

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

**FUBON FINANCIAL HOLDING CO., LTD.  
AND SUBSIDIARIES**

**Consolidated Financial Statements**

**With Independent Auditors' Report  
For the Six Months Ended June 30, 2019 and 2018**

**Address: No. 237, Section 1, Jianguo South Road, Taipei City**  
**Telephone: (02)6636-6636**

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. Independent Auditors' Report	3
4. Consolidated Balance Sheets	4
5. Consolidated Statements of Comprehensive Income	5
6. Consolidated Statements of Changes in Equity	6
7. Consolidated Statements of Cash Flows	7
8. Notes to the Consolidated Financial Statements	
(1) Company history	8~10
(2) Approval date and procedures of the financial statements	10
(3) New standards, amendments and interpretations adopted	10~16
(4) Summary of significant accounting policies	17~50
(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty	50~52
(6) Explanation of significant accounts	53~385
(7) Related-party transactions	385~429
(8) Pledged assets	429~430
(9) Commitments and contingencies	431~433
(10) Losses Due to Major Disasters	433
(11) Significant subsequent events	434
(12) Other	434~455
(13) Other disclosures	
(a) Information on significant transactions	455~462
(b) Related information of investees companies	462~466
(c) Information on investment in Mainland China	466~470
(14) Segment information	471~472



安侯建業聯合會計師事務所

KPMG

台北市11049信義路5段7號68樓(台北101大樓)  
68F., TAIPEI 101 TOWER, No. 7, Sec. 5,  
Xinyi Road, Taipei City 11049, Taiwan (R.O.C.)

Telephone 電話 + 886 2 8101 6666  
Fax 傳真 + 886 2 8101 6667  
Internet 網址 kpmg.com/tw

## Independent Auditors' Report

To the Board of Directors  
Fubon Financial Holding Co., Ltd.:

### Opinion

We have audited the consolidated financial statements of Fubon Financial Holding Co., Ltd. (“the Company”) and its subsidiaries, which comprise the consolidated statements of financial position as of June 30, 2019, December 31 and June 30, 2018, and the consolidated statements of comprehensive income for the three months and six months ended June 30, 2019 and 2018, as well as the consolidated statements of changes in equity and cash flows for the six months ended June 30, 2019 and 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of June 30, 2019, December 31 and June 30, 2018, and their consolidated financial performance for the three months and six months ended June 30, 2019 and 2018, as well as their consolidated cash flows for the six months ended June 30, 2019 and 2018, in accordance with the “Regulations Governing the Preparation of Financial Reports by Financial Holding Companies” and with the International Accounting Standard 34, “Interim Financial Reporting” endorsed by the Financial Supervisory Commission of the Republic of China.

### Basis for Opinion

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

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the six months ended June 30, 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## 1. The valuation of financial instruments

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

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

### We performed our audit procedures by:

- Inspected the internal control procedures for fair value measurement performed by the management.
- Selected samples to evaluate whether the quoted prices in active markets for financial assets are appropriate.
- Appointed our valuation specialists to assess the reasonableness of valuation techniques and to test the key parameters of financial assets without active market prices, wherein valuation models are used to ensure that the applied valuation techniques are in accordance with IFRS 13 “Fair Value Measurement”.
- Verified whether the presentation and disclosure of financial instruments are in accordance with the International Financial Reporting Standards.

## 2. The valuation of insurance liabilities

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

The Company and its subsidiaries measure their insurance liabilities 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, 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.

### We performed our audit procedures by:

- Inspected the effectiveness of internal control procedures related to insurance liabilities.
- Adopted the audit on insurance liabilities performed by our actuarial specialists, which included
  - 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 appropriateness of actuarial assumptions derived from empirical data and product specification, and conducting liability adequacy test to assess the reasonableness of test scope and assumptions adopted by the management;
- selecting samples to inspect the completeness of data used in the calculation of reserves and independently setting up models to recalculate the amount of the reserves;
- analyzing movements in insurance liabilities, including assessing the reasonableness of the amount of reserves appropriated by the management based on the understanding of the industry and market.

### 3. Impairment of discounts and loans

Please refer to Note 4 (p) “Assets impairment” for related accounting policy, Note 5 for accounting assumptions and estimates, and Note 6 (j) “Discounts and loans” and Note 6 (aj) “Financial risk management” for details of the impairment of discounts and loans, respectively.

The management assesses the impairment of discounts and loans based on the assumptions about the probability of default and the expected loss rate which are based on historical experience, existing market conditions, forward-looking estimates, etc. Assessing evidence of the probability of default and impairment on discounts and loans, and determining whether the credit risk on discounts and loans has increased significantly since initial recognition are critical judgments and estimates. Therefore, the impairment of discounts and loans has been identified as a key audit matter in our audit.

#### We performed our audit procedures by:

- Understood whether the management’s methodology, assumptions and inputs used in the impairment model in IFRS 9 appropriately reflect the actual outcome of discounts and loans.
- Assessed the rationality and consistency of significant increase in discounts and loans judged by the management, the definition of default and impairment of discounts and loans, the exposure at default, the probability of default, the loss given default, the forward-looking estimates, etc. used in estimating expected credit loss, as well as selected samples of discounts and loans cases, and verified their completeness and calculation accuracy.
- Considered related guidelines issued by the authorities and examined whether the allowance for loans and receivables complied with the regulation.

### 4. The valuation of investment property

Please refer to Note 4 (m) “Investment property” for related accounting policy, Note 5 for accounting assumptions and estimates, and Note 6 (o) “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 Reports” complied by the subsidiaries. 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 matters in our audit.

We performed our audit procedures by:

- Inspected the procedure of investment property appraisals performed by professional evaluation agencies and analyzed how they select the appropriate valuation method and adoption of significant assumptions.
- Verified whether the presentation and disclosure of investment property are in accordance with IFRSs and the “Regulations Governing the Preparation of Financial Reports” complied by the subsidiaries.
- Evaluated reasonableness of the management’s assessment on the valuation of investment property based on the evidences obtained from the audit team and the external estate appraisers joint firms, as well as appraisal reports and observable market evidences.

5. The assessment of goodwill impairment

Please refer to Note 4 (p) “Assets impairment” for related accounting policy, Note 5 for accounting assumptions and estimates, and Note 6 (r) “Intangible assets” for details of the assessment of goodwill impairment.

The recoverable amount of goodwill is estimated by using the future cash flows based on the forecast of future operation, which involved the exercise of professional judgments. Therefore, the assessment of goodwill impairment has been identified as a key audit matter in our audit.

We performed our audit procedures by:

- Assessed whether there is any indication that goodwill may be impaired. If there is, the recoverable amount must be estimated.
- Assessed whether there is a significant difference between the actual operating performance and the expected performance of the acquired companies and verified whether the disclosure is reasonable.

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

The management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the “Regulations Governing the Preparation of Financial Reports by Financial Holding Companies” and with the International Accounting Standard 34, “Interim Financial Reporting” endorsed by the Financial Supervisory Commission of the Republic of China, and for such internal control as the management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the management is responsible for assessing the 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 the 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.



### **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 the management.
4. Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the 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 and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the six months ended June 30, 2019 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are CHUNG, TAN TAN and YU, CHI LUNG.

KPMG

Taipei, Taiwan (Republic of China)  
August 22, 2019

#### **Notes to Readers**

The accompanying consolidated financial statements are intended only to present the consolidated statement of 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 FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES**

**Consolidated Balance Sheets**

**June 30, 2019, December 31 and June 30, 2018**

**(Expressed in Thousands of New Taiwan Dollars)**

Assets		June 30, 2019		December 31, 2018		June 30, 2018				June 30, 2019		December 31, 2018		June 30, 2018	
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%
11000	Cash and cash equivalents (notes 6(a) and 8)	\$ 216,994,924	3	232,234,449	3	162,261,927	2	21000	Deposits from the central bank and banks	\$ 167,235,316	2	152,445,771	2	168,560,900	2
11500	Due from the central bank and call loans to banks (notes 6(b) and 8)	232,347,634	3	223,566,116	3	230,652,328	3	21500	Due to the central bank and banks	451,337	-	442,461	-	2,899,167	-
12000	Financial assets measured at fair value through profit or loss (notes 6(c) and 8)	1,180,300,000	15	917,327,572	12	911,684,565	13	22000	Financial liabilities measured at fair value through profit or loss (note 6(t))	41,778,790	1	45,422,901	1	101,991,434	1
12150	Financial assets measured at fair value through other comprehensive income (notes 6(d) and 8)	786,590,108	10	820,207,183	11	822,997,366	12	22300	Financial liabilities for hedging (note 6(f))	4,081,959	-	3,425,972	-	3,937,194	-
12200	Debt investments measured at amortized cost (notes 6(e) and 8)	2,607,863,646	32	2,564,909,862	33	2,417,060,516	34	22500	Securities sold under repurchase agreements (note 6(u))	160,675,593	2	178,403,211	2	186,496,140	3
12300	Financial assets for hedging (note 6(f))	3,184,270	-	3,776,327	-	4,626,433	-	22600	Commercial papers issued, net (note 6(v))	6,398,854	-	13,535,972	-	10,736,611	-
12500	Securities purchased under resell agreements (note 6(g))	62,330,060	1	69,364,357	1	57,451,262	1	23000	Payables	170,489,755	2	166,682,986	2	135,431,736	2
13000	Receivables, net (note 6(h))	198,146,050	2	209,274,405	3	180,532,237	3	23200	Current tax liabilities	3,813,115	-	7,144,528	-	9,717,293	-
13200	Current tax assets	729,721	-	4,075,626	-	529,059	-	23500	Deposits and remittances (note 6(w))	2,392,579,379	30	2,273,618,639	30	2,227,728,133	31
13300	Assets classified as held for sale, net (note 6(i))	47,437	-	48,312	-	47,754	-	24000	Bonds payable (note 6(x))	235,720,392	3	217,754,674	3	191,547,481	3
13500	Discounts and loans, net (note 6(j))	1,955,128,034	24	1,847,793,140	24	1,775,491,053	25	24400	Other borrowings (notes 6(y) and 8)	4,645,060	-	1,482,921	-	6,279,357	-
13700	Reinsurance contract assets, net (note 6(k))	21,727,886	-	20,353,688	-	21,191,973	-	24600	Provisions(note 6 (z))	3,857,320,441	48	3,721,508,656	48	3,385,569,793	47
15000	Investments accounted for using equity method, net (notes 6(l))	28,868,292	-	28,203,343	-	27,911,495	-	25500	Other financial liabilities (notes 6(n) and (aa))	422,976,247	5	411,517,835	5	196,556,190	3
15500	Other financial assets, net (note 6(n))	418,338,880	5	406,782,484	5	222,873,765	3	26000	Lease liabilities (note 6(q))	21,885,895	-	-	-	-	-
18000	Investment property, net (notes 6(o) and 8)	248,002,798	3	179,436,352	2	176,526,858	2	29300	Deferred tax liabilities	17,251,960	-	11,184,801	-	10,940,169	-
18500	Property and equipment, net (notes 6(p) and 8)	58,111,806	1	58,481,088	1	57,408,345	1	29500	Other liabilities (notes 6 (j) and (ab))	46,972,707	1	41,662,504	1	44,543,940	1
18600	Right-of-use assets (notes 6(q))	7,226,380	-	-	-	-	-		<b>Total liabilities</b>	<b>7,554,276,800</b>	<b>94</b>	<b>7,246,233,832</b>	<b>94</b>	<b>6,682,935,538</b>	<b>93</b>
19000	Intangible assets, net (note 6(r))	33,546,987	-	33,907,733	1	28,249,512	-		<b>Equity attributable to owners of parent (note 6(ad)):</b>						
19300	Deferred tax assets	14,906,485	-	19,970,316	-	21,873,316	-	31101	Share capital:						
19500	Other assets, net (note 6(s))	45,343,190	1	75,347,455	1	69,468,878	1	31103	Common stock	102,336,040	1	102,336,040	2	102,336,040	2
									Preferred stock	12,666,600	-	12,666,600	-	12,666,600	-
									Total share capital	115,002,640	1	115,002,640	2	115,002,640	2
								31500	Capital surplus	137,018,762	2	137,018,872	2	136,979,037	2
									Retained earnings:						
								32001	Legal reserve	62,588,197	1	57,815,312	1	57,815,312	1
								32003	Special reserve	104,825,990	1	30,008,647	-	30,008,647	-
								32011	Undistributed earnings	120,030,995	1	191,853,334	2	178,910,211	2
									Total retained earnings	287,445,182	3	279,677,293	3	266,734,170	3
								32500	Total other equity interest	14,606,095	-	(72,455,455)	(1)	(13,128,734)	-
									Total equity attributable to owners of parent	554,072,679	6	459,243,350	6	505,587,113	7
								39500	<b>Non-controlling interests (note 6(ad))</b>	11,385,109	-	9,582,626	-	315,991	-
									<b>Total equity</b>	<b>565,457,788</b>	<b>6</b>	<b>468,825,976</b>	<b>6</b>	<b>505,903,104</b>	<b>7</b>
									<b>Total liabilities and equity</b>	<b>\$ 8,119,734,588</b>	<b>100</b>	<b>7,715,059,808</b>	<b>100</b>	<b>7,188,838,642</b>	<b>100</b>
<b>Total assets</b>		<b>\$ 8,119,734,588</b>	<b>100</b>	<b>7,715,059,808</b>	<b>100</b>	<b>7,188,838,642</b>	<b>100</b>								

See accompanying notes to consolidated financial statements.

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

Consolidated Statements of Comprehensive Income

For the three months and six months ended June 30, 2019 and 2018

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

	For the three months ended June 30				For the six months ended June 30				
	2019		2018		2019		2018		
	Amount	%	Amount	%	Amount	%	Amount	%	
41000	Interest revenue (note 6(ag))	\$ 45,269,359	54	41,647,498	44	90,344,615	46	79,968,707	38
51000	Less: Interest expenses (note 6(ag))	10,931,728	13	9,244,526	10	21,473,971	11	17,382,996	8
	<b>Net interest revenue</b>	34,337,631	41	32,402,972	34	68,870,644	35	62,585,711	30
	<b>Net non-interest revenue</b>								
49800	Net service charge and commissions loss (note 6(ag))	(3,180,889)	(4)	(1,942,855)	(2)	(6,840,868)	(4)	(3,700,279)	(2)
49810	Net income of insurance operations (note 6(ag))	33,919,045	40	44,907,997	47	98,646,764	51	116,003,162	56
49820	Gains (losses) on financial assets or liabilities measured at fair value through profit or loss (note 6(c))	16,489,832	19	(49,626,376)	(52)	70,347,414	36	(25,284,272)	(12)
49825	Gains on investment property	305,995	-	1,667,873	2	1,087,749	1	3,031,300	1
49835	Realized gains on financial assets measured at fair value through other comprehensive income (note 6 (d))	3,816,368	4	2,779,400	3	8,870,182	5	6,216,684	3
49850	Gains (losses) arising from derecognition of financial assets measured at amortized cost (note 6(e))	533,236	1	(215,395)	-	597,794	-	921,681	-
49870	Foreign exchange gains	11,481,460	14	61,854,379	65	17,344,811	9	32,015,734	15
49880	Reversal gains (impairment losses) on assets	(368,833)	-	453,651	-	(388,061)	-	372,833	-
49890	Share of profit of associates and joint ventures accounted for using equity method (note 6(l))	296,702	-	814,918	1	564,193	-	1,109,390	1
49898	Profits or losses reclassified by applying overlay approach (note 6(c))	(13,653,404)	(16)	2,039,206	2	(66,309,293)	(34)	13,588,508	7
49900	Net other non-interest revenue	585,023	1	619,482	-	1,515,798	1	970,762	1
	<b>Net revenue</b>	84,562,166	100	95,755,252	100	194,307,127	100	207,831,214	100
58100	Bad debt expenses and guarantee liability provisions	(1,133,773)	(1)	(516,176)	(1)	(1,262,068)	(1)	(775,052)	(1)
58300	Net change in provisions for insurance liabilities (note 6(ag))	(50,585,550)	(60)	(59,584,392)	(62)	(130,029,566)	(67)	(141,700,140)	(68)
	<b>Expense:</b>								
58501	Employee benefits expenses (note 6(ag))	(8,214,357)	(10)	(7,618,820)	(8)	(16,469,733)	(9)	(15,177,495)	(7)
58503	Depreciation and amortization expenses (note 6(ag))	(1,657,690)	(2)	(889,939)	(1)	(3,261,636)	(2)	(1,748,199)	(1)
58599	Other general and administrative expenses (note 6(ag))	(5,697,580)	(7)	(5,567,644)	(6)	(10,676,335)	(5)	(10,765,413)	(5)
	<b>Total Expenses</b>	(15,569,627)	(19)	(14,076,403)	(15)	(30,407,704)	(16)	(27,691,107)	(13)
	<b>Net income before tax from continuing operations</b>	17,273,216	20	21,578,281	22	32,607,789	16	37,664,915	18
61003	<b>Less: Income tax expenses (note 6(ac))</b>	2,070,214	2	6,823,002	7	4,835,768	2	6,508,090	3
	<b>Net income</b>	15,203,002	18	14,755,279	15	27,772,021	14	31,156,825	15
69500	<b>Other comprehensive income:</b>								
69560	<b>Items not to be reclassified to profit or loss</b>								
69561	Losses on remeasurements of defined benefit plans	(7,835)	-	-	-	(11,940)	-	-	-
69562	Revaluation gains on property	55,046	-	-	-	55,046	-	90,088	-
69567	Unrealized gains (losses) on equity instruments measured at fair value through other comprehensive income	(345,594)	-	(3,237,620)	(3)	3,723,524	2	(4,903,240)	(2)
69563	Share of other comprehensive income of associates and joint ventures accounted for using equity method - items not to be reclassified to profit or loss	-	-	4,507	-	-	-	(257)	-
69568	Other items not to be reclassified to profit or loss	-	-	-	-	-	-	266,952	-
69569	Less: income tax related to items not to be reclassified to profit or loss (note 6 (ac))	(286,419)	-	(608,909)	-	196,141	-	(1,539,568)	(1)
	Subtotal of items not to be reclassified to profit or loss	(11,964)	-	(2,624,204)	(3)	3,570,489	2	(3,006,889)	(1)
69570	<b>Items that may be subsequently reclassified to profit or loss</b>								
69571	Exchange differences on translation of foreign operations	(293,107)	-	1,744,299	2	1,526,254	1	1,425,874	1
69581	Gains (losses) on financial instruments for hedging	429,992	1	(145,728)	-	740,609	-	(474,129)	-
69583	Unrealized gains (losses) on debt instruments measured at fair value through other comprehensive income	11,513,075	13	(7,431,563)	(8)	23,172,685	12	(27,926,963)	(14)
69575	Share of other comprehensive income of associates and joint ventures accounted for using equity method - items that may be subsequently reclassified to profit or loss	(214,795)	-	276,865	-	36,561	-	65,038	-
69590	Other comprehensive income reclassified by applying overlay approach	13,653,404	16	(2,039,206)	(2)	66,309,293	34	(13,588,508)	(7)
69579	Less: income tax related to items that may be subsequently reclassified to profit or loss (note 6 (ac))	2,559,724	3	(580,437)	(1)	8,005,365	4	(5,395,937)	(3)
	Subtotal of items that may be subsequently reclassified to profit or loss	22,528,845	27	(7,014,896)	(7)	83,780,037	43	(35,102,751)	(17)
69500	<b>Other comprehensive income</b>	22,516,881	27	(9,639,100)	(10)	87,350,526	45	(38,109,640)	(18)
	<b>Total comprehensive income</b>	\$ 37,719,883	45	5,116,179	5	115,122,547	59	(6,952,815)	(3)
	<b>Consolidated net income attributable to:</b>								
69901	Owners of parent	\$ 15,168,334	18	14,762,564	15	27,669,232	14	31,172,726	15
69903	Non-controlling interests	34,668	-	(7,285)	-	102,789	-	(15,901)	-
		\$ 15,203,002	18	14,755,279	15	27,772,021	14	31,156,825	15
	<b>Total comprehensive income attributable to:</b>								
69951	Owners of parent	\$ 36,796,964	44	5,128,004	5	113,427,428	58	(6,926,323)	(3)
69953	Non-controlling interests	922,919	1	(11,825)	-	1,695,119	1	(26,492)	-
		\$ 37,719,883	45	5,116,179	5	115,122,547	59	(6,952,815)	(3)
	<b>Basic earnings per share (in New Taiwan Dollars) (note 6(ae))</b>	\$ 1.48		1.30		2.70		2.90	

See accompanying notes to consolidated financial statements.

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

**Consolidated Statements of Changes in Equity**  
**For the six months ended June 30, 2019 and 2018**  
**(Expressed in Thousands of New Taiwan Dollars)**

	Equity attributable to owners of parent								Total other equity interest								Total equity attributable to owners of parent	Non-controlling interests	Total equity
	Share capital			Retained earnings					Exchange differences on translation of foreign operations	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Unrealized gains (losses) on available-for-sale financial assets	Gains (losses) on effective portion of cash flow hedges	Gains (losses) on financial instruments for hedging	Revaluation gains	Other comprehensive income reclassified by applying overlay approach	Total			
	Common stock	Preferred stock	Total	Capital surplus	Legal reserve	Special reserve	Undistributed earnings	Total											
<b>Balance at January 1, 2018</b>	\$ 102,336,040	6,000,000	108,336,040	103,674,220	52,403,066	53,069,867	165,573,101	271,046,034	(11,286,078)	-	14,658,087	(299,649)	-	2,302,954	-	5,375,314	488,431,608	339,740	488,771,348
Effects of retrospective application	-	-	-	-	-	-	(800,008)	(800,008)	-	(2,143,826)	(14,658,087)	299,649	(299,649)	-	26,725,621	9,923,708	9,123,700	-	9,123,700
Equity at beginning of period after adjustments	102,336,040	6,000,000	108,336,040	103,674,220	52,403,066	53,069,867	164,773,093	270,246,026	(11,286,078)	(2,143,826)	-	-	(299,649)	2,302,954	26,725,621	15,299,022	497,555,308	339,740	497,895,048
Net income	-	-	-	-	-	-	31,172,726	31,172,726	-	-	-	-	-	-	-	-	31,172,726	(15,901)	31,156,825
Other comprehensive income	-	-	-	-	-	-	355,909	355,909	1,650,262	(27,369,322)	-	-	(367,705)	87,338	(12,455,531)	(38,454,958)	(38,099,049)	(10,591)	(38,109,640)
Total comprehensive income	-	-	-	-	-	-	31,528,635	31,528,635	1,650,262	(27,369,322)	-	-	(367,705)	87,338	(12,455,531)	(38,454,958)	(6,926,323)	(26,492)	(6,952,815)
Appropriation and distribution of retained earnings:																			
Reversal of special reserve—contra equity account	-	-	-	-	-	(22,773,818)	22,773,818	-	-	-	-	-	-	-	-	-	-	-	-
Reversal of special reserve—effects of fair value adjustments from investment property	-	-	-	-	-	(287,402)	287,402	-	-	-	-	-	-	-	-	-	-	-	-
Legal reserve appropriated	-	-	-	-	5,412,246	-	(5,412,246)	-	-	-	-	-	-	-	-	-	-	-	-
Cash dividends of common stock	-	-	-	-	-	-	(23,537,289)	(23,537,289)	-	-	-	-	-	-	-	-	(23,537,289)	-	(23,537,289)
Cash dividends of preferred stock	-	-	-	-	-	-	(1,476,000)	(1,476,000)	-	-	-	-	-	-	-	-	(1,476,000)	-	(1,476,000)
Changes in equity of associates and joint ventures accounted for using equity method	-	-	-	33,847	-	-	-	-	-	-	-	-	-	-	-	-	33,847	-	33,847
Issuance of preferred stock	-	6,666,600	6,666,600	33,270,970	-	-	-	-	-	-	-	-	-	-	-	-	39,937,570	-	39,937,570
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,743	2,743
Disposal of investments in equity instruments measured at fair value through other comprehensive income	-	-	-	-	-	-	(10,563,641)	(10,563,641)	-	10,563,641	-	-	-	-	-	10,563,641	-	-	-
Disposal of investment property	-	-	-	-	-	-	536,439	536,439	-	-	-	-	(536,439)	-	(536,439)	-	-	-	-
<b>Balance at June 30, 2018</b>	\$ 102,336,040	12,666,600	115,002,640	136,979,037	57,815,312	30,008,647	178,910,211	266,734,170	(9,635,816)	(18,949,507)	-	-	(667,354)	1,853,853	14,270,090	(13,128,734)	505,587,113	315,991	505,903,104
<b>Balance at January 1, 2019</b>	\$ 102,336,040	12,666,600	115,002,640	137,018,872	57,815,312	30,008,647	191,853,334	279,677,293	(11,908,923)	(16,079,586)	-	-	(217,381)	2,238,671	(46,488,236)	(72,455,455)	459,243,350	9,582,626	468,825,976
Effects of retrospective application	-	-	-	-	-	1,968,299	(35,011)	1,933,288	-	-	-	-	-	-	-	-	1,933,288	-	1,933,288
Equity at beginning of period after adjustments	102,336,040	12,666,600	115,002,640	137,018,872	57,815,312	31,976,946	191,818,323	281,610,581	(11,908,923)	(16,079,586)	-	-	(217,381)	2,238,671	(46,488,236)	(72,455,455)	461,176,638	9,582,626	470,759,264
Net income	-	-	-	-	-	-	27,669,232	27,669,232	-	-	-	-	-	-	-	-	27,669,232	102,789	27,772,021
Other comprehensive income	-	-	-	-	-	-	(7,410)	(7,410)	1,576,646	21,432,141	-	-	592,487	53,293	62,111,039	85,765,606	85,758,196	1,592,330	87,350,526
Total comprehensive income	-	-	-	-	-	-	27,661,822	27,661,822	1,576,646	21,432,141	-	-	592,487	53,293	62,111,039	85,765,606	113,427,428	1,695,119	115,122,547
Appropriation and distribution of retained earnings:																			
Reversal of special reserve—first adoption of fair value model of investment property	-	-	-	-	-	(11,095)	11,095	-	-	-	-	-	-	-	-	-	-	-	-
Legal reserve appropriated	-	-	-	-	4,772,885	-	(4,772,885)	-	-	-	-	-	-	-	-	-	-	-	-
Special reserve appropriated—contra equity account	-	-	-	-	-	72,455,455	(72,455,455)	-	-	-	-	-	-	-	-	-	-	-	-
Special reserve appropriated—effects of fair value adjustments from investment property	-	-	-	-	-	404,684	(404,684)	-	-	-	-	-	-	-	-	-	-	-	-
Cash dividends of common stock	-	-	-	-	-	-	(20,467,208)	(20,467,208)	-	-	-	-	-	-	-	-	(20,467,208)	-	(20,467,208)
Changes in equity of associates and joint ventures accounted for using equity method	-	-	-	(110)	-	-	-	-	-	-	-	-	-	-	-	-	(110)	-	(110)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	107,364	107,364
Disposal of investments in equity instruments measured at fair value through other comprehensive income	-	-	-	-	-	-	(1,295,944)	(1,295,944)	-	1,295,944	-	-	-	-	-	1,295,944	-	-	-
Disposal of special reserves transferred from investments in equity instruments measured at fair value through other comprehensive income of participating policies from subsidiaries	-	-	-	-	-	-	(64,069)	(64,069)	-	-	-	-	-	-	-	-	(64,069)	-	(64,069)
<b>Balance at June 30, 2019</b>	\$ 102,336,040	12,666,600	115,002,640	137,018,762	62,588,197	104,825,990	120,030,995	287,445,182	(10,332,277)	6,648,499	-	-	375,106	2,291,964	15,622,803	14,606,095	554,072,679	11,385,109	565,457,788

See accompanying notes to consolidated financial statements.



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

Consolidated Statements of Cash Flows  
For the six months ended June 30, 2019 and 2018  
(Expressed in Thousands of New Taiwan Dollars)

	For the six months ended June 30	
	2019	2018
<b>Cash flows from (used in) operating activities:</b>		
Income before income tax	\$ 32,607,789	37,664,915
<b>Adjustments:</b>		
<b>Adjustments to reconcile profit (loss):</b>		
Depreciation expenses	2,549,691	1,128,593
Amortization expenses	711,945	619,606
Allowance on bad debts	1,293,113	778,556
Interest expense	21,473,971	17,382,996
Interest income	(90,344,615)	(79,968,707)
Dividend income	(10,393,596)	(7,012,465)
Net change in insurance reserves	128,189,942	140,914,516
Net change in provisions for guarantee reserves	(26,967)	(3,503)
Net change in other reserves	3,369,239	2,088,268
Share of profit of associates and joint ventures accounted for using equity method	(564,193)	(1,109,390)
Profits or losses reclassified by applying overlay approach	66,309,293	(13,588,508)
Gain on disposal of investment properties	-	(414,385)
Gain on disposal of investments	(25,771,346)	(26,787,694)
Impairment loss (reversal gain) on financial assets	365,144	(386,324)
Impairment loss on non-financial assets	22,917	13,491
Unrealized foreign exchange gain	(17,338,905)	(37,668,854)
Loss (gain) on fair value adjustment of investment property	1,635,302	(33,782)
Other adjustments	(12,521)	(259)
<b>Subtotal of income of non-cash activities</b>	<u>81,468,414</u>	<u>(4,047,845)</u>
<b>Changes in operating assets and liabilities:</b>		
<b>Changes in operating assets:</b>		
Increase in due from the central bank and call loans to banks	(27,326,148)	(31,938,279)
Increase in financial assets for hedging and measured at fair value through profit or loss	(244,574,013)	(74,665,891)
Decrease in financial assets measured at fair value through other comprehensive income	72,493,814	77,842,317
Increase in investments in debt instruments measured at amortized cost	(12,958,730)	(194,597,789)
Decrease (increase) in receivables and current tax assets	14,369,309	(5,676,788)
Increase in discounts and loans	(108,349,549)	(34,012,949)
Increase in reinsurance assets	(359,511)	(304,761)
Increase in other financial assets	(11,489,928)	(1,583,076)
Increase in other assets	(910,506)	(11,039,015)
<b>Subtotal of changes in operating assets</b>	<u>(319,105,262)</u>	<u>(275,976,231)</u>
<b>Changes in operating liabilities:</b>		
Increase in due to the central bank and banks	14,789,545	29,853,273
Increase (decrease) in financial liabilities for hedging and measured at fair value through profit or loss	(2,988,124)	63,091,793
Increase (decrease) in securities sold under repurchase agreement	(17,727,618)	28,179,675
Increase (decrease) in payable and current tax liabilities	(18,800,425)	1,188,864
Increase (decrease) in deposits and remittances	118,960,740	(56,877,806)
Decrease in provisions	(411,678)	(200,529)
Increase in other financial liabilities	11,739,706	4,599,365
Increase in other liabilities	5,266,870	12,604,103
<b>Subtotal of changes in operating liabilities</b>	<u>110,829,016</u>	<u>82,438,738</u>
<b>Subtotal of all adjustments</b>	<u>(126,807,832)</u>	<u>(197,585,338)</u>
Cash outflow generated from operations	(94,200,043)	(159,920,423)
Interest received	80,148,699	67,828,289
Dividends received	7,261,270	4,772,450
Interest paid	(19,639,448)	(16,154,924)
Income taxes paid	(2,135,036)	(9,689,275)
<b>Net Cash flows used in operating activities</b>	<u>(28,564,558)</u>	<u>(113,163,883)</u>

See accompanying notes to consolidated financial statements.

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

**Consolidated Statements of Cash Flows (CONT'D)**

**For the six months ended June 30, 2019 and 2018**

**(Expressed in Thousands of New Taiwan Dollars)**

	<b>For the six months ended June 30</b>	
	<b>2019</b>	<b>2018</b>
<b>Cash flows from (used in) investing activities:</b>		
Acquisition of investments accounted for using equity method	\$ (7,000)	(3,418,304)
Acquisition of property and equipment	(861,424)	(1,569,139)
Proceeds from disposal of property and equipment	8,793	1,135
Acquisition of intangible assets	(166,773)	(330,607)
Acquisition of right-of-use assets	(1,322)	-
Acquisition of investment properties	(21,153,015)	(829,274)
Proceeds from disposal of investment properties	-	3,550,000
<b>Net cash flows used in investing activities</b>	<b>(22,180,741)</b>	<b>(2,596,189)</b>
<b>Cash flows from (used in) financing activities:</b>		
Increase (decrease) in due to the central bank and banks	3,467	(2,539,780)
Decrease in commercial papers issued	(7,137,118)	(12,735,339)
Repayments of bonds	(1,621,980)	-
Proceeds from issuing bank financial debentures	29,930,962	11,815,394
Repayments of bank financial debentures	(14,483,495)	(7,633,633)
Increase in other borrowings	3,162,139	838,608
Repayments of lease liabilities	(2,102,144)	-
Cash capital increase	-	39,937,570
Change in non-controlling interests	107,364	2,743
<b>Net cash flows from financing activities</b>	<b>7,859,195</b>	<b>29,685,563</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>2,079,542</b>	<b>2,105,524</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(40,806,562)</b>	<b>(83,968,985)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>370,652,334</b>	<b>358,310,694</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$ 329,845,772</b>	<b>274,341,709</b>
<b>Composition of cash and cash equivalents:</b>		
Cash and cash equivalents reported in the statement of financial position	\$ 216,994,924	162,261,927
Due from the central bank and call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7	50,520,788	54,628,520
Securities purchased under resell agreements qualifying for cash and cash equivalents under the definition of IAS 7	62,330,060	57,451,262
<b>Cash and cash equivalents at end of period</b>	<b>\$ 329,845,772</b>	<b>274,341,709</b>

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

**Notes to the Consolidated Financial Statements**

**For the six months ended June 30, 2019 and 2018**

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

**(1) Company history**

**(a) Fubon Financial Holding Co., Ltd.**

Fubon Financial Holding Co., Ltd. (the Company) was established in December 2001 pursuant to the Financial Holding Company Act in Taiwan.

In connection with the formation of the Company, substantially all of the assets and liabilities and related operations of Fubon Insurance Co., Ltd. (Fubon Insurance) were transferred to a new wholly owned subsidiary named Fubon Insurance. The name of the “former” Fubon Insurance Co., Ltd. was changed to Fubon Financial Holding Co., Ltd. Furthermore, shares of Fubon Securities Co., Ltd. (Fubon Securities), Fubon Commercial Bank Co., Ltd. (Fubon Bank), and Fubon Life Assurance Co., Ltd. (Fubon Life Assurance) were exchanged for shares in the Company on December 19, 2001.

On August 28, 2002, shares of Fubon Asset Management Co., Ltd. (Fubon Asset Management) were exchanged for shares in the Company. Starting from March 11, 2011, due to the Company’s corporate restructuring, Fubon Asset Management became a wholly owned subsidiary of Fubon Securities.

On December 23, 2002, shares of Taipei Bank Co., Ltd. (Taipei Bank) were exchanged for shares in the Company.

In September 2003, shares of Fubon Marketing Co., Ltd. (Fubon Marketing) were acquired in cash by the Company.

In October 2003, shares of Fubon Financial Holding Venture Capital Co., Ltd. (Fubon Financial Holding Venture Capital) were acquired in cash by the Company.

In March 2004, 75% of the shares of Common Stock of International Bank of Asia, Limited, renamed Fubon Bank Hong Kong Limited (Fubon Bank (Hong Kong)), were acquired in cash by the Company. On June 13, 2011, 25% of the remaining outstanding shares of Common Stock of Fubon Bank (Hong Kong) were acquired in cash by the Company. On August 16, 2012, Fubon Bank (Hong Kong) redeemed the preferred shares of stock of \$4,004,057 held by the Company. On the same date, the Company subscribed in cash of \$4,004,057 for the ordinary shares of stock of Fubon Bank (Hong Kong).

In August 2004, shares of Fubon Asset Management Service Co., Ltd. (Fubon AMC) and Fubon Investment Management Consulting Co., Ltd. (Fubon IMC) were acquired in cash by the Company. On November 7, 2011, the procedures for the liquidation of Fubon IMC were completed.

In March 2008, shares of Taiwan Sport Lottery Co., Ltd. (Taiwan Sport Lottery) were acquired in cash by the Company. In September 2008, the Company owned 51% of the shares of Taiwan Sport Lottery. On July 20, 2011, Taiwan Sport Lottery became wholly owned subsidiary of the Company.

(Continued)



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

On February 11, 2009, all of the equity shares of ING Life Insurance Co., Ltd. (ING Life Insurance) were exchanged for shares in the Company. On June 1, 2009, ING Life Insurance merged with Fubon Life Assurance Co., Ltd., which was renamed Fubon Life Insurance Co., Ltd.

On January 7, 2014, 80% of the shares of First Sino Bank, Limited, which was renamed as Fubon Bank (China) Co., Ltd. from April, 2014, were acquired in cash by the Company and Taipei Fubon Bank. On October 20, 2016, 20% of the remaining outstanding shares of Fubon Bank (China) were acquired by the Company. Fubon Bank (China) became a wholly owned subsidiary of the Company.

The Company is engaged in the financial businesses including banking, financial bills, credit cards, trust, insurance, securities, futures, ventures, investments in foreign financial institutions approved by the government authorities, investments relevant to other financial services approved by the government authorities and investments, which is excluding the participation in the operation, in the services that are outside the scope of Article 36, Paragraph 2 of Financial Holding Company Act, and approved by the government authorities.

(b) Business of consolidated subsidiaries:

- (i) Fubon Insurance was incorporated on December 19, 2001, and assumed all rights and liabilities of the former Fubon Insurance Co., Ltd., which was incorporated in 1961. It is engaged in the business of property and casualty insurance.
- (ii) Fubon Securities was incorporated on July 11, 1988, as a company with an integrated securities firm license. Fubon Securities is engaged in brokerage, margin lending, securities financing and refinancing, securities trading, securities transfer services, securities underwriting, and futures.
- (iii) Taipei Bank started as a financial institution of the Taipei City Government (TCG) in 1969. On July 1, 1984, it was reorganized into a limited liability corporation and it was renamed as City Bank of Taipei Co., Ltd. On January 1, 1993, the bank's name was subsequently changed to Taipei Bank Co., Ltd. On August 1, 1991, Fubon Bank was authorized to operate as a commercial bank and commenced its commercial operations on April 20, 1992.

On January 1, 2005, Taipei Bank merged with Fubon Bank to improve operational efficiency and reduce costs. Taipei Bank was the surviving entity from this merger. However, the name Taipei Bank was changed to Taipei Fubon Bank on the same day.

Taipei Fubon Bank is engaged in authorized operations of commercial banks.

- (iv) Fubon Bank (Hong Kong) was founded in 1982. It is engaged in the following operations:
  - 1) Retail and consumer banking;
  - 2) Corporate banking;
  - 3) Investment banking;
  - 4) Investment and financial management services; and
  - 5) Properties management and other services.

(Continued)

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

- (v) Fubon Life Insurance was incorporated on June 3, 1993, under the laws of the Republic of China (ROC). It is engaged in the business of life insurance underwriting.

Fubon Life Insurance merged with ING Life Insurance (Taiwan) effective June 1, 2009, with ING Life Insurance (Taiwan) was the surviving entity and then changed its name to Fubon Life Insurance Co., Ltd. Fubon Life Insurance is engaged in life insurance, accident insurance, health insurance, and any business related to life insurance.

- (vi) Fubon Bank (China) is engaged in foreign currency services and CNY service to customers, in accordance with the "Regulations Governing Foreign Financial Institutions in the People's Republic of China. As of June 30, 2019, Fubon Bank (China) has established its headquarter and 25 branches (or sub-branches and preparatory offices) in the PRC.

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

On August 22, 2019, the consolidated financial statements were presented to the board of directors and authorized for issuance afterward.

**(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. ("FSC") which have already been adopted.

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2019.

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
IFRS 16 "Leases"	January 1, 2019
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019
Amendments to IFRS 9 "Prepayment features with negative compensation"	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019
Amendments to IAS 28 "Long-term interests in associates and joint ventures"	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019

Except for the following items, the Company and its subsidiaries believe that the adoption of the above IFRSs would not have any material impact on their consolidated financial statements. The extent and impact of signification changes are as follows:

- (i) IFRS 16 "Leases"

IFRS 16 replaces the existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

(Continued)

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

The Company and its subsidiaries applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings on January 1, 2019. The details of the changes in accounting policies are disclosed below,

1) Definition of a lease

Previously, the Company and its subsidiaries determined at contract inception whether an arrangement is or contains a lease under IFRIC 4. Under IFRS 16, the Company and its subsidiaries assess whether a contract is or contains a lease based on the definition of a lease, as explained in Note 4 (s).

On transition to IFRS 16, the Company and its subsidiaries elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Company and its subsidiaries applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019.

2) As a lessee

As a lessee, the Company and its subsidiaries previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company and its subsidiaries. Under IFRS 16, the Company and its subsidiaries recognize right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

The Company and its subsidiaries recognize the lease payments of short-term leases or lease of low-value assets as expenses.

- Leases classified as operating leases under IAS 17

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company and its subsidiaries' s incremental borrowing rate as at January 1, 2019. Right-of-use assets are measured at either:

- their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the lessee' s incremental borrowing rate at the date of initial application; or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

(Continued)



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

In addition, the Company and its subsidiaries used the following practical expedients when applying IFRS 16 to leases.

- Applied a single discount rate to a portfolio of leases with similar characteristics.
  - Adjusted the right-of-use assets by the amount of IAS 37 onerous contract provision immediately before the date of initial application, as an alternative to an impairment review.
  - Applied the exemption from recognizing the right-of-use asset and lease liabilities for leases within lease terms that ends within 12 months of the date of the initial application.
  - Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
  - Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.
- Leases previously classified as finance leases

For leases that were classified as finance leases under IAS 17, the carrying amount of the right-of-use asset and the lease liability at January 1, 2019 are determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

3) As a lessor

The Company and its subsidiaries are not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor, except for a sub-lease. The Company and its subsidiaries accounted for their leases in accordance with IFRS 16 from the date of initial application.

4) Sale-and-leaseback

When initially applying IFRS 16, the leaseback transaction was treated in accordance with the transition regulation. In addition, Taipei Fubon Bank recognized unrealized sale-and-leaseback profit of Fubon Neihu building, which was accounted for operating lease under IAS 17, as right-of-use asset on January 1, 2019.

(Continued)

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

5) Impacts on financial statements

On transition to IFRS 16, the Company and its subsidiaries recognized additional \$25,283,833 of assets, \$23,350,545 of liabilities, and additional \$1,933,288 of retained earnings, as well as \$483,050 of deferred tax impact. The right-of-use assets defined as investment properties were measured at fair value, and thus increased retained earnings by \$1,968,299 with the special reserve appropriated. When measuring lease liabilities, the Company and its subsidiaries discounted lease payments using their incremental borrowing rate at January 1, 2019. The weighted-average rate applied was 3.32%.

The explanation of differences between operating lease commitments disclosed at the end of the annual reporting period immediately preceding the date of initial application, and lease liabilities recognized in the statement of financial position at the date of initial application disclosed as follows:

	<u>January 1, 2019</u>
Operating lease commitment at December 31, 2018 as disclosed in the consolidated financial statements	\$ 29,351,752
Undisclosed operating lease commitment at December 31, 2018	94,842
Recognition exemption for:	
short-term leases	(50,086)
low-value items	(23,847)
Extension and termination options reasonably certain to be exercised	2,138,891
Service contracts	<u>(94)</u>
	<u>\$ 31,511,458</u>
Discounted using the incremental borrowing rate at January 1, 2019	\$ 22,830,792
Finance lease liabilities recognized as at December 31, 2018	<u>210,941</u>
Lease liabilities recognized at January 1, 2019	<u>\$ 23,041,733</u>

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

The following new standards, amendments and interpretations have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2020 in accordance with Ruling No. 1080323028 issued by the FSC on July 29, 2019:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020

(Continued)

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

Except for the following items, the Company and its subsidiaries believe that the adoption of the above IFRSs would not have any material impact on their consolidated financial statements. The extent and impact of significant changes are as follows:

(i) Amendments to IFRS 3 “Business Combinations”

This amendment is a narrow-scope to improve the definition of a business and is applicable to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period. The Company and its subsidiaries assess that an acquisition transaction, which constitutes a business under the previous definition, may be regarded as an asset acquisition based on the adoption of the amendments. The Company and its subsidiaries will continue to assess the impacts of this amendment on their consolidated financial position and financial performance.

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

As of the date, the following IFRSs that have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”	Effective date to be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2021 (Note)

Note: The IASB voted unanimously on November 14, 2018 to propose a delay of the mandatory effective date of IFRS 17 by one year to January 1, 2022.

Those which may be relevant to the Company and its subsidiaries are set out below:

<u>Issuance / Release Dates</u>	<u>Standards or Interpretations</u>	<u>Content of amendment</u>
September 11, 2014	Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”	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.

(Continued)



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

<b>Issuance / Release Dates</b>	<b>Standards or Interpretations</b>	<b>Content of amendment</b>
May 18, 2017	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: the beginning of the coverage period of the group of contracts, the date when the first payment from a policyholder in the group becomes due and when the group becomes onerous shall recognize a group of insurance contracts it issues from the earliest.</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>

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

(Continued)

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

(d) The impact of IFRS FAQ “REITs”

REITs that have been classified as financial assets measured at fair value through profit or loss are elected to designate as at fair value through other comprehensive income in accordance with the IFRS FAQ “REITs” issued by the Accounting Research and Development Foundation. Impacts for the second quarter of 2018 were as follows.

<u>Impacts on consolidated assets, liabilities and equity</u>	<u>Amount reported before reclassification</u>	<u>Reclassification</u>	<u>Amount reported after reclassification</u>
June 30, 2018			
Financial assets measured at fair value through profit or loss	\$ <u>912,499,367</u>	<u>(814,802)</u>	<u>911,684,565</u>
Financial assets measured at fair value through other comprehensive income	\$ <u>822,182,564</u>	<u>814,802</u>	<u>822,997,366</u>
Retained earnings	\$ <u>266,940,934</u>	<u>(206,764)</u>	<u>266,734,170</u>
Other equity interest	\$ <u>(13,335,498)</u>	<u>206,764</u>	<u>(13,128,734)</u>
	<u>Amount</u>		<u>Amount</u>
<u>Impacts on consolidated comprehensive income</u>	<u>reported before reclassification</u>	<u>Reclassification</u>	<u>reported after reclassification</u>
<b>For the six months ended June 30, 2018</b>			
Gains (losses) on financial assets or liabilities measured at fair value through profit or loss	\$ <u>(25,209,640)</u>	<u>(74,632)</u>	<u>(25,284,272)</u>
Realized gains on financial assets or liabilities measured at fair value through other comprehensive income	\$ <u>6,192,924</u>	<u>23,760</u>	<u>6,216,684</u>
Net income	\$ <u>31,207,697</u>	<u>(50,872)</u>	<u>31,156,825</u>
Other comprehensive income	\$ <u>(38,160,512)</u>	<u>50,872</u>	<u>(38,109,640)</u>
Total comprehensive income	\$ <u>(6,952,815)</u>	<u>-</u>	<u>(6,952,815)</u>
Consolidated net income attributable to:			
Owners of parent	\$ 31,223,598	(50,872)	31,172,726
Non-controlling interests	<u>(15,901)</u>	<u>-</u>	<u>(15,901)</u>
	<u>\$ 31,207,697</u>	<u>(50,872)</u>	<u>31,156,825</u>
Total comprehensive income attributable to:			
Owners of parent	\$ (6,926,323)	-	(6,926,323)
Non-controlling interests	<u>(26,492)</u>	<u>-</u>	<u>(26,492)</u>
	<u>\$ (6,952,815)</u>	<u>-</u>	<u>(6,952,815)</u>
Basic earnings per share	<u>\$ 2.91</u>	<u>(0.01)</u>	<u>2.90</u>

(Continued)

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

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

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Financial Holding Companies" and with the International Accounting Standards ("IASs") 34, "Interim Financial Reporting" endorsed and announced by the FSC.

The consolidated financial statements have not contained all the necessary information that should be disclosed which the consolidated financial statements have been prepared in accordance with the IFRS, IAS and interpretations recognized and announced by the FSC (TIFRS).

(b) Basis of preparation

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

The consolidated financial statements have been prepared on a historical cost basis except for the financial assets and liabilities (including derivative financial instruments) and the investment properties, which are measured at fair value. The individual entity of the Company and its subsidiaries based on its primary economic environment operating currency as its functional currency. The consolidated financial statements functional currency is TWD unless otherwise specified. All financial information presented in TWD has been rounded to the nearest thousand, unless otherwise noted.

(c) Principles of consolidation

In accordance with the "Regulations Governing the Preparation of Financial Reports by Financial Holding Companies" and TIFRS, similar underlying assets, liabilities, equity, income and expenses of the consolidated entities are summed up and eliminated, if necessary, in the preparation of the consolidated financial statements. The Company and its subsidiaries prepare their financial statements at the same reporting date.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commenced until the date that control ceased.

Intra-company balances and transactions, and any unrealized income arising from intra-company transactions, are eliminated in preparing the consolidated financial statements. Unless there is evidence that transferred assets are impaired, the intra-company unrealized losses are eliminated.

Subsidiaries' financial statements are adjusted to align the accounting policies with those of the Company.

(Continued)

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

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

<u>Name of Investor</u>	<u>Subsidiary</u>	<u>Main Activities</u>	<u>Percentage of Ownership (%)</u>		
			<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
The Company	Fubon Insurance	Property and casualty insurance	100.00 %	100.00 %	100.00 %
The Company	Taipei Fubon Bank	Banking	100.00 %	100.00 %	100.00 %
The Company	Fubon Life Insurance	Life insurance	100.00 %	100.00 %	100.00 %
The Company	Fubon Securities	Securities business	100.00 %	100.00 %	100.00 %
The Company	Fubon Marketing	Marketing management	100.00 %	100.00 %	100.00 %
The Company, Fubon Life Insurance, Fubon Insurance and Fubon Securities	Fubon Financial Holding Venture Capital	Venture Capital	100.00 %	100.00 %	100.00 %
The Company	Fubon Bank (Hong Kong)	Banking	100.00 %	100.00 %	100.00 %
The Company	Fubon AMC	Creditor's rights management	100.00 %	100.00 %	100.00 %
The Company	Taiwan Sport Lottery	IT Software service	100.00 %	100.00 %	100.00 %
The Company and Taipei Fubon Bank	Fubon Bank (China)	Banking	100.00 %	100.00 %	100.00 %
Fubon Securities	Fubon Asset Management	Investment trust	100.00 %	100.00 %	100.00 %
Fubon Securities	Fubon Futures	Futures	100.00 %	100.00 %	100.00 %
Fubon Securities	Fubon Investment Service	Investment Service	100.00 %	100.00 %	100.00 %
Fubon Securities	Fubon Securities BVI	Securities business	100.00 %	100.00 %	100.00 %
Fubon Securities	Fubon Securities Venture Capital	Venture Capital	100.00 %	100.00 %	100.00 %
Fubon Securities	Fubon Equity Investment	Equity Investment	100.00 %	100.00 %	100.00 %
Fubon Securities	Fubon Mintou Venture Capital	Venture Capital	67.00 %	67.00 %	67.00 %
Fubon Securities BVI	Fubon Securities (Hong Kong)	Securities business	100.00 %	100.00 %	100.00 %
Fubon Securities BVI	Fubon Fund Management (Hong Kong) Limited (Note 1)	Asset Management	100.00 %	- %	- %
Fubon Asset Management	Fubon Convoy Asset Management (Hong Kong) Limited (Note 2)	Asset Management	49.00 %	49.00 %	49.00 %
Fubon Insurance	Fubon Insurance (Vietnam) Limited	Insurance business	100.00 %	100.00 %	100.00 %
Fubon Insurance	Fubon Insurance Broker (Thailand) Limited (Note 2)	Broker	48.97 %	48.97 %	48.97 %
Fubon Insurance	Fubon Insurance Broker (Philippines) Limited	Broker	99.99 %	99.99 %	99.99 %
Fubon Insurance and Fubon Life Insurance	Fubon Property & Casualty Insurance (Xiamen)	Insurance business	80.00 %	80.00 %	80.00 %
Fubon Life Insurance	Fubon Life Insurance (Vietnam) Limited	Insurance business	100.00 %	100.00 %	100.00 %

(Continued)



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

<u>Name of Investor</u>	<u>Subsidiary</u>	<u>Main Activities</u>	<u>Percentage of Ownership (%)</u>		
			<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Fubon Life Insurance	Fubon Life Insurance (Hong Kong) Limited	Insurance business	100.00 %	100.00 %	100.00 %
Fubon Life Insurance	Fubon Hyundai Life Insurance Co., Ltd. (Note 3)	Insurance business	62.06 %	62.06 %	- %
Fubon Life Insurance	Carter Lane (Guernsey) Limited	Real estate investment and management	100.00 %	100.00 %	100.00 %
Fubon Life Insurance	Bow Bells House (Jersey) Limited	Real estate investment and management	100.00 %	100.00 %	100.00 %
Fubon Life Insurance	Fubon MTL Property (Jersey) Limited	Real estate investment and management	100.00 %	100.00 %	100.00 %
Fubon Life Insurance	Fubon Ellipse (Belgium) S.A. (Note 4)	Real estate investment and management	100.00 %	100.00 %	100.00 %
Fubon Life Insurance	Fubon Ellipse (Jersey) Limited	Holding company	100.00 %	100.00 %	100.00 %
Fubon Life Insurance	Fubon Eurotower (Luxembourg) S. à r.l (note 5)	Real estate investment and management	100.00 %	- %	- %
Fubon Marketing	Fu Sheng Life Insurance Agent	Life insurance agent	100.00 %	100.00 %	100.00 %
Fubon Marketing	Fu Sheng General Insurance Agent	Property and casualty insurance agent	100.00 %	100.00 %	100.00 %
Fubon Financial Holding Venture Capital	Fubon Sports & Entertainment Co., Ltd.	Sports service business	100.00 %	100.00 %	100.00 %
Fubon Financial Holding venture Capital	Fubon Stadium Co., Ltd.	Stadium management	100.00 %	100.00 %	100.00 %
Fubon Bank (Hong Kong)	Fubon Nominees (Hong Kong) Limited (Note 6)	Financial sector business	100.00 %	100.00 %	100.00 %
Fubon Bank (Hong Kong)	Fubon Credit (Hong Kong) Limited (Note 6)	Financial sector business	100.00 %	100.00 %	100.00 %
Fubon Bank (Hong Kong)	FB Securities (Hong Kong) Limited (Note 6)	Securities brokerage	100.00 %	100.00 %	100.00 %
Fubon Bank (Hong Kong)	FB Investment Management (Hong Kong) Limited (Note 1)	Capital management	- %	100.00 %	100.00 %
Fubon Bank (Hong Kong)	Fubon Insurance Brokers Limited (Note 6)	Insurance agent	100.00 %	100.00 %	100.00 %

Note 1: Fubon Securities BVI has acquired 100% equity of FB Investment Management (Hong Kong) Limited from Fubon Bank (Hong Kong) in February 2019, and renamed it to Fubon Fund Management (Hong Kong) Limited.

Note 2: In February 2017, Fubon Asset Management and Convoy Asset Management Limited set up Fubon Convoy Asset Management (HK) Limited. After the evaluation, since Fubon Asset Management has direct existing rights to its financial and operating activities, it is regarded as having control over Fubon Convoy Asset Management (Hong Kong). Fubon Insurance Broker (Thailand) Limited is set up by a joint venture between Fubon Insurance Co., Ltd. and Futai Holding Co., Ltd. etc.. Since Fubon Insurance Co., Ltd. has subscribed for the shares of Fubon Insurance Broker (Thailand) Limited on November 5, 2013 and has control over operating activities, Fubon Insurance Broker (Thailand) Limited is regarded as a subsidiary.

(Continued)

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

Note 3: Fubon Hyundai Life Insurance Co., Ltd. became a subsidiary in September 2018. Fubon Life Insurance owned 48.62% of the shares of Fubon Hyundai Life Insurance Co., Ltd. before it became a subsidiary, and recognized using equity method.

Note 4: The issued and outstanding shares of Fubon Ellipse (Belgium) S.A. were 1,133,718 shares, while 1 share is held by Fubon Ellipse (Jersey) Limited.

Note 5: Fubon Eurotower (Luxembourg) S. à r.l became a subsidiary in April, 2019.

Note 6: These entities are the major subsidiaries of Fubon Bank (Hong Kong).

(d) Foreign currency

(i) Foreign currency transaction

Transactions in foreign currencies are translated to the respective functional currencies of the individual entities of the Company and its subsidiaries at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rates at that date. Translation gains and losses are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was originally determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the original transaction.

Foreign currency differences arising from settlement or retranslation of monetary assets and liabilities are recognized in profit or loss, except for the following differences, which are recognized in other comprehensive income:

- 1) Non-monetary equity investment measured 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 the hedge is effective.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the Company's functional currency in New Taiwan dollars at exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to the Company's functional currency at average rate. Foreign currency differences are recognized in other comprehensive income, and presented in the foreign currency translation adjustments in equity.

(Continued)

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

When a foreign operation is disposed of such that control, significant influence or joint control is lost, the foreign currency translation adjustments related to that foreign operation are all reclassified to profit or loss. When the Company disposes of any part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant cumulative amount of foreign currency translation adjustments is reattributed proportionately to non-controlling interest. When the Company disposes of only part of investment in an associate or joint venture that includes a foreign operation, the relevant foreign currency cumulative amount of translation adjustments is reclassified proportionately to profit or loss.

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

(e) Cash and cash equivalents

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

Due from the central bank, call loans to banks and securities purchased under resell agreements which meet the definition as defined in International Accounting Standard 7 ("IAS 7") and form an integral part of the Company and its subsidiaries' cash management are included as components of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

(f) Investment in associates

An associate is an entity in which the Company and its subsidiaries have significant influence over its financial and operating policies but have no control over it. Investments in associates are accounted for using the equity method and are recognized at cost on acquisition. The cost of investment includes transaction cost.

The carrying amount of investment in associates includes the goodwill identified in initial investment less any accumulated impairment loss. The consolidated financial statements include the profit or loss and other comprehensive income recognized based on the equity holding ratio of the invested associates from the date that the Company and its subsidiaries have significant influence over the investees until the date that the Company and its subsidiaries lose the significant influence. The accounting policies of the investees and the Company and its subsidiaries shall be reconciled before the amount is presented in the financial statements.

Unrealized gains resulting from transactions between the Company and its subsidiaries and their associates are eliminated to the extent of the Company and its subsidiaries' interest in the associates. The method to eliminate the unrealized losses is the same as that for the unrealized gains but the elimination is limited to the extent that there is no evidence of impairment.

(Continued)

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

When the Company and its subsidiaries' share of losses exceeds its investment in equity-accounted investees, the carrying amount of the investment, including any long-term interests that from part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Company and its subsidiaries have an obligation or has made payments on behalf of the investee.

Since the goodwill that forms part of the carrying amount of investment in associates or joint venture is not separately recognized, it is not tested for impairment by applying the requirements for impairment testing goodwill in IAS 36. The Company and its subsidiaries have to determine whether there is any objective evidence that the net investment in the associate or joint venture is impaired at each reporting date in accordance with IAS 28. If there is an objective evidence of impairment, the investment is tested for impairment in accordance with IAS 36 by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. When recoverable amount is determined by the value in use of the net investment, the Company and its subsidiaries estimate:

- (i) the share of the present value of the estimated future cash flows expected to be generated by the associate or joint venture, including the cash flows from the operations of the associate or joint venture and the proceeds from the ultimate disposal of the investment; or
- (ii) the present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

(g) Repurchase and resell transactions

Securities under agreement to repurchase or to resell are accounted for securities sold under purchase agreements or securities purchased under resell agreements. Related interest expenses and interest revenues are accrued over the period between the date of sale and repurchase or the date of purchase and resale.

(h) Financial instruments

Financial assets and liabilities, including derivative instruments, are recognized in the consolidated balance sheet and measured according to its classification under TIFRS.

The trading of financial assets is recognized by trade-date accounting.

(i) Financial assets

According to IFRS 9, the Company and its subsidiaries classify financial assets in consolidated balance sheet by fair value through profit or loss (FVTPL), fair value through other comprehensive income (FVOCI) and amortized cost in the consolidated balance sheet.

(Continued)



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

1) Fair value through profit or loss (FVTPL)

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

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Subsequent valuation is measured at fair value. The revaluation gains and losses (including dividend and interest income) are recognized in profit or loss.

2) Fair value through other comprehensive income (FVOCI)

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

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

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

A financial asset measured at FVOCI is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses, and impairment losses, deriving from debt investments are recognized in profit or loss; whereas dividends deriving from equity investments 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 of financial assets measured at FVOCI are recognized in OCI. On derecognition, gains and losses accumulated in OCI of equity investments are reclassified to profit or loss. However, gains and losses accumulated in OCI of debt investments are reclassified to retain earnings instead of profit or loss.

Dividend income derived from equity investments is recognized on the date that the Company and its subsidiaries' right to receive payment is established, which in the case of quoted securities is normally the ex dividend date.

(Continued)

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

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:

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

A financial asset measured at amortized cost is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses, and impairment loss, are recognized in profit or loss. Gain or loss are recognized in profit or loss as asset is disposed.

4) Other financial assets

a) Investment-linked insurance policy

Fubon Life Insurance and its subsidiaries are engaged in selling investment-linked insurance policies. The payment of premiums, net of administrative expenses, is recorded in a separate account and is used only in the way agreed to by the insured. The assets in these separate accounts are valued at market price on value date and it adopts related ordinances in determining the net asset value.

Fubon Life Insurance and its subsidiaries are engaged in labor pension insurance. Separate accounts should be established to record the value of invested assets. The assets, liabilities, and profit or loss related to the insurance are recorded in these separate accounts, respectively, and should be managed separately from other life insurance assets. The establishment, record, and accounting treatment should be in accordance with regulations announced by local competent authority where the Company and its subsidiaries locate.

b) Customer margin deposit

Customer margin deposit includes trading margins deposited by customers and the gain or loss generated from unsettled futures contracts based on daily market values.

5) Reclassification of financial assets

In accordance with IFRS 9, the Company and its subsidiaries can only reclassify all the affected financial assets when they change the business model in which assets are managed.

(Continued)

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

6) 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

1) Financial liabilities measured at fair value through profit or loss

Financial liabilities measured at fair value through profit or loss include held-for-trading and being designated as such at the time of initial recognition.

Financial liabilities measured at fair value through profit or loss and those designated as such at the time of initial recognition are recognized as "financial liabilities measured at fair value through profit or loss" in the consolidated balance sheet. The changes in fair value are recognized as "gain or loss on financial assets and liabilities measured at fair value through profit or loss" in the consolidated statement of comprehensive income.

Financial liabilities measured at fair value through profit or loss are measured at fair value. The amount of changes in the fair value of financial liabilities designated as at fair value through profit or loss that is attributable to changes in the credit risk of that liability shall be presented in other comprehensive income. If the treatment of the effects of changes in the liability's credit risk would create or enlarge an accounting mismatch in profit or loss, the Company and its subsidiaries shall present all gains or losses on that liability in profit or loss.

2) Financial liabilities carried at amortized cost

Financial liabilities carried at amortized cost include financial liabilities which are not classified as financial liabilities measured at fair value through profit or loss, hedging derivative financial liabilities, financial bonds payable, financial guarantee contracts, loan commitments below market rate, and financial liabilities arising from transfer of financial assets that does not qualify for derecognition to the extent of transferor's continuing involvement.

3) Bonds payable

Financial liabilities measured at amortized cost are recognized initially at fair value, less, any directly attributable transaction costs and subsequently measured at their amortized cost using the effective interest method during the outstanding period of the bonds.

4) Financial guarantee contracts

Financial guarantee contracts which are not measured at fair value through profit or loss are measured at the higher of the loss allowance reflected the expected credit loss or amortized cost after initial recognition.

(Continued)

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

5) Futures traders' equity

Future traders' equity represents the net balance of each future trader's deposit and royalty after considering the effect of settlement based on daily closing price. Offsetting is not permitted unless there are similar accounts under the same customer. Future traders' equity is recorded under current liabilities and any debit balance thereon is recorded as futures trading margins receivable.

(iii) Derecognition of financial assets and liabilities

Financial assets are derecognized when the contractual rights to the cash flows from the assets expire, or when the Company and its subsidiaries transfer substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a debt instrument in its entirety, the Company and its subsidiaries recognize the difference between its carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income and presented in "other equity – unrealized gains (losses) on financial assets measured at fair value through other comprehensive income", in profit or loss.

On derecognition of a debt instrument other than in its entirety, the Company and its subsidiaries allocate the previous carrying amount of the financial asset between the part they continue to recognize under continuing involvement, and the part they no longer recognize on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

The Company and its subsidiaries derecognize a financial liability when its contractual obligations are discharged, cancelled or expired.

(iv) Determination of fair value

For the fair value information of financial instrument, please refer to Note 6 (ah) for details.

(v) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount presented in the consolidated balance sheet if, and only if, (a) the Company and its subsidiaries have legally enforceable right to set off the recognized amounts and (b) it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

(Continued)

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

(i) Derivative financial instruments and hedge accounting

Derivatives are initially measured at fair value. Any attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and revaluation gains or losses are recognized in profit or loss. When a derivative is designated as, and effective for, a hedging instrument, its timing of recognition in profit or loss is determined based on the nature of the hedging relationship. When the fair value of a derivative instrument is positive, it is classified as a financial asset, whereas when the fair value is negative, it is classified as a financial liability.

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the non-financial asset's host contract are not closely related to the embedded derivatives and the host contract is not measured at FVTPL.

At initial designated hedging relationships, the Company and its subsidiaries document the risk management objectives and strategy for undertaking the hedge including the identification of the nature of the hedging instrument, the hedged item and the hedged risk, as well as the manner to assess whether the hedging relationship meets the requirements of hedge effectiveness.

The Company and its subsidiaries shall discontinue hedge accounting prospectively only when the hedging relationship (or a part of a hedging relationship) ceases to meet the qualifying criteria (after taking into account any rebalancing of the hedging relationship, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised.

(i) Fair value hedges

Changes in the fair value of (a) hedging instruments designated and qualified as fair value hedges, as well as (b) the hedged asset or liability that are attributable to the hedged risks, are immediately recognized in profit or loss and hedged items in the consolidated statement of comprehensive income.

The Company and its subsidiaries shall discontinue hedge accounting prospectively only when the hedging relationship ceases to meet the qualifying criteria. This includes instances when the hedging instrument is expired, sold, terminated or exercised.

Hedged financial instruments using an effective interest rate (with the fair value adjustment attributable to the hedged risk) is amortized to profit or loss when hedge accounting is discontinued over the period to maturity. The amortization is based on a recalculated effective interest rate at the date the amortization begins which could enable the fair value adjustment being fully amortized until it reaches the maturity of the instrument.

(Continued)



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

(ii) Cash flow hedges

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income and accumulated in “other equity —gains (losses) on financial instruments for hedging”. The effective portion of changes in the fair value of the derivative that is recognized in other comprehensive income is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss.

When the hedged item is recognized in profit or loss, the amount accumulated in equity and retained in other comprehensive income is reclassified to profit or loss in the same period or in the periods during which the hedged item affects the profit or loss, and is presented in the same accounting item with the hedged item recognized in the consolidated statement of comprehensive income. However, for a cash flow hedge of a forecast transaction recognized as a non-financial asset or liability, the amount accumulated in “other equity —gains (losses) on financial instruments for hedging” and retained in other comprehensive income is reclassified as the initial cost of the non-financial asset or liability. In addition, if that amount is a loss and the Group expects that all or a portion of that loss will not be recovered in future periods, it shall immediately reclassify the amount in profit or loss.

When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the cash flow hedge reserve (and costs of hedging) remains in equity until the hedged future cash flows are no longer expected to occur. Otherwise, that amount would be adjusted within the carrying amount of the non-financial item. For other cash flow hedges, it is reclassified to profit or loss in the same period or in the periods as the hedged expected future cash flows affect the profit or loss. However, if the hedged future cash flows are no longer expected to occur, the amount shall immediately be reclassified from cash flow reserve (and the cost of hedging reserve) to profit or loss.

(j) Pecuniary and securities financing and refinancing

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

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

Pecuniary refinancing represents loans from securities finance companies when the Company and its subsidiaries lack sufficient funds to perform pecuniary financing. These loans are recorded as refinance borrowings.

(Continued)

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

Securities refinancing represents borrowing securities from securities finance companies when the Company and its subsidiaries do not have sufficient securities to perform securities financing. For securities refinancing, the Company and its subsidiaries pay margin deposits to securities finance companies. These margin deposits are recorded as refinance margin deposits. The Company and its subsidiaries also provide securities investors' proceeds from selling borrowed securities to securities finance companies as collateral and records them under receivables from securities refinance.

(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 received by the securities firms when the securities are returned.

(l) Non-current assets held for sale

Non-current assets or disposal groups comprising assets and liabilities that are expected to be recovered primarily through sale or distribution rather than through continuing use are reclassified as held for sale. This kind of non-current assets or disposal groups must qualify to be sold under the current situation, and likely to be sold within one year.

After being classified as held for sale, the measurement bases of the assets or disposal groups are the sum of their carrying amounts and fair value, less, the cost of sale. Furthermore, this kind of assets would stop depreciating. Before being classified as held for sale, investment property measured at fair value applies the accounting policy of investment property.

(m) Investment property

Investment property applies to the accounting for property held to earn rentals or for capital appreciation or both, instead of property held for use in the production or supply of goods or services or for administrative purposes, including property held under operating lease. At initial recognition, investment property is measured at cost and includes transaction cost of acquiring the asset. Cost includes expenditure that is directly attributable to the acquisition of the investment property. Costs of self-constructed investment property include cost of raw materials and direct labor, and any other costs and capitalized costs directly attributable to bring the investment property to a working condition for their intended use. In accordance with IAS 40, investment property is subsequently measured at fair value, except for those which are classified as held for sale (or are included in a disposal group that is classified as held for sale) in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations". Gains or losses arising from the changes in fair value must be included in net profit or loss for the period in which they arise.

Investment property should be derecognized on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal and recognized in profit or loss.

(Continued)

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

Any gain or loss arising on derecognition of an investment property is calculated as the difference between the net disposal proceeds and the carrying amount of the asset and is included in profit or loss in the period in which the property is derecognized.

The Company and its subsidiaries transfer investment property in or out based on its actual use. Transfers between categories should be based on market values and accounting treatment should be conducted in accordance with IAS 40 “Investment Property”.

(n) Property and equipment

Property and equipment is measured at cost less accumulated depreciation and accumulated impairment losses. Before January 1, 2019, the cost of property and equipment includes any cost directly attributable to the asset and the initial estimated of the cost of dismantlement, removal or restoration.

Before January 1, 2019, as the Company and its subsidiaries have obligations for dismantling, removing and restoring the site on which an item of property and equipment is located, the present value of the cost of the obligation should be recognized as provision.

Each part of an item of property and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Company and its subsidiaries. The carrying amount of those parts that are replaced is derecognized. On-going repairs and maintenance cost is expensed as incurred.

Land is not depreciated. Other assets are depreciated on a straight line basis over the estimated useful lives. Before January 1, 2019, for the lease asset, if there is reasonable certainty that the Company and its subsidiaries will obtain ownership by the end of the lease term, the period of expected use is the useful life of the asset; otherwise the asset is depreciated over the shorter of the lease term and its useful life.

Depreciation methods, useful lives, and residual values are reviewed by the Company and its subsidiaries at the end of the year. If expectations differ from the previous estimates, the change is accounted for as a change in an accounting estimate. Gain or loss from the disposal of fixed assets is determined on the difference between carrying amount and proceeds and is recorded in profit or loss.

When the holding purpose has changed from own use to investment, the real estate should be reclassified as investment property at fair value. Any resulting increase in the carrying amount due to the fair value at the date of transfer is recognized in profit or loss to the extent of previously accumulated impairment of that property and equipment. The remaining part of the increase is recognized in “Other comprehensive income—Revaluation gains on property” and accumulated in “Other equity items—Revaluation gains.” Any resulting decrease in the carrying amount should be recognized in profit or loss.

(Continued)

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

(o) Other assets – Superficies (applicable before January 1, 2019)

Superficies should be classified as financial lease or operating lease in accordance with the IAS 17. According to the abovementioned article, after being assessed and determined to be classified as operating lease, the royalty and related necessary expenses should be recognized as prepaid expenses since the beginning of the expected life of the superficies (e.g. the date that the recordation of the superficies is completed), and be amortized over its expected life. If the purpose of the development is invested or owner-occupied, the royalty which is amortized during the construction period should be included in the cost of the buildings. Please refer to Note 4 (s) "Lease" for related accounting policy of the case that the superficies be held as operating lease are changed as financial lease.

(p) Assets impairment

(i) Financial assets impairment

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

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

1) General approach of measuring expected credit loss:

The Company and its subsidiaries adopt the general approach to recognize expected credit loss on bond instruments and loans classified as financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income and other receivables. 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.

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 lease receivables and 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 and loans from investment-link product is very little.

3) The loss allowance of loans and receivables of the Insurance subsidiaries should pursuant to “Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts by Insurance Enterprises”. The higher of the loss allowance of loans and receivables and abovementioned assessment of expected credit loss is the minimum standard for determining the balance of loss allowance.

(Continued)

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

- 4) Pursuant to “ Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Nonaccrual Loans” (the “ Regulations” ) issued by the authority, the domestic bank subsidiary evaluates credit losses on the basis of the estimated collectability.

In accordance with the Regulations, credit assets are classified as normal assets, assets that require special mentioned, assets with substandard, assets with doubtful collectability, and assets on which there is loss. The Bank evaluates value of collaterals of specified loans and assesses recoverability of nonperforming loans. Under the regulations, the domestic bank subsidiary categorizes the credit assets into Normal, Special Mention, Substandard, Doubtful, and Loss, and then make minimum provisions at 1% of the normal credits (other than those loans to ROC government), 2% of special mention, 10% of substandard, 50% of doubtful, and 100% of loss. According to the Ruling Letter No.10010006830 of the Banking Bureau, Financial Supervisory Commission, ROC., the target ratio of the bad debts allowance to total loans should be set for more than 1%. Pursuant to Rule No.10300329440 issued by FSC, for the banks to have an enhance risk coverage, the minimum provision for the loan loss reserve is 1.5% of the mortgage and construction loans which are classified as normal assets. Based on Rule No. 10410001840 issued by the FSC, for the Bank to have an enhanced control of the exposure to risk in mainland China, the minimum provision for the loan loss reserve is 1.5% of the loans that were granted to companies based in mainland China and classified as normal assets. Under the “ Risk-Based Loan Categorization” issued by the China Banking and Insurance Regulatory Commission (the “CBIRC”), the foreign bank subsidiary, Fubon Bank (China), divides credit assets into Normal, Special Mentioned, Substandard, Doubtful and Loss. Under the “ Notice of 2019 and 2018 Regulatory Requirements for the Loan Loss Reserves of Fubon Bank (China)” issued by the CBRC Shanghai Office, the lowest standard of loan provision are 1.5% and 1.8%, and of coverage ratios are 120% and 130% for the year 2019 and 2018, respectively. Fubon Bank (China) uses the individual and combined assessment of impairment, and the abovementioned standard as its minimum provision standard. Credits deemed uncollectible may be written off if the write-off is approved by the board of directors. Recoveries of amounts previously written off are credited to the allowance account.

- (ii) Impairment of non-financial assets

In accordance with IAS 36 “Asset impairment” endorsed by the FSC, at each reporting date or as circumstance changes, the Company and its subsidiaries assess non-financial assets for any indication of impairment in which the recoverable amount of an asset is less than its carrying amount. If the recoverable amount of an asset is less than its carrying amount, the difference between the recoverable amount and carrying amount is recognized as impairment loss. Assets are grouped together into the smallest group of identifiable assets (cash-generating unit) that generates cash inflows. Impairment test is also applied to an individual asset when its fair value less selling cost or its value-in-use can be reliably measured. Impairment loss on non-financial assets (other than goodwill) recognized in prior periods is assessed at each reporting date for any indications that the loss has decreased.

(Continued)



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

An impairment loss recognized in prior periods for an asset other than goodwill shall be reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset shall be increased to its recoverable amount, as a reversal of a previously recognized impairment loss.

The recoverable amount of goodwill, an intangible asset with an indefinite useful life, and an intangible asset that are not yet available for use is regularly assessed. If the recoverable amount of any of these assets is lower than its carrying amount, impairment loss is recognized. An impairment loss in respect of goodwill is not reversible in subsequent years.

(q) Reinsurance

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 cannot refuse to fulfill their obligations to the insured even if the reinsurer refuses to fulfill its obligation.

Reinsurance assets, claims recoverable from reinsurers, reinsurance receivable and funds held by ceding companies are periodically assessed for impairment. If the reinsurance asset is impaired, its carrying amount is reduced accordingly and impairment loss thereon is recognized in profit or loss. A reinsurance asset is impaired if, and only if there is objective evidence that the Company and its subsidiaries may not collect all receivables under the terms of the contract as a result of an event that occurred after initial recognition of the reinsurance asset; and the impact of that event to the amounts that the Company and its subsidiaries will receive from the reinsurer can be measured reliably.

The Company and its subsidiaries evaluate the effects of reinsurance with another reinsurer to whom insurance risks are ceded. If reinsurance contracts only cede significant insurance risks (excluding the underwriter risk and time risk), the reinsurance contract is accounted for using deposit accounting. Under this deposit accounting, the insurance premium, minus, the Company and its subsidiaries' retained reinsurance premium (or fee) is recognized as a deposit asset or liability.

Changes of the deposit component are recognized as profit or loss for the period. Interests arising from the deposit component for the contracts which does not transfer any risk or transfer the timing risk only are recognized as interest income or expense and calculated based on the effective interest rates which are determined by the estimates of future cash flows.

Reinsurance shall arrange the impairment losses recognized and/or reversed in accordance with IFRS 4.

(r) Goodwill and intangible assets

Intangible assets meeting the relevant recognition criteria are initially measured at cost. The cost of intangible assets acquired in business combinations is the fair value at the acquisition date. Goodwill resulting from acquisition has been included in intangible assets.

(Continued)

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

The Company and its subsidiaries select the cost model to measure subsequent to acquisition. An intangible asset with finite useful life is amortized on a straight-line basis over its useful life, and whose expected future economic benefits are assessed for impairment or any change at each reporting date.

An intangible asset with indefinite useful life is not amortized. An intangible asset with indefinite useful life and goodwill are evaluated for impairment annually or whenever there are indications for impairment. In terms of investments under equity method, the carrying amount of goodwill is included in the carrying amount of the investments and the impairment losses of such investments are not distributed to goodwill and any other assets. The impairment losses are part of the carrying amount of the investments.

Except goodwill, most identifiable intangible assets that the Company and its subsidiaries identified have finite useful life use straight-line basis over the estimated useful life of intangible assets. Amortization is recognized in profit or loss. For the estimated useful life, please refer to Note 6(r).

(s) Leases

(i) Identifying a lease (applicable since January 1, 2019)

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

- 1) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and
- 2) the Company and its subsidiaries have the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- 3) the Company and its subsidiaries have the right to direct the use of the asset when they have the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Company and its subsidiaries have the right to direct the use of an asset if either:
  - the Company and its subsidiaries have the right to operate the asset and the asset supplier has no right to change the way the asset is operated; or
  - the Company and its subsidiaries designed the asset in a way that predetermines how and for what purpose it will be used.

(Continued)

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

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

(ii) As a lessee (applicable since January 1, 2019)

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 right-of-use assets defined as investment properties are measured at fair value and recognized as “Investment property”.

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 their incremental borrowing rate as the discount rate.

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

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

(Continued)

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

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

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

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

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the 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 property and lease liabilities as a separate line item respectively in the statement of financial position.

The amortization of right-of-use assets and the interest expense from lease liabilities within the constructing period are recognized as the cost of the buildings.

The Company and its subsidiaries have elected not to recognize right-of-use assets and lease liabilities for short-term leases and 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 will continue to recognize the transferred asset and shall recognize the financial liability equal to the transfer proceeds.

(Continued)

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

(iii) As a lessor (applicable since January 1, 2019)

When the Company and its subsidiaries act as a lessor, they determine 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, they account for the interests in the head lease and the sub-lease separately. They assess 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'.

(iv) Lessor (applicable before January 1, 2019)

A lease, of which the Company and its subsidiaries have not transferred substantially all the risks and rewards incidental to ownership, is classified as an operating lease. Initial direct costs incurred by lessors in negotiating and arranging an operating lease shall be added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as the lease income.

Lease income from operating lease is recognized in profit or loss on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease is added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as the lease income. Incentives granted to the lessee to enter into the operating lease are spread over the lease term on a straight-line basis so that the lease income received is reduced accordingly.

(Continued)

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

(v) Lessee (applicable before January 1, 2019)

Leases whose terms require the Company and its subsidiaries to assume substantially all of the risks and rewards of ownership of a leased asset are classified as finance leases. On initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the leased asset is accounted for in accordance with the accounting policy applicable to property and equipment.

Other leases are operating leases and are not recognized in the Company's consolidated balance sheet. Payments made under operating lease (excluding insurance and maintenance expenses) are recognized as an expense on a straight-line basis over the term of the lease. Lease incentives received are recognized and amortized on a straight-line basis to decrease lease expenses over the term of the lease.

Contingent rent is recognized as an expense when the leasing adjustment is confirmed.

If the property held under operating lease are consistent with the definition of investment property, they will be individually accounted for as investment property using the fair value model. Furthermore, the aforementioned leases shall be classified as finance leases, and recognized at the lower of the fair value of the asset and the present value of the minimum lease payments, while the equivalent amount of liability is being recognized.

(t) Insurance liability

The reserve for both the insurance contracts and financial instruments with or without discretionary participation feature of the Company and its subsidiaries is provided in accordance with the "Regulations Governing the Provision of Various Reserves", "Regulations for Managing the Various Reserve of Compulsory Automobile Liability Insurance", "Enforcement Rules for the Risk Spreading Mechanism of Residential Earthquake Insurance", and "Regulations for the Reserve of Nuclear Insurance". The methodologies used to determine the reserve are certified by the appointed actuary who is authorized by the FSC. 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 Tai Tsai Bao No 852367814 letter, whichever is higher, the bases for determining other reserves or provision for liabilities are as follows:

(i) Unearned premium reserves

For Fubon Insurance, unearned premium reserves are determined based on the exposure of the unexpired period for the unexpired policies and the policies that have not been terminated. For Fubon Life Insurance, unearned premium reserves for effective insurance contracts with a term below one year and injury insurance contracts with a term over one year are calculated based on the gross premiums of the insurance contracts which yet to mature on the reporting date.

(Continued)



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

(ii) Claim reserves

The Company and its subsidiaries calculate their claim reserves including reported but not paid and incurred but not reported (IBNR) based on past claim experience and loss adjustment expenses incurred for each line of insurance according to actuarial principles. Reserves for reported but not paid claims shall be estimated and reserved on a case-by-case basis based on the relevant information. Reserves for incurred but not reported claims are provided as follows:

- 1) Health insurance and life insurance with a term below one year: The reserve is provided based on historical claim experiences and expenses along with the insurance types via the method conforming to actuarial principles (e.g., Loss Development Triangle Method).
- 2) Injury insurance: The reserve is provided based on historical claim experiences and expenses via the method conforming to actuarial principles (e.g., Loss Development Triangle Method).

(iii) Liability reserve

The provision for future policy benefits is calculated in accordance with both the modified method of article 12 of the “Enforcement Rules of Insurance Law” and the calculation prescribed by the competent authority.

Commencing from 2003, for effective insurance contracts which adopt the dividend calculation formula prescribed under the Tai Tsai Bao No. 800484251 letter, the policy reserve is provided based on the currently reduced amount of dividend caused by the offset between interest margin and mortality margin for long term effective insurance contracts.

Commencing from 2012, in accordance with the Gin Guan Bao Tsai No. 10102500530 letter and Article 11 of “Value-added and Non-value-added Business Tax Act”, a liability reserve based on 3% of sales is provided for purposes of writing off overdue loans or providing allowance for bad debts when the percentage of overdue loans is lower than 1%. Furthermore, in accordance with article 19 of “Enforcement Rules of Insurance Law”, the Company and its subsidiaries should collect the “catastrophe special reserve” and allocate it as “recovered life insurance liability reserve of catastrophe”.

When an insurer chooses to measure its investment property at fair value, the value of its insurance liabilities must also be measured at fair value. If the results of the measurements indicate that the fair value of the insurance liabilities exceeds the book value, the difference should be reserved for insurance liabilities and retained earnings must be reduced. The Company and its subsidiaries have changed the accounting policy for subsequent measurement of investment property from cost model to fair value model starting from 2014. The value of insurance liabilities at the same time is measured at fair value in accordance with the Gin Guan Bao Tsai No.10302501161 letter issued on March 21, 2014. The results of the measurements indicated that the fair value of the insurance liabilities did not exceed its book value, therefore, there was no need to increase the reserves for insurance liabilities.

(Continued)

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

(iv) Special reserve – special reserves

Special reserve provided for retention business with a term of one year is divided into two categories, which are special catastrophe reserve and special reserves for fluctuation of risks. The new provision of this special reserve, net of income tax, is accounted for under special reserves in equity, in accordance with IAS 12. On January 1, 2013, the special reserve provided prior to December 31, 2012 under liabilities, is transferred, net of income tax, to “Special Reserve” under “Owner's Equity”, in accordance with IAS 12.

In accordance with the “Guidance for Enhancing Property Insurances On Disasters (commercial earthquake insurance and typhoon and flood insurance)”, other catastrophe special reserves and equalization special reserve (except for compulsory motor TPL insurance, nuclear insurance, governmental earthquake insurance, commercial earthquake insurance, typhoon and flood insurance) recognized under liabilities account before December 31, 2012, are transferred to cover the insufficiencies of catastrophe special reserve and equalization special reserve of commercial earthquake insurance and typhoon and flood insurance until those insufficiencies are fully covered; the excess balance, if any, is recognized, net of income tax, as special reserves in equity in accordance with IAS12.

1) Special reserves – special catastrophe reserve

A special catastrophe reserve covering all types of insurance is provided at a rate prescribed by the competent authority. For Fubon Life Insurance, when the actual catastrophe claim exceeding \$30 million, the excess amount is offset against special catastrophe reserve. For Fubon Insurance, when special catastrophe reserve that remains outstanding for over 15 years, it is written off based on the evaluation of an actuary and after being reported to the competent authority for inspection. The balance for write down or reclaim, net of income tax, is offset against the special reserve for catastrophe of equity in accordance with IAS 12.

2) Special reserves – special reserves for fluctuation of risks

If the net amount of actual claim minus the related special catastrophe reserve is lower than the amount of expected claim, special reserves for fluctuation of risks are provided at a rate of 15% of the difference between the net amount of actual claim and the amount of expected claim.

If the net amount of actual claim minus the related special catastrophe reserve is higher than the expected claim amount, the difference is debited to special risk-volatility reserve. However, the amount and type of insurance are reported to the competent authority for inspection. If the total accumulated amount of the special risk-volatility reserve is over 30% of the matured retention premium of the year for Fubon Life Insurance, and the total accumulated amount of the special risk-volatility reserve is over 60% of the matured retention premium of the year for Fubon Insurance, the excess is treated under reclaim rule. The balance for write down or reclaim, net of income tax, is offset against the special reserves for risk-volatility of equity in accordance with IAS 12.

(Continued)

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

The pre-bonus pre-tax income of participating life insurance policies sold by Fubon Life Insurance is assessed separately at the end of the year, in accordance with the Regulations. The income/loss and the amount of reclassification to retained earnings of the gains/losses on disposal of investments in equity instruments designated at fair value through other comprehensive income, allocation of participating and nonparticipating life insurance policies are also assessed according to the guidelines, and is reported to the competent authority. Such income is credited/debited to “special reserve-provision for bonus of participating policy”. This reserve is written off on the date of bonus announcement. If this reserve is insufficient, an additional “special reserve - provision for risk of bonus” is made to cover for the deficiency.

According to Rule No. 32 of the “Regulations Governing the Preparation of Financial reports by Insurance Companies”, if there are increments after estimating the property at fair value, except for the adverse effects of the first-time adoption of TIFRS on other accounts, the exceeds shall be recognized as special reserve under liabilities. In accordance with the Gin Guan Bao Tsai No.10102515281 letter issued on November 30, 2012, the aforementioned special reserve can be transferred to the “reserve for life insurance liabilities – fair value of insurance contract liabilities” after strengthening the reserve for life insurance liabilities calculated based on the Gin Guan Bao Tsai No.10102515285 letter issued on November 27, 2012. If there is any excess, 80% of it can be recovered in the first year or the next five years and reserved it to special capital reserve under equity. The amount which can be recovered and reserved to special capital reserve under equity each year is limited to \$10 billion.

(v) Premium deficiency reserve

Future losses and expenses for the unexpired policies and the policies that have not been terminated are evaluated. 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 is recognized for such excess. For life insurance, health insurance, and annuities contracts issued commencing from January 1, 2001, whose contract period is longer than one year, a special premium deficiency reserve is provided based on the unpaid premiums deficiency if the written premiums are less than those used for providing policy reserves.

In addition, for effective insurance contracts with a term below 1 year and insurance contracts against injury with a term over 1 year, a premium deficiency reserve is provided by type of insurance if the aggregate amount of unearned premium retention and expected future premium revenue is less than the estimated potential insurance claims and related future expenses.

(vi) Liability adequacy reserve

Liability adequacy reserve is a reserve that is provided depending on the results of the liability adequacy test prescribed under IFRS 4 endorsed by the FSC.

(Continued)

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

In accordance with the “Code of Conduct of Actuarial Practice under IFRS 4” as pronounced by the Actuarial Institute of the Republic of China, the liability adequacy is tested by product type group (or on the overall Company contracts). Under this liability adequacy test, the net book value of the insurance liability minus the deferred acquisition costs and relevant intangible asset is compared to the estimated present value of future cash flow of the insurance contracts. If the net book value is less than the estimated present value of future cash flow of the insurance contracts, then the difference is recognized as current loss.

(vii) Reserve for insurance contract with nature of financial instrument

In accordance with the “Regulations Governing the Provision of Various Reserves”, provision for financial instruments without discretionary participation feature is accounted for using deposit accounting.

(viii) Insurance liabilities of subsidiaries are life insurance liabilities reserves, unearned premium reserves and claims reserves that are in accordance with the insurance rules where the subsidiaries reside. The amount of these reserves are based on actuarial report issued by local government certified actuaries.

(u) Foreign exchange fluctuation reserve

Commencing March, 31 2012, life insurance subsidiaries have transferred the partial amounts of special catastrophe reserve and special risk-volatility reserve, covering all types of insurance, into the initial balance of foreign exchange fluctuation reserve. Subsequent provision or write off is made in accordance with the “Guidelines of Foreign Exchange Fluctuation Reserve for Life Insurance Business”. The surplus of hedging cost is reclassified to special reserves. If the earnings for the period are insufficient to be reclassified to special reserves, the provision can be made in the subsequent years with a surplus. The relevant special reserves are reversed only for capital increase or deficit compensation. In accordance with article 9 of “Guidelines of Foreign Exchange Fluctuation Reserve for Life Insurance Business”, if there is net income for the period, a 10% special reserve should be made after the meeting of the stockholders.

(v) 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.

An insurance contract with nature of financial instruments means the contract is able to transfer significant financial risk. Financial risk refers to a risk from possible changes in one or more specified interest rate, financial instrument price, commodity price, foreign exchange rate, price index, tariff index, credit rating, credit index or other variable in the future. If the previously stated variables are non-financial variables, then no financial variables are involved in the contract.

(Continued)

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

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 subsidiary 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.

(w) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

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

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

(ii) Defined benefit plans

The past service cost arising from the improvement of the benefits of a plan are recognized as profit or loss in the current period immediately.

The service cost and net interest of the net defined benefit liability (asset) of the Company and its subsidiaries are recognized as employee benefits expenses when it occur. All of the remeasurements of the defined benefit plans are recognized in other comprehensive income when it occur. The amounts recognized in other comprehensive income are transferred to retained earnings, and will not be reclassified subsequently to profit or loss.

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

(iii) Employment benefit - preferential interest on employees' deposits

The bank subsidiary offered preferential interest rate to its current employees and retired employees for their deposits within a prescribed amount. The preferential interest rate in excess of market interest rate is treated as employee benefits.

Under Article 30 of the "Regulations Governing the Preparation of Financial Reports by Public Banks", if the Bank's preferential deposit interest rate for an employee as stated in the employment contract exceeds the market interest rate, the excess will be subject to IAS 19 "Employee Benefits" upon the employees' retirement. The actuarial valuation assumptions and parameters are based on those announced by the authority, if any.

(Continued)

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

(iv) Termination benefits

Termination benefits are recognized as an expense when the Company and its subsidiaries are committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy.

(v) Short-term employee benefit

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

(vi) Other long-term employee benefit

The accounting policy of other long-term employee benefits is same as the defined retirement benefits plans, whereas, related re-measurement is recognized as profit or loss.

(x) Revenue recognition

(i) Banking subsidiaries

1) Interest income and expense

Except for financial assets and liabilities reported at fair value through profit or loss, all interest-bearing financial assets and interest-bearing financial liabilities are accrued using the effective interest rate method and are accounted for as interest revenue and interest expense in Consolidated Statements of Comprehensive Income.

2) Recognition of commission fee revenue and commission fee expense

Commission fee revenue and expense are recognized when loans or other services are provided. Service fees on significant projects are recognized on project completion, for instance, service fees received when the Bank is the arranger of syndicated loans. Commission revenue and fees relating to loan services are amortized through service periods or included in the effective interest rate for loans and receivables.

(Continued)

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

(ii) Insurance subsidiaries

1) Property insurance subsidiaries

Premium income from direct insurance business is recognized based on the written policies and endorsement. For Motor insurance business, income is recognized when premiums are collected before the insurance policy takes effect and 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 underwriting procedures, including the signed policy and issuing of insurance certificates, are completed. Assumed reinsurance premiums for reinsurance assumed business is recognized when the reinsurance statement is received by the insured. For those statements which have not been received by the insured, assumed reinsurance premium is estimated in a reasonable and systematic way. The related acquisition costs (such as: commissions, brokerage fees, reinsurance commissions and etc.) are recognized in the same period without being deferred.

Unearned premium reserves for the compulsory auto liability, the residential earthquake insurance, and the nuclear insurance are determined in accordance with the regulations and rules.

The approaches to determine unearned premiums reserves 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 is certified by the appointed actuary.

Tax liabilities related to premium income are recognized on accrual basis, in accordance with Value-added and Non-value-added Business Tax Act, the Stamp Tax Act, and other relevant laws and regulations.

2) Life insurance subsidiaries

a) Fubon Life Insurance

For insurance contracts and financial instruments with discretionary participation, the first and the subsequent period premium is recognized as revenue when the insurance underwriting process is complete and the date for premium payment is due. The policy acquisition costs such as commission expenses are recognized as current expenses when the insurance contract becomes effective.

Premiums on insurance contracts, which do not belong to investment-linked insurance and which are classified as financial products without discretionary participation feature, are recognized as “reserve for insurance contract with nature of financial instrument”. The insurance acquisition costs are offset against “reserve for insurance contract with nature of financial instrument” when the insurance contracts become effective.

Premiums on insurance contracts, which belong to investment-linked insurance and which are classified as financial products without discretionary participation feature, are recognized as “Liabilities on Insurance Product-Separate Account”, net

(Continued)



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

of related expenses such as the front-end load and investment administration service charge. The insurance acquisition costs relating to investment administration service, including commission expenses and additional charges for the issuance of new contracts, are recognized as “deferred acquisition costs”.

The service charges normally collected from the policyholder of insurance contracts, which do not belong to investment-linked insurance and which are classified as financial products non-discretionary participation feature, include contract administration charge, investment administration charge, rescinding charge and others. These charges are recognized as revenue upon collection. When Fubon Life Insurance receive certain service charge which makes them obligated to provide future service (ex: front-end load charge), this service charge is initially treated as a deferred revenue and is recognized as revenue when the service is provided, are recognized as “deferred service fee revenue”.

b) Fubon Life Insurance (Vietnam)

The insurance revenues and expenses are recognized under the accounting standards endorsed by the local government. Based on the common practice in the insurance industry, the premium income of direct insurance business is recognized as revenue of the year when conditional receipt is delivered after receiving premiums. The relatively incurred expenses, such as commission and direct business expenses, are recognized when they are paid and estimated on accrual basis at year-end.

c) Fubon Life Insurance (Hong Kong)

The premium income of direct insurance business is recognized based on the common practice in the insurance industry. The first period premium is recognized when it is received and the insurance underwriting process is complete, while subsequent period premium is recognized on the scheduled payment date. Acquisition costs, such as commission expenses, are recognized as current expenses accompanying the recognition of premium income.

d) Fubon Hyundai Life Insurance Co., Ltd.

The premium income of direct insurance business is recognized based on the common practice in the insurance industry. The first and the subsequent period premium are recognized as revenue when the insurance underwriting process is completed, and when the premium payment is due, respectively. Acquisition costs, according to local authorities, are recognized as deferred costs.

(Continued)

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

(iii) Securities subsidiaries

The securities subsidiaries' major revenue and cost recognition principles are as follows:

- 1) Brokerage commission, profit or loss on disposal of trading securities, and relevant brokerage securities transaction charges are recognized at the trading date.
- 2) Interest income or expense from margin loans, securities financing and refinancing, and bonds purchased under agreements to resell and sold under agreements to repurchase are recognized on accrual basis.
- 3) Recognition of service revenue depends on the degree of service delivered.
- 4) Management fees are received from providing management services to securities investment trust funds and investors' discretionary managed accounts. Management fees are calculated daily on the net assets of each securities investment trust fund account and investor's discretionary managed account multiplied by the contract rates and are paid monthly by each securities investment trust fund and investor's discretionary managed account.
- 5) Gains or losses on disposal of equity investments of financial assets measured at fair value are recognized at the trading date.
- 6) Dividend revenues are recognized when the Company and its subsidiaries have the defined right to receive the payment.
- 7) Gains or losses on futures and options trade: Trading margin is recognized at cost and measured through mark-to-market valuation. The gains or losses from mark-to-market, reversed futures trading or settled contracts are recognized as gains or losses in the current period; dealing handling fee expenditures are recognized on the date of futures and options transaction.

(y) Income tax

Income tax expense comprises current tax expense and deferred tax expense. Current and deferred tax expense should be recognized in profit or loss except for those related to business combination or those directly recognized in equity or other comprehensive income.

(i) Current income tax

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

Income tax expense for the reporting period is best estimated by multiplying the pretax income for the period with the effective annual tax rate as forecasted by the management. This is recognized fully as tax expense for the current period.

(Continued)

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

The 5% surtax on undistributed earnings, computed to the ROC Income Tax Act, is charged to current income tax expense in the year when stockholders decided not to distribute the earnings.

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

(ii) Deferred income tax

Deferred taxes are measured based on the enacted or substantively enacted tax rate on the reporting date applicable during the year of expected asset realization or debt settlement. Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Temporary differences arise primarily from the evaluation of financial instruments (including derivative financial instrument), pension, and the reserve and reversal of post-employment benefits. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused loss carry forward and unused tax credits for purchases of machinery, equipment and technology, research and development expenditures, and personnel training expenditures to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Temporary differences arising from investment in subsidiaries, associates, and joint ventures are recognized as deferred income tax assets or liabilities, except when the Company has ability and intention to control the timing of reversal of the temporary differences and it is highly possible that temporary differences are not reversible in the foreseeable future.

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

The Company and domestic subsidiaries file a combined corporate income tax return. However, the measurement of income tax is treated by following the above mentioned principles. The excess or deficit payment of income tax due to a combined corporate income tax filing is charged to current tax assets or liabilities.

(z) Business combination

Business combinations of the Company and its subsidiaries are accounted for using the acquisition method. Goodwill is measured as the difference between (a) the aggregate of (i) the value of the consideration transferred at fair value, and (ii) the amount of any non-controlling interest, and (b) the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If the difference above is negative, the Company and its subsidiaries will undertake a review to ensure that the identification of assets and liabilities is complete, and that measurements appropriately reflect consideration of all available information before recognizing bargain purchase gain in profit or loss.

(Continued)

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

For each business combination, the acquirer shall measure at the acquisition date components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation at either;

- (a) fair value; or
- (b) the present ownership instruments' proportionate share in the recognized amounts of the acquiree's identifiable net assets.

All other components of non-controlling interests shall be measured at their acquisition-date fair values, unless another measurement basis is required by IFRSs.

In a business combination achieved in stages, the previously held equity interest in the acquiree at its acquisition-date, fair value is remeasured and the resulting gain or loss, if any, is recognized in profit or loss. In prior reporting periods, the Company and its subsidiaries may have recognized changes in the value of its equity interest in the acquiree in other comprehensive income. If so, the amount that was recognized in other comprehensive income shall be recognized on the same basis as would be required if the Company and its subsidiaries had disposed directly of the previously held equity interest. If the disposal of the equity interest required a reclassification to profit or loss, such an amount shall be reclassified to profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the provisional amounts for the items are reported in the financial statements or which the accounting is incomplete. During the measurement period, the provisional amounts recognized at the acquisition date are retrospectively adjusted or additional assets or liabilities are recognized to reflect new information obtained about facts and circumstances that existed at the acquisition date. The measurement period shall not exceed one year from the acquisition date.

All the transaction costs incurred for the business combination are recognized immediately as expenses when incurred, except for the issuance of debt or equity instruments.

(aa) Earnings per share

Earnings per share is calculated by dividing net income after tax by the weighted average number of shares outstanding in each year. The employees' bonuses are regarded as potential common stock. If the potential common stock has dilutive effect; both basic earnings per share and diluted earnings per share are presented; otherwise, only basic earnings per share is disclosed. The consolidated net income and number of common stocks outstanding are adjusted for the effects of all potentially dilutive common stock assuming that all potentially dilutive common stock are outstanding for the entire period. The effect of any increase in outstanding shares due to the issuance of common stock from capitalization of retained earnings or capital surplus approved in the shareholders' meeting is retroactively adjusted.

(Continued)

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

(ab) Operating segments

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity). The segment's operating results are reviewed regularly by the entity's chief operating decision maker to make decisions pertaining to the allocation of the resources to the segment and to assess its performance for which discrete financial information is available.

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

The preparation of the consolidated financial statements in accordance with the "Regulations Governing the Preparation of Financial Reports by Financial Holding Companies" and with the International Accounting Standards ("IASs") 34, "Interim Financial Reporting" endorsed and announced by the FSC requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The management continues to monitor its 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 future periods.

Information about critical judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements is as follows:

Classification of financial assets

The classification of financial assets requires management judgment, which will affect the Company and its subsidiaries' financial condition and operating results.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is as follows:

(a) Fair value of financial instruments

The fair value of non-active market or non-quoted financial instruments is determined using valuation techniques. In this case, the fair value is based on observable data of similar financial instruments or valuation model. If there are no observable market parameters, the fair value of financial instruments is evaluated based on appropriate assumptions. When the fair value are determined by the valuation model, the model shall be calibrated to ensure that all output data and the results reflect the actual market price. The models use only observable data as possible.

Information of major assumptions for determining the fair value of financial instruments and the sensitivity analysis of those assumption, please refer to note 6(ah).

(Continued)

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

(b) Insurance liability and reserve for insurance contract with nature of financial instrument

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

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

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

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

The estimation of liability adequacy test follows the “Code of Conduct of Actuarial Practice for the Statements of Financial Accounting Standards No 4” pronounced by the Actuarial Institute of the Republic of China. The estimated present value of the future cash flow of insurance contract when Company and its subsidiaries assess liability adequacy reserve is based on the reasonable estimated future insurance payment, premium revenue and relevant expenses.

The professional judgment applied to the abovementioned liability evaluation process will affect the amount recognized for net changes in insurance liability, net changes in insurance contract with nature of financial instrument, insurance liability and reserve for insurance contract with nature of financial instrument.

(c) Debt investments and loans classified as financial assets measured at amortized cost or fair value through other comprehensive income, and expected credit loss of its receivables

The Company and its subsidiaries' financial assets impairment which applies Lifetime ECL measurement or 12-month ECL measurement is determined by whether the credit risk has increased significantly since initial recognition. 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. To measure expected credit losses, the Company and its subsidiaries consider PD (probability of default) of the financial asset or the issuer or counterparty, which is included in LGD (loss given default). Then LGD is multiplied by EAD (exposure at default). The Company and its subsidiaries consider the impact of the time value of money and estimate the expected credit losses of twelve months and the duration, respectively. The Company and its subsidiaries have considered historical experience, current economic conditions and forward-looking information at the reporting date to determine the assumptions and the selected inputs to be used in calculating the impairments.

(Continued)

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

(d) Fair value of investment property

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

(e) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The calculation of the value in use requires management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. When the actual future cash flows are less than expected, a material impairment loss may arise.

Furthermore, information about assumptions and estimation uncertainties that may cause adjustments to the carrying amounts of assets and liabilities in the following year is as follows:

(a) Post-employment benefits of the defined benefit plans

The present value of the post-employment benefit obligation is determined by the actuarial result using a number of assumptions. Any changes in these assumptions will affect the carrying amount of the post-employment benefit obligation. The assumptions used in determining the net cost (income) for pensions include the discount rate. The Company and its subsidiaries determine the appropriate discount rate at the end of each year, which is used to determine the present value of estimated future cash outflows expected to be required to settle the post-employment benefit obligation. In determining the appropriate discount rate, the Company and its subsidiaries should consider the interest rates of high quality corporate bonds or government bonds, the currency used of those bonds should be the same as the currency paid by the benefits and the maturity of those bonds should be matched with the maturity of pension liability. Other key assumptions for post-employment benefit obligation are based on current market conditions.

(b) Income taxes and deferred tax assets and liabilities

The Company and its subsidiaries calculate the income tax in accordance with the local ordinances. The possible difference in tax base and calculation between the Company and its subsidiaries and the tax authorities leads to the uncertainty of income tax. The Company and its subsidiaries recognize related income tax and deferred income tax by assessing possible additional income tax pursuant to the transactions and calculations for the tax. If the final tax determined by the authorities differs from the initial recognized amount, the difference will affect the income tax and deferred income tax accounts.

The assessment of the recoverable of deferred tax assets is based on future profitability estimation. If the estimated assumption of profitability has been changed, the Company and its subsidiaries may adjust the recognized amount of deferred tax assets.

(Continued)

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

**(6) Explanation of significant accounts**

(a) Cash and Cash Equivalents

	<b>June 30, 2019</b>	<b>December 31, 2018</b>	<b>June 30, 2018</b>
Cash on hand and petty cash	\$ 6,635,705	7,078,268	6,479,808
Bank deposits	142,966,094	129,453,300	91,559,670
Cash equivalents	11,380,134	22,454,367	4,169,780
Notes and checks for clearing	3,785,734	7,334,967	4,899,754
Due from banks	52,295,280	65,992,043	55,254,550
Less: Guarantee deposits	<u>68,023</u>	<u>78,496</u>	<u>101,635</u>
Total	<u>\$ 216,994,924</u>	<u>232,234,449</u>	<u>162,261,927</u>

For consolidated statements of cash flows, cash and cash equivalents include accounts as of June 30, 2019 and 2018, listed below:

	<b>June 30, 2019</b>	<b>June 30, 2018</b>
Cash and cash equivalents in consolidated balance sheets	\$ 216,994,924	162,261,927
Due from the central bank and call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7	50,520,788	54,628,520
Securities purchased under resell agreements qualifying for cash and cash equivalents under the definition of IAS 7	62,330,060	57,451,262
Cash and cash equivalents in consolidated statements of cash flows	<u>\$ 329,845,772</u>	<u>274,341,709</u>

The Company and its subsidiaries assess the loss allowance for cash and cash equivalents by using the expected credit loss model, which is also used to evaluate debt investments. Due to the low credit risk of cash and cash equivalents, loss allowance is recognized based on 12-month expected credit loss. As of June 30, 2019, December 31 and June 30, 2018, the Company and its subsidiaries recognized the loss allowance for cash and cash equivalents amounting to \$5,383, \$10,890 and \$3,462, respectively.

For credit risk, the assessment of impairment and the change of loss allowance, please refer to note 6 (aj) for details.

The guarantee deposits are time deposits provided as pledged assets. Please refer to note 8 for details.

(b) Due from the Central Bank and Call Loans to Banks

	<b>June 30, 2019</b>	<b>December 31, 2018</b>	<b>June 30, 2018</b>
Call loans to banks	\$ 146,394,857	139,819,789	152,900,024
Deposit reserves	78,375,160	73,627,393	71,108,388
Due from the central bank — others	<u>7,577,617</u>	<u>10,118,934</u>	<u>6,643,916</u>
Total	<u>\$ 232,347,634</u>	<u>223,566,116</u>	<u>230,652,328</u>

(Continued)



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

Under a directive issued by the Central Bank of China, New Taiwan dollar (TWD)-denominated deposit reserves are determined by applying a prescribed percentage to the average monthly balances of customers' TWD-denominated deposits. As of June 30, 2019, December 31 and June 30, 2018, deposit reserves for checking account amounted to \$16,912,459, \$16,937,378 and \$14,146,581, respectively; required deposit reserves amounted to \$36,391,812, \$34,386,173 and \$33,885,527, respectively. The deposit reserves for checking account are not interest bearing and may be withdrawn anytime. The required deposit reserves are subject to withdrawal restrictions. In addition, foreign-currency deposit reserves are determined by applying a prescribed percentage to the balances of foreign-currency deposits. These reserves may be withdrawn anytime but bear no interests.

Fubon Bank (China) uses the month-end balance or average ten-day balance of related deposits as basis for making provisions, as required under the regulation of the People's Bank of China.

As of June 30, 2019, December 31 and June 30, 2018, the Company and its subsidiaries recognized the loss allowance amounting to \$22,669, \$10,779 and \$8,289.

For credit risk, the assessment of impairment and the change of loss allowance, please refer to note 6 (aj) for details.

The guarantee of due from the central bank and call loans to banks provided as pledged assets, please refer to note 8 for details.

(c) Financial Assets Measured at Fair Value through Profit or Loss

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Financial assets mandatorily measured at fair value through profit or loss:			
Non-hedge derivative instruments			
Interest rate contracts	\$ 3,295,640	3,281,997	3,127,083
Currency rate contracts	25,914,175	25,207,439	50,286,852
Options contracts	382,863	813,380	604,731
Others	<u>3,402,272</u>	<u>3,100,706</u>	<u>3,413,208</u>
	<u>32,994,950</u>	<u>32,403,522</u>	<u>57,431,874</u>
Non-derivative financial assets			
Government bonds	30,463,101	30,877,022	19,733,172
Commercial papers	24,138,920	32,888,551	8,625,534
Corporate and financial bonds	81,011,254	75,344,794	82,650,131
Stocks and beneficiary certificates	933,290,517	708,462,910	712,256,244
Beneficiary securities	10,832,154	9,706,536	8,791,022
Others	<u>18,765,720</u>	<u>12,721,122</u>	<u>8,863,168</u>
	<u>1,098,501,666</u>	<u>870,000,935</u>	<u>840,919,271</u>
Hybrid financial assets			
Convertible corporate bonds	9,753,389	10,192,705	10,807,895
Structured products	<u>39,049,995</u>	<u>4,730,410</u>	<u>2,525,525</u>
	<u>48,803,384</u>	<u>14,923,115</u>	<u>13,333,420</u>
<b>Total</b>	<b><u>\$ 1,180,300,000</u></b>	<b><u>917,327,572</u></b>	<b><u>911,684,565</u></b>

(Continued)

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

- (i) The guarantee of financial assets measured at fair value through profit or loss provided as pledged assets, please refer to note 8 for details.
- (ii) Taipei Fubon Bank and its subsidiaries are engaged in derivative transactions mainly to accommodate customers' needs, to manage their exposure positions, and to accommodate their fund needs in different currencies.
- (iii) The Insurance subsidiaries have selected to apply the overlay approach of IFRS 4 "Insurance Contracts" to express the profit or loss of designated financial assets when applying IFRS 9 on January 1, 2018.
- 1) The financial assets related to investing activities of issuing insurance contracts and designated to apply the overlay approach were as follows:

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Financial assets measured at fair value through profit or loss:			
Stocks	\$ 410,563,389	359,650,904	420,108,684
Corporate and financial bonds	28,559,997	26,196,813	26,556,794
Beneficiary certificates	518,471,886	346,642,043	287,081,532
Others	39,855,486	5,610,754	2,248,090
Total	<u>\$ 997,450,758</u>	<u>738,100,514</u>	<u>735,995,100</u>

For the three months and six months ended June 30, 2019 and 2018, the reclassified amount from profit or loss to other comprehensive income of the financial assets designated to apply the overlay approach was as follows:

	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Gains reported as profit or loss under IFRS 9	\$ 29,603,098	12,532,130	93,193,654	14,036,593
Less: Gains reported as profit or loss if applied IAS 39	(15,949,694)	(14,571,336)	(26,884,361)	(27,625,101)
Gains (losses) reclassified by applying overlay approach	<u>\$ 13,653,404</u>	<u>(2,039,206)</u>	<u>66,309,293</u>	<u>(13,588,508)</u>

(Continued)

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

The changes in gain (loss) on financial assets measured at fair value through other comprehensive income due to the adjustment of the overlay approach were as follows:

	<b>For the three months ended June 30</b>		<b>For the six months ended June 30</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Gains (losses) of financial assets before adjustment	<u>\$ 16,489,832</u>	<u>(49,626,376)</u>	<u>70,347,414</u>	<u>(25,284,272)</u>
Gains (losses) of financial assets after adjustment	<u>\$ 2,836,428</u>	<u>(47,587,170)</u>	<u>4,038,121</u>	<u>(11,695,764)</u>

- 2) For the six months ended June 30, 2019 and 2018, none of financial assets held by the Insurance subsidiaries has changed conditions and released designation.
- 3) For the six months ended June 30, 2019 and 2018, none of financial assets held by the Insurance subsidiaries has been terminated.

(d) Financial Assets Measured at Fair Value through Other Comprehensive Income

	<b>June 30, 2019</b>	<b>December 31, 2018</b>	<b>June 30, 2018</b>
Debt investments measured at fair value through other comprehensive income:			
Government bonds	\$ 196,799,362	215,730,081	220,762,484
Financial bonds	208,684,554	216,941,835	209,996,992
Corporate bonds	217,200,535	213,571,317	216,893,610
Commercial papers	1,324,163	24,664,294	33,030,243
Negotiable certificates of deposits	12,237,648	16,016,515	12,350,403
Beneficiary securities	27,134,990	26,038,080	26,702,501
Discount notes and loans	23,624,441	27,741,408	17,409,307
Others	636,157	839,364	1,696,192
Less: Guarantee deposits	<u>17,205,792</u>	<u>17,046,443</u>	<u>12,855,305</u>
Subtotal	<u>670,436,058</u>	<u>724,496,451</u>	<u>725,986,427</u>
Equity investments measured at fair value through other comprehensive income:			
Stocks	113,328,187	92,829,128	94,660,640
Others	<u>2,825,863</u>	<u>2,881,604</u>	<u>2,350,299</u>
Subtotal	<u>116,154,050</u>	<u>95,710,732</u>	<u>97,010,939</u>
Total	<u>\$ 786,590,108</u>	<u>820,207,183</u>	<u>822,997,366</u>

(Continued)

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

- (i) Debt investments 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 have been classified as at fair value through other comprehensive income.

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

Dividend income from abovementioned financial assets measured at fair value through other comprehensive income and from disposed equity investments were as follows:

	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Dividend income	\$ <u>886,810</u>	<u>769,810</u>	<u>890,256</u>	<u>791,092</u>
Dividend income from disposed equity investments	\$ <u>5,393</u>	<u>3,286</u>	<u>5,393</u>	<u>3,286</u>

The Company and its subsidiaries have sold the stocks designated as at fair value through other comprehensive income for the consideration of assets allocation, management and reconciliation of the portfolios

	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Fair value	\$ <u>2,825,482</u>	<u>8,240,203</u>	<u>5,183,413</u>	<u>24,856,187</u>
Accumulated gain (loss) on disposal	\$ <u>(259,420)</u>	<u>(3,797,777)</u>	<u>(1,295,944)</u>	<u>(10,563,641)</u>

- (iii) Information of credit risk (including the impairment assessment of debt investments and the change of the loss allowance) and market risk, please refer to note 6 (aj) for details.
- (iv) The guarantee of the financial assets measured at fair value through other comprehensive income provided as pledged assets, please refer to note 8 for details.

(Continued)

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

(e) Debt Investments Measured at Amortized Cost

	<b>June 30, 2019</b>	<b>December 31, 2018</b>	<b>June 30, 2018</b>
Government bonds	\$ 205,615,226	212,882,729	200,113,535
Corporate bonds	1,084,296,995	1,048,171,983	955,846,984
Financial bonds	931,492,675	916,880,880	880,520,042
Negotiable certificates of deposits	299,021,225	296,332,471	299,564,591
Linked deposits	18,544,717	26,629,910	24,900,000
Beneficiary securities	46,984,530	40,228,117	41,220,256
Others	<u>23,241,962</u>	<u>24,743,792</u>	<u>15,686,620</u>
Subtotal	2,609,197,330	2,565,869,882	2,417,852,028
Less: Loss allowance	<u>1,333,684</u>	<u>960,020</u>	<u>791,512</u>
Total	<u><b>\$ 2,607,863,646</b></u>	<u><b>2,564,909,862</b></u>	<u><b>2,417,060,516</b></u>

- (i) The Company and its subsidiaries have assessed that these financial assets are held to maturity to collect contractual cash flows, which consist solely of payments of principal and interest on principal amount outstanding. Therefore, these investments were classified as debt investments measured at amortized cost.
- (ii) The current gain or loss on disposal of financial assets measured at amortized cost and the carrying amount of derecognition were as follows:

	<b>For the three months ended June 30</b>		<b>For the six months ended June 30</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Carrying amount of derecognition	<u>\$ 15,690,568</u>	<u>35,171,822</u>	<u>43,008,631</u>	<u>36,308,898</u>
Current gain or loss recognized	<u>\$ 533,236</u>	<u>(237,471)</u>	<u>597,794</u>	<u>899,605</u>

- (iii) The reasons for the Company and its subsidiaries to sell the abovementioned financial assets:

The Company and its subsidiaries sold partial financial assets measured at amortized costs because they intend to manage the increasing credit risk of the bond issuers. The sale is not frequent (even if the amount is significant) or both the individual and aggregate amount are insignificant (even if frequent).

- (iv) For credit risk, the assessment of impairment and the change of loss allowance, please refer to note 6 (aj) for details.
- (v) The guarantee of the debt investments measured at amortized cost provided as pledged assets, please refer to note 8 for details.

(Continued)

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

(f) Financial Instruments for Hedging

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
<u>Financial assets for hedging</u>			
Interest rate swap contracts	\$ 2,403,359	3,409,428	4,626,433
Currency swap contracts	780,911	364,663	-
Forward exchange contracts	-	2,236	-
	<u>\$ 3,184,270</u>	<u>3,776,327</u>	<u>4,626,433</u>
	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
<u>Financial liabilities for hedging</u>			
Interest rate swap contracts	\$ 3,736,435	3,393,195	3,937,194
Currency swap contracts	345,524	32,706	-
Forward exchange contracts	-	71	-
	<u>\$ 4,081,959</u>	<u>3,425,972</u>	<u>3,937,194</u>

(i) Fubon Life Insurance and its subsidiaries

1) Fair value hedge

Fubon Life Insurance and its subsidiaries hold foreign currency assets. This exposes Fubon Life Insurance and its subsidiaries to the risk that future fair value will fluctuate due to the change in the exchange rate. As Fubon Life Insurance and its subsidiaries assessed that the potential risks could be significant in the future, forward exchange contracts and foreign exchange swap contracts were contracted for hedging purposes.

