

(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' Review Report  
For the Nine Months Ended September 30, 2019 and 2018**

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

The independent auditors' review 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' review 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' Review 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	10~17
(4) Summary of significant accounting policies	17~50
(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty	51~53
(6) Explanation of significant accounts	54~390
(7) Related-party transactions	391~439
(8) Pledged assets	439~441
(9) Commitments and contingencies	441~443
(10) Losses due to major disasters	444
(11) Significant subsequent events	444
(12) Other	444~465
(13) Other disclosures	
(a) Information on significant transactions	465~474
(b) Information on investment in Mainland China	474~478
(14) Segment information	479~480



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

3

## Independent Auditors' Review Report

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

### Introduction

We have reviewed the accompanying consolidated balance sheets of Fubon Financial Holding Co., Ltd. and its subsidiaries as of September 30, 2019 and 2018 (restated), and the related consolidated statements of comprehensive income for the three months and nine months ended September 30, 2019 and 2018 (restated), as well as the changes in equity and cash flows for the nine months ended September 30, 2019 and 2018 (restated), and notes to the consolidated financial statements, including a summary of significant accounting policies. 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 International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

### Scope of Review

We conducted our reviews in accordance with Statement of Auditing Standard 65, "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of the consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the generally accepted auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## **Conclusion**

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of Fubon Financial Holding Co., Ltd. and its subsidiaries as of September 30, 2019 and 2018 (restated), and their consolidated financial performance for the three months and nine months ended September 30, 2019 and 2018 (restated), as well as their consolidated cash flows for the nine months ended September 30, 2019 and 2018 (restated) in accordance with the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies and International Accounting Standard 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

## **Emphasis of Matter**

Refer to Note 12 (a), Fubon Life Insurance Co., Ltd. has obtained control of Hyundai Life Insurance Co., Ltd. on September 15, 2018. However, since the initial accounting for the business combination was not completed by the end of the first reporting period, the assets acquired, liabilities assumed and non-controlling interests were determined in provisional amounts. In accordance with IFRS3 “Business Combination”, adjustments to provisional amounts, and the recognition of newly identified asset and liabilities, must be made within the measurement period where they reflect new information obtained about facts and circumstances that were in existence at the acquisition date. Therefore, the Company and its subsidiaries have restated the comparative information of the prior period when preparing and presenting the consolidated financial statements as of September 30, 2019. We do not revise our conclusion thereon.

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

KPMG

Taipei, Taiwan (Republic of China)  
November 21, 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 review such consolidated financial statements are those generally accepted and applied in the Republic of China.

The independent auditors’ review 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’ review report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**Reviewed only, not audited in accordance with the generally accepted auditing standards as of September 30, 2019 and 2018**

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

**Consolidated Balance Sheets**

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

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

Assets	September 30, 2019		December 31, 2018		September 30, 2018 (Restated)			Liabilities and Equity	September 30, 2019		December 31, 2018		September 30, 2018 (Restated)		
	Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%	
11000	Cash and cash equivalents (notes 6(a) and 8)	\$ 224,530,715	3	232,234,449	3	202,986,036	3	21000	Deposits from the central bank and banks	\$ 160,862,576	2	152,445,771	2	166,099,251	2
11500	Due from the central bank and call loans to banks (notes 6(b) and 8)	249,091,871	3	223,566,116	3	208,339,448	3	21500	Due to the central bank and banks	741,591	-	442,461	-	-	-
12000	Financial assets measured at fair value through profit or loss (notes 6(c) and 8)	1,348,898,188	16	917,327,572	12	935,850,850	12	22000	Financial liabilities measured at fair value through profit or loss (note 6(c))	41,086,790	1	45,422,901	1	55,817,475	1
12150	Financial assets measured at fair value through other comprehensive income (notes 6(d) and 8)	747,763,957	9	820,207,183	11	842,867,323	12	22300	Financial liabilities for hedging (note 6(f))	6,337,974	-	3,425,972	-	4,587,599	-
12200	Debt investments measured at amortized cost (notes 6(e) and 8)	2,556,821,592	31	2,564,909,862	33	2,542,654,872	34	22500	Securities sold under repurchase agreements (note 6(s))	158,186,379	2	178,403,211	2	183,657,747	2
12300	Financial assets for hedging (note 6(f))	2,742,443	-	3,776,327	-	5,599,868	-	22600	Commercial papers issued, net (note 6(t))	34,739,245	-	13,535,972	-	15,195,976	-
12500	Securities purchased under resell agreements (note 6(g))	83,395,874	1	69,364,357	1	60,129,140	1	23000	Payables	151,036,382	2	166,682,986	2	115,316,517	2
13000	Receivables, net (note 6(h))	207,255,621	3	209,274,405	3	181,293,960	2	23200	Current tax liabilities	4,537,840	-	7,144,528	-	7,538,786	-
13200	Current tax assets	780,010	-	4,075,626	-	3,923,016	-	23500	Deposits and remittances (note 6(u))	2,404,142,069	29	2,273,618,639	30	2,230,718,341	29
13300	Assets classified as held for sale, net	47,189	-	48,312	-	47,994	-	24000	Bonds payable (note 6(v))	238,529,010	3	217,754,674	3	199,934,821	3
13500	Discounts and loans, net (note 6(i))	1,960,974,149	24	1,847,793,140	24	1,815,934,182	24	24400	Other borrowings (notes 6(w) and 8)	1,512,414	-	1,482,921	-	3,266,653	-
13700	Reinsurance contract assets, net (note 6(j))	23,747,398	-	20,353,688	-	20,768,267	-	24600	Provisions (note 6(x))	3,949,748,483	48	3,721,508,656	48	3,650,480,244	48
15000	Investments accounted for using equity method, net (note 6(k))	28,334,318	-	28,203,343	-	27,648,777	-	25500	Other financial liabilities (notes 6(m) and (y))	408,832,590	5	411,517,835	5	363,381,626	5
15500	Other financial assets, net (note 6(m))	406,577,054	5	406,782,484	5	366,642,133	5	26000	Lease liabilities (note 6(p))	21,620,902	-	-	-	-	-
18000	Investment property, net (notes 6(n) and 8)	246,036,639	3	179,436,352	2	180,390,982	2	29300	Deferred tax liabilities	19,741,487	-	11,184,801	-	11,539,481	-
18500	Property and equipment, net (notes 6(o) and 8)	57,574,334	1	58,481,088	1	57,100,347	1	29500	Other liabilities (notes 6(z))	54,294,907	1	41,662,504	1	42,100,604	1
18600	Right-of-use assets (note 6(p))	6,845,557	-	-	-	-	-		<b>Total liabilities</b>	<b>7,655,950,639</b>	<b>93</b>	<b>7,246,233,832</b>	<b>94</b>	<b>7,049,635,121</b>	<b>93</b>
19000	Intangible assets, net (note 6(q))	32,792,109	-	33,907,733	1	33,689,106	-		<b>Equity attributable to owners of parent (note 6(ab)):</b>						
19300	Deferred tax assets	14,776,839	-	19,970,316	-	15,655,238	-		Share capital:						
19500	Other assets, net (note 6(r))	50,578,202	1	75,347,455	1	72,326,865	1	31101	Common stock	102,336,040	1	102,336,040	2	102,336,040	1
								31103	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	1
								31500	Capital surplus	137,058,323	2	137,018,872	2	137,017,337	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	140,920,217	2	191,853,334	2	196,462,336	3
									Total retained earnings	308,334,404	4	279,677,293	3	284,286,295	4
								32500	Total other equity interest	21,393,610	-	(72,455,455)	(1)	(21,079,542)	-
									Total equity attributable to owners of parent	581,788,977	7	459,243,350	6	515,226,730	7
								39500	<b>Non-controlling interests (note 6(ab))</b>	11,824,443	-	9,582,626	-	8,986,553	-
									<b>Total equity</b>	<b>593,613,420</b>	<b>7</b>	<b>468,825,976</b>	<b>6</b>	<b>524,213,283</b>	<b>7</b>
									<b>Total liabilities and equity</b>	<b>\$ 8,249,564,059</b>	<b>100</b>	<b>7,715,059,808</b>	<b>100</b>	<b>7,573,848,404</b>	<b>100</b>
<b>Total assets</b>		<b>\$ 8,249,564,059</b>	<b>100</b>	<b>7,715,059,808</b>	<b>100</b>	<b>7,573,848,404</b>	<b>100</b>								

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**Reviewed only, not audited in accordance with generally accepted auditing standards**

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

**Consolidated Statements of Comprehensive Income**

**For the three months and nine months ended September 30, 2019 and 2018**

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

	For the three months ended September 30				For the nine months ended September 30				
	2019		2018 (Restated)		2019		2018 (Restated)		
	Amount	%	Amount	%	Amount	%	Amount	%	
41000	Interest revenue (note 6(ae))	\$ 45,113,257	30	42,520,576	35	135,457,872	40	122,489,283	37
51000	Less: Interest expenses (note 6(ae))	10,961,570	7	9,571,080	8	32,435,541	9	26,954,076	8
	<b>Net interest revenue</b>	<b>34,151,687</b>	<b>23</b>	<b>32,949,496</b>	<b>27</b>	<b>103,022,331</b>	<b>31</b>	<b>95,535,207</b>	<b>29</b>
	<b>Net non-interest revenue</b>								
49800	Net service charge and commissions loss (note 6(ae))	(2,598,467)	(2)	(2,013,628)	(2)	(9,439,335)	(3)	(5,713,907)	(2)
49810	Net income of insurance operations (note 6(ae))	84,003,718	57	69,259,348	57	182,650,482	53	185,262,510	56
49820	Gains (losses) on financial assets or liabilities measured at fair value through profit or loss (note 6(c))	28,902,372	20	728,449	1	99,249,786	29	(24,555,823)	(7)
49825	Gains on investment property	1,276,158	1	2,109,296	2	2,363,907	1	5,140,596	2
49835	Realized gains on financial assets measured at fair value through other comprehensive income (note 6 (d))	5,390,279	4	3,935,448	3	14,260,461	4	10,152,132	3
49850	Gains arising from derecognition of financial assets measured at amortized cost (note 6(e))	3,836,243	2	(301,525)	-	4,434,037	1	620,156	-
49870	Foreign exchange gains (losses)	162,783	-	1,923,983	2	17,507,594	5	33,939,717	10
49880	Reversal gains (impairment losses) on assets	12,406	-	30,196	-	(375,655)	-	403,029	-
49890	Share of profit of associates and joint ventures accounted for using equity method (note 6(k))	374,495	-	932,028	1	938,688	-	2,041,418	1
49898	Profits or losses reclassified by applying overlay approach (note 6(c))	(8,028,613)	(5)	11,362,701	9	(74,337,906)	(22)	24,951,209	8
49900	Net other non-interest revenue	556,988	-	257,237	-	2,072,786	1	1,227,999	-
	<b>Net revenue</b>	<b>148,040,049</b>	<b>100</b>	<b>121,173,029</b>	<b>100</b>	<b>342,347,176</b>	<b>100</b>	<b>329,004,243</b>	<b>100</b>
58100	Bad debt expenses and guarantee liability provisions	(347,486)	-	(68,128)	-	(1,609,554)	-	(843,180)	-
58300	Net change in provisions for insurance liabilities (note 6(ae))	(101,401,248)	(68)	(83,354,703)	(69)	(231,430,814)	(68)	(225,054,843)	(68)
	<b>Operating expenses:</b>								
58501	Employee benefits expenses (note 6(ae))	(8,376,226)	(6)	(7,733,908)	(6)	(24,845,959)	(7)	(22,911,403)	(7)
58503	Depreciation and amortization expenses (note 6(ae))	(1,617,059)	(1)	(913,453)	(1)	(4,878,695)	(1)	(2,661,652)	(1)
58599	Other general and administrative expenses (note 6(ae))	(5,642,672)	(4)	(5,566,102)	(5)	(16,319,007)	(5)	(16,331,515)	(5)
	<b>Total operating expenses</b>	<b>(15,635,957)</b>	<b>(11)</b>	<b>(14,213,463)</b>	<b>(12)</b>	<b>(46,043,661)</b>	<b>(13)</b>	<b>(41,904,570)</b>	<b>(13)</b>
	<b>Net income before tax from continuing operations</b>	<b>30,655,358</b>	<b>21</b>	<b>23,536,735</b>	<b>19</b>	<b>63,263,147</b>	<b>19</b>	<b>61,201,650</b>	<b>19</b>
61003	Less: Income tax expenses (note 6(aa))	4,396,445	3	4,531,584	3	9,232,213	3	11,039,674	4
	<b>Net income</b>	<b>26,258,913</b>	<b>18</b>	<b>19,005,151</b>	<b>16</b>	<b>54,030,934</b>	<b>16</b>	<b>50,161,976</b>	<b>15</b>
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	(23,849)	-	-	-	(35,789)	-	-	-
69562	Revaluation gains (losses) on property	(27,089)	-	131,141	-	27,957	-	221,229	-
69567	Unrealized gains (losses) on equity instruments measured at fair value through other comprehensive income	(4,698,930)	(3)	932,674	1	(975,406)	-	(3,970,566)	(1)
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	-	-	(24)	-	-	-	(281)	-
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 (aa))	(487,429)	-	178,911	-	(291,288)	-	(1,360,657)	-
	Subtotal of items not to be reclassified to profit or loss	(4,262,439)	(3)	884,880	1	(691,950)	-	(2,122,009)	(1)
69570	<b>Items that may be subsequently reclassified to profit or loss</b>								
69571	Exchange differences on translation of foreign operations	(5,399,570)	(3)	(1,831,700)	(2)	(3,873,316)	(1)	(405,826)	-
69581	Gains (losses) on financial instruments for hedging	140,745	-	(198,353)	-	881,354	-	(672,482)	-
69583	Unrealized gains (losses) on debt instruments measured at fair value through other comprehensive income	6,598,931	4	1,431,916	1	29,771,616	9	(26,495,047)	(8)
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	(172,905)	-	1,130,824	1	(136,344)	-	1,195,862	-
69590	Other comprehensive income reclassified by applying overlay approach	8,028,613	5	(11,362,701)	(9)	74,337,906	22	(24,951,209)	(8)
69579	Less: income tax related to items that may be subsequently reclassified to profit or loss (note 6 (aa))	482,397	-	(559,078)	-	8,487,762	3	(5,955,015)	(2)
	Subtotal of items that may be subsequently reclassified to profit or loss	8,713,417	6	(10,270,936)	(9)	92,493,454	27	(45,373,687)	(14)
69500	<b>Other comprehensive income</b>	<b>4,450,978</b>	<b>3</b>	<b>(9,386,056)</b>	<b>(8)</b>	<b>91,801,504</b>	<b>27</b>	<b>(47,495,696)</b>	<b>(15)</b>
	<b>Total comprehensive income</b>	<b>\$ 30,709,891</b>	<b>21</b>	<b>9,619,095</b>	<b>8</b>	<b>145,832,438</b>	<b>43</b>	<b>2,666,280</b>	<b>-</b>
	<b>Consolidated net income attributable to:</b>								
69901	Owners of parent	\$ 26,035,740	18	19,026,185	16	53,704,972	16	50,198,911	15
69903	Non-controlling interests	223,173	-	(21,034)	-	325,962	-	(36,935)	-
		<b>\$ 26,258,913</b>	<b>18</b>	<b>19,005,151</b>	<b>16</b>	<b>54,030,934</b>	<b>16</b>	<b>50,161,976</b>	<b>15</b>
	<b>Total comprehensive income attributable to:</b>								
69951	Owners of parent	\$ 30,270,522	21	9,601,317	8	143,697,950	42	2,674,994	-
69953	Non-controlling interests	439,369	-	17,778	-	2,134,488	1	(8,714)	-
		<b>\$ 30,709,891</b>	<b>21</b>	<b>9,619,095</b>	<b>8</b>	<b>145,832,438</b>	<b>43</b>	<b>2,666,280</b>	<b>-</b>
	<b>Basic earnings per share (in New Taiwan Dollars) (note 6(ac))</b>	<b>\$ 2.29</b>		<b>1.86</b>		<b>4.99</b>		<b>4.76</b>	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**Reviewed only, not audited in accordance with generally accepted auditing standards**

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

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

	Equity attributable to owners of parent								Total other equity interest										
	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 equity attributable to owners of parent	Non-controlling interests	Total equity	
	Common stock	Preferred stock	Total	Capital surplus	Legal reserve	Special reserve	Undistributed earnings	Total											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	-	-	-	-	-	-	50,198,911	50,198,911	-	-	-	-	-	-	-	-	50,198,911	(36,935)	50,161,976
Other comprehensive income	-	-	-	-	-	-	334,534	334,534	(468,714)	(23,866,325)	-	-	(526,229)	218,189	(23,215,372)	(47,858,451)	(47,523,917)	28,221	(47,495,696)
Total comprehensive income	-	-	-	-	-	-	50,533,445	50,533,445	(468,714)	(23,866,325)	-	-	(526,229)	218,189	(23,215,372)	(47,858,451)	2,674,994	(8,714)	2,666,280
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	-	-	-	72,147	-	-	-	-	-	-	-	-	-	-	-	-	72,147	-	72,147
Issuance of preferred stock	-	6,666,600	6,666,600	33,270,970	-	-	-	-	-	-	-	-	-	-	-	-	39,937,570	-	39,937,570
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8,655,527	8,655,527
Disposal of investments in equity instruments measured at fair value through other comprehensive income	-	-	-	-	-	-	(12,016,326)	(12,016,326)	-	12,016,326	-	-	-	-	-	12,016,326	-	-	
Disposal of investment property	-	-	-	-	-	-	536,439	536,439	-	-	-	-	(536,439)	-	(536,439)	-	-	-	
<b>Balance at September 30, 2018 (Restated)</b>	\$ 102,336,040	12,666,600	115,002,640	137,017,337	57,815,312	30,008,647	196,462,336	284,286,295	(11,754,792)	(13,993,825)	-	-	(825,878)	1,984,704	3,510,249	(21,079,542)	515,226,730	8,986,553	524,213,283
<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	-	-	-	-	-	-	53,704,972	53,704,972	-	-	-	-	-	-	-	-	53,704,972	325,962	54,030,934
Other comprehensive income	-	-	-	-	-	-	(22,211)	(22,211)	(3,127,559)	22,237,762	-	-	705,083	26,202	70,173,701	90,015,189	89,992,978	1,808,526	91,801,504
Total comprehensive income	-	-	-	-	-	-	53,682,761	53,682,761	(3,127,559)	22,237,762	-	-	705,083	26,202	70,173,701	90,015,189	143,697,950	2,134,488	145,832,438
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)
Cash dividends of preferred stock	-	-	-	-	-	-	(2,624,043)	(2,624,043)	-	-	-	-	-	-	-	-	(2,624,043)	-	(2,624,043)
Changes in equity of associates and joint ventures accounted for using equity method	-	-	-	39,451	-	-	-	-	-	-	-	-	-	-	-	-	39,451	-	39,451
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	107,329	107,329
Disposal of investments in equity instruments measured at fair value through other comprehensive income	-	-	-	-	-	-	(3,833,876)	(3,833,876)	-	3,833,876	-	-	-	-	-	3,833,876	-	-	
Changes in disposal of special reserves transferred from investments in equity instruments measured at fair value through other comprehensive income of participating policies from subsidiaries	-	-	-	-	-	-	(33,811)	(33,811)	-	-	-	-	-	-	-	-	(33,811)	-	(33,811)
<b>Balance at September 30, 2019</b>	\$ 102,336,040	12,666,600	115,002,640	137,058,323	62,588,197	104,825,990	140,920,217	308,334,404	(15,036,482)	9,992,052	-	-	487,702	2,264,873	23,685,465	21,393,610	581,788,977	11,824,443	593,613,420

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
 Reviewed only, not audited in accordance with generally accepted auditing standards

FUBON FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the nine months ended September 30, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	For the nine months ended September 30	
	2019	2018 (Restated)
<b>Cash flows from (used in) operating activities:</b>		
Income before income tax	\$ 63,263,147	61,201,650
<b>Adjustments:</b>		
<b>Adjustments to reconcile profit (loss):</b>		
Depreciation expenses	3,815,598	1,714,740
Amortization expenses	1,063,097	946,912
Allowance on bad debts	1,634,914	891,404
Interest expense	32,435,541	26,954,076
Interest income	(135,457,871)	(122,489,283)
Dividend income	(30,636,189)	(24,125,903)
Net change in insurance liabilities	227,897,508	223,378,837
Net change in provisions for guarantee liabilities	(32,226)	(61,337)
Net change in other provisions	4,153,210	2,695,961
Share of profit of associates and joint ventures accounted for using equity method	(938,688)	(1,758,752)
Profits or losses reclassified by applying overlay approach	74,337,906	(24,951,209)
Gain on disposal of investment properties	(406)	(414,385)
Gain on disposal of investments	(38,771,273)	(31,857,368)
Gain on disposal of investments accounted for using equity method	-	(282,666)
Impairment loss (reversal gain) on financial assets	352,606	(442,572)
Impairment loss on non-financial assets	23,049	39,543
Unrealized foreign exchange gain	(19,157,318)	(38,742,302)
Loss (gain) on fair value adjustment of investment property	1,884,179	(869,847)
Other adjustments	(7,030)	208
<b>Subtotal of income of non-cash activities</b>	<u>122,596,607</u>	<u>10,626,057</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	(55,448,885)	(31,517,962)
Increase in financial assets for hedging and measured at fair value through profit or loss	(407,404,139)	(67,667,436)
Decrease in financial assets measured at fair value through other comprehensive income	114,207,570	93,394,359
Decrease (increase) in investments in debt instruments measured at amortized cost	42,582,778	(234,197,683)
Increase in receivables and current tax assets	(808,717)	(7,697,141)
Increase in discounts and loans	(114,542,023)	(29,426,888)
Decrease (increase) in reinsurance assets	(1,711,478)	638,918
Decrease in other financial assets	229,300	5,672,850
Increase in other assets	(6,251,323)	(6,896,123)
<b>Subtotal of changes in operating assets</b>	<u>(429,146,917)</u>	<u>(277,697,106)</u>
<b>Changes in operating liabilities:</b>		
Increase in due to the central bank and banks	8,416,805	27,391,624
Increase (decrease) in financial liabilities for hedging and measured at fair value through profit or loss	(1,424,109)	17,568,239
Increase (decrease) in securities sold under repurchase agreement	(20,216,832)	25,341,282
Increase (decrease) in payable and current tax liabilities	(18,506,943)	2,891,329
Increase (decrease) in deposits and remittances	130,523,430	(53,887,598)
Increase (decrease) in provisions	(48,557)	87,447
Increase (decrease) in other financial liabilities	(2,403,951)	18,756,319
Increase in other liabilities	12,072,495	9,928,047
<b>Subtotal of changes in operating liabilities</b>	<u>108,412,338</u>	<u>48,076,689</u>
<b>Subtotal of all adjustments</b>	<u>(198,137,972)</u>	<u>(218,994,360)</u>
Cash outflow generated from operations	(134,874,825)	(157,792,710)
Interest received	124,598,067	105,728,437
Dividends received	30,313,900	24,135,300
Interest paid	(30,109,129)	(25,192,105)
Income taxes paid	(3,001,414)	(12,448,159)
<b>Net Cash flows used in operating activities</b>	<u>(13,073,401)</u>	<u>(65,569,237)</u>

See accompanying notes to consolidated financial statements.



(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)  
Reviewed only, not audited in accordance with generally accepted auditing standards

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

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

**For the nine months ended September 30, 2019 and 2018**

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

	For the nine months ended September 30	
	2019	2018 (Restated)
<b>Cash flows from (used in) investing activities:</b>		
Acquisition of investments accounted for using equity method	\$ (7,000)	(6,576,675)
Acquisition of property and equipment	(1,364,374)	(2,255,557)
Proceeds from disposal of property and equipment	11,040	1,951
Acquisition of intangible assets	(336,285)	(452,314)
Net cash inflows from business combination	-	4,904,598
Acquisition of right-of-use assets	(8,770)	-
Acquisition of investment properties	(20,620,001)	(1,243,148)
Proceeds from disposal of investment properties	30,338	3,550,000
<b>Net cash flows used in investing activities</b>	<u>(22,295,052)</u>	<u>(2,071,145)</u>
<b>Cash flows from (used in) financing activities:</b>		
Increase (decrease) in due to the central bank and banks	320,836	(5,396,086)
Increase (decrease) in commercial papers issued	21,203,273	(8,275,973)
Proceeds from issuing bonds	1,332,051	10,000,000
Repayments of bonds	(7,136,880)	(7,550,000)
Proceeds from issuing bank financial debentures	48,630,257	32,005,506
Repayments of bank financial debentures	(26,171,669)	(29,837,539)
Increase (decrease) in other borrowings	29,493	(2,174,096)
Repayments of lease liabilities	(2,690,250)	-
Cash dividends paid	(23,091,251)	(25,013,289)
Proceeds from issuing shares	-	39,937,570
Change in non-controlling interests	107,329	(1,296)
<b>Net cash flows from financing activities</b>	<u>12,533,189</u>	<u>3,694,797</u>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	(766,303)	1,486,024
<b>Net decrease in cash and cash equivalents</b>	(23,601,567)	(62,459,561)
<b>Cash and cash equivalents at beginning of period</b>	<u>370,652,334</u>	<u>358,310,694</u>
<b>Cash and cash equivalents at end of period</b>	<u>\$ 347,050,767</u>	<u>295,851,133</u>
<b>Composition of cash and cash equivalents:</b>		
Cash and cash equivalents reported in the statement of financial position	\$ 224,530,715	202,986,036
Due from the central bank and call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7	39,124,178	32,735,957
Securities purchased under resell agreements qualifying for cash and cash equivalents under the definition of IAS 7	83,395,874	60,129,140
<b>Cash and cash equivalents at end of period</b>	<u>\$ 347,050,767</u>	<u>295,851,133</u>

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
Reviewed only, not audited in accordance with generally accepted auditing standards

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

### Notes to the Consolidated Financial Statements

For the nine months ended September 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 September 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 November 21, 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:

	<b>January 1, 2019</b>
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	(94)
	<b>\$ 31,511,458</b>
Discounted using the incremental borrowing rate at January 1, 2019	\$ 22,830,792
Finance lease liabilities recognized as at December 31, 2018	210,941
Lease liabilities recognized at January 1, 2019	<b>\$ 23,041,733</b>

(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:

<b>New, Revised or Amended Standards and Interpretations</b>	<b>Effective date per IASB</b>
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)
Amendments to IFRS 9, IAS39 and IFRS7 “Interest Rate Benchmark Reform”	January 1, 2020

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.

(Continued)



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

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

<b>Issuance / Release Dates</b>	<b>Standards or Interpretations</b>	<b>Content of amendment</b>
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.
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>

(Continued)

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

<u>Issuance / Release Dates</u>	<u>Standards or Interpretations</u>	<u>Content of amendment</u>
September 26, 2019	Amendments to IFRS 9 “Interest Rate Benchmark Reform”	The amendments provide targeted relief for financial instruments qualifying for hedge accounting in the lead up to IBOR reform. They are mandatory and apply to all hedging relationships directly affected by uncertainties related to IBOR reform. For example, the entities are required to assume that the interest rate benchmark on which hedged cash flows are based is not altered as a result of IBOR reform when assessing whether the future cash flows are highly probable.

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.

(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 third 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>	<u>Note</u>
September 30, 2018				
Financial assets measured at fair value through profit or loss	\$ <u>936,736,428</u>	<u>(885,578)</u>	<u>935,850,850</u>	
Financial assets measured at fair value through other comprehensive income	\$ <u>844,835,585</u>	<u>(1,968,262)</u>	<u>842,867,323</u>	Note
Retained earnings	\$ <u>196,739,876</u>	<u>(277,540)</u>	<u>196,462,336</u>	
Other equity interest	\$ <u>(21,357,082)</u>	<u>277,540</u>	<u>(21,079,542)</u>	

(Continued)

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

<u>Impacts on consolidated comprehensive income</u>	<u>Amount reported before reclassification</u>	<u>Reclassification</u>	<u>Amount reported after reclassification</u>	<u>Note</u>
<b>For the nine months ended September 30, 2018</b>				
Gains (losses) on financial assets or liabilities measured at fair value through profit or loss	\$ <u>(24,410,066)</u>	<u>(145,757)</u>	<u>(24,555,823)</u>	
Realized gains on financial assets or liabilities measured at fair value through other comprehensive income	\$ <u>10,128,023</u>	<u>24,109</u>	<u>10,152,132</u>	
Net income	\$ <u>50,283,624</u>	<u>(121,648)</u>	<u>50,161,976</u>	
Other comprehensive income	\$ <u>(47,637,723)</u>	<u>142,027</u>	<u>(47,495,696)</u>	Note
Total comprehensive income	\$ <u>2,652,901</u>	<u>13,379</u>	<u>2,666,280</u>	Note
Consolidated net income attributable to:				
Owners of parent	\$ 50,320,559	(121,648)	50,198,911	
Non-controlling interests	<u>(36,935)</u>	<u>-</u>	<u>(36,935)</u>	
	\$ <u>50,283,624</u>	<u>(121,648)</u>	<u>50,161,976</u>	
Total comprehensive income attributable to:				
Owners of parent	\$ 2,674,994	-	2,674,994	
Non-controlling interests	<u>(22,093)</u>	<u>13,379</u>	<u>(8,714)</u>	Note
	\$ <u>2,652,901</u>	<u>13,379</u>	<u>2,666,280</u>	
Basic earnings per share	\$ <u>4.77</u>	<u>(0.01)</u>	<u>4.76</u>	

Note : The effects of retrospective application of consolidated financial statements for the nine months ended September 30, 2018, for business combination were included. Please refer to Note 12 (a) for details.

**(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).

(Continued)

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

(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.

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>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 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 %

(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>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
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	Fubon Macquarie Infrastructure Asset Management (Note 1)	Asset Management	100.00 %	- %	- %
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 2)	Asset Management	100.00 %	- %	- %
Fubon Asset Management	Fubon Convoy Asset Management (Hong Kong) Limited (Note 3)	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 3)	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 %
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.	Insurance business	62.06 %	62.06 %	62.06 %
Fubon Life Insurance	Carter Lane (Guernsey) Limited	Real estate investment and management	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>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
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 2)	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 Macquarie Infrastructure Asset Management became a subsidiary in September, 2019.

Note 2: 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 3: 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.

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).

(Continued)

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

(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.

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.

(Continued)

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

(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.

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.

(Continued)



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

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.

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.

(Continued)

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

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.

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.

(Continued)

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

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.

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.

(Continued)

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

(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 measured at amortized cost

Financial liabilities measured 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.

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.

(Continued)

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

(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 (af) 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.

(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.

(Continued)

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

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.

(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.

(Continued)

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

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.

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.

(Continued)

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

(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.

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”.

(Continued)



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

(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.

(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.

(Continued)

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

(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.

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.

(Continued)

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

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.

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.

(Continued)

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

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.

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.

(Continued)

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

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(q).

(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.

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.

(Continued)

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

(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.

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

(Continued)

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

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

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

The Company and its subsidiaries present right-of-use assets that do not meet the definition of investment 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.

(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.

(Continued)

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

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'.

The changed lease payments which not connected with certain index and rate will be recognized as current income when the adjustments of lease are confirmed.

(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.

(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.

(Continued)



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

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.

(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).

(Continued)

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

- 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.

(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.

(Continued)

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

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.

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.

(Continued)

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

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.

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.

(Continued)

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

(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.

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.

(Continued)

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

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.

(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.

(Continued)

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

(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.

(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.

(Continued)

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

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 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”.

(Continued)



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

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.

(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.

(Continued)

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

- 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.

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.

(Continued)

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

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.

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.

(Continued)

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

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.

(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.

(Continued)

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

**(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(af).

(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.

(Continued)

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

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.

- (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.

(Continued)

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

(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>September 30, 2019</b>	<b>December 31, 2018</b>	<b>September 30, 2018</b>
Cash on hand and petty cash	\$ 6,916,318	7,078,268	6,545,848
Bank deposits	153,874,788	129,453,300	110,177,653
Cash equivalents	17,368,095	22,454,367	11,881,545
Notes and checks for clearing	2,460,539	7,334,967	5,016,046
Due from banks	43,978,998	65,992,043	69,443,440
Less: Guarantee deposits	<u>68,023</u>	<u>78,496</u>	<u>78,496</u>
Total	<u><u>\$ 224,530,715</u></u>	<u><u>232,234,449</u></u>	<u><u>202,986,036</u></u>

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

	<b>September 30, 2019</b>	<b>September 30, 2018</b>
Cash and cash equivalents in consolidated balance sheets	\$ 224,530,715	202,986,036
Due from the central bank and call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7	39,124,178	32,735,957
Securities purchased under resell agreements qualifying for cash and cash equivalents under the definition of IAS 7	83,395,874	60,129,140
Cash and cash equivalents in consolidated statements of cash flows	<u><u>\$ 347,050,767</u></u>	<u><u>295,851,133</u></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.

The amounts of loss allowance were as follows:

	<b>September 30, 2019</b>	<b>December 31, 2018</b>	<b>September 30, 2018</b>
Loss allowance	<u><u>\$ 44,512</u></u>	<u><u>10,890</u></u>	<u><u>4,692</u></u>

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

The guarantee deposits are time deposits 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**

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

	<b>September 30, 2019</b>	<b>December 31, 2018</b>	<b>September 30, 2018</b>
Call loans to banks	\$ 150,552,967	139,819,789	118,298,456
Deposit reserves	91,576,409	73,627,393	83,086,762
Due from the central bank — others	<u>6,962,495</u>	<u>10,118,934</u>	<u>6,954,230</u>
Total	<u>\$ 249,091,871</u>	<u>223,566,116</u>	<u>208,339,448</u>

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.

Details of the deposit reserves were as follows:

	<b>September 30, 2019</b>	<b>December 31, 2018</b>	<b>September 30, 2018</b>
Deposit reserves for checking account	<u>\$ 28,078,895</u>	<u>16,937,378</u>	<u>24,368,719</u>
Required deposit reserves	<u>\$ 37,931,574</u>	<u>34,386,173</u>	<u>34,982,748</u>

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.

The amounts of loss allowance were as follows:

	<b>September 30, 2019</b>	<b>December 31, 2018</b>	<b>September 30, 2018</b>
Loss allowance	<u>\$ 4,560</u>	<u>10,779</u>	<u>12,684</u>

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

(Continued)

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

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

	<u>September 30,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>	<u>September 30,</u> <u>2018</u>
Financial assets mandatorily measured at fair value through profit or loss:			
Non-hedge derivative instruments			
Interest rate contracts	\$ 3,413,507	3,281,997	3,271,431
Currency rate contracts	28,620,118	25,207,439	37,477,407
Options contracts	355,598	813,380	931,908
Others	<u>3,357,411</u>	<u>3,100,706</u>	<u>3,540,420</u>
	<u>35,746,634</u>	<u>32,403,522</u>	<u>45,221,166</u>
Non-derivative financial assets			
Government bonds	9,544,147	30,877,022	46,535,540
Commercial papers	44,298,079	32,888,551	5,896,863
Corporate and financial bonds	76,365,864	75,344,794	83,823,951
Stocks and beneficiary certificates	1,034,185,583	708,462,910	723,157,131
Beneficiary securities	11,007,867	9,706,536	9,853,842
Negotiable certificates of deposit	9,871,771	177,420	-
Others	<u>19,795,060</u>	<u>12,543,702</u>	<u>6,372,552</u>
	<u>1,205,068,371</u>	<u>870,000,935</u>	<u>875,639,879</u>
Hybrid financial assets			
Convertible corporate bonds	10,980,202	10,192,705	10,328,061
Structured products	<u>97,102,981</u>	<u>4,730,410</u>	<u>4,661,744</u>
	<u>108,083,183</u>	<u>14,923,115</u>	<u>14,989,805</u>
Total	<u>\$ 1,348,898,188</u>	<u>917,327,572</u>	<u>935,850,850</u>

(Continued)

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

	<u>September 30,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>	<u>September 30,</u> <u>2018</u>
Financial liabilities designated as at fair value through profit or loss:			
Structured products	\$ 3,266,933	2,455,857	2,638,178
Exchange trade notes	283,163	-	-
	<u>3,550,096</u>	<u>2,455,857</u>	<u>2,638,178</u>
Held-for-trading financial liabilities:			
Non-hedge derivative instruments			
Interest rate contracts	3,185,314	3,131,147	2,999,948
Currency rate contracts	21,406,841	27,863,488	39,346,990
Options contracts	1,311,047	1,736,927	1,919,074
Others	2,405,259	2,420,811	3,344,162
	<u>28,308,461</u>	<u>35,152,373</u>	<u>47,610,174</u>
Non-derivative financial liabilities			
Stock borrowing and short selling	1,368,179	358,056	1,273,734
Bonds borrowing and short selling	7,860,054	7,456,615	4,295,389
	<u>9,228,233</u>	<u>7,814,671</u>	<u>5,569,123</u>
Total	<u>\$ 41,086,790</u>	<u>45,422,901</u>	<u>55,817,475</u>

- (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.

(Continued)

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

(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>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Financial assets measured at fair value through profit or loss:			
Stocks	\$ 420,466,787	359,650,904	408,774,624
Corporate and financial bonds	28,583,353	26,196,813	26,491,264
Beneficiary certificates	610,242,244	346,642,043	305,265,113
Others	<u>97,328,961</u>	<u>5,610,754</u>	<u>5,624,110</u>
Total	<u>\$ 1,156,621,345</u>	<u>738,100,514</u>	<u>746,155,111</u>

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 September 30</u>		<u>For the nine months ended September 30</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Gains reported as profit or loss under IFRS 9	\$ 32,872,650	8,640,219	126,066,304	22,676,812
Less: Gains reported as profit or loss if applied IAS 39	(24,844,037)	(20,002,920)	(51,728,398)	(47,628,021)
Gains (losses) reclassified by applying overlay approach	<u>\$ 8,028,613</u>	<u>(11,362,701)</u>	<u>74,337,906</u>	<u>(24,951,209)</u>

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:

	<u>For the three months ended September 30</u>		<u>For the nine months ended September 30</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Gains (losses) of financial assets before adjustment	<u>\$ 28,902,372</u>	<u>728,449</u>	<u>99,249,786</u>	<u>(24,555,823)</u>
Gains (losses) of financial assets after adjustment	<u>\$ 20,873,759</u>	<u>12,091,150</u>	<u>24,911,880</u>	<u>395,386</u>

2) For the nine months ended September 30, 2019 and 2018, none of financial assets held by the Insurance subsidiaries has changed conditions and released designation.

(Continued)

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

- 3) For the nine months ended September 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

	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Debt investments measured at fair value through other comprehensive income:			
Government bonds	\$ 186,500,642	215,730,081	221,032,410
Financial bonds	209,426,273	216,941,835	230,793,802
Corporate bonds	208,661,225	213,571,317	216,553,755
Commercial papers	2,174,573	24,664,294	30,156,609
Negotiable certificates of deposits	8,014,722	16,016,515	1,014,804
Beneficiary securities	26,364,585	26,038,080	25,537,764
Discount notes and loans	20,149,287	27,741,408	30,228,680
Others	499,432	839,364	448,178
Less: Guarantee deposits	<u>17,208,285</u>	<u>17,046,443</u>	<u>12,872,081</u>
Subtotal	<u>644,582,454</u>	<u>724,496,451</u>	<u>742,893,921</u>
Equity investments measured at fair value through other comprehensive income:			
Stocks	100,263,074	92,829,128	98,327,664
Others	<u>2,918,429</u>	<u>2,881,604</u>	<u>1,645,738</u>
Subtotal	<u>103,181,503</u>	<u>95,710,732</u>	<u>99,973,402</u>
Total	<u>\$ 747,763,957</u>	<u>820,207,183</u>	<u>842,867,323</u>

(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.

(Continued)

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

(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 September 30</u>		<u>For the nine months ended September 30</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Dividend income	<u>\$ 2,734,168</u>	<u>2,683,086</u>	<u>3,624,424</u>	<u>3,474,178</u>
Dividend income from disposed equity investments	<u>\$ 483,007</u>	<u>154,886</u>	<u>488,400</u>	<u>158,172</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 September 30</u>		<u>For the nine months ended September 30</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Fair value	<u>\$ 11,460,717</u>	<u>7,991,889</u>	<u>16,644,130</u>	<u>32,848,076</u>
Accumulated gain (loss) on disposal	<u>\$ (2,537,932)</u>	<u>(1,452,685)</u>	<u>(3,833,876)</u>	<u>(12,016,326)</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 (ah) 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.

(e) Debt Investments Measured at Amortized Cost

	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Government bonds	\$ 204,511,911	212,882,729	230,156,687
Corporate bonds	1,073,958,317	1,048,171,983	1,011,719,974
Financial bonds	919,595,971	916,880,880	901,156,794
Negotiable certificates of deposits	283,799,132	296,332,471	310,125,130
Linked deposits	9,744,547	26,629,910	26,128,421
Beneficiary securities	43,121,372	40,228,117	45,391,201
Others	<u>23,451,060</u>	<u>24,743,792</u>	<u>18,730,188</u>
Subtotal	2,558,182,310	2,565,869,882	2,543,408,395
Less: Loss allowance	<u>1,360,718</u>	<u>960,020</u>	<u>753,523</u>
Total	<u>\$ 2,556,821,592</u>	<u>2,564,909,862</u>	<u>2,542,654,872</u>

(Continued)

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

- (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 September 30</b>		<b>For the nine months ended September 30</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Carrying amount of derecognition	<u>\$ 56,224,331</u>	<u>6,205,744</u>	<u>99,232,962</u>	<u>42,514,642</u>
Current gain or loss recognized	<u>\$ 3,836,243</u>	<u>(289,049)</u>	<u>4,434,037</u>	<u>610,556</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 (ah) for details.
- (v) The guarantee of the debt investments measured at amortized cost provided as pledged assets, please refer to note 8 for details.

- (f) Financial Instruments for Hedging

	<b>September 30, 2019</b>	<b>December 31, 2018</b>	<b>September 30, 2018</b>
<b><u>Financial assets for hedging</u></b>			
Interest rate swap contracts	\$ 2,554,036	3,409,428	5,236,141
Currency swap contracts	188,407	364,663	362,593
Forward exchange contracts	-	2,236	1,134
	<u>\$ 2,742,443</u>	<u>3,776,327</u>	<u>5,599,868</u>
<b><u>Financial liabilities for hedging</u></b>			
Interest rate swap contracts	\$ 5,676,477	3,393,195	4,552,719
Currency swap contracts	661,497	32,706	-
Forward exchange contracts	-	71	34,880
	<u>\$ 6,337,974</u>	<u>3,425,972</u>	<u>4,587,599</u>

(Continued)

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

(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.

The amount of future cash flow, timing and uncertainty:

	<b>Maturity</b>				
	<b>Less than one month</b>	<b>Between one and three months</b>	<b>Between three months and one year</b>	<b>Between one and five years</b>	<b>More than five years</b>
<b>September 30, 2019</b>					
<b>Fair value hedge</b>					
Foreign exchange swap					
Nominal amount	\$ 460,850	1,842,537	-	-	-
Average exchange rate (KRW/TWD)	38.62	38.67	-	-	-
Nominal amount	\$ 15,066,326	34,454,848	6,572,338	-	-
Average exchange rate (KRW/USD)	1,173.40	1,195.99	1,193.98	-	-
<b>Cash flow hedge</b>					
Interest rate swap					
Nominal amount	\$ -	-	3,000,000	22,797,288	2,359,192
Average fixed interest rate	-	%	1.20 %	1.54 %	2.97 %

(Continued)



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

	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>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 %
				1.33 %	1.94 %
<b>September 30, 2018</b>					
<b>Fair value hedge</b>					
Forward exchange					
Nominal amount	\$ 53,266	105,583	-	-	-
Average exchange rate (KRW/USD)	1,119.00	1,120.09	-	-	-
Foreign exchange swap					
Nominal amount	18,285,581	31,289,680	3,595,580	-	-
Average exchange rate (KRW/USD)	1,119.17	1,118.39	1,113.75	-	-
<b>Cash flow hedge</b>					
Interest rate swap					
Nominal amount	\$ -	-	-	13,072,534	23,686,848
Average fixed interest rate	-	%	-	%	1.34 %
				1.34 %	1.84 %

(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 third quarter of 2019
		Assets	Liabilities		
<b>September 30, 2019</b>					
<b>Fair value hedge</b>					
Exchange rate risk					
— Forward exchange contracts	\$ -	-	-	None	(109,586)
— Foreign exchange swap contracts	58,396,899	188,407	(661,497)	Financial assets / liabilities for hedging	(4,662,771)
<b>Cash flow hedge</b>					
Interest risk					
— Interest rate swap contract	\$ 28,156,480	697,610	(87,141)	Financial assets / liabilities for hedging	(1,343,315)
<b>December 31, 2018</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 risk					
— Interest rate swap contract	\$ 31,168,402	468,635	(738,769)	Financial assets / liabilities for hedging	(97,781)

(Continued)

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

	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 third quarter of 2018
		Assets	Liabilities		
<b>September 30, 2018</b>					
Exchange rate risk					
– Forward exchange contracts	\$ 158,849	1,134	(39)	Financial assets / liabilities for hedging	-
– Foreign exchange swap contracts	53,170,841	362,593	(34,841)	Financial assets / liabilities for hedging	-
<b>Cash flow hedge</b>					
Interest risk					
– Interest rate swap contract	\$ 36,759,382	380,522	(1,412,870)	Financial assets / liabilities for hedging	765,298

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 third 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>September 30, 2019</b>								
<b>Items designated as hedged</b>								
Financial assets measured at fair value through profit or loss- stocks	\$ 3,722,574	-	158,761	-	252,005	None	112,974	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	642,113	-	33,427	-	74,497	None	(11,974)	Gains (losses) on financial assets or liabilities measured at fair value through profit or loss
Financial assets measured at amortized cost- bonds and deposits	54,635,593	-	69,120	-	4,022,328	None	(524,527)	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
<b>September 30, 2018</b>								
<b>Items designated as hedged</b>								
Financial assets measured at fair value through other comprehensive income- bonds	\$ 2,403,046	-	(140,555)	-	-	None	-	Gains (losses) on financial assets or liabilities measured at fair value through profit or loss
Financial assets measured at amortized cost- foreign currency dominated bonds and deposits	48,897,374	-	(944,145)	-	-	None	-	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**

Cash flow hedge

	Fair value changes used to calculate the hedge ineffectiveness for third 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>September 30, 2019</b>								
<b>Items designated as hedged</b>								
Floating bonds	\$ (1,442,411)	609,627	Not applicable	910,570	(751)	Gains (losses) on financial assets or liabilities measured at fair value through profit or loss	(29,216)	Interest revenue
<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>September 30, 2018</b>								
<b>Items designated as hedged</b>								
Floating bonds	\$ 996,661	(1,032,348)	Not applicable	(676,927)	-	Gains (losses) on financial assets or liabilities measured at fair value through profit or loss	4,444	Interest revenue

(Continued)

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

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 nine months ended</b>	
	<b>September 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	910,570	(676,927)
The amount be reclassified from provision for cash flow hedge to profit or loss	(29,216)	4,444
Ending balance	<b>\$ 609,627</b>	<b>(1,032,348)</b>

(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 government bonds, 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 third quarter of 2019</b>
		<b>Assets</b>	<b>Liabilities</b>		
<b>September 30, 2019</b>					
<b>Fair value hedge</b>					
— Interest rate swap contract	\$ 150,195,678	1,683,107	(3,776,567)	Financial assets / liabilities for hedging	(1,531,213)

(Continued)

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

	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 2018	
		Assets	Liabilities			
<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>September 30, 2018</b>						
<b>Fair value hedge</b>						
– Interest rate swap contract	\$ 122,298,459	2,994,818	(2,997,100)	Financial assets / liabilities for hedging	235,970	
<b>September 30, 2019</b>						
<b>Hedged items</b>						
		Carrying amount		Accumulated adjustment of fair value		Fair value changes used to calculate the hedge ineffectiveness for third quarter of 2019
		Assets	Liabilities	Assets	Liabilities	
Financial bonds payable	\$ -		(73,671,150)	-	(1,622,616)	(3,243,807)
Financial assets measured at fair value through other comprehensive income—government bonds	155,761		-	1,514	-	1,555
Financial assets measured at fair value through other comprehensive income—financial bonds	201,362		-	6,168	-	6,105
Financial assets measured at amortized cost—corporate bonds	74,878,861		-	3,337,787	-	4,384,492
Financial assets measured at amortized cost—financial bonds	8,217,553		-	371,423	-	374,604
Financial assets measured at amortized cost—government bonds	334,972		-	4,812	-	4,812

(Continued)

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

	Carrying amount		Accumulated adjustment of fair value		Fair value changes used to calculate the hedge ineffectiveness for 2018
	Assets	Liabilities	Assets	Liabilities	
<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
					<b>Fair value changes used to calculate the hedge ineffectiveness for third quarter of 2018</b>
	Carrying amount		Accumulated adjustment of fair value		Fair value changes used to calculate the hedge ineffectiveness for third quarter of 2018
	Assets	Liabilities	Assets	Liabilities	
<b>September 30, 2018</b>					
<b>Hedged items</b>					
Financial bonds payable	\$ -	(56,328,638)	-	(2,554,850)	2,283,562
Financial assets measured at amortized cost—corporate bonds	59,384,354	-	(2,495,443)	-	(2,477,512)
Financial assets measured at amortized cost—financial bonds	2,811,892	-	(47,680)	-	(38,457)
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 September 30		For the nine months ended September 30		
	2019	2018	2019	2018	
<b>Fair value hedge</b>					
Financial bonds payable	\$ (7,456)	(602)	(3,452)	3,563	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.

(Continued)



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

The amount of future cash flow, timing and uncertainty:

	<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>September 30, 2019</b>					
<b>Fair value hedge</b>					
Interest rate swap					
Nominal amount	\$ 792,020	310,500	6,701,360	66,225,410	18,049,340
Average fixed interest rate	2.80 %	3.13 %	3.70 %	3.94 %	3.57 %

	<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>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 %

	<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>September 30, 2018</b>					
<b>Fair value hedge</b>					
Interest rate swap					
Nominal amount	\$ -	-	11,803,882	40,348,153	12,002,292
Average fixed interest rate	-	-	4.28 %	3.86 %	3.91 %

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 third quarter of 2019</u>
		<u>Assets</u>	<u>Liabilities</u>		
<b>September 30, 2019</b>					
<b>Fair value hedge</b>					
Interest rate risk					
— Interest rate swap contract	\$ 92,078,629	173,318	(1,823,392)	Debt investments measured at amortized cost, net	-

(Continued)

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

	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 2018
		Assets	Liabilities		
<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	-
	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 third quarter of 2018
		Assets	Liabilities		
<b>September 30, 2018</b>					
<b>Fair value hedge</b>					
Interest rate risk					
— Interest rate swap contract	\$ 64,154,326	1,860,800	(168,943)	Debt investments measured at amortized cost, net	-

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 third quarter of 2019
	Assets	Liabilities	Assets	Liabilities	
	<b>September 30, 2019</b>				
<b>Hedged items</b>					
Financial bonds payable	\$ -	(4,999,107)	-	(4,332)	-
Financial assets measured at amortized cost— financial bonds	89,416,520	-	1,654,407	-	-
	Carrying amount		Accumulated adjustment of fair value		Fair value changes used to calculate the hedge ineffectiveness for 2018
	Assets	Liabilities	Assets	Liabilities	
	<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	-	-

(Continued)

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

	Carrying amount		Accumulated adjustment of fair value		Fair value changes used to calculate the hedge ineffectiveness for third quarter of 2018
	Assets	Liabilities	Assets	Liabilities	
	September 30, 2018				
<b>Hedged items</b>					
Financial bonds payable	\$ -	(7,691,002)	-	(77,517)	-
Financial assets measured at amortized cost— financial bonds	55,763,542	-	1,640,140	-	-

(g) Securities Purchased Under Resell Agreements

	September 30, 2019	December 31, 2018	September 30, 2018
Securities purchased under resell agreements	<u>\$ 83,395,874</u>	<u>69,364,357</u>	<u>60,129,140</u>

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

(h) Receivables, Net

	September 30, 2019	December 31, 2018	September 30, 2018
Accounts receivable – credit card	\$ 46,346,720	39,644,510	38,186,117
Accounts receivable – forfeiting	939,872	538,578	1,073,025
Notes receivable, accounts receivable and acceptance	32,223,141	23,923,187	21,057,609
Accounts receivable – factoring	19,556,797	19,518,633	26,228,878
Interest receivable	39,693,671	42,713,847	38,908,608
Revenues receivable	3,440,619	2,979,817	3,456,715
Premiums receivable	3,571,035	3,403,232	4,030,484
Margin loans receivable	10,775,694	9,948,857	12,752,800
Accounts receivable – settlement	30,621,678	15,759,544	27,548,709
Others	<u>21,720,711</u>	<u>52,281,169</u>	<u>9,717,239</u>
Subtotal	208,889,938	210,711,374	182,960,184
Less: Allowance for doubtful accounts	<u>1,634,317</u>	<u>1,436,969</u>	<u>1,666,224</u>
Total	<u>\$ 207,255,621</u>	<u>209,274,405</u>	<u>181,293,960</u>

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

(Continued)

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

(i) Discounts and Loans, Net

	<b>September 30, 2019</b>	<b>December 31, 2018</b>	<b>September 30, 2018</b>
Discounts and overdrafts	\$ 5,466,285	6,763,228	6,705,932
Short-term advances	12,172,494	11,718,446	11,576,915
Accounts receivable – financing	2,725,523	3,726,273	4,707,069
Short-term loans	357,586,878	320,583,292	325,884,883
Short-term secured loans	92,227,460	92,872,668	93,067,098
Medium-term loans	274,465,126	253,095,513	269,703,887
Medium-term secured loans	166,257,143	145,595,673	137,348,668
Long-term loans	117,299,686	103,884,338	99,988,927
Long-term secured loans	868,991,094	843,738,028	802,867,927
Insurance policy loans	70,684,605	71,392,396	69,184,317
Import and export bill negotiation	12,156,212	13,409,261	13,072,132
Nonperforming loans	<u>4,946,969</u>	<u>4,300,320</u>	<u>5,018,419</u>
Subtotal	1,984,979,475	1,871,079,436	1,839,126,174
Less: Allowance for doubtful accounts	23,340,654	22,681,311	22,598,288
Adjustments of premium and discount	664,672	604,985	593,704
Total	<u>\$ 1,960,974,149</u>	<u>1,847,793,140</u>	<u>1,815,934,182</u>

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

The movement of the allowance for doubtful accounts of loans and receivables were as follows:

	<b>For the nine months ended September 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)	243,803	1,315,597	(13,235)	1,546,165
Write-off	(18,874)	(897,342)	(166,377)	(1,082,593)
Recovery from write-off	636	286,507	235,879	523,022
Effects of exchange rate changes and others	(28,217)	(45,419)	39,528	(34,108)
Ending balance	<u>\$ 1,634,317</u>	<u>23,340,654</u>	<u>436,017</u>	<u>25,410,988</u>

(Continued)

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

	<b>For the nine months ended September 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)	246,807	541,841	(91,735)	696,913
Write-off	(15,420)	(706,206)	(222,850)	(944,476)
Recovery from write-off	-	345,564	265,540	611,104
Acquisition through business combination	120,108	133,694	-	253,802
Effects of exchange rate changes and others	6,517	7,659	643	14,819
Ending balance	<u><u>\$ 1,666,224</u></u>	<u><u>22,598,288</u></u>	<u><u>314,520</u></u>	<u><u>24,579,032</u></u>

## (j) Reinsurance Contract Assets

	<b>September 30, 2019</b>	<b>December 31, 2018</b>	<b>September 30, 2018</b>
Claims recoverable from reinsurers	\$ 2,192,065	2,695,265	1,887,973
Due from reinsurers and ceding companies	6,304,633	4,089,957	4,041,775
Subtotal	<u>8,496,698</u>	<u>6,785,222</u>	<u>5,929,748</u>
Reinsurance reserve assets:			
Ceded unearned premium reserve	7,252,209	5,884,864	6,234,590
Ceded claim reserve	7,413,057	7,030,424	7,997,870
Ceded premium deficiency reserve	581,803	651,387	604,917
Ceded liability reserve	<u>3,631</u>	<u>1,791</u>	<u>1,142</u>
Subtotal	<u>15,250,700</u>	<u>13,568,466</u>	<u>14,838,519</u>
Total	<u><u>\$ 23,747,398</u></u>	<u><u>20,353,688</u></u>	<u><u>20,768,267</u></u>

(Continued)

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

(k) Investments Accounted for Using Equity Method, Net

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

Name of associate	Relationship with the Company and its subsidiaries	Main business office/Country of Registry	Ownership interest and voting right		
			September 30, 2019	December 31, 2018	September 30, 2018
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 %

Summarized financial information of material associates was as follows:

Xiamen Bank

	December 31, 2018	September 30, 2018
Total assets	\$ 1,038,617,565	971,349,027
Total liabilities	(975,971,944)	(911,243,437)
Net assets	<u>\$ 62,645,621</u>	<u>60,105,590</u>
	For the three months ended September 30, 2018	For the nine months ended September 30, 2018
Operating revenue	<u>\$ 4,848,024</u>	<u>15,099,148</u>
Net income	\$ 1,991,730	5,135,528
Other comprehensive income	225,382	1,764,937
Total comprehensive income	<u>\$ 2,217,112</u>	<u>6,900,465</u>
	For the nine months ended September 30	
	2019	2018
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	977,061	709,797
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>\$ 13,250,381</u>	<u>11,985,473</u>

(Continued)

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

Xiamen Bank applied for listing in the third quarter of 2019. Since Xiamen Bank did not announce related financial information in this quarter, it could not be declared in other regions under local securities authority. However, related gains and losses have been recognized.

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.

