

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

**Consolidated Financial Statements**

**With Independent Auditors' Report  
For the Years Ended December 31, 2023 and 2022**

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

## Table of contents

Contents	Page
1. Cover Page	1
2. Table of Contents	2
3. Representation Letter	3
4. Independent Auditors' Report	4
5. Consolidated Balance Sheets	5
6. Consolidated Statements of Comprehensive Income	6
7. Consolidated Statements of Changes in Equity	7
8. Consolidated Statements of Cash Flows	8
9. Notes to the Consolidated Financial Statements	
(1) Company history	9
(2) Approval date and procedures of the consolidated financial statements	9
(3) New standards, amendments and interpretations adopted	9~12
(4) Summary of material accounting policies	12~32
(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty	32~33
(6) Explanation of significant accounts	34~127
(7) Related-party transactions	128~140
(8) Assets pledged as security	140
(9) Commitments and contingencies	140~141
(10) Significant losses due to major disasters	141
(11) Significant subsequent events	141
(12) Other	141~153
(13) Other disclosures	
(a) Information on significant transactions	154~155
(b) Information on investees	155~156
(c) Information on investment in Mainland China	156~158
(14) Segment information	159~160

## Representation Letter

The entities that are required to be included in the consolidated financial statements of FUBON INSURANCE CO., LTD. as of and for the year ended December 31, 2023 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10, "Consolidated Financial Statements. " endorsed by the Financial Supervisory Commission of the Republic of China. In addition, the information required to be disclosed in the consolidated financial statements is included in the consolidated financial statements. Consequently, FUBON INSURANCE CO., LTD. and Subsidiaries do not prepare a separate set of consolidated financial statements.

Company name: FUBON INSURANCE CO., LTD.  
Chairman: XU JIN-QUAN  
Date: March 13, 2024



安侯建業聯合會計師事務所

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## Independent Auditors' Report

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

### Opinion

We have audited the consolidated financial statements of FUBON INSURANCE CO., LTD. and its subsidiaries (“the Company and its subsidiaries”), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, the consolidated statements of comprehensive income, changes in equity and of cash flows for the year ended December 31, 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 Fubon Insurance Co., Ltd and its subsidiaries as of December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2023 and 2022 in accordance with the Regulations Governing the Preparation of Financial Statements by Insurance Enterprises and with the International Financial Reporting Standards (“IFRSs”), International Accounting Standards (“IASs”), Interpretations developed by the International Financial Reporting Interpretations Committee (“IFRIC”) or the former Standing Interpretations Committee (“SIC”) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and 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 Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Based on our judgment, the key audit matters that should be communicated in our report are described below:

#### 1. Valuation of investment property

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

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

How the matter was addressed in our audit:

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

## 2. Valuation of insurance liability

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

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

How the matter was addressed in our audit:

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

## **Other Matter**

FUBON INSURANCE CO., LTD. has additionally prepared its parent company only financial statements as of and for years ended December 31, 2023 and 2022, on which we have issued an unqualified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the “Regulations Governing the Preparation of Financial Reports by Insurance Enterprises” and with IFRSs, IASs, IFRIC, SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

## **Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the 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 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 Company and its subsidiaries’ internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and its subsidiaries’ ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company and its subsidiaries to cease to continue as a going concern.

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the years ended December 31, 2023 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 Chen, Fu-Jen.

KPMG

Taipei, Taiwan (Republic of China)

March 13, 2024

#### **Notes to Readers**

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

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

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

**FUBON INSURANCE CO., LTD. AND SUBSIDIARIES****Consolidated Balance Sheets****December 31, 2023 and 2022****(Expressed in Thousands of New Taiwan Dollars)**

	<b>December 31, 2023</b>		<b>December 31, 2022</b>			<b>December 31, 2023</b>		<b>December 31, 2022</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>		<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
<b>Assets</b>					<b>Liabilities and Equity</b>				
11000 Cash and cash equivalents (notes 4, 6(a), 7 and 8)	\$ 12,264,734	11	10,897,303	10	<b>Liabilities:</b>				
12000 Receivables (notes 4, 6(b), (c), (d) and (h))	5,257,502	5	4,712,357	4	23100 Short-term liabilities , net (notes 6(n), (o), (ab) and (ae))	\$ 10,608,846	9	9,780,000	9
12600 Current tax assets (note 6(v))	2,623,076	2	2,067,260	2	21000 Accounts payable (notes 6(b), (c), (g), (h) and (q))	14,842,286	13	16,482,543	14
14110 Financial assets at fair value through profit or loss (notes 4, 6(i), (aa), (ab) and 8)	9,020,790	8	7,404,076	6	21700 Current tax liabilities (note 6(v))	46,861	-	9,916	-
14145 Financial assets at amortized cost (notes 4, 6(i), (aa) and (ab))	1,598,290	1	1,560,957	1	23200 Financial liabilities at fair value through profit or loss (notes 4, 6(i), (aa) and (ab))	-	-	106,214	-
14150 Investments accounted for using equity method, net (note 6(i))	85,338	-	119,205	-	24000 Insurance liabilities (notes 4, 6(q) and (y))	66,360,137	57	77,450,157	68
14180 Other financial assets, net (note 6(i))	70,103	-	-	-	23800 Lease liabilities (notes 6(r) and (ae))	571,741	1	742,146	1
14190 Financial assets at fair value through other comprehensive income (notes 4, 6(i), (aa), (ab) and 8)	7,445,156	6	10,696,822	9	28000 Deferred tax liabilities (note 6(v))	1,597,823	1	1,495,656	1
16700 Right-of-use assets (note 6(j))	554,698	-	731,863	1	25000 Other liabilities	1,487,629	1	1,633,953	1
14200 Investment property (notes 4 and 6(k))	9,893,518	9	9,725,217	9	27000 Provisions (notes 4 and 6(p))	827,795	1	908,169	1
15000 Reinsurance assets (notes 4, 6(e), (f), (g) and (q))	41,409,777	36	45,352,052	40	<b>Total liabilities</b>	<u>96,343,118</u>	<u>83</u>	<u>108,608,754</u>	<u>95</u>
16000 Property and equipment (notes 4 and 6(l))	6,910,447	6	6,406,870	6	<b>Equity attributable to owners of parent</b>				
17000 Intangible assets (note 6(m))	199,909	-	215,781	-	<b>(note (t))</b>				
17800 Deferred tax assets (note 6(v))	9,672,567	8	9,464,263	8	31000 Share capital	14,678,396	13	4,678,396	4
18000 Other assets (note 8)	8,767,220	8	4,486,199	4	32000 Capital surplus	6,000,000	5	19,678,389	17
					Retained earnings:				
					33100 Legal reserve	-	-	3,761,712	3
					33200 Special reserve	14,172,204	12	12,910,130	12
					33300 Unappropriated retained earnings	(16,488,535)	(14)	(36,420,815)	(32)
					Total retained earnings	<u>(2,316,331)</u>	<u>(2)</u>	<u>(19,748,973)</u>	<u>(17)</u>
					Other equity:				
					34100 Exchange differences on translation of foreign financial statements	(106,059)	-	(83,108)	-
					34210 Revaluation gains (losses) on investments in equity instruments measured at fair value through other comprehensive income	846,422	1	894,578	1
					34220 Gains (losses) from investments in debt instruments measured at fair value through other comprehensive income	(848,518)	(1)	(1,097,056)	(1)
					34600 Revaluation surplus	253,641	-	238,140	-
					34950 Reserve of overlay approach	295,999	-	(75,161)	-
					Total other equity	<u>441,485</u>	<u>-</u>	<u>(122,607)</u>	<u>-</u>
					<b>Total equity attributable to owners of parent</b>	<u>18,803,550</u>	<u>16</u>	<u>4,485,205</u>	<u>4</u>
					36000 <b>Non-controlling interests</b>	<u>626,457</u>	<u>1</u>	<u>746,266</u>	<u>1</u>
					<b>Total equity</b>	<u>19,430,007</u>	<u>17</u>	<u>5,231,471</u>	<u>5</u>
<b>Total assets</b>	<u>\$ 115,773,125</u>	<u>100</u>	<u>113,840,225</u>	<u>100</u>	<b>Total liabilities and equity</b>	<u>\$ 115,773,125</u>	<u>100</u>	<u>113,840,225</u>	<u>100</u>

See accompanying notes to consolidated financial statements.



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

**FUBON INSURANCE CO., LTD. AND SUBSIDIARIES****Consolidated Statements of Comprehensive Income****For the years ended December 31, 2023 and 2022****(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Common Share)**

	2023		2022		Change %	
	Amount	%	Amount	%		
<b>Operating revenue:</b>						
41110	Written premium (notes 4 and 6(y))	\$ 61,033,829	126	57,014,330	117	7
41120	Reinsurance premium (note 6(y))	<u>2,833,097</u>	<u>6</u>	<u>3,400,403</u>	<u>7</u>	(17)
	Premium	63,866,926	132	60,414,733	124	
51100	Less: Reinsurance expense (note 6(y))	19,263,410	40	16,184,235	33	19
51310	Net change in unearned premiums reserve (notes 6(q) and (y))	<u>311,034</u>	<u>-</u>	<u>574,758</u>	<u>1</u>	(46)
	Retained earned premium	44,292,482	92	43,655,740	90	
41300	Reinsurance commission revenue (note 6(y))	2,456,148	5	2,063,601	4	19
	Net income (loss) from investments					
41510	Interest income	643,094	1	906,646	2	(29)
41521	Gains (losses) on financial assets or liabilities at fair value through profit or loss	1,190,021	3	(6,221,058)	(13)	119
41527	Realized gains (losses) on financial assets measured at fair value through other comprehensive income	49,825	-	(679,912)	(1)	107
41540	Share of loss of associates and joint ventures accounted for using equity method (note 6(i))	(27,937)	-	(55,678)	-	50
41550	Foreign exchange gains (losses), investments	(408,670)	(1)	672,796	1	(161)
41570	Gains (losses) on investment property	443,713	1	420,420	1	6
41585	Expected credit losses or reversal of expected credit losses of investments (note 4)	(14,296)	-	4,912	-	(391)
41590	Other net income (loss) from investments	94	-	2,299	-	(96)
41600	Gains (losses) on reclassification under the overlay approach (note 6(i))	(359,722)	(1)	7,657,586	16	(105)
41800	Other operating income	<u>216,335</u>	<u>-</u>	<u>310,099</u>	<u>-</u>	(30)
	<b>Total operating revenue</b>	<u>48,481,087</u>	<u>100</u>	<u>48,737,451</u>	<u>100</u>	
<b>Operating costs:</b>						
51200	Insurance claim payment (notes 4 and 6(y))	53,365,004	110	97,749,263	201	(45)
41200	Less: Claims recovered from reinsurers (notes 4 and 6(y))	<u>12,138,572</u>	<u>25</u>	<u>26,122,365</u>	<u>54</u>	(54)
	Retained claim payment	41,226,432	85	71,626,898	147	
	Net change in insurance liability reserve (note 6(q))					
51320	Net change in claim reserve (note 6(y))	(8,874,953)	(18)	12,590,743	26	(170)
51330	Net change in liability reserve	3	-	5	-	(40)
51340	Net change in special claim reserve	92,318	-	(4,933,346)	(10)	102
51350	Net change in premium deficiency reserve	(757,765)	(2)	758,227	2	(200)
51500	Commission expense (notes 4, 6(x) and (y))	8,237,443	17	7,931,137	16	4
51800	Other operating costs	<u>948,271</u>	<u>2</u>	<u>1,574,033</u>	<u>3</u>	(40)
	<b>Total operating costs</b>	<u>40,871,749</u>	<u>84</u>	<u>89,547,697</u>	<u>184</u>	
<b>Operating expenses:</b>						
58100	General expenses	8,538,792	18	8,232,427	17	4
58200	Administrative expenses	698,215	2	668,999	1	4
58300	Staff training expenses	20,178	-	14,060	-	44
58400	Expected credit losses or reversal of expected credit losses of non-investments (note 4)	<u>1,136,296</u>	<u>2</u>	<u>177,665</u>	<u>-</u>	540
	<b>Total operating expenses</b>	<u>10,393,481</u>	<u>22</u>	<u>9,093,151</u>	<u>18</u>	
	<b>Net operating income (loss)</b>	<u>(2,784,143)</u>	<u>(6)</u>	<u>(49,903,397)</u>	<u>(102)</u>	94

See accompanying notes to consolidated financial statements.

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

**FUBON INSURANCE CO., LTD. AND SUBSIDIARIES****Consolidated Statements of Comprehensive Income****For the years ended December 31, 2023 and 2022****(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Common Share)**

	2023		2022		Change	
	Amount	%	Amount	%	%	
<b>Non-operating income and expenses:</b>						
59100	\$ 2,804	-	276	-	916	
59400	-	-	(322)	-	100	
59900	(135,763)	-	(390,486)	(1)	65	
	<u>(132,959)</u>	<u>-</u>	<u>(390,532)</u>	<u>(1)</u>	-	
62000	<b>Profit (loss) from continuing operations before tax</b>	(2,917,102)	(6)	(50,293,929)	(103)	(94)
63000	<b>Less: Tax expenses (income) (notes 4 and 6(v))</b>	<u>(590,417)</u>	<u>(1)</u>	<u>(10,333,057)</u>	<u>(21)</u>	(94)
	<b>Profit (Loss)</b>	<u>(2,326,685)</u>	<u>(5)</u>	<u>(39,960,872)</u>	<u>(82)</u>	94
83000	<b>Other comprehensive income:</b>					
83100	<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>					
83110	Gains (losses) on remeasurements of defined benefit plans	(19,432)	-	128,419	-	(115)
83120	Gains (losses) on revaluation	15,914	-	14,664	-	9
83190	Revaluation gains (losses) on investments in equity instruments measured at fair value through other comprehensive income	(48,724)	-	(174,318)	-	72
83180	Less: Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (note 6(v))	(3,473)	-	26,066	-	(113)
	Total components of other comprehensive income that will not be reclassified to profit or loss	<u>(48,769)</u>	<u>-</u>	<u>(57,301)</u>	<u>-</u>	15
83200	<b>Components of other comprehensive income that will be reclassified to profit or loss</b>					
83210	Exchange differences on translation of foreign financial statements	(41,193)	-	105,591	-	(139)
83290	Gains (losses) from investments in debt instruments measured at fair value through other comprehensive income	281,600	-	(3,201,972)	(6)	109
83295	Other comprehensive income on reclassification under the overlay approach (note 6(i))	359,722	1	(7,657,586)	(16)	105
83280	Less: Income tax related to components of other comprehensive income that will be reclassified to profit or loss (note 6(v))	26,139	-	(368,577)	(1)	107
	Total components of other comprehensive income that will be reclassified to profit or loss	<u>573,990</u>	<u>1</u>	<u>(10,385,390)</u>	<u>(21)</u>	106
83000	<b>Total other comprehensive income</b>	<u>525,221</u>	<u>1</u>	<u>(10,442,691)</u>	<u>(21)</u>	105
85000	<b>Total comprehensive income</b>	<u>\$ (1,801,464)</u>	<u>(4)</u>	<u>(50,403,563)</u>	<u>(103)</u>	96
	<b>Profit (loss), attributable to:</b>					
86100	Owners of parent	\$ (2,230,287)	(5)	(39,983,038)	(82)	94
86200	Non-controlling interest	(96,398)	-	22,166	-	(535)
		<u>\$ (2,326,685)</u>	<u>(5)</u>	<u>(39,960,872)</u>	<u>(82)</u>	
	<b>Comprehensive income attributable to:</b>					
87100	Owners of parent	\$ (1,681,655)	(4)	(50,377,808)	(103)	97
87200	Non-controlling interests	(119,809)	-	(25,755)	-	(365)
		<u>\$ (1,801,464)</u>	<u>(4)</u>	<u>(50,403,563)</u>	<u>(103)</u>	
	<b>Earnings per share</b>					
	<b>Basic earnings per share (note 6(w))</b>	<u>\$ (2.04)</u>		<u>(108.54)</u>		

See accompanying notes to consolidated financial statements.

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

**FUBON INSURANCE CO., LTD. AND SUBSIDIARIES****Consolidated Statements of Changes in Equity****For the years ended December 31, 2023 and 2022****(Expressed in Thousands of New Taiwan Dollars)**

	Equity attributable to owners of parent												Total equity
	Capital						Other equity						
	Ordinary share	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total	Exchange differences on translation of foreign financial statements	Gains (losses) on financial assets measured at fair value through other comprehensive income	Revaluation surplus	Other comprehensive income on reclassification under the overlay approach	Total equity attributable to owners of parent	Non-controlling interests	
<b>Balance at January 1, 2022</b>	\$ 3,178,396	6,178,389	3,761,712	16,307,888	4,832,056	24,901,656	(156,626)	2,732,604	223,858	7,603,273	44,661,550	772,021	45,433,571
Profit (loss)	-	-	-	-	(39,983,038)	(39,983,038)	-	-	-	-	(39,983,038)	22,166	(39,960,872)
Other comprehensive income	-	-	-	-	102,735	102,735	73,518	(2,906,871)	14,282	(7,678,434)	(10,394,770)	(47,921)	(10,442,691)
Total comprehensive income	-	-	-	-	(39,880,303)	(39,880,303)	73,518	(2,906,871)	14,282	(7,678,434)	(50,377,808)	(25,755)	(50,403,563)
Appropriation and distribution of retained earnings:													
Special reserve appropriated (reversed)— Employee training and transferring plan	-	-	-	(1,955)	1,955	-	-	-	-	-	-	-	-
Special reserve appropriated— Increase in investment property that measures subsequently at fair value	-	-	-	35,475	(35,475)	-	-	-	-	-	-	-	-
Special reserve appropriated— Net change in special claim reserve	-	-	-	(3,431,278)	3,431,278	-	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(4,798,537)	(4,798,537)	-	-	-	-	(4,798,537)	-	(4,798,537)
Capital increase by cash	1,500,000	13,500,000	-	-	-	-	-	-	-	-	15,000,000	-	15,000,000
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	28,211	28,211	-	(28,211)	-	-	-	-	-
Balance at December 31, 2022	4,678,396	19,678,389	3,761,712	12,910,130	(36,420,815)	(19,748,973)	(83,108)	(202,478)	238,140	(75,161)	4,485,205	746,266	5,231,471
Profit(loss)	-	-	-	-	(2,230,287)	(2,230,287)	-	-	-	-	(2,230,287)	(96,398)	(2,326,685)
Other comprehensive income	-	-	-	-	(15,546)	(15,546)	(22,951)	200,468	15,501	371,160	548,632	(23,411)	525,221
Total comprehensive income	-	-	-	-	(2,245,833)	(2,245,833)	(22,951)	200,468	15,501	371,160	(1,681,655)	(119,809)	(1,801,464)
Appropriation and distribution of retained earnings:													
Special reserve appropriated (reversed)— Employee training and transferring plan	-	-	-	(1,492)	1,492	-	-	-	-	-	-	-	-
Special reserve appropriated— Net change in special claim reserve	-	-	-	1,263,566	(1,263,566)	-	-	-	-	-	-	-	-
Legal reserve used to offset accumulated deficits	-	-	(3,761,712)	-	3,761,712	-	-	-	-	-	-	-	-
Other changes in capital surplus:													
Capital surplus used to offset accumulated deficits	-	(19,678,389)	-	-	19,678,389	19,678,389	-	-	-	-	-	-	-
Capital increase by cash	10,000,000	6,000,000	-	-	-	-	-	-	-	-	16,000,000	-	16,000,000
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	86	86	-	(86)	-	-	-	-	-
<b>Balance at December 31, 2023</b>	<b>\$ 14,678,396</b>	<b>6,000,000</b>	<b>-</b>	<b>14,172,204</b>	<b>(16,488,535)</b>	<b>(2,316,331)</b>	<b>(106,059)</b>	<b>(2,096)</b>	<b>253,641</b>	<b>295,999</b>	<b>18,803,550</b>	<b>626,457</b>	<b>19,430,007</b>

See accompanying notes to consolidated financial statements.

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

**FUBON INSURANCE CO., LTD. AND SUBSIDIARIES****Consolidated Statements of Cash Flows****For the years ended December 31, 2023 and 2022****(Expressed in Thousands of New Taiwan Dollars)**

	2023	2022
<b>Cash flows from (used in) operating activities:</b>		
Loss before tax	\$ (2,917,102)	(50,293,929)
<b>Adjustments:</b>		
Adjustments to reconcile profit:		
Depreciation expenses	383,392	379,715
Amortization expenses	138,780	134,076
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	(1,190,021)	6,221,058
Net gain on financial assets or liabilities at fair value through other comprehensive income	(49,825)	679,912
Interest expenses	608,576	852,589
Interest income	(643,094)	(906,646)
Net change in insurance liabilities	(9,229,363)	8,990,387
Expected credit (gains) losses of investment	14,296	(4,912)
Expected credit losses of non-investments	1,136,296	177,665
Shares of losses of associates and joint ventures accounted for using equity method	28,636	55,678
Losses (gains) reclassified by applying overlay approach	359,722	(7,657,586)
Losses (gains) on disposal of property and equipment	(2,804)	46
Gains on disposal of investment properties	(74)	(77)
Gain on disposal of investments accounted for using equity method	(699)	-
Reversal of impairment loss on non-financial assets	(591)	(1,273)
Unrealized foreign exchange gains	(6,711)	(1,627,455)
Gains on fair value adjustment of investment property	(135,397)	(113,206)
Other	(171)	(33)
<b>Total adjustments to reconcile profit (loss)</b>	<u>(8,589,052)</u>	<u>7,179,938</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Decrease (increase) in notes receivable	(121,476)	209,262
Increase in premiums receivable	(451,538)	(12,279)
Decrease (increase) in other receivable	10,409	(119,683)
Decrease (increase) in financial assets at fair value through profit or loss	(2,310,382)	20,411,259
Decrease in financial assets at fair value through other comprehensive income	178,624	10,862,383
Increase in other financial assets	(64,326)	(7,644)
Decrease (increase) in reinsurance assets	1,010,527	(15,740,271)
Decrease in other assets	511,694	175,307
<b>Total changes in operating assets</b>	<u>(1,236,468)</u>	<u>15,778,334</u>
Changes in operating liabilities:		
Increase (decrease) in claims payable	(3,476,640)	3,522,684
Increase (decrease) in commissions payable	(103,047)	150,400
Increase (decrease) in due to reinsurers and ceding companies	1,637,735	(1,922,259)
Increase (decrease) in other payable	344,845	(855,919)
Decrease in provisions	(51)	(31)
Decrease in provisions for employee benefits	(99,884)	(202,290)
Decrease in other liabilities	(142,075)	(181,638)
<b>Total changes in operating liabilities</b>	<u>(1,839,117)</u>	<u>510,947</u>
<b>Total changes in operating assets and liabilities</b>	<u>(3,075,585)</u>	<u>16,289,281</u>
<b>Total adjustments</b>	<u>(11,664,637)</u>	<u>23,469,219</u>
Cash inflow (outflow) generated from operations	(14,581,739)	(26,824,710)
Interest received	625,260	1,059,715
Dividends received	322,442	873,959
Interest paid	(544,747)	(847,464)
Income taxes paid	(57,367)	(406,402)
<b>Net cash flows from (used in) operating activities</b>	<u>(14,236,151)</u>	<u>(26,144,902)</u>
<b>Cash flows from (used in) investing activities:</b>		
Proceeds from disposal of investments accounted for using equity method	3,855	733,816
Increase in prepayments for investments	(96,096)	-
Acquisition of property and equipment	(680,930)	(178,122)
Proceeds from disposal of property and equipment	4,223	2,532
Acquisition of intangible assets	(123,107)	(135,235)
Proceeds from disposal of investment properties	315	-
<b>Net cash flows from (used in) investing activities</b>	<u>(891,740)</u>	<u>422,991</u>
<b>Cash flows from (used in) financing activities:</b>		
Increase (decrease) in short-term borrowings	(720,000)	9,780,000
Increase in commercial papers payable	1,485,789	-
Decrease in lease payable	(225,285)	(220,923)
Cash dividends paid	-	(4,798,537)
Capital increase by cash	16,000,000	15,000,000
<b>Net cash flows from (used in) financing activities</b>	<u>16,540,504</u>	<u>19,760,540</u>
Effect of exchange rate changes on cash and cash equivalents	(45,182)	130,819
Net increase (decrease) in cash and cash equivalents	1,367,431	(5,830,552)
Cash and cash equivalents at the beginning of period	10,897,303	16,727,855
Cash and cash equivalents at the end of period	<u>\$ 12,264,734</u>	<u>10,897,303</u>

See accompanying notes to consolidated financial statements.

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

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

**Notes to the Consolidated Financial Statements**

**For the years ended December 31, 2023 and 2022**

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

**(1) Company history**

FUBON INSURANCE CO., LTD. (the “Company”) was founded on April 17, 1961 and primarily engaged in the business of property and casualty insurance. The enactment of the Financial Holding Company Act in Taiwan in 2001 provided an opportunity to establish Fubon Group as the holding entity of the main financial services company that had been operating under the Fubon brand. Therefore, a new Fubon Insurance (the Company) was established on December 19, 2001. Substantially, all assets and liabilities and related operations of the Old Fubon were transferred to the New Fubon. The Old Fubon was renamed as Fubon Financial Holding Co., Ltd. As of December 31, 2023 and 2022, the composition of the financial report includes the Company and its subsidiaries (hereafter “the Company and its subsidiaries”, please refer to note 4 (b) ) as well as the equity of the associates. The primary operating business is property insurance. The parent company and the ultimate controlling company of the Company and its subsidiaries is Fubon Financial Holding Co., Ltd.

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

The consolidated financial statements were authorized for issuance by the board of directors on March 13, 2024.

**(3) New standards, amendments and interpretations adopted:**

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

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

The Company and its subsidiaries has initially adopted the new amendment, which do not have a significant impact on its consolidated financial statements, from May 23, 2023:

- Amendments to IAS 12 “International Tax Reform—Pillar Two Model Rules”

(Continued)

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

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

The Company and its subsidiaries 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:

- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Non-current Liabilities with Covenants”
- Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”
- Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”

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

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

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

(Continued)

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

<u>Standards or Interpretations</u>	<u>Content of amendment</u>	<u>Effective date per IASB</u>
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"> <li>● Recognition: an entity recognizes a group of insurance contracts that it issues from the earliest of : <ul style="list-style-type: none"> <li>- the beginning of the coverage period of the group of contracts;</li> <li>- the date when the first payment from a policyholder in the group because due; and</li> <li>- for a group of onerous contracts, when the group becomes onerous, if facts and circumstances indicate that there is such a group.</li> </ul> </li> <li>● 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.</li> <li>● Presentation and disclosure: the presentation of insurance revenue is based on the provision of service pattern and investment components excluded from insurance revenue.</li> </ul>	January 1, 2023
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"> <li>● reduce costs by simplifying some requirements in the Standard;</li> <li>● make financial performance easier to explain; and</li> <li>● 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.</li> </ul>	January 1, 2023

(Continued)

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

<u>Standards or Interpretations</u>	<u>Content of amendment</u>	<u>Effective date per IASB</u>
Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information “	The amendment adds a new transition option to IFRS 17 (the ‘ classification overlay’ ) to alleviate accounting mismatches in comparative information between insurance contract liabilities and related financial assets on the initial application of IFRS 17. It allows presentation of comparative information about financial assets to be presented in a manner that is more consistent with IFRS 9 Financial Instruments.	January 1, 2023
Amendments to IAS21 “Lack of Exchangeability”	The amendments set out: <ul style="list-style-type: none"> <li>● when a currency is exchangeable into another currency; and</li> <li>● how a company determines an estimated spot rate when a currency lacks exchangeability.</li> </ul>	January 1, 2025

The Company and its subsidiaries 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 Company and its subsidiaries completes its evaluation.

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

**(a) Statement of compliance**

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

**(b) Basis of preparation**

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

(Continued)



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

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

(c) Basis of consolidation

(i) Principle of preparation of the consolidated financial statements

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

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

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

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

(ii) List of subsidiaries in the consolidated financial statements

Name of investor	Name of subsidiary	Business Type	Shareholding	
			December 31, 2023	December 31, 2022
The Company	Fubon insurance (Vietnam) Co., Ltd	Insurance	100 %	100 %
The Company	Fubon P&C Insurance Co., Ltd	Insurance	40 %	40 %
The Company	Fubon Insurance Broker (Thailand) Co., Ltd	Insurance broker	48.97 %	48.97 %
The Company	Fubon Insurance Broker (Philippines) Co., Ltd	Insurance broker	99.99 %	99.99 %

(Continued)

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

(d) Foreign currency

(i) Foreign currency transaction

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

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

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

(ii) Foreign operations

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

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

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

(Continued)

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

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

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

(f) Cash and cash equivalents

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

(g) Financial instruments

(i) Financial assets

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

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

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

All financial assets not classified as amortized cost or FVOCI described as above (e.g. financial assets held for trading and those that are managed and whose performance is evaluated on a fair value basis) are measured at FVTPL, including derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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

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

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

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

(Continued)

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

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

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

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

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

3) Financial assets measured at amortized cost

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

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

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

4) Overlay approach

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

(ii) Financial liabilities

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

(Continued)

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

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

(iii) Derecognition of financial assets and financial liabilities

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

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

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

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

(iv) Offsetting of financial assets and liabilities

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

(v) Derivative financial instruments

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

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

(Continued)

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

(h) Interest rate benchmark reform

Modifications of financial instruments

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

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

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

(i) Investment in associates

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

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

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

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

(Continued)

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

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

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

(k) Securities lending

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

(l) Investment property

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

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

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

When investment property that was previously classified as property, plant and equipment is sold, any related amount included in 'other equity - revaluation surplus' is transferred to retained earnings.