2) Cash flow hedge

The assets of Fubon Life Insurance and its subsidiaries bear floating interest rate. This exposes Fubon Life Insurance and its subsidiaries to the risk that the future outflow of those assets will fluctuate due to the change in market's interest rate. As Fubon Life Insurance and its subsidiaries assessed that the potential risks could be significant in the future, interest rate swaps were contracted for hedging purposes.

(Continued)

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

The amount of future cash flow, timing and uncertainty:

	Maturity				
	Less than one month	Between one and three months	Between three months and one year	Between one and five years	More than five years
<b>June 30, 2019</b>					
<b>Fair value hedge</b>					
Foreign exchange swap					
Nominal amount	\$ 17,789,877	31,763,780	8,101,612	-	-
Average exchange rate (KRW/USD)	1,137.02	1,176.28	1,176.32	-	-
Foreign exchange swap					
Nominal amount	\$ 1,242,247	311,010	-	-	-
Average exchange rate (KRW/TWD)	37.35	37.28	-	-	-
<b>Cash flow hedge</b>					
Interest rate swap					
Nominal amount	\$ -	-	3,000,000	24,665,725	2,827,552
Average fixed interest rate	-	%	1.20 %	1.54 %	2.78 %
<b>December 31, 2018</b>					
<b>Fair value hedge</b>					
Forward exchange					
Nominal amount	\$ 162,374	188,375	-	-	-
Average exchange rate (KRW/USD)	1,125.35	1,122.59	-	-	-
Foreign exchange swap					
Nominal amount	\$ 309,932	-	-	-	-
Average exchange rate (KRW/TWD)	36.63	-	-	-	-
Nominal amount	\$ 18,238,193	34,880,035	3,560,797	-	-
Average exchange rate (KRW/USD)	1,124.99	1,122.15	1,119.24	-	-
<b>Cash flow hedge</b>					
Interest rate swap					
Nominal amount	\$ -	-	-	16,568,490	14,599,912
Average fixed interest rate	-	%	-	1.33 %	1.94 %
<b>June 30, 2018</b>					
<b>Cash flow hedge</b>					
Interest rate swap					
Nominal amount	\$ -	-	-	6,642,404	30,078,150
Average fixed interest rate	-	%	-	1.42 %	1.72 %

(Continued)

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

The hedging instruments used in hedging strategies were as follows:

	Nominal amount of hedging instruments	Carrying amount of hedging instruments		The line item of hedging instruments in Balance Sheet	Fair value changes used to calculate the hedge ineffectiveness for second quarter of 2019
		Assets	Liabilities		
<b>June 30, 2019</b>					
<b>Fair value hedge</b>					
Exchange rate risk					
— Forward exchange contracts	\$ -	-	-	Financial assets / liabilities for hedging	(110,907)
— Foreign exchange swap contracts	\$ 59,208,526	780,911	(345,524)	Financial assets / liabilities for hedging	(2,180,742)
<b>Cash flow hedge</b>					
— Interest rate swap contract	\$ 30,493,277	654,466	(184,618)	Financial assets / liabilities for hedging	(941,566)
<b>December 31, 2018</b>					
<b>Fair value hedge</b>					
Exchange rate risk					
— Forward exchange contracts	\$ 350,749	2,235	(71)	Financial assets / liabilities for hedging	(337)
— Foreign exchange swap contracts	\$ 56,988,957	364,663	(32,705)	Financial assets / liabilities for hedging	(619,444)
<b>Cash flow hedge</b>					
— Interest rate swap contract	\$ 31,168,402	468,635	(738,769)	Financial assets / liabilities for hedging	(97,781)
<b>June 30, 2018</b>					
<b>Cash flow hedge</b>					
— Interest rate swap contract	\$ 36,720,554	423,420	(1,282,459)	Financial assets / liabilities for hedging	(499,174)

(Continued)



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

The information of designated hedged items were as follows:

Fair value hedge

	Carrying amount of items designated as hedged		Accumulated adjustment of fair value		Fair value changes used to calculate the hedge ineffectiveness for second quarter of 2019	Items designated as hedged which stop adjusting profit or loss, but still classified as accumulated adjustment of fair value on balance sheet	Ineffective portion of fair value hedge recognized in profit or loss	The line item of hedge ineffectiveness included in profit or loss
	Assets	Liabilities	Assets	Liabilities				
<b>June 30, 2019</b>								
<b>Items designated as hedged</b>								
Financial assets measured at fair value through profit or loss- stocks	\$ 3,797,989	-	74,347	-	74,769	None	117,187	Gains (losses) on financial assets or liabilities measured at fair value through profit or loss
Financial assets measured at fair value through other comprehensive income- bonds	629,217	-	11,326	-	1,842,650	None	1,487,503	Gains (losses) on financial assets or liabilities measured at fair value through profit or loss
Financial assets measured at amortized cost- bonds and deposits	55,303,787	-	1,116,271	-	50,826	None	40,151	Gains (losses) on financial assets or liabilities measured at fair value through profit or loss

(Continued)

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

	Carrying amount of items designated as hedged		Accumulated adjustment of fair value		Fair value changes used to calculate the hedge ineffectiveness for 2018	Items designated as hedged which stop adjusting profit or loss, but still classified as accumulated adjustment of fair value on balance sheet	Ineffective portion of fair value hedge recognized in profit or loss	The line item of hedge ineffectiveness included in profit or loss
	Assets	Liabilities	Assets	Liabilities				
	<b>December 31, 2018</b>							
<b>Items designated as hedged</b>								
Financial assets measured at fair value through profit or loss- stocks	\$ 214,049	-	(167)	-	(57)	None	20	Gains (losses) on financial assets or liabilities measured at fair value through profit or loss
Financial assets measured at fair value through other comprehensive income- bonds	2,457,526	-	(127,960)	-	31,535	None	(11,130)	Gains (losses) on financial assets or liabilities measured at fair value through profit or loss
Financial assets measured at amortized cost- bonds and deposits	52,292,105	-	(748,083)	-	340,686	None	(236,508)	Gains (losses) on financial assets or liabilities measured at fair value through profit or loss

**Cash flow hedge**

	Fair value changes used to calculate the hedge ineffectiveness for second quarter of 2019	Provisions for cash flow hedge	The residual amount of provisions for cash flow that hedge no longer applies the hedging relation of hedging accounting	Changes in the value of the hedging instruments recognized in other comprehensive income	Ineffective portion of cash flow hedge recognized in profit or loss	The line item of hedge ineffectiveness included in profit or loss	The amount be reclassified from provision for cash flow hedge to profit or loss	The line item affected by reclassification in profit or loss
<b>Items designated as hedged</b>								
Floating bonds	\$ (993,017)	468,882	Not applicable	765,869	(627)	Gains (losses) on financial assets or liabilities measured at fair value through profit or loss	(25,260)	Interest revenue

(Continued)

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

	Fair value changes used to calculate the hedge ineffectiveness for 2018	Provisions for cash flow hedge	The residual amount of provisions for cash flow that hedge no longer applies the hedging relation of hedging accounting	Changes in the value of the hedging instruments recognized in other comprehen- sive income	Ineffective portion of cash flow hedge recognized in profit or loss	The line item of hedge ineffective- ness included in profit or loss	The amount be reclassified from provision for cash flow hedge to profit or loss	The line item affected by reclassifi- cation in profit or loss
<b>December 31, 2018</b>								
<b>Items designated as hedged</b>								
Floating bonds	\$ 120,120	(271,727)	Not applicable	96,875	1,593	Gains (losses) on financial assets or liabilities measured at fair value through profit or loss	(8,737)	Interest revenue
<b>June 30, 2018</b>								
<b>Items designated as hedged</b>								
Floating bonds	\$ 507,814	(833,994)	Not applicable	(434,782)	(25,045)	Gains (losses) on financial assets or liabilities measured at fair value through profit or loss	(39,347)	Interest revenue

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

	<b>Provisions for cash flow hedge</b>	
	<b>For the six months ended June 30</b>	
	<b>2019</b>	<b>2018</b>
Beginning balance	\$ (271,727)	(359,865)
Total amount recognized in other comprehensive income:		
Cash flow hedge - Interest risk		
Changes in the value of the hedging instruments recognized in other comprehensive income	765,869	(434,782)
The amount be reclassified from provision for cash flow hedge to profit or loss	(25,260)	(39,347)
Ending balance	<u>\$ 468,882</u>	<u>(833,994)</u>

(Continued)

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

(ii) Taipei Fubon Bank and its subsidiaries

Fair value hedge

Taipei Fubon Bank and its subsidiaries are exposed to the risk of fair value fluctuation due to the change of interest rate on the corporate bonds and bank debentures included in available-for-sale financial assets and bank debentures issued. Since the risk is considered to be material, the Bank and its subsidiary enter into interest rate swap contracts to hedge against this risk.

The information of interest rate risk hedge were as follows:

	<b>Nominal amount of hedging instruments</b>	<b>Carrying amount of hedging instruments</b>		<b>The line item of hedging instruments in Balance Sheet</b>	<b>Fair value changes used to calculate the hedge ineffectiveness for second quarter of 2019</b>
		<b>Assets</b>	<b>Liabilities</b>		
<b>June 30, 2019</b>					
<b>Fair value hedge</b>					
— Interest rate swap contract	\$ 131,596,065	1,467,752	(2,223,869)	Financial assets / liabilities for hedging	(171,056)
	<b>Nominal amount of hedging instruments</b>	<b>Carrying amount of hedging instruments</b>		<b>The line item of hedging instruments in Balance Sheet</b>	<b>Fair value changes used to calculate the hedge ineffectiveness for 2018</b>
		<b>Assets</b>	<b>Liabilities</b>		
<b>December 31, 2018</b>					
<b>Fair value hedge</b>					
— Interest rate swap contract	\$ 126,199,673	1,816,774	(2,411,422)	Financial assets / liabilities for hedging	(381,333)
	<b>Nominal amount of hedging instruments</b>	<b>Carrying amount of hedging instruments</b>		<b>The line item of hedging instruments in Balance Sheet</b>	<b>Fair value changes used to calculate the hedge ineffectiveness for second quarter of 2018</b>
		<b>Assets</b>	<b>Liabilities</b>		
<b>June 30, 2018</b>					
<b>Fair value hedge</b>					
— Interest rate swap contract	\$ 120,482,925	2,543,946	(2,460,716)	Financial assets / liabilities for hedging	321,079

(Continued)

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

	<u>Carrying amount</u>		<u>Accumulated adjustment of fair value</u>		<u>Fair value changes used to calculate the hedge ineffectiveness for second quarter of 2019</u>
	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>	
	<b>June 30, 2019</b>				
<b>Hedged items</b>					
Financial bonds payable	\$ -	(66,974,583)	-	1,269,096	(2,883,776)
Financial assets measured at fair value through other comprehensive income—government bonds	154,857	-	(93)	-	(93)
Financial assets measured at amortized cost—corporate bonds	64,495,651	-	1,885,703	-	2,907,785
Financial assets measured at amortized cost—financial bonds	4,261,573	-	151,469	-	151,144
	<u>Carrying amount</u>		<u>Accumulated adjustment of fair value</u>		<u>Fair value changes used to calculate the hedge ineffectiveness for 2018</u>
	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>	
	<b>December 31, 2018</b>				
<b>Hedged items</b>					
Financial bonds payable	\$ -	(61,480,595)	-	1,600,785	1,329,496
Financial assets measured at amortized cost—corporate bonds	60,438,556	-	(999,269)	-	(956,978)
Financial assets measured at amortized cost—financial bonds	2,866,636	-	931	-	10,732
	<u>Carrying amount</u>		<u>Accumulated adjustment of fair value</u>		<u>Fair value changes used to calculate the hedge ineffectiveness for second quarter of 2018</u>
	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>	
	<b>June 30, 2018</b>				
<b>Hedged items</b>					
Financial bonds payable	\$ -	(55,080,024)	-	1,915,264	1,643,980
Financial assets measured at amortized cost—corporate bonds	59,839,654	-	(1,947,657)	-	(1,929,315)
Financial assets measured at amortized cost—financial bonds	2,676,816	-	(40,792)	-	(31,579)

(Continued)

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

Impact of profit or loss	Gains (losses) on ineffective portion of interest risk hedge recognized in profit or loss				The line item in the Statement of Comprehensive Income for ineffective portion
	For the three months ended June 30		For the six months ended June 30		
	2019	2018	2019	2018	
Fair value hedge					
Financial bonds payable	\$ (53)	4,004	4,403	4,165	Gains or losses on financial assets or liabilities measured at fair value through profit or loss

(iii) Fubon Bank (Hong Kong) and its subsidiaries

Fair value hedge

Financial assets bearing fixed interest rate may be exposed to the risk of fluctuation in fair value because of the changes in interest rates. Therefore, Fubon Bank (Hong Kong) and its subsidiaries entered into interest rate swap contracts to hedge such interest rate risks.

The amount of future cash flow, timing and uncertainty:

	Maturity				
	Less than one month	Between one and three months	Between three months and one year	Between one and five years	More than five years
<b>June 30, 2019</b>					
<b>Fair value hedge</b>					
Interest rate swap					
Nominal amount	\$ 398,090	4,793,999	7,187,885	62,503,036	20,018,007
Average fixed interest rate	3.50 %	4.16 %	4.04 %	3.85 %	4.01 %
<b>December 31, 2018</b>					
<b>Fair value hedge</b>					
Interest rate swap					
Nominal amount	\$ -	1,247,010	11,723,642	46,337,008	13,682,199
Average fixed interest rate	-	3.43 %	4.35 %	3.86 %	3.99 %

(Continued)

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

	<u>Maturity</u>				
	<u>Less than one month</u>	<u>Between one and three months</u>	<u>Between three months and one year</u>	<u>Between one and five years</u>	<u>More than five years</u>
<b>June 30, 2018</b>					
<b>Fair value hedge</b>					
Interest rate swap					
Nominal amount	\$ -	1,812,403	6,653,118	44,711,143	11,311,924
Average fixed interest rate	-	%	5.51 %	4.16 %	3.84 % 4.06 %

The hedging instruments used in hedging strategies were as follows:

	<u>Nominal amount of hedging instruments</u>	<u>Carrying amount of hedging instruments</u>		<u>The line item of hedging instruments in Balance Sheet</u>	<u>Fair value changes used to calculate the hedge ineffectiveness for second quarter of 2019</u>
		<u>Assets</u>	<u>Liabilities</u>		
<b>June 30, 2019</b>					
<b>Fair value hedge</b>					
Interest rate risk					
— Interest rate swap contract	\$ 94,901,017	281,139	(1,345,811)	Debt investments measured at amortized cost, net	-
<b>December 31, 2018</b>					
<b>Fair value hedge</b>					
Interest rate risk					
— Interest rate swap contract	\$ 72,989,860	1,124,020	(267,392)	Debt investments measured at amortized cost, net	-
<b>June 30, 2018</b>					
<b>Fair value hedge</b>					
Interest rate risk					
— Interest rate swap contract	\$ 64,488,584	1,659,068	(230,136)	Debt investments measured at amortized cost, net	-

(Continued)

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

The information of designated hedged items were as follows:

	Carrying amount		Accumulated adjustment of fair value		Fair value changes used to calculate the hedge ineffectiveness for second quarter of 2019
	Assets	Liabilities	Assets	Liabilities	
	<b>June 30, 2019</b>				
<b>Hedged items</b>					
Financial bonds payable	\$ -	(7,012,483)	-	(9,475)	-
Financial assets measured at amortized cost— financial bonds	90,562,605	-	1,565,067	-	-
					Fair value changes used to calculate the hedge ineffectiveness for 2018
<b>December 31, 2018</b>					
<b>Hedged items</b>					
Financial bonds payable	\$ -	(8,639,530)	-	(36,836)	-
Financial assets measured at amortized cost— financial bonds	64,524,992	-	702,332	-	-
					Fair value changes used to calculate the hedge ineffectiveness for second quarter of 2018
<b>June 30, 2018</b>					
<b>Hedged items</b>					
Financial bonds payable	\$ -	(8,696,847)	-	66,064	-
Financial assets measured at amortized cost— financial bonds	54,944,810	-	(1,384,674)	-	-

(g) Securities Purchased Under Resell Agreements

	June 30, 2019	December 31, 2018	June 30, 2018
Securities purchased under resell agreements	\$ <u>62,330,060</u>	<u>69,364,357</u>	<u>57,451,262</u>

The maturity of abovementioned securities purchased under resell agreements were all within one year as of June 30, 2019, December 31 and June 30, 2018.

(Continued)



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

## (h) Receivables, Net

	<b>June 30, 2019</b>	<b>December 31, 2018</b>	<b>June 30, 2018</b>
Accounts receivable – credit card	\$ 47,007,679	39,644,510	41,205,301
Accounts receivable – forfeiting	854,840	538,578	1,040,782
Notes receivable, accounts receivable and acceptance	30,169,228	23,923,187	21,725,341
Accounts receivable – factoring	18,533,144	19,518,633	16,244,524
Interest receivable	43,064,475	42,713,847	37,787,484
Revenues receivable	3,462,944	2,979,817	3,043,634
Premiums receivable	5,704,476	3,403,232	4,454,890
Margin loans receivable	10,125,395	9,948,857	15,441,117
Accounts receivable – settlement	17,361,851	15,759,544	29,663,366
Others	<u>23,480,642</u>	<u>52,281,169</u>	<u>11,344,900</u>
Subtotal	199,764,674	210,711,374	181,951,339
Less: Allowance for doubtful accounts	<u>1,618,624</u>	<u>1,436,969</u>	<u>1,419,102</u>
Total	<u><u>\$ 198,146,050</u></u>	<u><u>209,274,405</u></u>	<u><u>180,532,237</u></u>

For credit risk, the assessment of impairment and the change of loss allowance, please refer to note 6 (aj) for details.

## (i) Assets Classified as Held for Sale, Net

On May 13, 2014, the board of directors of Fubon Bank (Hong Kong) approved the selling plan for two owned properties, and reclassified the properties to assets held for sale. Fubon Bank (Hong Kong) has sold one of the properties in December, 2014 and will continue to sell the remaining property. As of June 30, 2019, December 31 and June 30, 2018, net book value of assets held for sale are \$47,437, \$46,804 and \$46,326 were recognized at the lower of the carrying amount and fair value less costs of sale.

(Continued)

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

## (j) Discounts and Loans, Net

	<b>June 30, 2019</b>	<b>December 31, 2018</b>	<b>June 30, 2018</b>
Discounts and overdrafts	\$ 5,067,019	6,763,228	6,434,830
Short-term advances	11,968,809	11,718,446	11,367,132
Accounts receivable – financing	3,192,054	3,726,273	4,616,058
Short-term loans	355,910,892	320,583,292	353,304,795
Short-term secured loans	103,655,735	92,872,668	88,650,076
Medium-term loans	268,005,558	253,095,513	272,118,715
Medium-term secured loans	163,137,197	145,595,673	123,893,331
Long-term loans	117,560,249	103,884,338	90,333,583
Long-term secured loans	861,922,599	843,738,028	775,600,182
Insurance policy loans	70,490,781	71,392,396	54,149,663
Import and export bill negotiation	13,372,932	13,409,261	13,254,826
Nonperforming loans	4,865,220	4,300,320	5,019,534
Subtotal	1,979,149,045	1,871,079,436	1,798,742,725
Less: Allowance for doubtful accounts	23,369,379	22,681,311	22,650,498
Adjustments of premium and discount	651,632	604,985	601,174
Total	<b><u>\$ 1,955,128,034</u></b>	<b><u>1,847,793,140</u></b>	<b><u>1,775,491,053</u></b>

For credit risk, the assessment of impairment and the change of allowance for loss, please refer to note 6 (aj) for details.

The movement of the allowance for doubtful accounts of loans and receivables for the six months ended June 30, 2019 and 2018, were as follows:

	<b>For the six months ended June 30, 2019</b>			
	<b>Receivables</b>	<b>Loans</b>	<b>Other financial assets</b>	<b>Total</b>
Beginning balance	\$ 1,436,969	22,681,311	340,222	24,458,502
Allowance for doubtful accounts (reversal)	198,240	1,094,722	(57,259)	1,235,703
Write-off	(18,473)	(684,891)	(111,944)	(815,308)
Recovery from write-off	-	198,170	159,811	357,981
Effects of exchange rate changes and others	1,888	80,067	177	82,132
Ending balance	<b><u>\$ 1,618,624</u></b>	<b><u>23,369,379</u></b>	<b><u>331,007</u></b>	<b><u>25,319,010</u></b>

(Continued)

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

	<b>For the six months ended June 30, 2018</b>			
	<b>Receivables</b>	<b>Loans</b>	<b>Other financial assets</b>	<b>Total</b>
Beginning balance	\$ 1,156,638	22,586,881	362,772	24,106,291
Effects of retrospective application	<u>151,574</u>	<u>(311,145)</u>	<u>150</u>	<u>(159,421)</u>
Beginning balance after restating	1,308,212	22,275,736	362,922	23,946,870
Allowance for doubtful accounts (reversal)	113,273	539,121	(68,371)	584,023
Write-off	(7,764)	(493,626)	(156,583)	(657,973)
Recovery from write-off	-	197,979	180,469	378,448
Effects of exchange rate changes and others	5,381	131,288	603	137,272
Ending balance	<u><u>\$ 1,419,102</u></u>	<u><u>22,650,498</u></u>	<u><u>319,040</u></u>	<u><u>24,388,640</u></u>

(k) Reinsurance Contract Assets

	<b>June 30, 2019</b>	<b>December 31, 2018</b>	<b>June 30, 2018</b>
Claims recoverable from reinsurers	\$ 2,226,032	2,695,265	2,107,779
Due from reinsurers and ceding companies	4,918,701	4,089,957	4,768,066
Subtotal	<u>7,144,733</u>	<u>6,785,222</u>	<u>6,875,845</u>
Reinsurance reserve assets:			
Ceded unearned premium reserve	7,118,550	5,884,864	6,226,961
Ceded claim reserve	6,827,630	7,030,424	7,489,298
Ceded premium deficiency reserve	633,546	651,387	599,045
Ceded liability reserve	3,427	1,791	824
Subtotal	<u>14,583,153</u>	<u>13,568,466</u>	<u>14,316,128</u>
Total	<u><u>\$ 21,727,886</u></u>	<u><u>20,353,688</u></u>	<u><u>21,191,973</u></u>

(l) Investments Accounted for Using Equity Method, Net

(i) Material associates of the Company were as follows:

<b>Name of associate</b>	<b>Relationship with the Company and its subsidiaries</b>	<b>Main business office/Country of Registry</b>	<b>Ownership interest and voting right</b>		
			<b>June 30, 2019</b>	<b>December 31, 2018</b>	<b>June 30, 2018</b>
Xiamen Bank	Engages in deposits and loans to commercial bank and plays an important role in developing markets in China for the Company and its subsidiaries	Mainland China	19.95 %	19.95 %	19.95 %

(Continued)

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

Summarized financial information of material associates was as follows:

Xiamen Bank

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>	
Total assets	\$ 1,088,144,587	1,038,617,565	1,000,429,465	
Total liabilities	(1,021,678,500)	(975,971,944)	(940,319,958)	
Net assets	<u>\$ 66,466,087</u>	<u>62,645,621</u>	<u>60,109,507</u>	
	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Operating revenue	<u>\$ 4,778,124</u>	<u>5,053,117</u>	<u>9,946,066</u>	<u>10,251,124</u>
Net income	\$ 1,843,849	1,812,315	3,840,604	3,143,798
Other comprehensive income	(163,472)	667,660	238,171	1,539,555
Total comprehensive income	<u>\$ 1,680,377</u>	<u>2,479,975</u>	<u>4,078,775</u>	<u>4,683,353</u>
	<u>For the six months ended June 30</u>			
	<u>2019</u>		<u>2018</u>	
Share of net assets of associates at the beginning of the periods	\$ 12,486,794		8,947,205	
Total comprehensive income attributable to the Company and its subsidiaries for the period	960,708		728,418	
Dividends received from associates	(213,474)		(172,480)	
Bargain purchase gain	-		265,248	
Acquisition of shares	-		2,235,703	
Book value of equity of associates at the end of the periods	<u>\$ 13,234,028</u>		<u>12,004,094</u>	

In June 2018, Fubon Bank (Hong Kong) has acquired the ordinary shares of Xiamen Bank to increase their ownership interest from 15.78% to 19.95%.

In order to adjust the Group's investment structure, the Company acquired 19.95% ownership interest of Xiamen Bank from Fubon Bank (Hong Kong) on November 30, 2018.

(Continued)

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

(ii) Individually immaterial associates

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

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>	
Fubon Construction Management Co., Ltd.	\$ 117,493	115,338	113,307	
Line Biz+ Taiwan Co., Ltd.	3,107,178	3,139,671	-	
Fubon Health Management Co., Ltd.	23,337	30,556	37,545	
Founder Fubon Fund Management Co., Ltd.	654,657	682,065	729,550	
CITIC Capital Holdings Ltd.	8,861,648	8,804,540	8,613,044	
Hyundai Life Insurance Co., Ltd.	-	-	3,313,169	
CITIC FUTONG Financial Leasing Limited	869,020	915,547	1,501,807	
Teng Fu Bo Investment Limited	243,947	274,643	132,461	
Star River Energy Corporation	271,954	278,581	333,317	
Bravelog Sport Technology Co., Ltd.	10,790	4,617	6,963	
Star Shining Energy Corporation	1,120,989	1,123,932	1,114,147	
Cofit Healthcare Inc.	6,905	9,564	12,091	
Wholex Max Green Power Co., Ltd.	346,346	337,495	-	
ZhongAn Life Insurance Ltd.	-	-	-	
	<u>\$ 15,634,264</u>	<u>15,716,549</u>	<u>15,907,401</u>	
	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Attributable to the Company and its subsidiaries:				
Net income (loss)	\$ (77,306)	259,035	(208,631)	319,882
Other comprehensive income	<u>(227,838)</u>	<u>157,319</u>	<u>25,824</u>	<u>(153,709)</u>
Total comprehensive income	<u>\$ (305,144)</u>	<u>416,354</u>	<u>(182,807)</u>	<u>166,173</u>

For the three months and six months ended June 30, 2019 and 2018, the share of profit (loss) of associates accounted for using equity method amounting to \$(35,141), \$12,195, \$(32,609) and \$15,115, respectively, were recognized based on the reviewed financial statements of the investee companies. As of June 30, 2019 and 2018, the relevant investment amounted to \$4,846,467 and \$1,447,464, respectively.

(Continued)

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

Fubon Life Insurance acquired 48.62% of ownership interest of Hyundai Life Insurance Co., Ltd. on December 3, 2015, using equity method. By participating in the capital increase for cash by \$6,420,296, Fubon Life Insurance acquired an additional 13.44% of ownership interest on September 15, 2018 and made Hyundai Life Insurance Co., Ltd. a 62.06% owned subsidiary. Hyundai Life Insurance Co., Ltd. is renamed as “Fubon Hyundai Life Insurance Co., Ltd.”, which is a life insurance company.

(m) Non-controlling interest of materiality

Information of non-controlling interests of materiality was as follows:

<u>Name of subsidiary</u>	<u>Main business office / Country of registry</u>	<u>Ownership interest and voting right of non-controlling interest</u>	
		<u>June 30, 2019</u>	<u>December 31, 2018</u>
Fubon Hyundai Life Insurance Co., Ltd.	South Korea	<u>37.94 %</u>	<u>37.94 %</u>

Summarized financial information of the aforementioned subsidiaries was as follows, in which the presenting amounts were eliminated before the intra-company transactions between the Company and its subsidiaries, and the influence of the acquisition method occurred by the time the Company acquired aforementioned subsidiaries:

Summarized financial information of Fubon Hyundai Life Insurance Co., Ltd.:

	<u>June 30, 2019</u>	<u>December 31, 2018</u>
	Total assets	\$ 436,416,947
Total liabilities	(409,766,315)	(459,696,772)
Non-common equity	<u>(2,714,572)</u>	<u>(2,775,114)</u>
Net assets	<u>\$ 23,936,060</u>	<u>19,315,438</u>
Equity attributable to non-controlling interest	<u>\$ 11,097,261</u>	<u>9,389,182</u>
	<b>For the three months ended June 30, 2019</b>	<b>For the six months ended June 30, 2019</b>
Net revenue	<u>\$ 19,659,878</u>	<u>28,014,583</u>
Net income	\$ 146,428	337,791
Other comprehensive income	<u>2,369,623</u>	<u>4,222,289</u>
Total comprehensive income	<u>\$ 2,516,051</u>	<u>4,560,080</u>
Consolidated net income for the period attributable to non-controlling interests	<u>\$ 55,554</u>	<u>128,156</u>
Consolidated other comprehensive income attributable to non-controlling interests	<u>\$ 943,581</u>	<u>1,708,079</u>

(Continued)

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

	<b>For the six months ended June 30, 2019</b>		
Cash flows			
Operating activities		<b>\$ 1,440,476</b>	
Investing activities		<b>\$ (34,153)</b>	
Financing activities		<b>\$ (1,745,052)</b>	
(n) Other Financial Assets, Net			
	<b>June 30, 2019</b>	<b>December 31, 2018</b>	<b>June 30, 2018</b>
Assets on insurance product— separated account	\$ 378,693,455	369,434,448	159,423,661
Margin deposits paid for borrowed securities	5,503,550	4,425,851	42,675
Collateral for borrowed securities	257,805	207,172	47,146
Overdue receivables	301,180	297,785	234,237
Customer margin deposit	20,481,109	16,250,349	15,339,426
Buy remittance	839	231	155
Buy nonperforming loan	236,509	253,911	265,683
Deposits not qualifying as cash equivalents	15,611,351	18,549,111	42,372,335
Prepayments for investments	-	-	7,772,379
Subtotal	421,085,798	409,418,858	225,497,697
Less: Guarantee deposits— others	2,415,911	2,296,152	2,304,892
Allowance for doubtful accounts	331,007	340,222	319,040
Total	<b>\$ 418,338,880</b>	<b>406,782,484</b>	<b>222,873,765</b>

For credit risk, the assessment of impairment and the change of allowance for loss, please refer to note 6 (aj) for details.

(Continued)

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

(i) Separated account — insurance product

Fubon Life Insurance and its subsidiaries

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>	
Assets on insurance product — separated account:				
Bank deposits	\$ 9,940,846	9,420,408	9,998,918	
Securities	173,176,031	148,498,922	147,564,680	
Receivables	<u>1,285,275</u>	<u>1,895,424</u>	<u>1,860,063</u>	
Total	<u>\$ 184,402,152</u>	<u>159,814,754</u>	<u>159,423,661</u>	
	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>	
Liabilities on insurance product — separated account:				
Reserve — insurance contract	\$ 107,130,846	93,025,937	97,561,094	
Reserve — investment contract	77,169,165	66,692,806	61,862,101	
Payables	<u>102,141</u>	<u>96,011</u>	<u>466</u>	
Total	<u>\$ 184,402,152</u>	<u>159,814,754</u>	<u>159,423,661</u>	
	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Separate account products revenues:				
Premiums income	\$ 3,845,226	5,330,963	9,746,364	11,616,904
Interest revenue	521,706	399,469	970,142	713,133
Gains (losses) on financial assets or liabilities measured at fair value through profit and loss	3,073,345	(432,328)	11,047,235	(1,489,871)
Gains (losses) on foreign exchange	<u>2,173</u>	<u>(109,456)</u>	<u>(8,838)</u>	<u>(333,513)</u>
Total	<u>\$ 7,442,450</u>	<u>5,188,648</u>	<u>21,754,903</u>	<u>10,506,653</u>
Separate account products expenses:				
Net change in insurance separate account value reserve	\$ 3,285,443	1,355,979	13,950,455	2,560,534
Insurance claim payments	3,358,084	3,101,104	6,197,212	6,480,164
Administrative expenses	797,958	731,565	1,604,811	1,465,955
Other expenses	<u>965</u>	<u>-</u>	<u>2,425</u>	<u>-</u>
Total	<u>\$ 7,442,450</u>	<u>5,188,648</u>	<u>21,754,903</u>	<u>10,506,653</u>

(Continued)



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

For the three months and six months ended June 30, 2019 and 2018, Fubon Life Insurance earned sales commission in investment oriented insurance products from counterparties amounted to \$163,661, \$135,723, \$311,863 and \$264,546, respectively. The rebate was recognized as net service charge and commissions loss.

Balances of corporate and individual annuity insurance products of Fubon Life Insurance's subsidiaries are as follows:

	<u>June 30, 2019</u>	<u>December 31, 2018</u>
Assets on corporate and individual annuity insurance products - separated account :		
Bank deposits	\$ 10,420,999	4,778,265
Financial assets measured at fair value through profit or loss	9,353,020	6,251,761
Financial assets measured at fair value through other comprehensive income	114,174,403	107,012,055
Financial assets measured at amortized cost	33,995,991	30,742,114
Financial assets for hedging	344,124	-
Interest receivables	3,342	11,522
Other receivables	<u>25,999,424</u>	<u>60,823,977</u>
Total	<u><b>\$ 194,291,303</b></u>	<u><b>209,619,694</b></u>
	<u>June 30, 2019</u>	<u>December 31, 2018</u>
Liabilities on corporate and individual annuity insurance products - separated account :		
Financial liabilities for hedging	\$ 230,742	20,827
Other payables	10,740,615	44,476,263
Insurance separate account value reserve	<u>179,749,474</u>	<u>165,533,843</u>
Total	<u><b>\$ 190,720,831</b></u>	<u><b>210,030,933</b></u>
	<u>For the three months ended June 30, 2019</u>	<u>For the six months ended June 30, 2019</u>
Revenues on corporate and individual annuity insurance products - separated account:		
Interest revenue	\$ 1,170,065	2,296,944
Gains (losses) on financial assets or liabilities measured at fair value through profit and loss	587,688	787,489
Gains on foreign exchange	<u>1,196,327</u>	<u>1,354,422</u>
Total	<u><b>\$ 2,954,080</b></u>	<u><b>4,438,855</b></u>

(Continued)

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

	<b>For the three months ended June 30, 2019</b>	<b>For the six months ended June 30, 2019</b>
Expenses on corporate and individual annuity insurance products - separated account:		
Insurance value reserve provisions - separated account	\$ 977,732	2,038,975
Gains (losses) on financial assets or liabilities measured at fair value through profit and loss	1,306,740	2,088,002
Losses on foreign exchange	606,469	196,833
Administrative expenses	<u>63,139</u>	<u>115,045</u>
Total	<u><u>\$ 2,954,080</u></u>	<u><u>4,438,855</u></u>

The subsidiaries of Fubon Life Insurance use government bonds and corporate bonds as collateral for financial instrument transaction, and recognized on financial assets measured at fair value through other comprehensive income. As of June 30, 2019 and December 31, 2018, the amount was \$3,518,324 and \$2,278,385, respectively.

(o) Investment Property

	<b>Land and improvements</b>	<b>Buildings</b>	<b>Investment property under construction</b>	<b>Prepayment for investment property</b>	<b>Right-of-use assets</b>	<b>Total</b>
Balance as of January 1, 2019	\$ 127,612,446	46,839,502	3,648,561	53,638	1,282,205	179,436,352
Effects of retrospective application	-	-	-	-	48,540,915	48,540,915
Beginning balance after restating	127,612,446	46,839,502	3,648,561	53,638	49,823,120	227,977,267
Additions	7,880,681	12,452,999	807,287	12,048	-	21,153,015
Reclassification	52,322	9,697	122,096	(392)	-	183,723
Disposals	-	-	-	-	-	-
Gains (losses) generated from fair value adjustments	395,208	(1,414,550)	-	-	(615,960)	(1,635,302)
Effects of exchange rate changes	86,302	220,672	-	-	17,121	324,095
Balance as of June 30, 2019	<u><u>\$ 136,026,959</u></u>	<u><u>58,108,320</u></u>	<u><u>4,577,944</u></u>	<u><u>65,294</u></u>	<u><u>49,224,281</u></u>	<u><u>248,002,798</u></u>
Balance as of January 1, 2018	\$ 130,725,092	44,318,761	1,478,188	57,868	1,747,321	178,327,230
Additions	-	16,781	780,071	32,422	-	829,274
Reclassification	384,552	70	238,956	(12,496)	-	611,082
Disposals	(3,135,615)	-	-	-	-	(3,135,615)
Gains (losses) generated from fair value adjustments	1,316,991	(862,611)	-	-	(420,598)	33,782
Effects of exchange rate changes	(46,672)	(90,217)	-	-	(2,006)	(138,895)
Balance as of June 30, 2018	<u><u>\$ 129,244,348</u></u>	<u><u>43,382,784</u></u>	<u><u>2,497,215</u></u>	<u><u>77,794</u></u>	<u><u>1,324,717</u></u>	<u><u>176,526,858</u></u>

The effects of IFRS 16 retrospective application of superfcies were \$48,540,915, including fair value measurement \$2,460,374.

Please refer to note 6 (q) for the details of lease liabilities and interest expenses of superfcies.

(Continued)

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

Property interests which are held under operating lease, in which the Company and its subsidiaries chose to classify as investment property, shall be accounted for as finance leases. As of December 31 and June 30, 2018, the net carrying amount of leasehold property was \$208,986 and \$215,928, respectively.

Rental revenue incurred for investment properties for the six months ended June 30, 2019 and 2018, amounted to \$3,071,524 and \$2,956,290, respectively. Direct operation expenses amounted to \$611,369 and \$565,119 for the six months ended June 30, 2019 and 2018, respectively, in which, \$30,344 and \$21,764, respectively, are direct operation expenses belonging to investment properties that did not generate rental income.

Investment properties are primary for rental purposes and all of which are operating leases. Main content of such contracts are the same as the terms of general lease contracts.

Please refer to note 9 (a) for details about operating lease before 2019.

As of June 30, 2019, a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date are as follows:

	<u>June 30, 2019</u>
Less than one year	\$ 6,827,424
One to two years	6,510,724
Two to three years	6,096,226
Three to four years	5,754,193
Four to five years	4,822,671
More than five years	<u>27,546,663</u>
	<u><u>\$ 57,557,901</u></u>

As of June 30, 2019, December 31 and June 30, 2018, certain investment properties were pledged as collateral, please refer to note 8 for details.

Major contents of investment property of subsidiaries are listed separately as follows:

(i) Fubon Life Insurance and its subsidiaries

Fubon Life Insurance and its subsidiaries' investment property appraisal has been performed by appraisers from professional valuation agencies based on the "Regulations on Real Estate Appraisal" in accordance with the "Regulations Governing the Preparation of Financial Reports by Insurance Companies", and the valuation dates were June 30, 2019, December 31 and June 30, 2018.

- 1) DTZ: Yang Chang-Da, Li Gen-Yuan, Tsai Jia-He, Hu Chuen-Chuen
- 2) Savills Plc: Dai Guang-Ping, Chang Hung-Kai, Chang I-Chih, Yeh Yu-Fen
- 3) Repro International Inc.: Wu Hung-Hsu, Wu Chih-Hao, Shih Fu-Hsue, Tsai You-Xiang
- 4) Jin Han Real Estate Appraisers Joint Firm: Wu Yu-Chun, Hung Chi-Hsiang

(Continued)

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

- 5) G-Bean Real Estate Appraisers Firms: Chang Neng-Cheng, Li Fang-Cheng
- 6) Colliers International Valuation Taiwan LLP: Ke Feng-Ru, Zhan Xiu-Ying, Gu Jian-Hui
- 7) Zheng Da Real Estate Appraisers Firms: Hsiao Li-Min, Liu Shih-Kai
- 8) Kao Yuan Real Estate Appraisers Firms: Chen Bi-Yuan
- 9) Colliers International Valuation Taiwan LLP & Colliers International Valuation UK LLP: Gu Jian-Hui, PC Willis, Patrick Kearon, Mark White
- 10) DTZ & Cushman & Wakefield Debenham Tie Leuag Limited: Yang Chang-Da, John Bareham, Charles Smith
- 11) Jones Lang LaSalle Real Estate Appraiser Firm and Jones Lang LaSalle Limited: Chao Cheng-Yi, James Mc Tighe, Roger Meeds
- 12) Repro International Inc. and Knight Frank LLP: Wu Hung-Hsu, Matthew Cripps, Simon Gillespie
- 13) DTZ and Cushman & Wakefield Belgium SA : Yang Chang-Da, Emeric Inghels, Christophe Ackermans
- 14) Jones Lang LaSalle Limited and Jones Lang LaSalle BVBA: Chao Cheng-Yi, Roderick Scrivener
- 15) Jones Lang LaSalle Limited and Jones Lang LaSalle Limited: Hsu Kuo-Chun, Andrew Dolan
- 16) Savills Plc, Pacific Appraisal Co., Ltd. and Savills Korea Co., Ltd.: Chang Hung-Kai, Chang I-Chih, Changkue Joo, Minseok Choi, Jungu Kang, Youngsu Hwang
- 17) Euro-Asia Real Estate Appraiser Firm and BNP Paribas Real Estate Advisory Belgium S.A.: Chou Shih-Yuan, Jean-Claude Dubois, Nabil Mouloua
- 18) Repro International Inc. and Knight Frank SA/NV: Wu Hung-Hsu, Filip Derijck
- 19) Savills Plc and Savills Immobilien Beratungs-GmbH: Chang Hung-Kai, Chang I-Chih, Christian Glock, Drazenko Grahovac
- 20) Repro International Inc. and Knight Frank Valuation & Advisory GmbH & Co. KG: Wu Hung-Hsu, Christoph Gerlinger

The fair value of investment property is based on a valuation by professional evaluation agency and supported by market evidence. Appraising methods include the comparison approach, income approach (including direct capitalization method and DCF method), cost approach and land development analysis of cost approach.

(Continued)

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

Commercial office buildings are appraised using the comparison approach and income approach mostly because of the market liquidity, comparable sales and rental cases in the neighboring areas. Marketplaces, hotels and department stores, depending on their characteristics, terms of rental contracts and reference of similar investment properties are generally appraised using the comparison approach as a primary method as well as direct capitalization method and DCF method. Special real estates, such as combinative marketplaces with hotels or hospitals, are appraised mainly by cost approach, as well as direct capitalization method and DCF method of income approach.

Vacant land with building permission and under construction is appraised using the comparison approach and land development analysis of cost approach. Factories planned for urban renewal are appraised by comparison approach, cost approach and land development analysis approach. Vacant land and superficies are appraised by abovementioned approaches according to nature of the completed building.

The inputs applied are as follows:

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
	Mainly	Mainly	Mainly
Income capitalization rate	0.90%~8.00%	0.90%~8.00%	0.99%~5.30%
Year-end income capitalization rate	1.28%~7.00%	1.28%~7.00%	1.33%~6.35%
Discount rate	1.44%~8.25%	1.44%~8.25%	1.49%~7.10%

Professional valuation agencies use the market extraction method, search several comparable properties similar to the subject property, and consider the liquidity risk and future disposal risk premium to decide on the income capitalization rate and discount rate.

The investment properties held by Fubon Life Insurance and its subsidiaries are subsequently measured at fair value model, and categorized into Level 3. The appraising methods adopted by professional valuation agencies are: (a) direct capitalization of income approach: when the main input, direct capitalization rate increases, the fair value will decrease, and vice versa; (b) discounted cash flow analysis of income approach: when the main inputs, discount rate and year-end income capitalization rate increase, the fair value will decrease, and vice versa.

(ii) Fubon Insurance and its subsidiaries

Fubon Insurance and its subsidiaries' investment property appraisals were performed by appraisers from professional valuation agencies based on the "Regulations on Real Estate Appraisal" in accordance with the "Regulations Governing the Preparation of Financial reports by Insurance Companies", and valuation dates were June 30, 2019, December 31 and June 30, 2018.

Valuation agencies as of June 30, 2019 were as follows:

- 1) Zhan-Mao Real Estate Appraisers Firm: Yang Shang-Hong
- 2) Repro International Inc.: Wu Hung-Hsu, TsaiYou-Xiang

(Continued)

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

Valuation agencies as of December 31 and June 30, 2018 were as follows:

- 1) Zhan-Mao Real Estate Appraisers Firm: Chang Shih-Xian
- 2) Repro International Inc.: Wu Hung-Hsu, Wu Chih-Hao, Shih Fu-Hsue

The fair value of investment property is based on a valuation performed by professional evaluation agency and supported by external market evidence. Appraising methods include the comparison approach, income approach, cost approach and land development analysis of cost approach. Commercial office buildings are appraised using the comparison approach and income approach mostly because of the market liquidity, comparable sales and rental cases in the neighboring areas. Townhouses and land are appraised using the cost method because rare cases of income generated from land and big income gap resulted from different building structure lead to poor accuracy and degree of confidence. The developing land is appraised using comparison approach and land development analysis approach.

The inputs applied are as follows:

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Direct capitalization rate (net)	1.00%~5.40%	1.00%~5.40%	1.00%~5.30%
Profit rate	15.00%~21.00%	15.00%~21.00%	15.00%~21.00%
Overall capital interest rate	1.50%~4.10%	1.50%~4.10%	1.50%~4.10%

External appraisers use the market extraction method, search several comparable properties similar to the subject property, and consider the liquidity risk and future disposal risk premium to decide on the direct capitalization rate and discount rate.

(iii) Taipei Fubon Bank

Investment properties are leased out as operating leases with terms of three to ten years. Some of lease contracts included contingent rent clauses. Taipei Fubon Bank can adjust the rent price on a fixed ratio every year.

As of June 30, 2019, the lease contracts between Taipei Fubon Bank and the lessors have contained general risk management policy to reduce the residual asset risk of the buildings when the leases expire.

Due to partial rent ratio changes, the fair values of the investment property as of June 30, 2019, were based on the revaluations carried out at this date performed by the following independent qualified professional valuers: Dai Kuang-Ping, Chang Hung-Kai, Chang I-Chih and Yeh Yu-Fen from Savills Plc Real Estate Appraiser Office, a member of certified ROC real estate appraisals. The fair values of the investment property as of December 31, 2018 and 2017, were based on the valuations carried out at these dates performed by the following independent qualified professional valuers: Dai Kuang-Ping, Chang Hung-Kai, Chang I-Chih and Yeh Yu-Fen from Savills Plc Real Estate Appraiser Office, a member of certified ROC real estate appraisals.

(Continued)

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

Taipei Fubon Bank has consulted the appraisers about the effectiveness of the original appraisal report. As of June 30, 2019 and 2018, the fair values of the aforementioned investment property at December 31, 2018 and 2017 were considered valid, respectively, except for the revaluations due to partial rent ratio change.

The fair value of investment properties was measured using the income approach. The significant assumptions used were as follows. Fair value will increase when expected future cash inflows increases or discount rate decreases.

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Expected future cash inflows	\$ 4,016,904	4,054,750	4,276,729
Expected future cash outflows	<u>(120,214)</u>	<u>(126,909)</u>	<u>(133,273)</u>
Expected future cash inflows, net	<u>\$ 3,896,690</u>	<u>3,927,841</u>	<u>4,143,456</u>
Discount rate	3.845%	3.845%	3.845%

The market rentals in the area where the investment property is located were between \$1 and \$20 per ping (i.e. 1 ping = 3.3 square meters).

The expected future cash inflows generated by investment property included rental income, interest income on rental deposits and disposal value. The rental income was extrapolated using the Taipei Fubon Bank's current rental rate and market rent price, taking into account the annual rental growth rate; and the income analysis covers a 10-year period. The interest income on rental deposits was extrapolated using the interest rate for one-year time deposit, and the disposal value was determined using the direct capitalization method under the income approach. The expected future cash outflows incurred by investment property included expenditures such as land value taxes, house taxes, insurance premium and maintenance costs. These expenditures were extrapolated on the basis of the current level of expenditures, taking into account the future adjustment to the government-announced land value and the tax rate promulgated under the House Tax Act and building and construction expense.

As of June 30, 2019, December 31 and June 30, 2018, the discount rate was based on the interest rate of the two-year time deposits of Chunghwa Post Co., Ltd., plus, 0.75%, and the investment asset-specific risk premiums of 2%.

(iv) Fubon Securities

Investment property of Fubon securities was evaluated by appraisers from professional valuation agencies, in accordance with the "Regulations on Real Estate Appraisal", and the valuation dates were December 31, 2018 and 2017. After consulting with the appraisers, Fubon Securities determined that the fair value reported as of December 31, 2018 and 2017 were still considered valid as of June 30, 2019 and 2018. The appraisals were performed by following valuation agencies:

The appraiser was Chang Shih-Xian from Zhan-Mao Real Estate Appraisers Firm on December 31, 2018.

(Continued)

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

The appraisers were Chih Wei Hsin, Wang Shih Ming, Chi Liang An and Tsai Wen Che from Xinyi Real Estate Appraisers Firm on December 31, 2017.

The fair value of investment property is supported by observable evidence in the market. Appraising method is mainly the DCF method of income approach.

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

Reasonable net profit refers to market practices. On June 30, 2019 and December 31, 2018, total revenue from subject properties are estimated with the assumption that rent level is adjusted by 0.83% every year. On June 30, 2018, total revenue from subject properties are estimated with the assumption that rent level is adjusted within 0.17%~0.25% every year, minus, expected loss due to idled or others reasons and relevant expense raised from operating activities.

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

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

The replacement allowance is calculated in accordance with the R.O.C Real Estate Appraiser Alliance Statement No.5. It is calculated based on construction cost unit price multiplied by building area and the replacement allowance rate. In principle, on June 30, 2019 and December 31, 2018, the replacement allowance rate is 0.5%. On June 30, 2018, it is amortized over 10 to 20 years at the rate of 10%~20% of the building and construction expenses.

The inputs applied are as follows :

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Discount rate	2.095%~5.345%	2.095%~5.345%	4.345%

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

(Continued)



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

(v) Fubon AMC

Investment property of Fubon AMC was evaluated by appraisers Chang Hung-Kai and Yeh Yu-Fen from Savills Plc Real Estate Appraiser Office, Zhan Xiu-Ying, Ke Feng-Ru and Ku Chien Hui from Colliers International Real Estate Appraiser Office, and Li Fang-Zheng from G-Beam Real Estate Appraisers Firm, in accordance with the “Regulations on Real Estate Appraisal”, and the valuation dates were December 31, 2018 and 2017, respectively.

Fubon AMC has consulted the appraisers about the effectiveness of the original appraisal report. As of June 30, 2019 and 2018, the fair value of the aforementioned investment property at December 31, 2018 and 2017 were considered valid, respectively.

The fair value of investment property is supported by observable evidence in the market. The main appraising method are comparison approach, direct capitalization method and land development analysis of cost approach.

Land foreclosures and undeveloped vacant land, as well as costs of vacant land, are appraised using the comparison approach and land development analysis. Selling price which is extrapolated using land development analysis is determined according to examples of market transaction. Considering their characteristics, profile of local property market and reference of similar investment properties, commercial office buildings are generally appraised using the comparison approach and direct capitalization method as primary method.

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Profit rate	14.00%~18.00%	14.00%~18.00%	15.00%~18.00%
Overall capital interest rate	2.92%~3.16%	2.92%~3.16%	2.93%~4.77%
Income capitalization rate	1.49%~2.55%	1.49%~2.55%	1.53%~2.55%

When the profit rate, an overall capital interest rate and the income capitalization rate decrease, the fair value will increase, and vice versa.

(Continued)

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

(p) Property and Equipment, Net

Changes in the cost, depreciation, and impairment loss of the property, plant and equipment of the Company and its subsidiaries for the six months ended June 30, 2019 and 2018, were as follows:

	Land	Buildings	Machinery and computer equipment	Transportation equipment	Other equipment	Prepayment for purchases of equipment, and construction in progress	Total
Cost or deemed cost:							
Balance as of January 1, 2019	\$ 29,137,318	27,510,693	7,124,495	439,488	11,157,308	1,947,541	77,316,843
Effects of retrospective application	-	-	-	-	(133,308)	-	(133,308)
Beginning balance after restating	29,137,318	27,510,693	7,124,495	439,488	11,024,000	1,947,541	77,183,535
Additions	-	29,473	154,122	11,421	344,918	321,490	861,424
Disposals	-	-	(44,872)	(40,423)	(248,308)	-	(333,603)
Reclassification	54,354	(70,198)	39,427	(5,983)	204,607	(305,155)	(82,948)
Effects of exchange rates changes	(1,025)	145,562	(71)	2,573	51,931	248	199,218
Balance as of June 30, 2019	<u>\$ 29,190,647</u>	<u>27,615,530</u>	<u>7,273,101</u>	<u>407,076</u>	<u>11,377,148</u>	<u>1,964,124</u>	<u>77,827,626</u>
Balance as of January 1, 2018	\$ 29,361,819	26,189,321	6,019,256	310,832	9,609,212	1,940,852	73,431,292
Additions	-	399,342	182,056	13,363	386,436	587,942	1,569,139
Estimated decommissioning cost	-	-	-	-	1,145	-	1,145
Reversal decommissioning cost	-	-	-	-	(749)	-	(749)
Disposals	-	-	(59,473)	(3,738)	(129,160)	-	(192,371)
Reclassification	(285,442)	4,298	39,654	107,903	115,719	(469,649)	(487,517)
Effects of exchange rates changes	-	108,701	6,275	742	66,965	(21)	182,662
Balance as of June 30, 2018	<u>\$ 29,076,377</u>	<u>26,701,662</u>	<u>6,187,768</u>	<u>429,102</u>	<u>10,049,568</u>	<u>2,059,124</u>	<u>74,503,601</u>
Depreciation and impairment loss:							
Balance as of January 1, 2019	\$ 1,013,284	5,375,313	5,047,987	308,127	7,091,044	-	18,835,755
Effects of retrospective application	-	-	-	-	(62,302)	-	(62,302)
Beginning balance after restating	1,013,284	5,375,313	5,047,987	308,127	7,028,742	-	18,773,453
Depreciations	-	320,484	389,559	19,265	535,532	-	1,264,840
Disposals	-	-	(44,126)	(35,270)	(245,060)	-	(324,456)
Reclassification	-	(46,000)	-	-	(5,835)	-	(51,835)
Effects of exchange rates changes	-	24,214	(2,565)	1,797	30,372	-	53,818
Balance as of June 30, 2019	<u>1,013,284</u>	<u>5,674,011</u>	<u>5,390,855</u>	<u>293,919</u>	<u>7,343,751</u>	<u>-</u>	<u>19,715,820</u>
Balance as of January 1, 2018	\$ 1,013,284	4,941,082	3,955,005	228,574	6,034,215	-	16,172,160
Depreciations	-	300,210	358,289	11,785	460,683	-	1,130,967
Disposals	-	-	(59,270)	(3,667)	(125,706)	-	(188,643)
Reversal decommissioning cost	-	-	-	-	(685)	-	(685)
Reclassification	(4,962)	(101,341)	(3)	68,855	(68,851)	-	(106,302)
Effects of exchange rates changes	-	20,172	4,572	499	44,729	-	69,972
Impairment loss	4,962	12,825	-	-	-	-	17,787
Balance as of June 30, 2018	<u>\$ 1,013,284</u>	<u>5,172,948</u>	<u>4,258,593</u>	<u>306,046</u>	<u>6,344,385</u>	<u>-</u>	<u>17,095,256</u>
Carrying amounts:							
Balance as of January 1, 2019	\$ 28,124,034	22,135,380	2,076,508	131,361	4,066,264	1,947,541	58,481,088
Balance as of June 30, 2019	<u>\$ 28,177,363</u>	<u>21,941,519</u>	<u>1,882,246</u>	<u>113,157</u>	<u>4,033,397</u>	<u>1,964,124</u>	<u>58,111,806</u>
Balance as of January 1, 2018	\$ 28,348,535	21,248,239	2,064,251	82,258	3,574,997	1,940,852	57,259,132
Balance as of June 30, 2018	<u>\$ 28,063,093</u>	<u>21,528,714</u>	<u>1,929,175</u>	<u>123,056</u>	<u>3,705,183</u>	<u>2,059,124</u>	<u>57,408,345</u>

(Continued)

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

Since the Company and its subsidiaries had transferred parts of their private properties to investment properties measured at fair value, the properties were reevaluated on the transferred date. The Company and its subsidiaries determined the recoverable amount at fair value, less, cost of disposal; and the related fair value was determined by using income approach, which is classified under level 3 fair value category. For valuation techniques and key assumptions of fair value measurements, please refer to Note 6 (o) for details.

The property and equipment of the Company are depreciated on a straight-line basis based on the following estimated useful life:

Buildings	3 to 61 years
Machinery and computer equipment	3 to 16 years
Transportation equipment	3 to 10 years
Other equipment	1 to 47 years

As of June 30, 2019, December 31 and June 30, 2018, certain property were pledged as collateral, please refer to note 8 for details.

(q) Lease Agreement

(i) Right-of-use assets

	<u>June 30, 2019</u>	
Carrying amounts		
Land — superficies	\$ 1,324,868	
Buildings	5,590,760	
Machinery	52,487	
Transportation equipment	60,790	
Other equipment	<u>197,475</u>	
	<u>\$ 7,226,380</u>	
	<b>For the three months ended June 30, 2019</b>	<b>For the six months ended June 30, 2019</b>
Additions	<u>\$ 763,106</u>	<u>1,210,171</u>
Depreciation, including capitalization		
Land — superficies	\$ 5,027	10,055
Buildings	640,308	1,234,588
Machinery	6,305	12,944
Transportation equipment	11,876	20,829
Other equipment	<u>6,290</u>	<u>26,719</u>
Total	<u>\$ 669,806</u>	<u>1,305,135</u>

(Continued)

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

(ii) Lease liabilities

The Company and its subsidiaries' lease liabilities were as follow:

	<b>June 30, 2019</b>		
	<b>Future minimum lease payments</b>	<b>Interest</b>	<b>Present value of minimum lease payments</b>
Less than one year	\$ 3,578,089	696,176	2,881,913
Between one and five years	6,373,270	2,170,025	4,203,245
More than five years	25,841,137	11,040,400	14,800,737
	<b>\$ 35,792,496</b>	<b>13,906,601</b>	<b>21,885,895</b>

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

	<b>For the six months ended June 30, 2019</b>
Total cash outflow for leases	<b>\$ 2,509,015</b>

(iii) Other lease information

1) Real estate leases

As of June 30, 2019, the Company and its subsidiaries lease land and buildings for office space. The leases of office space typically run for a period of 1 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.

2) Superficies leases

As of June 30, 2019, the Company and its subsidiaries lease land for superficies with usual lease terms of 50 to 70 years for the purpose of commercial buildings, malls, hotels etc.

3) Other leases

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

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

(Continued)

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

## (r) Intangible Assets, Net

	<b>June 30, 2019</b>	<b>December 31, 2018</b>	<b>June 30, 2018</b>
License and operating rights	\$ 9,223,006	9,315,823	5,723,192
Core deposits	5,916,248	6,038,562	6,421,825
Goodwill	16,072,819	16,076,566	14,287,827
Computer software	1,640,218	1,728,912	1,322,185
Customer relationship	59,820	63,609	70,228
Others	634,876	684,261	424,255
	<b><u>\$ 33,546,987</u></b>	<b><u>33,907,733</u></b>	<b><u>28,249,512</u></b>

The movements of intangible assets of the Company and its subsidiaries for the six months ended June 30, 2019 and 2018 were as follows:

	<b>Goodwill</b>	<b>Other intangible assets</b>	<b>Total</b>
Cost :			
Balance as of January 1, 2019	\$ 16,076,566	17,831,167	33,907,733
Additions	-	166,773	166,773
Amortization	-	(681,403)	(681,403)
Reclassification	-	105,587	105,587
Effects of exchange rates changes	(3,747)	52,044	48,297
Balance as of June 30, 2019	<b><u>\$ 16,072,819</u></b>	<b><u>17,474,168</u></b>	<b><u>33,546,987</u></b>
Balance as of January 1, 2018	\$ 14,271,271	13,982,503	28,253,774
Additions	-	330,607	330,607
Amortization	-	(536,444)	(536,444)
Reclassification	-	119,468	119,468
Effects of exchange rates changes	16,556	65,551	82,107
Balance as of June 30, 2018	<b><u>\$ 14,287,827</u></b>	<b><u>13,961,685</u></b>	<b><u>28,249,512</u></b>

The above license and operating rights, core deposits, customer relationships and goodwill arised from the Company and its subsidiaries' acquisition of the Hanoi branch and Ho Chi Minh City subbranch of Chinfon Bank, which were monitored by the Financial Restructuring Fund, and from the acquisition of ING Life Insurance (Taiwan), Fubon Bank (Hong Kong), Fubon Bank (China), EDA Rhinos professional baseball team (which was renamed as Fubon Guardians), and Fubon Hyundai Life Insurance Co., Ltd.

(Continued)

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

The above intangible assets, except for banking license and others with an indefinite useful life which is not amortized, are amortized on a straight-line basis and recognized as profit or loss based on the following estimated useful life:

Core deposits	10 to 23 years
Operating rights	32 to 97 years
Computer software	3 to 10 years
Customer relationship	7 to 14 years
Concession	10 years

No significant impairment was incurred as of June 30, 2019, December 31 and June 30, 2018, after evaluating the carrying amount of goodwill.

(s) Other Assets

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Refundable deposits	\$ 30,412,228	31,059,950	32,009,757
Foreclosed collaterals and residuals taken over	54,253	53,593	88,395
Operation guarantee deposits and settlement fund	378,762	360,579	370,209
Deferred assets	863,914	849,505	820,001
Prepayments	3,895,168	33,334,216	32,901,740
Others	9,738,865	9,689,612	3,278,776
Total	<u>\$ 45,343,190</u>	<u>75,347,455</u>	<u>69,468,878</u>

The Company acquired the superficies by bid, accounted as prepayments. For the three months and six months ended June 30, 2019 and 2018, the Company and its subsidiaries recognized impairment loss on other assets measured at net fair value amounting to \$0, \$2,663, \$0 and \$4,153, respectively.

(Continued)

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

(t) Financial Liabilities Measured at Fair Value through Profit or Loss

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Financial liabilities designated as at fair value through profit or loss:			
Structured products	\$ 1,325,855	2,455,857	2,473,728
Exchange trade notes	176,533	-	-
Subtotal	<u>1,502,388</u>	<u>2,455,857</u>	<u>2,473,728</u>
Held-for-trading financial liabilities:			
Non-hedge derivative instruments			
Interest rate contracts	3,064,234	3,131,147	2,829,592
Currency rate contracts	25,508,156	27,863,488	83,091,039
Options contracts	1,346,936	1,736,927	1,786,117
Others	2,771,777	2,420,811	3,658,182
	<u>32,691,103</u>	<u>35,152,373</u>	<u>91,364,930</u>
Non-derivative financial liabilities			
Stock borrowing and short selling	714,102	358,056	391,886
Bonds borrowing and short selling	6,871,197	7,456,615	7,760,890
	<u>7,585,299</u>	<u>7,814,671</u>	<u>8,152,776</u>
Total	<u>\$ 41,778,790</u>	<u>45,422,901</u>	<u>101,991,434</u>

(u) Securities Sold under Repurchase Agreements

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Securities sold under repurchase agreements	<u>\$ 160,675,593</u>	<u>178,403,211</u>	<u>186,496,140</u>

The maturity of abovementioned securities sold under repurchase agreement were all within one year as of June 30, 2019, December 31 and June 30, 2018.

(v) Commercial Paper Issued, Net

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Par value	\$ 6,400,000	13,540,000	10,740,000
Less: Discount on commercial paper issued	1,146	4,028	3,389
Total	<u>\$ 6,398,854</u>	<u>13,535,972</u>	<u>10,736,611</u>
Interest rate range	0.45%~0.75%	0.68%~0.76%	0.38%~0.69%

(Continued)

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

(w) Deposits and Remittances

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Checking accounts	\$ 12,452,393	11,226,153	12,349,845
Public treasury deposits	52,760,513	64,455,592	18,523,332
Demand deposits	485,827,235	490,391,281	476,193,595
Time deposits	857,075,036	759,758,537	772,435,016
Negotiable certificates of deposit	63,970,140	70,171,153	95,610,592
Savings accounts	919,101,227	876,479,829	851,729,962
Remittances	1,392,835	1,136,094	885,791
Total	<u>\$ 2,392,579,379</u>	<u>2,273,618,639</u>	<u>2,227,728,133</u>

(x) Bonds Payable

(i) The bonds payable as of June 30, 2019, December 31 and June 30, 2018 were as follows:

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Unsecured corporate bonds	\$ 58,550,000	58,550,000	54,000,000
Subordinated corporate bonds	41,284,180	43,115,172	35,000,000
Financial bonds	135,886,212	116,089,502	102,547,481
Total	<u>\$ 235,720,392</u>	<u>217,754,674</u>	<u>191,547,481</u>

(Continued)



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

(ii) Unsecured corporate bonds

Name	Issue period		Issue amount	Interest rate	June 30, 2019	December 31, 2018	June 30, 2018	Note
	Issue date	Maturity date						
First 2012 unsecured domestic corporate bonds-bond B	2012.08.15	2019.08.15	\$ 5,000,000	\$ 1.45	\$ 5,000,000	5,000,000	5,000,000	Note 1
First 2013 unsecured domestic corporate bonds-bond A	2013.08.28	2018.08.28	5,450,000	1.45	-	-	5,450,000	Note 2
First 2013 unsecured domestic corporate bonds-bond B	2013.08.28	2020.08.28	900,000	1.58	900,000	900,000	900,000	Note 1
Second 2013 unsecured domestic corporate bonds-bond A	2013.12.18	2018.12.18	100,000	1.42	-	-	100,000	Note 2
Second 2013 unsecured domestic corporate bonds-bond B	2013.12.18	2020.12.18	2,550,000	1.60	2,550,000	2,550,000	2,550,000	Note 1
First 2014 unsecured domestic corporate bonds	2014.07.21	2021.07.21	15,000,000	1.72	15,000,000	15,000,000	15,000,000	Note 1
First 2015 unsecured domestic corporate bonds-bond A	2015.03.30	2020.03.30	6,100,000	1.38	6,100,000	6,100,000	6,100,000	Note 2
First 2015 unsecured domestic corporate bonds-bond B	2015.03.30	2022.03.30	3,900,000	1.65	3,900,000	3,900,000	3,900,000	Note 1
Second 2015 unsecured domestic corporate bonds-bond A	2015.07.15	2018.07.15	2,100,000	1.15	-	-	2,100,000	Note 3
Second 2015 unsecured domestic corporate bonds-bond B	2015.07.15	2020.07.15	3,500,000	1.35	3,500,000	3,500,000	3,500,000	Note 2
Second 2015 unsecured domestic corporate bonds-bond C	2015.07.15	2022.07.15	9,400,000	1.65	9,400,000	9,400,000	9,400,000	Note 1
First 2018 unsecured domestic corporate bonds-bond A	2018.09.04	2023.09.04	1,700,000	0.85	1,700,000	1,700,000	-	Note 2
First 2018 unsecured domestic corporate bonds-bond B	2018.09.04	2025.09.04	8,300,000	0.95	8,300,000	8,300,000	-	Note 1
Second 2018 unsecured domestic corporate bonds-bond A	2018.11.22	2023.11.22	700,000	0.85	700,000	700,000	-	Note 2
Second 2018 unsecured domestic corporate bonds-bond B	2018.11.22	2025.11.22	1,500,000	0.95	1,500,000	1,500,000	-	Note 1
					<u>\$ 58,550,000</u>	<u>58,550,000</u>	<u>54,000,000</u>	

Note 1: Fixed interest, interest payable annually; pay in full upon seven years.

Note 2: Fixed interest, interest payable annually; pay in full upon five years.

Note 3: Fixed interest, interest payable annually; pay in full upon three years.

(Continued)

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

(iii) Subordinated corporate bonds

Name	Issue Period		Coupon rate	Issue Amount	Unamortized premium (discount) amount	June 30, 2019	December 31, 2018	June 30, 2018	Note
	Issue Date	Maturity Date							
1st Issue of 2016 Perpetual Cumulative Subordinated Corporate Bonds	2016.12.07	Indefinite	3.25 % (Note 1)	\$ 28,500,000	-	\$ 28,500,000	28,500,000	28,500,000	Note 2
1st Issue of 2017 Perpetual Cumulative Subordinated Corporate Bonds	2017.04.21	Indefinite	3.30 % (Note 1)	6,500,000	-	6,500,000	6,500,000	6,500,000	Note 2
Hyundailife Insurance 2 (private placement)	2013.06.28	2019.01.28	4.91 %	807,000	-	-	826,401	-	Note 3
Hyundailife Insurance 2-2 (private placement)	2013.08.27	2019.03.27	4.98 %	807,000	-	-	830,873	-	Note 3
Hyundailife Insurance 3 (private placement)	2013.12.06	2019.07.06	5.25 %	538,000	249	538,249	557,947	-	Note 3
Hyundailife Insurance 4 (private placement)	2014.10.30	2020.04.30	5.30 %	1,345,000	23,001	1,368,001	1,412,414	-	Note 3
Hyundailife Insurance 5 (private placement)	2015.12.11	2021.06.11	4.65 %	538,000	8,695	546,695	561,232	-	Note 3
Hyundailife Insurance 5-2 (private placement)	2015.12.30	2021.06.30	4.65 %	80,700	1,755	82,455	84,740	-	Note 3
Hyundailife Insurance 6 (private placement)	2016.04.28	2022.04.28	4.60 %	1,076,000	13,915	1,089,915	1,116,734	-	Note 3
Hyundailife Insurance 7 (private placement)	2016.12.28	2022.07.28	4.75 %	538,000	5,499	543,499	556,539	-	Note 3
Hyundailife Insurance 8 (private placement)	2017.06.26	2023.01.26	4.90 %	242,100	2,486	244,586	250,400	-	Note 3
Hyundailife Insurance 9 (private placement)	2017.07.20	2023.01.20	4.90 %	215,200	4,053	219,253	224,729	-	Note 3
Hyundailife Insurance 11 (private placement)	2017.12.28	2023.06.28	5.60 %	1,614,000	37,527	1,651,527	1,693,163	-	Note 3
Total					\$ 97,180	41,284,180	43,115,172	35,000,000	

Note 1: The coupon rate will increase by 1% if Fubon Life Insurance does not redeem the bond in 10 years from the date of issuance.

Note 2: The corporate bond has no maturity date. However, if the Fubon Life Insurance's risk based capital ratio is greater than twice the minimum risk based capital ratio for insurance companies, with the approval from the authority, Fubon Life Insurance will redeem the corporate bond in whole at a redemption price equal to 100% of the principal amount of the bond, plus accrued and unpaid interest to the date of redemption.

Note 3: The corporate bond that Fubon Life Insurance bears is because of the acquisition of the subsidiary on September 15, 2018.

(Continued)

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

(iv) Financial Bonds Payable

1) Taipei Fubon Bank and its subsidiaries

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
First issuance of subordinated bank debentures in 2010; fixed 2.5%; maturity: January 25, 2020	\$ 2,400,000	2,400,000	2,400,000
Fourth issuance of subordinated bank debentures in 2010; fixed 2.5%; maturity: March 2, 2020	2,000,000	2,000,000	2,000,000
Sixth issuance of subordinated bank debentures in 2010; fixed 2.05%; maturity: August 20, 2020	1,900,000	1,900,000	1,900,000
Seventh issuance of subordinated bank debentures in 2010; fixed 1.55%; maturity: October 15, 2020	900,000	900,000	900,000
Second issuance of subordinated bank debentures in 2011; fixed 1.7%; maturity: August 5, 2018	-	-	2,450,000
Third issuance of subordinated bank debentures in 2011; fixed 1.65%; maturity: December 1, 2018	-	-	4,000,000
First issuance of subordinated bank debentures in 2012; fixed 1.48%; maturity: in April 5, 2019	-	1,300,000	1,300,000
Second issuance of subordinated bank debentures in 2012; fixed 1.68%; maturity: May 25, 2022	4,700,000	4,700,000	4,700,000

(Continued)

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

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
First issuance of subordinated bank debentures in 2013; fixed 1.52%; maturity: August 1, 2020	\$ 3,750,000	3,750,000	3,750,000
First issuance of subordinated bank debentures in 2013; fixed 1.7%; maturity: August 1, 2023	500,000	500,000	500,000
First issuance of subordinated bank debentures in 2014; fixed 1.7%; maturity: May 15, 2021	5,500,000	5,500,000	5,500,000
First issuance of subordinated bank debentures in 2014; fixed 1.85%; maturity: May 15, 2024	4,500,000	4,500,000	4,500,000
Second issuance of subordinated bank debentures in 2014; fixed 1.98%; maturity: September 25, 2024	3,700,000	3,700,000	3,700,000
First issuance of dominant bank debentures in 2015; zero interest rate; maturity: February 4, 2045 (US\$100,000 thousand)	3,712,335	3,599,137	3,499,431
First issuance of dominant bank debentures in 2016; zero interest rate; maturity: December 22, 2046 (US\$200,000 thousand)	6,870,245	6,662,962	6,480,564
First issuance of dominant bank debentures in 2017; zero interest rate; maturity: January 24, 2047 (US\$200,000 thousand)	6,850,570	6,642,908	6,460,096

(Continued)

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

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
First issuance of dominant bank debentures in 2017; zero interest rate; maturity: January 24, 2047 (US\$200,000 thousand)	\$ 6,842,571	6,636,732	6,455,653
Second issuance of subordinated bank debentures in 2017; fixed 1.33%; maturity: September 22, 2024	3,000,000	3,000,000	3,000,000
Third issuance of dominant bank debentures in 2017; fixed 0.56%; maturity: September 28, 2018	-	-	5,000,000
Fourth issuance of subordinated bank debentures in 2017; fixed 1.3%; maturity: October 18, 2024	1,750,000	1,750,000	1,750,000
Fifth issuance of dominant bank debentures in 2017; zero interest rate; maturity: December 4, 2047 (US\$100,000 thousand)	3,310,524	3,209,866	3,121,229
First issuance of dominant bank debentures in 2018; fixed 0.67%; maturity: March 1, 2020	1,000,000	1,000,000	1,000,000
Second issuance of dominant bank debentures in 2018; zero interest rate; maturity: March 8, 2048 (US\$195,000 thousand)	6,409,213	6,206,979	6,028,315
Third issuance of subordinated bank debentures in 2018; fixed 1.15%; maturity: September 25, 2025	1,200,000	1,200,000	-
Third issuance of subordinated bank debentures in 2018; fixed 1.3%; maturity: September 25, 2028	1,800,000	1,800,000	-

(Continued)

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

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Fourth issuance of dominant bank debentures in 2018; fixed 0.6%; maturity: November 5, 2019	\$ 2,150,000	2,150,000	-
Fifth issuance of dominant bank debentures in 2018; zero interest rate; maturity: November 20, 2048 (US\$80,000 thousand)	2,560,029	2,472,796	-
Sixth issuance of dominant bank debentures in 2018; fixed 1.1%; maturity: November 28, 2028	3,700,000	3,700,000	-
Seventh issuance of subordinated bank debentures in 2018; fixed 2.15%; perpetual	6,500,000	6,500,000	-
First issuance of dominant bank debentures in 2019; fixed 0.98%; maturity: March 20, 2029	1,500,000	-	-
Second issuance of dominant bank debentures in 2019; fixed 0.95%; maturity: May 10, 2029	1,300,000	-	-
Third issuance of subordinated bank debentures in 2019; fixed 1.90%; perpetual	3,100,000	-	-
Subtotal	<u>93,405,487</u>	<u>87,681,380</u>	<u>80,395,288</u>
Valuation adjustments of bank debentures	1,269,096	(1,600,785)	(1,915,264)
Subtotal	<u>94,674,583</u>	<u>86,080,595</u>	<u>78,480,024</u>
Tier 2 capital ; fixed 5.43% ; maturity: December 6, 2028	4,521,100	4,466,100	-
Tier 2 capital ; fixed 5.20% ; maturity: April 27, 2029	4,521,100	-	-
Total	<u>\$ 103,716,783</u>	<u>90,546,695</u>	<u>78,480,024</u>

(Continued)

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

2) Fubon Bank (Hong Kong) and its subsidiaries

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
10-year bonds issued in November 2010; fixed 6.125%; maturity: November 2020	\$ 6,206,471	6,138,797	6,085,040
3-year bonds issued in June 2016; fixed 2.12%; maturity: June 2019	-	781,511	770,476
2-year bonds issued in July 2016; floating; maturity: July 2018	-	-	388,758
3-year bonds issued in July 2016; fixed 1.90%; maturity: July 2019	397,799	389,691	383,522
2-year bonds issued in August 2016; fixed 1.60%; maturity: August 2018	-	-	1,048,307
3-year bonds issued in September 2016; fixed 1.60%; maturity: September 2019	397,135	389,019	382,309
3-year bonds issued in October 2016; floating; maturity: October 2019	621,598	615,038	609,864
3-year bonds issued in February 2017; fixed 2.53%; maturity: February 2020	396,996	390,802	384,315
2-year bonds issued in March 2017; fixed 2.28%; maturity: March 2019	-	784,193	773,924
3-year bonds issued in March 2017; fixed 2.5%; maturity: March 2020	476,112	468,386	460,529
3-year bonds issued in April 2017; fixed 2.4%; maturity: April 2020	277,532	272,852	268,065
2-year bonds issued in June 2017; fixed 1.75%; maturity: June 2019	-	585,756	576,966

(Continued)

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

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
2-year bonds issued in June 2017; fixed 1.8%; maturity: June 2019	\$ -	780,678	769,454
1-year bonds issued in August 2017; fixed 2.11%; maturity: August 2018	-	-	915,258
2-year bonds issued in August 2017; fixed 1.75%; maturity: August 2019	398,014	389,993	384,043
2-year bonds issued in September 2017; floating; maturity: September 2019	398,074	392,735	388,677
2-year bonds issued in September 2017; fixed 1.8%; maturity: September 2019	794,170	778,887	766,176
3-year bonds issued in September 2017; floating; maturity: September 2020	1,193,832	1,177,761	1,165,532
2-year bonds issued in October 2017; fixed 1.95%; maturity: October 2019	793,899	780,148	767,844
3-year bonds issued in February 2018; fixed 2.55%; maturity: February 2021	399,503	390,484	382,507
2-year bonds issued in March 2018; fixed 2.6%; maturity: March 2020	596,817	587,410	578,408
3-month bonds issued in April 2018; fixed 2.52%; maturity: July 2018	-	-	762,708
3-month bonds issued in June 2018; zero interest rate; maturity: September 2018	-	-	174,118
3-month bonds issued in June 2018; fixed 2.5%; maturity: September 2018	-	-	304,901
3-month bonds issued in June 2018; fixed 2.62%; maturity: September 2018	-	-	1,525,193

(Continued)



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

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
3-month bonds issued in June 2018; fixed 2.62%; maturity: September 2018	\$ -	-	1,525,193
6-month bonds issued in July 2018; fixed 2.86%; maturity: January 2019	-	1,538,095	1,525,370
2-year bonds issued in July 2018; floating; maturity: July 2020	795,834	785,085	-
3-year bonds issued in August 2018; floating; maturity: August 2021	796,014	785,376	-
3-month bonds issued in October 2018; zero interest rate; maturity: January 2019	-	615,101	-
3-year bonds issued in October 2018; floating; maturity: October 2021	1,034,915	1,021,111	-
3-month bonds issued in October 2018; fixed 2.7%; maturity: January 2019	-	615,207	-
3-month bonds issued in October 2018; fixed 2.7%; maturity: January 2019	-	1,538,017	-
6-month bonds issued in November 2018; fixed 3.15%; maturity: May 2019	-	768,985	-
3-month bonds issued in December 2018; zero interest rate; maturity: February 2019	-	306,781	-
2-year bonds issued in December 2018, fixed 3.3%; maturity: December 2020	603,660	593,331	-
3-year bonds issued in December 2018, fixed 3.25%; maturity: December 2021	283,650	276,394	-
6-month bonds issued in December 2018; zero interest rate; maturity: June 2019	-	605,183	-

(Continued)

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

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
6-month bonds issued in January 2019; zero interest rate; maturity: July 2019	\$ 931,838	-	-
6-month bonds issued in January 2019, fixed 3.2%; maturity: July 2019	1,554,155	-	-
6-month bonds issued in January 2019, fixed 3.2%; maturity: July 2019	1,554,155	-	-
2-year bonds issued in March 2019; fixed 2.63%; maturity: March 2021	1,197,190	-	-
3-month bonds issued in April 2019, zero interest rate; maturity: July 2019	1,552,268	-	-
3-month bonds issued in April 2019, zero interest rate; maturity: July 2019	776,134	-	-
6-month bonds issued in April 2019, zero interest rate; maturity: October 2019	924,025	-	-
3-month bonds issued in May 2019, fixed 2.09%; maturity: August 2019	1,592,241	-	-
3-month bonds issued in May 2019, fixed 2.09%; maturity: August 2019	1,472,823	-	-
6-month bonds issued in June 2019, zero interest rate; maturity: December 2019	590,782	-	-
6-month bonds issued in June 2019, fixed 2.20%; maturity: December 2019	1,411,869	-	-
1-year bonds issued in June 2019, floating; maturity: June 2020	398,052	-	-
1-year bonds issued in June 2019, fixed 2.30%; maturity: June 2020	1,351,872	-	-
Subtotal	<u>\$ 32,169,429</u>	<u>25,542,807</u>	<u>24,067,457</u>
Total	<u>\$ 135,886,212</u>	<u>116,089,502</u>	<u>102,547,481</u>

(Continued)

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

## (y) Other Borrowings

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Credit and guarantee loan	\$ <u>4,645,060</u>	<u>1,482,921</u>	<u>6,279,357</u>
Interest rate range	0.80%~2.95%	1.25%~2.93%	0.60%~2.57%

As of June 30, 2019, December 31 and June 30, 2018, other borrowings were pledged as collateral, please refer to note 8 for details.

## (z) Provisions

## (i) Provisions

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Unearned premium reserves (Note)	\$ 34,832,433	32,258,606	32,630,682
Claim reserves (Note)	26,818,316	26,014,338	22,667,419
Liability reserves (Note)	3,701,110,509	3,570,534,145	3,246,603,311
Special reserves (Note)	15,683,057	15,820,199	14,988,247
Premium deficiency reserves (Note)	15,028,877	16,075,356	18,405,638
Reserves for insurance contract with nature of financial instrument (Note)	3,579,131	3,523,635	3,757,529
Foreign exchange valuation reserves (Note)	11,837,528	8,337,666	4,521,903
Provisions for guarantee liabilities	275,202	301,774	314,771
Provisions for financing commitment	118,788	138,127	86,994
Provisions for employment benefits	12,884,713	12,865,827	11,900,595
Others	<u>35,151,887</u>	<u>35,638,983</u>	<u>29,692,704</u>
Total	<u>\$ 3,857,320,441</u>	<u>3,721,508,656</u>	<u>3,385,569,793</u>

Note: For further information of insurance contracts, please refer to note 6 (ai) for details.

## (ii) Employee benefits

## 1) Defined benefit plans

There was no significant volatility of the market or any significant reimbursement, settlement or other one time event in the prior fiscal year. Therefore, the Company and its subsidiaries used the pension cost as of December 31, 2018 and 2017 to measure and disclose the interim pension cost.

(Continued)

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

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

	<b>For the three months</b>		<b>For the six months</b>	
	<b>ended June 30</b>		<b>ended June 30</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Pension expense	<u>\$ 173,791</u>	<u>192,827</u>	<u>346,877</u>	<u>375,747</u>

2) Defined contribution plans

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

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

	<b>For the three months</b>		<b>For the six months</b>	
	<b>ended June 30</b>		<b>ended June 30</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Pension expense	<u>\$ 301,164</u>	<u>310,503</u>	<u>590,483</u>	<u>619,181</u>

(aa) Other Financial Liabilities

	<b>June 30, 2019</b>	<b>December 31,</b>	<b>June 30, 2018</b>
		<b>2018</b>	
Principal of structured products	\$ 27,372,155	25,140,505	21,500,457
Liabilities on insurance product— separated account	375,122,983	369,845,687	159,423,661
Future traders' equity	20,481,109	16,250,349	15,339,426
Others	-	281,294	292,646
Total	<u>\$ 422,976,247</u>	<u>411,517,835</u>	<u>196,556,190</u>

For related revenue and expenses of insurance separate account instrument regarding liabilities, please refer to note 6 (n), "Other financial assets", for details.

(Continued)

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

## (ab) Other Liabilities

	<b>June 30, 2019</b>	<b>December 31, 2018</b>	<b>June 30, 2018</b>
Advance receipts	\$ 4,209,650	3,465,846	3,347,543
Temporary receipts	5,041,359	4,519,847	3,974,470
Guarantee deposits received	7,971,632	4,852,199	12,116,163
Advance premiums	14,592,783	10,860,718	7,936,502
Deferred revenue	2,220,759	1,820,700	1,942,679
Deposit-in for borrowed securities	10,331,493	13,473,433	12,555,683
Collections for underwriting stock value	-	33,569	207,414
Others	<u>2,605,031</u>	<u>2,636,192</u>	<u>2,463,486</u>
Total	<u>\$ 46,972,707</u>	<u>41,662,504</u>	<u>44,543,940</u>

## (ac) Income Tax

## (i) Income tax expenses

The components of income tax expenses (revenue) for the three months and six months ended June 30, 2019 and 2018, respectively, were as follows:

	<b>For the three months ended June 30</b>		<b>For the six months ended June 30</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Current tax expense (revenue)				
Current period	\$ (570,977)	(1,302,075)	1,202,395	5,172,207
Adjustment for prior periods	(15,546)	(462,577)	(82,517)	(902,270)
10% surtax on undistributed earnings	-	4,662,895	-	4,662,895
Others	<u>216,051</u>	<u>166,128</u>	<u>331,445</u>	<u>280,171</u>
	<u>(370,472)</u>	<u>3,064,371</u>	<u>1,451,323</u>	<u>9,213,003</u>
Deferred tax expense (revenue)				
Changes of the corporate income tax rate	2,440,686	3,758,631	3,384,445	(2,704,913)
Total income tax expenses	<u>\$ 2,070,214</u>	<u>6,823,002</u>	<u>4,835,768</u>	<u>6,508,090</u>

(Continued)

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

Income tax expenses (revenue) recognized directly in other comprehensive income for the three months and six months ended June 30, 2019 and 2018, respectively, were as follows:

	<u>For the three months</u> <u>ended June 30</u>		<u>For the six months</u> <u>ended June 30</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Items not to be reclassified to profit or loss:				
Remeasurements of the defined benefit plans	\$ -	(1,972)	-	(123,543)
Revaluation gains on property	1,752	-	1,752	2,750
Gains/ losses on valuation of equity instruments measured at fair value through other comprehensive income	(288,171)	(586,484)	194,389	(1,453,103)
Share of other comprehensive income of associates and joint ventures accounted for using equity method	-	903	-	2,294
Other items not to be reclassified to profit or loss	-	(21,356)	-	32,034
	<u>\$ (286,419)</u>	<u>(608,909)</u>	<u>196,141</u>	<u>(1,539,568)</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of foreign operations	\$ (10,034)	9,310	153,859	(187,922)
Gains on financial instruments for hedging	85,998	(29,146)	148,122	(105,622)
Gains/ losses on debt instruments measured at fair value through other comprehensive income	1,511,765	(1,644,380)	3,550,919	(3,896,071)
Share of other comprehensive income of associates and joint ventures accounted for using equity method	(36,551)	30,227	(3,478)	(73,550)
Other comprehensive income reclassified by applying overlay approach	1,008,546	1,053,552	4,155,943	(1,132,772)
	<u>\$ 2,559,724</u>	<u>(580,437)</u>	<u>8,005,365</u>	<u>(5,395,937)</u>
	<u>\$ 2,273,305</u>	<u>(1,189,346)</u>	<u>8,201,506</u>	<u>(6,935,505)</u>

(Continued)

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

(ii) Income tax assessment situation

- 1) In accordance with the Financial Holding Company Act, Article 49, the domestic companies, which are held directly by the Company for over 90% of their equity shares, appointed the Company as the taxpayer to file a combined corporate income tax return. The recognized amount of income tax receivable, accounted as current tax assets were as follows:

	<b>June 30, 2019</b>
2012	\$ 102,072
2013	124,612
	<b>\$ 226,684</b>

- 2) Under a combined corporate income tax return filing, the income tax and 10% surtax on undistributed earnings paid to the tax authorities amounted to \$4,661,873 (actual) and \$12,262,682 (actual) for the years ended December 31, 2018 and 2017, respectively.
- 3) The Company and its major subsidiaries have filed consolidated income tax returns since 2002, which are assessed to the year 2014 by the tax authorities. The assessment issues and current status were as follows:

<b>Taxpayer</b>	<b>Assessment issue</b>	<b>Status</b>
Taipei Fubon Bank	Appropriation of retained earnings for Taiwan Sport Lottery	The application for reassessments for the year 2010 and 2013 is still in process.
Fubon Securities	The tax issue on call warrants, amortization of operating rights, and allocation of expenses on tax-exempt income	The application for reassessments for the year 2010 and 2014 is still in process.

The Company is the taxpayer of the combined corporate income tax return. The Company has applied for administrative procedures for assessment of income tax returns from the year 2010 to 2014.

(Continued)

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

- (iii) The Company and its subsidiaries' have filed a combined corporate income tax return since 2002 in accordance with the Financial Holding Company Act, Article 49. Details of the Company's receivables from and payables to subsidiaries resulting from combined corporate income tax return filings were as follows:

	<b>June 30, 2019</b>		
	<b>Estimate for the six months ended June 30, 2019</b>	<b>Filed in previous years</b>	<b>Total</b>
	<u>2019</u>	<u>previous years</u>	<u>Total</u>
<b>Linked tax receivables from subsidiaries:</b>			
Taipei Fubon Bank	\$ 990,095	65,406	1,055,501
Fubon Life Insurance	-	232,325	232,325
Fubon Insurance	263,435	20,010	283,445
Fubon Securities	88,850	65,097	153,947
Fubon AMC	14,506	-	14,506
<b>Total</b>	<b><u>\$ 1,356,886</u></b>	<b><u>382,838</u></b>	<b><u>1,739,724</u></b>
	<b>June 30, 2019</b>		
	<b>Estimate for the six months ended June 30, 2019</b>	<b>Filed in previous years</b>	<b>Total</b>
	<u>2019</u>	<u>previous years</u>	<u>Total</u>
<b>Linked tax payables to subsidiaries:</b>			
Taipei Fubon Bank	\$ -	205,467	205,467
Fubon Life Insurance	781,944	5,639,776	6,421,720
Fubon Marketing	122	-	122
<b>Total</b>	<b><u>\$ 782,066</u></b>	<b><u>5,845,243</u></b>	<b><u>6,627,309</u></b>

(Continued)



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

	<b>December 31, 2018</b>		
	<b>Estimate in 2018</b>	<b>Filed in previous years</b>	<b>Total</b>
Linked tax receivables from subsidiaries:			
Taipei Fubon Bank	\$ 1,384,064	65,406	1,449,470
Fubon Life Insurance	-	232,325	232,325
Fubon Insurance	207,547	20,010	227,557
Fubon Securities	231,731	45,896	277,627
Fubon AMC	1,433	-	1,433
<b>Total</b>	<b>\$ 1,824,775</b>	<b>363,637</b>	<b>2,188,412</b>
	<b>December 31, 2018</b>		
	<b>Estimate in 2018</b>	<b>Filed in previous years</b>	<b>Total</b>
Linked tax payables to subsidiaries:			
Taipei Fubon Bank	\$ -	205,467	205,467
Fubon Life Insurance	5,849,832	186,338	6,036,170
Fubon Marketing	172	-	172
<b>Total</b>	<b>\$ 5,850,004</b>	<b>391,805</b>	<b>6,241,809</b>
	<b>June 30, 2018</b>		
	<b>Estimate for the six months ended June 30, 2018</b>	<b>Filed in previous years</b>	<b>Total</b>
Linked tax receivables from subsidiaries:			
Taipei Fubon Bank	\$ 957,800	65,406	1,023,206
Fubon Life Insurance	1,243,084	294,263	1,537,347
Fubon Insurance	389,884	22,010	411,894
Fubon Securities	183,646	25,896	209,542
Fubon AMC	12,140	-	12,140
<b>Total</b>	<b>\$ 2,786,554</b>	<b>407,575</b>	<b>3,194,129</b>

(Continued)

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

	<b>June 30, 2018</b>		
	<b>Estimate for the six months ended June 30, 2018</b>	<b>Filed in previous years</b>	<b>Total</b>
Linked tax payables to subsidiaries:			
Taipei Fubon Bank	\$ -	205,467	205,467
Fubon Life Insurance	-	186,338	186,338
Fubon Marketing	633	-	633
<b>Total</b>	<b>\$ 633</b>	<b>391,805</b>	<b>392,438</b>

(ad) Capital and Other Equity

(i) Share capital

- 1) As of June 30, 2019, December 31 and June 30, 2018, the authorized and paid-in capital all amounted to \$150,000,000 thousand, with a par value of \$10 per share. Share capital includes common stock and preferred stock. Issued common shares amounted to 10,233,604 thousand shares. Issued irredeemable non-cumulative preferred shares amounted to 1,266,660 thousand shares. All issued shares were fully paid, and the non-cumulative preferred shares were recognized as equity.

- 2) Issuance of Series A Preferred Stock

The shareholders' meeting has approved the amended Articles of Incorporation on rights and obligations of Series A Preferred Shares on June 12, 2015. The board of directors approved the details of issuing Series A Preferred Shares on June 12, 2015 and January 28, 2016. The Company issued 600,000 thousand preferred shares for cash totaled \$6,000,000 thousand, with a par value of \$10 per share, at an issuance price of \$60 per share. The capital increase project was approved by the Financial Supervisory Commission. The subscription date was April 22, 2016. All issued shares were fully paid, registered and recognized as equity.

(Continued)

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

Rights and Obligations of Issuer's Series A Preferred Shares Issuance for Cash

- a) Due Date: Perpetual
- b) Dividend: 4.10% per annum for Series A Preferred Shares (7-year IRS 0.885%+3.215%) calculated pursuant to issue price per share. Interest rate per annum will be reset on the day after the 7th anniversary of the issue date ("Issue Date") and the day after each subsequent 7-year period hereafter. Reset interest rate is calculated as 7-year IRS + 3.215%. Record date for interest reset shall be the second previous business day for financial institutions in Taipei. The 7-year IRS rate shall be the arithmetic mean of 7-year IRS quotations as published by Reuter, PYTDWFIX and COSMOS3 at 11:00 a.m. of the day of reset record date (must be a business day for Taipei's financial institutions). If the above quotations cannot be obtained on reset record date, interest rate shall be decided by Issuer in good faith and taken into account of reasonable market rate.
- c) Dividend Issuance: Issuer has sole discretion on dividend issuance of Series A Preferred Shares, including but not limited to its discretion to not declare dividends when no profit is recorded, or insufficient profit is recorded for Preferred Share dividends, or preferred share dividend declaration would render the Issuer's RBC ratio below level required by law or relevant authorities. The Issuer's cancellation of preferred share dividend declaration shall not be deemed an event of default. Undeclared or under-declared dividends are not cumulative, and are not paid in subsequent years with profit. In the year with profit, before Issuer can distribute dividends for Series A Preferred Shares, Issuer shall set aside out of Issuer's profits: (i) a settlement for payment of tax for the relevant financial year; (ii) an offset of its losses in previous years that have not been previously offset; (iii) a statutory reserve ("Legal Reserve"); and (iv) reserve special reserve pursuant to legal requirement or actual need. Dividends for Series A Preferred Shares are declared once per year in cash. After shareholders' approval of Issuer's financial statements at its annual shareholders meeting, the board may set record date for distribution of available dividends from the previous year. Dividend distribution for the years of issuance and redemption shall be calculated pursuant to actual issued days of the given year. Dividends distributed shall be included in the dividend certificate.
- d) Excessive Dividend Distribution: Except for receipt of dividends at the aforementioned dividend rate, holders Series A Preferred Shares cannot participate in distribution of cash or stock dividends to holders of common shares from profit or additional paid-in capital.
- e) Redemption of Series A Preferred Shares: On the day after the 7th anniversary of the Issue Date, Issuer may redeem all or part of outstanding Series A Preferred Shares at issue price. Rights and obligations of the unredeemed Series A Preferred Shares shall remain the same as mentioned above.

(Continued)

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

- f) **Priority of Claims in Liquidation:** Holders of Series A Preferred Shares shall have the same priority as holders of all subsequently issued preferred share in liquidation, which are prior to holders of common shares but subordinated to general creditors, to the extent of the amount equaling to the multiplication of (i) then issued and outstanding Series A Preferred shares and (ii) per share issue price of such preferred shares.
  - g) **Voting Right and Election Right:** Holders of Series A Preferred Shares have no voting right at the annual shareholders meeting, and cannot elect directors. Said holders, however, are eligible as director candidates. Holders of Series A Preferred Shares have voting rights at shareholders meeting of Series A. Preferred Shares, and at annual shareholders meeting on items relating to rights of Series A Preferred Shares holders.
  - h) **Conversion Right:** Holders of Series A Preferred Shares cannot convert said preferred shares to common shares, and have no right to request for redemption of Series A Preferred Shares.
  - i) **When Issuer conduct rights issue for cash,** holders of Series A Preferred Shares have the same subscription right as holders of common shares.
- 3) **Issuance of Series B Preferred Stock**

The board of directors approved the details of issuing Series B Preferred Shares on November 28, 2017. The Company issued 666,660 thousand preferred shares for cash totaled \$6,666,600 thousand, with a par value of \$10 per share, at an issuance price of \$60 per share. The capital increase project was approved by the Financial Supervisory Commission. The subscription date was March 16, 2018. All issued shares were fully paid, registered and recognized as equity.

**Rights and Obligations of Issuer's Series B Preferred Shares Issuance for Cash:**

- a) **Due Date:** Perpetual
- b) **Dividend:** 3.60% per annum for Series B Preferred Shares (7-year IRS 1.17%+2.43%) calculated pursuant to issue price per share. 7-year IRS rate will be reset on the day after the 7th anniversary of the issue date ("Issue Date") and the business day after each subsequent 7-year period hereafter. Reset interest rate is calculated as 7-year IRS. Record date for interest reset shall be the second previous business day for financial institutions in Taipei. The 7-year IRS rate shall be the arithmetic mean of 7-year IRS quotations as published by Reuter, TAIFXIRS and COSMOS3 at 11:00 a.m. of the day of reset record date (must be a business day for Taipei's financial institutions). If the above quotations cannot be obtained on reset record date, interest rate shall be decided by the Company in good faith and taken into account of reasonable market rate.

(Continued)

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

- c) **Dividend Issuance:** Dividends for Series B Preferred Shares are declared once per year in cash. After shareholders' approval of Issuer's financial statements at its annual shareholders meeting, the board may set record date for distribution of available dividends from the previous year. Dividend distribution for the years of issuance and redemption shall be calculated pursuant to actual issued days of the given year. Dividends distributed shall be included in the dividend certificate. In the year with profit, before Issuer can distribute dividends for Series B Preferred Shares, Issuer shall set aside out of Issuer's profits: (i) a settlement for payment of tax for the relevant financial year; (ii) an offset of its losses in previous years that have not been previously offset; (iii) a statutory reserve ("Legal Reserve"); and (iv) reserve special reserve pursuant to legal requirement or actual need. Issuer has sole discretion on dividend issuance of Series B Preferred Shares, including its discretion to not declare dividends when no profit is recorded, or insufficient profit is recorded for Series B Preferred Share dividends, or preferred share dividend declaration would render the Issuer's RBC ratio below level required by law or relevant authorities. The Issuer's cancellation of preferred share dividend declaration shall not be deemed an event of default. Undeclared or under-declared dividends are not cumulative, and are not paid in subsequent years with profit.
- d) **Excessive Dividend Distribution:** Except for receipt of dividends at the dividend rate according to (b), holders Series B Preferred Shares cannot participate in distribution of cash or stock dividends to holders of common shares from profit or additional paid-in capital.
- e) **Redemption of Series B Preferred Shares:** Series B Preferred Shares are perpetual. On the day after the 7th anniversary of the Issue Date, Issuer may redeem all or part of outstanding Series B Preferred Shares at issue price. Rights and obligations of the unredeemed Series B Preferred Shares shall remain the same as mentioned above.
- f) **Priority of Claims in Liquidation:** Holders of Series B Preferred Shares shall have the same priority as holders of all subsequently issued preferred share in liquidation, which are prior to holders of common shares but subordinated to general creditors, to the extent of the amount equaling to the multiplication of (i) then issued and outstanding Series B Preferred shares and (ii) per share issue price of such preferred shares.
- g) **Voting Right and Election Right:** Holders of Series B Preferred Shares have no voting right at the annual shareholders meeting, and cannot elect directors. Said holders, however, are eligible as director candidates. Holders of Series B Preferred Shares have voting rights at shareholders meeting of Series B Preferred Shares, and at annual shareholders meeting on items relating to rights of Series B Preferred Shares holders.
- h) **Conversion Right:** Holders of Series B Preferred Shares cannot convert said preferred shares to common shares, and have no right to request for redemption of Series B Preferred Shares.

(Continued)

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

- i) When Issuer conduct rights issue for cash, holders of Series B Preferred Shares have the same subscription right as holders of common shares.

(ii) Capital surplus

- 1) The details of capital surplus were as follows:

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Additional paid-in capital from new share issuance for cash	\$ 96,915,012	96,915,012	96,915,012
Additional paid-in capital from share exchange	36,199,185	36,199,185	36,199,185
Additional paid-in capital from equity-accounted investees	2,035,946	2,036,056	1,996,221
Land revaluation surplus	1,104	1,104	1,104
Sale of treasury stock	178,098	178,098	178,098
Transfer of treasury stock to employee	23,753	23,753	23,753
Cash dividend from the Company's stock held by its subsidiary	27,664	27,664	27,664
Additional paid-in capital for employee warrants exercise	1,637,823	1,637,823	1,637,823
Share-based payment	<u>177</u>	<u>177</u>	<u>177</u>
Total	<u>\$ 137,018,762</u>	<u>137,018,872</u>	<u>136,979,037</u>

- 2) The details of additional paid in capital from share exchange were as follows:

<u>Date of share exchange</u>	<u>Participants of share exchange and description</u>	<u>Additional paid in capital from share exchange</u>		
		<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
December 19, 2001	Fubon Securities, Fubon Bank, and Fubon Life Insurance	\$ 42,040,134	42,040,134	42,040,134
August 28, 2002	Fubon Asset Management	(124,882)	(124,882)	(124,882)
December 23, 2002	Taipei Bank	3,384,059	3,384,059	3,384,059
February 11, 2009	ING Life Insurance	4,825,587	4,825,587	4,825,587
		<u>50,124,898</u>	<u>50,124,898</u>	<u>50,124,898</u>

(Continued)

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

<u>Date of share exchange</u>	<u>Participants of share exchange and description</u>	<u>Additional paid in capital from share exchange</u>		
		<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
	Cash dividend	\$ (5,842,342)	(5,842,342)	(5,842,342)
	Subsidiaries' employee bonus and remuneration to directors and supervisors	(46,600)	(46,600)	(46,600)
December 19, 2004	Common stock held by Fubon Securities and Fubon Insurance to be cancelled	(2,982,647)	(2,982,647)	(2,982,647)
	Retirement of treasury stock	(2,601,777)	(2,601,777)	(2,601,777)
		<u>(11,473,366)</u>	<u>(11,473,366)</u>	<u>(11,473,366)</u>
October 2016	Acquisition of the non-controlling interests of Fubon Bank (China)	(2,452,347)	(2,452,347)	(2,452,347)
		<u>\$ 36,199,185</u>	<u>36,199,185</u>	<u>36,199,185</u>

According to the Ruling Letter No.10200017220 of the Banking Bureau, Financial Supervisory Commission, ROC., dated March 7, 2013, the undistributed earnings of financial institutions which are converted into financial holding companies, could be either distributed as cash dividends or accounted for as capital surplus of the financial holding companies, on the converting year, pursuant to Article 47, Paragraph 4 of Financial Holding Company Act. The amount of capital surplus used to increase capital is not subject to restriction under Article 72-1 of Regulations Governing the Offering and Issuance of Securities by Securities Issuers. As of June 30, 2019 the balance of such capital surplus was \$4,343.

(iii) Legal reserve

According to the ROC Company Act, where the Company incurs no loss, it may, pursuant to a resolution to be adopted by a shareholders' meeting, distribute legal reserve by issuing new shares or by cash. However, only the portion of legal reserve which exceeds 25 percent of the paid-in capital may be distributed.

(Continued)

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

## (iv) Special reserve

	<b>June 30, 2019</b>	<b>December 31, 2018</b>	<b>June 30, 2018</b>
Share exchange	\$ 1,669,704	1,669,704	1,669,704
First adoption of IFRSs	1,315,662	1,315,662	1,315,662
Adoption of fair value model of investment property	29,385,169	27,023,281	27,023,281
Deduction from others equity, net	<u>72,455,455</u>	<u>-</u>	<u>-</u>
	<u><b>\$ 104,825,990</b></u>	<u><b>30,008,647</b></u>	<u><b>30,008,647</b></u>

According to the regulation stipulated by the Securities and Futures Bureau, in addition to legal reserve, the Company is also required to provide a special reserve equal to the net amount of the current year contra equity account, from the current year's earnings after tax or prior years' undistributed earnings. If a contra equity account is reversed, the reversed portion of special reserve could be distributed as dividends.

In 2014, the Company and its subsidiaries changed the subsequent measurement of investment property from cost model to fair value model. In accordance with Rule No.10310000140 issued by the Financial Supervisory Commission on February 19, 2014, subsequent measurement for investment property of the financial holding companies shall use the fair value model based on the "Principles for Compiling the Financial Statements of Financial Holding Companies". In order to maintain a stable financial structure, the Company and its subsidiaries shall appropriate a special reserve from retained earnings which amount is equivalent to the incremental retained earnings due to fair value model.

## (v) Distribution of earnings

According to the Company's Articles of Incorporation, if after the annual closing of books there is a profit, the Company shall, after having provided for taxes and offset the accumulated losses of previous years, appropriate the legal reserve in accordance with laws and regulations and appropriate the special reserve in accordance with laws and regulations or in light of practical need, and may distribute preferred share dividends. The aforementioned balance, together with the undistributed profits in the previous year, including the reversals of special reserves prescribed by laws, are available for distribution as dividends. The board shall present a proposal on the allocation of profit at a shareholders' meeting for resolution.

The Company paid cash dividends of \$2.0 per common share in 2019 from its 2018 retained earnings approved in the shareholders' meeting on June 14, 2019, and paid cash dividends of \$2.3 per common share and of \$2.46 per series A preferred share in 2018 from its 2017 retained earnings approved in the shareholders' meeting on June 8, 2018. The Company also paid cash dividends of \$2.46 per series A preferred share and of \$1.72208219 per series B preferred share in 2019 from its 2018 retained earnings approved in the extraordinary shareholders' meeting on August 6, 2019. The relevant information could be accessed from the website of the Market Observation Post System.

(Continued)



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

(vi) Dividend policy

The Company will distribute dividends according to the principle of stability and balance taking into account shareholders' profits, accumulation of the Company's capital and impact on the Company's operations. The distribution of dividends for common shares shall not be less than 20% of the distributable profits for the current year (the distributable profits for the current year, after the accumulated losses have been covered, shall exclude the legal reserves, special reserves, the preferred share dividends, the undistributed earnings in the previous years and the reversals of special reserves prescribed by laws). And, pursuant to the Company's operation planning, stock dividends may be declared as reserve for necessary funds, and the remainder may be distributed in cash, provided that cash dividends shall not be less than 10% of the total dividend. Subject to practical need, the above principles of distribution of dividends may be adjusted by resolution at a shareholders' meeting.

The stock dividend policy set forth above is a general principle guideline. The Company may decide upon the most appropriate dividend policy taking into account the actual operating condition of the current year and capital budgeting for the following year.

(vii) Other equity (net of tax)

	Exchange differences on translation of foreign operations	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Gains (losses) on financial instruments for hedging	Revaluation reserve	Other comprehensive income reclassified by applying overlay approach	Total
Balance as of January 1, 2019	\$ (11,908,923)	(16,079,586)	(217,381)	2,238,671	(46,488,236)	(72,455,455)
Exchange differences on translation of foreign operations	1,590,559	-	-	-	-	1,590,559
Share of exchange differences on translation of the associates accounted for using equity method	(13,913)	-	-	-	-	(13,913)
Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	-	29,192,742	-	-	-	29,192,742
Accumulated gains (losses) reclassified to profit or loss on disposal of debt investments measured at fair value through other comprehensive income	-	(7,768,703)	-	-	-	(7,768,703)
Disposal of equity instruments measured at fair value through other comprehensive income	-	1,295,944	-	-	-	1,295,944
Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income of the associates accounted for using equity method	-	8,102	-	-	-	8,102
Fair value changes of financial instruments for hedging	-	-	592,487	-	-	592,487
Revaluation gains	-	-	-	53,293	-	53,293
Other comprehensive income reclassified by applying overlay approach	-	-	-	-	62,067,430	62,067,430
Other comprehensive income reclassified by applying overlay approach of the associates accounted for using equity method	-	-	-	-	43,609	43,609
Balance as of June 30, 2019	<u>\$ (10,332,277)</u>	<u>6,648,499</u>	<u>375,106</u>	<u>2,291,964</u>	<u>15,622,803</u>	<u>14,606,095</u>

(Continued)

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

	Exchange differences on translation of foreign operations	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Unrealized gains (losses) on available-for-sale financial assets	Gains (losses) on effective portion of cash flow hedges	Gains (losses) on financial instruments for hedging	Revaluation reserve	Other comprehensive income reclassified by applying overlay approach	Total
Balance as of January 1, 2018	\$ (11,286,078)	-	14,658,087	(299,649)	-	2,302,954	-	5,375,314
Effects of retrospective application	-	(2,143,826)	(14,658,087)	299,649	(299,649)	-	26,725,621	9,923,708
Equity at beginning of period after adjustments	(11,286,078)	(2,143,826)	-	-	(299,649)	2,302,954	26,725,621	15,299,022
Exchange differences on translation of foreign operations	1,614,444	-	-	-	-	-	-	1,614,444
Share of exchange differences on translation of the associates accounted for using equity method	35,818	-	-	-	-	-	-	35,818
Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	-	(22,083,932)	-	-	-	-	-	(22,083,932)
Accumulated gains (losses) reclassified to profit or loss on disposal of debt investments measured at fair value through other comprehensive income	-	(5,403,795)	-	-	-	-	-	(5,403,795)
Disposal of equity instruments measured at fair value through other comprehensive income	-	10,563,641	-	-	-	-	-	10,563,641
Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income of the associates accounted for using equity method	-	118,405	-	-	-	-	-	118,405
Fair value changes of financial instruments for hedging	-	-	-	-	(368,507)	-	-	(368,507)
Fair value changes of financial instruments for hedging of the associates accounted for using equity method	-	-	-	-	802	-	-	802
Revaluation gains	-	-	-	-	-	87,338	-	87,338
Revaluation surplus from disposal of investment properties	-	-	-	-	-	(536,439)	-	(536,439)
Other comprehensive income reclassified by applying overlay approach	-	-	-	-	-	-	(12,386,515)	(12,386,515)
Other comprehensive income reclassified by applying overlay approach of the associates accounted for using equity method	-	-	-	-	-	-	(69,016)	(69,016)
Balance as of June 30, 2018	<u>\$ (9,635,816)</u>	<u>(18,949,507)</u>	<u>-</u>	<u>-</u>	<u>(667,354)</u>	<u>1,853,853</u>	<u>14,270,090</u>	<u>(13,128,734)</u>

## (viii) Non-controlling interests

	<b>For the six months ended June 30</b>	
	<b>2019</b>	<b>2018</b>
Beginning balance	\$ 9,582,626	339,740
Attributable to non-controlling interests		
Net income (loss)	102,789	(15,901)
Exchange differences on translation of foreign operations	(211,214)	-
Other equity	1,808,074	(10,591)
Changes in non-controlling interests	107,364	-
Others	(4,530)	2,743
Ending balance	<u>\$ 11,385,109</u>	<u>315,991</u>

(Continued)

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

## (ae) Earnings Per Share

The details of earnings per share were as follows:

	<b>For the three months ended June 30</b>		<b>For the six months ended June 30</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Net income of ordinary equity holders (Note)	<u>\$ 15,168,334</u>	<u>13,286,564</u>	<u>27,669,232</u>	<u>29,696,726</u>
Weighted average number of common shares outstanding (thousands)	10,233,604	10,233,604	10,233,604	10,233,604
Dilutive potential common shares	-	-	-	-
	<u>\$ 10,233,604</u>	<u>10,233,604</u>	<u>10,233,604</u>	<u>10,233,604</u>
Basic EPS (Dollars)	<u>\$ 1.48</u>	<u>1.30</u>	<u>2.70</u>	<u>2.90</u>

Note: Declared dividends of preferred stock are deducted.

## (af) Employees' compensation and directors' remuneration

In accordance with the Articles of Incorporation, 0.01% to 0.05% of employees' compensation and less than 0.30% of directors' remuneration should be distributed if there is profit for the period. However, if the Company has accumulated losses, the earnings shall first be offset against any deficit. Employees entitled to receive shares or cash include the employees of the subsidiaries meeting certain requirements.

The recognized employees' compensation were \$5,000 and \$5,000, and the directors' remuneration were \$32,500 and \$32,500, for the six months ended June 30, 2019 and 2018, respectively. The amounts were calculated in accordance with the Articles of Incorporation and approved by the board of directors. If the actual distribution is different from the estimation, the difference will be accounted for as changes in accounting estimates and recognized in profit or loss in the following year. The shares of stock dividend, if any, would be calculated based on the closing price of the date before the board meeting, with considering the effects of ex dividend and ex right.

For the year ended December 31, 2018, the recognized employees' compensation and directors' remuneration were \$10,000 and \$62,000, respectively, which were the same as the amounts for actual distribution. The relevant information could be accessed from the website of the Market Observation Post System.

(Continued)

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

## (ag) Income and Expenses

## (i) Net interest revenue

	<b>For the three months ended June 30</b>		<b>For the six months ended June 30</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Interest revenue:				
Discounts and loans	\$ 13,378,263	11,250,008	26,167,638	21,926,316
Investment in securities	28,378,034	27,174,970	57,305,194	51,636,903
Others	<u>3,513,062</u>	<u>3,222,520</u>	<u>6,871,783</u>	<u>6,405,488</u>
Subtotal	<u>45,269,359</u>	<u>41,647,498</u>	<u>90,344,615</u>	<u>79,968,707</u>
Interest expense:				
Deposits	7,336,336	6,291,245	14,239,346	11,929,732
Debt securities issued	1,365,453	1,084,455	2,676,219	2,005,430
Call loans from the central Bank and banks	923,953	789,377	1,858,021	1,422,507
Securities sold under repurchase agreements	779,167	850,947	1,651,052	1,587,573
Others	<u>526,819</u>	<u>228,502</u>	<u>1,049,333</u>	<u>437,754</u>
Subtotal	<u>10,931,728</u>	<u>9,244,526</u>	<u>21,473,971</u>	<u>17,382,996</u>
Net interest revenue	<u>\$ 34,337,631</u>	<u>32,402,972</u>	<u>68,870,644</u>	<u>62,585,711</u>

## (ii) Net service charge and commissions loss

	<b>For the three months ended June 30</b>		<b>For the six months ended June 30</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Service fee and commission income:				
Brokerage service fees	\$ 963,804	1,241,497	1,799,612	2,383,444
Trust and custody services	1,320,931	780,501	2,379,406	1,995,283
Credit card and cash card related fees	278,871	275,295	701,397	721,022
Commission income	511,702	432,036	1,087,548	879,910
Loan service fees	558,473	414,283	854,341	718,359
Others	<u>1,598,208</u>	<u>1,375,029</u>	<u>3,127,062</u>	<u>2,715,694</u>
Subtotal	<u>5,231,989</u>	<u>4,518,641</u>	<u>9,949,366</u>	<u>9,413,712</u>
Service charge and commission expense:				
Insurance commission expense	7,496,060	5,694,517	15,144,626	11,595,008
Interbank service charge	100,205	79,412	193,707	161,642
Brokerage service charge	77,971	103,029	145,953	193,956
Credit card service charge	361,358	229,189	589,074	445,580
Others	<u>377,284</u>	<u>355,349</u>	<u>716,874</u>	<u>717,805</u>
Subtotal	<u>8,412,878</u>	<u>6,461,496</u>	<u>16,790,234</u>	<u>13,113,991</u>
Net service charge and commission loss	<u>\$ (3,180,889)</u>	<u>(1,942,855)</u>	<u>(6,840,868)</u>	<u>(3,700,279)</u>

(Continued)

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

## (iii) Net income of insurance operations

	<b>For the three months ended June 30</b>		<b>For the six months ended June 30</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Premiums income	\$ 168,091,244	129,577,761	332,856,770	267,847,533
Separate account products revenues	<u>10,396,530</u>	<u>5,188,648</u>	<u>26,193,758</u>	<u>10,506,653</u>
Income from insurance business	<u>178,487,774</u>	<u>134,766,409</u>	<u>359,050,528</u>	<u>278,354,186</u>
Direct business expenses	9,814	12,354	21,019	22,214
Insurance claims payment	133,851,580	84,441,824	233,559,682	151,393,886
Separate account products expenses	10,396,530	5,188,648	26,193,758	10,506,653
Disbursement toward industry stability	<u>310,805</u>	<u>215,586</u>	<u>629,305</u>	<u>428,271</u>
Insurance business expenses	<u>144,568,729</u>	<u>89,858,412</u>	<u>260,403,764</u>	<u>162,351,024</u>
Net income of insurance operations	<u><u>\$ 33,919,045</u></u>	<u><u>44,907,997</u></u>	<u><u>98,646,764</u></u>	<u><u>116,003,162</u></u>

## (iv) Net change in provisions for insurance liabilities

	<b>For the three months ended June 30</b>		<b>For the six months ended June 30</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Net change of claim reserves	\$ 630,189	(125,015)	1,044,537	(340,397)
Net change of liability reserves	48,666,174	58,680,719	127,059,176	142,282,082
Net change of special reserves	(1,109,438)	(318,000)	(212,123)	(16,958)
Net change of reserves for premium deficiency	1,716	(895,504)	(1,061,905)	(2,295,542)
Net change of reserves for insurance contract with nature of financial instrument	34,369	27,994	71,310	67,064
Net change of other reserves	<u>2,362,540</u>	<u>2,214,198</u>	<u>3,128,571</u>	<u>2,003,891</u>
	<u><u>\$ 50,585,550</u></u>	<u><u>59,584,392</u></u>	<u><u>130,029,566</u></u>	<u><u>141,700,140</u></u>

## (v) Employee benefits expenses

	<b>For the three months ended June 30</b>		<b>For the six months ended June 30</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Salaries and wages	\$ 6,468,218	5,970,147	12,907,654	11,738,283
Labor insurance, national health insurance, and group insurance for life	827,223	791,732	1,686,904	1,617,023
Director's remuneration	64,298	68,526	106,850	114,635
Pension	472,176	480,551	932,830	951,795
Other employee benefit expenses	<u>382,442</u>	<u>307,864</u>	<u>835,495</u>	<u>755,759</u>
	<u><u>\$ 8,214,357</u></u>	<u><u>7,618,820</u></u>	<u><u>16,469,733</u></u>	<u><u>15,177,495</u></u>

(Continued)

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

## (vi) Depreciation and amortization expenses

	<b>For the three months ended June 30</b>		<b>For the six months ended June 30</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	Depreciation expenses	\$ 1,302,139	570,411	2,549,691
Amortization expenses	<u>355,551</u>	<u>319,528</u>	<u>711,945</u>	<u>619,606</u>
	<b><u>\$ 1,657,690</u></b>	<b><u>889,939</u></b>	<b><u>3,261,636</u></b>	<b><u>1,748,199</u></b>

## (vii) Other general and administrative expenses

	<b>For the three months ended June 30</b>		<b>For the six months ended June 30</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	Taxation and government fee	\$ 913,373	887,244	1,801,188
Rental	217,408	921,430	439,938	1,823,889
Professional services	886,471	748,874	1,633,939	1,405,164
Business activities	684,633	391,993	1,387,173	813,518
Selling expense	180,132	236,573	301,833	418,207
Postage	335,762	290,993	584,594	586,415
Others	<u>2,479,801</u>	<u>2,090,537</u>	<u>4,527,670</u>	<u>3,945,059</u>
	<b><u>\$ 5,697,580</u></b>	<b><u>5,567,644</u></b>	<b><u>10,676,335</u></b>	<b><u>10,765,413</u></b>

## (ah) Disclosure of financial instruments

## (i) Fair value information

## 1) Summary

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

Financial instrument are measured at fair value at initial recognition, which mostly refers to transaction price. Except for those measured at amortized cost, financial instruments are measured at fair value on 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 (a) valuation techniques, (b) valuation provided by the professional information providers which are commonly used by market participants, or (c) quoted prices of the counter party.