(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>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Fubon Construction Management Co., Ltd.	\$ 119,038	115,338	116,809
Line Biz+ Taiwan Co., Ltd.	3,103,789	3,139,671	3,156,315
Fubon Health Management Co., Ltd.	20,579	30,556	34,589
Founder Fubon Fund Management Co., Ltd.	612,653	682,065	694,170
CITIC Capital Holdings Ltd.	8,397,167	8,804,540	8,723,414
CITIC FUTONG Financial Leasing Limited	823,645	915,547	1,460,751
Teng Fu Bo Investment Limited	235,595	274,643	64,251
Star River Energy Corporation	279,890	278,581	276,190
Bravelog Sport Technology Co., Ltd.	10,308	4,617	6,254
Star Shining Energy Corporation	1,129,363	1,123,932	1,119,735
Cofit Healthcare Inc.	5,832	9,564	10,826
Wholex Max Green Power Co., Ltd.	346,078	337,495	-
ZhongAn Life Insurance Ltd.	-	-	-
	<u>\$ 15,083,937</u>	<u>15,716,549</u>	<u>15,663,304</u>

(Continued)

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

	<b>For the three months ended September 30</b>		<b>For the nine months ended September 30</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Attributable to the Company and its subsidiaries:				
Net income (loss)	\$ (92,436)	290,454	(301,067)	610,336
Other comprehensive income	(215,572)	425,036	(189,748)	271,327
Total comprehensive income	<u>\$ (308,008)</u>	<u>715,490</u>	<u>(490,815)</u>	<u>881,663</u>
	<b>For the three months ended September 30</b>		<b>For the nine months ended September 30</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
The share of profit (loss) of associates accounted for using equity method	<u>\$ (8,223)</u>	<u>9,999</u>	<u>(40,832)</u>	<u>25,114</u>
			<b>September 30, 2019</b>	<b>September 30, 2018</b>
Investments accounted for using equity method			<u>\$ 4,988,467</u>	<u>4,552,240</u>

## (l) 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>	<b>Ownership interest and voting right of non- controlling interest</b>		
		<b>September 30, 2019</b>	<b>December 31, 2018</b>	<b>September 30, 2018</b>
Fubon Hyundai Life Insurance Co., Ltd.	South Korea	<u>37.94 %</u>	<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.:

	<b>September 30, 2019</b>	<b>December 31, 2018</b>	<b>September 30, 2018</b>
Total assets	\$ 410,332,107	481,787,324	365,828,544
Total liabilities	(382,430,642)	(459,696,772)	(345,578,344)
Non-common equity	(2,613,653)	(2,775,114)	(2,785,202)
Net assets	<u>\$ 25,287,812</u>	<u>19,315,438</u>	<u>17,464,998</u>
Equity attributable to non-controlling interest	<u>\$ 11,535,158</u>	<u>9,389,182</u>	<u>8,694,625</u>

(Continued)



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

	<b>For the three months ended September 30, 2019</b>	<b>For the nine months ended September 30, 2019</b>	
Net revenue	<u>\$ 19,403,389</u>	<u>47,417,972</u>	
Net income	\$ 566,871	904,662	
Other comprehensive income	<u>683,961</u>	<u>4,906,250</u>	
Total comprehensive income	<u>\$ 1,250,832</u>	<u>5,810,912</u>	
Consolidated net income for the period attributable to non-controlling interests	<u>\$ 215,068</u>	<u>343,224</u>	
Consolidated other comprehensive income attributable to non-controlling interests	<u>\$ 437,897</u>	<u>2,145,976</u>	
		<b>For the nine months ended September 30, 2019</b>	
Cash flows			
Operating activities		<u>\$ (11,442,174)</u>	
Investing activities		<u>\$ 881,756</u>	
Financing activities		<u>\$ (861,707)</u>	
(m) Other Financial Assets, Net			
	<b>September 30, 2019</b>	<b>December 31, 2018</b>	<b>September 30, 2018</b>
Assets on insurance product—separated account	\$ 373,417,108	369,434,448	319,502,530
Margin deposits paid for borrowed securities	6,069,785	4,425,851	1,080,601
Collateral for borrowed securities	271,723	207,172	94,477
Overdue receivables	1,013,097	297,785	241,156
Customer margin deposit	16,642,803	16,250,349	17,099,994
Buy remittance	562	231	174
Buy nonperforming loan	230,840	253,911	260,586
Deposits not qualifying as cash equivalents	11,747,564	18,549,111	30,943,983
Prepayments for investments	-	-	24,224
Subtotal	<u>409,393,482</u>	<u>409,418,858</u>	<u>369,247,725</u>
Less: Guarantee deposits—others	2,380,411	2,296,152	2,291,072
Allowance for doubtful accounts	<u>436,017</u>	<u>340,222</u>	<u>314,520</u>
Total	<u>\$ 406,577,054</u>	<u>406,782,484</u>	<u>366,642,133</u>

(Continued)

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

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

(i) Separated account—insurance product

Fubon Life Insurance and its subsidiaries

	<u>September 30,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>	<u>September 30,</u> <u>2018</u>	
Assets on insurance product— separated account:				
Bank deposits	\$ 9,527,763	9,420,408	10,006,749	
Securities	173,439,936	148,498,922	153,568,370	
Receivables	<u>5,216,887</u>	<u>1,895,424</u>	<u>4,872,108</u>	
Total	<u>\$ 188,184,586</u>	<u>159,814,754</u>	<u>168,447,227</u>	
	<u>September 30,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>	<u>September 30,</u> <u>2018</u>	
Liabilities on insurance product— separated account:				
Reserve—insurance contract	\$ 106,792,790	93,025,937	100,005,648	
Reserve—investment contract	81,261,527	66,692,806	68,356,353	
Payables	<u>130,269</u>	<u>96,011</u>	<u>85,226</u>	
Total	<u>\$ 188,184,586</u>	<u>159,814,754</u>	<u>168,447,227</u>	
	<u>For the three months</u> <u>ended September 30</u>		<u>For the nine months</u> <u>ended September 30</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Separate account products revenues:				
Premiums income	\$ 4,306,339	5,501,506	14,052,703	17,118,410
Interest revenue	556,449	430,924	1,526,591	1,144,057
Gains (losses) on financial assets or liabilities measured at fair value through profit and loss	(1,221,553)	(184,783)	9,825,682	(1,674,654)
Gains (losses) on foreign exchange	<u>33,199</u>	<u>(15,946)</u>	<u>24,361</u>	<u>(349,459)</u>
Total	<u>\$ 3,674,434</u>	<u>5,731,701</u>	<u>25,429,337</u>	<u>16,238,354</u>
Separate account products expenses:				
Net change in insurance separate account value reserve	\$ (308,155)	1,990,699	13,642,300	4,551,233
Insurance claim payments	3,154,995	2,991,120	9,352,207	9,471,284
Administrative expenses	826,881	749,882	2,431,692	2,215,837
Other expenses	<u>713</u>	<u>-</u>	<u>3,138</u>	<u>-</u>
Total	<u>\$ 3,674,434</u>	<u>5,731,701</u>	<u>25,429,337</u>	<u>16,238,354</u>

(Continued)

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

The amounts of Fubon Life Insurance earned sales commission in investment oriented insurance products from counterparties were as follows ( recognized as net service charge and commissions loss) :

	<b>For the three months ended September 30</b>		<b>For the nine months ended September 30</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Rebate	<u>\$ 166,966</u>	<u>127,783</u>	<u>478,829</u>	<u>392,329</u>

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

	<b>September 30, 2019</b>	<b>December 31, 2018</b>	<b>September 30, 2018</b>
Assets on corporate and individual annuity insurance products - separated account :			
Bank deposits	\$ 10,113,012	4,778,265	4,487,353
Financial assets measured at fair value through profit or loss	19,991,061	6,251,761	6,108,787
Financial assets measured at fair value through other comprehensive income	113,105,213	107,012,055	106,945,538
Financial assets measured at amortized cost	32,185,530	30,742,114	30,629,712
Financial assets for hedging	102,762	-	-
Interest receivables	-	11,522	1,252,767
Other receivables	<u>9,734,944</u>	<u>60,823,977</u>	<u>1,631,146</u>
Total	<u>\$ 185,232,522</u>	<u>209,619,694</u>	<u>151,055,303</u>
	<b>September 30, 2019</b>	<b>December 31, 2018</b>	<b>September 30, 2018</b>
Liabilities on corporate and individual annuity insurance products - separated account :			
Financial liabilities for hedging	\$ 331,922	20,827	15,694
Other payables	2,925,064	44,476,263	2,525
Insurance separate account value reserve	177,057,663	165,533,843	152,697,689
Adjusting liabilities-separated account	-	-	94,757
Total	<u>\$ 180,314,649</u>	<u>210,030,933</u>	<u>152,810,665</u>

(Continued)

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

	<b>For the three months ended September 30, 2019</b>	<b>For the nine months ended September 30, 2019</b>
Revenues on corporate and individual annuity insurance products - separated account:		
Interest revenue	\$ 1,175,660	3,472,604
Gains (losses) on financial assets or liabilities measured at fair value through profit and loss	328,271	1,115,760
Gains on foreign exchange	<u>1,281,712</u>	<u>2,636,134</u>
Total	<u><b>\$ 2,785,643</b></u>	<u><b>7,224,498</b></u>
Expenses on corporate and individual annuity insurance products - separated account:		
Insurance claim payments	\$ 658	658
Insurance value reserve provisions - separated account	1,369,613	3,408,588
Gains (losses) on financial assets or liabilities measured at fair value through profit and loss	1,354,472	3,442,474
Losses on foreign exchange	(15,277)	181,556
Administrative expenses	<u>76,177</u>	<u>191,222</u>
Total	<u><b>\$ 2,785,643</b></u>	<u><b>7,224,498</b></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 September 30, 2019, December 31 and September 30, 2018, the amount was \$3,619,170, \$2,278,385 and \$1,999,249, respectively.

(n) 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	7,561,996	11,951,030	1,110,982	4,512	(8,519)	20,620,001
Reclassification	44,680	18,357	185,238	(8,429)	-	239,846
Disposals	(20,889)	(9,043)	-	-	-	(29,932)
Gains (losses) generated from fair value adjustments	(1,269,209)	96,775	-	-	(711,745)	(1,884,179)
Effects of exchange rate changes	(214,370)	(646,667)	-	-	(25,327)	(886,364)
Balance as of September 30, 2019	<u><b>\$ 133,714,654</b></u>	<u><b>58,249,954</b></u>	<u><b>4,944,781</b></u>	<u><b>49,721</b></u>	<u><b>49,077,529</b></u>	<u><b>246,036,639</b></u>

(Continued)

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

	<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, 2018	\$ 130,725,092	44,318,761	1,478,188	57,868	1,747,321	178,327,230
Additions	122,872	66,079	1,053,403	794	-	1,243,148
Reclassification	830,882	35,203	358,434	(12,534)	-	1,211,985
Disposals	(3,135,615)	-	-	-	-	(3,135,615)
Acquisition through business combination	888,181	1,300,541	-	-	-	2,188,722
Gains (losses) generated from fair value adjustments	(595,957)	1,884,407	-	-	(418,603)	869,847
Effects of exchange rate changes	(77,448)	(225,070)	-	-	(11,817)	(314,335)
Balance as of September 30, 2018	<u>\$ 128,758,007</u>	<u>47,379,921</u>	<u>2,890,025</u>	<u>46,128</u>	<u>1,316,901</u>	<u>180,390,982</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 (p) for the details of lease liabilities and interest expenses of superfcies.

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 September 30, 2018, the net carrying amount of leasehold property was \$208,986 and \$214,648, respectively.

Rental revenue incurred for investment properties, direct operation expenses, and direct operation expenses belonging to investment properties that did not generate rental income for the nine months ended September 30, 2019 were as follows:

	<b>For the three months ended September 30</b>		<b>For the nine months ended September 30</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Rental revenue	<u>\$ 1,715,797</u>	<u>1,484,633</u>	<u>4,787,321</u>	<u>4,440,923</u>
Direct operation expenses	<u>\$ 330,972</u>	<u>290,917</u>	<u>942,341</u>	<u>856,036</u>
Direct operation expenses belonging to investment properties that did not generate rental income	<u>\$ 13,632</u>	<u>11,712</u>	<u>43,976</u>	<u>33,476</u>

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.

(Continued)

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

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

	<b>September 30, 2019</b>
Less than one year	\$ 6,687,853
One to two years	6,440,883
Two to three years	5,959,530
Three to four years	5,541,548
Four to five years	4,671,571
More than five years	<u>25,946,371</u>
	<b><u>\$ 55,247,756</u></b>

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 September 30, 2019, December 31 and September 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
- 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, Mark White
- 10) DTZ & Cushman & Wakefield Debenham Tie Leuag Limited: Yang Chang-Da, John Bareham, Charles Smith

(Continued)

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

- 11) Repto International Inc. and Knight Frank LLP: Wu Hung-Hsu, Simon Gillespie
- 12) DTZ and Cushman & Wakefield Belgium SA : Yang Chang-Da, Emeric Inghels, Christophe Ackermans
- 13) Jones Lang LaSalle Limited and Jones Lang LaSalle BVBA: Chao Cheng-Yi, Roderick Scrivener
- 14) Jones Lang LaSalle Limited and Jones Lang LaSalle Limited: Hsu Kuo-Chun, Andrew Dolan, Robin Teh
- 15) 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
- 16) Euro-Asia Real Estate Appraiser Firm and BNP Paribas Real Estate Advisory Belgium S.A.: Chou Shih-Yuan, Jean-Claude Dubois, Nabil Mouloua
- 17) Repto International Inc. and Knight Frank SA/NV: Wu Hung-Hsu, Filip Derijck
- 18) Savills Plc and Savills Immobilien Beratungs-GmbH: Chang I-Chih, Christian Glock, Drazenko Grahovac
- 19) Repto International Inc., Knight Frank LLP and Knight Frank Valuation & Advisory GmbH & Co. KG: Wu Hung-Hsu, Caroline Bathgate, 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.

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.

(Continued)

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

The inputs applied are as follows:

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

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 September 30, 2019, December 31 and September 30, 2018.

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

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

Valuation agencies as of December 31 and September 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

(Continued)



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

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:

	<b>September 30, 2019</b>	<b>December 31, 2018</b>	<b>September 30, 2018</b>
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 September 30, 2019, the lease contracts of Taipei Fubon Bank has 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.

Taipei Fubon Bank has consulted the appraisers about the effectiveness of the original appraisal report. As of September 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.

(Continued)

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

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.

	<b>September 30, 2019</b>	<b>December 31, 2018</b>	<b>September 30, 2018</b>
Expected future cash inflows	\$ 3,995,765	4,054,750	4,109,577
Expected future cash outflows	<u>(117,478)</u>	<u>(126,909)</u>	<u>(125,648)</u>
Expected future cash inflows, net	<u>\$ 3,878,287</u>	<u>3,927,841</u>	<u>3,983,929</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 September 30, 2019, December 31 and September 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 September 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.

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.

(Continued)

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

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 September 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 September 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 September 30, 2019 and December 31, 2018, the replacement allowance rate is 0.5%. On September 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 :

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

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 September 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.

	<b>September 30, 2019</b>	<b>December 31, 2018</b>	<b>September 30, 2018</b>
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.

(o) Property and Equipment, Net

	<b>Land</b>	<b>Buildings</b>	<b>Machinery and computer equipment</b>	<b>Transportation equipment</b>	<b>Other equipment</b>	<b>Prepayment for purchases of equipment, and construction in progress</b>	<b>Total</b>
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	-	115,141	290,691	12,892	453,283	492,368	1,364,375
Disposals	-	-	(155,497)	(55,568)	(372,870)	-	(583,935)
Reclassification	61,916	209,832	55,396	(5,719)	238,105	(776,769)	(217,239)
Effects of exchange rates changes	(2,733)	(143,818)	(44,477)	(1,414)	(12,875)	231	(205,086)
Balance as of September 30, 2019	<b>\$ 29,196,501</b>	<b>27,691,848</b>	<b>7,270,608</b>	<b>389,679</b>	<b>11,329,643</b>	<b>1,663,371</b>	<b>77,541,650</b>

(Continued)

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

	Land	Buildings	Machinery and computer equipment	Transportation equipment	Other equipment	Prepayment for purchases of equipment, and construction in progress	Total
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
Acquired through business combinations	46,940	96,479	513,481	-	451,953	-	1,108,853
Additions	29,261	392,260	271,095	22,757	648,881	891,303	2,255,557
Estimated decommissioning cost	-	-	-	-	35,616	-	35,616
Reversal decommissioning cost	-	-	-	-	(8,259)	-	(8,259)
Disposals	-	-	(77,064)	(9,282)	(193,886)	-	(280,232)
Reclassification	(541,841)	(141,764)	110,788	102,385	236,927	(774,973)	(1,008,478)
Effects of exchange rates changes	205	(126,642)	(13,082)	(600)	53,164	(71)	(87,026)
Balance as of September 30, 2018	<u>\$ 28,896,384</u>	<u>26,409,654</u>	<u>6,824,474</u>	<u>426,092</u>	<u>10,833,608</u>	<u>2,057,111</u>	<u>75,447,323</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	-	479,069	580,274	28,027	807,002	-	1,894,372
Disposals	-	-	(154,548)	(48,069)	(347,716)	-	(550,333)
Reclassification	-	(65,712)	274	(272)	(5,835)	-	(71,545)
Effects of exchange rates changes	-	(21,130)	(37,074)	(1,202)	(19,225)	-	(78,631)
Balance as of September 30, 2019	<u>\$ 1,013,284</u>	<u>5,767,540</u>	<u>5,436,913</u>	<u>286,611</u>	<u>7,462,968</u>	<u>-</u>	<u>19,967,316</u>
Balance as of January 1, 2018	\$ 1,013,284	4,941,082	3,955,005	228,574	6,034,215	-	16,172,160
Acquired through business combinations	-	18,438	445,469	-	417,632	-	881,539
Depreciations	-	451,712	539,398	17,880	709,447	-	1,718,437
Disposals	-	-	(76,590)	(9,116)	(193,629)	-	(279,335)
Reversal decommissioning cost	-	-	-	-	(2,179)	-	(2,179)
Reclassification	(4,962)	(180,294)	-	67,786	(67,786)	-	(185,256)
Effects of exchange rates changes	-	(8,446)	(6,522)	(673)	38,279	-	22,638
Impairment loss	4,962	14,010	-	-	-	-	18,972
Balance as of September 30, 2018	<u>\$ 1,013,284</u>	<u>5,236,502</u>	<u>4,856,760</u>	<u>304,451</u>	<u>6,935,979</u>	<u>-</u>	<u>18,346,976</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 September 30, 2019	<u>\$ 28,183,217</u>	<u>21,924,308</u>	<u>1,833,695</u>	<u>103,068</u>	<u>3,866,675</u>	<u>1,663,371</u>	<u>57,574,334</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 September 30, 2018	<u>\$ 27,883,100</u>	<u>21,173,152</u>	<u>1,967,714</u>	<u>121,641</u>	<u>3,897,629</u>	<u>2,057,111</u>	<u>57,100,347</u>

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 (n) for details.

(Continued)

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

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

Certain property were pledged as collateral, please refer to note 8 for details.

(p) Lease Agreement

(i) Right-of-use assets

	<b>September 30, 2019</b>	
Carrying amounts		
Land — superficies	\$ 1,320,192	
Buildings	5,222,382	
Machinery	46,557	
Transportation equipment	62,344	
Other equipment	194,082	
	<b>\$ 6,845,557</b>	
	<b>For the three months ended September 30, 2019</b>	<b>For the nine months ended September 30, 2019</b>
Additions	<b>\$ 289,860</b>	<b>1,500,031</b>
Depreciation, including capitalization		
Land — superficies	\$ 4,927	14,982
Buildings	601,124	1,835,712
Machinery	6,523	19,467
Transportation equipment	11,519	32,348
Other equipment	21,428	48,147
Total	<b>\$ 645,521</b>	<b>1,950,656</b>

(Continued)

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

(ii) Lease liabilities

The maturity analysis of undiscounted lease payments was as follows:

	<b>September 30, 2019</b>
Less than one year	\$ 3,491,971
One to five years	6,100,362
More than five years	25,718,327
	<b>\$ 35,310,660</b>

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

	<b>For the nine months ended September 30, 2019</b>
Total cash outflow for leases	<b>\$ 3,062,591</b>

(iii) Other lease information

1) Real estate leases

As of September 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 September 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**

## (q) Intangible Assets, Net

	September 30, 2019	December 31, 2018	September 30, 2018
License and operating rights	\$ 8,876,349	9,315,823	9,343,942
Core deposits	5,614,763	6,038,562	6,102,255
Goodwill	15,896,621	16,076,566	16,066,786
Computer software	1,737,710	1,728,912	1,418,438
Customer relationship	55,513	63,609	65,506
Others	611,153	684,261	692,179
	<u>\$ 32,792,109</u>	<u>33,907,733</u>	<u>33,689,106</u>

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

	Goodwill	Other intangible assets	Total
Cost :			
Balance as of January 1, 2019	\$ 16,076,566	17,831,167	33,907,733
Additions	-	336,285	336,285
Amortization	-	(1,017,796)	(1,017,796)
Reclassification	-	228,852	228,852
Effects of exchange rates changes	(179,945)	(483,020)	(662,965)
Balance as of September 30, 2019	<u>\$ 15,896,621</u>	<u>16,895,488</u>	<u>32,792,109</u>
Balance as of January 1, 2018	\$ 14,271,271	13,982,503	28,253,774
Acquired through business combinations	1,880,873	4,111,266	5,992,139
Additions	-	452,314	452,314
Amortization	-	(801,923)	(801,923)
Reclassification	-	206,547	206,547
Effects of exchange rates changes	(85,358)	(328,387)	(413,745)
Balance as of September 30, 2018	<u>\$ 16,066,786</u>	<u>17,622,320</u>	<u>33,689,106</u>

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 September 30, 2019, December 31 and September 30, 2018, after evaluating the carrying amount of goodwill.

(r) Other Assets

	<u>September 30,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>	<u>September 30,</u> <u>2018</u>
Refundable deposits	\$ 30,438,048	31,059,950	27,654,686
Foreclosed collaterals and residuals taken over	52,348	53,593	85,279
Operation guarantee deposits and settlement fund	369,156	360,579	366,924
Deferred assets	1,083,092	849,505	839,400
Prepayments	4,339,642	33,334,216	33,380,892
Others	<u>14,295,916</u>	<u>9,689,612</u>	<u>9,999,684</u>
Total	<u>\$ 50,578,202</u>	<u>75,347,455</u>	<u>72,326,865</u>

The Company acquired the superificies by bid, accounted as prepayments. Impairment loss on other assets measured at net fair value were as follows :

	<u>For the three months</u> <u>ended September 30</u>		<u>For the nine months</u> <u>ended September 30</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Impairment loss	\$ -	<u>2,663</u>	<u>-</u>	<u>4,153</u>

(s) Securities Sold under Repurchase Agreements

	<u>September 30,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>	<u>September 30,</u> <u>2018</u>
Securities sold under repurchase agreements	<u>\$ 158,186,379</u>	<u>178,403,211</u>	<u>183,657,747</u>

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

(Continued)

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

## (t) Commercial Paper Issued, Net

	<b>September 30, 2019</b>	<b>December 31, 2018</b>	<b>September 30, 2018</b>
Par value	\$ 34,750,000	13,540,000	15,200,000
Less: Discount on commercial paper issued	10,755	4,028	4,024
Total	<u>\$ 34,739,245</u>	<u>13,535,972</u>	<u>15,195,976</u>
Interest rate range	0.69%~0.70%	0.68%~0.76%	0.58%~0.66%

## (u) Deposits and Remittances

	<b>September 30, 2019</b>	<b>December 31, 2018</b>	<b>September 30, 2018</b>
Checking accounts	\$ 11,184,089	11,226,153	11,177,748
Public treasury deposits	28,604,628	64,455,592	14,897,067
Demand deposits	483,024,862	490,391,281	458,786,803
Time deposits	875,849,866	759,758,537	780,810,872
Negotiable certificates of deposit	68,280,860	70,171,153	91,061,224
Savings accounts	936,060,290	876,479,829	872,870,759
Remittances	1,137,474	1,136,094	1,113,868
Total	<u>\$ 2,404,142,069</u>	<u>2,273,618,639</u>	<u>2,230,718,341</u>

## (v) Bonds Payable

(i) The bonds payable were as follows:

	<b>September 30, 2019</b>	<b>December 31, 2018</b>	<b>September 30, 2018</b>
Unsecured corporate bonds	\$ 53,550,000	58,550,000	56,450,000
Subordinated corporate bonds	41,811,575	43,115,172	43,177,455
Financial bonds	143,167,435	116,089,502	100,307,366
Total	<u>\$ 238,529,010</u>	<u>217,754,674</u>	<u>199,934,821</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	September 30, 2019	December 31, 2018	September 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	Note 1
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 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	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	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>\$ 53,550,000</u>	<u>58,550,000</u>	<u>56,450,000</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.

(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	September 30, 2019	December 31, 2018	September 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 %	777,000	-	-	826,401	834,791	Note 4
Hyundailife Insurance 2-2 (private placement)	2013.08.27	2019.03.27	4.98 %	777,000	-	-	830,873	841,246	Note 4
Hyundailife Insurance 3 (private placement)	2013.12.06	2019.07.06	5.25 %	518,000	-	-	557,947	564,550	Note 4
Hyundailife Insurance 4 (private placement)	2014.10.30	2020.04.30	5.30 %	1,295,000	15,463	1,310,463	1,412,414	1,425,921	Note 4
Hyundailife Insurance 5 (private placement)	2015.12.11	2021.06.11	4.65 %	518,000	7,280	525,280	561,232	564,578	Note 4
Hyundailife Insurance 5-2 (private placement)	2015.12.30	2021.06.30	4.65 %	77,700	1,477	79,177	84,740	85,314	Note 4
Hyundailife Insurance 6 (private placement)	2016.04.28	2022.04.28	4.60 %	1,036,000	12,197	1,048,197	1,116,734	1,122,306	Note 4
Hyundailife Insurance 7 (private placement)	2016.12.28	2022.07.28	4.75 %	518,000	4,855	522,855	556,539	559,122	Note 4
Hyundailife Insurance 8 (private placement)	2017.06.26	2023.01.26	4.90 %	233,100	2,222	235,322	250,400	251,529	Note 4
Hyundailife Insurance 9 (private placement)	2017.07.20	2023.01.20	4.90 %	207,200	3,623	210,823	224,729	225,902	Note 4
Hyundailife Insurance 11 (private placement)	2017.12.28	2023.06.28	5.60 %	1,554,000	33,836	1,587,836	1,693,163	1,702,196	Note 4
Hyundailife Insurance 13 (private placement)	2019.09.09	2029.09.09	4.30 % (Note 3)	1,295,000	(3,378)	1,291,622	-	-	Note 4
Total					\$ 77,575	41,811,575	43,115,172	43,177,455	

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.

(Continued)

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

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 coupon rate will reset on the basis of 10-year KTB yield plus interest rate spread if the bond is not redeemed in 5 years from the date of issuance.

Note 4: The corporate bond from Fubon Life Insurance's subsidiary.

(iv) Financial Bonds Payable

1) Taipei Fubon Bank and its subsidiaries

	<b>September 30,</b> <b>2019</b>	<b>December 31,</b> <b>2018</b>	<b>September 30,</b> <b>2018</b>
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
Third issuance of subordinated bank debentures in 2011; fixed 1.65%; maturity: December 1, 2018	-	-	4,000,000

(Continued)

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

	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
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
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)	3,746,663	3,599,137	3,541,810

(Continued)

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

	<b>September 30, 2019</b>	<b>December 31, 2018</b>	<b>September 30, 2018</b>
First issuance of dominant bank debentures in 2016; zero interest rate; maturity: December 22, 2046 (US\$200,000 thousand)	\$ 6,932,607	6,662,962	6,557,939
First issuance of dominant bank debentures in 2017; zero interest rate; maturity: January 24, 2047 (US\$200,000 thousand)	6,913,268	6,642,908	6,537,714
First issuance of dominant bank debentures in 2017; zero interest rate; maturity: January 24, 2047 (US\$200,000 thousand)	6,904,360	6,636,732	6,532,426
Second issuance of subordinated bank debentures in 2017; fixed 1.33%; maturity: September 22, 2024	3,000,000	3,000,000	3,000,000
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)	3,340,985	3,209,866	3,158,884
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)	6,472,082	6,206,979	6,104,715

(Continued)

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

	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Third issuance of subordinated bank debentures in 2018; fixed 1.15%; maturity: September 25, 2025	\$ 1,200,000	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	1,800,000
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)	2,588,569	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	-	-

(Continued)



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

	<b>September 30, 2019</b>	<b>December 31, 2018</b>	<b>September 30, 2018</b>
Fourth issuance of subordinated bank debentures in 2019; fixed 1.03%; perpetual	\$ 4,400,000	-	-
Fifth issuance of subordinated bank debentures in 2019; fixed 0.95%; maturity: September 26, 2029	6,000,000	-	-
Subtotal	104,148,534	87,681,380	76,333,488
Valuation adjustments of bank debentures	1,622,616	(1,600,785)	(2,554,850)
Subtotal	105,771,150	86,080,595	73,778,638
Tier 2 capital ; fixed 5.43% ; maturity: December 6, 2028	4,362,300	4,466,100	-
Tier 2 capital ; fixed 5.20% ; maturity: April 27, 2029	4,362,300	-	-
Total	<u><u>\$ 114,495,750</u></u>	<u><u>90,546,695</u></u>	<u><u>73,778,638</u></u>
2) Fubon Bank (Hong Kong) and its subsidiaries			
	<b>September 30, 2019</b>	<b>December 31, 2018</b>	<b>September 30, 2018</b>
10-year bonds issued in November 2010; fixed 6.125%; maturity: November 2020	\$ 6,201,453	6,138,797	6,096,336
3-year bonds issued in June 2016; fixed 2.12%; maturity: June 2019	-	781,511	775,236
3-year bonds issued in July 2016; fixed 1.90%; maturity: July 2019	-	389,691	385,977
3-year bonds issued in September 2016; fixed 1.60%; maturity: September 2019	-	389,019	385,013
3-year bonds issued in October 2016; floating; maturity: October 2019	620,979	615,038	610,891

(Continued)

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

	<b>September 30, 2019</b>	<b>December 31, 2018</b>	<b>September 30, 2018</b>
3-year bonds issued in February 2017; fixed 2.53%; maturity: February 2020	\$ 394,897	390,802	385,907
2-year bonds issued in March 2017; fixed 2.28%; maturity: March 2019	-	784,193	778,611
3-year bonds issued in March 2017; fixed 2.5%; maturity: March 2020	473,699	468,386	462,295
3-year bonds issued in April 2017; fixed 2.4%; maturity: April 2020	276,118	272,852	269,158
2-year bonds issued in June 2017; fixed 1.75%; maturity: June 2019	-	585,756	580,696
2-year bonds issued in June 2017; fixed 1.8%; maturity: June 2019	-	780,678	774,357
2-year bonds issued in August 2017; fixed 1.75%; maturity: August 2019	-	389,993	386,395
2-year bonds issued in September 2017; floating; maturity: September 2019	-	392,735	390,536
2-year bonds issued in September 2017; fixed 1.8%; maturity: September 2019	-	778,887	771,470
3-year bonds issued in September 2017; floating; maturity: September 2020	1,187,682	1,177,761	1,171,135
2-year bonds issued in October 2017; fixed 1.95%; maturity: October 2019	791,917	780,148	772,224
3-year bonds issued in February 2018; fixed 2.55%; maturity: February 2021	396,501	390,484	383,212
2-year bonds issued in March 2018; fixed 2.6%; maturity: March 2020	593,722	587,410	580,454

(Continued)

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

	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
6-month bonds issued in July 2018; fixed 2.86%; maturity: January 2019	\$ -	1,538,095	1,527,832
3-month bonds issued in July 2018; zero interest rate; maturity: October 2018	-	-	610,684
3-month bonds issued in July 2018; zero interest rate; maturity: October 2018	-	-	1,526,703
2-year bonds issued in July 2018; floating; maturity: July 2020	791,755	785,085	780,650
3-year bonds issued in August 2018; floating; maturity: August 2021	791,873	785,376	780,997
3-month bonds issued in August 2018; fixed 2.58%; maturity: November 2018	-	-	763,924
3-month bonds issued in September 2018; zero interest rate; maturity: December 2018	-	-	911,715
3-month bonds issued in September 2018; fixed 2.70%; maturity: December 2018	-	-	1,527,586
3-month bonds issued in September 2018; fixed 2.70%; maturity: December 2018	-	-	1,527,586
3-month bonds issued in October 2018; zero interest rate; maturity: January 2019	-	615,101	611,148
3-year bonds issued in October 2018; floating; maturity: October 2021	1,029,519	1,021,111	-
3-month bonds issued in October 2018; fixed 2.7%; maturity: January 2019	-	615,207	-

(Continued)

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

	<b>September 30, 2019</b>	<b>December 31, 2018</b>	<b>September 30, 2018</b>
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	598,086	593,331	-
3-year bonds issued in December 2018, fixed 3.25%; maturity: December 2021	281,171	276,394	-
6-month bonds issued in December 2018; zero interest rate; maturity: June 2019	-	605,183	-
2-year bonds issued in March 2019; fixed 2.63%; maturity: March 2021	1,188,089	-	-
6-month bonds issued in April 2019, zero interest rate; maturity: October 2019	929,855	-	-
6-month bonds issued in June 2019, zero interest rate; maturity: December 2019	591,211	-	-
6-month bonds issued in June 2019, fixed 2.20%; maturity: December 2019	1,405,226	-	-
1-year bonds issued in June 2019, floating; maturity: June 2020	395,982	-	-
1-year bonds issued in June 2019, fixed 2.30%; maturity: June 2020	1,345,234	-	-

(Continued)

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

	<b>September 30, 2019</b>	<b>December 31, 2018</b>	<b>September 30, 2018</b>
6-month bonds issued in July 2019, fixed 2.58%; maturity: January 2020	\$ 931,500	-	-
6-month bonds issued in July 2019, fixed 2.53%; maturity: January 2020	1,024,620	-	-
1-year bonds issued in July 2019, fixed 2.48%; maturity: July 2020	620,975	-	-
2-year bonds issued in July 2019, floating; maturity: July 2021	593,801	-	-
6-month bonds issued in August 2019, zero interest rate; maturity: February 2020	615,171	-	-
6-month bonds issued in August 2019, zero interest rate; maturity: February 2020	922,695	-	-
6-month bonds issued in August 2019, zero interest rate; maturity: February 2020	584,202	-	-
6-month bonds issued in August 2019, fixed 2.45%; maturity: February 2020	931,400	-	-
6-month bonds issued in August 2019, fixed 2.42%; maturity: February 2020	621,000	-	-
3-year bonds issued in August 2019, floating; maturity: August 2022	619,757	-	-
6-month bonds issued in September 2019, zero interest rate; maturity: March 2020	921,595	-	-
Subtotal	<u>\$ 28,671,685</u>	<u>25,542,807</u>	<u>26,528,728</u>
Total	<u>\$ 143,167,435</u>	<u>116,089,502</u>	<u>100,307,366</u>

(Continued)

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

## (w) Other Borrowings

	September 30, 2019	December 31, 2018	September 30, 2018
Credit and guarantee loan	<u>\$ 1,512,414</u>	<u>1,482,921</u>	<u>3,266,653</u>
Interest rate range	0.60%~2.53%	1.25%~2.93%	0.60%~2.64%

Other borrowings were pledged as collateral, please refer to note 8 for details.

## (x) Provisions

## (i) Provisions

	September 30, 2019	December 31, 2018	September 30, 2018
Unearned premium reserves (Note)	\$ 34,521,386	32,258,606	32,464,974
Claim reserves (Note)	27,228,642	26,014,338	26,212,520
Liability reserves (Note)	3,791,411,290	3,570,534,145	3,502,128,297
Special reserves (Note)	17,069,650	15,820,199	16,032,963
Premium deficiency reserves (Note)	15,385,269	16,075,356	17,107,885
Reserves for insurance contract with nature of financial instrument (Note)	3,604,665	3,523,635	3,664,881
Foreign exchange valuation reserves(Note)	12,450,633	8,337,666	5,014,833
Provisions for guarantee liabilities	269,407	301,774	253,237
Provisions for financing commitment	120,311	138,127	130,381
Provisions for employment benefits	12,965,756	12,865,827	11,936,964
Others	<u>34,721,474</u>	<u>35,638,983</u>	<u>35,533,309</u>
Total	<u>\$ 3,949,748,483</u>	<u>3,721,508,656</u>	<u>3,650,480,244</u>

Note: For further information of insurance contracts, please refer to note 6 (ag) 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 ended September 30</b>		<b>For the nine months ended September 30</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Pension expense	<u>\$ 177,875</u>	<u>194,555</u>	<u>524,752</u>	<u>570,302</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 ended September 30</b>		<b>For the nine months ended September 30</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Pension expense	<u>\$ 297,245</u>	<u>287,566</u>	<u>887,728</u>	<u>906,747</u>

(y) Other Financial Liabilities

	<b>September 30, 2019</b>	<b>December 31, 2018</b>	<b>September 30, 2018</b>
Principal of structured products	\$ 23,690,461	25,140,505	24,734,153
Liabilities on insurance product— separated account	368,499,235	369,845,687	321,257,892
Future traders' equity	16,642,894	16,250,349	17,100,428
Others	-	281,294	289,153
Total	<u>\$ 408,832,590</u>	<u>411,517,835</u>	<u>363,381,626</u>

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

(Continued)

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

## (z) Other Liabilities

	September 30, 2019	December 31, 2018	September 30, 2018
Advance receipts	\$ 5,299,948	3,465,846	3,193,153
Temporary receipts	7,935,362	4,519,847	3,807,314
Guarantee deposits received	6,873,052	4,852,199	8,833,835
Advance premiums	14,016,696	10,860,718	9,257,518
Deferred revenue	2,296,157	1,820,700	1,866,238
Deposit-in for borrowed securities	15,367,445	13,473,433	12,612,019
Collections for underwriting stock value	-	33,569	-
Others	2,506,247	2,636,192	2,530,527
Total	<u>\$ 54,294,907</u>	<u>41,662,504</u>	<u>42,100,604</u>

## (aa) Income Tax

## (i) Income tax expenses

The components of income tax expense (revenue) for the three months and nine months ended September 30, 2019 and 2018, respectively, were as follows:

	For the three months ended September 30		For the nine months ended September 30	
	2019	2018	2019	2018
Current tax expense (revenue)				
Current period	\$ 3,063,155	(3,312,228)	4,265,550	1,859,979
Adjustment for prior periods	5,036	(20,215)	(77,481)	(922,485)
Surtax on undistributed earnings	-	-	-	4,662,895
Others	213,311	231,079	544,756	511,250
	<u>3,281,502</u>	<u>(3,101,364)</u>	<u>4,732,825</u>	<u>6,111,639</u>
Deferred tax expense (revenue)				
Changes of the corporate income tax rate	1,114,943	7,632,948	4,499,388	4,928,035
Total income tax expenses	<u>\$ 4,396,445</u>	<u>4,531,584</u>	<u>9,232,213</u>	<u>11,039,674</u>

(Continued)



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

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

	<b>For the three months ended September 30</b>		<b>For the nine months ended September 30</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Items not to be reclassified to profit or loss:				
Remeasurements of the defined benefit plans	\$ -	-	-	(123,543)
Revaluation gains on property	2	290	1,754	3,040
Gains/ losses on valuation of equity instruments measured at fair value through other comprehensive income	(487,431)	157,270	(293,042)	(1,295,833)
Share of other comprehensive income of associates and joint ventures accounted for using equity method	-	(5)	-	2,289
Other items not to be reclassified to profit or loss	-	21,356	-	53,390
	<u>\$ (487,429)</u>	<u>178,911</u>	<u>(291,288)</u>	<u>(1,360,657)</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of foreign operations	\$ (421,812)	(33,988)	(267,953)	(221,910)
Gains/ losses on financial instruments for hedging	28,149	(39,671)	176,271	(145,293)
Gains/ losses on debt instruments measured at fair value through other comprehensive income	959,186	(171,273)	4,510,105	(4,067,344)
Share of other comprehensive income of associates and joint ventures accounted for using equity method	(37,532)	220,465	(41,010)	146,915
Other comprehensive income reclassified by applying overlay approach	(45,594)	(534,611)	4,110,349	(1,667,383)
	<u>\$ 482,397</u>	<u>(559,078)</u>	<u>8,487,762</u>	<u>(5,955,015)</u>
	<u>\$ (5,032)</u>	<u>(380,167)</u>	<u>8,196,474</u>	<u>(7,315,672)</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>September 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 were as follows:

	<b>2018</b>	<b>2017</b>
The income tax and 10% surtax on undistributed earnings (actual)	<b>\$ 4,661,873</b>	<b>12,262,682</b>

- 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 2011 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 administrative appeal was filed in 2010, and the application for reassessments for the year 2011 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>September 30, 2019</b>			
	<b>Estimate for the nine months ended September 30, 2019</b>	<b>Filed in previous years</b>	<b>Total</b>
Linked tax receivables from subsidiaries:			
Taipei Fubon Bank	\$ 1,427,970	65,406	1,493,376
Fubon Life Insurance	-	232,325	232,325
Fubon Insurance	415,098	20,010	435,108
Fubon Securities	127,221	65,097	192,318
Fubon AMC	19,914	-	19,914
Total	<b><u>\$ 1,990,203</u></b>	<b><u>382,838</u></b>	<b><u>2,373,041</u></b>
<b>September 30, 2019</b>			
	<b>Estimate for the nine months ended September 30, 2019</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	1,020,056	5,639,776	6,659,832
Fubon Marketing	122	-	122
Total	<b><u>\$ 1,020,178</u></b>	<b><u>5,845,243</u></b>	<b><u>6,865,421</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>September 30, 2018</b>		
	<b>Estimate for the nine months ended September 30, 2018</b>	<b>Filed in previous years</b>	<b>Total</b>
Linked tax receivables from subsidiaries:			
Taipei Fubon Bank	\$ 786,321	65,406	851,727
Fubon Life Insurance	-	294,263	294,263
Fubon Insurance	231,670	22,010	253,680
Fubon Securities	157,305	25,896	183,201
Fubon AMC	12,328	-	12,328
<b>Total</b>	<b>\$ 1,187,624</b>	<b>407,575</b>	<b>1,595,199</b>

(Continued)

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

	<b>September 30, 2018</b>		
	<b>Estimate for the nine months ended September 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	5,069,579	186,338	5,255,917
Fubon Marketing	1,020	-	1,020
Total	<b>\$ 5,070,599</b>	<b>391,805</b>	<b>5,462,404</b>

(ab) Capital and Other Equity

(i) Share capital

- 1) As of September 30, 2019, December 31 and September 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 preferred stock

The shareholders' meeting has approved the amended Articles of Incorporation on rights and obligations of preferred shares on June 12, 2015. The board of directors approved the details of issuing Series A and B Preferred Shares on June 12, 2015, January 28, 2016 and November 28, 2017, respectively. All issued shares were recognized as equity.

Preferred stock types Items	Series A	Series B
Shares of issuance	600,000 thousand	666,660 thousand
Par value per share	TWD\$10	
Issuance price per share	TWD\$60	
Subscription date	2016.04.22	2018.03.16
Due date	Perpetual	

(Continued)

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

<b>Preferred stock types Items</b>	<b>Series A</b>	<b>Series B</b>
Dividend	<p>1.4.10% per annum (7-year IRS 0.885%+3.215%) calculated pursuant to issue price per share.</p> <p>2.7-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.</p>	<p>1.3.60% per annum (7-year IRS 1.17%+2.43%) calculated pursuant to issue price per share.</p> <p>2.7-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.</p>
Dividend issuance	<p>1.Dividends for 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.</p> <p>2.In the year with profit, before Issuer can distribute dividends for 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.</p> <p>3.Issuer has sole discretion on dividend issuance of preferred shares, including 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.</p>	
Excessive dividend distribution	Preferred shares cannot participate in distribution of cash or stock dividends to holders of common shares from profit or additional paid-in capital.	
Redemption of preferred shares	On the day after the 7th anniversary of the Issue Date, Issuer may redeem all or part of outstanding preferred shares at issue price. Rights and obligations of the unredeemed preferred shares shall remain the same as mentioned above.	

(Continued)

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

Preferred stock types Items	Series A	Series B
Priority of claims in liquidation	Holders of preferred shares shall have the same priority as holders of all subsequently issued preferred share in liquidation.	
Voting right and election right	1.Holders of preferred shares have no voting right at the annual shareholders meeting, and cannot elect directors. 2.Holders of preferred shares have voting rights at annual shareholders meeting on items relating to rights of preferred shares holders.	
Conversion right	Preferred shares cannot convert.	
Subscription right	When Issuer conduct rights issue for cash, holders of preferred shares have the same subscription right as holders of common shares.	

(ii) Capital surplus

1) The details of capital surplus were as follows:

	September 30, 2019	December 31, 2018	September 30, 2018
Additional paid-in capital	\$ 134,752,020	134,752,020	134,752,020
Equity-accounted investees	2,075,507	2,036,056	2,034,521
Sale of treasury stock	201,851	201,851	201,851
Other	28,945	28,945	28,945
Total	<u>\$ 137,058,323</u>	<u>137,018,872</u>	<u>137,017,337</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 September 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

	September 30, 2019	December 31, 2018	September 30, 2018
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>\$ 104,825,990</u>	<u>30,008,647</u>	<u>30,008,647</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 common share and preferred share in 2019 and 2018 from 2018 and 2017 retained earnings approved in the shareholders' meeting on June 14, 2019 and June 8, 2018, respectively, as well as in the extraordinary shareholders' meeting on August 6, 2019.

	2018	2017
Cash dividends of common shares	\$ <u>2.0</u>	<u>2.3</u>
Cash dividends of preferred shares		
Series A preferred shares	\$ <u>2.46</u>	<u>2.46</u>
Series B preferred shares	\$ <u>1.72208219</u>	<u>-</u>

(Continued)



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

The relevant information could be accessed from the website of the Market Observation Post System.

(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 gains	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	(2,963,518)	-	-	-	-	(2,963,518)
Share of exchange differences on translation of the associates accounted for using equity method	(164,041)	-	-	-	-	(164,041)
Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	-	32,499,042	-	-	-	32,499,042
Accumulated gains (losses) reclassified to profit or loss on disposal of debt investments measured at fair value through other comprehensive income	-	(10,316,202)	-	-	-	(10,316,202)
Disposal of equity instruments measured at fair value through other comprehensive income	-	3,833,876	-	-	-	3,833,876
Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income of the associates accounted for using equity method	-	54,922	-	-	-	54,922
Fair value changes of financial instruments for hedging	-	-	705,083	-	-	705,083
Revaluation gains	-	-	-	26,202	-	26,202
Other comprehensive income reclassified by applying overlay approach	-	-	-	-	70,129,233	70,129,233
Other comprehensive income reclassified by applying overlay approach of the associates accounted for using equity method	-	-	-	-	44,468	44,468
Balance as of September 30, 2019	<u>\$ (15,036,482)</u>	<u>9,992,052</u>	<u>487,702</u>	<u>2,264,873</u>	<u>23,685,465</u>	<u>21,393,610</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 gains	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	(221,716)	-	-	-	-	-	-	(221,716)
Share of exchange differences on translation of the associates accounted for using equity method	(246,998)	-	-	-	-	-	-	(246,998)
Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	-	(18,214,952)	-	-	-	-	-	(18,214,952)
Accumulated gains (losses) reclassified to profit or loss on disposal of debt investments measured at fair value through other comprehensive income	-	(6,641,416)	-	-	-	-	-	(6,641,416)
Disposal of equity instruments measured at fair value through other comprehensive income	-	12,016,326	-	-	-	-	-	12,016,326
Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income of the associates accounted for using equity method	-	990,043	-	-	-	-	-	990,043
Fair value changes of financial instruments for hedging	-	-	-	-	(527,190)	-	-	(527,190)
Fair value changes of financial instruments for hedging of the associates accounted for using equity method	-	-	-	-	961	-	-	961
Revaluation gains	-	-	-	-	-	218,189	-	218,189
Revaluation surplus from disposal of investment properties	-	-	-	-	-	(536,439)	-	(536,439)
Other comprehensive income reclassified by applying overlay approach	-	-	-	-	-	-	(23,218,948)	(23,218,948)
Other comprehensive income reclassified by applying overlay approach of the associates accounted for using equity method	-	-	-	-	-	-	3,576	3,576
Balance as of September 30, 2018	<u>\$ (11,754,792)</u>	<u>(13,993,825)</u>	<u>-</u>	<u>-</u>	<u>(825,878)</u>	<u>1,984,704</u>	<u>3,510,249</u>	<u>(21,079,542)</u>

## (viii) Non-controlling interests

	For the nine months ended September 30	
	2019	2018
Beginning balance	\$ 9,582,626	339,740
Non-controlling interests along with the acquisition of subsidiaries	-	8,656,823
Attributable to non-controlling interests		
Net income (loss)	325,962	(36,935)
Exchange differences on translation of foreign operations	(634,895)	37,802
Gains (losses) on financial assets measured at fair value through other comprehensive income	2,456,999	(9,580)
Remeasurements of the defined benefit plans	(13,578)	(9,580)
Others	107,329	(1,297)
Ending balance	<u>\$ 11,824,443</u>	<u>8,976,973</u>

(Continued)

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

(ac) Earnings Per Share

The details of earnings per share were as follows:

	<b>For the three months ended September 30</b>		<b>For the nine months ended September 30</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Net income of ordinary equity holders (Note)	<u>\$ 23,411,697</u>	<u>19,026,185</u>	<u>51,080,929</u>	<u>48,722,911</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>\$ 2.29</u>	<u>1.86</u>	<u>4.99</u>	<u>4.76</u>

Note: Declared dividends of preferred stock are deducted.

(ad) 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 amounts of the recognized employees' compensation and the directors' remuneration were as follows:

	<b>For the three months ended September 30</b>		<b>For the nine months ended September 30</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Employees' compensation	<u>\$ 2,500</u>	<u>2,500</u>	<u>7,500</u>	<u>7,500</u>
Directors' remuneration	<u>\$ 16,250</u>	<u>16,250</u>	<u>48,750</u>	<u>48,750</u>

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**

## (ae) Income and Expenses

## (i) Net interest revenue

	<b>For the three months ended</b>		<b>For the nine months ended</b>	
	<b>September 30</b>		<b>September 30</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Interest revenue:				
Discounts and loans	\$ 13,669,999	11,721,737	39,837,637	33,648,053
Investment in securities	27,825,301	27,599,792	85,130,495	79,236,695
Others	<u>3,617,957</u>	<u>3,199,047</u>	<u>10,489,740</u>	<u>9,604,535</u>
Subtotal	<u>45,113,257</u>	<u>42,520,576</u>	<u>135,457,872</u>	<u>122,489,283</u>
Interest expense:				
Deposits	7,332,951	6,444,089	21,572,297	18,373,821
Debt securities issued	1,367,610	1,088,980	4,043,829	3,094,410
Call loans from the central Bank and banks	1,070,786	856,323	2,928,807	2,278,830
Securities sold under repurchase agreements	641,759	861,194	2,292,811	2,448,767
Others	<u>548,464</u>	<u>320,494</u>	<u>1,597,797</u>	<u>758,248</u>
Subtotal	<u>10,961,570</u>	<u>9,571,080</u>	<u>32,435,541</u>	<u>26,954,076</u>
Net interest revenue	<u>\$ 34,151,687</u>	<u>32,949,496</u>	<u>103,022,331</u>	<u>95,535,207</u>

## (ii) Net service charge and commissions loss

	<b>For the three months ended</b>		<b>For the nine months ended</b>	
	<b>September 30</b>		<b>September 30</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Service fee and commission income:				
Brokerage service fees	\$ 1,038,749	1,095,468	2,838,361	3,478,912
Trust and custody services	1,674,065	762,960	4,053,472	2,758,242
Credit card and cash card related fees	124,523	431,360	825,920	1,152,383
Commission income	572,715	365,474	1,660,263	1,245,384
Loan service fees	344,643	277,375	1,198,984	995,733
Others	<u>1,616,387</u>	<u>1,362,484</u>	<u>4,743,449</u>	<u>4,078,178</u>
Subtotal	<u>5,371,082</u>	<u>4,295,121</u>	<u>15,320,449</u>	<u>13,708,832</u>
Service charge and commission expense:				
Insurance commission expense	7,287,903	5,591,022	22,432,529	17,186,030
Interbank service charge	99,552	85,254	293,258	246,896
Brokerage service charge	80,496	92,558	226,449	286,514
Credit card service charge	-	211,880	-	657,460
Others	<u>501,598</u>	<u>328,035</u>	<u>1,807,548</u>	<u>1,045,839</u>
Subtotal	<u>7,969,549</u>	<u>6,308,749</u>	<u>24,759,784</u>	<u>19,422,739</u>
Net service charge and commission loss	<u>\$ (2,598,467)</u>	<u>(2,013,628)</u>	<u>(9,439,335)</u>	<u>(5,713,907)</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 September 30</b>		<b>For the nine months ended September 30</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Premiums income	\$ 157,712,234	127,237,749	490,569,004	395,085,282
Separate account products revenues	6,460,077	5,731,701	32,653,835	16,238,354
Income from insurance business	<u>164,172,311</u>	<u>132,969,450</u>	<u>523,222,839</u>	<u>411,323,636</u>
Direct business expenses	9,374	12,125	30,393	34,339
Insurance claims payment	73,342,664	57,763,675	306,902,347	209,157,561
Separate account products expenses	6,460,077	5,731,701	32,653,835	16,238,354
Disbursement toward industry stability	356,478	202,601	985,782	630,872
Insurance business expenses	<u>80,168,593</u>	<u>63,710,102</u>	<u>340,572,357</u>	<u>226,061,126</u>
Net income of insurance operations	<u>\$ 84,003,718</u>	<u>69,259,348</u>	<u>182,650,482</u>	<u>185,262,510</u>

(iv) Net change in provisions for insurance liabilities

	<b>For the three months ended September 30</b>		<b>For the nine months ended September 30</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Net change of claim reserves	\$ (15,001)	285,991	1,029,536	(54,406)
Net change of liability reserves	99,103,368	83,152,429	226,162,544	225,434,511
Net change of special reserves	1,434,304	789,412	1,222,181	772,454
Net change of reserves for premium deficiency	426,201	(1,300,398)	(635,704)	(3,595,940)
Net change of reserves for insurance contract with nature of financial instrument	39,098	33,303	110,408	100,367
Net change of other reserves	413,278	393,966	3,541,849	2,397,857
	<u>\$ 101,401,248</u>	<u>83,354,703</u>	<u>231,430,814</u>	<u>225,054,843</u>

(v) Employee benefits expenses

	<b>For the three months ended September 30</b>		<b>For the nine months ended September 30</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Salaries and wages	\$ 6,632,945	6,074,124	19,540,599	17,812,407
Labor insurance, national health insurance, and group insurance for life	783,198	735,866	2,470,102	2,352,889
Director's remuneration	55,952	56,940	162,802	171,575
Pension	476,268	457,435	1,409,098	1,409,230
Other employee benefit expenses	427,863	409,543	1,263,358	1,165,302
	<u>\$ 8,376,226</u>	<u>7,733,908</u>	<u>24,845,959</u>	<u>22,911,403</u>

(Continued)

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

(vi) Depreciation and amortization expenses

	For the three months ended September 30		For the nine months ended September 30	
	2019	2018	2019	2018
Depreciation expenses	\$ 1,265,906	586,148	3,815,598	1,714,740
Amortization expenses	351,153	327,305	1,063,097	946,912
	<u>\$ 1,617,059</u>	<u>913,453</u>	<u>4,878,695</u>	<u>2,661,652</u>

(vii) Other general and administrative expenses

	For the three months ended September 30		For the nine months ended September 30	
	2019	2018	2019	2018
Taxation and government fee	\$ 888,533	850,377	2,689,722	2,623,538
Rental	200,395	934,504	640,333	2,758,393
Professional services	995,712	751,320	2,629,651	2,156,484
Business activities	603,039	443,047	1,990,211	1,256,565
Selling expense	134,831	243,113	436,664	661,320
Postage	327,470	309,310	912,064	895,725
Others	2,492,692	2,034,431	7,020,362	5,979,490
	<u>\$ 5,642,672</u>	<u>5,566,102</u>	<u>16,319,007</u>	<u>16,331,515</u>

(af) 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.

(Continued)

**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	September 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>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	\$ 433,619,852	428,034,811	177,415	5,407,626
Bond investment	208,399,919	47,322,042	61,742,096	99,335,781
Others	671,131,783	522,642,046	45,134,820	103,354,917
Financial assets measured at fair value through other comprehensive income				
Stock investment	100,867,423	70,180,797	-	30,686,626
Bond investment (Note)	631,267,143	383,855,737	215,244,437	32,166,969
Others	32,837,676	3,325,174	23,938,120	5,574,382
Investment property	246,036,639	-	-	246,036,639
Liabilities:				
Financial liabilities measured at fair value through profit or loss				
Held-for-trading financial liabilities	9,228,233	9,228,233	-	-
<u>Derivative financial instruments</u>				
Assets:				
Financial assets measured at fair value through profit or loss	35,746,634	682,585	32,645,108	2,418,941
Financial assets for hedging	2,742,443	-	2,742,443	-
Liabilities:				
Financial liabilities measured at fair value through profit or loss				
Financial liabilities designated as at fair value through profit or loss	3,550,096	283,163	-	3,266,933
Held-for-trading financial liabilities	28,308,461	144,109	25,748,873	2,415,479
Financial liabilities for hedging	6,337,974	-	6,337,974	-
<b>Non-recurring fair value measurement</b>				
Asset classified as held for sale	47,189	-	-	47,189

(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**

Financial instruments - instruments measured at fair value	September 30, 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	\$ 419,167,965	414,111,779	-	5,056,186
Bond investment	129,950,100	63,035,416	62,608,875	4,305,809
Others	341,511,619	234,290,027	36,933,745	70,287,847
Financial assets measured at fair value through other comprehensive income				
Stock investment	99,087,825	72,438,443	53,397	26,595,985
Bond investment (Note)	694,227,615	474,876,477	188,195,935	31,155,203
Others	62,423,964	1,140,477	49,493,770	11,789,717
Investment property	180,390,982	-	-	180,390,982
Liabilities:				
Financial liabilities measured at fair value through profit or loss				
Held-for-trading financial liabilities	5,569,123	4,728,905	840,218	-
<u>Derivative financial instruments</u>				
Assets:				
Financial assets measured at fair value through profit or loss	45,221,166	405,210	41,152,599	3,663,357
Financial assets for hedging	5,599,868	-	5,599,868	-
Liabilities:				
Financial liabilities measured at fair value through profit or loss				
Financial liabilities designated as at fair value through profit or loss	2,638,178	-	-	2,638,178
Held-for-trading financial liabilities	47,610,174	159,211	43,811,082	3,639,881
Financial liabilities for hedging	4,587,599	-	4,587,599	-
<b><u>Non-recurring fair value measurement</u></b>				
Asset classified as held for sale	47,994	-	-	47,994

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 (n) 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 nine months ended September 30, 2019 and 2018.

**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 nine months ended September 30, 2019								Ending balance
	Beginning balance	Retrospective application	Gains (Losses) on Valuation		Increase		Decrease		
			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	-	(19,632)	560,822	132,714,790	1,797,168	12,944,608	3,907,710	210,517,265
Financial assets measured at fair value through other comprehensive income	68,704,863	-	468,335	2,689,045	3,427,685	4,409,272	7,666,163	3,605,060	68,427,977
Investment property	179,436,352	48,540,915	(1,884,178)	(886,363)	20,697,949	253,460	29,933	91,563	246,036,639
Total	<u>\$ 340,457,650</u>	<u>48,540,915</u>	<u>(1,435,475)</u>	<u>2,363,504</u>	<u>156,840,424</u>	<u>6,459,900</u>	<u>20,640,704</u>	<u>7,604,333</u>	<u>524,981,881</u>

(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 nine months ended September 30, 2018								Ending balance
	Beginning balance	Acquisition through business combinations	Gains (Losses) on Valuation		Increase		Decrease		
			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	934,093	2,909,370	3,925,332	21,316,323	592,843	20,013,975	1,191,580	83,313,199
Financial assets measured at fair value through other comprehensive income	44,158,344	10,850,313	983,450	424,070	1,490,039	20,856,322	4,676,318	4,545,315	69,540,905
Investment property	173,442,136	2,188,722	869,442	(314,335)	1,086,226	2,926,388	94,068	(286,471)	180,390,982
Total	<u>\$ 292,441,273</u>	<u>13,973,128</u>	<u>4,762,262</u>	<u>4,035,067</u>	<u>23,892,588</u>	<u>24,375,553</u>	<u>24,784,361</u>	<u>5,450,424</u>	<u>333,245,086</u>

(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.

(Continued)

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

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

Name	For the nine months ended September 30, 2019						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							
Financial liabilities designated as at fair value through profit or loss	\$ 2,455,857	2,368	21,252,292	-	20,443,584	-	3,266,933
Held-for-trading financial liabilities	2,902,821	(274,639)	3,111	-	215,814	-	2,415,479
Total	<u>\$ 5,358,678</u>	<u>(272,271)</u>	<u>21,255,403</u>	<u>-</u>	<u>20,659,398</u>	<u>-</u>	<u>5,682,412</u>

  

Name	For the nine months ended September 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							
Financial liabilities designated as at fair value through profit or loss	\$ 2,073,271	12,890	24,364,294	-	23,812,277	-	2,638,178
Held-for-trading financial liabilities	2,423,559	1,508,968	2,879	-	295,525	-	3,639,881
Total	<u>\$ 4,496,830</u>	<u>1,521,858</u>	<u>24,367,173</u>	<u>-</u>	<u>24,107,802</u>	<u>-</u>	<u>6,278,059</u>

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

The aforementioned gains and losses on the valuation are included in current profit or loss and other comprehensive income, and changes in unrealized gains or losses related to assets and liabilities held on the account are as follows:

	For the nine months ended	
	September 30	
	2019	2018
Changes in unrealized gains or losses		
Recognized as profit or loss	<u>\$ (1,314,686)</u>	<u>3,293,850</u>
Recognized as other comprehensive income	<u>\$ 3,130,422</u>	<u>4,382,537</u>

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 (n) for details.

(Continued)

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

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 is as follows:

	September 30, 2019	December 31, 2018	September 30, 2018
Valuation techniques and inputs for level 3 fair value measurements			
Total assets	\$ 480,069,883	293,189,086	291,499,783

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

a) Taipei Fubon Bank

Name	September 30, 2019				Relationship between inputs and fair value
	Fair value	Valuation techniques	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)	\$ 2,703,183	Exotic option model	Recovery rate of transaction object	30%~50%	Recovery rate and fair value are not in a linear relationship. The change of recovery rate will cause the change of recovery probability at first, and both of them then indirectly influence fair value simultaneously.
<b><u>Derivative financial instruments</u></b>					
<b>Assets:</b>					
Financial assets measured at fair value through profit or loss					
Exotic FX option	\$ 2,934	Exotic FX option model	Scaling parameter	50%~80%	Scaling parameter and fair value are not in a linear relationship. The higher the scaling parameter, the closer it is to stochastic volatility model. On the contrary, the lower the scaling parameter, the closer it is to regional volatility model.
<b>Liabilities:</b>					
Financial liabilities measured at fair value through profit or loss					
Exotic FX option		390 Exotic FX option model	Scaling parameter	50%~80%	Scaling parameter and fair value are not in a linear relationship. The higher the scaling parameter, the closer it is to stochastic volatility model. On the contrary, the lower the scaling parameter, the closer it is to regional volatility model.

(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	30%~50%	Recovery rate and fair value are not in a linear relationship. The change of recovery rate will cause the change of recovery probability at first, and both of them then indirectly influence fair value simultaneously.
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	50%~80%	Scaling parameter and fair value are not in a linear relationship. The higher the scaling parameter, the closer it is to stochastic volatility model. On the contrary, the lower the scaling parameter, the closer it is to regional volatility model.
<b>Liabilities:</b>					
Financial liabilities measured at fair value through profit or loss					
Exotic FX option	1,740	Exotic FX option model	Scaling parameter	50%~80%	Scaling parameter and fair value are not in a linear relationship. The higher the scaling parameter, the closer it is to stochastic volatility model. On the contrary, the lower the scaling parameter, the closer it is to regional volatility model.

(Continued)



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

Name	September 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)	\$ 1,416,869	Exotic option model	Recovery rate of transaction object	30%~50%	Recovery rate and fair value are not in a linear relationship. The change of recovery rate will cause the change of recovery probability at first, and both of them then indirectly influence fair value simultaneously.
Financial assets measured at fair value through other comprehensive income					
Trust plans	133,248	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	\$ 24,411	Exotic FX option model	Scaling parameter	50%~80%	Scaling parameter and fair value are not in a linear relationship. The higher the scaling parameter, the closer it is to stochastic volatility model. On the contrary, the lower the scaling parameter, the closer it is to regional volatility model.
<b>Liabilities:</b>					
Financial liabilities measured at fair value through profit or loss					
Exotic FX option	1,954	Exotic FX option model	Scaling parameter	50%~80%	Scaling parameter and fair value are not in a linear relationship. The higher the scaling parameter, the closer it is to stochastic volatility model. On the contrary, the lower the scaling parameter, the closer it is to regional volatility model.

(Continued)

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

b) Fubon Life Insurance

September 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	\$ 7,388,738	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	15.6~17.3 (16.45)	The higher the P/E ratio, the higher the fair value.	
			P/B ratio	2~2.4 (2.2)	The higher the P/B ratio, the higher the fair value.	
Financial assets measured at fair value through other comprehensive income	25,250,477	Black Derman Toy Model/Net asset value method Asset-based Approach	Discount rate	9.33%~9.91% 10.81%~11.05%	The higher the discount rate, the lower the fair value.	
			Discount for lack of marketability	5%~70% (12.86%)	The higher the discount for lack of marketability, the lower the fair value.	
			Non-controlling interest discount	5%~29.7% (20.19%)	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	1.6~2.9 (2.25)	The higher the P/B ratio, the higher the fair value.	
			Discounted cash flow	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**

Name	December 31, 2018				
	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.
		Black Derman Toy Model/Net asset value method	Discount rate	9.38%~16.51%	The higher the discount rate, the lower the fair value.
Financial assets measured at fair value through other comprehensive income	28,089,189	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**

September 30, 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	\$ 1,720,028	Asset-based Approach	Discount for lack of marketability	0%-5%(2.5%)	The higher the discount for lack of marketability, the lower the fair value.	
			Non-controlling interest discount	0%-5%(2.5%)	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	1.1	The higher the income multiplier, the higher the fair value.	
			P/E ratio	12.4~21.4 (16.9)	The higher the P/E ratio, the higher the fair value.	
			P/B ratio	1.8~3.5 (2.65)	The higher the P/B ratio, the higher the fair value.	
			Black Derman Toy Model/Net asset value method	Discount rate	9.09%-9.42% 15.33%-15.73%	The higher the discount rate, the lower the fair value.
Financial assets measured at fair value through other comprehensive income	30,135,530	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. The higher the non-controlling interest discount, the lower the fair value.	
			Non-controlling interest discount	5%~29.7% (21.35%)		
			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	2.2~2.6 (2.4)	The higher the P/B ratio, the higher the fair value.	
			Discounted cash flow	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**

c) Fubon Securities

		September 30, 2019				
		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	\$ 202,154	Bloomberg BVAL valuation method	BVAL valuation score	Not applicable	The higher the BVAL score, the higher the fair value.
	Securities invested by brokers	410,441	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	2,494,339	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	155,835	Bloomberg BVAL valuation method	BVAL valuation score	Not applicable	The higher the BVAL score, the higher the fair value.
<b>Liabilities:</b>						
Financial liabilities measured at fair value through profit or loss						
	Financial liabilities designated as at fair value through profit or loss	3,266,933	Option pricing model	Volatility	1%~80%	The higher the volatility, the higher the fair value.
		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.

