up and modify the quantitative and qualitative criteria for risk measurement.
 - (III) Adjust risk types as environment change
 - (IV) Set up risk limit allocation and the way of undertaking risk
 - (V) Submit risk management report to the board of directors regularly and authorize to competent departments.
- 2) The committee also reviews the overall risk management. Aside from supervising the implementation of risk management policies to ensure that the Company meets the strategic target, the committee reviews the effectiveness and feasibility of risk management mechanism. It also submits reports to the board of directors to ensure that the risk management is enforced effectively.

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(c) Information of insurance risk

(1) Sensitivity of insurance risk— Insurance contracts and financial instrument with discretionary feature

For the six months ended June 30, 2023				
	Change of assumption	10 %	Change of income before tax	Change of stockholder's equity
Mortality/Morbidity	Increase	10 %	(2,277,223)	(1,818,850)
Rate of return	Decrease	0.1 %	(2,489,718)	(1,988,091)
Expense (fixed expense)	Increase	5 %	(266,038)	(210,658)
Lapse and surrender rate	Increase	10 %	118,766	94,936

For the six months ended June 30, 2022				
	Change of assumption	10 %	Change of income before tax	Change of stockholder's equity
Mortality/Morbidity	Increase	10 %	(1,937,552)	(1,546,277)
Rate of return	Decrease	0.1 %	(2,457,728)	(1,960,951)
Expense (fixed expense)	Increase	5 %	(259,134)	(205,117)
Lapse and surrender rate	Increase	10 %	106,951	85,499

The sensitivity analysis requires evaluating the impact to income before tax/stockholders' equity in which only one element changes and the others remain constant. The change of stockholder's equity was calculated based on the assumption that the tax rate which the Company was 20% and the subsidiary Fubon Hyundai Life Insurance Co., Ltd. was 23.1% (It was calculated by 24.2% in 2022.), the change factors considered include mortality, morbidity, rate of return, expense rate and lapse rate. The sensitivity analysis does not include the information of subsidiaries Fubon Life Insurance (Vietnam) Co., Ltd. and Fubon Life Insurance (Hong Kong) Co., Ltd., due to the fact that the percentage of retained earned premiums compared to the consolidated retained earned premiums is relatively small and is not expected to affect the result of the sensitivity analysis.

(2) Insurance risk concentration

Insurance contracts sold by the Group include life insurance, annuities, accident insurance and health insurance. As these insurance contracts are primarily issued in Taiwan, the insurance risk is mainly concentrated in Taiwan.

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(3) Claim development trend

1) Development trend of claims payment incurred

Cumulative claims payment and adjustment to the consolidated balance sheet are as follows:

June 30, 2023 (The Company)

Occurrence Year	Development year							Claim Reserve
	1	2	3	4	5	6	7	
2017	5,431,814	6,649,814	6,807,062	6,829,081	6,844,046	6,850,119	6,851,349	-
2018	5,723,578	7,033,233	7,151,192	7,182,040	7,211,339	7,219,034	-	-
2019	6,173,797	7,578,255	7,721,002	7,743,742	7,754,354	-	-	4,058
2020	6,426,045	7,924,896	8,088,216	8,107,365	-	-	-	16,908
2021	6,529,528	8,147,422	8,268,809	-	-	-	-	101,482
2022	7,749,002	9,338,346	-	-	-	-	-	1,197,382
2023	3,244,224	-	-	-	-	-	-	836,771
IBNR Reserve								2,156,601
Plus: RBNA Reserve (Including subsidiaries except for Fubon Hyundai Life Insurance)								2,038,009
The balance of claim reserve								4,194,610

June 30, 2023 (Subsidiary — Fubon Hyundai Life Insurance)

Occurrence Year	Development year					Claim Reserve
	1	2	3	4	5	
2019	1,439,582	1,766,066	1,806,039	1,833,064	1,843,875	-
2020	1,493,743	1,830,542	1,867,876	1,893,258	-	9,267
2021	1,479,905	1,800,302	1,852,709	-	-	26,105
2022	1,535,906	1,908,675	-	-	-	46,419
2023	1,526,070	-	-	-	-	480,359
IBNR Reserve						562,150
Plus: RBNA Reserve						2,464,242
The balance of claim reserve						3,026,392

December 31, 2022 (The Company)

Occurrence Year	Development year							Claim Reserve
	1	2	3	4	5	6	7	
2016	5,070,166	6,224,855	6,352,169	6,382,360	6,398,819	6,407,560	6,415,852	-
2017	5,431,814	6,649,814	6,807,062	6,829,081	6,844,046	6,850,137	-	-
2018	5,723,578	7,033,233	7,151,192	7,182,040	7,211,306	-	-	-
2019	6,173,797	7,578,255	7,721,002	7,743,497	-	-	-	8,186
2020	6,426,045	7,924,896	8,086,839	-	-	-	-	25,614
2021	6,529,528	8,138,219	-	-	-	-	-	175,874
2022	7,759,860	-	-	-	-	-	-	2,003,746
IBNR Reserve								2,213,420
Plus: RBNA Reserve (Including subsidiaries except for Fubon Hyundai Life Insurance)								1,828,574
The balance of claim reserve								4,041,994

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December 31, 2022 (Subsidiary — Fubon Hyundai Life Insurance)

Occurrence Year	Development year					Claim Reserve
	1	2	3	4	5	
2018	1,496,501	1,855,065	1,900,220	1,922,613	1,930,111	-
2019	1,519,262	1,867,448	1,908,139	1,934,403	-	6,004
2020	1,501,537	1,845,231	1,884,182	-	-	35,101
2021	1,599,839	1,929,748	-	-	-	87,777
2022	1,605,336	-	-	-	-	514,281
IBNR Reserve						643,163
Plus: RBNA Reserve						2,480,637
The balance of claim reserve						3,123,800

June 30, 2022 (The Company)

Occurrence Year	Development year							Claim Reserve
	1	2	3	4	5	6	7	
2016	5,070,166	6,224,855	6,352,169	6,382,360	6,398,819	6,407,560	6,411,261	-
2017	5,431,814	6,649,814	6,807,062	6,829,081	6,844,046	6,848,748	-	5,825
2018	5,723,578	7,033,233	7,151,192	7,182,040	7,190,099	-	-	19,462
2019	6,173,797	7,578,255	7,721,002	7,734,607	-	-	-	37,296
2020	6,426,045	7,924,896	8,035,804	-	-	-	-	123,955
2021	6,529,528	7,829,254	-	-	-	-	-	1,008,236
2022	2,856,818	-	-	-	-	-	-	702,491
IBNR Reserve								1,897,265
Plus: RBNA Reserve (Including subsidiaries except for Fubon Hyundai Life Insurance)								1,424,895
The balance of claim reserve								3,322,160

June 30, 2022 (Subsidiary — Fubon Hyundai Life Insurance)

Occurrence Year	Development year					Claim Reserve
	1	2	3	4	5	
2018	1,390,355	1,706,076	1,745,383	1,760,470	1,768,526	-
2019	1,400,296	1,717,869	1,756,751	1,782,753	-	4,916
2020	1,452,974	1,780,718	1,816,485	-	-	26,298
2021	1,439,812	1,750,528	-	-	-	70,926
2022	1,485,380	-	-	-	-	516,231
IBNR Reserve						618,371
Plus: RBNA Reserve						2,839,727
The balance of claim reserve						3,458,098

Note 1 : Amount shown above excludes investment contracts.

Note 2 : As of June 30, 2023, December 31 and June 30, 2022, except for the IBNR Reserve of Investment-linked products and the IBNR of the subsidiary company (not included Fubon Hyundai Life Insurance), from claims payment incurred are not estimated based on claim development trend amounts to \$17,773 thousand, \$17,580 thousand and \$17,408 thousand, respectively.

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2) Development trend of retention claims payments

Cumulative claims payments from prior years are as follows:

June 30, 2023 (The Company)								
Occurrence Year	Development year							Claim Reserve
	1	2	3	4	5	6	7	
2017	5,412,545	6,505,146	6,662,242	6,684,260	6,699,135	6,705,197	6,706,427	-
2018	5,708,571	6,880,386	6,998,334	7,028,608	7,057,897	7,065,054	-	-
2019	6,156,966	7,379,306	7,521,266	7,543,841	7,553,785	-	-	3,782
2020	6,423,414	7,747,404	7,906,281	7,924,918	-	-	-	16,484
2021	6,508,771	8,086,067	8,204,743	-	-	-	-	100,467
2022	7,583,241	9,109,316	-	-	-	-	-	1,171,876
2023	3,171,227	-	-	-	-	-	-	821,428
IBNR Reserve								2,114,037
Plus: RBNA Reserve (Including subsidiaries except for Fubon Hyundai Life Insurance)								1,993,047
The balance of claim reserve								4,107,084

June 30, 2023 (Subsidiary – Fubon Hyundai Life Insurance)						
Occurrence Year	Development year					Claim Reserve
	1	2	3	4	5	
2019	1,102,762	1,341,012	1,368,750	1,387,395	1,395,853	-
2020	1,122,259	1,373,697	1,402,580	1,421,010	-	7,222
2021	1,113,883	1,351,218	1,391,138	-	-	20,345
2022	1,156,503	1,447,465	-	-	-	36,178
2023	1,138,704	-	-	-	-	374,376
IBNR Reserve						438,121
Plus: RBNA Reserve						2,411,954
The balance of claim reserve						2,850,075

December 31, 2022 (The Company)								
Occurrence Year	Development year							Claim Reserve
	1	2	3	4	5	6	7	
2016	5,068,488	6,111,210	6,238,474	6,267,558	6,284,017	6,292,750	6,301,034	-
2017	5,412,545	6,505,146	6,662,242	6,684,260	6,699,135	6,705,215	-	-
2018	5,708,571	6,880,386	6,998,334	7,028,608	7,057,864	-	-	-
2019	6,156,966	7,379,306	7,521,266	7,543,596	-	-	-	7,627
2020	6,423,414	7,747,404	7,904,904	-	-	-	-	25,129
2021	6,508,771	8,076,863	-	-	-	-	-	174,225
2022	7,594,099	-	-	-	-	-	-	1,968,133
IBNR Reserve								2,175,114
Plus: RBNA Reserve (Including subsidiaries except for Fubon Hyundai Life Insurance)								1,777,159
The balance of claim reserve								3,952,273

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December 31, 2022 (Subsidiary – Fubon Hyundai Life Insurance)

Occurrence Year	Development year					Claim Reserve
	1	2	3	4	5	
2018	1,137,498	1,411,295	1,440,276	1,456,235	1,461,040	-
2019	1,146,265	1,413,676	1,446,350	1,464,472	-	4,747
2020	1,124,143	1,390,594	1,420,246	-	-	27,752
2021	1,192,113	1,451,129	-	-	-	69,399
2022	1,185,432	-	-	-	-	406,608
IBNR Reserve						508,506
Plus: RBNA Reserve						2,429,369
The balance of claim reserve						2,937,875

June 30, 2022 (The Company)

Occurrence Year	Development year							Claim Reserve
	1	2	3	4	5	6	7	
2016	5,068,488	6,111,210	6,238,474	6,267,558	6,284,017	6,292,750	6,296,450	-
2017	5,412,545	6,505,146	6,662,242	6,684,260	6,699,135	6,703,836	-	5,785
2018	5,708,571	6,880,386	6,998,334	7,028,608	7,036,665	-	-	19,389
2019	6,156,966	7,379,306	7,521,266	7,534,720	-	-	-	37,000
2020	6,423,414	7,747,404	7,854,980	-	-	-	-	122,089
2021	6,508,771	7,773,233	-	-	-	-	-	1,002,020
2022	2,805,355	-	-	-	-	-	-	692,198
IBNR Reserve								1,878,481
Plus: RBNA Reserve (Including subsidiaries except for Fubon Hyundai Life Insurance)								1,382,388
The balance of claim reserve								3,260,869

June 30, 2022 (Subsidiary – Fubon Hyundai Life Insurance)

Occurrence Year	Development year					Claim Reserve
	1	2	3	4	5	
2018	1,025,525	1,278,927	1,306,474	1,316,245	1,320,059	-
2019	1,072,669	1,304,416	1,331,398	1,349,247	-	3,922
2020	1,091,629	1,336,342	1,363,891	-	-	20,977
2021	1,083,588	1,313,556	-	-	-	56,577
2022	1,117,692	-	-	-	-	411,789
IBNR Reserve						493,265
Plus: RBNA Reserve						2,784,251
The balance of claim reserve						3,277,516

Note 1 : Amount shown above excludes investment contracts.

Note 2 : As of June 30, 2023, December 31 and June 30, 2022, except for the IBNR Reserve of Investment-linked products and the IBNR of the subsidiary company (not included Fubon Hyundai Life Insurance), from claims payment incurred are not estimated based on claim development trend amounts to \$15,748 thousand, \$15,505 thousand and \$15,347 thousand, respectively.

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Claims reserves are provided based on the expected claims payment and relevant handling fee of RBNA and IBNR claims. Such provisions involve vast uncertainty, estimates and judgments which are highly complicated. Any change of estimate or judgment is regarded as a change in accounting estimate and the amount of change is recognized as current gain or loss. For some claims, notifications to the Group may be delayed. In addition, estimating the potential IBNR claims involves vast past loss experience and subjective judgment; therefore, it is difficult to confirm whether the estimated claims reserve on the balance sheet date will be equal to the final claim compensation amount. The estimate of claims reserve is based on the information currently available; however, the final result may deviate from the original estimate due to the subsequent development.

The table above demonstrates the development trend of claims (excluding those claims that need confirmation within one year). The vertical shaft represents the year in which the claim event occurred, and the horizontal shaft represents the development years. Each slash represents the accumulated compensation amount at the end of each year. The compensation amount refers to the claims whether they are finalized or not. It explains how the Group estimate the compensation amount of each year as time passes by. The scenario and trend which affect the provision of claims reserve may not be the same as they will be in the future; therefore, the estimated future compensation amount cannot be determined by the claim development trend.

(d) The credit risk, liquidity risk and market risk of insurance contracts

(1) Credit risk

The credit risk from Insurance Contract arises mainly from the inability of reinsurers to fulfill the obligation of reinsurance contracts which result in financial losses. The Group monitors the credit rating of reinsurers monthly to ensure that they meet the minimum regulatory requirements. It also selects reinsurers prudently to reduce the potential loss.

(2) Liquidity risk

The liquidity risk of insurance contract arises mainly from the inability of the Group to obtain sufficient funds or turn assets into cash in order to fulfill payment of financial obligations as they are due. Aside from regularly reviewing the maturity analysis of Insurance Contracts, the Group also reviews short-term and mid-term liquidity risk benchmark through the Assets and Liabilities Management Committee to lower the relevant risk by using Asset Liability Matching (ALM). The Committee sets in advance the response strategy for potential payments in order to enhance timely liquidity risk management and to avoid the situation of inadequate liquidity.

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
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The maturity analysis of Insurance Contracts of the Group is shown below:

(Unit: NT\$ million)

June 30, 2023

Maturity date	<1 year	1~3 years	3~5 years	>5 years	Unable to classify (Note2)	Total
Provision	36,580	30,033	61,798	4,166,359	288,443	4,583,213
Proportion	0.8 %	0.7 %	1.3 %	90.9 %	6.3 %	100.0 %

December 31, 2022

Maturity date	<1 year	1~3 years	3~5 years	>5 years	Unable to classify (Note2)	Total
Provision	35,754	35,620	57,062	4,135,352	287,308	4,551,096
Proportion	0.8 %	0.8 %	1.3 %	90.8 %	6.3 %	100.0 %

June 30, 2022

Maturity date	<1 year	1~3 years	3~5 years	>5 years	Unable to classify (Note2)	Total
Provision	33,907	43,726	36,382	4,089,088	292,488	4,495,591
Proportion	0.8 %	1.0 %	0.8 %	90.9 %	6.5 %	100.0 %

Note1: Reserve containing preparation having an insurance contract nature of financial instruments.

Note2: The "Unable to classify" includes interest-linked product, authorized additional provision, and the reserve of allowance for doubtful accounts recognized by business tax saving benefits. The amounts above exclude provision for separate account, foreign exchange valuation reserve and revaluation surplus of fixed assets.

(3) Market risk

Market risk refers to the risk caused by the adverse changes in market prices in terms of interest rates, foreign exchange rates, stock prices, and commodity prices. The Group measures market risk from insurance contract according to discount rate assumption prescribed by the authorities. This assumption may not be consistent with changes in market interest rates. Unless the liability adequacy test disclosed the need to provide more reserve, management is not expecting that the change in market risk factors would have a significant effect on income and equity of the Group.

Guided by Assets and Liabilities Management Committee, the Group takes into account financial environment, all the economic indicators, liability properties and ALM, to choose appropriate investment target through risk control mechanism. Under the consent of regulatory framework and market environment, choosing and acquisition of long-term assets is monitored by the Assets and Liabilities Management Committee. This is to allow assets and liabilities to match better in terms of payment terms and profits, to pursue long term business and protect the rights of policyholders. This will also reduce the influence on insurance contract caused by market risk and eventually lower the potential loss to the Group.

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
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(AC) Fair value and fair value hierarchy

(a) Fair value information

(1) General description

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

Financial instruments are measured at fair value at initial recognition, which mostly refers to transaction price. Except for those measured at amortized cost, financial instruments are measured at fair value on subsequent measurement. A quoted price in an active market is the best evidence of fair value. If the market is not active, the fair value of financial instruments is determined in accordance with (a) valuation techniques, (b) valuation provided by the professional finance information providers which are commonly used by market participants, or (c) quoted prices from counter parties.

(2) The definition of fair value hierarchy

1) Level 1 inputs

Level 1 inputs are quoted prices in active markets for identical financial instruments. An active market is one in which all the following conditions exist: a) the items traded within the market are homogeneous; b) willing buyers and sellers can normally be found at any time; and c) prices are available to the public. Taiwan government bonds, listed equities and debt instruments with active market prices are categorized in Level 1.

2) Level 2 inputs

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., prices) or indirectly (i.e., derived from prices). Debt instruments without active market prices, and derivative instruments are categorized in Level 2.

3) Level 3 inputs

Level 3 inputs are valuation parameters which are not based on the information available in the market or the quoted prices from counter parties. Equity, debt instruments, derivatives and investment properties without active market prices but based on quoted prices from counter parties or figures obtained from non-market indicators, are categorized in level 3.

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
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If the market parameters which are directly relevant to the financial instruments are not accessible, the Group uses the market parameters accessed from other similar companies to evaluate the value of the financial instruments. Even though the market parameters of other similar companies can be accessed publicly, the market parameters are indirectly related to the financial instruments. As a result, the Group classified the financial instruments, such as non-public stocks, to Level 3.

(3) Valuation techniques

1) Financial instruments

If a financial instrument has a quoted price in an active market, the quoted price is used as fair value. Quoted prices of major stock exchanges and Taipei Exchange, theoretical prices of government bonds, and net asset value of mutual funds, are all basis for measuring the fair value of listed equities and debt instruments with quoted prices in active markets.

If the quoted prices are timely and regularly available from stock exchanges, brokers, underwriters, industry associations, pricing agencies or authorities, and those prices represent actual and regularly occurring market transactions, on an arm's length basis, the financial instrument is regarded to have a quoted price in an active market. If the aforementioned conditions are not fulfilled, the market is regarded as inactive. Generally, large or significantly widen bid-ask spread, or significantly low trading volume are indications of an inactive market.

Except for financial instruments with active markets, fair value of other financial instruments is determined by valuation techniques, valuation provided by the professional finance information providers which are commonly used by market participants, or quoted prices from counter parties. Necessary inputs for the fair value resulting from the use of discounted cash flow method or other valuation techniques include available market information such as yield curve of Taipei Exchange.

The Group uses the valuation techniques commonly accepted by market participants for nonstandard and less complicated financial instruments. Parameters of valuation models are usually the observable market information.

Valuation of derivative instruments is based on valuation models commonly accepted by market participants such as discounted cash flow method. Valuation of forward exchange contracts is based on the discounted cash flow method using the quoted forward rate. Valuation of interest rate derivatives is based on discounted cash flow method with observable market inputs.

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

2) Non-financial instruments

The fair value of investment property is determined in accordance with the “Regulations Governing the Preparation of Financial Reports by Insurance Enterprises” and evaluated by the professional appraisal agency with the support of market evidences. Please refer to Note 6(F) for details.

(4) Fair value adjustment

Limitations of valuation models and uncertain inputs

Limitations of valuation models may lead to insufficient reflection of all relevant elements of the financial and non-financial instruments. Therefore, the estimated value will be adjusted based on additional parameters when necessary. There are validation processes for valuation models, and the adjustments are considered to be proper and essential. Price information and parameters for measurement are carefully used and adjusted based on the current market conditions.