(Continued)

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

2) Definition of fair value hierarchy

a) Level 1 inputs

Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date. An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. Taiwan government bonds, listed equity and debt instruments with active market prices are categorized in Level 1.

b) Level 2 inputs

Level 2 inputs are inputs other than quoted market prices included within level 1 that are observable for the asset or liability, either directly (i.e., prices) or indirectly (i.e., derived from prices). Preference stocks, bonds, most derivatives instruments without active market price and assets held for sale are categorized in Level 2.

c) Level 3 inputs

Level 3 inputs are valuation parameters which are not based on the information available in the market or the quoted price from the counter party. The investment in equity and debt instruments without active market prices but based on counter party as well as most investment property are categorized in Level 3.

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 Level 3. The investments in unlisted stocks are categorized in Level 3.

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

## (ii) Fair value measurement

## 1) Fair value hierarchy

The following tables present for each of the fair value hierarchy levels the Company and its subsidiaries' assets and liabilities that are measured at fair value on a recurring basis.

Financial instruments - instruments measured at fair value	June 30, 2019			
	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<b><u>Recurring fair value measurement</u></b>				
<u>Non-derivative financial instruments</u>				
Assets:				
Financial assets measured at fair value through profit or loss				
Financial assets mandatorily measured at fair value through profit or loss				
Stock investment	\$ 421,518,848	416,531,511	148,087	4,839,250
Bond investment	170,035,040	45,379,982	86,783,935	37,871,123
Others	555,751,162	436,880,545	24,857,867	94,012,750
Financial assets measured at fair value through other comprehensive income				
Stock investment	113,860,975	83,621,247	-	30,239,728
Bond investment (Note)	650,134,852	402,844,631	218,741,006	28,549,215
Others	39,800,071	2,540,561	30,255,875	7,003,635
Investment property	248,002,798	-	-	248,002,798
Liabilities:				
Financial liabilities measured at fair value through profit or loss				
Held-for-trading financial liabilities	7,585,299	7,585,299	-	-
<u>Derivative financial instruments</u>				
Assets:				
Financial assets measured at fair value through profit or loss	32,994,950	501,828	30,136,867	2,356,255
Financial assets for hedging	3,184,270	-	3,184,270	-
Liabilities:				
Financial liabilities measured at fair value through profit or loss				
Financial liabilities designated as at fair value through profit or loss	1,502,388	176,534	-	1,325,854
Held-for-trading financial liabilities	32,691,103	144,728	30,195,417	2,350,958
Financial liabilities for hedging	4,081,959	-	4,081,959	-
<b><u>Non-recurring fair value measurement</u></b>				
Asset classified as held for sale	47,437	-	-	47,437

(Continued)



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

Financial instruments - instruments measured at fair value	December 31, 2018			
	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<b><u>Recurring fair value measurement</u></b>				
<u>Non-derivative financial instruments</u>				
Assets:				
Financial assets measured at fair value through profit or loss				
Financial assets mandatorily measured at fair value through profit or loss				
Stock investment	\$ 367,894,568	363,111,251	-	4,783,317
Bond investment	129,814,693	63,780,026	61,847,138	4,187,529
Others	387,214,789	273,309,671	33,483,687	80,421,431
Financial assets measured at fair value through other comprehensive income				
Stock investment	93,432,553	65,767,001	1,330,560	26,334,992
Bond investment (Note)	672,590,748	444,244,407	195,743,872	32,602,469
Others	71,230,325	2,528,913	58,934,010	9,767,402
Investment property	179,436,352	-	-	179,436,352
Liabilities:				
Financial liabilities measured at fair value through profit or loss				
Held-for-trading financial liabilities	7,814,671	7,814,671	-	-
<u>Derivative financial instruments</u>				
Assets:				
Financial assets measured at fair value through profit or loss	32,403,522	394,631	29,084,733	2,924,158
Financial assets for hedging	3,776,327	-	3,776,327	-
Liabilities:				
Financial liabilities measured at fair value through profit or loss				
Financial liabilities designated as at fair value through profit or loss	2,455,857	-	-	2,455,857
Held-for-trading financial liabilities	35,152,373	170,948	32,078,604	2,902,821
Financial liabilities for hedging	3,425,972	-	3,425,972	-
<b><u>Non-recurring fair value measurement</u></b>				
Asset classified as held for sale	48,312	-	-	48,312

(Continued)

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

June 30, 2018				
Financial instruments - instruments measured at fair value	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<b>Recurring fair value measurement</b>				
<u>Non-derivative financial instruments</u>				
Assets:				
Financial assets measured at fair value through profit or loss				
Financial assets mandatorily measured at fair value through profit or loss				
Stock investment	\$ 429,797,020	425,679,142	-	4,117,878
Bond investment	123,534,892	65,152,096	54,821,167	3,561,629
Others	300,920,779	213,847,969	8,924,787	78,148,023
Financial assets measured at fair value through other comprehensive income				
Stock investment	96,196,136	78,400,183	48,952	17,747,001
Bond investment (Note)	674,665,929	473,447,755	180,765,820	20,452,354
Others	64,990,606	1,075,080	63,012,577	902,949
Investment property	176,526,858	-	-	176,526,858
Liabilities:				
Financial liabilities measured at fair value through profit or loss				
Held-for-trading financial liabilities	8,152,776	8,152,776	-	-
<u>Derivative financial instruments</u>				
Assets:				
Financial assets measured at fair value through profit or loss	57,431,874	574,340	53,879,946	2,977,588
Financial assets for hedging	4,626,433	-	4,626,433	-
Liabilities:				
Financial liabilities measured at fair value through profit or loss				
Financial liabilities designated as at fair value through profit or loss	2,473,728	-	-	2,473,728
Held-for-trading financial liabilities	91,364,930	293,974	88,103,219	2,967,737
Financial liabilities for hedging	3,937,194	-	3,937,194	-
<b>Non-recurring fair value measurement</b>				
Asset classified as held for sale	47,754	-	-	47,754

Note: Guarantee deposits for government bonds as pledged assets were included.

2) Valuation techniques

a) Financial instruments

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

(Continued)

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

If the quoted prices from stock exchanges, brokers, underwriters, industry associations, pricing agencies or authorities are timely and frequently, and that the price fairly presents market transaction, the financial instrument is regarded to have a quoted price in an active market. If the aforementioned conditions are not fulfilled, the market is regarded as inactive. Generally, large or significantly wide bid-ask spread, or significantly low trading volume are indications of an inactive market.

Except for financial instruments in the active markets, fair value of others financial instruments is determined by valuation techniques, valuation provided by professional finance information providers which are commonly used by market participants, or quoted prices of the counter party. Necessary inputs required for valuation techniques are from available market information like yield curve of Taipei Exchange.

The Company and its subsidiaries use the valuation techniques commonly accepted by market participants for nonstandard and less complicated financial instruments. Parameters of valuation models are usually from the observable market information.

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

b) Non-financial instruments

Fair value of investment property is determined based on the rules stipulating in the “Regulations Governing the Preparation of Financial Reports”. The fair value of investment property is based on a valuation by professional appraisal agency and supported by market evidence. Please refer to Note 6 (o) for details.

The fair value of assets held for sale is based on the transaction price negotiated by both buyer and seller after referring to the market price and appraisal reports.

3) Fair value adjustment

a) Limitations of valuation models and inputs

Limitations of valuation models may lead to insufficient reflection of all relevant elements of the financial and non-financial instruments. Therefore, the estimated value will be adjusted based on others parameters when necessary. The model validation process is required before the Company and its subsidiaries adopt the model price. Therefore, the adjustments are considered to be proper and essential. Price information and parameters for measurement are carefully used, and the adjustments are based on the current market conditions.

(Continued)

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

b) Credit risk valuation adjustment

The Company and its subsidiaries incorporate credit risk valuation adjustment into fair value calculations in order to reflect the credit risks of counter party and the credit quality of the Company and its subsidiaries.

Credit risk valuation adjustment is the fair value of the over-the-counter (OTC) derivative contracts that reflect the credit risks of the two parties which includes:

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

CVA and DVA are loss expectation and can be measured at the products of PD (probability of default), LGD (loss given default), EAD (exposure at default).

For counterparties with credit ratings from external rating agencies, the PD is based on the corresponded credit ratings. For counterparties without credit ratings from external rating agencies, the PD is estimated on their average probability of impairment from loans and receivables. For counterparties undesirable close position, the PD is 100%.

The Company and its subsidiaries use the fair value of the OTC derivatives as exposure at default (EAD).

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

4) Transfers between Level 1 and Level 2

There is no significant transfer between Level 1 and Level 2 for the six months ended June 30, 2019 and 2018.

(Continued)

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

5) Changes in Level 3 Fair Value Category

The reconciliations of the beginning and ending balances for Level 3 assets are as follows.

Units: In thousands of TWD

Name	For the six months ended June 30, 2019								Ending balance
	Beginning balance	Retrospective application	Profit and Loss	Other Comprehensive Income (Note 1)	Purchased/ Issued	Transferred to Level 3 (a)(b)	Sold/ Disposed/ Settled	Transferred from Level 3 (b)(c)	
Financial assets measured at fair value through profit or loss									
Financial assets mandatorily measured at fair value through profit or loss	\$ 92,316,435	-	75,744	1,061,010	55,775,587	1,617,137	8,699,749	3,066,786	139,079,378
Financial assets measured at fair value through other comprehensive income	68,704,863	-	423,769	2,825,138	1,317,849	2,536,690	5,536,724	4,479,007	65,792,578
Investment property	179,436,352	48,540,915	(1,635,302)	324,095	21,153,015	146,524	(86,799)	49,600	248,002,798
<b>Total</b>	<b>\$ 340,457,650</b>	<b>48,540,915</b>	<b>(1,135,789)</b>	<b>4,210,243</b>	<b>78,246,451</b>	<b>4,300,351</b>	<b>14,149,674</b>	<b>7,595,393</b>	<b>452,874,754</b>

(a) Transferred from level 2 to level 3 due to lack of observable market data that resulted from the decreasing market activities.

(b) The Company and its subsidiaries' policy is to recognize the transfer in and transfer out of Level 3 inputs when the item is transferred or the condition changes. Otherwise, they would have to be recognized as of the beginning or ending of the reporting date.

(c) Transferred from level 3 to level 2 because the observable market data became acquirable.

Note 1: Valuation of financial assets measured at fair value through profit or loss that recognized as other comprehensive income is the gain or loss reclassified by applying overlay approach.

Note 2: The Company and its subsidiaries have adopted IFRS 16 since January 1, 2019, with no restatement of comparative information.

Name	For the six months ended June 30, 2018							Ending balance
	Beginning balance	Profit and Loss	Other Comprehensive Income (Note)	Purchased/ Issued	Transferred to Level 3 (a)(b)	Sold/ Disposed/ Settled	Transferred from Level 3 (b)(c)(d)	
Financial assets measured at fair value through profit or loss								
Financial assets mandatorily measured at fair value through profit or loss	\$ 74,840,793	1,506,285	4,885,205	14,895,241	575,046	7,363,326	534,126	88,805,118
Financial assets measured at fair value through other comprehensive income	44,158,344	553,900	480,500	389,149	11,709,955	2,564,024	15,625,520	39,102,304
Investment property	173,442,136	34,051	(126,465)	801,456	2,233,391	1,472	(143,761)	176,526,858
<b>Total</b>	<b>\$ 292,441,273</b>	<b>2,094,236</b>	<b>5,239,240</b>	<b>16,085,846</b>	<b>14,518,392</b>	<b>9,928,822</b>	<b>16,015,885</b>	<b>304,434,280</b>

(a) Transfer from level 2 to level 3 due to lack of observable market data that resulted from the decreasing of market activities.

(b) The Company and its subsidiaries' policy is to recognize the transfer in and transfer out of Level 3 inputs when the item is transferred or the condition changes. Otherwise, they would have to be recognized as of the beginning or ending of the reporting date.

(c) Transfer from level 3 to level 2 because the observable market data became acquirable.

Note: Valuation of financial assets measured at fair value through profit or loss that recognized as other comprehensive income is the gain or loss reclassified by applying overlay approach.

The reconciliations of the beginning and ending balances for Level 3 liabilities are as follows.

Name	For the six months ended June 30, 2019						Ending balance
	Beginning balance	Valuation gains (losses) reflected on profit or loss	Purchased/ Issued	Transferred to Level 3	Sold/ Disposed/ Settled	Transferred from Level 3	
Financial liabilities measured at fair value through profit or loss							
Held-for-trading financial liabilities	\$ 2,455,857	12,837	12,842,613	-	13,985,453	-	1,325,854
Financial liabilities designated as at fair value through profit or loss	2,902,821	(450,047)	2,162	-	103,978	-	2,350,958
<b>Total</b>	<b>\$ 5,358,678</b>	<b>(437,210)</b>	<b>12,844,775</b>	<b>-</b>	<b>14,089,431</b>	<b>-</b>	<b>3,676,812</b>

(Continued)

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

Name	For the six months ended June 30, 2018						Ending balance
	Beginning balance	Valuation gains (losses) reflected on profit or loss	Increase		Decrease		
			Purchased/ Issued	Transferred to Level 3	Sold/ Disposed/ Settled	Transferred from Level 3	
Financial liabilities measured at fair value through profit or loss							
Held-for-trading financial liabilities	\$ 2,073,271	(924)	15,558,584	-	15,157,203	-	2,473,728
Financial liabilities designated as at fair value through profit or loss	2,423,559	789,977	1,468	-	247,267	-	2,967,737
Total	<u>\$ 4,496,830</u>	<u>789,053</u>	<u>15,560,052</u>	<u>-</u>	<u>15,404,470</u>	<u>-</u>	<u>5,441,465</u>

Transfers into and out of Level 3 for the six month ended June 30, 2019 and 2018 are mainly due to the change of input parameters.

For gains or losses on the valuation recognized as profit or loss, the changes in unrealized gains or losses were the unrealized losses of \$888,376 and the unrealized gains \$1,305,744 for the six month ended June 30, 2019 and 2018, respectively.

For gains or losses on the valuation recognized as other comprehensive income, the changes in unrealized gains or losses were the unrealized gains of \$4,524,177 and \$5,062,846 for the six month ended June 30, 2019 and 2018, respectively.

6) Valuation Techniques and Inputs for Level 3 Fair Value Measurements

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

The Company and its subsidiaries' financial assets and liabilities measured at fair value through profit or loss and financial assets measured at fair value through other comprehensive income categorized into Level 3 refer to the valuation provided by the professional information providers which are commonly used by market participants, and quoted prices of the counter party, because they lack quoted prices in an active market.

Investment property categorized into Level 3 is determined based on the rule stipulating in the "Regulations Governing the Preparation of Financial Reports" and evaluated by the professional appraisal agency with the support of market evidence. Please refer to note 6 (o) for details.

Because of the inability to measure the fair value reliably due to the significant unobservable inputs, quantitative information is not disclosed. The fair value of the aforementioned assets amounted to \$408,514,925, \$293,189,086 and \$282,496,552 as of June 30, 2019, December 31 and June 30, 2018.

(Continued)

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

Quantitative information of Level 3 inputs of subsidiaries are as follows:

a) Taipei Fubon Bank

Name	Fair value	Valuation techniques	June 30, 2019		Relationship between inputs and fair value
			Significant unobservable inputs	Intervals	
<b><u>Recurring fair value measurement</u></b>					
<b><u>Non-derivative financial instruments</u></b>					
<b>Assets:</b>					
Financial assets measured at fair value through profit or loss					
Credit linked note (CLN) \$	2,081,171	Exotic option model	Recovery rate of transaction object	10%~90%	The higher the recovery rate, the lower the fair value.
Financial assets measured at fair value through other comprehensive income					
Trust plans	135,633	Discounted cash flow	Real interest rate	5.9%	The lower the real interest rate, the higher the fair value.
<b><u>Derivative financial instruments</u></b>					
<b>Assets:</b>					
Financial assets measured at fair value through profit or loss					
Exotic FX option \$	4,834	Exotic FX option model	Scaling parameter	10%~90%	The higher the scaling parameter, the closer it is to stochastic volatility model. The inputs should be inspected regularly to ensure reasonable fair value.
<b>Liabilities:</b>					
Financial liabilities measured at fair value through profit or loss					
Exotic FX option	161	Exotic FX option model	Scaling parameter	10%~90%	The higher the scaling parameter, the closer it is to stochastic volatility model. The inputs should be inspected regularly to ensure reasonable fair value.

(Continued)

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

Name	December 31, 2018				
	Fair value	Valuation techniques	Significant unobservable inputs	Intervals	Relationship between inputs and fair value
<b><u>Recurring fair value measurement</u></b>					
<b><u>Non-derivative financial instruments</u></b>					
<b>Assets:</b>					
Financial assets measured at fair value through profit or loss					
Credit linked note (CLN)\$	1,413,866	Exotic option model	Recovery rate of transaction object	10%~90%	The higher the recovery rate, the lower the fair value.
Financial assets measured at fair value through other comprehensive income					
Trust plans	133,983	Discounted cash flow	Real interest rate	5.9%	The lower the real interest rate, the higher the fair value.
<b><u>Derivative financial instruments</u></b>					
<b>Assets:</b>					
Financial assets measured at fair value through profit or loss					
Exotic FX option \$	22,279	Exotic FX option model	Scaling parameter	10%~90%	The higher the scaling parameter, the closer it is to stochastic volatility model. The inputs should be inspected regularly to ensure reasonable fair value.
<b>Liabilities:</b>					
Financial liabilities measured at fair value through profit or loss					
Exotic FX option	1,740	Exotic FX option model	Scaling parameter	10%~90%	The higher the scaling parameter, the closer it is to stochastic volatility model. The inputs should be inspected regularly to ensure reasonable fair value.

(Continued)



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

Name	June 30, 2018				
	Fair value	Valuation techniques	Significant unobservable inputs	Intervals	Relationship between inputs and fair value
<b><u>Recurring fair value measurement</u></b>					
<b><u>Non-derivative financial instruments</u></b>					
<b>Assets:</b>					
Financial assets measured at fair value through profit or loss					
Credit linked note (CLN)\$	1,409,470	Exotic option model	Recovery rate of transaction object	10%~90%	The higher the recovery rate, the lower the fair value.
Financial assets measured at fair value through other comprehensive income					
Trust plans	138,117	Discounted cash flow	Real interest rate	5.9%	The lower the interest rate, the higher the fair value.
<b><u>Derivative financial instruments</u></b>					
<b>Assets:</b>					
Financial assets measured at fair value through profit or loss					
Exotic FX option \$	9,486	Exotic FX option model	Scaling parameter	10%~90%	The higher the scaling parameter, the closer it is to stochastic volatility model. The inputs should be inspected regularly to ensure reasonable fair value.
<b>Liabilities:</b>					
Financial liabilities measured at fair value through profit or loss					
Exotic FX option	501	Exotic FX option model	Scaling parameter	10%~90%	The higher the scaling parameter, the closer it is to stochastic volatility model. The inputs should be inspected regularly to ensure reasonable fair value.

(Continued)

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

b) Fubon Life Insurance

June 30, 2019					
Name	Fair value	Valuation techniques	Significant unobservable inputs	Intervals	Relationship between inputs and fair value
Financial assets measured at fair value through profit or loss	7,145,007	Asset-based Approach	Discount for lack of marketability	5%	The higher the discount for lack of marketability, the lower the fair value.
			Non-controlling interest discount	5%	The higher the non-controlling interest discount, the lower the fair value.
			Discount for lack of marketability	25%	The higher the discount for lack of marketability, the lower the fair value.
			Income multiplier	1	The higher the income multiplier, the higher the fair value.
			P/E ratio	13.4~19.6 (16.5)	The higher the P/E ratio, the higher the fair value.
			P/B ratio	1.7~2.8 (2.25)	The higher the P/B ratio, the higher the fair value.
			Discount rate	10.7%~10.79% 9.96%~10.51%	The higher the discount rate, the lower the fair value.
Financial assets measured at fair value through other comprehensive income	26,194,814	Asset-based Approach	Discount for lack of marketability	5%~70% (13.46%)	The higher the discount for lack of marketability, the lower the fair value.
			Non-controlling interest discount	5%~29.7% (21.35%)	The higher the non-controlling interest discount, the lower the fair value.
			Discount for lack of marketability	22%~28% (25%)	The higher the discount for lack of marketability, the lower the fair value.
			P/B ratio	1.7~2.6 (2.15)	The higher the P/B ratio, the higher the fair value.
			Discount rate	1.97%~2.47%	The higher the discount rate, the lower the fair value.
			Credit spread	Not applicable	The higher the credit spread, the lower the fair value.
			Prepayment rate	Not applicable	The higher the prepayment rate, the higher the fair value.

(Continued)

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

December 31, 2018						
Name	Fair value	Valuation techniques	Significant unobservable inputs	Intervals	Relationship between inputs and fair value	
Financial assets measured at fair value through profit or loss	7,669,123	Asset-based Approach	Discount for lack of marketability	5%	The higher the discount for lack of marketability, the lower the fair value.	
			Non-controlling interest discount	5%	The higher the non-controlling interest discount, the lower the fair value.	
			Market approach – comparable company	Discount for lack of marketability	25%	The higher the discount for lack of marketability, the lower the fair value.
			Income multiplier	1%	The higher the income multiplier, the higher the fair value.	
			P/E ratio	14~16.2 (15.1)	The higher the P/E ratio, the higher the fair value.	
			P/B ratio	1.7~3.5 (2.6)	The higher the P/B ratio, the higher the fair value.	
Financial assets measured at fair value through other comprehensive income	28,089,189	Black Derman Toy Model/Net asset value method	Discount rate	9.38%~16.51%	The higher the discount rate, the lower the fair value.	
			Asset-based Approach	Discount for lack of marketability	5%~70% (12.33%)	The higher the discount for lack of marketability, the lower the fair value.
				Non-controlling interest discount	5%~29.7% (19.17%)	The higher the non-controlling interest discount, the lower the fair value.
			Market approach – comparable company	Discount for lack of marketability	22%~28% (25%)	The higher the discount for lack of marketability, the lower the fair value.
				P/B ratio	2.2~2.5 (2.35)	The higher the P/B ratio, the higher the fair value.
			Discounted cash flow	Discount rate	Not applicable	The higher the discount rate, the lower the fair value.
				Credit spread	Not applicable	The higher the credit spread, the lower the fair value.
				Prepayment rate	Not applicable	The higher the prepayment rate, the higher the fair value.

(Continued)

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

Name	Fair value	Valuation techniques	June 30, 2018		Relationship between inputs and fair value	
			Significant unobservable inputs	Intervals		
Financial assets measured at fair value through profit or loss	770,138	Asset-based Approach	Discount for lack of marketability	0%	The higher the discount for lack of marketability, the lower the fair value.	
			Non-controlling interest discount	0%	The higher the non-controlling interest discount, the lower the fair value.	
			Market approach – comparable company	Discount for lack of marketability	25%	The higher the discount for lack of marketability, the lower the fair value.
				Income multiplier	1.2	The higher the income multiplier, the higher the fair value.
				P/E ratio	13~25 (19)	The higher the P/E ratio, the higher the fair value.
				P/B ratio	1.8~5.8 (3.8)	The higher the P/B ratio, the higher the fair value.
Financial assets measured at fair value through other comprehensive income	10,856,871	Asset-based Approach	Discount for lack of marketability	5%~70% (13.46%)	The higher the discount for lack of marketability, the lower the fair value.	
			Non-controlling interest discount	5%~29.7% (21.35%)	The higher the non-controlling interest discount, the lower the fair value.	
			Market approach – comparable company	Discount for lack of marketability	22%~28% (25%)	The higher the discount for lack of marketability, the lower the fair value.
				P/B ratio	1.9~2.4 (2.15)	The higher the P/B ratio, the higher the fair value.

(Continued)

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

c) Fubon Securities

		June 30, 2019				
		Fair value	Valuation techniques	Significant unobservable inputs	Intervals	Relationship between inputs and fair value
<b><u>Recurring fair value measurement</u></b>						
<b><u>Non-derivative financial instruments</u></b>						
<b>Assets:</b>						
Financial assets measured at fair value through profit or loss						
Financial assets mandatorily measured at fair value through profit or loss						
	Stock investment	\$ 40,000	Evaluation methods of unlisted stock	The selection of the model is based on the evaluation methods of unlisted stock.	Not applicable	The selection of the model is based on the evaluation methods of unlisted stock.
	Bond investment	209,629	Bloomberg BVAL valuation method	BVAL valuation score	Not applicable	The higher the BVAL score, the higher the fair value.
	Securities invested by brokers	371,066	Evaluation methods of unlisted stock	The selection of the model is based on the evaluation methods of unlisted stock.	Not applicable	The selection of the model is based on the evaluation methods of unlisted stock.
Financial assets measured at fair value through other comprehensive income						
	Stock investment	2,356,915	Evaluation methods of unlisted stock	The selection of the model is based on the evaluation methods of unlisted stock.	Not applicable	The selection of the model is based on the evaluation methods of unlisted stock.
	Bond investment	156,251	Bloomberg BVAL valuation method	BVAL valuation score	Not applicable	The selection of the model is based on the evaluation methods of unlisted stock.
<b>Liabilities:</b>						
Financial liabilities measured at fair value through profit or loss						
	Financial liabilities designated as at fair value through profit or loss	1,325,855	Option pricing model	Volatility	1%~80%	The higher the volatility, the higher the fair value.

(Continued)

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

December 31, 2018					
	Fair value	Valuation techniques	Significant unobservable inputs	Intervals	Relationship between inputs and fair value
<b>Recurring fair value measurement</b>					
<b>Non-derivative financial instruments</b>					
<b>Assets:</b>					
Financial assets measured at fair value through profit or loss					
Financial assets mandatorily measured at fair value through profit or loss					
Bond investment	\$ 206,478	Bloomberg BVAL valuation method	BVAL valuation score	Not applicable	The higher the BVAL score, the higher the fair value.
Securities invested by brokers	241,983	Evaluation methods of unlisted stock	The selection of the model is based on the evaluation methods of unlisted stock.	Not applicable	The selection of the model is based on the evaluation methods of unlisted stock.
Financial assets measured at fair value through other comprehensive income					
Stock investment	2,096,358	Evaluation methods of unlisted stock	The selection of the model is based on the evaluation methods of unlisted stock.	Not applicable	The selection of the model is based on the evaluation methods of unlisted stock.
<b>Liabilities:</b>					
Financial liabilities measured at fair value through profit or loss					
Financial liabilities designated as at fair value through profit or loss	2,455,857	Option pricing model	Volatility	1%~80%	The higher the volatility, the higher the fair value.
June 30, 2018					
	Fair value	Valuation techniques	Significant unobservable inputs	Intervals	Relationship between inputs and fair value
<b>Recurring fair value measurement</b>					
<b>Non-derivative financial instruments</b>					
<b>Assets:</b>					
Financial assets measured at fair value through profit or loss					
Financial assets mandatorily measured at fair value through profit or loss					
Securities invested by brokers	275,725	Evaluation methods of unlisted stock	The selection of the model is based on the evaluation methods of unlisted stock.	Not applicable	The selection of the model is based on the evaluation methods of unlisted stock.
Financial assets measured at fair value through other comprehensive income					
Stock investment	1,822,635	Evaluation methods of unlisted stock	The selection of the model is based on the evaluation methods of unlisted stock.	Not applicable	The selection of the model is based on the evaluation methods of unlisted stock.
<b>Liabilities:</b>					
Financial liabilities measured at fair value through profit or loss					
Financial liabilities designated as at fair value through profit or loss	2,473,728	Option pricing model	Volatility	1%~80%	The higher the volatility, the higher the fair value.

(Continued)

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

7) Valuation procedure of Level 3 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 Level 3. Level 3 inputs come from:

- a) Prices referring from the professional finance information providers, which are not different for each acquirer 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.
- c) Prices referring from the evaluation of equity investment using market method.

Valuation shall be reviewed regularly to ensure the consistency with reference pricing source and the reasonability of the valuation.

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

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

While under different models or using different parameters may lead to different results, fair value measurement for financial instruments and investment properties of the Company and its subsidiaries is reasonable.

The following tables shows the valuation impacts from 10% input parameters changes on Level 3 financial instruments.

a) Taipei Fubon Bank

Units : In thousands				
June 30, 2019	Fair value fluctuation reflected on net income		Fair value fluctuation reflected on other comprehensive income	
	Positive change	Negative change	Positive change	Negative change
Items				
<b>Assets</b>				
Financial assets measured at fair value through profit or loss				
Financial assets mandatorily \$ measured at fair value through profit or loss	91	(46)	-	-
Financial assets measured at fair value through other comprehensive income	-	-	1,109	(1,104)

(Continued)

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

<u>June 30, 2019</u>	<u>Fair value fluctuation reflected on net income</u>		<u>Fair value fluctuation reflected on other comprehensive income</u>	
<u>Items</u>	<u>Positive change</u>	<u>Negative change</u>	<u>Positive change</u>	<u>Negative change</u>
<b>Liabilities</b>				
Financial liabilities measured at fair value through profit or loss				
Held-for-trading financial liabilities	78	(77)	-	-
<b>Assets</b>				
Financial assets measured at fair value through profit or loss				
Financial assets mandatorily \$ measured at fair value through profit or loss	110	(68)	-	-
Financial assets measured at fair value through other comprehensive income	-	-	779	(778)
<b>Liabilities</b>				
Financial liabilities measured at fair value through profit or loss				
Held-for-trading financial liabilities	60	(58)	-	-
<b>Assets</b>				
Financial assets measured at fair value through profit or loss				
Financial assets mandatorily \$ measured at fair value through profit or loss	85	(42)	-	-
Financial assets measured at fair value through other comprehensive income	-	-	469	(470)

(Continued)



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

<u>June 30, 2018</u>	<u>Fair value fluctuation reflected on net income</u>		<u>Fair value fluctuation reflected on other comprehensive income</u>	
<u>Items</u>	<u>Positive change</u>	<u>Negative change</u>	<u>Positive change</u>	<u>Negative change</u>
<b>Liabilities</b>				
Financial liabilities measured at fair value through profit or loss				
Held-for-trading financial liabilities	54	(52)	-	-

b) Fubon Life Insurance

<u>June 30, 2019</u>	<u>Fair value fluctuation reflected on other comprehensive income (Note)</u>	
<u>Items</u>	<u>Positive change</u>	<u>Negative change</u>
<b>Assets</b>		
Financial assets measured at fair value through profit or loss	22,566	(22,456)
Financial assets measured at fair value through other comprehensive income	95,994	(95,968)
Total	<u>118,560</u>	<u>(118,424)</u>

<u>December 31, 2018</u>	<u>Fair value fluctuation reflected on other comprehensive income (Note)</u>	
<u>Items</u>	<u>Positive change</u>	<u>Negative change</u>
<b>Assets</b>		
Financial assets measured at fair value through profit or loss	32,448	(32,036)
Financial assets measured at fair value through other comprehensive income	103,100	(103,030)
Total	<u>135,548</u>	<u>(135,066)</u>

<u>June 30, 2018</u>	<u>Fair value fluctuation reflected on other comprehensive income (Note)</u>	
<u>Items</u>	<u>Positive change</u>	<u>Negative change</u>
<b>Assets</b>		
Financial assets measured at fair value through other comprehensive income	<u>43,187</u>	<u>(43,187)</u>

Note: Fair value fluctuation reflected on other comprehensive income of financial assets measured at fair value through profit or loss is the reclassification by applying overlay approach.

(Continued)

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

c) Fubon Securities

<u>June 30, 2019</u>	<u>Fair value fluctuation reflected on net income</u>		<u>Fair value fluctuation reflected on other comprehensive income</u>	
<u>Items</u>	<u>Positive change</u>	<u>Negative change</u>	<u>Positive change</u>	<u>Negative change</u>
<b>Assets</b>				
Financial assets mandatorily measured at fair value through profit or loss	\$ 62,069	(62,069)	-	-
Financial assets measured at fair value through other comprehensive income	-	-	251,317	(251,317)
<b>Liabilities</b>				
Financial liabilities designated as at fair value through profit or loss	132,585	(132,585)	-	-
<u>December 31, 2018</u>	<u>Fair value fluctuation reflected on net income</u>		<u>Fair value fluctuation reflected on other comprehensive income</u>	
<u>Items</u>	<u>Positive change</u>	<u>Negative change</u>	<u>Positive change</u>	<u>Negative change</u>
<b>Assets</b>				
Financial assets mandatorily measured at fair value through profit or loss	\$ 44,846	(44,846)	-	-
Financial assets measured at fair value through other comprehensive income	-	-	209,636	(209,636)
<b>Liabilities</b>				
Financial liabilities designated as at fair value through profit or loss	\$ 245,586	(245,586)	-	-
<u>June 30, 2018</u>	<u>Fair value fluctuation reflected on net income</u>		<u>Fair value fluctuation reflected on other comprehensive income</u>	
<u>Items</u>	<u>Positive change</u>	<u>Negative change</u>	<u>Positive change</u>	<u>Negative change</u>
<b>Assets</b>				
Financial assets mandatorily measured at fair value through profit or loss	\$ 27,573	(27,573)	-	-
Financial assets measured at fair value through other comprehensive income	-	-	182,264	(182,264)
<b>Liabilities</b>				
Financial liabilities designated as at fair value through profit or loss	247,373	(247,373)	-	-

(Continued)

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

(iii) Estimated Fair Value of Financial Instruments Not Carried at Fair Value

1) Fair value information

In addition to the following items, the Company and its subsidiaries' financial instruments that are not measured at fair value include cash and cash equivalents, due from the central bank and call loans to banks, securities purchased under resell agreements, receivables, partial other financial assets, discounts and loans, deposit from and due to the central bank and banks, securities sold under repurchase agreements, commercial papers issued, payables, deposits and remittances, other borrowings and other financial liabilities. Since their book value is a reasonable approximation to fair value, there is no fair value disclosure.

Items	Book value	Fair value
<b>June 30, 2019</b>		
Financial assets		
Debt investments measured at amortized cost	\$ 2,607,863,646	2,670,996,106
Financial liabilities		
Bonds payable	235,720,392	238,286,073
<b>December 31, 2018</b>		
Financial assets		
Debt investments measured at amortized cost	2,564,909,862	2,489,026,141
Financial liabilities		
Bonds payable	217,754,674	219,426,681
<b>June 30, 2018</b>		
Financial assets		
Debt investments measured at amortized cost	2,417,060,516	2,362,500,546
Financial liabilities		
Bonds payable	191,547,481	193,701,113

2) Fair value hierarchy

Financial instruments measured at fair value	Total	June 30, 2019		
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Financial assets:				
Debt investments measured at amortized cost	\$ 2,670,996,106	1,026,745,897	1,296,351,501	347,898,708
Financial liabilities:				
Bonds payable	238,286,073	58,069,010	173,801,921	6,415,142

(Continued)

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

		<b>December 31, 2018</b>		
<b>Financial instruments measured at fair value</b>	<b>Total</b>	<b>Quoted prices in active markets for identical assets (Level 1)</b>	<b>Significant other observable inputs (Level 2)</b>	<b>Significant unobservable inputs (Level 3)</b>
Financial assets:				
Debt investments measured at amortized cost	\$ 2,489,026,141	940,277,898	1,180,762,492	367,985,751
Financial liabilities:				
Bonds payable	219,426,681	53,138,671	158,121,416	8,166,594
		<b>June 30, 2018</b>		
<b>Financial instruments measured at fair value</b>	<b>Total</b>	<b>Quoted prices in active markets for identical assets (Level 1)</b>	<b>Significant other observable inputs (Level 2)</b>	<b>Significant unobservable inputs (Level 3)</b>
Financial assets:				
Debt investments measured at amortized cost	\$ 2,362,500,546	894,368,661	1,106,995,641	361,136,244
Financial liabilities:				
Bonds payable	193,701,113	49,050,182	144,650,931	-

3) Valuation techniques

The methods and hypothesis that the Company and its subsidiaries used in estimating the financial instrument not measured at fair value are as follows:

- a) Fair value of the financial instrument of which the maturity date is short or the future price is closed to the book value is estimated by using its book value. This method is applied to cash and cash equivalents, due from the central bank and call loans to banks, securities purchased under resell agreements, receivables, partial other financial assets, discounts and loans, deposit from and due to the central bank and banks, securities sold under repurchase agreements, commercial papers issued, payables, deposits and remittances, other borrowings and other financial liabilities.
- b) Since principal of discounts and loans, deposits, structured products, commercial paper issued and other borrowings are all interest-bearing financial assets or liabilities, their book value is proximate to fair value. Book value of overdue receivables is the estimated recoverable amount after deducting allowances for bad debts. Therefore, the fair value of the above financial assets and liabilities is its book value.
- c) If debt investments measured at amortized cost and bonds payable have quoted prices in active market, its fair value will be market price. If there is no market price for reference, the fair value will be estimated by using the valuation technique. The estimates and assumptions used by the Company and its subsidiaries in the evaluation technique are consistent with the information used by the market participants when pricing the financial instruments, and the information is available to the Company and its subsidiaries.

(Continued)

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

## (ai) Insurance Contracts

## (i) Fubon Insurance and its subsidiaries

## 1) Various reserves

## a) Unearned premium reserves

## i) Detail of unearned premium reserves and ceded unearned premium reserves

Particular	June 30, 2019			
	Unearned premium reserves		Ceded unearned premium reserves	Retained business
	Direct business	Reinsurance- assumed business	Reinsurance- ceded business	
Fire insurance	\$ 1,459,791	4,394	480,088	984,097
Marine cargo insurance	344,678	520	143,340	201,858
Marine hull fishing vessel	273,931	2,300	226,008	50,223
Voluntary motor insurance	7,863,313	217,508	424,401	7,656,420
Compulsory motor TPL insurance	2,136,413	709,193	1,278,584	1,567,022
Liability insurance	1,716,270	1,043	504,221	1,213,092
Engineering and nuclear insurance	1,668,570	21,940	1,111,680	578,830
Surety and credit insurance	132,779	608	97,363	36,024
Other property insurance	168,697	9	78,022	90,684
Accident insurance	2,829,546	12,184	39,196	2,802,534
Typhoon, flood and earthquake insurance	2,240,198	35,908	1,433,782	842,324
Personal and commercial multiple peril insurance	516,585	14	26,891	489,708
Health insurance	409,939	-	4,531	405,408
Overseas reinsurance assumed	-	232,448	15,434	217,014
Overseas subsidiaries	2,037,820	839,413	495,063	2,382,170
Less: accumulated impairment	-	-	(6,065)	6,065
<b>Total</b>	<b>\$ 23,798,530</b>	<b>2,077,482</b>	<b>6,352,539</b>	<b>19,523,473</b>

(Continued)

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

<b>Particular</b>	<b>December 31, 2018</b>			
	<b>Reserve for unearned premiums</b>		<b>Ceded unearned premium reserves</b>	
	<b>Direct business</b>	<b>Reinsurance-assumed business</b>	<b>Reinsurance-ceded business</b>	<b>Retained business</b>
	<b>\$</b>	<b></b>	<b></b>	<b></b>
Fire insurance	1,241,042	5,000	337,679	908,363
Marine cargo insurance	279,943	603	92,038	188,508
Marine hull fishing vessel	226,385	3,388	185,160	44,613
Voluntary motor insurance	7,458,705	181,737	371,553	7,268,889
Compulsory motor TPL insurance	2,090,322	686,926	1,248,051	1,529,197
Liability insurance	1,653,735	524	523,895	1,130,364
Engineering and nuclear insurance	942,570	16,456	424,362	534,664
Security and credit insurance	109,267	570	82,355	27,482
Other property insurance	93,356	10	62,134	31,232
Accident insurance	2,721,027	19,099	33,456	2,706,670
Typhoon, flood and earthquake insurance	1,604,613	31,531	1,054,890	581,254
Personal and commercial multiple peril insurance	486,978	26	51,517	435,487
Health insurance	341,603	-	4,279	337,324
Overseas reinsurance assumed	-	235,957	39,096	196,861
Overseas subsidiaries	2,283,274	774,437	547,023	2,510,688
<b>Total</b>	<b>\$ 21,532,820</b>	<b>1,956,264</b>	<b>5,057,488</b>	<b>18,431,596</b>

<b>Particular</b>	<b>June 30, 2018</b>			
	<b>Unearned premium reserves</b>		<b>Ceded unearned premium reserves</b>	
	<b>Direct business</b>	<b>Reinsurance-assumed business</b>	<b>Reinsurance-ceded business</b>	<b>Retained business</b>
	<b>\$</b>	<b></b>	<b></b>	<b></b>
Fire insurance	1,496,628	2,950	497,440	1,002,138
Marine cargo insurance	361,291	462	156,198	205,555
Marine hull fishing vessel	282,002	463	233,319	49,146
Voluntary motor insurance	7,398,906	203,572	407,657	7,194,821
Compulsory motor TPL insurance	2,055,039	659,626	1,224,225	1,490,440
Liability insurance	1,618,023	313	486,341	1,131,995
Engineering and nuclear insurance	1,117,085	12,129	477,027	652,187
Security and credit insurance	141,524	556	105,047	37,033
Other property insurance	82,501	20	57,076	25,445
Accident insurance	2,645,977	11,253	33,365	2,623,865
Typhoon, flood and earthquake insurance	2,053,942	34,911	1,284,272	804,581
Personal and commercial multiple peril insurance	461,795	-	27,470	434,325
Health insurance	337,858	-	3,760	334,098
Overseas reinsurance assumed	-	285,669	44,306	241,363
Overseas subsidiaries	2,266,138	617,826	466,936	2,417,028
<b>Total</b>	<b>\$ 22,318,709</b>	<b>1,829,750</b>	<b>5,504,439</b>	<b>18,644,020</b>

(Continued)

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

- ii) The movements in unearned premium reserves and ceded unearned premium reserves were as follows:

<b>Particular</b>	<b>For the six months ended June 30, 2019</b>	
	<b>Unearned premium reserves</b>	<b>Ceded unearned premium reserves</b>
Beginning balance	\$ 23,489,084	5,057,488
Provision	25,906,987	6,420,631
Recovered	(23,489,084)	(5,057,488)
Recognized impairment loss	-	(6,065)
Other — effect of change in exchange rates	(30,975)	(62,027)
Ending balance	<u>\$ 25,876,012</u>	<u>6,352,539</u>

  

<b>Particular</b>	<b>For the six months ended June 30, 2018</b>	
	<b>Unearned premium reserves</b>	<b>Ceded unearned premium reserves</b>
Beginning balance	\$ 22,455,345	5,059,529
Provision	24,166,834	5,536,325
Recovered	(22,455,345)	(5,059,529)
Other — effect of change in exchange rates	(18,375)	(31,886)
Ending balance	<u>\$ 24,148,459</u>	<u>5,504,439</u>

Fubon Insurance provides unearned premium reserves according to the Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises amended by Financial Supervisory Commission, Executive Yuan, Jin Guan Bao Tsai No.10102501561 on February 7, 2012. Under the Regulations, the unearned premium 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 unearned premium reserves are 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 accordance to type of insurance. This method cannot be changed, unless approved by the Authority.

(Continued)

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

Based on local regulations, unearned premium reserves are provided for compulsory automobile liability insurance, nuclear insurance and resident earthquake insurance as follows:

1. The unearned premiums reserves for compulsory private and commercial automobile liability are provided based on the “Regulations for Deposit and Management of the Reserve of Compulsory Automobile Liability Insurance”.
2. The unearned premiums reserves for nuclear insurance are provided based on the “Regulations for the Reserve of Nuclear Insurance”.
3. The unearned premiums reserves for resident earthquake insurance are provided according to the “Enforcement Rules for the Risk Spreading Mechanism for Resident Earthquake Insurance”.

b) Special reserve

- i) Special reserve is divided into “catastrophe special reserve” and “special reserves for fluctuation of risks”. The provision, after deducting income tax in accordance with IAS 12, should be accounted for as special reserve under equity. The offset or recovered amount, after deducting income tax in accordance with IAS 12, could be recognized as special reserve under equity. Commencing from January 1, 2013, special reserve which was initially accounted for under liability should be recognized under equity. Furthermore, in accordance with “ Directions for Non-Life Insurance Enterprises Strengthening Reserves for Natural Disaster (Commercial Earthquake, Typhoon and Flood Insurance)”, except for compulsory motor TPL insurance, nuclear insurance, residential earthquake insurance and commercial earthquake, typhoon and flood insurance, all catastrophe special reserve and equalization special reserve recognized under liability before December 31, 2012 should first replenish the reserves of commercial earthquake, typhoon and flood insurance before deducting the income tax in accordance with IAS 12, accounted for as special reserve under equity as of January 1, 2013.

1. Catastrophe special reserve

A catastrophe special reserve is provided for all types of insurance based on a rate prescribed by the competent authority.

For the actual catastrophe claim exceeding \$30 million, and in the total property insurance industry, the insurance category of the whole compensation exceeding to \$2,000 million, the excess amount is offset against special catastrophe reserve.

For special catastrophe reserve that remains outstanding for over 15 years, it is written off based on the evaluation of an actuary and after being reported to the competent authority for inspection.

(Continued)



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

2. Special reserves for fluctuation of risks

If the actual insurance claim and loss adjustment expenses for a particular type of insurance are less than the expected amount determined by the FSC, an additional special reserve equal to 15% of the amount of the different is provided.

In accordance with the letter Jin Guan Bao Tsai No.10002509161 issued by Financial Supervisory Commission, Executive Yuan, R.O.C on June 16, 2011, if the net balance of the actual claims for earthquake, typhoon and flood damages from commercial and personal accident insurance after deducting the special catastrophe reserve is less than the expected claims determined by the FSC, an additional special reserve equal to 75% of the amount of the difference is provided. Expected claims are calculated at no less than 60% of expected loss.

The excess amount of actual claims over the expected claims, after deducting the special catastrophe reserve, is offset against variation special reserve. If the variation special reserve of the insurance mentioned above is insufficient, the deficiency is offset against the variation special reserve of other kind of insurance. The type and amount of deduction should be reported to the FSC.

In the event that the accumulated amount of special reserves for fluctuation of risks exceeds 60% of the retained earned premium, the amount in excess shall be subject to recovery under the applicable rules.

ii) The segment requirements of special assets

Fubon Insurance and its subsidiaries provide independent accounting and disclosures for Compulsory Automobile Liability Insurance activities (the Insurance) according to the “Regulations of Compulsory Automobile Liability Insurance”.

Under article 5 of the “Regulations for Deposits and Management of the Reserve for Compulsory Automobile Liability Insurance”, the special reserve for compulsory automobile liability insurance should be deposited with financial institutions in the form of treasury bonds or time deposits. In lieu of these time deposits, however, Fubon Insurance can purchase other domestic negotiable securities mentioned below, but subject to approval by the Authority.

1. Government bonds excluding exchangeable bonds.
2. Financial bonds, negotiable certificates of deposits, bank’s acceptance bill, and financial institution guaranteed commercial paper. Yet financial bonds are restricted to normal financial bonds.

(Continued)

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

The amount of the treasury bonds and time deposits listed above shall not be less than 30% of the recent audited or reviewed matured retention insurance premium, and the authority can increase the percentage depending on the operating circumstances of Fubon Insurance and its subsidiaries.

The balance of special reserve that is less than 30% of the recent audited or reviewed matured retention insurance premium shall all be use to purchase treasury bonds or be put in time deposits.

According to the “Regulations for Deposit and Management of the Reserve for Compulsory Automobile Liability Insurance” article 6, 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. However, with the approval of the authority, an insurer may purchase any of the following domestic securities:

1. Treasury bills.
2. Negotiable certificates of deposits, bank’s acceptance bill, and financial institution guaranteed commercial paper.
3. Bonds sold under repurchase agreements.

The amount of the demand deposits listed above shall not be less than (i) 45% of the capital held by the Fubon Insurance and its subsidiaries after deducting the special reserve, and (ii) 30% of the recent audited or reviewed matured retention insurance premium. The authority can increase such demand deposits beyond the prescribed minimum percentage depending on the operating circumstances of Fubon Insurance and its subsidiaries.

If the amount of the unearned premium and claims reserve does not exceed 30% of the recent audited or reviewed matured retention insurance premium, all of the insurance capital of the insurance shall all be put in deposits.

Under article 11 of the “Regulations for Deposits and Management of the Reserve of Compulsory Automobile Liability Insurance”, the related reserves are transferred to the successor in the event that the property insurance company decides to discontinue its operations or suspend its insurance activity.

The property insurance company is officially forced to discontinue operating and liquidate, ordered to dissolve, or abolish the license of the insurance business, while no other insurer undertake the insurance business. After the insurance reserves are settled, and the special reserve balance is positive, the related reserves should be transferred to the Legal Foundation of Traffic Accidents Special Compensation Fund.

(Continued)

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

- iii) The special reserve for compulsory private and commercial automobile, as well as motorcycle liability insurance are in accordance with the “Regulations for Deposits and Management of the Reserve for Compulsory Automobile Liability Insurance”.
- iv) Movements in special reserve – Compulsory automobile liability insurance

Particular	For the six months ended June 30	
	2019	2018
Beginning balance	\$ 1,143,370	1,295,097
Recovered	(250,429)	(186,945)
Ending balance	\$ <b>892,941</b>	<b>1,108,152</b>

- v) Movements in special reserve – Non-compulsory automobile liability insurance

Particular	For the six months ended June 30, 2019					
	Liability			Special Reserve		
	Dangerous			Dangerous		
	Catastrophe	Change	Total	Catastrophe	Change	Total
Beginning balance (same as ending balance)	\$ 315,455	5,488,187	5,803,642	2,403,482	4,955,470	7,358,952

Particular	For the six months ended June 30, 2018					
	Liability			Special Reserve		
	Dangerous			Dangerous		
	Catastrophe	Change	Total	Catastrophe	Change	Total
Beginning balance (same as ending balance)	\$ 315,455	5,786,493	6,101,948	2,054,146	4,361,011	6,415,157

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

- vi) The special reserve for nuclear insurance was provided in accordance with the “Regulations for the Reserve of Nuclear Insurance”.
- vii) The special reserve for resident earthquake insurance was provided in accordance with the “Regulations for danger diversified mechanism for Resident earthquake insurance”.

(Continued)

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

c) Claim reserves

- i) The debt for policy holder of claims reported and paid, reported but unpaid, and unreported:

June 30, 2019					
Particular	Notes payable	Indemnity payments payable	Claim reserves		
	Reported and paid	Reported but unpaid	Unreported	Total	
	Fire insurance	\$ -	1,869	2,137,066	468,979
Marine cargo insurance	-	260	537,792	176,601	714,393
Marine hull fishing vessel	-	92	320,198	184,674	504,872
Voluntary motor insurance	-	85,144	3,630,354	896,179	4,526,533
Compulsory motor TPL insurance	-	36,675	720,541	2,946,600	3,667,141
Liability insurance	-	7,341	1,551,853	748,400	2,300,253
Engineering and Nuclear insurance	-	1,080	1,508,285	106,632	1,614,917
Surety and credit insurance	-	835	151,761	54,350	206,111
Other property insurance	-	226	61,934	61,097	123,031
Accident insurance	-	13,687	316,797	1,006,048	1,322,845
Typhoon, flood and earthquake insurance	-	867	354,332	219,030	573,362
Personal and commercial multiple peril insurance	-	1,843	40,193	109,674	149,867
Health insurance	-	7,841	17,409	101,986	119,395
Overseas reinsurance assumed	-	-	331,742	41,707	373,449
Overseas subsidiaries	-	785	987,144	703,407	1,690,551
Total	<u>\$ -</u>	<u>158,545</u>	<u>12,667,401</u>	<u>7,825,364</u>	<u>20,492,765</u>

  

December 31, 2018					
Particular	Notes payable	Indemnity payments payable	Claim reserves		
	Reported and paid	Reported but unpaid	Unreported	Total	
	Fire insurance	\$ -	5,968	1,939,557	40,362
Marine cargo insurance	-	1,377	627,770	171,529	799,299
Marine hull fishing vessel	-	245	357,742	182,934	540,676
Voluntary motor insurance	-	9,171	3,515,545	863,167	4,378,712
Compulsory motor TPL insurance	-	12,324	731,751	2,894,550	3,626,301
Liability insurance	-	2,377	1,543,559	788,744	2,332,303
Engineering and Nuclear insurance	-	433	2,072,153	100,590	2,172,743
Surety and credit insurance	-	778	168,024	55,850	223,874
Other property insurance	-	-	48,173	30,943	79,116
Accident insurance	-	10,820	182,296	967,526	1,149,822
Typhoon, flood and earthquake insurance	-	5,416	531,511	225,293	756,804
Personal and commercial multiple peril insurance	-	187	26,226	102,500	128,726
Health insurance	-	1,375	15,497	89,660	105,157
Overseas reinsurance assumed	-	-	462,742	43,378	506,120
Overseas subsidiaries	-	6,420	985,274	677,102	1,662,376
Total	<u>\$ -</u>	<u>56,891</u>	<u>13,207,820</u>	<u>7,234,128</u>	<u>20,441,948</u>

(Continued)

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

Particular	June 30, 2018				
	Notes payable	Indemnity payments payable	Claim reserves		
	Reported and paid	Reported but unpaid	Unreported	Total	
Fire insurance	\$ -	12,953	2,076,600	37,047	2,113,647
Marine cargo insurance	-	2,319	1,182,047	187,764	1,369,811
Marine hull fishing vessel	-	168	359,462	216,597	576,059
Voluntary motor insurance	-	96,459	3,304,963	834,185	4,139,148
Compulsory motor TPL insurance	-	23,655	785,722	2,602,132	3,387,854
Liability insurance	-	4,706	1,692,699	762,968	2,455,667
Engineering and Nuclear insurance	-	242	1,471,349	266,120	1,737,469
Surety and credit insurance	-	1,068	159,609	65,890	225,499
Other property insurance	-	556	42,903	17,472	60,375
Accident insurance	-	12,927	175,116	888,377	1,063,493
Typhoon, flood and earthquake insurance	-	3,567	778,698	233,989	1,012,687
Personal and commercial multiple peril insurance	-	747	29,479	100,919	130,398
Health insurance	-	2,171	7,227	79,975	87,202
Overseas reinsurance assumed	-	-	271,600	53,973	325,573
Overseas subsidiaries	-	23,950	1,128,614	711,568	1,840,182
Total	<u>\$ -</u>	<u>185,488</u>	<u>13,466,088</u>	<u>7,058,976</u>	<u>20,525,064</u>

- ii) Reinsurance assets – the ceded insurance business for the policy holders with reported but unpaid and unreported ceded claim reserves:

Particular	June 30, 2019		
	Reported but unpaid	Unreported	Total
Fire insurance	\$ 1,073,806	266,862	1,340,668
Marine cargo insurance	150,869	77,694	228,563
Marine hull fishing vessel	260,709	161,038	421,747
Voluntary motor insurance	142,908	27,418	170,326
Compulsory motor TPL insurance	242,690	1,398,006	1,640,696
Liability insurance	578,674	241,871	820,545
Engineering and Nuclear insurance	908,179	61,661	969,840
Surety and credit insurance	98,311	43,724	142,035
Other property insurance	22,083	41,719	63,802
Accident insurance	81	3,964	4,045
Typhoon, flood and earthquake insurance	251,273	163,136	414,409
Personal and commercial multiple peril insurance	574	8,215	8,789
Health insurance	2	1,186	1,188
Overseas reinsurance assumed	22,133	3,047	25,180
Overseas subsidiaries	162,777	168,083	330,860
Less: Accumulated impairment	(13,383)	(3,568)	(16,951)
Total	<u>\$ 3,901,686</u>	<u>2,664,056</u>	<u>6,565,742</u>

(Continued)

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

<u>Particular</u>	<u>December 31, 2018</u>		
	<u>Reported but unpaid</u>	<u>Unreported</u>	<u>Total</u>
Fire insurance	\$ 799,543	15,717	815,260
Marine cargo insurance	246,582	71,889	318,471
Marine hull fishing vessel	303,278	158,437	461,715
Voluntary motor insurance	161,904	28,340	190,244
Compulsory motor TPL insurance	235,366	1,378,789	1,614,155
Liability insurance	567,699	287,143	854,842
Engineering and Nuclear insurance	1,294,230	53,463	1,347,693
Surety and credit insurance	105,495	44,681	150,176
Other property insurance	5,269	21,851	27,120
Accident insurance	132	4,397	4,529
Typhoon, flood and earthquake insurance	387,924	171,526	559,450
Personal and commercial multiple peril insurance	343	7,258	7,601
Health insurance	1	1,020	1,021
Overseas reinsurance assumed	26,693	3,367	30,060
Overseas subsidiaries	225,796	177,859	403,655
Less: Accumulated impairment	(99)	-	(99)
<b>Total</b>	<b>\$ <u>4,360,156</u></b>	<b><u>2,425,737</u></b>	<b><u>6,785,893</u></b>

(Continued)

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

<u>Particular</u>	<b>June 30, 2018</b>		
	<u>Reported but unpaid</u>	<u>Unreported</u>	<u>Total</u>
Fire insurance	\$ 1,094,148	15,223	1,109,371
Marine cargo insurance	843,435	75,299	918,734
Marine hull fishing vessel	303,110	190,840	493,950
Voluntary motor insurance	150,604	26,644	177,248
Compulsory motor TPL insurance	256,948	1,214,554	1,471,502
Liability insurance	714,285	297,104	1,011,389
Engineering and Nuclear insurance	707,870	184,515	892,385
Surety and credit insurance	92,933	53,303	146,236
Other property insurance	2,768	11,704	14,472
Accident insurance	-	6,126	6,126
Typhoon, flood and earthquake insurance	489,733	172,734	662,467
Personal and commercial multiple peril insurance	291	6,996	7,287
Health insurance	2	856	858
Overseas reinsurance assumed	18,969	6,874	25,843
Overseas subsidiaries	290,929	187,900	478,829
Less: Accumulated impairment	(107)	(28)	(135)
<b>Total</b>	<b>\$ <u>4,965,918</u></b>	<b><u>2,450,644</u></b>	<b><u>7,416,562</u></b>

Reserves above were expressed in net amount and the estimated accumulated impairment losses amounted to \$16,951, \$99 and \$135 as of June 30, 2019, December 31 and June 30, 2018, respectively.

iii) Movements in claim reserves and ceded claim reserves

<u>Particular</u>	<b>For the six months ended June 30, 2019</b>	
	<u>Claim reserves</u>	<u>Ceded claim reserves</u>
Beginning balance	\$ 20,441,948	6,785,893
Provision	20,510,733	6,613,522
Recovered	(20,441,948)	(6,785,992)
Recognized impairment loss	-	(16,852)
Other — effect of change in exchange rates	(17,968)	(30,829)
<b>Ending Balance</b>	<b>\$ <u>20,492,765</u></b>	<b><u>6,565,742</u></b>

(Continued)

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

<b>Particular</b>	<b>For the six months ended June 30, 2019</b>	
	<b>Claim reserves</b>	<b>Ceded claim reserves</b>
Beginning balance	\$ 20,743,674	7,473,181
Provision	20,531,298	7,431,590
Recovered	(20,743,674)	(7,473,296)
Recognized impairment loss	-	(20)
Other — effect of change in exchange rates	(6,234)	(14,893)
Ending balance	<u>\$ 20,525,064</u>	<u>7,416,562</u>

- iv) Non-insurance assets acquired from exercising the rights of retrieve salvage and subrogation

<b>Particular</b>	<b>For the three months ended June 30</b>		<b>For the six months ended June 30</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Fire insurance	\$ 7,440	665	16,868	1,476
Marine cargo insurance	28,963	6,307	39,793	28,724
Marine hull fishing vessel	-	-	-	-
Voluntary motor insurance	113,542	109,582	236,764	217,119
Compulsory motor TPL insurance	46,971	57,236	87,585	96,680
Liability insurance	5,581	6,770	12,198	18,395
Engineering and Nuclear insurance	2	-	82	264
Surety and credit insurance	1,348	5,819	4,926	10,369
Other property insurance	115	20	175	40
Accident insurance	115	55	422	208
Personal and commercial multiple peril insurance	100	-	125	446
Typhoon, flood and earthquake insurance	34	591	34	636
Health insurance	90	-	90	-
Overseas reinsurance assumed	-	-	-	-
Overseas subsidiaries	2,133	6,572	4,836	6,572
Total	<u>\$ 206,434</u>	<u>193,617</u>	<u>403,898</u>	<u>380,929</u>

(Continued)



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

Claim reserves are provided to conform the “Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises” amended by Financial Supervisory Commission, Executive Yuan, Jin Guan Bao Tsai No.10102501561 on February 7, 2012. Property insurance business shall calculate claim reserves including reported but not paid and incurred but not reported (IBNR) based on past claim experience and loss adjustment expenses incurred for each line of insurance according to actuarial principles. Reserves for reported but not paid claims shall be estimated and reserved on a case-by-case basis based on relevant information. The claim reserves in the preceding paragraph should be released in the following year and then calculated and reserved again based on the current-year information.

The method of reserving mentioned in the preceding paragraph will be evaluated and determined by the appointed actuary, and reported to the competent authority for recordation. The preceding provision applies to any subsequent changes thereto.

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

<b>Particular</b>	<b>For the six months ended June 30</b>			
	<b>2019</b>		<b>2018</b>	
	<b>Liability reserve</b>	<b>Ceded liability reserve</b>	<b>Liability reserve</b>	<b>Ceded liability reserve</b>
Beginning balance	\$ 77,049	-	143,764	-
Provision	340	-	591	-
Maturity refund	(27,350)	-	(38,352)	-
Ending balance	<u>\$ 50,039</u>	<u>-</u>	<u>106,003</u>	<u>-</u>

(Continued)

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

- e) Premium deficiency reserve  
i) Premium deficiency reserve

Particular	June 30, 2019			
	Premium deficiency reserve		Ceded premium deficiency reserve	
	Direct business	Reinsurance-assumed business	Reinsurance-ceded business	Retained business
Fire insurance	\$ 66,904	-	-	66,904
Marine cargo insurance	4,344	-	-	4,344
Marine hull fishing vessel	9,430	36	-	9,466
Voluntary motor insurance	-	-	-	-
Compulsory motor TPL insurance	-	-	-	-
Liability insurance	-	-	-	-
Engineering and Nuclear insurance	26,424	-	-	26,424
Surety and credit insurance	-	-	-	-
Other property insurance	-	-	-	-
Accident insurance	-	-	-	-
Typhoon, flood and earthquake insurance	-	-	-	-
Personal and commercial multiple peril insurance	-	-	-	-
Health insurance	-	-	-	-
Overseas reinsurance assumed	-	-	-	-
Overseas subsidiaries	116,213	575,660	633,546	58,327
<b>Total</b>	<b>\$ 223,315</b>	<b>575,696</b>	<b>633,546</b>	<b>165,465</b>

(Continued)

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

<b>Particular</b>	<b>December 31, 2018</b>			
	<b>Premium deficiency reserve</b>		<b>Ceded premium deficiency reserve</b>	
	<b>Direct business</b>	<b>Reinsurance-assumed business</b>	<b>Reinsurance-ceded business</b>	<b>Retained business</b>
	<b>Direct business</b>	<b>Reinsurance-assumed business</b>	<b>Reinsurance-ceded business</b>	<b>Retained business</b>
Fire insurance	\$ 54,961	-	-	54,961
Marine cargo insurance	4,142	-	-	4,142
Marine hull fishing vessel	7,809	32	-	7,841
Voluntary motor insurance	-	-	-	-
Compulsory motor TPL insurance	-	-	-	-
Liability insurance	-	-	-	-
Engineering and Nuclear insurance	24,418	-	-	24,418
Surety and credit insurance	-	-	-	-
Other property insurance	-	-	-	-
Accident insurance	-	-	-	-
Typhoon, flood and earthquake insurance	-	-	-	-
Personal and commercial multiple peril insurance	-	-	-	-
Health insurance	-	-	-	-
Overseas reinsurance assumed	-	-	-	-
Overseas subsidiaries	136,297	586,011	651,387	70,921
<b>Total</b>	<b>\$ 227,627</b>	<b>586,043</b>	<b>651,387</b>	<b>162,283</b>
	<b>June 30, 2018</b>			
	<b>Premium deficiency reserve</b>		<b>Ceded premium deficiency reserve</b>	
	<b>Direct business</b>	<b>Reinsurance-assumed business</b>	<b>Reinsurance-ceded business</b>	<b>Retained business</b>
	<b>Direct business</b>	<b>Reinsurance-assumed business</b>	<b>Reinsurance-ceded business</b>	<b>Retained business</b>
Fire insurance	\$ 54,546	-	-	54,546
Marine cargo insurance	4,267	-	-	4,267
Marine hull fishing vessel	15,480	36	3,476	12,040
Voluntary motor insurance	-	-	-	-
Compulsory motor TPL insurance	-	-	-	-
Liability insurance	-	-	-	-
Engineering and Nuclear insurance	-	-	-	-
Surety and credit insurance	-	-	-	-
Other property insurance	-	-	-	-
Accident insurance	-	-	-	-
Typhoon, flood and earthquake insurance	3,179	-	-	3,179
Personal and commercial multiple peril insurance	-	-	-	-
Health insurance	-	-	-	-
Overseas reinsurance assumed	-	-	-	-
Overseas subsidiaries	142,072	515,656	595,569	62,159
<b>Total</b>	<b>\$ 219,544</b>	<b>515,692</b>	<b>599,045</b>	<b>136,191</b>

(Continued)

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

ii) Loss recognized due to premium deficiency reserve provision — net change of premium deficiency reserve and ceded premium deficiency reserve

For the six months ended June 30, 2019									
Particular	Direct underwrite		Reinsurance-assumed		Net change of premium reserve deficiency	Reinsurance-ceded		Net change of ceded premium deficiency reserve	Net provision of premium deficiency reserve
	Provision	Recovered	Provision	Recovered		Provision	Recovered		
Fire insurance	\$ 66,904	54,961	-	-	11,943	-	-	-	11,943
Marine cargo insurance	4,344	4,142	-	-	202	-	-	-	202
Marine hull fishing vessel	9,430	7,809	36	32	1,625	-	-	-	1,625
Voluntary motor insurance	-	-	-	-	-	-	-	-	-
Compulsory motor TPL insurance	-	-	-	-	-	-	-	-	-
Liability insurance	-	-	-	-	-	-	-	-	-
Engineering and Nuclear insurance	26,424	24,418	-	-	2,006	-	-	-	2,006
Surety and credit insurance	-	-	-	-	-	-	-	-	-
Other property insurance	-	-	-	-	-	-	-	-	-
Accident insurance	-	-	-	-	-	-	-	-	-
Personal and commercial multiple peril insurance	-	-	-	-	-	-	-	-	-
Typhoon, flood and earthquake insurance	-	-	-	-	-	-	-	-	-
Health insurance	-	-	-	-	-	-	-	-	-
Overseas reinsurance assumed	-	-	-	-	-	-	-	-	-
Overseas subsidiaries	117,401	138,162	582,318	597,478	(35,921)	640,874	664,134	(23,260)	(12,661)
Other — effect of change in exchange rates	(1,188)	(1,865)	(6,658)	(11,467)	5,486	(7,197)	(13,539)	6,342	(856)
<b>Total</b>	<b>\$ 223,315</b>	<b>227,627</b>	<b>575,696</b>	<b>586,043</b>	<b>(14,659)</b>	<b>633,677</b>	<b>650,595</b>	<b>(16,918)</b>	<b>2,259</b>

  

For the six months ended June 30, 2018									
Particular	Direct underwrite		Reinsurance-assumed		Net change of premium deficiency reserve	Reinsurance-ceded		Net change of ceded premium deficiency reserve	Net provision of premium deficiency reserve
	Provision	Recovered	Provision	Recovered		Provision	Recovered		
Fire insurance	\$ 54,546	50,620	-	-	3,926	-	-	-	3,926
Marine cargo insurance	4,267	4,066	-	-	201	-	-	-	201
Marine hull fishing vessel	15,480	11,524	36	65	3,927	3,476	1,938	1,538	2,389
Voluntary motor insurance	-	-	-	-	-	-	-	-	-
Compulsory motor TPL insurance	-	-	-	-	-	-	-	-	-
Liability insurance	-	-	-	-	-	-	-	-	-
Engineering and Nuclear insurance	-	-	-	-	-	-	-	-	-
Surety and credit insurance	-	-	-	-	-	-	-	-	-
Other property insurance	-	-	-	-	-	-	-	-	-
Accident insurance	-	-	-	-	-	-	-	-	-
Personal and commercial multiple peril insurance	-	-	-	-	-	-	-	-	-
Typhoon, flood and earthquake insurance	3,179	1,816	-	-	1,363	-	-	-	1,363
Health insurance	-	-	-	-	-	-	-	-	-
Overseas reinsurance assumed	-	-	-	53	(53)	-	-	-	(53)
Overseas subsidiaries	142,815	134,438	520,584	402,331	126,630	601,260	483,723	117,537	9,093
Other — effect of change in exchange rates	(743)	1,467	(4,928)	6,354	(13,492)	(5,254)	7,640	(12,894)	(598)
<b>Total</b>	<b>\$ 219,544</b>	<b>203,931</b>	<b>515,692</b>	<b>408,803</b>	<b>122,502</b>	<b>599,482</b>	<b>493,301</b>	<b>106,181</b>	<b>16,321</b>

(Continued)

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

- iii) Movements in premium deficiency reserve and ceded premium deficiency reserve

<b>Particular</b>	<b>For the six months ended June 30, 2019</b>	
	<b>Premium deficiency reserve</b>	<b>Ceded premium deficiency reserve</b>
Beginning balance	\$ 813,670	651,387
Provision	806,857	642,315
Recovered	(813,670)	(651,387)
Other — effect of change in exchange rates	(7,846)	(8,769)
Ending balance	<u>\$ 799,011</u>	<u>633,546</u>
	<b>For the six months ended June 30, 2018</b>	
<b>Particular</b>	<b>Premium deficiency reserve</b>	<b>Ceded premium deficiency reserve</b>
Beginning balance	\$ 612,734	493,301
Provision	740,908	605,154
Recovered	(612,734)	(493,301)
Other — effect of change in exchange rates	(5,672)	(6,109)
Ending balance	<u>\$ 735,236</u>	<u>599,045</u>

Premium deficiency reserve is provided to conform to the “Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises” amended by Financial Supervisory Commission, Executive Yuan, Jin Guan Bao Tsai No.10102501561 on February 7, 2012. Non-life insurance companies are required to estimate future claim payments and related expenses by evaluating the insurance contracts which have not matured and the risks covered by those contracts. If the expenditures are lower than the premium, non-life insurance companies are required to provide the premium deficiency reserve. The methodology for providing premium deficiency reserve or change in the said methodology is decided by actuaries and reported to the Authority. On June 25, 2008, Fubon Insurance and its subsidiaries reported their methodology for providing premium deficiency reserve and obtained approval thereof from Financial Supervisory Commission, Executive Yuan, through its letter Jin Guan Bao Yi No.09702115350.

(Continued)

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

- 2) Nature and extent of the insurance contract risk
- a) Objectives, policies, procedures and methods for the insurance contract risk management

- i) Objectives and policies of the risk management

Risk management policy is established to conform to “The Code of Conduct of Risk Management Practice for Insurance Companies” , “ The Implementation of Internal Control and Audit System for Insurance Companies” and “Risk Management Policy of Fubon Financial Holding Co., Ltd”, which is regarded as the top guiding principle. This policy is intended to define the overall organization structure, provide risk management guidance and fit the relevant principals into the daily process for every unit to form a culture of risk management and to ensure that Fubon Insurance and its subsidiaries shall maximize shareholder's value under stable operation.

- ii) Structure, organization and responsibility

The board of directors are responsible for effectively integrating the risk management system of Fubon Insurance and its subsidiaries, and developing the audit and monitor function. The organization and scope are as follows:

1. Board of Directors

- a. Identify all potential risks in the operations of insurance industry, ensure the effectiveness of the overall risk management of Fubon Insurance and take the ultimate responsibilities.
- b. Ensure that Fubon Insurance has established proper risk management functions and cultures, authorize proper risk management policy and allocate resources efficiently.
- c. Evaluate the overall effect of the risks, capital required by governmental authorities and related regulations on the capital allocation.

2. Risk Management Committee

Establish and convene Risk Management Committee in accordance with Fubon Insurance's organization rules governing the Risk Management Committee. Develop risk management policies, structures, and organizational functions according to their responsibilities, Risk Management Committee implements risk management decisions of the board of directors and regularly reviews the development, construction and execution effectiveness of the Company's overall risk management mechanism. Risk Management Committee meet with the board of directors to report the current progress of risk management decisions on time and offer necessary advices for improvement.

(Continued)

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

3. Chief Risk Officer

Fubon Insurance and its subsidiaries set up a position “Chief Risk Officer” (CRO) to deal with risk management matters, including strategy planning, supervising Fubon Insurance and its subsidiaries to create and to follow the risk management system, monitoring the appropriateness of risk exposure and the effectiveness of risk management, supervising Fubon Insurance and its subsidiaries' Risk Management Department.

4. Risk Management Department

- a. Responsible for monitoring, measuring, and revaluing daily risks.
- b. Assist the execution / implementation of risk management policies approved by the Board of Directors.
- c. Set up the risk tolerance level and the limitations based on the risk appetite.
- d. Summarize the relative information provided by each unit, and help each unit follow the policies and the limits.
- e. Regular propose risk management related reports.
- f. Regularly monitor the risk limits and the utilization of risk limits of respective business unit.
- g. Assist in carrying out the stress test.
- h. If necessary, proceed the back testing.
- i. Other risk management related duties.

5. Business Units

- a. Each business unit shall assign risk management personnel to effectively assist the unit in executing risk management related to operations.
- b. The supervisors of business units are responsible for the daily risk's management and report of the affiliation units and take necessary countermeasures. In addition, supervisors should oversee the regularly communicating the relevant information about risk management to the risk management department.

(Continued)

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

- c. The responsibilities of business units to execute risk management operations are as follows:
  - i. Recognize the potential risks and measure it. Report risk management information and risk exposure to the risk management department regularly.
  - ii. Regularly examine each kind of business risk and limitations to ensure that the risk limitation is under control.
  - iii. Monitor risk exposure and report any situation when the exposure exceeds the limitation and take the necessary procedures.
  - iv. Make sure all business units are properly enforced under internal control and follow the rules and standards.
  - v. Assist in the related data collection of the operation risk.

iii) Scope and nature of risk reporting or measurement system

Fubon Insurance and its subsidiaries measure insurance risk in consideration of factors including: commodity pricing, check and ratify insurance, claims processing, catastrophe, reinsurance and reserves. Fubon Insurance and its subsidiaries establish the key risk indicator for monitoring key risks.

Considering risk appetite and tolerance, Fubon Insurance and its subsidiaries set up the limitation by single reserved and single accident to control it. In the meantime, they set up the risk tolerance for all major risks (including insurance risk, market risk, credit risk and operation risk) by each scenarios to avoid the overall risk exposures exceed the tolerance.

Each responsible department of Fubon Insurance and its subsidiaries' monitor relevant risk benchmark on a monthly or quarterly basis, and provides the monitoring results to the risk management department for reporting to Risk Management Committee. The Risk Management department collects all risk management reports and risk monitoring indicators semiannually and reports the overall situation to the Risk Management Committee and the board of directors. The report explains the risk exposure, how the policies worked and other related issues.

iv) The procedures and methods of the insurance risk management

Insurance risk refers to the risk resulting from unexpected changes from benefit payments, related charges after collecting insurance premiums and undertaking the risk transferred from the insurant.

(Continued)



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

Fubon Insurance and its subsidiaries set up the code of conduct for insurance risk management to serve as a guideline of insurance risk management. They also establish relevant risk management methods for the scope of insurance risk management in terms of the risk elements such as underwriting, reinsurance, catastrophe, claim, product design and pricing and provision.

Insurance risk management procedures include risk identification, risk measurement, risk monitoring, and risk responding. To ensure the timeliness, reliability and security of risk management information, except for different tiers disclosure per regulation, Fubon Insurance and its subsidiaries also update and archive relevant documents properly via the responsibility of each tiers.

Fubon Insurance and its subsidiaries set up another risk tolerance, risk limit and critical risk indicators to facilitate management and reports to the Risk Management Committee based on the frequency for each management indicators. If any risk tolerance, risk limit or critical risk management indicators over the limits, the subordinate unit shall provide the explanation of the excess risk and the improvement reviewed by the insurance risk team. The explanation will be submitted to the Risk Management Committee for approval. After approval, the risk management department shall track the improvement process based on the conditions of the approval.

- b) Insurance risk information
- i) The sensitivity test of insurance risk

Test Hypothesis

Particular	Insurance revenue	Expected rate of loss	For the three months ended June 30, 2019			
			Change of 1% expected rate of loss			
			Change of income before tax		Change of equity	
			Before reinsurance	After reinsurance	Before reinsurance	After reinsurance
Fire insurance	\$ 750,709	63.1%	6,444	2,858	5,155	2,286
Marine cargo insurance	304,533	61.6%	3,082	1,452	2,466	1,162
Marine hull fishing vessel	158,628	71.8%	1,604	175	1,283	140
Voluntary motor insurance	3,809,376	66.6%	36,390	35,379	29,112	28,303
Compulsory motor TPL insurance	1,522,935	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Liability insurance	707,580	68.2%	7,521	5,272	6,017	4,218
Engineering and Nuclear insurance	829,856	60.7%	3,071	1,081	2,457	865
Surety and credit insurance	85,624	67.4%	569	132	455	106
Other property insurance	205,447	66.3%	1,703	544	1,362	435
Accident insurance	1,436,452	70.6%	14,081	13,929	11,265	11,143
Typhoon, flood and earthquake insurance	1,369,607	73.7%	8,765	2,253	7,012	1,802
Personal and commercial multiple peril insurance	284,785	68.2%	2,676	2,478	2,141	1,982
Health insurance	268,791	63.8%	2,448	2,420	1,958	1,936
Overseas reinsurance assumed	114,156	64.1%	1,071	908	856	727
Overseas subsidiaries	1,166,957	65.5%	12,590	10,329	10,072	8,263

(Continued)

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

For the three months ended June 30, 2018						
Particular	Insurance revenue	Expected rate of loss	Change of 1% expected rate of loss			
			Change of income before tax		Change of equity	
			Before reinsurance	After reinsurance	Before reinsurance	After reinsurance
Fire insurance	\$ 742,564	62.8%	6,556	3,188	5,245	2,550
Marine cargo insurance	310,979	61.5%	2,956	1,478	2,365	1,182
Marine hull fishing vessel	160,529	72.0%	1,548	260	1,239	208
Voluntary motor insurance	3,580,598	66.3%	33,983	32,708	27,187	26,166
Compulsory motor TPL insurance	1,472,948	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Liability insurance	858,005	68.2%	8,690	5,103	6,953	4,082
Engineering and Nuclear insurance	320,310	60.6%	2,740	1,318	2,192	1,054
Surety and credit insurance	110,453	68.2%	645	152	516	122
Other property insurance	64,116	66.7%	525	168	420	135
Accident insurance	1,301,134	71.0%	12,843	12,698	10,275	10,158
Typhoon, flood and earthquake insurance	1,377,106	72.7%	8,503	1,790	6,803	1,433
Personal and commercial multiple peril insurance	244,014	68.2%	2,388	2,229	1,910	1,783
Health insurance	214,437	63.5%	1,952	1,931	1,561	1,544
Overseas reinsurance assumed	145,187	65.2%	1,139	1,041	911	833
Overseas subsidiaries	1,267,920	65.4%	12,371	10,304	9,897	8,243

For the six months ended June 30, 2019						
Particular	Insurance revenue	Expected rate of loss	Change of 1% expected rate of loss			
			Change of income before tax		Change of equity	
			Before reinsurance	After reinsurance	Before reinsurance	After reinsurance
Fire insurance	\$ 1,296,436	63.0%	13,085	5,865	10,468	4,692
Marine cargo insurance	648,495	61.6%	5,884	2,954	4,707	2,363
Marine hull fishing vessel	357,648	72.0%	3,379	362	2,703	290
Voluntary motor insurance	7,842,391	66.6%	72,378	70,311	57,902	56,249
Compulsory motor TPL insurance	2,987,843	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Liability insurance	1,580,406	68.2%	15,266	10,454	12,213	8,363
Engineering and Nuclear insurance	1,349,759	60.7%	6,109	2,317	4,887	1,853
Surety and credit insurance	147,013	68.0%	1,233	295	986	236
Other property insurance	422,052	66.3%	3,467	1,005	2,774	804
Accident insurance	2,876,194	70.6%	27,636	27,340	22,109	21,872
Typhoon, flood and earthquake insurance	2,375,146	73.8%	17,427	4,240	13,942	3,392
Personal and commercial multiple peril insurance	555,733	68.2%	5,261	4,860	4,209	3,888
Health insurance	546,585	63.8%	4,782	4,727	3,826	3,782
Overseas reinsurance assumed	234,732	64.4%	2,368	2,013	1,894	1,611
Overseas subsidiaries	2,225,632	65.6%	24,454	20,135	19,563	16,108

(Continued)

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

Particular	For the six months ended June 30, 2018						
	Insurance revenue	Expected rate of loss	Change of 1% expected rate of loss				
			Change of income before tax		Change of equity		
			Before reinsurance	After reinsurance	Before reinsurance	After reinsurance	
Fire insurance	\$ 1,282,322	62.7%	13,500	6,291	10,800	5,033	
Marine cargo insurance	646,717	61.5%	5,547	3,034	4,438	2,427	
Marine hull fishing vessel	349,806	71.8%	3,300	405	2,640	324	
Voluntary motor insurance	7,371,681	66.4%	67,606	64,974	54,085	51,979	
Compulsory motor TPL insurance	2,876,951	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	
Liability insurance	1,829,188	68.2%	17,132	10,223	13,706	8,178	
Engineering and Nuclear insurance	643,972	60.6%	5,516	2,623	4,413	2,098	
Surety and credit insurance	155,822	68.4%	1,305	321	1,044	257	
Other property insurance	117,109	66.7%	875	277	700	222	
Accident insurance	2,653,008	71.0%	25,144	24,869	20,115	19,895	
Typhoon, flood and earthquake insurance	2,286,395	73.0%	18,422	3,657	14,738	2,926	
Personal and commercial multiple peril insurance	516,944	68.2%	4,646	4,338	3,717	3,470	
Health insurance	437,311	63.5%	3,723	3,684	2,978	2,947	
Overseas reinsurance assumed	261,170	65.0%	3,172	2,922	2,538	2,338	
Overseas subsidiaries	2,440,486	65.5%	25,050	20,033	20,040	16,026	

ii) Explanation of the risk concentration

1. Proportion of underwriting and reinsurance-assumed premiums

The insurance contracts which Fubon Insurance and its subsidiaries underwrite are categorized into different types of insurances and are not concentrated in a single type of insurance. The top 5 types of insurance are: voluntary motor insurance, compulsory motor TPL insurance, accident insurance, typhoon, flood and earthquake insurance as well as liability insurance. The proportion of voluntary motor insurance represents 29.3%, 29.5%, 30.9% and 30.8% of all insurances for the three months and six months ended June 30, 2019 and 2018, respectively. Although its proportion is higher than the others, its loss experience is stable and the variance is small. There is no risk concentration in other types of insurance.

(Continued)

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

The proportion of underwriting and reinsurance-assumed premiums is as follows:

<b>Insurance type</b>	<b>For the three months ended June 30</b>			
	<b>2019</b>		<b>2018</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Fire insurance	\$ 750,709	5.8 %	742,564	6.1 %
Marine cargo insurance	304,533	2.3 %	310,979	2.6 %
Marine hull fishing vessel	158,628	1.2 %	160,529	1.3 %
Voluntary motor insurance	3,809,376	29.3 %	3,580,598	29.5 %
Compulsory motor TPL insurance	1,522,935	11.7 %	1,472,948	12.1 %
Liability insurance	707,580	5.4 %	858,005	7.0 %
Engineering and nuclear insurance	829,856	6.4 %	320,310	2.6 %
Surety and credit insurance	85,624	0.6 %	110,453	0.9 %
Other property insurance	205,447	1.6 %	64,116	0.5 %
Accident insurance	1,436,452	11.0 %	1,301,134	10.7 %
Typhoon, flood and earthquake insurance	1,369,607	10.5 %	1,377,106	11.3 %
Personal and commercial multiple peril insurance	284,785	2.2 %	244,014	2.0 %
Health insurance	268,791	2.1 %	214,437	1.8 %
Foreign business	114,156	0.9 %	145,187	1.2 %
Overseas subsidiaries	<u>1,166,957</u>	<u>9.0 %</u>	<u>1,267,920</u>	<u>10.4 %</u>
<b>Total</b>	<b><u>\$ 13,015,436</u></b>	<b><u>100.0 %</u></b>	<b><u>12,170,300</u></b>	<b><u>100.0 %</u></b>

(Continued)

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

Insurance type	For the six months ended June 30			
	2019		2018	
	Amount	%	Amount	%
Fire insurance	\$ 1,296,436	5.1 %	1,282,322	5.4 %
Marine cargo insurance	648,495	2.5 %	646,717	2.7 %
Marine hull fishing vessel	357,648	1.4 %	349,806	1.5 %
Voluntary motor insurance	7,842,391	30.9 %	7,371,681	30.8 %
Compulsory motor TPL insurance	2,987,843	11.8 %	2,876,951	12.0 %
Liability insurance	1,580,406	6.2 %	1,829,188	7.7 %
Engineering and nuclear insurance	1,349,759	5.3 %	643,972	2.7 %
Surety and credit insurance	147,013	0.6 %	155,822	0.7 %
Other property insurance	422,052	1.7 %	117,109	0.5 %
Accident insurance	2,876,194	11.3 %	2,653,008	11.1 %
Typhoon, flood and earthquake insurance	2,375,146	9.3 %	2,286,395	9.6 %
Personal and commercial multiple peril insurance	555,733	2.2 %	516,944	2.2 %
Health insurance	546,585	2.1 %	437,311	1.8 %
Foreign business	234,732	0.9 %	261,170	1.1 %
Overseas subsidiaries	<u>2,225,632</u>	<u>8.7 %</u>	<u>2,440,486</u>	<u>10.2 %</u>
Total	<u>\$ 25,446,065</u>	<u>100.0 %</u>	<u>23,868,882</u>	<u>100.0 %</u>

2. The proportion of retained business premium

Fubon Insurance and its subsidiaries use retained business to assess the proportion of retained business premium. The top 5 types of insurances with the highest proportion are voluntary motor insurance, accident insurance, compulsory motor TPL insurance, liability insurance and Typhoon, flood and earthquake insurance. The voluntary insurance which has the highest proportion accounted for 38.3%, 37.9%, 39.8% and 39.0% for the three months and six month ended June 30, 2019 and 2018, respectively. Fubon Insurance and its subsidiaries consider the loss of voluntary motor insurance to be stable, and therefore, retain all the reinsurance. For other insurances, Fubon Insurance and its subsidiaries evaluate the possibility of significant accumulated losses and arrange the appropriate reinsurance contracts to diversify the risk. Therefore, there is no risk concentration.

(Continued)

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

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

The proportion of retained business premium is as follows:

<u>Insurance type</u>	<u>For the three months ended June 30</u>			
	<u>2019</u>		<u>2018</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Fire insurance	\$ 360,366	3.8 %	354,063	3.9 %
Marine cargo insurance	151,462	1.6 %	148,960	1.7 %
Marine hull fishing vessel	17,972	0.2 %	13,586	0.2 %
Voluntary motor insurance	3,587,031	38.3 %	3,410,891	37.9 %
Compulsory motor TPL insurance	983,771	10.5 %	957,272	10.7 %
Liability insurance	550,529	5.9 %	551,369	6.1 %
Engineering and nuclear insurance	121,730	1.3 %	128,714	1.4 %
Surety and credit insurance	11,135	0.1 %	21,079	0.2 %
Other property insurance	75,825	0.8 %	20,296	0.2 %
Accident insurance	1,408,768	15.0 %	1,282,328	14.3 %
Typhoon, flood and earthquake insurance	446,351	4.8 %	476,344	5.3 %
Personal and commercial multiple peril insurance	281,963	3.0 %	235,859	2.6 %
Health insurance	265,837	2.8 %	212,051	2.4 %
Foreign business	113,970	1.2 %	114,878	1.3 %
Overseas subsidiaries	999,887	10.7 %	1,059,757	11.8 %
<b>Total</b>	<b>\$ 9,376,597</b>	<b>100.0 %</b>	<b>8,987,447</b>	<b>100.0 %</b>

(Continued)

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

Insurance type	For the six months ended June 30			
	2019		2018	
	Amount	%	Amount	%
Fire insurance	\$ 660,769	3.5 %	625,182	3.5 %
Marine cargo insurance	308,755	1.7 %	313,381	1.8 %
Marine hull fishing vessel	41,821	0.2 %	49,324	0.3 %
Voluntary motor insurance	7,418,657	39.8 %	6,969,397	39.0 %
Compulsory motor TPL insurance	1,927,384	10.3 %	1,856,308	10.4 %
Liability insurance	1,128,126	6.1 %	1,173,624	6.6 %
Engineering and nuclear insurance	275,840	1.5 %	285,376	1.6 %
Surety and credit insurance	38,012	0.2 %	38,507	0.2 %
Other property insurance	159,907	0.9 %	35,271	0.2 %
Accident insurance	2,829,861	15.2 %	2,610,322	14.7 %
Typhoon, flood and earthquake insurance	685,069	3.7 %	679,445	3.8 %
Personal and commercial multiple peril insurance	540,260	2.9 %	472,492	2.7 %
Health insurance	540,834	2.9 %	432,663	2.4 %
Foreign business	222,928	1.2 %	209,549	1.2 %
Overseas subsidiaries	1,852,451	9.9 %	2,058,993	11.6 %
Total	<u>\$ 18,630,674</u>	<u>100.0 %</u>	<u>17,809,834</u>	<u>100.0 %</u>

iii) Claim development trend:

1. Sum of accumulated and reported claims

Occurrence year	June 30, 2019					
	≤2014	2015	2016	2017	2018	2019
At the end of occurrence year	-	22,579,989	31,913,710	24,454,718	25,697,335	14,551,590
The first year	-	20,598,978	29,629,159	22,668,464	24,331,579	-
The second year	-	20,632,953	29,184,929	22,564,937	-	-
The third year	-	20,506,780	29,182,697	-	-	-
The forth year	-	20,381,110	-	-	-	-
Estimation of accumulated claims	-	20,381,110	29,182,697	22,564,937	24,331,579	14,551,590
Accumulated claims paid	-	19,952,008	28,339,379	20,152,868	18,714,563	4,499,391
Subtotal	894,129	429,102	843,318	2,412,069	5,617,016	10,052,199
Reconciliations (Note)						359,366
Consolidated write-offs						(114,434)
Total amount recognized in balance sheet						20,492,765

(Continued)

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

Occurrence year	December 31, 2018					
	≤2013	2014	2015	2016	2017	2018
At the end of occurrence year	-	20,868,234	22,552,161	31,870,143	24,415,651	25,661,983
The first year	-	18,752,095	20,575,076	29,592,112	22,637,619	-
The second year	-	18,558,197	20,608,742	29,147,807	-	-
The third year	-	18,365,021	20,482,542	-	-	-
The fourth year	-	18,230,311	-	-	-	-
Estimation of accumulated claims	-	18,230,311	20,482,542	29,147,807	22,637,619	25,661,983
Accumulated claims paid	-	17,565,610	19,478,526	27,744,472	18,734,217	13,069,424
Subtotal	642,197	664,701	1,004,016	1,403,335	3,903,402	12,592,559
Reconciliations (Note)						351,775
Consolidated write-offs						(120,037)
Total amount recognized in balance sheet						20,441,948

  

Occurrence year	June 30, 2018					
	≤2013	2014	2015	2016	2017	2018
At the end of occurrence year	-	20,916,724	22,618,151	31,975,388	24,506,287	13,362,313
The first year	-	18,793,802	20,632,454	29,682,366	22,892,626	-
The second year	-	18,599,457	20,666,917	29,385,125	-	-
The third year	-	18,406,310	20,600,899	-	-	-
The fourth year	-	18,303,484	-	-	-	-
Estimation of accumulated claims	-	18,303,484	20,600,899	29,385,125	22,892,626	13,362,313
Accumulated claims paid	-	17,572,306	19,392,548	26,571,067	17,122,345	4,289,707
Subtotal	696,697	731,178	1,208,351	2,814,058	5,770,281	9,072,606
Reconciliations (Note)						342,495
Consolidated write-offs						(110,602)
Total amount recognized in balance sheet						20,525,064

Note: Reconciliations are indistributable paid off claims.

2. Sum of accumulated and reported claims, net

Occurrence year	June 30, 2019					
	≤2014	2015	2016	2017	2018	2019
At the end of occurrence year	-	16,623,946	18,313,417	19,083,376	19,982,973	11,273,457
The first year	-	15,592,043	17,369,172	17,862,517	19,288,564	-
The second year	-	15,554,067	17,322,370	17,807,982	-	-
The third year	-	15,474,349	17,278,174	-	-	-
The fourth year	-	15,425,945	-	-	-	-
Estimation of accumulated claims	-	15,425,945	17,278,174	17,807,982	19,288,564	11,273,457
Accumulated claims paid	-	15,195,700	16,851,570	16,343,861	15,588,463	3,848,897
Subtotal	305,075	230,245	426,604	1,464,121	3,700,101	7,424,560
Reconciliations (Note)						376,317
Total amount recognized in balance sheet						13,927,023

(Continued)



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

Occurrence year	December 31, 2018					
	≤2013	2014	2015	2016	2017	2018
At the end of occurrence year	-	15,491,526	16,602,093	18,285,579	19,052,171	19,955,358
The first year	-	14,058,371	15,572,648	17,344,652	17,836,776	-
The second year	-	14,078,684	15,534,336	17,297,652	-	-
The third year	-	13,959,088	15,454,640	-	-	-
The fourth year	-	13,908,222	-	-	-	-
Estimation of accumulated claims	-	13,908,222	15,454,640	17,297,652	17,836,776	19,955,358
Accumulated claims paid	-	13,698,841	14,978,906	16,451,466	15,472,493	11,039,931
Subtotal	493,170	209,381	475,734	846,186	2,364,283	8,915,427
Reconciliations (Note)						351,874
Total amount recognized in balance sheet						13,656,055

Occurrence year	June 30, 2018					
	≤2013	2014	2015	2016	2017	2018
At the end of occurrence year	-	15,528,372	16,656,289	18,354,469	19,128,628	10,125,094
The first year	-	14,090,931	15,620,635	17,405,201	18,114,917	-
The second year	-	14,111,410	15,583,161	17,323,146	-	-
The third year	-	13,991,841	15,529,083	-	-	-
The fourth year	-	13,965,711	-	-	-	-
Estimate of cumulative claims incurred	-	13,965,711	15,529,083	17,323,146	18,114,917	10,125,094
Accumulated claims paid	-	13,709,673	14,923,348	16,147,917	14,332,958	3,612,695
Subtotal	434,512	256,038	605,735	1,175,229	3,781,959	6,512,399
Reconciliations (Note)						342,630
Total amount recognized in balance sheet						13,108,502

Note: Reconciliations are indistributable paid off claims.

c) Credit risk, liquidity risk and market risk

i) Credit risk

The credit risk of insurance contracts comes mainly from reinsurance business. That is, the reinsurers' default or bad financial condition which leads to the inability to pay the reinsurance claims. Reinsurance contracts are arranged in accordance with the "Regulations Governing Insurance Enterprises Engaging in Operating Reinsurance and Other Risk Spreading Mechanisms". The reinsurers with whom Fubon Insurance and its subsidiaries reinsure are mostly reinsurers with better credit rating and qualify as authorized reinsurers. Relevant risk control procedures are also established to regularly keep track and monitor changes in the credit rating of reinsurers.

(Continued)

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

In compliance with article 5 of the “Regulations Governing the Provision of Unauthorized Reinsurance Reserves for Insurance Company”, transactions with unauthorized reinsurers are disclosed in the notes of financial statements which include summary of unauthorized reinsurance contracts and types of reinsurance, reinsurance premium expense of unauthorized reinsurance contracts, as well as general description of the amount of unauthorized reserve and its components.

1. As of June 30, 2019, the major unqualified reinsurance counterparties are listed below:
  - a. AMERICAN INTERNATIONAL GROUP UK LTD.: The facultative reinsurance of engineering insurance.
  - b. EMIRATES RETAKAFUL LIMITED: The facultative reinsurance of fire insurance.
  - c. ALLIANZ C.P. GENERAL INSURANCE COMPANY LIMITED: The facultative reinsurance of commercial fire insurance.
  - d. TUGU INSURANCE CO., LTD.: The facultative reinsurance of marine insurance.
  - e. BRIGHTSTAR RE. LTD.: The facultative reinsurance of new types of insurance.
  - f. TRUST INTERNATIONAL INSURANCE AND REINSURANCE CO. B.S.C. (C)TRUST RE, LABUAN: The facultative reinsurance of engineering insurance.
  - g. PAOFOONG INSURANCE COMPANY (HONG KONG) LIMITED: The facultative reinsurance of personal fire insurance.
  
2. As of December 31, 2018, the major unqualified reinsurance counterparties are listed below:
  - a. TRUST INTERNATIONAL INSURANCE AND REINSURANCE CO.B.S.C (C)TRUST RE, LABUAN: The facultative reinsurance of engineering insurance.
  - b. MILLI REASURANS T.A.S.(SINGAPORE BRANCH): The facultative reinsurance of fire insurance.
  - c. ALLIANZ C.P. GENERAL INSURANCE COMPANY LIMITED: The facultative reinsurance of commercial fire insurance.
  - d. TUGU INSURANCE CO., LTD.: The facultative reinsurance of marine insurance.

(Continued)

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

- e. TRUST INTERNATIONAL INSURANCE AND REINSURANCE CO.B.S.C (C)TRUST RE: The facultative reinsurance of marine insurance contracts.
  - f. BRIGHTSTAR RE. LTD.: The facultative reinsurance of new types of insurance.
  - g. EMIRATES RETAKAFUL LIMITED: The facultative reinsurance of engineering insurance.
  - h. PAOFOONG INSURANCE COMPANY (HONG KONG) LIMITED: The facultative reinsurance of personal fire insurance.
3. As of June 30, 2018, the major unqualified reinsurance counterparties are listed below:
- a. AIG EUROPE LIMITED: The facultative reinsurance of engineering insurance.
  - b. EMIRATES RETAKAFUL LIMITED: The facultative reinsurance of fire insurance.
  - c. SCHWARZMEER UND OSTSEE VERS-AG SOVAG (UK BRANCH): The facultative reinsurance of commercial fire insurance.
  - d. TUGU INSURANCE CO., LTD.: The facultative reinsurance of marine insurance.
  - e. MILLI REASURANS T.A.S. (SINGAPORE BRANCH): The facultative reinsurance of marine insurance.
  - f. BRIGHTSTAR RE. LTD.: The facultative reinsurance of new type of insurance.
  - g. RIVERSTONE FRANCE S.A.: The facultative reinsurance of engineering insurance.
  - h. PAOFOONG INSURANCE COMPANY (HONG KONG) LIMITED: The facultative reinsurance of personal fire insurance.
4. As of June 30, 2019, December 31 and June 30, 2018, the unauthorized reinsurance expenses amounted to \$25,595, \$143,431 and \$19,870, respectively.

(Continued)

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

5. As of June 30, 2019, December 31 and June 30, 2018, the reserve for unauthorized reinsurance amounted to \$220,006, \$301,880 and \$218,499, respectively. The components of this account include: (a) the unearned premium reserve of \$75,876, \$77,262 and \$40,114, respectively. (b) the claims recoverable from reinsurers of paid claims overdue in nine month amounted to \$88,390, \$123,953 and \$46,410, respectively. (c) the claims recoverable from reinsurers which were reported but unpaid amounted to \$55,740, \$100,665 and \$131,975, respectively.

ii) Liquidity risk

Insurance contracts which Fubon Insurance and its subsidiaries undertake are mostly policies that expire within 1 year. The liquidity risk from insurance contracts depends on whether Fubon Insurance and its subsidiaries' assets are able to cover significant claims in time when material claims occur. That is the liquidity risk of insurance contracts is mainly capital liquidity risk. Therefore, Fubon Insurance and its subsidiaries currently regularly review the liquidity risk management indicators to ensure that cash and cash equivalents, and realizable assets are greater than the liquidity risk limit to avoid liquidity shortages.

iii) Market risk

The market risk of insurance contracts arises mainly from the reserves provided for these insurance contracts, such as fluctuation of market interest rate.

According to the “Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprise”, the provisions which Fubon Insurance and its subsidiaries provided consist of the unearned premium reserve, claims reserve, special reserve, premium deficiency reserve, liability adequacy reserve and liability reserves. Unearned premium reserve of 3-year accident insurance are discounted with the interest rates set by competent authorities. Unearned premium reserve, claims reserve, special reserve, premium deficiency reserve and liability adequacy reserve of other insurance contracts are not discounted at the market rate. Therefore, changes in market interest rate do not have an impact on the estimated reserves.

Liability reserve is the repaid liability reserves provided for long-term fire insurance. Although this type of insurance product is not for sale anymore the liability reserve is still provided for the effective but unexpired insurance policies. Provision of liability reserve is determined by future repayments and the discount rate refers to unexpired average terms and previous markets rate trends. Since the product is not for sale anymore and only few are still effective, fluctuations of market rate do not have significant impact on provision of liability reserve and income of Fubon Insurance and its subsidiaries.

(Continued)

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

## (ii) Fubon Life Insurance and its subsidiaries

## 1) Various reserves

## a) Unearned premium reserves

<b>June 30, 2019</b>			
	<b>Insurance contracts</b>	<b>Financial instruments with discretionary participation</b>	<b>Total</b>
Individual life insurance	\$ 5,706	-	5,706
Individual injury insurance	3,723,620	-	3,723,620
Individual health insurance	3,401,827	-	3,401,827
Group insurance	1,739,375	-	1,739,375
Investment-linked insurance	85,893	-	85,893
Gross reserve	<u>8,956,421</u>	<u>-</u>	<u>8,956,421</u>
Deduction of provision for reinsurance ceded			
Individual life insurance	619,659	-	619,659
Individual injury insurance	19,959	-	19,959
Individual health insurance	19,564	-	19,564
Group insurance	95,692	-	95,692
Investment-linked insurance	11,137	-	11,137
Total ceded reserve	<u>766,011</u>	<u>-</u>	<u>766,011</u>
Net reserve	<u>\$ 8,190,410</u>	<u>-</u>	<u>8,190,410</u>
<b>December 31, 2018</b>			
	<b>Insurance contracts</b>	<b>Financial instruments with discretionary participation</b>	<b>Total</b>
Individual life insurance	\$ 4,700	-	4,700
Individual injury insurance	3,490,603	-	3,490,603
Individual health insurance	3,417,756	-	3,417,756
Group insurance	1,773,793	-	1,773,793
Investment-linked insurance	82,670	-	82,670
Gross reserve	<u>8,769,522</u>	<u>-</u>	<u>8,769,522</u>
Deduction of provision for reinsurance ceded			
Individual life insurance	679,109	-	679,109
Individual injury insurance	19,594	-	19,594
Individual health insurance	19,763	-	19,763
Group insurance	98,227	-	98,227
Investment-linked insurance	10,683	-	10,683
Total ceded reserve	<u>827,376</u>	<u>-</u>	<u>827,376</u>
Net reserve	<u>\$ 7,942,146</u>	<u>-</u>	<u>7,942,146</u>

(Continued)

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

	<b>June 30, 2018</b>		
	<b>Insurance</b>	<b>Financial</b>	
	<b>contracts</b>	<b>instruments with</b>	<b>Total</b>
		<b>discretionary</b>	
		<b>participation</b>	
Individual life insurance	\$ 2,037	-	2,037
Individual injury insurance	3,300,746	-	3,300,746
Individual health insurance	3,453,947	-	3,453,947
Group insurance	1,641,077	-	1,641,077
Investment-linked insurance	84,416	-	84,416
Gross reserve	<u>8,482,223</u>	<u>-</u>	<u>8,482,223</u>
Deduction of provision for reinsurance ceded			
Individual life insurance	598,055	-	598,055
Individual injury insurance	19,433	-	19,433
Individual health insurance	5,700	-	5,700
Group insurance	87,990	-	87,990
Investment-linked insurance	11,344	-	11,344
Total ceded reserve	<u>722,522</u>	<u>-</u>	<u>722,522</u>
Net reserve	<u>\$ 7,759,701</u>	<u>-</u>	<u>7,759,701</u>

The movements in unearned premium reserves were as follows:

	<b>For the six months ended June 30, 2019</b>		
	<b>Insurance</b>	<b>Financial</b>	
	<b>contracts</b>	<b>instruments with</b>	<b>Total</b>
		<b>discretionary</b>	
		<b>participation</b>	
Beginning balance	\$ 8,769,522	-	8,769,522
Current provisions	8,837,398	-	8,837,398
Current reclaims	(8,648,020)	-	(8,648,020)
Gain and loss on foreign exchange	(2,479)	-	(2,479)
Ending balance	<u>8,956,421</u>	<u>-</u>	<u>8,956,421</u>
Deduction of provision for ceded reinsurance			
Beginning balance	827,376	-	827,376
Current provisions	731,777	-	731,777
Current reclaims	(792,401)	-	(792,401)
Gain and loss on foreign exchange	(741)	-	(741)
Ending balance	<u>766,011</u>	<u>-</u>	<u>766,011</u>
Net ending balance	<u>\$ 8,190,410</u>	<u>-</u>	<u>8,190,410</u>

(Continued)

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

	<b>For the six months ended June 30, 2018</b>		
	<b>Insurance contracts</b>	<b>Financial instruments with discretionary participation</b>	<b>Total</b>
Beginning balance	\$ 8,290,265	-	8,290,265
Current provisions	8,482,170	-	8,482,170
Current reclaims	(8,290,265)	-	(8,290,265)
Gain and loss on foreign exchange	53	-	53
Ending balance	8,482,223	-	8,482,223
Deduction of provision for ceded reinsurance			
Beginning balance	568,381	-	568,381
Current provisions	722,503	-	722,503
Current reclaims	(568,381)	-	(568,381)
Gain and loss on foreign exchange	19	-	19
Ending balance	722,522	-	722,522
Net ending balance	\$ <b>7,759,701</b>	-	<b>7,759,701</b>

(Continued)

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

b) Claim reserves

	<b>June 30, 2019</b>		
	<b>Insurance contracts</b>	<b>Financial instruments with discretionary participation</b>	<b>Total</b>
Individual life insurance			
— Reported but not paid	\$ 3,266,015	4,744	3,270,759
— Incurred but not reported	292,987	-	292,987
Individual injury insurance			
— Reported but not paid	164,268	-	164,268
— Incurred but not reported	506,923	-	506,923
Individual health insurance			
— Reported but not paid	494,492	-	494,492
— Incurred but not reported	961,154	-	961,154
Group insurance			
— Reported but not paid	67,026	-	67,026
— Incurred but not reported	415,675	-	415,675
Investment-linked insurance			
— Reported but not paid	95,473	-	95,473
— Incurred but not reported	56,794	-	56,794
Total reserve	<u>6,320,807</u>	<u>4,744</u>	<u>6,325,551</u>
Deduction of provision for reinsurance ceded			
Individual life insurance	155,195	-	155,195
Individual injury insurance	34,141	-	34,141
Individual health insurance	57,551	-	57,551
Group insurance	7,253	-	7,253
Investment-linked insurance	7,748	-	7,748
Total ceded reserve	<u>261,888</u>	<u>-</u>	<u>261,888</u>
Net reserve	<u>\$ 6,058,919</u>	<u>4,744</u>	<u>6,063,663</u>

(Continued)



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

	December 31, 2018		
	Insurance contracts	Financial instruments with discretionary participation	Total
Individual life insurance			
— Reported but unpaid	\$ 2,511,767	1,353	2,513,120
— Incurred but not reported	299,982	-	299,982
Individual injury insurance			
— Report but unpaid	155,415	-	155,415
— Incurred but not reported	504,174	-	504,174
Individual health insurance			
— Reported but unpaid	473,151	-	473,151
— Incurred but not reported	985,558	-	985,558
Group insurance			
— Reported but unpaid	77,457	-	77,457
— Incurred but not reported	437,664	-	437,664
Investment-linked insurance			
— Reported but unpaid	77,631	-	77,631
— Incurred but not reported	48,238	-	48,238
Total reserve	<u>5,571,037</u>	<u>1,353</u>	<u>5,572,390</u>
Deduction of provision for reinsurance ceded			
Individual life insurance	148,570	-	148,570
Individual injury insurance	33,992	-	33,992
Individual health insurance	52,219	-	52,219
Group insurance	1,939	-	1,939
Investment-linked insurance	7,812	-	7,812
Total ceded reserve	<u>244,532</u>	<u>-</u>	<u>244,532</u>
Net reserve	<u>\$ 5,326,505</u>	<u>1,353</u>	<u>5,327,858</u>

(Continued)

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

	<b>June 30, 2018</b>		
	<b>Insurance contracts</b>	<b>Financial instruments with discretionary participation</b>	<b>Total</b>
Individual life insurance			
— Reported but not paid	\$ 406,576	4,342	410,918
— Incurred but not reported	3,452	-	3,452
Individual injury insurance			
— Report but not paid	76,531	-	76,531
— Incurred but not reported	339,440	-	339,440
Individual health insurance			
— Reported but not paid	181,297	-	181,297
— Incurred but not reported	576,371	-	576,371
Group insurance			
— Reported but not paid	56,715	-	56,715
— Incurred but not reported	351,856	-	351,856
Investment-linked insurance			
— Reported but not paid	78,941	-	78,941
— Incurred but not reported	66,834	-	66,834
Total reserve	<u>2,138,013</u>	<u>4,342</u>	<u>2,142,355</u>
Deduction of provision for reinsurance ceded			
Individual life insurance	21,146	-	21,146
Individual injury insurance	33,165	-	33,165
Group insurance	6,205	-	6,205
Investment-linked insurance	12,220	-	12,220
Total ceded reserve	<u>72,736</u>	<u>-</u>	<u>72,736</u>
Net reserve	<u>\$ 2,065,277</u>	<u>4,342</u>	<u>2,069,619</u>

(Continued)

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

The movements in claims reserve were as follows:

	<b>For the six months ended June 30, 2019</b>		
	<b>Insurance contracts</b>	<b>Financial instruments with discretionary participation</b>	<b>Total</b>
Beginning balance	\$ 5,571,037	1,353	5,572,390
Current provisions	3,257,645	4,744	3,262,389
Current reclaims	(2,436,358)	(1,353)	(2,437,711)
Gain and loss on foreign exchange	(71,517)	-	(71,517)
Ending balance	<u>6,320,807</u>	<u>4,744</u>	<u>6,325,551</u>
Deduction of provision for ceded reinsurance			
Beginning balance	244,532	-	244,532
Current provisions	84,040	-	84,040
Current reclaims	(62,644)	-	(62,644)
Gain and loss on foreign exchange	(4,040)	-	(4,040)
Ending balance	<u>261,888</u>	<u>-</u>	<u>261,888</u>
Net ending balance	<u>\$ 6,058,919</u>	<u>4,744</u>	<u>6,063,663</u>

(Continued)

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

	<b>For the six months ended June 30, 2018</b>		
	<b>Insurance contracts</b>	<b>Financial instruments with discretionary participation</b>	<b>Total</b>
Beginning balance	\$ 2,359,925	2,348	2,362,273
Current provisions	2,138,022	4,342	2,142,364
Current reclaims	(2,359,925)	(2,348)	(2,362,273)
Gain and loss on foreign exchange	(9)	-	(9)
Ending balance	2,138,013	4,342	2,142,355
Deduction of provision for ceded reinsurance			
Beginning balance	122,918	-	122,918
Current provisions	72,736	-	72,736
Current reclaims	(122,918)	-	(122,918)
Ending balance	72,736	-	72,736
Net ending balance	\$ 2,065,277	4,342	2,069,619

c) Liability reserve:

	<b>June 30, 2019</b>		
	<b>Insurance contracts</b>	<b>Financial instruments with discretionary participation</b>	<b>Total</b>
Life insurance	\$ 3,194,671,998	-	3,194,671,998
Injury insurance	1,459,748	-	1,459,748
Health insurance	296,398,779	-	296,398,779
Annuity insurance	69,645,067	138,549,317	208,194,384
Investment-linked insurance	125,781	-	125,781
Total (Note 1)	3,562,301,373	138,549,317	3,700,850,690
Deduction of liability reserve ceded			
Life insurance	3,427	-	3,427
Net reserve (Note 1)	\$ 3,562,297,946	138,549,317	3,700,847,263

Note 1: As of June 30, 2019, liability reserve amounted to \$3,701,060,470 after adding the “liability reserve— payment for pending policyholders”, amounted to \$3,701,057,043 after subtracting the liability reserve ceded.

(Continued)

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

	<b>December 31, 2018</b>		
	<b>Insurance contracts</b>	<b>Financial instruments with discretionary participation</b>	<b>Total</b>
Life insurance	\$ 3,072,984,578	-	3,072,984,578
Injury insurance	1,556,740	-	1,556,740
Health insurance	285,630,348	-	285,630,348
Annuity insurance	70,998,972	138,958,769	209,957,741
Investment-linked insurance	117,295	-	117,295
Total (Note 2)	<u>3,431,287,933</u>	<u>138,958,769</u>	<u>3,570,246,702</u>
Deduction of liability reserve ceded			
Life insurance	1,791	-	1,791
Net reserve (Note 2)	<u>\$ 3,431,286,142</u>	<u>138,958,769</u>	<u>3,570,244,911</u>

Note 2: As of December 31, 2018, liability reserve amounted to \$3,570,457,096 after adding the “liability reserve – payment for pending policyholders”.

	<b>June 30, 2018</b>		
	<b>Insurance contracts</b>	<b>Financial instruments with discretionary participation</b>	<b>Total</b>
Life insurance	\$ 2,845,152,760	-	2,845,152,760
Injury insurance	698,702	-	698,702
Health insurance	256,440,732	-	256,440,732
Annuity insurance	1,238,392	142,766,321	144,004,713
Investment-linked insurance	116,364	-	116,364
Total (Note 3)	<u>3,103,646,950</u>	<u>142,766,321</u>	<u>3,246,413,271</u>
Deduction of liability reserve ceded			
Life insurance	824	-	824
Net reserve (Note 3)	<u>\$ 3,103,646,126</u>	<u>142,766,321</u>	<u>3,246,412,447</u>

Note 3: As of June 30, 2018, liability reserve amounted to \$3,246,497,308 after adding the “liability reserve – payment for pending policyholders”, amounted to \$3,246,496,484 after subtracting the liability reserve ceded.