(Continued)

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

		September 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						
	Stock investment	\$ 10,000	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	203,521	Bloomberg BVAL valuation method	BVAL valuation score	Not applicable	The higher the BVAL score, the higher the fair value.
	Securities invested by brokers	299,796	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	2,129,222	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	2,638,178	Option pricing model	Volatility	1%~80%	The higher the volatility, the higher the fair value.

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.

(Continued)

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

- 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

September 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
<b>Assets</b>				
Financial assets measured at fair value through profit or loss				
Financial assets mandatorily \$ measured at fair value through profit or loss	25	(26)	-	-
<b>Liabilities</b>				
Financial liabilities measured at fair value through profit or loss				
December 31, 2018	Fair value fluctuation reflected on net income		Fair value fluctuation reflected on other comprehensive income	
Items	Positive change	Negative change	Positive change	Negative change
<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)	-	-

(Continued)

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

September 30, 2018	Fair value fluctuation reflected on net income		Fair value fluctuation reflected on other comprehensive income	
	Positive change	Negative change	Positive change	Negative change
<b>Assets</b>				
Financial assets measured at fair value through profit or loss				
Financial assets mandatorily measured at fair value through profit or loss	\$ 214	(173)	-	-
Financial assets measured at fair value through other comprehensive income	-	-	623	(623)
<b>Liabilities</b>				
Financial liabilities measured at fair value through profit or loss				
Held-for-trading financial liabilities	55	(52)	-	-

b) Fubon Life Insurance

September 30, 2019	Fair value fluctuation reflected on other comprehensive income (Note)	
	Positive change	Negative change
<b>Assets</b>		
Financial assets measured at fair value through profit or loss	15,092	(15,296)
Financial assets measured at fair value through other comprehensive income	89,352	(89,336)
Total	<u>\$ 104,444</u>	<u>(104,632)</u>
<b>December 31, 2018</b>		
Items	Positive change	Negative change
<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>
<b>September 30, 2018</b>		
Items	Positive change	Negative change
<b>Assets</b>		
Financial assets measured at fair value through other comprehensive income	<u>\$ 88,427</u>	<u>(88,427)</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>September 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>
<b>Assets</b>				
Financial assets mandatorily measured at fair value through profit or loss	\$ 61,260	(61,260)	-	-
Financial assets measured at fair value through other comprehensive income	-	-	265,017	(265,017)
<b>Liabilities</b>				
Financial liabilities designated as at fair value through profit or loss	326,693	(326,693)	-	-

<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>
<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>September 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>
<b>Assets</b>				
Financial assets mandatorily measured at fair value through profit or loss	\$ 51,332	(51,332)	-	-
Financial assets measured at fair value through other comprehensive income	-	-	212,922	(212,922)
<b>Liabilities</b>				
Financial liabilities designated as at fair value through profit or loss	263,818	(263,818)	-	-

(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 resale 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>September 30, 2019</b>		
Financial assets		
Debt investments measured at amortized cost	\$ 2,556,821,592	2,674,746,466
Financial liabilities		
Bonds payable	238,529,010	241,247,244
<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>September 30, 2018</b>		
Financial assets		
Debt investments measured at amortized cost	2,542,654,872	2,485,689,614
Financial liabilities		
Bonds payable	199,934,821	202,006,972

2) Fair value hierarchy

Financial instruments measured at fair value	Total	September 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	\$ 2,674,746,466	1,096,344,027	1,152,810,823	425,591,616
Financial liabilities:				
Bonds payable	241,247,244	68,534,023	165,792,329	6,920,892

(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>September 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	\$ 2,485,689,614	1,001,843,520	1,123,754,357	360,091,737
Financial liabilities:				
Bonds payable	202,006,972	44,533,954	149,295,563	8,177,455

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.

(Continued)

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

- 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.

(ag) 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	September 30, 2019			
	Unearned premium reserves		Ceded unearned premium reserves	Retained business
	Direct business	Reinsurance-assumed business	Reinsurance-ceded business	
Fire insurance	\$ 1,320,646	7,605	470,986	857,265
Marine cargo insurance	351,132	521	138,670	212,983
Marine hull fishing vessel	266,447	2,079	212,122	56,404
Voluntary motor insurance	7,799,883	231,882	417,159	7,614,606
Compulsory motor TPL insurance	2,171,928	717,500	1,301,678	1,587,750
Liability insurance	1,717,089	792	496,749	1,221,132
Engineering and nuclear insurance	1,825,589	23,182	1,281,853	566,918
Surety and credit insurance	123,452	567	93,131	30,888
Other property insurance	204,403	9	89,617	114,795
Accident insurance	2,982,822	11,708	33,858	2,960,672
Typhoon, flood and earthquake insurance	1,822,648	35,187	1,135,190	722,645
Personal and commercial multiple peril insurance	514,198	8	16,719	497,487
Health insurance	436,987	-	4,717	432,270
Overseas reinsurance assumed	-	186,723	(40,868)	227,591
Overseas subsidiaries	1,870,761	1,009,459	811,460	2,068,760
Less: accumulated impairment	-	-	(6,065)	6,065
<b>Total</b>	<b>\$ 23,407,985</b>	<b>2,227,222</b>	<b>6,456,976</b>	<b>19,178,231</b>

(Continued)

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

Particular	December 31, 2018			
	Reserve for unearned premiums		Ceded unearned premium reserves	Retained business
	Direct business	Reinsurance-assumed business	Reinsurance-ceded business	
	\$	\$	\$	\$
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
Surety 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>
Particular	September 30, 2018			
	Unearned premium reserves		Ceded unearned premium reserves	Retained business
	Direct business	Reinsurance-assumed business	Reinsurance-ceded business	
	\$	\$	\$	\$
Fire insurance	1,396,332	2,215	418,822	979,725
Marine cargo insurance	340,345	590	127,449	213,486
Marine hull fishing vessel	237,505	1,818	193,143	46,180
Voluntary motor insurance	7,334,458	212,184	389,607	7,157,035
Compulsory motor TPL insurance	2,053,423	669,998	1,224,635	1,498,786
Liability insurance	1,669,884	520	529,027	1,141,377
Engineering and nuclear insurance	1,046,803	13,147	474,104	585,846
Surety and credit insurance	118,340	579	87,198	31,721
Other property insurance	87,128	19	59,158	27,989
Accident insurance	2,674,168	11,886	30,001	2,656,053
Typhoon, flood and earthquake insurance	1,940,453	32,590	1,348,323	624,720
Personal and commercial multiple peril insurance	453,598	-	20,305	433,293
Health insurance	358,023	-	4,121	353,902
Overseas reinsurance assumed	-	299,484	54,855	244,629
Overseas subsidiaries	2,326,325	644,179	487,014	2,483,490
<b>Total</b>	<b>\$ 22,036,785</b>	<b>1,889,209</b>	<b>5,447,762</b>	<b>18,478,232</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 nine months ended September 30, 2019</b>	
	<b>Unearned premium reserves</b>	<b>Ceded unearned premium reserves</b>
Beginning balance	\$ 23,489,084	5,057,488
Provision	25,730,259	6,521,030
Recovered	(23,489,084)	(5,057,488)
Recognized impairment loss	-	(6,065)
Other — effect of change in exchange rates	(95,052)	(57,989)
Ending balance	<u><u>\$ 25,635,207</u></u>	<u><u>6,456,976</u></u>

  

<b>Particular</b>	<b>For the nine months ended September 30, 2018</b>	
	<b>Unearned premium reserves</b>	<b>Ceded unearned premium reserves</b>
Beginning balance	\$ 22,455,345	5,059,529
Provision	24,010,641	5,460,921
Recovered	(22,455,345)	(5,059,529)
Other — effect of change in exchange rates	(84,647)	(13,159)
Ending balance	<u><u>\$ 23,925,994</u></u>	<u><u>5,447,762</u></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 according 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 nine months ended September 30	
	2019	2018
Beginning balance	\$ 1,143,370	1,295,097
Provision	-	63,599
Recovered	(237,111)	(136,337)
Ending balance	\$ <b>906,259</b>	<b>1,222,359</b>

- v) Movements in special reserve – Non-compulsory automobile liability insurance

Particular	For the nine months ended September 30, 2019					
	Liability			Special Reserve		
	Catastrophe	Dangerous Change	Total	Catastrophe	Dangerous 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 nine months ended September 30, 2018					
	Liability			Special Reserve		
	Catastrophe	Dangerous Change	Total	Catastrophe	Dangerous 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:

September 30, 2019					
Particular	Notes payable	Indemnity payments payable	Claim reserves		
	Reported and paid	Reported but unpaid	Unreported	Total	
	Fire insurance	\$ -	372	2,647,300	40,031
Marine cargo insurance	-	7,845	813,445	173,962	987,407
Marine hull fishing vessel	-	537	529,306	184,813	714,119
Voluntary motor insurance	-	150,092	3,559,484	891,499	4,450,983
Compulsory motor TPL insurance	-	51,873	745,569	2,964,664	3,710,233
Liability insurance	-	8,811	1,465,160	734,132	2,199,292
Engineering and Nuclear insurance	-	852	1,485,782	114,139	1,599,921
Surety and credit insurance	-	520	135,371	54,831	190,202
Other property insurance	-	3,188	109,011	72,114	181,125
Accident insurance	-	20,216	404,784	1,052,400	1,457,184
Typhoon, flood and earthquake insurance	-	317	201,646	221,097	422,743
Personal and commercial multiple peril insurance	-	6,275	38,737	116,547	155,284
Health insurance	-	7,702	29,101	128,364	157,465
Overseas reinsurance assumed	-	-	322,925	40,919	363,844
Overseas subsidiaries	-	1,796	1,001,541	723,976	1,725,517
<b>Total</b>	<b>\$ -</b>	<b>260,396</b>	<b>13,489,162</b>	<b>7,513,488</b>	<b>21,002,650</b>

  

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
<b>Total</b>	<b>\$ -</b>	<b>56,891</b>	<b>13,207,820</b>	<b>7,234,128</b>	<b>20,441,948</b>

(Continued)

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

September 30, 2018					
Particular	Notes payable	Indemnity payments payable	Claim reserves		
	Reported and paid	Reported but unpaid	Unreported	Total	
	\$	\$	\$	\$	\$
Fire insurance	-	419	2,196,141	67,144	2,263,285
Marine cargo insurance	-	6,554	1,211,880	201,257	1,413,137
Marine hull fishing vessel	-	36	366,782	215,656	582,438
Voluntary motor insurance	-	84,375	3,404,966	864,101	4,269,067
Compulsory motor TPL insurance	-	28,282	738,303	2,631,729	3,370,032
Liability insurance	-	5,930	1,615,858	751,010	2,366,868
Engineering and Nuclear insurance	-	2,955	2,086,210	77,532	2,163,742
Surety and credit insurance	-	135	170,324	62,002	232,326
Other property insurance	-	44	54,119	24,580	78,699
Accident insurance	-	14,986	192,519	950,444	1,142,963
Typhoon, flood and earthquake insurance	-	38	594,414	236,494	830,908
Personal and commercial multiple peril insurance	-	3,577	24,557	107,448	132,005
Health insurance	-	7,085	14,010	83,458	97,468
Overseas reinsurance assumed	-	-	365,144	47,683	412,827
Overseas subsidiaries	-	3,449	1,008,420	623,562	1,631,982
<b>Total</b>	<b>\$ -</b>	<b>157,865</b>	<b>14,043,647</b>	<b>6,944,100</b>	<b>20,987,747</b>

- ii) Reinsurance assets – the ceded insurance business for the policy holders with reported but unpaid and unreported ceded claim reserves:

September 30, 2019			
Particular	Reported but unpaid	Unreported	Total
\$	\$	\$	\$
Fire insurance	1,469,056	16,288	1,485,344
Marine cargo insurance	461,918	76,255	538,173
Marine hull fishing vessel	434,325	162,557	596,882
Voluntary motor insurance	145,168	27,780	172,948
Compulsory motor TPL insurance	251,788	1,406,023	1,657,811
Liability insurance	580,442	226,688	807,130
Engineering and Nuclear insurance	874,287	68,005	942,292
Surety and credit insurance	89,014	44,600	133,614
Other property insurance	60,900	49,475	110,375
Accident insurance	230	3,890	4,120
Typhoon, flood and earthquake insurance	102,287	164,579	266,866
Personal and commercial multiple peril insurance	911	8,489	9,400
Health insurance	1	1,243	1,244
Overseas reinsurance assumed	19,190	2,361	21,551
Overseas subsidiaries	184,575	200,617	385,192
Less: Accumulated impairment	(13,383)	(3,568)	(16,951)
<b>Total</b>	<b>\$ 4,660,709</b>	<b>2,455,282</b>	<b>7,115,991</b>

(Continued)

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

<b>Particular</b>	<b>December 31, 2018</b>		
	<b>Reported but unpaid</b>	<b>Unreported</b>	<b>Total</b>
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>\$ 4,360,156</b>	<b>2,425,737</b>	<b>6,785,893</b>

(Continued)

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

<b>Particular</b>	<b>September 30, 2018</b>		
	<b>Reported but unpaid</b>	<b>Unreported</b>	<b>Total</b>
Fire insurance	\$ 1,098,596	15,291	1,113,887
Marine cargo insurance	860,484	80,408	940,892
Marine hull fishing vessel	308,355	188,852	497,207
Voluntary motor insurance	159,251	27,554	186,805
Compulsory motor TPL insurance	257,797	1,227,691	1,485,488
Liability insurance	634,158	284,689	918,847
Engineering and Nuclear insurance	1,323,720	36,032	1,359,752
Surety and credit insurance	101,856	49,600	151,456
Other property insurance	6,470	15,833	22,303
Accident insurance	9	4,164	4,173
Typhoon, flood and earthquake insurance	425,586	174,153	599,739
Personal and commercial multiple peril insurance	1,279	7,446	8,725
Health insurance	1	941	942
Overseas reinsurance assumed	31,679	4,818	36,497
Overseas subsidiaries	263,041	152,641	415,682
Less: Accumulated impairment	(107)	(28)	(135)
Total	<b>\$ 5,472,175</b>	<b>2,270,085</b>	<b>7,742,260</b>

Reserves above were expressed in net amount and the estimated accumulated impairment losses amounted to \$16,951, \$99 and \$135 as of September 30, 2019, December 31 and September 30, 2018, respectively.

(Continued)

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

iii) Movements in claim reserves and ceded claim reserves

<b>Particular</b>	<b>For the nine months ended September 30, 2019</b>	
	<b>Claim reserves</b>	<b>Ceded claim reserves</b>
Beginning balance	\$ 20,441,948	6,785,893
Provision	21,057,639	7,159,168
Recovered	(20,441,948)	(6,785,992)
Recognized impairment loss	-	(16,852)
Other — effect of change in exchange rates	(54,989)	(26,226)
Ending Balance	<u>\$ 21,002,650</u>	<u>7,115,991</u>

  

<b>Particular</b>	<b>For the nine months ended September 30, 2018</b>	
	<b>Claim reserves</b>	<b>Ceded claim reserves</b>
Beginning balance	\$ 20,743,674	7,473,181
Provision	21,027,905	7,750,315
Recovered	(20,743,674)	(7,473,296)
Recognized impairment loss	-	(20)
Other — effect of change in exchange rates	(40,158)	(7,920)
Ending balance	<u>\$ 20,987,747</u>	<u>7,742,260</u>

(Continued)

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

- iv) Non-insurance assets acquired from exercising the rights of retrieve salvage and subrogation

<b>Particular</b>	<b>For the three months ended September 30</b>		<b>For the nine months ended September 30</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Fire insurance	\$ 303	7	17,171	1,483
Marine cargo insurance	11,000	15,002	50,793	43,726
Marine hull fishing vessel	622	1,811	622	1,811
Voluntary motor insurance	147,540	115,925	384,304	333,044
Compulsory motor TPL insurance	37,656	50,871	125,241	147,551
Liability insurance	4,708	5,060	16,906	23,455
Engineering and Nuclear insurance	600	6	682	270
Surety and credit insurance	18,876	5,403	23,802	15,772
Other property insurance	77	30	252	70
Accident insurance	138	273	560	481
Personal and commercial multiple peril insurance	153	26	278	472
Typhoon, flood and earthquake insurance	-	18	34	654
Health insurance	34	-	124	-
Overseas reinsurance assumed	-	-	-	-
Overseas subsidiaries	2,241	1,808	7,077	8,380
<b>Total</b>	<b>\$ 223,948</b>	<b>196,240</b>	<b>627,846</b>	<b>577,169</b>

(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 nine months ended September 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	358	-	363	-
Maturity refund	(38,372)	-	(53,987)	-
Ending balance	<u>\$ 39,035</u>	<u>-</u>	<u>90,140</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

<b>Particular</b>	<b>September 30, 2019</b>			
	<b>Premium deficiency reserve</b>		<b>Ceded premium deficiency reserve</b>	
	<b>Reinsurance-assumed business</b>		<b>Reinsurance-ceded business</b>	
	<b>Direct business</b>	<b>Retained business</b>	<b>Direct business</b>	<b>Retained business</b>
Fire insurance	\$ 55,420	-	-	55,420
Marine cargo insurance	4,368	-	-	4,368
Marine hull fishing vessel	11,021	42	-	11,063
Voluntary motor insurance	-	-	-	-
Compulsory motor TPL insurance	-	-	-	-
Liability insurance	-	-	-	-
Engineering and Nuclear insurance	25,875	-	-	25,875
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	107,423	536,337	581,803	61,957
<b>Total</b>	<b>\$ 204,107</b>	<b>536,379</b>	<b>581,803</b>	<b>158,683</b>

(Continued)

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

<u>Particular</u>	December 31, 2018			
	<u>Premium deficiency reserve</u>		<u>Ceded premium deficiency reserve</u>	
	<u>Direct business</u>	<u>Reinsurance-assumed business</u>	<u>Reinsurance-ceded business</u>	<u>Retained business</u>
	Direct business	Reinsurance-assumed business	Reinsurance-ceded business	Retained business
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>
	September 30, 2018			
	<u>Premium deficiency reserve</u>		<u>Ceded premium deficiency reserve</u>	
	<u>Direct business</u>	<u>Reinsurance-assumed business</u>	<u>Reinsurance-ceded business</u>	<u>Retained business</u>
	Direct business	Reinsurance-assumed business	Reinsurance-ceded business	Retained business
Fire insurance	\$ 54,773	-	-	54,773
Marine cargo insurance	4,316	-	-	4,316
Marine hull fishing vessel	14,831	126	2,857	12,100
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	2,301	-	-	2,301
Personal and commercial multiple peril insurance	-	-	-	-
Health insurance	-	-	-	-
Overseas reinsurance assumed	-	-	-	-
Overseas subsidiaries	148,913	526,507	602,060	73,360
<b>Total</b>	<b>\$ 225,134</b>	<b>526,633</b>	<b>604,917</b>	<b>146,850</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 nine months ended September 30, 2019									
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	\$ 55,420	54,961	-	-	459	-	-	-	459
Marine cargo insurance	4,368	4,142	-	-	226	-	-	-	226
Marine hull fishing vessel	11,021	7,809	42	32	3,222	-	-	-	3,222
Voluntary motor insurance	-	-	-	-	-	-	-	-	-
Compulsory motor TPL insurance	-	-	-	-	-	-	-	-	-
Liability insurance	-	-	-	-	-	-	-	-	-
Engineering and Nuclear insurance	25,875	24,418	-	-	1,457	-	-	-	1,457
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	110,642	138,162	556,137	597,478	(68,861)	603,281	664,134	(60,853)	(8,008)
Other – effect of change in exchange rates	(3,219)	(1,865)	(19,800)	(11,467)	(9,687)	(22,811)	(13,539)	(9,272)	(415)
<b>Total</b>	<b>\$ 204,107</b>	<b>227,627</b>	<b>536,379</b>	<b>586,043</b>	<b>(73,184)</b>	<b>580,470</b>	<b>650,595</b>	<b>(70,125)</b>	<b>(3,059)</b>

  

For the nine months ended September 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	\$ 54,773	50,620	-	-	4,153	-	-	-	4,153
Marine cargo insurance	4,316	4,066	-	-	250	-	-	-	250
Marine hull fishing vessel	14,831	11,524	126	65	3,368	2,857	1,938	919	2,449
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	2,301	1,816	-	-	485	-	-	-	485
Health insurance	-	-	-	-	-	-	-	-	-
Overseas reinsurance assumed	-	-	-	53	(53)	-	-	-	(53)
Overseas subsidiaries	152,626	134,438	543,850	402,331	159,707	621,892	483,723	138,169	21,538
Other – effect of change in exchange rates	(3,713)	1,467	(17,343)	6,354	(28,877)	(21,117)	7,640	(28,757)	(120)
<b>Total</b>	<b>\$ 225,134</b>	<b>203,931</b>	<b>526,633</b>	<b>408,803</b>	<b>139,033</b>	<b>603,632</b>	<b>493,301</b>	<b>110,331</b>	<b>28,702</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 nine months ended September 30, 2019</b>	
	<b>Premium deficiency reserve</b>	<b>Ceded premium deficiency reserve</b>
Beginning balance	\$ 813,670	651,387
Provision	763,505	604,281
Recovered	(813,670)	(651,387)
Other — effect of change in exchange rates	(23,019)	(22,478)
Ending balance	<u><u>\$ 740,486</u></u>	<u><u>581,803</u></u>

  

<b>Particular</b>	<b>For the nine months ended September 30, 2018</b>	
	<b>Premium deficiency reserve</b>	<b>Ceded premium deficiency reserve</b>
Beginning balance	\$ 612,734	493,301
Provision	772,824	624,689
Recovered	(612,734)	(493,301)
Other — effect of change in exchange rates	(21,057)	(19,772)
Ending balance	<u><u>\$ 751,767</u></u>	<u><u>604,917</u></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

For the three months ended September 30, 2019							
Particular	Insurance revenue	Expected rate of loss	Change of 1% expected rate of loss				
			Effect on profit or loss		Effect on Equity		
			Before reinsurance	After reinsurance	Before reinsurance	After reinsurance	
Fire insurance	\$ 406,616	62.6%	6,587	2,859	5,270	2,287	
Marine cargo insurance	284,818	61.5%	2,794	1,368	2,235	1,095	
Marine hull fishing vessel	160,010	71.7%	1,672	219	1,338	175	
Voluntary motor insurance	3,731,028	66.5%	36,952	35,845	29,562	28,676	
Compulsory motor TPL insurance	1,564,535	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	
Liability insurance	732,392	68.2%	7,364	5,304	5,891	4,243	
Engineering and Nuclear insurance	537,303	60.7%	3,750	1,058	3,000	847	
Surety and credit insurance	54,884	67.5%	642	144	514	115	
Other property insurance	231,729	66.3%	1,959	658	1,567	526	
Accident insurance	1,619,348	70.6%	14,612	14,441	11,689	11,553	
Typhoon, flood and earthquake insurance	469,925	76.0%	8,898	2,120	7,118	1,696	
Personal and commercial multiple peril insurance	285,756	68.2%	2,882	2,680	2,305	2,144	
Health insurance	290,272	63.8%	2,633	2,602	2,106	2,081	
Overseas reinsurance assumed	72,859	59.8%	1,222	1,206	978	964	
Overseas subsidiaries	1,362,970	65.5%	12,660	9,332	10,128	7,466	

(Continued)

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

For the three months ended September 30, 2018							
Particular	Insurance revenue	Expected rate of loss	Change of 1% expected rate of loss				
			Effect on profit or loss		Effect on Equity		
			Before reinsurance	After reinsurance	Before reinsurance	After reinsurance	
Fire insurance	\$ 437,088	62.4%	6,557	3,039	5,246	2,431	
Marine cargo insurance	275,886	61.6%	2,999	1,436	2,399	1,149	
Marine hull fishing vessel	119,345	71.1%	1,819	280	1,455	224	
Voluntary motor insurance	3,484,765	66.3%	34,596	33,419	27,677	26,735	
Compulsory motor TPL insurance	1,482,730	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	
Liability insurance	848,227	68.2%	8,013	5,291	6,410	4,233	
Engineering and Nuclear insurance	216,982	60.5%	2,857	912	2,286	730	
Surety and credit insurance	39,912	67.9%	630	154	504	123	
Other property insurance	93,603	66.7%	890	316	712	253	
Accident insurance	1,372,616	71.0%	13,389	13,239	10,711	10,591	
Typhoon, flood and earthquake insurance	741,493	73.7%	8,619	2,028	6,895	1,622	
Personal and commercial multiple peril insurance	242,679	68.2%	2,508	2,331	2,006	1,865	
Health insurance	229,776	63.5%	2,096	2,071	1,677	1,657	
Overseas reinsurance assumed	140,341	65.4%	1,283	1,110	1,026	888	
Overseas subsidiaries	1,385,954	65.6%	11,985	10,036	9,588	8,029	

For the nine months ended September 30, 2019							
Particular	Insurance revenue	Expected rate of loss	Change of 1% expected rate of loss				
			Effect on profit or loss		Effect on Equity		
			Before reinsurance	After reinsurance	Before reinsurance	After reinsurance	
Fire insurance	\$ 1,703,052	62.9%	19,672	8,724	15,738	6,979	
Marine cargo insurance	933,313	61.6%	8,678	4,322	6,942	3,458	
Marine hull fishing vessel	517,658	71.9%	5,051	581	4,041	465	
Voluntary motor insurance	11,573,419	66.6%	109,330	106,156	87,464	84,925	
Compulsory motor TPL insurance	4,552,378	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	
Liability insurance	2,312,798	68.2%	22,630	15,758	18,104	12,606	
Engineering and Nuclear insurance	1,887,062	60.7%	9,859	3,375	7,887	2,700	
Surety and credit insurance	201,897	67.9%	1,875	439	1,500	351	
Other property insurance	653,781	66.3%	5,426	1,663	4,341	1,330	
Accident insurance	4,495,542	70.6%	42,248	41,781	33,798	33,425	
Typhoon, flood and earthquake insurance	2,845,071	74.2%	26,325	6,360	21,060	5,088	
Personal and commercial multiple peril insurance	841,489	68.2%	8,143	7,540	6,514	6,032	
Health insurance	836,857	63.8%	7,415	7,329	5,932	5,863	
Overseas reinsurance assumed	307,591	63.0%	3,590	3,219	2,872	2,575	
Overseas subsidiaries	3,588,602	65.6%	37,114	29,467	29,691	23,574	

(Continued)

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

For the nine months ended September 30, 2018							
Particular	Insurance revenue	Expected rate of loss	Change of 1% expected rate of loss				
			Effect on profit or loss		Effect on Equity		
			Before reinsurance	After reinsurance	Before reinsurance	After reinsurance	
Fire insurance	\$ 1,719,410	62.7%	20,057	9,330	16,046	7,464	
Marine cargo insurance	922,603	61.5%	8,546	4,470	6,837	3,576	
Marine hull fishing vessel	469,151	71.6%	5,119	685	4,095	548	
Voluntary motor insurance	10,856,446	66.3%	102,202	98,393	81,762	78,714	
Compulsory motor TPL insurance	4,359,681	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	
Liability insurance	2,677,415	68.2%	25,145	15,514	20,116	12,411	
Engineering and Nuclear insurance	860,954	60.6%	8,373	3,535	6,698	2,828	
Surety and credit insurance	195,734	68.3%	1,935	475	1,548	380	
Other property insurance	210,712	66.7%	1,765	593	1,412	474	
Accident insurance	4,025,624	71.0%	38,533	38,108	30,826	30,486	
Typhoon, flood and earthquake insurance	3,027,888	73.1%	27,041	5,685	21,633	4,548	
Personal and commercial multiple peril insurance	759,623	68.2%	7,154	6,669	5,723	5,335	
Health insurance	667,087	63.5%	5,819	5,755	4,655	4,604	
Overseas reinsurance assumed	401,511	65.1%	4,455	4,032	3,564	3,226	
Overseas subsidiaries	3,826,440	65.5%	37,035	30,069	29,628	24,055	

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 highest type of the three months ended September 30, 2019, is engineering and nuclear insurance) The proportion of voluntary motor insurance represents 31.6%, 31.3%, 31.1% and 31.0% of all insurances for the three months and nine months ended September 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 September 30</b>			
	<b>2019</b>		<b>2018</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Fire insurance	\$ 406,616	3.4 %	437,088	3.9 %
Marine cargo insurance	284,818	2.4 %	275,886	2.5 %
Marine hull fishing vessel	160,010	1.4 %	119,345	1.1 %
Voluntary motor insurance	3,731,028	31.6 %	3,484,765	31.3 %
Compulsory motor TPL insurance	1,564,535	13.3 %	1,482,730	13.2 %
Liability insurance	732,392	6.2 %	848,227	7.6 %
Engineering and nuclear insurance	537,303	4.5 %	216,982	2.0 %
Surety and credit insurance	54,884	0.5 %	39,912	0.4 %
Other property insurance	231,729	2.0 %	93,603	0.8 %
Accident insurance	1,619,348	13.7 %	1,372,616	12.4 %
Typhoon, flood and earthquake insurance	469,925	4.0 %	741,493	6.7 %
Personal and commercial multiple peril insurance	285,756	2.4 %	242,679	2.2 %
Health insurance	290,272	2.5 %	229,776	2.1 %
Foreign business	72,859	0.6 %	140,341	1.3 %
Overseas subsidiaries	<u>1,362,970</u>	<u>11.5 %</u>	<u>1,385,954</u>	<u>12.5 %</u>
<b>Total</b>	<b><u>\$ 11,804,445</u></b>	<b><u>100.0 %</u></b>	<b><u>11,111,397</u></b>	<b><u>100.0 %</u></b>

(Continued)

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

<b>Insurance type</b>	<b>For the nine months ended September 30</b>			
	<b>2019</b>		<b>2018</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Fire insurance	\$ 1,703,052	4.6 %	1,719,410	4.9 %
Marine cargo insurance	933,313	2.5 %	922,603	2.6 %
Marine hull fishing vessel	517,658	1.4 %	469,151	1.3 %
Voluntary motor insurance	11,573,419	31.1 %	10,856,446	31.0 %
Compulsory motor TPL insurance	4,552,378	12.2 %	4,359,681	12.5 %
Liability insurance	2,312,798	6.2 %	2,677,415	7.7 %
Engineering and nuclear insurance	1,887,062	5.1 %	860,954	2.5 %
Surety and credit insurance	201,897	0.5 %	195,734	0.6 %
Other property insurance	653,781	1.8 %	210,712	0.6 %
Accident insurance	4,495,542	12.1 %	4,025,624	11.5 %
Typhoon, flood and earthquake insurance	2,845,071	7.6 %	3,027,888	8.7 %
Personal and commercial multiple peril insurance	841,489	2.3 %	759,623	2.2 %
Health insurance	836,857	2.2 %	667,087	1.9 %
Foreign business	307,591	0.8 %	401,511	1.1 %
Overseas subsidiaries	<u>3,588,602</u>	<u>9.6 %</u>	<u>3,826,440</u>	<u>10.9 %</u>
<b>Total</b>	<b><u>\$ 37,250,510</u></b>	<b><u>100.0 %</u></b>	<b><u>34,980,279</u></b>	<b><u>100.0 %</u></b>

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 health insurance, which was fire insurance for the three months and nine months ended September 30, 2018. The voluntary insurance which has the highest proportion accounted for 40.7%, 39.2%, 40.1% and 39.0% for the three months and nine month ended September 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:

Insurance type	For the three months ended September 30			
	2019		2018	
	Amount	%	Amount	%
Fire insurance	\$ 160,531	1.8 %	281,505	3.3 %
Marine cargo insurance	147,937	1.7 %	151,517	1.8 %
Marine hull fishing vessel	28,032	0.3 %	25,042	0.3 %
Voluntary motor insurance	3,542,636	40.7 %	3,304,139	39.2 %
Compulsory motor TPL insurance	1,010,037	11.6 %	963,381	11.4 %
Liability insurance	538,399	6.2 %	538,554	6.4 %
Engineering and nuclear insurance	93,866	1.1 %	24,823	0.3 %
Surety and credit insurance	9,249	0.1 %	10,161	0.1 %
Other property insurance	89,999	1.0 %	34,169	0.4 %
Accident insurance	1,602,284	18.4 %	1,356,053	16.1 %
Typhoon, flood and earthquake insurance	92,356	1.1 %	22,996	0.3 %
Personal and commercial multiple peril insurance	275,754	3.2 %	232,049	2.7 %
Health insurance	287,043	3.3 %	226,838	2.7 %
Foreign business	127,491	1.5 %	112,586	1.3 %
Overseas subsidiaries	691,544	8.0 %	1,156,794	13.7 %
Total	\$ <b>8,697,158</b>	<b>100.0 %</b>	<b>8,440,607</b>	<b>100.0 %</b>

(Continued)

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

Insurance type	For the nine months ended September 30			
	2019		2018	
	Amount	%	Amount	%
Fire insurance	\$ 821,300	3.0 %	906,688	3.5 %
Marine cargo insurance	456,692	1.7 %	464,898	1.8 %
Marine hull fishing vessel	69,853	0.3 %	74,366	0.3 %
Voluntary motor insurance	10,961,293	40.1 %	10,273,536	39.0 %
Compulsory motor TPL insurance	2,937,421	10.7 %	2,819,688	10.7 %
Liability insurance	1,666,525	6.1 %	1,712,178	6.5 %
Engineering and nuclear insurance	369,706	1.4 %	310,199	1.2 %
Surety and credit insurance	47,261	0.2 %	48,668	0.2 %
Other property insurance	249,906	0.9 %	69,440	0.3 %
Accident insurance	4,432,145	16.2 %	3,966,375	15.1 %
Typhoon, flood and earthquake insurance	777,425	2.8 %	702,441	2.7 %
Personal and commercial multiple peril insurance	816,014	3.0 %	704,541	2.7 %
Health insurance	827,877	3.0 %	659,501	2.5 %
Foreign business	350,419	1.3 %	322,135	1.2 %
Overseas subsidiaries	2,543,995	9.3 %	3,215,787	12.3 %
<b>Total</b>	<b>\$ 27,327,832</b>	<b>100.0 %</b>	<b>26,250,441</b>	<b>100.0 %</b>

iii) Claim development trend:

1. Sum of accumulated and reported claims

Occurrence year	September 30, 2019					
	≤2014	2015	2016	2017	2018	2019
At the end of occurrence year	-	22,506,252	31,794,848	24,354,755	25,603,739	22,528,664
The first year	-	20,534,407	29,526,738	22,588,782	23,808,400	-
The second year	-	20,567,451	29,082,342	22,107,738	-	-
The third year	-	20,441,212	28,827,525	-	-	-
The fourth year	-	20,278,280	-	-	-	-
Estimation of accumulated claims	-	20,278,280	28,827,525	22,107,738	23,808,399	22,528,663
Accumulated claims paid	-	20,019,378	28,310,749	20,550,356	19,671,109	9,083,047
Subtotal	851,506	258,902	516,776	1,557,382	4,137,290	13,445,616
Reconciliations (Note)						351,845
Consolidated write-offs						(116,667)
Total amount recognized in balance sheet						21,002,650

(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	September 30, 2018					
	≤2013	2014	2015	2016	2017	2018
At the end of occurrence year	-	20,854,686	22,539,205	31,850,148	24,397,161	19,420,969
The first year	-	18,740,220	20,564,052	29,575,224	22,600,815	-
The second year	-	18,546,938	20,597,584	29,277,771	-	-
The third year	-	18,353,846	20,474,567	-	-	-
The fourth year	-	18,220,387	-	-	-	-
Estimation of accumulated claims	-	18,220,387	20,474,567	29,277,771	22,600,815	19,420,969
Accumulated claims paid	-	17,534,488	19,380,978	26,767,875	18,027,412	8,186,940
Subtotal	652,088	685,899	1,093,589	2,509,896	4,573,403	11,234,029
Reconciliations (Note)						343,196
Consolidated write-offs						(104,353)
Total amount recognized in balance sheet						20,987,747

Note: Reconciliations are indistributable paid off claims, and cumulative impairment.

2. Sum of accumulated and reported claims, net

Occurrence year	September 30, 2019					
	≤2014	2015	2016	2017	2018	2019
At the end of occurrence year	-	16,560,835	18,234,559	18,996,334	19,906,003	16,749,451
The first year	-	15,537,118	17,299,943	17,791,604	18,868,549	-
The second year	-	15,498,179	17,252,572	17,669,493	-	-
The third year	-	15,418,528	17,156,480	-	-	-
The fourth year	-	15,360,978	-	-	-	-
Estimation of accumulated claims	-	15,360,978	17,156,480	17,669,493	18,868,548	16,749,451
Accumulated claims paid	-	15,195,219	16,819,126	16,653,179	16,254,942	7,600,712
Subtotal	236,091	165,759	337,354	1,016,314	2,613,606	9,148,739
Reconciliations (Note)						368,796
Total amount recognized in balance sheet						13,886,659

(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	September 30, 2018					
	≤2013	2014	2015	2016	2017	2018
At the end of occurrence year	-	15,484,112	16,592,275	18,273,050	19,038,013	14,797,830
The first year	-	14,051,637	15,563,917	17,333,598	17,828,409	-
The second year	-	14,071,947	15,525,454	17,297,362	-	-
The third year	-	13,952,348	15,454,584	-	-	-
The fourth year	-	13,897,227	-	-	-	-
Estimate of cumulative claims incurred	-	13,897,227	15,454,584	17,297,362	17,828,409	14,797,830
Accumulated claims paid	-	13,681,784	14,922,965	16,310,261	15,008,635	6,949,086
Subtotal	499,476	215,443	531,619	987,101	2,819,774	7,848,744
Reconciliations (Note)						343,331
Total amount recognized in balance sheet						13,245,488

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 September 30, 2019, 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. SPACIOM LIMITED: 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 types of insurance.
  - g. TRUST INTERNATIONAL INSURANCE AND REINSURANCE CO. B.S.C. (C)TRUST RE, LABUAN: The facultative reinsurance of engineering insurance.
  - h. 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.

(Continued)

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

- d. TUGU INSURANCE CO., LTD.: The facultative reinsurance of marine insurance.
  - 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 September 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. 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. 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 September 30, 2019, December 31 and September 30, 2018, the unauthorized reinsurance expenses amounted to \$60,655, \$143,431 and \$96,443, respectively.

(Continued)

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

5. As of September 30, 2019, December 31 and September 30, 2018, the reserve for unauthorized reinsurance amounted to \$130,646, \$301,880 and \$238,624, respectively. The components of this account include: (a) the unearned premium reserve of \$45,750, \$77,262 and \$53,739, respectively. (b) the claims recoverable from reinsurers of paid claims overdue in nine month amounted to \$56,536, \$123,953 and \$56,052, respectively. (c) the claims recoverable from reinsurers which were reported but unpaid amounted to \$28,360, \$100,665 and \$128,833, 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>September 30, 2019</b>		
	<b>Insurance contracts</b>	<b>Financial instruments with discretionary participation</b>	<b>Total</b>
Individual life insurance	\$ 6,873	-	6,873
Individual injury insurance	3,808,687	-	3,808,687
Individual health insurance	3,335,966	-	3,335,966
Group insurance	1,637,187	-	1,637,187
Investment-linked insurance	97,466	-	97,466
Gross reserve	<u>8,886,179</u>	<u>-</u>	<u>8,886,179</u>
Deduction of provision for reinsurance ceded			
Individual life insurance	633,836	-	633,836
Individual injury insurance	20,376	-	20,376
Individual health insurance	20,666	-	20,666
Group insurance	109,638	-	109,638
Investment-linked insurance	10,717	-	10,717
Total ceded reserve	<u>795,233</u>	<u>-</u>	<u>795,233</u>
Net reserve	<u>\$ 8,090,946</u>	<u>-</u>	<u>8,090,946</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>September 30, 2018</b>		
	<b>Insurance contracts</b>	<b>Financial instruments with discretionary participation</b>	<b>Total</b>
Individual life insurance	\$ 4,234	-	4,234
Individual injury insurance	3,370,722	-	3,370,722
Individual health insurance	3,417,963	-	3,417,963
Group insurance	1,663,645	-	1,663,645
Investment-linked insurance	82,416	-	82,416
Gross reserve	8,538,980	-	8,538,980
Deduction of provision for reinsurance ceded			
Individual life insurance	651,724	-	651,724
Individual injury insurance	19,233	-	19,233
Individual health insurance	16,299	-	16,299
Group insurance	88,711	-	88,711
Investment-linked insurance	10,861	-	10,861
Total ceded reserve	786,828	-	786,828
Net reserve	\$ 7,752,152	-	7,752,152

The movements in unearned premium reserves were as follows:

	<b>For the nine months ended September 30, 2019</b>		
	<b>Insurance contracts</b>	<b>Financial instruments with discretionary participation</b>	<b>Total</b>
Beginning balance	\$ 8,769,522	-	8,769,522
Current provisions	8,887,043	-	8,887,043
Current reclaims	(8,769,522)	-	(8,769,522)
Gain and loss on foreign exchange	(864)	-	(864)
Ending balance	8,886,179	-	8,886,179
Deduction of provision for ceded reinsurance			
Beginning balance	827,376	-	827,376
Current provisions	796,171	-	796,171
Current reclaims	(827,376)	-	(827,376)
Gain and loss on foreign exchange	(938)	-	(938)
Ending balance	795,233	-	795,233
Net ending balance	\$ 8,090,946	-	8,090,946

(Continued)

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

	<b>For the nine months ended September 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	8,508,461	-	8,508,461
Current reclaims	(8,290,265)	-	(8,290,265)
Gain and loss on foreign exchange	155	-	155
Acquisition through business combinations	30,364	-	30,364
Ending balance	<u>8,538,980</u>	<u>-</u>	<u>8,538,980</u>
Deduction of provision for ceded reinsurance			
Beginning balance	568,381	-	568,381
Current provisions	751,821	-	751,821
Current reclaims	(568,381)	-	(568,381)
Gain and loss on foreign exchange	170	-	170
Acquisition through business combinations	34,837	-	34,837
Ending balance	<u>786,828</u>	<u>-</u>	<u>786,828</u>
Net ending balance	<u>\$ 7,752,152</u>	<u>-</u>	<u>7,752,152</u>

(Continued)

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

b) Claim reserves

	September 30, 2019		
	Insurance contracts	Financial instruments with discretionary participation	Total
Individual life insurance			
— Reported but not paid	\$ 3,063,660	7,936	3,071,596
— Incurred but not reported	280,101	-	280,101
Individual injury insurance			
— Reported but not paid	145,887	-	145,887
— Incurred but not reported	517,675	-	517,675
Individual health insurance			
— Reported but not paid	522,790	-	522,790
— Incurred but not reported	982,800	-	982,800
Group insurance			
— Reported but not paid	99,378	-	99,378
— Incurred but not reported	418,638	-	418,638
Investment-linked insurance			
— Reported but not paid	134,148	-	134,148
— Incurred but not reported	52,979	-	52,979
Total reserve	6,218,056	7,936	6,225,992
Deduction of provision for reinsurance ceded			
Individual life insurance	159,312	-	159,312
Individual injury insurance	33,544	-	33,544
Individual health insurance	55,795	-	55,795
Group insurance	5,927	-	5,927
Investment-linked insurance	42,488	-	42,488
Total ceded reserve	297,066	-	297,066
Net reserve	\$ 5,920,990	7,936	5,928,926

(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>
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>September 30, 2018</b>		
	<b>Insurance contracts</b>	<b>Financial instruments with discretionary participation</b>	<b>Total</b>
Individual life insurance			
— Reported but not paid	\$ 2,571,005	9,653	2,580,658
— Incurred but not reported	238,449	-	238,449
Individual injury insurance			
— Report but not paid	148,472	-	148,472
— Incurred but not reported	366,876	-	366,876
Individual health insurance			
— Reported but not paid	460,184	-	460,184
— Incurred but not reported	833,268	-	833,268
Group insurance			
— Reported but not paid	61,749	-	61,749
— Incurred but not reported	385,494	-	385,494
Investment-linked insurance			
— Reported but not paid	85,674	-	85,674
— Incurred but not reported	63,949	-	63,949
<b>Total reserve</b>	<b>5,215,120</b>	<b>9,653</b>	<b>5,224,773</b>
Deduction of provision for reinsurance ceded			
Individual life insurance	150,609	-	150,609
Individual injury insurance	33,322	-	33,322
Individual health insurance	54,398	-	54,398
Group insurance	5,215	-	5,215
Investment-linked insurance	12,066	-	12,066
<b>Total ceded reserve</b>	<b>255,610</b>	<b>-</b>	<b>255,610</b>
<b>Net reserve</b>	<b>\$ 4,959,510</b>	<b>9,653</b>	<b>4,969,163</b>

(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 nine months ended September 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	6,324,917	7,936	6,332,853
Current reclaims	(5,480,726)	(1,353)	(5,482,079)
Gain and loss on foreign exchange	(197,172)	-	(197,172)
Ending balance	6,218,056	7,936	6,225,992
Deduction of provision for ceded reinsurance			
Beginning balance	244,532	-	244,532
Current provisions	303,067	-	303,067
Current reclaims	(239,314)	-	(239,314)
Gain and loss on foreign exchange	(11,219)	-	(11,219)
Ending balance	297,066	-	297,066
Net ending balance	\$ <b>5,920,990</b>	<b>7,936</b>	<b>5,928,926</b>

(Continued)

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

	<b>For the nine months ended September 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	2,243,932	9,653	2,253,585
Current reclaims	(2,359,925)	(2,348)	(2,362,273)
Gain and loss on foreign exchange	12,945	-	12,945
Acquisition through business combinations	2,958,243	-	2,958,243
Ending balance	5,215,120	9,653	5,224,773
Deduction of provision for ceded reinsurance			
Beginning balance	122,918	-	122,918
Current provisions	75,849	-	75,849
Current reclaims	(122,918)	-	(122,918)
Gain or loss on foreign exchange	782	-	782
Acquisition through business combinations	178,979	-	178,979
Ending balance	255,610	-	255,610
Net ending balance	\$ 4,959,510	9,653	4,969,163

(Continued)

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

c) Liability reserve:

	<b>September 30, 2019</b>		
	<b>Insurance contracts</b>	<b>Financial instruments with discretionary participation</b>	<b>Total</b>
Life insurance	\$ 3,283,291,493	-	3,283,291,493
Injury insurance	1,405,525	-	1,405,525
Health insurance	301,506,338	-	301,506,338
Annuity insurance	67,308,031	137,531,228	204,839,259
Investment-linked insurance	133,739	-	133,739
Total (Note 1)	<u>3,653,645,126</u>	<u>137,531,228</u>	<u>3,791,176,354</u>
Deduction of liability reserve ceded			
Life insurance	3,631	-	3,631
Net reserve (Note 1)	<u>\$ 3,653,641,495</u>	<u>137,531,228</u>	<u>3,791,172,723</u>

Note 1: As of September 30, 2019, liability reserve amounted to \$3,791,372,255 after adding the “liability reserve – payment for pending policyholders”, amounted to \$3,791,368,624 after subtracting the liability reserve ceded.

	<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”.

(Continued)

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

	<b>September 30, 2018</b>		
	<b>Insurance contracts</b>	<b>Financial instruments with discretionary participation</b>	<b>Total</b>
Life insurance	\$ 3,008,425,340	-	3,008,425,340
Injury insurance	1,583,940	-	1,583,940
Health insurance	279,729,172	-	279,729,172
Annuity insurance	71,221,540	140,874,669	212,096,209
Investment-linked insurance	114,556	-	114,556
Total (Note 3)	<u>3,361,074,548</u>	<u>140,874,669</u>	<u>3,501,949,217</u>
Deduction of liability reserve ceded			
Life insurance	1,142	-	1,142
Net reserve (Note 3)	<u>\$ 3,361,073,406</u>	<u>140,874,669</u>	<u>3,501,948,075</u>

Note 3: As of September 30, 2018, liability reserve amounted to \$3,502,038,157 after adding the “liability reserve – payment for pending policyholders”, amounted to \$3,502,037,015 after subtracting the liability reserve ceded.

The movements in the liability reserve were as follows:

	<b>For the nine months ended September 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	440,752,996	16,296,950	457,049,946
Current reclaims	(213,161,445)	(17,724,491)	(230,885,936)
Gain and loss on foreign exchange	(5,234,358)	-	(5,234,358)
Ending balance	<u>3,653,645,126</u>	<u>137,531,228</u>	<u>3,791,176,354</u>
Deduction of liability reserve ceded			
Beginning balance	1,791	-	1,791
Current provisions	1,824	-	1,824
Gain and loss on foreign exchange	16	-	16
Ending balance	<u>3,631</u>	<u>-</u>	<u>3,631</u>
Net ending balance	<u>\$ 3,653,641,495</u>	<u>137,531,228</u>	<u>3,791,172,723</u>

(Continued)

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

	<b>For the nine months ended September 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	382,574,483	8,602,642	391,177,125
Current reclaims	(151,398,835)	(14,343,820)	(165,742,655)
Gain and loss on foreign exchange	13,286,850	-	13,286,850
Others (Note)	171,248,910	-	171,248,910
Ending balance	3,361,074,548	140,874,669	3,501,949,217
Deduction of liability reserve ceded			
Beginning balance	793	-	793
Current provisions	323	-	323
Gain and loss on foreign exchange	26	-	26
Ending balance	1,142	-	1,142
Net ending balance	<b>\$ 3,361,073,406</b>	<b>140,874,669</b>	<b>3,501,948,075</b>

d) Special reserves

	<b>September 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	\$ 9,707,482	-	-	9,707,482
Valuation surplus gain for investment property	-	-	652,267	652,267
Total	<b>\$ 9,707,482</b>	<b>-</b>	<b>652,267</b>	<b>10,359,749</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
Total	<b>\$ 8,220,920</b>	<b>-</b>	<b>652,267</b>	<b>8,873,187</b>

(Continued)

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

	September 30, 2018			
	Insurance contracts	Financial instruments with discretionary participation	Others	Total
Dividend provision for participation policies	\$ 8,056,389	-	-	8,056,389
Valuation surplus gain for investment property	-	-	652,267	652,267
<b>Total</b>	<b>\$ 8,056,389</b>	<b>-</b>	<b>652,267</b>	<b>8,708,656</b>

The movements in special reserves were as follows:

	For the nine months ended September 30, 2019			
	Insurance contracts	Financial instruments with discretionary participation	Others	Total
Beginning balance	\$ 8,220,920	-	652,267	8,873,187
Provision for dividend provision for participating policies	1,501,556	-	-	1,501,556
Gain and loss on foreign exchange	(14,994)	-	-	(14,994)
<b>Ending balance</b>	<b>\$ 9,707,482</b>	<b>-</b>	<b>652,267</b>	<b>10,359,749</b>

	For the nine months ended September 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	549,194	-	-	549,194
Gain and loss on foreign exchange	2,087	-	-	2,087
Acquisition through business combinations	253,953	-	-	253,953
<b>Ending balance</b>	<b>\$ 8,056,389</b>	<b>-</b>	<b>652,267</b>	<b>8,708,656</b>

(Continued)



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

e) Premium deficiency reserve

<b>September 30, 2019</b>			
	<b>Insurance contracts</b>	<b>Financial instruments with discretionary participation</b>	<b>Total</b>
Individual life insurance	\$ 14,431,924	-	14,431,924
Individual health insurance	212,859	-	212,859
<b>Total</b>	<b>\$ 14,644,783</b>	<b>-</b>	<b>14,644,783</b>
<b>December 31, 2018</b>			
	<b>Insurance contracts</b>	<b>Financial instruments with discretionary participation</b>	<b>Total</b>
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
<b>Total</b>	<b>\$ 15,261,687</b>	<b>-</b>	<b>15,261,687</b>

(Continued)

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

	<b>September 30, 2018</b>		
	<b>Insurance contracts</b>	<b>Financial instruments with discretionary participation</b>	<b>Total</b>
Individual life insurance	\$ 16,063,252	-	16,063,252
Individual injury insurance	688	-	688
Individual health insurance	276,911	-	276,911
Group insurance	14,690	-	14,690
Investment-linked product	577	-	577
<b>Total</b>	<b>\$ 16,356,118</b>	<b>-</b>	<b>16,356,118</b>

The movements in premium deficiency reserve were as follows:

	<b>For the nine months ended September 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	(632,645)	-	(632,645)
Gain and loss on foreign exchange	15,741	-	15,741
<b>Ending balance</b>	<b>\$ 14,644,783</b>	<b>-</b>	<b>14,644,783</b>

	<b>For the nine months ended September 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	(3,624,642)	-	(3,624,642)
Gain and loss on foreign exchange	42,937	-	42,937
<b>Ending balance</b>	<b>\$ 16,356,118</b>	<b>-</b>	<b>16,356,118</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>September 30, 2019</b>	<b>December 31, 2018</b>	<b>September 30, 2018</b>
Liability reserve	\$ 3,759,058,863	3,542,522,896	3,476,006,028
Unearned premium reserves	8,882,712	8,766,935	8,536,806
Premium deficiency reserve	13,824,498	15,048,129	16,235,648
Special reserves	9,946,572	8,546,098	8,405,858
Claim reserves	<u>2,796,211</u>	<u>2,437,711</u>	<u>2,253,375</u>
Carrying amount of insurance liabilities	<u>\$ 3,794,508,856</u>	<u>3,577,321,769</u>	<u>3,511,437,715</u>
Current estimate of future cash flows under its insurance liabilities	<u>\$ 2,870,092,495</u>	<u>2,778,770,182</u>	<u>2,702,239,404</u>
Total liability adequacy reserve	<u>\$ -</u>	<u>-</u>	<u>-</u>

The liability adequacy test method adopted by Fubon Life Insurance as of September 30, 2019, December 31 and September 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>September 30, 2019</b>			
	<b>Financial instruments with</b>			
	<b>Insurance contracts</b>	<b>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>Financial instruments with</b>			
	<b>Insurance contracts</b>	<b>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>September 30, 2018</b>			
	<b>Financial instruments with</b>			
	<b>Insurance contracts</b>	<b>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>September 30, 2019</b>	<b>December 31, 2018</b>	<b>September 30, 2018</b>
Life insurance	\$ 3,600,028	3,523,635	3,664,881
Investment-linked insurance	4,637	-	-
<b>Total</b>	<b>\$ 3,604,665</b>	<b>3,523,635</b>	<b>3,664,881</b>

(Continued)

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

	<b>For the nine months ended September 30</b>	
	<b>2019</b>	<b>2018</b>
Beginning balance	\$ 3,523,635	3,744,674
Current premiums collected	470	381
Current claims payment	(29,848)	(180,541)
Current net provision for legal reserve	110,408	100,367
Ending balance	<b>\$ 3,604,665</b>	<b>3,664,881</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 nine months ended September 30</b>	
	<b>2019</b>	<b>2018</b>
Beginning balance	\$ 8,337,666	2,305,484
Current provision :		
Compulsory provision	3,675,691	1,899,549
Additional provision	6,540,007	2,290,140
Subtotal	10,215,698	4,189,689
Recovered	(6,102,731)	(1,480,340)
Ending balance	<b>\$ 12,450,633</b>	<b>5,014,833</b>

3. Effect of foreign exchange fluctuation reserve

Item	Unapplied amount	Applied amount	Effected amount
<b>September 30, 2019</b>			
Foreign exchange fluctuation reserve	\$ -	12,450,633	(12,450,633)
Owner's equity	324,743,222	316,387,878	8,355,344

(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>September 30, 2018</b>						
Foreign exchange fluctuation reserve	\$ -	5,014,833	(5,014,833)			
Owner's equity	262,031,629	259,624,925	2,406,704			
<b>For the nine months ended September 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	\$ 30,720,586	27,430,212	3,290,374	33,406,465	31,238,986	2,167,479
Earnings per share	2.77	2.47	0.30	3.01	2.82	0.19

- 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 nine months ended September 30</b>	
	<b>2019</b>	<b>2018</b>
Beginning balance	\$ 520,024	421,434
Addition	305,345	89,890
Amortization	(17,277)	(16,436)
Ending balance	<b>\$ 808,092</b>	<b>494,888</b>

(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 nine months ended September 30</b>	
	<b>2019</b>	<b>2018</b>
Beginning balance	\$ 1,423,865	1,160,950
Addition	335,673	236,214
Amortization	(41,389)	(39,300)
Ending balance	<b>\$ 1,718,149</b>	<b>1,357,864</b>

j) Retained earned premiums and retained claims payment.

i) Retained earned premiums

	<b>For the three months ended September 30, 2019</b>		
	<b>Insurance contracts</b>	<b>Financial instruments with discretionary participation</b>	<b>Total</b>
Direct written premiums	\$ 144,783,625	4,539,112	149,322,737
Reinsurance premium	-	-	-
Premium income	144,783,625	4,539,112	149,322,737
Less: Reinsurance premium expenditure	(621,973)	-	(621,973)
Net change in unearned premium reserve	98,793	-	98,793
Subtotal	(523,180)	-	(523,180)
Retained earned premiums	<b>\$ 144,260,445</b>	<b>4,539,112</b>	<b>148,799,557</b>

(Continued)

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

	<u>For the three months ended September 30, 2018</u>		
	<u>Insurance contracts</u>	<u>Financial instruments with discretionary participation</u>	<u>Total</u>
Direct written premium	\$ 116,938,930	2,222,755	119,161,685
Reinsurance premium	-	-	-
Premium income	<u>116,938,930</u>	<u>2,222,755</u>	<u>119,161,685</u>
Less: Reinsurance premium expenditure	(390,270)	-	(390,270)
Net change in unearned premium reserve	3,027	-	3,027
Subtotal	<u>(387,243)</u>	<u>-</u>	<u>(387,243)</u>
Retained earned premiums	<u><b>\$ 116,551,687</b></u>	<u><b>2,222,755</b></u>	<u><b>118,774,442</b></u>
	<u>For the nine months ended September 30, 2019</u>		
	<u>Insurance contracts</u>	<u>Financial instruments with discretionary participation</u>	<u>Total</u>
Direct written premium	\$ 451,524,235	14,677,020	466,201,255
Reinsurance premium	-	-	-
Premium income	<u>451,524,235</u>	<u>14,677,020</u>	<u>466,201,255</u>
Less: Reinsurance premium expenditure	(1,827,436)	-	(1,827,436)
Net change in unearned premium reserve	(151,209)	-	(151,209)
Subtotal	<u>(1,978,645)</u>	<u>-</u>	<u>(1,978,645)</u>
Retained earned premiums	<u><b>\$ 449,545,590</b></u>	<u><b>14,677,020</b></u>	<u><b>464,222,610</b></u>

(Continued)



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

	<u>For the nine months ended September 30, 2018</u>		
	<u>Insurance</u>	<u>Financial</u>	
	<u>contracts</u>	<u>instruments</u>	
		<u>with</u>	
		<u>discretionary</u>	<u>Total</u>
		<u>participation</u>	
Direct written premium	\$ 364,813,396	6,760,100	371,573,496
Reinsurance premium	-	-	-
Premium income	<u>364,813,396</u>	<u>6,760,100</u>	<u>371,573,496</u>
Less: Reinsurance premium expenditure	(1,359,637)	-	(1,359,637)
Net change in unearned premium reserve	(34,756)	-	(34,756)
Subtotal	<u>(1,394,393)</u>	<u>-</u>	<u>(1,394,393)</u>
Retained earned premiums	<u>\$ 363,419,003</u>	<u>6,760,100</u>	<u>370,179,103</u>
ii) Retained claims payment			

	<u>For the three months ended September 30, 2019</u>		
	<u>Insurance</u>	<u>Financial</u>	
	<u>contracts</u>	<u>instruments</u>	
		<u>with</u>	
		<u>discretionary</u>	<u>Total</u>
		<u>participation</u>	
Claims payment incurred	\$ 62,550,285	6,319,135	68,869,420
Reinsurance claims payment incurred	31	-	31
Insurance claims payment	<u>62,550,316</u>	<u>6,319,135</u>	<u>68,869,451</u>
Less: Claims payment recovered from reinsures	(542,534)	-	(542,534)
Retained claims payment	<u>\$ 62,007,782</u>	<u>6,319,135</u>	<u>68,326,917</u>

(Continued)

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

	<b>For the three months ended September 30, 2018</b>		
	<b>Insurance contracts</b>	<b>Financial instruments with discretionary participation</b>	<b>Total</b>
Claims payment incurred	\$ 48,666,864	4,873,332	53,540,196
Reinsurance claims payment incurred	32	-	32
Insurance claims payment	48,666,896	4,873,332	53,540,228
Less: Claims payment recovered from reinsures	(249,533)	-	(249,533)
Retained claims payment	<b>\$ 48,417,363</b>	<b>4,873,332</b>	<b>53,290,695</b>
	<b>For the nine months ended September 30, 2019</b>		
	<b>Insurance contracts</b>	<b>Financial instruments with discretionary participation</b>	<b>Total</b>
Claims payment incurred	\$ 275,045,333	18,240,477	293,285,810
Reinsurance claims payment incurred	63	-	63
Insurance claims payment	275,045,396	18,240,477	293,285,873
Less: Claims payment recovered from reinsures	(1,264,826)	-	(1,264,826)
Retained claims payment	<b>\$ 273,780,570</b>	<b>18,240,477</b>	<b>292,021,047</b>

(Continued)

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

	<u>For the nine months ended September 30, 2018</u>		
	<u>Insurance</u>	<u>Financial</u>	
	<u>contracts</u>	<u>instruments</u>	
		<u>with</u>	
		<u>discretionary</u>	<u>Total</u>
		<u>participation</u>	
Claims payment incurred	\$ 181,691,008	14,496,103	196,187,111
Reinsurance claims payment incurred	58	-	58
Insurance claims payment	181,691,066	14,496,103	196,187,169
Less: Claims payment recovered from reinsures	(761,808)	-	(761,808)
Retained claims payment	<u>\$ 180,929,258</u>	<u>14,496,103</u>	<u>195,425,361</u>

- 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.

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

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.

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.

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

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.

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.