(b) Fair value measurement

(1) Fair value hierarchy

Information of fair value hierarchy is as follows:

Assets and liabilities items	June 30, 2023			
	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Recurring fair value measurements				
Non-derivative assets and liabilities				
Assets:				
Financial assets measured at fair value on through profit or loss				
Security investment	\$ 545,786,859	545,112,924	-	673,935
Bond investment	95,460,817	5,050,918	89,992,226	417,673
Other	747,371,513	548,268,005	41,557	199,061,951
Financial assets measured at fair value through other comprehensive income				
Security investment	22,233,860	12,385,149	-	9,848,711
Bond investment (Note 1)	300,047,875	164,832,760	134,271,440	943,675
Other	19,294	-	-	19,294
Investment property (Note 2)	278,309,301	-	-	278,309,301
Derivative assets and liabilities				
Assets:				
Financial assets measured at fair value through profit or loss	\$ 2,197,762	-	1,559,641	638,121
Financial assets for hedging	1,254,586	-	1,254,586	-
Liabilities:				
Financial liabilities measured at fair value through profit or loss	32,636,736	-	32,636,736	-
Financial liabilities for hedging	2,682,598	-	2,682,598	-

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Assets and liabilities items	December 31, 2022			
	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Recurring fair value measurements				
Non-derivative assets and liabilities				
Assets:				
Financial assets measured at fair value on through profit or loss				
Security investment	\$ 448,345,848	447,748,975	-	596,873
Bond investment	95,311,373	4,908,472	89,314,454	1,088,447
Other	664,050,182	474,486,874	46,586	189,516,722
Financial assets measured at fair value through other comprehensive income				
Security investment	21,029,174	11,475,769	-	9,553,405
Bond investment (Note1)	605,421,761	462,081,374	142,651,547	688,840
Other	26,623	-	-	26,623
Investment property (Note 2)	260,131,263	-	-	260,131,263
Derivative assets and liabilities				
Assets:				
Financial assets measured at fair value through profit or loss	\$ 20,623,220	-	20,067,947	555,273
Financial assets for hedging	2,602,646	-	2,602,646	-
Liabilities:				
Financial liabilities measured at fair value through profit or loss	29,234,427	-	29,234,427	-
Financial liabilities for hedging	3,954,452	-	3,954,452	-
June 30, 2022				
Assets and liabilities items	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Recurring fair value measurements				
Non-derivative assets and liabilities				
Assets:				
Financial assets measured at fair value on through profit or loss				
Security investment	\$ 476,677,231	475,962,869	-	714,362
Bond investment	89,829,951	4,881,178	83,922,364	1,026,409
Other	644,583,953	449,776,630	155,921	194,651,402
Financial assets measured at fair value through other comprehensive income				
Security investment	28,162,802	18,627,500	-	9,535,302
Bond investment (Note 1)	670,858,619	542,898,651	125,154,083	2,805,885
Other	41,608	-	-	41,608
Investment property (Note 2)	263,328,689	-	-	263,328,689
Derivative assets and liabilities				
Assets:				
Financial assets measured at fair value through profit or loss	\$ 842,719	-	333,803	508,916
Financial assets for hedging	847,346	-	847,346	-
Liabilities:				
Financial liabilities measured at fair value through profit or loss	57,159,833	-	57,159,833	-
Financial liabilities for hedging	6,616,594	-	6,616,594	-

Note 1: Government bonds provided as statutory deposits were included.

Note 2: Excluding investment properties not measured at fair value.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(2) Transfer between Level 1 and Level 2

There was no significant transfer between Level 1 and Level 2 for the six months ended June 30, 2023 and 2022.

(3) The movement details of Level 3

Movements of assets categorized in Level 3 are as follows:

Name	For the six months ended June 30, 2023							Ending balance
	Beginning balance	Valuation profit or loss		Increase		Decrease		
		Recognized in profit or loss	Recognized in other comprehensive income (Note)	Purchase or issue	Transfer into Level 3 (a)(b)	Sale, disposal or settlement	Transfer out of Level 3 (b)(c)	
Financial assets measured at fair value through profit or loss	\$ 191,757,315	13,538	2,593,587	14,941,257	-	8,446,759	67,258	200,791,680
Financial assets measured at fair value through other comprehensive income	10,268,868	896	310,956	244	849,071	23,366	594,989	10,811,680
Investment property	260,131,263	2,050,225	1,864,111	2,067,901	12,195,801	-	-	278,309,301
Total	\$ 462,157,446	2,064,659	4,768,654	17,009,402	13,044,872	8,470,125	662,247	489,912,661

Name	For the six months ended June 30, 2022							Ending balance
	Beginning balance	Valuation profit or loss		Increase		Decrease		
		Recognized in profit or loss	Recognized in other comprehensive income (Note)	Purchase or issue	Transfer into Level 3 (a)(b)	Sale, disposal or settlement	Transfer out of Level 3 (b)(c)	
Financial assets measured at fair value through profit or loss	\$ 176,556,944	480,901	10,624,353	21,042,888	-	11,724,536	79,461	196,901,089
Financial assets measured at fair value through other comprehensive income	27,379,738	261,563	(1,835,698)	231	154,540	562,451	13,015,128	12,382,795
Investment property	264,207,164	(166,525)	(1,012,448)	299,661	837	-	-	263,328,689
Total	\$ 468,143,846	575,939	7,776,207	21,342,780	155,377	12,286,987	13,094,589	472,612,573

- (a) Transferred to Level 3 because of a lack of observable market data, resulting from a decrease in market activity for the securities.
- (b) The Group's policy is to recognize transfers into and transfers out of Level 3 as of the date of the event or change in circumstances that caused the transfers.
- (c) Transferred from Level 3 because observable market data became available for the securities.

Note: Gains or losses on financial assets measured at fair value through profit or loss was reclassified to other comprehensive income by applying the overlay approach.

	For the six months ended June 30,	
	2023	2022
The amount of the total gains or losses for the period included in profit or loss that is attributable to the change in unrealized gains or losses relating to these assets and liabilities held at the end of the reporting period	\$ 2,064,659	568,492
The amount of the total gains or losses for the period included in other comprehensive income that is attributable to the change in unrealized gains or losses relating to these assets and liabilities held at the end of the reporting period	\$ 4,167,414	8,508,850

(4) Quantitative information about the significant unobservable inputs used in the fair value measurement

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

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Because of the inability to comprehensively manage the relationship of significant unobservable inputs to fair value, the undisclosed quantitative information about fair value are as follows :

	June 30, 2023	December 31, 2022	June 30, 2022
	\$ 199,433,313	190,464,372	197,778,523

Quantitative information about the significant unobservable inputs are as follows:

Accounting classification	June 30, 2023				
	Fair value	Valuation techniques	Significant unobservable input	Range (weighted-average)	Relationship between inputs and fair value
Financial assets measured at fair value through profit or loss	\$ 2,307,313	Asset-based Approach	Discount for lack of marketability	5%~10%(6%)	The higher the discount for lack of marketability, the lower the fair value
			Non-controlling discount	5%	The higher the non-controlling discount, the lower the fair value
		Market Approach — comparable companies	Discount for lack of marketability	25%	The higher the discount for lack of marketability, the lower the fair value
			P/E ratio	14.6	The higher the P/E ratio, the higher the fair value
			P/B ratio	5.1	The higher the P/B ratio, the higher the fair value
			Black-Scholes Model	Risk-free rate	0.5 years : 3.61%~4.41% 1 years : 3.67%~4.48% 3 years : 3.37%~4.12% 10 years : 3.34%~4.08%
		Volatility	6 years : 25.16%~30.75% 39.78%~48.62%	The higher the volatility, the higher the fair value	
			Underlying stock price	The higher the underlying stock price, the higher the call warrant value but the lower the put option value	
			HK\$185,539,356 ~\$226,770,324 US\$2,485,757 ~\$3,038,147		
Financial assets measured at fair value through other comprehensive income	9,862,734	Asset-based Approach	Discount for lack of marketability	0%~20% (11.00%)	The higher the discount for lack of marketability, the lower the fair value
			Non-controlling discount	5%	The higher the non-controlling discount, the lower the fair value
		Market Approach — comparable companies	Discount for lack of marketability	12.28%~50% (29.09%)	The higher the discount for lack of marketability, the lower the fair value
			P/B ratio	2.2~4.3 (3.25)	The higher the P/B ratio, the higher the fair value
			Discounted Cash Flow Method	Discount rate	4.28%~4.52%
		Credit spread	0.22%~15.78%	The higher the credit spread, the lower the fair value	
			Prepayment rate	0%~1.21%	The higher the prepayment rate, the higher the fair value
Investment property	278,309,301	Please refer to Note 6(F)			

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December 31, 2022							
Accounting classification	Fair value	Valuation techniques	Significant unobservable input	Range (weighted-average)	Relationship between inputs and fair value		
Financial assets measured at fair value through profit or loss	\$ 1,987,249	Asset-based Approach	Discount for lack of marketability	5%~10% (5.83%)	The higher the discount for lack of marketability, the lower the fair value		
			Non-controlling discount	5%	The higher the non-controlling discount, the lower the fair value		
		Market Approach — comparable companies	Discount for lack of marketability	25%	The higher the discount for lack of marketability, the lower the fair value		
			P/E ratio	8.9	The higher the P/E ratio, the higher the fair value		
			P/B ratio	5.6	The higher the P/B ratio, the higher the fair value		
			Black-Scholes Model	Risk-free rate	3 years : 3.52%~4.31% 5 years : 3.33%~4.07% 10 years : 3.49%~4.26%	The higher the risk-free rate, the higher the call warrant value but the lower the put option value	
				Volatility	24.90%~30.44% 39.78%~48.62%	The higher the volatility, the higher the fair value	
				Underlying stock price	HK\$184,530,277 ~\$225,537,005 US\$3,789,857 ~\$4,632,047	The higher the underlying stock price, the higher the call warrant value but the lower the put option value	
		Financial assets measured at fair value through other comprehensive income	9,574,562	Asset-based Approach	Discount for lack of marketability	0%~20% (10.56%)	The higher the discount for lack of marketability, the lower the fair value
					Non-controlling discount	5%~20% (11.11%)	The higher the non-controlling discount, the lower the fair value
Market Approach — comparable companies	Discount for lack of marketability			11.58%~28% (20.53%)	The higher the discount for lack of marketability, the lower the fair value		
	P/B ratio			1.5~3.1 (2.3)	The higher the P/B ratio, the higher the fair value		
Discounted Cash Flow Method	Discount rate			4.80%~5.26%	The higher the discount rate, the lower the fair value		
	Credit spread			0.22%~18.08%	The higher the credit spread, the lower the fair value		
	Prepayment rate			0%~1.21%	The higher the prepayment rate, the higher the fair value		
Investment property	260,131,263	Please refer to Note 6(F)					

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

June 30, 2022							
Accounting classification	Fair value	Valuation techniques	Significant unobservable input	Range (weighted-average)	Relationship between inputs and fair value		
Financial assets measured at fair value through profit or loss	\$ 1,933,577	Asset-based Approach	Discount for lack of marketability	5%	The higher the discount for lack of marketability, the lower the fair value		
			Non-controlling discount	5%	The higher the non-controlling discount, the lower the fair value		
		Market Approach — comparable companies	Discount for lack of marketability	25%	The higher the discount for lack of marketability, the lower the fair value		
			P/E ratio	11.8	The higher the P/E ratio, the higher the fair value		
			P/B ratio	1.0~9.7 (5.35)	The higher the P/B ratio, the higher the fair value		
			Discounted Cash Flow Method	Discount rate	15.75%	The higher the discount rate, the lower the fair value	
		Black-Scholes Model	Risk-free rate	3 years :	2.44%~2.98%	The higher the risk-free rate, the higher the call warrant value but the lower the put option value	
				5 years :	2.53%~3.09%		
			Volatility	10 years :	2.85%~3.49%	The higher the volatility, the higher the fair value	
				3 years :	22.29%~27.25%		
Underlying stock price	35.19%~43.01%	3 years :	22.29%~27.25%	The higher the underlying stock price, the higher the call warrant value but the lower the put option value			
		10 years :	2.85%~3.49%				
Financial assets measured at fair value through other comprehensive income	9,571,784	Asset-based Approach	Discount for lack of marketability	5%~70% (15.56%)	The higher the discount for lack of marketability, the lower the fair value		
			Non-controlling discount	5%~29.7% (19.83%)	The higher the non-controlling discount, the lower the fair value		
		Market Approach — comparable companies	Discount for lack of marketability	11.12%~28% (20.37%)	The higher the discount for lack of marketability, the lower the fair value		
			P/B ratio	1.8~3 (2.4)	The higher the P/B ratio, the higher the fair value		
			Discounted Cash Flow Method	Discount rate	2.71%~3.94%	The higher the discount rate, the lower the fair value	
			Credit spread	0.02%~18.08%	The higher the credit spread, the lower the fair value		
			Prepayment rate	0%~1.99%	The higher the prepayment rate, the higher the fair value		
		Investment property	263,328,689	Please refer to Note 6(F)			

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(5) Valuation processes for fair value measurements categorized within Level 3

When the Group's fair value measurement uses both unobservable inputs and observable inputs which need a significant adjustment based on the unobservable parameters, the asset or liability is categorized in Level 3. The inputs come from:

- (a) Prices referring from the professional finance information providers, which are not different for each acquirer and shall be acquired through specific facility.
- (b) Prices referring from quoted prices from counter parties or valuation institute. Price information is provided on a monthly or quarterly basis and shall be kept properly. Valuation shall be reviewed regularly to ensure the consistency with reference pricing source and the reasonability of the valuation.
- (c) Prices of equity investment referring from market approach and valuation model.
- (d) Prices of loans referring from discounted cash flow method.
- (e) Prices of derivatives referring from the valuation model.

Investment property is evaluated by the professional appraisal agency in accordance with the valuation techniques announced by FSC.

(6) Sensitivity and reasonableness of the fair value measurements categorized within Level 3

The fair value measurement of financial instruments and investment property are reasonable. Because of the inability to comprehensively manage the relationship of significant unobservable input to fair value, the Group does not perform alternative or sensitivity test for the items that are partially categorized within Level 3 and not valued by the Group. The following table summarizes the effects to profit or loss and other comprehensive income resulting from 10% changes in the valuation parameters of those financial instruments categorized within Level 3 valued by the Group and partially by the professional finance information providers:

<u>June 30, 2023</u> Items	<u>Profit or loss</u>		<u>Other comprehensive income</u> (Note)	
	<u>Favorable</u>	<u>Unfavorable</u>	<u>Favorable</u>	<u>Unfavorable</u>
Assets				
Financial assets measured at fair value through profit or loss	\$ 103,189	(95,071)	-	-
Financial assets measured at fair value through other comprehensive income	-	-	118,818	(118,018)
Total	<u>\$ 103,189</u>	<u>(95,071)</u>	<u>118,818</u>	<u>(118,018)</u>

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<u>December 31, 2022</u>	<u>Profit or loss</u>		<u>Other comprehensive income</u>	
	<u>Items</u>	<u>Favorable</u>	<u>Unfavorable</u>	<u>(Note)</u>
Assets				
Financial assets measured at fair value through profit or loss	\$ 65,509	(65,023)	-	-
Financial assets measured at fair value through other comprehensive income	-	-	109,262	(110,063)
Total	\$ <u>65,509</u>	<u>(65,023)</u>	<u>109,262</u>	<u>(110,063)</u>

<u>June 30, 2022</u>	<u>Profit or loss</u>		<u>Other comprehensive income</u>	
	<u>Items</u>	<u>Favorable</u>	<u>Unfavorable</u>	<u>(Note)</u>
Assets				
Financial assets measured at fair value through profit or loss	\$ 65,616	(64,884)	12	(13)
Financial assets measured at fair value through other comprehensive income	-	-	103,700	(103,691)
Total	\$ <u>65,616</u>	<u>(64,884)</u>	<u>103,712</u>	<u>(103,704)</u>

Note: Gains or losses on financial assets measured at fair value through profit or loss was reclassified to other comprehensive income by applying the overlay approach.

(c) Assets and liabilities not measured at fair value

(1) Fair value information

Other than the items stated in the table below, disclosures of fair value are not required for the Group's financial instruments that are not measured at fair value (including cash and cash equivalents, receivables, other financial assets — cash in bank, loans, accounts payable and short-term liabilities) and their carrying amount is a reasonable approximation of fair value, and lease liabilities.

<u>Items</u>	<u>Carrying amount</u>	<u>Fair value</u>
June 30, 2023		
Financial assets		
Financial assets measured at amortized cost (Note 1)	\$ 2,669,234,996	2,215,340,480
Financial liabilities		
Bonds payable	72,436,895	71,294,647

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

Items	Carrying amount	Fair value
December 31, 2022		
Financial assets		
Financial assets measured at amortized cost (Note 1)	2,264,612,891	1,890,407,223
Financial liabilities		
Bonds payable	70,636,657	68,986,321
June 30, 2022		
Financial assets		
Financial assets measured at amortized cost (Note 1)	2,206,912,037	1,925,074,672
Financial liabilities		
Bonds payable	70,125,884	69,496,528

Note 1: Government bonds provided as statutory deposits were included.

Note 2: For fair value adjustments details, please refer to Note 6(AC)(a)(4).

(2) Fair value hierarchy

June 30, 2023				
<u>Assets and liabilities items</u>	<u>Total</u>	<u>Quoted prices in active markets for identical assets (Level 1)</u>	<u>Significant other observable inputs (Level 2)</u>	<u>Significant unobservable inputs (Level 3)</u>
Financial assets:				
Financial assets measured at amortized cost	\$ 2,215,340,480	1,288,577,091	750,353,360	176,410,029
Financial liabilities:				
Bonds payable	71,294,647	-	54,351,050	16,943,597
December 31, 2022				
<u>Assets and liabilities items</u>	<u>Total</u>	<u>Quoted prices in active markets for identical assets (Level 1)</u>	<u>Significant other observable inputs (Level 2)</u>	<u>Significant unobservable inputs (Level 3)</u>
Financial assets:				
Financial assets measured at amortized cost	\$ 1,890,407,223	948,782,437	765,892,033	175,732,753
Financial liabilities:				
Bonds payable	68,986,321	-	54,073,140	14,913,181

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

<u>Assets and liabilities items</u>	<u>June 30, 2022</u>			
	<u>Total</u>	<u>Quoted prices in active markets for identical assets (Level 1)</u>	<u>Significant other observable inputs (Level 2)</u>	<u>Significant unobservable inputs (Level 3)</u>
Financial assets:				
Financial assets measured at amortized cost	\$ 1,925,074,672	1,017,967,980	702,892,953	204,213,739
Financial liabilities:				
Bonds payable	69,496,528	-	54,670,690	14,825,838

(AD) Financial risk management

(a) Risk management system

(1) The organization structure of risk management

The Company sets Risk Management Committee which is under the jurisdiction of the board of directors and was convened by independent directors. It is to supervise the overall risk control of the Company and report to the board of directors regularly. In order to effectively examine the Company's risk management operation, two special committees were established.

- 1) Assets and Liabilities Management Committee: The chairman of the Company or appointed personnel serves as the chairman of the committee. The committee is to consider the balance between assets and liabilities, set up the strategic target of assets and liabilities and supervise the execution progress.
- 2) Operational Risk Management Committee: It is convened by the president to supervise and manage the operational risk of the Company in order to assure the management adopts appropriate risk management procedures within its authority. Furthermore, in order to assist all business units to carry out the risk control and to facilitate the coordination of other risk control affairs, the Company's board of directors designates a chief risk officer to be in charge of a risk management department which is independent of all business units. The risk management department executes or assists to execute risk control duty following the regulation of risk management policy, organization rules governing the risk management committee and organization rules governing the risk related committee. The Company has established diverse risk management policies, risk limits and stop-loss prevention and assessment policy, hierarchical authorization, and risk assessment criteria in order to facilitate effective risk management.

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The risk management mechanism of the subsidiaries is conducted per the relevant regulations of local authority and the risk management rules of the Company. It is to control certain risks such as market, credit and liquidity risk and measure and evaluate the overall investment position regularly. The risk management staff prepares management and evaluation internal monitoring reports for various risks.

(2) Risk management policies

The Company pronounced Risk Management Policy under the consent of the board of directors. The policy regulates the strategy and target as well as the mechanism of risk management. The risk management strategy is based on the regulation of overall operation target, management strategy and risk management. It is to establish appropriate risk management system and management procedure so as to identify, evaluate, measure, supervise, respond and report potential risk. Through the announcement of the risk management policies, the Company established clear management targets, controlling methods and the responsibilities for respective departments to ensure the operating capital is adequate and to create profit for shareholders.

The subsidiaries also set up risk management policies or rules as the basis of risk management.

(3) Risk management process

The process of the Company's risk management includes: Risk identification, risk measurement, risk monitoring and risk report.

- 1) Risk identification: Risk factors refer to the internal and external factors which may subject the Company to certain risks during the operating process; risk identification is to confirm various risk factors and the sources of the risks from investing activities.
- 2) Risk measurement: To set up quantitative and qualitative risk management methods, indices and models and generate relevant risk management reports to effectively identify, measure and monitor risk exposure and to adopt effective procedures to diminish, transfer and control the risks under an acceptable extent.