(Continued)

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

The movements in the liability reserve were as follows:

	<b>For the six months ended June 30, 2019</b>		
	<b>Insurance contracts</b>	<b>Financial instruments with discretionary participation</b>	<b>Total</b>
Beginning balance	\$ 3,431,287,933	138,958,769	3,570,246,702
Current provisions	300,537,319	11,199,750	311,737,069
Current reclaims	(173,067,420)	(11,609,202)	(184,676,622)
Gain and loss on foreign exchange	3,543,541	-	3,543,541
Ending balance	<u>3,562,301,373</u>	<u>138,549,317</u>	<u>3,700,850,690</u>
Deduction of liability reserve ceded			
Beginning balance	1,791	-	1,791
Current provisions	1,611	-	1,611
Gain and loss on foreign exchange	25	-	25
Ending balance	<u>3,427</u>	<u>-</u>	<u>3,427</u>
Net ending balance	<u>\$ 3,562,297,946</u>	<u>138,549,317</u>	<u>3,700,847,263</u>
	<b>For the six months ended June 30, 2018</b>		
	<b>Insurance contracts</b>	<b>Financial instruments with discretionary participation</b>	<b>Total</b>
Beginning balance	\$ 2,945,363,140	146,615,847	3,091,978,987
Current provisions	259,489,047	5,659,815	265,148,862
Current reclaims	(113,358,015)	(9,509,341)	(122,867,356)
Gain and loss on foreign exchange	12,152,778	-	12,152,778
Ending balance	<u>3,103,646,950</u>	<u>142,766,321</u>	<u>3,246,413,271</u>
Deduction of liability reserve ceded			
Beginning balance	793	-	793
Current provisions	14	-	14
Gain and loss on foreign exchange	17	-	17
Ending balance	<u>824</u>	<u>-</u>	<u>824</u>
Net ending balance	<u>\$ 3,103,646,126</u>	<u>142,766,321</u>	<u>3,246,412,447</u>

(Continued)

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

d) Special reserves

	<b>June 30, 2019</b>			
	<b>Insurance contracts</b>	<b>Financial instruments with discretionary participation</b>	<b>Others</b>	<b>Total</b>
Dividend provision for participation policies	\$ 8,334,207	-	-	8,334,207
Valuation surplus gain for investment property	-	-	652,267	652,267
<b>Total</b>	<b>\$ 8,334,207</b>	<b>-</b>	<b>652,267</b>	<b>8,986,474</b>

  

	<b>December 31, 2018</b>			
	<b>Insurance contracts</b>	<b>Financial instruments with discretionary participation</b>	<b>Others</b>	<b>Total</b>
Dividend provision for participation policies	\$ 8,220,920	-	-	8,220,920
Valuation surplus gain for investment property	-	-	652,267	652,267
<b>Total</b>	<b>\$ 8,220,920</b>	<b>-</b>	<b>652,267</b>	<b>8,873,187</b>

  

	<b>June 30, 2018</b>			
	<b>Insurance contracts</b>	<b>Financial instruments with discretionary participation</b>	<b>Others</b>	<b>Total</b>
Dividend provision for participation policies	\$ 7,125,880	-	-	7,125,880
Valuation surplus gain for investment property	-	-	652,267	652,267
<b>Total</b>	<b>\$ 7,125,880</b>	<b>-</b>	<b>652,267</b>	<b>7,778,147</b>

The movements in special reserves were as follows:

	<b>For the six months ended June 30, 2019</b>			
	<b>Insurance contracts</b>	<b>Financial instruments with discretionary participation</b>	<b>Others</b>	<b>Total</b>
Beginning balance	\$ 8,220,920	-	652,267	8,873,187
Provision for dividend provision for participating policies	118,391	-	-	118,391
Gain and loss on foreign exchange	(5,104)	-	-	(5,104)
<b>Ending balance</b>	<b>\$ 8,334,207</b>	<b>-</b>	<b>652,267</b>	<b>8,986,474</b>

(Continued)

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

For the six months ended June 30, 2018				
	Insurance contracts	Financial instruments with discretionary participation	Others	Total
Beginning balance	\$ 7,251,155	-	652,267	7,903,422
Provision for dividend provision for participating policies	(126,012)	-	-	(126,012)
Gain and loss on foreign exchange	737	-	-	737
Ending balance	\$ 7,125,880	-	652,267	7,778,147
e) Premium deficiency reserve				
June 30, 2019				
	Insurance contracts	Financial instruments with discretionary participation	Total	
Individual life insurance	\$ 13,999,163	-	13,999,163	
Individual health insurance	230,703	-	230,703	
Total	\$ 14,229,866	-	14,229,866	
December 31, 2018				
	Insurance contracts	Financial instruments with discretionary participation	Total	
Individual life insurance	\$ 14,990,055	-	14,990,055	
Individual injury insurance	775	-	775	
Individual health insurance	258,743	-	258,743	
Group insurance	11,429	-	11,429	
Investment-linked product	685	-	685	
Total	\$ 15,261,687	-	15,261,687	

(Continued)



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

	<b>June 30, 2018</b>		
	<b>Insurance contracts</b>	<b>Financial instruments with discretionary participation</b>	<b>Total</b>
Individual life insurance	\$ 17,368,110	-	17,368,110
Individual injury insurance	708	-	708
Individual health insurance	294,816	-	294,816
Group insurance	6,271	-	6,271
Investment-linked product	497	-	497
<b>Total</b>	<b>\$ 17,670,402</b>	<b>-</b>	<b>17,670,402</b>

The movements in premium deficiency reserve were as follows:

	<b>For the six months ended June 30, 2019</b>		
	<b>Insurance contracts</b>	<b>Financial instruments with discretionary participation</b>	<b>Total</b>
Beginning balance	\$ 15,261,687	-	15,261,687
Current reversal of provision, net	(1,064,164)	-	(1,064,164)
Gain and loss on foreign exchange	32,343	-	32,343
<b>Ending balance</b>	<b>\$ 14,229,866</b>	<b>-</b>	<b>14,229,866</b>

	<b>For the six months ended June 30, 2018</b>		
	<b>Insurance contracts</b>	<b>Financial instruments with discretionary participation</b>	<b>Total</b>
Beginning balance	\$ 19,937,823	-	19,937,823
Current reversal of provision, net	(2,311,863)	-	(2,311,863)
Gain and loss on foreign exchange	44,442	-	44,442
<b>Ending balance</b>	<b>\$ 17,670,402</b>	<b>-</b>	<b>17,670,402</b>

(Continued)

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

f) Liability adequacy reserve

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

<b>Financial instruments with discretionary participation</b>	<b>June 30, 2019</b>	<b>December 31, 2018</b>	<b>June 30, 2018</b>
Liability reserve	\$ 3,669,348,543	3,542,522,896	3,238,991,412
Unearned premium reserves	8,953,461	8,766,935	8,480,380
Premium deficiency reserve	13,562,288	15,048,129	17,624,694
Special reserves	8,614,959	8,546,098	7,752,327
Claim reserves	2,617,141	2,437,711	2,142,147
Carrying amount of insurance liabilities	<u>\$ 3,703,096,392</u>	<u>3,577,321,769</u>	<u>3,274,990,960</u>
Current estimate of future cash flows under its insurance liabilities	<u>\$ 2,812,681,674</u>	<u>2,778,770,182</u>	<u>2,453,287,860</u>
Total liability adequacy reserve	<u>\$ -</u>	<u>-</u>	<u>-</u>

The liability adequacy test method adopted by Fubon Life Insurance as of June 30, 2019, December 31 and June 30, 2018, was as the following:

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

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

(Continued)

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

- g) Special reserve (catastrophic risk reserve and special reserves for fluctuation of risks):

	<b>June 30, 2019</b>			
	<b>Insurance contracts</b>	<b>Financial instruments with discretionary participation</b>	<b>Others</b>	<b>Total</b>
Catastrophic risk reserve	\$ 3,647,385	-	-	3,647,385
Contingency risk reserve	2,789,051	-	-	2,789,051
<b>Total</b>	<b>\$ 6,436,436</b>	<b>-</b>	<b>-</b>	<b>6,436,436</b>

	<b>December 31, 2018</b>			
	<b>Insurance contracts</b>	<b>Financial instruments with discretionary participation</b>	<b>Others</b>	<b>Total</b>
Catastrophic risk reserve	\$ 3,647,385	-	-	3,647,385
Contingency risk reserve	2,789,051	-	-	2,789,051
<b>Total</b>	<b>\$ 6,436,436</b>	<b>-</b>	<b>-</b>	<b>6,436,436</b>

	<b>June 30, 2018</b>			
	<b>Insurance contracts</b>	<b>Financial instruments with discretionary participation</b>	<b>Others</b>	<b>Total</b>
Catastrophic risk reserve	\$ 3,375,135	-	-	3,375,135
Contingency risk reserve	2,782,027	-	-	2,782,027
<b>Total</b>	<b>\$ 6,157,162</b>	<b>-</b>	<b>-</b>	<b>6,157,162</b>

- h) Other reserves

- i) Reserve for insurance contract with nature of financial instruments

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

	<b>June 30, 2019</b>	<b>December 31, 2018</b>	<b>June 30, 2018</b>
Life insurance	\$ <u>3,579,131</u>	<u>3,523,635</u>	<u>3,757,529</u>

(Continued)

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

	<b>For the six months ended June 30</b>	
	<b>2019</b>	<b>2018</b>
Beginning balance	\$ 3,523,635	3,744,674
Current premiums collected	145	310
Current claims payment	(15,959)	(54,519)
Current net provision for legal reserve	71,310	67,064
Ending balance	<b>\$ 3,579,131</b>	<b>3,757,529</b>

ii) Foreign exchange fluctuation reserve

1. Hedging strategy and risk exposure

The foreign exchange hedging strategy is primarily perfect hedge, together with natural hedge and currency proxy hedge. To ensure the effectiveness and appropriateness of hedging, the rationality of the hedging cost is considered and the hedging strategy and hedging proportion are vigorously adjusted. The frequency and level of foreign exchange hedge considers the foreign exchange fluctuation risk.

2. The movements in foreign exchange fluctuation reserve were as follows:

	<b>For the six months ended June 30</b>	
	<b>2019</b>	<b>2018</b>
Beginning balance	\$ 8,337,666	2,305,484
Current provision :		
Compulsory provision	2,384,205	1,241,449
Additional provision	4,914,634	1,905,206
Subtotal	7,298,839	3,146,655
Recovered	(3,798,977)	(930,236)
Ending balance	<b>\$ 11,837,528</b>	<b>4,521,903</b>

3. Effect of foreign exchange fluctuation reserve

<b>Item</b>	<b>Unapplied amount</b>	<b>Applied amount</b>	<b>Effected amount</b>
<b>June 30, 2019</b>			
Foreign exchange fluctuation reserve	\$ -	11,837,528	(11,837,528)
Owner's equity	300,343,593	292,478,733	7,864,860

(Continued)

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

<u>Item</u>	<u>Unapplied amount</u>	<u>Applied amount</u>	<u>Effectuated amount</u>			
<b>December 31, 2018</b>						
Foreign exchange fluctuation reserve	\$ -	8,337,666	(8,337,666)			
Owner's equity	205,924,071	200,859,101	5,064,970			
<b>June 30, 2018</b>						
Foreign exchange fluctuation reserve	\$ -	4,521,903	(4,521,903)			
Owner's equity	257,548,984	255,536,624	2,012,360			
<b>For the six months ended June 30</b>						
	<b>2019</b>			<b>2018</b>		
<u>Item</u>	<u>Unapplied amount</u>	<u>Applied amount</u>	<u>Effectuated amount</u>	<u>Unapplied amount</u>	<u>Applied amount</u>	<u>Effectuated amount</u>
Net income	\$ 13,696,052	10,896,162	2,799,890	20,856,837	19,083,702	1,773,135
Earnings per share	1.24	0.98	0.26	1.88	1.72	0.16

- i) Deferred acquisition cost and deferred handling fees
- i) Deferred acquisition cost

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

	<b>For the six months ended June 30</b>	
	<b>2019</b>	<b>2018</b>
Beginning balance	\$ 520,024	421,434
Addition	60,721	57,277
Amortization	(10,825)	(11,540)
Ending balance	<u>\$ 569,920</u>	<u>467,171</u>

(Continued)

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

ii) Deferred service fees

The service fees incurred on investment management service were deferred in connection with the sales of investment-linked insurance policies, which are classified as financial instrument without discretionary participation features. The movements in deferred service fees were as follows:

	<b>For the six months ended June 30</b>	
	<b>2019</b>	<b>2018</b>
Beginning balance	\$ 1,423,865	1,160,950
Addition	166,109	150,389
Amortization	(25,401)	(27,037)
Ending balance	<u>\$ 1,564,573</u>	<u>1,284,302</u>

j) Retained earned premiums and retained claims payment.

i) Retained earned premiums

	<b>For the three months ended June 30, 2019</b>		
	<b>Insurance contracts</b>	<b>Financial instruments with discretionary participation</b>	<b>Total</b>
Direct written premiums	\$ 154,352,022	5,697,561	160,049,583
Reinsurance premium	-	-	-
Premium income	<u>154,352,022</u>	<u>5,697,561</u>	<u>160,049,583</u>
Less: Reinsurance premium expenditure	(668,401)	-	(668,401)
Net change in unearned premium reserve	(116,657)	-	(116,657)
Subtotal	<u>(785,058)</u>	<u>-</u>	<u>(785,058)</u>
Retained earned premiums	<u>\$ 153,566,964</u>	<u>5,697,561</u>	<u>159,264,525</u>

(Continued)

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

	<b>For the three months ended June 30, 2018</b>		
	<b>Insurance contracts</b>	<b>Financial instruments with discretionary participation</b>	<b>Total</b>
Direct written premium	\$ 119,742,152	2,127,419	121,869,571
Reinsurance premium	-	-	-
Premium income	<u>119,742,152</u>	<u>2,127,419</u>	<u>121,869,571</u>
Less: Reinsurance premium expenditure	(643,725)	-	(643,725)
Net change in unearned premium reserve	42,872	-	42,872
Subtotal	<u>(600,853)</u>	<u>-</u>	<u>(600,853)</u>
Retained earned premiums	<u><b>\$ 119,141,299</b></u>	<u><b>2,127,419</b></u>	<u><b>121,268,718</b></u>
	<b>For the six months ended June 30, 2019</b>		
	<b>Insurance contracts</b>	<b>Financial instruments with discretionary participation</b>	<b>Total</b>
Direct written premium	\$ 306,740,610	10,137,908	316,878,518
Reinsurance premium	-	-	-
Premium income	<u>306,740,610</u>	<u>10,137,908</u>	<u>316,878,518</u>
Less: Reinsurance premium expenditure	(1,205,463)	-	(1,205,463)
Net change in unearned premium reserve	(250,002)	-	(250,002)
Subtotal	<u>(1,455,465)</u>	<u>-</u>	<u>(1,455,465)</u>
Retained earned premiums	<u><b>\$ 305,285,145</b></u>	<u><b>10,137,908</b></u>	<u><b>315,423,053</b></u>

(Continued)

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

	<b>For the six months ended June 30, 2018</b>		
	<b>Insurance contracts</b>	<b>Financial instruments with discretionary participation</b>	<b>Total</b>
Direct written premium	\$ 247,874,466	4,537,345	252,411,811
Reinsurance premium	-	-	-
Premium income	247,874,466	4,537,345	252,411,811
Less: Reinsurance premium expenditure	(969,367)	-	(969,367)
Net change in unearned premium reserve	(37,783)	-	(37,783)
Subtotal	(1,007,150)	-	(1,007,150)
Retained earned premiums	<b>\$ 246,867,316</b>	<b>4,537,345</b>	<b>251,404,661</b>
ii) Retained claims payment			

	<b>For the three months ended June 30, 2019</b>		
	<b>Insurance contracts</b>	<b>Financial instruments with discretionary participation</b>	<b>Total</b>
Claims payment incurred	\$ 122,561,080	6,484,870	129,045,950
Reinsurance claims payment incurred	12	-	12
Insurance claims payment	122,561,092	6,484,870	129,045,962
Less: Claims payment recovered from reinsures	(346,430)	-	(346,430)
Retained claims payment	<b>\$ 122,214,662</b>	<b>6,484,870</b>	<b>128,699,532</b>

(Continued)



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

	<u>For the three months ended June 30, 2018</u>		
	<u>Insurance contracts</u>	<u>Financial instruments with discretionary participation</u>	<u>Total</u>
Claims payment incurred	\$ 75,183,657	4,824,963	80,008,620
Reinsurance claims payment incurred	8	-	8
Insurance claims payment	75,183,665	4,824,963	80,008,628
Less: Claims payment recovered from reinsures	(282,580)	-	(282,580)
Retained claims payment	<u>\$ 74,901,085</u>	<u>4,824,963</u>	<u>79,726,048</u>
	<u>For the six months ended June 30, 2019</u>		
	<u>Insurance contracts</u>	<u>Financial instruments with discretionary participation</u>	<u>Total</u>
Claims payment incurred	\$ 212,495,048	11,921,342	224,416,390
Reinsurance claims payment incurred	32	-	32
Insurance claims payment	212,495,080	11,921,342	224,416,422
Less: Claims payment recovered from reinsures	(722,292)	-	(722,292)
Retained claims payment	<u>\$ 211,772,788</u>	<u>11,921,342</u>	<u>223,694,130</u>

(Continued)

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

	<b>For the six months ended June 30, 2018</b>		
	<b>Insurance contracts</b>	<b>Financial instruments with discretionary participation</b>	<b>Total</b>
Claims payment incurred	\$ 133,024,143	9,622,772	142,646,915
Reinsurance claims payment incurred	26	-	26
Insurance claims payment	133,024,169	9,622,772	142,646,941
Less: Claims payment recovered from reinsures	(512,275)	-	(512,275)
Retained claims payment	<b>\$ 132,511,894</b>	<b>9,622,772</b>	<b>142,134,666</b>

- 2) Nature and extent of insurance contract risk
- a) Objectives, policies procedures and methods for the insurance contract risk management.
- i) The organization of risk management

Risk Management Committee, convened by independent directors and subordinated to the Board, supervises the overall risk management of Fubon Life Insurance and reports the recent progress of risk management to the Board regularly. In order to effectively review the risk management operation, specific committees are set up:

1. Assets and Liabilities Management Committee: The chairman of Fubon Life Insurance serves as the chairman of the committee. As part of its oversight responsibility, the committee considers the balance between assets and liabilities, set up strategic target of assets and liabilities and supervise the execution process.

(Continued)

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

2. Operational Risk Management Committee: It is convened by the president to supervise and manage the operational risk of Fubon Life Insurance in order to ensure that management adopts appropriate risk management procedures within its authority. Furthermore, in order to assist all business units to carry out risk control and to coordinate other risk control affairs, Fubon Life Insurance's board of directors designates a chief risk officer to handle a risk management department which is independent of all business units. This risk management department executes or assists to execute risk control in accordance with the risk management policy, organization rules governing the Risk Management Committee and organization rules governing the risk related committee. Fubon Life Insurance has established diverse risk management policy and regulation, stop-loss limit mechanism, internal tiers authorization system and criteria for risk measurement to facilitate effective risk management.

The risk management mechanism of Fubon Life Insurance's subsidiaries is handled in accordance with relevant government regulations and Fubon Life Insurance's risk management regulations. It manages and controls risks such as market, credit and liquidity and regularly measures and evaluates the overall investment position as well as issues internal control reports for managing and evaluating various risks.

ii) Risk management strategy

A Risk Management Policy was announced with the consent of the board of directors. This policy regulates the strategy and target as well as the mechanism of risk management. The risk management strategy is in line with the regulation on overall operation target, management strategy and risk management. It aims to establish appropriate risk management system and management procedures purposely to identify, evaluate, measure, supervise, respond to and report potential risk. Through the establishment of risk management policies, clear risk management objectives, control methods and responsibilities, to ensure that the operating capital is adequate and to create shareholder profits.

Subsidiaries of Fubon Life Insurance also have established the risk management policies or procedures as the basis for risk management.

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

b) Insurance risk management

i) Underwriting risk management

Underwriting risk refers to the unexpected risk arising from soliciting new insurance policies, reviewing underwriting business, and relevant expenditure disbursement. In order to control underwriting risk, Fubon Life Insurance has classified it into the following types to facilitate the control process, which consists of evaluating information and resources to determine how an individual will be classified.

1. Risk of policyholder concealment
2. Risk of insurance content
3. Occupational and financial risk
4. Risk of health conditions
5. Risk of the lack of experience of the underwriter
6. Risk of retention
7. Risk of operation quality.

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

ii) Claim risk management

Claim risk refers to the risk arising from adopting inappropriate or negligent procedures on claims settlement procedure. In order to control claim risk, claim risk is categorized into four management interfaces, such as reason of occurrence, frequency of occurrence of risk, classification of risk and effect of the risk. The property of the claim risk is assessed through the multiple-dimension table and risk tolerance level to control the claim risk. Aside from establishing the “Claim Settlement System and Procedures” based on the “Regulations Governing new insurance policy Soliciting, Underwriting and Claim Settlement of Insurance Enterprises” to enhance professional training and morality of claims personnel as well as the control procedures to lessen operational negligence, Fubon Life Insurance also monitors the correctness, timeliness, policy holder complaint ratio and actual loss ratio through the tiers authorization management of the claims personnel.

(Continued)

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

iii) Product design and pricing risk management

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

iv) Reserve risk management

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

v) Catastrophe risk and reinsurance risk

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

1. Catastrophe risk

Based on Fubon Life Insurance’s experience, the retention and reinsurance limits are set up and are regularly reviewed. These limits are also applicable to insurance for calamities like earthquakes, typhoons, and air-crash by using scenario analysis and take into account the inter-insurance accumulated losses derived from risk accumulation.

(Continued)

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

2. Reinsurance risk

An annual reinsurance risk management plan is established in conformity with the “Regulations Governing Insurance Enterprises Engaging in Operating Reinsurance and Other Risk Spreading Mechanisms” as part of Fubon Life Insurance’s annual reinsurance policy. This plan includes retention risk management, ceded insurance risk management, assumed insurance risk management, intra-group in conjunction with reinsurance risk management.

The credit rating of the reinsurers is also monitored monthly. The credit rating is evaluated based on article 8 of “Regulations Governing Insurance Enterprises Engaging in Operating Reinsurance and Other Risk Spreading Mechanisms”. Under these regulations, reinsurers or insurance organizations with a credit rating above a certain level from an international credit rating agency (ie. BBB- or higher by Standard & Poor’s Corporation or its equivalent credit rating from agencies endorsed by the authority) are eligible as reinsurers to whom an insurance enterprise may cede its business. Fubon Life Insurance currently adopts Standard and Poor’s A- or above as its guideline regarding newly incorporated reinsurers.

vi) Assets and liabilities combination risk

1. To enhance the overall assets and liabilities allocation, maintain adequate liquidity, and improve capital performance to maximize entire returns, the management monitors compliance of Fubon Life Insurance with the relevant government regulations. In addition, through the establishment of Assets and Liabilities Management Committee, the management keeps track of the issues related to the cash flow allocation of assets and liabilities, and establishes assets and liabilities management related regulation which enable Fubon Life Insurance to sustain adequate capital to cover the potential risk from business operation.
2. The Assets and Liabilities Management Committee holds meetings monthly and the responsible department in Fubon Life Insurance and its subsidiaries performs the cash flow test using the spot interest rate and estimates the earnings at the end of each year to ensure the company's solvency. In addition, the Risk-Based Capital ratio is examined and simulated via important elements to execute sensitivity analysis which serves as the reference for capital adequacy decision. Furthermore, the change between Venture Capital and equity fund is analyzed to identify the reason for such changes and capital liquidity risk analysis is performed by using the accumulated net cash flow in a year and the accumulated net cash flow in 5 years as the benchmark for risk management.

(Continued)

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

vii) Risk management report

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

c) Information of insurance risk

- i) Sensitivity of insurance risk – insurance contracts and financial instruments with discretionary feature:

	<b>For the six months ended June 30, 2019</b>		
	<b>Change in assumption</b>	<b>Change in income before tax</b>	<b>Change in stockholder's equity</b>
Mortality/Morbidity	Increase 10 %	(1,616,629)	(1,291,256)
Rate of return	Decrease 0.1 %	(1,970,271)	(1,574,237)
Expense (fixed expense)	Increase 5 %	(242,474)	(192,966)
Lapse and surrender rate	Increase 10 %	131,627	105,135

(Continued)

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

<b>For the six months ended June 30, 2018</b>				
		<b>Change in assumption</b>	<b>Change in income before tax</b>	<b>Change in stockholder's equity</b>
Mortality/Morbidity	Increase	10 %	(1,404,759)	(1,123,807)
Rate of return	Decrease	0.1 %	(1,734,689)	(1,387,751)
Expense (fixed expense)	Increase	5 %	(185,450)	(148,360)
Lapse and surrender rate	Increase	10 %	116,540	93,232

The sensitivity analysis requires evaluating the impact to the profit before tax/ equity under the circumstance in which only one factor change and the others remain constant.

Fubon Life Insurance uses a pre-tax rate of 20% and Fubon Hyundai Life Insurance Co., Ltd. uses a pre-tax rate of 22%, respectively, as well as other factors, including mortality, morbidity, rate of return, expense rate and lapse rate, in evaluating the impact on equity. The sensitivity analysis does not include the information of Vietnam Fubon Life Insurance and Fubon Life Insurance (Hong Kong). Such exclusion is due to the fact that the retention of earned premiums accounted for very little proportion of the consolidated retention of earned premiums and is not expected to affect the result of the sensitivity analysis.

ii) Insurance risk concentration

Fubon Life Insurance and its subsidiaries sell insurances, which include life insurance, annuity insurance, accident insurance and health insurance. Since insurance contracts are mainly issued in Taiwan, the insurance risk is concentrated in Taiwan.

(Continued)



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

iii) Claim development trend

1. Development trend of claims payment incurred

Cumulative claims payments from prior years and the balance adjusted to Fubon Life and its subsidiaries' balance sheets are as follows:

June 30, 2019 (Fubon Life Insurance)

Occurrence year	Development year							Claim provision
	1	2	3	4	5	6	7	
2013	3,970,050	4,725,262	4,813,040	4,826,369	4,833,979	4,836,819	4,838,468	-
2014	4,172,446	5,113,019	5,173,291	5,183,758	5,193,828	5,197,247	-	-
2015	4,605,165	5,558,277	5,666,297	5,694,273	5,701,846	-	-	5,026
2016	5,070,166	6,224,855	6,352,169	6,371,400	-	-	-	18,176
2017	5,431,814	6,649,814	6,743,040	-	-	-	-	82,809
2018	5,723,578	6,815,222	-	-	-	-	-	831,300
2019	2,503,083	-	-	-	-	-	-	598,191
IBNR Reserve								1,535,502
Plus: RBNA Reserve (including Fubon Life Insurance (Vietnam))								1,066,205
The balance of claim reserve								2,601,707

June 30, 2019 (Fubon Hyundai Life Insurance)

Occurrence year	Development year					Claim provision
	1	2	3	4	5	
2015	1,518,760	1,828,364	1,869,528	1,878,618	1,885,589	-
2016	1,558,647	1,950,262	1,995,025	2,022,917	-	9,478
2017	1,629,028	2,016,329	2,080,742	-	-	33,443
2018	1,628,459	1,998,347	-	-	-	103,293
2019	1,631,959	-	-	-	-	536,029
IBNR Reserve						682,243
Plus: RBNA Reserve						3,025,813
The balance of claim reserve						3,708,056

December 31, 2018 (Fubon Life Insurance)

Occurrence year	Development year							Claim provision
	1	2	3	4	5	6	7	
2012	3,534,236	4,263,656	4,330,262	4,347,231	4,351,260	4,358,662	4,365,445	-
2013	3,970,050	4,725,262	4,813,040	4,826,369	4,833,979	4,836,819	-	-
2014	4,172,446	5,113,019	5,173,291	5,183,758	5,193,828	-	-	-
2015	4,605,165	5,558,277	5,666,297	5,694,273	-	-	-	10,078
2016	5,070,166	6,224,855	6,352,169	-	-	-	-	25,559
2017	5,431,814	6,649,814	-	-	-	-	-	137,276
2018	5,723,578	-	-	-	-	-	-	1,387,826
IBNR Reserve								1,560,739
Plus: RBNA Reserve (including Fubon Life Insurance (Vietnam))								862,025
The balance of claim reserve								2,422,764

(Continued)

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

December 31, 2018 (Fubon Hyundai Life Insurance)

Occurrence year	Development year					Claim provision
	1	2	3	4	5	
2014	1,607,307	1,933,407	1,979,411	1,987,058	1,991,804	-
2015	1,575,812	1,915,941	1,952,238	1,971,945	-	8,366
2016	1,673,049	2,017,219	2,080,642	-	-	28,371
2017	1,704,213	2,068,251	-	-	-	97,514
2018	1,666,375	-	-	-	-	565,293
IBNR Reserve						699,544
Plus: RBNA Reserve						2,434,749
The balance of claim reserve						3,134,293

June 30, 2018 (Fubon Life Insurance)

Occurrence year	Development year							Claim provision
	1	2	3	4	5	6	7	
2012	3,534,236	4,263,656	4,330,262	4,347,231	4,351,260	4,358,662	4,362,326	-
2013	3,970,050	4,725,262	4,813,040	4,826,369	4,833,979	4,835,302	-	-
2014	4,172,446	5,113,019	5,173,291	5,183,758	5,187,914	-	-	526
2015	4,605,165	5,558,277	5,666,297	5,684,987	-	-	-	2,964
2016	5,070,166	6,224,855	6,306,293	-	-	-	-	53,426
2017	5,431,814	6,434,536	-	-	-	-	-	732,994
2018	2,376,303	-	-	-	-	-	-	533,036
IBNR Reserve								1,322,946
Plus: RBNA Reserve (including Fubon Life Insurance (Vietnam))								804,402
The balance of claim reserve								2,127,348

Note 1: Amount shown above excludes investment contracts.

Note 2: As of June 30, 2019, December 31 and June 30, 2018, except for the IBNR reserve of investment-linked products that are not estimated based on claim development trend and the IBNR Reserve of Fubon Life Insurance (Vietnam), the IBNR claim reserves from direct businesses amounted to \$15,788, \$15,333 and \$15,007, respectively.

2. Development trend of retained claims payments

Cumulative claims payments from prior years are as follows:

June 30, 2019 (Fubon Life Insurance)

Occurrence year	Development year							Claim provision
	1	2	3	4	5	6	7	
2013	3,942,698	4,565,096	4,651,774	4,665,103	4,672,708	4,675,548	4,677,196	-
2014	4,166,511	4,992,049	5,052,316	5,062,783	5,072,770	5,076,185	-	-
2015	4,587,144	5,435,512	5,543,341	5,571,173	5,578,737	-	-	4,985
2016	5,068,488	6,111,210	6,238,474	6,257,650	-	-	-	17,994
2017	5,412,545	6,505,146	6,597,978	-	-	-	-	81,346
2018	5,708,571	6,739,669	-	-	-	-	-	821,781
2019	2,495,063	-	-	-	-	-	-	595,637
IBNR Reserve								1,521,743
Plus: RBNA Reserve (including Fubon Life Insurance (Vietnam))								1,012,430
The balance of claim reserve								2,534,173

(Continued)

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

June 30, 2019 (Fubon Hyundai Life Insurance)

Occurrence year	Development year					Claim provision
	1	2	3	4	5	
2015	1,138,650	1,355,099	1,379,671	1,382,951	1,388,022	-
2016	1,107,783	1,374,478	1,399,466	1,420,538	-	7,648
2017	1,183,581	1,469,354	1,513,688	-	-	26,983
2018	1,213,156	1,504,036	-	-	-	83,342
2019	1,253,388	-	-	-	-	432,493
IBNR Reserve						550,466
Plus: RBNA Reserve						2,965,299
The balance of claim reserve						3,515,765

December 31, 2018 (Fubon Life Insurance)

Occurrence year	Development year							Claim provision
	1	2	3	4	5	6	7	
2012	3,526,249	4,184,487	4,251,072	4,268,016	4,272,044	4,279,432	4,286,215	-
2013	3,942,698	4,565,096	4,651,774	4,665,103	4,672,708	4,675,548	-	-
2014	4,166,511	4,992,049	5,052,316	5,062,783	5,072,770	-	-	-
2015	4,587,144	5,435,512	5,543,341	5,571,173	-	-	-	9,997
2016	5,068,488	6,111,210	6,238,474	-	-	-	-	25,288
2017	5,412,545	6,505,146	-	-	-	-	-	134,669
2018	5,708,571	-	-	-	-	-	-	1,382,713
IBNR Reserve								1,552,667
Plus: RBNA Reserve (including Fubon Life Insurance (Vietnam))								809,525
The balance of claim reserve								2,362,192

December 31, 2018 (Fubon Hyundai Life Insurance)

Occurrence year	Development year					Claim provision
	1	2	3	4	5	
2014	1,175,169	1,406,053	1,436,062	1,437,158	1,438,773	-
2015	1,138,137	1,367,555	1,389,137	1,400,914	-	6,941
2016	1,190,135	1,446,409	1,494,233	-	-	23,540
2017	1,260,184	1,535,826	-	-	-	80,908
2018	1,268,209	-	-	-	-	469,027
IBNR Reserve						580,416
Plus: RBNA Reserve						2,371,990
The balance of claim reserve						2,952,406

June 30, 2018 (Fubon Life Insurance)

Occurrence year	Development year							Claim provision
	1	2	3	4	5	6	7	
2012	3,526,249	4,184,487	4,251,072	4,268,016	4,272,044	4,279,432	4,283,096	-
2013	3,942,698	4,565,096	4,651,774	4,665,103	4,672,708	4,674,031	-	-
2014	4,166,511	4,992,049	5,052,316	5,062,783	5,066,938	-	-	496
2015	4,587,144	5,435,512	5,543,341	5,562,031	-	-	-	2,772
2016	5,068,488	6,111,210	6,192,653	-	-	-	-	52,548
2017	5,412,545	6,361,396	-	-	-	-	-	724,090
2018	2,375,008	-	-	-	-	-	-	532,505
IBNR Reserve								1,312,411
Plus: RBNA Reserve (including Fubon Life Insurance (Vietnam))								744,262
The balance of claim reserve								2,056,673

(Continued)

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

Note 1: Amount shown above excludes investment contracts.

Note 2: As of June 30, 2019, December 31 and June 30, 2018 except for the IBNR reserve of investment-linked products that are not estimated based on claim development trend and the IBNR Reserve of Fubon Life Insurance (Vietnam), the IBNR reserve from retained business amounted to \$13,725, \$13,260 and \$12,946, respectively.

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

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

- d) The credit risk, liquidity risk and market risk of insurance contracts
  - i) Credit risk

The credit risk of insurance contracts arises mainly from the inability of the reinsurers to fulfill its obligation from the reinsurance contracts which will result in financial losses. Fubon Life Insurance and its subsidiaries monitor the credit rating of its reinsurers monthly to ensure that they meet the minimum regulatory requirements. It also selects reinsurers prudently to reduce the potential loss.

(Continued)

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

ii) Liquidity risk

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

The maturity analysis of insurance contracts of Fubon Life Insurance and its subsidiaries were as below:

June 30, 2019

Units: In million

Maturity date	< 1 year	1~3 years	3~5 years	> 5 years	Unable to classify (note)	Total
Provision	101,718	152,601	28,476	3,163,877	295,814	3,742,486
Proportion	2.7 %	4.1 %	0.8 %	84.5 %	7.9 %	100.0 %

December 31, 2018

Units: In million

Maturity date	< 1 year	1~3 years	3~5 years	> 5 years	Unable to classify (note)	Total
Provision	171,956	194,000	25,237	2,921,187	299,425	3,611,805
Proportion	4.8 %	5.4 %	0.7 %	80.8 %	8.3 %	100.0 %

June 30, 2018

Units: In million

Maturity date	< 1 year	1~3 years	3~5 years	> 5 years	Unable to classify (note)	Total
Provision	171,146	189,615	33,942	2,666,335	224,638	3,285,676
Proportion	5.2 %	5.8 %	1.0 %	81.2 %	6.8 %	100.0 %

Note1: Reserve for insurance contract with nature of financial instrument is included.

Note2: The "Unable to classify" includes interest-linked product, authorized additional provision and provision for bad debt allowance. The amounts above exclude provision for separate account, foreign exchange fluctuation reserve and appraisal increment of real estate.

(Continued)

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

iii) Market risk

Market risk refers to the risk caused by the adverse changes in market prices in terms of interest rates, foreign exchange rates, stock prices, and commodity prices. Fubon Life Insurance and its subsidiaries measure market risk from insurance contract according to discount rate assumption prescribed by the authorities. This assumption may not be consistent with changes in market interest rates. Unless the liability adequacy test disclosed the need to provide more reserve, the change in market risk factors would not have significant impact on profit or loss and equity.

Guided by Assets and Liabilities Management Committee, Fubon Life Insurance and its subsidiaries take into account the financial environment, economic indicators, liability properties and ALM, to choose appropriate investment target through risk control mechanism. Under the consent of regulatory framework and market environment, choosing and acquisition of long-term assets is monitored by the Assets and Liabilities Management Committee. This is to allow assets and liabilities to match better in terms of payment terms and profits, to pursue long-term management and to protect the rights of policyholders; as well as to reduce the potential losses arised from the impact of the market risk on insurance contract.

(aj) Financial risk management

(i) Risk management organization structure

The Company has established a sound risk management organization framework. The Board of Directors is responsible for overseeing the Company's governance in building solid risk management system and control mechanism to ensure the effectiveness of risk management operations, approving the Company's risk management policies and regulations, and reviewing important risk management reports. The Audit Committee assists the Board of Directors in overseeing the Company's risk management and control issues. The Risk Management Committee, which is subordinate to the Chairman of the Board of Directors, reviews the Company's risk management strategy, structure, systems and policies, and oversees the group's overall risks including credit risk, market risk, operational risk, insurance risk, liquidity risk, asset liability risk and capital adequacy. Personal Data Protection Committee, which is subordinate to the Risk Management Committee, oversees the Company and its subsidiaries' protection of important personal information to strengthen the management of personal information protection.

(Continued)

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

(ii) Risk management policies

The Company has employed comprehensive risk management policies in respect of credit risk, market risk, operational risk, capital adequacy risk management policy, asset liability risk, liquidity risk, insurance risk, etc., implemented by all units and subsidiaries across the group to effectively identify, evaluate, response, monitor and report various risks respectively. The Company adopts three lines of defense risk management system to implement comprehensive risk management.

A full set of risk limits, loss limits and trading delegation limits, risk exposure evaluation and monitoring measurements by quantitative and qualitative methods as well as early warning systems have been all in place in line with risk attributes to proactively monitor and manage various major risks.

(iii) Credit Risk

Major subsidiaries are listed separately as follows:

1) Taipei Fubon Bank (The Bank) and its subsidiary

a) Credit risk definitions and sources

Taipei Fubon Bank (The Bank)

Credit risk refers to the risk of losses caused by borrowers, debtors, or counterparties' failure to fulfill their contractual obligations due to deteriorating financial position or other factors. It arises principally from business like discounts and loans, credit card business, due from and call loan to banks, debt investment and derivatives etc., and also from off-balance sheet products such as guarantee, acceptance, letters of credit and other commitments.

Fubon Bank (China)

Credit risk faced by Fubon Bank (China) mainly comes from commercial lending (including mortgage, discounts, negotiations, credits, acceptance bills, issued letters of credit, standby letters of credit, bank guarantees, etc.), financial derivative contracts, and securities investments.

b) Strategy, objectives, policies and procedures

Taipei Fubon Bank (The Bank)

The Bank has established solid credit risk policies and procedures. A robust credit risk strategy taking into account of economic environment, industry sector and financial sector as well as corporate business plan is in place. The Bank pursues the optimization of risks and rewards. Comprehensive credit risk management systems and tools have been deployed effectively to identify, evaluate, manage and monitor credit risks including default, counterparty and concentration risks.

(Continued)

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

Fubon Bank (China)

The credit risk management strategy of Fubon Bank (China) effectively conducts risk control through a comprehensive credit risk management (CRMS) system under the guidance of the Board's risk appetite, taking into consideration the international economic development and regional industry trends. The CRMS system covers the implementation of risk management policies on credit management regulation, credit approvals, post-loan policies, etc. Fubon Bank (China)'s risk management goal is toward credit asset protection, realization of the optimal ratio of risk and revenue by using credit risk management tools to manage expected losses effectively. The credit risk management procedures include identification, measurement, monitor and control of credit risk.

c) Credit risk management framework

Taipei Fubon Bank (The Bank)

- i) To strengthen risk management function, under the supervision of the Board of Directors, the Bank has established the Credit Risk Management Committee which is composed of senior management and chaired by the President to examine credit risk policies and quota and to monitor the Bank's credit risk and country risk control, credit risk acceptance and management strategy in respect of credit business, securities investment and transaction and derivatives.
- ii) To enhance the independency of credit risk management, the Bank has established Risk Management Division, which is responsible for measuring the Bank's risk exposures, monitoring risk limits, reporting, coordinating to develop the mechanism for managing credit risk and validating risk models.
- iii) Credit risk management divisions of corporate finance and personal finance under the chief risk officer are responsible of credit investigation, examination, post disbursement management, overdue receivables and debt management.
- iv) The Bank has established an Institutional Credit Review Committee, and a Retail Credit Review Committee respectively to review credit above a certain limit to strengthen control over cases involving large credit amounts.
- v) The Audit Department, which is under the supervision of the Board of Directors, conducts the third defense line examining the effectiveness of internal control functions independently.

(Continued)



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

Fubon Bank (China)

Fubon Bank (China)' s current credit risk management is based on its comprehensive risk management system. Credit Approval & Administration for Government Department, Credit Approval & Administration for Retail Banking Department, Risk Control Department and Loan Management Department, which belong to Fubon Bank' s Risk Management Department, are responsible for identifying, quantifying, managing, controlling and reporting credit risk.

- d) Credit risk measurement, control and reporting

Taipei Fubon Bank (The Bank)

The Bank has established credit risk measurements and control procedures including underwriting, risk rating, limit control, account maintenance, pre-settlement limit control and collection management systems, which enable the Bank to manage limit controls on country risk, single legal entity and group concentration risk and industry concentration risk effectively. Other than aforementioned control procedure, the Bank has established vigorous review and early warning mechanism to ensure the Bank to undertake proper courses of actions on credit risk management.

The Bank regularly performs the credit risk stress testing based on the guideline issued by Financial Supervisory Commission, and continues to develop scenario analysis and stress test approaches to provide senior management with an assessment of risk tolerance, as well as to provide the reference of credit portfolio management.

The Bank has completed risk data warehousing system, risk-weighted assets calculation system and internal risk rating system. The development and revise of score card and rating models are validated independently by Risk Management Division to monitor the model performance and stability.

Fubon Bank (China)

The credit risk control process includes credit policy development, credit approval, early warning and collection. Credit risk supervision includes the regular follow-up of high-risk cases, exposure limit control of country risk, and customer credit grading management; the real-estate loan monitoring and other monthly monitoring include the industry concentration and the concentration of a single client / group clients and their affiliated parties.

(Continued)

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

Fubon Bank (China) regularly performs portfolio stress test based on the actual status of the credit portfolio. The stress test results, including changes in results due to differences in risk triggers, will be reported at the board meeting and serve as the reference for risk management and decision-making.

The credit management system of Fubon Bank (China) has modules for credit approval, loan ledger management, collateral information maintenance, customer grading management and five-category asset classification for bank loans. The system can support credit risk management effectively.

- e) Control mechanism for credit risk hedging or risk reduction

Taipei Fubon Bank (The Bank)

The Bank has established sophisticated limits in controlling concentration risks on credit, securities investment and counterparty exposures. Risk rating is assessed for each borrower based on stringent evaluation of obligor risk and facility risk. Furthermore, the Bank has set a centralized approval process with documented guidelines and dual authorizations. Appropriate collaterals are required based on borrowers' financials and debt service capabilities to mitigate credit risk.

Fubon Bank (China)

Fubon Bank (China) sets up the approval authority limitation based on customer risk grading and loan classification, guarantee and sub-guarantee criteria, and investment portfolio management based on the "Institutional Banking Credit Risk Management Policy". Fubon Bank (China) strengthens the risk identification according to the customer's risk grading and the criteria of business customer entry. The credit quality control is done through strict and through due diligent and approval procedure and counter sign of credit officers from both sales department and risk department. Fubon Bank (China) will require suitable collateral in order to enhance the risk mitigation due to the loan risk. In addition, there is post-loan management, which includes continual loan monitoring and taking note of any early risk-warning signals.

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

f) Determinations on whether the credit risk has increased significantly since initial recognition

i) Credit assets

On each reporting date, the Bank and its subsidiary assess the change in the default risk of discounts and loans, receivables, loan commitments, as well as other credit assets during existing period to determine whether the credit risk has increased significantly since initial recognition. To make this assessment, the Bank and its subsidiary, based on the internal credit risk management objectives, make risk segments by classifying financial assets according to the debtors' internal ratings, overdue conditions, and the region where the collateral is located, as well as considering reasonable and corroborative information that shows the credit risk has increased significantly since initial recognition (including forward-looking information). The main indicators are as follows:

1. The financial assets are overdue for more than 30 days;
2. The debtor's internal or external rating is significantly degraded;
3. The credit risk of any product held by the same debtor has increased significantly;
4. The existing or expected adverse changes in the operating, financial or economic conditions that are expected to result in a significant change in the borrower's ability to perform obligations;
5. Actual or expected significant changes in the borrower's operating results.

ii) Debt investments

On each reporting date, the Bank and its subsidiary assess the change in the default risk of debt investments measured at amortized cost and debt investments measured at fair value through other comprehensive income during existing period to determine whether the credit risk has increased significantly since initial recognition. To make this assessment, the Bank and its subsidiary consider each reasonable and corroborative information that shows the credit risk has increased significantly since initial recognition (including forward-looking information). The main indicators are as follows:

1. Significant changes in both the internal and external ratings of the financial assets or the debtor;
2. The fair value of financial asset is significantly lower than its amortized cost;

(Continued)

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

3. The existing or expected adverse changes in the operating, financial or economic conditions that are expected to result in a significant change in the borrower's ability to perform obligations;
4. Actual or expected significant changes in the borrower's operating results;
5. The credit risk of other financial instruments of the same borrower has increased significantly.

If it is unable to identify whether the credit risk of financial assets has increased significantly after the initial recognition, except for those with low credit risk on the reporting date, lifetime ECLs is applied .

If the financial instrument is rated investment grade and the default risk is low, it is considered to have low credit risk on the reporting date.

g) Definitions for default and credit impairment of financial assets

i) Credit assets

The Bank and its subsidiary use the same definitions for default and credit impairment of financial assets. If one or more of the following conditions are met, The Bank and its subsidiary determine that the financial assets are defaulted and credit-impaired:

1. Financial assets are overdue for more than 90 days;
2. Financial assets are recognized as overdue loans or bed debts;
3. The debtor or the issuer occurs financial difficulties;
4. The debt contract terms are modified due to the debtor's financial difficulties;
5. The debtor has filed for bankruptcy or is likely to file for bankruptcy;
6. The debtor has reorganized or is likely to reorganize;
7. The financial assets are originated credit-impaired.

The aforementioned definitions apply to the credit assets held by the Bank and its subsidiary, and are consistent with the definitions used for internal credit risk management of relevant financial assets and applied to related impairment assessment models.

If a financial asset no longer meets the definitions for default and credit impairment on the reporting date, it is deemed to return to the state of compliance and is no longer considered defaulted and credit-impaired.

(Continued)

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

ii) Debt investments

If one or more of the following conditions are met, the Bank and its subsidiary determined that the financial assets are defaulted and credit-impaired:

1. Principal and interest repayment of the financial assets is not in accordance with the issuing conditions;
2. The issuer occurs financial difficulties;
3. The issuer has filed for bankruptcy or is likely to file for bankruptcy;
4. The issuer has reorganized or is likely to reorganize;
5. The financial assets are originated credit-impaired.

The aforementioned definitions apply to the debt investments held by the Bank and its subsidiary, and are consistent with the definitions used for internal credit risk management of relevant financial assets and applied to related impairment assessment models.

If a financial asset no longer meets the definitions for default and credit impairment on the reporting date, it is deemed to return to the state of compliance and is no longer considered defaulted and credit-impaired.

h) Write-off policies

If one the following events occurs, non-performing loans, overdue receivables, and credit-impaired financial assets shall be recognized as bad debts after deducting the recoverable portion.

- i) The loan cannot be recovered in full or in part because the debtor has dissolved, gone into hiding, reached a settlement, declared bankruptcy, or for other reasons.
- ii) The collateral and the property of the primary/subordinate debtor have been appraised at a very low value or become insufficient to repay the loan after the subtraction of senior mortgages; or the execution cost approaches or possibly exceeds the amount that the bank might collect where there is no financial benefit in execution.
- iii) The primary/subordinate debtor's collateral has failed to sell at successive auctions where the price of such collateral has been successively lowered, and there is no financial benefit to be derived from the bank's taking possession of such collateral.
- iv) Non-performing loans and overdue receivables are yet to be recovered for two years after over the expired date.

(Continued)

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

Write-off financial assets held by the Bank and its subsidiary might have recourse activities in progress and continually conduct recourse procedures in accordance with related policies.

- i) Assessment of expected credit loss
  - i) Credit assets

For the assessment of expected credit loss, the Bank and its subsidiary divide credit assets into different groups by the borrower's credit risk characteristics, including industry, credit risk rating, overdue status and collaterals, to correspond with different risk parameters.

The Bank and its subsidiary adopt the 12-months ECLs to evaluate the loss allowance of financial instruments whose credit risk do not increase significantly since initial recognition, and adopt the lifetime ECLs to evaluate the loss allowance of financial instruments whose credit risk has increased significantly since initial recognition or of that are credit-impaired.

The Bank and its subsidiary consider both the 12-month and lifetime probability of default (“PD”) of the borrower with the Loss given default (“LGD”), multiplying, the Exposure at default (“EAD”), as well as the impact of time value, to calculate the 12-month ECLs and lifetime ECLs, respectively.

“PD” refers to the borrower's probability to default and “LGD” refers to losses caused by the default. The Bank and its subsidiary apply the “PD” and “LGD” to the credit business according to each group’s historical information (such as credit loss experience) from internal statistical data, and adjust historical data based on current observable and forward-looking macroeconomic information.

The Bank takes into account the forward-looking information, such as the industry prospect, estimated financial status, and corporate potential, for each case's internal rating when reviewing the credit business. One of the abovementioned indicators that shows the credit risk of credit assets has increased significantly is the internal rating change. In addition, the assessment of expected credit loss is based on the credit risk group and related parameters.

Fubon Bank (China) assesses the domestic and foreign macroeconomic environment, and the related external banking environment and calculates the weighted scores as the forward-looking information for the PD calculation.

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

The Bank and its subsidiary evaluate “EAD” with the carrying amount and interest receivables of financial assets. Estimations of the 12-month ECLs and lifetime ECLs of loan commitments are based on the “Guidelines for IFRS9 Impairment Assessment Methodology” issued by the Bank’s Association. The off-balance sheet exposure items adopt the standard of credit conversion factor from “Guidelines for the calculation of bank’s regulatory capital and risk weighted assets— Credit Risk Standardized Approach”. The credit conversion factor is used to calculate the portion of the loan commitments expected to be used within 12 months after the reporting date and within expected lifetime, in order to determine the amount of “EAD” for calculating expected credit losses.

ii) Debt investments

The Bank and its subsidiary adopt the 12-months ECLs to evaluate the loss allowance of financial instruments whose credit risk do not increase significantly since initial recognition, and adopt the lifetime ECLs to evaluate the loss allowance of financial instruments whose credit risk has increased significantly since initial recognition or of that are credit-impaired.

The Bank and its subsidiary consider both the 12-month and lifetime Probability of default (“PD”) of the issuer with the Loss given default (“LGD”), multiplying, the Exposure at default (“EAD”), as well as the impact of time value, to calculate the 12-month ECLs and lifetime ECLs, respectively.

Probability of default and recovery rate are calculated based on probability of default and loss given default regularly announced by external credit rating agencies. As the international credit rating agencies have considered the forward-looking information when assessing credit ratings. The Bank considers the forward-looking information to be appropriate and also observes and periodically updates the changes in parameters. “EAD” is evaluated by the carrying amount and interest receivables of financial assets. Amortized cost of each future period is calculated by lifetime exposure on straight-line basis.

(Continued)

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

- j) Assessment of expected credit loss
- i) Financial assets measured at fair value through other comprehensive income  
— debt instruments

Total carrying value

	For the six months ended June 30, 2019					Total
	12-month ECLs	Lifetime ECLs (collective assessment)	Lifetime ECLs (individual assessment)	Lifetime ECLs (neither purchased nor originated credit-impaired financial assets)	Lifetime ECLs (purchased or originated credit-impaired financial assets)	
Beginning balance	\$ 151,673,864	-	-	-	-	151,673,864
Changes due to recognition of financial instruments at beginning:						
— Derecognition of financial assets at current period	(84,213,936)	-	-	-	-	(84,213,936)
Originated or purchased new financial assets	74,868,164	-	-	-	-	74,868,164
Effects of exchange rate changes and others	(439,354)	-	-	-	-	(439,354)
Ending balance	<u>\$ 141,888,738</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>141,888,738</u>

	For the six months ended June 30, 2018					Total
	12-month ECLs	Lifetime ECLs (collective assessment)	Lifetime ECLs (individual assessment)	Lifetime ECLs (neither purchased nor originated credit-impaired financial assets)	Lifetime ECLs (purchased or originated credit-impaired financial assets)	
Beginning balance	\$ 154,292,706	-	-	-	-	154,292,706
Changes due to recognition of financial instruments at beginning:						
— Derecognition of financial assets at current period	(90,760,736)	-	-	-	-	(90,760,736)
Originated or purchased new financial assets	81,971,686	-	-	-	-	81,971,686
Effects of exchange rate changes and others	179,871	-	-	-	-	179,871
Ending balance	<u>\$ 145,683,527</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>145,683,527</u>

Expected credit losses

	For the six months ended June 30, 2019							Total
	12-month ECLs	Lifetime ECLs (collective assessment)	Lifetime ECLs (individual assessment)	Lifetime ECLs (neither purchased nor originated credit-impaired financial assets)	Lifetime ECLs (purchased or originated credit-impaired financial assets)	Amount of impairment recorded in accordance with IFRS 9	Impairment difference recognized in accordance with the regulations	
Beginning balance	\$ 74,266	-	-	-	-	74,266	217,238	291,504
Changes due to recognition of financial instruments at beginning:								
— Derecognition of financial assets at current period	(38,896)	-	-	-	-	(38,896)	-	(38,896)
Originated or purchased new financial assets	42,597	-	-	-	-	42,597	-	42,597
Impairment difference recognized in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Nonaccrual Loans"	-	-	-	-	-	-	(60,100)	(60,100)
Effects of exchange rate changes and others	(5,971)	-	-	-	-	(5,971)	949	(5,022)
Ending balance	<u>\$ 71,996</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>71,996</u>	<u>158,087</u>	<u>230,083</u>

(Continued)



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

	For the six months ended June 30, 2018							Total
	12-month ECLs	Lifetime ECLs (collective assessment)	Lifetime ECLs (individual assessment)	Lifetime ECLs (neither purchased nor originated credit-impaired financial assets)	Lifetime ECLs (purchased or originated credit-impaired financial assets)	Amount of impairment recorded in accordance with IFRS 9	Impairment difference recognized in accordance with the regulations	
Beginning balance	\$ 69,071	-	-	-	-	69,071	217,635	286,706
Changes due to recognition of financial instruments at beginning:								
— Derecognition of financial assets at current period	(29,582)	-	-	-	-	(29,582)	-	(29,582)
Originated or purchased new financial assets	30,184	-	-	-	-	30,184	-	30,184
Impairment difference recognized in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Nonaccrual Loans"	-	-	-	-	-	-	5,414	5,414
Effects of exchange rate changes and others	(6,331)	-	-	-	-	(6,331)	3,251	(3,080)
Ending balance	<u>\$ 63,342</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>63,342</u>	<u>226,300</u>	<u>289,642</u>

ii) Debt investments measured at amortized cost

Total carrying value

	For the six months ended June 30, 2019						Total
	12-month ECLs	Lifetime ECLs (collective assessment)	Lifetime ECLs (individual assessment)	Lifetime ECLs (neither purchased nor originated credit-impaired financial assets)	Lifetime ECLs (purchased or originated credit-impaired financial assets)	Lifetime ECLs (neither purchased nor originated credit-impaired financial assets)	
Beginning balance	\$ 606,667,975	-	661,670	-	-	-	607,329,645
Changes due to recognition of financial instruments at beginning:							
— Transfer to lifetime ECLs	-	(2,025,548)	-	2,025,548	-	-	-
— Derecognition of financial assets at current period	-	(218,171,148)	-	(157,703)	-	-	(218,328,851)
Originated or purchased new financial assets	241,852,689	-	2,421	-	-	-	241,855,110
Effects of exchange rate changes and others	2,528,562	-	27,929	-	-	-	2,556,491
Ending balance	<u>\$ 630,852,530</u>	<u>-</u>	<u>2,559,865</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>633,412,395</u>

	For the six months ended June 30, 2018						Total
	12-month ECLs	Lifetime ECLs (collective assessment)	Lifetime ECLs (individual assessment)	Lifetime ECLs (neither purchased nor originated credit-impaired financial assets)	Lifetime ECLs (purchased or originated credit-impaired financial assets)	Lifetime ECLs (neither purchased nor originated credit-impaired financial assets)	
Beginning balance	\$ 582,918,544	-	1,231,421	-	-	-	584,149,965
Changes due to recognition of financial instruments at beginning:							
— Transfer to lifetime ECLs	-	(149,717)	-	149,717	-	-	-
— Derecognition of financial assets at current period	-	(211,453,903)	-	(742,875)	-	-	(212,196,778)
Originated or purchased new financial assets	207,560,575	-	2,274	-	-	-	207,562,849
Effects of exchange rate changes and others	3,531,971	-	13,634	-	-	-	3,545,605
Ending balance	<u>\$ 582,407,470</u>	<u>-</u>	<u>654,171</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>583,061,641</u>

(Continued)

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

Expected credit losses

	For the six months ended June 30, 2019						
	12-month ECLs	Lifetime ECLs (collective assessment)	Lifetime ECLs (individual assessment)	Lifetime ECLs (neither purchased nor originated credit-impaired financial assets)	Lifetime ECLs (purchased or originated credit-impaired financial assets)	Amount of impairment recorded in accordance with IFRS 9	Total
	Beginning balance	\$ 217,085	-	27,501	-	-	244,586
Changes due to recognition of financial instruments at beginning:							
— Transfer to lifetime ECLs	(3,141)	-	3,141	-	-	-	-
— Derecognition of financial assets at current period	(15,624)	-	(643)	-	-	(16,267)	(16,267)
Originated or purchased new financial assets	25,957	-	128	-	-	26,085	26,085
Effects of exchange rate changes and others	(34,385)	-	92,127	-	-	57,742	57,742
Ending balance	<u>\$ 189,892</u>	<u>-</u>	<u>122,254</u>	<u>-</u>	<u>-</u>	<u>312,146</u>	<u>312,146</u>
	For the six months ended June 30, 2018						
	12-month ECLs	Lifetime ECLs (collective assessment)	Lifetime ECLs (individual assessment)	Lifetime ECLs (neither purchased nor originated credit-impaired financial assets)	Lifetime ECLs (purchased or originated credit-impaired financial assets)	Amount of impairment recorded in accordance with IFRS 9	Total
Beginning balance	\$ 240,003	-	33,534	-	-	273,537	273,537
Changes due to recognition of financial instruments at beginning:							
— Transfer to lifetime ECLs	(248)	-	248	-	-	-	-
— Derecognition of financial assets at current period	(17,675)	-	(3,566)	-	-	(21,241)	(21,241)
Originated or purchased new financial assets	34,069	-	139	-	-	34,208	34,208
Effects of exchange rate changes and others	(19,036)	-	(1,752)	-	-	(20,788)	(20,788)
Ending balance	<u>\$ 237,113</u>	<u>-</u>	<u>28,603</u>	<u>-</u>	<u>-</u>	<u>265,716</u>	<u>265,716</u>

iii) Receivables

Total carrying value

	For the six months ended June 30, 2019					
	12-month ECLs	Lifetime ECLs (collective assessment)	Lifetime ECLs (individual assessment)	Lifetime ECLs (neither purchased nor originated credit-impaired financial assets)	Lifetime ECLs (purchased or originated credit-impaired financial assets)	Total
	Beginning balance	\$ 77,692,530	765,095	-	536,346	-
Changes due to recognition of financial instruments at beginning:						
— Transfer to lifetime ECLs	(310,310)	310,405	-	(95)	-	-
— Transfer to credit-impaired financial assets	(54,905)	(43,462)	-	98,367	-	-
— Transfer to 12-month ECLs	300,770	(300,752)	-	(18)	-	-
— Derecognition of financial assets at current period	(54,539,793)	(410,472)	-	(153,221)	-	(55,103,486)
Originated or purchased new financial assets	66,126,891	1,614,885	-	31,625	-	67,773,401
Write-off	-	-	-	(9,002)	-	(9,002)
Effects of exchange rate changes and others	(238,704)	-	-	3,156	-	(235,548)
Ending balance	<u>\$ 88,976,479</u>	<u>1,935,699</u>	<u>-</u>	<u>507,158</u>	<u>-</u>	<u>91,419,336</u>

Note: Included only acceptances, accounts receivable— factoring and credit card receivables.

(Continued)

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

	For the six months ended June 30, 2018					Total
	12-month ECLs	Lifetime ECLs (collective assessment)	Lifetime ECLs (individual assessment)	Lifetime ECLs (neither purchased nor originated credit-impaired financial assets)	Lifetime ECLs (purchased or originated credit-impaired financial assets)	
Beginning balance	\$ 66,233,160	880,876	-	657,861	-	67,771,897
Changes due to recognition of financial instruments at beginning:						
– Transfer to lifetime ECLs	(356,786)	357,206	-	(420)	-	-
– Transfer to credit-impaired financial assets	(59,903)	(39,912)	-	99,815	-	-
– Transfer to 12-month ECLs	360,958	(360,835)	-	(123)	-	-
– Derecognition of financial assets at current period	(45,989,026)	(322,574)	-	(214,986)	-	(46,526,586)
Originated or purchased new financial assets	52,466,679	180,462	-	38,008	-	52,685,149
Write-off	-	-	-	(9,401)	-	(9,401)
Effects of exchange rate changes and others	(174,550)	(120,301)	-	(5,977)	-	(300,828)
Ending balance	<u>\$ 72,480,532</u>	<u>574,922</u>	<u>-</u>	<u>564,777</u>	<u>-</u>	<u>73,620,231</u>

Note: Included only acceptances, accounts receivable—factoring and credit card receivables.

**Expected credit losses**

	For the six months ended June 30, 2019							Total
	12-month ECLs	Lifetime ECLs (collective assessment)	Lifetime ECLs (individual assessment)	Lifetime ECLs (neither purchased nor originated credit-impaired financial assets)	Lifetime ECLs (purchased or originated credit-impaired financial assets)	Amount of impairment recorded in accordance with IFRS 9	Impairment difference recognized in accordance with the regulations	
Beginning balance	\$ 473,388	62,106	223	225,618	-	761,335	-	761,335
Changes due to recognition of financial instruments at beginning:								
– Transfer to lifetime ECLs	(6,864)	6,925	37	(98)	-	-	-	-
– Transfer to credit-impaired financial assets	(1,369)	(12,898)	-	14,267	-	-	-	-
– Transfer to 12-month ECLs	18,662	(18,647)	-	(15)	-	-	-	-
– Derecognition of financial assets at current period	(375,357)	(17,069)	-	(37,293)	-	(429,719)	-	(429,719)
Originated or purchased new financial assets	210,426	40,015	-	64,649	-	315,090	-	315,090
Impairment difference recognized in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Nonaccrual Loans"	-	-	-	-	-	-	172,850	172,850
Write-off	-	-	-	(11,693)	-	(11,693)	-	(11,693)
Effects of exchange rate changes and others	(16,238)	20,869	925	(1,382)	-	4,174	-	4,174
Ending balance	<u>\$ 302,648</u>	<u>81,301</u>	<u>1,185</u>	<u>254,053</u>	<u>-</u>	<u>639,187</u>	<u>172,850</u>	<u>812,037</u>

  

	For the six months ended June 30, 2018							Total
	12-month ECLs	Lifetime ECLs (collective assessment)	Lifetime ECLs (individual assessment)	Lifetime ECLs (neither purchased nor originated credit-impaired financial assets)	Lifetime ECLs (purchased or originated credit-impaired financial assets)	Amount of impairment recorded in accordance with IFRS 9	Impairment difference recognized in accordance with the regulations	
Beginning balance	\$ 255,621	73,990	293	160,228	-	490,132	156,540	646,672
Changes due to recognition of financial instruments at beginning:								
– Transfer to lifetime ECLs	(4,235)	4,591	2	(358)	-	-	-	-
– Transfer to credit-impaired financial assets	(1,510)	(13,848)	-	15,358	-	-	-	-
– Transfer to 12-month ECLs	32,737	(32,611)	(2)	(124)	-	-	-	-
– Derecognition of financial assets at current period	(145,287)	(13,712)	(46)	(25,390)	-	(184,435)	-	(184,435)
Originated or purchased new financial assets	230,401	20,381	-	31,008	-	281,790	-	281,790
Impairment difference recognized in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Nonaccrual Loans"	-	-	-	-	-	-	10,757	10,757
Write-off	-	-	-	(12,184)	-	(12,184)	-	(12,184)
Effects of exchange rate changes and others	(76,890)	29,467	(13)	38,724	-	(8,712)	-	(8,712)
Ending balance	<u>\$ 290,837</u>	<u>68,258</u>	<u>234</u>	<u>207,262</u>	<u>-</u>	<u>566,591</u>	<u>167,297</u>	<u>733,888</u>

(Continued)

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

## iv) Discounts and loans

Total carrying value

	For the six months ended June 30, 2019					Total
	12-month ECLs	Lifetime ECLs (collective assessment)	Lifetime ECLs (individual assessment)	Lifetime ECLs (neither purchased nor originated credit-impaired financial assets)	Lifetime ECLs (purchased or originated credit-impaired financial assets)	
	Beginning balance	\$ 1,373,903,395	34,863,237	-	8,673,819	
Changes due to recognition of financial instruments at beginning:						
– Transfer to lifetime ECLs	(4,601,598)	4,615,376	-	(13,778)	-	-
– Transfer to credit-impaired financial assets	(553,318)	(276,359)	-	829,677	-	-
– Transfer to 12-month ECLs	16,249,520	(16,237,784)	-	(11,736)	-	-
– Derecognition of financial assets at current period	(473,855,485)	(9,028,675)	-	(1,482,075)	-	(484,366,235)
Originated or purchased new financial assets	571,219,030	6,226,880	-	670,014	-	578,115,924
Write-off	-	-	-	(634,157)	-	(634,157)
Effects of exchange rate changes and others	(3,883,613)	(27,038)	-	523,498	-	(3,387,153)
Ending balance	<u>\$ 1,478,477,931</u>	<u>20,135,637</u>	<u>-</u>	<u>8,555,262</u>	<u>-</u>	<u>1,507,168,830</u>
	For the six months ended June 30, 2018					
Beginning balance	\$ 1,337,438,503	39,123,598	-	9,883,788	-	1,386,445,889
Changes due to recognition of financial instruments at beginning:						
– Transfer to lifetime ECLs	(9,808,881)	9,841,689	-	(32,808)	-	-
– Transfer to credit-impaired financial assets	(424,632)	(271,294)	-	695,926	-	-
– Transfer to 12-month ECLs	14,387,783	(14,377,101)	-	(10,682)	-	-
– Derecognition of financial assets at current period	(481,528,246)	(7,386,665)	-	(2,515,075)	-	(491,429,986)
Originated or purchased new financial assets	511,527,583	3,659,637	-	390,262	-	515,577,482
Write-off	-	-	-	(466,186)	-	(466,186)
Effects of exchange rate changes and others	(5,311,100)	2,513,306	-	201,006	-	(2,596,788)
Ending balance	<u>\$ 1,366,281,010</u>	<u>33,103,170</u>	<u>-</u>	<u>8,146,231</u>	<u>-</u>	<u>1,407,530,411</u>

(Continued)

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

Expected credit losses

	For the six months ended June 30, 2019							Total
	12-month ECLs	Lifetime ECLs (collective assessment)	Lifetime ECLs (individual assessment)	Lifetime ECLs (neither purchased nor originated credit-impaired financial assets)	Lifetime ECLs (purchased or originated credit-impaired financial assets)	Amount of impairment recorded in accordance with IFRS 9	Impairment difference recognized in accordance with the regulations	
Beginning balance	\$ 3,270,650	397,960	-	3,298,053	-	6,966,663	12,478,927	19,445,590
Changes due to recognition of financial instruments at beginning:								
– Transfer to lifetime ECLs	(16,732)	17,334	-	(602)	-	-	-	-
– Transfer to credit-impaired financial assets	(44,947)	(34,384)	-	79,331	-	-	-	-
– Transfer to 12-month ECLs	114,676	(112,849)	-	(1,827)	-	-	-	-
– Derecognition of financial assets at current period	(1,732,814)	(84,025)	-	(769,173)	-	(2,586,012)	-	(2,586,012)
Originated or purchased new financial assets	1,985,606	116,780	-	105,179	-	2,207,565	-	2,207,565
Impairment difference recognized in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Nonaccrual Loans"	-	-	-	-	-	-	1,005,057	1,005,057
Write-off	-	-	-	(634,157)	-	(634,157)	-	(634,157)
Recovery from write-off	-	-	-	183,925	-	183,925	-	183,925
Effects of exchange rate changes and others	(280,942)	131,016	-	610,921	-	460,995	-	460,995
Ending balance	<u>\$ 3,295,497</u>	<u>431,832</u>	<u>-</u>	<u>2,871,650</u>	<u>-</u>	<u>6,598,979</u>	<u>13,483,984</u>	<u>20,082,963</u>
	For the six months ended June 30, 2018							
	12-month ECLs	Lifetime ECLs (collective assessment)	Lifetime ECLs (individual assessment)	Lifetime ECLs (neither purchased nor originated credit-impaired financial assets)	Lifetime ECLs (purchased or originated credit-impaired financial assets)	Amount of impairment recorded in accordance with IFRS 9	Impairment difference recognized in accordance with the regulations	Total
Beginning balance	\$ 3,853,592	726,935	-	3,262,128	-	7,842,655	11,726,364	19,569,019
Changes due to recognition of financial instruments at beginning:								
– Transfer to lifetime ECLs	(21,172)	29,255	-	(8,083)	-	-	-	-
– Transfer to credit-impaired financial assets	(5,728)	(36,789)	-	42,517	-	-	-	-
– Transfer to 12-month ECLs	386,860	(384,733)	-	(2,127)	-	-	-	-
– Derecognition of financial assets at current period	(2,253,996)	(89,000)	-	(752,146)	-	(3,095,142)	-	(3,095,142)
Originated or purchased new financial assets	2,041,414	56,217	-	161,261	-	2,258,892	-	2,258,892
Impairment difference recognized in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Nonaccrual Loans"	-	-	-	-	-	-	1,040,367	1,040,367
Write-off	-	-	-	(466,186)	-	(466,186)	-	(466,186)
Recovery from write-off	-	-	-	191,665	-	191,665	-	191,665
Effects of exchange rate changes and others	(407,817)	143,986	-	527,518	-	263,687	-	263,687
Ending balance	<u>\$ 3,593,153</u>	<u>445,871</u>	<u>-</u>	<u>2,956,547</u>	<u>-</u>	<u>6,995,571</u>	<u>12,766,731</u>	<u>19,762,302</u>

(Continued)

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

v) Other financial assets

Total carrying value

	For the six months ended June 30, 2019					Total
	12-month ECLs	Lifetime ECLs (collective assessment)	Lifetime ECLs (individual assessment)	Lifetime ECLs (neither purchased nor originated credit-impaired financial assets)	Lifetime ECLs (purchased or originated credit-impaired financial assets)	
	Beginning balance	\$ 231	-	-	92,755	
Changes due to recognition of financial instruments at beginning:						
– Derecognition of financial assets at current period	-	-	-	(1,154)	-	(1,154)
Originated or purchased new financial assets	608	-	-	113,548	-	114,156
Write-off	-	-	-	(111,927)	-	(111,927)
Effects of exchange rate changes and others	-	-	-	927	-	927
Ending balance	<u>\$ 839</u>	<u>-</u>	<u>-</u>	<u>94,149</u>	<u>-</u>	<u>94,988</u>

  

	For the six months ended June 30, 2018					Total
	12-month ECLs	Lifetime ECLs (collective assessment)	Lifetime ECLs (individual assessment)	Lifetime ECLs (neither purchased nor originated credit-impaired financial assets)	Lifetime ECLs (purchased or originated credit-impaired financial assets)	
	Beginning balance	\$ 1,233	-	-	126,413	
Changes due to recognition of financial instruments at beginning:						
– Derecognition of financial assets at current period	(1,123)	-	-	(1,582)	-	(2,705)
Originated or purchased new financial assets	-	-	-	125,355	-	125,355
Write-off	-	-	-	(156,583)	-	(156,583)
Effects of exchange rate changes and others	45	-	-	447	-	492
Ending balance	<u>\$ 155</u>	<u>-</u>	<u>-</u>	<u>94,050</u>	<u>-</u>	<u>94,205</u>

Expected credit losses

	For the six months ended June 30, 2019							Total
	12-month ECLs	Lifetime ECLs (collective assessment)	Lifetime ECLs (collective assessment)	Lifetime ECLs (neither purchased nor originated credit-impaired financial assets)	Lifetime ECLs (purchased or originated credit-impaired financial assets)	Amount of impairment recorded in accordance with IFRS 9	Impairment difference recognized in accordance with the regulations	
	Beginning balance	\$ -	-	-	73,841	-	73,841	
Changes due to recognition of financial instruments at beginning:								
– Derecognition of financial assets at current period	-	-	-	(1,145)	-	(1,145)	-	(1,145)
Originated or purchased new financial assets	-	-	-	38,406	-	38,406	-	38,406
Impairment difference recognized in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Nonaccrual Loans"	-	-	-	-	-	-	7	7
Write-off	-	-	-	(111,927)	-	(111,927)	-	(111,927)
Recovery from write-off	-	-	-	159,801	-	159,801	-	159,801
Effects of exchange rate changes and others	-	-	-	(83,845)	-	(83,845)	-	(83,845)
Ending balance	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>75,131</u>	<u>-</u>	<u>75,131</u>	<u>7</u>	<u>75,138</u>

(Continued)

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

	For the six months ended June 30, 2018							Total
	12-month ECLs	Lifetime ECLs (collective assessment)	Lifetime ECLs (collective assessment)	Lifetime ECLs (neither purchased nor originated credit-impaired financial assets)	Lifetime ECLs (purchased or originated credit-impaired financial assets)	Amount of impairment recorded in accordance with IFRS 9	Impairment difference recognized in accordance with the regulations	
Beginning balance	\$ -	-	-	106,581	-	106,581	-	106,581
Changes due to recognition of financial instruments at beginning:								
— Derecognition of financial assets at current period	-	-	-	(182,867)	-	(182,867)	-	(182,867)
Originated or purchased new financial assets	-	-	-	44,102	-	44,102	-	44,102
Impairment difference recognized in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Nonaccrual Loans"	-	-	-	-	-	-	18	18
Write-off	-	-	-	(156,583)	-	(156,583)	-	(156,583)
Recovery from write-off	-	-	-	180,470	-	180,470	-	180,470
Effects of exchange rate changes and others	-	-	-	83,062	-	83,062	-	83,062
Ending balance	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>74,765</u>	<u>-</u>	<u>74,765</u>	<u>18</u>	<u>74,783</u>

vi) Provisions for guarantee liabilities, loan commitments and other— letter of credit

Expected credit losses

	For the six months ended June 30, 2019							Total
	12-month ECLs	Lifetime ECLs (collective assessment)	Lifetime ECLs (individual assessment)	Lifetime ECLs (neither purchased nor originated credit-impaired financial assets)	Lifetime ECLs (purchased or originated credit-impaired financial assets)	Amount of impairment recorded in accordance with IFRS 9	Impairment difference recognized in accordance with the regulations	
Beginning balance	\$ 185,981	26,052	-	805	-	212,838	240,377	453,215
Changes due to recognition of financial instruments at beginning:								
— Transfer to lifetime ECLs	(2,320)	2,339	-	(19)	-	-	-	-
— Transfer to credit-impaired financial assets	(97)	(735)	-	832	-	-	-	-
— Transfer to 12-month ECLs	5,260	(5,250)	-	(10)	-	-	-	-
— Derecognition of financial assets at current period	(67,358)	(11,965)	-	(112)	-	(79,435)	-	(79,435)
Originated or purchased new financial assets	51,927	15,866	-	134	-	67,927	-	67,927
Impairment difference recognized in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Nonaccrual Loans"	-	-	-	-	-	-	(21,388)	(21,388)
Effects of exchange rate changes and others	(23,959)	7,824	-	(863)	-	(16,998)	-	(16,998)
Ending balance	<u>\$ 149,434</u>	<u>34,131</u>	<u>-</u>	<u>767</u>	<u>-</u>	<u>184,332</u>	<u>218,989</u>	<u>403,321</u>

(Continued)

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

	For the six months ended June 30, 2018							Total
	12-month ECLs	Lifetime ECLs (collective assessment)	Lifetime ECLs (individual assessment)	Lifetime ECLs (neither purchased nor originated credit-impaired financial assets)	Lifetime ECLs (purchased or originated credit-impaired financial assets)	Amount of impairment recorded in accordance with IFRS 9	Impairment difference recognized in accordance with the regulations	
Beginning balance	\$ 135,311	36,591	-	15,014	-	186,916	266,445	453,361
Changes due to recognition of financial instruments at beginning:								
— Transfer to lifetime ECLs	(1,000)	1,046	-	(46)	-	-	-	-
— Transfer to credit-impaired financial assets	(106)	(785)	-	891	-	-	-	-
— Transfer to 12-month ECLs	11,629	(11,607)	-	(22)	-	-	-	-
— Derecognition of financial assets at current period	(35,399)	(5,933)	-	(14,455)	-	(55,787)	-	(55,787)
Originated or purchased new financial assets	47,915	4,446	-	370	-	52,731	-	52,731
Impairment difference recognized in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Nonaccrual Loans"	-	-	-	-	-	-	(14,774)	(14,774)
Effects of exchange rate changes and others	(40,603)	7,449	-	(612)	-	(33,766)	-	(33,766)
Ending balance	<u>\$ 117,747</u>	<u>31,207</u>	<u>-</u>	<u>1,140</u>	<u>-</u>	<u>150,094</u>	<u>251,671</u>	<u>401,765</u>

k) **Maximum exposure to credit risk**

The maximum exposure to credit risks is equivalent to the carrying amount of each financial asset in the balance sheet without taking into consideration any collateral held or other credit enhancements. The maximum credit exposures of the off-balance sheet financial instruments (before taking account of any collateral held or other credit enhancements) are summarized as follows:

Taipei Fubon Bank (The Bank)

Off-balance sheet items	Maximum exposure amount		
	June 30, 2019	December 31, 2018	June 30, 2018
Irrevocable loan commitments	\$ 200,067,631	112,580,654	137,765,427
Standby letters of credit	7,578,447	8,295,749	9,708,900
Financial guarantees	25,674,259	27,845,774	27,530,859
Total	<u>\$ 233,320,337</u>	<u>148,722,177</u>	<u>175,005,186</u>

Fubon Bank (China)

Units: In thousands of CNY

Off-balance sheet items	Maximum exposure amount		
	June 30, 2019	December 31, 2018	June 30, 2018
Standby letters of credit	\$ 270,261	312,512	319,657
Financial guarantees	723,102	965,035	1,201,652
Total	<u>\$ 993,363</u>	<u>1,277,547</u>	<u>1,521,309</u>

(Continued)



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

The maximum exposures of assets and off-balance sheet items pledged as collaterals or other credit enhancements are as follows:

Taipei Fubon Bank (The Bank)

<b>June 30, 2019</b>					
<u>Assets</u>	<u>Financial instruments</u>	<u>Properties</u>	<u>Guarantees</u>	<u>Others</u>	
Loans	3.23 %	57.87 %	5.73 %	2.80 %	
Guarantees receivable	3.22 %	7.19 %	0.63 %	1.47 %	
Acceptances and other credits	0.62 %	1.36 %	-	%	
Financial assets measured at fair value through profit or loss—Debt investments	-	%	-	%	5.08 %
Financial assets measured at fair value through other comprehensive income—Debt investments	-	%	-	%	12.11 %
Debt investments measured at amortized cost	-	%	-	%	8.84 %
<b>December 31, 2018</b>					
<u>Assets</u>	<u>Financial instruments</u>	<u>Properties</u>	<u>Guarantees</u>	<u>Others</u>	
Loans	3.23 %	58.64 %	6.02 %	2.36 %	
Guarantees receivable	3.68 %	7.43 %	0.63 %	1.45 %	
Acceptances and other credits	0.46 %	1.24 %	-	%	
Financial assets measured at fair value through profit or loss—Debt investments	-	%	-	%	6.60 %
Financial assets measured at fair value through other comprehensive income—Debt investments	-	%	-	%	8.66 %
Debt investments measured at amortized cost	-	%	-	%	9.07 %

(Continued)

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

<u>June 30, 2018</u>				
<u>Assets</u>	<u>Financial instruments</u>	<u>Properties</u>	<u>Guarantees</u>	<u>Others</u>
Loans	3.15 %	57.12 %	3.52 %	2.21 %
Guarantees receivable	3.51 %	5.28 %	0.49 %	1.04 %
Acceptances	0.50 %	1.14 %	0.04 %	0.09 %
Financial assets measured at fair value through profit or loss—Debt investments	-	-	5.24 %	-
Financial assets measured at fair value through other comprehensive income—Debt investments	-	-	2.23 %	-
Debt investments measured at amortized cost	-	-	7.69 %	-

Fubon Bank (China)

<u>June 30, 2019</u>				
<u>Assets</u>	<u>Financial instruments</u>	<u>Properties</u>	<u>Guarantees</u>	<u>Others</u>
Loans	7.73 %	15.63 %	-	0.89 %
Guarantees receivable	72.68 %	20.29 %	5.92 %	-
Acceptances	41.93 %	0.81 %	29.10 %	-

<u>December 31, 2018</u>				
<u>Assets</u>	<u>Financial instruments</u>	<u>Properties</u>	<u>Guarantees</u>	<u>Others</u>
Loans	7.89 %	15.63 %	-	1.32 %
Guarantees receivable	63.36 %	27.42 %	9.00 %	-
Acceptances	21.81 %	1.24 %	43.58 %	-

<u>June 30, 2018</u>				
<u>Assets</u>	<u>Financial instruments</u>	<u>Properties</u>	<u>Guarantees</u>	<u>Others</u>
Loans	9.41 %	12.16 %	-	1.92 %
Guarantees receivable	63.66 %	27.67 %	8.18 %	-
Acceptances	27.09 %	1.70 %	31.90 %	-

1) Concentrations of credit risk exposure

Concentrations of credit risk arise when a number of counterparties or exposure have comparable economic characteristics, or such counterparties are engaged in similar activities, or operate in the same geographical areas or industry sectors, so that their collective ability to meet contractual obligations is uniformly affected by changes in economic or other conditions.

(Continued)

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

Credit risk concentrations can arise in Taipei Fubon Bank and its subsidiary's assets, liabilities, or off-balance sheet items, through the execution or processing of transactions (either product or service), or through a combination of exposures across these broad categories. It includes credits, loans and deposits, call loans to banks, investments, receivables and derivatives. Taipei Fubon Bank and its subsidiary maintain a diversified portfolio, limit their exposure to any one geographic region, country or individual creditor and monitor the exposure continually in order to manage credit risk.

Taipei Fubon Bank and its subsidiary's most significant concentrations of credit risk are summarized as follows:

Taipei Fubon Bank (The Bank)

i) By industry

	June 30, 2019		December 31, 2018		June 30, 2018	
	Amount	%	Amount	%	Amount	%
Private	\$ 707,120,104	52.35	681,387,936	52.43	663,407,593	51.49
Private enterprise	502,982,256	37.24	466,443,553	35.89	477,766,070	37.08
Financial organization	59,091,633	4.38	57,554,699	4.43	61,270,820	4.76
Government institution	49,680,763	3.68	62,059,416	4.78	51,168,557	3.97
Public enterprise	30,312,360	2.24	31,055,954	2.39	33,975,224	2.64
Non-profit organization	1,446,213	0.11	991,959	0.08	811,794	0.06
Total	<u>\$ 1,350,633,329</u>	<u>100.00</u>	<u>1,299,493,517</u>	<u>100.00</u>	<u>1,288,400,058</u>	<u>100.00</u>

ii) By geographical area

	June 30, 2019		December 31, 2018		June 30, 2018	
	Amount	%	Amount	%	Amount	%
Domestic	\$ 1,144,207,255	84.72	1,123,966,924	86.49	1,108,657,168	86.05
Asia	116,831,581	8.65	88,622,271	6.82	93,409,702	7.25
America	67,313,166	4.98	68,490,647	5.27	69,439,462	5.39
Others	22,281,327	1.65	18,413,675	1.42	16,893,726	1.31
Total	<u>\$ 1,350,633,329</u>	<u>100.00</u>	<u>1,299,493,517</u>	<u>100.00</u>	<u>1,288,400,058</u>	<u>100.00</u>

iii) By collateral

	June 30, 2019		December 31, 2018		June 30, 2018	
	Amount	%	Amount	%	Amount	%
Unsecured	\$ 438,886,213	32.49	416,669,591	32.06	465,335,847	36.12
Secured	911,747,116	67.51	882,823,926	67.94	823,064,211	63.88
Properties	756,840,157	56.04	735,785,045	56.62	711,288,210	55.21
Guarantees	74,890,305	5.54	75,511,380	5.81	43,865,112	3.40
Financial collaterals	43,102,218	3.19	41,550,277	3.20	40,173,638	3.12
Others	36,914,436	2.74	29,977,224	2.31	27,737,251	2.15
Total	<u>\$ 1,350,633,329</u>	<u>100.00</u>	<u>1,299,493,517</u>	<u>100.00</u>	<u>1,288,400,058</u>	<u>100.00</u>

(Continued)

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

iv) Credit risk rating grades

The credit risk defined by Taipei Fubon Bank is as follow:

1. Low Risk: Exposures demonstrate a good capacity to meet financial commitments, with low default risk and/or low levels of expected loss.
2. Moderate Risk: Exposures require closer monitoring and demonstrate an average to fair capacity to meet financial commitments, with moderate default risk.
3. High Risk: Exposures require varying degrees of special attention and default risk is of greater concern.

June 30, 2019	Financial assets measured by 12-month ECLs				Financial assets whose credit risk has increased significantly since initial recognition				Credit-impaired financial assets	Purchased or originated credit-impaired financial assets	Loss allowance	
	Low risk	Moderate risk	High risk	Total	Low risk	Moderate risk	High risk	Total			allowance	Total
Financial assets measured at fair value through other comprehensive income – debt instruments	\$ 68,352,498	500,837	-	68,853,335	-	-	-	-	-	-	24,697	68,828,638
Debt investments measured at amortized cost	582,171,339	629,535	-	582,800,874	-	2,559,865	-	2,559,865	-	-	303,918	585,056,821
Receivables												
Credit card receivables	33,204,255	12,018,662	20,984	45,243,901	-	212,931	377,026	589,957	507,158	-	207,394	46,133,622
Accounts receivable -factoring	16,134,986	1,365,555	-	17,500,541	-	1,345,742	-	1,345,742	-	-	220,351	18,625,932
Acceptances	720,200	1,146,324	-	1,866,524	-	-	-	-	-	-	19,007	1,847,517
Loans												
Personal finance	548,346,409	81,063,850	82,897	629,493,156	-	3,570,949	1,172,704	4,743,653	2,296,844	-	8,459,332	628,074,321
Corporate banking	367,670,482	280,595,642	445,503	648,711,627	-	13,403,557	501,629	13,905,186	4,428,580	-	8,487,340	658,558,053
Other financial assets (bill purchased and nonperforming loans transferred from other than loans)	839	-	-	839	-	-	-	-	94,149	-	75,138	19,850
Off-balance sheet assets												
Financing commitments	426,130,691	45,077,288	14,408	471,222,387	-	373,270	320,844	694,114	47,495	-	118,788	471,845,208
Guarantees receivable	17,274,409	7,281,601	-	24,556,010	-	1,118,249	-	1,118,249	-	-	261,608	25,412,651
Accounts receivable -forfaiting	3,694,098	3,883,112	-	7,577,210	-	1,237	-	1,237	-	-	3,614	7,574,833
	Financial assets measured by 12-month ECLs				Financial assets whose credit risk has increased significantly since initial recognition				Credit-impaired financial assets	Purchased or originated credit-impaired financial assets	Loss allowance	

(Continued)

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

<u>December 31, 2018</u>	<u>Low risk</u>	<u>Moderate risk</u>	<u>High risk</u>	<u>Total</u>	<u>Low risk</u>	<u>Moderate risk</u>	<u>High risk</u>	<u>Total</u>	<u>assets</u>	<u>assets</u>	<u>allowance</u>	<u>Total</u>
Financial assets measured at fair value through other comprehensive income – debt instruments	\$ 81,620,571	1,560,450	-	83,181,021	-	-	-	-	-	-	23,714	83,157,307
Debt investments measured at amortized cost	569,989,243	872,100	-	570,861,343	-	661,670	-	661,670	-	-	221,095	571,301,918
Receivables												
Credit card receivables	27,681,826	10,155,342	149,583	37,986,751	-	217,104	299,246	516,350	536,346	-	207,031	38,832,416
Accounts receivable -factoring	17,471,990	1,910,536	-	19,382,526	6,166	242,579	-	248,745	-	-	222,730	19,408,541
Acceptances	436,025	835,630	-	1,271,655	-	-	-	-	-	-	13,265	1,258,390
Loans												
Personal finance	528,595,912	65,639,631	252,830	594,488,373	-	17,329,772	919,871	18,249,643	2,241,687	-	8,227,544	606,752,159
Corporate banking	350,954,964	262,557,577	579,868	614,092,409	-	15,725,810	771,562	16,497,372	4,554,448	-	8,404,757	626,739,472
Other financial assets (bill purchased and nonperforming loans transferred from other than loans)	231	-	-	231	-	-	-	-	92,755	-	73,841	19,145
Off-balance sheet assets												
Financing commitments	333,108,753	37,309,099	131,316	370,549,168	-	619,366	249,686	869,052	41,515	-	138,127	371,321,608
Guarantees receivable	21,073,299	5,856,134	-	26,929,433	-	891,269	-	891,269	25,072	-	281,382	27,564,392
Accounts receivable -forfeiting	3,797,316	4,015,625	438,558	8,251,499	-	44,250	-	44,250	-	-	7,141	8,288,608

(Continued)

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

June 30, 2018	Financial assets measured by 12-month ECLs				Financial assets whose credit risk has increased significantly since initial recognition				Credit-impaired financial assets	Purchased or originated credit-impaired financial assets	Loss allowance	Total
	Low risk	Moderate risk	High risk	Total	Low risk	Moderate risk	High risk	Total				
Financial assets measured at fair value through other comprehensive income – debt instruments	\$ 81,913,990	2,159,984	-	84,073,974	-	-	-	-	-	-	21,293	84,052,681
Debt investments measured at amortized cost	554,307,800	1,021,557	-	555,329,357	-	654,171	-	654,171	-	-	233,348	555,750,180
Receivables												
Credit card receivables	29,810,640	9,650,587	44,409	39,505,636	-	189,876	325,130	515,006	564,777	-	213,774	40,371,645
Accounts receivable -factoring	15,604,392	1,229,792	-	16,834,184	3,637	54,761	-	58,398	-	-	189,150	16,703,432
Acceptances	971,885	681,986	-	1,653,871	-	1,518	-	1,518	-	-	17,498	1,637,891
Loans												
Personal finance	514,888,855	62,739,774	287,698	577,916,327	-	18,454,753	862,241	19,316,994	2,329,219	-	8,060,892	591,501,648
Corporate banking	360,083,723	263,502,626	825,381	624,411,730	-	13,153,142	580,382	13,733,524	4,009,393	-	8,391,861	633,762,786
Other financial assets (bill purchased and nonperforming loans transferred from other than loans)	155	-	-	155	-	-	-	-	94,050	-	74,783	19,422
Off-balance sheet assets												
Financing commitments	354,203,923	36,437,424	26,051	390,667,398	-	1,009,570	266,242	1,275,812	41,581	-	86,994	391,897,797
Guarantees receivable	19,150,273	7,919,786	-	27,070,059	-	460,801	-	460,801	-	-	278,170	27,252,690
Accounts receivable -forfaiting	5,824,818	3,597,054	640	9,422,512	-	269,380	-	269,380	17,008	-	4,997	9,703,903

(Continued)

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

Fubon Bank (China)

i) By industry

Units: In thousands of CNY

Industry	June 30, 2019		December 31, 2018		June 30, 2018	
	Amount	%	Amount	%	Amount	%
Finance and insurance	\$ 17,054,460	37.87	14,222,447	37.96	12,861,724	35.71
Wholesale and retailing	6,518,896	14.48	4,865,995	12.99	4,370,573	12.13
Manufacturing	4,292,680	9.53	3,671,232	9.80	3,291,441	9.14
Real estate	3,139,869	6.97	2,144,199	5.72	1,860,983	5.17
Personal loans	2,827,217	6.28	2,522,757	6.73	1,889,249	5.25
Construction	2,769,529	6.15	2,648,112	7.07	4,124,624	11.45
Water conservation and environment	2,420,851	5.38	2,497,750	6.67	2,919,420	8.11
Others	6,007,527	13.34	4,891,183	13.06	4,697,804	13.04
Total (Note)	<u>\$ 45,031,029</u>	<u>100.00</u>	<u>37,463,675</u>	<u>100.00</u>	<u>36,015,818</u>	<u>100.00</u>

Note: Included only discounts and loans.

ii) By geographical area

Units: In thousands of CNY

	June 30, 2019		December 31, 2018		June 30, 2018	
	Amount	%	Amount	%	Amount	%
East China	\$ 16,801,343	37.31	13,456,906	35.92	14,947,005	41.50
North China	7,765,957	17.25	7,853,423	20.96	6,916,909	19.21
South west region	5,455,360	12.11	4,070,298	10.86	4,560,800	12.66
Central China	5,444,962	12.09	3,297,339	8.80	2,713,345	7.53
South China	3,299,182	7.33	3,222,171	8.60	2,917,279	8.10
Other	6,264,225	13.91	5,563,538	14.86	3,960,480	11.00
Total (Note)	<u>\$ 45,031,029</u>	<u>100.00</u>	<u>37,463,675</u>	<u>100.00</u>	<u>36,015,818</u>	<u>100.00</u>

Note: Included only discounts and loans.

iii) By collateral

Units: In thousands of CNY

	June 30, 2019		December 31, 2018		June 30, 2018	
	Amount	%	Amount	%	Amount	%
Credit loans	\$ 34,115,320	75.76	28,154,859	75.15	27,555,446	76.51
Guarantees loans	398,754	0.89	495,538	1.32	692,691	1.92
Collateral loans	10,516,955	23.35	8,813,278	23.53	7,767,681	21.57
Mortgage loans	7,036,479	15.62	5,857,003	15.64	4,380,509	12.16
Pledge loans	3,480,476	7.73	2,956,275	7.89	3,387,172	9.41
Total (Note)	<u>\$ 45,031,029</u>	<u>100.00</u>	<u>37,463,675</u>	<u>100.00</u>	<u>36,015,818</u>	<u>100.00</u>

Note: Included only discounts and loans.

(Continued)

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

iv) Credit risk rating grades

The credit risk defined by Fubon Bank (China) is as follow:

1. Low risk: Exposures demonstrate a good capacity to meet financial commitments, with low default risk and/or low levels of expected loss.
2. Moderate risk: Exposures require closer monitoring and demonstrate an average to fair capacity to meet financial commitments, with moderate default risk.
3. High risk: Exposures require varying degrees of special attention and default risk is of greater concern.

June 30, 2019	Financial assets measured by 12-month ECLs				Financial assets whose credit risk has increased significantly since initial recognition				Credit-impaired financial assets	Purchased or originated credit-impaired financial assets	Loss allowance	Total
	Low risk	Moderate risk	High risk	Total	Low risk	Moderate risk	High risk	Total				
Financial assets measured at fair value through other comprehensive income – debt instruments	\$ 16,154,344	-	-	16,154,344	-	-	-	-	-	-	44,909	16,109,435
Debt investments measured at amortized cost	10,628,311	-	-	10,628,311	-	-	-	-	-	-	1,820	10,626,491
Receivables												
Acceptances	5,373,126	-	-	5,373,126	-	-	-	-	-	-	29,661	5,343,465
Accounts receivable – factoring	16,162	-	-	16,162	-	-	-	-	-	-	169	15,993
Loans												
Personal finance	2,779,111	-	6,499	2,785,610	758	-	651	1,409	40,198	-	41,992	2,785,225
Corporate banking	35,834,150	5,487,326	190,352	41,511,828	-	83,355	192,492	275,847	416,136	-	651,709	41,552,102
Off-balance sheet assets												
Guarantees receivable	723,102	-	-	723,102	-	-	-	-	-	-	3,007	720,095
Accounts receivable -forfeiting	270,261	-	-	270,261	-	-	-	-	-	-	1,265	268,996

(Continued)



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

December 31, 2018	Financial assets measured by 12-month ECLs				Financial assets whose credit risk has increased significantly since initial recognition				Credit-impaired financial assets	Purchased or originated credit-impaired financial assets	Loss allowance	Total
	Low risk	Moderate risk	High risk	Total	Low risk	Moderate risk	High risk	Total				
Financial assets measured at fair value through other comprehensive income – debt instruments	\$ 15,336,164	-	-	15,336,164	-	-	-	-	-	-	58,810	15,277,354
Debt investments measured at amortized cost	8,017,427	-	-	8,017,427	-	-	-	-	-	-	5,259	8,012,168
Receivables												
Accounts receivable and documents against acceptance - forfeiting	4,244,049	-	-	4,244,049	-	-	-	-	-	-	29,913	4,214,136
Acceptances	21,774	-	-	21,774	-	-	-	-	-	-	261	21,513
Loans												
Personal finance	2,473,539	-	47,946	2,521,485	46	-	305	351	921	-	31,332	2,491,425
Corporate banking	29,070,022	5,272,809	152,905	34,495,736	-	25,673	-	25,673	419,509	-	598,589	34,342,329
Off-balance sheet assets												
Guarantees receivable	965,035	-	-	965,035	-	-	-	-	-	-	4,566	960,469
Accounts receivable -forfeiting	312,512	-	-	312,512	-	-	-	-	-	-	1,382	311,130

(Continued)

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

June 30, 2018	Financial assets measured by 12-month ECLs				Financial assets whose credit risk has increased significantly since initial recognition				Credit-impaired financial assets	Purchased or originated credit-impaired financial assets	Loss allowance	Total
	Low risk	Moderate risk	High risk	Total	Low risk	Moderate risk	High risk	Total				
Financial assets measured at fair value through other comprehensive income – debt instruments	\$ 13,382,035	-	-	13,382,035	-	-	-	-	-	-	57,735	13,324,300
Debt investments measured at amortized cost	5,881,905	-	-	5,881,905	-	-	-	-	-	-	7,031	5,874,874
Receivables												
Acceptances	3,146,646	-	-	3,146,646	-	-	-	-	-	-	19,616	3,127,030
Loans												
Personal finance	1,873,085	-	14,319	1,887,404	997	-	-	997	848	-	25,568	1,863,681
Corporate banking	28,762,866	4,403,888	557,595	33,724,349	-	-	10,440	10,440	391,780	-	693,290	33,433,279
Off-balance sheet assets												
Guarantees receivable	1,201,652	-	-	1,201,652	-	-	-	-	-	-	5,967	1,195,685
Accounts receivable -forfeiting	319,657	-	-	319,657	-	-	-	-	-	-	898	318,759

(Continued)

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

- m) The financial effects of credit risk mitigation policies
  - i) Collaterals and other credit enhancement

In order to effectively manage collaterals, The Bank and its subsidiary establish strict collateral management system and control procedures, which specify the acceptable types of collaterals, suitable quantity, correspond exposure, collect/disposal regulations, appraisal, and revaluation methods, etc.. The main collaterals for financial assets are as follows:

1. Real estate
2. Personal property
3. Deposits
4. Securities
5. Rights and Guarantees

The related collateral documents shall be obtained and the information of collateral shall be described in loan contract and transaction contract before issuing and transacting.

The collateral must be legally enforceable and its guarantee value can be realized within a reasonable time. To make an objective and fair assessment on the guarantee capacity and value of the collateral, and to ensure that the collateral has operational benefits.

The nature of collaterals and the impact of changes in market and economic on the value of object should be considered, and the value of collaterals should be reviewed appropriately.

Regular and occasional inspections or field inspections of collaterals are used to understand their use, storage, and maintenance, so as to avoid situations in which collateral may be sold, leased, pledged, relocated, or disposed.

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

ii) The amount of collaterals of impaired financial assets

The Bank and its subsidiary actively clean up the impaired financial assets, observe its collateral closely and recognize impairment loss. The impact of collaterals on the carrying amount of credit-impaired financial assets are as follows:

Taipei Fubon Bank (The Bank)

<b>June 30, 2019</b>	<b>Financial instruments</b>	<b>Properties</b>	<b>Guarantees</b>	<b>Other</b>
<u>Assets</u>				
Receivables	0.05 %	2.11 %	0.16 %	0.13 %
Loans	1.30 %	68.37 %	6.78 %	5.87 %
Other financial assets	- %	8.98 %	- %	- %
Off-balance sheet assets	- %	- %	- %	31.57 %

<b>December 31, 2018</b>	<b>Financial instruments</b>	<b>Properties</b>	<b>Guarantees</b>	<b>Other</b>
<u>Assets</u>				
Receivables	0.04 %	0.91 %	0.11 %	0.11 %
Loans	1.19 %	63.00 %	6.05 %	5.40 %
Other financial assets	- %	9.17 %	- %	- %
Off-balance sheet assets	- %	- %	- %	22.52 %

<b>June 30, 2018</b>	<b>Financial instruments</b>	<b>Properties</b>	<b>Guarantees</b>	<b>Other</b>
<u>Assets</u>				
Receivables	0.04 %	1.30 %	0.08 %	0.15 %
Loans	3.00 %	59.09 %	5.68 %	7.39 %
Other financial assets	- %	9.11 %	- %	- %
Off-balance sheet assets	- %	46.85 %	- %	- %

Fubon Bank (China)

<b>June 30, 2019</b>	<b>Financial instruments</b>	<b>Properties</b>	<b>Guarantees</b>	<b>Other</b>
<u>Assets</u>				
Loans	- %	72.24 %	- %	12.78 %

<b>December 31, 2018</b>	<b>Financial instruments</b>	<b>Properties</b>	<b>Guarantees</b>	<b>Other</b>
<u>Assets</u>				
Loans	- %	71.23 %	- %	13.91 %

(Continued)

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

June 30, 2018	Financial instruments	Properties	Guarantees	Other
<u>Assets</u>				
Loans	0.07 %	69.76 %	- %	6.87 %

- iii) Outstanding contract amount of the financial assets that have been written off, and there are recourse activities on them.

As of June 30, 2019, December 31 and June 30, 2018, outstanding contract of the financial assets that have been written off and still have recourse activities, amounting to \$710,569, \$1,052,951 and \$420,736, were held by The Bank.

- iv) The nature, policy and carrying amount of the obtained collaterals (Foreclosed collaterals and residuals taken over)

Fubon Bank (China) handles foreclosed collaterals in accordance with “ The Administration of Collaterals in Banks”.

The foreclosed collaterals of Fubon Bank (China) are houses and buildings. As of June 30, 2019, December 31 and June 30, 2018, the book value amounted to \$54,253, \$53,593 and \$88,395, respectively. Foreclosed collaterals are accounted for as other assets in the consolidated balance sheet.

2) Fubon Life Insurance and its subsidiaries

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

- a) Analysis of concentrations of credit risk

The following are credit risk exposure of Fubon Life Insurance and its subsidiaries' debt instruments, derivative instruments and loans distributed by industry and geographic area.

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

Credit risk exposure—by industry

Financial assets	June 30, 2019		December 31, 2018		June 30, 2018	
	Amount	%	Amount	%	Amount	%
Industrial enterprise	\$ 83,735,751	3.14	91,168,389	3.39	84,273,592	3.38
Public business	109,674,978	4.12	107,477,560	4.00	102,546,658	4.12
Mortgage backed securities	43,761,599	1.64	43,149,178	1.61	41,379,358	1.66
Financial sector	1,109,426,298	41.63	1,116,538,215	41.54	1,034,286,539	41.53
Consumer staples	171,934,131	6.45	183,590,158	6.83	171,777,709	6.90
Government	365,937,451	13.73	373,060,322	13.88	339,632,870	13.64
Technology	66,523,968	2.50	67,824,115	2.52	59,928,559	2.41
Raw material	59,021,365	2.21	54,185,252	2.02	60,628,139	2.43
Consumer discretionary	56,774,542	2.14	54,972,579	2.04	43,473,924	1.74
Energy	133,369,777	5.00	136,624,644	5.08	123,061,321	4.94
Assets backed securities	18,820,860	0.71	19,538,584	0.73	25,955,615	1.04
Telecommunication	211,386,907	7.93	209,840,363	7.81	204,270,104	8.20
Others	234,366,712	8.80	229,851,159	8.55	199,630,328	8.01
Subtotal	2,664,734,339	100.00	2,687,820,518	100.00	2,490,844,716	100.00
Fair value adjustment from business combinations	(584,324)	-	(567,614)	-	-	-
Total	<u>\$ 2,664,150,015</u>	<u>100.00</u>	<u>2,687,252,904</u>	<u>100.00</u>	<u>2,490,844,716</u>	<u>100.00</u>

Credit risk exposure—by geographic area

Financial assets	June 30, 2019		December 31, 2018		June 30, 2018	
	Amount	%	Amount	%	Amount	%
Taiwan	\$ 609,022,919	22.86	616,510,966	22.94	613,616,311	24.63
Asia except Taiwan	392,533,948	14.73	404,543,931	15.05	265,883,430	10.68
North America	1,034,320,536	38.82	1,045,728,759	38.91	1,018,947,324	40.91
Middle and South America	40,505,784	1.52	46,228,783	1.72	40,959,508	1.64
Europe	514,423,604	19.30	504,533,583	18.77	480,682,249	19.30
Africa/Middle East	73,927,548	2.77	70,274,496	2.61	70,755,894	2.84
Subtotal	2,664,734,339	100.00	2,687,820,518	100.00	2,490,844,716	100.00
Fair value adjustment from business combinations	(584,324)	-	(567,614)	-	-	-
Total	<u>\$ 2,664,150,015</u>	<u>100.00</u>	<u>2,687,252,904</u>	<u>100.00</u>	<u>2,490,844,716</u>	<u>100.00</u>

(Continued)

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

b) Credit risk quality classification definitions

In terms of credit risk quality, Fubon Life Insurance and its subsidiaries categorize the quality into three levels, which are low risk, medium risk and high risk based on the credit rating. The definition of each level is as follows:

- 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.

(Continued)

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

iv) The credit quality information is shown below:

Credit analysis of financial assets

	June 30, 2019												
	stage1				stage2				stage3				
	Low risk	Medium risk	High risk	Total	Low risk	Medium risk	High risk	Total	Credit-impaired financial assets	Purchased or originated credit-impaired financial assets	Total	Loss allowance (Note 1)	Total
Financial assets measured at fair value through other comprehensive income – debt instruments	\$ 506,697,118	5,802,107	-	512,499,225	911,881	11,933	-	923,814	1,677,986	-	1,677,986	-	515,101,025
Financial assets measured at amortized cost (note 2)	1,767,352,489	37,658,368	-	1,805,010,857	-	-	-	-	2,350,756	-	2,350,756	936,264	1,806,425,349
Loans (note 2)	208,431,913	55,336,916	607,279	264,376,108	230,353	2,470,780	1,185	2,702,318	933,111	-	933,111	2,405,792	265,605,745
<b>Total</b>	<b>\$ 2,482,481,520</b>	<b>98,797,391</b>	<b>607,279</b>	<b>2,581,886,190</b>	<b>1,142,234</b>	<b>2,482,713</b>	<b>1,185</b>	<b>3,626,132</b>	<b>4,961,853</b>	<b>-</b>	<b>4,961,853</b>	<b>3,342,056</b>	<b>2,587,132,119</b>
	December 31, 2018												
	stage1				stage2				stage3				
	Low risk	Medium risk	High risk	Total	Low risk	Medium risk	High risk	Total	Credit-impaired financial assets	Purchased or originated credit-impaired financial assets	Total	Loss allowance (Note 1)	Total
Financial assets measured at fair value through other comprehensive income – debt instruments	\$ 550,756,668	8,172,543	-	558,929,211	1,353,218	17,365	-	1,370,583	1,394,288	-	1,394,288	-	561,694,082
Financial assets measured at amortized cost (note 2)	1,770,510,820	38,514,974	-	1,809,025,794	-	-	-	-	2,328,159	-	2,328,159	625,082	1,810,728,871
Loans (note 2)	203,460,735	53,619,081	632,102	257,711,918	271,224	2,679,829	10,450	2,961,503	808,737	-	808,737	2,329,528	259,152,630
<b>Total</b>	<b>\$ 2,524,728,223</b>	<b>100,306,598</b>	<b>632,102</b>	<b>2,625,666,923</b>	<b>1,624,442</b>	<b>2,697,194</b>	<b>10,450</b>	<b>4,332,086</b>	<b>4,531,184</b>	<b>-</b>	<b>4,531,184</b>	<b>2,954,610</b>	<b>2,631,575,583</b>

(Continued)



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

	June 30, 2018												
	stage1				stage2				stage3			Loss allowance	Total
	Low risk	Medium risk	High risk	Total	Low risk	Medium risk	High risk	Total	Credit-impaired financial assets	Purchased or originated credit-impaired financial assets	Total		
Financial assets measured at fair value through other comprehensive income — debt instruments	\$ 559,250,558	5,018,362	-	564,268,920	-	-	-	-	-	-	-	(Note 1)	564,268,920
Financial assets measured at amortized cost	1,658,631,995	38,020,819	-	1,696,652,814	-	-	-	-	-	-	-	377,880	1,696,274,934
Loans	<u>159,294,545</u>	<u>40,970,978</u>	<u>551,851</u>	<u>200,817,374</u>	<u>52,564</u>	<u>121,974</u>	<u>3,755</u>	<u>178,293</u>	<u>475,983</u>	<u>-</u>	<u>475,983</u>	<u>2,039,322</u>	<u>199,432,328</u>
<b>Total</b>	<b><u>\$ 2,377,177,098</u></b>	<b><u>84,010,159</u></b>	<b><u>551,851</u></b>	<b><u>2,461,739,108</u></b>	<b><u>52,564</u></b>	<b><u>121,974</u></b>	<b><u>3,755</u></b>	<b><u>178,293</u></b>	<b><u>475,983</u></b>	<b><u>-</u></b>	<b><u>475,983</u></b>	<b><u>2,417,202</u></b>	<b><u>2,459,976,182</u></b>

Note 1: For loss allowance of financial assets measured at fair value through other comprehensive income - debt investments, please refer to note 6 (aj) (iii) 2) h).

Note 2: As of June 30, 2019 and December 31, 2018, fair value adjustments from business combinations of financial assets measured at amortized cost and loans were (486,437), (97,887) and (483,306), (84,308), respectively.

(Continued)

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

- c) Determination on the credit risk that has increased significantly since initial recognition
- i) Fubon Life Insurance and its subsidiaries determine whether the credit risk of financial instruments applying the impairment requirements in IFRS 9 increased significantly since the initial recognition on each reporting date. For this assessment, Fubon Life Insurance and its subsidiaries consider the reasonable and supportable information that shows the credit risk increased significantly since initial recognition (including forward-looking information). The main considerations include: external credit rating, market price decline, credit spreads, quantitative and qualitative information.
  - ii) Low credit risk: It may be assumed that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date.
- d) The definition of default and credit-impaired financial assets

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

- i) Bankruptcy:  
Enter bankruptcy procedures in accordance with the "Bankruptcy Law", resolution for dissolution or takeover by the government, recognition of failure to pay loans on maturity date etc.
- ii) Failure to pay:  
After the expiration of the grace period, the principal or interest could not be paid on contract.
- iii) Debt restructuring:  
Due to financial difficulties, after renegotiating with creditors for debt reduction, extension or re-planning, impairment on creditors' rights and interests arise from the debtor's application for debt restructuring.
- iv) Repudiation or moratorium:  
Unilaterally refuses or denies any legality or validity of debt, and refuses or defers payment.

(Continued)

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

v) Cross default or accelerated expiry:

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

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

e) Measurement of expected credit loss

i) The methodology and assumption applied

Expected credit loss is a probability weighted estimate of credit losses for a specific period, and the period is based on whether the credit risk of the financial instruments have increased significantly since initial recognition. If the financial assets are determined to have low credit risk or no significant increase in credit risk, an amount equal to 12-month expected credit losses will be recognized. The impairment requirement is to recognize lifetime expected credit losses for all financial instruments for which there have been significant increases in credit risk since initial recognition or credit impaired. In order to measure expected credit losses, Fubon Life Insurance and its subsidiaries adopt Probability of default ("PD"), and include Loss given default ("LGD") and Exposure at default ("EAD"), and consider the impact of the time value of money, to calculate the expected credit losses for 12-month and lifetime, respectively.

ii) Forward-looking information considerations

The default probability and loss given default, which Fubon Life Insurance and its subsidiaries used in debt instruments, are based on the information released by Moody's, an international credit rating agency. The default rate is based on the macroeconomic status and forward-looking PDs with implicit market data, the loss given default is based on the recovery rate of bonds by Moody's. The amount of exposure is measured by the amortized cost of the financial assets plus accrued interest. The default probability and loss given default used by Fubon Life Insurance and its subsidiaries for loans are internal historical information (such as credit loss experience) which is adjusted based on current observable data and forward-looking macroeconomic information (e.g. consumer price index and the unemployment rate, etc.). The amount of exposure is measured by the amortized cost (including accrued interest).

The estimation techniques or material assumptions made by Fubon Life Insurance and its subsidiaries to assess expected credit losses have no significant changes during the year.

(Continued)

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

f) Policies to hedge or mitigate credit risk

i) Collateral

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

ii) Enhancement of other credits

Fubon Life Insurance and its subsidiaries have offsetting terms within credit contracts, which clearly define that all cash payments from debtors may be offset against their liabilities upon a credit event, in order to mitigate credit risk.

For the clients whom Fubon Life Insurance and its subsidiaries consider to be incompetent to repay the loans, Fubon Life Insurance and its subsidiaries would request one or more joint guarantors to enhance the guarantee for the creditor's right.

g) The maximum credit risk exposure of Fubon Life Insurance and its subsidiaries

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

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

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

h) Changes in the loss allowance

The reconciliations in loss allowance of loans are as follows:

	<u>12-month ECLs</u>	<u>Lifetime ECLs (collectively assessed)</u>	<u>Lifetime ECLs (individually assessed)</u>	<u>Lifetime ECLs (neither purchased nor originated credit-impaired financial assets)</u>	<u>Lifetime ECLs (purchased or originated credit-impaired financial assets)</u>	<u>The loss allowances measured in accordance with IFRS 9</u>	<u>Impairment difference recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Non performing/ Nonaccrual Loans"</u>	<u>Total</u>
Balance as of January 1, 2019	\$ 20,133	42,254	435	86,338	-	149,160	2,180,368	2,329,528
Changes due to financial instruments recognized as at beginning:								
– Transfer to lifetime ECLs	(635)	1,342	4	(711)	-	-	-	-
– Transfer to credit-impaired financial assets	(89)	(4,612)	(71)	4,772	-	-	-	-
– Transfer to 12-month ECLs	3,433	(3,336)	(97)	-	-	-	-	-
– Derecognition of financial assets at current period	(3,896)	(5,464)	(25)	(38,142)	-	(47,527)	-	(47,527)
Originated or purchased new financial assets	1,266	1,717	-	84	-	3,067	-	3,067
Impairment difference recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Non-performing/Nonaccrual Loans"	-	-	-	-	-	-	107,631	107,631
Write-off	-	-	-	(431)	-	(431)	-	(431)
Effects of exchange rate changes and others	(391)	(889)	-	(1,551)	-	(2,831)	-	(2,831)
Changes in models/risk parameters	(1,739)	3,696	83	14,315	-	16,355	-	16,355
Balance as of June 30, 2019	<u>\$ 18,082</u>	<u>34,708</u>	<u>329</u>	<u>64,674</u>	<u>-</u>	<u>117,793</u>	<u>2,287,999</u>	<u>2,405,792</u>

(Continued)

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

	<u>12-month ECLs</u>	<u>Lifetime ECLs (collectively assessed)</u>	<u>Lifetime ECLs (individually assessed)</u>	<u>Lifetime ECLs (neither purchased nor originated credit-impaired financial assets)</u>	<u>Lifetime ECLs (purchased or originated credit-impaired financial assets)</u>	<u>The loss allowances measured in accordance with IFRS 9</u>	<u>Impairment difference recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Non performing/ Nonaccrual Loans"</u>	<u>Total</u>
Balance as of January 1, 2018	\$ 1,306	-	257	28,326	-	29,889	1,895,993	1,925,882
Changes due to financial instruments recognized as at beginning:								
– Transfer to lifetime ECLs	(6)	-	6	-	-	-	-	-
– Transfer to credit-impaired financial assets	-	-	(39)	39	-	-	-	-
– Transfer to 12-month ECLs	23	-	(23)	-	-	-	-	-
– Derecognition of financial assets at current period	(84)	-	(30)	(3,898)	-	(4,012)	-	(4,012)
Originated or purchased new financial assets	169	-	-	28	-	197	-	197
Impairment difference recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Non-performing/Nonaccrual Loans"	-	-	-	-	-	-	111,392	111,392
Effects of exchange rate changes and others	36	-	93	5,734	-	5,863	-	5,863
Balance as of June 30, 2018	<u>\$ 1,444</u>	<u>-</u>	<u>264</u>	<u>30,229</u>	<u>-</u>	<u>31,937</u>	<u>2,007,385</u>	<u>2,039,322</u>

(Continued)

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

The reconciliations in loss allowance of financial assets measured at fair value through other comprehensive income are as follows:

	12-month ECLs	Lifetime ECLs (collectively assessed)	Lifetime ECLs (individually assessed)	Lifetime ECLs (neither purchased nor originated credit- impaired financial assets)	Lifetime ECLs (purchased or originated credit- impaired financial assets)	The loss allowances measured in accordance with IFRS 9	Total
Balance as of January 1, 2019	\$ 306,721	133,201	-	450,428	-	890,350	890,350
Changes due to financial instruments recognized as at beginning:							
– Transfer to lifetime ECLs	(12,788)	12,788	-	-	-	-	-
– Transfer to credit-impaired financial assets	(1,923)	(16,847)	-	18,770	-	-	-
– Transfer to 12-month ECLs	11,133	(11,133)	-	-	-	-	-
– Derecognition of financial assets at current period	(124,153)	(50,777)	-	(213,697)	-	(388,627)	(388,627)
Originated or purchased new financial assets	12,019	-	-	-	-	12,019	12,019
Write-off	(449)	(2,163)	-	(26,086)	-	(28,698)	(28,698)
Changes in models/risk parameters	103,101	19,822	-	37,158	-	160,081	160,081
Effects of exchange rate changes and others	(2,678)	(2,167)	-	(3,931)	-	(8,776)	(8,776)
Balance as of June 30, 2019	<u>\$ 290,983</u>	<u>82,724</u>	<u>-</u>	<u>262,642</u>	<u>-</u>	<u>636,349</u>	<u>636,349</u>

Note: The reconciliation is conducted according to the overall changes of Fubon Life Insurance and its subsidiaries during a report period, so the loss allowance balance of the subsidiary when it was acquired by Fubon Life Insurance is included.

(Continued)

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

	<b>12-month ECLs</b>	<b>Lifetime ECLs (collectively assessed)</b>	<b>Lifetime ECLs (individually assessed)</b>	<b>Lifetime ECLs (neither purchased nor originated credit- impaired financial assets)</b>	<b>Lifetime ECLs (purchased or originated credit- impaired financial assets)</b>	<b>The loss allowances measured in accordance with IFRS 9</b>	<b>Total</b>
Balance as of January 1, 2018	\$ 226,992	-	-	-	-	226,992	226,992
Changes due to financial instruments recognized as at beginning:							
— Derecognition of financial assets at current period	(34,782)	-	-	-	-	(34,782)	(34,782)
Originated or purchased new financial assets	5,917	-	-	-	-	5,917	5,917
Changes in models/risk parameters	(94,070)	-	-	-	-	(94,070)	(94,070)
Effects of exchange rate changes and others	756	-	-	-	-	756	756
Balance as of June 30, 2018	<u>\$ 104,813</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>104,813</u>	<u>104,813</u>

(Continued)



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

The reconciliations loss allowance of financial assets measured at amortized cost are as follows:

	12-month ECLs	Lifetime ECLs (collectively assessed)	Lifetime ECLs (individually assessed)	Lifetime ECLs (neither purchased nor originated credit- impaired financial assets)	Lifetime ECLs (purchased or originated credit- impaired financial assets)	The loss allowances measured in accordance with IFRS 9	Total
Balance as of January 1, 2019	\$ 392,266	-	-	232,816	-	625,082	625,082
Changes due to financial instruments recognized as at beginning:							
— Derecognition of financial assets at current period	(26,296)	-	-	(289)	-	(26,585)	(26,585)
Originated or purchased new financial assets	29,099	-	-	-	-	29,099	29,099
Changes in models/risk parameters	297,940	-	-	(16)	-	297,924	297,924
Effects of exchange rate changes and others	7,137	-	-	3,607	-	10,744	10,744
Balance as of June 30, 2019	<u>\$ 700,146</u>	<u>-</u>	<u>-</u>	<u>236,118</u>	<u>-</u>	<u>936,264</u>	<u>936,264</u>

(Continued)

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

	<b>12-month ECLs</b>	<b>Lifetime ECLs (collectively assessed)</b>	<b>Lifetime ECLs (individually assessed)</b>	<b>Lifetime ECLs (neither purchased nor originated credit- impaired financial assets)</b>	<b>Lifetime ECLs (purchased or originated credit- impaired financial assets)</b>	<b>The loss allowances measured in accordance with IFRS 9</b>	<b>Total</b>
Balance as of January 1, 2018	\$ 633,513	-	-	-	-	633,513	633,513
Changes due to financial instruments recognized as at beginning:							
— Derecognition of financial assets at current period	(37,166)	-	-	-	-	(37,166)	(37,166)
Originated or purchased new financial assets	52,029	-	-	-	-	52,029	52,029
Changes in models/risk parameters	(277,105)	-	-	-	-	(277,105)	(277,105)
Effects of exchange rate changes and others	6,609	-	-	-	-	6,609	6,609
Balance as of June 30, 2018	<u>\$ 377,880</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>377,880</u>	<u>377,880</u>

(Continued)

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

The reconciliations loss allowance of other financial assets are as follows:

	12-month ECLs	Lifetime ECLs (collectively assessed)	Lifetime ECLs (individually assessed)	Lifetime ECLs (neither purchased nor originated credit- impaired financial assets)	Lifetime ECLs (purchased or originated credit- impaired financial assets)	The loss allowances measured in accordance with IFRS 9	Total
Balance as of January 1, 2019	\$ -	-	-	-	-	-	-
Changes due to financial instruments recognized as at beginning:							
Originated or purchased new financial assets	182	-	-	-	-	182	182
Effects of exchange rate changes and others	(1)	-	-	-	-	(1)	(1)
Balance as of June 30, 2019	<u>\$ 181</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>181</u>	<u>181</u>

(Continued)

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

3) Fubon Insurance and its subsidiaries

Credit risk is the risk Fubon Insurance and its subsidiaries would suffered 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 Fubon Insurance. Fubon Insurance decreases 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.

a) Management process of credit risk

i) Risk identification

Fubon Insurance 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, Fubon Insurance 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, Fubon Insurance and its subsidiaries analyze and quantitatively measure the credit risk in accordance with the level of business and practical settlement methods and calculates the credit risk capital based on the rules stipulated by the authority. For financial assets at amortized cost and at fair value through other comprehensive income or other credit position, depending on the practical settlement methods, Fubon Insurance and its subsidiaries measure the credit risk by referring to the expected loss formula ( $ECL = EAD \times PD \times LGD$ ).

iii) Risk monitoring

Based on the process of risk monitoring established, Fubon Insurance and its subsidiaries review and monitor the credit limit usage and over-limit circumstances regularly with proper disposition. Through proper and frequent monitoring 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 Fubon Insurance and its subsidiaries by email and deal with the problem according to the Company's guidelines related to the reporting of significant credit risk event to control the timeliness of the dealing process.