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

(Continued)

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

(m) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Subsequent cost

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

(iii) Depreciation

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

Land is not depreciated.

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

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

(iv) Reclassification to investment property

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

(Continued)



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

(n) Leases

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

(i) As a lessee

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

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

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

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

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

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

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

(Continued)

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

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

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

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

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

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

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

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

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

(Continued)

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

(ii) As a lessor

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

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

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

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

(o) Assets impairment

(i) Financial assets impairment

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

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

1) General approach of measuring expected credit loss:

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

(Continued)

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

2) Simplified approach of measuring expected credit loss:

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

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

(ii) Impairment of non-financial assets

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

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

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

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

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

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

(Continued)

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

(p) Insurance liability

The Company and its subsidiaries determine reserves for insurance contracts in accordance with the “Regulations Governing the Provision of Various Reserves”, “Regulations for Management of the Various Reserve of Compulsory Automobile Liability Insurance”, “Enforcement Rules for the Risk Spreading Mechanism of Residential Earthquake Insurance”, “Regulations for the Reserve of Nuclear Insurance”, and “Notice to Reserve Enforcement of Insurance Companies for Catastrophe Loss Reserve” methodologies used to determine the reserve are certified by the appointed actuary who is authorized by the Financial Supervisory Commission, Executive Yuan. Except for the reserve for short-term group insurance which is calculated on the actual premiums or the premiums conforming to the rule prescribed in Jin Guan Bao Tsai No 11004925801 letter, whichever is higher, the bases for determining other reserves or provision for liabilities are as follows:

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

(i) Unearned premium reserve:

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

(ii) Claim reserve:

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

(iii) Special reserve

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

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

(Continued)

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

- commercial earthquake insurance;
- typhoon and flood insurance.

1) Catastrophe special reserve

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

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

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

2) Risk volatility special reserve

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

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

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

(iv) Premium deficiency reserve

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

(v) Liability adequacy reserve

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

(Continued)

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

(q) Insurance contracts

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

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

(r) Reinsurance ceded business

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

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

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

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

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

(Continued)

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

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

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

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

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

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

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

(Continued)



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

(t) Income recognition and acquisition costs

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

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

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

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

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

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

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

(u) The cost of insurance claims

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

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

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

(Continued)

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

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

The loss reserve is not discounted.

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

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

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

(v) Salvage and subrogation

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

(w) Income taxes

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

The Company and its subsidiaries has determined that the global minimum top-up tax – which it is required to pay under Pillar Two legislation – is an income tax in the scope of IAS 12. The Group has applied a temporary mandatory relief from deferred tax accounting for the impacts of the top-up tax and accounts for it as a current tax when it is incurred.

(i) Current income tax

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

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

(ii) Deferred income tax

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

(Continued)

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

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

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

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

(x) Employee benefit

(i) Defined contribution plans

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

(ii) Defined benefit plans

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

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

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

(Continued)

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

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

(iii) Other long-term employee benefit

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

(iv) Short-term employee benefits

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

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

In preparing these consolidated financial statements, management has made judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

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

Information about assumptions and estimation uncertainties that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year is as follows. Those assumptions and estimation have been updated to reflect the impact of infectious diseases and climate uncertainties, such as COVID-19 and natural disasters:

(a) Fair value of financial instrument

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

(Continued)

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

(b) Expected credit loss

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

(c) Fair value of property investment

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

(d) Insurance liability

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

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

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

The estimation of liability adequacy reserve is in accordance with the “IFRS 4 of principles of actuarial practice – insurance contracts and liability adequacy test” pronounced by the Actuarial Institute of the Republic of China. The expected present value of the contracts’ future cash flows used in estimated liability adequacy reserve is based on reasonable estimate of future insurance claims, premium revenues and relative expenses.

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

(Continued)

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

**(6) Explanation of significant accounts:**

(a) Cash and cash equivalents

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Cash on hand	\$ 84	135
Cash in bank	11,516,984	10,049,029
Marketable securities	798,370	898,765
Less: Statutory deposits	<u>(50,704)</u>	<u>(50,626)</u>
Total	<b><u>\$ 12,264,734</u></b>	<b><u>10,897,303</u></b>

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

(b) Receivables and Payables

(i) Receivables

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Receivables of insurance contracts (Note 6(c))	\$ 4,547,754	3,989,033
Notes receivable-Not for insurance contracts (Note 6(d))	16,642	15,164
Other receivables (Note 6(h))	<u>693,106</u>	<u>708,160</u>
Total	<b><u>\$ 5,257,502</u></b>	<b><u>4,712,357</u></b>

(ii) Payables

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Payables of insurance contracts (Note 6(c))	\$ 1,029,396	1,133,119
Due to reinsurers and ceding companies (Note 6(g))	10,433,894	8,832,454
Other payables (Note 6(h))	3,299,169	2,960,257
Indemnity payments payables (Note 6(q))	<u>79,827</u>	<u>3,556,713</u>
Total	<b><u>\$ 14,842,286</u></b>	<b><u>16,482,543</u></b>

(Continued)

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

(c) Receivables (payables) of insurance contracts

(i) Receivables of insurance contracts

<u>Item</u>	<u>December 31, 2023</u>			<u>Total</u>
	<u>Notes receivable</u>	<u>Premiums receivable</u>	<u>Overdue receivable</u>	
Voluntary moto insurance	\$ -	81,509	-	81,509
Compulsory auto liability insurance	-	38,996	-	38,996
Compulsory motorcycle liability insurance	-	45,855	-	45,855
Fire insurance	-	1,114,399	59,982	1,174,381
Personal insurance	-	1,100,326	7,746	1,108,072
Marine hull insurance	-	67,292	2,408	69,700
Fishing vessel insurance	-	41,196	519	41,715
Casualty insurance	-	868,004	99,019	967,023
Marine insurance	-	210,195	18,176	228,371
Other	<u>824,385</u>	<u>11,499</u>	<u>324</u>	<u>836,208</u>
Total	824,385	3,579,271	188,174	4,591,830
Less: Allowance for bad debts	(1,026)	(11,794)	(31,256)	(44,076)
Net	<u>\$ 823,359</u>	<u>3,567,477</u>	<u>156,918</u>	<u>4,547,754</u>

(Continued)

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

Item	December 31, 2022			
	Notes receivable	Premium receivable	Overdue receivable	Total
Voluntary moto insurance	\$ -	98,603	-	98,603
Compulsory auto liability insurance	-	57,026	-	57,026
Compulsory motorcycle liability insurance	-	41,455	-	41,455
Fire insurance	-	602,796	61,210	664,006
Personal insurance	-	1,271,367	2,620	1,273,987
Marine hull insurance	-	54,306	3,683	57,989
Fishing vessel insurance	-	44,699	58	44,757
Casualty insurance	-	816,310	64,253	880,563
Marine insurance	-	173,922	10,351	184,273
Other	704,384	12,840	1,577	718,801
Total	704,384	3,173,324	143,752	4,021,460
Less: Allowance for bad debts	(2,023)	(11,852)	(18,552)	(32,427)
Net	<u>\$ 702,361</u>	<u>3,161,472</u>	<u>125,200</u>	<u>3,989,033</u>

As of December 31, 2023 and 2022, the notes receivable of overdue receivable are amounted to \$0 thousand and \$126 thousand, respectively, and the premiums receivable amounted to \$188,174 thousand and \$143,626 thousand, respectively.

(ii) Aging of receivables

	December 31, 2023	December 31, 2022
Under 90 days	\$ 4,280,721	3,828,906
91~365 days	308,016	195,961
More than 366 days	19,754	11,779

(Continued)



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

(iii) Payables of insurance contracts

<b>Item</b>	<b>December 31, 2023</b>		
	<b>Commission payables</b>	<b>Service charge payable</b>	<b>Total</b>
Fire insurance	\$ 50,767	-	50,767
Casualty insurance	147,128		147,128
Marine insurance	27,258		27,258
Fishing vessel insurance	697	-	697
Marine hull insurance	2,924	-	2,924
Personal insurance	428,685	-	428,685
Voluntary moto insurance	219,888	-	219,888
Compulsory auto liability insurance	-	20,027	20,027
Compulsory motorcycle liability insurance	-	9,873	9,873
Other	122,149	-	122,149
<b>Total</b>	<b>\$ 999,496</b>	<b>29,900</b>	<b>1,029,396</b>

<b>Item</b>	<b>December 31, 2022</b>		
	<b>Commission payables</b>	<b>Service charge payable</b>	<b>Total</b>
Fire insurance	\$ 56,586	-	56,586
Casualty insurance	143,893		143,893
Marine insurance	27,580		27,580
Fishing vessel insurance	829	-	829
Marine hull insurance	2,446	-	2,446
Personal insurance	462,340	-	462,340
Voluntary moto insurance	230,931	-	230,931
Compulsory auto liability insurance	-	21,955	21,955
Compulsory motorcycle liability insurance	-	10,834	10,834
Other	175,725	-	175,725
<b>Total</b>	<b>\$ 1,100,330</b>	<b>32,789</b>	<b>1,133,119</b>

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

(Continued)

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

(d) Notes receivable – not for insurance contracts

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Notes receivable	\$ 16,661	15,186
Less: Allowance for bad debts	(19)	(22)
Net	<b><u>\$ 16,642</u></b>	<b><u>15,164</u></b>

(e) Reinsurance Assets

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Claims and payments recoverable from reinsurers (Note 6(f))	\$ 2,932,571	6,940,407
Due from reinsurers and ceding companies, net (Note 6(g))	18,494,707	16,639,685
Reinsurance reserve assets (Note 6(q))	19,982,499	21,771,960
Total	<b><u>\$ 41,409,777</u></b>	<b><u>45,352,052</u></b>

(f) Claims and payments recoverable from reinsurers

<b>Type</b>	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Fire insurance	\$ 624,420	796,201
Marine cargo insurance	728,322	65,898
Marine hull/Fishing vessel/ Aviation insurance	179,947	140,744
Voluntary moto insurance	200,571	182,950
Compulsory moto TPL insurance	614,723	608,016
Liability insurance	114,188	46,483
Engineering and nuclear insurance	288,764	63,153
Surety and credit insurance	1,679	3,023
Other property insurance	101,224	1,532,678
Personal accident insurance	2,825	56,263
Personal and commercial multiple peril insurance	62,549	3,178
Typhoon, flood and earthquake insurance	6,960	2,459
Health insurance	13,954	3,523,197
Foreign business	-	-
Total	2,940,126	7,024,243
Less: Allowance for bad debts	(7,555)	(83,836)
Net	<b><u>\$ 2,932,571</u></b>	<b><u>6,940,407</u></b>

(Continued)

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

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

(i) Reinsurance receivables

Item	December 31, 2023	December 31, 2022
	Due from reinsurers and ceding companies	Due from reinsurers and ceding companies
Fire insurance	\$ 99,573	178,417
Marine cargo insurance	6,275	6,230
Marine hull/ Fishing vessel / Aviation insurance	4,627	5,932
Voluntary moto insurance	36,744	340,900
Compulsory moto TPL insurance	235,556	223,881
Liability insurance	47,529	69,948
Engineering and nuclear insurance	164,476	275,319
Surety and credit insurance	-	433
Other property insurance	508,072	323,922
Personal accident insurance	20,300	53,052
Personal and commercial multiple peril insurance	-	-
Typhoon, flood and earthquake insurance	5,031	7,106
Health insurance	-	-
Foreign business	<u>172,268</u>	<u>173,394</u>
Total	1,300,451	1,658,534
Less: Allowance for bad debts	<u>(4,671)</u>	<u>(3,635)</u>
Net	<u><u>\$ 1,295,780</u></u>	<u><u>1,654,899</u></u>

(Continued)

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

(ii) Reinsurance payables

<u>Item</u>	<u>December 31, 2023</u>		
	<u>Due to reinsurers and ceding companies</u>	<u>Other</u>	<u>Total</u>
Fire insurance	\$ 71,949	-	71,949
Marine cargo insurance	5,440	-	5,440
Marine hull/ Fishing vessel/ Aviation insurance	6,984	-	6,984
Voluntary moto insurance	93,928	-	93,928
Compulsory moto TPL insurance	-	-	-
Liability insurance	77,596	-	77,596
Engineering and nuclear insurance	196,372	-	196,372
Surety and credit insurance	237	-	237
Other property insurance	431,837	-	431,837
Personal accident insurance	33,864	-	33,864
Personal and commercial multiple peril insurance	-	-	-
Typhoon, flood and earthquake insurance	289	-	289
Health insurance	-	-	-
Overseas reinsurance assumed	<u>110,753</u>	<u>-</u>	<u>110,753</u>
Total	<u>\$ 1,029,249</u>	<u>-</u>	<u>1,029,249</u>

(Continued)

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

Item	December 31, 2022		
	Due to reinsurers and ceding companies	Other	Total
Fire insurance	\$ 129,643	-	129,643
Marine cargo insurance	4,607	-	4,607
Marine hull/ Fishing vessel/ Aviation insurance	5,222	-	5,222
Voluntary moto insurance	113,498	-	113,498
Compulsory moto TPL insurance	-	-	-
Liability insurance	64,157	-	64,157
Engineering and nuclear insurance	186,710	-	186,710
Surety and credit insurance	472	-	472
Other property insurance	653,238	-	653,238
Personal accident insurance	41,423	-	41,423
Personal and commercial multiple peril insurance	-	-	-
Typhoon, flood and earthquake insurance	765	-	765
Health insurance	-	-	-
Overseas reinsurance assumed	92,888	-	92,888
Total	<u>\$ 1,292,623</u>	<u>-</u>	<u>1,292,623</u>

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

Item	December 31, 2023	
	Due from reinsurers and ceding companies	Due to reinsurers and ceding companies
Hannover Rueck SE Malaysian Branch	\$ 7,570,279	-
STARR INTERNATIONAL INSURANCE (ASIA) LTD.	6,568,906	-
HANNOVER RUCK SE (SHANGHAI BRANCH)	919,907	-
CENTRAL REINSURANCE CORPORATION	-	1,091,628
INSURANCE COMPANY OF NORTH AMERICA (TAIWAN BRANCH)	-	425,888
Other companies	<u>3,411,732</u>	<u>7,887,129</u>
Total	18,470,824	<u>9,404,645</u>
Less: Allowance for bad debts	<u>(1,271,897)</u>	
Net	<u>\$ 17,198,927</u>	

(Continued)

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

Item	December 31, 2022	
	Due from reinsurers and ceding companies	Due to reinsurers and ceding companies
Hannover Rueck SE Malaysian Branch	\$ 7,559,047	-
STARR INTERNATIONAL INSURANCE (ASIA) LTD.	2,693,229	-
AIG INSURANCE HONG KONG LIMITED	1,302,122	-
HANNOVER RUCK SE (SHANGHAI BRANCH)	776,876	-
CENTRAL REINSURANCE CORPORATION	-	916,332
INSURANCE COMPANY OF NORTH AMERICA (TAIWAN BRANCH)	-	511,890
Other companies	<u>2,730,280</u>	<u>6,111,609</u>
Total	15,061,554	<u><u>7,539,831</u></u>
Less: Allowance for bad debts	<u>(76,768)</u>	
Net	<u><u>\$ 14,984,786</u></u>	

As of December 31, 2023 and 2022, overdue receivables of due from reinsurers and ceding companies are \$13,171,059 thousand and \$169,827 thousand, respectively, and the allowance for bad debts for above are amounted to \$1,022,348 thousand and \$21,786 thousand, respectively.

(h) Other accounts receivables (payables)

(i) Other receivables

	December 31, 2023	December 31, 2022
Related parties	\$ 3,631	10,352
Non-related parties	<u>689,949</u>	<u>698,223</u>
Total	693,580	708,575
Less: Allowance for bad debts	<u>(474)</u>	<u>(415)</u>
Net	<u><u>\$ 693,106</u></u>	<u><u>708,160</u></u>

As of December 31, 2023 and 2022, overdue receivables of non-related party are \$1,050 thousand and \$1,674 thousand, respectively and there is no allowance for bad debts.

(Continued)

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

## (ii) Other payables

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Related parties	\$ 306,593	281,912
Non-related parties	<u>2,992,576</u>	<u>2,678,345</u>
Total	<u>\$ 3,299,169</u>	<u>2,960,257</u>

## (i) Financial assets and liabilities

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Financial assets mandatorily measured at fair value through profit or loss:		
Non-hedge derivative instruments		
Currency rate contracts	\$ 158,304	68,226
Non-derivative financial assets		
Stock	5,512,833	3,043,440
Beneficiary certificate	4,772,907	4,292,410
Guarantee deposits	<u>(1,423,254)</u>	<u>-</u>
Total	<u>\$ 9,020,790</u>	<u>7,404,076</u>
	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Held-for-trading financial liabilities:		
Non-hedge derivative instruments		
Currency rate contracts	\$ -	106,214
Total	<u>\$ -</u>	<u>106,214</u>

## 1) Derivative financial instruments not for hedging

Derivative financial instruments are used for hedging foreign exchange risk and interest rate risk arising from operating, financing and investing activities. As of December 31, 2023 and 2022, the financial assets mandatorily measured at fair value through profit or loss and the held-for-trading financial liabilities which did not apply to hedge accounting are as follows:

	<u>December 31, 2023</u>		
	<u>Contract amount</u>	<u>Currency</u>	<u>Maturity period</u>
Currency rate contracts	<u>USD 170,000</u>	USD to NTD	2024.01.08~2024.04.12
	<u>December 31, 2022</u>		
	<u>Contract amount</u>	<u>Currency</u>	<u>Maturity period</u>
Currency rate contracts	<u>USD 215,000</u>	USD to NTD	2023.01.05~2023.03.27

(Continued)

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

2) Overlay approach

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

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Financial assets measured at fair value through profit or loss		
Stock	\$ 5,512,833	3,043,440
Beneficiary certificate	<u>3,809,231</u>	<u>2,832,817</u>
Total	<u>\$ 9,322,064</u>	<u>5,876,257</u>

The Company and its subsidiaries reclassified between profit or loss and other comprehensive income under the overlay approach during the years ended December 31, 2023 and 2022 were as follow:

	<u>For the years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
The amount reported in profit or loss for the designated financial assets applying IFRS 9	\$ 957,096	(6,084,704)
Less: The amount that would have been reported in profit or loss for the designated financial assets if the Company and its subsidiaries had applied IAS 39	(597,374)	(1,572,882)
The amount reclassified under the overlay approach	<u>\$ 359,722</u>	<u>(7,657,586)</u>

Due to the adjustment of the overlay approach, the gains on financial assets at fair value through profit or loss of the Company and its subsidiaries \$957,096 thousand turned into gains \$597,374 thousand and the losses from \$6,084,704 thousand turned into gains \$1,572,882 thousand for the years ended December 31, 2023 and 2022.

The Company and its subsidiaries did not designate financial assets previously not qualified for the overlay approach but then qualified for the years ended December 31, 2023 and 2022 for the overlay approach.

3) The Company and its subsidiaries pledged beneficiary certificates as security for a loan, please refer to note 8 for details.

(Continued)



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

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

	<u>December 31,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>
Debt investments measured at fair value through other comprehensive income:		
Government bonds	\$ 2,892,395	3,160,146
Corporate bonds	5,965,122	5,614,685
Financial bonds	2,122,755	2,077,378
Assets securitization products	300,570	299,422
Guarantee deposits	<u>(5,656,178)</u>	<u>(2,344,657)</u>
Subtotal	<u>5,624,664</u>	<u>8,806,974</u>
Equity investments measured at fair value through other comprehensive income:		
Stocks	<u>1,820,492</u>	<u>1,889,848</u>
Total	<u>\$ 7,445,156</u>	<u>10,696,822</u>

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

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

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

For the years ended December 31, 2023 and 2022, the Company and its subsidiaries recognized dividend income from abovementioned financial assets measured at fair value through other comprehensive income amounting to \$22,510 thousand and \$47,543 thousand, respectively.

For the years ended December 31, 2023 and 2022, dividend income from disposed financial assets measured at fair value through other comprehensive income within the same period all amounting to \$0 thousand and \$15,544 thousand, respectively.

For the years ended December 31, 2023 and 2022, the Company and its subsidiaries disposed shares designated as measured at fair value through other comprehensive income due to assets allocation, managing and adjusting portfolios. The shares were sold at a fair value of \$20,425 thousand and \$229,245 thousand, respectively; and the accumulated gain (loss) were \$86 thousand and \$28,211 thousand, respectively. The accumulated gains and losses had been transferred from other equity to retained earnings.

(Continued)

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

- 3) The debt instruments were pledged as statutory deposits and bank loans. Please refer to Note 8 for further information.
- 4) The Company and its subsidiaries had assessed the impairment of the debt instruments of financial assets measured at fair value through other comprehensive income as of December 31, 2023 and 2022. Please refer to Note 6 (ab) for the change in allowance for credit losses attribute to the above financial assets.

(iii) Investment in debt instruments at amortized cost

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Financial bonds	\$ 1,514,123	1,462,357
Bonds securitization	<u>84,732</u>	<u>99,127</u>
Subtotal	1,598,855	1,561,484
Less: Loss allowance	<u>(565)</u>	<u>(527)</u>
Total	<b><u>\$ 1,598,290</u></b>	<b><u>1,560,957</u></b>

- 1) The Company and its subsidiaries assessed that the investments were held within a business model whose objective is achieved by collecting the contractual cash flows and for which the contractual cash flows are fully be paid for the principal and interests incurred. Therefore, they were classified as investment in debt instruments at amortized cost.
- 2) The Company and its subsidiaries had assessed the impairment of the financial assets measured at amortized cost as of December 31, 2023 and 2022. Please refer to Note 6 (ab) for the change in allowance for credit losses attribute to the above financial assets.

(iv) Investment under equity method

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

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Associates	<b><u>\$ 85,338</u></b>	<b><u>119,205</u></b>

- 1) Associates

The information of Associates is as follows:

<u>Name of Associate</u>	<u>Relationship with the Company and its subsidiaries</u>	<u>Registration Country</u>	<u>Owner's equity and percentage of voting right</u>	
			<u>December 31, 2023</u>	<u>December 31, 2022</u>
Shenzhen Teng Fu Bo Investment Limited	Investment consultant	China	8.167 %	8.167 %
Xiamen Jinfuyuan Insurance Surveyors and Loss Adjusters Co., Ltd. (Note)	Insurance risk and loss assessment	China	-	24.96 %

(Continued)

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

(Note) On July 20, 2023, Fubon Property & Casualty Insurance Co., Ltd. held a board meeting and decided to sell its all shareholdings in the investee company. The relevant information please see the notes 13(c)(i).

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

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Carrying amount of individually insignificant associates' equity	\$ <b>85,338</b>	<b>119,205</b>
	<b>For the years ended December 31, 2023</b>	<b>2022</b>
Attributed to the Company and its subsidiaries:		
Profit and loss from continuing operations	(28,636)	(55,678)
Other comprehensive income	-	-
Total comprehensive income	<b>(28,636)</b>	<b>(55,678)</b>

2) Guarantee

The investment in the equity method of the Company and its subsidiaries have not been provided as a pledge guarantee as of December 31, 2023 and 2022.

3) Unaudited investments under the equity method

The profit and loss and other comprehensive income of the company and its subsidiaries' investments under the equity method were calculated based on the associate's unaudited financial statements, which the management consider do not have a significant impact on consolidated financial statements.

(v) Other financial assets:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Cash in bank	\$ 1,037,845	996,416
Less: Statutory deposits-other	(967,742)	(996,416)
	<b>\$ 70,103</b>	<b>-</b>

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

(Continued)

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

(j) Right-of-use assets

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

	<u>Buildings and constructions</u>	<u>Other equipment</u>	<u>Communication equipment</u>	<u>Total</u>
Cost:				
Balance at January 1, 2023	\$ 996,810	78,369	16,763	1,091,942
Additions	26,531	31,196	3,186	60,913
Disposal/ Write-off	(21,929)	(20,957)	(353)	(43,239)
Effect of change in exchange rate	(3,506)	-	(28)	(3,534)
Balance at December 31, 2023	<u>\$ 997,906</u>	<u>88,608</u>	<u>19,568</u>	<u>1,106,082</u>
Balance at January 1, 2022	\$ 1,001,895	79,665	19,552	1,101,112
Additions	83,173	13,375	10,849	107,397
Disposal/ Write-off	(92,990)	(14,671)	(13,839)	(121,500)
Effect of change in exchange rate	4,732	-	201	4,933
Balance at December 31, 2022	<u>\$ 996,810</u>	<u>78,369</u>	<u>16,763</u>	<u>1,091,942</u>
Accumulated depreciation and impairment losses:				
Balance at January 1, 2023	\$ 316,821	39,376	3,882	360,079
Depreciation for the year	210,820	17,392	4,669	232,881
Disposal/ Write-off	(19,618)	(19,759)	(265)	(39,642)
Effect of change in exchange rate	(1,910)	-	(24)	(1,934)
Balance at December 31, 2023	<u>\$ 506,113</u>	<u>37,009</u>	<u>8,262</u>	<u>551,384</u>
Balance at January 1, 2022	\$ 187,594	36,431	9,986	234,011
Depreciation for the year	213,716	16,927	4,243	234,886
Disposal/ Write-off	(86,813)	(13,982)	(10,451)	(111,246)
Effect of change in exchange rate	2,324	-	104	2,428
Balance at December 31, 2022	<u>\$ 316,821</u>	<u>39,376</u>	<u>3,882</u>	<u>360,079</u>
Carrying amount:				
Balance at December 31, 2023	<u>\$ 491,793</u>	<u>51,599</u>	<u>11,306</u>	<u>554,698</u>
Balance at January 1, 2022	<u>\$ 814,301</u>	<u>43,234</u>	<u>9,566</u>	<u>867,101</u>
Balance at December 31, 2022	<u>\$ 679,989</u>	<u>38,993</u>	<u>12,881</u>	<u>731,863</u>

(Continued)

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

## (k) Investment property

	<u>Land</u>	<u>Buildings and constructions</u>	<u>Total</u>
Cost:			
Balance, January 1, 2023	\$ 7,362,056	2,363,161	9,725,217
Reclassification from property, plant and equipment	21,720	11,443	33,163
Disposal	(259)	-	(259)
Net gain (loss) on fair value adjustment	<u>160,024</u>	<u>(24,627)</u>	<u>135,397</u>
Balance, December 31, 2023	<u>\$ 7,543,541</u>	<u>2,349,977</u>	<u>9,893,518</u>
Balance, January 1, 2022	\$ 7,180,610	2,419,802	9,600,412
Reclassification from property, plant and equipment	19,970	16,823	36,793
Reclassification to property, plant and equipment	(18,987)	(6,207)	(25,194)
Net (loss) gain on fair value adjustment	<u>180,463</u>	<u>(67,257)</u>	<u>113,206</u>
Balance, December 31, 2022	<u>\$ 7,362,056</u>	<u>2,363,161</u>	<u>9,725,217</u>

For the years ended December 31, 2023 and 2022, the rent revenue from investment property amounted to \$308,242 thousand and \$307,137 thousand respectively; for the years ended December 31, 2023 and 2022, the direct operating expense amounted to \$65,340 thousand and \$50,322 thousand, respectively, of which \$2,031 thousand and \$2,005 thousand, respectively belong to the investment properties which do not generate rent revenue directly.

In accordance with Regulations Governing the Preparation of Financial Statements by Insurance Companies, the Company and its subsidiaries apply the following professional real estate appraiser's accreditation result that performs the appraisal in accordance with Regulations on Real Estate Appraisal as the base to evaluate the fair value of real estates. The appraisal date was December 31, 2023 and 2022. These appraiser firms are as follows:

The appraiser firm on December 31, 2023.

- (i) Jin Han Real Estate Appraisers Joint Firm: Hong Qi Xiang, Wu You Jun and Chen Yi Jun
- (ii) Repro Knight Frank Appraiser Firm: Cai You Xiang and Xu Xiang Yi

The appraiser firm on December 31, 2022.