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

- 3) Risk monitoring: Through risk management methods, mechanism and reports to continuously monitor various risk exposure in order to control and respond in time.
- 4) Risk report: Except for the regular report during the monitoring process, the risk management staff shall report immediately when abnormal or other special situation occurs and take appropriate actions (including the diminishing, control, transfer and tolerating of risk) to minimize the possible impact to the Company.

In accordance with the internal risk management policies, the Company controls risks such as market risk, credit risk, liquidity risk, operation risk, insurance risk, assets and liabilities coordination risk. In addition to the arrangement regulated by the authorities, the Company also established measurement and evaluation management mechanism to regularly prepare management and evaluation monitoring report for various risks.

The subsidiaries set up appropriate management process and risk monitoring in accordance with their characteristics, development stage and regulations.

(4) Risk hedging and diminishing strategy

The Company takes capital scale and risk tolerance into consideration and review capital adequacy ratio regularly to ensure the capital is adequate. Furthermore, by combining several business aspects such as the understanding of the market status, the Company's operating strategy, product characteristics and risk control, the Company also analyzes the risk structure and risk level of the overall position and constrains the Company's risk within the pre-approved extent or adjusts the Company's risk to a tolerable extent. The execution of risk hedging and diminishing strategy is adjusted based on the risk tolerance of the Company.

The subsidiaries managed risk tolerance in accordance with their characteristics, development stage and local regulations.

(b) Credit risk analysis

Credit risk refers to the risk resulted from the deterioration of the credit status of the investment, the descending of credit rating, the credit risk event which can be attributed to the default of contracts, and the default of the issuers or counterparties for fulfilling their obligation. The Group may suffer losses from these incidents.

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(1) Analysis of credit risk concentration

The following are credit risk exposure of the Group's debt instruments and derivative instruments as well as loans distributed by industry and geographic area.

Credit risk exposure by industry

Financial assets	June 30, 2023		December 31, 2022		June 30, 2022	
	Amount	%	Amount	%	Amount	%
Industrial enterprise	\$ 174,194,269	5.27	163,091,149	5.04	162,862,399	5.04
Public business	138,212,077	4.18	133,703,650	4.13	129,861,048	4.02
Diversification	7,449,974	0.22	7,348,880	0.23	7,113,656	0.22
Mortgage backed securities	38,210,335	1.16	37,682,168	1.16	38,079,746	1.18
Financial sector	1,222,300,174	36.97	1,207,727,549	37.29	1,147,349,233	35.53
Consumer staples	300,209,362	9.08	281,768,117	8.70	276,931,124	8.57
Government	499,233,609	15.10	506,140,174	15.63	574,148,706	17.78
Technology	104,480,895	3.16	97,494,116	3.01	88,013,633	2.73
Raw material	76,487,457	2.31	71,574,169	2.21	74,395,053	2.30
Consumer discretionary	69,128,116	2.09	67,864,310	2.09	65,991,177	2.04
Energy	211,155,628	6.39	199,413,020	6.16	196,960,742	6.10
Assets backed securities	30,654,421	0.93	30,235,763	0.93	29,268,864	0.91
Telecommunication	229,454,472	6.94	219,539,422	6.78	214,295,688	6.64
Other	205,068,624	6.20	215,183,498	6.64	224,262,731	6.94
Subtotal	<u>3,306,239,413</u>	<u>100.00</u>	<u>3,238,765,985</u>	<u>100.00</u>	<u>3,229,533,800</u>	<u>100.00</u>
Fair value adjustment through business combination	(260,847)		(105,734)		(87,646)	
Total	<u>\$ 3,305,978,566</u>	<u>100.00</u>	<u>3,238,660,251</u>	<u>100.00</u>	<u>3,229,446,154</u>	<u>100.00</u>

Credit risk exposure by geographic area

Financial assets	June 30, 2023		December 31, 2022		June 30, 2022	
	Amount	%	Amount	%	Amount	%
Taiwan	\$ 517,351,618	15.65	565,437,802	17.46	609,631,358	18.88
Asia except Taiwan	408,127,542	12.34	401,819,753	12.41	400,954,636	12.41
North America	1,516,168,009	45.86	1,438,416,855	44.41	1,389,314,917	43.02
Middle and South America	111,662,213	3.37	103,495,174	3.19	106,599,795	3.30
Europe	526,585,508	15.93	511,526,899	15.80	508,624,002	15.75
Africa/Middle East	226,344,523	6.85	218,069,502	6.73	214,409,092	6.64
Subtotal	<u>3,306,239,413</u>	<u>100.00</u>	<u>3,238,765,985</u>	<u>100.00</u>	<u>3,229,533,800</u>	<u>100.00</u>
Fair value adjustment through business combination	(260,847)		(105,734)		(87,646)	
Total	<u>\$ 3,305,978,566</u>	<u>100.00</u>	<u>3,238,660,251</u>	<u>100.00</u>	<u>3,229,446,154</u>	<u>100.00</u>

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(2) Categories for credit risk quality

The Group internally categories the credit risk into three levels, which are low risk, medium risk and high risk. The definition of each level is as follows:

- 1) Low risk: The issuers or the counterparties are rated as robust or above to fulfill their obligation of the contracts. Even under various negative news or disadvantageous economic conditions, the companies are financially capable of dealing with the situations.
- 2) Medium risk: The issuers or the counterparties have lower capability of fulfilling their obligation. Negative news or disadvantageous economic conditions may weaken their financial statuses and result in the doubt of asset impairment or the loss of the Group.
- 3) High risk: The possibility that the issuers or counterparties fulfill their obligation is remote and mainly relies on the business environment. Negative news or disadvantageous economic conditions will lower their ability and willingness to fulfill their obligation.

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

The Group's credit analysis for debt instruments, loans, other financial assets and related accounts receivable are as follows:

	June 30, 2023												
	stage1				stage2				stage3				
	Low risk	Medium risk	High risk	Total	Low risk	Medium risk	High risk	Total	Credit-impaired financial assets	Purchased or originated credit-impaired financial assets	Total	Loss allowance	Total
Accounts receivable — interests receivable	\$ 30,887,196	868,811	396	31,756,403	172	140	1	313	1,578,891	-	1,578,891	1,612,718	31,722,889
Financial assets measured at fair value through other comprehensive income — debt instruments (Note 2)	290,728,894	6,228,268	-	296,957,162	-	2,542	-	2,542	3,225,424	-	3,225,424	(Note1)	300,185,128
Financial assets measured at amortized costs (Note 2)	2,616,028,769	41,114,836	-	2,657,143,605	-	-	-	-	15,283,636	-	15,283,636	3,094,429	2,669,332,812
Other financial assets	4,044,269	500,596	-	4,544,865	-	-	-	-	-	-	-	3,035	4,541,830
Loans (Note 2)	194,539,120	40,022,441	341,197	234,902,758	2,906,339	735,221	472	3,642,032	680,354	-	680,354	1,731,676	237,493,468
Total	\$ 3,136,228,248	88,734,952	341,593	3,225,304,793	2,906,511	737,903	473	3,644,887	20,768,305	-	20,768,305	6,441,858	3,243,276,127

	December 31, 2022												
	stage1				stage2				stage3				
	Low risk	Medium risk	High risk	Total	Low risk	Medium risk	High risk	Total	Credit-impaired financial assets	Purchased or originated credit-impaired financial assets	Total	Loss allowance	Total
Accounts receivable - Interests receivable	\$ 30,398,739	869,714	386	31,268,839	181	105	1	287	982,986	-	982,987	931,986	31,320,127
Financial assets measured at fair value through other comprehensive income - debt instruments (Note 2)	593,343,810	8,983,605	-	602,327,415	-	3,919	-	3,919	3,117,050	-	3,117,050	(Note 1)	605,448,384
Financial assets measured at amortized costs (Note 2)	2,209,654,559	41,843,688	-	2,251,498,247	-	-	-	-	15,107,287	-	15,107,287	1,936,549	2,264,668,985
Other financial assets	4,140,629	679,825	-	4,820,454	-	-	-	-	-	-	-	2,847	4,817,607
Loans (Note 2)	204,239,817	43,566,273	373,549	248,179,639	1,910,081	784,361	651	2,695,093	744,260	799	745,059	1,886,222	249,733,569
Total	\$ 3,041,777,554	95,943,105	373,935	3,138,094,594	1,910,262	788,385	652	2,699,299	19,951,583	800	19,952,383	4,757,604	3,155,988,672

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

	June 30, 2022												
	stage1				stage2				stage3				
	Low risk	Medium risk	High risk	Total	Low risk	Medium risk	High risk	Total	Credit-impaired financial assets	Purchased or originated credit-impaired financial assets	Total	Loss allowance	Total
Accounts receivable — interests receivable	\$ 29,547,869	1,060,322	356	30,608,547	109	109	2	220	496,608	1	496,609	448,505	30,656,871
Financial assets measured at fair value through other comprehensive income — debt instruments (Note 2)	654,619,599	14,585,433	-	669,205,032	740	5,847	-	6,587	1,688,608	-	1,688,608	(Note1)	670,900,227
Financial assets measured at amortized costs (Note 2)	2,142,713,648	51,517,178	-	2,194,230,826	-	-	-	-	14,655,752	-	14,655,752	1,931,701	2,206,954,877
Other financial assets	3,973,539	482,962	-	4,456,501	-	-	-	-	-	-	-	2,992	4,453,509
Loans (Note 2)	212,454,010	46,876,443	401,013	259,731,466	589,670	676,721	1,227	1,267,618	680,195	818	681,013	2,048,124	259,631,973
Total	<u>\$ 3,043,308,665</u>	<u>114,522,338</u>	<u>401,369</u>	<u>3,158,232,372</u>	<u>590,519</u>	<u>682,677</u>	<u>1,229</u>	<u>1,274,425</u>	<u>17,521,163</u>	<u>819</u>	<u>17,521,982</u>	<u>4,431,322</u>	<u>3,172,597,457</u>

Note 1: Please refer to Note 6(AD)(b)(8) for further information of the loss allowance of debt instruments measured at FVOCI.

Note 2: Fair value adjustments from business combinations of financial assets measured at fair value through other comprehensive income, financial assets measured at amortized cost and loans for June 30, 2023, December 31 and June 30, 2022 were \$(117,959) thousand, \$(97,816) thousand and \$(45,072) thousand, \$0 thousand, \$(56,094) thousand and \$(49,640) thousand, \$0 thousand, \$(42,840) thousand and \$(44,806) thousand, respectively.

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(3) Determination on the credit risk that has increased significantly since initial recognition

- 1) 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: external credit rating, market price decline, credit spreads, quantitative and qualitative information.
- 2) Low credit risk: it may be assumed that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date.

(4) The definition of default and credit-impaired financial assets

The Group's definition of default on financial assets is as follows, if one or more conditions are met, it is determined that the financial asset has defaulted. However, it is not limited to this, all obviously objective evidences as a result of the inability of the debt or its credit-linked company to be repaid are treated as a breach of contract and the credible impairment procedure will be proceeded.

1) Bankruptcy:

Enter bankruptcy procedures in accordance with the "Bankruptcy Law", resolution for dissolution or takeover by the government, recognition of failure to pay loans on maturity date etc.

2) Failure to pay:

After the expiration of the grace period, the principal or interest could not be paid on contract.

3) Debt restructuring:

Due to financial difficulties, the borrower negotiated with the creditor for debt relief, extension or re-planning. The debt instrument held by the Group has been impaired because of the borrower's application for debt restructuring.

4) Repudiation or moratorium:

Unilaterally refuses or denies any legality or validity of debt, and refuses or defers payment.

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

5) Cross default or accelerated expiry:

A credit default of a credit-linked company or related institution's other debts or similar events that caused the early repayment of debt or breach of contract.

6) The company completely suspended its operations because of local government orders.

(5) Measurement of expected credit loss

1) The methodology and assumption applied

Expected credit loss is a probability-weighted estimate of credit losses for a specific period, and the period is based on whether the credit risk of the financial instruments have increased significantly since initial recognition. If the financial assets are determined to have low credit risk or no significant increase in credit risk, an amount equal to 12-month expected credit losses will be recognized. The impairment requirement is to recognize lifetime expected credit losses for all financial instruments for which there have been significant increases in credit risk since initial recognition or credit impaired.

In order to measure expected credit losses, 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-month and lifetime, respectively.

2) Forward looking information considerations

The Probability of default and Loss given default, the Group used in debt instruments, are based on the information released by Moody's, an international credit rating agency. The Probability of default is based on the future macroeconomic status with implied market data predictions to adjust the forward looking PD, the Loss given default is based on the recovery rate of bonds by Moody's. The Exposure at default is measured by the amortized cost of the financial assets (including accrued interest). The Probability of default and Loss given default used by the Group for loans are internal historical information (such as credit loss experience) which is adjusted based on current observable data and forward-looking macroeconomic information (e.g., consumer price index and the unemployment rate). The Exposure at default is measured by the amortized cost (including accrued interest).

The estimation techniques or material assumptions made by the Group to assess expected credit losses have no significant changes during the year.

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(6) Policies to hedge or mitigate credit risk

1) Collateral

The Group requires full collateral from the borrowers and set up lending policies to decrease credit risk. The amount of loan is evaluated based on borrower' s ability to pay back, the type of collateral and the difficulty of its liquidation to ensure collection. Besides, creditor protection, collateral terms and offsetting terms are all addressed in the credit contract in case of any occurrence of credit event, of which the amount may be deductible, loan repayment schedule may be shortened or deemed as matured, in order to mitigate credit risks.

2) Enhancement of other credits

The Group have offsetting terms within credit contracts, which clearly define that all cash payments from debtors may be offset against their liabilities upon a credit event, in order to mitigate credit risk.

For the clients whom the Group considers to be incompetent to repay the loans, the Group would request one or more joint guarantors to enhance the guarantee for the creditor's right.

(7) The maximum credit risk exposure of the Group

The maximum credit risk exposure of the assets on the consolidated balance sheet, excluding collaterals or other credit enhancement tools, is the carrying amount of the assets.

The maximum exposure of assets used as collaterals, master netting arrangement and other credit enhancements is the carrying amount on the consolidated balance sheet.

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(8) Changes in the loss allowance

The reconciliation in loss allowance of loans for the six months ended June 30, 2023 and 2022 is as follows:

	<u>12-month ECLs</u>	<u>Lifetime ECLs (collectively assessed)</u>	<u>Lifetime ECLs (individually assessed)</u>	<u>Lifetime ECLs (neither purchased nor originated credit- impaired financial assets)</u>	<u>Lifetime ECLs (purchased or originated credit- impaired financial assets)</u>	<u>The loss allowances measured in accordance with IFRS 9</u>	<u>Impairment difference recognized in accordance with “Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts by Insurance Enterprises”</u>	<u>Total</u>
Balance of January 1, 2023	\$ 21,994	13,715	209	53,142	31	89,091	1,797,119	1,886,210
Changes due to financial instruments recognized as at beginning:								
– Transfer to lifetime expected credit losses	(1,219)	2,508	270	(1,559)	-	-	-	-
– Transfer to credit-impaired financial assets	(32)	(860)	-	892	-	-	-	-
– Transfer to 12-month expected credit losses	3,752	(2,928)	(12)	(812)	-	-	-	-
– Financial assets that have been derecognized during the period	(1,200)	(2,348)	(8)	(4,130)	(31)	(7,717)	-	(7,717)
New financial assets originated or purchased	974	391	-	-	-	1,365	-	1,365
Impairment difference recognized in accordance with “Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts by Insurance Enterprises”	-	-	-	-	-	-	(151,549)	(151,549)
Write-off bad debts	-	-	-	(5,923)	-	(5,923)	-	(5,923)
Changes in models/risk parameters	(2,870)	6,523	(350)	8,663	-	11,966	-	11,966
Foreign exchange and other movements	(778)	(475)	-	(1,435)	-	(2,688)	-	(2,688)
Balance of June 30, 2023	<u>\$ 20,621</u>	<u>16,526</u>	<u>109</u>	<u>48,838</u>	<u>-</u>	<u>86,094</u>	<u>1,645,570</u>	<u>1,731,664</u>

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

	<u>12-month ECLs</u>	<u>Lifetime ECLs (collectively assessed)</u>	<u>Lifetime ECLs (individually assessed)</u>	<u>Lifetime ECLs (neither purchased nor originated credit- impaired financial assets)</u>	<u>Lifetime ECLs (purchased or originated credit- impaired financial assets)</u>	<u>The loss allowances measured in accordance with IFRS 9</u>	<u>Impairment difference recognized in accordance with “Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts by Insurance Enterprises”</u>	<u>Total</u>
Balance of January 1, 2022	\$ 35,954	12,395	793	55,952	33	105,127	2,109,375	2,214,502
Changes due to financial instruments recognized as at beginning:								
– Transfer to lifetime expected credit losses	(331)	488	14	(171)	-	-	-	-
– Transfer to credit-impaired financial assets	-	(638)	-	638	-	-	-	-
– Transfer to 12-month expected credit losses	3,668	(3,553)	(115)	-	-	-	-	-
– Financial assets that have been derecognized during the period	(3,049)	(725)	(105)	(4,909)	(1)	(8,789)	-	(8,789)
New financial assets originated or purchased	3,256	212	-	-	-	3,468	-	3,468
Impairment difference recognized in accordance with “Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts by Insurance Enterprises”	-	-	-	-	-	-	(155,199)	(155,199)
Write-off bad debts				(832)		(832)		(832)
Changes in models/risk parameters	(10,799)	4,804	(433)	2,700	-	(3,728)	-	(3,728)
Foreign exchange and other movements	(457)	(209)	-	(644)	-	(1,310)	-	(1,310)
Balance of June 30, 2022	<u>\$ 28,242</u>	<u>12,774</u>	<u>154</u>	<u>52,734</u>	<u>32</u>	<u>93,936</u>	<u>1,954,176</u>	<u>2,048,112</u>

Note: As of June 30, 2023 and 2022, loss allowance for loans with investment-linked insurance amounted at \$12 thousand were not included on the above-mentioned movement.

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

The reconciliation in loss allowance of financial assets measured at fair value through other comprehensive income for the six months ended June 30, 2023 and 2022 is as follows:

	<u>12-month ECLs</u>	<u>Lifetime ECLs (collectively assessed)</u>	<u>Lifetime ECLs (individually assessed)</u>	<u>Lifetime ECLs (neither purchased nor originated credit- impaired financial assets)</u>	<u>Lifetime ECLs (purchased or originated credit- impaired financial assets)</u>	<u>The loss allowances measured in accordance with IFRS 9</u>
Balance of January 1, 2023	\$ 132,221	73	-	1,028,304	-	1,160,598
Changes due to financial instruments recognized as at beginning:						
– Transfer to credit-impaired financial assets	(86)	-	-	86	-	-
– Transfer to 12-month expected credit losses	5,499	(7)	-	(5,492)	-	-
– Financial assets that have been derecognized during the period	(9,380)	(18)	-	(11,183)	-	(20,581)
New financial assets originated or purchased	6,240	-	-	-	-	6,240
Write-offs	-	-	-	(118)	-	(118)
Changes in model/risk parameter	24,008	(6)	-	11,593	-	35,595
Foreign exchange and other movements	(81,074)	1	-	(3,821)	-	(84,894)
Balance of June 30, 2023	<u>\$ 77,428</u>	<u>43</u>	<u>-</u>	<u>1,019,369</u>	<u>-</u>	<u>1,096,840</u>

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

	12-month ECLs	Lifetime ECLs (collectively assessed)	Lifetime ECLs (individually assessed)	Lifetime ECLs (neither purchased nor originated credit- impaired financial assets)	Lifetime ECLs (purchased or originated credit- impaired financial assets)	The loss allowances measured in accordance with IFRS 9
Balance of January 1, 2022	\$ 320,062	1,502	-	143,623	-	465,187
Changes due to financial instruments recognized as at beginning:						
– Transfer to lifetime expected credit losses	(26)	1,706	-	(1,680)	-	-
– Transfer to credit-impaired financial assets	(9,010)	(222)	-	9,232	-	-
– Transfer to 12-month expected credit losses	1,925	(22)	-	(1,903)	-	-
– Financial assets that have been derecognized during the period	(13,476)	(1,096)	-	(64,531)	-	(79,103)
New financial assets originated or purchased	25,109	-	-	-	-	25,109
Write-offs	(1)	-	-	(475)	-	(476)
Changes in model/risk parameter	(155,345)	(1,577)	-	889,333	-	732,411
Foreign exchange and other movements	7,854	(69)	-	51,026	-	58,811
Balance of June 30, 2022	<u>\$ 177,092</u>	<u>222</u>	<u>-</u>	<u>1,024,625</u>	<u>-</u>	<u>1,201,939</u>

Note: The sheet is prepared on basis of overall changes of the Group during the reporting period. As a result, the sheet includes accumulated impairment loss of the subsidiary upon business combination.