(Continued)

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

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 the authorization table of Fubon Insurance. Subsequently, 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 Fubon Insurance 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, Fubon Insurance and its subsidiaries will confirm if transaction counterparty, issuer and guarantee agency exceeded credit limits. In case of involving in the decision-making process of complex structured instrument, Fubon Insurance 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, Fubon Insurance 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.

Besides, it will re-examine 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. Meanwhile, periodically examine credit status of counterparty, issuer and guarantee agency to fully disclose their risk situation.

(Continued)

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

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 Fubon Insurance and its subsidiaries includes: counterparty, issuer, guarantee agency, country and commodity. According to different business characteristics, Fubon Insurance 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) Concentrations of credit risk

To control credit concentration risk, Fubon Insurance confirms that a loss resulting from any single credit risk event won't exceed credit risk limit through regular statistic and monitor concentration as follows:

i) Concentrations of credit risk – by geographical area

June 30, 2019						
By area	Taiwan	Asia except Taiwan	North America	Central and South America	Europe	Total
Exposure amount	\$ <u>44,470,583</u>	<u>7,054,835</u>	<u>7,760,308</u>	<u>640,277</u>	<u>7,402,521</u>	<u>67,328,524</u>
Ratio of the total	<u>66.05 %</u>	<u>10.48 %</u>	<u>11.52 %</u>	<u>0.96 %</u>	<u>10.99 %</u>	<u>100.00 %</u>
December 31, 2018						
By area	Taiwan	Asia except Taiwan	North America	Central and South America	Europe	Total
Exposure amount	\$ <u>41,354,011</u>	<u>6,283,361</u>	<u>7,553,424</u>	<u>580,828</u>	<u>8,063,812</u>	<u>63,835,436</u>
Ratio of the total	<u>64.78 %</u>	<u>9.85 %</u>	<u>11.83 %</u>	<u>0.91 %</u>	<u>12.63 %</u>	<u>100.00 %</u>
June 30, 2018						
By area	Taiwan	Asia except Taiwan	North America	Central and South America	Europe	Total
Exposure amount	\$ <u>40,606,861</u>	<u>6,984,820</u>	<u>7,235,839</u>	<u>596,287</u>	<u>8,309,763</u>	<u>63,733,570</u>
Ratio of the total	<u>63.71 %</u>	<u>10.96 %</u>	<u>11.35 %</u>	<u>0.94 %</u>	<u>13.04 %</u>	<u>100.00 %</u>

d) Credit risk exposure

Maximum credit risk exposure of Fubon Insurance's financial assets (without considering collateral or other credit enhancements instruments) is the net amount of book values less the offset amount recognized in accordance with IAS 32 and the net expected credit-impaired recognized in accordance with IFRS 9.

(Continued)

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

	June 30, 2019		December 31, 2018		June 30, 2018	
	Book value	Maximum exposure	Book value	Maximum exposure	Book value	Maximum exposure
<b><u>Non-derivative financial instruments</u></b>						
<b>Financial assets</b>						
Cash and cash equivalents	\$ 9,248,743	9,248,743	8,477,179	8,477,179	7,877,129	7,877,129
Receivables	7,282,184	7,282,184	4,857,637	4,857,637	6,247,518	6,247,518
Financial assets measured at fair value through profit or loss	25,206,871	25,206,871	21,873,641	21,873,641	22,301,654	22,301,654
Financial assets measured at amortized cost	2,571,873	2,571,873	3,678,259	3,678,259	3,598,363	3,598,363
Other financial assets	373,675	373,675	1,000,621	1,000,621	411,845	411,845
Financial assets measured at fair value through other comprehensive income	23,390,126	23,390,126	21,901,101	21,901,101	22,431,238	22,431,238
Reinsurance contract assets	6,010,439	6,010,439	5,607,488	5,607,488	5,744,736	5,744,736
Other assets	1,691,442	1,691,442	1,579,989	1,579,989	1,612,420	1,612,420
<b>Financial liabilities</b>						
Payables	12,472,113	12,472,113	10,978,591	10,978,591	11,318,838	11,318,838
Current tax liabilities	263,435	263,435	207,547	207,547	389,884	389,884
Lease obligations	228,986	228,986	-	-	-	-
Other liabilities	118,985	118,985	110,537	110,537	115,763	115,763
<b><u>Derivative financial instruments</u></b>						
<b>Financial assets</b>						
Financial assets measured at fair value through profit or loss	27,589	27,589	29,021	29,021	17,615	17,615
<b>Financial liabilities</b>						
Financial liabilities measured at fair value through profit or loss	115,394	115,394	66,889	66,889	566,145	566,145

e) Credit quality analysis

For credit quality, Fubon Insurance and its subsidiaries periodically follow credit rating information issued by credit rating agency, and based on the rating, classified as low risk, medium risk and high risk as follows:

- i) Low risk: Issuer or counterparty is capable of fulfilling contractual commitments. Even under variable negative news or unfavorable economic conditions, their financial condition is good enough to cope with it.
- ii) Medium risk: Issuer or counterparty has poor ability to fulfill contractual commitments. Variable negative news or unfavorable economic conditions may weaken its financial condition, and trigger concerns of assets impairment or cause loss to Fubon Insurance.

(Continued)

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

- iii) High risk: The possibility of issuer or counterparty to fulfill contractual commitments is poor and depends on operating environment, variable negative news or unfavorable economic conditions will reduce its ability and willingness to fulfill obligations.
- iv) The impaired amount refers to the amount provided for all financial assets based on the regulations of accounting standards. Under the principle of conservations, the amount is able to reflect the current value of the impairment. The information of credit quality is shown as follows:

June 30, 2019											
	Financial assets measured by amount of 12-month ECLs				Lifetime ECLs— not credit-impaired financial assets				Lifetime ECLs— credit-impaired financial assets	Impairment allowance	Total
	Low risk	Medium risk	High risk	Total	Low risk	Medium risk	High risk	Total			
Financial assets measured at fair value through other comprehensive income— debt instruments	\$ 20,175,341	-	-	20,175,341	-	-	-	-	-	-	20,175,341
Financial assets measured at amortized cost	2,573,062	-	-	2,573,062	-	-	-	-	-	1,189	2,571,873
<b>Total</b>	<b>\$ 22,748,403</b>	<b>-</b>	<b>-</b>	<b>22,748,403</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,189</b>	<b>22,747,214</b>
December 31, 2018											
	Neither past due nor impaired				Overdue but not impaired				Impaired	Impairment allowance	Total
	Low risk	Medium risk	High risk	Total	Low risk	Medium risk	High risk	Total			
Financial assets measured at fair value through other comprehensive income— debt instruments	\$ 19,249,331	-	-	19,249,331	-	-	-	-	-	-	19,249,331
Financial assets measured at amortized cost	3,679,817	-	-	3,679,817	-	-	-	-	-	1,558	3,678,259
<b>Total</b>	<b>\$ 22,929,148</b>	<b>-</b>	<b>-</b>	<b>22,929,148</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,558</b>	<b>22,927,590</b>
June 30, 2018											
	Neither past due nor impaired				Overdue but not impaired				Impaired	Impairment allowance	Total
	Low risk	Medium risk	High risk	Total	Low risk	Medium risk	High risk	Total			
Financial assets measured at fair value through other comprehensive income— debt instruments	\$ 19,521,519	-	-	19,521,519	-	-	-	-	-	-	19,521,519
Financial assets measured at amortized cost	3,599,877	-	-	3,599,877	-	-	-	-	-	1,514	3,598,363
<b>Total</b>	<b>\$ 23,121,396</b>	<b>-</b>	<b>-</b>	<b>23,121,396</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,514</b>	<b>23,119,882</b>

Note: There is no purchased or originated credit impaired financial assets in the above financial assets.

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

	June 30, 2019				
	Not overdue	30 days overdue	90 days overdue	90 days and above overdue	Total
Rate of expected credit-impaired	0%	2%~5%	10%~25%	25%~100%	
Carrying amount	\$ 7,875,987	2,189,352	579,546	531,729	11,176,614
Expected credit-impaired	-	32,533	20,046	38,168	90,747

(Continued)



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

	December 31, 2018				Total
	Not overdue	30 days overdue	90 days overdue	90 days and above overdue	
Rate of expected credit-impaired	0%	2%~5%	10%~25%	25%~100%	
Carrying amount	\$ 5,556,199	1,585,415	287,853	450,728	7,880,195
Expected credit-impaired	-	14,115	10,024	30,036	54,175

  

	June 30, 2018				Total
	Not overdue	30 days overdue	90 days overdue	90 days and above overdue	
Rate of expected credit-impaired	0%	2%~5%	10%~25%	25%~100%	
Carrying amount	\$ 6,672,357	1,899,313	672,922	627,665	9,872,257
Expected credit-impaired	-	14,321	15,522	58,073	87,916

- f) Determination on the credit risk that has increased significantly since initial recognition
- i) It may be assumed that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. Judgment criteria: External credit rating above investment grade (BBB-)
  - ii) Fubon Insurance and its subsidiaries determine whether the credit risk of financial instruments applying the impairment requirements in IFRS 9 increased significantly since the initial recognition on each reporting date. For this assessment, Fubon Insurance and its subsidiaries consider the reasonable and supportable information that shows the credit risk increased significantly since initial recognition (including forward-looking information). The main considerations include: external credit rating, overdue situation, credit spreads, and other market information related to the issuer or debtor, etc.
- g) Definitions for default and credit impairment of financial assets

Fubon Insurance and its subsidiaries use the same definitions for default and credit impairment of financial assets. If one or more of the following conditions are met, Fubon Insurance and its subsidiaries determine that the financial assets are defaulted and credit-impaired:

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

(Continued)

**FUBON FINANCIAL HOLDING 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 show that the issuer or the debtor has significant financial difficulties, such as:
  1. The issuer or the debtor has filed for bankruptcy or is likely to file a bankruptcy.
  2. The financial instrument's contract of the issuer's or debtor's has defaulted.
  3. The financial market of the financial asset disappeared due to the financial difficulties of the issuer or the debtor.
  4. Purchase or originate financial assets at a substantial discount that reflects the credit losses have occurred.
- iii) The aforementioned definition of breach of contract and credit impairment applies to all financial assets held by Fubon Insurance and its subsidiaries, and is consistent with the definition used for the purpose of internal credit risk management for financial assets, and is also applied to the relevant impairment assessment model.
- iv) If a financial asset no longer meets the definition of default and credit impairment for six consecutive months, it is deemed to return to the state of compliance and is no longer considered defaulted and credit-impaired.
- h) Assessment of expected credit loss
  - i) Adopted methods and assumptions

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

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

Default probability is how likely the issuer or debtor breaches the contract, and the loss given default is the rate of loss due to default by the issuer or debtor. The default probability and loss given default used by Fubon Insurance and its subsidiaries, related impairment assessments are based on information on the default rate and loss given default regularly announced by Moody's.

(Continued)

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

Fubon Insurance and its subsidiaries measure its exposure to breach of contract by the total amount of the amortized cost of financial instruments and interest receivable.

In order to determine if the credit risk has increased significantly since the initial recognition, Fubon Insurance and its subsidiaries assess the expected default risk during the existence of financial instruments on the reporting day, the rules for determination are as follows:

The financial instrument has the original rating, and is non-investment grade on the reporting date, and it falls at least one notch than the original score.

ii) Forward-looking information considerations

Fubon Insurance and its subsidiaries take forward-looking information into account when judging whether the credit risk of a financial instrument has increased significantly since its initial recognition and when the expected credit loss is measured. The default probability used by Fubon Insurance and its subsidiaries in relation to the impairment assessment is based on the default probability information published by Moody's on a regular basis and contains forward-looking general economic information.

iii) The estimation techniques or material assumptions made by Fubon Insurance and its subsidiaries to assess expected credit losses have no significant changes during the reporting period.

iv) Changes in loss allowance

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

	For the six months ended June 30, 2019			
	12-month ECLs	Lifetime ECLs (collective assessment)	Lifetime ECLs (individual assessment)	Impairment recognized due to IFRS 9
Beginning balance	\$ 11,264	-	-	11,264
Changes due to recognition of financial instruments at beginning:				
— Derecognition of financial assets at current period	(241)	-	-	(241)
Purchased or originated financial assets	244	-	-	244
Effects of exchange rate changes and others	(1,759)	-	-	(1,759)
Ending balance	<u>\$ 9,508</u>	<u>-</u>	<u>-</u>	<u>9,508</u>

(Continued)

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

	For the six months ended June 30, 2018			
	12-month ECLs	Lifetime ECLs (collective assessment)	Lifetime ECLs (individual assessment)	Impairment recognized due to IFRS 9
Beginning balance	\$ 10,626	-	-	10,626
Changes due to recognition of financial instruments at beginning:				
— Derecognition of financial assets at current period	(339)	-	-	(339)
Purchased or originated financial assets	238	-	-	238
Effects of exchange rate changes and others	284	-	-	284
Ending balance	<u>\$ 10,809</u>	<u>-</u>	<u>-</u>	<u>10,809</u>

2. Changes in loss allowance of financial assets measured at amortized cost

	For the six months ended June 30, 2019			
	12-month ECLs	Lifetime ECLs (collective assessment)	Lifetime ECLs (individual assessment)	Impairment recognized due to IFRS 9
Beginning balance	\$ 1,558	-	-	1,558
— Derecognition of financial assets at current period	(312)	-	-	(312)
Effects of exchange rate changes and others	(57)	-	-	(57)
Ending balance	<u>\$ 1,189</u>	<u>-</u>	<u>-</u>	<u>1,189</u>

	For the six months ended June 30, 2018			
	12-month ECLs	Lifetime ECLs (collective assessment)	Lifetime ECLs (individual assessment)	Impairment recognized due to IFRS 9
Beginning balance	\$ 1,452	-	-	1,452
Effects of exchange rate changes and others	62	-	-	62
Ending balance	<u>\$ 1,514</u>	<u>-</u>	<u>-</u>	<u>1,514</u>

4) Fubon Securities and its subsidiaries

Fubon Securities and its subsidiaries have exposure to credit risk, including issuer credit risk, counterparty credit risk and credit risk of underlying assets.

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

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

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

(Continued)

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

Fubon Securities and its subsidiaries face credit risk arising from financial assets including bank deposits, debt securities, over the counter (OTC) derivative transactions, repurchase agreements, reverse sell agreements, securities borrowing and lending, refundable deposits, futures trading margin, other refundable deposits, and receivables.

a) Analysis of concentrations of credit risk

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

Financial assets	June 30, 2019					
	Credit risk exposure amount—by region					
	Taiwan	Hong Kong	Asia	Europe	America	Total
Cash and cash equivalents	\$ 11,433,091	558,654	875,101	374	198,549	13,065,769
Customer margin account	16,325,009	135,948	2,095,054	3,153	1,921,945	20,481,109
Financial assets mandatorily measured at fair value through profit or loss — current	30,956,041	-	6,968,415	391,274	602,695	38,918,425
Debt securities	29,893,445	-	6,968,415	391,274	602,695	37,855,829
Derivatives—OTC	306,976	-	-	-	-	306,976
Derivatives—Futures trading margin	197,667	-	-	-	-	197,667
Other debt securities	554,671	-	-	-	-	554,671
Call option—Futures	3,282	-	-	-	-	3,282
Margin deposits for borrowed securities	5,503,549	-	-	-	-	5,503,549
Other refundable deposits	1,376,212	3,636	994	-	-	1,380,842
Other current assets	336,118	1,168,291	-	-	-	1,504,409
Financial assets measured at fair value through other comprehensive income	5,698,633	556,087	2,605,165	249,731	999,974	10,109,590
Debt securities	<u>5,698,633</u>	<u>556,087</u>	<u>2,605,165</u>	<u>249,731</u>	<u>999,974</u>	<u>10,109,590</u>
Total	<u>\$ 71,628,653</u>	<u>2,422,616</u>	<u>12,544,729</u>	<u>644,532</u>	<u>3,723,163</u>	<u>90,963,693</u>
Proportion of the total	<u>78.75 %</u>	<u>2.66 %</u>	<u>13.79 %</u>	<u>0.71 %</u>	<u>4.09 %</u>	<u>100.00 %</u>

(Continued)

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

<u>Financial assets</u>	<b>December 31, 2018</b>					
	<b>Credit risk exposure amount – by region</b>					
	<u>Taiwan</u>	<u>Hong Kong</u>	<u>Asia</u>	<u>Europe</u>	<u>America</u>	<u>Total</u>
Cash and cash equivalents	\$ 14,994,549	148,636	887,066	416	-	16,030,667
Customer margin account	12,497,047	73,902	3,029,911	3,072	646,417	16,250,349
Financial assets mandatorily measured at fair value through profit or loss – current	29,514,537	237,765	3,747,318	-	618,045	34,117,665
Debt securities	28,677,134	237,765	3,747,318	-	618,045	33,280,262
Derivatives – OTC	222,734	-	-	-	-	222,734
Derivatives – Futures trading margin	89,219	-	-	-	-	89,219
Other debt securities	525,259	-	-	-	-	525,259
Call option – Futures	191	-	-	-	-	191
Margin deposits for borrowed securities	4,425,851	-	-	-	-	4,425,851
Other refundable deposits	1,346,196	2,322	982	-	-	1,349,500
Other current assets	590,434	333,782	-	-	-	924,216
Financial assets measured at fair value through other comprehensive income	4,483,124	-	2,754,400	602,350	651,461	8,491,335
Debt securities	4,483,124	-	2,754,400	602,350	651,461	8,491,335
Total	<u>\$ 67,851,738</u>	<u>796,407</u>	<u>10,419,677</u>	<u>605,838</u>	<u>1,915,923</u>	<u>81,589,583</u>
Proportion of the total	<u>83.16 %</u>	<u>0.98 %</u>	<u>12.77 %</u>	<u>0.74 %</u>	<u>2.35 %</u>	<u>100.00 %</u>
	<b>June 30, 2018</b>					
	<b>Credit risk exposure amount – by region</b>					
<u>Financial assets</u>	<u>Taiwan</u>	<u>Hong Kong</u>	<u>Asia</u>	<u>Europe</u>	<u>America</u>	<u>Total</u>
Cash and cash equivalents	\$ 17,383,219	344,313	884,927	1,830,924	-	20,443,383
Customer margin account	9,911,123	1,592,000	3,673,082	-	163,221	15,339,426
Financial assets mandatorily measured at fair value through profit or loss – current	28,282,783	86,807	11,975,615	1,067,026	1,233,739	42,645,970
Debt securities	27,234,326	86,807	11,975,615	1,067,026	1,233,739	41,597,513
Derivatives – OTC	164,328	-	-	-	-	164,328
Derivatives – Futures trading margin	387,372	-	-	-	-	387,372
Other debt securities	496,000	-	-	-	-	496,000
Call option – futures	757	-	-	-	-	757
Margin deposits for borrowed securities	42,675	-	-	-	-	42,675
Other refundable deposits	1,565,621	7,163	1,044	-	-	1,573,828
Other current assets	1,172,276	307,290	-	-	-	1,479,566
Financial assets measured at fair value through other comprehensive income	5,061,181	-	3,918,219	213,211	218,230	9,410,841
Debt securities	5,061,181	-	3,918,219	213,211	218,230	9,410,841
Total	<u>\$ 63,418,878</u>	<u>2,337,573</u>	<u>20,452,887</u>	<u>3,111,161</u>	<u>1,615,190</u>	<u>90,935,689</u>
Proportion of the total	<u>69.74 %</u>	<u>2.57 %</u>	<u>22.49 %</u>	<u>3.42 %</u>	<u>1.78 %</u>	<u>100.00 %</u>

(Continued)

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

June 30, 2019															
Credit risk exposure amount—by industry															
Financial assets	Central and local										Culture and creative				Total
	Financial service	government agencies	Retail and wholesale	Building and material	Biotechnology industry	Food and travel industry	Shipping industry	Electronic industry	Chemical industry	Cement industry	Motor vehicle industry	Information services	creative industry	Other services	
Cash and cash equivalents	\$ 13,065,769	-	-	-	-	-	-	-	-	-	-	-	-	-	13,065,769
Customer margin account	20,481,109	-	-	-	-	-	-	-	-	-	-	-	-	-	20,481,109
Financial assets mandatorily measured at fair value through profit or loss — current	13,791,027	9,357,615	-	8,084,499	270,169	700,375	1,555,045	2,911,296	119,002	-	4,965	71,386	-	2,053,046	38,918,425
Debt securities	12,728,431	9,357,615	-	8,084,499	270,169	700,375	1,555,045	2,911,296	119,002	-	4,965	71,386	-	2,053,046	37,855,829
Derivatives—OTC	306,976	-	-	-	-	-	-	-	-	-	-	-	-	-	306,976
Derivatives—futures trading margin	197,667	-	-	-	-	-	-	-	-	-	-	-	-	-	197,667
Other debt securities	554,671	-	-	-	-	-	-	-	-	-	-	-	-	-	554,671
Call options—Futures	3,282	-	-	-	-	-	-	-	-	-	-	-	-	-	3,282
Margin deposits for borrowed securities	5,503,549	-	-	-	-	-	-	-	-	-	-	-	-	-	5,503,549
Other refundable deposits	1,377,122	-	-	-	-	-	-	-	-	-	-	-	-	3,720	1,380,842
Other current assets	335,960	-	-	-	-	-	-	-	-	-	-	-	-	1,168,449	1,504,409
Financial assets measured at fair value through other comprehensive income	4,936,510	315,410	-	99,249	-	547,594	1,193,333	946,802	-	198,658	-	-	-	1,872,034	10,109,590
Debt securities	4,936,510	315,410	-	99,249	-	547,594	1,193,333	946,802	-	198,658	-	-	-	1,872,034	10,109,590
Total	\$ 59,491,046	9,673,025	-	8,183,748	270,169	1,247,969	2,748,378	3,858,098	119,002	198,658	4,965	71,386	-	5,097,249	90,963,693
Proportion of the total	65.40 %	10.63 %	- %	9.00 %	0.30 %	1.37 %	3.02 %	4.24 %	0.13 %	0.22 %	0.01 %	0.08 %	- %	5.60 %	100.00 %

December 31, 2018															
Credit risk exposure amount—by industry															
Financial assets	Central and local			Building and	Food and						Culture and creative			Total	
	Financial service	government agencies	Retail and wholesale	material	travel industry	Shipping industry	Electronic industry	Chemical industry	Motor vehicle industry	Information services	creative industry	Other services			
Cash and cash equivalents	\$ 16,030,667	-	-	-	-	-	-	-	-	-	-	-	-	-	16,030,667
Customer margin account	16,250,349	-	-	-	-	-	-	-	-	-	-	-	-	-	16,250,349
Financial assets mandatorily measured at fair value through profit or loss — current	8,790,930	8,482,787	-	8,707,692	263,826	726,408	1,384,696	4,124,006	135,483	44,730	21,900	1,435,207	-	34,117,665	
Debt securities	7,953,527	8,482,787	-	8,707,692	263,826	726,408	1,384,696	4,124,006	135,483	44,730	21,900	1,435,207	-	33,280,262	
Derivatives—OTC	222,734	-	-	-	-	-	-	-	-	-	-	-	-	222,734	
Derivatives—futures trading margin	89,219	-	-	-	-	-	-	-	-	-	-	-	-	89,219	
Other debt securities	525,259	-	-	-	-	-	-	-	-	-	-	-	-	525,259	
Call option—Futures	191	-	-	-	-	-	-	-	-	-	-	-	-	191	
Margin deposits for borrowed securities	4,425,851	-	-	-	-	-	-	-	-	-	-	-	-	4,425,851	
Other refundable deposits	1,310,701	-	-	-	-	-	-	-	-	-	-	-	-	38,799	1,349,500
Other current assets	312,878	-	-	-	-	-	-	-	-	-	-	-	-	611,338	924,216
Financial assets measured at fair value through other comprehensive income	3,980,889	314,466	-	-	-	149,476	754,227	1,023,763	-	-	-	-	-	2,268,514	8,491,335
Debt securities	3,980,889	314,466	-	-	-	149,476	754,227	1,023,763	-	-	-	-	-	2,268,514	8,491,335
Total	\$ 51,102,265	8,797,253	-	8,707,692	263,826	875,884	2,138,923	5,147,769	135,483	44,730	21,900	4,353,858	-	81,589,583	
Proportion of the total	62.63 %	10.78 %	- %	10.67 %	0.32 %	1.08 %	2.62 %	6.31 %	0.17 %	0.05 %	0.03 %	5.34 %	- %	100.00 %	

(Continued)

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

June 30, 2018													
Credit risk exposure amount—by industry													
Financial assets	Central and local financial service	government agencies	Retail and wholesale	Building and material	Biotechnology industry	Food and travel industry	Shipping industry	Electronic industry	Chemical industry	Motor vehicle industry	Culture and creative industry	Other services	Total
Cash and cash equivalents	\$ 20,443,383	-	-	-	-	-	-	-	-	-	-	-	20,443,383
Customer margin account	15,339,426	-	-	-	-	-	-	-	-	-	-	-	15,339,426
Financial assets mandatorily measured at fair value through profit or loss—current	17,148,397	7,622,820	10,857	1,935,150	480,364	4,244,470	1,533,378	6,051,910	22,141	44,793	157,869	3,393,821	42,645,970
Debt securities	16,099,940	7,622,820	10,857	1,935,150	480,364	4,244,470	1,533,378	6,051,910	22,141	44,793	157,869	3,393,821	41,597,513
Derivatives—OTC	164,328	-	-	-	-	-	-	-	-	-	-	-	164,328
Derivatives—futures trading margin	387,372	-	-	-	-	-	-	-	-	-	-	-	387,372
Other debt securities	496,000	-	-	-	-	-	-	-	-	-	-	-	496,000
Call option—Future	757	-	-	-	-	-	-	-	-	-	-	-	757
Margin deposits for borrowed securities	42,675	-	-	-	-	-	-	-	-	-	-	-	42,675
Other refundable deposits	1,573,811	-	-	-	-	-	-	-	-	-	-	17	1,573,828
Other current assets	862,777	-	-	-	-	-	-	-	-	-	-	616,789	1,479,566
Financial assets measured at fair value through other comprehensive income	4,645,670	1,371,629	-	-	-	148,469	752,146	697,313	-	-	-	1,795,614	9,410,841
Debt securities—money market instruments	4,645,670	1,371,629	-	-	-	148,469	752,146	697,313	-	-	-	1,795,614	9,410,841
Total	<u>\$ 60,056,139</u>	<u>8,994,449</u>	<u>10,857</u>	<u>1,935,150</u>	<u>480,364</u>	<u>4,392,939</u>	<u>2,285,524</u>	<u>6,749,223</u>	<u>22,141</u>	<u>44,793</u>	<u>157,869</u>	<u>5,806,241</u>	<u>90,935,689</u>
Proportion of the total	<u>66.04 %</u>	<u>9.89 %</u>	<u>0.01 %</u>	<u>2.13 %</u>	<u>0.53 %</u>	<u>4.83 %</u>	<u>2.52 %</u>	<u>7.42 %</u>	<u>0.03 %</u>	<u>0.05 %</u>	<u>0.17 %</u>	<u>6.38 %</u>	<u>100.00 %</u>

Fubon Securities and its subsidiaries' exposure to credit risk in Taiwan and financial service is due to the following reasons: (1) Fubon Securities and its subsidiaries deposit cash in financial institutions and hold debt securities issued or guaranteed by banks, and (2) all the counterparties of derivative transactions, investments in debt securities, and security lending are financial institutions in Taiwan.

b) Credit risk of financial assets

i) Cash and cash equivalents

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

ii) Financial assets measured at fair value—current

1. Debt securities

Fubon Securities and its subsidiaries hold positions in debt securities, including bonds, convertible bonds and bond funds, which are issued by domestic companies. The details of debt securities are as follows:

a. Convertible bonds

Convertible bonds held by Fubon Securities and its subsidiaries are primarily issued by domestic companies. To control exposure to credit risk from convertible bonds, Fubon Securities and its subsidiaries transfer credit risk to external investors by asset swaps.

(Continued)



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

b. Bond funds

The underlying assets of bond funds held by Fubon Securities and its subsidiaries are mainly fixed income securities.

2. Bonds with repurchase/resell agreement (RP/RS) undertaking

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

3. Derivatives—Over-the-Counter (OTC)

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

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

4. Derivatives—futures trading margin

For trading on the centralized futures market, Fubon Securities and its subsidiaries deposit futures trading margin into an account designated by Fubon Securities and its subsidiaries as a guarantee of future funding to fulfill a contractual obligation. Fubon Futures and Polaris MF Global Futures are futures commission merchants. Fubon Securities hold 100% of the shares of Fubon futures. Thus, little potential loss due to credit risk was likely to occur.

(Continued)

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

5. Other debt securities

Other debt securities are mainly asset-capitalized beneficiary securities Fubon R1, Fubon R2 and Skbank No.1 REIT. Because of the good quality of entrusted assets and the above-average quality of renters in the asset pool, Fubon Securities and its subsidiaries have low credit risk.

iii) Margin deposits for borrowed securities

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

iv) Other refundable deposits

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

v) Other current assets

Other current assets of Fubon Securities and its subsidiaries are cash provided for pledge or restricted use to domestic financial institutions with good credit.

vi) Customer margin account

Customer margin account is the bank account that Fubon Futures deposits in its initial margins and its premium of traders. The bank account is at low-credit-risk financial institutions.

c) Credit risk quality classification definitions

i) Credit Risk quality classification definitions

Low Risk: exposures demonstrate a good capacity to meet financial commitments, with low default risk and/or low levels of expected loss.

(Continued)

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

Medium Risk: exposures require closer monitoring and demonstrate an average to fair capacity to meet financial commitments, with medium default risk.

High Risk: exposures require varying degrees of special attention and default risk is of greater concern.

Impaired: Fubon Securities and its subsidiaries or the target do not perform its obligation according to the contracts and the potential estimated loss has reached the standard of impairment. The information of credit risk quality were as follow:

June 30, 2019										
Financial assets measured by 12-month ECLs				Lifetime ECLs – not credit-impaired financial assets				Lifetime ECLs – credit-impaired financial assets	Impairment allowance	Total
Low risk	Medium risk	High risk	Subtotal	Low risk	Medium risk	High risk	Subtotal			
7,726,265	2,390,709	-	10,116,974	-	-	-	-	-	7,384	10,109,590
Financial assets measured fair value through other comprehensive income – debt instruments										
December 31, 2018										
Financial assets measured by 12-month ECLs				Lifetime ECLs – not credit-impaired financial assets				Lifetime ECLs – credit-impaired financial assets	Impairment allowance	Total
Low risk	Medium risk	High risk	Subtotal	Low risk	Medium risk	High risk	Subtotal			
7,544,673	952,204	-	8,496,877	-	-	-	-	-	5,542	8,491,335
Financial assets measured fair value through other comprehensive income – debt instruments										
June 30, 2018										
Financial assets measured by 12-month ECLs				Lifetime ECLs – not credit-impaired financial assets				Lifetime ECLs – credit-impaired financial assets	Impairment allowance	Total
Low risk	Medium risk	High risk	Subtotal	Low risk	Medium risk	High risk	Subtotal			
5,491,759	3,924,525	-	9,416,284	-	-	-	-	-	5,443	9,410,841
Financial assets measured fair value through other comprehensive income – debt instruments										

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

(Continued)

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

Financial assets	June 30, 2019						
	Financial assets credit quality and classification						
	Low risk	Medium risk	High risk	Overdue but not impaired	Impaired	Impairment allowance	Total
Cash and cash equivalents	\$ 12,264,839	800,930	-	-	-	-	13,065,769
Customer margin account	20,481,109	-	-	-	-	-	20,481,109
Financial assets mandatorily measured at fair value through profit or loss – current	30,674,524	8,243,901	-	-	-	-	38,918,425
Debt securities	30,368,221	7,487,608	-	-	-	-	37,855,829
Derivative assets – OTC	105,354	201,622	-	-	-	-	306,976
Derivative assets – Futures trading margin	197,667	-	-	-	-	-	197,667
Other debt securities	-	554,671	-	-	-	-	554,671
Call option – Futures	3,282	-	-	-	-	-	3,282
Margin deposits for borrowed securities	5,503,549	-	-	-	-	-	5,503,549
Other refundable deposits	1,377,972	2,870	-	-	-	-	1,380,842
Other current assets	1,504,409	-	-	-	-	-	1,504,409
Financial assets measured at fair value through other comprehensive income	7,726,265	2,390,709	-	-	-	7,384	10,109,590
Debt securities	7,726,265	2,390,709	-	-	-	7,384	10,109,590
<b>Subtotal</b>	<b>79,532,667</b>	<b>11,438,410</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,384</b>	<b>90,963,693</b>
Proportion of the total	<b>87.44 %</b>	<b>12.57 %</b>	<b>- %</b>	<b>- %</b>	<b>- %</b>	<b>0.01 %</b>	<b>100.00 %</b>
Receivables	16,472,473	4,781,875	716,553	-	159,414	159,414	21,970,901
Account receivable	11,833,784	11,722	-	-	159,414	159,414	11,845,506
Receivables from pecuniary finance	4,638,689	4,770,153	716,553	-	-	-	10,125,395
<b>Total</b>	<b>\$ 96,005,140</b>	<b>16,220,285</b>	<b>716,553</b>	<b>-</b>	<b>159,414</b>	<b>166,798</b>	<b>112,934,594</b>
Proportion of the total	<b>85.01 %</b>	<b>14.37 %</b>	<b>0.63 %</b>	<b>- %</b>	<b>0.14 %</b>	<b>0.15 %</b>	<b>100.00 %</b>

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

Financial assets	December 31, 2018						
	Financial assets credit quality and classification						
	Low risk	Medium risk	High risk	Overdue but not impaired	Impaired	Impairment reserve	Total
Cash and cash equivalents	\$ 14,466,079	1,564,588	-	-	-	-	16,030,667
Customer margin account	16,250,349	-	-	-	-	-	16,250,349
Financial assets mandatorily measured at fair value through profit or loss – current	23,431,684	10,216,421	469,560	-	-	-	34,117,665
Debt securities	22,726,973	10,083,729	469,560	-	-	-	33,280,262
Derivative assets – OTC	90,042	132,692	-	-	-	-	222,734
Derivative assets – Futures trading margin	89,219	-	-	-	-	-	89,219
Other debt securities	525,259	-	-	-	-	-	525,259
Call option – Futures	191	-	-	-	-	-	191
Margin deposits for borrowed securities	4,425,851	-	-	-	-	-	4,425,851
Other refundable deposits	1,349,500	-	-	-	-	-	1,349,500
Other current assets	924,216	-	-	-	-	-	924,216
Financial assets measured at fair value through other comprehensive income	7,544,673	952,204	-	-	-	5,542	8,491,335
Debt securities	7,544,673	952,204	-	-	-	5,542	8,491,335
<b>Subtotal</b>	<b>68,392,352</b>	<b>12,733,213</b>	<b>469,560</b>	<b>-</b>	<b>-</b>	<b>5,542</b>	<b>81,589,583</b>
Proportion of the total	<b>83.82 %</b>	<b>15.61 %</b>	<b>0.58 %</b>	<b>- %</b>	<b>- %</b>	<b>0.01 %</b>	<b>100.00 %</b>
Receivables	13,855,763	5,229,180	536,790	-	159,725	159,725	19,621,733
Account receivable	9,660,563	12,313	-	-	159,725	159,725	9,672,876
Receivables from pecuniary finance	4,195,200	5,216,867	536,790	-	-	-	9,948,857
<b>Total</b>	<b>\$ 82,248,115</b>	<b>17,962,393</b>	<b>1,006,350</b>	<b>-</b>	<b>159,725</b>	<b>165,267</b>	<b>101,211,316</b>
Proportion of the total	<b>81.26 %</b>	<b>17.75 %</b>	<b>0.99 %</b>	<b>- %</b>	<b>0.16 %</b>	<b>0.16 %</b>	<b>100.00 %</b>

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

(Continued)

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

Financial assets	June 30, 2018						
	Financial assets credit quality and classification						
	Low risk	Medium risk	High risk	Overdue but not impaired	Impaired	Impairment reserve	Total
Cash and cash equivalents	\$ 19,195,233	1,248,150	-	-	-	-	20,443,383
Customer margin account	15,339,426	-	-	-	-	-	15,339,426
Financial assets mandatorily measured at fair value through profit or loss – current	27,071,412	15,081,280	493,278	-	-	-	42,645,970
Debt securities	26,539,739	14,564,496	493,278	-	-	-	41,597,513
Derivative assets – OTC	54,148	110,180	-	-	-	-	164,328
Derivative assets – Futures trading margin	387,372	-	-	-	-	-	387,372
Other debt securities	89,396	406,604	-	-	-	-	496,000
Call option – Futures	757	-	-	-	-	-	757
Margin deposits for borrowed securities	42,675	-	-	-	-	-	42,675
Other refundable deposits	1,572,447	1,381	-	-	-	-	1,573,828
Other current assets	1,479,566	-	-	-	-	-	1,479,566
Financial assets measured at fair value through other comprehensive income	5,491,759	3,924,525	-	-	-	5,443	9,410,841
Debt securities	5,491,759	3,924,525	-	-	-	5,443	9,410,841
Subtotal	<u>70,192,518</u>	<u>20,255,336</u>	<u>493,278</u>	<u>-</u>	<u>-</u>	<u>5,443</u>	<u>90,935,689</u>
Proportion of the total	77.19 %	22.27 %	0.55 %	- %	- %	0.01 %	100.00 %
Receivables	21,963,735	7,727,482	697,360	-	159,717	159,717	30,388,577
Account receivable	14,934,385	13,075	-	-	159,717	159,717	14,947,460
Receivables from pecuniary finance	7,029,350	7,714,407	697,360	-	-	-	15,441,117
Total	<u>\$ 92,156,253</u>	<u>27,982,818</u>	<u>1,190,638</u>	<u>-</u>	<u>159,717</u>	<u>165,160</u>	<u>121,324,266</u>
Proportion of the total	<u>75.96 %</u>	<u>23.07 %</u>	<u>0.98 %</u>	<u>- %</u>	<u>0.13 %</u>	<u>0.14 %</u>	<u>100.00 %</u>

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

As seen in above tables, Fubon Securities and its subsidiaries have no financial assets which are overdue but not impaired. 0.63% of normal assets are classified under high risk category. Those assets mainly are receivables from pecuniary finance. The details of assets classified as high risk are as follows:

1. Cash and cash equivalents: To fulfill daily settlement payments and remittance operations, it is required to deposit a certain amount to the main delivery lines for the brokerage business and other operations. The management of Fubon Securities and its subsidiaries periodically review the financial condition, operation and credit risk.
2. Debt securities: To control exposure to credit risk from convertible bonds, Fubon Securities and its subsidiaries transfer credit risk to external investors by asset swaps.
3. Receivables from pecuniary finance: The risk of financial loss arise from price movement in the underlying securities. To lower credit risk, Fubon Securities and its subsidiaries closely monitor market volatility of underlying assets and set strict control over counterparty credit risk.

(Continued)

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

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

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

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

Fubon Securities and its subsidiaries use the same definitions for default and credit impairment of financial assets. If one or more of the following conditions are met, Fubon Securities and its subsidiaries determine that the financial assets has been defaulted and credit-impaired:

1. Quantitative indicators

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

2. Qualitative indicators

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

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

(Continued)

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

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

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

iv) Expected credit loss measurement

1. Adopted methods and assumptions

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

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

Default probability is how likely the issuer or the counterparty breaches the contract, and the loss given default is the rate of loss due to default by the issuer or the counterparty. The default probability and loss given default used by Fubon Securities and its subsidiaries, related impairment assessments are based on international credit rating agencies (Moody's), regularly publish information on default rate and loss given default, or internal historical information (such as credit losses experience, etc.) and calculate based on current observable data and forward-looking general economic information (such as gross domestic production) after adjusting historical data.

The estimation techniques or material assumptions made by Fubon Securities and its subsidiaries to assess expected credit losses have no significant changes for the six months ended June 30, 2019 and 2018.

(Continued)

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

v) Forward-looking information considerations

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

One of the determinations of whether the credit risk of debt investments measured at fair value through other comprehensive income held by Fubon Securities and its subsidiaries has increased significantly, is based on the external ratings from international credit rating agencies (Moody's). The expected credit losses calculation is referred to the external rating scale and Moody's regularly published default rate and loss given default information. The forward-looking macroeconomic condition is considered, and are appropriately adjusted .

(Continued)



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

vi) Changes in loss allowance

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

As of June 30, 2019 and 2018, the reconciliations of the beginning and ending balances for loss allowance of debt instruments measured at fair value through other comprehensive income were as follows:

	For the six months ended June 30, 2019						Total
	12-month ECLs	Lifetime ECLs (collectively assessed)	Lifetime ECLs (individually assessed)	Lifetime ECLs (not purchased or originated credit- impaired financial assets)	Lifetime ECLs (purchased or originated credit- impaired financial assets)	The loss allowances measured in accordance with IFRS 9	
Beginning balance	\$ 5,542	-	-	-	-	5,542	5,542
Originated or purchased new financial assets	3,552	-	-	-	-	3,552	3,552
Effects of exchange rate changes and others	(1,710)	-	-	-	-	(1,710)	(1,710)
Ending balance	<u>\$ 7,384</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,384</u>	<u>7,384</u>

(Continued)

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

	For the six months ended June 30, 2018					The loss allowances measured in accordance with IFRS 9	Total
	12-month ECLs	Lifetime ECLs (collectively assessed)	Lifetime ECLs (individually assessed)	Lifetime ECLs (not purchased or originated credit-impaired financial assets)	Lifetime ECLs (purchased or originated credit-impaired financial assets)		
Beginning balance	\$ 1,799	-	-	-	-	1,799	1,799
Originated or purchased new financial assets	3,514	-	-	-	-	3,514	3,514
Effects of exchange rate changes and others	130	-	-	-	-	130	130
Ending balance	<u>\$ 5,443</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,443</u>	<u>5,443</u>

For the six months ended June 30, 2019 and 2018, there was no significant change in the allowance loss resulting from significant changes in the total carrying amount.

(Continued)

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

2. Changes in loss allowance of other receivables and overdue receivables

As of June 30, 2019, the reconciliations of the beginning and ending balances for loss allowance of other receivables and overdue receivables were as follows:

	For the six months ended June 30, 2019						Total
	12-month ECLs	Lifetime ECLs (collectively assessed)	Lifetime ECLs (individually assessed)	Lifetime ECLs (not purchased or originated credit-impaired financial assets)	Lifetime ECLs (purchased or originated credit-impaired financial assets)	The loss allowances measured in accordance with IFRS 9	
Beginning balance	\$ -	-	161,118	39,063	-	200,181	200,181
Originated or purchased new financial assets	-	-	-	620	-	620	620
Effects of exchange rate changes and others	-	-	(514)	(470)	-	(984)	(984)
Ending balance	<u>\$ -</u>	<u>-</u>	<u>160,604</u>	<u>39,213</u>	<u>-</u>	<u>199,817</u>	<u>199,817</u>

(Continued)

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

For the six months ended June 30, 2018							
	<u>12-month ECLs</u>	<u>Lifetime ECLs (collectively assessed)</u>	<u>Lifetime ECLs (individually assessed)</u>	<u>Lifetime ECLs (not purchased or originated credit-impaired financial assets)</u>	<u>Lifetime ECLs (purchased or originated credit-impaired financial assets)</u>	<u>The loss allowances measured in accordance with IFRS 9</u>	<u>Total</u>
Beginning balance	\$ -	-	1,080	12,906	-	13,986	13,986
Originated or purchased new financial assets	-	-	159,717	1,626	-	161,343	161,343
Effects of exchange rate changes and others	-	-	(649)	(4,835)	-	(5,484)	(5,484)
Ending balance	<u>\$ -</u>	<u>-</u>	<u>160,148</u>	<u>9,697</u>	<u>-</u>	<u>169,845</u>	<u>169,845</u>

Affected by the sharp plummet in US stocks in February, 2018, Fubon Futures had the unpaid amount of future exchanges margins receivable amounting to \$170,987, \$172,038 and \$172,792, which has yet to be recovered, and recorded loss allowance amounting to \$159,264, \$159,725 and \$159,717 after considering the actual recovery as of June 30, 2019, December 31 and June 30, 2018.

(Continued)

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

vii) Impairment loss

As of June 30, 2019, December 31 and June 30, 2018, Fubon Securities and its subsidiaries' receivables from pecuniary finance recovery period were principally less than a year or an operating cycle (not more than a year and a half). Thus, it was assumed that book value approximated fair value without discounting at an appropriate interest rate.

As of June 30, 2019, December 31 and June 30, 2018, in accordance with the Regulations Governing Margin and Stock Loans by Securities Firms, Fubon Securities and its subsidiaries had charged the margin for margin purchases to their customers, and held all securities purchased as collaterals. Fubon Securities set a margin ratio of around 120% to manage receivables from pecuniary finance. If the stock price fluctuates too much to maintain margin ratio of 120%, Fubon Securities and its subsidiaries will inform the customers to repay part of the financing, replenish the deposit margin, or increase the amount of collaterals to make up the balance. As of June 30, 2019, December 31 and June 30, 2018, Fubon Securities and its subsidiaries had no impairment loss on receivables from pecuniary finance, taking historical experience and the recoverable amount of collateral into account.

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

Fubon Securities and its subsidiaries have persistently tried to settle the aforementioned claims, and recorded the uncollected receivables from such unsettled pecuniary finance contracts and the past-maturity corporate bonds as overdue receivables.

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

5) Fubon Bank (Hong Kong) and its subsidiaries

The following disclosure related to Fubon Bank (Hong Kong) and its subsidiaries is all expressed in thousands of HKD, unless otherwise stated.

a) Sources and definition of credit risk

Credit risk is the risk of suffering financial loss in the event that any of Fubon Bank (Hong Kong) and its subsidiaries' customers or counterparties fail to fulfill their obligation to Fubon Bank (Hong Kong) and its subsidiaries. It arises mainly from loans and advances, debt securities held, and counterparty credit risk arising from derivative contracts entered into with customer. It also arises from trading and treasury activities.

b) Strategy, objectives, policies and procedures

Fubon Bank (Hong Kong) and its subsidiaries manage credit risk through a framework of controls to ensure credit risk taking activities are based on sound principles and in line with the overall business objectives of Fubon Bank (Hong Kong) and its subsidiaries. It has established a set of credit policies and procedures, which define the credit risk taking criteria, the credit approval upper limit delegated from the Board of Directors, credit monitoring processes, credit rating and sorting systems, and loan impairment criteria.

The credit risk management process is designed to facilitate early detection of customer, industry, or product risk exposures that require special monitoring. The overall portfolio risk is subject to continuous monitoring. The general risk management report covers information including large-scale risk assumptions, national risk assumptions, industry risk assumptions, loan quality, and loan depreciation, then it is submitted to the Credit Committee, the Executive Credit Committee, and the Risk Committee.

c) Credit risk management framework

The Board of Directors delegate credit approval authorities to the following in descending order of authority: the Executive Credit Committee, the Credit Committee and the Wholesale Credit Committee. The Executive Credit Committee serves as the Credit Committee of the Board of Directors to review and approve credits that require the approval from the Board of Directors. In addition, it approves Fubon Bank (Hong Kong) and its subsidiaries' credit policies and credit risk profile, taking into consideration relevant law and regulations.

(Continued)

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

The Credit Committee is a management level committee that provides management oversight of Fubon Bank (Hong Kong) and its subsidiaries' credit risk management. It ensures that Fubon Bank (Hong Kong) and its subsidiaries have in place an effective credit risk management framework and that its credit risks are within the credit policies and credit risk profile as specified by the Board of Directors or its delegated committees. The Credit Committee reviews and endorses credit policies and the credit risk profile for the Executive Credit Committee's approval, and reviews and approves credit related guidelines. It also conducts ongoing review of the market environment and makes necessary policy recommendations to the Executive Credit Committee to ensure that the credit risk profile of Fubon Bank (Hong Kong) and its subsidiaries is within the established risk appetite of Fubon Bank (Hong Kong) and its subsidiaries. The Credit Committee also reviews and approves credits that are within the authority as delegated by the Board of Directors.

The Wholesale Credit Committee reviews and approves wholesale credits that are within its authority as delegated by the Board of Directors.

The credit department (corporate credit risk management, special asset management, consumer credit risk monitoring and the data analytics group) conducts unified credit risk management on corporate credits and retail credits, and is responsible for the following duties:

- i) Independent review of corporate credit applications
- ii) Monitor loan portfolios and conduct regular analysis
- iii) Manage problematic corporate credits to achieve the highest recovery amount
- iv) Proposed loan classification, impairment and write-off
- v) Regularly report the loan portfolio to the Credit Committee and the Executive Credit Committee.

Compliance reviews are conducted by independent entities on an ongoing basis to ensure compliance with applicable laws and regulations, standards, guidelines and codes of practice. The internal audit units of Fubon Bank (Hong Kong) and its subsidiaries are independent evaluation units, and they assess the internal control system and adhere to the laws, regulatory guidelines and internal control policies.

The credit risk limit is based on various factors such as market conditions, capital requirements, and returns, which are considered at different levels, including portfolio and individual customer levels.

(Continued)

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

d) Risk report and evaluation system

Specific policies and measures to address different kinds of credit related activities are set out below:

i) Institutional bank

Credit risk from institutional bank is managed by conducting thorough credit evaluation, credit risk mitigation through collateral and guarantee, internal credit rating system and post-approval monitoring system. Subject to the size of the credit, the value of collateral and the internal credit rating of the client, different levels of credit approval agencies are required. Credit decision takes into account facility structure, tenor, the repayment ability of the obligor and credit mitigation through collateral and guarantee.

Fubon Bank (Hong Kong) and its subsidiaries have established limits for exposures to individual industries and client groups, regardless of whether the credit exposure is in the form of financing or non-financing exposures. Fubon Bank (Hong Kong) and its subsidiaries also undertake ongoing credit review and monitoring at several levels. The relevant policies and procedures also take into account the rules under the Hong Kong Banking Ordinance, regulatory requirements of the HKMA and best market practices.

ii) Retail Bank

Consumer credit risk is product driven, arising from consumer loan products such as credit cards, unsecured personal loans, commercial account receivable loans, mortgage loans and mortgage loans with wealth management products. Because of the homogeneous nature of these products, credit risk managements are primarily based on statistical analyses of risks with respect to different products, collaterals and types of customers. Fubon Bank (Hong Kong) and its subsidiaries determine product terms and ideal customer profiles on a regular basis by developing, validating and fine-tuning of internal scorecards and stress testing models.

iii) Counterparty credit risk

Unlike the on-balance sheet instruments, where the credit risk is generally represented by the principal of loans or other financial instruments, credit risk of counterparty for derivatives is the positive replacement cost together with an estimate for the potential future exposure from changes in market value. These credit exposures are managed as part of the overall credit limits to the counterparties. Fubon Bank (Hong Kong) and its subsidiaries use the current exposure method for the purpose of providing capital for such counterparty exposures.

(Continued)



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

Wrong way risk occurs when the credit exposure and credit quality of the counterparty have an adverse effect on each other. Credit exposures and potential losses may increase as a result of adverse change in market conditions. Fubon Bank (Hong Kong) and its subsidiaries have established policies and procedures to control wrong-way risk.

iv) Credit-related commitments

The risks involved in credit-related commitments and contingencies are essentially the same as the credit risk involved in extending loan facilities to customers. These transactions are, therefore, subject to the same credit application, portfolio management and collateral requirements as for loan transactions.

v) Concentration of credit risk

Concentration of credit risk exists when changes in geographic, economic or industry factors similarly affect groups of clients or counterparties whose aggregate credit exposure is material in relation to Fubon Bank (Hong Kong) and its subsidiaries' total exposures. Fubon Bank (Hong Kong) and its subsidiaries' financial risk exposure are diversified by client group, industry and product, but are concentrated in Hong Kong.

e) Mitigation or hedging policy, and monitoring strategy and procedure

Fubon Bank (Hong Kong) and its subsidiaries' credit evaluation focuses primarily on the borrower's repayment ability from its cash flow and financial condition. In addition, Fubon Bank (Hong Kong) and its subsidiaries employ various credit risk mitigation measures such as appropriate facility structuring, posting of collateral and/or third party support as well as transfer of risk to other third parties, which form an integral part of the credit risk management process. Credit and market concentration risks of credit risk reduction measures used by Fubon Bank (Hong Kong) and its subsidiaries are minimal. The most commonly used credit risk mitigation measures are provided below:

Collateral

Fubon Bank (Hong Kong) and its subsidiaries hold collateral against taking credit risk mainly in the form of cash deposits, marketable securities, and mortgage interest over property and guarantees. Fubon Bank (Hong Kong) and its subsidiaries have in place policies and procedures that govern the assessment, acceptance and the periodic valuation of the collateral. Collateral taken to secure credit risk is revalued periodically ranging from daily to annually depending on the type of collateral. For treasury operations, collateral taken is marked to market daily.

(Continued)

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

Master netting agreements

Collateral generally is not held over credit risk extended to banks, except when securities are held as part of reverse repurchase and securities borrowing activity. However, where applicable, Fubon Bank (Hong Kong) and its subsidiaries manage credit exposure to banks by entering into master netting arrangements whenever it is appropriate and feasible to do so. The netting arrangement results in the settlement of counterparty exposure on a net basis in the event a default occurs.

Fubon Bank (Hong Kong) and its subsidiaries' preferred agreement for documenting derivatives activity is the ISDA Master Agreement which covers the contractual framework within which dealing activity across a full range of over-the-counter derivative instruments is conducted and contractually binds both parties to apply close-out netting across all outstanding transactions covered by an agreement if either party defaults or following other pre-agreed termination events.

It is also common for Fubon Bank (Hong Kong) and its subsidiaries to execute a Credit Support Annex in conjunction with the ISDA Master Agreement with the counterparty to mitigate the inherent market risk of derivative instruments.

f) Determination on credit risk significantly increase

Fubon Bank (Hong Kong) reviews the credit risk of financial assets at the reporting date to determine if the credit risk of individual financial assets have increased significantly since the initial recognition. Fubon Bank (Hong Kong) mainly considers the following in order to make a decision:

- i) The financial asset is overdue for 30 days or more
- ii) The debtor's internal credit rating declined significantly
- iii) The debtor's external credit rating dropped significantly
- iv) The debtor's industry was identified as a high-risk industry and its internal credit rating was low or individual indicators reached an early warning level
- v) Debtor was classified at the category of extra attention by the Bank

g) The definition of breach of contract

Fubon Bank (Hong Kong) uses the same definitions for default and credit impairment of financial assets. If one or more of the following conditions are met, Fubon Bank (Hong Kong) determines that the financial assets have been defaulted and credit-impaired:

- i) Quantitative indicators

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

(Continued)

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

ii) Qualitative indicators

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

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

h) Expected credit losses measurement

Fubon Bank (Hong Kong) classifies different types of financial assets into different groups based on their product categories and debtor identities, so that expected credit losses can be calculated to correspond to different risk parameters.

For Fubon Bank (Hong Kong), if there is no significant increase in credit risk of financial assets, the 12-month expected credit losses will be recognized. If the financial assets are significantly increase in credit risk, the expected credit losses for a lifetime will be recognized.

When Fubon Bank (Hong Kong) provides expected credit losses, it will consider the debtor's probability of default, and include loss given default and exposure at default, and consider the impact of the time value of money to calculate the corresponding expected credit loss.

(Continued)

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

Default probability is how likely the issuer or debtor breaches the contract, and the loss given default is the rate of loss due to default by the issuer or debtor. The default probability and loss given default used by Fubon Bank (Hong Kong) are based on the historical information of internal credit losses of each combination and makes corresponding adjustments based on the current observable data and forward-looking general economic information. If individual portfolios do not have a history of credit losses, Fubon Bank (Hong Kong) will use similar combinations of credit loss history or external credit loss histories for the portfolio. In terms of loss given default, Fubon Bank (Hong Kong) mainly bases on the market value of individual collateral, and makes corresponding adjustments based on the relevant forward-looking general economic information. In determining the amount of breach of contract, Fubon Bank (Hong Kong) will consider historical data and will make an estimate of its future withdrawal amount for the amount of commitment not yet withdrawn on the statement date, to be included in the amount of breach of contractual risk.

i) Financial assets measured at amortized cost

Units: In thousands of HKD

	For the six months ended June 30, 2019						
	12-month ECLs	Lifetime ECLs (collectively assessed)	Lifetime ECLs (individually assessed)	Lifetime ECLs (not purchased or originated or credit- impaired financial assets)	Lifetime ECLs (purchased or originated credit- impaired financial assets)	The loss allowances measured in accordance with IFRS 9	Total
Beginning balance	\$ 22,554	-	722	-	-	23,276	23,276
Changes due to financial instruments recognized as at beginning:							
– Derecognition of financial assets at current period	(5,067)	-	-	-	-	(5,067)	(5,067)
Originated or purchased new financial assets	6,076	-	-	-	-	6,076	6,076
Effects of exchange rate changes and others	(2,699)	-	1,482	-	-	(1,217)	(1,217)
Ending balance	<u>\$ 20,864</u>	<u>-</u>	<u>2,204</u>	<u>-</u>	<u>-</u>	<u>23,068</u>	<u>23,068</u>
	For the six months ended June 30, 2018						
	12-month ECLs	Lifetime ECLs (collectively assessed)	Lifetime ECLs (individually assessed)	Lifetime ECLs (not purchased or originated or credit- impaired financial assets)	Lifetime ECLs (purchased or originated credit- impaired financial assets)	The loss allowances measured in accordance with IFRS 9	Total
Beginning balance	\$ 41,468	-	804	-	-	42,272	42,272
Changes due to financial instruments recognized as at beginning:							
– Derecognition of financial assets at current period	(1,629)	-	-	-	-	(1,629)	(1,629)
Originated or purchased new financial assets	6,126	-	-	-	-	6,126	6,126
Effects of exchange rate changes and others	(6,820)	-	(159)	-	-	(6,979)	(6,979)
Ending balance	<u>\$ 39,145</u>	<u>-</u>	<u>645</u>	<u>-</u>	<u>-</u>	<u>39,790</u>	<u>39,790</u>

(Continued)

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

ii) Discount and Loans

Units: In thousands of HKD

	For the six months ended June 30, 2019						Total
	12-month ECLs	Lifetime ECLs (collectively assessed)	Lifetime ECLs (individually assessed)	Lifetime ECLs (not purchased or originated credit- impaired financial assets)	Lifetime ECLs (purchased or originated credit- impaired financial assets)	The loss allowances measured in accordance with IFRS 9	
Beginning balance	\$ 26,340	-	205,352	-	-	231,692	231,692
Changes due to financial instruments recognized as at beginning:							
– Transfer to lifetime ECLs	4,279	-	(4,279)	-	-	-	-
– Transfer to 12-month ECLs	(296)	-	296	-	-	-	-
– Derecognition of financial assets at current period	(9,491)	-	(1,674)	-	-	(11,165)	(11,165)
Originated or purchased new financial assets	12,953	-	4,236	-	-	17,189	17,189
Write-off	-	-	(12,723)	-	-	(12,723)	(12,723)
Effects of exchange rate changes and others	511	-	(4,293)	-	-	(3,782)	(3,782)
Ending balance	<u>\$ 34,296</u>	<u>-</u>	<u>186,915</u>	<u>-</u>	<u>-</u>	<u>221,211</u>	<u>221,211</u>
	For the six months ended June 30, 2018						
	12-month ECLs	Lifetime ECLs (collectively assessed)	Lifetime ECLs (individually assessed)	Lifetime ECLs (not purchased or originated credit- impaired financial assets)	Lifetime ECLs (purchased or originated credit- impaired financial assets)	The loss allowances measured in accordance with IFRS 9	Total
Beginning balance	\$ 37,783	-	166,582	-	-	204,365	204,365
Changes due to financial instruments recognized as at beginning:							
– Transfer to lifetime ECLs	(13)	-	13	-	-	-	-
– Transfer to 12-month ECLs	5,953	-	(5,953)	-	-	-	-
– Derecognition of financial assets at current period	(8,330)	-	(3,413)	-	-	(11,743)	(11,743)
Originated or purchased new financial assets	17,195	-	-	-	-	17,195	17,195
Write-off	-	-	(14,737)	-	-	(14,737)	(14,737)
Effects of exchange rate changes and others	(12,553)	-	35,820	-	-	23,267	23,267
Ending balance	<u>\$ 40,035</u>	<u>-</u>	<u>178,312</u>	<u>-</u>	<u>-</u>	<u>218,347</u>	<u>218,347</u>

(Continued)

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

iii) Off-balance sheet guarantees and commitments

Units: In thousands of HKD

	For the six months ended June 30, 2019						
	12-month ECLs	Lifetime ECLs (collectively assessed)	Lifetime ECLs (individually assessed)	Lifetime ECLs (not purchased or originated credit- impaired financial assets)	Lifetime ECLs (purchased or originated credit- impaired financial assets)	The loss allowances measured in accordance with IFRS 9	Total
Beginning balance	\$ 5,081	-	184	-	-	5,265	5,265
Changes due to financial instruments recognized as at beginning:							
Effects of exchange rate changes and others	4,155	-	1,381	-	-	5,536	5,536
Ending balance	<u>\$ 9,236</u>	<u>-</u>	<u>1,565</u>	<u>-</u>	<u>-</u>	<u>10,801</u>	<u>10,801</u>
	For the six months ended June 30, 2018						
	12-month ECLs	Lifetime ECLs (collectively assessed)	Lifetime ECLs (individually assessed)	Lifetime ECLs (not purchased or originated credit- impaired financial assets)	Lifetime ECLs (purchased or originated credit- impaired financial assets)	The loss allowances measured in accordance with IFRS 9	Total
Beginning balance	\$ 9,365	-	700	-	-	10,065	10,065
Changes due to financial instruments recognized as at beginning:							
Effects of exchange rate changes and others	2,149	-	(675)	-	-	1,474	1,474
Ending balance	<u>\$ 11,514</u>	<u>-</u>	<u>25</u>	<u>-</u>	<u>-</u>	<u>11,539</u>	<u>11,539</u>

i) The maximum exposure to credit risk

The balance sheet is not considering the maximum exposure to credit risk of the guarantees and other credit instruments being the same as their book value. The maximum exposure to credit risk of financial instruments off balance sheet is as follows (not considering the guarantees or other credit instruments):

Units: In thousands of HKD

Off-balance sheet items	Maximum exposure to credit risk		
	June 30, 2019	December 31, 2018	June 30, 2018
Irrevocable loan commitments	\$ 2,437,482	2,280,666	2,210,034
Standby letters of credit	422,659	192,471	720,324
Financial guarantees	176,708	907,588	148,228
Total	<u>\$ 3,036,849</u>	<u>3,380,725</u>	<u>3,078,586</u>

(Continued)

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

The maximum exposure of assets and off-balance sheet items pledged as collaterals, general agreement of net amount settlement and other credit enhancement tools are as follows:

	<b>June 30, 2019</b>		
	<b>Collaterals</b>	<b>General agreement of net amount settlement</b>	<b>Other credit enhancement tools</b>
	<b>Collaterals</b>	<b>General agreement of net amount settlement</b>	<b>Other credit enhancement tools</b>
<b>On-balance sheet items</b>			
Discounts and loans	43.14 %	-	38.54 %
Financial assets measured at amortized cost			
– Bonds investments	-	%	6.08 %
<b>December 31, 2018</b>			
	<b>Collaterals</b>	<b>General agreement of net amount settlement</b>	<b>Other credit enhancement tools</b>
<b>On-balance sheet items</b>			
Discounts and loans	45.97 %	-	40.36 %
Financial assets measured at amortized cost			
– Bonds investments	-	%	4.43 %
<b>June 30, 2018</b>			
	<b>Collaterals</b>	<b>General agreement of net amount settlement</b>	<b>Other credit enhancement tools</b>
<b>On-balance sheet items</b>			
Discounts and loans	48.39 %	-	37.72 %
Financial assets measured at amortized cost			
– Bonds investments	-	%	4.88 %

j) The significant concentrations of the credit risk

Concentration of credit risk exists when changes in geographic, economic or industry factors similarly affect groups of borrowers or market counterparties whose aggregate credit exposure is material in relation to Fubon Bank (Hong Kong) and its subsidiaries' total exposures. Fubon Bank (Hong Kong) and its subsidiaries' financial risk exposure are diversified by obligor group, industry and product, but are concentrated in Hong Kong.

(Continued)

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

Information of loans and nonperforming loans in different industries, areas and guarantees with significant concentration of credit risk is as follow:

i) By industry and by area

Industry	June 30, 2019		December 31, 2018		June 30, 2018	
	Amount	%	Amount	%	Amount	%
Units: In thousands of HKD						
Gross advances for use in Hong Kong industrial, commercial and financial						
Property development	\$ 3,877,606	7.58	4,311,798	8.83	3,051,467	6.27
Property investment	9,256,261	18.10	8,230,920	16.85	8,615,509	17.69
Financial concerns	2,860,524	5.59	2,734,051	5.60	3,675,441	7.55
Stockbrokers	1,392,761	2.72	1,051,310	2.15	2,031,224	4.17
Wholesale and retail trade	540,474	1.06	501,723	1.03	525,854	1.08
Manufacturing	1,756,316	3.43	1,582,124	3.24	1,654,703	3.40
Transport and transport equipment	200,555	0.39	154,633	0.32	158,222	0.32
Information technology	381,348	0.74	615,749	1.26	491,746	1.01
Electricity and gas	556,792	1.09	356,792	0.73	20,000	0.04
Others	3,600,289	7.04	3,651,717	7.48	3,614,902	7.42
Individuals						
Project plan	4,350	0.01	4,635	0.01	4,919	0.01
Loan for the purchase of other residential properties	9,031,742	17.66	9,376,721	19.20	9,608,403	19.73
Credit card advances	816,854	1.60	872,000	1.78	904,377	1.86
Others	4,249,435	8.31	4,491,341	9.20	4,742,385	9.74
	38,525,307	75.32	37,935,514	77.68	39,099,152	80.29
Trade finance	5,990,394	11.71	5,653,600	11.57	4,995,650	10.26
Gross advances for use in Hong Kong	44,515,701	87.03	43,589,114	89.25	44,094,802	90.55
Gross advances for use outside Hong Kong	6,631,486	12.97	5,248,797	10.75	4,605,402	9.45
Gross advances to customers	\$ <u>51,147,187</u>	<u>100.00</u>	<u>48,837,911</u>	<u>100.00</u>	<u>48,700,204</u>	<u>100.00</u>

ii) By collateral

Collateral	June 30, 2019		December 31, 2018		June 30, 2018	
	Amount	%	Amount	%	Amount	%
Units: In thousands of HKD						
Unsecured	\$ 29,080,937	56.86	26,386,289	54.03	25,135,064	51.61
Secured						
– Financial collateral	446,269	0.87	510,164	1.04	395,657	0.81
– Real estate	21,074,494	41.20	21,330,016	43.68	21,544,878	44.24
– Other collateral	545,487	1.07	611,442	1.25	1,624,605	3.34
Total	\$ <u>51,147,187</u>	<u>100.00</u>	<u>48,837,911</u>	<u>100.00</u>	<u>48,700,204</u>	<u>100.00</u>

(Continued)



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

- k) The analysis of credit quality and impairment of financial instruments
- i) Credit quality analysis of financial assets

The definition of credit risk is as follow:

1. Low risk: Exposures demonstrate a good capacity to meet financial commitments, with low default risk and/or low levels of expected loss.
2. Medium risk: Exposures require closer monitoring and demonstrate an average to fair capacity to meet financial commitments, with medium default risk
3. High risk: Exposures require varying degrees of special attention and default risk is of greater concern.

On-balance sheet items:

Units: In thousands of HKD

	June 30, 2019										
	stage1				stage2				stage3	Loss allowance	Total
	Low risk	Medium risk	High risk	Total	Low risk	Medium risk	High risk	Total			
Discounts and loans											
Personal finance											
– Mortgage	\$ 14,575,492	-	-	14,575,492	-	99,045	-	99,045	5,897	3,118	14,677,316
– Consumer loans	3,620,696	-	-	3,620,696	-	54,309	-	54,309	7,064	11,882	3,670,187
Corporate finance											
– Commercial loans	32,244,096	-	-	32,244,096	-	341,536	-	341,536	199,051	192,344	32,592,339
Due from the central bank and call loans to banks	3,850,965	-	-	3,850,965	-	-	-	-	-	1,947	3,849,018
Financial assets measured at amortized cost – debt instruments	38,636,652	-	2,136,834	40,773,486	498,467	-	-	498,467	-	21,122	41,250,831
<b>Total</b>	<b>\$ 92,927,901</b>	<b>-</b>	<b>2,136,834</b>	<b>95,064,735</b>	<b>498,467</b>	<b>494,890</b>	<b>-</b>	<b>993,357</b>	<b>212,012</b>	<b>230,413</b>	<b>96,039,691</b>
	December 31, 2018										
	stage1				stage2				stage3	Loss allowance	Total
	Low risk	Medium risk	High risk	Total	Low risk	Medium risk	High risk	Total			
Discounts and loans											
Personal finance											
– Mortgage	\$ 15,226,883	-	-	15,226,883	-	93,792	-	93,792	5,887	1,336	15,325,226
– Consumer loans	3,909,217	-	-	3,909,217	-	129,896	-	129,896	8,380	8,141	4,039,352
Corporate finance											
– Commercial loans	28,037,904	-	-	28,037,904	-	1,206,989	-	1,206,989	218,963	221,230	29,242,626
Due from the central bank and call loans to banks	6,981,038	-	-	6,981,038	-	-	-	-	-	4,798	6,976,240
Financial assets measured at amortized cost – debt instruments	34,993,540	-	1,725,681	36,719,221	193,152	-	-	193,152	-	22,606	36,889,767
<b>Total</b>	<b>\$ 89,148,582</b>	<b>-</b>	<b>1,725,681</b>	<b>90,874,263</b>	<b>193,152</b>	<b>1,430,677</b>	<b>-</b>	<b>1,623,829</b>	<b>233,230</b>	<b>258,111</b>	<b>92,473,211</b>

(Continued)

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

	June 30, 2018										
	stage1				stage2				stage3	Loss allowance	Total
	Low risk	Medium risk	High risk	Total	Low risk	Medium risk	High risk	Total			
Discounts and loans											
Personal finance											
– Mortgage	\$ 15,715,838	-	-	15,715,838	-	19,338	-	19,338	9,371	3,170	15,741,377
– Consumer loans	3,491,800	-	-	3,491,800	-	1,180	-	1,180	8,618	13,407	3,488,191
Corporate finance											
– Commercial loans	28,850,557	-	-	28,850,557	-	150,755	-	150,755	234,398	201,771	29,033,939
Due from the central bank and call loans to banks	5,701,964	-	-	5,701,964	-	-	-	-	-	2,132	5,699,832
Financial assets measured at amortized cost – debt instruments	33,405,363	-	1,440,677	34,846,040	233,761	-	-	233,761	-	37,658	35,042,143
Total	<u>\$ 87,165,522</u>	<u>-</u>	<u>1,440,677</u>	<u>88,606,199</u>	<u>233,761</u>	<u>171,273</u>	<u>-</u>	<u>405,034</u>	<u>252,387</u>	<u>258,138</u>	<u>89,005,482</u>

Off-balance sheet items:

	June 30, 2019										
	stage1				stage2				stage3	Loss allowance	Total
	Low risk	Medium risk	High risk	Total	Low risk	Medium risk	High risk	Total			
Guarantee and commitments	<u>33,992,048</u>	<u>-</u>	<u>-</u>	<u>33,992,048</u>	<u>-</u>	<u>105,770</u>	<u>-</u>	<u>105,770</u>	<u>-</u>	<u>5,358</u>	<u>34,092,460</u>
	December 31, 2018										
	stage1				stage2				stage3	Loss allowance	Total
	Low risk	Medium risk	High risk	Total	Low risk	Medium risk	High risk	Total			
Guarantee and commitments	<u>35,819,057</u>	<u>-</u>	<u>-</u>	<u>35,819,057</u>	<u>-</u>	<u>229,400</u>	<u>-</u>	<u>229,400</u>	<u>-</u>	<u>5,265</u>	<u>36,043,192</u>
	June 30, 2019										
	stage1				stage2				stage3	Loss allowance	Total
	Low risk	Medium risk	High risk	Total	Low risk	Medium risk	High risk	Total			
Guarantee and commitments	<u>34,376,524</u>	<u>-</u>	<u>-</u>	<u>34,376,524</u>	<u>-</u>	<u>22,310</u>	<u>-</u>	<u>22,310</u>	<u>-</u>	<u>11,539</u>	<u>34,387,295</u>

(iv) Liquidity risk

Major subsidiaries are listed separately as follows:

- 1) Taipei Fubon Bank (The Bank) and its subsidiary
  - a) Source and definition of liquidity risk

Liquidity risk means banks can not provide sufficient funding for asset size growth and meeting obligation on matured liabilities, or that banks have to delay payments to counterparties or raise funds to cover funding gaps.

- b) Management strategy and principles

Taipei Fubon Bank (The Bank)

- i) The Bank's strategy is to lower liquidity risk by acquiring stable, low interest rate, sufficient funding to cover asset size growth and meet obligation on matured liabilities and to escape gaps from between funding availability and demand.

(Continued)

## FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

- ii) The principle is to harmonize fund availability with the Bank's deposit, loan and financial transaction growth. The Bank adjusts its funding strategy depending on market fund change and the Central bank's policies to increase fund use and lower liquidity risk. The Bank not only pays attention to maturities of long-term and short-term securities to match the timing of large-amount loan drawdown and repayment, but also analyzes the stability and percentages of various types of deposits to manage funding liquidity.
- iii) The Bank has set funding liquidity risk limit indicators to monitor and manage the liquidity risk of the Bank. The general manager is authorized to set up the funding liquidity risk limit within the scope of regulations and risk appetite and regularly reports to Assets and Liabilities Management Committee and the Board of Directors (Managing Directors).

#### Fubon Bank (China)

- i) The liquidity risk management strategy of Fubon Bank (China) aims not only at meeting compliance and regulatory requirements but also finding sound balance between business performance and adequate liquidity position. By adjusting its short-term and long-term assets allocation and dispersing sources of funds on the basis of market conditions, Fubon Bank (China) manages its liquidity risk exposure at an acceptable level to ensure its sustainable business operations and sound reputation.
  - ii) The liquidity risk management of Fubon Bank (China) is centralized given the size and complexity of its current business scope with an organizational structure suitable for its liquidity exposure. The Board of Directors take the ultimate responsibility of the bank's liquidity risk management. The management is in charge of implementations of liquidity management, authoring the Asset & Liability Management Committee (ALCO) to implement daily management duties. Liquidity risk assessment reports are submitted via ALCO to the Risk & Related Party Transaction Committee and Board of Directors on a quarterly basis.
  - iii) The liquidity risk management of Fubon Bank (China) involves the full participation of staff in the dynamic prevention, scientific quantification and prudent management of risk to ensure that Fubon Bank (China) has sufficient funding for its capital growth and various obligations
- c) Maturity analysis

The Bank's management policy is to match the maturities and interest rates of assets and liabilities, and to control the un-matched gap. Because of uncertain terms and different conditions, the maturities and interest rates of assets and liabilities usually do not match perfectly, and may result in a potential gain or loss. To maintain proper liquidity, the Bank uses appropriate ways to group assets and liabilities in order to evaluate liquidity and to monitor the ratios of short-term negative funding gap to total asset in major currencies.

(Continued)

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

Cash inflow and outflow in assets and liabilities held for liquidity risk was based on the remaining periods from the reporting date to the contractual maturity dates. The maturity analysis of financial assets and liabilities, derivatives assets and liabilities, and off balance sheet items in main currencies was as follows (except for non-deliverable derivatives, all were non-discounted contractual cash flow):

i) The maturity analysis of financial assets and liabilities - TWD

Taipei Fubon Bank (The Bank)

Units: In thousands of TWD

	June 30, 2019					
	0-30 days	31-90 days	91-180 days	181-365 days	Over 1 year	Total
<b>Assets</b>						
Cash and due from / call loans to banks	\$ 33,845,162	3,268,719	3,148,768	5,736,241	20,427,289	66,426,179
Investment in marketable securities (Note 2)	207,177,987	8,578,733	27,074,321	47,586,228	146,296,112	436,713,381
Securities purchased under resell agreements	4,173,884	-	-	-	-	4,173,884
Loans (included overdue loans)	66,651,864	66,975,076	87,191,995	68,421,562	766,234,882	1,055,475,379
Deliverable derivative assets	185,189,156	153,285,666	107,595,283	95,525,518	17,683,086	559,278,709
Non-deliverable derivative assets	3,973,955	-	-	-	581,683	4,555,638
Other capital inflow on maturity	29,509,200	9,270,668	10,230,646	6,052,175	53,863,443	108,926,132
<b>Total assets</b>	<b>\$ 530,521,208</b>	<b>241,378,862</b>	<b>235,241,013</b>	<b>223,321,724</b>	<b>1,005,086,495</b>	<b>2,235,549,302</b>
<b>Liabilities</b>						
Deposits from the central bank and banks	\$ 1,529,796	1,000	-	306,004	117,000	1,953,800
Deposits and remittances	131,553,527	111,895,605	107,822,406	196,424,515	698,458,777	1,246,154,830
Securities sold under repurchase agreements	3,505,856	5,142,065	211,201	-	-	8,859,122
Payables	451,711	558,720	568,820	648,113	106,146	2,333,510
Financial bonds payable	-	-	2,150,000	5,400,000	49,881,684	57,431,684
Deliverable derivative liabilities	220,006,841	213,122,390	150,433,919	78,257,702	29,007,747	690,828,599
Non-deliverable derivative liabilities	3,988,769	-	-	-	-	3,988,769
Other capital outflow on maturity	13,811,294	449,365	64,732	4,924,206	6,648,426	25,898,023
<b>Total liabilities</b>	<b>\$ 374,847,794</b>	<b>331,169,145</b>	<b>261,251,078</b>	<b>285,960,540</b>	<b>784,219,780</b>	<b>2,037,448,337</b>

(Continued)

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

Units: In thousands of TWD

	December 31, 2018					
	0-30 days	31-90 days	91-180 days	181-365 days	Over 1 year	Total
<b>Assets</b>						
Cash and due from / call loans to banks	\$ 40,841,055	3,433,424	2,718,327	5,483,620	19,257,870	71,734,296
Investment in marketable securities (Note 2)	190,800,373	17,647,379	51,951,745	44,937,765	140,948,335	446,285,597
Securities purchased under resell agreements	10,891,270	-	-	-	-	10,891,270
Loans (included overdue loans)	68,656,903	68,680,154	73,257,584	69,687,920	750,644,677	1,030,927,238
Deliverable derivative assets	322,877,292	197,352,278	161,782,111	113,441,476	19,331,060	814,784,217
Non-deliverable derivative assets	4,143,393	-	1,921	-	354,325	4,499,639
Other capital inflow on maturity	24,046,573	7,074,164	8,767,415	4,874,133	53,685,879	98,448,164
<b>Total assets</b>	<b>\$ 662,256,859</b>	<b>294,187,399</b>	<b>298,479,103</b>	<b>238,424,914</b>	<b>984,222,146</b>	<b>2,477,570,421</b>
<b>Liabilities</b>						
Deposits from the central bank and banks	\$ 13,473,447	1,000	549,909	-	103,000	14,127,356
Deposits and remittances	121,286,099	118,136,574	93,558,908	188,734,316	661,781,540	1,183,497,437
Securities sold under repurchase agreements	2,383,670	7,392,822	22,584	-	-	9,799,076
Payables	501,111	389,311	642,871	705,152	106,280	2,344,725
Financial bonds payable	-	-	1,301,986	2,150,000	49,155,616	52,607,602
Deliverable derivative liabilities	313,354,989	329,648,202	225,560,881	91,209,577	30,791,880	990,565,529
Non-deliverable derivative liabilities	4,213,223	-	-	-	-	4,213,223
Other capital outflow on maturity	18,714,729	3,719,246	2,678,891	107,402	6,761,832	31,982,100
<b>Total liabilities</b>	<b>\$ 473,927,268</b>	<b>459,287,155</b>	<b>324,316,030</b>	<b>282,906,447</b>	<b>748,700,148</b>	<b>2,289,137,048</b>

(Continued)

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

Units: In thousands of TWD

	June 30, 2018					
	0-30 days	31-90 days	91-180 days	181-365 days	Over 1 year	Total
<b>Assets</b>						
Cash and due from / call loans to banks	\$ 38,351,625	3,415,602	2,905,263	5,364,457	17,543,838	67,580,785
Investment in marketable securities (Note 2)	181,027,240	30,442,698	31,785,157	64,309,768	134,953,028	442,517,891
Securities purchased under resell agreements	8,862,174	-	-	-	-	8,862,174
Loans (included overdue loans)	80,679,765	75,688,676	94,584,371	77,720,343	678,340,703	1,007,013,858
Deliverable derivative assets	275,137,824	247,745,945	156,918,190	137,231,388	15,548,548	832,581,895
Non-deliverable derivative assets	4,292,601	731	5,075	5,441	264,505	4,568,353
Other capital inflow on maturity	26,123,961	9,226,595	7,886,891	3,880,303	50,936,676	98,054,426
Total assets	<u>\$ 614,475,190</u>	<u>366,520,247</u>	<u>294,084,947</u>	<u>288,511,700</u>	<u>897,587,298</u>	<u>2,461,179,382</u>
<b>Liabilities</b>						
Deposits from the central bank and banks	\$ 20,426,973	2,700	-	549,909	103,000	21,082,582
Deposits and remittances	160,586,893	116,982,599	99,532,910	183,783,704	600,015,547	1,160,901,653
Securities sold under repurchase agreements	5,550,008	2,133,851	22,559	30,731	-	7,737,149
Payables	509,407	572,873	462,598	566,555	100,469	2,211,902
Financial bonds payable	-	7,450,731	4,005,074	1,305,441	35,864,505	48,625,751
Deliverable derivative liabilities	338,146,739	311,231,724	227,975,323	98,990,372	29,557,030	1,005,901,188
Non-deliverable derivative liabilities	4,444,144	-	-	-	-	4,444,144
Other capital outflow on maturity	12,732,271	353,977	284,527	4,404,898	6,649,180	24,424,853
Total liabilities	<u>\$ 542,396,435</u>	<u>438,728,455</u>	<u>332,282,991</u>	<u>289,631,610</u>	<u>672,289,731</u>	<u>2,275,329,222</u>

Note1: The above amounts include only New Taiwan dollar amounts (exclude foreign currencies) held by the headquarter and domestic branches of Taipei Fubon Bank.

Note2: Investment in marketable securities includes financial assets measured at fair value through profit or loss, financial assets measured at fair value through other comprehensive income and debt investments measured at amortized cost.

(Continued)

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

ii) The maturity analysis of financial assets and liabilities - USD

Taipei Fubon Bank (The Bank)

Units: In thousands of USD

	June 30, 2019					
	0-30 days	31-90 days	91-180 days	181-365 days	Over 1 year	Total
<b>Assets</b>						
Cash and due from / call loans to banks	\$ 403,609	802,000	395,000	645,000	-	2,245,609
Investment in marketable securities (Note 2)	482,448	5,999	28,929	137,427	6,772,278	7,427,081
Loans (included overdue loans)	948,603	482,898	363,069	193,732	1,430,060	3,418,362
Deliverable derivative assets	9,768,956	8,248,257	5,685,915	3,045,836	954,229	27,703,193
Non-deliverable derivative assets	32,749	-	88	57	28,363	61,257
Other capital inflow on maturity	718,336	319,301	70,213	25,342	335,195	1,468,387
Total assets	<u>\$ 12,354,701</u>	<u>9,858,455</u>	<u>6,543,214</u>	<u>4,047,394</u>	<u>9,520,125</u>	<u>42,323,889</u>
<b>Liabilities</b>						
Deposits from the central bank and banks	\$ 2,006,167	645,000	-	-	-	2,651,167
Deposits and remittances	2,177,155	1,744,691	1,650,769	1,896,783	3,720,866	11,190,264
Securities sold under repurchase agreements	1,299,593	350,040	-	-	-	1,649,633
Payables	19,944	15,041	7,048	2,403	137	44,573
Financial bonds payable	-	-	-	-	1,198,318	1,198,318
Deliverable derivative liabilities	8,329,059	6,544,884	3,974,549	4,051,474	598,665	23,498,631
Non-deliverable derivative liabilities	35,292	-	-	433	66,902	102,627
Other capital outflow on maturity	798,332	78,671	27,026	18,966	843,991	1,766,986
Total liabilities	<u>\$ 14,665,542</u>	<u>9,378,327</u>	<u>5,659,392</u>	<u>5,970,059</u>	<u>6,428,879</u>	<u>42,102,199</u>

(Continued)

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

Units: In thousands of USD

	December 31, 2018					
	0-30 days	31-90 days	91-180 days	181-365 days	Over 1 year	Total
<b>Assets</b>						
Cash and due from / call loans to banks	\$ 888,556	1,407,000	228,000	330,000	-	2,853,556
Investment in marketable securities (Note 2)	564,542	45,037	70,132	39,756	6,130,102	6,849,569
Loans (included overdue loans)	669,562	363,888	345,367	245,325	1,489,633	3,113,775
Deliverable derivative assets	11,667,328	12,020,165	7,763,624	3,238,784	1,048,549	35,738,450
Non-deliverable derivative assets	36,210	-	11	268	46,105	82,594
Other capital inflow on maturity	1,036,115	304,646	55,607	13,232	359,359	1,768,959
<b>Total assets</b>	<b>\$ 14,862,313</b>	<b>14,140,736</b>	<b>8,462,741</b>	<b>3,867,365</b>	<b>9,073,748</b>	<b>50,406,903</b>
<b>Liabilities</b>						
Deposits from the central bank and banks	\$ 1,457,447	206,500	35,000	-	-	1,698,947
Deposits and remittances	3,191,024	2,276,208	1,494,073	1,331,798	3,776,798	12,069,901
Securities sold under repurchase agreements	2,059,991	844,790	-	-	-	2,904,781
Payables	29,521	18,697	7,323	1,616	169	57,326
Financial bonds payable	-	-	-	-	1,088,893	1,088,893
Deliverable derivative liabilities	12,436,483	7,980,826	5,618,162	3,974,241	671,170	30,680,882
Non-deliverable derivative liabilities	36,741	-	182	-	76,524	113,447
Other capital outflow on maturity	578,416	76,652	27,458	14,504	677,199	1,374,229
<b>Total liabilities</b>	<b>\$ 19,789,623</b>	<b>11,403,673</b>	<b>7,182,198</b>	<b>5,322,159</b>	<b>6,290,753</b>	<b>49,988,406</b>

(Continued)



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

Units: In thousands of USD

	June 30, 2018					
	0-30 days	31-90 days	91-180 days	181-365 days	Over 1 year	Total
<b>Assets</b>						
Cash and due from / call loans to banks	\$ 727,900	1,087,000	457,000	448,000	-	2,719,900
Investment in marketable securities (Note 2)	589,923	24,939	83,607	158,553	5,681,071	6,538,093
Loans (included overdue loans)	1,024,412	384,393	302,752	203,412	1,487,227	3,402,196
Deliverable derivative assets	14,528,139	12,162,063	8,414,786	3,918,877	1,041,549	40,065,414
Non-deliverable derivative assets	43,209	58	75	22	72,220	115,584
Other capital inflow on maturity	1,147,267	283,354	81,786	23,291	338,891	1,874,589
<b>Total assets</b>	<b>\$ 18,060,850</b>	<b>13,941,807</b>	<b>9,340,006</b>	<b>4,752,155</b>	<b>8,620,958</b>	<b>54,715,776</b>
<b>Liabilities</b>						
Deposits from the central bank and banks	\$ 1,380,624	674,500	30,000	-	-	2,085,124
Deposits and remittances	3,753,248	1,274,742	1,639,516	1,781,873	4,028,370	12,477,749
Securities sold under repurchase agreements	899,414	1,720,096	73,349	-	-	2,692,859
Payables	18,507	18,096	6,901	785	-	44,289
Financial bonds payable	-	-	-	-	978,739	978,739
Deliverable derivative liabilities	11,849,384	10,341,612	6,176,535	5,235,119	544,499	34,147,149
Non-deliverable derivative liabilities	43,222	-	4	551	78,491	122,268
Other capital inflow on maturity	993,996	81,141	42,032	12,450	759,666	1,889,285
<b>Total liabilities</b>	<b>\$ 18,938,395</b>	<b>14,110,187</b>	<b>7,968,337</b>	<b>7,030,778</b>	<b>6,389,765</b>	<b>54,437,462</b>

Note 1 : The above amounts include only USD amounts held by headquarter, domestic branches and offshore banking units of Taipei Fubon Bank.

Note 2 : Investment in marketable securities includes financial assets measured at fair value through profit or loss, financial assets measured at fair value through other comprehensive income and debt investments measured at amortized cost.

(Continued)

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

iii) The maturity analysis of financial assets and liabilities - CNY

Fubon Bank (China)

Units: In thousands of CNY

	June 30, 2019					
	0-30 days	31-90 days	91-365 days	Over 1 year	Undetermined	Total
<b>Assets</b>						
Cash and due from / call loans to banks	\$ 3,654,865	-	-	-	5,349,218	9,004,083
Investment in marketable securities (Note)	6,735,736	606,970	1,814,342	22,108,487	-	31,265,535
Loans (included overdue loans)	6,244,513	10,726,199	21,076,655	10,962,417	-	49,009,784
Deliverable derivative assets	2,683,625	3,170,548	7,567,328	688,508	-	14,110,009
Non-deliverable derivative assets	9,632,603	11,636,770	31,656,299	-	-	52,925,672
Other capital inflow on maturity	1,256,774	1,128,686	3,352,305	-	18,268	5,756,033
<b>Total assets</b>	<b>\$ 30,208,116</b>	<b>27,269,173</b>	<b>65,466,929</b>	<b>33,759,412</b>	<b>5,367,486</b>	<b>162,071,116</b>
<b>Liabilities</b>						
Deposits from the central bank and banks	\$ 1,579,155	1,244,528	2,697,183	-	-	5,520,866
Due to the central bank and banks	19,990	49,847	31,107	-	-	100,944
Deposits and remittances	26,058,477	11,896,564	22,712,970	3,341,076	-	64,009,087
Securities sold under repurchase agreements	5,799,855	40,019	-	-	-	5,839,874
Payables	1,119,452	1,112,372	3,352,305	542	-	5,584,671
Financial bonds payable	-	-	106,300	2,956,700	-	3,063,000
Deliverable derivatives liabilities	5,844,660	3,429,060	10,428,700	686,154	-	20,388,574
Non-deliverable derivatives liabilities	10,454,340	12,725,485	34,169,580	413,295	-	57,762,700
Other capital outflow	-	-	-	-	3,122	3,122
<b>Total liabilities</b>	<b>\$ 50,875,929</b>	<b>30,497,875</b>	<b>73,498,145</b>	<b>7,397,767</b>	<b>3,122</b>	<b>162,272,838</b>

(Continued)

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

Units: In thousands of CNY

	<b>December 31, 2018</b>					
	<u>0-30 days</u>	<u>31-90 days</u>	<u>91-365 days</u>	<u>Over 1 year</u>	<u>Undetermined</u>	<u>Total</u>
<b>Assets</b>						
Cash and due from / call loans to banks	\$ 3,172,193	-	-	-	4,784,298	7,956,491
Investments in marketable securities (Note)	7,155,994	1,127,997	2,115,633	15,864,461	-	26,264,085
Securities purchased under resell agreements	196,158	-	-	-	-	196,158
Loans (included overdue loans)	5,492,388	7,426,986	19,175,576	8,842,269	-	40,937,219
Deliverable derivative assets	4,097,729	2,882,187	7,336,783	682,450	-	14,999,149
Non-deliverable derivative assets	8,968,340	9,896,167	26,001,762	-	-	44,866,269
Other capital inflow on maturity	1,393,594	1,161,734	2,089,324	-	18,239	4,662,891
<b>Total assets</b>	<b>\$ <u>30,476,396</u></b>	<b><u>22,495,071</u></b>	<b><u>56,719,078</u></b>	<b><u>25,389,180</u></b>	<b><u>4,802,537</u></b>	<b><u>139,882,262</u></b>
<b>Liabilities</b>						
Deposits from the central bank and banks	\$ 869,023	2,492,634	3,319,554	-	-	6,681,211
Due to the central bank and banks	-	-	100,639	-	-	100,639
Deposits and remittances	26,138,887	12,773,843	10,009,302	5,044,665	-	53,966,697
Securities sold under repurchase agreements	2,782,812	479,237	30,661	-	-	3,292,710
Payables	1,730,268	1,144,718	2,089,324	542	-	4,964,852
Financial bonds payable	-	-	54,300	1,488,700	-	1,543,000
Deliverable derivatives liabilities	4,118,721	2,933,752	7,437,064	680,097	-	15,169,634
Non-deliverable derivatives liabilities	8,938,974	9,849,401	25,854,254	-	-	44,642,629
Other capital outflow	-	-	-	-	3,122	3,122
<b>Total liabilities</b>	<b>\$ <u>44,578,685</u></b>	<b><u>29,673,585</u></b>	<b><u>48,895,098</u></b>	<b><u>7,214,004</u></b>	<b><u>3,122</u></b>	<b><u>130,364,494</u></b>

(Continued)

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

Units: In thousands of CNY

	June 30, 2018					
	0-30 days	31-90 days	91-365 days	Over 1 year	Undetermined	Total
<b>Assets</b>						
Cash and due from / call loans to banks	\$ 1,572,481	-	-	-	4,831,991	6,404,472
Investments in marketable securities (Note)	6,085,418	1,977,648	2,246,980	11,662,760	-	21,972,806
Loans (included overdue loans)	5,148,978	8,129,293	15,134,609	10,444,443	-	38,857,323
Deliverable derivative assets	1,484,689	2,973,015	5,654,704	813,629	-	10,926,037
Non deliverable derivative assets	12,467,212	11,681,341	28,270,017	266,873	-	52,685,443
Other capital inflow on maturity	1,682,261	760,646	1,663,531	-	20,439	4,126,877
<b>Total assets</b>	<b>\$ 28,441,039</b>	<b>25,521,943</b>	<b>52,969,841</b>	<b>23,187,705</b>	<b>4,852,430</b>	<b>134,972,958</b>
<b>Liabilities</b>						
Deposits from the central bank and banks	\$ 3,428,294	2,906,917	1,888,637	68,493	-	8,292,341
Due to the central bank and banks	-	647,193	204,569	-	-	851,762
Deposits and remittances	21,517,158	7,131,667	12,308,275	4,996,115	-	45,953,215
Securities sold under repurchase agreements	3,062,571	94,055	491,276	-	-	3,647,902
Payables	1,250,022	760,646	1,663,530	541	-	3,674,739
Deliverable derivatives liabilities	1,500,379	2,935,548	5,730,986	811,745	-	10,978,658
Non-deliverable derivatives liabilities	12,427,248	11,669,582	28,139,156	266,614	-	52,502,600
Other capital outflow	-	-	-	-	3,122	3,122
<b>Total liabilities</b>	<b>\$ 43,185,672</b>	<b>26,145,608</b>	<b>50,426,429</b>	<b>6,143,508</b>	<b>3,122</b>	<b>125,904,339</b>

Note: Investment in marketable securities includes financial assets measured at fair value through profit or loss, financial assets measured at fair value through other comprehensive income and debt investments measured at amortized cost.

(Continued)

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

iv) The maturity analysis of derivatives assets and liabilities - TWD

Taipei Fubon Bank (The Bank)

Units: In thousands of TWD

	June 30, 2019					
	0-30 days	31-90 days	91-180 days	181-365 days	Over 1 year	Total
<b>Assets</b>						
Deliverable derivative assets						
– Forward contracts	\$ 1,181,412	1,237,231	269,034	61,434	-	2,749,111
– Currency swap	180,376,094	143,108,678	100,520,598	58,713,647	633,216	483,352,233
– Cross currency swap	<u>3,631,650</u>	<u>8,939,757</u>	<u>6,805,651</u>	<u>36,750,437</u>	<u>17,049,870</u>	<u>73,177,365</u>
Subtotal	<u>185,189,156</u>	<u>153,285,666</u>	<u>107,595,283</u>	<u>95,525,518</u>	<u>17,683,086</u>	<u>559,278,709</u>
Non-deliverable derivative assets						
– Foreign exchange derivative instruments	837,020	-	-	-	-	837,020
– Interest rate derivative instruments – hedging	-	-	-	-	581,683	581,683
– Interest rate derivative instruments – non-hedging	2,437,235	-	-	-	-	2,437,235
– Equity derivative instruments	699,700	-	-	-	-	699,700
Subtotal	<u>3,973,955</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>581,683</u>	<u>4,555,638</u>
<b>Liabilities</b>						
Deliverable derivative liabilities						
– Forward contracts	\$ 1,306,391	829,778	71,473	16,184	-	2,223,826
– Currency swap	214,718,450	212,292,612	144,394,206	55,467,938	3,269,632	630,142,838
– Cross currency swap	<u>3,982,000</u>	<u>-</u>	<u>5,968,240</u>	<u>22,773,580</u>	<u>25,738,115</u>	<u>58,461,935</u>
Subtotal	<u>220,006,841</u>	<u>213,122,390</u>	<u>150,433,919</u>	<u>78,257,702</u>	<u>29,007,747</u>	<u>690,828,599</u>
Non-deliverable derivative liabilities						
– Foreign exchange derivative instruments	837,020	-	-	-	-	837,020
– Interest rate derivative instruments – non-hedging	2,450,315	-	-	-	-	2,450,315
– Equity derivative instruments	701,434	-	-	-	-	701,434
Subtotal	<u>3,988,769</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,988,769</u>

(Continued)

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

Units: In thousands of TWD

	December 31, 2018					
	0-30 days	31-90 days	91-180 days	181-365 days	Over 1 year	Total
<b>Assets</b>						
<b>Deliverable derivative assets</b>						
– Forward contracts	\$ 452,798	470,960	309,833	219,369	-	1,452,960
– Currency swap	312,640,145	181,414,227	156,297,294	95,683,182	2,086,700	748,121,548
– Cross currency swap	9,784,349	15,467,091	5,174,984	17,538,925	17,244,360	65,209,709
Subtotal	<u>322,877,292</u>	<u>197,352,278</u>	<u>161,782,111</u>	<u>113,441,476</u>	<u>19,331,060</u>	<u>814,784,217</u>
<b>Non-deliverable derivative assets</b>						
– Foreign exchange derivative instruments	1,022,811	-	-	-	-	1,022,811
– Interest rate derivative instruments – hedging	-	-	1,921	-	354,325	356,246
– Interest rate derivative instruments – non-hedging	2,570,508	-	-	-	-	2,570,508
– Equity derivative instruments	550,074	-	-	-	-	550,074
Subtotal	<u>4,143,393</u>	<u>-</u>	<u>1,921</u>	<u>-</u>	<u>354,325</u>	<u>4,499,639</u>
<b>Liabilities</b>						
<b>Deliverable derivative liabilities</b>						
– Forward contracts	\$ 1,920,115	891,208	51,595	2,599	-	2,865,517
– Currency swap	307,885,649	320,733,094	209,860,176	82,798,038	1,459,200	922,736,157
– Cross currency swap	3,549,225	8,023,900	15,649,110	8,408,940	29,332,680	64,963,855
Subtotal	<u>313,354,989</u>	<u>329,648,202</u>	<u>225,560,881</u>	<u>91,209,577</u>	<u>30,791,880</u>	<u>990,565,529</u>
<b>Non-deliverable derivative liabilities</b>						
– Foreign exchange derivative instruments	1,022,811	-	-	-	-	1,022,811
– Interest rate derivative instruments – non-hedging	2,639,244	-	-	-	-	2,639,244
– Equity derivative instruments	551,168	-	-	-	-	551,168
Subtotal	<u>4,213,223</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,213,223</u>

(Continued)

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

Units: In thousands of TWD

	June 30, 2018					
	0-30 days	31-90 days	91-180 days	181-365 days	Over 1 year	Total
<b>Assets</b>						
<b>Deliverable derivative assets</b>						
– Forward contracts	\$ 1,054,471	822,577	514,858	290,027	-	2,681,933
– Currency swap	266,315,189	237,048,761	138,887,158	116,338,191	314,688	758,903,987
– Cross currency swap	7,768,164	9,874,607	17,516,174	20,603,170	15,233,860	70,995,975
Subtotal	<u>275,137,824</u>	<u>247,745,945</u>	<u>156,918,190</u>	<u>137,231,388</u>	<u>15,548,548</u>	<u>832,581,895</u>
<b>– Non-deliverable derivative assets</b>						
– Foreign exchange derivative instruments	853,543	-	-	-	-	853,543
– Interest rate derivative instruments – hedging	-	731	5,075	5,441	264,505	275,752
– Interest rate derivative instruments – non-hedging	2,478,121	-	-	-	-	2,478,121
– Equity derivative instruments	960,937	-	-	-	-	960,937
Subtotal	<u>4,292,601</u>	<u>731</u>	<u>5,075</u>	<u>5,441</u>	<u>264,505</u>	<u>4,568,353</u>
<b>Liabilities</b>						
<b>Deliverable derivative liabilities</b>						
– Forward contracts	\$ 1,597,894	1,450,731	98,837	-	-	3,147,462
– Currency swap	335,938,995	308,270,993	224,524,746	74,236,337	10,876,760	953,847,831
– Cross currency swap	609,850	1,510,000	3,351,740	24,754,035	18,680,270	48,905,895
Subtotal	<u>338,146,739</u>	<u>311,231,724</u>	<u>227,975,323</u>	<u>98,990,372</u>	<u>29,557,030</u>	<u>1,005,901,188</u>
<b>– Non-deliverable derivative liabilities</b>						
– Foreign exchange derivative instruments	853,543	-	-	-	-	853,543
– Interest rate derivative instruments – non-hedging	2,630,254	-	-	-	-	2,630,254
– Equity derivative instruments	960,347	-	-	-	-	960,347
Subtotal	<u>4,444,144</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,444,144</u>

Note: The above amounts include only New Taiwan dollar amounts (exclude foreign currencies) held by headquarter and domestic branches of Taipei Fubon Bank.

(Continued)

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

v) The maturity analysis of derivative assets and liabilities - USD

Taipei Fubon Bank (The Bank)

Units: In thousands of USD

	June 30, 2019					
	0-30 days	31-90 days	91-180 days	181-365 days	Over 1 year	Total
<b>Assets</b>						
<b>Deliverable derivative assets</b>						
– Forward contracts	\$ 879,870	460,964	117,293	44,197	-	1,502,324
– Currency swap	8,759,086	7,787,293	5,373,622	2,230,367	106,952	24,257,320
– Cross currency swap	130,000	-	195,000	771,272	847,277	1,943,549
Subtotal	<u>9,768,956</u>	<u>8,248,257</u>	<u>5,685,915</u>	<u>3,045,836</u>	<u>954,229</u>	<u>27,703,193</u>
<b>Non-deliverable derivative assets</b>						
– Foreign exchange derivative instruments	19,157	-	-	-	-	19,157
– Interest rate derivative instruments – hedging	-	-	88	57	28,363	28,508
– Interest rate derivative instruments – non-hedging	12,894	-	-	-	-	12,894
– Equity derivative instruments	383	-	-	-	-	383
– Product derivative instruments	315	-	-	-	-	315
Subtotal	<u>32,749</u>	<u>-</u>	<u>88</u>	<u>57</u>	<u>28,363</u>	<u>61,257</u>
<b>Liabilities</b>						
<b>Deliverable derivative liabilities</b>						
– Forward contracts	\$ 203,781	367,174	84,247	53,177	-	708,379
– Currency swap	8,007,601	5,898,419	3,672,031	2,795,772	20,700	20,394,523
– Cross currency swap	117,677	279,291	218,271	1,202,525	577,965	2,395,729
Subtotal	<u>8,329,059</u>	<u>6,544,884</u>	<u>3,974,549</u>	<u>4,051,474</u>	<u>598,665</u>	<u>23,498,631</u>
<b>Non-deliverable derivative liabilities</b>						
– Foreign exchange derivative instruments	20,781	-	-	-	-	20,781
– Interest rate derivative instruments – hedging	-	-	-	433	66,902	67,335
– Interest rate derivative instruments – non-hedging	13,816	-	-	-	-	13,816
– Equity derivative instruments	383	-	-	-	-	383
– Product derivative instruments	312	-	-	-	-	312
Subtotal	<u>35,292</u>	<u>-</u>	<u>-</u>	<u>433</u>	<u>66,902</u>	<u>102,627</u>

(Continued)



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

Units: In thousands of USD

	December 31, 2018					
	0-30 days	31-90 days	91-180 days	181-365 days	Over 1 year	Total
<b>Assets</b>						
Deliverable derivative assets						
– Forward contracts	\$ 547,395	400,780	169,596	73,170	-	1,190,941
– Currency swap	11,004,933	11,354,385	7,069,028	2,890,614	50,000	32,368,960
– Cross currency swap	115,000	265,000	525,000	275,000	998,549	2,178,549
Subtotal	<u>11,667,328</u>	<u>12,020,165</u>	<u>7,763,624</u>	<u>3,238,784</u>	<u>1,048,549</u>	<u>35,738,450</u>
Non-deliverable derivative assets						
– Foreign exchange derivative instruments	27,360	-	-	-	-	27,360
– Interest rate derivative instruments – hedging	-	-	11	268	46,105	46,384
– Interest rate derivative instruments – non-hedging	8,371	-	-	-	-	8,371
– Equity derivative instruments	278	-	-	-	-	278
– Product derivative instruments	201	-	-	-	-	201
Subtotal	<u>36,210</u>	<u>-</u>	<u>11</u>	<u>268</u>	<u>46,105</u>	<u>82,594</u>
<b>Liabilities</b>						
Deliverable derivative liabilities						
– Forward contracts	\$ 236,341	408,978	150,582	103,391	-	899,292
– Currency swap	11,873,005	7,065,751	5,297,303	3,312,294	70,000	27,618,353
– Cross currency swap	327,137	506,097	170,277	558,556	601,170	2,163,237
Subtotal	<u>12,436,483</u>	<u>7,980,826</u>	<u>5,618,162</u>	<u>3,974,241</u>	<u>671,170</u>	<u>30,680,882</u>
Non-deliverable derivative liabilities						
– Foreign exchange derivative instruments	28,583	-	-	-	-	28,583
– Interest rate derivative instruments – hedging	-	-	182	-	76,524	76,706
– Interest rate derivative instruments – non-hedging	7,680	-	-	-	-	7,680
– Equity derivative instruments	278	-	-	-	-	278
– Product derivative instruments	200	-	-	-	-	200
Subtotal	<u>36,741</u>	<u>-</u>	<u>182</u>	<u>-</u>	<u>76,524</u>	<u>113,447</u>

(Continued)

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

Units: In thousands of USD

	June 30, 2018					
	0-30 days	31-90 days	91-180 days	181-365 days	Over 1 year	Total
<b>Assets</b>						
Deliverable derivative assets						
– Forward contracts	\$ 461,568	331,309	130,055	40,745	-	963,677
– Currency swap	14,046,571	11,780,754	8,165,945	3,053,132	388,000	37,434,402
– Cross currency swap	20,000	50,000	118,786	825,000	653,549	1,667,335
Subtotal	<u>14,528,139</u>	<u>12,162,063</u>	<u>8,414,786</u>	<u>3,918,877</u>	<u>1,041,549</u>	<u>40,065,414</u>
Non-deliverable derivative assets						
– Foreign exchange derivative instruments	33,513	-	-	-	-	33,513
– Interest rate derivative instruments – hedging	-	58	75	22	72,220	72,375
– Interest rate derivative instruments – non-hedging	9,149	-	-	-	-	9,149
– Equity derivative instruments	495	-	-	-	-	495
– Product derivative instruments	52	-	-	-	-	52
Subtotal	<u>43,209</u>	<u>58</u>	<u>75</u>	<u>22</u>	<u>72,220</u>	<u>115,584</u>
<b>Liabilities</b>						
Deliverable derivative liabilities						
– Forward contracts	\$ 881,070	480,138	185,624	84,681	-	1,631,513
– Currency swap	10,707,064	9,533,533	5,394,631	4,463,789	10,640	30,109,657
– Cross currency swap	261,250	327,941	596,280	686,649	533,859	2,405,979
Subtotal	<u>11,849,384</u>	<u>10,341,612</u>	<u>6,176,535</u>	<u>5,235,119</u>	<u>544,499</u>	<u>34,147,149</u>
Non-deliverable derivative liabilities						
– Foreign exchange derivative instruments	33,972	-	-	-	-	33,972
– Interest rate derivative instruments – hedging	-	-	4	551	78,491	79,046
– Interest rate derivative instruments – non-hedging	8,705	-	-	-	-	8,705
– Equity derivative instruments	494	-	-	-	-	494
– Product derivative instruments	51	-	-	-	-	51
Subtotal	<u>43,222</u>	<u>-</u>	<u>4</u>	<u>551</u>	<u>78,491</u>	<u>122,268</u>

Note: The above amounts include only USD amounts held by headquarter, domestic branches and offshore banking units of Taipei Fubon Bank.

(Continued)

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

vi) The maturity analysis of derivative assets and liabilities - CNY

Fubon Bank (China)

Units: In thousands of CNY

	June 30, 2019				
	0~30 days	31~90 days	91~365 days	Over 1 year	Total
<b>Assets</b>					
<b>Deliverable derivative assets</b>					
– Forward contracts	\$ 651,632	565,726	757,018	340,729	2,315,105
– Currency swap	694,356	1,368,804	4,185,420	347,779	6,596,359
– Options	1,337,637	1,236,018	2,603,550	-	5,177,205
– Cross currency swap	-	-	21,340	-	21,340
Subtotal	<u>2,683,625</u>	<u>3,170,548</u>	<u>7,567,328</u>	<u>688,508</u>	<u>14,110,009</u>
<b>Non-deliverable derivative assets</b>					
– Interest rate derivative instruments – non-hedging	435	320	698	-	1,453
– Currency swap	8,697,434	10,232,119	31,033,943	-	49,963,496
– Options	934,734	1,292,669	621,658	-	2,849,061
– Forward contracts	-	111,662	-	-	111,662
Subtotal	<u>9,632,603</u>	<u>11,636,770</u>	<u>31,656,299</u>	<u>-</u>	<u>52,925,672</u>
<b>Liabilities</b>					
<b>Deliverable derivative liabilities</b>					
– Forward contracts	\$ 644,779	563,640	757,062	347,779	2,313,260
– Currency swap	1,215,815	1,368,590	4,640,968	338,375	7,563,748
– Options	3,984,066	1,496,830	5,009,330	-	10,490,226
– Cross currency swap	-	-	21,340	-	21,340
Subtotal	<u>5,844,660</u>	<u>3,429,060</u>	<u>10,428,700</u>	<u>686,154</u>	<u>20,388,574</u>
<b>Non-deliverable derivative liabilities</b>					
– Interest rate derivative instruments – non-hedging	651	894	1,782	-	3,327
– Currency swap	9,510,701	11,313,024	33,553,329	413,295	54,790,349
– Options	942,988	1,299,693	614,469	-	2,857,150
– Forward contracts	-	111,874	-	-	111,874
Subtotal	<u>10,454,340</u>	<u>12,725,485</u>	<u>34,169,580</u>	<u>413,295</u>	<u>57,762,700</u>

(Continued)

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

Units: In thousands of CNY

	<b>December 31, 2018</b>				
	<b>0-30 days</b>	<b>31-90 days</b>	<b>91-365 days</b>	<b>Over 1 year</b>	<b>Total</b>
<b>Asset</b>					
<b>Deliverable derivatives assets</b>					
– Forward contracts	\$ 509,004	156,421	593,777	340,728	1,599,930
– Currency swap	1,885,692	528,049	2,399,961	341,722	5,155,424
– Options	1,700,728	1,759,432	4,343,045	-	7,803,205
– Equity exchange	2,305	-	-	-	2,305
– Cross currency swap	-	438,285	-	-	438,285
Subtotal	<u>4,097,729</u>	<u>2,882,187</u>	<u>7,336,783</u>	<u>682,450</u>	<u>14,999,149</u>
<b>Non-deliverable derivatives assets</b>					
– Interest rate derivatives instruments – non-hedging	53	2,989	1,952	-	4,994
– Currency swap	7,608,651	9,066,794	24,416,476	-	41,091,921
– Options	1,236,575	792,028	1,478,542	-	3,507,145
– Forward contracts	123,061	34,356	104,792	-	262,209
Subtotal	<u>8,968,340</u>	<u>9,896,167</u>	<u>26,001,762</u>	<u>-</u>	<u>44,866,269</u>
<b>Liabilities</b>					
<b>Deliverable derivatives liabilities</b>					
– Forward contracts	\$ 514,452	156,467	592,511	341,722	1,605,152
– Currency swap	1,894,583	521,690	2,467,236	338,375	5,221,884
– Options	1,707,381	1,797,646	4,377,317	-	7,882,344
– Equity exchange	2,305	-	-	-	2,305
– Cross currency swap	-	457,949	-	-	457,949
Subtotal	<u>4,118,721</u>	<u>2,933,752</u>	<u>7,437,064</u>	<u>680,097</u>	<u>15,169,634</u>
<b>Non-deliverable derivatives liabilities</b>					
– Interest rate derivatives instruments – non-hedging	150	3,429	3,167	-	6,746
– Currency swap	7,577,656	9,023,431	24,260,526	-	40,861,613
– Options	1,238,742	788,231	1,485,868	-	3,512,841
– Forward contracts	122,426	34,310	104,693	-	261,429
Subtotal	<u>8,938,974</u>	<u>9,849,401</u>	<u>25,854,254</u>	<u>-</u>	<u>44,642,629</u>

(Continued)

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

Units: In thousands of CNY

	June 30, 2018				
	0~30 days	31~90 days	91~365 days	Over 1 year	Total
<b>Assets</b>					
<b>Deliverable derivative assets</b>					
– Forward contracts	\$ 64,703	137,874	374,188	340,729	917,494
– Currency swap	1,221,651	2,126,154	3,716,838	404,006	7,468,649
– Options	198,335	708,987	1,552,728	66,589	2,526,639
– Equity exchange	-	-	10,950	2,305	13,255
Subtotal	<u>1,484,689</u>	<u>2,973,015</u>	<u>5,654,704</u>	<u>813,629</u>	<u>10,926,037</u>
<b>Non-deliverable derivative assets</b>					
– Interest rate derivative instruments – non-hedging	8	145	3,944	-	4,097
– Currency swap	11,993,106	11,613,243	27,768,343	266,873	51,641,565
– Options	459,091	66,274	432,192	-	957,557
– Forward contracts	12,804	-	63,713	-	76,517
– Commodity swap	2,203	1,679	1,825	-	5,707
Subtotal	<u>12,467,212</u>	<u>11,681,341</u>	<u>28,270,017</u>	<u>266,873</u>	<u>52,685,443</u>
<b>Liabilities</b>					
<b>Deliverable derivative liabilities</b>					
– Forward contracts	\$ 62,254	135,078	377,429	337,417	912,178
– Currency swap	1,239,538	2,091,496	3,752,912	405,218	7,489,164
– Options	198,587	708,974	1,589,695	66,805	2,564,061
– Equity exchange	-	-	10,950	2,305	13,255
Subtotal	<u>1,500,379</u>	<u>2,935,548</u>	<u>5,730,986</u>	<u>811,745</u>	<u>10,978,658</u>
<b>Non-deliverable derivative liabilities</b>					
– Interest rate derivative instruments – non-hedging	29	214	4,578	-	4,821
– Currency swap	11,953,092	11,604,189	27,649,634	266,614	51,473,529
– Options	458,697	63,500	416,786	-	938,983
– Forward contracts	13,227	-	66,333	-	79,560
– Commodity swap	2,203	1,679	1,825	-	5,707
Subtotal	<u>12,427,248</u>	<u>11,669,582</u>	<u>28,139,156</u>	<u>266,614</u>	<u>52,502,600</u>

(Continued)

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

vii) The maturity analysis of off-balance sheet items

The maturity analysis of off-balance sheet items shows the remaining balance from the balance sheet date to the maturity date. For the sent financial guarantee contracts, the maximum amounts are possibly asked for settlement in the earliest period. The amounts in the table below were on cash flow basis; therefore, some disclosed amounts will not match with the consolidated balance sheet.

Taipei Fubon Bank (The Bank)

Units: In thousands of TWD

<b>June 30, 2019</b>	<b>0-30 days</b>	<b>31-90 days</b>	<b>91-180 days</b>	<b>181-365 days</b>	<b>Over 1 year</b>	<b>Total</b>
Standby and irrevocable loan commitment	200,067,631	-	-	-	-	200,067,631
Unused letters of credit	7,578,447	-	-	-	-	7,578,447
Other guarantee amounts	13,123,218	770,200	-	5,546,560	6,234,281	25,674,259
<b>Total</b>	<b>220,769,296</b>	<b>770,200</b>	<b>-</b>	<b>5,546,560</b>	<b>6,234,281</b>	<b>233,320,337</b>

Units: In thousands of TWD

<b>December 31, 2018</b>	<b>0-30 days</b>	<b>31-90 days</b>	<b>91-180 days</b>	<b>181-365 days</b>	<b>Over 1 year</b>	<b>Total</b>
Standby and irrevocable loan commitment	112,580,654	-	-	-	-	112,580,654
Unused letters of credit	8,295,749	-	-	-	-	8,295,749
Other guarantee amounts	14,289,053	1,595,177	91,812	2,570,495	9,299,237	27,845,774
<b>Total</b>	<b>135,165,456</b>	<b>1,595,177</b>	<b>91,812</b>	<b>2,570,495</b>	<b>9,299,237</b>	<b>148,722,177</b>

Units: In thousands of TWD

<b>June 30, 2018</b>	<b>0-30 days</b>	<b>31-90 days</b>	<b>91-180 days</b>	<b>181-365 days</b>	<b>Over 1 year</b>	<b>Total</b>
Standby and irrevocable loan commitment	137,765,427	-	-	-	-	137,765,427
Unused letters of credit	9,708,900	-	-	-	-	9,708,900
Other guarantee amounts	14,249,249	800,700	250,400	448,330	11,782,180	27,530,859
<b>Total</b>	<b>161,723,576</b>	<b>800,700</b>	<b>250,400</b>	<b>448,330</b>	<b>11,782,180</b>	<b>175,005,186</b>

Fubon Bank (China)

Units: In thousands of CNY

<b>June 30, 2019</b>	<b>0-30 days</b>	<b>31-90 days</b>	<b>91-365 days</b>	<b>Over 1 year</b>	<b>Total</b>
Unused letters of credit	127,844	99,044	43,373	-	270,261
Other guarantee amounts	252,308	189,601	273,431	7,762	723,102
<b>Total</b>	<b>380,152</b>	<b>288,645</b>	<b>316,804</b>	<b>7,762</b>	<b>993,363</b>

Units: In thousands of CNY

<b>December 31, 2018</b>	<b>0-30 days</b>	<b>31-90 days</b>	<b>91-365 days</b>	<b>Over 1 year</b>	<b>Total</b>
Unused letters of credit	110,409	134,048	68,055	-	312,512
Other guarantee amounts	123,090	233,480	596,868	11,597	965,035
<b>Total</b>	<b>233,499</b>	<b>367,528</b>	<b>664,923</b>	<b>11,597</b>	<b>1,277,547</b>

(Continued)

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

Units: In thousands of CNY

June 30, 2018	0-30 days	31-90 days	91-365 days	Over 1 year	Total
Unused letters of credit	130,129	145,861	43,667	-	319,657
Other guarantee amounts	172,291	336,521	674,856	17,984	1,201,652
Total	302,420	482,382	718,523	17,984	1,521,309

2) Fubon Life Insurance and its subsidiaries

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

In terms of capital liquidity risk, Fubon Life Insurance and its subsidiaries manage it in two aspects, short term and mid-to-long term. In addition to the capital liquidity ratio set up for the index of measurement and control of short-term liquidity, relevant departments have established prompt capital report mechanism and apply proper currency market instruments for daily capital movement. Mid-to-long term capital liquidity management is reviewed by the Assets and Liabilities Management Committee. The Company applies cash flow analysis model to monitor the coordination of assets and liabilities in order to lower related risks.