- (i) Hong-Bang Real Estate Appraisers Firm: Li Ching Tang
- (ii) Affluence Real Estate Appraiser Firm: Chen Bi Yuan, Liu Yi Bo and Qiu, Yi Zhong

(Continued)

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

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

Primary parameters applied are listed below:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Direct capitalization rate (Net)	1.70%~4.50%	0.858%~4.65%
Profit rate	14.00%~20.00%	18.00%~22.00%
Capital interest rate	1.60%~3.60%	2.19%~2.97%

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

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

As of December 31, 2023 and 2022, some investment properties had been pledged as collateral for short-term borrowings; please refer to note 8.

(1) Property, plant and equipment

	<u>Land</u>	<u>Buildings and constructions</u>	<u>Machinery and computer equipment</u>	<u>Other equipment</u>	<u>Prepayment for purchases of equipment, and construction in progress</u>	<u>Leasehold improvements</u>	<u>Total</u>
Cost or deemed cost							
Balance, January 1, 2023	\$ 4,970,200	1,391,942	999,161	251,214	225,592	293,542	8,131,651
Purchase	-	7,951	73,693	2,707	594,166	2,413	680,930
Transferred from prepayment for purchases of equipment, and construction in progress	479	2,498	17,075	-	-	1,347	21,399
Transferred to investment property	(7,874)	(11,715)	-	-	-	-	(19,589)
Disposal	-	-	(4,727)	(13,926)	-	(11,879)	(30,532)
Reclassified to land	-	-	-	-	(479)	-	(479)
Reclassified to buildings and constructions	-	-	-	-	(2,498)	-	(2,498)
Reclassified to leasehold improvements	-	-	-	-	(1,347)	-	(1,347)
Reclassified to machinery and computer equipment	-	-	-	-	(17,075)	-	(17,075)
Reclassified to other equipment	-	-	-	100	-	(100)	-
Reclassified	-	-	-	-	-	(10)	(10)
Effect of changes in foreign exchange rates	-	(8,100)	(2,345)	(1,932)	-	(1,821)	(14,198)
Balance, December 31, 2023	<u>\$ 4,962,805</u>	<u>1,382,576</u>	<u>1,082,857</u>	<u>238,163</u>	<u>798,359</u>	<u>283,492</u>	<u>8,748,252</u>

(Continued)

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

	<u>Land</u>	<u>Buildings and constructions</u>	<u>Machinery and computer equipment</u>	<u>Other equipment</u>	<u>Prepayment for purchases of equipment, and construction in progress</u>	<u>Leasehold improvements</u>	<u>Total</u>
Balance, January 1, 2022	\$ 4,527,513	1,390,122	949,379	271,037	640,082	221,843	7,999,976
Purchase	-	5,167	40,498	10,448	106,286	15,723	178,122
Transferred from investment property	18,987	6,207	-	-	-	-	25,194
Transferred from prepayment for purchases of equipment, and construction in progress	430,915	4,662	13,650	4,166	-	67,383	520,776
Transferred to investment property	(7,215)	(20,783)	-	-	-	-	(27,998)
Disposal	-	-	(6,015)	(37,514)	-	(13,786)	(57,315)
Reclassified to land	-	-	-	-	(430,915)	-	(430,915)
Reclassified to buildings and constructions	-	-	-	-	(4,662)	-	(4,662)
Reclassified to leasehold improvements	-	-	-	-	(67,383)	-	(67,383)
Reclassified to machinery and computer equipment	-	-	-	-	(13,650)	-	(13,650)
Reclassified to other equipment	-	-	-	-	(4,166)	-	(4,166)
Effect of changes in foreign exchange rates	-	6,567	1,649	3,077	-	2,379	13,672
Balance, December 31, 2022	<u>\$ 4,970,200</u>	<u>1,391,942</u>	<u>999,161</u>	<u>251,214</u>	<u>225,592</u>	<u>293,542</u>	<u>8,131,651</u>
Depreciation and impairment loss							
Balance, January 1, 2023	\$ -	549,840	782,629	202,386	-	189,926	1,724,781
Depreciation for the year	-	33,423	78,126	13,666	-	25,296	150,511
Transferred to investment property	-	(2,340)	-	-	-	-	(2,340)
Disposal	-	-	(4,279)	(13,163)	-	(11,671)	(29,113)
Reclassified to other equipment	-	-	-	100	-	(100)	-
Effect of changes in foreign exchange rates	-	(942)	(1,785)	(1,670)	-	(1,637)	(6,034)
Balance, December 31, 2023	<u>\$ -</u>	<u>579,981</u>	<u>854,691</u>	<u>201,319</u>	<u>-</u>	<u>201,814</u>	<u>1,837,805</u>
Balance, January 1, 2022	\$ -	518,965	711,895	219,601	-	183,851	1,634,312
Depreciation for the year	-	36,154	75,095	16,216	-	17,364	144,829
Transferred to investment property	-	(5,869)	-	-	-	-	(5,869)
Disposal	-	-	(5,583)	(35,979)	-	(13,175)	(54,737)
Effect of changes in foreign exchange rates	-	590	1,222	2,548	-	1,886	6,246
Balance, December 31, 2022	<u>\$ -</u>	<u>549,840</u>	<u>782,629</u>	<u>202,386</u>	<u>-</u>	<u>189,926</u>	<u>1,724,781</u>
Carrying amount:							
Balance, December 31, 2023	<u>\$ 4,962,805</u>	<u>802,595</u>	<u>228,166</u>	<u>36,844</u>	<u>798,359</u>	<u>81,678</u>	<u>6,910,447</u>
Balance, January 1, 2022	<u>\$ 4,527,513</u>	<u>871,157</u>	<u>237,484</u>	<u>51,436</u>	<u>640,082</u>	<u>37,992</u>	<u>6,365,664</u>
Balance, December 31, 2022	<u>\$ 4,970,200</u>	<u>842,102</u>	<u>216,532</u>	<u>48,828</u>	<u>225,592</u>	<u>103,616</u>	<u>6,406,870</u>

The Company and its subsidiaries elected to apply the previous GAAP revaluation as the deemed cost on the transition date when adopting IFRSs endorsed by FSC. As of December 31, 2023 and 2022, the revaluation increment which is included in the cost amounted to \$630,021 thousand on all dates.

As of December 31, 2023 and 2022, some property, plant and equipment had been pledged as collateral for short-term borrowings; please refer to note 8.

The Company and its subsidiaries have started construction of office buildings and costs incurred up to December 31, 2023 totaled \$763,940 thousand.

(Continued)

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

(m) Intangible assets

	<u>Computer software</u>
<b>Costs:</b>	
Balance, January 1, 2023	\$ 1,150,997
Purchase	123,107
Disposal	(1,694)
Effect of changes in foreign exchange rates	<u>(3,175)</u>
Balance, December 31, 2023	<u><u>\$ 1,269,235</u></u>
Balance, January 1, 2022	\$ 1,011,970
Purchase	135,235
Disposal	(353)
Effect of changes in foreign exchange rates	<u>4,145</u>
Balance, December 31, 2022	<u><u>\$ 1,150,997</u></u>
<b>Accumulated amortization:</b>	
Balance, January 1, 2023	\$ 935,216
Amortization for the year	138,780
Disposal	(1,694)
Effect of changes in foreign exchange rates	<u>(2,976)</u>
Balance, December 31, 2023	<u><u>\$ 1,069,326</u></u>
Balance, January 1, 2022	\$ 797,579
Amortization for the year	134,076
Disposal	(353)
Effect of changes in foreign exchange rates	<u>3,914</u>
Balance, December 31, 2022	<u><u>\$ 935,216</u></u>
<b>Carrying amount:</b>	
Balance, December 31, 2023	<u><u>\$ 199,909</u></u>
Balance, January 1, 2022	<u><u>\$ 214,391</u></u>
Balance, December 31, 2022	<u><u>\$ 215,781</u></u>

(Continued)



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

## (n) Short-term notes payable

The Company and its subsidiaries' short-term notes payable were as follows :

<b>December 31, 2023</b>			
	<b>Guarantee or acceptance agency</b>	<b>interest rate interval(%)</b>	<b>Amount</b>
Commercial papers	Mega Bills Finance Corporation	1.50%~1.54%	\$ 1,050,000
Commercial papers	IBF Financial Holdings Co., Ltd.	1.54%	500,000
Subtotal			1,550,000
Less : short-term notes payable discount			(1,154)
Total			<b>\$ 1,548,846</b>

The Company and its subsidiaries didn't pledge any asset as collateral for short-term notes and bills payable.

## (o) Short-term borrowings

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Unsecured and secured bank loans	<b>\$ 9,060,000</b>	<b>9,780,000</b>
Unused short-term credit lines	<b>\$ 6,240,000</b>	<b>2,520,000</b>
Range of interest rates	<b>1.745%~1.75%</b>	<b>1.70%~1.926%</b>

## (i) Collateral for bank loans

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

## (p) Provisions

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Decommissioning liabilities	\$ 10,056	9,978
Employee benefit liabilities	817,739	898,191
	<b>\$ 827,795</b>	<b>908,169</b>

(Continued)

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

## (i) Decommissioning liabilities

	<u>For the years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Beginning balance	\$ 9,978	9,900
Unwinding of discount	78	78
Ending balance	<u>\$ 10,056</u>	<u>9,978</u>

## (ii) Employee benefit

	<u>December 31,</u>	<u>December</u>
	<u>2023</u>	<u>31, 2022</u>
Defined benefit plan	\$ 752,499	834,245
Pension plan	54,600	55,074
Other long-term employee benefits	10,640	8,872
Total	<u>\$ 817,739</u>	<u>898,191</u>

## 1) Defined benefit plans

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

	<u>December 31,</u>	<u>December 31,</u>
	<u>2023</u>	<u>2022</u>
Present value of defined benefit obligations	\$ 2,086,065	2,197,105
Fair value of plan assets	(1,333,566)	(1,362,860)
Net defined benefit liabilities	<u>\$ 752,499</u>	<u>834,245</u>

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

## a) Composition of plan assets

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

(Continued)

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

The Company and its subsidiaries' Bank of Taiwan labor pension reserve account balance amounted to \$1,333,566 thousand and \$1,362,860 thousand as of December 31, 2023 and 2022. For information on the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

b) Movements in present value of the defined benefit obligations

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

	<u>For the years ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Defined benefit obligation at January 1	\$ 2,197,105	2,353,898
Current serviced costs and interests	39,783	28,743
Remeasurements loss (gain):		
Actuarial gains or losses arising from changes of financial assumptions	-	(120,159)
Actuarial gains or losses arising from experience adjustments	29,556	69,775
Benefits paid	(140,511)	(120,194)
Benefits paid by the company	(39,868)	(14,958)
Defined benefit obligation at December 31	<u>\$ 2,086,065</u>	<u>2,197,105</u>

c) Movements of defined benefit plan assets

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

	<u>For the years ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Fair value of plan assets at January 1	\$ 1,362,860	1,191,982
Interest income	20,685	9,414
Remeasurements gain		
- Expected return on plan assets, excluding current interest	10,124	78,035
Contributions paid by the employer	80,408	203,623
Benefit paid	(140,511)	(120,194)
Fair value of plan assets at December 31	<u>\$ 1,333,566</u>	<u>1,362,860</u>

(Continued)

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

d) Expense recognized in profit or loss

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

	<u>For the years ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Current service cost	\$ 8,146	11,763
Net interest of net liabilities for defined benefit obligations	10,952	7,566
	<u>\$ 19,098</u>	<u>19,329</u>

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

For the years ended December 31, 2023 and 2022, the remeasurement of net defined liability (asset) recognized accumulatively in other comprehensive income was as follows:

	<u>For the years ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Cumulative amount at January 1	\$ 1,474,634	1,603,053
Recognized during the period	19,432	(128,419)
Cumulative amount at December 31	<u>\$ 1,494,066</u>	<u>1,474,634</u>

f) Actuarial assumptions

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

	<u>December 31,</u> <u>2023</u>	<u>December</u> <u>31, 2022</u>
Discount rate	1.50 %	1.50 %
Future salary increase rate	2.25 %	2.25 %

The expected allocation payment to be made by the Company and its subsidiaries to the defined benefit plans for the one-year period after the reporting date is \$82,218 thousand. The weighted average lifetime of the defined benefit plan is 6.7 years.

(Continued)

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

g) Sensitivity Analysis

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

	<b>Impact on the defined benefit obligations</b>	
	<b>Increase 0.5%</b>	<b>Decrease 0.5%</b>
At December 31, 2023		
Discount rate	(67,457)	71,109
Future salary increase rate	70,299	(67,365)
At December 31, 2022		
Discount rate	(74,718)	78,977
Future salary increase rate	78,076	(74,614)

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

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2023 and 2022.

2) Pension plans

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

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Total present value of obligations	\$ 54,600	55,074
Fair value of plan assets	-	-
Recognized defined benefit liabilities	<b>\$ 54,600</b>	<b>55,074</b>

(Continued)

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

a) Movements in present value of the pension plan obligations

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

	<u>For the years ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Pension plan obligations on January 1	\$ 55,074	57,873
Current serviced costs and interests	2,174	1,880
Remeasurement of net pension plan		
Actuarial gains or losses arising from changes of financial assumptions	-	(3,524)
Actuarial adjustments arising from experience adjustments	(1,971)	(507)
Paid on account	(677)	(648)
Pension plan obligations on December 31	<u>\$ 54,600</u>	<u>55,074</u>

b) Expense recognized in profit or loss

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

	<u>For the years ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Current service cost	\$ 1,381	1,461
Net interest of pension plan	793	419
Remeasurement of net pension plan	(1,971)	(4,031)
	<u>\$ 203</u>	<u>(2,151)</u>

c) Actuarial assumptions

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

	<u>December 31,</u> <u>2023</u>	<u>December</u> <u>31, 2022</u>
Discount rate	1.50 %	1.50 %
Future salary increase rate	2.25 %	2.25 %

(Continued)

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

d) Sensitivity Analysis

For the years ended December 31, 2023 and 2022, the effects of adopting significant actuarial assumptions to pension plan obligations were as follows:

	<b>Impact on the defined benefit obligations</b>	
	<b>Increase 0.5%</b>	<b>Decrease 0.5%</b>
At December 31, 2023		
Discount rate	(2,093)	2,245
Future salary increase rate	2,218	(2,089)
At December 31, 2022		
Discount rate	(2,150)	2,307
Future salary increase rate	2,279	(2,146)

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

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2023 and 2022.

(iii) Defined contribution plan

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

The pension costs incurred from the contributions to the Bureau of the Labor Insurance and labor management agency regulated by the local authority of the subsidiary amounted to \$102,178 thousand and \$99,804 thousand for the years ended December 31, 2023 and 2022, respectively.

(Continued)

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

(q) Insurance liabilities

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Unearned premium reserve	\$ 32,344,207	30,420,835
Guarantee reserve	397	445
Special reserve	1,243,855	1,151,537
Claims reserve	32,585,775	44,903,387
Premium deficiency reserve	<u>185,903</u>	<u>973,953</u>
	<u>66,360,137</u>	<u>77,450,157</u>
Ceded unearned premium reserve	9,037,890	7,392,289
Ceded claim reserve	10,869,197	14,274,490
Ceded premium deficiency reserve	<u>75,412</u>	<u>105,181</u>
	<u>19,982,499</u>	<u>21,771,960</u>
Net	<u><b>\$ 46,377,638</b></u>	<u><b>55,678,197</b></u>

(Continued)



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

## (i) Unearned premium reserve

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

Item	December 31, 2023			
	Unearned premium reserve		Reserve for unearned ceded	
	Direct business	Reinsurance assumed business	Reinsurance ceded business	Retained business
Fire insurance	\$ 1,724,694	862	910,089	815,467
Marine cargo insurance	441,704	902	130,037	312,569
Marine hull/Fishing vessel/ Aviation insurance	242,825	629	198,512	44,942
Voluntary moto insurance	11,082,766	1,012	849,829	10,233,949
Compulsory moto TPL insurance	2,581,989	840,148	1,549,193	1,872,944
Liability insurance	2,372,826	9,514	550,290	1,832,050
Engineering and nuclear insurance	2,544,841	32,466	1,938,552	638,755
Surety and credit insurance	152,092	569	112,739	39,922
Other property insurance	565,160	141	360,721	204,580
Personal accident insurance	3,636,100	10,443	36,703	3,609,840
Typhoon, flood and earthquake insurance	2,478,934	43,297	1,773,961	748,270
Personal and commercial multiple peril insurance	524,579	-	24,167	500,412
Health insurance	779,434	-	29,832	749,602
Overseas reinsurance assumed	-	178,179	1,768	176,411
Overseas subsidiaries	1,663,845	434,256	571,513	1,526,588
Less: Accumulated impairment	-	-	(16)	16
<b>Total</b>	<b>\$ 30,791,789</b>	<b>1,552,418</b>	<b>9,037,890</b>	<b>23,306,317</b>

(Continued)

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

Item	December 31, 2022			
	Unearned premium reserve		Reserve for unearned ceded	
	Direct business	Reinsurance assumed business	Reinsurance ceded business	Retained business
Fire insurance	\$ 1,433,377	6,731	637,633	802,475
Marine cargo insurance	407,311	1,155	119,928	288,538
Marine hull/Fishing vessel/ Aviation insurance	229,562	875	175,021	55,416
Voluntary moto insurance	9,979,448	209,838	548,477	9,640,809
Compulsory moto TPL insurance	2,467,935	799,486	1,480,761	1,786,660
Liability insurance	2,065,530	6,114	527,581	1,544,063
Engineering and nuclear insurance	1,873,462	24,971	1,301,549	596,884
Surety and credit insurance	140,282	617	104,517	36,382
Other property insurance	1,227,180	150	459,077	768,253
Personal accident insurance	3,461,211	13,095	48,256	3,426,050
Typhoon, flood and earthquake insurance	1,882,429	43,129	1,155,311	770,247
Personal and commercial multiple peril insurance	568,041	-	16,645	551,396
Health insurance	910,617	-	69,622	840,995
Overseas reinsurance assumed	-	192,959	5,478	187,481
Overseas subsidiaries	1,710,374	764,956	742,433	1,732,897
Total	<u>\$ 28,356,759</u>	<u>2,064,076</u>	<u>7,392,289</u>	<u>23,028,546</u>

Reserves above were expressed in net amount and estimated accumulated impairment losses amounted to \$16 thousand and \$0 thousand as of December 31, 2023 and 2022, respectively.

(Continued)

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

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

<u>Item</u>	<u>For the year ended December 31, 2023</u>	
	<u>Unearned premium reserve</u>	<u>Reserve for unearned premiums ceded</u>
Beginning balance	\$ 30,420,835	7,392,289
Provision	32,394,919	9,055,339
Recovery	(30,420,835)	(7,392,289)
Impairment losses	-	(16)
Other — effect of changes in foreign exchange rates	(50,712)	(17,433)
Ending balance	<u>\$ 32,344,207</u>	<u>9,037,890</u>
	<u>For the year ended December 31, 2022</u>	
<u>Item</u>	<u>Unearned premium reserve</u>	<u>Reserve for unearned premiums ceded</u>
Beginning balance	\$ 30,272,634	7,857,368
Provision	30,354,614	7,365,457
Recovery	(30,272,634)	(7,858,235)
Reversal of impairment losses	-	867
Other — effect of changes in foreign exchange rates	66,221	26,832
Ending balance	<u>\$ 30,420,835</u>	<u>7,392,289</u>

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

(Continued)

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

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

- a) The unearned premium reserve for compulsory private passenger automobile liability is provided based on the Regulations for Deposit and Management of the Reserve of Compulsory Automobile Liability Insurance and Jin-Guan-Bao-Chan-Zi No.11104617461 on November 30, 2022.
- b) The unearned premium reserve for nuclear insurance is provided based on The Regulations for the Reserve of Nuclear Insurance.
- c) The unearned premium reserve for resident earthquake insurance is provided according to the Enforcement Rules for the Risk Spreading Mechanism for Resident Earthquake Insurance.

(ii) Special reserve

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

a) Catastrophe special reserve

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

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

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

(Continued)

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

b) Equalization special reserve

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

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

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

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

2) Segmentation of specific assets

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

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

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

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

(Continued)

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

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

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

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

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

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

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

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

(Continued)

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

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

<b>Item</b>	<b>For the years ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Beginning balance	\$ 370,227	281,716
Provision	203,888	213,818
Recovery	(111,570)	(125,307)
Ending balance	<u>\$ 462,545</u>	<u>370,227</u>

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

<b>Item</b>	<b>For the year ended December 31, 2023</b>						
	<b>Liabilities</b>			<b>Special reserve</b>			
	<b>Catastrophe</b>	<b>Dangerous change</b>	<b>Total</b>	<b>Catastrophe</b>	<b>Dangerous change</b>	<b>Travel-safety insurance</b>	<b>Total</b>
Beginning	\$ 314,980	466,330	781,310	-	7,317,130	12,644	7,329,774
Provision	-	-	-	487,448	790,844	42,053	1,320,345
Recovered	-	-	-	-	(56,779)	-	(56,779)
Ending balance	<u>\$ 314,980</u>	<u>466,330</u>	<u>781,310</u>	<u>487,448</u>	<u>8,051,195</u>	<u>54,697</u>	<u>8,593,340</u>

  

<b>Item</b>	<b>For the year ended December 31, 2022</b>						
	<b>Liabilities</b>			<b>Special reserve</b>			
	<b>Catastrophe</b>	<b>Dangerous change</b>	<b>Total</b>	<b>Catastrophe</b>	<b>Dangerous change</b>	<b>Travel-safety insurance</b>	<b>Total</b>
Beginning	\$ 314,980	5,488,187	5,803,167	3,722,205	7,033,793	5,054	10,761,052
Provision	-	-	-	508,508	807,369	7,590	1,323,467
Recovered (Note 1)	-	(5,021,857)	(5,021,857)	(4,230,713)	(524,032)	-	(4,754,745)
Ending balance	<u>\$ 314,980</u>	<u>466,330</u>	<u>781,310</u>	<u>-</u>	<u>7,317,130</u>	<u>12,644</u>	<u>7,329,774</u>

Note 1: The catastrophe special reserve recovered \$4,230,713 thousand in current period according to Jin-Guan-Bao-Cai-Zi No.1110431535 and Subparagraph 2, Paragraph 1 Article 9 of “the Regulations Governing the Provision of Various Reserves”. The dangerous change under liabilities recovered \$5,021,857 thousand in current period in accordance with Jin-Guan-Bao-Cai-Zi No.11101405951 “Notice to Reserve Enforcement of Insurance Companies for Catastrophe Loss Reserve” No.8.

Note 2: The special reserve above covers all the insurances except for the special reserve for compulsory automobile liability insurance, which was recognized before January 1, 2011.

- 6) The special reserve for nuclear insurance was provided based on the Regulations for the Reserve of Nuclear Insurance.

(Continued)

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

- 7) Resident earthquake insurance was based on the Regulations for Danger Diversified Mechanism for Resident Earthquake Insurance.
- 8) Travel-safety insurance was based on Jin-Guan-Bao-Cai-Zi No.10904939031.
- (iii) Claim reserve
- 1) Liabilities for claims are to be paid, reported but unpaid and incurred but not reported.

Item	December 31, 2023				
	Note payable (claims)	Claims payable	Claim reserve		
	Reported to be paid	Reported but unpaid	IBNR	Total	
Fire insurance	\$ -	504	4,759,196	38,415	4,797,611
Marine cargo insurance	-	1,261	877,266	246,765	1,124,031
Marine hull/ Fishing vessel/Aviation insurance	-	35	402,768	147,542	550,310
Voluntary moto insurance	-	11,297	7,078,607	1,735,329	8,813,936
Compulsory moto TPL insurance	-	15,079	1,107,885	3,844,978	4,952,863
Liability insurance	-	6,312	2,172,061	1,173,241	3,345,302
Engineering and nuclear insurance	-	468	1,718,807	470,111	2,188,918
Surety and credit insurance	-	394	85,032	35,321	120,353
Other property insurance	-	2,856	165,205	212,389	377,594
Personal accident insurance	-	10,478	580,504	1,587,894	2,168,398
Typhoon, flood and earthquake insurance	-	568	136,929	243,811	380,740
Personal and commercial multiple peril insurance	-	779	47,544	100,097	147,641
Health insurance	-	22,342	100,153	598,420	698,573
Overseas reinsurance assumed	-	-	598,740	29,622	628,362
Overseas subsidiaries	-	7,454	1,084,433	1,206,710	2,291,143
<b>Total</b>	<b>\$ -</b>	<b>79,827</b>	<b>20,915,130</b>	<b>11,670,645</b>	<b>32,585,775</b>

(Continued)



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

Item	December 31, 2022				
	Note payable (claims)	Claims payable	Claim reserve		
	Reported to be paid	Reported but unpaid	IBNR	Total	
Fire insurance	\$ -	75,839	6,886,482	32,335	6,918,817
Marine cargo insurance	-	3,665	923,440	209,312	1,132,752
Marine hull/ Fishing vessel/Aviation insurance	-	14	410,870	108,179	519,049
Voluntary moto insurance	-	4,968	6,619,721	1,220,902	7,840,623
Compulsory moto TPL insurance	-	18,259	974,636	3,599,461	4,574,097
Liability insurance	-	6,362	1,884,033	838,027	2,722,060
Engineering and nuclear insurance	-	61,096	1,009,130	261,744	1,270,874
Surety and credit insurance	-	-	135,386	36,366	171,752
Other property insurance	-	930,562	1,337,170	1,306,844	2,644,014
Personal accident insurance	-	73,914	663,981	1,160,986	1,824,967
Typhoon, flood and earthquake insurance	-	1,375	311,005	226,425	537,430
Personal and commercial multiple peril insurance	-	2,640	55,766	85,124	140,890
Health insurance	-	2,355,531	3,303,263	7,436,553	10,739,816
Overseas reinsurance assumed	-	-	670,888	45,399	716,287
Overseas subsidiaries	-	22,488	1,893,028	1,256,931	3,149,959
Total	<u>\$ -</u>	<u>3,556,713</u>	<u>27,078,799</u>	<u>17,824,588</u>	<u>44,903,387</u>

(Continued)

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

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

Item	December 31, 2023		
	Reported but unpaid	IBNR	Total
Fire insurance	\$ 3,449,485	20,465	3,469,950
Marine cargo insurance	212,025	108,931	320,956
Marine hull/ Fishing vessel/ Aviation insurance	285,850	129,732	415,582
Voluntary moto insurance	393,969	61,075	455,044
Compulsory moto TPL insurance	458,538	1,846,142	2,304,680
Liability insurance	925,355	273,422	1,198,777
Engineering and nuclear insurance	1,110,902	419,240	1,530,142
Surety and credit insurance	24,890	28,533	53,423
Other property insurance	92,698	100,044	192,742
Personal accident insurance	663	8,995	9,658
Typhoon, flood and earthquake insurance	76,513	203,920	280,433
Personal and commercial multiple peril insurance	445	7,691	8,136
Health insurance	-	74,625	74,625
Overseas reinsurance assumed	19,978	1,052	21,030
Overseas subsidiaries	123,985	410,668	534,653
Less: Accumulated impairment	(427)	(207)	(634)
<b>Total</b>	<b>\$ 7,174,869</b>	<b>3,694,328</b>	<b>10,869,197</b>

(Continued)

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

Item	December 31, 2022		
	Reported but unpaid	IBNR	Total
Fire insurance	\$ 5,365,344	16,832	5,382,176
Marine cargo insurance	299,707	92,965	392,672
Marine hull/ Fishing vessel/ Aviation insurance	280,380	89,799	370,179
Voluntary moto insurance	286,114	37,155	323,269
Compulsory moto TPL insurance	387,014	1,715,774	2,102,788
Liability insurance	736,130	195,942	932,072
Engineering and nuclear insurance	455,641	217,541	673,182
Surety and credit insurance	76,086	30,061	106,147
Other property insurance	235,932	195,774	431,706
Personal accident insurance	23,029	34,099	57,128
Typhoon, flood and earthquake insurance	138,169	168,447	306,616
Personal and commercial multiple peril insurance	6,006	4,228	10,234
Health insurance	326,810	1,725,798	2,052,608
Overseas reinsurance assumed	19,679	1,470	21,149
Overseas subsidiaries	649,407	464,398	1,113,805
Less: Accumulated impairment	(942)	(299)	(1,241)
<b>Total</b>	<b>\$ <u>9,284,506</u></b>	<b><u>4,989,984</u></b>	<b><u>14,274,490</u></b>

Reserves above were expressed in net amount and estimated accumulated impairment losses amounted to \$634 thousand and \$1,241 thousand as of December 31, 2023 and 2022, respectively.