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

The reconciliation in expected credit losses of financial assets measured at amortized cost for the six months ended June 30, 2023 and 2022 is as follows:

	12-month ECLs	Lifetime ECLs (collectively assessed)	Lifetime ECLs (individually assessed)	Lifetime ECLs (neither purchased nor originated credit- impaired financial assets)	Lifetime ECLs (purchased or originated credit- impaired financial assets)	The loss allowances measured in accordance with IFRS 9
Balance of January 1, 2023	\$ 522,443	-	-	1,414,106	-	1,936,549
Changes due to financial instruments recognized as at beginning:						
– Financial assets that have been derecognized during the period	(5,322)	-	-	-	-	(5,322)
New financial assets originated or purchased	1,703	-	-	-	-	1,703
Changes in model/risk parameter	648,410	-	-	425,020	-	1,073,430
Foreign exchange and other movements	97,544	-	-	(9,475)	-	88,069
Balance of June 30, 2023	<u>\$ 1,264,778</u>	<u>-</u>	<u>-</u>	<u>1,829,651</u>	<u>-</u>	<u>3,094,429</u>

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

	12-month ECLs	Lifetime ECLs (collectively assessed)	Lifetime ECLs (individually assessed)	Lifetime ECLs (neither purchased nor originated credit- impaired financial assets)	Lifetime ECLs (purchased or originated credit- impaired financial assets)	The loss allowances measured in accordance with IFRS 9
Balance of January 1, 2022	\$ 1,256,846	-	-	-	-	1,256,846
Changes due to financial instruments recognized as at beginning:						
– Transfer to credit-impaired financial assets	(14,121)	-	-	14,121	-	-
– Financial assets that have been derecognized during the period	(82,228)	-	-	-	-	(82,228)
New financial assets originated or purchased	13,496	-	-	-	-	13,496
Changes in model/risk parameter	(659,039)	-	-	1,284,605	-	625,566
Foreign exchange and other movements	35,716	-	-	82,305	-	118,021
Balance of June 30, 2022	<u>\$ 550,670</u>	<u>-</u>	<u>-</u>	<u>1,381,031</u>	<u>-</u>	<u>1,931,701</u>

Note: The sheet is prepared on basis of overall changes of the Group during the reporting period. As a result, the sheet includes accumulated impairment loss of the subsidiary upon business combination.

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

The reconciliation in expected credit losses of other financial assets for the six months ended June 30, 2023 and 2022 is as follows:

	12-month ECLs	Lifetime ECLs (collectively assessed)	Lifetime ECLs (individually assessed)	Lifetime ECLs (neither purchased nor originated credit- impaired financial assets)	Lifetime ECLs (purchased or originated credit- impaired financial assets)	The loss allowances measured in accordance with IFRS 9
Balance of January 1, 2023	\$ 2,847	-	-	-	-	2,847
Changes due to financial instruments recognized as at beginning:						
— Financial assets that have been derecognized during the period	(3)	-	-	-	-	(3)
New financial assets originated or purchased	19	-	-	-	-	19
Changes in model/risk parameter	153	-	-	-	-	153
Foreign exchange and other movements	19	-	-	-	-	19
Balance of June 30, 2023	<u>\$ 3,035</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,035</u>

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

	<u>12-month ECLs</u>	<u>Lifetime ECLs (collectively assessed)</u>	<u>Lifetime ECLs (individually assessed)</u>	<u>Lifetime ECLs (neither purchased nor originated credit- impaired financial assets)</u>	<u>Lifetime ECLs (purchased or originated credit- impaired financial assets)</u>	<u>The loss allowances measured in accordance with IFRS 9</u>
Balance of January 1, 2022	\$ 3,136	-	-	-	-	3,136
Changes due to financial instruments recognized as at beginning:						
— Financial assets that have been derecognized during the period	(23)	-	-	-	-	(23)
New financial assets originated or purchased	52	-	-	-	-	52
Changes in model/risk parameter	(292)	-	-	-	-	(292)
Foreign exchange and other movements	119	-	-	-	-	119
Balance of June 30, 2022	<u>\$ 2,992</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,992</u>

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(c) Liquidity risk analysis

The liquidity risk of financial instruments is divided into capital liquidity risk and market liquidity risk. Capital liquidity risk refers to the risk that the Group does not possess sufficient cash and is not able to raise funds in time and finally failed to fulfill the obligation (debt repayment); market liquidity risk refers to the risk that the Group is not able to settle or offset current position with reasonable market price due to the shallow market depth or market disorder or the oversized possession of the investment position and finally the Group may suffer from losses.

In terms of capital liquidity risk, the Group manages it in two aspects, short term and mid-to-long term. In addition to setting the index of management of short-term liquidity risk, relevant departments have established prompt cash report mechanism and have applied proper currency market instruments for daily capital movement. Besides, the Group has established the index of mid-to-long term capital liquidity risk management reviewed by the Assets and Liabilities Management Committee. The Group applies cash flow analysis model to monitor the coordination of assets and liabilities in order to lower related risks.

Regarding the market liquidity risk, the risk management department of the Group established monitoring mechanism based on internal management policies and relevant regulations for stock concentration, the overall liquidity of investment positions and the evaluation of market liquidity risk performed by the investment department prior to transactions in order to mitigate the market liquidity risk.

In addition, the Group established complete crisis management and responding mechanism to cope with significant capital demand of unusual or emergent situations.

The Group possesses sufficient operating funds, including cash and cash equivalents and securities with excellent liquidity such as government bond, to cover the investments and debt repayments. Therefore, the liquidity risk of the Group is extremely low. In addition, the derivative financial instruments the Group engages in, such as forward exchange contracts and foreign exchange swaps, are all of highly liquid currencies. The possibility that they are not able to be sold at reasonable prices in the market is minimum, and therefore the market liquidity risk is low. Furthermore, forward exchange contracts and foreign exchange swaps which matured are mostly rolled forward and the capital to pay for the settlements is sufficient. Thus, the capital liquidity risk is insignificant.

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

The maturity structure of the non-derivative financial liabilities of the Group is listed below:

	June 30, 2023				
	<u><1 year</u>	<u>1~3 years</u>	<u>3~5 years</u>	<u>>5 years</u>	<u>Total</u>
Accounts payable	\$ 39,503,132	253,475	-	-	39,756,607
Short-term liabilities	254,323	-	-	-	254,323
Bonds payable (Note)	<u>2,815,276</u>	<u>5,630,552</u>	<u>38,925,317</u>	<u>44,552,954</u>	<u>91,924,099</u>
Total	<u>\$ 42,572,731</u>	<u>5,884,027</u>	<u>38,925,317</u>	<u>44,552,954</u>	<u>131,935,029</u>

	December 31, 2022				
	<u><1 year</u>	<u>1~3 years</u>	<u>3~5 years</u>	<u>>5 years</u>	<u>Total</u>
Accounts payable	\$ 61,814,967	256,964	-	-	62,071,931
Short-term liabilities	12,217,500	-	-	-	12,217,500
Bonds payable (Note)	<u>4,243,366</u>	<u>5,067,478</u>	<u>38,927,930</u>	<u>39,757,754</u>	<u>87,996,528</u>
Total	<u>\$ 78,275,833</u>	<u>5,324,442</u>	<u>38,927,930</u>	<u>39,757,754</u>	<u>162,285,959</u>

	June 30, 2022				
	<u><1 year</u>	<u>1~3 years</u>	<u>3~5 years</u>	<u>>5 years</u>	<u>Total</u>
Accounts payable	\$ 34,980,208	229,211	-	-	35,209,419
Bonds payable (Note)	<u>4,348,573</u>	<u>4,994,784</u>	<u>33,191,973</u>	<u>45,580,638</u>	<u>88,115,968</u>
Total	<u>\$ 39,328,781</u>	<u>5,223,995</u>	<u>33,191,973</u>	<u>45,580,638</u>	<u>123,325,387</u>

Note: The disclosed amounts included estimated interests and thus cannot be equal to the relevant accounts in the financial statements. In addition, for bonds payable without maturity date, the contractual cash flows were calculated based on a remaining maturity of 10 years.

As of June 30, 2023, December 31 and June 30, 2022 the Group's lease liability maturity analysis, please refer to Note 6(Q).

The maturity structure of the derivative financial liabilities of the Group is listed below:

	June 30, 2023				
	<u><1 year</u>	<u>1~3 years</u>	<u>3~5 years</u>	<u>>5 years</u>	<u>Total</u>
Financial liabilities measured at fair value through profit or loss	\$ 32,540,303	96,433	-	-	32,636,736
Financial liabilities for hedging	<u>2,357,092</u>	<u>325,506</u>	-	-	<u>2,682,598</u>
Total	<u>\$ 34,897,395</u>	<u>421,939</u>	<u>-</u>	<u>-</u>	<u>35,319,334</u>

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

	December 31, 2022				
	<1 year	1~3 years	3~5 years	>5 years	Total
Financial liabilities measured at fair value through profit or loss	\$ 29,234,427	-	-	-	29,234,427
Financial liabilities for hedging	<u>3,790,282</u>	<u>164,170</u>	<u>-</u>	<u>-</u>	<u>3,954,452</u>
Total	<u>\$ 33,024,709</u>	<u>164,170</u>	<u>-</u>	<u>-</u>	<u>33,188,879</u>

	June 30, 2022				
	<1 year	1~3 years	3~5 years	>5 years	Total
Financial liabilities measured at fair value through profit or loss	\$ 54,562,533	2,597,300	-	-	57,159,833
Financial liabilities for hedging	<u>5,030,472</u>	<u>1,586,122</u>	<u>-</u>	<u>-</u>	<u>6,616,594</u>
Total	<u>\$ 59,593,005</u>	<u>4,183,422</u>	<u>-</u>	<u>-</u>	<u>63,776,427</u>

(d) Market risk analysis

Market risk refers to the risk that the value of assets decreases due to disadvantageous movement of the market price and this may result in a loss to the Group. The risk factors of the market price fluctuation include interest rates, foreign exchange rates, stock prices, and commodity prices.

Guided by Assets and Liabilities Management Committee or related functional units, the Group takes financial environment, all the economic indicators, liability risk properties and ALM into account, to choose appropriate investment target through risk control mechanism. Under the consent of regulatory framework and market environment, choosing and acquisition of long-term assets is monitored by the Assets and Liabilities Management Committee or related functional units. This is to allow assets and liabilities to coordinate better in terms of payment terms and profits, to pursue long term business and protect the rights of policyholders. This will also reduce the influence on insurance contract caused by market risk and eventually lower the potential loss to the Group.

The Group widely applies various risk management instruments to measure market risk. The primary methods adopted would be Value at Risk (VaR) and Sensitivity Analysis. By using these instruments, the Group is able to measure, monitor and manage market risk completely and effectively.

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(1) Value at Risk

Value at Risk is to apply statistical techniques to measure the maximum potential loss of the investment portfolio resulted from market risk factor variation in a given period of time and under certain confidence interval. The 99% of the confidence interval is applied to predict the VaR in the next 10 days.

The VaR model applied to manage risk shall be examined retrospectively and continuously to ensure the ability of measuring the maximum potential risk of the portfolios reasonably, completely and accurately.

(2) Sensitivity analysis

Besides using VaR to manage market risk, the Group adopts sensitivity analysis to serve as a basis for corporate risk analysis, risk alert and operation management. Sensitivity analysis is to measure the amount changed in the portfolio value resulted from the variation of single risk factor. This will facilitate the Group to understand how each variation of risk factors may influence the portfolios in certain extreme scenarios.

Sensitivity analysis (The Company)

Units: NT\$'000

June 30, 2023			
Risk factor	Variation	Change in profit or loss	Change in Equity
Equity risk (Price index)	Price incline by 10%	-	83,176,567
	Price decline by 10%	-	(83,176,567)
Interest rate risk (Yield curve)	Interest rate curve (USD) incline by 50BPS	(9,569)	(25,002,760)
	Interest rate curve (NTD) incline by 50BPS	-	(11,858,039)
	Interest rate curve (Other currency) incline by 50BPS	(518)	(222,716)
	Interest rate curve (USD) decline by 50BPS	9,600	24,987,188
	Interest rate curve (NTD) decline by 50BPS	-	12,189,160
	Interest rate curve (Other currency) decline by 50BPS	520	227,081
Exchange rate risk (Foreign exchange rate)	NT\$ to all currency incline by 3%	(16,476,368)	(11,782,194)
	NT\$ to all currency decline by 3%	16,476,368	11,782,194

December 31, 2022			
Risk factor	Variation	Change in profit or loss	Change in Equity
Equity risk (Price index)	Price incline by 10%	-	66,468,482
	Price decline by 10%	-	(66,468,482)
Interest rate risk (Yield curve)	Interest rate curve (USD) incline by 50BPS	(6,905)	(39,515,967)
	Interest rate curve (NTD) incline by 50BPS	-	(12,438,041)
	Interest rate curve (Other currency) incline by 50BPS	(320)	(363,382)
	Interest rate curve (USD) decline by 50BPS	6,928	41,241,659
	Interest rate curve (NTD) decline by 50BPS	-	12,599,425
	Interest rate curve (Other currency) decline by 50BPS	321	375,488
Exchange rate risk (Foreign exchange rate)	NT\$ to all currency incline by 3%	(12,294,522)	(10,281,863)
	NT\$ to all currency decline by 3%	12,294,522	10,281,863

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

June 30, 2022			
Risk factor	Variation	Change in profit or loss	Change in Equity
Equity risk (Price index)	Price incline by 10%	-	67,021,715
	Price decline by 10%	-	(67,021,715)
Interest rate risk (Yield curve)	Interest rate curve (USD) incline by 50BPS	(7,595)	(39,038,562)
	Interest rate curve (NTD) incline by 50BPS	-	(12,815,877)
	Interest rate curve (Other currency) incline by 50BPS	(494)	(385,740)
	Interest rate curve (USD) decline by 50BPS	7,619	41,053,790
	Interest rate curve (NTD) decline by 50BPS	-	12,442,992
Exchange rate risk (Foreign exchange rate)	Interest rate curve (Other currency) decline by 50BPS	496	399,616
	NT\$ to all currency incline by 3%	(11,344,287)	(12,049,703)
	NT\$ to all currency decline by 3%	11,344,287	12,049,703

Sensitivity analysis (Subsidiary - Fubon Hyundai Life Insurance)

Units: KRW'000

June 30, 2023			
Risk factor	Variation	Change in profit or loss	Change in Equity
Equity risk (Price index)	Price incline by 10%	-	150,861,963
	Price decline by 10%	-	(150,861,963)
Interest rate risk (Yield curve)	Interest rate curve (USD) incline by 50BPS	-	(43,841,827)
	Interest rate curve (KRW) incline by 50BPS	-	(36,756,047)
	Interest rate curve (USD) decline by 50BPS	-	46,700,136
	Interest rate curve (KRW) decline by 50BPS	-	37,997,152
Exchange rate risk (Foreign exchange rate)	KRW to all currency incline by 3%	15,242,514	-
	KRW to all currency decline by 3%	(15,242,514)	-

December 31, 2022			
Risk factor	Variation	Change in profit or loss	Change in Equity
Equity risk (Price index)	Price incline by 10%	-	125,434,910
	Price decline by 10%	-	(125,434,910)
Interest rate risk (Yield curve)	Interest rate curve (KRW) incline by 50BPS	-	(52,211,254)
	Interest rate curve (KRW) decline by 50BPS	-	54,095,718
Exchange rate risk (Foreign exchange rate)	KRW to all currency incline by 3%	4,511,659	-
	KRW to all currency decline by 3%	(4,511,659)	-

June 30, 2022			
Risk factor	Variation	Change in profit or loss	Change in Equity
Equity risk (Price index)	Price incline by 10%	-	127,203,987
	Price decline by 10%	-	(127,203,987)
Interest rate risk (Yield curve)	Interest rate curve(KRW) incline by 50BPS	-	(65,168,774)
	Interest rate curve(KRW) decline by 50BPS	-	67,580,064
Exchange rate risk (Foreign exchange rate)	KRW to all currency incline by 3%	29,123,921	-
	KRW to all currency decline by 3%	(29,123,921)	-

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

- Note1: The sensitivity analysis of equity risk and interest rate risk mainly includes financial assets measured at fair value through profit or loss and financial assets measured at fair value through other comprehensive income. The scenario of equity risk includes stock and fund but excludes monetary funds and bond funds. As for the scenario of interest rate risk, it includes bonds and bond funds. The position of sensitivity analysis of exchange rate variation excludes foreign currency insurance policy, OIU assets and overseas funds denominated in NTD.
- Note2: The abovementioned sensitivity analysis is a scenario assumed that the impact of changes in risk factor on fair value is based on other factors which remained constant.
- Note3: Assuming other factors remain the same, an upward parallel shift in the yield curve for individual currency of 1 bp will affect \$(202) thousand, \$(145) thousand and \$(162) thousand in profit or loss and \$(748,266) thousand, \$(1,065,296) thousand and \$(1,062,131) thousand in equity on June 30, 2023, December 31 and June 30, 2022, respectively.
- Note4: Assuming other factors remain the same, an upward parallel shift in the yield curve for individual currency of 1 bp will affect KRW \$(1,652,132) thousand, \$(1,062,692) thousand and \$(1,327,007) thousand in equity on June 30, 2023, December 31 and June 30, 2022, respectively.

Hong Kong and Vietnam subsidiaries are considered nonsignificant to the consolidated disclosures after the Group's assessment, therefore, the data of Hong Kong and Vietnam subsidiaries are not disclosed.

(3) 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. 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 financial assets indexed to US dollar LIBOR. The alternative reference rate for US dollar LIBOR is the Secured Overnight Financing Rate (SOFR). In March 2021, the Financial Conduct Authority announced that from June 30, 2023, they will stop providing US dollar LIBOR nor will it be representative. The Group plans to finish the amend of the contract or implement an appropriate contingency clause to respond to the change in interest rate by July, 2023.

The IBOR reform mainly impact the operational and risk management processes and hedge accounting of the Group. The risks to which the Group is exposed as a result of IBOR reform are operational, for example, renegotiating contracts with counterparties, implementing new fallback clauses, updating of contractual terms, and revision of operational controls related to the reform. Financial risk is predominantly limited to interest rate risk. Due to the uncertainty of when and how the hedge items and hedging tool's will be replaced, if the timing of the replacement is not consistent, the Group shall re-evaluate the effectiveness of the hedging relationship.

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
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The Group monitors and manages the transition to alternative rates. The Group evaluates the extent to which contracts reference IBOR cash flows, whether such contracts will need to be amended as a result of IBOR reform and how to manage communication about IBOR reform with counterparties. The Group reports to the board of directors semiannually. It provides periodic reports to management on interest rate risk and the risks arising from IBOR reform.

The following tables show the total amounts of unreformed contracts and those without appropriate fallback language on June 30, 2023, December 31 and June 30, 2022. The amounts of financial assets and liabilities are shown at their carrying amounts, and derivatives are shown at their notional amounts.

	June 30, 2023	
	The total amounts of unreformed contracts	The total amounts without appropriate fallback provision
Financial instrument linked to USD LIBOR		
Bond investment (Note)	\$ 32,433,605	-
Asset securitization products	30,819,218	-
Structured products	247,189	247,189

Note: this includes \$31,385,914 thousand bonds which transfer interest rate benchmark one year before maturity and does not affect significantly to contract cash flow.

	December 31, 2022	
	The total amounts of unreformed contracts	The total amounts without appropriate fallback provision
Financial instrument linked to USD LIBOR		
Bond investment (Note)	\$ 31,575,645	-
Asset securitization products	30,399,071	-
Structured products	346,539	346,539

Note: this includes \$30,542,287 thousand bonds which transfer interest rate benchmark one year before maturity and does not affect significantly to contract cash flow.

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
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	June 30, 2022	
	The total amounts of unrefined contracts	The total amounts without appropriate fallback provision
Financial instrument linked to USD LIBOR		
Bond investment (Note)	\$ 31,870,888	-
Asset securitization products	29,429,831	-
Structured products	311,503	311,503

Note: this includes \$30,870,918 thousand bonds which transfer interest rate benchmark one year before maturity and does not affect significantly to contract cash flow.

	June 30, 2023	
	The total amounts of unrefined contracts	The total amounts without appropriate fallback provision
Derivatives linked to USD LIBOR		
Interest rate swap	\$ 8,025,046	-

	December 31, 2022	
	The total amounts of unrefined contracts	The total amounts without appropriate fallback provision
Derivatives linked to USD LIBOR		
Interest rate swap	\$ 7,914,987	-

	June 30, 2022	
	The total amounts of unrefined contracts	The total amounts without appropriate fallback provision
Derivatives linked to USD LIBOR		
Interest rate swap	\$ 7,661,877	-

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(e) Transfers of financial assets

The transferred financial assets of the Group that are not qualified for de-recognition in the daily operation, are mainly equity securities under lending agreements and government bonds with repurchase agreements. Since the right to receive cash flow is transferred and it reflects the associated liabilities to repurchase transferred financial assets at fixed price in future period, the Group cannot use, sell or pledge these transferred financial assets during the valid transaction period. The Group is still exposed to market risks, and therefore do not completely derecognize the transferred assets.