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

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 it 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 nine months ended September 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 %	(2,474,957)	(1,973,610)
Rate of return	Decrease	0.1 %	(2,999,728)	(2,393,485)
Expense (fixed expense)	Increase	5 %	(371,611)	(294,055)
Lapse and surrender rate	Increase	10 %	190,629	152,069

(Continued)

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

<b>For the nine months ended September 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 %	(2,129,245)	(1,703,396)
Rate of return	Decrease	0.1 %	(2,634,275)	(2,107,420)
Expense (fixed expense)	Increase	5 %	(281,100)	(224,880)
Lapse and surrender rate	Increase	10 %	176,868	141,494

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 24.2%, 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:

September 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	4,839,552	-
2014	4,172,446	5,113,019	5,173,291	5,183,758	5,193,828	5,200,107	-	-
2015	4,605,165	5,558,277	5,666,297	5,694,273	5,703,922	-	-	2,507
2016	5,070,166	6,224,855	6,352,169	6,378,439	-	-	-	14,520
2017	5,431,814	6,649,814	6,782,140	-	-	-	-	55,055
2018	5,723,578	6,960,842	-	-	-	-	-	481,145
2019	4,274,626	-	-	-	-	-	-	1,026,729
IBNR Reserve								1,579,956
Plus: RBNA Reserve ( including sub-subsidiaries while excluding Fubon Hyundai Life Insurance )								1,200,745
The balance of claim reserve								2,780,701

September 30, 2019 (Fubon Hyundai Life Insurance)

Occurrence year	Development year					Claim provision
	1	2	3	4	5	
2015	1,465,995	1,766,196	1,808,109	1,821,689	1,827,929	-
2016	1,585,464	1,912,277	1,964,312	1,990,549	-	11,688
2017	1,592,695	1,937,558	1,991,850	-	-	36,755
2018	1,582,540	1,919,221	-	-	-	101,810
2019	1,598,351	-	-	-	-	505,903
IBNR Reserve						656,156
Plus: RBNA Reserve						2,773,054
The balance of claim reserve						3,429,210

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 sub-subsidiaries while excluding Fubon Hyundai Life Insurance )								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

September 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	4,364,051	-
2013	3,970,050	4,725,262	4,813,040	4,826,369	4,833,979	4,836,132	-	-
2014	4,172,446	5,113,019	5,173,291	5,183,758	5,189,774	-	-	262
2015	4,605,165	5,558,277	5,666,297	5,688,549	-	-	-	2,188
2016	5,070,166	6,224,855	6,338,049	-	-	-	-	29,480
2017	5,431,814	6,572,878	-	-	-	-	-	412,284
2018	4,012,821	-	-	-	-	-	-	912,329
IBNR Reserve								1,356,543
Plus: RBNA Reserve ( including sub-sub-subsidiaries while excluding Fubon Hyundai Life Insurance )								881,981
The balance of claim reserve								2,238,524

September 30, 2018 (Fubon Hyundai Life Insurance)

Occurrence year	Development year					Claim provision
	1	2	3	4	5	
2014	1,650,594	1,966,903	2,004,982	2,017,137	2,020,619	-
2015	1,562,417	1,882,362	1,927,026	1,939,687	-	4,983
2016	1,689,576	2,037,845	2,092,132	-	-	17,603
2017	1,697,041	2,060,451	-	-	-	68,505
2018	1,670,631	-	-	-	-	425,314
IBNR Reserve						516,405
Plus: RBNA Reserve						2,454,756
The balance of claim reserve						2,971,161

Note 1: Amount shown above excludes investment contracts.

Note 2: As of September 30, 2019, December 31 and September 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 sub-subsidiaries ( excluding Fubon Hyundai Life Insurance ), the IBNR claim reserves from direct businesses amounted to \$16,081, \$15,333 and \$15,088, respectively.

(Continued)

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

2. Development trend of retained claims payments

Cumulative claims payments from prior years are as follows:

September 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	4,678,281	-
2014	4,166,511	4,992,049	5,052,316	5,062,783	5,072,770	5,079,047	-	-
2015	4,587,144	5,435,512	5,543,341	5,571,173	5,580,817	-	-	2,487
2016	5,068,488	6,111,210	6,238,474	6,263,630	-	-	-	14,370
2017	5,412,545	6,505,146	6,637,279	-	-	-	-	54,177
2018	5,708,571	6,852,208	-	-	-	-	-	473,918
2019	4,266,049	-	-	-	-	-	-	1,023,997
IBNR Reserve								1,568,949
Plus: RBNA Reserve ( including sub-subsidiaries while excluding Fubon Hyundai Life Insurance )								1,108,397
The balance of claim reserve								2,677,346

September 30, 2019 (Fubon Hyundai Life Insurance)

Occurrence year	Development year					Claim provision
	1	2	3	4	5	
2015	1,071,273	1,285,423	1,308,164	1,315,402	1,318,875	-
2016	1,114,632	1,347,057	1,380,334	1,397,087	-	9,365
2017	1,178,259	1,434,497	1,475,381	-	-	29,449
2018	1,140,875	1,438,327	-	-	-	81,571
2019	1,225,435	-	-	-	-	405,338
IBNR Reserve						525,723
Plus: RBNA Reserve						2,711,855
The balance of claim reserve						3,237,578

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 sub-subsidiaries while excluding Fubon Hyundai Life Insurance )								809,525
The balance of claim reserve								2,362,192

(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	1,175,169	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

September 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	4,284,821	-
2013	3,942,698	4,565,096	4,651,774	4,665,103	4,672,708	4,674,861	-	-
2014	4,166,511	4,992,049	5,052,316	5,062,783	5,068,683	-	-	247
2015	4,587,144	5,435,512	5,543,341	5,563,391	-	-	-	2,017
2016	5,068,488	6,111,210	6,224,333	-	-	-	-	28,988
2017	5,412,545	6,462,936	-	-	-	-	-	404,703
2018	4,001,082	-	-	-	-	-	-	907,759
IBNR Reserve								1,343,714
Plus: RBNA Reserve ( including sub-subsidiaries while excluding Fubon Hyundai Life Insurance )								821,021
The balance of claim reserve								2,164,735

September 30, 2018 (Fubon Hyundai Life Insurance)

Occurrence year	Development year					Claim provision
	1	2	3	4	5	
2014	1,191,823	1,428,266	1,449,596	1,454,534	1,454,595	-
2015	1,143,698	1,371,944	1,396,177	1,402,507	-	3,811
2016	1,191,943	1,440,184	1,476,879	-	-	13,461
2017	1,262,819	1,533,948	-	-	-	52,383
2018	1,310,098	-	-	-	-	325,227
IBNR Reserve						394,882
Plus: RBNA Reserve						2,396,518
The balance of claim reserve						2,791,400

Note 1: Amount shown above excludes investment contracts.

Note 2: As of September 30, 2019, December 31 and September 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 sub-subsidiaries ( excluding Fubon Hyundai Life Insurance ), the IBNR reserve from retained business amounted to \$14,002, \$13,260 and \$13,028, respectively.

(Continued)

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

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.

**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

1. Summary of the unauthorized reinsurance contracts and types of reinsurance:

- a. As of September 30, 2019, there is no unauthorized reinsurance contracts. The major unqualified reinsurance counterparties of Fubon Life Insurance and its subsidiaries in 2018 is Trust International Insurance and Reinsurance B.S.C, which mainly undertakes the reinsurance of catastrophe overpayment in 2018. Fubon Life Insurance and its subsidiaries had no unauthorized reinsurance contracts since 2019.
- b. The catastrophe reinsurance period was one year. According to the contract, Fubon Life Insurance was required to pay minimum prepaid reinsurance premium to reinsurers first during the coverage period. If actual payable reinsurance premium was more than minimum prepaid reinsurance premium, that Fubon Life Insurance needed to pay adjusted reinsurance premium to reinsurers additionally after the coverage period. Therefore, Fubon Life Insurance recognized the adjusted catastrophe reinsurance premium of 2018 in July, 2019. Due to out of any credit rating agency, the unqualified reinsurance counterparties of Fubon Life Insurance is Trust International Insurance and Reinsurance B.S.C. .

2. Unqualified reinsurance expenses:

As of September 30, 2019 and December 31, 2018, the unauthorized reinsurance expenses amounted to \$378 and \$1,789, respectively.

3. General description of the unauthorized reinsurance reserve and its components were as follows:

As of September 30, 2019, Fubon Life Insurance and its subsidiaries had no unauthorized reinsurance reserves, as explained below:

Fubon Life Insurance and its subsidiaries signed a contract with the company for the catastrophe reinsurance contract of 2018. The reinsurance period was one year, with the expiration date on September 30, 2019. After calculating using the item-by-item deposit method, there was no unearned premium reserve. Since no catastrophe claims had happened during the reinsurance period, there were no claims recoverable from reinsurers of paid claims overdue in nine month and claims recoverable from reinsurers which were reported but unpaid.

(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:

September 30, 2019

Units: In million

Maturity date	< 1 year	1~3 years	3~5 years	> 5 years	Unable to classify (note)	Total
Provision	117,749	120,775	37,696	3,267,210	291,011	3,834,441
Proportion	3.1 %	3.1 %	1.0 %	85.2 %	7.6 %	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 %

September 30, 2018

Units: In million

Maturity date	< 1 year	1~3 years	3~5 years	> 5 years	Unable to classify (note)	Total
Provision	185,444	210,253	29,286	2,817,289	301,607	3,543,879
Proportion	5.2 %	5.9 %	0.8 %	79.6 %	8.5 %	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 arising from the impact of the market risk on insurance contract.

(ah) 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. Fubon Bank's Risk Department and Credit Approval & Administration 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.

(Continued)

**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 nine months ended September 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	(92,792,646)	-	-	-	-	(92,792,646)
Originated or purchased new financial assets	81,311,963	-	-	-	-	81,311,963
Effects of exchange rate changes and others	(2,416,195)	-	-	-	-	(2,416,195)
Ending balance	<u>\$ 137,776,986</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>137,776,986</u>
	For the nine months ended September 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)	Total
Beginning balance	\$ 154,292,706	-	-	-	-	154,292,706
Changes due to recognition of financial instruments at beginning:						
— Derecognition of financial assets at current period	(107,987,271)	-	-	-	-	(107,987,271)
Originated or purchased new financial assets	98,992,766	-	-	-	-	98,992,766
Effects of exchange rate changes and others	(1,742,531)	-	-	-	-	(1,742,531)
Ending balance	<u>\$ 143,555,670</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>143,555,670</u>

Expected credit losses

	For the nine months ended September 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	(45,317)	-	-	-	-	(45,317)	-	(45,317)
Originated or purchased new financial assets	34,441	-	-	-	-	34,441	-	34,441
Impairment difference recognized in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Nonaccrual Loans"	-	-	-	-	-	-	(71,116)	(71,116)
Effects of exchange rate changes and others	(6,377)	-	-	-	-	(6,377)	(1,438)	(7,815)
Ending balance	<u>\$ 57,013</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>57,013</u>	<u>144,684</u>	<u>201,697</u>

(Continued)

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

For the nine months ended September 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	\$ 69,071	-	-	-	-	69,071	217,635	286,706
Changes due to recognition of financial instruments at beginning:								
— Derecognition of financial assets at current period	(44,825)	-	-	-	-	(44,825)	-	(44,825)
Originated or purchased new financial assets	36,919	-	-	-	-	36,919	-	36,919
Impairment difference recognized in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Nonaccrual Loans"	-	-	-	-	-	-	19,815	19,815
Effects of exchange rate changes and others	(5,420)	-	-	-	-	(5,420)	399	(5,021)
Ending balance	<u>\$ 55,745</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>55,745</u>	<u>237,849</u>	<u>293,594</u>

ii) Debt investments measured at amortized cost

Total carrying value

For the nine months ended September 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	\$ 606,667,975	-	-	661,670	-	-	607,329,645
Changes due to recognition of financial instruments at beginning:							
— Transfer to lifetime ECLs		(2,811,774)	-	2,811,774	-	-	-
— Derecognition of financial assets at current period		(247,216,097)	-	(415,051)	-	-	(247,631,148)
Originated or purchased new financial assets		271,314,043	-	1,883	-	-	271,315,926
Effects of exchange rate changes and others		(151,766)	-	30,816	-	-	(120,950)
Ending balance	<u>\$ 627,802,381</u>	<u>-</u>	<u>-</u>	<u>3,091,092</u>	<u>-</u>	<u>-</u>	<u>630,893,473</u>

For the nine months ended September 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)	Total	
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		(247,149,499)	-	(743,103)	-	-	(247,892,602)
Originated or purchased new financial assets		273,612,852	-	3,550	-	-	273,616,402
Effects of exchange rate changes and others		2,112,151	-	15,018	-	-	2,127,169
Ending balance	<u>\$ 611,344,331</u>	<u>-</u>	<u>-</u>	<u>656,603</u>	<u>-</u>	<u>-</u>	<u>612,000,934</u>

(Continued)

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

Expected credit losses

	For the nine months ended September 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	
Beginning balance	\$ 217,085	-	27,501	-	-	244,586	244,586
Changes due to recognition of financial instruments at beginning:							
– Transfer to lifetime ECLs	(4,359)	-	4,359	-	-	-	-
– Derecognition of financial assets at current period	(23,210)	-	(14,080)	-	-	(37,290)	(37,290)
Originated or purchased new financial assets	40,720	-	100	-	-	40,820	40,820
Effects of exchange rate changes and others	(36,231)	-	101,479	-	-	65,248	65,248
Ending balance	<u>\$ 194,005</u>	<u>-</u>	<u>119,359</u>	<u>-</u>	<u>-</u>	<u>313,364</u>	<u>313,364</u>
	For the nine months ended September 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	(25,149)	-	(3,566)	-	-	(28,715)	(28,715)
Originated or purchased new financial assets	51,734	-	217	-	-	51,951	51,951
Effects of exchange rate changes and others	(21,324)	-	(2,034)	-	-	(23,358)	(23,358)
Ending balance	<u>\$ 245,016</u>	<u>-</u>	<u>28,399</u>	<u>-</u>	<u>-</u>	<u>273,415</u>	<u>273,415</u>

iii) Receivables

Total carrying value

	For the nine months ended September 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	
Beginning balance	\$ 77,692,530	765,095	-	536,346	-	78,993,971	
Changes due to recognition of financial instruments at beginning:							
– Transfer to lifetime ECLs	(355,353)	355,429	-	(76)	-	-	
– Transfer to credit-impaired financial assets	(99,427)	(59,010)	-	158,437	-	-	
– Transfer to 12-month ECLs	319,339	(319,269)	-	(70)	-	-	
– Derecognition of financial assets at current period	(56,524,181)	(435,152)	-	(233,532)	-	(57,192,865)	
Originated or purchased new financial assets	71,113,086	1,698,225	-	46,147	-	72,857,458	
Write-off	-	-	-	(11,741)	-	(11,741)	
Effects of exchange rate changes and others	(983,333)	-	-	4,560	-	(978,773)	
Ending balance	<u>\$ 91,162,661</u>	<u>2,005,318</u>	<u>-</u>	<u>500,071</u>	<u>-</u>	<u>93,668,050</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 nine months ended September 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)	Total
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	(363,895)	364,278	-	(383)	-	-
– Transfer to credit-impaired financial assets	(108,098)	(52,856)	-	160,954	-	-
– Transfer to 12-month ECLs	355,066	(354,868)	-	(198)	-	-
– Derecognition of financial assets at current period	(48,097,976)	(346,920)	-	(298,815)	-	(48,743,711)
Originated or purchased new financial assets	63,502,553	381,192	-	74,486	-	63,958,231
Write-off	-	-	-	(12,924)	-	(12,924)
Effects of exchange rate changes and others	(738,125)	(119,582)	-	(8,774)	-	(866,481)
Ending balance	<u>\$ 80,782,685</u>	<u>752,120</u>	<u>-</u>	<u>572,207</u>	<u>-</u>	<u>82,107,012</u>

Note: Included only acceptances, accounts receivable—factoring and credit card receivables.

Expected credit losses

For the nine months ended September 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	Impairment difference recognized in accordance with the regulations	Total
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	(6,136)	6,154	62	(80)	-	-	-	-
– Transfer to credit-impaired financial assets	(2,200)	(14,817)	-	17,017	-	-	-	-
– Transfer to 12-month ECLs	20,553	(20,488)	-	(65)	-	-	-	-
– Derecognition of financial assets at current period	(389,141)	(17,037)	(112)	(38,972)	-	(445,262)	-	(445,262)
Originated or purchased new financial assets	231,920	48,014	-	97,929	-	377,863	-	377,863
Impairment difference recognized in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Nonaccrual Loans"	-	-	-	-	-	-	156,053	156,053
Write-off	-	-	-	(15,624)	-	(15,624)	-	(15,624)
Effects of exchange rate changes and others	(22,739)	23,343	1,824	(3,258)	-	(830)	-	(830)
Ending balance	<u>\$ 305,645</u>	<u>87,275</u>	<u>1,997</u>	<u>282,565</u>	<u>-</u>	<u>677,482</u>	<u>156,053</u>	<u>833,535</u>

  

For the nine months ended September 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	\$ 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	(4,072)	4,445	2	(375)	-	-	-	-
– Transfer to credit-impaired financial assets	(2,295)	(15,768)	-	18,063	-	-	-	-
– Transfer to 12-month ECLs	32,255	(32,057)	(2)	(196)	-	-	-	-
– Derecognition of financial assets at current period	(124,124)	(14,745)	(46)	(47,707)	-	(186,622)	-	(186,622)
Originated or purchased new financial assets	165,486	17,759	-	37,325	-	220,570	-	220,570
Impairment difference recognized in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Nonaccrual Loans"	-	-	-	-	-	-	156,970	156,970
Write-off	-	-	-	(17,116)	-	(17,116)	-	(17,116)
Effects of exchange rate changes and others	(577)	30,220	217	(6,321)	-	23,539	-	23,539
Ending balance	<u>\$ 322,294</u>	<u>63,844</u>	<u>464</u>	<u>143,901</u>	<u>-</u>	<u>530,503</u>	<u>313,510</u>	<u>844,013</u>

(Continued)

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

iv) Discounts and loans

Total carrying value

	<b>For the nine months ended September 30, 2019</b>					<b>Total</b>
	<b>12-month ECLs</b>	<b>Lifetime ECLs (collective assessment)</b>	<b>Lifetime ECLs (individual assessment)</b>	<b>Lifetime ECLs (neither purchased nor originated credit-impaired financial assets)</b>	<b>Lifetime ECLs (purchased or originated credit-impaired financial assets)</b>	
	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	(6,231,201)	6,242,086	-	(10,885)	-	-
— Transfer to credit-impaired financial assets	(762,415)	(368,029)	-	1,130,444	-	-
— Transfer to 12-month ECLs	16,268,591	(16,258,019)	-	(10,572)	-	-
— Derecognition of financial assets at current period	(565,623,288)	(12,056,961)	-	(1,932,260)	-	(579,612,509)
Originated or purchased new financial assets	668,142,522	5,623,893	-	2,187,347	-	675,953,762
Write-off	-	-	-	(814,913)	-	(814,913)
Effects of exchange rate changes and others	(6,776,223)	(20,509)	-	599,325	-	(6,197,407)
Ending balance	<u>\$ 1,478,921,381</u>	<u>18,025,698</u>	<u>-</u>	<u>9,822,305</u>	<u>-</u>	<u>1,506,769,384</u>
	<b>For the nine months ended September 30, 2018</b>					<b>Total</b>
	<b>12-month ECLs</b>	<b>Lifetime ECLs (collective assessment)</b>	<b>Lifetime ECLs (individual assessment)</b>	<b>Lifetime ECLs (neither purchased nor originated credit-impaired financial assets)</b>	<b>Lifetime ECLs (purchased or originated credit-impaired financial assets)</b>	
	Beginning balance	\$ 1,337,438,503	39,123,598	-	9,883,788	
Changes due to recognition of financial instruments at beginning:						
— Transfer to lifetime ECLs	(9,884,434)	9,915,237	-	(30,803)	-	-
— Transfer to credit-impaired financial assets	(944,685)	(296,667)	-	1,241,352	-	-
— Transfer to 12-month ECLs	11,124,358	(11,112,719)	-	(11,639)	-	-
— Derecognition of financial assets at current period	(706,631,368)	(19,097,131)	-	(2,845,562)	-	(728,574,061)
Originated or purchased new financial assets	730,988,611	15,468,615	-	455,869	-	746,913,095
Write-off	-	-	-	(623,120)	-	(623,120)
Effects of exchange rate changes and others	(7,601,981)	2,517,142	-	144,383	-	(4,940,456)
Ending balance	<u>\$ 1,354,489,004</u>	<u>36,518,075</u>	<u>-</u>	<u>8,214,268</u>	<u>-</u>	<u>1,399,221,347</u>

(Continued)



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

Expected credit losses

	For the nine months ended September 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	Impairment difference recognized in accordance with the regulations	Total
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	(20,575)	21,275	-	(700)	-	-	-	-
– Transfer to credit-impaired financial assets	(49,052)	(36,718)	-	85,770	-	-	-	-
– Transfer to 12-month ECLs	115,672	(113,870)	-	(1,802)	-	-	-	-
– Derecognition of financial assets at current period	(2,064,974)	(124,221)	-	(886,573)	-	(3,075,768)	-	(3,075,768)
Originated or purchased new financial assets	2,463,993	76,626	-	257,261	-	2,797,880	-	2,797,880
Impairment difference recognized in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Nonaccrual Loans"	-	-	-	-	-	-	695,671	695,671
Write-off	-	-	-	(814,913)	-	(814,913)	-	(814,913)
Recovery from write-off	-	-	-	265,713	-	265,713	-	265,713
Effects of exchange rate changes and others	(246,037)	184,290	-	771,183	-	709,436	-	709,436
Ending balance	<u>\$ 3,469,677</u>	<u>405,342</u>	<u>-</u>	<u>2,973,992</u>	<u>-</u>	<u>6,849,011</u>	<u>13,174,598</u>	<u>20,023,609</u>
	For the nine months ended September 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	(20,224)	28,020	-	(7,796)	-	-	-	-
– Transfer to credit-impaired financial assets	(13,424)	(39,034)	-	52,458	-	-	-	-
– Transfer to 12-month ECLs	393,641	(391,398)	-	(2,243)	-	-	-	-
– Derecognition of financial assets at current period	(2,559,489)	(107,358)	-	(960,281)	-	(3,627,128)	-	(3,627,128)
Originated or purchased new financial assets	2,320,630	90,854	-	193,621	-	2,605,105	-	2,605,105
Impairment difference recognized in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Nonaccrual Loans"	-	-	-	-	-	-	901,636	901,636
Write-off	-	-	-	(623,120)	-	(623,120)	-	(623,120)
Recovery from write-off	-	-	-	322,559	-	322,559	-	322,559
Effects of exchange rate changes and others	(582,904)	128,212	-	829,232	-	374,540	-	374,540
Ending balance	<u>\$ 3,391,822</u>	<u>436,231</u>	<u>-</u>	<u>3,066,558</u>	<u>-</u>	<u>6,894,611</u>	<u>12,628,000</u>	<u>19,522,611</u>

(Continued)

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

v) Other financial assets

Total carrying value

	For the nine months ended September 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	-	92,986
Changes due to recognition of financial instruments at beginning:						
— Derecognition of financial assets at current period	-	-	-	(1,164)	-	(1,164)
Originated or purchased new financial assets	331	-	-	168,720	-	169,051
Write-off	-	-	-	(166,362)	-	(166,362)
Effects of exchange rate changes and others	-	-	-	(5)	-	(5)
Ending balance	<u>\$ 562</u>	<u>-</u>	<u>-</u>	<u>93,944</u>	<u>-</u>	<u>94,506</u>

Note: Included only outperforming and bill purchased transferred from other than loans.

	For the nine months ended September 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	-	127,646
Changes due to recognition of financial instruments at beginning:						
— Derecognition of financial assets at current period	(1,085)	-	-	(1,573)	-	(2,658)
Originated or purchased new financial assets	-	-	-	179,842	-	179,842
Write-off	-	-	-	(216,578)	-	(216,578)
Effects of exchange rate changes and others	26	-	-	399	-	425
Ending balance	<u>\$ 174</u>	<u>-</u>	<u>-</u>	<u>88,503</u>	<u>-</u>	<u>88,677</u>

Note: Included only outperforming and bill purchased transferred from other than loans.

Expected credit losses

	For the nine months ended September 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	
Beginning balance	\$ -	-	-	73,841	-	73,841	-
Changes due to recognition of financial instruments at beginning:							
— Derecognition of financial assets at current period	-	-	-	(2,088)	-	(2,088)	-
Originated or purchased new financial assets	-	-	-	38,302	-	38,302	-
Impairment difference recognized in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Nonaccrual Loans"	-	-	-	-	-	-	5
Write-off	-	-	-	(166,362)	-	(166,362)	-
Recovery from write-off	-	-	-	235,869	-	235,869	-
Effects of exchange rate changes and others	-	-	-	(104,607)	-	(104,607)	-
Ending balance	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>74,955</u>	<u>-</u>	<u>74,955</u>	<u>5</u>

(Continued)

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

For the nine months ended September 30, 2018								
	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	Total
Beginning balance	\$ -	-	-	106,581	-	106,581	-	106,581
Changes due to recognition of financial instruments at beginning:								
– Derecognition of financial assets at current period	-	-	-	(267,223)	-	(267,223)	-	(267,223)
Originated or purchased new financial assets	-	-	-	38,755	-	38,755	-	38,755
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	-	-	-	(216,578)	-	(216,578)	-	(216,578)
Recovery from write-off	-	-	-	265,540	-	265,540	-	265,540
Effects of exchange rate changes and others	-	-	-	142,292	-	142,292	-	142,292
Ending balance	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>69,367</u>	<u>-</u>	<u>69,367</u>	<u>18</u>	<u>69,385</u>

vi) Provisions for guarantee liabilities, loan commitments and other— letter of credit

Expected credit losses

For the nine months ended September 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	Impairment difference recognized in accordance with the regulations	Total
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	(2,302)	2,312	-	(10)	-	-	-	-
– Transfer to credit-impaired financial assets	(208)	(898)	-	1,106	-	-	-	-
– Transfer to 12-month ECLs	5,807	(5,778)	-	(29)	-	-	-	-
– Derecognition of financial assets at current period	(76,267)	(12,853)	-	(219)	-	(89,339)	-	(89,339)
Originated or purchased new financial assets	56,523	14,707	-	198	-	71,428	-	71,428
Impairment difference recognized in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Nonaccrual Loans"	-	-	-	-	-	-	(25,285)	(25,285)
Effects of exchange rate changes and others	(24,117)	10,039	-	(868)	-	(14,946)	-	(14,946)
Ending balance	<u>\$ 145,417</u>	<u>33,581</u>	<u>-</u>	<u>983</u>	<u>-</u>	<u>179,981</u>	<u>215,092</u>	<u>395,073</u>

(Continued)

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

For the nine months ended September 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	\$ 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	(1,011)	1,049	-	(38)	-	-	-	-
– Transfer to credit-impaired financial assets	(183)	(988)	-	1,171	-	-	-	-
– Transfer to 12-month ECLs	11,303	(11,248)	-	(55)	-	-	-	-
– Derecognition of financial assets at current period	(43,785)	(6,656)	-	(14,451)	-	(64,892)	-	(64,892)
Originated or purchased new financial assets	62,773	16,515	-	48	-	79,336	-	79,336
Impairment difference recognized in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Nonaccrual Loans"	-	-	-	-	-	-	(61,357)	(61,357)
Effects of exchange rate changes and others	(12,693)	6,905	-	(921)	-	(6,709)	-	(6,709)
Ending balance	<u>\$ 151,715</u>	<u>42,168</u>	<u>-</u>	<u>768</u>	<u>-</u>	<u>194,651</u>	<u>205,088</u>	<u>399,739</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		
	September 30, 2019	December 31, 2018	September 30, 2018
Irrevocable loan commitments	\$ 198,911,545	112,580,654	139,028,545
Standby letters of credit	5,614,309	8,295,749	9,922,536
Financial guarantees	25,267,045	27,845,774	22,657,921
<b>Total</b>	<b><u>\$ 229,792,899</u></b>	<b><u>148,722,177</u></b>	<b><u>171,609,002</u></b>

Fubon Bank (China)

Units: In thousands of CNY

Off-balance sheet items	Maximum exposure amount		
	September 30, 2019	December 31, 2018	September 30, 2018
Standby letters of credit	\$ 203,012	312,512	409,965
Financial guarantees	690,210	965,035	1,092,775
<b>Total</b>	<b><u>\$ 893,222</u></b>	<b><u>1,277,547</u></b>	<b><u>1,502,740</u></b>

(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)

<u>September 30, 2019</u>					
<u>Assets</u>	<u>Financial instruments</u>	<u>Properties</u>	<u>Guarantees</u>	<u>Others</u>	
Loans	3.35 %	58.09 %	5.66 %	2.64 %	
Guarantees receivable	3.09 %	7.68 %	0.67 %	1.33 %	
Acceptances and other credits	0.28 %	0.82 %	-	-	
Financial assets measured at fair value through profit or loss—Debt investments	-	-	5.04 %	-	
Financial assets measured at fair value through other comprehensive income—Debt investments	-	-	9.29 %	-	
Debt investments measured at amortized cost	-	-	9.59 %	-	
<u>December 31, 2018</u>					
<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>September 30, 2018</u>				
<u>Assets</u>	<u>Financial instruments</u>	<u>Properties</u>	<u>Guarantees</u>	<u>Others</u>
Loans	3.40 %	58.38 %	3.74 %	2.12 %
Guarantees receivable	3.78 %	7.16 %	0.54 %	0.64 %
Acceptances and other credits	0.47 %	0.64 %	0.04 %	-
Financial assets measured at fair value through profit or loss—Debt investments	-	-	7.45 %	-
Financial assets measured at fair value through other comprehensive income—Debt investments	-	-	11.24 %	-
Debt investments measured at amortized cost	-	-	8.07 %	-

Fubon Bank (China)

<u>September 30, 2019</u>				
<u>Assets</u>	<u>Financial instruments</u>	<u>Properties</u>	<u>Guarantees</u>	<u>Others</u>
Loans	8.60 %	16.25 %	-	0.81 %
Guarantees receivable	67.10 %	27.10 %	5.27 %	-
Acceptances	49.62 %	0.89 %	25.19 %	-

<u>December 31, 2018</u>				
<u>Assets</u>	<u>Financial instruments</u>	<u>Properties</u>	<u>Guarantees</u>	<u>Others</u>
Loans	7.89 %	15.64 %	-	1.32 %
Guarantees receivable	63.36 %	27.42 %	9.00 %	-
Acceptances	21.81 %	1.24 %	43.58 %	-

<u>September 30, 2018</u>				
<u>Assets</u>	<u>Financial instruments</u>	<u>Properties</u>	<u>Guarantees</u>	<u>Others</u>
Loans	9.15 %	13.91 %	-	1.84 %
Guarantees receivable	65.56 %	26.62 %	7.39 %	-
Acceptances	25.22 %	0.65 %	33.49 %	-

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

	<u>September 30, 2019</u>		<u>December 31, 2018</u>		<u>September 30, 2018</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Private	\$ 713,842,578	52.79	681,387,936	52.43	673,922,369	52.35
Private enterprise	506,740,463	37.48	466,443,553	35.89	478,376,229	37.16
Financial organization	61,457,928	4.54	57,554,699	4.43	53,250,615	4.14
Government institution	44,866,198	3.32	62,059,416	4.78	49,865,934	3.87
Public enterprise	23,812,361	1.76	31,055,954	2.39	31,055,954	2.41
Non-profit organization	1,428,574	0.11	991,959	0.08	904,466	0.07
Total	<u>\$ 1,352,148,102</u>	<u>100.00</u>	<u>1,299,493,517</u>	<u>100.00</u>	<u>1,287,375,567</u>	<u>100.00</u>

ii) By geographical area

	<u>September 30, 2019</u>		<u>December 31, 2018</u>		<u>September 30, 2018</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Domestic	\$ 1,149,234,457	84.99	1,123,966,924	86.49	1,100,638,395	85.50
Asia	112,250,217	8.30	88,622,271	6.82	91,543,048	7.11
America	66,943,530	4.95	68,490,647	5.27	78,323,242	6.08
Others	23,719,898	1.76	18,413,675	1.42	16,870,882	1.31
Total	<u>\$ 1,352,148,102</u>	<u>100.00</u>	<u>1,299,493,517</u>	<u>100.00</u>	<u>1,287,375,567</u>	<u>100.00</u>

iii) By collateral

	<u>September 30, 2019</u>		<u>December 31, 2018</u>		<u>September 30, 2018</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Unsecured	\$ 437,976,454	32.39	416,669,591	32.06	448,189,133	34.81
Secured	914,171,648	67.61	882,823,926	67.94	839,286,434	65.19
Properties	760,606,631	56.25	735,785,045	56.62	723,543,160	56.20
Guarantees	74,080,309	5.48	75,511,380	5.81	46,353,076	3.60
Financial collaterals	44,643,753	3.30	41,550,277	3.20	42,988,678	3.34
Others	34,840,955	2.58	29,977,224	2.31	26,401,520	2.05
Total	<u>\$ 1,352,148,102</u>	<u>100.00</u>	<u>1,299,493,517</u>	<u>100.00</u>	<u>1,287,475,567</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.

September 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	\$ 68,253,507	500,686	-	68,754,193	-	-	-	-	-	-	24,784	68,729,409
Debt investments measured at amortized cost	574,867,507	629,018	-	575,496,525	-	3,091,092	-	3,091,092	-	-	304,450	578,283,167
Receivables												
Credit card receivables	32,585,554	12,053,081	21,170	44,659,805	-	128,706	436,219	564,925	500,071	-	202,396	45,522,405
Accounts receivable -factoring	16,930,272	1,536,898	-	18,467,170	-	1,440,393	-	1,440,393	-	-	233,637	19,673,926
Acceptances	472,237	703,183	-	1,175,420	-	-	-	-	-	-	11,983	1,163,437
Loans												
Personal finance	550,275,941	86,510,208	90,268	636,876,417	-	3,549,708	1,425,772	4,975,480	2,279,752	-	8,541,241	635,590,408
Corporate banking	360,791,052	281,959,075	294,827	643,044,954	148,114	11,749,640	574,850	12,472,604	5,450,019	-	8,332,329	652,635,248
Other financial assets (bill purchased and nonperforming loans transferred from other than loans)	562	-	-	562	-	-	-	-	93,944	-	74,960	19,546
Off-balance sheet assets												
Financing commitments	433,756,855	43,217,378	21,109	476,995,342	-	371,395	501,892	873,287	35,669	-	120,311	477,783,987
Guarantees receivable	16,899,396	7,329,908	-	24,229,304	-	1,023,990	-	1,023,990	13,751	-	256,829	25,010,216
Accounts receivable -forfeiting	2,654,102	2,948,207	-	5,602,309	-	12,000	-	12,000	-	-	2,812	5,611,497

(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	\$ 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**

September 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	\$ 88,405,791	1,270,819	-	89,676,610	-	-	-	-	-	-	24,902	89,651,708
Debt investments measured at amortized cost	569,793,609	1,153,405	-	570,947,014	-	656,603	-	656,603	-	-	238,357	571,365,260
Receivables												
Credit card receivables	26,550,765	9,685,056	109,822	36,345,643	-	215,904	319,937	535,841	549,360	-	210,692	37,220,152
Accounts receivable -factoring	24,784,998	1,833,322	-	26,618,320	29,533	186,428	-	215,961	-	-	290,564	26,543,717
Acceptances	929,069	705,277	-	1,634,346	-	318	-	318	22,847	-	17,460	1,640,051
Loans												
Personal finance	520,346,250	63,473,889	281,411	584,101,550	-	19,218,085	862,899	20,080,984	2,253,290	-	8,122,510	598,313,314
Corporate banking	342,553,345	263,885,668	2,325,855	608,764,868	-	15,757,850	677,129	16,434,979	3,993,590	-	8,315,279	620,878,158
Other financial assets (bill purchased and nonperforming loans transferred from other than loans)	174	-	-	174	-	-	-	-	88,503	-	69,385	19,292
Off-balance sheet assets												
Financing commitments	358,953,155	35,805,917	97,298	394,856,370	-	1,461,083	268,520	1,729,603	40,956	-	130,381	396,496,548
Guarantees receivable	16,980,648	4,682,407	-	21,663,055	-	994,866	-	994,866	-	-	229,326	22,428,595
Accounts receivable -forfeiting	4,929,455	4,086,080	739,039	9,754,574	-	167,962	-	167,962	-	-	10,752	9,911,784

(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	September 30, 2019		December 31, 2018		September 30, 2018	
	Amount	%	Amount	%	Amount	%
Finance and insurance	\$ 16,344,606	35.35	14,222,447	37.96	14,212,314	38.59
Wholesale and retailing	6,757,730	14.62	4,865,995	12.99	4,661,873	12.66
Manufacturing	4,581,551	9.91	3,671,232	9.80	3,649,077	9.91
Personal loans	4,349,652	9.41	2,522,757	6.73	2,167,474	5.88
Real estate	3,500,830	7.57	2,144,199	5.72	1,938,785	5.26
Construction	2,912,757	6.30	2,648,112	7.07	3,162,811	8.59
Water conservation and environment	2,383,915	5.16	2,497,750	6.67	2,651,920	7.20
Others	5,399,195	11.68	4,891,183	13.06	4,387,537	11.91
Total (Note)	<u>\$ 46,230,236</u>	<u>100.00</u>	<u>37,463,675</u>	<u>100.00</u>	<u>36,831,791</u>	<u>100.00</u>

Note: Included only discounts and loans.

ii) By geographical area

Units: In thousands of CNY

	September 30, 2019		December 31, 2018		September 30, 2018	
	Amount	%	Amount	%	Amount	%
East China	\$ 16,791,263	36.32	13,456,906	35.92	14,135,103	38.38
North China	6,777,631	14.66	7,853,423	20.96	7,490,656	20.34
South west region	5,360,640	11.60	4,070,298	10.86	3,920,054	10.64
Central China	5,260,277	11.38	3,297,339	8.80	3,004,213	8.16
South China	4,260,662	9.22	3,222,171	8.60	3,056,926	8.30
North west region	2,875,118	6.22	1,708,910	4.56	2,235,871	6.07
Others	4,904,645	10.60	3,854,628	10.30	2,988,968	8.11
Total (Note)	<u>\$ 46,230,236</u>	<u>100.00</u>	<u>37,463,675</u>	<u>100.00</u>	<u>36,831,791</u>	<u>100.00</u>

Note: Included only discounts and loans.

iii) By collateral

Units: In thousands of CNY

	September 30, 2019		December 31, 2018		September 30, 2018	
	Amount	%	Amount	%	Amount	%
Credit loans	\$ 34,370,520	74.34	28,154,859	75.15	27,660,394	75.10
Guarantees loans	372,185	0.81	495,538	1.32	678,701	1.84
Collateral loans	11,487,531	24.85	8,813,278	23.53	8,492,696	23.06
Mortgage loans	7,510,292	16.25	5,857,003	15.64	5,123,012	13.91
Pledge loans	3,977,239	8.60	2,956,275	7.89	3,369,684	9.15
Total (Note)	<u>\$ 46,230,236</u>	<u>100.00</u>	<u>37,463,675</u>	<u>100.00</u>	<u>36,831,791</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.

September 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	\$ 15,822,569	-	-	15,822,569	-	-	-	-	-	-	39,111	15,783,458
Debt investments measured at amortized cost	11,990,431	-	-	11,990,431	-	-	-	-	-	-	2,044	11,988,387
Receivables												
Accounts receivable and documents against acceptance - forfaiting	6,157,363	-	-	6,157,363	-	-	-	-	-	-	31,704	6,125,659
Loans												
Personal finance	4,291,482	-	6,354	4,297,836	5,198	-	366	5,564	46,252	-	58,907	4,290,745
Corporate banking	35,421,079	5,547,551	351,674	41,320,304	-	86,872	39,974	126,846	433,434	-	663,198	41,217,386
Off-balance sheet assets												
Guarantees receivable	690,210	-	-	690,210	-	-	-	-	-	-	2,884	687,326
Accounts receivable -forfaiting	203,012	-	-	203,012	-	-	-	-	-	-	583	202,429

(Continued)

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

<u>December 31, 2018</u>	<u>Financial assets measured by 12-month ECLs</u>				<u>Financial assets whose credit risk has increased significantly since initial recognition</u>				<u>Credit-impaired financial assets</u>	<u>Purchased or originated credit-impaired financial assets</u>	<u>Loss allowance</u>	<u>Total</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>				
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 - forfaiting	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 -forfaiting	312,512	-	-	312,512	-	-	-	-	-	-	1,382	311,130

(Continued)

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

<u>September 30, 2018</u>	<u>Financial assets measured by 12-month ECLs</u>				<u>Financial assets whose credit risk has increased significantly since initial recognition</u>				<u>Credit-impaired financial assets</u>	<u>Purchased or originated credit-impaired financial assets</u>	<u>Loss allowance</u>	<u>Total</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>				
Financial assets measured at fair value through other comprehensive income – debt instruments	\$ 12,130,552	-	-	12,130,552	-	-	-	-	-	-	58,565	12,071,987
Debt investments measured at amortized cost	9,095,217	-	-	9,095,217	-	-	-	-	-	-	7,893	9,087,324
Receivables												
Accounts receivable and documents against acceptance - forfeiting	3,583,594	-	-	3,583,594	-	-	-	-	-	-	30,734	3,552,860
Acceptances	60,223	-	-	60,223	-	-	-	-	-	-	751	59,472
Loans												
Personal finance	2,164,216	-	2,499	2,166,715	475	-	-	475	283	-	27,348	2,140,125
Corporate banking	28,979,266	4,963,156	279,254	34,221,676	-	-	-	-	442,642	-	667,181	33,997,137
Off-balance sheet assets												
Guarantees receivable	1,092,775	-	-	1,092,775	-	-	-	-	-	-	5,384	1,087,391
Accounts receivable -forfeiting	409,965	-	-	409,965	-	-	-	-	-	-	1,209	408,756

(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>September 30, 2019</b>	<b>Financial instruments</b>	<b>Properties</b>	<b>Guarantees</b>	<b>Other</b>
<u>Assets</u>				
Receivables	0.01 %	3.37 %	2.80 %	1.29 %
Loans	0.06 %	56.91 %	6.27 %	3.66 %
Other financial assets	-	9.00 %	-	-

<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>September 30, 2018</b>	<b>Financial instruments</b>	<b>Properties</b>	<b>Guarantees</b>	<b>Other</b>
<u>Assets</u>				
Receivables	0.03 %	1.50 %	0.10 %	0.11 %
Loans	1.31 %	61.09 %	6.13 %	6.68 %
Other financial assets	-	9.68 %	-	-
Off-balance sheet assets	-	36.61 %	-	-

Fubon Bank (China)

<b>September 30, 2019</b>	<b>Financial instruments</b>	<b>Properties</b>	<b>Guarantees</b>	<b>Other</b>
<u>Assets</u>				
Loans	-	69.02 %	-	16.17 %

<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**

September 30, 2018	Financial instruments	Properties	Guarantees	Other
<u>Assets</u>				
Loans	0.07 %	75.54 %	-	6.71 %

- iii) Outstanding contract amount of the financial assets that have been written off, and there are recourse activities on them.

As of September 30, 2019, December 31 and September 30, 2018, outstanding contract of the financial assets that have been written off and still have recourse activities, amounting to \$880,181, \$1,393,419 and \$625,726, 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 September 30, 2019, December 31 and September 30, 2018, the book value amounted to \$52,348, \$53,593 and \$85,279, 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.

(Continued)

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

Credit risk exposure—by industry

<b>Financial assets</b>	<b>September 30, 2019</b>		<b>December 31, 2018</b>		<b>September 30, 2018</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Industrial enterprise	\$ 79,585,246	2.99	91,168,389	3.39	88,897,870	3.30
Public business	111,542,305	4.19	107,477,560	4.00	104,597,691	3.88
Mortgage backed securities	41,984,866	1.58	43,149,178	1.61	42,760,387	1.59
Financial sector	1,153,309,481	43.32	1,116,538,215	41.54	1,115,275,661	41.39
Consumer staples	173,624,396	6.52	183,590,158	6.83	182,548,293	6.76
Government	339,622,240	12.76	373,060,322	13.88	384,931,934	14.29
Technology	65,403,364	2.46	67,824,115	2.52	67,573,629	2.51
Raw material	60,707,059	2.28	54,185,252	2.02	57,319,524	2.13
Consumer discretionary	56,277,928	2.11	54,972,579	2.04	53,297,674	1.98
Energy	134,819,239	5.06	136,624,644	5.08	135,443,814	5.03
Assets backed securities	17,204,243	0.64	19,538,584	0.73	25,497,595	0.95
Telecommunication	191,330,137	7.19	209,840,363	7.81	208,288,455	7.73
Others	<u>236,856,829</u>	<u>8.90</u>	<u>229,851,159</u>	<u>8.55</u>	<u>228,056,422</u>	<u>8.46</u>
Subtotal	2,662,267,333	100.00	2,687,820,518	100.00	2,694,488,949	100.00
Fair value adjustment from business combinations	(559,126)	-	(567,614)	-	(555,145)	-
Total	<u>\$ 2,661,708,207</u>	<u>100.00</u>	<u>2,687,252,904</u>	<u>100.00</u>	<u>2,693,933,804</u>	<u>100.00</u>

Credit risk exposure—by geographic area

<b>Financial assets</b>	<b>September 30, 2019</b>		<b>December 31, 2018</b>		<b>September 30, 2018</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Taiwan	\$ 585,236,895	21.99	616,510,966	22.94	618,271,130	22.95
Asia except Taiwan	393,968,233	14.80	404,543,931	15.05	408,241,694	15.15
North America	1,027,722,276	38.60	1,045,728,759	38.91	1,047,442,420	38.87
Middle and South America	40,502,081	1.52	46,228,783	1.72	44,574,359	1.65
Europe	545,517,064	20.49	504,533,583	18.77	503,274,746	18.68
Africa/Middle East	<u>69,320,784</u>	<u>2.60</u>	<u>70,274,496</u>	<u>2.61</u>	<u>72,684,600</u>	<u>2.70</u>
Subtotal	2,662,267,333	100.00	2,687,820,518	100.00	2,694,488,949	100.00
Fair value adjustment from business combinations	(559,126)	-	(567,614)	-	(555,145)	-
Total	<u>\$ 2,661,708,207</u>	<u>100.00</u>	<u>2,687,252,904</u>	<u>100.00</u>	<u>2,693,933,804</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

	September 30, 2019												
	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	\$ 482,756,394	5,909,420	-	488,665,814	707,522	10,364	-	717,886	1,714,337	20,646	1,734,983	(Note 1)	491,118,683
Financial assets measured at amortized cost (note 2)	1,726,706,312	33,511,193	-	1,760,217,505	-	-	-	-	2,348,403	-	2,348,403	946,259	1,761,619,649
Loans (note 2)	209,370,729	55,785,409	582,790	265,738,928	230,863	2,368,889	2,906	2,602,658	189,610	656,170	845,780	2,432,279	266,755,087
<b>Total</b>	<b>\$ 2,418,833,435</b>	<b>95,206,022</b>	<b>582,790</b>	<b>2,514,622,247</b>	<b>938,385</b>	<b>2,379,253</b>	<b>2,906</b>	<b>3,320,544</b>	<b>4,252,350</b>	<b>676,816</b>	<b>4,929,166</b>	<b>3,378,538</b>	<b>2,519,493,419</b>
	December 31, 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	\$ 550,756,668	8,172,543	-	558,929,211	1,353,218	17,365	-	1,370,583	1,394,288	-	1,394,288	(Note 1)	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**

	September 30, 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	Total
Financial assets measured at fair value through other comprehensive income – debt instruments	\$ 573,922,806	8,779,276	-	582,702,082	1,519,608	87,401	-	1,607,009	59,395	-	59,395	(Note 1)	584,368,486
Financial assets measured at amortized cost (note2)	1,759,489,342	37,984,210	-	1,797,473,552	-	-	-	-	-	-	-	390,036	1,797,083,516
Loans (note2)	197,006,118	52,161,951	628,748	249,796,817	282,832	2,732,428	7,972	3,023,232	883,808	1,100	884,908	2,248,752	251,456,205
<b>Total</b>	<b>\$ 2,530,418,266</b>	<b>98,925,437</b>	<b>628,748</b>	<b>2,629,972,451</b>	<b>1,802,440</b>	<b>2,819,829</b>	<b>7,972</b>	<b>4,630,241</b>	<b>943,203</b>	<b>1,100</b>	<b>944,303</b>	<b>2,638,788</b>	<b>2,632,908,207</b>

Note 1: For loss allowance of financial assets measured at fair value through other comprehensive income - debt investments, please refer to note 6 (ah) (iii) 2) h).

Note 2: As of September 30, 2019, December 31 and September 30, 2018, fair value adjustments from business combinations of financial assets measured at amortized cost and loans were (474,925), (84,201) and (483,306), (84,308) and (477,199), (77,946), 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	(653)	2,019	2	(1,368)	-	-	-	-
— Transfer to credit-impaired financial assets	(181)	(4,393)	(66)	4,640	-	-	-	-
— Transfer to 12-month ECLs	3,280	(3,160)	(120)	-	-	-	-	-
— Derecognition of financial assets at current period	(4,737)	(6,996)	(48)	(55,444)	-	(67,225)	-	(67,225)
Originated or purchased new financial assets	1,633	2,223	-	83	-	3,939	-	3,939
Impairment difference recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Non-performing/Nonaccrual Loans"	-	-	-	-	-	-	148,075	148,075
Write-off	-	-	-	(426)	-	(426)	-	(426)
Effects of exchange rate changes and others	(964)	(2,250)	-	(3,361)	-	(6,575)	-	(6,575)
Changes in models/risk parameters	(1,819)	3,425	32	23,325	-	24,963	-	24,963
Balance as of September 30, 2019	<u>\$ 16,692</u>	<u>33,122</u>	<u>235</u>	<u>53,787</u>	<u>-</u>	<u>103,836</u>	<u>2,328,443</u>	<u>2,432,279</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)	-	5,068	(5,062)	-	-	-	-
— Transfer to credit-impaired financial assets	-	-	-	-	-	-	-	-
— Transfer to 12-month ECLs	8,225	-	(25)	(8,200)	-	-	-	-
— Derecognition of financial assets at current period	(125)	-	(42)	(5,047)	-	(5,214)	-	(5,214)
Originated or purchased new financial assets	262	-	-	80	-	342	-	342
Impairment difference recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Non-performing/Nonaccrual Loans"	-	-	-	-	-	-	205,908	205,908
Changes in models/risk parameters	(8,156)	-	(4,793)	505	-	(12,444)	-	(12,444)
Effects of exchange rate changes and others	73	165	-	346	-	584	-	584
Acquisition through business combinations	16,745	37,823	-	79,126	-	133,694	-	133,694
Balance as of September 30, 2018	<u>\$ 18,324</u>	<u>37,988</u>	<u>465</u>	<u>90,074</u>	<u>-</u>	<u>146,851</u>	<u>2,101,901</u>	<u>2,248,752</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	(12,230)	12,230	-	-	-	-	-
– Transfer to credit-impaired financial assets	(1,351)	(8,239)	-	9,590	-	-	-
– Transfer to 12-month ECLs	10,872	(10,872)	-	-	-	-	-
– Derecognition of financial assets at current period	(117,158)	(71,204)	-	(222,811)	-	(411,173)	(411,173)
Originated or purchased new financial assets	16,345	-	-	-	-	16,345	16,345
Write-off	(740)	(2,775)	-	(27,532)	-	(31,047)	(31,047)
Changes in models/risk parameters	61,290	8,763	-	36,490	-	106,543	106,543
Effects of exchange rate changes and others	(5,261)	(3,727)	-	(7,984)	-	(16,972)	(16,972)
Balance as of September 30, 2019	<u>\$ 258,488</u>	<u>57,377</u>	<u>-</u>	<u>238,181</u>	<u>-</u>	<u>554,046</u>	<u>554,046</u>

(Continued)

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

	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, 2018	\$ 226,992	-	-	-	-	226,992	226,992
Changes due to financial instruments recognized as at beginning:							
— Derecognition of financial assets at current period	(37,339)	-	-	-	-	(37,339)	(37,339)
Originated or purchased new financial assets	6,608	-	-	-	-	6,608	6,608
Changes in models/risk parameters	(93,499)	-	-	-	-	(93,499)	(93,499)
Effects of exchange rate changes and others	807	-	-	-	-	807	807
Balance as of September 30, 2018	<u>\$ 103,569</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>103,569</u>	<u>103,569</u>

Note: The reconciliation is conducted according to the overall changes of Fubon Life Insurance and its subsidiaries during a reporting 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**

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	(38,918)	-	-	(289)	-	(39,207)	(39,207)
Originated or purchased new financial assets	39,171	-	-	-	-	39,171	39,171
Changes in models/risk parameters	311,173	-	-	(24)	-	311,149	311,149
Effects of exchange rate changes and others	6,163	-	-	3,901	-	10,064	10,064
Balance as of September 30, 2019	<u>\$ 709,855</u>	<u>-</u>	<u>-</u>	<u>236,404</u>	<u>-</u>	<u>946,259</u>	<u>946,259</u>

(Continued)

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

	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, 2018	\$ 633,513	-	-	-	-	633,513	633,513
Changes due to financial instruments recognized as at beginning:							
— Derecognition of financial assets at current period	(42,199)	-	-	-	-	(42,199)	(42,199)
Originated or purchased new financial assets	60,550	-	-	-	-	60,550	60,550
Changes in models/risk parameters	(275,114)	-	-	-	-	(275,114)	(275,114)
Effects of exchange rate changes and others	6,888	-	-	-	-	6,888	6,888
Acquisition through business combinations	6,398	-	-	-	-	6,398	6,398
Balance as of September 30, 2018	<u>\$ 390,036</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>390,036</u>	<u>390,036</u>

Note: The reconciliation is conducted according to the overall changes of Fubon Life Insurance and its subsidiaries during a reporting 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**

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	180	-	-	-	-	180	180
Effects of exchange rate changes and others	(5)	-	-	-	-	(5)	(5)
Balance as of September 30, 2019	<u>\$ 175</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>175</u>	<u>175</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

September 30, 2019						
By area	Taiwan	Asia except Taiwan	North America	Central and South America	Europe	Total
Exposure amount	\$ 46,961,847	6,932,418	7,998,837	653,341	7,714,206	70,260,649
Ratio of the total	66.84 %	9.88 %	11.38 %	0.92 %	10.98 %	100.00 %
December 31, 2018						
By area	Taiwan	Asia except Taiwan	North America	Central and South America	Europe	Total
Exposure amount	\$ 41,354,011	6,283,361	7,553,424	580,828	8,063,812	63,835,436
Ratio of the total	64.78 %	9.85 %	11.83 %	0.91 %	12.63 %	100.00 %
September 30, 2018						
By area	Taiwan	Asia except Taiwan	North America	Central and South America	Europe	Total
Exposure amount	\$ 41,982,536	6,693,262	7,534,089	606,583	8,145,230	64,961,700
Ratio of the total	64.63 %	10.30 %	11.60 %	0.93 %	12.54 %	100.00 %

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**

	September 30, 2019		December 31, 2018		September 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	\$ 10,516,075	10,516,075	8,477,179	8,477,179	8,566,865	8,566,865
Receivables	5,729,593	5,729,593	4,857,637	4,857,637	5,501,560	5,501,560
Financial assets measured at fair value through profit or loss	26,459,627	26,459,627	21,873,641	21,873,641	22,822,992	22,822,992
Financial assets measured at amortized cost	2,585,723	2,585,723	3,678,259	3,678,259	3,630,491	3,630,491
Other financial assets	124,937	124,937	1,000,621	1,000,621	992,707	992,707
Financial assets measured at fair value through other comprehensive income	23,208,271	23,208,271	21,901,101	21,901,101	22,400,925	22,400,925
Reinsurance contract assets	7,396,548	7,396,548	5,607,488	5,607,488	4,965,519	4,965,519
Other assets	1,659,341	1,659,341	1,579,989	1,579,989	1,571,331	1,571,331
<b>Financial liabilities</b>						
Payables	13,751,628	13,751,628	10,978,591	10,978,591	10,904,926	10,904,926
Current tax liabilities	415,098	415,098	207,547	207,547	231,670	231,670
Lease liabilities	223,550	223,550	-	-	-	-
Other liabilities	117,840	117,840	110,537	110,537	112,184	112,184
<b><u>Derivative financial instruments</u></b>						
<b>Financial assets</b>						
Financial assets measured at fair value through profit or loss	55,491	55,491	29,021	29,021	42,691	42,691
<b>Financial liabilities</b>						
Financial liabilities measured at fair value through profit or loss	28,836	28,836	66,889	66,889	175,979	175,979

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:

September 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	\$ 20,569,291	-	-	20,569,291	-	-	-	-	-	-	20,569,291
Financial assets measured at amortized cost	2,586,918	-	-	2,586,918	-	-	-	-	-	1,195	2,585,723
<b>Total</b>	<b>\$ 23,156,209</b>	<b>-</b>	<b>-</b>	<b>23,156,209</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,195</b>	<b>23,155,014</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>
September 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	\$ 19,553,272	-	-	19,553,272	-	-	-	-	-	-	19,553,272
Financial assets measured at amortized cost	3,632,024	-	-	3,632,024	-	-	-	-	-	1,533	3,630,491
<b>Total</b>	<b>\$ 23,185,296</b>	<b>-</b>	<b>-</b>	<b>23,185,296</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,533</b>	<b>23,183,763</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:

	September 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	\$ 8,006,472	1,234,225	1,216,397	581,470	11,038,564
Expected credit-impaired	-	21,117	57,738	48,549	127,404

(Continued)

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

	December 31, 2018				
	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	\$ 5,556,199	1,585,415	287,853	450,728	7,880,195
Expected credit-impaired	-	14,115	10,024	30,036	54,175

  

	September 30, 2018				
	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	\$ 6,397,810	1,393,130	395,278	474,792	8,661,010
Expected credit-impaired	-	12,563	30,823	54,607	97,993

- 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 nine months ended September 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	(1,778)	-	-	(1,778)
Ending balance	<u>\$ 9,489</u>	<u>-</u>	<u>-</u>	<u>9,489</u>

(Continued)

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

	<b>For the nine months ended September 30, 2018</b>			
	<b>12-month ECLs</b>	<b>Lifetime ECLs (collective assessment)</b>	<b>Lifetime ECLs (individual assessment)</b>	<b>Impairment recognized due to IFRS 9</b>
Beginning balance	\$ 10,626	-	-	10,626
Changes due to recognition of financial instruments at beginning:				
— Derecognition of financial assets at current period	(338)	-	-	(338)
Purchased or originated financial assets	238	-	-	238
Effects of exchange rate changes and others	747	-	-	747
Ending balance	<u>\$ 11,273</u>	<u>-</u>	<u>-</u>	<u>11,273</u>

2. Changes in loss allowance of financial assets measured at amortized cost

	<b>For the nine months ended September 30, 2019</b>			
	<b>12-month ECLs</b>	<b>Lifetime ECLs (collective assessment)</b>	<b>Lifetime ECLs (individual assessment)</b>	<b>Impairment recognized due to IFRS 9</b>
Beginning balance	\$ 1,558	-	-	1,558
Changes due to recognition of financial instruments at beginning:				
— Derecognition of financial assets at current period	(312)	-	-	(312)
Effects of exchange rate changes and others	(51)	-	-	(51)
Ending balance	<u>\$ 1,195</u>	<u>-</u>	<u>-</u>	<u>1,195</u>

	<b>For the nine months ended September 30, 2018</b>			
	<b>12-month ECLs</b>	<b>Lifetime ECLs (collective assessment)</b>	<b>Lifetime ECLs (individual assessment)</b>	<b>Impairment recognized due to IFRS 9</b>
Beginning balance	\$ 1,452	-	-	1,452
Effects of exchange rate changes and others	81	-	-	81
Ending balance	<u>\$ 1,533</u>	<u>-</u>	<u>-</u>	<u>1,533</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.

(Continued)



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

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.