Regarding the market liquidity risk, the risk management department of Fubon Life Insurance and its subsidiaries establishes monitoring mechanism in terms of daily transaction concentration, investment position limit and current assets deployment in order to avoid market liquidity risk.

In addition, Fubon Life Insurance and its subsidiaries establish complete crisis management and responding mechanism to cope with significant capital demand of unusual or emergent situations.

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

(Continued)

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

The maturity structure of the non-derivative financial liabilities of Fubon Life Insurance and its subsidiaries is listed below:

	June 30, 2019				
	Less than 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
Accounts payable	\$ 52,267,905	183,095	-	29,789	52,480,789
Short-term debts	316,035	-	-	-	316,035
Bonds payables (Note)	4,058,673	5,847,048	6,492,539	60,548,395	76,946,655
Total	<u>\$ 56,642,613</u>	<u>6,030,143</u>	<u>6,492,539</u>	<u>60,578,184</u>	<u>129,743,479</u>

	December 31, 2018				
	Less than 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
Accounts payable	\$ 81,880,891	175,721	1,183	208,820	82,266,615
Bonds payable (Note)	4,103,553	5,949,076	8,333,083	61,471,123	79,856,835
Total	<u>\$ 85,984,444</u>	<u>6,124,797</u>	<u>8,334,266</u>	<u>61,679,943</u>	<u>162,123,450</u>

	June 30, 2018				
	Less than 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
Accounts payable	\$ 27,573,786	249	905	215,760	27,790,700
Short-term debts	44,604	-	-	-	44,604
Bonds payables (Note)	1,860,750	3,721,500	3,721,500	62,409,145	71,712,895
Total	<u>\$ 29,479,140</u>	<u>3,721,749</u>	<u>3,722,405</u>	<u>62,624,905</u>	<u>99,548,199</u>

Note: The disclosed amounts include estimated interests and thus cannot be equal to the relevant accounts in the financial statements. In addition, the bonds payable has no maturity date, the contractual cash flows are calculated based on a remaining maturity of 10 years.

The maturity structure of the derivative financial liabilities of Fubon Life Insurance and its subsidiaries is listed below:

	June 30, 2019				
	Less than 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
Financial liabilities measured at fair value through profit or loss	\$ 6,331,575	-	-	-	6,331,575
Financial liabilities for hedging	345,524	-	184,618	-	530,142
Total	<u>\$ 6,677,099</u>	<u>-</u>	<u>184,618</u>	<u>-</u>	<u>6,861,717</u>

(Continued)



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

	<b>December 31, 2018</b>				<b>Total</b>
	<b>Less than 1 year</b>	<b>1 to 3 years</b>	<b>3 to 5 years</b>	<b>Over 5 years</b>	
Financial liabilities measured at fair value through profit or loss	\$ 3,445,100	-	-	-	3,445,100
Financial liabilities for hedging	32,776	-	623,580	115,189	771,545
<b>Total</b>	<b><u>\$ 3,477,876</u></b>	<b><u>-</u></b>	<b><u>623,580</u></b>	<b><u>115,189</u></b>	<b><u>4,216,645</u></b>

  

	<b>June 30, 2018</b>				<b>Total</b>
	<b>Less than 1 year</b>	<b>1 to 3 years</b>	<b>3 to 5 years</b>	<b>Over 5 years</b>	
Financial liabilities measured at fair value through profit or loss	\$ 42,053,566	-	-	-	42,053,566
Financial liabilities for hedging	-	-	106,237	1,176,222	1,282,459
<b>Total</b>	<b><u>\$ 42,053,566</u></b>	<b><u>-</u></b>	<b><u>106,237</u></b>	<b><u>1,176,222</u></b>	<b><u>43,336,025</u></b>

3) Fubon Insurance and its subsidiaries

Liquidity risks are divided into “funding liquidity risk” and “market liquidity risk.” Fubon Insurance and its subsidiaries monitor liquidity risks in compliance with their 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, Fubon Insurance and its subsidiaries identify potential liquidity risk factors encountered during operation process. Those risk factors are such as funding liquidity risk factors, market liquidity risk factors and characteristics of products being traded.

(Continued)

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

ii) Risk measurement

Fubon Insurance and its subsidiaries measure the possibility of occurrence and the degree of negative impact of risk events and risk factors by qualitative or quantitative method, and compare these influences with risk limits set by the management which is used as a basis for the setting of the priority in risk control and the response measures subsequently.

iii) Risk monitoring

Fubon Insurance and its subsidiaries establish 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. Fubon Insurance 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 strategies of funding liquidity risk in operation and investment are as follows: ensuring balance of capital inflow and outflow, examining and predicting capital demand at present and in the future in accordance with strategies of operational management and investment activities, establishing critical indicators of funding liquidity risk, and making appropriate adjustment with business strategy and market condition.

Fubon Insurance 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, Fubon Insurance 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 FINANCIAL HOLDING 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. In order to avoid market liquidity risk, Fubon Insurance and its subsidiaries establish control mechanism to concentrate for daily transactions and investment position limits.
- iii) Fubon Insurance and its subsidiaries establish complete risk management system to deal with the mass demand of cash in abnormal or urgent condition. To monitor daily net cash flow, Fubon Insurance and its subsidiaries have 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.

Fubon Insurance and its subsidiaries possess sufficient operating capital, government bonds and other securities to satisfy the capital demand in investment, pay liabilities matured and execute contracts' obligation. Therefore, the liquidity risk is low and in compliance with rules.

- iv) The maturity analyses of financial assets and liabilities are as follows:

	June 30, 2019							Total
	Less than one year	1 to 3 years	3 to 5 years	5 to 10 years	10 to 20 years	More than 20 years	No maturity date	
The maturity analysis of financial assets								
Financial assets measured at fair value through profit or loss	\$ 158,238	-	-	-	36,073	-	-	194,311
Financial assets measured at fair value through other comprehensive income	158,056	1,334,947	2,642,274	6,300,002	3,071,860	4,568,202	2,100,000	20,175,341
Financial assets measured at amortized cost	-	-	-	-	186,176	2,385,697	-	2,571,873
	<u>\$ 316,294</u>	<u>1,334,947</u>	<u>2,642,274</u>	<u>6,300,002</u>	<u>3,294,109</u>	<u>6,953,899</u>	<u>2,100,000</u>	<u>22,941,525</u>

(Continued)

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

		December 31, 2018							
		Less than one year	1 to 3 year	3 to 5 year	5 to 10 year	10 to 20 year	More than 20 year	No maturity date	Total
The maturity analysis of financial assets									
Financial asset at fair value through profit or loss	\$	312,627	-	-	-	40,511	-	-	353,138
Financial assets measured at fair value through other comprehensive income		156,936	634,275	3,014,121	5,968,741	2,376,368	4,998,890	2,100,000	19,249,331
Financial assets measured at amortized cost		-	-	-	-	197,379	3,480,880	-	3,678,259
	<b>\$</b>	<b><u>469,563</u></b>	<b><u>634,275</u></b>	<b><u>3,014,121</u></b>	<b><u>5,968,741</u></b>	<b><u>2,614,258</u></b>	<b><u>8,479,770</u></b>	<b><u>2,100,000</u></b>	<b><u>23,280,728</u></b>
		June 30, 2018							
		Less than one year	1 to 3 years	3 to 5 years	5 to 10 years	10 to 20 years	More than 20 years	No maturity date	Total
The maturity analysis of financial assets									
Financial asset measured at fair value through profit or loss	\$	299,254	-	-	-	41,302	-	-	340,556
Financial assets measured at fair value through other comprehensive income		159,943	634,128	2,375,924	6,595,909	2,557,067	5,098,548	2,100,000	19,521,519
Financial assets measured at amortized cost		-	-	-	-	213,690	3,384,673	-	3,598,363
	<b>\$</b>	<b><u>459,197</u></b>	<b><u>634,128</u></b>	<b><u>2,375,924</u></b>	<b><u>6,595,909</u></b>	<b><u>2,812,059</u></b>	<b><u>8,483,221</u></b>	<b><u>2,100,000</u></b>	<b><u>23,460,438</u></b>

c) The maturity analyses of derivative financial 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:

		June 30, 2019					
		Less than 1 year	1 to 3 years	3 to 5 years	5 to 10 years	No maturity date	Total
Maturity analysis of financial assets	<b>\$</b>	<b><u>27,589</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>27,589</u></b>
Maturity analysis of financial liabilities	<b>\$</b>	<b><u>115,394</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>115,394</u></b>

(Continued)

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

		December 31, 2018					
		Less than 1 year	1 to 3 year	3 to 5 year	5 to 10 year	No maturity date	Total
	Maturity analysis of financial assets	\$ 29,021	-	-	-	-	29,021
	Maturity analysis of financial liabilities	\$ 66,889	-	-	-	-	66,889

  

		June 30, 2018					
		Less than 1 year	1 to 3 years	3 to 5 years	5 to 10 years	No maturity date	Total
	Maturity analysis of financial assets	\$ 17,615	-	-	-	-	17,615
	Maturity analysis of financial liabilities	\$ 566,145	-	-	-	-	566,145

4) Fubon Securities and its subsidiaries

Liquidity risk is the risk that Fubon Securities and its subsidiaries cannot provide sufficient funding for asset size growth or matured liabilities, do not have sufficient cash to meet obligations to counterparties, or cannot raise emergency funding to cover funding gaps.

a) Capital liquidity risk measurement analysis

		June 30, 2019					
		Cash flow gap					
Financial assets	0-30 days	31-90 days	91-180 days	181-365 days	Over 1 year	Total	
Cash and cash equivalents	\$ 6,987,011	4,406,353	935,925	736,480	-	13,065,769	
Customer margin account	20,481,109	-	-	-	-	20,481,109	
Financial assets mandatorily measured at fair value through profit or loss – current	12,156,393	1,811,459	412,033	651,391	28,714,528	43,745,804	
Open-end funds, money market instruments and other securities	1,041,632	191,631	-	-	-	1,233,263	
Operating securities	9,718,016	1,619,828	412,033	651,391	28,146,836	40,548,104	
Derivatives – OTC	306,976	-	-	-	-	306,976	
Derivatives – Futures trading margin	197,667	-	-	-	-	197,667	
Other debt securities	-	-	-	-	554,671	554,671	
Call option – Futures	3,282	-	-	-	-	3,282	
Securities invested by brokers	888,820	-	-	-	13,021	901,841	
Financial assets measured at fair value through other comprehensive income – current and non-current	901,709	11,810,718	-	436,952	9,131,938	22,281,317	
Receivables from pecuniary finance	8,201,570	1,215,047	405,016	202,508	101,254	10,125,395	
Collateral for borrowed securities	257,805	-	-	-	-	257,805	
Margin deposits for borrowed securities	5,503,549	-	-	-	-	5,503,549	
Receivables	11,831,178	130,186	20,346	6,620	-	11,988,330	
Total	\$ 66,320,324	19,373,763	1,773,320	2,033,951	37,947,720	127,449,078	
Proportion of the total	52.04 %	15.20 %	1.39 %	1.60 %	29.77 %	100.00 %	

(Continued)

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

<u>Financial liabilities</u>	<u>June 30, 2019</u>					
	<u>Cash flow gap</u>					
	<u>0-30 days</u>	<u>31-90 days</u>	<u>91-180 days</u>	<u>181-365 days</u>	<u>Over 1 year</u>	<u>Total</u>
Short term loans	\$ 3,672,060	-	-	-	-	3,672,060
Commercial papers issued	6,398,854	-	-	-	-	6,398,854
Held-for-trading financial liabilities — current	1,819,737	-	-	-	-	1,819,737
Call (put) warrants	142,127	-	-	-	-	142,127
Derivatives — OTC	962,734	-	-	-	-	962,734
Liabilities in sale of borrowed securities	515,032	-	-	-	-	515,032
Short covering bonds	199,071	-	-	-	-	199,071
Put options — Futures	773	-	-	-	-	773
Financial liabilities designated as at fair value through profit or loss	1,502,388	-	-	-	-	1,502,388
Securities sold under repurchase agreements	40,004,201	-	-	-	-	40,004,201
Securities financing refundable deposits	978,528	144,967	48,322	24,161	12,081	1,208,059
Deposits payable for securities financing	1,088,728	161,293	53,764	26,882	13,441	1,344,108
Securities lending refundable deposits	10,331,493	-	-	-	-	10,331,493
Lease liabilities — current and non-current	21,459	41,809	62,531	108,825	377,027	611,651
Futures customers' equity	20,481,109	-	-	-	-	20,481,109
Payables	10,752,618	26	8	6	-	10,752,658
Amounts collected for other parties	1,857,159	182	-	-	-	1,857,341
<b>Total</b>	<b>\$ 98,908,334</b>	<b>348,277</b>	<b>164,625</b>	<b>159,874</b>	<b>402,549</b>	<b>99,983,659</b>
Proportion of the total	<u>98.92 %</u>	<u>0.35 %</u>	<u>0.17 %</u>	<u>0.16 %</u>	<u>0.40 %</u>	<u>100.00 %</u>
Cash inflow	66,320,324	19,373,763	1,773,320	2,033,951	37,947,720	127,449,078
Cash outflow	98,908,334	348,277	164,625	159,874	402,549	99,983,659
Net cash flow	<b>(32,588,010)</b>	<b>19,025,486</b>	<b>1,608,695</b>	<b>1,874,077</b>	<b>37,545,171</b>	<b>27,465,419</b>

(Continued)

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

<u>Financial assets</u>	December 31, 2018					
	Cash flow gap					
	0-30 days	31-90 days	91-180 days	181-365 days	Over 1 year	Total
Cash and cash equivalents	\$ 7,346,232	4,387,710	3,628,091	533,380	135,254	16,030,667
Customer margin account	16,250,349	-	-	-	-	16,250,349
Financial assets mandatorily measured at fair value through profit or loss — current	12,462,270	3,135,919	100,428	854,849	22,818,783	39,372,249
Open-end funds, money market instruments and other securities	3,514,155	186,123	-	-	-	3,700,278
Operating securities	7,897,443	2,949,796	100,428	854,849	22,280,662	34,083,178
Derivatives — OTC	222,734	-	-	-	-	222,734
Derivatives — Futures trading margin	89,219	-	-	-	-	89,219
Other debt securities	-	-	-	-	525,259	525,259
Call option — Futures	191	-	-	-	-	191
Securities invested by brokers	738,528	-	-	-	12,862	751,390
Financial assets measured at fair value through other comprehensive income — current and non-current	832,255	2,419,845	-	6,229,358	7,337,632	16,819,090
Receivables from pecuniary finance	8,257,552	1,094,374	397,954	198,977	-	9,948,857
Collateral for borrowed securities	207,172	-	-	-	-	207,172
Margin deposits for borrowed securities	4,425,851	-	-	-	-	4,425,851
Receivables	9,735,937	268,506	22,234	4,825	-	10,031,502
Total	<u>\$ 59,517,618</u>	<u>11,306,354</u>	<u>4,148,707</u>	<u>7,821,389</u>	<u>30,291,669</u>	<u>113,085,737</u>
Proportion of the total	<u>52.63 %</u>	<u>10.00 %</u>	<u>3.67 %</u>	<u>6.91 %</u>	<u>26.79 %</u>	<u>100.00 %</u>

(Continued)

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

December 31, 2018						
Cash flow gap						
Financial liabilities	0-30 days	31-90 days	91-180 days	181-365 days	Over 1 year	Total
Short term loans	\$ 937,921	-	-	-	-	937,921
Held-for-trading financial liabilities – current	1,416,846	-	-	-	-	1,416,846
Call (put) warrant	169,643	-	-	-	-	169,643
Derivatives – OTC	889,025	-	-	-	-	889,025
Liabilities on sale of borrowed securities	358,057	-	-	-	-	358,057
Put options – Futures	121	-	-	-	-	121
Financial liabilities designated as at fair value through profit or loss	2,455,857	-	-	-	-	2,455,857
Securities sold under repurchase agreements	33,609,095	-	-	-	-	33,609,095
Securities financing refundable deposits	1,996,529	264,600	96,218	48,109	-	2,405,456
Deposits payable for securities financing	2,222,185	294,507	107,093	53,547	-	2,677,332
Securities lending refundable deposits	13,473,433	-	-	-	-	13,473,433
Futures customers' equity	16,250,349	-	-	-	-	16,250,349
Payables	10,131,096	68	25	12	-	10,131,201
Amounts collected for other parties	815,527	212	-	-	-	815,739
<b>Total</b>	<b>\$ 83,308,838</b>	<b>559,387</b>	<b>203,336</b>	<b>101,668</b>	<b>-</b>	<b>84,173,229</b>
Proportion of the total	<b>98.97 %</b>	<b>0.67 %</b>	<b>0.24 %</b>	<b>0.12 %</b>	<b>- %</b>	<b>100.00 %</b>
Cash inflow	59,517,618	11,306,354	4,148,707	7,821,389	30,291,669	84,173,229
Cash outflow	83,308,838	559,387	203,336	101,668	-	84,173,229
Net cash flow	(23,791,220)	10,746,967	3,945,371	7,719,721	30,291,669	28,912,508

  

June 30, 2018						
Cash flow gap						
Financial assets	0-30 days	31-90 days	91-180 days	181-365 days	Over 1 year	Total
Cash and cash equivalents	\$ 8,847,520	7,075,693	3,644,945	870,225	5,000	20,443,383
Customer margin account	15,339,426	-	-	-	-	15,339,426
Financial assets mandatorily measured at fair value through profit or loss – current	16,209,045	10,921,774	268,446	1,398,337	18,948,431	47,746,033
Open-end funds, money market instruments and other securities	1,126,253	190,718	-	-	-	1,316,971
Operating securities	13,790,611	10,731,056	268,446	1,398,337	18,452,431	44,640,881
Derivatives – OTC	164,328	-	-	-	-	164,328
Derivatives – Futures trading margin	387,372	-	-	-	-	387,372
Other debt securities	-	-	-	-	496,000	496,000
Call option – Futures	757	-	-	-	-	757
Securities invested by brokers	739,724	-	-	-	-	739,724
Financial assets measured at fair value through other comprehensive income – current and non-current	53,495	-	-	10,521,994	11,194,824	21,770,313
Bonds purchased under resell agreement	192,134	-	-	-	-	192,134
Receivables from pecuniary finance	12,816,127	1,698,523	617,645	308,822	-	15,441,117
Collateral for borrowed securities	47,146	-	-	-	-	47,146
Margin deposits for borrowed securities	42,675	-	-	-	-	42,675
Receivables	14,910,231	122,722	23,947	5,520	-	15,062,420
<b>Total</b>	<b>\$ 68,457,799</b>	<b>19,818,712</b>	<b>4,554,983</b>	<b>13,104,898</b>	<b>30,148,255</b>	<b>136,084,647</b>
Proportion of the total	<b>50.31 %</b>	<b>14.56 %</b>	<b>3.35 %</b>	<b>9.63 %</b>	<b>22.15 %</b>	<b>100.00 %</b>

(Continued)



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

<b>Financial liabilities</b>	<b>June 30, 2018</b>					
	<b>Cash flow gap</b>					
	<b>0-30 days</b>	<b>31-90 days</b>	<b>91-180 days</b>	<b>181-365 years</b>	<b>Over 1 year</b>	<b>Total</b>
Short term loans	\$ 6,024,357	-	-	-	-	6,024,357
Commercial papers issued	10,138,884	597,727	-	-	-	10,736,611
Held-for-trading financial liabilities – current	1,647,213	-	-	-	-	1,647,213
Call (put) warrant	354,192	-	-	-	-	354,192
Derivatives – OTC	900,785	-	-	-	-	900,785
Liabilities on sale of borrowed securities	200,372	-	-	-	-	200,372
Bonds purchased under resell agreement – Borrowed securities	191,515	-	-	-	-	191,515
Put options – Futures	349	-	-	-	-	349
Financial liabilities designated as at fair value through profit or loss	2,473,728	-	-	-	-	2,473,728
Securities sold under repurchase agreements	42,606,850	-	-	-	-	42,606,850
Securities financing refundable deposits	1,061,537	140,685	51,158	25,579	-	1,278,959
Deposits payable for securities financing	1,150,987	152,541	55,469	27,735	-	1,386,732
Securities lending refundable deposits	12,555,683	-	-	-	-	12,555,683
Futures traders' equity	15,339,426	-	-	-	-	15,339,426
Payables	13,175,687	26	10	5	-	13,175,728
Amounts collected for other parties	1,239,377	167	-	-	-	1,239,544
<b>Total</b>	<b>\$ 107,413,729</b>	<b>891,146</b>	<b>106,637</b>	<b>53,319</b>	<b>-</b>	<b>108,464,831</b>
Proportion of the total	<b>99.03 %</b>	<b>0.82 %</b>	<b>0.10 %</b>	<b>0.05 %</b>	<b>- %</b>	<b>100.00 %</b>
Cash inflow	68,457,799	19,818,712	4,554,983	13,104,898	30,148,255	136,084,647
Cash outflow	107,413,729	891,146	106,637	53,319	-	108,464,831
Net cash flow	(38,955,930)	18,927,566	4,448,346	13,051,579	30,148,255	27,619,816

As of the reporting date, the cash flows of Fubon Securities and its subsidiaries have shown a significant increase in net cash inflow in most of the periods. Fubon Securities and its subsidiaries maintained great net cash inflow to accumulated capital deficit for a long-term period which shows Fubon Securities and its subsidiaries could sustain adequate quality of capital volatility.

b) Capital liquidity risk management

In order to allocate capital effectively, Fubon Securities and its subsidiaries utilize liquidity risk management mechanisms to evaluate and monitor short-term cash flow requirements for various types of business, and consider local short-term, cross-border, or cross-market demand for capital.

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

(Continued)

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

In order to increase liquidity reserve, Fubon Securities and its subsidiaries sell the low-risk assets from the Trading Department dealing positions. Fubon Securities and its subsidiaries dispose of high-liquidity stocks, government bonds, and other securities in order to respond to adverse shocks affecting the market. Fubon Securities and its subsidiaries also use secured loan credit lines and long-term financing credit lines from banks and bills corporations to implement Fubon Securities and its subsidiaries' capital allocation emergency response plan.

5) Fubon Bank (Hong Kong) and its subsidiaries

The following disclosures related to Fubon Bank (Hong Kong) are all expressed in thousands of HKD, unless otherwise stated.

a) Management strategy and principles

The purpose of liquidity management is to ensure sufficient cash flows to meet all financial commitment and to capitalize on opportunities for business expansion. This includes Fubon Bank (Hong Kong) and its subsidiaries' ability to meet deposit withdrawals either on demand or at contractual maturity, to repay borrowings as they mature, to comply with the statutory liquidity maintenance ratio, and to make new loans and investments as opportunities arise. Fubon Bank (Hong Kong) and its subsidiaries maintain a stable and diversified funding base of core retail and corporate customer deposits as well as portfolios of highly liquid assets.

It is the responsibility of Fubon Bank (Hong Kong) and its subsidiaries' management to ensure compliance with local regulatory requirements and limits set by Risk Committee of the Board ("RCB"). Liquidity is managed on a daily basis by Fubon Bank (Hong Kong)'s Funding Desk unit. The Funding Desk unit is responsible for ensuring that Fubon Bank (Hong Kong) and its subsidiaries have adequate liquidity for all operations, ensuring that the funding mix is appropriate so as to avoid maturity mismatches and to minimize price and reinvestment rate risk in the case of a maturity gap, and monitoring relevant markets for the adequacy of funding and liquidity.

Compliance with liquidity and funding requirements is monitored by the Asset and Liability Committee ("ALCO") and is reported to the RCB on a regular basis. This process includes:

- i) Maintaining balances within relevant regulatory requirements;
- ii) Projecting cash flows under various stress scenarios and considering the level of liquid assets necessary in relation thereto;
- iii) Maintaining adequate intraday liquidity position and assessing how the intraday liquidity profile will change in conditions of stress.
- iv) Monitoring balance sheet liquidity and loan to deposit ratios against internal requirements;

(Continued)

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

- v) Maintaining a diverse range of funding sources with adequate back-up facilities;
  - vi) Managing the concentration and profile of debt maturities;
  - vii) Managing lending commitment to customers within pre-determined management alert triggers;
  - viii) Managing debt financing plans;
  - ix) Monitoring depositor concentration in order to avoid undue reliance on large individual depositors and ensuring a satisfactory overall funding mix;
  - x) Maintaining funding contingency plans, which identify early indicators of stress conditions and describe actions to be taken in the event of difficulties arising from systematic or other crises, while minimizing adverse long-term implications for the business; and
  - xi) Managing liquidity on a legal entity and on a group basis. Intragroup funding transactions are carried out at arm's length and treated in the same way as transactions with non-related third parties and controlled within pre-determined management alert triggers.
- b) Qualitative explanation
- i) The management of funding and liquidity risk

As part of its liquidity risk management, Fubon Bank (Hong Kong) and its subsidiaries focus on a number of components, including maintaining sufficient liquid assets, maintaining diversified sources of liquidity, reserving necessary funding capacity and contingent planning. Fubon Bank (Hong Kong) and its subsidiaries manage liquidity risk by holding sufficient liquid assets (e.g. cash and short term funds and securities) of appropriate quality to ensure that short term funding requirements are covered within prudential level. Debt securities held are marked to the market on daily basis to ensure their market liquidity. Fubon Bank (Hong Kong) and its subsidiaries also adopt a funding strategy that is to achieve diversification of funding by controlling the concentration of top deposits, wholesale funding and reliance of foreign exchange swap markets. Moreover, adequate standby facilities are maintained to provide strategic liquidity to meet unexpected and material cash outflows in the ordinary course of business.

In addition to observing the statutory liquidity ratio, Fubon Bank (Hong Kong) and its subsidiaries have established different liquidity risk metrics, including but not limited to the liquidity maintenance ratio, loan-to-deposit ratio, cumulative cash flow gap, concentration of funding sources and medium-term funding ratio to measure and analyze its liquidity risks. Financial Management Division is responsible for measurement and monitoring of these liquidity metrics and reporting to the ALCO regularly.

(Continued)

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

ii) Core deposits

Fubon Bank (Hong Kong) and its subsidiaries monitor the stability of customer deposits by means of the core deposit ratio, which is the ratio of core deposits to total customer deposits. Fubon Bank (Hong Kong) and its subsidiaries categorize customer deposits into core deposits after taking into consideration of nature of deposits, relationship history with customers and stability of customer's total balance. An alert trigger level is set on the core deposits ratio which is monitored by the ALCO.

iii) Loan to deposit ratio

Fubon Bank (Hong Kong) and its subsidiaries emphasize the importance of customer deposits as a source of funds to finance lending to customers, and mitigate against reliance on short-term interbank funding. A limit on the loan to deposit ratio is established and approved by the RCB and monitored by the ALCO.

iv) Cash flow projection and stress testing

Fubon Bank (Hong Kong) and its subsidiaries conduct cash flow analysis and cash flow projection arising from on-and off-balance sheet items over a set of time horizons on a regular basis to identify funding needs in specific time buckets. Fubon Bank (Hong Kong) and its subsidiaries also regularly perform stress tests on its liquidity position. In the stress test, both on-and off-balance sheet items with a cash flow impact are considered, with applicable hypothetical and historical assumptions. Three stressed scenarios, namely an institution-specific crisis scenario, a general market crisis scenario, and a combined scenario are adopted with minimum survival period defined pursuant to HKMA's Supervisory Policy Manual guideline "Sound Systems and Controls for Liquidity Risk Management". Stress testing assumptions are reviewed and approved by the ALCO regularly to ensure their continued appropriateness.

v) Liquidity Cushion

Fubon Bank (Hong Kong) and its subsidiaries maintain a stock of high-quality readily liquefiable assets as a liquidity cushion against a range of stressed scenarios. The eligible assets are unencumbered, low credit risk and low market risk. The liquidity cushion is segregated from debt securities held for trading purposes. A certain portion of the liquidity cushion is made up of the most liquid and readily marketable assets (such as debt securities issued by government or multinational development banks) that can be easily liquidated to meet funding needs in the initial phase of liquidity stress.

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

The size of the liquidity cushion shall be adequate to meet Fubon Bank (Hong Kong) and its subsidiaries' day-to-day liquidity needs and also emergency funding needs under both normal and stress market conditions. The minimum required size of the liquidity cushion is determined with reference to the funding gap generated from the Fubon Bank (Hong Kong) and its subsidiaries' regular liquidity stress testing results. Management alert triggers are established by the ALCO to ensure sufficient size of liquidity cushion is maintained and appropriate diversification among the liquidity cushion is achieved. The size and mix of the liquidity cushion is reviewed by the ALCO regularly.

Management alert triggers throughout the year 2018:

- net long position of Exchange Fund Bills/Notes held was maintained at not less than HKD 1.0 billion;
- assets eligible for Lenders of Last Resort purpose was maintained at not less than 30% of total customer deposits;
- level 1 high-quality readily liquefiable assets were maintained at not less than 8.5% of total customer deposits;
- non-financial institution high-quality readily liquefiable assets were maintained at not less than 25% of total customer deposits; and
- total high-quality readily liquefiable assets were maintained at not less than 30% of total customer deposits.

vi) Contingent liquidity risk

Fubon Bank (Hong Kong) and its subsidiaries provide customers with committed and standby facilities. These facilities increase the funding requirements of Fubon Bank (Hong Kong) and its subsidiaries when customers drawdown. The liquidity risk associated with the potential drawdown on committed facilities is factored into our stressed scenarios and a management alert trigger is set for these facilities.

(Continued)

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

vii) Contingency funding plan

Fubon Bank (Hong Kong) and its subsidiaries have formulated a Contingency Funding Plan (“CFP”) that describes Fubon Bank (Hong Kong) and its subsidiaries’ strategy for dealing with any liquidity problem and the procedures for making up cash flow deficits in emergency situations. The CFP is designed to be pro-active and pre-emptive. Fubon Bank (Hong Kong) and its subsidiaries utilize early warning indicators, which cover both qualitative and quantitative measures, monitoring both internal and external factors. Should there be any early signs of significant impact on Fubon Bank (Hong Kong) and its subsidiaries’ liquidity position, the management would be informed for their consideration. Once the CFP is triggered, a Crisis Management Team, which is led by the senior management, is formed to handle the crisis. Strategy and procedures in obtaining contingency funding, as well as roles and responsibilities of parties concerned are clearly stated. The CFP also includes the analysis of cash flow projections to estimate potential liquidity needs under stress scenarios.

The CFP is subject to regular testing to ensure its effectiveness and operational feasibility, particularly in respect of the availability of the contingency sources of funding listed in it. The CFP is also subject to review and update on a regular basis to ensure it remains robust over time. Any changes to the CFP would be approved by the RCB.

Moreover, in accordance with the HKMA’s Supervisory Policy Manual guideline “Recovery Planning”, Fubon Bank (Hong Kong) and its subsidiaries have established a Recovery Plan, which has been approved by the Board. The Recovery Plan helps ensure that Fubon Bank (Hong Kong) and its subsidiaries are able to recover quickly from period of severe stress and preserve or restore its liquidity level. The Recovery Plan is subject to a regular, at least annual, review and update.

c) The maturity analysis of non-derivative financial liabilities

Units: In thousands of HKD

	June 30, 2019					Total
	0-30 days	31-90 days	91-180 days	181-365 days	Over 1 year	
Non-derivative financial liabilities measured at fair value through profit or loss	\$ 771,335	954,706	-	-	-	1,726,041
Securities sold under repurchase agreements	2,448,043	3,493,764	-	-	-	5,941,807
Others	43,174,174	24,545,611	6,878,572	6,151,682	3,279,768	84,029,807

(Continued)

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

Units: In thousands of HKD

	<b>December 31, 2018</b>					<b>Total</b>
	<b>0-30 days</b>	<b>31-90 days</b>	<b>91-180 days</b>	<b>181-365 days</b>	<b>Over 1 year</b>	
Non-derivative financial liabilities measured at fair value through profit or loss	\$ 573,351	1,325,021	-	-	-	1,898,372
Securities sold under repurchase agreement	2,036,453	3,982,319	-	-	-	6,018,772
Others	44,571,759	20,651,064	7,546,693	4,986,882	3,460,777	81,217,175

Units: In thousands of HKD

	<b>June 30, 2018</b>					<b>Total</b>
	<b>0-30 days</b>	<b>31-90 days</b>	<b>91-180 days</b>	<b>181-365 days</b>	<b>Over 1 year</b>	
Non-derivative financial liabilities measured at fair value through profit or loss	\$ 800,000	1,200,000	-	-	-	2,000,000
Securities sold under repurchase agreements	1,813,529	5,869,590	-	-	-	7,683,119
Others	40,615,273	21,706,148	7,943,600	4,626,259	3,556,836	78,448,116

## d) The maturity analysis of derivative financial liabilities

## i) Net settlement derivative instruments

Units: In thousands of HKD

	<b>June 30, 2019</b>					<b>Total</b>
	<b>0-30 days</b>	<b>31-90 days</b>	<b>91-180 days</b>	<b>181-365 days</b>	<b>Over 1 year</b>	
Derivative financial liabilities measured at fair value through profit or loss						
— Foreign exchange derivative instruments	\$ 7,599,474	1,639,497	2,521,145	2,251,298	281,097	14,292,511
— Interest rate derivative instruments	-	-	234,248	-	1,246,226	1,480,474
Derivative financial liabilities for hedging						
— Interest rate derivative instruments	100,000	1,204,250	278,083	1,527,511	20,729,243	23,839,087
<b>Total</b>	<b>\$ 7,699,474</b>	<b>2,843,747</b>	<b>3,033,476</b>	<b>3,778,809</b>	<b>22,256,566</b>	<b>39,612,072</b>

(Continued)

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

Units: In thousands of HKD

	December 31, 2018					Total
	0-30 days	31-90 days	91-180 days	181-365 days	Over 1 year	
Derivative financial liabilities measured at fair value through profit or loss						
– Foreign exchange derivative instruments	\$ 10,687,769	1,760,622	389,162	3,228,739	1,684,589	17,750,881
– Interest rate derivatives instruments	-	276,411	-	234,950	1,623,320	2,134,681
Derivative financial liabilities for hedging						
– Interest rate derivatives instruments	-	317,475	1,399,734	1,584,976	15,280,228	18,582,413
<b>Total</b>	<b>\$ 10,687,769</b>	<b>2,354,508</b>	<b>1,788,896</b>	<b>5,048,665</b>	<b>18,588,137</b>	<b>38,467,975</b>

Units: In thousands of HKD

	June 30, 2018					Total
	0-30 days	31-90 days	91-180 days	181-365 days	Over 1 year	
Derivative financial liabilities measured at fair value through profit or loss						
– Foreign exchange derivative instruments	\$ 8,713,355	2,794,414	2,456,090	1,767,214	1,390,586	17,121,659
– Interest rate derivative instruments	-	-	-	830,917	2,000,752	2,831,669
Derivatives financial liabilities for hedging						
– Interest rate derivative instruments	-	466,189	-	1,711,325	14,410,337	16,587,851
<b>Total</b>	<b>\$ 8,713,355</b>	<b>3,260,603</b>	<b>2,456,090</b>	<b>4,309,456</b>	<b>17,801,675</b>	<b>36,541,179</b>

ii) The maturity analysis of off-balance sheet items

Units: In thousands of HKD

	June 30, 2019					Total
	0-30 days	31-90 days	91-180 days	181-365 days	Over 1 year	
Standby and irrevocable loan commitment	\$ 197	341,168	266,505	195,863	1,633,749	2,437,482
Unused letters of credit	156,170	226,487	40,002	-	-	422,659
Other guarantee amounts	1,393	7,625	25,159	110,171	32,360	176,708
<b>Total</b>	<b>\$ 157,760</b>	<b>575,280</b>	<b>331,666</b>	<b>306,034</b>	<b>1,666,109</b>	<b>3,036,849</b>

(Continued)



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

Units: In thousands of HKD

	<b>December 31, 2018</b>					
	<u>0-30 days</u>	<u>31-90 days</u>	<u>91-180 days</u>	<u>181-365 days</u>	<u>Over 1 year</u>	<u>Total</u>
Standby and irrevocable loan commitment	\$ 198	189,558	144,158	518,463	1,428,289	2,280,666
Unused letters of credit	60,075	122,301	10,095	-	-	192,471
Other guarantees amounts	8,215	790,362	15,672	25,625	67,714	907,588
Total	<u>\$ 68,488</u>	<u>1,102,221</u>	<u>169,925</u>	<u>544,088</u>	<u>1,496,003</u>	<u>3,380,725</u>

Units: In thousands of HKD

	<b>June 30, 2018</b>					
	<u>0-30 days</u>	<u>31-90 days</u>	<u>91-180 days</u>	<u>181-365 days</u>	<u>Over 1 year</u>	<u>Total</u>
Standby and irrevocable loan commitment	\$ 29,778	412	161,705	70,923	1,947,216	2,210,034
Unused letters of credit	270,945	370,238	79,141	-	-	720,324
Other guarantee amounts	808	14,461	3,902	96,731	32,326	148,228
Total	<u>\$ 301,531</u>	<u>385,111</u>	<u>244,748</u>	<u>167,654</u>	<u>1,979,542</u>	<u>3,078,586</u>

## (v) Market risk

Major subsidiaries are listed separately as follows:

- 1) Taipei Fubon Bank (The Bank) and its subsidiaries
  - a) The definition and classification of market risk

Market risk refers to unfavorable changes in the market (such as changes in interest rates, exchange rates, stock prices and commodity prices), which may cause a potential loss on or off the balance sheet. Based on the Bank and its subsidiaries' policies on risk measurement and management, financial instruments are recorded in either the trading book or the banking book, and the Bank performs risk measurement and management accordingly.

- b) Market risk strategy and procedures

Taipei Fubon Bank (The Bank)

The Bank has comprehensive policies on market risk management and has a systematic mechanism for deal execution, clearing and settlement. The risk management strategies, which are exposed to risk factors, are as follows: interest rate-related instruments, exchange rate-related instruments, securities and commodities. The risk management systems apply the Bank's management policies and market risk limits to identify, measure, monitor and control market risks.

(Continued)

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

Fubon Bank (China)

Pursuant to the guidance of relevant laws and regulations, a series of policies and procedures regarding market risk management policies and procedure control are stipulated to regulate internal control of market risks as well as trading strategies and limits. IT systems are also established to identify, quantify, monitor and control market risks, ensuring that market risk exposures of Fubon Bank (China) are managed strongly and effectively.

c) Organization and framework

Taipei Fubon Bank (The Bank)

Under the supervision of the Board of Directors, the Bank has established the Market Risk Management Committee, which is composed of senior management and chaired by the President to monitor the Bank's market risk control, risk acceptance and management strategies for the trading business, securities investments and transactions, and derivatives.

The Risk Management Department under the Chief Risk Officer is responsible for formulating policies on and procedures for market risk management, enforcing market risk limits, reporting market risk events timely and validating valuation models independently. The Independent Audit Department under the Board of Directors is an added support for the market risk management framework.

Fubon Bank (China)

The Board of Directors, acting as the highest supervisor of market risk management, approves the market risk strategies and trading limits of Fubon Bank (China). The Risk & Related Party Transaction Committee under the board is responsible for supervising the implementation of market risk policies. Market risk assessment reports are submitted by Risk Management Department to senior management, the Risk & Related Party Transaction Committee and Board of Directors on a quarterly basis.

The Risk Control Department, under the Risk Management Department, which is independent from front trading desk and back settlement desk, is responsible for implementing market risk policies authorized by the Board and the senior management. Internal Audit Department is responsible for reviewing and evaluating the effectiveness and independence of the risk management system. Compliance Department, on the other hand, is accountable for monitoring compliance risk and reporting to the Board and senior management.

(Continued)

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

d) Market risk management, control and reporting

The Corporate Financial Credit Management Department of Taipei Fubon Bank is responsible for monitoring compliance with the daily market risk limit (including the analysis of risk sensitivity factors such as Delta, Vega, DV01, and VaR) and loss control. The valuation and VaR models are evaluated independently by the Risk Management Department to ensure their stability and effectiveness. The Bank has established a market risk management system and related market risk management procedures to be able to observe the VaR limit. In addition, the Bank does back testing periodically to check the effectiveness of the VaR calculation module and establishes financial trading system.

e) Measurement of trading book market risk

Taipei Fubon Bank (The Bank)

The Bank's measurement of trading book market risk includes methods for determining degrees (known as the "Greeks") of sensitivity to risk and measures (such as VaR and stress testing) of the risk of loss on specific portfolios of financial assets. These measures provide consistent and comparable measurement of various types of risks across different trading desks.

i) VaR (Value at Risk)

VaR is a tool that measures "the worst expected loss over a given time horizon under normal market conditions at a given level of confidence." The Bank adopts various risk models to evaluate the worst loss on current net positions within one day, with a 99% confidence level. The Bank adopts the historical simulation to calculate current VaR and stressed VaR, covering most market risk scenarios. To ensure the VaR's quality, the Bank performs back-testing and statistical tests regularly.

VaR information of trading book is shown below:

<u>Common VaR</u>	<u>For the six months ended June 30, 2019</u>			<u>End of period</u>
	<u>Highest</u>	<u>Lowest</u>	<u>Average</u>	
Equity group	\$ 3,502	519	1,470	3,502
Interest rate group	63,542	41,539	54,129	45,742
Exchange rate group	11,598	4,912	7,669	8,746
Volatility group	1,257	222	580	1,257
Diversification effect	-	-	(11,952)	(17,237)
Common VaR of trading book			<u>\$ 51,896</u>	<u>42,010</u>

(Continued)

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

Common VaR	For the six months ended June 30, 2018			
	Highest	Lowest	Average	End of period
Equity group	\$ 25,106	-	8,874	2,608
Interest rate group	95,413	50,580	71,699	64,716
Exchange rate group	9,452	4,753	6,936	7,782
Volatility group	1,200	331	688	364
Diversification effect	-	-	(13,384)	(3,043)
Common VaR of trading book			\$ 74,813	72,427

Note: The highest and lowest VaRs may occur on different dates; the related diversification effects were not disclosed in the above table because it has no significant meaning.

The above VaRs are calculated on the basis of changes in risk factors. If one product includes several risk factors, it will be classified under different risk factors. For example, forward contracts are exposed to interest rate risk and exchange rate risk; foreign exchange option is exposed to exchange rate risk and volatility risk.

ii) Stress testing

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

Fubon Bank (China)

To manage the trading book market risks, Fubon Bank (China) has set appropriate market risk measurements and relevant risk limits based on its trading products and the features and complexity of its risk exposures, including position limits on notional amounts, net exposures of foreign currencies, stop-loss limits of various products, and sensitivity limits. Fubon Bank (China)'s main currency businesses of trading book are spot trade and options. The main interest rate businesses of trading book are bonds, currency swap and CNY interest rate swap. The market risk level is normal.

The Risk Control Department also performs stress tests on derivative trading of trading book on a quarterly basis to evaluate Fubon Bank (China)'s ability to sustain loss of market value of its trading book when main market risk factors such as interest rates and exchange rates move adversely.

(Continued)

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

f) Banking Book Market Risk

Taipei Fubon Bank (The Bank)

i) Interest rate risk

Interest rate risk refers to the possible loss on investment portfolio value due to interest rate changes. The interest rate-sensitive assets/liabilities include banking book debt securities. The characteristics of banking book debt securities differ from those of trading book securities, which are for short-term trading. The valuation basis of banking book debt securities includes fair value and accrued interest.

Banking book interest rate risk refers to possible loss due to unfavorable changes in interest rates for the banking book portfolio. One of the methods used to determine exposure to interest rate risks is earnings analysis, which focuses on the effects interest rate changes on the earnings of the banking book portfolio, especially earnings in the short term. Had the interest rate increased/decreased 1bps (basis points) as of June 30, 2019, December 31 and June 30, 2018, and all other factors been held constant, the earnings would have decreased/increased by \$3 million, \$4 million and \$4 million, respectively.

ii) Exchange rate risk

Banking book exchange rate risk refers to the risk of loss due to unfavorable changes in exchange rates for the Bank's foreign currency operating funds to be used for the launch of a foreign exchange business, the establishment of overseas branches or overseas subsidiaries branch's investment accounted for using the equity method. These exchange rate differences are reflected under either the statement of comprehensive income or "exchange differences on translation of foreign operations under equity.

The Bank has a foreign exchange business, overseas branches, overseas subsidiaries branch's investment accounted for using the equity method. As of June 30, 2019, the percentage of the exchange differences on translation of foreign operation is immaterial when compared with the Bank's entire foreign currency position.

iii) Equity securities risk

The Bank's equity instruments as shown in the banking book have two groups. The first consists of investments in accordance with Article 74 of the Banking Act. The second group refers to investments in promising companies with a higher cash dividend payout ratio. For the second group, even though changes in equity prices may influence the stockholder's equity, the Bank holds these investments for a long term and has strict regulations on buying or selling these investments.

(Continued)

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

The sensitivity analysis for equity positions of banking book is listed below:

	June 30, 2019		December 31, 2018		June 30, 2018	
	Effect on profit or loss	Effect on equity	Effect on profit or loss	Effect on equity	Effect on profit or loss	Effect on equity
Stock prices increased by 10%	\$ -	693,719	-	429,230	-	312,921
Stock prices decreased by 10%	-	(693,719)	-	(429,230)	-	(312,921)

Fubon Bank (China)

i) Interest rate risk

The interest rate risk of Fubon Bank (China) is mainly from the risk of interest repricing. The measure of monitoring account interest rate risk is to compute the repricing gap of risk-sensitive assets/liabilities and to develop risk standards as the monitoring benchmark. Its measure is to set the interest rate, which increases or decreases 50 basis points to evaluate risk.

	June 30, 2019		December 31, 2018		June 30, 2018	
	Effect on profit or loss	Effect on equity	Effect on profit or loss	Effect on equity	Effect on profit or loss	Effect on equity
Interest rate increased by \$ 50 basis points	(44,959)	(143,032)	(7,076)	(97,588)	5,156	(89,499)
Interest rate decreased by 50 basis points	44,959	148,085	7,076	100,692	(5,156)	92,891

Units: In thousands of CNY

ii) Exchange rate risk

Fubon Bank (China) uses CNY to perform the loan/deposit and inter-bank borrowing and foreign currency is composed of USD. In order to effectively control the exchange rate risk, Fubon Bank (China) establishes the foreign exchange gap controlling conditions and simultaneously conducts the foreign currency sensitivity analysis on assets/liabilities, based on its risk-taking ability and operating strategy. Assuming CNY appreciates or depreciates 5% compared to all foreign currency spot rate and forward rate, the outcome is as follows:

	June 30, 2019		December 31, 2018		June 30, 2018	
	Effect on profit or loss	Effect on equity	Effect on profit or loss	Effect on equity	Effect on profit or loss	Effect on equity
Foreign exchange rate for USD and HKD against CNY increased by 5%	\$ 53,796	34,770	13,404	40,261	18,588	8,394
Foreign exchange rate for USD and HKD against CNY decreased by 5%	(53,796)	(34,770)	(13,404)	(40,261)	(18,588)	(8,394)

Units: In thousands of CNY

(Continued)

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

g) Foreign currency rate risk information

The table below shows the Bank and its subsidiaries' foreign currency risk information for financial assets and liabilities denominated in foreign currency at carrying value as of June 30, 2019, December 31 and June 30, 2018.

Taipei Fubon Bank (The Bank)

	June 30, 2019			December 31, 2018			June 30, 2018		
	Original	Rate	TWD	Original	Rate	TWD	Original	Rate	TWD
<u>Financial assets</u>									
<u>Monetary items</u>									
USD	\$ 18,150,150	31.0793	564,093,957	18,177,041	30.7404	558,769,511	17,569,921	30.5028	535,931,786
CNY	11,082,037	4.5211	50,102,997	11,110,698	4.4671	49,632,599	17,812,619	4.6039	82,007,517
JPY	88,295,975	0.2883	25,455,730	-	-	-	90,708,490	0.2754	24,981,118
HKD	12,154,218	3.9809	48,384,726	8,034,603	3.9259	31,543,048	9,708,715	3.8877	37,744,571
AUD	1,786,056	21.7884	38,915,303	1,169,088	21.7320	25,406,620	1,373,426	22.5559	30,978,860
EUR	-	-	-	631,486	35.1357	22,187,703	-	-	-
<u>Non-monetary items</u>									
USD	146,621	31.0793	4,556,878	187,014	30.7404	5,748,885	269,844	30.5028	8,230,998
CNY	386,823	4.5211	1,748,865	625,823	4.4671	2,795,614	1,013,376	4.6039	4,665,482
JPY	8,482,085	0.2883	2,445,385	-	-	-	11,640,979	0.2754	3,205,926
HKD	184,109	3.9809	732,920	89,137	3.9259	349,943	143,150	3.8877	556,524
AUD	355	21.7884	7,735	738	21.7320	16,038	1,026	22.5559	23,142
EUR	-	-	-	383	35.1357	13,457	-	-	-
<u>Investments accounted for using equity method</u>									
CNY	4,758,104	4.5211	21,511,865	4,729,936	4.4671	21,129,099	4,662,987	4.6039	21,467,926
<u>Financial liabilities</u>									
<u>Monetary items</u>									
USD	22,854,384	31.0793	710,298,257	23,394,423	30.7404	719,153,921	23,310,685	30.5028	711,041,162
CNY	14,836,017	4.5211	67,075,116	15,895,005	4.4671	71,004,577	16,448,162	4.6039	75,725,693
JPY	32,878,547	0.2883	9,478,885	-	-	-	77,063,857	0.2754	21,223,386
HKD	11,388,627	3.9809	45,336,985	8,169,380	3.9259	32,072,169	12,165,706	3.8877	47,296,615
AUD	1,248,025	21.7884	27,192,468	1,123,686	21.7320	24,419,944	1,039,372	22.5559	23,443,971
EUR	-	-	-	297,597	35.1357	10,456,279	-	-	-
<u>Non-monetary items</u>									
USD	173,662	31.0793	5,397,293	210,131	30.7404	6,459,511	273,834	30.5028	8,352,704
CNY	362,798	4.5211	1,640,246	593,107	4.4671	2,649,468	1,033,262	4.6039	4,757,035
JPY	9,974,248	0.2883	2,875,576	-	-	-	10,658,599	0.2754	2,935,378
HKD	142,396	3.9809	566,864	34,746	3.9259	136,409	139,822	3.8877	543,586
AUD	312	21.7884	6,798	617	21.7320	13,409	1,038	22.5559	23,413
EUR	-	-	-	871	35.1357	30,603	-	-	-

(Continued)

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

Fubon Bank (China)

	June 30, 2019			December 31, 2018			June 30, 2018		
	Original	Rate	CNY	Original	Rate	CNY	Original	Rate	CNY
<u>Financial assets</u>									
<u>Monetary items</u>									
USD	\$ 663,693	6.8747	4,562,690	511,544	6.8632	3,510,829	432,232	6.6166	2,859,906
JPY	1,050,915	0.0638	67,048	1,601,877	0.0619	99,156	1,753,120	0.0599	105,012
HKD	23,619	0.8797	20,778	26,708	0.8762	23,402	20,660	0.8431	17,418
EUR	374	7.8170	2,924	1,543	7.8473	12,108	630	7.6515	4,820
<u>Non-monetary items</u>									
USD	51,392	6.8747	353,305	98,995	6.8632	679,422	110,102	6.6166	728,501
<u>Financial liability</u>									
<u>Monetary items</u>									
USD	2,151,667	6.8747	14,792,065	1,732,364	6.8632	11,889,561	1,653,194	6.6166	10,938,523
JPY	2,242,611	0.0638	143,079	2,806,577	0.0619	173,727	2,302,523	0.0599	137,921
HKD	436,205	0.8797	383,730	12,899	0.8762	11,302	14,592	0.8431	12,303
EUR	2,376	7.8170	18,573	4,868	7.8473	38,201	12,604	7.6515	96,440
<u>Non-monetary items</u>									
USD	11,643	6.8747	80,042	9,446	6.8632	64,830	25,831	6.6166	170,913

2) Fubon Life Insurance and its subsidiaries

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

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

(Continued)



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

Fubon Life Insurance and its subsidiaries widely applies various risk management instruments to measure market risk. The primary methods adopted would be Value at Risk (VaR) and Sensitivity Analysis. By using these two instruments, Fubon Life Insurance and its subsidiaries are able to measure, monitor and manage market risk completely and effectively.

a) Value at Risk

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

The VaR model applied to manage risk shall be examined retrospectively and continuously to ensure that Fubon Life Insurance and its subsidiaries are able to measure the maximum potential risk of the portfolios reasonably, completely and accurately.

b) Sensitivity analysis

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

Sensitivity analysis ( Fubon Life Insurance)

Units: In thousands of TWD

June 30, 2019			
Risk factor	Variation	Change in profit or loss	Change in equity
Equity risk (Price index)	Price incline by 10%	-	54,446,097
	Price decline by 10%	-	(54,446,097)
Interest rate risk (Yield curve)	Yield curve (USD) incline by 50BPS	(3,774)	(13,899,415)
	Yield curve (TWD) incline by 50BPS	-	(28,213,248)
	Yield curve (Other) incline by 50BPS	(447)	(347,307)
	Yield curve (USD) decline by 50BPS	2,518	14,717,973
	Yield curve (TWD) decline by 50BPS	-	29,413,626
	Yield curve (Other) decline by 50BPS	449	359,256
Exchange rate risk (Currency exchange rate)	TWD to all currency incline by 3%	(11,262,341)	(7,683,891)
	TWD to all currency decline by 3%	11,262,341	7,683,891

(Continued)

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

<b>December 31, 2018</b>			
<b>Risk factor</b>	<b>Variation</b>	<b>Change in profit or loss</b>	<b>Change in equity</b>
Equity risk (Price index)	Price incline by 10%	-	47,092,560
	Price decline by 10%	-	(47,092,560)
Interest rate risk (Yield curve)	Yield curve (USD) incline by 50BPS	(3,691)	(14,898,940)
	Yield curve (TWD) incline by 50BPS	-	(21,081,077)
	Yield curve (Other) incline by 50BPS	-	(356,450)
	Yield curve (USD) decline by 50BPS	3,407	15,909,930
	Yield curve (TWD) decline by 50BPS	-	22,331,053
	Yield curve (Other) decline by 50BPS	-	369,477
Exchange rate risk (Currency exchange rate)	TWD to all currency incline by 3%	(8,761,929)	(6,076,942)
	TWD to all currency decline by 3%	8,761,929	6,076,942
<b>June 30, 2018</b>			
<b>Risk factor</b>	<b>Variation</b>	<b>Change in profit or loss</b>	<b>Change in equity</b>
Equity risk (Price index)	Price incline by 10%	-	52,874,204
	Price decline by 10%	-	(52,874,204)
Interest rate risk (Yield curve)	Yield curve (USD) incline by 50BPS	(3,209)	(15,600,979)
	Yield curve (TWD) incline by 50BPS	-	(18,170,601)
	Yield curve (Other) incline by 50BPS	-	(293,190)
	Yield curve (USD) decline by 50BPS	2,614	16,587,505
	Yield curve (TWD) decline by 50BPS	-	19,148,926
	Yield curve (Other) decline by 50BPS	-	303,147
Exchange rate risk (Currency exchange rate)	TWD to all currency incline by 3%	(5,840,791)	(5,972,554)
	TWD to all currency decline by 3%	5,840,791	5,972,554

(Continued)

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

Sensitivity analysis ( Fubon Hyundai Life Insurance)

Units: In thousands of KRW

<b>June 30, 2019</b>			
<b>Risk factor</b>	<b>Variation</b>	<b>Change in profit or loss</b>	<b>Change in equity</b>
Equity risk (Price index)	Price incline by 10%	-	15,931,519
	Price decline by 10%	-	(15,931,519)
Interest rate risk (Yield curve)	Yield curve (USD) incline by 50BPS	-	(765,027)
	Yield curve (KRW) incline by 50BPS	-	(45,073,438)
	Yield curve (USD) decline by 50BPS	-	786,322
	Yield curve (KRW) decline by 50BPS	-	47,499,982
Exchange rate risk (Currency exchange rate)	KRW to all currency incline by 3%	(6,263,535)	-
	KRW to all currency decline by 3%	6,263,535	-

  

<b>December 31, 2018</b>			
<b>Risk factor</b>	<b>Variation</b>	<b>Change in profit or loss</b>	<b>Change in equity</b>
Equity risk (Price index)	Price incline by 10%	-	1,173,426
	Price decline by 10%	-	(1,173,426)
Interest rate risk (Yield curve)	Yield curve (USD) incline by 50BPS	-	(2,942,044)
	Yield curve (KRW) incline by 50BPS	-	(21,285,384)
	Yield curve (USD) decline by 50BPS	-	3,024,892
	Yield curve (KRW) decline by 50BPS	-	22,520,801
Exchange rate risk (Currency exchange rate)	KRW to all currency incline by 3%	(4,298,309)	-
	KRW to all currency decline by 3%	4,298,309	-

Note 1: The sensitivity analysis of equity risk and interest rate risk mainly includes financial assets measured at fair value through profit or loss and financial assets measured at fair value through other comprehensive income. The scenario of equity risk includes stock and fund but excludes monetary funds and bond funds. As for the scenario of interest rate risk, it includes bonds and bond funds. The sensitivity analysis of exchange rate variation excludes foreign currency insurance policy assets and OIU assets.

Note 2: The abovementioned sensitivity analysis is a scenario assumed that the impact of changes in risk factor on fair value is based on other factors which remained constant.

Note 3: Assuming other factors remain the same, an upward parallel shift in the yield curve for individual currency of 1 bps will affect \$(70) thousand, \$(71) thousand and \$(60) thousand in profit or loss and \$(868,306) thousand, \$(748,117) thousand and \$(700,346) thousand in equity of Fubon Life Insurance on June 30, 2019, December 31 and June 30, 2018, respectively.

Note 4: Assuming other factors remain the same, an upward parallel shift in the yield curve for individual currency of 1 bps will affect KRW940,758 thousand and KRW(497,467) thousand in equity of Fubon Hyundai Life Insurance Co., Ltd on June 30, 2019 and December 31, 2018.

(Continued)

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

Hong Kong and Vietnam subsidiaries are considered insignificant to the consolidated disclosures after Fubon Life Insurance and its subsidiaries' assessment, therefore, the data of Hong Kong and Vietnam subsidiaries are not disclosed.

3) Fubon Insurance and its subsidiaries

Market risk is the risk of losses in the value of assets in a given period resulting from unfavorable changes in the asset's market prices. Fubon Insurance and its subsidiaries management set a monitor system on the concentration of daily transactions, established a sound crisis response mechanism to deal with working capital demand due to emergency or abnormal event.

a) Management process of market risk

i) Risk identification

To achieve market risk management goal, Fubon Insurance and its subsidiaries have identified potential market risk factors encountered during operation process. Positions 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, adopt basic statistical measurement, sensitivity analysis and scenario analysis etc., for different risk factors to measure market risk.
2. 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.

iii) Risk monitoring

Fubon Insurance and its subsidiaries have 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. Fubon Insurance 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.

(Continued)

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

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 main counterparty and buyer of financial instruments of Fubon Insurance and its subsidiaries are companies in financial industry. There are rules about limitation of the government bonds, fixed income bonds, bonds, convertible bonds, funds, stocks, derivative financial instruments, structured notes and bonds securitization to control the risk.

c) Market risk management mechanism

i) Risk tolerance management

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

ii) Risk limit management

Establishment of risk limits is to put risk tolerance management into practice. Risk limits for different financial products were made by trading position, investment position and hedging position separately. When setting risk limits, various factors were taken into account, such as risk tolerance, business history, expected budget target, market liquidity of a specific product, historical utilization of risk limits, traders' trading experiences, trading system and supports by the operation department. The amendments of risk limits should first be proposed to Risk Control Department of the Company and signed by internal delegates. After reviewed by the Risk Management Committee of the Company and Fubon Insurance, the amendments are presented to the board of directors. Under system support, Fubon Insurance and its subsidiaries' limits include VaR and position.

iii) Valuation management

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

(Continued)

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

d) Risk value model

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

Fubon Insurance and its subsidiaries apply 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 is computed over a period of one year with reconciled profit and loss on a daily basis. Fubon Insurance and its subsidiaries periodically monitor the outcome of the aforementioned model and test the accuracy of parameters and assumptions being used.

Units: In thousands of TWD			
<b>June 30, 2019</b>			
<u>Common VaR</u>	<u>Average</u>	<u>Highest</u>	<u>Lowest</u>
Fixed income group	\$ 500,403	603,233	323,704
Equity group	857,383	966,617	769,752
Fund group	78,107	95,917	57,331
Asset securitization group	35,364	37,827	32,341
Total position	1,039,551	1,207,376	874,614
<b>December 31, 2018</b>			
<u>Common VaR</u>	<u>Average</u>	<u>Highest</u>	<u>Lowest</u>
Fixed income group	\$ 475,111	540,845	353,012
Equity group	1,052,296	2,197,243	463,839
Fund group	90,278	136,667	60,573
Asset securitization group	42,651	71,216	26,215
Total position	1,045,082	2,022,723	560,035
<b>June 30, 2018</b>			
<u>Common VaR</u>	<u>Average</u>	<u>Highest</u>	<u>Lowest</u>
Fixed income group	\$ 476,260	522,721	353,012
Equity group	965,063	2,197,243	463,839
Fund group	94,950	125,508	85,066
Asset securitization group	47,266	54,064	37,164
Total position	920,275	1,688,209	560,035

Note 1: VaR was adopted for the six months ended June 30, 2019 and 2018 and for the year ended December 31, 2018.

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

(Continued)

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

4) Fubon Securities and its subsidiaries

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

Trading book positions fit the following definitions:

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

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

i) Guidelines and Procedures

Fubon Securities and its subsidiaries have enacted comprehensive policies of market risk management and have established mechanism for deal execution, clearing and settlement. Based on the risk factors they are exposed to trading book positions are categorized in the following four groups: interest rates instruments, exchange rates instruments, securities and commodities. Fubon Securities and its subsidiaries have established management policies and market risk limits that implement the risk management systems to identify, measure, monitor and control the market risk.

ii) Organization and Framework

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

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

(Continued)

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

iii) Procedure for Market Risk Control, Reporting and Verification

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

iv) Market Risk Measurement of Trading Book

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

Value at Risk (VaR)

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

(Continued)



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

Common VaR information of trading book were as follows:

Units: In thousands of TWD

<b>For the three months ended June 30, 2019</b>			
<b>Common VaR</b>	<b>Highest</b>	<b>Lowest</b>	<b>Average</b>
Foreign exchange rate	\$ 714	229	447
Interest rate	18,104	14,339	16,249
Equity	36,402	27,248	30,602
Fluctuation	3,561	2,103	2,935

<b>For the three months ended June 30, 2018</b>			
<b>Common VaR</b>	<b>Highest</b>	<b>Lowest</b>	<b>Average</b>
Foreign exchange rate	\$ 92,035	4,649	33,845
Interest rate	48,400	32,004	38,811
Equity	59,277	29,303	47,195
Fluctuation	7,039	3,232	5,292

<b>For the six months ended June 30, 2019</b>			
<b>Common VaR</b>	<b>Highest</b>	<b>Lowest</b>	<b>Average</b>
Foreign exchange rate	\$ 714	70	344
Interest rate	18,014	11,283	14,815
Equity	54,549	27,248	37,994
Fluctuation	3,561	1,745	2,484

<b>For the six months ended June 30, 2018</b>			
<b>Common VaR</b>	<b>Highest</b>	<b>Lowest</b>	<b>Average</b>
Foreign exchange rate	\$ 95,697	4,649	50,697
Interest rate	48,400	15,782	31,461
Equity	59,277	29,303	47,873
Fluctuation	9,641	2,617	5,843

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

**Stress Testing**

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

(Continued)

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

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

Sensitivity analysis

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

1. Delta: Measure the changing value of a specific asset whose price changes 1%.
  2. Gamma: Measure the changing Delta value of a specific asset whose price changes 1%.
  3. Vega: Measure the changing value of a specific asset whose price volatility changes 1%.
  4. Price Value of Basis Point (PVBPP): Measure the changing value of the yield rate curve when it moves 1 bp in parallel.
- 5) Fubon Bank (Hong Kong) and its subsidiaries

The following disclosures related to Fubon Bank (Hong Kong) are all expressed in thousands of HKD, unless otherwise stated.

a) The definition and classification of market risk

Market risk arises on all market risk sensitive financial instruments, including securities, foreign exchange contracts, equity and other derivative instruments, as well as from balance sheet or structural positions. Fubon Bank (Hong Kong) and its subsidiaries transact in the money market, foreign exchange market, equity market and capital market giving rise to market risk exposures. Positions are taken as a result of the execution of customers' orders, market making activities, and offsetting transactions in order to hedge Fubon Bank (Hong Kong) and subsidiaries' open position. Fubon Bank (Hong Kong) and its subsidiaries do not engage in significant proprietary trading.

b) Guidelines and procedures

The objective of market risk management is to avoid excessive exposure of earnings and equity to loss and to reduce Fubon Bank (Hong Kong) and its subsidiaries' exposure to the volatility inherent in financial instruments.

(Continued)

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

The Board of Directors reviews and approves policies concerning market risk management, including handling authorizations and limits. The Board has delegated the responsibility for continuing general market risk management to the Asset and Liability Committee. The committee is responsible for determining future business strategies in response to Fubon Bank (Hong Kong) and its subsidiaries' forecasts of interest rate movements. The committee also reviews and formulates financing policies and ensures compliance with various risk management objectives.

Fubon Bank (Hong Kong) and its subsidiaries has also established clear market risk policies, including limits, reporting lines and control procedures, which are reviewed regularly and approved by the Board of Directors. Market risk is managed within various limits approved by the Board of Directors. These limits are determined for each financial instrument and include limits on product volume, gross and net positions, position concentrations, mark to market limits, stop loss limits and risk position limits. The Asset and Liability Committee reviews and approves these restrictions, which are approved by the board of directors at least once a year. Regular monitoring is performed daily and the results are reported to the members of the Asset and Liability committee. Risk-taking is also reported to the Risk Committee at least monthly.

The sale of derivatives to customers as risk management products and the subsequent use of derivatives to manage the resulting position is an integral part of Fubon Bank (Hong Kong) and its subsidiaries' business activities. These instruments are also used to manage Fubon Bank (Hong Kong) and its subsidiaries' own exposures to market risk as part of its asset and liability management process. The principal derivative instruments used by Fubon Bank (Hong Kong) and its subsidiaries are interest and foreign exchange rate related contracts, which are primarily over-the-counter derivatives. Fubon Bank (Hong Kong) and its subsidiaries also purchases exchange traded derivatives. Most of Fubon Bank (Hong Kong) and its subsidiaries' derivatives positions have been entered into to meet customer demand and to hedge these and other positions.

One of the tools used by Fubon Bank (Hong Kong) and its subsidiaries to monitor and limit market risk exposure is Value-at-risk (VaR). VaR is one of the technique that estimates the potential losses that could occur on risk positions as a result of movements in market rates and prices over a specified time horizon and to a given level of confidence. The calculation uses the historical simulation method as the means to estimate the statistical confidence level.

The VaR technique is only effective for potential loss events which are not correlated. Fubon Bank (Hong Kong) and its subsidiaries therefore augment its VaR limits with other positions and sensitivity limit structures. Additionally, Fubon Bank (Hong Kong) and its subsidiaries apply a wide range of sensitivity analysis and stress testing, both on individual portfolios and on Fubon Bank (Hong Kong) and its subsidiaries' consolidated positions to assess the potential impact on Fubon Bank (Hong Kong) and its subsidiaries' earnings as a result of extreme movements in market prices.

(Continued)

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

c) Organization and framework

The Board of Directors reviews and approves policies for the management of market risks including dealing authorities and limits. The Board of Directors has delegated the responsibility for ongoing general market risk management to the Asset and Liability Committee. This committee articulates the interest rate view of Fubon Bank (Hong Kong) and its subsidiaries and decides on future business strategy with respect to interest rates. It also reviews and sets funding policy and ensures adherence to risk management objectives.

d) Evaluation technique of market risk: Value at risk (VaR). Fubon Bank (Hong Kong) adopts various risk models to evaluate the worst loss on current net positions within one day, with a 99% confidence level.

The following table shows the relevant market risk VaR:

Units: In thousands of HKD			
<b>June 30, 2019</b>			
<u>VaR</u>	<u>Average</u>	<u>Highest</u>	<u>Lowest</u>
Foreign exchange risk	\$ 129	1,711	43
Interest rate risk	34	424	-
Total risk	187	1,671	94
<b>December 31, 2018</b>			
<u>VaR</u>	<u>Average</u>	<u>Highest</u>	<u>Lowest</u>
Foreign exchange risk	\$ 129	619	16
Interest rate risk	29	669	-
Total risk	174	766	34
<b>June 30, 2018</b>			
<u>VaR</u>	<u>Average</u>	<u>High</u>	<u>Low</u>
Foreign exchange risk	\$ 132	619	46
Interest rate risk	26	228	7
Total risk	179	596	75

e) Sensitivity information of interest rate risk, foreign exchange risk and equity risk

Units: In millions of HKD			
<b>June 30, 2019</b>			
<b>Main risk</b>	<b>Variance</b>	<b>Influenced amount</b>	
		<b>Equity</b>	<b>profit or loss</b>
Foreign exchange risk	10% increase in HKD	-	18.8
Foreign exchange risk	10% decrease in HKD	-	(18.8)
Interest rate risk	+100 basis points shift in yield curves	(3.0)	(343.0)
Interest rate risk	-100 basis points shift in yield curve	3.0	343.0
Equity risk	10% increase in equity prices	-	-
Equity risk	10% decrease in equity prices	-	-

(Continued)

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

<b>December 31, 2018</b>			
<b>Main risk</b>	<b>Variance</b>	<b>Influenced amount</b>	
		<b>Equity</b>	<b>profit or loss</b>
Foreign exchange risk	10% increase in HKD	-	(174.7)
Foreign exchange risk	10% decrease in HKD	-	174.7
Interest rate risk	+100 basis points shift in yield curves	35.5	79.0
Interest rate risk	-100basis points shift in yield curve	(35.5)	(79.0)
Equity risk	10% increase in equity prices	-	-
Equity risk	10% decrease in equity prices	-	-
<b>June 30, 2018</b>			
<b>Main risk</b>	<b>Variance</b>	<b>Influenced amount</b>	
		<b>Equity</b>	<b>profit or loss</b>
Foreign exchange risk	10% increase in HKD	-	(134.9)
Foreign exchange risk	10% decrease in HKD	-	134.9
Interest rate risk	+100 basis points shift in yield curves	(19.0)	54.5
Interest rate risk	-100 basis points shift in yield curves	19.0	(54.5)
Equity risk	10% increase in equity prices	-	-
Equity risk	10% decrease in equity prices	-	-

(vi) Transfer of financial assets

1) Taipei Fubon Bank and its subsidiaries

a) Transferred financial assets that are not completely derecognized

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

(Continued)

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

Analysis of financial assets that are not completely derecognized and the associated liabilities are shown in following table:

<u>Types of financial assets</u>	<b>June 30, 2019</b>	
	<u>Carrying amount of the transferred financial assets</u>	<u>Carrying amount of relevant financial liabilities</u>
Financial assets measured at fair value through profit or loss		
Repurchase agreements	\$ 149,149	149,051
Financial assets measured at fair value through other comprehensive income		
Repurchase agreements	22,720,399	22,003,433
Debt investments measured at amortized cost		
Repurchase agreements	78,675,727	74,549,875
Discounts and loans		
Repurchase agreements	218,802	221,595
<u>Types of financial assets</u>	<b>December 31, 2018</b>	
	<u>Carrying amount of the transferred financial assets</u>	<u>Carrying amount of relevant financial liabilities</u>
Financial assets measured at fair value through other comprehensive income		
Repurchase agreements	\$ 18,167,014	17,566,722
Debt investments measured at amortized cost		
Repurchase agreements	113,785,581	103,582,222
Discounts and loans		
Repurchase agreements	153,551	158,599
<u>Types of financial assets</u>	<b>June 30, 2018</b>	
	<u>Carrying amount of the transferred financial assets</u>	<u>Carrying amount of relevant financial liabilities</u>
Financial assets measured at fair value through other comprehensive income		
Repurchase agreements	\$ 13,907,541	13,678,909
Debt investments measured at amortized cost		
Repurchase agreements	110,498,179	100,951,878
Discounts and loans		

(Continued)

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

2) Fubon Life Insurance and its subsidiaries

The transferred financial assets of Fubon Life Insurance and its subsidiaries that are not qualified for de-recognition in the daily operation are mainly equity securities under lending agreements. Since the right to receive cash flow is transferred and it reflects the associated liabilities to repurchase transferred financial assets at fixed price in future period, Fubon Life Insurance and its subsidiaries cannot use, sell or pledge these transferred financial assets during the valid transaction period. Therefore, Fubon Life Insurance and its subsidiaries do not completely derecognize the transferred assets. The table below discloses the information of financial assets that are not completely derecognized and the associated financial liabilities:

Units: In thousands of TWD

<u>Types of financial assets</u>	<b>June 30, 2019</b>				
	<b>Carrying amount of the transferred financial assets</b>	<b>Carrying amount of relevant financial liabilities</b>	<b>Fair value of the transferred financial assets</b>	<b>Fair value of relevant financial liabilities</b>	<b>Fair value net position</b>
Financial assets measured at fair value through profit or loss					
Security lending agreements	\$ 900,398	-	900,398	-	900,398
Financial assets measured at fair value through other comprehensive income					
Security lending agreements	19,967	-	19,967	-	19,967
Financial assets at amortized cost					
Securities sold under repurchase agreement	294,271	316,035	317,486	316,035	1,451

Units: In thousands of TWD

<u>Types of financial assets</u>	<b>December 31, 2018</b>				
	<b>Carrying amount of the transferred financial assets</b>	<b>Carrying amount of relevant financial liabilities</b>	<b>Fair value of the transferred financial assets</b>	<b>Fair value of relevant financial liabilities</b>	<b>Fair value net position</b>
Financial assets measured at fair value through profit or loss					
Security lending agreements	\$ 3,159,974	-	3,159,974	-	3,159,974
Financial assets measured at fair value through other comprehensive income					
Security lending agreements	34,823	-	34,823	-	34,823

(Continued)

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

Units: In thousands of TWD

<u>Types of financial assets</u>	<b>June 30, 2018</b>				
	<b>Carrying amount of the transferred financial assets</b>	<b>Carrying amount of relevant financial liabilities</b>	<b>Fair value of the transferred financial assets</b>	<b>Fair value of relevant financial liabilities</b>	<b>Fair value net position</b>
Financial assets measured at fair value through profit or loss					
Security lending agreements	\$ 49,195	-	49,195	-	49,195
Financial assets measured at fair value through other comprehensive income					
Security lending agreements	64,853	-	64,853	-	64,853
Financial assets measured at amortized cost					
Securities sold under repurchase agreement	53,200	44,604	65,054	44,604	20,450

3) Fubon Insurance and its subsidiaries

Transferred financial assets that are completely derecognized

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

There is no financial asset which is not completely derecognized on June 30, 2019, December 31 and June 30, 2018.

(Continued)



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

4) Fubon Securities and its subsidiaries

Transferred financial assets that are not completely derecognized

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

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

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

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

<u>Types of financial assets</u>	<b>June 30, 2019</b>	
	<u>Carrying amount of the transferred financial assets</u>	<u>Carrying amount of relevant financial liabilities</u>
Financial assets measured at fair value through profit or loss		
Repurchase agreements	\$ 40,629,677	40,004,201
Convertible bonds transferred to counter parties of asset exchange option	423,534	390,204
<u>Types of financial assets</u>	<b>December 31, 2018</b>	
	<u>Carrying amount of the transferred financial assets</u>	<u>Carrying amount of relevant financial liabilities</u>
Financial assets measured at fair value through profit or loss		
Repurchase agreements	\$ 34,352,193	33,609,095
Convertible bonds transferred to counter parties of asset exchange option	466,839	441,807

(Continued)

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

<u>Types of financial assets</u>	<u>June 30, 2018</u>	
	<u>Carrying amount of the transferred financial assets</u>	<u>Carrying amount of relevant financial liabilities</u>
Financial assets measured at fair value through profit or loss		
Repurchase agreements	\$ 43,515,874	42,606,850
Convertible bonds transferred to counter parties of asset exchange option	427,994	405,934

5) Fubon Bank (Hong Kong) and its subsidiaries

Transferred financial assets that are not completely derecognized

The transferred financial assets of Fubon Bank (Hong Kong) and its subsidiaries that are not qualified for de-recognition in the daily operation are mainly debt securities under repurchase agreements or equity securities under lending agreements. Since the right to receive cash flow is transferred and it reflects the associated liabilities to repurchase transferred financial assets at fixed price in future period, Fubon Bank (Hong Kong) and its subsidiaries cannot use, sell or pledge these transferred financial assets during the valid transaction period. However, since Fubon Bank (Hong Kong) and its subsidiaries still bear the interest rate risk and credit risk, transferred financial assets are not completely derecognized. The table below shows the financial assets that are not completely derecognized and the associated liabilities.

Unit: In thousands of HKD

<u>Types of financial assets</u>	<u>June 30, 2019</u>				
	<u>Carrying amount of the transferred financial assets</u>	<u>Carrying amount of relevant financial liabilities</u>	<u>Fair value of the transferred financial assets</u>	<u>Fair value of relevant financial liabilities</u>	<u>Fair value net position</u>
Financial assets measured at amortized cost					
Repurchase agreements	\$ 7,253,179	5,911,078	6,206,758	5,911,078	295,680

Unit: In thousands of HKD

<u>Types of financial assets</u>	<u>December 31, 2018</u>				
	<u>Carrying amount of the transferred financial assets</u>	<u>Carrying amount of relevant financial liabilities</u>	<u>Fair value of the transferred financial assets</u>	<u>Fair value of relevant financial liabilities</u>	<u>Fair value net position</u>
Financial assets measured at amortized cost					
Repurchase agreements	\$ 6,266,342	5,979,423	6,291,424	5,979,423	312,001

Unit: In thousands of HKD

<u>Types of financial assets</u>	<u>June 30, 2018</u>				
	<u>Carrying amount of the transferred financial assets</u>	<u>Carrying amount of relevant financial liabilities</u>	<u>Fair value of the transferred financial assets</u>	<u>Fair value of relevant financial liabilities</u>	<u>Fair value net position</u>
Financial assets measured at amortized cost					
Repurchase agreements	\$ 8,000,836	7,643,053	8,048,566	7,643,053	405,513

(Continued)

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

(vii) Offsetting financial assets and financial liabilities

1) Taipei Fubon Bank and its subsidiaries

Taipei Fubon Bank and its subsidiaries did not hold any financial instruments which meet Section 42 of the IAS 32 endorsed by the FSC. Therefore, the financial instrument will be offset on the balance sheet.

Although Taipei Fubon Bank and its subsidiaries do not engage in any transactions that meet the offsetting condition in IFRSs, they have signed net settlement contracts of similar agreements with counterparties, such as global master repurchase agreement, global securities lending agreement and similar repurchase agreement or reverse-repurchase agreement. If both parties choose to net settle, the abovementioned executable net settlement contracts or similar agreements will be allowed to be settled in net amount after offsetting the financial assets and financial liabilities. Otherwise, the transaction will be settled in gross amount. However, if one party defaults, the other party could choose to net settle.

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

June 30, 2019						
Financial assets under offsetting or general agreement of net amount settlement or similar norms						
Financial assets	Total recognized financial assets (a)	Total recognized financial liabilities offsetting on the balance sheets (b)	Net amount of financial assets on the balance sheets (c)=(a)-(b)	Relevant amount not offset on the balance sheets (d)		Net amount (e)=(c)-(d)
				Financial instruments (Note 1)	Cash received as collaterals	
Derivative financial instruments (Note 2)	\$ 27,385,994	-	27,385,994	17,163,670	5,331,711	4,890,613
Securities purchased under resell agreements	4,173,884	-	4,173,884	4,140,104	-	33,780
<b>Total</b>	<b>\$ 31,559,878</b>	<b>-</b>	<b>31,559,878</b>	<b>21,303,774</b>	<b>5,331,711</b>	<b>4,924,393</b>

June 30, 2019						
Financial liabilities under offsetting or general agreement of net amount settlement or similar norms						
Financial liabilities	Total recognized financial liabilities (a)	Total recognized financial assets offsetting on the balance sheets (b)	Net amount of financial liabilities on the balance sheets (c)=(a)-(b)	Relevant amount not offset on the balance sheets (d)		Net amount (e)=(c)-(d)
				Financial instruments (Note 1)	Pledged cash Collaterals	
Derivative financial instruments (Note 2)	\$ 27,223,519	-	27,223,519	14,629,302	8,073,767	4,520,450
Securities sold under repurchase agreements	96,923,954	-	96,923,954	96,447,966	-	475,988
<b>Total</b>	<b>\$ 124,147,473</b>	<b>-</b>	<b>124,147,473</b>	<b>111,077,268</b>	<b>8,073,767</b>	<b>4,996,438</b>

(Continued)

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

December 31, 2018						
Financial assets under offsetting or general agreement of net amount settlement or similar norms						
Financial assets	Total recognized financial assets (a)	Total recognized financial liabilities offsetting on the balance sheets (b)	Net amount of financial assets on the balance sheets (c)=(a)-(b)	Relevant amount not offset on the balance sheets (d)		Net amount (e)=(c)-(d)
				Financial instruments (Note 1)	Cash received as collaterals	
Derivative financial instruments (Note 2)	\$ 29,729,300	-	29,729,300	21,240,757	2,480,756	6,007,787
Securities purchased under resell agreements	11,766,626	-	11,766,626	11,704,007	-	62,619
<b>Total</b>	<b>\$ 41,495,926</b>	<b>-</b>	<b>41,495,926</b>	<b>32,944,764</b>	<b>2,480,756</b>	<b>6,070,406</b>

  

December 31, 2018						
Financial liabilities under offsetting or general agreement of net amount settlement or similar norms						
Financial liabilities	Total recognized financial liabilities (a)	Total recognized financial assets offsetting on the balance sheets (b)	Net amount of financial liabilities on the balance sheets (c)=(a)-(b)	Relevant amount not offset on the balance sheets (d)		Net amount (e)=(c)-(d)
				Financial instruments (Note 1)	Pledged cash Collaterals	
Derivative financial instruments (Note 2)	\$ 32,738,027	-	32,738,027	18,154,244	7,628,167	6,955,616
Securities sold under repurchase agreements	121,307,543	-	121,307,543	121,294,698	-	12,845
<b>Total</b>	<b>\$ 154,045,570</b>	<b>-</b>	<b>154,045,570</b>	<b>139,448,942</b>	<b>7,628,167</b>	<b>6,968,461</b>

  

June 30, 2018						
Financial assets under offsetting or general agreement of net amount settlement or similar norms						
Financial assets	Total recognized financial assets (a)	Total recognized financial liabilities offsetting on the balance sheets (b)	Net amount of financial assets on the balance sheets (c)=(a)-(b)	Relevant amount not offset on the balance sheets (d)		Net amount (e)=(c)-(d)
				Financial instruments (Note 1)	Cash received as collaterals	
Derivative financial instruments (Note 2)	\$ 55,869,362	-	55,869,362	32,758,463	8,408,209	14,702,690
Securities purchased under resell agreements	8,862,174	-	8,862,174	8,807,269	-	54,905
<b>Total</b>	<b>\$ 64,731,536</b>	<b>-</b>	<b>64,731,536</b>	<b>41,565,732</b>	<b>8,408,209</b>	<b>14,757,595</b>

(Continued)

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

June 30, 2018

Financial liabilities under offsetting or general agreement of net amount settlement or similar norms						
Financial liabilities	Total recognized financial liabilities (a)	Total recognized financial assets offsetting on the balance sheets (b)	Net amount of financial liabilities on the balance sheets (c)=(a)-(b)	Relevant amount not offset on the balance sheets (d)		
				Financial instruments (Note 1)	Pledged cash Collaterals	Net amount (e)=(c)-(d)
Derivative financial instruments (Note 2)	\$ 49,603,309	-	49,603,309	29,284,310	6,603,892	13,715,107
Securities sold under repurchase agreements	114,630,787	-	114,630,787	114,015,275	875	614,637
<b>Total</b>	<b>\$ 164,234,096</b>	<b>-</b>	<b>164,234,096</b>	<b>143,299,585</b>	<b>6,604,767</b>	<b>14,329,744</b>

Note 1: Netting settlement agreement and non-cash financial collaterals are included.

Note 2: Derivative financial assets for hedging are included.

2) Fubon Life Insurance and its subsidiaries

Although Fubon Life Insurance and its subsidiaries do not engage in transactions that meet the offsetting condition in IFRSs, they have signed net settlement contracts of similar agreements with counterparties. If both parties choose to net settle, the abovementioned executable net settlement contracts or similar agreements will be allowed to be settled in net amount after offsetting the financial assets and financial liabilities. Otherwise, the transaction will be settled in gross amount. However, if one party defaults, the other party could choose to net settle. Relevant information is shown as follows:

June 30, 2019

Financial assets under general agreement of net amount settlement or similar norms						
	Total Recognized financial assets (a)	Total recognized financial liabilities offsetting on the balance sheets (b)	Net amount of financial assets on the balance sheets (c)=(a)-(b)	Relevant amount not offset on the balance sheets (d)		
				Financial instruments (Note)	Cash received as collaterals	Net amount (e)=(c)-(d)
Derivative financial instruments and structured deposits	\$ 24,566,442	-	24,566,442	5,811,923	114,034	18,640,485
Securities purchased under resell agreements	56,555,754	-	56,555,754	55,800,400	-	755,354
<b>Total</b>	<b>\$ 81,122,196</b>	<b>-</b>	<b>81,122,196</b>	<b>61,612,323</b>	<b>114,034</b>	<b>19,395,839</b>

(Continued)

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

<b>June 30, 2019</b>						
<b>Financial liabilities under general agreement of net amount settlement or similar norms</b>						
	<b>Total Recognized financial liabilities (a)</b>	<b>Total recognized financial assets offsetting on the balance sheets (b)</b>	<b>Net amount of financial liabilities on the balance sheets (c)=(a)-(b)</b>	<b>Relevant amount not offset on the balance sheets (d)</b>		<b>Net amount (e)=(c)-(d)</b>
				<b>Financial instruments (Note)</b>	<b>Pledged cash Collaterals</b>	
Derivative financial instruments	\$ 6,861,717	-	6,861,717	5,825,414	278,094	758,209
Securities sold under repurchase agreements	316,035	-	316,035	294,271	-	21,764
<b>Total</b>	<b>\$ 7,177,752</b>	<b>-</b>	<b>7,177,752</b>	<b>6,119,685</b>	<b>278,094</b>	<b>779,973</b>
<b>December 31, 2018</b>						
<b>Financial assets under general agreement of net amount settlement or similar norms</b>						
	<b>Total Recognized financial assets (a)</b>	<b>Total recognized financial liabilities offsetting on the balance sheets (b)</b>	<b>Net amount of financial assets on the balance sheets (c)=(a)-(b)</b>	<b>Relevant amount not offset on the balance sheets (d)</b>		<b>Net amount (e)=(c)-(d)</b>
				<b>Financial instruments (Note)</b>	<b>Cash received as collaterals</b>	
Derivative financial instruments and structured deposits	\$ 29,481,228	-	29,481,228	2,505,569	16,288	26,959,371
Securities purchased under resell agreements	55,651,334	-	55,651,334	55,236,600	-	414,734
<b>Total</b>	<b>\$ 85,132,562</b>	<b>-</b>	<b>85,132,562</b>	<b>57,742,169</b>	<b>16,288</b>	<b>27,374,105</b>
<b>December 31, 2018</b>						
<b>Financial liabilities under general agreement of net amount settlement or similar norms</b>						
	<b>Total recognized financial liabilities (a)</b>	<b>Total recognized financial assets offsetting on the balance sheets (b)</b>	<b>Net amount of financial liabilities on the balance sheets (c)=(a)-(b)</b>	<b>Relevant amount not offset on the balance sheets (d)</b>		<b>Net amount (e)=(c)-(d)</b>
				<b>Financial instruments (Note)</b>	<b>Pledged cash collaterals</b>	
Derivative financial instruments	\$ 4,216,645	-	4,216,645	2,505,940	588,230	1,122,475

(Continued)

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

<b>June 30, 2018</b>						
<b>Financial assets under general agreement of net amount settlement or similar norms</b>						
	<b>Total recognized financial assets (a)</b>	<b>Total recognized financial liabilities offsetting on the balance sheets (b)</b>	<b>Net amount of financial assets on the balance sheets (c)=(a)-(b)</b>	<b>Relevant amount not offset on the balance sheets (d)</b>		<b>Net amount (e)=(c)-(d)</b>
				<b>Financial instruments (Note)</b>	<b>Cash received as collaterals</b>	
Derivative financial instruments and structured deposits	\$ 27,839,064	-	27,839,064	12,954,682	119,865	14,764,517
Securities purchased under resell agreements	41,499,613	-	41,499,613	40,990,000	-	509,613
<b>Total</b>	<b>\$ 69,338,677</b>	<b>-</b>	<b>69,338,677</b>	<b>53,944,682</b>	<b>119,865</b>	<b>15,274,130</b>

<b>June 30, 2018</b>						
<b>Financial liabilities under general agreement of net amount settlement or similar norms</b>						
	<b>Total recognized financial liabilities (a)</b>	<b>Total recognized financial assets offsetting on the balance sheets (b)</b>	<b>Net amount of financial liabilities on the balance sheets (c)=(a)-(b)</b>	<b>Relevant amount not offset on the balance sheets (d)</b>		<b>Net amount (e)=(c)-(d)</b>
				<b>Financial instruments (Note)</b>	<b>Pledged cash collaterals</b>	
Derivative financial instruments	\$ 43,336,025	-	43,336,025	14,056,142	6,103,965	23,175,918
Securities sold under repurchase agreements	44,604	-	44,604	44,604	-	-
<b>Total</b>	<b>\$ 43,380,629</b>	<b>-</b>	<b>43,380,629</b>	<b>14,100,746</b>	<b>6,103,965</b>	<b>23,175,918</b>

Note: General agreement of net amount settlement and non-cash collateral are included.

3) Fubon Insurance and its subsidiaries

Although Fubon Insurance and its subsidiaries do not engage in transactions that meet the offsetting condition in IFRSs, they have signed net settlement contracts of similar agreements with counterparties. If both parties choose to net settle, the abovementioned executable net settlement contracts or similar agreements will be allowed to be settled in net amount after offsetting the financial assets and financial liabilities. Otherwise, the transaction will be settled in gross amount. However, if one party defaults, the other party could choose to net settle. Relevant information is shown as follows:

<b>June 30, 2019</b>						
<b>Financial assets under general agreement of net amount settlement or similar norms</b>						
	<b>Total recognized financial assets (a)</b>	<b>Total recognized financial liabilities offsetting on the balance sheets (b)</b>	<b>Net amount of financial assets on the balance sheets (c)=(a)-(b)</b>	<b>Relevant amount not offset on the balance sheets (d)</b>		<b>Net amount (e)=(c)-(d)</b>
				<b>Financial instruments</b>	<b>Cash received as collaterals</b>	
Derivative financial instruments	\$ 27,589	-	27,589	27,589	-	-

(Continued)

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

June 30, 2019						
Financial liabilities under general agreement of net amount settlement or similar norms						
	Total recognized financial liabilities (a)	Total recognized financial assets offsetting on the balance sheets (b)	Net amount of financial liabilities on the balance sheets (c)=(a)-(b)	Relevant amount not offset on the balance sheets (d)		Net amount (e)=(c)-(d)
				Financial instruments	Pledged cash collaterals	
Derivative financial instruments	\$ 115,394	-	115,394	27,589	-	87,805
December 31, 2018						
Financial assets under general agreement of net amount settlement or similar norms						
	Total recognized financial assets (a)	Total recognized financial liabilities offsetting on the balance sheets (b)	Net amount of financial assets on the balance sheets (c)=(a)-(b)	Relevant amount not offset on the balance sheets (d)		Net amount (e)=(c)-(d)
				Financial instruments	Cash received as collaterals	
Derivative financial instruments	\$ 29,021	-	29,021	29,021	-	-
December 31, 2018						
Financial liabilities under general agreement of net amount settlement or similar norms						
	Total recognized financial liabilities (a)	Total recognized financial assets offsetting on the balance sheets (b)	Net amount of financial liabilities on the balance sheets (c)=(a)-(b)	Relevant amount not offset on the balance sheets (d)		Net amount (e)=(c)-(d)
				Financial instruments	Pledged cash collaterals	
Derivative financial instruments	\$ 66,889	-	66,889	29,021	-	37,868
June 30, 2018						
Financial assets under general agreement of net amount settlement or similar norms						
	Total recognized financial assets (a)	Total recognized financial liabilities offsetting on the balance sheets (b)	Net amount of financial assets on the balance sheets (c)=(a)-(b)	Relevant amount not offset on the balance sheets (d)		Net amount (e)=(c)-(d)
				Financial instruments	Cash received as collaterals	
Derivative financial instruments	\$ 17,615	-	17,615	17,615	-	-

(Continued)



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

June 30, 2018

Financial liabilities under general agreement of net amount settlement or similar norms						
	Total recognized financial liabilities	Total recognized financial assets offsetting on the balance sheets	Net amount of financial liabilities on the balance sheets	Relevant amount not offset on the balance sheets (d)		Net amount
	(a)	(b)	(c)=(a)-(b)	Financial instruments	Pledged cash collaterals	(e)=(c)-(d)
Derivative financial instruments	\$ 566,145	-	566,145	17,615	-	548,530

4) Fubon Securities and its subsidiaries

Fubon Securities and its subsidiaries did not hold any financial instruments contract which meets Section 42 of IAS 32 endorsed by the FSC. Therefore, the financial assets and financial liabilities will be offset on the balance sheet.

Although Fubon Securities and its subsidiaries do not engage in transactions that meet the offsetting condition in IFRSs, they have signed net settlement contracts of similar agreements with counterparties. If both parties choose to net settle, the abovementioned executable net settlement contracts or similar agreements will be allowed to be settled in net amount after offsetting the financial assets and financial liabilities. Otherwise, the transaction will be settled in gross amount. However, if one party defaults, the other party could choose to net settle.

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

June 30, 2019

Financial assets under general agreement of net amount settlement or similar norms						
	Total recognized financial assets	Total recognized financial liabilities offsetting on the balance sheets	Net amount of financial assets on the balance sheets	Relevant amount not offset on the balance sheets (d)		Net amount
	(a)	(b)	(c)=(a)-(b)	Financial instruments (note)	Cash received as collaterals	(e)=(c)-(d)
Derivative financial assets	\$ 310,258	-	310,258	-	-	310,258

June 30, 2019

Financial liabilities under general agreement of net amount settlement or similar norms						
	Total recognized financial liabilities	Total recognized financial assets offsetting on the balance sheets	Net amount of financial liabilities on the balance sheets	Relevant amount not offset on the balance sheets (d)		Net amount
	(a)	(b)	(c)=(a)-(b)	Financial instruments (note)	Pledged cash collaterals	(e)=(c)-(d)
Derivative financial liabilities	\$ 957,469	-	957,469	-	-	957,469
Repurchase agreements	40,004,201	-	40,004,201	40,004,201	-	-
Total	\$ 40,961,670	-	40,961,670	40,004,201	-	957,469

(Continued)

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

December 31, 2018						
Financial assets under general agreement of net amount settlement or similar norms						
	Total recognized financial assets (a)	Total recognized financial liabilities offsetting on the balance sheets (b)	Net amount of financial assets on the balance sheets (c)=(a)-(b)	Relevant amount not offset on the balance sheets (d)		Net amount (e)=(c)-(d)
				Financial instruments (note)	Cash received as collaterals	
Derivative financial assets	\$ 222,925	-	222,925	-	-	222,925

December 31, 2018						
Financial liabilities under general agreement of net amount settlement or similar norms						
	Total recognized financial liabilities (a)	Total recognized financial assets offsetting on the balance sheets (b)	Net amount of financial liabilities on the balance sheets (c)=(a)-(b)	Relevant amount not offset on the balance sheets (d)		Net amount (e)=(c)-(d)
				Financial instruments (note)	Pledged cash collaterals	
Derivative financial liabilities	\$ 877,642	-	877,642	-	-	877,642
Repurchase agreements	33,609,095	-	33,609,095	33,609,095	-	-
Total	\$ 34,486,737	-	34,486,737	33,609,095	-	877,642

June 30, 2018						
Financial assets under general agreement of net amount settlement or similar norms						
	Total recognized financial assets (a)	Total recognized financial liabilities offsetting on the balance sheets (b)	Net amount of financial assets on the balance sheets (c)=(a)-(b)	Relevant amount not offset on the balance sheets (d)		Net amount (e)=(c)-(d)
				Financial instruments (note)	Cash received as collaterals	
Derivative financial assets	\$ 165,085	-	165,085	-	-	165,085
Resell agreements	192,134	-	192,134	192,134	-	-
Total	\$ 357,219	-	357,219	192,134	-	165,085

June 30, 2018						
Financial liabilities under general agreement of net amount settlement or similar norms						
	Total recognized financial liabilities (a)	Total recognized financial assets offsetting on the balance sheets (b)	Net amount of financial liabilities on the balance sheets (c)=(a)-(b)	Relevant amount not offset on the balance sheets (d)		Net amount (e)=(c)-(d)
				Financial instruments (note)	Pledged cash collaterals	
Derivative financial liabilities	\$ 894,207	-	894,207	-	-	894,207
Repurchase agreements	42,606,850	-	42,606,850	42,606,850	-	-
Total	\$ 43,501,057	-	43,501,057	42,606,850	-	894,207

Note: Netting settlement agreements and non-cash collaterals are included.

(Continued)

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

5) Fubon Bank (Hong Kong) and its subsidiaries

Fubon Bank (Hong Kong) and its subsidiaries hold financial instruments contracts which meet Section 42 of IAS 32 endorsed by the FSC. Therefore, the financial assets and financial liabilities will be offset on the balance sheet.

Although Fubon Bank (Hong Kong) and its subsidiaries do not engage in transactions that meet the offsetting condition in IFRSs, they have signed net settlement contracts of similar agreements with counterparties, such as global master repurchase agreement, global securities lending agreement and similar repurchase agreement or reverse-repurchase agreement. If both parties choose to net settle, the abovementioned executable net settlement contracts or similar agreements will be allowed to be settled in net amount after offsetting the financial assets and financial liabilities. Otherwise, the transaction will be settled in gross amount. However, if one party defaults, the other party could choose to net settle. Relevant information is shown as follows:

Units: In thousands of HKD

June 30, 2019						
Financial assets under general agreement of net amount settlement or similar norms						
	Total recognized financial assets (a)	Total recognized financial liabilities offsetting on the balance sheets (b)	Net amount of financial assets on the balance sheets (c)=(a)-(b)	Relevant amount not offset on the balance sheets (d)		Net amount (e)=(c)-(d)
				Financial instruments (note)	Cash received as collaterals	
Derivative financial instruments	\$ 148,529	-	148,529	123,310	-	25,219
June 30, 2019						
Financial liabilities under general agreement of net amount settlement or similar norms						
	Total recognized financial liabilities (a)	Total recognized financial assets offsetting on the balance sheet (b)	Net amount of financial liabilities on the balance sheets (c)=(a)-(b)	Relevant amount not offset on the balance sheets (d)		Net amount (e)=(c)-(d)
				Financial instruments (note)	Pledged cash collaterals	
Derivative financial instruments	\$ 350,911	-	350,911	123,310	-	227,601
Securities sold under repurchase agreements	5,911,078	-	5,911,078	-	-	5,911,078
Total	\$ 6,261,989	-	6,261,989	123,310	-	6,138,679

(Continued)

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

Units: In thousands of HKD

December 31, 2018						
Financial assets under general agreement of net amount settlement or similar norms						
	Total recognized financial assets (a)	Total recognized financial liabilities offsetting on the balance sheets (b)	Net amount of financial assets on the balance sheets (c)=(a)-(b)	Relevant amount not offset on the balance sheets (d)		Net amount (e)=(c)-(d)
				Financial instruments (note)	Cash received as collaterals	
Derivative financial instruments	\$ 796,596	-	796,596	48,733	-	747,863

December 31, 2018						
Financial liabilities under general agreement of net amount settlement or similar norms						
	Total recognized financial liabilities (a)	Total recognized financial assets offsetting on the balance sheets (b)	Net amount of financial liabilities on the balance sheets (c)=(a)-(b)	Relevant amount not offset on the balance sheets (d)		Net amount (e)=(c)-(d)
				Financial instruments (note)	Pledged cash collaterals	
Derivative financial instruments	\$ 133,348	-	133,348	48,733	-	84,615
Securities sold under repurchase agreements	5,979,423	-	5,979,423	-	-	5,979,423
Total	\$ 6,112,771	-	6,112,771	48,733	-	6,064,038

Units: In thousands of HKD

June 30, 2018						
Financial assets under general agreement of net amount settlement or similar norms						
	Total recognized financial assets (a)	Total recognized financial liabilities offsetting on the balance sheets (b)	Net amount of financial assets on the balance sheets (c)=(a)-(b)	Relevant amount not offset on the balance sheets (d)		Net amount (e)=(c)-(d)
				Financial instruments (note)	Cash received as collaterals	
Derivative financial instruments	\$ 979,092	-	979,092	62,715	-	916,377

June 30, 2018						
Financial liabilities under general agreement of net amount settlement or similar norms						
	Total recognized financial liabilities (a)	Total recognized financial assets offsetting on the balance sheets (b)	Net amount of financial liabilities on the balance sheets (c)=(a)-(b)	Relevant amount not offset on the balance sheets (d)		Net amount (e)=(c)-(d)
				Financial instruments (note)	Pledged cash collaterals	
Derivative financial instruments	\$ 154,023	-	154,023	62,715	-	91,308
Securities sold under repurchase agreements	7,643,053	-	7,643,053	-	-	7,643,053
Total	\$ 7,797,076	-	7,797,076	62,715	-	7,734,361

Note: Netting settlement agreements and non-cash collaterals are included.

(Continued)

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

## (ak) Structured entities

## (i) Taipei Fubon Bank and its subsidiaries

- 1) Taipei Fubon Bank and its subsidiaries hold the following types equity of unconsolidated structured entities. The fund is from Taipei Fubon Bank and its subsidiaries and an external third-party.

Types of structured entity	Characteristic and purpose	Equity owned by Taipei Fubon Bank and its subsidiaries
Assets securitization products	Invest in assets securitization products to gain profit	Invest in asset backed securities issued by unconsolidated structured entities
Trust plans	Invest in trust plans to gain profit	Invest in income right of trust issued by unconsolidated structured entities

- 2) The carrying amounts of the unconsolidated structured entities recognized by Taipei Fubon Bank and its subsidiaries were as below:

June 30, 2019	Asset securitization products	Trust plans
<b>Assets possessed</b>		
— Financial assets measured at fair value through other comprehensive income	\$ 2,293,073	135,633
— Debt investments measured at amortized cost	<u>10,946,231</u>	<u>-</u>
Total assets possessed	<u>\$ 13,239,304</u>	<u>135,633</u>
	<b>Asset securitization products</b>	<b>Trust plans</b>
December 31, 2018	Asset securitization products	Trust plans
<b>Assets possessed</b>		
— Financial assets measured at fair value through other comprehensive income	\$ 2,278,180	133,983
— Debt investments measured at amortized cost	<u>2,940,482</u>	<u>-</u>
Total assets possessed	<u>\$ 5,218,662</u>	<u>133,983</u>

(Continued)

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

<u>June 30, 2018</u>	<u>Asset securitization products</u>	<u>Trust plans</u>
<b>Assets possessed</b>		
– Financial assets measured at fair value through other comprehensive income	\$ 814,802	138,117
– Debt investments measured at amortized cost	<u>367,811</u>	<u>-</u>
Total assets possessed	<u><u>\$ 1,182,613</u></u>	<u><u>138,117</u></u>

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

- 3) For the six month ended June 30, 2019 and 2018, Taipei Fubon Bank and its subsidiaries did not offer any financial support to those unconsolidated asset securitization products and trust plans.
- (ii) Fubon Life Insurance and its subsidiaries
- 1) Consolidated structured entities

The consolidated structured entity of Fubon Life Insurance and its subsidiaries is the real estate investment and management entity. The structured entity is consolidated because the involvement in it exposes Fubon Life Insurance and its subsidiaries to variability of returns from performance and their influence over it. As of June 30, 2019, December 31 and June 30, 2018, Fubon Life Insurance and its subsidiaries offered \$33,803,177, \$21,856,055 and \$22,483,783 of non-contractual obligation loan for the entity, respectively.

- 2) Unconsolidated structured entities
- a) Fubon Life Insurance and its subsidiaries hold the following types equity of unconsolidated structured entities. The fund is from Fubon Life Insurance and its subsidiaries and an external third-party.

<b>Types of structured entity</b>	<b>Characteristic and purpose</b>	<b>Equity owned by Fubon Life Insurance and its subsidiaries</b>
Private fund investment	Invest in private fund issued by outside fund manager to gain profit	Invest in the fund units issued by the funds or limited partnership equity
Assets securitization products and REIT	Invest in assets securitization products and REIT to gain profit	Invest in asset-backed securities issued by the entity

(Continued)

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

- b) The carrying amounts of the unconsolidated structured entities recognized by Fubon Life Insurance and its subsidiaries were as below:

<u>June 30, 2019</u>	<u>Private fund investment</u>	<u>Asset securitization products and REIT</u>
<b>Assets possessed</b>		
– Financial assets measured at fair value through profit or loss	\$ 71,672,491	9,058,648
– Financial assets measured at fair value through other comprehensive income	-	27,134,990
– Financial assets measured at amortized cost	-	36,033,973
Total assets possessed	<u>\$ 71,672,491</u>	<u>72,227,611</u>
<u>December 31, 2018</u>	<u>Private fund investment</u>	<u>Asset securitization products</u>
<b>Assets possessed</b>		
– Financial assets measured at fair value through profit or loss	\$ 65,972,113	7,995,559
– Financial assets measured at fair value through other comprehensive income	-	26,038,079
– Financial assets measured at amortized cost	-	37,283,707
Total assets possessed	<u>\$ 65,972,113</u>	<u>71,317,345</u>
<u>June 30, 2018</u>	<u>Private fund investment</u>	<u>Asset securitization products and REIT</u>
<b>Assets possessed</b>		
– Financial assets measured at fair value through profit or loss	\$ 65,466,151	7,132,622
– Financial assets measured at fair value through other comprehensive income	-	26,702,501
– Financial assets measured at amortized cost	-	40,850,391
Total assets possessed	<u>\$ 65,466,151</u>	<u>74,685,514</u>

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

(Continued)

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

- c) For the six month ended June 30, 2019 and 2018, Fubon Life Insurance and its subsidiaries did not offer any financial support to those unconsolidated private fund investment, asset securitization products and REIT.

(iii) Fubon Insurance and its subsidiaries

- 1) Structured entities not included in the consolidated financial statements

Fubon Insurance and its subsidiaries possess the equities of the following structured entities which are not included in the consolidated financial statements. The fund is from Fubon Insurance and its subsidiaries and an external third party:

Types of structured entity	Characteristic and purpose	Equity owned by Fubon Insurance and its subsidiaries
Private equity fund	Invest in funds that can not be traded in a public market	Invest in the fund units issued by the funds or limited partnership equity
Assets securitization products	Invest in assets securitization products of commercial real estate	Invest in asset-backed securities issued by the entity

- 2) The carrying amount of the assets related to the structured entities recognized by Fubon Insurance and its subsidiaries but not yet included in the consolidated financial statements were as follows:

June 30, 2019	Private equity fund	Asset securitization products
<b>Assets possessed</b>		
– Financial assets measured at fair value through profit or loss	\$ 142,330	1,747,475
– Financial assets measured at amortized cost	-	186,176
Total assets possessed	<u>\$ 142,330</u>	<u>1,933,651</u>
December 31, 2018	Private equity fund	Asset securitization products
<b>Assets possessed</b>		
– Financial assets measured at fair value through profit or loss	\$ 156,358	1,691,945
– Financial assets measured at amortized cost	-	197,379
Total assets possessed	<u>\$ 156,358</u>	<u>1,889,324</u>

(Continued)



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

<u>June 30, 2018</u>	<u>Private equity fund</u>	<u>Asset securitization products</u>
<b>Assets possessed</b>		
– Financial assets measured at fair value through profit or loss	\$ 156,163	1,642,233
– Financial assets measured at amortized cost	-	213,690
Total assets possessed	<u>\$ 156,163</u>	<u>1,855,923</u>

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

- 3) For the six month ended June 30, 2019 and 2018, Fubon Insurance and its subsidiaries did not offer any financial support to those unconsolidated private investment fund and asset securitization products.
- (iv) Fubon Securities and its subsidiaries
- 1) Fubon Securities and its subsidiaries hold the following types equity of unconsolidated structured entities. The fund is from Fubon Securities and its subsidiaries and an external third-party.

<b>Types of structured entity</b>	<b>Characteristic and purpose</b>	<b>Equity owned by Fubon Securities and its subsidiaries</b>
Assets securitization products	Invest in assets securitization products to gain profit	Invest in asset backed securities issued by the entity

- 2) The carrying amounts of the unconsolidated structured entities recognized by Fubon Securities and its subsidiaries were as below:

<u>June 30, 2019</u>	<u>Asset securitization products</u>
<b>Assets possessed</b>	
– Financial assets measured at fair value through profit or loss - current	\$ 554,671
Total assets possessed	<u>\$ 554,671</u>

<u>December 31, 2018</u>	<u>Asset securitization products</u>
<b>Assets possessed</b>	
– Financial assets measured at fair value through profit or loss - current	\$ 525,259
Total assets possessed	<u>\$ 525,259</u>

(Continued)

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

June 30, 2018	Asset securitization products
<b>Assets possessed</b>	
— Financial assets measured at fair value through profit or loss - current	\$ 496,000
— Financial assets measured at fair value through other comprehensive income - current	1,990
<b>Total assets possessed</b>	<b>\$ <u>497,990</u></b>

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

- 3) For the six month ended June 30, 2019 and 2018, Fubon Securities and its subsidiaries did not offer any financial support to those unconsolidated asset securitization products.

(v) Other subsidiaries

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

Types of structured entity	Characteristic and purpose	Equity owned by other subsidiaries
Private equity fund	Invest in private investment fund issued by outside fund manager to gain profit	Invest in the fund units issued by the funds or limited partnership equity
Assets securitization products	Invest in assets securitization products to gain profit	Invest in asset backed securities issued by the entity

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

June 30, 2019	Private fund investment	Asset securitization products
<b>Assets possessed</b>		
— Financial assets mandatorily measured at fair value through profit or loss	\$ 8,831	-
— Financial assets measured at fair value through profit or loss	-	62,103
<b>Total assets possessed</b>	<b>\$ <u>8,831</u></b>	<b><u>62,103</u></b>

(Continued)

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

<u>December 31, 2018</u>	<u>Private fund investment</u>	<u>Asset securitization products</u>
<b>Assets possessed</b>		
– Financial assets mandatorily measured at fair value through profit or loss	\$ 10,870	-
– Financial assets measured at fair value through profit or loss	-	59,544
Total assets possessed	<u>\$ 10,870</u>	<u>59,544</u>
<u>June 30, 2018</u>	<u>Private fund investment</u>	<u>Asset securitization products</u>
<b>Assets possessed</b>		
– Financial assets measured at fair value through profit or loss	\$ 13,065	57,470
Total assets possessed	<u>\$ 13,065</u>	<u>57,470</u>

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

- 3) For the six month ended June 30, 2019 and 2018, other subsidiaries did not offer any financial support to those unconsolidated private investment fund and asset securitization products.

(al) Capital Management

(i) General information

Objectives for managing capital are as follows:

- 1) The Company's basic objective of capital management shall be in compliance with the capital requirements of FSC and achieve the minimum statutory capital adequacy ratio. The qualified capital calculation is in accordance with regulation by competent authorities.
- 2) Maintain an optimal capital structure to respond to possible operational or economic risks, to sustain future development of the business, and to make appropriate and effective capital allocation.

(ii) Procedure for capital management

The Company maintained capital adequacy ratio to meet the requirements of the authority and report to the authority every quarter.

The Company complies with the "Regulations Governing the Consolidated Capital Adequacy of Financial Holding Companies". The subsidiaries shall comply with the related capital adequacy norms, and overseas subsidiaries shall comply with local ordinances.

(Continued)

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

The Capital is managed by the authority of the Company according to the Company Capital Adequacy Monitoring Standard.

(am) Significant impact of related foreign currency information

	June 30, 2019			December 31, 2018			June 30, 2018		
	Foreign currency (in thousands)	Exchange rate (in dollars)	TWD	Foreign currency (in thousands)	Exchange rate (in dollars)	TWD	Foreign currency (in thousands)	Exchange rate (in dollars)	TWD
Financial assets:									
Monetary items									
USD	\$ 89,928,135	31.0793 /31.072 /31.079 /31.118	2,794,516,149	88,835,674	30.7515 /30.733 /31 /30.751 /30.748	2,730,640,579	86,944,746	30.5028 /30.5 /30.286 /30.503	2,651,880,416
HKD	62,670,637	3.9809 /3.979 /3.981	249,485,304	58,028,084	3.9279 /3.924 /3.928	227,927,526	57,137,088	3.8877 /3.88718	222,131,460
CNY	100,496,302	4.5211 /4.523 /4.521 /4.51877	452,455,959	87,643,443	4.4661 /4.46798 /4.466 /4.46928	391,436,735	87,552,539	4.6039 /4.60572 /4.59836	403,069,526
Non-Monetary items									
USD	8,721,770	31.0793 /31.072 /31.079 /31.118	271,008,274	6,752,230	30.7515 /30.733 /30.751	207,531,069	7,168,467	30.5028 /30.5	218,640,980
HKD	8,262,339	3.9809 /3.979 /3.981	32,877,330	9,306,579	3.9279 /3.924 /3.928	36,522,331	7,450,270	3.8877 /3.88718	28,960,787
CNY	12,123,130	4.5211 /4.523 /4.521 /4.519	55,794,327	11,032,741	4.4661 /4.468 /4.466 /4.469	50,298,333	10,318,928	4.6039 /4.60572 /4.59836	48,169,327
Derivatives									
USD	186,260	31.0793 /31.072 /31.118	5,788,679	85,117	30.7515 /30.733 /30.748	2,616,084	48,359	30.5028 /30.5	1,474,959
Investments accounted for using equity method									
CNY	3,271,755	4.5211	15,001,652	3,215,120	4.4661	14,359,049	3,120,813	4.6039	14,367,912
HKD	2,226,041	3.981	8,861,648	2,241,539	3.928	8,804,540	2,215,460	3.8877	8,613,044
KRW	-	-	-	-	-	-	120,918,577	0.027	3,313,169
Financial liabilities:									
Monetary items									
USD	30,074,070	31.0793 /31.072 /31.079	934,680,021	28,852,121	30.7515 /30.733 /30.751	887,244,493	28,805,795	30.5028 /30.5	878,655,705
HKD	55,769,926	3.9809 /3.979 /3.981	222,014,513	56,298,051	3.9279 /3.924 /3.928	221,133,197	59,528,591	3.8877 /3.88718	231,428,501
CNY	82,514,663	4.5211 /4.52338	373,057,094	73,495,556	4.4661 /4.46798	328,238,486	66,606,100	4.6039 /4.60572	306,647,960
Non-Monetary items									
USD	627,074	31.0793	19,489,029	503,915	30.752	15,496,146	299,601	30.5028	9,138,669
CNY	736,319	4.521	3,328,972	1,173,043	4.466	5,238,929	1,616,277	4.604	7,441,178
JPY	39,233,656	0.288	11,311,063	17,054,688	0.278	4,746,320	10,662,915	0.275	2,936,567
Derivatives									
USD	224,528	31.0793 /31.072 /31.118	6,977,114	139,377	30.7515 /30.733 /30.748	4,283,531	1,439,413	30.5028 /30.5	43,902,157

Note: Each balance listed is greater than 5% of total monetary items.

(Continued)

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

## (an) Non-cash trading investing and financing activities

	January 1, 2019	Changes in cash flows from financing activities	Non-cash adjustment			June 30, 2019
			Effect of exchange rate changes	Fair value fluctuation	Other changes	
Bonds payable	\$ 217,754,674	13,825,487	1,256,455	2,883,776	-	235,720,392
Lease liabilities	23,041,089	(2,102,144)	201,090	-	494,847	21,885,895
	<u>\$ 240,795,763</u>	<u>11,723,343</u>	<u>1,457,545</u>	<u>2,883,776</u>	<u>494,847</u>	<u>257,606,287</u>

  

	January 1, 2018	Changes in cash flows from financing activities	Non-cash adjustment			June 30, 2018
			Effect of exchange rate changes	Fair value fluctuation	Other changes	
Bonds payable	\$ 187,206,734	4,181,761	158,986	-	-	191,547,481

## (ao) The following disclosures are only applicable to Taipei Fubon Bank, in accordance with relevant regulations

## (i) Asset quality of overdue loans and overdue receivables

Units: In thousands of TWD, %

Item		June 30, 2019				
		Non-performing loan (NPL) (Note 1)	Total loans	NPL Ratio (%) (Note 2)	Loan loss reserves (LLR)	Coverage ratio (%) (Note 3)
Corporate loan	Secured	1,150,099	200,598,159	0.57	2,070,387	180.02
	Unsecured	706,694	398,440,972	0.18	5,535,564	783.30
Consumer loan	Mortgage (Note 4)	345,770	415,833,933	0.08	6,218,993	1,798.59
	Cash card	-	1,956	-	39	-
	Micro credit (Note 5)	55,170	30,282,884	0.18	342,794	621.34
	Others (Note 6)	Secured	170,879	222,376,423	0.08	2,396,783
Unsecured		34,985	36,696,351	0.10	382,112	1,092.22
Total		2,463,597	1,304,230,678	0.19	16,946,672	687.88
		Overdue receivable	Account receivable	Delinquency ratio (%)	Allowance for credit losses	Coverage ratio (%)
Credit card		40,042	47,434,030	0.08	322,424	805.21
Account receivable factoring with no recourse (Note 7)		-	18,064,514	-	212,331	-
Excluded NPL as a result of debt consultation and loans agreement (Note 8)		40,223				
Excluded overdue receivables as a result of debt consultation and loans agreements (Note 8)		78,721				
Excluded NPL as a result of debt solvency and restart plan (Note 9)		332,282				
Excluded overdue receivables as a result of debt solvency and restart plan (Note 9)		386,225				

(Continued)

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

		June 30, 2018					
Item		Non-performing loan (NPL) (Note 1)	Total loans	NPL Ratio (%) (Note 2)	Loan loss reserves (LLR)	Coverage ratio (%) (Note 3)	
Corporate loan	Secured	516,796	152,401,861	0.34	1,934,421	374.31	
	Unsecured	1,299,769	427,260,491	0.30	5,651,129	434.78	
Consumer loan	Mortgage (Note 4)	433,435	413,018,737	0.10	6,170,816	1,423.70	
	Cash card	-	2,919	-	58	-	
	Micro credit (Note 5)	48,867	25,176,191	0.19	287,504	588.34	
	Others (Note 6)	Secured	122,553	186,320,459	0.07	2,002,068	1,633.63
		Unsecured	38,500	38,137,703	0.10	406,757	1,056.51
Total		2,459,920	1,242,318,361	0.20	16,452,753	668.83	
		Overdue receivable	Account receivable	Delinquency ratio (%)	Allowance for credit losses	Coverage ratio (%)	
Credit card		45,210	41,153,065	0.11	292,231	646.39	
Account receivable factoring with no recourse (Note 7)		-	15,851,800	-	178,563	-	
Excluded NPL as a result of debt consultation and loans agreement (Note 8)		62,665					
Excluded overdue receivables as a result of debt consultation and loans agreements (Note 8)		108,013					
Excluded NPL as a result of debt solvency and restart plan (Note 9)		298,008					
Excluded overdue receivables as a result of debt solvency and restart plan (Note 9)		416,798					

Note 1: For loan business: Overdue loans represent the amounts of reported overdue loans pursuant to the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/Nonaccrual Loans” issued by the MOF.