The table below discloses the information of financial assets that are not completely derecognized and the associated financial liabilities:

Units: NT\$'000

June 30, 2023					
Type of financial assets	Carrying amount of the transferred financial assets	Carrying amount of associated financial liabilities	Fair value of the transferred financial assets	Fair value of associated financial liabilities	Fair value net position
Financial assets measured at fair value through profit or loss — Securities lending agreements	2,873	-	2,873	-	2,873
Financial assets measured at amortized cost — Repurchase agreements	238,478	254,323	249,412	254,323	(4,911)

Units: NT\$'000

December 31, 2022					
Type of financial assets	Carrying amount of the transferred financial assets	Carrying amount of associated financial liabilities	Fair value of the transferred financial assets	Fair value of associated financial liabilities	Fair value net position
Financial assets measured at fair value through profit or loss — Securities lending agreements	858,140	-	858,140	-	858,140
Financial assets measured at fair value through other comprehensive income — Securities lending agreements	5,879,628	5,168,385	5,879,628	5,168,385	711,243
Bond investments without active market — Repurchase agreement	8,836,429	7,049,115	7,142,855	7,049,115	93,740

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Units: NT\$'000

June 30, 2022					
Type of financial assets	Carrying amount of the transferred financial assets	Carrying amount of associated financial liabilities	Fair value of the transferred financial assets	Fair value of associated financial liabilities	Fair value net position
Financial assets measured at fair value through profit or loss — Securities lending agreements	24,372	-	24,372	-	24,372

(f) Offsetting financial assets and financial liabilities

Although the Group engages in transactions that do not meet the offsetting condition in IFRSs, the Group has signed enforceable master netting agreements or similar agreements with counterparties. When both parties choose net settlement, the transactions will be allowed to settle in net amount after offsetting the financial assets and financial liabilities. Otherwise, the transactions will be settled in gross amount. However, if one party defaults, the other party could choose net settlement. Relevant information is shown as follows:

June 30, 2023						
Financial assets subject to enforceable master netting agreements and similar agreements						
	Gross amounts of recognized financial assets (a)	Gross amounts of recognized financial liabilities set off in the balance sheets (b)	Net amounts of financial assets presented in the balance sheets (c)=(a)-(b)	Related amounts not set off in the balance sheets (d)		
				Financial instruments (Note)	Cash collateral received	Net amount (e)=(c)-(d)
Derivative financial instruments and structured deposits	\$ 59,894,958	-	59,894,958	8,915,439	143,953	50,835,566
Reverse repurchase agreements	78,960,366	-	78,960,366	78,960,366	-	-
Total	\$ 138,855,324	-	138,855,324	87,875,805	143,953	50,835,566

June 30, 2023						
Financial liabilities subject to enforceable master netting agreements and similar agreements						
	Gross amounts of recognized financial liabilities (a)	Gross amounts of recognized financial assets set off in the balance sheets (b)	Net amounts of financial liabilities presented in the balance sheets (c)=(a)-(b)	Related amounts not set off in the balance sheets (d)		
				Financial instruments (Note)	Cash collateral pledged	Net amount (e)=(c)-(d)
Derivative financial instruments	\$ 35,319,334	-	35,319,334	10,441,413	7,429,567	17,448,354
Repurchase agreements	254,323	-	254,323	254,323	-	-
Total	\$ 35,573,657	-	35,573,657	10,695,736	7,429,567	17,448,354

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

December 31, 2022						
Financial assets subject to enforceable master netting agreements and similar agreements						
	Gross amounts of recognized financial assets (a)	Gross amounts of recognized financial liabilities set off in the balance sheets (b)	Net amounts of financial assets presented in the balance sheets (c)=(a)-(b)	Related amounts not set off in the balance sheets (d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash collateral received	
Derivative financial instruments and structured deposits	\$ 80,363,755	-	80,363,755	19,443,116	-	60,920,639
Reverse repurchase agreements	69,629,996	-	69,629,996	69,629,996	-	-
Total	\$ 149,993,751	-	149,993,751	89,073,112	-	60,920,639

December 31, 2022						
Financial liabilities subject to enforceable master netting agreements and similar agreements						
	Gross amounts of recognized financial liabilities (a)	Gross amounts of recognized financial assets set off in the balance sheets (b)	Net amounts of financial liabilities presented in the balance sheets (c)=(a)-(b)	Related amounts not set off in the balance sheets (d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash collateral pledged	
Derivative financial instruments	\$ 33,188,879	-	33,188,879	20,997,053	8,102,359	4,089,467
Repurchase agreements	12,217,500	-	12,217,500	12,217,500	-	-
Total	\$ 45,406,379	-	45,406,379	33,214,553	8,102,359	4,089,467

June 30, 2022						
Financial assets subject to enforceable master netting agreements and similar agreements						
	Gross amounts of recognized financial assets (a)	Gross amounts of recognized financial liabilities set off in the balance sheets (b)	Net amounts of financial assets presented in the balance sheets (c)=(a)-(b)	Related amounts not set off in the balance sheets (d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash collateral received	
Derivative financial instruments and structured deposits	\$ 58,877,087	-	58,877,087	14,687,361	-	44,189,726
Reverse repurchase agreements	85,592,031	-	85,592,031	85,592,031	-	-
Total	\$ 144,469,118	-	144,469,118	100,279,392	-	44,189,726

June 30, 2022						
Financial liabilities subject to enforceable master netting agreements and similar agreements						
	Gross amounts of recognized financial liabilities (a)	Gross amounts of recognized financial assets set off in the balance sheets (b)	Net amounts of financial liabilities presented in the balance sheets (c)=(a)-(b)	Related amounts not set off in the balance sheets (d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash collateral pledged	
Derivative financial instruments	\$ 63,776,427	-	63,776,427	21,098,020	9,973,818	32,704,589

(Note) Inclusive of master-netting arrangement and non-cash financial collateral.

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(AE) Structured entities

(a) Consolidated structured entities

The consolidated structured entities of the Group are real estate investment and management entities. The structured entities are consolidated because the Group is exposed, or has rights, to variable returns from its involvement with the entities and can affect those returns through its power over the entities. As of June 30, 2023, December 31 and June 30, 2022, the Group has provided a non-contractual obligation loan of \$29,378,228 thousand, \$28,431,649 thousand and \$28,002,632 thousand to the entities, respectively.

(b) Unconsolidated structured entities

- (1) The Group hold the following types equity of unconsolidated structured entities. The fund of unconsolidated structured entities is from the Group and an external third-party:

Type of structured entity	Nature and purpose	Rights of the Group
Private fund investment	Invest in private fund issued by outside fund manager to gain profit.	Investment in the units issued by fund or limited partnership rights.
Asset securitization product, real estate investment trust and secured loan	Invest in asset securitization product, real estate investment trust and secured loan to gain profit.	Investment in asset-backed securities issued by unconsolidated structured entities, principal and interest revenue

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

<u>June 30, 2023</u>	<u>Private fund investment</u>	<u>Asset securitization product, real estate investment trust and secured loan</u>
Assets held by the Group		
-Financial assets measured at fair value through profit or loss	\$ 188,458,555	36,045,021
-Financial assets measured at fair value through other comprehensive income	-	13,303,066
-Financial assets measured at amortized cost	-	55,893,608
-Loans	-	21,962,302
Total assets of the Group	<u>\$ 188,458,555</u>	<u>127,203,997</u>

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<u>December 31, 2022</u>	<u>Private fund investment</u>	<u>Asset securitization product, real estate investment trust and secured loan</u>
Assets held by the Group		
-Financial assets measured at fair value through profit or loss	\$ 174,850,508	36,785,958
-Financial assets measured at fair value through other comprehensive income	-	23,282,895
-Financial assets measured at amortized cost	-	45,001,408
-Loans	-	22,693,445
Total assets of the Group	<u>\$ 174,850,508</u>	<u>127,763,706</u>

<u>June 30, 2022</u>	<u>Private fund investment</u>	<u>Asset securitization product, real estate investment trust and secured loan</u>
Assets held by the Group		
-Financial assets measured at fair value through profit or loss	\$ 188,031,979	38,157,945
-Financial assets measured at fair value through other comprehensive income	-	24,073,370
-Financial assets measured at amortized cost	-	43,637,042
-Loans	-	21,741,263
Total assets of the Group	<u>\$ 188,031,979</u>	<u>127,609,620</u>

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

- (3) No financial support is provided for those unconsolidated private fund investments, asset securitization products and real estate investment trust for the six months ended June 30, 2023 and 2022.

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(AF) Capital management

The targets of capital management of the Company, per the regulations of Insurance Bureau, FSC, are to maintain minimum regulatory capital, monitor the adequacy of the ability of discharging, prevent possible risk from operation, protect the interests of the insured and realize the benefit of shareholders and other stakeholders.

Meanwhile, the capital management of the Company is restricted to other domestic regulations such as the operating deposit paid to the National Treasury Administration, legal reserve and special reserve. Please refer to Note 6(L) and (S).

The Company manages capital through monitoring the annual and semi-annual capital adequacy reports in order to ensure that the Company is equipped with adequate ability of discharging and rate of return.

In accordance with “Regulations Governing Capital Adequacy of Insurance Companies”, the level of capital adequacy is differentiated as norms that considers capital adequacy and net worth ratio. Capital adequacy refers to the ratio of the adjusted net capital to the risk-based capital, the net worth ratio is based on shareholder’s equity from the audited financial statement divided by total asset (excluding investments in separate insurance account). The competent authority asks that capital adequacy ratio of an insurance company which equals or exceeds 200% and where the net worth ratio equals or exceeds 3% is classified as adequate capital. The capital adequacy ratio of an insurance company lower than 200% or where the net worth ratio is lower than 3% is divided into three categories by severity: inadequate capital, significantly inadequate capital, and seriously inadequate capital. If the capital adequacy ratio of an insurance company is lower than 200% or when the net worth ratio is lower than 3% and does not meet the minimum adequacy capital ratio, then the repurchase of shares is prohibited and distribution of earnings will not be allowed for the applicable year. The competent authorities have standard procedures in place base on actual scenarios in place, procedures include and are not limited to ordering the insurance industry and management to increase capital for a limited amount of time or provide a financial improvement plan, ordering a stop to the sale of insurance products or limiting the development of new insurance plans, limiting the use of capital, assigning insurance agents to supervise or formulating other necessary procedures, etc.

The capital adequacy of the Company is located over 200% for the last two years, and the net worth ratio is located over 3% for the last two periods and it complies with the minimum ratio requested by the competent authority.

As of June 30, 2023, the Group’s method of capital management for the year remains the same.

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

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

The Group obtained a right of use asset through non-cash financing activities for the six months ended June 30, 2023 and 2022. Please refer to Note 6(J) for more information.

Reconciliation of liabilities arising from financing activities were as follows:

	<u>Bonds payable</u>	<u>Lease liabilities</u>
Balance of January 1, 2023	\$ 70,636,657	15,995,344
Cash flow used in financing activities		
Issuance of corporate bonds	4,155,887	-
Redemption of corporate bonds	(1,804,957)	-
Termination of lease liabilities	<u>-</u>	<u>(564,006)</u>
Subtotal	<u>2,350,930</u>	<u>(564,006)</u>
Items not affecting current cash flow		
Signing / renewing lease agreement and others	-	200,491
Amortization on discounts / premiums	(1,939)	-
Foreign exchange movement	<u>(548,753)</u>	<u>9,074</u>
Subtotal	<u>(550,692)</u>	<u>209,565</u>
Balance of June 30, 2023	<u>\$ 72,436,895</u>	<u>15,640,903</u>

	<u>Bonds payable</u>	<u>Lease liabilities</u>
Balance of January 1, 2022	\$ 66,436,709	15,911,554
Cash flow used in financing activities		
Issuance of corporate bonds	4,638,618	-
Redemption of corporate bonds	(698,370)	-
Termination of lease liabilities	<u>-</u>	<u>(506,125)</u>
Subtotal	<u>3,940,248</u>	<u>(506,125)</u>
Items not affecting current cash flow		
Signing / renewing lease agreement	-	492,018
Amortization on discounts / premiums	(5,580)	-
Foreign exchange movement	<u>(245,493)</u>	<u>(6,419)</u>
Subtotal	<u>(251,073)</u>	<u>485,599</u>
Balance of June 30, 2022	<u>\$ 70,125,884</u>	<u>15,891,028</u>

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(AH) Other

(a) The Group's significant financial assets and liabilities denominated in foreign currencies are disclosed as follows:

	June 30, 2023			December 31, 2022			June 30, 2022		
	Foreign Currency	Exchange Rate (Note 2)	NTD	Foreign Currency	Exchange Rate (Note 2)	NTD	Foreign Currency	Exchange Rate (Note 2)	NTD
Financial Assets									
Monetary items (Note 1)									
USD	\$ 86,624,513	31.135/30.894 /31.152/30.928	2,696,625,636	84,170,221	30.708/30.522 /30.723/30.966	2,585,315,544	85,341,593	29.726/29.550 /29.729/29.628	2,536,644,628
Non-monetary items (Note 1)									
USD	12,786,275	31.135/31.152 /30.928	398,091,262	11,212,669	30.708/30.723 /30.966	344,343,122	13,681,171	29.726/29.729 /29.628	406,675,385
EUR	1,218,176	33.791/33.767	41,163,111	1,467,643	32.765/32.755	48,087,961	1,415,991	30.918	43,779,632
Derivatives Financial Instruments (Note 1)									
USD	-	31.135/31.152 /30.928	2,459,353	-	30.708/30.723 /30.966	22,698,890	-	29.726/29.729 /29.628	1,167,943
Investments accounted for using equity method (Note 1)									
HKD	2,358,688	3.976	9,378,031	2,428,305	3.940	9,566,427	2,621,897	3.790	9,935,887
KRW	374,267,588	0.024	8,817,370	372,462,901	0.024	9,101,131	344,450,273	0.023	7,893,423
Financial Liabilities									
Monetary items (Note 1)									
USD	230,409	31.135/31.152	7,153,145	431,359	30.708/30.723	13,270,936	450,980	29.726/29.729	13,391,343
EUR	-	-	-	27,395	32.765	896,339	-	-	-
KRW	18,222,886	0.024	430,060	-	-	-	-	-	-
Non-monetary items (Note 1)									
USD	64	31.152	1,981	64	30.723	1,954	64	29.729	1,890
Derivatives Financial Instruments (Note 1)									
USD	-	31.135/30.928	35,319,262	-	30.708/30.966	33,188,879	-	29.726/29.628	63,776,427

Note 1: Each balance listed is greater than 5% of total amounts of the item.

Note 2: The adopted currency is based on the nature of the asset and liability.

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

- (b) The amounts of total assets and liabilities which will be recovered or settled within or more than 12 months of the balance sheet date are as follows:

Assets	June 30, 2023		
	Recovery within 12 months	Recovery beyond 12 months	Total
Cash and cash equivalents	\$ 176,218,984	-	176,218,984
Receivables	61,156,937	1,264,158	62,421,095
Current tax assets	174,823	8,911,025	9,085,848
Financial assets measured at fair value through profit or loss	478,217,527	912,599,424	1,390,816,951
Financial assets measured at fair value through other comprehensive income	39,866,492	272,801,250	312,667,742
Financial assets for hedging	966,246	288,340	1,254,586
Financial assets measured at amortized cost	2,700,011	2,660,091,697	2,662,791,708
Investments accounted for using equity method, net	-	27,047,257	27,047,257
Other financial assets, net	459,677	2,614,104	3,073,781
Investment property	-	314,179,884	314,179,884
Loans	8,821,726	228,626,670	237,448,396
Reinsurance assets	2,831,060	1,155,128	3,986,188
Property and equipment	-	19,349,266	19,349,266
Right of use assets	-	1,234,342	1,234,342
Intangible assets	-	5,438,488	5,438,488
Deferred tax assets	-	42,521,743	42,521,743
Other assets	9,006,992	24,824,707	33,831,699
Assets on insurance product, separate account	18,897,146	451,929,354	470,826,500
Total assets	\$ 799,317,621	4,974,876,837	5,774,194,458

Liabilities	June 30, 2023		
	Settlement within 12 months	Settlement beyond 12 months	Total
Accounts payable	\$ 39,503,132	253,475	39,756,607
Current tax liabilities	1,184,021	769,293	1,953,314
Short-term liabilities	254,323	-	254,323
Financial liabilities measured at fair value through profit or loss	32,540,303	96,433	32,636,736
Financial liabilities for hedging	2,357,092	325,506	2,682,598
Bonds payable	-	72,436,895	72,436,895
Lease liabilities	726,165	14,914,738	15,640,903
Insurance liabilities	36,580,435	4,543,855,095	4,580,435,530
Reserve for insurance with nature of financial instrument	-	3,430,112	3,430,112
Reserve for foreign exchange valuation	-	30,382,108	30,382,108
Liabilities reserve	-	11,501,945	11,501,945
Deferred tax liabilities	-	24,779,771	24,779,771
Other liabilities	4,433,914	5,574,478	10,008,392
Liabilities on insurance product, separate account	106,096,288	388,772,408	494,868,696
Total liabilities	\$ 223,675,673	5,097,092,257	5,320,767,930

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

Assets	December 31, 2022		
	Recovery within 12 months	Recovery beyond 12 months	Total
Cash and cash equivalents	\$ 249,234,118	-	249,234,118
Receivables	56,571,101	1,292,440	57,863,541
Current tax assets	5,366,602	3,147,283	8,513,885
Financial assets measured at fair value through profit or loss	447,283,873	781,046,750	1,228,330,623
Financial assets measured at fair value through other comprehensive income	15,843,063	601,098,865	616,941,928
Financial assets for hedging	1,602,461	1,000,185	2,602,646
Financial assets measured at amortized cost	2,661,710	2,255,509,094	2,258,170,804
Investments accounted for using equity method, net	-	26,928,118	26,928,118
Other financial assets, net	489,046	2,860,505	3,349,551
Investment property	-	304,777,201	304,777,201
Loans	8,976,631	240,707,298	249,683,929
Reinsurance assets	2,458,803	1,250,530	3,709,333
Property and equipment	-	19,404,602	19,404,602
Right of use assets	-	1,406,689	1,406,689
Intangible assets	-	5,788,413	5,788,413
Deferred tax assets	-	61,650,966	61,650,966
Other assets	9,876,681	24,792,275	34,668,956
Assets on insurance product, separate account	39,306,689	430,498,315	469,805,004
Total assets	\$ 839,670,778	4,763,159,529	5,602,830,307

Liabilities	December 31, 2022		
	Settlement within 12 months	Settlement beyond 12 months	Total
Accounts payable	\$ 61,814,967	256,964	62,071,931
Current tax liabilities	169,010	641,769	810,779
Short-term liabilities	12,217,500	-	12,217,500
Financial liabilities measured at fair value through profit or loss	29,234,427	-	29,234,427
Financial liabilities for hedging	3,790,282	164,170	3,954,452
Bonds payable	1,885,746	68,750,911	70,636,657
Lease liabilities	959,523	15,035,821	15,995,344
Insurance liabilities	35,753,653	4,512,628,116	4,548,381,769
Reserve for insurance with nature of financial instrument	-	3,366,163	3,366,163
Reserve for foreign exchange valuation	-	37,131,393	37,131,393
Liabilities reserve	168,766	11,653,786	11,822,552
Deferred tax liabilities	-	20,399,946	20,399,946
Other liabilities	9,066,107	5,240,987	14,307,094
Liabilities on insurance product, separate account	136,860,330	360,628,715	497,489,045
Total liabilities	\$ 291,920,311	5,035,898,741	5,327,819,052

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

Assets	June 30, 2022		
	Recovery within 12 months	Recovery beyond 12 months	Total
Cash and cash equivalents	\$ 213,974,425	-	213,974,425
Receivables	58,268,539	1,305,264	59,573,803
Current tax assets	3,979	4,425,521	4,429,500
Financial assets measured at fair value through profit or loss	403,372,012	808,561,842	1,211,933,854
Financial assets measured at fair value through other comprehensive income	19,988,346	669,571,039	689,559,385
Financial assets for hedging	792,606	54,740	847,346
Financial assets measured at amortized cost	6,981,900	2,193,489,263	2,200,471,163
Investments accounted for using equity method, net	-	25,744,021	25,744,021
Other financial assets, net	392,933	2,592,654	2,985,587
Investment property	-	303,987,864	303,987,864
Loans	6,248,879	253,338,288	259,587,167
Reinsurance assets	2,327,274	1,106,123	3,433,397
Property and equipment	-	19,252,494	19,252,494
Right of use assets	-	1,518,619	1,518,619
Intangible assets	-	5,428,160	5,428,160
Deferred tax assets	-	50,317,389	50,317,389
Other assets	11,629,737	24,432,753	36,062,490
Assets on insurance product, separate account	17,523,508	426,491,744	444,015,252
Total assets	\$ 741,504,138	4,791,617,778	5,533,121,916