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:

<u>Financial assets</u>	<b>September 30, 2019</b>					
	<b>Credit risk exposure amount—by region</b>					
	<b>Taiwan</b>	<b>Hong Kong</b>	<b>Asia</b>	<b>Europe</b>	<b>America</b>	<b>Total</b>
Cash and cash equivalents	\$ 15,707,070	231,370	1,661,743	754	-	17,600,937
Customer margin account	13,489,954	102,944	1,297,850	74,970	1,677,085	16,642,803
Financial assets mandatorily measured at fair value through profit or loss – current	20,531,489	80,599	6,979,241	463,555	1,561,361	29,616,245
Debt securities	19,360,145	75,768	6,979,241	463,555	1,561,361	28,440,070
Derivatives—OTC	309,315	-	-	-	-	309,315
Derivatives—Futures trading margin	302,708	-	-	-	-	302,708
Other debt securities	558,353	4,831	-	-	-	563,184
Call option—Futures	968	-	-	-	-	968
Margin deposits for borrowed securities	6,069,785	-	-	-	-	6,069,785
Other refundable deposits	1,381,678	3,633	-	-	-	1,385,311
Other current assets	5,444,311	188,658	182,197	-	222,924	6,038,090
Financial assets measured at fair value through other comprehensive income	10,442,125	206,680	810,898	350,018	63,798	11,873,519
Debt securities	<u>10,442,125</u>	<u>206,680</u>	<u>810,898</u>	<u>350,018</u>	<u>63,798</u>	<u>11,873,519</u>
Total	<u>\$ 73,066,412</u>	<u>813,884</u>	<u>10,931,929</u>	<u>889,297</u>	<u>3,525,168</u>	<u>89,226,690</u>
Proportion of the total	<u>81.89 %</u>	<u>0.91 %</u>	<u>12.25 %</u>	<u>1.00 %</u>	<u>3.95 %</u>	<u>100.00 %</u>

(Continued)

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

<b>Financial assets</b>	<b>December 31, 2018</b>					
	<b>Credit risk exposure amount – by region</b>					
	<b>Taiwan</b>	<b>Hong Kong</b>	<b>Asia</b>	<b>Europe</b>	<b>America</b>	<b>Total</b>
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
<b>Total</b>	<b>\$ 67,851,738</b>	<b>796,407</b>	<b>10,419,677</b>	<b>605,838</b>	<b>1,915,923</b>	<b>81,589,583</b>
Proportion of the total	<b>83.16 %</b>	<b>0.98 %</b>	<b>12.77 %</b>	<b>0.74 %</b>	<b>2.35 %</b>	<b>100.00 %</b>
	<b>September 30, 2018</b>					
	<b>Credit risk exposure amount – by region</b>					
	<b>Taiwan</b>	<b>Hong Kong</b>	<b>Asia</b>	<b>Europe</b>	<b>America</b>	<b>Total</b>
Cash and cash equivalents	\$ 16,726,651	288,498	1,028,812	589	-	18,044,550
Customer margin account	12,254,466	128,459	4,690,574	-	26,495	17,099,994
Financial assets mandatorily measured at fair value through profit or loss – current	29,033,958	298,313	6,905,574	-	1,815,598	38,053,443
Debt securities	28,154,505	298,313	6,905,574	-	1,815,598	37,173,990
Derivatives – OTC	149,548	-	-	-	-	149,548
Derivatives – Futures trading margin	199,824	-	-	-	-	199,824
Other debt securities	529,871	-	-	-	-	529,871
Call option – futures	210	-	-	-	-	210
Margin deposits for borrowed securities	1,080,601	-	-	-	-	1,080,601
Other refundable deposits	1,317,137	2,587	1,007	-	-	1,320,731
Other current assets	436,963	574,967	-	-	-	1,011,930
Financial assets measured at fair value through other comprehensive income	4,272,710	-	2,730,009	893,207	372,702	8,268,628
Debt securities	4,272,710	-	2,730,009	893,207	372,702	8,268,628
<b>Total</b>	<b>\$ 65,122,486</b>	<b>1,292,824</b>	<b>15,355,976</b>	<b>893,796</b>	<b>2,214,795</b>	<b>84,879,877</b>
Proportion of the total	<b>76.73 %</b>	<b>1.52 %</b>	<b>18.09 %</b>	<b>1.05 %</b>	<b>2.61 %</b>	<b>100.00 %</b>

(Continued)

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

September 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	creative industry	Other services	
Cash and cash equivalents	\$ 16,821,646	-	-	-	-	-	-	-	-	-	-	-	779,291	17,600,937
Customer margin account	16,642,803	-	-	-	-	-	-	-	-	-	-	-	-	16,642,803
Financial assets mandatorily measured at fair value through profit or loss — current	10,922,144	3,274,863	-	8,364,903	228,547	500,576	1,418,180	2,871,522	127,576	-	149,803	-	1,758,131	29,616,245
Debt securities	9,750,800	3,274,863	-	8,360,072	228,547	500,576	1,418,180	2,871,522	127,576	-	149,803	-	1,758,131	28,440,070
Derivatives—OTC	309,315	-	-	-	-	-	-	-	-	-	-	-	-	309,315
Derivatives—futures trading margin	302,708	-	-	-	-	-	-	-	-	-	-	-	-	302,708
Other debt securities	558,353	-	-	4,831	-	-	-	-	-	-	-	-	-	563,184
Call options—Futures	968	-	-	-	-	-	-	-	-	-	-	-	-	968
Margin deposits for borrowed securities	6,069,785	-	-	-	-	-	-	-	-	-	-	-	-	6,069,785
Other refundable deposits	1,381,678	-	-	-	-	-	-	-	-	-	-	-	3,633	1,385,311
Other current assets	4,270,863	-	-	-	-	-	-	-	-	-	-	-	1,767,227	6,038,090
Financial assets measured at fair value through other comprehensive income	6,655,700	314,418	-	-	-	548,751	1,338,842	704,943	-	199,086	-	-	2,111,779	11,873,519
Debt securities	6,655,700	314,418	-	-	-	548,751	1,338,842	704,943	-	199,086	-	-	2,111,779	11,873,519
Total	\$ 62,764,619	3,589,281	-	8,364,903	228,547	1,049,327	2,757,022	3,576,465	127,576	199,086	149,803	-	6,420,061	89,226,690
Proportion of the total	70.34 %	4.02 %	- %	9.37 %	0.26 %	1.18 %	3.09 %	4.01 %	0.14 %	0.22 %	0.17 %	- %	7.20 %	100.00 %

December 31, 2018														
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	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**

September 30, 2018																					
Credit risk exposure amount—by industry																					
Financial assets	Central and local government agencies		Retail and wholesale		Building and material		Food and travel industry		Shipping industry		Electronic industry		Chemical industry		Motor vehicle industry		Culture and creative industry		Other services		Total
	service	agencies	wholesale	material	industry	industry	industry	industry	industry	industry	industry	industry	industry	industry	services	services					
Cash and cash equivalents	\$ 18,044,550	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	18,044,550
Customer margin account	17,099,994	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	17,099,994
Financial assets mandatorily measured at fair value through profit or loss—current	13,602,038	1,153,442	10,285	5,676,304	292,273	930,737	1,472,045	5,131,504	124,823	710,852	21,791	8,927,349	38,053,443								
Debt securities	12,722,585	1,153,442	10,285	5,676,304	292,273	930,737	1,472,045	5,131,504	124,823	710,852	21,791	8,927,349	37,173,990								
Derivatives—OTC	149,548	-	-	-	-	-	-	-	-	-	-	-	149,548								149,548
Derivatives—futures trading margin	199,824	-	-	-	-	-	-	-	-	-	-	-	199,824								199,824
Other debt securities	529,871	-	-	-	-	-	-	-	-	-	-	-	529,871								529,871
Call option—Future	210	-	-	-	-	-	-	-	-	-	-	-	210								210
Margin deposits for borrowed securities	1,080,601	-	-	-	-	-	-	-	-	-	-	-	1,080,601								1,080,601
Other refundable deposits	1,320,731	-	-	-	-	-	-	-	-	-	-	-	1,320,731								1,320,731
Other current assets	436,952	-	-	-	-	-	-	-	-	-	-	-	436,952								436,952
Financial assets measured at fair value through other comprehensive income	3,770,081	314,930	-	-	-	149,128	753,350	1,019,894	-	-	-	-	3,770,081								3,770,081
Debt securities	3,770,081	314,930	-	-	-	149,128	753,350	1,019,894	-	-	-	-	3,770,081								3,770,081
<b>Total</b>	<b>\$ 55,354,947</b>	<b>1,468,372</b>	<b>10,285</b>	<b>5,676,304</b>	<b>292,273</b>	<b>1,079,865</b>	<b>2,225,395</b>	<b>6,151,398</b>	<b>124,823</b>	<b>710,852</b>	<b>21,791</b>	<b>11,763,572</b>	<b>84,879,877</b>								<b>84,879,877</b>
Proportion of the total	65.21 %	1.73 %	0.01 %	6.69 %	0.34 %	1.27 %	2.62 %	7.25 %	0.15 %	0.84 %	0.03 %	13.86 %	100.00 %								

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:

		September 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	-	-	-	
Financial assets measured fair value through other comprehensive income – debt instruments		10,645,213	1,235,457	-	11,880,670	-	-	-	-	-	-	7,151	11,873,519
		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	-	-	-	
Financial assets measured fair value through other comprehensive income – debt instruments		7,544,673	952,204	-	8,496,877	-	-	-	-	-	-	5,542	8,491,335
		September 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	-	-	-	
Financial assets measured fair value through other comprehensive income – debt instruments		5,694,059	2,580,161	-	8,274,220	-	-	-	-	-	-	5,592	8,268,628

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**

September 30, 2019							
Financial assets credit quality and classification							
Financial assets	Low risk	Medium risk	High risk	Overdue but not impaired	Impaired	Impairment allowance	Total
Cash and cash equivalents	\$ 16,180,345	1,420,592	-	-	-	-	17,600,937
Customer margin account	16,642,803	-	-	-	-	-	16,642,803
Financial assets mandatorily measured at fair value through profit or loss—current	25,989,621	3,263,657	362,967	-	-	-	29,616,245
Debt securities	25,078,059	2,999,044	362,967	-	-	-	28,440,070
Derivative assets—OTC	44,702	264,613	-	-	-	-	309,315
Derivative assets—Futures trading margin	302,708	-	-	-	-	-	302,708
Other debt securities	563,184	-	-	-	-	-	563,184
Call option—Futures	968	-	-	-	-	-	968
Margin deposits for borrowed securities	6,069,785	-	-	-	-	-	6,069,785
Other refundable deposits	1,385,311	-	-	-	-	-	1,385,311
Other current assets	6,038,090	-	-	-	-	-	6,038,090
Financial assets measured at fair value through other comprehensive income	10,645,213	1,235,457	-	-	-	7,151	11,873,519
Debt securities	10,645,213	1,235,457	-	-	-	7,151	11,873,519
<b>Subtotal</b>	<b>82,951,168</b>	<b>5,919,706</b>	<b>362,967</b>	<b>-</b>	<b>-</b>	<b>7,151</b>	<b>89,226,690</b>
Proportion of the total	92.97 %	6.63 %	0.41 %	- %	- %	0.01 %	100.00 %
Receivables	18,471,885	5,704,718	614,863	-	158,844	158,844	24,791,466
Account receivable	14,004,364	11,408	-	-	158,844	158,844	14,015,772
Receivables from pecuniary finance	4,467,521	5,693,310	614,863	-	-	-	10,775,694
<b>Total</b>	<b>\$ 101,423,053</b>	<b>11,624,424</b>	<b>977,830</b>	<b>-</b>	<b>158,844</b>	<b>165,995</b>	<b>114,018,156</b>
Proportion of the total	88.95 %	10.20 %	0.86 %	- %	0.14 %	0.15 %	100.00 %

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

December 31, 2018							
Financial assets credit quality and classification							
Financial assets	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	83.82 %	15.61 %	0.58 %	- %	- %	0.01 %	100.00 %
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	81.26 %	17.75 %	0.99 %	- %	0.16 %	0.16 %	100.00 %

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**

September 30, 2018							
Financial assets credit quality and classification							
Financial assets	Low risk	Medium risk	High risk	Overdue but not impaired	Impaired	Impairment reserve	Total
Cash and cash equivalents	\$ 16,476,936	1,567,614	-	-	-	-	18,044,550
Customer margin account	17,099,994	-	-	-	-	-	17,099,994
Financial assets mandatorily measured at fair value through profit or loss – current	19,241,861	18,525,362	286,220	-	-	-	38,053,443
Debt securities	18,465,306	18,422,464	286,220	-	-	-	37,173,990
Derivative assets – OTC	46,650	102,898	-	-	-	-	149,548
Derivative assets – Futures trading margin	199,824	-	-	-	-	-	199,824
Other debt securities	529,871	-	-	-	-	-	529,871
Call option – Futures	210	-	-	-	-	-	210
Margin deposits for borrowed securities	1,080,601	-	-	-	-	-	1,080,601
Other refundable deposits	1,320,731	-	-	-	-	-	1,320,731
Other current assets	1,011,930	-	-	-	-	-	1,011,930
Financial assets measured at fair value through other comprehensive income	5,694,059	2,580,161	-	-	-	5,592	8,268,628
Debt securities	<u>5,694,059</u>	<u>2,580,161</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,592</u>	<u>8,268,628</u>
Subtotal	<u>61,926,112</u>	<u>22,673,137</u>	<u>286,220</u>	<u>-</u>	<u>-</u>	<u>5,592</u>	<u>84,879,877</u>
Proportion of the total	72.96 %	26.71 %	0.34 %	-	-	0.01 %	100.00 %
Receivables	<u>19,247,820</u>	<u>6,650,632</u>	<u>554,246</u>	<u>-</u>	<u>159,717</u>	<u>159,717</u>	<u>26,452,698</u>
Account receivable	13,686,704	13,194	-	-	159,717	159,717	13,699,898
Receivables from pecuniary finance	<u>5,561,116</u>	<u>6,637,438</u>	<u>554,246</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,752,800</u>
Total	<u>\$ 81,173,932</u>	<u>29,323,769</u>	<u>840,466</u>	<u>-</u>	<u>159,717</u>	<u>165,309</u>	<u>111,332,575</u>
Proportion of the total	<u>72.92 %</u>	<u>26.34 %</u>	<u>0.75 %</u>	<u>-</u>	<u>0.14 %</u>	<u>0.15 %</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. 0.86% 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 nine months ended September 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 September 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:

	<b>For the nine months ended September 30, 2019</b>						<b>Total</b>
	<b>12-month ECLs</b>	<b>Lifetime ECLs (collectively assessed)</b>	<b>Lifetime ECLs (individually assessed)</b>	<b>Lifetime ECLs (not purchased or 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>	
Beginning balance	\$ 5,542	-	-	-	-	5,542	5,542
Originated or purchased new financial assets	5,236	-	-	-	-	5,236	5,236
Effects of exchange rate changes and others	(3,627)	-	-	-	-	(3,627)	(3,627)
Ending balance	<u>\$ 7,151</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,151</u>	<u>7,151</u>

(Continued)

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

	For the nine months ended September 30, 2018						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	\$ 1,799	-	-	-	-	1,799	1,799
Originated or purchased new financial assets	3,662	-	-	-	-	3,662	3,662
Effects of exchange rate changes and others	131	-	-	-	-	131	131
Ending balance	<u>\$ 5,592</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,592</u>	<u>5,592</u>

For the nine months ended September 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 accounts receivable, other receivables and overdue receivables

As of September 30, 2019, the reconciliations of the beginning and ending balances for loss allowance of other receivables and overdue receivables were as follows:

	For the nine months ended September 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	-	-	-	657	-	657	657
Effects of exchange rate changes and others	-	-	(971)	(759)	-	(1,730)	(1,730)
Ending balance	<u>\$ -</u>	<u>-</u>	<u>160,147</u>	<u>38,961</u>	<u>-</u>	<u>199,108</u>	<u>199,108</u>

(Continued)

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

	For the nine months ended September 30, 2018						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	\$ -	-	1,080	12,906	-	13,986	13,986
Originated or purchased new financial assets	-	-	160,304	1,892	-	162,196	162,196
Effects of exchange rate changes and others	-	-	(715)	(4,801)	-	(5,516)	(5,516)
Ending balance	<u>\$ -</u>	<u>-</u>	<u>160,669</u>	<u>9,997</u>	<u>-</u>	<u>170,666</u>	<u>170,666</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 \$170,161, \$172,038 and \$172,477, which has yet to be recovered, and recorded loss allowance amounting to \$158,844, \$159,725 and \$159,717 after considering the actual recovery as of September 30, 2019, December 31 and September 30, 2018.

(Continued)



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

vii) Impairment loss

As of September 30, 2019, December 31 and September 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 September 30, 2019, December 31 and September 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 September 30, 2019, December 31 and September 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 on-going 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 nine months ended September 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	\$ 22,554	-	722	-	-	23,276	23,276
Changes due to financial instruments recognized as at beginning:							
– Transfer to lifetime ECLs	(10)	-	10	-	-	-	-
– Transfer to 12-month ECLs	722	-	(722)	-	-	-	-
– Derecognition of financial assets at current period	(11,758)	-	-	-	-	(11,758)	(11,758)
Originated or purchased new financial assets	7,823	-	-	-	-	7,823	7,823
Effects of exchange rate changes and others	3,129	-	1,482	-	-	4,611	4,611
Ending balance	<u>\$ 22,460</u>	<u>-</u>	<u>1,492</u>	<u>-</u>	<u>-</u>	<u>23,952</u>	<u>23,952</u>
For the nine months ended September 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	\$ 41,468	-	804	-	-	42,272	42,272
Changes due to financial instruments recognized as at beginning:							
– Derecognition of financial assets at current period	(5,527)	-	-	-	-	(2,486)	(2,486)
Originated or purchased new financial assets	6,823	-	-	-	-	6,823	6,823
Effects of exchange rate changes and others	(18,059)	-	405	-	-	(20,695)	(20,695)
Ending balance	<u>\$ 24,705</u>	<u>-</u>	<u>1,209</u>	<u>-</u>	<u>-</u>	<u>25,914</u>	<u>25,914</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 nine months ended September 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	\$ 26,340	-	205,352	-	-	231,692	231,692
Changes due to financial instruments recognized as at beginning:							
– Transfer to lifetime ECLs	(1,202)	-	1,202	-	-	-	-
– Transfer to 12-month ECLs	767	-	(767)	-	-	-	-
– Derecognition of financial assets at current period	(6,700)	-	(624)	-	-	(7,324)	(7,324)
Originated or purchased new financial assets	17,123	-	509	-	-	17,632	17,632
Write-off	-	-	(18,665)	-	-	(18,665)	(18,665)
Effects of exchange rate changes and others	(1,916)	-	2,001	-	-	85	85
Ending balance	<u>\$ 34,412</u>	<u>-</u>	<u>189,008</u>	<u>-</u>	<u>-</u>	<u>223,420</u>	<u>223,420</u>
For the nine months ended September 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	(84)	-	84	-	-	-	-
– Transfer to 12-month ECLs	3,445	-	(3,445)	-	-	-	-
– Derecognition of financial assets at current period	(8,110)	-	(2,423)	-	-	(10,533)	(10,533)
Originated or purchased new financial assets	13,654	-	1,261	-	-	14,915	14,915
Write-off	-	-	(21,753)	-	-	(21,753)	(21,753)
Effects of exchange rate changes and others	(10,079)	-	34,786	-	-	24,707	24,707
Ending balance	<u>\$ 36,609</u>	<u>-</u>	<u>175,092</u>	<u>-</u>	<u>-</u>	<u>211,701</u>	<u>211,701</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 nine months ended September 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	3,438	-	303	-	-	3,741	3,741
Ending balance	<u>\$ 8,519</u>	<u>-</u>	<u>487</u>	<u>-</u>	<u>-</u>	<u>9,006</u>	<u>9,006</u>
For the nine months ended September 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	(2,244)	-	-	-	-	(2,244)	(2,244)
Ending balance	<u>\$ 7,121</u>	<u>-</u>	<u>700</u>	<u>-</u>	<u>-</u>	<u>7,821</u>	<u>7,821</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		
	September 30, 2019	December 31, 2018	September 30, 2018
Irrevocable loan commitments	\$ 2,493,585	2,280,666	2,486,652
Standby letters of credit	144,443	192,471	492,499
Financial guarantees	192,877	907,588	149,052
Total	<u>\$ 2,830,905</u>	<u>3,380,725</u>	<u>3,128,203</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>September 30, 2019</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	41.43 %	-	37.29 %
Financial assets measured at amortized cost			
– Bonds investments	-	-	6.51 %
<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>September 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	47.90 %	-	39.41 %
Financial assets measured at amortized cost			
– Bonds investments	-	-	4.52 %

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

Units: In thousands of HKD

Industry	September 30, 2019		December 31, 2018		September 30, 2018	
	Amount	%	Amount	%	Amount	%
Gross advances for use in Hong Kong industrial, commercial and financial						
Property development	\$ 4,960,232	9.41	4,311,798	8.83	3,566,487	7.49
Property investment	8,845,543	16.79	8,230,920	16.85	8,271,072	17.38
Financial concerns	2,344,599	4.45	2,734,051	5.60	3,210,176	6.75
Stockbrokers	1,309,646	2.49	1,051,310	2.15	1,040,476	2.19
Wholesale and retail trade	837,948	1.59	501,723	1.03	502,664	1.06
Manufacturing	1,723,373	3.27	1,582,124	3.24	1,597,075	3.36
Transport and transport equipment	205,560	0.39	154,633	0.32	148,458	0.31
Entertainment	29,742	0.06	-	-	-	-
Information technology	381,656	0.72	615,749	1.26	485,463	1.02
Electricity and gas	541,004	1.03	356,792	0.73	20,000	0.04
Others	3,304,748	6.27	3,651,717	7.48	3,770,808	7.92
Individuals						
Project plan	4,207	0.01	4,635	0.01	4,777	0.01
Loan for the purchase of other residential properties	8,967,695	17.02	9,376,721	19.20	9,490,838	19.94
Credit card advances	784,073	1.49	872,000	1.78	844,940	1.78
Others	4,178,167	7.93	4,491,341	9.20	4,731,037	9.94
	38,418,193	72.92	37,935,514	77.68	37,684,271	79.19
Trade finance	5,754,022	10.92	5,653,600	11.57	4,997,844	10.50
Gross advances for use in Hong Kong	44,172,215	83.84	43,589,114	89.25	42,682,115	89.69
Gross advances for use outside Hong Kong	8,512,850	16.16	5,248,797	10.75	4,904,305	10.31
Gross advances to customers	\$ <u>52,685,065</u>	<u>100.00</u>	<u>48,837,911</u>	<u>100.00</u>	<u>47,586,420</u>	<u>100.00</u>

ii) By collateral

Units: In thousands of HKD

Collateral	September 30, 2019		December 31, 2018		September 30, 2018	
	Amount	%	Amount	%	Amount	%
Unsecured	\$ 30,858,559	58.58	26,386,289	54.03	24,794,776	52.11
Secured						
– Financial collateral	501,917	0.95	510,164	1.04	455,991	0.96
– Real estate	20,690,754	39.27	21,330,016	43.68	21,438,723	45.05
– Other collateral	633,835	1.20	611,442	1.25	896,930	1.88
Total	\$ <u>52,685,065</u>	<u>100.00</u>	<u>48,837,911</u>	<u>100.00</u>	<u>47,586,420</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										
		September 30, 2019										
		stage1				stage2						
		Low risk	Medium risk	High risk	Total	Low risk	Medium risk	High risk	Total	stage3	Loss allowance	Total
Discounts and loans												
Personal finance												
	– Mortgage	\$ 14,392,331	-	-	14,392,331	-	49,757	-	49,757	-	3,118	14,438,970
	– Consumer loans	2,865,529	-	-	2,865,529	-	276	-	276	4,485	11,882	2,858,408
Corporate finance												
	– Commercial loans	34,017,492	-	-	34,017,492	-	1,147,216	-	1,147,216	207,979	206,213	35,166,474
Due from the central bank and call loans to banks		5,459,227	-	-	5,459,227	-	-	-	-	-	1,864	5,457,363
Financial assets measured at amortized cost – debt instruments		39,579,089	-	1,682,771	41,261,860	545,189	-	-	545,189	-	25,227	41,781,822
<b>Total</b>		<b>\$ 96,313,668</b>	<b>-</b>	<b>1,682,771</b>	<b>97,996,439</b>	<b>545,189</b>	<b>1,197,249</b>	<b>-</b>	<b>1,742,438</b>	<b>212,464</b>	<b>248,304</b>	<b>99,703,037</b>
		December 31, 2018										
		stage1				stage2						
		Low risk	Medium risk	High risk	Total	Low risk	Medium risk	High risk	Total	stage3	Loss allowance	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**

	September 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	\$ 14,316,747	-	-	14,316,747	-	-	-	-	8,446	259	14,324,934
– Consumer loans	3,310,599	-	-	3,310,599	-	1,702	-	1,702	7,187	7,459	3,312,029
Corporate finance											
– Commercial loans	28,947,472	-	-	28,947,472	-	771,275	-	771,275	222,992	203,983	29,737,756
Due from the central bank and call loans to banks	7,538,158	-	-	7,538,158	-	-	-	-	-	3,247	7,534,911
Financial assets measured at amortized cost – debt instruments	31,385,171	-	2,513,723	33,898,894	232,902	-	-	232,902	-	22,667	34,109,129
<b>Total</b>	<b>\$ 85,498,147</b>	<b>-</b>	<b>2,513,723</b>	<b>88,011,870</b>	<b>232,902</b>	<b>772,977</b>	<b>-</b>	<b>1,005,879</b>	<b>238,625</b>	<b>237,615</b>	<b>89,018,759</b>

Off-balance sheet items:

	September 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	41,527,935	-	-	41,527,935	-	220,457	-	220,457	-	9,006	41,739,386
	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	35,819,057	-	-	35,819,057	-	229,400	-	229,400	-	5,265	36,043,192
	September 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	34,372,333	-	-	34,372,333	-	221,451	-	221,451	-	8	34,593,776

(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

	September 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	\$ 51,546,634	4,053,424	3,342,598	5,821,125	20,507,799	85,271,580
Investment in marketable securities (Note 2)	184,396,844	21,764,390	23,290,345	46,395,810	136,367,239	412,214,628
Securities purchased under resell agreements	20,139,524	-	-	-	-	20,139,524
Loans (included overdue loans)	66,883,712	76,955,644	91,687,949	60,529,707	773,983,435	1,070,040,447
Deliverable derivative assets	171,453,412	164,965,742	147,211,390	103,345,216	23,476,900	610,452,660
Non-deliverable derivative assets	3,943,207	-	-	9,504	594,314	4,547,025
Other capital inflow on maturity	25,494,264	9,532,639	10,000,544	5,823,821	53,102,402	103,953,670
Total assets	<u>\$ 523,857,597</u>	<u>277,271,839</u>	<u>275,532,826</u>	<u>221,925,183</u>	<u>1,008,032,089</u>	<u>2,306,619,534</u>
<b>Liabilities</b>						
Deposits from the central bank and banks	\$ 31,150	1,000	-	306,004	117,000	455,154
Deposits and remittances	144,361,330	138,052,079	113,870,763	198,305,607	697,607,820	1,292,197,599
Securities sold under repurchase agreements	5,995,528	2,369,572	30,817	-	-	8,395,917
Payables	500,882	921,478	383,196	681,533	103,390	2,590,479
Financial bonds payable	-	2,150,000	5,400,000	5,659,504	54,636,303	67,845,807
Deliverable derivative liabilities	180,871,970	207,037,964	181,083,146	117,315,707	22,652,761	708,961,548
Non-deliverable derivative liabilities	3,967,360	-	-	-	8,011	3,975,371
Other capital outflow on maturity	40,223,850	561,156	3,614,588	2,994,258	7,005,265	54,399,117
Total liabilities	<u>\$ 375,952,070</u>	<u>351,093,249</u>	<u>304,382,510</u>	<u>325,262,613</u>	<u>782,130,550</u>	<u>2,138,820,992</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>						
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
Total assets	<u>\$ 662,256,859</u>	<u>294,187,399</u>	<u>298,479,103</u>	<u>238,424,914</u>	<u>984,222,146</u>	<u>2,477,570,421</u>
<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
Total liabilities	<u>\$ 473,927,268</u>	<u>459,287,155</u>	<u>324,316,030</u>	<u>282,906,447</u>	<u>748,700,148</u>	<u>2,289,137,048</u>

(Continued)

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

Units: In thousands of TWD

	September 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	\$ 40,429,874	4,782,979	3,254,246	5,299,652	18,363,067	72,129,818
Investment in marketable securities (Note 2)	187,534,320	28,741,654	26,983,622	60,437,871	145,551,490	449,248,957
Securities purchased under resell agreements	2,796,847	-	-	-	-	2,796,847
Loans (included overdue loans)	68,979,184	95,903,120	84,516,948	80,828,590	675,491,593	1,005,719,435
Deliverable derivative assets	270,854,137	237,554,915	197,003,248	102,732,993	16,649,310	824,794,603
Non-deliverable derivative assets	4,611,231	2,133	-	3,781	235,339	4,852,484
Other capital inflow on maturity	22,188,038	8,888,546	7,512,523	3,687,682	53,554,187	95,830,976
<b>Total assets</b>	<b>\$ 597,393,631</b>	<b>375,873,347</b>	<b>319,270,587</b>	<b>252,990,569</b>	<b>909,844,986</b>	<b>2,455,373,120</b>
<b>Liabilities</b>						
Deposits from the central bank and banks	\$ 19,727,491	1,000	-	549,909	103,000	20,381,400
Deposits and remittances	111,408,780	160,768,252	109,406,470	178,172,186	616,350,452	1,176,106,140
Securities sold under repurchase agreements	7,386,805	3,711,840	41,643	-	-	11,140,288
Payables	426,338	860,805	360,877	621,512	103,442	2,372,974
Financial bonds payable	-	4,002,132	-	1,303,781	38,833,842	44,139,755
Deliverable derivative liabilities	308,709,539	355,184,920	183,393,112	104,487,767	30,314,345	982,089,683
Non-deliverable derivative liabilities	4,695,928	-	-	-	1,497	4,697,425
Other capital outflow on maturity	14,601,659	403,056	3,127,525	2,170,505	7,001,078	27,303,823
<b>Total liabilities</b>	<b>\$ 466,956,540</b>	<b>524,932,005</b>	<b>296,329,627</b>	<b>287,305,660</b>	<b>692,707,656</b>	<b>2,268,231,488</b>

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

	September 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	\$ 945,338	515,000	795,000	230,000	-	2,485,338
Investment in marketable securities (Note 2)	641,640	14,970	50,112	142,192	7,232,564	8,081,478
Loans (included overdue loans)	628,633	623,277	318,720	200,506	1,464,718	3,235,854
Deliverable derivative assets	8,460,551	8,409,619	6,835,807	4,892,663	745,164	29,343,804
Non-deliverable derivative assets	39,147	30	9	84	34,637	73,907
Other capital inflow on maturity	1,184,209	287,576	95,424	6,301	350,041	1,923,551
Total assets	<u>\$ 11,899,518</u>	<u>9,850,472</u>	<u>8,095,072</u>	<u>5,471,746</u>	<u>9,827,124</u>	<u>45,143,932</u>
<b>Liabilities</b>						
Deposits from the central bank and banks	\$ 2,157,646	541,000	50,000	50,000	-	2,798,646
Deposits and remittances	1,861,878	1,800,632	1,623,958	1,671,813	3,419,768	10,378,049
Securities sold under repurchase agreements	1,025,309	1,273,122	-	-	-	2,298,431
Payables	18,725	15,392	8,892	2,370	109	45,488
Financial bonds payable	-	-	-	-	1,221,452	1,221,452
Deliverable derivative liabilities	7,825,651	6,975,954	5,921,708	4,567,136	711,033	26,001,482
Non-deliverable derivative liabilities	40,663	-	85	230	114,253	155,231
Other capital outflow on maturity	1,034,956	84,880	36,227	16,658	715,776	1,888,497
Total liabilities	<u>\$ 13,964,828</u>	<u>10,690,980</u>	<u>7,640,870</u>	<u>6,308,207</u>	<u>6,182,391</u>	<u>44,787,276</u>

(Continued)

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

Units: In thousands of USD

	December 31, 2018					Total
	0-30 days	31-90 days	91-180 days	181-365 days	Over 1 year	
<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

	September 30, 2018					Total
	0-30 days	31-90 days	91-180 days	181-365 days	Over 1 year	
<b>Assets</b>						
Cash and due from / call loans to banks	\$ 557,777	1,052,000	416,000	498,000	-	2,523,777
Investment in marketable securities (Note 2)	650,814	48,639	63,005	106,365	5,965,467	6,834,290
Loans (included overdue loans)	785,030	444,804	342,761	128,433	1,555,355	3,256,383
Deliverable derivative assets	13,260,510	12,893,053	6,729,879	3,662,810	1,048,749	37,595,001
Non-deliverable derivative assets	44,118	32	-	16	87,562	131,728
Other capital inflow on maturity	912,562	429,029	90,911	14,962	386,732	1,834,196
<b>Total assets</b>	<b>\$ 16,210,811</b>	<b>14,867,557</b>	<b>7,642,556</b>	<b>4,410,586</b>	<b>9,043,865</b>	<b>52,175,375</b>
<b>Liabilities</b>						
Deposits from the central bank and banks	\$ 1,953,481	469,000	-	-	-	2,422,481
Deposits and remittances	3,187,020	1,229,215	2,157,503	1,622,219	3,603,499	11,799,456
Securities sold under repurchase agreements	1,099,453	1,408,853	271,245	-	-	2,779,551
Payables	18,798	14,920	9,314	866	-	43,898
Financial bonds payable	-	-	-	-	969,862	969,862
Deliverable derivative liabilities	11,680,558	9,065,114	7,333,383	3,610,556	582,034	32,271,645
Non-deliverable derivative liabilities	41,047	-	-	369	96,365	137,781
Other capital inflow on maturity	486,312	110,749	21,859	16,365	763,591	1,398,876
<b>Total liabilities</b>	<b>\$ 18,466,669</b>	<b>12,297,851</b>	<b>9,793,304</b>	<b>5,250,375</b>	<b>6,015,351</b>	<b>51,823,550</b>

Note1 : The above amounts include only USD amounts held by headquarter, domestic branches and offshore banking units 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**

iii) The maturity analysis of financial assets and liabilities - CNY

Fubon Bank (China)

Units: In thousands of CNY

	September 30, 2019					Total
	0-30 days	31-90 days	91-365 days	Over 1 year	Undetermined	
<b>Assets</b>						
Cash and due from / call loans to banks	\$ 2,812,884	-	-	-	5,695,440	8,508,324
Investment in marketable securities (Note)	4,399,250	941,244	2,386,655	24,782,260	-	32,509,409
Loans (included overdue loans)	8,707,443	8,002,336	20,906,756	13,615,818	-	51,232,353
Deliverable derivative assets	13,910,284	17,138,945	39,397,398	769,341	-	71,215,968
Non-deliverable derivative assets	591	194	460	-	-	1,245
Other capital inflow on maturity	1,306,054	1,074,267	4,270,576	-	19,654	6,670,551
<b>Total assets</b>	<b>\$ 31,136,506</b>	<b>27,156,986</b>	<b>66,961,845</b>	<b>39,167,419</b>	<b>5,715,094</b>	<b>170,137,850</b>
<b>Liabilities</b>						
Deposits from the central bank and banks	\$ 1,213,845	1,992,382	2,625,950	-	-	5,832,177
Due to the central bank and banks	-	171,842	-	-	-	171,842
Deposits and remittances	26,001,706	17,321,978	19,614,288	5,356,145	-	68,294,117
Securities sold under repurchase agreements	2,871,612	60,311	-	-	-	2,931,923
Payables	1,344,946	1,074,266	4,270,576	544	-	6,690,332
Financial bonds payable	-	54,300	52,000	2,956,700	-	3,063,000
Deliverable derivatives liabilities	13,798,963	17,071,637	39,272,658	767,584	-	70,910,842
Non-deliverable derivatives liabilities	640	410	776	-	-	1,826
Other capital outflow	-	-	-	-	3,122	3,122
<b>Total liabilities</b>	<b>\$ 45,231,712</b>	<b>37,747,126</b>	<b>65,836,248</b>	<b>9,080,973</b>	<b>3,122</b>	<b>157,899,181</b>

(Continued)

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

Units: In thousands of CNY

	December 31, 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	\$ 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	13,066,016	12,775,366	33,336,592	682,450	-	59,860,424
Non-deliverable derivative assets	53	2,989	1,952	-	-	4,994
Other capital inflow on maturity	1,393,594	1,161,734	2,089,324	-	18,239	4,662,891
<b>Total assets</b>	<b>\$ 30,476,396</b>	<b>22,495,072</b>	<b>56,719,077</b>	<b>25,389,180</b>	<b>4,802,537</b>	<b>139,882,262</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	13,057,545	12,779,725	33,288,151	680,096	-	59,805,517
Non-deliverable derivatives liabilities	150	3,429	3,167	-	-	6,746
Other capital outflow	-	-	-	-	3,122	3,122
<b>Total liabilities</b>	<b>\$ 44,578,685</b>	<b>29,673,586</b>	<b>48,895,098</b>	<b>7,214,003</b>	<b>3,122</b>	<b>130,364,494</b>

(Continued)

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

Units: In thousands of CNY

	September 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	\$ 2,447,937	-	-	-	5,140,706	7,588,643
Investments in marketable securities (Note)	6,458,639	1,114,660	2,295,349	14,414,974	-	24,283,622
Securities purchased under resell agreements	591,589	-	-	-	-	591,589
Loans (included overdue loans)	5,157,185	8,350,983	16,762,217	9,665,412	-	39,935,797
Deliverable derivative assets	14,426,785	20,151,463	38,365,899	688,091	-	73,632,238
Non deliverable derivative assets	335	2,356	3,800	-	-	6,491
Other capital inflow on maturity	1,144,754	1,027,793	2,006,573	-	20,243	4,199,363
<b>Total assets</b>	<b>\$ 30,227,224</b>	<b>30,647,255</b>	<b>59,433,838</b>	<b>24,768,477</b>	<b>5,160,949</b>	<b>150,237,743</b>
<b>Liabilities</b>						
Deposits from the central bank and banks	\$ 2,856,236	2,023,996	3,784,233	-	-	8,664,465
Due to the central bank and banks	-	212,688	-	-	-	212,688
Deposits and remittances	22,689,632	10,817,697	11,177,547	5,967,807	-	50,652,683
Securities sold under repurchase agreements	3,244,506	-	-	-	-	3,244,506
Payables	1,433,694	994,615	2,006,573	550	-	4,435,432
Deliverable derivatives liabilities	14,390,275	20,101,628	38,016,229	685,737	-	73,193,869
Non-deliverable derivatives liabilities	367	2,855	4,914	-	-	8,136
Other capital outflow	-	-	-	-	3,122	3,122
<b>Total liabilities</b>	<b>\$ 44,614,710</b>	<b>34,153,479</b>	<b>54,989,496</b>	<b>6,654,094</b>	<b>3,122</b>	<b>140,414,901</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

	September 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	\$ 269,292	1,419,152	1,105,073	4,281,080	5,154,196	12,228,793
– Currency swap	167,469,076	130,663,397	119,587,422	68,139,501	4,884	485,864,280
– Cross currency swap	3,715,044	32,883,193	26,518,895	30,924,635	18,317,820	112,359,587
Subtotal	<u>171,453,412</u>	<u>164,965,742</u>	<u>147,211,390</u>	<u>103,345,216</u>	<u>23,476,900</u>	<u>610,452,660</u>
Non-deliverable derivative assets						
– Foreign exchange derivative instruments	869,716	-	-	-	-	869,716
– Interest rate derivative instruments – hedging	-	-	-	9,504	594,314	603,818
– Interest rate derivative instruments – non-hedging	2,459,910	-	-	-	-	2,459,910
– Equity derivative instruments	613,581	-	-	-	-	613,581
Subtotal	<u>3,943,207</u>	<u>-</u>	<u>-</u>	<u>9,504</u>	<u>594,314</u>	<u>4,547,025</u>
<b>Liabilities</b>						
Deliverable derivative liabilities						
– Forward contracts	\$ 1,555,916	1,241,314	94,015	-	-	2,891,245
– Currency swap	176,872,054	202,272,410	166,119,851	83,376,817	2,361,446	631,002,578
– Cross currency swap	2,444,000	3,524,240	14,869,280	33,938,890	20,291,315	75,067,725
Subtotal	<u>180,871,970</u>	<u>207,037,964</u>	<u>181,083,146</u>	<u>117,315,707</u>	<u>22,652,761</u>	<u>708,961,548</u>
Non-deliverable derivative liabilities						
– Foreign exchange derivative instruments	869,716	-	-	-	-	869,716
– Interest rate derivative instrument – hedging	-	-	-	-	8,011	8,011
– Interest rate derivative instruments – non-hedging	2,483,421	-	-	-	-	2,483,421
– Equity derivative instruments	614,223	-	-	-	-	614,223
Subtotal	<u>3,967,360</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,011</u>	<u>3,975,371</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>						
Deliverable derivative assets						
– 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	<u>9,784,349</u>	<u>15,467,091</u>	<u>5,174,984</u>	<u>17,538,925</u>	<u>17,244,360</u>	<u>65,209,709</u>
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>
Non-deliverable derivative assets						
– 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>						
Deliverable derivative liabilities						
– 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	<u>3,549,225</u>	<u>8,023,900</u>	<u>15,649,110</u>	<u>8,408,940</u>	<u>29,332,680</u>	<u>64,963,855</u>
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>
Non-deliverable derivative liabilities						
– 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

	September 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	\$ 1,535,062	409,607	371,049	129,132	-	2,444,850
– Currency swap	258,036,810	229,034,497	176,140,651	90,129,676	-	753,341,634
– Cross currency swap	<u>11,282,265</u>	<u>8,110,811</u>	<u>20,491,548</u>	<u>12,474,185</u>	<u>16,649,310</u>	<u>69,008,119</u>
Subtotal	<u>270,854,137</u>	<u>237,554,915</u>	<u>197,003,248</u>	<u>102,732,993</u>	<u>16,649,310</u>	<u>824,794,603</u>
Non-deliverable derivative assets						
– Foreign exchange derivative instruments	1,075,491	-	-	-	-	1,075,491
– Interest rate derivative instruments – hedging	-	2,133	-	3,781	235,339	241,253
– Interest rate derivative instruments – non-hedging	2,558,930	-	-	-	-	2,558,930
– Equity derivative instruments	976,810	-	-	-	-	976,810
Subtotal	<u>4,611,231</u>	<u>2,133</u>	<u>-</u>	<u>3,781</u>	<u>235,339</u>	<u>4,852,484</u>
<b>Liabilities</b>						
Deliverable derivative liabilities						
– Forward contracts	\$ 1,848,611	1,169,995	90,165	7,314	-	3,116,085
– Currency swap	306,257,028	351,267,085	171,729,822	88,858,843	5,500,835	923,613,613
– Cross currency swap	<u>603,900</u>	<u>2,747,840</u>	<u>11,573,125</u>	<u>15,621,610</u>	<u>24,813,510</u>	<u>55,359,985</u>
Subtotal	<u>308,709,539</u>	<u>355,184,920</u>	<u>183,393,112</u>	<u>104,487,767</u>	<u>30,314,345</u>	<u>982,089,683</u>
Non-deliverable derivative liabilities						
– Foreign exchange derivative instruments	1,075,491	-	-	-	-	1,075,491
– Interest rate derivative instrument-hedging	-	-	-	-	1,497	1,497
– Interest rate derivative instruments – non-hedging	2,643,858	-	-	-	-	2,643,858
– Equity derivative instruments	976,579	-	-	-	-	976,579
Subtotal	<u>4,695,928</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,497</u>	<u>4,697,425</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

	September 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	\$ 608,963	459,783	185,232	48,104	-	1,302,082
– Currency swap	7,771,588	7,834,836	6,149,303	3,734,559	77,887	25,568,173
– Cross currency swap	80,000	115,000	501,272	1,110,000	667,277	2,473,549
Subtotal	<u>8,460,551</u>	<u>8,409,619</u>	<u>6,835,807</u>	<u>4,892,663</u>	<u>745,164</u>	<u>29,343,804</u>
Non-deliverable derivative assets						
– Foreign exchange derivative instruments	22,342	-	-	-	-	22,342
– Interest rate derivative instruments – hedging	-	30	9	84	34,637	34,760
– Interest rate derivative instruments – non-hedging	15,762	-	-	-	-	15,762
– Equity derivative instruments	321	-	-	-	-	321
– Product derivative instruments	722	-	-	-	-	722
Subtotal	<u>39,147</u>	<u>30</u>	<u>9</u>	<u>84</u>	<u>34,637</u>	<u>73,907</u>
<b>Liabilities</b>						
Deliverable derivative liabilities						
– Forward contracts	\$ 182,333	295,237	80,268	75,733	-	633,571
– Currency swap	7,524,765	5,780,749	4,970,834	3,496,061	94,646	21,867,055
– Cross currency swap	118,553	899,968	870,606	995,342	616,387	3,500,856
Subtotal	<u>7,825,651</u>	<u>6,975,954</u>	<u>5,921,708</u>	<u>4,567,136</u>	<u>711,033</u>	<u>26,001,482</u>
Non-deliverable derivative liabilities						
– Foreign exchange derivative instruments	22,254	-	-	-	-	22,254
– Interest rate derivative instruments – hedging	-	-	85	230	114,253	114,568
– Interest rate derivative instruments – non-hedging	17,356	-	-	-	-	17,356
– Equity derivative instruments	342	-	-	-	-	342
– Product derivative instruments	711	-	-	-	-	711
Subtotal	<u>40,663</u>	<u>-</u>	<u>85</u>	<u>230</u>	<u>114,253</u>	<u>155,231</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

	September 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	\$ 610,717	561,445	101,820	42,719	200	1,316,901
– Currency swap	12,621,007	12,241,608	6,248,059	3,095,091	195,000	34,400,765
– Cross currency swap	28,786	90,000	380,000	525,000	853,549	1,877,335
Subtotal	<u>13,260,510</u>	<u>12,893,053</u>	<u>6,729,879</u>	<u>3,662,810</u>	<u>1,048,749</u>	<u>37,595,001</u>
<b>Non-deliverable derivative assets</b>						
– Foreign exchange derivative instruments	31,078	-	-	-	-	31,078
– Interest rate derivative instruments – hedging	-	32	-	16	87,562	87,610
– Interest rate derivative instruments – non-hedging	12,123	-	-	-	-	12,123
– Equity derivative instruments	482	-	-	-	-	482
– Product derivative instruments	435	-	-	-	-	435
Subtotal	<u>44,118</u>	<u>32</u>	<u>-</u>	<u>16</u>	<u>87,562</u>	<u>131,728</u>
<b>Liabilities</b>						
<b>Deliverable derivative liabilities</b>						
– Forward contracts	\$ 870,959	435,970	107,506	134,000	1,761	1,550,196
– Currency swap	10,419,221	8,363,252	6,544,554	3,078,603	-	28,405,630
– Cross currency swap	390,378	265,892	681,323	397,953	580,273	2,315,819
Subtotal	<u>11,680,558</u>	<u>9,065,114</u>	<u>7,333,383</u>	<u>3,610,556</u>	<u>582,034</u>	<u>32,271,645</u>
<b>Non-deliverable derivative liabilities</b>						
– Foreign exchange derivative instruments	31,775	-	-	-	-	31,775
– Interest rate derivative instruments – hedging	2	-	-	369	96,365	96,736
– Interest rate derivative instruments – non-hedging	8,356	-	-	-	-	8,356
– Equity derivative instruments	482	-	-	-	-	482
– Product derivative instruments	432	-	-	-	-	432
Subtotal	<u>41,047</u>	<u>-</u>	<u>-</u>	<u>369</u>	<u>96,365</u>	<u>137,781</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

	September 30, 2019				
	0-30 days	31-90 days	91-365 days	Over 1 year	Total
<b>Assets</b>					
Deliverable derivative assets					
– Forward contracts	\$ 543,926	593,845	369,329	340,729	1,847,829
– Currency swap	11,925,794	16,180,281	37,113,705	428,612	65,648,392
– Options	1,440,564	364,819	1,893,024	-	3,698,407
– Cross currency swap	-	-	21,340	-	21,340
Subtotal	<u>13,910,284</u>	<u>17,138,945</u>	<u>39,397,398</u>	<u>769,341</u>	<u>71,215,968</u>
Non-deliverable derivative assets					
– Interest rate derivative instruments – non-hedging	591	194	460	-	1,245
Subtotal	<u>591</u>	<u>194</u>	<u>460</u>	<u>-</u>	<u>1,245</u>
<b>Liabilities</b>					
Deliverable derivative liabilities					
– Forward contracts	\$ 540,074	598,937	371,962	357,535	1,868,508
– Currency swap	11,812,711	16,105,635	36,986,371	410,049	65,314,766
– Options	1,446,178	367,065	1,892,985	-	3,706,228
– Cross currency swap	-	-	21,340	-	21,340
Subtotal	<u>13,798,963</u>	<u>17,071,637</u>	<u>39,272,658</u>	<u>767,584</u>	<u>70,910,842</u>
Non-deliverable derivative liabilities					
– Interest rate derivative instruments – non-hedging	640	410	776	-	1,826
Subtotal	<u>640</u>	<u>410</u>	<u>776</u>	<u>-</u>	<u>1,826</u>

(Continued)

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

Units: In thousands of CNY

	December 31, 2018				
	0-30 days	31-90 days	91-365 days	Over 1 year	Total
<b>Asset</b>					
<b>Deliverable derivatives assets</b>					
— Forward contracts	\$ 632,065	190,777	698,569	340,729	1,862,140
— Currency swap	9,494,343	9,594,843	26,816,437	341,721	46,247,344
— Options	2,937,303	2,551,461	5,821,586	-	11,310,350
— Equity exchange	2,305	-	-	-	2,305
— Cross currency swap	-	438,285	-	-	438,285
Subtotal	<u>13,066,016</u>	<u>12,775,366</u>	<u>33,336,592</u>	<u>682,450</u>	<u>59,860,424</u>
<b>Non-deliverable derivatives assets</b>					
— Interest rate derivatives instruments — non-hedging	53	2,989	1,952	-	4,994
Subtotal	<u>53</u>	<u>2,989</u>	<u>1,952</u>	<u>-</u>	<u>4,994</u>
<b>Liabilities</b>					
<b>Deliverable derivatives liabilities</b>					
— Forward contracts	\$ 636,879	190,778	697,204	341,721	1,866,582
— Currency swap	9,472,239	9,545,122	26,727,762	338,375	46,083,498
— Options	2,946,123	2,585,876	5,863,185	-	11,395,184
— Equity exchange	2,304	-	-	-	2,304
— Cross currency swap	-	457,949	-	-	457,949
Subtotal	<u>13,057,545</u>	<u>12,779,725</u>	<u>33,288,151</u>	<u>680,096</u>	<u>59,805,517</u>
<b>Non-deliverable derivatives liabilities</b>					
— Interest rate derivatives instruments — non-hedging	150	3,429	3,167	-	6,746
Subtotal	<u>150</u>	<u>3,429</u>	<u>3,167</u>	<u>-</u>	<u>6,746</u>

(Continued)



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

Units: In thousands of CNY

	September 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	\$ 204,301	182,961	900,996	340,729	1,628,987
— Currency swap	9,937,621	17,278,293	30,266,347	345,058	57,827,319
— Options	4,284,863	2,679,259	6,869,277	-	13,833,399
— Equity exchange	-	10,950	-	2,304	13,254
— Cross currency swap	-	-	329,279	-	329,279
Subtotal	<u>14,426,785</u>	<u>20,151,463</u>	<u>38,365,899</u>	<u>688,091</u>	<u>73,632,238</u>
<b>Non-deliverable derivative assets</b>					
— Interest rate derivative instruments—non-hedging	335	193	3,800	-	4,328
— Commodity swap	-	2,163	-	-	2,163
Subtotal	<u>335</u>	<u>2,356</u>	<u>3,800</u>	<u>-</u>	<u>6,491</u>
<b>September 30, 2018</b>					
	0~30 days	31~90 days	91~365 days	Over 1 year	Total
<b>Liabilities</b>					
<b>Deliverable derivative liabilities</b>					
— Forward contracts	\$ 200,791	186,068	918,869	345,057	1,650,785
— Currency swap	9,906,859	17,198,675	30,055,233	338,375	57,499,142
— Options	4,282,625	2,705,935	6,712,849	-	13,701,409
— Equity exchange	-	10,950	-	2,305	13,255
— Cross currency swap	-	-	329,278	-	329,278
Subtotal	<u>14,390,275</u>	<u>20,101,628</u>	<u>38,016,229</u>	<u>685,737</u>	<u>73,193,869</u>
<b>Non-deliverable derivative liabilities</b>					
— Interest rate derivative instruments—non-hedging	367	692	4,914	-	5,973
— Commodity swap	-	2,163	-	-	2,163
Subtotal	<u>367</u>	<u>2,855</u>	<u>4,914</u>	<u>-</u>	<u>8,136</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

September 30, 2019	0-30 days	31-90 days	91-180 days	181-365 days	Over 1 year	Total
Standby and irrevocable loan commitment	\$ 198,911,545	-	-	-	-	198,911,545
Unused letters of credit	5,614,309	-	-	-	-	5,614,309
Other guarantee amounts	11,449,766	4,518,244	-	5,140,364	4,158,671	25,267,045
Total	\$ 215,975,620	4,518,244	-	5,140,364	4,158,671	229,792,899

Units: In thousands of TWD

December 31, 2018	0-30 days	31-90 days	91-180 days	181-365 days	Over 1 year	Total
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
Total	\$ 135,165,456	1,595,177	91,812	2,570,495	9,299,237	148,722,177

Units: In thousands of TWD

September 30, 2018	0-30 days	31-90 days	91-180 days	181-365 days	Over 1 year	Total
Standby and irrevocable loan commitment	\$ 139,028,545	-	-	-	-	139,028,545
Unused letters of credit	9,922,536	-	-	-	-	9,922,536
Other guarantee amounts	9,982,765	462,600	243,593	186,783	11,782,180	22,657,921
Total	\$ 158,933,846	462,600	243,593	186,783	11,782,180	171,609,002

Fubon Bank (China)

Units: In thousands of CNY

September 30, 2019	0-30 days	31-90 days	91-365 days	Over 1 year	Total
Unused letters of credit	\$ 56,905	100,677	45,430	-	203,012
Other guarantee amounts	161,531	219,476	292,615	16,588	690,210
Total	\$ 218,436	320,153	338,045	16,588	893,222

Units: In thousands of CNY

December 31, 2018	0-30 days	31-90 days	91-365 days	Over 1 year	Total
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
Total	\$ 233,499	367,528	664,923	11,597	1,277,547

(Continued)

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

Units: In thousands of CNY

September 30, 2018	0-30 days	31-90 days	91-365 days	Over 1 year	Total
Unused letters of credit	\$ 90,083	253,909	65,973	-	409,965
Other guarantee amounts	116,147	280,219	684,907	11,502	1,092,775
Total	\$ 206,230	534,128	750,880	11,502	1,502,740

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 cash flow analysis model is applied 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:

	September 30, 2019				
	Less than 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
Accounts payable	\$ 49,489,063	179,164	-	64,795	49,733,022
Short-term debts	398,426	-	-	-	398,426
Bonds payables (Note)	3,487,247	6,377,503	5,544,493	61,652,809	77,062,052
Total	<u>\$ 53,374,736</u>	<u>6,556,667</u>	<u>5,544,493</u>	<u>61,717,604</u>	<u>127,193,500</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>

	September 30, 2018				
	Less than 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
Accounts payable	\$ 29,700,277	31,434	1,263	230,131	29,963,105
Short-term debts	129,664	-	-	-	129,664
Bonds payables (Note)	4,110,471	5,805,764	7,598,407	61,940,134	79,454,776
Total	<u>\$ 33,940,412</u>	<u>5,837,198</u>	<u>7,599,670</u>	<u>62,170,265</u>	<u>109,547,545</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:

	September 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	\$ 2,091,247	-	-	-	2,091,247
Financial liabilities for hedging	661,497	-	87,141	-	748,638
Total	<u>\$ 2,752,744</u>	<u>-</u>	<u>87,141</u>	<u>-</u>	<u>2,839,885</u>

(Continued)

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

	December 31, 2018				
	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	\$ 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>

  

	September 30, 2018				
	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	\$ 11,212,074	-	-	-	11,212,074
Financial liabilities for hedging	34,880	-	711,961	700,909	1,447,750
<b>Total</b>	<b><u>\$ 11,246,954</u></b>	<b><u>-</u></b>	<b><u>711,961</u></b>	<b><u>700,909</u></b>	<b><u>12,659,824</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:

	September 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	\$ 109,058	-	-	-	84,439	-	-	193,497
Financial assets measured at fair value through other comprehensive income	156,813	1,891,938	2,247,086	6,191,166	3,154,890	4,827,398	2,100,000	20,569,291
Financial assets measured at amortized cost	-	-	-	-	180,265	2,405,458	-	2,585,723
	<u>\$ 265,871</u>	<u>1,891,938</u>	<u>2,247,086</u>	<u>6,191,166</u>	<u>3,419,594</u>	<u>7,232,856</u>	<u>2,100,000</u>	<u>23,348,511</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
		<u>\$ 469,563</u>	<u>634,275</u>	<u>3,014,121</u>	<u>5,968,741</u>	<u>2,614,258</u>	<u>8,479,770</u>	<u>2,100,000</u>	<u>23,280,728</u>
		September 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	\$	355,328	-	-	-	39,471	-	-	394,799
Financial assets measured at fair value through other comprehensive income		158,188	631,401	3,001,248	5,950,157	2,604,652	5,107,626	2,100,000	19,553,272
Financial assets measured at amortized cost		-	-	-	-	205,577	3,424,914	-	3,630,491
		<u>\$ 513,516</u>	<u>631,401</u>	<u>3,001,248</u>	<u>5,950,157</u>	<u>2,849,700</u>	<u>8,532,540</u>	<u>2,100,000</u>	<u>23,578,562</u>

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:

		September 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		<u>\$ 55,491</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>55,491</u>
Maturity analysis of financial liabilities		<u>\$ 28,836</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,836</u>

(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

  

		September 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		\$ 42,691	-	-	-	-	42,691
Maturity analysis of financial liabilities		\$ 175,979	-	-	-	-	175,979

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

		September 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	\$	10,640,477	6,371,570	350,740	238,150	-	17,600,937
Customer margin account		16,642,803	-	-	-	-	16,642,803
Financial assets mandatorily measured at fair value through profit or loss – current		15,909,187	300,415	-	895,224	17,565,846	34,670,672
Open-end funds, money market instruments and other securities		1,142,110	-	-	-	-	1,142,110
Operating securities		13,146,723	300,415	-	895,224	17,007,493	31,349,855
Derivatives – OTC		309,315	-	-	-	-	309,315
Derivatives – Futures trading margin		302,708	-	-	-	-	302,708
Other debt securities		4,831	-	-	-	558,353	563,184
Call option – Futures		968	-	-	-	-	968
Securities invested by brokers		1,002,532	-	-	-	-	1,002,532
Financial assets measured at fair value through other comprehensive income – current and non-current		4,516,110	-	-	9,823,054	7,366,370	21,705,534
Receivables from pecuniary finance		8,728,312	1,293,083	431,028	323,271	-	10,775,694
Collateral for borrowed securities		271,723	-	-	-	-	271,723
Margin deposits for borrowed securities		6,069,785	-	-	-	-	6,069,785
Receivables		14,015,603	132,607	19,351	6,183	-	14,173,744
Total	\$	76,794,000	8,097,675	801,119	11,285,882	24,932,216	121,910,892
Proportion of the total		62.99 %	6.64 %	0.66 %	9.26 %	20.45 %	100.00 %

(Continued)

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

<u>Financial liabilities</u>	September 30, 2019					
	<u>Cash flow gap</u>					
	0-30 days	31-90 days	91-180 days	181-365 days	Over 1 year	Total
Short term loans	\$ 674,414	-	-	-	-	674,414
Commercial papers issued	4,499,241	-	-	-	-	4,499,241
Held-for-trading financial liabilities — current	2,359,378	-	-	-	-	2,359,378
Call (put) warrants	141,992	-	-	-	-	141,992
Derivatives—OTC	848,840	-	-	-	-	848,840
Liabilities in sale of borrowed securities	427,176	-	-	-	-	427,176
Short covering bonds	941,004	-	-	-	-	941,004
Put options—Futures	366	-	-	-	-	366
Financial liabilities designated as at fair value through profit or loss	3,550,096	-	-	-	-	3,550,096
Securities sold under repurchase agreements	32,246,680	-	-	-	-	32,246,680
Securities financing refundable deposits	1,590,981	235,701	78,567	58,925	-	1,964,174
Deposits payable for securities financing	1,805,422	267,470	89,157	66,867	-	2,228,916
Securities lending refundable deposits	15,367,445	-	-	-	-	15,367,445
Lease liabilities—current and non-current	22,369	43,565	60,870	111,169	340,650	578,623
Futures customers' equity	16,642,894	-	-	-	-	16,642,894
Payables	11,603,142	2,246	3,312	6,551	8,706	11,623,957
Amounts collected for other parties	2,675,193	168	-	-	-	2,675,361
<b>Total</b>	<b>\$ 93,037,255</b>	<b>549,150</b>	<b>231,906</b>	<b>243,512</b>	<b>349,356</b>	<b>94,411,179</b>
Proportion of the total	<b>98.54 %</b>	<b>0.58 %</b>	<b>0.25 %</b>	<b>0.26 %</b>	<b>0.37 %</b>	<b>100.00 %</b>
Cash inflow	76,794,000	8,097,675	801,119	11,285,882	24,932,216	121,910,892
Cash outflow	93,037,255	549,150	231,906	243,512	349,356	94,411,179
Net cash flow	(16,243,255)	7,548,525	569,213	11,042,370	24,582,860	27,499,713

(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	<u>9,735,937</u>	<u>268,506</u>	<u>22,234</u>	<u>4,825</u>	<u>-</u>	<u>10,031,502</u>
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 years	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	113,085,737
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

  

September 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	\$ 8,020,818	4,587,315	3,947,493	1,272,623	183,359	18,011,608
Customer margin account	17,099,994	-	-	-	-	17,099,994
Financial assets mandatorily measured at fair value through profit or loss— current	13,422,516	2,944,385	722,247	1,702,644	24,048,161	42,839,953
Open-end funds, money market instruments and other securities	1,704,126	190,922	-	-	-	1,895,048
Operating securities	10,545,067	2,753,463	722,247	1,702,644	23,518,290	39,241,711
Derivatives—OTC	149,548	-	-	-	-	149,548
Derivatives—Futures trading margin	199,824	-	-	-	-	199,824
Other debt securities	-	-	-	-	529,871	529,871
Call option—Futures	210	-	-	-	-	210
Securities invested by brokers	823,741	-	-	-	-	823,741
Financial assets measured at fair value through other comprehensive income—current and non-current	-	3,254,599	-	7,137,177	7,145,285	17,537,061
Bonds purchased under resell agreement	160,959	-	-	-	-	160,959
Receivables from pecuniary finance	10,584,824	1,402,808	510,112	255,056	-	12,752,800
Collateral for borrowed securities	94,477	-	-	-	-	94,477
Margin deposits for borrowed securities	1,080,601	-	-	-	-	1,080,601
Receivables	13,640,244	118,096	23,727	5,572	-	13,787,639
<b>Total</b>	<b>\$ 64,104,433</b>	<b>12,307,203</b>	<b>5,203,579</b>	<b>10,373,072</b>	<b>31,376,805</b>	<b>123,365,092</b>
Proportion of the total	<b>51.96 %</b>	<b>9.98 %</b>	<b>4.22 %</b>	<b>8.41 %</b>	<b>25.43 %</b>	<b>100.00 %</b>

(Continued)

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

Financial liabilities	September 30, 2018					
	Cash flow gap					
	0-30 days	31-90 days	91-180 days	181-365 years	Over 1 year	Total
Short term loans	\$ 2,871,653	-	-	-	-	2,871,653
Commercial papers issued	1,499,800	-	-	-	-	1,499,800
Held-for-trading financial liabilities— current	2,210,489	-	-	-	-	2,210,489
Call (put) warrant	159,085	-	-	-	-	159,085
Derivatives—OTC	777,670	-	-	-	-	777,670
Liabilities on sale of borrowed securities	272,940	-	-	-	-	272,940
Bonds purchased under resell agreement—Borrowed securities	160,571	-	-	-	-	160,571
Short covering bonds	840,223	-	-	-	-	840,223
Financial liabilities designated as at fair value through profit or loss	2,638,178	-	-	-	-	2,638,178
Securities sold under repurchase agreements	37,734,625	-	-	-	-	37,734,625
Securities financing refundable deposits	1,784,272	236,470	85,989	42,994	-	2,149,725
Deposits payable for securities financing	1,979,497	262,343	95,397	47,699	-	2,384,936
Securities lending refundable deposits	12,612,019	-	-	-	-	12,612,019
Futures traders' equity	17,100,428	-	-	-	-	17,100,428
Payables	12,028,473	36	13	7	-	12,028,529
Amounts collected for other parties	863,800	177	-	-	-	863,977
<b>Total</b>	<b>\$ 93,323,234</b>	<b>499,026</b>	<b>181,399</b>	<b>90,700</b>	<b>-</b>	<b>94,094,359</b>
Proportion of the total	<b>99.18 %</b>	<b>0.53 %</b>	<b>0.19 %</b>	<b>0.10 %</b>	<b>- %</b>	<b>100.00 %</b>
Cash inflow	64,104,433	12,307,203	5,203,579	10,373,072	31,376,805	123,365,092
Cash outflow	93,323,234	499,026	181,399	90,700	-	94,094,359
Net cash flow	(29,218,801)	11,808,177	5,022,180	10,282,372	31,376,805	29,270,733

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.