For credit card business: Overdue receivables are regulated by the Banking Bureau letter dated July 6, 2005 (Ref. No. 0944000378).

Note 2: For loan business: NPL Ratio = NPL/Total Loans.

For credit card business: Delinquency Ratio = Overdue receivable/Account receivable.

Note 3: For loan business: Coverage Ratio = LLR/NPL

For credit card business: Coverage Ratio = Allowance for credit losses/Overdue receivables.

Note 4: Household mortgage means the purpose of financing is to purchase, build, or fix up the dwelling, and the dwelling owned by the borrower, spouse, or children fully secures the loan.

Note 5: Micro credit is regulated by the Banking Bureau letter dated December 19, 2005 (Ref. No. 09440010950).

Note 6: Others in consumer loan refer to secured or non-secured loans excluding mortgage, cash card, micro credit, and credit card.

Note 7: Account receivable – factoring with no recourse: As required by the Banking Bureau letter dated July 19, 2005 (Ref. No. 094000494), provision for bad debt is recognized once no compensation is received from the factoring or insurance company.

Note 8: The amounts of excluded NPL and excluded overdue receivables through financial debt negotiation and loan agreement were disclosed based on the interpretation issued by the Banking Bureau dated April 25, 2006 (Ref. 09510001270).

Note 9: The amounts of excluded NPL and excluded overdue receivables through debt solvency and restart plan were disclosed based on the interpretation issued by the Banking Bureau dated September 15, 2008 (Ref. 09700318940) and September 20, 2016 (Ref. 10500134790).

(Continued)

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

## (ii) Concentration of credit extensions

Units: In thousands of TWD, %

<b>June 30, 2019</b>			
<b>Rank (Note 1)</b>	<b>Group name (Note 2)</b>	<b>Credit extensions balance (Note 3)</b>	<b>% of net asset value</b>
1	A group (other electronic parts and components manufacturing not elsewhere classified)	10,917,680	5.69
2	B group (Semiconductor packaging and testing industry)	8,839,521	4.61
3	C group (real estate development, investment and minery, wine trade and fine dining restaurant)	7,090,481	3.70
4	D group (petrochemicals manufacturing industry)	6,914,342	3.60
5	E group (LCD and its component manufacturing industry)	6,651,671	3.47
6	F group (ocean freight industry)	6,253,604	3.26
7	G group (other electronic parts and components manufacturing not elsewhere classified)	5,620,000	2.93
8	H group (Laptops, desktops, tablets, data centers and holding)	5,594,282	2.92
9	I group (Cable and other paid programming)	5,314,174	2.77
10	J group (other computer peripheral equipment)	4,928,595	2.57

(Continued)

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

Units: In thousands of TWD, %

<b>June 30, 2018</b>			
<b>Rank (Note 1)</b>	<b>Group name (Note 2)</b>	<b>Credit extensions balance (Note 3)</b>	<b>% of net asset value</b>
1	A group (petrochemicals manufacturing industry)	11,397,266	6.39
2	B group (other electronic parts and components manufacturing not elsewhere classified)	8,200,000	4.60
3	C group (other electronic parts and components manufacturing not elsewhere classified)	8,197,654	4.60
4	D group (ocean freight industry)	7,980,022	4.48
5	E group (Semiconductor packaging and testing industry)	7,373,698	4.14
6	F group (wire and cable manufacturing industry)	6,588,054	3.70
7	G group (computer peripheral equipment, communications, optoelectronics, power management and consumer electronics)	5,378,910	3.02
8	H group (LCD and its component manufacturing industry)	4,926,970	2.76
9	I group (electronic passive components manufacturing)	4,890,053	2.74
10	J group (ocean freight industry)	4,813,530	2.70

Note 1: The list shows ranking by total amounts of credit, endorsement or other transactions (excluding those of government-owned or state-run enterprises). If the borrower is a member of a group enterprise, the total amount of credit, endorsement or other transactions of the entire group enterprise must be listed and disclosed by code and line of industry. The industry of the group enterprise should be presented as the industry of the member firm with the highest risk exposure. The lines of industry should be described in accordance with the Standard Industrial Classification System of the Republic of China published by the Directorate-General of Budget, Accounting and Statistics under the Executive Yuan.

Note 2: Groups enterprise refers to a group of corporate entities as defined by Article 6 of the Supplementary Provisions to the Taiwan Stock Exchange Corporation Criteria for Review of Securities Listings.

Note 3: The total amount of credits, endorsements or other transactions is the sum of various loans (including import and export negotiations, discounted, overdrafts, unsecured and secured short-term loans, margin loans receivable, unsecured and secured medium-term loans, unsecured and secured long-term loans and overdue loans), exchange bills negotiated, accounts receivable factored without recourse, acceptances and guarantees.

(Continued)



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

## (iii) Interest rate sensitivity information

## Interest Rate Sensitivity (TWD)

Units: In thousands of TWD, %

June 30, 2019					
Items	1-90 days	91-180 days	181-365 days	Over 1 year	Total
Interest rate-sensitive assets	\$ 1,213,811,289	67,561,321	61,081,063	188,170,230	1,530,623,903
Interest rate-sensitive liabilities	408,876,394	771,780,854	59,663,353	65,658,482	1,305,979,083
Interest rate sensitivity gap	804,934,895	(704,219,533)	1,417,710	122,511,748	224,644,820
Net worth					186,124,328
Ratio of interest rate-sensitive assets to liabilities (%)					117.20
Ratio of the interest rate sensitivity gap to net worth (%)					120.70

Units: In thousands of TWD, %

June 30, 2018					
Items	1-90 days	91-180 days	181-365 days	Over 1 year	Total
Interest rate-sensitive assets	\$ 1,205,851,647	84,057,762	73,657,993	135,405,065	1,498,972,467
Interest rate-sensitive liabilities	452,490,101	664,593,870	60,983,139	48,705,987	1,226,773,097
Interest rate sensitivity gap	753,361,546	(580,536,108)	12,674,854	86,699,078	272,199,370
Net worth					173,523,487
Ratio of interest rate-sensitive assets to liabilities (%)					122.19
Ratio of the interest rate sensitivity gap to net worth (%)					156.87

Note 1: The above amounts include only New Taiwan Dollar amounts held by the Bank, and exclude contingent assets and contingent liabilities.

Note 2: Interest-rate sensitive assets and liabilities mean the revenues or costs of interest-earnings assets and interest-bearing liabilities affected by interest-rate changes.

Note 3: Interest rate sensitivity gap = Interest rate-sensitive assets - Interest rate-sensitive liabilities.

Note 4: Ratio of interest-rate sensitive assets to liabilities = Interest-rate sensitive assets/Interest-rate sensitive liabilities (New Taiwan dollars).

(Continued)

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

Interest Rate Sensitivity (USD)

Units: In thousands of USD, %

June 30, 2019						
Items	1-90 days	91-180 days	181-365 days	Over 1 year	Total	
Interest rate-sensitive assets	\$ 10,502,345	847,465	1,396,835	6,594,108	19,340,753	
Interest rate-sensitive liabilities	18,370,712	1,902,466	1,801,159	1,834,890	23,909,227	
Interest rate sensitivity gap	(7,868,367)	(1,055,001)	(404,324)	4,759,218	(4,568,474)	
Net worth						129,466
Ratio of interest rate-sensitive assets to liabilities (%)						80.89
Ratio of the interest rate sensitivity gap to net worth (%)						(3,528.71)

Units: In thousands of USD, %

June 30, 2018						
Items	1-90 days	91-180 days	181-365 days	Over 1 year	Total	
Interest rate-sensitive assets	\$ 9,986,301	1,543,383	1,668,308	5,680,481	18,878,473	
Interest rate-sensitive liabilities	19,394,078	1,875,952	1,490,054	1,847,762	24,607,846	
Interest rate sensitivity gap	(9,407,777)	(332,569)	178,254	3,832,719	(5,729,373)	
New worth						111,562
Ratio of interest rate-sensitive assets to liabilities (%)						76.72
Ratio of the interest rate sensitivity gap to net worth (%)						(5,135.60)

Note 1: The above amounts include only USD amounts held by the Bank, and exclude contingent assets and contingent liabilities.

Note 2: Interest-rate sensitive assets and liabilities mean the revenues or costs of interest-earnings assets and interest-bearing liabilities affected by interest-rate changes.

Note 3: Interest-rate sensitive gap = Interest-rate sensitive assets - Interest-rate sensitive liabilities.

Note 4: Ratio of interest-rate sensitive assets to liabilities = Interest-rate sensitive assets/Interest-rate sensitive liabilities (U.S. dollars).

(iv) Profitability

Unit: %

Item		For the six months ended June 30	
		2019	2018
Return on total assets	Before income tax	0.48	0.46
	After income tax	0.41	0.39
Return on net worth	Before income tax	6.47	6.21
	After income tax	5.45	5.28
Profit margin		42.76	44.16

Note 1: Return on total assets = Income before (after) income tax/Average total assets.

(Continued)

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

Note 2: Return on net worth = Income before (after) income tax/Average net worth.

Note 3: Profit margin = Income after income tax/Total operating revenues.

Note 4: Income before (after) income tax represents income for the six months ended June 30, 2019 and 2018.

(v) Maturity analysis

**Maturity Analysis of Assets and Liabilities (TWD)**

Units: In thousands of TWD

June 30, 2019							
	The amount for the remaining period to maturity						
	Total	0-10 days	11-30 days	31-90 days	91-180 days	181-365 days	Over 1 year
Main capital inflow on maturity	\$ 2,235,549,302	304,598,428	225,922,780	241,378,862	235,241,013	223,321,724	1,005,086,495
Main capital outflow on maturity	2,703,045,872	159,287,156	251,237,493	402,522,854	368,281,641	500,021,666	1,021,695,062
Gap	(467,496,570)	145,311,272	(25,314,713)	(161,143,992)	(133,040,628)	(276,699,942)	(16,608,567)

Units: In thousands of TWD

June 30, 2018							
	The amount for the remaining period to maturity						
	Total	0-10 days	11-30 days	31-90 days	91-180 days	181-365 days	Over 1 year
Main capital inflow on maturity	\$ 2,461,179,382	338,762,885	275,712,305	366,520,247	294,084,947	288,511,700	897,587,298
Main capital outflow on maturity	2,860,791,375	223,644,276	349,403,873	500,031,884	424,238,134	473,541,897	889,931,311
Gap	(399,611,993)	115,118,609	(73,691,568)	(133,511,637)	(130,153,187)	(185,030,197)	7,655,987

Note: The above amounts are book value of assets and liabilities held by headquarter and domestic branches of Taipei Fubon Bank and denominated is New Taiwan dollars.

**Maturity Analysis of Assets and Liabilities (USD)**

Units: In thousands of USD

June 30, 2019						
	The amount for the remaining period to maturity					
	Total	0-30 days	31-90 days	91-180 days	181-365 days	Over 1 year
Main capital inflow on maturity	\$ 75,505,106	28,475,099	17,640,952	10,622,425	7,823,648	10,942,982
Main capital outflow on maturity	81,343,870	33,660,920	18,678,539	9,489,656	11,080,007	8,434,748
Gap	(5,838,764)	(5,185,821)	(1,037,587)	1,132,769	(3,256,359)	2,508,234

Units: In thousands of USD

June 30, 2018						
	The amount for the remaining period to maturity					
	Total	0-30 days	31-90 days	91-180 days	181-365 days	Over 1 year
Main capital inflow on maturity	\$ 87,345,631	35,133,255	22,926,067	12,437,856	6,655,164	10,193,289
Main capital outflow on maturity	91,952,888	38,746,327	24,548,211	11,044,990	10,032,703	7,580,657
Gap	(4,607,257)	(3,613,072)	(1,622,144)	1,392,866	(3,377,539)	2,612,632

(Continued)

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

Note: The above amounts are book value of assets and liabilities held by Taipei Fubon Bank and denominated in U.S. dollars.

(vi) Statement of capital adequacy

			June 30, 2019		December 31, 2018		June 30, 2018	
			Consolidated	Bank	Consolidated	Bank	Consolidated	Bank
Eligible capital	Common equity Tier 1		188,322,470	179,433,491	181,088,191	173,945,127	174,018,818	162,066,335
	Additional Tier 1 capital		11,001,013	3,251,871	7,535,526	237,525	1,681,376	-
	Tier 2 capital		37,879,700	22,489,971	36,946,319	22,377,621	36,464,879	21,620,941
	Eligible capital		237,203,183	205,175,333	225,570,036	196,560,273	212,165,073	183,687,276
Risk-weighted assets	Credit risk	Standardized approach	1,669,391,126	1,368,055,340	1,537,630,004	1,285,291,652	1,541,852,721	1,305,480,282
		Internal rating-based approach	-	-	-	-	-	-
		Securitization	4,391,118	4,391,118	1,179,928	1,179,928	147,248	147,248
	Operational risk	Basic indicator approach	-	-	-	-	-	-
		Standardized approach / Alternative standardized approach	77,798,950	68,197,950	77,798,950	68,197,950	74,847,625	64,516,213
		Advance measurement approach	-	-	-	-	-	-
	Market risk	Standardized approach	65,220,913	57,638,313	55,272,575	51,063,500	44,454,650	41,123,075
		Internal models approach	-	-	-	-	-	-
	Total risk-weighted assets		1,816,802,107	1,498,282,721	1,671,881,457	1,405,733,030	1,661,302,244	1,411,266,818
	Capital adequacy ratio			13.06 %	13.69 %	13.49 %	13.98 %	12.77 %
Common equity-based capital ratio			10.37 %	11.98 %	10.83 %	12.37 %	10.47 %	11.48 %
Tier 1 risk-based capital ratio			10.97 %	12.19 %	11.28 %	12.39 %	10.58 %	11.48 %
Ratio of financial leverage			6.49 %	6.83 %	6.53 %	6.79 %	6.13 %	6.31 %

Note 1: These tables were prepared according to the “Regulations Governing the Capital Adequacy Ratio of Banks” and related calculation tables.

Note 2: The formula:

Eligible capital = Tier 1 capital + Additional Tier 1 capital + Tier 2 capital.

Risk-weighted assets = weighted credit risk assets + (Operational risk + Market risk) x 12.5

Capital adequacy ratio = Eligible capital / Risk-weighted assets.

Ratio of common stockholders' equity to total asset = common stock / Total assets

Tier 1 risk ratio = (Net common equity Tier 1 capital + Net additional Tier 1) / Total risk-weighted assets

Ratio of financial leverage = Tier 1 capital / adjustment average assets

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

(a) Names and relationships of related parties

<u>Name of related party</u>	<u>Relationship with the Company and its subsidiaries</u>
Fubon Property Management Co., Ltd. (Fubon Property Management)	Related parties in substance
Taiwan Stock Exchange Corporation (Taiwan Stock Exchange)	Related parties in substance
Taiwan Futures Exchange Corporation (Taiwan Futures Exchange)	Related parties in substance
momo.com Inc. (momo)	Related parties in substance

(Continued)

**FUBON FINANCIAL HOLDING 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 Land Development Co., Ltd. (Fubon Land Development)	Related parties in substance
Taipei Fubon Commercial Bank Charity Foundation	Related parties in substance
Fubon Art Foundation	Related parties in substance
Fubon Cultural & Education Foundation	Related parties in substance
Fubon Charity Foundation	Related parties in substance
Funds Managed by Fubon Asset Management	Related parties in substance
Taiwan Fixed Network Co., Ltd. (Taiwan Fixed Network)	Related parties in substance
Taiwan High Speed Rail Corporation (Taiwan High Speed Rail)	Related parties in substance
Taiwan Mobile Co., Ltd. (Taiwan Mobile)	Related parties in substance
Taipei New Horizon Co., Ltd. (Taipei New Horizon)	Related parties in substance
Taiwan Depository & Clearing Corporation (Taiwan Depository & Clearing)	Related parties in substance
Taiwan Pelican Express Co., LTD. (Taiwan Pelican Express)	Related parties in substance
Kbro Media Co., Ltd. (Kbro Media)	Related parties in substance
Kbro Co., Ltd. (Kbro)	Related parties in substance
Yuanjing Green Energy Co., Ltd. (Yuanjing Green Energy)	Related parties in substance
TAROKO Development Co., Ltd. (TAROKO Development)	Related parties in substance
TAROKO Mall Co., Ltd. (TAROKO Mall)	Related parties in substance
Far Eastern International Bank Co., Ltd. (Far Eastern Bank)	Related parties in substance (related parties in substance from the third quarter of 2018)
Xiamen Bank Co., Ltd. (Xiamen Bank)	Related parties in substance
Convoy Financial Service Limited (Convoy Financial Service)	Related parties in substance
Formosa Petrochemical Corporation	Related parties in substance
Powerchip Technology Co., Ltd. (Powerchip Technology)	Related parties in substance
Long Time Tech. Co., Ltd. (Long Time Tech.)	Related parties in substance (related parties in substance from the fourth quarter of 2018)
Taihsin Property Insurance Agent Co., Ltd. (Taihsin Property Insurance Agent)	Related parties in substance
Harbin Bank Co., Ltd (Harbin Bank)	Related parties in substance
ICDC (Beijing) China Co., Ltd. (ICDC)	Related parties in substance (not related parties in substance from the second quarter of 2018)

(Continued)

**FUBON FINANCIAL HOLDING 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>
Taiwan Win TV Media CO., Ltd. (Taiwan Win TV)	Related parties in substance
Inventec Co., Ltd (Inventec)	Related parties in substance
Metropolitan transport Co., Ltd. (Metropolitan transport)	Related parties in substance
Taiwan Insurance Institute	Related parties in substance
Ying Bao Development Ltd.	Related parties in substance
Hyundai Mobis Co., Ltd.	Related parties in substance (related parties in substance from the third quarter of 2018)
Hyundai Commercial Co., Ltd.	Related parties in substance (related parties in substance from the third quarter of 2018)
Chien Kuo Construction Co., Ltd.	Related parties in substance (not related parties in substance from the fourth quarter of 2018)
Chung Hsing Land Development Co., Ltd. (Chung Hsing Land Development)	A major stockholder of the Company
Ming-Dong Industrial Co., Ltd. (Ming-Dong Industrial)	A major stockholder of the Company
Taipei City Government	A major stockholder of the Company
Others	Directors, supervisors, managers and their relatives up to the second degree, affiliates and the related parties in substance

(b) Significant transactions with related parties

(i) Insurance revenue and insurance receivable:

	<u>Insurance receivable</u>				<u>Insurance receivable</u>		
	<u>For the three months ended</u>		<u>For the six months ended</u>		<u>June 30,</u>	<u>December 31,</u>	<u>June 30,</u>
	<u>June 30</u>		<u>June 30</u>				
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2018</u>
Taiwan Mobile	\$ 52,376	169,349	140,752	355,079	35,695	48,459	38,572
Taiwan High Speed Rail	3,811	3,845	8,433	71,881	1,450	82,879	-
Taipei City Government	1,329	20,242	57,044	36,031	-	-	11
Taipei New Horizon	8	266	253	275	-	16,270	-
momo	4,272	2,603	29,251	21,919	519	8,951	598
Taiwan Pelican Express	1,576	1,718	19,525	17,071	15	-	1
Powerchip Technology	915	33,289	1,595	34,139	792	148	33,182
Kbro	17,673	16,774	19,945	18,552	17,663	-	16,878
Inventec	2	8,152	(70)	10,699	8,390	10,427	9,971
Metropolitan transport	(23)	20,065	(763)	20,065	-	-	979
Hyundai Mobis Co., Ltd.	(160)	-	10,872	-	-	-	-
Yuanjing Green Energy	21,274	-	21,274	-	-	-	-
Related parties in substance (individual)	366,950	396,068	807,865	784,437	743	-	-
Others (not related company or person accounts for more than \$10,000 or 10%)	25,171	8,672	61,874	33,174	17,314	19,229	8,611
Total	<u>\$ 495,174</u>	<u>681,043</u>	<u>1,177,850</u>	<u>1,403,322</u>	<u>82,581</u>	<u>186,363</u>	<u>108,803</u>

Premium rates were calculated in accordance with the relevant provisions of the Insurance Act, and were not materially different from the general trading terms.

(Continued)

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

(ii) Rental revenue and guarantee deposits:

	<b>For the three months ended June 30</b>		<b>For the six months ended June 30</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Rental revenue:				
momo	\$ 31,320	27,507	59,969	55,016
TAROKO Development	-	9,583	-	38,333
Kbro Media	14,079	14,101	34,116	32,441
Kbro	5,422	6,760	10,845	13,125
TAROKO Mall	28,750	19,167	57,500	19,167
Taiwan Fixed Network	10,654	10,847	21,287	21,144
Taiwan Mobile	9,815	10,048	19,603	20,337
Others (not related company or person accounts for more than \$10,000 or 10%)	10,435	7,059	19,556	12,234
Total	<u>\$ 110,475</u>	<u>105,072</u>	<u>222,876</u>	<u>211,797</u>

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

	<b>June 30, 2019</b>	<b>December 31, 2018</b>	<b>June 30, 2018</b>
	Advanced real estate receipts:		
Kbro Media	\$ 25,296	-	29,552
Others (not related company or person accounts for more than \$10,000 or 10%)	7,033	6,926	5,117
Total	<u>\$ 32,329</u>	<u>6,926</u>	<u>34,669</u>

	<b>June 30, 2019</b>	<b>December 31, 2018</b>	<b>June 30, 2018</b>
	Guarantee deposits:		
momo	\$ 34,282	30,077	27,219
TAROKO Mall	35,000	35,000	35,000
Taiwan Fixed Network	10,899	10,899	10,877
Others (not related company or person accounts for more than \$10,000 or 10%)	27,494	26,434	19,405
Total	<u>\$ 107,675</u>	<u>102,410</u>	<u>92,501</u>

The aforementioned guarantee deposits are for leasing investment properties. The performance guarantees of Kbro Media amounting to \$26,345, of TAROKO Mall amounting to \$22,500 were also acquired.

(Continued)

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

(iii) Rental expense and refundable deposits:

	<b>For the three months ended June 30, 2018</b>	<b>For the six months ended June 30, 2018</b>
Rental expense:		
Chung Hsing Land Development	\$ 64,083	128,121
Ming-Dong Industrial	6,325	12,591
Taipei City Government	87,433	168,112
Fubon REIT I Fund	29,683	68,843
Fubon REIT II Fund	20,444	65,008
Taiwan Fixed Network	7,356	13,803
Related parties in substance (individual)	8,756	17,512
Others (not related company or person accounts for more than \$10,000 or 10%)	7,854	15,570
Total	<b>\$ 231,934</b>	<b>489,560</b>

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

	<b>June 30, 2019</b>	<b>December 31, 2018</b>	<b>June 30, 2018</b>
Refundable deposits:			
Chung Hsing Land Development	\$ 37,436	37,436	37,436
Fubon REIT I Fund	52,512	49,786	45,304
Fubon REIT II Fund	38,039	38,216	29,319
Related parties in substance (individual)	5,837	5,837	5,837
Others (not related company or person accounts for more than \$10,000 or 10%)	12,319	11,837	11,672
Total	<b>\$ 146,143</b>	<b>143,112</b>	<b>129,568</b>

(Continued)



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

## (iv) Right-of-use assets and lease liabilities

Name of related party	Right-of-use asset	
	June 30, 2019	January 1, 2019
Taipei City Government	\$ 31,009,452	30,311,439
Taiwan Fixed Network	132,644	164,340
Chung Hsing Land Development	355,367	468,365
Ming-Dong Industrial	45,593	17,832
Fubon Charity Foundation	29,700	38,081
Fubon REIT I Fund	373,969	301,584
Fubon REIT II Fund	232,438	267,974
Taiwan Mobile	8,998	10,810
Related parties in substance	17,333	36,513
Others (not related company or person accounts for more than \$10,000 or 10%)	706	1,181
<b>Total</b>	<b>\$ 32,206,200</b>	<b>31,618,119</b>

Name of related party	Lease liability		Interest expense		Value of Contract
	June 30, 2019	January 1, 2019	For the three months ended June 30, 2019	For the six months ended June 30, 2019	
Taipei City Government	\$ 7,577,190	7,786,372	59,386	117,254	37,841,301
Taiwan Fixed Network	138,205	169,704	1,122	2,408	328,500
Chung Hsing Land Development	357,303	468,365	3,238	6,914	720,913
Ming-Dong Industrial	45,709	17,357	293	403	81,886
Fubon Charity Foundation	29,786	37,974	267	568	52,617
Fubon REIT I Fund	364,633	293,871	3,328	5,515	596,853
Fubon REIT II Fund	233,065	266,628	1,909	3,936	440,816
Taiwan Mobile	9,036	10,810	87	180	19,540
Related parties in substance	17,386	34,478	175	420	105,075
Others (not related company or person accounts for more than \$10,000 or 10%)	604	874	7	14	1,689
<b>Total</b>	<b>\$ 8,772,917</b>	<b>9,086,433</b>	<b>69,812</b>	<b>137,612</b>	<b>40,189,190</b>

(Continued)

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

## (v) Other deposits

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>	<u>Note</u>
	Taipei City Government	\$ 1,223,676	1,223,476	1,208,426
Taiwan Stock Exchange	3,936,662	4,237,952	250,000	Margin lending and others
Others (not related company or person accounts for more than \$10,000 or 10%)	1,413	4,230	4,249	
<b>Total</b>	<b><u>\$ 5,161,751</u></b>	<b><u>5,465,658</u></b>	<b><u>1,462,675</u></b>	

## (vi) Deposits

## 1) Bank deposits

<u>Name of related party</u>	<u>June 30, 2019</u>		<u>December 31, 2018</u>		<u>June 30, 2018</u>	
	<u>Amount</u>	<u>Interest rate range %</u>	<u>Amount</u>	<u>Interest rate range %</u>	<u>Amount</u>	<u>Interest rate range %</u>
Xiamen Bank	\$ 874,556	1.89~3.10	870,557	1.90~2.60	882,477	1.89~2.50
Far Eastern Bank	320,269	0.04~2.80	314,393	0.08~2.60	-	
<b>Total</b>	<b><u>\$ 1,194,825</u></b>		<b><u>1,184,950</u></b>		<b><u>882,477</u></b>	

## 2) Deposits in related parties

<u>Name of related party</u>	<u>June 30, 2019</u>		<u>December 31, 2018</u>		<u>June 30, 2018</u>	
	<u>Amount</u>	<u>Interest rate range %</u>	<u>Amount</u>	<u>Interest rate range %</u>	<u>Amount</u>	<u>Interest rate range %</u>
Others	<b><u>\$ 53,305,499</u></b>	0~6.12	<b><u>71,666,340</u></b>	0~8.00	<b><u>40,936,562</u></b>	0~8.00

## (vii) Loans

<u>Name of related party</u>	<u>June 30, 2019</u>		<u>December 31, 2018</u>		<u>June 30, 2018</u>	
	<u>Amount</u>	<u>Interest rate range %</u>	<u>Amount</u>	<u>Interest rate range %</u>	<u>Amount</u>	<u>Interest rate range %</u>
Others	<b><u>\$ 33,679,389</u></b>	0~14.97	<b><u>35,138,208</u></b>	0~14.98	<b><u>3,973,465</u></b>	0~14.98

(Continued)

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

Units: In thousands of TWD

June 30, 2019							
Category	Amount or name of related party	Highest balance	Ending balance	Compliance Situation		Type of collateral	Differences in transaction terms between related and non related parties
				Normal	Overdue		
Consumer loans	95	47,520	39,522	✓	-	None	None
House mortgages	405	4,145,065	3,713,714	✓	-	Real estate	None
Others	Department of Urban Development, Taipei City Government	541,612	491,138	✓	-	Public treasury guarantees	None
	Department of Rapid Transit systems, Taipei City Government	28,013,659	28,013,659	✓	-	Public treasury guarantees	None
	Taipei Municipal Secured Small Loans Service	167	73	✓	-	Public treasury guarantees	None
	Department of Sports, Taipei City Government	4,000,000	1,400,000	✓	-	Public treasury guarantees	None
	Long Time Tech.	33,709	20,816	✓	-	Certificate of deposit	None
	Other loans	524	467	✓	-	Credit Guarantee Fund	None
Total		36,782,256	33,679,389				

Units: In thousands of TWD

December 31, 2018							
Category	Amount or name of related party	Highest balance	Ending balance	Compliance Situation		Type of collateral	Differences in transaction terms between related and non related parties
				Normal	Overdue		
Consumer loans	79	58,976	32,375	✓	-	None	None
House mortgages	385	4,465,107	3,543,052	✓	-	Real estate	None
Others	Department of Urban Development, Taipei City Government	647,319	541,310	✓	-	Public treasury guarantees	None
	Department of Rapid Transit systems, Taipei City Government	27,004,874	27,004,874	✓	-	Public treasury guarantees	None
	Taipei Municipal Secured Small Loans Service	458	167	✓	-	Public treasury guarantees	None
	ICDC	89,322	-	✓	-	Standby Letter of Credit	None
	Department of Sports, Taipei City Government	4,000,000	4,000,000	✓	-	Public treasury guarantees	None
	Long Time Tech.	18,862	15,906	✓	-	None	None
	Other loans	638	524	✓	-	Credit Guarantee Fund	None
Total		36,285,556	35,138,208				

(Continued)

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

Units: In thousands of TWD

June 30, 2018							
Category	Amount or name of related party	Highest balance	Ending balance	Compliance Situation		Type of collateral	Differences in transaction terms between related and non related parties
				Normal	Overdue		
Employee Consumer loans	84	50,017	38,319	✓	-	None	None
House mortgages	381	3,848,546	3,334,194	✓	-	Real estate	None
Others	Department of Urban Development, Taipei City Government	647,319	600,093	✓	-	Public treasury guarantees	None
	Department of Rapid Transit systems, Taipei City Government	1,218,400	-	✓	-	Public treasury guarantees	None
	Taipei Municipal Secured Small Loans Service	458	278	✓	-	Public treasury guarantees	None
	ICDC	92,078	-	✓	-	Standby Letter of Credit	None
	Other loans	638	581	✓	-	Credit Guarantee Fund	None
Total		5,857,456	3,973,465				

## (viii) Guarantees

Units: In thousands of TWD

June 30, 2019					
Related party	Highest balance for the period	Ending balance	Provision (Note)	Rates (%)	Type of collateral
Taipei City Government	1,265	1,243	-	1%	Public treasury guarantees

  

December 31, 2018					
Related party	Highest balance for the period	Ending balance	Provision (Note)	Rates (%)	Type of collateral
Taipei City Government	1,239	1,230	-	1%	Public treasury guarantees

  

June 30, 2018					
Related party	Highest balance for the period	Ending balance	Provision (Note)	Rates (%)	Type of collateral
Taipei City Government	1,220	1,220	-	1%	Public treasury guarantees

Note: Guarantee provisions are reversed based on all claims.

(Continued)

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

(ix) Details of financing activities:

1) Secured loans

June 30, 2019						
Category	Numbers or name of related party	Highest balance	Ending balance	Compliance situation	Type of collateral	Difference in transaction terms between related and unrelated parties
Residential mortgage loans	53 related parties in substance	\$ <u>394,013</u>	<u>386,740</u>	Normal loans	Real estate	None

December 31, 2018						
Category	Numbers or name of related party	Highest balance	Ending balance	Compliance situation	Type of collateral	Difference in transaction terms between related and unrelated parties
Residential mortgage loans	53 related parties in substance	\$ <u>409,583</u>	<u>397,891</u>	Normal loans	Real estate	None

June 30, 2018						
Category	Numbers or name of related party	Highest balance	Ending balance	Compliance situation	Type of collateral	Difference in transaction terms between related and unrelated parties
Residential mortgage loans	52 related parties in substance	\$ <u>382,815</u>	<u>374,658</u>	Normal loans	Real estate	None

The transaction terms between related parties are identical to those of other market participants.

2) Life insurance loans:

June 30, 2019						
Category	Numbers or name of related party	Highest balance	Ending balance	Compliance situation	Type of collateral	Difference in transaction terms between related and nonrelated parties
Life insurance loans	130 related parties in substance	\$ <u>47,694</u>	<u>39,487</u>	Normal loans	Policy value	None

(Continued)

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

December 31, 2018						
Category	Numbers or name of related party	Highest balance	Ending balance	Compliance situation	Type of collateral	Difference in transaction terms between related and nonrelated parties
Life insurance loans	126 related parties in substance	\$ 59,581	39,473	Normal loans	Policy value	None

  

June 30, 2018						
Category	Numbers or name of related party	Highest balance	Ending balance	Compliance situation	Type of collateral	Difference in transaction terms between related and nonrelated parties
Life insurance loans	117 related parties in substance	\$ 49,263	43,658	Normal loans	Policy value	None

The transaction terms between related parties are identical to those of other market participants.

(x) Derivative financial instruments (notional amount)

Name of related party	Financial instrument	June 30, 2019	December 31, 2018	June 30, 2018
Harbin Bank	Foreign currency swap contracts	\$ -	-	3,606,334
Far Eastern Bank	Interest rate swap contracts	2,100,000	2,100,000	-
Total		<u>\$ 2,100,000</u>	<u>2,100,000</u>	<u>3,606,334</u>

(xi) Other income

1) Service fees

Name of related party	For the three months ended June 30		For the six months ended June 30	
	2019	2018	2019	2018
momo	\$ 35,361	23,568	53,817	62,385
Taiwan Mobile	52,194	52,191	105,594	108,070
Others (not related company or person accounts for more than \$10,000 or 10%)	11,688	11,549	22,367	22,645
Total	<u>\$ 99,243</u>	<u>87,308</u>	<u>181,778</u>	<u>193,100</u>

(Continued)

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

## 2) Dividend revenue

<u>Name of related party</u>	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Taiwan Futures Exchange	\$ 19,084	-	19,084	-
Others	1,620	-	4,110	-
Total	<u>\$ 20,704</u>	<u>-</u>	<u>23,194</u>	<u>-</u>

## 3) Management income

<u>Name of related party</u>	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Funds managed by Fubon Asset Management and authorization accounts	<u>\$ 298,911</u>	<u>234,452</u>	<u>575,376</u>	<u>445,221</u>

## 4) Sales commissions

<u>Name of related party</u>	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Funds managed by Fubon Asset Management and authorization accounts	<u>\$ 28,015</u>	<u>12,755</u>	<u>66,390</u>	<u>23,960</u>

## 5) Handling fee income

<u>Name of related party</u>	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Others (not related company or person accounts for more the \$10,000 or 10%)	<u>\$ 21,770</u>	<u>37,536</u>	<u>47,664</u>	<u>64,023</u>

(Continued)

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

6) Sponsorship income, sales revenue, royalty income and unearned revenue

<u>Name of related party</u>	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Taiwan Mobile	\$ 13,380	10,125	21,000	20,250
momo	9,835	9,500	14,809	12,000
Taiwan Win TV	27,314	16,262	27,314	16,262
Others (not related company or person accounts for more the \$10,000 or 10%)	127	438	142	438
	<u>\$ 50,656</u>	<u>36,325</u>	<u>63,265</u>	<u>48,950</u>

The details of unearned revenues generated from aforementioned transactions were as follows:

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
	Taiwan Mobile	\$ 15,000	-
momo	8,000	-	12,000
Total	<u>\$ 23,000</u>	<u>-</u>	<u>32,250</u>

(xii) Other expenses (Rental expenses of 2019 are included)

<u>Name of related party</u>	<u>Category</u>	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
		<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Taiwan Fixed Network	Phone expenses, telecom expenses, network equipment rental expenses, maintenance expenses and rental expenses	\$ 61,089	71,558	119,869	130,449
Taiwan Mobile	Telecom expenses, marketing fee, service fee, rental expenses and benefit & claims paid to policyholders	105,296	11,512	117,281	21,211
Fubon Property Management	Management fees and investment property expenses	54,916	53,691	109,274	100,260
Fubon Land Development	Consulting fee and service fee	1,374	6,747	5,672	10,542

(Continued)



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

<u>Name of related party</u>	<u>Category</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Taiwan Stock Exchange	Brokerage commissions, computer information fee, issuing call warrant fee, dealing fee and rental expenses	52,583	75,571	97,394	142,151
Taiwan Depository & Clearing	Depository and clearing fee and other expenses	38,230	37,742	84,043	70,069
Taiwan Futures Exchange	Brokerage commissions, clearing and settlement fee and dealing fee	44,879	46,546	81,962	94,464
Taiwan High Speed Rail	Service fee, benefit & claims paid to policyholders, travelling expenses	29,642	4,073	29,844	7,540
Convoy Financial Service	Commission expenses and sales bonus	9,224	214	24,232	600
Taihsin Property Insurance Agent	Acquisition commission and service fees	40,253	9,431	81,711	11,286
The Taiwan Insurance Institute	Postage expenses, advertising expenses and other expenses	6,254	3,681	11,840	8,634
Fubon REIT I Fund	Management fee and rental expenses	6,153	2,928	14,908	7,853
Others (not related company or person accounts for more than \$10,000 or 10%)	Service fees, commission expenses, rental expenses and other expenses	71,921	27,287	101,067	43,939
Total		<u>\$ 521,814</u>	<u>350,981</u>	<u>879,097</u>	<u>648,998</u>

(Continued)

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

(xiii) Bond transaction—Bonds sold under repurchase agreement

<u>Name of related party</u>	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Taiwan High Speed Rail	\$ 3,883,000	4,678,000	-
Taiwan Fixed Network	-	146,013	-
Directors, supervisors, managers and their relatives up to the second degree, affiliates and the related parties in substance	2,540,241	4,075,288	3,073,021
Total	<u>\$ 6,423,241</u>	<u>8,899,301</u>	<u>3,073,021</u>

(xiv) Bond transaction—Bonds sold under repurchase agreement

<u>Name of related party</u>	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Formosa Petrochemical Corporation	\$ -	<u>100,000</u>	<u>-</u>

(xv) Donations

Donations to related parties were as follows:

<u>Name of related party</u>	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Taipei Fubon Commercial Bank Charity Foundation	\$ -	16,260	-	16,260
Fubon Art Foundation	19,625	34,057	20,500	35,127
Fubon Cultural & Education Foundation	21,364	24,238	22,114	25,131
Fubon Charity Foundation	22,182	18,785	28,302	26,003
Others (not related company or person accounts for more the \$10,000 or 10%)	5,375	300	5,375	5,400
	<u>\$ 68,546</u>	<u>93,640</u>	<u>76,291</u>	<u>107,921</u>

(Continued)

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

(xvi) Other receivables and payables

<u>Name of related party</u>	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
momo	\$ 796	-	14,244
Taiwan Mobile	12,918	991	10,523
Funds managed by Fubon Asset Management	134,756	353,047	105,446
Taiwan Stock Exchange	(11,352)	(12,938)	(21,355)
Taiwan Futures Exchange	11,682	(12,855)	(15,760)
Convoy Financial Service	(2,255)	(5,882)	(17,236)
Chien Kuo Construction	-	-	(57,750)
Taiwan Win TV	57,948	26,166	50,762
Taihsin Property Insurance Agent	(14,214)	(961)	-
Others (not related company or person accounts for more than \$10,000 or 10%)	(8,476)	14,412	(14,609)
<b>Total</b>	<b><u>\$ 181,803</u></b>	<b><u>361,980</u></b>	<b><u>54,265</u></b>

(xvii) Futures traders' equity

<u>Name of related party</u>	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Funds managed by Fubon Asset Management	<b><u>\$ 10,594,960</u></b>	<b><u>6,465,477</u></b>	<b><u>7,983,460</u></b>

(xviii) The details of the fund's balance from related parties Fubon Asset Management were as follows:

<u>Name of related party</u>	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Fubon Chi-Hsiang Money Market Fund	\$ 2,259,190	1,159,095	1,713,045
Fubon Strategic High Income	-	15,699	38,848
Fubon Fund	51,509	246,470	85,128
Fubon Taiwan Technology ETF	230,641	207,868	210,100
Fubon MSCI Taiwan ETF	176,815	155,562	144,848
Fubon Taiwan Finance ETF	194,983	173,905	174,923
Fubon Taiwan Eight Industries ETF	165,681	141,243	163,213
Fubon SZSE 100 ETF	13,349	113,394	156,008
Fubon China High Yield Bd CNY	-	67,249	117,157
Fubon China Money Market CNY	41,831	40,761	31,127
Fubon China Investment Grade Bond Fund - CNY	26,432	25,345	48,692

(Continued)

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

<u>Name of related party</u>	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Fubon China Growth Fund	\$ 12,369	10,181	6,835
Fubon FTSE TWSE Taiwan 50 ETF	994,238	884,378	1,003,259
Fubon SSE180 ETF	36,999	16,133	26,107
Fubon SSE180 Leveraged 2X Index ETF	2,837	31,371	14,826
Fubon Global Investment Fund	9,573	17,835	9,352
Fubon NIFTY 2X Leveraged Index ETF	11,129	7,887	3,988
Fubon NASDAQ 100 ETF	17,633	36,277	43,629
Fubon Hang Seng China Enterprises ETF	11,898	14,755	9,316
Fubon Hang Seng China Enterprises 2X Leveraged Index ETF	1,163	23,949	36,986
Fubon Hang Seng China Enterprises 1X Inverse Index ETF	35,204	30,670	37,048
Fubon TAIEX Daily 2X Leveraged ETF	11,303	19,409	1,651
Fubon S&P 500 VIX Short Term Futures ETF	27,735	20,717	51,535
Fubon Euro Asia Silk Road Multi Asset Fund	37,572	33,871	52,524
Fubon TWSE Corporate Governance 100 ETF	1,106,035	976,320	1,071,947
Fubon 1-3 Years US Treasury Bond ETF	27,743	3,096,063	7,726
Fubon 7-10 Years US Treasury Bond ETF	439	119,600	3,328,233
Fubon 20+Years US Treasury Bond ETF	5,073,362	2,080,560	2,069,375
Fubon FTSE Developed Europe ETF	10,839	9,322	19,779
Fubon NASDAQ 100 1X Inverse Index ETF	27,524	19,322	801
Fubon NASDAQ 100 2X Leveraged Index ETF	11,476	41,733	22,699
Fubon 9-35 Years US Corporate Bond A ETF	46,099	3,848,082	-
Fubon China Multi-Asset Fund	-	31,381	60,480
Fubon India and Indonesia Sovereign Bond Fund ETF	21,740	20,204	39,589

(Continued)

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

<u>Name of related party</u>	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Fubon S&P US Preferred Stock ETF	\$ 1,984,075	1,793,537	725,141
Fubon US Corporate Bond ETF Umbrella Fund - Fubon 10+Years US Corporate Bond BBB Ex China	4,634,584	198,697	209,535
Fubon US Corporate Bond ETF Umbrella Fund - Fubon 1-5 Years US High Yield Bond Ex China	88,659	201,402	211,204
Fubon China Policy Bank Bond ETF	2,063,578	5,005,801	9,011,104
Fubon Taiwan Small-Mid Cap Alpha Momentum 50 ETF	8,349	2,179	30,687
Fubon China CSI 500 Index ETF	11,959	-	3,723
Fubon FTSE Asian Broad Bond Index-China Investment - Grade ETF	293,413	-	-
Fubon FTSE World Broad Investment - Grade Bank Bond 1ct Years Index ETF	5,310,785	-	-
Others (not related company or person accounts for more than \$10,000 or 10%)	27,385	24,475	29,507
<b>Total</b>	<b><u>\$ 25,118,128</u></b>	<b><u>20,962,702</u></b>	<b><u>21,021,675</u></b>

The Company and its subsidiaries has acquired Fubon REIT I Fund and Fubon REIT II Fund as follows:

<u>Name of related party</u>	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Fubon REIT I Fund	\$ 2,959,590	2,887,963	2,278,244
Fubon REIT II Fund	1,950,946	1,859,785	1,928,054
<b>Total</b>	<b><u>\$ 4,910,536</u></b>	<b><u>4,747,748</u></b>	<b><u>4,206,298</u></b>

(xix) Clearing and settlement fund

<u>Name of related party</u>	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Taiwan Stock Exchange	\$ 110,559	143,704	143,703
Taiwan Futures Exchange	140,265	140,414	146,166
<b>Total</b>	<b><u>\$ 250,824</u></b>	<b><u>284,118</u></b>	<b><u>289,869</u></b>

(Continued)

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

## (xx) Deal on credit

As of June 30, 2019, December 31 and June 30, 2018, the Company and its subsidiaries had receivables from other related parties' pecuniary finance amounting to \$129,182, \$119,353 and \$265,416.

## (xxi) Customer margin deposit

<u>Name of related party</u>	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Taiwan Futures Exchange	\$ <u>2,205,929</u>	<u>2,415,595</u>	<u>1,540,552</u>

## (xxii) Prepaid expense

Prepaid expense – superficies rental expense and temporary payment:

<u>Name of related party</u>	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Taipei City Government	\$ <u>-</u>	<u>-</u>	<u>152,958</u>

## (xxiii) Transaction of property

## 1) Payments of investment and held-for-use property are:

<u>Name of related party</u>	<u>Category</u>	<u>For the six months ended June 30</u>	
		<u>2019</u>	<u>2018</u>
Fubon Land Development	Consultancy fees	\$ 8,488	6,832
Taipei City Government	Prepaid rental expense-superficies and construction contracts	14	15,260
Chien Kuo Construction	Construction contracts	-	309,509
Others (not related company or person accounts for more than \$10,000 or 10%)		809	-
Total		<u>\$ 9,311</u>	<u>331,601</u>

## 2) In May 2018, the Company and its subsidiaries sold investment property to Ying Bao Development Ltd. amounting to \$3,550,000.

## (xxiv) Others

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Principal of structured products	\$ <u>74,829</u>	<u>92,557</u>	<u>66,826</u>

(Continued)

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

(xxv) Bonds payable— issued by the Company

<u>Name of related party</u>	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Hyundai Commercial Co., Ltd.	\$ <u>269,000</u>	<u>-</u>	<u>-</u>

(xxvi) Other loans

<u>Items</u>	<u>Name of related party</u>	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Credit loan	Far Eastern Bank	\$ <u>-</u>	<u>30,000</u>	<u>-</u>

(c) Compensation to executive officers

Executive officers' compensation comprised:

	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Short-term employee benefits	\$ 342,192	359,441	763,570	776,471
Post-employment benefits	9,281	10,167	20,696	20,256
Other long-term employee benefits	<u>1,498</u>	<u>2,034</u>	<u>3,072</u>	<u>3,758</u>
	<u>\$ 352,971</u>	<u>371,642</u>	<u>787,338</u>	<u>800,485</u>

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

(d) Information on related party transactions amounting to more than \$100,000

If a transaction occurs between two subsidiaries, only one subsidiary needs to disclose its related party information, and the inter-company transaction is eliminated in the consolidated financial statements.

(i) The Company

1) Name and relationship of related party

<u>Name of related party</u>	<u>Relationship with the Company and its subsidiaries</u>
Fubon Bank (Hong Kong) Limited (Fubon Bank (Hong Kong))	The subsidiary
Fubon Life Insurance Co., Ltd. (Fubon Life Insurance)	The subsidiary
Fubon Insurance Co., Ltd. (Fubon Insurance)	The subsidiary

(Continued)

**FUBON FINANCIAL HOLDING 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 Co., Ltd. (Fubon Securities)	The subsidiary
Taipei Fubon Bank Co., Ltd. (Taipei Fubon Bank)	The subsidiary

2) Significant transactions with related parties were as follows:

a) Bank deposits

<u>Name of related party</u>	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Taipei Fubon Bank	\$ <u>3,513,333</u>	<u>6,255,385</u>	<u>15,002,423</u>

b) The investment balance details:

i) Balance of investment

<u>Name of security</u>	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Fubon Bank (Hong Kong) - non-cumulative subordinated securities	\$ -	-	5,770,703
Fubon Life Insurance - non-cumulative perpetual subordinated corporate bonds	20,495,584	20,236,023	20,139,826
Total	\$ <u>20,495,584</u>	<u>20,236,023</u>	<u>25,910,529</u>

ii) Interest receivables

<u>Name of related party</u>	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Fubon Life Insurance	\$ <u>189,370</u>	<u>552,329</u>	<u>189,370</u>

(Continued)



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

iii) Interest revenue

<b>Name of related party</b>	<b>For the three months ended June 30</b>		<b>For the six months ended June 30</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Fubon Life Insurance	\$ 179,507	120,469	357,041	189,370
Fubon Bank (Hong Kong)	-	134,071	-	143,934
<b>Total</b>	<b>\$ 179,507</b>	<b>254,540</b>	<b>357,041</b>	<b>333,304</b>

c) Others

<b>Name of related party</b>	<b>June 30, 2019</b>	<b>December 31, 2018</b>	<b>June 30, 2018</b>
Fubon Life Insurance— income tax receivables	\$ 232,325	232,325	1,537,347
Taipei Fubon Bank— income tax receivables	1,055,501	1,449,470	1,023,206
Fubon Insurance— income tax receivables	283,445	227,557	411,894
Fubon Securities— income tax receivables	153,947	277,627	209,542
Taipei Fubon Bank— payables	5,829	-	158,000
<b>Total</b>	<b>\$ 1,731,047</b>	<b>2,186,979</b>	<b>3,339,989</b>

(ii) Fubon Insurance and its subsidiaries

1) Name and relationship of related party

<b>Name of related party</b>	<b>Relationship with the Company</b>
Taipei Fubon Bank Co., Ltd. (Taipei Fubon Bank)	Company controlled by Fubon Financial Holdings
Taiwan Mobile Co., Ltd. (Taiwan Mobile)	Related parties in substance
Funds managed by Fubon Asset Management	Related parties in substance

(Continued)

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

2) Significant transactions with related parties were as follows:

a) Bank deposits

<u>Name of related party</u>	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Taipei Fubon Bank	\$ <u>1,708,515</u>	<u>1,097,330</u>	<u>995,383</u>

b) Premium revenue with related party were as follows:

i) Premium revenue

<u>Name of related party</u>	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Taiwan Mobile	\$ <u>52,090</u>	<u>169,055</u>	<u>140,270</u>	<u>354,588</u>

ii) Premium receivables arose from premium revenue

<u>Name of related party</u>	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Taiwan Mobile	\$ <u>35,695</u>	<u>48,459</u>	<u>38,572</u>

c) Benefit & claims paid to policyholders

<u>Name of related party</u>	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Taiwan Mobile	\$ <u>34,286</u>	<u>75,966</u>	<u>86,566</u>	<u>170,155</u>

d) Fund balance were as follows:

<u>Fund</u>	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Fubon China Policy Bank Bond ETF	\$ 139,549	145,250	144,410
Fubon 7-10 Years US Treasury Bond ETF	-	118,650	-
<b>Total</b>	<b>\$ <u>139,549</u></b>	<b><u>263,900</u></b>	<b><u>144,410</u></b>

(Continued)

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

e) Balance of Fubon REIT I Fund and Fubon REIT II Fund:

<u>Name of related party</u>	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Fubon REIT I Fund	\$ 855,724	835,269	779,584
Fubon REIT II Fund	855,678	816,165	821,347
Total	<u>\$ 1,711,402</u>	<u>1,651,434</u>	<u>1,600,931</u>

(iii) Fubon Life Insurance and its subsidiaries

1) Name and relationship of related party

<u>Name of related party</u>	<u>Relationship with the Company</u>
Fubon Financial Holdings Co., Ltd. (Fubon Financial Holdings)	Parent Company
Taipei Fubon Bank Co., Ltd. (Taipei Fubon Bank)	Company controlled by Fubon Financial Holdings
Fubon Insurance Co., Ltd. (Fubon Insurance)	Company controlled by Fubon Financial Holdings
Fubon Bank (Hong Kong) Limited (Fubon Bank (Hong Kong))	Company controlled by Fubon Financial Holdings
Funds managed by Fubon Asset Management	Related parties in substance
Taipei City Government	Related parties in substance
Hyundai Commercial Co., Ltd.	Related parties in substance
Chien Kuo Construction Co., Ltd.	Related parties in substance (not related parties in substance from the fourth quarter)
Taiwan Fixed Network Co., Ltd. (Taiwan Fixed Network)	Related parties in substance
Others	Directors, supervisors, managers and their spouse or relatives up to the second degree; affiliates and the related parties in subsidiary

(Continued)

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

## 2) Significant transactions with related parties

## a) Bank deposits

<u>Nature of deposits</u>	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Taipei Fubon Bank:			
Check deposits	\$ 92,373	79,365	92,099
Demand deposits	12,437,890	4,643,860	4,543,838
Time deposits	1,379,172	1,879,724	2,379,172
Fubon Bank (Hong Kong):			
Demand deposits	978,296	699,660	530,918
Time deposits	-	818,142	610,056
<b>Total</b>	<b>\$ <u>14,887,731</u></b>	<b><u>8,120,751</u></b>	<b><u>8,156,083</u></b>

## b) Loans

## Secured loans

June 30, 2019						
<u>Category</u>	<u>Numbers or name of related party</u>	<u>Highest Balance</u>	<u>Ending Balance</u>	<u>Compliance situation</u>	<u>Type of Collateral</u>	<u>Differences in transaction terms between related and non related parties</u>
Residential mortgage loans	53 related parties in substance	\$ <u>394,013</u>	<u>386,740</u>	Normal loan	Real Estate	None
December 31, 2018						
<u>Category</u>	<u>Numbers or name of related party</u>	<u>Highest Balance</u>	<u>Ending Balance</u>	<u>Compliance situation</u>	<u>Type of Collateral</u>	<u>Differences in transaction terms between related and non related parties</u>
Residential mortgage loans	53 related parties in substance	\$ <u>409,583</u>	<u>397,891</u>	Normal loan	Real Estate	None
June 30, 2018						
<u>Category</u>	<u>Numbers or name of related party</u>	<u>Highest Balance</u>	<u>Ending Balance</u>	<u>Compliance situation</u>	<u>Type of Collateral</u>	<u>Differences in transaction terms between related and non related parties</u>
Residential mortgage loans	52 related parties in substance	\$ <u>382,815</u>	<u>374,658</u>	Normal loan	Real Estate	None

The transaction terms are identical to those of other market participants.

(Continued)

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

c) Funds were as follows:

<b>Fund</b>	<b>June 30, 2019</b>	<b>December 31, 2018</b>	<b>June 30, 2018</b>
Fubon Chi-Hsiang Money Market Fund	\$ 1,801,446	702,511	1,207,472
Fubon Taiwan Technology ETF	219,197	198,598	205,905
Fubon MSCI Taiwan ETF	145,510	129,112	139,826
Fubon Taiwan Eight Industries ETF	157,508	138,215	158,956
Fubon Taiwan Finance ETF	186,932	165,216	170,274
Fubon FTSE World Broad Investment-Grade USD Bank Bond 10+ Years Index ETF	5,305,353	-	-
Fubon 1-5 Years High Yield Bond Fund ETF	-	201,402	203,084
Fubon SZSE 100 ETF	-	101,731	133,330
Fubon FTSE TWSE Taiwan 50 ETF	971,040	873,180	998,550
Fubon 7-10 Years US Treasury Bond ETF	-	-	3,324,282
Fubon 20+ Years US Treasury Bond ETF	5,072,840	2,077,412	2,065,516
Fubon S&P US Preferred Stock ETF	1,964,609	1,722,683	588,349
Fubon China Policy Bank Bond ETF	1,741,467	4,680,564	8,739,274
Fubon TWSE Corporate Governance 100 ETF	1,064,000	966,500	1,055,000
Fubon 10+ Years US Corporate Bond BBB Ex China	4,631,980	198,697	200,381
Fubon 1-3 Years US Treasury Bond ETF	-	3,088,427	-
Fubon 9-35 Years US Corporate Bond A ETF	-	3,843,315	-
<b>Total</b>	<b>\$ 23,261,882</b>	<b>19,087,563</b>	<b>19,190,199</b>

(Continued)

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

d) Balance of Fubon REIT I Fund and Fubon REIT II Fund:

<u>Name of related party</u>	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Fubon REIT I Fund	\$ 855,212	834,769	779,118
Fubon REIT II Fund	963,207	918,728	924,562
Total	<u>\$ 1,818,419</u>	<u>1,753,497</u>	<u>1,703,680</u>

e) Bond transactions:

i) Sales of bonds

<u>Name of related party</u>	<u>For the six months ended June 30</u>	
	<u>2019</u>	<u>2018</u>
Taipei Fubon Bank	\$ -	<u>4,099,874</u>

<u>Name of related party</u>	<u>For the three months ended June 30, 2018</u>	<u>For the six months ended June 30, 2018</u>	<u>RS price as of June 30, 2018</u>
	<u>Interest Revenue</u>	<u>Interest Revenue</u>	
Taipei Fubon Bank	\$ -	-	<u>500,000</u>

ii) Bonds payable

<u>Name of related party</u>	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Hyundai Commercial Co., Ltd.	<u>\$ 269,000</u>	-	-

f) Other receivables:

<u>Name of related party</u>	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Fubon Financial Holding	\$ 6,421,720	6,040,372	186,338
Fubon Insurance	126,444	145,455	136,944
Total	<u>\$ 6,548,164</u>	<u>6,185,827</u>	<u>323,282</u>

(Continued)

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

## g) Prepayment:

<u>Name of related party</u>	<u>Category</u>	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Taipei City Government	Prepaid rental expense-superficies and temporary payment	\$ -	-	<u>152,958</u>

## h) Premium Income:

<u>Name of related party</u>	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Related parties in substance	\$ 13,162	67,393	52,253	132,117
Others (not related company or person accounts for more than \$10,000 or 10%)	370,068	345,305	789,487	683,529
Total	<u>\$ 383,230</u>	<u>412,698</u>	<u>841,740</u>	<u>815,646</u>

Premium rates were calculated in accordance with the relevant provisions of the Insurance Act, and were not materially different from the general trading terms.

## i) Leasing transaction:

## i) Refundable deposits:

<u>Name of related party</u>	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>	<u>Note</u>
Taipei City Government	<u>\$ 1,223,676</u>	<u>1,223,476</u>	<u>1,208,426</u>	Construction / Superficies

## ii) Rental expense (before 2018):

<u>Name of related party</u>	<u>For the three months ended June 30, 2018</u>	<u>For the six months ended June 30, 2018</u>	<u>Note</u>
Taipei City Government	<u>75,647</u>	<u>150,464</u>	Superficies rental expense

(Continued)

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

- iii) Right-of-use asset and lease liability— building and construction (since January 1, 2019)

<u>Name of related party</u>	<u>June 30, 2019</u>	<u>January 1, 2019</u>
Taiwan Fixed Network	\$ 100,521	119,048
Fubon REIT I Fund	187,077	244,519
Fubon Insurance	146,344	201,429
<b>Total</b>	<b>\$ 433,942</b>	<b>564,996</b>

<u>Name of related party</u>	<u>Lease liability</u>		<u>Interest expense</u>		<u>Value of Contract</u>
	<u>June 30, 2019</u>	<u>January 1, 2019</u>	<u>For the three months ended June 30, 2019</u>	<u>For the six months ended June 30, 2019</u>	
Taiwan Fixed Network	\$ 106,006	124,414	941	1,941	201,427
Fubon REIT I Fund	185,728	238,654	1,679	3,558	351,161
Fubon Insurance	139,073	183,830	1,303	2,789	284,124
<b>Total</b>	<b>\$ 430,807</b>	<b>546,898</b>	<b>3,923</b>	<b>8,288</b>	<b>836,712</b>

- iv) Right-of-use asset and lease liability— Investment property— Superficies (since January 1, 2019)

<u>Name of related party</u>	<u>June 30, 2019</u>	<u>January 1, 2019</u>
Taipei City Government	\$ 30,945,215	30,230,875

<u>Name of related party</u>	<u>Lease liability</u>		<u>Interest expense</u>		<u>Value of Contract</u>
	<u>June 30, 2019</u>	<u>January 1, 2019</u>	<u>For the three months ended June 30, 2019</u>	<u>For the six months ended June 30, 2019</u>	
Taipei City Government	\$ 7,513,477	7,705,808	58,927	116,112	37,738,742

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

- j) Integrate business revenue and cross-selling commission:

<u>Name of related party</u>	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Fubon Insurance	\$ 125,149	134,896	265,824	254,233

(Continued)



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

k) Transaction of property

Payments of investment property are:

<b>Name of related party</b>	<b>Category</b>	<b>For the six months ended June 30</b>	
		<b>2019</b>	<b>2018</b>
Chien Kuo Construction	Construction contracts	\$ -	309,509

(iv) Fubon Securities and its subsidiaries

1) Name and relationship with related party

<b>Name of related party</b>	<b>Relationship with the Company</b>
Taipei Fubon Bank Co., Ltd. (Taipei Fubon Bank)	Company controlled by Fubon Financial Holdings
Fubon Bank (Hong Kong) Limited (Fubon Bank (Hong Kong))	Company controlled by Fubon Financial Holdings
Far Eastern International Bank Co., Ltd. (Far Eastern Bank)	Related parties in substance (related parties in substance from the third quarter of 2018)
Xiamen Bank Co., Ltd. (Xiamen Bank)	Related parties in substance
Taiwan Mobile Co., Ltd. (Taiwan Mobile)	Related parties in substance
Funds managed by Fubon Asset Management	Related parties in substance
Taiwan Stock Exchange Corporation (Taiwan Stock Exchange)	Related parties in substance
Taiwan Futures Exchange Corporation (Taiwan Futures Exchange)	Related parties in substance
Formosa Petrochemical Corporation	Related parties in substance
First Life Insurance Co., Ltd. (First Life Insurance)	Related parties in substance
Taiwan Acceptance Corporation	Related parties in substance
CLEVO Co., Ltd.	Related parties in substance (not related parties in substance from the third quarter of 2018)
Others	Directors, supervisors, managers and their spouse or relatives up to the second degree; affiliated and the related parties in substance

(Continued)

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

2) Significant transactions with related parties

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

Cash deposits in Taipei Fubon Bank and Fubon Bank (Hong Kong) were as follows:

Items	June 30, 2019	December 31, 2018	June 30, 2018
Demand deposits (excluding settlement accounts)	\$ <u>2,026,501</u>	<u>1,419,636</u>	<u>1,805,011</u>
Demand deposits (booked as customer margin accounts)	\$ <u>343,124</u>	<u>274,101</u>	<u>170,938</u>
Check deposits	\$ <u>25,407</u>	<u>22,061</u>	<u>22,505</u>
Time deposits	\$ <u>574,000</u>	<u>596,500</u>	<u>292,500</u>
Pledged time deposit	\$ <u>120,021</u>	<u>177,521</u>	<u>267,521</u>
Foreign currency deposits (excluding settlement accounts)	\$ <u>217,005</u>	<u>611,419</u>	<u>421,448</u>
Foreign time deposit	\$ <u>4,372,911</u>	<u>7,018,221</u>	<u>9,547,420</u>

As of June 30, 2019, December 31 and June 30, 2018, Fubon Securities and its subsidiaries had put bank deposits in Xiamen Bank and Far Eastern Bank amounting to \$1,194,728, \$1,184,822 and \$882,477, respectively.

As of June 30, 2019, December 31 and June 30, 2018, Fubon Securities and its subsidiaries had put time deposits in Taipei Fubon Bank as operating deposits refundable deposits and warrant deposits amounting to \$825,000, \$845,000 and \$850,000, respectively.

Balances of short-term borrowings from Taipei Fubon Bank as of June 30, 2019, December 31 and June 30, 2018, were all nil, unused credit facilities from Taipei Fubon Bank were all \$6,000,000. As of June 30, 2019, December 31 and June 30, 2018, the book value of lands and buildings pledged to Taipei Fubon bank were \$1,577,051, \$1,579,946 and \$1,558,296, respectively, and time deposits pledged to Taipei Fubon Bank for short-term borrowing were all \$105,000. Fubon Securities also provided stock investments amounting to \$4,608,300, \$4,288,300 and \$3,624,795 to Taipei Fubon Bank as collateral for short-term borrowings (recognized as financial assets at fair value through other comprehensive income).

(Continued)

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

b) Finance assets measured at fair value through other comprehensive income

The balance of related parties' shares held by Fubon Securities and its subsidiaries and the gain or loss on valuation were as follows:

<u>Name of security</u>	<u>June 30, 2019</u>	
	<u>Cost</u>	<u>Gains (losses) on valuation</u>
Taiwan Mobile	<u>\$ 1,682,697</u>	<u>796,949</u>

  

<u>Name of security</u>	<u>December 31, 2018</u>	
	<u>Cost</u>	<u>Gains (losses) on valuation</u>
Taiwan Mobile	<u>\$ 1,682,697</u>	<u>473,077</u>

  

<u>Name of security</u>	<u>June 30, 2018</u>	
	<u>Cost</u>	<u>Gains (losses) on valuation</u>
Taiwan Mobile	<u>\$ 1,616,197</u>	<u>554,244</u>

c) Accounts receivable

<u>Name of related party</u>	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
	Funds managed by Fubon Asset Management	<u>\$ 134,661</u>	<u>353,046</u>

d) Futures traders' equity

Related parties engaging in futures have Fubon Futures traders' equity deposited in Fubon Securities and its subsidiaries were as follow:

<u>Name of related party</u>	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
	Taipei Fubon Bank	\$ 103,373	96,874
Fubon SSE 180 ETF	347,066	221,232	86,377
Fubon SSE 180 Leveraged 2X Index ETF	7,542,902	5,054,426	5,433,481
Fubon NASDAQ 100 ETF	176,472	95,270	150,768
Fubon Hang Seng China Enterprises 2X Leveraged Index ETF	185,280	174,618	120,278
Fubon S&P 500 VIX Short-Term Futures ETF	2,081,755	544,189	1,587,366
Fubon NIFTY 2X Leveraged	76,338	59,383	105,847
Fubon TAIEX ETF Umbrella Fund-Fubon Index ETF	-	72,469	167,997
<b>Total</b>	<b><u>\$ 10,513,186</u></b>	<b><u>6,318,461</u></b>	<b><u>7,688,697</u></b>

(Continued)

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

- e) Fubon Asset Management's funds purchased by Fubon Securities and its subsidiaries were as follow:

<u>Name of Funds</u>	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Fubon Chi-Hsiang Money Market Fund	\$ 256,746	256,095	255,544
Fubon China High Yield Bond Fund CNY	-	67,249	117,157
Fubon S&P US Preferred Stock ETF	12,106	66,201	108,759
Fubon China Policy Bank Bond ETF	87,130	179,657	123,707
<b>Total</b>	<b><u>\$ 355,982</u></b>	<b><u>569,202</u></b>	<b><u>605,167</u></b>

- f) The Company and its subsidiaries hold the funds issued by Fubon Asset Management which is traded outside the exchange market (excluding the index funds):

<u>Name of Funds</u>	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Fubon Chi-Hsiang Money Market Fund	\$ 2,078,290	1,159,095	1,713,045
Fubon China High Yield Bond Fund CNY	-	67,249	117,158
<b>Total</b>	<b><u>\$ 2,078,290</u></b>	<b><u>1,226,344</u></b>	<b><u>1,830,203</u></b>

- g) Deal on credit

As of June 30, 2019, December 31 and June 30, 2018, Fubon Securities and its subsidiaries had receivables from the other related parties' pecuniary finance amounting to \$129,182, \$119,353 and \$265,416, respectively.

- h) Settlement and clearing funds

<u>Name of related party</u>	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Taiwan Stock Exchange	\$ 110,559	143,704	143,703
Taiwan Futures Exchange	140,265	140,414	146,166
<b>Total</b>	<b><u>\$ 250,824</u></b>	<b><u>284,118</u></b>	<b><u>289,869</u></b>

- i) Debit bond deposit

<u>Name of related party</u>	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Taiwan Stock Exchange	\$ 3,936,662	4,237,952	-

(Continued)

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

## j) Refundable deposits

<u>Name of related party</u>	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Taiwan Stock Exchange	\$ -	-	250,000

## k) Customer margin deposit

<u>Name of related party</u>	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Taiwan Futures Exchange	\$ 2,205,929	2,415,595	1,540,552

## l) Operating securities-dealing

The details of related parties' funds and bonds held by Fubon Securities and its subsidiaries were as follows:

<u>Name of security</u>	<u>June 30, 2019</u>	
	<u>Cost</u>	<u>Gains (losses) on valuation</u>
Fubon FTSE Asian Broad Bond Index- China Investment-Grade ETF (managed by Fubon Asset Management)	\$ 253,260	7,558
Fubon REIT I Fund	243,076	115,969
First 106 unsecured domestic corporate bonds of Taiwan Acceptance	300,000	443
Total	<u>\$ 796,336</u>	<u>123,970</u>
<u>Name of security</u>	<u>December 31, 2018</u>	
	<u>Cost</u>	<u>Gains (losses) on valuation</u>
Fubon REIT I Fund	\$ 242,172	107,409
First 106 unsecured domestic corporate bonds of Taiwan Acceptance	300,000	997
Others (no individual payments less than \$10,000 or 5% of ending balance)	123,199	(1,103)
Total	<u>\$ 665,371</u>	<u>107,303</u>

(Continued)

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

<u>Name of security</u>	<u>June 30, 2018</u>	
	<u>Cost</u>	<u>Gains (losses) on valuation</u>
Fubon REIT I Fund	\$ 239,906	84,202
First 104 unsecured domestic corporate bonds of Clevo Co.	204,989	(1,688)
First 106 unsecured domestic corporate bonds of Taiwan Acceptance	300,000	1,152
Others (no individual payments of more than \$10,000)	103,573	755
Total	<u>\$ 848,468</u>	<u>84,421</u>

As of June 30, 2019, December 31 and June 30, 2018, the balance of the trading securities-dealing of the related parties were \$300,000, \$300,000 and \$504,989, respectively.

m) Operating securities-hedging

The details of related parties' bonds held by Fubon Securities and its subsidiaries were as follows:

<u>Name of security</u>	<u>June 30, 2019</u>	
	<u>Cost</u>	<u>Gains (losses) on valuation</u>
Third issue of unsecured convertible bonds of Taiwan Mobile	<u>\$ 65,090</u>	<u>10,278</u>

<u>Name of security</u>	<u>December 31, 2018</u>	
	<u>Cost</u>	<u>Gains (losses) on valuation</u>
Third issue of unsecured convertible bonds of Taiwan Mobile	<u>\$ 100,090</u>	<u>2,960</u>

<u>Name of security</u>	<u>June 30, 2018</u>	
	<u>Cost</u>	<u>Gains (losses) on valuation</u>
Third issue of unsecured convertible bonds of Taiwan Mobile	<u>\$ 100,090</u>	<u>4,060</u>

n) Bonds sold under repurchase agreement

<u>Name of related party</u>	<u>December 31,</u>		
	<u>June 30, 2019</u>	<u>2018</u>	<u>June 30, 2018</u>
First Life Insurance	\$ -	-	200,008
Formosa Petrochemical Corporation	-	100,000	-
Total	<u>\$ -</u>	<u>100,000</u>	<u>200,008</u>

(Continued)

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

o) Management fee (accounted for other operating revenue)

<u>Name of related party</u>	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Fubon SSE 180 Leveraged 2X Index ETF	\$ 55,922	77,986	126,060	145,798
Others (Individual payments less than \$10,000)	61,502	55,813	119,150	102,368
<b>Total</b>	<b>\$ 117,424</b>	<b>133,799</b>	<b>245,210</b>	<b>248,166</b>

p) Rental revenue (accounted for other profit and loss)

<u>Name of related party</u>	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Taipei Fubon Bank	\$ 59,433	64,817	115,890	126,464

q) Brokerage service charge

<u>Name of related party</u>	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Taiwan Stock Exchange	\$ 39,514	55,729	71,934	103,406

i) Right-of-use asset and lease liability

<u>Name of related party</u>	<u>Right-of-use asset</u>	
	<u>June 30, 2019</u>	<u>January 1, 2019</u>
Taipei Fubon Bank	\$ 122,327	86,290
Fubon REIT I Fund	107,664	15,017
	<b>\$ 229,991</b>	<b>101,307</b>

<u>Name of related party</u>	<u>Lease liability</u>		<u>Interest expense</u>		<u>Value of Contract</u>
	<u>June 30, 2019</u>	<u>January 1, 2019</u>	<u>For the three months ended June 30, 2019</u>	<u>For the six months ended June 30, 2019</u>	
Taipei Fubon Bank	\$ 122,971	86,290	935	1,630	168,963
Fubon REIT I Fund	106,274	13,169	984	1,013	123,984
	<b>\$ 229,245</b>	<b>99,459</b>	<b>1,919</b>	<b>2,643</b>	<b>292,947</b>

(Continued)

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

(v) Taipei Fubon Bank and its subsidiaries

1) Name and relationship with related party

<u>Name of related party</u>	<u>Relationship with the Company</u>
Fubon Financial Holding Co., Ltd. (Fubon Financial Holding)	Parent Company
Fubon Life Insurance Co., Ltd. (Fubon Life Insurance)	Company controlled by Fubon Financial Holdings
Fubon Securities Co., Ltd. (Fubon Securities)	Company controlled by Fubon Financial Holdings
Taipei City Government	A major shareholder of Fubon Financial Holdings
Chung Hsing Land Development Co., Ltd. (Chung Hsing Land Development)	A major shareholder of Fubon Financial Holdings
Taiwan Fixed Network Co., Ltd.(Taiwan Fixed Network)	Related parties in substance
Taiwan High Speed Rail Co., Ltd. (Taiwan High Speed Rail)	Related parties in substance
Long Time Tech. Co., Ltd. (Long Time Tech.)	Related parties in substance ( related parties in substance from fourth quarter of 2018)
ICDC (Beijing) China Co., Ltd. (ICDC)	Related parties in substance (not related parties in substance from second quarter of 2018)
Others	Directors, supervisors, managers and their relatives up to the second degree; affiliated and the related parties in substance

2) Significant transactions with related parties

a) Deposits and loans

<u>Item</u>	<u>For the six months ended June 30, 2019</u>		
	<u>June 30, 2019</u> <u>Ending balance</u>	<u>Interest rate/</u> <u>service fee rate</u> <u>(%)</u>	<u>Interest</u> <u>revenue</u> <u>(expense)</u>
Loans	\$ <u>33,679,389</u>	0~14.97	<u>35,192</u>
Due to banks	\$ <u>175,834</u>	0~5.40	<u>515</u>
Deposits	\$ <u>78,525,560</u>	0~6.12	<u>(239,762)</u>

(Continued)



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

Units: In thousands of TWD

June 30, 2019							
Category	Amount or name of related party	Highest balance	Ending balance	Compliance Situation		Type of collateral	Differences in transaction terms between related and non related parties
				Normal	Overdue		
Consumer loans	95	\$ 47,520	39,522	✓	-	None	None
Residential mortgage loans	405	4,145,065	3,713,714	✓	-	Real estate	None
Others	Department of Rapid Transit systems, Taipei City Government	28,013,659	28,013,659	✓	-	Public treasury guarantees	None
	Department of Urban Development, Taipei City Government	541,612	491,138	✓	-	Public treasury guarantees	None
	Taipei Municipal Secured Small Loans Service	167	73	✓	-	Public treasury guarantees	None
	Department of Sports, Taipei City Government	4,000,000	1,400,000	✓	-	Public treasury guarantees	None
	Long Time Tech.	33,709	20,816	✓	-	Certificate of deposit	None
	Other loans	524	467	✓	-	Credit Guarantee Fund	None
Total		\$ 36,782,256	33,679,389				

Item	December 31, 2018 Ending balance	Interest rate/ service fee rate (%)	Interest revenue (expense)
Loans	\$ <u>35,138,208</u>	0~14.98	<u>66,059</u>
Due to banks	\$ <u>158,646</u>	0~5.40	<u>2,914</u>
Deposits	\$ <u>95,258,250</u>	0~8.00	<u>(390,386)</u>

(Continued)

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

Units: In thousands of TWD

December 31, 2018							
Category	Amount or name of related party	Highest balance	Ending balance	Compliance Situation		Type of collateral	Differences in transaction terms between related and non related parties
				Normal	Overdue		
Consumer loans	79	\$ 58,976	32,375	✓	-	None	None
Residential mortgage loans	385	4,465,107	3,543,052	✓	-	Real estate	None
Others	Department of Rapid Transit systems, Taipei City Government	27,004,874	27,004,874	✓	-	Public treasury guarantees	None
	Department of Urban Development, Taipei City Government	647,319	541,310	✓	-	Public treasury guarantees	None
	Taipei Municipal Secured Small Loans Service	458	167	✓	-	Public treasury guarantees	None
	Fubon Securities	1,499,420	-	✓	-	Domestic listed stocks	None
	Department of Sports, Taipei City Government	4,000,000	4,000,000	✓	-	Public treasury guarantees	None
	Long Time Tech.	18,862	15,906	✓	-	None	None
	ICDC	89,322	-	✓	-	Standby letter of credit	None
	Other loans	638	524	✓	-	Credit Guarantee Fund	None
<b>Total</b>		<b>\$ 37,784,976</b>	<b>35,138,208</b>				

**For the six months ended June 30, 2018**

Item	June 30, 2018 Ending balance	Interest rate/ service fee rate (%)	Interest revenue (expense)
Loans	\$ <u>3,973,465</u>	0~14.98	<u>26,374</u>
Discounts	\$ <u>1,379,032</u>	6.00	<u>45,796</u>
Due to banks	\$ <u>119,989</u>	0~5.40	<u>1,759</u>
Deposits	\$ <u>75,717,767</u>	0~8.00	<u>(166,986)</u>

(Continued)

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

Units: In thousands of TWD

June 30, 2018							
Category	Amount or name of related party	Highest balance	Ending balance	Compliance Situation		Type of collateral	Differences in transaction terms between related and nonrelated parties
				Normal	Overdue		
Consumer loans	84	\$ 50,017	38,319	✓	-	None	None
Residential mortgage loans	381	3,848,546	3,334,194	✓	-	Real estate	None
Others	Department of Urban Development, Taipei City Government	647,319	600,093	✓	-	Public treasury guarantees	None
	Department of Rapid Transit systems, Taipei City Government	1,218,400	-	✓	-	Public treasury guarantees	None
	Fubon Securities	1,499,420	-	✓	-	Domestic listed stocks	None
	Taipei Municipal Secured Small Loans Service	458	278	✓	-	Public treasury guarantees	None
	ICDC	92,078	-	✓	-	Standby letter of credit	None
	Other loans	638	581	✓	-	Credit Guarantee Fund	None
Total		\$ 7,356,876	3,973,465				

Transaction terms between Fubon Bank and the related parties were similar to those with non related parties except a better interest rate deposit will be given within a certain limit.

In accordance with Article 32 and Article 33 of the Banking Law, except for the amount of consumer loans and loans to the government, no credit can be granted for unsecured credit; at the time, there should be full guarantees, and their conditions must not be better than other similar credit grantees.

b) Bond transactions were as follows:

Name of related party	Subject	Transaction types	For the six months ended June 30	
			2019	2018
Fubon Life Insurance	Bonds	Bonds purchased	\$ -	4,099,874

(Continued)

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

<u>Name of related party</u>	<u>Subject</u>	<u>Transaction types</u>	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Fubon Life Insurance	Bonds	Repurchase agreement	\$ -	-	500,000
Fubon Securities	Bonds	Repurchase agreement	100,005	-	-
Taiwan High Speed Rail	Bonds	Repurchase agreement	3,883,000	4,678,000	-
Taiwan Fixed Network	Bonds	Repurchase agreement	-	146,013	-
Directors, supervisors, managers and their relatives up to the second degree; affiliated and the related parties in substance	Bonds	Repurchase agreement	2,540,241	4,075,288	3,073,021

## c) Fund and stock transactions

<u>Name of Funds</u>	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Fubon REIT I Fund	<u>\$ 868,661</u>	<u>847,896</u>	<u>791,370</u>

## d) Derivative financial instruments

Units: In thousands of TWD

June 30, 2018						
Name of Related party	Derivative instruments	Contract period	Contract (notional) amount	Gains (losses) on valuation	Balance Sheet	
					Account	Balance
Fubon Life Insurance	Currency swap contracts	2018.03.01~2018.09.05	2,606,310	126,885	Valuation adjustment of financial liability at fair value through profit or loss	126,885

## e) Lease agreement

<u>Name of related party</u>	<u>Lease liability</u>	<u>Interest expense</u>		<u>Value of Contract</u>
	<u>June 30, 2019</u>	<u>For the three months ended June 30, 2019</u>	<u>For the six months ended June 30, 2019</u>	
Chung Hsing Land Development	289,378	2,627	5,623	593,120
Fubon Insurance	249,218	2,276	4,734	312,131
Fubon Life Insurance	199,527	1,827	3,699	353,220
Taipei City Government	63,713	459	1,142	102,559
Fubon REIT II Fund	154,709	1,267	2,607	299,248
	<u>\$ 956,545</u>	<u>8,456</u>	<u>17,805</u>	<u>1,660,278</u>

(Continued)

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

## f) Others

	<b>June 30, 2019</b>	<b>December 31, 2018</b>	<b>June 30, 2018</b>	
	\$	205,467	205,467	205,467
Receivables – Fubon Financial Holding	463,731	220,239	384,995	
Receivables – Fubon Life Insurance	120,079	52,443	195,984	
Principal of structured products – Fubon Life Insurance	-	-	-	
Payables – Others	61,598	62,497	199,948	
	<b>For the three months ended June 30</b>		<b>For the six months ended June 30</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Service fee income – Fubon Life Insurance	\$ 1,783,273	1,854,660	3,531,957	3,292,891
Service fee income – Others	256,971	118,462	412,692	256,838
Rental expenses – Chung Hsing Land Development	3,145	52,901	6,375	105,749
Operating expenses – Others	42,815	106,367	123,682	179,206

## (vi) Fubon Bank (Hong Kong)

## 1) Name and relationship with related party

<b>Name of related party</b>	<b>Relationship with the Company</b>
Taipei Fubon Bank Co., Ltd. (Taipei Fubon Bank)	Company controlled by Fubon Financial Holdings
Fubon Life Insurance (Hong Kong) Limited	Company controlled by Fubon Financial Holdings
Fubon Convoy Asset Management (Hong Kong)	Company controlled by Fubon Financial Holdings

(Continued)

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

2) Significant transactions with related parties

a) Deposits and remittances

<u>Name of related party</u>	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Taipei Fubon Bank	HKD <u>23,544</u>	HKD <u>32,907</u>	HKD <u>17,564</u>
Fubon Life Insurance (Hong Kong)	HKD <u>254,210</u>	HKD <u>386,995</u>	HKD <u>294,131</u>
Fubon Convoy Asset Management (Hong Kong)	HKD <u>3,441</u>	HKD <u>3,887</u>	HKD <u>42,678</u>

b) Bank Deposits in Taipei Fubon Bank

<u>Name of related party</u>	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Taipei Fubon Bank	HKD <u>26,319</u>	HKD <u>30,149</u>	HKD <u>23,378</u>

(vii) Fubon Financial Holding Venture Capital and its subsidiaries

1) Name and relationship with related party

<u>Name of related party</u>	<u>Relationship with the Company</u>
Taipei Fubon Bank Co., Ltd. (Taipei Fubon Bank)	Company controlled by Fubon Financial Holdings
Funds managed by Fubon Asset Management	Related parties in substance

2) Significant transactions with related parties

a) Bank deposits

<u>Name of related party</u>	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Taipei Fubon Bank	\$ <u>233,814</u>	<u>166,904</u>	<u>272,398</u>

b) The details of the fund's balances purchased from related parties Fubon Asset Management were as follow:

<u>Name of related party</u>	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Fubon Chi-Hsiang Money Market Fund	\$ <u>200,998</u>	<u>200,489</u>	<u>250,029</u>

(Continued)

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

(viii) Fubon Marketing and its subsidiaries

1) Name and relationship with related party

<u>Name of related party</u>	<u>Relationship with the Company</u>
Fubon Insurance Co., Ltd. (Fubon Insurance)	Company controlled by Fubon Financial Holdings
Fubon Life Insurance Co., Ltd. (Fubon Life Insurance)	Company controlled by Fubon Financial Holdings
Taipei Fubon Bank Co., Ltd. (Taipei Fubon Bank)	Company controlled by Fubon Financial Holdings

2) Significant transactions with related parties

a) Bank deposits

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Taipei Fubon Bank	\$ <u>221,364</u>	<u>300,445</u>	<u>211,399</u>

b) Operating revenue

Remuneration of commissions and project service fees due to the appointment of agents by related parties, to sell their products or provide consulting services, their related details are as follows:

<u>Name of related party</u>	<u>For the six months ended June 30</u>	
	<u>2019</u>	<u>2018</u>
Fubon Insurance	\$ 206,883	171,031
Fubon Life Insurance	<u>122,287</u>	<u>132,506</u>
Total	<u>\$ 329,170</u>	<u>303,537</u>

The details of receivables generated from aforementioned transactions were as follows:

<u>Name of related party</u>	<u>June 30, 2019</u>	<u>December 31,</u>	
		<u>2018</u>	<u>June 30, 2018</u>
Accounts receivables:			
Fubon Insurance	\$ 71,255	34,134	31,087
Fubon Life Insurance	<u>22,873</u>	<u>39,807</u>	<u>27,970</u>
Total	<u>\$ 94,128</u>	<u>73,941</u>	<u>59,057</u>

(Continued)

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

## (ix) Fubon AMC

## 1) Name and relationship with related party

<u>Name of related party</u>	<u>Relationship with the Company</u>
Taipei Fubon Bank Co., Ltd. (Taipei Fubon Bank)	Company controlled by Fubon Financial Holdings
Ying Bao Development Ltd.	Related parties in substance

## 2) Significant transactions with related parties — Transaction of property

## a) Deposit

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Taipei Fubon Bank	\$ <u>16,519</u>	<u>7,612</u>	<u>238,203</u>

## b) Transaction of property

Fubon AMC sold the investment properties to Ying Bao Development Ltd. amounting to \$3,550,000 in May 2018.

**(8) Pledged assets**

<u>Pledged assets</u>	<u>Purpose of pledge</u>	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Savings deposits (accounted for refundable deposits)	Guarantee deposits for Insurance business and bank overdraft	\$ 16,089	15,840	15,960
Savings deposits (accounted for other financial assets)	Note 1	611	-	-
Time deposits (accounted for refundable deposits)	Performance bond	1,088,753	979,636	1,030,395
Time deposits (accounted for pledged assets)	Full fiduciary discretionary deposits, bank overdraft and performance bond	15,021	12,521	150,000
Time deposits (accounted for refundable deposits)	Deposits for leases and others	1,379,172	1,379,172	1,360,172
Time deposits (accounted for other financial assets)	Deposits for Operate-Transfer (OT) project	15,000	15,000	15,000
Negotiable Certificate of Deposit (accounted for debt investments measured at amortized cost)	Collaterals for day term overdraft as liquidity reserve, collaterals for call loans of foreign currency and USD clearing transaction warranty	19,995,646	19,996,172	29,000,000
Other banks' deposits (accounted for other financial assets)	Note 1	1,636,966	1,622,296	1,656,502
Government bonds (accounted for refundable deposits)	Guarantee deposits for Insurance business, performance bond and margin deposit for trust business	17,205,791	17,046,443	12,855,305

(Continued)



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

<u>Pledged assets</u>	<u>Purpose of pledge</u>	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Government bonds (accounted for financial assets measured at fair value through profit or loss)	Note 1	\$ 100,482	150,163	150,328
Government bonds (accounted for financial assets measured at amortized cost)	Pledged for repurchase agreement	5,138,771	2,965,894	53,200
Government bonds (accounted for financial assets measured at fair value through profit or loss)	Pledged for securities trading guarantee	6,870,631	6,282,095	7,760,891
Government bonds (accounted for debt investment measured at amortized cost)	Note 1	1,833,488	1,809,111	1,796,665
Government bonds (accounted for financial assets measured at fair value through other comprehensive income)	Pledged for securities trading guarantee	1,542,582	504,549	1,101,460
Government bonds (accounted for financial assets measured at amortized cost)	Pledged for securities trading guarantee	651,972	1,174,419	458,452
Corporate bonds (accounted for financial assets measured at amortized cost)	Pledged for repurchase agreement	10,210,893	7,309,051	9,645,668
Financial bonds (accounted for financial assets measured at amortized cost)	Pledged for repurchase agreement	10,956,603	15,260,109	18,450,710
Commercial paper (accounted for financial assets measured at amortized cost)	Pledged for repurchase agreement	1,711,942	2,142,923	2,735,594
Investment property— land and buildings	Bank loans	407,416	407,416	420,710
Property and equipment— land and buildings	Bank loans	505,908	506,811	507,738
Total		<u>\$ 81,283,737</u>	<u>79,579,621</u>	<u>89,164,750</u>

Note 1: Those pledged assets had been placed with (a) courts for meeting requirements for judiciary provisional seizure of debtors' property, (b) the National Credit Card Center for the Bank's potential obligations on credit card activities, (c) the Central Bank for the Bank's potential obligations on its trust activities, (d) foreign governments for the Bank's potential obligations on its overseas operations, (e) transactions for bonds business, (f) collaterals for derivatives transactions, and (g) claims litigation.

(Continued)

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

**(9) Commitments and contingencies:**

(a) Details of the Company's leasing contract commitments to the maturity were as follows:

<b>December 31, 2018</b>	<b>Less than one year</b>	<b>Between one and five years</b>	<b>More than five years</b>	<b>Total</b>
Lease commitments				
Operating lease payments (Lessee)	2,998,488	6,011,868	20,341,396	29,351,752
Operating lease income (Lessor)	6,054,702	20,784,162	28,302,174	55,141,038
Finance lease payments (Lessee)	9,981	37,549	1,157,209	1,204,739
Finance lease income (Lessor)	2,479	3,930	1,324	7,733
Present value of finance lease payments (Lessee)	658	349	208,820	209,827
Present value of finance lease income (Lessor)	2,321	3,669	1,282	7,272
Capital expenditure commitments	2,343,753	6,280	-	2,350,033
<b>June 30, 2018</b>	<b>Less than one year</b>	<b>Between one and five years</b>	<b>More than five years</b>	<b>Total</b>
Lease commitments				
Operating lease payments (Lessee)	2,845,132	7,865,430	18,025,528	28,736,090
Operating lease income (Lessor)	5,882,076	20,392,331	30,119,517	56,393,924
Finance lease payments (Lessee)	11,071	39,839	1,200,384	1,251,294
Present value of finance lease payments (Lessee)	1,449	1,399	215,760	218,608
Capital expenditure commitments	2,561,423	14,920	-	2,576,343

(Continued)

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

(b) Taipei Fubon Bank and its subsidiaries

- (i) Except for disclosed in other notes of consolidated financial statements, Taipei Fubon Bank and its subsidiary had commitments as follows:

	<b>June 30, 2019</b>	<b>December 31, 2018</b>	<b>June 30, 2018</b>
Amount of repurchase agreements	\$ 97,217,062	121,955,488	115,126,368
Amount of resell agreements	4,174,531	11,771,008	8,864,234
Unused credit card commitments	278,119,806	265,528,189	260,647,210
Collections for customers	28,269,806	32,527,651	41,952,766
Agency loans payable	10,674,502	10,908,911	11,925,140
Designated deposits	1,402,457	2,011,632	4,977,380
Designated loans	1,402,457	2,011,632	4,977,380
Designated financial management	26,561,236	19,062,297	20,347,982
Travelers' checks consigned-in	321,228	366,693	410,966
Marketable securities under custody	352,591,976	334,341,775	316,202,457
Trust assets	423,254,809	389,334,919	401,054,119
Management for book-entry government bonds	108,921,100	103,237,100	102,994,800

(c) Fubon Life Insurance and its subsidiaries

- (i) Fubon Life Insurance and its subsidiaries had contingent liability of lawsuits arising from operating activities. Other than cases which have already made provision, several lawsuits are still in process and appointed to lawyers. Fubon Life Insurance and its subsidiaries will recognize relevant losses when professional opinions and reasonable estimated loss are available.

- (ii) Significant unrecognized contract commitment

- 1) The superficies contract of Life Insurance and its subsidiaries that have been won but have not yet been signed is as follows:

	<b>June 30, 2019</b>	<b>December 31, 2018</b>	<b>June 30, 2018</b>
Acquisition of superficies	\$ <u>-</u>	<u>-</u>	<u>700,500</u>

- 2) The signed but unrecognized new construction contract amount of investment and owner-occupied properties of Fubon Life Insurance and its subsidiaries are as follows:

	<b>June 30, 2019</b>	<b>December 31, 2018</b>	<b>June 30, 2018</b>
New construction	\$ <u>12,465,588</u>	<u>3,792,485</u>	<u>4,328,226</u>

(Continued)

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

- (iii) The unfunded commitments (ceiling) of Fubon Life Insurance and its subsidiaries' private fund agreements were as below (in thousands):

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
USD	\$ <u>2,427,172</u>	<u>1,518,565</u>	<u>1,803,993</u>
EUR	\$ <u>606,754</u>	<u>222,280</u>	<u>270,868</u>
KRW	\$ <u>274,536,724</u>	-	-
TWD	\$ <u>150,000</u>	<u>150,000</u>	-

Note: The unfunded commitments does not include the commitments which have been traded but not settled.

- (d) Fubon Insurance and its subsidiaries

- (i) Fubon Insurance had several insurance disputes and was requested to pay indemnities amounting to approximately \$474,868, of which approximately \$362,006 was reinsured. The difference not covered by reinsurance related to these claims had been accrued. These cases were still pending with the district court and had not been resolved as of June 30, 2019.
- (ii) The unfunded commitments (ceiling) of Fubon Insurance and its subsidiaries' private equity agreements were as below (in thousands):

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
USD	\$ <u>16,409</u>	<u>17,991</u>	<u>17,817</u>
EUR	\$ <u>14,554</u>	<u>14,474</u>	<u>16,123</u>

Note: The unfunded commitments does not include the commitments which have been traded but not settled.

- (e) Fubon Securities and its subsidiaries

There were several disputes that former brokers have had with their clients due to securities brokerage transactions. Taiwan High Court has remanded the case and rejected the appeal of Mr. Chou. Mr. Chou disagreed with the court decision and appealed to the Taiwan Supreme Court. As of June 30, 2019, the case is still in progress. Based on the adjudication, the balances of indemnificatory loss payable, resulting from the litigation with customers for stock business were as follows:

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Indemnificatory loss payable	\$ <u>11,526</u>	<u>11,526</u>	<u>11,526</u>

For the six months ended June 30, 2019 and 2018, Fubon Securities recognized indemnification loss of \$0 in both periods.

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

(Continued)

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

**(11) Significant subsequent events**

- (a) The amendment of 2018 distribution of earnings approved in the extraordinary shareholders' meeting on August 6, 2019 has decided to issue dividends for series A and B amounting to \$1,476,000 and \$1,148,043, respectively, which are according to the amendment of articles of incorporation approved in the shareholders' meeting on June 14, 2019.
- (b) Taipei Fubon Bank has approved the participation in the preparation of Line Bank, which planned to set up pure Internet bank with strategic partners by obtaining 25.1% of the shares. The establishment of Line Bank has been announced and permitted by the FSC on July 30, 2019. The board of directors approved the investment amounting to \$2.51 billion which is according to the percentage of ownership, but the effective date should be determined by the authority.
- (c) The board of directors of Taipei Fubon Bank has approved to establish a wholly owned venture capital subsidiary according to Rules Governing the Application of Investments in Venture Capital by Commercial Banks and Management Consulting Enterprises. The paid-in capital is 2 billion.
- (d) The board of directors of Fubon Life Insurance and Fubon Financial Holding Venture Capital has approved to participate in the capital increased for cash of Star Shining Energy Corporation. The extent of the investment amount is \$1.5 billion and \$3.5 hundred million, respectively, and could invest partially in several times in 3 years.

**(12) Other**

- (a) Operation of Taiwan Sport Lottery

Taiwan Sport Lottery was established to operate a sport lottery business entrusted by Taipei Fubon Bank. Ministry of Finance assigned Fubon Taipei Bank to handle the issuance of sport lottery operations. In accordance with the provisions, the right of sport lottery operations was expired on December 31, 2013. Taiwan Sport Lottery (hold by CTBC Bank) is the new issuer after January 1, 2014. As of the date of the report, the board of directors has not discussed the issue of dissolution and liquidation.

- (b) The US stocks had plummeted on February 6, 2018, resulting in the equity of customer margin deposit to be negative. The clients of Fubon Futures Co., Ltd. breached the contract due to their failure to fully pay the additional guarantee deposits within three working days after having been noticed. Therefore, Fubon Futures Co., Ltd. had to recognize the future exchanges margins receivable with the approximate amount of \$185 million. This matter had been reported to the Taiwan Futures Exchange. As of June 30, 2019, the unpaid amount was \$170,987 thousand. After considering the actual recovery situation, Fubon Futures Co., Ltd. had recognized the allowance for doubtful accounts amounting to \$159,264 thousand.

(Continued)

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

- (c) On March 29, 2018, Fubon Kanghong Asset Management, Fubon Asset Management's investment company, received a writ of summons filed by a company called Convoy (Trademarks) Limited as the plaintiff against Fubon Convoy and certain related parties of Fubon Convoy as the defendants under High Court in the High Court of Hong Kong. It is understand that the Plaintiff is the registered owner of the five registered trademarks relating to the names and logos of “Convoy” and “康宏” and is a contracting party of a trademark agreement entered into with Convoy Global Holding Limited, (the ultimate holding company of Fubon Convoy’s shareholder Fubon Convoy Asset Management (Hong Kong) Limited), base on the Writ, the Plaintiff is claiming the Defenfants Parties for infringement of the five registered trademarks relating to the names and logos of “Convoy” and “康宏”.

Since there is no letter of claim attached with the writ, the reason and details of the claim remain unknown. Fubon Convoy has inquired of external legal consultant and make a strong counterplea.

- (d) Business or trading behaviors within subsidiaries:

- (i) Business or trading behaviors:

Please refer to note 7 for related-party transactions.

- (ii) Integrate business activities:

Subsidiaries operating in cross-selling, under the Company, included Taipei Fubon Bank Co. Ltd., Fubon Insurance Co. Ltd., Fubon Life Insurance Co. Ltd., Fubon Securities Co. Ltd., Fubon Futures Co. Ltd., Fu Sheng General Insurance Agent Co. Ltd. and Fu Sheng Life Insurance Agent Co. Ltd. The cooperation among the subsidiaries, from planning their products and advocating different channels to training their personnel on cross-selling, makes their relationship much closer and brings multi-business benefits.

- (iii) Cross utilization of information:

In accordance with Financial Holding Company Act, Marketing Collaboration Agreement with Financial Holdings Company and its subsidiaries, and the self-discipline standard for financial holding company and its subsidiaries, the Company and its subsidiaries which joined the cross-selling business signed the “Agreement of Privacy Exchange” to keep the customers' data confidential or to limit the use of the data. In addition, they also announced the “Jointly Privacy Statement” and disclosed the statement in each subsidiary's website and the Company's website, as well as facilitate customers to online searching and browsing.

- (iv) Locations and business utilities:

The Company has been approved to conduct integrate business activities in “operation place” by the authorities. Thus, the customers can directly handle their relevant businesses in banking, securities and futures operation places.

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

- (v) Allocation on revenues, costs, expenses, profits and losses:

Allocation of Revenue, Cost and Expense is calculated based on the proportion of actual sales among subsidiaries. The estimated amount was as follows:

	<b>For the six months ended</b>	
	<b>June 30,</b>	
	<b>2019</b>	<b>2018</b>
Fubon Insurance	\$ 834,411	772,992
Taipei Fubon Bank	35,276	27,287
Fubon Life Insurance	114,853	79,607
Fubon Securities	2,586	4,017

- (e) Capital adequacy ratios (Reviewed)

Unit: In millions of TWD, %

<b>June 30, 2019</b>			
<b>Item</b>	<b>Ownership interest</b>	<b>Eligible capital</b>	<b>Legal capital</b>
The Company	100.00 %	554,043	641,021
Taipei Fubon Bank	100.00 %	205,175	157,320
Fubon Bank (Hong Kong)	100.00 %	49,106	34,188
Fubon Bank (China)	49.00 %	17,848	13,125
Fubon Securities	100.00 %	22,923	11,382
Fubon Insurance and Fubon Life Insurance	100.00 %	336,846	223,100
Fubon Financial Holding Venture Capital	53.80 %	4,298	2,213
Taiwan Sport Lottery Corporation	100.00 %	97	49
Others	100.00 %	2,980	1,910
Less: deductible item		(664,721)	(627,473)
Subtotal		528,595	456,835
Consolidated capital adequacy ratio			115.71

(Continued)

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

Unit: In millions of TWD, %

<b>June 30, 2018</b>			
<b>Item</b>	<b>Ownership interest</b>	<b>Eligible capital</b>	<b>Legal capital</b>
The Company	100.00 %	505,540	573,337
Taipei Fubon Bank	100.00 %	183,687	139,363
Fubon Bank (Hong Kong)	100.00 %	41,382	28,340
Fubon Bank (China)	49.00 %	13,183	10,144
Fubon Securities	100.00 %	22,593	12,075
Fubon Insurance and Fubon Life Insurance	100.00 %	325,745	191,350
Fubon Financial Holding Venture Capital	53.80 %	4,031	2,041
Taiwan Sport Lottery Corporation	100.00 %	97	49
Others	100.00 %	3,982	2,090
Less: deductible item		(607,189)	(572,874)
Subtotal		493,051	385,915
Consolidated capital adequacy ratio			127.76

## (f) Eligible capital (Reviewed)

Unit: In thousands of TWD

<b>Item</b>	<b>Amount</b>	
	<b>June 30, 2019</b>	<b>June 30, 2018</b>
Common stock	102,336,040	102,336,040
Tier 1 Capital Instruments	12,666,600	12,666,600
Other preferred stock and subordinated bonds	-	-
Advanced Capital	-	-
Capital surplus	137,018,762	136,979,037
Legal reserve	62,588,197	57,815,312
Special reserve	104,825,990	30,008,647
Accumulated profit and loss	120,030,995	179,116,975
Equity adjustment	14,606,095	(13,335,498)
Less: Goodwill and other intangible assets	2,572	3,861
Less: Deferred assets	27,233	43,447
Less: Treasury stock	-	-
Consolidated eligible capital	554,042,874	505,539,805

(Continued)



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

- (g) Please refer to the attachment for the aggregate lending, guarantee or other transactions taken place between all subsidiaries of a financial holding company and same person, same relatives or same affiliate.
- (h) Financial information classified by business type:

For the six months ended June 30, 2019

Units: In thousands of TWD

Item	Banking	Insurance	Securities	Others	Consolidation
Net interest revenue	16,554,411	51,944,701	385,200	(13,668)	68,870,644
Net non-interest revenue	13,766,433	107,939,735	3,818,240	(87,925)	125,436,483
Net revenue	30,320,844	159,884,436	4,203,440	(101,593)	194,307,127
Bad debt expenses and provision for insurance reserve	(1,003,640)	(253,392)	286	(5,322)	(1,262,068)
Net change in provisions for insurance liability	-	(130,247,385)	-	217,819	(130,029,566)
Operating expenses	(13,904,024)	(14,758,622)	(2,654,543)	909,485	(30,407,704)
Income from continuing operations before income tax	15,413,180	14,625,037	1,549,183	1,020,389	32,607,789
Income tax revenue (expense)	(2,439,208)	(1,560,767)	(148,944)	(686,849)	(4,835,768)
Net income	12,973,972	13,064,270	1,400,239	333,540	27,772,021

For the six months ended June 30, 2018

Units: In thousands of TWD

Item	Banking	Insurance	Securities	Others	Consolidation
Net interest revenue	15,498,080	46,618,808	453,872	14,951	62,585,711
Net non-interest revenue	11,979,397	129,536,402	3,812,967	(83,263)	145,245,503
Net revenue	27,477,477	176,155,210	4,266,839	(68,312)	207,831,214
Bad debt expenses and provision for insurance reserve	(455,342)	(147,361)	(160,714)	(11,635)	(775,052)
Net change in provisions for insurance liability	-	(141,912,668)	-	212,528	(141,700,140)
Operating expenses	(12,606,850)	(13,151,592)	(2,747,118)	814,453	(27,691,107)
Income from continuing operations before income tax	14,415,285	20,943,589	1,359,007	947,034	37,664,915
Income tax revenue (expense)	(2,184,395)	710,532	(184,965)	(4,849,262)	(6,508,090)
Net income	12,230,890	21,654,121	1,174,042	(3,902,228)	31,156,825

(Continued)

i) Financial statements of Fubon Financial Holding Co., Ltd.

**FUBON FINANCIAL HOLDING CO., LTD.**  
**Balance Sheets**  
**June 30, 2019, December 31 and June 30, 2018**  
**(Expressed in thousands of New Taiwan Dollars)**

Assets	June 30, 2019		December 31, 2018		June 30, 2018		Liabilities and Equity	June 30, 2019		December 31, 2018		June 30, 2018	
	Amount	%	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%
Cash and cash equivalents	\$ 3,513,718	1	6,255,724	1	15,010,808	3	Commercial papers issued, net	\$ -	-	13,535,972	2	-	-
Financial assets measured at fair value through profit or loss	20,495,585	3	20,236,023	4	25,910,529	4	Payables	21,401,340	3	792,963	-	26,100,040	4
Financial assets measured at fair value through other comprehensive income	-	-	52,957	-	48,952	-	Current tax liabilities	7,816,080	1	11,460,587	2	8,218,502	1
Securities purchased under resell agreements	29,986	-	164,819	-	5,993,253	1	Bonds payable	58,550,000	9	58,550,000	11	54,000,000	9
Receivables, net	190,378	-	554,202	-	343,224	-	Lease liabilities	54,906	-	-	-	-	-
Current tax assets	1,987,756	-	5,645,731	1	3,420,813	1	Deferred tax liabilities	4,679,437	1	4,145,078	1	3,897,324	1
Investments accounted for using equity method, net	620,211,025	96	514,717,209	94	546,963,781	91	Other liabilities	7,713	-	6,538	-	6,384	-
Property and equipment, net	18,826	-	20,676	-	18,296	-	<b>Total liabilities</b>	<u>92,509,476</u>	<u>14</u>	<u>88,491,138</u>	<u>16</u>	<u>92,222,250</u>	<u>15</u>
Right-of-use assets, net	54,768	-	-	-	-	-	<b>Equity:</b>						
Intangible assets, net	2,572	-	2,592	-	3,861	-	Share capital:						
Deferred tax assets	2,979	-	7,057	-	26,126	-	Common stock	102,336,040	16	102,336,040	19	102,336,040	17
Other assets, net	74,562	-	77,498	-	69,720	-	Preferred stock	12,666,600	2	12,666,600	2	12,666,600	2
							Total share capital	115,002,640	18	115,002,640	21	115,002,640	19
							Capital surplus	137,018,762	21	137,018,872	25	136,979,037	23
							Retained earnings:						
							Legal reserve	62,588,197	10	57,815,312	10	57,815,312	10
							Special reserve	104,825,990	16	30,008,647	5	30,008,647	5
							Undistributed earnings	120,030,995	19	191,853,334	35	178,910,211	30
							Total retained earnings	287,445,182	45	279,677,293	50	266,734,170	45
							Total other equity interest	14,606,095	2	(72,455,455)	(12)	(13,128,734)	(2)
							<b>Total equity</b>	<u>554,072,679</u>	<u>86</u>	<u>459,243,350</u>	<u>84</u>	<u>505,587,113</u>	<u>85</u>
<b>Total assets</b>	<u>\$ 646,582,155</u>	<u>100</u>	<u>547,734,488</u>	<u>100</u>	<u>597,809,363</u>	<u>100</u>	<b>Total liabilities and equity</b>	<u>\$ 646,582,155</u>	<u>100</u>	<u>547,734,488</u>	<u>100</u>	<u>597,809,363</u>	<u>100</u>

## FUBON FINANCIAL HOLDING CO., LTD.

## Statement of Comprehensive Income

For the three months and six months ended June 30, 2019 and 2018

(Expressed in thousands of New Taiwan Dollars, except earnings per share)

	For the three months ended June 30				For the six months ended June 30			
	2019		2018		2019		2018	
	Amount	%	Amount	%	Amount	%	Amount	%
<b>Revenue :</b>								
Share of profit of associates and joint ventures accounted for using equity method	\$ 15,568,784	99	19,303,822	99	28,463,527	98	36,181,498	99
Other revenues	296,906	1	344,272	1	633,830	2	494,602	1
<b>Net revenue</b>	<u>15,865,690</u>	<u>100</u>	<u>19,648,094</u>	<u>100</u>	<u>29,097,357</u>	<u>100</u>	<u>36,676,100</u>	<u>100</u>
<b>Expense:</b>								
Operating expenses	169,790	1	166,938	1	330,357	1	326,793	1
Other expenses and losses	216,099	1	60,458	-	452,016	2	438,281	1
<b>Total expenses</b>	<u>385,889</u>	<u>2</u>	<u>227,396</u>	<u>1</u>	<u>782,373</u>	<u>3</u>	<u>765,074</u>	<u>2</u>
<b>Net income before tax from continuing operations</b>	15,479,801	98	19,420,698	99	28,314,984	97	35,911,026	98
<b>Income tax expenses</b>	311,467	2	4,658,133	24	645,752	2	4,738,300	13
<b>Net income</b>	<u>15,168,334</u>	<u>96</u>	<u>14,762,565</u>	<u>75</u>	<u>27,669,232</u>	<u>95</u>	<u>31,172,726</u>	<u>85</u>
<b>Other comprehensive income:</b>								
<b>Items not to be reclassified to profit or loss</b>								
Unrealized gains (losses) on equity instruments measured at fair value through other comprehensive income	-	-	5,388	-	(159)	-	9,931	-
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method - items not to be reclassified to profit or loss	4,357	-	(2,629,615)	(13)	3,591,955	12	(3,012,828)	(8)
Less: income tax related to items not to be reclassified to profit or loss	-	-	-	-	-	-	-	-
Subtotal of items not to be reclassified to profit or loss	<u>4,357</u>	<u>-</u>	<u>(2,624,227)</u>	<u>(13)</u>	<u>3,591,796</u>	<u>12</u>	<u>(3,002,897)</u>	<u>(8)</u>
<b>Items that may be subsequently reclassified to profit or loss</b>								
Exchange differences on translation of foreign financial statements	129,791	1	1,658,132	8	939,750	3	897,509	2
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method - items that may be subsequently reclassified to profit or loss	21,494,482	135	(8,668,466)	(44)	81,226,650	280	(35,993,661)	(98)
Less: income tax related to items that may be reclassified subsequently to profit or loss	-	-	-	-	-	-	-	-
Subtotal of items that may be reclassified subsequently to profit or loss	<u>21,624,273</u>	<u>136</u>	<u>(7,010,334)</u>	<u>(36)</u>	<u>82,166,400</u>	<u>283</u>	<u>(35,096,152)</u>	<u>(96)</u>
<b>Other comprehensive income, net of income tax</b>	<u>21,628,630</u>	<u>136</u>	<u>(9,634,561)</u>	<u>(49)</u>	<u>85,758,196</u>	<u>295</u>	<u>(38,099,049)</u>	<u>(104)</u>
<b>Total comprehensive income</b>	<u>\$ 36,796,964</u>	<u>232</u>	<u>5,128,004</u>	<u>26</u>	<u>113,427,428</u>	<u>390</u>	<u>(6,926,323)</u>	<u>(19)</u>
<b>Basic earnings per share (in New Taiwan Dollars)</b>	<u>\$ 1.48</u>		<u>1.30</u>		<u>2.70</u>		<u>2.90</u>	

**FUBON FINANCIAL HOLDING CO., LTD.**  
**Statement of Changes in Equity**  
**For the six months ended June 30, 2019 and 2018**  
**(Expressed in thousands of New Taiwan Dollars)**

									Total other equity interest								Total	Total equity
	Share capital			Retained earnings					Exchange differences on translation of foreign operations	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Unrealized gains (losses) on available-for-sale financial assets	Gains (losses) on effective portion of cash flow hedges	Gains (losses) on financial instruments for hedging	Revaluation gains	Other comprehensive income reclassified by applying overlay approach			
	Common stock	Preferred stock	Total	Capital surplus	Legal reserve	Special reserve	Undistributed earnings	Total										
<b>Balance at January 1, 2018</b>	\$ 102,336,040	6,000,000	108,336,040	103,674,220	52,403,066	53,069,867	165,573,101	271,046,034	(11,286,078)	-	14,658,087	(299,649)	-	2,302,954	-	5,375,314	488,431,608	
Effects of retrospective application	-	-	-	-	-	-	(800,008)	(800,008)	-	(2,143,826)	(14,658,087)	299,649	(299,649)	-	26,725,621	9,923,708	9,123,700	
Equity at beginning of period after adjustments	102,336,040	6,000,000	108,336,040	103,674,220	52,403,066	53,069,867	164,773,093	270,246,026	(11,286,078)	(2,143,826)	-	-	(299,649)	2,302,954	26,725,621	15,299,022	497,555,308	
Net income	-	-	-	-	-	-	31,172,726	31,172,726	-	-	-	-	-	-	-	-	31,172,726	
Other comprehensive income	-	-	-	-	-	-	355,909	355,909	1,650,262	(27,369,322)	-	-	(367,705)	87,338	(12,455,531)	(38,454,958)	(38,099,049)	
Total comprehensive income	-	-	-	-	-	-	31,528,635	31,528,635	1,650,262	(27,369,322)	-	-	(367,705)	87,338	(12,455,531)	(38,454,958)	(6,926,323)	
Appropriation and distribution of retained earnings:																		
Reversal of special reserve—contra equity account	-	-	-	-	-	(22,773,818)	22,773,818	-	-	-	-	-	-	-	-	-	-	
Reversal of special reserve—effects of fair value adjustments from investment property	-	-	-	-	-	(287,402)	287,402	-	-	-	-	-	-	-	-	-	-	
Legal reserve appropriated	-	-	-	-	5,412,246	-	(5,412,246)	-	-	-	-	-	-	-	-	-	-	
Cash dividends of common stock	-	-	-	-	-	-	(23,537,289)	(23,537,289)	-	-	-	-	-	-	-	-	(23,537,289)	
Cash dividends of preferred stock	-	-	-	-	-	-	(1,476,000)	(1,476,000)	-	-	-	-	-	-	-	-	(1,476,000)	
Changes in equity of associates and joint ventures accounted for using equity method	-	-	-	33,847	-	-	-	-	-	-	-	-	-	-	-	-	33,847	
Issuance of preferred stock	-	6,666,600	6,666,600	33,270,970	-	-	-	-	-	-	-	-	-	-	-	-	39,937,570	
Disposal of investments in equity instruments measured at fair value through other comprehensive income	-	-	-	-	-	-	(10,563,641)	(10,563,641)	-	10,563,641	-	-	-	-	-	10,563,641	-	
Disposal of investment property	-	-	-	-	-	-	536,439	536,439	-	-	-	-	(536,439)	-	(536,439)	-	-	
<b>Balance at June 30, 2018</b>	\$ 102,336,040	12,666,600	115,002,640	136,979,037	57,815,312	30,008,647	178,910,211	266,734,170	(9,635,816)	(18,949,507)	-	-	(667,354)	1,853,853	14,270,090	(13,128,734)	505,587,113	
<b>Balance at January 1, 2019</b>	\$ 102,336,040	12,666,600	115,002,640	137,018,872	57,815,312	30,008,647	191,853,334	279,677,293	(11,908,923)	(16,079,586)	-	-	(217,381)	2,238,671	(46,488,236)	(72,455,455)	459,243,350	
Effects of retrospective application	-	-	-	-	-	1,968,299	(35,011)	1,933,288	-	-	-	-	-	-	-	-	1,933,288	
Equity at beginning of period after adjustments	102,336,040	12,666,600	115,002,640	137,018,872	57,815,312	31,976,946	191,818,323	281,610,581	(11,908,923)	(16,079,586)	-	-	(217,381)	2,238,671	(46,488,236)	(72,455,455)	461,176,638	
Net income	-	-	-	-	-	-	27,669,232	27,669,232	-	-	-	-	-	-	-	-	27,669,232	
Other comprehensive income	-	-	-	-	-	-	(7,410)	(7,410)	1,576,646	21,432,141	-	-	592,487	53,293	62,111,039	85,765,606	85,758,196	
Total comprehensive income	-	-	-	-	-	-	27,661,822	27,661,822	1,576,646	21,432,141	-	-	592,487	53,293	62,111,039	85,765,606	113,427,428	
Appropriation and distribution of retained earnings:																		
Reversal of special reserve—first adoption of fair value model of investment property	-	-	-	-	-	(11,095)	11,095	-	-	-	-	-	-	-	-	-	-	
Legal reserve appropriated	-	-	-	-	4,772,885	-	(4,772,885)	-	-	-	-	-	-	-	-	-	-	
Special reserve appropriated—contra equity account	-	-	-	-	-	72,455,455	(72,455,455)	-	-	-	-	-	-	-	-	-	-	
Special reserve appropriated—effects of fair value adjustments from investment property	-	-	-	-	-	404,684	(404,684)	-	-	-	-	-	-	-	-	-	-	
Cash dividends of common stock	-	-	-	-	-	-	(20,467,208)	(20,467,208)	-	-	-	-	-	-	-	-	(20,467,208)	
Changes in equity of associates and joint ventures accounted for using equity method	-	-	-	(110)	-	-	-	-	-	-	-	-	-	-	-	-	(110)	
Disposal of investments in equity instruments measured at fair value through other comprehensive income	-	-	-	-	-	-	(1,295,944)	(1,295,944)	-	1,295,944	-	-	-	-	-	1,295,944	-	
Disposal of special reserves transferred from investments in equity instruments measured at fair value through other comprehensive income of participating policies from subsidiaries	-	-	-	-	-	-	(64,069)	(64,069)	-	-	-	-	-	-	-	-	(64,069)	
<b>Balance at June 30, 2019</b>	\$ 102,336,040	12,666,600	115,002,640	137,018,762	62,588,197	104,825,990	120,030,995	287,445,182	(10,332,277)	6,648,499	-	-	375,106	2,291,964	15,622,803	14,606,095	554,072,679	

**FUBON FINANCIAL HOLDING CO., LTD.**  
**Statement of Cash Flows**  
**For the six months ended June 30, 2019 and 2018**  
**(Expressed in thousands of New Taiwan Dollars)**

	For the six months ended June 30	
	2019	2018
<b>Cash flows from (used in) operating activities:</b>		
Income before income tax	\$ 28,314,984	35,911,026
<b>Adjustments:</b>		
Income of non-cash activities		
Depreciation expenses	23,959	4,938
Amortization expenses	5,368	5,847
Net gain on financial assets or liabilities at fair value through profit or loss	(616,603)	(481,356)
Interest expense	450,128	436,681
Interest income	(4,147)	(12,538)
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	(28,463,527)	(36,181,498)
<b>Subtotal of income of non-cash activities</b>	<u>(28,604,822)</u>	<u>(36,227,926)</u>
<b>Changes in operating assets and liabilities:</b>		
Increase in financial assets measured at fair value through profit or loss	-	(20,000,000)
Decrease in financial assets at fair value through other comprehensive income	52,798	-
Decrease in receivables and current tax assets	3,657,975	4,446,916
Increase in other assets	(1,315)	(1,508)
Decrease in payables and current tax liabilities	(3,801,872)	(4,202,391)
Increase (decrease) in other liabilities	1,175	(1,320)
<b>Subtotal of all adjustments</b>	<u>(28,696,061)</u>	<u>(55,986,229)</u>
Cash used in operating activities	(381,077)	(20,075,203)
Interest received	725,012	146,936
Dividends received	10,597,208	21,933,117
Interest paid	(165,187)	(168,170)
Income tax paid	(93,846)	(1,566,462)
<b>Net cash from operating activities</b>	<u>10,682,110</u>	<u>270,218</u>
<b>Cash flows from (used in) investing activities:</b>		
Acquisition of property and equipment	(2,330)	(1,724)
Acquisition of intangible assets	(381)	(387)
Acquisition of right-of-use assets	(23)	-
<b>Net cash used in investing activities</b>	<u>(2,734)</u>	<u>(2,111)</u>
<b>Cash flows from (used in) financing activities:</b>		
Decrease in commercial papers payable	(13,535,972)	(19,488,059)
Repayment of lease liabilities	(20,243)	-
Cash capital increase	-	39,937,570
<b>Net cash from (used in) financing activities</b>	<u>(13,556,215)</u>	<u>20,449,511</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	(2,876,839)	20,717,618
<b>Cash and cash equivalents at beginning of period</b>	6,420,543	286,443
<b>Cash and cash equivalents at end of period</b>	<u>\$ 3,543,704</u>	<u>21,004,061</u>
<b>Components of cash and cash equivalents:</b>		
Cash and cash equivalents recognized in balance sheet	\$ 3,513,718	15,010,808
Securities purchased under resell agreements qualifying for cash and cash equivalents under the definition of IAS 7	29,986	5,993,253
<b>Cash and cash equivalents at end of period</b>	<u>\$ 3,543,704</u>	<u>21,004,061</u>

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

(j) Subsidiaries' balance sheets and statements of comprehensive income

(i) Balance sheets

	<b>Taipei Fubon Bank</b>	
	<b>June 30, 2019</b>	<b>June 30, 2018</b>
Cash and cash equivalents	\$ 43,442,983	47,555,176
Due from the central bank and call loans to banks	196,399,493	205,016,511
Financial assets measured at fair value through profit or loss	111,932,037	104,106,228
Financial assets measured at fair value through other comprehensive income	77,512,807	88,765,526
Debt investments measured at amortized cost	587,093,993	553,761,731
Financial assets for hedging	1,467,752	2,543,946
Securities purchased under resell agreements	4,173,884	8,862,174
Receivables, net	83,416,703	78,753,071
Current income tax assets	205,467	205,983
Discounts and loans, net	1,286,632,374	1,225,264,434
Investments accounted for using equity method	24,736,536	21,581,233
Other financial assets, net	14,089,936	45,597,417
Property and equipment, net	12,902,072	12,891,344
Right-of-use assets, net	3,491,003	-
Investment property	2,807,300	2,936,800
Intangible assets, net	1,650,716	1,545,081
Deferred tax assets	603,234	553,615
Other assets	11,414,947	11,165,136
<b>Total assets</b>	<b>\$ 2,463,973,237</b>	<b>2,411,105,406</b>

(Continued)

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

	<b>Taipei Fubon Bank</b>	
	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Deposits to the central bank and banks	\$ 136,191,155	138,016,600
Financial liabilities measured at fair value through profit or loss	23,206,254	43,657,893
Financial liabilities for hedging	2,223,869	2,460,716
Securities sold under repurchase agreements	70,547,279	97,881,187
Payables	34,724,902	30,650,962
Current tax liabilities	2,097,970	1,611,937
Deposits and remittances	1,862,024,786	1,799,563,944
Bonds payable	94,674,583	78,480,024
Other financial liabilities	27,372,154	21,500,457
Provisions	3,183,735	2,703,512
Lease liabilities	3,457,199	-
Deferred tax liabilities	1,166,681	1,234,060
Other liabilities	<u>11,243,407</u>	<u>15,112,440</u>
<b>Total liabilities</b>	<u>2,272,113,974</u>	<u>2,232,873,732</u>
Common stock	112,347,556	106,518,023
Capital surplus	14,800,927	14,800,927
Retained earnings	65,360,524	57,749,149
Other equity	<u>(649,744)</u>	<u>(836,425)</u>
<b>Total equity</b>	<u>191,859,263</u>	<u>178,231,674</u>
<b>Total liabilities and equity</b>	<u>\$ 2,463,973,237</u>	<u>2,411,105,406</u>

(Continued)

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

	<b>Fubon Insurance</b>	
	<b>June 30, 2019</b>	<b>June 30, 2018</b>
Cash and cash equivalents	\$ 7,688,727	6,366,782
Receivables	7,041,092	5,913,407
Financial assets measured at fair value through profit or loss	24,276,838	21,341,216
Financial assets measured at amortized cost	2,571,873	3,598,363
Investments accounted for using equity method, net	1,105,176	945,323
Financial assets measured at fair value through other comprehensive income	23,103,469	22,165,152
Right-of-use assets	140,527	-
Investment property	10,748,409	10,679,892
Reinsurance contract assets	16,486,140	16,497,370
Property and equipment	3,042,574	3,078,232
Intangible assets	104,818	81,977
Deferred tax assets	919,613	1,075,877
Other assets	902,678	889,377
<b>Total assets</b>	<b>\$ 98,131,934</b>	<b>92,632,968</b>
Payables	\$ 10,896,342	9,918,703
Current tax liabilities	263,435	389,884
Financial liabilities measured at fair value through profit or loss	115,394	566,145
Insurance liabilities	48,862,595	47,543,752
Lease liabilities	136,788	-
Deferred tax liabilities	1,549,892	1,277,190
Other liabilities	1,374,797	844,021
Provisions	1,395,856	1,460,224
<b>Total liabilities</b>	<b>64,595,099</b>	<b>61,999,919</b>
Common stock	3,178,396	3,178,396
Capital surplus	5,934,408	5,934,408
Retained earnings	18,734,104	18,126,160
Other equity	5,689,927	3,394,085
<b>Total equity</b>	<b>33,536,835</b>	<b>30,633,049</b>
<b>Total liabilities and equity</b>	<b>\$ 98,131,934</b>	<b>92,632,968</b>

(Continued)



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

	<b>Fubon Life Insurance</b>	
	<b>June 30, 2019</b>	<b>June 30, 2018</b>
Cash and cash equivalents	\$ 184,915,378	128,090,395
Receivables	35,581,649	39,383,709
Current tax assets	6,771,786	482,948
Financial assets measured at fair value through profit or loss	958,696,413	712,295,463
Financial assets measured at fair value through other comprehensive income	535,552,116	616,472,992
Financial assets for hedging	654,466	423,420
Financial assets measured at amortized cost	1,702,363,504	1,691,365,067
Investments accounted for using equity method, net	55,126,660	32,147,088
Other financial assets, net	28,106	47,540
Investment property	187,846,752	137,304,036
Loans	254,281,652	221,913,423
Reinsurance contract assets	1,937,245	1,923,940
Property and equipment	19,465,245	19,524,220
Right-of-use assets	2,442,357	-
Intangible assets	288,091	190,070
Deferred tax assets	12,359,417	19,223,895
Other assets	20,952,344	60,493,379
Assets on insurance product, separated account	183,897,556	159,423,661
<b>Total assets</b>	<b>\$ 4,163,160,737</b>	<b>3,840,705,246</b>

(Continued)

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

	<b>Fubon Life Insurance</b>	
	<b>June 30, 2019</b>	<b>June 30, 2018</b>
Payables	\$ 24,643,703	27,100,748
Current tax liabilities	1,062,246	2,083,527
Financial liabilities measured at fair value through profit or loss	6,298,663	42,053,566
Financial liabilities for hedging	184,618	1,282,459
Bonds payable	55,000,000	55,000,000
Lease liabilities	16,925,562	-
Insurance liabilities	3,544,901,921	3,274,990,960
Reserve for insurance contract with nature of financial instrument futures	3,579,131	3,757,529
Foreign exchange valuation reserve	11,837,528	4,521,903
Provisions	7,961,181	7,170,152
Deferred tax liabilities	8,326,662	3,580,236
Other liabilities	6,063,233	4,203,881
Liabilities on insurance product, separated account	<u>183,897,556</u>	<u>159,423,661</u>
<b>Total liabilities</b>	<b><u>3,870,682,004</u></b>	<b><u>3,585,168,622</u></b>
Common stock	110,831,140	82,969,690
Stock dividends to be distributed	-	27,861,450
Capital surplus	29,530,620	29,491,867
Retained earnings	131,160,740	116,870,341
Other equity	<u>20,956,233</u>	<u>(1,656,724)</u>
<b>Total equity</b>	<b><u>292,478,733</u></b>	<b><u>255,536,624</u></b>
<b>Total liabilities and equity</b>	<b><u>\$ 4,163,160,737</u></b>	<b><u>3,840,705,246</u></b>

(Continued)

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

	<u>Fubon Securities</u>	
	<u>June 30, 2019</u>	<u>June 30, 2018 (Restatement) (Note)</u>
Current assets	\$ 101,064,103	115,420,515
Financial assets measured at fair value through other comprehensive income – non-current	2,282,963	1,769,140
Investments accounted for using equity method	8,667,773	7,739,753
Property and equipment	1,762,655	1,690,030
Right-of-use assets	471,489	-
Investment property	929,618	1,048,761
Intangible assets	88,649	101,773
Deferred tax assets	309,371	244,803
Other non-current assets	<u>1,107,823</u>	<u>1,298,505</u>
<b>Total assets</b>	<b>\$ <u>116,684,444</u></b>	<b><u>129,313,280</u></b>
Current liabilities	\$ 78,968,637	93,568,434
Provisions – non-current	1,054,116	958,820
Lease liabilities – non-current	297,288	-
Deferred tax liabilities	117,896	80,198
Other non-current liabilities	<u>3,682</u>	<u>4,570</u>
<b>Total liabilities</b>	<b><u>80,441,619</u></b>	<b><u>94,612,022</u></b>
Common stock	16,643,550	16,643,550
Retained earnings	16,708,758	15,882,518
Other equity	2,890,517	2,142,375
Equity attributable to former owner of business combination under common control	-	32,815
<b>Total equity</b>	<b><u>36,242,825</u></b>	<b><u>34,701,258</u></b>
<b>Total liabilities and equity</b>	<b>\$ <u>116,684,444</u></b>	<b><u>129,313,280</u></b>

Note: Fubon Securities BVI has acquired 100% equity of FB Investment Management (Hong Kong) Limited from Fubon Bank (Hong Kong) in February 2019. According to the (100) Letter No.390 explanation issued by the Accounting Research and Development Foundation, the transaction is the business combination under common control, and book value method shall be applied. Therefore, Fubon Securities has restated the comparative information of the prior period as the subsidiary was acquired from the beginning.