(Continued)

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

3) Movements in claim reserve and claim ceded reserve

<u>Item</u>	<u>For the year ended December 31, 2023</u>	
	<u>Claim reserve</u>	<u>Claim reserve ceded</u>
Beginning balance	\$ 44,903,387	14,274,490
Provision	32,642,285	10,889,582
Recovery	(44,903,387)	(14,275,731)
Reversal of impairment loss	-	607
Other — effect of change in foreign exchange rate	(56,510)	(19,751)
Ending balance	<u>\$ 32,585,775</u>	<u>10,869,197</u>

  

<u>Item</u>	<u>For the year ended December 31, 2022</u>	
	<u>Claim reserve</u>	<u>Claim reserve ceded</u>
Beginning balance	\$ 28,102,700	10,102,557
Provision	44,819,951	14,230,712
Recovery	(28,102,700)	(10,104,204)
Reversal of impairment loss	-	406
Other — effect of change in foreign exchange rate	83,436	45,019
Ending balance	<u>\$ 44,903,387</u>	<u>14,274,490</u>

(Continued)

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

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

<u>Item</u>	<u>For the years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Fire insurance	\$ 11,475	15,912
Marine cargo insurance	24,840	32,604
Marine hull/ Fishing vessel/ Aviation insurance	7,125	251
Voluntary moto insurance	1,344,492	965,195
Compulsory moto TPL insurance	167,749	227,978
Liability insurance	22,511	29,606
Engineering and nuclear insurance	4,641	15,163
Surety and credit insurance	24,998	24,739
Other property insurance	7,378	4,380
Personal accident insurance	642	308
Personal and commercial multiple peril insurance	1,075	281
Typhoon, flood and earthquake insurance	33	69
Health insurance	5,130	2,935
Overseas reinsurance assumed	-	-
Overseas subsidiaries	<u>7,672</u>	<u>9,806</u>
Total	<u>\$ 1,629,761</u>	<u>1,329,227</u>

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

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

(Continued)

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

## (iv) Liability reserve

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

Item	For the years ended December 31,			
	2023		2022	
	Liability reserve	Liability reserve ceded	Liability reserve	Liability reserve ceded
Beginning balance	\$ 445	-	471	-
Provision	3	-	5	-
Principal returned	(51)	-	(31)	-
Ending balance	\$ 397	-	445	-

## (v) Premium deficiency reserve

- 1) Premium deficiency reserve

Item	December 31, 2023			
	Premium deficiency reserve		Premium deficiency reserve ceded	
	Direct business	Reinsurance ceded-in	Reinsurance ceded-out	Retention
Fire insurance	\$ 128,843	73	47,020	81,896
Marine cargo insurance	-	-	-	-
Marine hull/ Fishing vessel/ Aviation insurance	4,121	-	-	4,121
Voluntary moto insurance	-	-	-	-
Compulsory moto TPL insurance	-	-	-	-
Liability insurance	-	-	-	-
Engineering and nuclear insurance	-	-	-	-
Surety and credit insurance	-	-	-	-
Other property insurance	-	-	-	-
Personal accident insurance	-	-	-	-
Typhoon, flood and earthquake insurance	-	-	-	-
Personal and commercial multiple peril insurance	-	-	-	-
Health insurance	-	-	-	-
Overseas reinsurance assumed	-	2,428	52	2,376
Overseas subsidiaries	19,649	30,789	28,340	22,098
Total	\$ 152,613	33,290	75,412	110,491

(Continued)

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

December 31, 2022				
Item	Premium deficiency reserve		Premium deficiency reserve ceded	Retention
	Direct business	Reinsurance ceded-in	Reinsurance ceded-out	
Fire insurance	\$ 102,847	572	25,246	78,173
Marine cargo insurance	-	-	-	-
Marine hull/ Fishing vessel/ Aviation insurance	6,034	-	-	6,034
Voluntary moto insurance	-	-	-	-
Compulsory moto TPL insurance	-	-	-	-
Liability insurance	-	-	-	-
Engineering and nuclear insurance	-	-	-	-
Surety and credit insurance	-	-	-	-
Other property insurance	-	-	-	-
Personal accident insurance	-	-	-	-
Typhoon, flood and earthquake insurance	-	-	-	-
Personal and commercial multiple peril insurance	-	-	-	-
Health insurance	761,264	-	-	761,264
Overseas reinsurance assumed	-	3,745	68	3,677
Overseas subsidiaries	26,847	72,644	79,867	19,624
Total	<u>\$ 896,992</u>	<u>76,961</u>	<u>105,181</u>	<u>868,772</u>

(Continued)

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

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

Item	For the year ended December 31, 2023									
	Direct underwrite		Reinsurance ceded-in		The net change of premium deficiency	Reinsurance ceded-out		The net change of premium ceded deficiency	Net deposit of premium deficiency reserve	
	Provision	Recovery	Provision	Recovery		Provision	Recovery			
Fire insurance	\$ 128,843	102,847	73	572	25,497	47,020	25,246	21,774	3,723	
Marine cargo insurance	-	-	-	-	-	-	-	-	-	
Marine hull/ Fishing vessel/ Aviation insurance	4,121	6,034	-	-	(1,913)	-	-	-	(1,913)	
Voluntary moto insurance	-	-	-	-	-	-	-	-	-	
Compulsory moto TPL insurance	-	-	-	-	-	-	-	-	-	
Liability insurance	-	-	-	-	-	-	-	-	-	
Engineering and nuclear insurance	-	-	-	-	-	-	-	-	-	
Surety and credit insurance	-	-	-	-	-	-	-	-	-	
Other property insurance	-	-	-	-	-	-	-	-	-	
Personal accident insurance	-	-	-	-	-	-	-	-	-	
Typhoon, flood and earthquake insurance	-	-	-	-	-	-	-	-	-	
Personal and commercial multiple peril insurance	-	-	-	-	-	-	-	-	-	
Health insurance	-	761,264	-	-	(761,264)	-	-	-	(761,264)	
Overseas reinsurance assumed	-	-	2,428	3,745	(1,317)	52	68	(16)	(1,301)	
Overseas subsidiaries	20,131	26,560	31,249	72,746	(47,926)	28,766	79,979	(51,213)	3,287	
Other—effect of changes in foreign exchange rate	(482)	287	(460)	(102)	(1,127)	(2,905)	(2,075)	(830)	(297)	
<b>Total</b>	<b>\$ 152,613</b>	<b>896,992</b>	<b>33,290</b>	<b>76,961</b>	<b>(788,050)</b>	<b>72,933</b>	<b>103,218</b>	<b>(30,285)</b>	<b>(757,765)</b>	

  

Item	For the year ended December 31, 2022									
	Direct underwrite		Reinsurance ceded-in		The net change of premium deficiency	Reinsurance ceded-out		The net change of premium ceded deficiency	Net deposit of premium deficiency reserve	
	Provision	Recovery	Provision	Recovery		Provision	Recovery			
Fire insurance	\$ 102,847	96,794	572	403	6,222	25,246	19,312	5,934	288	
Marine cargo insurance	-	-	-	-	-	-	-	-	-	
Marine hull/ Fishing vessel/ Aviation insurance	6,034	8,511	-	-	(2,477)	-	-	-	(2,477)	
Voluntary moto insurance	-	-	-	-	-	-	-	-	-	
Compulsory moto TPL insurance	-	-	-	-	-	-	-	-	-	
Liability insurance	-	-	-	-	-	-	-	-	-	
Engineering and nuclear insurance	-	-	-	-	-	-	-	-	-	
Surety and credit insurance	-	-	-	-	-	-	-	-	-	
Other property insurance	-	-	-	-	-	-	-	-	-	
Personal accident insurance	-	-	-	-	-	-	-	-	-	
Typhoon, flood and earthquake insurance	-	-	-	-	-	-	-	-	-	
Personal and commercial multiple peril insurance	-	-	-	-	-	-	-	-	-	
Health insurance	761,264	-	-	-	761,264	-	-	-	761,264	
Overseas reinsurance assumed	-	-	3,745	1,888	1,857	68	-	68	1,789	
Overseas subsidiaries	26,560	31,704	72,746	125,877	(58,275)	79,979	136,370	(56,391)	(1,884)	
Other—effect of changes in foreign exchange rate	287	(12)	(102)	228	(31)	(2,075)	(2,797)	722	(753)	
<b>Total</b>	<b>\$ 896,992</b>	<b>136,997</b>	<b>76,961</b>	<b>128,396</b>	<b>708,560</b>	<b>103,218</b>	<b>152,885</b>	<b>(49,667)</b>	<b>758,227</b>	

(Continued)



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

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

<u>Item</u>	<u>For the year ended December 31, 2023</u>	
	<u>Premium deficiency reserve</u>	<u>Ceding premium deficiency reserve</u>
Beginning balance	\$ 973,953	105,181
Provision	187,432	76,425
Recovery	(973,953)	(105,181)
Other — effect of changes in foreign exchange rates	(1,529)	(1,013)
Ending balance	<u>\$ 185,903</u>	<u>75,412</u>

  

<u>Item</u>	<u>For the year ended December 31, 2022</u>	
	<u>Premium deficiency reserve</u>	<u>Ceding premium deficiency reserve</u>
Beginning balance	\$ 265,393	155,928
Provision	970,694	103,002
Recovery	(265,393)	(155,928)
Other — effect of changes in foreign exchange rates	3,259	2,179
Ending balance	<u>\$ 973,953</u>	<u>105,181</u>

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

(Continued)

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

(r) Lease liabilities

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

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Less than one year	\$ 228,400	238,426
Between one and five years	373,182	555,557
More than five years	<u>626</u>	<u>2,112</u>
	<b><u>\$ 602,208</u></b>	<b><u>796,095</u></b>

For the years ended December 31, 2023 and 2022, the Company and its subsidiaries recognized its lease liabilities amounting to \$60,913 thousand and \$107,342 thousand, respectively with an interest rate of 1.29%~8.00% and 1.26%~9.00%, respectively. The lease liabilities are due from December 31, 2024 to November 30, 2028 and from December 31, 2023 to October 9, 2028.

The amounts recognized in profit or loss were as follows:

	<b>For the years ended December 31, 2023</b>	<b>2022</b>
Interest on lease liabilities	<b><u>\$ 25,624</u></b>	<b><u>30,470</u></b>
Variable lease payments not included in the measurement of lease liabilities	<b><u>\$ 38,618</u></b>	<b><u>38,393</u></b>
Expenses relating to short-term leases	<b><u>\$ 30,832</u></b>	<b><u>32,405</u></b>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	<b><u>\$ 38,053</u></b>	<b><u>56,078</u></b>

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

	<b>For the years ended December 31, 2023</b>	<b>2022</b>
Total cash outflow for leases	<b><u>\$ 359,153</u></b>	<b><u>378,582</u></b>

(i) Real estate leases

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

(Continued)

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

(ii) Other leases

The Company and its subsidiaries lease vehicles and equipment, with lease terms of 3 to 8 years.

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

(s) Operating leases

(i) Leases as lessor

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

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

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Less than one year	\$ 312,643	291,866
One to two years	185,254	158,780
Two to three years	140,910	43,373
Three to four years	27,137	19,456
Four to five years	15,766	14,379
More than five years	<u>21,146</u>	<u>32,024</u>
	<b><u>\$ 702,856</u></b>	<b><u>559,878</u></b>

(t) Capital and other equity

Besides the following events, there is no significant movements in the Company and its subsidiaries' capital and other equity for the years ended December 31, 2023 and 2022 :

A resolution was passed during the board meeting held on April 26, 2023 and August 16, 2022 for the issuance of 1,000,000 thousand and 150,000 thousand ordinary shares under private placement, with par value of \$10 per share, amounting to \$16 and \$100. The Company has received approval from the Financial Supervisory Commission for this capital increase, with May 18, 2023 and August 31, 2022 as the date of capital increase. The company has received approval from the Competent Authority and completed the amendment of registration on July 11, 2023 and October 4, 2022. The relevant statutory registration procedures have since been completed.

(Continued)

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

(i) Share capital

As of December 31, 2023 and 2022, the Company's authorized capital amount are \$30,000,000 thousand and \$20,000,000 thousand respectively, and the face value of each share is \$10, total shares outstanding amounted to 3,000,000 thousand shares and 2,000,000 thousand shares respectively. The paid-in capitals were amounted to \$14,678,396 thousand and \$4,678,396 thousand respectively.

(ii) Capital surplus

The details of this account were as follows:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Additional paid-in capital	\$ 6,000,000	19,411,934
Adjustment of capital increase of the subsidiaries	-	115,501
Changes in ownership interests in subsidiaries	-	150,954
<b>Total</b>	<b><u>\$ 6,000,000</u></b>	<b><u>19,678,389</u></b>

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

(iii) Retained earnings

1) Legal reserve

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

2) Special reserve

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

(Continued)

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

3) Undistributed retained earnings appropriated

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

The resolution of the shareholders' meeting held on April 29, 2022 and decided the distribution of retained earnings for the years ended December 31, 2021. The details of remuneration paid to directors and supervisors were as follows:

	<b>For the years ended December 31, 2021</b>
Dividends distributed to ordinary shareholders	
Cash	<b>\$ <u>4,798,537</u></b>

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

As of December 31, 2022, since the Company had accumulated deficit, the remaining balance did not distributed as dividend. The loss make-up proposal for 2022 had been approved during the shareholders' meeting on April 26, 2023, capital surplus and legal reserve amounted to \$19,678,389 thousand and \$3,761,712 thousand respectively were used to cover accumulated deficits.

(Continued)

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

4) Other equity items

The movements in other equity items were as follows:

	Exchange difference on translation of foreign financial statements	Gain or loss on financial assets measured at fair value through other comprehensive income	Revaluation surplus	Other comprehensive income on reclassification under the overlay approach	Total
Balance at January 1, 2023	\$ (83,108)	(202,478)	238,140	(75,161)	(122,607)
Foreign exchange differences (after-tax-amount)	(22,951)	-	-	-	(22,951)
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method	-	(436)	-	(6,836)	(7,272)
Gains or losses on valuation of financial assets measured at fair value through other comprehensive income	-	200,904	-	-	200,904
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	(86)	-	-	(86)
Revaluation increment	-	-	15,501	-	15,501
Other comprehensive income on reclassification under the overlay approach	-	-	-	377,996	377,996
Balance at December 31, 2023	<u>\$ (106,059)</u>	<u>(2,096)</u>	<u>253,641</u>	<u>295,999</u>	<u>441,485</u>
Balance at January 1, 2022	\$ (156,626)	2,732,604	223,858	7,603,273	10,403,109
Foreign exchange differences (after-tax-amount)	73,518	-	-	-	73,518
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method	-	(5,311)	-	(35,765)	(41,076)
Gains or losses on valuation of financial assets measured at fair value through other comprehensive income	-	(2,901,560)	-	-	(2,901,560)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	(28,211)	-	-	(28,211)
Revaluation increment	-	-	14,282	-	14,282
Other comprehensive income on reclassification under the overlay approach	-	-	-	(7,642,669)	(7,642,669)
Balance at December 31, 2022	<u>\$ (83,108)</u>	<u>(202,478)</u>	<u>238,140</u>	<u>(75,161)</u>	<u>(122,607)</u>

(Continued)

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

(u) Employee compensation

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

The employee compensation that the Company estimates are both \$0 thousand for the years ended December 31, 2023 and 2022, respectively. The estimation of employees' remuneration is based on the net income before tax, before minus employees' compensation, multiply the ratio specified in the Articles of Incorporation, and recognized as operating expenses.

The Company did not estimate the employee compensation due to accumulated deficit in 2022. Regarding the situation of actual employee compensation and related information would be available at the Market Observation Post System website.

(v) Income tax

(i) Income tax expense

The components of the Company and its subsidiaries' income tax expense (benefit) were listed below:

	<u>For the years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Current income tax expense		
Current period	\$ (417,958)	(2,021,367)
Adjustment for prior periods	<u>(14,700)</u>	<u>(105,121)</u>
	<u>(432,658)</u>	<u>(2,126,488)</u>
Deferred income tax expenses		
Origination and reversal of temporary differences	<u>(157,759)</u>	<u>(8,206,569)</u>
Income tax expense (benefit)	<u><b>\$ (590,417)</b></u>	<u><b>(10,333,057)</b></u>

(Continued)

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

- (ii) The details of income tax expense (benefit) recognized under other comprehensive income for the years ended December 31, 2023 and 2022 were as follows:

	<u>For the years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement from defined benefit plans	\$ (3,886)	25,684
Revaluation surplus	413	382
	<u>\$ (3,473)</u>	<u>26,066</u>
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign financial statements	\$ (5,738)	18,379
Gains (losses) from investments in debt instruments at fair value through other comprehensive income	33,062	(461,453)
Other comprehensive income on reclassification under the overlay approach	(1,185)	74,497
	<u>\$ 26,139</u>	<u>(368,577)</u>

Reconciliation of income tax and profit before tax for the years ended December 31, 2023 and 2022 were as follows:

	<u>For the years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Profit (loss) excluding income tax	<u>\$ (2,917,102)</u>	<u>(50,293,929)</u>
Income tax calculated on net income (loss)	(540,468)	(10,046,726)
Tax-exempt securities transaction (income) loss	(68,230)	(316,295)
Tax-exempt Cash dividend	(45,826)	(97,416)
Underestimated (overestimated) prior income tax	(14,700)	(105,121)
Other	78,807	232,501
	<u>\$ (590,417)</u>	<u>(10,333,057)</u>

(Continued)



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

(iii) Deferred tax assets and liabilities

Changing of deferred tax assets and liabilities for the years ended December 31, 2023 and 2022 were as follows:

	For the year ended December 31, 2023				
	Beginning of the period	Other	Recognized in profit or loss	Recognized in other comprehensive income	End of the period
Temporary difference					
Allowance for bad debt exceeding limit	\$ 11,362	-	211,508	-	222,870
Unrealized exchange gains	(437,834)	6	9,607	-	(428,221)
Unrealized exchange losses	110	1	(111)	-	-
(Gains) losses on financial assets valuation	(19,762)	-	(39,250)	-	(59,012)
Losses on investment under equity method	348,662	-	(8,124)	-	340,538
Impairment loss	69,842	-	2,730	-	72,572
Reserve for land increment tax	(654,741)	-	(12,444)	-	(667,185)
Effect of investment property	(266,534)	-	(39,989)	-	(306,523)
Employee benefit liabilities — the difference of pension contribution	(115,355)	-	(20,331)	-	(135,686)
Employee benefit liability — non-leave to be paid	34,999	-	(343)	-	34,656
Other	33,491	(530)	4,625	-	37,586
Other	(33)	-	33	-	-
Right-of-use assets-decommissioning costs	460	-	425	-	885
Tax loss carry forward	8,520,363	(28,433)	49,423	-	8,541,353
Employee benefit liability — remeasurement from defined benefit plans	259,128	-	-	3,886	263,014
Unrealized losses (gains) on financial assets at fair value through other comprehensive income — debt instruments	165,068	-	-	(33,062)	132,006
Other comprehensive income through overlay approach	(614)	-	-	1,185	571
Exchange differences on translation of foreign financial statements	20,778	-	-	5,738	26,516
Revaluation surplus	(783)	-	-	(413)	(1,196)
	<u>\$ 7,968,607</u>	<u>(28,956)</u>	<u>157,759</u>	<u>(22,666)</u>	<u>8,074,744</u>

Information presented in the balance sheet is as follows:

Deferred tax assets	\$ 9,464,263	9,672,567
Deferred tax liabilities	<u>(1,495,656)</u>	<u>(1,597,823)</u>
Total	<u>\$ 7,968,607</u>	<u>8,074,744</u>

(Continued)

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

	For the year ended December 31, 2022				
	Beginning of the period	Other	Recognized in profit or loss	Recognized in other comprehensive income	End of the period
Temporary difference					
Allowance for bad debt exceeding limit	\$ 11,362	-	-	-	11,362
Unrealized exchange gains	(196,919)	-	(240,915)	-	(437,834)
Unrealized exchange losses	-	2	108	-	110
(Gains) losses on financial assets valuation	(53,303)	-	33,541	-	(19,762)
Losses on investment under equity method	366,516	-	(17,854)	-	348,662
Impairment loss	71,224	-	(1,382)	-	69,842
Reserve for land increment tax	(645,039)	-	(9,702)	-	(654,741)
Effect of investment property	(229,931)	-	(36,603)	-	(266,534)
Employee benefit liabilities — the difference of pension contribution	(73,123)	-	(42,232)	-	(115,355)
Employee benefit liability — non-leave to be paid	34,147	-	852	-	34,999
Other	33,491	-	-	-	33,491
Other	-	-	(33)	-	(33)
Right-of-use assets-decommissioning costs	34	-	426	-	460
Tax loss carry forward	-	-	8,520,363	-	8,520,363
Employee benefit liability — remeasurement from defined benefit plans	284,812	-	-	(25,684)	259,128
Unrealized losses (gains) on financial assets at fair value through other comprehensive income — debt instruments	(296,385)	-	-	461,453	165,068
Other comprehensive income through overlay approach	73,883	-	-	(74,497)	(614)
Exchange differences on translation of foreign financial statements	39,157	-	-	(18,379)	20,778
Revaluation surplus	(401)	-	-	(382)	(783)
	<b>\$ (580,475)</b>	<b>2</b>	<b>8,206,569</b>	<b>342,511</b>	<b>7,968,607</b>
Information presented in the balance sheet is as follows:					
Deferred tax assets	\$ 914,626				9,464,263
Deferred tax liabilities	(1,495,101)				(1,495,656)
Total	<b>\$ (580,475)</b>				<b>7,968,607</b>

- (iv) The Company, its parent company and the parent company's major subsidiaries have filed consolidated income tax returns since 2002.

(Continued)

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

(v) In regard to all taxes filed for the year of assessment but pending for verification, the Company and its subsidiaries assess correlation factors which include relevant regulations, past experience and determined that sufficient income tax liability is reliably estimated.

(vi) The Company's tax returns for the year 2017 were assessed by the tax authorities. The Company had applied administrative remedies for the the items the tax authorities required to adjust, and the amount of additional tax levied had entried the related.

(w) Earnings per share

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

	<b>For the years ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Profit (loss) attributable to ordinary shareholders of the Company	\$ <b>(2,230,287)</b>	<b>(39,983,038)</b>
Weighted average number of ordinary shares (thousands shares)	<b>1,092,497</b>	<b>368,388</b>
Basic earnings per share (in dollars)	\$ <b>(2.04)</b>	<b>(108.54)</b>

(x) Disclosure of acquisition cost of insurance contracts

Acquisition cost of insurance contracts

Item	<b>For the year ended December 31, 2023</b>					
	<b>Commission expense</b>	<b>Agent fee</b>	<b>Charge</b>	<b>Reinsurance commission expense</b>	<b>Other cost</b>	<b>Total</b>
Fire insurance	\$ 222,652	-	(1)	221	-	222,872
Marine cargo insurance	158,702	-	128	-	-	158,830
Marine hull/ Fishing vessel/ Aviation insurance	17,303	-	(27)	264	-	17,540
Voluntary moto insurance	2,528,251	-	(1,726)	3,567	-	2,530,092
Compulsory moto TPL insurance	-	-	428,049	-	-	428,049
Liability insurance	518,007	-	221	3,310	-	521,538
Engineering and nuclear insurance	93,227	-	1,075	11,315	-	105,617
Surety and credit insurance	34,888	-	-	-	-	34,888
Other property insurance	373,951	-	50	-	-	374,001
Personal accident insurance	1,384,027	-	(29)	48	-	1,384,046
Personal and commercial multiple peril insurance	193,351	-	-	-	-	193,351
Typhoon, flood and earthquake insurance	258,540	-	427	2,034	-	261,001
Health insurance	509,045	-	-	-	-	509,045
Overseas business	-	-	10,392	61,889	-	72,281
Overseas subsidiaries	363,253	-	-	1,061,039	-	1,424,292
Total	\$ <b>6,655,197</b>	-	<b>438,559</b>	<b>1,143,687</b>	-	<b>8,237,443</b>

(Continued)

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

Item	For the year ended December 31, 2022					Total
	Commission expense	Agent fee	Charge	Reinsurance commission expense	Other cost	
Fire insurance	\$ 220,189	-	-	220	-	220,409
Marine cargo insurance	140,407	-	171	-	-	140,578
Marine hull/ Fishing vessel/ Aviation insurance	14,766	-	(240)	138	-	14,664
Voluntary moto insurance	2,363,154	-	(684)	95,527	-	2,457,997
Compulsory moto TPL insurance	-	-	411,286	-	-	411,286
Liability insurance	442,212	-	224	2,389	-	444,825
Engineering and nuclear insurance	82,109	-	320	6,791	-	89,220
Surety and credit insurance	38,015	-	-	-	-	38,015
Other property insurance	724,610	-	(22)	-	-	724,588
Personal accident insurance	1,281,452	-	40	1,577	-	1,283,069
Personal and commercial multiple peril insurance	252,374	-	-	-	-	252,374
Typhoon, flood and earthquake insurance	208,234	-	762	489	-	209,485
Health insurance	556,595	-	-	-	-	556,595
Overseas business	-	-	11,050	72,896	-	83,946
Overseas subsidiaries	428,553	-	-	575,533	-	1,004,086
<b>Total</b>	<b>\$ 6,752,670</b>	<b>-</b>	<b>422,907</b>	<b>755,560</b>	<b>-</b>	<b>7,931,137</b>

## (y) Disclosure of insurance cost-benefit analysis

## (i) Direct underwriting business cost-benefit analysis

Item	For the year ended December 31, 2023					
	Premium revenue	Net change in unearned premium reserve	Insurance contract acquisition cost	Insurance claim payment	Net change in claim reserve	Gain(Loss)
Non-compulsory insurance	\$ 55,372,843	2,358,637	6,655,197	46,829,655	(11,977,515)	4,129,446
Compulsory insurance	5,660,986	114,054	428,049	4,044,763	336,486	(572,390)
<b>Total</b>	<b>\$ 61,033,829</b>	<b>2,472,691</b>	<b>7,083,246</b>	<b>50,874,418</b>	<b>(11,641,029)</b>	<b>3,557,056</b>

  

Item	For the year ended December 31, 2022					
	Premium revenue	Net change in unearned premium reserve	Insurance contract acquisition cost	Insurance claim payment	Net change in claim reserve	Gain(Loss)
Non-compulsory insurance	\$ 51,545,623	353,249	6,752,670	91,051,373	16,806,047	(66,919,310)
Compulsory insurance	5,468,707	159,329	411,286	3,896,102	159,079	(380,667)
<b>Total</b>	<b>\$ 57,014,330</b>	<b>512,578</b>	<b>7,163,956</b>	<b>94,947,475</b>	<b>16,965,126</b>	<b>(67,299,977)</b>

(Continued)

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

## (ii) Reinsurance cost-benefit analysis

For the year ended December 31, 2023						
Item	Reinsurance Premium	Net change in unearned premium reserve	Reinsurance commission expense	Reinsurance claim payment	Net change in claim reserve	Gain(Loss)
Non-compulsory insurance	\$ 1,469,617	(539,269)	1,154,197	1,259,465	(662,353)	256,897
Compulsory insurance	1,363,480	40,662	-	1,231,121	42,280	49,417
Total	<u>\$ 2,833,097</u>	<u>(498,607)</u>	<u>1,154,197</u>	<u>2,490,586</u>	<u>(620,073)</u>	<u>306,314</u>
For the year ended December 31, 2022						
Item	Reinsurance Premium	Net change in unearned premium reserve	Reinsurance commission expense	Reinsurance claim payment	Net change in claim reserve	Gain(Loss)
Non-compulsory insurance	\$ 2,103,177	(450,698)	767,181	1,621,916	(351,837)	521,606
Compulsory insurance	1,297,226	20,100	-	1,179,872	103,962	(6,708)
Total	<u>\$ 3,400,403</u>	<u>(430,598)</u>	<u>767,181</u>	<u>2,801,788</u>	<u>(247,875)</u>	<u>514,898</u>

## (iii) Gain/Loss on reinsurance contracts

For the year ended December 31, 2023						
Item	Reinsurance expense	Net change in unearned premium reserve	Reinsurance commission received	Claims recovered from reinsurers	Net change in ceded claim reserve	(Gain)Loss
Non-compulsory insurance	\$ 16,776,518	1,594,618	2,456,148	9,713,160	(3,588,041)	6,392,848
Compulsory insurance	2,486,892	68,432	-	2,425,412	201,892	(208,844)
Total	<u>\$ 19,263,410</u>	<u>1,663,050</u>	<u>2,456,148</u>	<u>12,138,572</u>	<u>(3,386,149)</u>	<u>6,184,004</u>
For the year ended December 31, 2022						
Item	Reinsurance expense	Net change in unearned premium reserve	Reinsurance commission received	Claims recovered from reinsurers	Net change in ceded claim reserve	(Gain)Loss
Non-compulsory insurance	\$ 13,771,516	(588,376)	2,063,601	23,786,159	4,031,061	(15,604,914)
Compulsory insurance	2,412,719	95,598	-	2,336,206	95,447	(114,532)
Total	<u>\$ 16,184,235</u>	<u>(492,778)</u>	<u>2,063,601</u>	<u>26,122,365</u>	<u>4,126,508</u>	<u>(15,719,446)</u>

## (z) Nature and scope of insurance contract risk

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

## 1) Risk management policy and objective

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

(Continued)

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

2) Risk management framework organization responsibility and accountability

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

- a) The Board of Directors
  - i) Aware of all risks related to operating in the insurance industry, ensures the efficacy of risk management, and assumes ultimate responsibility.
  - ii) Assures that the company establishes the appropriate risk management mechanism and culture, approves appropriate risk management policies, and achieves an optimal allocation of resources.
  - iii) Consider the effects of aggregating all risk information from the overall perspective of the company, the statutory capital required by the authorities, and relevant regulations that could potentially affect capital allocation.
  - iv) To supervise the promotion of sustainable development, the risk management policies or strategies formulated should include the risk assessment of ESG issues related to the Company's operations.
- b) Risk Management Committee
 

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

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

(Continued)

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

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

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

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

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

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

4) Insurance risk process and method

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

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

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

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

In view of the occurrence of a specific event such as COVID-19 epidemic, the Company and its subsidiaries would monitor the risk factors including underwriting, reinsurance, claims relating to the specific event and closely supervise the risk appetite, and adjust the risk category, risk limit allocation and assumption method according to changes in the environment. If necessary, the Company and its subsidiaries will initiate the assessment of the capital increase demand to ensure the operating safety of the Company and its subsidiaries' working capital liquidity.