(Continued)



**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

	September 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	\$ 701,952	1,096,195	99,118	-	-	1,897,265
Securities sold under repurchase agreements	2,177,199	3,289,250	-	-	-	5,466,449
Others	42,474,532	26,115,403	11,101,813	4,509,961	3,251,421	87,453,130

(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>September 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	\$ 1,099,662	-	-	-	-	1,099,662
Securities sold under repurchase agreements	2,682,357	4,142,264	-	-	-	6,824,621
Others	44,881,861	19,836,101	6,650,213	4,225,867	3,371,008	78,965,050

## d) The maturity analysis of derivative financial liabilities

## i) Net settlement derivative instruments

Units: In thousands of HKD

	<b>September 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	\$ 11,976,695	2,727,230	4,839,648	1,037,045	344,991	20,925,609
— Interest rate derivative instruments	-	-	234,248	-	1,099,408	1,333,656
Derivative financial liabilities for hedging						
— Interest rate derivative instruments	200,000	78,407	1,020,017	672,203	21,280,965	23,251,592
<b>Total</b>	<b>\$ 12,176,695</b>	<b>2,805,637</b>	<b>6,093,913</b>	<b>1,709,248</b>	<b>22,725,364</b>	<b>45,510,857</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>					<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	\$ 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

	<b>September 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>	
Derivative financial liabilities measured at fair value through profit or loss						
– Foreign exchange derivative instruments	\$ 10,282,645	3,561,708	1,281,910	903,799	1,770,407	17,800,469
– Interest rate derivative instruments	-	-	552,212	-	1,842,985	2,395,197
Derivatives financial liabilities for hedging						
– Interest rate derivative instruments	-	-	317,345	2,704,565	13,402,228	16,424,138
<b>Total</b>	<b>\$ 10,282,645</b>	<b>3,561,708</b>	<b>2,151,467</b>	<b>3,608,364</b>	<b>17,015,620</b>	<b>36,619,804</b>

## ii) The maturity analysis of off-balance sheet items

Units: In thousands of HKD

	<b>September 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>	
Standby and irrevocable loan commitment	\$ 301,609	63,124	103,512	829,978	1,195,362	2,493,585
Unused letters of credit	47,591	89,204	7,648	-	-	144,443
Other guarantee amounts	16,303	15,527	100,081	18,972	41,994	192,877
<b>Total</b>	<b>\$ 365,503</b>	<b>167,855</b>	<b>211,241</b>	<b>848,950</b>	<b>1,237,356</b>	<b>2,830,905</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>					<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>	
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 guarantee amounts	8,215	790,362	15,672	25,625	67,714	907,588
<b>Total</b>	<b>\$ 68,488</b>	<b>1,102,221</b>	<b>169,925</b>	<b>544,088</b>	<b>1,496,003</b>	<b>3,380,725</b>

Units: In thousands of HKD

	<b>September 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>	
Standby and irrevocable loan commitment	\$ 207	56,451	343,635	256,864	1,829,495	2,486,652
Unused letters of credit	290,555	179,832	22,112	-	-	492,499
Other guarantee amounts	5,163	2,647	80,255	33,768	27,219	149,052
<b>Total</b>	<b>\$ 295,925</b>	<b>238,930</b>	<b>446,002</b>	<b>290,632</b>	<b>1,856,714</b>	<b>3,128,203</b>

## (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 nine months ended September 30, 2019</u>			
	<u>Highest</u>	<u>Lowest</u>	<u>Average</u>	<u>End of period</u>
Equity group	\$ 7,258	519	2,343	1,308
Interest rate group	63,542	35,958	48,975	43,223
Exchange rate group	11,598	4,912	8,057	7,976
Volatility group	2,042	222	915	1,869
Diversification effect	-	-	(12,363)	(9,751)
Common VaR of trading book			<u>\$ 47,927</u>	<u>44,625</u>

(Continued)

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

<u>Common VaR</u>	<u>For the nine months ended September 30, 2018</u>			<u>End of period</u>
	<u>Highest</u>	<u>Lowest</u>	<u>Average</u>	
Equity group	\$ 25,106	-	8,525	6,794
Interest rate group	95,413	50,073	65,913	59,891
Exchange rate group	9,452	4,753	7,636	8,965
Volatility group	1,200	322	596	573
Diversification effect	-	-	(12,441)	(10,915)
Common VaR of trading book			<u>\$ 70,229</u>	<u>65,308</u>

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 September 30, 2019, December 31 and September 30, 2018, and all other factors been held constant, the earnings would have decreased/increased by \$4 million, \$4 million and \$2 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 September 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:

	September 30, 2019		December 31, 2018		September 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%	\$ -	660,309	-	429,230	-	326,432
Stock prices decreased by 10%	-	(660,309)	-	(429,230)	-	(326,432)

**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.

	September 30, 2019		December 31, 2018		September 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	(65,504)	(165,560)	(7,076)	(97,588)	37,126	(110,187)
Interest rate decreased by 50 basis points	65,773	158,359	7,076	100,692	(37,126)	114,068

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:

	September 30, 2019		December 31, 2018		September 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%	\$ 56,254	34,733	13,404	40,261	(311,636)	6,136
Foreign exchange rate for USD and HKD against CNY decreased by 5%	(56,254)	(34,733)	(13,404)	(40,261)	311,636	(6,136)

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 September 30, 2019, December 31 and September 30, 2018.

Taipei Fubon Bank (The Bank)

	September 30, 2019			December 31, 2018			September 30, 2018		
	Original	Rate	TWD	Original	Rate	TWD	Original	Rate	TWD
<u>Financial assets</u>									
<u>Monetary items</u>									
USD	\$ 18,629,813	31.0494	578,444,516	18,177,041	30.7404	558,769,511	17,495,503	30.5599	534,660,822
CNY	8,095,132	4.3429	35,156,349	11,110,698	4.4671	49,632,599	16,191,574	4.4416	71,916,495
JPY	-	-	-	-	-	-	74,401,231	0.2690	20,013,931
HKD	12,835,325	3.9603	50,831,738	8,034,603	3.9259	31,543,048	9,214,078	3.9061	35,991,110
AUD	1,930,777	20.9597	40,468,507	1,169,088	21.7320	25,406,620	1,171,981	22.0598	25,853,666
EUR	476,186	33.9519	16,167,419	631,486	35.1357	22,187,703	-	-	-
<u>Non-monetary items</u>									
USD	271,086	31.0494	8,417,058	187,014	30.7404	5,748,885	256,850	30.5599	7,849,310
CNY	561,174	4.3429	2,437,123	625,823	4.4671	2,795,614	935,340	4.4416	4,154,406
JPY	-	-	-	-	-	-	10,724,267	0.2690	2,884,828
HKD	201,463	3.9603	797,854	89,137	3.9259	349,943	129,311	3.9061	505,102
AUD	131	20.9597	2,746	738	21.7320	16,038	950	22.0598	20,957
EUR	426	33.9519	14,464	383	35.1357	13,457	-	-	-
<u>Investments accounted for using equity method</u>									
CNY	4,816,127	4.3429	20,915,958	4,729,936	4.4671	21,129,099	4,678,316	4.4416	20,779,210
<u>Financial liabilities</u>									
<u>Monetary items</u>									
USD	22,214,327	31.0494	689,741,525	23,394,423	30.7404	719,153,921	23,289,753	30.5599	711,732,523
CNY	12,633,164	4.3429	54,864,568	15,895,005	4.4671	71,004,577	17,444,995	4.4416	77,483,690
JPY	-	-	-	-	-	-	38,139,291	0.2690	10,259,469
HKD	10,639,302	3.9603	42,134,828	8,169,380	3.9259	32,072,169	7,575,758	3.9061	29,591,668
AUD	1,132,361	20.9597	23,733,947	1,123,686	21.7320	24,419,944	1,215,389	22.0598	26,811,238
EUR	294,020	33.9519	9,982,538	297,597	35.1357	10,456,279	-	-	-
<u>Non-monetary items</u>									
USD	325,826	31.0494	10,116,702	210,131	30.7404	6,459,511	227,163	30.5599	6,942,079
CNY	636,359	4.3429	2,763,644	593,107	4.4671	2,649,468	902,446	4.4416	4,008,304
JPY	-	-	-	-	-	-	10,692,825	0.2690	2,876,370
HKD	118,458	3.9603	469,129	34,746	3.9259	136,409	102,937	3.9061	402,082
AUD	1,545	20.9597	32,383	617	21.7320	13,409	922	22.0598	20,339
EUR	1,782	33.9519	60,502	871	35.1357	30,603	-	-	-

(Continued)

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

Fubon Bank (China)

	September 30, 2019			December 31, 2018			September 30, 2018		
	Original	Rate	CNY	Original	Rate	CNY	Original	Rate	CNY
<u>Financial assets</u>									
<u>Monetary items</u>									
USD	\$ 535,543	7.0729	3,787,842	511,544	6.8632	3,510,829	541,321	6.8792	3,723,855
JPY	1,290,044	0.0657	84,756	1,601,877	0.0619	99,156	1,680,545	0.0607	102,009
HKD	20,708	0.9020	18,679	26,708	0.8762	23,402	25,037	0.8800	22,033
EUR	1,577	7.7538	12,228	1,543	7.8473	12,108	3,062	8.0111	24,530
<u>Non-monetary items</u>									
USD	138,108	7.0729	976,824	98,995	6.8632	679,422	171,449	6.8792	1,179,432
<u>Financial liability</u>									
<u>Monetary items</u>									
USD	2,316,899	7.0729	16,387,195	1,732,364	6.8632	11,889,561	1,875,814	6.8792	12,904,100
JPY	2,337,595	0.0657	153,580	2,806,577	0.0619	173,727	2,386,598	0.0607	144,866
HKD	331,468	0.9020	298,984	12,899	0.8762	11,302	17,315	0.8800	15,237
EUR	3,838	7.7538	29,759	4,868	7.8473	38,201	14,702	8.0111	117,779
<u>Non-monetary items</u>									
USD	6,897	7.0729	48,782	9,446	6.8632	64,830	299	6.8792	2,057

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.

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.

(Continued)

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

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

September 30, 2019			
Risk factor	Variation	Change in profit or loss	Change in equity
Equity risk (Price index)	Price incline by 10%	-	54,569,970
	Price decline by 10%	-	(54,569,970)
Interest rate risk (Yield curve)	Yield curve (USD) incline by 50BPS	(3,695)	(28,110,152)
	Yield curve (TWD) incline by 50BPS	-	(11,573,246)
	Yield curve (Other) incline by 50BPS	(313)	(567,151)
	Yield curve (USD) decline by 50BPS	3,302	28,889,908
	Yield curve (TWD) decline by 50BPS	-	12,529,061
	Yield curve (Other) decline by 50BPS	314	578,719
Exchange rate risk (Currency exchange rate)	TWD to all currency incline by 3%	(8,609,632)	(9,427,524)
	TWD to all currency decline by 3%	8,609,632	9,427,524

(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)	(21,146,487)
	Yield curve (TWD) incline by 50BPS	-	(14,577,931)
	Yield curve (Other) incline by 50BPS	-	(603,202)
	Yield curve (USD) decline by 50BPS	3,407	22,157,476
	Yield curve (TWD) decline by 50BPS	-	15,827,907
	Yield curve (Other) decline by 50BPS	-	616,229
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>September 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%	-	51,609,999
	Price decline by 10%	-	(51,609,999)
Interest rate risk (Yield curve)	Yield curve (USD) incline by 50BPS	(3,834)	(18,694,505)
	Yield curve (TWD) incline by 50BPS	-	(14,739,036)
	Yield curve (Other) incline by 50BPS	-	(489,557)
	Yield curve (USD) decline by 50BPS	3,538	19,597,420
	Yield curve (TWD) decline by 50BPS	-	15,713,880
	Yield curve (Other) decline by 50BPS	-	501,034
Exchange rate risk (Currency exchange rate)	TWD to all currency incline by 3%	(5,541,205)	(6,196,269)
	TWD to all currency decline by 3%	5,541,205	6,196,269

(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>September 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%	-	14,254,307
	Price decline by 10%	-	(14,254,307)
Interest rate risk (Yield curve)	Yield curve (USD) incline by 50BPS	-	(790,472)
	Yield curve (KRW) incline by 50BPS	-	(45,525,583)
	Yield curve (USD) decline by 50BPS	-	811,893
	Yield curve (KRW) decline by 50BPS	-	47,659,232
Exchange rate risk (Currency exchange rate)	KRW to all currency incline by 3%	(11,837,396)	-
	KRW to all currency decline by 3%	11,837,396	-

  

<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 \$(46) thousand, \$(71) thousand and \$(75) thousand in profit or loss and \$(821,440) thousand, \$(748,294) thousand and \$(696,939) thousand in equity of Fubon Life Insurance on September 30, 2019, December 31 and September 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 KRW(947,441) thousand and KRW(497,467) thousand in equity of Fubon Hyundai Life Insurance Co., Ltd on September 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.

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>September 30, 2019</b>			
<u>Common VaR</u>	<u>Average</u>	<u>Highest</u>	<u>Lowest</u>
Fixed income group	\$ 477,413	603,233	295,017
Equity group	840,291	966,617	739,197
Fund group	75,291	959,177	57,331
Asset securitization group	34,357	37,827	31,861
Total position	1,002,287	1,207,376	738,562
<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>September 30, 2018</b>			
<u>Common VaR</u>	<u>Average</u>	<u>Highest</u>	<u>Lowest</u>
Fixed income group	\$ 472,170	522,721	353,012
Equity group	962,997	2,197,243	463,839
Fund group	88,467	125,508	60,573
Asset securitization group	41,104	54,064	26,215
Total position	938,520	1,688,209	560,035

Note 1: VaR was adopted for the nine months ended September 30, 2019 and 2018 and for the year ended December 31, 2018.

(Continued)

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

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

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

**For the three months ended September 30, 2019**

<b>Common VaR</b>	<b>Highest</b>	<b>Lowest</b>	<b>Average</b>
Foreign exchange rate	\$ 770	389	614
Interest rate	25,812	14,841	19,318
Equity	40,308	32,312	37,397
Fluctuation	3,110	1,426	2,358

**For the three months ended September 30, 2018**

<b>Common VaR</b>	<b>Highest</b>	<b>Lowest</b>	<b>Average</b>
Foreign exchange rate	\$ 4,590	4,207	4,447
Interest rate	40,922	25,003	31,549
Equity	48,953	42,080	46,559
Fluctuation	2,147	1,698	1,887

**For the nine months ended September 30, 2019**

<b>Common VaR</b>	<b>Highest</b>	<b>Lowest</b>	<b>Average</b>
Foreign exchange rate	\$ 770	70	434
Interest rate	25,812	11,283	16,316
Equity	54,549	27,248	37,795
Fluctuation	3,561	1,426	2,442

**For the nine months ended September 30, 2018**

<b>Common VaR</b>	<b>Highest</b>	<b>Lowest</b>	<b>Average</b>
Foreign exchange rate	\$ 95,697	4,207	35,281
Interest rate	48,400	15,782	31,491
Equity	59,277	29,303	47,435
Fluctuation	9,641	1,698	4,524

(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.)

(Continued)

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

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.

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 (PVBP): Measure the changing value of the yield rate curve when it moves 1 bp in parallel.

(Continued)

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

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.

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.

(Continued)

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

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.

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.

(Continued)



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

- 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>September 30, 2019</b>			
<b>VaR</b>	<b>Average</b>	<b>Highest</b>	<b>Lowest</b>
Foreign exchange risk	\$ 129	1,711	43
Interest rate risk	41	424	-
Total risk	195	1,671	52
<b>December 31, 2018</b>			
<b>VaR</b>	<b>Average</b>	<b>Highest</b>	<b>Lowest</b>
Foreign exchange risk	\$ 129	619	16
Interest rate risk	29	669	-
Total risk	174	766	34
<b>September 30, 2018</b>			
<b>VaR</b>	<b>Average</b>	<b>High</b>	<b>Low</b>
Foreign exchange risk	\$ 129	619	16
Interest rate risk	26	229	7
Total risk	170	596	34

- e) Sensitivity information of interest rate risk, foreign exchange risk and equity risk

Units: In millions of HKD

<b>September 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	-	63.1
Foreign exchange risk	10% decrease in HKD	-	(63.1)
Interest rate risk	+100 basis points shift in yield curves	3.44	(343)
Interest rate risk	-100 basis points shift in yield curve	(3.44)	343
Equity risk	10% increase in equity prices	-	-
Equity risk	10% decrease in equity prices	-	-
<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	79.5
Interest rate risk	-100basis points shift in yield curve	(35.5)	(79.5)
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**

September 30, 2018			
Main risk	Variance	Influenced amount	
		Equity	profit or loss
Foreign exchange risk	10% increase in HKD	-	(58.2)
Foreign exchange risk	10% decrease in HKD	-	58.2
Interest rate risk	+100 basis points shift in yield curves	(23.0)	53.5
Interest rate risk	-100 basis points shift in yield curves	23.0	(53.5)
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.

Analysis of financial assets that are not completely derecognized and the associated liabilities are shown in following table:

Types of financial assets	September 30, 2019	
	Carrying amount of the transferred financial assets	Carrying amount of relevant financial liabilities
Financial assets measured at fair value through other comprehensive income		
Repurchase agreements	\$ 23,728,784	23,034,873
Debt investments measured at amortized cost		
Repurchase agreements	82,979,652	80,679,725
Discounts and loans		
Repurchase agreements	270,326	275,156
Types of financial assets	December 31, 2018	
	Carrying amount of the transferred financial assets	Carrying amount of relevant financial liabilities
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

(Continued)

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

<u>Types of financial assets</u>	September 30, 2018	
	Carrying amount of the transferred financial assets	Carrying amount of relevant financial liabilities
Financial assets measured at fair value through other comprehensive income		
Repurchase agreements	\$ 9,919,228	9,371,280
Debt investments measured at amortized cost		
Repurchase agreements	119,857,363	109,903,581

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>	September 30, 2019				
	Carrying amount of the transferred financial assets	Carrying amount of relevant financial liabilities	Fair value of the transferred financial assets	Fair value of relevant financial liabilities	Fair value net position
Financial assets measured at fair value through profit or loss					
Security lending agreements	\$ 3,725,836	-	3,725,836	-	3,725,836
Financial assets measured at fair value through other comprehensive income					
Security lending agreements	47,080	-	47,080	-	47,080
Financial assets measured at amortized cost					
Securities sold under repurchase agreement	402,403	398,426	398,341	398,426	(85)

Units: In thousands of TWD

<u>Types of financial assets</u>	December 31, 2018				
	Carrying amount of the transferred financial assets	Carrying amount of relevant financial liabilities	Fair value of the transferred financial assets	Fair value of relevant financial liabilities	Fair value net position
Financial assets measured at fair value through profit or loss					
Security lending agreements	\$ 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>	<u>September 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 fair value through profit or loss					
Security lending agreements	\$ 79,375	-	79,375	-	79,375
Financial assets measured at fair value through other comprehensive income					
Security lending agreements	1,540,495	-	1,540,495	-	1,540,495
Financial assets measured at amortized cost					
Securities sold under repurchase agreement	130,419	129,664	125,849	129,664	(3,815)

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 September 30, 2019, December 31 and September 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>	<u>September 30, 2019</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	\$ 33,081,531	32,246,680
Convertible bonds transferred to counter parties of asset exchange option	322,149	303,872
<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>
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>September 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	\$ 38,796,042	37,734,625
Convertible bonds transferred to counter parties of asset exchange option	421,684	389,335

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>September 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	\$ 5,727,652	5,442,165	5,744,264	5,442,165	302,099

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>September 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	\$ 7,074,359	6,789,022	7,114,576	6,789,022	325,554

(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:

September 30, 2019						
Financial assets under offsetting or 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 assets				Financial instruments (Note 1)	Cash received as collaterals	
Derivative financial instruments (Note 2)	\$ 28,790,816	-	28,790,816	19,506,555	4,025,937	5,258,324
Securities purchased under resale agreements	20,139,524	-	20,139,524	19,876,710	-	262,814
<b>Total</b>	<b>\$ 48,930,340</b>	<b>-</b>	<b>48,930,340</b>	<b>39,383,265</b>	<b>4,025,937</b>	<b>5,521,138</b>
Financial liabilities under offsetting or 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 liabilities				Financial instruments (Note 1)	Pledged cash Collaterals	
Derivative financial instruments (Note 2)	\$ 28,573,011	-	28,573,011	17,014,538	8,040,027	3,518,446
Securities sold under repurchase agreements	103,989,754	-	103,989,754	103,976,613	-	13,141
<b>Total</b>	<b>\$ 132,562,765</b>	<b>-</b>	<b>132,562,765</b>	<b>120,991,151</b>	<b>8,040,027</b>	<b>3,531,587</b>

(Continued)

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

December 31, 2018

<b>Financial assets under offsetting or general agreement of net amount settlement or similar norms</b>						
<b>Financial assets</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>Financial instruments (Note 1)</b>	<b>Cash received as collaterals</b>	<b>Net amount (e)=(c)-(d)</b>
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>

**Financial liabilities under offsetting or general agreement of net amount settlement or similar norms**

<b>Financial liabilities</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>Financial instruments (Note 1)</b>	<b>Pledged cash Collaterals</b>	<b>Net amount (e)=(c)-(d)</b>
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>

September 30, 2018

<b>Financial assets under offsetting or general agreement of net amount settlement or similar norms</b>						
<b>Financial assets</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>Financial instruments (Note 1)</b>	<b>Cash received as collaterals</b>	<b>Net amount (e)=(c)-(d)</b>
Derivative financial instruments (Note 2)	\$ 42,137,439	-	42,137,439	27,090,831	5,109,374	9,937,234
Securities purchased under resell agreements	5,422,188	-	5,422,188	5,422,151	-	37
<b>Total</b>	<b>\$ 47,559,627</b>	<b>-</b>	<b>47,559,627</b>	<b>32,512,982</b>	<b>5,109,374</b>	<b>9,937,271</b>

(Continued)



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

September 30, 2018

<b>Financial liabilities under offsetting or general agreement of net amount settlement or similar norms</b>						
<b>Financial liabilities</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 1)</b>	<b>Pledged cash Collaterals</b>	
Derivative financial instruments (Note 2)	\$ 37,806,662	-	37,806,662	23,157,061	6,917,690	7,731,911
Securities sold under repurchase agreements	119,274,861	-	119,274,861	119,264,401	2,781	7,679
<b>Total</b>	<b>\$ 157,081,523</b>	<b>-</b>	<b>157,081,523</b>	<b>142,421,462</b>	<b>6,920,471</b>	<b>7,739,590</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:

September 30, 2019

<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	\$ 16,485,503	-	16,485,503	1,858,770	269,755	14,356,978
Securities purchased under resell agreements	61,576,301	-	61,576,301	60,480,400	-	1,095,901
<b>Total</b>	<b>\$ 78,061,804</b>	<b>-</b>	<b>78,061,804</b>	<b>62,339,170</b>	<b>269,755</b>	<b>15,452,879</b>

(Continued)

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

September 30, 2019

<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	\$ 2,839,885	-	2,839,885	2,446,968	270,997	121,920
Securities sold under repurchase agreements	398,426	-	398,426	398,341	-	85
<b>Total</b>	<b>\$ 3,238,311</b>	<b>-</b>	<b>3,238,311</b>	<b>2,845,309</b>	<b>270,997</b>	<b>122,005</b>

December 31, 2018

<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>

**Financial liabilities under general agreement of net amount settlement or similar norms**

	<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**

September 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 and structured deposits	\$ 30,233,568	-	30,233,568	6,263,833	539,531	23,430,204
Securities purchased under resell agreements	53,432,483	-	53,432,483	52,887,900	-	544,583
<b>Total</b>	<b>\$ 83,666,051</b>	<b>-</b>	<b>83,666,051</b>	<b>59,151,733</b>	<b>539,531</b>	<b>23,974,787</b>

September 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	\$ 12,659,824	-	12,659,824	6,263,833	632,406	5,763,585
Securities sold under repurchase agreements	129,664	-	129,664	129,664	-	-
<b>Total</b>	<b>\$ 12,789,488</b>	<b>-</b>	<b>12,789,488</b>	<b>6,393,497</b>	<b>632,406</b>	<b>5,763,585</b>

Note: General agreement of net amount settlement and non-cash collateral are included.

(Continued)

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

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:

September 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	Cash received as collaterals	
Derivative financial instruments	\$ 55,491	-	55,491	28,836	-	26,655
Securities lending agreements	57,250	-	57,250	57,250	-	-
<b>Total</b>	<b>\$ 112,741</b>	<b>-</b>	<b>112,741</b>	<b>86,086</b>	<b>-</b>	<b>26,655</b>

September 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	\$ 28,836	-	28,836	28,836	-	-

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	-	-

(Continued)

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

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

  

September 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	\$ 42,691	-	42,691	42,691	-	-

  

September 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	Pledged cash collaterals	
Derivative financial instruments	\$ 175,979	-	175,979	42,691	-	133,288

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.

(Continued)

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

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

September 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 assets	\$ 310,283	-	310,283	-	-	310,283
September 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 (note)	Pledged cash collaterals	
Derivative financial liabilities	\$ 849,206	-	849,206	-	-	849,206
Repurchase agreements	32,246,680	-	32,246,680	32,246,680	-	-
Total	\$ 33,095,886	-	33,095,886	32,246,680	-	849,206
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	\$ 889,146	-	889,146	-	-	889,146
Repurchase agreements	33,609,095	-	33,609,095	33,609,095	-	-
Total	\$ 34,498,241	-	34,498,241	33,609,095	-	889,146

(Continued)

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

September 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	\$ 149,758	-	149,758	-	-	149,758
Resell agreements	160,959	-	160,959	160,959	-	-
<b>Total</b>	<b>\$ 310,717</b>	<b>-</b>	<b>310,717</b>	<b>160,959</b>	<b>-</b>	<b>149,758</b>

September 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	\$ 777,670	-	777,670	-	-	777,670
Repurchase agreements	37,734,625	-	37,734,625	37,734,625	-	-
<b>Total</b>	<b>\$ 38,512,295</b>	<b>-</b>	<b>38,512,295</b>	<b>37,734,625</b>	<b>-</b>	<b>777,670</b>

Note: Netting settlement agreements and non-cash collaterals are included.

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.

(Continued)

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

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

September 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	\$ 535,084	-	535,084	50,954	-	484,130

September 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	\$ 561,663	-	561,663	50,954	-	510,709
Securities sold under repurchase agreements	5,442,165	-	5,442,165	-	-	5,442,165
Total	\$ 6,003,828	-	6,003,828	50,954	-	5,952,874

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

(Continued)



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

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
<b>Total</b>	<b>\$ 6,112,771</b>	<b>-</b>	<b>6,112,771</b>	<b>48,733</b>	<b>-</b>	<b>6,064,038</b>

Units: In thousands of HKD

September 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	\$ 1,037,450	-	1,037,450	41,929	-	995,521

September 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	\$ 165,062	-	165,062	41,929	-	123,133
Securities sold under repurchase agreements	6,789,022	-	6,789,022	-	-	6,789,022
<b>Total</b>	<b>\$ 6,954,084</b>	<b>-</b>	<b>6,954,084</b>	<b>41,929</b>	<b>-</b>	<b>6,912,155</b>

Note: Netting settlement agreements and non-cash collaterals are included.

(Continued)

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

## (ai) 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:

<u>September 30, 2019</u>	<u>Asset securitization products</u>	<u>Trust plans</u>
<b>Assets possessed</b>		
— Financial assets measured at fair value through other comprehensive income	\$ 2,314,080	-
— Debt investments measured at amortized cost	9,728,599	-
Total assets possessed	<u>\$ 12,042,679</u>	<u>-</u>
	<b>Asset securitization products</b>	<b>Trust plans</b>
<u>December 31, 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	\$ 2,278,180	133,983
— Debt investments measured at amortized cost	2,940,482	-
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>September 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	\$ 885,579	133,248
— Debt investments measured at amortized cost	<u>2,032,984</u>	-
Total assets possessed	<u>\$ 2,918,563</u>	<u>133,248</u>

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

- 3) For the nine month ended September 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 September 30, 2019, December 31 and September 30, 2018, Fubon Life Insurance and its subsidiaries offered \$32,550,172, \$21,856,055 and \$22,365,718 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>September 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	\$ 77,234,691	11,245,169
– Financial assets measured at fair value through other comprehensive income	-	26,364,585
– Financial assets measured at amortized cost	-	33,388,940
Total assets possessed	<u>\$ 77,234,691</u>	<u>70,998,694</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>September 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	\$ 61,206,371	8,108,962
– Financial assets measured at fair value through other comprehensive income	-	25,537,764
– Financial assets measured at amortized cost	-	40,248,963
Total assets possessed	<u>\$ 61,206,371</u>	<u>73,895,689</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 nine month ended September 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:

<u>September 30, 2019</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	\$ 132,422	1,765,997
— Financial assets measured at amortized cost	<u>-</u>	<u>180,266</u>
Total assets possessed	<u><u>\$ 132,422</u></u>	<u><u>1,946,263</u></u>
<u>December 31, 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	\$ 156,358	1,691,945
— Financial assets measured at amortized cost	<u>-</u>	<u>197,379</u>
Total assets possessed	<u><u>\$ 156,358</u></u>	<u><u>1,889,324</u></u>

(Continued)

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

<u>September 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	\$ 155,379	1,723,975
— Financial assets measured at amortized cost	-	205,577
<b>Total assets possessed</b>	<b><u>\$ 155,379</u></b>	<b><u>1,929,552</u></b>

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

- 3) For the nine month ended September 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>September 30, 2019</u>	<u>Asset securitization products</u>
<b>Assets possessed</b>	
— Financial assets measured at fair value through profit or loss - current	<b><u>\$ 563,184</u></b>
<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	<b><u>\$ 525,259</u></b>

(Continued)

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

September 30, 2018	Asset securitization products
<b>Assets possessed</b>	
— Financial assets measured at fair value through profit or loss - current	<b>\$ <u>529,871</u></b>

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

- 3) For the nine month ended September 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:

September 30, 2019	Private fund investment	Asset securitization products
<b>Assets possessed</b>		
— Financial assets mandatorily measured at fair value through profit or loss	\$ 9,645	-
— Financial assets measured at fair value through profit or loss	-	63,216
Total assets possessed	<b>\$ <u>9,645</u></b>	<b><u>63,216</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>September 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	\$ 12,179	60,376
Total assets possessed	<u>\$ 12,179</u>	<u>60,376</u>

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

- 3) For the nine month ended September 30, 2019 and 2018, other subsidiaries did not offer any financial support to those unconsolidated private investment fund and asset securitization products.

(aj) 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.

(ak) Significant impact of related foreign currency information

	September 30, 2019			December 31, 2018			September 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	\$ 90,635,893	31.0494 /31.042 /31.079 /31.049 /31.114	2,813,839,285	88,835,674	30.7515 /30.733 /31 /30.751 /30.748	2,730,640,579	89,283,341	30.5599 /30.551 /30.491 /30.711	2,728,168,274
HKD	66,403,573	3.9601 /3.96	262,964,617	58,028,084	3.9279 /3.924 /3.928	227,927,526	54,320,819	3.9061 /3.90388	212,182,270
CNY	100,503,053	4.345 /4.3623 /4.347 /4.362	438,328,268	87,643,443	4.4661 /4.46798 /4.466 /4.46928	391,436,735	89,431,086	4.4416 /4.43875 /4.44004	397,204,341
Non-Monetary items									
USD	11,354,707	31.0494 /31.042 /31.049 /31.114	352,480,258	6,752,230	30.7515 /30.733 /30.751	207,531,069	6,878,775	30.5599 /30.551	210,161,239
EUR	-		-	-		-	345,396	35.4683 /35.3811	12,220,838
HKD	7,131,566	3.96	28,238,693	9,306,579	3.9279 /3.924 /3.928	36,522,331	8,836,213	3.9061 /3.904	34,496,412
CNY	11,856,545	4.345 /4.3623 /4.347 /4.362	52,848,430	11,032,741	4.4661 /4.468 /4.466 /4.469	50,298,333	12,237,928	4.4416 /4.439 /4.44004	55,337,267
Derivatives									
USD	211,064	31.0494 /31.042 /31.114	6,552,288	85,117	30.7515 /30.733 /30.748	2,616,084	1,844,472	30.5599 /30.551 /30.71	56,626,088
Investments accounted for using equity method									
CNY	3,254,443	4.3623	14,922,274	3,215,120	4.4661	14,359,049	3,283,656	4.4416	14,204,645
HKD	2,237,733	3.96	8,397,167	2,241,539	3.928	8,804,540	2,233,280	3.9061 /3.906	8,723,414
Financial liabilities:									
Monetary items									
USD	30,190,529	31.0494 /31.042 /31.049	937,396,330	28,852,121	30.7515 /30.733 /30.751	887,244,493	29,174,799	30.5599 /30.551	891,577,002
HKD	60,141,715	3.9601 /3.96	238,167,366	56,298,051	3.9279 /3.924 /3.928	221,133,197	51,807,756	3.9061 /3.904	202,366,067
CNY	82,451,712	4.3623 /4.34683	359,679,178	73,495,556	4.4661 /4.46798	328,238,486	71,252,788	4.4416 /4.43875 /0	316,476,680
Non-Monetary items									
USD	1,009,501	31.0494 /31.0793	31,344,405	503,915	30.752	15,496,146	227,462	30.560	6,951,217
CNY	727,724	4.362	3,174,551	1,173,043	4.466	5,238,929	1,885,768	4.442	8,375,826
JPY	9,975,544	0.288	2,868,966	17,054,688	0.278	4,746,320	10,723,438	0.269	2,884,605
Derivatives									
USD	92,365	31.0494 /31.042 /31.114	2,868,731	139,377	30.7515 /30.733 /30.748	4,283,531	413,242	30.551	12,624,945

(Continued)

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

Note: Each balance listed is greater than 5% of total monetary items.

(al) Non-cash trading investing and financing activities

	January 1, 2019	Changes in cash flows from financing activities	Non-cash adjustment				September 30, 2019
			Effect of exchange rate changes	Fair value fluctuation	Other changes	Others	
Bonds payable	\$ 217,754,674	16,653,759	876,770	3,243,807	-	-	238,529,010
Lease liabilities	23,041,089	(2,690,250)	(18,892)	-	916,614	372,341	21,620,902
	<u>\$ 240,795,763</u>	<u>13,963,509</u>	<u>857,878</u>	<u>3,243,807</u>	<u>916,614</u>	<u>372,341</u>	<u>260,149,912</u>

  

	January 1, 2018	Changes in cash flows from financing activities	Non-cash adjustment				September 30, 2018
			Effect of exchange rate changes	Fair value fluctuation	Other changes	Others	
Bonds payable	\$ 187,206,734	4,617,967	(66,509)	-	-	8,176,629	199,934,821

(am) 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		September 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	1,161,350	191,261,993	0.61	1,974,014	169.98
	Unsecured	842,044	403,198,080	0.21	5,546,767	658.73
Consumer loan	Mortgage (Note 4)	266,883	416,001,871	0.06	6,212,885	2,327.94
	Cash card	-	1,746	-	74	-
	Micro credit (Note 5)	65,851	31,749,627	0.21	366,826	557.05
	Others (Note 6)					
	Secured	180,826	227,479,437	0.08	2,394,435	1,324.17
	Unsecured	38,191	36,071,143	0.11	378,568	991.25
Total		2,555,145	1,305,763,897	0.20	16,873,569	660.38
		Overdue receivable	Account receivable	Delinquency ratio (%)	Allowance for credit losses	Coverage ratio (%)
Credit card		39,191	46,620,353	0.08	312,314	796.90
Account receivable factoring with no recourse (Note 7)		-	18,967,691	-	224,175	-
Excluded NPL as a result of debt consultation and loans agreement (Note 8)		35,742				
Excluded overdue receivables as a result of debt consultation and loans agreements (Note 8)		72,230				
Excluded NPL as a result of debt solvency and restart plan (Note 9)		338,497				
Excluded overdue receivables as a result of debt solvency and restart plan (Note 9)		382,832				

(Continued)

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

		September 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	529,022	158,885,539	0.33	1,995,111	377.13
	Unsecured	1,269,339	405,051,352	0.31	5,468,212	430.79
Consumer loan	Mortgage (Note 4)	363,733	411,860,403	0.09	6,150,940	1,691.06
	Cash card	-	2,705	-	54	-
	Micro credit (Note 5)	44,519	26,698,224	0.17	298,867	671.32
	Others (Note 6)	119,204	195,727,220	0.06	2,116,955	1,775.91
	Unsecured	42,521	37,997,523	0.11	407,650	958.70
Total		2,368,338	1,236,222,966	0.19	16,437,789	694.06
		Overdue receivable	Account receivable	Delinquency ratio (%)	Allowance for credit losses	Coverage ratio (%)
Credit card		39,501	37,904,933	0.10	310,140	785.14
Account receivable factoring with no recourse (Note 7)		-	26,028,743	-	282,181	-
Excluded NPL as a result of debt consultation and loans agreement (Note 8)		56,477				
Excluded overdue receivables as a result of debt consultation and loans agreements (Note 8)		100,190				
Excluded NPL as a result of debt solvency and restart plan (Note 9)		305,413				
Excluded overdue receivables as a result of debt solvency and restart plan (Note 9)		408,012				

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>September 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 (Semiconductor packaging and testing industry)	9,599,951	4.88
2	B group (other electronic parts and components manufacturing not elsewhere classified)	8,882,520	4.52
3	C group (ocean freight industry)	7,746,435	3.94
4	D group (petrochemicals manufacturing industry)	7,406,205	3.77
5	E group (LCD and its component manufacturing industry)	6,689,644	3.40
6	F group (Laptops, desktops, tablets, data centers and holding)	5,588,837	2.84
7	G group (Cable and other paid programming)	5,210,851	2.65
8	H group (real estate development, investment and minery, wine trade and fine dining restaurant)	5,077,671	2.58
9	I group (other computer peripheral equipment)	4,459,792	2.27
10	J group (Integrated circuit manufacturing)	4,440,847	2.26

(Continued)

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

Units: In thousands of TWD, %

<b>September 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)	11,000,074	6.02
2	B group (Semiconductor packaging and testing industry)	8,400,117	4.60
3	C group (ocean freight industry)	7,716,645	4.23
4	D group (wire and cable manufacturing industry)	6,501,868	3.56
5	E group (Laptops, desktops, tablets, data centers and holding)	6,371,764	3.49
6	F group (other electronic parts and components manufacturing not elsewhere classified)	6,002,866	3.29
7	G group (other electronic parts and components manufacturing not elsewhere classified)	5,965,507	3.27
8	H group (electronic passive components manufacturing)	5,140,951	2.82
9	I group (LCD and its component manufacturing industry)	4,862,093	2.66
10	J group (Cable and other paid programming)	4,745,878	2.60

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, %

<b>September 30, 2019</b>					
Items	1-90 days	91-180 days	181-365 days	Over 1 year	Total
Interest rate-sensitive assets	\$ 1,256,478,500	68,041,345	59,190,006	162,028,385	1,545,738,236
Interest rate-sensitive liabilities	450,990,545	772,505,334	66,980,719	71,420,336	1,361,896,934
Interest rate sensitivity gap	805,487,955	(704,463,989)	(7,790,713)	90,608,049	183,841,302
Net worth					187,975,882
Ratio of interest rate-sensitive assets to liabilities (%)					113.50
Ratio of the interest rate sensitivity gap to net worth (%)					97.80

Units: In thousands of TWD, %

<b>September 30, 2018</b>					
Items	1-90 days	91-180 days	181-365 days	Over 1 year	Total
Interest rate-sensitive assets	\$ 1,195,155,625	82,144,753	69,932,842	144,797,726	1,492,030,946
Interest rate-sensitive liabilities	457,358,006	678,306,019	54,305,685	51,541,445	1,241,511,155
Interest rate sensitivity gap	737,797,619	(596,161,266)	15,627,157	93,256,281	250,519,791
Net worth					175,230,908
Ratio of interest rate-sensitive assets to liabilities (%)					120.18
Ratio of the interest rate sensitivity gap to net worth (%)					142.97

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, %

September 30, 2019					
Items	1-90 days	91-180 days	181-365 days	Over 1 year	Total
Interest rate-sensitive assets	\$ 11,235,653	1,613,544	738,665	6,808,150	20,396,012
Interest rate-sensitive liabilities	18,370,752	1,957,939	1,905,929	1,776,459	24,011,079
Interest rate sensitivity gap	(7,135,099)	(344,395)	(1,167,264)	5,031,691	(3,615,067)
Net worth					194,117
Ratio of interest rate-sensitive assets to liabilities (%)					84.94
Ratio of the interest rate sensitivity gap to net worth (%)					(1,862.31)

Units: In thousands of USD, %

September 30, 2018					
Items	1-90 days	91-180 days	181-365 days	Over 1 year	Total
Interest rate-sensitive assets	\$ 9,198,013	1,445,505	1,531,705	6,031,360	18,206,583
Interest rate-sensitive liabilities	18,077,800	2,505,837	1,382,599	2,041,952	24,008,188
Interest rate sensitivity gap	(8,879,787)	(1,060,332)	149,106	3,989,408	(5,801,605)
New worth					177,767
Ratio of interest rate-sensitive assets to liabilities (%)					75.83
Ratio of the interest rate sensitivity gap to net worth (%)					(3,263.60)

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 nine months ended September 30	
		2019	2018
Return on total assets	Before income tax	0.73	0.67
	After income tax	0.62	0.57
Return on net worth	Before income tax	9.75	9.08
	After income tax	8.25	7.70
Profit margin		43.40	43.83

(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 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 nine months ended September 30, 2019 and 2018.

(v) Maturity analysis

Maturity Analysis of Assets and Liabilities (TWD)

Units: In thousands of TWD

September 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	\$ 2,306,619,534	271,909,288	251,948,309	277,271,839	275,532,826	221,925,183	1,008,032,089
Main capital outflow on maturity	2,835,159,224	151,314,111	262,464,410	426,746,150	417,861,861	552,221,316	1,024,551,376
Gap	(528,539,690)	120,595,177	(10,516,101)	(149,474,311)	(142,329,035)	(330,296,133)	(16,519,287)

Units: In thousands of TWD

September 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	\$ 2,455,373,120	290,114,205	307,279,426	375,873,347	319,270,587	252,990,569	909,844,986
Main capital outflow on maturity	2,883,284,632	206,924,933	292,758,094	590,384,980	394,509,089	483,664,585	915,042,951
Gap	(427,911,512)	83,189,272	14,521,332	(214,511,633)	(75,238,502)	(230,674,016)	(5,197,965)

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

September 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	\$ 81,116,498	29,499,211	17,291,362	12,686,657	10,256,359	11,382,909
Main capital outflow on maturity	86,906,148	32,971,184	19,951,504	13,074,280	12,650,095	8,259,085
Gap	(5,789,650)	(3,471,973)	(2,660,142)	(387,623)	(2,393,736)	3,123,824

Units: In thousands of USD

September 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	\$ 86,277,709	34,234,370	23,415,576	11,424,810	6,739,600	10,463,353
Main capital outflow on maturity	90,669,776	38,676,033	21,920,604	13,898,535	8,858,739	7,315,865
Gap	(4,392,067)	(4,441,663)	1,494,972	(2,473,725)	(2,119,139)	3,147,488

Note: The above amounts are book value of assets and liabilities held by Taipei Fubon Bank and denominated is U.S. dollars.

(Continued)



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

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

(a) Names and relationships of related parties

<u>Name of related party</u>	<u>Relationship 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
Taipei Exchange (TPEX)	Related parties in substance (Note 5)
Taiwan Futures Exchange Corporation (Taiwan Futures Exchange)	Related parties in substance
momo.com Inc. (momo)	Related parties in substance
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 (Note 6)
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 (Note 6)
TAROKO Development Co., Ltd. (TAROKO Development)	Related parties in substance
TAROKO Mall Co., Ltd. (TAROKO Mall)	Related parties in substance (Note 6)
Far Eastern International Bank Co., Ltd. (Far Eastern Bank)	Related parties in substance (Note 2)
Xiamen Bank Co., Ltd. (Xiamen Bank)	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>
Convoy Financial Service Limited (Convoy Financial Service)	Related parties in substance
Union Cable TV Co., Ltd. (Union Cable TV)	Related parties in substance
Formosa Petrochemical Corporation (Formosa Petrochemical)	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 (Note 3)
Taihsin Property Insurance Agent Co., Ltd. (Taihsin Property Insurance Agent)	Related parties in substance
Harbin Bank Co., Ltd (Harbin Bank)	Related parties in substance (Note 6)
ICDC (Beijing) China Ltd. (ICDC)	Related parties in substance (Note 1)
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 (Note 6)
Ying Bao Development Ltd.	Related parties in substance
Yeong Jia Leh Cable TV Co., Ltd. (Yeong Jia Leh Cable TV)	Related parties in substance
Carplus Auto Leasing Corporation (Carplus Auto Leasing)	Related parties in substance
Sunny Pharmtech Inc. (Sunny Pharmtech)	Related parties in substance
Hyundai Mobis Co., Ltd.	Related parties in substance (Note 2)
Hyundai Commercial Co., Ltd.	Related parties in substance (Note 2)
Chien Kuo Construction Co., Ltd. (Chien Kuo Construction)	Related parties in substance (Note 4)
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

Note 1: Not related parties in substance from the second quarter of 2018.

Note 2: Related parties in substance from the third quarter of 2018.

Note 3: Related parties in substance from the fourth quarter of 2018.

(Continued)

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

Note 4: Not related parties in substance from the fourth quarter of 2018.

Note 5: Related parties in substance from the third quarter of 2019.

Note 6: Not related parties in substance from the third quarter of 2019.

(b) Significant transactions with related parties

(i) Insurance revenue and insurance receivable:

	<b>For the three months ended September 30</b>		<b>For the nine months ended September 30</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Insurance Revenue:				
Taiwan Mobile	\$ 19,784	131,624	160,536	486,703
Taiwan High Speed Rail	2,812	3,705	11,245	75,586
Taipei City Government	18,694	2,636	75,738	38,667
momo	7,009	4,913	36,260	26,832
Taiwan Pelican Express	(7,055)	2,186	12,470	19,257
Powerchip Technology	-	382	1,595	34,521
Kbro	521	511	20,466	19,063
Inventec	129	1	59	10,700
Metropolitan transport	12	3,260	(751)	23,325
Hyundai Mobis Co., Ltd.	(130)	-	10,742	-
Yuanjing Green Energy	-	-	21,274	-
Yeong Jia Leh Cable TV	10,513	39	11,042	210
Carplus Auto Leasing	148,563	-	149,387	-
Related parties in substance (individual)	254,538	373,578	1,062,403	1,158,015
Others (not related company or person accounts for more than \$10,000 or 10%)	36,713	10,995	97,486	64,338
Total	<u>\$ 492,103</u>	<u>533,830</u>	<u>1,669,952</u>	<u>1,957,217</u>

(Continued)

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

	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Insurance receivable:			
Taiwan Mobile	\$ 92,765	48,459	48,645
Taiwan High Speed Rail	7,258	82,879	1,011
Taipei New Horizon	-	16,270	-
momo	25,748	8,951	1,052
Taiwan Pelican Express	53,238	14	-
Taiwan Fixed Network	15,998	3	15
Inventec	1,139	10,427	13,667
Yeong Jia Leh Cable TV	20,501	-	-
Carplus Auto Leasing	148,492	-	-
Sunny Pharmtech	18,605	-	-
Related parties in substance (individual)	28,177	-	-
Others (not related company or person accounts for more than \$10,000 or 10%)	83,008	19,360	13,286
Total	<u>\$ 494,929</u>	<u>186,363</u>	<u>77,676</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.

(ii) Rental revenue and guarantee deposits:

	<u>For the three months ended September 30</u>		<u>For the nine months ended September 30</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Rental revenue:				
momo	\$ 33,227	28,269	93,196	83,285
TAROKO Development	-	-	-	38,333
Kbro Media	12,648	12,648	46,764	45,089
Kbro	5,528	5,803	16,373	18,928
TAROKO Mall	9,583	28,750	67,083	47,917
Taiwan Fixed Network	10,817	10,821	32,104	31,965
Taiwan Mobile	10,423	9,824	30,026	30,161
Hyundai Commercial Co., Ltd.	3,692	-	10,769	-
Others (not related company or person accounts for more than \$10,000 or 10%)	7,227	7,246	19,706	16,178
Total	<u>\$ 93,145</u>	<u>103,361</u>	<u>316,021</u>	<u>311,856</u>

(Continued)

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

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

	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Advanced real estate receipts:			
Kbro Media	\$ 12,648	-	12,648
Others (not related company or person accounts for more than \$10,000 or 10%)	7,265	6,926	7,035
Total	<u>\$ 19,913</u>	<u>6,926</u>	<u>19,683</u>
	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Guarantee deposits:			
momo	\$ 34,282	30,077	30,072
TAROKO Mall	-	35,000	35,000
Taiwan Fixed Network	10,901	10,899	10,899
Others (not related company or person accounts for more than \$10,000 or 10%)	27,212	26,434	20,103
Total	<u>\$ 72,395</u>	<u>102,410</u>	<u>96,074</u>

The aforementioned guarantee deposits are for leasing investment properties. The performance guarantee of Kbro Media amounting to \$26,345 was also acquired.

(iii) Rental expense and refundable deposits:

	<u>For the three months ended September 30, 2018</u>	<u>For the nine months ended September 30, 2018</u>
Rental expense:		
Chung Hsing Land Development	\$ 63,969	192,090
Ming-Dong Industrial	6,210	18,801
Taipei City Government	80,782	248,894
Fubon REIT I Fund	85,863	154,706
Fubon REIT II Fund	47,160	112,168
Taiwan Fixed Network	7,913	21,716
Related parties in substance (individual)	8,816	26,328
Others (not related company or person accounts for more than \$10,000 or 10%)	7,566	28,153
Total	<u>\$ 308,279</u>	<u>802,856</u>

(Continued)

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

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

	<u>September 30,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>	<u>September 30,</u> <u>2018</u>
Refundable deposits:			
Chung Hsing Land Development	\$ 37,436	37,436	37,436
Fubon REIT I Fund	52,547	49,786	51,628
Fubon REIT II Fund	38,043	38,216	38,366
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	12,699
Total	<u>\$ 146,182</u>	<u>143,112</u>	<u>145,966</u>

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

<u>Name of related party</u>	<u>Right-of-use asset</u>	
	<u>September 30,</u> <u>2019</u>	<u>January 1,</u> <u>2019</u>
Taipei City Government	\$ 29,771,930	30,311,439
Taiwan Fixed Network	116,482	164,340
Chung Hsing Land Development	297,933	468,365
Ming-Dong Industrial	34,107	17,832
Fubon Charity Foundation	25,442	38,081
Fubon REIT I Fund	311,859	301,584
Fubon REIT II Fund	191,124	267,974
Taiwan Mobile	8,078	10,810
Related parties in substance	8,666	36,513
Others (not related company or person accounts for more than \$10,000 or 10%)	3,362	1,181
Total	<u>\$ 30,768,983</u>	<u>31,618,119</u>

(Continued)

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

Name of related party	Lease liability		Interest expense		Value of Contract
	September 30, 2019	January 1, 2019	For the three months ended September 30, 2019	For the nine months ended September 30, 2019	
Taipei City Government	\$ 7,626,013	7,786,372	60,599	177,853	37,841,301
Taiwan Fixed Network	122,190	169,704	1,000	3,408	328,511
Chung Hsing Land Development	301,104	468,365	2,787	9,701	720,913
Ming-Dong Industrial	39,247	17,357	361	764	81,886
Fubon Charity Foundation	25,642	37,974	237	805	52,617
Fubon REIT I Fund	316,708	293,871	2,940	8,455	598,341
Fubon REIT II Fund	197,142	266,628	1,804	5,740	440,818
Taiwan Mobile	8,138	10,810	79	259	19,540
Related parties in substance	8,731	34,478	101	521	105,075
Others (not related company or person accounts for more than \$10,000 or 10%)	3,182	874	14	28	4,833
<b>Total</b>	<b>\$ 8,648,097</b>	<b>9,086,433</b>	<b>69,922</b>	<b>207,534</b>	<b>40,193,835</b>

## (v) Other deposits

	September 30, 2019	December 31, 2018	September 30, 2018	Note
Taipei City Government	\$ 1,223,676	1,223,476	1,223,526	Construction/ Superficies
Taiwan Stock Exchange	-	4,237,952	1,012,340	Margin lending
TPEX	111,000	-	-	Others
Others (not related company or person accounts for more than \$10,000 or 10%)	1,410	4,230	1,051	
<b>Total</b>	<b>\$ 1,336,086</b>	<b>5,465,658</b>	<b>2,236,917</b>	

(Continued)

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

## (vi) Deposits

## 1) Bank deposits

<u>Name of related party</u>	<u>September 30, 2019</u>		<u>December 31, 2018</u>		<u>September 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	\$ 877,811	0.05-2.95	984,730	1.89~2.60	959,888	0.05-2.75
Far Eastern Bank	321,756	2.45-2.80	314,393	0.08~2.60	310,608	2.15-2.23
Total	<u>\$ 1,199,567</u>		<u>1,299,123</u>		<u>1,270,496</u>	

## 2) Deposits in related parties

<u>Name of related party</u>	<u>September 30, 2019</u>		<u>December 31, 2018</u>		<u>September 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	<u>\$ 60,983,670</u>	0-6.12	<u>71,666,340</u>	0~8.00	<u>39,953,430</u>	0~8.00

## (vii) Loans

<u>Name of related party</u>	<u>September 30, 2019</u>		<u>December 31, 2018</u>		<u>September 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	<u>\$ 33,518,626</u>	0~14.97	<u>35,138,208</u>	0~14.98	<u>6,596,097</u>	0~14.98

Units: In thousands of TWD

September 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	105	58,114	46,332	✓	-	None	None
House mortgages	396	4,321,974	3,641,432	✓	-	Real estate	None
Others	Department of Urban Development, Taipei City Government	541,612	464,604	✓	-	Public treasury guarantees	None
	Department of Rapid Transit systems, Taipei City Government	28,013,659	27,965,242	✓	-	Public treasury guarantees	None
	Taipei Municipal Secured Small Loans Service	167	45	✓	-	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	-	✓	-	Certificate of deposit	None
	Other loans	1,076	971	✓	-	Credit Guarantee Fund	None
Total		36,970,311	33,518,626				

(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
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
<b>Total</b>		<b>36,285,556</b>	<b>35,138,208</b>				

Units: In thousands of TWD

September 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	91	55,608	37,240	✓	-	None	None
House mortgages	387	4,259,000	3,485,676	✓	-	Real estate	None
Others	Department of Urban Development, Taipei City Government	647,319	572,406	✓	-	Public treasury guarantees	None
	Department of Rapid Transit systems, Taipei City Government	2,500,000	2,500,000	✓	-	Public treasury guarantees	None
	Taipei Municipal Secured Small Loans Service	458	223	✓	-	Public treasury guarantees	None
	ICDC	88,832	-	✓	-	Standby Letter of Credit	None
	Other loans	638	552	✓	-	Credit Guarantee Fund	None
<b>Total</b>		<b>7,551,855</b>	<b>6,596,097</b>				

(Continued)

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

## (viii) Guarantees

Units: In thousands of TWD

<b>September 30, 2019</b>					
<b>Related party</b>	<b>Highest balance for the period</b>	<b>Ending balance</b>	<b>Provision (Note)</b>	<b>Rates (%)</b>	<b>Type of collateral</b>
Taipei City Government	1,265	-	-	1%	Public treasury guarantees
Department of Finance, Taipei City Government	1,257	1,242	-	1%	Public treasury guarantees

  

<b>December 31, 2018</b>					
<b>Related party</b>	<b>Highest balance for the period</b>	<b>Ending balance</b>	<b>Provision (Note)</b>	<b>Rates (%)</b>	<b>Type of collateral</b>
Taipei City Government	1,239	1,230	-	1%	Public treasury guarantees

  

<b>September 30, 2018</b>					
<b>Related party</b>	<b>Highest balance for the period</b>	<b>Ending balance</b>	<b>Provision (Note)</b>	<b>Rates (%)</b>	<b>Type of collateral</b>
Taipei City Government	1,230	1,222	-	1%	Public treasury guarantees

Note: Guarantee provisions are reversed based on all claims.

## (ix) Details of financing activities:

## 1) Secured loans

<b>September 30, 2019</b>						
<b>Category</b>	<b>Numbers or name of related party</b>	<b>Highest balance</b>	<b>Ending balance</b>	<b>Compliance situation</b>	<b>Type of collateral</b>	<b>Difference in transaction terms between related and unrelated parties</b>
Residential mortgage loans	52 related parties in substance	\$ 385,908	378,643	Normal loans	Real estate	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 unrelated parties
Residential mortgage loans	53 related parties in substance	\$ 409,583	397,891	Normal loans	Real estate	None

September 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	\$ 374,658	366,099	Normal loans	Real estate	None

The transaction terms between related parties are identical to those of other market participants.

2) Life insurance loans:

September 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	123 related parties in substance	\$ 45,194	34,631	Normal loans	Policy value	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 nonrelated parties
Life insurance loans	126 related parties in substance	\$ 59,581	39,473	Normal loans	Policy value	None

September 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	126 related parties in substance	\$ 55,909	46,404	Normal loans	Policy value	None

(Continued)

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

The transaction terms between related parties are identical to those of other market participants.