Liabilities	June 30, 2022		
	Settlement within 12 months	Settlement beyond 12 months	Total
Accounts payable	\$ 34,980,208	229,211	35,209,419
Current tax liabilities	385,591	763,817	1,149,408
Financial liabilities measured at fair value through profit or loss	54,562,533	2,597,300	57,159,833
Financial liabilities for hedging	5,030,472	1,586,122	6,616,594
Bonds payable	2,224,550	67,901,334	70,125,884
Lease liabilities	813,196	15,077,832	15,891,028
Insurance liabilities	33,906,802	4,458,779,975	4,492,686,777
Reserve for insurance with nature of financial instrument	-	3,556,938	3,556,938
Reserve for foreign exchange valuation	-	28,009,238	28,009,238
Liabilities reserve	18,272	12,319,942	12,338,214
Deferred tax liabilities	-	10,652,521	10,652,521
Other liabilities	11,077,433	5,432,646	16,510,079
Liabilities on insurance product, separate account	134,997,171	331,264,079	466,261,250
Total liabilities	\$ 277,996,228	4,938,170,955	5,216,167,183

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

7. RELATED-PARTY TRANSACTIONS

(A) Names and relationships of related parties

<u>Names of related parties</u>	<u>Relationship with the Group</u>
Fubon Financial Holding Co., Ltd.	Parent company
Fubon Insurance Co., Ltd.	The same parent company
Taipei Fubon Commercial Bank Co., Ltd.	The same parent company
Fubon Securities Co., Ltd.	The same parent company
Fubon Bank (Hong Kong) Limited	The same parent company
Fubon Asset Management Co., Ltd.	The same parent company
Fubon Sports & Entertainment Co., Ltd.	Parent company's second-tier subsidiary
Fubon Insurance Agency Co., Ltd.	Parent company's second-tier subsidiary
Jih Sun International Commercial Bank Co., Ltd.	The Subsidiary Company of Fubon Financial Holdings, merged with Taipei Fubon Commercial Bank and eliminated in 2023 Q2
Jih Sun Life Insurance Agent Co., Ltd.	The Sub-subsidiary Company of Fubon Financial Holdings, merged with Taipei Fubon Commercial Bank and eliminated in 2023 Q2
Jih Sun Securities Investment Trust Co., Ltd.	The investee company under equity method by the subsidiary of parent's company
ZA Life Limited	The investee company under equity method by subsidiary of the Group
Hyundai Card Co., Ltd.	The investee company under equity method by the Group
Fubon Land Development Co., Ltd.	Affiliates
Taiwan Mobile Co., Ltd.	Affiliates
Taiwan Fixed Network Co., Ltd.	Affiliates
Fubon Culture and Education Foundation	Affiliates
Fubon Charity Foundation	Affiliates
Fubon Art Museum Foundation	Affiliates
Kbro Co., Ltd.	Affiliates
Fubon Property Management Co., Ltd.	Affiliates
Momo.com Inc.	Affiliates
Taipei City Government	Affiliates
Convoy Financial Service Ltd.	Affiliates
Taiwan High Speed Rail Corporation	Affiliates
Hyundai Commercial Inc.	Affiliates
Hyundai Mobis Co., Ltd.	Affiliates

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

<u>Names of related parties</u>	<u>Relationship with the Group</u>
Bluewalnut Co., Ltd.	Affiliates
H GREEN POWER INC.	Affiliates
HYUNDAI IHL CORPORATION	Affiliates
Global Information Technology Co., Ltd.	Affiliates
Ming Dong Industrial Co., Ltd.	Affiliates
Far Eastern International Bank Co., Ltd.	Affiliates
Century Development Corporation	Affiliates
China United Insurance Group Company Limited	Affiliates
Sharehope Medicine Co., Ltd.	Affiliates
Taiwan Business Bank, Ltd.	Affiliates
Fubon Art Museum Foundation	Affiliates
Other related parties	Directors, supervisors, managers and their close relatives, etc.

(B) Significant related party transactions

(a) Deposits with related parties

<u>Nature</u>	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Taipei Fubon Commercial Bank Co., Ltd.			
Check deposits	\$ 38,995	13,159	251,262
Demand deposits	5,372,117	20,677,980	10,590,773
Time deposits	1,452,779	9,952,779	6,952,779
Fubon Bank (Hong Kong) Limited			
Demand deposits	167,145	105,879	2,267,900
Far Eastern International Bank Co., Ltd.			
Demand deposits	1,897	1,870	1,817
Time deposits	8,000,000	7,500,000	9,500,000
Jih Sun International Commercial Bank Co., Ltd.			
Demand deposits	-	33,391	25,269
Taiwan Business Bank, Ltd.			
Demand deposits	257,463	260,837	261,255
Time deposits	<u>1,000,000</u>	<u>1,000,000</u>	<u>2,000,000</u>
Total	<u>\$ 16,290,396</u>	<u>39,545,895</u>	<u>31,851,055</u>

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(b) Interest receivable with related parties

<u>Name of related party</u>	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Taipei Fubon Commercial Bank Co., Ltd.	\$ 18,668	22,989	11,950
Far Eastern International Bank Co., Ltd.	14,201	15,158	2,618
Other (accounts with balance of less than \$10,000 thousand or 10% of total transaction balance)	1,953	1,347	550
Total	<u>\$ 34,822</u>	<u>39,494</u>	<u>15,118</u>

(c) Other receivable (payable) with related parties

<u>Names of related parties</u>	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Fubon Financial Holding Co., Ltd.	\$ (14,428)	(1,832)	(1,591)
Taipei Fubon Commercial Bank Co., Ltd.	(534,572)	(217,521)	(269,715)
Fubon Bank (Hong Kong) Limited	(27,583)	(750)	(9,713)
Fubon Insurance Co., Ltd.	271,749	276,799	338,829
Fubon Insurance Agency Co., Ltd.	(24,358)	(31,344)	(24,790)
Fubon Securities Co., Ltd.	(15,508)	(8,947)	(22,003)
Jih Sun Life Insurance Agent Co., Ltd.	-	(19,524)	-
Other (accounts with balance of less than \$10,000 thousand or 10% of total transaction balance)	4,778	1,340	(10,188)
Total	<u>\$ (339,922)</u>	<u>(1,779)</u>	<u>829</u>

(d) Joint declaration of tax

The Group and its parent company as well as its subsidiaries adopted the policy of jointly declaration of tax for declaring income tax and undistributed earnings. (Joint declaration of tax payable includes estimates payable pending for verification.)

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Joint declaration of tax-receivables (current income tax assets)	\$ 6,999,347	6,867,487	3,144,355
Joint declaration of tax-payable (current income tax liabilities)	1,944,639	641,769	824,653

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(e) Bonds transactions (including bonds issued by the Group) and derivatives transactions

(1) Sales / Matured

<u>Names of related parties</u>	<u>For the six months ended June 30,</u>	
	<u>2023</u>	<u>2022</u>
Taipei Fubon Commercial Bank Co., Ltd.	\$ <u>199,161</u>	<u>-</u>

(2) Bonds issued by the Group

<u>Names of related parties</u>	<u>June 30,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>	<u>June 30,</u> <u>2022</u>
Fubon Financial Holding Co., Ltd.	\$ 20,000,000	20,000,000	20,000,000
Hyundai Commercial Inc.	-	244,350	229,160
Hyundai Commercial Inc.(Note)	<u>2,355,900</u>	<u>2,443,500</u>	<u>2,291,600</u>
Total	<u>\$ 22,355,900</u>	<u>22,687,850</u>	<u>22,520,760</u>

Note: Recognized as equity of the Group.

Interest Payable

<u>Names of related</u>	<u>June 30,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>	<u>June 30,</u> <u>2022</u>
Fubon Financial Holding Co., Ltd.	\$ 189,370	552,329	189,370
Hyundai Commercial Inc.	<u>14,170</u>	<u>14,956</u>	<u>12,425</u>
Total	<u>\$ 203,540</u>	<u>567,285</u>	<u>201,795</u>

Interest Expense

<u>Names of related parties</u>	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Fubon Financial Holding Co., Ltd.	\$ 179,507	179,507	357,041	357,041
Hyundai Commercial Inc.	43,546	39,274	87,295	78,111
Total	<u>\$ 223,053</u>	<u>218,781</u>	<u>444,336</u>	<u>435,152</u>

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(3) Derivatives (at Principal Value)

The contract amounts:

Names of related parties	Financial Instruments	June 30, 2023	December 31, 2022	June 30, 2022
Taipei Fubon Commercial Bank Co., Ltd.	Foreign Exchange SWAP	\$ <u>34,871,200</u>	<u>21,495,600</u>	<u>28,536,960</u>

(f) Discretionary investment from related parties

Names of related parties	June 30, 2023	December 31, 2022	June 30, 2022
Fubon Asset Management Co., Ltd.	\$ <u>6,464,347</u>	<u>5,592,184</u>	<u>5,682,427</u>

(g) Certain investment funds managed from related parties are as follows:

Names of related parties	Retirement pension savings		
	June 30, 2023	December 31, 2022	June 30, 2022
Hyundai Mobis Co., Ltd.	\$ 8,061,605	9,649,589	7,096,561
Hyundai Commercial Inc.	1,224,805	1,298,868	1,008,660
Hyundai Card Co., Ltd.	2,824,434	2,990,213	2,305,953
Bluewalnut Co, Ltd	19,371	-	-
H GREEN POWER INC.	45,465	-	-
Global Information Technology Co., Ltd.	45,691	-	-
HYUNDAI IHL CORPORATION	145,756	-	-
Total	\$ <u>12,367,127</u>	<u>13,938,670</u>	<u>10,411,174</u>

Names of related parties	Handling fee income			
	For the three months ended June 30,		For the six months ended June 30,	
	2023	2022	2023	2022
Hyundai Mobis Co., Ltd.	\$ 5,256	3,873	10,561	7,687
Hyundai Commercial Inc.	1,416	1,262	2,746	2,415
Hyundai Card Co., Ltd.	3,190	2,778	6,317	5,462
Bluewalnut Co, Ltd	47	-	69	-
H GREEN POWER INC.	26	-	51	-
Global Information Technology Co., Ltd.	46	-	46	-
HYUNDAI IHL CORPORATION	69	-	136	-
Total	\$ <u>10,050</u>	<u>7,913</u>	<u>19,926</u>	<u>15,564</u>

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(h) Certain investment funds purchased from related parties are as follows:

<u>Names of related parties</u>	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Fubon Asset Management Co., Ltd.	\$ 23,010,065	16,406,561	15,910,468
Jih Sun Securities Investment Trust Co., Ltd.	5,031,721	4,316,601	2,202,648
Total	<u>\$ 28,041,786</u>	<u>20,723,162</u>	<u>18,113,116</u>

(i) Shares undertaken by the Group from related parties are as follows:

<u>Names of related parties</u>	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Century Development Corporation	\$ 357,109	216,282	294,013
China United Insurance Holding Co., Ltd.	8,400,992	8,281,059	8,183,595
Others (accounts with balance of less than \$10,000 thousand or 10% of total transaction balance)	8,549	7,581	4,471
	<u>\$ 8,766,650</u>	<u>8,504,922</u>	<u>8,482,079</u>

(j) The Group balances Fubon No.1 REIT and Fubon No.2 REIT:

<u>Names of related parties</u>	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Fubon No.1 Real Estate Investment Trust	\$ 846,126	897,235	938,689
Fubon No.2 Real Estate Investment Trust	1,039,039	1,108,308	1,141,120
	<u>\$ 1,885,165</u>	<u>2,005,543</u>	<u>2,079,809</u>

(k) Property transactions

<u>Names of related parties</u>	<u>For the six months ended June 30,</u>	
	<u>2023</u>	<u>2022</u>
Fubon Land Development Co., Ltd.	\$ 24,175	23,215
Taipei City Government	63,899	-
Total	<u>\$ 88,074</u>	<u>23,215</u>

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(l) Loans to related parties are as follows:

(1) Secured loans

June 30, 2023						
Category	Name of related party	Maximum Amount	Ending Balance	Performing situation	Collateral	Collateral terms are the same with other regular clients
Residence mortgage loans	22 affiliates	\$ <u>149,865</u>	<u>128,499</u>	Normal	Real estate	No
December 31, 2022						
Category	Name of related party	Maximum Amount	Ending Balance	Performing situation	Collateral	Collateral terms are the same with other regular clients
Residence mortgage loans	31 affiliates	\$ <u>203,608</u>	<u>174,138</u>	Normal	Real estate	No
June 30, 2022						
Category	Name of related party	Maximum Amount	Ending Balance	Performing situation	Collateral	Collateral terms are the same with other regular clients
Residence mortgage loans	32 affiliates	\$ <u>222,340</u>	<u>218,507</u>	Normal	Real estate	No

No significant difference on the above-mentioned related party transactions on residence mortgage loan and trade conditions with a non-related party.

(2) Life insurance loans:

June 30, 2023						
Category	Name of related party	Maximum Amount	Ending Balance	Performing situation	Collateral	Collateral terms are the same with other regular clients
Life insurance loans	71 affiliates	\$ <u>37,015</u>	<u>33,932</u>	Normal	Policy value	No
December 31, 2022						
Category	Name of related party	Maximum Amount	Ending Balance	Performing situation	Collateral	Collateral terms are the same with other regular clients
Life insurance loans	97 affiliates	\$ <u>47,232</u>	<u>37,148</u>	Normal	Policy value	No
June 30, 2022						
Category	Name of related party	Maximum Amount	Ending Balance	Performing situation	Collateral	Collateral terms are the same with other regular clients
Life insurance loans	92 affiliates	\$ <u>43,443</u>	<u>41,260</u>	Normal	Policy value	No

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

No significant difference on the above-mentioned related party transactions on life insurance loan and trade conditions with a non-related party.

(m) Prepayment (advance receipt)

<u>Names of related parties</u>	<u>Nature</u>	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Taipei Fubon Commercial Bank Co., Ltd.	Incentives	\$ 16,914	-	-
Fubon Insurance Co., Ltd.	Prepaid insurance expenses	10,285	27,382	9,511
Taipei City Government	Guarantee deposit	89,419	-	-
Other (accounts with balance of less than \$10,000 thousand or 10% of total transaction balance)		3,372	2,768	2,797
Total		<u>\$ 119,990</u>	<u>30,150</u>	<u>12,308</u>

(n) Rental expense and refundable deposits

(1) Guarantee deposit paid

<u>Names of related parties</u>	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>	<u>Note</u>
Fubon Insurance Co., Ltd.	\$ 23,505	23,760	23,760	Office rent
Taipei City Government	1,305,636	1,305,586	1,286,594	Bid bond/ Superficies
Fubon No.1 Real Estate Investment Trust	33,389	32,020	33,360	Office rent / Parking lot rent
Others (accounts with balance of less than \$10,000 thousand or 10% of total transaction balance)	13,814	13,774	13,774	Office rent
Total	<u>\$ 1,376,344</u>	<u>1,375,140</u>	<u>1,357,488</u>	

(2) Right-of-use assets and lease liabilities

<u>Names of related parties</u>	<u>Right-of-use assets</u>		
	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Ming Dong Industrial Co., Ltd.	6,682	8,882	11,117
Fubon No.1 Real Estate Investment Trust	139,761	140,096	204,251
Fubon No.2 Real Estate Investment Trust	22,275	19,383	27,761
Fubon Insurance Co., Ltd.	48,105	95,855	145,358
Affiliates	49,662	66,010	82,624
Others (accounts with balance of less than 10,000 thousand or 10% of total transaction balance)	1,222	1,646	2,215
Total	<u>\$ 267,707</u>	<u>331,872</u>	<u>473,326</u>

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

<u>Names of related parties</u>	<u>Lease liabilities</u>		
	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Ming Dong Industrial Co., Ltd.	6,962	9,202	11,399
Fubon No.1 Real Estate Investment Trust	138,600	139,917	201,835
Fubon No.2 Real Estate Investment Trust	21,386	18,796	26,630
Fubon Insurance Co., Ltd.	46,615	92,491	138,576
Affiliates	51,748	68,398	84,732
Others (accounts with balance of less than \$10,000 thousand or 10% of total transaction balance)	1,139	1,542	2,080
Total	<u>\$ 266,450</u>	<u>330,346</u>	<u>465,252</u>

(3) Right-of-use assets and lease liabilities - Investment Property — Superficies

<u>Names of related parties</u>	<u>Right-of-use assets</u>		
	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Taipei City Government	<u>\$ 30,408,232</u>	<u>28,656,799</u>	<u>29,630,867</u>

<u>Names of related parties</u>	<u>Lease liabilities</u>		
	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Taipei City Government	<u>\$ 7,783,552</u>	<u>7,992,975</u>	<u>7,866,049</u>

The above-mentioned leases were operating leases and the terms of transactions were similar to those with non-related parties.

(o) Refundable deposits, performance guarantee, rental revenue and unearned rental revenue

(1) Guarantee deposits received

<u>Names of related parties</u>	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Momo.com Inc.	\$ 46,649	46,649	46,649
Taiwan Mobile Co., Ltd.	9,012	8,999	10,640
Fubon Art Foundation	29,719	29,719	29,719
Sharehope Medicine Co., Ltd.	17,912	17,912	17,912
Fubon Insurance Co., Ltd.	39,747	39,874	39,874
Taipei Fubon Commercial Bank Co., Ltd.	10,318	10,318	10,318
Hyundai Card Co., Ltd.	6,767	20,987	19,682
Others (accounts with balance of less than \$10,000 thousand or 10% of total transaction balance)	41,019	45,743	45,045
Total	<u>\$ 201,143</u>	<u>220,201</u>	<u>219,839</u>

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(2) Performance guarantee

Names of related parties	June 30, 2023	December 31, 2022	June 30, 2022
Sharehope Medicine Co., Ltd.(Note)	\$ <u>270,642</u>	<u>269,296</u>	<u>267,956</u>

Note: Sharehope Medicine Co., Ltd. and Taoyuan Min Sheng General Hospital (non-related party) jointed for performance bond.

(3) Rental revenue

Names of related parties	For the three months ended June 30,		For the six months ended June 30,	
	2023	2022	2023	2022
Momo.com Inc.	\$ 46,890	46,747	93,639	91,905
Fubon Insurance Co., Ltd.	37,950	38,039	76,012	76,027
Taipei Fubon Commercial Bank Co., Ltd.	12,159	12,129	24,283	24,252
Taiwan Mobile Co., Ltd.	9,068	10,684	18,213	21,528
Kbro Media Co., Ltd.	-	1,006	466	38,743
Hyundai Card Co., Ltd.	8,109	12,212	20,123	26,756
Taiwan Fixed Network Co., Ltd.	7,801	7,799	15,641	15,575
Kbro Co., Ltd.	5,857	5,848	11,715	11,696
Sharehope Medicine Co., Ltd.	9,953	9,903	19,881	19,782
Fubon Financial Holding Co., Ltd.	8,744	8,317	17,367	14,421
Hyundai Card Co., Ltd.	-	4,562	-	9,078
Others (accounts with balance of less than \$10,000 thousand or 10% of total transaction balance)	21,066	17,119	43,218	26,052
Total	\$ <u>167,597</u>	<u>174,365</u>	<u>340,558</u>	<u>375,815</u>

Rental revenues from real estate investment amounted to \$167,421 thousand \$187,747 thousand for the three months ended June 30, 2023 and 2022, \$340,191 thousand and \$348,621 thousand for the six months ended June 30, 2023 and 2022, respectively. Rental revenues from real investment property are accounted for gains on investment property.

Unearned rental revenue, accounted for other liabilities, amounted to \$7,146 thousand, \$7,269 thousand and \$7,056 thousand as of June 30, 2023, December 31 and June 30, 2022, respectively.