(Continued)

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

	Units: In thousands of CNY	
	<b>Fubon Bank (China)</b>	
	<u><b>June 30, 2019</b></u>	<u><b>June 30, 2018</b></u>
Cash and cash equivalents	\$ 1,595,111	574,105
Due from the central bank and call loans to banks	7,403,505	5,829,616
Financial assets measured at fair value through profit or loss	819,657	1,242,743
Financial assets measured at fair value through other comprehensive income	16,171,098	13,349,914
Financial assets measured at amortized cost	10,626,491	5,874,874
Receivables, net	6,049,040	4,082,442
Current tax assets	1,719	-
Discounts and loans, net	44,337,328	35,296,960
Other financial assets	330,999	450,144
Property and equipment, net	1,155,070	1,202,985
Right-of-use assets	144,369	-
Intangible assets, net	38,172	36,254
Deferred tax assets	103,602	128,381
Other assets, net	59,220	66,484
<b>Total assets</b>	<b>\$ 88,835,381</b>	<b>68,134,902</b>
Deposits from the central bank and banks	\$ 5,370,584	8,095,896
Due to the central bank and banks	99,829	828,218
Financial liabilities measured at fair value through profit or loss	396,672	757,325
Securities sold under repurchase agreements	5,834,128	3,638,133
Payables	6,424,948	4,133,040
Current tax liabilities	-	13,686
Deposits and remittances	62,707,196	45,098,293
Bonds payable	2,000,000	-
Provisions	10,272	6,865
Lease liabilities	147,081	-
Deferred tax liabilities	15,416	6,442
Other liabilities	3,276	3,203
<b>Total liabilities</b>	<b>83,009,402</b>	<b>62,581,101</b>
Common stock	2,100,000	2,100,000
Capital surplus	93,177	93,177
Retained earnings	3,586,555	3,341,413
Other equity	46,247	19,211
<b>Total equity</b>	<b>5,825,979</b>	<b>5,553,801</b>
<b>Total liabilities and equity</b>	<b>\$ 88,835,381</b>	<b>68,134,902</b>

(Continued)

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

	Unit: In thousands of HKD	
	<b>Fubon Bank (Hong Kong)</b>	
	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Cash and cash equivalents	\$ 3,052,011	4,245,673
Due from the central bank and call loans to banks	1,402,719	2,260,576
Financial assets measured at fair value through profit or loss	2,178,702	2,548,613
Financial assets measured at fair value through other comprehensive income	1,075,692	722,706
Debt investments measured at amortized cost-net	41,250,833	35,079,801
Investments accounted for using equity method	-	3,087,711
Financial assets for hedging	70,623	426,748
Receivables, net	1,507,139	1,415,742
Discounts and loans, net	50,925,975	48,481,855
Assets classified as held for sale	11,916	12,283
Property and equipment	1,164,078	1,152,119
Right-of-use assets	72,268	-
Deferred tax assets	8	11
Other assets	414,537	191,275
<b>Total assets</b>	<b>\$ <u>103,126,501</u></b>	<b><u>99,625,113</u></b>
Deposits from the central bank and banks	\$ 3,739,432	2,983,852
Financial liabilities measured at fair value through profit or loss	1,763,583	2,091,095
Payables	1,270,312	1,084,334
Current tax liabilities	105,560	98,833
Lease liabilities	74,614	-
Liabilities directly related to the assets held for sale	-	13
Deposits and remittances	69,020,443	66,348,911
Financial liabilities for hedging	338,067	59,196
Securities sold under repurchase agreements	5,911,078	7,643,053
Bonds payable	8,080,944	6,190,667
Preference stock liability	-	1,507,797
Provisions	46,539	58,603
Deferred tax liabilities	195,207	172,121
Other liabilities	581,817	559,133
<b>Total liabilities</b>	<b><u>91,127,596</u></b>	<b><u>88,797,608</u></b>
Common stock	4,830,448	4,830,448
Capital surplus	(57,125)	-
Retained earnings	6,443,528	5,574,858
Other equity	782,054	422,199
<b>Total equity</b>	<b><u>11,998,905</u></b>	<b><u>10,827,505</u></b>
<b>Total liabilities and equity</b>	<b>\$ <u>103,126,501</u></b>	<b><u>99,625,113</u></b>

(Continued)

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

Note: The balance sheet of Fubon Bank (Hong Kong) as of June 30, 2019 and 2018, were presented fairly in accordance with the with the IFRSs endorsed by the FSC (note 4 (3)), which were not prepared in conformity with the Hong Kong Companies Ordinance.

(ii) Statements of comprehensive income

	<b>Taipei Fubon Bank</b>	
	<b>For the six months ended June 30</b>	
	<b>2019</b>	<b>2018</b>
Interest revenue	\$ 22,974,790	20,730,493
Interest expense	<u>(11,717,076)</u>	<u>(9,991,767)</u>
Net interest revenue	11,257,714	10,738,726
Net non-interest revenues	<u>12,315,841</u>	<u>10,743,228</u>
Net revenue	<u>23,573,555</u>	<u>21,481,954</u>
Bad debt expenses and guarantee liability provisions	(651,578)	(278,850)
Operating expenses	<u>(9,984,863)</u>	<u>(9,165,368)</u>
Income before income tax	12,937,114	12,037,736
Less: income tax expense	<u>1,871,852</u>	<u>1,746,139</u>
Net income	<u>11,065,262</u>	<u>10,291,597</u>
Other comprehensive income (net of income tax)	<u>737,512</u>	<u>645,816</u>
Total comprehensive income	<u>\$ 11,802,774</u>	<u>10,937,413</u>
Earnings per share (In New Taiwan Dollars)	<u>\$ 0.98</u>	<u>0.92</u>
	<b>Fubon Insurance</b>	
	<b>For the six months ended June 30</b>	
	<b>2019</b>	<b>2018</b>
Operating Revenue	\$ <u>17,894,375</u>	<u>17,131,077</u>
Operating cost	(11,563,959)	(10,519,856)
Operating expenses	<u>(3,726,921)</u>	<u>(3,510,888)</u>
Net operating income	2,603,495	3,100,333
Non-operating income and expense	<u>(148,893)</u>	<u>(113,760)</u>
Income before income tax	2,454,602	2,986,573
Less: income tax expense	<u>335,915</u>	<u>383,968</u>
Net income	<u>2,118,687</u>	<u>2,602,605</u>
Other comprehensive income (net of income tax)	<u>3,661,521</u>	<u>(790,224)</u>
Total comprehensive income	<u>\$ 5,780,208</u>	<u>1,812,381</u>
Basic earnings per share (In New Taiwan Dollars)	<u>\$ 6.67</u>	<u>8.19</u>
Diluted earnings per share (In New Taiwan Dollars)	<u>\$ 6.66</u>	<u>8.18</u>

(Continued)

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

	<b>Fubon Life Insurance</b>	
	<b>For the six months ended June 30</b>	
	<b>2019</b>	<b>2018</b>
Operating Revenue	\$ 380,049,689	328,597,514
Operating cost	(359,916,888)	(303,214,922)
Operating expenses	(8,463,177)	(7,690,802)
Operating income	11,669,624	17,691,790
Non-operating income and expense	325,777	257,104
Income before income tax	11,995,401	17,948,894
Less: income tax expense (revenue)	1,099,239	(1,134,808)
Net income	10,896,162	19,083,702
Other comprehensive income (net of income tax)	77,839,533	(39,954,473)
Total comprehensive income	\$ 89,735,695	(20,870,771)
Basic earnings per share (In New Taiwan Dollars)	\$ 0.98	1.72
	<b>Fubon Securities</b>	
	<b>For the six months ended June 30</b>	
	<b>2019</b>	<b>2018</b>
		<b>(Restatement)</b>
		<b>(Note)</b>
Revenue	\$ 3,588,225	3,792,767
Expenses	(2,801,630)	(2,947,119)
Net operating income	786,595	845,648
Non-operating income and expense	691,354	486,151
Income before income tax	1,477,949	1,331,799
Less: income tax expense	78,080	150,561
Net income	1,399,869	1,181,238
Other comprehensive income (net of income tax)	755,725	420,195
Total comprehensive income	\$ 2,155,594	1,601,433
Net income attributable to:		
Owners of parent	\$ 1,399,869	1,179,926
Equity attributable to former owner of business combination under common control	-	1,312
	\$ 1,399,869	1,181,238
Comprehensive income attributable to:		
Owners of parent	\$ 2,155,594	1,600,107
Equity attributable to former owner of business combination under common control	-	1,326
	\$ 2,155,594	1,601,433
Earnings per share (In New Taiwan Dollars)	\$ 0.84	0.71
Diluted earnings per share (In New Taiwan Dollars)	\$ 0.84	0.71

(Continued)

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

Note: Fubon Securities BVI has acquired 100% equity of FB Investment Management (Hong Kong) Limited from Fubon Bank (Hong Kong) in February 2019. According to the (100) Letter No.390 explanation issued by the Accounting Research and Development Foundation, the transaction is the business combination under common control, and book value method shall be applied. Therefore, Fubon Securities has restated the comparative information of the prior period as the subsidiary was acquired from the beginning.

	Units: In thousands of CNY	
	<b>Fubon Bank (China)</b>	
	<b>For the six months ended June 30</b>	
	<b>2019</b>	<b>2018</b>
Interest revenue	\$ 1,621,219	1,466,139
Interest expense	(1,064,609)	(961,182)
Net interest revenue	556,610	504,957
Net non-interest revenues	133,845	(39,836)
Net revenue	690,455	465,121
Bad debt expenses and guarantee liability provisions	(75,190)	(19,293)
Operating expenses	(407,084)	(338,540)
Income before income tax	208,181	107,288
Income tax expense	(52,239)	(20,631)
Net income	155,942	86,657
Other comprehensive income (net of income tax)	(59,778)	85,904
Total comprehensive income	\$ 96,164	172,561

(Continued)



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

Unit: In thousands of HKD

<b>Fubon Bank (Hong Kong)</b>	
<b>For the six months ended June 30</b>	
	<b>2019</b>
	<b>2018</b>
Interest revenue	\$ 1,577,481
Interest expense	(881,650)
Net interest revenue	695,831
Net non-interest revenues	278,696
Net revenue	974,527
Bad debt expenses and guarantee liability provisions	(2,071)
Operating expenses	(470,625)
Income before income tax	501,831
Income tax expense	(83,073)
Net income	418,758
Other comprehensive income (net of income tax)	223,117
Total comprehensive income	\$ 641,874

Note: The balance sheet of Fubon Bank (Hong Kong) as of June 30, 2019 and 2018, were presented fairly in accordance with the with the IFRSs endorsed by the FSC (note 4 (3)), which were not prepared in conformity with the Hong Kong Companies Ordinance.

(k) Profitability of the Company and bank, insurance and security subsidiaries

June 30, 2019

Item		Unit: %							
		Consolidation	The Company	Taipei Fubon Bank	Fubon Bank (Hong Kong)	Fubon Bank (China)	Fubon Life Insurance	Fubon Insurance	Fubon Securities
Return on total assets	Before income tax	0.82 %	9.47 %	1.06 %	0.99 %	0.51 %	0.59 %	5.21 %	2.65 %
	After income tax	0.70 %	9.25 %	0.91 %	0.83 %	0.38 %	0.54 %	4.50 %	2.51 %
Return on equity	Before income tax	12.59 %	11.16 %	13.70 %	8.63 %	7.21 %	9.69 %	15.40 %	8.25 %
	After income tax	10.72 %	10.90 %	11.72 %	7.20 %	5.40 %	8.80 %	13.29 %	7.81 %
Profit margin		14.29 %	96.59 %	46.94 %	42.97 %	22.59 %	2.87 %	11.84 %	39.01 %

June 30, 2018

Item		Unit: %							
		Consolidation	The Company	Taipei Fubon Bank	Fubon Bank (Hong Kong)	Fubon Bank (China)	Fubon Life Insurance	Fubon Insurance	Fubon Securities
Return on total assets	Before income tax	1.07 %	12.14 %	1.01 %	1.27 %	0.30 %	0.96 %	6.52 %	2.28 %
	After income tax	0.88 %	10.54 %	0.86 %	1.09 %	0.24 %	1.02 %	5.69 %	2.02 %
Return on equity	Before income tax	15.01 %	14.32 %	13.49 %	10.32 %	3.92 %	13.35 %	19.31 %	7.65 %
	After income tax	12.42 %	12.43 %	11.54 %	8.81 %	3.17 %	14.19 %	16.83 %	6.78 %
Profit margin		14.99 %	86.02 %	47.91 %	48.79 %	18.63 %	5.81 %	15.19 %	31.11 %

(Continued)

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

Note 1: Return on total assets = Income before (after) income tax/Average total assets.  
 Note 2: Return on equity = Income before (after) income tax/Average net worth of equity.  
 Note 3: Profit margin = Income after income tax/Total operating revenues.  
 Note 4: Income before (after) income tax is the income for the year ended June 30, 2019 and 2018.  
 Note 5: The return on assets and return on equity are presented annualized ratios.

**(13) Other disclosures**

(a) Information on significant transactions:

- (i) Loans to others: None  
 (ii) Endorsement and guarantees for others: None  
 (iii) Marketable securities held as of June 30, 2019:

Units: In thousands of TWD / Thousands shares

Held company name	Held company name securities type and name	securities type and name with the securities issuer	Account	June 30, 2019				Remark
				No. of shares	Carrying amount	Shareholding ratio	Market price	
Fubon Futures Co., Ltd.	Capital Potential Income Multi-Asset Fund	-	Financial assets at fair value through other comprehensive income	1,000	11,063	-	11,063	Beneficiary certificates
"	Capital Global Senior Secured High Yield Bond Fund	-	"	954	10,135	-	10,135	"
"	Sinopac ICE 10+ Year Core Large Cap Single-A US	-	"	500	21,090	-	21,090	"
"	Sinopac ICE 15+ Year Core A-BBB US Insurance & Financial Services Bond ETF	-	"	250	10,358	-	10,358	"
"	Fubon Global Investment Grade Bond Fund	Fund managed under a subsidiary company's manager of the Company	"	750	32,595	-	32,595	"
"	Fubon China Policy Bank Bond 0-1 ETF	"	"	750	30,773	-	30,773	"
"	Cathay Financial Holding Co., Ltd. Preferred Stock A	-	"	4,500	288,000	-	288,000	Listed stock
"	Cathay Financial Holding Co., Ltd. Preferred Stock B	-	"	850	52,955	-	52,955	"
"	China Steel Corporation Preferred Stock A	-	Financial assets at fair value through other comprehensive income	47	2,244	-	2,244	"
"	Taiwan Futures Exchange Co., Ltd.	Related parties in substance	"	745	63,387	0.22	63,387	Unlisted Stock
Fubon Marketing Co., Ltd.	Allianz G1b1 Inv All Seasons Ret of Bd	-	Financial assets measured at fair value through profit or loss	785	12,436	-	12,436	Beneficiary certificates
"	Fubon China Investment Grade Bond Fund - CNY	Fund managed under a subsidiary company's manager of the Company	"	200	11,155	-	11,155	"
"	Fubon R1	-	"	1,391	20,949	-	20,949	Beneficiary securities
"	Fubon R2	-	"	1,380	18,230	-	18,230	"
"	Cathay R1	-	"	500	7,725	-	7,725	"
"	Cathay R2	-	"	950	15,200	-	15,200	"

(Continued)

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

Held company name	Held company name securities type and name	securities type and name with the securities issuer	Account	June 30, 2019				Remark
				No. of shares	Carrying amount	Shareholding ratio	Market price	
Fu Sheng Life Insurance Agent Co., Ltd.	98 Central Government Bond 6	-	Financial assets at fair value through other comprehensive income	-	3,005	-	3,005	Government Bond
Fu Sheng General Insurance Agent Co., Ltd.	98 Central Government Bond 6	-	"	-	2,003	-	2,003	Government Bond
Fubon Asset Management Co., Ltd.	Fubon Taiwan Technology ETF	Fund managed under Fubon Asset Management	Financial assets measured at fair value through profit or loss	18	974	-	974	Beneficiary certificates
"	Fubon MSCI Taiwan ETF	"	"	22	1,122	-	1,122	"
"	Fubon Taiwan Eight Industries ETF	"	"	23	1,054	-	1,054	"
"	Fubon Taiwan Financial ETF	"	"	19	866	-	866	"
"	Fubon SSE180 ETF	"	"	451	14,327	-	14,327	"
"	Taiwan FTSE TWSE Taiwan 50 EFT	"	"	22	1,015	-	1,015	"
"	Fubon SZSE 100 ETF	"	"	17	168	-	168	"
"	Fubon TOPIX ETF	"	"	13	255	-	255	"
"	Fubon NIFTY ETF	"	"	12	306	-	306	"
"	Fubon NASDAQ 100 ETF	"	"	11	347	-	347	"
"	Fubon FTSE Developed Europe ETF	"	"	14	302	-	302	"
"	Fubon S&P US Preferred Stock ETF	"	"	609	12,106	-	12,106	"
"	Fubon China Policy Bank Bond ETF	"	"	2,720	56,358	-	56,358	"
"	Fubon Chi-Hsiang Money Market	"	"	8,636	135,616	-	135,616	"
"	Eastspring Investments Well Pool Money Market Fund	-	"	6,664	90,754	-	90,754	"
"	Fubon Hang Seng China Enterprises ETF	Fund managed under Fubon Asset Management	"	263	5,489	-	5,489	"
"	Fubom 1-3 Years US Treasury Bond ETF	"	"	656	27,167	-	27,167	"
"	Fubon China Growth Fund TWD	"	"	2,044	12,369	-	12,369	"
"	Fubon China Investment Grade Bd CNY B	"	"	327	15,277	-	15,277	"
"	Fubon China Money Market CNY	"	"	796	41,831	-	41,831	"
"	Fubon Global Investment-grade Bond Fund B	"	"	1,023	9,573	-	9,573	"
"	Fubon Euro-Asia Silk Road Multi-Asset Fund A	"	"	3,501	37,572	-	37,572	"
"	Fubon India and Indonesia Sovereign Bond Fund TWD A	"	"	1,999	21,740	-	21,740	"
"	Fubon TWSE Corporate Governance 100 ETF	"	"	7	141	-	141	"
"	Fubon 7-10 Years US Treasury Bond ETF	"	"	4	159	-	159	"
"	Fubon 20+ Years US Treasury Bond ETF	"	"	4	173	-	173	"

(Continued)

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

Held company name	Held company name securities type and name	securities type and name with the securities issuer	Account	June 30, 2019				Remark
				No. of shares	Carrying amount	Shareholding ratio	Market price	
Fubon Asset Management Co., Ltd.	Fubon Global Investment-Grade Bond Fund	Fund managed under Fubon Asset Management	Financial assets measured at fair value through profit or loss	2	96	-	96	Beneficiary certificates
"	Fubon 1-5 Years US High Yield Bond Ex China	"	"	2	92	-	92	"
"	Fubon China CSI 500 Index ETF	"	"	500	9,005	-	9,005	"
"	Fubon 9-35 Years US Corporate Bond A ETF	"	"	1,000	45,250	-	45,250	"
"	Yuanta China Treasury + Policy Bank 3-5 Year Bond ETF	-	"	500	23,565	-	23,565	"
"	Yuanta RMB Money Market Fund TWD	-	"	786	8,550	-	8,550	"
"	Yuanta USD Money Market Fund TWD	-	"	1,031	10,137	-	10,137	"
"	Yuanta China Mega USD Money Market Fund TWD	-	"	1,492	15,225	-	15,225	"
"	103 Central Government Development Bond 13	-	Financial assets measured at fair value through other comprehensive income	-	315,410	-	315,410	Government Bond
"	FundRich Securities Co., Ltd.	Related parties in substance	"	2,018	10,565	3.36	10,565	Unlisted stock
Fubon Investment Service Co., Ltd.	Fubon Chi-Hsiang Money Market	Fund managed under a subsidiary company's manager of the Company	Financial assets measured at fair value through profit or loss	7,713	121,129	-	121,129	Beneficiary certificates
Fubon Securities Venture Capital Co., Ltd.	Fusheng Precision Co., Ltd.	-	"	307	60,786	0.26	60,786	Emerging stock
"	Timing Pharmaceutical Co., Ltd.	-	"	1,300	20,874	1.51	20,874	Unlisted stock
"	APEX Flight Academy	-	"	1,313	-	5.42	-	"
"	PocketNet Technology Inc.	-	"	952	67,572	1.66	67,572	"
"	Amis Technology Co., Ltd.	Related parties in substance	"	48,750	107,338	22.45	107,338	"
"	Noodoe Inc.	-	"	450	50,445	5.99	50,445	"
"	MAYO Human Capital Inc.	-	"	500	22,500	3.14	22,500	"
"	Cinema Pro Limited	Related party in substance	"	2,800	13,493	14.69	13,493	"
"	uPI Group Inc.	-	"	190	15,044	0.27	15,044	"
"	Brilliant Network Co., Ltd.	-	"	700	21,000	2.60	21,000	"
"	A-SPINE Asia Co., Ltd.	-	"	600	52,800	4.90	52,800	"
Fubon Mintou Venture Capital Co., Ltd.	Yuanta De-Li Money Market Fund	-	"	2,472	40,349	-	40,349	Beneficiary certificates
"	FSITC Taiwan Money Market	-	"	3,293	50,450	-	50,450	"
"	Mega Diamond Money Market Fund	-	"	4,018	50,439	-	50,439	"
"	Capital Money Market Fund	-	"	3,120	50,392	-	50,392	"
"	Luo Lih-Fen Holding Co., Ltd.	-	"	10	1,940	-	1,940	Listed stock

(Continued)

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

Held company name	Held company name securities type and name	securities type and name with the securities issuer	Account	June 30, 2019				Remark
				No. of shares	Carrying amount	Shareholding ratio	Market price	
Fubon Securities Equity Investment Ltd.	Guang Dong Ying Jiang Film Industry Investment Limited	Related party in substance	Financial assets measured at fair value through profit or loss	-	13,021	12.00	13,021	Unlisted stock
Fubon Financial Holding Venture Capital Co., Ltd.	Fubon Chi-Hsiang Money Market Fund	Fund managed under a subsidiary company's manager of the Company	"	12,799	200,999	-	200,999	Beneficiary certificates
"	Franklin Templeton Sinoam Money Market Fund.	-	"	29,107	301,234	-	301,234	"
"	H&Q AP Greater China Growth Fund	-	"	-	8,831	4.00	8,831	"
Fubon Financial Holding Venture Capital Co., Ltd.	Chunghwa chemical Synthesis & Biotech Co., Ltd.	-	"	3,000	87,300	3.87	87,300	Listed stock
"	Fubon Multimedia Technology Co., Ltd.	Related party in substance	"	3,219	844,987	2.30	844,987	"
"	Tanvex BioPharma, Inc.	-	"	2,064	151,085	0.85	151,085	"
"	Media Asia Group Holdings Ltd.	-	"	99,188	31,194	4.64	31,194	Hong Kong listed stock
"	ConforMIS, Inc.	-	"	100	13,551	0.15	13,551	US listed stock
"	An Shin Food Service Co., Ltd.	-	"	97	6,679	0.30	6,679	Emerging stock
"	KD Holding Corporation	-	"	470	93,266	0.70	93,266	"
"	SynCore Biotechnology Co.	-	"	2,695	75,459	3.23	75,459	"
"	One Production Co., Ltd.	Related party in substance	"	3,874	20,803	13.84	20,803	Emerging stock
"	Long time tech. Co., Ltd.	Related party in substance	"	10,000	258,485	8.31	258,485	"
"	TwI Biotechnology Co., Ltd.	-	"	2,700	50,544	4.00	50,544	"
"	Drewloong Precision, Inc.	-	"	177	28,311	0.59	28,311	"
"	TIPCO International Limited	-	"	1	909	4.54	909	Unlisted stock
"	Lonestar Heart Inc.	-	"	294	-	4.01	-	"
"	ABG Grail Limited	-	"	-	83,471	4.00	83,471	"
"	Aeolus Robotics	-	"	5,000	67,300	10.02	67,300	"
"	RenalPro Medical, Inc.	-	"	1,055	30,970	10.00	30,970	"
"	Phalanx Biotech Group	-	"	95	281	0.15	281	"
"	Jeoutai Technology	Related party in substance	"	2,714	38,407	8.06	38,407	"
"	Century Development Corporation	Related party in substance	"	3,361	24,671	1.00	24,671	"
"	StemCyte Inc.	Related party in substance	"	9,426	172,680	10.60	172,680	"
"	UUPON Inc.	Related party in substance	"	1,900	3,116	5.29	3,116	"
"	DoDoPal Holdings Ltd.	-	"	42	-	6.78	-	"
"	TAROKO Development Co., Ltd.	Related party in substance	"	20,736	205,079	12.71	205,079	"
"	TAROKO MALL Co., Ltd.	Related party in substance	"	2,304	25,690	7.65	25,690	"
"	Crystal Bright Development Co., Ltd.	-	"	10	156,737	1.91	156,737	"
"	Asian Crown International Co., Ltd.	Related party in substance	"	824	-	6.94	-	"
"	Alliance Digital Tech Co., Ltd.	Related party in substance	"	900	-	2.16	-	"

(Continued)

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

Held company name	Held company name securities type and name	securities type and name with the securities issuer	Account	June 30, 2019				Remark
				No. of shares	Carrying amount	Shareholding ratio	Market price	
"	EcoNet Inc.	Related party in substance	Financial assets measured at fair value through profit or loss	312	275,365	1.64	275,365	Unlisted stock
"	DETKET Technology Inc.	Related party in substance	"	2,200	12,034	17.12	12,034	"
"	Eva Technologies Co., Ltd.	-	"	1,340	-	6.50	-	"
Fubon Financial Holding Venture Capital Co., Ltd.	ABG II-WX Limited	-	"	2	2,288,663	9.30	2,288,663	"
"	Sunny Pharmtech Inc.	-	"	12,820	184,729	9.90	184,729	"
"	A.T.Holding Ltd.	Related party in substance	"	280	292,563	2.35	292,563	"
"	Allianz Pharmascience Ltd.	-	"	2,000	44,600	6.85	44,600	"
"	tixCraft Inc.	Related party in substance	"	990	19,345	15.71	19,345	"
"	Alar Pharmaceuticals Inc.	-	"	3,300	32,109	9.43	32,109	"
"	TeTanTi Agricultural Biotechnology Co., Ltd.	Related party in substance	"	1,500	21,480	6.00	21,480	"
"	Beseye Cloud Security Co., Ltd.	Related party in substance	"	3,700	66,415	22.04	66,415	"
"	Grand Academy Investment, L.P.	-	"	-	118,777	4.17	118,777	Private fund
"	Starview Heights Investment, L.P.	-	"	-	63,640	4.17	63,640	"
"	Bridge Roots Fund.L.P.	-	"	-	475,262	11.48	475,262	"
"	Omniad Media Incorporation	-	Financial assets at fair value through other comprehensive income	7,675	-	10.21	-	Unlisted stock
"	Yuan tai Foreign	-	"	240	12,466	2.00	12,466	"
"	Kbro Media Co., Ltd.	Related party in substance	"	13,050	71,645	14.50	71,645	"
"	Diamond Bioventure	Related party in substance	"	22,500	159,300	5.00	159,300	"
"	Dragon Tiger Capital Partners Ltd. B class	-	"	1	-	7.00	-	"
"	Dragon Tiger Capital Partners Ltd. C class	-	"	-	-	35.00	-	"
"	SANITAS Health Management Co., Ltd.	Related party in substance	"	4,105	29,763	9.90	29,763	"
"	Yesin Electronics Technology Co., Ltd.	Related party in substance	"	4,026	30,112	10.61	30,112	"
"	Xin-Yao Bioventure Co., Ltd.	Related party in substance	"	17,500	130,375	5.00	130,375	"
"	Fubon Hospitality Management Co., Ltd.	Related party in substance	"	5,000	30,850	17.86	30,850	"
"	Star River Energy Corporation	Related party in substance	"	1,760	36,819	1.49	36,819	"
"	Star Shining Energy Corporation	Related party in substance	"	21,000	399,840	7.00	399,840	"
"	Wholox Max Green Power Co., Ltd.	Related party in substance	"	1,090	20,852	1.00	20,852	"
"	OmniEyes Co., Ltd	-	"	212	38,196	21.22	38,196	"
Fubon Sports & Entertainment Co., Ltd.	CHOXUE INC. (Cayman)	"	"	298	-	1.66	-	"

(Continued)

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

- (iv) Cumulative purchase or sales of the same investee's capital stock up to \$300,000 or 10% of paid-in capital:

Units: In Thousands of TWD / Thousands shares

Purchase or sale company	Marketable securities type and name	Account	Counter-party	Relation-ship	January 1 2019		Purchase		Sale				March 31 2019	
					No. of shares	Amounts	No. of shares	Accounts	No. of shares	Sales price	Book value	Disposal gain or loss	No. of shares	Accounts
Fubon Life Insurance	Fubon Life Insurance (Hong Kong)	Investment accounted for using equity method	Subsidiary	-	1,275,000	2,680,890	700,000	3,231,075 (Note 1)	-	-	-	-	1,975,000	5,911,965
Fubon Life Insurance	Fubon Eurotower (Luxembourg) S. à r.l	Investment accounted for using equity method,net	Subsidiary	-	-	-	220	6,620,287 (Note 1)	-	-	-	-	220	6,620,287
Fubon Securities	Fubon Securities (BVI)	Investment accounted for using equity method,net	Subsidiary	-	18,830	393,152	16,216	484,673 (Note 1)	-	-	-	-	35,046	877,825
Fubon Securities (BVI)	Fubon Securities (HK) Ltd.	Investments accounted for using equity method, net	Subsidiary	-	156,386	257,906	126,792	505,508 (Note 1)	-	-	-	-	283,178	763,414

Note 1: The initial costs of Fubon Life Insurance (Hong Kong) Ltd. and Fubon Eurotower (Luxembourg) S. à r.l invested by Fubon Life Insurance amounting to \$2,749,457 and \$7,727,154, Fubon Securities (BVI) invested by Fubon Securities amounting to \$500,000, and Fubon Securities (HK) Ltd. invested by Fubon Securities (BVI) amounting to \$500,000, respectively, have already been included. The remainder is shares of profit or other comprehensive income accounted for using equity method.

- (v) Acquisition or disposal amount of the same securities up to \$300,000 or 10% of paid-in capital: None.
- (vi) Obtain of real estate up to \$300,000 or 10% of paid-in capital:

(In Thousands of TWD)

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 Life Insurance	Land in Taipei Da'an Dist. Tonghua St. six sections No. 159 and building located at 8F No. 105, section 2 Dunhua S. Rd., Da'an Dist., Taipei City.	2019.05	356,618 (note)	Paid in accordance with the contract	UNIPOINT ELECTRIC MFG. CO., LTD.	Not related party	-	-	-	-	Referred to market price and appraisal reports.	Real estate investment	None
Fubon Eurotower (Luxembourg) S. à r.l	Eurotower, Kaiserstrasse 29, 60311 Frankfurtam Main, Germany	2019.04	EUR 530,000 (note)	Fully paid	Eurotower Frankfurt GmbH & Co. KG, Eurotower Verwaltungs und Beteiligungs GmbH	Not related party	-	-	-	-	Referred to appraisal reports.	Real estate investment	None

Note : It is the total contract price, including business tax. Transaction cost is separately calculated.

- (vii) Disposal of real estate up to \$300,000 or 10% of paid-in capital:None.
- (viii) Discount of commission fees for transaction with related parties up to \$5,000: None

(Continued)

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

(ix) Receivables from related parties up to \$300,000 or 10% of paid-in capital:

Unit: In thousands of TWD

Company of accounted for receivable	Counter-party	Relation-ship	Balance of receivables from related party	Turnover rate	Post-due receivables – related parties		Subsequently received amount of receivables from related party	Allowance for doubtful accounts
					Amount	Resolution		
The Company	Taipei Fubon Bank	Subsidiary of the Company	1,055,501 (Note 1)	-	-	-	-	-
Fubon Life Insurance	Fubon Financial Holding	Parent Company	6,421,720 (Note 2)	-	-	-	-	-
Taipei Fubon Bank	Fubon Life Insurance	Subsidiary of the Parent	463,731	-	-	-	-	-

Note 1: The tax receivable by tax link mainly of subsidiary of company estimated payment that Company should be paid.

Note 2: The tax receivables to the subsidiaries, which derived from tax receivable of the Company as a result of combined income tax declaration starting from 2002.

Note 3: The inter-company transactions have been eliminated.

(x) Transactions of financial derivatives: for future information please refer to notes 6(c), 6(f), 6(t) and 6(ah).

(xi) Transaction information of NPL disposition:

1) Summary of transaction information of NPL disposition:

Unit: In Thousands of TWD

Trade date	Counterparty	Debt component	Book value (Note)	Sale price	Gains (Losses) on disposal	Additional term	Relationship
2019.3.28	Korea Asset Management Corporation	Mortgage loan	263,836 KRW 9,818,037	252,659 KRW 9,392,532	(11,177) KRW (425,505)	None	None

Note: The book value is the NPL amount, less, allowance for doubtful accounts.

2) The information of a transaction of NPL disposition up to \$1,000,000 should be disclosed: None

(xii) Types of securitization instruments and other relevant information approved to issue pursuant to financial assets securitization rules or real estate securitization rules: None

(xiii) Business relationships and significant inter-company transactions

Unit: In thousands of TWD

No.	Company	Counter-party	Relationship	Transaction details			Rates of operation income/total asset
				Accounts	Amounts	Transaction terms	
0	Fubon Financial Holding	Fubon Life Insurance	1	Financial assets measured at fair value through profit or loss	20,495,584	Same as non related- party transactions	0.25 %
0	Fubon Financial Holding	Fubon Life Insurance	1	Gain on financial assets and liabilities measured at fair value through profit or loss	179,507	Same as non related- party transactions	0.09 %
1	Taipei Fubon Bank	Fubon Life Insurance	2	Net service fee and commission income	3,531,957	Same as non related- party transactions	1.82 %
2	Fubon Life Insurance	Fubon Financial Holding	2	Current tax assets	6,421,720	Same as non related- party transactions	0.08 %

(Continued)



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

No.	Company	Counter-party	Relationship	Transaction details			Rates of operation income/total asset
				Accounts	Amounts	Transaction terms	
2	Fubon Life Insurance	Taipei Fubon Bank	3	Cash and cash equivalents	11,150,891	Same as non related-party transactions	0.14 %
2	Fubon Life Insurance	Fubon Insurance	3	Other non-interest revenue, net	265,824	Same as non related-party transactions	0.14 %
3	Fubon Securities	Taipei Fubon Bank	3	Cash and cash equivalents	5,738,619	Same as non related-party transactions	0.07 %
3	Fubon Securities	Taipei Fubon Bank	3	Other non-interest revenue, net	115,890	Same as non related-party transactions	0.06 %
4	Fu Sheng General Insurance Agent	Fubon Insurance	3	Net service fee and commission income	206,883	Same as non related-party transactions	0.11 %
5	Fu Sheng Life Insurance Agent	Fubon Life Insurance	3	Net service fee and commission income	122,287	Same as non related-party transactions	0.06 %

Note 1: Serial number is determined as follows:

1. 0 represents parent company.
2. Subsidiaries are numbered in a sequence of Arabic numerals from 1 based on the companies' category.

Note 2: The relation category among traders is determined as follows:

1. Parent to subsidiary.
2. Subsidiary to parent.
3. Subsidiary to subsidiary.

Note 3: Above listed are the significant transactions that comprised over 0.05% of the consolidated revenue or total assets.

(xiv) Other significant transactions that may have substantial influence upon the decision made by financial statement user: None.

(b) Related information of investees companies:

As of June 30, 2019 were as follow:

(In Thousands of New Taiwan Dollars)

Name of investor company	Name of investee Company	Address	Main business scope	Shareholding ratio	Book Value	Investment gain(loss) recognized	Aggregate shareholding of the Company and its subsidiaries				Note
							Number of shares	Number of proforma shares	Total		
									Number of shares	Shareholding ratio	
Fubon Financial Holding	Fubon Insurance Co., Ltd.	Taipei	Property insurance	100.00%	30,804,317	2,100,608	317,840	-	317,840	100.00%	
	Fubon Life Insurance Co., Ltd.	Taipei	Life insurance	100.00%	272,126,391	10,850,159	11,083,114	-	11,083,114	100.00%	
	Fubon Securities Co., Ltd.	Taipei	Securities	100.00%	36,267,571	1,401,211	1,664,355	-	1,664,355	100.00%	
	Taipei Fubon Bank Co., Ltd.	Taipei	Banking	100.00%	189,898,598	11,073,358	10,651,802	-	10,651,802	100.00%	
	Fubon Marketing Co., Ltd.	Taipei	Marketing and management consult	100.00%	322,471	77,591	14,500	-	14,500	100.00%	
	Fubon Financial Holding Venture Capital Co., Ltd.	Taipei	Venture Capital	53.80%	3,851,230	283,778	265,615	-	493,748	100.00%	
	Fubon Bank Hong Kong Limited	Hong Kong	Banking	100.00%	50,874,249	1,631,800	1,641,273	-	1,641,273	100.00%	

(Continued)

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

Name of investor company	Name of investee Company	Address	Main business scope	Shareholding ratio	Book Value	Investment gain(loss) recognized	Aggregate shareholding of the Company and its subsidiaries				Note
							Number of shares	Number of proforma shares	Total		
									Number of shares	Shareholding ratio	
Fubon Financial Holding	Fubon Asset Management Service Co., Ltd.	Taipei	Creditor's rights management	100.00%	2,658,018	19,080	250,000	-	250,000	100.00%	
	Taiwan Sport Lottery Co., Ltd.	Taipei	IT Software Service	100.00%	97,427	40	9,729	-	9,729	100.00%	
	Fubon Bank(China) Co., Ltd.	Mainland China	Banking	49.00%	20,076,724	253,077	-	-	-	100.00%	
Fubon Insurance	Xiamen Bank Co., Ltd.	Mainland China	Banking	19.95%	13,234,028	772,825	473,755	-	473,755	19.95%	
	Fubon Brokers (Thailand) Co., Ltd.	Thailand	Insurance brokers	48.97%	24,869	731	29	-	29	48.97%	
	Fubon Insurance (Vietnam) Co., Ltd.	Vietnam	Insurance Business	100.00%	690,989	36,342	-	-	-	100.00%	
	Fubon Property and Casualty Insurance Co., Ltd.	Mainland China	Insurance Business	40.00%	378,616	(52,998)	-	-	-	80.00%	
	Fubon Insurance Brokers (Philippines) Co., Ltd.	Philippines	Insurance brokers	99.99%	10,702	(598)	200	-	200	99.99%	
	Teng Fu Bo Investment Limited	Mainland China	Investment advisory	12.44%	97,579	(13,789)	-	-	-	24.88%	
	Fubon Life Insurance (Vietnam) Co., Ltd.	Vietnam	Life Insurance business	100.00%	1,702,605	1,142	-	-	-	100.00%	
Fubon Life Insurance	Fubon Property and Casualty Insurance Co., Ltd.	Mainland China	Property insurance	40.00%	378,616	(52,998)	-	-	-	80.00%	
	Carter Lane (Guernsey) Limited	Guernsey Island	Investment property leasing	100.00%	2,817,445	54,127	41,515	-	41,515	100.00%	
	Bow Bells House (Jersey) Limited	Jersey Island	Investment property leasing	100.00%	1,842,900	(25,919)	46,173	-	46,173	100.00%	
	Fubon MTL Property (Jersey) Limited	Jersey Island	Investment property leasing	100.00%	5,251,055	447,043	92,581	-	92,581	100.00%	
	CITIC Capital Holdings Ltd.	Hong Kong	Capital holdings	18.00%	8,861,648	(43,880)	13,980	-	13,980	18.00%	
	Fubon Hyundai Life Insurance Co.,Ltd.	Korea	Life Insurance business	62.06%	15,553,371	209,634	83,736	-	83,736	62.06%	
	Fubon Life Insurance (Hong Kong) Ltd.	Hong Kong	Life Insurance business	100.00%	5,911,965	(939,647)	1,975,000	-	1,975,000	100.00%	

(Continued)

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

Name of investor company	Name of investee Company	Address	Main business scope	Shareholding ratio	Book Value	Investment gain(loss) recognized	Aggregate shareholding of the Company and its subsidiaries				Note	
							Number of shares	Number of proforma shares	Total			
									Number of shares	Shareholding ratio		
Fubon Life Insurance	Fubon Ellipse (Belgium) S.A.	Belgium Brussels	Investment property leasing	100.00%	2,497,819	(143,827)	1,134	-	1,134	100.00%		
	Fubon Ellipse (Jersey) Limited	Jersey Island	Capital holdings	100.00%	1,069	(393)	90	-	90	100.00%		
	Fubon Eurotower (Luxembourg) S. à r. l	Luxembourg	Investment property leasing	100.00%	6,620,287	(1,151,475)	220	-	220	100.00%		
	Teng Fu Bo Investment Limited	Mainland China	Investment advisory	12.44%	97,579	(13,789)	-	-	-	24.88%		
	Fubon Financial Holding Venture Capital Co., Ltd.	Taipei	Venture Capital	25.00%	2,190,048	112,617	123,437	-	493,748	100.00%		
	Star River Energy Co., Ltd.	Taipei	Energy Technology Service	20.00%	253,081	9,838	23,680	-	25,440	21.49%		
	Star Shining Energy Co., Ltd.	Taipei	Energy Technology Service	30.00%	909,318	8,148	90,000	-	111,000	37.00%		
	Wholex Max Green Power Co., Ltd.	Taipei	Energy Technology Service	30.00%	335,433	8,837	32,700	-	33,790	31.00%		
	ZhongAn Life Insurance Ltd.	Hong Kong	Life Insurance business	35.00%	-	(29,587)	-	-	-	35.00%		
	Fubon Securities	Fubon Futures Co., Ltd.	Taipei	Futures	100.00%	2,008,643	102,469	140,000	-	140,000	100.00%	
		Fubon Securities (BVI) Ltd.	British Virgin Islands	Securities	100.00%	877,825	(24,219)	35,046	-	35,046	100.00%	
		Fubon Securities investment Services Co., Ltd.	Taipei	Investment Consulting	100.00%	313,581	2,296	30,000	-	30,000	100.00%	
		Fubon Financial Holding venture Capital Co., Ltd.	Taipei	Venture Capital	11.20%	916,701	52,191	55,321	-	493,748	100.00%	
		Fubon Asset Management Co., Ltd.	Taipei	Asset management	100.00%	3,174,100	183,185	230,345	-	230,345	100.00%	
Fubon Securities Venture Capital Co., Ltd.		Taipei	Venture Capital	100.00%	342,985	41,998	30,000	-	30,000	100.00%		
Founder Fubon Fund Asset Management Co., Ltd.		Mainland China	Fund Management	33.30%	654,657	(36,221)	-	-	-	33.30%		
Fubon Equity Investment Ltd.	Mainland China	Equity Investment	100.00%	899,837	(70)	-	-	-	100.00%			

(Continued)

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

Name of investor company	Name of investee Company	Address	Main business scope	Shareholding ratio	Book Value	Investment gain(loss) recognized	Aggregate shareholding of the Company and its subsidiaries				Note
							Number of shares	Number of proforma shares	Total		
									Number of shares	Shareholding ratio	
Fubon Securities	Fubon Mintou Venture Capital Co., Ltd.	Taipei	Venture Capital	66.70%	134,101	(68)	13,400	-	13,400	66.70%	
	Fubon Securities (HK) Ltd.	Hong Kong	Securities	100.00%	763,414	(5,692)	283,178	-	283,178	100.00%	
	Fubon Fund Management (HK) Ltd.	Hong Kong	Asset management	100.00%	97,257	(17,835)	28,000	-	28,000	100.00%	
	Fubon Convoy Asset Management (Hong Kong) Limited	Hong Kong	Asset management	49.00%	6,320	748	6,860	-	6,860	49.00%	
Taipei Fubon Bank	Fubon Construction Management Co., Ltd.	Taipei	Construction Management, real estate valuation	30.00%	117,493	7,726	6,964	-	6,964	30.00%	
	Line BIZ+ Taiwan Limited	Taipei	Third-Party Payment Services	19.99%	3,107,178	(32,492)	10,936	-	10,936	19.99%	
	Fubon Bank (China) Co., Ltd	Mainland China	Banking	51.00%	21,511,865	263,406	-	-	-	100.00%	
Fubon Marketing	Fu-Sheng Life Insurance Agent Co., Ltd.	Taipei	Life Insurance Agent	100.00%	56,779	9,648	2,800	-	2,800	100.00%	
	Fu-Sheng General Insurance Agent Co., Ltd.	Taipei	Property and Casualty Insurance Agent	100.00%	123,316	65,496	2,500	-	2,500	100.00%	
Fubon AMC	CITC Futong Financial Leasing Ltd.	Mainland China	Financial Leasing	25.00%	869,020	(58,470)	-	-	-	25.00%	
Fubon Financial Holding Venture Capital Co., Ltd.	Fubon Sports & Entertainment Co., Ltd	Taipei	Sports service business	100.00%	77,267	14,121	6,398	-	6,398	100.00%	
	Fubon Stadium Co., Ltd.	Taipei	Stadium management	100.00%	58,903	(444)	5,841	-	5,841	100.00%	
	Fubon Health Management Co., Ltd.	Taipei	Aesthetic medicine	24.27%	23,337	(7,219)	5,000	-	5,000	24.27%	
	Bravelog Sport Technology Co., Ltd.	Taipei	Sport Training	42.86%	10,790	(827)	1,500	-	1,500	42.86%	
	Cofit Healthcare Inc.	Taipei	IT Software service	33.33%	6,905	(2,659)	275	-	275	33.33%	
Fubon Bank (HongKong) (Note)	FB Credit (Hong Kong) Limited	Hong Kong	Financial sector business	100.00%	HKD 91,309	HKD 140	65,000	-	65,000	100.00%	
	FB Securities (Hong Kong) Limited	Hong Kong	Securities broker	100.00%	HKD 116,480	HKD 12,523	8,000	-	8,000	100.00%	

(Continued)

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

Name of investor company	Name of investee Company	Address	Main business scope	Shareholding ratio	Book Value	Investment gain(loss) recognized	Aggregate shareholding of the Company and its subsidiaries				Note
							Number of shares	Number of proforma shares	Total		
									Number of shares	Shareholding ratio	
Fubon Bank (HongKong) (Note)	Fubon Nominees (Hong Kong) Limited	Hong Kong	Nominees service	100.00%	HKD 142	HKD -	-	-	-	100.00%	
	Fubon Insurance Broker Limited	Hong Kong	Insurance broker	100.00%	HKD 1,011	HKD (518)	100	-	100	100.00%	

Note: The details of consolidated entities of Fubon Bank (Hong Kong) are its main subsidiaries.

(c) Information on investment in Mainland China:

(i) Information on investment in Mainland China of the Company and Fubon Taipei Bank:

1) Information of the Company and Fubon Taipei Bank's investee in Mainland China:

Units: In thousands of TWD / CNY

Investee Company	Main Business	Total Amount of Paid-in Capital (thousand)	Investment types	Accumulated outflow of Investment from Taiwan as of January 1, 2017	Investment flows		Accumulated outflow of investment from Taiwan as of June 30, 2019	Net income from investee	Percentage of Ownership	Equity in the Earnings (gains)	Carrying value as of June 30, 2019	Accumulated inward remittance of earnings as of June 30, 2019
					Outflow	Inflow						
Fubon Bank (China)	Banking	9,494,310 (CNY2,100,000)	Direct investment in Mainland China	42,122,872	-	-	42,122,872	713,185 (CNY155,942)	100 %	516,483	41,588,589	168,999

2) Information of the Company and Fubon Bank (Hong Kong)'s investee in Mainland China:

In order to adjust the Group's investment structure, Fubon Bank (Hong Kong) has transferred 473,755 thousand shares of common stock of Xiamen Bank to the Company. The transfer was approved by the FSC Gin Guan Securities NO.10701090160 on May 31, 2018 and by the Investment Commission MOEA, with letter No.10700185740 on August 27, 2018. The transfer was completed on November 30, 2018.

Units: In thousands of TWD / CNY

Investee Company	Main Business	Total Amount of Paid-in Capital	Investment types	Accumulated outflow of Investment from Taiwan as of January 1, 2017	Investment flows		Accumulated outflow of investment from Taiwan as of June 30, 2019	Net income from investee	Percentage of Ownership	Equity in the Earnings (gains)	Carrying value as of June 30, 2019	Accumulated inward remittance of earnings as of June 30, 2019
					Outflow	Inflow						
Xiamen Bank Co., Ltd.	Banking	10,738,585 (CNY2,375,215)	(Note 1)	N/A, Investment of Fubon Bank (Hong Kong)	-	-	-	3,871,889	19.95 %	772,825	13,234,028	213,474

Note 1: The company has invested in the mainland China directly rather than invested through 100% owned subsidiary, Fubon Bank (Hong Kong), since November 30, 2018.

3) Upper limit on investment:

Company	Accumulated investment in Mainland China as of June 30, 2019	Investment amounts authorized by investment commission, MOEA	Upper limit on investment
Fubon Financial Holding Co., Ltd.	21,864,574 (CNY4,491,338)	29,682,633 (CNY6,131,035)	332,443,607
Taipei Fubon Bank Co., Ltd.	20,258,298 (CNY4,093,113)	20,258,298 (CNY4,093,113)	115,115,557
Fubon Bank Hong Kong Limited	N/A, Investment of Fubon Bank (Hong Kong)	N/A, Investment of Fubon Bank (Hong Kong)	N/A, Investment of Fubon Bank (Hong Kong)

(Continued)

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

Note: The paid-in capital and profit or loss in foreign currencies are converted into TWD using CNY closing exchange rate on June 30, 2019, and the CNY average exchange rate for the six months ended June 30, 2019.

- (ii) Fubon Life Insurance and Fubon Insurance invested CNY 400 million (with each company funding CNY 200 million) to set up Fubon Property and Casualty Insurance Co., Ltd. for insurance business in Mainland China. Fubon Life Insurance and Fubon Insurance signed a joint investment contract with Xiamen Port Holding Group on September 10, 2012. The board of directors of Fubon Life Insurance and Fubon Insurance approved in participating in the capital increase for cash in Fubon Property & Casualty Insurance Co., Ltd. in June and July, 2017, respectively. The project was approved by Jin Guan Bao Chan No.10602080481 and No.10602080482 and by the Investment Commission, MOEA, Jing Shen (2) Letter No.1060236350 and No.10600226460 to invest the total amount of CNY 120 million in Fubon Property & Casualty Insurance. The investment amounting to CNY 96 million was remitted on September 13, 2018. The investment project was approved by the CBIRC on January 3, 2019, in the meanwhile was set as the capital increase date. As of June 30, 2019, the paid-in capital of Fubon Property & Casualty Insurance was CNY 1,120 million. The total investment of Fubon Life Insurance and Fubon Insurance amounted to CNY 896 million.

Fubon Property and Casualty Insurance Co., Ltd. participated in the capital increase in Teng Fu Bo Investment Limited on November 20, 2018. The investment project intended to gather CNY 200 million in two installments. Fubon Property and Casualty Insurance Co., Ltd. had remitted CNY 46,650 thousand as first installment on November 20, 2018, and remitted CNY 15,550 thousand as second installment on July 3, 2019. As of June 30, 2019, the paid-in capital of Teng Fu Bo Investment Limited amounted to CNY 350 million, with Fubon Property and Casualty Insurance Co., Ltd. contributing the amount of CNY 108.85 million.

Fubon Life Insurance indirectly acquired ownership of 12 companies, including CITIC Fulljoy (Dalian) Ltd., by acquiring the ownership of Hong Kong CITIC Capital Holdings Ltd..

1) Information of Fubon Insurance and Fubon Life Insurance's investees in Mainland China

Units: In thousands of TWD / CNY

Investee Company	Main Business	Total Amount of Paid-in Capital	Investment types (Note 1)	Accumulated outflow of Investment from Taiwan as of January 1, 2019	Investment flows		Accumulated outflow of investment from Taiwan as of June 30, 2019	Net income from investee	Percentage of Ownership	Equity in the Earnings (gains)	Carrying value as of June 30, 2019	Accumulated inward remittance of earnings as of June 30, 2019
					Outflow	Inflow						
Fubon Property and Casualty Insurance Limited	Property Insurance	5,063,632 (CNY1,120,000)	1	4,310,367	-	94	4,310,273	(132,494)	80.00 %	(105,996)	757,232	-
Teng Fu Bo Investment Limited	Investment advisory	1,582,385 (CNY350,000)	3	-	-	-	-	(110,842)	24.88 %	(27,578)	195,158	-

2) Information of Fubon Life Insurance's investees in Mainland China:

Units: In thousands

Investee Company	Main Business	Total Amount of Paid-in Capital	Investment types (Note 1)	Accumulated outflow of Investment from Taiwan as of January 1, 2019	Investment flows		Accumulated outflow of investment from Taiwan as of June 30, 2019	Net income from investee	Percentage of Ownership	Equity in the Earnings (gains)	Carrying value as of	Accumulated inward remittance of earnings as of June 30, 2019
					Outflow	Inflow						
CITIC Fulljoy (Dalian) Limited	Real estate development	1,433,124 (HKD 360,000)	2	-	-	-	-	98,616 (CNY 21,563)	18.00 %	17,751 (CNY 3,881)	Note 3	-
Shang Hsing Real Estate (Shenyang) Limited	Real estate leasing	1,990,450 (HKD 500,000)	2	-	-	-	-	(29,032) (CNY (6,348))	18.00 %	(5,226) (CNY (1,143))	Note 3	-

(Continued)

## FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

Investee Company	Main Business	Total Amount of Paid-in Capital	Investment types (Note 1)	Accumulated outflow of Investment from Taiwan as of January 1, 2019	Investment flows		Accumulated outflow of investment from Taiwan as of June 30, 2019	Net income from investee	Percentage of Ownership	Equity in the Earnings (gains)	Carrying value as of	Accumulated inward remittance of earnings as of June 30, 2019
					Outflow	Inflow						
CITIC Capital Holdings (Tianjin) Ltd.	Investment Holdings	20,328,814 (CNY 4,496,431)	2	-	-	-	-	601,123 (CNY 131,439)	12.27 %	73,757 (CNY 16,127)	Note 3	-
Hui Zhi Ju Xin(Shenzhen) Investment Ltd.	Investment Management	22,606 (CNY 5,000)	2	-	-	-	-	323,577 (CNY 70,752)	12.27 %	39,702 (CNY 8,681)	Note 3	-
Zhong An Tai Xin (Shenzhen) Equity Investment and Fund Management Ltd.	Investment advisory	45,211 (CNY 10,000)	2	-	-	-	-	15,335 (CNY 3,353)	18.00 %	2,760 (CNY 604)	Note 3	-
CITIC Capital Asset Management (Shenzhen) Ltd.	Investment advisory	45,211 (CNY 10,000)	2	-	-	-	-	60,854 (CNY 13,306)	18.00 %	10,954 (CNY 2,395)	Note 3	-
CITIC Capital Culture Tourism (Chengdu) Ltd.	Real estate leasing	2,518,705 (CNY 557,100)	2	-	-	-	-	(10,061) (CNY (2,200))	12.58 %	(1,266) (CNY (277))	Note 3	-
Jin Rui Tong Investment Consultancy (Chengdu) Ltd.	Real estate leasing	830,404 (CNY 183,673)	2	-	-	-	-	(41,714) (CNY (9,121))	6.41 %	(2,676) (CNY (585))	Note 3	-
Tianjin Xinze Equity Investment and Fund Management Ltd.	Investment advisory	113,028 (CNY 25,000)	2	-	-	-	-	(52,635) (CNY (11,509))	18.00 %	(9,474) (CNY (2,072))	Note 3	-
Shanghai Ling Hui Business Information Consultancy Ltd.	Real estate leasing	3,360,683 (CNY 743,333)	2	-	-	-	-	(67,522) (CNY (14,764))	8.76 %	(5,914) (CNY (1,293))	Note 3	-
Shanghai Jing Rong Industrial Development Ltd.	Real estate leasing	1,699,934 (CNY 376,000)	2	-	-	-	-	(23,077) (CNY (5,046))	8.76 %	(2,021) (CNY (442))	Note 3	-
Murkden Tzu Tsai Heating & Development Ltd.	Real estate leasing	293,872 (CNY 65,000)	2	-	-	-	-	(121,858) (CNY (26,645))	18.00 %	(21,934) (CNY (4,796))	Note 3	-

Note 1: Investment types are as follows.

1. Direct investment in Mainland China.
2. Investment in Mainland China companies through CITIC Capital Holdings Ltd., a company established in a third region.
3. Others.

Note 2: The recognition of equity in the earnings is based on the audited financial statements of the investees.

Note 3: The carrying amount of each investment at the period end was not available from the audited financial statements of the third region company.

Note 4: Fubon Life Insurance also indirectly invested in following companies through CITIC Fulljoy (Dalian) Ltd.: Peng Yu Investment Consulting (Shanghai) Ltd., Peng Yu Investment Consulting (Shanghai) Ltd. Pudong Branch Division, Beijing Xinhua Run Investment Management Ltd., Shenzhen Pengyi Equity Investment Management Ltd., Shenzhen Xinpeng Yu Investment Management Ltd., Beijing Pengyu Investment Management Ltd., Jiaqiang (Shanghai) Consulting Ltd., Jiaqiang Equity Investment Management (Shenzhen) Ltd., Shanghai Xunyi Investment Management Consulting Ltd., Pengwei Investment Consulting (Shanghai) Ltd., Pengwei Investment Consulting Inquiry (Shanghai) Ltd. Jing'an Branch, Pengwei Investment Consulting (Shanghai) Ltd. Xuhui Branch, CITIC Capital (China) Investment Ltd., CITIC Capital Equity Investment (Tianjin) Ltd. Beijing Branch, CITIC Capital Equity Investment (Tianjin) Ltd. Shanghai Branch, Beijing Yuexin Investment Management Ltd., Shenzhen Jiaqiang Xiaofeng Equity Investment Management Ltd., Shenzhen Jiaqiang Yiheng Equity Investment Management Ltd. Division, Shenzhen Minzhi Juxin Investment Management Ltd. Beijing Branch, Shenzhen Yixin Investment Management Ltd., Chengdu Jinruitong Investment Management Co., Ltd. Qingchengshan Liushan Hotel Management Branch, Benyuan Investment Consultant (Beijing) Ltd., Shanghai Yuanlong Engineering Service Ltd., Shanghai Longyu Management Consulting Ltd., CITIC Capital (Qingdao) Investment Management Ltd., Deqin Alpine Bezhuang Hotel Ltd., Yunnan Shangri La Alpine Bezhuang Hotel Ltd., Shenzhen Shengyin Consulting Ltd., Shenzhen Shengyi Equity Investment Management Ltd., Shenzhen Jiashi Datong Industrial Ltd. Company, Shenzhen Yushengxin Consulting Ltd., Shanghai Sterling De Real Estate Ltd., Huiyi Management Consulting (Shanghai) Ltd., Kangquan (Nanjing) Warehousing Service Ltd. Shenzhen Xinlong Consulting Ltd., Shanghai Xinming Investment Consulting Ltd., Kaixin Venture Capital Management (Beijing) Ltd., Kaixin Venture Capital Ltd., CITIC Kasina (Beijing) Consulting Ltd., CITIC Fengyue (Dalian) Real Estate Development Ltd., CITIC Capital (Shenzhen) Investment Management Ltd., CITIC Capital (Zhuhai) Asset Management Ltd., Zhongyu Ruixin (Beijing) Asset Management Ltd. Division, Xinyi Business Management (Shanghai) Ltd., CITIC Guoke Asset Management Ltd., Shanghai Xuanxuan Business Information Consulting Ltd., CITIC Capital (Ningbo) Investment Management Ltd., Shanghai Airlines Investment Management Ltd., Tibet Yuxin Investment Service Ltd., Tibet Yudaxin Investment Management Ltd., Tibet Xinyi Investment Service Ltd., Chengdu Ruite Tourism Resources Development Ltd., Zhejiang Xinwei Investment Management Ltd., Tibet Giant Lihexin Investment Management Ltd., Shanghai Zhongxing Enterprise Management Ltd. Company, CITIC Jiu'an (FangXian) Equity Investment Fund Management Ltd., Zhuhai Zhongrui Zhixin Investment Management Ltd., Ningbo Dingxin Jingli Investment Management Ltd., Shanghai Jingrong Industrial Development Ltd., Xinyi (Shanghai) Asset Management Ltd., Beijing Jianyuan Tiandi Real Estate Ltd., Ningbo Xinrong Jiu'an Enterprise Management Consulting Ltd., Chengdu Xirun Dehong Equity Investment Management Ltd., CITIC Jiu'an (Ningbo) Equity Investment Fund Management Ltd., Shenzhen Hengxin Management Consulting Ltd., Jinan Huanqi Commercial Operation Management Ltd., Beijing Shangyun Capital Management Ltd., CITIC Capital (Guangdong) Industrial Investment Fund Management Ltd., CITIC Capital (Guangdong) Equity Investment Ltd., Shenzhen Shuntai Industrial Park Management Ltd., Shenzhen Shunze Industrial Park Management Ltd., Hunan Yingfu Real Estate Ltd., Huizhou Xinli Nanshan Real Estate Development Ltd., Hui Zhou District Weiyu Industrial Development Ltd., Shanhai Yun Xiang Consultant Management Co. Ltd., Tibet Xing Zhao Business Service Co. Ltd., Tianjin Xin He Tai Technology Development Co. Ltd., Transport Communication Group Shanghai Equity Investment Management Co. Ltd. Shenzhen Shi Jia De Xi Trade Co. Ltd., Shenzhen Snail Electronic Business Co. Ltd., Shenzhen Shi Nan Xing Cultural Activity Planning Co. Ltd., Tibet Yao Yi Corporate Management Service Co. Ltd., Tibet Long Yi Corporate Management Co. Ltd., Shanhai Fung Yu Tai Shi Ye Co. Ltd., Wuxi Shi Fung Yu Tai Shi Ye Co. Ltd., Shenzhen Shi Xu Xin Consultant Co. Ltd., Shenzhen Run Heng Industry Management Co. Ltd., Shenzhen Yi Hui Feng Technology Co. Ltd., Shenzhen Shun Jie Industry Management Co. Ltd., Shenzhen Yi Rong Feng Technology Co. Ltd., Shenzhen Jia Feng Industry Management Co. Ltd., Shenzhen Yi Run Fung Technology Co. Ltd., Tianjin Rong Qi Health Consultant Co. Ltd., Tianjin Hung Qi Health Consultant Co. Ltd., Beijing Bee Waikin Technology Co. Ltd., Tianjin Peng Xin Medical Consultant Co. Ltd.

Note 6: The foreign currency is converted into TWD using CNY closing exchange rate on June 30, 2019 and average exchange rate for the six months ended June 30, 2019.

(Continued)

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

3) Upper limit on investment:

Units: In thousands of TWD

<b>Company</b>	<b>Accumulated investment in Mainland China as of June 30, 2019</b>	<b>Investment amounts authorized by investment commission, MOEA</b>	<b>Upper limit on investment</b>
Fubon Life Insurance Co., Ltd.	25,781,503	25,989,507	175,487,240
Fubon Insurance Co., Ltd.	2,154,951 (CNY448,000)	2,209,204 (CNY460,000)	20,122,101

Note: The limit of Fubon Life Insurance Co., Ltd. and Fubon Insurance Co., Ltd. investment were \$116,991,493, and \$13,414,734 according to the Regulations Governing Foreign Investments by Insurance Companies.

- (iii) On March 19, 2015, the board of directors of Fubon Securities has approved the establishment of a new subsidiary in Mainland China. The project was approved by FSC Gin Guan Securities No. 1040042628 on November 24, 2015 and by the Investment Commission, MOEA, with letter No. 10430066740 on January 20, 2016. The investment amount was CNY200 million. The subsidiary was set up in Xiamen on June 6, 2016. Fubon Securities has remitted CNY200 million for investment.

Units: In thousands of TWD / CNY

<b>Investee Company</b>	<b>Main Business</b>	<b>Total Amount of Paid-in Capital</b>	<b>Investment types</b>	<b>Accumulated outflow of Investment from Taiwan as of January 1, 2017</b>	<b>Investment flows</b>		<b>Accumulated outflow of investment from Taiwan as of June 30, 2019</b>	<b>Net income from investee</b>	<b>Percentage of Ownership</b>	<b>Equity in the Earnings (gains)</b>	<b>Carrying value as of June 30, 2019</b>	<b>Accumulated inward remittance of earnings as of June 30, 2019</b>
					<b>Outflow</b>	<b>Inflow</b>						
Fubon Securities Equity Investment Ltd.	Equity Investment	904,220 (CNY200,000)	(Note 1)	944,532	-	-	944,532	(70)	100.00 %	(70)	899,837	-

<b>Company</b>	<b>Accumulated investment in Mainland China as of June 30, 2019</b>	<b>Investment amounts authorized by investment commission, MOEA</b>	<b>Upper limit on investment (Note 2)</b>
Fubon Securities Co., Ltd.	944,532 (CNY200,000)	1,017,360 (CNY200,000)	21,745,695

Note 1: Direct investment in Mainland China.

Note 2: It was calculated by Fubon Securities' net value as of June 30, 2019.

- (iv) On November 18, 2014, the board of directors of Fubon Securities approved participating in the capital increase for cash in Huishang Futures Co., Ltd. in Mainland China. However, after considering the financial situation, the shareholders of Huishang Futures Co., Ltd. requested to change the cooperation plan. After negotiation, Fubon Securities decided not to participate in the capital increase, and announced the decision on March 26, 2018.

(Continued)



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

- (v) Fubon AMC acquired 25% ownership of CITIC FUTONG Financial Leasing Co., Ltd. on May 8, 2015. The investment amounted to CNY270,000 thousand.

Units: In thousands of TWD / CNY

Investee Company	Main Business	Total Amount of Paid-in Capital	Investment types	Accumulated outflow of Investment from Taiwan as of January 1, 2017	Investment flows		Accumulated outflow of investment from Taiwan as of June 30, 2019	Net income from investee	Percentage of Ownership	Equity in the Earnings (gains)	Carrying value as of June 30, 2019	Accumulated inward remittance of earnings as of June 30, 2019
					Outflow	Inflow						
CITIC FUTONG Financial Leasing Ltd.	Financial leasing	4,209,298 (CNY931,034)	(Note 1)	1,356,479	-	-	1,356,479	(233,880)	25 %	(58,470)	869,020	-

Company	Accumulated investment in Mainland China as of June 30, 2019	Investment amounts authorized by investment commission, MOEA	Upper limit on investment (Note 2)
Fubon Assets Management Service Co., Ltd.	1,356,479 (CNY270,000)	1,356,479 (CNY270,000)	1,594,790

Note 1: Direct investment in Mainland China.

Note2: It was calculated by Fubon AMC's net value as of June 30, 2019.

- (vi) Fubon Asset Management and Founder Securities Co. co-invested in a fund management company. The investment amounted to CNY200,000 thousand, with Fubon Asset Management contributing the amount of CNY66,600 thousand. The board of directors of Fubon Asset Management had approved to participate in the capital increased for cash of Founder Fubon Fund Management Co., Ltd. by CNY 66,600 thousands. The investment project was approved by the FSC and the Investment Commission, MOEA on April 7 and May 31, 2016, respectively. On November 28, 2017, the board of directors of Fubon Asset Management has approved to participate in the capital increased for cash of Founder Fubon Fund Management Co., Ltd. by CNY 86,580 thousand. The investment project had been approved by the Investment Commission, MOEA, and FSC on January 5 and February 7, 2018, respectively. Fubon Asset Management has remitted the amount of TWD 402,597 thousand on March 12, 2018. As of June 30, 2019, the paid-in capital of Founder Fubon Fund Management Co., Ltd. amounted to CNY660,000 thousand, with Fubon Asset Management contributing the amount of 1,029,119 thousand.

Units: In thousands of TWD / CNY

Investee Company	Main Business	Total Amount of Paid-in Capital	Investment types	Accumulated outflow of Investment from Taiwan as of January 1, 2017	Investment flows		Accumulated outflow of investment from Taiwan as of June 30, 2019	Net income from investee	Percentage of Ownership	Equity in the Earnings (gains)	Carrying value as of June 30, 2019	Accumulated inward remittance of earnings as of June 30, 2019
					Outflow	Inflow						
Founder Fubon Fund Management Limited	Fund raising and asset management	2,983,926 (CNY660,000)	(Note 1)	1,029,119	-	-	1,029,119	(108,407)	33.30 %	(36,221)	654,657	-

Company	Accumulated investment in Mainland China as of June 30, 2019	Investment amounts authorized by investment commission, MOEA	Upper limit on investment (Note 2)
Fubon Asset Management Co., Ltd.	1,029,119 (CNY219,780)	1,029,119 (CNY219,780)	1,904,460

Note 1: Direct investment in Mainland China.

Note2: It was calculated by Fubon Asset Management's net value as of June 30, 2019.

(Continued)

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

**(14) Segment Information:**

(a) Operating segment information

The reportable segments of the Company are as follows:

- (i) Bank business: Engaged in banking business.
- (ii) Insurance business: Providing a variety of life and property insurance services.
- (iii) Life insurance business: Providing a variety of life and property insurance services.
- (iv) Securities business: Engaged in securities business.
- (v) Others: Engaged in financial holding venture capital and asset management business, etc.

Financial information classified by business type please refer to note 12(h).

The Company reports segments information by business type to offer different business and services. All of these business types are administered separately and have different finance and marketing strategies.

The Company does not allocate tax expenses to reporting segments. The accounting policies of the operating segments are the same as those described in Note 2. The income of the operating segments is based on income before tax, which also serves as the basis for the performance measurement. The sales and transfer between the departments are regarded as third party sales and transfer, and are measured at current market value.

(b) Business information

Operating Segments information was as follows:

	For the three months ended June 30, 2019						
	Bank business	Property insurance business	Life insurance business	Securities Business	Others	Adjustment and elimination	Total
Net revenues							
Revenue by external customers	\$ 13,123,862	3,311,901	66,222,994	2,015,636	(112,227)	-	84,562,166
Revenue between segments	1,808,343	(101,405)	(1,461,173)	50,684	15,808,408	(16,104,857)	-
Total	<u>\$ 14,932,205</u>	<u>3,210,496</u>	<u>64,761,821</u>	<u>2,066,320</u>	<u>15,696,181</u>	<u>(16,104,857)</u>	<u>84,562,166</u>
Segment income (Note)	<u>\$ 6,863,700</u>	<u>1,028,341</u>	<u>8,429,567</u>	<u>741,429</u>	<u>15,365,132</u>	<u>(15,154,953)</u>	<u>17,273,216</u>
	For the three months ended June 30, 2018						
	Bank business	Property insurance business	Life insurance business	Securities Business	Others	Adjustment and elimination	Total
Net revenues							
Revenue by external customers	\$ 12,768,000	3,330,600	76,346,397	2,219,520	1,090,735	-	95,755,252
Revenue between segments	1,672,619	(7,769)	(1,337,001)	188,446	19,730,092	(20,246,387)	-
Total	<u>\$ 14,440,619</u>	<u>3,322,831</u>	<u>75,009,396</u>	<u>2,407,966</u>	<u>20,820,827</u>	<u>(20,246,387)</u>	<u>95,755,252</u>
Segment income (Note)	<u>\$ 7,662,397</u>	<u>1,450,597</u>	<u>10,385,389</u>	<u>964,629</u>	<u>20,467,654</u>	<u>(19,352,385)</u>	<u>21,578,281</u>

(Continued)

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

For the six months ended June 30, 2019							
	Bank business	Property insurance business	Life insurance business	Securities business	Others	Adjustment and elimination	Total
Net revenues							
Revenue by external customers	\$ 26,945,082	6,938,989	155,813,768	3,958,189	651,099	-	194,307,127
Revenue between segments	<u>3,375,762</u>	<u>(173,804)</u>	<u>(2,694,517)</u>	<u>245,251</u>	<u>28,930,553</u>	<u>(29,683,245)</u>	<u>-</u>
Total	<u>\$ 30,320,844</u>	<u>6,765,185</u>	<u>153,119,251</u>	<u>4,203,440</u>	<u>29,581,652</u>	<u>(29,683,245)</u>	<u>194,307,127</u>
Segment income (Note)	<u>\$ 15,413,180</u>	<u>2,380,549</u>	<u>12,244,488</u>	<u>1,549,183</u>	<u>28,925,860</u>	<u>(27,905,471)</u>	<u>32,607,789</u>
Segment assets	<u>\$ 3,260,112,393</u>	<u>105,527,634</u>	<u>4,615,914,759</u>	<u>139,463,901</u>	<u>658,879,105</u>	<u>(660,163,204)</u>	<u>8,119,734,588</u>
For the six months ended June 30, 2018							
	Bank business	Property insurance business	Life insurance business	Securities business	Others	Adjustment and elimination	Total
Net revenues							
Revenue by external customers	\$ 24,504,153	6,769,751	171,669,149	3,934,696	953,465	-	207,831,214
Revenue between segments	<u>2,973,324</u>	<u>2,837</u>	<u>(2,286,527)</u>	<u>332,143</u>	<u>36,954,069</u>	<u>(37,975,846)</u>	<u>-</u>
Total	<u>\$ 27,477,477</u>	<u>6,772,588</u>	<u>169,382,622</u>	<u>4,266,839</u>	<u>37,907,534</u>	<u>(37,975,846)</u>	<u>207,831,214</u>
Segment income (Note)	<u>\$ 14,415,285</u>	<u>2,954,993</u>	<u>17,988,596</u>	<u>1,359,007</u>	<u>37,229,728</u>	<u>(36,282,694)</u>	<u>37,664,915</u>
Segment assets	<u>\$ 3,085,390,533</u>	<u>99,759,203</u>	<u>3,857,458,065</u>	<u>146,200,958</u>	<u>609,759,006</u>	<u>(609,729,123)</u>	<u>7,188,838,642</u>

Note: Income tax expense information is not included in segments information.

## Attachment

The aggregate lending, guarantee or other transactions taken place between all subsidiaries of a financial holding company and same person, same relatives or same affiliate.

**June 30, 2019**

Units: In thousands of TWD, %

Name	Total amount of aggregate lending, guarantee or other transactions	% of net asset value of financial holding company
<b>1. Same natural person or same juridical person</b>		
The Central Government of the Republic of China	471,149,805	83.28%
Capital Investment Trust Corporation	85,056,775	15.03%
The Mainland Area Government Agencies and Financial Institutions	82,885,191	14.65%
Taiwan Power Company	80,941,011	14.31%
National Treasury Administration, Ministry of Finance	70,009,107	12.37%
Taiwan Semiconductor Manufacturing Company, Ltd.	63,827,768	11.28%
JPMorgan Chase & Co.	56,104,343	9.92%
AT&T Inc.	53,697,828	9.49%
Verizon Communications Inc	48,675,511	8.60%
Yuanta Securities Investment Trust Co Ltd	46,722,367	8.26%
Goldman Sachs Group, Inc.	41,656,810	7.36%
Deutsche Bank AG	40,385,829	7.14%
Citigroup Inc	39,872,396	7.05%
Wells Fargo & Co.	39,141,664	6.92%
Morgan Stanley	34,433,280	6.09%
Bank of America Corporation	33,955,734	6.00%
Comcast Corporation	33,177,833	5.86%
Electricite de France	32,478,105	5.74%
Cathay Securities Investment Trust Co Ltd	31,205,312	5.52%
Department of Rapid Transit Systems, Taipei City Government	28,013,659	4.95%
Bank of Tokyo-Mitsubishi UFJ Ltd	27,869,768	4.93%
AllianceBernstein (Luxembourg) S.a.r.l	27,342,626	4.83%
Vanguard Fixed Income Securities Funds	27,035,000	4.78%
Hong Kong Special Administrative Region Government	26,484,053	4.68%
HON HAI Precision Industry Co Ltd	26,443,498	4.67%
Credit Agricole Corporate and Investment Bank	25,991,613	4.59%
Barclays Bank plc	25,736,213	4.55%
Taiwan Mobile Co Ltd	24,922,111	4.41%
Republic of Korea	24,793,964	4.38%
PIMCO Funds	23,886,096	4.22%
Royal Bank of Canada	23,885,176	4.22%
Lloyds Bank plc	22,371,621	3.95%
Bank of China Ltd	22,225,820	3.93%
HSBC Holdings plc	22,019,269	3.89%
Freddie Mac	21,724,321	3.84%
CTBC Investments Co Ltd	21,547,346	3.81%
Apple Inc.	20,784,138	3.67%
Societe Generale	20,063,640	3.55%

Bank of Nova Scotia	19,829,647	3.50%
Cathay United Bank	19,661,354	3.48%
United Mexican States	19,590,264	3.46%
Cooperatieve Rabobank U.A.	19,447,749	3.44%
First Commercial Bank	19,398,661	3.43%
China United Insurance Group Co., Ltd	19,188,778	3.39%
Mizuho Bank Ltd	18,724,990	3.31%
Industrial and Commercial Bank of China	18,577,281	3.28%
BNP Paribas SA	18,425,010	3.26%
Australia and New Zealand Banking Group Limited	18,249,306	3.23%
Barclays plc	17,391,527	3.07%
iShares Trust	17,326,889	3.06%
Republic of Indonesia	17,067,944	3.02%
Chinatrust Commercial Bank	16,984,974	3.00%
China Development Bank Corporation	16,614,629	2.94%
KGI Bank Co Ltd	16,501,066	2.92%
Taishin International Bank	16,487,838	2.91%
Chinatrust Financial Holding Co Ltd	16,078,781	2.84%
Natixis	15,873,906	2.81%
National Australia Bank	15,505,898	2.74%
Gennie Mae	15,478,544	2.74%
Bank Of Taiwan	15,383,260	2.72%
Russian Federation	15,359,949	2.71%
Westpac Banking Corporation	15,165,766	2.68%
China Steel Corporation	15,117,932	2.67%
HSBC Bank plc	15,114,911	2.67%
Credit Suisse	15,113,170	2.67%
Mega Financial Holding Co Ltd	14,927,010	2.64%
UBS AG	14,640,814	2.59%
Vodafone Group plc	14,636,337	2.59%
Alibaba Group Holding Limited	14,510,212	2.56%
Fannie Mae	14,483,256	2.56%
Republic of South Africa	14,106,742	2.49%
Microsoft Corp	14,025,874	2.48%
Federative Republic of Brazil	13,979,987	2.47%
KGI Securities Investment Trust Co Ltd	13,870,514	2.45%
New Taipei City Government	13,764,936	2.43%
Xiamen Bank Co Ltd	13,443,533	2.38%
Oracle Corp	13,370,924	2.36%
State of Qatar	13,364,431	2.36%
Anheuser-Busch InBev Finance Inc	13,198,188	2.33%
PIMCO Funds: Global Investors Series plc	13,076,155	2.31%
Intel Corporation	12,934,286	2.29%
Republic of Turkey	12,783,229	2.26%
ABN AMRO Bank N.V.	12,531,905	2.22%
Formosa Plastics Corporation	12,181,458	2.15%
Taiwan Cooperative Bank	12,176,195	2.15%
Chunghwa Telecom Co Ltd	12,166,041	2.15%
Commonwealth Bank of Australia	11,915,674	2.11%
E.Sun Bank	11,613,593	2.05%
Nomura International Funding Pte Ltd	11,405,688	2.02%
First Abu Dhabi Bank PJSC	11,380,122	2.01%

National Bank of Canada	11,373,196	2.01%
CITIC Limited	11,137,365	1.97%
Kingdom of Saudi Arabia	10,958,509	1.94%
Bank of Montreal	10,765,390	1.90%
PepsiCo, Inc	10,574,552	1.87%
The Shanghai Commercial & Savings Bank Ltd	10,256,328	1.81%
CVS Health Corp	10,074,397	1.78%
Robeco Luxembourg S.A.	10,046,688	1.78%
Yuanta Securities Co Ltd	9,986,877	1.77%
American International Group, Inc.	9,737,930	1.72%
Pfizer Inc	9,737,597	1.72%
Home Depot Inc	9,642,738	1.70%
AU Optronics Corp	9,543,729	1.69%
BBVA Global Markets B.V.	9,527,850	1.68%
UnitedHealth Group Inc	9,516,987	1.68%
BPCE SA	9,368,877	1.66%
PT Pertamina (Persero)	9,346,769	1.65%
Largan Precision Co Ltd	9,293,441	1.64%
Formosa Chemicals & Fibre Corp	9,278,348	1.64%
Chang Hwa Commercial Bank, Ltd.	9,223,620	1.63%
ASE Technology Holding Co Ltd	9,176,826	1.62%
HSBC France SA	9,159,463	1.62%
Yuanta Commercial Bank Co Ltd	9,112,755	1.61%
Nexen Inc	9,030,982	1.60%
Amgen Inc	8,974,620	1.59%
Fuh Hwa Securities Investment Trust Co Ltd	8,956,830	1.58%
QNB Finance Ltd	8,948,785	1.58%
International Bills Finance Corporation	8,939,485	1.58%
Banco Santander S.A.	8,868,580	1.57%
Sumitomo Mitsui Banking Corporation	8,846,626	1.56%
SPDR SeriesTrust	8,844,150	1.56%
Manulife Financial Corp	8,840,110	1.56%
CITIC Capital Holdings Limited	8,790,270	1.55%
Mega International Commercial Bank Co Ltd	8,679,358	1.53%
DBS Bank Ltd	8,473,233	1.50%
China Bills Finance Corp	8,466,274	1.50%
Comision Federal de Electricidad	8,368,788	1.48%
Telefonica Emisiones SA	8,286,216	1.46%
Codelco Inc	8,203,562	1.45%
Bayer US Finance II LLC	8,185,121	1.45%
Union Pacific Corp	8,028,699	1.42%
AIA Group Ltd	8,022,171	1.42%
Malayan Banking Berhad	7,657,315	1.35%
ADCB Finance Cayman Ltd	7,636,949	1.35%
Amazon.com Inc	7,600,178	1.34%
AstraZeneca plc	7,594,071	1.34%
Anheuser-Busch Cos LLC / Anheuser-Busch InBev Worldwide Inc	7,588,247	1.34%
Citigroup Global Markets Holdings Inc	7,554,281	1.34%
CPC Corporation, Taiwan	7,430,668	1.31%
United Technologies Corp	7,354,054	1.30%
Altria Group Inc	7,295,815	1.29%
Tencent Holdings Limited	7,187,162	1.27%

Hua Nan Commercial Bank Ltd	7,158,166	1.27%
Far EasTone Telecommunications Co Ltd	7,126,221	1.26%
Merrill Lynch BV	7,109,351	1.26%
Cathay Financial Holding Co Ltd	7,096,514	1.25%
Rich Fast International Limited	7,090,481	1.25%
Gilead Sciences Inc	7,054,329	1.25%
Metlife Inc	7,032,158	1.24%
Catcher Technology Co Ltd	7,019,013	1.24%
Nan Ya Plastics Corp	6,989,112	1.24%
Sumitomo Mitsui Financial Group Inc	6,892,460	1.22%
Shell International Finance B.V.	6,876,865	1.22%
Yang Ming Marine Transport Corp	6,866,575	1.21%
HSBC Bank (Taiwan) Limited	6,817,118	1.20%
Petroleos Mexicanos	6,781,624	1.20%
Bank of East Asia Limited	6,727,627	1.19%
Korea Development Bank	6,650,511	1.18%
Agricultural Bank of Taiwan	6,610,789	1.17%
Walgreens Boots Alliance Inc	6,482,985	1.15%
Credit Suisse Group AG	6,479,879	1.15%
Enterprise Products Operating LLC	6,461,339	1.14%
AbbVie Inc	6,391,760	1.13%
Credit Agricole SA	6,322,054	1.12%
Tianji Holding Limited	6,247,856	1.10%
Siemens Financieringsmaatschappij NV	6,224,968	1.10%
China Construction Bank	6,161,936	1.09%
Credit Suisse Group Funding Guernsey Ltd	6,131,377	1.08%
Formosa Ha Tinh (Cayman) Limited	6,091,543	1.08%
American Express Company	6,081,813	1.07%
Santander International Products PLC	6,064,146	1.07%
Burlingt North Santa Fe	6,048,794	1.07%
Exxon Mobil Corp	6,011,731	1.06%
IBM Corp.	5,958,231	1.05%
United Strength Element Limited	5,905,121	1.04%
Visa Inc.	5,904,298	1.04%
Carlyle Investment Management L.L.C.	5,881,899	1.04%
Bank of China Group Investment Limited	5,869,483	1.04%
Kreditanstalt fuer Wiederaufbau	5,751,716	1.02%
Duke Energy Corporation	5,733,215	1.01%
NIKE Inc	5,717,994	1.01%
CIMB Bank Berhad	5,696,884	1.01%
Quanta Computer Inc	5,690,605	1.01%
MediaTek Inc	5,681,467	1.00%
Cisco Systems Inc.	5,651,112	1.00%
The Export-Import Bank of China	5,562,477	0.98%
Kraft Heinz Food Co	5,562,295	0.98%
Travelers Cos Inc	5,527,799	0.98%
WPG Holdings Co Ltd	5,526,817	0.98%
Gaz Capital S.A.	5,513,824	0.97%
America Movil SAB de CV	5,471,480	0.97%
Sinopec Group Overseas Development 2012	5,367,604	0.95%
Occidental Petroleum Corp	5,359,387	0.95%
Advanced Semiconductor Engineering Inc	5,304,089	0.94%

Korea Electric Power Corporation	5,278,272	0.93%
Phillips 66	5,251,130	0.93%
JPMorgan Asset Management Europe SARL	5,191,105	0.92%
Compal Electronics Inc	5,131,366	0.91%
Taiwan Cement Corp.	5,071,809	0.90%
FedEx Corp	5,024,769	0.89%
Harbin Bank Co Ltd	5,014,178	0.89%
Bank SinoPac	4,962,868	0.88%
KEB Hana Bank	4,946,324	0.87%
Vale Overseas Limited	4,923,034	0.87%
Novartis Capital Corp	4,826,598	0.85%
Lite-On Technology Corporation	4,786,812	0.85%
CIMB Group Holdings Bhd	4,770,702	0.84%
MTR Corporation Cayman Islands Ltd	4,737,328	0.84%
Asian Development Bank	4,726,367	0.84%
Tainan City Government	4,715,000	0.83%
TWDC Enterprises 18 Corp	4,713,402	0.83%
ING Groep NV	4,706,077	0.83%
Prudential Financial, Inc.	4,671,529	0.83%
Toyota Motor Credit Corp	4,659,824	0.82%
Halliburton Company	4,651,152	0.82%
Israel	4,580,251	0.81%
Walsin Lihwa Corporation	4,555,618	0.81%
Two Sigma Advisers, LP	4,539,657	0.80%
State Grid Overseas Investment 2014 Ltd	4,506,521	0.80%
Korea Housing Finance Corporation	4,496,101	0.79%
Petrobras Global Finance B.V.	4,416,382	0.78%
Yuanta Securities Finance Co Ltd	4,394,927	0.78%
Blackstone Management Partners LLC,	4,378,029	0.77%
Hongkong Land Holdings Ltd	4,335,275	0.77%
Yageo Corp	4,331,682	0.77%
Aerospace Industrial Development Corporation	4,325,597	0.76%
Innolux Corporation	4,292,465	0.76%
Celgene Corp	4,275,790	0.76%
Far East Horizon Ltd	4,274,936	0.76%
HSBC USA Inc	4,161,260	0.74%
AirTAC Internaional Group	4,085,448	0.72%
Merck & Co Inc	4,051,181	0.72%
Bridge Investment Group Partners, LLC	4,041,178	0.71%
POU Chen Corp	4,025,215	0.71%
Heineken NV	4,012,770	0.71%
Taishin Securities Investment Trust Co Ltd	4,012,072	0.71%
Canadian Imperial Bank of Commerce	4,009,193	0.71%
The Export-Import Bank of Korea	3,969,794	0.70%
Starbucks Corp	3,966,899	0.70%
Anthem Inc	3,959,960	0.70%
General Electric Company	3,955,379	0.70%
Canadian Natural Resources Ltd	3,942,694	0.70%
Far Eastern New Century Corporation	3,919,127	0.69%
Yuexiu Enterprises (Holdings) Limited	3,899,955	0.69%
Dow Chemical Company	3,895,100	0.69%
CLP Power Hong Kong Financing Ltd	3,878,605	0.69%



Equinor ASA	3,875,741	0.69%
Blackstone Holdings Finance Co LLC	3,873,366	0.68%
Romania	3,817,645	0.67%
Sherwin-Williams Co/The	3,817,520	0.67%
Pacific Gas & Electric	3,768,549	0.67%
Haitong International Securities Group Limited	3,768,365	0.67%
Kroger Co/The	3,737,340	0.66%
Neuberger Berman Investment Funds plc	3,703,490	0.65%
SinoPac Securities Corporation	3,648,488	0.64%
Pegatron Corporation	3,648,436	0.64%
Jih-Sun Securities Investment Trust Co Ltd	3,631,082	0.64%
Republic of Colombia	3,628,567	0.64%
Norfolk Southern Corp	3,569,701	0.63%
International Bank for Reconstruction and Development	3,558,504	0.63%
Nien Made Enterprise Co Ltd	3,551,769	0.63%
Morgan Stanley Finance LLC	3,519,847	0.62%
Lockheed Martin Corp.	3,518,763	0.62%
ChemChina HK Company Limited	3,509,738	0.62%
Kohlberg Kravis Roberts & Co. L.P.	3,508,093	0.62%
Walt Disney Co/The	3,505,384	0.62%
Land Bank of Taiwan	3,489,197	0.62%
Taishin Financial Holdings Co Ltd	3,442,229	0.61%
Monetary Authority of Singapore	3,442,073	0.61%
PT Perusahaan Listrik Negara (Persero)	3,432,917	0.61%
Ta Chen Stainless Pipe Co Ltd	3,428,896	0.61%
Banco Bilbao Vizcaya Argentaria, S.A.	3,428,427	0.61%
FIH Mobile Limited	3,418,725	0.60%
Abu Dhabi Government	3,413,638	0.60%
United States of America	3,407,436	0.60%
United Parcel Service Inc	3,404,143	0.60%
CSX Corp	3,396,251	0.60%
China UnionPay Co Ltd	3,392,351	0.60%
AXA IM Fixed Income Investment Strategies	3,381,868	0.60%
Hong De Mall Investment Company Limited	3,375,000	0.60%
Micro-Star International Co Ltd	3,370,406	0.60%
Macquarie Infrastru Manageme (Asia) Pty	3,364,606	0.59%
Johnson & Johnson	3,316,343	0.59%
Shin Kong Investment Trust Co Ltd	3,306,843	0.58%
Conagra Brands Inc	3,293,447	0.58%
Lite-On Overseas Trading Co., Ltd.	3,277,987	0.58%
Swire Pacific MTN Financing Limited	3,264,043	0.58%
Beijing Properties (Holdings) Limited	3,263,444	0.58%
Reliance Industries Limited	3,251,094	0.57%
Win Semiconductors Corp	3,250,376	0.57%
Shamrock Group Limited	3,247,010	0.57%
Nanya Technology Corp	3,197,459	0.57%
JPMorgan Chase Bank, N.A.	3,191,945	0.56%
Estee Lauder Companies Inc	3,144,071	0.56%
Pictet	3,123,798	0.55%
Sun Hung Kai Properties (Capital Market) Limited	3,111,116	0.55%
LINE BIZ+ Taiwan Limited	3,108,683	0.55%
Whitedove Funding 2014	3,106,378	0.55%

Chubb INA Holdings Inc	3,097,249	0.55%
NRW.BANK	3,082,921	0.54%
Capital Securities Corp	3,057,879	0.54%
Lowe's Companies Inc.	3,050,056	0.54%
Cheng Shin Rubber Industry Co Ltd	3,037,495	0.54%
2. Same natural person and his/her spouse and relatives by blood within the second degree of kinship, as well as enterprises in which the principal or his/her spouse is the responsible person.		
Hung 000 000 and his/her related parties	16,541,065	2.92%
Lee 000 000 and his/her related parties	12,182,712	2.15%
Chen 000 000 and his/her related parties	12,178,441	2.15%
Chen 000 000 and his/her related parties	10,114,362	1.79%
Peng 000 000 and his/her related parties	9,562,402	1.69%
Huang 000 000 and his/her related parties	9,298,536	1.64%
Chung 000 000 and his/her related parties	8,716,858	1.54%
Chen 000 000 and his/her related parties	7,317,665	1.29%
Nieh 000 000 and his/her related parties	7,218,667	1.28%
Chen 000 000 and his/her related parties	7,051,652	1.25%
Huang 000 000 and his/her related parties	7,006,612	1.24%
Sheng 000 000 and his/her related parties	7,003,836	1.24%
Ku 000 000 and his/her related parties	7,000,586	1.24%
Sung 000 000 and his/her related parties	6,341,912	1.12%
Chen 000 000 and his/her related parties	6,037,798	1.07%
Yu 000 000 and his/her related parties	5,559,948	0.98%
Wang 000 000 and his/her related parties	5,529,407	0.98%
Lin 000 000 and his/her related parties	5,020,211	0.89%
Chang 000 000 and his/her related parties	4,786,812	0.85%
Chang 000 000 and his/her related parties	4,529,107	0.80%
Lee 000 000 and his/her related parties	4,383,965	0.77%
Yang 000 000 and his/her related parties	4,021,773	0.71%
Tsai 000 000 and his/her related parties	3,800,110	0.67%
Tsai 000 000 and his/her related parties	3,800,110	0.67%
Liu 000 000 and his/her related parties	3,657,349	0.65%
Peng 000 000 and his/her related parties	3,554,530	0.63%
Pan 000 000 and his/her related parties	3,529,554	0.62%
Huang 000 000 and his/her related parties	3,405,466	0.60%
Huang 000 000 and his/her related parties	3,028,249	0.54%
3. Same affiliate		
The Central Government of the Republic of China and the supervisory authorities	541,158,912	95.65%
Capital Investment Trust Corporation and its affiliates	85,056,775	15.03%
Yuanta Financial Holding Co Ltd and its affiliates	73,826,533	13.05%
JPMorgan Chase & Co. and its affiliates	67,292,723	11.89%
Taiwan Semiconductor Manufacturing Company, Ltd. and its affiliates	67,239,430	11.88%
Cathay Financial Holding Co Ltd and its affiliates	64,263,945	11.36%
HSBC Holdings plc and its affiliates	60,447,666	10.68%
Chinatrust Financial Holding Co Ltd and its affiliates	57,806,094	10.22%
AT&T Inc. and its affiliates	53,697,828	9.49%
Citigroup Inc and its affiliates	49,188,286	8.69%
Goldman Sachs Group, Inc. and its affiliates	47,999,040	8.48%
Bank of America Corporation and its affiliates	44,051,440	7.79%
Barclays plc and its affiliates	43,176,179	7.63%
China Investment Corp and its affiliates	42,096,799	7.44%

Deutsche Bank AG and its affiliates	41,575,707	7.35%
Morgan Stanley and its affiliates	40,213,155	7.11%
Wells Fargo & Co. and its affiliates	39,558,081	6.99%
HON HAI Precision Industry Co Ltd and its affiliates	38,416,573	6.79%
Allianz SE and its affiliates	38,149,006	6.74%
Credit Agricole SA and its affiliates	34,184,790	6.04%
Comcast Corporation and its affiliates	33,382,948	5.90%
China Development Financial Holding Corp and its affiliates	32,228,744	5.70%
Mega Financial Holding Co Ltd and its affiliates	31,747,986	5.61%
Credit Suisse Group AG and its affiliates	30,612,649	5.41%
Taipei City Government and the supervisory authorities	29,906,113	5.29%
Mitsubishi UFJ Financial Group Inc and its affiliates	29,580,750	5.23%
Hong Kong Special Administrative Region Government and the supervisory authorities	27,550,444	4.87%
Taiwan Mobile Co Ltd and its affiliates	27,512,724	4.86%
Vanguard Group Inc/The and its affiliates	27,035,001	4.78%
First Financial Holding Co Ltd and its affiliates	26,026,348	4.60%
Industrial and Commercial Bank of China and its affiliates	25,916,764	4.58%
BPCE SA and its affiliates	25,242,783	4.46%
Anheuser-Busch InBev NV and its affiliates	24,861,387	4.39%
Taishin Financial Holdings Co Ltd and its affiliates	24,295,993	4.29%
Royal Bank of Canada and its affiliates	23,885,176	4.22%
Lloyds Banking Group plc and its affiliates	23,773,170	4.20%
CITIC Limited and its affiliates	23,765,678	4.20%
China Orient Asset Management Corporation and its affiliates	22,573,223	3.99%
Blackstone Group and its affiliates	22,005,278	3.89%
Blackrock Inc and its affiliates	20,785,392	3.67%
Apple Inc. and its affiliates	20,784,138	3.67%
Far Eastern International Bank and its affiliates	20,493,701	3.62%
Societe Generale SA and its affiliates	20,370,277	3.60%
Cooperatieve Rabobank U.A. and its affiliates	20,107,280	3.55%
China Steel Corporation and its affiliates	19,833,909	3.51%
Mizuho Financial Group, Inc. and its affiliates	19,190,041	3.39%
Australia and New Zealand Banking Group Limited and its affiliates	18,815,401	3.33%
Formosa Plastics Corporation and its affiliates	18,673,001	3.30%
BNP Paribas SA and its affiliates	18,429,929	3.26%
China Development Bank Corporation and its affiliates	17,546,262	3.10%
UBS Group AG and its affiliates	17,468,802	3.09%
Banco Santander S.A. and its affiliates	17,237,359	3.05%
Advanced Semiconductor Engineering Inc and its affiliates	17,166,395	3.03%
National Australia Bank and its affiliates	16,547,496	2.92%
China National Offshore Oil Corporation and its affiliates	16,343,199	2.89%
Sumitomo Mitsui Financial Group Inc and its affiliates	15,739,086	2.78%
Westpac Banking Corporation and its affiliates	15,644,412	2.77%
Taiwan Financial Holdings Co Ltd and its affiliates	15,488,226	2.74%
Taiwan Cooperative Financial Holding Co.,Ltd. and its affiliates	13,808,505	2.44%
New Taipei City Government and the supervisory authorities	13,764,936	2.43%
Fubon Financial Holding Co Ltd and its affiliates	13,656,101	2.41%
YFY Inc and its affiliates	13,305,228	2.35%
AU Optronics Corp and its affiliates	13,039,105	2.30%
Chunghwa Telecom Co Ltd and its affiliates	13,028,984	2.30%
Banco Bilbao Vizcaya Argentaria, S.A. and its affiliates	12,956,277	2.29%

ABN AMRO Bank N.V. and its affiliates	12,661,999	2.24%
E.Sun Financial Holding Co Ltd and its affiliates	12,624,907	2.23%
Commonwealth Bank of Australia and its affiliates	12,391,145	2.19%
China Petrochemical Corporation and its affiliates	12,325,055	2.18%
Nomura Holdings Inc and its affiliates	11,772,472	2.08%
CK Hutchison Holdings Ltd and its affiliates	11,656,837	2.06%
CVS Caremark Corporation and its affiliates	11,136,558	1.97%
Pfizer Inc and its affiliates	10,927,567	1.93%
Formosa Chemicals & Fibre Corp and its affiliates	10,902,624	1.93%
Hua Nan Financial Holdings Co Ltd and its affiliates	10,536,518	1.86%
Robeco Institutional Asset Management B.V. and its affiliates	10,526,439	1.86%
Land Bank of Taiwan and its affiliates	10,501,273	1.86%
CIMB GROUP and its affiliates	10,467,586	1.85%
The Shanghai Commercial & Savings Bank Ltd and its affiliates	10,256,687	1.81%
Nan Ya Plastics Corp and its affiliates	10,193,024	1.80%
American International Group, Inc. and its affiliates	10,016,057	1.77%
PT Pertamina (Persero) and its affiliates	9,985,285	1.76%
DBS Bank Ltd and its affiliates	9,953,211	1.76%
Lite-On Technology Corporation and its affiliates	9,938,653	1.76%
Waterland Financial Holdings and its affiliates	9,837,229	1.74%
Home Depot Inc/The and its affiliates	9,642,738	1.70%
State Grid Corporation of China and its affiliates	9,496,894	1.68%
Corporacion Nacional del Cobre de Chile and its affiliates	9,481,928	1.68%
Largan Precision Co Ltd and its affiliates	9,293,441	1.64%
Qatar National Bank and its affiliates	9,259,578	1.64%
Berkshire Hathaway Inc and its affiliates	9,235,744	1.63%
Shin Kong Financial Holding Co Ltd and its affiliates	9,048,331	1.60%
State Street Bank and Trust Company and its affiliates	9,047,372	1.60%
Fuh Hwa Securities Investment Trust Co Ltd and its affiliates	8,956,830	1.58%
Manulife Financial Corp and its affiliates	8,840,110	1.56%
Tencent Holdings Limited and its affiliates	8,741,129	1.55%
CPC Corporation, Taiwan and its affiliates	8,633,599	1.53%
Macquarie Group Limited and its affiliates	8,543,465	1.51%
O-Bank Co Ltd and its affiliates	8,475,007	1.50%
Duke Energy Corporation and its affiliates	8,393,389	1.48%
Telefonica SA and its affiliates	8,286,216	1.46%
Bayer AG and its affiliates	8,254,850	1.46%
Walt Disney Co/The and its affiliates	8,218,786	1.45%
Royal Dutch Shell PLC and its affiliates	8,199,976	1.45%
Sinochem Group and its affiliates	8,150,443	1.44%
Jih Sun Financial Holdings Co Ltd and its affiliates	8,085,512	1.43%
AIA Group Ltd and its affiliates	8,022,171	1.42%
Walgreens Boots Alliance Inc and its affiliates	7,995,673	1.41%
Synnex Technology International Corp and its affiliates	7,974,749	1.41%
Malayan Banking Berhad and its affiliates	7,657,315	1.35%
Abu Dhabi Commercial Bank and its affiliates	7,636,949	1.35%
General Electric Company and its affiliates	7,566,115	1.34%
Yageo Corp and its affiliates	7,565,857	1.34%
Korea Development Bank and its affiliates	7,551,010	1.33%
Yang Ming Marine Transport Corp and its affiliates	7,394,985	1.31%
Evergreen Marine Corp Taiwan Ltd and its affiliates	7,284,979	1.29%
Compal Electronics Inc and its affiliates	7,283,016	1.29%

Legend Holdings Corp and its affiliates	7,148,475	1.26%
Goldin Financial Holdings Ltd and its affiliates	7,090,481	1.25%
Catcher Technology Co Ltd and its affiliates	7,019,013	1.24%
WPG Holdings Co Ltd and its affiliates	6,942,457	1.23%
ING Groep NV and its affiliates	6,926,196	1.22%
Korea Electric Power Corporation and its affiliates	6,781,142	1.20%
Bank of East Asia Limited and its affiliates	6,727,627	1.19%
Hawaii Asia Holdings Limited and its affiliates	6,657,935	1.18%
New World Development Company Limited and its affiliates	6,634,823	1.17%
China National Chemical Corporation and its affiliates	6,532,158	1.15%
Haitong International Securities Group Limited and its affiliates	6,393,521	1.13%
Quanta Computer Inc and its affiliates	6,322,395	1.12%
AXA SA and its affiliates	6,282,092	1.11%
Kerry Logistics Network Limited and its affiliates	6,250,617	1.10%
Two Sigma and its affiliates	6,102,966	1.08%
Neuberger Berman Holdings LLC and its affiliates	6,083,828	1.08%
Ta Chen Stainless Pipe Co Ltd and its affiliates	5,983,287	1.06%
Sun Hung Kai & Co Limited and its affiliates	5,963,573	1.05%
MediaTek Inc and its affiliates	5,956,832	1.05%
Jardine Matheson Holdings Ltd and its affiliates	5,924,578	1.05%
Prudential Financial, Inc. and its affiliates	5,916,618	1.05%
Standard Chartered PLC and its affiliates	5,867,269	1.04%
SK Group and its affiliates	5,846,907	1.03%
Taiwan Cement Corp. and its affiliates	5,654,304	1.00%
Cisco Systems Inc. and its affiliates	5,651,112	1.00%
Uni-President Enterprises Corporation and its affiliates	5,600,207	0.99%
Kraft Heinz Company and its affiliates	5,562,295	0.98%
Travelers Cos Inc/The and its affiliates	5,559,797	0.98%
Taiwan Broadband Communications Company Ltd and its affiliates	5,522,255	0.98%
OJSC Gazprom and its affiliates	5,513,824	0.97%
KKR & Co Inc and its affiliates	5,470,041	0.97%
Toyota Tsusho Corporation and its affiliates	5,266,174	0.93%
Phillips 66 and its affiliates	5,251,130	0.93%
POU Chen Corp and its affiliates	5,154,792	0.91%
United Microelectronics Corp and its affiliates	5,124,086	0.91%
Sino-American Silicon Products Inc and its affiliates	5,115,054	0.90%
Hana Financial Group and its affiliates	5,093,117	0.90%
Wistron Corp and its affiliates	5,081,141	0.90%
MTR Corporation Limited and its affiliates	5,038,543	0.89%
Beijing Enterprises Group Company Limited and its affiliates	5,011,165	0.89%
Zurich Insurance Group AG and its affiliates	4,985,134	0.88%
Vale S.A. and its affiliates	4,923,034	0.87%
Swire Pacific Limited and its affiliates	4,883,585	0.86%
CLP Holdings Ltd and its affiliates	4,798,090	0.85%
China Merchants Bank Co., Limited and its affiliates	4,692,202	0.83%
Walsin Lihwa Corporation and its affiliates	4,669,070	0.83%
Express Scripts Holding and its affiliates	4,596,535	0.81%
Teva Pharmaceutical Industries Ltd and its affiliates	4,543,037	0.80%
Pegatron Corporation and its affiliates	4,476,410	0.79%
Petroleo Brasileiro S.A. and its affiliates	4,416,382	0.78%
Aerospace Industrial Development Corporation and its affiliates	4,325,597	0.76%
Innolux Corporation and its affiliates	4,298,740	0.76%

KB Financial Group Inc and its affiliates	4,136,901	0.73%
China Huarong Asset Management Co Ltd and its affiliates	4,115,257	0.73%
AirTAC Internaional Group and its affiliates	4,085,448	0.72%
Vingroup Joint Stock Company and its affiliates	4,055,849	0.72%
Yuexiu Enterprises (Holdings) Limited and its affiliates	3,982,702	0.70%
China General Nuclear Power Corporation and its affiliates	3,715,624	0.66%
Republic of Singapore and the supervisory authorities	3,671,731	0.65%
CSX Corp and its affiliates	3,650,026	0.65%
Lippo Limited and its affiliates	3,582,810	0.63%
Nien Made Enterprise Co Ltd and its affiliates	3,551,769	0.63%
Chubb Ltd and its affiliates	3,484,419	0.62%
United States of America and the supervisory authorities	3,466,950	0.61%
Hung Tai Construction Co Ltd and its affiliates	3,464,325	0.61%
Yulon Motor Co Ltd and its affiliates	3,462,509	0.61%
Zimmer Biomet Holdings, Inc. and its affiliates	3,458,287	0.61%
Li Ta Investment Co Ltd and its affiliates	3,447,359	0.61%
PT Perusahaan Listrik Negara (Persero) and its affiliates	3,432,917	0.61%
Abu Dhabi Government and the supervisory authorities	3,413,638	0.60%
United Parcel Service Inc and its affiliates	3,404,143	0.60%
International Finance Corporation and its affiliates	3,376,881	0.60%
Hong De Mall Investment Company Limited and its affiliates	3,375,000	0.60%
Micro-Star International Co Ltd and its affiliates	3,370,406	0.60%
China Three Gorges Corporation and its affiliates	3,326,803	0.59%
EQT Partners AB and its affiliates	3,326,055	0.59%
Charoen Pokphand Group Company Limited and its affiliates	3,312,680	0.59%
Kinder Morgan Inc/DE and its affiliates	3,301,773	0.58%
CTCI Corp and its affiliates	3,300,219	0.58%
Win Semiconductors Corp and its affiliates	3,252,216	0.57%
Reliance Industries Limited and its affiliates	3,251,094	0.57%
Shamrock Group Limited and its affiliates	3,247,010	0.57%
The Wharf (Holdings) Limited and its affiliates	3,216,142	0.57%
Bank of Communications and its affiliates	3,186,826	0.56%
Sun Hung Kai Properties Limited and its affiliates	3,128,698	0.55%
Walsin Technology Corp and its affiliates	3,101,935	0.55%
Lowe's Companies Inc. and its affiliates	3,072,128	0.54%
PTT PCL and its affiliates	3,072,117	0.54%
Capital Securities Corp and its affiliates	3,057,879	0.54%
Cheng Shin Rubber Industry Co Ltd and its affiliates	3,037,495	0.54%
Taiwan Paiho Ltd and its affiliates	3,033,752	0.54%