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

## (ii) Insurance risk information

## 1) Insurance risk sensitivity analysis

## Test assumptions

Item	For the year ended December 31, 2023						
	Insurance revenue	Expected rate of loss	Expected loss ratio increase or decrease in 1%				
			Effect on Profit or Loss		Effect on Equity		
			Before reinsurance	After reinsurance	Before reinsurance	After reinsurance	
Fire insurance	\$ 3,595,279	58.8%	33,098	11,557	26,478	9,246	
Marine cargo insurance	2,009,300	61.4%	19,752	10,790	15,802	8,632	
Marine hull/ Fishing vessel / Aviation insurance	807,719	71.4%	7,947	895	6,358	716	
Voluntary motor insurance	20,607,748	66.4%	197,133	183,677	157,706	146,942	
Compulsory motor TPL insurance	7,024,466	No applicable	No applicable	No applicable	No applicable	No applicable	
Liability insurance	4,387,611	68.2%	40,769	30,953	32,615	24,762	
Engineering and nuclear insurance	3,303,626	60.8%	26,248	2,598	20,998	2,078	
Surety and credit insurance	302,299	67.8%	2,905	663	2,324	530	
Other property insurance	1,503,132	66.3%	21,652	10,333	17,322	8,266	
Personal accident insurance	7,343,146	67.7%	71,709	70,481	57,367	56,385	
Typhoon, flood and earthquake insurance	5,399,578	67.8%	48,029	7,359	38,423	5,887	
Personal and commercial multiple peril insurance	1,310,683	68.2%	13,541	12,474	10,833	9,979	
Health insurance	1,948,888	63.0%	20,801	19,612	16,641	15,690	
Overseas reinsurance assumed	314,693	61.5%	4,336	4,152	3,469	3,322	
Overseas subsidiaries	4,008,758	63.7%	43,366	32,870	34,693	26,296	

(Continued)

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

Item	For the year ended December 31, 2022					
	Insurance revenue	Expected rate of loss	Expected loss ratio increase or decrease in 1%			
			Effect on Profit or Loss		Effect on Equity	
			Before reinsurance	After reinsurance	Before reinsurance	After reinsurance
Fire insurance	\$ 3,012,816	59.2%	28,904	11,185	23,123	8,948
Marine cargo insurance	1,713,491	61.5%	16,663	9,015	13,330	7,212
Marine hull/Fishing vessel / Aviation insurance	701,307	71.2%	7,095	1,230	5,676	984
Voluntary motor insurance	19,368,202	66.6%	189,207	178,644	151,366	142,915
Compulsory motor TPL insurance	6,765,933	No applicable	No applicable	No applicable	No applicable	No applicable
Liability insurance	3,806,439	68.2%	35,882	26,917	28,706	21,534
Engineering and nuclear insurance	2,430,798	60.6%	20,852	3,519	16,682	2,815
Surety and credit insurance	313,797	67.7%	2,982	621	2,386	497
Other property insurance	3,371,237	66.3%	39,599	17,208	31,679	13,766
Personal accident insurance	6,457,544	67.5%	63,407	62,236	50,726	49,789
Typhoon, flood and earthquake insurance	4,363,091	67.4%	44,962	10,544	35,970	8,435
Personal and commercial multiple peril insurance	1,161,205	68.2%	11,237	10,676	8,990	8,541
Health insurance	2,211,173	61.6%	23,228	18,249	18,582	14,599
Overseas reinsurance assumed	423,417	61.2%	5,985	5,694	4,788	4,555
Overseas subsidiaries	4,314,283	63.9%	48,008	38,126	38,406	30,501

2) Concentration of insurance risk

a) The premium proportion of underwriting and reinsurance.

The insurance contracts which the Company and its subsidiaries underwrite are separated in various types of insurances and not concentrated in any single type of insurance. For the year ended December 31, 2023, the top 5 insurances in terms of proportion are voluntary moto insurance, personal accident insurance, compulsory moto TPL insurance, typhoon, flood and earthquake insurance, liabilities insurance. For the year ended December 31, 2022, the top 5 insurances in terms of proportion are voluntary moto insurance, compulsory moto TPL insurance, personal accident insurance, typhoon, flood and earthquake insurance, liabilities insurance. The voluntary moto insurance has the highest proportion accounts for 32.3% and 32.1% for the years ended December 31, 2023 and 2022, respectively. Although the proportion is slightly higher than other insurances, the loss experience of voluntary moto insurance is stable, and the risk variation is low. There is no concentration risk in other insurances.

(Continued)

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

The premium proportion of underwriting insurance and reinsurance:

Type	For the years ended December 31,			
	2023		2022	
	Amount	Percentage	Amount	Percentage
Fire insurance	\$ 3,595,279	5.6 %	3,012,816	5.0 %
Marine cargo insurance	2,009,300	3.1 %	1,713,491	2.8 %
Marine hull/ Fishing vessel / Aviation insurance	807,719	1.3 %	701,307	1.2 %
Voluntary moto insurance	20,607,748	32.3 %	19,368,202	32.1 %
Compulsory moto TPL insurance	7,024,466	11.0 %	6,765,933	11.2 %
Liability insurance	4,387,611	6.9 %	3,806,439	6.3 %
Engineering and nuclear insurance	3,303,626	5.2 %	2,430,798	4.0 %
Surety and credit insurance	302,299	0.5 %	313,797	0.5 %
Other property insurance	1,503,132	2.3 %	3,371,237	5.6 %
Personal accident insurance	7,343,146	11.5 %	6,457,544	10.7 %
Typhoon, flood and earthquake insurance	5,399,578	8.5 %	4,363,091	7.2 %
Personal and commercial multiple peril insurance	1,310,683	2.0 %	1,161,205	1.9 %
Health insurance	1,948,888	3.1 %	2,211,173	3.7 %
Overseas business	314,693	0.4 %	423,417	0.7 %
Overseas subsidiaries	4,008,758	6.3 %	4,314,283	7.1 %
<b>Total</b>	<b>\$ 63,866,926</b>	<b>100.0 %</b>	<b>60,414,733</b>	<b>100.0 %</b>

b) Percentage of retained premium

The Company and its subsidiaries evaluate the proportion of retained premium with retained business. For the years ended December 31, 2023 and 2022, the top 5 insurances with the highest proportion are voluntary moto insurance, personal accident insurance, compulsory moto TPL insurance, liability insurance and health insurance. The voluntary moto insurance which has the highest proportion accounts for 42.8% and 41.2%, for the years ended December 31, 2023 and 2022, respectively. The Company and its subsidiaries considered that the loss experience of voluntary moto insurance is stable and retained all the reinsurance. For other insurances, the Company and its subsidiaries evaluated the possibility of significant accumulated loss and arranged appropriate reinsurance contracts to diversify the risk and there is no risk concentration.

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

(Continued)

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

The percentage of retained premium was as follows:

Type	For the years ended December 31,			
	2023		2022	
	Amount	Percentage	Amount	Percentage
Fire insurance	\$ 1,168,705	2.6 %	1,128,358	2.6 %
Marine cargo insurance	1,103,006	2.5 %	926,770	2.1 %
Marine hull/ Fishing vessel / Aviation insurance	78,990	0.2 %	95,191	0.2 %
Voluntary moto insurance	19,095,722	42.8 %	18,237,756	41.2 %
Compulsory moto TPL insurance	4,537,574	10.2 %	4,353,214	9.8 %
Liability insurance	3,383,280	7.6 %	2,838,461	6.4 %
Engineering and nuclear insurance	301,505	0.7 %	401,485	0.9 %
Surety and credit insurance	69,791	0.1 %	61,852	0.1 %
Other property insurance	447,477	1.0 %	1,881,346	4.3 %
Personal accident insurance	7,231,904	16.2 %	6,328,652	14.3 %
Typhoon, flood and earthquake insurance	713,960	1.6 %	1,098,367	2.5 %
Personal and commercial multiple peril insurance	1,196,455	2.7 %	1,102,022	2.5 %
Health insurance	1,859,452	4.1 %	1,986,944	4.5 %
Overseas business	299,997	0.7 %	406,358	0.9 %
Overseas subsidiaries	3,115,698	7.0 %	3,383,722	7.7 %
<b>Total</b>	<b>\$ 44,603,516</b>	<b>100.0 %</b>	<b>44,230,498</b>	<b>100.0 %</b>

c) Claims trend

i) Accumulated reported claims - gross

Occurrence year	December 31, 2023					
	≤2018	2019	2020	2021	2022	2023
At the end of occurrence year	-	29,371,987	30,570,491	34,221,394	118,846,868	41,501,945
The first year	-	28,052,588	28,579,610	30,313,919	119,051,976	-
The second year	-	27,494,462	28,365,449	29,992,028	-	-
The third year	-	27,409,106	28,217,570	-	-	-
The fourth year	-	27,408,264	-	-	-	-
Estimation of accumulated claims	-	27,408,264	28,217,570	29,992,028	119,051,976	41,501,945
Cumulative payment to date	-	26,712,450	27,199,052	27,813,407	111,988,982	21,128,231
Subtotal	1,061,832	695,814	1,018,518	2,178,621	7,062,994	20,373,714
Reconciliations (Note)						483,083
Consolidated write-offs						(288,801)
Total amount recognized on balance sheet						32,585,775

(Continued)

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

Occurrence year	December 31, 2022					
	≤2017	2018	2019	2020	2021	2022
At the end of occurrence year	-	25,627,066	29,439,879	30,652,525	34,325,031	118,934,282
The first year	-	23,833,420	28,105,225	28,636,814	30,376,704	-
The second year	-	23,364,127	27,549,538	28,423,764	-	-
The third year	-	23,200,192	27,465,108	-	-	-
The fourth year	-	23,223,645	-	-	-	-
Estimation of accumulated claims	-	23,223,645	27,465,108	28,423,764	30,376,704	118,934,282
Cumulative payment to date	-	22,872,619	26,598,886	25,674,528	25,247,007	84,262,394
Subtotal	1,050,032	351,026	866,222	2,749,236	5,129,697	34,671,888
Reconciliations (Note)						458,925
Consolidated write-offs						(373,639)
Total amount recognized on balance sheet						44,903,387

Note: Reconciliations are paid-distributable claims expense.

ii) Accumulated reported claims - net

Occurrence year	December 31, 2023					
	≤2018	2019	2020	2021	2022	2023
At the end of occurrence year	-	22,055,910	22,547,070	25,124,567	86,346,751	32,529,669
The first year	-	21,019,450	21,451,627	22,975,883	86,462,879	-
The second year	-	20,825,195	21,334,862	22,834,681	-	-
The third year	-	20,770,905	21,222,544	-	-	-
The fourth year	-	20,783,556	-	-	-	-
Estimation of accumulated claims	-	20,783,556	21,222,544	22,834,681	86,462,879	32,529,669
Cumulative payment to date	-	20,500,169	20,817,925	21,567,027	82,738,802	17,436,064
Subtotal	459,519	283,387	404,619	1,267,654	3,724,077	15,093,605
Reconciliations (Note)						483,717
Total amount recognized on balance sheet						21,716,578

Occurrence year	December 31, 2022					
	≤2017	2018	2019	2020	2021	2022
At the end of occurrence year	-	19,928,569	22,103,362	22,595,727	25,191,894	86,405,356
The first year	-	18,908,210	21,058,932	21,486,349	23,022,875	-
The second year	-	18,722,293	20,866,105	21,371,141	-	-
The third year	-	18,610,593	20,812,387	-	-	-
The fourth year	-	18,645,331	-	-	-	-
Estimation of accumulated claims	-	18,645,331	20,812,387	21,371,141	23,022,875	86,405,356
Cumulative payment to date	-	18,397,061	20,419,173	20,280,871	19,808,270	61,641,757
Subtotal	458,773	248,270	393,214	1,090,270	3,214,605	24,763,599
Reconciliations (Note)						460,166
Total amount recognized on balance sheet						30,628,897

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

(Continued)

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

(iii) Credit risk, Liquidity risk, Market risk

1) Credit risk

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

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

- a) Until December 31, 2023 the major unauthorized reinsurance companies that the Company and its subsidiaries had transactions with are as follows:
- i) AMERICAN INTERNATIONAL GROUP UK LTD. etc.: Facultative reinsurance of engineering insurance.
  - ii) SPACIOM LIMITED etc.: Facultative reinsurance of commercial fire insurance.
  - iii) Asia Capital Reinsurance Group Pte Ltd etc.: Facultative reinsurance of marine insurance.
  - iv) Trust International Insurance and Reinsurance CO. B.S.C. (C) TRUST RE etc.: Treaty reinsurance of marine insurance.
  - v) Likewize Corp. etc.: Facultative reinsurance of casualty insurance.
  - vi) RiverStone Insurance (UK) limited etc.: Treaty reinsurance of engineering insurance.
- b) Until December 31, 2022, the major unauthorized reinsurance companies that the Company and its subsidiaries had transactions with are as follows:
- i) AMERICAN INTERNATIONAL GROUP UK LTD. etc.: Facultative reinsurance of engineering insurance.
  - ii) SPACIOM LIMITED etc.: Facultative reinsurance of commercial fire insurance.

(Continued)

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

- iii) Asia Capital Reinsurance Group Pte Ltd etc.: Facultative reinsurance of marine insurance.
  - iv) Trust International Insurance and Reinsurance CO. B.S.C. (C) TRUST RE etc.: Treaty reinsurance of marine insurance.
  - v) Likewize Corp. etc.: Facultative reinsurance of casualty insurance.
  - vi) RiverStone Insurance (UK) limited etc.: Treaty reinsurance of engineering insurance.
- c) As of the years ended December 31, 2023 and 2022, the expenses for reinsurance, which were dealt with unauthorized reinsurance company, amounted to \$36,215 thousand and \$32,794 thousand, respectively.
- d) As of December 31, 2023 and 2022, the unauthorized reinsurance reserves amounted to \$22,173 thousand and \$22,136 thousand, respectively. The components of this account include: (a) ceded unearned premium reserve amounted to \$18,107 thousand and \$18,498 thousand, respectively. (b) claims recoverable from reinsurers of paid claims overdue in nine months amounted to \$19 thousand and \$267 thousand, respectively. (c) ceded claim reserve which were reported but unpaid amounted to \$4,047 thousand and \$3,371 thousand, respectively.
- 2) Liquidity risk

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

3) Market risk

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

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

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

(Continued)

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

(aa) Fair value and tiers information

(i) Fair value information

1) Definition of fair value

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

2) Definition of the 3 tiers of fair value

a) First tier

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

b) Second tier

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

c) Third tier

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

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

(Continued)



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

## (ii) Measured at fair value

## 1) Tier information of the fair value

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

Assets and liabilities	December 31, 2023			
	Total	Quoted prices in active markets for identical assets (1st Tier)	Significant other observable inputs (2nd Tier)	Significant unobservable inputs (3rd Tier)
<b>Repeatability fair value measurement</b>				
<u>Non-derivative financial assets and liabilities</u>				
Assets:				
Financial assets at fair value through profit or loss				
Security Investment	\$ 5,512,833	5,512,833	-	-
Other (Note 1)	4,772,907	4,646,427	79,020	47,460
Financial assets at fair value through other comprehensive income				
Security Investment	1,820,492	41,924	-	1,778,568
Bond Investment (Note 2)	11,280,842	7,321,624	1,083,792	2,875,426
Investment property	9,893,518	-	-	9,893,518
<u>Derivative financial assets and liabilities</u>				
Assets:				
Financial assets at fair value through profit or loss	158,304	-	158,304	-
<b>December 31, 2022</b>				
Assets and liabilities	Total	Quoted prices in active markets for identical assets (1st Tier)	Significant other observable inputs (2nd Tier)	Significant unobservable inputs (3rd Tier)
<b>Repeatability fair value measurement</b>				
<u>Non-derivative financial assets and liabilities</u>				
Assets:				
Financial assets at fair value through profit or loss				
Security Investment	\$ 3,043,440	3,043,440	-	-
Other	4,292,410	4,150,068	80,105	62,237
Financial assets at fair value through other comprehensive income				
Security Investment	1,889,848	60,102	-	1,829,746
Bond Investment (Note 2)	11,151,631	6,486,154	1,686,795	2,978,682
Investment property	9,725,217	-	-	9,725,217
<u>Derivative financial assets and liabilities</u>				
Assets:				
Financial assets at fair value through profit or loss	68,226	-	68,226	-
Liabilities:				
Financial liabilities at fair value through profit or loss	106,214	-	106,214	-

Note 1: Included beneficiary certificates accounted for refundable deposits.

Note 2: Includes securities serving as government bond, corporate bonds and financial bonds of refundable deposits.

(Continued)

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

2) Valuation techniques of fair value measurement

a) Financial instruments

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

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

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

b) Non-financial instruments

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

(Continued)

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

3) Adjustment of fair value

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

4) Transfer between the first tier and the second tier

For the year ended December 31, 2023, investment instruments measured at fair value through other comprehensive income with a carrying amount of \$755,555 thousand were transferred from second tier to first tier because activeness of source is greater than original.

For the year ended December 31, 2022, investment instruments measured at fair value through other comprehensive income with a carrying amount of \$400,493 thousand were transferred from first tier to second tier because activeness of source is lower than original; investment instruments measured at fair value through other comprehensive income with a carrying amount of \$562,476 thousand were transferred from second tier to first tier because activeness of source is greater than original.

5) Changes of the third-tier financial assets

Changes of financial assets categorized in the third tier

Name	For the year ended December 31, 2023							Balance at the end of the year
	Balance at the beginning of the year	Valuation profit or loss		Increase		Decrease		
		Recognized in profit or loss	Recognized in other comprehensive income	Purchase or issue	Transfer to the 3rd tier from other tiers	Sale, disposal or settlement	Transferring to other tiers from the 3rd tier	
Financial assets measured at fair value through profit or loss	\$ 62,237	(9,047)	-	653	-	6,383	-	47,460
Financial assets measured at fair value through other comprehensive income	4,808,428	(75)	21,558	-	-	175,917	-	4,653,994
Investment properties	9,725,217	135,397	-	-	33,163	259	-	9,893,518
Total	<u>\$ 14,595,882</u>	<u>126,275</u>	<u>21,558</u>	<u>653</u>	<u>33,163</u>	<u>182,559</u>	<u>-</u>	<u>14,594,972</u>

Name	For the year ended December 31, 2022							Balance at the end of the year
	Balance at the beginning of the year	Valuation profit or loss		Increase		Decrease		
		Recognized in profit or loss	Recognized in other comprehensive income	Purchase or issue	Transfer to the 3rd tier from other tiers	Sale, disposal or settlement	Transferring to other tiers from the 3rd tier	
Financial assets measured at fair value through profit or loss	\$ 71,378	(1,987)	-	-	-	7,154	-	62,237
Financial assets measured at fair value through other comprehensive income	4,885,861	(5,416)	(867,892)	700,000	200,000	9,846	94,279	4,808,428
Investment properties	9,600,412	113,206	-	-	36,793	-	25,194	9,725,217
Total	<u>\$ 14,557,651</u>	<u>105,803</u>	<u>(867,892)</u>	<u>700,000</u>	<u>236,793</u>	<u>17,000</u>	<u>119,473</u>	<u>14,595,882</u>

(Continued)

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

	<b>For the years ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
For the valuation profit or loss recognized in current profit or loss, the change of unrealized profit or loss which can be attributed to the assets and liabilities possessed by the Company and its subsidiaries	<b>\$ <u>126,350</u></b>	<b><u>113,981</u></b>
For the valuation profit or loss recognized in other comprehensive income, the changes of unrealized profit or loss which can be attributed to the assets and liabilities possessed by the Company and its subsidiaries	<b>\$ <u>36,594</u></b>	<b><u>(881,878)</u></b>

- 6) Quantified information of the fair value measurement of significant unobservable inputs (the third tier).

The financial instruments which are classified as third tier are including FVTPL, FVOCI and investment property. In accordance with the Regulations Governing Preparation of Financial and Operational Reports, the fair value of investment property is determined by professional appraisal institutions based on market evidence. (The details please refer to note 6(k)). Because the relationship between significant unobservable inputs and the fair value cannot be fully controlled, as of December 31, 2023 and 2022, the fair value without quantified information for disclosure is \$2,922,996 thousand and \$3,041,029 thousand, respectively. The details of fair value mentioned above are as follows:

<b>December 31, 2023</b>					
<b>Item</b>	<b>Fair value</b>	<b>Valuation technique</b>	<b>Significant unobservable inputs</b>	<b>Interval (Average)</b>	<b>Inter-relationship between significant unobservable inputs and fair value measurement</b>
Financial assets measured at fair value through other comprehensive income	\$ 1,778,458	Asset-based approach	Discount for the lack of liquidity	0%~10% (6.25%)	The estimated fair value would increase (decrease) if:
			Non-controlling interest discount	0%~20% (8.75%)	<ul style="list-style-type: none"> <li>• the discount for the lack of liquidity were lower (higher); or</li> <li>• the non-controlling interest discount were lower (higher) .</li> </ul>
		Market-based approach—comparable companies	Discount for the lack of liquidity	25%~50% (38%)	The estimated fair value would increase(decrease) if:
			Price-to-book ratio	1.7~3.6 (2.7)	<ul style="list-style-type: none"> <li>• the discount for the lack of liquidity were lower (higher); or</li> <li>• the price-to-book ratio were higher (lower).</li> </ul>
Investment properties	9,893,518	Note 6(k)			

(Continued)

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

December 31, 2022					
Item	Fair value	Valuation technique	Significant unobservable inputs	Interval (Average)	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets measured at fair value through other comprehensive income	\$ 1,829,636	Asset-based approach	Discount for the lack of liquidity Non-controlling interest discount	0%~10% (6.25%) 0%~20% (10%)	The estimated fair value would increase (decrease) if: • the discount for the lack of liquidity were lower (higher); or • the non-controlling interest discount were lower (higher) .
		Market-based approach—comparable companies	Discount for the lack of liquidity Price-to-book ratio	22%~28% (25%) 1.5~3.1 (2.3)	The estimated fair value would increase (decrease) if: • the discount for the lack of liquidity were lower (higher); or • the price-to-book ratio were higher (lower).
Investment properties	9,725,217	Note 6(k)			

7) Valuation procedure of the third-tier inputs

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

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

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

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

The fair value measurement of financial instruments and investment properties is reasonable. Because of the inability to comprehensively manage the relationship between significant unobservable inputs and fair value, the Company and its subsidiaries does not perform alternative or sensitivity analysis for the items that are partially categorized as Level 3 and are not valued by the Company and its subsidiaries.

The remaining financial instruments valued by the model developed by the Company and its subsidiaries are zero coupon callable bonds and cumulated perpetual subordinated debts. Because the parameters used in the valuation of these financial instruments are directly or indirectly obtained from open market information, there is no need to conduct sensitivity analysis, which might replace the assumptions.