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(p) Gross Written Premiums

<u>Name of related parties</u>	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Fubon Insurance Co., Ltd.	\$ 10,412	7,217	20,936	14,479
Fubon Securities Co., Ltd.	10,282	8,323	19,013	16,720
Taipei Fubon Commercial Bank Co., Ltd.	28,335	25,903	54,978	52,155
Taiwan High Speed Rail Corporation	10,169	6,958	18,216	13,071
Momo.com Inc.	9,135	5,260	12,726	10,434
Affiliates	200	10,452	10,032	20,614
Others (accounts with balance of less than \$10,000 thousand or 10% of total transaction balance)	140,428	131,064	293,284	333,544
Total	<u>\$ 208,961</u>	<u>195,177</u>	<u>429,185</u>	<u>461,017</u>

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

(q) Commission revenues

<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>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Fubon Asset Management Co., Ltd.	<u>\$ 1,619</u>	<u>1,705</u>	<u>3,266</u>	<u>3,477</u>

(r) Commission expense

<u>Names of related parties</u>	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Taipei Fubon Commercial Bank Co., Ltd.	\$ 1,372,095	852,713	3,089,008	2,185,592
Fubon Insurance Agency Co., Ltd.	54,219	55,058	117,681	118,539
Fubon Bank (Hong Kong) Limited	48,975	62,775	99,319	168,175
Convoy Financial Service Ltd.	7	14,509	100	15,244
Jih Sun Life Insurance Agent Co., Ltd.	47,434	22,633	168,689	68,684
Others (accounts with balance of less than \$10,000 thousand or 10% of total transaction balance)	1,711	4,446	2,169	6,852
Total	<u>\$ 1,524,441</u>	<u>1,012,134</u>	<u>3,476,966</u>	<u>2,563,086</u>

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

The above commission includes deferred commission, the details of which are as follows:

<u>Names of related parties</u>	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Taipei Fubon Commercial Bank Co., Ltd.	\$ 9,295	5,189	4,386
Fubon Insurance Agency Co., Ltd.	79,030	78,791	78,520
Total	<u>\$ 88,325</u>	<u>83,980</u>	<u>82,906</u>

(s) Interest income with related parties

<u>Names of related parties</u>	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Taipei Fubon Commercial Bank Co., Ltd.	\$ 78,575	18,864	175,129	44,982
Taiwan Business Bank, Ltd.	3,896	4,901	6,244	12,645
Far Eastern International Bank Co., Ltd.	29,852	8,988	77,129	17,954
Others (accounts with balance of less than \$10,000 thousand or 10% of total transaction balance)	322	3,429	680	7,530
Total	<u>\$ 112,645</u>	<u>36,182</u>	<u>259,182</u>	<u>83,111</u>

(t) Marketing revenue

<u>Names of related parties</u>	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Fubon Insurance Co., Ltd.	\$ 293,667	329,474	537,635	572,929
Taipei Fubon Commercial Bank Co., Ltd.	5,811	4,797	10,227	9,581
Others (accounts with balance of less than \$10,000 thousand or 10% of total transaction balance)	307	309	555	743
Total	<u>\$ 299,785</u>	<u>334,580</u>	<u>548,417</u>	<u>583,253</u>

(u) Marketing expense

<u>Names of related parties</u>	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Fubon Securities Co., Ltd.	\$ 15,955	22,586	26,204	54,947
Others (accounts with balance of less than \$10,000 thousand or 10% of total transaction balance)	4,641	2,852	7,019	4,916
Total	<u>\$ 20,596</u>	<u>25,438</u>	<u>33,223</u>	<u>59,863</u>

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(v) Other revenues

Names of related parties	Nature	For the three months ended June 30,		For the six months ended June 30,	
		2023	2022	2023	2022
Fubon Securities Co., Ltd.	Security lending handling fee income	\$ 8,291	2,386	18,393	3,529
ZA Life Limited	Transferral income and service fee income	3,064	4,331	8,160	10,965
Others (accounts with balance of less than \$10,000 thousand or 10% of total transaction balance)	Other revenue	358	-	577	142
Total		<u>\$ 11,713</u>	<u>6,717</u>	<u>27,130</u>	<u>14,636</u>

(w) Other expenses

Names of related parties	Nature	For the three months ended June 30,		For the six months ended June 30,	
		2023	2022	2023	2022
Fubon Securities Co., Ltd.	Entrusted with the sale of fee and consignment trading handling fees	\$ 33,424	18,547	57,849	46,248
Fubon Property Management Co., Ltd.	Building management fees, investment property fees, etc.	34,929	30,164	65,322	60,328
Fubon Insurance Co., Ltd.	Property insurance fees	12,479	11,923	28,904	26,315
Taiwan Fixed Network Co., Ltd.	Telephone fees and communication service fees etc.	31,215	28,579	50,706	41,807
Taipei Fubon Commercial Bank Co., Ltd.	Bank charge, custodian fees, etc.	251,276	245,592	459,109	471,131
Fubon Bank (Hong Kong) Limited	Bank charge and sales fee	14,580	7,984	22,410	19,386
Fubon Culture and Education Foundation	Donation fees	-	18,426	-	18,426
Fubon Charity Foundation	Donation fees	390	22,438	13,590	33,978
Fubon Art Foundation	Donation fees	20,770	12,358	20,770	12,358
Fubon Sports & Entertainment Co., Ltd.	Advertisement, stationery and printing, etc.	73,608	57,803	151,901	110,305
Hyundai Card Co., Ltd.	Credit card processing fees	176,354	4,185	180,578	10,095
Fubon Art Museum Foundation	Donation fees	30,000	-	30,000	-
Others (accounts with balance of less than \$10,000 thousand or 10% of total transaction balance)		22,642	23,506	47,536	55,198
Total		<u>\$ 701,667</u>	<u>481,505</u>	<u>1,128,675</u>	<u>905,575</u>

(C) Major management remuneration information

	For the three months ended June 30,		For the six months ended June 30,	
	2023	2022	2023	2022
Remuneration and other short-term employee benefits	\$ 92,674	103,616	188,660	207,342
Other long-term employee benefits	470	448	825	831
Post-employment benefits	4,778	4,378	9,618	8,357
Total	<u>\$ 97,922</u>	<u>108,442</u>	<u>199,103</u>	<u>216,530</u>

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

8. ASSETS PLEDGED AS SECURITY

Pledged assets are as follows:

<u>Pledged assets</u>	<u>Purpose of pledge</u>	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Government bonds(recognized as financial assets measured at FVOCI)	Collaterals for derivatives transactions	\$ 1,220,331	472,820	3,389,463
Government bonds (recognized as financial assets measured at amortized costs)	Collaterals for derivatives transactions	1,714,711	2,945,813	6,266,241
Corporate bonds (recognized as financial assets measured at amortized costs)	Bank overdraft	235,590	-	-
Checking account (recognized as other financial assets)	Other	143	73	68
Government bonds (recognized as guarantee — lawful guarantee)	Guarantee deposits for insurance business	16,076,575	15,977,717	15,944,518
Time deposits (recognized as guarantee — lawful guarantee)	Guarantee deposits for insurance business	15,839	15,612	15,324
Time deposits (recognized as guarantee — other)	Guarantee deposits for insurance business, new construction guarantee deposit	1,452,353	1,452,517	1,452,666
Total		<u>\$ 20,715,542</u>	<u>20,864,552</u>	<u>27,068,280</u>

Pursuant to the requirements of Articles 141 and 142 of the Insurance Law, government bonds were deposited in the Central Bank of the republic of China as guarantee for Fubon Life Insurance's insurance business. Fubon Life Insurance (Vietnam) Co., Ltd. deposited saving deposit in the local bank which was authorized by the Vietnam government.

9. COMMITMENTS AND CONTINGENCIES

(A) The Group have contingent liabilities of lawsuits arising from daily operating activities. Other than cases which have already made provision, several lawsuits are still in process and appointed to Group's legal affairs department or lawyers. Group will recognize relevant losses when professional opinions and reasonable estimated loss are available.

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(B) Significant unrecognized commitments

The Group's signed but unrecognized new construction contract and acquisitions amount of investment and owner-occupied properties are as follow:

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
New construction contracts	\$ 5,189,506	3,908,441	6,447,133
Purchased investment properties	-	2,251,093	2,251,093
Total	<u>\$ 5,189,506</u>	<u>6,159,534</u>	<u>8,698,226</u>

(C) The Group signed private fund contracts. The maximum amount of investment commitments that has not been funded is (in thousands):

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
USD	<u>\$ 3,171,030</u>	<u>3,379,453</u>	<u>3,869,161</u>
EUR	<u>\$ 944,299</u>	<u>665,749</u>	<u>823,432</u>
KRW	<u>\$ 169,199,786</u>	<u>182,756,598</u>	<u>196,896,562</u>
NTD	<u>\$ 343,667</u>	<u>470,333</u>	<u>187,000</u>

Note: The unfunded commitments excluded unsettled trades.

(D) On March 31, 2020, the Group signed a joint investment contract to invest in Star Shining Energy Co., Ltd by phases. Total investment amount should not exceed NTD 2.4 billion. As of June 30, 2023, the Group has not yet invested NTD 300 million as per the agreement above.

(E) On June 24, 2022, the Group signed a joint investment contract to invest in Aquastar Energy Corporation by phases. Total investment amount should not exceed NTD 315 million. As of June 30, 2023, the Group has not yet invested NTD 135 million as per the agreement above.

(F) On June 9, 2023, the Group signed a joint venture agreement to invest in Whole Max Green Power Co, Ltd by phases. The investment amount will not exceed NTD 627 million. As of June 30, 2023, the Group has not yet invested NTD 150 million as per the agreement above.

10. LOSSES DUE TO MAJOR DISASTERS: None.

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

11. SUBSEQUENT EVENTS

- (A) To enhance operating capital, strengthen financial structure and increase capital adequacy ratio, the Company planned on issuing 10 years or above unsecured cumulative subordinated corporate bonds, with an issue limit of NTD 25 billion or the equivalent in foreign currency. And it was approved by the Insurance Bureau of the Financial Supervisory Commission on July 5, 2023.
- (B) On July 28, 2023, the Company was approved under the Jing Shen No.11200081150 by the Investment Commission, MOEA to inject capital to Fubon Hyundai Life Insurance Co., Ltd with KRW 392.5 billion, it is estimated that the capital injection procedure is estimated to be completed before the end of third quarter.
- (C) On August 16, 2023, the Company was approved to inject capital to Aquastar Energy Corporation by phases by the Board of Directors. The investment amount will not exceed NTD 826.5 million, and the Company will apply to the Financial Supervisory Commission for approval.

12. OTHER

- (A) Personnel expenses, depreciation and amortization for the periods ended June 30, 2023 and 2022 are categorized by function as follows:

Units: NT\$'000

Function	For the three months ended June 30,					
	2023			2022		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Nature						
Employees Benefits						
Salaries and wages	2,464,127	1,512,600	3,976,727	2,062,142	1,611,893	3,674,035
Labor and health insurance	-	401,322	401,322	-	378,742	378,742
Pension	41,126	193,222	234,348	40,537	186,009	226,546
Remuneration of directors	-	8,845	8,845	-	11,823	11,823
Other	-	402,920	402,920	-	332,780	332,780
Depreciation	-	276,254	276,254	-	281,329	281,329
Amortization	-	107,698	107,698	-	74,815	74,815

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

Function Nature	For the six months ended June 30,					
	2023			2022		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Employees Benefits						
Salaries and wages	4,980,852	2,943,373	7,924,225	4,374,349	3,139,449	7,513,798
Labor and health insurance	-	793,040	793,040	-	747,720	747,720
Pension	81,812	378,962	460,774	80,721	364,434	445,155
Remuneration of directors	-	19,602	19,602	-	23,476	23,476
Other	-	786,893	786,893	-	663,059	663,059
Depreciation	-	553,481	553,481	-	568,986	568,986
Amortization	-	212,554	212,554	-	149,732	149,732

- (B) When conducting business or transaction, joint business promotion as well as information and facilities sharing with Fubon Financial Holdings Co., Ltd. and other associates, the Group is using a direct allocation method based on the business characteristic or other reasonable methods to allocate income, cost, expense and profit or loss to each counterparty.
- (C) The borrowing that meets cash flow arising from payment of major insurance claims: None.
- (D) The details of the market values of investments which were held for investment purpose by the discretionary investment trust fund, refer to Note 6(B)(b).
- (E) The information of discontinued operations: None.
- (F) The adjustment of significant units and significant reform of management regulation: None.
- (G) The significant impact due to variation of government rules: None.
- (H) Since Russia launched an invasion of Ukraine in February 2022, Russia was subject to severe international sanctions, and international credit rating agencies downgraded the credit rating for Russian bonds. The Group is closely monitoring and evaluating the credit risk of Russian bonds, the relevant bonds' ability to pay interest and principal and will continuously evaluate the credit risk and recognize the expected credit loss associated to the risk.

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(I) Reclassifications of financial assets

Since 2022, the major central banks led by Federal Reserve System have adopted the tight monetary policy, which made the stock, bond and foreign exchange markets experience drastic and unprecedented turmoil. Then, the interest rates have risen to the extreme level defined by the International Insurance Capital Standards (ICS). Therefore, in accordance with IFRS 9 "Financial Instruments" and the Ji Mi No.0000000354 "Financial Asset Reclassification Concerns of an insurer arising from Changes in the Business Model for Managing Financial Assets due to Drastic Changes in the International Economic Situation" issued on October 7, 2022 by the Accounting Research and Development Foundation of the Republic of China (ARDF), the Company adjusted the business model of related managed activities and oversea bonds investment based on the major changes from the external financial environment. The Company reclassified part of the financial assets which measured at fair value through other comprehensive income to measured at amortized cost on January 1, 2023.

After the reclassification of financial assets by the Company on January 1, 2023, other equity interest increased by \$69,877,356 thousand, financial assets measured at amortized cost increased by \$380,841,976 thousand, financial assets measured at fair value through other comprehensive income decreased by \$293,497,526 thousand, and deferred tax assets decreased by \$17,467,094 thousand.

The subsidiary, Fubon Hyundai Life Insurance Co., Ltd., reclassified part of the U.S. bonds from financial assets measured at amortized cost to financial assets measured at fair value through other comprehensive income to increase cash management flexibility and avoid significant increases in capital requestments. At the same time, considering the relatively low cost of required capital for Korean bonds and asset-liability management, the subsidiary planned to hold domestic bonds by collecting the contractual cash flow. Therefore, the subsidiary reclassified part of Korean bonds from financial assets measured at fair value through other comprehensive income to financial assets measured at amortized cost.

After the reclassification of financial assets by the subsidiary, Fubon Hyundai Life Insurance Co., Ltd., on January 1, 2023, the Group's other equity interest increased by \$129,337 thousand, financial assets measured at amortized cost decreased by \$7,232,181 thousand, financial assets measured at fair value through other comprehensive income increased by \$7,449,761 thousand, deferred tax assets decreased by \$50,478 thousand, and non-controlling interests increased by \$37,765 thousand.

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

The above financial assets of the Group which measured at fair value through other comprehensive income were reclassified to measured at amortized cost on January 1, 2023. As of June 30, 2023, the fair value of the above reclassified financial assets that have not been derecognized amounted to \$314,322,102 thousand. Without reclassification on January 1, 2023, the pro forma information on June 30, 2023, other equity interest decreased by \$66,561,582 thousand and non-controlling interests decreased by \$281,797 thousand. Then, for the six months ended June 30, 2023, the fair value gain (after tax) to be recognized in other comprehensive income would have been \$4,546,007 thousand (including the derecognized parts at the end of the period). Of which, equity attributable to owners of the parent company and non-controlling interests were \$4,484,417 thousand and \$61,590 thousand, respectively.

The Company will follow the regulations of Gin Guan Bao Tsai No.11104942741. The Company reclassified the financial assets measured at fair value through other comprehensive income to financial assets measured at amortized cost. The changes in the fair value from reclassified financial assets should be included in the debit balance on other equity interest in accordance with Gin Guan Bao Tsai No. 11004920441. The amount incurred in the current year shall be provided for in the special reserve. If the net amount of changes in the fair value from reclassification of financial assets (including disposals) and debit balance on other equity interest is reversed, the special reserve appropriated may be distributed for the reversed portion.

13. OTHER DISCLOSURES

(A) Information on Significant Transactions:

In accordance with the “Regulations Governing the Preparation of Financial Reports by Insurance Enterprises”, the Group disclosed the information on significant transactions for the six months end June 30, 2023 as follows:

(a) Acquisition of real property over \$100,000 thousand or 20% of capital :

Acquiring Company	Property Name	Occurrence Date	Amount	Amount Paid	Counterparty	Relationship	Previous transfer information, as counterparty is a related party.				Reference for price	Purpose and usage	other
							Owner	Relations with the issuer	Transfer Date	Amount			
Fubon Life Insurance Co., Ltd.	Land: Land No. 1, Fenghuang Lane, Jianxing Lane, Hukou Township, Hsinchu County	2022.04.27	2,648,345 (Note1)	Paid in full	TA SAN SHANG International Container Terminal Co., Ltd.	Not related party	-	-	-	-	Referred to market price and appraisal reports	Investment Property	Transfer completed on April 27, 2023.
Fubon Life Insurance Co., Ltd.	Capacity transfer for land development case of Lane No. 723, 725, 2 Lane, Yucheng Section, Nangang District, Taipei City.	2022.08.12	1,085,207 (Note2)	Paid in full	Taipei City Government	Related party	Not applicable	Not applicable	Not applicable	-	Not applicable	Apply capacity transfer for development case	Acquired the permit certificate of urban building capacity transfer from the Taipei City Government on April 20, 2023.

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

Acquiring Company	Property Name	Occurrence Date	Amount	Amount Paid	Counterparty	Relationship	Previous transfer information, as counterparty is a related party.				Reference for price	Purpose and usage	other
							Owner	Relations with the issuer	Transfer Date	Amount			
Fubon Life Insurance Co., Ltd.	New-build program of A25 superfacies	2014.07.29~2023.06.29	13,158,648	Payment based on construction progress	Li Jin Engineering Co., Ltd., etc.	Including related party and unrelated party	Not applicable	Not applicable	Not applicable	-	Comparison, negotiation, and administrative tax and fee	Investment Property	1. The case had acquired the user license in January 2023. 2. The acceptance and improvements are ongoing, and the total program costs have not yet been finalized. 3. Transactions with related parties include an administrative consulting contract of \$161,160 thousand with Fubon Land Development Co., a consulting contract of \$4,300 thousand with Fubon Art Foundation, and the administrative tax charge from the Taipei City Government.
Fubon Life Insurance Co., Ltd.	New-build superfacies program in Xinmin Section of Beitou	2014.05.30~2023.06.26	1,610,410	Payment based on construction progress	Dehwa Construction Co., Ltd., etc.	Including related party and unrelated party	Not applicable	Not applicable	Not applicable	-	Comparison, negotiation, and administrative tax and fee	Investment Property	Transactions with related parties include an administrative consulting contract of \$26,840 thousand with Fubon Land Development Co. and the administrative tax charge from the Taipei City Government.
Fubon Life Insurance Co., Ltd.	New-build program of the northern base of Chengde Building	2012.03.09~2023.02.16	2,862,510	Payment based on construction progress	Dehwa Construction Co., Ltd., Da-Link Architects and Associates, etc.	Including related party and unrelated party	Not applicable	Not applicable	Not applicable	-	Comparison, negotiation, and administrative tax and fee	Investment Property	Transactions including the administrative tax and fee from related party Taipei City Government
Fubon Life Insurance Co., Ltd.	New-build program (urban renewal) of the southern base of Chengde Building	2012.03.09~2023.06.16	191,158	Payment based on construction progress	QlabArchitects, etc.	Including related party and unrelated party	Not applicable	Not applicable	Not applicable	-	Comparison, negotiation, and administrative tax and fee	Investment Property	Transactions including the administrative tax and fee from related party Taipei City Government
Fubon Life Insurance Co., Ltd.	New-build program in Yucheng Section of Nangang District	2020.06.23~2023.06.21	887,015	Payment based on construction progress	Dehwa Construction Co., Ltd., etc.	Including related party and unrelated party	Not applicable	Not applicable	Not applicable	-	Comparison, negotiation, and administrative tax and fee	Investment Property	Transactions including the administrative tax and fee from related party Taipei City Government

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

Acquiring Company	Property Name	Occurrence Date	Amount	Amount Paid	Counterparty	Relationship	Previous transfer information, as counterparty is a related party.				Reference for price	Purpose and usage	other
							Owner	Relations with the issuer	Transfer Date	Amount			
Fubon Life Insurance Co., Ltd.	New-build program of the superficies beside Aozhidi Station in Kaohsiung	2018.04.20~2023.06.19	27,369,445	Payment based on construction progress	Samsung C&T corporation Taiwan Branch-Korea, Formosa Builders, Inc., etc.	Not related party	-	-	-	-	Comparison, negotiation, and administrative tax and fee	Investment Property and owner-occupied property	
Fubon Life Insurance Co., Ltd.	New-build program (urban renewal) in Dunhua Section of Songshan District	2021.03.11~2023.06.09	457,699	Payment based on construction progress	HCCH & Associates Architects Planners & Engineers, etc.	Including related party and unrelated party	Not applicable	Not applicable	Not applicable	-	Comparison, negotiation, and administrative tax and fee	Investment Property	Transactions including the administrative tax and fee from related party Taipei City Government

Note1: It is the total purchase price of the contract (VAT included). Transaction cost is separately counted.

Note2: The book value of capacity transfer land road and capacity deposit were \$1,085,207 thousand in total.