(x) Derivative financial instruments (notional amount)

<u>Name of related party</u>	<u>Financial instrument</u>	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Harbin Bank	Foreign currency swap contracts	\$ -	-	3,479,201
Far Eastern Bank	Interest rate swap contracts	2,100,000	2,100,000	2,100,000
Total		<u>\$ 2,100,000</u>	<u>2,100,000</u>	<u>5,579,201</u>

(xi) Other income

1) Service fees

<u>Name of related party</u>	<u>For the three months ended September 30</u>		<u>For the nine months ended September 30</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
momo	\$ 35,548	22,109	89,365	84,494
Taiwan Mobile	38,425	50,727	144,019	158,797
Others (not related company or person accounts for more than \$10,000 or 10%)	13,660	13,897	36,027	36,542
Total	<u>\$ 87,633</u>	<u>86,733</u>	<u>269,411</u>	<u>279,833</u>

2) Dividend revenue

<u>Name of related party</u>	<u>For the three months ended September 30</u>		<u>For the nine months ended September 30</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Taiwan Stock Exchange	\$ 35,750	35,750	35,750	35,750
Taiwan Futures Exchange	-	18,004	19,084	18,004
Taiwan Depository & Clearing	11,899	-	11,899	-
Others	6,788	10,296	10,898	10,296
Total	<u>\$ 54,437</u>	<u>64,050</u>	<u>77,631</u>	<u>64,050</u>

3) Management income

<u>Name of related party</u>	<u>For the three months ended September 30</u>		<u>For the nine months ended September 30</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Funds managed by Fubon Asset Management and authorization accounts	<u>\$ 297,710</u>	<u>234,906</u>	<u>873,086</u>	<u>680,127</u>

(Continued)

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

## 4) Sales commissions

<u>Name of related party</u>	<u>For the three months ended September 30</u>		<u>For the nine months ended September 30</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Funds managed by Fubon Asset Management and authorization accounts	\$ <u>14,458</u>	<u>11,405</u>	<u>80,848</u>	<u>35,365</u>

## 5) Handling fee income

<u>Name of related party</u>	<u>For the three months ended September 30</u>		<u>For the nine months ended September 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>19,675</u>	<u>38,482</u>	<u>67,339</u>	<u>102,505</u>

## 6) Sponsorship income, sales revenue, royalty income and unearned revenue

<u>Name of related party</u>	<u>For the three months ended September 30</u>		<u>For the nine months ended September 30</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Taiwan Mobile	\$ 10,000	10,125	31,000	30,375
momo	8,448	13,950	23,257	25,950
Taiwan Win TV	29,681	28,117	56,995	44,379
Others (not related company or person accounts for more the \$10,000 or 10%)	79	177	221	615
Total	\$ <u>48,208</u>	<u>52,369</u>	<u>111,473</u>	<u>101,319</u>

The details of unearned revenues generated from aforementioned transactions were as follows:

<u>Name of related party</u>	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Taiwan Mobile	\$ 10,000	-	10,125
momo	5,500	-	6,000
Taiwan Win TV	-	-	5,174
Total	\$ <u>15,500</u>	<u>-</u>	<u>21,299</u>

(Continued)

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

(xii) Other expenses (Rental expenses of 2019 are included)

<u>Name of related party</u>	<u>Category</u>	<u>For the three months ended September 30</u>		<u>For the nine months ended September 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	\$ 64,233	68,809	184,102	199,258
Taiwan Mobile	Telecom expenses, marketing fee, service fee, rental expenses	(67,148)	23,891	50,133	45,102
Fubon Property Management	Management fees and investment property expenses	58,211	56,250	167,485	156,510
Fubon Land Development	Consulting fee and service fee	1,561	7,038	7,233	17,580
Taiwan Stock Exchange	Brokerage commissions, computer information fee, issuing call warrant fee, dealing fee and rental expenses	57,871	69,224	155,265	211,375
Taiwan Depository & Clearing	Depository and clearing fee and other expenses	12,471	33,307	96,514	103,376
Taiwan Futures Exchange	Brokerage commissions, clearing and settlement fee and dealing fee	41,282	47,851	123,244	142,315
Convoy Financial Service	Commission expenses and sales bonus	7,251	6,016	31,483	6,616
Taihsin Property Insurance Agent	Acquisition commission and service fees	43,832	18,235	125,543	29,521
Taiwan Insurance Institute	Postage expenses, advertising expenses and other expenses	7,135	5,290	18,975	13,924
Fubon REIT I Fund	Management fee and rental expenses	7,922	7,157	22,830	15,010

(Continued)

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

Name of related party	Category	For the three months ended September 30		For the nine months ended September 30	
		2019	2018	2019	2018
Chung Hsing Land Development	Management fee and rental expenses	\$ 9,015	112	15,660	296
Others (not related company or person accounts for more than \$10,000 or 10%)	Service fees, commission expenses, rental expenses and other expenses	19,128	23,170	143,394	74,465
Total		<u>\$ 262,764</u>	<u>366,350</u>	<u>1,141,861</u>	<u>1,015,348</u>

(xiii) Insurance claims and payments are as below:

Name of related party	For the three months ended September 30		For the nine months ended September 30	
	2019	2018	2019	2018
Taiwan Mobile	\$ 66,805	71,157	153,371	241,312
Formosa Petrochemical	4,002	2,364	19,387	6,555
Taiwan High Speed Rail	(675)	375	27,876	35,396
Metropolitan Transport	(149)	147	6,321	11,515
Taipei City Government	24,156	26,969	24,449	28,452
Carplus Auto Leasing	88,490	65,256	88,490	65,256
Union Cable TV	14,165	-	14,165	-
Others (not related company or person accounts for more than \$10,000)	7,195	3,482	12,800	22,610
Total	<u>\$ 203,989</u>	<u>169,750</u>	<u>346,859</u>	<u>411,096</u>

(xiv) Bond transaction – Bonds sold under repurchase agreement

Name of related party	September 30, 2019	December 31, 2018	September 30, 2018
Taiwan High Speed Rail	\$ 2,974,000	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	4,649,908	4,075,288	4,894,785
Total	<u>\$ 7,623,908</u>	<u>8,899,301</u>	<u>4,894,785</u>

(xv) Securities sold under repurchase agreement

Name of related party	September 30, 2019	December 31, 2018	September 30, 2018
Formosa Petrochemical	\$ -	100,000	-

(Continued)

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

## (xvi) Donations

Donations to related parties were as follows:

<u>Name of related party</u>	<b>For the three months ended September 30</b>		<b>For the nine months ended September 30</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Taipei Fubon Commercial Bank Charity Foundation	\$ 27,100	10,740	27,100	27,000
Fubon Art Foundation	27,500	722	48,000	25,422
Fubon Cultural & Education Foundation	34,000	862	56,114	25,993
Fubon Charity Foundation	19,024	767	47,326	37,197
Others (not related company or person accounts for more than \$10,000 or 10%)	-	1,450	5,375	6,850
<b>Total</b>	<b><u>\$ 107,624</u></b>	<b><u>14,541</u></b>	<b><u>183,915</u></b>	<b><u>122,462</u></b>

## (xvii) Other receivables and payables

<u>Name of related party</u>	<b>September 30, 2019</b>	<b>December 31, 2018</b>	<b>September 30, 2018</b>
Funds managed by Fubon Asset Management	\$ 148,793	353,047	79,458
Taiwan Stock Exchange	(13,117)	(12,938)	(15,635)
Taiwan Futures Exchange	(9,046)	(12,855)	(13,151)
Convoy Financial Service	(1,164)	(5,882)	(17,236)
Chien Kuo Construction	-	-	(66,793)
Taiwan Win TV	30,500	26,166	24,762
Taihsin Property Insurance Agent	(15,489)	(961)	-
Others (not related company or person accounts for more than \$10,000 or 10%)	10,734	15,403	(20,804)
<b>Total</b>	<b><u>\$ 151,211</u></b>	<b><u>361,980</u></b>	<b><u>(29,399)</u></b>

## (xviii) Futures traders' equity

<u>Name of related party</u>	<b>September 30, 2019</b>	<b>December 31, 2018</b>	<b>September 30, 2018</b>
Funds managed by Fubon Asset Management	<b><u>\$ 8,374,129</u></b>	<b><u>6,465,477</u></b>	<b><u>9,510,604</u></b>

(Continued)



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

(xix) The details of the fund's balance from related parties Fubon Asset Management were as follows:

<u>Name of related party</u>	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Fubon Chi-Hsiang Money Market Fund	\$ 1,661,846	1,159,095	1,157,785
Fubon Strategic High Income Fund	-	15,699	39,205
Fubon Taiwan Technology ETF	57,372	246,470	50,800
Fubon MSCI Taiwan ETF	257,795	207,868	244,622
Fubon Taiwan Finance ETF	193,061	155,562	155,368
Fubon Taiwan Eight Industries ETF	4,632	173,905	188,896
Fubon SZSE 100 ETF	7,051	141,243	165,777
Fubon China High Yield Bd CNY	14,169	113,394	140,354
Fubon China Money Market CNY	-	67,249	113,618
Fubon China Investment Grade Bond Fund - CNY	40,630	40,761	40,201
Fubon China Growth Fund	26,022	25,345	39,883
Fubon FTSE TWSE Taiwan 50 ETF	12,860	10,181	11,735
Fubon SSE180 ETF	1,022,838	884,378	1,071,533
Fubon SSE180 Leveraged 2X Index ETF	27,418	16,133	25,536
Fubon Global Investment Fund	1,636	31,371	18,019
Fubon NIFTY 2X Leveraged Index ETF	186	17,835	9,246
Fubon NIFTY 1X Inverse Index ETF	23,521	7,887	485
Fubon NASDAQ 100 ETF	20,769	30	1,939
Fubon Hang Seng China Enterprises ETF	3,062	36,277	44,515
Fubon Hang Seng China Enterprises 2X Leveraged Index ETF	6,050	14,755	16,304
Fubon Hang Seng China Enterprises 1X Inverse Index ETF	1,010	23,949	30,025
Fubon TAIEX Daily 2X Leveraged ETF	36,828	30,670	22,514
Fubon S&P 500 VIX Short Term Futures ETF	9,167	19,409	14,147
	2,725	20,717	12,806

(Continued)

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

<u>Name of related party</u>	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Fubon Euro Asia Silk Road Multi Asset Fund	\$ 18,524	33,871	50,294
Fubon TWSE Corporate Governance 100 ETF	1,116,405	976,320	1,158,550
Fubon 1-3 Years US Treasury Bond ETF	8,408,017	3,096,063	1,455,791
Fubon 7-10 Years US Treasury Bond ETF	2,101	119,600	4,320,010
Fubon 20+Years US Treasury Bond ETF	3,249	2,080,560	2,008,290
Fubon FTSE Developed Europe ETF	10,531	9,322	18,442
Fubon NASDAQ 100 1X Inverse Index ETF	10,822	19,322	171
Fubon NASDAQ 100 2X Leveraged Index ETF	26,297	41,733	31,810
Fubon China Policy Bank Bond 0-1 ETF	52,113	8,151	6,746
Fubon 9-35 Years US Corporate Bond A ETF	33,251	3,848,082	201,351
Fubon China Multi-Asset Fund	-	31,381	57,381
Fubon India and Indonesia Sovereign Bond Fund ETF	21,626	20,204	37,906
Fubon S&P US Preferred Stock ETF	2,020,800	1,793,537	978,888
Fubon US Corporate Bond ETF Umbrella Fund - Fubon 10+Years US Corporate Bond BBB Ex China	1,350,733	198,697	214,774
Fubon US Corporate Bond ETF Umbrella Fund - Fubon 1-5 Years US High Yield Bond Ex China	88,554	201,402	214,888
Fubon China Policy Bank Bond 0-1 ETF	81,583	5,005,801	5,805,611
Fubon China CSI 500 Index ETF	10,900	-	-
Fubon FTSE Asian Broad Bond Index-China Investment - Grade ETF	264,443	-	-
Fubon FTSE World Broad Investment - Grade Bank Bond 1ct Years Index ETF	7,059,743	-	-

(Continued)

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

<u>Name of related party</u>	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Fubon Emerging Market USD Investment Grade Bond ETF	\$ 202,499	-	-
Fubon 7-15 Years Europe USD Banking ETF	3,036,395	-	-
Others (not related company or person accounts for more than \$10,000 or 10%)	17,515	18,473	23,779
<b>Total</b>	<b><u>\$ 27,266,749</u></b>	<b><u>20,962,702</u></b>	<b><u>20,199,995</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>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Fubon REIT I Fund	\$ 2,987,331	2,887,963	2,934,277
Fubon REIT II Fund	1,977,944	1,859,785	1,903,137
<b>Total</b>	<b><u>\$ 4,965,275</u></b>	<b><u>4,747,748</u></b>	<b><u>4,837,414</u></b>

(xx) Clearing and settlement fund

<u>Name of related party</u>	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Taiwan Stock Exchange	\$ 110,559	143,704	143,704
Taiwan Futures Exchange	130,659	140,414	146,588
TPEX	50,743	-	-
<b>Total</b>	<b><u>\$ 291,961</u></b>	<b><u>284,118</u></b>	<b><u>290,292</u></b>

(xxi) Deal on credit

As of September 30, 2019, December 31 and September 30, 2018, the Company and its subsidiaries had receivables from other related parties' pecuniary finance amounting to \$65,583, \$119,353 and \$201,766.

(xxii) Customer margin deposit

<u>Name of related party</u>	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Taiwan Futures Exchange	\$ <u>1,552,517</u>	<u>2,415,595</u>	<u>1,573,137</u>

(Continued)

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

## (xxiii) Prepaid expense

Prepaid expense — superficies rental expense and temporary payment:

<u>Name of related party</u>	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Taipei City Government	\$ -	-	77,744
Others	2,820	-	2,487
Total	<u>\$ 2,820</u>	<u>-</u>	<u>80,231</u>

## (xxiv) 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 nine months ended September 30</u>	
		<u>2019</u>	<u>2018</u>
Fubon Land Development	Consultancy fees	\$ 8,682	30,096
Taipei City Government	Prepayment of superficies development	13	553,903
Chien Kuo Construction	Construction contracts	-	395,627
Others (not related company or person accounts for more than \$10,000 or 10%)		894	-
Total		<u>\$ 9,589</u>	<u>979,626</u>

2) In May 2018, the Company and its subsidiaries sold investment property to Ying Bao Development Ltd. amounting to \$3,550,000.

## (xxv) Others

	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Principal of structured products	<u>\$ 62,431</u>	<u>92,557</u>	<u>91,130</u>

## (xxvi) Bonds payable — issued by the Company and its subsidiaries

<u>Name of related party</u>	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Hyundai Commercial Co., Ltd.	<u>\$ 259,000</u>	<u>-</u>	<u>-</u>

(Continued)

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

(xxvii) Other loans

<u>Items</u>	<u>Name of related party</u>	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Credit loan	Far Eastern Bank	\$ -	30,000	-

(c) Compensation to executive officers

Executive officers' compensation comprised:

	<u>For the three months ended September 30</u>		<u>For the nine months ended September 30</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Short-term employee benefits	\$ 426,653	385,694	1,190,223	1,162,165
Post-employment benefits	13,614	11,526	34,310	31,782
Other long-term employee benefits	1,662	1,192	4,734	4,950
	<u>\$ 441,929</u>	<u>398,412</u>	<u>1,229,267</u>	<u>1,198,897</u>

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

(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
Fubon Securities Co., Ltd. (Fubon Securities)	The subsidiary
Taipei Fubon Bank Co., Ltd. (Taipei Fubon Bank)	The subsidiary

(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>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Taipei Fubon Bank	\$ <u>4,570,722</u>	<u>6,255,385</u>	<u>11,165,422</u>

b) The investment balance details:

i) Balance of investment

<u>Name of security</u>	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Fubon Bank (Hong Kong) - non-cumulative subordinated securities	\$ -	-	5,738,512
Fubon Life Insurance - non-cumulative perpetual subordinated corporate bonds	20,420,864	20,236,023	20,228,504
Total	\$ <u>20,420,864</u>	<u>20,236,023</u>	<u>25,967,016</u>

ii) Interest receivables

<u>Name of related party</u>	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Fubon Life Insurance	\$ <u>370,849</u>	<u>552,329</u>	<u>370,849</u>

iii) Interest revenue

<u>Name of related party</u>	<u>For the three months ended September 30</u>		<u>For the nine months ended September 30</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Fubon Life Insurance	\$ 181,480	181,479	538,521	370,849
Fubon Bank (Hong Kong)	-	72,496	-	216,430
Total	\$ <u>181,480</u>	<u>253,975</u>	<u>538,521</u>	<u>587,279</u>

(Continued)

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

c) Others

<u>Name of related party</u>	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Fubon Life Insurance— income tax receivables	\$ 232,325	232,325	294,263
Taipei Fubon Bank—income tax receivables	1,493,376	1,449,470	851,727
Fubon Insurance—income tax receivables	435,108	227,557	253,680
Fubon Securities—income tax receivables	192,318	277,627	183,201
Total	<u>\$ 2,353,127</u>	<u>2,186,979</u>	<u>1,582,871</u>

(ii) Fubon Insurance and its subsidiaries

1) Name and relationship of 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
Fubon Life Insurance Co., Ltd. (Fubon Life Insurance)	Company controlled by Fubon Financial Holdings
Fubon Bank (China) Ltd. (Fubon Bank (China))	Company controlled by Fubon Financial Holdings
Xiamen Bank (China) Co., Ltd. (Xiamen Bank)	Related parties in substance
Taiwan Mobile Co., Ltd. (Taiwan Mobile)	Related parties in substance
Carplus Auto Leasing Corporation (Carplus Auto Leasing)	Related parties in substance
Taishin Property Insurance Agent	Related parties in substance
Funds managed by Fubon Asset Management	Related parties in substance

2) Significant transactions with related parties were as follows:

a) Bank deposits

<u>Name of related party</u>	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Taipei Fubon Bank	\$ 973,340	1,097,330	1,127,738
Fubon Bank (China)	205,256	116,256	114,477
Xiamen Bank	24,967	114,173	91,680
Total	<u>\$ 1,203,563</u>	<u>1,327,759</u>	<u>1,333,895</u>

(Continued)

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

b) Premium revenue with related party were as follows:

i) Premium revenue

<u>Name of related party</u>	<u>For the three months ended September 30</u>		<u>For the nine months ended September 30</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Taipei Mobile	\$ 19,498	131,327	159,768	485,915
Carplus Auto Leasing	148,121	-	148,121	-
<b>Total</b>	<b>\$ <u>167,619</u></b>	<b><u>131,327</u></b>	<b><u>307,889</u></b>	<b><u>485,915</u></b>

ii) Premium receivables arose from premium revenue

<u>Name of related party</u>	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Fubon Life Insurance	\$ 184,107	11,039	14,806
Carplus Auto Leasing	148,492	-	-
<b>Total</b>	<b>\$ <u>332,599</u></b>	<b><u>11,039</u></b>	<b><u>14,806</u></b>

c) Benefit & claims paid to policyholders

<u>Name of related party</u>	<u>For the three months ended September 30</u>		<u>For the nine months ended September 30</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Taiwan Mobile	\$ <u>66,805</u>	<u>71,157</u>	<u>153,371</u>	<u>241,312</u>

d) Fund balance were as follows:

<u>Fund</u>	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Fubon China Policy Bank Bond ETF	\$ -	145,250	140,210
Fubon 7-10 Years US Treasury Bond ETF	-	118,650	57,960
<b>Total</b>	<b>\$ <u>-</u></b>	<b><u>263,900</u></b>	<b><u>198,170</u></b>

e) Balance of Fubon REIT I Fund and Fubon REIT II Fund:

<u>Name of related party</u>	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Fubon REIT I Fund	\$ 863,679	835,269	848,906
Fubon REIT II Fund	867,337	816,165	835,598
<b>Total</b>	<b>\$ <u>1,731,016</u></b>	<b><u>1,651,434</u></b>	<b><u>1,684,504</u></b>

(Continued)



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

f) Commission expenses are as follows:

<u>Name of related party</u>	<u>For the three months ended September 30</u>		<u>For the nine months ended September 30</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Taihsin Property Insurance Agent	\$ <u>43,832</u>	<u>18,235</u>	<u>125,543</u>	<u>29,521</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. (Chien Kuo Construction)	Related parties in substance (not related parties in substance from the fourth quarter of 2018)
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>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Taipei Fubon Bank:			
Check deposits	\$ 59,344	79,365	60,557
Demand deposits	12,319,696	4,643,860	7,257,499
Time deposits	4,579,173	1,879,724	2,179,172
Fubon Bank (Hong Kong):			
Demand deposits	267,624	699,660	1,783,463
Time deposits	281,167	818,142	-
<b>Total</b>	<b>\$ <u>17,507,004</u></b>	<b><u>8,120,751</u></b>	<b><u>11,280,691</u></b>

## b) Interest revenues

<u>Name of related party</u>	<u>For the three months ended September 30</u>		<u>For the nine months ended September 30</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Taipei Fubon Bank	\$ <u>40,562</u>	<u>17,406</u>	<u>104,378</u>	<u>89,286</u>

## c) Loans

## Secured loans

<u>September 30, 2019</u>						
<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>385,908</u>	<u>378,643</u>	Normal loan	Real Estate	None
<u>December 31, 2018</u>						
<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
<u>September 30, 2018</u>						
<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>374,658</u>	<u>366,099</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**

d) Funds were as follows:

<b>Fund</b>	<b>September 30, 2019</b>	<b>December 31, 2018</b>	<b>September 30, 2018</b>
Fubon FTSE World	\$ 7,037,000	-	-
Broad Investment- Grade USD Bank Bond 10+ Years Index ETF			
Fubon Chi-Hsiang Money Market Fund	1,303,594	702,511	701,717
Fubon 7-15 Years Europe USD Banking ETF	2,893,680	-	-
Fubon Taiwan Technology ETF	247,267	198,598	230,136
Fubon MSCI Taiwan ETF	153,468	129,112	149,205
Fubon Taiwan Eight Industries ETF	-	138,215	162,222
Fubon Taiwan Finance ETF	-	165,216	182,517
Fubon SZSE 100 ETF	-	101,731	118,664
Fubon FTSE TWSE Taiwan 50 ETF	1,002,960	873,180	1,064,700
Fubon 7-10 Years US Treasury Bond ETF	-	-	4,258,573
Fubon 20+Years US Treasury Bond ETF	-	2,077,412	2,004,782
Fubon S&P US Preferred Stock ETF	1,998,533	1,722,683	900,433
Fubon China Policy Bank Bond ETF	-	4,680,564	5,490,843
Fubon TWSE Corporate Governance	1,102,000	966,500	1,148,000
Fubon 10+ Years US Corporate Bond BBB Ex China	1,329,750	198,697	205,918
Fubon 1-5 Years High Yield Bond Fund ETF	-	201,402	206,688
Fubon 1-3 Years US Treasury Bond ETF	8,377,425	3,088,427	1,448,078
Fubon 9-35 Years US Corporate Bond A ETF	-	3,843,315	197,366
<b>Total</b>	<b>\$ 25,445,677</b>	<b>19,087,563</b>	<b>18,469,842</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>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Fubon REIT I Fund	\$ 863,162	834,769	848,398
Fubon REIT II Fund	976,332	918,728	940,603
Total	<u>\$ 1,839,494</u>	<u>1,753,497</u>	<u>1,789,001</u>

f) Bond transactions:

i) Sales of bonds

<u>Name of related party</u>	<u>For the nine months ended September 30</u>	
	<u>2019</u>	<u>2018</u>
Taipei Fubon Bank	\$ -	<u>4,099,874</u>

ii) Bonds payable

<u>Name of related party</u>	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Hyundai Commercial Co., Ltd.	<u>\$ 259,000</u>	<u>-</u>	<u>-</u>

iii) Derivative financial instruments (notional amount)

<u>Name of related party</u>	<u>Financial instrument</u>	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Taipei Fubon Bank	Foreign exchange swap contracts	<u>\$ 2,172,940</u>	<u>2,765,970</u>	<u>2,749,590</u>

g) Other receivables:

<u>Name of related party</u>	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Fubon Financial Holding	\$ 6,659,832	6,040,372	5,260,118
Fubon Insurance	329,832	145,455	233,013
Total	<u>\$ 6,989,664</u>	<u>6,185,827</u>	<u>5,493,131</u>

(Continued)

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

h) Premium Income:

<u>Name of related party</u>	<u>For the three months ended September 30</u>		<u>For the nine months ended September 30</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Related parties in substance	\$ 13,670	91,078	65,923	223,195
Others (not related company or person accounts for more than \$10,000 or 10%)	245,984	284,369	1,020,492	953,302
<b>Total</b>	<b><u>\$ 259,654</u></b>	<b><u>375,447</u></b>	<b><u>1,086,415</u></b>	<b><u>1,176,497</u></b>

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>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>	<u>Note</u>
Taipei City Government	<b><u>\$ 1,223,676</u></b>	<b><u>1,223,476</u></b>	<b><u>1,223,526</u></b>	Construction / Superficies

ii) Rental expense (before 2018):

<u>Name of related party</u>	<u>For the three months ended September 30, 2018</u>	<u>For the nine months ended September 30, 2018</u>	<u>Note</u>
Taipei City Government	<b><u>\$ 77,305</u></b>	<b><u>227,769</u></b>	Superficies rental expense

iii) Right-of-use asset and lease liability— building and construction (since January 1, 2019)

<u>Name of related party</u>	<u>Right-of-use asset</u>	
	<u>September 30, 2019</u>	<u>January 1, 2019</u>
Taiwan Fixed Network	\$ 91,085	119,048
Fubon REIT I Fund	157,494	244,519
Fubon Insurance	112,230	201,429
<b>Total</b>	<b><u>\$ 360,809</u></b>	<b><u>564,996</u></b>

(Continued)

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

<u>Name of related party</u>	<u>Lease liability</u>		<u>Interest expense</u>		<u>Value of Contract</u>
	<u>September 30, 2019</u>	<u>January 1, 2019</u>	<u>For the three months ended September 30, 2019</u>	<u>For the nine months ended September 30, 2019</u>	
	Taiwan Fixed Network	\$ 96,670	124,414	867	
Fubon REIT I Fund	157,139	238,654	1,456	5,014	351,161
Fubon Insurance	114,537	183,830	1,112	3,901	284,124
Related parties in substance	8,731	34,478	101	521	105,075
Total	<u>\$ 377,077</u>	<u>581,376</u>	<u>3,536</u>	<u>12,244</u>	<u>941,787</u>

- iv) Right-of-use asset and lease liability – Investment property – Superficies (since January 1, 2019)

<u>Name of related party</u>	<u>September 30, 2019</u>	<u>January 1, 2019</u>
Taipei City Government	<u>\$ 29,715,992</u>	<u>30,230,875</u>

<u>Name of related party</u>	<u>Lease liability</u>		<u>Interest expense</u>		<u>Value of Contract</u>
	<u>September 30, 2019</u>	<u>January 1, 2019</u>	<u>For the three months ended September 30, 2019</u>	<u>For the nine months ended September 30, 2019</u>	
	Taipei City Government	\$ 7,573,525	7,705,808	60,048	

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 September 30</u>		<u>For the nine months ended September 30</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Fubon Insurance	\$ 194,188	90,471	460,012	344,704

- k) Transaction of property

<u>Name of related party</u>	<u>Category</u>	<u>For the nine months ended September 30</u>	
		<u>2019</u>	<u>2018</u>
Taipei City Government	Prepayment of superficies development	\$ 13	553,903
Chien Kuo Construction	Construction contracts	-	395,627
Total		<u>\$ 13</u>	<u>949,530</u>

(Continued)

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

l) Other expenses are as follows:

<b>Name of related party</b>	<b>Category</b>	<b>For the three months ended September 30</b>		<b>For the nine months ended September 30</b>	
		<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Taiwan Fixed Network	Phone expenses and telecom expense	\$ <u>25,666</u>	<u>34,554</u>	<u>71,128</u>	<u>106,313</u>

(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
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 (Formosa Petrochemical)	Related parties in substance
Taipei Exchange (TPEX)	Related parties in substance (related parties in substance from the third quarter of 2019)
Taiwan Acceptance Corporation	Related parties in substance
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:

<u>Items</u>	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Demand deposits (excluding settlement accounts)	<u>\$ 1,968,598</u>	<u>1,419,636</u>	<u>1,678,474</u>
Demand deposits (booked as customer margin accounts)	<u>\$ 672,382</u>	<u>274,101</u>	<u>345,809</u>
Check deposits	<u>\$ 24,033</u>	<u>22,061</u>	<u>28,637</u>
Time deposits	<u>\$ 557,000</u>	<u>596,500</u>	<u>292,500</u>
Pledged time deposit	<u>\$ 120,021</u>	<u>177,521</u>	<u>222,521</u>
Foreign currency deposits (excluding settlement accounts)	<u>\$ 322,791</u>	<u>611,419</u>	<u>59,139</u>
Foreign time deposit	<u>\$ 8,383,075</u>	<u>7,018,221</u>	<u>9,745,349</u>

As of September 30, 2019, December 31 and September 30, 2018, Fubon Securities and its subsidiaries had put bank deposits in Xiamen Bank and Far Eastern Bank amounting to \$1,174,600, \$1,184,822 and \$1,178,816, respectively.

As of September 30, 2019, December 31 and September 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 \$805,000, \$845,000 and \$850,000, respectively.

Balances of short-term borrowings from Taipei Fubon Bank as of September 30, 2019, December 31 and September 30, 2018, were all nil, unused credit facilities from Taipei Fubon Bank were all \$6,000,000. As of September 30, 2019, December 31 and September 30, 2018, the book value of lands and buildings pledged to Taipei Fubon bank were \$1,575,380, \$1,579,946 and \$1,556,880, 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 \$4,360,100, \$4,288,300 and \$4,291,000 (recognized as financial assets measured at fair value through other comprehensive income) and beneficiary securities amounting to \$557,710, \$0 and \$0 (recognized as financial assets measured at fair value through profit or loss) to Taipei Fubon Bank as collateral for short-term borrowings .

(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:

		September 30, 2019	
Name of security	Cost	Gains (losses) on valuation	
Taiwan Mobile	\$ 1,682,697	584,407	
December 31, 2018			
Name of security	Cost	Gains (losses) on valuation	
Taiwan Mobile	\$ 1,682,697	473,077	
September 30, 2018			
Name of security	Cost	Gains (losses) on valuation	
Taiwan Mobile	\$ 1,682,697	533,803	

c) Derivative financial instrument transaction

Unit: In thousands of TWD

September 30, 2019					
Name of related party	Derivative instrument contract	Contract duration	Nominal amounts	Financial statement balance	
				Account	Balance
Far Eastern Bank	Cross Currency Swap (CCS)	2017.02.21~2023.07.13	\$ 600,000	CCS contract value (assets)	5,624
Far Eastern Bank	Cross Currency Swap (CCS)	2018.01.09~2023.02.27	1,500,000	CCS contract value (liabilities)	18,519
December 31, 2018					
Name of related party	Derivative instrument contract	Contract duration	Nominal amounts	Financial statement balance	
				Account	Balance
Far Eastern Bank	Cross Currency Swap (CCS)	2017.02.21~2023.07.13	\$ 600,000	CCS contract value (assets)	4,775
Far Eastern Bank	Cross Currency Swap (CCS)	2018.01.09~2023.02.27	1,500,000	CCS contract value (liabilities)	16,664
September 30, 2018					
Name of related party	Derivative instrument contract	Contract duration	Nominal amounts	Financial statement balance	
				Account	Balance
Far Eastern Bank	Cross Currency Swap (CCS)	2017.02.21~2022.02.23	\$ 300,000	CCS contract value (assets)	2,957
Far Eastern Bank	Cross Currency Swap (CCS)	2018.01.09~2023.07.13	1,800,000	CCS contract value (liabilities)	10,912

(Continued)

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

d) Accounts receivable

<u>Name of related party</u>	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Funds managed by Fubon Asset Management	\$ <u>148,793</u>	<u>353,046</u>	<u>37,624</u>

e) 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>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Taipei Fubon Bank	\$ 101,788	96,874	38,703
Fubon SSE 180 ETF	341,454	221,232	306,778
Fubon SZSE 100 ETF	64,871	79,938	106,887
Fubon SSE 180 2X Leveraged Index ETF	5,251,200	5,054,426	7,229,775
Fubon NASDAQ-100 2X Leveraged Index ETF	109,662	95,270	146,576
Fubon Hang Seng China Enterprises 2X Leveraged Index ETF	163,176	174,618	217,708
Fubon S&P 500 VIX Short-Term Futures ETF	1,976,131	544,189	1,110,196
Fubon NIFTY 2X Leveraged	184,625	59,383	60,731
Fubon TAIEX ETF Umbrella Fund-Fubon TAIEX Daily - 1X Inverse ETF	98,700	72,469	141,462
<b>Total</b>	<b>\$ <u>8,291,607</u></b>	<b><u>6,398,399</u></b>	<b><u>9,358,816</u></b>

f) Fubon Asset Management's funds purchased by Fubon Securities and its subsidiaries were as follow:

<u>Name of Funds</u>	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Fubon Chi-Hsiang Money Market Fund	\$ 257,069	256,095	255,806
Fubon China High Yield Bond Fund CNY	-	67,249	113,618
Fubon China Policy Bank Bond ETF	76,659	179,657	174,157
<b>Total</b>	<b>\$ <u>333,728</u></b>	<b><u>503,001</u></b>	<b><u>543,581</u></b>

(Continued)

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

- g) 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>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Fubon Chi-Hsiang Money Market Fund	\$ 1,661,846	1,159,095	1,157,785
Fubon China High Yield Bond Fund CNY	-	67,249	113,618
<b>Total</b>	<b><u>\$ 1,661,846</u></b>	<b><u>1,226,344</u></b>	<b><u>1,271,403</u></b>

- h) Deal on credit

As of September 30, 2019, December 31 and September 30, 2018, Fubon Securities and its subsidiaries had receivables from the other related parties' pecuniary finance amounting to \$65,583, \$119,353 and \$201,766, respectively.

- i) Settlement and clearing funds

<u>Name of related party</u>	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Taiwan Stock Exchange	\$ 110,559	143,704	143,704
Taiwan Futures Exchange	130,659	140,414	146,588
<b>Total</b>	<b><u>\$ 241,218</u></b>	<b><u>284,118</u></b>	<b><u>290,292</u></b>

- j) Debit bond deposit

<u>Name of related party</u>	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Taiwan Stock Exchange	\$ -	4,237,952	1,012,340

- k) Refundable deposits

<u>Name of related party</u>	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
TPEX	\$ 110,000	-	-

- l) Customer margin deposit

<u>Name of related party</u>	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Taiwan Futures Exchange	\$ 1,552,517	2,415,595	1,573,137

(Continued)

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

m) 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>September 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)	\$ 253,628	10,815
Fubon REIT I Fund	243,301	119,310
Fubon Emerging Market USD Investment Grade Bond ETF (managed by Fubon Asset Management)	158,843	2,846
First 106 unsecured domestic corporate bonds of Taiwan Acceptance	300,000	415
Others (no individual payments of more than \$10,000)	107,211	1,202
<b>Total</b>	<b>\$ <u>1,062,983</u></b>	<b><u>134,588</u></b>
<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)
<b>Total</b>	<b>\$ <u>665,371</u></b>	<b><u>107,303</u></b>
<u>Name of security</u>	<u>September 30, 2018</u>	
	<u>Cost</u>	<u>Gains (losses) on valuation</u>
Fubon REIT I Fund	\$ 241,357	113,095
First 106 unsecured domestic corporate bonds of Taiwan Acceptance	300,000	1,113
Others (no individual payments of more than \$10,000)	124,283	2,504
<b>Total</b>	<b>\$ <u>665,640</u></b>	<b><u>116,712</u></b>

As of September 30, 2019, December 31 and September 30, 2018, the balance of the trading securities-dealing of the related parties were \$330,000, \$300,000 and \$300,000, respectively.

(Continued)

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

n) Operating securities-hedging

The details of related parties' bonds held by Fubon Securities and its subsidiaries were as follows:

Name of security	December 31, 2018	
	Cost	Gains (losses) on valuation
Third issue of unsecured convertible bonds of Taiwan Mobile	\$ <u>100,090</u>	<u>2,960</u>

Name of security	September 30, 2018	
	Cost	Gains (losses) on valuation
Third issue of unsecured convertible bonds of Taiwan Mobile	\$ <u>100,090</u>	<u>4,610</u>

o) Bonds sold under repurchase agreement

Name of related party	September 30, 2019	December 31, 2018	September 30, 2018
Formosa Petrochemical	\$ -	<u>100,000</u>	-

p) Management fee (accounted for other operating revenue)

Name of related party	For the three months ended September 30		For the nine months ended September 30	
	2019	2018	2019	2018
Fubon SSE 180 ETF	\$ 26,318	34,829	90,049	112,050
Fubon SSE 180 Leveraged 2X Index ETF	47,737	77,932	173,797	223,730
Fubon S&P 500 VIX Short-Term Futures ETF	47,058	16,918	120,074	35,094
Others (Individual payments less than \$10,000)	47,264	37,175	126,010	106,912
Total	\$ <u>168,377</u>	<u>166,854</u>	<u>509,930</u>	<u>477,786</u>

q) Rental revenue (accounted for other profit and loss)

Name of related party	For the three months ended September 30		For the nine months ended September 30	
	2019	2018	2019	2018
Taipei Fubon Bank	\$ <u>59,933</u>	<u>65,295</u>	<u>175,823</u>	<u>191,759</u>

(Continued)

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

r) Brokerage service charge

<u>Name of related party</u>	<u>For the three months ended September 30</u>		<u>For the nine months ended September 30</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Taiwan Stock Exchange	\$ <u>41,930</u>	<u>51,040</u>	<u>113,864</u>	<u>154,446</u>

s) Right-of-use asset and lease liability

<u>Name of related party</u>	<u>Right-of-use asset</u>	
	<u>September 30, 2019</u>	<u>January 1, 2019</u>
Taipei Fubon Bank	\$ <u>114,860</u>	<u>86,290</u>

<u>Name of related party</u>	<u>Lease liability</u>		<u>Interest expense</u>		<u>Value of Contract</u>
	<u>September 30, 2019</u>	<u>January 1, 2019</u>	<u>For the three months ended September 30, 2019</u>	<u>For the nine months ended September 30, 2019</u>	
Taipei Fubon Bank	\$ 116,014	86,290	1,039	2,669	168,963
Fubon REIT I Fund	97,065	13,169	916	1,929	125,472
	\$ <u>213,079</u>	<u>99,459</u>	<u>1,955</u>	<u>4,598</u>	<u>294,435</u>

t) Handling fees (recognized as brokerage service fees)

<u>Name of related party</u>	<u>For the three months ended September 30</u>		<u>For the nine months ended September 30</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Others (no individual payments of more than \$10,000)	\$ <u>21,014</u>	<u>39,645</u>	<u>72,361</u>	<u>108,076</u>

(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 Bank (Hong Kong) Limited (Fubon Bank (Hong Kong))	Company controlled by Fubon Financial Holdings
Fubon Life Insurance Co., Ltd. (Fubon Life Insurance)	Company controlled by Fubon Financial Holdings
Fubon Asset Management Co., Ltd. (Fubon Asset Management)	Company controlled by Fubon Financial Holdings
Fubon Securities Co., Ltd. (Fubon Securities)	Company controlled by Fubon Financial Holdings

(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</u>
Fubon Insurance Co., Ltd. (Fubon Insurance)	Company controlled by Fubon Financial Holdings
Fubon Asset Management Service Co., Ltd. (Fubon AMC)	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
Harbin Bank Co., Ltd. (Harbin Bank)	Related parties in substance (not related parties in substance from third quarter of 2019)
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 nine months ended September 30, 2019</u>		
	<u>September 30, 2019 Ending balance</u>	<u>Interest rate/ service fee rate (%)</u>	<u>Interest revenue (expense)</u>
Loans	\$ <u>33,518,626</u>	0~14.97	<u>92,339</u>
Due to banks	\$ <u>134,678</u>	0~5.40	<u>1,738</u>
Deposits	\$ <u>94,838,270</u>	0~6.12	<u>(370,300)</u>

(Continued)

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

Units: In thousands of TWD

September 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	105	\$ 58,114	46,332	✓	-	None	None
Residential mortgage loans	396	4,321,974	3,641,432	✓	-	Real estate	None
Others	Department of Rapid Transit systems, Taipei City Government	28,013,659	27,965,242	✓	-	Public treasury guarantees	None
	Department of Urban Development, Taipei City Government	541,612	464,604	✓	-	Public treasury guarantees	None
	Taipei Municipal Secured Small Loans Service	167	45	✓	-	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	-	✓	-	Certificate of deposit	None
	Other loans	1,076	971	✓	-	Credit Guarantee Fund	None
Total		\$ 36,970,311	33,518,626				

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
Total		\$ 37,784,976	35,138,208				

**For the nine months ended September 30, 2018**

Item	September 30, 2018	Interest rate/ service fee rate	Interest revenue
	Ending balance	(%)	(expense)
Loans	\$ <u>6,596,097</u>	0~14.98	<u>49,252</u>
Due to banks	\$ <u>252,141</u>	0~5.40	<u>1,913</u>
Deposits	\$ <u>72,839,331</u>	0~8.00	<u>(264,517)</u>

(Continued)

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

Units: In thousands of TWD

September 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	91	\$ 55,608	37,240	✓	-	None	None
Residential mortgage loans	387	4,259,000	3,485,676	✓	-	Real estate	None
Others	Department of Urban Development, Taipei City Government	647,319	572,406	✓	-	Public treasury guarantees	None
	Department of Rapid Transit systems, Taipei City Government	2,500,000	2,500,000	✓	-	Public treasury guarantees	None
	Fubon Securities	1,499,420	-	✓	-	Domestic listed stocks	None
	Taipei Municipal Secured Small Loans Service	458	223	✓	-	Public treasury guarantees	None
	ICDC	88,832	-	✓	-	Standby letter of credit	None
	Other loans	638	552	✓	-	Credit Guarantee Fund	None
<b>Total</b>		<b>\$ 9,051,275</b>	<b>6,596,097</b>				

Transaction terms between Fubon Bank and its subsidiaries 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 nine months ended September 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>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Taiwan High Speed Rail	Bonds	Repurchase agreement	\$ 2,974,000	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	4,649,908	4,075,288	4,894,785

c) Fund and stock transactions

<u>Name of Funds</u>	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Fubon REIT I Fund	\$ 876,736	847,896	861,739
Fubon REIT II Fund	24,745	23,285	23,839
Total	<u>\$ 901,481</u>	<u>871,181</u>	<u>885,578</u>

d) Derivative financial instruments

Units: In thousands of TWD

<b>September 30, 2019</b>						
<b>Name of Related party</b>	<b>Derivative instruments</b>	<b>Contract period</b>	<b>Contract (notional) amount</b>	<b>Gains (losses) on valuation</b>	<b>Balance Sheet</b>	
					<b>Account</b>	<b>Balance</b>
Fubon Bank (Hong Kong)	Interest rate swap contracts	2010.11.26~2020.03.19	\$ 1,195,402	(9,472)	Valuation adjustment of financial asset measured at fair value through profit or loss	10,623
Fubon Life Insurance	Foreign currency swap contracts	2019.09.19~2019.12.23	2,160,585	2,176	Valuation adjustment of financial assets measured at fair value through profit or loss	2,176
Fubon Asset Management	Foreign currency swap contracts	2019.09.17~2019.10.03	83,875	241	Valuation adjustment of financial asset at fair value through profit or loss	241

(Continued)

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

Units: In thousands of TWD

December 31, 2018						
Name of Related party	Derivative instruments	Contract period	Contract (notional) amount	Gains (losses) on valuation	Balance Sheet	
					Account	Balance
Fubon Bank (Hong Kong)	Interest rate swap contracts	2010.11.26~2020.03.19	\$ 1,490,909	(41,865)	Valuation adjustment of financial asset at fair value through profit or loss	24,389
Fubon Life Insurance	Foreign currency swap contracts	2018.12.03~2019.05.06	2,735,838	1,261	Valuation adjustment of financial liability measured at fair value through profit or loss	1,261
Fubon Asset Management	Foreign currency swap contracts	2018.12.04~2019.01.07	175,012	416	Valuation adjustment of financial asset at fair value through profit or loss	416

(Continued)

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

Units: In thousands of TWD

September 30, 2018						
Name of Related party	Derivative instruments	Contract period	Contract (notional) amount	Gains (losses) on valuation	Balance Sheet	
					Account	Balance
Fubon Bank (Hong Kong)	Interest rate swap contracts	2010.11.26~2020.03.19	\$ 1,482,155	(40,057)	Valuation adjustment of financial asset at fair value through profit or loss	26,197
Fubon Life Insurance	Foreign currency swap contracts	2018.09.03~2018.12.05	2,752,920	(14,918)	Valuation adjustment of financial liability at fair value through profit or loss	14,918
Fubon Asset Management	Foreign currency swap contracts	2018.08.30~2018.10.04	211,446	(365)	Valuation adjustment of financial liability at fair value through profit or loss	365
Harbin Bank	Foreign currency swap contracts	2017.12.07~2018.12.24	3,479,201	(132,609)	Valuation adjustment of financial asset at fair value through profit or loss	87,723

## e) Lease

Rental expense

Name of related party	For the three months ended September 30		For the nine months ended September 30	
	2019	2018	2019	2018
Chung Hsing Land Development	\$ <u>3,441</u>	<u>52,771</u>	<u>9,816</u>	<u>158,520</u>

(Continued)

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

Lease agreement — 2019

Name of related party	Lease liability	Interest expense		Value of Contract
	September 30, 2019	For the three months ended September 30, 2019	For the nine months ended September 30, 2019	
Chung Hsing Land Development	\$ 242,199	2,248	7,871	593,120
Fubon Insurance	225,296	2,088	6,822	312,131
Fubon Life Insurance	195,111	1,809	5,508	357,298
Taipei City Government	52,488	551	1,693	102,559
Fubon REIT II Fund	130,982	1,210	3,817	299,248
Others	82,465	655	1,686	137,641
Total	<u>\$ 928,541</u>	<u>8,561</u>	<u>27,397</u>	<u>1,801,997</u>

The house rental expenses which are from the leasing contracts with related parties of Taipei Fubon Bank and its subsidiaries refer the quotation of nearby buildings or entrust Real Estate Appraisers Firms to analysis. The rental expenses are calculated with the number of pings rented by related parties monthly or quarterly.

f) Others

	September 30, 2019	December 31, 2018	September 30, 2018	
Receivables – Fubon Financial Holding	\$ 205,467	205,467	205,467	
Receivables – Fubon Life Insurance	359,054	220,239	384,582	
			For the three months ended September 30	
			2019	2018
Service fee income – Fubon Life Insurance	\$ 1,789,340	1,356,768	5,321,297	4,649,659
Service fee income – Others	212,421	125,349	625,113	382,187
Service expense – Others	65,957	36,034	152,797	115,661
Operating expenses – Others	141,784	47,535	265,466	226,741

g) Transaction of property

For the nine months ended September 30, 2018, Taipei Fubon Bank sold a building that face value was \$278,710 to Fubon AMC amounted to \$350,000. Taipei Fubon Bank recognized the profit of disposal of real estate amounted to \$71,290.

(Continued)

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

(vi) Fubon Bank (Hong Kong)

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
Fubon Life Insurance (Hong Kong) Limited	Company controlled by Fubon Financial Holdings
Fubon Convoy Asset Management (Hong Kong)	Company controlled by Fubon Financial Holdings

2) Significant transactions with related parties

a) Deposits and remittances

<u>Name of related party</u>	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Taipei Fubon Bank	HKD <u>27,844</u>	HKD <u>32,907</u>	HKD <u>37,224</u>
Fubon Life Insurance (Hong Kong)	HKD <u>150,859</u>	HKD <u>386,995</u>	HKD <u>458,710</u>
Fubon Convoy Asset Management (Hong Kong)	HKD <u>3,240</u>	HKD <u>3,887</u>	HKD <u>41,443</u>

b) Bank Deposits in Taipei Fubon Bank

<u>Name of related party</u>	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Taipei Fubon Bank	HKD <u>23,103</u>	HKD <u>30,149</u>	HKD <u>30,524</u>

c) Commission income

<u>Name of related party</u>	<u>For the three months ended September 30</u>		<u>For the nine months ended September 30</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Fubon Life Insurance (Hong Kong)	HKD <u>9,682</u>	HKD <u>10,140</u>	HKD <u>30,178</u>	HKD <u>21,307</u>

(Continued)

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

(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
Fubon Life Insurance Co., Ltd. (Fubon Life Insurance)	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>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Taipei Fubon Bank	\$ <u>304,735</u>	<u>166,904</u>	<u>107,851</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>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Fubon Chi-Hsiang Money Market Fund	\$ <u>101,183</u>	<u>200,489</u>	<u>200,262</u>

c) Advertisement sponsorship income

<u>Name of related party</u>	<u>For the three months ended September 30</u>		<u>For the nine months ended September 30</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Fubon Life Insurance	\$ <u>41,463</u>	<u>41,000</u>	<u>126,963</u>	<u>123,000</u>

(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

(Continued)



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

2) Significant transactions with related parties

a) Bank deposits

	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Taipei Fubon Bank	\$ <u>259,324</u>	<u>300,445</u>	<u>243,583</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 nine months ended September 30</u>	
	<u>2019</u>	<u>2018</u>
Fubon Insurance	\$ 313,282	265,354
Fubon Life Insurance	<u>186,022</u>	<u>203,019</u>
Total	<u>\$ 499,304</u>	<u>468,373</u>

(ix) Fubon AMC

1) Name and relationship with related party

<u>Name of related party</u>	<u>Relationship with the Company</u>
Ying Bao Development Ltd.	Related parties in substance

2) Significant transactions with related parties—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**

The fair value of assets provided by Company for being pledged as collateral is as follows:

<u>Pledged assets</u>	<u>Purpose of pledge</u>	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Savings deposits (accounted for refundable deposits)	Guarantee deposits for Insurance business	\$ 16,056	15,840	15,720
Savings deposits (accounted for other financial assets)	Note 1	666	-	-
Time deposits (accounted for refundable deposits)	Guarantee deposits for Insurance business and performance bond	1,053,206	979,636	974,676
Time deposits (accounted for pledged assets)	Full fiduciary discretionary deposits and performance bond	15,021	12,521	12,521
Time deposits (accounted for refundable deposits)	Others	1,379,172	1,379,172	1,379,172

(Continued)

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

<u>Pledged assets</u>	<u>Purpose of pledge</u>	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Time deposits (accounted for other financial assets)	Performance bond	\$ 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	28,993,036	19,996,172	19,995,348
Other banks' deposits (accounted for other financial assets)	Note 1	2,243,833	1,622,296	1,615,924
Government bonds (accounted for refundable deposits)	Guarantee deposits for Insurance business, performance bond and margin deposit for trust business	17,212,285	17,046,443	12,872,081
Government bonds (accounted for financial assets measured at fair value through profit or loss)	Note 1	100,490	150,163	150,176
Government bonds (accounted for financial assets measured at fair value through profit or loss)	Pledged for securities trading guarantee	7,513,355	7,456,615	4,295,620
Government bonds (accounted for debt investment measured at amortized cost)	Pledged for repurchase agreement	402,203	-	130,419
Government bonds (accounted for debt investment measured at amortized cost)	Pledged for repurchase agreement	-	-	1,228,090
Government bonds (accounted for debt investment measured at amortized cost)	Note 1	6,436,178	4,775,005	7,819,181
Government bonds (accounted for financial assets measured at fair value through other comprehensive income)	Note 1	1,497,523	504,549	414,624
Corporate bonds (accounted for debt investment measured at amortized cost)	Pledged for repurchase agreement and overdrafts of collateral	12,560,573	7,261,744	8,866,308
Financial bonds (accounted for debt investment measured at amortized cost)	Pledged for repurchase agreement	9,492,276	15,212,175	15,557,203

(Continued)

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

<u>Pledged assets</u>	<u>Purpose of pledge</u>	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Commercial paper (accounted for debt investment measured at amortized cost)	Pledged for repurchase agreement	\$ 1,405,093	2,139,645	2,138,644
Investment property— land and buildings	Bank loans	407,416	407,416	420,710
Property and equipment— land and buildings	Bank loans	505,452	506,811	507,284
Total		<u>\$ 91,248,834</u>	<u>79,481,203</u>	<u>78,408,701</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, (g) overdrafts of collateral and (h) claims litigation.

**(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>September 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)	2,791,910	5,980,719	20,360,510	29,133,139
Operating lease income (Lessor)	6,008,294	20,629,835	29,118,943	55,757,072
Finance lease payments (Lessee)	10,231	38,720	1,190,912	1,239,863
Finance lease income (Lessor)	2,448	4,408	1,428	8,284
Present value of finance lease payments (Lessee)	654	509	214,479	215,642
Present value of finance lease income (Lessor)	2,292	4,156	1,383	7,831
Capital expenditure commitments	2,607,465	14,415	-	2,621,880

(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>September 30, 2019</b>	<b>December 31, 2018</b>	<b>September 30, 2018</b>
Amount of repurchase agreements	\$ 104,335,851	121,955,488	119,812,581
Amount of resell agreements	20,144,700	11,771,008	5,424,815
Unused credit card commitments	285,600,145	265,528,189	264,167,621
Collections for customers	25,456,620	32,527,651	50,013,181
Agency loans payable	10,553,824	10,908,911	11,785,668
Designated deposits	1,821,337	2,011,632	3,892,207
Designated loans	1,821,337	2,011,632	3,892,207
Designated financial management	29,198,270	19,062,297	19,962,682
Travelers' checks consigned-in	297,889	366,693	379,591
Marketable securities under custody	386,156,293	334,341,775	333,025,178
Management for book-entry government bonds	73,229,100	103,237,100	97,275,400

(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

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>September 30, 2019</b>	<b>December 31, 2018</b>	<b>September 30, 2018</b>
New construction	<u>\$ 12,247,256</u>	<u>3,792,485</u>	<u>4,541,422</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):

	<b>September 30, 2019</b>	<b>December 31, 2018</b>	<b>September 30, 2018</b>
USD	<u>\$ 2,409,217</u>	<u>1,518,565</u>	<u>1,649,958</u>
EUR	<u>\$ 600,304</u>	<u>222,280</u>	<u>237,741</u>
KRW	<u>\$ 364,034,767</u>	<u>-</u>	<u>-</u>
TWD	<u>\$ 150,000</u>	<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 \$413,539, of which approximately \$360,915 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 September 30, 2019.
- (ii) The unfunded commitments (ceiling) of Fubon Insurance and its subsidiaries' private equity agreements were as below (in thousands):

	<b>September 30, 2019</b>	<b>December 31, 2018</b>	<b>September 30, 2018</b>
USD	<u>\$ 15,387</u>	<u>17,991</u>	<u>17,851</u>
EUR	<u>\$ 13,946</u>	<u>14,474</u>	<u>14,592</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 September 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:

	<b>September 30, 2019</b>	<b>December 31, 2018</b>	<b>September 30, 2018</b>
Indemnificatory loss payable	<u>\$ 11,526</u>	<u>11,526</u>	<u>11,526</u>

For the nine months ended September 30, 2019 and 2018, Fubon Securities recognized indemnification loss of \$0 in both periods.

(Continued)

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

**(10) Losses due to major disasters: None**

**(11) Significant subsequent events**

Due to the Company's corporate restructuring, the board of directors has approved to take the book value at the end of the previous month before the settlement date as the equity transfer price for the common stock which Fubon Securities held in Fubon Asset Management on November 21, 2019. The transaction is pending for approval by the authorities.

**(12) Other**

(a) Business combinations

(i) Fubon Life Insurance's subsidiary acquired

Fubon Life Insurance had acquired 48.62% of ownership interest in Hyundai Life Insurance Co., Ltd. on December 3, 2015, using equity method. After 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.

Fubon Life Insurance and its subsidiaries expand the overall insurance business scale and achieve risk diversification through the growth potential of the Korean life insurance market and Fubon Hyundai Life Insurance. In addition, the operating results of Fubon Hyundai Life Insurance are expected to create financial performance in the long run, that will enhance the profitability of Fubon Life Insurance and its subsidiaries.

The costs incurred in this transaction have been excluded from the transfer price, and recognized as operating expenses.

(Continued)

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

(ii) Fair value of assets acquired and liabilities assumed at the date of acquisition

	<b><u>Fubon Hyundai Life Insurance</u></b>
<b>Assets</b>	
Cash and cash equivalents	\$ 4,904,598
Receivables	4,400,626
Current tax assets	161,084
Investments	190,149,931
Reinsurance contract assets	214,658
Property and equipment – net	227,314
Intangible assets	4,111,265
Other assets	7,266,885
Assets on insurance product-separated account	150,920,752
<b>Liabilities</b>	
Payables	(2,415,400)
Financial liabilities	(8,176,629)
Insurance liabilities	(174,491,471)
Other liabilities	(259,117)
Liabilities on insurance product-separated account	(152,668,481)
Provisions	(5,804,272)
Deferred Tax Liability	<u>(260,460)</u>
Fair value of identifiable net assets acquired	<b><u>\$ 18,281,283</u></b>

The fair value of loan acquired from Fubon Hyundai Life Insurance in the business combination is \$45,155,540 with the contracts amounting to \$45,215,695. The expected cash flows of uncollectible contracts on the date of acquisition is estimated to be \$133,694. The fair value of accounts receivable is \$4,400,626 with the contracts amounting \$4,520,212. The expected cash flows of uncollectible contracts on the date of acquisition is estimated to be \$119,586.

Since the procedure of the valuation related to business combination and initial accounting treatment for certain assets, liabilities and non-controlling interests in consolidated financial statements had not been completed at the approval date of the consolidated financial statements for the third quarter of 2018, Fubon Life Insurance and its subsidiaries decided the provisional amounts based only on the best estimates of the management. As a result of the recognition of the adjustment of provisional amounts in the fourth quarter of 2018 for subsequent measurement according to IFRS 3 “Business Combinations”, the comparable information in the third quarter of 2018 has been restated.

(Continued)

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

Fubon Life Insurance has restated the balance sheet items as follows:

	<b>September 30, 2018</b>	<b>Acquisition date</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 2,853,840	2,841,432
Financial assets measured at fair value through other comprehensive income	(2,853,840)	(2,841,432)
Financial assets measured at amortized cost	(477,199)	(475,124)
Loans	(77,946)	(77,607)
Intangible assets	3,808,800	3,792,240
Other assets	3,563,770	3,548,275
Goodwill	(478,087)	(476,008)
<b>Total</b>	<b>\$ <u>6,339,338</u></b>	<b><u>6,311,776</u></b>
<b>Liabilities</b>		
Bonds payable	\$ 183,290	182,494
Provisions	5,714,080	5,689,236
Deferred tax liabilities	261,598	260,460
<b>Total</b>	<b>\$ <u>6,158,968</u></b>	<b><u>6,132,190</u></b>
<b>Equity</b>		
Non-controlling interests	\$ 180,370	179,586
<b>Total</b>	<b>\$ <u>180,370</u></b>	<b><u>179,586</u></b>
	<b>For the three months ended September 30, 2018</b>	<b>For the nine months ended September 30, 2018</b>
<b>Other comprehensive income</b>		
Exchange differences on translation of foreign operations	\$ 13,379	13,379
<b>Total</b>	<b>\$ <u>13,379</u></b>	<b><u>13,379</u></b>

(Continued)



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

## (iii) Goodwill

	<b>Fubon Hyundai Life Insurance</b>
Consideration transferred	\$ 6,420,296
Plus: Non-controlling interests	8,656,823
Fair value of the original interest of the acquirer	5,085,037
Less: Fair value of identifiable net assets acquired	(18,281,283)
Goodwill	<b>\$ 1,880,873</b>

Fubon Life Insurance and its subsidiary remeasured the fair value of 48.62% interest of Fubon Hyundai Life Insurance held prior to the acquisition date and therefore recognized \$282,666 gain, which was recognized as “share of profit of associates and joint ventures accounted for using equity method” in the consolidated statement of profit or loss.

Goodwill is mainly derived from the profitability of Fubon Hyundai Life Insurance in the Korean life insurance market, which is expected to create synergies from business combination.

The fair value of non-controlling interests in Fubon Hyundai Life Insurance is \$8,656,823, the net amount of the identifiable assets attributable to common stock in the proportion to non-controlling interests is \$5,883,730. The fair value calculated by significant unobservable inputs based on the market is \$2,773,093. The included items are as follows:

Items	Fair Value	Model Technique	Significant Unobservable Inputs	Intervals
Preferred stock	\$ 163,342	Option pricing model	Stock price volatility	26.60%
			Redeemable preferred shares amount	KRWm 6,498
			Risk-free rate	2.10%
Hybrid bonds	\$ 2,609,751	Rock-bottom method	Diversity score	1
			Risk-free rate	1.71%
			Information ratio	0.5
			Amplitude of the value adjustment	2.42 - 14.42

(Continued)

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

- (iv) The influence of business performance on the business combination

If this acquisition project occurred on January 1, 2018, the management estimated that the operating income of Fubon Life Insurance and its subsidiaries would be \$523,319,657 and the consolidated net income would be \$32,448,021, respectively. When estimating those amounts, the management assumed that the acquisition occurred on January 1, 2018, and the tentative fair value adjustment was the same as on the date of acquisition.

- (b) 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.

- (c) 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 September 30, 2019, the unpaid amount was \$170,161 thousand. After considering the actual recovery situation, Fubon Futures Co., Ltd. had recognized the allowance for doubtful accounts amounting to \$158,844 thousand.

- (d) 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 understood 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), based on the Writ, the Plaintiff is claiming the Defendants 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 made a strong counterplea.

- (e) Business or trading behaviors within subsidiaries:

- (i) Business or trading behaviors:

Please refer to note 7 for related-party transactions.

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

(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.

(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 nine months ended</b>	
	<b>September 30,</b>	
	<b>2019</b>	<b>2018</b>
Fubon Insurance	\$ 1,324,681	1,128,478
Taipei Fubon Bank	56,764	40,242
Fubon Life Insurance	164,075	121,289
Fubon Securities	3,951	6,170

(Continued)

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

(f) Financial information classified by business type:

For the nine months ended September 30, 2019

Units: In thousands of TWD

Item	Banking	Insurance	Securities	Others	Consolidation
Net interest revenue	25,372,188	77,091,995	573,048	(14,900)	103,022,331
Net non-interest revenue	20,143,456	212,897,780	6,187,831	95,778	239,324,845
Net revenue	45,515,644	289,989,775	6,760,879	80,878	342,347,176
Bad debt expenses and guarantee liability provisions	(1,214,654)	(386,631)	994	(9,263)	(1,609,554)
Net change in provisions for insurance liability	-	(231,774,468)	-	343,654	(231,430,814)
Operating expenses	(21,059,243)	(22,344,677)	(4,075,416)	1,435,675	(46,043,661)
Income from continuing operations before income tax	23,241,747	35,483,999	2,686,457	1,850,944	63,263,147
Income tax revenue (expense)	(3,594,381)	(4,217,589)	(241,135)	(1,179,108)	(9,232,213)
Net income	19,647,366	31,266,410	2,445,322	671,836	54,030,934

For the nine months ended September 30, 2018

Units: In thousands of TWD

Item	Banking	Insurance	Securities	Others	Consolidation
Net interest revenue	23,479,517	71,304,023	663,278	88,389	95,535,207
Net non-interest revenue	17,341,646	210,108,559	6,102,016	(83,185)	233,469,036
Net revenue	40,821,163	281,412,582	6,765,294	5,204	329,004,243
Bad debt expenses and guarantee liability provisions	(414,274)	(248,494)	(161,535)	(18,877)	(843,180)
Net change in provisions for insurance liability	-	(225,366,335)	-	311,492	(225,054,843)
Operating expenses	(19,087,453)	(19,742,495)	(4,118,365)	1,043,743	(41,904,570)
Income from continuing operations before income tax	21,319,436	36,055,258	2,485,394	1,341,562	61,201,650
Income tax revenue (expense)	(3,248,942)	(1,230,552)	(305,409)	(6,254,771)	(11,039,674)
Net income	18,070,494	34,824,706	2,179,985	(4,913,209)	50,161,976

(Continued)

g) Financial statements of Fubon Financial Holding Co., Ltd.