(Continued)

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

(iii) Financial instruments not measured at fair value

1) Fair value information

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

<u>Item</u>	<u>Book value</u>	<u>Fair value</u>
<b>December 31, 2023</b>		
Financial assets		
Financial assets measured at amortized cost	\$ 1,598,290	1,337,637
<b>December 31, 2022</b>		
Financial assets		
Financial assets measured at amortized cost	1,560,957	1,300,233

2) Fair value information

<u>Item</u>	<u>Total</u>	<u>December 31, 2023</u>		
		<u>Quoted prices in active markets for identical assets (1st Tier)</u>	<u>Significant other observable inputs (2nd Tier)</u>	<u>Significant unobservable inputs (3rd Tier)</u>
Financial assets:				
Financial assets measured at amortized cost	\$ 1,337,637	922,627	19,399	395,611
<u>Item</u>	<u>Total</u>	<u>December 31, 2022</u>		
		<u>Quoted prices in active markets for identical assets (1st Tier)</u>	<u>Significant other observable inputs (2nd Tier)</u>	<u>Significant unobservable inputs (3rd Tier)</u>
Financial assets:				
Financial assets measured at amortized cost	\$ 1,300,233	921,699	103,519	275,015

(Continued)

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

3) Value method

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

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

(ab) Financial risk information

(i) Risk management system

1) The organization structure of risk management

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

2) Objectives and policies of the risk management

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

(Continued)

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

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

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

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

1) Credit risk

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

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

a) Management process of credit risk

i) Risk identification

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

ii) Risk measurement

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

(Continued)



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

iii) Risk monitoring

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

iv) Risk responding

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

b) Credit risk management mechanism

Credit risk management mechanism includes:

i) Credit risk management before transaction:

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

ii) Management of credit limit by hierarchy:

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

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

(Continued)

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

Besides, it will reexamine credit limit when inside or outside economic circumstances have changed severely.

iii) Credit risk management after transaction:

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

c) Concentration of credit risk

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

i) Concentration of credit risk - district

<b>December 31, 2023</b>						
<b>By area</b>	<b>Taiwan</b>	<b>Rest of Asia</b>	<b>North America</b>	<b>Central and South America</b>	<b>Europe</b>	<b>Total</b>
Exposure amount	\$ 33,747,152	4,031,163	5,558,339	-	821,963	44,158,617
Ratio of the total	76.42 %	9.13 %	12.59 %	-	1.86 %	100.00 %

  

<b>December 31, 2022</b>						
<b>By area</b>	<b>Taiwan</b>	<b>Rest of Asia</b>	<b>North America</b>	<b>Central and South America</b>	<b>Europe</b>	<b>Total</b>
Exposure amount	\$ 29,143,933	4,646,051	3,995,008	-	789,566	38,574,558
Ratio of the total	75.55 %	12.04 %	10.36 %	-	2.05 %	100.00 %

(Continued)

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

d) Credit risk exposure

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

<b>Non-Derivatives Financial Instruments</b>	<b>December 31, 2023</b>	
	<b>Book value</b>	<b>Maximum credit risk exposure</b>
Financial assets:		
Cash and cash equivalents	\$ 12,264,734	12,264,734
Receivables	5,257,502	5,257,502
Current tax assets	2,623,076	2,623,076
Financial assets at fair value through profit or loss	8,862,486	8,862,486
Financial assets at amortized cost	1,598,290	1,598,290
Other financial assets	70,103	70,103
Financial assets at fair value through other comprehensive income	7,445,156	7,445,156
Reinsurance assets	21,427,278	21,427,278
Other assets	8,341,546	8,341,546
Financial liabilities:		
Short-term liabilities	10,608,846	10,608,846
Accounts payable	14,842,286	14,842,286
Current tax liabilities	46,861	46,861
Lease liabilities	571,741	571,741
Other liabilities	63,993	63,993
<b>Derivatives Financial Instruments</b>		
Financial assets:		
Financial assets at fair value through profit or loss	\$ 158,304	158,304

(Continued)

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

<u>Non-Derivatives Financial Instruments</u>	<u>December 31, 2022</u>	
	<u>Book value</u>	<u>Maximum credit risk exposure</u>
Financial assets:		
Cash and cash equivalents	\$ 10,897,303	10,897,303
Receivables	4,712,357	4,712,357
Current tax assets	2,067,260	2,067,260
Financial assets at fair value through profit or loss	7,335,850	7,335,850
Financial assets at amortized cost	1,560,957	1,560,957
Financial assets at fair value through other comprehensive income	10,696,822	10,696,822
Reinsurance assets	23,580,092	23,580,092
Other assets	4,160,281	4,160,281
Financial liabilities:		
Short-term borrowings	9,780,000	9,780,000
Accounts payable	16,482,543	16,482,543
Current tax liabilities	9,916	9,916
Lease liabilities	742,146	742,146
Other liabilities	435,812	435,812
 <u>Derivatives Financial Instruments</u>		
Financial assets:		
Financial assets at fair value through profit or loss	\$ 68,226	68,226
Financial liabilities:		
Financial liabilities at fair value through profit or loss	106,214	106,214

(Continued)

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

e) Credit quality analysis

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

- i) Low risk: The issuers or the counterparties are rated as robust or above to fulfill their obligation of the contracts. Even under various negative news or disadvantageous economic conditions, the companies are capable of dealing with the situations.
- ii) Medium risk: The issuers or the counterparties have lower capability of fulfilling their obligation. Negative news or disadvantageous economic conditions may weaken their financial statuses and result in the doubt of asset impairment or the loss of Fubon Life Insurance and its subsidiaries.
- iii) High risk: The possibility that the issuers or counterparties fulfill their obligation is remote and mainly relies on the business environment. Negative news or disadvantageous economic conditions will lower their ability and willingness to fulfill their obligation.
- iv) The impaired items represent the amount of loss allowance provided for financial assets based on the regulations of accounting standards. Under the principle of prudence, the impaired amount is able to reflect the current value of the impaired assets. The information of credit quality is as follow:

	December 31, 2023										
	12-month ECL				Lifetime ECL (not credit-impaired financial assets)				Lifetime ECL (credit-impaired financial assets)	Impairment allowance	Total
	Low risk	Medium risk	High risk	Subtotal	Low risk	Medium risk	High risk	Subtotal			
Financial assets at fair value through other comprehensive income—debt instruments	\$ 10,657,193	-	-	10,657,193	-	623,649	-	623,649	-	-	11,280,842
Financial assets at amortized cost	1,598,855	-	-	1,598,855	-	-	-	-	-	565	1,598,290
<b>Total</b>	<b>\$ 12,256,048</b>	<b>-</b>	<b>-</b>	<b>12,256,048</b>	<b>-</b>	<b>623,649</b>	<b>-</b>	<b>623,649</b>	<b>-</b>	<b>565</b>	<b>12,879,132</b>
	December 31, 2022										
	12-month ECL				Lifetime ECL (not credit-impaired financial assets)				Lifetime ECL (credit-impaired financial assets)	Impairment allowance	Total
	Low risk	Medium risk	High risk	Subtotal	Low risk	Medium risk	High risk	Subtotal			
Financial assets at fair value through other comprehensive income—debt instruments	\$ 11,151,631	-	-	11,151,631	-	-	-	-	-	-	11,151,631
Financial assets at amortized cost	1,561,484	-	-	1,561,484	-	-	-	-	-	527	1,560,957
<b>Total</b>	<b>\$ 12,713,115</b>	<b>-</b>	<b>-</b>	<b>12,713,115</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>527</b>	<b>12,712,588</b>

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

(Continued)

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

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

	<b>December 31, 2023</b>				<b>Total</b>
	<b>Current</b>	<b>1 to 30 days past due</b>	<b>31 to 90 days past</b>	<b>More than 90 days past</b>	
Expected credit loss rate	0%	2%~100%	0%~10%	20%~100%	
Gross carrying amount	\$ 6,793,132	1,658,446	158,296	15,769,892	24,379,766
Loss allowance provision	-	16,651	12,747	1,291,265	1,320,663

  

	<b>December 31, 2022</b>				<b>Total</b>
	<b>Current</b>	<b>1 to 30 days past due</b>	<b>31 to 90 days past</b>	<b>More than 90 days past</b>	
Expected credit loss rate	0%~15%	2%~5%	10%~25%	25%~100%	
Gross carrying amount	\$ 19,812,009	634,693	179,670	130,362	20,756,734
Loss allowance provision	58,617	13,595	13,014	27,626	112,852

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

- g) Definitions of default and credit-impaired financial assets

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

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

(Continued)

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

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

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

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

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

(Continued)

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

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

ii) Consideration of forward-looking information

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

iii) For the year ended December 31, 2023, there were no significant changes in evaluation techniques or material assumptions used in the measurement of expected credit losses.

iv) The changes in allowance for credit losses:

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

	For the year ended December 31, 2023			The provision of impairment in accordance with IFRS 9
	12-month ECL	Lifetime ECL (assessed on collective)	Lifetime ECL (assessed on individual)	
Beginning balance	\$ 5,237	-	-	5,237
Changes in financial instruments that have been identified at the beginning of the period:				
— Converted into expected credit losses over the duration of the period	(406)	-	406	-
— The financial assets that have been derecognized	(306)	-	-	(306)
Originated or purchased new financial assets	302	-	-	302
Foreign exchange and other movement	876	-	13,329	14,205
Ending balance	<u>\$ 5,703</u>	<u>-</u>	<u>13,735</u>	<u>19,438</u>

(Continued)



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

	For the year ended December 31, 2022			
	12-month ECL	Lifetime ECL (assessed on collective)	Lifetime ECL (assessed on individual)	The provision of impairment in accordance with IFRS 9
Beginning balance	\$ 10,166	-	-	10,166
Changes in financial instruments that have been identified at the beginning of the period:				
— The financial assets that have been derecognized	(5,422)	-	-	(5,422)
Originated or purchased new financial assets	642	-	-	642
Foreign exchange and other movement	(149)	-	-	(149)
Ending balance	<u>\$ 5,237</u>	<u>-</u>	<u>-</u>	<u>5,237</u>

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

	For the year ended December 31, 2023			
	12-month ECL	Lifetime ECL (assessed on collective)	Lifetime ECL (assessed on individual)	The provision of impairment in accordance with IFRS 9
Beginning balance	\$ 527	-	-	527
Foreign exchange and other movement	38	-	-	38
Ending balance	<u>\$ 565</u>	<u>-</u>	<u>-</u>	<u>565</u>

	For the year ended December 31, 2022			
	12-month ECL	Lifetime ECL (assessed on collective)	Lifetime ECL (assessed on individual)	The provision of impairment in accordance with IFRS 9
Beginning balance	\$ 465	-	-	465
Foreign exchange and other movement	62	-	-	62
Ending balance	<u>\$ 527</u>	<u>-</u>	<u>-</u>	<u>527</u>

2) Liquidity risk

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

a) Management process of liquidity risk

i) Risk identification

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

(Continued)

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

ii) Risk measurement

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

iii) Risk monitoring

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

iv) Risk responding

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

b) Liquidity risk management mechanism

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

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

(Continued)

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

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

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

- iv) The maturity analysis is as follows:

		December 31, 2023							
		less than one year	1 to 3 year	3 to 5 year	5 to 10 year	10 to 20 year	more than 20 years	no maturity date	Total
The maturity analysis of financial assets									
	Financial assets measured at fair value through other comprehensive income	\$ 300,688	597,456	2,320,060	1,009,699	1,506,530	2,971,554	2,574,855	11,280,842
	Financial assets measured at amortized cost	-	-	-	18,907	65,799	1,513,584	-	1,598,290
		<u>\$ 300,688</u>	<u>597,456</u>	<u>2,320,060</u>	<u>1,028,606</u>	<u>1,572,329</u>	<u>4,485,138</u>	<u>2,574,855</u>	<u>12,879,132</u>
The maturity analysis of financial liabilities									
	Short-term liabilities	<u>\$ 10,608,846</u>	-	-	-	-	-	-	<u>10,608,846</u>
		December 31, 2022							
		less than one year	1 to 3 year	3 to 5 year	5 to 10 year	10 to 20 year	more than 20 years	no maturity date	Total
The maturity analysis of financial assets									
	Financial assets measured at fair value through other comprehensive income	\$ 603,107	699,839	1,846,080	1,207,446	1,457,389	2,849,539	2,488,231	11,151,631
	Financial assets measured at amortized cost	-	-	-	-	99,078	1,461,879	-	1,560,957
		<u>\$ 603,107</u>	<u>699,839</u>	<u>1,846,080</u>	<u>1,207,446</u>	<u>1,556,467</u>	<u>4,311,418</u>	<u>2,488,231</u>	<u>12,712,588</u>
The maturity analysis of financial liabilities									
	Bank loans	<u>\$ 9,780,000</u>	-	-	-	-	-	-	<u>9,780,000</u>

(Continued)

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

3) The maturity analyses of derivative assets and liabilities

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

		December 31, 2023					
		less than one year	1 to 3 year	3 to 5 year	5 to 10 year	no maturity date	Total
The maturity analysis of financial assets	\$	<u>158,304</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>158,304</u>
The maturity analysis of financial liabilities	\$	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		December 31, 2022					
		less than one year	1 to 3 year	3 to 5 year	5 to 10 year	no maturity date	Total
The maturity analysis of financial assets	\$	<u>68,226</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>68,226</u>
The maturity analysis of financial liabilities	\$	<u>106,214</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>106,214</u>

4) Market risk

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

a) Management process of market risk

i) Risk identification

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

ii) Risk measurement

1. Establish a risk quantification model, adopting basic statistical measurement, sensitivity analysis and scenario analysis etc., for different risk factors to measure market risk.

(Continued)

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

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

iii) Risk monitoring

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

iv) Risk responding

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

b) Concentration of market risk

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

c) Market risk management mechanism

i) Risk tolerance management

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

(Continued)

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

ii) Risk limit management

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

iii) Valuation management

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

d) Risk value model

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

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

i) The Company

<b>Common VaR</b>	<b>December 31, 2023</b>		
	<b>Average</b>	<b>Highest</b>	<b>Lowest</b>
Fixed income group	\$ 362,242	488,528	279,331
Equity group	562,733	656,519	467,115
Fund group	5,973	9,814	3,609
Asset securitization group	102,084	118,823	76,100
Total position	774,575	1,094,986	527,711

(Continued)

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

<b>Common VaR</b>	<b>December 31, 2022</b>		
	<b>Average</b>	<b>Highest</b>	<b>Lowest</b>
Fixed income group	\$ 708,052	863,621	421,746
Equity group	1,371,072	2,470,680	571,023
Fund group	90,095	167,767	6,645
Asset securitization group	54,310	128,969	37,857
Total position	1,686,053	2,632,476	1,072,385

ii) Subsidiary - Fubon P&C Insurance Co., Ltd

<b>Common VaR</b>	<b>December 31, 2023</b>		
	<b>Average</b>	<b>Highest</b>	<b>Lowest</b>
Fixed income group	\$ 7,171	14,956	5,956
Equity group	39,747	52,448	32,936
Total position	44,345	58,686	34,611

<b>Common VaR</b>	<b>December 31, 2022</b>		
	<b>Average</b>	<b>Highest</b>	<b>Lowest</b>
Fixed income group	\$ 9,027	48,122	3,262
Equity group	44,281	61,648	16,211
Total position	46,741	80,134	25,910

Note 1: VaR was adopted from January 1 to December 31, 2023, and January 1 to December 31, 2022 .

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

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

e) The risks of interest rates

The risks of interest rates of the Company and its subsidiaries mainly come from short-term borrowings with floating interest rates. In order to reduce the impact of interest rate fluctuations on future cash flows, the Company and its subsidiaries regularly evaluate the borrowing interest rates of banks to avoid cash flow risks caused by changes in market interest rates.

The following sensitivity analysis is based on interest rate exposure at the date of the report. For floating rate liabilities, the analysis is based on the assumption that the amount of liabilities outstanding on the reporting day is outstanding for the entire year.

If the interest rate increases or decreases by 0.5%/50 basis points, and all other variables remain unchanged, the net profit of the Company and its subsidiaries in 2023 would decrease or increase by \$45,300 thousand, mainly due to the floating rate borrowings of the Company and its subsidiaries.

(Continued)

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

(iii) Transfer of financial assets

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

December 31, 2023					
Types of financial assets	Carrying amount of the transferred financial assets	Carrying amount of relevant financial liabilities	Fair value of the transferred financial assets	Fair value of relevant financial liabilities	Fair value net position
Financial assets measured at fair value through profit or loss					
Security lending agreements	\$ 195,600	-	195,600	-	195,600

As of December 31, 2022, the Company and its subsidiaries did not have any transferred financial assets that have not been derecognized in their entirety.

(iv) Offsetting financial asset and financial liability

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

December 31, 2023						
Financial asset which available offset master netting arrangement or similar agreement standard						
	Total recognized financial assets (a)	Total recognized financial liability has offset in financial statement (b)	Net recognized financial assets (c)=(a)-(b)	Not offset amount in financial statement (d)		Total (e)=(c) (d)
				Financial instruments	Collateralized cash	
Derivative financial instruments	\$ 158,304	-	158,304	-	-	158,304
Securities lending agreement	195,600	-	195,600	195,600	-	-
<b>Total</b>	<b>\$ 353,904</b>	<b>-</b>	<b>353,904</b>	<b>195,600</b>	<b>-</b>	<b>158,304</b>

  

December 31, 2023						
Financial liability which available offset master netting arrangement or similar agreement standard						
	Total recognized financial liability (a)	Total recognized financial asset has offset in financial statement (b)	Net recognized financial liability (c)=(a)-(b)	Not offset amount in financial statement (d)		Total (e)=(c) (d)
				Financial instruments	Collateralized cash	
Derivative financial instruments	-	-	-	-	-	-

(Continued)



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

December 31, 2022						
	Financial asset which Available offset Master netting arrangement or similar agreement standard		Not offset amount in financial statement			
	Total recognized financial assets	Total recognized financial liability has offset in financial statement	Net recognized financial assets	(d)		Total
	(a)	(b)	(c)=(a)-(b)	Financial instruments	Collateralized cash	(e)=(c) (d)
Derivative financial instruments	\$ 68,226	-	68,226	68,226	-	-

  

December 31, 2022						
	Financial liability which Available offset Master netting arrangement or similar agreement standard		Not offset amount in financial statement			
	Total recognized financial liability	Total recognized financial asset has offset in financial statement	Net recognized financial liability	(d)		Total
	(a)	(b)	(c)=(a)-(b)	Financial instruments	Collateralized cash	(e)=(c) (d)
Derivative financial instruments	\$ 106,214	-	106,214	68,226	-	37,988

(ac) Capital Management

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

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

As of December 31, 2023, the method of capital management of the Company and its subsidiaries remains the same.

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

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

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

(Continued)

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

- (ii) The carrying amount of the assets related to the structured entities recognized by the Company and its subsidiaries but not yet included in the consolidated financial statements on December 31, 2023 and 2022, is as follows:

<u>December 31, 2023</u>	<u>Private equity fund</u>	<u>Asset securitization products</u>
<b>Assets possessed by the Company and its subsidiaries</b>		
-Financial assets at fair value through profit or loss (Note)	\$ 45,855	1,642,625
-Financial assets at fair value through other comprehensive income	-	300,570
-Financial assets at amortized cost	-	84,706
Total assets possessed by the Company and its subsidiaries	<u>\$ 45,855</u>	<u>2,027,901</u>

<u>December 31, 2022</u>	<u>Private equity fund</u>	<u>Asset securitization products</u>
<b>Assets possessed by the Company and its subsidiaries</b>		
-Financial assets at fair value through profit or loss	\$ 60,128	1,864,448
-Financial assets at fair value through other comprehensive income	-	299,422
-Financial assets at amortized cost	-	99,078
Total assets possessed by the Company and its subsidiaries	<u>\$ 60,128</u>	<u>2,262,948</u>

Note : Included the amount of refundable deposits.

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

- (iii) The Company and its subsidiaries did not provide any financial support for the private equity funds and the asset securitization products not included in the consolidated financial statements for the years ended December 31, 2023 and 2022.

(Continued)

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

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

The Company and its subsidiaries' investing activities which did not affect the current cash flow for the years ended December 31, 2023 and 2022 were as follows:

- (i) For details of right-of-use assets under leases, please refer to note 6(j).  
(ii) Reconciliation of liabilities arising from financing activities were as follows:

	<u>For the years ended December 31, 2023</u>			<u>For the years ended December 31, 2022</u>		
	<u>Lease Liabilities</u>	<u>Bank loan</u>	<u>Commercial papers</u>	<u>Lease Liabilities</u>	<u>Bank loan</u>	<u>Commercial papers</u>
Beginning balance	\$ 742,146	9,780,000	-	864,260	-	-
Cash flows from financing activities						
Payment of lease liabilities	(225,285)	-	-	(220,923)	-	-
Net borrowing (repayment) of loan	-	(720,000)	-	-	9,780,000	-
Cash from net proceeds from issuing commercial papers	-	-	1,485,789	-	-	-
Net cash flows from financing activities	<u>(225,285)</u>	<u>(720,000)</u>	<u>1,485,789</u>	<u>(220,923)</u>	<u>9,780,000</u>	<u>-</u>
Effect of exchange rate changes	(1,524)	-	-	2,012	-	-
Others						
Other changes related to liabilities						
Sign/ update lease contracts	57,145	-	-	97,110	-	-
Interest expense	25,624	-	63,057	30,470	-	-
Interest payment	<u>(26,365)</u>	<u>-</u>	<u>-</u>	<u>(30,783)</u>	<u>-</u>	<u>-</u>
Net change related to liabilities	56,404	-	63,057	96,797	-	-
Ending balance	<u>\$ 571,741</u>	<u>9,060,000</u>	<u>1,548,846</u>	<u>742,146</u>	<u>9,780,000</u>	<u>-</u>

(Continued)

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

**(7) Related-party transactions:**

(a) Names and relationship of related parties

<u>Name of Related Party</u>	<u>Relationship with the Company and its subsidiaries</u>
Fubon Financial Holding Co., Ltd. (Fubon Financial Holding)	Parent company
JihSun Financial Holding Co Ltd. (JihSun Financial Holding)	It was originally a subsidiary of Fubon Financial Holdings, and was later eliminated after the merger with Fubon Financial Holding Co. Ltd on November 11, 2022.
Fubon Life Insurance Co., Ltd. (Fubon Life Insurance)	The same parent company
Taipei Fubon Commercial Bank Co., Ltd. (Taipei Fubon Commercial Bank)	The same parent company
JihSun International Commercial Bank (JihSun Bank)	It was originally a subsidiary of Fubon Financial Holding, and was later eliminated after the merger with Taipei Fubon Bank on April 1, 2023.
Fubon Securities Co., Ltd. (Fubon Securities)	The same parent company
Fubon Direct Marketing Consulting Co., Ltd.	The same parent company
Fubon Financial Holding Venture Capital	The same parent company
Fubon Assets Management Co., Ltd.	The same parent company
Fubon Bank (Hong Kong) Limited	The same parent company
Fubon Securities Investment Trust Co., Ltd.	The same parent company
Xiamen Bank Co., Ltd.(Xiamen Bank)	The associate of Fubon Financial Holding Co., Ltd. under Equity Method
Fubon Bank (China) Co., Ltd.	A subsidiary of Fubon Financial Holdings and Taipei Fubon Commercial Bank Holding 100% Shares
TFB Capital Co., Ltd.	The investee recognized under Equity Method
Fubon Life Insurance (Vietnam) Co., Ltd.	The investee recognized under Equity Method
Carter Lane (Guernsey) Limited	The investee recognized under Equity Method
Bow Bells House (Jersey) Limited	The investee recognized under Equity Method
Fubon Life Insurance (Hong Kong) Co., Ltd.	The investee recognized under Equity Method
Fubon MTL Property (Jersey) Limited	The investee recognized under Equity Method
Fubon Ellipse (Belgium) Limited	The investee recognized under Equity Method
Fubon Hyundai Life Insurance Co., Ltd.	The investee recognized under Equity Method
Fubon Eurotower (Luxembourg) SARL	The investee recognized under Equity Method
Fubon Futures Co., Ltd. (Fubon Futures)	The investee recognized under Equity Method

(Continued)

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

<u>Name of Related Party</u>	<u>Relationship with the Company and its subsidiaries</u>
Fubon Securities Investment Consulting Co., Ltd.	The investee recognized under Equity Method
Fubon Securities Venture Capital Co., Ltd.	The investee recognized under Equity Method
Fubon Venture Capital Co., Ltd.	The investee recognized under Equity Method
Fubon Investment Holding (BVI) Ltd.	The investee recognized under Equity Method
Fubon Securities (HK) Ltd.	The investee recognized under Equity Method
Fubon Private Equity Co., Ltd.	The investee recognized under Equity Method
Fubon Digital Music Asset Management Co., Ltd.	The investee recognized under Equity Method
Fubon Fund Management (Hong Kong) Limited	The investee recognized under Equity Method
Fubon Digital Music GP Limited	The investee recognized under Equity Method
Fubon Insurance Agency Co., Ltd. (Fubon Insurance Agency)	The investee recognized under Equity Method
Fubon Sports & Entertainment Co., Ltd. (Fubon Sports & Entertainment)	The investee recognized under Equity Method
Fubon Stadium Co., Ltd.	The investee recognized under Equity Method
Fubon Credit (Hong Kong) Ltd.	The investee recognized under Equity Method
Fubon Securities (Hong Kong) Ltd.	The investee recognized under Equity Method
Fubon Nominees (Hong Kong) Limited	The investee recognized under Equity Method
Fubon Insurance Brokers Limited	The investee recognized under Equity Method
Admiralty Finance Company Limited	The investee recognized under Equity Method
Aquarius (Nominees) Limited	The investee recognized under Equity Method
Fubon Property Management Co., Ltd.	The investee recognized under Equity Method
Founder Fubon Fund Management Limited	The investee recognized under Equity Method
Xinyuanfutong Financial Leasing Corporation Ltd.	The investee recognized under Equity Method
Citic Capital Holdings Limited	The investee recognized under Equity Method
Fubon Health Management Consulting Co., Ltd.	The investee recognized under Equity Method
Bravelog Sport Technology Co., Ltd.	The investee recognized under Equity Method
Shing Ho Energy Co., Ltd.	The investee recognized under Equity Method
Shing Yau Energy Co., Ltd.	The investee recognized under Equity Method
Line Biz+ Taiwan Limited	The investee recognized under Equity Method

(Continued)

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

<u>Name of Related Party</u>	<u>Relationship with the Company and its subsidiaries</u>
Ho Shih Shuo Power Co., Ltd.	The investee recognized under Equity Method
LINE Bank Co., Ltd. (LINE Bank)	The investee recognized under Equity Method
Jih Sun International Investment Holding Company Limited	The investee recognized under Equity Method
JS CRESVALE Securities International Limited	The investee recognized under Equity Method
JS CRESVALE Capital Limited	The investee recognized under Equity Method
Jih Sun Securities Investment Trust Co., Ltd. (Jih Sun Securities Investment Trust)	The investee recognized under Equity Method
XinDing Number One Energy Co., Ltd.	The investee recognized under Equity Method
Sichuan Vip Fubon Consumer Finance Co., Ltd.	The investee recognized under Equity Method
Hyundai Card Co., Ltd.	The investee recognized under Equity Method
Aquastar Energy Corporation	The investee recognized under Equity Method
Shenzhen Teng Fu Bo Investment Limited	The associate of Fubon P&C Insurance Co., Ltd. under equity method
ZA Life Limited	The associate of Fubon Life Insurance (Hong Kong) Co., Ltd. under Equity method
Fubon Multimedia Technology Co, Ltd. (Fubon Multimedia Technology)	Affiliates
Fubon Property Management Co., Ltd. (Fubon Property Management)	Affiliates
The fund from Fubon Asset Management	Affiliates
Taiwan Mobile Co., Ltd.(Taiwan Mobile)	Affiliates
Taiwan Fixed Network Co., Ltd. (Taiwan Fixed Network)	Affiliates
Taipei City Government	Affiliates
Taipei Culture Foundation Co, Ltd. (Taipei Culture Foundation)	Affiliates
Carplus Auto Leasing Co., Ltd. (Carplus Auto Leasing)	Affiliates
Taihsin Property Insurance Agent Co., Ltd. (Taihsin Property Insurance Agent)	Affiliates
Tokio Marine Newa Insurance Co., Ltd. (Tokio Marine Newa Insurance)	Affiliates
Taiwan High Speed Railway Co., Ltd. (Taiwan High Speed Railway)	Affiliates
Far Eastern International Bank Co., Ltd. (Far Eastern Bank)	Affiliates

(Continued)

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

<b>Name of Related Party</b>	<b>Relationship with the Company and its subsidiaries</b>
Taiwan Business Bank, Ltd. (Taiwan Business Bank)	Affiliates
Fubon Charity Foundation	Affiliates
Fubon Art Foundation	Affiliates
Fubon Cultural and Educational Foundation	Affiliates
Yuchang Motor Co., Ltd (Yuchang Motor)	Affiliates
Empower Motor Co., Ltd. (Empower Motor)	Affiliates
MediaTek INC.(MediaTek)	Affiliates
Kbro Media Co., Ltd.(Kbro)	Affiliates
Taiwan Cement Corporation(Taiwan Cement )	Affiliates
TA-HO Maritime Corporation (TA-HO Maritime)	Affiliates
Alpha Networks Inc. (Alpha Networks)	Affiliates
China Hi-Ment Co., Ltd (China Hi-Ment)	Affiliates
USI Corporation	Affiliates
Synnex Technology International Corporation (Synnex Technology)	Affiliates
China United Property Insurance Company (China United Property Insurance)	Affiliates
Huilian automobile co., ltd. (Huilian automobile)	Affiliates
Fuli Property Insurance Agency Co., Ltd. (Fuli Property Insurance Agency)	Affiliates
YFY Inc. (YFY)	Affiliates
Subtron technology co., ltd. (Subtron technology)	Affiliates
TFN Media Co., Ltd. (TFN Media)	Affiliates
Bestcom Infotech Corporation ( Bestcom Infotech)	Affiliates
The non-life insurance association of the republic of China (The non-life insurance association)	Affiliates
Other related parties	Directors, supervisors, managers, chairman of the board, general manager and their close relatives and other affiliates, etc.