- (b) Disposal of real property over \$100,000 thousand or 20% of capital: None.
- (c) Sales and purchase with related party over \$100,000 thousand or 20% of capital : Note 7 and 13(A)(f).
- (d) Accounts receivable with related party over \$100,000 thousand or 20% of capital: Please refer to Note 7.
- (e) Information on derivative transactions : Please refer to Note 6(C) and (AC).
- (f) Business relationship and significant transactions with the subsidiaries:

No	Company	Counterparty	Relationship	Transaction details			Percentage ratio against total operating income or total assets
				Accounts	Amount	Trading terms	
0	Fubon Life Insurance Co., Ltd.	Fubon (Hong Kong) Co., Ltd.	1	Receivables	3,104	Same as non related-party transactions	- %
0	Fubon Life Insurance Co., Ltd.	Fubon (Hong Kong) Co., Ltd.	1	Non-operating income & expense	11,689	Same as non related-party transactions	- %
0	Fubon Life Insurance Co., Ltd.	Carter Lane (Guernsey) Limited	1	Loans	1,703,606	Same as non related-party transactions	0.03 %
0	Fubon Life Insurance Co., Ltd.	Carter Lane (Guernsey) Limited	1	Receivables	11,933	Same as non related-party transactions	- %
0	Fubon Life Insurance Co., Ltd.	Carter Lane (Guernsey) Limited	1	Interest income	23,806	Same as non related-party transactions	0.01 %
0	Fubon Life Insurance Co., Ltd.	Bow Bells House (Jersey) Limited	1	Loans	5,423,735	Same as non related-party transactions	0.09 %
0	Fubon Life Insurance Co., Ltd.	Bow Bells House (Jersey) Limited	1	Receivables	53,683	Same as non related-party transactions	- %
0	Fubon Life Insurance Co., Ltd.	Bow Bells House (Jersey) Limited	1	Interest income	104,563	Same as non related-party transactions	0.04 %
0	Fubon Life Insurance Co., Ltd.	Fubon MTL Property (Jersey) Limited	1	Loans	8,766,635	Same as non related-party transactions	0.15 %
0	Fubon Life Insurance Co., Ltd.	Fubon MTL Property (Jersey) Limited	1	Receivables	85,226	Same as non related-party transactions	- %
0	Fubon Life Insurance Co., Ltd.	Fubon MTL Property (Jersey) Limited	1	Interest income	167,306	Same as non related-party transactions	0.06 %
0	Fubon Life Insurance Co., Ltd.	Fubon Ellipse (Belgium) S.A.	1	Loans	3,235,845	Same as non related-party transactions	0.06 %

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

No	Company	Counterparty	Relationship	Transaction details			
				Accounts	Amount	Trading terms	Percentage ratio against total operating income or total assets
0	Fubon Life Insurance Co., Ltd.	Fubon Ellipse (Belgium) S.A.	1	Receivables	28,236	Same as non related-party transactions	- %
0	Fubon Life Insurance Co., Ltd.	Fubon Ellipse (Belgium) S.A.	1	Interest income	55,648	Same as non related-party transactions	0.02 %
0	Fubon Life Insurance Co., Ltd.	Fubon Eurotower (Luxembourg) S. à r.l.	1	Loans	10,248,407	Same as non related-party transactions	0.18 %
0	Fubon Life Insurance Co., Ltd.	Fubon Eurotower (Luxembourg) S. à r.l.	1	Receivables	48,547	Same as non related-party transactions	- %
0	Fubon Life Insurance Co., Ltd.	Fubon Eurotower (Luxembourg) S. à r.l.	1	Interest income	95,676	Same as non related-party transactions	0.03 %

Note1: Each number represents the following definitions:

- (1) Zero stands for the parent company
- (2) Subsidiaries are coded from No.1 per respective companies.

Note2: Transaction relationship is as follows:

- (1) Parent company to subsidiary company
- (2) Subsidiary company to parent company
- (3) Subsidiary company with subsidiary company

(B) Information on Investees:

Disclosure on business investments for the six months ended June 30, 2023 is as follows:

Investor Company	Investee Company	Location	Major Business	Original Investment		Held by the Company			Income (losses) of investee company	Income (losses) recognized from investee company	Note
				Period-end	End of prior year	Shares	Percentage (%)	Book Value			
Fubon Life Insurance Co., Ltd.	Fubon Life Insurance (Vietnam) Co., Ltd.	Hanoi Vietnam	Life insurance business	2,153,217	2,153,217	-	100.00 %	1,616,655	(30,164)	(30,164)	Subsidiary Note 1
Fubon Life Insurance Co., Ltd.	Fubon Life Insurance (Hong Kong) Co., Ltd.	Hong Kong	Life insurance business	10,532,054	10,532,054	2,675,000,000	100.00 %	9,388,991	201,985	201,985	Subsidiary Note 1
Fubon Life Insurance Co., Ltd.	Fubon Hyundai Life Insurance Co., Ltd.	Korea	Life insurance business	23,910,370	23,910,370	175,334,047	77.40 %	9,288,900	(1,652,777)	(1,391,128)	Subsidiary Note 1
Fubon Life Insurance Co., Ltd.	Carter Lane (Guernsey) Limited	Guernsey	Rental property business	3,348,784	3,348,784	41,514,743	100.00 %	2,186,704	(269,152)	(269,152)	Subsidiary Note 1 Note 2 Note 4
Fubon Life Insurance Co., Ltd.	Bow Bells House (Jersey) Limited	Jersey	Rental property business	2,186,556	2,186,556	46,172,931	100.00 %	(490,892)	(459,695)	(459,695)	Subsidiary Note 1 Note 2 Note 4
Fubon Life Insurance Co., Ltd.	Fubon MTL Property (Jersey) Limited	Jersey	Rental property business	4,708,389	4,708,389	92,581,000	100.00 %	5,413,221	589,249	589,249	Subsidiary Note 1 Note 2 Note 4

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

Investor Company	Investee Company	Location	Major Business	Original Investment		Held by the Company			Income (losses) of investee company	Income (losses) recognized from investee company	Note
				Period-end	End of prior year	Shares	Percentage (%)	Book Value			
Fubon Life Insurance Co., Ltd.	Fubon Ellipse (Belgium) S.A.	Brussels Belgium	Rental property business	2,579,463	2,579,463	1,133,718	100.00 %	1,903,675	(72,925)	(72,925)	Subsidiary Note 1 Note 3 Note 4
Fubon Life Insurance Co., Ltd.	Fubon Eurotower (Luxembourg) S. à r.l.	Luxembourg	Rental property business	7,727,154	7,727,154	219,997	100.00 %	5,327,029	(1,264,540)	(1,264,540)	Subsidiary Note 1 Note 4 Note 5
Fubon Life Insurance Co., Ltd.	CITIC Capital Holdings Limited	Hong Kong	Holding company	7,046,304	7,046,304	13,979,798	18.00 %	9,378,031	35,019	(184,632)	Affiliate company
Fubon Life Insurance Co., Ltd.	Hyundai Card Co., Ltd.	Korea	Credit Card Business	5,156,803	5,156,803	16,046,528	10.00 %	8,817,370	3,519,844	240,334	Affiliate company
Fubon Life Insurance Co., Ltd.	Fubon Financial Holding Venture Capital Co., Ltd.	ROC	Venture capital service	1,979,650	1,979,650	315,554,902	25.00 %	4,222,044	1,212,719	303,180	Affiliate company
Fubon Life Insurance Co., Ltd.	Star River Energy Co., Ltd.	ROC	Energy technology service	180,442	180,442	18,044,160	20.00 %	217,842	37,032	7,406	Affiliate company
Fubon Life Insurance Co., Ltd.	Star Shining Energy Co., Ltd.	ROC	Energy technology service	2,100,000	2,100,000	210,000,000	30.00 %	2,182,818	32,319	9,696	Affiliate company
Fubon Life Insurance Co., Ltd.	Whole Max Green Power Co., Ltd.	ROC	Energy technology service	477,000	327,000	47,700,000	30.00 %	487,706	14,447	4,334	Affiliate company
Fubon Life Insurance Co., Ltd.	Sinergy 1st Co., Ltd.	ROC	Energy technology service	300,000	150,000	30,000,000	30.00 %	300,739	2,040	966	Affiliate company
Fubon Life Insurance Co., Ltd.	Aquastar Energy Corporation	ROC	Energy technology service	180,000	180,000	18,000,000	30.00 %	179,819	(108)	(33)	Affiliate company
Fubon (Hong Kong) Co., Ltd.	ZA Life Limited	Hong Kong	Life insurance business	1,339,485	1,339,485	350,000,000	35.00 %	813,779	(101,260)	(35,441)	Affiliate company

Note 1: Write off under consolidated financial statements.

Note 2: Investment properties are located in London, England.

Note 3: Investment property is located in Brussels, Belgium.

Note 4: Investee does not have external debts, act as guarantor or provide its assets as collateral for debts of external parties. Except being pledged as collateral for its shareholder loan, the ownership of its property is not subject to restrictions.

Note 5: Investment Property is located in Frankfurt, Germany.

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(C) Information on Investment in Mainland China :

(a) Information regarding investment in Mainland China as follows :

Units:\$'000

Investee company	Main business	Paid-in capital	Method of investment (Note 1)	Accumulated outward fund of investment from Taiwan at the beginning	Outward remittance or inward recovery		Accumulated outward fund of investment from Taiwan at the balance sheet date	Investee company gains/(losses) in current period	Directly or indirectly share holding percentage	Income(losses) recognized from investee company	Book value of investment at period end	Recovery investment profit
					Outward	Inward						
Fubon Property & Casualty Insurance Co., Ltd.	Property Insurance	CNY 4,792,347 1,120,000	(a)	2,155,322	-	-	2,155,322	CNY (8,615) (1,967)	40.00 %	(3,446) Note2	447,109	-
Shenzhen Teng Fu Bo Investment Limited (Note 6)	Investment Consultancy	CNY 3,193,757 746,400	(c)	-	-	-	-	CNY (28,990) (6,617)	3.27 %	(735)	44,463	-
Xiamen KingSpring Insurance Surveyors & Loss-Adjusters Co., Ltd.	Insurance risk and loss assessment	CNY 8,558 2,000	(c)	-	-	-	-	CNY 1,480 338	9.98 %	105	1,150	-
Zhongxin Fengyue (Dalian) Co., Ltd.	Investment Holding	HKD 1,431,343 360,000	(b)	-	-	-	-	CNY 18,445 4,210	18.00 %	3,320	Note3	-
Xiang Xin Real Estate (Shenyang) Co., Ltd.	Real estate leasing	HKD 1,987,977 500,000	(b)	-	-	-	-	CNY (32,571) (7,435)	18.00 %	(5,863)	Note3	-
CITIC Capital Equity Investment (Tianjin) Co., Ltd.	Investment Holding	CNY 19,239,693 4,496,431	(b)	-	-	-	-	CNY 929,467 212,165	12.27 %	114,051	Note3	-
Shenzhen Huizhi Juxin Investment Management Co., Ltd.	Investment Management	CNY 427,888 100,000	(b)	-	-	-	-	CNY (27,267) (6,224)	12.27 %	(3,346)	Note3	-
Shanghai Yuhui Business Information Consulting Co., Ltd.	Real estate leasing	CNY 3,180,633 743,333	(b)	-	-	-	-	CNY (91,162) (20,809)	12.26 %	(11,173)	Note3	-
Shanghai Jingrong Industry Development Co., Ltd.	Real estate leasing	CNY 1,608,859 376,000	(b)	-	-	-	-	CNY (74,006) (16,893)	12.26 %	(9,071)	Note3	-
Shenyang Zucai Heating Development Co., Ltd.	Real estate leasing	CNY 278,127 65,000	(b)	-	-	-	-	CNY (60,202) (13,742)	18.00 %	(10,836)	Note3	-

Note 1: Investment types are as follows:

- (a) Direct investments in Mainland China.
- (b) Investment in Mainland China companies through CITIC Capital Holdings Limited, a company established in a third region.
- (c) Others.

Note 2: The recognition of investment gains or losses is based on the financial statements audited by certified public accountant.

Note 3: The carrying amount of individual investment in Mainland China cannot be distinguished from the third region company's financial statements.

Note 4: The Group indirectly invested in Mainland China through CITIC Capital Holdings Limited including the following disclosed companies: Zhongxin Fengyue (Dalian) Co., Ltd., Xiang Xin Real Estate (Shenyang) Co., Ltd., CITIC Capital Equity Investment (Tianjin) Co., Ltd., Shenzhen Huizhi Juxin Investment Management Co., Ltd., Shanghai Yuhui Business Information Consulting Co., Ltd., Shanghai Jingrong Industry Development Co., Ltd., Shenyang Zucai Heating Development Co., Ltd., etc., a total of 96 companies.

Note 5: The NTD amounts in the table which were originally presented in foreign currencies are translated at the closing rate as of June 30, 2023, or the average exchange rate for the six months ended June 30, 2023.

Note 6: The Group indirectly invested in WeSure Insurance Ltd. through Shenzhen Teng Fu Bo Investment Ltd.

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

The Group and Fubon Insurance Co. Ltd. have jointly invested in the set-up of Fubon Property and Casualty Insurance Co., Ltd. in 2010 for its insurance business operation in Mainland China. In addition, the Group signed a joint venture contract with Fubon Insurance Co., Ltd., and Xiamen Port Holding Group in September 2012. The joint venture was approved by the Insurance Bureau, FSC, the Investment Commission, MOEA and CBRC. The proportionate share holding for The Group, Fubon Insurance Co., Ltd. and Xiamen Port Holding Group are 40%, 40% and 20% respectively. As of June 30, 2023, the accumulated investment of the Group amounted to CNY 448 million.

Fubon Property & Casualty Insurance Co., Ltd initially invested in Shenzhen Teng Fu Bo Investment Limited with 31.1% shareholding. Subsequently on July 16, 2020, board of directors has resolved to not participate in the capital increase for Shenzhen Teng Fu Bo Investment Limited, which resulted in the decrease in shareholdings from 31.1% to 16.667% and has been approved by local governing institutions on August 19, 2020. On August 13, 2021, Fubon Property & Casualty Insurance Co., Ltd shareholders' meeting has passed a resolution to dispose of 8.5% shareholding in Shenzhen Teng Fu Bo Investment Limited. This disposal was approved by the competent authority on October 6, 2021 and the shareholding was sold to Fubon Financial Holding Venture Capital Co., Ltd. and TFB Capital Co., Ltd.,. The equity transfer was completed on October 15, 2021, which resulted in the shareholdings reducing from 16.667% to 8.167%. As of June 30, 2023, Funbon Property & Casualty Insurance Co. Ltd. invested an accumulated amount of CNY 60,956 thousand.

On April 8, 2021, Fubon Property & Casualty Insurance Co., Ltd. acquired 24.96% shares of Xiamen KingSpring Insurance Surveyors & Loss-Adjusters Co., Ltd.. As of June 30, 2023, total investment is CNY 668 thousand.

- (b) Fubon Property & Casualty Insurance Co., Ltd. is a property insurance company, the information for its cash management and profitability is disclosed as follows:
- (1) Capital status and its profit and loss : No significant investment.
 - (2) The Fubon Property & Casualty Insurance Co., Ltd. provides premium deficiency reserve according to the Regulations Governing the Provision of Various Reserves by Insurance Enterprises amended by Financial Supervisory Commission, Executive Yuan, Gin Guan Bao Tsai No.09802513192 on December 28, 2009. Non life insurance companies should evaluate the claim payments and expense which will be incurred in the future and compare the fore-mentioned expenditures to the premium based on insurance policy without expiration or the accepting risk which is not terminative. If the expenditures are lower than the premium, non life insurance companies should provide the differences as the premium deficiency reserve. The methodology for providing premium deficiency reserve is decided by actuaries and reported to the authority. If there is any change, it should adopt the same procedures as aforementioned.

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

	June 30, 2023	December 31, 2022	June 30, 2022
Unearned premium reserve	\$ 1,899,862	2,196,667	2,442,697
Claim reserve	2,074,507	2,766,605	2,884,517
Premium deficiency reserve	53,018	84,814	119,970
Total	\$ 4,027,387	5,048,086	5,447,184

- (3) Ratio accounted for the total premium revenue of the Group: 0.69%
- (4) Ratio accounted for the total claim payment of the Group: 0.31%
- (5) The pricing, payment condition, unrealized profit and loss of significant transactions with the investee in China:
- 1) Amount, ratio and the ending balance of relevant receivables and payable of core business items such as the insurance policy which the policy holder is the investee: None.
 - 2) Amount and profit and loss of property transaction: None.
 - 3) The highest balance, ending balance, interest rate interval and current interest amount of financing: None.
 - 4) Other significant transactions which would influence current profit and loss and other financial condition, such as the provision or receipt of labor service: None.
- (6) The name and premium revenue (expense) from the reinsurance business counterparties which are the branches of foreign insurance companies located in China or the branch of Chinese insurance companies: None.
- (7) Name and premium revenue of significant insurance business with Chinese people, legal entities and groups located overseas: None.

(c) Limit of investment in China :

Unit:NTD\$'000

Name of Company	Accumulated amount transferred from Taiwan, end of the period	Investment amount approved by Ministry of Finance	Limit of investment regulated by Investment Audit Committee of Ministry of Finance.
Fubon Life Insurance Co., Ltd.	25,781,503	25,781,597	269,216,800

(d) Significant transactions with the investee in China : None

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

14. SEGMENT INFORMATION

(A) General information

The Group runs its life insurance business and provides insurance contract product in accordance with local insurance laws, or operates other kinds of businesses according to local laws. Because the Group mainly runs insurance business and invests in real estates in Taiwan and overseas, the Group shall consider both regions and operating characteristics when determining reportable segments. The operating sectors of the Group report their profit or loss based on the net income before tax, the value of which is the foundation of performance evaluation and consistent with the report used by their decision makers. The accounting policies of the operating sectors are the same as significant accounting policies summary in Note 4 of the consolidated financial statements for the year ended December 31, 2022.

(B) Segment information

	For the three months ended June 30, 2023				
	Taiwan Insurance Business	Asia Insurance Business (Note 1)	Europe Investment property Business	Adjustments and Eliminations (Note 2)	Total
Revenue					
Gains from external customers	\$ 132,568,796	22,645,599	(784,954)	(155,950)	154,273,491
(Losses) gains from internal segments	(1,893,699)	-	-	1,893,699	-
Total revenue	<u>\$ 130,675,097</u>	<u>22,645,599</u>	<u>(784,954)</u>	<u>1,737,749</u>	<u>154,273,491</u>
Net income	<u>\$ 18,979,292</u>	<u>(1,194,620)</u>	<u>(1,082,091)</u>	<u>1,988,340</u>	<u>18,690,921</u>

	For the three months ended June 30, 2022				
	Taiwan Insurance Business	Asia Insurance Business (Note 1)	Europe Investment property Business	Adjustments and Eliminations (Note 2)	Total
Revenue					
Gains from external customers	\$ 113,751,506	19,064,818	1,686,260	(7,789)	134,494,795
(Losses) gains from internal segments	1,617,118	-	-	(1,617,118)	-
Total revenue	<u>\$ 115,368,624</u>	<u>19,064,818</u>	<u>1,686,260</u>	<u>(1,624,907)</u>	<u>134,494,795</u>
Net income	<u>\$ 26,883,933</u>	<u>374,878</u>	<u>1,148,740</u>	<u>(1,432,274)</u>	<u>26,975,277</u>

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
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	For the six months ended June 30, 2023				
	Taiwan Insurance Business	Asia Insurance Business (Note 1)	Europe Investment property Business	Adjustments and Eliminations (Note 2)	Total
Revenue					
Gains from external customers	\$ 245,968,036	45,845,289	(879,872)	(158,108)	290,775,345
(Losses) gains from internal segments	(2,256,366)	-	-	2,256,366	-
Total revenue	<u>\$ 243,711,670</u>	<u>45,845,289</u>	<u>(879,872)</u>	<u>2,098,258</u>	<u>290,775,345</u>
Net income	<u>\$ 26,227,709</u>	<u>(1,480,956)</u>	<u>(1,477,063)</u>	<u>2,551,824</u>	<u>25,821,514</u>
Total assets	<u>\$5,274,403,278</u>	<u>511,869,825</u>	<u>45,524,349</u>	<u>(57,602,994)</u>	<u>5,774,194,458</u>

	For the six months ended June 30, 2022				
	Taiwan Insurance Business	Asia Insurance Business (Note 1)	Europe Investment property Business	Adjustments and Eliminations (Note 2)	Total
Revenue					
Gains from external customers	\$ 268,394,151	37,819,007	1,980,436	(17,853)	308,175,741
(Losses) gains from internal segments	3,314,553	-	-	(3,314,553)	-
Total revenue	<u>\$ 271,708,704</u>	<u>37,819,007</u>	<u>1,980,436</u>	<u>(3,332,406)</u>	<u>308,175,741</u>
Net income	<u>\$ 63,247,166</u>	<u>2,238,164</u>	<u>1,145,839</u>	<u>(2,941,782)</u>	<u>63,689,387</u>
Total assets	<u>\$5,029,023,848</u>	<u>516,916,082</u>	<u>48,280,217</u>	<u>(61,098,231)</u>	<u>5,533,121,916</u>

Note1: Asia Insurance Business does not include Taiwan.

Note2: The adjustments and eliminations are eliminating entries used to adjust intercompany transactions when preparing the consolidated financial statements.