**September 30, 2019 and 2018 reviewed only, not audited in accordance with the generally accepted auditing standards****FUBON FINANCIAL HOLDING CO., LTD.****Balance Sheets****September 30, 2019, December 31 and September 30, 2018****(Expressed in thousands of New Taiwan Dollars)**

Assets	September 30, 2019		December 31, 2018		September 30, 2018			September 30, 2019		December 31, 2018		September 30, 2018	
	Amount	%	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%
Cash and cash equivalents	\$ 4,574,545	1	6,255,724	1	11,166,566	2	Commercial papers issued, net	\$ 30,240,005	4	13,535,972	2	13,696,177	2
Financial assets measured at fair value through profit or loss	20,420,864	3	20,236,023	4	25,967,016	4	Payables	484,887	-	792,963	-	479,931	-
Financial assets measured at fair value through other comprehensive income	-	-	52,957	-	53,396	-	Current tax liabilities	8,340,181	1	11,460,587	2	10,845,105	2
Securities purchased under resell agreements	59,629	-	164,819	-	99,909	-	Bonds payable	53,550,000	8	58,550,000	11	56,450,000	9
Receivables, net	372,114	-	554,202	-	447,559	-	Lease liabilities	46,229	-	-	-	-	-
Current tax assets	2,621,073	-	5,645,731	1	5,020,903	1	Deferred tax liabilities	4,934,270	1	4,145,078	1	4,078,818	1
Investments accounted for using equity method, net	651,200,321	96	514,717,209	94	557,915,871	93	Other liabilities	7,395	-	6,538	-	6,627	-
Property and equipment, net	17,400	-	20,676	-	19,978	-	<b>Total liabilities</b>	<b>97,602,967</b>	<b>14</b>	<b>88,491,138</b>	<b>16</b>	<b>85,556,658</b>	<b>14</b>
Right-of-use assets, net	45,958	-	-	-	-	-	<b>Equity:</b>						
Intangible assets, net	2,336	-	2,592	-	3,176	-	Share capital:						
Deferred tax assets	3,189	-	7,057	-	11,021	-	Common stock	102,336,040	15	102,336,040	19	102,336,040	17
Other assets, net	74,515	-	77,498	-	77,993	-	Preferred stock	12,666,600	2	12,666,600	2	12,666,600	2
							Total share capital	115,002,640	17	115,002,640	21	115,002,640	19
							Capital surplus	137,058,323	20	137,018,872	25	137,017,337	23
							Retained earnings:						
							Legal reserve	62,588,197	9	57,815,312	10	57,815,312	9
							Special reserve	104,825,990	16	30,008,647	5	30,008,647	5
							Undistributed earnings	140,920,217	21	191,853,334	35	196,462,336	33
							Total retained earnings	308,334,404	46	279,677,293	50	284,286,295	47
							Total other equity interest	21,393,610	3	(72,455,455)	(12)	(21,079,542)	(3)
							<b>Total equity</b>	<b>581,788,977</b>	<b>86</b>	<b>459,243,350</b>	<b>84</b>	<b>515,226,730</b>	<b>86</b>
<b>Total assets</b>	<b>\$ 679,391,944</b>	<b>100</b>	<b>547,734,488</b>	<b>100</b>	<b>600,783,388</b>	<b>100</b>	<b>Total liabilities and equity</b>	<b>\$ 679,391,944</b>	<b>100</b>	<b>547,734,488</b>	<b>100</b>	<b>600,783,388</b>	<b>100</b>

**Reviewed only, not audited in accordance with the generally accepted auditing standards**

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

**Statement of Comprehensive Income**

**For the three months and nine months ended September 30, 2019 and 2018**

**(Expressed in thousands of New Taiwan Dollars, except earnings per share)**

	<u>For the three months ended September 30</u>				<u>For the nine months ended September 30</u>			
	<u>2019</u>		<u>2018</u>		<u>2019</u>		<u>2018</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
<b>Revenue :</b>								
Share of profit of associates and joint ventures accounted for using equity method	\$ 26,684,693	100	20,343,102	99	55,148,220	99	56,524,600	99
Other revenues	112,840	-	329,101	1	746,670	1	823,703	1
<b>Net revenue</b>	<u>26,797,533</u>	<u>100</u>	<u>20,672,203</u>	<u>100</u>	<u>55,894,890</u>	<u>100</u>	<u>57,348,303</u>	<u>100</u>
<b>Expense:</b>								
Operating expenses	189,672	1	187,495	1	520,029	1	514,288	1
Other expenses and losses	238,574	1	233,074	1	690,590	1	671,355	1
<b>Total expenses</b>	<u>428,246</u>	<u>2</u>	<u>420,569</u>	<u>2</u>	<u>1,210,619</u>	<u>2</u>	<u>1,185,643</u>	<u>2</u>
<b>Net income before tax from continuing operations</b>	26,369,287	98	20,251,634	98	54,684,271	98	56,162,660	98
<b>Income tax expenses</b>	<u>333,547</u>	<u>1</u>	<u>1,225,449</u>	<u>6</u>	<u>979,299</u>	<u>2</u>	<u>5,963,749</u>	<u>10</u>
<b>Net income</b>	<u>26,035,740</u>	<u>97</u>	<u>19,026,185</u>	<u>92</u>	<u>53,704,972</u>	<u>96</u>	<u>50,198,911</u>	<u>88</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	-	-	4,445	-	(159)	-	14,376	-
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	(4,248,361)	(16)	880,435	4	(656,406)	(1)	(2,132,393)	(4)
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>(4,248,361)</u>	<u>(16)</u>	<u>884,880</u>	<u>4</u>	<u>(656,565)</u>	<u>(1)</u>	<u>(2,118,017)</u>	<u>(4)</u>
<b>Items that may be subsequently reclassified to profit or loss</b>								
Exchange differences on translation of foreign financial statements	(1,431,629)	(5)	(531,356)	(3)	(491,879)	(1)	366,153	1
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	9,914,772	37	(9,778,392)	(47)	91,141,422	164	(45,772,053)	(80)
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>8,483,143</u>	<u>32</u>	<u>(10,309,748)</u>	<u>(50)</u>	<u>90,649,543</u>	<u>163</u>	<u>(45,405,900)</u>	<u>(79)</u>
<b>Other comprehensive income, net of income tax</b>	<u>4,234,782</u>	<u>16</u>	<u>(9,424,868)</u>	<u>(46)</u>	<u>89,992,978</u>	<u>162</u>	<u>(47,523,917)</u>	<u>(83)</u>
<b>Total comprehensive income</b>	<u>\$ 30,270,522</u>	<u>113</u>	<u>9,601,317</u>	<u>46</u>	<u>143,697,950</u>	<u>258</u>	<u>2,674,994</u>	<u>5</u>
<b>Basic earnings per share (in New Taiwan Dollars)</b>	<u>\$ 2.29</u>		<u>1.86</u>		<u>4.99</u>		<u>4.76</u>	

**Reviewed only, not audited in accordance with the generally accepted auditing standards**

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

**Statement of Changes in Equity**

**For the nine months ended September 30, 2019 and 2018**

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

	Share capital								Retained earnings								Total other equity interest					Total equity
	Common stock	Preferred stock	Total	Capital surplus	Legal reserve	Special reserve	Undistributed 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					
								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					
<b>Equity at beginning of period after adjustments</b>	<u>102,336,040</u>	<u>6,000,000</u>	<u>108,336,040</u>	<u>103,674,220</u>	<u>52,403,066</u>	<u>53,069,867</u>	<u>164,773,093</u>	<u>270,246,026</u>	<u>(11,286,078)</u>	<u>(2,143,826)</u>	<u>-</u>	<u>-</u>	<u>(299,649)</u>	<u>2,302,954</u>	<u>26,725,621</u>	<u>15,299,022</u>	<u>497,555,308</u>					
Net income	-	-	-	-	-	-	50,198,911	50,198,911	-	-	-	-	-	-	-	-	50,198,911					
Other comprehensive income	-	-	-	-	-	-	334,534	334,534	(468,714)	(23,866,325)	-	-	(526,229)	218,189	(23,215,372)	(47,858,451)	(47,523,917)					
Total comprehensive income	-	-	-	-	-	-	50,533,445	50,533,445	(468,714)	(23,866,325)	-	-	(526,229)	218,189	(23,215,372)	(47,858,451)	2,674,994					
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	-	-	-	72,147	-	-	-	-	-	-	-	-	-	-	-	-	72,147					
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	-	-	-	-	-	-	(12,016,326)	(12,016,326)	-	12,016,326	-	-	-	-	-	12,016,326	-					
Disposal of investment property	-	-	-	-	-	-	536,439	536,439	-	-	-	-	(536,439)	-	(536,439)	-	-					
<b>Balance at September 30, 2018</b>	<u>\$ 102,336,040</u>	<u>12,666,600</u>	<u>115,002,640</u>	<u>137,017,337</u>	<u>57,815,312</u>	<u>30,008,647</u>	<u>196,462,336</u>	<u>284,286,295</u>	<u>(11,754,792)</u>	<u>(13,993,825)</u>	<u>-</u>	<u>-</u>	<u>(825,878)</u>	<u>1,984,704</u>	<u>3,510,249</u>	<u>(21,079,542)</u>	<u>515,226,730</u>					
<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	1,933,288	-	-	-	-	-	-	-	-	1,933,288					
<b>Equity at beginning of period after adjustments</b>	<u>102,336,040</u>	<u>12,666,600</u>	<u>115,002,640</u>	<u>137,018,872</u>	<u>57,815,312</u>	<u>31,976,946</u>	<u>191,818,323</u>	<u>281,610,581</u>	<u>(11,908,923)</u>	<u>(16,079,586)</u>	<u>-</u>	<u>-</u>	<u>(217,381)</u>	<u>2,238,671</u>	<u>(46,488,236)</u>	<u>(72,455,455)</u>	<u>461,176,638</u>					
Net income	-	-	-	-	-	-	53,704,972	53,704,972	-	-	-	-	-	-	-	-	53,704,972					
Other comprehensive income	-	-	-	-	-	-	(22,211)	(22,211)	(3,127,559)	22,237,762	-	-	705,083	26,202	70,173,701	90,015,189	89,992,978					
Total comprehensive income	-	-	-	-	-	-	53,682,761	53,682,761	(3,127,559)	22,237,762	-	-	705,083	26,202	70,173,701	90,015,189	143,697,950					
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)					
Cash dividends of preferred stock	-	-	-	-	-	-	(2,624,043)	(2,624,043)	-	-	-	-	-	-	-	-	(2,624,043)					
Changes in equity of associates and joint ventures accounted for using equity method	-	-	-	39,451	-	-	-	-	-	-	-	-	-	-	-	-	39,451					
Disposal of investments in equity instruments measured at fair value through other comprehensive income	-	-	-	-	-	-	(3,833,876)	(3,833,876)	-	3,833,876	-	-	-	-	-	3,833,876	-					
Changes in disposal of special reserves transferred from investments in equity instruments measured at fair value through other comprehensive income of participating policies from subsidiaries	-	-	-	-	-	-	(33,811)	(33,811)	-	-	-	-	-	-	-	-	(33,811)					
<b>Balance at September 30, 2019</b>	<u>\$ 102,336,040</u>	<u>12,666,600</u>	<u>115,002,640</u>	<u>137,058,323</u>	<u>62,588,197</u>	<u>104,825,990</u>	<u>140,920,217</u>	<u>308,334,404</u>	<u>(15,036,482)</u>	<u>9,992,052</u>	<u>-</u>	<u>-</u>	<u>487,702</u>	<u>2,264,873</u>	<u>23,685,465</u>	<u>21,393,610</u>	<u>581,788,977</u>					

Reviewed only, not audited in accordance with the generally accepted auditing standards

## FUBON FINANCIAL HOLDING CO., LTD.

## Statement of Cash Flows

For the nine months ended September 30, 2019 and 2018

(Expressed in thousands of New Taiwan Dollars)

	For the nine months ended September 30	
	2019	2018
<b>Cash flows from operating activities:</b>		
Income before income tax	\$ 54,684,271	56,162,660
<b>Adjustments:</b>		
Income of non-cash activities		
Depreciation expenses	35,829	6,699
Amortization expenses	7,844	8,612
Net gain on financial assets or liabilities measured at fair value through profit or loss	(723,362)	(204,538)
Interest expense	681,839	662,052
Interest income	(10,012)	(29,255)
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	(55,148,220)	(56,524,600)
<b>Subtotal of income of non-cash activities</b>	<u>(55,156,082)</u>	<u>(56,081,030)</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 measured at fair value through other comprehensive income	52,798	-
Decrease in receivables and current tax assets	3,024,658	2,401,845
Increase in other assets	(3,330)	(11,575)
Decrease in payables and current tax liabilities	(3,357,384)	(2,764,444)
Increase (decrease) in other liabilities	857	(1,077)
<b>Subtotal of all adjustments</b>	<u>(55,438,483)</u>	<u>(76,456,281)</u>
Cash used in operating activities	(754,212)	(20,293,621)
Interest received	730,621	170,204
Dividends received	10,597,206	21,933,117
Interest paid	(844,881)	(837,429)
Income tax paid	(94,421)	(1,568,799)
<b>Net cash from (used in) operating activities</b>	<u>9,634,313</u>	<u>(596,528)</u>
<b>Cash flows from investing activities:</b>		
Acquisition of property and equipment	(2,382)	(5,383)
Acquisition of intangible assets	(546)	(456)
Acquisition of right-of-use assets	(23)	-
<b>Net cash used in investing activities</b>	<u>(2,951)</u>	<u>(5,839)</u>
<b>Cash flows from (used in) financing activities:</b>		
Increase (decrease) in commercial papers issued	16,704,033	(5,791,882)
Proceeds from issuing bonds	-	10,000,000
Repayments of bonds	(5,000,000)	(7,550,000)
Repayment of lease liabilities	(30,513)	-
Cash dividends paid	(23,091,251)	(25,013,289)
Proceeds from issuing shares	-	39,937,570
<b>Net cash from (used in) financing activities</b>	<u>(11,417,731)</u>	<u>11,582,399</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	(1,786,369)	10,980,032
<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>\$ 4,634,174</u>	<u>11,266,475</u>
<b>Components of cash and cash equivalents:</b>		
Cash and cash equivalents recognized in balance sheet	\$ 4,574,545	11,166,566
Securities purchased under resell agreements qualifying for cash and cash equivalents under the definition of IAS 7	59,629	99,909
<b>Cash and cash equivalents at end of period</b>	<u>\$ 4,634,174</u>	<u>11,266,475</u>



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

(h) Subsidiaries' balance sheets and statements of comprehensive income

(i) Balance sheets

	<b>Taipei Fubon Bank</b>	
	<b>September 30, 2019</b>	<b>September 30, 2018</b>
Cash and cash equivalents	\$ 29,068,307	50,203,799
Due from the central bank and call loans to banks	213,697,277	185,589,067
Financial assets measured at fair value through profit or loss	114,529,447	96,920,502
Financial assets measured at fair value through other comprehensive income	77,217,528	94,577,709
Debt investments measured at amortized cost	581,997,189	568,822,136
Financial assets for hedging	1,683,107	2,994,818
Securities purchased under resell agreements	20,139,523	2,796,847
Receivables, net	87,835,139	82,035,597
Current income tax assets	205,467	206,584
Discounts and loans, net	1,288,225,656	1,219,191,474
Investments accounted for using equity method	24,138,784	24,052,334
Other financial assets, net	8,690,840	29,350,924
Property and equipment, net	12,697,956	12,845,631
Right-of-use assets, net	3,240,589	-
Investment property	2,807,300	2,857,375
Intangible assets, net	1,722,126	1,576,019
Deferred tax assets	610,393	549,698
Other assets	11,839,669	12,466,694
<b>Total assets</b>	<b>\$ 2,480,346,297</b>	<b>2,387,037,208</b>

(Continued)

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

	<b>Taipei Fubon Bank</b>	
	<b>September 30, 2019</b>	<b>September 30, 2018</b>
Deposits to the central bank and banks	\$ 128,169,428	138,036,301
Financial liabilities measured at fair value through profit or loss	21,836,352	30,423,971
Financial liabilities for hedging	3,776,567	2,997,100
Securities sold under repurchase agreements	91,219,800	104,907,804
Payables	26,807,484	29,647,953
Current tax liabilities	2,701,749	1,579,222
Deposits and remittances	1,860,556,970	1,784,060,694
Bonds payable	105,771,149	73,778,638
Other financial liabilities	23,690,461	24,734,153
Provisions	3,138,692	2,746,854
Lease liabilities	3,218,820	-
Deferred tax liabilities	1,361,225	1,255,878
Other liabilities	<u>11,468,491</u>	<u>10,244,932</u>
<b>Total liabilities</b>	<u>2,283,717,188</u>	<u>2,204,413,500</u>
Common stock	112,347,556	106,518,023
Capital surplus	14,800,938	14,800,927
Retained earnings	71,220,454	62,599,282
Other equity	<u>(1,739,839)</u>	<u>(1,294,524)</u>
<b>Total equity</b>	<u>196,629,109</u>	<u>182,623,708</u>
<b>Total liabilities and equity</b>	<u><u>\$ 2,480,346,297</u></u>	<u><u>2,387,037,208</u></u>

(Continued)

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

	<b>Fubon Insurance</b>	
	<b>September 30,</b>	<b>September 30,</b>
	<b>2019</b>	<b>2018</b>
Cash and cash equivalents	\$ 8,849,158	7,175,716
Receivables	5,368,840	5,039,340
Financial assets measured at fair value through profit or loss	25,602,792	21,855,905
Financial assets measured at amortized cost	2,585,723	3,630,491
Investments accounted for using equity method, net	1,126,849	896,908
Financial assets measured at fair value through other comprehensive income	22,930,949	22,143,929
Right-of-use assets	140,827	-
Investment property	10,746,673	10,749,377
Reinsurance contract assets	17,754,382	16,242,205
Property and equipment	3,090,473	3,054,700
Intangible assets	119,069	95,815
Deferred tax assets	946,511	1,023,388
Other assets	921,433	1,153,344
<b>Total assets</b>	<b>\$ 100,183,679</b>	<b>93,061,118</b>
Payables	\$ 11,589,819	9,588,881
Current tax liabilities	415,098	231,670
Financial liabilities measured at fair value through profit or loss	28,836	175,979
Insurance liabilities	49,115,912	47,993,012
Lease liabilities	136,515	-
Deferred tax liabilities	1,654,918	1,279,087
Other liabilities	1,061,897	853,890
Provisions	1,401,736	1,465,866
<b>Total liabilities</b>	<b>65,404,731</b>	<b>61,588,385</b>
Common stock	3,178,396	3,178,396
Capital surplus	5,934,408	5,934,408
Retained earnings	20,111,185	19,135,328
Other equity	5,554,959	3,224,601
<b>Total equity</b>	<b>34,778,948</b>	<b>31,472,733</b>
<b>Total liabilities and equity</b>	<b>\$ 100,183,679</b>	<b>93,061,118</b>

(Continued)

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

	<b>Fubon Life Insurance</b>	
	<b>September 30, 2019</b>	<b>September 30, 2018</b>
Cash and cash equivalents	\$ 218,538,655	165,280,149
Receivables	44,666,043	36,716,953
Current tax assets	7,014,727	5,579,663
Financial assets measured at fair value through profit or loss	1,118,966,409	714,132,526
Financial assets measured at fair value through other comprehensive income	501,639,961	610,586,491
Financial assets for hedging	697,610	380,522
Financial assets measured at amortized cost	1,656,510,169	1,713,392,312
Investments accounted for using equity method, net	54,874,802	41,115,365
Other financial assets, net	27,028	27,524
Investment property	188,061,630	137,683,220
Loans	256,832,959	228,387,981
Reinsurance contract assets	2,016,197	1,791,061
Property and equipment	19,454,018	19,527,462
Right-of-use assets	2,437,925	-
Intangible assets	263,341	203,738
Deferred tax assets	12,095,537	13,028,094
Other assets	21,264,034	48,086,923
Assets on insurance product, separated account	187,690,431	167,922,736
<b>Total assets</b>	<b>\$ <u>4,293,051,476</u></b>	<b><u>3,903,842,720</u></b>

(Continued)

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

	<b>Fubon Life Insurance</b>	
	<b>September 30,</b>	<b>September 30,</b>
	<b>2019</b>	<b>2018</b>
Payables	\$ 40,038,741	26,830,526
Current tax liabilities	1,056,700	844,644
Financial liabilities measured at fair value through profit or loss	2,085,050	11,212,074
Financial liabilities for hedging	87,142	1,412,870
Bonds payable	55,000,000	55,000,001
Lease liabilities	17,038,610	-
Insurance liabilities	3,634,595,253	3,356,505,323
Reserve for insurance contract with nature of financial instrument futures	3,604,665	3,664,881
Foreign exchange valuation reserve	12,450,633	5,014,833
Provisions	8,038,970	7,275,634
Deferred tax liabilities	10,160,227	3,436,945
Other liabilities	4,817,176	5,097,328
Liabilities on insurance product, separated account	<u>187,690,431</u>	<u>167,922,736</u>
<b>Total liabilities</b>	<u>3,976,663,598</u>	<u>3,644,217,795</u>
Common stock	110,831,140	82,969,690
Stock dividends to be distributed	-	27,861,450
Capital surplus	29,570,171	29,530,168
Retained earnings	145,222,463	127,608,685
Other equity	<u>30,764,104</u>	<u>(8,345,068)</u>
<b>Total equity</b>	<u>316,387,878</u>	<u>259,624,925</u>
<b>Total liabilities and equity</b>	<u>\$ 4,293,051,476</u>	<u>3,903,842,720</u>

(Continued)

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

	<u>Fubon Securities</u>	
	<u>September 30,</u>	<u>September 30,</u>
	<u>2019</u>	<u>2018</u>
		<u>(Restated)</u>
		<u>(Note)</u>
Current assets	\$ 103,207,146	100,725,005
Financial assets measured at fair value through other comprehensive income — non-current	2,423,025	2,058,582
Investments accounted for using equity method	8,851,026	7,894,988
Property and equipment	1,743,227	1,674,937
Right-of-use assets	423,299	-
Investment property	929,618	1,048,761
Intangible assets	87,605	95,735
Deferred tax assets	321,477	233,635
Other non-current assets	<u>1,150,780</u>	<u>1,041,829</u>
<b>Total assets</b>	<b>\$ <u>119,137,203</u></b>	<b><u>114,773,472</u></b>
Current liabilities	\$ 80,759,987	77,742,416
Provisions — non-current	1,034,064	946,646
Lease liabilities — non-current	259,194	-
Deferred tax liabilities	131,719	108,656
Other non-current liabilities	<u>3,685</u>	<u>3,892</u>
<b>Total liabilities</b>	<b><u>82,188,649</u></b>	<b><u>78,801,610</u></b>
Common stock	16,643,550	16,643,550
Retained earnings	17,752,925	16,896,702
Other equity	2,552,079	2,398,214
Equity attributable to former owner of business combination under common control	-	33,396
<b>Total equity</b>	<b><u>36,948,554</u></b>	<b><u>35,971,862</u></b>
<b>Total liabilities and equity</b>	<b>\$ <u>119,137,203</u></b>	<b><u>114,773,472</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>September 30,</u> <u>2019</u>	<u>September 30,</u> <u>2018</u>
Cash and cash equivalents	\$ 1,565,063	1,456,228
Due from the central bank and call loans to banks	6,933,443	6,131,359
Financial assets measured at fair value through profit or loss	1,382,975	1,649,984
Financial assets measured at fair value through other comprehensive income	15,856,241	12,100,540
Financial assets measured at amortized cost	11,988,387	9,087,324
Securities purchased under resell agreements	-	591,080
Receivables, net	6,851,640	4,060,882
Discounts and loans, net	45,508,131	36,137,262
Other financial assets	466,758	523,671
Property and equipment, net	1,145,261	1,194,500
Right-of-use assets	128,135	-
Intangible assets, net	40,863	34,016
Deferred tax assets	124,150	139,418
Other assets, net	<u>52,588</u>	<u>62,042</u>
<b>Total assets</b>	<b>\$ <u>92,043,635</u></b>	<b><u>73,168,306</u></b>
Deposits from the central bank and banks	\$ 5,715,607	8,510,192
Due to the central bank and banks	170,000	206,376
Financial liabilities measured at fair value through profit or loss	758,038	987,390
Securities sold under repurchase agreements	2,927,344	3,234,658
Payables	7,600,370	4,895,675
Current tax liabilities	23,216	21,004
Deposits and remittances	66,769,806	49,690,514
Bonds payable	2,000,000	-
Provisions	9,466	6,592
Lease liabilities	129,121	-
Deferred tax liabilities	18,196	7,290
Other liabilities	<u>3,214</u>	<u>3,598</u>
<b>Total liabilities</b>	<b><u>86,124,378</u></b>	<b><u>67,563,289</u></b>
Common stock	2,100,000	2,100,000
Capital surplus	93,176	93,176
Retained earnings	3,671,494	3,390,426
Other equity	<u>54,587</u>	<u>21,415</u>
<b>Total equity</b>	<b><u>5,919,257</u></b>	<b><u>5,605,017</u></b>
<b>Total liabilities and equity</b>	<b>\$ <u>92,043,635</u></b>	<b><u>73,168,306</u></b>

(Continued)

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

(ii) Statements of comprehensive income

	<b>Taipei Fubon Bank</b>	
	<b>For the nine months ended</b>	
	<b>September 30</b>	
	<b>2019</b>	<b>2018</b>
Interest revenue	\$ 34,768,816	31,966,529
Interest expense	(17,451,744)	(15,547,344)
Net interest revenue	17,317,072	16,419,185
Net non-interest revenues	18,235,875	15,311,181
Net revenue	35,552,947	31,730,366
Bad debt expenses and guarantee liability provisions	(676,841)	(252,592)
Operating expenses	(15,164,956)	(13,735,606)
Income before income tax	19,711,150	17,742,168
Less: income tax expense	2,791,647	2,600,438
Net income	16,919,503	15,141,730
Other comprehensive income (net of income tax)	(346,894)	187,717
Total comprehensive income	\$ 16,572,609	15,329,447
Earnings per share (In New Taiwan Dollars)	\$ 1.51	1.35
	<b>Fubon Insurance</b>	
	<b>For the nine months ended</b>	
	<b>September 30</b>	
	<b>2019</b>	<b>2018</b>
Operating Revenue	\$ 27,359,414	25,738,982
Operating cost	(17,476,569)	(16,060,274)
Operating expenses	(5,601,268)	(5,307,357)
Net operating income	4,281,577	4,371,351
Non-operating income and expense	(216,890)	(176,612)
Income before income tax	4,064,687	4,194,739
Less: income tax expense	514,089	517,999
Net income	3,550,598	3,676,740
Other comprehensive income (net of income tax)	3,471,723	(1,024,675)
Total comprehensive income	\$ 7,022,321	2,652,065
Basic earnings per share (In New Taiwan Dollars)	\$ 11.17	11.57
Diluted earnings per share (In New Taiwan Dollars)	\$ 11.16	11.56

(Continued)



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

	<b>Fubon Life Insurance</b>	
	<b>For the nine months ended</b>	
	<b>September 30</b>	
	<b>2019</b>	<b>2018</b>
Operating Revenue	\$ 564,665,927	492,373,030
Operating cost	(521,463,929)	(449,305,138)
Operating expenses	(12,820,484)	(11,535,075)
Operating income	30,381,514	31,532,817
Non-operating income and expense	539,997	347,334
Income before income tax	30,921,511	31,880,151
Less: income tax expense (revenue)	3,491,299	641,165
Net income	27,430,212	31,238,986
Other comprehensive income (net of income tax)	86,144,819	(48,059,757)
Total comprehensive income	\$ 113,575,031	(16,820,771)
Basic earnings per share (In New Taiwan Dollars)	\$ 2.47	2.82
	<b>Fubon Securities</b>	
	<b>For the nine months ended</b>	
	<b>September 30</b>	
	<b>2019</b>	<b>2018</b>
		<b>(Restated)</b>
		<b>(Note)</b>
Revenue	\$ 5,814,805	5,986,283
Expenses	(4,366,317)	(4,437,741)
Net operating income	1,448,488	1,548,542
Non-operating income and expense	1,127,267	889,947
Income before income tax	2,575,755	2,438,489
Less: income tax expense	130,713	248,323
Net income	2,445,042	2,190,166
Other comprehensive income (net of income tax)	416,282	681,812
Total comprehensive income	\$ 2,861,324	2,871,978
Net income attributable to:		
Owners of parent	\$ 2,445,042	2,188,339
Equity attributable to former owner of business combination under common control	-	1,827
	\$ 2,445,042	2,190,166
Comprehensive income attributable to:		
Owners of parent	\$ 2,861,324	2,870,130
Equity attributable to former owner of business combination under common control	-	1,848
	\$ 2,861,324	2,871,978
Earnings per share (In New Taiwan Dollars)	\$ 1.47	1.31
Diluted earnings per share (In New Taiwan Dollars)	\$ 1.47	1.31

(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 nine months ended</b>	
		<b>September 30</b>	
		<b>2019</b>	<b>2018</b>
Interest revenue		\$ 2,502,866	2,174,912
Interest expense		(1,655,699)	(1,439,634)
Net interest revenue		847,167	735,278
Net non-interest revenues		200,281	(4,515)
Net revenue		1,047,448	730,763
Bad debt expenses and guarantee liability provisions		(111,077)	(20,105)
Operating expenses		(617,403)	(541,044)
Income before income tax		318,968	169,614
Income tax expense		(78,088)	(33,944)
Net income		240,880	135,670
Other comprehensive income (net of income tax)		(51,438)	88,109
Total comprehensive income		\$ 189,442	223,779

(i) Profitability of the Company and bank, insurance and security subsidiaries

September 30, 2019

		Unit: %							
Item	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	1.06 %	11.86 %	1.08 %	0.91 %	0.51 %	1.00 %	5.69 %	3.05 %
	After income tax	0.90 %	11.65 %	0.92 %	0.76 %	0.38 %	0.89 %	4.97 %	2.89 %
Return on equity	Before income tax	15.85 %	13.98 %	13.74 %	7.97 %	7.30 %	15.88 %	16.68 %	9.49 %
	After income tax	13.54 %	13.73 %	11.80 %	6.68 %	5.51 %	14.09 %	14.57 %	9.01 %
Profit margin		15.78 %	97.28 %	47.59 %	41.50 %	23.00 %	4.86 %	12.98 %	42.05 %

September 30, 2018

		Unit: %							
Item	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	1.12 %	12.63 %	1.00 %	1.25 %	0.31 %	1.12 %	6.09 %	2.96 %
	After income tax	0.92 %	11.29 %	0.85 %	1.07 %	0.24 %	1.10 %	5.34 %	2.66 %
Return on equity	Before income tax	15.97 %	14.79 %	13.10 %	10.04 %	4.12 %	15.69 %	17.84 %	9.17 %
	After income tax	13.00 %	13.22 %	11.18 %	8.61 %	3.29 %	15.37 %	15.64 %	8.23 %
Profit margin		15.25 %	88.57 %	47.72 %	48.77 %	18.57 %	6.34 %	14.28 %	36.56 %

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.

(Continued)

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

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 September 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 September 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	September 30, 2019				Remark
				No. of shares	Carrying amount	Shareholding ratio	Market price	
Fubon Futures Co. Ltd.	Capital Global Senior Secured High Yield Bond Fund	-	Financial assets measured at fair value through profit and loss	954	10,236	-	10,236	Beneficiary certificates
"	Sinopac ICE 15+ Year Core A-BBB US Insurance & Financial Services Bond ETF	-	"	40	1,758	-	1,758	"
"	Fubon China Policy Bank Bond 0-1 ETF	Fund managed under a subsidiary company's manager of the Company	"	390	15,479	-	15,479	"
"	Yuanta S&P U.S. High Yield Preferred Stock ETF	-	"	376	7,885	-	7,885	"
"	Shin Kong Global Preferred Stock Income Fund	-	"	1,000	10,130	-	10,130	"
"	Capital Aggressive Allocation Fund of Funds	-	"	1,000	9,952	-	9,952	"
"	Capital Moderate Allocation Fund of Funds NB USD	-	"	1,000	9,969	-	9,969	"
"	Fubon S&P US Preferred Stock ETF	Fund managed under a subsidiary company's manager of the Company	"	869	17,406	-	17,406	"
"	Cathay No.1 Real Estate Investment Trust	-	"	20	320	-	320	"
"	Cathay No.2 Real Estate Investment Trust	-	"	23	377	-	377	"
"	Cathay TIP TAIEX+ Low Volatility Select 30 ETF	-	"	41	932	-	932	"
"	Fubon Emerging Market USD Investment Grade Bond ETF	Fund managed under a subsidiary company's manager of the Company	"	1,000	40,810	-	40,810	"
"	Fuh Hwa Emerging Market 10+ Yr Bond ETF	-	"	191	4,319	-	4,319	"
"	CTBC 0-5 Year AAA-BB EM USD Government Bond ex-144a ETF	-	"	49	1,976	-	1,976	"

(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	September 30, 2019				Remark
				No. of shares	Carrying amount	Shareholding ratio	Market price	
Fubon Futures Co. Ltd.	Shin Kong US Treasury 1-3 Year Bond ETF	-	"	40	1,629	-	1,629	Beneficiary certificates
"	Yuanta US 10+ Investment Grade Healthcare Bond ETF	-	"	500	22,590	-	22,590	"
"	Capital BofA Merrill Lynch 10+ Year US Banking Index Exchange Traded Fund	-	"	1	45	-	45	"
"	Yuanta US 10+ Investment Grade Utility Electric Power Bond ETF	-	"	5	223	-	223	"
"	Cathay Financial Holding Co., Ltd. Preferred Stock A	-	"	4,835	307,506	0.56	307,506	Listed stock
"	Cathay Financial Holding Co., Ltd. Preferred Stock B	-	"	850	53,975	0.12	53,975	"
"	Taiwan Cement Co.	-	"	35	1,388	-	1,388	"
"	ZIPPY Technology Co.	-	"	30	1,038	0.02	1,038	"
"	Dacin Construction Co.	-	"	8	163	-	163	"
"	Highwealth Construction Co.	-	"	50	2,495	-	2,495	"
"	Transcend Information, Inc	-	"	15	966	-	966	"
"	Far Eas Tone Telecommunications	-	"	43	3,118	-	3,118	"
"	TAISHIN Financial Holding Co., Ltd. Preferred stock B	-	"	190	10,298	0.02	10,298	"
"	CTBC Financial Holding Co., Ltd. Preferred stock B	-	"	50	3,250	0.01	3,250	"
"	Farglory Group corporation	-	"	10	366	-	366	"
"	Run Long Construction	-	"	20	1,272	0.01	1,272	"
"	China Bills Finance Co.	-	"	45	668	-	668	"
"	SHINKONG Insurance Co., Ltd.	-	"	10	374	-	374	"
"	SAKURA Development Co., Ltd.	-	"	10	290	-	290	"
"	CTBC Financial Holding Co., Ltd. Preferred stock C	-	"	62	3,912	0.01	3,912	"
"	China Steel Corporation Preferred Stock A	-	"	1	49	-	49	"
"	China Steel Corporation	-	"	150	3,450	-	3,450	"
"	ZENG HSING Industrial Co., Ltd.	-	"	2	265	-	265	"
"	Kwong Lung	-	"	20	911	0.02	911	Emerging stock
"	Kwong Lung A	-	"	5	565	-	565	Corporate bond

(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	September 30, 2019				Remark
				No. of shares	Carrying amount	Shareholding ratio	Market price	
Fubon Futures Co., Ltd.	China Steel Corporation Preferred Stock A	-	Financial assets at fair value through other comprehensive income	47	2,322	0.12	2,322	Listed stock
"	Taiwan Futures Exchange Co., Ltd.	Related parties in substance	"	790	61,291	0.22	61,291	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	12,540	-	12,540	Beneficiary certificates
"	Fubon China Investment Grade Bond Fund - CNY	Fund managed under a subsidiary company's manager of the Company	"	200	11,036	-	11,036	"
"	Fubon R1	-	"	1,391	21,143	-	21,143	Beneficiary securities
"	Fubon R2	-	"	1,380	18,478	-	18,478	"
"	Cathay R1	-	"	500	8,005	-	8,005	"
"	Cathay R2	-	"	950	15,590	-	15,590	"
Fu Sheng Life Insurance Agent Co., Ltd.	96 Central Government Bond 7	-	Financial assets measured at amortized cost	-	2,379	-	2,379	Government Bond
Fu Sheng General Insurance Agent Co., Ltd.	96 Central Government Bond 7	-	"	-	2,379	-	2,379	"
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	1,076	-	1,076	Beneficiary certificates
"	Fubon MSCI Taiwan ETF	"	"	24	1,279	-	1,279	"
"	Fubon Taiwan Eight Industries ETF	"	"	24	1,107	-	1,107	"
"	Fubon Taiwan Financial ETF	"	"	25	1,176	-	1,176	"
"	Fubon SSE180 ETF	"	"	237	7,320	-	7,320	"
"	Taiwan FTSE TWSE Taiwan 50 EFT	"	"	25	1,179	-	1,179	"
"	Fubon SZSE 100 ETF	"	"	21	215	-	215	"
"	Fubon TOPIX ETF	"	"	11	223	-	223	"
"	Fubon NIFTY ETF	"	"	13	308	-	308	"
"	Fubon NASDAQ 100 ETF	"	"	13	429	-	429	"
"	Fubon FTSE Developed Europe ETF	"	"	12	242	-	242	"
"	Fubon S&P US Preferred Stock ETF	"	"	612	12,252	-	12,252	"
"	Fubon China Policy Bank Bond ETF	"	"	3,874	76,659	-	76,659	"
"	Fubon Chi-Hsiang Money Market	"	"	8,636	135,787	-	135,787	"
"	Eastspring Investments Well Pool Money Market Fund	-	"	6,664	90,877	-	90,877	"
"	Fubon Hang Seng China Enterprises ETF	Fund managed under Fubon Asset Management	"	3	61	-	61	"
"	Fubom 1-3 Years US Treasury Bond ETF	"	"	660	27,286	-	27,286	"
"	Fubon China Growth Fund TWD	"	"	2,044	12,859	-	12,859	"
"	Fubon China Investment Grade Bd CNY B	"	"	326	14,986	-	14,986	"

(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	September 30, 2019				Remark
				No. of shares	Carrying amount	Shareholding ratio	Market price	
Fubon Asset Management Co., Ltd.	Fubon China Money Market CNY	Fund managed under Fubon Asset Management	Financial assets measured at fair value through profit or loss	795	40,630	-	40,630	Beneficiary certificates
"	Fubon Global Investment-grade Bond Fund B	"	"	1,023	9,659	-	9,659	"
"	Fubon Euro-Asia Silk Road Multi-Asset Fund A	"	"	1,750	18,524	-	18,524	"
"	Fubon India and Indonesia Sovereign Bond Fund TWD A	"	"	1,999	21,626	-	21,626	"
"	Fubon TWSE Corporate Governance 100 ETF	"	"	3	71	-	71	"
"	Fubon 7-10 Years US Treasury Bond ETF	"	"	4	183	-	183	"
"	Fubon 20+ Years US Treasury Bond ETF	"	"	6	307	-	307	"
"	Fubon Global Investment-Grade Bond Fund	"	"	4	186	-	186	"
"	Fubon 1-5 Years US High Yield Bond Ex China	"	"	3	111	-	111	"
"	Fubon China CSI 500 Index ETF	"	"	500	8,790	-	8,790	"
"	Fubon 9-35 Years US Corporate Bond A ETF	"	"	504	23,776	-	23,776	"
"	Fubon China Policy Bank Bond 0-1 ETF	"	"	175	6,946	-	6,946	"
"	Fubon 7-15 Years Europe USD Banking ETF	"	"	2,000	80,380	-	80,380	"
"	103 Central Government Development Bond 13	-	Financial assets measured at fair value through other comprehensive income	-	314,419	-	314,419	Government Bond
"	FundRich Securities Co., Ltd.	Related party in substance	"	2,018	10,023	3.36	10,023	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	121,282	-	121,282	Beneficiary certificates
Fubon Securities Venture Capital Co., Ltd.	Fusheng Precision Co., Ltd.	-	"	222	39,738	0.17	39,738	Listed stock
"	Timing Pharmaceutical Co., Ltd.	-	"	1,300	17,758	1.51	17,758	Unlisted stock
"	EVA Technologies Co., Ltd.	-	"	818	45,000	2.68	45,000	"
"	APEX Flight Academy	-	"	1,313	-	5.42	-	"
"	PocketNet Technology Inc.	-	"	952	61,412	1.66	61,412	"
"	Amis Technology Co., Ltd.	Related party in substance	"	48,750	116,228	22.45	116,228	"
"	Noodoe Inc.	-	"	450	53,520	5.99	53,520	"
"	Cinema Pro Limited	Related party in substance	"	2,800	14,536	14.69	14,536	"
"	uPI Group Inc.	-	"	190	10,928	0.27	10,928	"

(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	September 30, 2019				Remark
				No. of shares	Carrying amount	Shareholding ratio	Market price	
Fubon Securities Venture Capital Co., Ltd.	Brilliant Network Co., Ltd.	-	Financial assets measured at fair value through profit or loss	700	21,378	2.46	21,378	Unlisted stock
"	A-SPINE Asia Co., Ltd.	-	"	660	52,930	4.90	52,930	"
"	Yuanta De-Li Money Market Fund	-	"	2,472	40,404	-	40,404	Beneficiary certificates
"	FSITC Taiwan Money Market	-	"	3,293	50,521	-	50,521	"
"	Mega Diamond Money Market Fund	-	"	4,018	50,510	-	50,510	"
"	Capital Money Market Fund	-	"	3,120	50,459	-	50,459	"
Fubon Securities Equity Investment Ltd.	Guang Dong Ying Jiang Film Industry Investment Limited	-	"	3,840	16,751	16.00	16,751	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	"	6,435	101,183	-	101,183	Beneficiary certificates
"	Franklin Templeton Sinoam Money Market Fund.	-	"	29,107	301,662	-	301,662	"
"	Chunghwa chemical Synthesis & Biotech Co., Ltd.	-	"	3,000	96,600	3.87	96,600	Listed stock
"	momo.com Inc.	Related party in substance	"	3,219	841,768	2.30	841,768	"
"	Tanvex BioPharma, Inc.	-	"	2,064	134,160	0.85	134,160	"
"	Drewloong Precision Inc.	-	"	186	28,342	0.52	28,342	"
"	Media Asia Group Holdings Ltd.	-	"	99,188	20,818	4.64	20,818	Hong Kong listed stock
"	ConforMIS, Inc.	-	"	100	5,775	0.15	5,775	US listed stock
"	H&Q AP Greater China Growth Fund	-	"	-	9,645	4.00	9,645	Private fund
"	An Shin Food Service Co., Ltd.	-	"	97	6,660	0.30	6,660	Emerging stock
"	KD Holding Corporation	-	"	470	95,616	0.70	95,616	"
"	SynCore Biotechnology Co.	-	"	2,695	83,274	2.77	83,274	"
"	One Production Co., Ltd.	Related party in substance	"	3,874	56,289	13.84	56,289	Emerging stock
"	Long time tech. Co., Ltd.	Related party in substance	"	10,000	253,215	8.31	253,215	"
"	TwI Biotechnology Co., Ltd.	-	"	2,700	38,421	4.00	38,421	"
"	TIPCO International Limited	-	"	1	908	4.54	908	Unlisted stock
"	Lonestar Heart Inc.	-	"	294	-	4.01	-	"
"	ABG Grail Limited	-	"	-	84,124	4.00	84,124	"
"	Aeolus Robotics	-	"	5,000	43,450	10.02	43,450	"
"	RenalPro Medical, Inc.	-	"	1,055	28,513	9.98	28,513	"
"	Phalanx Biotech Group	-	"	95	222	0.15	222	"
"	Jeoutai Technology	Related party in substance	"	2,714	54,422	8.06	54,422	"
"	Century Development Corporation	Related party in substance	"	3,509	31,192	1.00	31,192	"
"	StemCyte Inc.	Related party in substance	"	9,426	210,382	10.60	210,382	"

(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	September 30, 2019				Remark
				No. of shares	Carrying amount	Shareholding ratio	Market price	
Fubon Financial Holding Venture Capital Co., Ltd.	UUPON Inc.	Related party in substance	Financial assets measured at fair value through profit or loss	1,900	2,660	5.29	2,660	Unlisted stock
"	DoDoPal Holdings Ltd.	-	"	42	-	6.78	-	"
"	TAROKO Development Co., Ltd.	Related party in substance	"	20,736	198,443	12.71	198,443	"
"	TAROKO MALL Co., Ltd.	-	"	2,304	25,528	7.65	25,528	"
"	Crystal Bright Development Co., Ltd.	-	"	10	245,755	1.91	245,755	"
"	Asian Crown International Co., Ltd.	Related party in substance	"	824	-	6.94	-	"
"	Alliance Digital Tech Co., Ltd.	Related party in substance	"	900	-	2.16	-	"
"	EcoNet Inc.	Related party in substance	"	312	287,713	1.64	287,713	"
"	DETKET Technology Inc.	Related party in substance	"	2,200	12,430	16.28	12,430	"
"	Eva Technologies Co., Ltd.	-	"	1,340	-	6.50	-	"
Fubon Financial Holding Venture Capital Co., Ltd.	ABG II-WX Limited	-	"	2	2,702,501	9.30	2,702,501	"
"	Sunny Pharmtech Inc.	Related party in substance	"	12,820	173,448	9.90	173,448	"
"	A.T.Holding Ltd.	Related party in substance	"	280	158,084	2.35	158,084	"
"	Allianz Pharmascience Ltd.	-	"	2,000	36,800	6.85	36,800	"
"	tixCraft Inc.	Related party in substance	"	990	18,275	15.71	18,275	"
"	Alar Pharmaceuticals Inc.	-	"	3,300	27,390	9.43	27,390	"
"	TeTanTi Agricultural Biotechnology Co., Ltd.	Related party in substance	"	1,500	22,710	6.00	22,710	"
"	Beseye Cloud Security Co., Ltd.	Related party in substance	"	3,700	51,615	22.04	51,615	"
"	Annji Pharmaceutical Co., Ltd.	Related party in substance	"	40,000	60,000	15.10	60,000	"
"	Bigbest Solutions, Inc.	-	"	8,000	80,000	11.43	80,000	"
"	Artilux Corporation	-	"	2,000	92,981	3.30	92,981	"
"	Grand Academy Investment, L.P.	-	"	-	119,721	4.17	119,721	Private fund
"	Starview Heights Investment, L.P.	-	"	-	64,147	4.17	64,147	"
"	Bridge Roots Fund.L.P.	-	"	-	459,527	11.48	459,527	"
"	Omniad Media Incorporation	-	Financial assets at fair value through other comprehensive income	7,675	-	10.21	-	Unlisted stock
"	Yuan tai Foreign	-	"	240	12,900	2.00	12,900	"
"	Kbro Media Co., Ltd.	Related party in substance	"	13,050	75,168	14.50	75,168	"
"	Diamond Bioventure	Related party in substance	"	22,500	151,875	5.00	151,875	"
"	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	"	3,763	27,281	9.90	27,281	"

(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	September 30, 2019				Remark
				No. of shares	Carrying amount	Shareholding ratio	Market price	
Fubon Financial Holding Venture Capital Co., Ltd.	Yesin Electronics Technology Co., Ltd.	Related party in substance	Financial assets at fair value through other comprehensive income	4,026	30,917	10.61	30,917	Unlisted stock
"	Xin-Yao Bioventure Co., Ltd.	Related party in substance	"	17,500	124,950	5.00	124,950	"
"	Fubon Hospitality Management Co., Ltd.	Related party in substance	"	5,000	26,950	17.86	26,950	"
"	Star River Energy Corporation	Related party in substance	"	1,760	39,371	1.49	39,371	"
"	Star Shining Energy Corporation	Related party in substance	"	21,000	443,100	7.00	443,100	"
"	Wholx Max Green Power Co., Ltd.	Related party in substance	"	1,090	23,348	1.00	23,348	"
"	OmniEyes Co., Ltd	-	"	212	55,096	21.22	55,096	"
Fubon Sports & Entertainment Co., Ltd.	CHOXUE INC. (Cayman)	-	"	298	-	1.66	-	"

- (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, net	Subsidiary	-	1,275,000	2,680,890	700,000	3,005,069 (Note 1)	-	-	-	-	1,975,000	5,685,959
Fubon Life Insurance	Fubon Eurotower (Luxembourg) S. à r.l	Investment accounted for using equity method, net	Subsidiary	-	-	-	220	6,476,350 (Note 1)	-	-	-	-	220	6,476,350
Fubon Securities	Fubon Securities (BVI)	Investment accounted for using equity method, net	Subsidiary	-	18,830	393,152	16,216	485,268 (Note 1)	-	-	-	-	35,046	878,420
Fubon Securities (BVI)	Fubon Securities (HK) Ltd.	Investments accounted for using equity method, net	Subsidiary	-	156,386	257,906	126,792	517,398 (Note 1)	-	-	-	-	283,178	775,304

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.

(Continued)

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

(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	UNIPPOINT 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

(ix) Receivables from related parties up to \$300,000 or 10% of paid-in capital:

Unit: In thousands of TWD

Company of 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	1,493,376 (Note 1)	-	-	-	-	-
"	Fubon Insurance	"	435,108 (Note 1)	-	-	-	-	-
Fubon Life Insurance	Fubon Financial Holding	Parent Company	6,659,832 (Note 2)	-	-	-	-	-
"	Fubon Insurance	Subsidiary of the Parent	329,832	-	-	-	-	-
Taipei Fubon Bank	Fubon Life Insurance	Subsidiary of the Parent	359,054	-	-	-	-	-

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) and 6(af).

(Continued)

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

(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	283,836 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	20,420,864	Same as non related-party transactions	0.25 %
0	Fubon Financial Holding	Fubon Life Insurance	1	Gain and loss on financial assets and liabilities measured at fair value through profit or loss	538,521	Same as non related-party transactions	0.16 %
0	Fubon Financial Holding	Taipei Fubon Bank	1	Cash and cash equivalents	4,570,722	Same as non related-party transactions	0.05 %
1	Taipei Fubon Bank	Fubon Life Insurance	3	Net service fee revenue	5,321,297	Same as non related-party transactions	1.55 %
2	Fubon Life Insurance	Fubon Financial Holding	2	Current tax assets	6,659,832	Same as non related-party transactions	0.08 %
2	Fubon Life Insurance	Taipei Fubon Bank	3	Cash and cash equivalents	16,958,213	Same as non related-party transactions	0.21 %
2	Fubon Life Insurance	Fubon Insurance	3	Net insurance service revenue	460,012	Same as non related-party transactions	0.13 %
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	175,823	Same as non related-party transactions	0.05 %
4	Fu Sheng General Insurance Agent	Fubon Insurance	3	Net service fee and commission income	313,282	Same as non related-party transactions	0.09 %
5	Fu Sheng Life Insurance Agent	Fubon Life Insurance	3	Net service fee and commission income	186,022	Same as non related-party transactions	0.05 %

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.

(Continued)

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

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) 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 September 30, 2019	Net income from investee	Percentage of Ownership	Equity in the Earnings (gains)	Carrying value as of September 30, 2019	Accumulated inward remittance of earnings as of September 30, 2019
					Outflow	Inflow						
Fubon Bank (China)	Banking	9,160,830 (CNY2,100,000)	Direct investment in Mainland China	42,122,872	-	-	42,122,872	1,089,573 (CNY240,880)	100 %	797,762	40,440,920	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 September 30, 2019	Net income from investee	Percentage of Ownership	Equity in the Earnings (gains)	Carrying value as of September 30, 2019	Accumulated inward remittance of earnings as of September 30, 2019
					Outflow	Inflow						
Xiamen Bank Co., Ltd.	Banking	10,361,401 (CNY2,375,215)	(Note 1)	N/A, Investment of Fubon Bank (Hong Kong)	-	-	-	(Note 2)	19.95 %	1,239,755	13,250,381	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.

Note 2: Xiamen Bank applied for listing in the third quarter of 2019. Since Xiamen Bank did not announce related financial information in this quarter, the Company cannot declare the information in other countries according to local regulations of securities management. However, related gains and losses have been recognized according to regulations.

3) Upper limit on investment:

Company	Accumulated investment in Mainland China as of September 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)	349,073,386
Taipei Fubon Bank Co., Ltd.	20,258,298 (CNY4,093,113)	20,258,298 (CNY4,093,113)	117,977,465
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 September 30, 2019, and the CNY average exchange rate for the nine months ended September 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 September 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 September 30, 2019, the paid-in capital of Teng Fu Bo Investment Limited amounted to CNY 400 million, with Fubon Property and Casualty Insurance Co., Ltd. contributing the amount of CNY 124.4 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 September 30, 2019	Net income from investee	Percentage of Ownership	Equity in the Earnings (gains)	Carrying value as of September 30, 2019	Accumulated inward remittance of earnings as of September 30, 2019
					Outflow	Inflow						
Fubon Property and Casualty Insurance Limited	Property Insurance	4,885,776 (CNY1,120,000)	1	4,310,367	-	94	4,310,273	(100,204)	80.00 %	(80,164)	756,448	-
Teng Fu Bo Investment Limited	Investment advisory	1,744,920 (CNY400,000)	3	-	-	-	-	(335,074)	24.88 %	(83,366)	188,476	-

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 September 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 September 30, 2019
					Outflow	Inflow						
CITIC Fulljoy (Dalian) Limited	Real estate development	1,425,636 (HKD 360,000)	2	-	-	-	-	(796) (CNY (176))	18.00 %	(143) (CNY (32))	Note 3	-
Shang Hsing Real Estate (Shenyang) Limited	Real estate leasing	1,980,050 (HKD 500,000)	2	-	-	-	-	(43,578) (CNY (9,634))	18.00 %	(7,844) (CNY (1,734))	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 September 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 September 30, 2019
					Outflow	Inflow						
CITIC Capital Holdings (Tianjin) Ltd.	Investment Holdings	19,614,781 (CNY 4,496,431)	2	-	-	-	-	274,576 (CNY 60,702)	12.27 %	33,690 (CNY 7,448)	Note 3	-
Hui Zhi Ju Xin (Shenzhen) Investment Ltd.	Investment Management	21,812 (CNY 5,000)	2	-	-	-	-	412,945 (CNY 91,292)	12.27 %	50,667 (CNY 11,201)	Note 3	-
Zhong An Tai Xin (Shenzhen) Equity Investment and Fund Management Ltd.	Investment advisory	43,623 (CNY 10,000)	2	-	-	-	-	10,779 (CNY 2,283)	18.00 %	1,940 (CNY 429)	Note 3	-
CITIC Capital Asset Management (Shenzhen) Ltd.	Investment advisory	43,623 (CNY 10,000)	2	-	-	-	-	68,167 (CNY 15,070)	18.00 %	12,270 (CNY 2,713)	Note 3	-
CITIC Capital Culture Tourism (Chengdu) Ltd.	Real estate leasing	2,430,237 (CNY 557,100)	2	-	-	-	-	(11,475) (CNY 2,537)	12.58 %	(1,443) (CNY 319)	Note 3	-
Jin Rui Tong Investment Consultancy (Chengdu) Ltd.	Real estate leasing	801,237 (CNY 183,673)	2	-	-	-	-	(59,920) (CNY 13,247)	6.41 %	(3,844) (CNY 850)	Note 3	-
Tianjin Xinze Equity Investment and Fund Management Ltd.	Investment advisory	109,058 (CNY 25,000)	2	-	-	-	-	(68,479) (CNY 15,139)	18.00 %	(12,326) (CNY 2,725)	Note 3	-
Shanghai Ling Hui Business Information Consultancy Ltd.	Real estate leasing	3,242,642 (CNY 743,333)	2	-	-	-	-	(100,586) (CNY 22,237)	8.76 %	(8,810) (CNY 1,948)	Note 3	-
Shanghai Jing Rong Industrial Development Ltd.	Real estate leasing	1,640,225 (CNY 376,000)	2	-	-	-	-	(32,224) (CNY 7,124)	8.76 %	(2,823) (CNY 624)	Note 3	-
Murkden Tzu Tsai Heating & Development Ltd.	Real estate leasing	283,550 (CNY 65,000)	2	-	-	-	-	(172,728) (CNY 38,186)	18.00 %	(31,091) (CNY 6,873)	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 reviewed financial statements of the investees.

Note 3: The carrying amount of each investment at the period end was not available from the self-prepared 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 Xinhe Run Investment Management Ltd., Shenzhen Pengyi Equity Investment Management Ltd., Beijing Pengyu Investment Management Ltd., Beijing Pengyu Investment Management Ltd., Jiaqieng (Shanghai) Consulting Ltd., Jiaqieng 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 Jiaqieng Xiaofeng Equity Investment Management Ltd., Shenzhen Jiaqieng Yiheng Equity Investment Management Ltd. Division, Shenzhen Minzhi Juxin Investment Management Ltd. Beijing Branch, Shenzhen Yixin Management Consulting Ltd., Chengdu Jiruitong Investment Management Co., Ltd., Qingchengshan Lushan 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 Beizhuang Hotel Ltd., Yunnan Shangri La Alpine Beizhuang 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., Kangqun (Nanjing) Warehouse 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., 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., Shanhai Fung Yu Tai Industrial Co. Ltd., Wuxi Shi Fung Yu Tai Industrial 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., Shenzhen Yu Feng Industrial Park Management Co. Ltd., Shenzhen Tuo Feng Industrial Park Management Co. Ltd., Huizhou Li Shin Infinity Real Estate Development Co. Ltd., Huizhou Tian Hua Yu Industrial Co. Ltd., Beijing Shin Wen Capital Management Co. Ltd., Heilongjiang Jheng Tuo Agriculture Development Co. Ltd., Ha Yau Co. Ltd., Nehe Jheng Tuo CBD Extraction Co. Ltd., Qinggang Jheng Tuo CBD Extraction Co. Ltd., Tianjin Shen An Healthcare Equity Investment Management Co. Ltd.

Note 5: The foreign currency is converted into TWD using CNY closing exchange rate on September 30, 2019 and average exchange rate for the nine months ended September 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

Company	Accumulated investment in Mainland China as of September 30, 2019	Investment amounts authorized by investment commission, MOEA	Upper limit on investment
Fubon Life Insurance Co., Ltd.	25,781,503	25,987,602	189,832,727
Fubon Insurance Co., Ltd.	2,154,951 (CNY448,000)	2,209,299 (CNY460,000)	20,867,369

Note: The limit of Fubon Life Insurance Co., Ltd. and Fubon Insurance Co., Ltd. investment were \$126,555,151, and \$13,911,579 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

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 September 30, 2019	Net income from investee	Percentage of Ownership	Equity in the Earnings (gains)	Carrying value as of September 30, 2019	Accumulated inward remittance of earnings as of September 30, 2019
					Outflow	Inflow						
Fubon Securities Equity Investment Ltd.	Equity Investment	872,460 (CNY200,000)	(Note 1)	944,532	-	-	944,532	12,858	100.00 %	12,858	880,698	-

Company	Accumulated investment in Mainland China as of September 30, 2019	Investment amounts authorized by investment commission, MOEA	Upper limit on investment (Note 2)
Fubon Securities Co., Ltd.	944,532 (CNY200,000)	1,017,360 (CNY200,000)	22,169,132

Note 1: Direct investment in Mainland China.

Note 2: It was calculated by Fubon Securities' net value as of September 30, 2019.

Note 3: The amount above is converted into TWD using CNY closing exchange rate on September 30, 2019, and average exchange rate for the nine months ended September 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 September 30, 2019	Net income from investee	Percentage of Ownership	Equity in the Earnings (gains)	Carrying value as of September 30, 2019	Accumulated inward remittance of earnings as of September 30, 2019
					Outflow	Inflow						
CITIC FUTONG Financial Leasing Ltd.	Financial leasing	4,061,452 (CNY931,034)	(Note 1)	1,356,479	-	-	1,356,479	(292,921)	25 %	(73,230)	823,645	-

Company	Accumulated investment in Mainland China as of September 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)	1,592,295

Note 1: Direct investment in Mainland China.

Note 2: It was calculated by Fubon AMC's net value as of September 30, 2019.

Note 3: The amount above is converted into TWD using CNY closing exchange rate on September 30, 2019 and average exchange rate for the nine months ended September 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 September 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 September 30, 2019	Net income from investee	Percentage of Ownership	Equity in the Earnings (gains)	Carrying value as of September 30, 2019	Accumulated inward remittance of earnings as of September 30, 2019
					Outflow	Inflow						
Founder Fubon Fund Management Limited	Fund raising and asset management	2,879,118 (CNY660,000)	(Note 1)	1,029,119	-	-	1,029,119	(166,780)	33.30 %	(55,538)	612,652	-

Company	Accumulated investment in Mainland China as of September 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)	1,945,366

Note 1: Direct investment in Mainland China.

Note 2: It was calculated by Fubon Asset Management's net value as of September 30, 2019.

Note 3: The amount above is converted into TWD using CNY closing exchange rate on September 30, 2019 and average exchange rate for the nine months ended September 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(f).

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 September 30, 2019						
	Bank business	Property insurance business	Life insurance business	Securities Business	Others	Adjustment and elimination	Total
Net revenues							
Revenue by external customers	\$ 13,406,638	3,947,205	127,506,729	2,416,178	763,299	-	148,040,049
Revenue between segments	1,788,162	(104,927)	(1,243,668)	141,261	26,622,231	(27,203,059)	-
Total	<u>\$ 15,194,800</u>	<u>3,842,278</u>	<u>126,263,061</u>	<u>2,557,439</u>	<u>27,385,530</u>	<u>(27,203,059)</u>	<u>148,040,049</u>
Segment income (Note)	<u>\$ 7,828,567</u>	<u>1,636,761</u>	<u>19,222,201</u>	<u>1,137,274</u>	<u>27,026,868</u>	<u>(26,196,313)</u>	<u>30,655,358</u>
	For the three months ended September 30, 2018						
	Bank business	Property insurance business	Life insurance business	Securities Business	Others	Adjustment and elimination	Total
Net revenues							
Revenue by external customers	\$ 12,153,986	3,607,020	102,788,581	2,308,632	314,810	-	121,173,029
Revenue between segments	1,189,700	(38,885)	(1,099,345)	189,823	21,034,756	(21,276,049)	-
Total	<u>\$ 13,343,686</u>	<u>3,568,135</u>	<u>101,689,236</u>	<u>2,498,455</u>	<u>21,349,566</u>	<u>(21,276,049)</u>	<u>121,173,029</u>
Segment income (Note)	<u>\$ 6,904,151</u>	<u>1,150,132</u>	<u>13,961,537</u>	<u>1,126,387</u>	<u>20,983,010</u>	<u>(20,588,482)</u>	<u>23,536,735</u>

(Continued)

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

For the nine months ended September 30, 2019							
	<u>Bank business</u>	<u>Property insurance business</u>	<u>Life insurance business</u>	<u>Securities business</u>	<u>Others</u>	<u>Adjustment and elimination</u>	<u>Total</u>
Net revenues							
Revenue by external customers	\$ 40,351,720	10,886,194	283,320,497	6,374,367	1,414,398	-	342,347,176
Revenue between segments	<u>5,163,924</u>	<u>(278,731)</u>	<u>(3,938,185)</u>	<u>386,512</u>	<u>55,552,784</u>	<u>(56,886,304)</u>	<u>-</u>
Total	<u>\$ 45,515,644</u>	<u>10,607,463</u>	<u>279,382,312</u>	<u>6,760,879</u>	<u>56,967,182</u>	<u>(56,886,304)</u>	<u>342,347,176</u>
Segment income (Note)	<u>\$ 23,241,747</u>	<u>4,017,310</u>	<u>31,466,689</u>	<u>2,686,457</u>	<u>55,952,728</u>	<u>(54,101,784)</u>	<u>63,263,147</u>
Segment assets	<u>\$ 3,290,321,984</u>	<u>108,123,701</u>	<u>4,720,621,431</u>	<u>138,696,802</u>	<u>692,303,642</u>	<u>(700,503,501)</u>	<u>8,249,564,059</u>
For the nine months ended September 30, 2018							
	<u>Bank business</u>	<u>Property insurance business</u>	<u>Life insurance business</u>	<u>Securities business</u>	<u>Others</u>	<u>Adjustment and elimination</u>	<u>Total</u>
Net revenues							
Revenue by external customers	\$ 36,658,139	10,376,771	274,457,730	6,243,328	1,268,275	-	329,004,243
Revenue between segments	<u>4,163,024</u>	<u>(36,047)</u>	<u>(3,385,872)</u>	<u>521,966</u>	<u>58,039,697</u>	<u>(59,302,768)</u>	<u>-</u>
Total	<u>\$ 40,821,163</u>	<u>10,340,724</u>	<u>271,071,858</u>	<u>6,765,294</u>	<u>59,307,972</u>	<u>(59,302,768)</u>	<u>329,004,243</u>
Segment income (Note)	<u>\$ 21,319,436</u>	<u>4,105,125</u>	<u>31,950,133</u>	<u>2,485,394</u>	<u>58,263,610</u>	<u>(56,922,048)</u>	<u>61,201,650</u>
Segment assets	<u>\$ 3,072,500,594</u>	<u>100,266,917</u>	<u>4,277,806,304</u>	<u>133,094,298</u>	<u>613,620,424</u>	<u>(623,440,133)</u>	<u>7,573,848,404</u>

Note: Income tax expense information is not included in segments information.