(Continued)

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

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

(i) Deposits

Names of related parties	December 31, 2023		December 31, 2022	
	Ending balance	Interest rate range%	Ending balance	Interest rate range%
Taipei Fubon Commercial Bank	\$ 1,589,476	0.10~0.51	2,275,402	0~6
Xiamen Bank	189,180	0.25	173,613	0.05~0.40
Far Eastern Bank	150,032	0.60	128	0.475
Taiwan Business Bank	47,780	0.58	54,966	0.455
Others (not related company or person accounts for more than \$10,000 thousand or 10%)	6,912	0.25	9,358	0.05~0.385
	<u>\$ 1,983,380</u>		<u>2,513,467</u>	

(ii) Financial instruments

1) The balance of the fund's balance from related parties Fubon Asset Management was as follows:

Names of funds	December 31, 2023	December 31, 2022
The fund from Fubon Asset Management	<u>\$ 18,630</u>	<u>11,790</u>

2) The balance of the fund's balance of Fubon REIT I Fund and Fubon REIT II Fund was as follows:

Names of funds	December 31, 2023	December 31, 2022
Fubon REIT I Fund	\$ 802,854	894,217
Fubon REIT II Fund	839,771	970,231
	<u>\$ 1,642,625</u>	<u>1,864,448</u>

(iii) Accounts receivable

Names of related parties	December 31, 2023	December 31, 2022
Others (not related company or person accounts for more than \$10,000 thousand or 10%)	<u>\$ 3,631</u>	<u>10,352</u>

(iv) Reinsurance receivables

Names of related parties	December 31, 2023	December 31, 2022
China United Property Insurance	<u>\$ 126,988</u>	<u>95,193</u>

(Continued)



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

(v) Consolidated Tax Return System

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

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Consolidated tax return receivable	<b>\$ 2,623,076</b>	<b>2,067,260</b>
Consolidated tax return payable	<b>\$ 1,021</b>	<b>4,417</b>

(vi) Refundable deposite

<b>Names of related parties</b>	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Fubon Life Insurance	\$ 39,746	39,874
Others (not related company or person accounts for more than \$10,000 thousand or 10%)	3,625	3,611
	<b>\$ 43,371</b>	<b>43,485</b>

(vii) Prepaid

<b>Names of related parties</b>	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Others (not related company or person accounts for more than \$10,000 thousand or 10%)	\$ 3,801	4,766

(viii) Reinsurance payables

<b>Names of related parties</b>	<b>December 31, 2023</b>	<b>December 31, 2022</b>
China United Property Insurance	\$ 129,454	72,269

(Continued)

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

## (ix) Accounts payable

<u>Names of related parties</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Fubon Life Insurance	\$ 302,088	278,494
Fubon Insurance Agency	244,019	239,120
Taihsin Property Insurance Agent	28,695	3,483
Others (not related company or person accounts for more than \$10,000 thousand or 10%)	12,325	15,231
	<u>\$ 587,127</u>	<u>536,328</u>

## (x) Advance receipts

<u>Names of related parties</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Jih Sun Securities Investment Trust	\$ 4,574	1,794
Others (not related company or person accounts for more than \$10,000 thousand or 10%)	1,692	2,240
	<u>\$ 6,266</u>	<u>4,034</u>

## (xi) Other income

<u>Names of related parties</u>	<u>Type</u>	<u>For the years ended December 31,</u>	
		<u>2023</u>	<u>2022</u>
China United Property Insurance	Reinsurance premium	\$ 124,821	217,109
Taipei Fubon Commercial Bank	Joint marketing fee, miscellaneous and interest income	11,772	4,210
Fubon Life Insurance	Joint marketing fee and miscellaneous	15,246	11,518
Others (not related company or person accounts for more than \$10,000 thousand or 10%)		3,065	7,034
		<u>\$ 154,904</u>	<u>239,871</u>

(Continued)

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

## (xii) Expenses

## 1) Retained claim payment

<u>Names of related parties</u>	<u>For the years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Taiwan Mobile	\$ 326,402	262,791
Taiwan High Speed Railway	5,597	19,550
Carplus Auto Leasing	-	118,201
USI Corporation	22,233	-
Tokio Marine Newa Insurance	-	99,402
Yuchang Motor	-	24,075
Empower Motor	-	15,056
Huilian automobile	-	13,353
China United Property Insurance	109,570	134,648
Others (not related company or person accounts for more than \$10,000 thousand or 10%)	48,193	108,823
	<u>\$ 511,995</u>	<u>795,899</u>

## 2) Donation expense

<u>Names of related parties</u>	<u>For the years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Fubon Charity Foundation	\$ 1,200	9,621
Fubon Art Foundation	-	4,852
Fubon Cultural and Educational Foundation	-	4,019
	<u>\$ 1,200</u>	<u>18,492</u>

(Continued)

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

## 3) Other expenses

<u>Names of related parties</u>	<u>Type</u>	<u>For the years ended December 31,</u>	
		<u>2023</u>	<u>2022</u>
Fubon Life Insurance	Joint marketing, premium and interest	\$ 1,203,812	1,280,052
Taipei Fubon Commercial Bank	Joint marketing, commission, charges, interest and central registry public bonds	256,935	243,798
Fubon Securities	Joint marketing, charges and interest	7,229	16,390
Fubon Sports & Entertainment	Printing, joint marketing, entertainment advertisement, miscellaneous and interest	22,297	21,721
Fubon Insurance Agency	Joint marketing, commission and interest	504,483	484,935
Taiwan Fixed Network	Rental, maintenance fee, telecom communication service and interest	43,116	43,150
Taiwan Mobile	Maintenance fee, telecom communication service, operating service, interest and advertisement	26,042	25,263
Fubon Property Management	Management service	19,085	32,302
The non-life insurance association	Training, membership, postage, advertisement, maintenance fee and consultant	-	19,181
Taihsin Property Insurance Agent	Commission	343,433	330,914
Fuli Property Insurance Agency	Commission and operating service	8,873	12,845
Tokio Marine Nawa Insurance	Reinsurance expense, reinsurance commission and premium	-	34,049
China United Property Insurance	Reinsurance commission	44,693	101,176
Bestcom Infotech	Rental, maintenance fee and miscellaneous	13,997	-
Others (not related company or person accounts for more than \$10,000 thousand or 10%)		11,947	34,467
		<u>\$ 2,505,942</u>	<u>2,680,243</u>

(Continued)

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

(xiii) Premium revenue receivables and Premium

1) Premium revenue receivables

<u>Names of related parties</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Taipei Fubon Commercial Bank	\$ 29,286	44,025
Taiwan High Speed Railway	3,907	85,265
Fubon Multimedia Technology	11,522	12,504
Taipei Culture Foundation	15,500	15,590
Others (not related company or person accounts for more than \$10,000 thousand or 10%)	38,177	49,131
	<u>\$ 98,392</u>	<u>206,515</u>

2) Premium

<u>Names of related parties</u>	<u>For the years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Taipei Fubon Commercial Bank	\$ 204,410	178,669
Fubon Life Insurance	98,354	77,137
Fubon Multimedia Technology	57,302	54,993
Fubon Securities	19,210	14,754
Fubon Financial Holding	540	12,082
Taiwan Mobile	38,079	40,738
Taiwan High Speed Railway	3,797	84,146
Taipei City Government	72,075	27,235
Taipei Culture Foundation	15,500	15,590
Alpha Networks	20,214	13,057
Kbro	19,955	20,910
Media Tek	11,586	19,736
LINE Bank	12,072	10,598
Carplus Auto Leasing	-	222,398
YFY	-	14,574
China Hi-Ment	117,851	45,463
Subtron technology	460	11,169
TFN Media	12,019	3,386
USI Corporation	45,373	-
Synnex Technology	13,288	-
Taiwan Cement	19,849	5,390
TA-HO Maritime	15,152	35
Others (not related company or person accounts for more than \$10,000 thousand or 10%)	140,649	156,780
	<u>\$ 937,735</u>	<u>1,028,840</u>

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

(Continued)

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

## (xiv) Lease

## 1) Lease from related parties

## a) Right-of-use assets

<u>Names of related parties</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Fubon Life Insurance	\$ 378,888	525,305
Fubon REIT II Fund	3,302	11,442
Others (not related company or person accounts for more than \$10,000 thousand or 10%)	11,784	12,052
	<u>\$ 393,974</u>	<u>548,799</u>

## b) Lease liabilities-buildings and constructions

<u>Names of related parties</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Fubon Life Insurance	\$ 406,380	550,500
Fubon REIT II Fund	3,467	11,788
Others (not related company or person accounts for more than \$10,000 thousand or 10%)	12,139	12,578
	<u>\$ 421,986</u>	<u>574,866</u>

## 2) Lease to related parties

## a) Guarantee deposit received

<u>Names of related parties</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Taipei Fubon Commercial Bank	\$ 19,750	19,586
Fubon Life Insurance	23,505	23,760
Others (not related company or person accounts for more than \$10,000 thousand or 10%)	14,913	12,887
	<u>\$ 58,168</u>	<u>56,233</u>

(Continued)

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

b) Rental revenue

<u>Names of related parties</u>	<u>For the years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Taipei Fubon Commercial Bank	\$ 77,287	76,476
Fubon Life Insurance	90,494	91,159
Fubon Sports & Entertainment	14,933	14,363
Jih Sun Securities Investment Trust	10,462	10,277
Fubon Futures Co., Ltd.	11,999	7,997
Others (not related company or person accounts for more than \$10,000 thousand or 10%)	19,056	22,273
	<u>\$ 224,231</u>	<u>222,545</u>

All the above leases were operating leases. The leasing term was not materially different from that with unrelated parties.

(xv) Acquisition of property and equipment

<u>Names of related parties</u>	<u>For the years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Taipei City Government	\$ -	585
Others (not related company or person accounts for more than \$10,000 thousand or 10%)	4	33
	<u>\$ 4</u>	<u>618</u>

For the year ended December 31, 2023, the Company and its subsidiaries bought the computer equipment from other related parties, and the purchase price was \$4 thousand, which was paid off on February 14, 2023. For the year ended December 31, 2022, due to the reconstruction of urban unsafe and old buildings, the Company and its subsidiaries bought plot ratio from the Taipei City Government amounting to \$585 thousand, which was actually approved by the Taipei City Government on November 23, 2022, amounting to \$430,915 thousand, and the overpayment of \$6,258 thousand was recorded in other receivables. The Company and its subsidiaries exchanged the reserved land for public facilities in exchange for floor space index floor area ratio, and completed the procedure of transferring the ownership of the capacity land on July 18, 2022. The total book value of the transferred land was \$143,668 thousand. For the year ended 2022, Fubon Insurance purchased computer equipment from other related parties amounting to \$33 thousand, and the amount was paid on June 8, 2022.

(Continued)

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

(c) Major management remuneration information

	<b>For the years ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Short term employee benefits	\$ 114,128	116,445
Retirement benefit	1,219	1,146
Other long-term employee benefits	503	543
	<b>\$ 115,850</b>	<b>118,134</b>

**(8) Assets pledged as security:**

(a) As of December 31, 2023 and 2022, the assets pledged or mortgaged were as follows:

<b>Pledged Assets</b>	<b>Purpose of pledge</b>	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Time deposit	Guarantee for the insurance business and performance bond	\$ 1,018,446	1,047,042
Government bond	Guarantee for the insurance business and bank loans	2,198,752	2,344,657
Financial Bonds	Bank loans	1,235,764	-
Corporate bonds	Bank loans	2,221,662	-
Beneficiary certificate	Bank loans	1,423,254	-
Properties	Bank loans	4,644,220	4,447,896
Investment properties	Bank loans	8,006,850	5,322,595
Total		<b>\$ 20,748,948</b>	<b>13,162,190</b>

(b) Pursuant to the requirements of Articles No.141 and No.142 of the Insurance Law, government bonds with book value of \$2,198,752 thousand and \$670,214 thousand as of December 31, 2023 and 2022, respectively, were deposited with the Central Bank of the Republic China as guarantee for the insurance business. The pledged amounts for loans were \$0 thousand and \$1,674,443 thousand respectively.

**(9) Commitments and contingencies:**

(a) The Company and its subsidiaries had several insurance lawsuits and were required to pay indemnities of \$546,258 thousand, of which approximately \$350,178 thousand were reinsured. The claim had been accrued. These cases have not been resolved with District Court of Appeal as of December 31, 2023.

(b) The unfunded commitments for the Company and its subsidiaries' signed private equity agreements (Unit: thousand dollars):

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
USD	<b>\$ 13,502</b>	<b>13,734</b>
EUR	<b>\$ 13,720</b>	<b>13,621</b>

(Continued)



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

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

- (c) As of December 31, 2023, the contract price of the new construction is \$2,794,394 thousand and had paid \$732,527 thousand as of December 31, 2023.
- (d) As of December 31, 2023, the unused letter of credit for reinsurance business is JPY\$2,000 thousand.

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

**(11) Significant subsequent events:**

- (a) On March 13, 2024, the board meeting agreed the capital reduction to write off the loss of \$11,678,396 thousand. When the resolution is approved at the shareholders' meeting, the Company will submit an application to the competent authority, and will proceed with the capital reduction after obtaining the approval from the FSC.
- (b) The Company net repaid \$7,030,000 thousand between January 1 and March 13, 2024, for financing needs of paying a significant amount of insurance payout. As of March 13, 2024, the balance of bank loans amounted to \$2,030,000 thousand. In addition, Fubon Insurance issued commercial papers at a price of \$11,839,859 thousand, of which the face value of \$11,849,757 thousand and repaid commercial papers amounted to \$9,850,000 thousand.

**(12) Other:**

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

	For the years ended December 31,					
	2023			2022		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Personal expenses:						
Salaries	936,271	3,243,404	4,179,675	919,612	3,080,104	3,999,716
Insurance	-	338,241	338,241	-	339,562	339,562
Pension	-	121,479	121,479	-	116,982	116,982
Remuneration of directors	-	14,884	14,884	-	13,484	13,484
Others	-	202,903	202,903	-	166,361	166,361
Depreciation	-	383,392	383,392	-	379,715	379,715
Depletion	-	-	-	-	-	-
Amortization	-	138,780	138,780	-	134,076	134,076

(Continued)

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

(b) Disclosure of earned retention premium by compulsory and non-compulsory insurance  
For the year ended December 31, 2023

Item	Premium Revenue (1)	Reinsurance Premium (2)	Reinsurance Expense (3)	Retained premium (4)=(1)+(2)-(3)	Net change in unearned premium reserve (5)	Retained earned premium (6)=(4)-(5)	Notes
Non-Compulsory insurance:							
Residential fire insurance	\$ 266,643	-	108	266,535	(4,177)	270,712	
Long-term residential fire insurance	(177)	-	(3)	(174)	(10,348)	10,174	
Commercial fire insurance	3,327,156	1,657	2,426,469	902,344	27,571	874,773	
Long-term commercial fire insurance	-	-	-	-	(54)	54	
Inland cargo insurance	394,535	-	77,668	316,867	20,855	296,012	
Marine cargo insurance	1,611,195	3,570	828,626	786,139	3,176	782,963	
Marine hull insurance	487,827	48	436,898	50,977	(5,345)	56,322	
Fishing vessel insurance	133,386	1,094	105,060	29,420	(1,814)	31,234	
Aviation insurance	185,364	-	186,771	(1,407)	(3,315)	1,908	
Private passenger auto physical damage insurance	7,678,426	6,252	907,718	6,776,960	86,490	6,690,470	
Commercial passenger auto physical damage insurance	402,301	236	35,873	366,664	3,906	362,758	
Private passenger auto liability insurance	10,724,815	1,353	546,627	10,179,541	435,764	9,743,777	
Commercial passenger auto liability insurance	1,795,544	(1,179)	21,808	1,772,557	66,980	1,705,577	
Personal liability insurance	3,752,289	12,766	684,782	3,080,273	259,658	2,820,615	
Professional liability insurance	622,339	217	319,549	303,007	28,329	274,678	
Engineering insurance	3,257,923	37,716	3,002,121	293,518	42,630	250,888	
Nuclear insurance	-	7,987	-	7,987	(759)	8,746	
Fidelity and surety insurance	83,213	1,186	20,713	63,686	125	63,561	
Credit insurance	217,900	-	211,795	6,105	3,415	2,690	
Other property insurance	1,499,989	3,143	1,055,655	447,477	(563,673)	1,011,150	
Accident insurance	7,320,884	22,262	111,242	7,231,904	183,790	7,048,114	
Commercial earthquake insurance	2,796,709	9,188	2,475,062	330,835	16,510	314,325	
Personal multiple insurance	1,269,963	-	108,598	1,161,365	(51,835)	1,213,200	
Commercial multiple insurance	40,720	-	5,630	35,090	851	34,239	
Typhoon and flood insurance	1,947,749	4,211	1,645,362	306,598	(36,534)	343,132	
Governmental earthquake insurance	573,453	68,268	565,194	76,527	(1,953)	78,480	
One-year health insurance	1,948,888	-	89,436	1,859,452	(91,393)	1,950,845	
Foreign reinsurance	-	314,693	14,696	299,997	(11,070)	311,067	
Overseas subsidiaries	3,033,809	974,949	893,060	3,115,698	(173,030)	3,288,728	
Subtotal	55,372,843	1,469,617	16,776,518	40,065,942	224,750	39,841,192	
Compulsory insurance:							
Compulsory private passenger auto liability insurance	1,962,412	489,902	791,335	1,660,979	14,392	1,646,587	
Compulsory commercial auto liability insurance	472,453	90,303	252,973	309,783	(3,197)	312,980	
Compulsory motorcycle liability insurance	3,154,298	773,812	1,415,608	2,512,502	56,326	2,456,176	
Mini-Electric Two-Wheel Vehicle	71,823	9,463	26,976	54,310	18,763	35,547	
Subtotal	5,660,986	1,363,480	2,486,892	4,537,574	86,284	4,451,290	
Total	\$ 61,033,829	2,833,097	19,263,410	44,603,516	311,034	44,292,482	

(Continued)

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

For the year ended December 31, 2022

Item	Premium Revenue (1)	Reinsurance Premium (2)	Reinsurance Expense (3)	Retained premium (4)=(1)-(2)-(3)	Net change in unearned premium reserve (5)	Retained earned premium (6)=(4)-(5)	Notes
Non-Compulsory insurance:							
Residential fire insurance	\$ 273,014	-	-	273,014	(1,168)	274,182	
Long-term residential fire insurance	(279)	-	(6)	(273)	(12,950)	12,677	
Commercial fire insurance	2,730,036	10,045	1,884,464	855,617	21,952	833,665	
Long-term commercial fire insurance	-	-	-	-	(157)	157	
Inland cargo insurance	342,413	-	57,953	284,460	17,882	266,578	
Marine cargo insurance	1,366,659	4,419	728,768	642,310	7,314	634,996	
Marine hull insurance	417,247	147	360,987	56,407	(10,285)	66,692	
Fishing vessel insurance	150,553	1,370	113,658	38,265	(11,753)	50,018	
Aviation insurance	133,756	(1,766)	131,471	519	(5,755)	6,274	
Private passenger auto physical damage insurance	7,147,738	169,196	625,534	6,691,400	40,698	6,650,702	
Commercial passenger auto physical damage insurance	385,086	6,989	27,105	364,970	6,346	358,624	
Private passenger auto liability insurance	9,800,595	140,656	461,084	9,480,167	344,650	9,135,517	
Commercial passenger auto liability insurance	1,697,890	20,052	16,723	1,701,219	16,413	1,684,806	
Personal liability insurance	3,220,302	8,882	648,678	2,580,506	145,804	2,434,702	
Professional liability insurance	577,089	166	319,300	257,955	960	256,995	
Engineering insurance	2,398,414	22,637	2,029,313	391,738	50,965	340,773	
Nuclear insurance	-	9,747	-	9,747	(151)	9,898	
Fidelity and surety insurance	81,567	1,166	20,613	62,120	555	61,565	
Credit insurance	231,064	-	231,332	(268)	(825)	557	
Other property insurance	3,368,906	2,331	1,489,891	1,881,346	161,454	1,719,892	
Accident insurance	6,431,847	25,697	128,892	6,328,652	105,093	6,223,559	
Commercial earthquake insurance	2,216,773	12,311	1,605,484	623,600	14,480	609,120	
Personal multiple insurance	1,120,736	-	53,594	1,067,142	33,280	1,033,862	
Commercial multiple insurance	40,469	-	5,589	34,880	1,145	33,735	
Typhoon and flood insurance	1,484,470	5,699	1,099,091	391,078	26,031	365,047	
Governmental earthquake insurance	575,497	68,341	560,149	83,689	3,413	80,276	
One-year health insurance	2,211,171	2	224,229	1,986,944	69,043	1,917,901	
Foreign reinsurance	-	423,417	17,059	406,358	(106,739)	513,097	
Overseas subsidiaries	3,142,610	1,171,673	930,561	3,383,722	(426,768)	3,810,490	
Subtotal	<u>51,545,623</u>	<u>2,103,177</u>	<u>13,771,516</u>	<u>39,877,284</u>	<u>490,927</u>	<u>39,386,357</u>	
Compulsory insurance:							
Compulsory private passenger auto liability insurance	1,895,240	478,049	765,938	1,607,351	10,855	1,596,496	
Compulsory commercial auto liability insurance	494,003	88,701	264,968	317,736	(849)	318,585	
Compulsory motorcycle liability insurance	3,067,759	729,134	1,377,448	2,419,445	70,668	2,348,777	
Mini-Electric Two-Wheel Vehicle	11,705	1,342	4,365	8,682	3,157	5,525	
Subtotal	<u>5,468,707</u>	<u>1,297,226</u>	<u>2,412,719</u>	<u>4,353,214</u>	<u>83,831</u>	<u>4,269,383</u>	
Total	<u>\$ 57,014,330</u>	<u>3,400,403</u>	<u>16,184,235</u>	<u>44,230,498</u>	<u>574,758</u>	<u>43,655,740</u>	

(Continued)

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

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

For the year ended December 31, 2023

Item	Claim (1)	Claim payment (2)	Reinsurance claim payment (3)	Claims recovered from reinsurance (4)	Retained claim payment (5) = (1)+(2)+(3)-(4)	Notes
Non-Compulsory insurance:						
Residential fire insurance	\$ 31,816	-	-	-	31,816	
Long-term residential fire insurance	1,497	-	-	53	1,444	
Commercial fire insurance	3,927,424	-	219	3,099,748	827,895	
Inland cargo insurance	95,698	-	-	4,467	91,231	
Marine cargo insurance	1,216,820	-	(26)	868,158	348,636	
Marine hull insurance	76,423	-	-	35,906	40,517	
Fishing vessel insurance	127,794	-	-	95,798	31,996	
Aviation insurance	54,628	-	-	47,729	6,899	
Private passenger auto physical damage insurance	4,251,807	-	110,430	490,037	3,872,200	
Commercial passenger auto physical damage insurance	232,938	-	6,197	9,111	230,024	
Private passenger auto liability insurance	5,983,612	-	108,251	244,774	5,847,089	
Commercial passenger auto liability insurance	1,193,774	-	16,282	7,256	1,202,800	
Personal liability insurance	1,353,971	-	3,354	169,214	1,188,111	
Professional liability insurance	81,577	-	-	32,976	48,601	
Engineering insurance	1,000,438	-	11,721	802,239	209,920	
Nuclear insurance	-	-	19	-	19	
Fidelity and surety insurance	4,367	-	1,621	1,312	4,676	
Credit insurance	6,554	-	-	20,211	(13,657)	
Other property insurance	3,208,512	-	1,333	1,007,966	2,201,879	
Accident insurance	3,809,277	154	4,088	83,586	3,729,933	
Commercial earthquake insurance	50,287	-	-	17,892	32,395	
Personal multiple insurance	316,467	-	-	34,759	281,708	
Commercial multiple insurance	58,367	-	-	44,877	13,490	
Typhoon and flood insurance	44,800	-	5	19,194	25,611	
Governmental earthquake insurance	-	-	-	1,703	(1,703)	
One-year health insurance	18,203,744	-	-	2,245,401	15,958,343	
Foreign reinsurance	-	-	370,105	10,438	359,667	
Overseas subsidiaries	1,496,909	-	625,866	318,355	1,804,420	
Subtotal	<u>46,829,501</u>	<u>154</u>	<u>1,259,465</u>	<u>9,713,160</u>	<u>38,375,960</u>	
Compulsory insurance:						
Compulsory private passenger auto liability insurance	1,297,761	-	456,440	778,349	975,852	
Compulsory commercial auto liability insurance	433,615	-	77,933	259,358	252,190	
Compulsory motorcycle liability insurance	2,311,703	-	696,500	1,386,695	1,621,508	
Mini-Electric Two-Wheel Vehicle	1,684	-	248	1,010	922	
Subtotal	<u>4,044,763</u>	<u>-</u>	<u>1,231,121</u>	<u>2,425,412</u>	<u>2,850,472</u>	
Total	<u>\$ 50,874,264</u>	<u>154</u>	<u>2,490,586</u>	<u>12,138,572</u>	<u>41,226,432</u>	

(Continued)

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

For the year ended December 31, 2022

Item	Claim (1)	Claim payment (2)	Reinsurance claim payment (3)	Claims recovered from reinsurance (4)	Retained claim payment (5) = (1)+(2)+(3)-(4)	Notes
Non-Compulsory insurance:						
Residential fire insurance	\$ 18,259	-	-	-	18,259	
Commercial fire insurance	2,529,627	-	722	1,799,801	730,548	
Inland cargo insurance	73,225	-	-	2,378	70,847	
Marine cargo insurance	662,219	-	-	352,756	309,463	
Marine hull insurance	90,054	-	-	62,682	27,372	
Fishing vessel insurance	37,991	-	-	26,606	11,385	
Aviation insurance	50,759	-	-	31,093	19,666	
Private passenger auto physical damage insurance	4,282,142	-	129,003	387,698	4,023,447	
Commercial passenger auto physical damage insurance	243,729	-	6,368	11,574	238,523	
Private passenger auto liability insurance	5,266,771	-	119,839	234,610	5,152,000	
Commercial passenger auto liability insurance	1,142,261	-	18,079	6,364	1,153,976	
Personal liability insurance	1,086,221	-	1,445	129,516	958,150	
Professional liability insurance	71,082	-	-	31,605	39,477	
Engineering insurance	313,725	-	9,047	106,849	215,923	
Nuclear insurance	-	-	10	-	10	
Fidelity and surety insurance	11,570	-	(1)	3,391	8,178	
Credit insurance	(18,310)	-	-	(3,979)	(14,331)	
Other property insurance	23,135,330	-	528	7,497,394	15,638,464	
Accident insurance	2,514,154	148	3,432	73,864	2,443,870	
Commercial earthquake insurance	39,663	-	-	7,340	32,323	
Personal multiple insurance	105,782	-	-	9,679	96,103	
Commercial multiple insurance	4,723	-	-	-	4,723	
Typhoon and flood insurance	219,789	-	29	148,642	71,176	
Governmental earthquake insurance	1,700	-	357	-	2,057	
One-year health insurance	47,335,439	-	-	12,386,893	34,948,546	
Foreign reinsurance	-	-	505,184	21,648	483,536	
Overseas subsidiaries	1,833,320	-	827,874	457,755	2,203,439	
Subtotal	91,051,225	148	1,621,916	23,786,159	68,887,130	
Compulsory insurance:						
Compulsory private passenger auto liability insurance	1,294,893	-	460,573	776,548	978,918	
Compulsory commercial auto liability insurance	442,590	-	74,427	264,981	252,036	
Compulsory motorcycle liability insurance	2,158,619	-	644,872	1,294,677	1,508,814	
Subtotal	3,896,102	-	1,179,872	2,336,206	2,739,768	
Total	\$ 94,947,327	148	2,801,788	26,122,365	71,626,898	

(Continued)

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

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

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

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

(Continued)

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

(e) Reserves accrued and recovered for compulsory motor and motorcycle insurance:

For the year ended December 31, 2023

Type	Beginning	Provision	Recovery	Ending	Note
<b>Unearned premium reserve</b>					
Compulsory auto liability insurance	\$ 627,010	638,205	(627,010)	638,205	
Compulsory motorcycle liability insurance	1,156,493	1,212,819	(1,156,493)	1,212,819	
Mini-Electric Two-Wheel Vehicle	3,157	21,920	(3,157)	21,920	
<b>Special reserve</b>					
Compulsory auto liability insurance	818,077	76,092	-	894,169	
Compulsory motorcycle liability insurance	(448,384)	124,689	(111,570)	(435,265)	
Mini-Electric Two-Wheel Vehicle	534	3,107	-	3,641	
<b>Claim reserve</b>					
Compulsory auto liability insurance	948,587	975,134	(948,587)	975,134	
Compulsory motorcycle liability insurance	1,521,786	1,665,198	(1,521,786)	1,665,198	
Mini-Electric Two-Wheel Vehicle	936	7,851	(936)	7,851	
<b>Total</b>	<b>\$ 4,628,196</b>	<b>4,725,015</b>	<b>(4,369,539)</b>	<b>4,983,672</b>	

(Continued)

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

For the year ended December 31, 2022

Type	Beginning	Provision	Recovery	Ending	Note
<b>Unearned premium reserve</b>					
Compulsory auto liability insurance	\$ 617,004	627,010	(617,004)	627,010	
Compulsory motorcycle liability insurance	1,085,825	1,156,493	(1,085,825)	1,156,493	
Mini-Electric Two-Wheel Vehicle	-	3,157	-	3,157	
<b>Special reserve</b>					
Compulsory auto liability insurance	723,695	94,382	-	818,077	
Compulsory motorcycle liability insurance	(441,979)	118,902	(125,307)	(448,384)	
Mini-Electric Two-Wheel Vehicle	-	534	-	534	
<b>Claim reserve</b>					
Compulsory auto liability insurance	970,417	948,587	(970,417)	948,587	
Compulsory motorcycle liability insurance	1,333,298	1,521,786	(1,333,298)	1,521,786	
Mini-Electric Two-Wheel Vehicle	-	936	-	936	
<b>Total</b>	<b>\$ 4,288,260</b>	<b>4,471,787</b>	<b>(4,131,851)</b>	<b>4,628,196</b>	

(f) Financial assets and liabilities that have significant influence are listed below:

	<b>December 31, 2023</b>		
	<u>Amount</u>	<u>Rate</u>	<u>NT\$ Amount</u>
<b><u>Financial Assets</u></b>			
<b><u>Monetary Item (Note 1)</u></b>			
USD	\$ 229,849	30.7543	7,068,836
CNY	340,298	4.3203	1,470,183
VND	892,773,020	0.0013	1,131,143
<b><u>Non-Monetary Item (Note 1)</u></b>			
CNY	520,654	4.3203	2,249,369
<b><u>Derivative Financial Instrument (Note 1)</u></b>			
USD	5,147	30.7543	158,304
<b><u>Long-term equity investment under equity method</u></b>			
CNY	19,753	4.3203	85,338

(Continued)



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

	December 31, 2022		
	Amount	Rate	NT\$ Amount
<b><u>Financial Assets</u></b>			
<b><u>Monetary Item (Note 1)</u></b>			
USD	\$ 219,068	30.7233	6,730,495
CNY	372,248	4.4134	1,642,892
VND	936,184,899	0.0013	1,217,977
<b><u>Non-Monetary Item (Note 1)</u></b>			
CNY	536,560	4.4134	2,368,076
<b><u>Derivative Financial Instrument (Note 1)</u></b>			
USD	2,221	30.7233	68,226
<b><u>Long-term equity investment under equity method</u></b>			
CNY	27,009	4.4134	119,205
<b><u>Financial Liabilities</u></b>			
<b><u>Derivative Financial Instrument (Note 1)</u></b>			
USD	3,457	30.7233	106,214

Note 1: For each period, the balance in New Taiwan Dollars after conversion in the respective currency accounts for more than 5% of the total item.

The Company and its subsidiaries' exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets at amortized cost etc. that are denominated in foreign currency. A weakening (strengthening) of 3% of the NTD against other foreign currencies would have increased (decreased) the net profits (losses) by \$371,240 thousand and \$365,602 thousand for the years ended December 31, 2023 and 2022, respectively. This analysis assumes that all over other variables remain constant for the years ended December 31, 2023 and 2022.

Since the Company and its subsidiaries have many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the years ended December 31, 2023 and 2022, foreign exchange gain (loss) (including realized and unrealized portions) amounted to loss \$451,190 thousand and gain \$366,618 thousand, respectively.

(Continued)

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

- (g) The Company and its subsidiaries are expected within 12 months of the balance sheet date or exceed the total amount paid or recovered after 12 months is as following:

<u>Assets</u>	<u>December 31, 2023</u>		
	<u>Recovered within 12 months</u>	<u>Recovered after 12 months</u>	<u>Total</u>
Cash and cash equivalents	\$ 12,264,734	-	12,264,734
Receivables	5,257,502	-	5,257,502
Current tax assets	2,623,076	-	2,623,076
Financial assets at fair value through profit or loss	9,020,790	-	9,020,790
Financial assets at amortized cost	-	1,598,290	1,598,290
Investments accounted for using equity method, net	-	85,338	85,338
Other financial assets, net	70,103	-	70,103
Financial assets at fair value through other comprehensive income	-	7,445,156	7,445,156
Right-of-use assets	-	554,698	554,698
Investment properties	-	9,893,518	9,893,518
Reinsurance assets	41,409,777	-	41,409,777
Property and equipment	-	6,910,447	6,910,447
Intangible assets	-	199,909	199,909
Deferred tax assets	292,984	9,379,583	9,672,567
Other assets	-	<u>8,767,220</u>	<u>8,767,220</u>
Total assets	<u>\$ 70,938,966</u>	<u>44,834,159</u>	<u>115,773,125</u>

<u>Liabilities</u>	<u>December 31, 2023</u>		
	<u>Paid within 12 months</u>	<u>Paid after 12 months</u>	<u>Total</u>
Short-term liabilities	\$ 10,608,846	-	10,608,846
Accounts payable	14,842,286	-	14,842,286
Current tax liabilities	46,861	-	46,861
Insurance liabilities	66,360,137	-	66,360,137
Lease liabilities	210,795	360,946	571,741
Deferred tax liabilities	487,232	1,110,591	1,597,823
Other liabilities	-	1,487,629	1,487,629
Provisions	-	<u>827,795</u>	<u>827,795</u>
Total liabilities	<u>\$ 92,556,157</u>	<u>3,786,961</u>	<u>96,343,118</u>

(Continued)

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

<b>Assets</b>	<b>December 31, 2022</b>		
	<b>Recovered within 12 months</b>	<b>Recovered after 12 months</b>	<b>Total</b>
Cash and cash equivalents	\$ 10,897,303	-	10,897,303
Receivables	4,712,357	-	4,712,357
Current tax assets	2,067,260	-	2,067,260
Financial assets at fair value through profit or loss	7,404,076	-	7,404,076
Financial assets at amortized cost	-	1,560,957	1,560,957
Investment accounted for using equity method, net	-	119,205	119,205
Financial assets at fair value through other comprehensive income	-	10,696,822	10,696,822
Right-of-use assets	-	731,863	731,863
Investment properties	-	9,725,217	9,725,217
Reinsurance assets	45,352,052	-	45,352,052
Property and equipment	-	6,406,870	6,406,870
Intangible assets	-	215,781	215,781
Deferred tax assets	78,189	9,386,074	9,464,263
Other assets	-	4,486,199	4,486,199
<b>Total assets</b>	<b>\$ 70,511,237</b>	<b>43,328,988</b>	<b>113,840,225</b>

  

<b>Liabilities</b>	<b>December 31, 2022</b>		
	<b>Paid within 12 months</b>	<b>Paid after 12 months</b>	<b>Total</b>
Short-term borrowings	\$ 9,780,000	-	9,780,000
Accounts payable	16,482,543	-	16,482,543
Current tax liabilities	9,916	-	9,916
Financial liabilities measured at fair value through profit or loss	106,214	-	106,214
Insurance liabilities	77,450,157	-	77,450,157
Lease liabilities	213,542	528,604	742,146
Deferred tax liabilities	457,629	1,038,027	1,495,656
Other liabilities	-	1,633,953	1,633,953
Provisions	-	908,169	908,169
<b>Total liabilities</b>	<b>\$ 104,500,001</b>	<b>4,108,753</b>	<b>108,608,754</b>

(Continued)

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

## (h) Compulsory auto liability insurance

## (i) Compulsory auto liability insurance assets and liabilities

Item	Amount		Item	Amount	
	December 31, 2023	December 31, 2022		December 31, 2023	December 31, 2022
<u>Assets</u>			<u>Liabilities</u>		
Cash and cash in bank	\$ 4,746,377	4,354,290	Claims payable	\$ 15,079	18,259
Notes receivable	46,614	47,879	Due to reinsurers and ceding companies	703,502	664,454
Premiums receivable	59,766	72,110	Unearned premium reserve	3,422,137	3,267,421
Claims recoverable from reinsurers	614,723	608,016	Claim reserve	4,952,863	4,574,097
Due from reinsurers and ceding companies	235,556	223,881	Special reserve	462,545	370,227
Financial assets at fair value through other comprehensive income	-	-	Temporary receipts and suspense accounts	14,706	3,244
Ceded unearned premium reserve	1,549,193	1,480,761			
Ceded claim reserve	2,304,680	2,102,788			
Temporary payments and suspense accounts	13,923	7,977			
Total Assets	<u>\$ 9,570,832</u>	<u>8,897,702</u>	Total Liabilities	<u>\$ 9,570,832</u>	<u>8,897,702</u>

## (ii) Compulsory auto liability insurance revenues and cost

Item	For the years ended December 31,	
	2023	2022
Operating revenues	\$ 2,940,840	2,824,914
Pure premium	4,144,820	4,021,198
Reinsurance premium	1,363,480	1,297,226
Premium	5,508,300	5,318,424
Less : Reinsurance expense	(2,486,892)	(2,412,719)
Net change in unearned premium reserve	(86,284)	(83,831)
Retained earned premium	2,935,124	2,821,874
Interest income	5,716	3,040
Operating costs	3,119,664	2,995,873
Insurance claim payment	4,044,763	3,896,102
Reinsurance claim payment	1,231,121	1,179,872
Less : Claims recovered from reinsurers	(2,425,412)	(2,336,206)
Retained claim payment	2,850,472	2,739,768
Net change in claim reserve	176,874	167,594
Net change in special reserve	92,318	88,511

(Continued)

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

- (i) When conducting business or transaction, joint business promotion as well as information and facilities sharing with Fubon Financial Holdings Co., Ltd and other associates, the method to split income, cost, expense and profit or loss is to directly attribute them to each counterparties based on the business characteristics.
- (j) The details of the market values of investments which were held for investment purpose by the discretionary investment trust fund: None.
- (k) Information regarding to discontinued operations: None.
- (l) Material revolutions of adjustments of organization and management policy: None.
- (m) Material influence because of the regulations changed: None.
- (n) The loan because of paying large amount of claims: Please refer to notes 6(n),(o) and notes 11.
- (o) Disclosure of catastrophe reserve:  
 For the years ended December 31, 2023 and 2022, the influence on the Company and its subsidiaries for not applying the notification on net income before tax, liabilities, and equity of the Company and its subsidiaries resulted in a decrease of \$0 thousand, a decrease of \$314,979 thousand, an increase of \$722,625 thousand, and a decrease of \$5,021,857 thousand, a decrease of \$314,979 thousand, an increase of \$1,383,736 thousand, respectively. The influence on the Company and its subsidiaries for not applying the notification in the EPS are a decrease of \$0.00 and \$10.91, respectively.
- (p) Disclosure of the special reserve for resident earthquake insurance:  
 For the years ended December 31, 2023 and 2022, the influence on the Company and its subsidiaries for not applying the notification on net income before tax, liabilities, and equity of the Company and its subsidiaries both resulted in a decrease of \$382,238 thousand and an increase of \$305,790 thousand. The influence on the Company and its subsidiaries for not applying the notification both had no influence in the EPS.
- (q) Disclosure of the special reserve for nuclear insurance:  
 For the years ended December 31, 2023 and 2022, the influence on the Company and its subsidiaries for not applying the notification on liabilities and equity of the Company and its subsidiaries both resulted in a decrease of \$84,093 thousand and an increase of \$67,274 thousand.
- (r) Due to the COVID-19 pandemic and the epidemic prevention measures promoted by the government, all the Company and its subsidiaries' branch offices operated normally as of December 31, 2023, and the premium for the years ended December 31, 2023 and 2022 did not decrease significantly due to the COVID-19 pandemic. For the years ended December 31, 2023 and 2022, the Company and its subsidiaries sold COVID-19 insurance and vaccine insurance for the COVID-19 epidemic, and there were about 2 thousand (reference to the controversial case in 2022) and 1,711 thousand underwritten cases, respectively (the premiums were about \$0.003 billion and \$2.661 billion, respectively) and 409 thousand and 1,617 thousand pieces of the insurance claim, respectively (the insurance claim payment was about \$15.392 billion and \$73.325 Billion respectively), and had recognized claim reserves and the insurance claim payment following the regulations in order to protect customer equity. The Company and its subsidiaries had taken corresponding measures and evaluated and dealt with the subsequent events continually.

(Continued)

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

**(13) Other disclosures:**

## (a) Information on significant transactions:

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Company and its subsidiaries:

## (i) Acquisition of property and equipment over 100 million or 20% of capital:

(In Thousands of New Taiwan Dollars)

Company	Property Name	Occurrence Date	Amount	Amount Paid	Counterparty	Relationship	Previous transfer information, as the counterparty is a related party				Reference for price	Purpose and usage	Others
							Owner	Relations with the issuer	Transfer Date	Amount			
Fubon Insurance Co., Ltd.	The case of reconstruction of urban unsafe and old buildings	2019.07.24~2022.12.23	3,045,063	Paid in accordance with the project progress	DACIN Construction Co., Ltd etc.	Included related party and non-related party	No applicable	No applicable	No applicable	-	Price comparison and negotiation price & administration tax fees, etc	Handling the case of reconstruction of urban unsafe and old buildings	The transaction amount includes the management consultant contract \$27,939 thousand with a related party, Fubon Construction, and the relevant administrative tax fees of the Taipei City Government.

(ii) Disposal of property and equipment over 100 million or 20% of capital: None

(iii) Sales and purchase with related party over 100 million or 20% of capital: Please refer to note 7.

(iv) Account receivable with related party over 100 million or 20% of capital: Please refer to note 7.

(v) Information on derivative transactions: Please refer to note 6 (i)

(vi) The significant influence on invested company:

For the year ended December 31, 2023

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			Percentage of the consolidated net revenue or total assets
				Account name	Amount	Trading terms	
0	Fubon insurance Co., Ltd.	Fubon insurance (Vietnam) Co., Ltd	1	Due from reinsurers and ceding companies	6,645	The same as normal transaction	0.01 %
“	“	“	“	Due to reinsurers and ceding companies	11,273	“	0.01 %
“	“	“	“	Unearned premium reserve	27,119	“	0.02 %
“	“	“	“	Claim reserve	24,256	“	0.02 %
“	“	“	“	Reinsurance premium	43,487	“	0.09 %
“	“	“	“	Reinsurance commission expense	10,251	“	0.02 %
“	“	“	“	Reinsurance claim payment	11,156	“	0.02 %
“	“	“	“	Reinsurance expense	25	“	- %
“	“	Fubon P&C Insurance Co., Ltd.	“	Due from reinsurers and ceding companies	73,425	“	0.06 %
“	“	“	“	Due to reinsurers and ceding companies	20,103	“	0.02 %
“	“	“	“	Unearned premium reserve	70,910	“	0.06 %
“	“	“	“	Claim reserve	199,023	“	0.17 %
“	“	“	“	Ceded claim reserve	65,522	“	0.06 %
“	“	“	“	Ceded unearned premium reserve	12,008	“	0.01 %
“	“	“	“	Interest Revenue	48	“	- %
“	“	“	“	Reinsurance liabilities reserve contributed	5,181	“	- %
“	“	“	“	Reinsurance premium	166,020	“	0.34 %
“	“	“	“	Reinsurance commission expense	52,832	“	0.11 %
“	“	“	“	Reinsurance claim payment	92,608	“	0.19 %
“	“	“	“	Reinsurance expense	11,947	“	0.02 %
“	“	“	“	Reinsurance commission revenue	(2,443)	“	(0.01)%
“	“	“	“	Claims recovered from reinsurance	82,725	“	0.17 %

(Continued)

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

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
1	Fubon insurance (Vietnam) Co., Ltd	Fubon insurance Co., Ltd.	2	Due to reinsurers and ceding companies	6,645	The same as normal transaction	0.01 %
"	"	"	"	Due from insurers and ceding companies	11,273	"	0.01 %
"	"	"	"	Ceded unearned premium reserve	27,119	"	0.02 %
"	"	"	"	Ceded claim reserve	24,256	"	0.02 %
"	"	"	"	Reinsurance expense	43,487	"	0.09 %
"	"	"	"	Reinsurance commission revenue	10,251	"	0.02 %
"	"	"	"	Claims recovered from reinsurance	11,156	"	0.02 %
"	"	"	"	Reinsurance premium	25	"	- %
2	Fubon P&C Insurance Co., Ltd	"	"	Due to reinsurers and ceding companies	73,425	"	0.06 %
"	"	"	"	Due from reinsurers and ceding companies	20,103	"	0.02 %
"	"	"	"	Ceded unearned premium reserve	70,910	"	0.06 %
"	"	"	"	Ceded claim reserve	199,023	"	0.17 %
"	"	"	"	Claim reserve	65,522	"	0.06 %
"	"	"	"	Unearned premium reserve	12,008	"	0.01 %
"	"	"	"	Interest expense	48	"	- %
"	"	"	"	Reinsurance liability reserve received	5,181	"	- %
"	"	"	"	Reinsurance expense	166,020	"	0.34 %
"	"	"	"	Reinsurance commission revenue	52,832	"	0.11 %
"	"	"	"	Claims recovered from reinsurance	92,608	"	0.19 %
"	"	"	"	Reinsurance premium	11,947	"	0.02 %
"	"	"	"	Reinsurance commission expense	(2,443)	"	(0.01)%
"	"	"	"	Reinsurance claim payment	82,725	"	0.17 %

Note 1: Each number represents the following definitions:

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

Note 2: Transaction relationship is as follows:

- (1) Parent company to subsidiary company.
- (2) Subsidiary company to parent company.

(b) Information on investees:

The followings are the information on investees for the year ended December 31, 2023 (investment in Mainland China is not included):

(In Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2023			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2023	December 31, 2022	Shares (thousands)	Percentage of owner	Carrying value			
Fubon insurance Co., Ltd.	Fubon insurance broker (Thailand) Co., Ltd	Thailand	brokerage	4,410	4,410	48,973	48.97 %	52,428	17,387	8,515	Write off under consolidated financial statements
Fubon insurance Co., Ltd.	Fubon insurance (Vietnam) Co., Ltd	Vietnam	insurance	841,606	841,606	-	100.00 %	827,296	98,272	98,272	"
Fubon insurance Co., Ltd.	Fubon insurance broker (Philippines) Co., Ltd	Philippines	brokerage	14,260	14,260	199,994	99.99 %	23,995	4,013	4,013	"
Fubon insurance Co., Ltd.	Fubon Reinsurance Labuan Co., Ltd.	Malaysia	reinsurance	96,096	-	3,000,000	100.00 %	96,096	-	-	"

On August 17, 2021, a board meeting has resolved to participate in the capital injection for the subsidiary Fubon insurance broker (Thailand) Co., Ltd. The total capital injection in cash amounted to THD \$4,000 thousand (the total capital of Fubon insurance broker (Thailand) Co., Ltd after the capital injection was THD \$10,000 thousand), and the Company invested THD \$1,958.9 thousand. The case was approved and registered by the local authorities on January 24, 2022, and that date was the base date for capital injection. As of December 31, 2023, the Company invested THD \$4,897.3 thousand in total.

(Continued)

## FUBON INSURANCE CO., LTD. AND ITS SUBSIDIARIES

### Notes to the Consolidated Financial Statements

The cash dividends amounted to VND \$70,000,000 thousand on the appropriations of earnings had been approved during the board meeting on June 7, 2023. and have been paid on July 11, 2023.

The Company was approved the investment in Labuan, Malaysia to establish Fubon Reinsurance Labuan Co., Ltd., with an approved investment amount of USD \$3 million by Jin Guan Bao Chan Zi No.1110491768. On July 13, 2023, the Company obtained the Certificate of Incorporation issued by the Labuan Financial Services Authority, and as of December 31, 2023, the Company has remitted an investment amount of \$96,096 thousand, but the relevant investment establishment has not yet been completed. Fubon Reinsurance Labuan Co., Ltd. obtained a business license issued by the local authorities, and started business on January 1, 2024.

(c) Information on investment in Mainland China:

- (i) The Company had been permitted by the Supervisory Commission, R.O.C. (“FSC”), Financial Investment Commission, Ministry of Economic Affairs and China Banking and Insurance Regulatory Commission to found Fubon Property and Casualty Insurance Co., Ltd. for insurance business operation in Mainland China with Fubon Life Insurance Co., Ltd in 2010. In 2012, the Company, Fubon Life Insurance Co., Ltd and Xiamen Port Holding Group signed a joint venture contract to share the ownership of 40%, 40% and 20%, respectively. As of December 31, 2023, Fubon Property & Casualty Insurance Co., Ltd has accumulated its investment CNY \$448 million.

Property & Casualty Insurance Co., Ltd. originally invested in Shenzhen Teng Fu Bo Investment Co. 31.1% shareholdings. On July 16, 2020, a board meeting has resolved not to participate in the capital injection for Shenzhen Teng Fu Bo Investment Co., the capital injection was approved by local authorities on August 19, 2020, which resulted in the decrease in shareholdings from 31.1% to 16.667%. On August 13, 2020, Fubon Property & Casualty Insurance Co., Ltd. shareholders’ meeting has passed a resolution to dispose of 8.5% shareholding in Shenzhen Teng Fu Bo Investment Limited. The case was approved by the authority on October 6, 2021 to sale to Fubon Financial Holding Venture Capital and TFB Capital Co., Ltd. The proportion dropped from 16.667% to 8.167%. As of December 31, 2023, Fubon Property & Casualty Insurance Co., Ltd has invested an accumulative amount of CNY \$60,956 thousand.

Fubon Property & Casualty Insurance Co., Ltd. acquired 24.96% of the equity of Xiamen Jinfuyuan Insurance Surveyors and Loss Adjusters Co.,Ltd. on April 8, 2021. On July 20, 2023, a board meeting decided to sell its all shareholdings in Xiamen Jinfuyuan Insurance Surveyors and Loss Adjusters Co., Ltd to Dirun (Tianjin)Technology Co., Ltd., and the gain on disposal is about CNY \$159.5 thousand. As of December 31, 2023, the relevant change of registration procedures and equity delivery have since been completed.

- (ii) The names of investees in Mainland China, the main businesses and products, and other information:

(In Thousands of New Taiwan Dollars)

Name of investee	Main businesses and products	Total amount of paid-in capital (Note 2)	Method of investment (Note 1)	Accumulated outflow of investment from Taiwan as of January 1, 2023	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2023	Net income (losses) of the investee	Percentage of ownership	Investment income (losses)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow						
Fubon P&C Insurance Co., Ltd.	Property Insurance	4,838,710 (CNY1,120,000)	(a)	2,154,951	-	-	2,154,951	(175,450)	40.00%	(70,180)	381,220	-
Shenzhen Teng Fu Bo Investment Ltd. (Note 3)	Investment consultation	3,224,655 (CNY746,400)	(c)	-	-	-	-	(356,461)	3.27%	(11,644)	34,135	-

Note 1 : Investment method is divided into three categories and is listed as follows:

- (a) Directly invest in a Chinese company.
- (b) Reinvest in the existing company in the third party and use the company to invest in a Chinese company.
- (c) Other methods.

Note 2 : The Company and its subsidiaries translate all foreign currency items with the spot exchange rate as of December 31, 2023 or the average exchange rate for the year ended December 31, 2023.

Note 3 : The Company and its subsidiaries indirectly invested in WeSure Insurance Ltd. through Teng Fu Bo Investment Ltd..

Note 4 : As of December 31, 2023, Fubon Property & Casualty Insurance Co., Ltd. has disposed of all of its shareholdings in Xiamen Jinfuyuan Insurance Surveyors and Loss Adjusters Co.,Ltd, and The company has had no direct or indirect investment in Xiamen Jinfuyuan Insurance Surveyors and Loss Adjusters Co.,Ltd. The share of profits/losses from investments is \$470 thousand(including the gain on disposal).

(Continued)



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

- 1) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2023	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
2,154,951 (CNY 448,000)	2,154,951 (CNY 448,000)	11,282,130

- 2) Capital status and its profit and loss : : No Significant investment  
3) Amount and provision methods of reserves please refer to Note 6 (q)

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Unearned premium reserve	\$ 1,727,074	2,196,667
Claim reserve	2,077,269	2,766,605
Premium deficiency reserve	<u>35,090</u>	<u>84,814</u>
	<b><u>\$ 3,839,433</u></b>	<b><u>5,048,086</u></b>

- 4) Ratio accounted for the total premium revenue of the parent company: 5.17%  
5) Ratio accounted for the total claim payment of the parent company: 3.84%  
6) The pricing, payment condition, unrealized profit and loss of significant transactions with the investee in China:
  - Amount, ratio and the ending balance of relevant receivables and payables of core business items such as the insurance policy which the policy holder is the investee: None.
  - Amount and profit and loss of property transaction: None.
  - The highest balance, ending balance, interest rate interval and current interest amount of financing: None.
  - Other significant transactions which would influence current profit and loss and other financial condition, such as the provision or receipt of labor service: None.
7) Reinsurance transaction with foreign insurance in Mainland China:

<u>Names of companies</u>	<u>Amount</u>
PICC Reinsurance Company Limited	\$ (12,254)
Samsung Property & Casualty Insurance Company (China), Ltd.	(15,433)
DaJia Insurance Group Co., Ltd.	(412)
The People's Insurance Company (HK) Of China Limited	(26,834)
PICC PROPERTY AND CASUALTY CO., LTD.	(668)
China Life Property & Casualty Insurance Company Limited	135
CHINA CONTINENT PROPERTY & CASUALTY INSURANCE CO., LTD.	(65)
CHINA TAIPING INSURANCE (HK) CO., LTD.	(10,955)
CHINA TAIPING INSURANCE (SG) CO., LTD.	(3,011)
CHINA PACIFIC PROPERTY INSURANCE (HK) CO., LTD.	(13,603)
Ping An Property & Casualty Insurance Co. of China Ltd.	66,281
China Reinsurance (Group) Corporation Singapore Branch	(79,017)
CHINA PROPERTY & CASUALTY REINSURANCE CO., LTD.	18
China United Property Insurance Company	183,464
Bank of China Insurance Company Limited (BOCI)	17,174
TIANAN LIFE INSURANCE COMPANY LIMITED OF CHINA	561
TAIPING REINSURANCE CO., LTD.	(102,967)
Beibu Gulf Property & Casualty Insurance Co., Ltd.	4
Qianhai Reinsurance Co., Ltd.	(18,872)

(Continued)

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

Names of companies	Amount
Chubb Insurance (China) Company Limited	\$ (35)
LLOYDS SYND. 1084 CSL (CHAUCER)	(17,963)
LLOYDS SYND. 1084 CSL (CHAUCER, SG)	(22,266)
Zking Property & Casualty Insurance Co., Ltd.	61
Huatai Property & Casualty Insurance Co., Ltd.	2,429
Sunshine Property & Casualty Insurance Co., Ltd.	4,937
Swiss Re Corporate Solutions Insurance China Ltd.	(296)
Champion Property & Casualty Insurance Company Limited	220
LLOYDS SYND. 4242	(179)
Starr Property and Casualty(China) Co., Limited	(779)
Hannover Ruckversicherung AG Shanghai Branch	(433,933)
AXA Tianping P&C Insurance Co.,Ltd.	(42,181)
Korean Reinsurance Company_SH	(2,939)
General Reinsurance AG Shanghai Branch	15
The Tokio Marine&Nichido Fire insurance Company(China) Limited	(1,533)
Cathay Insurance Co., Ltd.	349
Allianz Jingdong General Insurance Company Ltd.	2,962
Lloyd's Insurance Company (China) Ltd	(493)
Liberty Mutua Insurance Company(China) Limited	(7,451)
MUNICH REINSURANCE COMPANY BEIJING BRANCH	377
Sompo Japan Nipponkoa Insurance(China) Co., Limited	24,010
Nipponkoa Insurance(China) Co., Limited	6,397
Swiss Reinsurance Company Beijing Branch	(2)
Hyundai Insurance (China) Company Limited	3,671
XL Reinsurance (China) Company Limited	(795)
Mitsui Sumitomo insurance(China) Company Limited	614
Generali China Insurance Co.,Ltd.	(2,480)

8) Insurance transaction with people, company, or other organization in Mainland China: None.

(iii) Information on significant transactions of investment in Mainland China: None.

(Continued)

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

**(14) Segment information:**

## (a) General information

The Company and its subsidiaries run their insurance business and provide insurance contract product in accordance with local insurance laws. They distinguish their reporting sectors by areas, including Taiwan, Vietnam and China, which are the main operating regions of the Company and its subsidiaries. The operating sectors of the Company and its subsidiaries report their profit or loss based on the net income before tax, the value of which is the foundation of performance evaluation and the amount of which is consistent with the report used by their decision makers. The accounting policies of the operating sectors are the same as material accounting policies summarized in note 4.

Other operating segments of the Company and its subsidiaries primarily conduct property insurance business and provide relevant products per the regulations of “Insurance Act”. The abovementioned segments did not reach the quantitative threshold of reportable segment for the years ended December 31, 2023 and 2022.

## (b) Segment information

	<b>For the year ended December 31, 2023</b>			
	<b>Taiwan area</b>	<b>Other area</b>	<b>Adjustment and reversal (note)</b>	<b>Total</b>
Revenues				
Revenue by external customers	\$ 44,659,657	3,882,118	(60,688)	48,481,087
Revenue between segments	40,620	-	(40,620)	-
Total revenues	<u>\$ 44,700,277</u>	<u>3,882,118</u>	<u>(101,308)</u>	<u>48,481,087</u>
Segment income	<u>\$ (2,850,295)</u>	<u>(26,187)</u>	<u>(40,620)</u>	<u>(2,917,102)</u>
Segment total assets	<u>\$ 108,818,095</u>	<u>8,755,434</u>	<u>(1,800,404)</u>	<u>115,773,125</u>
Segment total liabilities	<u>\$ 90,014,545</u>	<u>6,844,038</u>	<u>(515,465)</u>	<u>96,343,118</u>
	<b>For the year ended December 31, 2022</b>			
	<b>Taiwan area</b>	<b>Other area</b>	<b>Adjustment and reversal (note)</b>	<b>Total</b>
Revenues				
Revenue by external customers	\$ 44,788,052	4,068,656	(119,257)	48,737,451
Revenue between segments	89,271	-	(89,271)	-
Total revenues	<u>\$ 44,877,323</u>	<u>4,068,656</u>	<u>(208,528)</u>	<u>48,737,451</u>
Segment income	<u>\$ (50,336,711)</u>	<u>132,053</u>	<u>(89,271)</u>	<u>(50,293,929)</u>
Segment total assets	<u>\$ 105,058,486</u>	<u>11,153,683</u>	<u>(2,371,944)</u>	<u>113,840,225</u>
Segment total liabilities	<u>\$ 100,573,281</u>	<u>9,034,275</u>	<u>(998,802)</u>	<u>108,608,754</u>

Note: The related adjustment and consolidated write-off entries are for preparing consolidated financial report.

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

(c) Important client information

The Company and its subsidiaries do not receive premium revenue from any single customer which exceeds 10% of the direct written premiums received and there is no need to disclose major customer information.